

Tirupati Balajee Nutrition Private Limited

January 9, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	7.71 (reduced from 8.28)	CARE B+ ; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Total facilities	7.71 (Rupees Seven Crore and Seventy One Lakh Only)		

Details of facilities in Annexure-1

Detailed Rationale

The rating assigned to the bank facilities of Tirupati Balajee Nutrition Private Limited (TBNPL) continues to be constrained by short track record of its promoters, moderate scale of operation, raw material price fluctuation and availability risk with susceptibility to vagaries of nature, highly competitive and fragmented nature of the industry and government regulation and control in the sector. However, the aforesaid constraints are partially offset by the company's unit's locational advantage, government support in the form of state subsidy and insulation from economic cycle with stable demand outlook.

Going forward, the ability of TBNPL to increase its scale of operations with improvement in profitability and effective management of working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

TBNPL scale of operations remained modest as compared to its peers with a PAT of Rs.0.23 crore on total operating income of Rs.54.12 crore during FY16. Furthermore, total capital employed of the company, though increased as on March 31, 2016, remained low at Rs.13.05 crore as against Rs.12.12 crore as on March 31, 2015.

TBNPL's unit has close proximity to local grain markets, major raw material procurement destinations for the company. Further, Bihar is one of the major wheat producing states in India. In addition, the plant is having good transportation facilities and other requirements like good supply of power, water etc. Accordingly, TBNPL has locational advantage in terms of proximity to raw material and connectivity.

The state government of Bihar, under the scheme "Integrated development", designed for advancement of food processing sector in Bihar is focusing on food processing industry to achieve a "faster" and "all-inclusive" economic growth with its favourable industry policies and accordingly, companies like TBNPL will be benefited in future years also. Presently, the company is entitled to receive Rs. 1.32 crore as subsidy from Bihar government. Demand outlook for wheat appears to be stable and offers insulation from economic cycle.

TBNPL commenced commercial production at its plant in August, 2012 and has successfully completed more than four years of operation with FY14 being the first full year of operation for the company. Further, the total operating income (TOI) increased marginally by 4.56% during FY16 vis-à-vis FY15, the same remaining relatively low at Rs.54.12 crore. Further, till H1FY17 TBNPL has achieved total operating income of Rs.52.10 crore. Accordingly, the scale of operations remained moderate.

Roy family has been involved in the business of construction through its family managed partnership firm. Shri Ritesh Kumar (aged about 34 years, MBA) started TBNPL in order to diversify the business considering the opportunities in the flour milling industry with the aid and support received from the State government of Bihar. Accordingly, promoters of TBNPL have more than four years of experience in the existing line of business.

The prices of major raw material, i.e. wheat, are dependent on its availability which is further dependent on climatic conditions. Wheat production's overdependence on monsoons is an inherent risk which may impact its availability, resulting in volatility in wheat prices. Further, the company doesn't have any long term contracts with any of its suppliers

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

and procure the raw materials on spot price. Since, raw material is the major cost driver for TBNPL accounting about 92.22% of total cost of sales in FY16, any increase in raw material prices without corresponding increase in finished goods prices will result in adverse performance of the company.

Flour mill industry is highly fragmented and competitive marked by the presence of numerous organized and unorganized players due to low entry barriers on the back of limited capital and technological requirements and capital subsidy provided by Government to promote agro based industries, leading to intense competition within the players. Hence, the players in the industry do not have any pricing power and are exposed to competition induced pressures on profitability.

Wheat being a staple food, its prices is under the tight control of the Central/State Government. There are strict regulations in place relating to Minimum Support Price and Exim policy which hugely affects the wheat prices domestically. It is to be noted that, the Minimum Support Price of wheat has recently been changed to Rs.1625/quintal during 2016-2017 from Rs. 1525 /quintal during 2015-2016.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Tirupati Balajee Nutrition Pvt. Ltd (TBNPL), incorporated in December 2008, was promoted by Roy family based out of Danapur, Bihar under the guidance of Shri Ritesh Kumar Roy to set up a flour mill (both Roller Flour Mill and Atta 'Chakki'). TBNPL commenced commercial production on August, 2012, upon commissioning of its plant at Bihta (Bihar) with an installed capacity of 54,000 MTPA and in view of rising demand of flour products the company further expanded its flour mill facility (by 54,000 MTPA) at its existing plant. Since its inception, it has been engaged in manufacturing of different flour qualities like "Atta", "Maida" and "Suji" and markets its products in the brand name of "Nandan Bhog". TBNPL procures wheat from wholesalers and commission agents present in local grain markets and sell its products to wholesale traders in the states of Bihar, Orissa, Jharkhand and West Bengal.

In FY16 (refers to the period April 1 to March 31), the firm achieved a total operating income of Rs.54.12 crore and PAT of Rs.0.23 crore as against a total operating income of Rs.51.76 crore and PAT of Rs.0.18 crore in FY15. The firm has achieved a turnover of Rs.52.10 crore during H1FY17.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Annexure 1

Details of Instruments/Facilities:-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based - LT-Term Loan	-	-	September 2020	3.11	CARE B+; Stable
Fund Based - LT-Cash Credit	-	-	-	4.60	CARE B+; Stable

Annexure 2

Rating History for last three years :-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based - LT-Term Loan	LT	3.11	CARE B+; Stable	-	1)CARE B+ (31-12-2015)	1)CARE B+ (07-07-2014)	1)CARE B+ (10-06-2013)
2.	Fund Based - LT-Cash Credit	LT	4.60	CARE B+; Stable	-	1)CARE B+ (31-12-2015)	1)CARE B+ (07-07-2014)	1)CARE B+ (10-06-2013)

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