

Tirupati Balajee Nutrition Private Limited
May 19, 2020

Ratings

| Facilities /Instruments | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---------------------------|--|---|--|
| Long-term Bank Facilities | 7.71 | CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus ; Outlook: Stable; ISSUER NOT COOPERATING*) | Revised from CARE B; Stable; (Single B; Outlook: Stable); Issuer Not Cooperating; based on best available information |
| Total | 7.71 (Rupees Seven crore and Seventy One Lakh only) | | |

Details of instruments/facilities in Annexure-I

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Tirupati Balajee Nutrition Private Limited (TBNPL) to monitor the rating vide e-mail communications/letters dated May 04, 2020, May 06, 2020, May 07, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which, however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating of entity's bank facilities will now be denoted as **CARE B-; Outlook: Stable; ISSUER NOT COOPERATING**. Further, the banker could not be contacted.

Users of these ratings (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating takes into account moderate small scale of operation with moderate track record of operations, raw material price fluctuation and availability risk susceptibility to vagaries of nature, highly competitive and fragmented industry and government controlled industry. The rating, however, continues to draw comfort from locational advantage and government support.

Detailed Rationale & Key Rating Drivers**Key Rating Weaknesses****Moderate scale of operation with moderate track record of operations**

TBNPL scale of operations remained modest as compared to its peers with a PAT of Rs.0.48 crore on total operating income of Rs.64.86 crore during FY19. Furthermore, total capital employed of the company remained low at Rs.13.41 crore as on March 31, 2019. TBNPL commenced commercial production at its plant in August, 2012 and has successfully completed more than six years of operation with FY14 being the first full year of operation for the company.

Raw material price fluctuation and availability risk with susceptibility to vagaries of nature

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 and procure the raw materials on spot price. Any increase in raw material prices without corresponding increase in finished goods prices will result in adverse performance of the company.

Highly competitive and fragmented industry

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.

Government controlled industry

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.1925/quintal during 2018-2019 from Rs. 1840 /quintal during 2018-2019.

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

*Issuer did not cooperate; based on best available information

Key Rating Strengths

Locational Advantage

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.

Government Support

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.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch'](#)

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

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

[CARE's methodology for manufacturing companies](#)

About the Entity

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.

| Brief Financials (Rs. crore) | FY18 (A) | FY19 (A) |
|------------------------------|----------|----------|
| Total operating income | 56.91 | 64.86 |
| PBILDT | 1.69 | 1.64 |
| PAT | 0.41 | 0.48 |
| Overall gearing (times) | 1.30 | 1.26 |
| Interest coverage (times) | 2.23 | 2.54 |

A: Audited.

Status of non-cooperation with previous CRA: Issuer Not Cooperating from Brickwork Ratings as per press release dated April 21, 2020.

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

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 | - | - | May 2024 | 3.11 | CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information |
| Fund-based - LT-Cash Credit | - | - | - | 4.60 | CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|---|---|---|---|--|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2020-2021 | Date(s) & Rating(s) assigned in 2019-2020 | Date(s) & Rating(s) assigned in 2018-2019 | Date(s) & Rating(s) assigned in 2017-2018 |
| 1. | Fund-based - LT-Term Loan | LT | 3.11 | CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information | - | - | 1)CARE B; Stable; ISSUER NOT COOPERATING* (05-Mar-19) | 1)CARE B+; ISSUER NOT COOPERATING* (27-Dec-17) |
| 2. | Fund-based - LT-Cash Credit | LT | 4.60 | CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* on the basis of best available information | - | - | 1)CARE B; Stable; ISSUER NOT COOPERATING* (05-Mar-19) | 1)CARE B+; ISSUER NOT COOPERATING* (27-Dec-17) |

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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