

Tirupati Balajee Nutrition Pvt. Ltd.

December 27, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	7.71	CARE B+; ISSUER NOT COOPERATING (SingleB plus; ISSUER NOT COOPERATING)	ISSUER NOT COOPERATING
Total	7.71 (Rupees Seven Crore and Seventy One Lakh Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Tirupati Balajee Nutrition Pvt. Ltd. (TBNPL) to monitor the ratings vide e-mail communications/ letters dated 19.06.2017, 05.10.2017, 12.12.2017, 29.11.2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** In line with the extant SEBI guidelines CARE's rating on TBNPL's bank facilities will now be denoted as **CARE B+; ISSUER NOT COOPERATING**. *Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.*

Detailed description of the key rating drivers

At the time of last rating in January 09, 2017 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

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.

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

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 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

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[Financial ratios – Non-Financial Sector](#)
[CARE's Policy on Default Recognition](#)

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.

Brief Financials (Rs. crore)	FY15 (A)	FY16 (A)
Total operating income	51.76	54.12
PBILDT	1.39	1.50
PAT	0.18	0.23
Overall gearing (times)	1.70	1.76
Interest coverage (times)	2.19	2.15

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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+; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	4.60	CARE B+; ISSUER NOT COOPERATING*

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	3.11	CARE B+; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (09-Jan-17)	1)CARE B+ (31-Dec-15)	1)CARE B+ (07-Jul-14)
2.	Fund-based - LT-Cash Credit	LT	4.60	CARE B+; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (09-Jan-17)	1)CARE B+ (31-Dec-15)	1)CARE B+ (07-Jul-14)

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