

Press Release

Tirumalla Oil Refinery Private Limited (TORPL)

February 29, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crores)	Rating Assigned
1.	Long Term Debt – Term Loan	73.69*	IVR BBB/Positive Outlook (IVR Triple B with Positive Outlook)
2.	Long Term Facility – Fund Based – Cash Credit	30.00**	IVR BBB/Positive Outlook (IVR Triple B with Positive Outlook)
	Total	103.69	

*This includes a proposed amount of INR 31.00 Crores

**This includes a proposed amount of INR 3.70 Crores

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from experienced promoters & management team, diversified client base & strong distribution network, healthy revenue growth & improving EBITDA margin, comfortable capital structure & debt protection metrics, comfortable cash conversion cycle, location specific benefits, product portfolio. The rating however is constrained by high level of competition with low entry barriers & agro climatic risks. The Positive outlook reflects expected improvement in the revenue & profitability in FY20 and beyond on account of operationalisation of enhanced capacity to 225 TPD from 100 TPD since December 2019.

Key Rating Sensitivities

Upward revision factors:

Substantial & sustained improvement in revenue while maintaining profitability and debt protection metrics

Downward revision factors:

Any decline in the revenue and/or profitability leading to deterioration in the debt protection metrics

List of key rating drivers with detailed description

Key Rating Strengths

- **Experienced promoters & management team:**

The company is being managed by experienced directors and promoters. Collectively, they have rich experience in the oil industry and are instrumental in setting up and developing the company. Having operated in industry since years now, the promoters have established a strong network with suppliers and customers. The company has a team of experienced and capable professionals, having over a decade of experience in the segment, to look after the overall management.

- **Diversified client base & strong distribution network**

With promoters' extensive experience, established network of the distributors and brand development strategies adopted, the company has been able to gather a diversified client base. The top 5 customers of the company only account for 6.07% of the sales in FY19 indicating a diversified client base.

- **Healthy revenue growth & improving EBITDA margin**

The Company's topline is on an increasing trend with a CAGR of 61.79% since commencement of operations in 2016, in FY19 it increased to INR 342.13 Crore from INR 205.74 Crore in FY18 as the company has established a good presence in the regions it operates. The company's EBITDA margin was 8.07% in FY19 and 7.91% in 2018.

- **Comfortable capital structure & debt protection metrics**

The Interest coverage ratio of the company stood at 8.60x in FY 19, 6.26x in FY18 and 2.96x in FY17. The overall capital structure of the company is strong. The overall gearing ratio stands at 0.25x in FY19 and 0.59 in FY18. The long term debt to GCA stands at 0.45 in FY19 and 0.72 in FY18. The TOL to TNW stands at 0.33 in FY19 and 0.72 in FY18.

- **Comfortable cash conversion cycle**

The company cash conversion cycle is comfortable with 32 days in FY19 and 34 days in FY18. The average collection period was 24 days in FY 19 and 31 days in FY18. The average inventory days was at 13 days in FY19 and 7 days in FY18.

- **Location specific benefits**

The company has strategically placed its plant at Beed district in Maharashtra as the area is known as Cotton & Soybean Belt of Maharashtra and has ample farming of these crops. This gives the Company an edge to procure key raw materials at a competitive cost. It also helps in saving transportation costs while supplying to neighboring states, to name a few, Gujarat, MP and Karnataka. They also own a fleet of 65 trucks to help them transport the goods within and neighboring states of Maharashtra.

- **Diversified Product Portfolio**

The company produces a wide variety of edible oils to cater to the needs of all consumer and geographical segments, which mitigate the seasonality risk associated with any product. Its product portfolio mainly includes Cotton Seed Oil (13.43% of FY19 revenue), Ground Nut Oil (20.46%), Rice Bran Oil (8.74%), Sun flower Oil (39.01%), Palm Oil (5.55%), Soyabean Oil (10.94%) and others.

Key Rating Weaknesses

- **High level of competition with low entry barriers**

The edible oil industry in India is characterized by intense competition, with the presence of a large number of edible oil refineries in organized & unorganized sector. and low entry barriers. As a result of high competition and low entry barriers profit margins in the edible oil business tend to remain thin.

- **Agro climatic Risks**

TORPL is vulnerable to agro climatic risks, considering the availability and prices of its raw materials depend on climatic conditions.

Analytical Approach & Applicable Criteria

Standalone

Rating methodology for manufacturing companies

Financial ratios and Interpretation (Non-Financial Sector)

Liquidity: Adequate

The current ratio and quick ratio remained comfortable at 1.40x and 0.88x respectively as on March 31, 2019. The company's cash flow from operation also remains adequate. The liquidity of the company expected to remain Adequate in the near to medium term in view of sufficient cash accruals in comparison to debt repayment. The company's cash & cash equivalent is at INR 1.05 Cr in FY19.

About the Company

Incorporated in January 2015 & based out of Beed, Maharashtra, Tirumalla Oil Refinery Pvt. Ltd, (TORPL) is into manufacturing of various kinds of edible oils such as cotton seed oil, ground nut oil, safflower oil, rice bran oil, sunflower oil, palm oil, soybean oil. Present installed capacity is 225 TPD (Tonnes Per day)

Financials (Standalone)

INR Crore

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	205.74	342.13
EBITDA	16.28	27.61
PAT	9.72	15.31
Total Debt	21.01	32.40
Tangible Networkth	35.79	130.79
EBITDA Margin (%)	7.91	8.07
PAT Margin (%)	4.73	4.49
Overall Gearing Ratio (x)	0.59	0.25

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC	Long Term	30.00*	IVR BBB /Positive Outlook	--	--	--
3.	Fund Based Facility – Term Loans	Long Term	73.69**	IVR BBB/Pos itive Outlook	--	--	--

* This includes a proposed amount of INR 3.70 Crores

** This includes a proposed amount of INR 31.00 Crores

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Analysts:

Name: Ms. Shreshtha Singhvi

Tel: (022) 62396023

Email: ssinghvi@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuania@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	On Demand	30.00*	IVR BBB / Positive Outlook
Term Loans			December 2020 - November 2026	73.69**	IVR BBB Positive Outlook

* This includes a proposed amount of INR 3.70 Crores

** This includes a proposed amount of INR 31.00 Crores