



Press Release

Shree Tirupati Balajee FIBC Limited

December 13, 2022

Rating

Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long-Term Bank Facilities	51.15	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Total	51.15 (INR Fifty-one crore and fifteen lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

For arriving at the rating, Infomerics has considered the consolidated financials of Shree Tirupati Balajee Agro Trading Company Private Limited (STBATCPL) along with its subsidiaries Shree Tirupati Balajee FIBC Limited (STBFL), Jagannath Plastics Private Limited (JPPL) and Honourable Packaging Private Limited (HPPL) as these entities are engaged in similar line of business, run under a common management, and have strong operational and financial linkages.

The ratings assigned to the bank facilities of Shree Tirupati Balajee FIBC Limited (STBFL) derives comfort from its long operational track record under experienced promoters, improvement in scale of operation in FY22 with marginal improvement in profitability supported by its well diversified operation. However, these rating strengths are partially offset by susceptibility of its profitability to raw material price fluctuation and exposure to foreign currency fluctuation risk. Further, the rating also note the group's moderate capital structure due to its working capital-intensive nature of operation and moderate debt protection metrics.

Key Rating Sensitivities:

Upward factors

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in gross cash accruals.



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- Improvement in the capital structure marked by improvement in overall gearing to below 1.5x with improvement in debt protection metrics marked by rise in interest coverage ratio to over 3x
- Improvement in in operating cycle leading to improvement in liquidity

Downward Factors

- Moderation in scale of operations and/or moderation in profitability impacting the debt protection metrics on a sustained basis
- Any unplanned capex leading to moderation in the capital structure with moderation in the overall gearing to over 2x
- Further elongation in operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with long operational track record**

Shree Tirupati Balajee (STB) Group was promoted in 2001 by Mr. Binod Kumar Agarwal to manufacture woven sacks and FIBC bags. The group has a strong presence for more than two decades in the flexible packaging industry. The promoter Mr. Agarwal also has vast business experience of more than two decades which supports the business risk profile to a large extent.

- **Well diversified operation**

Over the years of its presence, the Group has successfully expanded its product reach to various industries like chemicals, salt, fertilizer, food, pharma, Agri-commodities, cement, and construction. Moreover, the group's revenue is well diversified with healthy revenue mix of export and domestic sales. Further, it has established strong and healthy relationship with reputed players in the market thereby ensuring repeated orders from them because of quality and reliable products offered to them.

- **Improvement in scale of operation in FY22 with marginal improvement profitability**

STB's consolidated total operating income had witnessed a CAGR of ~16% during FY20-22. During FY21, the improvement in topline was marginal mainly due to lack of new work orders as the operations of the company was impacted due to Covid pandemic with less export opportunities. However, during the post pandemic scenario, as the situation got stabilized in FY22, the topline has witnessed a steady improvement by ~30% driven by



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improved demand in both domestic and international market coupled with better sales realizations. The EBITDA margin of the group remained moderate and rangebound in between 8.70%-9.10% during FY20-FY22. The profitability is exposed to fluctuations in polypropylene granules (the key raw material) prices and exposure to foreign currency exchange rates because of high proportion of export sales in its revenue mix. Driven by improved absolute EBITDA, PAT margin has improved from 2.90% in FY21 to 3.16% in FY22. GCA has also improved from Rs.16.59 crore in FY21 to Rs.22.06 crore in FY22. During H1 FY23, the group has already achieved a combined topline of Rs.204.16 crore.

Key Rating Weaknesses:

- **Susceptible to raw material price and exposure to foreign currency fluctuation risk**

The group's profit margins are volatile in nature due to fluctuation in the price of the key input, polymer granules which derives of crude oil. Exports, which are denominated in foreign currency, accounted for sizeable portion of the company's sales in FY22. Hence, any significant movement in the exchange rates could lead to volatility in the EBITDA margin. However, the group has been partially mitigating the risk involved in forex transactions through hedging.

- **Moderate capital structure and moderate debt protection metrics**

The capital structure of the group has remained moderate as on the past three account closing dates. The long-term debt to equity and the overall gearing ratio remained moderate at 0.64x and 1.97x respectively (0.48x and 1.77x respectively as on March 31,2021) as on March 31,2022. However, the overall indebtedness of the group marked by TOL/TNW has remained satisfactory at 2.22x as on March 31, 2022 (2.22x as on March 31,2021). The debt protection metrics of the group remained moderate over the years. The interest coverage ratio of the group remained satisfactory at 2.66x in FY22 (2.64x in FY21). Further, with rise in EBITDA and gross cash accruals in FY22, both Total Debt to EBITDA and Total debt to GCA though remained moderate has improved to 5.88x and 10.89 years respectively as on March 31, 2022, against 6.09x and 11.53 years as on March 31, 2021.

- **Working capital intensive nature of operation**

The operations of the group remained working capital intensive marked by its high working capital requirements. Further, the operating cycle of the group remained elongated mainly due to its long average inventory holding period owing to the very nature of the business mainly to avail the cost advantages from bulk buying and to ensure the availability and



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mitigate the price fluctuation of Polypropylene granules which are the key raw material needed to manufacture FIBC bags. Further, the GCA days of the group also remained high at 233 days in FY22.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has considered the consolidated financials of Shree Tirupati Balajee Agro Trading Company Private Limited (STBATCPL) along with its subsidiaries Shree Tirupati Balajee FIBC Limited (STBFL), Jagannath Plastics Private Limited (JPPL) and Honourable Packaging Private Limited (HPPL) as these entities are engaged in similar line of business, run under a common management, and have strong operational, financial linkages and cash flow fungibility. The lists of companies considered for consolidation are given in Annexure 3.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

The liquidity profile of group is expected to be adequate driven by its healthy expected gross cash accruals ranging from ~Rs.26 crore to Rs.35 crore during FY23-FY25 which should be sufficient to its debt obligation of ~Rs.17 crore to ~Rs.18 crore for the same period. Moreover, the group also has moderate gearing headroom on the back of its moderate capital structure. However, liquidity position of the group is restricted due to its working capital-intensive nature of operation mainly due to its elongated average inventory period.

About the Company

Shree Tirupati Balajee FIBC Limited (STBFL) was incorporated in 2009 by Mr. Binod Agarwal. STBFL is a part of Shree Tirupati Balajee group which is engaged in manufacturing is into manufacturing of high value-added FIBC bags for food and pharma segments. Shree Tirupati Balajee FIBC Ltd. is a 100% export-oriented unit and holds the British Retail Consortium food safety certification having installed capacity of 7000 MTPA. The Group has a combined manufacturing capacity of 25,000 MTPA of FIBC bags.



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Financials of Shree Tirupati Balajee Agro Trading Company Private Limited (Consolidated):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	346.92	451.21
EBITDA	31.40	40.89
PAT	10.07	14.27
Total Debt	191.18	240.26
Tangible Net worth	108.16	122.14
EBITDA Margin (%)	9.05	9.06
PAT Margin (%)	2.90	3.16
Overall Gearing Ratio (x)	1.77	1.97
Interest Coverage Ratio (x)	2.64	2.66

*Classification as per Infomerics' standards.

Financials of Shree Tirupati Balajee FIBC Limited (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	117.12	197.76
EBITDA	9.53	12.57
PAT	4.77	7.00
Total Debt	39.51	48.24
Tangible Net worth	46.81	53.88
EBITDA Margin (%)	8.14	6.35
PAT Margin (%)	4.07	3.54
Overall Gearing Ratio (x)	0.84	0.90
Interest Coverage Ratio (x)	4.60	4.96

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20



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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit & EPC	Long Term	30.00	IVR BBB; Stable	-	-	-
2.	Term Loan	Long Term	13.01*	IVR BBB; Stable	-	-	-
3.	ECLGS	Long Term	8.14	IVR BBB; Stable	-	-	-

*Outstanding as on September 30, 2022

Name and Contact Details of the Rating Analyst:

Name: Indranil Mukherjee Tel: (033) 46022266 Email: indranil.mukherjee@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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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 (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit/EPC	-	-	-	30.00	IVR BBB; Stable
Long Term Fund Based Limits – Term Loan	-	-	March 2029	13.01	IVR BBB; Stable
Long Term Fund Based Limits – ECLGS	-	-	-	8.14	IVR BBB; Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-STBFL-dec22.pdf>

Annexure 3: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
Shree Tirupati Balajee Agro Trading Company Private Ltd.	Full Consolidation
Shree Tirupati Balajee FIBC Limited	Full Consolidation
Jagannath Plastics Private Limited	Full Consolidation
Honourable Packaging Private Limited	Full Consolidation

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.