



Press Release

Shree Tirupati Balajee Agro Trading Company Limited

February 23, 2024

Rating

Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long-Term Bank Facilities	130.76 (Reduced from Rs.140.09 crore)	IVR BBB/Positive (IVR Triple B with Positive Outlook)	Reaffirmed with revision in outlook from Stable to Positive	Simple
Total	130.76 (INR One hundred thirty crore and seventy six lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

For arriving at the rating, Infomerics Ratings has considered the consolidated financials of Shree Tirupati Balajee Agro Trading Company Limited (STBATCL) 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 reaffirmation in ratings assigned to the bank loan facilities of Shree Tirupati Balajee Agro Trading Company Limited (STBATCL) continues to derive comfort from its long operational track record under experienced promoters, improvement in scale of operation in FY23 with improvement in profitability supported by its well diversified operation and satisfactory capital structure and comfortable debt protection metrics. However, these rating strengths are partially offset by susceptibility of its profitability to raw material price fluctuation and exposure to foreign currency fluctuation risk coupled with working capital-intensive nature of operation. The outlook has been revised from stable to positive on the back of expected improvement in financial risk profile driven by equity infusion in FY24 coupled with the initiation of IPO in Shree Tirupati Balajee Agro Trading Company along with the improved operational performance of the group in H1 FY24.



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Key Rating Sensitivities:

Upward factors

- Substantial and sustained growth in scale of operations with improvement in profitability and cash accrual on a sustained basis
- Improvement in capital structure and debt protection metrics marked by improvement in overall gearing to below 1.2x and interest coverage to above 4x
- Improvement in the operating cycle leading to improvement in liquidity

Downward Factors

- Decline in operating income and profitability leading to deterioration in gross cash accruals
- Any moderation in the capital structure with deterioration in overall gearing to more than 2x and moderation in interest coverage to below 2.5x
- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure impacting the financial risk profile, particularly 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 FY23 with improvement profitability**



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STB's consolidated total operating income witnessed a y-o-y growth of ~6% in FY23 driven by rise in sales from domestic market. In past, export contributed a high portion in the revenue mix of the group. Recession in the EU countries has sunk the export demand. Further, lower realizations in a highly competitive market have led to moderation in export sales of the group in FY23. The EBITDA margin of the group improved from 8.39% in FY22 to 10.23% in FY23 driven by higher absorption of fixed overheads marked by rise in capacity utilisation. Dip in low margin trading revenue and rise in inventory level further aided the growth in EBITDA margin. Furthermore, driven by improved absolute EBITDA, PAT margin has improved from 3.16% in FY22 to 4.41% in FY23. Gross cash accruals have also improved from Rs.22.06 crore in FY22 to Rs.26.75 crore in FY23. The group has achieved a revenue of Rs.200.76 crore in H1FY24 and has witnessed improvement in its profit margins underpinned by positive movement in its key raw material (polypropylene granules) prices.

- **Moderate capital structure with comfortable debt protection metrics**

The net worth base of the group has remained satisfactory at Rs.143.46 crore as on March 31, 2023. The debt profile of the group mainly consists of Term loans, covid loans, cash credit and export packing credit. The long-term debt to equity and the overall gearing ratio has improved and remained satisfactory at 0.49x and 1.56x respectively (0.64x and 1.97x respectively as on March 31,2022) as on March 31, 2023. The overall indebtedness of the group marked by TOL/TNW has improved and remained satisfactory at 1.75x as on March 31, 2023, against 2.22x as on March 31, 2022. With fresh infusion of equity of ~Rs. 32.59 crore during FY24 in the form of private placement along with expected IPO in the holding company (Shree Tirupati Balajee Agro Trading Co. Limited) the leverage ratios are expected to improve in the near term. Notwithstanding the rise in interest outgo, the interest coverage ratio of the group has improved and remained satisfactory at 3.01x in FY23 (2.44x in FY21). Further, with rise in EBITDA and gross cash accruals both Total Debt to EBITDA and Total debt to GCA has improved to 4.60x and 8.37 years respectively as on March 31, 2023, against 6.39x and 10.89 years as on March 31, 2022.

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 FY23. Hence, any significant movement in the exchange rates could lead to volatility in the EBITDA margin.



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However, the group has been partially mitigating the risk involved in forex transactions through hedging.

- **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 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 224 days in FY23.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has considered the consolidated financials of Shree Tirupati Balajee Agro Trading Company Limited (STBATCL) 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](#)

[Criteria of Consolidation of Companies](#)

[Policy on Default Recognition](#)

[Criteria on Complexity](#)

Liquidity: Adequate

The liquidity profile of group is expected to be adequate driven by its healthy expected gross cash accruals during FY24-FY26. 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. The group has infused fresh equity amounting to Rs.32.59 crore during FY24 to support its business. Moreover, the group has also applied for IPO in Shree



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Tirupati Balajee Agro Trading Company Limited which is also expected to boost the liquidity in the near term.

About the Company

Shree Tirupati Balajee Agro Trading Co. Private Ltd. (STBATCPL) was incorporated in 2001 by Mr. Binod Agarwal which got changed to Shree Tirupati Balajee Agro Trading Company Limited on November 20, 2023. STBATCL is a part of Shree Tirupati Balajee group which is engaged in manufacturing of FIBC bags for food, pharmaceutical, mineral, and mining, construction, and agricultural produce packaging. Shree Tirupati Balajee Agro Trading Co. Ltd.'s manufacturing facility is at Pithampur, Indore, Madhya Pradesh, having a capacity of 28,000 metric tonnes per annum (MTPA) of FIBC bags. The Group has a combined manufacturing capacity of 52,152 MTPA of FIBC bags. STBATCL is going for IPO and already appointed merchant banker regarding the same.

Financials Consolidated: Shree Tirupati Balajee Agro Trading Company Limited

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	447.90	475.78
EBITDA	37.58	48.66
PAT	14.27	21.04
Total Debt	240.26	223.96
Tangible Net worth	122.14	143.46
EBITDA Margin (%)	8.39	10.23
PAT Margin (%)	3.16	4.41
Overall Gearing Ratio (x)	1.97	1.56
Interest Coverage Ratio (x)	2.44	3.01

*Classification as per Infomerics' standards.

Financials Standalone: Shree Tirupati Balajee Agro Trading Company Private Limited

(Rs crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	353.83	346.32
EBITDA	20.35	26.51
PAT	5.94	8.79
Total Debt	155.58	143.27
Tangible Net worth	66.49	75.48
EBITDA Margin (%)	5.75	7.65



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PAT Margin (%)	1.67	2.54
Overall Gearing Ratio (x)	2.34	1.90
Interest Coverage Ratio (x)	1.93	2.38

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years (Rs. Crore)		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit & EPC	Long Term	104.00	IVR BBB; Positive	IVR BBB; Stable	-	-
2.	Term Loan	Long Term	8.50*	IVR BBB; Positive	IVR BBB; Stable	-	-
3.	ECLGS	Long Term	18.26*	IVR BBB; Positive	IVR BBB; Stable	-	-

*Outstanding as on December 31, 2023

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit www.infomerics.com.

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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	-	-	-	104.00	IVR BBB; Positive
Long Term Fund Based Limits – Term Loan	-	-	Feb 2028	8.50	IVR BBB; Positive
Long Term Fund Based Limits – ECLGS	-	-	-	18.26	IVR BBB; Positive

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Tirupati-BalajeeAgro-feb24.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



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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.

