

Shree Tirupati Balajee FIBC Limited

September 12, 2018

Summary of rated instruments

Instrument	Current Rated Amount (Rs. crore)	Rating Action
Long-term— Fund-based	19.62	[ICRA]BBB (Stable); assigned
Unallocated Limits	4.38	[ICRA]BBB (Stable)/ A3+; assigned
Total	24.00	

Rating action

ICRA has assigned the long-term rating of [ICRA]BBB (pronounced ICRA triple B) to the Rs. 19.62-crore¹ fund-based limits of Shree Tirupati Balajee FIBC Limited (STBFIBC or the company)². ICRA has also assigned the long-term rating of [ICRA]BBB (pronounced ICRA triple B) and the short-term rating of [ICRA]A3+ (pronounced ICRA A three plus) to the Rs. 4.38-crore unallocated limits of STBFIBC. The outlook on the long-term rating is Stable.

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of STBFIBC and its group company, Shree Tirupati Balajee Agro Trading Co. Pvt. Ltd. (STBATCPL) (the 'Group').

The assigned rating takes into account the extensive experience of the promoters, the long track record of the Group in the flexible packaging industry and its reputed customer base across various end-user industries, which mitigates the counterparty credit risk to a large extent and reduces concentration risk. ICRA also positively factors in the sustained YoY growth in the topline, satisfactory return indicators and the strong net worth base following the receipts from IPO (in Shree Tirupati Balajee FIBC Ltd.) in FY2018, resulting in improvement in capital structure.

The ratings, however, are constrained by the Group's working capital intensive operations due to high inventory holding requirements and the vulnerability of the Group's profitability to fluctuations in polypropylene granules (key raw material) prices and foreign currency exchange rates (because of high proportion of export sales in its revenue mix). ICRA also notes the Group's exposure to intense competition in the flexible intermediate bulk containers (FIBC) manufacturing industry due to the presence of various organised and unorganised players.

Outlook: Stable

ICRA believes that the Group will continue to benefit from the extensive experience of its promoters and its established track record in the FIBC manufacturing business. The outlook may be revised to Positive if substantial growth in revenue and profitability, and better working capital management, strengthen the financial risk profile. The outlook may be revised to Negative if any major debt-funded capital expenditure, or stretch in the working capital cycle, weakens liquidity.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

Extensive experience of promoters and established presence of Group in flexible packaging industry – The Shree Tirupati Balajee Group was promoted in 2001 by Mr. Binod Kumar Agarwal and his family to manufacture woven sacks and FIBC bags. It enjoys a strong presence and 15-year long track record in the flexible packaging industry.

Reputed customer base across various industries – The reputed and established customer profile of the Group in the domestic and international market reduces the counterparty credit risk to a large extent. Moreover, as the Group caters to various end-user industries such as FMCG, pharmaceutical, mineral and mining, and cement, its demand dependence on any particular industry is considerably reduced.

Sustained YoY improvement in revenue and capital structure – The Group witnessed healthy growth in its revenues over the years driven by steady improvement in its sales volume. The revenue grew at a compound annual growth rate of ~15% to Rs. 300.75 crore in FY2018 (provisional) from Rs. 147.53 crore in FY2013. Although, the profit margin of the Group has remained moderate and stable over the years. The operating and net profits at absolute levels have shown a consistent improvement on the back of increasing scale of operations. The net worth base has also improved gradually over the years with the accretion to reserves coupled with conclusion of IPO in STBFIBC in FY2018. Consequently, the capital structure improved, with the gearing of 1.49 times in FY2018 as against 1.76 times in FY2017. The debt coverage indicators stood satisfactory, with interest coverage of 2.92 times and Total Debt/ OPBDITA of 3.99 times in FY2018.

Credit challenges

High working capital intensity and moderate liquidity – High inventory holdings coupled with relatively high receivables cycle has resulted in high working capital intensity of operations as reflected in the NWC/OI of ~35%-38% over FY2014-FY2017. Further, it increased 40% in FY2018 mainly due to increase in other current assets (primarily GST receivable and advances to raw material suppliers). High working capital intensity also resulted in high working capital limit utilisation. Nevertheless, speed up in GST refunds from Q1FY2019 onwards improved the liquidity position in the current fiscal to some extent.

Vulnerability of profitability to fluctuations in raw material prices and foreign currency exchange rate – Polypropylene granules is the key raw material needed to manufacture FIBC bags. Hence, the Group's profitability remains exposed to fluctuations in its prices, which in turn depend on the price of crude oil. The Group's profitability is also exposed to fluctuations in foreign currency exchange rates because of high proportion of export sales in its revenue mix (~50% in FY2018).

Intense industry competition – The Group faces stiff competition from a large number of organised as well as unorganised players manufacturing FIBC bags. This limits the pricing flexibility and bargaining power with its customers, thereby putting pressure on the company's revenue and margins.

Analytical approach: For arriving at the ratings, ICRA has taken a consolidated view of STBFIBC and its Group company, Shree Tirupati Balajee Agro Trading Co. Pvt. Ltd. ICRA has also applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company:

Incorporated in 2009 by Mr. Binod Agarwal, Shree Tirupati Balajee FIBC Limited manufactures Flexible Intermediate Bulk Container bags/ jumbo bags. It manufactures various types of FIBC bags such as standard bag, baffle bag, conductive bag, and cross corner bag, which are used in food and pharmaceutical packaging. The company's manufacturing facility is located at Pithampur, Indore (M.P.) and has a total manufacturing capacity of 6,000 metric tonnes per annum (MTPA) of FIBC bags. It is a 100% export-oriented unit and hold the British Retail Consortium food safety certification.

STBFIBC is a part of Indore-based (Pithampur) Shree Tirupati Balajee Group, which is primarily involved in the manufacturing of FIBC. The Group companies include Shree Tirupati Balajee Agro Trading Co. Pvt. Ltd. (manufactures FIBC bags for food, pharmaceutical, mineral and mining, construction and agricultural produce packaging), Jagannath Plastics Pvt. Ltd. (manufactures intermediate technical textile fabric from polymers), Honourable Packaging Pvt. Ltd. (manufactures plastic granules, polyethylene fabric and tarpaulin from waste material) and NBA Tech Solutions Pvt. Ltd. The Group (STBFIBC and Shree Tirupati Balajee Agro Trading Co. Pvt. Ltd.) has a combined manufacturing capacity of 24,000 MTPA of FIBC.

In FY2017, the Group reported a net profit of Rs. 5.55 crore on an operating income (OI) of Rs. 235.39 crore, as compared to a net profit of Rs. 4.79 crore on an OI of Rs. 215.14 crore in the previous year. Further, as per the provisional financials, the Group reported a net profit of Rs. 9.61 crore on an operating income of Rs. 300.75 crore in FY2018.

Key financial indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	215.14	235.39
PAT (Rs. crore)	4.79	5.55
OPBDIT/ OI (%)	8.42%	8.40%
RoCE (%)	13.95%	13.24%
Total Debt/ TNW (times)	1.75	1.76
Total Debt/ OPBDIT (times)	3.98	4.15
Interest Coverage (times)	2.24	2.28
NWC/ OI (%)	34%	38%

Source: Group companies' financials and ICRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)			Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating September 2018	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
1 Export Packing Credit	Long Term	18.00	-	[ICRA]BBB (Stable)	-	-	-
2 Term Loan	Long Term	1.62	1.62	[ICRA]BBB (Stable)	-	-	-
3 Unallocated Limits	Long Term/ Short Term	4.38	-	[ICRA]BBB (Stable)/ A3+	-	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Export Packing Credit	NA	NA	NA	18.00	[ICRA]BBB (Stable)
NA	Term Loan I	FY2012	NA	FY2019	0.23	[ICRA]BBB (Stable)
NA	Term Loan II	FY2018	NA	FY2022	1.39	[ICRA]BBB (Stable)
NA	Unallocated Limits	NA	NA	NA	4.38	[ICRA]BBB (Stable)/A3+

Source: Shree Tirupati Balajee FIBC Limited

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