

May 05, 2020

## Shree Tirupati Balajee FIBC Limited: Ratings placed on watch with negative implication

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term—Fund-based	31.62	31.62	[ICRA]BBB@; rating placed on watch with negative implication
Short-term—Non fund-based	4.38	4.38	[ICRA]BBB@[ICRA]A3+@; rating placed on watch with negative implication
<b>Total</b>	<b>36.00</b>	<b>36.00</b>	

### Rationale

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

ICRA has placed the ratings assigned to Shree Tirupati Balajee FIBC Limited's (STBFL) bank facilities on Watch with Negative implications as we expect the Covid-19 pandemic to put pressure on the Group's liquidity position. At present, the company is running its operations at sub-optimal capacity utilisation in adherence to the lockdown guidelines and also because of moderation in demand. The Group has an estimated fixed overheads and debt repayment obligations of ~Rs. 8-9 crore in Q1FY2020 against which it has an undrawn line of credit of Rs. 4.39 crore and free cash and bank balance of Rs. 0.84 crore as on March 31, 2020. Also, the company has receivables outstanding of Rs. 52.31 crore as on March 31, 2020, which on a normal basis has a collection cycle of ~30 days. Further, the Group has requested an additional working capital limit of Rs. 10.50 crore as a part of Covid-19 regulatory package announced by the RBI as on March 27, 2020 to support the overall liquidity position of the Group. The timely sanction of additional limits and the realisation of receivables remain crucial from the credit perspective; however, comfort can be drawn from the fact that given the company has availed the moratorium, repayments for long term loan will only be due in June 2020. ICRA, however, will continue to monitor the rapidly changing situation and the possible impact on the credit profile of the Group.

ICRA notes that there was an instance of LC devolvement in STBATCPL (~Rs. 1 crore); however, the same was cleared within 12 days from the due date. The devolvement happened mainly because of disruption in banking operations amid the COVID-19 pandemic induced lockdown, which led to delay in funding. However, on an aggregate basis sufficient fund was available and an equivalent amount was earmarked to service the LC.

The rating continues to derive comfort from the extensive experience of the promoters and the established track record of the Group in the flexible packaging industry. The ratings also take into account the Group's above average financial risk profile, characterised by satisfactory return indicators and above average debt coverage indicators. Further, ICRA positively notes the Group's established and reputed customer base across various end-user industries, which mitigates the counterparty credit risk to a significant extent and reduces the concentration risk.

The ratings, however, remain constrained by the Group's working capital intensive operations due to high inventory holding requirements, 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 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.

STBFL is seeking a moratorium on payments from its lenders as a part of the Covid-19 regulatory package announced by the Reserve Bank of India (RBI) on March 27, 2020. Accordingly, some of the scheduled payment obligations were deferred as on March 31, 2020, in anticipation of formal approval from the lenders. Despite the missed payment and the absence of a formal approval from the lenders allowing for a payment relief, ICRA has not recognised this instance as a default as of now. This is based on ICRA's expectation that a formal approval for rescheduling the loan would be received soon, as permitted by the RBI's relief measures announced recently. Non-recognition of default in this case is as per the guidance provided by the SEBI circular number SEBI/HO/MIRSD/CRADT/CIR/P/2020/53 dated March 30, 2020. However, it may be noted that if the lenders do not approve the moratorium in due course, ICRA would review the above stance on default recognition.

### Key rating drivers and their description

Please refer to the previous rating rationale dated November 21, 2019 ([Click here](#)), for the detailed credit strengths and challenges.

### Liquidity position: Adequate

The Group's liquidity position is adequate, driven by the expected annual cash accrual of Rs. 12-14 crore in FY2021 and FY2022, against an annual debt repayment of ~Rs. 3.00-4.00 crore. However, the build-up of receivables as of March 31, 2020 along with the limited cushion in the form of undrawn working capital limit at present moderated the Group's liquidity profile to some extent. However, the Group's liquidity profile is expected to improve by the end of May 2020, given the sizeable o/s receivable as of March 2020, which has a normal receivable cycle of 30 days; the moratorium on payments from its lenders; and the proposed additional working capital limit of Rs. 10.50 crore as a part of the of the COVID-19 regulatory package. Nevertheless, ICRA will continue to monitor the timely sanction of the proposed limit and the regular realisation of receivables closely.

### Rating sensitivities

#### Positive triggers:

- An upgrade is unlikely in near-term. However, the outlook can be revised to Stable if timely sanction of enhanced limits or infusion of funds by promoters or timely realisation of receivables improves the Group's overall liquidity position.
- Improvement in scale of operations and profitability, leading to better return and debt-coverage metrics.

#### Negative triggers:

- Any delay in sanctioning of enhanced limits or delay in realisation of receivables weakens its liquidity position.
- Slower-than-expected ramp up in operations results in moderation in financial risk profile.

## Analytical approach

Analytical Approach	Comments
<a href="#">Applicable Rating Methodologies</a>	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Consolidation and Rating Approach</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	ICRA has taken a consolidated view of Shree Tirupati Balajee FIBC Limited and its Group company, Shree Tirupati Balajee Agro Trading Co. Pvt. Ltd.

## About the company:

Incorporated in 2009 by Mr. Binod Agarwal, Shree Tirupati Balajee FIBC Limited manufactures flexible intermediate bulk container bags or 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 enjoys the British Retail Consortium food safety certification.

STBFIBC is a part of the 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 FY2019, the Group reported a net profit of Rs. 11.51 crore on an operating income (OI) of Rs. 362.13 crore, as compared to a net profit of Rs. 9.67 crore on an OI of Rs. 303.36 crore in the previous year.

## Key financial indicators (audited) – Standalone

	FY2018	FY2019
Operating Income (Rs. crore)	98.21	120.70
PAT (Rs. crore)	5.13	6.49
OPBDITA/OI (%)	10.82%	8.85%
ROCE (%)	18.76%	15.57%
Total Debt/TNW (times)	0.81	0.69
Total Debt/OPBDITA (times)	2.51	2.55
Interest Coverage (times)	3.91	4.64
DSCR	2.05	2.02

Source: Group companies financials and ICRA research

## Key financial indicators (audited) – Consolidated

	FY2018	FY2019
Operating Income (Rs. crore)	303.36	362.13
PAT (Rs. crore)	9.67	11.51
OPBDITA/OI (%)	9.81%	8.13%
ROCE (%)	17.85%	14.32%
Total Debt/TNW (times)	1.49	1.55
Total Debt/OPBDITA (times)	3.32	4.07
Interest Coverage (times)	2.33	2.59
DSCR	1.45	1.45

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

All figures in Rs. Crore

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2020	FY2019	FY2018
					05-May-2020	21-Nov-19	12-Sep-18	-
1	Export Packing Credit	Long Term	30.00	-	[ICRA]BBB@	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-
2	Term Loan	Long Term	1.62	1.09	[ICRA]BBB@	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-
3	Unallocated Limits	Long Term	4.38	-	[ICRA]BBB@/[ICRA]A3+@	[ICRA]BBB/[ICRA]A3+	[ICRA]BBB/[ICRA]A3+	-

<sup>^</sup>Outstanding as March 31, 2019; Source: Group financials

## 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](http://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	30.00	[ICRA]BBB@
NA	Term Loan	FY2018	NA	FY2022	1.62	[ICRA]BBB@
NA	Unallocated Limits	NA	NA	NA	4.38	[ICRA]BBB@[ICRA]A3+@

Source: STBFL

### Annexure-2: List of entities considered for consolidated analysis

Company name	Ownership	Consolidated Approach
Shree Tirupati Balajee Agro Trading Co. Pvt. Ltd.	-	Full Consolidation

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