

Press Release
Thirumurugan Agro Tech Rice Industries

November 04, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.73	ACUITE BB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	18.73	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB-**' (read as ACUITE double B Minus) on the Rs. 18.73 Cr bank facilities of Thirumurugan Agro Tech Rice Industries (TATRI). The outlook is '**Stable**'.

The rating reaffirmation of the rating takes into account the promoters extensive experiences in the rice milling business, stable revenue and favourable demand for rice. However, the rating is constrained by moderate financial risk profile, moderate working capital management and highly competitive and fragmented industry affected by agro climatic risks.

About Company

Thirumurugan Agro Tech Rice Industries is a Dharapuram, Tamilnadu based partnership firm established in December 2016. Mr. Srinivasan C and his mother, Mrs. Dhanalakshmi S are the partners of the firm. The firm is engaged in the business of rice milling and trading. The manufacturing facility is located at Dharapuram. The firm has an installed capacity of 5 tons per hour.

About the Group

Thirumurugan Modern Rice Mill is a Dharapuram, Tamilnadu based proprietorship concern established in 1992 promoted by Mr. R R Chidamabarasamy. The firm is engaged in the business of rice milling and trading. The manufacturing facility is located at Dharapuram Tamilnadu with an installed capacity of 3 tons per hour.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the ratings, ACUITE has considered the consolidated approach and combined

the business and financial risk profiles of Thirumurugan Agro Tech Rice Industries (TATRI) and Thirumurugan Modern Rice (TMR). This is because these two companies together referred to as the Thirumurugan group, cater to the same industry, have same management and have operational and financial linkages.

Key Rating Drivers

Strengths

Extensive experience of partners in in the rice milling business

The Thirumurugan group is led by Mr.R.R.Chidambarasamy and his Wife Mrs. S Dhanalakshmi and his son MR .C. Srinivasan. The promoter Mr. R.R.Chidambarasamy possesses nearly three decades of experience in the rice milling industry. The extensive experience of the promoters supported by experience has enabled the firm to forge healthy relationships with customers for repeated business. The Group has reported operating income of Rs.58.43 Cr in FY2022 (provisional) as against Rs.58.26 Cr in FY2021. Acuité believes that the firm will continue to benefit from its experienced management and established relationships with its customers in the medium term.

Stable revenue over the past three years, as prices are recovering post covid.

Thirumurugan group reported stable income over the past three years as the price of paddy has fallen during the covid and prices are still in recovery post covid. The cost of 1kg of old paddy at Rs.30-33(Rs. 30,000 per Tonne) and newly grown paddy at Rs.22-25 per Kg. The sale price of 25kg rice bag is Rs.1450 per bag (Amman sona quality, which is popularly known as Sonamasuri in south India). Thirumurugan group reported revenue of Rs.58.43Cr in FY22(Provisionals) and operating margins slightly decreased to 8.27 in FY22(Provisionals).

Stable and Favourable demand prospects for rice

The demand prospects of the rice industry are likely to remain good as rice is a staple food grain and India is the world's second largest producer and consumer of rice.

Weaknesses

Moderate financial risk profile:

Thirumurugan group's gearing has improved but stood high at 2.93 times as on March 31,2022(Provisionals) against 4.05 times as on March 31,2021. Group's Net worth is moderate at Rs.10.29Cr as on March 31, 2022(Provisionals) against Rs.8.02Cr for previous year. Total outside liabilities to total tangible net worth (TOL/TNW) stood high as on March 31, 2022 at 3.07 times against 4.68 times in previous year. Debt protection metrics of the group are moderate marked by interest coverage ratio, Debt service coverage ratio and Net cash accruals to total debt (NCA/TD) of 2.32 times, 1.13 times and 0.08 times respectively as on March 31, 2022 against 2.46 times, 1.24 times and 0.08 times as on March 31, 2021.

Moderate working capital Management

Thirumurugan Group's working capital operations are efficient as evident from Gross Current Assets days of (GCA) of 154 days as on March 31, 2022(Provisionals) against 177 days as on March 31, 2021. Debtor days increased to 51 days as on March 31, 2022 from 32 days in March 31, 2021. Inventory days stood at 92 days as on March 31, 2022. Current ratio stood at 1.29 times as on March 31, 2022. Acuite believes that working capital operations of the group will remain moderate over the medium term.

Highly competitive and fragmented industry affected by agro climatic risks

The agro commodity (rice) industry is highly competitive with multiple players coupled with low entry barriers resulting into intense competition from both the organised as well as unorganised players. Paddy which is the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon monsoon. Thus, inadequate rainfall may affect the availability of paddy. The rice milling business remains working capital intensive in nature, with high requirement to stock paddy in season majorly on cash and carry business leading to a relatively higher procurement cost; also the profitability is partly susceptible to

the volatile paddy costs and Government regulation of minimum support price (MSP) of paddy besides prone to monsoon and availability of paddy. The Group is further exposed to the risks inherent to a partnership firm; including the capital withdrawal risk, any substantial cash withdrawals by the partners are likely to have an adverse impact on the capital structure.

Rating Sensitivities

- Increase in scale of operations along with profitability margins
- Improvement in capital structure.

Material Covenants

None

Liquidity : Adequate

Group has adequate NCA of Rs.2.36Cr in FY22(Provisionals) against debt repayment obligation of Rs.1.86Cr. The group is expected to have tightly matching NCA against its maturing debts from FY23. Unencumbered cash and bank balances stood at Rs.0.12Cr as on March 31, 2022 with current ratio of 1.29 times. Acuite believes that liquidity position of the company will be adequate over the medium term .

Outlook:

Acuite believes that the Thirumurugan group will continue to benefit over the medium term due to its experienced management and established relation with its suppliers and customers. The outlook may be revised to 'Positive', in case of higher-than-expected revenue and profitability with improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case group registers lower than-expected revenues and profitability or any significant stretch in its working capital management or larger-than-expected debt-funded capital expenditure or further withdrawal of capital by partners leads to deterioration of its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	58.43	59.24
PAT	Rs. Cr.	1.99	1.99
PAT Margin	(%)	3.41	3.36
Total Debt/Tangible Net Worth	Times	2.93	4.05
PBDIT/Interest	Times	2.32	2.46

Status of non-cooperation with previous CRA (if applicable)

None

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Aug 2021	Term Loan	Long Term	3.60	ACUITE BB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	0.50	ACUITE BB- Stable (Assigned)
	Working Capital Term Loan	Long Term	3.63	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	11.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB- Stable Reaffirmed
Indian Bank	Not Applicable	Term Loan	Jan 19 2018 12:00AM	8.70	Jul 19 2025 12:00AM	3.60	ACUITE BB- Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	0.50	ACUITE BB- Stable Reaffirmed
Indian Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	3.63	ACUITE BB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Katta Akhil Analyst-Rating Operations Tel: 022-49294065 akhil.katta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.