



Press Release
THIRUMURUGAN AGRO TECH RICE INDUSTRIES
February 02, 2024

Rating Reaffirmed & Partly Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.35	ACUITE BB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	12.38	ACUITE BB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	12.38	-	-
Total Withdrawn Quantum (Rs. Cr)	6.35	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB-' (read as ACUITE double B minus)** on Rs.12.38 Cr. bank facilities of Thirumurugan Agro Tech Rice Industries (TATRI). The outlook is **Stable**.

Acuite has withdrawn its rating of '**ACUITE BB-' (read as ACUITE double B minus)** on Rs.6.35 Cr. bank facilities of Thirumurugan Agro Tech Rice Industries (TATRI). The rating has been withdrawn on Acuite's policy of withdrawal of ratings as applicable to the respective facility/instrument after receiving the client's withdrawal request.

Rationale for reaffirmation:

The rating reaffirmation reflects long standing experience of TATRI's promoters along with its established track record of operations in the rice milling industry, and steady improvement recorded in operating performance in FY2023. The operating revenues grew by 14% in FY2023 to Rs.66.76 Cr against Rs.58.43Cr in the previous fiscal on account of better price realisations achieved. The operating profit margins stood range bound at 8.47% in FY2023 against 8.32% in the previous fiscal. TATRI was able to sustain its operating profit margin amidst rising raw material costs by timely and effectively transferring the burden of increased material cost to its customers.

The rating is however, constrained on account of moderate financial risk profile marked by modest net worth, high gearing levels and average debt protection metrics. Further, it is restricted due to its moderately intensive working capital operations, its exposure to agro climatic risks and presence in a highly competitive and fragmented industry.

Going forward the group's ability to sustain the steady growth in its scale of operations while maintaining the profitability and improving the financial risk profile will remain key rating monitorable.

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.

Unsupported Rating

None

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the business and financial risk profiles of Thirumurugan Agro Tech Rice Industries (TATRI) and Thirumurugan Modern Rice (TMR). Consolidation is on account of common promoters, common warehouse for storage and have operational linkages between the firms.

Key Rating Drivers

Strengths

Established track record and steady improvement in operations:

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 has enabled the firm to forge healthy relationships with customers for repeated business resulting in steady growth in operations and profitability over the years. The Group has reported operating income of Rs.66.76Cr against Rs.58.43Cr of previous year, the steady growth in revenue is attributable to the improved realisations for rice. The sale price of 26kg rice bag (Amman Sona quality, which is popularly known as Sonamasuri in south India) was at Rs.1830 per bag in FY23 against Rs.1450 per 25Kg bag in previous year.

Simultaneously, the raw material (Paddy) has also increased to Rs.40-43 per Kg (Rs. 40,000 per Tonne) for old paddy and newly grown paddy at Rs.30-35 per Kg. However, the management was able to pass on the burden of price increase to its customers resulting stable growth in EBITDA margin to 8.47 percent in FY23 from 8.32 percent in previous year. The group sustained its growth in revenue during current year as well with consolidated revenue of ~Rs.60Cr till December, 2023 (TATRI- Rs.35Cr, TMR-Rs.25Cr) and expected to register revenue in the range of Rs.70-75Cr by the end of FY24, while margin is expected to remain in the range of 8.4-8.5 owing to the better realizations of rice and promoters' ability in passing on the burden to customers. Acuite believes that the firm will continue to benefit from its experienced management and established relationships with its customers over the medium term.

Moderate financial risk profile

Thirumurugan group's financial risk profile is moderate, marked by moderate net worth, capital structure and average debt protection metrics. Group's net worth stood at Rs. 13.12 Cr as on March 31, 2023 as compared to Rs. 10.29 Cr as on March 31, 2022. Improvement in net worth is on account of infusion of capital worth Rs.0.67Cr by the partners coupled by accretion for profits to reserves. Group's capital structure is moderate marked with high gearing and total outside liabilities to total net worth (TOL/TNW) of 2.35 times and 2.48 times respectively as on March 31, 2023 as against 2.93 times and 3.07 times as on March 31, 2022. The improvement was on account of partial prepayment of long term debt during the year. The gearing levels are expected to improve over the near to medium term on account of no

major debt funded capital expenditure.

The coverage indicators remained average with DSCR of 1.08 times as on March 31st 2023 as against 1.13 times as on March 31st 2022. Interest coverage stood at 2.41 times as on March 31st 2023 as against 2.33 times as on March 31st 2022. Debt to EBITDA improved though remained high at 5.39 times during FY23 against 6.11 times during previous year. Acuite believes that financial risk profile will improve on account of its improving scale of operations and expected improvement in profitability.

Weaknesses

Moderately intensive working capital operations:

Working capital operations of the group are moderately intensive which is reflected by the Gross current assets of 152 days during FY23. The debtor days stood at 61 days for FY23. Generally, the group allows a credit period of 45-60 days to its customers. However, the elongation in GCA is caused by high inventory holding period. Inventory days stood at 96 days in FY2023 against 92 days in FY2022. High inventory period with low creditor days has resulted in high dependence on its fund based working capital limits at an average of ~88 percent during the past 12 months ending October 2023. Acuite believes that working capital operations of the group will remain moderately intensive 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

- Steady improvement in scale of operations and profitability margins .
- Elongation in working capital cycle leading to stretched liquidity

Liquidity : Adequate

The group has adequate liquidity which is evident from sufficient net cash accruals (NCA) against debt repayment obligations. The group has reported NCA's of Rs.2.62Cr on March 31, 2023 against tightly matching debt repayment obligations of Rs.2.25Cr. The cash accruals are estimated to remain in the range of Rs.3.5-4.2Cr in the medium term against debt repayment range of Rs.1.7Cr – 1.75Cr. The unencumbered cash and bank balances stood at Rs.0.08Cr as on March 31, 2023. The company has moderately intensive working capital operations with GCA days of 152 days in FY2023, also leading to high reliance on working capital limits which stood at ~88% during the past 12 months ending October 2023. Acuite believes that liquidity position of the group will be adequate in the medium term on account of sufficient NCA generation against repayment obligation.

Outlook: Stable

Acuite believes that the Thirumurugan group will maintain 'Stable' outlook over the medium

term on account of 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 any significant withdrawal of capital by partners leading to deterioration in its financial risk profile and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	66.76	58.43
PAT	Rs. Cr.	2.16	2.02
PAT Margin	(%)	3.23	3.46
Total Debt/Tangible Net Worth	Times	2.35	2.93
PBDIT/Interest	Times	2.41	2.33

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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
04 Nov 2022	Working Capital Term Loan	Long Term	3.63	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	11.00	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	3.60	ACUITE BB- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.50	ACUITE BB- Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	11.00	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	19 Jul 2025	Simple	0.81	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	19 Jul 2025	Simple	2.79	ACUITE BB- Reaffirmed & Withdrawn
Indian Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	30 Oct 2025	Simple	0.13	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Demand Loan (WCDL)	Not avl. / Not appl.	Not avl. / Not appl.	30 Oct 2025	Simple	0.37	ACUITE BB- Reaffirmed & Withdrawn
Indian Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Aug 2024	Simple	0.44	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Aug 2024	Simple	3.19	ACUITE BB- Reaffirmed & Withdrawn

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

- Thirumurugan Agro tech Rice Industries.
- Thirumurugan Modern Rice Mills.

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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.

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