

## Thakur Industries

June 16, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	25.00 (Enhanced from 14.00)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable)
<b>Total Facilities</b>	<b>25.00</b> <b>(Rs. Twenty-Five Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings of bank facilities of Thakur Industries were earlier placed under Issuer Not Cooperating (INC) as the firm did not provide information to carry out the surveillance exercise. Firm has now shared the requisite information with CARE and accordingly rating has been removed from INC.

The revision in the rating assigned to the bank facilities of Thakur Industries factors in improvement in scale of operations during FY21 aided by increase in capacity utilization as well as iron ore prices which has translated into improvement in firm's cashflow from operations. The momentum is likely to sustain in near to medium term with continuing better offtake expected to from steel manufacturers located in vicinity. The rating also positively factors in its experienced partners, advantage of plant being located in close proximity of mining areas. These rating strengths are partially offset by its moderate scale of operations, relatively low net worth base, thin profit margins and high customer concentration risk and presence in highly regulated nature of industry. The ability of the firm to increase its scale of operations while improving its profitability margins would be key rating sensitivities.

### Rating Sensitivities

*Positive Rating Sensitivities-Factors that could lead to positive rating action/upgrade:*

- Sustainable improvement in the scale of operations coupled with PBILDT margin > (6%)

*Negative Rating Sensitivities-Factors that could lead to negative rating action/downgrade:*

- Deterioration in TDGCA times (>5) and Overall gearing (>1.35)

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Moderate scale of operations:** The plant has an operational track of more than 5 years and has shown sales growth at CAGR of 12% from FY18 to FY21. Thakur industries buys iron ore with Fe of sub-55% from e-auction committee and sells it to its customers with Fe content of around 62-63%. The remaining product with low Fe content (35-40%) after beneficiation is sold to the cement industries. Networth base of the firm was relatively low at Rs. 28 crore as on March 31, 2021 (Prov.) which restricts its financial flexibility. The spread per MT declined from Rs. 1762 during FY19 to Rs. 1169 during FY21 due to increasing competition.

**Customer concentration risk:** Over the past 3 years, the firm is trying to expand its customer base. Firm supplies majorly in Karnataka based customers with limited supply to Tamilnadu, Goa, Gujarat. Firm supply to clients in other states based on the firm's capability to provide better rates than local rates. Top 5 customers contribution though decreased from 93% in FY20 to 73% of the total sales continues to remain high. Thakur Industries caters to few customers but provides logistic services to the clients for goods sold which gives an edge from its competitors.

**Highly regulated nature of industry:** The Indian mining sector is highly regulated with strong legal and regulatory mechanisms with the government introducing cum revamping several acts, policies, rules at the central and state levels. Since mining sector is 'highly polluting industry' causing severe environmental and social problems, India has formulated several regulatory and legal mechanisms to promote environmentally sustainable mining which includes mandatory environmental impact assessment, forest clearance provisions, coastal zone regulations etc. The raw material procurement for iron and other associate companies can be solely done through e-auction committee only.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

## Key Rating Strengths

### Improved albeit Moderate financial risk profile

During FY21, firm's income from operations showed a significant growth of 32% from Rs. 153.8 crore to Rs 204.9 crore. During FY21, PBILDT margin improved to 5.90% (PY: 4.23%) and PAT margins though thin improved to 3.26% from 0.92% in FY20 due better volumes. overall gearing improved to 0.85x as on March 31, 2021 (PY: 1.15x) and total debt/GCA significantly improved from 5.92 times in FY20 to 2.46 times in FY21. Interest coverage improved from 3.91x in FY20 to 5.36x in FY21. TI installed a jig plant in FY21 to improve the quality of the produce by reducing the contamination like silica and phosphorous in the end product which is funded with internal accruals. In FY22, during first 2 months, firm has achieved turnover of Rs. 67 cr.

### Plant strategically located in the vicinity of mining areas:

The plant is located in Hirebanagal Village in Koppal district, Karnataka which is close to the major iron ore sourced areas of Hospet, Sandur and Bellary. The plant is easily accessible to states like Goa, Telangana, Maharashtra and Andhra Pradesh which have major demand for iron ore processing. Logistics and supply chain is handled by the suppliers to the plant located at Hirebanagal. Plant of TI is equipped with required infrastructure including abundant water supply, power and logistics.

### Experienced Promoters

Incorporated in 2007 as a partnership firm, Thakur Industries is spearheaded by Mr. Sailesh Aggarwal and Mr. Prakash Lalwani. Mr. Shailesh is the managing partner of Thakur Industries. He holds Bachelor's degree in commerce and CA-Inter and has an experience of more than a decade in the field of iron ore. He has also been director of three companies involved in trading or iron ore, transportation and has experience in beneficiation activity for 7 years. Mr. Prakash Lalwani has 18 years of experience and 2 years in beneficiation activity having extensive knowledge and experience in iron ore trading and business.

### Liquidity: Adequate

Firm's liquidity is primarily driven by its relatively low working capital cycle. Firm generally maintain inventory of 1 month and gives credit period of 15-45 days to its customers. Operating cycle remained in the range of 35-45 days for the firm. Due to increasing iron ore prices, WC utilization was high for firm and it had to rely upon temporary adhoc limits from bank. Nevertheless, it received enhancement in FB limits from Rs. 17 crore to Rs. 25 crore which is likely to address near full utilization of limits.

### Analytical approach: Standalone

#### Applicable Criteria

[CARE's Methodology on Manufacturing Companies](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's policy on Default Recognition](#)

[Financial Ratios-Non-Financial Sector](#)

[CARE's Rating Methodology- Steel Companies](#)

[Liquidity Analysis of Non-Financial sector entities](#)

### About the Company

Thakur Industries (TI) was incorporated as a partnership firm in October 2007 by Mr. Naresh Kumar and Ms. Anju Devi Chirania. The firm operates beneficiation plant of iron ore processing capacity of 15 lakh MT per annum in Koppal Dist. Mr. Shailesh Agarwal and Mr. Prakash Lalwani joined the firm as partners in April 2015 with retirement of the previous partners Mr. Naresh Kumar and Ms. Anju Devi Chirania in July, 2015. The plant commenced its operations on February 01, 2016.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (Prov.)
Total operating income	152.63	201.58
PBILDT	6.46	11.90
PAT	1.40	6.57
Overall gearing (times)	1.15	0.85
Interest coverage (times)	3.91	5.36

A: Audited; Prov.: Provisional

**Status of non-cooperation with previous CRA:** Not applicable.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	25.00	CARE BB+; Stable

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (28-Mar-19)
2.	Fund-based - LT-Cash Credit	LT	25.00	CARE BB+; Stable	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (04-Mar-21)	1)CARE BB; Stable (17-Feb-20)	1)CARE BB; Stable (28-Mar-19)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities**

Working capital limits	Detailed explanation
A. Financial covenants	-
B. Non-financial covenants	-To execute subordination agreement of unsecured loan taken as for Rs 4.71 crores and also undertaking for non withdrawal of unsecured loans from the system to be ensured till the currency of credit facilities·

**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
2.	Fund-based - LT-Cash Credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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