

Thakur Industries

February 17, 2020

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	14.00	CARE BB; Stable (Double B; Outlook: Stable)	Reaffirmed
Total Facilities	14.00 (Rs. Fourteen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating of the bank facility of Thakur Industries continues to be constrained by the moderate scale of operations and decline in PBILDT margins during FY19, customer concentration risk and highly regulated nature of industry. The rating weaknesses are partially offset by experienced partners, improving debt coverage indicators and strategic location of the plant in the vicinity of mining areas.

Rating sensitivities

Positive Rating sensitivity

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

Negative Rating sensitivity

- Deterioration in TDGCA times (>2.5) and Overall gearing (>0.75)

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations

The plant has an operational track of 3 years and has shown sales growth at CAGR of 11% from FY17 to FY19. 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. During FY19, firm's income from operations showed a marginal growth of 3% from Rs. 152.31 crore to Rs 156.53 crore. The spread per MT improved from Rs. 1672 during FY18 to Rs. 1762 during FY19. For 9MFY20 Thakur industries registered sales of Rs. 113.47 crore.

Customer concentration risk

Over the past 3 years the firm is trying to expand its customer base. Firm supplies to Tamilnadu, Goa and Karnataka. During FY19, firm has added two new customers Rosvas Iron and Power P Ltd and Rangineni Steel P Ltd. Top 5 customers contribute to more than 90% of the total sales of the firm. Thakur Industries caters to few customers but provides logistic services to the clients for goods sold which gives an edge from its competitors. During FY19, sales contribution from top 5 customers was at 96.2% (PY: 98.2%).

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.

Key Rating Strengths

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.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Moderate financial risk profile

During FY19, PBILDT margin dropped to 4.81% (PY: 5.70%). PAT margins though thin improved to 2.88% in FY19 from 1.66% in FY18 due to reduction in interest cost. During FY19, the firm closed the machinery term loan of Rs.2.95 crores taken from Canara Bank.

Addition of profits improved the networth from Rs 15.05 crore during FY18 to Rs. 20.76 Crore during FY19. Total debt reduced from Rs. 17.67 crore to Rs. 16.65 crore. Overall gearing improved to 0.80x (PY: 1.17x) and total debt/GCA significantly improved from 4.28 times as on 31.03.2018 to 2.79 times as on 31.03.2019. Interest coverage improved from 1.85 times as on FY18 to 4.48 times in FY19. Operating cycle slightly improved from 41 days (FY18) to 37 days (FY19). TI is planning to install a jig plant the total cost of which is estimated at around Rs. 7.4 crore and is expected to be funded with internal accruals.

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.

Liquidity analysis: Stretched

Liquidity is stretched with ~92.16% utilization of the working capital limits and modest cash and bank balances as on March 31, 2019 at Rs.0.06 crore. Current ratio as on 31.03.2019 stood at 1.28x.

Analytical approach: Standalone

Applicable Criteria

[CARE's Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[Financial ratios –Non-Financial Sector](#)

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

[CARE's methodology for manufacturing companies](#)

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)	FY18 (A)	FY19(A)
Total operating income	152.31	156.53
PBILDT	8.69	7.54
PAT	2.53	4.51
Overall gearing (times)	1.17	0.80
Interest coverage (times)	1.85	4.48

A: Audited

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	-	-	-	14.00	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (28-Mar-19)	1)CARE BB; Stable (09-Mar-18)	-
2.	Fund-based - LT-Cash Credit	LT	14.00	CARE BB; Stable	-	1)CARE BB; Stable (28-Mar-19)	1)CARE BB; Stable (09-Mar-18)	-

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

Name of the Instrument	Detailed explanation
A. Financial covenants	-

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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