



Press Release

Thakkar Popatlal Velji Sales Limited (TPVSL)

July 23, 2024

Ratings

| Instrument / Facility | Amount (Rs. crore) | Current Ratings | Previous Ratings | Rating Action | Complexity Indicator |
|---------------------------|--|--|------------------|---------------|------------------------|
| Long Term Bank Facilities | 44.72 | IVR BBB-/ Stable [IVR Triple B Minus with Stable outlook] | -- | Assigned | Simple |
| Total | 44.72 (Rupees Forty Four crore and Seventy Two lakh only) | | | | |

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2.

Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned ratings to the bank facilities of TPVSL derives strength from sustained growth in scale of operations, comfortable capital structure and debt protection metrics and established market position with long standing relationship with customers. However, these rating strengths are partially offset by working capital intensive nature of operations, presence in highly fragmented and competitive nature of cement industry, cyclical demand and geographical concentration risk.

The ratings have been assigned a stable outlook on account of well-established relationship with suppliers and customers due to long presence in the industry and also successful track record and consistent performance of the company impart comfort towards the performance of the company.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & profitability margin.
- Improvement in the debt protection metrics & capital structure on sustained basis.
- Significant improvement in working capital cycle and liquidity position.



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Downward Factors

- Substantial decline in the revenue and/or profitability leading to sustained decline in the debt protection metrics and/or liquidity profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Sustained growth in scale of operations with moderation in profitability margins**

TPVSL has shown consistent growth in its total operating income at a CAGR of ~53% during FY21 to FY23 (refers to period April 1, 2022, to March 31, 2023) (and registered y-o-y growth of ~27% to Rs. 214.07 crore in FY23 (P.Y.: 169.11 crore), this growth is mainly driven by the growth in the construction and infrastructure sector in recent times. TPVSL has achieved total operating income of Rs.187.35 crore for 9MFY24, driven by sales volume of cement which has increased by 16.93%. EBITDA and PAT margin have moderated to 10.53% and 8.37% in FY23 (P.Y.: 11.34% and 7.94%) due to increase in employee cost and other operating expenses.

- **Comfortable capital structure and debt protection metrics**

The capital structure marked by overall gearing and TOL/TNW on Adjusted Net Worth has remained comfortable at 0.63x and 1.29x respectively in FY23 (P.Y.: 1.18x and 1.82x respectively), due to lower utilization of working capital facilities. Debt protection metrics remained comfortable with interest coverage ratio stood at 7.50x in FY23 (P.Y.: 5.25x). Total debt/NCA is also stood comfortable at 2.18x for FY23 (P.Y.: 3.64x). TPVSL has comfortable capital structure and debt protection metrics over 9MFY24. Capital structure marked by overall gearing and TOL/TNW stood at comfortable level at 0.03x and 0.49x. The interest coverage stood comfortable at 7.72x for 9MFY24.

- **Established market position with long-standing relationship with customers and extensive experience of the promoters**

TPVSL is engaged in trading in cement since 2002 and has been associated with reputed names in the industry like The India Cements Limited, Ambuja Cement Ltd, Kesoram



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Cement Industries etc. The promoters have been in the cement trading business for over six decade which has enabled them to develop a strong insight into demand pattern and pricing.

Key Rating Weaknesses

- **Working capital intensive nature of operations**

Working capital cycle remain elongated due to the nature of business model of the company. The receivable period stood high at 204 days in FY23 due to large amount deposits kept with cement companies for non-trade business. Due to high receivable period the working capital cycle remain moderate at 164 days in FY23 (P.Y.: 198 days)

- **Presence in highly fragmented and competitive nature of cement industry**

TPVSL is operating in a highly competitive market, dominated by the numerous cement traders and Del Credere agents covering multiple brands with wide brand acceptability. Given the fact that the entry barriers to the trading industry are low, the players in the industry do not have bargaining power and are exposed to competition-induced pressures on profitability.

- **Cyclical demand**

The demand of cement industry is considered cyclical as it depends upon the capital expenditure plan of major players in the end-user industry. The realizations and profitability in cement industry get impacted by the extant demand and supply, which are inherent risks associated with the cement industry.

- **Geographical Concentration Risk**

The company's area of operations is in state of Maharashtra and therefore is exposed to the risk of geographical concentration. Any downturn in the major sectors of these districts could also have a negative impact on the construction industry and therefore have an adverse impact on the demand and revenues of TPVSL.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Trading Companies](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

The liquidity profile of TPVSL is expected to remain adequate as the company expects sufficient cushion in cash accruals vis-à-vis debt repayment obligations. The company's average fund-based utilization remained at around 20% during the past 12 months ending January 2024. Current ratio stood at 1.66x as on March 31, 2023. The company had cash and cash equivalents of Rs.0.05 crore as of March 31, 2023. The company also have gold bars and other ornaments worth Rs.3.60 crore at the end of FY23.

About the Company

Thakkar Popatlal Velji Sales Ltd. was incorporated in the year 2002 by Popatlal Velji Thakkar, Yogesh Popatlal Thakkar, Nitin Popatlal Thakkar, Harsha Nitin Thakkar and Nisha Yogesh Thakkar. TPVSL is engaged in trading of cement and other related products i.e. Admixtures, Rubble, concrete, putty, slag, sand and others. It caters to clientele base of retailers, sub dealers, real estate developers, real estate contractors & infrastructure government contractors. They also function as a Del Credere agent for reputed principals like Ambuja Cement Limited, The India Cements Limited, JSW Cement Limited, Kesoram Cement Limited etc.

Financials (Standalone):

| For the year ended/ As on* | (Rs. crore) | |
|----------------------------|-------------|------------|
| | 31-03-2022 | 31-03-2023 |
| | Audited | Audited |
| Total Operating Income | 169.11 | 214.07 |
| EBITDA | 19.18 | 22.54 |
| PAT | 13.73 | 18.41 |
| Total Debt | 51.81 | 41.49 |
| Tangible Net Worth | 95.48 | 113.78 |
| EBITDA Margin (%) | 11.34 | 10.53 |



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| | | |
|---------------------------|------|------|
| PAT Margin (%) | 7.94 | 8.37 |
| Overall Gearing Ratio (x) | 1.18 | 0.63 |
| Interest Coverage (x) | 5.25 | 7.50 |

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2024-25) | | | Rating History for the past 3 years | | |
|---------|-----------------------------|--------------------------------|--------------------------------|------------------|---|---|---|
| | | Type (Long Term/Short Term) | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 |
| | | | | | - | - | - |
| 1. | Cash Credit | Long Term | 42.50 | IVR BBB-/ Stable | - | - | - |
| 2. | Term Loan | Long Term | 2.22 | IVR BBB-/ Stable | - | - | - |

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

| Name of Facility/ /Security | ISIN | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|--------------------------------|------|---------------------|---------------------|-------------------|------------------------------------|--------------------------------|
| Cash Credit | - | - | - | Revolving | 42.50 | IVR BBB-/ Stable |
| Term Loan | - | - | - | September 2024 | 2.22 | IVR BBB-/ Stable |

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Thakkar-Popatlal-july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.