



Rating Rationale

Eco Sand

22 Feb 2019

Brickwork Ratings assigns the ratings BWR B for the Bank Loan Facilities of ₹. 9.61 Crores of Eco Sand.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based Term Loan Cash Credit	5.71 3.90	Long Term	BWR B <i>(Pronounced as Single B)</i> Outlook: Stable
Total	9.61	INR Nine Crores and Sixty One Lakhs Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has relied upon the audited financial results of the firm upto FY16 and 17 and FY18 and provisional financial statements for FY19 half yearly and projected financials for FY20, publicly available information and information/clarifications provided by the management of Eco Sand .

The rating draws strength from partner’s experience and positive scope of the industry. These strengths are offset by its small scaled of operations, below average financial risk, net loss in the firm, liquidity stress and competitive industry.

Description of Key Rating Drivers

Credit Strengths:

* **Partners' extensive experience:** Benefits from extensive entrepreneurial experience of the partners in different fields should help the firm bag multiple orders.

* **High demand in Industry:** Sand is one of the major raw materials required in construction industry. Till recently the whole construction industry depended on River Bed Sand. As the construction industry started growing rapidly, the demand for Sand also grew proportionately.

Credit Risks:

* **Small scale of operations:** Small scale of operations is indicated by operating income of Rs 16.77 crore as on March 31, 2018. The scale of operations will remain small over the medium term.

- * **Weak networth:** ES has a below average networth of Rs 0.90 crore, due to net losses and capital withdrawn by partners over the medium term.
- * **Concentration Risk:** The firm sources 60% of its revenue from a single customer.
- * **Highly Competitive Industry:** The building materials business has low entry barriers, leading to presence of many unorganised, regional players, thereby increasing competition within the segment, however, is mitigated by the healthy demand supply scenario in the region. Competition in the sector will constrain the pricing power of most companies in the sector.
- * **Below Average Financial Risk:** As on March 31, 2018, networth was below average at Rs 0.90 crore, gearing ratio at 12.94 times, and total outside liabilities to networth (TOL/TNW) ratio is 15.68 times. Interest coverage ratio remained average at 1.88 times in fiscal 2018

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook:

BWR believes the **Microlite Industries** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Eco Sand, a Registered Partnership Company is engaged in Manufacturing Sand. All the Partners, seasoned business people, are actively participating in Eco Sand. Their experience in different fields is immensely benefiting the Company. The firm manufactures 12 mm, 20 mm, 40 mm, 6 mm, E sand, plastering sand and Wet Mix. It has an installed capacity of 300 tons per hour and utilised capacity is 28% in FY18. Its manufacturing facility is located near its source of raw materials. It buys boulders from Jonnalakunte village for crushing into sand and transports the sand to its customers.

Company Financial Performance

- The firm has generated a revenue of Rs. 16.76 crores in FY18.
- The Operating Margin is 17.04 % and Net Profit Margin -3.58%
- The gearing ratio of the firm is above average and indicates high level of debt in the firm
- The Debt protection metrics are below average shown in ISCR and DSCR of 1.88 times and 0.95 times respectively.
- Current Ratio is 0.77 times indicates stretched liquidity of the firm
- In view of continuous losses incurred by the firm, the net worth has gone down to Rs.0.90 crs.

Key Financial Indicators

Key Parameters	Units	2018	2017
Operating Revenue	₹ Cr	16.76	16.47
EBITDA	₹ Cr	2.86	2.56
PAT	₹ Cr	-0.60	-1.42
Tangible Net worth	₹ Cr	0.90	1.16
Total Debt/Tangible Net worth	Times	12.94	11.86
Current Ratio	Times	0.77	1.03

Outstanding ratings with other CRA : **Crisil D (Issuer not cooperating)**

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based Term Loan Cash Credit	Long Term	5.71 3.90	BWR B	Not Rated		
	Total		9.61	₹ Nine Crores and Sixty One Lakhs Only			

Status of non-cooperation with previous CRA : **CRISIL (November 2018)**

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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