

## Eklavaya Stone & Mines Private Limited (Revised)

October 14, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	1.10	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Long Term / Short Term Bank Facilities	48.90 (Enhanced from 25.00)	CARE BB; Stable / CARE A4 (Double B; Outlook: Stable/ A Four)	Assigned
<b>Total Bank Facilities</b>	<b>50.00</b> <b>(₹ Fifty Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Eklavaya Stone and Mines Private Limited (ESMPL) is constrained by small scale of operations, fragmented nature of industry with tender-based nature of operations, revenue concentration risk, leveraged capital structure and high exposure to group entities/JVs. The rating derives strength from experienced promoters, improvement in financial performance over the last three years and comfortable Debt coverage indicators.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in scale of operations of over Rs.100 crores on a sustained basis while sustaining profitability margins
- Improvement in gearing ratio to below 0.50x on sustained basis.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Decrease in scale of operations below Rs.50 crore
- Deterioration in overall gearing ratio above 1.50x on sustained basis

### Detailed description of the key rating drivers

#### Key rating weaknesses

**Small scale of operations:** ESMPL is a relatively small player in the intensely competitive construction materials market. The total operating income of the company was Rs.79.30 crore during FY22 vis-à-vis Rs.43.22 crore in FY21. The license for earlier stone mine in Nawada, Bihar has expired in July 2022 and the company is in the process of bidding for the same. Apart from the this, the company is in the process of bidding for several sand mines during FY23. Currently, the company is primarily involved in providing transportation services through owned tippers/trucks.

**Fragmented nature of industry with tender-based nature of operations:** The stone and sand mining sector in India is highly fragmented with a large number of small and mid-sized players. This coupled with tendering process in mining license results in intense competition within the industry, fluctuating revenues and volatility in profitability. Since this activity is tender-based therefore the revenues are dependent on the ability of the company to bid successfully for these tenders. Profitability margins come under pressure because of competitive nature of the industry. Also, there are numerous fragmented & unorganized players operating in the segment which makes the sector highly competitive. However, the promoter's long industry experience of nearly one and a half decade mitigates this risk to some extent.

**Revenue concentration risk:** Since the license for earlier stone and sand mines has expired and the company is in the process of bidding for the same, the company's current revenue is being derived majorly from transportation services. The company had increased its fleet of trucks/tippers from 9 to 74 in Q4FY22 leading to increased income from transportation services from Rs.1.34 crore in FY21 to 8.74 crore in FY22 and full impact of which would be visible in FY23.

**High exposure to Group entities:** The company has exposure to Group entities in the form of Bank Guarantees amounting to Rs. 45.73 crore and loan given to group company/JV amounting to Rs. 9.90 crore. The total exposure i.e., Rs. 55.63 constitute around 236% of net worth as on Mar 31, 2022. Although the group exposure is high, the Bank Guarantees are

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

backed by 100% liquid security in the form of lien marked Fixed deposits (Rs. 23.29 crore Fixed Deposit from the company and remaining by group entities). Excluding FD backed group exposure, exposure to group entities/JVs stood at around 42% of the net worth.

**Leveraged capital structure:** The capital structure of the company moderated from 0.23x as on March 31, 2020 to 1.07x as on March 31, 2022 partly on account of debt funded purchase of transport vehicles and unsecured loan taken from group entity i.e., Vibharaj Construction Private Limited (VCPL).

#### **Key rating strengths**

**Experienced promoters:** Mr. Eklavaya Kumar has more than a decade of experience in mining and quarrying industry. He looks after the day to day operations of the company. He is supported by his brother, Mr. Akhilesh Kumar. The promoters are also engaged in road & bridge construction projects of NHAI & Indian railways through JVs.

**Improvement in financial performance over the last three years:** Income from operations have increased from Rs.22.5 crore in FY19 to Rs.79.3 crore in FY22 due to increased mining & quarrying of stone and sand. The operating margins have remained in the range of 14%-16% except in FY20 due to covid 19 impact. In line with increase in PBIDT and stable interest cost, PAT margin has improved from 8.85% in FY19 to 13.62% in FY22. In 4MFY23, the company's income from operations stood at around Rs.45 crore.

**Comfortable Debt coverage indicators:** The debt coverage indicators remained comfortable marked by interest coverage ratio of 17.87x and TD/GCA of 1.92x in FY22 as against 12.04x and 2.23x respectively in FY21.

#### **Liquidity: Adequate**

The company's liquidity remained adequate marked by debt repayment obligations of Rs.4.14 crore in FY23 which would be met entirely met out of cash accruals. The company doesn't have any working capital limits. Moreover, entire non-fund based limit utilization is FD backed.

**Analytical approach:** Standalone

#### **Applicable criteria**

[Financial Ratios – Non financial Sector](#)

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

[Policy on default recognition](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

#### **About the company**

Bihar based, Eklavaya Stone and Mines Private Limited (ESMPL) was incorporated in 2006. ESMPL is currently being managed by Mr. Eklavaya Kumar and Mr. Akhilesh Kumar and the directors of the company are Ms. Nidhi Kumari (wife of Mr. Eklavaya Kumar) and Ms. Kumari Preeti (wife of Mr. Akhilesh Kumar). The company is engaged in the mining and quarrying of stone, sand and clay along with transportation services. The company bids for license / tenders of stone and sand mines in Bihar & Jharkhand. Apart from that, the company is also engaged in the transportation services. The license for earlier stone mine in Nawada has expired in July 2022 and the company is in the process of bidding for the same.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (Prov.)	4MFY23 (UA)
Total operating income	43.22	79.30	45.00
PBILDT	6.64	12.32	NA
PAT	5.67	10.80	NA
Overall gearing (times)	1.19	1.07	NA
Interest coverage (times)	12.04	17.87	NA

A: Audited; Prov.: Provisional; UA: Unaudited, NA: Not Available

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

**Any other information:** Not applicable

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

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2027	1.10	CARE BB; Stable
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	48.90	CARE BB; Stable / CARE A4

**Annexure-2: Rating history for the last three years:**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	48.90	CARE BB; Stable / CARE A4				
2	Fund-based - LT-Term Loan	LT	1.10	CARE BB; Stable				

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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