

December 15, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	3.00	SMERA BB/Stable (Assigned)
Letter of Credit	15.00	SMERA A4+ (Assigned)
Letter of Credit - (Proposed)	6.00	SMERA A4+ (Assigned)

SMERA has assigned a long term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) to the above mentioned bank facilities of SP Coal Resources Private Limited (SP Coal). The outlook is '**Stable**'. The rating draws strength from the extensive experience of the promoters in coal trading, moderate financial risk profile marked by comfortable debt protection metrics. However, the ratings remain constrained by risks associated with volatility in coal prices and forex fluctuations which may impact operating margins. The ratings are also constrained by the working capital intensive operations and risks inherent in the trading business.

Outlook: Stable

SMERA believes that SP Coal will benefit from the extensive experience of the promoters. The outlook may be revised to 'Positive' if the company is able to scale up operations with improvement in profitability while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of weakening of the financial risk profile particularly liquidity because of larger-than-expected working capital requirements or decline in cash accruals.

Rating Sensitivity Factors

- Increase in scale of operations while improving profitability margins
- Managing working capital requirements efficiently

About the Company

SP Coal was established in 1998 as a partnership firm by Ms. Sudha Prasath and converted to private limited in 2010. The company imports coal from Indonesia and South Africa and sells the same in India.

For FY2014-15, the company reported profit after tax (PAT) of Rs.0.58 crore on operating income of Rs.102.77 crore as compared with PAT of Rs.0.57 crore on operating income of Rs.41.94 crore for FY2013-14.

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Contact List:

Media/Business Development	Analytical Contact	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Cell: +91-98208 02479 Email: antony.jose@smera.in Web: www.smera.in	Mohit Jain Vice President – Rating Operations Tel: +91-22-67141106 Email: mohit.jain@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in

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