



Press Release

SP Coal Resources Private Limited

July 26, 2017

Rating Downgraded

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has downgraded long-term rating of 'SMERA BB-' (read as SMERA BB minus) and short term rating of 'SMERA A4+' (read as SMERA A four plus) on the Rs. 24.00 crore bank facilities of SP Coal Resources Private Limited. The outlook is 'Stable'.

SP Coal Resources Private Limited (SPC) was established in 1998 as a partnership firm by Ms. Sudha Prasath and converted into private limited in 2010. The company is engaged in the trading of coal and its derivative products. Coal is purchased mainly from Indonesia and South Africa.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

The company has long operational track record in the trading of coal. SPC was incorporated in 1998 and Mr. Prasad, the Director has extensive experience in the industry.

- **Moderate financial riskprofile**

The company has moderate financial risk profile marked by moderate gearing of 0.85 times as on March 31, 2016 as against gearing of 0.73 times for FY2014-15. The total debt of Rs.7.00 cr comprises short term debt in the form of CC/OD of Rs.4.42 cr, long term debt in the form of Vehicle Loan and Housing Loan of Rs.2.13 cr and unsecured loan from directors of Rs. 0.45 cr. The total debt was Rs.3.95 cr in FY2014-15. The interest coverage ratio of SPC stood at 1.56 times in FY2015-16 as against interest coverage of 3.00 times in FY2014-15. The DSCR stood at 1.41 times in FY2016 as compared to 2.50 times in FY2014-15. The networth increased from Rs.5.40 cr (FY2014-15) to Rs.8.22 cr (FY2015-16).

- **Reputed clientele base**

The management has healthy relations with suppliers and customers. The customers include Panyam Cements, Kamachi Sponge Power Corporation Ltd. Falcon Tyres Ltd. among others.

Weaknesses

- **Intense competition**

SPC operates in a highly fragmented and competitive industry due to low entry barriers and large numbers of organised and unorganised players.

- **Low profitability**

SPC's profitability is vulnerable to fluctuations in raw material (Coal) prices. The EBIDTA margin improved to 2.76 percent in FY2015-16 from 1.48 percent in FY2014-15 due to decline in raw material cost. The company registered PAT margin of 0.61 percent in FY2015-16 as against 0.55

percent in FY2014-15.

• **Working capital intensive operations**

The operations are working capital intensive due to elongated debtor days of 182 in FY2015-16 as against 80 in FY2014-15. The GCA days stood high at 193 days in FY2015-16 as against 121 days in FY2014-15. Also, the cash credit limit has been fully utilised during the past six months.

Analytical Approach

The standalone business and financial risk profiles of the company have been considered.

Outlook: Stable

SMERA believes that SPC will maintain a stable outlook owing to the experience of its promoters in the coal trading business. The outlook may be revised to Positive in case the company significantly scales up its 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.

About the Rated Entity - Key Financials

For FY2015-16, SPC reported profit of Rs.0.44 cr on operating income of Rs.72.66 cr as compared to profit of Rs.0.58 cr on operating income of Rs.106.64 cr in FY2014-15. The net worth stood at Rs.8.22 cr as on March 31, 2016 against Rs.5.40 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-Dec-2015	Cash Credit	Long Term	INR 3	SMERA BB / Stable
	Letter of Credit	Short Term	INR 15	SMERA A4+
	Proposed Letter of Credit	Short Term	INR 6	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not	Not	3.00	SMERA BB- / Stable (Downgraded from SMERA BB/Stable)

		Applicable	Applicable		
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+ (Reaffirmed)
Proposed Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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