

Press Release

SP Coal Resources Private Limited

January 07, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Downgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4 (Downgraded from ACUITE A4+)

* Refer Annexure for details

Rating Rationale

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

The downgrade in SPCR's rating is on account of deterioration in the working capital cycle during the past two fiscals despite improvement in revenues.

SPCR was incorporated in 1998 as a partnership firm by Ms. Sudha Prasath and later, converted into private limited in 2010. The company is engaged in the trading of coal and PVC compound.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the SPCR for arriving at the rating.

Key Rating Drivers

Strengths

• Experienced management

The promoters, Mr. Krishna Swamy Prasad and Ms. Bindu possess experience of almost two decades in the trading business. Acuité believes that extensive experience of promoters' will help SPCR to maintain its business risk profile.

Weaknesses

• Working capital intensive operations

SPCR has working capital intensive operations marked by Gross Current Asset (GCA) days of 227 for FY2018 as against 343 for FY2017. This is mainly on account of stretched debtors of 213 days in FY2018 as against 319 days in previous year. Whereas, stock holding period stood at 17 days in FY2018 as compared to 31 days in FY2017. Volatile revenues with debtor outstanding for more than 6 months will have adverse impact on the liquidity position of company. Acuité believes that non-realization beyond 180 days and improvement in working capital cycle is the key rating sensitivity factor.

• Average financial risk profile

The financial risk profile is average marked by tangible net worth of Rs.8.97 crore as on 31 March, 2018 as against Rs.8.49 crore in the previous year. The gearing stood at 0.44 times as on 31 March, 2018 as against 0.60 times in the previous year. The total debt of Rs.3.95 crore includes working capital borrowings of Rs.2.95 crore, term loan from bank of Rs.0.98 crore and unsecured loan of Rs.0.03 crore. Interest Coverage Ratio (ICR) stood at 1.53 times in FY2018 as against 1.38 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 4.00 times as on 31 March, 2018 as compared to 4.43 times in the previous year.

• Competitive industry

SPCR operates in a highly fragmented and competitive industry due to low entry barriers and large

number of organised and unorganised players.

Outlook: Stable

Acuite believes that SPCR will maintain a 'Stable' outlook owing to the experience of its promoters in 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 further deterioration of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	66.33	45.09	72.66
EBITDA	Rs. Cr.	2.13	1.20	2.01
PAT	Rs. Cr.	0.48	0.31	0.44
EBITDA Margin	(%)	3.22	2.66	2.76
PAT Margin	(%)	0.72	0.68	0.61
ROCE	(%)	15.78	12.17	15.73
Total Debt/Tangible Net Worth	Times	0.44	0.60	0.85
PBDIT/Interest	Times	1.53	1.38	1.56
Total Debt/PBDIT	Times	1.85	2.80	3.49
Gross Current Assets (Days)	Days	227	343	186

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Jun-2018	Cash Credit	Long Term	3.00	ACUITE BB- (Indicative)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Indicative)
	Proposed Letter of Credit	Short Term	6.00	ACUITE A4+ (Indicative)
26-Jul-2017	Cash Credit	Long Term	3.00	ACUITE BB- / Stable (Downgraded)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Downgraded)
	Proposed Letter of Credit	Short Term	6.00	ACUITE A4+ (Downgraded)
15-Dec-2015	Cash Credit	Long Term	3.00	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Assigned)
	Proposed Letter of Credit	Short Term	6.00	ACUITE A4+ (Assigned)

***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 Applicable	Not Applicable	3.00	ACUITE B+ / Stable (Downgraded from ACUITE BB- /Stable)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4 (Downgraded from ACUITE A4+)
Proposed Letter of credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4 (Downgraded from ACUITE A4+)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Simranjeet Kaur Analyst - Rating Operations Tel: 02249294023 Simranjeet.Kaur@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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