

**SPS Corporation Pvt. Ltd.**

**Brickwork Ratings reaffirms the rating for the long term facilities of Rs.10.37 crs and reaffirms the rating for the short term facilities of Rs.6.00 crs of SPS Corporation Pvt. Ltd.**

**PARTICULARS**

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Sep, 2019)	Present
<b>Fund based</b>	<b>8.25</b>	<b>10.37</b>	<b>Long Term</b>	<b>BWR BB-Stable (Assigned)</b>	<b>BWR BB-Negative (Reaffirm)</b>
<b>Non-Fund based</b>	<b>6.00</b>	<b>6.00</b>	<b>Short Term</b>	<b>BWR A4 Assigned</b>	<b>BWR A4 Reaffirm</b>
<b>Total</b>	<b>14.25</b>	<b>16.37</b>	<b>INR Sixteen Crores and Thirty Seven Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

\*\*Complete details of Bank facilities is provided in Annexure-I & II

**RATINGS:**

**Long term facilities and short term facility rating reaffirmed.**

**RATING ACTION / OUTLOOK**

The Rating Outlook is Negative because BWR identifies that ‘SPS Corporation Private Limited’ has a continuous decline in the revenue figures and BWR is decisive that the company may not reach the projected revenue figures of FY21. The ‘Negative’ outlook indicates downgrade of rating if company is unable to restore the revenue figures. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Stable' if the revenues increases and profit margins increase in up to the projected figures.

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED- NA**

**KEY RATING DIVERS:**

BWR has primarily relied upon the audited financials up-to FY20 and projected financials up-to FY21, publicly available information and the information/clarifications provided by the management. The reaffirmation of the rating with negative outlook has factored the below benchmark financial parameters of the company.



The rating has also factored the strength from the established presence of the company and extensive experience of the promoters and net-worth of the company and established relationship with customers and suppliers. However, the ratings are constrained by declining revenues, low profitability, intense competition in the market and tender based business.

### **RATING SENSITIVITIES**

Going forward, the ability of the company to further increase its scale of operations by improving its revenue, profitability margins, improvement in financial profile, as usual maintaining its debt obligations and efficiently managing its working capital will be the key rating sensitivities.

**Positive:** The ratings may be upgraded if revenue, profitability, liquidity, gearing and overall credit profile show substantial improvement.

**Negative:** The rating may be downgraded in case there is a significant deterioration in business and financial risk profile of the company from its current level.

### **Credit Strengths**

#### **1. Locational Advantage :**

The company/Firm is located in the Mainpuri cluster and thus has a competitive advantage in terms of skilled labor, logistics, production knowledge and vendors making the company more efficient and cost effective.

#### **2. Extensive experience of the Directors:**

The two decade-long experience of the partners in the civil construction segment, and successful execution of various projects within stipulated time and cost, have helped the firm establish healthy relationships with customers and suppliers.

#### **3. Moderate Net worth :**

Net worth of the company is moderate and has improved year on year due to retention of profits except in FY20 when there were no profits and the networth remained constant at RS.8.37 Crs.

### **Credit risks**

#### **1. Declined revenue and low coverage ratios:**

The revenue has declined from Rs.32.39 crs in FY19 to Rs.10.23 crs in FY20 and in the current financial year the revenue achieved till November 2020 is approximately Rs.7.00 crs. BWR believes, the company may not be able to achieve the projected numbers of Rs.48.11 crs, though they are aggressively executing a railway project of Rs.45 crs and hope to complete by Mar,2021 DSCR and ISCR of the company stand at 1.02 and 1.26 respectively in FY20 indicating a risk to meet the debt obligations .

#### **2. Competition in the Industry :**

Entry barriers in the industry are low on account of limited capital and technology requirements and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability.

#### **3. Tender Based Business: :**

The firm acquires orders mainly by bidding for tenders floated by government authorities. The



firm's scale of operations is hence susceptible to its ability to successfully bid for new tenders and timely completion of projects. Moreover, the firm is totally dependent on timely payments by the government to the firm for the work undertaken. Delay in payments can have a negative impact on the business.

**LIQUIDITY POSITION: Stretched**

Cash and cash equivalents are Rs. 1.84 Cr for FY 20. The current ratio of the firm is maintained at 0.93 times and gearing ratio of the firm is also moderate at 1.04 times as per FY20. The debt protection metrics is low with an ISCR of 1.26 times and DSCR of 1.02 as per FY20. The net profit margin and operating Profit Margin for FY 20 are low at 0.03% and 14.23% respectively for FY20. As per the Banker’s Feedback, average cash credit utilisation is 100%.Considering the above mentioned points, the liquidity position of the company is considered as stretched.

**COMPANY PROFILE**

Incorporated in 2010, SPS Corporation Pvt. Ltd is engaged in the construction of road work projects procured from the PWD department through tenders. The company has its registered office at 5/386, Avas Vikas Mainpuri UP 205001. Mr. Satyapal Singh Yadav and Mr. Shiv Mangal Singh are the directors in this company and both of them are having experience of more than a decade in the business; it has around 50 employees working for the construction projects. Apart from the above business, the entity is also involved in cold storage and gas agency business through its group firm, SPS cold storage and Aunchha Indane Gramin Vitrak gas agency.

SPS Corporation Pvt. Ltd is engaged in the construction of road work projects procured from the PWD department through tenders at various locations of UP i.e. Mainpuri, Allahabad, Kaushambi, Pratapgarh, Fatehpur and Firozabad.

The Entity undertakes civil contracts mostly from govt authority, and there is an inherent risk of being a tender based business such as competitive bidding, intense competition from other contractors and large players in the market.

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**KEY FINANCIAL INDICATORS (in ₹ Cr)**

Key Parameters	Units	2020	2019
Result Type		Audited	Audited
Operating Revenue	In Crores	10.23	32.39
EBITDA	In Crores	1.46	3.20
PAT	In Crores	0.00	1.46
Tangible Net worth	In Crores	8.37	8.37
Total Debt/Tangible Net worth	In Times	1.04	0.99
Current Ratio	In Times	0.93	0.86

**NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY- NA**



**RATING HISTORY for last three years (including withdrawn/suspended ratings)**

Instrument /Facility	Current Rating			2019	2018	2017
	Type	Amount (Rs. Cr)	Rating			
Fund Based	Long term	10.37	BWR BB-Negative Reaffirm	BWR BB-Stable Assigned	--	---
Non Fund Based	Short term	6.00	BWR A4 Reaffirm	BWR A4 Reaffirm		
<b>Total</b>		<b>16.37</b>				

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

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

**For any other criteria obtain hyperlinks from website**

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**SPS Corporation Pvt. Ltd.**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

<b>Name of the Bank</b>	<b>Type of Facilities</b>	<b>Long Term [Rs Cr]</b>	<b>Short Term [Rs Cr]</b>	<b>Total [Rs Cr]</b>
<b>Punjab National Bank</b>	<b>Fund Based:</b>			
	<b>GECL</b>	<b>2.12</b>		
	<b>OD</b>	<b>8.25</b>		<b>10.37</b>
	<b>Non Fund Based:</b>			
	<b>Bank Guarantee</b>		<b>6.00</b>	<b>6.00</b>
<b>Total</b>				<b>16.37</b>

**Total Rupees: Sixteen Crores Thirty seven Lakhs Only**

**ANNEXURE II**

**Details of instruments (NCD/Bonds/CP)**

<b>Instrument</b>	<b>Issue Date</b>	<b>Amount in Crs.</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>ISIN Particulars</b>
NA	NA	NA	NA	NA	NA

**ANNEXURE III**

**List of entities consolidated**

<b>Name of Entity</b>	<b>% ownership</b>	<b>Extent of consolidation</b>	<b>Rationale for consolidation</b>
NA	NA	NA	NA



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