

## S B P Commercial Private Limited

September 30, 2024

| Facilities                 | Amount (₹ crore) | Ratings <sup>1</sup>                     | Rating Action                                   |
|----------------------------|------------------|--|---|
| Long-term bank facilities  | 26.30            | CARE BB; Stable; ISSUER NOT COOPERATING* | Rating moved to ISSUER NOT COOPERATING category |
| Short-term bank facilities | 28.70            | CARE A4+; ISSUER NOT COOPERATING*        | Rating moved to ISSUER NOT COOPERATING category |

Details of facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from S B P Commercial Private Limited (SBPCPL) to monitor the rating vide e-mail communications dated September 05, 2024, and September 16, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, SBPCPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on SBPCPL's bank facilities will now be denoted as **CARE BB/ Stable and CARE A4+; ISSUER NOT COOPERATING\***

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.**

The ratings assigned to the bank facilities of SBPCPL continue to be constrained by concentrated and low order book position with no new order addition in the recent past, risks associated with participating in tenders and intense competition in the industry and volatility associated with fluctuations in input prices in view of absence of price escalation clause. However, the aforesaid constraints are partially offset by its satisfactory track record of operations and improvement in capital structure and debt coverage indicators. The ratings also take into account the improvement in financial performance of the entity in FY23 (refers to the period from April 01 to March 31) and reduction in working capital cycle.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on September 07, 2023, the following were the rating strengths and weaknesses (updated for the information received from company):

#### Key weaknesses

##### Concentrated and low order book position with no new order addition in the recent past

SBPCPL has a low order book position of Rs.130.00 crore (which is 0.69x of FY23 turnover) as on July 31, 2023 (Rs.289.23 crore as on June 30, 2022), comprising of only two projects expected to be completed by December 2023. Furthermore, the low order book position of the entity also poses a risk with respect to revenue visibility with the company having no new orders in the past couple of years.

##### Risk associated with participating in tenders and intense competition in the industry

The entity has to bid for the contracts based on tenders opened by various public sector and government sector entities. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. The entity receives projects which majorly are of medium to long term in nature. Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry. The execution in the construction sector is challenging in view of the slow execution of the existing order book due to hindrances related to land acquisition, obtaining requisite clearances, labour shortage and liquidity issues with the clients, etc.

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

\*Issuer did not cooperate; based on best available information.

### Volatility associated with fluctuations in input prices

The major input materials for the entity are stone chips, bitumen, cement, bricks, sand etc. the prices of which are volatile in nature. This apart, any increase in the labour wages also impact the profitability being present in a highly labour-intensive industry. The delay in project execution as well as significant rise in metal prices lead to increase in overall cost which is likely to impact the profitability of the company. However, the management has maintained that the project cost has sufficient cushion to absorb the cost increase, and the likelihood of a loss is minimal.

### Key strengths

#### Satisfactory track record of operations

Since its inception, the company is engaged in civil construction works mainly on behalf of the Central Public Works Department, in Assam. The day-to-day operations of the entity are looked after by Binod Kumar Chhawchharia, who has more than three decades of experience in the civil construction industry along with Ashwini Chhawchharia, who has more than two decades of experience and Nakul Chhawchharia, who has more than one decade of experience in the civil construction industry. They are assisted by other technical and non-technical professionals who have long experience in this industry. Moreover, they have prior experience of working under the P. W. D., Assam, and P.W.D., Nagaon.

#### Improvement in financial performance in FY23

The total operating income of the company improved significantly in FY23 to ₹189.97 crore vis-à-vis ₹103.78 crore in FY22 on the back of increased execution in work orders. The PBILDT margin improved to 8.66% in FY23 vis-à-vis 7.43% in FY22 on account economies in scale leading to the reduction of administrative expenses as a percentage of sales. The interest cost reduced to ₹4.34 crore in FY23 as compared with ₹4.68 crore in FY22 due to early realization of debtors. The PAT margin increased from 1.47% in FY22 to 4.45% in FY23 mainly due to decrease in interest costs and depreciation. The company earned a PAT of ₹8.46 crore in FY23 vis-à-vis ₹1.52 crore in FY22.

#### Improvement in capital structure and debt coverage indicators

The capital structure of the company improved marked by debt equity and overall gearing ratio of 0.38x and 1.03x, respectively, as on March 31, 2023, as compared to 0.90x and 1.74x, respectively, as on March 31, 2022. The improvement in the overall gearing ratio is on account of both accretion of profit to net worth and reduction in term loans and unsecured promoter loans. The company had prepaid term loan to the tune of ₹3.85 crore in FY23. The debt coverage indicator marked by TD/GCA has improved from 13.89x in FY22 to 3.08x in FY23 due to higher GCA stemming from higher PBILDT amid decreasing debt. Further, the interest coverage ratio has also improved from 1.65x in FY22 to 3.85x in FY23 due to higher PBILDT.

#### Reduction in working capital cycle

The operating cycle of the entity reduced to 65 days in FY23 from 121 days in FY22 mainly on account of reduction in average collection period to 61 days in FY23 from 163 days in FY22. The realization of debtors was stretched during FY20-22 due to COVID-19, however, the same has improved significantly as the adverse effects of COVID-19 have reduced. Furthermore, improvement in collection period was also due to the averaging effect of the higher revenue in FY23 vis-à-vis FY22. The average creditor days also decreased from 90 days in FY22 to 55 days in FY23 due to prompt payment to creditors on account of faster realization from debtors. Although the working capital cycle improved, the operations of the entity remained working capital intensive due to the inherent nature of the construction industry.

### Liquidity: Adequate

The liquidity position of the company remained adequate with debt repayment obligation of ₹1.14 crore vis-à-vis gross cash accruals of ₹9.59 crore in FY23 and cash balance of ₹2.52 crore as on March 31, 2023. Further, the average utilization of working capital limits was around 90% during last 12 months ended July 2023. The company has a satisfactory current ratio of 1.41x as on March 31, 2023. The operating cycle of the company has also improved significantly from 121 days in FY22 to 65 days in FY23 due to decrease in average collection period.

### Applicable criteria

[Definition of Default](#)  
[Policy in respect of non-cooperation by issuers](#)  
[Rating Outlook and Rating Watch](#)  
[Financial Ratios – Non financial Sector](#)  
[Construction](#)  
[Short Term Instruments](#)  
[Liquidity Analysis of Non-financial sector entities](#)

### About the company and industry

#### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|-------------------------|--------|----------|----------------|
|-------------------------|--------|----------|----------------|

|             |              |              |                    |
|-------------|--------------|--------------|--------------------|
| Industrials | Construction | Construction | Civil Construction |
|-------------|--------------|--------------|--------------------|

SBPCPL, incorporated in 1996, is engaged in the civil construction business. The company undertakes civil engineering projects such as construction of medical colleges, commercial buildings for the Central Public Works Department, mainly in Assam. Further, the entity is also classified as class 'I' contractor in civil. The day-to-day operations of the entity are looked after by Binod Kumar Chhawchharia, who has more than three decades of experience in the industry along with Ashwini Chhawchharia and Nakul Chhawchharia.

The company is executing the current projects with joint venture association (JV) partner Shree Gautam Construction Company Limited and Bhartia Infra Projects Limited who have a 2% share in these projects.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) |
|----------------------------|--------------------|--------------------|
| Total operating income     | 103.78             | 189.97             |
| PBILDT                     | 7.71               | 16.46              |
| PAT                        | 1.52               | 8.46               |
| Overall gearing (times)    | 1.74               | 1.03               |
| Interest coverage (times)  | 1.65               | 3.85               |

A: Audited; Note: these are latest available financial results

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

**Any other information:** Not Applicable

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

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

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

| Name of the Instrument             | ISIN | Date of Issuance | Coupon Rate (%) | Maturity Date | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook       |
|------------------------------------|------|------------------|-----------------|---------------|-----------------------------|--|
| Fund-based - LT-Cash Credit        |      | -                | -               | -             | 26.30                       | CARE BB; Stable; ISSUER NOT COOPERATING* |
| Fund-based - ST-Bank Overdraft     |      | -                | -               | -             | 10.00                       | CARE A4+; ISSUER NOT COOPERATING*        |
| Non-fund-based - ST-Bank Guarantee |      | -                | -               | -             | 18.70                       | CARE A4+; ISSUER NOT COOPERATING*        |

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for 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 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022                    |
| 1       | Non-fund-based - ST-Bank Guarantee     | ST              | 18.70                        | CARE A4+; ISSUER NOT COOPERATING *        | -   | 1)CARE A4+ (07-Sep-23)                      | 1)CARE A4+ (19-Sep-22)                      | 1)CARE A4+ (04-Aug-21)<br>2)CARE A4+ (02-Aug-21)               |
| 2       | Fund-based - LT-Cash Credit            | LT              | 26.30                        | CARE BB; Stable; ISSUER NOT COOPERATING * | -   | 1)CARE BB; Stable (07-Sep-23)               | 1)CARE BB; Stable (19-Sep-22)               | 1)CARE BB; Stable (04-Aug-21)<br>2)CARE BB; Stable (02-Aug-21) |
| 3       | Fund-based - LT-Term Loan              | LT              | -                            | -   | -   | 1)Withdrawn (07-Sep-23)                     | 1)CARE BB; Stable (19-Sep-22)               | 1)CARE BB; Stable (04-Aug-21)<br>2)CARE BB; Stable (02-Aug-21) |
| 4       | Fund-based - ST-Bank Overdraft         | ST              | 10.00                        | CARE A4+; ISSUER NOT COOPERATING *        | -   | 1)CARE A4+ (07-Sep-23)                      | -   | -  |

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of instruments rated**

| Sr. No. | Name of the Instrument             | Complexity Level |
|---------|------------------------------------|------------------|
| 1       | Fund-based - LT-Cash Credit        | Simple           |
| 2       | Fund-based - ST-Bank Overdraft     | Simple           |
| 3       | Non-fund-based - ST-Bank Guarantee | Simple           |

**Annexure-5: Lender details**

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

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



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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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