

S P Construction

April 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.00	CARE B; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE B+; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	15.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

Rationale and key rating drivers

CARE Ratings Ltd. (CARE Ratings) has been seeking information from S P Construction (SPC) to monitor the rating(s) vide e-mail communications March 20, 2025, March 17, 2025, March 10, 2025, February 28, 2025, February 24, 2025, February 12, 2025, February 04, 2025 and numerous 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 has reviewed the rating based on the best available information which however, in CARE Ratings opinion is not sufficient to arrive at a fair rating. Further, SPC has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on SPC bank facilities will now be denoted as **CARE B; Stable / 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(s).

Revision in ratings assigned to the bank facilities of SPC is on account of non-availability of requisite information despite repeated requests.

Ratings assigned to the bank facilities of SPC continues to remain constrained on account of modest scale of operations with moderate profitability margins, low orderbook position, moderate capital structure and debt coverage indicators and stretched liquidity position during FY23 (Audited, FY refers to the period from April 01 to March 31). The ratings are further constrained on account of proprietorship nature of constitution, susceptibility of profit margins due to volatile material prices and presence in a highly fragmented and competitive industry. The ratings, however, derive strength from established track record of operations & experience of the proprietor in civil construction industry as well as established relations with reputed clientele.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings' belief that the entity shall sustain its moderate financial risk profile in the medium term.

Detailed description of key rating drivers:

At the time of last rating on April 03, 2024, the following were the rating strengths and weaknesses considered.

Key weaknesses

Modest scale of operations along with moderate profitability margins

The scale of operations marked by total operating income declined by 11% owing to lower execution of orders and remained modest at Rs. 45.01 crore during FY23 compared to Rs. 50.64 crore during FY22. As apart from its core business of executing construction SPC also undertakes opportunity-based trading of coal. This is acquired by participating in coal auctions of various companies in liquidation led to increase in scale of operation. Hence, in FY23 SPC earned 70% of its total revenue from construction activity and balance 30% was from sale of coal. Further, during 11MFY24 (Provisional), the firm has reported revenue of Rs. 55 crore and expects to close to Rs. 56 crores for FY24.

Despite a decline in revenue, the firm's profitability improved marginally yet continued to remain moderate on the back of lower materials consumption cost. Thus, SPC's profit before interest, lease rental, depreciation and tax (PBILDT) Margin stood at 4.40% during FY23 compared to 3.65% during FY22. Further, profit after tax (PAT) margin remained low owing to higher finance costs and stood at 1.97% during FY23 compared to 1.91% during FY22.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Low order book position

SPC has unexecuted order book position worth Rs. 24.55 crore as on March 16, 2024, forming around 0.55x of TOI of FY23 reflecting low order book position. Further, SPC expects to complete these orders by Q1FY25 thus translating into a short-term revenue visibility. Further, these orders are from top-rated public-sector units (PSUs) in the oil and gas space thus limiting the counter party credit risk.

Moderate capital structure and debt coverage indicators

SPC's capital structure moderated owing to increase in overall debt and remained moderate as marked by overall gearing ratio of 1.71x as on March 31, 2023 as compared to 1.41x as on March 31, 2022. Further, with increase in overall debt as well as interest cost, SPC's debt coverage indicators moderated and continued to remain moderate as marked by an interest coverage of 2.25x during FY23 compared to 2.78x during FY22 and total debt to gross cash accruals (TDGCA) of 11.37x as on March 31, 2023 compared to 7.88x as on March 31, 2022.

Proprietorship constitution of the business

Being a proprietorship concern, SPC has inherent risk of withdrawal of proprietor's capital at the time of personal contingency. Furthermore, it has restricted access to external borrowings where net worth as well as creditworthiness of the proprietor are the key factors affecting credit decision of the lenders. Hence, limited funding avenues along with limited financial flexibility have resulted in small scale of operations for the entity. During FY23, the proprietor has infused the capital of Rs. 1.01 crore as against the withdrawal of Rs. 0.32 crore during FY22.

Susceptibility of profit margins to volatility in raw material prices

The construction material is the major cost driver and subcontracting charges. The prices of construction material are volatile in nature therefore the cost base remains exposed to any adverse price fluctuations in the prices of material being major cost components. Further, the firm is unable to pass on the increase in raw materials to customers due to the non-existence of price escalation clauses in contract entered with companies in the oil and gas sector. Accordingly, the profit margins of the firm are susceptible to fluctuation in material prices.

Presence in a highly fragmented and competitive industry

The construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large, organized players coupled with the tender driven nature of construction contracts poses huge competition and puts pressure on the profitability margins of the players. Further, as the company participates in tenders invited by government departments, high competition and lower bargaining power restricts its profitability margins.

Key Strengths**Established track record of operations & experienced proprietor in civil construction industry**

SPC has been in the civil construction business for more than a decade and over the years of its operations, it has developed long standing relationships with reputed clients mainly from oil industry as reflected by the continuous receipt of orders on y-o-y basis. SPC is managed by Mr. Shashipal Kumawat who has rich experience in civil construction for more than two decades. Proprietor is further assisted by experienced management team to carry out project execution and day-to-day operations. SPC has maintained long-standing & established relationship with the reputed customers in the oil industry.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

[Short Term Instruments](#)

About the firm and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Established in 2000, as a proprietorship concern by Mr. Shashipal Kumawat, S P Construction (SPC) is engaged in civil construction business (primarily construction of plants, buildings, sheds, roads, etc. for oil companies) through tender bidding process for reputed players in oil and gas industry namely Hindustan Petroleum Corporation Ltd, Indian Oil Corporation Ltd, Bharat Petroleum Corporation Ltd and others from various states of India. Apart from its core business of executing construction contracts for companies in the oil and gas sector, from FY22 onwards, SPC also ventured into sale of coal stocks acquired by participating in coal auctions of various companies in liquidation.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	11MFY25 (Prov.)
Total operating income	50.64	45.01	55.58
PBILDT	1.85	1.98	NA
PAT	0.97	0.89	NA
Overall gearing (times)	1.41	1.71	NA
Interest coverage (times)	2.78	2.25	NA

A: Audited; Prov.: Provisional; NA: Not available; 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	-	-	-	-	2.00	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee	-	-	-	-	7.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee	-	-	-	-	8.00	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	Fund-based - LT-Cash Credit	LT	2.00	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B+; Stable (03-Apr-24)	-	1)CARE B+; Stable (30-Mar-23) 2)CARE B+; Stable (04-Apr-22)	-
2	Non-fund-based - ST-Bank Guarantee	ST	7.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (03-Apr-24)	-	1)CARE A4 (30-Mar-23) 2)CARE A4 (04-Apr-22)	-
3	Non-fund-based - ST-Bank Guarantee	ST	8.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (03-Apr-24)	-	1)CARE A4 (30-Mar-23) 2)CARE A4 (04-Apr-22)	-

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

LT: Long term; ST: 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	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.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 044-28501001 E-mail: pradeep.kumar@careedge.in	Jignesh Trivedi Assistant Director CARE Ratings Limited Phone: 079-40265631 E-mail: jignesh.trivedi@careedge.in
	Darshini Shah Analyst CARE Ratings Limited E-mail: Darshini.Shah@careedge.in

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:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**