

S&P Structurals Private Limited

Instrument	Amount (Rs. Crores ¹)	Rating Action December 2016
Long Term - Fund Based- Cash Credit	2.00	[ICRA]C+; revised from [ICRA]B
Long Term - Fund Based- Working Capital Demand Loan	5.00	[ICRA]C+; revised from [ICRA]B
Long Term/Short term - Non Fund based-Bank Guarantee	2.95	[ICRA]C+; revised from [ICRA]B / [ICRA]A4; re-affirmed
Total	9.95	

ICRA has revised the long term rating assigned to Rs. 7.00 crore fund based facility of S&P Structurals Private Limited (SPSPL/ the company) from [ICRA]B (pronounced ICRA B)² to [ICRA]C+ (pronounced ICRA C plus). ICRA has also revised the long term rating from [ICRA]B (pronounced ICRA B) to [ICRA]C+ (pronounced ICRA C plus) and reaffirmed the short term rating at [ICRA]A4 (pronounced ICRA A four) for Rs.2.95 crore long term/short term non fund based facilities of the company.

The ratings revision takes into consideration further delays in the company's only ongoing project in Kudagi due to farmers' agitation regarding Right of Way. This, along with transmission line route deviations, has lead to time and cost overruns affecting the liquidity position of the company as reflected by consistent over utilization of sanctioned cash credit facility. The revision in ratings also considers the decline in order book position with no future confirmed orders in hand with the company apart from the ongoing project, and the deterioration in SPSPL's financial profile characterized by stretched liquidity position and weak coverage indicators during FY 2016. ICRA also notes that the company is vulnerable to fluctuations in the prices of raw materials like copper, aluminum and steel due to the timing difference between bidding and executing the project as the prices are indexed to international rates. However, this is mitigated by the price variation clauses which enable the company to pass on the variations to the clients but can be claimed only after commissioning of the project.

The rating, however, positively factors in the long experience of the company in the construction of transmission lines and sub-stations with majority of the projects executed for Karnataka Power Transmission Corporation Limited (KPTCL). The company has pre-qualification status to bid up to 220kV transmission lines and 110kV sub-stations. The rating also factors in the exclusive agreement with Alstom T&D India Limited to bid for 220kV sub-stations and associated transmission lines. Going forward, the company's ability to complete the project without any further time and cost overruns and obtaining new projects while managing the working capital requirements will be the key rating sensitivities.

Company Profile

S&P Structurals Private Limited (SPSPL) was incorporated in 2007 with the merger of S&P Constructions and Mahesh Engineering Constructions which had been in the business of construction and commissioning of high power transmission lines and sub-stations since 1989 and 1995 respectively. The company executes works for Karnataka Power Transmission Corporation Limited and other private companies as turnkey and sub-contractor. It has commissioned projects of various voltages ranging from 66kV to 220 kV transmission lines (single, double and multi circuit lines) and 110kV and 220kV sub-stations.

Recent Results

For 2016, the company reported a net profit of Rs. 0.43 crore on an operating income of Rs. 15.36 crore as against a net profit of Rs. 0.27 crore on an operating income of Rs. 7.10 in FY 2015. For FY 2017, the company has reported operating income of Rs. 6.81 crore till November, 2016 (as per provisional results).

December 2016

¹ 100 lakhs = 1 crore = 10 millions

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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