

November 9, 2011

**CARE REVISES THE RATING ASSIGNED TO THE BANK FACILITIES OF
ESSAR OFFSHORE SUBSEA LTD.**

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Long-term Bank Facilities	17.12	'CARE A(SO)' [Single A(Structured Obligation)]	Revised from CARE A-(SO)
Short-term Bank Facilities	850.00	'CARE A2+(SO)' [A Two Plus(Structured Obligation)]	Revised from CARE A2(SO)
Long-term/Short-term Bank Facilities	50.00	'CARE A(SO)/ CARE A2+(SO)' [Single A (Structured Obligation)/A Two Plus(Structured Obligation)]	Revised from CARE A- (SO)/CARE A2(SO)
Total Instruments	917.12		

Rating Rationale

The ratings derive strength from the corporate guarantees extended by the parent company, Essar Projects India Ltd.(EPIL), in favour of lenders in respect of all the above bank facilities availed by EOSL.

The long-term rating of EPIL have been revised from CARE A- to CARE A while the short-term rating has been revised from CARE A2 to CARE A2+.

The revision in the ratings of EPIL reflect healthy growth in the turnover and profit during FY11 (refers to April 1 to March 31), the strong order book position demonstrating medium-term revenue visibility and improvement in the working capital management. The ratings are further supported by the demonstrated capability to execute contracts in diversified sectors and increasing fixed asset base.

The ratings are, however, constrained by high gearing levels, reliance on the group companies for business, fixed price nature of a large number of contracts exposing the operating profit margin to adverse movement in the input prices and high sub-contracting cost and significant corporate guarantees extended on behalf of the subsidiaries.

EPIL's ability to bag orders outside the group companies while improving the leverage profile remain the key rating sensitivities.

Company Profile

Essar Offshore Subsea Limited (EOSL) is a wholly-owned subsidiary of Essar Projects (India) Limited (EPIL; rated CARE A-/A2). EOSL is engaged in Engineering, Procurement and Construction activities (EPC) in the Oil & Gas sector (primarily offshore projects) with an order-book position of Rs.1,074 crore as on March 31, 2011.

During FY11, EOSL achieved total income of Rs.719.48 crore and PAT of Rs.93.28 crore.

¹ Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

About Guarantor, EPIL

EPIL (formerly known as Essar Construction India Ltd) was formed by the Essar group in the year 2000. In 2007, EPIL became a wholly-owned subsidiary of Essar Projects Ltd. – which is the holding company for project execution initiatives of the Essar group.

EPIL was floated in order to pursue the Engineering, Procurement and Construction (EPC) projects. The company has been executing projects in industrial construction such as steel plants, power plants, refinery and other industrial structures largely for its group companies.

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CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

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