March 29, 2013

CARE REVISES THE RATINGS ASSIGNED TO BANK FACILITIES OF SPML INFRA LTD (SIL).

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term bank facilities	2,361.73 (reduced from 2,378.80)	CARE BB+ (Double B Plus)	Revised from CARE BBB- (Triple B Minus)
Short-term bank facilities	470.00 (reduced from 621.20)	CARE A4+ (A Four Plus)	Revised from CARE A3 (A Three)
Total	**2,831.73**		

Rating Rationale

The revision in ratings of SPML Infra Ltd (SIL) takes into account the decline in profitability in FY12 (refers to the period April 2011 to March 2012), increase in average collection period resulting in high level of working capital borrowings and significant increase in exposure to group and subsidiary companies. The ratings continue to be constrained by the volatile input prices and sluggish growth being witnessed by the construction industry. The ratings, however, continue to draw support from the experience of the promoters, satisfactory track record of the company in project execution (mainly in water management related projects), healthy order book position and moderate gearing ratios. Improving profitability, managing working capital effectively, timely receipt of contract proceeds, as also the ability of the group & subsidiary companies to yield commensurate returns are the key rating sensitivities.

Background

SIL, incorporated in August, 1981, was promoted by Mr. P. C. Sethi. It is the flagship company of the Kolkata-based SPML group.

SIL is engaged in execution of EPC projects in water sector (involving laying of pipelines to draw water from rivers and dams for various water distribution systems and water supply networks), power sector (setting-up of transmission/distribution lines and switchyards and rural electrification projects) and infrastructure sectors (like civil work for power plants, roads and irrigation projects), BOOT and O&M based projects in water management, solid waste management and hydropower projects. However, water management remains the core area of operation for SIL accounting for about 90% of its order book position as on December 31, 2012.

In FY12, SIL earned PAT of Rs.3.0 crore on total income of Rs.914.6 crore. During 9MFY13, the company has achieved PAT of Rs.4.7 crore on a total income of Rs.770.8 crore.

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[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

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