Press Release

May 16, 2011

CARE ASSIGNS 'CARE BBB-' & 'PR3' RATINGS TO THE BANK FACILITIES OF SPML INFRA LTD.

Ratings Assigned

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term bank facilities	2,378.8	'CARE BBB-' (Triple B minus)	Assigned
Short-term bank facilities	621.2	'PR 3' (PR three)	Assigned
Total	**3,000.0**		

Rating Rationale

The above ratings draw strength from long track record of the promoters, experienced & qualified management team, satisfactory track record of the company in project execution (mainly in water management related projects), healthy order book position, reputed client portfolio and positive outlook for the sectors in which the company operates in. The ratings are however, constrained by the high debtors level during the last two years arising out of delayed payment by several State & Central power utilities, high utilisation of working capital borrowings, substantial exposure in subsidiary companies & SPVs, relatively low investment in fixed assets - entailing higher operating cost and volatile input prices.

Ability to manage working capital effectively and raise resources to manage growth in scale of operation while maintaining the capital structure, steady flow of orders with timely execution of same and containment of operating costs in the wake of increasing competition would remain the key rating sensitivities.

Company Profile

SIL, promoted by Shri P. C. Sethi of Guwahati (Assam), was incorporated in August, 1981 as 'Subhash Projects and Marketing Pvt. Ltd.' (SPMPL). In July, 1983, SPMPL became a public limited company and subsequently in April, 2010, the name was changed to SIL. SIL is the flagship company of Kolkata based SPML group.

The company commenced operation with water management projects (involving lying of pipelines to draw water from rivers and dams for various water distribution systems and water supply networks). Over the years, SIL has diversified in other areas such as power distribution projects (involving setting-up of transmission/distribution lines and switchyards and rural electrification projects) as well as infrastructure projects (like civil work for power plants, roads and irrigation projects). However, water management remains the core area of operation for SIL (accounting for about 60% of its current order book position as on Dec.31, 2010).

Over the years, SIL has developed a niche for itself in water & sewerage management projects.

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

As on Dec.31, 2010, the order book stood at Rs.3,070 crore which is 2.78 times of gross billing in FY10. SIL's order book is sectorally well diversified, insulating it from slowdown in any sector.

On total income of Rs.1,413.7 crore in FY10 (FY09 – Rs.1,283.2 crore), SIL earned PBILDT of Rs.165.2 crore (FY09 – Rs.174.3 crore) and PAT (after defd. tax) of Rs.51.8 crore (FY09 – Rs.57.6 crore) in FY10. As per unaudited working results for 9MFY11, the company demonstrated satisfactory performance.

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