

August 12, 2010

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES, NCD, AND CP/STD ISSUE OF SPANCO LTD

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term/Short-term Bank Facilities	1,063.90	'CARE BB' (Double B)/PR4 [PR Four]	Revised from CARE BBB [Triple B]/PR3 [PR Three]
Total Facilities	1,063.90		
Non Convertible Debenture (NCD)	92.00	'CARE BB' (Double B)	Revised from CARE BBB [Triple B]
Commercial Paper (CP)*	50.00	'PR4' (PR Four)	Revised from PR3 [PR Three]
Commercial Paper (CP)	50.00	'PR4' (PR Four)	Revised from PR3 [PR Three]

* carved out of working capital limits

Rating Rationale

The revision in ratings takes into account delay in collection from customers leading to cash flow mismatches, instances of devolvement of Letters of Credit (LC) and delays in repayment of term debt instalments in the past. The ratings are further constrained by high gearing levels and investments in business-related ventures and expected commitments towards these ventures.

The ratings however continue to derive strength from Spanco's established position in Telecom systems integration & IT-enabled services businesses, experienced management, tie-ups with international telecom-networking equipment providers and strong clientele.

Spanco's ability to maintain its margins in the highly competitive environment and managing debtors' levels are the key rating sensitivities.

Company Profile

Established in 1995, Spanco Limited is an ISO 9001:2008 certified and CMMI level 3 company, and operates in the telecom integration segment.

¹Complete definition of the ratings assigned are available at www.careratings.com

On a total income of Rs.687.01 crore, Spanco earned a PAT of Rs.20.29 crore in FY09. As per the unaudited results for the year ended March 2010, Spanco earned a PAT of Rs.64.70 crore on net sales of Rs.1,183.23 crore.

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welcome to write to care@careratings.com for any clarifications.

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