
June 4, 2010

CARE ASSIGNS 'CARE BB+' & 'PR4' RATINGS TO BANK FACILITIES OF SUPREME INFRASTRUCTURE INDIA LTD.

CARE assigned a '**CARE BB+**' [**Double B Plus**] rating to the Long-term Bank Facilities of Supreme Infrastructure India Ltd. (SIIL), aggregating Rs.179.21 crore. Facilities with this rating are considered to offer inadequate safety for timely servicing of debt obligations. Such facilities carry high credit risk.

In addition, CARE has assigned a '**PR4**' [**PR Four**] rating to the Short-term Bank Facilities of SIIL, aggregating to Rs.160 crore. Facilities with this rating would have inadequate capacity for timely payment of short-term debt obligations and carry very high credit risk. Such facilities are susceptible to default. This rating is applicable to the facilities having tenure up to one year.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Facilities/Instrument	Amount (Rs. crore)	Rating
Long-term Bank facilities	179.21	CARE BB+
Short-term Bank facilities	160.00	PR4
Total	339.21	

Rating Rationale

The ratings are constrained by the unsatisfactory debt servicing record of SIIL in the past due to high working capital requirement on the back of growing business volumes not backed by adequate credit lines, the risk associated with undertaking Engineering, Procurement & Construction (EPC) contracts in the real estate sector given the cyclical nature of the industry and limited past track record in executing projects in power, real estate and railway sectors which constitute a good portion of the order book.

The ratings however consider strength of the promoter's experience in execution of EPC contracts, qualified management team, moderate gearing levels, comfortable profitability margins, the growing scale of operations and growth prospects of the infrastructure sector in general.

Ability of SIIL to execute the large projects in a timely manner without cost/time overruns, conversion of Letters of Intents (LOIs) into actual orders, efficient management of working capital and maintenance of healthy profitability margin & liquidity position are key rating sensitivities.

Company Profile

SIIL was incorporated in 1983 and is a medium-sized construction company (an EPC contractor) engaged in construction of highways, roads & bridges and engineering works. It also manufactures crushed metals, ready-mix concrete, asphalt & wet mix macadam.

During FY09, SIIL reported sales of Rs.382.25 crore and a PAT of Rs.36.10 crore. The overall gearing ratio increased to 1.59x as on March 31, 2009 from 0.86x as on March 31, 2008, on account of higher working capital and long-term borrowings.

SIIL reported net sales of Rs.219 crore and earned a PAT of Rs.17 crore during H1FY10. As on October 31, 2009, the order book position of SIIL was Rs.1,498 crore.

Analyst Contact

Name: Ms. Rashmi Narvankar

Direct: 022 6754 3429

Board: 022 6754 3456

Email: rashmi.narvankar@careratings.com

CARE 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.

Disclaimer

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's Place No. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr.Ashwini Jani Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 91766 47599 E-mail : ashwini.jani@careratings.com</p>	<p>Mr. Rahul Patni Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 _40102030 Mobile – 91600 04563 E-mail: rahul.patni@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail : swati.agrawal@careratings.com</p>