

June 14, 2010

**CARE REAFFIRMS THE RATING ASSIGNED TO THE STD PROGRAMME OF TANTIA CONSTRUCTIONS LTD. (FOR ENHANCED AMOUNT)****Rating Assigned**

<b>Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Short Term Debt*	100.0 (enhanced from Rs.50.0 crore)	<b>'PR1' (PR One)</b>	Reaffirmed

*\*carved out of working capital limits***Rating Rationale**

The rating continues to draw comfort from the long & satisfactory track record of the company for over four decades, proven project execution capability with strong technical tie-ups, healthy order book position, impressive client portfolio, satisfactory & improving profit level, moderate financial position and increasing thrust by Govt. of India on infrastructure creation. However, the rating is constrained by volatile input prices, dependence (though reducing gradually) on relatively costlier ICD borrowings and short term loans, high overall gearing, relatively low investment in machinery & equipment entailing higher rentals, high average receivable collection period and high fragmentation in the industry vis-à-vis intense competition. Steady flow of orders & timely execution of the same, timely receipt of contract proceeds and containment of operating cost in the wake of increasing competition will remain the key rating sensitivities.

**Company Profile**

Tantia Constructions Ltd. (TCL), incorporated in December, 1964, is a Kolkata based company engaged in all types of civil construction activities. The current promoter, Shri I.P. Tantia, has been at the helm of the affairs of the company since 1969. The company is accredited with ISO 9001:2000 certification for civil, steel structural and building projects. It has also received commendation certificates from many of its clients.

TCL earned a PBILDT of Rs.61.7 crore (Rs.45.7 crore in FY08) and PAT (after deferred tax provision) of Rs.17.3 crore (Rs.15.4 crore in FY08) on total income of Rs.451.3 crore (Rs.364.7 crore in FY08) in FY09. Interest coverage, though declined from FY08, was adequate at 1.58 in FY09. While overall gearing ratio was high and deteriorated to 2.22 as on Mar.31, 2009 from 2.05 as on Mar.31, 2008, long-term debt equity ratio remained at the comfortable level.

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<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

The working results for the nine months ended Dec.31, 2009 (9MFY10) were satisfactory with improvement in gross billing and other profitability related parameter over 9MFY09.

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