

PES Installations Private Limited

November 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	9.17	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	17.83	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking the No Default Statement (NDS) from PES Installations Private Limited (PESIPL), to monitor the ratings vide e-mail communications dated November 04, 2024, October 31, 2024, October 30, 2024, October 29, 2024, among others and numerous phone calls. However, despite our repeated requests, PESIPL has not provided the NDS for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings has reviewed the ratings on the basis of best available information which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The ratings on bank facilities of PESIPL will now be denoted as '**CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING***'.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The revision in ratings assigned is on account of non-availability of requisite information for continuous monitoring of the ratings, due to non-cooperation by PESIPL with CARE Ratings, to provide the No Default Statement (NDS) on monthly basis. CARE Ratings views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained by modest scale of operations, working capital intensive nature of operations due to elongated collection period, foreign exchange fluctuation risk and the company's presence in a competitive industry. However, these rating weaknesses are partly offset by the healthy profitability margins and comfortable capital structure as marked by low overall gearing. Furthermore, the ratings continue to derive strength from experienced promoters, long track record of operations and reputed customer base.

Analytical approach: Standalone.

Outlook: Stable

The stable outlook reflects CARE Ratings' opinion that the company shall continue to benefit from experience of the promoters in the industry.

Detailed description of the key rating drivers

At the time of last rating on June 24, 2024, following were the rating strengths and weaknesses.

Key weaknesses

Modest scale of operations

PESIPL reported a healthy year-on-year growth of 57.64% in its scale of operations in FY24 (refers to the period from April 01 to March 31), with total operating income (TOI) improving to Rs.103.38 crore in FY24 (Provisional) (PY: Rs.65.58 crore). The growth in scale is driven by higher numbers of tenders executed benefitting from increased focus of the government on healthcare sector. Nevertheless, the scale remains modest, and it limits the company's financial flexibility in times of stress and deprives it of scale benefits.

Elongated collection period

The company's operations are working capital-intensive as marked by gross current assets of 370 days as on March 31, 2024 (PY: 468 days), which is primarily due to elongated collection period. The high working capital requirements of the company are largely met through elongated payable period which stood at 186 days in FY24 (PY: 220 days). The average collection period is elongated since the company largely executes tenders allotted by civil contractors on sub-contracting basis. These tenders are ultimately floated by the government, wherein there is a specific payment mechanism based on percentage of work completion. Under this pro-rata basis payment system, the company receives certain portion of payment against material delivery at site,

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

certain payment at the time of installation and balance upon completion of the project. Further, timely work execution by the company is hampered due to delay on part of the civil contractors in getting site and other requisite clearances and also due to inspections at regular intervals. This all leads to an elongated average collection period which stood at 252 days in FY24 (PY: 305 days).

Presence in a competitive nature of industry

PESIPL operates in a highly competitive industry as marked by the presence of a large number of players in the unorganized sector. The industry is characterized by low entry barriers due to low technological inputs and easy availability of products. This further leads to high competition among various small and regional players catering to the same market. Furthermore, presence of various players in this industry limits bargaining power of the company which exerts pressure on its profitability margins.

Foreign exchange fluctuation risk

The import purchases constituted around 10% of total purchases made in FY24 while around 90% of the procurement like gas, copper pipe, electrical items, copper fittings, etc is done from the domestic market. With initial cash outlay for procurement in foreign currency and significant chunk of sales realization in domestic currency, the company is exposed to risk of fluctuation in exchange rates. Further, PESIPL do not have any formal hedging mechanism in place. However, it has reported foreign exchange gain of Rs.0.05 crore in FY24 (PY: Rs.0.05 crore).

Key strengths

Experienced management with long track record of operations

Incorporated in 1995, PESIPL is managed by Mr. Pankaj Chadha, Mr. Raghunandan Paul Chadha, Mr. Dinesh Chadha and Gaurav Chadha. Mr. Raghunandan Paul Chadha holds vast experience of around four decades in the industry. Mr. Dinesh Chadha and Mr. Pankaj Chadha, each have industry experience of around three decades. Mr. Gaurav Chadha has around two decades of experience in the industry. They are in turn well supported by a team of experienced professionals managing the company's day-to-day operations. PESIPL is having a considerable track record in the business, which has resulted in long term relationships with both its suppliers and customers.

Comfortable capital structure and debt coverage indicators

PESIPL's capital structure remains comfortable as marked by overall gearing of 0.37x as on March 31, 2024 (PY: 0.46x). Due to limited debt levels and moderate profitability margins leading to better gross cash accruals (GCA), the debt coverage indicators of the company improved and stood comfortable as marked by interest coverage and total debt to GCA of 9.90x (PY: 5.32x) and 1.32x (PY: 2.60x) respectively in FY24.

Reputed client base

PESIPL's long track record of operations has enabled it to build a network of esteemed clients, which includes the renowned civil contractors like Larsen & Toubro (L&T), HLL Infra Tech Services Limited (HITES), Capacite Infraprojects Ltd., PSP Projects Ltd., etc., and private and government hospitals and medical institutions such as All India Institute of Medical Sciences (AIIMS), Fortis Hospital, Max Healthcare, etc.

Healthy profitability margins

PESIPL's profitability margins remains healthy and improved in FY24, marked by profit before interest, lease rentals, depreciation, and taxation (PBILDT) and profit after tax (PAT) margin of 16.37% (PY: 12.93%) and 10.88% (PY: 7.61%) respectively in FY24 (Provisional). The profitability margins improved on account of the better cost management done by the company coupled with execution of tenders fetching better margins. Further, tenure of the projects undertaken by company generally ranges between 1-3 years. Some orders are completed within timeframe of six months as well. Moreover, most of the orders being executed are fixed price, fixed time in nature with absence of price escalation clause and hence, effective and timely execution of the orders has a direct bearing on the margins attained.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Commercial Services & Supplies	Diversified Commercial Services

Incorporated in 1995, PESIPL is engaged in the field of hospital infrastructure and services. It undertakes projects on a turnkey basis for commissioning of Medical Gas Pipeline Systems (MGPS), prefabricated Operation Theatres (OT), Pneumatic Tube System (PTS), etc. The company largely executes tenders on sub-contracting basis allotted by civil contractors like L&T, HITES, Capacite Infraprojects Ltd., PSP Projects Ltd., etc. Further, it undertakes direct projects from hospitals and medical institutions like AIIMS, Postgraduate Institute of Medical Education and Research (PGIMER), LPS Institute of Cardiology, etc. The company designs and installs these systems (OT, MGPS, PTS, etc.). Further, it manufactures majority of the components used in the installation of these systems and supply as part of the project.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	2MFY25*
Total operating income	65.58	103.38	7.00
PBILDT	8.48	16.92	NA
PAT	4.99	11.25	NA
Overall gearing (times)	0.46	0.37	NA
Interest coverage (times)	5.32	9.90	NA

A: Audited, UA: Unaudited, NA: Not available; Note: these are latest available financial results

*Refers to the period from April 01, 2024, to May 31, 2024.

Status of non-cooperation with previous CRA: CRISIL Ratings has retained the ratings assigned to the bank facilities of PESIPL under Issuer not cooperating (INC) category vide its press release dated June 13, 2024, on account of its inability to carry out review in the absence of requisite information from the company. Further, Brickwork Ratings downgraded the ratings assigned to the bank facilities of PESIPL under INC category vide its press release dated October 03, 2024, on account of its inability to carry out review in the absence of requisite information from the company.

Any other information: Not Applicable.

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.50	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2025	0.67	CARE BB-; Stable; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	1.33	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST - Bank Guarantee		-	-	-	16.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	8.50	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (24-Jun-24)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (31-Jan-24)	1)CARE BB; Stable (17-Nov-22) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (12-Jul-22)	1)CARE BB; Stable (21-Jan-22)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	16.50	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE BB; Stable / CARE A4 (24-Jun-24)	1)CARE A4; ISSUER NOT COOPERATING* (31-Jan-24)	1)CARE A4 (17-Nov-22) 2)CARE A4; ISSUER NOT COOPERATING* (12-Jul-22)	1)CARE A4 (21-Jan-22)
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	1.33	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	1)CARE BB; Stable / CARE A4 (24-Jun-24)	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (31-Jan-24)	1)CARE BB; Stable / CARE A4 (17-Nov-22) 2)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (12-Jul-22)	1)CARE BB; Stable / CARE A4 (21-Jan-22)
4	Fund-based - LT-Term Loan	LT	0.67	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Stable (24-Jun-24)	-	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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