

Prakash Electrical Engineering Corporation

December 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	14.00 (Enhanced from 2.35)	CARE BB; Stable	Rating removed from ISSUER NOT COOPERATING category and Upgraded from CARE B-; Stable
Long Term / Short Term Bank Facilities	55.00 (Enhanced from 7.65)	CARE BB; Stable / CARE A4	Rating removed from ISSUER NOT COOPERATING category and LT rating upgraded from CARE B-; Stable and ST rating assigned
Short Term Bank Facilities	1.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings to the bank facilities of Prakash Electrical Engineering Corporation (PEEC) are constrained by modest scale of operations and customer concentration risk. The ratings further continue to be constrained by its presence in a competitive and fragmented industry landscape along with tender driven nature of operations, exposure to fluctuating raw material prices and proprietorship nature of constitution. The ratings, however, derive strength from established track record of operations along with experienced promoters, healthy profitability in recent years and comfortable order book position.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with total operating income (TOI) above Rs. 250 crore on a sustained basis
- Maintenance of profit before interest, lease rentals, depreciation and taxes (PBILDT) margins above 20% on a sustained basis
- Total outside liabilities-to-tangible net worth (TOL/TNW) below 1.50x on a sustained basis

Negative factors

- Decline in TOI below Rs. 100 crore or PBILDT margin below 10% on a sustained basis
- Deterioration in gearing above 1.50x
- Deterioration in TOL/TNW above 4.00x on a sustained basis

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook assigned to the long-term ratings of PEEC factors the experience of the promoter in the industry and its ability to maintain its operational performance in the medium term supported by healthy order book position.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations, albeit decline in FY24; albeit healthy orderbook provides revenue visibility

The TOI in FY24 ((FY refers to the period from April 01 to March 31) declined by 36.43% to Rs. 119.91 crore from Rs. 188.62 crore in FY23. In many contracts physical work had been completed during Q4FY24 but the billing was done in subsequent quarter and was ultimately reported in the next fiscal year. Also, the management has been selectively bidding only for high margin contracts such as extra high voltage (EHV) lines which has constrained the revenue for FY24. Unexecuted orderbook to sales (FY24) ratio of 5.10x indicates revenue visibility in the short to medium term.

Customer concentration risk coupled with geographical concentration risk

During FY24, the top 8 customers contributed to around 82% of the total TOI compared to 44% in FY23. Dependence on a select customers exposes PEEC to customer concentration risk and impacts its predictability of revenue for future periods. Also, the enterprise operates in Maharashtra only with majority of orders coming from a single customer/authority i.e., Maharashtra State Electricity Transmission Company Limited. The customer concentration makes it vulnerable to the risk of a slowdown in the awarding of tenders and orders from this client.

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

Proprietorship constitution of the entity and low net worth base

PEEC is a proprietorship concern promoted by Mr. Prakash Deshmukh. Being a proprietor concern, it carries the inherent risk of withdrawal of capital by the proprietor at the time of personal contingency. In FY24, the net worth of PEEC stood at Rs. 38.86 crore which impacts the entity's ability to invest in growth opportunity and constrains its financial flexibility.

Intensely competitive and tender-driven nature of business

PEEC's business is tender-driven, which is characterized by intense competition resulting in reduced bargaining power to secure favourable terms of contract. The growth of business depends entirely upon the enterprise's ability to successfully bid for tenders and emerge as the lowest bidder.

Exposed to raw material price fluctuation risk

Major raw materials used by the firm are critical electrical equipment such as Power transformers, safety equipment such as circuit breakers, switches, conductors etc. along with steel and cable wire. Raw material cost comprised of 45% of total costs in FY24. The other raw material required for the projects are bought-out items sourced from various indigenous suppliers approved by the contract awarding authorities based on project requirements. The firm does not enter into any long-term contracts with the suppliers. Although the firm has a price escalation clause in contracts, modest size of operations and presence in a competitive business environment with limited bargaining power with customers limits the ability of the firm to pass on any increase in raw material costs for the orders under execution.

Key strengths

Long track record of operations and experienced promoter

PEEC has a track record of over two decades in the industry and has strong roots in the electrical equipment business. The proprietor of the firm, Mr. Prakash Deshmukh Dadasaheb, has three decades of industry experience which has helped him to gain an adequate acumen about the business which aids in smooth operations of PEEC. Mr. Prakash Deshmukh has diversified into the hotel industry in 2009 and cement block manufacturing industry in 2023 operating as a sole proprietor under the names of 'Hotel Atithi' and 'P. D. Infra' respectively. Hotel Atithi is a chain hotel with three locations viz. Chiplun, Panvel, and Ganpatipule. P.D. Infra has a manufacturing capacity of 70-80 m³.

Improvement in profitability

There is improvement in PBILDT margins over the past two years. PBILDT margins in FY24 stood at 18.49% vis-à-vis 18.99% in FY23. With the past 5-year ending FY24 average being 10.91%. The improvement in PBILDT margins is largely owing to executing EHV transmission line contracts which are technical in nature and has helped the company in improving their profitability. Going forward, sustainability of these margins in the near term remains key monitorable.

Liquidity: Stretched

PEEC's liquidity position is stretched marked by increased debtor collection period to 98 days in FY24 compared to 40 days in FY23. PEEC's Gross Current Asset Days increased to 424 days in FY24 compared to 173 days in FY23. The working capital requirements are met by cash credit facility and BG limits along with credit period from suppliers. The average utilization of the fund-based limits by the entity for trailing 12-month period ending September 2024, was 29%. The company's gross cash accruals declined to Rs. 18.76 crore in FY24 compared to Rs. 34.60 crore in FY23.

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service sector companies](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

PEEC is a proprietorship concern established in the year 1998 by Mr. Prakash Dadasaheb Deshmukh. The firm is registered as a Class-A Electrical Contractor by PWD (Public Works Department) in Maharashtra. The enterprise undertakes turnkey projects, supply, installation, testing and commissioning (SITC) of high tension and low tension (HT/LT) lines, transformers, electric substations, house wiring, industrial wiring etc.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	188.62	119.91
PBILDT	35.83	22.18
PAT	34.24	18.36
Overall gearing (times)	0.50	0.92
Interest coverage (times)	28.35	6.50

A: Audited Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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		-	-	-	14.00	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	55.00	CARE BB; Stable / CARE A4
Non-fund-based - ST-ILC/FLC		-	-	-	0.50	CARE A4
Non-fund-based - ST-Working Capital Limits		-	-	-	0.50	CARE A4

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	14.00	CARE BB; Stable	-	1)CARE B-; Stable; ISSUER NOT COOPERATING * (08-Sep-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (08-Sep-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (07-Jul-21)
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	55.00	CARE BB; Stable / CARE A4	-	1)CARE B-; Stable; ISSUER NOT COOPERATING * (08-Sep-23)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (08-Sep-22)	1)CARE B-; Stable; ISSUER NOT COOPERATING * (07-Jul-21)
3	Non-fund-based - ST-ILC/FLC	ST	0.50	CARE A4				
4	Non-fund-based - ST-Working Capital Limits	ST	0.50	CARE A4				

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

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-ILC/FLC	Simple
4	Non-fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated: Not applicable

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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