

January 14, 2011

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE
BANK FACILITIES AND INSTRUMENTS OF PATEL ENGINEERING LTD.**

Ratings

Particulars	Amount (Rs. crore)	Rating ¹	Remarks
Long -term Bank Facilities	1,431.25	CARE AA [Double A]	Reaffirmed
Short-term Bank Facilities	517.30	PR1+ [PR One Plus]	Reaffirmed
Long/Short-term Bank Facilities	2,590.00	CARE AA / PR1+ [Double A/ PR One Plus]	Reaffirmed
Total	4,538.55 (enhanced from Rs.3,868.50 crore)		
NCD I	200.00	CARE AA [Double A]	Reaffirmed
NCD II	100.00	CARE AA [Double A]	Reaffirmed
NCD III	200.00 (enhanced from Rs.100 cr)	CARE AA [Double A]	Assigned
CP/STD	200.00	PR1+ [PR One Plus]	Reaffirmed
CP/STD*	200.00	PR1+ [PR One Plus]	Reaffirmed

* carved out of working capital limits

Rating Rationale

The ratings continue to derive strength from the extensive experience and well-established position of PEL in the construction industry, revenue visibility stemming from the strong order book position, proven track record in hydropower and irrigation projects and healthy operating margins. The ratings have also factored in equity infusion by way of QIP issue in FY10, positive outlook for the infrastructure sector and improved operating margin (PBILDT) in FY10. The ratings are however constrained by increase in gearing levels due to the highly working capital intensive operations and tangible support provided/expected be provided to group companies operating in the energy and real estate sectors.

Ability of PEL to maintain healthy profitability without deteriorating its leverage profile and efficiently financing its growing working capital requirements are the key rating sensitivities. The ratings are also sensitive to the extent of future support to be provided to its group companies if these subsidiaries are not able to raise requisite finances of their own.

¹Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications

Company Profile

PEL is a construction company possessing competence in the construction of civil structures, mainly focusing on hydro power projects such as dams, powerhouse, surge chambers, irrigation projects, and also has presence in road and transportation segment. PEL is the first Indian company to use RCC technology for construction of dams in India.

PEL has a healthy order book position aggregating Rs.9,909 crore as on March 31, 2010, translating to about 4.5x of net sales of FY10.

On a total income of Rs.2,077 crore in FY10, PEL earned a PAT of Rs.131 crore. For Q1FY11, the company achieved net sales of Rs.487 crore and PAT of Rs.26 crore.

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CARE has 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**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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