

October 17, 2013

**CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES/INSTRUMENTS OF
PATEL ENGINEERING LTD AND ITS ENTITIES**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	1,010	CARE BBB (Triple B)	Revised from CARE A (Single A)
Short-term Bank Facilities	195	CARE A3 (A Three)	Revised from CARE A1 (A One)
Long/Short-term Bank Facilities	4,665	CARE BBB / CARE A3 (Triple B/ A Three)	Revised from CARE A / CARE A1 (Single A / A One)
Total Facilities	5,870		
Non-convertible Debentures	540	CARE BBB (Triple B)	Revised from CARE A (Single A)

Rating Rationale

The revision in the ratings of Patel Engineering Ltd (PEL) takes into account the deteriorating capital structure and weakening of debt protection metrics of the company, increasing financing cost with substantial repayment obligations in the medium term, elongated working capital cycle marked by high debtors and inventory levels and delay in monetizing some of the non core assets of the company.

The ratings continue to draw strength from established track record of six decades of operations of PEL with experience spanning the entire spectrum in the construction industry, qualified and experienced management team and sizeable and well-diversified order book of PEL across projects and clients.

The ratings also continue to factor substantial off-balance-sheet exposure in the form of corporate guarantees and other financial support extended to its group companies and PEL's exposure to real estate projects through its subsidiaries.

The ability of PEL to manage its capital structure and liquidity position, given the working capital intensive nature of operations along-with commitments towards the group company projects efficiently and successful/substantial stake dilution in Real estate project at Jogeshwari, Mumbai shall be the key rating sensitivities.

Background

Incorporated in 1949, Patel Engineering Ltd (PEL) has gained expertise in construction of dams, tunnels, microtunnels, hydroelectric projects, thermal power projects, irrigation projects, highways, roads, bridges, railways, refineries, real estates and townships – in India and abroad. The company since the past few years has forayed in the asset ownership model primarily in the power and real estate space. The order backlog from engineering and construction business as on March 31, 2013 stood at around Rs. 13500 crore, translating to 5.18 times the gross billing for FY13.

PEL reported PAT of Rs.49 crore on total operating income of Rs.2,740 crore for FY13, against PAT of Rs. 60 crore on total operating income of Rs. 2,944 crore for the previous year. During Q1FY14,

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

the company reported PAT of Rs.0.32 crore on total income of Rs.603 crore, against PAT of Rs.3 crore on total income of Rs.592 crore for the corresponding period of the previous year. On consolidated basis, PEL reported PAT of Rs.74 crore on total operating income of Rs.3789 crore for FY13, against PAT of Rs.70 crore on total operating income of Rs.3998 crore for the previous year.

Consequent to the revision in the ratings of facilities/ instruments of PEL, the ratings of the facilities/instruments of the following companies were also revised as the same are backed by unconditional and irrevocable Corporate Guarantee provided by PEL:

Company	Facilities	Amount (Rs. crore)	Rating	Remarks
Terra Land Developers Ltd	Non-convertible Debentures	300	CARE BBB (SO) [Triple B (Structured Obligation)]	Revised from CARE A (SO) [Single A (Structured Obligation)]
Bellona Estate Developers Ltd	Non-convertible Debentures	200	CARE BBB (SO) [Triple B (Structured Obligation)]	Revised from CARE A (SO) [Single A (Structured Obligation)]
Michigan Engineers Pvt Ltd	Long-term Bank Facilities	171.26	CARE BBB (SO) [Triple B (Structured Obligation)]	Revised from CARE A (SO) [Single A (Structured Obligation)]

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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.

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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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