

January 08, 2016

CARE ASSIGNS 'CARE BB-/CARE A4' RATING TO THE BANK FACILITIES OF POWER ENGINEERING CORPORATION

Rating

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	2.00	CARE BB- (Double B Minus)	Assigned
Short term Bank Facilities	4.00	CARE A4 (A Four)	Assigned
Total Facilities	6.00 (Rupees Six crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Power Engineering Corporation (PEC) are constrained on account of moderate scale of operations, geographic and customer concentration with operations concentrated largely in Nagpur and revenues dependent on orders from MSEDCL and segmented nature of electrical contractors business.

The above weaknesses are partially offset by the extensive experience of around 25 years of promoters, moderate profitability margins and satisfactory capital structure. The rating further takes into account the comfortable outstanding order book position of Rs.32.00 crore (approx. 8 times FY15 revenues) as on November 30, 2015 rendering medium term revenue visibility.

The ability of the company to improve profitability margins, manage working capital effectively without any deterioration in the capital structure are the key rating sensitivities.

Background

Power Engineering Corporation (PEC) is a proprietorship concern based in Nagpur and established in January 1992 by Mr. Prabhakar Pannase. The firm is a Registered as a Class-A Electrical Contractor in the State of Maharashtra. PEC is engaged in electric works that include installing sub-stations, fabrication and installation of pump connections to draw water as well as laying lines. The firm undertakes EPC contracts solely for Maharashtra State Electricity Distribution Company Limited (*MSEDCL, Rated CARE A+ (SO)*). The raw material required by the firm; primarily steel and cable wire, is procured through local suppliers.

The firm registered total operating income of Rs.4.03 crore in FY15 with PBILDT of Rs.0.73 crore and PAT of Rs. 0.31 crore. The firm had an outstanding order-book of Rs.32.00 crore (*approx. 8x FY15 revenues*) as on November 30, 2015 which is to be executed up to January 2017.

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**For detailed Rationale Report and subscription information, please contact us at www.careratings.com

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

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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