

Power Engineering Corporation

March 05, 2018

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|----------------------------|-------------------------------------|---|---|
| Long-term Bank Facilities | 2.00 | CARE B+; Stable (Single B Plus; Outlook: Stable) | Revised from CARE BB-; Issuer not Co-operating* [Double B Minus; Issuer not Co-operating*] |
| Short-term Bank Facilities | 4.00 | CARE A4 (A Four) | Revised from CARE A4; Issuer not Co-operating* [A Four; Issuer Not Co-operating*] |
| Total Facilities | 6.00 (Rs. Six crore only) | | |

Details of instruments/facilities in Annexure-1

In the absence of minimum information required for the purpose of rating, CARE was unable to express an opinion on the ratings of Power Engineering Corporation (PEC) and in line with the extant SEBI guidelines, CARE had revised the rating of bank facilities of the company to 'CARE BB-/CARE A4; ISSUER NOT COOPERATING'. However, the company has now submitted the requisite information to CARE. CARE has carried out a full review of the ratings and the ratings stand at 'CARE B+; Stable/CARE A4'.

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to bank facilities of Power Engineering Corporation (PEC) factors in deterioration in low order book position, and decline in profitability margins during FY17 (refers to the period from April 01 to March 31). The ratings continue to remain constrained on account of small scale of operations, customer and geographical concentration risk and intense competition due to tender driven nature of business.

The ratings, however, continue to derive strength from established presence with experienced promoters, reputed clientele base, and moderate capital structure with adequate debt coverage indicators.

The ability of the entity to increase its scale of operations along with improving its profitability and efficiently managing its working capital requirement are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations and decline in profitability margins: PEC's scale of operations is small as reflected by total operating income and capital employed of Rs.17.94crore and Rs.8.95 crore respectively as on March 31, 2017. The small scale of operations limits the financial flexibility of the entity in time of any financial exigencies. Further, in FY17, the PBILDT margin declined marginally by 82 bps owing to the increase in raw material cost. The PAT margin of the entity moved in tandem with PBILDT and decreased marginally by 22 bps.

Proprietorship nature of its constitution: Being a proprietorship concern, it is exposed to the risk of withdrawal of capital by the proprietor on personal exigencies, dissolution of firm due to death and restricted financial flexibility due to inability to explore cheaper sources of finance leading to limited growth potential.

Customer and geographic concentration risk albeit reputed clientele: The firm's only customer is Maharashtra State Electricity Distribution Company Limited (MSEDCL), who contributed to 100% of the revenues of the firm in FY17. Association with reputed client reduces the counterparty risk. However, the customer concentration makes the firm vulnerable to the risk of a slowdown in the awarding of tenders and orders from this client. Furthermore, the firm undertakes contracts only in the state of Maharashtra, exposing it to geographical concentration risk.

Intense competition due to exposure to tender driven nature of business: PEC business is tender-based which is characterized by intense competition resulting in moderate operating margins for the firm. The growth of business depends entirely upon the firm's ability to successfully bid for tenders and emerge as the lowest bidder.

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

*Issuer did not cooperate; based on best available information

Key Rating Strengths

Established operations and experienced proprietor: PEC is promoted by Mr. Prabhakar Pannase (Proprietor). The long standing average industry experience of over two and half decades of the promoters has led to strong relationships with the customer and suppliers. The promoter is assisted by a team of well qualified and experienced professionals.

Moderate solvency position: The capital structure of the entity remained comfortable on account of lower reliance on external borrowings. Furthermore, due to moderate profitability and modest debt profile, the debt coverage indicators of the entity remained moderate.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

About the Company

Nagpur Based PEC is a proprietorship firm established is 1992 and is promoted 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.

| Brief Financials (Rs. crore) | FY16 (A) | FY17 (A) |
|------------------------------|----------|----------|
| Total operating income | 12.07 | 17.94 |
| PBILDT | 0.90 | 1.19 |
| PAT | 0.51 | 0.75 |
| Overall gearing (times) | 1.19 | 1.12 |
| Interest coverage (times) | 2.47 | 2.84 |

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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.

Analyst Contact

Name: Ms. Amita Yadav

Tel: 020-40009012

Email: amita.yadav@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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/outlooks 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|--------------------------------------|------------------|-------------|---------------|-------------------------------|---|
| Fund-based - LT-Cash Credit | - | - | - | 2.00 | CARE B+; Stable |
| Non-fund-based - ST-Bank Guarantees | - | - | - | 4.00 | CARE A4 |
| Non-fund-based - ST-Letter of credit | - | - | - | 0.00 | Withdrawn |

Annexure-2: Rating History of last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---------|--|-----------------|--------------------------------|-----------------|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-Cash Credit | LT | 2.00 | CARE B+; Stable | 1)CARE BB-; ISSUER NOT COOPERATING* (18-Apr-17) | - | 1)CARE BB- (08-Jan-16) | - |
| 2. | Non-fund-based - ST-Bank Guarantees | ST | 4.00 | CARE A4 | 1)CARE A4; ISSUER NOT COOPERATING* (18-Apr-17) | - | 1)CARE A4 (08-Jan-16) | - |
| 3. | Non-fund-based - ST-Letter of credit | ST | - | - | 1)CARE A4; ISSUER NOT COOPERATING* (18-Apr-17) | - | 1)CARE A4 (08-Jan-16) | - |

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

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com