

## Power Engineering Corporation

April 18, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	2	<b>CARE BB-; ISSUER NOT COOPERATING (Double B Minus; ISSUER NOT COOPERATING)</b>	Issuer Not Co- operating
Short-term Bank Facilities	4	<b>CARE A4; ISSUER NOT COOPERATING (A Four; ISSUER NOT COOPERATING)</b>	Issuer Not Co- operating
<b>Total Facilities</b>	<b>6 (Rupees Six crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Power Engineering Corporation (PEC) to monitor the rating(s) vide e-mail communications/ letters dated November 09, 2016, January 16, 2017 and March 03, 2017 and numerous phone calls. However, despite our repeated requests, Power Engineering Corporation has not provided the requisite information for monitoring the ratings. **In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating.** Furthermore, Power Engineering Corporation has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines CARE's rating on Power Engineering Corporation's bank facilities and will now be denoted as **CARE BB-/A4; ISSUER NOT COOPERATING**.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Detailed description of the key rating drivers

*At the time of last rating in January 08, 2016 following were the rating strengths and weaknesses:*

#### Key Rating Strengths

**Experienced proprietor::** The proprietor of the firm, Mr Prabhakar Pannase has 25 years of industry experience. Over the years, he has developed market for its products and established good relations with customers and suppliers.

**Moderate profit margins and satisfactory capital structure:** Profit margins of the firm have been moderate in the range of 8% to 9% in the past three years ended March 31, 2015. Furthermore, capital structure of the firm was moderate on account of with below unity long term debt equity ratio overall ratio as on March 31 2015 respectively .

**Comfortable outstanding order book position:** The firm had an outstanding order book of Rs.32 crore from MSEDCL as on November 2015, which had to be executed till January, 2017. Orders pertain to line contracts, setting of substation and cable work in the districts of Jalna, Aurangabad and Latur of Maharashtra. Furthermore, the contracts with MSEDCL have price variation clause in which provides comfort against volatility in raw material (aluminum and steel prices) prices. The outstanding order book was 8x the revenue for FY15 (refers to the period April 1 to March 31) providing moderate revenue visibility over the medium term.

#### Key Rating Weaknesses

**Modest scale of operations:** PEC's scale of operations is small as reflected in its revenues of Rs.4.03 crore in FY15. Furthermore, net sales have been stagnant and the size of operations remained small.

**Geographic and customer concentration risk:** The firm's only customer is MSEDCL, who contributed to 100% of the revenues of the firm. The customer concentration makes the firm vulnerable to the risk of a slowdown in the awarding of tenders and orders from this client. Also, the firm undertakes contracts only in the state of Maharashtra, exposing it to geographical concentration risk.

**Fragmented nature of industry:** The nature of industry is fragmented which is characterized by intense competition among players.

#### Analytical approach:

Standalone

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Applicable Criteria**[Criteria on assigning Outlook to Credit Ratings](#)[CARE's Policy on Default Recognition](#)[Criteria for Short Term Instruments](#)[CARE's Methodology for Construction Companies](#)[Financial ratios \(Non-Financial Sector\)](#)**About the Company**

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 primarily for Maharashtra State Electricity Distribution Company Limited (*MSEDCL, Rated CARE A+(SO) /Dec 2015*) with some private clients as well. Private clientele contributed around 15% of the total revenue in FY15. Raw material required by the firm, primarily steel and cable wire; is procured through local suppliers.

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**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.

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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/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 BB-; ISSUER NOT COOPERATING
Non-fund-based - ST-Bank Guarantees	-	-	-	3.00	CARE A4; ISSUER NOT COOPERATING
Non-fund-based - ST-Letter of credit	-	-	-	1.00	CARE A4; ISSUER NOT COOPERATING

## 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 BB-; ISSUER NOT COOPERATING	-	-	1) CARE BB- (08-Jan-16)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	3.00	CARE A4; ISSUER NOT COOPERATING	-	-	1) CARE A4 (08-Jan-16)	-
3.	Non-fund-based - ST-Letter of credit	ST	1.00	CARE A4; ISSUER NOT COOPERATING	-	-	1) CARE A4 (08-Jan-16)	-

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