

June 14, 2010

**CARE REAFFIRMS THE RATING ASSIGNED TO THE SHORT TERM LOAN
(INCLUDING CP) PROGRAMME OF MCNALLY BHARAT ENGINEERING CO. LTD.
(FOR ENHANCED AMOUNT)**

Rating

Instruments	Amount (Rs. crore)	Ratings¹	Remarks
Short Term Loan (including CP)*	80.0 (enhanced from 40.0)	'PR1+' (PR One Plus)	Retained

*carved out of working capital limits

Rating Rationale

The rating continues to draw strength from the long & satisfactory track record of the company, proven project execution capability with strong technical tie-ups, healthy order book position & impressive client portfolio, comfortable debt equity ratio and strong business potential in construction business. Availability of relatively large captive equipment manufacturing facility from the subsidiary company also support the rating. The rating also factors in intense competition in the construction business, high average collection period, volatile input prices and increase in overall gearing ratio. Ability to manage working capital effectively and raise resources to manage growth in operation while maintaining the capital structure, steady flow of orders & timely execution of the same, regular receipt of contract proceeds and containment of operating costs in the wake of increasing competition will remain the key rating sensitivities.

Company Profile

McNally Bharat Engineering Co. Ltd. (MBEL), incorporated in 1961, is a Kolkata based construction engineering company. The current promoters of the company are the B.M. Khaitan Group and GP-CK Birla Group. MBEL has technical tie-ups with leading international organisations and has a healthy order book position with impressive client portfolio.

In FY09, MBEL earned PBILDT of Rs.82.4 crore (Rs.56.3 crore in FY08) and PAT (after deferred tax provision) of Rs.34.1 crore (Rs.22.4 crore in FY08) on total income of Rs.996.9 crore (Rs.552.6 crore in FY08). Overall gearing ratio was satisfactory as on Mar.31, 2009. Current ratio as on Mar.31, 2009 was adequate.

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

The working results for the nine months ended Dec.31, 2009 (9MFY10) were satisfactory with improvement in gross billing and other profitability related parameters over 9MFY09.

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CARE 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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