

June 3, 2010

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE OUTSTANDING INSTRUMENT/FACILITIES AND ASSIGNS 'PR1+' RATING TO CP/STD ISSUE OF PATEL ENGINEERING LIMITED**

Particulars	Amount (Rs. crore)	Rating <sup>1</sup>	Remarks
Long/ Short term bank facilities	3868.50 ( enhanced from Rs.3864.95 crore)	CARE AA/ PR1+	Reaffirmed
<b>Total</b>	<b>3868.50</b>		
NCD	200.00	CARE AA	Reaffirmed
New Proposed NCD	100.00	CARE AA	Assigned
CP/STD	200.00	PR1+	Reaffirmed
CP/STD*	200.00	PR1+	Reaffirmed

\* carved out of working capital limits

### Rating Rationale

The ratings continue to derive strength from the professionally qualified management, company's long experience and established position in the construction industry with strong order book, proven track record in hydropower and irrigation projects, healthy operating margins and limited exposure to fixed price BOT contracts. The ratings have also factored in recent equity infusion by way of QIP issue and positive outlook for infrastructure sector. The ratings are however constrained by, increase in gearing levels and cyclical nature of the construction industry. The ratings also factor in contingent liabilities, mainly corporate guarantees given to group companies, though the group companies may not need support from PEL.

In view of the strong order book position and current market scenario, ability of company to grow and maintain its healthy operating profit margin without deteriorating its leverage profile and debt service indicators and extent of future support to be provided to its subsidiaries are the key rating sensitivities.

### Company Profile

PEL has been in the business of turnkey civil engineering and construction for more than five decades. Over the years, the company developed competence in construction of dams, tunnels, hydro-power stations, irrigation and transportation projects. As on September 30, 2009, PEL had an order book position of Rs.6,820 crore.

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

On a total income of Rs.1481 crore, PEL earned a PAT of Rs. 142 crore in FY09. Overall gearing ratio was 1.03x as on March 31, 2009. For 9MFY10, the company has achieved net sales of Rs.1,297 crore and PAT of Rs. 81 crore.

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