

June 8, 2010

**CARE REAFFIRMS RATINGS TO THE BANK FACILITIES AND CP/STD ISSUE OF VALECHA ENGINEERING LTD.**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	60.00 (enhanced from Rs.50.00)	'CARE A' (Single A)	Reaffirmed
Short-term Bank Facilities	415.00 (enhanced from Rs.315)	'PR1' (PR One)	Reaffirmed
CP/STD/MIBOR Linked Debenture Issue *	50.00	'PR1' (PR One)	Reaffirmed
<b>Total Facilities</b>	<b>525.00</b>		

\* carved out of working capital limits

**Rating Rationale:**

The ratings continue to derive strength from VEL's long experience in the construction industry, proven engineering capabilities, comfortable leverage position and growth prospects in the infrastructure sector.

The ratings are however constrained by the moderate size of VEL's operations, increasing competition in the sector and concentration of its order book position in transportation segment, resulting in reduced profitability. Moderate liquidity indicators and declining order book to sales ratio also constrain the ratings.

Ability of VEL to strengthen its existing order book and retain skilled manpower constitutes the key rating sensitivities.

**Company Profile**

Valecha Engineering Limited (VEL) incorporated as a partnership firm in 1957 by Valecha Brothers is mainly involved in infrastructure development projects such as bridges, roads, pile foundation, tunnels, dams, airports, flyovers as well as water and sewerage supply schemes. The major projects forming part of the order book are from transportation infrastructure segment.

<sup>1</sup>Complete definitions 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.606.37 crore, VEL earned a PAT of Rs.14.49 crore in FY09. In 9MFY10, the company has generated total income of Rs.454.82 crore with PAT of Rs.24.50 crore. As on December 31, 2009, the order book position stood at Rs.863 crore.

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