



Press Release

PES Installations Private Limited

November 07th, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	9.02	IVR BB+ / Stable [IVR Double B Plus with Stable Outlook]	-	Assigned	Simple
Short Term Bank Facilities	16.50	IVR A4+ (IVR A Four Plus)	-	Assigned	Simple
Total	25.52	(Rupees twenty-five crore and fifty-two lakhs only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned the long-term rating of IVR BB+ with a stable outlook and short-term rating of IVR A4+ for the bank loan facilities of PES Installations Private Limited (PIPL).

The assigned rating takes into consideration the extensive experience of the promoters with improvement in scale of operations and comfortable capital structure. The rating derives strength from reputed clientele and healthy order book including major civil contractors such as Larsen & Toubro (L&T), HLL Infra Tech Services Limited (HITES) and AIIMS. However, these rating strengths are partially offset by competitive nature of the industry, elongated operating cycle and risk related to foreign exchange fluctuation.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that PIPL will continue to benefit on account of stable outlook for healthcare industry.

IVR has principally relied on the standalone audited financial results of PIPL up to up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY25, (refers to period April 1st, 2024, to March 31st, 2025) FY26 (refers to period April 1st, 2025, to March 31st, 2026) and FY27 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors



Press Release

- Significant growth in scale of business with improvement in operating cycle and reduction in collection period.
- Improvement in the capital structure with further improvement in debt protection metrics (i.e., ISCR and DSCR)

Downward Factors

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any further significant rise in working capital days and elongation in collection period beyond 250 days on sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experienced management**

Incorporated in 1995, PESIPL is overseen by Mr. Pankaj Chadha, Mr. Raghunandan Paul Chadha, Mr. Dinesh Chadha, and Gaurav Chadha. Mr. R.P. Chadha is having forty years of extensive experience in the industry. The directors are supported by a team of professionals responsible for the company's daily operations. PESIPL has established a solid track record, fostering long-term relationships with both suppliers and customers.

- **Improvement in scale of operations with healthy profitability margins**

The total operating income of the company registered a CAGR of 44% during FY21-FY24 with a y-o-y growth of 49.13% in FY24 and stood at Rs. 97.24 Crore in FY24 as against Rs. 65.21 crore in FY23. The company witnessed an increasing trend in its operating income driven by achievement of order on sub-contract basis majorly from L&T. EBITDA improved and stood at Rs. 16.52 crore in FY24 as against Rs. 8.12 crore in FY23. EBITDA margin of the entity increased by 454 bps and stood at 16.99% in FY24 as against 12.45% in FY23, due to increase in margins earned on executed contracts. PAT improved from Rs. 4.98 Crore in FY23 to Rs. 10.81 Crore in FY24. PAT margin increased by 351 bps and stood at 11.06% in FY24 as against 7.55% in FY23, in line with EBITDA margin. Net cash accruals stood at Rs. 11.05 crore in FY24 as against Rs. 5.35 crore in FY23.



Press Release

- **Comfortable capital structure and debt protection metrics**

The capital structure stood comfortable. Long term debt upon equity and overall gearing and stood comfortable at 0.12x and 0.37x in as on 31st Mar'24 as against 0.08x and 0.46x as on 31st Mar'23, due to increase in tangible net worth and proportionately increase in total debt. TOL/TNW improved to 1.74x in FY24 as against 2.02x in FY23, due to increase in tangible net worth and proportionately increase in sundry creditors. Total debt to NCA (in years) improved and stood comfortable at 1.35x in FY24 as against 2.59x in FY23, due to increase in NCA in FY24. The debt protection metrics of the entity are comfortable with interest coverage ratio improved and stood at 10.07x in FY24 as against 5.11x in FY23, due to increase in EBITDA. And debt service coverage ratio (DSCR) improved and stood at 4.86x in FY24 as against 2.71x in FY23.

- **Reputed Clientele with healthy order book**

PESIPL's extensive operational history has allowed it to establish a network of esteemed clients, including major civil contractors such as Larsen & Toubro (L&T), HLL Infra Tech Services Limited (HITES), and PSP Projects Ltd., as well as private and government hospitals and medical institutions like All India Institute of Medical Sciences (AIIMS), Fortis Hospital, and Max Healthcare. As of August 23rd, 2024, the company's unexecuted order book is Rs. 177.35 crore, which is 1.82 times the total operating income for FY24, providing revenue visibility for the near to medium term.

Key Rating Weaknesses

- **Elongated operating cycle**

The Operating Cycle of the entity stood elongated at 102 days in FY24 as against 118 days in FY23 with decrease in collection period of 287 days in FY23 to 248 days in FY24 and increase in inventory period from 55 days in FY23 to 57 days in FY24 with an increase in scale of operations.

- **Foreign exchange fluctuation risk**

During FY24, import purchases accounted for approximately 10% of total purchases, while about 90% of procurement, including items such as gas, copper pipe, electrical items, and copper fittings, was sourced from the domestic market. Given the initial cash outlay for procurement in foreign currency and a significant portion of sales realization in domestic currency, the company faces a risk from fluctuations in exchange rates. Additionally, the



Press Release

company does not have a formal hedging mechanism in place and Unhedged foreign currency exposure stood at Rs. 2.97 crore as on 30th June'24.

- **Competitive nature of industry**

PESIPL operates in a highly competitive industry with many players in the unorganized sector. The industry has low entry barriers due to minimal technological requirements and easy availability of products. This results in intense competition among numerous small and regional players serving the same market. Additionally, the presence of various competitors limits the company's bargaining power and puts pressure on its profitability margins.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Service Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position is adequate marked by 90.90% average utilisation of fund-based limits during the past 12 months ended July'2024. Further, PESIPL's expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. Current Ratio stood at 1.44x as of March 31, 2024, respectively. The Unencumbered cash and bank balance of the company stood at Rs.0.02 Crores as on March 31, 2024. The Operating Cycle of the entity stood elongated at 102 days in FY24 as against 118 days in FY23 with decrease in collection period of 287 days in FY23 to 248 days in FY24 and increase in inventory period from 55 days in FY23 to 57 days in FY24 with an increase in scale of operations.

About the Company

PES Installations Private Limited was established in 1995. The company is led by Mr. Raghunand Paul Chadha, who has over 40 years of experience in the industry. PES Installations Pvt Ltd specializes in modular healthcare infrastructure systems, including Medical Gas



Press Release

Pipeline Systems, Modular Operation Theatres, Pneumatic Tube Systems, Nurse Communication Systems (both Audio and Non-Audio), and turnkey setups for Modular ICU and OT Systems, as well as Hospital Doors and Flooring. The head office is located in Delhi, with a manufacturing facility covering 2000 square meters in the Industrial Area Rai Sonipat. The company also has regional offices in Lucknow, Hyderabad, Jaipur, Ranchi, Chennai, and Assam. The company's clientele includes notable hospitals such as AIIMS Delhi, Max Hospital, Fortis, Manipal, HLL Lifecare Limited, Narayana Health, and Apollo Hospital.

Financials Standalone:

	(Rs. crore)	
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	65.21	97.24
EBITDA	8.12	16.52
PAT	4.98	10.81
Total Debt	13.85	14.95
Tangible Net Worth	30.05	40.77
EBITDA Margin (%)	12.45	16.99
PAT Margin (%)	7.55	11.06
Overall Gearing Ratio (x)	0.46	0.37
Interest Coverage (x)	5.11	10.07

* Classification as per Infomerics Standard

Status of non-cooperation with previous CRA: CRISIL Ratings India Private Limited, vide its press release dated June 13th, 2024, have continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

CARE Ratings, vide its press release dated November 07th, 2024, have continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information

Any other information: Not Applicable

Rating History for last three years:



Press Release

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Limits	Long Term	9.02	IVR BB+/ Stable (IVR Double B plus with stable outlook)	-	-	-
2.	Non-Fund based Limits	Short Term	16.50	IVR A4+ (IVR A four plus)	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



Press Release

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	-	15th Oct'26	0.52	IVR BB+/Stable (IVR Double B plus with stable outlook)
Cash Credit	-	-	-	-	8.50	IVR BB+/Stable (IVR Double B plus with stable outlook)
Bank Guarantee	-	-	-	-	16.50	IVR A4+ (IVR A four plus)

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-PES-Installations-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.