

Press Release

Piscesia Power Transmission Private Limited

April 20, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 11.00 crore bank facilities of Piscesia Power Transmission Private Limited. The outlook is '**Stable**'.

Piscesia Power Transmission Private Limited (PPTPL) is engaged in the execution of turnkey projects for setting up of transmission substations and laying of underground power cables for Uttar Pradesh Power Transmission Corporation Limited (UPPTCL). The company was incorporated in 2012 and is led by Mr. Prashant Sharma, Ms. Vandana Yadav and Mr. Euy Don Park. SMERA has taken a consolidated view of the business and financial risk profiles of PPTPL with its subsidiary - J.B. Test & Commissioning Private Limited (JB). JB undertakes Engineering, Procurement and Construction (EPC) projects for development of power infrastructure in Noida and parts of northern Uttar Pradesh. The consolidation takes into account the shared management, inter-company shareholding and similarity in the lines of business. These entities are together referred to as the Piscesia Group (PG).

Key Rating Drivers

Strengths

- **Experienced management**

SMERA believes that PG will maintain a stable outlook and continue to benefit from its experienced management. The promoters have more than two decades of experience in the power industry. SMERA expects PG to leverage its well established relationships with business partners to efficiently manage working capital requirements and grow its topline over the medium term.

- **Healthy revenue visibility**

PG reported a consolidated operating income of Rs. 95.50 cr for the 10 months ended 31 January, 2017. SMERA expects PG to benefit substantially from its healthy consolidated orderbook of over Rs. 600 cr on 31 January, 2017. PG's ability to attain the expected revenue and complete ongoing projects in a timely manner will be a key rating sensitivity factor.

- **Healthy debt protection metrics**

PG reported comfortable interest coverage ratio of 185.42 times in FY2016 as against 211.13 times in FY2015. SMERA expects PG's debt protection metrics to continue to be supported by its healthy profitability profile marked by substantial increase in gross profit margin to 8.90 per cent in FY2016 as against 6.52 per cent in FY2015. PG's ability to maintain its operating profitability while growing its topline shall be a key credit monitorable.

Weaknesses

- **Modest scale of operations**

PG's credit risk profile is expected to continue to be affected by risks inherent in the tender based nature of business. The group reported a modest operating income of Rs. 48.40 cr in FY2016 as against Rs. 24.84 cr in FY2015. The earnings profile shall remain susceptible to adverse changes in the regulatory environment surrounding the power industry. The group's inability to secure contracts in a timely manner or delay in project execution can adversely affect operating cash flows of the group vis-à-vis its operational and financial commitments.

• Gross current assets

The rating is also constrained by the high Gross Current Assets (GCA) days of the company on account of high business advances, commitment of funds to government authorities (in the form of security deposits) and other business requirements. The GCA days were high at 498 days in FY2016 as compared to 635 days in FY2015. These current assets were largely funded by the high current liabilities of the group - resulting in Total Outside Liabilities to Tangible Networth ratio of 4.38 times on 31 March, 2016 against 9.44 times on 31st March, 2015.

Analytical Approach

SMERA has taken a consolidated view of the entity.

Outlook: Stable

SMERA believes that PG will maintain a 'Stable' outlook on account of its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of sustained and significant growth in operating income while maintaining its profitability margins. Conversely, the outlook may be revised to 'Negative' in case of lower than expected operating income and/or adverse changes in the regulatory environment.

About the Group

PG was established in 2012 by Mr. Prashant Sharma. The group is engaged in the execution of turnkey projects for setting up of transmission substations, laying of underground power cables and execution of EPC projects related to power infrastructure in Uttar Pradesh. The group reported Profit After Tax (PAT) of Rs. 2.72 cr on operating income of Rs.48.40 cr in FY2015-16 as compared to PAT of Rs.1.56 cr on operating income of Rs.24.84 cr in FY2014-15.

About the Rated Entity - Key Financials

PPTPL reported Profit After Tax (PAT) of Rs. 2.60 cr in FY2015-16 on operating income of Rs. 45.99 cr against PAT of Rs. 1.49 cr on operating income of Rs. 22.99 cr in FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Complexity Level Of Financial Instruments - <https://www.smera.in/criteria-complexity-levels.htm>
- Consolidation Of Companies - <https://www.smera.in/criteria-consolidation.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A4+

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ABOUT SMERA

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