

Press Release

Powertech Engineers

May 30, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 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 minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 30.00 crore bank facilities of Powertech Engineers. The outlook is '**Stable**'.

Powertech Engineers, established in 2004, is engaged in the installation of electric sub stations, electric lines, transmission towers and meters. The operations are currently limited to Uttar Pradesh and Bihar.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The firm is led by Mr. Sudhir Agrawal, Mr. Rakesh Ahuja, Mr. S C Nautiyal, Mr. R P Srivastava and Mr. P K Bhatt who possess more than a decades experience in the aforementioned business. The firm has long term relations with state power distribution utilities enabling it to get repeat business.

- Average financial risk profile**

The average financial risk profile is marked by moderate gearing, comfortable debt protection measures and low networth. The debt equity stands at 1.73 times and interest coverage at 2.93 times in FY2016. Total debt of Rs 34.82 crore consist of Rs 32.83 crore of unsecured loan and Rs 1.99 crore of short term debt (Cash Credit facility). Moreover, the Net Cash Accruals to Total Debt (NCA/TD) stood at 0.17 times while Debt Service Coverage (DSCR) stood at 2.28 times as on March 31, 2016. The networth stood at Rs 20.08 crore as on 31 March, 2016.

Weaknesses

- Working capital intensive operations**

The working capital intensive operation is marked by high Gross current asset (GCA) days of 242 in FY2016 as compared to 213 days in FY2015. The liquidity position is stretched as reflected in the consistently high receivable days. As on March 31, 2016, the receivables stood at 182 days partly funded by creditors of 180 days. The high receivables days is mainly a result of retention money clause followed by key customers.

- Modest operating margins**

The firm has modest profitability (operating margin of 7.40 per cent in FY2016 and 6.60 per cent in FY2015) owing to limited value addition nature of business and susceptibility of profit margins to volatility in raw material prices in the absence of price escalation clause.

- Exposure to geographic and client concentration risks**

The firm is exposed to significant geographic and client concentration risks as majority of the projects are located at Bihar and UP. The firm primarily undertakes turnkey projects for Bihar State Electricity Board (BSEB), Dakshinanchal Vidyut Vitaran Ltd (DVVNL), Paschimanchal Vidyut Vitaran Ltd (PVVNL), Purvanchal Vidyut Vitran Nigam Ltd (PUVVNL) etc.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that Powertech Engineers will maintain a stable outlook and continue to benefit over the medium term from the proprietor's vast experience in the power industry. The outlook may be revised to 'Positive' if the firm achieves more than envisaged sales and profitability while improving working capital management. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve growth in revenue and the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16 the firm reported Profit After Tax (PAT) of Rs.5.77 cr on total operating income of Rs.172.20 cr as compared to PAT of Rs.5.68 cr on total operating income of Rs.122.66 cr in FY2014-15. Till February 2017, the firm earned revenue of Rs 155 cr (Provisional). Currently, the firm has order book of around Rs 250 cr which provides revenue visibility over the next one year.

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>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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	2.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	28.00	SMERA A4

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