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## ICRA assigns LBB (Stable) and A4 ratings to the bank lines of Novatech Process Equipments Private Limited

ICRA has assigned a long term rating of LBB (pronounced as L double B) to the Rs. 14 crores<sup>1</sup> fund-based limits of Novatech Process Equipments Private Limited (NPEL/ "the company")<sup>†</sup>. ICRA has also assigned an A4 (pronounced as A four) rating to the Rs. 6 crores Non-Fund based limits of NPEL<sup>†</sup>. The outlook on the long term ratings is stable.

The ratings are constrained by the company's small size of operations, intense competitive pressures, exposure to commodity risks in input cost and high financial risk profile. The leveraging level (i.e. Total Debt/Tangible Net-worth) as on end of March 2010 remained significantly high i.e. at 3.78 times both due to debt-funded capital expenditure and increased working capital requirements. The ratings however take into account the company's pre-qualification approvals from the leading EPC consultants/contractors as well as its long operating track record in fabrication of process equipment & supplies of resin systems on LSTK basis. As new fabrication facility set up at Kolkata for structurals & other fabricated steel items is operational since 2008-09, the company's approved vendor status from BHEL in July 2009 & favourable business potential from infrastructure sector (particularly power & roads) would remain key growth drivers, going ahead. The company has a fairly strong order-book position of Rs. 140 Cr. as on August 2010, comprising of the single largest order of Rs. 93 Cr. from Myanmar Petroleum Enterprise which is 'fixed price' based and scheduled to be executed over the next 24 month period. Notwithstanding the same, the company's ability to execute these ongoing orders in a timely manner within the budgeted costs remains critical to its profitability, given its currently small size of operations.

### Company Profile

Novatech Process Equipments Pvt Ltd, NPEL, was promoted in 1984, by Mr. Sukumar Ghosh, and is into the business of manufacturing & supply (i.e. fabrication) of process equipment and structurals. The company initially started with a small production unit (land on rental basis) at Vagle Estate, Thane (West) in 1984, and subsequently in 1992, set up fabrication unit at Ambarnath MIDC Area and in 1993, set up additional unit at Talaja MIDC Area – both being near to Mumbai. With the purpose of diversification in the operations and also to capitalise on the growth opportunities in the power & other infra sectors, the company during 2008-09 set up a fabrication facility at Dulepara (E), near Kolkatta and about 100 km distance from Haldia Port. This facility commenced operations from 1st April 2009 onwards, and can cater to various structural requirements in power plants & other process industries, as well as can be used for fabricated steel items such as steel girders used in road bridges. NPEL reported a profit after tax (PAT) of Rs 1.17 crore in FY 2009-10 on an operating income of Rs. 36.2 Crore.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

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