



March 2, 2010

ICRA assigns LBBB- and A3 ratings to the bank facilities of Octamec Engineering Limited

ICRA has assigned an LBBB- (pronounced L Triple B minus) rating to the Rs. 750 million long term fund based bank facility of Octamec Engineering Limited (OEL)[†]. The outlook of the assigned rating is stable. ICRA has also assigned an A3 (pronounced A three) rating to OEL's Rs. 150 million short term non-fund based bank facility[†].

The ratings draw comfort from the technical expertise and established execution track record of the company, the limited domestic competition faced by OEL in design of space frame structures, its enhanced bidding capability because of robust growth in topline, positive outlook for the structural steel construction industry and the moderate gearing levels of the Company. The ratings are however constrained by the low profitability indicators of OEL, high client concentration of past revenues as well as current order book, a moderate order book position, and high debtor days resulting in high working capital intensity.

About the company

Octamec Engineering Limited (OEL) was established in the year 1993 by Mr. Navin Hedge as a provider of turnkey solutions for space frame structures. Mr. Hegde who is the Chairman & Managing Director of OEL holds a Masters Degree in Engineering (Mechanical) from Indian Institute of Science (IISc), Bangalore and has been a Research Scholar at IIT Bombay. He has also holds a Masters degree in marketing management from Jamnalal Bajaj Institute of Management, Mumbai

In the last few years, OEL has expanded its scope of work from being present only in space frames to adding other capabilities such as pre-engineered buildings (PEBs), light gauge cold rolled frame structures, and *tensegrity* structures. Apart from these, OEL has also begun undertaking allied civil works which are required for the assembly and installation of steel structures. OEL's turnover has grown from Rs. 347.3 million in FY 2007, to Rs. 1.56 billion in FY 2009.

OEL's has promoted two fully owned subsidiaries viz., Octamec Building Systems Limited (OBSL) and Octamec Infrastructure Limited (OIL) both of which are yet to commence commercial operations. While OBSL will undertake construction of PEBs, OIL will undertake relatively large scale Infrastructure projects.

For further details please contact:

Analyst Contacts:

Mr. Rohit Inamdar (Tel No. +91-124-4545847)
rohit.inamdar@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91-22-30470005)
shivakumar@icraindia.com

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

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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