

## Power Mech Projects Limited

Instrument	Amount In Rs Crore	Rating Action
Long-term Fund Based Limits	170.00	[ICRA]A- (Stable) / reaffirmed
Long-term/short term Non Fund Based Limits	630.00	[ICRA]A- (Stable)/[ICRA]A2+ reaffirmed

ICRA has reaffirmed the long-term rating assigned to the Rs. 170.00 crore<sup>1</sup> fund based bank facilities of Power Mech Projects Limited (PMPL / the company) at **[ICRA]A-** (pronounced ICRA A minus)<sup>2</sup>. ICRA has reaffirmed the ratings of **[ICRA]A-/ [ICRA]A2+** (pronounced ICRA A two plus) to the Rs. 630.00 crore non-fund based facilities of PMPL. The outlook on the long term rating is Stable.

The reaffirmation of ratings factors in strong order book position of Rs 3615 crore as of December 2015 providing revenue visibility for the medium term; improvement in operating margins in 9mFY2016 owing to increasing share of Operation & Maintenance (O&M) revenues, wherein the margins are higher than that of mechanical segment; and improved gearing levels due to fresh equity infusion of Rs 136.18 crore upon successful completion of the IPO (Initial Public Offering) in August 2015. Nevertheless, the liquidity position continues to be tight as reflected by 92% average utilisation of cash credit limits in the past 12 months owing to increased working capital intensity of the business on the back of higher receivables, retention money and unbilled revenues. The ratings are also constrained by the marginal revenue growth expected in FY2016 owing to slow movement of the order book in mechanical segment; high customer concentration risk with top 10 orders accounting for more than 50% of the order book; and vulnerability of the profitability to competitive pressures, fluctuations in the prices of raw materials in case of 'fixed price' based contracts and incidence of liquidated damages. The ratings however positively factor in the market position of the company as a leading mechanical contractor with longstanding experience in erection, testing and commissioning of boiler and turbine-generator packages; the established track record of project execution for all major EPC contractors in the power sector; and strong financial risk profile characterised by moderate profitability, healthy ROCE, and a comfortable capital structure.

Going forward, ability of the company to increase and execute the order book, sustaining of the operating margins and realising the receivables and retention money in a timely manner will be key rating drivers from credit perspective.

### Company Profile

Incorporated in 1999, Power Mech Projects Limited (PowerMech) is primarily into the business of erection, testing, and commissioning of power plant components. Promoted by Mr. S Kishore Babu, the company is based out of Hyderabad and has executed major projects across India over the past sixteen years of its operations. The key clientele include Bharat Heavy Electricals Limited (BHEL), NTPC Limited, IPPs and State generation utilities. The company commenced operations as a site contractor specialising in the erection of Boilers and Turbines. Over the years, the company has gained experience in installation of various packages of a power plant and currently has developed capabilities to provide ETC (Erection, Testing & Commissioning) services for BTG and Balance of Plant like coal handling and ash handling systems. It successfully diversified into civil and O&M of power plants which together account for 41% of revenues in 9mFY2016 and 31% of order book as on December 2015.

### Recent Results

The company reported revenues of Rs 1355.6 crore and net profit of Rs 70.7 crore for FY2015. For 9mFY2016 (unaudited and provisional), the company reported revenues of Rs 977.7 crore and net profit of Rs 54.5 crore.

**April 2016**

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

<sup>2</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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