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## ICRA reaffirms long term rating of General Mechanical Works Private Limited at LBBB- with stable outlook and short term rating at A3

ICRA has reaffirmed the LBBB- (pronounced L Triple B Minus) rating to Rs. 1.1 crore fund based limits and Rs. 25 crore<sup>1</sup> non-fund based limits of General Mechanical Works Private Limited (GMW)<sup>†</sup>. ICRA has also reaffirmed A3 (pronounced A Three) rating to the Rs. 1 crore short term fund based and Rs 2.5 crore non-fund based limits of GMW. The outlook on the long term rating is stable.

The ratings take into account the company's fairly established position in execution of hydro-mechanical equipments for hydro power projects, the reputed client profile, strong order book position, positive outlook for the investments in hydro & thermal power sector, and the currently favourable financial risk profile. The ratings are however constrained by the relatively small size of operations, intense competitive pressures from other established local players, and exposure to commodity price risks in fixed-price based contracts,. While the company's working capital requirement has remained limited with high creditors days, its operations thus remain susceptible to increase in the working capital intensity, with expected increase in size of the orders to be won due to plans to bid for complete EPC orders in Small-Hydro Projects. Further, the company has plans to develop Small-Hydro Power Projects through subsidiary route in the long run, which remains a key rating sensitivity.

### Company Profile

General Mechanical Works Pvt. Ltd. (GMW) has been involved in the business of providing engineering and construction. The company is based out of Baroda and has been executing contracts for providing hydro-mechanical packages (i.e. water screens and raking system) for meeting the demands in the projects in power sector (mainly for hydro power projects) as well as in water treatment, irrigation, refineries etc. The various other areas of operation include design, supply & installation of steel structures, storage tanks, fuel oil handling and piping systems, fire fighting systems, hydraulic steel structures etc. The company has also executed turnkey projects in these areas.

GMW reported a profit after tax (PAT) of Rs. 4.22 crore in FY 2009-10 on an operating income of Rs. 57.42 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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