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ICRA assigns LBB- and A4 ratings to Bank lines of Mech & Fab Industries assigns stable outlook

ICRA has assigned a **LBB-** (pronounced L double B minus) rating outstanding to Rs. 3.8 crore¹ fund-based limits of Mech & Fab Industries ("Mech & Fab")[†]. The outlook on the long term rating is stable. ICRA has also assigned an **A4** (pronounced A four) rating to the Rs. 2.5 crores non-fund based limits of Mech & Fab.

The ratings derive strength from the firms' experienced management, its modest gearing and its healthy debt coverage indicators. The rating is however constrained by the modest and declining revenues of the firm on account of decreasing income from its cement plant division in the past few years. Although the firm has established relationships with reputed clients like BHEL, ABB, Siemens etc. ICRA notes that this also translates into low bargaining power for the firm given its modest size and competitive nature of the industry in which the firm operates. Moreover, ICRA also factors in the Mech & Fab's constitution as a partnership firm while keeping the ratings at a LBB-/A4 level.

Company Profile

Mech & Fab, incorporated as a partnership firm in 1978, is engaged in fabricating transformer tanks and cement plants (raw mill housing and coal mill housing). The firm is promoted by the Aggarwal family and has its fabrication facility located in Bhopal (Madhya Pradesh).

Recent Results

During FY10, Mech & Fab recorded a provisional net profit after tax (PAT) of Rs. 0.86 crore on provisional operating income of Rs. 9.10 crore as against a PAT of Rs. 1.02 crore on an operating income of Rs. 16.92 crore during FY09.

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¹100 lakh = 1 crore = 10 million

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

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