

Press Release

Global Castings Private Limited

March 31, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	87.46	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	89.46	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.89.46 Cr bank facilities of Global Castings Private Limited (GCPL). The outlook is 'Stable'.

The rating on GCPL takes cognizance of the sound business risk profile of the company marked by, steady revenue growth, healthy profitability margins and cash accruals arising from increasing realizations and healthy order book position buoyed by repeat orders from its global vintage clientele. The rating also factors long standing experience of the promoters and the moderate financial risk profile of the company characterized by improving leverage and healthy debt coverage indicators. These strengths are partly offset by the working capital intensity in GCPL's operations and exposure to competition in the industry.

About the Company

Global Castings Private Limited (GCPL) is a Kolkata-based firm which was established in 2007 and began commercial operations in July 2010 with its corporate office located in Kolkata. GCPL was promoted by Mr. Rajiv Shah and Mr. Saurav Shah. The manufacturing facility of the company is located in Burdwan district of West Bengal. Presently, GCPL is engaged in the manufacturing of cast Iron & ductile iron castings, which includes products such as manhole covers, grate, pipe fittings, and automobile parts. The company presently has an installed capacity of 30,000 MTPA

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of GCPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established relationship with customers

Established in 2007, the company has been operational for more than fifteen years. The key

promoters, Mr. Rajiv Shah and Mr. Saurav Shah have more than two decades of experience in the business. The long standing experience of the promoters and long track record of operations has helped them to establish comfortable relationships with key suppliers and reputed customers across the continents. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

Strong business risk profile supported by steady revenue growth and healthy profitability margins

The company has achieved revenues of Rs. 128.19 Cr in FY2021 as compared to revenues of Rs. 98.35 Cr in FY2020 aided by better volumes and sustained realisations. The turnover of the company has been growing at a 2 year CAGR of around 11 per cent. The stability in revenue is backed by established market position of the company and global demand for its products. Furthermore, GCPL has an unexecuted healthy order book position to the tune of about Rs. 35 crores as on 15th March, 2022 which will be executed in the next two months, thus providing moderate revenue visibility over the medium term.

The EBITDA margin of the company increased to 13.05 per cent as on 31st March, 2021 as compared to 11.66 per cent in the previous year. Margins have improved on account of better economies of scale and cost control coupled with steady realization. The PAT margins stood at 2.01 per cent in FY2021 as against 1.34 per cent as on FY2020. The Return on Capital Employed (ROCE) of the company stood at 7.15 per cent as on FY2021 as compared to 6.44 per cent as on FY2020. The growth in profitability margins are primarily on account of high demand and better pricing, along with reduction in manufacturing and raw material expenses.

Acuité believes that going forward GCPL's ability to improve its operating income while sustaining their current profitability will be key monitorable.

Moderate financial risk profile

The financial risk profile of the company is marked by its modest albeit improving network, moderate gearing level and healthy debt protection metrics. The tangible network stood at Rs 51.11 crore as on 31st March, 2021 as compared to Rs 34.35 crore in the previous year. Acuité has considered unsecured loans of Rs.14.58 Cr as on March 31, 2021, as quasi-equity as the management has undertaken to maintain the amount in the business over the medium term. The gearing (debt-equity) stood at 1.39 times in FY 2021 as compared to 1.95 times in the previous year. The coverage indicators stood healthy marked by Interest coverage ratio (ICR) which stood at 3.38 times for FY 2021 as compared to 2.88 times in FY 2020. Debt service coverage ratio (DSCR) stood at 2.32 times in FY 2021 as compared to 1.93 times in FY 2020. Net cash accruals to total debt (NCA/TD) stood at 0.16 times in FY 2021. The Debt-EBITDA stood at 4.19 times in FY 2021. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 203 days as on March 31, 2021 as against 162 days as on March 31, 2020. The high GCA days are on account of high debtor period which stood at 98 days as on March 31, 2021 as compared to 57 days as on 31st March 2020. The debtors are primarily high due to inherent nature of the business. In FY20, the significant fall in debtors were in line with the Indian ports facing serious inland service shortages amid a countrywide lockdown, exporters and importers were scrambling to move cargo in and out of terminals across the country. Further, the inventory period stood high at 95 days as on 31st March, 2021 against 91 days in the previous year. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from the high debtor and inventory level.

Intense competition in the iron & steel industry

The iron & steel industry is highly fragmented and unorganized. The company is exposed to intense competitive pressure from large number of organized and unorganized players with low entry barriers and lack of product differentiation.

Rating Sensitivities

Growth in revenue along with improvement in profitability margins
Elongation of working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by net cash accruals stood at Rs. 11.42 Cr as on March 31, 2021 as against long term debt repayment of Rs. 2.07 Cr over the same period. The cash and bank balances of the company stood at Rs. 0.23 Cr as on March 31, 2021 as compared to Rs. 0.45 Cr as on March 31, 2020. The current ratio stood moderate at 1.16 times as on March 31, 2021. However, the fund based limit utilisation remained moderate at 84 per cent over nine months ended February, 2022. Further, the company has availed loan moratorium and also applied for additional covid loan. The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 203 days as on March 31, 2021 as against 162 days as on March 31, 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on GCPL will remain 'Stable' over the medium term on account of the experience of the promoters and comfortable business risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its scale of operations. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or further elongation in its working capital cycle

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	128.19	98.35
PAT	Rs. Cr.	2.58	1.32
PAT Margin	(%)	2.01	1.34
Total Debt/Tangible Net Worth	Times	1.39	1.95
PBDIT/Interest	Times	3.38	2.88

Status of non-cooperation with previous CRA (if applicable)

Brickwork, vide its press release dated November 18, 2020 had denoted the rating of Global Castings Pvt. Ltd. (GCPL) as 'BWR BB/Stable; ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3+ Assigned
Axis Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	25.08	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB Stable Assigned
ICICI Bank Ltd	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB Stable Assigned
ICICI Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB Stable Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	8.80	ACUITE BBB Stable Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	10.00	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	4.58	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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