

## Gujarat Metal Cast Industries Private Limited

September 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	0.99 (Reduced from 1.89)	CARE BB+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	7.00	CARE BB+; Stable / CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Gujarat Metal Cast Industries Private Limited (GMC IPL) continue to remain constrained on account of moderate scale of operations and profitability during FY24 (audited, FY refers to period April 01 to March 31). The ratings, further, continue to remain constrained on account of end use industry concentration coupled with exposure to volatile raw material prices. The ratings also take cognizance of proposed solar project.

The ratings continue to derive strength from comfortable capital structure and debt coverage indicators and adequate liquidity profile. The ratings also continue to consider experience of promoters with established operational track record as well as well-known customers in its portfolio.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in scale of operations marked by Total operating income (TOI) above Rs.75 crore and PAT margin above 3% coupled with sustaining capital structure marked by overall gearing ratio below 0.25 times.
- Improvement in operating cycle to below 60 days.

#### Negative factors

- Decline in scale of operations by more than 25% with dip in gross cash accruals (GCA).
- Deterioration in capital structure marked by overall gearing of higher than 1.2 times.
- Elongation of operating cycle above 100 days.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects that GMC IPL is likely to sustain its overall financial risk profile marked by moderate scale of operations, comfortable capital structure and adequate liquidity profile.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### Moderate scale of operations and profitability

In FY24, TOI of the company remained stable at Rs.47.40 crore as against Rs.46.69 crore in FY23. Profitability margins marked by PBILDT slightly increased to 8.55% in FY24 as against 7.81% during FY23 owing to decrease in cost of raw material consumed. Further, PAT margin improved and remained moderate at 2.82% in FY24 as against 2.38% in FY23.

##### Implementation and stabilization solar project risk

GMC IPL is planning a 5MW solar project with an estimated cost of ~Rs.15 crore majorly funded through term loan. The term loan is expected to be sanctioned and disbursed by the end of September 2024. The installation is projected to be completed by March 2025. The electricity generated through solar plant is expected to meet the company's entire power requirement. However, with pending project implementation and debt tie up, benefit from the said project is to be seen.

##### Exposure to volatile raw material prices

The major raw materials for GMC IPL are Beads, CRC Scrap, Tin Coated Iron and Steel Scrap, Chrome Metal, Ferromoli, Nickle, HB Fuller, Carbon Riser, Aluminium Round Bars, Steel Shaft and Polystyrene etc, the prices of which have remained fluctuating during the past years due to volatility in the global commodity markets. Hence, any adverse movement in the prices of the same may impact profitability of the company.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### End-use industry concentration

GMCIPL supplies majority of its castings to the automobile industry to Tier-I suppliers. However, from FY23, company had been able to cater to other capital goods industry as well by supplying valves and pumps to them which find its application in different machineries and in Railways. Any slowdown in the domestic automobile industry would adversely impact demand for GMCIPL's products however it is partially mitigated as the company is diversifying to other sectors as well.

### Key strengths

#### Experienced promoters

GMCIPL is engaged in the casting business since 1975 and promoted by Mr. Chandrakant C Patel who has an experience of over four decades in the castings industry. The management team consists of Mr. Tapan Patel, Mr. Sunil Vakil, Mr. Prabir Patel and Mr. Ramkishan Devidayal who holds vast experience in the castings and auto-component industry.

#### Established operational track record coupled with presence of well-known customers in its portfolio

GMCIPL is one of the established players in the castings industry with manufacturing facility located at Vadodara, Gujarat. GMCIPL has a separate in-house research and development (R&D) division recognized and approved by Department of Scientific and Industrial Research (DSIR), Ministry of Science & Technology, Government of India, which is involved in new product/process development. As GMCIPL is a Tier-II supplier in Auto Industry, its customers include well-known Tier-I suppliers.

#### Comfortable capital structure and debt coverage indicators

Capital structure of GMCIPL continued to remain comfortable at 0.21x as on March 31, 2024 and March 31, 2023. Total debt remained at Rs. 4.70 crore as on March 31, 2024, as against Rs.4.39 crore as on March 31, 2023. Debt coverage ratio marked by interest coverage ratio increased to 8.08 times during FY24 as against 6.41 times in FY23. TDGCA remained at 1.39 years as on March 31, 2024, as against 1.42 years as on March 31, 2023.

#### Liquidity: Adequate

The liquidity position of GMCIPL remained adequate marked by adequate gross cash accruals (GCA), lower utilization of working capital limits, moderate cash flows from operations and comfortable liquidity ratios. GMCIPL reported GCA of Rs.3.39 crore in FY24 against its debt obligation of Rs.1.14 crore for FY25. Operating cycle deteriorated marginally to 94 days in FY24 as against 89 days in FY23. Further, its cash and bank balance remained low at Rs.0.02 crore as on March 31, 2024, as against Rs.0.01 crore during FY23. Current ratio remained at 2.09 times as on March 31, 2024, as against 2.06 times as on March 31, 2023. Cash flow from operations remained moderate at Rs.2.34 crore during FY24 as against Rs.3.21 crore during FY23. Moreover, the average utilization of fund-based limits also remained low at ~25-30%.

### Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipment](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Ferrous Metals	Iron & Steel

Vadodara (Gujarat) based GMCIPL was incorporated in December 1975 as a private limited company. GMCIPL is a leading foundry in lost foam process in India. It specializes in high quality ductile, aluminium alloy casting, grey and malleable iron castings and caters to the demand from a variety of industries amongst which automobile industry constitutes majority of its total sales. During August 2016, Non-foundry division (manufacture and sale of various assemblies, using casting, machined components and steel and aluminium components) was demerged to Anovi Engineering Private Limited. GMCIPL is operating from its sole manufacturing unit located at Vadodara (Gujarat) having installed capacity of 4500 metric tonne per annum as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	46.69	47.40
PBILDT	3.65	4.05
PAT	1.11	1.34
Overall gearing (times)	0.21	0.21
Interest coverage (times)	6.41	8.08

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	07-01-2026	0.99	CARE BB+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	7.00	CARE BB+; Stable / CARE A4+

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ST-Cash Credit	LT/ST	7.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB+; Stable / CARE A4+ (28-Sep-23)	1)CARE BB; Stable / CARE A4+ (03-Aug-22)	1)CARE BB; Stable / CARE A4 (02-Sep-21)
2	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	-	1)Withdrawn (28-Sep-23)	1)CARE A4+ (03-Aug-22)	1)CARE A4 (02-Sep-21)
3	Fund-based - LT-Term Loan	LT	0.99	CARE BB+; Stable	-	1)CARE BB+; Stable (28-Sep-23)	1)CARE BB; Stable (03-Aug-22)	1)CARE BB; Stable (02-Sep-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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