

GWASF Quality Castings Private Limited

Instrument	Amount In Rs. Crore ¹	Rating Action
Lon Term-Fund Based/CC	6.40	[ICRA]B+; revised
Long Term-Fund Based TL	2.72	[ICRA]B+; revised
Lon Term-Unallocated	0.38	[ICRA]B+; revised
Total	9.50	

ICRA has revised the long term rating of the Rs. 9.50 crore fund based facilities of GWASF Quality Castings Private Limited (GWASF) from [ICRA]BB- (pronounced ICRA double B minus)² to [ICRA]B+ (pronounced ICRA B plus).

The revision in the rating primarily factors in reduction in inflow of orders from the US and European customers following weak demand from end user industries, resulting in steep decline in operating income and profitability. The rating remains constrained by modest scale of operations of the company, high working capital requirements due to high inventory and debtor levels. Further, the rating continues to factor in high customer concentration and intense competition from other organised and unorganised players in the industry.

The rating, however, continues to derive comfort from the long standing experience of the promoters of more than three decades in the steel castings industry. The rating also factors in established relationship with reputed clients such as Flowserve Corporation, ITT Corporation and ARI Armaturen resulting in repeat orders. The rating also takes into account the preferred supplier agreement with 'Flowserve Corporation', which allows for assured annual off take and subsequently supports the revenue visibility of the company.

The company's ability to increase its scale of operations, improve its profitability, while moderating its working capital requirements would be the key sensitivities going forward.

Company Profile

GWASF Quality Castings Private Limited (GQCPL), incorporated in the year 1988, is primarily involved in the manufacturing of steel and ferrous alloy casting for valves, pumps and precision machined castings. The company has its manufacturing facility located in Mangalore with an installed capacity of 720 MT per annum. The company started export of its products to the US and Europe in 1995.

Recent results

The company reported a provisional net loss of Rs. 0.17 crore on an operating income of Rs. 11.89 crore in 2015-16, as against a profit after tax of Rs. 0.18 crore on an operating income of Rs. 21.55 crore in 2014-15.

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¹ 1 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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