

Castings & forgings

Industry Code (as per CMIE Prowess): 0101013501150000'

June 2022

Overall Industry Risk Score: **13/20 Marginally Favourable**

Sample Size: 22 Companies

Median Rating Value of sample size: BBB

Individual Parameters Contributing to the Score

Demand & Supply Balance



12/20

DS Equilibrium

The demand in automobile segment in FY23 from OEM segment can be impacted due to factors like shortage of chips. As per CMIE data, the castings & forgings industry reported a strong 33.8% y-o-y growth in its sales during the quarter ended December 2021. The demand from the railways and the defence sector will be steady. As per AIFI, around 58% of forged components are for the auto sector, the balance being the non auto sector. The foundry industry is witnessing reduced capacity utilisation coupled with the cost pressure following the Russia-Ukraine war and uncertain Chinese supplies due to which the units are operating at 50% capacity. The export market is expected to partially offset any weakness in the domestic segment.

Extent of Competition



12/20

Neutral

The industry is fairly fragmented with the presence of unorganised players (as per AIFI, around 83% of the players are players with small & very small capacities i.e players with capacities below 12500 mtpa). Some of the players have made significant inroads into export markets.

Regulatory Risk



12/20

Predictable Regulatory environment

The Government policies like Atma Nirbhar Bharat will focus on increasing indigenisation across sectors like defence sector. Increasing capital expenditure in the railway and the metro rail segments by the government will strengthen demand for forging and casting items.

Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

Generally inputs are available with no major disruptions. Steady availability of labour is also a key driver.