Press Release

HINDUSTAN COMPOSITES LIMITED
September 03, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.00	ACUITE A | Stable | Reaffirmed	-
Bank Loan Ratings	9.00	-	ACUITE A1 | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating to **'ACUITE A' (read as ACUITE A)** and its short-term rating to **'ACUITE A1' (read as ACUITE A one)** on the Rs. 25.00 crore bank facilities of Hindustan Composites Limited (HCL). The outlook is '**Stable**'.

Rationale for Rating
The rating reaffirmation takes into account improvement in the business and financial risk profile of HCL. The rating also considers the healthy financial risk profile and strong liquidity position of the company. However, the rating is constrained by the moderately intensive working capital operations of the company and susceptibility of profitability to volatility in financial markets along with economic changes and intense competition in the auto component industry. Going forward, the company's ability to scale up its manufacturing operations while generating stable returns on its investment portfolio will be a key rating monitorable.

About the Company

The Mumbai-based HCL, incorporated in 1964, is engaged in the development, manufacturing and marketing of brake lining using asbestos industrial products and friction material. The company is also engaged in the treasury business since 2010. HCL has two manufacturing facilities at Bhandara and Paithan (Maharashtra). HCL entered into a joint venture (49 percent stake) with Advics North India Private Limited to set up Compo Advics (India) Private Limited. The company manufactures disc brake pads and related components for passenger vehicles.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone approach while arriving at the rating of Hindustan Composites Limited (HCL). Further, its Joint Venture 'Compo Advics India Private Limited' (49 per cent holding of HCL), is considered to the extent of its contribution in the Profit and Loss Statements of HCL.

Key Rating Drivers

Strengths

Established track record of operations and experienced management
HCL, (formerly Hindustan Ferodo Ltd) was incorporated in 1964 has been a pioneer in the development,

manufacture and marketing of asbestos industrial products and friction materials for over six decades. The present directors of the company are Mr. Lalit Kumar Bararia, Ms. Preeti Vimal Agrawal, Mr. Pawan Kumar Choudhary, Ms. Snehal Natvarlal Muzoomdar, Mr. Rajan Arvind Dalal and Mr. Vinay Raj Sarin. HCL started its treasury division in 2010 which now has a total portfolio of Rs. 962.19 crore as on March 31, 2025 compared to Rs. 872.17 crore as on 31 March, 2024. The company has a dedicated team of analysts and industry specialists, operating out of Mumbai and Kolkata that advises the company in its investment making decisions. Acuité believes that the company will be benefitted by the established track record of operation along with a healthy relationship with its customers and suppliers, which helps it to get the repeated business and improving its business risk profile over the medium term.

Improved Revenue and Profitability
The revenue of the company improved and stood at Rs. 325.08 crore in FY25 as compared to revenue of Rs. 297.91 crore in FY24. The revenue of the company improved due to an increase in the demand and business from the railway segment. In Q1FY26, the company has reported a revenue of Rs. 87.00 crore with a net profit of Rs. 7.46 crore. HCL is expecting a growth of 10-12 percent owing to increasing demand for its products. The company consistently invests in capital expenditure yearly to match the growing demand and depreciation cost incurred during the same period. The operating profit margin of the company stood improved at 18.10 per cent in FY25 as compared to 17.54 per cent in FY24. The PAT Margin of the company stood at 10.77 per cent in FY25. Acuité believes that the company will continue to improve its client base and maintain its business risk profile over the medium term.

Healthy Financial Risk Profile
Hindustan Composites Limited has a healthy financial risk profile marked by healthy net worth and comfortable debt protection metrics. The net worth of the company stood at Rs. 1085.68 crore in FY25 as against Rs. 987.76 crore in FY24. The gearing levels of the company remained at 0.00 times as on 31st March 2025. The total debt of the company stood at Rs. 0.03 crore as on 31 March 2025. It comprised of short-term debt of Rs. 0.03 crore as on 31 March 2025. The interest coverage ratio of the company stood at 656.14 times in FY25 against 582.77 times in FY24. DSCR stood at 540.58 times in FY2025 against 491.36 times in FY2024. The Interest coverage and DSCR are estimated to remain healthy for the period FY2026-27. 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

Moderately Intensive Working capital operations
Hindustan Composites Limited has moderately intensive working capital operations with gross current asset (GCA) days standing at 103 days on 31st March 2025 as against 85 days on 31st March 2024. The increase in GCA Days is primarily lead by increase in the receivables during FY25. The inventory days of the company stood at 16 days in FY25 as against 21 days in FY24. The average inventory holding period for the raw materials is around 15 days. The debtor days stood at 66 days in FY25 as against 54 days in FY24. The average credit period allowed to customers is in the range of 55- 60 days. The creditor days of the company stood at 124 days in FY25 as against 119 days in FY24. The average credit period received from customers is in the range of 110- 120 days. Acuite believes that the working capital operations of the group will remain moderate over the medium term.

Susceptibility to volatility in financial markets and economic changes and intense competition in auto component industry
The profitability is mainly driven by robust margins registered in the treasury business. The profitability is also susceptible to the inherent risks associated with financial markets and changes in the economy. However, HCL has a well-defined risk management policy which enables it to mitigate this risk to a certain extent. Also, the company is exposed to intense competition from organised and unorganised players in the composite business. However, HCL has more than five decades of experience and has been able to establish itself in the Indian auto component industry.

Rating Sensitivities

- Improving the scale of operations while improving and sustaining the profitability margins.
- Any elongation of the working capital cycle
- Deterioration in financial risk profile

Liquidity Position
Strong

Hindustan Composites Limited's liquidity position is strong, marked by high net cash accruals against no maturing debt obligations for the same period. The company generated cash accruals of Rs. 45.32 crore as on 31st March 2025. The company is expected to generate cash accruals in the range of Rs. 54 to 60 crore during FY26 and

FY27, against no maturing debt obligations for the same period. The cash and bank balance of the company stood at Rs. 3.19 crore as on 31st March 2025. The current ratio stood at 3.98 times in FY25 as against 3.65 times in FY24. The working capital operations of HCL are moderately intensive, marked by its Gross Current Asset (GCA) days of 103 days in FY25 as against 85 days in FY24, on account of higher receivables during the same period. The average bank limit utilization for the fund-based and non-fund-based limits stood at ~29.90 per cent for the 7-month period ended July 2025. Acuite believes that the liquidity position of the company would remain strong on account of increasing net cash accruals against no maturing debt obligations.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Actual)	FY 24 (Actual)
Operating Income	Rs. Cr.	325.08	297.91
PAT	Rs. Cr.	35.00	34.41
PAT Margin	(%)	10.77	11.55
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	656.14	582.77

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

Not Applicable

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jun 2024	Secured Overdraft	Long Term	6.00	ACUITE A | Stable (Upgraded from ACUITE A- | Stable)
	Proposed Long Term Bank Facility	Long Term	10.00	ACUITE A | Stable (Upgraded from ACUITE A- | Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A1 (Upgraded from ACUITE A2+)
08 Mar 2023	Secured Overdraft	Long Term	6.00	ACUITE A- | Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	10.00	ACUITE A- | Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A2+ (Reaffirmed)
12 Jan 2022	Proposed Long Term Bank Facility	Long Term	6.00	ACUITE A- | Stable (Reaffirmed)
	Secured Overdraft	Long Term	6.00	ACUITE A- | Stable (Reaffirmed)
	Letter of Credit	Short Term	4.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A2+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.00	Simple	ACUITE A1 | Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A | Stable | Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE A | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.