



Press Release
HINDUSTAN COMPOSITES LIMITED
September 25, 2025
Rating Upgraded

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Total Withdrawn Quantum (Rs.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

Rating Rationale

Acuite has upgraded its long-term rating to ‘**ACUITE A+**’ (read as **ACUITE A Plus**) from ‘**ACUITE A**’ (read as **ACUITE A**) and its short-term rating to ‘**ACUITE A1+**’ (read as **ACUITE A one Plus**) from ‘**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 Upgrade

The company has appealed and provided clarifications on its investment portfolio and its value, which is expected to strengthen the liquidity profile further. A balanced allocation between debt and equity instruments supports the stability of income from investments. Equity investments are primarily routed through fund houses into quoted and unquoted shares; the aggregated market value of these investments expected to boost liquidity. The rating upgrade further reflects an improvement in HCL’s business and financial risk profile. The company has shown consistent growth in its manufacturing operations and expansion in its treasury investments. Acuite also factors in the company’s healthy financial risk profile and strong liquidity position, which further support the rating upgrade. However, the rating remains constrained by moderately intensive working capital requirements and exposure to financial market fluctuations, economic shifts, and competitive pressures in the auto component industry. Going forward, the company’s ability to enhance its manufacturing scale while ensuring consistent returns from its investment portfolio will remain a key monitorable.

About the Company

Hindustan Composites Limited (HCL), based in Mumbai and incorporated in 1964, is involved in the development, manufacturing and marketing of brake linings using asbestos-based industrial products and friction materials. The company has also been active in the treasury business since 2010. It operates two manufacturing facilities located in Bhandara and Paithan in Maharashtra. HCL has a joint venture with Advics North India Private Limited, holding a 49 per cent stake in Compo Advics (India) Private Limited, which produces 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 known as Hindustan Ferodo Limited), was incorporated in 1964 and has been a pioneer in the development, manufacturing and marketing of asbestos-based industrial products and friction materials for over six decades. The company is led by a board comprising 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 began its treasury operations in 2010 and has built a substantial investment portfolio. A dedicated team of analysts and industry specialists based in Mumbai and Kolkata supports the company's investment decisions. Acuité believes that HCL will continue to benefit from its long-standing operational track record and strong relationships with customers and suppliers, which contribute to repeat business and an improving 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 Rs. 297.91 crore in FY24. The improvement in revenue was driven by an increase in demand and business from the railway segment. In Q1FY26, the company reported revenue of Rs. 87.00 crore with a net profit of Rs. 7.46 crore. HCL is expecting growth of 10–12 per cent owing to increasing demand for its products. The company consistently invests in capital expenditure annually to match the growing demand and account for depreciation costs incurred during the same period. HCL has an investment portfolio valued at Rs. 962.19 crore as on March 31, 2025, as against Rs. 873.10 crore as on March 31, 2024, with ~60 per cent of the portfolio invested in debt and the balance in equity. In FY2025, out of an operating profit of Rs. 58.84 crore (PY: Rs. 52.26 crore), ~Rs. 40.81 crore (PY: Rs. 47.22 crore) was contributed by the investment division alone. The operating profit margin of the company improved to 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

HCL 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. The monthly production capacity utilization stood around ~70 per cent and the company will be making capacity additions of ~75,000 units per month to the existing capacity of 350,000 per month. 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

HCL'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 obligation 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 is 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 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. Acuité'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
03 Sep 2025	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 A1 (Reaffirmed)
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+ Upgraded (from ACUITE A1)
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 Upgraded (from ACUITE A)
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 Upgraded (from ACUITE A)

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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.

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