

Press Release

Hindustan Fibre Glass Works (HFGW)

January 08, 2019



Rating Assigned

Total Bank Facilities Rated	Rs.25.00 crore
Long Term Rating	ACUITE BBB-/ Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB-'** (read as **ACUITE triple B minus**) and the short term rating of **'ACUITE A3'** (read as **ACUITE A three**) to the Rs.25.00 crore bank facilities of Hindustan Fibre Glass Works (HFGW). The outlook is **'Stable'**.

HFGW was founded in 1984 as a partnership firm by Mr. Govindbhai Patel and Mr. Shankar Patel at Kolkata (West Bengal). Later in 1998, the firm started its new unit at Vadodara (Gujarat). HFGW is engaged in interior furnishing work for railway coaches. The firm manufactures all types of fibre-reinforced polymer (FRP) products—such as paneling, gear case, door paneling, modular toilet and partition frames, seats and components, and driver's cabin, among others—which are fitted to railway coaches. The firm, being an approved vendor, participates in tenders floated by various railway departments.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of HFGW to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The firm was established in 1984 by Mr. Govind Bhai Patel and Mr. Shanker Patel with their first unit in Kolkata that manufactures railway windows and frames for the Indian Railway. The firm started its second unit in Vadodara in 1998. The second unit is engaged in interior furnishing of railway coaches. The partners have more than three decades of experience in this industry which have enabled them to establish comfortable relationships with their key suppliers and various railway departments.

Above average financial risk profile

HFGW's above average financial risk profile is marked by moderate net worth of Rs.11.17 crore in FY2018, an increased from Rs.6.30 crore in FY2017, mainly on account of retention of current year profit. The gearing of the company stood high at 2.55 times in FY2018, a declined from 3.34 times in FY2017, this improvement in gearing is due to increase in net worth. The total debt of Rs.28.50 crore consists of long term debt of Rs.2.87 crore, short term debt of Rs.12.99 crore and unsecured loan of Rs.12.64 crore from promoters. The interest coverage ratio (ICR) of the company stood comfortable at 4.90 times in FY2018 as compared to 3.69 times in the previous year. The debt service coverage ratio (DSCR) of the company stood comfortable at 3.01 times in FY2018 as compared to 2.97 times in previous year. Net cash accrual to total debt stood comfortable at 0.23 times in FY2018 as compared to 0.18 times in the previous year. Going forward, the financial risk profile is expected to improve as the company has no major debt funded capex plans.

Increasing trend of revenue

The revenue of the firm increased to Rs.206.76 crore in FY2018 from Rs.97.38 crore in FY2017, thereby registering compound annual growth rate (CAGR) of 45.71 per cent for last 2 years. The firm has booked Rs. 183.14 crore till 15th Dec, 2018 (Provisional).

Weaknesses

Customer Concentration

The company has derived its entire revenues from the Indian Railways during the past three years ended FY'2018 which exposes it to significant customer concentration risk. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customer.

Outlook - Stable

ACUITE believes that HFGW will maintain a stable outlook over the medium term owing to its promoters' extensive experience and financial risk profile. The outlook may be revised to 'Positive' if the company registers more than expected revenues while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenue or the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	206.76	110.14	97.38
EBITDA	Rs. Cr.	11.99	6.79	4.85
PAT	Rs. Cr.	4.85	2.27	1.54
EBITDA Margin	(%)	5.80	6.16	4.98
PAT Margin	(%)	2.35	2.06	1.58
ROCE	(%)	30.95	23.83	42.87
Total Debt/Tangible Net Worth	Times	2.55	3.34	2.76
PBDIT/Interest	Times	4.90	3.69	3.45
Total Debt/PBDIT	Times	2.35	3.05	2.75
Gross Current Assets (Days)	Days	121	112	108

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB-/ Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.88	ACUITE BBB-/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.12	ACUITE A3 (Assigned)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head- Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuite, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuite is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuite ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuite.