

Press Release

Hindustan Fibre Glass Works



March 04, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	16.88	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	8.12	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of 'ACUITE BBB-' (read as ACUITE triple B minus) and 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'.

About the Company

HFGW was founded in 1984 as a partnership firm by Mr. Shankar Lal Patel and Mr. Ashish Patel at Kolkata (West Bengal). 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. Later in 1998, the firm started its new unit at Vadodara (Gujarat). The firm, being an approved vendor, participates in tenders floated by various railway departments.

Analytical Approach

Acuité has considered standalone business and financial risk profile of HFGW while arriving at the rating.

Key Rating Drivers

Strengths



Experienced management

The firm was established in 1984 by Mr. Shanker Patel and Mr. Ashish 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.

Healthy scale of operation with healthy profitability margin

The revenue of the firm stood healthy at Rs.360.17 crore as on FY2021 as compared to Rs.423.73 crore. The firm has earned Rs.280.00 crore till 20th February 2022 (Provisional). Acuite believes the revenue of the firm will be maintained at healthy going forward backed by the comfortable order book of Rs.282.80 Crore as on January 2022. Moreover, the revenue of the firm has declined during FY2021 backed by lower execution due to the outbreak of COVID-19 pandemic and nation-wide lock down during the period.

The operating profitability margin of the firm has increased and stood healthy at 10.45 per cent in FY2021 as compared to 8.28 per cent in the previous year. This improvement in operating profitability margin is on account of decrease in job work expenses during the period. Further, the operating profitability margin of the company stood comfortable at 9.83 per cent during 9MFY2022. The net profit margin of the firm also stood healthy at 9.83 per cent during FY2021 as compared to 7.64 per cent in the previous year. Going forward, Acuité believes that the profitability margin of the firm will maintain at the same level over the medium term backed by their focus on the bottomline and bid in projects accordingly.

Comfortable financial risk profile

The financial risk profile of the firm is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the firm stood moderate at Rs.52.07 crore in FY 2021 as compared to Rs 31.00 crore in FY2020. This improvement in networth is mainly due to the retention of current year profit. The gearing of the firm stood low at 0.65 times as on March 31, 2021 when compared to 0.52 times as on March 31, 2020. This slight increase in gearing is mainly on account increase in short term debt utilization during the period. Interest coverage ratio (ICR) is strong and stood 13.19 times in FY2021 as against 14.98 times in FY 2020. The debt service coverage ratio (DSCR) of the firm also stood strong at 11.20 times in FY2021 as compared to 12.24 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 1.12 times in FY2021 as compared to 2.15 times in the previous year. Going forward, Acuite believes the financial risk profile of the firm will remain comfortable on account of steady net cash accruals over the near term and major capex plan over the near term.

Weaknesses

Moderate working capital management

The operation of the firm is moderately working capital intensive marked by moderate gross current asset days of 94 days in FY2021 as compared to 93 days in the previous year. Moreover, the inventory days of the company has increased and stood comfortable to 07 days in FY2021 as compared to 03 days in the previous year. The debtor days of the company has stood comfortable at 59 days in FY2021 as compared to 71 days in the previous year. Further, the overall GCA days of the firm has also reflected from the high other current asset of Rs.16.83 crore in FY2021, which mainly consists of loans and advances, advance tax receivables and other receivables from Govt. authorities.

Customer concentration

The company faces high customer concentration risk. Its major customers, Indian Railway, accounted for about 100 percent of its sales in the last three year period. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin.
- Further deterioration in liquidity position of the firm.

Material covenants

None

Liquidity Position: Stretched

The firm's liquidity position has remained stretched marked by high bank limit utilization of ~100 per cent for the last six months ended January 2022. The firm has continuously availing overdraft facility against fixed deposits from bank to support its short time liquidity crunch.

Further, the current ratio of the firm stood low at 1.17 times in FY2021. However, this is partially mitigate by the healthy net cash accruals of Rs.37.67 crore as against Rs.0.55 crore long term debt obligations in FY2021. The cash accruals of the company are estimated to remain in the range of around Rs. 23.82 crore to Rs. 26.71 crore during 2022-23 as against Rs. 0.55 crore of long term debt obligations in FY2022 and in FY2023 respectively. The gross current asset days of the firm also stood moderate at 94 days in FY2021. Acuité believes that the liquidity of the firm is likely to remain stretched over the near term on account of high utilization of bank limit.

Outlook- Stable

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

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	360.17	423.73
PAT	Rs. Cr.	35.42	32.36
PAT Margin	(%)	9.83	7.64
Total Debt/Tangible Net Worth	Times	0.65	0.52
PBDIT/Interest	Times	13.19	14.98

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

Not Applicable

Any other information

Note Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Mar 2020	Cash Credit	Long Term	14.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	2.88	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	1.12	ACUITE A3 (Reaffirmed)
08 Jan 2019	Proposed Bank Guarantee	Short Term	1.12	ACUITE A3 (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.88	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3 Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.12	ACUITE A3 Reaffirmed
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.88	ACUITE BBB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Abhishek Dey Analyst-Rating Operations Tel: 022-49294065 abhishek.dey@acuite.in	

About Acuité Ratings & Research

Acuité Ratings & Research 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 8,850 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 Kanjurmarg, Mumbai.

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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 Acuité