

Press Release

Glass Wall Systems (India) Private Limited

April 30, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs.170.00Cr.
Long Term Rating	ACUITE BBB+/Outlook: Stable (Assigned)
Short Term Rating	ACUITE A2 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB+**' (**read as ACUITE triple B Plus**) and short term rating of '**ACUITE A2**' (**read as ACUITE A two**) on the Rs.170.00 Cr bank facilities of Glass Wall Systems (India) Private Limited (GWSIPL). The outlook is '**Stable**'.

Glass Wall Systems (India) Private Limited is a Mumbai-Maharashtra based company established in the year 2002 as a partnership firm. Later in the year 2010, the constitution of the company was changed to private limited company. The company is promoted by Mr. Jawahar Hariram Hemrajani and Mr. Kamlesh Arjunlal Choudhari. The company is engaged in providing turnkey solutions as a façade contractor. The company provides solutions for all kinds of façade work which involves architectural glass façade, ACP cladding, stone cladding and others. The company has executed more than 125 projects, developing an area of more than 1 million square meters. The company is the only Façade contractor in India with an ISO 14001:2015 certification qualifying it to be environmental friendly. The company also has ISO 9001:2015 certification. The company has its own manufacturing units located at Panvel (Raigad-Maharashtra-Main factory) and at Delhi and Bangalore for the ancillary units. The capacity utilization for the same remains around 75 percent of the cumulative capacity.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of GWSIPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Incorporated in the year 2002 as a partnership firm and later reconstituted to private limited company in the year 2010, the company has a long track record of operation of almost two decades in the aforementioned industry. The company is promoted by Mr. Jawahar Hariram Hemrajani and Mr. Kamlesh Arjunlal Choudhari who have an experience of more than two decades in the aforementioned industry. The promoters of the company are ably assisted by a second line of management which constitutes a large team of qualified and experienced professionals who manages the day to day operation of the company. The industry is very niche, followed by majority of the unorganized players. However, there are very limited organized renowned players who undertake the façade construction work, thereby limiting the competition among the big players and having the advantage of higher bargaining power. The company is the market leader in India with more than 10 percent market share among the organized players. The extensive experience of the promoters and established track record of operation of the company has helped the company to maintain healthy relationship with its customers and suppliers.

Acuité believes that the company will benefit from its experienced management and long track of operation.

- **Reputed Clientele profile along with presence of reputed private equity investor**

The company has completed an array of projects from all real estate segments-residential, commercial and retail. The company has executed number of contracts for established and renowned companies. Some of the renowned projects of the company include projects like Antilia (residence of Mr. Mukesh Ambani), Reliance Petroleum Headquarter, projects for India Bulls Real Estate like One Indiabulls Finance Center, projects for L&T group like L&T Infotech Building and subcontracted façade work for Wankhade Stadium, other projects include Lodha Groups residential project 'World One' and others. The established track record of operation and pioneer of the company in the aforementioned industry has helped the company to retain its customers who place repetitive orders. Currently, the company has diversified its business through export of aluminum panels/frames. The company has been able to bag order of Rs.140.00Cr from Qatar for a company named Mozoon Tower where the company will be exporting the aluminum panels while the installation work will be done by a Qatar based company. The company will be focusing more on exports since the company finds a scope in this segment. Earlier it used to be China, the market leader in exporting such products however the demand for the same from China has declined which has enrooted a scope for the company to enter into that segment. The company doesn't provide any post installation services, however, it provides service some limited customer.

During FY2015, private equity managed by Motilal Oswal had infused an amount of Rs.55.00Cr in the form of optionally convertible preference share which were later converted into the form of equity in the FY2017.

Acuité believes the reputed clientele profile, repetitive orders from their customer and investment from private equity player like Motilal Oswal will help the company in limiting its exposure to any instance of business risk.

- **Healthy order book position**

The company has an order book of Rs.678.92Cr as on March 31, 2021; thereby ensuring revenue visibility in the near to medium term. All the orders are expected to be executed in next two-three financial year. The strong execution capability of the company and limited number of renowned players will lead to continuous flow of orders which in turn will support the business risk profile of the company over the medium term. Majority of the orders are from the reputed clients having a high credibility and good payment track record.

- **Healthy financial risk profile**

GWSIPL's financial risk profile is healthy marked by strong net worth, low gearing coupled with moderately comfortable debt protection metrics and coverage indicators. The company's net worth stood at Rs.180.81Cr as on March 31, 2020 as against Rs.172.26Cr as on March 31, 2019. The net worth levels have seen improvement over the last four years due to conversion of optionally preference share into the form of equity and healthy accretion to reserves over the period. The company has followed conservative financial policy; the same is reflected through its gearing and total outside liabilities to tangible net worth (TOL/TNW) of 0.45 times and 1.06 times respectively as on March 31, 2020. The company on the other hand generated cash accruals of Rs.13.36 Cr in FY2020 as against Rs.17.62Cr in FY2019.

The revenue of the company has declined by around 41.05 percent to Rs.205.70Cr in FY2020 from Rs.348.95Cr in FY2019. The decline in the operating income is majorly due to slow down in the real estate segment which led to less order in hand for the company to execute and was also impacted due to Covid-19 pandemic. However, currently the company is focusing more on the commercial and corporate park projects so as to reduce the risk associated to residential projects which is cyclical in nature. EBITDA in absolute term had been showing improvement over the last three years under the study however it declined to Rs.26.71Cr in FY2020 as against Rs.34.67Cr in FY2019. The PAT of the company has also declined to Rs.9.88Cr in FY2020 as against Rs.13.99Cr in FY2019.

The company's profitability margin has improved in FY2020 as against FY2019. The profitability margin of the company remains on a higher side on account of focus on high premium complex projects and also due to backward integration of products i.e. the company procures the raw material and manufactures the products of its own as per the requirement of the customer. The operating and the profit margin stood at 12.98 percent and 4.80 percent respectively in FY2020 as against 9.93 percent and 4.01 percent in FY2019. The company procures aluminum and other cladding products from the domestic market. However, the glasses are procured either from domestic market or gets imported

based on the requirement from the customer. There is no instance of foreign exchange fluctuation risk in importing the glasses since any fluctuation in the price of the glass is bared by the customer. The handling of the products is managed by the company and charges are charged accordingly. As the aluminum prices are volatile in nature so the company has price escalation clause in every project which helps the company to mitigate any instance of raw material price fluctuation thereby reducing the impact on the profitability margins.

The decline in the profitability level, coupled with moderate debt level, has led to moderately comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stands at 0.16 times and 2.15 times respectively as against 0.18 times and 3.05 times in FY2019, respectively. The debt service coverage ratio stood 1.97 times in FY2020 as against 2.34 times in FY2019. The Debt-EBITDA ratio stands at 2.90 times in FY2020 against 2.57 times in FY2019.

In FY2021, the company has generated revenue of around Rs.68.14Cr (Est.) till December 31, 2020. It is expected that the company will be achieving revenue of around Rs.150.00Cr by March 31, 2021. Though the performance of the company has been impacted in FY2021 due to slowdown of the real estate segment in view of Covid-19 Pandemic but it is expected that the company that the company will be able to revive back to Pre-Covid level on account of healthy order book position, strong project execution capacity, focus on the infrastructural projects and exports of the products.

Acuité believes the financial risk profile of the company will remain healthy in the medium term on account of no major debt funded capex in near to medium term.

Weaknesses

- Working Capital operation is intensive in nature**

GWSIPL's working capital operation is intensive in nature as it is reflected by its gross current asset (GCA) days of around 490 days in FY2020 as against 329 days in FY2019. This is quite inherent in the aforementioned industry as the company executes multiple projects across varied location and also some part of the working capital remains blocked as a part of retention money or in the form of fixed deposits as margin money against non-fund based limits. The inventory holding period has been elongated to 40 days as on March 31, 2020 as against 25 days on March 31, 2019. The debtor collection period has been elongated to 210 days as on March 31, 2020 as against 136 days as on March 31, 2019. This is on account of delay in the realization of payment. The company has booked bad debt of Rs.0.18Cr in FY2020 as against Rs.6.62Cr in FY2019. Though, the company has made bad debt provision of Rs.2.40Cr in FY2020. To recover the bad debts, the company invests on the properties of that real estate player and later on sell in the market with the help of the property broker so as to recover the debts. On the other hand the credit payment period stood at 320 days as on March 31, 2020 as against 206 days as on March 31, 2019. The average bank limit utilization stood moderate at around 57.75 percent for six months ended March, 2021, while its peak utilization was high at around 82.00 percent during the same period.

Acuité expects the working capital management to remain intensive over the medium term on account of high debtor collection and credit payment period which is inherent in the aforementioned industry.

- Geographical concentration risk**

The company undertakes the projects that are predominant in the metro cities and in Tier-I cities. This is because such bigger projects of the clients having better credit quality come up in these cities. However, currently the company has undertaken new projects in cities like Pune, projects like Delhi Airport, etc. Out of the total orders of Rs.678.92Cr, the company has around 70 percent of orders outside Mumbai as on December 31, 2020 thus mitigating any instance of geographical concentration risk.

- **Exposure to risk related to cyclical nature of real estate industry**

The company caters to all the segments of real estate sector. However there is a risk associated to the residential segment in terms of realization of payment. To unwind the risk the company invests on the properties of that customer which is later sold in the market by a property broker to recover the debts. So as to mitigate this type of risk to an extent, the company is currently focusing on the infrastructural projects (Commercial and Corporate Parks) for the institutional clients having better credit quality where there is no risk attached on sale of property constructed and thus prevented from the slowdown in the market.

Liquidity Position: Adequate

The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.13.36Cr in FY2020, while its' maturing debt obligation were Rs.0.37Cr for the same period. The cash accrual of the company is estimated to remain around Rs.9.00Cr to Rs.21.00Cr during 2021-23 against repayment obligations of around Rs.1.00Cr to Rs.12.00Cr during the same period. The company's working capital operation is intensive in nature marked by the Gross Current Asset (GCA) days of 490 days in FY2020 as against 329 days in FY2019. The average bank limit utilization stood moderate at around 57.75 per cent for six months ended March, 2021. The company maintains unencumbered cash and bank balances of Rs.0.37Cr as on 31 March 2020. The current ratio of the group has improved to 1.70 times as on 31 March 2020 from 1.48 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Rating Sensitivities

- Significant and sustained growth in operating revenues while maintaining the profitability margin
- Any further deterioration in the working capital cycle will impact the financial risk profile thereby impact the credit risk profile

Outlook: Stable

Acuité believes that the company will maintain a stable outlook over the medium term backed by its experienced management, established track record of operation in the aforementioned industry and healthy financial risk profile. The outlook may be revised to 'Positive', if the company registers higher than expected growth in its revenue while maintaining as sustained operating margins at its current levels along with efficient working capital management. Conversely, the outlook may be revised to 'Negative', if the company registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	205.70	348.95
PAT	Rs. Cr.	9.88	13.99
PAT Margin	(%)	4.80	4.01
Total Debt/Tangible Net Worth	Times	0.45	0.56
PBDIT/Interest	Times	2.15	3.05

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

None

Any other information

None

Any Material Covenants

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>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- 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 (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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB+/Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB+/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	83.00	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	19.00	ACUITE A2 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2 (Assigned)

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About Acuité Ratings & Research:

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