

Press Release

Glass Wall Systems (India) Private Limited

May 23, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	115.75	-	ACUITE A2 Reaffirmed
Bank Loan Ratings	54.25	ACUITE BBB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	170.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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**) to the Rs. 170.00 Cr bank facilities of Glass Wall Systems (India) Private Limited (GWSIPL). The outlook is 'Stable'.

Rationale for reaffirmation:

The rating reaffirmation takes into account the gradual improvement in scale of operations in FY2022 marked by increased billing, timely project completion and improved profitability margins. The rating also factors the healthy financial risk profile and moderate order book position. However, the rating remains constrained due to working capital intensive nature of operations marked by high bank limit utilization, dependence on customer advances and volatility in raw material prices. The company's ability to manage its working capital cycle efficiently by ensuring timely collection from receivables remains a key rating sensitivity.

About the Company

GWSIPL 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 has its own manufacturing unit located at Raigad-Maharashtra and ancillary units at Delhi and Bangalore.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations:**

Incorporated in the year 2002 as a partnership firm and later reconstituted as a private limited company in the year 2010, the company has a long track record of operation of about two decades as a façade contractor. 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 same business. 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. Also, 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 completed an array of projects from all real estate segments-residential, commercial and retail. Some of the renowned projects of the company include Antilia, Reliance Petroleum Headquarter, One Indiabulls Finance Center, L&T Infotech Building and subcontracted façade work for Wankhade Stadium and 'World One'. Acuité believes that the company will benefit from the management experience, long track record of operations and reputed clientele, over the medium term.

- **Healthy financial risk profile:**

The financial risk profile of the company remains healthy marked by healthy net worth, low gearing and adequate debt protection metrics. The net worth the company reduced to Rs. 155 Cr as on March 31, 2021 against Rs. 180 Cr in the previous year. The reduction is attributable to the substantial decline in revenue and profitability due to covid induced lockdowns resulting into non availability of sites, natural calamity and limited bargaining power due to the absence of price variation clauses. Further, the short term debt availed by the company reduced as a result the total debt of the company stood at Rs. 38 Cr as on March 31, 2021 against Rs. 81 Cr in the previous year.

Nonetheless, the company continues to follow a conservative leverage policy with gearing (debt to equity) of 0.24 times in FY2021 against three-year average of 0.42 times. However, going forward, the debt to equity of the company is expected to remain in the range of 0.34-0.35 times in FY2022 and FY2023.

Also, the gradual recovery of operations and inclusion of price variation clauses ensure adequate operating profits to maintain interest coverage ratio and debt service coverage ratio at around 4.56 times and 3.70 times in FY2022.

- **Improvement in operating performance for 11M-FY2022 albeit subdued performance in FY2021:**

The aggregate billing of the company improved to Rs. 246 Cr in 11M-FY2022 against Rs. 132 Cr in FY2021. Further, the company as on February 28, 2022 has unexecuted order book in the range of Rs. 600-650 Cr thereby providing adequate revenue visibility over the medium term. GWSIPL witnessed subdued operating performance in FY2021 owing to the disruptions caused by the COVID-19 pandemic in the form of non availability of project sites and labour. The operating profit of the company for 11M-FY2022 is expected to be around 5.79-6 percent against operating losses incurred in the previous year. The profitability margins was adversely impacted in FY2021 on account of the losses caused by natural calamities and the absence of price variation clauses in its contracts.

Despite improved operating performance in FY2022, the operating profitability continues to remain below the three-year average (2018-20) of ~10.50 percent.

- **Moderate order book position:**

GWSIPL has an unexecuted order book in the range of Rs. 600-650 Cr as on February 28, 2021. Of the total, Rs. 432 Cr is against commercial façade work, Rs. 114 Cr towards export of aluminium panels to a Qatar based company Mozoon Tower and the rest towards residential façade work. The orders from reputed clientele including Bagmane Developers Private Limited, L&T Limited, Indiabull and Monzoon Towers accounts for ~50 percent of the unexecuted order book. The moderate order book position provides adequate revenue visibility.

Weaknesses

• Working capital intensive nature of operations:

The operations of the company are working capital intensive reflected by GCA days of 827 in FY2021 against 459 in the previous year. The increase is on account of increased debtor and inventory days by 231, to 481 in FY2021. In addition to debtor and inventory, current asset also consists of retention and unbilled revenue.

Further the working capital cycle days increased to 105 against negative working capital cycle in the earlier years. The increase in WC cycle days is primarily attributable to considerably higher increase in debtor and inventory days than creditor days. The debtor and inventory days increased by 231 against creditor day increase of 56. Further, the bank limit utilization of the company for the seven-month period ended March 2022 stood at 90 percent.

Acuite believes timely collection to ensure efficient working capital management will remain key rating sensitivity and any further elongation will impart a negative bias to the rating.

• 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. The residential real estate segment is subject to the cyclical nature of real estate business (drop in property prices) and interest rate risk, among others, which could affect the operations of the developer, delaying payments to GWSIPL. However, in case of non-receipt of dues from the developer the company takes over the property, which is later sold in the market to recover the outstanding dues. The aggregate amount invested in such properties stood at Rs. 31.11 Cr as on March 31, 2022, of which Rs. 12.04 Cr is towards completed properties and the rest towards under construction. Additionally, of the total debtors (excluding retention money due in next 1 year) of Rs. 61.10 Cr as on March 31, 2022, about 28 percent are due for more than 365 days.

However, to mitigate the risk of real estate cyclicity the company is currently focusing on the infrastructural projects (Commercial and Corporate Parks) from institutional clients having better credit quality and diversifying to exports. The share of residential façade work in the overall unexecuted order book stood at 13 percent as on February 28, 2022.

Rating Sensitivities

- Substantial improvement in revenue along with sustained profitability.
- Deterioration in the liquidity profile on account of stretch in the working capital cycle due to delayed collections from debtors or reduction in customer advances.

Material covenants

None.

Liquidity Position: Adequate

GWSIPL has adequate liquidity marked by net cash accruals (NCA) of Rs. 16.07 in FY2019 and Rs. 11.78 Cr in FY2020 against repayment obligations of Rs. 0.37 Cr. Going forward, NCA is expected to be ~Rs. 10.45-13.43 Cr through FY2022-23 with repayment obligations of Rs. 0.39 - 1.58 Cr. However, GWSIPL liquidity highly depends on working capital management. The operations are working capital intensive as marked by GCA days and working capital cycle

days of 827 and of 105 respectively in FY 2021. This has led to reliance on working capital borrowings and advances from customers, the fund based and non fund based limits remains utilized at ~90 percent and ~87 percent respectively for the seven month period ended March 2022. The advances received from customers stood at Rs. 57 Cr as on March 31, 2021 against Rs. 25 Cr as on March 31, 2020. The company has unencumbered cash and bank of 0.23 Cr and liquid investments of Rs. 1.57 Cr as on March 31, 2021.

Outlook: Stable

Acuite believes that GWSIPL will maintain a 'Stable' outlook over the medium term owing to its experienced management, healthy financial risk profile and healthy order book. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues and profitability along with improvement in working capital cycle particularly timely collection of receivables. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profitability, thereby deteriorating the financial risk profile or resulting in further elongation of working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	89.58	205.70
PAT	Rs. Cr.	(24.35)	9.88
PAT Margin	(%)	(27.18)	4.80
Total Debt/Tangible Net Worth	Times	0.24	0.45
PBDIT/Interest	Times	(2.07)	2.13

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

None.

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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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
30 Apr 2021	Secured Overdraft	Long Term	9.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	83.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A2 (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB+ Stable (Assigned)
	Cash Credit	Long Term	17.00	ACUITE BBB+ Stable (Assigned)
	Bank Guarantee	Short Term	19.00	ACUITE A2 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Standard Chartered Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	24.75	ACUITE A2 Reaffirmed
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A2 Reaffirmed
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	83.00	ACUITE A2 Reaffirmed
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BBB+ Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB+ Stable Reaffirmed
TJSB Sahakari Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB+ Stable Reaffirmed
Standard Chartered Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BBB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB+ 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.

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