

## Press Release

GLASS WALL SYSTEMS INDIA PRIVATE LIMITED

August 19, 2023

### Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	79.25	ACUITE BBB-   Stable   Downgraded	-
Bank Loan Ratings	90.75	-	ACUITE A3   Downgraded
Total Outstanding Quantum (Rs. Cr)	170.00	-	-

### Rating Rationale

Acuite has downgraded its long-term rating to 'ACUITE BBB-' (read as ACUITE triple B minus) from 'ACUITE BBB+' (read as ACUITE triple B plus) and short-term rating to 'ACUITE A3' (read as ACUITE A three) ' from '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'.

#### Rationale for downgrade

The rating downgrade is on account of deterioration in the business risk profile of the company for the last 3 years. The revenue of the company stood at Rs.240.51 crore in FY2023 as against Rs.256.55 crore in FY2022 and Rs.89.58 crore in FY2021. The operating margins of the company stood at 4.27 percent in FY2023 as against (20.66) percent in FY2022 and (26.86) percent in FY2021. Acuite has also taken note of a significant discrepancy in the financial statements of GWSPL reflected by the 11MFY22 data received during the last review exercise and thereafter Audited FY22 figures received during the subsequent review exercise. Acuite believes that the severe inconsistency in the financial statements is reflective of heightened management risk.

The rating also takes into account the working capital-intensive nature of operations of the company and exposure to risk related to cyclical nature of real estate industry. The rating however takes comfort from the industry experience of the management and the moderate order book position of the company.

#### 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.

#### 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 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.

#### Moderate order book position

GWSIPL has an unexecuted order book position of ~Rs.537 Cr as on June 30,2023. Of the total, ~Rs. 300 Cr are international orders. Also, the company is trying to bid for more international orders in medium term. The company has a reputed clientele base including Bagmane Developers Private Limited, L&T Limited, Indiabull and Monsoon Towers. The moderate order book position provides adequate revenue visibility.

#### Average financial risk profile

The tangible net worth of the company stood at Rs. 93.84 crore as on March 31, 2023, as against the net worth of Rs.94.47 crore as on March 31, 2022, and Rs.155.61 crore as on March 31, 2021. The company follows a conservative financial policy. The gearing of the company stood at 0.50 times as on March 31, 2023, as against gearing of 0.63 times as on March 31, 2022, and 0.24 times as on March 31, 2021. The total debt of the company stood at Rs.47.01 crore consisting of long-term debt of Rs.9.49 crore and short-term debt of Rs.35.96 crore as on March 31, 2023. The company has reduced the bank limits in FY23 and are expected to reduce the limits further in medium term. The interest coverage ratio stood at 1.40 times for FY2023 as against (10.41) times in FY2022 and (2.07) times in FY2021. The DSCR stood at 1.40 times in FY2023 as against (10.63) times in FY2022 and (1.20) times in FY2021. Acuite believes that the ability of the company to improve its financial risk profile will remain monitorable in medium term.

### Weaknesses

#### Deterioration in operating performance

The operating income of the company declined and stood at Rs.240.51 crore in FY2023 as against Rs.256.55 crore in FY2022 and Rs.89.58 crore in FY2021. The order book stood at Rs.537 crore as on June 30, 2023. The operating margins stood at 4.27 percent for FY23 as against (20.66) percent in FY2022 and (26.86) percent in FY2021. The margins of the company had declined in FY22 due to high aluminium prices and the increase in the other raw material prices. The company was not able to pass on the raw material price escalation to the customers. However, from FY23 the company has started including the raw material escalation clause due to which the margins are protected to some extent in FY23. There was also an increase in other costs like subcontracting charges, bad debts written off, etc in FY22.

The PAT margins stood at 0.09 percent in FY2023 as against (23.50) percent in FY2022 and (27.18) percent in FY2021. Acuite believes that the ability of the company to improve the operating performance in medium term will remain key rating monitorable.

### **Working capital intensive nature of operations**

The operations of the company are working capital intensive as evident from the GCA days of 271 days in FY2023 as against 239 days in FY2022 and 827 days in FY2021. The inventory days stood at 34 days in FY2023 as against 24 days in FY2022 and 47 days in FY2021. The average inventory holding period is around 60 days. The debtors' days stood at 154 days in FY2023 as against 129 days in FY2022 as against 434 days in FY2021. The average credit period allowed to the customers is around 45 days. The company has changed its financial policy to taking advances from the customers, which supports its working capital requirements. The creditors days stood at 122 days in FY2023 as against 106 days in FY2022 and 376 days in FY2021. The average credit period received from the customers is around 60-90 days. The average bank limits utilization is high at ~82 percent for last 6 months ended July 2023. Acuite believes the ability of the company to improve its working capital management will remain key rating sensitivity in medium term.

### **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, 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.

### **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:stretched**

The company has a stretched liquidity position marked by low net cash accruals of Rs.3.26 crore in FY23 as against Rs. (57.33) crore in FY22 and Rs. (22.51) crore in FY21. The net cash accruals are expected to remain in the range of Rs. 4.07-4.14 for the period FY24-FY25 and the maturing debt obligations for the same are expected to be in the range of Rs.1.56 crore for the same period. The cash and bank balance of the company stood at Rs.0.10 crore as on March 31, 2023, as against Rs.0.12 crore in FY2022 and Rs.0.23 crore in FY2021. The current ratio stood below unity at 0.98 times for F2023 and 0.97 in FY2022 and 1.34 times in FY2021.

### **Outlook: Stable**

Acuité believes that GWSIPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and moderate order book position. 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.

### Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	240.51	256.55
PAT	Rs. Cr.	0.21	(60.30)
PAT Margin	(%)	0.09	(23.50)
Total Debt/Tangible Net Worth	Times	0.50	0.63
PBDIT/Interest	Times	1.40	(10.41)

### 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>
- Entities In Manufacturing Sector:- <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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 May 2022	Cash Credit	Long Term	4.00	ACUITE BBB+   Stable (Reaffirmed)
	Secured Overdraft	Long Term	0.25	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	24.75	ACUITE A2 (Reaffirmed)
	Bank Guarantee	Short Term	83.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	8.00	ACUITE A2 (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB+   Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	3.00	ACUITE BBB+   Stable (Reaffirmed)
30 Apr 2021	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)
	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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	70.75	ACUITE A3   Downgraded
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.25	ACUITE BBB-   Stable   Downgraded
TJSB Sahakari Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE BBB-   Stable   Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	34.00	ACUITE BBB-   Stable   Downgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3   Downgraded

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Tanvi Kadam Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:tanvi.kadam@acuite.in">tanvi.kadam@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

**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. Ratings assigned by Acuité 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. Ratings assigned by Acuité 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](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.