

## Press Release

**Hindustan Fibre Glass Works Private Limited (Erstwhile Hindustan Fibre Works)**

**April 03, 2023**



### Rating Assigned and Reaffirmed

Product		Long Term Rating	Short Term Rating
Bank Loan Ratings	36.00	ACUITE BBB-   Negative   Assigned	-
Bank Loan Ratings	17.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	31.00	-	ACUITE A3   Assigned
Bank Loan Ratings	8.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	92.00	-	-

### Rating Rationale

Acuité has reaffirmed the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating to '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.25.00 Cr bank facilities of Hindustan Fibre Glass Works Private Limited (HFWPL). Acuité has also assigned the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating to '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.67.00 Cr bank facilities of Hindustan Fibre Glass Works Private Limited (HFWPL). The outlook is revised to '**Negative**' from '**Stable**'.

### Rating Rationale

The outlook revision and the rating is driven by the significant deterioration in the business risk profile of the company which is marked by a sharp decrease in profitability margins along with a declining revenue trend for the last 3 years till FY2022 and the current year also. The outlook also reflects the elongated working capital management along with relatively high utilization of their fund based limits. However, the rating continues to derive comfort from the long standing experience of the promoters and comfortable financial risk profile of the company.

### About the Company

Hindustan Fibre Works Private Limited (HFWPL) was founded in 1984 as a partnership firm by Mr. Govindbhai Patel and Mr. Shankar Patel at Kolkata. Further, the company has changed its constitution to private limited company with effect from 1st April 2022 and changed its name to the current name. The company is engaged in interior furnishing work for railway coaches. The company 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 company, 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 HFWPL to arrive at the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Experienced management**

The company 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 but declining trend of revenue**

Though the revenue of the company is continuously declining but still stood healthy at Rs.336.95 crore in FY2022 as compared to Rs.360.17 crore in the previous year. The revenue of the company has declined during FY2022 due to the lower execution during the period as compared to the previous year. The company has registered the revenue of Rs.214.30 crore till 31st December 2022 (prov) as compared to Rs.222.29 crore in previous year during the same period. Acuité believes, going forward the revenue will be maintained at a healthy level backed by continuous demand from railway departments and moderate order book of Rs.115.85 crore as on March 2023.

#### **Comfortable financial risk profile**

The financial risk profile of the company is marked by moderate net worth, moderate gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.52.39 crore in FY2022 as compared to Rs 52.07 crore in FY2021. The gearing of the company has increased and stood moderate at 1.08 times as on March 31, 2022 when compared to 0.65 times as on March 31, 2021. This increase in overall gearing is on account of increase in short-term debt during the period. Interest coverage ratio (ICR) has declined and stood healthy at 4.86 times in FY2022 as against 13.19 times in FY 2021. The debt service coverage ratio (DSCR) of the company has also declined and stood comfortable at 4.35 times in FY2022 as compared to 11.20 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.32 times in FY2022 as compared to 1.12 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain comfortable on account of healthy net cash accruals over the near term and absence of any major capex plan over the near future.

## **Weaknesses**

### **Sharp dip in profitability**

The operating profitability margin of the company has substantially reduced to 5.85 per cent in FY2022 as compared to 10.45 per cent in the previous year. The dip has been due to rise in the prices of raw materials post-covid which could not be entirely passed onto their customers, viz. Indian Railways in the absence of a price escalation clause. The operating profitability margin has slightly improved and stood moderate at 6.90 per cent till 9MFY23 (Prov.). The net profit margin of the company has also declined to 4.63 per cent in FY2022 as compared to 9.83 per cent in the previous year. The decrease in profits have led to a considerable fall in the net cash accruals of the company in FY22 and the current year. Acuité believes, the profitability margin will remain almost at similar levels going forward.

### **Working capital intensive nature of operation**

The working capital intensive nature of operation of the company is marked by high gross

current asset (GCA) days of 111 days as on 31st March 2022 and as compared to 90 days in the previous year. These high gross current asset (GCA) days are mainly on account of high other current asset of Rs.21.25 crore as on 31st March 2022 which mainly consists of loans and advances given to the group company, deposits with govt. authorities, advance tax paid and among others. However, the inventory holding period stood comfortable at 30 days as on 31st March 2022 as compared to 07 days in the previous year. The collection period of the company stood moderate at 60 days as on 31st March 2022 as compared to 59 days in the previous year. The company has utilized ~91 per cent of its working capital facility for the last six months ended February 2023. Acuité believes any significant deviation in working capital management would be a key rating sensitivity factor.

### **Customer concentration**

The company faces high customer concentration risk. Its major customers, Indian Railways, accounted for about 100 percent of its sales in the last three years 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**

- Improvement in profit margins while recording sales growth
- Further deterioration in liquidity position of the company.

### **Material covenants**

None

### **Liquidity Position Adequate**

The company has adequate liquidity marked by healthy net cash accruals of Rs.18.18 crore as against Rs.0.55 crore long term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 12.37 crore to Rs. 13.23 crore during 2023-24 as against Rs. 0.84 crore of long-term debt obligations in FY2023. The current ratio of the company stood low at 1.19 times in FY2022. The working capital-intensive nature of the company is marked by high Gross Current Asset (GCA) days of 111 days in FY2022. The bank limit of the company has been ~91 percent utilized during the last six months ended in February 2023. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals and absence of any long debt repayments over the medium term.

### **Outlook: Negative**

Acuité has revised the outlook of company to 'Negative' on account of deterioration in business risk profile marked by dip in profits and elongated working capital management. The rating may be 'downgraded' if there is further dip in profit margins or decline in turnover or profitability or further deterioration in working capital management. The outlook may be revised to 'Stable' if the company is able to show significant increase in revenue and improvement in profitability margins and better working capital management.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	336.95	360.17
PAT	Rs. Cr.	15.60	35.42
PAT Margin	(%)	4.63	9.83
Total Debt/Tangible Net Worth	Times	1.08	0.65
PBDIT/Interest	Times	4.86	13.19

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

ICRA Ratings vide its press release dated 17th Aug 2022, had reaffirmed the company to ICRA B-/Stable; INC.

### 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite 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
04 Mar 2022	Proposed Bank Guarantee	Short Term	1.12	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	2.88	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BBB-   Stable (Reaffirmed)
27 Mar 2020	Cash Credit	Long Term	14.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	1.12	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	2.88	ACUITE BBB-   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE A3   Reaffirmed
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	31.00	ACUITE A3   Assigned
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	36.00	ACUITE BBB-   Negative   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative

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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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