



Press Release

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

August 08, 2024

Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	53.00	ACUITE C Downgraded	-
Bank Loan Ratings	39.00	-	ACUITE A4 Downgraded
Total Outstanding Quantum (Rs. Cr)	92.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BB+**' (read as **ACUITE Double B Plus**) and the short-term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE A4+**' (read as **ACUITE A four Plus**) on the Rs. 92.00 Crore bank facilities of Hindustan Fibre Glass Works Private Limited (Erstwhile Hindustan Fibre Glass Works).

Rationale for rating

The rating is downgraded on account of publicly available information (CRIF Highmark Report) about recent delays and the management not being able to service two of its property loans/LAP (Loan against property) between February and May 2024 and also delays in GECL (Guaranteed Emergency Credit Line) loan in the month of April 2024. In addition, the company has not provided latest bank statements stating confidentiality issues.

About the Company

Hindustan Fibre Glass Works Private Limited (HFGWPL) 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of HFGWPL 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.

Weaknesses

Decline in revenue

Revenue from operations has been falling since FY22. The management factored in the fall in sales due to the post covid scenario wherein orders were delayed, and funds could not be allocated by the Government initially. They already have sales of Rs.122 crore up to 4 months ended July in FY25 and expect it to slightly improve for this year due to streamlining of orders and timely execution.

For FY2024(Provisional) revenue has been Rs. 310.85 crore which is a significant dip from FY2023 revenues of Rs. 371.45 crore. With respect to expenses, material costs are the highest since the company is material intensive and they are price takers i.e. they can only procure materials from approved vendors of Railways.

Intensive nature of Working Capital Cycle

The company has high Gross Current Assets (GCA) Days of 230 days for FY2024 (Provisional) compared to 169 days in FY2023. Inventory, debtor and creditor days have increased to 85,142 and 117 days compared to 32,88 and 84 days in FY2023. Numerous orders could not be executed by the management due to non-allotment of coaches by Indian Railways. Large number of orders pending, out of the total orders received as of April 2024, only 12% has been completed and about 52% are still pending, which the management expects to deliver this year. Usually, the gestation period for the orders is 6-18 months.

Financial risk profile

The net worth of the company has increased to Rs. 71.05 crore in FY2024 (Provisional) from Rs . 62.45 crore in FY2023, with reduced debt protection metrics. Debt/equity ratio has increased to 1.69 for the year FY2024 (Provisional) from 1.55 for FY2023 indicating higher leverage used by the company over the year. TOL/TNW has been 3.10 for FY2024 (Provisional) compared to 3.11 in FY2023. ICR has fallen to 2.50 in FY2024 (Provisional) from 3.60 in FY2023 and DSCR has fallen to 1.99 for FY2024 (Provisional) compared to 2.71 for FY2023.

Rating Sensitivities

- Timely servicing of term debt obligations

Liquidity Position

Poor

The company has a poor liquidity profile as reflected from recent instances of delays in repayment of LAP and GECL loans.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	310.85	371.45
PAT	Rs. Cr.	8.64	9.86
PAT Margin	(%)	2.78	2.65
Total Debt/Tangible Net Worth	Times	1.69	1.55
PBDIT/Interest	Times	2.50	3.60

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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

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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jun 2024	Bank Guarantee (BLR)	Short Term	39.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Cash Credit	Long Term	50.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
	Proposed Long Term Bank Facility	Long Term	3.00	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB- Negative)
03 Apr 2023	Cash Credit	Long Term	14.00	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	36.00	ACUITE BBB- Negative (Assigned)
	Proposed Long Term Bank Facility	Long Term	3.00	ACUITE BBB- Negative (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	31.00	ACUITE A3 (Assigned)
04 Mar 2022	Bank Guarantee/Letter of Guarantee	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	1.12	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BBB- Stable (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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.00	ACUITE A4 Downgraded (from ACUITE A4+)
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE C Downgraded (from ACUITE BB+)
Indian Bank	Not avl. / Not appl.	Covid Emergency Line.	01 Dec 2021	Not avl. / Not appl.	01 Dec 2026	Simple	1.82	ACUITE C Downgraded (from ACUITE BB+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.18	ACUITE C Downgraded (from ACUITE BB+)

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About Acuité Ratings & Research

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