August 14, 2017

Hopewell Tableware Private Limited

Summary of rated instruments

Instrument*	Rated Amount (in crore)	Rating Action
Fund Based Limit	36.31 (reduced from Rs. 46.89 crore)	[ICRA[BB (Stable); Reaffirmed
Non-Fund Based Limits	2.00	[ICRA]A4+; Reaffirmed
Unallocated Limited	11.69 (enhanced from Rs. 1.11 crore)	[ICRA[BB (Stable); Reaffirmed
Total	**50.00**	

*Instrument Details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating at [ICRA]BB (pronounced as ICRA Double B)[1] on the Rs. 36.31 crore[2] (reduced from Rs. 46.89 crore) fund based limit and Rs. 11.69 crore (enhanced from Rs. 1.11 crore) unallocated limit of Hopewell Tableware Private Limited (HTPL). ICRA has also reaffirmed the short-term rating at [ICRA]A4+ (pronounced ICRA A Four Plus) on the Rs. 2.00 crore non fund based limit of HTPL. The outlook on the long term rating is ‘Stable’.

Rationale

The reaffirmation of ratings factors in the strong parentage of HTPL post takeover by Borosil Glass Works Limited (BGWL) in January 2016; benefits arising from the established brand name and distribution network of BGWL; improvement initiatives undertaken by the new management related to cost optimization as well as quality control; and sizeable financial support provided by BGWL to HTPL to strengthen its balance sheet and provide working capital support. The ratings also consider improvement in production efficiency and the healthy growth in operating income reported by the company in FY2017. ICRA has also taken note of the proposed amalgamation of HTPL with BGWL.

The assigned ratings, however, continue to remain constrained by HTPL’s weak financial profile as reflected by continued losses at operating as well as net levels, adverse capital structure, and stretched coverage indicators. The ratings also factor in the working capital intensive nature of operations on account of high inventory requirements and long receivables; and exposure to substitution risk from other types of tableware although the risk is partly mitigated by superior quality and cost competitiveness of opalware. ICRA also notes that HTPL has sizeable repayments and capital expenditure lined up in the near to medium term; hence ramp of operations while ensuring healthy improvement in profitability, and continued financial support from BGWL, will be key rating sensitivities

Key rating drivers

Credit strengths

- **Strong parentage of HTPL post takeover by BGWL in January 2016-** Established in the year 1962, Borosil is a supplier of laboratory glassware and microwaveable kitchenware in India. The

[1] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

[2] *100 lakh = 1 crore = 10 million*

company has a strong brand presence in the domestic market due to its established track record and high quality of products.

- **Overall improvement in operational efficiency with key improvement measures being undertaken-** The new management has undertaken various measures in production processes to improve the production capacity, quality and yield. It has automated various processes and has reduced the number of breakages in the production area. HTPL will be undertaking additional measures to further increase the production capacity and improve its operational efficiency.
- **Benefits arising out of established brand and distribution network of BGWL -** HTPL undertook significant marketing campaign to market its brand 'Larah- by Borosil' which was supported by BGWL. The distributors of BGWL undertook sales of HTPL products and the warehouses of BGWL helped HTPL improve its supply chain efficiency. At present BGWL has a healthy network of about 200 distributors and 10,000 retailers across the country.

  Significant financial support from BGWL post takeover- BGWL continues to provide significant financial support to HTPL in terms of preference shares, inter corporate deposits and unsecured loans which have been utilized for various purposes. Till date, BGWL has provided a financial support of Rs 87.00 crore to HTPL and is expected to further support HTPL for funding its proposed capex.

Credit weaknesses

- **Weak financial profile as reflected by continued losses -** Although HTPL managed to scale up its revenues in FY2017 post acquisition by BGWL, its profitability continued to remain weak as reflected by losses at both operating as well as net levels due to high selling expenses incurred during the year.
- **Stretched capital structure and coverage indicators-** The Company had undertaken various capex measures in the past and working capital requirement continued to remain high resulting in high debt levels. This coupled with lower net worth due to lower cash accruals and losses from the business in the last two fiscals has led to stretched capital structure. The networth of the company has turned negative as on March 31, 2017 owing to which the debt coverage indicators have also remained negative for FY2017.
- **High working capital intensive nature of operations-** The operations of the company are working capital intensive in nature as reflected in high NWC/OI of 34% for FY2017on account of high inventory holding requirements, although the same has reduced from 55% in FY2016.
- **Substitution risks from alternate products-** The tableware segment comprises a number of other products like melamine, porcelain, bone china etc. which offer a sizeable competition to opalware and can act direct substitutes. However, the risk is partly mitigated by superior quality and cost competitiveness of opalware compared to other available substitutes.
- **Sizeable repayments lined up in the near term:** HPTL has sizeable repayments falling due in near term (Rs 7.52 crore in FY2018). Hence scaling up of revenues along with improvement in profitability and continued support from BGWL whenever required will remain critical from debt servicing point of view.

Analytical approach:
For arriving at the ratings, ICRA has applied its rating methodology as indicated below.

Links to applicable Criteria
Corporate Credit Rating Methodology

About the company:
Hopewell Tableware Private Limited (HTPL or the company) was established in 2010 and was promoted by Mr. Swapan Guha (a technocrat and Padma shri awardee) along with Mr. Premsingh Shekhawat (Founder and Chairman of Bajore group of companies) and others. The company initially started with manufacture of Melamine in 2011-12. Later it entered into Opalware business and decided to set up Opal glass manufacturing facility due to greater opportunities. Melamine production was suspended and only opal glass was being made from 2013-14. In January 2016, the earlier promoters exited the company and entire stake was acquired by Borosil Glass Works Limited (BGWL). HTPL's manufacturing unit is located in Rajasthan and is equipped with a furnace capacity of 40 metric tonnes per day (MTPD), two spinning lines and a pressing line.

	FY2016 (Audited)	FY2017 (Audited)
Operating Income (Rs. crore)	47.30	86.96
PAT (Rs. crore)	-7.57	-0.47
OPBDIT/ OI (%)	-16.01%	-0.54%
RoCE (%)	-25.37%	-11.08%
Total Debt/ TNW (times)	28.58	-
Total Debt/ OPBDIT (times)	-9.64	-208.34
Interest coverage (times)	-	-
NWC/ OI (%)	56%	34%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S.No	**Instrument**	**Current Rating (FY2018)**			**Chronology of Rating History for the past 3 years**		
		Type	**Amount outstanding (Rs. Crore)**	**Date & Rating**	**Date & Rating in FY2017**	**Date & Rating in FY2016**	**Date & Rating in FY2015**
				August 2017	**August 2016**	-	-
1	Cash Credit	Long Term	18.00	**[ICRA]BB (Stable)**	**[ICRA]BB (Stable)**	-	-
2	Term Loan	Long Term	18.31	**[ICRA]BB (Stable)**	**[ICRA] BB (Stable)**	-	-
3	Letter of Credit	Short Term	2.00	**[ICRA]A4+**	**[ICRA]A4+**	-	-
4	Unallocated	Long Term	11.69	**[ICRA]BB (Stable)**	**[ICRA]BB (Stable)**	-	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

Instrument	Date of Issuance/ Sanction	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook
Cash Credit	-	-	-	18.00	[ICRA]BB (Stable)
Term Loan 1	-	11.55%	FY2020	15.02	[ICRA]BB (Stable)
Term Loan 2	-	11.55%	FY2019	2.50	[ICRA]BB (Stable)
Term Loan 3	-	11.55%	FY2018	0.79	[ICRA]BB (Stable)
Letter of Credit	-	-	-	2.00	[ICRA]A4+
Unallocated	-	-	-	11.69	[ICRA]BB (Stable)

Source: Hopewell Tableware Private Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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