October 22, 2024

Goa Glass Fibre Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund-based – Cash credit	25.00	25.00	[ICRA]BBB+ (Stable); reaffirmed
Long term fund-based – Term loan	25.00	25.00	[ICRA]BBB+ (Stable); reaffirmed
Short term non-fund based – Others	6.00	6.00	[ICRA]A2; reaffirmed
Total	**56.00**	**56.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings factor in the parentage of Goa Glass Fibre Limited (GGFL) and the demonstrated business and financial support from the parent, 3B Luxembourg S.a.r.l, which is an established player in the glass fibre business in Europe. The assigned ratings also factor in GGFL's experienced management, its long track record of operations, its established relations with a diversified and reputed customer base and the favourable demand prospects for glass fibre in India. ICRA also notes that India imports a sizeable quantum of glass fibre and the new capacities that GGFL and its subsidiary are putting up will substitute the imports to some extent. ICRA also notes that a major proportion of the debt on the books of 3B Luxembourg S.a.r.l. is in the form of promoter companies' debt where the company has flexibility in the repayment terms for the principal and the interest, which provides cash flow comfort.

The ratings are constrained by the moderate scale of operations and the vulnerability of profitability to raw material price fluctuations and foreign exchange movements. ICRA also notes that the company is in the process of embarking on a large capex of around Rs. 1,320 crore, under its 100% subsidiary – 3B Advanced Composites Private Limited - which exposes the company to significant execution risks. Moreover, there are marketing risks as the new project will result in the addition of sizeable capacities. Also, as part of the capex will be funded through GGFL's existing operations, it is likely to exert some pressure on its standalone cash flows and moderate GGFL's financial risk profile to some extent.

GGFL also plans to expand its own capacities for which it will be required to take a shutdown for a few months in FY2025, which will impact the cash flow generation during that period, although this is likely to be mitigated to some extent once the new facility under its subsidiary starts operations. While the capex amount is large, a part of it is in the form of precious metals – platinum and rhodium -which can be easily liquidated in case of distress. Further, ICRA believes that cash flow mismatches, if any, are likely to be funded by the promoter group.

ICRA also notes that there has been sharp moderation in GGFL's revenue and profit generation, especially in FY2024, owing to the significant increase in imports from overseas manufacturers at low prices which exerted pressure on the realisations and profitability. While the scenario is likely to have improved in the current fiscal, ICRA will closely monitor the profitability. Persistent pressure on profitability will remain a key credit negative.

Also, the subsidiary which is taking up the capex is eligible to avail the benefit of the production-linked incentive (PLI) scheme for textiles, if it is able to meet the criteria, which can support the cash flows. The Stable outlook reflects ICRA's expectations that the company, on a consolidated basis, will be able to generate comfortable cash flows, once the project is operational.

Key rating drivers and their description

Credit strengths

Experienced management and long track record of operations - GGFL has been operating in the glass fibre business since 1995 and has a long track record of operations. It initially started as a division of Binani Industries Limited (BIL) and then from 2012, it became a wholly-owned subsidiary of 3B Binani Fibre Glass with BIL being the ultimate holding company. Then, the ownership moved to Grasim Industries Limited. In 2021, the current promoter, Mr. Vishal Goenka, acquired this glass fibre business from Grasim and housed it under Quartz Fiber Private Limited.

Parentage of 3B Fibre Glass Group - GGFL's standalone capacity is around 25KT per annum at present, while the other two plants in Belgium and Norway have a combined capacity of 190 KT per annum. GGFL benefits from being part of a larger Group and receives technical support from the Group.

Established relationship with diversified and reputed clientele - GGFL has a long-standing and established relationship with reputed and diversified customers, who have given repeat orders. Its customer base comprises a mix of distributors and direct customers.

New capex eligible for PLI benefits - The new capex under the 100% subsidiary will be entitled to PLI benefits, though the company may not be able to avail the entire spectrum of benefits available under the scheme. However, even if some benefits are accrued, it would provide cash flow support to the consolidated financials.

Credit challenges

Moderate scale of operation - The company reported sales of around Rs. 159.6 crore in FY2024. It has a capacity of 25KT per annum, while the Indian demand is at around 320 KT, making GGFL a relatively small player in the industry. However, the company, under its 100% subsidiary, is setting up a greenfield project for an additional 120-KT capacity.

Exposure to foreign exchange and raw material price volatility – GGFL's margins remain vulnerable to the volatility in raw material prices. It depends on imports for some key raw materials, prices of which have been volatile over the last few quarters. GGFL is also exposed to the adverse movement in foreign currency rates.

Large capital expenditure exposes company to project execution, funding and marketing risks– GGFL is undertaking a large capital expenditure plan under its 100% subsidiary to expand its capacities. The new capex is likely to add around 120-KT capacity and is expected to entail a total outlay of around Rs. 1,320 crore. The capex is proposed to the funded by group funding of Rs. 300-350 crore, Rs. 80 crore from GGFL and the balance by external debt. As the project is still in the execution stage, execution risks exist. Further, this capex will add sizeable capacities which will expose the company to marketing risks. However, comfort can be drawn from the long-standing presence of the Group in the market and its healthy relationships with the end customers.

Moderation in financial metrics likely in the near term - This capex will result in the addition of sizeable debt at a consolidated level. Moreover, GGFL is planning to take a shutdown to replace a furnace and expand its own capacity to 37KT from 25KT. FY2026 will be the first full year of operations of the new capex. Thus, the debt metrics will moderate at a consolidated level in the medium term. Moreover, this has coincided with the pressure on the profitability owing to the dumping of finished products from overseas manufacturers.

Liquidity position: Adequate

GGFL's liquidity remains comfortable, supported by healthy internal accrual generation. The company has planned significant capex under its 100% subsidiary, for which part funding will be done through the accruals of GGFL, and the balance from the promoter/promoter group.

Rating sensitivities

Positive factors – The ratings could be upgraded post the successful commissioning and ramping up of the new capacities that would significantly increase the scale of operations and improve the profit generation on a consolidated basis.

Negative factors – The ratings could be revised downwards in case of material cost and time overruns in the project that would worsen the debt protection metrics and liquidity position. A deterioration in the credit profile of the 3B Group or any weakening of the linkage between GGFL and the 3B Group could also trigger a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent Company: 3B Lux S.a.r.l ICRA has considered the benefits that Goa Glass Fibre Limited derives from the parentage of 3B Lux S.a.r.l and its willingness to support GGFL, if any need arises
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Goa Glass Fibre Limited, along with its wholly-owned subsidiary, 3B Advanced Composites Private Limited

About the company

Goa Glass Fibre Limited manufactures glass fibre, which finds application in the automotive segment, wind energy, marine operations, etc. GGFL is ultimately held by Quartz Fibre Private Limited, which holds the entire glass fibre business of the Group. The main entity of this Group is 3B Lux S.a.r.l, an entity domiciled in Luxembourg. Within 3B Lux S.a.r.l, there are three subsidiary units: one in Belgium, named 3B Fibreglass SL, with a production capacity of 115 KT; a second 75-KT facility headquartered in Norway, named 3B Fibreglass; and the third is Goa Glass Fibre Limited with its 25KT plant at Colvale, Goa. The production capacity of 3B Lux S.a.r.l, comprising all the three plants, is 215 KT. GGFL is in the process of setting up a sizeable glass fibre capacity of 120 KT under its 100% subsidiary – 3B Advanced Composites Private Limited.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	204.3	159.6
PAT	16.7	-17.5
OPBDIT/OI	21.5%	-4.3%
PAT/OI	8.2%	-11.0%
Total outside liabilities/Tangible net worth (times)	0.8	0.9
Total debt/OPBDIT (times)	2.0	-16.0
Interest coverage (times)	6.3	-0.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years							
				FY2025		FY2024		FY2023		FY2022		
Instrument	Type	Amount rated (Rs crore)	Oct 22, 2024	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	25.00	**[ICRA]BBB+ (Stable)**	Apr 05, 2024	[ICRA]BBB+ (Stable)	Nov 10, 2023	[ICRA]BBB+ (Stable)	-	-	-	-
						Nov 17, 2023	[ICRA]BBB+ (Stable)	-	-	-	-
Term loan	Long term	25.00	**[ICRA]BBB+ (Stable)**	Apr 05, 2024	[ICRA]BBB+ (Stable)	Nov 10, 2023	[ICRA]BBB+ (Stable)	-	-	-	-
						Nov 17, 2023	[ICRA]BBB+ (Stable)	-	-	-	-
Non-fund based – Others	Short term	6.00	**[ICRA]A2**	Apr 05, 2024	[ICRA]A2	Nov 10, 2023	[ICRA]A2	-	-	-	-
						Nov 17, 2023	[ICRA]A2	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based – Cash credit	Simple
Long term fund-based – Term loan	Simple
Short term non-fund based – Others	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Long term fund-based – Cash credit**	NA	NA	NA	25.0	[ICRA]BBB+ (Stable)
NA	**Long term fund-based – Term loan**	October 2022	8.65%	October 2027	25.0	[ICRA]BBB+ (Stable)
NA	**Short term non-fund based – Others**	NA	NA	NA	6.0	[ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
3B Advanced Composites Private Limited	100.00%	Full Consolidation

Source: Company

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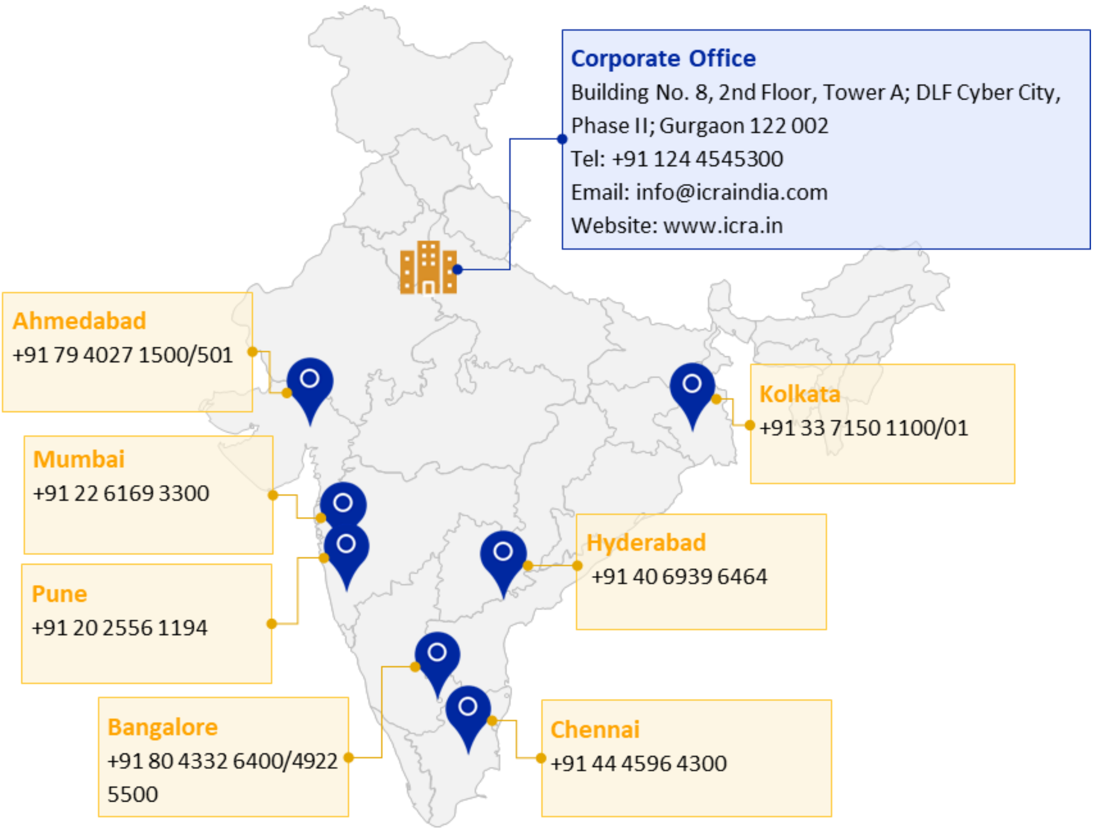

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