

October 22, 2024

3B Advanced Composites Private Limited: Provisional rating finalised

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund-based – Term loan	900.0	900.0	[ICRA] A- (CE) (Stable); provisional rating finalised
Long term– Fund-based – Working capital facilities	156.0	156.0	[ICRA] A- (CE) (Stable); provisional rating finalised
Total	1056.00	1056.00	

Rating without explicit credit enhancement

[ICRA]BB+

*Instrument details are provided in Annexure-I

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is to be backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

ICRA has finalised the provisional rating assigned to the Rs. 1,056-crore bank facilities of 3B Advanced Composites Private Limited (3B ACPL) at [ICRA]A- (CE) (Stable). The finalisation of the provisional rating considers the execution of the corporate guarantee deed, with the key terms being in line with the terms indicated at the time of assigning the provisional rating.

For the [ICRA]A- (CE) (Stable) rating

The above rating is based on the strength of the corporate guarantee provided by 3B Lux SARL, the ultimate parent of 3B Advanced Composites Private Limited, for the rated bank facilities. The Stable outlook on this rating reflects ICRA's outlook on the credit profile of the guarantor, 3B Lux SARL.

The rating reflects 3B Lux's established position in the European glass fibre market, its steadily increasing scale of operations and comfortable profit generation. While FY2023 was exceptional in terms of profitability, the latter moderated in FY2024 because of pressure on demand and realisations, although the cash generation continues to be comfortable. ICRA notes that the company has undertaken a cold repair recently at one of its facilities in Europe, which is likely to result in some moderation in the production volumes in the current fiscal. However, the capacity will increase after the repair and the cost of production is likely to be optimised, leading to an improvement in the cash flow generation post the capex. ICRA also notes that a major proportion of debt on the books of 3B Lux 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 in case of cash flow mismatches, which provides cash flow comfort. The external debt also remains relatively low.

The debt levels for 3B Lux consolidated (including Goa Glass and 3B ACPL) are expected to increase owing to the ongoing capex at 3B ACPL's level, resulting in a moderation of the credit metrics to some extent, although the debt metrics are expected to improve thereafter as the new facilities start generating cash flows. The liquidity remains comfortable with the presence of a revolver and a factoring facility at Lux co level which remains adequately utilised. The rating also factors in the vulnerability of the profitability to the adverse movement in raw material prices.

Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the guarantee issued by 3B Lux SARL in favour of the rated instruments of 3B ACPL. The guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated instrument and has a well-defined payment and invocation mechanism, although the same is post default in nature. Given these attributes, the guarantee provided by 3B Lux is adequately strong to result in an enhancement in the rating of the said instrument to [ICRA]A-(CE) (Stable) against the ratings of [ICRA]BB+ without explicit credit enhancement. In case the guarantor's credit profile or the unsupported rating of 3B ACPL undergoes a change in future, the same would reflect in the rating of the aforesaid instruments. The rating of these facilities may also undergo a change if, in ICRA's assessment, there is a change in the strength of the business links between the guarantor and the rated entity, or there is a change in the reputation sensitivity or a change in the strategic importance of the rated entity of the guarantor.

For the [ICRA]BB+ (Stable) rating

3B ACPL is executing a Rs. 1,320-crore capex to set up a 120-KT glass fibre capacity in Goa. This project is being funded by a debt of Rs. 900 crore and the balance by funds from promoter/promoter group. While a large part of the capex is in the form of precious metals which will be used to make the bushings, the project still remains in a nascent stage of execution and thus timely execution within the budgeted time and cost remains a monitorable. Moreover, the capacity expansion is sizeable and 3B ACPL plans to replace a large part of the imported glass fibre products in India. Thus, marketing risks also remain high and selling such huge quantities remains a monitorable.

However, the Group has a capacity of 215 KT as of now and this makes it a sizeable player in the market. The rating also factors in 3B ACPL's ultimate parentage of 3B Lux SARL and the demonstrated business and financial support from the parent. ICRA also draws comfort from the fact that cash flow mismatches, if any, are likely to be funded by the promoter group. Also, the company is eligible to avail the benefit of the production-linked incentive (PLI) scheme for textiles, if it is able to meet the requisite criteria, which can also support the cash flows.

Salient covenants of the rated facility

- » DSCR \geq 1.2x
- » Debt to EBITDA not above 3.5x in FY2027 and 3x FY2028 onwards
- » FACR \geq 1.4x
- » TOL/TNW \leq 4x in FY2026 and onwards

Key rating drivers and their description

Credit strengths

Experienced management and long track record of operations; corporate guarantee extended for bank lines of 3B ACPL –

The ultimate holding company of 3B ACPL, 3B Lux SARL, has been operating in the glass fibre business since 1966 and has a long track record of operations. GGFL, which is the holding company of 3B ACPL, has been in the business since 1996 which was initially started as a division of Binani Industries Limited (BIL). 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 that under Quartz Fiber Private Limited.

In terms of market share, the 3B Group is the third-largest company in Europe and the second-largest in India, having a total capacity of 215 KT. The company reported a revenue of Rs. 1,994 crore in the previous fiscal with EBITDA of Rs. 266.7 crore. The revenue and profitability moderated due to dumping by China and destocking, which resulted in a dip in realisations. 3B Lux SARL has also extended a corporate guarantee for 3B ACPL's bank lines, which translates into credit enhancement and reinforces the commitment of the former.

New capex eligible for PLI benefits - The new capex 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

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

Large capital expenditure exposes company to project execution, funding and marketing risks – 3B ACPL is undertaking a large capital expenditure plan 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 being funded by group funding of Rs. 300-350 crore, Rs. 80 crore from GGFL and the balance by external debt. As it's a large capex, the project remains exposed to execution risks. 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 – The ongoing capex will result in the addition of sizeable debt planned over FY2024 and FY2025. FY2026 will also 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.

Liquidity position

For the [ICRA]A-(CE)(Stable) rating: Adequate

The liquidity position of the guarantor 3B Lux SARL remains adequate, reflected in the comfortable cash flow generation and the availability of revolver and factoring facilities.

For the [ICRA]BB+(Stable) rating: Stretched

3B ACPL's liquidity is stretched as the company is executing a large debt-funded capex.

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 3B ACPL and the 3B Group could also trigger a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Guarantor/Ultimate parent Company: 3B Lux S.A.R.L. The assigned ratings are based on the unconditional, irrevocable corporate guarantees extended by 3B ACPL's ultimate parent company – 3B Lux S.A.R.L.
Consolidation/Standalone	Standalone

About the company

3B Advanced Composites Pvt Ltd is a wholly-owned subsidiary of Goa Glass Fibre Limited (GGFL). The company was incorporated on July 11, 2022, in line with the guidelines prescribed by the Ministry of Textiles (MOT), Government of India, extending the productivity-linked incentive (PLI) scheme to the textile segment. The company has initiated a new project with a capacity of 120 KTPA through its wholly-owned subsidiary, 3B Advanced Composites Private Limited, with the objective of addressing the current market gap in the Indian fibre glass industry.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	-	0.4
PAT	-0.0	-0.1
OPBDIT/OI	-	-68.7%
PAT/OI	-	-19.9%
Total outside liabilities/Tangible net worth (times)	-757.8	-3,083.8
Total debt/OPBDIT (times)	-137.7	-937.4
Interest coverage (times)	-315.8	-6.3

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
Term loan	Long term	900.00	[ICRA]A-(CE) (Stable)	Apr 08, 2024	Provisional [ICRA]A-(CE) (Stable)	-	-	-	-	-	-
Fund-based – Working capital facilities	Long term	156.00	[ICRA]A-(CE) (Stable)	Apr 08, 2024	Provisional [ICRA]A-(CE) (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based – Term loan	Simple
Long-term– Fund-based – Working capital facilities	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 – Term loan	FY2025	9.17%	FY2035	900.00	[ICRA]A- (CE) (Stable)
NA	Long-term– Fund-based – Working capital facilities	NA	NA	NA	156.00	[ICRA]A- (CE) (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 12 4454 5322

prashant.vasisht@icraindia.com

Ankit Jain

+91 124 4545 865

ankit.jain@icraindia.com

Saurabh Parikh

+91 22 6169 33000

saurabh.parikh@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.