

May 28, 2026

Hafele India Private Limited: Ratings downgraded

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term – Fund-based/Non-fund based	322.0	305.0	[ICRA]A+ (Stable)/ [ICRA]A1 downgraded from [ICRA]AA-(Stable) / [ICRA]A1+
Long term/Short term – Unallocated	-	17.00	[ICRA]A+ (Stable)/ [ICRA]A1 downgraded from [ICRA]AA-(Stable) / [ICRA]A1+
Total	322.0	322.0	

*Instrument details are provided in Annexure II

Rationale

The ratings downgrade for Hafele India Private Limited (HIPL), which deals in premium home-furnishing hardware, kitchen/furniture fittings, locks, appliances etc., factors in the supply chain-related challenges faced by the company due to introduction of quality control orders by the Government, mandating strict compliance with Bureau of Indian Standards' (BIS) quality specifications for imported products. This has impacted sales of the core high-margin product segments (around 60% of the product basket), for which the company was significantly dependent on imports from China, prior to the introduction of quality control orders (QCO). HIPL reported a muted revenue growth (1%) in CY2025 due to product unavailability across core categories such as hinges, ball-bearing runners and appliances, following the supply chain disruptions. While the introduction of alternative products sourced through local suppliers and product line expansion offset the impact of the supply chain disruption on revenues, the operating margin came under pressure and declined to 5.4% in CY2025 from 9.0% in CY2024, largely on account of an adverse product mix (caused by lower availability of high-margin products), and an increase in operating expenses towards employee additions, IT investments and marketing initiatives aimed at capability building and market retention. With a decline in profitability in CY2025, the company's leverage and coverage indicators also moderated. Its return on capital employed (RoCE) stood at 6.1% in CY2025, declining from 18.4% in CY2024 due to lower profitability and increased reliance on working capital debt, while lower margins, elongation of the working capital cycle amid the supply chain disruption and a sizeable dividend payout impacted the liquidity to an extent. ICRA also notes the Group's plan to set up a facility through a fellow subsidiary of HIPL for commencing in-house production of some of the key products, for which a part of the project cost will be funded from HIPL's internal accruals in the near term, which will keep its retained cash flows under pressure. The company is witnessing an improvement in the availability of its core products due to the ongoing supply chain realignment and localisation initiatives, including commencement of in-house manufacturing by the Group. While these are likely to mitigate HIPL's supply chain risks significantly and drive a recovery in earnings, demonstration of a sustained improvement in revenues, margins and liquidity position will remain monitorable, going forward.

The ratings also remain constrained by the high working-capital intensity of the business, caused by sizeable inventory requirements. Despite a significant decline in the share of imports in the recent past, the majority of HIPL's products are still imported, which exposes it to forex rate fluctuation risk, although the same is mitigated by hedging through forward contracts. Further, the company attempts to pass on the impact of depreciation of the rupee to the customers through periodic price increases, which would render stability to its gross margin, going forward, notwithstanding the margin volatility witnessed in the recent past due to supply chain disruptions. The ratings continue to consider an established position of HIPL's German promoter Group, Hafele Holding GmbH (HHG), as well as its strong global brand presence in the premium architectural hardware and kitchen/furniture fittings industry. The ratings also derive comfort from the professional management and the

operational expertise supported by the parent's proven track record and an established brand, complemented by HIPL's established and growing distribution network of dealers and exclusive franchisees.

The Stable outlook reflects ICRA's expectation that a gradual normalisation of the supply chain, backed by increasing localisation and the Group's initiatives to set up captive production facilities will support revenues and profitability of the company, going forward, though the extent and pace of recovery of the earnings would remain monitorable. Growing demand for premium architectural hardware and HIPL's established presence in the segment are also likely to support its credit profile.

Key rating drivers and their description

Credit strengths

Strong brand presence in premium architectural hardware and furniture fittings; operational expertise derived from demonstrated track record of the parent – HIPL is a wholly owned subsidiary of the German firm, Hafele Holding GmbH (HHG), one of the leading players in architectural hardware and kitchen/furniture fittings segment, present across six continents through 66 subsidiaries. The company has access to the diversified product offering of HHG worldwide and enjoys a robust brand image in the premium segment. Its product range is considerably diversified vis-à-vis its competing brands. The company also benefits from HHG's technical competence and extensive experience of over 10 decades in the architectural hardware and kitchen/furniture fittings segments. HIPL has a network of more than 600 dealers and 350 distributors across India. The distributors further supply to sub-dealers, which primarily cater to the refurbishment market for products such as hinges and door handles. It has a network of more than 800 franchisees across India.

Conservative capital structure and comfortable debt coverage metrics, notwithstanding a moderation in the recent past – The capital structure of the company indicates a conservative leverage profile, notwithstanding a moderation during CY2025. Its gearing remained comfortable at 0.4 times, as on December 31, 2025, albeit higher than 0.2 times as on December 31, 2024, reflecting increased reliance on working capital borrowings amidst inventory build-up and supply-chain disruptions. The debt profile continues to be characterised by limited long-term borrowings and moderate utilisation of short-term facilities, supporting overall financial flexibility. Debt coverage metrics, though weakened in CY2025 due to a contraction in operating profitability and higher working capital intensity, remained adequate, with interest coverage of 7.1 times in CY2025 and Total Debt/OPBDITA of 2.0 times as on December 31, 2025, compared to 12.0 times in CY2024 and 0.9 times as on December 31, 2024, respectively. The moderation is largely attributable to temporary pressures arising from QCO/BIS-related disruptions and capability-building investments. The coverage indicators are expected to remain moderate in CY2026 before witnessing some improvement from CY2027 onwards, supported by gradual recovery in margins on the back of the ongoing localisation and supply-chain stabilisation initiatives. However, demonstration of a meaningful improvement in the profitability and debt coverage metrics will remain important from the credit perspective.

Healthy demand prospects for the company's products – Increased discretionary spending from rising upper middle-income groups and high net worth individuals, HIPL's key end consumers, augurs well for its demand prospects over the medium term. It undertakes several initiatives to promote its brand presence, which have further improved secondary sales. The company has 12 design centers, two each in Mumbai and Sri Lanka, and one each in Kolkata, Pune, Bengaluru, New Delhi, Hyderabad, Chennai, Gurgaon and Dhaka (Bangladesh), for customers to experience the functionality of the brand's products.

Credit challenges

Significant stocking requirement for the business – The company's operations are characterised by high working capital intensity. The net working capital relative to operating income gradually increased to 31% as on December 31, 2025 from 28% as on December 31, 2024 and 17% as on December 31, 2023. The company's business is inherently inventory-intensive, given the wide product portfolio and continued dependence on imports, necessitating high inventory holding due to long lead times. Inventory levels remained elevated (128 days as on December 31, 2025) due to advance procurement ahead of the BIS/QCO implementation and additional stocking to ensure supply continuity during disruptions. Receivables also increased gradually

to 64 days in CY2025 vis-à-vis 49 days in CY2023 owing to extended credit periods to support channel partners amid product shortages. While working capital intensity is expected to remain elevated in the near term, it is likely to improve from CY2027 onwards with stabilisation of supply chains and normalisation of inventory and receivables. The company follows a conservative provisioning policy for inventory and receivables and has initiated corrective actions, including tightening of credit policies and reduction of overdue receivables. Nevertheless, efficient management of working capital and control over short-term borrowings, going forward, will remain critical.

Intense competition along with increasing overhead spends to keep the margins under check – The company’s operating margins witnessed a sharp moderation in CY2025, with operating margins declining to 5.4% from 9.0% in CY2024, primarily driven by an adverse product mix arising from non-availability of high-margin core categories and elevated operating expenses. It incurred increased employee, IT and consulting expenses during the year, driven by investments in supply-chain restructuring, localisation initiatives, quality and compliance infrastructure and strengthening of sourcing and new product development capabilities. Additionally, continued spending towards marketing and capability building to sustain dealer and customer engagement in a competitive and fragmented industry further exerted pressure on margins. While a part of these costs is transitional in nature and linked to strategic initiatives undertaken in response to QCO/BIS-related disruptions, the operating cost base is expected to remain elevated in the near term. Consequently, margins are likely to stay subdued in CY2026 before witnessing a gradual improvement from CY2027 onwards, supported by recovery in product availability, normalisation of product mix, operating leverage benefits and implementation of price hikes across product ranges. Nevertheless, the ability to manage operating cost escalation and demonstrate sustained improvement in operating margins remains a key monitorable.

Business vulnerable to overall economic and regulatory environment, movement in input prices and forex fluctuations impact margins – While HIPL remains exposed to currency fluctuations owing to the import-intensive nature of its business, it has been progressively increasing localisation and rationalising its sourcing mix, resulting in a gradual reduction in the share of imports in its overall procurement in the recent past. Nevertheless, a sizeable portion of its traded products continues to be import-dependent, keeping the company vulnerable to any further regulatory interventions to curb imports. A significant share of imports in the overall procurement also keeps the margins exposed to foreign exchange movements, though such risk is primarily mitigated by hedging through forward contracts. Its gross margin remains vulnerable to depreciation in the rupee and fluctuation in input prices, though HIPL attempts to pass it on to its customers through periodic revision in prices. The company’s business continues to be vulnerable to the overall economic environment, as witnessed in the past. This is also underpinned by the discretionary nature of its product offerings and presence in the relatively premium segment.

Liquidity position: Adequate

The company’s liquidity position is Adequate, as reflected by unutilised working capital limits of Rs. 144 crore as on March 31, 2026 and unencumbered cash and liquid investments of around Rs. 13 crore as of December 2025. Against this, it has no long-term debt repayments (excluding lease liabilities). The company’s cash flow from operations remained modest at around Rs. 9 crore in CY2025 as profitability declined and working capital requirement increased. This, along with sizeable dividend payout of Rs. 41.4 crore, kept the retained cash flow negative in CY2025. No material capex or long-term debt is expected to be undertaken by HIPL; it will incur limited capex (around Rs. 10-20 crore) planned for setting up design centres and appliance studios. However, the Group plans to set up a facility through a fellow subsidiary of HIPL for commencing in-house production of some of the key products, for which a part of the project cost will be funded from HIPL's internal accruals in the near term. Despite this, the company’s sizeable undrawn working capital limits, limited capex and debt repayment along with an expected improvement in earnings will support the liquidity position. However, sustained weakness in earnings and higher-than-anticipated cash upstreaming may negatively impact HIPL’s liquidity profile and hence, will remain monitorable.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to sustainably resolve its supply chain-related challenges and demonstrate a healthy growth in revenues and profitability, while keeping the working capital cycle under control.

Negative factors – Pressure could arise on the ratings if the company’s revenue growth and profit margins remain subdued due to a persistent short supply of the margin-accretive core products and/or worsening of the operating environment due to heightened competition or further regulatory challenges. Higher cash upstreaming to the parent, adversely impacting HIPL’s credit profile, may also impact the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 2003, HIPL is a 100% subsidiary of Germany-based Hafele Holding GmbH (HHG). Hafele initially used to deal in kitchen/furniture fittings and the architectural hardware product line of HHG, but over the last decade, it has diversified its product offerings to include glass and sanitary fittings, sliding fittings, in-built appliances, lighting systems and kitchen slabs, among others.

Key financial indicators (audited):

HIPL (Standalone)	CY2024	CY2025
Operating income (OI)	1,254.5	1,267.0
PAT	51.7	15.7
OPBDIT/OI	9.0%	5.4%
PAT/OI	4.1%	1.2%
Total outside liabilities/Tangible net worth (times)	0.8	1.0
Total debt/OPBDIT (times)	0.9	2.0
Interest coverage (times)	12.0	7.1

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

Instrument	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 28, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund-based / Non-fund based Limits	Long term/ Short term	305.0	[ICRA]A+ (Stable)/ [ICRA]A1	-	-	Feb-27-2025	[ICRA]AA- (Stable)/ [ICRA]A1+	Nov-27-2023	[ICRA]AA- (Stable)/ [ICRA]A1+
Unallocated	Long term/ Short term	17.0	[ICRA]A+ (Stable)/ [ICRA]A1	-	-	-	-	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026

ICRA-rated instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA fall under regulatory purview of various FSR as under:

Sr. No.	Activity name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)

8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSR other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term – Fund-based/ Non-fund based	Simple
Long-term/ Short-term – Unallocated	Not Applicable

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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based/ Non-fund based	NA	NA	NA	305.0	[ICRA]A+ (Stable)/ [ICRA]A1
NA	Unallocated limits	NA	NA	NA	17.0	[ICRA]A+ (Stable)/ [ICRA]A1

Source: Company

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

Annexure III: List of entities considered for consolidated analysis - Not applicable

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