

September 28, 2021

HLE Glascoat Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund-based - Cash Credit	61.00	61.00	[ICRA]A (Stable)
Fund-based - Term Loan	51.35	51.35	[ICRA]A (Stable)
Non-fund based - Letter of Credit & Bank Guarantee	43.50	43.50	[ICRA]A2+
Total	155.85	155.85	

*Instrument details are provided in Annexure-1

Rationale

On September 17, 2021, HLE Glascoat Limited (HGL) announced that it will purchase 100% of the equity shares in Thaletec GmbH (Thaletec), based in Germany, from the selling shareholders, vide the share purchase agreement dated September 17, 2021. The consideration for the same will be 12 million euro payable in cash (~Rs. 104.00 crore as on date). The deal is expected to be closed in the next three-four months.

Thaletec is engaged in the business of manufacturing specialized glass-lined process equipment/reactors and has its headquarters in Thale, Sachsen-Anhalt, Germany, and a Business Development and Service Centre in North Carolina, USA. The facility has capabilities to manufacture equipment with dimensions of up to 100,000 liters volume. Thaletec operates a 40,000-sq. m., manufacturing facility, with more than 160 employees.

ICRA takes note of the said acquisition/transaction and the ratings remain unchanged at [ICRA]A (Stable)/[ICRA]A2+. The aforementioned acquisition will enhance efficiencies and combine similar business interests for both the entities, resulting in operational synergies, streamlining and optimization of the business. The consolidated revenue and accruals will witness an uptick going forward because of the transaction. The company will utilise the proceeds of Rs. 60.00 crore received from Malabar India Fund in the current fiscal towards the issuance of warrants/equity shares, to fund the transaction. Albeit, as the transaction is to be funded by a mix of equity and debt, it will result in slight moderation of the capital structure and coverage indicators in the near term. Notwithstanding this, the overall financial risk profile and liquidity position will continue to remain comfortable and the transaction is not expected to have a material impact on HGL's credit risk profile.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, the liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of HGL. As on March 31, 2021, the company had 1 subsidiary, HL Equipments (Annexure-2).

About the company

Incorporated in 1991, HLE Glascoat Limited (HGL) (formerly known as Swiss Glascoat Equipment Limited) is a public limited company listed on the Bombay Stock Exchange and National Stock Exchange. The company manufactures glass-lined equipment (GLE) at its manufacturing facility at Anand, Gujarat. The company was originally promoted by Mr. Sudarshan Amin. Later in October 2016, HLE Engineers Pvt. Ltd. (HLE) along with its promoters, Surat-based Patel group acquired 50.25%

shareholding in HGL from its existing promoters and received equity infusion through warrants. In December 2019, pursuant to the approval of scheme of arrangement between HGL and HLE, the operating business of HLE was demerged into HGL effective from April 1, 2018. With merger of HLE, the promoters of HLE acquired 74.25% shareholding of HGL and the company thus added existing product portfolio of HLE, i.e, Agitated Nutsche Filters, Rotary Vacuum Paddle Dryers and other allied equipment and chemicals (chemical operations were discontinued in Q4 FY2021 due to social concerns) at its manufacturing facility of Maroli, Gujarat to its existing product umbrella. HGL also has a 99% subsidiary (increased from 80% in FY2021), HL Equipment, which is a partnership firm involved in the manufacturing of filtration, drying and other equipment at Silvassa, Dadra and Nagar Haveli. The products manufactured by HGL caters to pharmaceutical, specialty chemical, agrochemical and food processing industry.

In FY2021, on a consolidated basis, the company reported a net profit of Rs. 53.4 crore on an operating income of Rs. 485.5 crore as compared to a net profit of Rs. 39.0 crore on an operating income of Rs. 427.4 crore in FY2020.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
			Amount Rated (Rs. crore)	Amount Outstanding as on Mar 31, 2021 (Rs. crore)	Date & Rating in		Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019	
					Sep 28, 2021	Aug 17, 2021			-	31-Mar-2020
1	Cash Credit	Long-term	61.00	NA	[ICRA]A (Stable)	[ICRA]A (Stable)	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ &	[ICRA]BBB+ (Stable)
2	Term Loan	Long-term	51.35	47.37	[ICRA]A (Stable)	[ICRA]A (Stable)	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ &	[ICRA]BBB+ (Stable)
3	Letter of Credit & Bank Guarantee	Short-term	43.50	NA	[ICRA]A2+	[ICRA]A2+	-	[ICRA]A2	[ICRA]A2 &	[ICRA]A2

Amount in Rs. crore; & = Under watch with developing implications

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 - Letter of Credit & Bank Guarantee	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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/ Banker Name	Instrument Name	Date of Issuance	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
State Bank of India	Cash Credit	NA	NA	NA	20.00	[ICRA]A (Stable)
Citi Bank	Cash Credit	NA	NA	NA	30.00	[ICRA]A (Stable)
HDFC Bank	Cash Credit	NA	NA	NA	11.00	[ICRA]A (Stable)
State Bank of India	Term Loan	FY2019	9.55%-10.05%	FY2027	15.35	[ICRA]A (Stable)
Bajaj Finance Ltd	Term Loan	FY2018	10.75%	FY2024	20.00	[ICRA]A (Stable)
Citi Bank	Term Loan	FY2021	8.25%	FY2027	16.00	[ICRA]A (Stable)
State Bank of India	Letter of Credit & Bank Guarantee	NA	NA	NA	29.00	[ICRA]A2+
HDFC Bank	Letter of Credit & Bank Guarantee	NA	NA	NA	14.50	[ICRA]A2+

Source: HLE Glascoat Limited

Annexure-2: List of entities considered for consolidated analysis

Company/Firm Name	HGL Ownership	Consolidation Approach
HLE Glascoat Limited	100% (rated entity)	Full Consolidation
HL Equipments	99%	Full Consolidation

Source: HGL annual report FY2021

Note: ICRA has taken a consolidated view of the parent (HGL) and its subsidiary while assigning the ratings.

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