

November 10, 2023

Goa Glass Fibre Limited: [ICRA]BBB+ (Stable)/[ICRA] A2; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based – Cash credit	25.00	[ICRA]BBB+ (Stable); assigned
Long term – Fund based – Term loan	6.00	[ICRA]BBB+ (Stable); assigned
Short term – Non-fund based – Others	6.00	[ICRA]A2; assigned
Total	37.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned 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. 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 is putting up will substitute the imports to some extent. ICRA also notes that major proportion of 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 terms of repayment of principal and interest, which provides a 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. 1,600 crore, under its 100% subsidiary, which exposes the company to significant execution risks, in addition to funding risk as the financial closure has not yet happened. 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 on a consolidated basis. 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.

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 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 that under Quartz Fiber Private Limited.

Parentage of 3B Fibre Glass Group - GGFL's standalone capacity is around 25KT per annum at present, while that of the other two plants in Belgium and Norway have a combined capacity of 170 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 to GGFL. GGFL's 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. 205 crore in FY2023. It has a capacity of 25KT per annum, while the Indian demand is at around 270 KT, making GGFL a relatively small player in the industry.

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 the procurement of 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 the company to project execution, funding and marketing risks– GGFL is undertaking a large capital expenditure plan under its 100% subsidiary for the expansion of its capacities. The new capex is likely to add around 120 KT capacity and is expected to entail a total outlay of more than Rs. 1,600 crore. The capex is proposed to be funded by group funding of Rs. 300-350 crore, Rs. 80 crore from GGFL and the balance by external debt. The financial closure of the funding has not yet happened and the company has spent a very less proportion of the total cost till date, exposing it to project execution and funding 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 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. These are planned over FY2024 and FY2025. FY2025 will also be the first year of operations of the new capex. Thus, the debt metrics will moderate at a consolidated level in FY2024 and FY2025.

Liquidity position: Adequate

GGFL's liquidity remains comfortable, supported by healthy internal accrual generation, cash balances/liquid investments (~Rs. 18 crore as on June 30, 2023) and cushion in the form of bank lines where the utilisation has remained low. 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 rating could witness a downward revision in case of material cost and time overruns in the project, leading to worsening of the debt protection metrics and liquidity position. 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 applications, 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 55-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 190 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

	FY2022	FY2023
Operating income	258.4	204.3
PAT	46.3	16.7
OPBDIT/OI	32.8%	21.5%
PAT/OI	17.9%	8.2%
Total outside liabilities/Tangible net worth (times)	0.8	0.8
Total debt/OPBDIT (times)	0.9	2.0
Interest coverage (times)	11.7	6.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
				Nov 10, 2023	-	-	-	
1	Fund based – Cash credit	Long term	25.00	-	[ICRA]BBB+ (Stable)	-	-	-
2	Fund based – Term loan	Long term	6.00	16.2	[ICRA]BBB+ (Stable)	-	-	-
3	Non-fund based – Others	short term	6.00	-	[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	25.00	[ICRA]BBB+ (Stable)
NA	Long term – Fund based – Term loan	October 2022	8.65%	October 2027	6.00	[ICRA]BBB+ (Stable)
NA	Short term – Non-fund based –Others	NA	NA	NA	6.00	[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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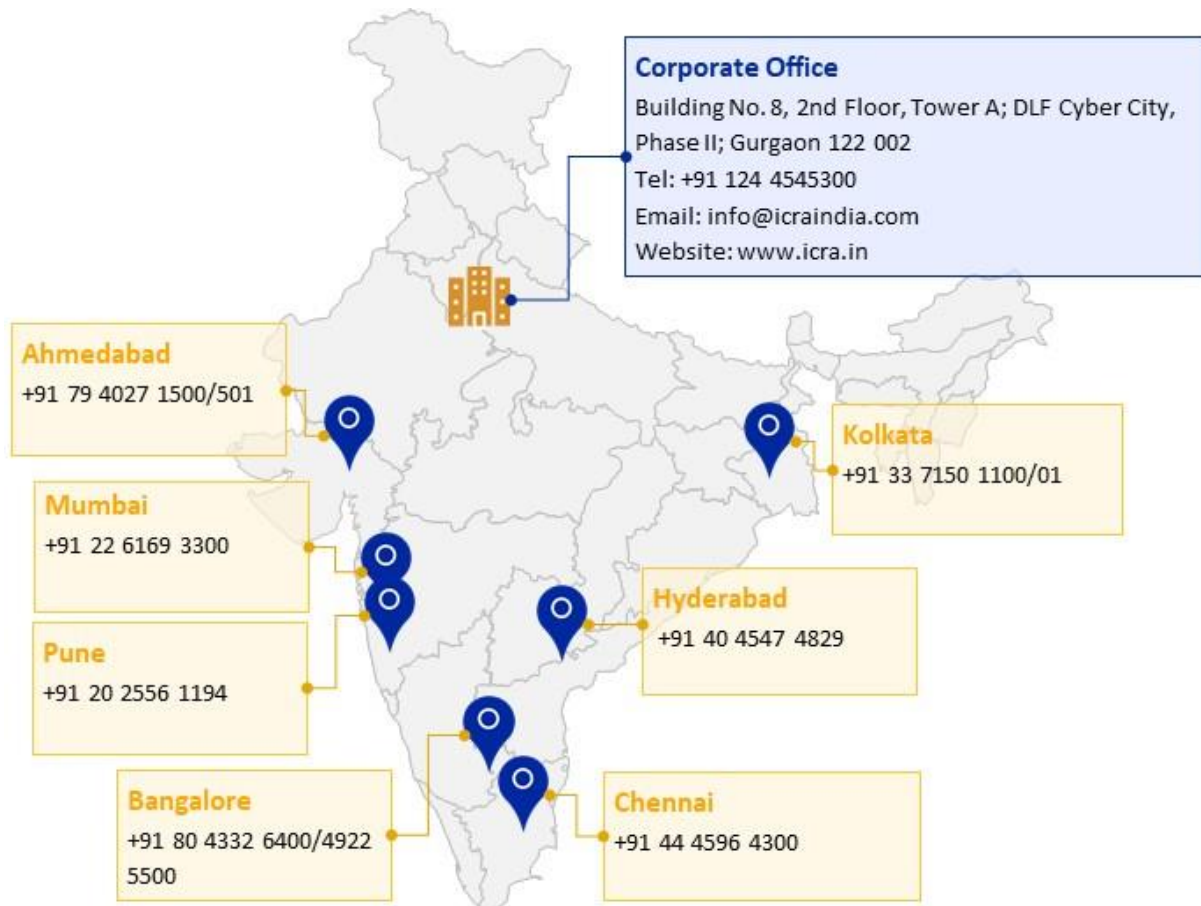
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