April 08, 2024(Revised)

3B Advanced Composites Private Limited: Provisional [ICRA]A- (CE) (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term - Fund-based – Term loan	900.0	Provisional [ICRA] A- (CE) (Stable); assigned
Long term– Fund-based – Working capital facilities	156.0	Provisional [ICRA] A- (CE) (Stable); assigned
Total	**1,056.0**	

Rating in the absence of pending actions/documents	[ICRA]BB+
Rating without explicit credit enhancement	**[ICRA]BB+**

**Instrument details are provided in Annexure-1*

Note: The (CE) suffix mentioned alongside the (provisional) 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 (a) the rating if the pending actions/ documents are not completed, and (b) the rating without factoring in the proposed explicit credit enhancement.

Rationale

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

The above rating is based on the strength of the provisional 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 with pressure on demand and realisations, although the cash generation remains healthy. 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 terms of the repayment of principal and interest, in case of cash flow mismatches, which provides a 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 with the commencement of the capex, resulting in moderation in the credit profile 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 bill discounting facility which remains adequately utilised. The rating also factors in the vulnerability of profitability to the adverse movement in raw material prices.

Adequacy of credit enhancement

For assigning the ratings, ICRA has assessed the attributes of the provisional guarantee issued by 3B Lux SARL in favour of the rated instruments of 3B ACPL. The provisional 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 ratings of the aforesaid instruments. The ratings 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)

3B ACPL is executing a Rs. 1,320-crore capex to set up a 120-KT glass fibre capacity in Goa. This project is proposed to be 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. Further, the entire debt for the project has not been tied up and thus funding risks also remain. Moreover, the capacity expansion is sizeable and 3B ACPL plans to replace a large part of the imported glass fibre products in India and thus marketing risks also remain high and thus selling such huge quantities remains a monitorable.

However, the group has a capacity of 195 KT as of now and this makes it a sizeable player in the market. The rating also factors in 3B ACPL's parentage of Goa Glass Fibre Limited (GGFL) 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

Not Applicable – The facility is yet to be sanctioned.

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 190 KT. The company reported a revenue of Rs. 2,328 crore in the previous fiscal with EBITDA of Rs. 507.9 crore. Moderation is expected in the current fiscal due to a dip in realisation resulting from dumping by China. 3B Lux SARL will also extend a corporate guarantee (as of now provisional guarantee document reviewed by ICRA) for 3B ACPL's bank lines, which transforms into a 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 the 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 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 – The ongoing capex will result in the addition of sizeable debt 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 the medium term.

Liquidity position

For the Provisional [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 availability of revolver and factoring facilities.

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

3B ACPL's liquidity is adequate as ICRA expects the promoters to support the entity by way of fund infusion as and when required to execute the ongoing project. While the debt is yet to be tied up, the same is likely to be done in due course of time which will enable completion of the project.

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 Policy on Provisional Ratings
Parent/Group Support	For the proposed working capital limits and term loan: Guarantor/Ultimate parent Company: 3B Lux S.A.R.L. The assigned ratings are based on the unconditional, irrevocable provisional 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 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)

	FY2022	FY2023
Operating income	-	-
PAT	-	0.0
OPBDIT/OI	-	-
PAT/OI	-	-
Total outside liabilities/Tangible net worth (times)	-	-757.8
Total debt/OPBDIT (times)	-	-137.7
Interest coverage (times)	-	-315.8

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 (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Apr 08, 2024			
1	**Term loan**	Long-term	900.0	0.0	Provisional [ICRA]A-(CE)(Stable)	-	-	-
2	**Working capital facilities**	Long-term	156.0	-	Provisional [ICRA]A-(CE)(Stable)	-	-	-

Complexity level of the rated instrument

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 No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term loan*	NA	NA	NA	900.0	Provisional [ICRA]A-(CE)(Stable)
NA	Working capital facilities*	NA	NA	NA	156.0	Provisional [ICRA]A-(CE)(Stable)

Source: Company

** - Proposed as of now*

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

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

Corrigendum:

Document dated April 08, 2024 has been corrected with revisions as detailed below:

Revisions on page number 1 where title changed to "3B Advanced Composites Private Limited: Provisional [ICRA]A- (CE) (Stable) assigned" from "3B Advanced Composites Private Limited: Provisional [ICRA]A- (CE) (Stable) & [ICRA]BB+ (Stable) ratings assigned".

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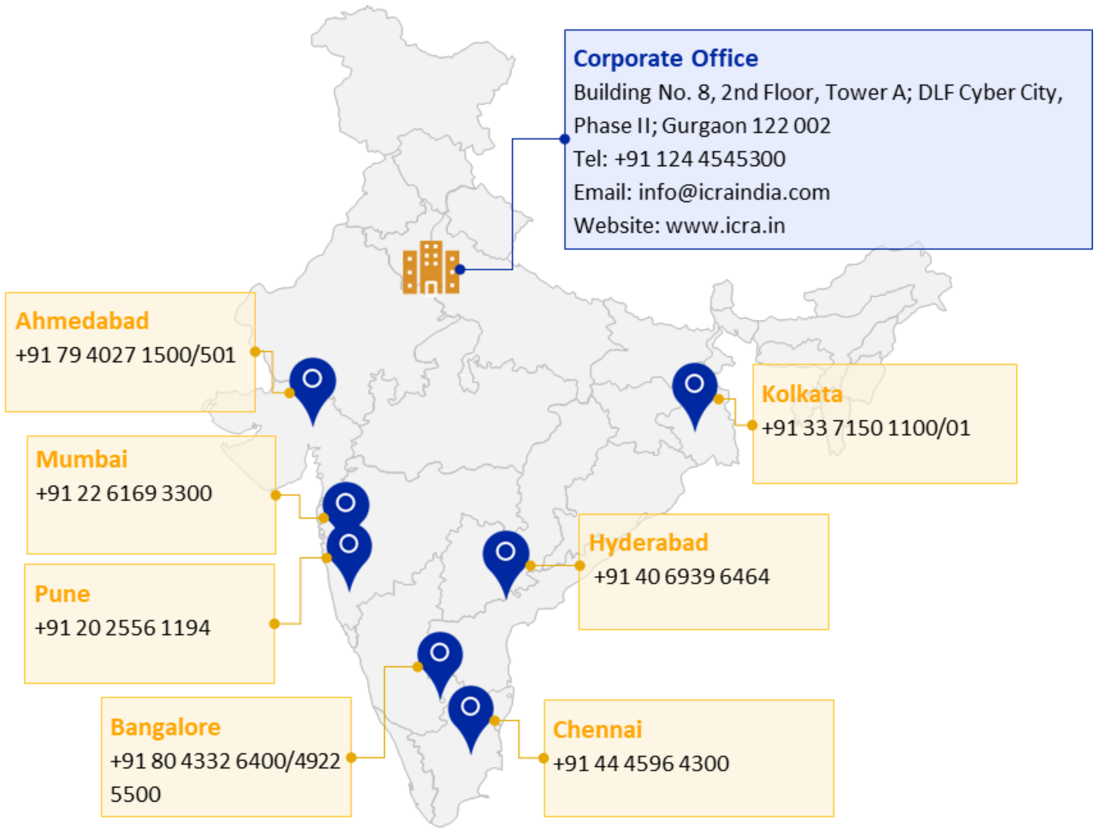

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