

Hafele India Private Limited

	Amount	Rating Action
	In Rs. Crore	
Long term, fund based facilities	15.00	[ICRA]A(Stable); assigned
Long term/Short term, fund based facilities	25.00	[ICRA]A(Stable)/[ICRA]A1; assigned
Short term, fund based facilities	55.00	[ICRA]A1; assigned
Short term, non-fund based facilities	5.00	[ICRA]A1; assigned
Interchangeable bank facilities*	(2.50)	[ICRA]A(Stable)/[ICRA]A1; assigned

*Sub limits of bank facilities

ICRA has assigned a long term rating of [ICRA]A (pronounced ICRA A) ¹ to the Rs 15.0 crore² fund based facilities of Hafele India Private Limited (HIPL). The outlook on the long term rating is 'Stable'. ICRA has also assigned a short term rating of [ICRA]A1 (pronounced ICRA A one) to the Rs 60.00 crore bank facilities of HIPL. ICRA has also assigned long term/short term ratings of [ICRA]A(Stable)/[ICRA]A1 to the Rs 25.00 crore fund based facilities and the Rs 2.50 crore interchangeable bank facilities of HIPL.

The assigned ratings factor in the established position of the Hafele Group worldwide and its strong brand presence in the premium architectural hardware and kitchen/furniture fittings industry. The ratings also factor in the professional management set-up as well as the operational expertise and financial flexibility enjoyed by HIPL by virtue of its strong parentage. The ratings also favourably factor in the strong distribution network of the company as well as its healthy growth in revenues over the past five years, driven by the aspirational spending of the upper middle income segment and HNIs (key customer segments for the company) and product diversification.

The ratings, however, remain constrained by the high competitive intensity of the industry, which coupled with investments to support the increased scale of operations, have led to steady decline in profitability margins, while achieving growth. Moreover, given the competitive nature of the industry, there is a need for continued investments in marketing initiatives for customer acquisition and retention which in turn keeps the operating margins range-bound. The rating also takes into account the working capital intensive nature of operations of HIPL, because of its large inventory requirements (given its vast product range) as well as its moderate financial profile owing to the significant increase in its working capital borrowings over the last two years to support the rapid growth in turnover. In addition, given that around 90 percent of HIPL's (traded) products are imported, its margins remain exposed to fluctuations in foreign currency rates, although these are largely mitigated by the hedging undertaken by the company through forward contracts.

Company Profile

Incorporated in 2003, Hafele India Private Limited (HIPL or 'Hafele India' or 'the company') is a 100 percent subsidiary of Germany-based Hafele Holding GmbH (HHG). The Hafele Group operates through 37 subsidiaries in six continents, and is one of the leading players in the architectural hardware and kitchen/furniture fittings segments. The Group is closely held by two related families -Hafele and Thierer.

While initially HIPL used to deal in kitchen/furniture fittings and the architectural hardware product line of HHG, over the last four years the company has diversified its product offerings to include segments such as glass and sanitary fittings, sliding fittings, in-built appliances, lighting systems, and kitchen slabs, among others. Apart from HHG, Hafele also deals in products of other large established brands such as BLUM (Austria), Weibert (Italy), Bertazonni (Italy), and Blanco (Germany). The company has a presence in Sri Lanka (through its wholly owned subsidiary) Bhutan, Bangladesh and Nepal as well.

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² 100 lakh = 1 crore = 10 million

Recent Results

The company reported net profit of Rs 16.44 crore on operating income of Rs 379.47 crore in CY2015 (twelve months ended December 31, 2015) as against a net profit of Rs 14.06 crore on operating income of Rs 273.65 crore in CY2014 ((twelve months ended December 31, 2014).

As per the provisional and unaudited financial results for six months ended June 30, 2016, the company reported net profit of Rs 7.16 crore on operating income of Rs 240.48 crore.

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