Haldyn Glass Limited

January 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	178.25 (Reduced from 185.67)	CARE A-; Stable	Reaffirmed; Outlook revised from Negative
Short-term bank facilities	18.00	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Haldyn Glass Limited (HGL) continues to factor in vast experience of the promoters, company's long track record of operations in the glass manufacturing business with HGL's in-house mould designing capability providing it flexibility in manufacturing glass bottles of different designs and sizes, and long association with reputed clientele. Ratings also factor in moderation in total operating income (TOI) in FY24 (FY refers to April 1 to March 31) amidst capex-related disruption, which was completed in Q2FY25 and subsequent revenue growth and improvement in profitability margins in H1FY25, and adequate liquidity position.

The above rating strengths are partially offset by company's moderate scale of operations, moderate profitability profit margins, which remains susceptible to price fluctuations in fuel and raw materials prices, revenue concentration from liquor segment, and high working capital intensity. Ratings also remain constrained due to HGL's support towards its joint venture (JV).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations marked by TOI exceeding ₹500 crore led by increasing volumes on a sustained basis.
- Improvement in the profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin exceeding 16% on a sustained basis.
- Improvement in debt coverage indicators marked by total debt to PBILDT below 2x on a sustained basis

Negative factors

- Substantially decreasing scale of operations with TOI below ₹250 crore on a sustained basis.
- Deterioration in debt coverage indicators marked by total debt to PBILDT exceeding 5x on a sustained basis.
- Elongation in working capital cycle beyond 100 days leading to deterioration in the liquidity.
- Additional sizeable investments in the JV exerting pressure on the liquidity.

Analytical approach: Standalone

Outlook: Stable

Revision in the outlook from "Negative" to "Stable" considers the successful completion of the capex and subsequent scaling up of operations marked by increase in TOI and profitability in H1FY25. The "Stable" outlook reflects CARE Ratings' expectations that HGL will sustain its growth in scale of operations and profitability in near-to-medium term on the back of utilisation of its enhanced capacity.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and long track record of the company's operations

HGL is promoted by N. D. Shetty (the founder; Executive Chairman), having over five decades of experience in manufacturing glass containers. He and his son, T. N. Shetty (Managing Director), are actively involved in the company's day-to-day operations. Niraj Tipre, Chief Executive Officer (CEO), is an experienced professional, possessing rich experience in global operations management, acquisition integration, and strategy development. He has over two decades of experience in premium glass container segments, and under his leadership and guidance, HGL has entered the premium segment both alcoholic and non-

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

alcoholic (such as fast-moving consumer goods [FMCG], beverage, and among others), by adding new customers. The promoters are assisted by well-experienced professionals for managing the company's operations.

In-house mould designing and manufacturing facility

HGL has a fully equipped mould manufacturing workshop to manufacture bottle moulds of all designs and shapes, and a labelling facility. Having in-house mould designing and manufacturing capability helps the company to manufacture bottles of different sizes and shapes for its clients ranging from 10 ml to 2,500 ml in volume.

Long association with reputed clientele

The company's long-standing presence in the glass manufacturing industry has enabled it to build strong relationships with well-established and reputable clients across domestic sectors, including liquor manufacturing, food, and non-alcoholic beverage production. Additionally, HGL has secured repeat orders from key clients, establishing itself as a preferred vendor for glass container manufacturing. Going forward, company is in process to diversify its clientele base on the back of successful completion of capex enabling product diversification and premiumisation in the product line. The revenue contribution from the top 10 customers reduced to 65% of total sales in FY24 compared to 72% in FY23.

Successful completion of the capex resulting strong performance in H1FY25

HGL has successfully completed the large capex implemented in the last two years at its factory in Vadodara through which it has upgraded one of its furnaces to produce premium glass containers for segments such as premium liquor, food, candle jars, cosmetics, and perfumes. The total cost of said capex stood at ₹207 crore (increased from initial estimate of ₹150 crore to ₹175 crore and additional capex of ~₹32 crore) funded through a mix of Rupee/Dollar term loan of ₹123 crore (against total sanction term loan of ₹134 crore) and ₹84 crore through internal accruals. The company has successfully completed the part capex in FY24 and balance in Q1FY25.

In FY25, the company has done additional capex of ₹11 crore towards balancing of the equipment per the requirements received from the export customers for better efficiency and quality improvements. The same was being funded through undisbursed term loans and completed in December 2024.

On the back of successful completion of said capex, the company has been able to scale up its operational performance in H1FY25 marked by increased utilisation of the production capacity. With recent completion of capex, it is expected to further enhance its revenue and profitability in near-to-medium term. Nevertheless, the same remains key monitorable.

In H1FY25, HGL registered 54.35% y-o-y increase in the TOI to ₹194.78 crore (against ₹126.19 crore in H1FY24) with improved profitability on the back of successful completion of major expansion and upgradation at its plant, which enhanced production capacity and efficiency in H1FY25.

Comfortable capital structure and debt coverage indicators though moderated due to debt-funded capex

HGL's capital structure continued to remain comfortable though moderated, with overall gearing reaching at 0.77x as on March 31, 2024 (against 0.25x as on March 31, 2023). Despite further additions in the debt level towards the above said capex in H1FY25, overall gearing stood at 0.89x as on September 30, 2024, and is expected to remain below unity in near term.

The debt coverage indicators remained comfortable although moderated with total debt to gross cash accruals (TD/GCA) stood at 3.53x in FY24 (against 1.73x in FY23) and interest coverage at 4.02x in FY24 (against 17.09x in FY23) due to increase in the interest cost incurred during the year. The interest coverage remained at 4.08x for H1FY25. The capital structure and debt coverage indicators are expected to gradually improve due to scheduled repayment of term loans, reducing the interest cost with no major debt-funded capex planned in medium term.

Key weaknesses

Moderate scale of operations and profitability with improvement seen in H1FY25

The TOI remained almost stable at ₹300.16 crore in FY24 (against ₹322.08 crore in FY23), which moderated in FY24 amidst disruption in operation due to the large-sized capex, partial shutdown for one of the furnaces for 90 days from June to September 2024, and again in March 2024 for relining and upgrading manufacturing facilities. In H1FY25, HGL registered 54.35% y-o-y increase in the TOI to ₹194.78 crore (against ₹126.19 crore in H1FY24) though on a smaller base. However, overall scale of operations continues to remain at moderate level.

The company's PBILDT margin improved from 10.18% in FY23 to 13.88% in FY24, considering stable natural gas and raw material (mainly soda ash) prices against which higher price realisation was received from its customers during the year. In H1FY25, the PBILDT margin has further improved to 15.06% backed by product premiumisation after capex and getting orders from top brands which fetches better margins.

Profit after tax (PAT) margin remained stable at 6.25% in FY24 (against 6.11% in FY23) considering higher interest and depreciation cost incurred due to capital expenditure incurred by company in FY24. CARE Ratings observes, Recent capacity expansions and refurbishments, including dedicating one line to premium quality glass production for catering to international market, are expected to maintain a favourable product mix and sustain improved profitability margins in the near to medium terms.

Sector concentration risk, though expected to improve
The company continues to derive majority sales from liquor sector. High revenue dependence towards liquor sector may result in higher revenue sensitivity from change in liquor demand in the country. Presently, liquor sector accounts for 70% of overall revenue and balance 30% consists of FMCG, food and beverage, and cosmetics sectors. The company plans to reduce liquor industry exposure to 50% over next two years.
The company is also working on diversifying its revenue base by tapping exports market. The exports amounted for 28% in FY24 and 17% in H1FY25 (against ₹14% crore in FY23). The company caters to Africa, Nepal, and Sri Lanka for exports. Under current capex, one of the furnace lines will dedicate to premium quality glass production to tap the premium market in United States (US).

Working capital intensive operations
Overall operations of the company remained working capital intensive marked by higher gross current assets period to 177 days in FY24 (against 118 days in FY23) due to elongated collection and inventory period during the year. HGL provides credit period in the range of 30 days to 75 days to majority of its clients. The company needs to maintain inventories of about two to three months. With enhanced capacity and orders in hands, HGL reported increase in inventory towards the year end, thus inventory period increased from 35 days in FY23 to 47 days in FY24. The collection period also increased from 64 days in FY23 to 82 days in FY24. Thus, operating cycle of the company elongated at 82 days in FY24 (against 68 days in FY23).

Profit margins susceptible key raw material price volatility
The profitability of glass bottle manufacturing in India is highly susceptible to fuel costs due to the energy-intensive nature of the production process, which form ~25% of the total cost. Glass manufacturing requires significant amounts of energy, primarily for melting raw materials such as silica sand, soda ash, and limestone at high temperatures. This process is typically powered by natural gas, electricity, or other fuels. Glass furnaces operate continuously to maintain the high temperatures required for melting, making energy costs a constant and substantial part of the operational expenses. HGL also changes the fuel mix according to the prevailing fuel prices (furnace oil or natural gas) and its availability to enable optimum savings in the fuel cost. Additionally, due to its long association with its clients, HGL is able to pass on the change in input costs to them though with a lag.

Exposure to JV
To diversify its market presence, HGL entered a 50:50 JV with Heinz Glass International GmbH of Germany, named as Haldyn Heinz Fine Glass Private Limited (HHFPL) for manufacturing premium glass containers used in cosmetic and perfumes industry. HHFGL commenced its operations in October 2017, and as on March 31, 2024, has invested ₹41.75 crore in the form of equity. The company does not envisage major fund infusion in FY25. However, sizable investment in the same remains key monitorable.

Liquidity: Adequate
Healthy cash accruals, moderate long-term debt repayment obligations and healthy free cash and bank balance represents HGL’s adequate liquidity. The maximum utilisation of its fund-based working capital limits remained high at ~90% in the last 12 months ended October 2024. However, HGL had a cash and bank balance of ₹12.38 crore as on September 30, 2024, which provides a cushion in case of exigencies. The company’s projected GCA are expected to remain sufficiently cushioned against a total debt servicing obligation of ₹8.76 crore in FY25 and ₹18.07 crore for FY26. The cash flow from operating activities stood positive of ₹57.27 crore in FY24 (against ₹15.37 crore in FY23). Current ratio stood at 0.92x as on March 31, 2024, which is expected to improve going forward.

Environment, social, and governance (ESG) risks

Particulars	Company’s initiative
Environment	The company has initiated several measures to prevent water and air pollution at the plant and making continuous efforts to reduce wastage and optimise energy consumption. The steps include utilisation of 1.5-MW renewable power, replacement of conventional lights with LED, energy audits, water recycling, incorporation of German melting technology in one of the furnaces and electric boosting technology in both furnaces and installation energy efficient blowers, lehrs.
Social	In FY24, in line with the quantum required by the Law, the company has spent ₹0.37 crore towards promoting healthcare as a part of CSR activities. To look after regular compliance, it has constituted CSR committee chaired by the Managing Director. It also has published CSR policy and projects approved by the Board on its website.

Governance	The strength of the Board is eight Directors, of which, four are Independent Directors (including one Women Directors) as on March 31, 2024. As mandated by the Act and Listing Regulations, the Company has constituted an Audit Committee, a Stakeholders Relationship Committee, Nomination & Remuneration Committee and a Corporate Social Responsibility Committee. The Corporate Governance Report addressing compliance aspects has been part of Annual Report for FY24.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Short Term Instruments
Financial Ratios – Non financial Sector
Manufacturing Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Glass - consumer

Incorporated in 1991, HGL (formerly known as Haldyn Glass Gujarat Limited) is involved in manufacturing and marketing glass bottles and glass-based containers. HGL is promoted by Haldyn Corporation limited (parent company) which holds 54.19% in HGL as on September 30, 2024. HGL's manufacturing plant is located at Vadodara, Gujarat, with total melting capacity at 445 tons per day (increased from 350 tons per day) comprising two Glass Melting Furnaces (285 + 160 tons per day capacity) and nine I.S. machines having for the furnace needed for manufacturing a wide range of containers from 10 ml to 2500 ml. The I.S. machines can produce ~1.5 million high-quality containers per day.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	322.08	300.16	194.78
PBILDT	32.80	41.68	29.34
PAT	19.70	18.76	6.49
Overall gearing (times)	0.25	0.77	0.89
Interest coverage (times)	17.10	4.02	4.08

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	60.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	March 2032	118.25	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	14.00	CARE A2
Non-fund-based - ST-Standby Line of Credit		-	-	-	4.00	CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	60.00	CARE A-; Stable	1)CARE A-; Negative (02-Apr-24)	-	1)CARE A-; Negative (13-Feb-23) 2)CARE A-; Negative (07-Oct-22) 3)CARE A-; Stable (05-Apr-22)	-
2	Non-fund-based - ST-BG/LC	ST	14.00	CARE A2	1)CARE A2 (02-Apr-24)	-	1)CARE A2 (13-Feb-23) 2)CARE A2 (07-Oct-22) 3)CARE A2 (05-Apr-22)	-
3	Fund-based - LT-Term Loan	LT	118.25	CARE A-; Stable	1)CARE A-; Negative (02-Apr-24)	-	1)CARE A-; Negative (13-Feb-23)	-
4	Non-fund-based - ST-Standby Line of Credit	ST	4.00	CARE A2	1)CARE A2 (02-Apr-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Non-fund-based - ST-Standby Line of Credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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