Hawa Valves (India) Private Limited

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	57.54 (Reduced from 61.58)	CARE BB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	96.57 (Reduced from 100.00)	CARE BB; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	24.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Hawa Valves (India) Private Limited (HVPL) continues to be constrained by its moderate scale of operation, deteriorating profit margins, moderate capital structure, weak debt coverage indicators and working capital intensive nature of operations. The ratings further continue to be constrained by susceptibility of profit margin to any adverse movement in key raw material prices and foreign exchange fluctuations and presence in intensely competitive industry.

However, the ratings continue to derive strengths from vast experience of the promoters and track record of HVPL in the valves industry, and established relationship with reputed clientele.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income (TOI) over Rs.200 crore along with improvement in operating profitability above 14.00% on a sustained basis
- Improvement in overall gearing below 1.00 times and interest coverage above 1.50x on a sustained basis
- Improvement in operating cycle coupled with improvement in liquidity position on a sustained basis

Negative factors

- Deterioration in debt coverage indicators marked by interest coverage below 1.2x on a sustained basis
- Elongation in the operating cycle leading to higher reliance on short-term borrowings and further deterioration in liquidity position

Analytical approach: Standalone

Outlook: Stable

The "stable" outlook reflects CARE Ratings Limited's (CARE Ratings) expectation of that the company is likely to sustain operational performance with continuous receipt of orders from established clientele over the medium term and sustain its financial risk profile.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations with fluctuating profitability margin

HVPL's scale of operation remained moderate however, the same has increased with TOI stood at Rs.193.75 crore in FY24 compared to Rs.177.87 crore in FY23. TOI has further increased to Rs.230.35 crore during 11MFY25. The continuous increase in the same was due to higher order execution during said periods along with the increase in sales price for customized industrial valves manufactured by the company. Furthermore, HVPL has orderbook position of Rs.391.87 crore in hand as on February 28, 2025 (compared to Rs.469.73 crore in hand as on December 31, 2023), indicating a near to medium term revenue visibility as the same is expected to be executed by FY26.

The PBILDT margin has continuously declined during last three financial years and stood at 10.52% in FY24 compared to 11.82% in FY23 owing to price volatility and increased cost for holding higher level of inventories. Furthermore, there is no price escalation clause present in these contracts which led to deterioration in the profit margins. The project for a particular customer takes average 8 to 10 months for completion as there is clearance required to be done by third party inspector at every level of production thus restricting its ability to pass on increase in price of raw material. PAT margin also stood low in lines with PBILDT margins and declined to 0.51% in FY24 compared to 0.97% in FY23. During 11MFY25, the PBILDT margin further deteriorated to 8.76% with PAT margin stood at 1.08%.

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

Moderate capital structure and weak debt coverage indicators
HVPL's financial profile remain moderate with deterioration in overall gearing to 1.16x as on March 31, 2024, compared to 1.02x as on March 31, 2023, owing to higher working capital utilization as on balance sheet date and increase in loans and advances from related parties. The total outside liabilities to tangible networth also stood high at 2.92x as on March 31, 2024 as against 2.09x as on March 31, 2023. Furthermore, due to low cash accruals and high dependence on external borrowings to fund the business operations, debt coverage indicators stood weak. Total debt to gross cash accruals (GCA) and interest coverage ratio deteriorated to 25.35 times and 1.22 times respectively in FY24, compared to 19.27 times and 1.37 times respectively in FY23. The interest coverage ratio stood at 1.49 times during 11MFY25.

Highly working capital-intensive nature of operations
Operations of HVPL are highly working capital intensive marked by funds blocked in inventory as it manufactures customized products. The projects take average 8 to 10 months for completion. However, the same is funded through creditors due to higher credit period availed from creditors due to established relationships. The creditors period increased to 257 days in FY24 compared 188 days in FY23. Collection cycle improved to 130 days in FY24 compared to 178 days in FY23. Further debtors include retention money which is 10% of total contract price. The same are released by the client after 3-6 months of project completion. Inventory holding period continues to remain elongated as processing time is high for the products manufactured by the company. HVPL has to maintain sufficient raw material inventory for the same. However, the inventory write-off risk is minimal due to customized nature of the equipment's manufactured. Thus, the inventory cycle increased to 517 days in FY24 compared to 406 days in FY23. Thus, HVPL's working capital cycle has improved but remained highly elongated at 390 days in FY24 compared to 395 days in FY23 primarily due to improvement in collection period and increase in creditors period. Nevertheless, given the nature of business the operating cycle remained stretched which led to higher utilization of working capital limits.

Operations in the competitive and fragmented valve industry
The company operates in a highly competitive and fragmented industry. The company has established itself in the industry witnessing intense competition from players operating in both organized and unorganized markets. The fragmented and highly competitive industry has resulted into price competition thereby limiting the bargaining power of the company and thus affecting the profit margins of the companies operating in the industry.

Susceptibility of margins to foreign exchange fluctuation risk
The company imports its critical raw materials from China, Germany, Italy and United Kingdom which contributes around 65% of total purchases. Also, it is an export-oriented unit (EOU), with export sales contributing around 97% of total revenue, with exports to around 42 countries like Saudi Arabia, UAE, Oman among others, hence it has a partial natural hedge. Further, company does not undertake any forward cover which intensify the risk. Hence, the company is under risk to foreign exchange fluctuation which would impact the margins due to timing difference.

Key strengths

Experience of the management in the valve manufacturing industry
The company is spearheaded by Javed Hawa (Diploma in Mechanical Engineering) having more than three decades of experience in the valves industry and with 22 international patented products granted thereby leading a strong technical thrust to the company and future growth prospectus. He is backed by Abdul Salim Alikunju, joint managing director (MD), who is also highly experienced and is the managing director of M/s. Vilayil Ventures Private Limited and M/s. Fortune Engineering & Energy Services LLC based in Dubai, UAE amongst having controlling interests in many other large entities worldwide. Abdul Salim Alikunju is actively engaged in business operations of HVPL and supports many functions namely conceptual design, feasibility study, front end engineering & design (FEED), engineering, procurement, construction and commissioning (EPCC) of process, mechanical, piping, electrical, instrumentation, control, automation and telecom systems with a highly successful track record. The promoters are ably supported by the second and third line of management having relevant experience in the industry. Over its track record of almost two decades, the company has established strong marketing connects in the industry.

Established relationship with the reputed client base
The company continues to cater the needs of reputed clientele operating across oil & gas, petro-chemical and engineering industries and other players including EPC (Engineering, Procurement and Construction) industry. Moreover, comfort can be derived as the counterparty risk gets mitigated to an extent on the back of healthy credit profile of this reputed clientele. Furthermore, the company receives repeat orders from their well-established relationship with its reputed client base including Shell worldwide, Saudi Aramco, Petroleum development of Oman, Petronas, ADCO, GASCO, Kuwait oil company, GSPL, HPCL among others. Company has also added major PSUs from domestic markets including Mazagon Dock Shipbuilders Limited, and other oil and gas companies as their customers.

Liquidity: Stretched

HVPL's liquidity position is stretched, characterized by a moderate current and quick ratio and high utilization of its working capital limits. The fund-based working capital utilization stood high with an average maximum utilization of 93.13% and an average utilization of 91.42% over the twelve months ending February 2025 including Rs.5 crore of adhoc limits availed by the company from April 24 to June 24. Further, average maximum utilization of non-fund-based limits stood at 77.26% with an average utilization of 73.46% over the twelve months ending February 2025. Cash accruals are expected to be sufficient to cover principal debt repayment obligations of Rs. 4.00 crores in FY25 and Rs. 3.37 crores in FY26. The current ratio and quick ratio stood weak at 1.20 times and at 0.26 times respectively as of March 31, 2024 (compared to 1.24 times and 0.49 times, respectively, as of March 31, 2023). The free cash and liquid investments stood low at Rs.0.39 crore as of March 31, 2024 (Rs.1.21 crore as on March 31, 2023). The net cash flow from operating activities stood at positive Rs.0.65 crore in FY24 (compared to positive Rs.38.84 crore in FY23).

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Policy on Default Recognition
Liquidity Analysis of Non-financial sector entities
Assigning 'Outlook' or 'Rating Watch' to Credit Ratings
Manufacturing Companies
Financial Ratios – Non financial Sector
Rating of Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Manufacturing	Industrial Products

Incorporated in the year 2001, Hawa Valves (India) Private Limited (HVPL) is engaged in manufacturing of industrial valves under various international standards. These valves are used in oil & gas, petrochemical and other engineering industries. Over the years, the company has expanded its presence from being a core manufacturer to an end-to-end service provider – including conception, detailed drawing and manufacturing of the customized valves. It is primarily an export-oriented company. The company is a preferred supplier for various reputed and renowned oil and gas companies. Company has registered 22 patented products in India as well as in multiple countries.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	February 28, 2025 (UA)
Total operating income	177.87	193.75	230.35
PBILDT	21.02	20.38	20.19
PAT	1.72	0.99	2.48
Overall gearing (times)	1.02	1.14	NA
Interest coverage (times)	1.37	1.22	1.49

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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		-	-	-	50.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	October 2027	7.54	CARE BB; Stable
Fund-based - ST-PC/Bill Discounting		-	-	-	24.00	CARE A4
Non-fund-based - LT/ ST-BG/LC		-	-	-	96.57	CARE BB; Stable / CARE A4

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-Term Loan	LT	7.54	CARE BB; Stable	-	1)CARE BB; Stable (14-Mar-24) 2)CARE BB; Stable (05-Apr-23)	1)CARE BB; Stable (06-Jul-22)	1)CARE B; Stable; ISSUER NOT COOPERATING* (28-Mar-22) 2)CARE B+; Stable (04-Jun-21) 3)CARE BB; Stable; ISSUER NOT COOPERATING* (07-Apr-21)
2	Fund-based - LT-Cash Credit	LT	50.00	CARE BB; Stable	-	1)CARE BB; Stable (14-Mar-24) 2)CARE BB; Stable (05-Apr-23)	1)CARE BB; Stable (06-Jul-22)	1)CARE B; Stable; ISSUER NOT COOPERATING* (28-Mar-22) 2)CARE B+; Stable (04-Jun-21) 3)CARE BB; Stable; ISSUER NOT COOPERATING* (07-Apr-21)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	96.57	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (14-Mar-24)	1)CARE BB; Stable / CARE A4 (06-Jul-22)	1)CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* (28-Mar-22) 2)CARE B+; Stable / CARE A4 (04-Jun-21)

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
						2)CARE BB; Stable / CARE A4 (05-Apr-23)		3)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (07-Apr-21)
4	Fund-based - ST-PC/Bill Discounting	ST	24.00	CARE A4	-	1)CARE A4 (14-Mar-24) 2)CARE A4 (05-Apr-23)	1)CARE A4 (06-Jul-22)	1)CARE A4; ISSUER NOT COOPERATING* (28-Mar-22) 2)CARE A4 (04-Jun-21) 3)CARE A4; ISSUER NOT COOPERATING* (07-Apr-21)

*Issuer did not cooperate; based on best available information.
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	Fund-based - ST-PC/Bill Discounting	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Lender details

To view the 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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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