



Infomerics Valuation And Rating Pvt. Ltd

Press Release

Glass Wall Systems (India) Private Limited

April 16, 2018

Rating

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Fund Based Facilities	85.00	IVR A-/Stable Outlook [IVR Single A Minus with Stable outlook]	Assigned
Non-Fund Based Facilities	165.00	IVR A2+ [IVR A Two Plus]	Assigned
Total	250.00		

Details of Facility are in Annexure 1

Detailed Rationale

The aforesaid ratings derives comfort from the long track record of the promoters & established presence of the company in facade engineering segment, presence of reputed private equity investors as shareholders, highly experienced managerial & technical team, established clientele & repeat orders from clients, healthy order book, modest financial performance and comfortable gearing. The rating also takes into consideration modest scale of operation, elongated working capital cycle, concentration risk, volatility in input prices and exposure to risks relating to cyclical in real estate industry. Growth in scale of operation, profitability, gearing level and working capital management are the key rating sensitivities.

List of Key Rating Drivers

- Long track record of the promoters & established presence in facade engineering segment.
- Presence of reputed private equity investors.
- Highly experienced managerial & technical team.
- Established clientele and repeat orders from clients.
- Healthy order book reflecting medium term revenue visibility.
- Modest financial performance.
- Comfortable gearing.
- Modest scale of operation



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- Elongated working capital cycle.
- Concentration risk.
- Volatility in input prices.
- Exposure to risks relating to cyclicalities in real estate industry

Detailed Description of Key Rating Drivers

Key Rating Strengths

Long track record of the promoters & established presence in facade engineering segment

Mr. Jawahar. H. Hemrajani and Mr. Kamlesh. A. Choudhari, the two promoters of Glass Wall Systems (India) Private Limited (GWSPL) set up it as partnership firm in 2002 and subsequently in 2010 the firm was converted into a private limited company as Glass Wall Systems (India) Private Ltd. Since then it scaled up its operation substantially from Rs.86.56 crore in FY11 to Rs.223.14 crore in FY17. Over the years, the company has successfully completed more than 100 projects with a total area of more than 1 million square meter.

Presence of reputed private equity investors

During FY15, private equity fund managed by Motilal Oswal infused funds amounting to Rs.55 crore in the form of Optionally Convertible Preference Shares which were converted to equity in FY17.

Highly experienced managerial & technical team

The overall operations are managed by the two promoter directors, Mr. Jawahar H. Hemrajani and Mr. Kamlesh A. Choudhari, who are assisted by a large team of qualified and experienced professionals helping them to manage the various functions of GWSPL on day-to-day and project-to-project basis. The company also has strong in-house project management team of over 250 persons.



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Established clientele and repeat orders from clients

The company has executed a number of contracts for established and renowned companies. Its clientele have placed repeat orders with GWSPL. Its clientele include reputed groups like – Reliance Mukesh Ambani Group for which it has executed projects like Residence Antilia, Reliance Petroleum Headquarter; Indiabulls Real Estate for projects like One Indiabulls Center and Indiabulls Finance Center, Indiabulls Blu; L&T group for which it completed a L&T Infotech building and façade work for Wankhede Stadium; K. Raheja Universal for which it undertook and completed various projects. The Company has also been contracted by the Lodha group for its top-of-the-class “World One” residential project which would be the tallest residential building in India.

Healthy order book reflecting medium term revenue visibility

The company had a strong order book position (Rs.779 crore as on December31, 2017) with orders across 26 contracts which is about 3.5 times of its FY17revenue (i.e; Rs. 223.14 crore). The order book is diversified among residential, corporate and commercial projects. The orders are expected to be completed within next two to three years, indicating good medium term revenue visibility.

Modest financial performance

With slowdown in real estate sector and demonetisation having taken place during FY17, the company proactively remained cautious in bidding for and executing orders, resulting in a dip in total operating income from Rs.246.27 crore in FY16 to Rs.223.14 crore in FY17. Over the last two years, the profit of the company was around Rs.11 crore, when the EBITDA margin and PAT margin were in the range of 12-13% and 4-5% respectively. Backed by healthy order book, GWSPL reported healthy growth in revenue and profits in 9MFY18. GWSPL reported a PAT of Rs.13.85 crore on a Total operating income of Rs.209.39 crore in 9MFY18.

Despite earning modest level of gross cash accruals, in the past, there have been delays in payment of undisputed statutory dues due to operational issues. However, with the implementation of GST and other operational measures by the Company, the payments for the same have been streamlined in FY18.



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Comfortable gearing

The overall gearing ratio was comfortable at 0.53x as on March 31, 2017. The interest coverage ratio stood at 2.89x in FY17 and Total debt to GCA was at 5.25x as on March 31, 2017.

Key Rating Weaknesses

Modest scale of operation

Although the scale of operation has been moderate, GWSPL is one of the leading players in the industry and the only player having ISO certification and won many awards, including “Façade Contractor of the Year” award for a consecutive period of six years (FY12 to FY17).

Elongated working capital cycle

The business of GWSPL, by its nature, is working capital intensive and this is more so as it is executing multiple projects across varied locations. Some part of the working capital also remains blocked as retention money or in the form of fixed deposits as margin against non-fund based limits. To support the working capital requirement, the company is mainly relying on bank borrowings and high credit period being availed from its suppliers based on its long presence in the sector. The aggregate of collection period, unbilled revenue days and inventory days increased from 228 days in FY15 to 347 days in FY17 due to increase in collection period and unbilled revenue. Demonetisation also adversely impacted the real estate industry which contributed to elongated collection period. However, there has been reasonable improvement in collection from customers in FY18. GWSPL also obtains significant advances from its clients to part finance its working capital requirement.

Concentration risk

Top five customers accounted for around 69% of the total operating income in FY17. The company has been executing majority of its projects in Mumbai. However, the company is increasing its presence in other geographies like Bangalore, Gurgaon/Noida, Indore, Kolkatta And also focusing on orders from better credit quality customers, which to a certain extent mitigates the concentration risk.



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Volatility in input prices

The cost of raw material accounted for 55-60% of the cost of production. Major raw materials used by the company are aluminum and glass which are usually sourced from large players at proximate distances. In case of glass, the procurement is order specific at agreed prices. In case of aluminum procurement, the company passes the price variation beyond a pre-defined agreed level. By virtue of its strong market position and proven ability to execute complex projects, the company has largely been able to pass on the rise in prices.

Exposure to risks relating to cyclicity in real estate industry

The company has a diversified order book spreading across residential projects, commercial projects and orders from companies for their corporate offices. However, GWSPL is exposed to cyclicity in the real estate sector.

Analytical Approach & Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

About the Company

Mr. Jawahar H Hemrajani and Mr. Kamlesh A Choudhari established Glass Wall Systems as partnership firm in 2002. The firm was converted into a private limited company in 2010 as Glass Wall Systems (India) Private Ltd (GWSPL). GWSPL is engaged in providing turnkey solutions as facade contractors. GWSPL provides solutions for all kinds of façade work which may involve architectural glass façade, ACP cladding, stone cladding or any other material. The company has dedicated production lines for Unitised Systems, Doors & Windows at Patalganga in Karjat with production capacity of 30,000 sqm per month and dedicated production and assembly lines for Unitised Systems, Doors & Windows in Bangalore with production capacity of 15,000 sqm per month.



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The Company has executed more than 100 projects with a total area of more than 1 million square meter. The Company has won several awards including the prestigious 'Façade Contractor of the Year' award from Construction Weekly for the Sixth consecutive year in FY17. Having headquartered in Mumbai, GWSPL is also operating in other cities like Bangalore, Gurgaon/Noida, Indore and Kolkatta.

Financials

(Rs. Crores)

For the year ended / Rs. Crs	31-03-2016	31-03-2017
	Audited	Audited
Total Operating Income	246.27	223.14
Total Income	252.92	228.00
EBITDA	29.31	29.08
PAT	11.92	11.41
Total Debt	78.07	77.98
Tangible Net Worth	136.59	147.99
Ratios		
a. EBITDA Margin	11.90	13.03
b. PAT Margin	4.71	5.00
c. Overall Gearing ratio	0.57	0.53

Note: Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:Not applicable

Any other information:N.A

Disclosure:

Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating (s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16



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1.	Fund Based Facilities-	Long Term	85.00	IVR A-/Stable Outlook(IVR Single A Minus with Stable Outlook)	--	--	--
2.	Non-Fund Based Facilities	Short Term	165.00	IVR A2+ (IVR A Two Plus)			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility(Rs. Crores)	Rating Assigned/ Outlook
Cash Credit	-	-	-	85.00	IVR A-/Stable Outlook [IVR Single A Minus with Stable outlook]
LC/BG	-	-	Upto one year	165.00	IVR A2+ [IVR A Two Plus]