

Hindusthan National Glass & Industries Limited

December 27, 2017

Rating

Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	2,063.00 (reduced from 2,113.93)	CARE D	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)
Long-term/Short-term Bank Facilities	600.00	CARE D/CARE D	Revised from CARE B+; Stable/CARE A4 (Single B Plus; Outlook: Stable/A Four)
Total	2,663.00 (Rs. Two Thousand Six Hundred Sixty Three crore only)		
NCD - Series-III	200.00 (Rupees Two Hundred crore only)	CARE C; Negative (C; Outlook: Negative)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable)

Details of instrument/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to bank facilities/instruments of Hindusthan National Glass & Industries Limited (HNG) takes into account the ongoing delays in servicing of the bank facilities by the company. There are instances of devolvement of LC which are yet to be regularised. The liquidity position of the company has been severely impacted due to continued high level of operational loss in FY17 (refers to the period April 1 to March 31) and cash loss in H1FY18. The loss is on account of subdued demand in the industry which has led to sub-optimal capacity utilisation level.

The ratings also take note of the experience of the promoters and established position of the company in the glass industry.

Outlook: Negative

The 'Negative' outlook reflects expected continuation of stress on the liquidity till improvement in the demand scenario and infusion of funds by the promoters as envisaged. The outlook may be revised to 'Stable' if the company is able to reduce losses and improve profitability.

Detailed Description of key rating drivers

Key Rating Weaknesses

Ongoing delays in debt servicing

There are instances of LC devolvement which are yet to be regularised.

Continued losses resulting in stressed liquidity position

The company's total operating income declined by 7% y-o-y from Rs.1975.51 crore in FY16 to Rs.1853.52 crore in FY17 on account subdued demand and stagnant realisations. PBILDT margin declined from 13.50% in FY16 to 10.42% in FY17. Accordingly, with relatively stable capital charges, operating loss increased from Rs.187.36 crore in FY16 to Rs.219.81 crore in FY17. However, HNG reported extraordinary income of Rs.94.59 crore in FY17 on disposal of its entire shareholding in a subsidiary. Consequently, the net loss reduced from Rs.182.31 crore in FY16 to Rs.127.11 crore in FY17 and the company achieved GCA of Rs.47.75 crore. PBILDT interest coverage was below unity for FY17. The company made interest payments through other income and utilisation of working capital borrowings.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During H1FY18, HNG incurred net loss of Rs.137.53 crore on total operating income of Rs.897.90 crore as compared to net profit of Rs.16.95 crore on total operating income of Rs.912.13 crore during H1FY17. The cash loss has resulted in the stressed liquidity position of the company.

Key Rating Strengths

Long track record of the company with established market presence

HNG, having track record of over six decades, is a leading manufacturer of container glass and has a pan India presence. It is the largest container glass player in the country.

Experienced promoters

HNG was promoted by late Mr. C. K. Somany, who was a renowned technocrat having over 60 years of experience in glass technology. Presently his two sons, Mr. Sanjay Somany (Chairman) and Mr. Mukul Somany (Vice Chairman), manage the overall affairs of the company. They have an experience of over two decades in the container glass industry.

Analytical Approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[Care's methodology for manufacturing companies](#)

About the Company

HNG, incorporated in February 1946, was promoted by late Mr. C. K. Somany of the Kolkata-based Somany family. The company is a leading manufacturer of container glass with seven manufacturing units, spread across the country having an aggregate installed capacity of 1,569,500 tpa (tonne per annum), the largest in the country.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1975.51	1853.52
PBILDT	266.77	193.06
PAT	-182.31	-127.11
Overall gearing (times)	5.20	6.90
Interest coverage (times)	1.05	0.81

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	565.00	CARE D
Fund-based - LT-Term Loan	-	-	September'2025	270.46	CARE D
Non-fund-based - LT/ ST-BG/LC	-	-	-	580.00	CARE D / CARE D
Fund-based - LT-Term Loan	-	-	September'2025	1024.99	CARE D
Fund-based - LT-Cash Credit	-	-	-	35.00	CARE D
Non-fund-based - LT/ ST-BG/LC	-	-	-	20.00	CARE D / CARE D
Fund-based - LT-Term Loan	-	-	September'2025	167.55	CARE D
Debentures-Non Convertible Debentures: Series III-Tranch I	November 23, 2011	10.40	November 23, 2021	100.00	CARE C; Negative
Debentures-Non Convertible Debentures: Series III-Tranch II	February 3, 2012	10.40	February 3, 2022	100.00	CARE C; Negative

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (09-Mar-17)	1)CARE BB (30-Dec-15) 2)CARE BBB-(03-Sep-15)	1)CARE BBB-(30-Dec-14)
2.	Fund-based - LT-Cash Credit	LT	565.00	CARE D	-	1)CARE B+; Stable (09-Mar-17)	1)CARE BB (30-Dec-15) 2)CARE BBB-(03-Sep-15)	1)CARE BBB-(30-Dec-14)
3.	Fund-based - LT-Term Loan	LT	270.46	CARE D	-	1)CARE B+; Stable (09-Mar-17)	1)CARE BB (30-Dec-15) 2)CARE BBB-(03-Sep-15)	1)CARE BBB-(30-Dec-14)
4.	Non-fund-based - LT/ ST-BG/LC	LT/ST	580.00	CARE D / CARE D	-	1)CARE B+; Stable / CARE A4 (09-Mar-17)	1)CARE BB / CARE A4 (30-Dec-15) 2)CARE BBB- / CARE A3 (03-Sep-15)	1)CARE BBB- / CARE A3 (30-Dec-14)
5.	Debentures-Non Convertible Debentures	LT	200.00	CARE C; Negative	-	1)CARE B+; Stable (09-Mar-17)	1)CARE BB (30-Dec-15) 2)CARE BBB-(03-Sep-15)	1)CARE BBB-(30-Dec-14)
6.	Fund-based - LT-Term Loan	LT	1024.99	CARE D	-	1)CARE B+; Stable (09-Mar-17)	1)CARE BB (30-Dec-15) 2)CARE BBB-(03-Sep-15)	1)CARE BBB-(30-Dec-14)
7.	Fund-based - LT-Cash Credit	LT	35.00	CARE D	-	1)CARE B+; Stable (09-Mar-17)	1)CARE BB (30-Dec-15) 2)CARE BBB-(03-Sep-15)	-
8.	Non-fund-based - LT/ ST-BG/LC	LT/ST	20.00	CARE D / CARE D	-	1)CARE B+; Stable / CARE A4 (09-Mar-17)	1)CARE BB / CARE A4 (30-Dec-15) 2)CARE BBB- / CARE A3 (03-Sep-15)	-
9.	Fund-based - LT-Term Loan	LT	167.55	CARE D	-	1)CARE B+; Stable (09-Mar-17)	1)CARE BB (30-Dec-15) 2)CARE BBB-(03-Sep-15)	-

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