

## GKB Lens Private Limited

April 11, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long-term / Short-term Bank Facilities	1.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable/ A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE BBB; Stable / CARE A3+ (Triple B; Outlook: Stable / A Three Plus) and moved to ISSUER NOT COOPERATING category
Short-term Bank Facilities	1.30	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Revised from CARE A3+ (A Three Plus) and moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>12.30 (Rs. Twelve Crore and Thirty Lakhs Only)</b>		

Details of facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has been consistently following up with GKB Lens Pvt Ltd (GLPL) for obtaining the monthly 'No Default Statement (NDS)'. However, despite our repeated requests, the company has not provided the requisite NDS for the past three months and the management has remained non-cooperative in this regard. Further, GLPL has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on GLPL's bank facilities will now be denoted as **CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING\***.

### Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-submission of No Default Statement (NDS) for the last three months.

The ratings assigned to the Bank facilities of GLPL continues to draw strength from GLPL's experienced and resourceful promoters, significant improvement in liquidity position and capital structure with infusion of equity to the tune of Rs.37 crore during FY21 (refers to the period April 01 to March 31) and H1FY22 leading to satisfactory debt protection metrics and established brand name with retail outlets in major cities.

The ratings are, however, constrained by working capital intensive nature of operations, highly fragmented and competitive nature of the eyewear industry and subdued financial performance in FY21 and H1FY22.

### Detailed description of the key rating drivers

At the time of last rating on January 31, 2022, the following were the rating strengths and weaknesses:

#### Key Rating Strengths

##### Experienced and Resourceful Promoters

GLPL is being managed by Mr. Brijendra Kumar Gupta having over 5 decades of experience in the eyewear industry. He is supported by his son, Mr. Sanjiv Kumar Gupta and Mr. Lalit Kumar Gupta, who have over two decades of industry experience. The promoters of GLPL have demonstrated regular fund support to the company in the past, for expansion of retail outlets across India and bearing the initial losses at store level. The total amount outstanding from promoters in the form of unsecured loans was Rs.11.11 crore as on March 31, 2021 (Rs.19.30 crore as on March 31, 2020).

##### Established brand name with retail outlets in major cities

Currently, the company operates 73 stores (on lease-rent basis with no lock-in period), spread across 26 towns/cities covering 18 states including union territories with major presence in Kolkata, Chennai, Mumbai, Hyderabad and Bengaluru under the brand name of 'GKB Optical's'. Sale to top 4 States accounted for 76%-77% of total sales during last 3 years. During H1FY22, the company has added new stores in Ahmedabad-Alpha One Mall and one at Lucknow-Phoenix. At the same time, the stores in Delhi – Dwarka Vegas and Mumbai – Thane Viviana Mall have been closed. The showrooms are equipped with modern eye testing facility and contact lens clinic with qualified optometrist and trained counter sales personnel.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; Based on best available information

### Significant improvement in capital structure with infusion of equity share capital

During FY21, promoters have infused equity of around Rs. 19 crore which has been used to pay off working capital loans from the Bank (Rs.12.55 crores) and long-term borrowings from the promoters (approximately Rs.7 crore). The promoters have further introduced Rs.18 crore as equity in August 2021 which was used to pay off long-term borrowings from the promoters amounting to Rs.11.11 crore with balance Rs.6.00 crores put into fixed deposits. Consequently, there has been improvement in overall gearing ratio to 0.30x as on March 31, 2021, vis-à-vis 1.81x as on March 31, 2020, and further to nil as on Sep.30, 2021. Overall gearing ratio has also improved to. TDGCA improved to 2.88x as on March 31, 2021, as against 5.63x as on March 31, 2020, on reduction in unsecured and working capital loans.

### Key Rating Weaknesses

#### Subdued financial performance in FY21 and H1FY22

The total revenue from operations deteriorated by 28.77% in FY21 to Rs.90.92 crore as compared with Rs.127.65 crore in FY20 (Rs.133.79 crore in FY19). Rs. 90.92 crore is inclusive of Rs.9.20 crore of other operating income in the form of discount received from the vendors from negotiated deals due to COVID-19. The decline in sales was also evidenced by de-growth in same store sales by 37% in FY21 when compared with FY20. PBILDT margin remained stable around 8.79% for FY21 as compared with 8.60% for FY20. GLPL generated PAT of Rs.0.10 crore during FY21, significantly lower than Rs.1.67 crore in FY20 majorly due to decline in sales. However, the company had taken various cost savings measures in terms of renegotiating the lease rentals till March 2021 and renegotiating salary of employees for a few months resulting in cost saving of about Rs.12.61 crores. The company earned GCA of Rs.3.86 crore in FY21 against nil fixed debt repayment obligation.

During H1FY22, the company has achieved turnover of Rs.48.07 crore. The sales have seen substantial improvement during Q2FY22 as things started moving towards normalization, resulting in revenue of Rs.33.24 crore as against revenue of Rs.14.83 crore during Q1FY22. The company has continued to save cost by negotiating lease rentals till March 2022, the lease rentals are likely to be around Rs.23.00 crore for FY22 (Rs.19.31 crore in FY21, Rs. 26.85 crore in FY20). The savings expected from negotiated lease rentals in FY22 are likely to be around Rs.3-4 crores from pre-covid levels.

#### Working Capital intensive nature of operations

GLPL's business is highly working capital intensive on account of high level of inventory required to be maintained to ensure ready availability of stock in its retail stores. Further, there was de-growth of 28.77% in revenue from operations of FY21 from FY20 leading to inventory not getting sold. Accordingly, average inventory holding period of GLPL remained high at 185 days in FY21 (135 days in FY20). The lenses are manufactured and supplied by VRLPL (Vision Rx Lab Pvt. Ltd. (VRLPL)) (Erstwhile GKB Rx Lens Pvt Ltd), thereby ensuring a reasonable security regarding the supply of lenses and provides a credit duration of 180 days. Own-brand frames are manufactured on a make-to-order basis from time to time by manufacturers in China and Japan. Products of international brands are purchased on a credit period ranging from 80-90 days. The company enjoys reasonable comfort in the form of stock-exchange policies along with the necessary insurance coverage for the stock. Also, the company gets good discount from its suppliers due to centralized purchase mechanism.

Since GLPL is in a retail format business, its average collection period was modest at 8 days in FY21 while the operating cycle was on the higher side at 51 days in FY21. The inventory as on March 31, 2021, stood at Rs.38.22 crore as compared with Rs.43.90 crore as on March 31, 2020.

#### Highly fragmented and competitive nature of the eyewear industry

The organized eyewear market in India is much smaller than the unorganized. Almost 80 per cent of this market is for spectacles including lenses, while the remaining 20 per cent account for sunglasses.

Over the past few years there has been an increase in organised players like Titan, Lawrence & Mayo, Himalaya Optical and online players such as Lenskart, Crazyspects have also expanded their retail footprint. The online players offer facilities such as 'try at home', 'refer and earn' and other such schemes which has been a huge hit amongst the customers.

#### Analytical approach: Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Retail](#)

#### About the Company

GLPL incorporated in April 2005, is promoted by Kolkata-based Mr Brijendra Kumar Gupta and his sons. GLPL is engaged in the trading of eye-care products like lens, frames, sunglasses, contact lens and other related accessories. Currently, the company operates 73 stores spread across 26 towns/cities in 18 states including union territories in India with major presence in Kolkata, Chennai, Bengaluru, Mumbai and Hyderabad under the brand name of 'GKB Opticals'. GLPL's product portfolio includes a range of in-house lens (manufactured by group company Vision Rx Lab Pvt. Ltd. (VRLPL)) (Erstwhile GKB Rx Lens Pvt Ltd) and frames, and international brands.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (P)
Total operating income	127.65	90.92	48.07
PBILDT	10.97	8.00	2.26
PAT	1.67	0.10	NA
Overall gearing (times)	1.81	0.30	NA
Interest coverage (times)	2.92	2.61	56.50

A: Audited; P: Provisional; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated facility:** Detailed explanation of covenants of the rated facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### Annexure-1: Details of Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	-	1.30	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee	-	-	-	-	1.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**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 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (31-Jan-22)	1)CARE BBB; Stable (02-Mar-21)	1)CARE BBB; Stable (19-Mar-20) 2)CARE BBB-; Stable (05-Apr-19)
2	Non-fund-based - ST-Letter of credit	ST	1.30	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (31-Jan-22)	1)CARE A3 (02-Mar-21)	1)CARE A3 (19-Mar-20) 2)CARE A3 (05-Apr-19)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	1.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable / CARE A3+ (31-Jan-22)	1)CARE BBB; Stable / CARE A3 (02-Mar-21)	1)CARE BBB; Stable / CARE A3 (19-Mar-20) 2)CARE BBB-; Stable / CARE A3 (05-Apr-19)

\* Long Term / Short Term

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated facilities:** Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple

**Annexure-5: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)

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

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### About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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