

Rio Glass Private Limited
February 23, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.10 (Reduced from 4.81)	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	0.10	CARE A4 (A Four)	Reaffirmed
Total Facilities	4.20 (Rs. Four Crore and Twenty Lakhs Only)		

Details of facilities in Annexure-I

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Rio Glass Private Limited continue to remain constrained on account of its small scale of operation with low profitability, moderate capital structure and debt coverage indicators along with stretched liquidity in FY20. The ratings also continue to remain constrained owing to susceptibility of profit margins to volatility in raw material price. The ratings, however continue to derive strength from experience of promoters. The ratings also factored in improvement in capital structure and debt coverage indicators.

Rating Sensitivities**Positive Factors**

- Increase in TOI by more than 2.50 folds with sustaining PBILDT margin more than 12%
- Improvement of capital structure marked by below 1.25 times gearing ratio and improvement in debt protection metrics marked by below 5 times total debt to GCA ratio and above 3 times interest coverage ratio
- Increasing and sustaining positive cash flow from operations

Negative Factors

- Stuck debtors led to elongation in operating cycle by more than 20 days putting pressure on liquidity.
- Increase Raw material prices by 5% led to increase in PBILD margin
- **Detailed description of the key rating drivers**

Key Rating Weaknesses***Small scale of operations with low profit margins***

.RGL is engaged into processing of glass viz. toughened/tempered safety glass, insulated glass units, heat strengthened glass, laminated glass etc. Total operating Income (TOI) of RGPL improved marginally by 1.56% and remained small at Rs.14.96 crore during FY20 as against Rs.14.73 crore during FY19 mainly on account increase in demand from its customers. Further, the operating profit margins of RGPL improved marginally and continued to stand moderate as marked by PBILDT margin at 10.43% in FY20 as against 9.22% during FY19 due to decrease in raw material cost during FY19. Resultantly, with increase in depreciation and interest cost, PAT margin improved marginally and remained moderate at 2.01% during FY20 as against 1.57% during FY19. Resultantly, Gross cash accruals (GCA) also remained low at Rs.0.92 crore during FY20 as against Rs.0.74 crore during FY19

Moderate capital structure and debt coverage indicators

RGPL's capital structure improved and continued to remain moderate marked by an overall gearing of 1.90 times as on March 31, 2020 as against 2.01 times as on March 31, 2019 owing to increase in networth as a result of profit accretion to reserves. Debt coverage indicators as marked by total debt to GCA improved marginally and remained moderate at 6.42 times as on March 31, 2020 (7.60 times as on March 31, 2019) owing to increase in gross cash accruals during the year. Further, the interest coverage ratio is 2.67 times during FY20 as against 2.46 times during FY19 on account of increase operating profit during FY20.

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

Susceptibility of profit margins to volatility in raw material price

Main raw material for RGPL is silica and price of silica is changing with supply and demand. Because of it being main raw material, changes in price of silica can have direct effect on profitability of RGPL.

Key Rating Strengths

Experienced promoters

RGPL is promoted by four directors namely Mr. Dineshkumar Premjibhai Patel, Mr. Hardik Arvindbhai Patel, Mr. Hardik Sudhirbhai Patel, Mr. Dharmendra Danabhai Patel. All the promoters hold on an average healthy experience of more than a decade in same line of business. The directors jointly look after overall operations of the company.

Stretched: Stretched

Liquidity position remained stretched during FY20 as marked by its inadequate cash accruals against its repayment obligations, low cash and bank balance on hand, elongated operating cycle and high utilization of its working capital limit. Its cash accruals remained inadequate at Rs.0.92 crore in FY20 against its repayment obligation of Rs.1.02 crore for FY21. However, the balance repayment was met through cash flow generated from operation Further, its cash and bank balance remained low at Rs.0.38 crore as on March 31, 2020 against Rs.0.65 crore as on March 31, 2019, while its cash flow from operation also remained positive at Rs.0.51 crore in FY20 against positive CFO Rs.0.38 crore in FY19. The marginal improvement in CFO was due to increase in realization from inventory during the year. Furthermore, average utilization of its working capital limit remained high at 80% for past one year ended January 2021 as against 92% for 12 month period ending January 2020. The operating cycle also remained moderate during FY20 at 97 days as against 95 days in FY19. RGPL has also availed moratorium of two month for the period of April 2020 to May 2020 in its term loan facilities

Analytical approach: Standalone

Applicable Criteria

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

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

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

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

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Criteria for Short Term Instruments](#)

About the Company

Rajkot (Gujarat)-based, Rio Glass Private Limited (RGPL) was established by Mr. Hardik Patel, Managing Director and other directors in 2012. The company is engaged into processing of glass. The product portfolio of the company includes toughened/tempered safety glass, insulated glass units, heat strengthened glass, laminated glass etc. The company has its processing unit at Rajkot. The company sells its products under the brand name of 'RIO'.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	14.73	14.96
PBILDT	1.36	1.56
PAT	0.23	0.30
Overall gearing (times)	2.01	1.90
Interest coverage (times)	2.46	2.67

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

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	-	-	-	2.75	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	-	0.74	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	-	0.06	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	-	0.55	CARE B+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.10	CARE A4

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	2.75	CARE B+; Stable	-	1)CARE B+; Stable (21-Feb-20)	1)CARE B+; Stable (07-Mar-19)	1)CARE B+; Stable (07-Mar-18)
2.	Fund-based - LT-Term Loan	LT	0.74	CARE B+; Stable	-	1)CARE B+; Stable (21-Feb-20)	1)CARE B+; Stable (07-Mar-19)	1)CARE B+; Stable (07-Mar-18)
3.	Fund-based - LT-Term Loan	LT	0.06	CARE B+; Stable	-	1)CARE B+; Stable (21-Feb-20)	1)CARE B+; Stable (07-Mar-19)	1)CARE B+; Stable (07-Mar-18)
4.	Fund-based - LT-Term Loan	LT	0.55	CARE B+; Stable	-	1)CARE B+; Stable (21-Feb-20)	1)CARE B+; Stable (07-Mar-19)	1)CARE B+; Stable (07-Mar-18)
5.	Non-fund-based - ST-Bank Guarantees	ST	0.10	CARE A4	-	1)CARE A4 (21-Feb-20)	1)CARE A4 (07-Mar-19)	1)CARE A4 (07-Mar-18)

Annexure-3: Complexity level of various instruments rated for this firm

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-Bank Guarantees	Simple

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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About CARE Ratings:

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