

GKB Vision Private Limited

April 27, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long/Short-term Bank Facilities	11.15	CARE BB+; Stable / CARE A4+ (Double B Plus; Outlook: Stable / A Four Plus)	Revised from CARE BB / CARE A4 (Double B / A Four)
Short-term Bank Facilities	7.25	CARE A4+ (A Four Plus)	Revised from CARE A4 (A Four)
Total Facilities	18.40 (Rupees Eighteen crore and Forty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to GKB Vision Private Limited (GKBVPL), factors in the improved profitability leading to higher cash accruals and improved liquidity position of the company on account of recovery of funds from customers.

The ratings continue to remain constrained on account of the small scale of operations with low capitalization, moderate liquidity position, customer concentration risk, foreign exchange fluctuation risk and presence in highly fragmented ophthalmic lens business.

The ratings, however, continue to draw strength from the support emanating from association with the Essilor Group (EG) in terms of technical, marketing and operational aspects of the business, long standing track record and extensive experience of the promoters in ophthalmic lens business and comfortable capital structure and debt coverage indicators. The ability of the company to further improve its scale of operations while maintaining profitability margins and capital structure and efficiently manage its working capital requirements remain the key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record of operations and experience of the promoters: GKB was incorporated by Mr K G Gupta a first generation entrepreneur who has more than three decades of experience in the ophthalmic lens industry. In 1981, Mr Gupta started GKB Group through its flagship company GKB Ophthalmic Limited. In June 2015, the Essilor Group acquired 50.11% stake in GKB through Essilor India Private Limited (EIPL) and Essilor Manufacturing India Private Limited (EM IPL), fully owned subsidiaries of Essilor International SA (EISA). EISA incorporated in France is one of the world's leading manufacturers and distributor of corrective lenses for prescription eyeglasses.

Support from the association with the Essilor Group: The group has presence in over 100 countries. By virtue of GKB's status as a subsidiary of EISA, a leading ophthalmic lens company globally, GKB is expected to get access to technology, as well as access to overseas markets, strengthening its operational profile and competitive position.

Healthy profitability margins: The profitability margins have remained healthy in the range of 15%-22% and improved over the years owing to high value addition nature of business and limited competition in branded lenses segment.

Comfortable capital structure and debt coverage indicators: The low debt profile of the company as compared to its net-worth resulted in comfortable capital structure. Moreover, with healthy profitability, the debt coverage indicators of the company remained modest owing to the low debt levels.

Key Rating Weaknesses

Small scale of operations: Despite, being operations for over 17 years the size of operations of the company remains small as marked by a total operating income of Rs.44.99 crore in CY16 (prov.) and a tangible net-worth of Rs.39.86 crore as on December 31, 2016. The small size restricts financial flexibility and deprives the company of benefits of economies of scale.

Customer concentration risk: In CY16, the company has generated almost 57% of the operating income from the top 3 customers. Thus, maintaining relationships with these customers will be a critical factor and might impact sale if demand from any of these customers decreases.

Working capital intensive nature of operations: The operations of the entity remained working capital intensive with funds being mainly blocked in inventory and debtors as reflected by high gross current asset days of over 313 days during the year ending December, 2016. The same resulted in high utilization of working capital limits to support the operations.

Susceptibility of margins to fluctuation foreign exchange rates: The material cost contributed to 47% of total costs. The company exports its products to countries like Canada, United States of America, France and Germany with export sales accounting to almost 80% of its total income. Furthermore, percentage of import has been at 98% to total raw material

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

consumed during the year, which provides a natural hedge to the company to a certain extent. However, due to the difference in timing of receipt/payment of funds, the margins remain susceptible to foreign exchange rates.

Analytical Approach: Standalone

Applicable Criteria

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

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

[CARE's Methodology for Manufacturing Sector Companies](#)

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

About the Company

GKB Vision Private Limited (erstwhile GKB Vision Limited) was incorporated in the year 2000 by Mr K.G. Gupta (CEO), along with his sons Mr Vikram Gupta (Director) and Mr Gaurav Gupta (Managing Director) to undertake manufacturing of ophthalmic lenses. Previously the company belonged to the GKB group, which is an established organized ophthalmic lens manufacturer in India. However, in (June) FY16 GKB Ophthalmics Ltd sold its entire 36.47 % stake in GKBVL to Essilor India Pvt Ltd. and Essilor Manufacturing India Pvt. Ltd., which are fully owned subsidiaries of Essilor International SA, engaged in the designing and manufacturing of lenses. Subsequently, the constitution was changed to a Private Limited Company and financial year was aligned with the parent, to January 01 to December 31. GKBVL manufactures single vision glass lenses and has an installed capacity of 24,00,000 units per annum. The company also manufactures various value-added glass lenses – bifocal, progressive, photo chromic and high index at its manufacturing facility located at Goa. The company mainly exports its final product to the countries like USA, South Africa, Germany and the gulf region. During CY16, the firm reported a total operating income of Rs.44.99 crore and PAT of Rs.5.92 crore.

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/ ST-CC/PC/Bill Discounting	-	-	-	11.15	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Bank Guarantees	-	-	-	0.25	CARE A4+
Non-fund-based - ST-Letter of credit	-	-	-	7.00	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 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.	Fund-based - CC/PC/Bill Discounting	LT/ST	11.15	CARE BB+; Stable / CARE A4+	-	-	1)CARE BB / CARE A4 (04-Mar-16) 2)CARE BB- (06-Apr-15)	-
2.	Non-fund-based - Bank Guarantees	ST	0.25	CARE A4+	-	-	1)CARE A4 (04-Mar-16) 2)CARE A4 (06-Apr-15)	-
3.	Non-fund-based - Letter of credit	ST	7.00	CARE A4+	-	-	1)CARE A4 (04-Mar-16)	-

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CIN - L67190MH1993PLC071691