

Rio Glass Private Limited

February 21, 2020

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remark
Long-term Bank Facilities	4.81 (reduced from 5.70)	'CARE B+; Stable' [Single B Plus; Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	0.10	'CARE A4' [Single A Four]	Reaffirmed
Total facilities	4.91 (Rupees Four crore and Ninety One Lakh only)		

Detailed Rationale & Key Rating Drivers

The ratings of Rio Glass Private Limited (RGPL) continue to remain constrained on account of its small scale of operation with low profitability, moderate capital structure as well as debt coverage indicators and stretched liquidity during FY19 (refers to April 01 to March 31). 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.

Rating Sensitivities

Positive Factors

- Increase in TOI by more than 2.5 folds with maintaining present level of PBILDT margin
- Improvement of capital structure marked by 1.5 times of gearing ratio and improvement in debt protection metrics marked by below 5 times total debt to GCA ratio

Negative Factors

- Stuck debtors led to elongation in operating cycle by more than 40 days putting pressure on liquidity.
- Increase in raw cotton prices by more than 10% led to decrease in profitability

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 although improved by 25.65% mainly on account increase in demand from its customers but remained small at Rs.14.73 crore during FY19 as against Rs.11.72 crore during FY18. Further, the operating profit margins of RGPL deteriorated marginally and continued to stand moderate as marked by PBILDT margin at 9.22% in FY19 as against 10.75% during FY18 due to increase in raw material cost during FY19. However, with proportionate decline in depreciation and interest cost, PAT margin improved marginally but remained low to 1.57% during FY19 as against 1.27% during FY18.

Moderate capital structure and debt coverage indicators

RGPL's capital structure deteriorated and continued to remain moderate marked by an overall gearing of 2.01 times as on March 31, 2019 as against 1.64 times as on March 31, 2018, owing to increase in total debt level due to additional term loan for new machinery and higher utilization of working capital borrowings due to increase in receivables. Debt coverage indicators as marked by total debt to GCA deteriorated marginally and remained weak at 7.60 times as on March 31, 2019 (6.26 times as on March 31, 2018) owing to increase in debt level. However, the interest coverage ratio improved marginally to 2.46 times during FY19 as against 2.29 times during FY18 on account of increase operating profit during FY19

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 could have a direct effect on profitability of RGPL, depending upon company's ability to pass on such an increase to the customers.

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

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 glass industry. The directors jointly look after overall operations of the company.

Liquidity Analysis: Stretched Liquidity

Liquidity position remained stretched as marked by insufficient gross cash accruals of Rs.0.74 crore during FY19 as against debt repayment obligation of Rs.0.87 crore for FY20. Further, cash flow from operating activities also reduced but remained positive at Rs.0.38 crore during FY19 as compared to Rs.1.77 crore in FY18 owing to higher blockage of funds in receivables. Furthermore, average utilization of working capital limit remained high at 92% for trailing 12 month period ending January 2020 and Cash and bank balance remained low at Rs.0.65 crore as on March 31, 2019 as against Rs.0.68 crore as on March 31, 2018. Operating cycle remained at 96 days during FY19 as against 118 days during FY18 due to decline in inventory days.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning outlook to credit ratings](#)

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

[Criteria for Short Term Instruments](#)

[Rating Methodology - Manufacturing Companies](#)

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

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)	FY18 (A)	FY19 (A)
Total operating income	11.72	14.73
PBILDT	1.26	1.36
PAT	0.15	0.23
Overall gearing (times)	1.64	2.01
Interest coverage (times)	2.29	2.46

A: Audited

During 9MFY20 (Prov.), RGPL has registered TOI of Rs.10.90 crore.

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	-	-	February 2024	0.89	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	April 2021	0.22	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	February 2022	0.95	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	2.75	CARE B+; Stable	-	1)CARE B+; Stable (07-Mar-19)	1)CARE B+; Stable (07-Mar-18)	1)CARE B+; Stable (02-Mar-17)
2.	Fund-based - LT-Term Loan	LT	0.89	CARE B+; Stable	-	1)CARE B+; Stable (07-Mar-19)	1)CARE B+; Stable (07-Mar-18)	1)CARE B+; Stable (02-Mar-17)
3.	Fund-based - LT-Term Loan	LT	0.22	CARE B+; Stable	-	1)CARE B+; Stable (07-Mar-19)	1)CARE B+; Stable (07-Mar-18)	1)CARE B+; Stable (02-Mar-17)
4.	Fund-based - LT-Term Loan	LT	0.95	CARE B+; Stable	-	1)CARE B+; Stable (07-Mar-19)	1)CARE B+; Stable (07-Mar-18)	1)CARE B+; Stable (02-Mar-17)
5.	Non-fund-based - ST-Bank Guarantees	ST	0.10	CARE A4	-	1)CARE A4 (07-Mar-19)	1)CARE A4 (07-Mar-18)	1)CARE A4 (02-Mar-17)

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.

Contact us

Media Contact

Name-Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact

Name - Shachee Nakul Vyas
Contact no.- (079) 40265665
Email ID- shachee.tripathi@careratings.com

Relationship Contact

Name: Mr. Deepak Prajapati
Contact no. : (079) 40265656
Email ID: deepak.prajapati@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**