

Rio Glass Private Limited

March 07, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	5.70 (enhanced from 4.27)	'CARE B+; Stable' [Single B Plus; Outlook: Stable]	Reaffirmed
Short-term Bank Facilities	0.10 (reduced from 0.50)	'CARE A4' [A Four]	Reaffirmed
Total	5.80 (Rupees Five crore and Eighty lakh only)		

Details of facilities in Annexure -1

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 and modest liquidity. 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.

RGPL's ability to increase its scale of operations, improve profitability and solvency position along with efficient working capital management would remain the key rating sensitivities.

Detailed description of key rating drivers

Key Rating Weaknesses

Small scale of operations along low profitability

RGPL is engaged into processing of glass. During FY18, the scale of operation marked by total operating income (TOI) grew by 15.11% over the previous year but remained small at Rs.11.72 crore as compared to Rs.10.18 crore during FY17, mainly on account of increase in demand of its products during the year.

Despite increase in TOI, PBILDT margin decreased by 256 bps y-o-y but remained moderate at 10.74% as against 13.30% during FY17 due to increase material cost of the company. Further, with high interest and depreciation expense incurred by the firm, PAT margin remained low at 1.27% in FY18 (0.37% during FY17).

Modest liquidity

Liquidity remained modest as indicated by current ratio of 1.14 times as on March 31, 2018 as against 1.18 times as on March 31, 2017. Overall operations remained working capital intensive in nature marked by 90% utilization of working capital bank borrowing for last 12 month period ended January, 2019. The cash and bank balance remained low at Rs.0.68 crore, while the cash flow from operations remained positive but low at Rs.1.77 crore as on March 31, 2018.

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

Improved capital structure and debt coverage indicators

Solvency position of RGPL improved and remained moderate as on March 31, 2018 as marked by overall gearing ratio of 1.64 times as on March 31, 2018 as against 2.08 times as on March 31, 2017. Debt coverage indicators also improved and remained moderate as marked by total debt to gross cash accruals of 6.26 times during FY18 (7.82 times during FY17) mainly on account of decline in debt level.

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.

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

Analytical Approach: Standalone

Applicable Criteria

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

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

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

[Criteria for Short Term Instruments](#)

[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)	FY17 (A)	FY18(A)
Total operating income	10.18	11.72
PBILDT	1.35	1.26
PAT	0.04	0.15
Overall gearing (times)	2.08	1.64
Interest coverage (times)	1.94	2.29

A: Audited

During 10MFY19 (Provisional), RGPL has reported TOI of Rs.13.50 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.

Analyst Contact

Name: Mr. Kalpesh Patel

Tel: (079) 40265611

Mobile: +91- 99090 26322

Email: kalpesh.patel@careratings.com

About CARE Ratings:

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Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. 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.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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	-	-	Feb 2024	1.15	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	May 2021	0.38	CARE B+; Stable
Fund-based - LT-Term Loan	-	-	Feb 2022	1.42	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	2.75	CARE B+; Stable	-	1)CARE B+; Stable (07-Mar-18)	1)CARE B+; Stable (02-Mar-17)	-
2.	Fund-based - LT-Term Loan	LT	1.15	CARE B+; Stable	-	1)CARE B+; Stable (07-Mar-18)	1)CARE B+; Stable (02-Mar-17)	-
3.	Fund-based - LT-Term Loan	LT	0.38	CARE B+; Stable	-	1)CARE B+; Stable (07-Mar-18)	1)CARE B+; Stable (02-Mar-17)	-
4.	Fund-based - LT-Term Loan	LT	1.42	CARE B+; Stable	-	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-18)	1)CARE A4 (02-Mar-17)	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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