## RATING RATIONALE

**30 Dec 2019**

# Girdhari Lal Manohar Lal Glass Works No 2

## Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 14.25 Crores of Girdhari Lal Manohar Lal Glass Works No 2

**Particulars:**

| Facility | Amount (₹ Crs) | | Tenure | Rating* | |
|---|---|---|---|---|---|
| | Previous | Present | | Previous (Sep, 2018) | Present |
| Fund based | 15.30 | 12.00 | Long Term | BWR BB- Outlook: Stable | BWR BB Outlook: Stable (Upgrade) |
| Non-fund Based | 2.25 | 2.25 | Short Term | BWR A4 | BWR A4 |
| Total | 17.55 | 14.25 | INR Fourteen Crores Twenty Five Lakhs Only | | |

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

## RATING ACTION / OUTLOOK

BWR has upgraded the rating of Girdhari Lal Manohar Lal Glass Works No 2 to BWR BB with a stable outlook and BWR A4 in view of the experienced management and growth in revenue. However, the rating is constrained by, average weak financial risk profile, decrease in operating profit margin and inherent risk associated with partnership firms.

## KEY RATING DRIVERS

- **Credit Strengths:**

**Experienced management:** The partners of the firm have decades of experience in the industry. Their experience and knowledge has helped the firm in maintaining and establishing long term relationship with its customers and suppliers.

**Growth in revenue:** The total operating income of the firm has increased from Rs. 59.03 Cr. in FY18 to Rs. 77.47 Cr., registering a growth of 31% in FY19. Till Oct 2019, the firm has achieved a turnover of Rs. 43.25 Cr.

- **Credit Risks:**

**Average financial risk profile:** The average financial risk profile is evidenced by moderate debt protection metrics with an ISCR of 1.83 times and DSCR of 1.01 times in FY19. 9. Repayment of unsecured loans are considered as CPLTD while calculating DSCR. Though as per the sanction letter USLs cannot be withdrawn without bank's permission. The gearing ratio is also high at 3.18 times in FY1

**Decrease in operating profit margin:** Although the net profit margin has improved to 2.42%, however, the decline has been seen in operating profit margin from 14.08% in FY18 to 11.57% in FY19.

**Inherent risk associated with partnership firms:** Due to the possibility of withdrawal of funds by the partners for personal exigencies, the partnership constitution of the business is considered an inherent risk.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered standalone financials of Girdhari Lal Manohar Lal Glass Works No 2. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

Going forward the ability of the firm to increase the revenue and profitability, improving debt protection metrics and overall financial risk profile will be the key rating sensitivities.

**Positive:** The rating may be upgraded in case of substantial improvements in scale of operations, increase in profitability margins and improvement in overall financial risk profile

**Negative:** The rating may be downgraded in case of deterioration in revenue and profitability margins or any adverse movements in the debt protection metrics.

## LIQUIDITY POSITION: Adequate

The current ratio of the firm at 1.96 times is above benchmark in FY19. The debt protection metrics stood moderate with an ISCR of 1.83 times in FY19. The conversion cycle has reduced from 142 days in FY18 to 118 days in FY19. Also, the firm has utilized 70% of their sanctioned CC limit in the last six months which shows efficient working capital management.

## COMPANY PROFILE

Girdhari Lal Manohar Lal Glass Works No 2 is a partnership firm established on 13th Sep 2002 with registered office located in Firozabad. The firm is into the manufacturing of glass bottles and other glassware products. Their manufacturing plant is located in Firozabad with an installed capacity of 120 M.T. per day, currently the firm is utilizing 80% of their installed capacity.

## KEY FINANCIAL INDICATORS (in ₹ Cr)

| Key Parameters | Units | FY19 | FY18 |
|---|---|---|---|
| **Result Type** | | **Audited** | **Audited** |
| Operating Revenue | ₹ Cr | 77.47 | 59.03 |
| EBITDA | ₹ Cr | 8.96 | 8.31 |
| PAT | ₹ Cr | 1.88 | 1.28 |
| Tangible Net worth | ₹ Cr | 11.81 | 10.73 |
| Total Debt/Tangible Net worth | Times | 3.18 | 3.69 |
| Current Ratio | Times | 1.96 | 1.99 |

## KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

## NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: NA

## RATING HISTORY

| Instrument / Facilities | Current Rating (Dec 2019) | | | Rating History | | |
|---|---|---|---|---|---|---|
| | Tenure (Long Term/ Short Term) | Amount (₹ Cr) | Rating | 2018 | 2017 | 2016 |
| Fund Based | Long Term | **12.00** | **BWR BB** Outlook: Stable (Upgrade) | **BWR BB-** Outlook: Stable | **N/A** | |
| Non-fund Based | Short Term | **2.25** | **BWR A4** | **BWR A4** | | |
| Total | | **14.25** | INR Fourteen Crores Twenty Five Lakhs Only | | | |

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

**Hyperlink/Reference to applicable Criteria**

- General Criteria
- Approach to Financial Ratios
- Short Term Debt

| Analytical Contacts | Investor and Media Relations |
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Girdhari Lal Manohar Lal Glass Works No 2

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

| Sl. No. | Name of the Bank | Type of Facilities | Long Term (₹ Cr) | Short Term (₹ Cr) | Total (₹ Cr) |
|---|---|---|---|---|---|
| 1 | Oriental Bank of Commerce | CC | 12.00 | - | 12.00 |
| 2 | | SLC | - | 2.25 | 2.25 |
| TOTAL | | | | | 14.25 |

**Total Rupees Fourteen Crores Twenty Five Lakhs only.**

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