



Rating Rationale

Okay Glass Industries

20 Jun 2018

Brickwork Ratings assigns 'BWR B+/A4' for the Bank Loan Facilities of Rs. 5.00 Crs of Okay Glass Industries ('Okay' or 'The Firm')

Particulars

Facility *	Amount (Rs. Crs)	Tenure	Rating [^]
<u>Fund Based</u> Cash Credit	4.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Assigned
<u>Non-fund Based</u> Letter of Credit	1.00**	Short Term	BWR A4 (Pronounced as BWR A Four) Assigned
Total	5.00 (INR Five Crore Only)		

[^] Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*Annexure-I provides details of bank wise facilities

** interchangeable with the CC Limit

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of the firm upto FY17, C.A certified provisional financial information for FY18, publicly available information and information/clarifications provided by the management.

The rating draws strength from the partner's experience in the glass production business and high growth in revenues and PAT for FY18. The rating, however, is constrained by the small scale of operations, low net worth, thin profitability margins, weak credit risk profile and working capital intensive operations.

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Going forward the ability of the firm to increase its scale of operation and profitability, improve its overall credit risk profile and efficiently manage its working capital would be the key rating sensitivities.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

Key Rating drivers

Credit strengths

- **Experienced management**

The firm benefits from the partners' two decades of long experience in the glass production business and established relationships with customers and suppliers which support business growth.

- **Growth in revenues and PAT for FY18**

The firm has shown high growth in revenues and PAT of Rs. 31.26 Crs and Rs. 0.91 Crs for FY18, (CA certified provisional financials) as against Rs. 16.42 Crs and Rs. 0.37 Crs for FY17.

Credit Weaknesses

- **Small scale of operations and weak business risk profile**

Though there was a good growth in the revenues and PAT in FY18, the scale of operations is still considered low.

- **Weak Credit Risk Profile**

Credit risk profile for the firm is weak marked by high Gearing at 3.00 times for FY17, due to limited capital support by the partners. Also, coverage indicators are weak marked by low ISCR and DSCR at 1.77 times and 1.15 times respectively for FY17.

- **Working Capital intensive nature of operations and high**

As evident by long conversion cycle of 160 days in FY17 and 95 days in FY18, the working capital requirements of the business are high.

Rating Outlook: Stable

BWR believes Okay's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.

Background:

Okay Glass Industries is a Uttar Pradesh based partnership firm, which was constituted in 1985 and is

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engaged in the manufacturing of glassware. The manufacturing facility is located at Firozabad (U.P) with an installed capacity of 40 MT per annum, operating at around 35 MT drawing capacity per annum. The firm was originally promoted by Mr. Onkar Nath Bansal and is now looked after by his sons i.e. Mr. Manish Bansal, Ashish Bansal and Nitin Bansal. The old partnership was dissolved in 2009 due to the retirement of Mr. Onkar Nath Bansal and new partnership was constituted in 2010. The firm has an arrangement with GAIL for supply of gas for its production process. The firm employs around 700 people out of which 75% are unskilled. The firm sells its product through its network of agents and distributors.

Financial Performance

During FY17, Okay reported net sales of Rs. 16.42 Cr and PAT of Rs. 0.37 Cr as against net sales of Rs. 21.84 Cr and PAT of Rs. 0.23 Cr in FY16. On the provisional basis, the firm had reported net sales of around Rs. 31.26 Cr for FY18 and PAT of Rs. 0.91 Cr. Current ratio was 1.29 times as on March 31 2017 as against 1.64 times for FY16. Overall gearing was high at 3.00 times as on March 31, 2017 as against 3.29 times as on March 31, 2016. ISCR and DSCR were 1.77 times and 1.15 times respectively as on March 31, 2017.

Key financial indicators are furnished in Annexure II.

Rating History for the last three years:

Facility	Amount (Rs.Crs)	Tenure	Current Rating (June 2018)	Rating History		
				2017	2016	2015
Fund Based Cash Credit	4.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Assigned			
Non-fund Based Letter of Credit	1.00*	Short Term	BWR A4 (Pronounced as BWR A Four) Assigned	N/A	N/A	N/A
Total	5.00		INR Five Crore Only			



* interchangeable with the CC Limit

Status of Non cooperation with other CRA : None

Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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Annexure I

Details of Rated Bank Facilities

Bank	Facilities	Rated Amount (Rs Crs)
Bank of Maharashtra, Firozabad Branch, Firozabad	<u>Fund Based</u> Cash Credit	4.00
	<u>Non-Fund Based</u> Letter of Credit	1.00*
	Total	5.00

* interchangeable with the CC Limit



Annexure II
Key Financial Indicators

Particulars		31st March, 2016 (Audited)	31st March, 2017 (Audited)	31st March, 2018 (Unaudited)
Net Sales	(Rs. Cr)	21.84	16.42	31.26
EBITDA	(Rs. Cr)	1.66	1.66	2.44
PAT	(Rs. Cr)	0.23	0.37	0.91
Tangible Net Worth	(Rs. Cr)	2.16	2.67	3.53
Total Debt:TNW	(Times)	3.29	3.00	2.32
Current Ratio	(Times)	1.64	1.29	1.52

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.



DISCLAIMER

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