

Press Release

Geeta Glass Works

May 05, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB**' (read as **SMERA BB**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 12.50 crore bank facilities of Geeta Glass Works. The outlook is '**Stable**'.

The Firozabad-based Geeta Glass Works (GGW) was established in 1998 as a proprietorship firm by Mr. Anurag Mittal. The firm is engaged in the manufacture of glass (alcohol) bottles. The raw material used is borex, feldspar, sodium nitrate, potassium among others. The firm purchases raw material from suppliers across India and sells its finished product (alcohol glass bottles) to clients such as Pernod Ricard India (P) Ltd., United Spirits Limited to name a few.

Key Rating Drivers

Strengths

- **Experienced promoters**

Geeta Glass Works was incorporated in 1998 as a proprietorship firm by Mr. Anurag Mittal who possesses experience of over two decades in the aforementioned line of business.

- **Moderate financial risk profile**

GGW has moderate financial risk profile marked by comfortable gearing and moderate coverage indicators. The moderate financial risk profile of the firm is marked by gearing of 0.69 times as on March 31, 2016 against 0.70 times in the previous year. Moreover, the interest coverage ratio stood at 2.92 times in FY2015-16 against 3.17 times in FY2014-15. The networth base improved to Rs.18.29 cr in FY2015-16 against Rs.15.05 cr in FY2014-15. The improvement in the financial risk profile is on account of conversion of Rs 7.29 cr of unsecured loans into equity in FY2015-16 against Rs.4.81 cr in FY2014-15.

- **Established relationships with reputed clientele and suppliers**

GGW has established relationships with reputed customers including Pernod Ricard India (P) Ltd., United Spirits Limited among others which constitute around 35 per cent of the revenue with the balance generated from a diversified client base. GGW also has established relationships with suppliers such as Aditya Chem Tec Pvt. Ltd, Gail Gas Limited, Deepak Nitrite Limited to name a few.

Weaknesses

- **Stretched working capital cycle**

The firm has stretched working capital cycle. The GCA days is high at 226 in FY2015-16 as compared to 214 days in FY2014-15. The increase in GCA days is evident from the increase in debtor's days from 64 in FY2014-15 to 107 days in FY2015-16. The company, on an average utilises around 85 per cent of its working capital limit.

• Competitive and fragmented industry

The glass industry is highly competitive with multiple players which results in intense competition from the organised as well as unorganised players.

• Customer concentration risk

GGW is exposed to client concentration risk as ~35 percent of the total operating income is generated from two major customers - Pernod Ricard India (P) Ltd and United Spirits Limited.

Analytical Approach

SMERA has taken a standalone view of the entity.

Outlook: Stable

SMERA believes that GGW will maintain a stable outlook in the medium term owing to its established operations and extensive experienced of promoters. The outlook may be revised to 'Positive' in case of significant improvement in revenue, profitability and working capital cycle, along with customer diversification. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenues and profitability or deterioration in the capital structure.

About the Rated Entity - Key Financials

For FY2015-16, the firm reported profit after tax (PAT) of Rs.2.02 cr on operating income of Rs.53.26 cr, as compared with PAT of Rs.2.04 cr on operating income of Rs.53.40 cr in FY2014-15. The net worth stood at Rs.18.29 cr (included quasi equity of Rs.7.29 cr) as on March 31, 2016 against Rs.15.05 cr (including quasi equity of Rs.4.81 cr) a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Jan-2016	Cash Credit	Long Term	INR 10	SMERA BB / Stable
	Term Loan	Long Term	INR 0.37	SMERA BB / Stable
	Letter of Credit	Short Term	INR 2	SMERA A4+
	Proposed Long Term	Long Term	INR 0.13	SMERA BB / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA BB / Stable

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ABOUT SMERA

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