

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

November 04, 2022 | Mumbai

GKB Ophthalmics Limited

Ratings upgraded to 'CRISIL C/CRISIL A4'

Rating Action

Total Bank Loan Facilities Rated	Rs.15.1 Crore
Long Term Rating	CRISIL C (Upgraded from 'CRISIL D')
Short Term Rating	CRISIL A4 (Upgraded from 'CRISIL D')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank facilities of GKB Ophthalmics Limited (GKB) to 'CRISIL C/CRISIL A4' from 'CRISIL D/CRISIL D'.

The rating upgrade reflects track record of 90 days of timely debt servicing by GKB.

The ratings continue to reflect modest scale of operations along with large working capital requirements and weak debt protection metrics. These rating weaknesses are partially offset by extensive experience of the promoters.

Key Rating Drivers & Detailed Description

Weaknesses:

- Modest scale of operations and large working capital requirement:** Although on an improving trend, the scale of operations of the company continue to remain modest and working capital intensive as indicated by a revenue of Rs 26.98 Cr in fiscal 2022 and Gross current asset (GCA) days of 166 days as on March 31,2022. Higher GCA days are driven by high debtor and inventory days of 81 and 71 days respectively, which are met by a stretched creditor days of 140 days as on March 31,2022. Steady increase in scale of operations remains monitorable over the medium term.
- Weak debt protection metrics:** Losses at operating level has led to weaker debt protection metrics, as indicated by interest coverage and net cash accruals to adjusted debt ratios of 1.10 times and 0.02 time in fiscal 2022. Improvement in the operating efficiency thus leading to better debt protection metrics remains a key monitorable.

Strength:

- Extensive experience of promoters:** Benefits from the three-decade-long presence of the promoters in the industry, their strong understanding of market dynamics and healthy relationships with suppliers and customers should continue

Liquidity: Poor

Bank limit utilization is high averaging at 99.69% for the fund-based facilities during the last 12 months ended September 2022. Current ratio was low at 0.67 times as on March 31,2022. Expected Net Cash Accruals of over Rs 0.29 crore are insufficient to cover the debt obligation of around Rs 0.4-0.6 crore per annum over the medium term, however support in the form of dividend from subsidiary and from promoters is expected in times of distress

Rating Sensitivity factors

Upward Factors

- Growth in revenue by over 15% along with stable operating margin resulting in an improvement in net cash accruals to meet it repayment obligations
- Sharp and sustained improvement in working capital cycle resulting in cushion in working capital limits

Downward Factors

- Dip in revenue or operating margin resulting in net cash accruals to fall below Rs 0.15 crore

- Stretch in working capital cycle resulting in weakening of financial risk profile and liquidity
- Lower than expected or lack of timely fund support from promoters/subsidiaries

About the Company

Incorporated in 1981, GKB commenced operations in 1983. The company manufactures ophthalmic lenses, such as single-vision glass, single-vision plastic, bifocal plastic and photochromic plastic lenses. Mr KG Gupta, Mr Vikram Gupta and Mr Gaurav Gupta are the promoters of the company.

Key Financial Indicators

Particulars	Unit	2022	2021
Operating Income	Rs crore	27.11	21.38
Profit after tax (PAT)	Rs crore	-2.31	-2.11
PAT margin	%	NA	NA
Adjusted debt/adjusted networth	Times	0.39	0.37
Interest coverage	Times	1.1	0.49

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure – Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities – including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisil.com/complexity-levels. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	0.9	NA	CRISIL A4
NA	Cash Credit	NA	NA	NA	8.7	NA	CRISIL C
NA	Export Packing Credit	NA	NA	NA	0.50	NA	CRISIL A4
NA	Letter of Credit	NA	NA	NA	2.7	NA	CRISIL A4
NA	Proposed Working Capital Facility	NA	NA	NA	0.1	NA	CRISIL C
NA	Working Capital Term Loan	NA	NA	Mar-25	2.2	NA	CRISIL C

Annexure - Rating History for last 3 Years

Instrument	Current			2022 (History)		2021		2020		2019		Start of 2019
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	11.5	CRISIL C / CRISIL A4		--	10-08-21	CRISIL D	29-10-20	CRISIL B/Stable	06-09-19	CRISIL B/Stable / CRISIL A4	CRISIL B/Stable / CRISIL A4
Non-Fund Based Facilities	ST	3.6	CRISIL A4		--	10-08-21	CRISIL D	29-10-20	CRISIL A4	06-09-19	CRISIL A4	CRISIL A4

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	0.6	CRISIL A4
Bank Guarantee	0.3	CRISIL A4
Cash Credit	5	CRISIL C
Cash Credit	3.7	CRISIL C
Export Packing Credit	0.5	CRISIL A4
Letter of Credit	0.7	CRISIL A4
Letter of Credit	2	CRISIL A4

Proposed Working Capital Facility	0.1	CRISIL C
Working Capital Term Loan	1.2	CRISIL C
Working Capital Term Loan	1	CRISIL C

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
CRISIL's approach to Covid-19-related restructuring
CRISILs Criteria for rating short term debt
CRISILs Approach to Recognising Default

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