

December 22, 2023

## Gold Plus Glass Industry Limited: Ratings reaffirmed; rated amount enhanced

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – fund-based – Term loan	271.46	636.22	[ICRA]A-(Stable); reaffirmed and assigned for enhanced amount
Long term – fund based – Cash credit	115.00	190.00	[ICRA]A-(Stable); reaffirmed and assigned for enhanced amount
Short term – Non-fund based limits	15.00	45.00	[ICRA]A2+; reaffirmed and assigned for enhanced amount
Long term/Short term – Fund based limits	50.00	0.00	-
<b>Total</b>	<b>451.46</b>	<b>871.22</b>	

\*Instrument details are provided in Annexure-I

### Rationale

ICRA has taken a consolidated view of Gold Plus Glass Industry Limited (GPGIL) and its subsidiary Gold Plus Float Glass Private Limited (GPF GPL) (together hereafter referred to as company/Gold Plus) while assigning the credit ratings. GPF GPL has significant operational and financial linkages with its parent, as the day-to-day operations of both entities are handled by the same management.

The ratings consider the expected continuation of Gold Plus's healthy operational performance, aided by favourable demand-supply dynamics and a healthy share of value-added glass in the overall sales. The company witnessed a drop in its earnings in FY2023 compared to FY2022 due to pricing pressure from imports, which led to some moderation in its realisations from H2 FY2023. Nonetheless, its operating performance is expected to remain healthy over the near to medium term, supported by the ongoing capacity enhancement at its Southern plant. Further, even as the industry remains exposed to the threat from imports impacting realisations/earnings, the imposition of anti-dumping duty (ADD) continues to support the domestic players to a large extent.

The company's profitability remains sensitive to price fluctuations and the availability of fuel and key raw materials (RM). Considering the energy-intensive nature of operations, the company's ability to protect its margins remains a key rating sensitivity. ICRA draws comfort from the fact that Gold Plus has largely been able to pass on the increment to customers through price hikes. Additionally, the company is undertaking backward integration for RM by setting up its own silica mines in Uttar Pradesh and Karnataka which would cater to both its plants. Further, to save on the power costs, it has tied up for renewable energy supply (presently utilising conventional energy) for its Kanagala (Karnataka) plant. These new initiatives are expected to benefit the company from FY2025 onwards, thus helping it sustain healthy operating margins.

At present, Gold Plus is the second-largest float glass manufacturing company in India by installed capacity [2,050 tonnes per day (TPD), including 800 TPD in Kanagala] and enjoys a pan India presence in the clear float glass segment. To support its growth prospects, the company is undertaking capacity expansion by 1,600 TPD of float glass and 300 TPD of solar glass at its greenfield Kanagala site. The production for the first line of 800 TPD already got commercialised in June 2023, recording sales of ~Rs. 314 crore from June to November 2023. The second line has a commercial operations date (COD) of June 2024, whereas the solar glass line is set to be commissioned by January 2024. A significant cost (~87%) of the budgeted capex of ~Rs. 2,385 crore has been incurred by November 2023 for the project, which is being funded by an equal mix of debt and equity (internal accruals and equity from investors). This reduces project risk materially and provides comfort regarding its timely completion. ICRA notes that the project cost is likely to see an overrun by ~Rs. 100 crore (over Rs 2,385 crore), which would marginally

impact the credit metrics of the consolidated entity. ICRA would continue to monitor the timely closure of the project without any further cost overruns.

Further, this large capex outlay has resulted in significant debt addition and consequent sizeable repayments for the company. However, comfort is drawn from the long repayment tenure of 8.5-years for the project loan (repayments commencing from March 2025) and the significant incremental earnings prospects, which are likely to aid the servicing of these new loans.

The Stable outlook factors in ICRA's expectation that the company would sustain its healthy operating performance with traction in volumes and steady profitability indicators, which would help it generate adequate cash flows to comfortably meet its sizeable debt repayment and maintain credit metrics.

## Key rating drivers and their description

### Credit strengths

**Leading player in domestic float glass industry** – Gold Plus is the second-largest manufacturer of float glass in India, with an installed capacity of 1,250 TPD at its Roorkee plant. This capacity went up from 470 TPD through capacity expansion and line refurbishment undertaken a few years back. Additionally, there is a second plant at Kangala, set up under GPF GPL, with a capacity of 800 TPD. The company's business profile is supported by experienced promoters and a sizeable market share in the float glass segment along with a pan-India presence.

**Healthy business prospects supported by increasing demand in end-user industry and favourable regulatory policies** – To support local manufacturers from lower-priced imports, the Government of India (GoI) levied ADD on imports from Malaysia in FY2021. The same strengthened the business prospects of domestic players through import substitution as well as alleviation of pricing pressures (from imports) to an extent. The GoI also imposed other non-tariff measures such as requirement of a BIS certification for glass sold in India from April 2022, which also restricts the dumping of cheap low-quality glass from other countries. However, the ADD, at present, is not enforced on solar glass imports from China; the implementation of same remains crucial for the company. In addition to these policies, the company's growth prospects are expected to remain supported by the structural positive changes in domestic demand on the back of increased acceptance of glass in architectural applications.

### Credit challenges

**Financial leverage to remain high due to sizeable capex incurred** – During FY2018 - FY2020, the company had a high total debt to OPBDITA ratio owing to sizeable capex incurred, along with weakness in cash flow generation. The same sequentially improved over FY2021 - FY2022 with a robust enhancement in profitability and moderate leverage levels. However, with some YoY moderation in the profitability and the debt availed towards the new plant in FY2023, TD/OPBDITA moderated to 2.2 times, with a consolidated debt level of ~Rs. 876 crore as of March 31, 2023. The leverage is expected to further increase in FY2024 as the company intends to draw the remaining project debt in the current fiscal. Accordingly, a sustained improvement in coverage indicators is expected from FY2025 onwards, with the new lines being fully stabilised along with scheduled repayments of debt.

**Sizeable debt repayments over near to medium term** – Gold Plus has material debt obligations over the near to medium term, pertaining to debt availed for earlier capacity expansions/refurbishments and additional debt of ~Rs. 1,193 crore for the ongoing capacity expansion in Karnataka. Of this proposed project debt, Rs. 944 crore (including a part as capex LC) has been availed until November 30, 2023, apart from term debt of ~Rs. 510 crore at the parent level as of the same period. Accordingly, the leverage for the consolidated entity has increased and the consolidated repayments are expected to remain sizeable at ~Rs. 155 crore in FY2025 and ~Rs. 185 crore in FY2026. Nonetheless, ICRA takes comfort from the expectation of steady realisations/margins for the entity going forward, its cash flow generation is expected to remain adequate to comfortably meet its debt servicing obligations.

**Exposed to volatility in fuel and raw material costs** – As glass manufacturing is an energy-intensive process, the company's profitability is highly exposed to the volatility in fuel prices. Additionally, silica sand and soda ash account for 75-80% of the total RM costs. Its profitability remains sensitive to the price fluctuations and availability of these input materials from the proximate sources. However, ICRA draws comfort from the fact that Gold Plus has been able to pass on the increment in the same through price hikes. Further, its manufacturing lines at both the plants are fuel-fungible between natural gas and furnace oil, allowing the company to switch between the two depending on economic considerations, which is a positive. In addition, access to its own silica mines would support the continued availability of the same and reduce its price volatility, which would support the company to maintain healthy margins going forward.

**Float glass industry tends to be cyclical in nature owing to lumpiness in capacity addition** – The float glass industry is cyclical because of lumpiness in capacity addition. The industry is highly capital-intensive in nature with economically viable capacity addition in the range of 550-600 TPD. This leads to lumpy capacity addition in the sector, which may impact float glass prices. This was visible during FY2018 – FY2019, which witnessed a 43% growth in domestic capacity, leading to a significant decline in glass prices. Given that a minimum period of 18-24 months is required for setting up a new line, the current situation of supply shortage in the industry is expected to continue over the near to medium term. However, the situation and market dynamics would need to be monitored with recent capacity expansion undertaken in the current fiscal by certain players, including Gold Plus and further expansion plans of the company over the next few months.

### Liquidity position: Adequate

Gold Plus' liquidity position is adequate. The consolidated debt repayments of Rs. 57.3 crore in H2 FY2024 and ~Rs. 155 crore in FY2025, expected to be met comfortably from its strong internal cash flow generation. The company has a buffer of ~Rs. 61 crore in its working capital limits at the consolidated level as of November 30, 2023; its utilisation of WC limits remains high as the same has increased significantly over the recent past, given that the internal accruals are also being deployed towards the ongoing construction of the Karnataka plant. However, with two relatively new lines in operation, the near-term capex outgo for maintenance requirements is expected to remain minimal.

### Rating sensitivities

**Positive factors** – The company's ratings can be upgraded if an improvement in the company's operating performance leads to a material enhancement in its credit metrics/liquidity position on a sustained basis.

**Negative factors** – The ratings may be downgraded, in case of any deterioration in earnings on account of muted sales or pricing/cost pressures, or in case of any larger-than-expected debt-funded capex, leading to weakening of the credit metrics such as a DSCR less than 2.0 times on a sustained basis. Further, any deterioration of the company's liquidity position may result in a negative rating action as well.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has taken a consolidated view of GPGI and its subsidiary, GPGPL, while assigning the credit ratings, given the common management and significant operational and financial linkages among the entities. For arriving at the ratings, ICRA has considered the estimated consolidated financials of GPGIL, details of which are enlisted in Annexure II.

## About the company

Incorporated in 1985, GPGIL is the second-largest float glass manufacturing company in India with a present annual production capacity of 2,050 TPD (including 800 TPD under GPF GPL). The company set up its first glass manufacturing line in January 2009 with an annual capacity of 470 TPD (Line 1), which was further augmented in 2018 with its second greenfield facility of 700 TPD capacity (Line 2). Line I was subsequently refurbished in October 2019 as its capacity increased to 550 TPD. Both units are in Roorkee (Uttarakhand). GPGIL manufactures clear float glass and higher value-added tinted glass for architectural applications. With glass being a freight-intensive product, the company generates most of its revenues from North India (~51%), followed by East India (~21%), West India (~18%) and South India (~10%).

GPF GPL is a wholly owned subsidiary of GPGIL. It was set up in 2021 to house the two new float lines with combined capacity of 1,600 TPD for manufacturing different kinds of glasses in Karnataka, of which one line was set up in June 2023. Following the completion of the ongoing capacity expansion plans, the company's annual production capacity will increase to ~2,850 TPD of float glass and 300 TPD of solar glass.

### Key financial indicators (audited)

Gold Plus Consolidated	FY2022	FY2023
Operating income	1,432.9	1,424.2
PAT	211.8	217.1
OPBDIT/OI	32.6%	27.4%
PAT/OI	14.8%	15.2%
Total outside liabilities/Tangible net worth (times)	0.5	1.0
Total debt/OPBDIT (times)	0.8	2.2
Interest coverage (times)	7.5	10.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	Amount outstanding as of Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022			Date & rating in FY2021	
				Dec 22, 2023	Sep 22, 2022	Dec 16, 2021	Jul 8, 2021	Mar 24, 2021	Dec 11, 2020	Sep 18, 2020, May 22, 2020
1 Long-term Fund-based – Term loan	Long term	636.22	452.4	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB- (Stable)	[ICRA] BB+ &	[ICRA]BB+ (Negative)
2 Long Term – fund based – Cash credit	Long term	190.00	--	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA] BBB+ (Stable)	[ICRA] BBB (Stable)	[ICRA] BBB- (Stable)	[ICRA]BB+ &	[ICRA]BB+ (Negative)
3 Short Term – Non Fund based limits	Short term	45.00	--	[ICRA] A2+	[ICRA] A2+	[ICRA] A2	[ICRA] A3+	[ICRA]A3	[ICRA]A4+ &	[ICRA]A4+

4	Long Term/Short Term – Fund based limits	Long term/Short term	-	--	-	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-	-	-
5	Unallocated	Short term	-	--	-	-	-	[ICRA]A3+	-	-	-

&= Under watch with developing implications

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Term loan	Simple
Long Term – fund based – Cash credit	Simple
Short Term – Non Fund based limits	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

## Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan - 1	Nov 2021	NA	Mar 2025	42.97	[ICRA]A- (Stable)
NA	Term Loan - 2	Dec 2021	NA	Mar 2025	23.10	[ICRA]A- (Stable)
NA	Term Loan - 3	Dec 2021	NA	Sep 2025	110.15	[ICRA]A- (Stable)
NA	Term Loan - 4	FY2024	NA	FY2030	93.00	[ICRA]A- (Stable)
NA	Term Loan - 5	FY2023	NA	FY2028	107.00	[ICRA]A- (Stable)
NA	Term Loan - 6	FY2023	NA	FY2028	60.00	[ICRA]A- (Stable)
NA	Term Loan - 7	FY2024	NA	FY2029	100.00	[ICRA]A- (Stable)
NA	Term Loan - 8	FY2024	NA	FY2029	65.00	[ICRA]A- (Stable)
NA	Proposed term Loan	NA	NA	NA	35.00	[ICRA]A- (Stable)
NA	Long Term – fund based – Cash credit	NA	NA	NA	190.00	[ICRA]A- (Stable)
NA	Short Term – Non Fund based limits*	NA	NA	NA	45.00	[ICRA]A2+

Source: Company; \*out of it, Rs 30 crore of NFB limit is two-way interchangeable between non-fund-based and fund-based limit

[Please click here to view details of lender-wise facilities rated by ICRA](#)

## Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Gold Plus Glass Private Limited	Rated entity	Full Consolidation
Gold Plus Float Glass Private Limited	100%	Full Consolidation
Amplus Poorva Private Limited	30%	Equity method

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