

## Gujarat Guardian Limited

Instrument	Amount	Rating Action
Long-term, fund-based/ non-fund based facilities	Rs. 10.0 crore	[ICRA]AA (stable) reaffirmed
Long-term, non-fund based facilities	Rs. 30.0 crore	[ICRA]AA (stable) reaffirmed

ICRA has reaffirmed the [ICRA]AA (pronounced ICRA double A) rating assigned to the Rs. 10.0 crore<sup>1</sup>, long-term, fund-based/ non-fund based bank facilities and the Rs. 30.0 crore, long-term, non-fund based bank facilities of Gujarat Guardian Limited (GGL)<sup>2</sup>. The outlook on the rating is stable.

The rating reaffirmation takes into account GGL's strong financial profile, as reflected in its debt-free status, robust coverage ratios and healthy liquidity; locational advantages in the procurement of raw materials; highly diversified client base; and the operational support it receives from its foreign joint venture partner, Guardian Industries Corp. (USA) (rated Baa1/ P-2/ Stable by Moody's). The rating also takes into consideration GGL's renegotiation of the LNG contract by GAIL and other oil marketing companies with the Government of Qatar, with effect from January 2016, linking the long-term contract prices of natural gas to last three months' average price as against last 60 months earlier, which has benefitted Indian customers buying gas under long-term contract. This has resulted in a significant reduction in natural gas cost for GGL, thus offsetting the negative impact of no availability of natural gas under Administered Price Mechanism (APM) for GGL with effect from June 2016. Thus, GGL's operating margin in H1 FY2017 has significantly improved vis-à-vis FY2016. However, ICRA also notes the recent slowdown in sales on account of the demonetisation by the Government of India, which will result in a moderation in margins in FY2017, which are however, still expected to be better than FY2016.

ICRA notes that market share is a function of production capacities. Hence, the market share of GGL's peers, who have added new float lines has been growing, while that of GGL has been declining. GGL has already initiated construction of a coater line at its existing plant in Gujarat with the aim of providing value added products. The investment of ~Rs. 295 crore would be entirely funded through existing cash & bank balance.

The rating also factors in the large investment to be potentially incurred by GGL in setting up a new float line to improve its market share, which could result in incremental borrowings. However, GGL's liquidity, at present, is healthy with strong cash accruals from business over the years. Thus, the company has strong financial flexibility. Sustaining the currently comfortable credit profile through further increase in cash accruals post the commencement of the coater facility and the new float line would remain a key rating sensitivity.

### Company Profile

India's first float glass manufacturer, Gujarat Guardian Limited (GGL) is a joint venture between Guardian Industries Corp., USA (rated Baa1/ P-2/ Stable Outlook by Moody's), Modi Rubber Limited (part of the V. K. Modi group), Gujarat Alkalies & Chemicals Limited and Gujarat Mineral Development Corporation Limited; and commenced production in 1993. GGL currently manufactures float glass and mirror glass.

**December 2016**

<sup>1</sup> 100 Lakh = 1 Crore = 10 Million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA Rating Publications



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