



SMERA RATINGS LIMITED

Punjab Gas Cylinders Limited (PGCL)

**Rating
Rationale****November 07, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.00	SMERA B+/Stable (Assigned)
Bank Guarantee	1.70	SMERA A4 (Assigned)

SMERA has assigned a rating of '**SMERA B+**' (read as **SMERA single B plus**) and '**SMERA A4**' (read as **SMERA A four**) to the Rs.6.70 crore bank facilities of Punjab Gas Cylinders Limited (PGCL). The outlook is '**Stable**'. The ratings are constrained by the company's small-scale operations and weak financial profile. The ratings are also constrained by the company's high dependence on tender-based orders. The abovementioned weaknesses are partially offset by the company's experienced management, healthy order book position and established relations with customers.

PGCL, incorporated in 1979, is a Punjab-based company engaged in manufacturing of gas (LPG) cylinders. PGCL has small-scale operations with operating income of Rs.27.12 crore in FY2013-14. The company's weak financial profile is marked by low net worth of Rs.1.27 crore and high debt-equity ratio of 3.54 times as on March 31, 2014. PGCL's total debt of Rs.4.49 crore (as on March 31, 2014) includes interest-free unsecured loans of Rs.1.60 crore. The company is highly dependent on tender-based orders, which are procured through an intensely competitive bidding process. PGCL benefits from its experienced management. The promoters of the company have around two decades of experience in the business of manufacturing gas cylinders. PGCL's healthy order book position is reflected in pending orders of ~Rs.30.00 crore, which are likely to be executed by March 2015. The company also benefits from its established relations with several reputed customers including Indian Oil Corporation Ltd., Bharat Petroleum Corporation Ltd. and Hindustan Petroleum Corporation Ltd.

Outlook: Stable

SMERA believes PGCL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations, experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers sustained growth in scale of operations and profitability with substantial improvement in financial risk profile. The outlook may be revised to 'Negative' in case of decline in the company's operating profit margins, or in case of significant deterioration in the company's working capital management or financial risk profile.

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About the company

PGCL, incorporated in 1979, is a Punjab-based company promoted by Mr. Daljit Singh, Mr. Gurachan Singh and Mr. Amarjit Singh. In 1999, PGCL was acquired by Mr. Rajesh Mittal and Mr. Naveen Mittal. The company manufactures gas (LPG) cylinders for various oil marketing companies.

For FY2013–14, PGCL registered profit after tax (PAT) of Rs.0.16 crore on operating income of Rs.27.12 crore, as compared with net loss of Rs.0.17 crore on operating income of Rs.20.93 crore in the previous financial year. PGCL's net worth stood at Rs.1.27 crore as on March 31st 2014, as compared with Rs.1.11 crore a year earlier.

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