

Press Release

PG Industries

28 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Crore
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB**' (read as SMERA double B) to the Rs. 8.00 crore bank facilities of PG Industries (PGI). The outlook is '**Stable**'.

PGI is a Tamil Nadu based firm established by partners, Mr. Pravin V Gandhi, Ms. Nirupama U Gandhi and Mr. Pranay Gandhi in 2007. The firm manufactures stainless steel straps and bands at Hosur (Tamil Nadu) and has capacity of 24 lakh (stainless steel watch straps and bands) and 18 lakh (ion coated watch straps and bands) respectively per annum.

Key rating drivers

Strengths

Experienced promoter

The main promoter, Mr. Pravin Gandhi, has experience of over four decades in the watch industry. This has helped the firm establish long term relations with customers and suppliers.

Weaknesses

Average financial risk profile

PGI has average financial risk profile marked by low tangible net worth of Rs. 3.46 crore as on 31 March, 2017 as against Rs. 4.74 crore as on 31 March, 2016. The reduction in net worth is due to withdrawal of capital in FY2017 by partners. The debt to equity ratio stood at 2.91 times as on 31 March, 2017 as against 1.40 times as on 31 March, 2016. The debt of Rs. 10.06 crore consists of term loan of Rs. 1.74 crore, working capital borrowings of Rs. 5.98 crore as on 31 March 2017 and unsecured loan from promoters of Rs.2.34 crore.

Customer concentration risk

The firm largely caters to Titan Company Limited with sales constituting 74.46 percent in FY2017, 87.02 percent in FY2016 and 89.96 percent in FY2015. Thus, the firm is exposed to customer concentration risk.

Inherent risk of capital withdrawal

PGI is exposed to risk of capital withdrawal considering its partnership constitution.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of PGI.

Outlook- Stable

SMERA believes that PGI will maintain a stable outlook over the medium term owing to its experienced management and long standing relation with customers. The outlook may be revised to 'Positive' in case the firm registers improvement in capital structure and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the capital structure and profitability.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	21.41	18.35	21.27
EBITDA	Rs. Cr.	2.47	2.04	2.29
PAT	Rs. Cr.	0.48	0.51	0.26
EBITDA Margin	(%)	11.55	11.11	10.75
PAT Margin	(%)	2.26	2.77	1.24
ROCE	(%)	6.67	6.36	4.97
Total Debt/Tangible Net Worth	Times	2.91	1.40	1.69
PBDIT/Interest	Times	2.36	2.22	1.80
Total Debt/PBDIT	Times	4.06	3.13	3.18
Gross Current Assets (Days)	Days	150	170	139

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

Not Applicable

Any other information:

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB/ Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB/ Stable

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ABOUT SMERA

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