

Press Release

Pragati Glass Private Limited

November 21, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 24.34 Cr.
Long Term Rating	ACUITE B-/Outlook: Stable (Upgraded from ACUITE D)
Short Term Rating	ACUITE A4 (Upgraded from ACUITE D)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long-term rating to '**ACUITE B-**' (read as **ACUITE B minus**) from '**ACUITE D**' (read as **ACUITE D**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) from '**ACUITE D**' (read as **ACUITE D**) to the Rs. 24.34 crore bank facilities Pragati Glass Private Limited (PGPL). The outlook is stable.

The upgrade revision is in view of the regular account conduct for last three months ended October, 2018. The rating continues to draw comfort from the experienced management, reputed clientele base and healthy margins.

PGPL was incorporated in 1981 by Mr. Dinesh Kumar Gupta, Mr. Rajesh Shah and Mr. Ashish Gupta. The Gujarat-based company is engaged in manufacture of glass bottles and tableware. PGPL caters to the cosmetic and perfume industry.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Pragati Glass Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

PGPL's promoters have more than three decades of experience in the aforementioned business. This has helped the company in building healthy relations with customers and suppliers.

- Above average financial risk profile**

PGPL has above average financial risk profile marked by net worth of Rs.78.34 crore as on 31 March, 2018 as against Rs.73.78 crore as on 31 March, 2017. Gearing (debt-to-equity) stood at 0.38 times as on 31 March, 2018 against 0.41 times as on 31 March, 2017. Total debt of Rs.29.53 crore mainly comprises of long term debt of Rs.0.96 crore and working capital borrowings of Rs.18.11 crore as on 31 March, 2018. Interest coverage ratio (ICR) stood at 4.25 times for FY2018 against 4.26 times for FY2017. NCA/ TD stood at 0.35 times for FY2018 against 0.31 times for FY2017.

Weaknesses

- Working capital intensive nature of operations**

PGPL has Gross Current Assets (GCA) of 227 days for FY2018 against 225 days for FY2017. This is mainly on account of debtor days of 129 and inventory days of 77 for FY2018. However, the company managed its liquidity through support received by suppliers marked by creditor days of 183 for FY2018 against 174 days for FY2017. Further, average utilisation of cash credit stood at ~95.00 percent.

Outlook:

Acuite believes that PGPL will maintain a 'Stable' outlook over the medium term owing to its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case of substantial increase in scale of operations and comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or failure in achieving the projected scalability in revenues amidst intensifying competition in its area of operations or deterioration in the financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	156.24	122.86	126.29
EBIDTA	Rs. Cr.	22.27	16.23	17.91
PAT	Rs. Cr.	4.56	4.88	3.52
EBITDA Margin	(%)	14.25	13.21	14.18
PAT Margin	(%)	2.92	3.97	2.79
ROCE	(%)	9.08	9.61	8.59
Total Debt/Tangible Net Worth	Times	0.38	0.41	0.43
PBDIT/Interest	Times	4.25	4.26	3.90
Total Debt/PBDIT	Times	1.83	2.02	2.07
Gross Current Assets (Days)	Days	227	225	226

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Jun-2018	Cash Credit	Long Term	17.50	ACUITE D (Assigned)
	Letter of Credit	Long Term	3.50	ACUITE D (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE D (Assigned)
	Proposed Bank Facility	Short Term	2.84	ACUITE D (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.50	ACUITE B-/Stable (Upgraded from ACUITE D)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4 (Upgraded from ACUITE D)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A4 (Upgraded from ACUITE D)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.84	ACUITE A4 (Upgraded from ACUITE D)

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About Acuité Ratings & Research:

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