

Press Release

Pragati Glass Private Limited

December 09, 2021



Rating Upgraded

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.84	6.84		ACUITE A4+ Upgraded
Bank Loan Ratings	26.50	26.50	ACUITE BB Stable Upgraded	
Total	-	33.34	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.33.84 crore bank facilities of PRAGATI GLASS PRIVATE LIMITED (PGPL). The outlook is 'Stable'.

About the Company

Incorporated in 1981, PGPL is a Gujarat based company engaged in manufacturing of glass bottles. The day to day operations are managed by its directors, Mr. Dinesh Kumar Gupta, Mr. Rajesh Shah and Mr. Ashish Gupta. The company has a manufacturing unit in bhiwandi with a capacity of 47500 metric tonne per annum. It has reputed clientele which includes Zandu Pharma, Emami, Godrej, Raymond (J.K. Helen Curtis), Marico, Lykis Ltd, Himalaya Drugs Ltd, Dabur India Ltd., to name a few.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of PGPL to arrive at the rating

Key Rating Drivers

Strengths

> Experienced management

PGPL was incorporated in 1981 by its directors, Mr. Dinesh Kumar Gupta, Mr. Rajesh Shah and Mr. Ashish Gupta who has experience of over three decades in the glass and glassware industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. PGPL has wide customer base with top ten customers accounting for ~14.80 percent of sales. Further, the experience of the top management and second level management, company has been able to expand its business pan India. Acuite believes that PGPL will continue to benefit from its experienced management and established relationships with customers and suppliers.

> Moderate Financial risk profile

The financial risk profile of the company stood moderate marked by above average net worth, moderate coverage metrics. The net worth of the company stood at Rs. 94.45 crore as

on 31 March 2021 (Provisional) as against Rs. 89.19 crore as on 31 March 2020. The gearing (debt-equity) of the company stood at 0.50 times as on 31 March 2021 (Provisional) as against 0.51 times as on 31 March 2020. However, as on 31st March 2021 Unsecured Loan from promoters stood at Rs. 13.41 Cr hence the adjusted gearing stood at 0.36 times. Total debt of the company stood at Rs. 47.63 crore as on 31 March, 2021 (Provisional) which comprises of short term debt of Rs. 23.48 Cr, long term debt of Rs. 10.73 Cr, USL of Rs. 13.41 Cr and CPLTD of Rs. 1.64 Cr. Interest coverage ratio stood at 4.12 time for FY2021 as against 4.11 times for FY2020. Further, debt service coverage ratio stood at 2.59 times in FY2021 as against 3.04 times in FY2020. Also, Total outside liabilities to total net worth (TOL/TNW) stood lower at 1.14 times in FY2021 as against 1.28 times in FY2020

Weaknesses

> Intensive Working capital operations

Deteriorated and Intensive working capital requirements as evident from gross current assets (GCA) of 244 days for FY2021 as against 225 days for FY2020. The debtor days stood at 150 days as on 31 March 2021(Prov.) as against 147 days in the previous year, the increase in debtor days is due to disruption caused by Covid-19 pandemic. However, the debtor position has improved in 1HFY2022. Further, inventory days stood improved at 59 days as on 31 March 2021(Prov.) as against 60 days in previous year. Current Ratio stood at 1.80 times as on 31 March 2021(Prov.) as against 1.47 in the previous year.

> Highly fragmented and competitive industry

The glass and glassware industry is highly fragmented with several organized and unorganized players, thereby impacting the company's profitability. Acuité believes that high fragmentation and competition is likely to impact the profitability

Liquidity Position: Adequate

The company has adequate long-term liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 11.58 crore for FY2021 as against Rs. 1.63 crore repayment obligations for the same period. However, the average utilization stood high for fund based facility at 93.36 per cent in the last six months ending September 2021. The company has unencumbered cash and bank balances of only Rs. 2.84 crore as on 31st March 2021(Prov.). Therefore, there are enough net cash accruals & limits available to utilize more funds if required to support incremental requirements.

Rating Sensitivities

- >Deterioration in financial risk profile of the company
- >Deterioration in scale of operations and profitability margins.

Material covenants

None

Outlook: Stable

Acuité believes that PGPL will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in PGPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	208.50	206.95
PAT	Rs. Cr.	5.26	4.60
PAT Margin	(%)	2.52	2.22
Total Debt/Tangible Net Worth	Times	0.50	0.51
PBDIT/Interest	Times	4.12	4.11

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Feb 2020	Letter of Credit	Short Term	4.00	ACUITE A4 (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB- Stable (Upgraded from ACUITE B- Stable)
	Cash Credit	Long Term	17.50	ACUITE BB- Stable (Upgraded from ACUITE B- Stable)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BB- Stable (Upgraded from ACUITE B- Stable)
	Proposed Bank Facility	Short Term	2.34	ACUITE A4 (Reaffirmed)
21 Nov 2018	Cash Credit	Long Term	17.50	ACUITE B- Stable (Upgraded from ACUITE D)
	Letter of Credit	Short Term	3.50	ACUITE A4 (Upgraded from ACUITE D)
	Bank Guarantee	Short Term	0.50	ACUITE A4 (Upgraded from ACUITE D)
	Proposed Bank Facility	Short Term	2.84	ACUITE A4 (Upgraded from ACUITE D)
27 Jun 2018	Cash Credit	Long Term	17.50	ACUITE D (Assigned)
	Letter of Credit	Long Term	3.50	ACUITE D (Assigned)
	Proposed Bank Facility	Short Term	2.84	ACUITE D (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE D (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.50	17.50	ACUITE BB Stable Upgraded
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	4.00	ACUITE A4+ Upgraded
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	0.50	ACUITE A4+ Upgraded
Deutsche Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	7.00	ACUITE BB Stable Upgraded
Deutsche Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	2.00	ACUITE BB Stable Upgraded
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.34	2.34	ACUITE A4+ Upgraded

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About Acuité Ratings & Research

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