



Rating Rationale

PB Global Ltd.

25 Nov 2019

Brickwork Ratings reaffirms the Ratings for Bank Facilities of Rs.48.50 Crs of PB Global Ltd. ('PBGL' or 'the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present #		Previous (Aug 2018)	Present (Nov 2019)
Fund based	25.00	25.00	Long Term	BWR BBB-/Stable	BWR BBB-/Stable Reaffirmed
Non-Fund Based	23.50	23.50	Short Term	BWR A3	BWR A3 Reaffirmed
Total	48.50	48.50	INR Forty Eight Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure I shows the detailed facilities

RATING ACTION/OUTLOOK

Brickwork rating reaffirms the ratings at BWR BBB-/A3 (Outlook: stable). The rating continues to draw strength from the promoter's experience in the industry, reputed clientele and established business relationships with customers and comfortable capital structure and debt coverage indicators. However, the rating remains constrained by moderate financial risk profile marked by modest scale of operation and thin profitability margins and intense competition in the market limiting price flexibility.

The stable outlook reflects continuous growth in revenues and healthy capital structure and debt coverage indicators.

KEY RATING DRIVERS

Credit strengths:

- **Experienced promoters, reputed clientele and established business relations with customers**

The promoters of PBGL, Mr. Parimal Mehta, Mr. Omprakash Berlia, Mr. Rajendra Kumar Agarwal have experience of more than three decades in trading of Chemicals and electronic products. Over the years, they have established healthy business relations with their customers which include reputed companies like Hindustan Unilever Ltd., Welspun India Ltd., RSPL Ltd. etc ensuring repeat orders.

- **Comfortable Capital Structure and debt coverage indicators**

In order to support the incremental working capital requirements of the Company, promoters have provided unsecured loans to the tune of Rs.12.28 Crs, which has increased PBGL's total gearing but remained comfortable at 1.05x as on March 31, 2019 as against 0.88x as on March 31, 2018. The company has maintained healthy coverage indicators with ISCR of 1.85x in FY19 reflecting comfortable interest servicing capacity in the medium term.

Credit Weaknesses:

- **Moderate financial risk profile**

The scale of business operations remained stable with the Company reporting Total Operating Income (TOI) of Rs.616.31 Crs and PAT of Rs.4.19 Crs in FY19 as against TOI of Rs.599.99 Crs and PAT of Rs.3.53 Crs in FY18. Further, in H1FY20 (prov.), the Company has achieved TOI of Rs.277.27 Crs and PAT of Rs.1.50 Crs. Owing to the trading nature of business and intense competition in the market, PBGL continued to operate at thin profit margins as its operating margin and Net profit margin for FY19 stood at 1.95% and 0.68% as against 1.92% and 0.59% in FY18. Improving scale of operations and profit margins in highly fragmented industry remains a key monitorable.

- **Presence in a highly competitive industry**

The Chemical industry comprises of large number of players which supplies Soda Ash, Sodium Bicarbonate and PVC Resin. Further, the trading of electronic products through e-commerce sites also faces stiff competition which exerts pressure on the profitability of the Company and limits price flexibility.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon the audited financials of the Company upto FY19, Projections upto FY21, publicly available information and information/clarifications provided by the management. For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale)



RATING SENSITIVITIES

Going forward the ability of the Company to increase its scale of operation and achieve its envisaged revenue, improve its overall financial risk profile supported by improved profitability margins, and efficiently manage its working capital would be the key rating sensitivities.

Positive: Further increase its scale of operation, profit margin levels and debt coverage indicators will be positive for the rating.

Negative: Significant decrease/deterioration in revenues, profitability coupled with deterioration in overall financial risk profile will be negative for ratings..

LIQUIDITY POSITION: ADEQUATE

As on September 30, 2019 (prov.), the liquidity position of the Company is adequate as its current ratio stood at 1.80x and it has cash and bank balance of Rs.3.19 Crs. Further, the Company's working capital utilisation is around 95% with unutilised limits being in the range of Rs.1.00-1.50 Crs. For FY20, the Company has scheduled loan repayments of Rs.2.52 Crs and has cash flow generated in H1FY20 is in-line to meet the same.

COMPANY PROFILE

PB Global Ltd. (PBGL) was incorporated in 1960 and it is engaged in trading of Chemicals and electronic products. PBGL trades in chemicals such as Soda Ash, Sodium Bicarbonate and PVC Resin, while in e-commerce business it sells products through Amazon and Flipkart. The Company is Authorized Distributor of Sony, Panasonic, Reliance Jio, LYF Mobiles, Lava and Jivi Mobiles, Tamron Camera Lenses and branded tablets and computers. The Company also trades in home appliances such as TV, Air Conditioner and Fridge.

KEY FINANCIAL INDICATORS

	31.3.2019 Audited	31.3.2018 Audited
Total Operating Income (Rs. Cr)	616.31	599.99
EBITDA (Rs. Cr)	12.03	11.52
PAT (Rs. Cr)	4.19	3.53
Tangible Networth (Rs. Cr)	51.95	39.78
Total Debt:TNW (Times)	1.05	0.88

Current Ratio	(Times)	1.69	1.47
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KEY COVENANTS OF INSTRUMENTS/FACILITIES TO BE RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY: NA

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Nov 2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Aug 2018	Dec 2016	Jan 2016
1	Fund based Cash Credit-I Cash Credit-II	Long Term	25.00 (9.00)*	BWR BBB-/Stable Reaffirmed	BWR BBB-/Stable Reaffirmed	BWR BBB-/Stable Upgraded	BWR BB/Stable Assigned
2	Non-Fund Based Import LC Inland Letter of Credit Bank Guarantee	Short Term	23.50 (23.50)* (7.00)*	BWR A3 Reaffirmed	BWR A3 Reaffirmed	BWR A3 Upgraded	BWR A4 Assigned
			48.50	INR Forty Eight Crores and Fifty Lakhs Only			

*Import LC

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

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Annexure I

Details of Rated Bank Facilities

Bank	Name of Facility	Nature of Facility	Rated Amount (Rs.in Cr.)
Union Bank of India	Cash Credit-I	Fund Based-Long Term	25.00
	Cash Credit-II		(9.40)*
	Import LC	Non-Fund Based-Short Term	23.50
	Inland LC		(23.50)*
	Bank Guarantee		(7.00)*
		Total	48.50

***Sub-limit of Import LC**

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