

RATING RATIONALE

PG Electroplast Limited

Brickwork Ratings reaffirms the ratings for the Bank Loan Facility of ₹ 252.83 Crs of PG Electroplast Limited.

Particulars :

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (05 July 2019)	Present
Fund Based	120.49	124.83	Long Term	BWR BBB+ Stable	BWR BBB+ Stable Reaffirmed
Fund Based	55.00	75.00	Short Term	BWR A2	BWR A2 Reaffirmed
Non Fund Based	53.00	53.00	Short Term	BWR A2	BWR A2 Reaffirmed
Total	228.49	252.83	INR Two Hundred Fifty Two Crores and Eighty Three Lakhs Only		

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

** Details of bank facilities are in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings (BWR) has reaffirmed the long-term rating at BWR BBB+ Stable/A2 assigned to the bank loan facilities of PG Electroplast Limited

The rating derives comfort from extensive experience of the promoters in consumer electronic manufacturing services, established relationship with diversified and reputed client base, average financial risk profile marked by a moderate scale of operations coupled with low gearing level and debt protection metrics and liquidity position.

The ratings are however constrained by thin profitability margins in line with volatile raw material costs, forex risk and intense competition which limits the pricing power of the company

The outlook remains stable as the company is able to register growth in revenues in the last couple of years and also expanding its product portfolio which will also contribute additional revenue going forward.



KEY RATING DRIVERS

BWR principally relied on audited financials upto FY19, projections of FY21, FY22 and FY23, publicly available information and information/clarification provided by the management.

Credit Strengths

- **Experienced Promoters:** The promoters have more than two decades of experience in the plastic moulding business and consumer electronic manufacturing services, which helps the company in securing repeat orders.
- **Diversified Product Portfolio:** The Company has been an Electronic Manufacturing Services (EMS) provider for Original Equipment Manufacturers (OEMs) and Plastic Injection Moulding Parts Manufacturer of consumer electronic products in India. The Company has been manufacturing plastic parts for a comprehensive range of consumer electronic products such as air conditioners (ACs), air Coolers, refrigerators and washing machines and . The customers include major reputed brands like LG Electronics, Carrier, Sharp, HUL, Kohler, Usha, Kenstar, Videocon, SMR etc. In the last 3-4 years PGEL has expanded its business operations in the plastic injection moulding field by expanding capacities.
- **Moderate Scale of Operations:** The company has achieved Total Operating income of ₹ 639.42 Crs in FY20 against Operating income of Rs 508.35 Crs in FY 19. The company has grown at a CAGR of 26.52% over the period of (FY 18-20) on account of existing and new customers.
- **Comfortable financial risk profile:** During FY20, Financial risk profile of PGEL is characterized by comfortable overall gearing (TOL/TNW) of 1.84 X, Moderate Debt protection metrics such as ISCR and DSCR of 2.71X and 1.27 X respectively and comfortable conversion cycle of 32 Days.

Credit Weaknesses :

- **Volatile and declining profitability margins:** The margins are volatile because prices of raw materials are linked to crude oil prices. During FY20 , PAT margins declined to 0.41% against 1.96% due to higher provisioning for tax , forex losses and losses due to fire.
- **Forex Risk:** Company imports 10% of its raw material from Malaysia and China and



entity is not hedging its 100% forex exposure.

- **Intense competition:** Though the company's portfolio is diversified, the consumer electronic industry faces severe competition which limits the pricing power .

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked, detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive: The rating outlook may be revised to Positive, and the rating may be upgraded in case there is sustainable growth in revenues and an improvement in profitability margins.

Negative: The rating may be downgraded if the company is unable to sustain revenue , profitability margins and in the case of a deterioration in the liquidity profile.

LIQUIDITY POSITION (Adequate)

CC Limit utilization is 60 to 70% during the last six months. Unutilized limits provide cushion against any financial adversity. During FY20, the entity generated cash accruals of Rs 18.92 Crs against fixed repayment of Rs 11.66 Crs. During FY-20 entity reported comfortable conversion cycle of 32 Days

COMPANY PROFILE

Incorporated in 2003 by Mr. Pramod Gupta, PGEL is engaged in diversified electronic manufacturing services and plastic injection moulding. It has been listed on the Bombay Stock Exchange and National Stock Exchange since 2011.

PGEL has five manufacturing facilities - three in Noida, Uttar Pradesh, one in Pune, Maharashtra and one in Roorkee, Uttarakhand . The Company has been an Electronic Manufacturing Services (EMS) provider for Original Equipment Manufacturers (OEMs) and Plastic Injection Moulding Parts Manufacturer of consumer electronic products in India. The Company has been manufacturing plastic parts for comprehensive range of consumer electronic products such as air conditioners (ACs), Colour TV sets, DVD players, Air Coolers, Refrigerators, , Automotive Plastic, Sanitary Ware, washing machines and The company is now focusing on manufacturing of items such air-cooler, washing machine, AC indoor units and mainly on plastic injection molding. PGEL is mainly supplying parts to consumer durable manufacturing companies.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Total Operating Income	Rs.Crs	508.35	639.42
OPBDIT	Rs.Crs	30.68	39.92
PAT	Rs.Crs	9.94	2.61
Tangible Net Worth	Rs.Crs	168.42	175.66
Total Debt/TNW	Times	0.70	1.07
Current Ratio	Times	0.94	0.94

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA

RATING HISTORY FOR LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

S.No	Name of Instrument	Current Rating (2020)			2019*			2018			2017		
		Term	Amount (Rs. Crs)	Rating									
1	Bank Loan Facility	FB LT	124.83	BWR BBB+ Stable (Reaffirmed)	05.07.2019			01.10.2018			28.09.2017		
					FB LT	120.49	BWR BBB+ Stable (Upgrade)	FB LT	78.51	BWR BBB Stable	FB LT	51.09	BWR BB-Issuer not Cooperating
		FB ST	75.00	BWR A2 (Reaffirmed)	FB ST	55.00	BWR A2 (Upgrade)	FB ST	45.00	BWR A3+	NFB ST	26.30	BWR A4 Issuer not Cooperating
		NFB ST	53.00	BWR A2 (Reaffirmed)	NFB ST	53.00	BWR A2 (Upgrade)	NFB ST	18.00	BWR A3+			
							06.09.2018						

ANNEXURE I

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
SBI	CC	25.00	-	25.00
	TL	36.79	-	36.79
	ILC/FLC	-	15.70	15.70
	Bill Discounting	-	5.00	5.00
	Bank Guarantee	-	12.30	12.30
HDFC	CC	15.00	-	15.00
	TL	48.04	-	48.04
	Bill Discount	-	70.00	70.00
	ILC/FLC	-	25.00	25.00
TOTAL				252.83

INR Two Hundred Fifty Two Crores and Eighty Three Crores Only



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