PG

PG ELECTROPLAST LIMITED
CIN-L32109DL2003PLC119416
Corporate Office :
P-4/2, 4/3, 4/4, 4/5, 4/6, Site-B, UPSIDC Industrial Area, Surajpur
Greater Noida-201306, Distt. Gautam Budh Nagar (U.P.) India
Phones # 91-120-2569323, Fax # 91-120-2569131
E-mail # info@pgel.in Website # www.pgel.in

December 05, 2024

To,
The Manager (Listing)
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Scrip Code: 533581

To,
The Manager (Listing)
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

Scrip Symbol: PGEL

Sub: Credit Rating

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to inform that CRISIL Ratings Limited on December 04, 2024, has upgraded PG Electroplast Limited's Long-Term Rating "CRISIL A/Positive" to **'CRISIL A+/Stable'**.

The Long term and short-term ratings are given below:

Total bank Loan Facilities Rated	Rs. 310 Crore
Long Term Rating	**CRISIL A+/Stable** *(Upgraded from 'CRISIL A/Positive')*
Short Term Rating	**CRISIL A1** *(Reaffirmed)*

A copy of report from credit rating agency - CRISIL Ratings Limited is attached for your reference.

This is for your information and record please.

For **PG Electroplast Limited**
SANCHAY DUBEY
Digitally signed by SANCHAY DUBEY
Date: 2024.12.05 18:39:52 +05'30'

(Sanchay Dubey)
Company Secretary

CRISIL Ratings

Rating Rationale

December 04, 2024 | Mumbai

PG Electroplast Limited

Long-term rating upgraded to 'CRISIL A+/Stable'; Short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.310 Crore**
Long Term Rating	**CRISIL A+/Stable (Upgraded from 'CRISIL A/Positive')**
Short Term Rating	**CRISIL A1 (Reaffirmed)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its rating on the long-term bank loan facilities of PG Electroplast Limited (PGEL, part of the PG group) to **'CRISIL A+/Stable'** from 'CRISIL A/Positive'. The rating on the short-term facilities has been reaffirmed at 'CRISIL A1'.

The ratings upgrade reflects the group's continuously improving business risk profile aided by healthy revenue share of around 60% from the products business while sustaining a healthy market position in the plastic moulding component business as well. The group has a diverse product profile and is one of the leading contract manufacturers/vendors for room air conditioners (RACs), washing machines and other plastic moulded components for white goods. It has a diversified clientele across reputed white goods brands. The group has achieved revenue of around Rs. 1991 crore in H1-FY25 (growth of ~75% from Rs. 1138 crore in H1-FY24) and is expected to clock revenue of over Rs 3500 crore for full fiscal 2025 and over Rs.4000 crore in fiscal 2026 aided by the increasing penetration and increasing demand of the RAC segment in India. The group's revenue grew by around 27% to Rs. 2748 crore in FY 2024 from Rs. 2161 crore in FY 2023, driven by increase in revenue from the product business to Rs. 1649 crore in FY 2024 from Rs 1341 crore in FY 2023 and Rs 478 crore in FY 2022. The group reported operating margins of 8.8% in FY 2024 compared to 7-8% over the three fiscals ended March 2023. Operating margins have been continually improving supported by benefits of backward integration and increased contribution from ODM (Original Design Manufacturer) segment, wherein operating margins are better than OEM (Original Equipment Manufacturer) segment. Operating margins have further improved to 9.8% in H1-FY25 viz-a-viz. 9.5% in H1-FY24 and are expected to be around 9-10% over the medium term.

The rating upgrade also factors in the improved financial risk profile. The group raised funds of Rs 500 crore through qualified institutional placement (QIP) in fiscal 2024, for funding working capital requirements and capacity expansion (capex) over FY 2024 and FY 2025. Networth improved to Rs 1035 crore for the year ended March 31, 2024 (from Rs 395 crore as on March 31, 2023) and it is expected to improve to nearly Rs 1200 crore for the year ending March 31, 2025. Capital structure has also improved as reflected in gearing and total outside liabilities to tangible networth (TOLTNW) ratio of 0.35 time and 1.23 times as on March 31, 2024 (1.38 times and 2.80 times as on March 31, 2023) and are expected to be around 0.35-0.40 time and around 1.2-1.3 times for the year ending March 31, 2025. The group has also received approval from its Board to raise additional funds to the tune of Rs. 1500 cr. through QIP which is expected to be utilized to fund the capex and for the working capital requirements.

The ratings reflect the group's established position in manufacturing plastic components for the consumer durable goods industry, diverse product profile along with well-established clientele and a strong financial risk profile. These strengths are partially offset by exposure to intense competition in the consumer electronics segment and large working capital requirements.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of PGEL and its 100% subsidiaries, Pg Technoplast Private Limited (PGTPL) and PG Plastronics Pvt Ltd (PGPPL). The entities, collectively referred to as the PG group, are under common management, are in the same line of business and have operational and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position:** The group is one of the leading contract manufacturers/vendors for RACs, washing machines and other plastic moulding components for white goods the plastic components segment. The promoters' experience of more than 30 years in the consumer durables industry, the group's established position and their healthy relationships with reputed client base will continue to support the business risk profile. PGEL has the capacity to offer product development and manufacturing solutions from designing, tooling to final assembling and testing. The group is continuously increasing the revenue share in the ODM solution space which offers better operating margin; the revenue from product business has improved to Rs.1649 crores in FY24 from Rs. 478 crores in FY22. With the in-house capacity and huge demand, the business from product business is expected to improve further going forward. Most of the operations are backward-integrated and the processes are carried out in-house. Backward integration gives it the flexibility to control the manufacturing processes and reduce dependence on external suppliers, which has enabled it to become a consistent and reliable ODM supplier and contract manufacturer.

- **Diverse product profile and well-established clientele:** The group supplies to leading brands in the washing machine, and domestic refrigeration and RAC markets leading to strong client relationship. The group has large product portfolio and is manufacturing plastic parts for a comprehensive range of consumer electronic products such as RACs, air coolers, refrigerators and washing machines. PGEL is one of the leading, diversified Indian manufacturing services provider and among the few companies in India specializing in ODM, OEM and plastic injection moulding for the consumer durables industry, thereby providing one stop and end to end solutions to consumer durable brands. RAC and Washing machine segments contributed around 79% and 19% of products segment revenue (which is around 60% of group's total revenue). Plastic moulding and electronics segment contributed around 26% and 14% respectively to the group's total revenue.

- **Strong financial risk profile:** Group's networth is expected to be nearly Rs 1200 crore, and gearing and TOLTNW ratio are expected to be 0.35-0.40 time and 1.2-1.3 times, respectively, for the year ending March 31, 2025. The group is also expected to raise Rs. 1500 cr. through QIP route which is expected to be deployed for the capacity expansion, planned capex and for the repayment of existing debt. Debt protection metrics are expected to remain comfortable, with interest coverage and net cash accrual to total debt ratios expected to be more than 7 times and around 0.5 time, respectively, in fiscal 2025 (4.7 times and 0.5 time respectively in fiscal 2024).

Weaknesses:

- **Exposure to intense competition in the consumer electronics segment:** The domestic consumer electronics market is intensely competitive on account of the entry of several large players over the past few years, which has affected profitability of most players such as PG group. Additionally, raw material price fluctuations accentuate the pressure on profitability because of the players' inability to pass on cost increases to their customers. Therefore, profitability will remain constrained for most players in the industry on account of intense competition and expectation of economies of scale benefits to be passed on to large consumer goods brands in the domestic market. However, the ODM business is expected to support profitability.

- **Large working capital requirement:** Gross current assets (GCAs) have ranged between 150-200 days over the three fiscals ended March 2024; GCAs were 182 days as on March 31, 2024 driven by debtors and inventory of 74 days and 79 days. GCAs are expected to be in range of 150-170 days going forward owing to healthy revenue inflow in the second half of the fiscal driven by the demand for ACs in summer. However, the working capital cycle is supported by payables of 80-100 days. The working capital requirement will remain large over the medium term considering the healthy growth prospects and ramp-up of volume in the AC segment.

Liquidity: Strong

Net cash accruals of the group are expected to be Rs 220-300 crore annually which will sufficiently cover yearly debt repayment obligation of Rs.40-50 crore over the medium term. Bank limit utilisation averaged at 24% for the 12 months ended June-2024. Cash balance was healthy over Rs.147 crore as on September 30, 2024. Current ratio was 1.45 times as on March 31, 2024. Internal cash accrual, cash and equivalent, and unutilised bank lines will be more than adequate to meet debt obligations and incremental working capital requirements over the medium term

Outlook: Stable

CRISIL Ratings believes the PG group will continue to benefit from the increasing revenue share and better profitability from ODM business, along with the extensive experience of the promoters and established relationships with clients.

Rating sensitivity factors

Upward Factors:

- Increase in revenue by over 30% and sustenance of operating margin at around 9% leading to higher cash accruals.
- Improvement in the working capital cycle and financial risk profile of the group, with gearing maintained below 1 time.

Downward Factors:

- Large, debt-funded capex weakening the financial risk profile of the group, with gearing of more than 2 times
- Decline in net cash accrual of group below Rs.70-80 crore on account of fall in revenue or operating margin.

About the Group

PGEL, set up in 2003 by Mr Promod Gupta, manufactures printed circuit board assemblies, plastic injection mouldings for major consumer durables, specialised AC components, home electricals and kitchen appliances. The company caters to industries such as automotive components, consumer electronics mobile handsets and sanitaryware. It has facilities in Roorkee, Uttarakhand; Greater Noida, Uttar Pradesh; and Pune, Maharashtra.

Incorporated in August 2020, PGTPL manufactures consumer appliances. The company is promoted by Anurag Gupta, Vishal Gupta and Vikas Gupta. It has facilities in Ahmednagar, Maharashtra.

PGPPL was incorporated in June 2021; the company manufactures consumer appliances. It is promoted by Anurag Gupta, Vishal Gupta and Vikas Gupta, and has facilities in Noida

Key Financial Indicators: Consolidated:

As on / for the period ended March 31		2024	2023
Operating income	Rs crore	2748	2161
Reported profit after tax	Rs crore	135	77
PAT margins	%	4.9	3.6
Adjusted Debt/Adjusted Net worth	Times	0.35	1.38
Interest coverage	Times	4.7	3.6

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Bank Guarantee	NA	NA	NA	12.30	NA	CRISIL A1
NA	Cash Credit	NA	NA	NA	95.00	NA	CRISIL A+/Stable
NA	Inland/Import Letter of Credit	NA	NA	NA	90.70	NA	CRISIL A1
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	39.70	NA	CRISIL A+/Stable
NA	Sales Bill Discounting	NA	NA	NA	5.00	NA	CRISIL A1
NA	Term Loan	NA	NA	31-Mar-26	50.00	NA	CRISIL A+/Stable
NA	Term Loan	NA	NA	31-Mar-27	17.30	NA	CRISIL A+/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
PG Electroplast Limited	Full	Holding company
Pg Technoplast Private Limited	Full	100% subsidiary
PG Plastronics Pvt Ltd	Full	100% subsidiary

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	207.0	CRISIL A+/Stable / CRISIL A1		--	20-10-23	CRISIL A/Positive / CRISIL A1		--	24-12-21	CRISIL A2+ / CRISIL A-/Stable	Withdrawn (Issuer Not Cooperating)*
			--		--	23-01-23	CRISIL A2+ / CRISIL A-/Stable		--	07-12-21	CRISIL A2+ / CRISIL A-/Stable	--
Non-Fund Based Facilities	ST	103.0	CRISIL A1		--	20-10-23	CRISIL A1		--	24-12-21	CRISIL A2+	Withdrawn (Issuer Not Cooperating)*
			--		--	23-01-23	CRISIL A2+		--	07-12-21	CRISIL A2+	--

All amounts are in Rs.Cr.
** - Issuer did not cooperate; based on best-available information*

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	**12.3**	**State Bank of India**	**CRISIL A1**
Cash Credit	**35**	**HDFC Bank Limited**	**CRISIL A+/Stable**
Cash Credit	**60**	**State Bank of India**	**CRISIL A+/Stable**
Inland/Import Letter of Credit	**40.7**	**State Bank of India**	**CRISIL A1**
Inland/Import Letter of Credit	**50**	**HDFC Bank Limited**	**CRISIL A1**

Proposed Fund-Based Bank Limits	39.7	Not Applicable	CRISIL A+/Stable
Sales Bill Discounting	4.76	State Bank of India	CRISIL A1
Sales Bill Discounting	0.24	State Bank of India	CRISIL A1
Term Loan	17.3	HDFC Bank Limited	CRISIL A+/Stable
Term Loan	50	State Bank of India	CRISIL A+/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Consumer Durable Industry
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

Media Relations	Analytical Contacts	Customer Service Helpdesk
Prakruti Jani Media Relations **CRISIL Limited** M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com **Rutuja Gaikwad** Media Relations **CRISIL Limited** B: +91 22 3342 3000 **Rutuja.Gaikwad@ext-crisil.com**	Nitin Kansal Director **CRISIL Ratings Limited** D:+91 124 672 2154 nitin.kansal@crisil.com Smriti Singh Team Leader **CRISIL Ratings Limited** B:+91 124 672 2000 smriti.singh@crisil.com Naman Jain Manager **CRISIL Ratings Limited** B:+91 124 672 2000 Naman.Jain@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

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