PG ELECTROPLAST LIMITED
CIN-L32109DL2003PLC119416
Unit-IV
A-20/2, MIDC Supa, Taluka- Parner
Distt. Ahmednagar, Maharashtra-414301, India
Phone : 02488-213343 E-mail # info@pgel.in
Website # www.pgel.in

December 08, 2021

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,

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 07, 2021, has assigned to PG Electroplast Limited, partial Long Term Rating "CRISIL A-/Stable". The instrument-wise assigned ratings are given below:

Facility	Amount (Rs. in Crores)	Tenure	Rating
Fund based	59.06	Long Term	CRISIL A-/Stable
	0.24	Short Term	CRISIL A2+
Non Fund Based	15.70	Short Term	CRISIL A2+
Total	**75.00**	**Rupees Seventy-Five Crores Only**	

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

This is for your information and record please.

Thanking you,
For **PG Electroplast Limited**

(Sanchay Dubey)
Company Secretary

PG ELECTROPLAST LIMITED DELHI

Registered Office
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DLF Tower-B, Jasola
New Delhi-110025
Tele-Fax # 011-41421439

Ratings
CRISIL Ratings Limited (A subsidiary of CRISIL Limited)

CRISIL
An S&P Global Company

Rating Rationale

December 07, 2021 | Mumbai

PG Electroplast Limited

'CRISIL A- / Stable / CRISIL A2+ ' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	**Rs.75 Crore**
Long Term Rating	**CRISIL A-/Stable (Assigned)**
Short Term Rating	**CRISIL A2+ (Assigned)**

1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale
CRISIL Ratings has assigned its **'CRISIL A-/Stable/CRISIL A2+'** ratings to the bank facilities of PG Electroplast Limited (PGEL, part of the PG group).

The ratings reflect the group's established market position in plastic moulding component business. The group is one of the leading contract manufacturers/vendors for air conditioners (ACs), washing machines and other plastic moulded components for white goods. It has a diversified clientele across most popular white goods brands such as Carrier Midea, Voltas, LG India, Whirlpool, Reliance Digital, Onida, Godrej and Acer. The group reported healthy compound annual growth rate of 22% in operating revenue over the five fiscals through fiscal 2021, backed by continuous addition of customers (original equipment manufacturers), product diversification, capital expenditure (capex) and in-house research and development.

Operating revenue is expected to improve by more than 50% over the medium term with operating margin of 7.5-8.5%, supported by operationalisation of new plant in Supa, Maharashtra (under subsidiary of PGEL, PG Technoplast Pvt Ltd (PGTPL) with capacity of 1,500,000 indoor units and 1,000,000 outdoor units for ACs, 800,000 units of washing machines and other components. PGTL qualified under the production-linked incentive (PLI) scheme for white goods (ACs and LED lights) in November 2021. Under this scheme, PGTL is entitled to Rs 198 crore of PLI incentives over a period of five years based on Rs 321 crore of committed capital investment till fiscal 2027. Investments under the PLI scheme will be done at the Supa and Noida plants. PGTL has been approved with the third-highest investment in the white goods segment. The plant will commence production from December 2021, leading to significant increase in revenue from the fourth quarter of fiscal 2022. Timely commercialisation of the new unit and ramp-up of operations will be a key monitorable.

The ratings also factor in improvement in the group's financial risk profile driven by capital infusion of Rs 76.7 crore by the private equity (PE) fund, Baring Private Equity India AIF (Baring), and Ananta Capital in fiscal 2022. Therefore, the capital structure should remain healthy, with gearing expected at 1.12 times as on March 31, 2022, as against 1.02 times a year earlier. The funds will improve the ability to meet incremental working capital and capex requirements without raising significant additional debt. Baring acquired a minority stake in PGEL in May 2022 through a mix of preferential allotment of shares and compulsorily convertible debentures, which will be converted into equity by October 2022.

The ratings reflect the group's established position and the promoters' extensive experience in manufacturing plastic components for the consumer durable goods industry, healthy product diversity along with well-established clientele and comfortable financial risk profile. These strengths are partially offset by exposure to intense competition in the consumer electronics segment, vulnerability to cyclicality in end-user industry and large working capital requirement.

Analytical Approach
CRISIL Ratings has combined the business and financial risk profiles of PGEL and its 100% subsidiaries, PGTPL and PG Plastronics Pvt Ltd (PGPPL). The entities, collectively referred to as the PG group, are under common management and in the same 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 and extensive experience of the promoters:**
  The group has a strong market position in the plastic components segment, which contributed 55% to total revenue in fiscal 2021 followed by room ACs and washing machines at 15% and 11%, respectively. It supplies to various industries such as consumer electronics, sanitaryware and mobile handsets. The promoters' experience of more than 30 years in the consumer durables industry, the company's established position and their healthy relationships with customers will continue to support the business. In the past, PGEL has completely shifted from

assembling CRT based colour televisions (CTVs).; It had shut down its CTV assembling facility in April 2013 and had started manufacturing plastic moulds for air conditioners and refrigerators.

- **Healthy product diversity and well-established clientele:**
  The group supplies to leading brands such as LG electronics India Pvt Ltd, Whirlpool India Ltd, Carrier Midea India Pvt Ltd, Voltas, Sansui, Godrej and Orient Electric Ltd. It supplies to all the leading players in the washing machine and domestic refrigeration and air conditioning (RAC) market. The clientele is diversified, with the top five customers accounting for 65% of revenue in the first half of fiscal 2022 and 69% in fiscal 2021.

- **Comfortable financial risk profile:**
  Capital structure remains healthy owing to moderate reliance on external funds. Gearing was 1.02 times and total outside liabilities to adjusted networth (TOLANW) ratio was 2.02 times as on March 31, 2021. Further, capital of Rs 76.7 crore raised through PE funding is being utilised for setting up manufacturing facilities in Supa and Noida under the PLI scheme for white goods. The capex will be completed by December 2021, and hence, the group will maintain healthy liquidity. The capex is being funded through a loan worth Rs.90 crore from banks. Despite the debt, the capital structure will remain strong, with the TOLANW ratio expected at 2.0-2.2 times over the medium term.

  Networth is expected to be strong at more than Rs 230 crore as on March 31, 2022 (Rs 191.92 crore as on March 31, 2021). Debt protection metrics will remain comfortable, with interest coverage and net cash accrual to total debt ratios of more than 3.5 times and 0.22 time, respectively, in fiscal 2022 (2.86 times and 0.15 time, respectively, in fiscal 2021). With expected improvement in profitability, the debt protection metrics should remain strong over the medium term.

Weaknesses:

- **Exposure to intense competition in the consumer electronics segment:**
  The domestic consumer electronics market is intensely competitive on account of entry of several large players over the past few years, which has affected profitability of most players such as PGEL. 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 a competitive 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.

- **Large working capital requirement:**
  Gross current assets are estimated at 142 days as on March 31, 2021, against 126 days a year earlier. Inventory and receivables rose to 52 and 77 days as on March 31, 2021, from 51 and 58 days, respectively as on March 31, 2020, because majority sales took place in the fourth quarter of fiscal 2021 compared owing of which working capital requirements were large in the said period. The higher sales in the fourth quarter of every year because of driven by the seasonal demand for ACs are purchased largely in summer season of every year depending upon the region. However, the working capital cycle was partly supported by payables of 80-100 days. Working capital requirement should remain large over the medium term considering the healthy growth prospects and ramp-up of volumes in the AC segment from fiscal 2022.

Liquidity: Adequate

Cash accrual, expected at Rs 60 crore in fiscal 2022, and more than Rs 75 crore per annum in fiscals 2023 and 2024 will sufficiently cover yearly debt obligation of Rs 30-40 crore. Bank limit utilisation averaged 66% for the 15 months through September 2021. Cash balance was healthy over Rs.25 crore as of September 2021. Current ratio was 0.99 time as on March 31, 2021. Internal cash accrual, cash and equivalent, and unutilised bank lines will be sufficient to meet debt obligation and incremental working capital requirement over the medium term.

Outlook: Stable

CRISIL Ratings believes the PG group will continue to benefit from the extensive experience of the promoters and established relationships with clients.

Rating Sensitivity factors

Upward factors:

- Increase in revenue by 40% and stable operating margin, leading to higher cash accrual
- Higher share of room ACs in overall sales along with rise in the share of other components
- Improvement in the working capital cycle and financial risk profile, with total outside liabilities to tangible networth (TOLTNW) ratio below 1.2 times

Downward factors:

- Large, debt-funded capex weakening the financial risk profile, with TOLTNW ratio of more than 2.5 times
- Decline in net cash accrual below Rs 40 crore on account of fall in revenue or operating profit

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 (standalone)

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	704.14	641.36
Reported profit after tax (PAT)	Rs crore	11.62	2.61
PAT margin	%	1.65	0.41
Adjusted debt / adjusted networth	Times	1.02	1.16
Interest coverage	Times	2.86	2.22

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. The CRISIL Ratings' complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. 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 assigned with outlook
NA	Term loan	NA	NA	Mar-2024	34.06	NA	CRISIL A-/Stable
NA	Cash credit	NA	NA	NA	25	NA	CRISIL A-/Stable
NA	Bill discounting	NA	NA	NA	0.24	NA	CRISIL A2+
NA	Inland / import letter of credit	NA	NA	NA	15.7	NA	CRISIL A2+

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
PG Electroplast Ltd	Full	Common management and business, and financial fungibility
PG Technoplast Pvt Ltd	Full	Common management and business, and financial fungibility
PG Plastronics Pvt Ltd	Full	Common management and business, and financial fungibility

Annexure - Rating History for last 3 Years

	Current			2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	59.3	CRISIL A2+ / CRISIL A-/Stable		--		--		--	19-04-18	Withdrawn (Issuer Not Cooperating)*	CRISIL BB-/Negative
			--		--		--		--	15-03-18	CRISIL BB-/Negative(Issuer Not Cooperating)*	--
Non-Fund Based Facilities	ST	15.7	CRISIL A2+		--		--		--	19-04-18	Withdrawn (Issuer Not Cooperating)*	CRISIL A4
			--		--		--		--	15-03-18	CRISIL A4 (Issuer Not Cooperating)*	--

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
Bill Discounting	0.24	State Bank of India	CRISIL A2+
Cash Credit	25	State Bank of India	CRISIL A-/Stable
Inland/Import Letter of Credit	15.7	State Bank of India	CRISIL A2+
Term Loan	34.06	State Bank of India	CRISIL A-/Stable

This Annexure has been updated on 07-Dec-2021 in line with the lender-wise facility details as on 07-Dec-2021 received from the rated entity.

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

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CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

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For more information, visit www.crisilratings.com

About CRISIL Limited

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