PGP Glass Private Limited

December 13, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	3,426.20 (Enhanced from 3,082.80)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	158.10 (Reduced from 237.50)	CARE A1 (A One)	Reaffirmed
Total Bank Facilities	**3,584.30 (₹ Three Thousand Five Hundred Eighty-Four Crore and Thirty Lakhs Only)**		

Details of facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to PGP Glass Private Limited (PGP) factors in established presence of the company in the glass bottle manufacturing business, healthy operating margins, its global market leadership position in the nail polish segment and its healthy market share in the global pharmaceutical glass segment. The company is also benefitted from widespread geographical outreach coupled with established and reputed clientele. Additionally, PGP is also benefitted from the deep packaging industry expertise of Blackstone Group for onboarding new customers thereby increasing market penetration across globe. The ratings are tempered by susceptibility of PGP's profitability to fluctuations in raw material and energy costs, capital intensive nature of glass industry as well as foreign currency fluctuations risk.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in total operating income over Rs. 4000 crore while reporting PBILDT margin over 24% on sustained basis.
- Improvement in operating cycle to below 100 days

Negative factors – Factors that could lead to negative rating action/downgrade:

- Reduction in PBILDT margin below 20% due to lower-than-expected performance
- Weakening of financial profile because of significant increase in working capital requirements and/or large, debt funded capex or acquisitions

Detailed description of the key rating drivers

Key rating strength

Experienced and resourceful promoters and professionally qualified management

PGP is promoted by the Blackstone Group (100% ownership by Blackstone post buyout from Piramal group) – one of the leading investment firms in the world with an Assets under Management (AUM) of around USD 951 billion as of September 30, 2022, across sectors like private equity, real estate, hedge fund solutions and credit businesses. The Group has an exposure in the packaging industry through acquisition of varied companies such as the USA based Graham Packaging, Owens-Illinois Inc, Ohio and China based packaging firm ShyaHsin, Gerresheimer Glas Packaging in Europe and EPL Limited (formerly Essel Propack in India).

Established player in the global glass packaging industry

PGP primarily caters to Cosmetics & Perfumery (CP), Pharmaceuticals (PH), and specialty food packaging (SFB) industry. The company is leading supplier of glass bottles to the top cosmetic brands globally and derives over 45% of its revenues from CP industry. The company is also a market leader in manufacturing of Type I pharma glass with over 50% market share in the domestic market. Globally there are only 4 players manufacturing this type of glass. The company has 3 manufacturing facilities across India and Sri Lanka and marketing distribution arms in USA, UK, Dubai and Europe and exports to over 60 countries across the globe.

Reputed clientele with geographically diversified business

Company has reputed clientele base. Its clients include global companies such as Baralan International S.P.A., CIMSA, Baralan Glass, USA Coty, Unilever etc. PGP has long term relationships with consistent repeat orders from existing clients. However, there are no long term supply contracts in place. The top 10 customers have contributed about 14% of revenue in FY22 and about 11% in H1FY23.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The company also has its business geographically well diversified. The company is net exporter with ~73% revenue being generated from export and the balance 27% from domestic market. In terms of export market, North America and European market contributes maximum revenue and the contribution of these two regions in FY22 stood at 47%.

Stable operations with healthy operating profitability

PGP acquired the business from Piramal Glass Private Limited on March 30, 2021. Company's operations have remained stable in FY22. Company reported total operating income of Rs 2838.23 crore with PBILDT of Rs 693.88 crore. In terms of margin PBILDT stood at 24.45%. At PAT level company reported losses to the tune of Rs 342.07 crore, on account of higher depreciation and amortisation charges due to writing off intangible assets which were created due to business combination, higher inventory charges due to revaluation and the impact of deferred tax. Company generated robust cash accruals of Rs 521.53 crore in FY22.

Comfortable capital structure

PGP has comfortable capital structure with overall gearing of 0.71x as on March 31, 2022 (PY:0.65x).The total debt of the company stood at Rs 2694.23 crore as on March 31, 2022. Total debt includes Rs 2565.13 crore of term loan (including ECB loan), Rs 34.78 crore working capital loans and Rs 94.32 crore as lease liabilities. Besides this the debt protection metrics like Interest coverage at 3.13x, Total debt/GCA at 5.17x and Term debt/GCA 5.10x remains comfortable.

Key rating weaknesses

Exposure to risks due to fluctuations in Input costs and foreign currency risks

PGP's profitability margins move in line with the fluctuations in raw material (chief being soda ash) and fuel prices. The essential raw materials for manufacturing of glass containers are soda ash, broken glass cullet and limestone. PGP has been able to maintain its raw material costs within reasonable levels with a mix of imports as well as domestic purchase. PGP's profitability is also exposed to foreign exchange fluctuation risks, as it imports raw materials, exports goods and has foreign currency borrowings. However, being a net export firm during FY22 company also got benefitted by rupee depreciation. The total forex gain during FY22 stood at about Rs 33 crore.

Capital intensive nature of the industry

The glass packaging industry is capital intensive in nature, requiring regular capex for relining / cold repair of the furnaces, capacity augmentation as well as for routine maintenance. On a consolidated basis, the company is expected to spend Rs.360 crores in FY23, Rs. 256 crores in FY24 and Rs. 420 crores in FY25 towards routine capex and capacity augmentation.

Liquidity: Strong

The liquidity position of the company remains strong marked by robust accruals against the repayment obligations. The GCA for FY22 stood at Rs 521.53 crore with cash and liquid investments to the tune of about Rs ~88 crore. With the gearing of 0.71x as on March 31, 2022, the company's capital structure is at comfortable level. The operating cycle of the company stood at 152 days consisting of 139 days of inventory period, 65 days collection period and 52 days average payment period. The high inventory days are mainly on account of stocking of finished goods at the warehouses where company's US and Europe subsidiaries are located. The current ratio of the company as on March 31, 2022 stood at 1.87x (PY:1.59x). The company during FY23 has total debt obligations of ~Rs. 35 crore of which they have already met Rs. 14 crore till November 2022. CARE Ratings expects that the company to generate gross cash accruals of about Rs. 500 crore in FY23, about Rs 800 crore in FY24 and about Rs. 900 crore in FY25. The company is also expected to incur capex of about Rs 1036 crore during FY23-FY25. Considering the cash accruals generated by the company in the recent past and estimated accruals, it is expected that the company would be able to meet its debt obligations comfortably after meeting its capex requirement. Further the company also has adequate liquidity cushion in the form of working capital bank borrowing limits to the extent of Rs. 355 crore whose utilization levels have remained low at about 10% during last 12 months ending October 2022.

Company has outstanding ECB loan to the tune of USD 325 Mn as on March 31, 2022. As per the terms of ECB loans and discussion with management, PGP has to compulsorily pay 9% of the ECB loan (i.e., USD 29.25 Mn). The liability for the same in FY24 will be USD 6.50 Mn, for FY25 USD 13 Mn, and for FY26 USD 9.75 Mn and the balance USD 295.75 Mn of ECB obligation would be either entirely refinanced or repaid in FY26.

Analytical approach: Consolidated, factoring linkages with the global PE player–Blackstone group. The subsidiaries of PGP which have been consolidated are mentioned in Annexure 6.

Applicable criteria

Policy on default recognition
Consolidation
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies

Policy on Withdrawal of Ratings

About the company

Founded in 2020, PGP is an end-to-end specialty glass manufacturing and packaging (flacconage) solutions provider. The company primarily caters to pharmaceuticals, cosmetics & perfumery and specialty food and beverage industries. The company has two manufacturing facilities in India – in Kosumba and Jambusar both in Gujarat and one in Horana in Sri Lanka. Currently the company has a manufacturing capacity of 1230 TPD (Tonnes per Day) in India and additional 300 TPD in Srilanka.

PGP is 100% owned by US Private equity major Blackstone Group. Blackstone had purchased the business, through a Business Transfer Agreement dated December 10, 2020, from Piramal Group (Piramal Glass Private Limited) and shares of the subsidiaries through Share Purchase Agreement for a net purchase consideration of ~Rs. 6988 crore. The Business in India was transferred, and subsidiary shares were purchased on March 30, 2021.

Brief Financials (₹ crore)	March 31, 2021 (A)*	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	1.89	2838.23	1870.01
PBILDT	-50.95	693.88	396.00
PAT	-46.24	-342.07	NA
Overall gearing (times)	0.65	0.71	NA
Interest coverage (times)	NM	3.13	NA

A: Audited, UA: Un-audited, NA: Not available, NM: Not Meaningful

**PGP acquired the business from Piramal Glass Private Limited on March 30,2021 hence the effective working days for 2021 were only two days viz. March 30 2021 and March 31, 2021.*

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating history for the last three years: Please refer Annexure-2
Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3
Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	532.20	CARE A-; Stable
Fund-based - LT-External Commercial Borrowings		-	-	31-03-2026	2644.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	31-03 2026	250.00	CARE A-; Stable
Non-fund-based - ST-BG/LC		-	-	-	158.10	CARE A1

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-External Commercial Borrowings	LT	2644.00	CARE A-; Stable	-	1)CARE A-; Stable (31-Dec-21)	-	-
2	Fund-based - LT-Cash Credit	LT	532.20	CARE A-; Stable	-	1)CARE A-; Stable (31-Dec-21)	-	-
3	Fund-based - LT-Term Loan	LT	250.00	CARE A-; Stable	-	1)CARE A-; Stable (31-Dec-21)	-	-
4	Non-fund-based - ST-BG/LC	ST	158.10	CARE A1	-	1)CARE A1 (31-Dec-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-External Commercial Borrowings	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Annexure-6: List of subsidiaries

Name of companies/ Entities	% of holding
PGP Glass Ceylon Plc	78.65
PGP Glass USA, Inc	100.00
PGP Glass (UK) Ltd.	100.00
PGP Glass Europe SRL	100.00
Ansa Deco Glass Private Limited	100.00
Kosamba Glass Deco Private Limited	100.00
Vivid Glass Trading FZCO	100.00

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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