

PGP Glass Private Limited

December 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	3,461.97 (Reduced from 3,921.90)	CARE A+; Stable	Upgraded from CARE A-; Stable
Long-term / Short-term bank facilities	100.00 (Enhanced from 50.00)	CARE A+; Stable / CARE A1	LT rating upgraded from CARE A-; Stable and ST rating reaffirmed
Short-term bank facilities	192.49 (Enhanced from 158.10)	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the long term rating of PGP Glass Private Limited (PGP) reflects a strong improvement in financial performance, particularly driven by a notable increase in operating margins, which rose by over 1000 basis point to exceed 32% in FY24. The company's credit profile has consistently strengthened, as evidenced by the reduction in its net debt to profit before interest, lease rentals, depreciation, and taxation (PBILDT) from 3.80x in FY22 to 1.69x in FY24. The company's strong liquidity and financial stability are further supported by healthy cash accruals exceeding ₹1100 crore in FY24. These factors collectively contributed to an enhanced credit profile.

The rating is also underpinned by PGP's established presence in the glass bottle manufacturing business, 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 and established and reputed clientele. Additionally, rating also factors in the deep packaging industry expertise of Blackstone Group for onboarding new customers increasing market penetration across globe. Ratings are however tempered by susceptibility of PGP's profitability to fluctuations in raw material and energy costs and foreign currency fluctuations, capital intensive nature of glass manufacturing industry and large bullet repayment obligation of external commercial borrowings (ECB) terminating in March 2026. Based on discussion with management (represented by Blackstone Group), CARE Ratings Limited (CARE Ratings) understands that the company would either fully/partly refinance the said ECB or may roll over the ECB by extension of repayment and the same is expected to be completed latest by Q3FY26. Considering the strong parentage and healthy operating and credit metrics, risk arising from refinancing of the ECB is mitigated to a great extent.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increase in total operating income by 10% to 15% on sustained basis while reporting PBILDT margin over 30% on sustained basis.
- Improvement in operating cycle to below 100 days.
- Total debt to PBILDT going below 2x.

Negative Factors

- Reduction in PBILDT margin below 20% due to lower-than-expected domestic performance.
- Weakening financial profile because of significant increase in working capital requirements and/or large, debt funded capex or acquisitions leading to deterioration in total debt to PBILDT to beyond 2.50x.

Analytical approach: Consolidated, factoring linkages with the Blackstone Group. Subsidiaries consolidated are listed under Annexure-6. Consolidated approach has been adopted due to operational and financial linkages between PGP and its subsidiaries.

Outlook: Stable

The stable outlook reflects the expectation that the company will continue to maintain its established position in the glass packaging industry and y-o-y improvement in its operational performance in the medium term.

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

Detailed description of key rating drivers:**Key strengths****Experienced and resourceful parent and professionally qualified management**

PGP is the subsidiary of Blackstone Group (100% ownership by Blackstone through BCP Topco V Pte. Limited post buyout from Piramal group) – one of the leading investment firms in the world with an asset under management (AUM) of over US\$ 1 trillion as on September 30, 2024, across sectors such as private equity, real estate, hedge fund solutions and credit businesses. The Group has an exposure in the packaging industry through acquisition of companies such as the USA-based Graham Packaging, Owens-Illinois Inc, Ohio and China based packaging firm ShyaHsin and EPL Limited (formerly Essel Propack Limited in India).

Established player in the global glass packaging industry

PGP primarily serves the Cosmetics & Perfumery (CP), Pharmaceuticals (PH), and specialty food packaging (SFB) industries. The company is a leading supplier of glass bottles to top global cosmetic brands, generating ~39% of its revenue from the CP sector. It is also a market leader in the production of Type I pharma glass, holding a dominant share in the domestic market. On a global scale, only four companies manufacture this type of glass. PGP operates three manufacturing facilities in India and Sri Lanka, with marketing and distribution arms in the USA, Dubai, and Europe, and exports its products to over 60 countries worldwide.

Reputed clientele with geographically diversified business

The company has a reputed clientele base. Its clients include global companies such as Baralan International S.P.A., CIMSA, Baralan Glass, USA Coty, Pfizer, Merck, and Unilever among others. PGP has long-term relationships with consistent repeat orders from existing clients. However, there are no long-term supply contracts in place. In FY24, top 10 customers contributed ~30% (PY: ~30%) of the total revenue on a consolidated basis. The company is a net exporter of its products. In FY24, 74% of its revenue was generated from export (PY:76%), while the balance 26% was contributed by the domestic market on a consolidated basis. In the export market North America (34%) and Europe (18%) are the highest contributors. CARE Ratings Limited (CARE Ratings) expects going forward as well, ~70%-75% of the total revenues will be from export market and domestic market will contribute ~25% of the total revenue.

Healthy product mix

The company specialises in design, production, and decoration of glass packaging solutions for the PH, CP and SFB sectors. In FY24, on a consolidated basis, CP segment contributed 39% (PY:39%) of the revenue followed by PH segment 22% (20%) and SFB 39% (PY:41%). The company ranks among the top five players globally in the CP markets and holds the leading position in the global nail polish market. Additionally, it is the third-largest player in the US premium and specialty spirits market.

Sustained revenue growth alongside healthy operating margins

PGP has demonstrated consistent growth in its revenue in the last several years, and strong operational performance. From FY22 to FY24, the company's revenue expanded at a compound annual growth rate (CAGR) of ~19%, increasing from ₹2838 crore in FY22 to ₹4044 crore in FY24. This steady growth trajectory highlights the company's strong market position and strategic initiatives. In FY24 alone, the company saw year-over-year revenue growth of ~6%, rising from ₹3799 crore in FY23 to ₹4044 crore. Along with steady revenue progress, the company maintained robust operating margins, with PBILDT margins consistently staying above 22% over the years. In FY24, the company achieved significant improvement in its PBILDT margins, which rose by 1038 basis points, reaching 32.95% compared to 22.57% in FY23. This positive shift was primarily driven by normalisation of raw material, freight costs and price hike taken by the company, which helped enhance its profitability. CARE Ratings anticipates that company to continue sustaining its growth, with PBILDT margins projected to remain ~30% in the future.

Comfortable financial risk profile

The company's overall financial risk profile is comfortable and is on an improving trend. Overall gearing and debt to equity ratio improved to 0.72x (PY: 0.80x) and 0.69x (PY:0.77x) as on March 31, 2024. Further other debt coverage metrics such as total debt to gross cash accruals (TD/GCA) and TD/PBILDT improved to 2.65x and 2.23x from 4.37x and 3.58x reported in FY23. Interest coverage ratio in FY24 has also improved to 6.92x from 3.12x in FY23.

Key weaknesses**Capital intensive industry**

The glass packaging industry is capital intensive, requiring regular capex for relining/cold repair of furnaces, capacity augmentation and for routine maintenance. On a consolidated basis, the company is expected to spend ~₹655 crore in FY25 and ₹460 crore in FY26 towards routine capex, capacity augmentation.

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. Essential raw materials for manufacturing 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 and 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, the risk is partly mitigated by its well-defined hedging policy wherein a significant portion of its net foreign exchange exposure is hedged through forward contracts.

Liquidity: Strong

The company's liquidity position remains strong marked by robust accruals against repayment obligations. In FY24, the company generated cash accruals of over ₹1100 crore. As on September 30, 2024, company had cash and liquid investments of ~₹565 crore. With the gearing of 0.72x as on March 31, 2024, the company's capital structure is at comfortable level. The company's current ratio as on March 31, 2024, stood at 3.80x (PY:2.50x). In FY25, the company has total repayment obligations of ~₹134 crore, of which, ~₹64 crore has been paid till September 2024. CARE Ratings expects PGP to continue to generate GCA of over ₹1000 crore- ₹1200 crore in FY25, FY26 and FY27. The company is also expected to incur capex of ~₹1800-₹1900 crore in FY25-FY27. Considering cash accruals generated by the company in the recent past and estimated accruals, and healthy cash and liquid investments, it is expected that it would be able to meet its debt obligations comfortably after meeting its capex requirement. The company also has adequate liquidity cushion in the form of working capital bank borrowing limits to the extent of ₹432 crore (fund based) whose utilisation levels have remained low, which is less than 10% in 12-months ending September 2024. The company has availed ECB loan of US\$325 million, of which, as on September 30, 2024, US\$312 million remains outstanding. Per terms and conditions of the ECB loan, PGP has to compulsorily pay 9% of the ECB loan (US\$29.25 million till FY26) and the balance can be either repaid or refinanced by March 2026. The liability of ECB loan in FY24 was US\$6.50 million, which has been paid by the company, for FY25 US\$13 million (of which US\$6.50 million has been paid in September 2024), and for FY26 US\$9.75 million and balance US\$295.75 million of ECB obligation would be either entirely refinanced or partly repaid/partly refinanced in FY26.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

- [Definition of Default](#)
- [Factoring Linkages Parent Sub JV Group](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Rating Watch](#)
- [Manufacturing Companies](#)
- [Financial Ratios – Non financial Sector](#)
- [Short Term Instruments](#)
- [Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer durables	Consumer durables	Glass - consumer

Founded in 2020, PGP is an end-to-end specialty glass manufacturing and packaging (flaconage) solutions provider. The company primarily caters to pharmaceuticals, CP and specialty food and beverage industries. The company has two manufacturing facilities in India – in Kosamba and Jambusar, Gujarat and one in Horana, Sri Lanka. Currently, the company has a manufacturing capacity of 1310 tonnes per day (TPD) in India and additional 300 TPD in Sri Lanka. 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 subsidiaries through share purchase agreement for a net purchase consideration of ~₹6,988 crore. The Business in India was transferred, and subsidiary shares were purchased on March 30, 2021.

Brief Consolidated Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25(UA)
Total operating income	3,799.28	4,044.32	2002.20
PBILDT	857.35	1332.58	660.30
PAT	57.09	305.04	160.90
Overall gearing (times)	0.80	0.72	-
Interest coverage (times)	3.12	6.92	8.46

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	538.52	CARE A+; Stable
Fund-based - LT-External Commercial Borrowings	-	-	-	26/03/2026	2623.45	CARE A+; Stable
Fund-based - LT-Term Loan	-	-	-	Proposed	300.00	CARE A+; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	100.00	CARE A+; Stable / CARE A1
Non-fund-based - ST-BG/LC	-	-	-	-	192.49	CARE A1

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-External Commercial Borrowings	LT	2623.45	CARE A+; Stable	-	1)CARE A+; Stable (05-Jan-24)	1)CARE A+; Stable (13-Dec-22)	1)CARE A+; Stable (31-Dec-21)
2	Fund-based - LT-Cash Credit	LT	538.52	CARE A+; Stable	-	1)CARE A+; Stable (05-Jan-24)	1)CARE A+; Stable (13-Dec-22)	1)CARE A+; Stable (31-Dec-21)
3	Fund-based - LT-Term Loan	LT	300.00	CARE A+; Stable	-	1)CARE A+; Stable (05-Jan-24)	1)CARE A+; Stable (13-Dec-22)	1)CARE A+; Stable (31-Dec-21)
4	Non-fund-based - ST-BG/LC	ST	192.49	CARE A1	-	1)CARE A1 (05-Jan-24)	1)CARE A1 (13-Dec-22)	1)CARE A1 (31-Dec-21)
5	Non-fund-based - LT/ ST-BG/LC	LT/ST	100.00	CARE A+; Stable / CARE A1	-	1)CARE A+; Stable / CARE A1 (05-Jan-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the 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 - LT/ ST-BG/LC	Simple
5	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	PGP Glass Ceylon Plc	Full	Subsidiary
2	PGP Glass USA, Inc	Full	Subsidiary
3	PGP Glass (UK) Ltd.*	Full	Subsidiary
4	PGP Glass Europe SRL	Full	Subsidiary
5	Ansa Deco Glass Private Limited	Full	Subsidiary
6	Kosamba Glass Deco Private Limited	Full	Subsidiary
7	Vivid Glass Trading FZCO	Full	Subsidiary

*upto December 19, 2023

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

Contact us

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About us:

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