Pegma Resources Private Limited

February 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	8.59	CARE BB; Stable	Assigned
Long Term / Short Term Bank Facilities	48.56 (Enhanced from 11.50)	CARE BB; Stable / CARE A4	Rating removed from ISSUER NOT COOPERATING category and LT rating upgraded from CARE B-; Stable and ST rating reaffirmed
Short Term Bank Facilities	5.00 (Enhanced from 2.50)	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

In the absence of requisite information required for the purpose of ratings, CARE Ratings Ltd. (CARE Ratings) was unable to express an opinion on the rating of Pegma Resources Private Limited (PRPL) and in line with the extant SEBI guidelines, CARE Ratings had revised the ratings of bank facilities of the company to 'CARE B-; Stable; ISSUER NOT COOPERATING/ CARE A4; ISSUER NOT COPERATING'. However, the company has now submitted the requisite information to monitor the ratings and CARE Ratings has carried out a full review of the ratings and the ratings stand at 'CARE BB; Stable/ CARE A4'.

CARE Ratings has withdrawn the outstanding ratings of CARE B-; Stable; ISSUER NOT COOPERATING assigned to the bank facilities of three term loans with immediate effect. The above action has been taken on receipt of "No dues statement" for the said term loans.

Revision in the ratings assigned to the bank facilities of PRPL is on account of growth in the scale of operation while maintaining moderate profitability.

Ratings remain constrained on account of its moderately leveraged capital structure, modest debt coverage indicators and working capital intensive nature of operations. Ratings are, further, constrained on account of PRPL's presence in highly fragmented and competitive flexible intermediate bulk container (FIBC) industry and vulnerability of margins to fluctuation in raw material prices. Ratings, however, continue derive strength from experienced promoters in the packaging industry.

Rating assigned to the bank facilities of three term loans have been withdrawn basis on the no dues certificate shared by the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) to above Rs.200 crore while maintaining Profit before interest, lease, depreciation and tax (PBILDT) margin above 12%.
- Total debt to PBILDT below 4x on sustained basis.

Negative factors

- Decline in total operating income below Rs. 80 crore and moderation in PBILDT margin below 5% on sustained basis.
- Increase in debt level leading to deterioration in capital structure with overall gearing above 3x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that PRPL will continue to derive benefit from its experienced promoters and well-established operational track record in the FIBC industry.

Detailed description of key rating drivers:

Key weaknesses

Moderately leveraged solvency position and modest debt coverage indicators

The capital structure of the company remains moderately leveraged marked by an overall gearing of 1.94 times as on March 31, 2024. (FY23: 2.00x times). As on March 31,2024, PRPL has total debt of Rs. 51.36 crore (FY23: Rs. 47.98 crore) which consisted mainly of working capital borrowings. The net-worth remains moderate at Rs. 26.50 crore which also includes quasi equity of Rs. 10.66 crore due to sub-ordination clause with the lender. Debt coverage indicators of the company stood modest as marked by

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

total debt to gross cash accruals (TDGCA) of 14.81x as on March 31, 2024 (12.67x as on March 31,2023). Moreover, PBILDT interest coverage ratio remained moderate at 1.67x in FY24 as against 1.82x in FY23.

Presence in highly fragmented and competitive FIBC industry

The FIBC industry is dominated by players operating in the small and medium-scale sector, resulting in high fragmentation and intense competition. These players mainly cater to regional demand and enjoy the benefits of lower cost in terms of proximity to customers and raw material suppliers. Further, due to low product differentiation and value addition, the industry is highly competitive with price being the key differentiating factor.

Working capital intensive nature of operations

The business of the company is working capital intensive in nature with almost full utilization of its working capital bank borrowings during last 12 months ended on December 2024 and elongated operating cycle of 148 days as on March 31,2024 (159 days as on March 31,2023) owing to high inventory holding period. The current ratio of the company stood moderate at 1.05x (FY23:1.15x) whereas quick ratio stood below unity at 0.22x (FY23: 0.24x) respectively as on March 31, 2024.

Profitability vulnerable to volatile raw material prices

The primary raw material required for manufacturing of FIBC/jumbo bags is Polypropylene (PP), which is a crude oil derivative. Over the years, prices of crude oil have been volatile and so are the prices of polymers. Considering the volatility associated with raw material prices and the limited ability of the company to pass on the increase in raw material prices to end customers, exposes the company’s operating margins to fluctuations in raw material prices.

Key strengths

Increasing scale of operations backed by moderate profitability

The company's TOI has grown, with a compound annual growth rate (CAGR) of approximately 19% over the past five financial years ending FY24, owing to increase in the capacity utilization. PRPL's has strong presence in the export market with export sales forms ~70% of its total revenue in FY24. (FY23: 75%).

PBILDT margin remained moderate at 7.31% during FY24 as against 7.58% during FY23. Profit after tax (PAT) margin is relatively low at 0.91% for FY24 (FY23: 0.85%) reflecting that a significant portion of the company's income is still absorbed by expenses such as interest, taxes, or depreciation. GCA remained stable at Rs. 3.47 crore for FY24 (FY23: Rs. 3.70 crore). Further during 9MFY25 (UA), PRPL has booked revenue of Rs. 133 crore along with PBILDT margin of 7.08%.

Improvement in capacity utilization

Installed capacity utilization increased from 49% in FY21 to 82% in FY24. Further, the capacity is envisaged to expand since PRPL has undertaken capex of Rs. 11.5 crore in FY25 for acquiring additional manufacturing facilities. The same is planned to be funded by term loan of Rs. 8.5 crore, USL of Rs. 2 crore and internal accrual of Rs. 1 crore. Till date Rs. 6 crore disbursement has been received and infusion of Rs. 2 crore USL has been done. Under the said capex PRPL plans to acquire 2 manufacturing units which would be engaged in similar line of business. As of now, the company has acquired one unit which is already operational.

Experienced promoters with long track record of operations in FIBC Industry

The promoters of the company, Mr Sachin Nahar, Mr Nitin Nahar, Mr Ankur Sharma have wide experience of more than a decade in the FIBC industry. They are well acquainted with the movements in the prices of jumbo bags . Moreover, the management is assisted by a team of well-qualified professionals.

Liquidity: Stretched

The liquidity position of PRPL remained stretched as marked by low free cash and bank balances of Rs. 0.24 crore as on March 31,2024 (Rs. 0.16 core as on March 31,2023) and high utilization of working capital limits. PRPL is envisaged to generated GCA of Rs. 5-7 crore for FY25-FY27 as against scheduled repayment of Rs. 2.5-5 crore during the said period. The working capital cycle of SFPL remained elongated at 148 days for FY24 (FY23:159 days) owing to higher inventory holding period of 149 days respectively during FY24 (FY23: 150 days). The month-end fund based working capital utilisation remained around 97% for the trailing twelve months ended on December 2024. Its current ratio and quick ratio remained moderate at 1.05 times (FY23: 1.15 times) and 0.22 times (FY23 :0.24 times) respectively as on March 31, 2024. The cashflow from operations remained positive at Rs. 4.72 crore during FY24.

Assumptions/Covenants: Not applicable

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

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Plastic Products - Industrial

Beawar (Rajasthan) based Pegma Resources Private limited (PRPL),was incorporated in April 2012 by Mr Sachin Nahar, Mr Nitin Nahar, Mr Ankur Sharma and Ms Ruchika Sharma. PRPL is engaged in manufacturing of Flexible Intermediate Bulk Container (FIBC)/jumbo bags, woven PP fabric, webbing and LDPE liners. The company operates from its sole manufacturing facilities located at Beawar having an installed capacity of 7,643 Metric Tonnes Per Annum (MTPA) as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total operating income	117.01	144.55	132.95
PBILDT	8.86	10.57	9.42
PAT	0.99	1.31	1.74
Overall gearing (times)	2.00	1.94	2.14
Interest coverage (times)	1.82	1.67	1.89

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

Status of non-cooperation with previous CRA: CRISIL vide its PR dated March 08,2024 has continued ratings of PRPL under issuer not co-operating category due to non-receipt of information.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	August, 2022	0.00	Withdrawn
Fund-based - LT-Term Loan		-	-	February, 2024	0.00	Withdrawn
Fund-based - LT/ ST-Working Capital Limits		-	-	-	48.56	CARE BB; Stable / CARE A4
Fund-based - ST-Working Capital Limits		-	-	-	5.00	CARE A4
Term Loan-Long Term		-	-	13/12/2030	8.59	CARE BB; Stable

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-Term Loan	LT	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (24-Oct-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (13-Oct-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (22-Sep-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (06-Jul-21)
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	48.56	CARE BB; Stable / CARE A4	1)CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING* (24-Oct-24)	1)CARE B; Stable / CARE A4; ISSUER NOT COOPERATING* (13-Oct-23)	1)CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (22-Sep-22)	1)CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (06-Jul-21)
3	Fund-based - LT-Term Loan	LT	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (24-Oct-24)	1)CARE B; Stable; ISSUER NOT COOPERATING* (13-Oct-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (22-Sep-22)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (06-Jul-21)
4	Fund-based - ST-Working Capital Limits	ST	5.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (24-Oct-24)	1)CARE A4; ISSUER NOT COOPERATING* (13-Oct-23)	1)CARE A4; ISSUER NOT COOPERATING* (22-Sep-22)	1)CARE A4; ISSUER NOT COOPERATING* (06-Jul-21)
5	Term Loan-Long Term	LT	8.59	CARE BB; Stable	-	-	-	-

*Issuer did not cooperate; based on best available information.
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-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple
3	Fund-based - ST-Working Capital Limits	Simple
4	Term Loan-Long Term	Simple

Annexure-5: Lender details

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

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:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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