

Piramal Glass Limited

Instrument	Amount	Rating Action
Term Loans	50.0	[ICRA]BBB+ reaffirmed; outlook revised to Positive from Stable
*Fund Based Limits	315.0	[ICRA]BBB+ reaffirmed; outlook revised to Positive from Stable
*Fund Based Limits	315.0	[ICRA]A2 reaffirmed
Non Fund Based Limits	150.0	[ICRA]A2 reaffirmed
Short Term Loans	500.0	[ICRA]A2 reaffirmed

**Fund based limits are completely interchangeable between long term & short term exposures and hence total fund based limits utilisation should not exceed Rs 315 crore.*

ICRA has reaffirmed the long term rating assigned to Rs. 315.0 crore fund based limits and Rs. 50.0 crore term loans of Piramal Glass Limited (PGL) at [ICRA]BBB+ (pronounced as ICRA triple B plus)¹. ICRA has also reaffirmed the short term rating assigned to the Rs. 315.0 crore fund based limits, Rs. 500 crore short term loans and Rs. 150.0 crore non-fund based limits of the company at [ICRA]A2 (pronounced ICRA A two)¹. The outlook on the long term rating has been revised to Positive from Stable. Fund based limits are completely interchangeable between long term & short term exposures and hence total fund based limits utilisation should not exceed Rs 315.0 crore.

The revision in the outlook to positive takes into consideration the improved financial profile of the company, as evinced by healthier margins, return indicators and coverage metrics, following the streamlining of operations at its facilities and further supported by the soft input prices in FY2016. ICRA expects the company to continue to witness improvement in the financial profile on account of improved operational efficiency and sustained demand indicators across all the business segments, which are key rating sensitivities.

The ratings continue to factor in the established presence of the company in the glass bottle manufacturing business, market leadership in the pharmaceutical glass and mass C&P segments, and increasing presence in the relatively high margin premium C&P segment. The ratings continue to favourably factor in the financial flexibility and management strength derived by PGL by virtue of being an Ajay Piramal group company.

The ratings however remain constrained by the moderate capital structure and weak coverage indicators stemming from the high inventory holding requirements typical in the industry, leading to high working capital intensity of operations. ICRA also notes that the operations of the company are susceptible to volatility in raw material and fuel prices, as well as foreign currency fluctuations, though the latter risk is partly mitigated by way of well-defined hedging policies. The ratings also take into account the increasing penetration of plastic substitutes in the pharmaceutical packaging market which have pressurised margins in the segment.

The company is expected to undertake debt-funded capex pertaining to relining of its furnaces in a bid to improve their operational efficiency. ICRA also notes that PGL is expected to undergo a cash outflow of ~Rs. 60 crore towards the buyback of existing shares from the public and paying off of rights in FY2017. However, these developments are not expected to increase the borrowing levels and the company is expected to maintain its comfortable credit profile.

Company Profile

Incorporated in 1974, Piramal Glass Limited (PGL, erstwhile Gujarat Glass Limited) was acquired by the Piramal Group in 1984, and eventually, in 1990, merged with Piramal Healthcare Limited (PHL, erstwhile Nicholas Piramal India Limited). In 1998, the glass division was spun-off to a subsidiary, and subsequently, PE investors picked up 46% stake in this subsidiary. After restructuring operations, in July 2003, PHL divested its 54% holding in Piramal Glass to a new subsidiary, Kojam Fininvest, which was subsequently listed. This was followed with the merger of Kojam Fininvest into PGL, resulting in de-listing of the former. The merged entity was later re-listed as Piramal Glass Limited with effect from February 2008. PGL has five manufacturing locations - two in India, one in Sri Lanka and two in USA, with a total capacity of 1,360 tonnes per day (TPD).

¹ For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications

PGL has six subsidiaries, of which two - Ceylon Glass and Piramal Glass USA - are operating subsidiaries and own manufacturing locations in Sri Lanka and USA, respectively. The other four subsidiaries have primarily been set up either to develop PGL's exports or as marketing companies in USA and UK.

While the company had been listed in the BSE and the NSE since February 2008, it has been delisted from both stock exchanges effective from July 2014. The equity shares of the company held by the public have been acquired by Sri Hari Trust², acting through its corporate trustee PEL Management Services Private Limited, at a price of Rs. 140 per share. The acquisition process is nearing completion, with the balance public shareholding of 2.21% expected to be bought back by the company by the end of FY2017.

Recent Results

The company recorded a consolidated profit after tax (PAT) of Rs. 179.8 crore on an operating income of Rs. 2,138.7.0 crore in FY2016 as compared to a PAT of Rs. 3.5 crore on an operating income of Rs. 1,924.0 crore in FY2015.

September 2016

For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 6114 3408)
subrata@icraindia.com

Manikankana Ray (Tel. No. +91 22 6114 3417)
manikankana.ray@icraindia.com

Kinjal Shah (Tel. No. +91 22 6114 3442)
kinjal.shah@icraindia.com

Relationship Contacts:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406)
shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

² Most of the promoter holdings of Mr. Ajay Piramal and his family in the listed investee entities are managed through two trusts - Sri Hari Trust and Sri Krishna Trust.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001

Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002

Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion

Appasaheb Marathe Marg, Prabhadevi

Mumbai—400025,

Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna

234/3A, A.J.C. Bose Road

Kolkata—700020

Tel +91-33-22876617/8839 22800008/22831411,

Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre

634 Anna Salai, Nandanam

Chennai—600035

Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'

Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008

Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,

Ahmedabad- 380006

Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020

Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083

Tel:- +91-40-40676500