

January 06, 2016
CARE REAFFIRMS THE LT RATING AND REVISES THE ST RATING ASSIGNED TO THE BANK FACILITIES OF GARWARE POLYESTER LTD.
Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	100.04	CARE BBB+ (Triple B Plus)	Reaffirmed
Short term Bank Facilities	478.95	CARE A2 (A Two)	Upgraded from CARE A3+ (A Three Plus)
Long term Bank Facilities/ Short term Bank Facilities	82.00	CARE BBB+/A2 (Triple B Plus/A Two)	Long term Reaffirmed / Short Term upgraded from CARE A3+ (A Three Plus)
Total Facilities	660.99 (Rs. Six hundred sixty crore and ninety nine lakhs only)		

Rating Rationale

The revision in the short term rating assigned to the bank facilities of Garware Polyester Ltd (GPL) is on account of comfortable liquidity position on consistent basis in the form of cash & bank balance and low utilization levels of bank limits. The ratings continues to derive strength from its established track record in the flexible packaging industry, experienced management, presence in various geographies and diversified product mix.

The rating strengths are, however, tempered by declining profitability margins, interest coverage and high total debt to GCA ratio, sensitivity of the company's operations to the government regulations and foreign currency risk.

The ability of GPL to ramp up its operations from the newly set up BOPP production line to attain the envisaged revenue growth and improve its profitability are the key rating sensitivities. Additionally, any adverse government regulation affecting GPL's business may have direct impact on the rating of the company.

Background

Incorporated in 1957, GPL is engaged in manufacturing of Bi-axially Oriented Polyethylene Terephthalate films (BOPET films; 42,096 MTPA), thermal lamination films (3,600 MTPA), sun control films (2,400 lakh sq. ft. PA) and Bi-axially oriented polypropylene film (BOPP film; 16,500 MTPA).

BOPET & BOPP films have multiple usages in manufacturing of flexible packaging, cable insulation, LCD screen, magnetic media, metallic yarn etc., while sun control films find its applications in automobiles and real estate sectors. The company has manufacturing facilities at Aurangabad and Nashik and which possess patented technology for the same.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During FY15 (refers to the period April 01 to March 31); GPL posted total operating income of Rs.960.71 crore (vis-à-vis Rs.907.41 crore in FY14) and PAT of Rs.17.34 crore (vis-à-vis Rs.11.38 crore in FY14). Further the company has posted total operating income of Rs.449.07 crore and PAT of Rs.10.97 crore in H1FY16.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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