

## Garware Polyester Limited

February 03, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	85.64	CARE A-; Stable  (Single A Minus; Outlook: Stable)	Revised from CARE BBB+;  (Triple B Plus)
Short term Bank Facilities	489.90	CARE A2+  (A Two Plus)	Revised from CARE A2;  (A Two)
Long-term/Short-term Bank Facilities	89.84	CARE A-; Stable/CARE A2+  (Single A Minus; Outlook: Stable/A Two Plus)	Revised from CARE BBB+/ CARE A2  (Triple B Plus/ A Two)
<b>Total Facilities</b>	<b>665.38</b>  <b>(Rs. Six hundred sixty five crore and thirty eight lakhs only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale

The revision in the rating assigned to the bank facilities of Garware Polyester Ltd (GPL) is on account of improvement in the profitability margins with higher value added product contribution (VAP), improved debt protection metrics, maintaining good liquidity on consistent basis in the form of cash & bank balance and low utilization levels of bank limits.

The ratings continue 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, moderated by low current ratio and high debt to GCA, susceptibility of the company's operations to the government regulations and foreign currency risk.

The ability of GPL to successfully complete the envisaged capex, improve revenues & margins with further higher VAP contribution are the key rating monitorables. Additionally, any adverse government regulation affecting GPL's business may have direct impact on the financial profile of the company.

### Detailed description of the key rating drivers

The company operates in four different product lines namely BOPET, BOPP plain films, Sun control films and Thermal lamination films. With increasing focus on value added products the contribution has improved to 58% of net sales in FY16 from 49% of net sales in FY15. GPL has wide geographical presence in around 82 countries in the world with strong distribution network. The company continues to maintain its record of being the top exporter of polyester films and bagged the top exporter award from Plexconcil; whereby exports formed 52% of total income in FY16. Higher VAP contribution has resulted in improvement in profitability margins. Improved cash accruals and better liquidity position drives the ratings. However the company's operations stands sensitive to government regulations with moderately high debt coverage indicators.

**Analytical approach:** Standalone

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Applicable Criteria**

[CARE's methodology for manufacturing companies](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

**About the Company**

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). The company was co-promoted by the chairman and Managing Director Mr. S.B. Garware along with Late Padmabhushan Dr. Bhalchandra Garware.

The company has diversified product portfolio with more than 300 products having more than 200 clientele and exports to over 80 countries in the past six decades of operations. These films have multiple usages in manufacturing of flexible packaging, food packaging, FMCG, 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.

During FY16 (refers to the period April 01 to March 31), GPL posted total operating income of Rs. 852.82 crore (vis-à-vis Rs.962.73 crore in FY15) and PAT of Rs.17.39 crore (vis-à-vis Rs.17.34 crore in FY15). Further the company posted total operating income of Rs.432.64 crore and PAT of Rs.13.30 crore in H1FY17 (refers to the period April 01 to September 30).

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** NA

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based – Term Loan	NA	NA	Dec 2022	58.67	CARE A- (Single A Minus); Stable
Fund Based – Cash Credit	NA	NA	NA	26.97	CARE A- (Single A Minus); Stable
Fund Based – PCFC/PC	NA	NA	NA	55.44	CARE A2+ (A Two Plus)
Fund Based – EBD	NA	NA	NA	34.51	CARE A2+ (A Two Plus)
Non-Fund Based - Letter of Credit/ Bank Guarantee	NA	NA	NA	399.95	CARE A2+ (A Two Plus)
Cash Credit/ Packing Credit/ Letter of Credit/ Bank Guarantee	NA	NA	NA	89.84	CARE A2+ (A Two Plus)

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history for past three years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund Based – Term Loan	LT	58.67	CARE A-; Stable	CARE BBB+	CARE BBB+	CARE BBB+
2.	Fund Based – Cash Credit	LT	26.97	CARE A-; Stable	CARE BBB+	CARE BBB+	CARE BBB+
3.	Fund Based – PCFC/PC	ST	55.44	CARE A2+	CARE A2	CARE A3+	CARE A3+
4.	Fund Based – EBD	ST	34.51	CARE A2+	CARE A2	CARE A3+	CARE A3+
5.	Non-Fund Based - Letter of Credit/ Bank Guarantee	ST	399.95	CARE A2+	CARE A2	CARE A3+	CARE A3+
6.	Cash Credit/ Packing Credit/ Letter of Credit/ Bank Guarantee	LT/ST	89.84	CARE A-; Stable/ CARE A2+	CARE BBB+/ CARE A2	CARE BBB+/ CARE A3+	CARE BBB+/ CARE A3+

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