Polygenta Technologies Limited

February 01, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating*	Remark
Long Term Bank Facilities	6.06	**CARE B; Stable (Single B; Outlook: Stable)**	**Reaffirmed**
Total facilities	**6.06 (Rs. Six Crore and Six lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Polygenta Technologies Limited (PTL) continues to factor continuing operational losses on account of sub-optimality of operations, weak debt coverage indicators, stressed liquidity position and cash losses with complete erosion of net-worth.
The ratings continue to factor in financial support from the holding company.
The ability of PTL to turnaround the business operations, successfully execute and complete its ongoing project remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak financial risk profile
The company continues to post operating losses because of sub-optimal capacity utilization of its manufacturing facilities. In FY18 (refers to the period April 2017- March 2018), the company has made provision of Rs.16.29 crore related to impairment of capital work in progress and has incurred loss of Rs.55.03 crore during the same period. Consequently, the interest coverage ratio continues to be negative and net-worth of the company has been eroded.

Availability of substitute product
The quality of the polyester products produced by alternate method of using virgin petrochemical feed-stocks derived from crude oil is relatively better than those produced by recycled PET bottles. Since the average closing price of crude oil remains at moderate levels $71/barrel (in FY18), the low price advantage available to recycled polyester yarn industry are being set off.

Stressed Liquidity Position
The company liquidity position is stressed marked by PTL's dependence on its parent PerPETual Global Technologies (PGTL) for funding the losses and almost full utilisation of its working capital limits, thereby providing no liquidity cushion. The company's cash balance stood at Rs.2.03 crore as on September 30 2018.

Project Risk
PTL started expanding its recycling capacity (backward integration) to 75 TPD [current 30 TPD] at a capital outlay of Rs.125 crore, in order to increase the product offerings and optimize the cost structure of its integrated plant at Nashik. The company has also planned to set up new winders for making fully drawn yarn (FDY) at an estimated cost of Rs.20 crore which would be fully financed by ECB's from parent company.

Key Rating Strengths

Experienced promoters
In 2008, Aloe Environment Fund II (AEF) and Green Investment Asia Sustainability Fund I (GIASF) (both managed by the Aloe Group which manages a number of environment funds to invest in companies that seek to make a positive contribution to society) committed investment in Polygenta technologies limited(PTL) by forming PerPETual Global Technologies (PGTL) in Mauritius. The Aloe group has proven track record in environmental sector and is a pioneer in social and environmental corporate responsibility.

Regular Infusion of funds from holding company
The promoters have regularly infused funds to support the company's operations. During FY18, the holding company has infused external commercial borrowing (ECB) to the tune of Euro 10 million. The parent group has also waived off the interest payments on sanctioned amount of USD 20 million and EUR 4.5 million from September 2016 to June 2019.

Analytical Approach: Standalone

Applicable Criteria
[Rating Methodology-Manufacturing companies]
[Financial ratios – Non-Financial Sector]
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]

About the Company
Incorporated in 1981, Polygenta technologies limited (PTL) is engaged in the manufacture of Polyester Filament Yarn (PFY) using recycled PET bottles as a major feedstock. PTL uses a recycling technology (the ReNEW process) which is effective in reconstituting lower cost recycled PET bottles into a substitute feedstock for higher cost conventional petrochemicals. The integrated manufacturing facility of PTL is located in Nasik and has an installed capacity of 30 TPD [10,950 Metric Tonne Per Annum (MTPA)] at its recycling unit and 70 TPD (25,550 MTPA) at its polymerization unit. PTL sells its polyester yarn products for various applications in the fields of apparel, denim, home furnishings, floor coverings, and industrial applications.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	52.77	61.02
PBILDT	-30.26	-23.27
PAT	-27.54	-55.03
Overall gearing (times)	NM*	
Interest coverage (times)		

**NM-Not Meaningful*

Status of non-cooperation with previous CRA: NA

Any other information: Not applicable

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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 - LT-Cash Credit	-	-	-	6.06	CARE B; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	6.06	CARE B; Stable	-	1)CARE B; Stable (23-Feb-18)	1)CARE C (22-Nov-16)	1)CARE C (01-Dec-15)
2.	Debentures-Non Convertible Debentures	LT	-	-	-	-	-	1)Withdrawn (01-Dec-15)

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