

**Polyplex Corporation Limited**  
**March 23, 2020**

**Ratings**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term bank Facilities	0.00	-	Reaffirmed at CARE A+; Stable (Single Plus; Outlook: Stable) and Withdrawn
Short term bank facilities	0.00	-	Reaffirmed at CARE A1+ (A One Plus) and Withdrawn
<b>Total Facilities</b>	<b>0.00</b>		

*Details of instruments/facilities in Annexure-1*

**Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers**

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE A+; Stable/ CARE A1+' [Single A Plus; Outlook: Stable/ A One Plus] assigned to the bank facilities of Polyplex Corporation Limited (PCL) with immediate effect. The above action has been taken at the request of Polyplex Corporation Limited (PCL) and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

The rating reaffirmation derives strength from established market position, extensive experience of promoters and the management backed by long track record of operations and stable operating performance. Furthermore the ratings also derive comfort from strong liquidity position and healthy debt coverage indicators. The ratings strengths are, however, partially offset by the inherent risks associated with the demand supply disparity affecting PET films industry, susceptibility of group's margins to volatility in raw material prices and exposure to foreign exchange fluctuation risk and regulatory risk.

**Detailed description of the key rating drivers****Key Rating Strengths****Experienced promoters with long track record of operations**

PCL has a long track record of operations of more than 25 years. The company has a diversified product portfolio along with geographical spread across the globe including manufacturing facilities in Thailand, Turkey, USA and Indonesia. PCL is promoted by Mr Sanjiv Saraf who is the chairman of the company and has more than 35 years of experience in the corporate world. The top management of the company comprises qualified professionals from diverse fields ably supported by experienced staff with long industry experience.

**Comfortable financial risk profile and healthy debt service coverage indicators**

The financial risk profile of PCL has improved characterized by growth in total income from operations by 31.41% to Rs 4733.43 crore in FY19 from Rs 3602.03 crore in FY18 driven by increase in sales volume. PBILDT Margin of the company has increased from 14.66% in FY18 to 18.91% in FY19 on account of scale economies with better realizations.. Also, the company's PAT margin has improved from 7.89% in FY18 to 12.33% in FY19. Further, During 9MFY20, Company has achieved a total operating income of Rs. 3400.67 crore at a PBILDT Margin of 21.67%. Increasing proportion of Speciality Film helps company in gaining higher margin in 9MFY20.

The company's capital structure is comfortable with Overall gearing of 0.20x as on March 31, 2019 (0.24x as on March 31, 2018). Further, PBILDT interest coverage has improved from 13.40 in FY18 to 30.77x in FY19 and further to 55.37x for 9MFY20. Total debt to GCA of the company also improved from 1.83x for FY18 to 0.99x for FY19 and further to 0.93x for 9MFY20.

**Positive Industry Outlook**

The outlook for PET film industry remains positive on account of growth in flexible packaging industry as well as emerging application of PET films in photovoltaic, display and optical films driven by increased demand for renewable energy sources and expanding sales of smartphones, tablets, flat screen TVs.

**Liquidity: Strong**

The company is having a strong liquidity position marked by strong cash accruals and healthy liquid investments. GCA of the company for FY19 was Rs. 791 crore in FY19 as against Rs. 471 crore in FY18 (GCA of Rs. 644 crore in 9MFY20). The company had healthy cash and cash equivalents of Rs. 783.65 crore and investment in mutual funds amounting Rs. 10.88 crore as on March 31, 2019. Further company is having non current investment of around Rs. 390.76 crore in bonds and FDs. Cash and bank Balance and current and non current investments of the company in FDs, Mutual Funds and Bonds

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

stood at 1154 crore as against total debt of Rs. 794 crore as on December 31, 2019. The current ratio of the company remained comfortable at 2.37 as on 31st Mar 2019 (vs. 2.35x as on 31st Mar 2018).

### Key Rating Weaknesses

#### Susceptibility of profitability margins to volatility in raw material prices

The major raw material used for the production of PET films is PET resin, which is mostly manufactured in-house. Purified Terephthalic Acid (PTA) and Monoethylene Glycol (MEG) are the major raw materials used for manufacturing of PET resin. PTA and MEG, being derivatives of crude oil, their prices move in tandem with crude oil prices. Polyplex group's profitability margins remain susceptible to any adverse movement in the prices of raw materials.

#### Exposure to foreign currency movement

The overseas subsidiaries of PCL have availed term borrowing denominated in EURO and USD and hence remain exposed to foreign currency fluctuation on the payment date. Thus company is exposed to forex risk on account on any adverse movement in the foreign currencies.

#### Exposure to change in government policy, demand-supply disparity

Given the environment hazards of plastics, the sector remains sensitive to the government regulations. In March 2011, the environment ministry imposed ban on the plastic packing of tobacco products (Gutka and other smokeless tobacco products) which accounted for approximately 25-30% of the end-user industry for flexible packaging in India. The flexible packaging contributed approx. contributes 70% of total sales of Polyplex group. The group's business further remains susceptible to any trade defense measures by importing countries through imposition of antidumping and countervailing duties. Further the operations of the Polyplex group remain susceptible to demand supply disparity affecting PET films industry on account of significant oversupply situation in the PET films market. The demand drivers for PCL's products include population growth, improved quality of life, Increasing consumerism, economic growth and increasing disposable income, however increased capacity additions in the past have not only intensified competition but had also created a supply overhang situation which continues to remain key risk going forward owing to commoditized nature of the product.

**Analytical approach:** Not Applicable

### Applicable Criteria

[Policy on Withdrawal of ratings](#)

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

[Rating methodology – Manufacturing companies](#)

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

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

[Consolidation and Factoring linkages in Ratings](#)

[Criteria for Short Term Instruments](#)

### About the Company

Incorporated in 1984, Polyplex Corporation Limited (PCL) is the flagship company of the Polyplex group, promoted by Mr. Sanjiv Saraf. The company is engaged in manufacturing of PET films (Polyethylene terephthalate films) and BOPP films (Biaxially Oriented Polypropylene films). PET and BOPP films are applied in the flexible packaging market. PCL has its manufacturing facilities located in Khatima and Bajpur of Uttarakhand. It has a combined capacity of 55,000 MTPA (metric tons per annum) for PET films; 35,000 MTPA for BOPP films; 28,500 MTPA for metallized films; 286 million square meters for coated films; 77,600 MTPA for PET film resin and 2,640 MTPA for Holographic films as on March 31st, 2019. Over the years, PCL has increased its scale of operations in global scale and also established its manufacturing and distribution operations in other countries which includes: Thailand, Turkey, USA, China and Netherlands. Company has 6 manufacturing facilities in 5 countries with multiple warehouses and Liaison Offices worldwide.

**Covenants of rated instrument / facility:** Please refer Annexure-3

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total Operating Income	3602.03	4733.43
PBILDIT	528.21	894.90
PAT	284.12	583.65
Overall Gearing (times)	0.24	0.20
Interest coverage (times)	13.40	30.77

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

#### 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-Long Term	-	-	-	0.00	Withdrawn
Non-fund-based-Short Term	-	-	-	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	0.00	Withdrawn

#### 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based-Long Term	LT	-	-	-	1)CARE A+; Stable (07-Jan-19)	1)CARE A+; Stable (26-Mar-18)	1)CARE A+; Stable (18-Jan-17) 2)CARE A (18-Apr-16)
2.	Non-fund-based-Short Term	ST	-	-	-	1)CARE A1+ (07-Jan-19)	1)CARE A1+ (26-Mar-18)	1)CARE A1 (18-Jan-17) 2)CARE A1 (18-Apr-16)
3.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A+; Stable (07-Jan-19)	1)CARE A+; Stable (26-Mar-18)	1)CARE A+; Stable (18-Jan-17) 2)CARE A (18-Apr-16)

#### Annexure-3: Details explanation of covenants of the rated facilities: NA

**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:

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.

### Disclaimer

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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.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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