

## Polyplex Corporation Limited

January 18, 2017

### Ratings

Facilities	Amount (Rs. Crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	150	<b>CARE A+; Stable (Single A Plus; Outlook: Stable)</b>	Revised from CARE A (Single A)
Short-term Bank Facilities	60	<b>CARE A1 (A One)</b>	Reaffirmed
<b>Total Facilities</b>	<b>210 (Rupees Two Hundred Ten crore only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale

The revision in the long-term rating of Polyplex Corporation Limited (PCL) takes into consideration the improved net debt position of the group on account of large cash and bank balance as well as pre-payment of long-term borrowings in FY16 (refers to the period April 01 to March 31) and H1 FY17 (refers to the period April 01 to September 30). The ratings further factor in experienced promoters and management team coupled with long track record of operations, stable operational performance and comfortable financial risk profile marked by strong capital structure and debt coverage indicators. These rating strengths are however, partially offset by exposure of the group to inherent risk associated with 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. Going forward, the ability of the group to increase its scale of operations while improving its profitability margins and maintaining its capital structure would remain key rating sensitivities.

### Detailed description of the key rating drivers

Overall gearing (considering net debt) of the group improved from 0.21x as on March 31, 2015 to 0.06x as on March 31, 2016. Furthermore, the company had a negative net debt position as on September 30, 2016 on account of large cash and bank balance of the group as well as pre-payment of term loan in FY16 and H1 FY17. Polyplex group had cash and bank balance of Rs.1,133.84 crore as on March 31, 2016 (PY: Rs.1,073.16 crore). As on September 30, 2016, cash and bank balance stood at Rs.1,023.88 crore. Furthermore, during FY16, Polyplex group pre-paid term loan borrowings of Rs.175 crore. During H1 FY17, Polyplex group had already paid Rs.145.86 crore out of total term loan liability of Rs.172.48 crore for FY17.

PCL has a long track record of operations of more than 25 years. Over the years, PCL has increased its geographical presence by setting up manufacturing facilities across the globe including Thailand, Turkey and USA. PCL is promoted by Mr Sanjiv Saraf. Mr Sanjiv Saraf, chairman of the company, has more than 35 years of experience in the corporate world.

During FY16, Polyplex group reported total operating income of Rs.3,211.48 crore as against total operating income of Rs.3,314.05 crore in FY15, registering y-o-y decline of around 3% on account of lower sale realization due to partial pass-through of benefit from drop in raw material prices (polyethylene terephthalate/ polypropylene) to customers. However, lower sale realization was partially offset by increase in sales volume. PBILDT margin remained at a similar level at 11.98% (PY: 11.91%) in FY16. Overall gearing improved from 0.60x as on March 31, 2015 to 0.44x as on March 31, 2016 on account of repayment as well as pre-payment of term loans in FY16.

During FY16, the capacity utilization of base films (PET/BOPP/PP/Blown PP) increased to 86% (PY: 79%) on account of ramp up of thin PET film lines in USA and thick PET films lines in Thailand both of which commenced operations in 2013.

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

Furthermore, the group has an equitable policy for distribution of markets between its Indian, Thailand, Turkey and US operations based on factors like product range, delivered cost to customer, supply lead times and preferential duty access.

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. Furthermore, given the environment hazards of plastics, the sector remains sensitive to the government regulations.

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 Mono-ethylene 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. With raw material costs forming around 58% of total operating income in FY16 (PY: 62%), Polyplex group's profitability margins remain susceptible to any adverse movement in the prices of raw materials.

**Analytical approach followed:** While arriving at the ratings of Polyplex Corporation Limited (PCL), CARE has taken a consolidated view of PCL and its subsidiaries [Polyplex (Asia) Pte. Ltd., PAR LLC, Peninsula Beverages & Foods Company Private Limited, Polyplex (Thailand) Public Co. Ltd., Polyplex America Holdings Inc., Polyplex USA LLC, EcoBlue Limited, Polyplex (Singapore) Pte. Ltd., Polyplex Trading (Shenzhen) Co. Ltd., Polyplex Europa Polyester Film Sanayi ve Ticaret Anonim Sirketi, Polyplex Europe B.V., Polyplex Paketleme Cozumleri Sanayi ve Ticaret Anonim Sirketi] on account of its global operations catering to the world market. These entities are collectively referred to as Polyplex group.

#### Applicable Criteria

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

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

[CARE's methodology for Short-term Instruments](#)

[CARE's Criteria for Factoring Linkages in Ratings](#)

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

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

#### 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 involved in manufacturing of PET films (Polyethylene terephthalate films) and BOPP films (Biaxially-oriented polypropylene films). PET and BOPP films find application in the flexible packaging market and several industrial applications.

PCL has its manufacturing facilities located in Uttarakhand (Khatima and Bajpur) with total production capacity of 55,000 MTPA (metric tonne per annum) for PET films, 35,000 MTPA for BOPP films, 28,500 MTPA for metallized films, 270 million square metres for coated films and 77,600 MTPA for PET resin as on June 30, 2016. Over the years, PCL has increased its scale of operations and also has its manufacturing and distribution operations in other countries which include Thailand, Turkey, USA, China and Netherlands.

During FY16, Polyplex group reported total operating income of Rs.3,211.48 crore and PAT of Rs.16.25 crore as against total operating income of Rs.3,314.05 crore and PAT of Rs.77.75 crore in FY15. Furthermore, during H1 FY17 (refers to the period April 01 to March 31), Polyplex group reported total operating income of Rs.1620.94 crore and PAT of Rs.185.91 crore.

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

**Any other information:** Not Applicable

**Rating History (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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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 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	-	-	-	100.00	CARE A+; Stable
Non Fund Based-Short Term	-	-	-	60.00	CARE A1
Fund Based - LT-Term Loan	-	-	November 04, 2018	50.00	CARE A+; Stable

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

Sr. No.	Name of the Instrument/Bank Facilities	Type	Current Ratings		Chronology of Rating history			
			Amount Outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	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-Long Term	LT	100.00	CARE A+; Stable	1)CARE A (18-Apr-16)	-	1)CARE A (10-Nov-14)	1)CARE A (25-Oct-13)
2.	Non Fund Based-Short Term	ST	60.00	CARE A1	1)CARE A1 (18-Apr-16)	-	1)CARE A1 (10-Nov-14)	1)CARE A1 (25-Oct-13)
3.	Fund Based - LT-Term Loan	LT	50.00	CARE A+; Stable	1)CARE A (18-Apr-16)	-	1)CARE A (10-Nov-14)	1)CARE A (25-Oct-13)

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