December 27, 2019

The Manager - Listing Department, National Stock Exchange of India Limited, Exchange Plaza, NSE Building, Bandra Kurla Complex, Bandra East, Mumbai- 400 051 **SYMBOL : POLYPLEX**	The General Manager - Listing Department, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001 **BSE Scrip Code : 524051**

Dear Sir(s),

Sub: **Regulation 30(2) -** Para A.3 of Part A of Schedule III to SEBI (LODR), Regulations, 2015- **Credit Rating**

This is to inform you that India Ratings and Research Private Limited has assigned a Long-Term Issuer Rating of 'IND A+'. The Outlook is Stable. The instrument wise rating is as follow:

a) "IND A+/Stable" for Long term Loans of INR 1.50 Billion. (Maturity date FY24);

b) "IND A+/Stable/IND A1+" for Fund-based working capital limits of INR 2.07 Billion;

c) "IND A+/Stable/IND A1+" for Non Fund- based working capital limits of INR 0.48 Billion.

A copy of rating report in respect of above is attached herewith.

Thanking you,

Yours faithfully,
For Polyplex Corporation Limited

Ashok Kumar Gurnani
Company Secretary

Email : akgurnani@polyplex.com

Encl: As above

India Ratings
& Research
A Fitch Group Company

India Ratings Assigns Polyplex Corporation 'IND A+'; Outlook Stable

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By Abhishek Nigam

India Ratings and Research (Ind-Ra) has assigned Polyplex Corporation Limited (Polyplex) a Long-Term Issuer Rating of 'IND A+'. The Outlook is Stable. The instrument-wise rating actions are given below:

Long-term loans	-	-	FY24	INR1.50	IND A+/Stable	Assigned
Fund-based working capital limits	-	-	-	INR2.07	IND A+/Stable/IND A1+	Assigned
Non-fund-based working capital limits	-	-	-	INR0.48	IND A+/Stable/IND A1+	Assigned

ANALYTICAL APPROACH

Ind-Ra has taken consolidated view of Polyplex and its subsidiaries Polyplex (Asia) Pte Limited and Polyplex (Thailand) Public Co. Limited due to the strong operational and strategic linkages among them. The financials of Polyplex's other large subsidiaries such as Polyplex America Holdings Inc., Polyplex (Singapore) Pte. Ltd., Polyplex Europe B.V., EcoBlue Limited and PT Polyplex Films Indonesia are consolidated at Polyplex (Thailand) Public Co. and hence form part of Ind-Ra's consolidated approach.

The ratings reflect Polyplex's strong business profile underpinned by meaningful market share in key global markets, diversified revenue and manufacturing capacities, the rising share of value-added products in its product mix and capacity augmentation in key growth markets. The rating is also supported by the strong consolidated financial profile, exemplified by stable EBITDA margins, progressive growth in scale and operations, and conservative financial policies leading to a strong balance sheet (net cash position as on September 2019). However, the ratings are constrained by Polyplex's susceptibility to fluctuations in raw material prices, moderate product diversification and regulatory risks.

KEY RATING DRIVERS

Strong Market Positioning: Polyplex has an operational history of about 25 years and with a polyethylene terephthalate (PET) film capacity of 2,58,800 metric ton (MT), it is a leading PET film manufacturer globally. It has a stable market share of about 25% in Thailand and Turkey and around 10% in India, the US and Indonesia. Healthy capacity augmentation (up around 16%, by 44,000MT) in the growing Southeast Asia (Indonesia) region would not only help Polyplex in consolidating its market share in Indonesia, but would also help it during the expected biaxially-oriented polyethylene terephthalate (BOPET) upcycle over the next two-to-three years.

Diversified Business Profile: Polyplex's business is diversified in terms of manufacturing capacities and revenue contribution split across regions and product applications. The company has six manufacturing facilities across India, Thailand, Turkey, the US and Indonesia; with distribution presence and warehouses in key global markets. In FY19, about 54% of the total consolidated revenue came from mature markets (Europe and Americas) and the balance from growth markets (predominantly Asia). The share of value-added products such as silicone-coating, extrusion coating, holography and other specialty/high value-added (HVA) films stood at about 42% of the consolidated revenue in FY19, and is likely to remain stable over FY20-FY22. The pricing of value-added products is relatively less susceptible to volatility in raw material prices, and provides stability to margins.

Increase in Scale of Operations; Stable EBITDA Margins: The consolidated capacity grew at an annual growth rate of 10% over FY09-FY19 with utilisation levels of nearly 100%. In FY19, consolidated revenue grew 27% yoy to INR45.7 billion, while EBITDA margins expanded to 16.0% (FY18: 13.8%, FY17: 13.6%). In 1HFY20, consolidated revenue fell 1.5% yoy to INR22.1 billion, while EBITDA margins rose to 19%.

Over the next two years, Ind-Ra expects the consolidated revenue and volumes to be driven mainly by the start of operations at the new PET/BOPP facilities in Indonesia (BOPP plant planned for mid-FY22). Ind-Ra expects capacity utilisation levels to remain strong, backed by an uptick in global BOPET cycle wherein global capacity additions of about 0.5 million metric tons per annum (mmtpa) are likely to lag the demand growth of 0.9mmtpa.

Strong Credit Metrics: Consolidated free cash flow (FCF) has been positive since FY15. Ind-Ra expects FCF to remain positive in the medium term, given the strong operating cash flow and limited capex plans. In FY19, on a consolidated basis, Polyplex became net cash company from net leverage (net debt to EBITDA) of 0.2x in FY18. At end-September 2019, consolidated cash and cash equivalent stood at about INR11 billion as compare to the total debt of INR7.5 billion (FYE19: INR7.8 billion, FYE18: INR8.6 billion). Consolidated gross interest coverage (operating EBITDA/gross interest expense) stood at 25.1x in FY19 as against 12.5x in FY18. Ind-Ra expects consolidated credit metrics to remain strong over FY20-FY22, backed by strong cash flow generation and limited capex requirement. Any significant decline in cash levels or a rise in debt due to a large acquisition remain key rating sensitivities.

Liquidity Indicator - Adequate: At FYE19, the entity had consolidated unencumbered cash of INR9.5 billion as against the total debt serving of INR3.4 billion over FY20-FY22 (principal repayment of INR2.5 billion and interest payment of INR0.9 billion). Also, the consolidated fund-based facility of INR24.2 billion was largely unutilised at end-September 2019. Ind-Ra believes the entity has strong access to external funding given its robust credit metrics and strong relationships with multiple banks.

Robust Standalone Profile: In FY19, Polyplex's standalone revenue was INR13.5 billion (FY18: INR11.0 billion) and EBITDA was INR3.4 billion (FY18: INR1.4 billion). Standalone EBITDA margin rose to 25% in FY19 (FY18: 13%). Standalone interest coverage and net leverage stood at 70x and 0.6x, respectively, in FY19.

Forex and Raw Material Price Risk: Adverse movements in forex rates can negatively impact the consolidated profitability given the entity's foreign currency-denominated loans and exposure to multiple currencies. The consolidated entity derives almost 80% of its revenues from overseas markets. It tries to create a natural hedge by choosing the right currencies for taking loans, i.e. match liability with cash flows. The remaining open exposure is hedged through a three-month rolling forward contract.

The key raw materials for Polyplex's products include polypropylene, PET and monoethylene glycol (MEG). Apart from volatility in crude oil prices, the prices of PET/MEG are also susceptible on their own demand-supply dynamics. Additionally, quarter on quarter, prices can change sharply due to inventory stocking, de-stocking trends.

Regulatory Risk: The plastic packaging industry remains susceptible to adverse government regulations. Also, Polyplex remains exposed to any adverse international trade action given its large presence in international markets.

RATING SENSITIVITIES

Positive: A positive rating action could result from:
-significant improvements in the consolidated scale and operating EBITDA margins, leading to a sustained improvement in the business profile
-material progress towards product diversification and higher EBITDA contribution from value-added products

Negatives: A negative rating action could result from:
- a decline in the consolidated revenue or sustained deterioration in the operating EBITDA margin below 10%
- large, debt-funded capex or acquisition leading to sustained deterioration in the consolidated net leverage to over 1.5x
- any adverse government regulatory action negatively impacting the sector

COMPANY PROFILE

Polyplex's product portfolio includes PET films (thin & thick), biaxially-oriented polypropylene, cast polypropylene and blown polypropylene. These products are used in flexible packaging besides several and diverse industrial applications such as tapes, labels, thermal lamination, imaging and graphics, photo-voltaic and optical applications. With manufacturing facilities spread across India, the US, Thailand, Turkey and now Indonesia, the entity boasts of a diversified portfolio of products. Additionally, it also has a sizeable presence in downstream capabilities such as metallising, holography, silicone coating and so on.

FINANCIAL SUMMARY (CONSOLIDATED)

Revenue (INR million)	45,699	35,880
EBITDA (INR million)	7,314	4,942
EBITDA margins (%)	16.0	13.8
Total debt (INR million)	7,857	8,627
Gross interest coverage (x)	25.2	12.5
Net leverage (x)	0.0	0.2
Source: Polyplex, Ind-Ra		

COMPLEXITY LEVEL OF INSTRUMENTS

For details on the complexity levels of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

DISCLAIMER

Applicable Criteria

Corporate Rating Methodology
Cash Flow Measures in Corporate Analysis
Parent and Subsidiary Rating Linkage

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