May 10, 2023

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 that India Ratings and Research Private Limited (Ind-Ra) has affirmed Company's Rating as follows:

a) Long-term loans for INR 201.4 million (reduced from INR 562.5 million) – **"IND AA-/Positive"** ;

b) Fund-based working capital limits for INR 2,370 million (increased from INR 2,220 million) - **"IND AA-/Positive/IND A1+"** ;

c) Non Fund - based working capital limits for INR 300 million - **"IND AA-/Positive/IND A1+"**.

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

Thanking you,

Yours faithfully,
For Polyplex Corporation Limited

Ashok Kumar Gurnani
Digitally signed by Ashok Kumar Gurnani
Date: 2023.05.10 12:25:07 +05'30'

Ashok Kumar Gurnani
Company Secretary
Encl: As above

Email : akgurnani@polyplex.com

India Ratings & Research
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India Ratings Affirms Polyplex Corporation at ‘IND AA-’/Positive

May 09, 2023 | Packaging

India Ratings and Research (Ind-Ra) has affirmed Polyplex Corporation Limited’s (PCL) Long-Term Issuer Rating at ‘IND AA-’. The Outlook is Positive. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Long-term loans	-	-	FY24	INR201.4 (reduced from INR562.5)	IND AA-/Positive	Affirmed
Fund-based working capital limits	-	-	-	INR2,370 (increased from INR2,220)	IND AA-/Positive/IND A1+	Affirmed
Non-fund-based working capital limits	-	-	-	INR300	IND AA-/Positive/IND A1+	Affirmed

Analytical Approach: Ind-Ra continues to take a consolidated view of PCL and its subsidiaries Polyplex (Asia) Pte Limited (100% shareholding) and Polyplex (Thailand) Public Co. Limited (Polyplex Corporation Limited: 17.19%, Polyplex (Asia) Pte. Ltd: 33.81%), due to the strong operational and strategic linkages among them. The financials of Polyplex’s other large subsidiaries, namely 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., together referred to as the group, and hence form a part of Ind-Ra’s consolidated approach.

Ind-Ra has maintained the Positive Outlook on PCL owing to its expectation that the company will be able to continue to ensure healthy operating profitability along with strong credit metrics over the medium term. While Ind-Ra believes the EBITDA/kg might see some moderation from the FY22 levels in the near term, which will remain a key monitorable, the agency believes that growth in volumes, supported by expansion of 50,000 MT biaxially oriented polyethylene terephthalate (BOPET) facility in the US, ramp up of Indonesia facilities along with strong volume from the existing facilities will support the strong EBITDA in absolute terms over the next two-to-three years. While the company is likely to incur capex for its BOPET project in the US, and coating, recycling projects at its overseas locations, part of which also be debt funded, the agency believes the credit profile of the company is likely to remain robust, supported by strong cash flows.

Key Rating Drivers

Healthy Operating Performance: In FY22, the consolidated revenue from operations grew 35% yoy to INR66.2 billion, supported by volume growth of 7% yoy and average realisation growth of 26% yoy. The ramp-up of the company's biaxially oriented polypropylene (BOPP) unit (commissioned in December 2021) in Indonesia primarily led to the volume growth FY22. The increase in sales realisation was primarily supported by the pass-through of the higher input prices. Additionally, the volume of specialty films continues to grow (production volumes increased to 29% of the total production in FY22 (FY21: 24%)) and be supported the improvement in the realisation. The EBITDA/kg remained strong at about INR40/kg (FY21: INR40/kg; FY20: INR28/kg), which, along with the volume growth, led to an increase in the EBITDA to INR13 billion in FY22 from INR12.2 billion in FY21.

During 9MFY23, the consolidated revenue jumped 26% yoy to INR59.9 billion, supported by volume growth of 14% yoy and average realisation growth of 11% yoy. Volume growth during 9MFY23 was led by a ramp-up of the company's BOPP unit in Indonesia and its blown PP film facility in Turkey. The increase in the realisation was supported by the pass-through of the higher input prices. While the EBITDA/kg decreased to about INR32/kg (9MFY22: INR39/kg), due to various reasons such as inventory losses arising from the declining raw material cost trend, higher fixed cost (mainly utilities), softer market conditions and unrealised forex losses, the agency believes the current levels of EBITDA/kg maintained by the company are still strong as compared to those of industry peers. The EBITDA in 9MFY23 stood at INR8.8 billion, largely driven by volume growth, which is strong in the agency's view.

Ind-Ra expects the commencement of the commercial operations of PCL's new brownfield BOPET facility in the US in FY25 to support volume growth over the medium term. Additionally, an increased demand of the packaging films after the COVID-19 outbreak in view of health and hygiene issues, and an increase in the volume of specialty film sales are likely to continue support the profitability.

Strong Credit Metrics: PCL's credit profile is supported by its net cash surplus position and low-cost borrowings. Its overall debt (including lease liabilities) increased to INR9.7 billion at FYE22 from INR6.9 billion at FYE21. The company incurred a capex of about INR4.1 billion in FY22 for completing the BOPP project in Indonesia and various other projects in the value-added segments apart from the regular capex. The interest coverage (EBITDA/interest expense) remained strong at 79.3x in FY22 (FY21: 69.2x). The average interest expenses of the company stood at around 2% in FY21 and FY22.

PCL had plans to incur a substantial capex of about INR3.5 billion in FY23 and has plans to incur around INR7.8 billion of capex in FY24 for completing the BOPET project in the US and projects in the value-added segment including coating, recycling projects at its overseas locations besides regular capex. The company will fund the capex through a mix of debt and internal accruals. PCL's overall debt decreased to INR9.0 billion as on 30 September 2022. During 1HFY23, the company incurred a capex of INR1.4 billion, which has been funded through a mix of debt and internal accruals. The elevated level of the capex in the near term, coupled with the increase in the working capital requirement due to commencement of the new facility, will result in an increase in the overall the debt levels. Nonetheless, PCL's credit profile will remain strong over the medium term given the expectations of strong profitability and strong cash accruals.

Strong Market Positioning: Incorporated in 1984, PCL is a leading manufacturer of plastic films with a consolidated capacity of 385,837MT of base films, including a capacity of 262,800MT of BOPET films, 95,000MT of BOPP films, 10,000MT of cast polypropylene (CPP) films and 18,037MT of blown PP films. With an operational history of about 28 years, the company has a global leadership in the flexible packaging segment. The company has one of the largest capacities of thin films and operates seven manufacturing facilities across five locations including India, Thailand, Turkey, the US and Indonesia. While the company operates a manufacturing facility in India, it operates its manufacturing facilities across the international locations through the Thailand subsidiary (holding 51%) and its subsidiaries (step-down subsidiaries). Besides, the company has capacities in the value-added segments such as coated films, metallised films across its manufacturing facilities. The company is adding a new brownfield BOPET film line in the US which will help it further strengthen its market positioning in the region.

Diversified Revenue Profile and Backward Integration: PCL's business is diversified in terms of manufacturing capacities and revenue contribution across regions and product applications. The company enjoys a strong international presence with active sales across more than 75 countries and a diversified customer base. In FY22, the US, Europe, India accounted for 27%, 22% and 19% of its sales, respectively, while other markets made up 32% of its total sales. The company also enjoys a healthy product diversification. While thin polyethylene terephthalate (PET) films accounted for about 54% of PCL's total revenue, the thick pet films, BOPP films and CPP and blown PP films together accounted for 21% of the total revenue. Other products (including specialty films) accounted for 20% of the total sales in FY22. The operating efficiency also emanates from the backward integration for PCL's BOPET facilities. The company has a manufacturing capacity of 450,100MT of PET chips. Apart from the internal consumption of the PET chips, the company sells its PET chips to external customers, supporting the revenue base of the company. PET chips accounted for 5% of its total revenue in FY22.

Liquidity Indicator - Adequate: The consolidated cash and equivalents were INR12.2 billion as on 31 March 2022, with cash and quoted investments, including the investments in the listed bonds. Excluding the investments in the listed bonds, the consolidated cash and equivalents stood at about INR9.8 billion as on 31 March 2022. The average utilisation of PCL's fund-based working capital limits stood at only 3% in the 12 months ended March 2023. The company has a scheduled repayment of INR1,116 million in FY24 and about INR1,155 million in FY25 against which the cash flows are likely to remain strong. As PCL benefits from its strong relationships with multiple banks, it enjoys a strong financial flexibility to raise funds in case of any need.

Forex and Raw Material Price Risk: Any adverse movements in forex rates can negatively impact the profitability, given the entity's foreign currency-denominated loans and exposure to multiple currencies. The group derived about 81% of its revenues in FY22 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 the company's products include polypropylene, PET and monoethylene glycol. Apart from a volatility in crude oil prices, the prices of PET/monoethylene glycol are prone to their demand-supply dynamics. Additionally, prices can change sharply, on a quarterly basis, due to inventory stocking and de-stocking trends.

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

Standalone Performance: PCL's standalone revenue from operations and EBITDA accounted for 27% and 21% of the consolidated revenue and EBITDA in FY22. The standalone revenue increased 37% yoy to INR17.8 billion while the EBITDA margin stood at 15.2% in FY22 (FY21: 17.0%). The gross interest coverage ratio (EBITDA/gross interest expenses) stood at 122.4x in FY22 (FY21: 76.9x) while the net leverage (net debt/EBITDA) stood at 0.1x (0.7x).

Rating Sensitivities

Positive: Developments that could, individually or collectively, lead to a positive rating action include:

- maintaining the scale and operating EBITDA (in INR/kg terms) in line with Ind-Ra's expectations;
- maintaining the share of value-added products in overall revenue and EBITDA mix, while maintaining the credit metrics on a sustained basis.

Negative: Developments that could, individually or collectively, lead to a negative rating action include:

- delays, cost over-runs or slower-than-Ind-Ra-expected ramp-up for new projects;
- a decline in the scale and operating EBITDA (in INR/kg terms) below Ind-Ra's expectations;
- large, debt-funded capex or acquisition leading to sustained deterioration in the net leverage exceeding 1.25x
- any adverse government regulatory action negatively impacting the sector.

Company Profile

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

FINANCIAL SUMMARY (CONSOLIDATED)

Particulars	FY22	FY21
Revenue (INR billion)	66.2	49.2
EBITDA (INR billion)	13.1	12.2
EBITDA margin (%)	19.7	24.7
Interest coverage (x)	79.3	69.2
Net leverage (x)	-0.2	-0.4
Source: PCL, Ind-Ra		

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.

Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer.

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook		
	Rating Type	Rated Limits (million)	Rating	7 March 2022	16 December 2020	26 De
Issuer rating	Long-term	-	IND AA-/Positive	IND AA-/Positive	IND AA-/Stable	INI
Term loans	Long-term	INR201.4	IND AA-/Positive	IND AA-/Positive	IND AA-/Stable	INI
Fund-based working capital limits	Long-/short-term	INR2,370	IND AA-/Positive/IND A1+	IND AA-/Positive/IND A1+	IND AA-/Stable/IND A1+	IND A+
Non-fund-based working capital limits	Long-/short-term	INR300	IND AA-/Positive/IND A1+	IND AA-/Positive/IND A1+	IND AA-/Stable/IND A1+	IND A+

Bank wise Facilities Details

Click here to see the details

Complexity Level of Instruments

Instrument Type	Complexity Indicator
Term loan	Low
Fund-based working capital limit	Low
Non-fund based working capital limit	Low

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

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APPLICABLE CRITERIA

Short-Term Ratings Criteria for Non-Financial Corporates

Corporate Rating Methodology

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