POLYPLEX

March 8, 2022

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 (Ind-Ra) has affirmed Company's Rating as follow:

a) Long-term loans for INR 562.5 million - "IND AA-/Positive", Affirmed; outlook revised to **Positive** from Stable;

b) Fund-based working capital limits for INR 2,220 million - "IND AA-/Positive/IND A1+", Affirmed; Outlook revised to **Positive** from Stable;

c) Non Fund- based working capital limits for INR 300 million - "IND AA-/Positive/IND A1+", Affirmed; Outlook revised to **Positive** from Stable.

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
Encl: As above

Email : akgurnani@polyplex.com

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India Ratings & Research
A Fitch Group Company

India Ratings Revises Outlook on Polyplex Corporation to Positive; Affirms 'IND AA-'

07

MAR 2022

By Rabin Bihani

India Ratings and Research (Ind-Ra) has revised Polyplex Corporation Limited's (PCL) Outlook to Positive from Stable while affirming its Long-Term Issuer Rating at 'IND AA-'. 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	INR562.5 (reduced from INR1,500)	IND AA-/Positive	Affirmed; Outlook revised to Positive from Stable
Fund-based working capital limits	-	-	-	INR2,220 (increased from INR2,020)	IND AA-/Positive/IND A1+	Affirmed; Outlook revised to Positive from Stable
Non-fund-based working capital limits	-	-	-	INR300	IND AA-/Positive/IND A1+	Affirmed; Outlook revised to Positive from Stable

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.

The Outlook revision reflects a sustained improvement in the consolidated operating performance of the company in FY21, with growth in the revenue and EBITDA margins and which Ind-Ra expects over the medium term, backed by an expansion in the volumes. In December 2021, PCL commissioned its 60,000MT BOPP facility in Indonesia. Furthermore, the company plans an expansion of a 50,000MT BOPET facility in the US and a 4,392MT of blown PP films capacity in Turkey. Additionally, the company will incur a capex for setting up coated films facility in Turkey and the US. Ind-Ra expects the operation ramp-up at its BOPP facility and the commencement of additional capacities over the medium term will support the volume growth and is likely to ensure a healthy operating performance of the company.

KEY RATING DRIVERS

Improvement in Operating Performance: In FY21, PCL's consolidated revenue operations increased 10% yoy to INR49.2 billion, supported by volume growth of 11% yoy while the average realisation remained subdued due to a decline in its input prices. The ramp-up of its BOPET unit in Indonesia in FY21, which was commissioned in November 2019, led to the volume growth of 11% yoy in FY21. Increased demand of the packaging films after the COVID-19 outbreak in view of health and hygiene issues, favourable demand and supply scenario, and an increase in the share of speciality film sales lifted PCL's the EBITDA margins to 24.7% in FY21 (FY20: 17.4%). Overall EBITDA increased 56% yoy to INR12.2 billion (FY20: INR7.8 billion). Its raw materials as a percentage of the revenue declined to 49% in FY21 (FY20: 56%).

During 9MFY22, the revenue jumped 31% yoy to INR47.4 billion, led by the substantial increase in the realisation, supported by the pass-through of the higher input prices as well as an increase in contribution of the speciality film sales of 37% to the total sales (9MFY21: 33%). While EBITDA margin declined to 19.4% in 9MFY22 (9MFY21: 25.1%; 9MFY20: 19.2%; 9MFY19: 16.1%), EBITDA/kg remained strong at about INR39/kg (9MFY21: INR40/kg; FY21: INR40/kg; FY20: INR28/kg).

Ind-Ra expects PCL's revenue to grow 32%-35% yoy in FY22, while EBITDA margin to remain at 20%-22%. Growth in its revenue in FY23 will be driven by the ramp-up in volumes of the BOPP unit in Indonesia. The commencement of the commercial operations of its new brownfield BOPET facility in the US and the blown PP film facility in Turkey will support the volume growth over the medium term. This apart, PCL has envisaged capex towards the value-added films including coated films shall drive the revenue growth.

Strong Credit Metrics: PCL's credit profile is supported by its net cash surplus position and low-cost borrowings. Its overall debt declined to INR6.9 billion as on 31 March 2021 from INR7.6 billion as on 31 March 2020. The company incurred a capex of about INR5.3 billion in FY21 for completing the BOPP project in Indonesia, BOPET project in the US and various other projects in the value-added segments apart from the regular capex. The interest coverage (EBITDA/Interest Expense) remained strong at 69.23x in FY21 (FY20: 43.33x). Average interest expenses for the company stood at 2%.

PCL plans to incur a substantial capex of about INR6.5 billion in FY22 and around INR3.5 billion in FY23 for completing the BOPET project in the US and projects in the value-added segment including coating, blown PP films, recycling projects at its overseas locations besides regular capex. The company will fund the capex through a mix of debt and internal accruals. Its overall debt increased to INR8.99 billion as on 31 December 2021. During 1HFY22, the company incurred a capex of INR2.3 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 in view of the increase in the raw material prices and the commencement of the new facility, will result in an increase in the overall the debt levels. Nonetheless, PCL's credit profile will remain strong 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 consolidated capacity of 381,445MT of base films, including a capacity of 262,800 MT of BOPET films 95,000 MT of BOPP films, 10,000MT of CPP films and 13,645 MT of blown PP films. With an operational history of about 25 years, the company has a global leadership in the flexible packaging segment. The company has the seventh-largest capacity 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 the manufacturing facilities across the international locations through the Thailand subsidiary (holding 51%) and its subsidiaries (step-down subsidiaries). PCL has a stable market share of about 25% in Thailand and Turkey, and around 10% each in India, the US and Indonesia. Besides, the company has capacities in the value-added segments such as coated films, metallised films across its manufacturing facilities. The company plans 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 FY21, the US, Europe, India accounted for 27%, 25% and 20% of its sales, respectively, while other markets made up 28% of its total sales. The company also enjoys a healthy product diversification. While Thin PET films accounted for about 60% of PCL's total revenue, the thick pet films, BOPP films and CPP and blown PP films accounted for 18% of the total revenue. The value-added products accounted for little less than 20% of the total sales in FY21. The operating efficiency also emanates from the backward integration for its BOPET facilities. The company has a manufacturing capacity of 382,550 MT of PET chips. Apart from the internal consumption of the PET chips, the company also sells its to the external customers, supporting the revenue base of the company. PET chips accounted for 3%-5% of its total revenue during FY20-9MFY22.

Liquidity Indicator - Adequate: PCL had a consolidated cash and equivalents of INR12.2 billion as on 31 March 2021, with cash and quoted investments including the investments in the listed bonds. Excluding the investments in the listed bonds, its consolidated cash and equivalents stood at about INR9.5 billion as on 31 March 2021. Average utilisation of the fund-based working capital limits stood at 45% in the 12 months ended December 2021. The company has a scheduled repayment of INR952.0 million in FY22 and about INR917 million against which the cash flows will remain strong. Its cash flows from operations witnessed as substantial improvement in FY21, on the back of a remarkable rise in the profitability. 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 82% of its revenues in FY21 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 26% and 18% of the consolidated revenue and EBITDA in FY21. The standalone revenue increased 2% yoy to INR13 billion while the EBITDA margin stood at 17.0% in FY21 (FY20: 11.8%). The gross interest coverage ratio (EBITDA/gross interest expenses) stood at 76.88x in FY21 (FY20: 54.48x) while the net leverage (net debt/EBITDA) stood at 0.66x (0.60x).

RATING SENSITIVITIES

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

- Maintaining the share of value-added products in overall revenue and EBITDA mix, while maintaining the current credit metrics on a sustained basis
- Maintaining scale and operating EBITDA margins (in INR/kg terms) at current levels.

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

- delays, cost over-runs or slower than expected ramp-up for new projects;
- a decline in the consolidated revenue or a sustained deterioration in the operating EBITDA margin below 10%;
- large, debt-funded capex or acquisition leading to a 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	FY21	FY20
Revenue (INR billion)	49.2	44.9
EBITDA (INR billion)	12.2	7.8
EBITDA Margin (%)	24.7	17.4
Interest coverage (x)	69.2	43.3
Net leverage (x)	-0.4	-0.6
Source: PCL, Ind-Ra		

RATING HISTORY

Instrument Type	Current Rating/Outlook	Historical Rating/Outlook

	Rating Type	Rated Limits (million)	Rating	16 December 2020	26 December 2019
Issuer rating	Long-term	-	IND AA-/Positive	IND AA-/Stable	IND A+/Stable
Term loans	Long-term	INR562.5	IND AA-/Positive	IND AA-/Stable	IND A+/Stable
Fund-based working capital limits	Long-/short-term	INR2,220	IND AA-/Positive/IND A1+	IND AA-/Stable/IND A1+	IND A+/Stable/IND A1+
Non-fund-based working capital limits	Long-/short-term	INR300	IND AA-/Positive/IND A1+	IND AA-/Stable/IND A1+	IND A+/Stable/IND A1+

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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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.

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Applicable Criteria

Corporate Rating Methodology
Short-Term Ratings Criteria for Non-Financial Corporates

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