

January 11, 2024

Premier Polyfilm Limited: [ICRA]BBB+(Stable)/[ICRA]A2 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term term loans	13.21	[ICRA]BBB+(Stable) assigned
Long term/Short term – Fund-based working demand loan	25.5	[ICRA]BBB+ (Stable)/[ICRA]A2 assigned
Short term – Non-fund based LC/BG	14.25	[ICRA]A2 assigned
Short term – Non-fund based-LC/BG*	(10.5)	[ICRA]A2 assigned
Short term non-fund based - Forward limits	1.00	[ICRA]A2 assigned
Long term/Short term – Fund-based/Non-fund based - Unallocated	6.04	[ICRA]BBB+ (Stable)/[ICRA]A2 assigned
Total	60.00	

*Instrument details are provided in Annexure-I

Note: Amount in Rs. crore, (*Total exposure under working capital facility issued by Kotak Mahindra Bank cannot exceed Rs. 11.5 crore including long term fund based working capital facility of Rs. 11.5 crore)

Rationale

The assigned ratings factor in the established track record of Premier Polyfilms Limited (PPL/the company) in the polyvinyl chloride (PVC)-based product industry, where it has now been present for more than 30 years. The ratings also factor in the healthy revenue growth achieved by the company after its recent capacity expansion and its strong financial risk profile characterised by comfortable debt and coverage indicators.

The ratings, however, are constrained by the exposure of the company to raw material price fluctuations, given the fragmented nature of the industry, which limits its pricing power. The company imports a major share of its raw material, exposing it to forex risks. While exports provide a natural hedge to an extent, the company keeps the rest of the exposure unhedged, thereby remaining susceptible to foreign exchange volatility.

Key rating drivers and their description

Credit strengths

Established track record in PVC product industry - The company has an established track record of more than 30 years in manufacturing and selling PVC vinyl flooring, films and sheets along with artificial leather. The company supplies PVC membrane flooring sheets to the Indian Railways and PVC leather sheets to tier-2 and tier-3 suppliers of automotive OEMs. It also has a healthy distribution network, comprising around 100 dealers/distributors covering major parts of the Indian market. The company has been able to increase its supplies to the Indian Railways (IR) in the recent past on the back of its ability to meet the latter's specific requirements.

Strong revenue growth, backed by healthy demand in diversified segments – PPL's revenue growth in FY2023 and FY2022 was driven by a mix of volume and realisation growth. There was a sharp increase in PVC prices, and PPL's product realisation followed the trend. The sales volume has been on an uptrend since the Covid-19 pandemic impacted volumes in FY2021, with demand for the company's products remaining healthy. The volume growth in H1 FY2024 was ~17.4% YoY (annualised), driven by the commissioning of the new capacity in FY2023 and a healthy demand for the products.

Comfortable financial risk profile – PPL’s credit profile is marked by a mix of term debt availed for capacity expansion and short-term debt for funding working capital requirements. The leverage and coverage indicators have been improving with the rising scale of operations and improvement in gross margins over the years. The company’s gearing was 0.45x as on March 31, 2023, which further improved to 0.29x as on September 30, 2023, with healthy accretion to reserves and paring down of debt. PPL’s working capital intensity has remained stable at 17-20% over the past several years, which has resulted in modest reliance on working capital borrowings.

Credit challenges

Limited pricing power due to competitive industry with large number of players – PPL operates in a highly fragmented industry which limits its pricing power. The profitability and margins can be impacted when input prices are volatile as high competition restricts the company from passing on the hike in input prices to consumers.

Exposure to fluctuation in forex rates and raw material prices - The company imports a major share of the raw material as domestic availability remains limited. While exports provide some natural hedge, the remaining foreign exchange exposure is unhedged, exposing the company to foreign exchange risk. Additionally, the key raw material for the company is PVC paste. PVC prices depend on global demand-supply dynamics and thus the company’s profitability remains exposed to the volatility in input prices.

Liquidity position: Adequate

PPL’s liquidity position is supported by healthy cash accruals, free cash balance of Rs. 9.99 crore as on September 30, 2023, and a cushion of ~Rs. 7 crore in fund-based limits as on September 30, 2023. The liquidity position is expected to remain adequate with healthy cash generation from operations of around Rs. 13.5 crore, minor capex of Rs. 4-5 crore and repayments of Rs. 4.20 crore in FY2024.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a significant scale-up in the company’s revenues and profitability, along with an improvement in customer diversification on a sustained basis.

Negative factors – The ratings may be downgraded if the company undertakes a larger-than-expected debt-funded capex, resulting in a moderation of the credit profile. A moderation in the profitability, and/or stretch in the working capital cycle weakening the liquidity profile may also result in a downgrade. Another key credit metric for downgrade will be total debt/OPBDITA above 2.3x on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has considered standalone financials of the company

About the company

Premier Polyfilm Ltd. was incorporated in India in July 1992. The company is engaged in manufacturing vinyl flooring, PVC sheeting and artificial leather cloth, which are used for various industrial and consumer applications. Premier Polyfilm Ltd. is one of the leading manufacturer and exporter of calendered PVC products. The product range includes PVC flooring, PVC

sheeting, PVC flexible film, calendered leather cloth, PVC geomembrane, high-voltage insulated mats etc. The company has a manufacturing capacity of 32,000 MTPA at Sikandarabad, Uttar Pradesh.

Key financial indicators (audited)

Premier Polyfilm	FY2022	FY2023	H1 FY2024
Operating income	212.84	252.69	130.60
PAT	9.78	11.68	9.67
OPBDIT/OI	9.0%	8.7%	12.4%
PAT/OI	4.6%	4.6%	7.4%
Total outside liabilities/Tangible net worth (times)	0.90	0.85	0.66
Total debt/OPBDIT (times)	1.53	1.51	0.75
Interest coverage (times)	9.43	8.08	12.08

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Jan 11, 2024			
1	Term loans	Long term	13.21	11.17	[ICRA]BBB+ (Stable)	--	--	--
2	Fund-based working demand loan	Long term/ Short term	25.5	--	[ICRA]BBB+ (Stable)/ [ICRA]A2	--	--	--
3	Non-fund based LC/BG	Short term	14.25	--	[ICRA]A2	--	--	--
4	Short term - Non-fund based - LC/BG*	Short term	(10.5)	--	[ICRA]A2	--	--	--
5	Forward limits	Short term	1.00	--	[ICRA]A2	--	--	--
6	Unallocated	Long term/ short term	6.04	--	[ICRA]BBB+ (Stable)/ [ICRA]A2	--	--	--

(*Total exposure under working capital facility issued by Kotak Mahindra Bank cannot exceed Rs. 11.5 crore including long term fund based working capital facility of Rs. 11.5 crore)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term - Term loans	Simple
Long term/Short term – Fund-based working demand loan	Simple
Short term – Non-fund based LC/BG	Very Simple
Short term – Non-fund based - LC/BG*	Very Simple
Short term non-fund based - Forward limits	Very Simple
Long term/Short term – Fund-based/Non-fund based - Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term - Term loans	FY2019	NA	FY2024	0.27	[ICRA]BBB+ (Stable)
NA	Long term - Term loans	FY2022	NA	FY2027	12.11	[ICRA]BBB+ (Stable)
NA	Long term - Term loans	FY2021	NA	FY2025	0.83	[ICRA]BBB+ (Stable)
NA	Long term/Short term – Fund-based working demand loan	NA	NA	NA	25.50	[ICRA]BBB+ (Stable)/[ICRA]A2
NA	Short term – Non-fund based LC/BG	NA	NA	NA	14.25	[ICRA]A2
NA	Short term – Non-fund based - LC/BG*	NA	NA	NA	(10.5)	[ICRA]A2
NA	Short term non-fund based - Forward limits	NA	NA	NA	1.00	[ICRA]A2
NA	Long term/Short term – Fund-based/Non-fund based - Unallocated	NA	NA	NA	6.04	[ICRA]BBB+ (Stable)/[ICRA]A2

Source: Company; *Total exposure under working capital facility issued by Kotak Mahindra Bank cannot exceed Rs. 11.5 crore including long term fund based working capital facility of Rs. 11.5 crore

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 124 4545 322

prashant.vasisht@icraindia.com

Varun Gogia

+91 9871156542

varun.gogia1@icraindia.com

Mohika Kundara

+91 9599133619

mohika.kundara@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

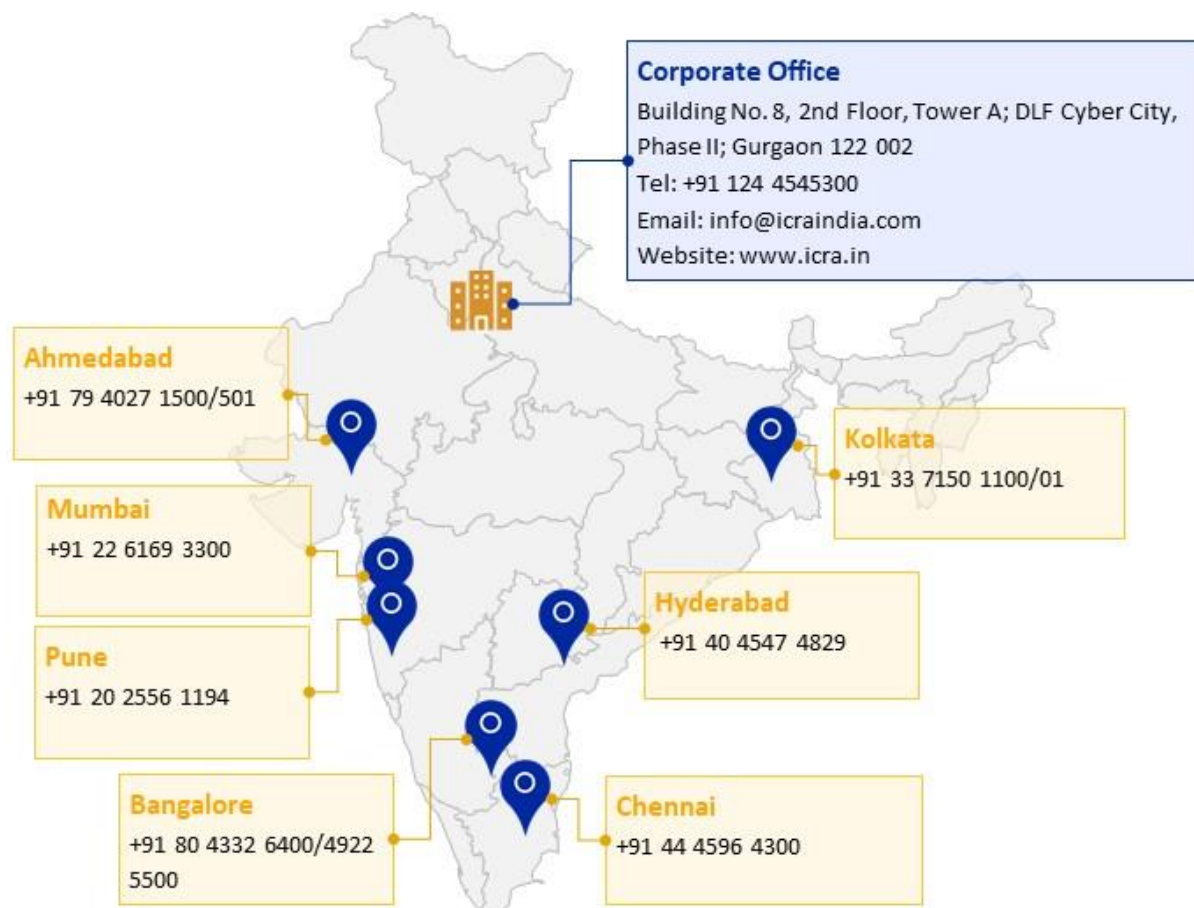


Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2024 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.