January 06, 2025

Premier Polyfilm Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term-Term Loans	13.21	13.21	[ICRA]BBB+ (Stable); reaffirmed
Long Term/Short Term-Fund Based Working demand loan	25.5	25.5	[ICRA]BBB+ (stable)/[ICRA]A2; reaffirmed
Short Term-Non Fund Based LC/BG	14.25	14.25	[ICRA]A2; reaffirmed
Short Term-Non Fund Based-LC/BG*	(10.5)	(10.5)	[ICRA]A2; reaffirmed
Short Term Non fund based - Forward limits	1.00	1.00	[ICRA]A2; reaffirmed
Long Term/Short Term-Fund Based/Non fund Based-Unallocated	6.04	6.04	[ICRA]BBB+ (Stable)/[ICRA]A2; reaffirmed
	60.00	**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 reaffirmation of the rating factors in the established track record of Premier Polyfilm Limited (PPL/the company) in the Poly Vinyl Chloride (PVC) based products industry where it has now been present for more than 30 years. The ratings also factor in improvement in gross margins on the back of stabilization in input and the healthy financial risk profile characterized by healthy 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 pricing power leading to a tepid revenue growth. The company imports a major share of its raw material which exposes the company to forex risks. While company also undertakes exports which provide natural hedge to an extent, the company keeps rest of the exposure unhedged and thereby remains exposed to foreign exchange volatility. ICRA also takes note of the acquisition of a land parcel by the company in Chennai wherein it expects to undertake future expansion for its existing products. While currently the details of the projects to be undertaken and the funding requirements are yet to be finalized, as and when the company undertakes such capex, it will expose the company to project execution risk as it will be undertaking a greenfield expansion in a geographically new market.

ICRA expects the credit profile of the company to remain stable going forward amid stable demand for the company's products which should aid healthy cash generation adequate to meet the debt servicing requirements while keeping the credit prolife stable.

Key rating drivers and their description

Credit strengths

Established track record in the PVC products 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 for its products in diversified client segments: PPL witnessed significant uptrend in revenue in FY2023 and FY2022 driven by a mix of sales volume and sharp increase in the PVC prices which led to higher prices of end products. During FY2024, the revenue growth remained tepid at ~3%. While the sales volume witnessed a 10% YoY FY2024 partly supported by increased offtake and partly by increase in capacity utilization, the volume gains was offset by the decline in the realisations.

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 0.16x as on March 31, 2024, which further improved to 0.04x as on September 30, 2024, 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. Going forward the credit metrics are expected to moderate as the company undertakes expansion at the new facility planned at Chennai. Nevertheless, the metrics will remain comfortable for the rating category.

Credit challenges

Exposure to forex and price fluctuation in raw material: 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.

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.

Project execution risk: The company has recently purchased a land parcel in Chennai for expansion of its operations. While the company is yet to finalise the timelines and capex quantum, the project once taken up will expose the company to project execution risk as the project is being setup in a greenfield facility. The ability of the company to undertake capex without impacting its credit profile materially and ability to ramp up the revenues from the new facility will remain key monitorable.

Environmental and Social Risks

The company is compliant on all fronts in terms of environmental norms and has never faced challenges on this account. Although hydrocarbon-based products are not replaceable easily due to lack of non-hydrocarbon-based alternatives. The company has also entered into a Power Purchase Agreement (PPA) with a solar power supplier which will reduce its carbon footprint. In terms of the social factors, the company has been able to maintain cordial labor relations and has not faced any social issues. The plant is located in an industrial area and the plant is a zero liquid discharge plant compliant with all local rules.

Liquidity position: Adequate

PPL's liquidity position is supported by healthy cash accruals, free cash balance of Rs. 19.14 crore as on September 30, 2024 and a cushion of ~Rs. 25 crore in fund based limits as on September 30, 2024. The liquidity position is expected to remain adequate with healthy cash generation from operations of around Rs. 15.26 crore, capex of Rs. 14-15 crore and repayments of Rs. 2.76 crore in FY2025.

Rating sensitivities

Positive factors – The rating could be upgraded in case of significant scale up in the revenues and profitability of the company, while maintaining healthy debt metrics on a sustained basis.

Negative factors – The ratings may be downgraded if the company undertakes a materially large debt funded capex resulting in moderation in the credit profile. A significant moderation in the profitability and/or stretch in the working capital cycle leading to weakening of the liquidity profile may also result in a rating downgrade. A key credit metric that could lead to a 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. is a Company incorporated in India on July, 1992. The Company is engaged in manufacture of vinyl flooring, PVC Sheeting and Artificial leather cloth which are used for a variety of industrial and consumer application. Premier Polyfilm Ltd. is one of the leading manufacturer and exporter of Calendared PVC products. The range of products include PVC Flooring, PVC Sheeting, PVC Flexible Film, Calendared Leather cloth, PVC Geomembrane, High voltage Insulated Mats etc. The company has a manufacturing capacity of 32,000 MTPA located in Sikandarabad, Uttar Pradesh.

Key financial indicators (audited)

PPL Standalone	FY2023	FY2024
Operating income	252.69	260.09
PAT	11.68	20.60
OPBDIT/OI	8.7%	12.6%
PAT/OI	4.6%	7.9%
Total outside liabilities/Tangible net worth (times)	0.85	0.40
Total debt/OPBDIT (times)	1.51	0.45
Interest coverage (times)	8.08	16.09

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	FY2025			FY2024		FY2023		FY2022	
	Type	Amount Rated (Rs Crore)	Jan 06, 2025	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	13.21	[ICRA]BBB+ (Stable)	Jan 11,2024	[ICRA]BBB+ (Stable)	-	-	-	-
Fund-based working demand loan	Long term/ Short term	25.50	[ICRA]BBB+ (stable)/[ICRA]A2	Jan 11,2024	[ICRA]BBB+ (stable)/[ICRA]A2	-	-	-	-
Non-fund based LC/BG	Short term	14.25	[ICRA]A2	Jan 11,2024	[ICRA]A2	-	-	-	-
Short term-Non-fund based-LC/BG*	Short term	(10.5)	[ICRA]A2	Jan 11,2024	[ICRA]A2	-	-	-	-
Forward limits	Short term	1.00	[ICRA]A2	Jan 11,2024	[ICRA]A2	-	-	-	-
Unallocated	Long term/ Short term	6.04	[ICRA]BBB+ (Stable)/[ICRA]A2	Jan 11,2024	[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 capital	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	FY2020	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

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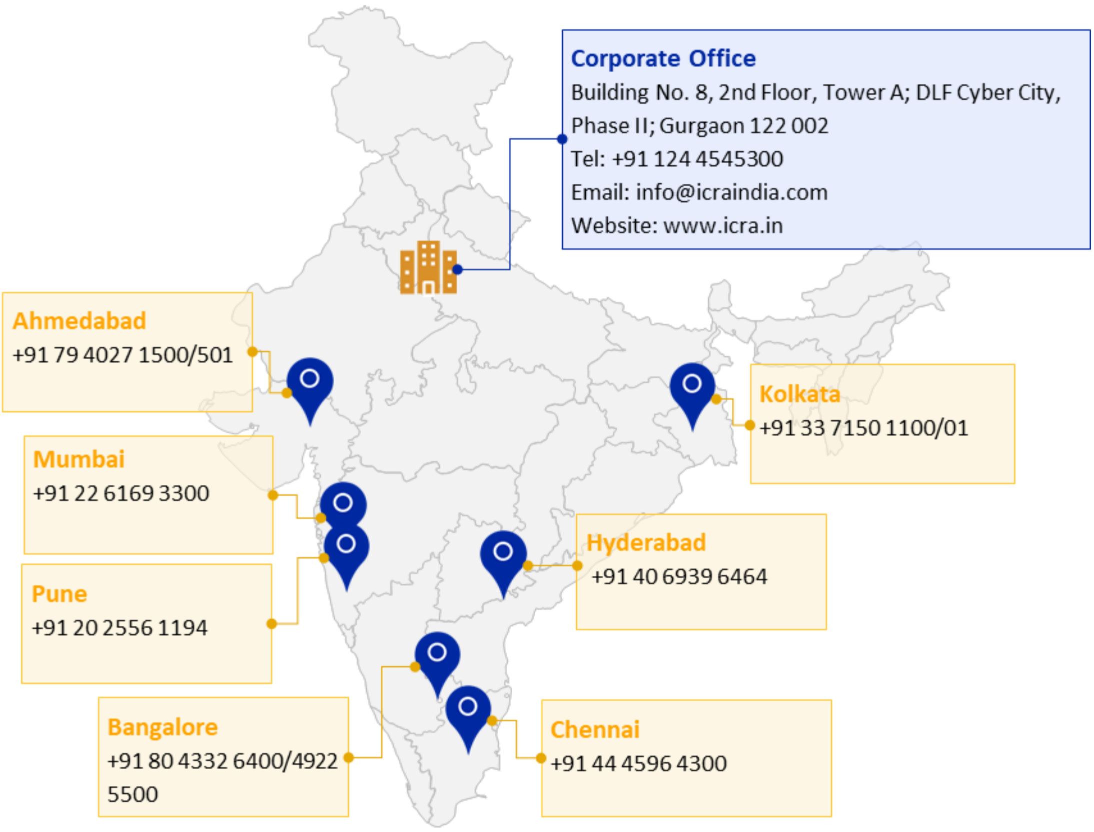

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