OCTOBER 20, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF INEOS STYROLUTION INDIA LIMITED [FORMERLY KNOWN AS STYROLUTION ABS (INDIA) LIMITED]

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	12.40 (reduced from 17.40)	**CARE AA+ [Double A Plus]**	**Reaffirmed**
Long-term/Short-term Bank Facilities	165.00 (reduced from 190.50)	**CARE AA+/ CARE A1+ [Double A Plus/ A One Plus]**	**Reaffirmed**
Total facilities	**177.40 (Rs. One hundred seventy seven crore and forty lakh only)**		

Rating Rationale

The ratings continue to draw comfort from long and established track record of Ineos Styrolution India Limited (SIL) with leadership position in the Indian Acrylonitrile Butadiene Styrene (ABS) and Styrene Acrylonitrile Copolymer (SAN) markets, well diversified clientele and sustained demand from user industries especially two wheeler, automobile and consumer durable industries. The ratings also take into account the established position of the promoter group of SIL in the styrene based polymers globally, its state of the art manufacturing facilities operating at comfortable level, established arrangement for procurement of key raw materials and comfortable capital structure. The ratings also take cognizance of the amalgamation of Styrolution India Pvt. Ltd. (SIPL) with SIL.

The long term rating, however, continues to be constrained by its moderate profitability, susceptibility of its profitability to volatile raw material prices which are derivatives of crude oil, foreign currency exchange rate fluctuations associated with imported raw materials, addition of low profit margin polystyrene business upon amalgamation of SIPL, threat of imports from South East-Asian countries and increased competitive pressure.

SIL's ability to improve its profitability in the light of volatility in its raw material prices and foreign exchange rate fluctuations while maintaining its comfortable capital structure shall be the key rating sensitivities. Any large sized predominantly debt-funded capex shall also be a key rating sensitivity.

Background

Ineos Styrolution India Limited (SIL, erstwhile Styrolution ABS (India) Ltd. (SABS)), the Gujarat-based Acrylonitrile Butadiene Styrene (ABS) and Styrene Acrylonitrile (SAN) manufacturer was originally incorporated as 'ABS Plastics Ltd' on December 7, 1973. Subsequently, there had been several changes of hands of ownership of the company amongst various international chemical groups. Currently, INEOS Group through its step down subsidiary viz. Ineos Styrolution APAC Pte Ltd. (ISAPL) holds 75% equity stake in SIL with balance 25% being held by the public. Earlier it used to be a 50:50 Joint Venture (JV) between UK based Ineos group and Germany based BASF group. However, in November 2014, Ineos group acquired the stake of BASF. SIL has an installed capacity of 80,000 MTPA of ABS, 100,000 MTPA of SAN and 78,000 MTPA of Polystrene as on March 31, 2016.

Styrolution India Pvt. Ltd. (SIPL) was earlier a part of BASF group. However, upon global JV between Ineos group & BASF group, the business of SIPL was brought under the ambit of ISAPL and accordingly it was made a 100% subsidiary of SABS w.e.f. March 1, 2014 with SABS making equity investment of Rs.100.99 crore in the company. SIPL was engaged in the business of manufacturing polystyrene having its plant located at Dahej, Gujarat. Subsequently, on February 26, 2016, the Hon'ble High Court of Gujarat sanctioned the scheme of amalgamation between SIPL and SABS and their respective shareholders and creditors with an appointed date of April 01, 2015. Afterwards, on March 18, 2016 the name of SABS was changed to SIL.

During FY16 (FY refers to the period April 01 to March 31), SIL reported a total operating income of Rs.1598.09 crore [FY15 (consolidated, FY refers to the period January 1 2014 to March 31 2015): Rs.2042.05 crore with a PAT of Rs.62.77 crore (FY15: PAT of Rs.18.93 crore). As per unaudited results for Q1FY17, SIL reported a total operating income of Rs.380.98 crore with a PAT of Rs.14.98 crore.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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