

Indo Rama Synthetics India Limited

December 20, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	123.75	CARE D (Single D)	Reaffirmed
Short term Bank Facilities	65.00	CARE D (Single D)	Reaffirmed
Long/Short Term Bank Facilities	711.25	CARE D (Single D)	Reaffirmed
Total	900.00 (Rs. Nine hundred crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating reaffirmation for the bank facilities of Indo Rama Synthetics India Limited (IRSL) takes into account the delay in repayment of its debt obligations including multiple devolvement of Letter of Credits (LCs). The delays were largely attributable to volatility in key raw material prices which led to cash flow mismatches leading to the devolvement of LCs and overdrawal in Cash Credit account.

Going forward, the company's ability to regularize debt repayments, improvement in operational efficiency and profitability shall be the key rating sensitivities

Detailed description of the key rating drivers

Key Rating Weaknesses

Delays in debt servicing: The statutory auditor has reported delays in repayment of term loans and dues (in Cash Credit account) to the banks. The key raw material of the company viz., Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG) are the derivatives of petrochemical industry, the prices of which are affected by the changes in crude oil prices. During FY18, the prices of crude oil remained highly fluctuating leading to cash flow mismatches and LC devolvement.

Weak financial risk profile and stretched liquidity: The operating income of the company decreased to Rs 2268.50 crore in FY18 from Rs 2489.78 crore. The company has incurred loss during FY18 owing to volatility in raw material prices leading to stretched liquidity.

Key Rating Strengths

Experienced promoters and established track record: IRSL's promoter Mr O P Lohia has over 25 years of experience in the Indian polyester industry. Mr Lohia along with his son Mr Vishal Lohia (Whole Time Director) looks after the overall management of the company. The promoters are supported by a team of qualified and experienced professionals. IRSL has an established track record of 25 years of polyester manufacturing and has established relationships with its suppliers and clients.

Leading manufacturer with economies of scale: IRSL is India's second largest polyester manufacturer with technical collaborations with companies like Chemtex Intl. Inc of USA, Toyobo of Japan, Zimmer AG of Germany. It has one of the largest integrated polyester manufacturing plants and has presence across the value chain ie Continuous Polymerisation (CP) plant to Polyester Staple Fibre (PSF) and Partially Oriented Yarn (POY) to Draw Textured Yarn (DTY)/ Fully Drawn Yarn (FDY) and Polyester Chips.

Analytical approach:

Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

[CARE's Rating Methodology - Wholesale Trading](#)
[Financial ratios – Non-Financial Sector](#)
[Criteria for Short Term Instruments](#)

About the Company

Incorporated in 1986, Indo Rama Synthetics (India) Limited (IRSL) commenced polyester manufacturing in 1989 and is India's second largest polyester manufacturer. The Company manufactures a wide range of polyester products which include Polyester Staple Fiber (PSF), Partially Oriented Yarn (POY), Draw Texturised Yarn (DTY), Fully Drawn Yarn (FDY) and Polyester Chips. IRSL has an integrated manufacturing complex spread over 250 acres at Butibori, near Nagpur with installed capacity of 6,10,050 MTPA of polyester. The company has several technical collaborations with companies like Chemtex Intl. Inc of USA, Toyobo of Japan, Zimmer AG of Germany among others.

IRSL is promoted by Mr. O P Lohia (current Chairman & Managing Director) and his family.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	2489.78	2268.50
PBILDIT	13.37	60.60
PAT	(84.23)	(82.02)
Overall gearing (times)	0.61	0.87
Interest coverage (times)	0.15	0.64

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Gaurav Dixit

Tel: 011-45333235

Cell: 9717070079

Email: gaurav.dixit@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Long-term Bank Facilities	-	-	-	123.75	CARE D
Short-term Bank Facilities	-	-	-	65.00	CARE D
Long/ Short-term Bank Facilities	-	-	-	711.25	CARE D

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	123.75	CARE D	-	1)CARE D (11-Sep-17) 2)CARE D (05-Sep-17)	1)CARE BB (04-Nov-16)	1)CARE BBB- (19-Jan-16)
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	65.00	CARE D	-	1)CARE D (11-Sep-17) 2)CARE D (05-Sep-17)	1)CARE A4 (04-Nov-16)	1)CARE A3 (19-Jan-16)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	711.25	CARE D / CARE D	-	1)CARE D / CARE D (11-Sep-17) 2)CARE D / CARE D (05-Sep-17)	1)CARE BB / CARE A4 (04-Nov-16)	1)CARE BBB- / CARE A3 (19-Jan-16)

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

JAIPUR

Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

KOLKATA

Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

NEW DELHI

Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD

Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com