



Indo Rama Synthetics (India) Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 38 crore (enhanced from Rs. 20.5 crore)	Upgraded to [ICRA]BB- (Stable) from [ICRA]D
Fund-based and Non-fund based Limits	Rs. 717.0 crore	Upgraded to [ICRA]BB- (Stable) / [ICRA]A4 from [ICRA]D (both on LT and ST Scale)
Proposed Limits	Rs. 35 crore (earlier nil)	[ICRA]BB- (Stable) / [ICRA]A4 assigned

The ratings assigned to the Rs. 790 crore[^] (enhanced from Rs. 737.5 crore) bank facilities of Indo Rama Synthetics (India) Limited (IRSL) have been upgraded to [ICRA]BB- (pronounced ICRA double B minus) and [ICRA]A4 (pronounced ICRA A four) from [ICRA]D (pronounced ICRA D) both on long-term and short-term scale. The outlook on the long-term rating is Stable.*

The revision in the ratings improved liquidity position of IRSL due to initiatives taken by the company, which include increase in capacity utilisation levels due to improved raw material (especially PTA) supplies, renegotiation of PTA prices with one of the leading supplier and correction in mismatch of long-term and short-term finances. The upgrade also takes into account expansion of raw materials supplier base and marketing initiatives of the management to push up the sales volumes. The ratings continue to factor in the established track record of more than two decades and long experience of the promoters in the polyester segment; economies of scale driven being the second largest polyester producer in India; and fiscal benefits available to the company.

The ratings are constrained by vulnerability of IRSL's profits to cyclicity of the global polyester industry; low utilisation of IRSL's existing capacities due to oversupply in the domestic market; location disadvantage being away from ports and key domestic customer markets; limited presence in the value added products; sensitivity of profitability to changes in custom duty rates; and high financial risk profile of IRSL with high volatility in the profits and weak debt protection metrics. ICRA also takes note of the weak debt servicing record and high reliance on non-operating income to meet debt servicing requirement in the past; however, considering limited liquid investments outstanding now, the operational performance of the company will be critical for timely debt servicing. The ratings also factor in the foreign exchange (forex) fluctuation risk as reflected by high forex losses reported in the last few years; however, the company is in the process of modifying its forex hedging policy. The stability of the profit levels and further improvement in liquidity position are key rating sensitivities.

Company Profile

Indo Rama Synthetics (India) Ltd. (IRSL) has been in the polyester business since 1989. The company expanded its capacities of partially oriented yarn (POY) and polyester staple fibre (PSF) in late 1990's and FY 2007 to support the growth in volumes, and is currently the second largest polyester producer with aggregate capacity of 6,10,050 MTPA of POY, PSF, fully drawn yarn (FDY) and polyester (PET) textile grade chips and 96,544 MTPA capacity of drawn texturised yarn (DTY). IRSL has one of the largest single location domestic polyester plants, situated at Nagpur, Maharashtra. IRSL's shareholding pattern as on March 31, 2014 constituted 66.86% with promoters (primarily OP Lohia family and group companies), 14.01% with Banks & Financial Institutions and remaining with others.

During 2013-14, IRSL reported operating income and loss after tax of Rs. 2629.1 crore and Rs. 8.2 crore respectively; while the company had reported operating income and profit after tax of Rs. 2910.1 crore and Rs. 41.3 crore respectively in 2012-13.

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[^] 100 lakh = 1 crore = 10 million

* For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



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