

## Ester Industries Limited

Instrument	Amount (In Rs Crore)	Rating Action
Term Loans	127.32 (reduced from Rs 134.00 crore)	[ICRA]BBB (Stable) reaffirmed
Long-term Fund based Limits	60.00	[ICRA]BBB (stable) reaffirmed
Short-Term Fund-based Limits	90.00	[ICRA]A3+ reaffirmed
Short-term Non-Fund based Limits	126.00	[ICRA]A3+ reaffirmed
Long-term/ Short-term unallocated Limits	Rs 6.68 (earlier nil)	[ICRA]BBB and [ICRA]A3+ reaffirmed

ICRA has reaffirmed the rating assigned to the Rs. 410.0 Crore<sup>1</sup> bank limits of Ester Industries Limited (EIL) at long term rating of [ICRA]BBB (pronounced ICRA triple B)<sup>2</sup> and short-term rating of [ICRA]A3+ (pronounced ICRA A three plus). The outlook on the long-term rating is Stable.

The rating reaffirmation takes into account the long track record of EIL in the polyester film business; locational advantages and favourable domestic demand outlook for PET films. The ratings also factor in increase in contribution in revenues and profits of the company from speciality polymers business and favourable outlook on the margins for the same. The ratings are constrained by weak profitability of the PET film segment owing to overcapacity in the global and domestic market over the last 3-4 years. The ratings also factor in high repayment liabilities for the company in the medium term which along with modest profitability could put pressure on debt protection metrics. However, the risk is partly offset by the adequate liquidity available with the company due to unutilised working capital limits.

Going forward, contribution margins for the PET film business of the company are expected to remain subdued owing to surplus capacity in the PET film industry. However, the scale up of the specialty polymer business is expected to provide the cushion in margins to the company. Additionally, the capital structure of the company is expected to moderately improve as the debt levels subside following debt repayments. However, the term loan repayment liabilities of the company are significant in the medium term which may put pressure on debt protection metrics of the company. Nevertheless, the company has adequate liquidity cushion available in terms of unutilised working capital limits. The company is not expected to incur significant capex in the near term. The use of unutilised working capital limits for funding any additional capex could adversely impact the liquidity position of the company, which would be a key rating sensitivity. Further, material capacity addition in the domestic PET film industry leading to further deterioration in profitability from the current low levels could also put pressure on the ratings. On the other hand, significant increase in volumes and margins of speciality polymers business leading to improvement in profitability and debt coverage metrics could provide comfort from the credit perspective.

### Company Profile

Incorporated in 1985, Ester Industries Limited (EIL) is engaged in the manufacture of polyester films, polyester chips and engineering plastics. The manufacturing facilities of EIL are located in Khatima (Uttarakhand). Mr. Arvind Singhania is the current Chairman of EIL. As on March 31, 2016, the company's manufacturing capacities stood at 107,000 metric tonnes per annum (MTPA) for Poly Ethylene Terephthalate (PET or polyester) chips; 57,000 MTPA for polyester films; 13,200 MTPA for metalized films; and 16,500 MTPA for engineering plastics.

The net profit for FY2016 was Rs 4.6 crore for an operating income of Rs 771 crore while the net profit during FY2015 was Rs 3.8 crore for an operating income of Rs 896 crore.

**August 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



*For further details please contact:*

*Analyst Contacts:*

**Mr. K. Ravichandran**, (Tel. No. +91-44-45964301)  
ravichandran@icraindia.com

*Relationship Contacts:*

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

© Copyright, 2016, 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](http://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.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500