

## Ester Industries Limited

Instrument	Amount (Rs Crore)	Rating Action
Term Loans	127.32	Revised from [ICRA]BBB (Stable) to [ICRA]BBB- (Stable)
Long-term Fund based Limits	60.00	Revised from [ICRA]BBB (Stable) to [ICRA]BBB- (Stable)
Short-Term Fund-based Limits	90.00	Revised from [ICRA]A3+ to [ICRA]A3
Short-term Non-Fund based Limits	126.00	Revised from [ICRA]A3+ to [ICRA]A3
Long-term/ Short-term unallocated Limits	6.68	Revised from [ICRA]BBB (Stable) to [ICRA]BBB- (Stable) and from [ICRA]A3+ to [ICRA]A3

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

The revision in the ratings reflects significant deterioration in profitability and debt protection metrics of the company in H1 FY2017 due to material pressure on revenues and profitability of speciality polymer segment in Q2 FY2017 following lower sales volumes. The revision also takes into account weak outlook for the Polyester (PET) film industry as well as speciality polymer segment over the medium term. The profitability of the polyester film segment is expected to be modest owing to low realisation and contribution levels following overcapacity in the domestic and global industry; while the profitability of speciality polymer segment could be low due to pressure on sales volumes in the near to medium term. 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 company's efforts to refinance a part of the existing long-term debt with longer tenure debt and to rationalise its cost structure.

The ratings continue to take comfort from the established presence of the company in the PET film business and long experience of the management. The company is not expected to undertake any major capex in the near term; which along with recent refinancing could keep the liquidity of the company at modest level. Significant deterioration in the liquidity position of the company due to further weakening of performance will be a key rating sensitivity.

### Company Profile

Incorporated in 1985, Ester Industries Limited (EIL) is engaged in the manufacture of polyester films, polyester chips including speciality polymer and engineering plastics. The manufacturing facilities of EIL are located in Khatima (Uttarakhand). Mr. Arvind Singhanian 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/PET films; 13,200 MTPA for metalized films; and 16,500 MTPA for engineering plastics.

The loss after tax was Rs 6.63 for an operating income of Rs 329 crore for H1 FY2017. The profit after tax was Rs 4.6 crore for an operating income of Rs 771 crore for FY2016 while the net profit was Rs 3.8 crore for an operating income of Rs 896 crore for FY2015.

**November 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

**Mr. Anoop Bhatia** (Tel No +91-124-4545315)  
anoopb@icraindia.com

**Mr. Varun Gogia** (Tel No +91-124-4545373)  
varun.gogia@icraindia.com

*Relationship Contacts:*

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

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**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****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