



RELIANCE
CHEMOTEX INDUSTRIES LIMITED

RCIL/SEC/18-19/

Dated: 04.01.2019

To,

BSE Limited
24 Pheroze Jeejeebhoy Tower,
Dalal Street,
Mumbai-400 001

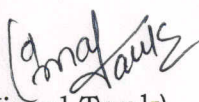
Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement) Regulation, 2015-Revision Credit Rating

Dear Sir,

Pursuant to Regulation 30 and Schedule III of SEBI (Listing Obligations and Disclosure Requirement) Regulation, 2015 and as per policy on determination of materiality of event. We would like to inform that ICRA has restated the long term rating ICRA BB+ and short term rating ICRA A4+. Copy of letter along with rational enclosed for your reference.

This for your information and necessary record.

Thanking You,
For Reliance Chemotex Industries Ltd


(Vimal Tank)
Company Secretary & Compliance Officer



ICRA

ICRA Limited

Ref: 2018-19/MUM/1508
Date: January 02, 2019

Mr. Sanjiv Shroff
Vice Chairman and Managing Director
Reliance Chemotex Industries Limited
27, Jolly Maker Chambers No. 2,
Nariman Point,
Mumbai - 400 021

Dear Sir,

Re: **Surveillance of ICRA-assigned Credit Rating for Rs. 122.92 crore Line of Credit of Reliance Chemotex Industries Limited (instrument details in Annexure)**

Please refer the Rating Agreement dated July 31, 2014 between ICRA Limited ("ICRA") and your company, whereby, ICRA is required to review the ratings assigned to your company on an annual basis or as and when the circumstances so warrant.

Please note that the Rating Committee of ICRA, after due consideration, has reaffirmed the long-term rating for the captioned Line of Credit (LOC) at **[ICRA]BB+** (pronounced ICRA double B plus).[†] The Outlook on the long-term rating is **Stable**. The Rating Committee of ICRA has also reaffirmed the short-term rating for the captioned LOC at **[ICRA]A4+** (pronounced ICRA A four plus).

The aforesaid ratings will be due for surveillance anytime before 30th September, 2019.

The ratings as stated above are specific to the terms and conditions of the LOC as indicated to us by you. In case there is any change in the terms and conditions, or the size of the rated LOC, the same must be brought to our notice immediately. Any such change would warrant a rating review, following which there could be a change in the ratings assigned. Notwithstanding the foregoing, any change in the over-all limit of the LOC from that specified in the first paragraph of this letter would constitute an enhancement that would not be covered by or under the said Rating Agreement.

ICRA reserves the right to review and/or, revise the above rating at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

You are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme [interest and principal obligations for fund based as well as obligations under LOC/BG for non-fund based facility]. This is in accordance with requirements prescribed in circular dated June 30, 2017 on '**Monitoring and Review of Ratings by Credit Rating Agencies(CRAs)**' issued by the Securities and Exchange Board of India.

You are also requested to inform us forthwith of any default or delay in the payment of interest and/or principal against the rated debt programme, or any other debt instruments and/or borrowings of your company. Further, you are requested to keep us informed of any other developments that could have a direct or indirect impact on the debt servicing capability of your company, with such developments including, but not limited to, any proposal for re-schedulement or postponement of repayment against any dues and/or debts of your company with any lender(s) and/or investor(s).

We thank you for your kind co-operation extended during the course of the rating exercise. Please let us know if you need any clarification.

We look forward to further strengthening our existing relationship and assure you of our best services.

With kind regards,

Yours sincerely,
for ICRA Limited


Supriob Banerjee
Vice President
supriob@icraindia.com


Preeti Kumaran
Senior Analyst
preeti.kumaran@icraindia.com

* For complete rating definition please refer to ICRA Website www.icra.in or any of the ICRA Rating Publications

Electric Mansion, 3rd Floor
Appasaheb Marathe Marg
Prabhadevi, Mumbai 400025

Tel. : +91.22.61 693300
CIN : L74999DL1991PLC042749

Website : www.icra.in
Email : info@icraindia.com
Helpdesk : +91.124.2866928

Registered Office : 1105, Kailash Building, 11th Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45

RATING • RESEARCH • INFORMATION

35801



'No Default Statement on the Company Letter Head'

To
<CRA Name and Address>

Dear Sir/ Madam,

1. We hereby Confirm that as on date there are no Over dues or default on our debt obligations
2. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of our debt obligations.
3. We also confirm that there has not been any instance of devolvement of Letter of Credit in the month ended <Month and Year name>.
4. We also confirm that in the month ended <Month and Year name>, there has been no instance of delay in servicing of debt obligations guaranteed by us.
5. We also confirm that there has been no overdraw of the drawing power sanctioned by the bank for a period of more than 30 consecutive days in case of bank facilities which do not have scheduled maturity/repayment dates.
6. Details of delay/ default/ rescheduling of interest or principal as on date/ in the month ended<Month and Year name> , in any of the above case (if any):

Name of the Instrument	ISIN	Amount to be paid	Due Date of Payment	Actual Date of Payment	Remarks

Thanking You,

Yours faithfully,

<Authorized Signatory of Issuer>



Annexure

Details of Bank Limits Rated by ICRA (Rated on Long-Term Scale)	Amount (Rs. crore)	Rating	Rating Assigned on
State Bank of India-Term Loan Facility	1.81	[ICRA]BB+ (Stable)	December 2018
State Bank of India-Corporate Loan Facility	3.33	[ICRA]BB+ (Stable)	December 2018
Rajasthan State Industrial Development and Investment Corporation-Term Loan Facility	0.42	[ICRA]BB+ (Stable)	December 2018
Rajasthan State Industrial Development and Investment Corporation-Term Loan Facility	5.72	[ICRA]BB+ (Stable)	December 2018
Exim Bank-Term Loan Facility	8.13	[ICRA]BB+ (Stable)	December 2018
HDFC Bank Ltd.and ICICI Bank: Vehicle Loans	0.06	[ICRA]BB+ (Stable)	December 2018
State Bank of India-Cash Credit Facility	25.00	[ICRA]BB+ (Stable)	December 2018
IDBI Bank-Cash Credit Facility	3.00	[ICRA]BB+ (Stable)	December 2018
ICICI Bank-Cash Credit Facility	5.00	[ICRA]BB+ (Stable)	December 2018
Total	52.47		

Details of Bank Limits Rated by ICRA (Rated on Short-Term Scale)	Amount (Rs. crore)	Rating	Rating Assigned on
State Bank of India-Standby Limit	3.00	[ICRA]A4+	December 2018
IDBI Bank-Letter of Credit Limit	10.00	[ICRA]A4+	December 2018
ICICI Bank-Letter of Credit Limit	20.00	[ICRA]A4+	December 2018
State Bank of India-Credit Exposure Limit	2.50	[ICRA]A4+	December 2018
IDBI Bank- Credit Exposure Limit Credit Exposure Limit	1.00	[ICRA]A4+	December 2018
ICICI Bank- Credit Exposure Limit	2.00	[ICRA]A4+	December 2018
Total	38.50		

Details of Bank Limits Rated by ICRA (Rated on Long and Short-Term Scale)	Amount (Rs. crore)	Rating	Rating Assigned on
Unallocated Limits	31.95	[ICRA]BB+ (Stable)/ [ICRA]A4+	December 2018
Total	31.95		

h.p.

Prati

Reliance Chemotex Industries Limited

January 03, 2019

Reliance Chemotex Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loans	30.03	19.47	[ICRA]BB+(Stable); Reaffirmed
Cash Credit	33.00	33.00	[ICRA]BB+(Stable); Reaffirmed
Standby Limit	3.00	3.00	[ICRA]A4+; Reaffirmed
Non-fund Based Limits	35.50	35.50	[ICRA]A4+; Reaffirmed
Unallocated Limit	21.39	31.95	[ICRA]BB+(Stable)/[ICRA]A4+; Reaffirmed
Total	122.92	122.92	

*Instrument details are provided in Annexure-1

Rationale

The ratings reaffirmation continues to take into account the established track record of the promoters of Reliance Chemotex Industries Limited (RCIL), its established relationship with prominent domestic suppliers of key raw materials as well as international customers. The ratings also continue to factor in the diversified product portfolio and steady contribution from exports, which fetch higher realisations. ICRA notes that the company is in the midst of a debt-funded capex for the modernisation of its facility, which once operational is likely to lead to better operational efficiencies.

The ratings, however, are constrained by the continuing modest debt coverage indicators amid the repayment liabilities in FY2019 and FY2020, which limit the financial flexibility. ICRA also notes a proposed rights issue (anticipated to be concluded by Q1 FY2020), the proceeds of which will be utilised for preference shares redemption, thereby supporting the capital structure and cash flows (given proportionate reduction of dividends on the same). RCIL's ability to generate adequate net cash accruals (NCA) in a sluggish demand scenario and intense competition in the textile industry remain critical from the credit perspective. The ability to control power cost, manage raw material price and forex fluctuation risks effectively will also be key monitorables from the profitability perspective.

Outlook: Stable

ICRA expects RCIL to continue to benefit from the extensive experience of its promoters and current management. The outlook may be revised to Positive if the company is able to improve its profitability margins by dealing in higher-realisation commanding products, along with notable improvement in the debt coverage indicators (through various deleveraging and cost controls measures). The outlook may be revised to a Negative if there is deterioration in profitability from the H1 FY2019 levels, and thereby in cash accruals, which could materially impact its liquidity profile or if there is any material deferment, or inadequate returns from the capex, or any further sizeable debt-funded capex, which further stresses the debt metrics.

Key rating drivers

Credit strengths

Established track record of promoters in the textile industry - The promoter, Mr. S.L. Shroff, has an experience of more than 50 years in the textile industry. The Managing Director, Mr. Sanjiv Shroff, the son of Mr. S.L. Shroff, handles the company's overall operations at present, and has been associated with the textile industry for over 30 years. Mr. Rahul Shroff and Mr. Ameya Shroff, sons of Mr. Sanjiv Shroff, are also actively involved in the business and are part of the company's management.

Healthy relationships with prominent domestic suppliers and international customers fetch repeat orders - The experienced and professional set-up has been instrumental in developing a reliable clientele in the international markets as well as forge established relationships with key domestic suppliers of fibre and yarn, with a significant domestic market holding. RCIL manufactures synthetic and blended yarn, such as 100% polyester, 100% viscose, 100% acrylic, 100% bamboo viscose as well as polyester/viscose, polyester/acrylic and polyester/viscose/acrylic blended yarn. The manufactured yarn is intended for knitting, weaving, upholstery, carpet, medical or other industrial end-uses. With revenues of ~Rs. 284.5 crore in FY2018 and 53,280 spindles employed, RCIL's scale of operations make it a mid-sized player in this segment with focus on export markets (generates ~60% of the total revenues).

Expected strengthening of capital structure with proposed rights issue (to be concluded latest by Q1 FY2020) the proceeds of which will be utilized for preference shares redemption - The 10% redeemable preference shares, which are subscribed by the related parties, are redeemable at par on the expiry of 20 years from the respective dates of allotment (starting FY2022). The same is expected to be redeemed in FY2020 from the proceeds of the proposed rights issue. In FY2020, the company is expected to offer 0.357 crore shares of Rs. 10 face value (FV) at a premium of Rs. 60 each, generating total proceeds of Rs. 25 crore (which will be used to redeem the preference shares outstanding of Rs. 23.08 crore). This will not only strengthen the capital structure, but also support the cash flows from curbing the 10% dividend pay-out on preference shares.

Credit challenges

Coverage indicators remain modest - The company's coverage indicators remain at modest levels, with interest coverage of 1.5x and TD/OPBDIT of 4.8x in FY2018. Although posting some improvement with a revival in the margins in H1 FY2019, the coverage indicators remained modest. The DSCR continues to be just about at 1x levels, with the repayment being supported by a buffer available in the fund-based limits. Amid significant capex underway, the company's ability to generate enough cash accruals remains to be seen. However, favourable ballooning repayment terms and moratorium (starting November 2020), and low effective interest cost (with eligible interest subsidy for the newly sanctioned loan under the Rajasthan Investment Promotion Scheme, 2014 or RIPS) is expected to support the debt metrics over the medium term.

Profitability vulnerable to raw material price movements, due to low bargaining power, power cost and forex fluctuations - The company's key raw materials include polyester staple fibre (PSF), viscose staple fibre (VSF) and acrylic fibre. The raw material procurement is mainly made from the domestic market. The raw material prices are primarily controlled by the large suppliers, offering RCIL limited bargaining power and pricing flexibility. Being a net exporter, there is exposure to forex movements (Euro and US dollar). The company has a net foreign receivable position and primarily hedges its receivables through forward contracts. Such effective forex-hedging mechanism reduces the susceptibility of margins to unfavourable forex movement risks to a large extent.

Adequate returns from ongoing capex critical for overall improvement in financial profile - RCIL has regularly invested in capex over the last few years and has another capacity expansion plan over the near term. The company is expected

to incur a capex of Rs. 52.00 crore in two phases, which will be funded through a mix of debt and internal accruals. Given the debt-funded nature of the capex, the external long-term debt levels are expected to rise in the near term. The planned capex (to modernise a part of the vintage spindles and increase production capacity by ~30%) is expected to be operational by FY2020 and lead to better production efficiencies and output. ICRA draws comfort from the ballooning repayment schedule and low effective interest on the sanctioned loan, which enhances the overall project viability. However, lack of commensurate returns from the capex will negatively impact the key credit metrics.

Intense competition in textile industry - RCIL faces competition from international as well as domestic yarn manufacturers. In the domestic market, there is intense competition and fragmentation, limiting the pricing power of the textile companies and affecting their margins. Nevertheless, by virtue of its presence in the textile industry, RCIL is entitled to Government incentives in the form of interest subsidies, duty drawback schemes and duty credit facilities, which provide sizeable support to its profitability.

Liquidity position

RCIL had external term loans of Rs. 27.20 crore on its books as on March 31, 2018; of which, Rs. 10.71 crore is scheduled to be repaid in FY2019. Despite the major capacity expansion plan to be implemented starting FY2019, the repayment burden is going to ease FY2022 onwards. This is because five (out of the seven) existing term loans will be fully repaid, while the new term has ballooning repayment till FY2028. The average working capital utilisation also remains moderate at ~78% over the last 12 months, reflecting liquidity cushion.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Indian textiles Industry - Spinning
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financials of RCIL.

About the company

Incorporated in 1977, RCIL manufactures synthetic and blended yarn, including 100% polyester, 100% viscose, 100% acrylic, 100% bamboo viscose as well as polyester/viscose, polyester/acrylic and polyester/viscose/acrylic blended yarn. The company's product count range from Ne 6s to Ne 50s in single, double and multi-ply yarn. RCIL is promoted by Mr. S.L. Shroff. His son, Mr. Sanjiv Shroff, is the company's Managing Director at present. RCIL's shares have been listed on the Bombay Stock Exchange since 2001. Based out of Mumbai, the company has branch offices in Kolkata and Delhi, while its manufacturing facility is in Udaipur, Rajasthan, with an installed capacity of 53,280 spindles.

Two other companies held by the same promoter group are Modern Fibotex India Limited and Spell Fashions Private Limited, which manufacture and trade in fabric, primarily silk and shirts, respectively.

Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	291.9	284.5
PAT (Rs. crore)	6.7	2.6
OPBDIT/OI (%)	7.8%	6.9%
RoCE (%)	13%	9%
Total Debt/TNW (times)	2.4	1.3
Total Debt/OPBDIT (times)	4.2	4.8
Interest Coverage (times)	1.7	1.5

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

		Current Rating (FY2019)		Chronology of Rating History for the Past 3 Years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding as of November 2018 (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2017
1 Term Loans	Long Term	19.47	19.47	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)
2 Cash Credit	Long Term	33.00		[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Negative)
3 Standby Limit	Short Term	3.00		[ICRA]A4+	[ICRA]A4+	[ICRA]A3	[ICRA]A3
4 Non-fund Based Limits	Short Term	35.50		[ICRA]A4+	[ICRA]A4+	[ICRA]A3	[ICRA]A3
5 Unallocated Limit	Long and Short Term	31.95		[ICRA]BB+ (Stable)/ [ICRA]A4+	[ICRA]BB+ (Stable)/ [ICRA]A4+		

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loans	NA	~11.95%	FY2019-2023	19.47	[ICRA]BB+(Stable)
NA	Cash Credit	NA	NA	-	33.00	[ICRA]BB+(Stable)
NA	Standby Limit	NA	NA	-	3.00	[ICRA]A4+
NA	Non-fund Based Limits	NA	NA	-	35.50	[ICRA]A4+
NA	Unallocated Limit	NA	NA	-	31.95	[ICRA]BB+(Stable)/[ICRA]A4+

Source: RCIL

Annexure-2: List of entities considered for consolidated analysis: Not applicable

ANALYST CONTACTS

K. Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Preeti Kumaran
+91 22 6169 3356
preeti.kumaran@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91- 124- 2866928(open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87
Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore + (91 80) 2559 7401/4049
Ahmedabad+ (91 79) 2658 4924/5049/2008
Hyderabad + (91 40) 2373 5061/7251
Pune + (91 20) 2556 0194/25560195/196, 020 6606 9999

© Copyright, 2019 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 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