

20th December, 2018

BSE Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. Scrip Code: 532782	National Stock Exchange of India Ltd. Exchange Plaza, 5 th Floor, Plot No. C/1, G-Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051 Scrip Code : SUTLEJTEX
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Dear Sirs,

Sub: Revision in Credit Rating

We wish to inform you that the credit ratings of the Company have been revised as under by CARE:

1. CARE A+; Stable (Single A Plus; Outlook : Stable) for long term fund based loans from CARE AA-; Stable (Double A Minus; Outlook : Stable);
2. CARE A+; Stable / CARE A1+ (Single A Plus; Outlook : Stable / A One Plus) for fund based – long term / short term – cash credit / export packing credit / pre-shipment foreign currency facilities from CARE AA-; Stable / Care A1+ (Double A Minus; Outlook: Stable / A One Plus); and
3. CARE A1+ (A One Plus) has been reaffirmed for non-fund based short term letters of credit / bank guarantee facilities and Commercial Papers.

The rationale and key rating drivers are given in annexure to this letter.

Thanking you,

Yours faithfully,

For Sutlej Textiles and Industries Limited



Manoj Contractor

Company Secretary & Compliance Officer



ANNEXURE

Rationale

The revision in long term rating of Sutej Textiles and Industries Limited (STIL) reflects decline in profitability along with operating cash-flows over last couple of years especially in FY18 (refers to period from April 1, 2017 to March 31, 2018) and H1FY19 leading to weakening of its debt coverage metrics and overall financial profile. Over the last two years, textile industry has faced severe market disruptions such as demonization, GST implementation, volatility in raw material prices, etc. This has resulted into subdued cash-flow from operations and consequent adverse impact on the overall financial profile.

The ratings assigned to the bank facilities of STIL continue to derive strength from strong business profile being amongst India's well established players in the value added dyed spun yarn/specialty yarn segment and experienced management in the Textile industry (especially spinning segment). The ratings also factor in moderate debt coverage metrics.

These ratings strengths are however tempered by continuous capex incurred every year and working capital intensive nature of operations. Furthermore, the ratings also factor in susceptibility to fluctuation in raw material/product prices and fluctuation in foreign exchange imparting volatility to profitability and cyclical & competitive and fragmented nature of the industry.

Any further debt-funded capex/merger/acquisition or unrelated diversification adversely impacting debt coverage metrics remains a key rating monitorable. Furthermore, any meaningful increase in working capital debt or further decline in PBILDT margin from current levels remains key rating sensitivities.

