



**RELIANCE**  
CHEMOTEX INDUSTRIES LIMITED

RCIL/SEC/18-19/  
Dated: 02.06.2018

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 CRISIL has assigned the long term rating as CRISIL BB/Stable and short term rating as CRISIL A4+. We are enclosing herewith Rating Rationale for your reference.

Thanking You,  
For Reliance Chemotex Industries Ltd

(Vimal Tank)  
Company Secretary & Compliance Officer

## Rating Rationale

May 23, 2018 | Mumbai

### Reliance Chemotex Industries Limited

*Ratings migrated to 'CRISIL BB/Stable/CRISIL A4+'*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.96.8 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BB/Stable (Migrated from 'CRISIL BB/Negative Issuer Not Cooperating**')</b>
<b>Short Term Rating</b>	<b>CRISIL A4+ (Migrated from 'CRISIL A4+ Issuer Not Cooperating**')</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

\*\*Issuer did not cooperate; based on best-available information

#### Detailed Rationale

Due to inadequate information, CRISIL, in line with Securities and Exchange Board of India guidelines, had migrated the ratings on the bank facilities of Reliance Chemotex Industries Limited (RCIL) to 'CRISIL BB/Negative/CRISIL A4+ issuer not cooperating'. However, management has started sharing information necessary for a comprehensive rating review. Consequently, CRISIL is now migrating the ratings to '**CRISIL BB/Stable/CRISIL A4+**'.

The ratings reflect the extensive experience of its promoters in the textiles industry and prudent working capital management. These strengths are partially offset by susceptibility to volatility in raw material prices, low bargaining power with customers, and average financial risk profile because of high gearing and less than adequate liquidity.

#### Analytical Approach

Unsecured loans from promoters have been treated as neither debt nor equity as these are subordinate to external borrowing and will be retained in business for the next three years.

#### Key Rating Drivers & Detailed Description

##### Strengths

##### \* Established business risk profile

Kolkata-based Shroff family has been in the textile businesses for around 40 years, which reflects their ability to successfully navigate business cycles. Longstanding presence has also enabled the promoters to establish strong relationship with suppliers and clients in the synthetic yarn industry.

##### \* Prudent working capital management

Gross current assets were estimated at 95 days as on March 31, 2018, due to average receivables of about 68 days. Furthermore, majority of receivables are backed by letter of credit, which reduces risk of bad debts.

##### Weaknesses

##### \* Susceptibility to volatility in raw material prices

RCIL manufactures 100% polyester yarns which contributes to around 30-35% of total sales, prices of polyester is heavily dependent on crude oil prices. Hence, to a certain extent cost of production and profit margins of yarn manufacturers remain vulnerable to fluctuations in crude oil prices.

##### \* Average financial risk profile

The financial risk profile is average as seen by high gearing of 3 times as on March 31, 2018 and less than adequate liquidity. The cash accruals as expected over the medium term may be insufficient to repay the fixed debt obligations. However CRISIL draws comfort from resourcefulness of the promoters and their stated stance of timely support to the company going ahead. Moreover the liquidity profile will remained supported by adequate cushion in the company's working capital bank lines.

#### Outlook: Stable

CRISIL believes RCIL will maintain its market position on the back of promoters' experience and established relationship with customers and suppliers. The outlook may be revised to 'Positive' if operating margins of RCIL improves due to reduction in power cost or change in product mix leading to more-than-expected cash accrual thereby improving financial risk profile, especially debt protection metrics. The outlook may be revised to 'Negative' in case of decline in profitability,

stretch in working capital cycle, or any further unanticipated debt-funded capital expenditure or inadequate fund support provided by the management.

### About the Company

Established in 1977 by Kolkata-based Shroff family, RCIL manufactures synthetic blended yarn at its high pressure fibre-dyeing plant that has 53,280 spindles. The company has also been exporting yarn since 1987. It manufactures 100% polyester, 100% viscose, 100% acrylic, 100% bamboo viscose, and polyester/viscose, polyester/acrylic, polyester/viscose/acrylic blended yarns; which are used for knitting, weaving, upholstery, carpet, medical, and other industrial end-uses. RCIL is listed on the Bombay Stock Exchange since 1979. Main office is in Mumbai and plant in Udaipur.

### Key Financial Indicators

Particulars	Unit	2017	2016
Revenue	Rs. Cr.	285.2	257.3
Profit after tax	Rs. Cr.	6.7	2.53
PAT margins	%	2.3	1.0
Adjusted debt/Adjusted net worth	Times	3.28	3.79
Interest coverage	Times	1.5	1.0

Any other information: Not applicable

### Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

### Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	33	CRISIL BB/Stable
NA	Foreign Exchange facility	NA	NA	NA	5.5	CRISIL A4+
NA	Letter of Credit	NA	NA	NA	30	CRISIL A4+
NA	Standby Fund Based Working Capital	NA	NA	NA	3	CRISIL BB/Stable
NA	Term Loan	NA	NA	Aug-2022	25.3	CRISIL BB/Stable

### Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	93.00	CRISIL BB/Stable/ CRISIL A4+			31-10-17	CRISIL BB/Negative/ CRISIL A4+ (Issuer Not Co-operating)*	07-06-16	CRISIL BB/Negative/ CRISIL A4+			CRISIL BBB-/Stable/ CRISIL A3
Non Fund-based Bank Facilities	LT/ST	30.00	CRISIL A4+			31-10-17	CRISIL A4+ (Issuer Not Co-operating)*	07-06-16	CRISIL A4+			CRISIL A3

All amounts are in Rs.Cr.

\*Issuer did not cooperate; based on best-available information

### Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	33	CRISIL BB/Stable	Bank Guarantee	2	CRISIL A4+/Issuer Not Cooperating

Foreign Exchange Facility	5.5	CRISIL A4+	Cash Credit	28	CRISIL BB/Negative/Issuer Not Cooperating
Letter of Credit	30	CRISIL A4+	Letter of Credit	22	CRISIL A4+/Issuer Not Cooperating
Standby Fund Based Working Capital	3	CRISIL BB/Stable	Line of Credit	5	CRISIL A4+/Issuer Not Cooperating
Term Loan	25.3	CRISIL BB/Stable	Long Term Loan	39.8	CRISIL BB/Negative/Issuer Not Cooperating
<b>Total</b>	<b>96.8</b>	<b>--</b>	<b>Total</b>	<b>96.8</b>	<b>--</b>

**Links to related criteria**

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings](#)

[Understanding CRISILs Ratings and Rating Scales](#)

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