

No. CARE/ARO/RL/2018-19/2033

Mr. Anubhav Ladia
Director
Shree Rajasthan Syntex Limited
SRSL House,
Pulla-Bhuwana Road,
N.H. No. 8, Udaipur,
Rajasthan – 313 004

November 13, 2018

Confidential

Dear Sir,

Credit rating for outstanding Fixed Deposit Instrument

On a review of recent developments including operational and financial performance of your company for FY18 (Audited) & Q1FY19 (Provisional), our Rating Committee has reviewed the following ratings:

Instrument	Amount (Rs. crore)	Ratings ¹	Rating Action
Medium-term Instrument – Fixed Deposit	3.4531 (enhanced from Rs.1.7925 crore)	CARE D (FD) [Single D (Fixed Deposit)]	Reaffirmed
Total	(Rupees Three Crore Forty Five Lakh and Thirty One Thousand only)		

- The FD programme is for tenure of up to 36 months.
- Please arrange to get the rating revalidated, in case the entire rated amount is not placed within **six months** from the date of this letter.
- In case there is any change in the size or terms of the proposed FD programme, please get the rating revalidated.
- Kindly arrange to submit us a copy of each of the documents pertaining to the FD programme.
- To enable CARE to monitor the rating with reference to the amount of FD mobilised, you may please inform CARE when the level of deposit reaches the amount specified.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.



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Page 1 of 7

7. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as Annexure. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 14, 2018, we will proceed on the basis that you have no any comments to offer.
8. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
9. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the FD programme, CARE shall carry out the review on the basis of best available information throughout the life time of such FDs. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
10. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
11. CARE ratings are **not** recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,
Yours faithfully,



[Nikhil Gupta]
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Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.



Annexure

Press Release

Shree Rajasthan Syntex Limited

Ratings

Facilities / Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	92.10 (reduced from Rs.105.75 crore)	CARE D (Single D)	Reaffirmed
Short-term Bank Facilities	42.42 (reduced from Rs.42.72 crore)	CARE D (Single D)	Reaffirmed
Total Facilities	134.52 (Rupees One Thirty Four crore and Fifty Two lakh only)		
Fixed Deposits (Instrument)	3.4531 (enhanced from Rs.1.7925 crore)	CARE D (FD) [Single D (Fixed Deposit)]	Reaffirmed
Total Instruments	(Rupees Three Crore Forty Five Lakh and Thirty One Thousand only)		

Details of facilities in Annexure-1

Note: CARE has withdrawn the rating assigned to the standby line of credit – under gold card scheme of Rs.1.80 crore of Shree Rajasthan Syntex Ltd. as the same has been repaid by the company and the same has not been renewed by the lender.

Detailed Rationale & Key Rating Drivers

The ratings for the bank facilities of Shree Rajasthan Syntex Limited (SRSL) continue to take into account the on-going delays in its debt servicing owing to its subdued operating performance over the last four years along with cash loss reported by it in FY18 (refers to the period April 1 to March 31) and Q1FY19, resulting into subdued debt coverage indicators and stressed liquidity.

Detailed description of the key rating drivers

On-going delays in servicing of debt obligations: There are on-going delays in servicing of SRSL's debt obligations owing to the net losses incurred by the company over the last four years ended FY18, cash loss of Rs.3.93 crore in FY18 and Rs.5.13 crore in Q1FY19, which along with sizeable

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debt servicing requirements resulted in weak debt coverage indicators and stressed liquidity. Though the company, in past, had managed its repayments either through sale of non-core assets or through infusion of funds by the promoters, repayment obligations continue to be significantly higher than SRSL's cash accruals, resulting in delays in debt servicing.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

Rating Methodology-Manufacturing Companies

Financial ratios - Non- Financial Sector

CARE's policy on withdrawal of ratings

About the Company

Incorporated in 1979, Shree Rajasthan Syntex Limited (SRSL) is engaged in the manufacturing of synthetic (grey as well as dyed) blended yarn, cotton yarn and Polypropylene Multi Filament (PPMF) yarn. SRSL manufactures yarn in the range of 18-30 counts. As on March 31, 2018, SRSL had an installed capacity of total 79,800 spindles for synthetic blended yarn and cotton yarn and 2,400 Metric Tonnes Per Annum (MTPA) for PPMF yarn at its Dungarpur, Rajasthan based manufacturing facility.

Brief financials of SRSL are tabulated below:

Brief Financials (Rs. Crore)	FY17 (A)	FY18 (A)
Total operating income	257.10	227.91
PBILDT	19.18	5.49
PAT	(0.85)	(5.73)
Overall gearing (times)	3.77	4.00
Interest coverage (times)	1.20	0.39

A – Audited

Further, as per the unaudited results for Q1FY19, SRSL reported a total operating income of Rs.50.23 crore and net loss of Rs.3.97 crore as against total operating income of Rs.76.66 crore and net loss of Rs.0.50 crore in Q1FY18.

Status of non-cooperation with previous CRA: Not Applicable



Page 5 of 7

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Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.



Annexure-A: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	2027	41.73	CARE D
Non-fund-based - ST-Working Capital Limits	-	-	-	20.92	CARE D
Fund-based - LT-Working Capital Limits	-	-	-	50.37	CARE D
Fund-based/Non-fund-based-Short Term	-	-	-	0.00	Withdrawn
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	21.50	CARE D
Fixed Deposit	-	-	2021	3.45	CARE D (FD)

Annexure-B: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	41.73	CARE D	-	1)CARE D (14-Jul-17)	1)CARE BB- (06-Oct-16)	1)CARE BB (12-Aug-15)
2.	Non-fund-based - ST-Working Capital Limits	ST	20.92	CARE D	-	1)CARE D (14-Jul-17)	1)CARE A4 (06-Oct-16)	1)CARE A4 (12-Aug-15)
3.	Fund-based - LT-Working Capital Limits	LT	50.37	CARE D	-	1)CARE D (14-Jul-17)	1)CARE BB- (06-Oct-16)	1)CARE BB (12-Aug-15)
4.	Fixed Deposit	LT	3.45	CARE D (FD)	-	1)CARE D (FD) (14-Jul-17)	1)CARE BB- (FD) (06-Oct-16)	1)CARE BB (FD) (12-Aug-15)
5.	Fund-based/Non-fund-based-Short Term	ST	-	Withdrawn	-	1)CARE D (14-Jul-17)	1)CARE A4 (06-Oct-16)	1)CARE A4 (12-Aug-15)
6.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	21.50	CARE D	-	1)CARE D (14-Jul-17)	1)CARE A4 (06-Oct-16)	-