Press Release

November 4, 2010

CARE UPGRADES THE RATING OF BANK FACILITIES OF RSWM LIMITED

Rating assigned

Facilities	Amount (`crore)	Ratings[1]	Remarks
Long-term Bank Facilities	1254.88	**'CARE BBB' (Triple B)**	Revised from CARE BBB- [Triple B Minus]
Short-term Bank Facilities	50.00	**'PR3+' (PR Three Plus)**	Revised from PR3 [PR Three]
Total Facilities	**1304.88**		

Rating Rationale

The revision in the ratings takes into consideration improvement in financial performance of the company reflected by increased profitability and cash accruals. The ratings also factor in RSWM's strong parentage & group support, size and consistent track record of operations, diversified revenue stream, established clientele and mitigated foreign currency fluctuation risk on account of settlement of all the outstanding derivative deals. However, the ratings are constrained by relatively high gearing, higher level of debt repayments in the short to medium term and volatility in raw material prices. The ratings also take into consideration RSWM's increased exposure towards Group Companies in the form of Corporate Guarantee given for term loans of Cheslind Textiles Ltd and RSWM Int. BV, Netherlands.

Going forward, RSWM's ability to reduce its gearing levels, and sustain profitability would remain the key rating sensitivities.

Company Profile

RSWM incorporated in 1960 is the flagship company of LNJ Bhilwara Group. The group has its presence in diversified sectors viz textiles, graphite electrode manufacturing, power and IT services with a consolidated networth of 3,034 cr (FY10).

[1] *Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publication*

The company is engaged in manufacturing and selling of blended yarns, cotton yarns, synthetic fibre and denim. RSWM derived 85% net sales from yarn division and remaining from fabric division. With the improvement in global market, RSWM's exposure in exports increased from 30% in FY09 to 37% in FY10.

RSWM reported a total income of 1531 cr in FY10 and reported a net profit of 36 cr in FY10.

For Q1FY11, RSWM registered PBT of `25 cr on net sales of `431cr.

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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.

Disclaimer

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