December 11, 2013

CARE REVISES / REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF RSWM LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	1,476.39 (Reduced from Rs.1,582.44 crore)	CARE BBB+ (Triple B Plus)	Revised from CARE BBB (Triple B)
Short-term Bank Facilities	100.00	CARE A3+ (A Three Plus)	Reaffirmed
Total Facilities	**1,576.44**		

Rating Rationale

The revision in the ratings of the bank facilities of RSWM Ltd take into account the improvement in financial risk profile as characterized by the improvement in sale and profitability margins aided by the consistent improvement in operating performance. The ratings also positively factor in the change in the raw material procurement policy that is expected to benefit the company in the long run to manage the raw material price fluctuations. The ratings continue to reflect the experienced management, consistent track record of the company and a diversified product profile. However, the ratings are constrained by the working capital intensive operations, relatively higher leverage levels, raw material price volatility, foreign exchange fluctuation risk and cyclicality associated with the textile industry.

Going forward, the ability of RSWM to manage the raw material price volatility, prudent management of working capital requirements and any major debt-funded capital expenditure would remain the key rating sensitivities.

Background

Incorporated in the year 1960, RSWM Ltd (RSWM) is a part of the LNJ Bhilwara group. RSWM's product portfolio is diversified with synthetic blended yarn (60%) & cotton yarn (20%), denim and fabrics (20%) being its main products. The company markets its fabric under the brand name 'Mayur' in India. RSWM's manufacturing facilities are located at Bhilwara, Banswara, Rishabdev, Ringas and Mordi (Rajasthan). As on March 31, 2013, RSWM had an installed capacity of 409,000 spindles, 4,800 rotors for yarn manufacturing and 190 looms for weaving and 30 million mtr/annum weaving and 24 million mtr/annum processing capacities for fabric.

RSWM registered a net profit of Rs.68 crore on a total income of Rs.2,478 crore in FY13 (refers to the period April 1 to March 31). During H1FY14, RSWM reported a total operating income of Rs.1,397 crore and PAT of Rs.56 crore.

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

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

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 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.

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