



RAJ RAYON INDUSTRIES LIMITED

(A Government Recognised Star Export House)



Corporate Off. : 5C/196 & 197, AKSHAY MITTAL INDUSTRIAL ESTATE, SAKINAKA, ANDHERI (E), MUMBAI-400 059. (INDIA)
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CIN NO. : L17120DN1993PLC000368

Date: 20th November, 2014

To, The Listing Department The National Stock Exchange India Ltd Exchange Plaza, Plot No: C/1, G Block, Bandra - Kurla Complex, Bandra (East), Mumbai- 400 051	To, The Corporate Services Department Bombay Stock Exchange Limited 1 st Floor, New Trading Ring, Rotunda Building, P.I. Tower, Dalal Street, Mumbai-400 001
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Dear Sir,

Symbol: RAJRAYON

Series: EQ

Scrip Code: 530699

Sub: Intimation under Clause 36 - 'Credit Rating'

We wish to inform that India Ratings & Research Private Limited (a Fitch group company) has upgraded our Company's External Ratings as under w.e.f. 19th November, 2014:

Facility	Existing Rating	Revised Rating
Term Loans	'IND D'	'IND B+'
Fund- based limits (cash credit)	'IND D'	'IND B+'/'IND A4'
Non - fund based limits	'IND D'	'IND A4'
Funded interest term loans	'IND D'	'IND B+'
Working capital term loans	'IND D'	'IND B+'

Enclosed copy of the press release dated 19th November, 2014 issued by India Ratings & Research Private Limited for your perusal.

Kindly acknowledge the receipt.

Thanking You,

Yours faithfully,
For RAJ RAYON INDUSTRIES LIMITED

Gita Yadav
Company Secretary & Compliance Officer
Encl: As Above



Ind-Ra Upgrades Raj Rayon Industries to 'IND B+'; Outlook Stable

Ind-Ra-Mumbai-19 November 2014: India Ratings & Research (Ind-Ra) has upgraded Raj Rayon Industries Ltd's (RRIL) Long-Term Issuer Rating to 'IND B+' from 'IND D'. The Outlook is Stable. The rating actions on RRIL's bank facilities are as follows:

Facility	Amount	Rating
Term loans	INR2,538.5m (increased from INR2,206m)	Upgraded to 'IND B+' from 'IND D'
Fund-based limits (cash credit)	INR1,023.8m (reduced from INR1,180m)	Upgraded to 'IND B+'/'IND A4' from 'IND D'
Non-fund-based limits	INR42.5m (reduced from INR750m)	Upgraded to 'IND A4' from 'IND D'
Forward contracts	INR50m	Withdrawn as the limit has been repaid
Funded interest term loans	INR1,063.4m	Assigned 'IND B+'
Working capital term loans	INR2,571.8m	Assigned 'IND B+'

KEY RATING DRIVERS

The upgrade reflects the successful implementation of RRIL's corporate debt restructuring (CDR) programme on 27 March 2014. The repayments of the restructured loans will begin in FY16 except for Technology Upgradation Fund Scheme (TUF) loans where timely repayments are on-going following the restructuring of the debt incurred to set up the company's continuous polymerisation (CP) plant. The upgrade also reflects the timely interest payment of RRIL's working capital facility. However, the company's liquidity position remains stretched as evident from the 95.6% utilisation of its fund-based working capital facilities over April 2014-October 2014. The company's liquidity position is likely to remain weak as interest and principal repayments on restructured loans will commence from October 2015.

RRIL's credit metrics remain weak as the quantum of debt in the capital structure is high. The company incurred operating losses and its cash flow from operations (CFO) and funds flow from operations (FFO) turned negative in FY14 (year end March), thus impacting its debt servicing ability. This can be attributed to intense competition in the polyester chips segment, weak demand, slow debtor realisations, CP plant shutdown due to shortage of raw materials in the domestic market for manufacture of polyester chips, and reliance on high-cost imports impacted by the Indian rupee depreciation. The company was unable to pass on the increased cost to its customers due to the economic slowdown. The increase in low-margin fabric trading and a decline in the sale of high-margin yarn also affected RRIL's financials. Ind-Ra expects CFO to continue to be negative until the business operations stabilise and the operating performance improves with fully functional manufacturing plant.

To utilise the surplus backward capacity of polyester oriented yarn (POY), RRIL undertook direct polymer melt POY spinning (DPM POYS) project which converts the direct polymer melt produced by a CP plant into POY. This is likely to increase the POY producing capacity to 122,238MTPA from 46,891MTPA and save power, labour and other associated costs of making polyester chips. The company incurred a total capex of INR626.5m for this plant, of which INR450m was financed by bank loans, and the remaining by

way of internal accruals, preference share capital and unsecured loans. RRIL will have to rely on CFO and sales from its new facility to repay its debt.

RRIL's CP plant, which was discontinued in November 2013, was restarted at end-October 2014. The company's polyester texturised yarn and fully drawn yarn plants have been running partially at low capacity. In the five months of production in FY15, the company aims to earn revenue of INR6,000m and EBITDA margins of 5%-6%, aided by low raw material prices and its domestic availability. The company has no further capex planned.

RATING SENSITIVITIES

Negative: Future developments that would lead to a negative rating action include further deterioration in liquidity and credit metrics.

Positive: Future developments that would lead to a positive rating action include a sustained improvement in liquidity and credit metrics.

COMPANY PROFILE

RRIL (formerly known as Raj Rayon Ltd.) is a public limited company which manufactures polyester yarn at its plant located at Silvassa. Its product range includes polyester texturised yarn, partially oriented yarn fully drawn yarn, twisted yarn and polyester chips. In 1QFY15, the company reported revenue of INR106.7m with EBITDA losses of INR33.8m.

In FY14, the company reported net sales of INR4,701.1m (FY13: INR7,133.6m, FY12: INR6,828.3m) and operating loss of 13.2% (operating profit margins FY13: 7.3%, FY12: 7.8%).

RRIL's debt structure is highly geared with a debt equity ratio of 8.4x at FY14 (FY13: 2.3x). Adjusted debt includes INR5,043.7m of long-term loans (restructured loans) accounting for 82.8% of total debt (FY13: 42.1%), INR285.6m of working capital debt accounting for 4.7% (23.1%) of total debt and unsecured loans of INR109.8m accounting for 1.8% (4.7%).

FINANCIAL SUMMARY

Raj Rayon Industries Limited	FY12	FY13	FY14
	(INRm)	(INRm)	(INRm)
Summary Income Statement			
Gross revenues (+)	6,828.3	7,133.6	4,701.1
Revenue growth (%)	58.5%	4.5%	-34.1%
Operating EBITDA (before income from associates)	535.8	518.9	-619.3
Operating EBITDA margin (%)	7.8%	7.3%	-13.2%
Operating EBITDAR	535.8	518.9	-619.3
Operating EBITDAR margin (%)	7.8%	7.3%	-13.2%
Operating EBIT	296.3	263.3	-935.4
Operating EBIT margin (%)	4.3%	3.7%	-19.9%
Gross interest expense	290.6	338.6	487.4

Pretax income	46.8	59.2	-1,276.0
Net income	38.2	37.2	-877.6
Summary Balance Sheet			
Cash & equivalents	2.8	3.3	91.3
Working capital	1,038.8	1,330.5	1,447.7
Accounts receivable	2,237.5	1,793.8	1,683.7
Accounts payable	1,064.4	1,306.7	171.5
Total debt with equity credit	2,328.5	3,541.4	5,552.6
Total adjusted debt with equity credit	2,328.5	3,541.4	5,552.6
Summary Cash Flow Statement			
Operating EBITDA	535.8	518.9	-619.3
Cash interest	-290.6	-338.6	-487.4
Cash tax	-7.1	-11.1	-11.0
Other items before FFO	-12.4	91.5	132.2
Funds flow from operations	225.7	176.8	-1,085.4
Change in working capital	-328.2	-337.3	-66.8
Cash flow from operations	-102.5	-160.4	-1,152.2
Total non-operating/non-recurring cash flow	38.5	0.0	0.7
Capital expenditures	-592.4	-1,530.4	-845.5
Free cash flow	-656.4	-1,690.8	-1,999.0
Free cash flow margin (%)	-9.6	-23.7	-42.5
Cash flow from investing	-642.5	-1,453.7	-767.5
Net debt proceeds	0.0	0.0	1,897.8
Net equity proceeds	80.2	437.0	0.0
Cash flow from financing	74.4	401.7	2,009.0
Total change in cash	-632.1	-1,212.4	88.0
Coverage Ratios			
FFO interest coverage	1.78	1.77	-1.02
FFO fixed charge coverage	1.78	1.77	-1.02
Operating EBITDA/gross interest expense	1.84	1.53	-1.27
Leverage Ratios			
Total adjusted debt/operating EBITDAR	4.35	6.82	-8.97

Total adjusted net debt/operating EBITDAR	4.34	6.82	-8.82
Total debt with equity credit/operating EBITDA	4.35	6.82	-8.97
FFO adjusted leverage	4.51	5.91	-11.15
FFO adjusted net leverage	4.51	5.90	-10.96
Source: Ind-Ra, RRIL			

Contacts:

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