sutlej
textiles and industries limited

SUTLEJ TEXTILES AND
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CIN No. : L17124RJ2005PLC020927

14th March, 2022

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. **Scrip Code: 532782**	**National Stock Exchange of India Ltd.** Exchange Plaza, 5th Floor, Plot No. C/1, G-Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051. **Scrip Code : SUTLEJTEX**

Dear Sirs,

Sub: Intimation of Credit Rating under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, we wish to inform you that India Ratings and Research (Ind-Ra) has assigned "Long Term Issuer Rating of **IND A+**" and "Commercial Paper (CP) rating of **IND A1+**" to the Company.

The instrument wise rating actions are as follows:

Instrument Type	Rating / Outlook
Term Loan	IND A+ / Stable
Fund-based working capital limits	IND A+ / Stable / IND A1+
Non-fund-based working capital limits	IND A+ / Stable / IND A1+
Commercial Paper (CP)*	IND A1+

*To be carved out of working capital limits

This is for the information of the members and exchanges.

Thanking you

Yours faithfully
For Sutlej Textiles and Industries Limited

Contractor

Manoj Contractor
Company Secretary and Compliance Officer

SUTLEJ TEXTILES AND INDUSTRIES LTD.

India Ratings Assigns Sutlej Textiles and Industries 'IND A+'/Stable & its CP 'IND A1+'

India Ratings and Research (Ind-Ra) has assigned Sutlej Textiles and Industries Limited (Sutlej) a Long-Term Issuer Rating of 'IND A+'. The Outlook is Stable. The instrument wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	-	-	January 2029	INR5,551.8	IND A+/Stable	Assigned
Fund-based working capital limits*	-	-	-	INR6,000	IND A+/Stable/IND A1+	Assigned
Non-fund-based working capital limits	-	-	-	INR425	IND A+/Stable/IND A1+	Assigned
Commercial paper (CP)#	-	-	7-365 days	INR3,000	IND A1+	Assigned

*Overall ceiling of INR6,000 million under Multiple Banking Arrangement

#To be carved out of working capital limits

The ratings reflect Sutlej's established position in India's value-added spun-dyed yarn industry and strong clientele. The rating is further supported by an improvement in profitability on account of an improvement in the gross margin, supported by an increase in realisations as well as structural changes in costs by way of rationalising the manpower and energy costs, and reduced dependency on outside suppliers for its polyester staple fibre (PSF) requirement. The ratings are also supported by the company' adequate liquidity position and an improvement in the credit metrics in 1HFY22. However, the ratings are constrained by the company's loss-making Home Textile division, exposure to volatility in raw material prices and inherent textile industry risks.

KEY RATING DRIVERS

Strong Business Profile: Sutlej holds a leading position in India's value-added spun-dyed yarn industry, which has limited players in the dyed and melange yarn segment in the organised sector, due to moderate-to-high entry barriers. The company has over five decades of operating track record, leading to established relationships with its customers and suppliers. This ensures uninterrupted product availability from key suppliers and repeat orders from reputed customers including some of the large brands across the globe. The ratings are also supported by Sutlej's geographical diversification across domestic and export markets, product diversification across value-added yarns, four plant locations and recently commissioned Sutlej Green Fibre plant. Exports accounted for 40% of the revenue in 1HFY22 (FY21: 34%, FY20: 30%). Sutlej has a diversified customer base with its top 10 customers accounting for around 22% of the total revenue in FY21, reflecting low-to-moderate concentration risk.

Improving Profitability: The EBITDA margins rebounded to 12% in 1HFY22, after declining to 5.5% in FY21 (FY20: 7.1%) as against an EBITDA loss of INR110 million in 1HFY21 amid COVID-19-led business disruptions. The yarn division (contributing around 95% to the total revenue) EBITDA margin improved to 14.5% in 9MFY22 (FY21: 9%) on account of higher realisations, whereas the home textile division continued to incur losses. Although Ind-Ra expects the overall EBITDA margins to normalise gradually from 1QFY23 as the input costs on raw materials firm up, structural measures help sustain margins at 11%-13%. The company is focusing on rationalising manpower and optimising costs in key cost components. The company has also been upgrading its plant & machinery, and optimising its power consumption, thus reducing the overall costs.

Sutlej has set up a recycled PSF plant which produces PSF by recycling polyethylene terephthalate (PET) bottles, which meets over 70% of the internal PSF requirement. This helps in improvising the mix of controllable costs as well as customer requirements.

Home Textiles Division Expected to Turnaround: Management is focusing to turnaround its home textile division and has guided the segment to turn profitable in FY23. The agency assumes the increase in the utilisation, higher sales through retail