



FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS





Preamble

In terms of Reg. 25(7) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company should familiarise the Independent Directors about the insights of Company to enable the Independent Directors understand the Company's business in depth that would facilitate their active participation in managing the Company.



Mission

We believe in stretching ourselves to challenge our limits and overcome them. We also believe that as time changes, one must evolve one’s thinking.

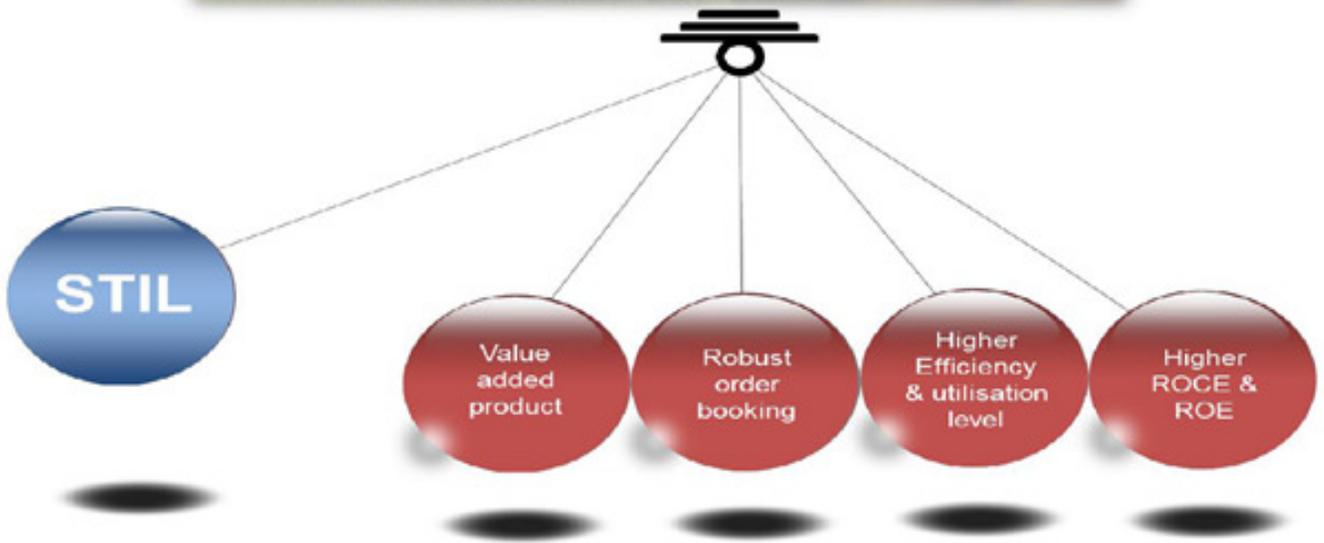
Vision

We have set our sights on emerging as a global textile frontrunner, providing end-to-end solutions to the textile industry – from yarn to home textiles. Hence, we aim to create maximum value for our customers so that we become their partners of choice.

Company Overview

- **Sutlej Textiles and Industries Ltd (STIL) is India’s largest Spun Dyed Yarn manufacturer and leading player in Value added / Specialty yarns.**
- One stop shop for all types of spun dyed yarns.
- Largest manufacturer of Value Added Dyed Synthetic and Cotton Mélange Yarn in India–sustained growth strategy wherein Company has added 138,280 spindles in last 10 years.
- Total spindles in operation : 3,77,112 [as on 30.09.2015]

<u>Product Mix</u>	<u>Domestic and Global Presence</u>
<ul style="list-style-type: none"> ➤ One stop shop for all types of spun yarn ➤ Focus on Value added yarns – Spun Dyed Yarn, Cotton Mélange ➤ Diversified offerings with presence across value chain with – Yarns & Home textile 	<ul style="list-style-type: none"> ➤ Marquee clients in domestic markets ➤ Global footprint with presence across 60 countries across <ul style="list-style-type: none"> ❖ Europe, ❖ North America, ❖ South East Asia



Business Outlook

Performance highlights

- Net revenues stood at Rs.1,878.22 crore in 2014-15 (Rs.1,880.62 crore in 2013-14)
- Profit after tax stood at Rs.115.46 crore in 2014-15 (Rs.131.38 crore in 2013-14)
- EBIDTA margin stood at 14% (16% in 2013-14)
- Yarn realisations stood at Rs.219 per kilogram in 2014-15 (Rs.222 per kilogram in 2013-14)

Operational highlights of FY 2014-15

- ❖ Commenced commercial production of its 31,104 new spindles installed in November 2014 at Chenab Textile Mills, Kathua, Jammu & Kashmir, at a project cost of Rs.151 crore to manufacture value-added cotton mélange and cotton-blended dyed yarn
- ❖ Expanded operations in the home textiles division at the Damanganga Home Textiles. Post-completion, the capacity at its existing facility will increase to 9.6 million metres per annum from 2.5 million metres per annum
- ❖ Approved the purchase of Birla Textile Mills, a unit of Chambal Fertilisers and Chemicals Limited, as a going concern on a slump sale basis [purchase completed on 30.09.2015]
- ❖ Shut weaving division in line with its strategy to cut losses and focus on profitable businesses

Marketing highlights

- ❖ Widened its presence by entering Algeria, Croatia, Cuba, France, Georgia, Iraq, the Netherlands, Spain, Thailand and Uganda, widening its footprint of own manufactured goods across 61 countries
- ❖ Increased exports as a part of overall sales to 26.38% (25.39% in 2013-14)
- ❖ GLOBAL PRESENCE: Algeria, Argentina, Australia, Bangladesh, Bangkok, Belgium, Bahrain, Botswana, Brazil, Canada, Chile, China, Colombia, Croatia, Cuba, Dominican Republic, Ecuador, Egypt, Ethiopia, France, Germany, Greece, Georgia, Hong Kong, Indonesia, Italy, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Malaysia, Mauritius, Mexico, Morocco, New Zealand, the Netherlands, Pakistan, Peru, Philippines, Poland, Portugal, Russia, Saudi Arabia, Spain, Singapore, Syria, Sri Lanka, South Africa, South Korea, Taiwan, Tanzania, Thailand, Tunisia, Turkey, Uganda, the United Arab Emirates, the United Kingdom, the United States of America, Venezuela and Vietnam.
- ❖ Greater production of high margin value added products post the completion of capacity expansion plan to result in greater proportion of Cotton Mélange and Cotton Blended Dyed Yarn product in the overall mix
- ❖ Acquisition of Birla Textile Mills to offer scale and size, besides synergies and economies of scale benefits which will enable growth acceleration



- ✧ Enhancing capacities at Bhawanimandi by adding spindles dedicated towards manufacturing value added Cotton Mélange and Cotton Blended Dyed Yarn. Incremental capacities to be developed on Company's 30 acre free hold land
- ✧ Sharpened focus on core yarn business coupled with renewed strategy for home textile segment to result in improved and diversified product mix, thereby enabling the Company to deliver sustainable performance
- ✧ Higher production of value added items, increased capacity under home textile business and lowering of leverage to drive margins and profitability

Global standards

Sutlej is an IS/ISO-9001:2008 quality certified and Uster licensed (conferred by Uster Technologies, Switzerland).

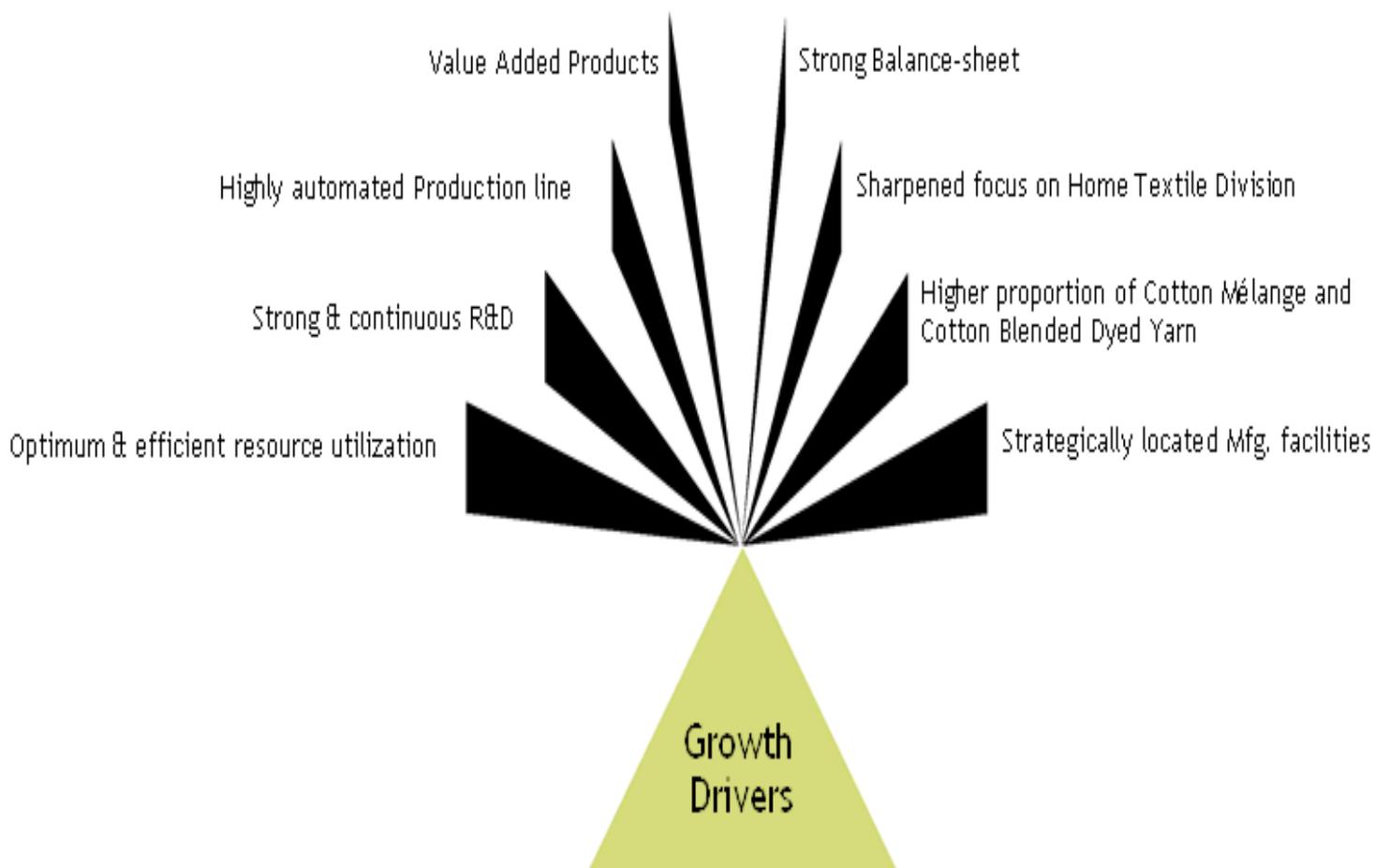
The Company's products have been bestowed with the Organic Content Standard (OCS-IN), Global Organic Textiles Standard (GOTS-IN) and Oeko-Tex Standard 100 certifications that guarantee that Sutlej's dyed yarn and cotton mélange yarn meet stringent ecological parameters.

Awards and recognition

The Company has been recognised numerous times for its superlative export performance. • The Company received the Niryat Shree award in 2014-15 for achieving 71% growth in exports in FY 2010-11. • The Company received the silver trophy in 2014-15 from the SRTEPC for the 'Second best export performance in the spun yarn' category for the year, 2013-14. • The Company's status has been upgraded to 'Star Trading House' by Directorate General of Foreign Trade, Ministry of Commerce & Industry, Government of India, in recognition of its impressive exports performance.

■ **Operating Levers**

<p>Sourcing Raw Material Efficiencies</p>	<p>Multiple Raw Material inputs Innovative R&D in sourcing Raw Materials Strong procurement management systems</p>	
<p>Proficient Manufacturing Processes</p>	<p>Best-in-industry utilization levels Strategically located units Access to captive and continuous power supply</p>	
<p>Strong R&D</p>	<p>State of the art Research and Development department with latest equipment's In-House Success - Strong In- House R & D capabilities facilitates Higher efficiency and performance</p>	
<p>Robust Order Booking and Distribution Strategies</p>	<p>Well-organized order booking procedure Strong marketing network Global footprint</p>	



Sutlej is India's largest spun-dyed yarn manufacturer as well as among India's leading textile producers with a pervasive presence across the value chain – from yarns to home textiles.

In addition to a corporate office in Mumbai, Sutlej has four manufacturing units located in Jammu and Kashmir (Kathua), Rajasthan (Bhawani Mandi) Gujarat (Bhilad) and H.P. (Baddi).



Fiscal prudence

For the first time, the Company floated commercial paper worth Rs.150 crore, which were accorded the highest A1+ rating by CARE. This helped mobilise funds at a rate at least 150 bps cheaper than traditional working capital loans sourced from banks, resulting in huge interest savings in 2014-15.

Sutlej extended from a focus on profitable growth to cash flow maximisation, which helped moderate working capital outlay and debt.

The Company's growing reliance on accruals (over debt) helped de-leverage the Balance Sheet and allowed access to cost-competitive funds to grow the business. This resulted in a gearing of 0.60 and limit unutilised working capital to the extent of ~40%.

The Company's fiscal discipline is reflected in that it has never defaulted on repayments of principal or interest, strengthening its credibility with bankers.

The majority of the Company's borrowings were long-term in nature, reducing borrowing costs by almost 50 bps and ensuring substantial savings in annual interest costs over the foreseeable future.

Operational prudence

Sutlej discontinued operations at its fabrics unit in view of its unviability. Some of the fixed assets at the unit and the captive power plant were sold, some looms were converted for in-house use at the home textiles division and related term loans were repaid without any pre-payment penalty.

Sutlej invested Rs.213 crore in capacity expansion and modernisation during 2014-15 (~25% of which was funded through accruals), capitalising on attractive financial terms and augmenting its capacities in line with the predicted sectoral recovery.

Financial Highlights

(Rs. In Lakhs)

Particulars	Half-yearly 30.09.2015	2014-15	2013-14	2012-13	2011-12	2010-11
Revenue from Operations	114933	1,87,858	1,88,390	1,69,037	1,54,171	1,58,546
Total Income	116990	1,91,826	1,92,295	1,72,811	1,57,328	1,61,990
Earnings Before Depreciation, Finance Cost and Tax Expenses (EBDITA)	15782	27,180	30,562	23,431	17,826	27,484
Depreciation, Impairment and Amortisation	4349	6,991	7,519	7,015	6,900	6,786
Profit before Tax and Exceptional items	8794	14,890	17,236	9,885	3,960	14,775
Exceptional items	-	68	64	606	-	-
Profit before Tax	8794	14,822	17,173	9,279	3,960	14,775
Profit after Tax	6815	11,546	13,138	7,697	3,173	11,434
Equity Dividend (%)	NA	100%	80%	50%	50%	75%*
Dividend Payout	NA	1,972	1,533	639	635	952
Equity Share Capital	1,638	1,638	1,638	1,092	1,092	1,092
Reserves and Surplus	NA	54,185	44,611	33,552	26,494	23,956
Networth	NA	55,823	46,249	34,644	27,587	25,048
Gross Fixed Assets	NA	1,39,330	1,22,641	1,14,750	1,13,592	1,09,036
Net Fixed Assets	NA	68,716	56,317	54,517	59,442	60,894
Total Assets	NA	1,34,082	1,27,294	1,14,916	1,14,482	1,19,910
Market Capitalisation	NA	51,098	36,042	22,400	17,442	25,115
Capital Employed	NA	1,16,213	1,10,047	1,00,983	1,01,194	1,06,958

Key Indicators

Particulars	Half-yearly 30.09.2015	2014-15	2013-14	2012-13	2011-12	2010-11
Earning Per Share (H) ^#	41.60	70.48	80.19	70.47	29.06	104.69
Book Value Per Share (H) ^	NA	340.74	282.30	317.20	252.58	229.34
Debt: Equity Ratio	NA	1.07:1	1.31:1	1.82:1	2.56:1	3.18:1
EBDITA/ Gross Turnover %	NA	14.47%	16.22%	13.86%	11.56%	17.33%
Net Profit Margin %	NA	6.15%	6.97%	4.55%	2.06%	7.21%
Return on Networth %	NA	20.68%	28.41%	22.22%	11.50%	45.65%
Return (PBIDT) to Capital Employed %	NA	23.39%	27.77%	23.20%	17.62%	25.70%

* Includes one time special dividend @ 25% ^ Fall in FY 2014 due to issue of Bonus Shares.# Adjusted for issue of Bonus Shares in 2013-14 in the ratio 1:2

FAMILIARIZATION AND CONTINUING EDUCATION PROCESS

- The Company through its President / Wholetime Director / Key Managerial Personnel shall conduct programmes / presentations periodically to familiarize the Independent Directors with the strategy, operations and functions of the Company.
- Such programmes /presentations will provide an opportunity to the Independent Directors to interact with the Senior Management of the Company and help them to understand the Company's strategy, business model, operations, service and product offerings, markets, organization structure, finance, human resources, technology, quality, facilities and risk management and such other areas as may arise from time to time.
- The programmes/presentations to familiarises the Independent Directors with their roles, rights and responsibilities.
- Whenever a new Independent Director is inducted to the Board of the Company, a meeting is arranged with the Chairman, President, Wholetime Director & Chief Financial Officer to discuss the functioning of the Board and the nature of the operation of the Company's business activities.
- New Independent Directors are provided with copy of latest Annual Report, the Sutlej Code of Conduct, the Sutlej Code of Conduct for Prevention of Insider Trading and Schedule of upcoming Board and Committee meetings.
- The Company encourages the Directors to familiarize with company's facilities from time to time.
- A detailed Appointment Letter incorporating the role, duties and responsibilities, remuneration and performance evaluation process, insurance cover, Sutlej Code of Conduct and obligations on disclosures, is issued for the acceptance of the Independent Directors.

Disclosure /Amendment :

This Policy shall be disclosed on the website of the Company and a web link thereto, shall be provided in the Annual Report of the Company. The right to interpret/ amend/ modify the Familiarization Policy and procedures shall vest with the Board of Directors of the Company.

The policy shall be liable for change in accordance with the requirements of the law from time to time and the said changes shall be carried out in the Policy as per the directions of the Board by the Secretary and Compliance Officer.

All facts and figures appearing and forming part of this Policy shall be suo motu updated by the Secretary & Compliance Officer in sync with the Audited / Published facts and figures, which are made available by the Company in the public domain.