

# SUTLEJ TEXTILES AND INDUSTRIES LTD

Q1 FY15 Results Presentation – 8<sup>th</sup> August 2014



# Disclaimer

*Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Further, past performance is not necessarily indicative of future results. Given these risks, uncertainties and other risk factors, viewers of this presentation are cautioned not to place undue reliance on these forward looking statements. Sutlej Textiles and Industries Ltd will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.*



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# Q1 FY15 – Performance Update

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# Profit & Loss Abstract

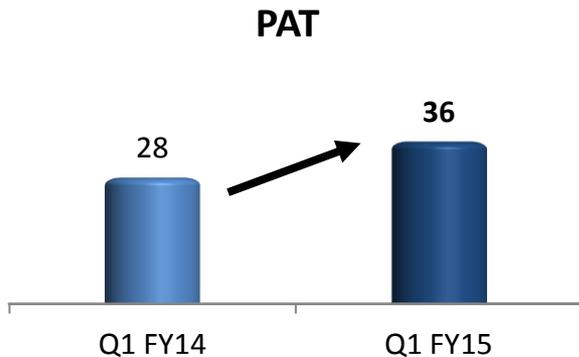
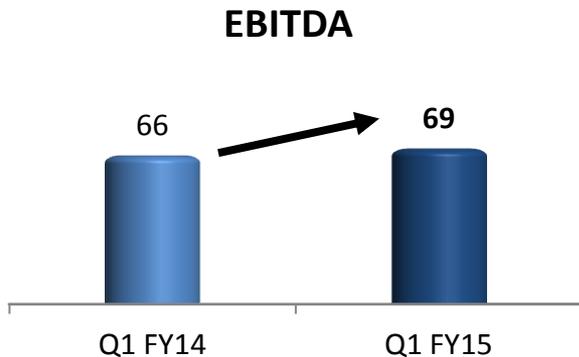
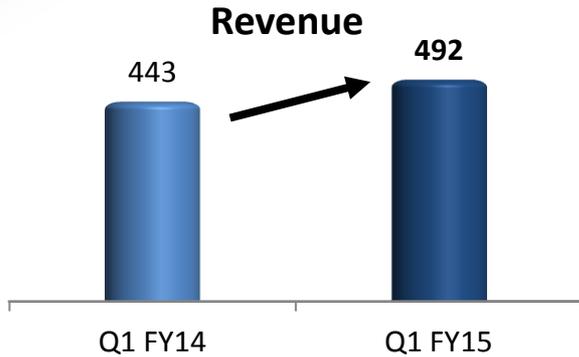
(Rs. in crore)

Particulars	Q1 FY15	Q1 FY14	Q4FY14	% Change wrt Q1 FY14	% Change wrt Q4 FY14
Revenue	492	443	482	11.1	2.1
Total Expenditure	423	377	412	12.2	2.6
EBITDA	69	66	70	4.6	(0.9)
Depreciation	15	17	24	(11.6)	(36.1)
EBIT	54	49	46	10.2	17.1
Interest	13	15	14	(12.8)	(5.6)
PBT (after exceptional item)	40	33	31	20.8	29.9
Tax	5	5	10	(11.1)	(55.4)
PAT	36	28	21	26.8	73.1
EPS (Diluted) (Rs.)	21.8	17.2	13	26.8	73.1



# Financial Performance – Q1FY15

Figs in crore



- Revenue improved by 11.1% to highest ever for a quarter at Rs.492 crore on account of higher off-take and improved realisation of yarn. Yarn production during the quarter stood at 18,529 MT against 16,985 MT during corresponding period last year. Yarn realisation during the quarter stood at Rs.219 /kg as against Rs. 210/kg during Q1 FY14.
- Operating margin for the quarter stood healthy at 14.00%. Prudent cost management enabled the Company to limit the impact of the varied inventory cost.
- PAT expanded by 26.8% to Rs.36 crore for the quarter as compared to Rs.28 crore for corresponding quarter last year, driven by improved operational efficiency and lower interest outgo.



# Chairman's Comments

**Commenting on the results, Mr. C.S. Nopany, Chairman, Sutlej Textiles and Industries Ltd said** *"The Company's concerted efforts of focusing on specialty yarn products facilitated in maintaining growth momentum even during challenging time as demonstrated by our performance.*

*Further, while our attempts towards embedding a rigorous & business wide cost discipline benefits in making optimal utilisation of resources, our strong & innovative in- house R&D assists in widening our product mix thereby accentuating our ability in mitigating the cyclical impact on the business.*

*While the economy faces multiple headwinds at present, primarily pertinent to sub-normal monsoon, we are optimistic that the commissioning of additional value added cotton mélange yarn spindles and modernization of existing capacities will aid in further consolidation of our position in the industry and enable us to deliver healthy financial performance going forward."*



# Key Highlights

## Rating agencies upgrades credit rating of bank facilities

Credit Analysis and Research Ltd. (CARE), upgrades credit rating of bank facilities of STIL as under

- **CARE A+ (Single A+ Plus)** for long term Bank facilities from CARE A- (Single A Minus) indicating adequate degree of safety regarding timely servicing of financial obligations and a low credit risk to these instruments
- **CARE A1+ (A One Plus)** for short term bank facilities from Care A2+ (A Two Plus) indicating a very strong degree of safety regarding timely payment of financial obligations and carry lowest credit risk to these instruments

The upgrade in rating is reflective of the improved operational and financial performance of the Company.

In addition, India Ratings & Research (IND-Ra), a Fitch Group Company has assigned a Long-Term Issuer Rating of 'IND A+' with stable outlook – the rating is reflective of the Company's ability to withstand sectoral cyclicality

The above ratings are reflective of STIL's leading position in the niche value added dyed yarn segment – synthetic and Cotton Mélange, a diversified product portfolio, strong financial profile and improving prospects of the sector



# Key Highlights

## Update on Capacity Expansion and Modernization Programme

- Spinning capacity is being expanded by 30,672 spindles during the year; resulting in higher production of Cotton Mélange yarn, a value added product
- Company's expertise in managing projects will ensure scheduled completion of expansion project
- The Company has incurred approx. Rs. 116 crore till 30th June 2014 for the project
- In addition, the Company shall further invest an amount of approx. Rs 80 crore in FY 2015 towards technology up-gradation and debottlenecking, etc. which shall lead to increase in efficiency and cost reduction

# Company Overview

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# Sutlej Textiles and Industries Limited- At a Glance

**#1**

Spun Dyed  
Yarn Manufacturer

**261,736**

Total Capacity  
(Spindles)

**~55,000**

For Cotton Mélange Yarn  
(Spindles)

**92**

Total Capacity  
(Looms)

**336**

Total Capacity  
(Rotors)

**CARE A+ / IND A+**

Credit Rating  
(CARE / India Ratings, A Fitch Group Co.)

**13% CAGR**

Last 4 years  
Revenue Growth

**19% CAGR**

Last 4 Years  
EBITDA Growth

**49% CAGR**

Last 4 Years  
PAT Growth

**49% CAGR**

Last 4 Years  
EPS Growth



# Company Overview

Sutlej Textiles and Industries Ltd (STIL) is India's largest Spun Dyed Yarn manufacturer and leading player in Value added / Specialty yarns

## Product Mix

- One stop shop for all types of yarn
- Focus on Value added yarns – Spun Dyed Yarn, Cotton Mélange
- Diversified offerings with presence across value chain with – Yarns, Fabrics & Home textile furnishing

## Marquee Clients



## Manufacturing Snapshot

- Manufacturing units (4) – Jammu & Kashmir, Rajasthan & Gujarat
- Total Capacity: Spindles – 261,736; Rotors – 336; Shuttle less looms – 60; Home Textile looms – 32;
- Employs over 11,500 people

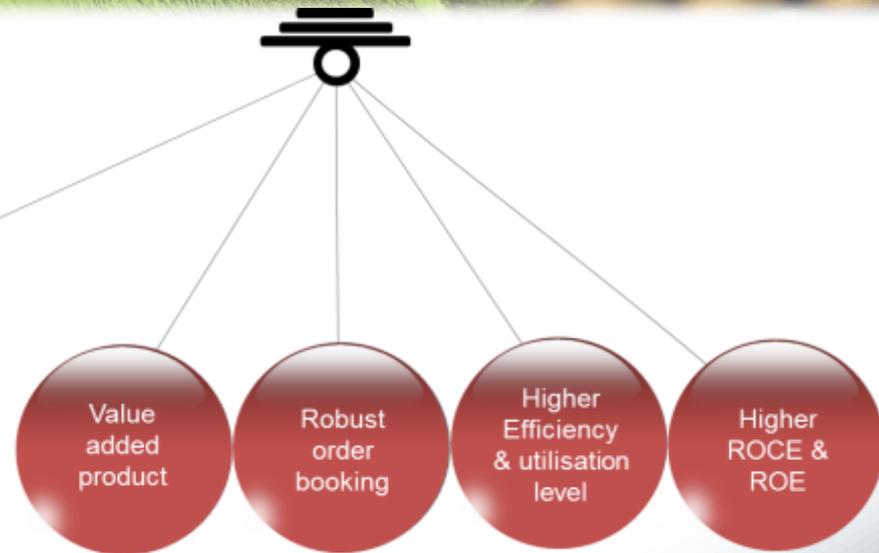
## Domestic and Global Presence

- Marquee clients in domestic markets
- Global footprint with presence across 60 countries across
  - Europe,
  - North America,
  - South East Asia



# Competitive Edge Over Most Other Spinning Mills

- 1 One stop shop for all types of spun dyed yarns – 100% or blends in Synthetic or natural / Count range: from 6 s to 60 s / Colour: grey, mélange or Dyed in all shade / Fold: simple, Double or multifold
- 2 Largest manufacturer of Value Added Dyed Synthetic and Cotton Mélange Yarn in India – sustained growth strategy wherein Company has added 136,840 spindles in last 10 years. Further expanding capacity in Cotton Mélange yarn by 30,672 spindles
- 3 Grey Cotton yarn contributes ~7% to Revenues as compared to around 80% - 100% of other spinning mills



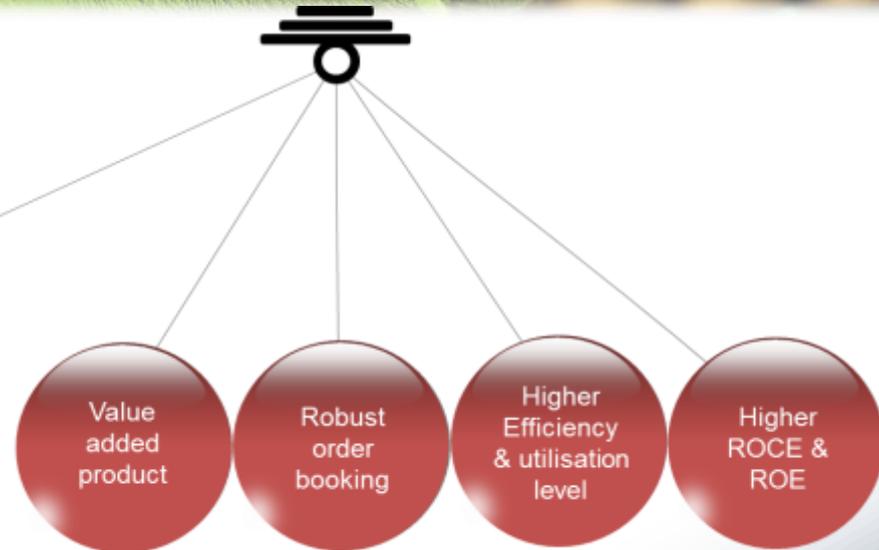


# Competitive Edge Over Most Other Spinning Mills

- 4 Optimum & efficient capacity utilization owing to the most modern Plant and Machinery – 69% of Company's spindle age are less than a decade old
- 5 In house R&D team backed with state of the art technology
- 6 Robust order booking procedure – production based on specific client requirements and advance orders leading to negligible order cancellation and better working capital management



STIL





# Competitive Edge Over Most Other Spinning Mills

- 7 Delivering consistent & robust returns – reported one of the best Return Ratios in the industry. ROCE and ROE in FY2014 stood at 28% each
- 8 Consistent track record of paying dividend since incorporation
- 9 In line with Company's philosophy of rewarding its shareholders, the Company allotted bonus shares in the ratio 1:2 (June2013)



STIL

Value added product

Robust order booking

Higher Efficiency & utilisation level

Higher ROCE & ROE





# Operating Levers

## Sourcing Raw Material Efficiencies



**Multiple Raw Material inputs** – efficiently manage input volatility

**Innovative R&D in sourcing Raw Materials** – facilitates raw material substitutes leading to lower volatility in input costs

**Procurement management** – sourcing from reputed manufacturers resulting in lower process losses

## Proficient Manufacturing Processes



**Best-in-industry utilization levels** – Continuous modernization with ~69% of spindles less than 10 years old; latest and highly automated system in place

**Strategically located units** – Availing various Central Government & State Government incentives

**Access to captive and continuous power supply** – low process losses & downtime

## Strong R&D



**In-house success** – Strong in-house R&D capabilities facilitates higher efficiency & performance

**State of the art technology** - The Company development and design centers are well equipped with latest technological equipment's like Evenness Testers, HVI Spectrum, Tenso Jet-4, AFISPRO LMNT, Yarn Classmate,

## Robust Order Booking and Distribution Strategies



**Well-organized order booking procedure** – negligible order cancellation and better working capital management

**Strong marketing network** – own offices, tie up with dealers & brokers throughout the country and international

**Global footprint** – presence across 60 countries with an impressive client list

**Focus on Niche & Value added Products**

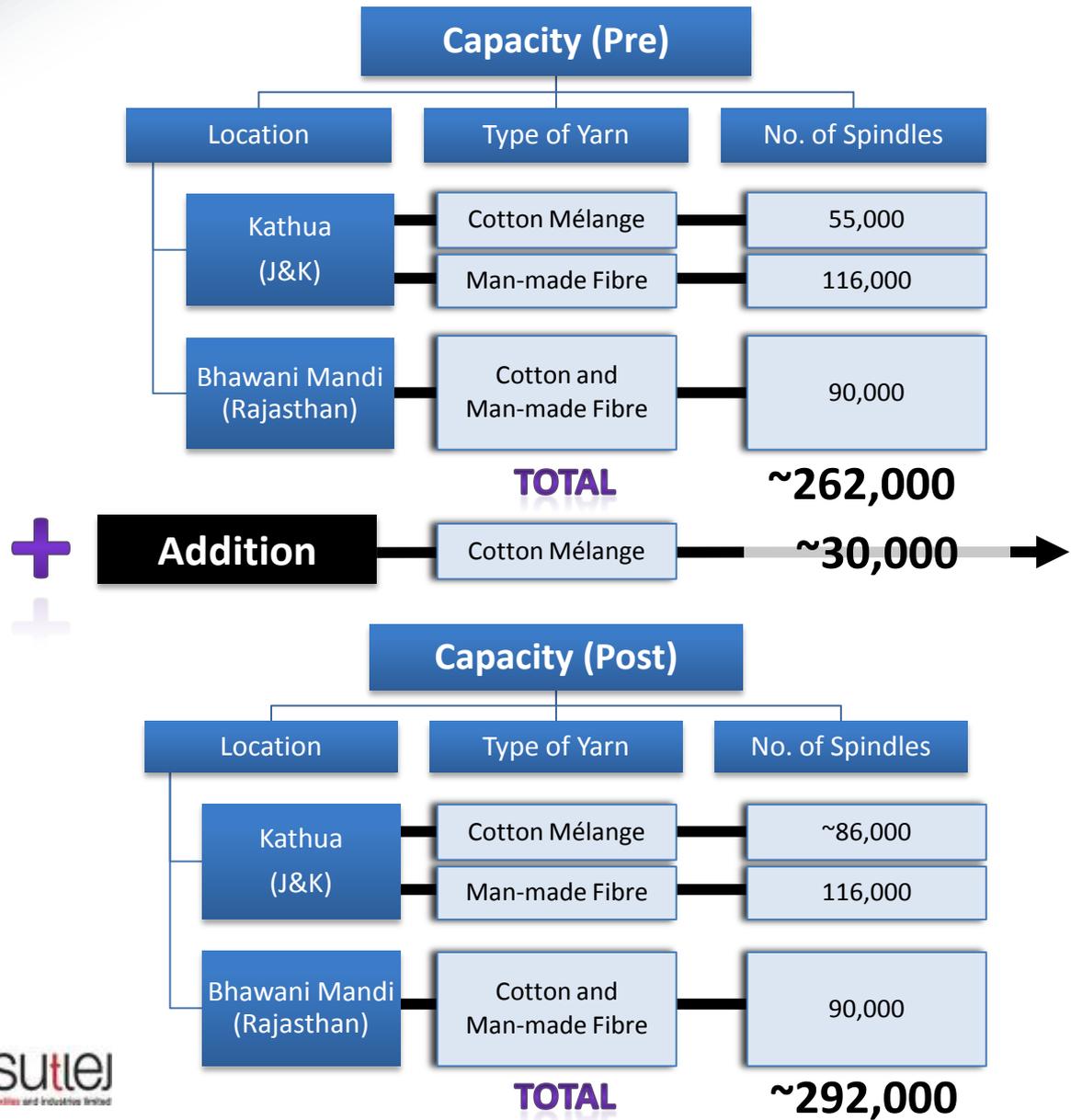


# Key Growth Drivers





# Capacity Expansion Plan



- Project Budget: Rs. 175 crore (including Rs. 10 crore for long term working capital)
- Achieved financial closure with internal accruals of Rs. 44 crore
- Company has incurred approx. Rs.116 crore till 30<sup>th</sup> June, 2014.

# Track Record – Financial & Operational

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# Key Financial Highlights

INR Million

USD Million

Particulars	FY12	FY13	FY14	FY12	FY13	FY14
Revenues	15,370	16,802	18,806	320	317	330
EBITDA	1,783	2,343	3,056	37	44	54
<b>Margin %</b>	<b>12%</b>	<b>14%</b>	<b>16%</b>	<b>12%</b>	<b>14%</b>	<b>16%</b>
PBT	396	928	1,717	8	18	30
<b>Margin %</b>	<b>3%</b>	<b>6%</b>	<b>9%</b>	<b>3%</b>	<b>6%</b>	<b>9%</b>
PAT	317	770	1,314	7	15	23
<b>Margin %</b>	<b>2%</b>	<b>5%</b>	<b>7%</b>	<b>2%</b>	<b>5%</b>	<b>7%</b>
Total Assets	11,448	11,492	12,729	<b>238</b>	<b>217</b>	<b>223</b>
Net Worth	2,759	3,464	4,625	<b>57</b>	<b>65</b>	<b>81</b>
Long Term Debt	4,115	3,377	2,667	<b>86</b>	<b>64</b>	<b>47</b>
Total Debt	7,242	6,517	6,303	<b>151</b>	<b>123</b>	<b>111</b>
EV as at year end	8,920	8,680	9,830	<b>186</b>	<b>164</b>	<b>172</b>
ROCE	18%	23%	28%	<b>18%</b>	<b>23%</b>	<b>28%</b>
ROE	12%	22%	28%	<b>12%</b>	<b>22%</b>	<b>28%</b>
Debt – Equity	1.5	1.0	0.6	<b>1.5</b>	<b>1.0</b>	<b>0.6</b>
EV/EBITDA	5.0	3.7	3.2	<b>5.0</b>	<b>3.7</b>	<b>3.2</b>
EPS* - Basic & Diluted	19	47	80	<b>0.4</b>	<b>0.9</b>	<b>1.4</b>

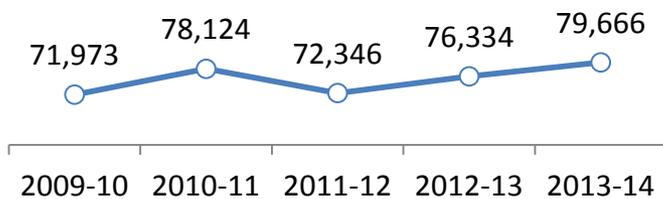
- \*Adjusted figs post incorporating bonus effect (During June 2013, STIL allotted bonus shares in the ratio 1:2)
- USD calculations based on Avg rate: FY12: Rs.48 /USD; FY13: Rs. 53/ USD; FY14: Rs. 57/USD



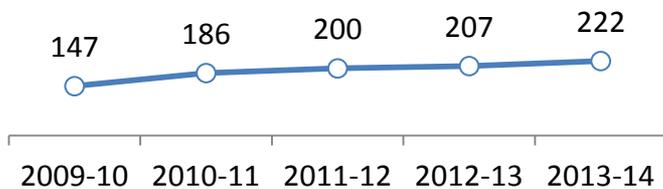
# Operational Performance

## Yarns\*

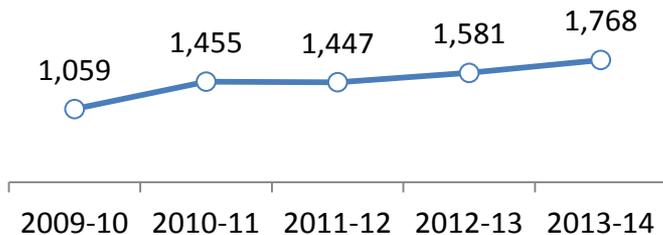
Sales (MT)



Avg. Yarn realisation (Rs/Kg)

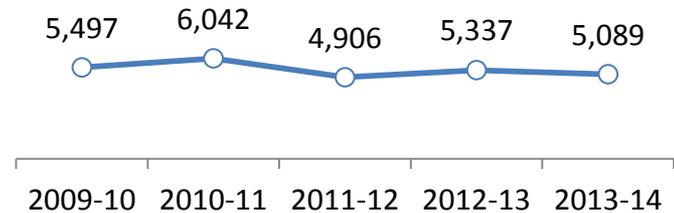


Sales (Rs. crore)

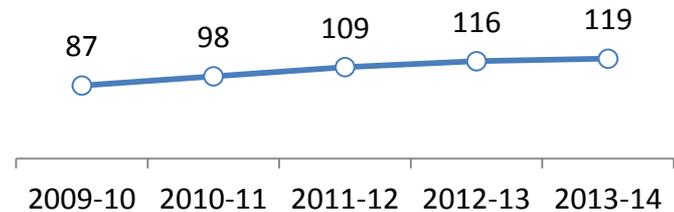


## Fabrics

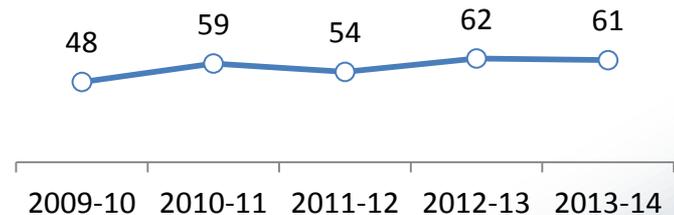
Sales ('000 Mtrs.)



Avg. Fabric realisation (Rs/Mtr)



Sales (Rs. crore)



\*Excluding sale of waste yarn

# Outlook

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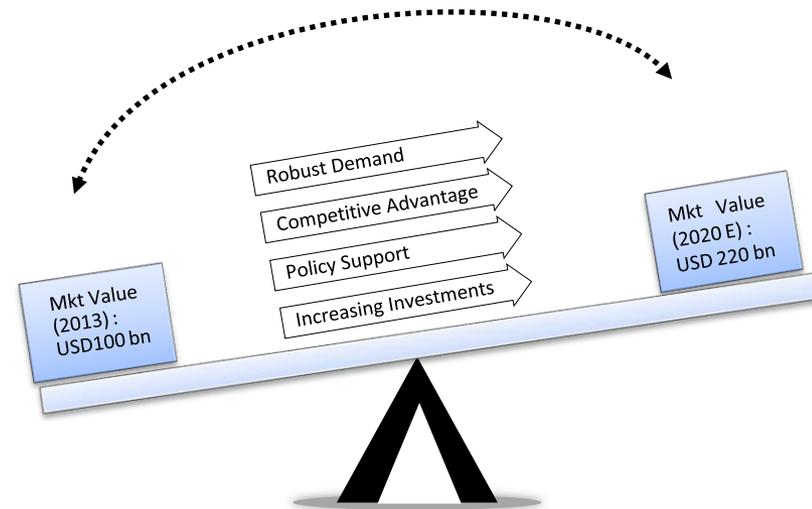


# Outlook – Sector

## Pillar of Growth

On a global front, the Indian Textile Industry is the second largest producer of textiles and plays a pivotal role in the growth of the Indian economy. As it accounts for -

- ~4.5% share in the world total exports
- ~4% of GDP
- ~11% of Country's export earnings
- ~14% of Industrial Production



## Manifold Growth

The sector is expected to witness significant growth resulting in expanding from present size - \$100bn in 2013 to \$220bn by 2020

## Domestic Market's growth drivers

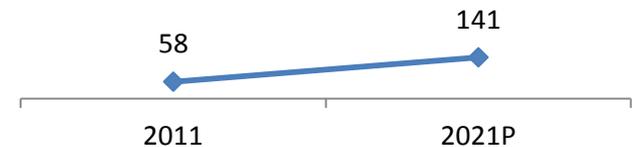
Expect strong domestic demand for products mainly driven by

- Changing lifestyles,
- Rising incomes
- Increasing demand for quality consciousness

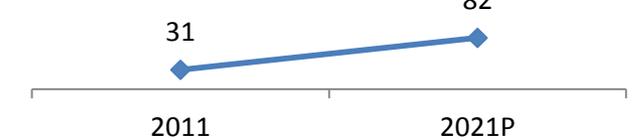
## Export Markets

- Surging exports revenue: Expanded from \$21.1 bn in 2008-09 to \$40 bn in 2013-14; CAGR of 14%
- The Ministry of Textile has fixed an export target of USD 45 billion for the year 2014-15
- Growth Roadmap: The Govt. of India in its new National Textiles Policy (Draft) targets the exports to reach \$300bn by 2024-25

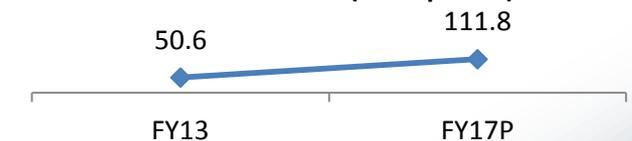
Domestic textile & apparel industry (\$ bn)



Textile & apparel exports (\$ bn)



Cloth Production (bn. Sq. mtrs)



Source: Ministry of Textiles, Planning Commission, Technopak, Aranca Research



# Outlook – Sutlej Textiles and Industries Ltd

## Ramping up Value Added Products Capacities

Profitability enhancement post commissioning of the capacities for value added Cotton Mélange yarn segment

## Strengthening Core Business

Accentuate capacities at existing locations to scale up business operation and tap rising demand anticipated in the sector

## Value Generators

Greater contribution of value added item in overall product basket coupled with lowering of leverage to drive margins and profitability

## Domestic Market

Changing Lifestyle, Growing Population, Rising Disposable Income and Greater Demand for quality products augurs well for the sector

## Export Market

Revival in the developed economies of USA and Europe couple with rising labor cost in neighboring countries to boost demand



# About Us

## Sutlej Textiles and Industries Ltd (STIL):

*Sutlej Textiles and Industries Ltd (STIL) (part of S&P BSE SMALL CAP Index) was incorporated in 2005 out of a corporate restructuring exercise wherein the textile divisions of Sutlej Industries Ltd and Damanganga Processors Ltd were demerged to create a single cohesive Company. STIL an ISO 9001:2008 certified is India's largest Dyed Yarn manufacturer and a leading player in value added yarn segment. The Company is focused on value added yarns namely – Dyed Yarn, Cotton Mélange yarn, Modal yarn, Tencel yarn, Bamboo yarn etc., and has a presence across value chain – Yarns, Fabrics and Home Textile. STIL by means of its versatile and vertically integrated facilities from spinning and weaving to dyeing and finishing and making of home textile furnishing enables it to excel in all stages of textile productions.*

*STIL has also been recipient of numerous prestigious awards recent one are **Niryat Shree – Gold trophy** award for its Export performance in 2009-10 (up 77% over the preceding financial year); **Gold trophy by SRTEPC** for Best performance for export of fabrics to focused Latin American countries in 2011-12 and **Silver trophy by SRTEPC** for second best export performance in spun yarn category in 2011-12.*

*STIL, by virtue of its presence across globe exports to 60 countries and presence across Australia, Argentina, Bangladesh, Brazil, Canada, China, Egypt, Germany, Greece, Hong Kong, Morocco, Pakistan, Panama, Philippines, Poland, Portugal, Sri Lanka, Turkey, United States of America, the United Arab Emirates (UAE), The United Kingdom and Vietnam, among others.*

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**THANK YOU**

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