

Annual Report
2016-2017



THE STRENGTH WITHIN



AYM Syntex

THE STRENGTH WITHIN



We follow the renowned MOAT strategy created by Warren Buffet. "MOAT" is a business's ability to maintain its competitive advantage and to protect its long term profit & market share from competing firms

CORPORATE STRENGTH



Our product portfolio reflects a customer-centric approach coupled with our constant efforts in new product development through innovation

PRODUCT STRENGTH



Our future-focus is on enhancing operational excellence, new product development, brand value & internationalisation

FUTURE STRENGTH



The collective zeal of a 1500+ family united in a common and ambitious goal will set our team on a path with exciting possibilities

PEOPLE STRENGTH



Our CSR vision is to uplift the underprivileged from the vicious cycle of poverty. It is an integral part of our core business strategy where we are focused towards creating a positive change by promoting sustainable solutions

CSR STRENGTH



As a manufacturing company, we are determined to create solutions for our customers. With state-of-the-art manufacturing facilities in Palghar & Silvassa, we adhere to the highest quality standards that will forever define us

MANUFACTURING STRENGTH



AYM Syntex
THE STRENGTH WITHIN

**Together Product Strength, Corporate Strength, Future Strength,
People Strength, CSR Strength & Manufacturing Strength form**

#TheStrengthWithin



AYM

ADVANCED YARN MANUFACTURING

30+ YEARS



Touching lives
across **30+**
countries



20+ Y-O-Y average
shareholder return
over the last decade



**Indian Market
Leaders** in multi-polymer
specialty and BCF (Bulk
Continuous Filament) yarns



**Largest Yarn
Dyeing** facility
in India



10,000+ Shades
of conventional
dyed yarn



**21% EBITDA
CAGR** growth over
the last decade

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OUR VISION

We wish to create a legacy by touching lives globally through



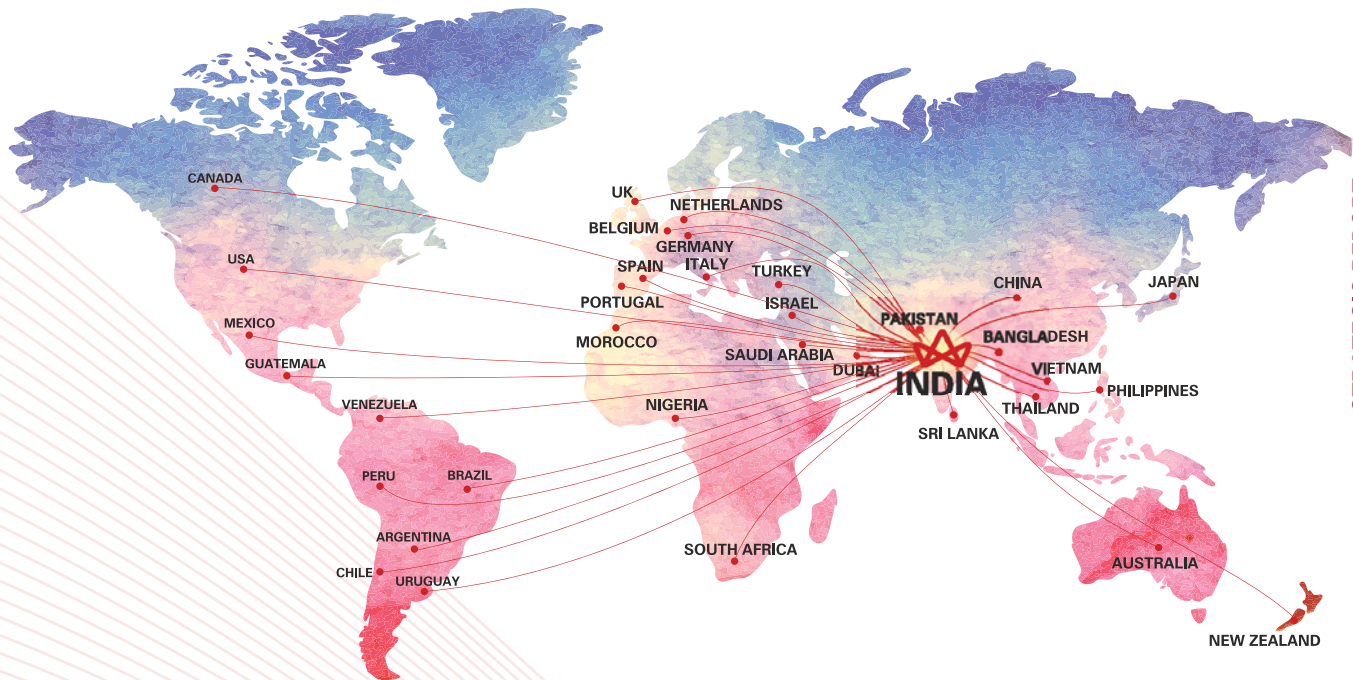
INNOVATIVE
PRODUCTS



PROCESSES



BUSINESS
MODELS



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OUR VALUES



PEOPLE
FOCUS



CUSTOMER
FOCUS



INNOVATION

MANAGING DIRECTOR & CEO'S MESSAGE

Dear Shareholders,

The year 2016-2017 was a tough year for AYM Syntex. Sales remained flat for the year & profitability declined year-on-year for the first time in 5 years. While our company continues to slowly transform itself into a stronger business, weakness in a sizeable portion (Nylon) of the business led to a decline in profitability. The local Nylon business, which was once the largest contributor of profitability for AYM is now itself eating away at the profitability of other business segments. The challenge now is to transform the product & customer mix of the company into more profitable products of nylon (PA6) as well as polyester (PA6 & PET lines in AYM are interchangeable). We have been successful in a similar endeavor before when, 10 years back, lines were converted from Polyester (PET) to Nylon. However, this time, we must do it once again not only keeping profitability in mind but also its long-term sustainability.

While things have turned for the worse on the nylon side of business, there are several positive developments that have taken place in other areas, which are worth highlighting. Our business embarked on a transformational journey about 2 years back and while the inflection point is still further down the road, there have been a few positive steps in the right direction. Focus on innovation & product development continued & few new products were developed. While no large-scale commercialization took place, several customers showed interest in these products & we hope to achieve success in the coming years.

In both our Palghar dyed yarns as well as textile yarns (PET & PA6) area, business development was initiated with several new high-quality customers all around the world. In the BCF area, the efforts that the management team has been putting in all these years have started to bear fruit. Solution dyed nylon was commercialized for the first time & has garnered a lot of interest from some of our highest quality customers. In this segment, we will be competing against the world's best; companies primarily based in Europe & the US. Another important milestone was that of acquiring the Dupont Sorona license. This puts us firmly on the world map in the BCF area. From the point of view of building a strong foundation, we moved a few steps forward. A new and qualified management team was put into place at the Palghar plant & HO. This team is now capable enough to manage the complexities of working with high-quality customers. A lot of work was done in both plants on upgrading infrastructure & most importantly, in building new & improved systems in the area of quality, product development & production planning. Despite all this progress, I believe that we still have some way to go until our foundations are robust enough to be compared to the world's best.

A sizeable proportion of the new developments that we are carrying out are products with high-quality requirements and significant barriers to entry. It is difficult to win the trust of such customers for initial sampling, following which our internal quality of talent and systems need to be strong enough to sustain consistent on time delivery. Customers expect continuous innovations, flawless deliveries & impeccable service, as is the case with their current supply base, which comes from countries such as USA, Europe, Taiwan & Korea. In an otherwise commoditized industry driven by price & volumes as opposed to quality, service and innovation, it requires us to do things very differently if we are to succeed. Changing the mind-set and culture of an organization is an incredibly difficult thing to do. Few, if not none in the industry in our country have succeeded (or even tried to embark) on the journey that we are on.



It will require us to make difficult decisions some of which might even impact us adversely in the short-term. Once successful, however, this also means that customers will be reluctant to switch sources leading to closer relationships & stickiness. Combined with innovation & superior new product development capabilities, it is this overall package that will be the source of our competitive advantage in the future.

Given the commoditized and cyclical nature of AYM's current Nylon business, warning signs were always visible. As mentioned in several of my previous quarterly calls, even though we could see it coming, the pace of decline was accelerated by several external factors. Although it was a positive long-term step, demonetization brought the domestic fabric market to a grinding halt, leading to our plant running dry for several weeks & incurring losses. Another factor was the shortage of Caprolactam in the marketplace leading to an appreciation of raw material (Nylon chips) prices by over 60% in fewer than 90 days followed by a fall of over a third in fewer than 60 days leading to enormous stock losses. Rapid increase in capacity by existing players and entry of several new players in this period didn't help either.

While it is important to record the role of these external events, we as an organization also need to accept the harsh truth – our business model in the current nylon segment is weak. We are competing against unorganized players with a lower cost structure & newer/more efficient machines in a market, where switching cost is close to nil thereby being totally driven by price. The only way to win in such a marketplace is by having the lowest cost. Our dreams are different. We wish to compete on quality, consistency & innovation as opposed to cost. While the long-term vision is clear & we can see light at the end of the tunnel, a lot of effort is required to change the organization culture, customer mix, product mix & the overall business model.

We hope that eventually, our journey of growth will mirror that of a Chinese bamboo tree. Like any other tree, it requires a tremendous amount of care and nurturing. One needs to continuously water the tree but little or no growth is seen above the ground for all of the first 4 years! And then lo & behold! All of a sudden, within 6 weeks the tree leaps upwards to several tens of feet in the sky! All this time, despite no progress being seen above the ground, all that nurturing was going in to build the roots and foundation that could support such exponential growth. The bamboo tree is a true lesson in persistence & faith. It's a lesson, which reiterates the age-old wisdom of staying on the path and never giving up!

Finally, I would like to thank all our shareholders for their continued support & encouragement. Last but not the least, I would like to thank all our employees for their continued efforts & commitment; for working hard towards our vision despite the setbacks that we have encountered along the way. I remain confident that the path that we have chosen is headed in the right direction. Nothing in life that is great is easy. If it were easy, it wouldn't be great!

Regards,

Abhishek Mandawewala

Managing Director & CEO,
AYM Syntex. Ltd

TEXTILE YARN

APPLICATIONS



Apparel & Fashion



Sports Wear



Sarees & Dress Material



Narrow Fabrics



Hosiery



Automotive



Medical Textile



Sewing Threads



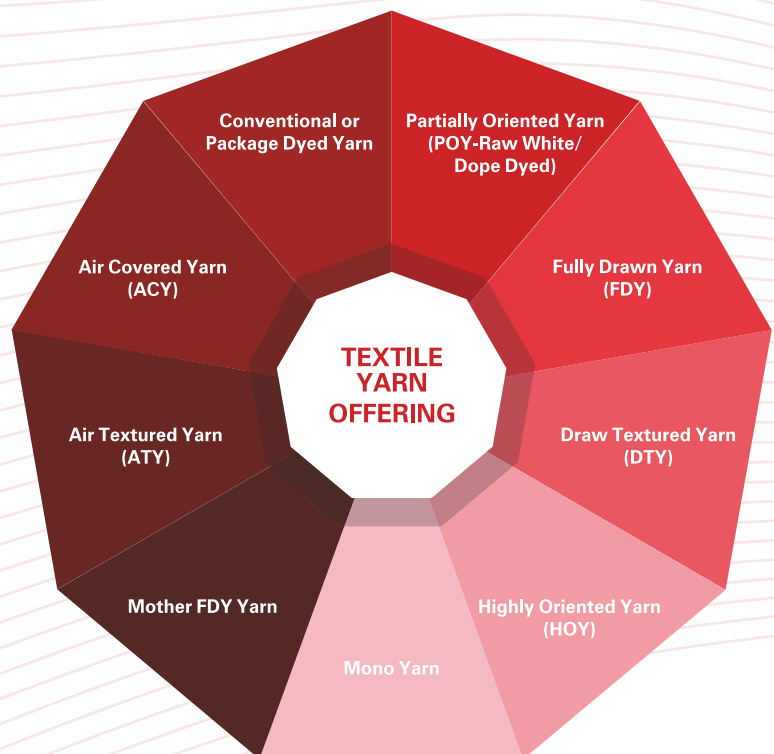
Home Textile

BRANDS

Comfeel™
FEEL THE COMFORT

ASSURA®
FIRE SHIELD FOR LIFE

Spinovate™
New blends for new trends



BCF YARN

(BULK CONTINUOUS FILAMENT YARN)

APPLICATIONS



Wall to Wall
Carpets



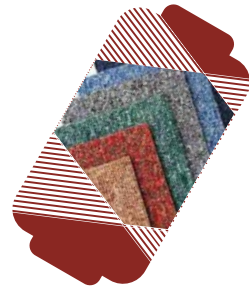
Rugs



Area Rugs



Bath Mats



Carpet Tiles

BRANDS

Rezilia
Resilience meets elegance

SORENYL
TOUCH OF CLASS

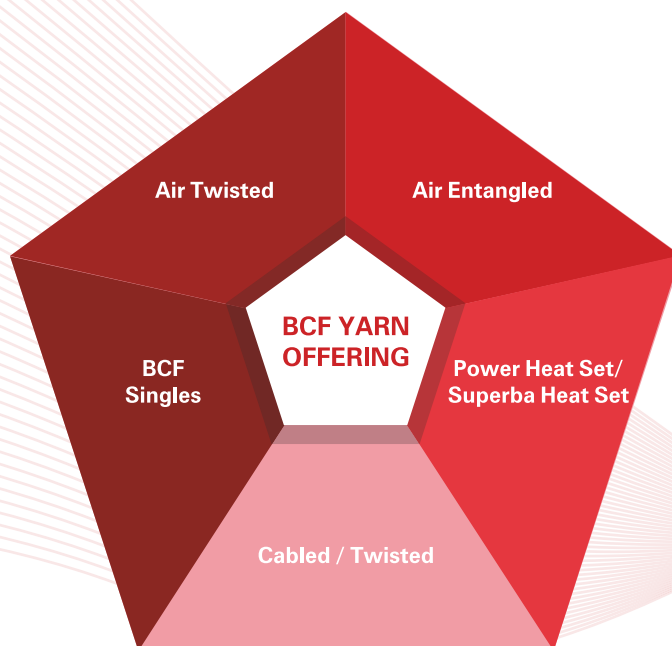
Wonderfeel
TREAT FOR FEET

Polywonder

POLYMAGIC
WHITE TO BRIGHT

POLYCYCLE
Back to Green

Sparkle
ULTRA SHINE



STRATEGIC REPORT

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AYM ADVANTAGE



Quality Assurance
In-house Testing Infrastructure
with Modern Equipments



Latest **World Class**
Manufacturing Technology
for Multi Polymer Products



Advanced Lab Scale
& **Pilot Lines**



In-House **Masterbatch**
Development & Auto
Colour Matching



Expertise in Niche &
Tailor-Made Products



Committed Team
& Low Attrition



Quality & Environment
Certifications