

AYM Syntex

Annual Report
2018-2019



SCALING UP OF THE
STRATEGIC BUSINESS



STRENGTHENING
THE CORE BUSINESS



INNOVATION



INTERNATIONALIZATION

COST & RESOURCE OPTIMIZATION





CORPORATE INFORMATION

Board of Directors

R. R. Mandawewala
Chairman & Non-Executive Director

Abhishek Mandawewala
Managing Director & CEO

Atul Desai
Independent Director

Mohan Tandon
Independent Director

K. H. Viswanathan
Independent Director

Khushboo Mandawewala
Additional Director (w.e.f 29th July 2019)

Mala Tadarwal
Independent Director (upto 31st July 2019)

Audit Committee

Atul Desai

K. H. Viswanathan

M. K. Tandon

Mala Tadarwal

Nomination & Remuneration Committee

Atul Desai

R. R. Mandawewala

K. H. Viswanathan

M. K. Tandon

Mala Tadarwal

Stakeholders Relationship Committee

Atul Desai

R. R. Mandawewala

Abhishek Mandawewala

Corporate Social Responsibility Committee

Atul Desai

R. R. Mandawewala

Abhishek Mandawewala

Chief Financial Officer

Himanshu Dhaddha

Company Secretary

Ashitosh Sheth
(w.e.f 06th February 2019)

Kaushik Kapasi
(upto 31st December 2018)

Auditors

Price Waterhouse
Chartered Accountants, LLP

Bankers

Bank of Baroda
State Bank of India
IDBI Bank
Central Bank of India
Karur Vysya Bank

Corporate Office

B/9, Trade World,
Kamala Mill Compound,
Senapati Bapat Marg,
Lower Parel (W), Mumbai - 400013

Registered Office

Survey No. 394 (P),
Village Saily, Silvassa,
Union Territory Of Dadra &
Nagar Haveli – 396 230

Website

www.aymsyntex.com

Registrar & Transfer Agents

Link Intime India Private Limited

TABLE OF CONTENTS

STRATEGIC REPORT

Stakeholder Value Creation	01
Managing Director & CEO's Message	08
Key Financial Highlights	10
Quarterly Financials	11

STATUTORY REPORT

Management Discussion & Analysis	14
Board's Report	24
Corporate Governance Report	46

FINANCIAL STATEMENTS

Independent Auditor's Report on Standalone Financial Statements	58
Standalone Financial Statements	66



34
YEARS

**AYM Syntex Limited is a Leading Multi Polymer
Specialty Yarn Manufacturer Specializing in**



Texturizing



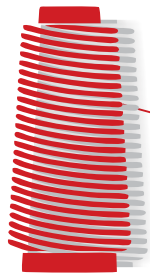
**Draw
Twisting**



Dyeing

of Polyester & Nylon yarns

THE BUILDING BLOCKS FOR AYM'S SUSTAINED FUTURE GROWTH



**SCALING UP OF
THE STRATEGIC
BUSINESS**



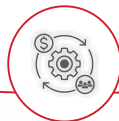
**STRENGTHENING
THE CORE
BUSINESS**



INNOVATION



INTERNATIONALIZATION



**COST & RESOURCE
OPTIMIZATION**



**CORPORATE
SOCIAL
RESPONSIBILITY**





1. SCALING UP OF THE STRATEGIC BUSINESS



“INTRODUCED ADDITIONAL BCF & IDY LINES”



BULK CONTINUOUS FILAMENT YARN (BCF)

BCF Production Capacity Increased by ~ 50%
Added Capability of Tri-Color Yarn



Wall to Wall
Carpets



Rugs



Area
Rugs



Automotive
Carpets



Bath
Mats



Carpet
Tiles



Tufted
Carpets



Woven
Carpets

APPLICATIONS

INDUSTRIAL YARN (IDY)

2.5 Times more Production in Industrial Yarns Since Last Year
Only Indian Manufacturers to Produce Fine Denier High Tenacity Industrial Yarn

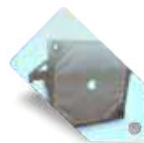
APPLICATIONS



Sewing
Threads



Coated
Fabrics



Wet
Filtration



Ropes &
Nets



AUTOMOTIVE YARN

Octalobal Capability for Matt Look
Offering Recycled GRS Certified Yarns



Bolsters



Inserts



Headliners



Door
Panels



Inserts

APPLICATIONS

SEWING THREAD

Launch of PTT Sewing Thread in the Global Market



Home
Textiles



Shape
Wear



Formal
Wear



Leisure
Wear



Denim

APPLICATIONS

TEXTILE YARN

Focus on Production of Solution Dyed Micro-Yarns for Upholstery & Home Furnishing;
Polyester & Nylon Mono Yarns for Dress Materials & Sheer curtains & Nylon Yarns for
Sarees, Hosiery & Garments

APPLICATIONS



Apparels &
Fashion



Home
Textiles



Hosiery



Automotive



Sarees &
Dress Materials



Denim



Seamless
Garments



2. STRENGTHENING THE CORE BUSINESS

Re-equipped the Traditional Business to Meet the Ever Changing Market Conditions



Redefined Existing Production Goals & Attained Process Efficiency

Streamlined Processes to Attain **Maximum Output** from Existing Capacities



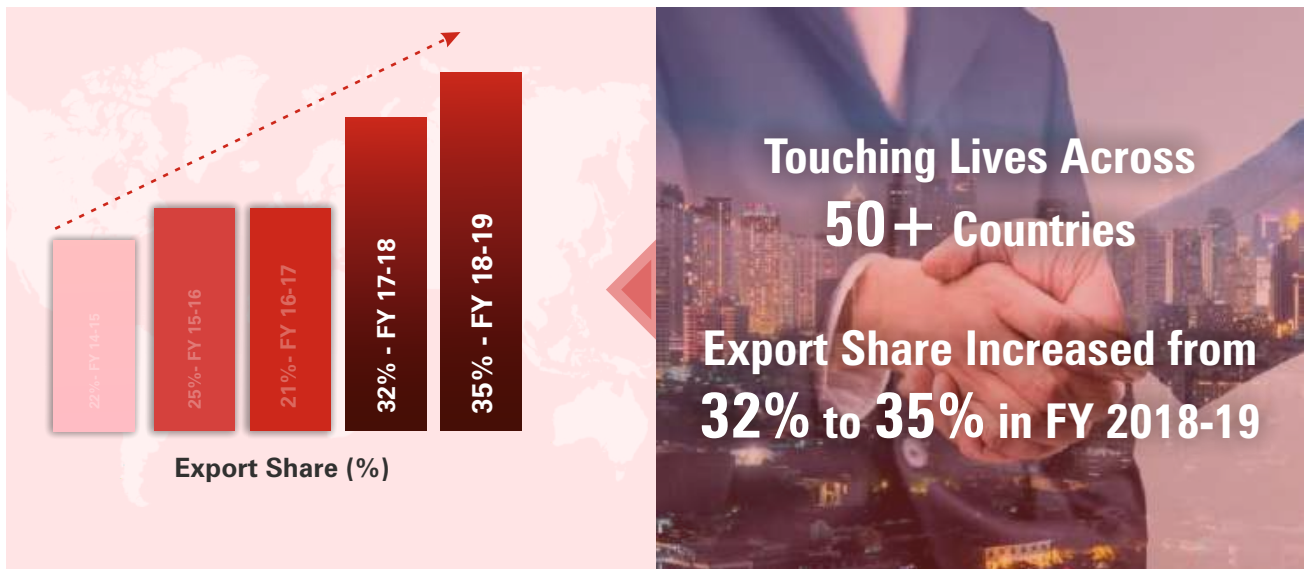
Strengthened the Conventional Dyeing Business Unit at Palghar

Reduced Changeover Time to **Eliminate Downgrades**

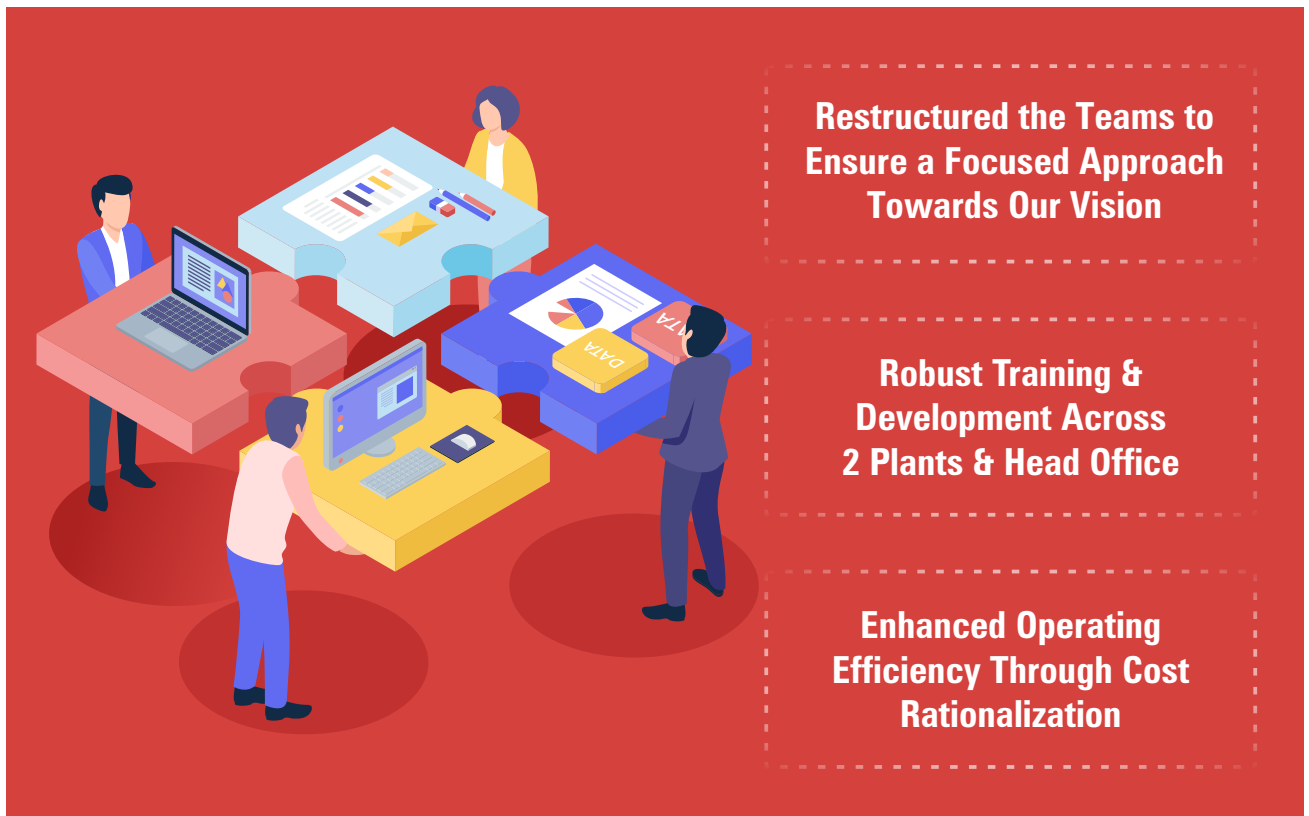


Enhanced Customer Base to **Drive Volumes**

4. INTERNATIONALIZATION



5. COST & RESOURCE OPTIMIZATION



6. CORPORATE SOCIAL RESPONSIBILITY



Implemented Initiatives that would Benefit the Underprivileged Community Members



Supported 2000+ Community Members Through Safe Drinking Water Initiative.



Installed 20 Water Purification Units Across Palghar & Silvassa.



Supported 110 Students Through Quality Education.



Ensuring Continuity of Education for Pre- School Students by Admitting them to Grade 1 in a Near by School.



100% Beneficiary Happiness Achieved.



MANAGING DIRECTOR & CEO'S MESSAGE

Dear Shareholders,

Our company has faced strong headwinds over the last 3 years. The environment has been difficult to say the least. We have gone through major events some of which happen once in a lifetime.

- Several instances of total disruption of domestic and export demand due to demonetization, GST & other political factors such as the Turkey coup.
- Sharp drop in realizations due to sudden increase in domestic supply (increase in local nylon capacity) as well as imports as a result of discontinuance of anti-dumping duties.
- Serious disruptions in supply chain including but not limited to a global shortage of caprolactam, chemicals & dyes & several domestic supplier insolvencies.
- Wildly volatile raw material prices particularly nylon, sometimes fluctuating by ~50% within a span of a quarter.
- Sharp increase in costs in energy & consumables in both plants.

I do believe that our business has been caught in the wrong end of the cycle over the last 3 years. As I write this letter, the Indian economy has been through a major NBFC crisis & is currently going through a slowdown. While we need to be aware & prepared for the fact that things might become worse before they become better, I do believe that over time, things will go back to being more "normal."

In the last financial year, we have been able to improve quarter after quarter & generated healthy operating cash flows. While improving product mix (in line with our vision) has certainly played its part, **cost rationalization, efficiency improvement & better asset utilization** have also played an important role.

While the external environment has been nothing short of challenging, our business itself has undertaken a massive transformational journey. The core essence of this journey has always been to create a more defensible

business, one where market forces outlined above have a lesser impact on our business. At the heart of this goal is to service quality conscious customers with a consistent quality product in a timely fashion such that customers can rely on us just like they would rely on their developed economy European or American suppliers. Typically, these are areas where only few Asian suppliers have been successful however, we aim to do this whilst creating innovative products which give us an additional edge.

Despite the difficult environment, we have continued to remain firm on this journey of transformation. We have invested heavily in human resources, R&D, systems, infrastructure both hard & soft as well as equipment & capacity. It is easy to get defocused in a tough operating environment but I am pleased that we stuck to our vision. As a result, we have made steady progress & some of this hard work is starting to manifest.

1. Our **volumes of strategic products** as well as **share of exports** have started to increase & contribute to the overall share of volumes & profitability. Sales in Wonderfeel, Sewing Threads, Industrial Yarns (IDY), Comfeel, Automotive & Solution Dyed Nylon BCF have been growing at a rapid pace. The encouraging news is that we are expecting significant increase in volumes in the coming year as major kinks associated with stabilizing these products have all been ironed out.



2. The progress in creating a cohesive **customer centric team in Rakholi** has been phenomenal. Further, management systems such as advanced production planning through merchandisers, statistical process control & visual management & better labour engagement through kaizen programs, training, reward & recognition initiatives, etc. have resulted in better operational efficiency. I can also see the customer centricity percolating through the organization at not just the Business & HOD level but also down the line. While there is room for improvement, focus on consistent quality & timely delivery together with prompt customer service is at a level never seen before in this organization. For the businesses that we are reaching for, this would create significant barriers for other Asian suppliers.
3. We have done well on our **operational excellence** initiative – the Rakholi textile plant is operating with lower downgrades, leftovers & wastages & OEE has inched up considerably. We have successfully reduced our cost in several areas. The plant has also done small debottlenecking operational capex & focused on increasing speeds in a controlled manner. This has allowed us to increase the throughput without adding capacity. Several production records are being created across departments through the course of the year & I am hopeful that we will outdo some of these numbers in the year ahead.
4. This year more than **INR 100 crore of capex** has been commissioned particularly in **IDY, BCF, Cabling & Heat Setting**. This has not only added capacity but also new capability in the form of specialized industrial yarns as well as tricolor BCF yarns to help us stay a step ahead of competition. Our team has done a fine job to ensure that this large project has been commissioned successfully & is now ready to add to our bottom line through new strategic business in the coming year.

As I have mentioned before, ours is a business with relatively higher gross margins (& also higher fixed costs). This means operating leverage is a double-edged sword. As our capacity utilizations go up, they start to contribute disproportionately to the bottom line. Despite the improvement highlighted above, we still have sizeable low hanging fruits to take advantage of:

1. Our **Palghar business** continues to perform below potential. I believe we can **increase average throughput** there by 10-15%. We have taken the initial steps necessary by bringing in a new business head & strengthening the sales team. Our new carpet developments have received a good response from customers & I believe this area will become an important & strategic segment for us going forward.
2. Last year we **expanded our capacity in BCF** by more than 50%. Part of this new capacity has remained unutilized. I believe however, that with all the new customer developments & samplings that have taken place in the last 6-12 months, we should be able to fill our lines with business from our strategic customers by Q2/Q3 in the upcoming year.
3. We have only just begun our journey on the **throughput improvement initiatives in the Textile Division** in Rakholi. Without incurring any major capex, I believe we have the ability to grow volumes by 10-15% from the numbers that we achieved in FY19.
4. Some of the **cost rationalization initiatives** that we had commenced last year are ongoing. I hope to see the impact of this in the coming year.

Overall, I believe that AYM now stands at an important inflection point. I believe that the low hanging fruits that I have highlighted above are sufficient to contribute to meaningful growth not just in the coming year but the one after next too. With all our major capital expenditures behind us, we should be able to use a bulk of our operating cash flows towards reduction of debt & strengthening of the balance sheet leading to interest cost reduction & more free cash flows. As our story plays out, the quality & sustainability of our business & earnings is likely to be far more superior than the past.

We stand committed to the goal of creating a world class defensible business by making AYM an innovative, competitive and most importantly, a reliable and consistent supplier of synthetic yarns.

On a final note, I would, once again, like to take this opportunity to thank all members of the AYM family including board of directors for their relentless efforts towards excellence and continuous improvement & extend my sincere gratitude to the shareholders for their continued patience and belief in us.

Best Regards,

Abhishek Mandawewala

