RAJRATAN
OUTPERFORM

Outperform!

The one-word mantra that has helped make Rajratan Global Wire Limited one of the most exciting bead wire companies in the world

Rajratan Global Wire Limited
Annual Report 2017-18

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The whisper said: 'Outperform yourself...'

Seldom was this term so extensively lived as in 2017-18.

Raw material costs increased 28% from year-start to year-end.

The Company could have waited patiently for costs to decline.

It selected to virtually reinvent itself instead.

By fine-tuning manufacturing practices, re-examining raw material procurement efficiencies and overhauling financial practices.

The result: working capital cycle declined, cost of funds moderated, capacity utilisation increased and product quality improved.

And all because someone whispered: 'When you seek to outperform the competition, there is only that much one can do, but when you select to outperform yourself, the sky is the limit.'

How Rajratan focused on the need to **'Outperform...'**

At Rajratan, 'Outperform' does not only mean performing better than the competition; it means improving over what one did yesterday

'Outperform' is the foresight to invest today to emerge stronger tomorrow

'Outperform' is the commitment to emerge as the lowest-cost global bead wire manufacturer

'Outperform' is the focus that allows the Company to emulate best-in-class operational standards

'Outperform' is the obsession to make the good considerably better

'Outperform' is the conviction that nothing is impossible.

India

36,000 TPA
Installed capacity
This is where we were at the beginning of FY2018-19

72,000 TPA
Installed capacity
This is where we expect to be in FY2018-19

The Company is a steel wire company that has selected to specialise in the manufacturing of bead wire, emerging as one of the most respected in Asia

The Company is a globally competitive bead wire manufacturer that is growing faster than the industry average

...And how this ability translated into a decisive **competitive advantage**

The Company is virtually free of long-term debt

The Company intends to reinforce its position as one of the largest bead wire manufacturers in India (post-expansion) and the only bead wire manufacturer in Thailand

Thailand

26,000TPA
Installed capacity
This is where we were at the beginning of FY2018-19

34,800TPA
Installed capacity
This is where we expect to be in FY2018-19

9 things you need to know about Rajratan Global Wire Limited

01 Background

The Company was originally formed as Rajratan Wires Pvt. Ltd. in 1989 by family members engaged in the iron and steel trading business. Commercial production commenced in 1991 with the production of pre-stressed concrete wires and stands. The name of the Company was changed to Rajratan Wires Ltd. following the IPO of equity shares in 1995 when the Company commenced the production of bead wire.

Rajratan entered into a technical collaboration and joint venture with Gustav Wolf Group of Germany following which the name of the Company was changed to Rajratan Gustav Wolf Ltd. in 1998. Following the joint venture for five years, the Indian promoters bought back equity held by Gustav Wolf after which the name of the Company was changed to Rajratan Global Wires Ltd in 2004.

The Company extended to the launch of operations in Thailand in 2006, resulting in the commissioning of Rajratan Thai Wire Co. Ltd. The Thailand operations of the Company commenced commercial production in 2008.

Currently, Mr. Sunil Chordia and his family members account for promoter interests in the Company with 63.5% equity ownership.

02 Products

The Company has emerged as an attractive proxy of the steel wire industry by manufacturing products that address the value-added segment of the sectoral pyramid.

Tyre bead wire: Used in all kinds of automobile, earth-moving equipment and aircraft tyres. Its function is to hold tyre on the rim and resist the impact of inflated pressure, which constantly tries to force them off. Bead wire is the crucial link through which vehicle load is transferred from the rim to tyre, preventing vibrations during driving. The product enhances tyre safety, strength and durability. The Company specialises in the manufacturing of customised bead wire across tensile grades.

High carbon steel wire:
These are drawn steel wires (popularly known as black wire) manufacturing from quality wire rods with high carbon contents. The product plays a vital role in the automobile, construction and engineering industries. The Company manufactures high-carbon steel wires in its state-of-the-art plant by employing world-class patenting heat treatment processes.

03 Research

The Company manufactures bead wire that conform to stringent international standards. The Company invested in cutting-edge R&D activities at the Rajratan Technical Centre to gain an upper hand over sectoral peers. The Company invested in best-in-class quality management tools to enhance process efficiency and enhance product longevity, cementing the Company's identity as one of the most preferred bead wire manufacturers across the globe.

04 Capacities

As on 31st March 2018, the Company possessed an installed aggregate manufacturing capacity of 62,000 tonnes per annum across India and Thailand. The Company is among the largest bead wire manufacturers in India and the only such manufacturing facility in Thailand.

05 Locations

India: Located in the Pithampur Industrial Area near Indore, the commercial centre of Madhya Pradesh, India's second largest state. The city is centrally located, making it possible to speedily reach pan-India customers.

Thailand: Located in Ratchaburi, the facility is close to major ports and customers.

06 Customers

Apollo Tyres Limited, India; Alliance Tire Company Limited, Israel; Birla Tyres Limited, India; Balkrishna Tyres Private Limited, India; Bridgestone India Private Limited, India; CEAT Limited, India; CEAT Kelani International Tyres Private Limited, Sri Lanka; Continental India Private Limited, India; Camso Loadstar, Sri Lanka; Camel Industries, Thailand; Deestone International, Thailand; Everthrough Rubber Products Sdn. Bhd., Malaysia, India; Goodyear India Private Limited; Global Rubber Industries Private Limited, Sri Lanka; Hindustan Cycles & Tubes Limited, India; Izumi Motorcycle Tires And Tubes, Philippines; JK Tyre & Industries Limited, India; Leo Tire Manufacturing Corporation, Philippines; MRF, India; Mahadev Industries Private Limited, India; Otani Radial Company Limited, Philippines; Poddar Tyres Limited, India; Southern Rubber Industry Joint Stock Company (Casumina), Vietnam; Suprajit Engineering Limited, India; Sumitomo Corporation, Thailand; TVS Srichakra Private Limited, India; Trelleborg Wheel Systems, Sweden; Vee Rubber, Thailand; Yokohama Tire Sales Company Limited, Thailand

07 Certifications

ISO/TS 16949:2009; ISO 14001:2004; OHSAS 18001:2007

08 Exports

Over the years, the Company has emerged as a dependable global supplier of bead wire to quality-conscious tyre manufacturing companies. Apart from domestic clients in India and Thailand, the Company addresses esteemed customers hailing from Italy, Czech Republic, South Korea, Malaysia, Indonesia, Vietnam, Sri Lanka, Pakistan, Bangladesh, the UAE, the US and the Philippines, among others. Keeping in mind, the geographical advantages enjoyed by its Thai facility, the Company strategically shifted major exports to the Thailand plant, making it possible for a number of Indian customers to import bead wire from Thailand. This customer base is expected to increase as the Company's bead wire receives more approvals from global customers. Exports from Thailand accounted for 45% of the revenues earned from that country, which could increase by 15-20% in quantum terms during FY2018-19.

09 Ethical pedigree

Vision

To become the leading and most preferred bead wire manufacturer & supplier to tyre companies globally.

Mission

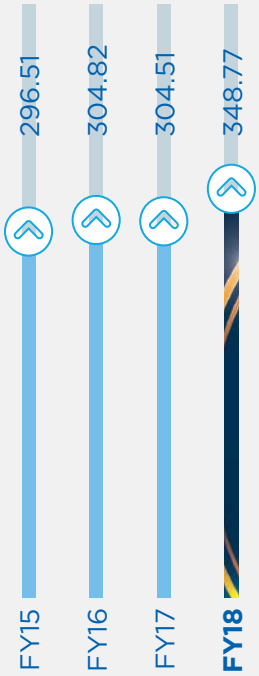
- To manufacture and supply superior quality products at competitive prices and support it with excellent customer service
- To imbibe and constantly develop a culture of excellence and improvement in every aspect of the business we are in
- To ensure and enhance safe working conditions for all concerned

Values

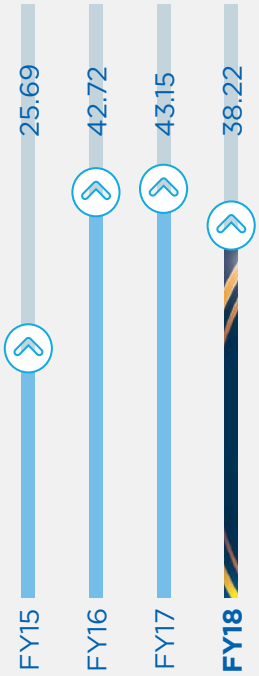
- Ethical business built on mutual trust
- Quality orientation and constant innovation
- Continuous learning and personal growth
- To care for and share with the society we live in

How Rajratan Global Wires has enhanced value across the years

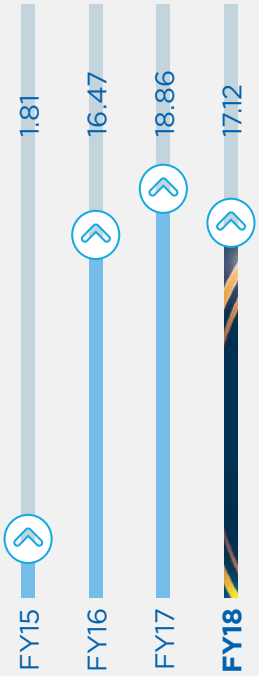
Revenues
+44.26 (Rs. cr)



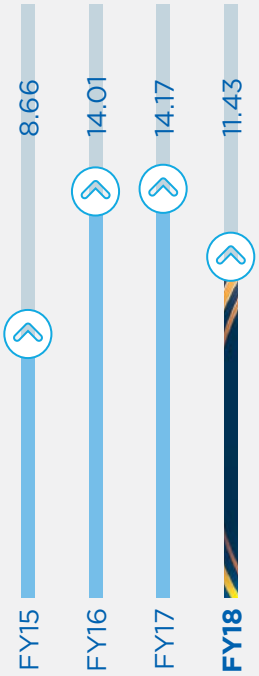
EBITDA
-3.27 (Rs. cr)



Net profit*
- 1.74 (Rs. cr)



EBIDTA margin (%)
-274 bps



Definition
Growth in sales net of taxes and excise duties.

Why is this measured?
It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.

Performance
Aggregate sales increased by 14.53% to reach Rs. 348.77 crore during the fiscal gone by.

Definition
Earning before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax).

Why is this measured?
It is an index that showcases the Company's ability to optimise business operating costs despite inflationary pressures and can be easily compared with retrospective averages of sectoral peers.

Performance
The Company's EBIDTA declined during the year under review on account of an unprecedented increase in raw material costs.

Definition
Profit earned during the year after deducting all expenses, taxes and provisions but before other comprehensive income.

Why is this measured?
It highlights the strength in the business model in terms of generating value for its shareholders.

Performance
The Company's net profit declined marginally during the year on account of a sharp rise in raw material costs.

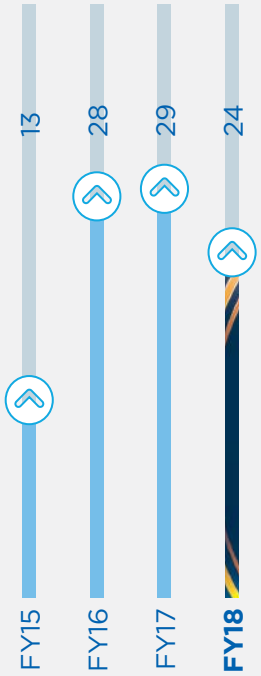
Definition
EBITDA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency.

Why is this measured?
The EBIDTA margin indicates how much a company earns (barring interest and taxes).

Performance
The Company reported a decline in EBIDTA margin following an increase in raw material costs that could not be immediately passed on to customers.

ROCE (%)

-500 bps



Definition

It is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed in the business.

Why is this measured?

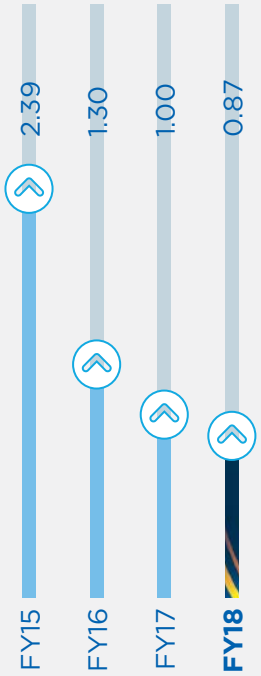
ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use – especially in capital-intensive sectors.

Performance

The Company reported a 500 bps decline in ROCE on account of escalating raw material prices.

Gearing (x)

-13 bps



Definition

This is derived through the ratio of debt to net worth (less revaluation reserves).

Why is this measured?

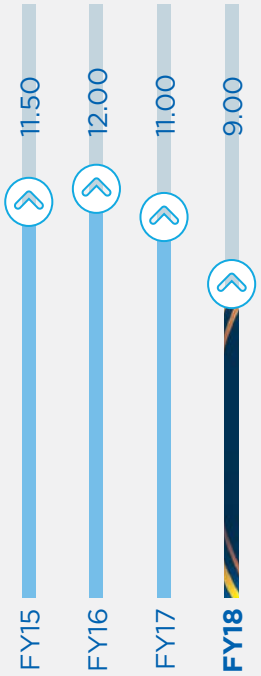
This is one of the defining measures of a company's financial health, indicating the ability of the Company to remunerate shareholders over debt providers (the lower the gearing the better).

Performance

The Company's gearing moderated from 2.39 in FY15 to 0.87 in FY18, indicating a growing ability to service debt.

Debt cost (%)

-200 bps



Definition

This is derived through the calculation of the average cost of the consolidated debt on the Company's books.

Why is this measured?

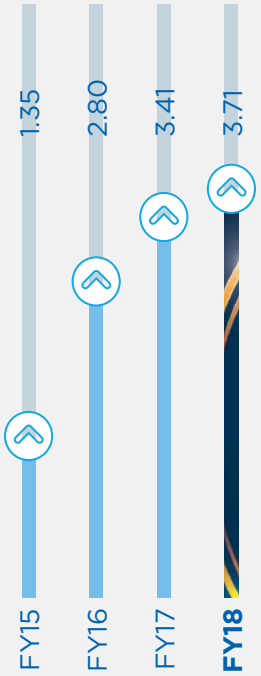
This indicates our ability in convincing bankers and other debt providers of the robustness of our business model, translating into a progressively lower debt cost (potentially leading to higher margins)

Performance

The Company's debt cost declined from a peak 12% in FY16 to 9% in FY18, indicating stronger viability.

Interest cover (x)

+30 bps



Definition

This is derived through the division of EBIDTA by interest outflow.

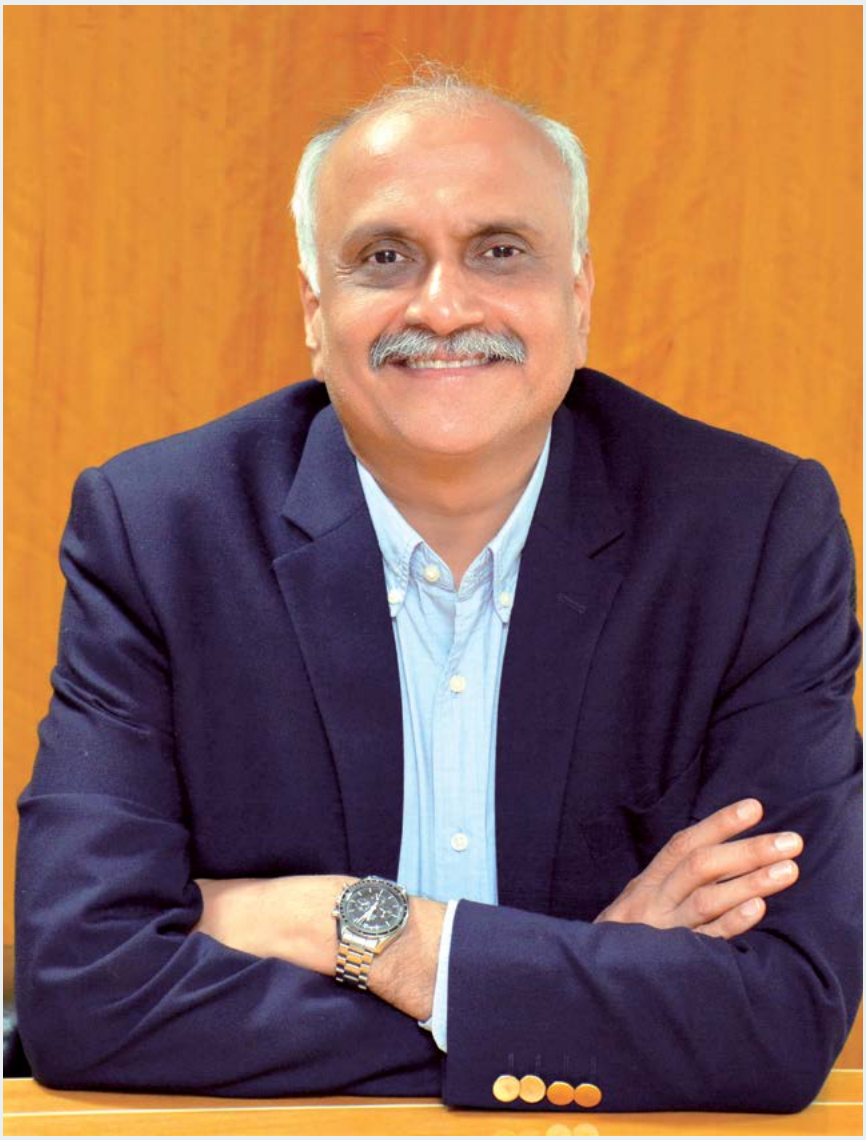
Why is this measured?

Interest cover indicates the Company's comfort in servicing interest, the higher the better.

Performance

The Company strengthened its interest cover from 1.35 in FY15 to 3.71 in FY18.

How we lived the 'Outperform!' culture at our Company during FY2017-18



I am pleased to present the performance of the Company during FY2017-18.

Our consolidated revenues rose by 14% while our consolidated post-tax profit decreased by 9.21%. Revenues from our Indian operations grew by 13% while our standalone pre-tax profit increased by 10.14%. Revenues from our Thai operations escalated by 25% while standalone pre-tax profit fell by 31%.

Despite the pressing circumstances we countered during the year, our performance represents signs of a maturing corporate exhibited through the ability to enhance value in challenging circumstances.

Maturing

During the year, we accessed raw materials more effectively at a time of supply shortage, generated a larger output, leveraged our R&D expertise to enhance product quality, reported higher operating efficiencies, shortened our receivables cycle and negotiated a lower cost of debt.

We believe the convergence of these realities will translate into an enduring competitive advantage in a sectoral landscape where success is increasingly being determined by quality, safety,