



Spinning in the
right direction!



Rajvir Industries Limited

8th Annual Report 2011-12



Forward-looking statement

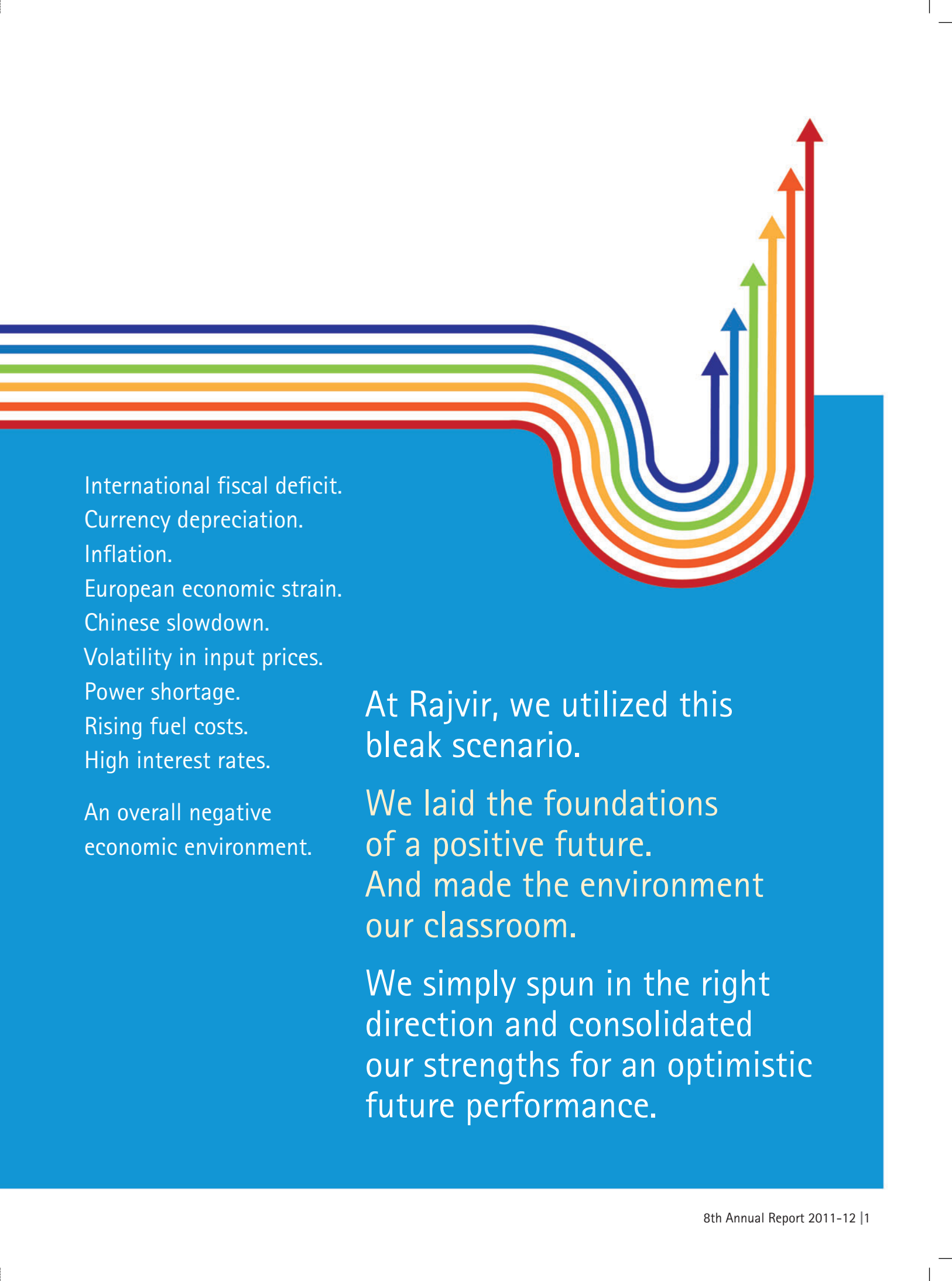
In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and the underlying assumptions undergoing change. Should known or unknown risks or uncertainties materialize, or should underlying assumptions not materialise, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

■ Corporate Identity	2
■ Financial performance in 2011-12	4
■ Strengths	5
■ From the Chairman's desk	6
■ Directors' profile	9
■ Corporate Information	10
■ Notice	11
■ Directors' Report	14
■ Report on Corporate Governance	18
■ Auditors' Report	27
■ Balance Sheet	30
■ Statement of Profit & Loss	31
■ Cash Flow Statement	32
■ Notes on Financial Statements	33
■ Green Initiative in the Corporate Governance	50
■ Electronic Clearing Service Mandate Form	51
■ Attendance Slip and Proxy Form	55



International fiscal deficit.
Currency depreciation.
Inflation.
European economic strain.
Chinese slowdown.
Volatility in input prices.
Power shortage.
Rising fuel costs.
High interest rates.

An overall negative
economic environment.

At Rajvir, we utilized this
bleak scenario.

We laid the foundations
of a positive future.
And made the environment
our classroom.

We simply spun in the right
direction and consolidated
our strengths for an optimistic
future performance.



Vision

To create and manufacture a customized range of yarns, which are new and innovative, trendy and appealing, yet economical and excite the garment and retail chain both in India and worldwide.

Mission

To achieve a zero defect goal while surpassing our vision and to upgrade our research and development, manpower, production, marketing skills, managements at all levels of production to achieve this mission.

Profile

- Rajvir Industries Ltd. is an integrated producer of cotton, mélange, synthetics, modal, dyed products, compact yarn, flame-retardant, supima, silk, wool, cashmere and angora blends.
- The Company's spinning capacity is of 1,11,840 spindles.
- The Company's massive collection includes over 8,000 mélange/heather shades and a range that covers everything from 100% cotton/organic/fair-trade, combed yarns, blended yarns (polyester, viscose, modal, spun silk and flame-retardant) mélange/heather yarns, modal yarns, synthetic yarns and cheese-dyed yarns.

Presence

- Rajvir Industries enjoys a pan-Indian presence having two yarn manufacturing facilities in Andhra Pradesh, located in Tandur and Mahabubnagar, along with a dyeing plant in Mahabubnagar.
- Headquartered in Hyderabad
- Exports products to around 40 countries including Central America, Europe, Asia, The Indian Subcontinent, Middle East and Africa. Listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

Division	Location	Capacities
Spinning	Gopan Pally (Village), Tandur Mandal, Ranga Reddy District, Andhra Pradesh - 501141	52,080 spindles
Spinning	Pillalamarri Road, Mahabubnagar, Andhra Pradesh - 509002	59,760 spindles
Dyeing	Edira Village, Mahabubnagar, Andhra Pradesh - 509002	5MT per day



Products

100% cotton yarns

- Compact
- Organic cotton and blends
- Fair Trade (Flocert and Ecocert)
- Pima/ Giza cotton
- Better cotton initiative and blends

Super speciality blends

- Cashmere/Angora blends
- Wool blends
- Spun silk and blends
- Nylon polyamide blend
- Neppy/Streaky/Irregular pattern yarns
- Triblend yarns

Eco-friendly yarns

- Modal and modal blends
- Micro modal and micro modal blends
- Linen blends
- Viscose and viscose blends
- Excel and excel blends

- Recycled polyester blends

- Recycled cotton blends

Technical textile products

- Protex M/Protex C
- FR/combed cotton/anti-static
- Kermel/anti-static/ARAMID blends

Rajvir also produces a vast range of yarns which are categorized into four different collections:

■ **Fashion yarn collection**– Rajvir Snow in Triblend of Polyester Cotton, mock twist/ grindle, snow heather/mélange, denim look effect with cotton, raw white nep/ single/multi-coloured neps, magic yarns, slub yarns, irregular patterns, heathers with a touch of metal, triblend in raw white and mélange/heather.

■ **Exotic blends with rich animal hair collection** – Cotton with blends of silk,

cashmere, wool, linen, angora in raw white and mélange/heather.

Viscose/modal/micro modal/polyester with blends of silk, cashmere, wool, linen, angora in raw white and mélange/heather.

■ **Classic Collection**– 100% cotton yarn compact in all varieties, combed organic and organic blends with viscose, recycled polyester, modal, micro modal in raw white and mélange/heather, 100% fair trade organic and fair trade organic blends with viscose, recycled polyester, modal, micro modal in raw white and mélange/heather, 100% BCI and BCI blends with viscose, recycled polyester, modal, micro modal in raw white and mélange / heather, 100% pima and pima blends with modal, micro modal in raw white and mélange / heather, 100% viscose and viscose blends, 100% polyester and with polyester blends with Indian, cotton viscose in mélange and dope dyed, 100% compact yarns pima and giza.

■ **Technical Textile Yarn Collection**– Flame retardant yarns like Protex M/C/W with blends of Indian/giza/pima, Protex M/C/W with blends of nylon for better strength, Kermel/Lenzing FR/Aramid flame retardant yarns.

The Company has recently launched Product card/Business brochure – 'Passion for Fashion' with Fashion Yarn collections such as Triblend, Denim look, Dots/Neps, Streaks/Irregular Patterns, magic yarns.

Financial performance in 2011-12

Performance

- Turnover: increased by 10.30% to ₹304 cr. from the previous year
- Operating profits for the year was lower at ₹26.50 cr. due to the crisis in the textile industry and volatility in cotton prices impacting the realization margins.
- Operating margins fell to 8.7% from 15% in the previous year.
- The Company recorded a negative PAT of ₹9.53 cr.
- Cash profit for the year was ₹78 lacs.

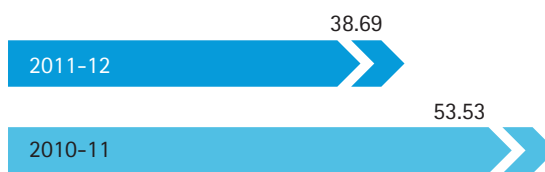
Positioning

- High-end technologies and superior quality materials have made Rajvir Industries an internationally benchmarked company and one of the leading 111,840 spindle enterprise.
- Rajvir Industries boasts of an extensive market presence with a strong domestic base and exports ₹71.20 crores of its manufactured products which is ₹9.82 crores more than the last year and 16% increase over YOY basis. This constitutes to 24% of the turnover.
- The Company has increased its Turnover in the Domestic Market from ₹213 crores in the last year to ₹230 Crores in the year under review which is an increase of ₹17.34 crores and increase of 17%.

Revenue (₹ in cr.)



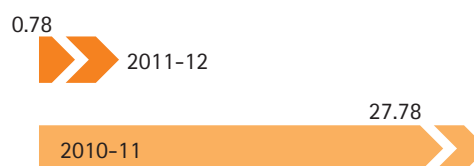
EBIDTA (₹ in cr.)



Net Profit (₹ in cr.)



Cash Profit (₹ in cr.)



EPS (₹)



Experienced and effective management both in operations and marketing with strong R&D Facility –

Rajvir has a strong management team comprising dedicated and competent Engineers, MBAs, Chartered Accountants, sales and marketing personnel who work passionately for the Company. The Company's R&D facility works towards an elaborate research and development of raw materials to finished products before its products get delivered.

Wide range of value added products which are trendy and customized with innovative technologies –

At Rajvir we enthral you by showcasing a wide range of products that are unique and rich in quality. Our vast range of yarns include fashion yarn collection, exotic blends with animal hair collection, classic collection and technical textile yarn collection.

Trusted and continued association with globally reputed chain stores and brands –

Being exposed and experienced in the business for decades, Rajvir Industries has had healthy collaborations with brands like M&S, H&M, C&A, GAP, who have treated the Company with high regard over the years. Rajvir has been able to do complete justice to the prolonged relationship of trust and confidence that these reputed brands have shown towards the Company.

In possession of valuable certifications coupled with strong marketing network –

Considering the volume of work that the Company engages in, it makes sure that it abides by all the mandates and have all the necessary certifications to avoid disputes. Robust Marketing network is one of the Company's strengths.

Dynamic market presence – Enjoys a strong customer base in India with market leaders in both innerwear and outerwear segments including Rupa, Lux, Dollar and Kothari in the innerwear segment, shirting producers such as Madana, Bombay Rayon and almost all leading shirt weight producers of the southern market. Leading knit wear exporters of India including Eastman, Poppys, Classic Polo, in the southern market and Shahi Exports, Richa Global, Orient Crafts and other leading garment exporters from the Northern markets besides our presence in almost all of the yarn markets in the country like Delhi, Ludhiana, Amritsar, Kanpur, Kolkata, Ichalkaranji, Mumbai, Tirupur, Salem and Erode.

Participated in various international exhibitions in promoting its value-added yarn varieties like:

- Yarn Expo – Brijing
- Yarn Expo – Shanghai
- Texworld Paris – France
- Texworld – USA
- Indian Textile Exhibition – Cairo, Egypt
- Mega Indian Textile and Clothing Exhibition – Brazil and Argentina
- Indian Textile Exhibition – Czech Republic & Poland for Textiles
- 'MADE IN INDIA' organized by The Synthetic and Rayon Textiles Export Promotion Council – Dubai
- CEMS – Bangladesh





From the Chairman's desk

Industry overview

The Indian Textile Industry plays an important role in the growth of the Indian economy. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and export earnings of the country.

Currently, it contributes about 14 per cent to industrial production, 4 per cent to the gross domestic product (GDP), and 17 per cent to the country's export earnings. It provides direct employment to over 35 million people. The sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

The Indian textiles industry is extremely varied, with the hand-spun and handwoven sector at one end of the spectrum, and the capital-intensive, sophisticated mill sector at the other. The decentralised powerlooms/hosiery and knitting sector forms the largest section of the textiles sector. The close linkage of the industry to agriculture and the ancient culture and traditions of the country make the Indian textiles sector unique in comparison with the textiles industries of other countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country.

Market size

India earns about 17 per cent of its total foreign exchange through textile exports. The textile industry contributes nearly 14 per cent of the total industrial production of the country. Fabric production rose to 60,996 million sq meters in FY 2011 from 52,665 million sq meters in FY 2007.

Production of raw cotton grew to 32.5 million bales in FY11 from 28 million bales in FY07, while production of man-made fibre rose to

1,281 million kgs in FY11 from 1,139 million kgs in FY07. Production of yarn grew to 6,233 million kgs in FY11 from 5,183 million kgs in FY07.

India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 per cent to 8 per cent and reach US\$ 80 billion by 2020.

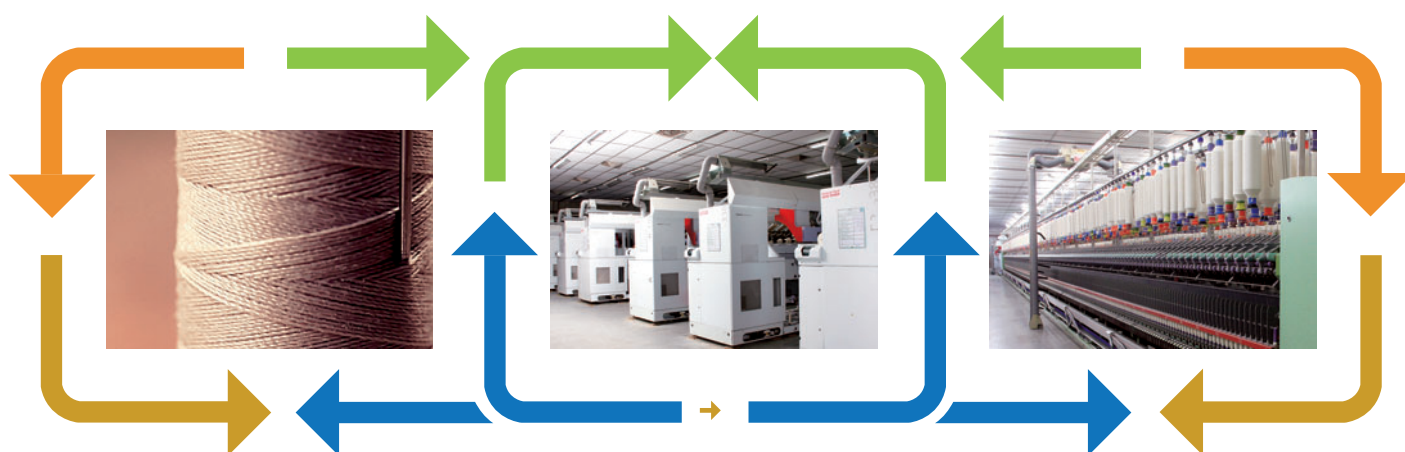
Exports of textile grew to US\$ 26.34 billion in FY12 from US\$ 17.6 billion in FY06. India's textile trade was dominated by exports with a CAGR of 6.3 per cent during the same period.

Foreign direct investment (FDI) inflows in textiles (including dyed, printed) from April 2000 to January 2012 stood at ₹5,036.27 crore (US\$ 897.79 million).

Highlights 2011-12

Despite adverse market conditions, the Company has performed sufficiently well in the last financial year and has grown and evolved exceptionally. The Company's last year's performance was satisfactory with a clear indication of a strong market presence and a comfortable financial condition of the Company.

- Achieved the highest ever annual turnover of ₹304 crores, year on year growth 9%, which is far better than the industry average growth rate.
- During the financial year 2011-12, exports increased to ₹71 crores, which is a 16 % increase year on year basis as against a negative growth of Indian exports.
- Earned cash profit of ₹9.38 crores before exceptional items.
- Cash profit generated after exceptional items ₹78 Lakhs.
- Launched various new products inline with international fashion trends including a catalogue of fashion yarns i.e. 'PASSION FOR FASHION'
- Our international reach crossed more than 40 countries.



■ Strategy for technological up-gradation and expansion for more value-added yarns including fancy, classic, exotic and green/eco-friendly is devised.

Textile price check 2011-12

Cotton prices had peaked in the first quarter of 2011-12 to its highest ever in past and suddenly collapsed afterwards.

Cotton prices have been punctured by recent forecasts of a close to 10% increase in production in the country in the 2011-12 season, coming at a time when global demand for yarn and readymade garments has been lackluster. The price of cotton has fallen from an all-time high of ₹59,700 per candy of cotton by 43%.

The highest price volatility globally in cotton prices in the past 150 years of history had immediate negative repercussions in the domestic market. As a result, cotton yarn production came down and more spindles were decommissioned across the globe.

Spinning mills were left with high-priced cotton inventories and they were not in a position to pass the impact in price of yarn and fabrics after April 2011. Due to market conditions and demand supply imbalance this led to a slowdown in production and reduction in capacity utilization.

Challenges and counter attacks 2011-12

Cotton prices suddenly met an upswing in the last quarter of 2010-11 and reached its peak in March'2011. The prices plunged by almost 50% in the first quarter of 2011-12. This coupled with fall in demand of textiles led to a crisis in global textile industry. Textile companies, which had piled up on high cost inventories to take advantage of the rising prices, suffered losses as demand of yarn fell leading to a free fall in yarn prices.

Rajvir Industries, having decades of experience, could anticipate an impending crisis in the textile market and did not pile up on inventory,

mitigating huge losses. The Company focused on value-added yarn in line with the changes in times and trends during the year under review. By increasing production efficiency and various cost control measures the Company performed relatively well.

Company capacities

Rajvir Industries boasts of having factory capacity that enables smooth production in bulks without any sort of production hindrances. Each year the Company keeps adding to its capacity making it bigger and yielding more products and increasing turnover with every passing year.

- New machinery and machinery improvements in Slub Motion Machinery
- LRSB draw frame
- Additions/improvements in Effluent Treatment Plants
- Created spindle conversion and additions in plant infrastructure

Producta at Company units:

S. No.	Facility at	Facility Name	Activity
1	Mahabubnagar	Unit I	Cotton Yarn/ Cotton with Blends
2	Mahabubnagar	Unit II	Colour Melange Yarn
3	Mahabubnagar	Unit III	Synthetic Yarn
4	Mahabubnagar	Dye House	Dyeing Yarn
5	Tandur	Unit I	Cotton Compact Yarn
6	Tandur	Unit II	Cotton compact yarn and Cotton/Blended Compact yarns



Road ahead

The Company makes sure that it has a road paved for its future. It has a steady future proposition and implements quick action in attaining what it envisions for its future.

- With an increasing demand for textiles across the globe, the market demand for fashion, exotic and value-added yarns, which are not price sensitive are extremely high. Rajvir possess innovative, low cost, high end variety of products by the virtue of which the Company has been able to maintain swift market leadership.
- The Company is working on an expansion of another 35,000 spindles, thereby making it a 150,000 spindle enterprise besides which it has plans to balance its existing equipment for better productivity.
- The Company is also working on establishing a state-of-the-art 100% linen yarn wet spinning project, which would add to its existing portfolio of value-added products in the long run.
- The Company is planning to add 35,000 spindles to its existing capacity thereby almost doubling the turnover in the coming financial years.

Labour protection initiatives

Being a responsible company, it ensures safe and proper working conditions for its workers. The Company makes sure that its workers who are largely responsible for the long standing stature and good repute of the Company enjoys work under proper and healthy conditions.

- Conducting various activities like medical camp with the co-ordination of Red Cross Society
- Providing cultural training like dancing, music, yoga to hostel workers
- Providing free accommodation and subsidized boarding to hostel workers
- Having a complete medically equipped and independent dispensary within the factory premises with qualified doctors and nurses for addressing emergency medical requirement of workmen.
- Effective grievance handling & redressal mechanism, safety committee, canteen committee, harassment & abuse committee to handle employee related issues and adopt fair work practices.

CSR

Rajvir Industries Ltd. does not believe in doing business only. By being a responsible corporate it feels that it must work towards the sustainability of the society at large. Therefore it engages in various CSR initiatives.

- Initiated the availability of water and improved the conditions of roads to the nearby villages.
- Conducted medical camps, blood donation camps, eye check up camps and AIDS camp in coordination with the Red Cross Society.
- Contributed in the upliftment of various schools in the vicinity.
- Engaged in afforestation as part of a green initiative.
- Contributed to various charitable institutions.
- Works in association with BCI for eco-friendly, green environment and fair trade activities.
- Company started sending notices and documents to shareholders by electronic media as a part of its green initiative.

Awards and certificates

It makes me immensely proud to mention that Rajvir Industries Ltd. has several prestigious certificates over the years for its excellence and state-of-the art quality products.

- Modal partnership with house of Birla, Aditya Birla Group for producing modal and modal blends.
- Protex certification from Kaneka Corporation, Japan to produce flame retardant yarns.
- Fair trade certification from Flo-cert Gmbh to produce fair trade blended yarns.
- Supima certification from Supima Cotton Growers Association in the United States to produce Supima.
- Better Cotton Initiative (BCI) from the leading European chain stores to produce yarn under a new concept from sustainable cotton growing mechanism.
- GOTS/OE certification from Control Union to Produce Organic and Organic blended yarns.
- A Government of India recognized Star Export House
- The Company also has Fair trade certificate from Flo-cert GMBH.

To conclude, Rajvir Industries Ltd. is poised for positive growth and superior performance in the foreseeable future, aided by internal efficiencies, fiscal prudence, sustainable operations and long-standing customer confidence.