



Rajvir Industries Limited
10th Annual Report 2013-14



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.

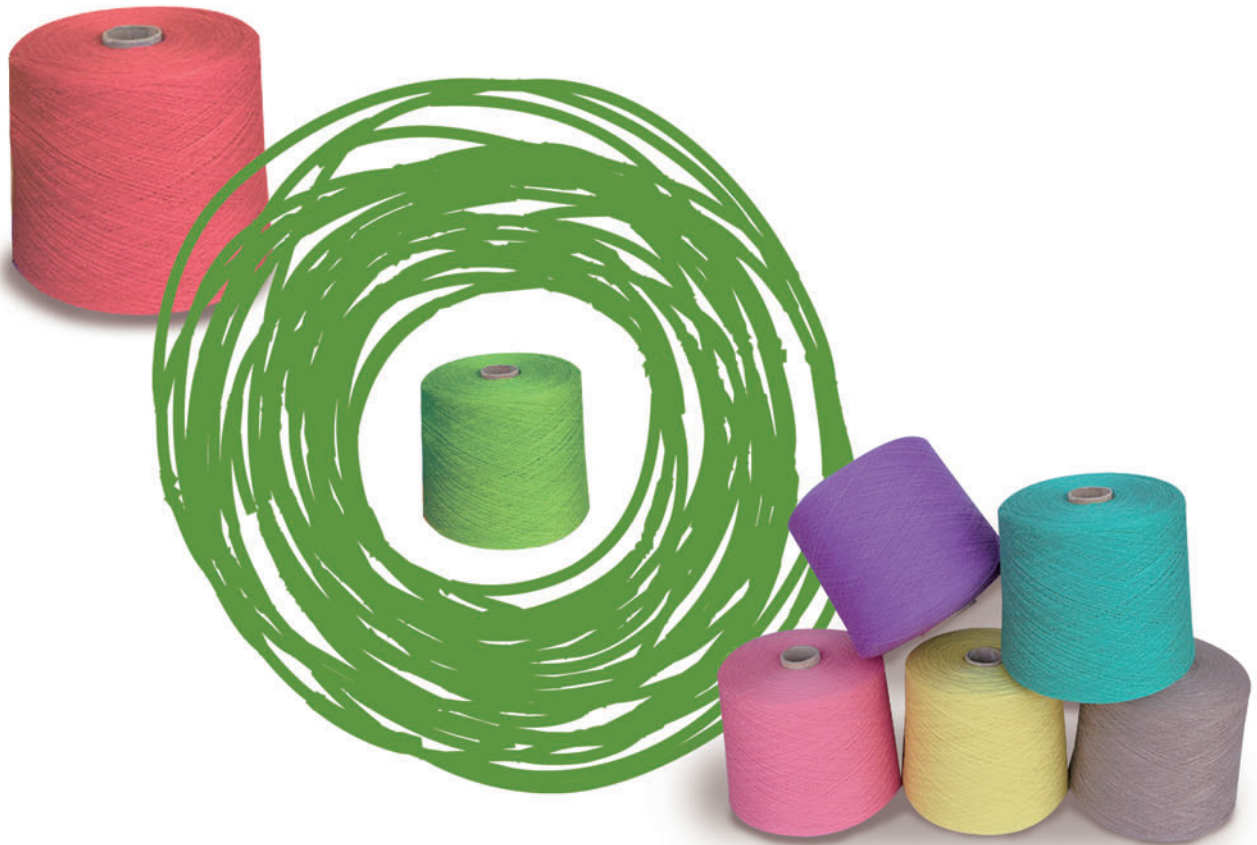
We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and the underlying assumptions undergoing change. Should known or unknown risks or uncertainties materialize, 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.

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EVOLVE TO RACE AHEAD



EVOLVE TO LIVE UP TO EXPECTATIONS

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 chains both in India and worldwide.

THE DAYS AHEAD

We aspire to evolve continually. The Company plans to increase its Melange Production in the existing facilities by about 50%. For this the Company is taking necessary steps to increase its fibre dyeing capacity already. The Company is also looking to expand in other value added products in the wet spinning route.

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.

The background features a stylized world map in light grey. Overlaid on the map are several large, semi-transparent circles in blue, green, and orange. In the bottom left corner, there is a close-up photograph of colorful yarn skeins in shades of pink, red, and green.

OVERVIEW

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 boasts of having a massive collection that encompasses 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.

EXISTENCE

Headquartered in Hyderabad, Rajvir Industries has a pan-India presence with two manufacturing facilities in Telangana, located in Tandur and Mahabubnagar, along with a dyeing plant.

The Company is listed on the National Stock Exchange and the Bombay Stock Exchange. It exports to 42 countries including central America and across continents comprising Asia and Europe.

EVOLVE TO DIVERGE

Product basket

Rajvir has a discerning range of products which distinguishes the company from its competitors. At Rajvir, we maintain the highest quality standards for our products and ensure utmost customer satisfaction.

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
- 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

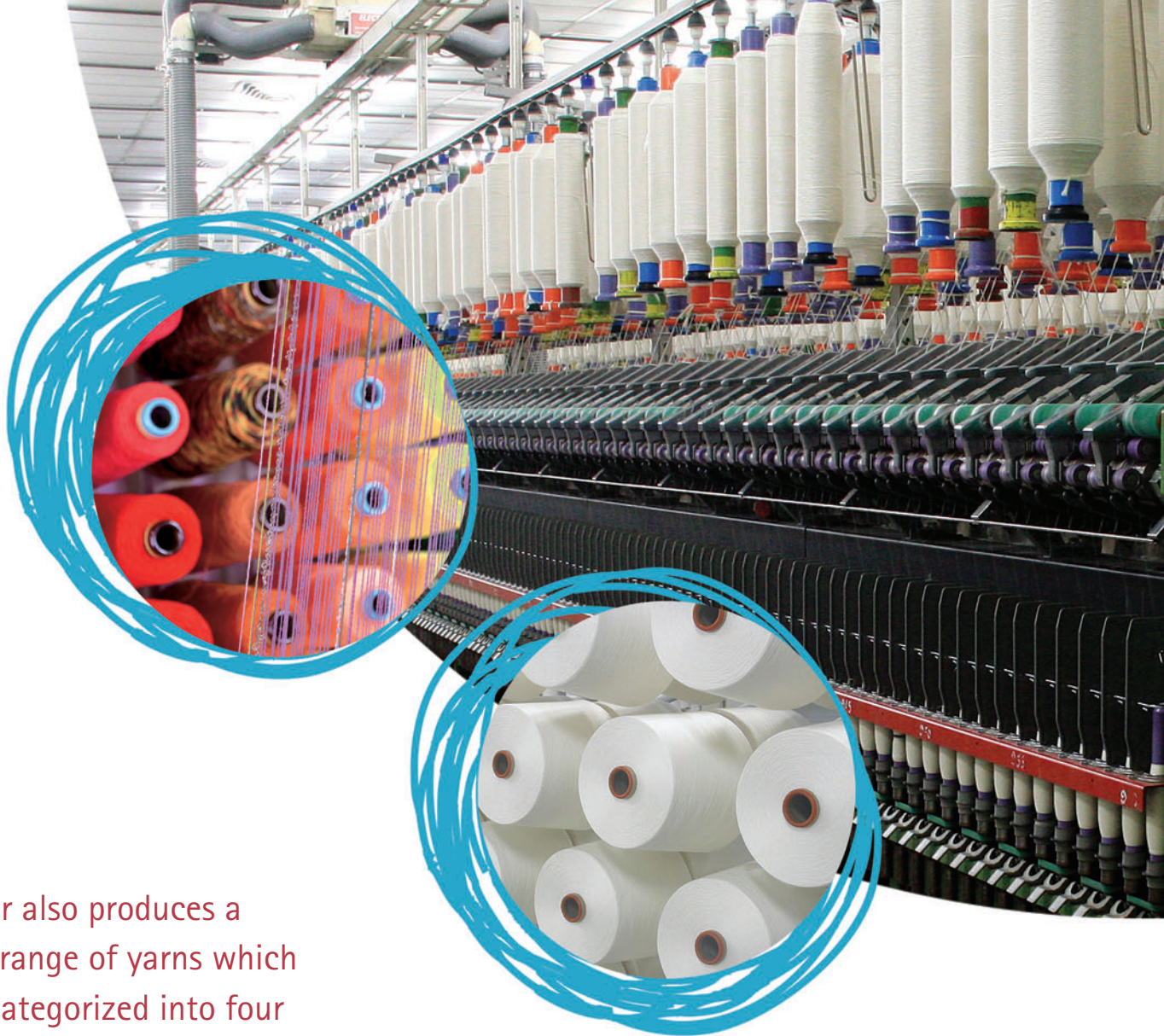
Technical textile products

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

Fancy yarns

- Rajvir snow
- Mock twist / Grindle
- Denim look
- Single Nep / Multi-colour Nep
- Magic
- Irregular patterns
- Neppy yarns
- Metal yarns





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, Kernal / Lenzing FR / Aramid flame retardant yarns.

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



Dear shareholders,

It's a matter of pride that our Company has grown from a humble 6,000 spindle in 1962 to a 1,11,840 spindle-facility.

Leveraging a legacy of more than half-a-decade (52 years), we have added value to our product basket by introducing fashion yarn collections comprising Triblend, Denim look, Dots/Neps, Streaks/Irregular patterns, magic yarns.

With over a million kilos of yarn manufactured every month powered by a passion to produce and deliver the best in the world within a strict deadline. Small wonder that today Rajvir has an evolved library of over 6,000 mélange/ heather shades and a range encompassing 100 per cent cotton combed yarns, blended yarns (polyester and viscose with combed cotton), mélange/heather yarns, modal yarns, synthetic yarns and cheese dyed yarns.

The cotton & blended yarn industry witnessed a triple-digit growth in profits in the first three quarters of 2013-14. However, the industry turned loss-making in the quarter ended March 2014. Inability to pass on the burden of high input costs to its consumers took a toll on industry's profits. The same situation prevailed even in the June quarter of the current fiscal. Despite a healthy growth in sales, the industry

incurred loss at the net level during the quarter.

Aggregate net sales of the 78 companies in our sample grew by a healthy 11.1 per cent y-o-y in the June 2014 quarter. This was a broad-based growth with 46 companies posting higher sales. The growth in sales was supported by a healthy demand for yarn from the domestic fabric and integrated apparel manufacturers.

During the quarter ended June 2014, prices of inputs such as cotton and synthetic fibres rose by upto 20 per cent as compared to a year ago. At the same time, yarn prices, too, averaged 4-11 per cent higher. However, this could only partially set-off the rise in input prices. As a result, raw material expenses of the industry increased by 21.6 per cent during the quarter, much faster than the growth in sales. Proportion of raw material expenses in total sales surged by 570 basis points to 66.5 per cent.

Besides, wage bills and other expenses rose by 8.6 per cent and 3.9 per cent, respectively. Therefore, the industry's total operating expenses grew by 16.6 per cent, faster than the growth in sales. Hence, the industry's core operating profit declined by 20.7 per cent during the quarter. This was the second successive quarter of fall in profit. Operating profit margin contracted by 410 basis points to 10.1 per cent.

Poor profit performance in the industry was across the board. While 23 companies reported a decline in net profit, 36 recorded losses during the June 2014 quarter. Cumulative net profit of the large-sized segment (having quarterly revenue more than ₹4 billion) comprising of three companies declined by 39.2 per cent.

The pack of 22 mid-sized companies (having

quarterly revenue between ₹1 billion and ₹4 billion) posted a cumulative net loss equivalent to 3.7 per cent of its total income.

Net loss margin of the 53 small-sized companies (having quarterly revenue less than ₹1 billion) stood at 2.5 per cent of the total income.

The Indian textile industry contributes approximately 14 per cent to the industrial production, four per cent to the country's Gross Domestic Product (GDP) and 17 per cent to the country's forex. It's the second largest source of employment (35 million people) after agriculture.

The domestic consumption of man-made fibre is expected to grow at a CAGR of 5.8 per cent from 2,802 tonnes in FY 12 to 3,717 tonnes in FY 17. The share of man-made fibre is expected to increase from 41 per cent in FY 11 to 45 per cent in FY 17. With this the Indian textile industry (predominantly cotton-based industry) would inch towards the global benchmark where the share of the man-made fibre is 62 per cent.

Furthermore, the demand of blended yarn is expected to register a growth rate faster compared to cotton and 100 per cent non-cotton year in the next five years. The demand for blended yarn is expected to grow at a CAGR of 12.4 per cent over the period of FY12-FY17. The cotton yarn and 100 per cent non-cotton yarn is expected to grow at a CAGR of below 10 per cent. The demand of yarn would come from both domestic and international markets. At Rajvir Industries we are well-placed to capitalise on a correcting under-consumption and a warmed up investor sentiment for us.

An eclectic mix and latest technologies –

A library comprising a diverse range of products is a testimony to the Company's evolution over the years. Quality is not an obligation but a practice. The vast range of yarns includes fashion yarn collection, exotic blends with animal hair collection, classic collection and technical textile yarn collection.

Operational excellence and state-of-the-art research & development facilities –

Rajvir Industries is armed with a talented crop of professionals with proven expertise, which has been a success driver. A dedicated team of engineers, MBAs, chartered accountants, sale and marketing professionals have jointly contributed in scripting the success story of Rajvir Industries. The Company's research facilities are one of its kinds.

STRENGTHS

Bonds of a lifetime –

The Company has forged alliances with brands of global repute. Names like M&S, H&M, C&A, GAP have placed their implicit faith over the years.

Feathers in the cap –

Diverse sectors, diverse accolades. Rajvir Industries has walked away with awards bestowed on it from different sectors and also the Government. The Company conforms to the various mandates and ensures uninterrupted work process promising greater productivity and living up to the reputation.

Strong marketing network and a dynamic market presence –

a company of this gigantic stature boasts of a dynamic presence across the whole of the country. The company 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.

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



We are a responsible corporate with sustainability initiatives and societal well-being being a regular fixture in our list of importance. We have evolved and we believe shouldering our responsibilities and evolving sustainable living initiatives.

- Enhanced water availability in the vicinity
- Evolved roads in the nearby villages
- Conducted medical camps, blood donation camps, eye check-up camps and AIDS camps, among others in collaboration with the Red Cross Society
- Furthered the cause of education by starting several schools in the vicinity
- Undertaken 'green' initiatives such as afforestation
- Supported NGOs and other charitable institutions
- Encouraged eco-friendly activities, 'green' initiatives and fair trade practices, among others by working alongside BCI
- An evolved green initiative. The Company started sending notices and documents through electronic media.

Awards and certificates

Awards and recognitions have always been a strong motivation towards better performance that triggers the desire for winning more in the future. Some of our prestigious awards and certifications are:

- 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 is a promising company having a strong legacy and a superior growth perspective in the upcoming years with upgraded technological competencies, innovative product range, fiscal prudence, dedicated effort and winning customer's faith and confidence.