

# spinning a growth story



Rajvir Industries Limited

11th Annual Report 2014-15



## 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.

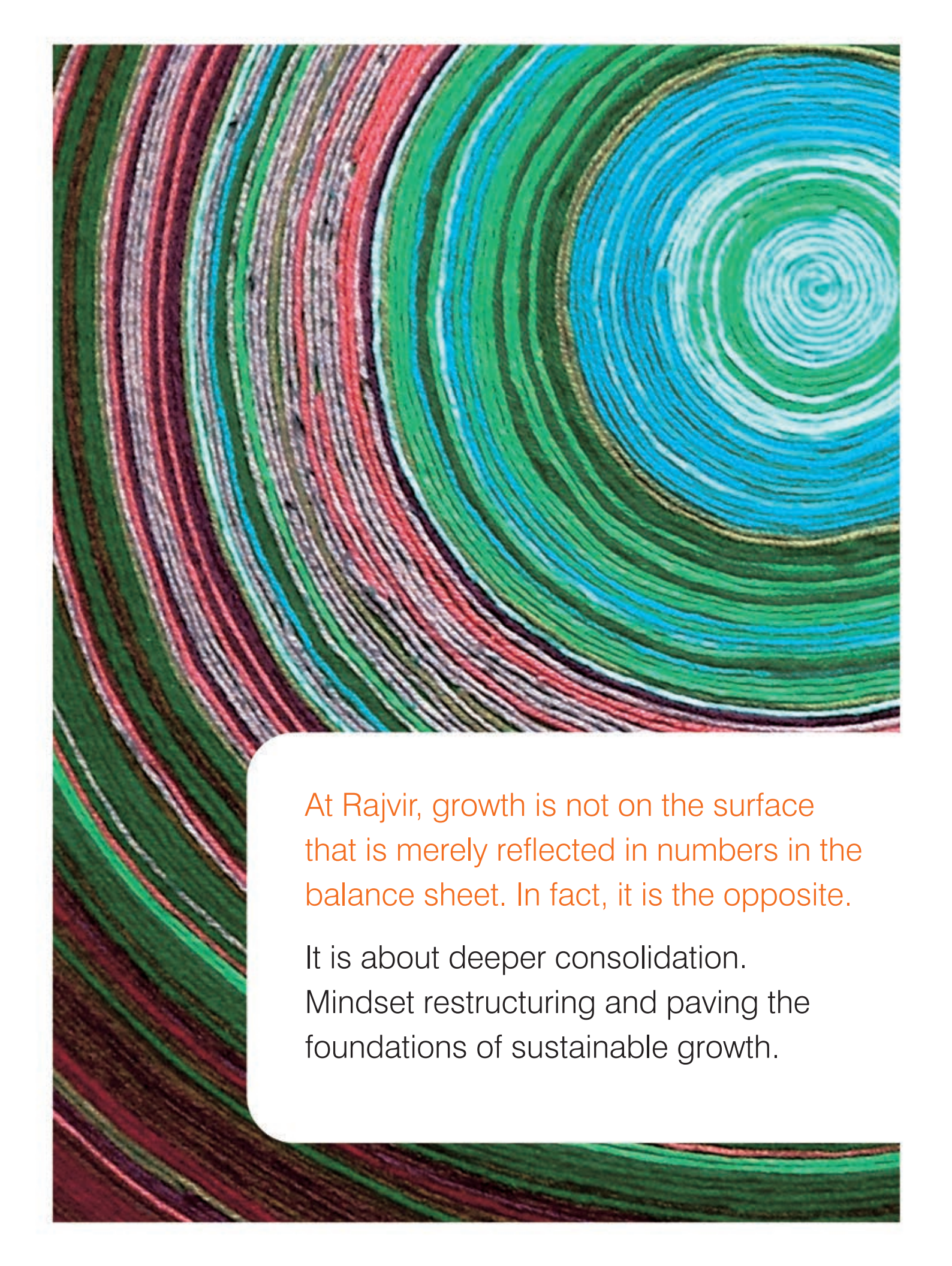
We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and the underlying assumptions undergoing change. Should known or unknown risks or uncertainties materialize, 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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At Rajvir, growth is not on the surface that is merely reflected in numbers in the balance sheet. In fact, it is the opposite.

It is about deeper consolidation. Mindset restructuring and paving the foundations of sustainable growth.



## 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.

## 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.



## 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.



## the days ahead

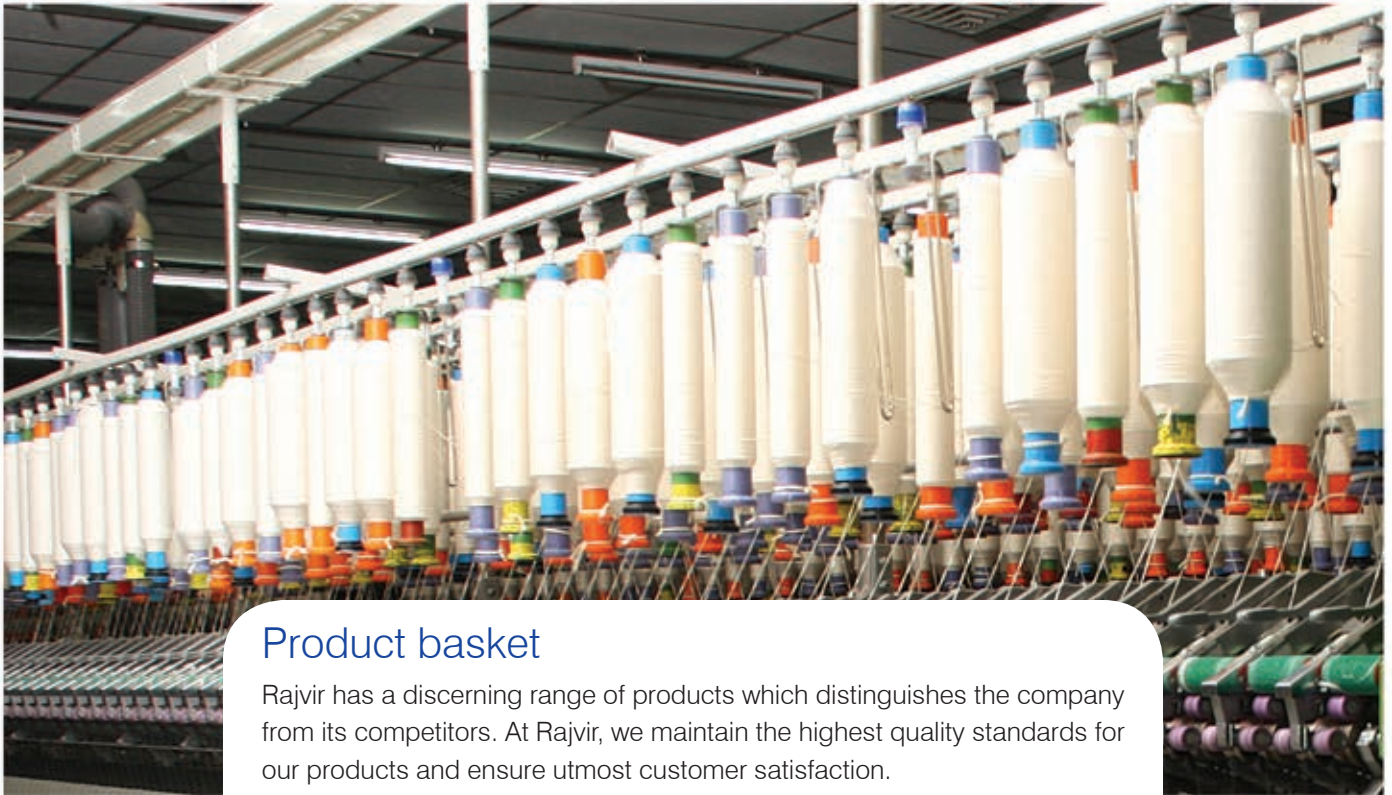
We aspire to evolve continually. The Company plans to increase its Melange Production in the existing facilities by about 50%. For this the Company is taking necessary steps to increase its fibre dyeing capacity already. The Company is also looking to expand in other value added products in the wet spinning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

## 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 40 countries including central America and across continents comprising Asia and Europe.





## 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

### 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

### Fancy yarns

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

### Super speciality blends

- Cashmere/Angora blends
- Wool blends
- Spun silk and blends
- Nylon polyamide blend
- Triblend yarns

### 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, 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.





# Chairman's statement

Dear Shareholders,

## **The year 2014-15 was one of the important years in the Company's existence.**

The external scenario over the past few years impacted the Company's cashflows which in turn affected the Company's debt paying abilities. As a step to correct this, we went back to our lenders and entered into a corporate debt restructuring arrangement. According to the arrangement, the Company has been provided with additional sanction limits and a moratorium period of 18 months which will help the Company in smoothly operate its business on one hand and improve cashflows on the other hand. As promoters, we pumped in additional ₹5 crore of fresh capital to further boost the business. We are confident that this will put the Company back on the profit path.

We continued to be a prominent player in the South Indian textiles industry with a large basket of products on offering along with a significant export presence in countries like Argentina, Peru, Poland, Germany, Srilanka, Bangladesh, Belgium, U.S.A, South Korea and Egypt.

On the other hand, the Indian textile industry continues to hold potential over the foreseeable future. India is one of the largest textile industries in the world and with abundant availability of cotton, wool, jute silk and skilled manpower, the country has emerge as one of the major textile sourcing hubs in the world. The Indian textile industry accounts for nearly 24% of the global spindle capacity and nearly 8% of the global rotor capacities. The textiles industry, currently

estimated at around US \$108 billion, is expected to reach US \$ 141 billion by 2021. The industry is the second largest employer after agriculture, providing direct employment to over 45 million and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to GDP, and 14 per cent to overall Index of Industrial Production (IIP).

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted foreign direct investment (FDI) worth US\$ 1,522.51 million during April 2000 to December 2014.

The country's overall exports of textiles and clothing stood at \$41.4 billion in 2014-15 against US\$39.39.31 bn in 2013-14.

In contrast to the international cotton prices which have been range-bound since November 2014, the domestic cotton prices continue to remain under pressure and have fallen below the international prices as well as domestic support prices since December 2014. Further, as the domestic availability of cotton is expected to remain comfortable in the next cotton season as well and the limited potential for any upside, the domestic prices are expected to trend in line with the international prices, given the surplus availability of cotton in domestic as well as the global markets. The domestic cotton prices have remained below the minimum support price during most of the current cotton season and as a result, CCI has undertaken significant support operations in CY 2014/15. It is estimated that CCI has procured ~20~25% of the domestic cotton production and may surpass the record volume of ~8.9 million bales which were procured in CY 2008/09.





With nearly 120,000 spindles, Rajvir is positioned as one of the distinct players in the Indian textile industry.



Demand for most man-made filaments and fibres were subdued in 2014-15 owing to a decline in prices of cotton yarn during the year which improved its competitiveness compared to synthetic yarn. Moreover, a levy of anti-dumping duty on imports of purified terephthalic acid (PTA), a major input, in July 2014 resulted in a spike in imports of polyester. This further hit the domestic production of polyester filament yarn (PFY).

Barring nylon filament yarn (NFY), output of all other synthetic yarns and fibres either declined or grew at a modest pace during April 2014-February 2015. For the whole year 2014-15, output of PFY and acrylic fibre (AF) is likely to have declined by 6.1 per cent and 4.9 per cent, respectively. Output of viscose filament yarn (VFY) is likely to have increased by a meager 0.8 per cent and that of viscose staple fibre (VSF) by 1.7 per cent. Production of polyester staple fibre (PSF) is expected to have grown by 3.6 per cent. NFY output is likely to have risen by a robust 35.6 per cent supported by a strong demand.

Per-capita consumption of man-made filaments and fibres in India is way below the average per-capita consumption of the world but is expected to change in the coming years. It is expected that the production of PFY to grow by 5.3 per cent and that of PSF by 4.1 per cent in 2015-16.

The performance of the Indian spinning industry is expected to improve in FY 2016. The adequate availability

of cotton in the domestic markets is expected to keep the cotton prices range-bound for CY 2015/16 at around the MSP. Lower inventory levels along with low cotton prices as well as yarn prices will reduce the working capital funding requirement of the spinning mills and also reduce the inventory risk, which had impacted the profit margins of the mills in FY 2015.

The size of India's textile market in 2014 was US\$ 99 billion; the market is expected to expand at a compound annual growth rate (CAGR) of 9.6 per cent over 2014-23 to US\$ 226 billion as per estimates.

With nearly 120,000 spindles, Rajvir is positioned as one of the distinct players in the Indian textile industry. We have a huge library of over 6000 Mélange/Heather shades and a range that encompasses 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. Thus it helps us to meet the diverse demands of our various clients across the globe. As the CDR programme will help us in improving operational environment, we are placed quite attractively to rebound owing to the strong optimism provided by the Indian textile industry.

We must appreciate the patience of our stakeholders to be with us during one of the toughest times we faced in our existence and we are confident to turn the tide and create substantial value for them in the coming years.

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# corporate social responsibility

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.