

# Sustaining **growth** and **resilience**

Sutlej Textiles and Industries Limited | Annual Report 2013-14

**sutlej**  
textiles and industries limited



### Forward-looking statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

## CONTENTS

Corporate identity	02	I	Performance highlights	03	I	Business model	06
Chairman's overview	16	I	Business segments	18	I	De-risking at Sutlej	23
Directors' report	26	I	Management discussion and analysis	36			
Report on corporate governance	44	I	Financial section	59			

**At Sutlej**, resilience is derived from the ability to understand customer needs, create differentiated products, invest in enduring relationships, reduce costs and enhance quality – across geographies, downstream users and industry cycles.

**The result** is reflected in our financials. A 12% revenue growth and a 71% profit growth in 2013-14, considerably larger than a number of sectoral peers.

# Sutlej at a glance

## Legacy

The Company was incorporated in 2005 out of a corporate restructuring exercise in which the textiles division of Sutlej Industries Ltd (SIL) and Damanganga Processors Ltd were demerged to create a single company. A flagship unit of the multi-business conglomerate promoted by Dr. K. K. Birla, Sutlej is among India's leading textile producers with a value-chain extending from yarns and fabrics to home textiles.

## Presence

The Company is headquartered in Mumbai with four manufacturing units located in Jammu and Kashmir, Rajasthan and Gujarat.

The Company exports products to Australia, Argentina, Bangladesh, Belgium, Bahrain, Botswana, Brazil, Costa Rica, Canada, Chile, China, Colombia, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Ethiopia, Germany, Greece, Hong Kong, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kuwait, Lebanon, Malaysia, Mauritius, Mexico, Morocco, New Zealand,

Oman, Pakistan, Panama, Peru, the Philippines, Poland, Portugal, Russia, Saudi Arabia, Singapore, Syria, Sri Lanka, South Africa, South Korea, Taiwan, Tanzania, the Netherlands, Tunisia, Turkey, Thailand, the UAE, the US, the UK, Venezuela and Vietnam.

## Certifications

The Company possesses a Trading House Certificate (conferred by the Government of India) with IS/ISO-9001:2008 quality certification and Usterised License (conferred by Uster, Switzerland). Further the Company's products has been certified Organic Content Standard (OCS-IN), Global Organic Textiles Standard (GOTS-IN) and Oeko-Tex Standard 100 wherein the dyed yarn and cotton mélange yarn meet stringent human-ecological requirements.

## Listing

The Company's market capitalisation stood around ₹360 crore with a promoter's holding of 63.83% as on 31st March, 2014.

## Manufacturing units

Chenab Textile Mills	<b>Location:</b> Kathua (Jammu and Kashmir) <b>Product:</b> Cotton mélange yarns and man-made fibre yarns <b>Capacity:</b> 1,71,288 spindles
Rajasthan Textiles Mills	<b>Location:</b> Bhawanimandi (Rajasthan) <b>Product:</b> Cotton yarns and man-made fibre yarns <b>Capacity:</b> 90,448 spindles; 336 rotors
Damanganga Fabrics	<b>Location:</b> Daheli (Gujarat) <b>Product:</b> Fabrics and processed fabrics <b>Capacity:</b> 4.9 million metres (fabric) (60 looms) and 20 million metres (processed fabric) per annum
Damanganga Home Textiles	<b>Location:</b> Daheli (Gujarat) <b>Product:</b> Home textiles furnishing <b>Capacity:</b> 2.5 million metres per annum (32 shuttle-less looms)



# 2013-14 in retrospect

**12%**

## **Revenue growth**

₹1,680.24 crore in 2012-13 to  
₹1,880.62 crore in 2013-14

The result of higher realisations and  
higher volume sales

**30%**

## **EBIDTA growth**

₹234.31 crore in 2012-13 to  
₹305.62 crore in 2013-14

The result of value-addition and cost  
optimisation

**71%**

## **Net profit growth**

₹76.97 crore in 2012-13 to  
₹131.38 crore in 2013-14

The result of a margins-accretive  
business model

**500 bps**

## **ROCE growth**

23% in 2012-13 to 28% in 2013-14

The result of optimum performance

**600 bps**

## **ROE growth**

22% in 2012-13 to 28% in 2013-14

The result of accruals-driven investment in  
the business

**71%**

## **EPS growth**

₹47 in 2012-13 to ₹80  
in 2013-14

The result of rising profits on an  
unchanged equity base

**0.6**

## **Debt-equity ratio as on 31st March, 2014**

1.0 as on 31st March, 2013

The result of enhanced accruals and  
debt optimisation

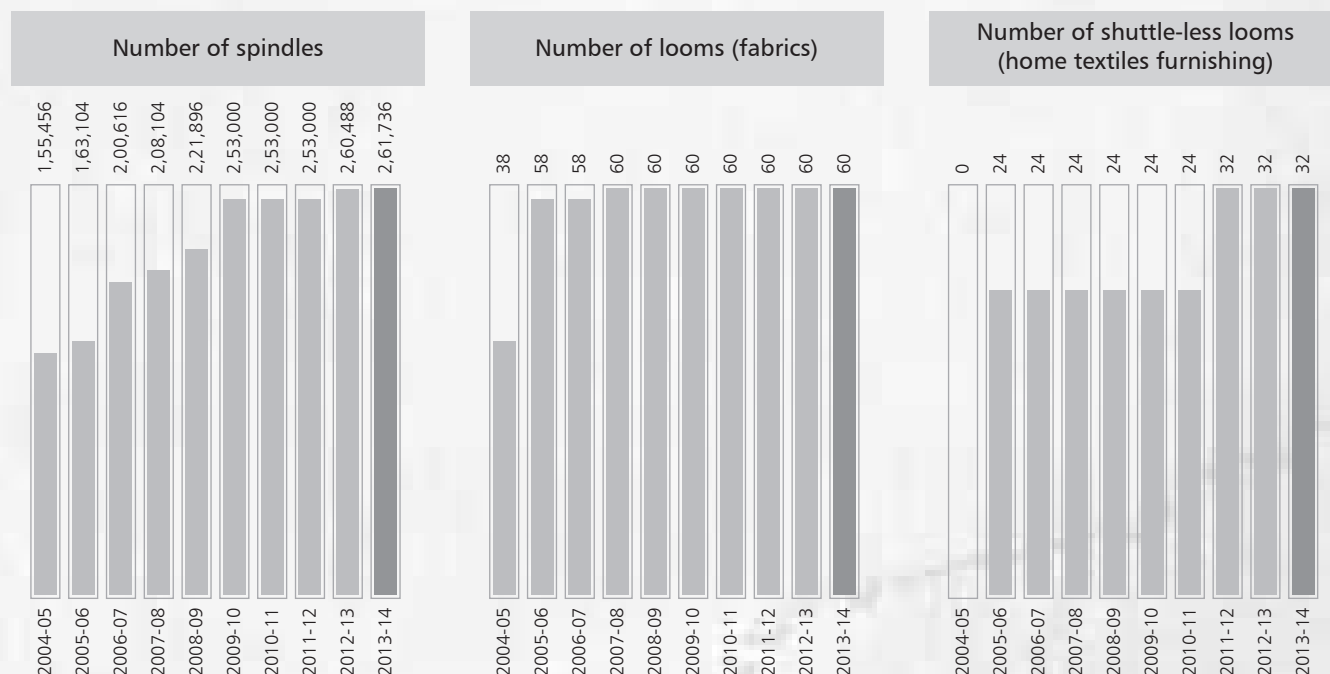
**IND A+**

## **with 'Stable Outlook'**

Credit rating of the Company  
improved from CARE BBB in 2012-  
13 to IND A+ with 'Stable Outlook'  
by India Ratings & Research Pvt. Ltd.  
(Fitch Group)

The result of sustained growth and  
resilience

# Consistent capacity growth



**1,36,840**

Spindles added in the decade leading to 2013-14

**336**

Number of rotors as on 31st March, 2014

**69%**

Spindleage (%) less than a decade old

**4.9**

Fabric capacity (million metres per annum)

**20**

Processed fabric capacity (million metres per annum)

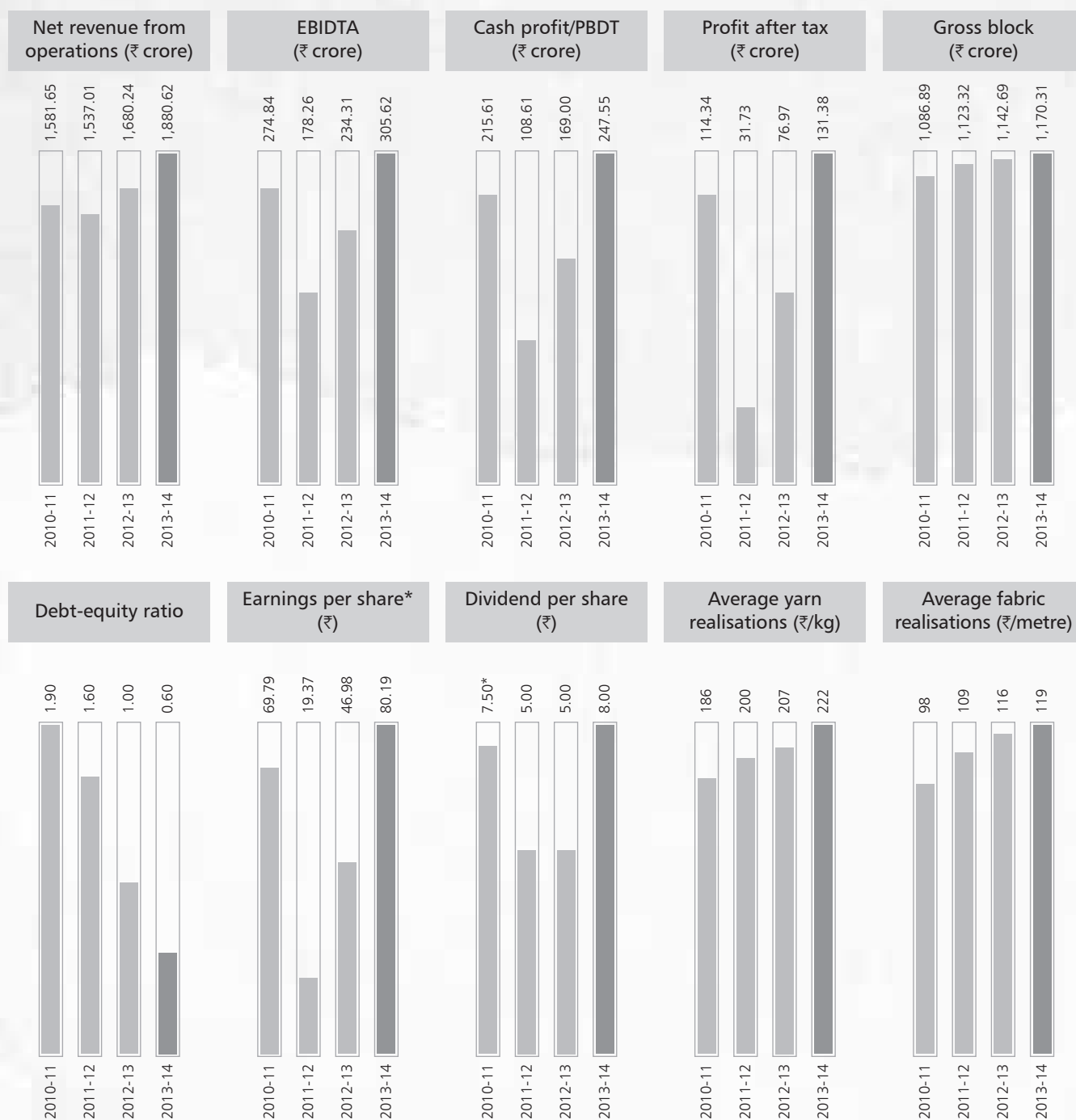
**2.5**

Home textiles capacity (million metres per annum)

**₹ 960 crore**

Gross block addition in the decade leading to 2013-14

# Key performance highlights

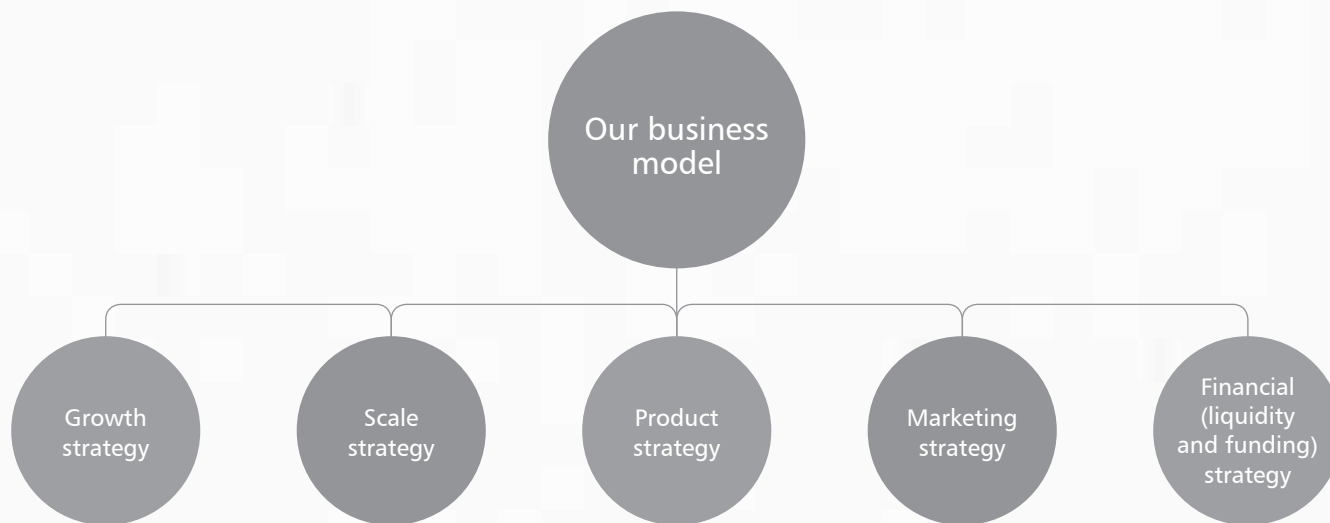


\*Adjusted figure post incorporating bonus effect of 1:2 in 2013-14.

\*Includes special dividend of ₹2.50 per share

## Business model

# Results through resilience. Countering industry cyclicality



The Company enhanced its spun-dyed yarn capacity by 110% over the decade **leading to an average daily yarn production of over 199 tonnes.**

### Growth strategy

- As a forward-looking organisation, Sutlej has consistently invested in cutting-edge assets and technology upgradation, reflected in enhanced automation (material handling to processing) and related efficiencies;
- Over the decade leading to 2013-14, the Company has invested around ₹960 crore in expansion, modernisation and cutting-edge technology; these assets constituted 82% of the Company's gross block as on 31st March, 2014

### Scale strategy

- Sutlej is India's largest producer of spun-dyed yarns;
- The Company enhanced its spun-dyed yarn capacity by 110% over the decade leading to an average daily yarn production of over 199 tonnes, translating into economies-of-scale and the ability to service requirements on demand;
- The Company is expanding its capacity by 30,672 spindles (to be commissioned by October 2014) with the objective to manufacture specialised cotton mélange yarn and increasing its total capacity from 2,61,736 spindles to 2,92,408 spindles.



## Product strategy

- Sutlej has extended from being a standalone grey yarn manufacture to a one-stop-shop for all kinds of spun yarn from natural or manmade fibres across any blend - grey, dyed or mixture in the count range of 6<sup>s</sup>- 50<sup>s</sup>;
- Sutlej possesses one of the largest product portfolios including spun-dyed and mélange yarns;
- Sutlej is an integrated textile manufacturer with a presence across the value chain – from yarn to fabric to home textiles.

## Marketing strategy

- Sutlej has invested in deepening relationships with marquee corporate customers and the development of multiple products across multiple grades;
- The Company selects to market products in the early stage of their life cycle, helping strengthen the business of its downstream customers;
- The Company enjoys enduring relationships with an extensive network of agents and dealers in India and abroad;
- The Company enjoys a marketing presence in around 60 countries; exports accounted for 25% of 2013-14 revenues compared to 20% in 2012-13.

## Financial strategy

- Over the years, Sutlej has developed a reputation centred around credibility; on account of its on-time payments to lenders and suppliers;
- A conservative debt policy and aggressive accruals strategy has strengthened the Company's gearing to 0.6 in 2013-14, making it possible to borrow at lower costs;
- Sutlej leverages its direct procurement of inputs (raw materials and equipment), product consistency and soundness of its Balance Sheet to negotiate effectively with vendors.

The Company enjoys enduring relationships with an extensive network of agents and dealers in India and abroad.



The power of **resilience**

High interest rate environment.  
**But Sutlej reported a  
lower borrowing cost.**

