

SUSTAIN.
EMPOWER.
GROW.



Contents

- 02 Corporate snapshot
- 08 Key milestones
- 10 How we performed over the years
- 12 The Chairman’s overview
- 15 The big picture
- 16 Sustain. Empower. Grow.
- 20 Financial overview
- 24 The sectorial context
- 30 Our digital framework
- 31 How we reinforced our talent capital
- 32 Business segments
- 39 Our ESG commitment
- 42 Sutlej - Being Responsible
- 43 Corporate information
- 44 Financial Highlights
- 45 Directors’ Report
- 52 Management discussion and analysis
- 65 Report on Corporate Governance
- 96 Business Responsibility Report
- 112 Standalone Financial Statements
- 191 Consolidated Financial Statements

Highlights of FY 2021-22

Revenues (Rs.)

3,072.25 crore

EBIDTA (Rs.)

417.62 crore

PBDT (Rs.)

361.09 crore

PAT (Rs.)

155.68 crore

SUSTAIN.
EMPOWER.
GROW.

There is a bigger priority to sustain the integrity of our Balance Sheet, empower our people and grow through the challenges of the external world.

These demanding priorities are warranting strategic clarity, pan-organizational competence and a focused commitment down to the last person standing.

At Sutlej, we have responded with speed and sensitivity to the challenges of the world. The result was that the Company grew attractively during the last financial year, focused on Balance Sheet right-sizing, leveraged its backward integration and sustained its commitment to make innovative and value-added products.

The result is that the Company’s revenue grew 62% and profit after tax 1537% during FY 2021-22.

Disclaimer

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 'anticipates', 'estimates', '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 our assumptions.

The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should kindly 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.

Corporate snapshot

Sutlej Textiles and Industries Limited.

One of India's largest and most respected spun dyed yarn manufacturers.

One of India's largest cotton blended dyed and mélange yarn manufacturers.

One of India's respected manufacturers of home textiles addressing curtains, upholstery and made-ups.

One of few large Indian textile companies to have integrated backwards to the manufacture of 'green' fibre.

These investments were made with the objective to enhance visibility, respectability, profitability and sustainability.



Our **ethos**

Vision

We have set our sights on emerging as a front-runner in the realm of global textiles by providing end to end solutions - from fibre to yarns to home textiles. We aim to create maximum value for our customers so as to emerge as their partner-of-choice.

Mission

We believe in challenging our limits and overcoming them. We also believe that as time changes, one must evolve one's thinking.

Background






Sutlej's roots date back to pre-Independence India (1934). The Company is one of the flagship companies of the multi-business conglomerate promoted by the visionary, the late Dr. K. K. Birla. Across the years, the Company has evolved as one of the largest integrated textile manufacturing companies in India, manufacturing synthetic, natural, mélange and blended yarns, all types of spun yarns and home textiles.

Our capacities

The Company has state-of-the-art spinning mills that are located in Rajasthan, Jammu & Kashmir, Himachal Pradesh and Gujarat. Through the years, the Company exponentially scaled its capacities across all units. The Company's total spinning capacity was nearly 4.21 lakh spindles at the close of FY 2021-22; daily effective production was 288 tonnes of dyed synthetic and blended yarns, cotton mélange and cotton blended mélange and dyed

yarns, as well as yarn from specialty fibres (Modal, Tencel, Bamboo, Coolmax, fancy yarns like Siro Spun, Siro Compact, Lycra Twisted, Core Spun, Double Core yarn, etc.) in single ply, double ply and multi-fold.

Our manufacturing plants

| Units | Location | Products manufactured | | Capacity |
|--------------------------|-------------------------|--|---|---|
| Chenab Textile Mills | Kathua, Jammu & Kashmir | Cotton yarns and manmade fibre yarns including mélange yarns |  | 1,11,739 spindles of cotton blended mélange yarns 99,605 spindles of manmade fibre yarns |
| Rajasthan Textile Mills | Bhawanimandi, Rajasthan | |  | 43,689 spindles of cotton blended mélange yarns 81,975 spindles of manmade fibre yarns |
| Birla Textile Mills | Baddi, Himachal Pradesh | |  | 26,747 spindles of cotton blended mélange yarns 56,485 spindles of manmade fibre yarns |
| Damanganga Home Textiles | Daheli, Gujarat | Home textiles |  | 8.40 million metres per annum 116 shuttle-less looms |
| Sutlej Green Fibre | Baddi, Himachal Pradesh | Raw white, black and doped dyed recycled polyester fibre |  | 120 metric tonnes per day |

Product mix

The Company is a one-stop textile solution for all kinds of spun dyed yarns manufactured from natural or manmade fibres across any blend and any shade in the count range of 6s-50s.

Accreditations

The Company's quality standards conform to IS/ISO-9001:2008 norms. The Company was given the Usterised license by Uster Technologies, Switzerland, for the Kathua unit and OCS-IN (Organic Content Standard), GOTS-IN (Global Organic Textiles Standard) and Oeko-Tex Standard 100 certifications. Moreover, the other certifications of the Company comprised: ISO 9001:2015 - Quality Management System-Certified by Bureau of Indian Standard, SA8000:2014 - Social Accountability - Certified by SGS India, Fair Trade by FLOCERT, Better Cotton Innovative membership, Recycle Claim Standard by Control Union, Global Recycle Standard by Control Union, Cotton Made in Africa and INDITEX.

Esteemed clientele

The Company's esteemed clients comprise Jockey, Westside, Marks & Spencer, Arvind, Raymond, Donear NXG, Siyaram's, Arrow, Grasim Bhiwani (GBTL), Digjam, JC Penney, Monte Carlo, Brandix and Pantaloons, among others.

Global presence

The Company seeks enduring relationships with an extensive network of agents and dealers in India and across the world. The Company is one of India's largest exporters of value-added synthetic and blended yarns, enjoying a presence across 62 nations. The Company has developed a strong reputation among textile fabric manufacturers in key markets such as USA, EU, UK, Turkey, Bangladesh, Latin America and Africa, among others.

Credit rating

The Company's short-term rating was upgraded from A1 to A1+ by India Ratings, signifying a strong degree of safety regarding the timely

payment of financial obligations. Such facilities carry the lowest credit risk.

The long-term rating was been upgraded from A to A+ by India Ratings, signifying adequate degree of safety regarding the timely servicing of financial obligations and low credit risk.

The Company seeks enduring relationships with an extensive network of agents and dealers in India and across the world. The Company is one of India's largest exporters of value-added synthetic and blended yarns, enjoying a presence across 62 nations.

Business verticals

Value-added yarns



Dyed yarns



Mélange yarns

Home textiles



Curtains



Upholstery



Made Ups

Recycled polyester staple fibre

Raw white, black and doped dyed recycled polyester fibre



Our awards and recognitions

Synthetics and Rayon Textile Export Promotion Council (SRTEPC)

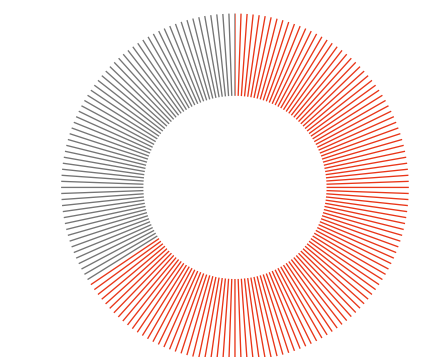
- **Gold Trophy:** Best Export Performance Synthetic & Rayon Dyed Yarn 2020-21
- Fourth Best Overall Export Performance SRTEPC Special Award 2020-21

The Cotton Textiles Export Promotion Council (TEXPROCIL)

- **Gold Trophy:** Highest Exports of Cotton Processed Yarn in 2019-20.
- **Gold Trophy:** Special Achievement Award in Export of Cotton Yarn 2019-20
- Rajasthan Energy Conservation Award - 2021, First Prize

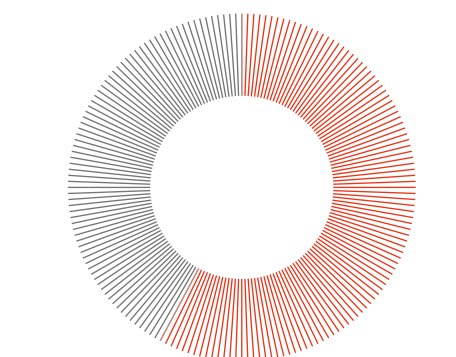


Revenue by geography, 2020-21



66% ■ Domestic 34% ■ International

Revenue by geography, 2021-22



58% ■ Domestic 42% ■ International

Key milestones



2006-07

- Entered the home textiles segment through Damanganga Home Textiles.
- Expanded Kathua and Bhawanimandi units by 35,400 spindles and 2,112 spindles respectively, with the objective to manufacture PV dyed yarn.

2008-09

- Expansion of the Bhawanimandi unit by 7,488 spindles to manufacture PV dyed yarn.
- 12,672 spindles added at Bhawanimandi for manufacturing cotton yarn.

2010-11

- Commenced commercial production with an expanded capacity of 31,104 spindles at Kathua to manufacture cotton mélangé and cotton blended dyed yarn.
- Installed 12 MW thermal power plant at Bhawanimandi.

2014

- 31,104 spindles added at Kathua for value-added cotton mélangé and cotton blended dyed yarn.

2015-16

- Acquired of Birla Textile Mills, Baddi.
- 35,280 spindles added at Bhawanimandi for the manufacture of cotton blended dyed and mélangé yarn.
- 9.6 mn mtr per annum expansion of the home textiles capacity at Bhilad.

2017

- Set up a 2.2 MW rooftop solar power project at Bhawanimandi.
- Acquired Design, Sales and Distribution (DS&D) business along with the brand of American Silk Mills, LLC.
- Installed 18 circular knitting machines at Bhawanimandi.

2021

- Backward integration with a capacity to manufacture 120 tonnes per day of Recycled polyester staple fibre.
- Modernization of the home textiles facility.
- Launched the home textiles brand called "NESTERRA".

5 big messages of this Annual Report

1

The Company demonstrated its business model that is resilient and responsive

2

The Company leveraged growing value from integration (backward and forward)

3

The Company moderated long-term debt, strengthening profitability

4

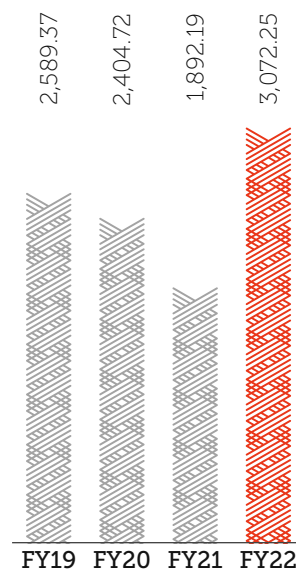
The Company is watching the global and Indian markets before embarking on the next capacity expansion

5

The Company will continue to focus on capacity expansion, value-addition, asset modernization and integration

How we performed over the years

Revenues (Rs. crore)



Definition

Sales growth after deducting indirect taxes.

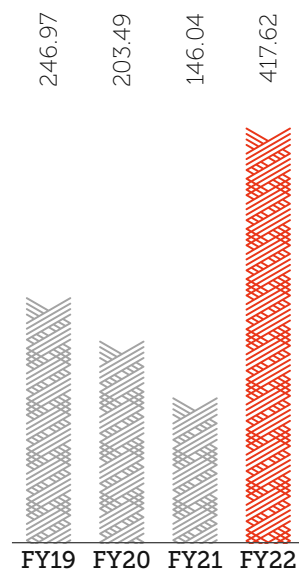
Why we measure

This measure reflects the result of our ability to understand market trends and service customers with corresponding products, superior technologies and competent supply chain management.

Performance

Our aggregate revenue increased 62% to Rs. 3,072.25 crore in FY22 due to substantial increase in domestic and export sales. Exports contributed Rs. 1,265.86 crore, indicating the Company's global competitiveness.

EBIDTA (Rs. crore)



Definition

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

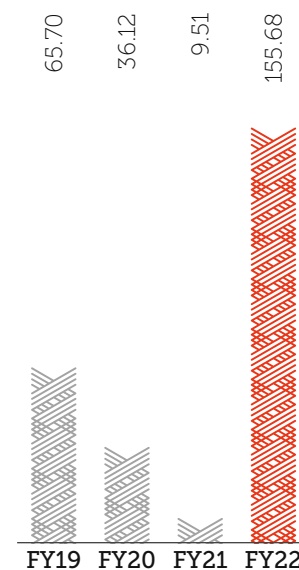
Why we measure

It showcases the Company's ability to optimize costs despite inflation; helps compare with the Company's retrospective average and sectorial peers.

Performance

EBIDTA increased to Rs. 417.62 crore due to a substantial increase in domestic as well as exports revenue.

Net profit (Rs. crore)



Definition

Profit earned during the year after deducting all expenses and provisions.

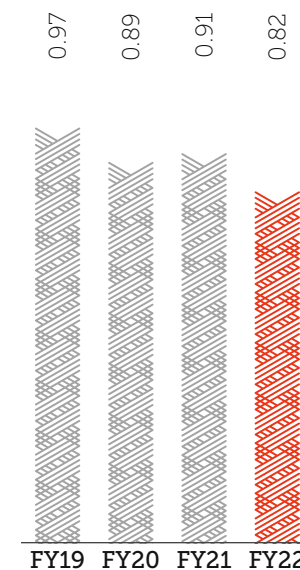
Why we measure

It highlights the strength of the business model in generating value for its stakeholders.

Performance

Net profit grew sharply to Rs. 155.68 crore due to substantial increase in domestic as well as export revenue.

Gearing (x)



Definition

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

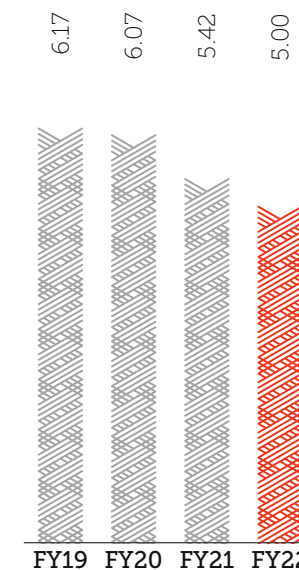
Why we measure

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, better). In turn, it indicates the ability of the Company to sustain growth in profits, margins and shareholder value.

Performance

Gearing decreased as the Company repaid debt and strengthened its net worth.

Debt cost (%)



Definition

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

Why we measure

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 6.17% in FY19 to 5% in FY22. We recommend that this ratio be read in conjunction with our rising interest cover (rising, indicating higher liquidity) across the medium-term.

The Chairman's **overview**

The Company's philosophy is about patience and perseverance in the face of challenging market realities

Overview

Our theme for the year - Sustain. Empower. Grow. - is an ethic that the Company has lived across the last nine decades of its existence.

The Company's philosophy is about growing patience and perseverance in the face of challenging market realities. It is about empowering employees to respond with initiatives that strengthen the business. It is about the coming together of sustenance and empowerment leading to sustainable growth.

The validation of this ethic is reflected in the longevity of our Company. The fact that we have survived and succeeded in this challenging space across political, economic and technology cycles is a vindication of our commitment to perpetually expand capacities and capitalize on economies of scale, invest in ongoing modernization to enhance operating efficiencies, and deepen a culture of innovation with the objective to bring differentiated

products to consumers.

Seldom has this commitment been tested more than in the last two years, marked by a pandemic slowdown that translated into a decline in revenues, margins and profits in FY 2020-21 and a rebound in our financial and operating parameters in FY 2021-22. During the slowdown, the Company kept faith and focus on the core elements of its business. This focus was validated during the year under review when the Company reported a vigorous rebound. This rebound was marked by profitable growth: 62% growth in revenues was corresponded by a 186% increase in EBITDA.

Economic background

The global economy grew from 3.3% to 5.9% in 2021. The Indian economy rebounded from a degrowth of 7.3% in FY2020-21 to a growth of 8.7% in FY 2021-22. The country's manufacturing sector grew 12.5% compared with a degrowth of 7.2%

in the previous financial year. The global textile sector grew 10.1% during the year under review.

The US sanctions on Xinjiang cotton in China opened a new market for India's export of spun-dyed yarns. The emergence of the China-plus-one factor turned serious global buyers towards India for long-term engagement. The announcement of long-term textile sector policies by the Indian government enhanced clarity. The benefits of RODTEP (WTO-compliant) strengthened the Indian textile sector. The Indian government entered into free trade agreements with countries. The extension of the production-linked incentive scheme extended to man-made fibres. The government announced the launch of mega textile parks.

It would appear that the Company's vigorous performance rebound was achieved in a conducive business environment. The reality was that the Company's performance in the last two years was in the face of unprecedented business realities that put a premium on seeking new ways to sustain and grow.

There was a sharp rise in cotton price, crude oil, other commodities and interest rates. The outbreak of the Ukraine-Russia war affected global business sentiment, affecting textile exports. There was a slowdown in the Chinese economy that moderated textile demand.

The BANI factor

So, what has transpired in the last couple of years that is different from previous slowdowns coupled with subsequent recoveries, one may ask. I believe that the VUCA (volatile-uncertain-complex-ambiguous) environment of the past has been replaced with BANI (brittle, anxious, non-linear and incomprehensible).

A new understanding of BANI is necessary to comprehend challenges of the Company's



operating environment. The brittle nature of the operating environment is reflected in its vulnerability to external shocks and unforeseen developments, affecting not just a country or two but becoming an extensive multi-country phenomenon. The brittleness of the modern world was highlighted when a pandemic outbreak exposed the fragility of the global social and economic environment.

The other visible feature of this new normal is a sense of anxiousness. This anxiety is affecting consumer purchase; in turn, this is influencing

capital expenditure by companies. The one offshoot of this reality is that staggered capacity creation is resulting in a sharp increase in product and resource inflation, creating a second layer of anxiety related to the sustenance of trends and a preference for the status quo.

The third feature of BANI is a growing non-linearity of the modern world. The conventional relationship between cause and effect is no longer evident. What worked in the past is not working in the present and may not work in the

future either. An entire eco-system of predictability has been threatened leading to a hesitation in decision-making.

The last dimension of BANI is the word ‘incomprehensible’. An abundance of data is not necessarily leading to informed decision-making. A real-time understanding of range of global realities is overloading the mind with data that is putting a premium on detached and objective decision making. The answers coming out of the conventional shifting of data are not leading to clarity. The result is a decline in the understanding of our space, economy and global direction. What used to be simple is now complex; what required simple deduction is now guess work.

The bottom line of this new normal is that a mistake can set one back by years. Companies do not only need to be right; they need to be more right than ever. They need to be resilient during phases of uncertainty and be among the first to rebound during periods of economic recovery. They need to mitigate the impact of downtrends (however long that lasts); they need to maximize cash flows during periods of recovery (however brief).

Sustain. Empower. Grow.

At Sutlej, we believe that the new normal warrants a new way of doing business.

What worked for us in the past needs to be questioned; what was taken as the surest way to do things needs to be re-examined.

At Sutlej, our re-examination comprises three words that have been sequenced into a statement: ‘Sustain. Empower. Grow.’ This line has acquired a deeper relevance; it encapsulates a clarity of how companies like ours can negotiate

external challenges and protect business sustainability.

The word ‘sustain’ draws on the Company’s rich multi-decade culture of manufacturing excellence. The word draws on the Company’s deep-rooted understanding of balanced risk and caution; it draws on the Company’s institutionalized knowledge across roles and functions; it draws on good business practices. The bottom line is that ‘sustain’ is really the Company’s shock absorber that is its most effective insurance against external volatility.

The word ‘empower’ draws attention to the need for informed collective action. This action is not about decisions taken in an ivory tower; it is about engaging the organization down to the last person standing, drawing on that person’s knowledge, initiative and passion for organizational benefit. The competitive companies of the future will be those that engage their talent more productively. The effectiveness of ‘empower’ will be increasingly derived from talent recruitment and empowerment; it will be derived from the capacity to reappraise and adapt nimbly to the market environment. There will be a bigger premium on the need to learn and unlearn; on the need to harness talent for customer benefit; on the need to reorganize, train and share information; on the need to celebrate every small win and see failures as learning opportunities; on the need to strengthen the enumeration culture so that the organization speaks with data as a credible basis; on the need to make the Company a preferred place to work in.

The word ‘grow’ represents a predictable outcome of initiatives. The priority for our Company is to grow bottom-up, widen

the portfolio, launch pioneering products, strengthen backward integration, deepen ecological relevance, strengthen the ‘head to tail’ alignment and see change as an opportunity. The priority will enhance organizational flexibility and responsiveness.

Enriching outcomes

Out of the uncertainties created by the pandemic and upheaval in the social-political environment, a new Sutlej is emerging.

This Sutlej is raising the bar across virtually all roles and functions. The Company is not just focusing on customer service; it is obsessed with customer delight. The Company engages periodically with customers to understand how Sutlej can help take their business ahead. The result is that Sutlej launched new products and attracted new customers, which generated around 15% revenues during the year under review, a sizeable share for an initiative that will now be rapidly scaled.

At Sutlej, we are cautiously optimistic of prospects even as the Company continues to wait and watch the unfolding scenario before committing any sizeable investment in manufacturing capacity. The Company will sweat manufacturing facilities, widening its value-addition and enhance stakeholder value.

I must end by expressing my heartfelt thanks to all our stakeholders for their support.

C. S. Nopany
Chairman

The big picture

India’s textile sector is estimated at US\$ 44 billion against US\$ 319 billion of China.

As the world looks to develop an alternative textile products supplier following the outbreak of the pandemic, an unprecedented opportunity appears to be opening out for India.

Even if a small part of the global supply chain shifts to India, the opportunity could be unprecedented for nimble textile companies like Sutlej.

As a forward looking player, Sutlej has invested in people, processes, plants and products.

This investment has been made with the objective to capitalize and enhance value for stakeholders in a sustainable way.



Sustain. Empower. Grow.

These three words encapsulate
our response to an unpredictably
volatile world

Sustain

The commitment to make the good even better

Building on the established direction, if only faster

Building on existing growth platforms

Building on a culture of product innovation

Building on the Company's rich knowledge bandwidth

Drawing on the Company's guarded risk appetite

Positioning the company as responsible and environment-friendly

Drawing on good business practices including governance

Desired outcome: Leverage these capabilities and competencies to enhance business profitability and sustainability

Empower

The commitment to build leaders at every level

Enhance collective engagement of the talent available with the Company

Empower and enhance a feeling of emotional ownership

Empower the team to manufacture

complex yarns at lower cost

Inspire responsiveness, resulting in superior customer value

Empower through training, responsibility and accountability

Empower through team working

in line with stretched targets

Empower through a culture of continuous improvement (kaizen)

Empower through reward and recognition, leading to outperformance

Desired outcomes: Shrinking deadlines, savings through improvements, enhanced talent productivity and collective outperformance

Grow

The commitment to grow value for all stakeholders

Grow our customer base, the bedrock of our profitability

Deliver customer growth through a neat product fit

Deepen our presence in niche dyed and spun yarn segments

Strengthen the ESG personality;

focus on resource moderation

Enrich the careers of employees, strengthening their retention and productivity

Provide vendors stable and large engagements, strengthening procurement economies

Enhance value for shareholders through a better market valuation of their holdings and dividend outgo

Widen the value chain – from green fibre to yarn to home textiles

Desired outcomes: Enhanced value in the hands of our stakeholders, enhancing their engagement with the Company and strengthening our eco-system