



# Sustainable Transformation

Sutlej Textiles and Industries Limited  
**Annual Report 2022-23**

Disclaimer

We have exercised utmost care in the preparation of this report. It contains forecasts and/or information relating to forecasts. Forecasts are based on facts, expectations, and/or past figures. As with all forward-looking statements, forecasts are connected with known and unknown uncertainties, which may mean the actual result deviate significantly from the forecast. Forecasts prepared by the third parties, or data or evaluations used by third parties and mentioned in this communication, may be inappropriate, incomplete, or falsified. We cannot assess whether information in this report has been taken from third parties, or these provide the basis of our own evaluations, such use is made known in this report. As a result of the above-mentioned circumstances, we can provide no warranty regarding the correctness, completeness, and up-to-date nature of information taken, and declared as being taken, from third parties, as well as for forward looking statements, irrespective of whether these derive from third parties or ourselves. Readers should keep 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.

Highlights, FY 2022-23

Revenues (Rs.)  
3,063.89 crore

EBITDA (Rs.)  
289.06 crore

PBDT (Rs.)  
232.43 crore

PAT (Rs.)  
22.84 crore

Contents

3	Corporate Snapshot	26	Our international yarn sales business	42	Financial Highlights (Standalone)
8	Our multi decade journey	28	Our domestic yarn sales business	43	Directors Report
10	Our resilient financial performance in the last few years	30	How we intend to strengthen our home textile business	50	Management discussion and analysis
11	How Sutlej is expanding to transform sustainably	32	Our technology competence at Sutlej	62	Report on Corporate Governance
14	The global textiles sector: A background of the sudden weakness	34	ESG represents the core of Sutlej’s personality	92	Business Responsibility and Sustainability Report
16	The Chairman’s overview	40	Our social responsibility at Sutlej	128	Standalone Financial Statements
20	Financial overview	41	Corporate Information	211	Consolidated Financial Statements
24	Change at Sutlej				

Sustainable Transformation

The world is passing through a reorganising of the global textile supply chain.

This has created an unprecedented opportunity for focused textile companies like Sutlej.

Sutlej is focused on a spirit of perpetual change – to become larger while remaining nimble, competitive and responsible.

This spirit to remain adaptive is the theme of this annual report, described in two words.

The words are  
‘Sustainable Transformation.’



Corporate **snapshot**

## Sutlej Textiles and Industries Limited

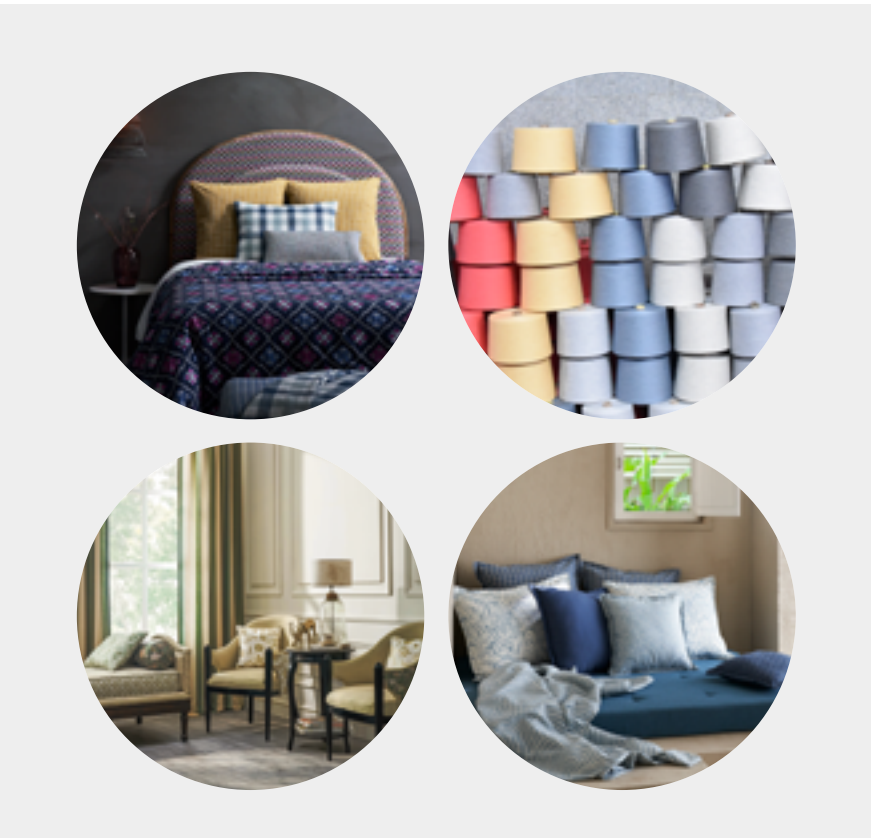
The Company is among India's largest manufacturers of cotton blended dyed and mélange yarns.

**It is also among India's leading exporters and manufacturers of value-added synthetic and blended dyed spun yarn.**

It is among a handful of large Indian textile companies to have integrated backwards to manufacture eco-friendly resources for captive consumption.

**It is engaged in proactive investments to enhance scale, quality, competitiveness, and environment responsibility.**





**Our 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.

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






**Pedigree**

Founded in 1934 during pre-Independence India, Sutlej has a significant history as one of key companies within the multi-business conglomerate established by the late Dr. K. K. Birla. The Company has since emerged as one of the largest integrated textile manufacturers in the country, producing a diverse range of yarns such as synthetic, natural, mélange, and blended as well as all types of spun yarns and home textile furnishings.

**Presence**

The Company operates modern textile mills in Rajasthan, Jammu & Kashmir, Himachal Pradesh and Gujarat, each equipped with advanced technology. Over the years, the Company significantly increased its production capacity across all units. In FY 2022-23, the Company's total spinning capacity was nearly 4.22 lakh spindles, with a daily production output of 298 tonnes of dyed synthetic and blended yarns, cotton mélange, cotton blended mélange and dyed yarns, as well as yarn made from specialty fibres like Modal, Tinsel, Bamboo, Coolmax as well as fancy yarns like Siro Spun, Siro Compact, Lycra Twisted, Core Spun and Double Core yarn, etc. The Company offers single ply, double ply and multi-fold options.

**Manufacturing locations and capacities**

Units	Location	Products manufactured	Capacity
Chenab Textile Mills	Kathua, Jammu & Kashmir	 Cotton and manmade fibre yarns including mélange yarns	1,02,253 spindles of cotton blended mélange yarns
			1,11,203 spindles of manmade fibre yarns
Rajasthan Textile Mills	Bhawanimandi, Rajasthan		35,280 spindles of cotton blended mélange yarns
			90,384 spindles of manmade fibre yarns
Birla Textile Mills	Baddi, Himachal Pradesh		34,541 spindles of cotton blended mélange yarns
			48,547 spindles of manmade fibre yarns
Damanganga Home Textiles	Daheli, Gujarat	 Home textiles	8.97 million metres per annum
			118 shuttle-less looms
Sutlej Green Fibre	Baddi, Himachal Pradesh	 Raw white, black and doped dyed recycled polyester fibre	120 metric tonnes per day



Product basket

The Company offers a comprehensive range of spun dyed yarns that are made from natural or manmade fibres and are available in any blend and shade within the count range of 6s-50s. The Company's products are designed to cater to comprehensive textile needs that provide a one-stop solution for all yarn requirements.

Certifications

The Company's quality standards conform to IS/ISO-9001:2008 norms. The Company was given the 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. 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.

Marquee clientele

The Company's prestigious clients include Jockey, Westside, Marks & Spencer, Arvind, Raymond, Donear NXG, Siyaram's, Arrow, Grasim Bhiwani (GBTL), Digjam, JC Penney, Monte Carlo, Brandix, and Pantaloons, among other well-known brands.

Global network

The Company aims to establish enduring relationships with a range of agents and dealers in India and around the globe. With a presence in 60 countries, the Company is among the biggest exporters of value-added synthetic

and blended yarns in India. It has built a credible reputation among textile fabric manufacturers in prominent markets, including the USA, European Union, UK, Turkey, Bangladesh, Latin America, and Africa, among others.

Credit rating

The Company's short-term rating was re-affirmed at A1+ by India

Ratings, indicating a high level of security regarding the timely payment of financial obligations. Similarly, the Company's long-term rating was re-affirmed at A+, suggesting a reasonable degree of security regarding the prompt servicing of financial obligations and low credit risk.

Awards and recognitions

Synthetics and Rayon Textile Export Promotion Council (SRTEPC)

- Gold Trophy: Best Export Performance Synthetic & Rayon Dyed Yarns 2021-22
- Fourth Best Overall Export Performance in the category of Synthetic & Rayon Textiles Award 2021-22

Rajasthan State Government Life Time Achievement Export Ratan Award:

This award was been recently introduced by the Rajasthan Government and the Company was among the first to receive this award from the Rajasthan State Government for 2019-20 in 2022-23.

The Cotton Textiles Export Promotion Council (TEXPROCIL)

Gold Trophy: The Company achieved the highest export performance award in cotton yarn - processed yarn during 2020-2021



Our business verticals

Value-added melange and dyed yarn



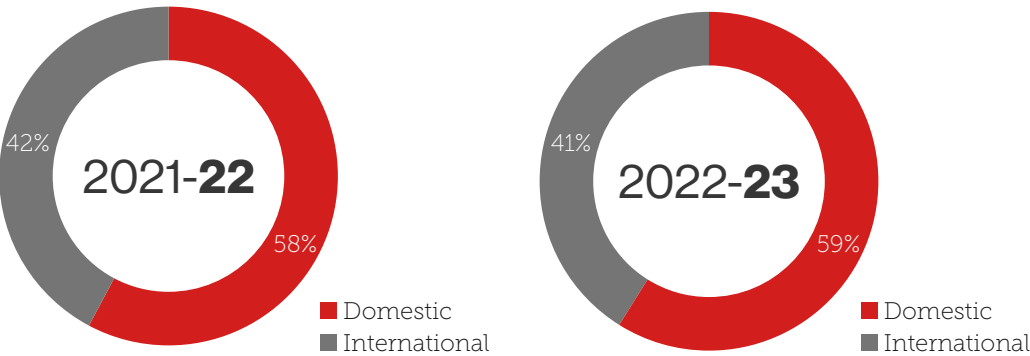
Home textiles, curtains, upholstery and made-ups



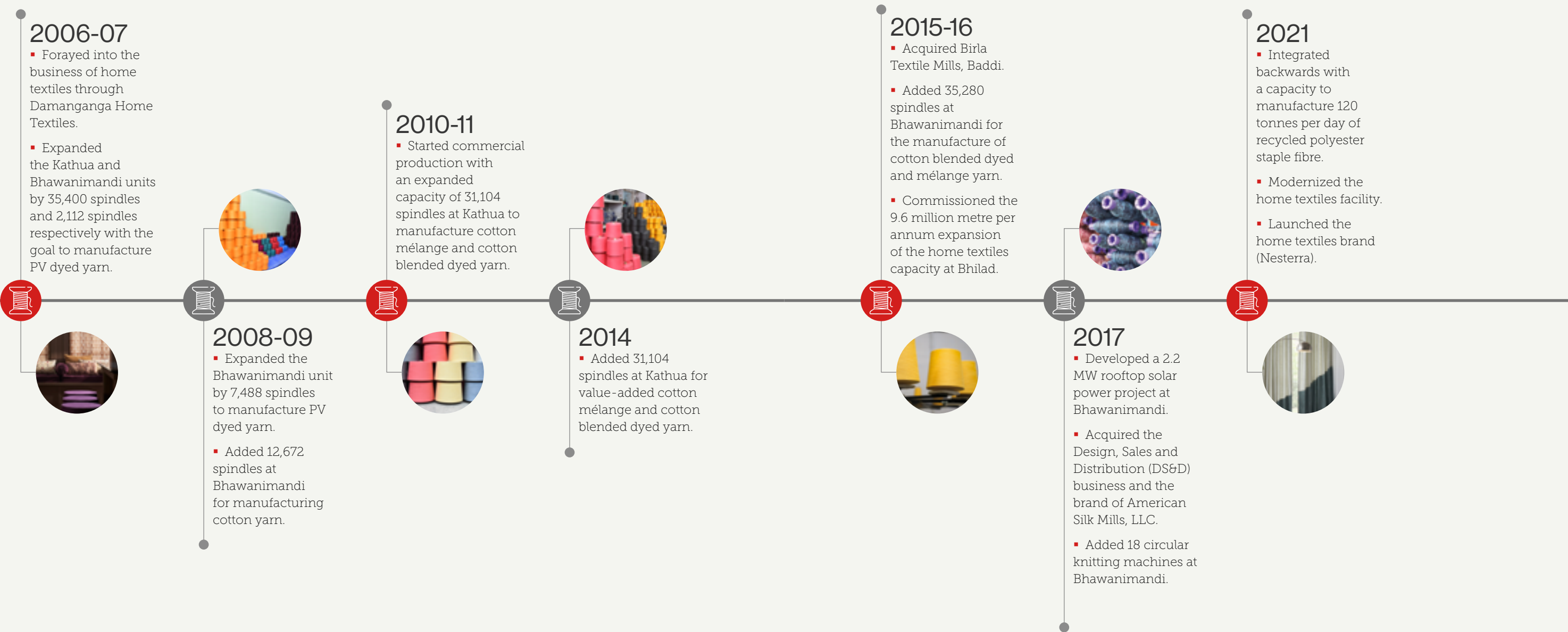
Recycled raw white and doped dried polyester fibre



Revenue by geography



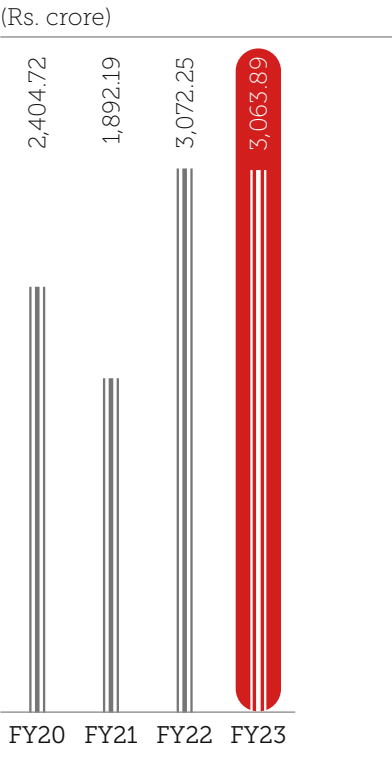
# Our multi-decade journey





# Our resilient financial **performance** in the last few years

## Revenue from operations

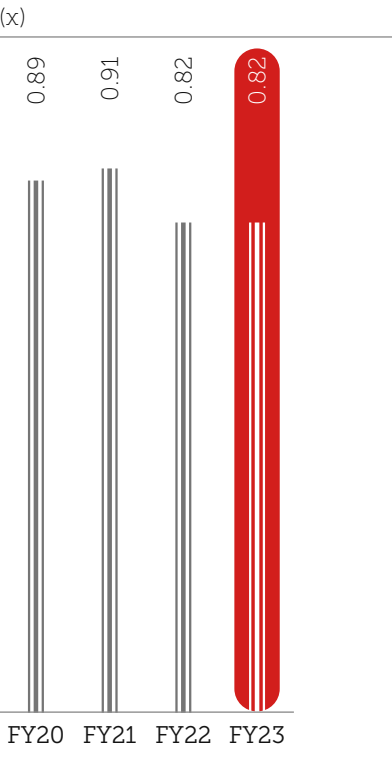


**Definition**  
Sales growth after deducting indirect taxes.

**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 declined marginally by 0.27 % to Rs. 3,063.89 crore in FY 2022-23. The decline was on account of a weak momentum in the global textile sector. Exports contributed Rs. 1,231.81 crore (41%), indicating the Company's global competitiveness.

## Gearing

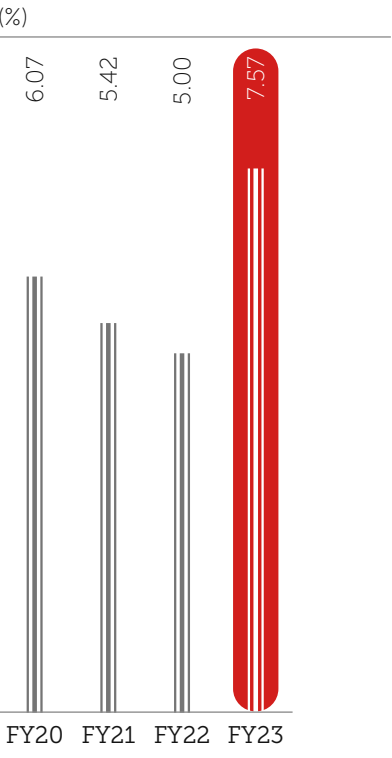


**Definition**  
This is derived through the ratio of net debt to net worth (less revaluation reserves).

**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**  
Despite the challenges faced by the global textile sector, including factors such as rising input costs, high inflation, geopolitical uncertainty, and an increase in repo rates, the Company remained steadfast in maintaining its current gearing.

## 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 average debt cost increased from 5.00% in FY 2021-22 to 7.57% in FY 2022-23 against an overall increase in SOFR rates by 379 bps and repo rate by 250 bps.

# How Sutlej is expanding to **transform sustainably**

## Overview

The textile sector represents one of the most attractive opportunities related to sustainable demand growth.

This attractiveness is accentuated by the fact that most textile players tend to stagger their investments; when demand eventually rises, supply fails to keep in step, strengthening realisations and causing the next industry upcycle to begin.

India's textile sector growth was disappointing in FY 2022-23 on account of tepid global demand. The textile sector delivered positive growth of 5.9% only in May 2022 during the first eight months of FY 2022-23. The textiles sector growth remained negative in seven

months from April to November 2022.

Even as the slowdown affected Sutlej during the year under review, the Company embarked on measures to strengthen its business.

The Company is using the slowdown as an opportunity to invest in a greenfield spinning and dyeing plant in Jammu & Kashmir.

The Company intends to commission spindles to manufacture cotton mélange and grey yarns.

What makes this programme attractive is that this expansion will mark the Company's entry into an attractive grey yarn segment, serviced currently by a few Indian players.

The addition of the grey product will complement the dyed / mélange product offering. On account of increasing demand for cotton / polyester blends across multiple applications, there exists a sizable market for grey blended yarns in Indian and export markets.

Besides, the Company is investing around Rs. 100 crore in FY 2023-24 in modernisation and debottlenecking to increase manufacturing efficiency and throughput.

These investments are expected to strengthen the Company's platform around sustainable transformation across the foreseeable future.

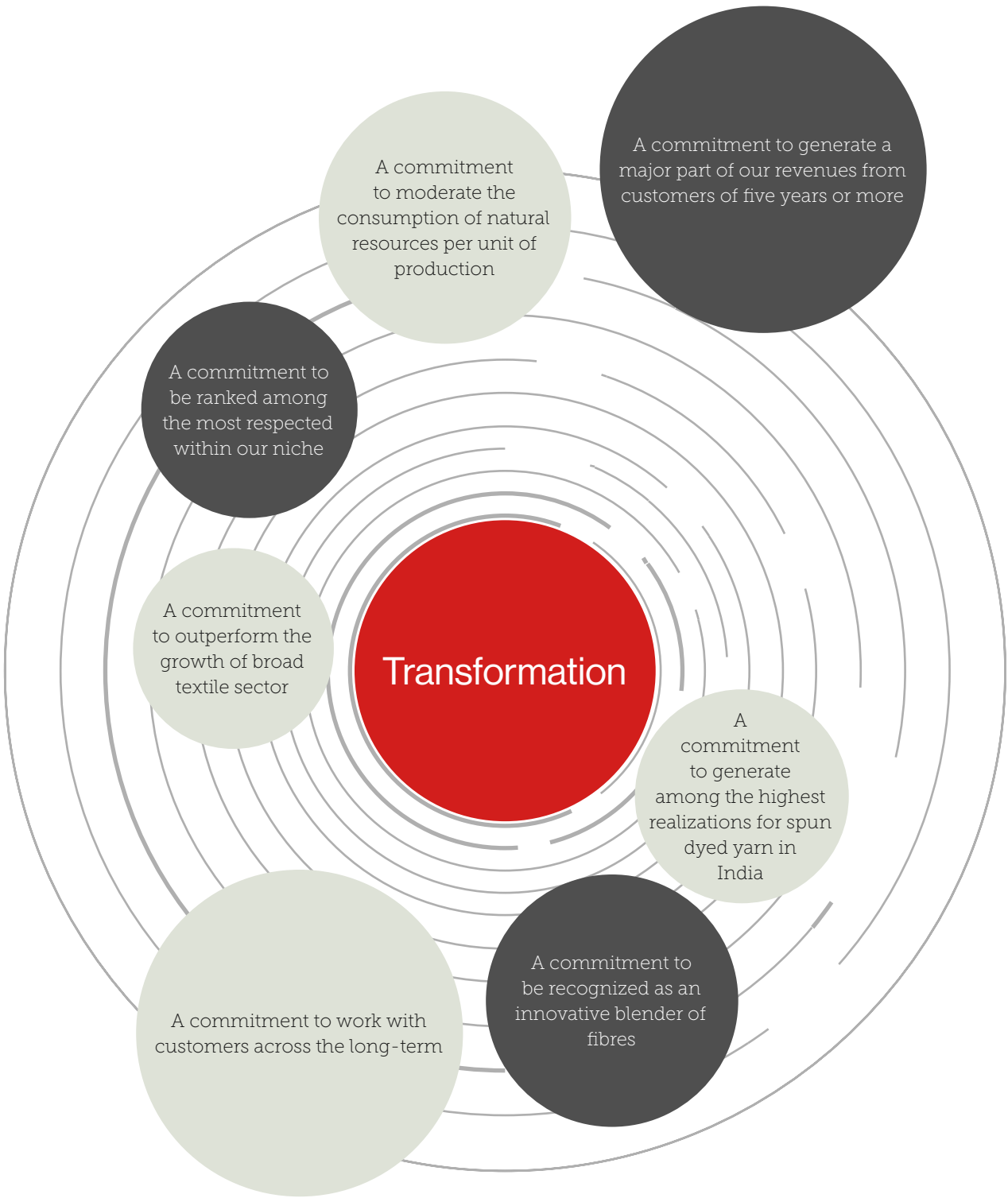
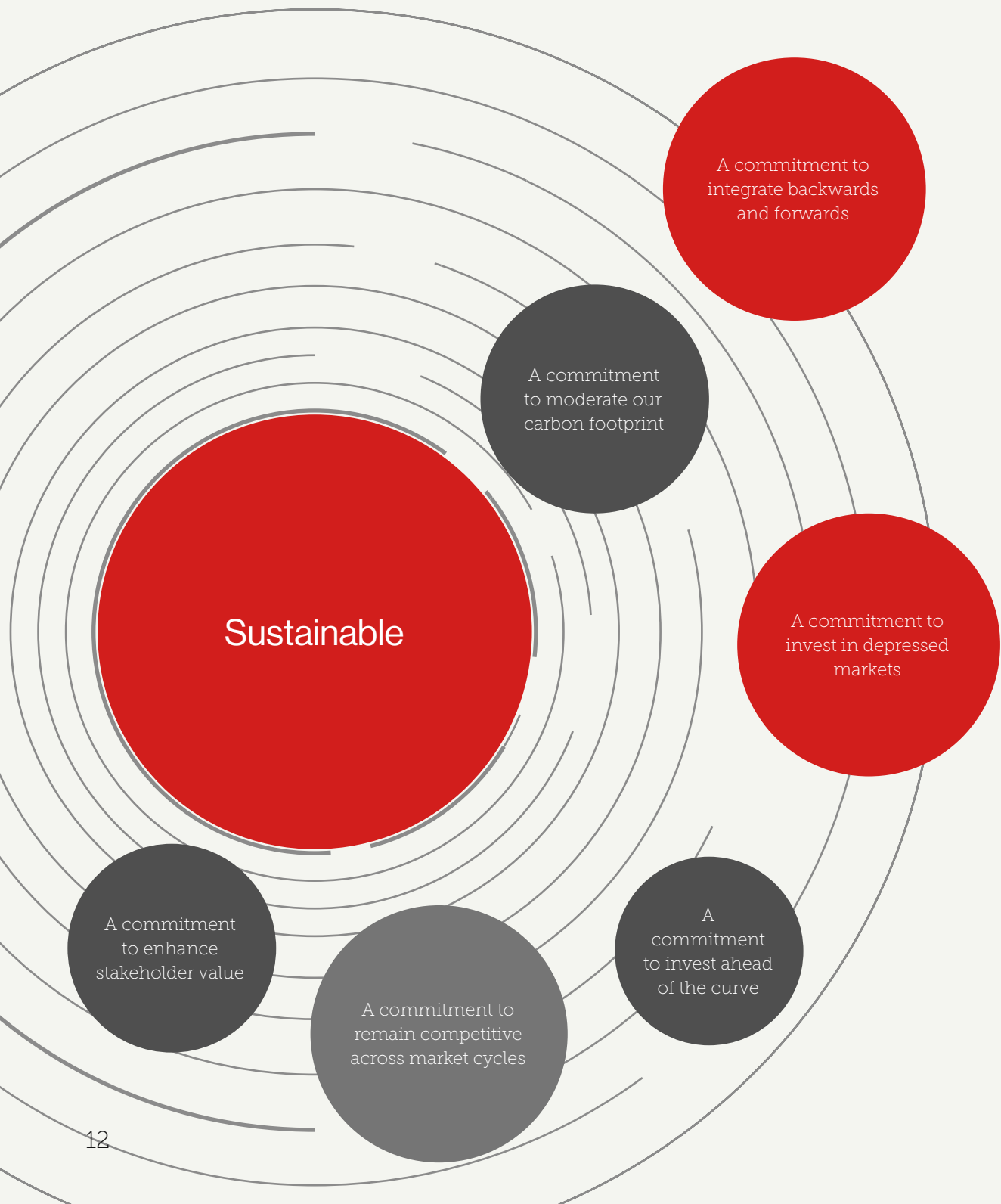
100

Rs. crore, expenditure in modernisation and debottlenecking in FY 2023-24



# Sustainable Transformation

An ethic we have lived across the years





# The global textiles sector: **An overview of the sudden sectorial weakness in FY 2022-23**



The textile industry is facing the ultimate arbiter in times of crisis: consumers. Individuals made slower consumption, seeking to consume less but consume better.

**Overview**

At Sutlej, a significant portion of our revenues are derived from sales to the global downstream fabric sector. Even as the health of the global textile sector is intrinsic to the progress of humankind, the sector is cyclical, marked by periods of robust consumption leading to overcapacity complemented by deep downtrends marked by sectorial shakeout.

The year under review was marked by both phases; the first half of the financial year was marked by buoyant demand and realizations

that arose out of aggressive inventorisation in anticipation of post-pandemic revenge buying. However, once inventories peaked and the buying plateaued, there was a decline in realizations followed by inventory liquidation, precipitating a further decline.

The global textile sector was also affected by an inflation-induced economic stress and energy crisis that had far reaching implications on development issues. The global textile industry was also impacted by a reduction in disposable incomes in the United Kingdom and European Union due to an

economic slowdown in both economies.

**Economic stress:** Global economic growth is expected to reduce from 3.4% in 2022 to 2.8% in 2023 before settling at 3.0% in 2024. This is an estimated restraining sectorial investors from building inventory.

**Energy crisis:** The global population without access to electricity is expected to rise by 2.7% in 2022. Almost 166 to 538 million people (2.4–7.9% of the global population) in 116 countries are potentially moving into energy poverty due to

global energy price spikes, which is moderating their textile offtake.

**Reduction in disposable incomes:** The real household disposable income per capita in the United Kingdom was expected to reduce 3.7% in FY 2022-23, the biggest decline in living standards since 1956 and causing a drawdown in consumption standards.

**Energy supplies at risk:** European textile manufacturers were concerned regarding electricity and gas during the beginning of 2023. Gas and electricity crisis remained a source of tension within Spain and

Portugal that were able to decouple electricity prices from gas prices to moderate their energy bills. An increase in fuel costs affected the profitability of textile players.

**Raw material choice and prices:** The invasion of Ukraine caused price fluctuations during 2022. Synthetic fibres account for around two-third of the global textile fibre output, contributing the lion's share of the output since the cotton crisis of FY 2010-11. While prices gradually declined, most fibres have reached a new normal above the pre-Covid level.

**Inflation:** The textile industry is facing the ultimate arbiter in times of crisis: consumers. Individuals made slower consumption, seeking to consume less but consume better. The forced de-consumption has also been catalyzed by inflation with apparel and footwear no longer being priorities.

(Source: dfupublications.com, imf.org, nature.com, fashionnetwork.com).

The Chairman's **overview**

# At Sutlej, our primary objective is to weather the downturn with minimal impairment to our business model or the Balance Sheet



**C. S. Nopany,**  
Executive Chairman

**Overview**

Your Company grew revenue and profits during the first two quarters of FY 2022-23, but encountered a decline during the last two quarters when a weaker sectorial trend emerged. The decline could have been far greater but for the Company's competitiveness built across the years and responsiveness to the realities of the day.

Instead of waiting for realities to improve, your Company embarked on a concerted response to the prevailing slowdown. This response has been reflected in the theme of this annual report – 'Sustainable Transformation' – which comprises our life cycle response, extending from strategic blueprint to conviction leading to timely action to sustainably positive outcomes. We are optimistic that when the response plays out across the foreseeable future, it will have strengthened the business model, deepened our resistance to similar market cycles and enhanced our capacity to capitalize.

This conviction is not newfound; it was consistently reinforced by the capacity to invest for the long-term on previous occasions, address the premium end of the market, energising the organisation across levels while responding cohesively and uniformly to generate the biggest positive impact. This worked each time, making it possible for the Company to rebound with enhanced vigour. This time the response is going to be no different and we are optimistic that once the sectorial downtrend consumes itself, your Company will be better placed to carve away a larger share of the customer's wallet



Instead of waiting for realities to improve, your Company embarked on a concerted response to the prevailing slowdown. This response has been reflected in the theme of this annual report – 'Sustainable Transformation'



in a sustainable way. When this transpires, the Company will be attractively positioned to capitalize on superior economies on a larger operating platform, building larger enduring value.

**Economic background**

The global economic growth declined from 6% to 3.2% in 2022. The Indian economic growth declined from 8.7% in FY 2021-22 to 7.0% in FY 2022-23, which is still a creditable performance considering that the growth of the previous year was on account of a lower base of FY 2020-21, a year marked by the pandemic. Besides, India's growth was possibly the fastest within the G20 economy and the country retained its position as the fifth largest global economy.

The weakness in global sentiment was largely on account of two

events. The Russia-Ukraine conflict affected global trade and consumer sentiment through the course of the last year. Besides, the trade disruption between US and China affected product movements across continents. These events translated into a structural shift of importance: the world began to consider resource procurement from non-China supply chain partners with the objective of moderating their excessive dependence on China. We consider this preference to have significant global implications; even if a fifth of the global supply coming out of China could move to alternative countries like India, there could be a considerable redistribution of capacity that could transform some of these nations. We are seeing the beginning of this supply chain restructuring and we expect to see the full impact of this when the textile sector demand revives, the beginning of a new multi-year growth journey for countries that can capitalize on this inflection point.

**Priorities**

At Sutlej, our primary objective is to weather the downturn with minimal impairment to our business model or the Balance Sheet.