



the spirit of
challenge

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Report

JUN

What does it take to emerge as one of the world's largest terry towel makers and one of India's largest yarn spinners and agro-residue based paper manufacturers?

What does it take to emerge as one of India's 500 leading companies in 15 years?

What does it take to be recognised as one of India's top 25 companies for adopting good Corporate governance practices?

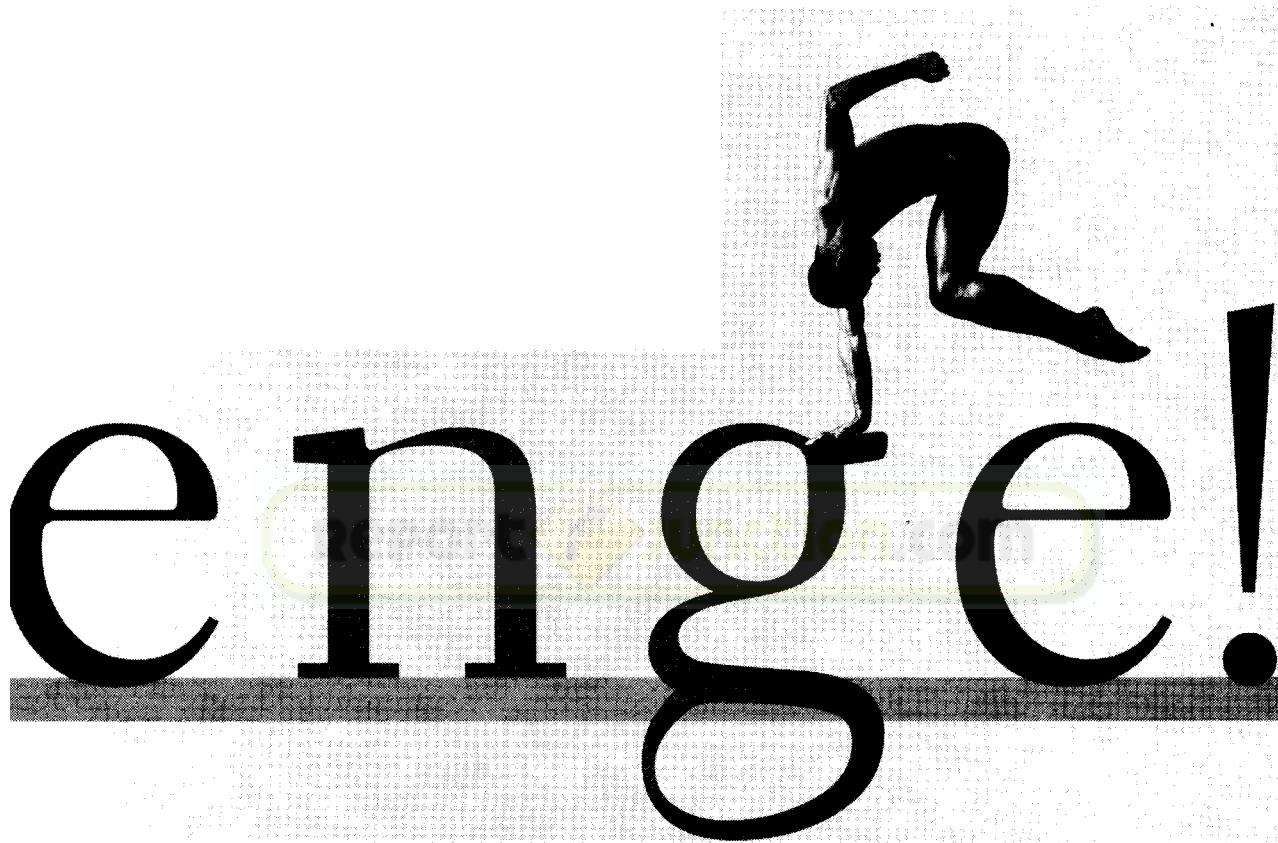
What does it take to emerge as Wal*Mart's International Supplier of the Year 2001 and 2003?

What does it take to export its products to 37 countries across 5 continents?

What does it take to create a company where passion is shared by each of the 6,000 people?

*According to Dini & Bradstreet's India's Top 500 Companies, 2001

...a spirit of
challenge



Defy status quo!

Question paradigms!

Dare convention!

Argue the impossible!



strategy



as entrepreneurs, we progressively identified attractive opportunities across a diversified range of businesses: from yarn to terry towels to paper and chemicals.

And, as an organisation, we responded to the challenge of growing each to industry leadership through the following initiatives:

⑥ Leveraging specific geographical advantages: Low cost of manufacturing and abundant availability of raw material in the textile and paper business, low per capita consumption, and increasing literacy driving paper demand.

⑥ Vertical integration, wherever possible: Backward integration of the terry towel division for in-house manufacture of quality cotton yarn to extend the value chain, capture enhanced margins and protect the business from sharp cyclical downturns.

⑥ A synergic inter-business approach: The use of steam, generated in the manufacture of paper and chemicals in the terry towel business through existing 10MW and the ongoing implementation of a 20MW captive power plant, for consumption by the textiles business. In addition, a significant capacity allows the Company to leverage scale to enhance its return on capital employed (ROCE).

⑥ Raw material proximity: The sourcing of nearly 90 per cent of the total raw cotton of the required count from Barnala, within a 150 km radius of the plant; the use of agro residue like wheat straw, abundantly available in the vicinity of the manufacturing plant.


⑥ Customer orientation: Matching the quality, quantity and cost demands of customers in a competitive world, with on-time delivery.

⑥ Technological capability: Investing in the most contemporary technology in each of the businesses, resulting in improved efficiency in scale and operations.

Result: Abhishek's topline has grown at a compounded annual growth rate (CAGR) of more than 35 per cent over the ten years up to 2004-5, outperforming the average growth of its respective industry constituents.

expansion





as entrepreneurs, we grew capacities across our respective businesses, driven by a proactive approach to creating demand rather than meeting it.

And, as an organisation, we responded to the challenge of commissioning these enhanced capacities at the right time, right scale, and the right cost through the following initiatives:

⑥ **Terry towels:** Investment of Rs 3,330 million to enhance capacity from 112 looms to 268 looms. Phase I (96 looms) has already been commissioned and Phase II (60 looms) will be fully commissioned by the third quarter of 2005-6. This will make the Company's terry towel unit one of the largest in the world.

⑥ **Paper:** Investment of Rs 6,800 million to enhance production capacity through the installation of a new 225 tpd pulp mill and a 275 tpd paper machine, a 20MW captive power plant, besides upgradation of existing facilities. This is being done with the objective of manufacturing value-added varieties free of elemental chlorine. This is expected to be operational by the first quarter of 2007-8 and will enable the Company to emerge as one of the largest paper manufacturers in India.

⑥ **Spinning:** Investment of Rs 1,560 million to increase the production of value-added ring spun yarn through a capacity increase from 78,864 spindles to 1,29,648 spindles to be commissioned by June 2006; investment of Rs 390 million in the manufacture of open-ended yarn through the addition of 1,280 rotors and investment of Rs 150 million on the modernisation of existing yarn spinning operations (already commissioned). This expansion initiative, unique by any domestic manufacturer in the last six years, will enable the Company to emerge as one of the biggest yarn-makers in India.

⑥ **Power co-generation:** Investment of Rs 706.6 million in a 20MW captive power plant to meet the power requirements of the textile business, to be commissioned by June 2006.

Result: the Company incurred a capital expenditure of Rs 3,267 million during a relatively flat 2004-5, the highest incurred in a single year in its history, which will enable it to encash the industry uptrend across the foreseeable future.

excellence

