



Visaka Industries Limited  
Annual report 2009-10



# Response*able*



[www.visaka.in](http://www.visaka.in)

Forward-looking statements

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 realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

Corporate identity **2** ■ Financial highlights 2009-10 **4** ■ Our core competence **6**

Q&A with the Managing Director **8** ■ Divisional analysis **10** ■ Finance review **19**

How we manage our risks **22** ■ Directors’ Report **24** ■ Report on Corporate Governance **32**

Declaration by CEO on Code of Conduct **38** ■ Auditors’ Report **39** ■ Balance Sheet **44**

Profit and Loss Account **45** ■ Cash Flow Statement **46** ■ Schedules to the Accounts **47**

Balance Sheet Abstract **62**

SPEED OF RESPONSE.  
CORE COMPETENCE.

WHEN YOU MERGE THESE  
CHARACTERISTICS, YOU GET  
RESPONSIBLE PERFORMANCE.

LIKE THE ONE WE REPORTED IN 2009-10.

FOR THE BENEFIT OF EMPLOYEES,  
SHAREHOLDERS, SUPPLIERS AND SOCIETY.

# Decline in tonnage sold. Increase in profits. And this was just one of our many achievements in 2009-10.

## Profile

Visaka Industries Limited was started in 1985. The Company is engaged in two businesses – building products (cement asbestos products, and flat products like V Boards and V Panels) and textiles.

## Presence

Headquartered in Hyderabad (Andhra Pradesh) with manufacturing plants across nine regional locations.

### Cement asbestos products

Manufacturing locations: Patancheru (Andhra Pradesh), Paramathi (Tamilnadu), Midnapur (West Bengal), Vijayawada (Andhra Pradesh), Tumkur (Karnataka), Rae Bareilly (Uttar Pradesh) and Pune (Maharashtra).

### Flat products

Manufacturing location: Miryalguda (Andhra Pradesh)

### Textile products

Manufacturing location: Nagpur (Maharashtra)

The equity shares of Visaka Industries Limited are listed on the Bombay and National Stock Exchanges. The promoters hold a 37% stake in the Company's equity share capital.

## Production capacities

### Cement asbestos products:

652,000 TPA (to go up to 762,000 TPA by October 2010)

**Flat products:** 60,000 TPA for V Boards and V Panels 1,50,000 numbers per annum equivalent to 10,300 TPA

**Synthetic yarn:** 28 MTS machines equivalent to 50,000 spindles.

## This is what we achieved, 2009-10

### Building products business

- The Company produced about 602,000 MT of cement asbestos products in 2009-10 as against 550,000 MT in 2008-09.
- The division reported an overall capacity utilisation of 92%
- Sales declined 5% from 585000 MT in 2008-09 to 558000 MT; industry market share grew from 16% to 16.50%
- Multi-unit electricity consumption per tonne of the end product was the lowest in the industry.
- The capacity of the revamped Pune plant was enhanced from 70,000 TPA to 100,000 TPA (effective January 2010)
- The Company launched V Panels in January 2010 and marketed V Boards in Middle East

### Textile business

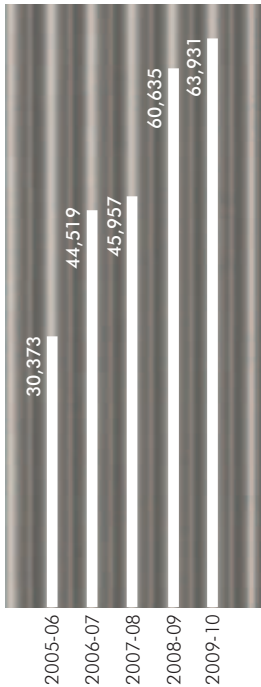
- Domestic sales increased from 6500 MT in 2008-09 to 6950 MT
- Yarn was exported to 16 countries; the Company entered USA for the first time
- Nep-free black yarn was manufactured for the first time in India, leading to the production of impeccably smooth fabric.
- Nearly 8705 MT of yarn was produced (8741 MT in 2008-09)
- Average yarn realisation increased from Rs 126 per kg in 2008-09 to Rs 135 per kg

### Board room decisions

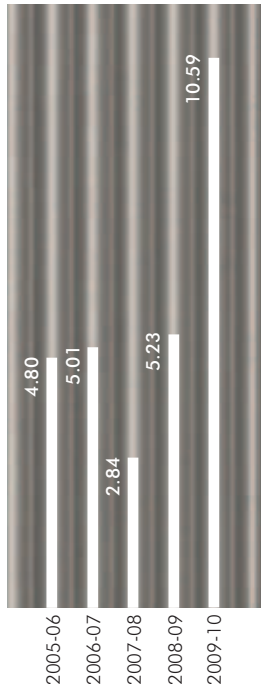
- Gearing was strengthened from 0.90 in 2008-09 to 0.70
- The creation of a eighth manufacturing unit (110,000 TPA) at Sambalpur (Orissa) was commenced

We didn't just report better numbers in 2009-10. We strengthened our overall business.

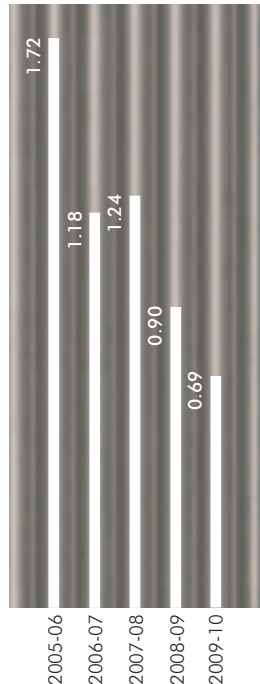
Revenue (gross) (Rs lakhs)



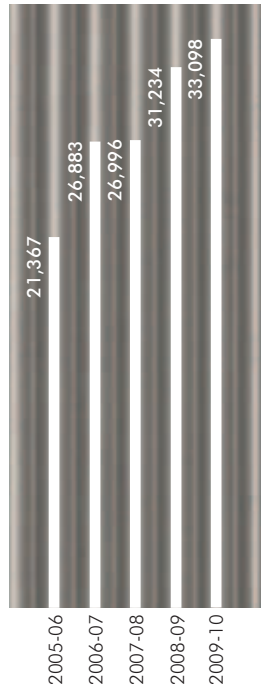
Interest cover



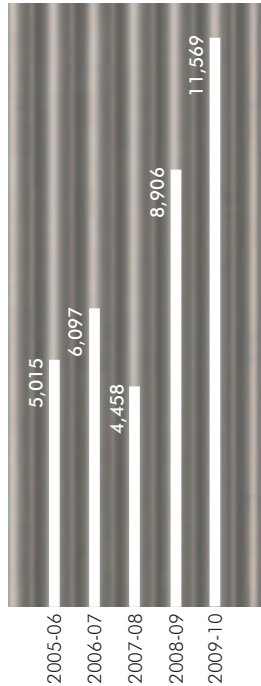
Debt-equity ratio



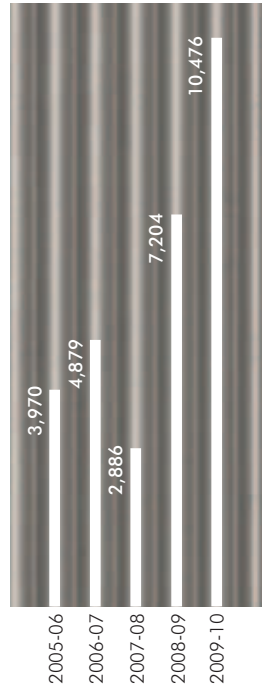
Gross block (Rs lakhs)



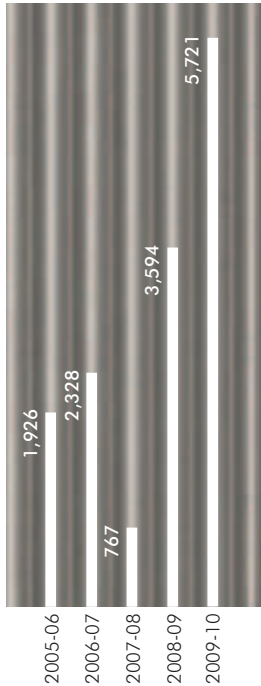
Operating profit (Rs lakhs)



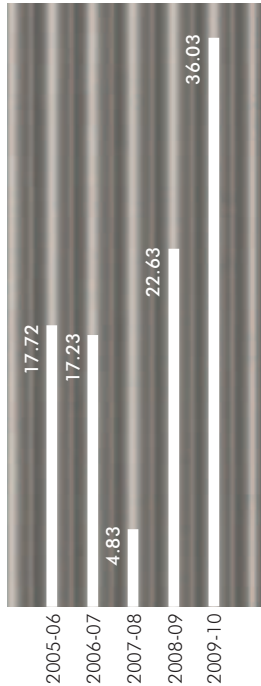
Cash profit (Rs lakhs)



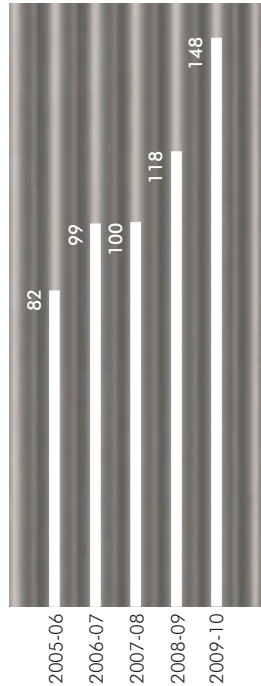
Post-tax profit (Rs lakhs)



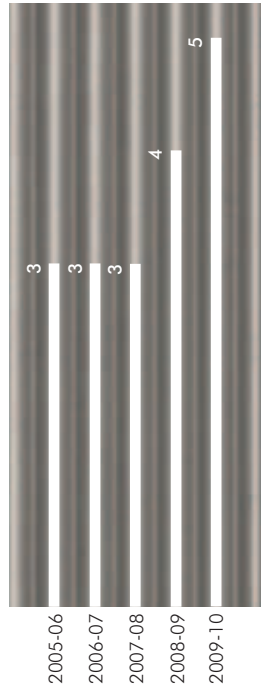
Earnings per share (EPS, basic) (Rs.)



Book value per share (Rs.)



Dividend per share (Rs.)



\*Declared



# Our core competence

## Building products business

**Speed of growth:** The Company was the seventh largest cement asbestos product manufacturer in India in 2000; it is the second largest today

**Scale:** The Company possesses the second largest production capacity of cement asbestos products in India.

**Operational excellence:** The Company's electricity consumption is the lowest in its industry.

**Fabrication capability:** The Company's engineering capability helped design and fabricate cement asbestos product manufacturing equipment for four of seven plants, reducing cost (30%), increasing customisation and shrinking

delivery tenure

**Commissioning speed:** The Company demonstrated a capability to commission cement asbestos products of 100,000 TPA within nine months from ground breaking.

**Productivity:** The Company possesses the engineering insight to scale cement asbestos product production to 100% of capacity within four months of start-up, accelerating returns. The Company reported an overall capacity utilisation of 92% for 2009-10

**Intellectual capital:** The Company's 3,200 employees represent the best industry talent of engineering, production, marketing, commercial and

quality management capabilities.

**Competitive:** The Company's 652,000 TPA production capacity of cement asbestos products corresponds to a modest Rs 190.87 cr of gross block investment at historical cost (about Rs 3000/MT)

**National:** The Company's cement asbestos product manufacturing locations are nationally dispersed to address regional needs – four in south India, one in North India, one in East India (to become two) and one in west India.

**Product mix:** The Company's building products division also comprises fibre cement boards (non-asbestos) used in

urban and semi-urban interiors.

**Distribution:** The Company generally markets directly to retailers as opposed to the conventional company-distributor-retailer model, resulting in a better knowledge of marketplace realities

**Market share:** The Company's Visaka and Shakti brands account for 16.5% market share.

## Textiles business

**Margins:** The Company has consistently clocked among the highest margins in its industry segment.

**Engineering excellence:** The Company has successfully produced the challenging product of dyed yarn at

speeds higher than equipment manufacturer's recommendation.

**Scale:** The Company possesses the single largest twin airjet equipment installation in India and one of the highest such installations in the world.

**Standard:** The Company's products figure in the top five percentile of Uster standards in the world.

**Niche:** The Company is present in niche segments of what is widely perceived as a commodity business. We make polyester spun yarns as well as counts that range from 30s to 76s counts (double yarn) used in the value-added segment of home textiles.

**Productivity:** The Company's twin airjet productivity is among the highest levels in the world

## Corporate

**Gearing:** The Company possessed a comfortable gearing of 0.70 at the end of 2009-10 with a high interest cover of 10.59.

**Low attrition:** The Company enjoys high talent retention – in excess of 10 years – at the senior levels, indicating stability and experience.

**Business mix:** The Company's mix of business – textiles and building products – are relatively counter-cyclical

## We were the first in our industry...

...to shift our marketing focus from government and urban offtake to the vast potential of India's rural markets as early as the turn of the century. The result has been an increase in the rural proportion of our offtake from 20% in 2000-1 to 80% in 2009-10

... to scale the rollout of 8000 tonnes per month plants with in-house fabrication capabilities.

...to decentralise manufacturing capacity as against the conventional model of scaling all capacity at a central location; the result is that no Visaka building products plant accounts for more than 17% of the Company's production

... to demonstrate significantly lower electricity consumption in our building products manufacture

... to successfully implement the Company-retailer distribution model as against the conventional company-distributor-retailer approach

# "We reported an attractive margin increase as both our businesses performed better"

G. Saroja Vivekanand, Managing Director, reviews a successful 2009-10

## Q: Were you happy with your Company's working in the last financial year?

A: The Company reported a record performance during the last financial year when our topline grew 6% whereas our post-tax profit strengthened by 59%. This was primarily the result of both our businesses being in excellent health. The cement asbestos products business enjoyed robust offtake across the year, the broad industry growing by around 10%.

Our textiles business also reported a dramatic rebound, almost doubling its EBIDTA margin over the previous year. With both businesses in good health, the Company reported an increase in its EBIDTA margin from 15.5% to 19% in 2009-10.

## Q: What are the fundamental reasons why there was an attractive increase in demand across both businesses?

A: Even as the world was recovering from the economic slowdown, India reported stronger rural incomes. This happened for two reasons: one, India's rural population was not as affected by the global slowdown because of the major dependence of its economy on food products, the consumption of which did not decline during the slowdown; two, India's rural economy was driven by fair monsoons, increase in farm procurement prices, a robust remittance economy and an NREGA trickle-down effect. The result was a larger disposable surplus in the hands of India's population of rural consumers.

Historically there has been a correlation between an increase in rural incomes and the offtake of our products (especially building products). For a good reason: there is still a large proportion of *kutcha* houses in rural India and as soon as incomes rise there is an inclination to use superior building material on the one hand and not overspend on the other. Since cement asbestos products serve as an economical intermediate product between roofing tiles and cement, our offtake continued to be robust through 2009-10. The result was that realisations strengthened with no corresponding increase in overheads and the industry was able to pass on cost increases to customers, which translated into enhanced sectoral profitability.

## Q: It would have been easy to ride this uptrend. How did Visaka build a stronger business?

A: We strengthened our business through various in-plant and out-plant initiatives:

- We strengthened our balance sheet through the repayment of Rs 24 cr of term loans, improving our gearing from 0.90 to 0.69 in 2009-10
- We utilised only 30% of our working capital sanction
- We leveraged weak financial markets to reduce our borrowing cost
- We invested Rs 16 cr in equipment upgradation at our old Pune plant, which will translate into a higher output and production efficiency, the effect of which will be reflected in 2010-11
- We reinforced our production capacity to manufacture other nascent but attractive building products like panels and boards, widening our industry presence

The result of these initiatives is that we reported a higher EBIDTA margin and an even higher incremental EBIDTA margin during 2009-10 on the one hand and built a more sustainable business on the other.

## Q: There was a decline in the tonnage of cement asbestos products that the Company sold in 2009-10. Why? What is the Company doing to correct this?

A: The decline was mostly on account of the suspension of production at our Pune plant for a part of the year due to the need to upgrade capacity. At Visaka, we are seized of the need to enhance our overall production capacity without delay. In view of this, we embarked on the decision to commission a 110,000 TPA cement asbestos products plant in Sambalpur (Orissa) by the third quarter of 2010-11. This will increase our overall production capacity from 6.52 lakhs TPA to 7.62 lakhs TPA, resulting in a projected growth in the production of cement asbestos products in 2010-11 and 2011-12. This we expect will enhance the revenue potential of our building products division. At Visaka, we are optimistic of enhancing shareholder value as we are commissioning the fresh capacity through debt and accruals without touching our equity structure. Besides, with a debt-equity ratio of 0.7, the Company possesses attractive financial leverage to sustain its growth without compromising the quality of its balance sheet.

## Q: How is the Company's textiles business expected to contribute to this upturn?

A: The Company's textiles business is experiencing the twin benefits of higher realisations and stronger offtake. The business grew its profits and margins in 2009-10 and based on prevailing trends, is poised for the second straight year of robust growth. We must assure that any need to reinvest and strengthen this business will be addressed after taking into account the prudential norms of investment and returns without compromising the Company's financials or its ability to report sustainable growth.

## Q: What challenges and opportunities does the Company face in 2010-11?

A: The Company will need to address the probability of higher fibre prices, higher interest costs, higher attrition, higher people costs and an increase in industry capacity from 4 mn TPA to 4.7 mn TPA, which will be faster than market growth.

Our opportunities comprise the prospect of a good 2010 monsoon, increased government spending in rural infrastructure, an increased NREGA outlay and a projected GDP increase.



Divisional analysis

# BUILDING PRODUCTS DIVISION

Net turnover: Rs 484.65 cr, 2009-10

Proportion of the Company's turnover: 80%

## 1. Cement asbestos products

India's cement asbestos product sector has expanded attractively over the years, driven by a growth in rural India and a continued pricing advantage over alternative materials. For instance, the 24 gauge galvanised iron roofing material used to be 25-30% more expensive; even though the two products are priced more comparably today, consumers prefer the cement asbestos product as it is more durable and comfortable.

The industry experienced an imbalance a few years ago but robust demand upturn has stabilised industry prospects. The industry grew 18% in 2005-06 and 2006-07 and thereafter stabilised at 10% in 2009-10. The industry size is consolidated and estimated at 4 mn MT per annum, with the four leading manufacturers accounting for 65% of the country's market.

**Market:** Cement asbestos products are largely used in rural and semi-urban

India. The cheapest rural roof is thatched and used by the economically weak segment. From thatched roofs, consumers graduate to red clay tile roofs and then to cement asbestos products and concrete slab roofing. Even as almost 80-85% of rural people use thatched roof/tiles for shelter, these roofs need regular replacement and maintenance. Therefore whenever economic conditions improve, their first decision is to replace this roof with affordable and durable cement asbestos products.

The cement asbestos product caters to clients at the bottom of the pyramid with an average ticket size of approximately Rs 4000 per household, translating into less than 15% of house construction costs. Nearly half the country's rural population lives in *kutch*a and semi-pucca houses; the industry's growth is derived from the opportunity of transforming these into pucca houses. In rural India, shelter is the most basic requirement after food and clothing. Housing shortage in rural India is 14.6 mn units (11.4 mn on account of

replacement and additional 3.2 mn of new units) as per NABARD. Investments in shelter by the rural poor (~42% of the rural population and includes section like small and marginal farmers with land holdings below 2 hectares and agricultural laborers) is high and only next to food. The ability to pass on raw material increases to consumers is limited by affordability constraints in rural India. The government is catalysing rural housing through schemes like the Indira Awas Yojna (wherein allocation was increased 63% to Rs 88 bn in Budget 2009-10), Rural Housing Fund (wherein allocation was Rs 20 bn in Budget 2009-10), Pradhan Mantri Adarsh Gram Yojana (wherein allocation was Rs 1 bn in Budget 2009-10). Given that 70% of India's population is rural, the sector addresses a market of around 80 cr consumers, one of the largest rural population types in the world. On account of this large market size, the industry enjoys a lower sales and profit beta than, say, the steel industry.

Rural income, which accounts for ~ 56-60% of India’s income, depends largely on factors like growth in non-agricultural income, crop yields and prices, irrigation availability, monsoonal volatility, bank credit availability etc. Even as agricultural productivity (crop yields) has remained stagnant for some time, the increase in government minimum support prices helped enhance rural incomes.

Bank credit for agricultural and allied activities clocked a CAGR of 25%, loans to small and micro enterprises grew at a CAGR of 42% and rural deposits with banks increased at a CAGR of 17% for the period March 2006 to March 2009. This increase in rural credit and deposits might have had a positive impact on the demand for roofing in the last fiscal as roof building comes with a lag effect (with loan repayment and other primary necessities being an immediate priority).

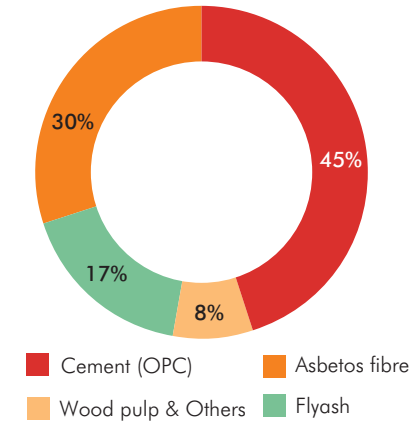
**Portfolio diversification:** Given the limited ability to pass higher costs to consumers, manufacturers diversified into allied (urban-focused) and non-allied (industry-focused) segments. With ‘green building’ gaining credence, key roofing sector players diversified into allied products like cement blocks, boards, panels etc used in cladding solutions, roofing, false ceilings, partitions etc. As a result, manufacturers are evolving from roofing companies to building product organisations, evolving from selling products to rural consumers to marketing them to architects, interior decorators etc. The product diversification has been different for different players comprising building panels and aerated autoclaved concrete blocks to thermal insulation and steel building products.

**Industry barrier:** The cement asbestos

product industry is marked by high entry barriers for small entrants in the relative absence of an unorganised market. Strong branding and distribution play a major industry role. As asbestos is a sensitive subject, safety standards in manufacture and use are high. Manufacturers are subject to clearances from Pollution Control Boards, environment clearances from the Central Environmental Ministry, constant audits related to employee health and safety as well as the submission of reports and evidences that address concerns. The need to be under ongoing surveillance serves as an entry barrier.

**Raw materials:** Cement asbestos product manufacturers use cement (OPC), white asbestos fibre (Chrysotile), wood pulp and flyash as raw materials. Chrysotile is completely imported from countries like Canada, Brazil, Russia, Zimbabwe and Kazakhstan. Flyash is easily available from thermal power plants where it is a waste material. Industry profitability is linked to the prices of cement and asbestos.

Cement fibre sheet composition (volume)



\*Imported raw materials (Asbestos Fibre and Wood Pulp) account for 60% of the raw material cost.

**Location:** The freight cost of cement asbestos products accounts for 7-10% of sales. The inward transportation of raw materials and outward transportation of finished goods are profit-impacting; the closer a manufacturer is to both, the more profitable. As a result, companies are constantly striving to market finished goods close to consumption points.

**Branding and distribution:** Branding is important in a business where the decision has long-term implications and accounts for a relatively high proportion of rural income. In some cases, an extended industry presence has translated into brand visibility and premium realisations.

**Seasonality:** Generally, the April–June quarter is the best for the cement asbestos product industry followed by January–March. The July–September quarter is generally the weakest in terms of offtake as construction decisions are generally postponed on account of the monsoon.

Quarter-wise Sales Performance	Ranking
Q1 (April-June)	1
Q4 (January-March)	2
Q3 (October-December)	3
Q2 (July-September)	4

**Global:** India uses only about 7% of the asbestos produced in the world. The country is among the largest cement asbestos product users in addition to Russia, China, Indonesia, Thailand and Brazil. Over 90% of India’s asbestos fibre imports are used in corresponding roofing sheets and pipes production.

Corporate review

The Company possessed 652,000 TPA of installed capacity of cement asbestos products. The Company’s revenues from this product accounted for 79% of its total revenue for 2009-10. The Company retained its position as the second largest cement asbestos product manufacturer in India with a 16.5% market share.

The division set a production target of 650,000 MT for 2009-10 but the closure of Pune operations for four months on account of technology overhaul resulted in a target re-rating. The Company produced 601,000 MT in 2009-10 as against 550,000 MT in 2008-09.

The division reported an overall capacity utilisation of 92%; the Rai Bareli and Midnapur units performed higher than rated capacity (100%).

Sales declined 5% from 585000 MT in 2008-09 to 558000 MT even as market share grew from 16% to 16.50%.

Highlights, 2009-10

- The Pune plant was revamped, enhancing its production capacity from 70,000 TPA to 100,000 TPA (effective January 2010)
- The division’s focus on stronger viability reflected in an increase in realisations.

Strengths

The division continued to make a product superior in load bearing capacity (the industry’s most visible measure) to the government-recommended standard; it consistently exceeded the ISI requirement of 525 kgs

per centimetre square with a production standard of 650-700 kgs per centimetre square, translating in enhanced brand acceptability. The division’s production was supported by a field force of 120 members servicing the needs of 6000 pan-Indian retailers. The Company’s products were available down to villages with populations of 5000. The Company strengthened its ability to provide material in small quantities with a greater frequency, inspiring retailers to store less and enhance their working capital efficiency. The division focused on accelerating receivables. The division strengthened its brand through sustained outdoors vernacular advertising, meeting decision makers, marketing the ‘perfect shelter’ concept and making products available with retailers at all times. The division enhanced its visibility through periodic interactions with customers, interacting with architects, government engineers and poultry farmers as well acquire a presence in poultry melas.

Outlook

- The division expects to strengthen production in 2010-11
- The division expects to commission its 110,000 TPA Sambalpur plant in the third quarter of 2010-11 and address a growing market in the East
- The Pune plant is expected to increase production from 57,341 MT in 2008-09 and 38,163 in 2009-10 to closer to its rated capacity of 100,000 TPA
- The division focuses on volume growth in 2010-11 (following a 4% decline in 2009-10)



Strengths

1. Product durability marked by water, fire and termite resistance
2. Price attractiveness over particle board and plywood to the extent of 15%.
3. Superior strength and sound absorption.

Weakness

- 1 Cement presence makes the product heavier.
2. Low product awareness warrants stronger marketing

Opportunities

1. Growing movement away from timber and wood-based products.
2. Increasing demand from the prefab sector, door application in rural housing and false ceilings in textile mills.
3. Growing exports to Middle East and Africa.

Threats

1. Competition from low cost products (sheets with bamboo and gypsum components).
2. No industry entry barriers
3. Cheaper imports (particularly for low thickness boards).



2. Fibre Cement Sheets (Non-asbestos)

Overview

There is a growing use of flat products like V Panels and V Boards on account of their environment friendliness and price attractiveness over competing substitutes without compromising quality features.

The market for particle boards and medium density fibre boards is estimated at 207,000 tons per annum in panels for interiors, partitions, panelling, door panels, mezzanine flooring etc. in offices, homes and projects. A major quantity is addressed through imports. A shift in application from plywood, particle boards and MDF boards to cement fibre sheets will enhance demand.

The Company’s building products division manufactures flat products like V Boards and V Panels. These products are cement fibre sheets, used wherever particle board and plywood are used in internal structures as well as external prefab applications. The Company possesses an installed capacity of 60,000 TPA, the third company in India to manufacture these emerging products.

**V Boards:** The production of this non-asbestos product went on stream in 2008. The raw materials used in the manufacture of this product comprise cement, fly ash and cellulose fibre. The dale of cement bonded boards witnessed steady growth following enhanced product awareness, shift from timber products to cement fibre sheets due to advantages of fire, water and

termite resistance over plywood and particle boards; for reasons of affordability; being maintenance-free; best used where particle board cannot be employed; enjoy a low cost of erection and can be put in place by an ordinary carpenter; facilitate transportation savings as it is easier to carry finished products rather than deliver a raw material that needs to be mixed on site; safe in seismic zones. The Company possesses an installed capacity of 5,000 TPM for this product.

Highlights, 2009-10

We possess an all-India network of 70 distributors and are plan to appoint 50 new distributors during 2010-11. From August 2009 we entered the Middle-East and for the financial year

2009-10 a sale of 1100 tons was reported. For the current year 2010-11 a sale of 7200 tons is expected.

**V Panels:** This non-asbestos product is attractively positioned for use in interiors. Created out of cement, fly ash and polystyrene beads, the product is positioned as a plywood substitute on account of its pricing. Ideal for disaster-prone areas, the product is low on

maintenance. Since it is thinner, it enhances interior living area and is ideal in locations of high real estate cost. Its weight is lower than bricks. It is quicker to erect and matches wall strength and axle load. It is labour-efficient as it can be erected by just three individuals. It can be reused at a different location.

The Company possesses an installed capacity of 500 panels a day. It started

commercial production from January 2010 and supplied products to GMR, Punj Loyd, Shapoorji Pallonji, Soma Enterprises, TCS, Gujarat Ambuja Port, Eenadu Group, Coastal Projects, Uranium Corporation, Larsen & Toubro etc.. The product was preferred on account of its weight ratio and drive wall concept.



This increase in rural credit and deposits might have had a positive impact on the demand for roofing in the last fiscal as roof building comes with a lag effect (with loan repayment and other primary necessities being an immediate priority)



The government’s rural housing push

**Budget 2010-11 on housing schemes:** For 2010-11, India’s Finance Minister proposed to provide Rs 66,100 crore for rural development. The Finance Ministry introduced a new expenditure class in the demand for grants of the Ministry of Rural Development, unprecedented in any budget. **Bharat Nirman:** Bharat Nirman made a substantial contribution to the upgradation of rural infrastructure through various programmes. For the year 2010-11, the Finance Minister proposed to allocate an amount of

Rs 48,000 crore for these programmes. **NREGA:** With rural development a priority, NREGA allocation was stepped up from Rs 39,100 crore to Rs 40,100 crore in 2010-11. More than 4 crore households in rural areas benefited from the National Rural Employment Guarantee Act, more than half from the marginalised sections. Higher public spending on programmes of rural development raised incomes in those areas. **Indira Awas Yojana:** Indira Awas Yojana provides houses to the rural poor. Taking note of an increase in the

cost of construction, the Finance Minister proposed to raise the unit cost under this scheme to Rs 45,000 in the plain areas and Rs 48,500 in the hilly areas. For 2010-11, the allocation for this scheme was increased to Rs 10,000 crore. The target group of the scheme comprised below poverty line households living in rural areas, belonging to Scheduled Castes/ Scheduled tribes, freed bonded labourers, minorities in the BPL category, non-SC/ST BPL rural households, widows and next-of-kin of defence personnel/paramilitary forces killed in action and residing in rural areas

(irrespective of their income criteria), ex-servicemen and retired members of India’s paramilitary forces. **Bharat Nirman:** Bharat Nirman was a time-bound business plan for action in rural infrastructure from 2005 to 2009, covering irrigation, roads, rural housing, rural water supply, rural electrification and rural telecommunication connectivity. **Golden Jubilee Rural Housing Finance Scheme:** The Scheme’s objective was to provide improved access to housing credit to help an individual build a modest new house or improve or add to his old dwelling in

rural areas against a normal rate of interest, the provision of institutional credit to individuals desirous of constructing/acquiring new dwelling units and for improving or adding to existing dwelling units in rural areas. The targets under the Scheme increased from 50,000 units in 1997-98 to 250,000 units in 2004-05 to 350,000 units in 2008-09. More than 2.2 million dwelling units were constructed. **Rural Housing Fund:** Rural Housing Fund 2008 aims at lending towards rural housing initiatives undertaken by people falling under the weaker section category. Primary lending institutions are

expected to utilise this refinance assistance and assist persons with shelters of their own by extending need-based housing loans. **Productive Housing in Rural Area:** National Housing Bank launched a new programme called Productive Housing in Rural Areas (PHIRA) under which a composite loan of housing and income generation is extended. The objective of this scheme is to facilitate the construction of houses for rural families and provide sustainable income to the rural poor to catalyse their repayment.

Divisional analysis

# TEXTILE PRODUCTS DIVISION

**Net turnover:** Rs 120 cr, 2009-10

**Proportion of the Company's turnover:** 20%



## Overview

World man-made fibre production strengthened in 2009. Synthetic fibres accounted for most of the increase and almost the entire rise in synthetic fibre output was due to production growth in polyester with a corresponding decline in the share of natural fibres. Indian man-made fibre output rose by 10.2% after a 7.2% drop in 2008.

The Indian government encouraged the export of raw cotton in 2009-10, which had a trickle-down industry effect that strengthened synthetic yarn realisations. With local margins rising, there was a shift in focus from the export of yarn to the manufacture of fabric and garment, resulting in national value-addition. Besides, the Indian consumption of textile products grew on account of an increase in incomes, a younger earning population and a demographic dividend. The Indian textiles industry capitalised on low labour costs, large market, increased offtake of quality products, domestic offtake being higher than export and receptivity to newer varieties.

India's textile sector grew 5-6% in 2009-10.

## Corporate review

The Company possessed an installed capacity of 50,000 spindles. The Company's revenues from this product accounted for 19% of its total revenue for 2009-10. The Company grew its domestic revenue in 2009-10, marketing 6500 MT within the country in 2008-09, 6950 MT in 2009-10 and a targeted 7000 MT in 2010-11. The division increased the domestic share of its revenues from 50% to 70% in 2009-10. There was a global slowdown in offtake in 2008-09 but exports increased thereafter every successive quarter.

The Company diversified into the manufacture of textiles in 1992. It invested in state-of-the-art twin air jet spinning technology from Murata (Japan) with 28 MTS machines equivalent to 50,000 spindles. The Company annually produces about 8,100 tonnes of yarn covering melange yarns, grandrelle yarns, high twist yarn and specialty yarns with different blend styles.

The Company has the distinction of being the largest unit in the world of

MTS installation with one of the highest productivities and efficiencies. The Company's adherence to stringent quality control earned it the prestigious ISO certification in 1995 and Star Export House status in 2008. It also earned acclaim for its quality consistency, on-time delivery and friendly service. The Company's yarns are environmental friendly and certified as per demanding OEKO-TEX standards from July 2008 onwards.

The Company's yarn products are used to manufacture a range of fabrics including shirting, suiting, fashion fabrics, upholstery and embroidery laces. Its products are marketed to customers in Italy, Belgium, U.K., U.S.A., Spain, Germany, Australia and Turkey.

The Company's air jet yarns enjoy the advantages of low pilling, no singeing, excellent dye pick up, low picks per inch, low weaving cost, low value loss / fresher piece length, perspiration absorption, low shrinkage and smooth appearance value.