



SUTLEJ TEXTILES AND INDUSTRIES LTD

Q4 & FY14 Results Presentation - May 13, 2014



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COMPANY OVERVIEW





Sutlej Textiles and Industries Limited- At a Glance

#1

Spun Dyed
Yarn Manufacturer

261,736

Total Capacity
(Spindles)

92

Total Capacity
(Looms)

336

Total Capacity
(Rotors)

136,840

No. of Spindles added
(Last Decade)

11,500+

No. of
Employees

13% CAGR

Last 4 years
Revenue Growth

19% CAGR

Last 4 Years
EBITDA Growth

49% CAGR

Last 4 Years
PAT Growth



Company Overview

Sutlej Textiles and Industries Ltd (STIL) is India's largest Spun Dyed Yarn manufacturer and leading player in Value added / Specialty yarns

Product Mix

- One stop shop for all types of yarn
- Focus on Value added yarns – Spun Dyed Yarn, Cotton Mélange
- Diversified offerings with presence across value chain with – Yarns, Fabrics & Home textile furnishing

Marquee Clients



Manufacturing Snapshot

- Manufacturing units (4) – Jammu & Kashmir, Rajasthan & Gujarat
- Total Capacity: Spindles – 261,736; Rotors – 336; Shuttle less looms – 60; Home Textile looms – 32;
- Employs over 11,500 people

Domestic and Global Presence

- Marquee clients in domestic markets
- Global footprint with presence across 60 countries across
 - Europe,
 - North America,
 - South East Asia



Product Offerings



FY14 - Segment wise Revenue (%)

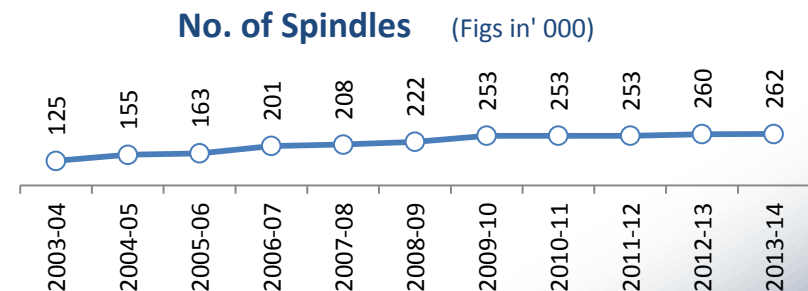
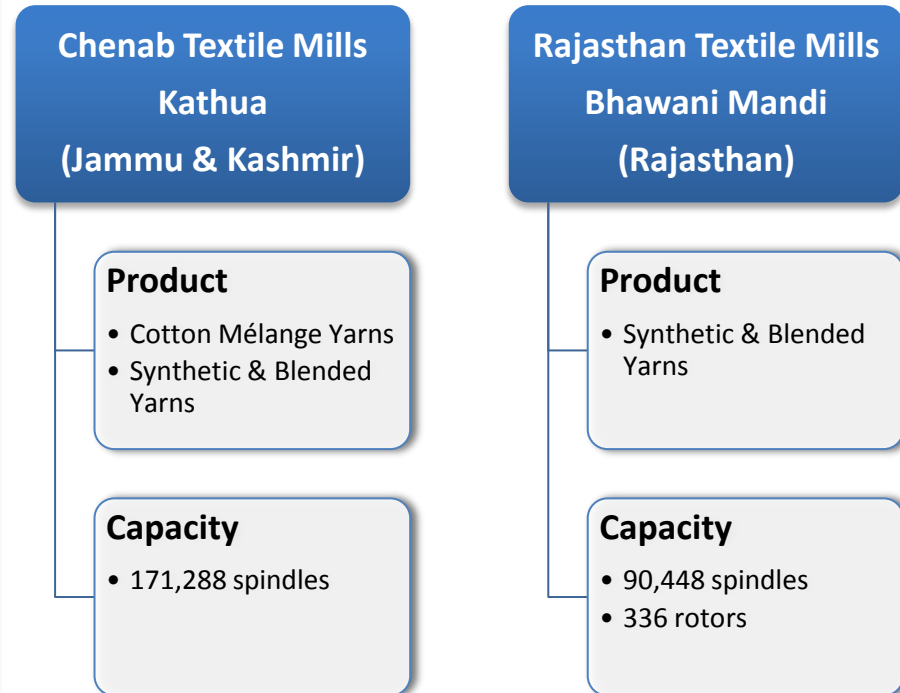




One stop shop for value added dyed Yarns....

- 1 **Focused player in Niche product segment** – Leading player in specialty / value added yarns
- 2 India's largest spun dyed yarn manufacturer
- 3 Amongst few manufacturers **capable of producing of all types of spun dyed yarns**
- 4 **Diversified Product Portfolio** –
 - Value added synthetic yarns - *Modal, Lycra, Tencel, Coolmax, Bamboo yarn*
 - Specialty Yarns - Cotton mélange
 - Cotton & blended yarns
- 5 **Spinning capacity of 261,736 spindles and 336 Rotors** (as of March, 2014)
- 6 **State-of-art-technology** - ~ 69% of spindlage aged less than decade old (Best in the industry)
- 7 **Strategically located Manufacturing facilities** – Jammu and Kashmir, Rajasthan

Manufacturing units





Fabrics & Home Textiles

Home Textiles

- 1 **Diversified Portfolio** - Progressed up the value chain by entering the segment in 2006
- 2 Producer of wide array of furnishing fabrics & made-ups
- 3 Segment expansion through tie-ups with reputed European design studios
- 4 Segment's contribution to overall revenues: 2.1%

Fabrics

- 1 **Diversified Portfolio** - Progressed up the value chain by entering the segment in 2000-01
- 2 Producer of high quality special value-added and innovative fabrics
- 3 Segment expansion through tie-ups with foreign marketers and local manufacturers
- 4 Segment's contribution to overall revenues: 4.1%

Manufacturing unit

Damanganga Home Textile Daheli Gujarat

Product

- Home textiles furnishing

Capacity

- 2.5 million meters per annum (32 shuttle less looms)

Damanganga Fabrics Daheli Gujarat

Product

- Fabrics & processed fabrics

Capacity

- 4.9 mn mtrs (fabric) (60 looms)
- 20 mn mtrs (Processed fabrics) p.a.



(as of March 2014)



Operating Levers



Sourcing Raw Material Efficiencies

Multiple Raw Material inputs – efficiently manage input volatility

Innovative R&D in sourcing Raw Materials – facilitates raw material substitutes leading to lower volatility in input costs

Procurement management – sourcing from reputed manufacturers resulting in lower process losses



Proficient Manufacturing Processes

Best-in-industry utilization levels – Continuous modernization with ~69% of spindles less than 10 years old; latest and highly automated system in place

Strategically located units – Availing various Central Government & State Government incentives

Access to continuous power supply at economical rate – low process losses & downtime



Robust Order Booking and Distribution Strategies

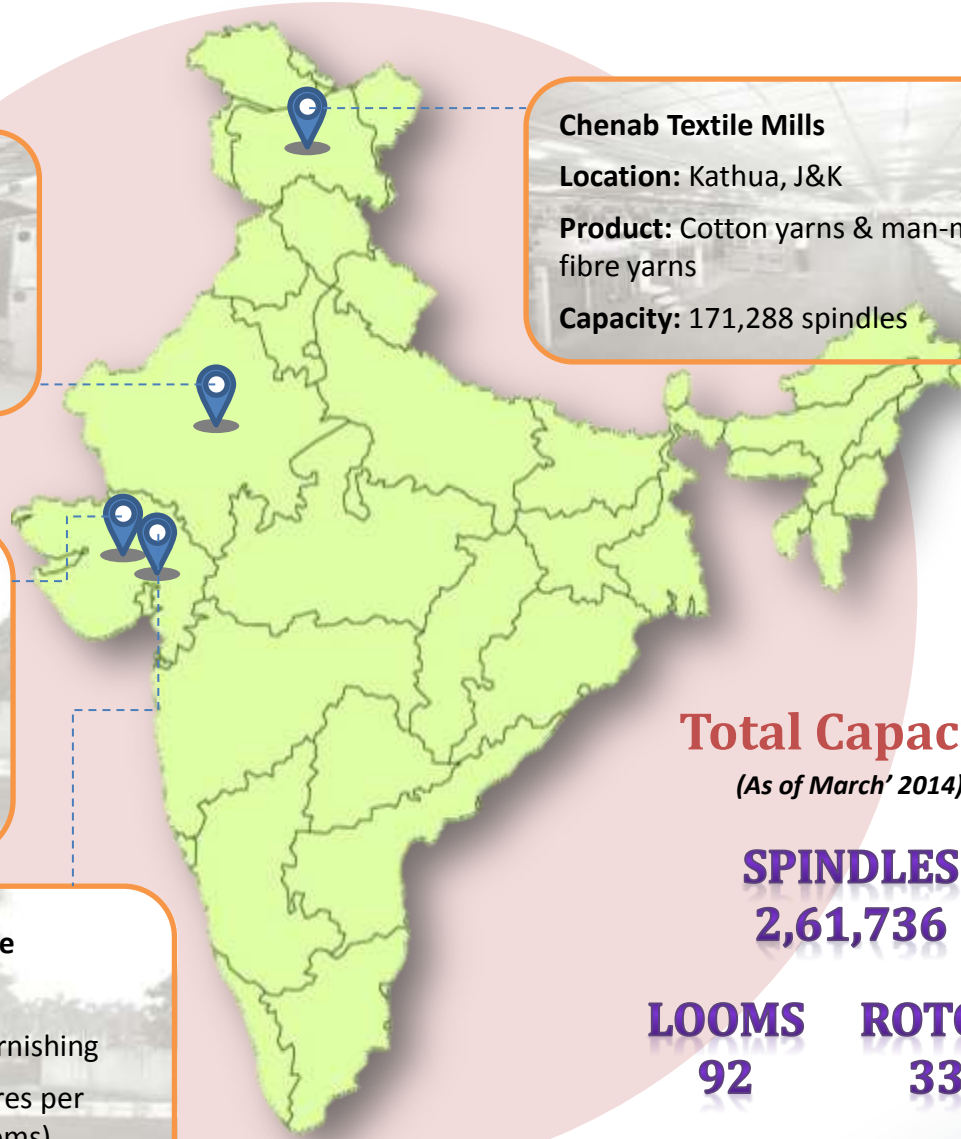
Well-organized order booking procedure – negligible order cancellation and better working capital management

Strong marketing network – own offices, tie up with dealers & brokers throughout the country and international

Global footprint – presence across 60 countries with an impressive client list



Manufacturing Presence



Rajasthan Textile Mills
Location: Bhawani Mandi, Rajasthan
Product: Cotton & man-made fibre yarns
Capacity: 90,448 spindles and 336 rotors

Chenab Textile Mills
Location: Kathua, J&K
Product: Cotton yarns & man-made fibre yarns
Capacity: 171,288 spindles

Damanganga Fabrics
Location: Daheli, Gujarat
Product: Fabrics and processed fabrics
Capacity: 4.9 million metres (fabric (60 looms) and 20 million metres (processed fabric) per annum

Damanganga Home Textile
Location: Daheli, Gujarat
Product: Home textiles furnishing
Capacity: 2.5 million metres per annum (32 shuttle less looms)

Total Capacity

(As of March' 2014)

SPINDLES

2,61,736

LOOMS

92

ROTORS

336

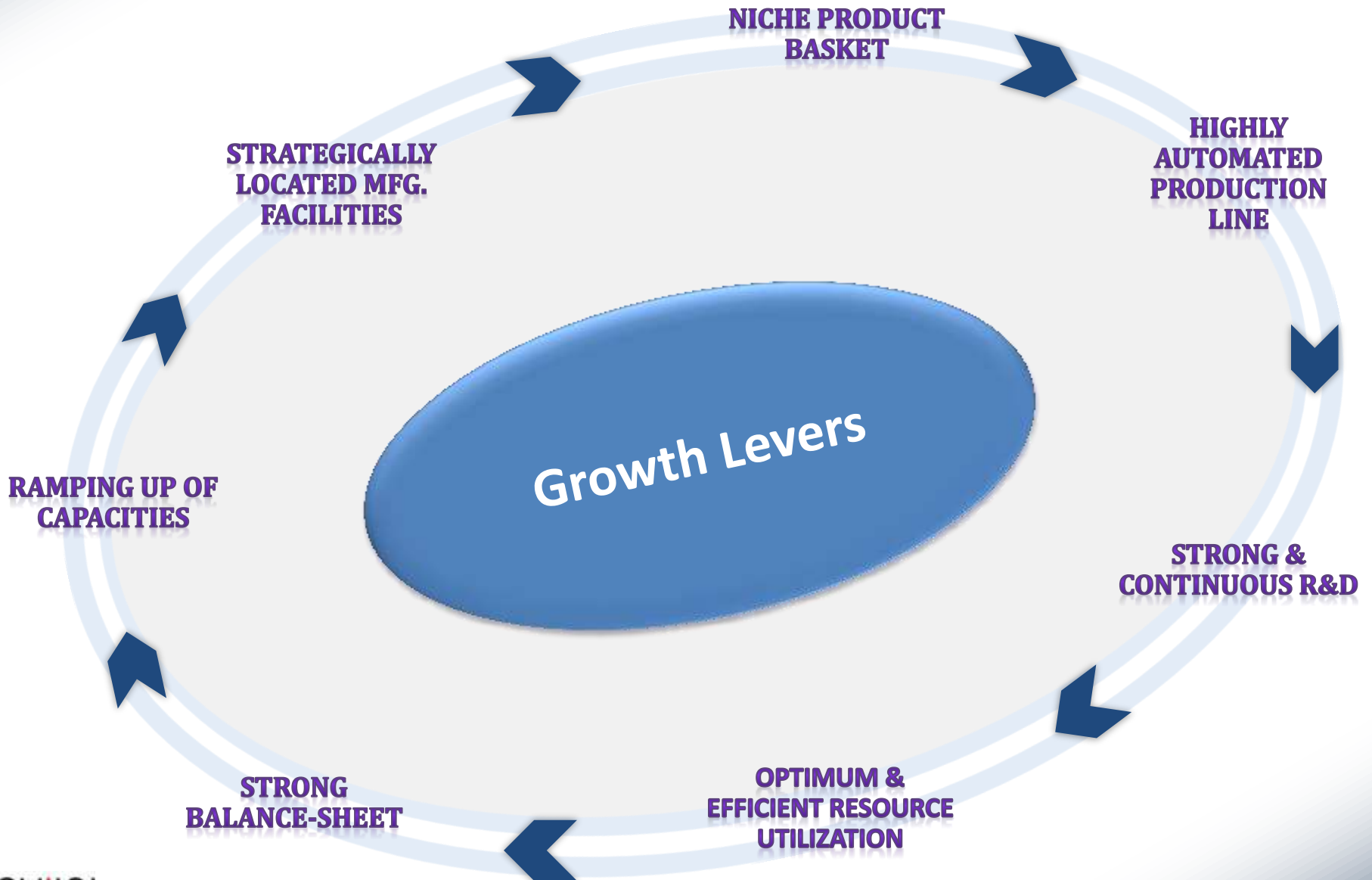


Key Strengths





Key Growth Drivers

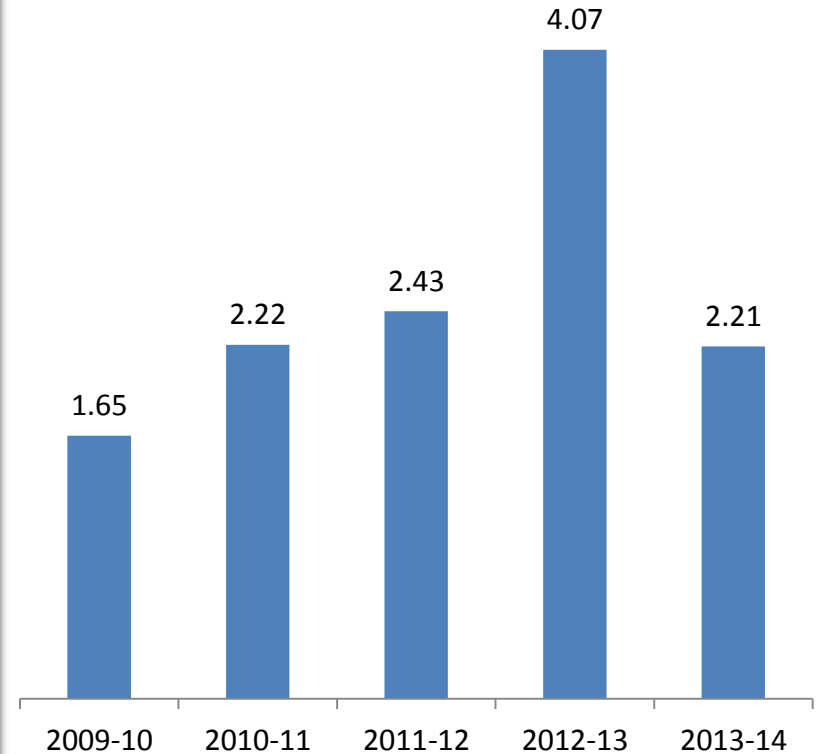




Strong & Continued focus on R&D

- 1 Consistent investment in R&D** – STIL has steadily increased its investment in R&D
- 2** The Company development and design centers are well equipped with latest technological equipment's like Evenness Testers, HVI Spectrum, Tenso Jet-4, AFISPRO LMNT, Yarn Classmate, Online monitoring system through CAY (Computer Aided Yarn Clearing)
- 3 Committed towards developing innovative ways to manufacture products** – amongst the first to introduce Cotton Mélange
- 4 In-house success** – Strong in-house R&D capabilities facilitates higher efficiency & performance
- 5 Optimum asset utilization** – Average spindle age less than 15 years, on account of STIL's continual focus on modernization
- 6 Benefits of R&D -**
 - Introduction of value-added products
 - Pre-empt emerging trends in fashion
 - Productivity & Quality enhancement
 - Cost control

Investment in R&D (Rs. crore)



Consistent and significant investments to sustain competitiveness



Management Profile – Key Personnel

- 1 Professionally Managed Company** – Demarcation of ownership and management
- 2 Board Composition** – Independent directors with good business sense, strong character, dedication and positive attitude ensures objective oversight
- 3 Experienced Team** – Led by professionals with good industrial knowledge and business acumen

Board Of Directors:

Mr. C.S. Nopany	Chairman
Mr. U.K. Khaitan	Independent Non Exec Director
Mr. Amit Dalal	Independent Non Exec Director
Mr. Rajan Dalal	Independent Non Exec Director
Mr. Rajiv K. Podar	Independent Non Exec Director
Dr. Mahmoodur Rahman	Independent Non Exec Director
Mr. Sukhvir Singh	Director
Mr. Dilip Ghorawat	Whole Time Director

Key Executives:

Mr. S.K.Khandelia	President
Mr. Dilip Ghorawat	Chief Financial Officer
Mr. D R Prabhu	Company Secretary

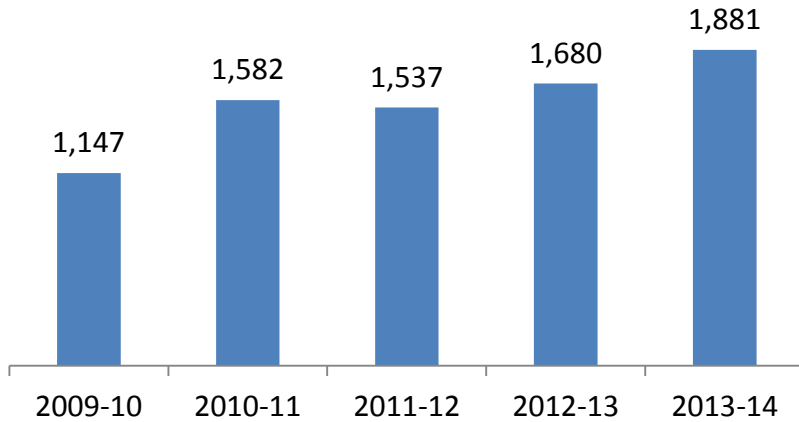
TRACK RECORD - FINANCIAL & OPERATIONAL



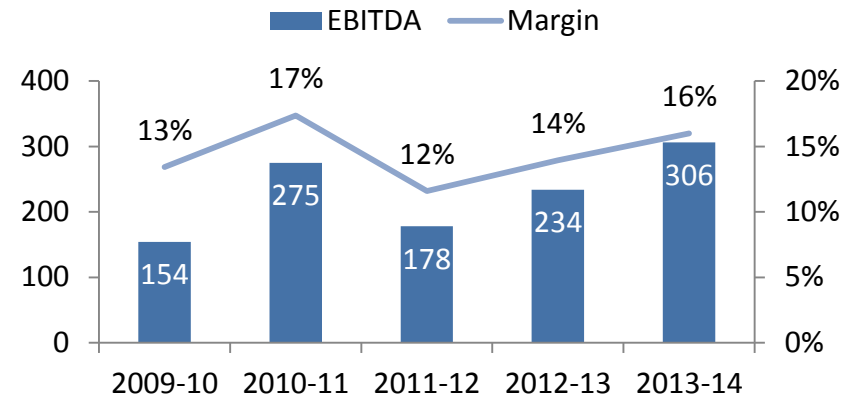


Financial Performance - Snapshot

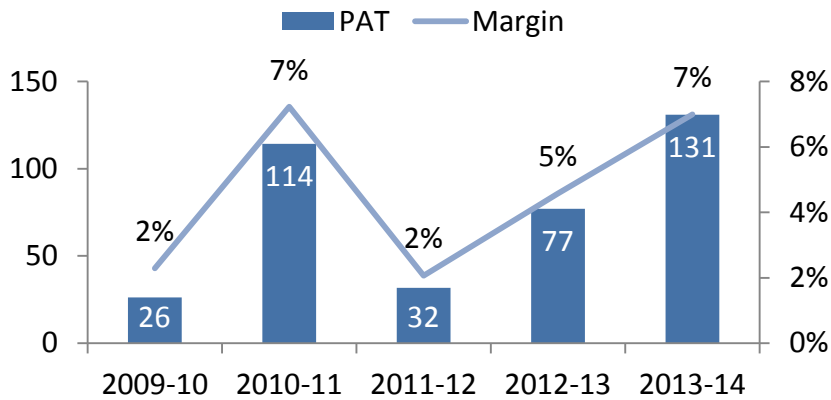
Revenues (Rs. cr)



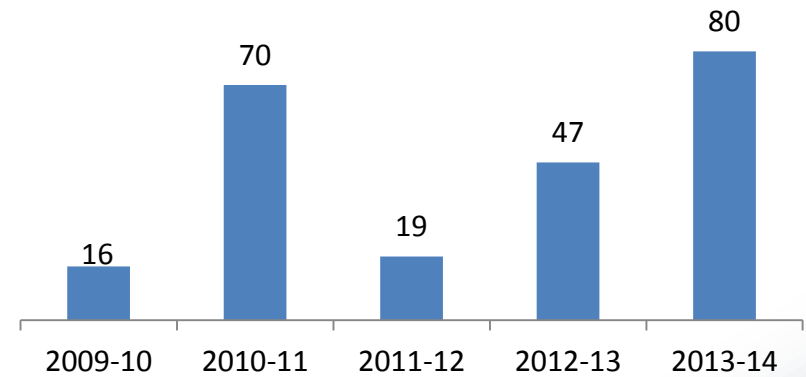
EBITDA (Rs. cr)



PAT (Rs. cr)



EPS* (Rs.)

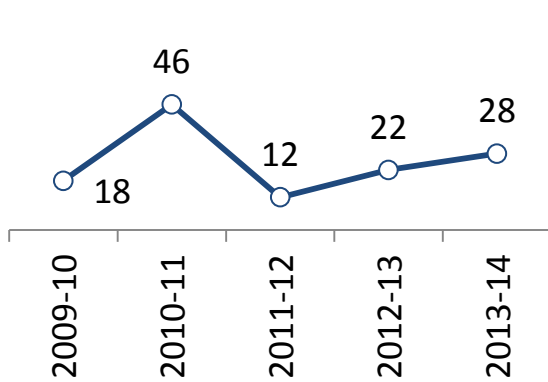


*Adjusted figs post incorporating bonus effect
(During June 2013, STIL allotted bonus shares in the ratio 1:2)

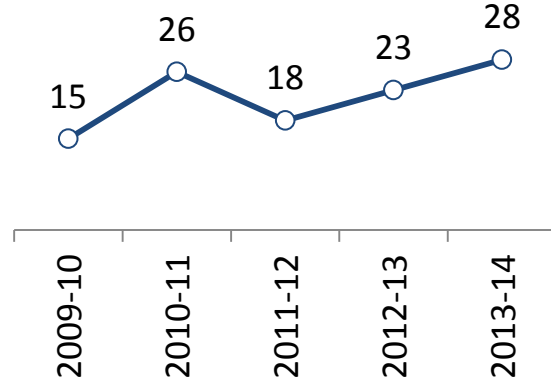


Key Financial Highlights

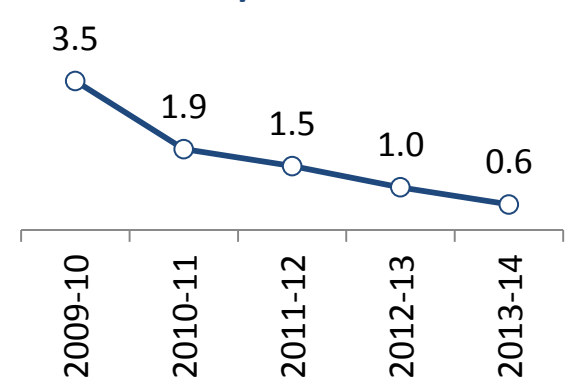
ROE (%)



ROCE (%)

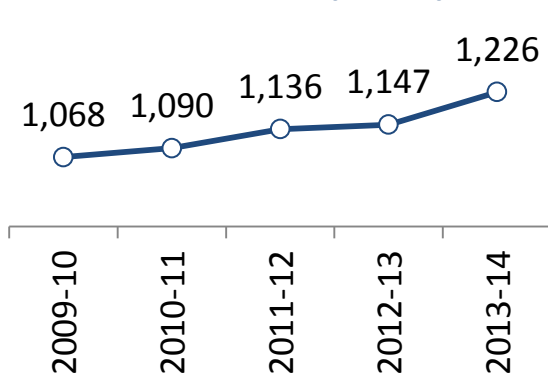


D/E ratio

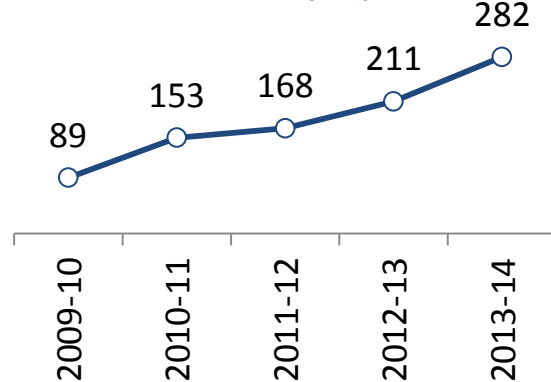


Delivering maximum returns at minimal risk

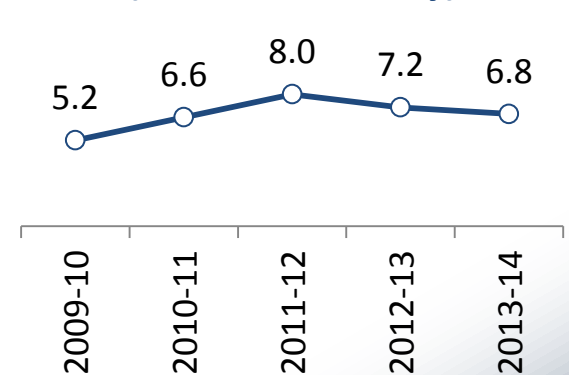
Gross Block (Rs. cr)



BVPS* (Rs.)



Avg. rate of Term loans % (after TUF subsidy)



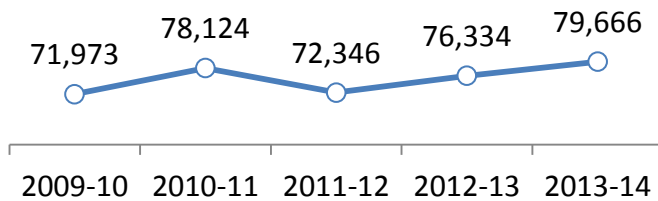
*Adjusted figs post incorporating bonus effect (During June 2013, STIL allotted bonus shares in the ratio 1:2)



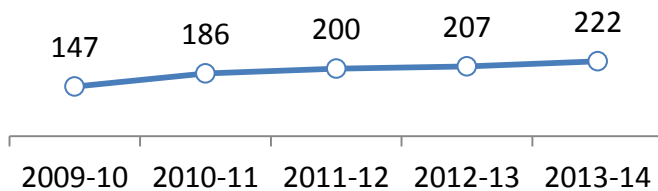
Operational Performance

Yarns

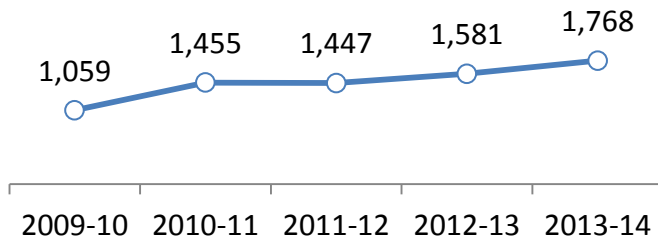
Sales (MT)



Avg. Yarn realisation (Rs/Kg)

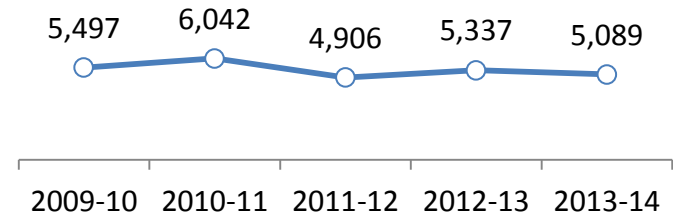


Sales (Rs. crore)

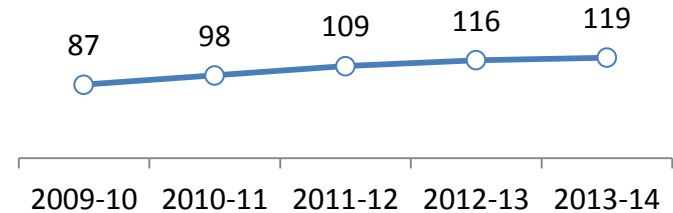


Fabrics

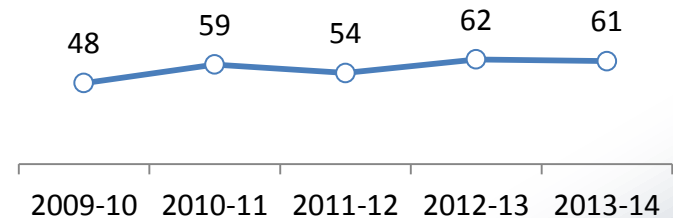
Sales ('000 Mtrs.)



Avg. Fabric realisation (Rs/Mtr)



Sales (Rs. crore)





Accreditations and Awards

- **Niryat Shree - Gold trophy** : For export performance in FY 2009-10
- **Gold trophy by SRTEPC**: Best performance for export of fabrics to focused Latin American countries
- **Silver trophy by SRTEPC**: Second Best export performance in spun yarn category



Q4 & FY14 - Performance Update





Q4 & FY14 Highlights

Strong Operational and Financial Performance

- Highest ever annual financial performance delivered by the Company
- Margin progression on the back of improved spindle efficiency, cost optimization & healthier realisation
- Improved volumes, better product mix and increased sales realisation resulted in revenue expansion
- Profitability improvement on account of higher revenue generation, improved margins and lower interest rate

Capacity Additions and Technology Up-gradation under implementation

- Spinning capacity will be expanded by 30,672 spindles; resulting in higher production of Cotton Mélange yarn, a value added product
- Project Budget: Rs. 175 crore (including Rs. 10 crore for long term working capital)
- Achieved financial closure with internal accruals of Rs. 44 crore
- Expansion plans are on schedule – the Company has incurred approx. Rs. 54 crore till 31st March 2014 and all required plant and machineries, equipments etc. tied up.
- Commercial production is likely to commence by October 2014
- In addition, the Company intends to further invest towards technology up-gradation and debottlenecking, etc. amounting to approx. Rs. 80 crore in 2014-15, leading to increase in efficiency and cost reduction



Q4 & FY14 Highlights

Improved Credit Rating

- Credit rating enhancement is testament to the Company's improving financial and operational performance
- The Company's liquidity position remained comfortable led by improving working capital cycle and strong free cash flow

India Ratings & Research (IND-Ra)

- Long - Term Issuer Rating: assigned **"IND A+ with Stable outlook"**
 - INR 5,234.8m term loans: assigned Long - Term **"IND A+"**
 - INR 4,750m fund - based working capital limits: assigned Long - Term **"IND A+"**
 - INR 600m non-fund based working capital limits: assigned Short - Term **"IND A1"**
- The rating is reflective of the Company's ability to withstand sectoral cyclicity

CARE Ratings

- Long Term Bank Facilities: Upgraded to **"CARE A-"** [Single A Minus] (from 'CARE BBB' [Triple B])
- Short Term Bank Facilities: Upgraded to **"CARE A2+"** [A Two Plus] (from "CARE A3+" [A Three Plus])
- The revision in rating reflective of the improving operational and financial performance of the Company

Rewards to Shareholders

- The Board of Directors have recommended, subject to approval of shareholders, a dividend of Rs. 8/- per fully paid up equity shares of Rs. 10/-each, aggregating to Rs. 15.33 crore including dividend distribution tax
- Consistent track record of paying dividend since incorporation
- In line with Company's philosophy of rewarding its shareholders, the Company allotted bonus shares in the ratio 1:2 (June2013)



Profit & Loss Abstract

(Rs. in crore)

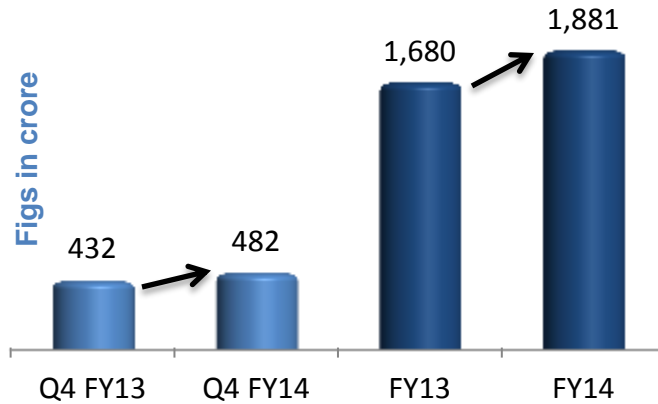
Particulars	Q4 FY14	Q4 FY13	Growth %	FY14	FY13	Growth %
Net Revenues	482	432	11.6	1,881	1,680	12.0
Total Expenditure	412	372	10.8	1,575	1,446	8.9
- Material Consumed	251	243	3.3	1,003	948	5.8
- Other Costs & Expenses (Net)	161	129	24.8	572	498	14.9
EBITDA	70	60	16.7	306	234	30.8
EBIDTA Margin (%)	14.5	13.9	60 bps	16.3	13.9	240 bps
Depreciation & Impairment	24	17	41.2	75	70	7.1
EBIT	46	43	7.0	231	164	40.9
Interest	14	14	-	58	65	(10.8)
PBT (after exceptional item)	31	23	34.8	172	93	84.9
Tax	10	7	42.9	41	16	156.3
PAT	21	16	31.3	131	77	70.1
EPS (Diluted) (Rs.)#	13	10	31.3	80	47	70.1

After giving effects of bonus shares issued in FY 2013-14.

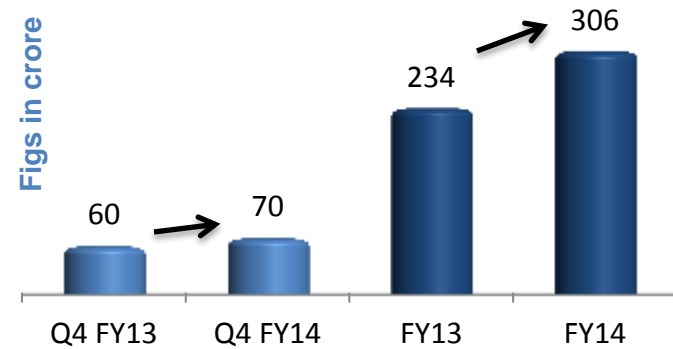


Financial Performance - Q4 & FY14

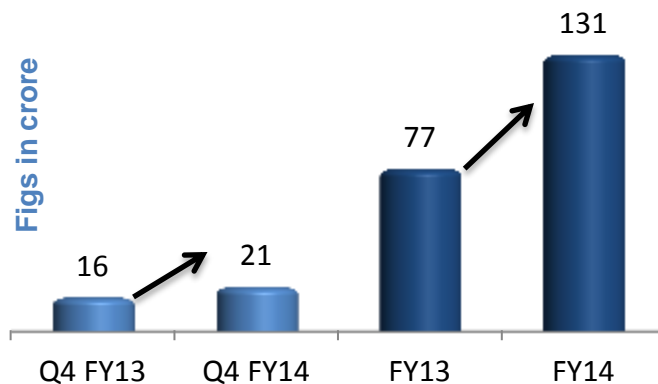
Revenue



EBITDA



PAT



- In FY14, revenue expanded by 12.0% on account of better offtake of high margin products and improved realisation. Better mix of value-added products improved per ton sales realisation
- Improved spindle efficiency and raw material substitution led to improvement in EBITDA by 30.8% to Rs. 306 crore. Margin expansion by 240 bps on an annual basis on account of prudent raw material and cost management policies
- PAT expanded by 70.1% to Rs. 131 crore during the year driven by improved operational efficiency and lower interest outgo



Chairman's Comments



Commenting on the results, Mr. C.S. Nopany, Chairman, Sutlej Textiles and Industries Ltd said *“During the just concluded financial year we witnessed an overall improvement in Sutlej’s operations. Profitability was buoyed mainly as a result of optimal spindle utilization, thrust on value added products and prudent cost management. In addition, our in-house R&D spins out innovative qualities and strategies for optimization of product cost, resulting in improved operational performance of the business.*

Going forward, the commissioning of the new 30,672 spindles for Cotton Mélange Value Added Yarns will add significant value to the Company. While the business environment is expected to be moderate in the near-term, we are optimistic that the Company with its improving fundamentals will be able to deliver sustained performance in the coming years.”

OUTLOOK





Outlook – Sector

Pillar of Growth

On a global front, the Indian Textile Industry is the second largest producer of textiles and plays a pivotal role in the growth of the Indian economy. As it accounts for -

- ~4.5% share in the world total exports
- ~4% of GDP
- ~11% of Country's export earnings
- ~14% of Industrial Production

Manifold Growth

The sector is expected to witness significant growth resulting in expanding from present size - \$89bn to \$220bn by 2020

Domestic Market's growth drivers

Expect strong domestic demand for products mainly driven by

- Changing lifestyles,
- Rising incomes
- Increasing demand for quality consciousness

Export Markets

- Surging exports revenue: Expanded from \$21.1bn in 2008-09 to \$30.97bn in 2012-13; CAGR of 10%
- Growth Outlook: Expected to reach \$60bn over the next three years





Outlook – Sutlej Textiles and Industries Ltd

Planned Capacity expansion

Expect profitability to improve significantly post commissioning of the capacities under value added cotton mélangé segment

Domestic market

Increasing brand consciousness and higher disposable income augurs well for the sector

Export Market

Revival in the developed economies of USA and Europe coupled with rising labor cost in neighboring countries to boost demand

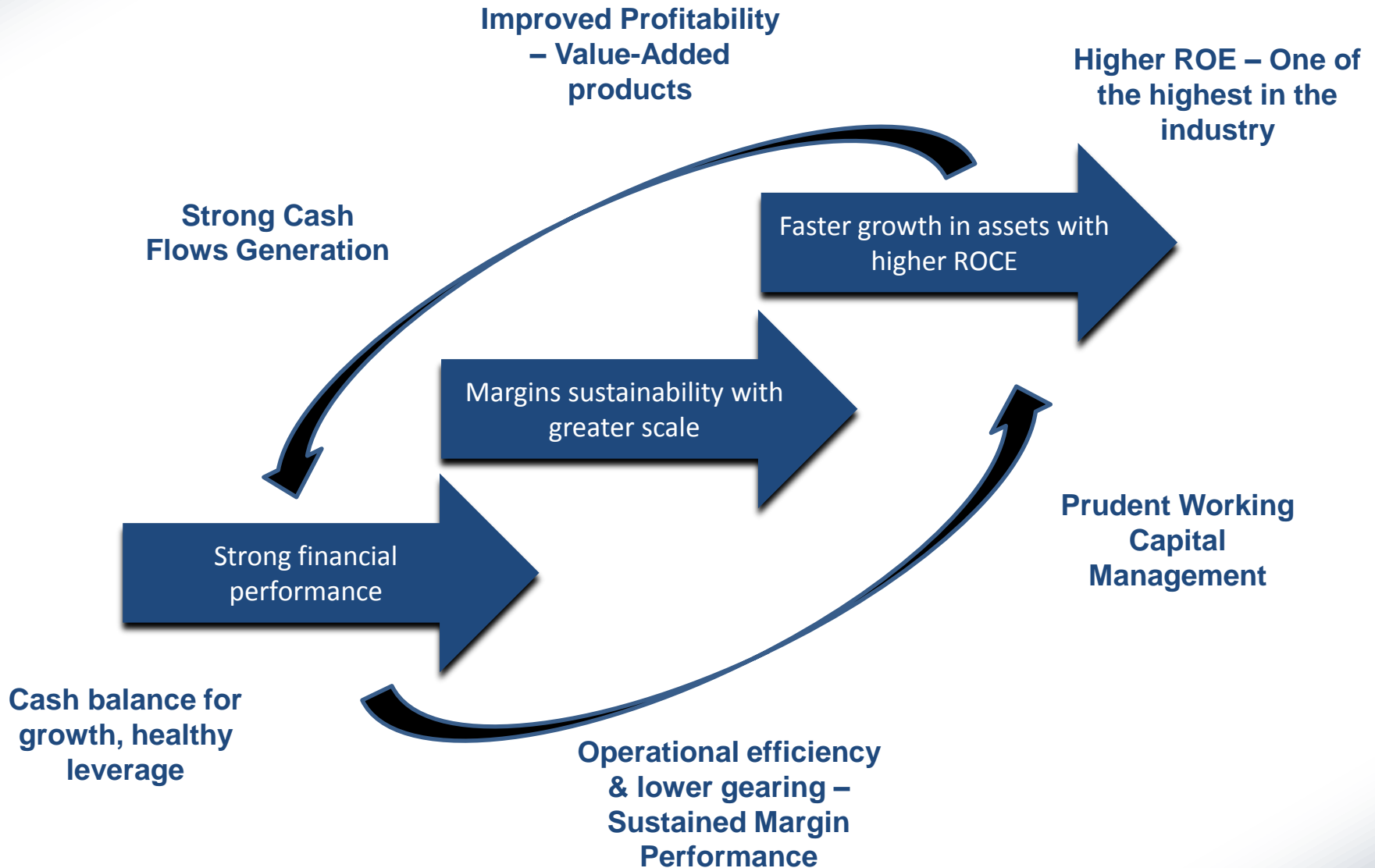
Value Generators

Greater contribution of value added item in overall product basket coupled with lowering of leverage to drive margins and profitability





Value Enhancers





About Us

Sutlej Textiles and Industries Ltd (STIL):

Sutlej Textiles and Industries Ltd (STIL) was incorporated in 2005 out of a corporate restructuring exercise wherein the textile divisions of Sutlej Industries Ltd and Damanganga Processors Ltd were demerged to create a single cohesive Company. STIL an ISO 9001:2008 certified is India's largest Dyed Yarn manufacturer and a leading player in value added yarn segment. The Company is focused on value added yarns namely – Dyed Yarn, Cotton Mélange yarn, Modal yarn, Tencel yarn, Bamboo yarn etc., and has a presence across value chain – Yarns, Fabrics and Home Textile. STIL by means of its versatile and vertically integrated facilities from spinning and weaving to dyeing and finishing and making of home textile furnishing enables it to excel in all stages of textile productions.

*STIL has also been recipient of numerous prestigious awards recent one are **Niryat Shree – Gold trophy** award for its Export performance in 2009-10 (up 77% over the preceding financial year); **Gold trophy by SRTEPC** for Best performance for export of fabrics to focused Latin American countries and **Silver trophy by SRTEPC** for second best export performance in spun yarn category.*

STIL, by virtue of its presence across globe exports to 60 countries and presence across Australia, Argentina, Bangladesh, Canada, China, Egypt, England, France, Germany, Greece, Hong Kong, Indonesia, Pakistan, Panama, Philippines, Sri Lanka, Turkey, United States of America, the United Arab Emirates (UAE) and Vietnam, among others.

For further information, please contact:

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THANK YOU

