

SUTLEJ TEXTILES AND INDUSTRIES LTD

Q1 FY2016 Results Presentation – 30th July 2015



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Q1 FY16 – KEY HIGHLIGHTS



Key Highlights – Q1FY16

Achieved higher output of high margin Value Added Cotton Mélange and Cotton Blended Dyed Yarn

- Ω Successfully achieved higher utilization level from recently added capacities - added 31,104 spindles of Value Added Cotton Mélange and Cotton Blended Dyed Yarn from unit - Chenab Textile Mills, Kathua (J&K) w.e.f. 1st November 2014
- Ω Higher output of value added products will strengthen the Company's margins and profitability going forward

Update on Acquisition of Birla Textile Mills (BTM)

- Ω Signed Business Purchase Agreement with Chambal Fertilisers and Chemicals Ltd., for purchase of Birla Textile Mills as a going concern, on slump sale basis
- Ω The transaction has been approved by the Competition Commission of India ("CCI")
- Ω Expect the transaction to be concluded by September 30, 2015 on receiving statutory and approvals
- Ω BTM, with a capacity of 83,376 spindles manufactures cotton, synthetic & blended yarn in Grey & dyed form
- Ω STIL's total spinning capacities to reach 3,77,112 spindles post-acquisition

Key Highlights – Q1FY16

Brownfield project - capacity expansion of Value Added Products

- Ω Commenced work on the project – installing 35,280 spindles at its Bhawani Mandi, Rajasthan facility at a project cost of Rs. 270 crore
- Ω Project to be funded by mix of internal accruals and debt
- Ω Financial closure achieved
- Ω Dedicated capacity focused towards producing Value Added Cotton Mélange and Cotton Blended Dyed Yarn

Home Textiles Division expansion on track – commences Trial run

- Ω Expanding operations in Home Textiles division at one of the Company's units viz, Damanganga Home Textiles, Daheli, Bhilad, Gujarat. Post completion, the capacity in its existing facility will increase to 9.6 million metres p.a. from earlier 2.5 million metres p.a.
- Ω Total project cost - Rs. 88.5 crore
- Ω Project is to be completed in phases; with first phase of 16 looms installed and commissioned in July 2015
- Ω Increased presence in Home Textile segment will result in further strengthening of Company's end to end operations – Yarn to Home Textile

Key Highlights – Q1FY16

Modernization Update

- Ω Invested around Rs. 17 crore during Q1 FY16, towards technology up-gradation and debottlenecking, etc. this will result in further improvement of efficiencies and plant utilization
- Ω Intends to deploy further amount of ~Rs. 79 crore during the year towards the same

Board approval to raise Capital

- Ω The Board of Directors have considered and approved the issuance of securities for an amount not exceeding Rs. 125 Crore

Key Highlights – Q1FY16

Credit rating upgrade

Ω CARE upgrades Long/Short Term (Term Loan and Bank Facilities) rating to CARE AA-

- **CARE AA - (Double A Minus)** for Long Term Bank facilities (Term Loan) from CARE A + (Single A Plus) signifying high degree of safety regarding timely servicing of financial obligations. Such facilities carry very low credit risk
- **CARE A1+ (A One Plus)** for short term bank facilities (Non Fund based) Reaffirmed
- **CARE AA - (Double A Minus) / CARE A1+ (A One Plus)** for Long /Short term based facilities (Fund based) from CARE A+ / CARE A1+ (Single A Plus / A One Plus)
- **CARE A1+** for Commercial Paper of Rs. 300 crore from earlier Rs. 150 crore

Ω Ind-Ra (FITCH Group) upgrades Long-Term Issuer Rating to 'IND AA-'; Outlook Stable

- **Long-Term Issuer Rating: Upgraded to 'IND AA-'** from 'IND A+'; **Outlook Stable**
- INR 5,061.4mn term loans (reduced from INR 5,234.8mn): Upgraded to Long-Term '**IND AA-'/Stable** from 'IND A+' signifying high degree of safety regarding timely servicing of financial obligations. Such facilities carry very low credit risk
- INR 5,000 mn (increased from INR 4,750mn) fund-based working capital limits: Upgraded to Long-Term '**IND AA-'/Stable** from 'IND A+'
- INR 450 mn (reduced from INR 600mn) non-fund-based working capital limits: Upgraded to Short-Term '**IND A1+**' from 'IND A1'
- INR 3,410.9 mn Proposed Term Loans: assigned 'Provisional **IND AA-/stable**'



Q1FY16 – PERFORMANCE UPDATE

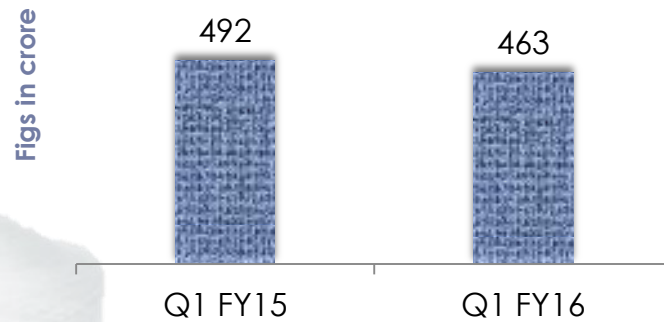


Results Snapshot – Q1 FY16

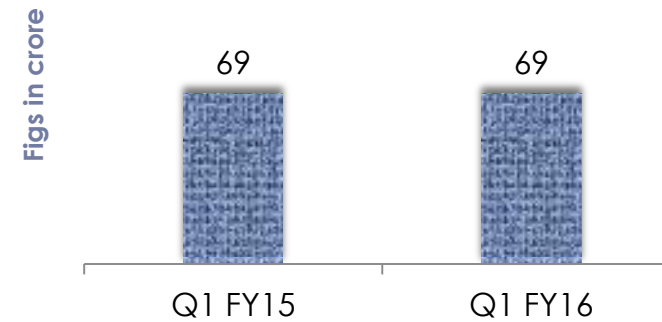
INR crore	Q1 FY16	Q1 FY15	% Change
Revenue	463.31	492.06	(5.84)
EBITDA	68.75	68.89	(0.20)
EBITDA Margin (%)	14.84	14.00	84 bps
PBDT	55.42	55.41	-
PBDT Margin(%)	11.96	11.26	70 bps
PAT	29.78	35.74	(16.68)
PAT margin (%)	6.43	7.26	(83 bps)

Financial Performance – Q1 FY16

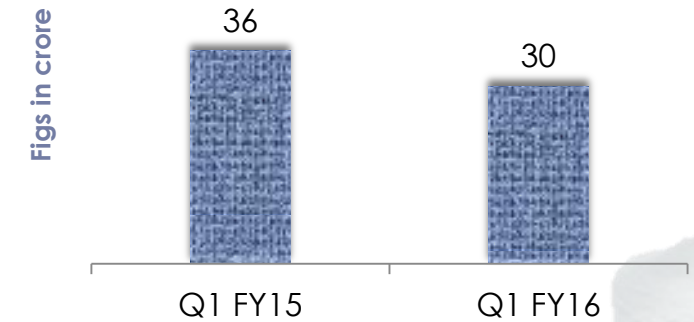
Revenue



EBITDA



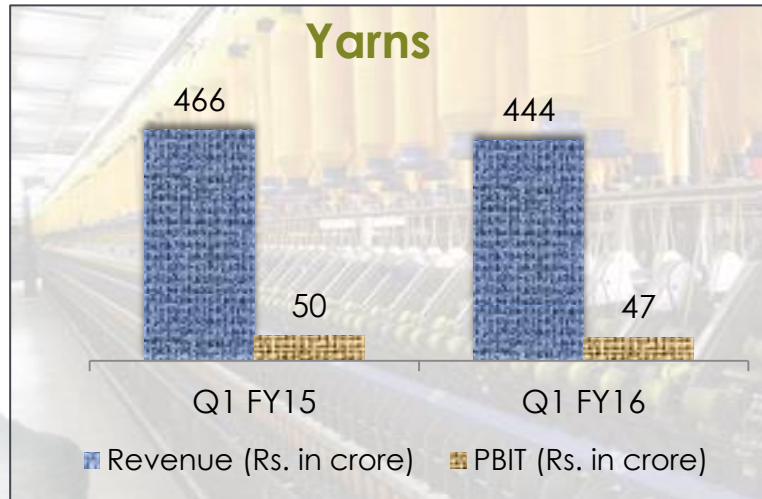
PAT



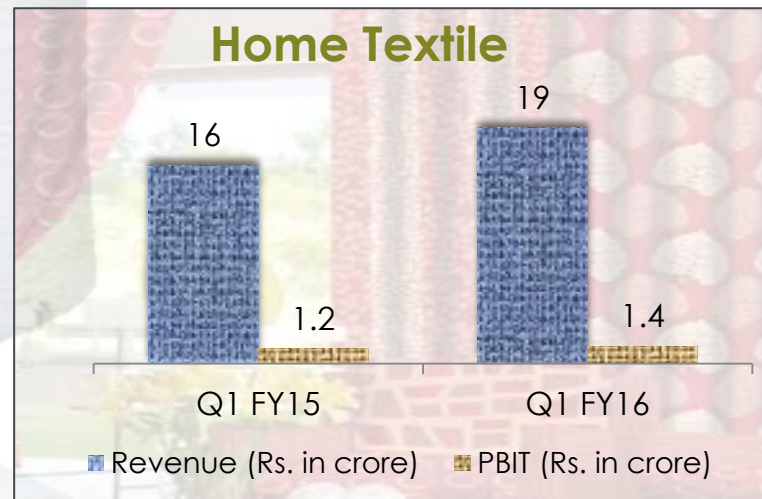
- Ω Revenue growth for the quarter remained soft owing to subdued demand environment and lower realisations
- Ω Improved operating efficiency and better cost management resulting in margin expansion despite lower revenue growth

“Future growth levers: BTM acquisition, higher capacities of value added products, improved product mix & strong Balance Sheet”

Segment-wise Performance – Q1FY16



- Ω Revenue growth remained steady as weak demand and lower pricing environment resulted in generation of Rs. 444 crore for the quarter as against Rs. 466 crore generated during Q1 FY15.
- Ω Higher proportion of value added products following optimal production of newer capacities resulted in improved product mix.



- Ω Revenues during Q1 FY16 stood at Rs.19 crore as against Rs.16 crore during Q1 FY15 (excluding those from discontinued operations).
- Ω Improvement in overall performance of the segment with positive PBIT.
- Ω Expansion plan progressing smoothly, commenced trial runs. Expect the segment to deliver significant growth post completion of planned expansion.

CHAIRMAN'S COMMENTS



Commenting on the results, Mr. C.S. Nopany, Chairman, Sutlej Textiles and Industries Ltd said, “Our performance during the quarter is reflective of the challenging business environment currently prevailing in the sector. Multiple headwinds led to a lag in revenue momentum however, improved contribution from higher margin products resulted in sustaining operating profitability.

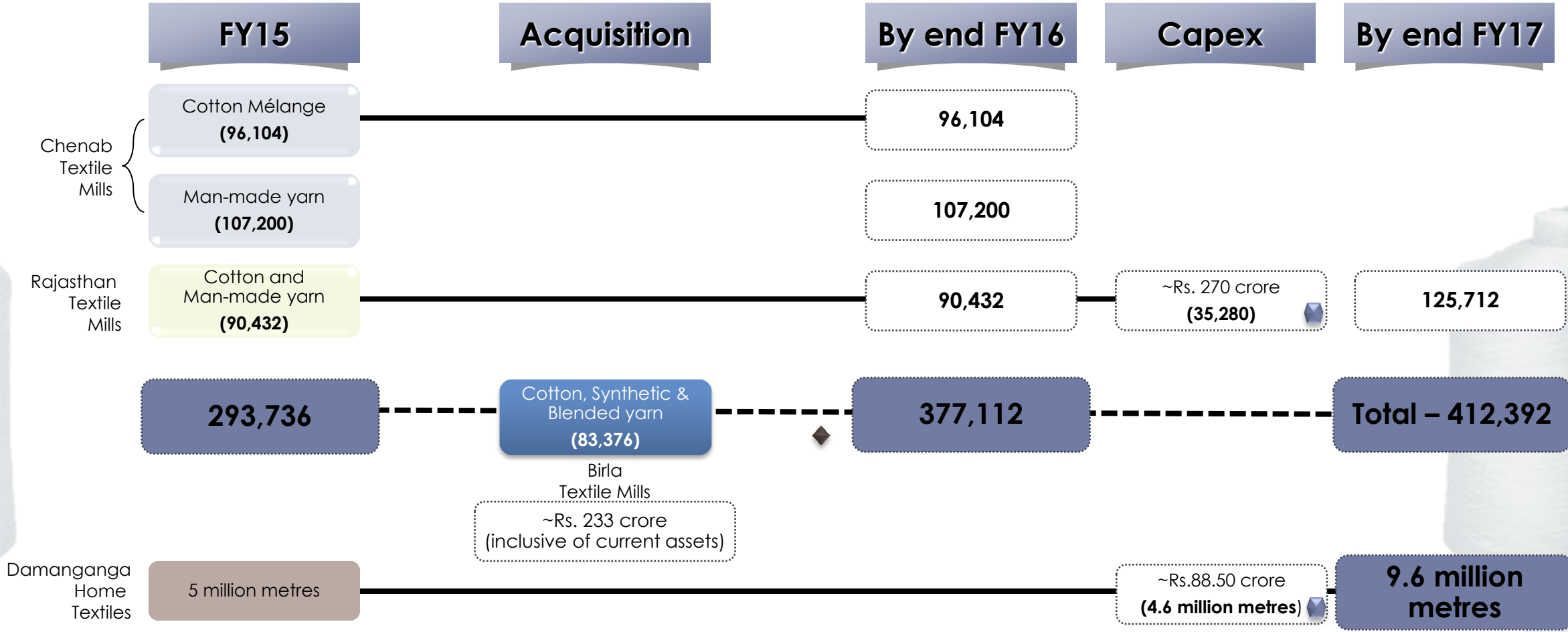
The newer capacities for producing Value added Cotton Mélange and Cotton Blended Dyed Yarn added last year have started functioning at optimal levels. Further, I would also like to share that work on expanding our capacities at Bhawani Mandi, Rajasthan facility has commenced and acquisition of BTM is progressing as per schedule.

While the environment remains challenging at present, we are hopeful that our efforts towards strengthening scale and operations should help us deliver consistent performance going forward.”

Capital Expenditure & Capacities

Yarn
(No. of Spindles)

Home
Textile



◆ Ongoing
 ◆ Subject to Approval



COMPANY OVERVIEW



At a Glance

#1

Spun Dyed
Yarn Manufacturer

293,736

Total Capacity
(Spindles)

~96,000

Cotton Mélange Yarn
(Spindles)

62

Total Capacity
(Looms)

CARE AA- / Ind AA-

Credit Rating
(CARE / India Ratings, A Fitch Group Co.)

10% CAGR

Last 5 years
Revenue Growth

12% CAGR

Last 5 Years
EBITDA Growth

34% CAGR

Last 5 Years
PAT Growth

34% CAGR

Last 5 Years
EPS Growth

“Delivering robust growth on a sustainable basis”

Company Overview

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

Marquee Clients


Page Industries


Arvind


Siyarams


DONEAR


DIGJAM
It's who you are


ARROW
1939 U.S.A. 1981


asm industries - india - pvt. ltd.


GRASIM


M
JOHN WELLER


Hc


M&S


JCP

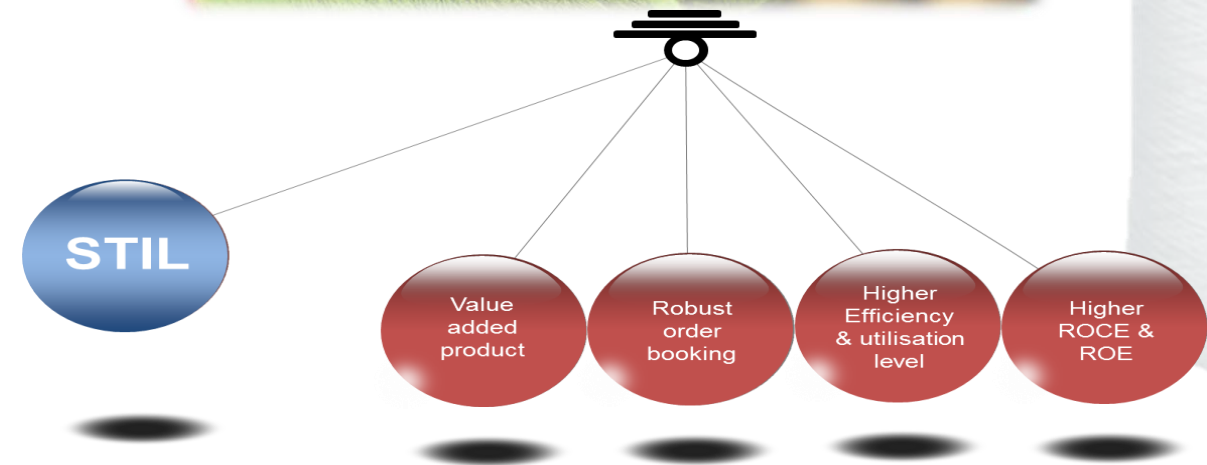

sears
WE DO BETTER BUSINESS


ASDA
SAVING THE MONEY EVERY DAY

Product Mix	Manufacturing Snapshot	Domestic and Global Presence
<ul style="list-style-type: none"> Ω One stop shop for all types of yarn Ω Focus on Value added yarns – Spun Dyed Yarn, Cotton Mélange Ω Diversified offerings with presence across value chain with – Yarns & Home textile 	<ul style="list-style-type: none"> Ω Manufacturing units (3) – Jammu & Kashmir, Rajasthan & Gujarat Ω Total Capacity: Spindles – 293,736; Home Textile looms – 62; Ω Employs over 12,000 people 	<ul style="list-style-type: none"> Ω Marquee clients in domestic markets Ω Global footprint with presence across 60 countries across <ul style="list-style-type: none"> ○ Europe, ○ North America, ○ South East Asia

Competitive Edge Over Most Other Spinning Mills

- Ω One stop shop for all types of spun dyed yarns – 100% or blends in Synthetic or natural / Count range: from 6 s to 60 s / Colour: grey, mélange or Dyed in all shade / Fold: simple, Double or multifold
- Ω Largest manufacturer of Value Added Dyed Synthetic and Cotton Mélange Yarn in India –sustained growth strategy wherein Company has added 138,280 spindles in last 10 years.
 - Commissioning of value added products from newer capacities resulting in higher proportion of margin accretive products in overall product mix
 - Brownfield expansion involving addition of 35,280 spindles. Incremental capacity would be dedicated towards producing Value Added Cotton Mélange and Cotton Blended Dyed Yarn. STIL's position to strengthen post completion of the project
- Ω Grey Cotton yarn contributes ~6% to Revenues as compared to around 80% - 100% of other spinning mills



Management Profile

Board Of Directors:

Mr. C.S. Nopany	Executive Chairman
Mr. U.K. Khaitan	Independent Non Exec Director
Mr. Amit Dalal	Independent Non Exec Director
Mr. Rajan Dalal	Independent Non Exec Director
Ms. Sonu Bhasin	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 & Chief Financial Officer

Key Executives:

Mr. S.K.Khandelia	President & CEO
Mr. D.R.Prabhu	Company Secretary







Strong, Effective & Independent Board at the helm

Competitive Edge Over Most Other Spinning Mills

- Ω Scaling up presence in Home Textile business, by expanding capacities to 9.6 million metres p.a. Increased presence in Home Textile segment will result in further strengthening of Company's end to end operations – Yarn to Home Textile
- Ω Optimum & efficient capacity utilization owing to the most modern Plant and Machinery – 56% of Company's spindle age are less than a decade old
- Ω Extensive Research and Development department with latest Equipment's
- Ω Robust order booking procedure – production based on specific client requirements and advance orders leading to negligible order cancellation and better working capital management
- Ω Delivering consistent & robust returns – reported one of the healthiest Return Ratios in the industry. ROCE and ROE in **FY2015** stood at **23%** and **21%** respectively.
- Ω Consistent track record of paying dividend since incorporation. Declared Increased payout ratio of 17% in FY15
- Ω In line with Company's philosophy of rewarding its shareholders, the Company allotted bonus shares in the ratio 1:2 (June2013)



Operating Levers

<p>Sourcing Raw Material Efficiencies</p>	<p>Multiple Raw Material inputs – efficiently manage input volatility</p> <p>Innovative R&D in sourcing Raw Materials – Focused approach to increase the breadth of raw material sources to lower dependency risk</p> <p>Procurement management – sourcing from reputed manufacturers resulting in lower process losses</p>	
<p>Proficient Manufacturing Processes</p>	<p>Best-in-industry utilization levels – Continuous modernization with ~56% of spindles less than 10 years old; latest and highly automated system in place</p> <p>Strategically located units – Availing various Central Government & State Government incentives</p> <p>Access to captive and continuous power supply – low process losses & downtime</p>	
<p>Strong R&D</p>	<p>In-house success – Strong in-house R&D capabilities facilitates higher efficiency & performance</p> <p>State of the art technology - 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, etc.</p>	
<p>Robust Order Booking and Distribution Strategies</p>	<p>Well-organized order booking procedure – negligible order cancellation and better working capital management</p> <p>Strong marketing network – own offices, tie up with dealers & brokers throughout the country and international</p> <p>Global footprint – presence across 60 countries with an impressive client list</p>	

Focus on Niche & Value added Products

Key Growth Drivers

Value Added Products

Strong Balance-sheet

Highly automated Production line

Sharpened focus on Home Textile Division

Strong & continuous R&D

Higher proportion of Cotton Mélange and Cotton Blended Dyed Yarn

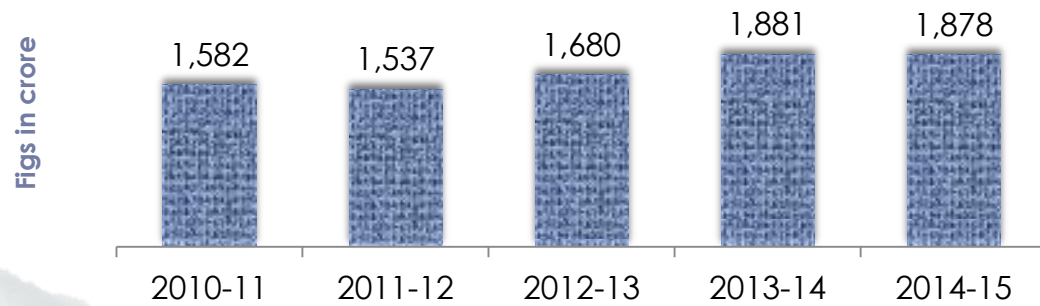
Optimum & efficient resource utilization

Strategically located Mfg. facilities

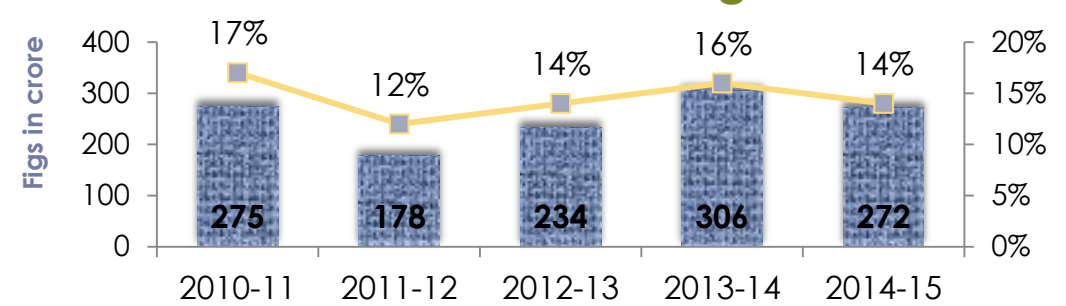
Growth
Drivers

Financial Performance - Snapshot

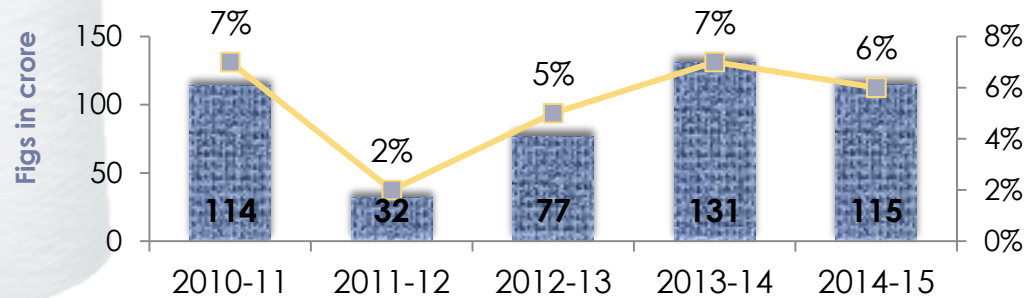
Revenue



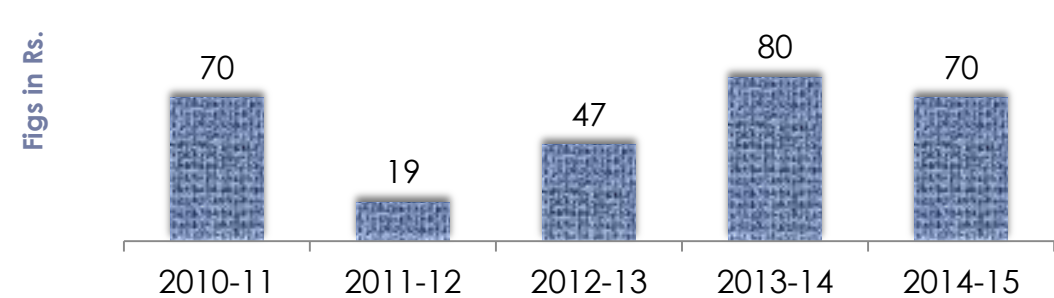
EBITDA Margin



PAT Margin



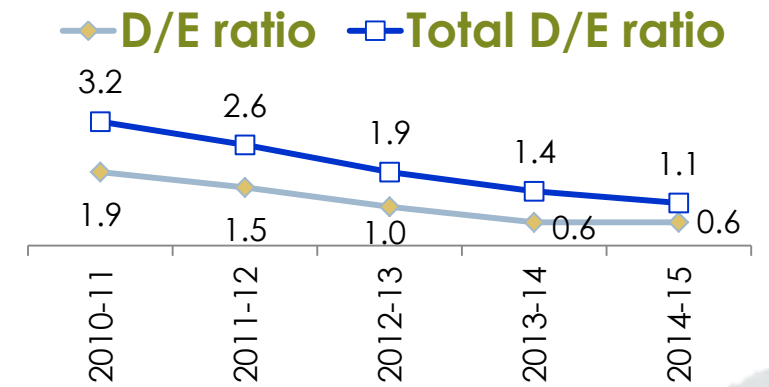
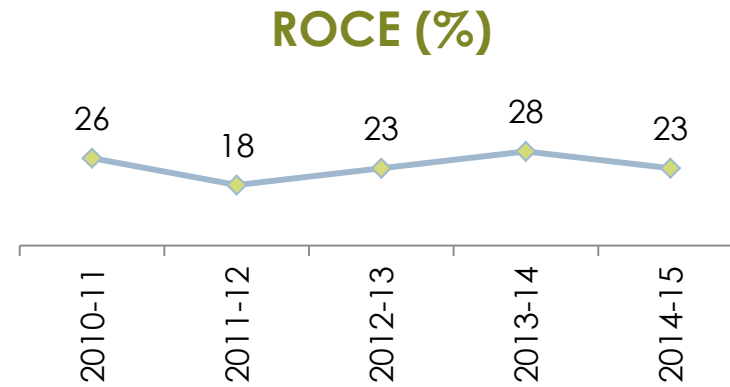
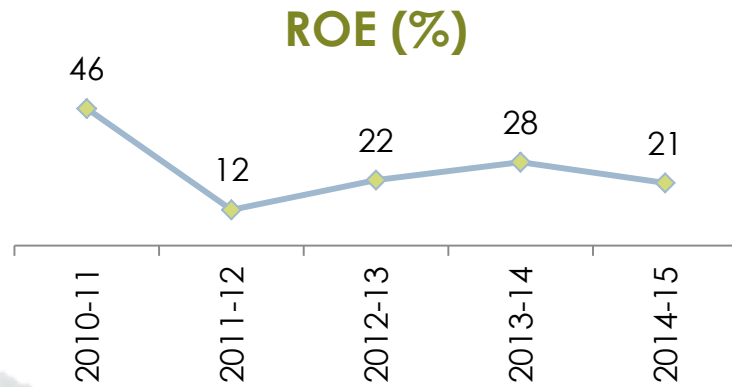
EPS*



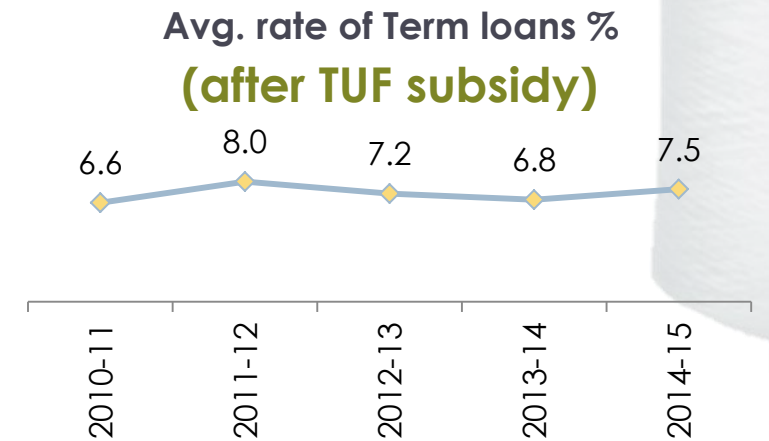
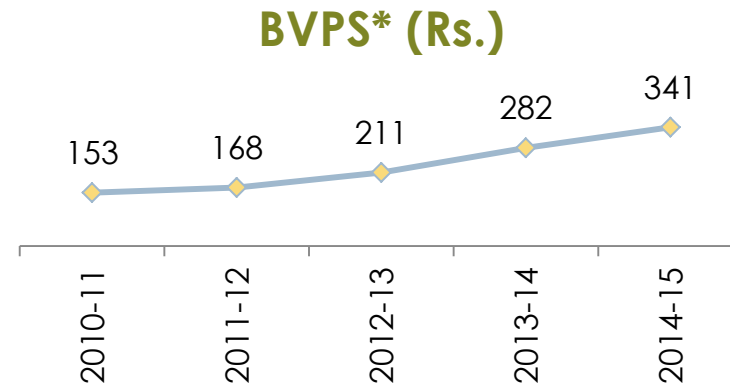
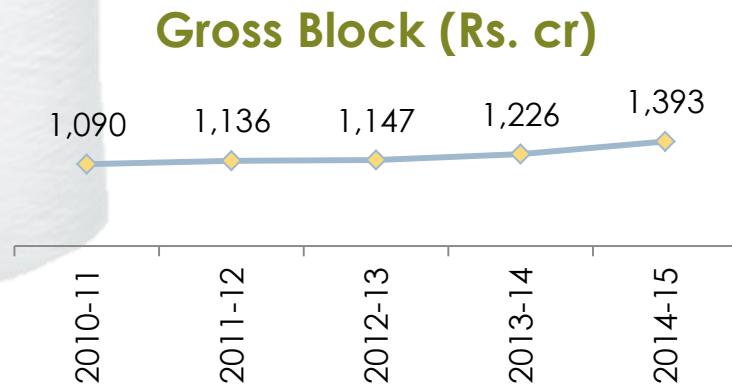
*Adjusted figs post incorporating bonus effect
(During June 2013, STIL allotted bonus shares in the ratio 1:2)

Delivering resilient and sustainable growth

Key Financial Highlights



Delivering maximum returns at minimal risk

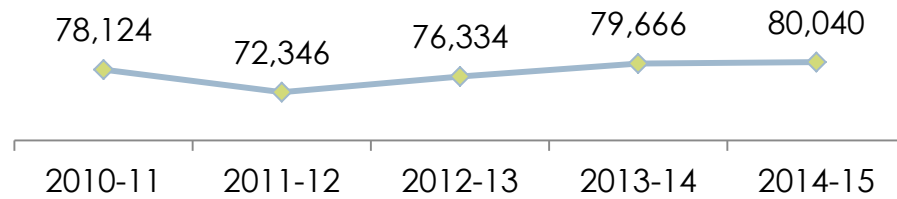


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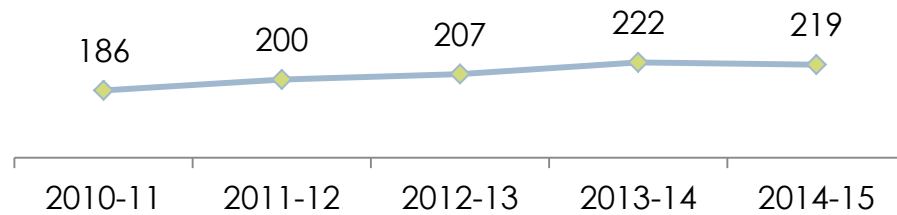
Operational Performance

Yarns

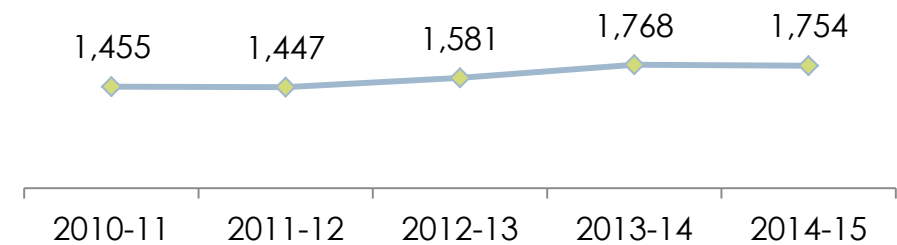
Sales (MT)



Avg. Yarn realisation (Rs/Kg)



Sales (Rs. crore)



Key Financial Highlights

INR Million

USD Million

Particulars	FY13	FY14	FY15	FY13	FY14	FY15
Revenues	16,802	18,806	18,782	317	330	308
EBITDA	2,343	3,056	2,718	44	54	45
EBITDA Margin %	14%	16%	14%	14%	16%	14%
PBT	928	1,717	1,482	18	30	24
PBT Margin %	6%	9%	8%	6%	9%	8%
PAT	770	1,314	1,155	15	23	19
PAT Margin %	5%	7%	6%	5%	7%	6%
Total Assets	11,492	12,729	13,408	217	223	220
Net Worth	3,464	4,625	5,582	65	81	92
Long Term Debt	3,377	2,667	3,392	64	47	56
Total Debt	6,517	6,303	5,976	123	111	98
EV as at year end	8,680	9,830	11,061	164	172	181
ROCE	23%	28%	23%	23%	28%	23%
ROE	22%	28%	21%	22%	28%	21%
Debt – Equity	1	0.6	0.6	1	0.6	0.6
EV/EBITDA	3.7	3.2	3.6	3.7	3.2	3.6
EPS* - Basic & Diluted	47	80	70	0.9	1.4	1.1

- *Adjusted figs post incorporating bonus effect (During June 2013, STIL allotted bonus shares in the ratio 1:2)
- USD calculations based on Avg rate: FY13: Rs. 53/ USD; FY14: Rs. 57/USD; FY15: Rs. 61/USD



BUSINESS OUTLOOK



Indian Textile Sector - Present

\$108

current size of Indian Textile Sector

2nd

largest employment generator and employs 45 million people

49

Million spindles capacity across ~1300 mills

12%

share of the country's total exports basket in 2013-14

14%

Contribution to India's total industrial production

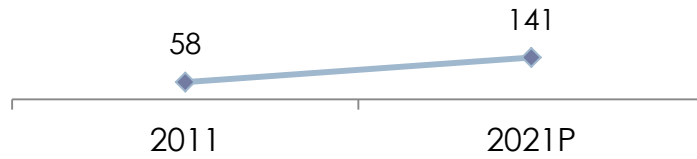
4%

Contribution to India's gross domestic product

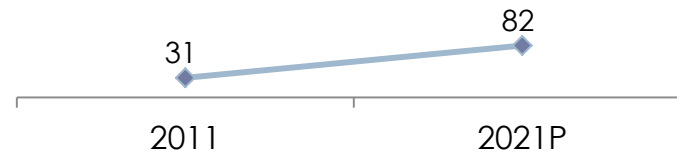


Indian Textile Sector - Potential

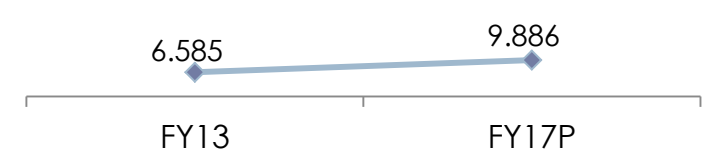
Domestic textile & apparel industry (\$ bn)



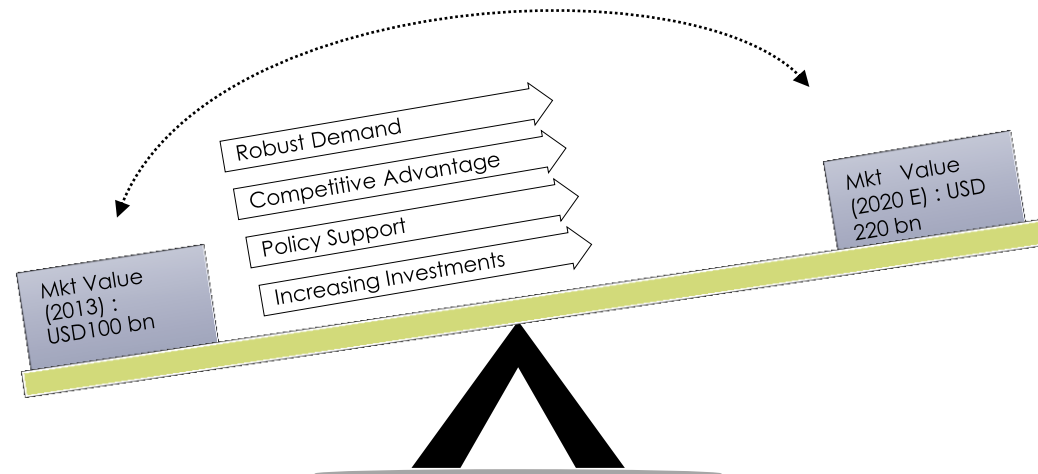
Textile & apparel exports (\$ bn)



Total Fibre Production (Mn Kg)



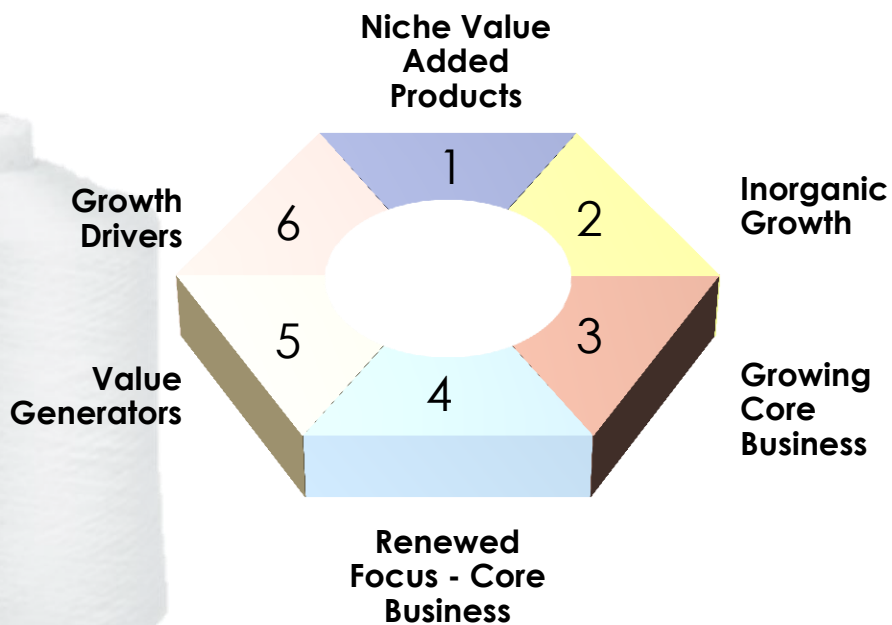
Source: Ministry of Textiles,
Planning Commission,
Technopak, Aranca
Research



**Manifold
Growth**

The sector is expected to witness significant growth resulting in expanding from present size - \$100bn in 2013 to \$220bn by 2020

Business Outlook



1

Consistent production of high margin value added products post the completion of capacity expansion plan to result in greater proportion of Cotton Mélange and Cotton Blended Dyed Yarn product in the overall mix

2

Acquisition of Birla Textile Mills to offer scale and size, besides synergies and economies of scale benefits which will enable growth acceleration

3

Enhancing capacities at Bhawani Mandi by adding 35,280 spindles dedicated towards manufacturing value added Cotton Mélange and Cotton Blended Dyed Yarn at a cost of Rs. 270 crore

4

Sharpened focus on core yarn business coupled with renewed strategy for home textile segment to result in improved and diversified product mix, thereby enabling the Company to deliver sustainable performance

5

Capacity ramp up of value added items, increased capacity under home textile business and lowering of leverage to drive margins and profitability

6

Domestic Drivers - Changing lifestyle, growing population, rising disposable income and greater demand for quality products

Overseas Drivers - Recovery in developed economies; rising labor cost & political instability in neighboring countries

About Us

Sutlej Textiles and Industries Ltd (STIL):

CIN: L17124RJ2005PLC020927

Sutlej Textiles and Industries Ltd (STIL), an ISO 9001:2008 certified Company, is one of India's largest spun dyed yarn manufacturer. Under the leadership of Mr. CS Nopany, Chairman of STIL, a Chartered Accountant and Master of Science in Industrial Administration from Carnegie Mellon University, the Company has focused on value added yarns namely – Dyed Yarn, Cotton Mélange yarn, Modal yarn, Tencil yarn, Bamboo yarn, Linen blended yarn etc. and build significant presence across the value chain. Over the years, the Company has also successfully carved out a niche for itself and emerged as a leading player in the dyed yarn segment.

STIL has a strong global clientele and exports to almost 61 countries. It has presence across major developed and emerging economies like Australia, Argentina, Bangladesh, Bahrain, Belgium, Brazil, Canada, China, Chile, Cuba, Egypt, France, Germany, Hong Kong, Italy, Morocco, New Zealand, Peru, Philippines, Poland, Portugal, Russia, Saudi Arabia, Sri Lanka, Turkey, United States of America, the United Arab Emirates (UAE), The United Kingdom and Vietnam, among others

STIL has also been recipient of numerous prestigious awards like Niryat Shree – Gold trophy award for its Export performance in spun yarn; 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

For further information, please contact:

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THANK YOU

