



Indo Rama Synthetics (India) Ltd.

**Results : Year 2007-08**  
**: Q-IV 2007-08**

# **Analyst Meet**

**MUMBAI**

**2nd July, 2008**

**INDO RAMA**



# The Meet Highlights

## ❖ Indian Economy

- U S recession & Indian Outlook
- GDP Growth in picture
- Global Currency moments

## ❖ Indian Textile Industry

- Importance to National Economy
- High growth in Indian Textile Industry
- Advantage India
- Domestic Market Outlook: 2008-09

## ❖ Emerging Polyester Scenario

## ❖ Crude & Raw Material Outlook

## ❖ Indo Rama Synthetics - Financial Performance 2007-08

## ❖ Indian Polyester Industry Dynamics

- Polyester Journey Beyond Apparel
- Total Fiber Production at a glance
- Percentage of Market share in PSF and POY of IRSL in India

## ❖ Summary

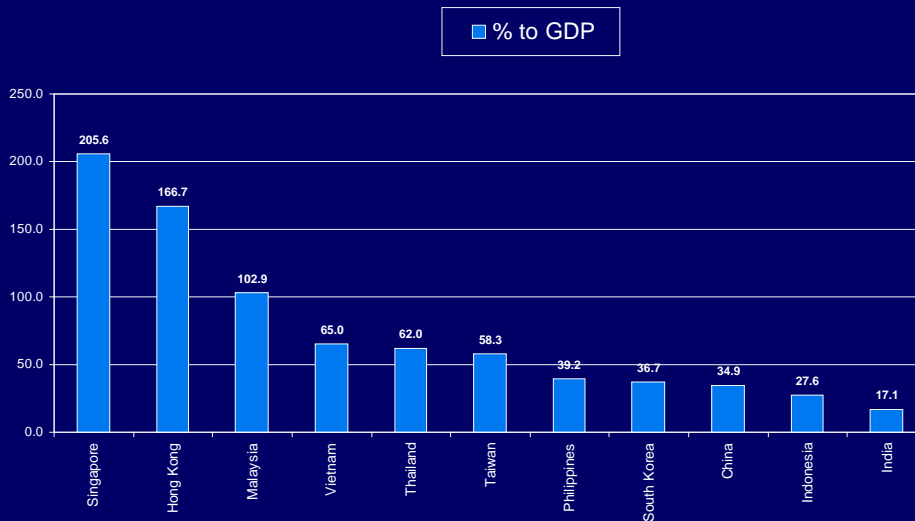


# Indian Economy

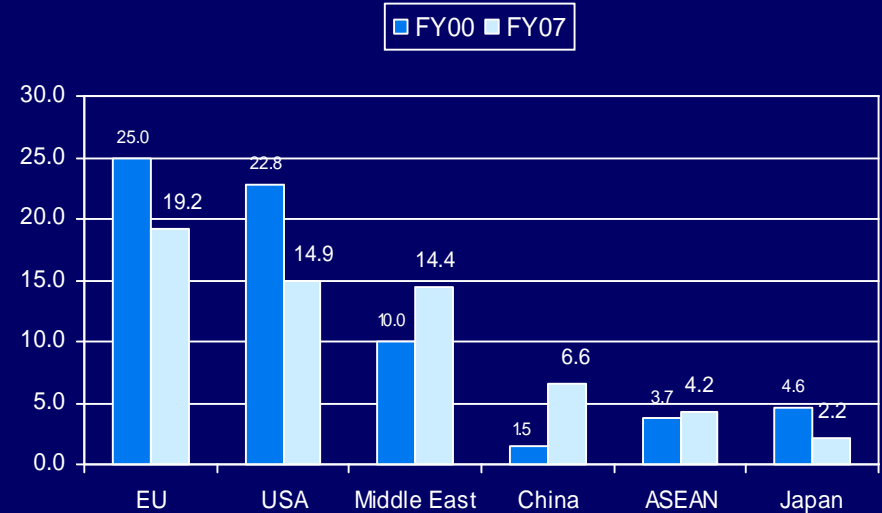


# US RECESSION & INDIAN OUTLOOK

## Exports as % to GDP: Comparative View



## India: Direction of Trade



The Indian growth story is largely domestic oriented

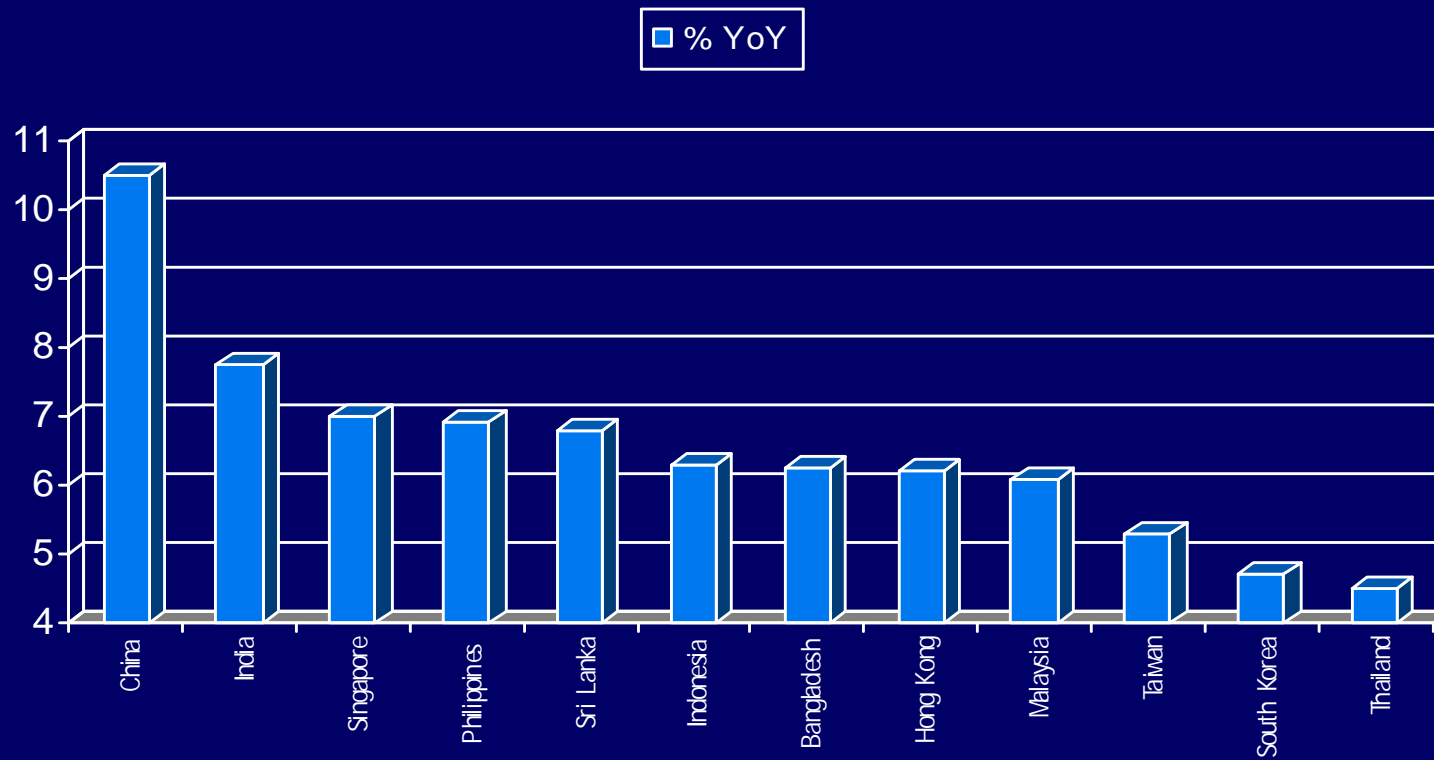
There has been a change in the direction of Indian exports from US, EU to China & Middle East Asia



# India - GDP in Picture

India remains one of the fastest growing economies in the region in spite of the current movements and expect a growth to 7.50 – 8% levels in FY 09

## Comparative GDP Growth: FY08

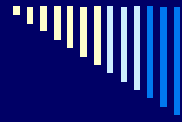




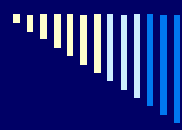
## Currency Movement Of Major Textile Producing Countries Against US Dollar

CURRENCY	% change between Mar-07 & Mar-08	% change between Mar-05 & Mar-08	<i>% change between Mar-07 &amp; 26.06.08</i>	% change between Mar-05 & 26.06.08
TAIWAN DOLLAR	8.16	3.43	<b>8.20</b>	3.47
THAILAND BAHT	2.76	19.82	<b>-4.03</b>	14.22
CHINA YUAN	9.29	15.28	<b>11.25</b>	17.11
INDIAN RUPEE	7.15	8.27	<b>0.93</b>	2.13
INDONESIA RUPIAH	-0.88	2.79	<b>-1.15</b>	2.53
MEXICO PESO	3.69	4.29	<b>7.05</b>	7.63

It's advantage India in textiles as the currency of China, Taiwan and Mexico appreciating continuously against US Dollar



# Indian Textile Industry



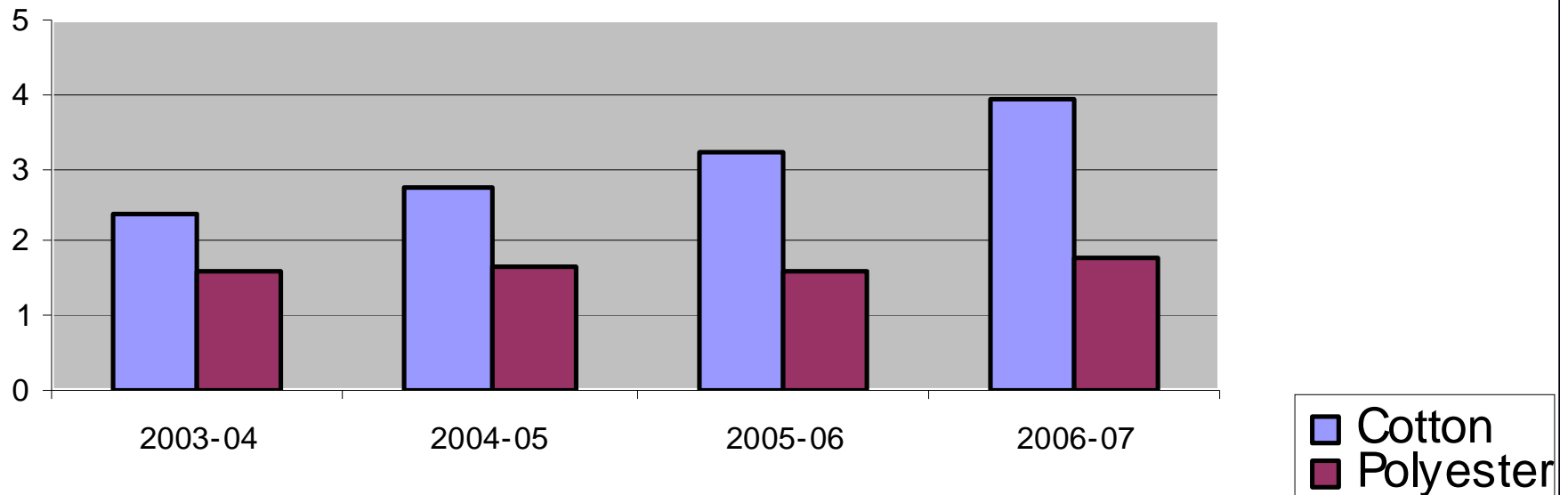
# Indian Textile Industry - Importance to Indian Economy

- Total market size (2007-08): USD 58.4 bn
  - Domestic market ~ USD 37.90 bn
  - Exports ~ USD 20.50 bn
- Expected market size of USD 110 bn in 2010
  - Domestic market ~ USD 60bn
  - Exports ~ USD 50 bn
- Strong contribution to Indian Economy
  - 4 % contribution to GDP
  - 14% contribution to industrial production
  - 15% contribution to export earnings
  - 8% contribution to excise collections
  - 21% contribution to employment in the industrial sector
  - Direct/Indirect employment to more than 91 million people (second to Agriculture sector)

Source: Ministry of Textiles, Eleventh Five year Plan

# High Growth in Indian Textile Industry

Millions  
Tonnes



Cotton production has grown at CAGR 19% against polyester production growth @9% between 2004 -2007 on the back of low cotton prices

Source : CMIE



# Advantage India

- India's position is strong vis-à-vis other countries in most raw materials in textiles
  - Fourth largest producer of manmade fibre and yarn
- Flexibility in production
  - Capabilities across the entire value chain within the country reduces lead time for production and reduces intermediate shipping time
  - Indian companies have flexibility and skilled manpower to handle small orders with complex designs
- Have Low Country Risk
- Positive developments in the Textile Policy
  - Reservation for small scale sector, especially key segments removed over last few years
  - Fiscal anomalies in terms of excise duty structure relaxed
- Product development and design capabilities



# Domestic Market Outlook: 2008-09

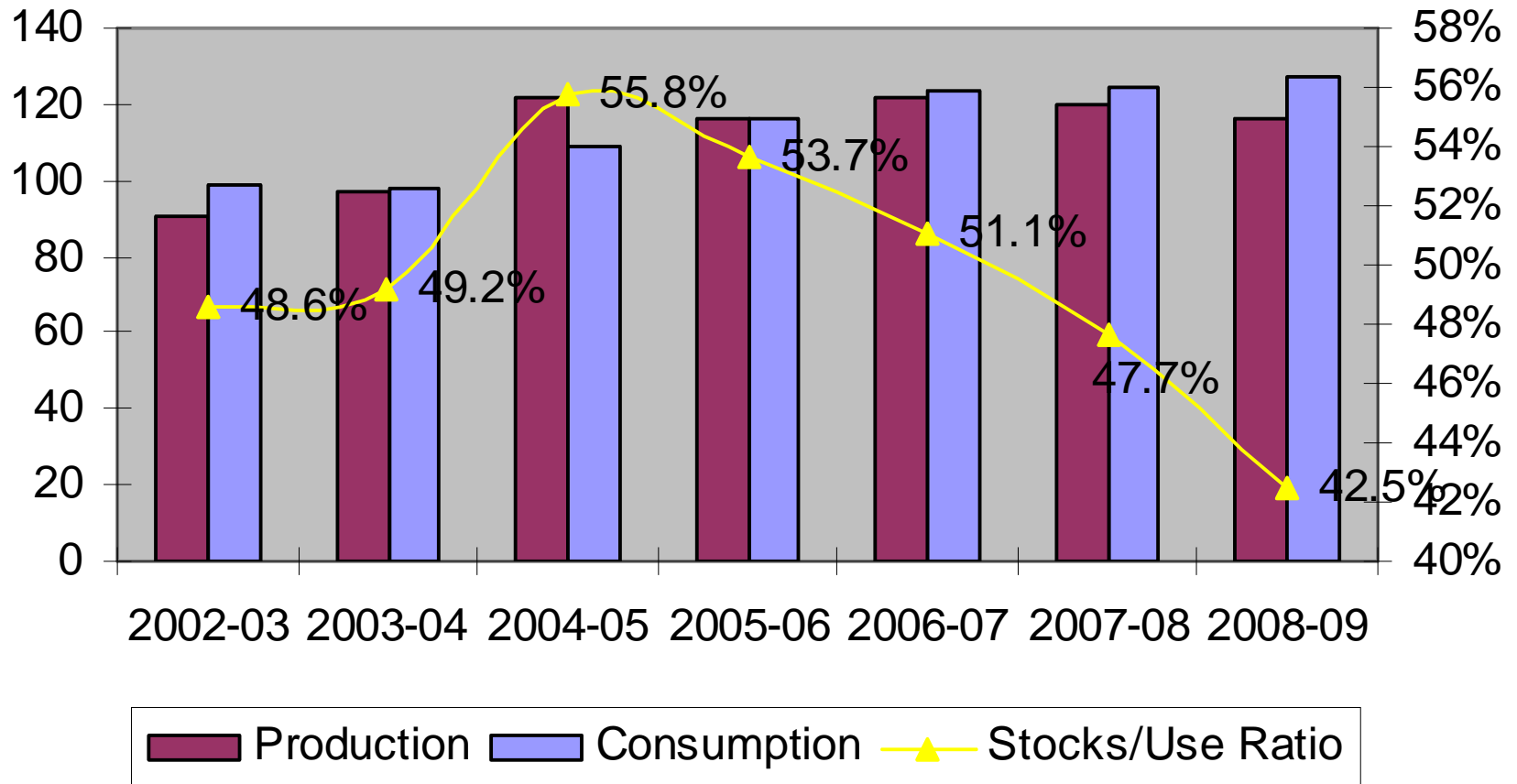
- Cotton Prices to remain firm; to support polyester prices
- Polyester operating rates to improve
- Margins to improve with easing of raw material supplies
- New capacity addition in China slowing down or deferred
- India: Government action review
  - Extended DEPB scheme & interest payment on delayed refunds to provide cushion to rupee appreciation hit exporters
  - TUFS extended for the period of full 11<sup>th</sup> plan; downstream investments to continue
- Rising domestic demand to cushion against unfavorable export environment



# Emerging Polyester Scenario

# Declining world Cotton Availability

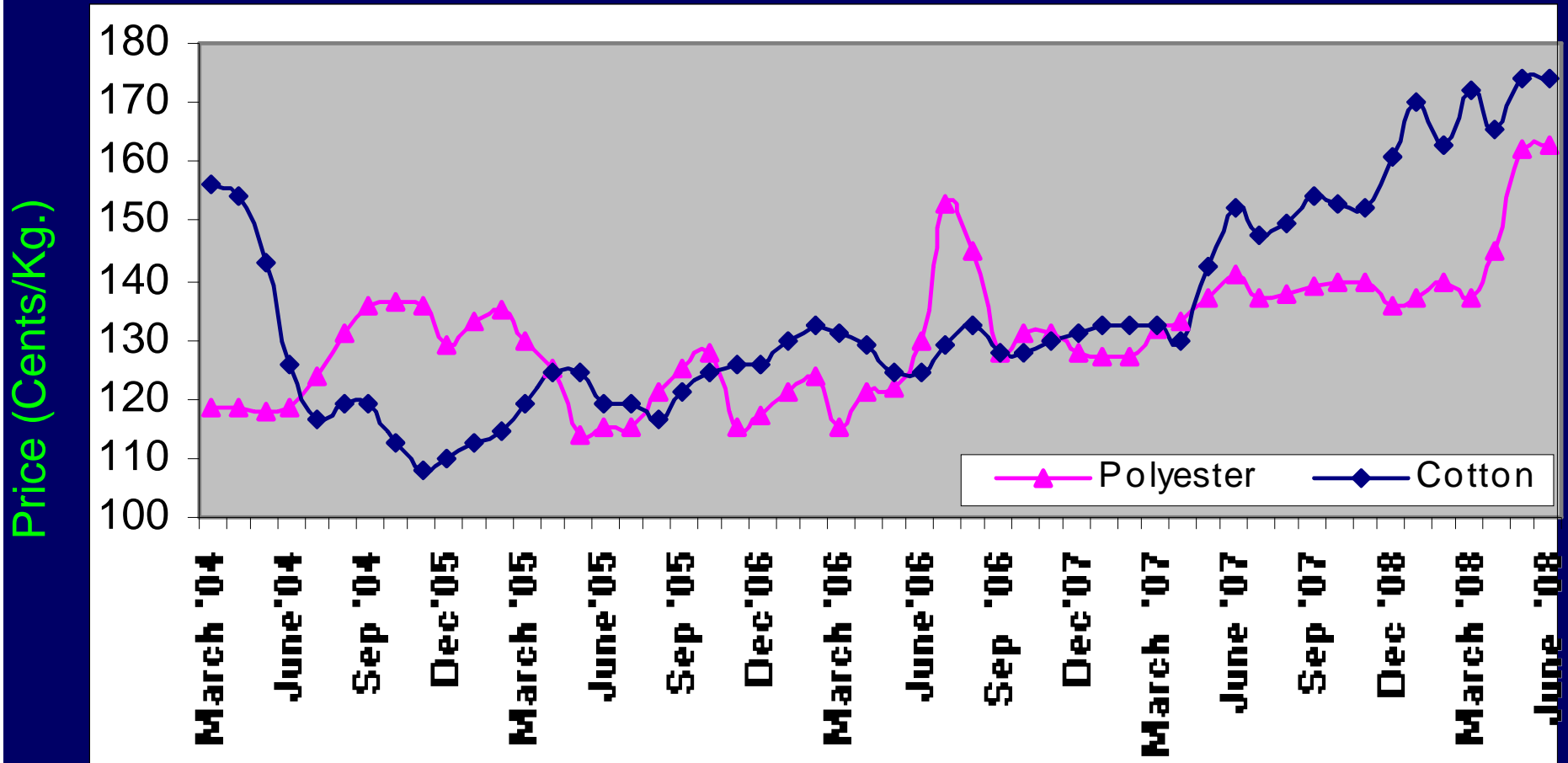
Millions of 480-lb bales



World production is expected to decrease by 2.6% in 2008/09 and consumption is expected to increase by 2.0%. The market will enter a period where world consumption has exceeded world production for three consecutive years.

Source : USDA

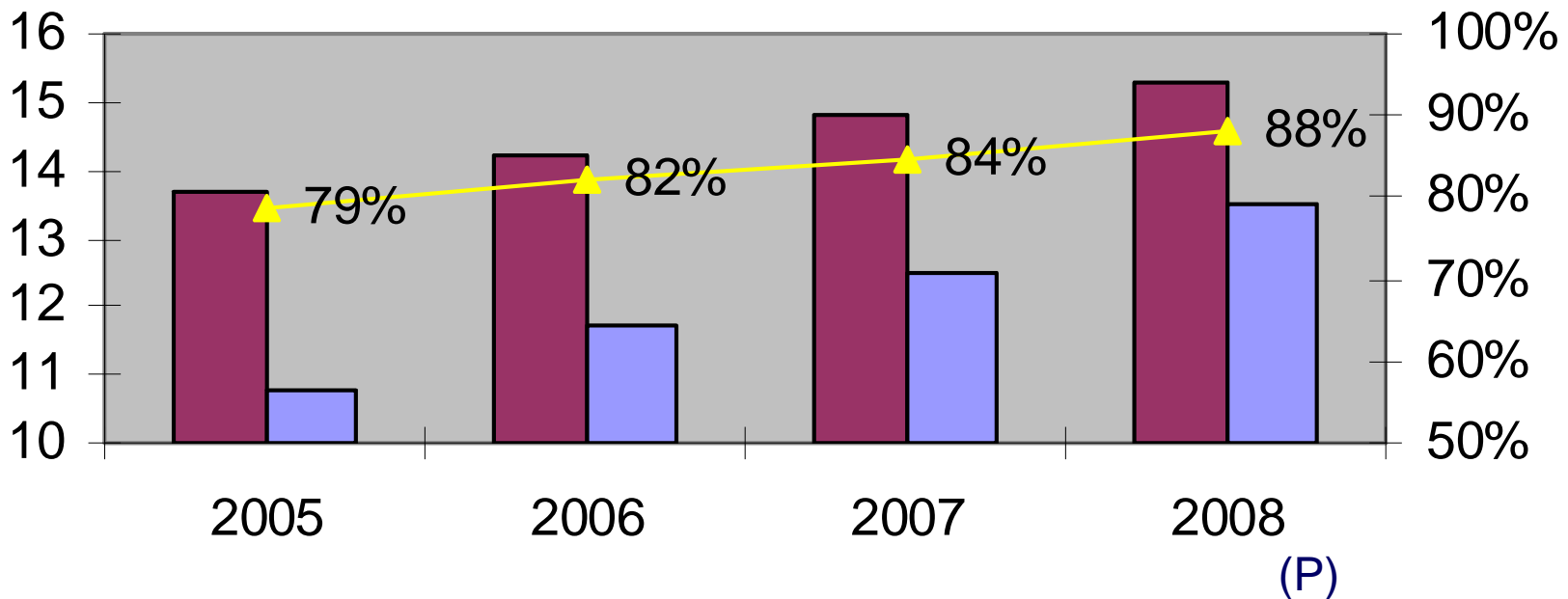
# Hardening Of Cotton Prices Internationally



Cotton Prices Internationally are showing upward bias improving the competitiveness of Polyester

# Robust World PSF Outlook

In MMT



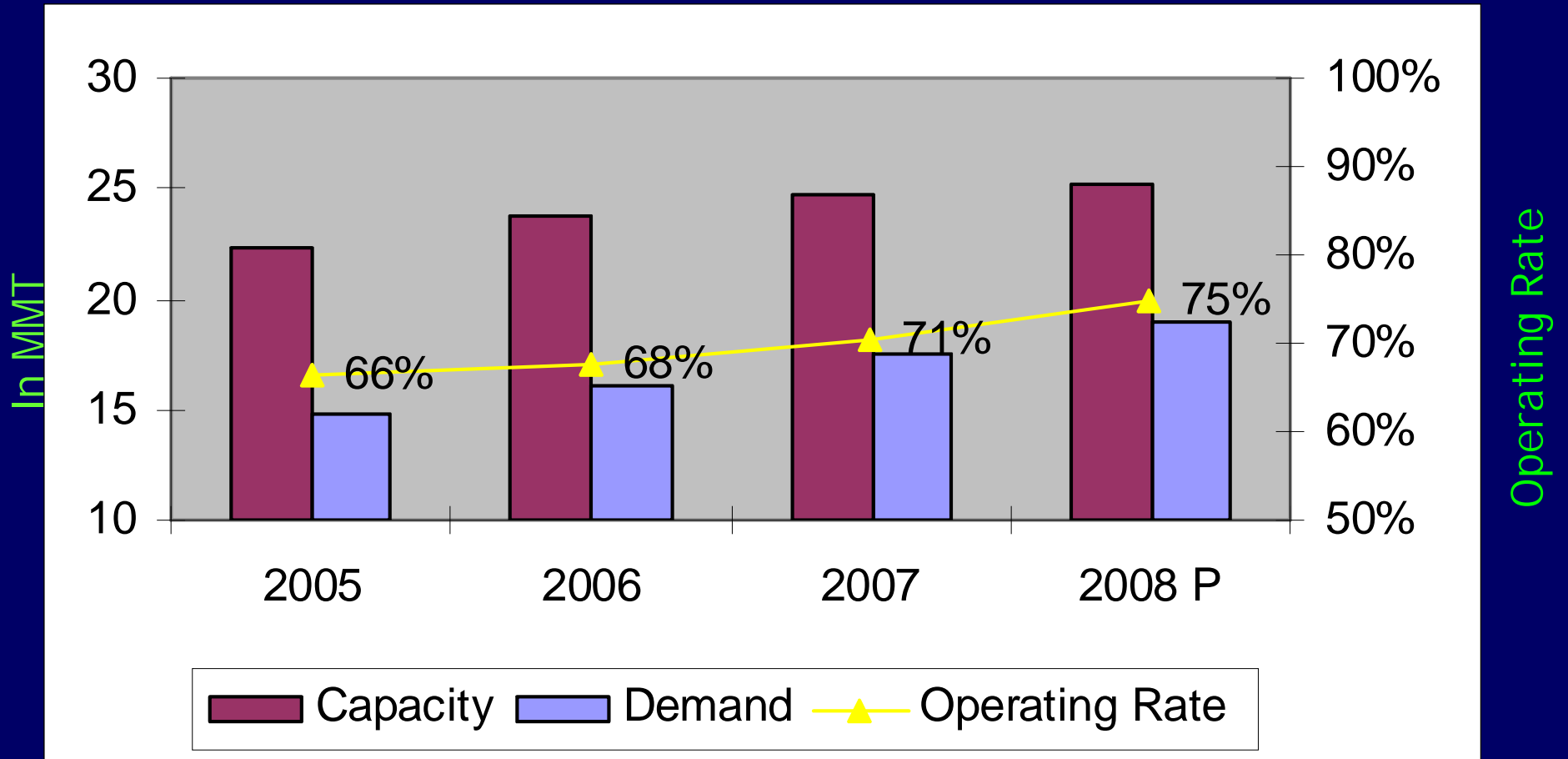
Capacity Demand Operating Rate

Operating Rate

With Increasing Demand Operating Rates are projected to move up

Source: PCI

# Robust World PFY Outlook



With Increasing Demand Operating Rates are projected to move up

Source: PCI



# Emerging Industry Outlook

## ❖ Cotton :

- ✓ Prices are expected to remain firm leading to higher demand of Polyester as alternative fibre

## ❖ POY :

- ✓ Operating Rates are projected to move up, improving the future outlook of POY

## ❖ PSF :

- ✓ Operating Rates are projected to move up, improving the future outlook of PSF



## Promising Outlook & Factors influencing Polyester Growth

1. Global trade in textile & clothing to touch \$ 700 bn by 2010 from existing \$ 450 bn
2. India's export to grow from \$ 20 bn to \$ 50 bn in 2010
3. Competitive Prices of Polyester due to hardening of Cotton Prices
4. Availability of PTA by upcoming new plant of MCPI for 900,000 MT in Q3 of 2008/09
5. Cotton fiber Supply Demand gap widening, good quality cotton availability is increasingly becoming critical
6. Textile industry a Priority sector for GOI, Major investment in place across Spinning, Texturising, Weaving, Processing and Garmenting Industry

The total investment in the textiles and clothing industry between financial years 2004-05, 2005-06 & 2006-07 was Rs. 70,526 crore under the Technology Upgradation fund scheme (TUFS)

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## Promising Outlook & Factors influencing Polyester Growth

7. Large Scale Expansions in Downstream Industry
8. The cloth production rose from 42 bn sq. mtrs. in 2002-03 to 54 bn sq. mtrs. in 2006-07
9. The investment in the textiles sector in the past three years has increased from Rs. 7,349 crore in 2004-05 to Rs. 15,032 crore in 2005-06 and Rs. 48,145 crore in 2006-07

Sources : A report released by E&Y and CII  
: Ministry of Textiles

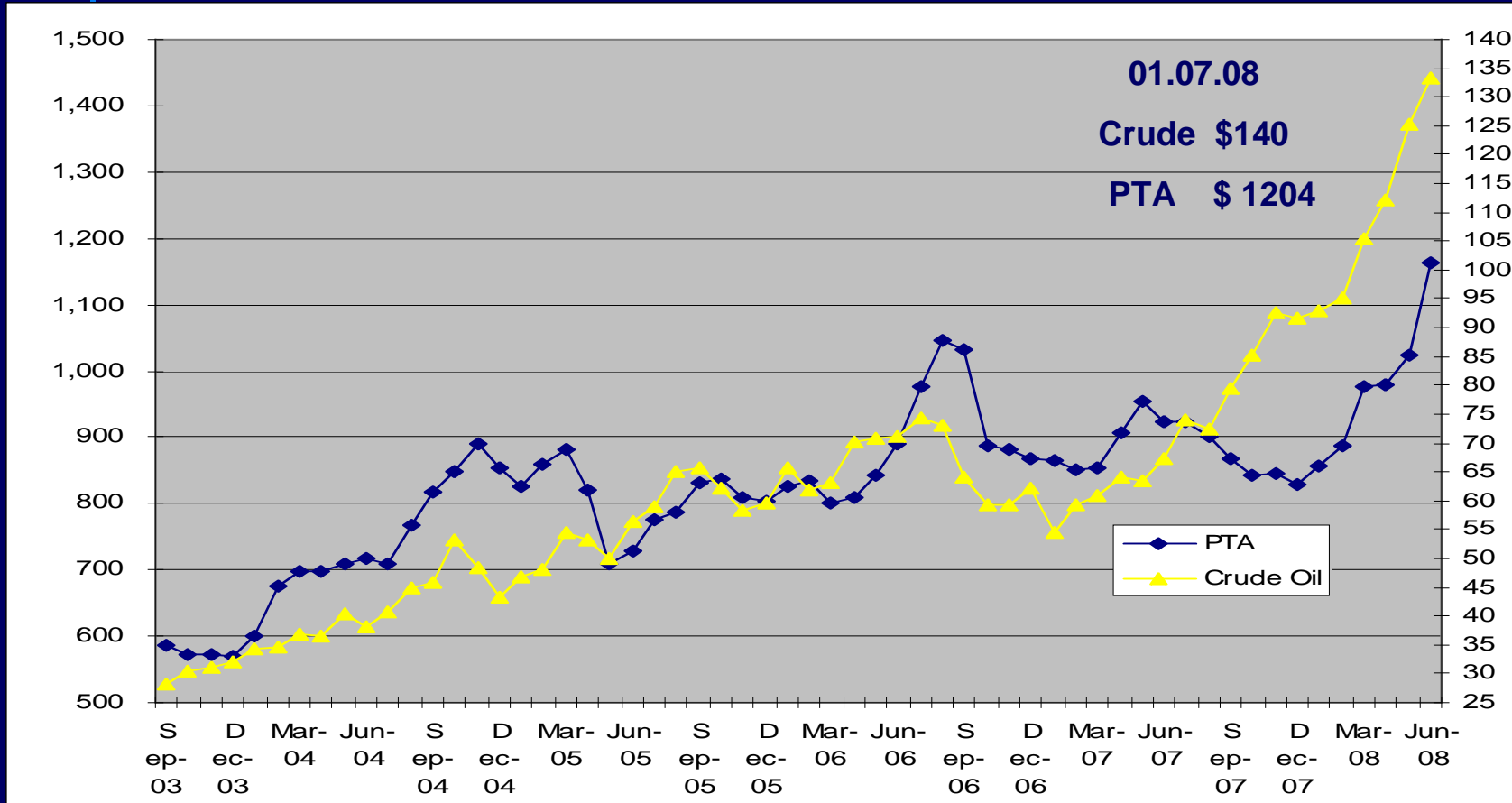


# Crude & Raw Material Outlook

# Behaviour of PTA & Crude Oil Prices

\$ / Tonne

\$ / Barrel



- PTA prices have not kept pace with the increase in the Crude Oil prices

\* Prices Shown in the chart are average price for the month



## WHY IS CRUDE SO BULLISH....

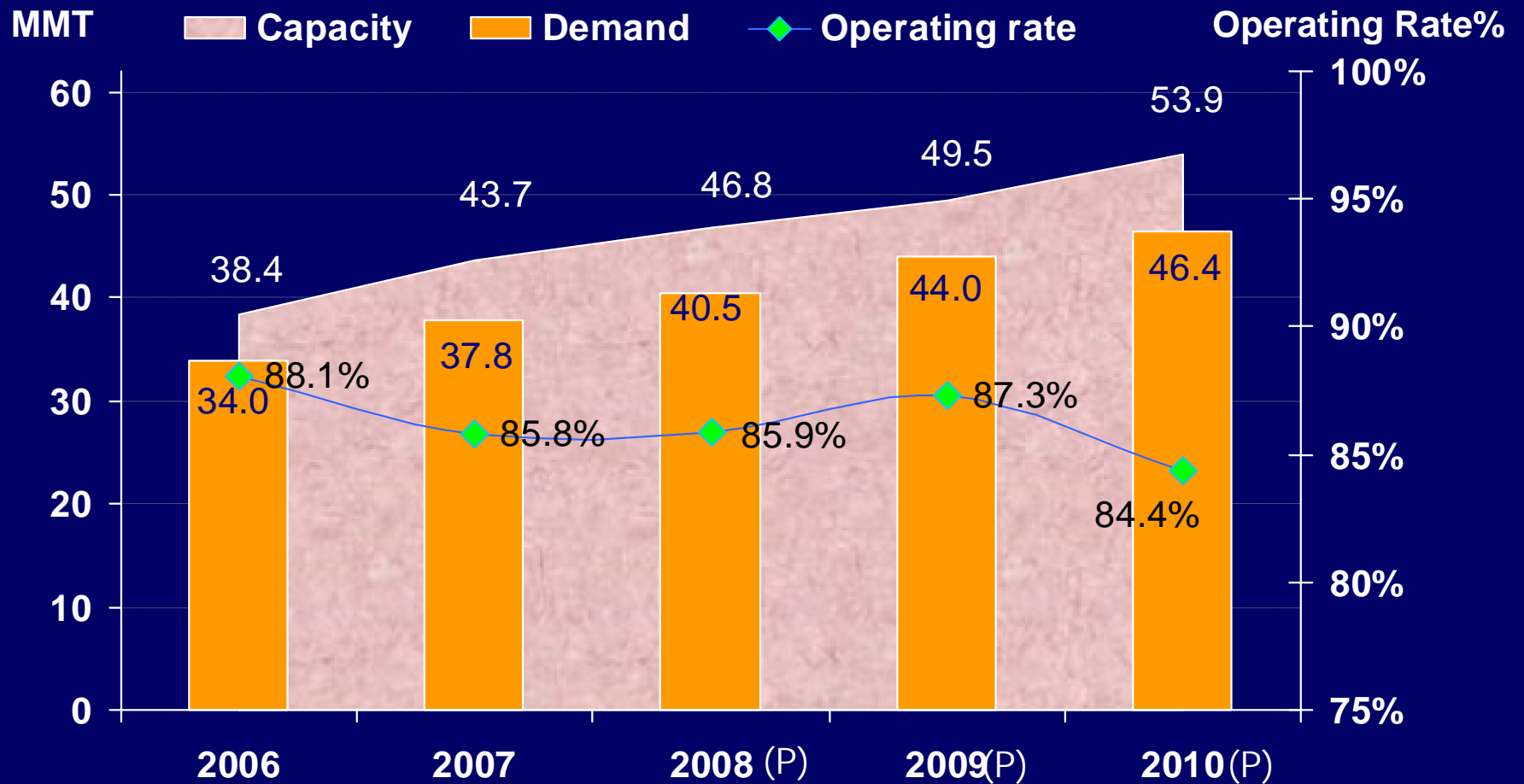
### □ SUPPLY CONCERN

- - OPEC did not increase quota
- - Nigeria remains a concern amidst renewed threats for kidnapping and militant attacks

### □ OTHERS

- - Weakening of US dollar
- - Flow of investor funds into oil
- - High degree of speculative activity: NYMEX sees all time high net speculative length

# Improved PTA Availability



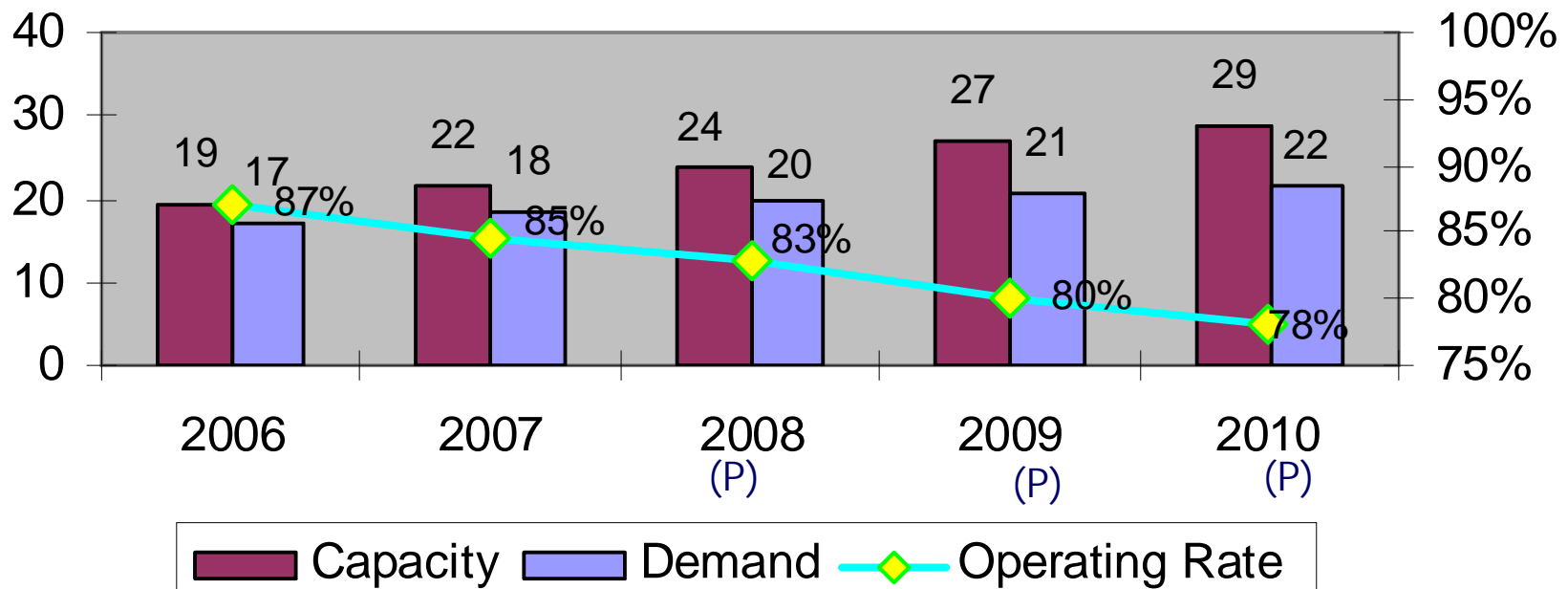
Supply Surging ahead of demand – likely softening of prices

Source: PCI

# MEG Global Outlook

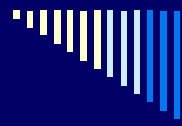
MMT

Operating Rate



Rising Surplus Capacity of MEG is likely to Soften MEG prices

Source: PCI



# Summary of Raw Material Outlook

## ❖ Crude Oil :

- ✓ Crude Oil prices have moved up to new highs.

## ❖ PTA :

- ✓ Supply Surging ahead of demand – likely softening of prices

## ❖ MEG :

- ✓ Rising surplus capacity of MEG is likely to soften MEG prices



# Indo Rama Synthetics (I) Ltd.

## Financial Performance 2007-2008

# Financial Highlights 2007-08

Particulars	For The Year Ended Rs/ Crores	
	2007-08	2006-07
<b>Gross Turnover</b>	<b>2,721.82</b>	<b>2,156.87</b>
Less : Excise Duty on Sales	176.30	145.19
<b>Net Turnover</b>	<b>2,545.52</b>	<b>2,011.68</b>
Other Income	125.54	60.78
<b>Total Income</b>	<b>2,671.06</b>	<b>2,072.46</b>
(Increase) / Decrease in Stock- in-Trade	(54.50)	(132.65)
Movement in Excise Duty on Stocks	2.73	11.92
Raw – materials	2,071.34	1,688.60
Staff Cost	52.11	39.41
Other Expenditure	361.09	288.16
<b>Total Expenditure</b>	<b>2,432.77</b>	<b>1,895.44</b>

# Financial Highlights 2007-08

Particulars	For The Year Ended	
	2007-08	2006-07
<b>EBDITA</b>	<b>238.29</b>	<b>177.02</b>
Interest	83.85	35.93
<b>EBDT</b>	<b>154.44</b>	<b>141.09</b>
Depreciation	147.33	106.81
<b>Profit Before Tax (PBT)</b>	<b>7.10</b>	<b>34.28</b>
Provision for Taxation		
-Reversal of excess MAT liability for earlier years	-	(0.59)
-FBT	1.26	0.90
-Deferred Tax	2.82	13.33
<b>Profit after Tax (PAT)</b>	<b>3.02</b>	<b>20.64</b>



## Analysis of Annual Results 2007-08

- ❖ Significant achievement of placing the enhanced capacity by penetrating new markets
  - ✓ 26% increase in net turnover
  - ✓ 19% increase in domestic sales value
  - ✓ 91% increase in export sales value
  - ✓ 24% increase in production volume

Comparison on Y-O-Y basis

29

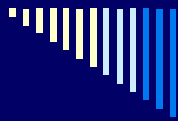
**INDO RAMA**



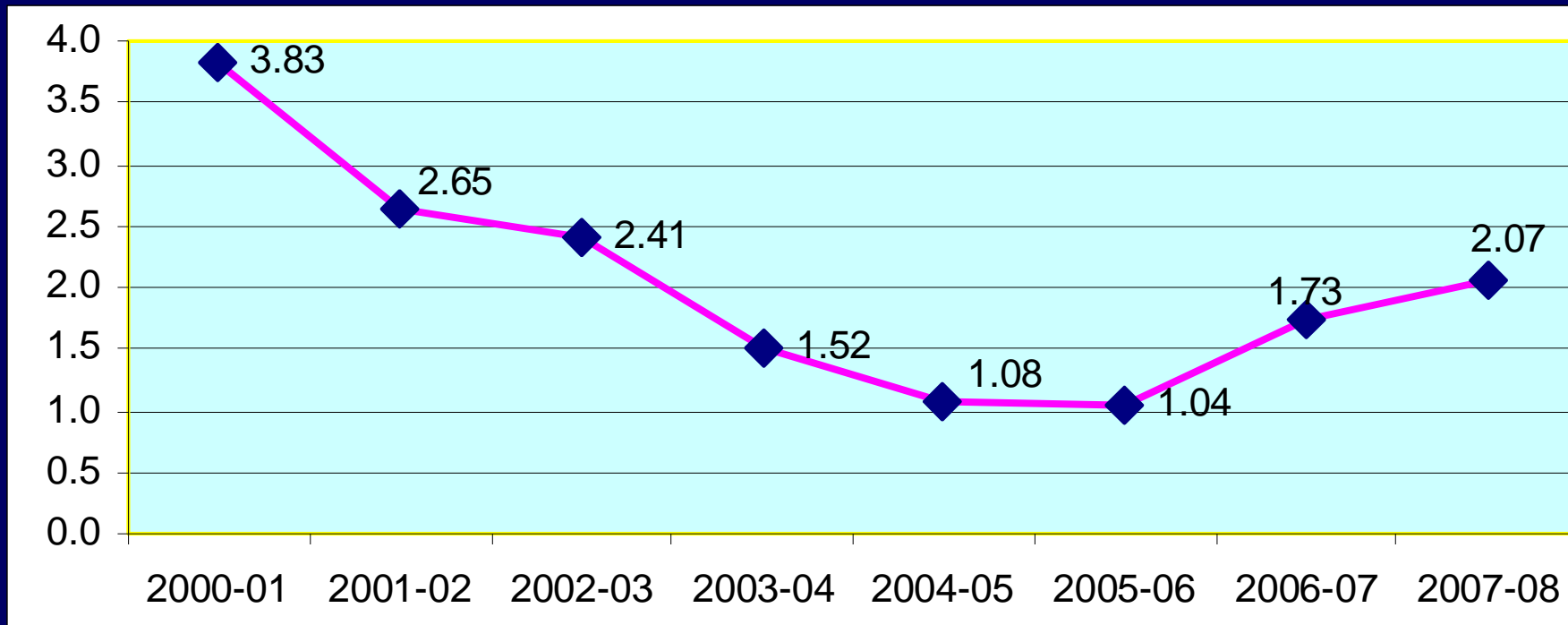
# Analysis of Annual Results

- ✓ EBIDTA went up by 35%
- ✓ PBT went negative because of following factors :
  - Increase in Finance cost by 133% due to
    - Increase in the Rate of Interest
    - Debt taken for funding the new polyester plant
  - Increase in depreciation by 38% because of commencement of new polyester plant
  - Aggressive marketing policy to capture market share

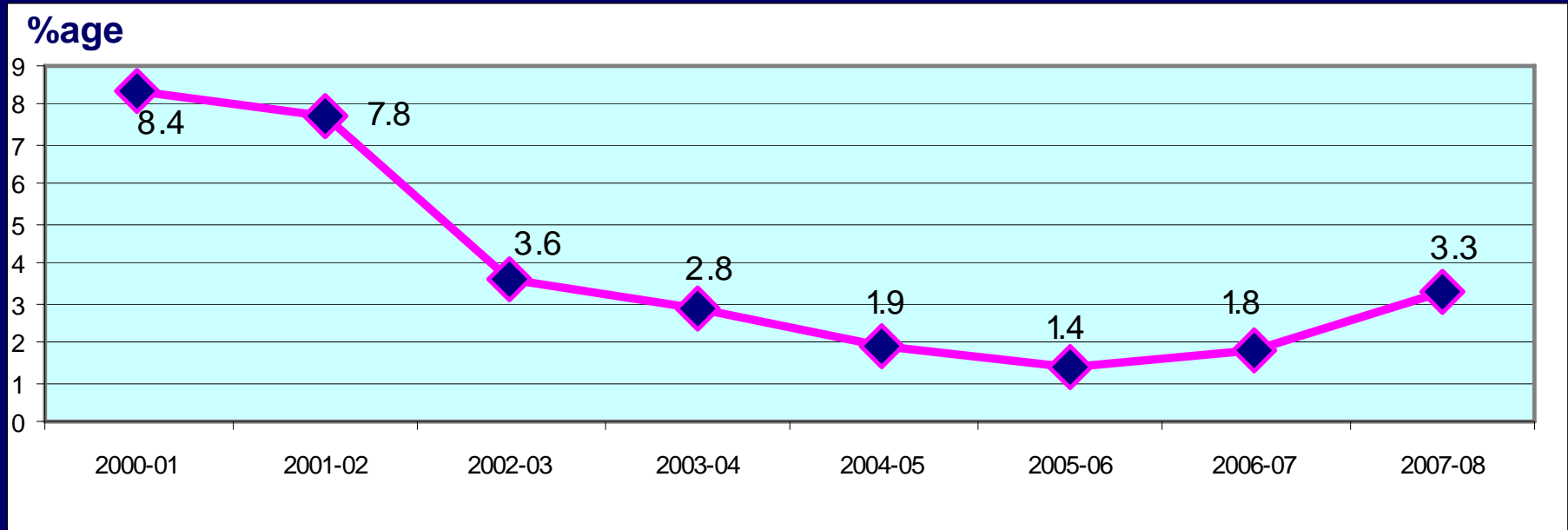
Comparison on Y-O-Y basis

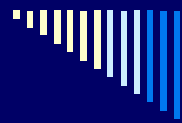


# Inspite Of Expansion Debt Equity Ratio Still Good

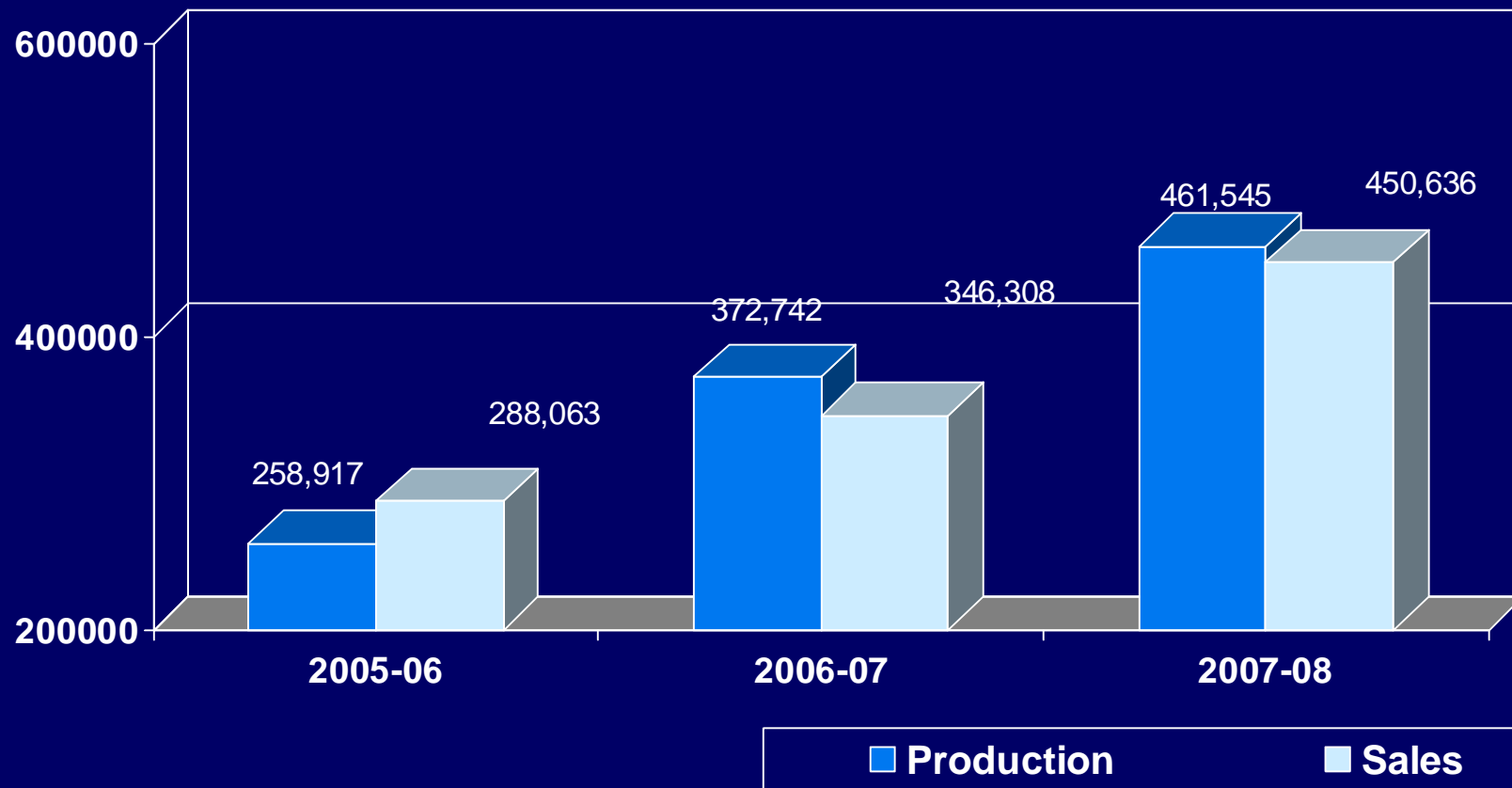


# Interest Cost as a % of Sales have remained under control



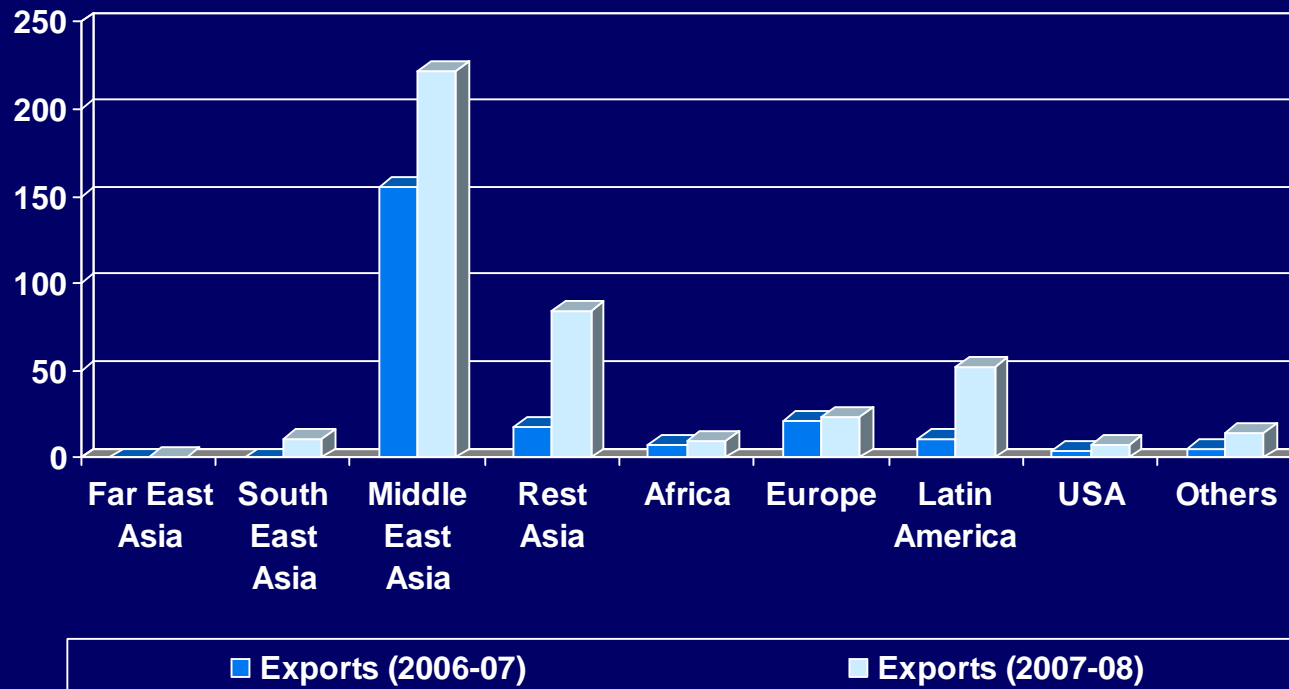


# Production & Sales Volume Has Shown Consistent Growth



# Growth in Export Segment

Rs. Crore



➤ Total Exports grew from Rs. 222 crore to Rs. 425 crore in 2007-08



## Negative factors

For the period April - 07 to March - 08

- Steep increase in crude oil prices
- Tight availability of Raw materials
- Increase in Raw material prices
- High MEG prices due to unplanned capacity shutdowns in Middle East
- Sharp rise in Furnace oil prices leading to higher power cost
- Rupee appreciation had hit downstream exporters resulting in slower demand growth

## Financial Highlights - Q 4

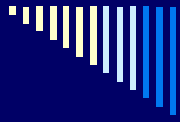
Particulars	Q4 (2007-08)	Q4 (2006-07)
Gross Turnover	684.28	654.40
Less : Excise Duty on Sales	40.11	41.04
Net Turnover	644.17	613.36
Other Income	60.95	22.87
Total Income	705.12	636.23
(Increase) / Decrease in Stock- in-Trade	113.90	(9.31)
Movement in Excise Duty on Stocks	(12.15)	1.18
Raw - materials	479.31	494.69
Staff Cost	13.09	10.65
Other Expenditure	68.46	85.91
Total Expenditure	662.61	583.12

## Financial Highlights - Q 4

Particulars	Q4 (2007-08)	Q4 (2006-07)
EBDITA	42.51	53.11
Interest	27.53	10.78
EBDT	14.98	42.33
Depreciation	39.13	29.08
Profit Before Tax (PBT)	(24.15)	13.25
Provision for Taxation		
-MAT	(0.02)	(0.07)
-FBT	0.27	0.30
-Deferred Tax	(4.73)	6.33
Profit after Tax (PAT)	(19.67)	6.69



# Principal Growth Drivers



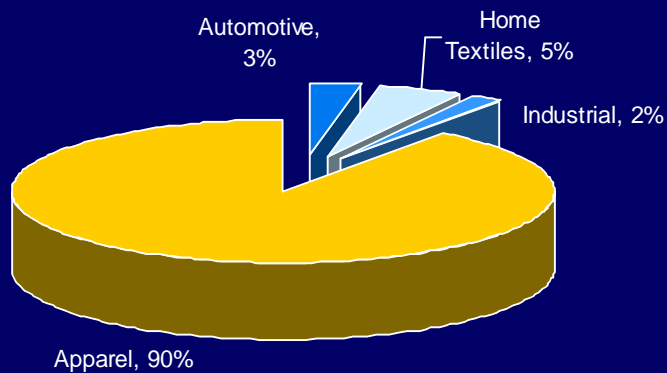
# Principal Growth Drivers

## ❖ Drivers of domestic market

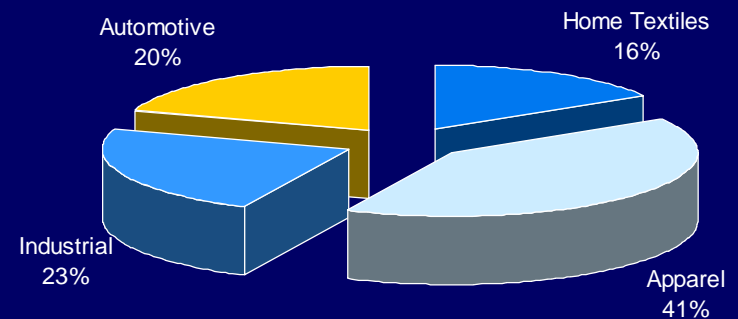
- Domestic household market growth to be driven by :
  - ❑ Increase in penetration of organised retail,
  - ❑ Favourable demographics
  - ❑ Rising consumption and income levels
- Domestic non-clothing consumption growth would be driven by :
  - ❑ Rising usage of technical textiles
  - ❑ Rapid industrial growth
  - ❑ Increased activity in construction of residential and commercial properties

# Polyester: Journey beyond Apparels

## INDIA

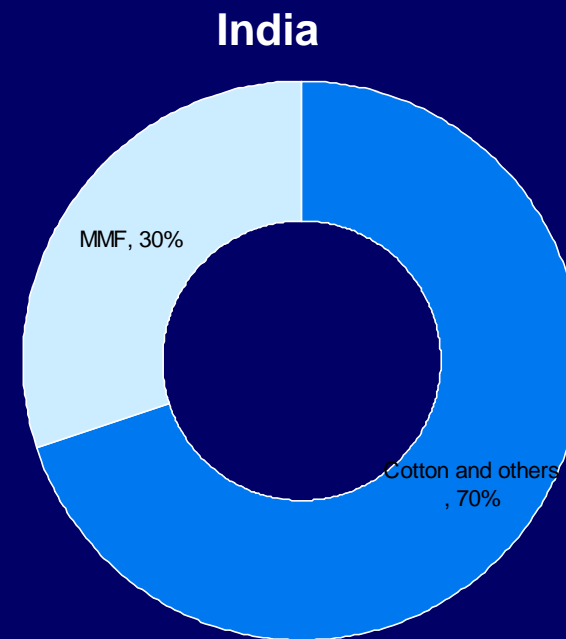
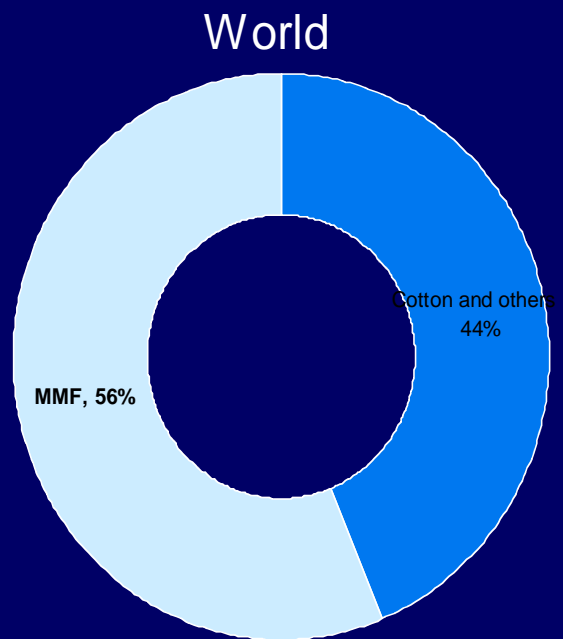


## WORLD



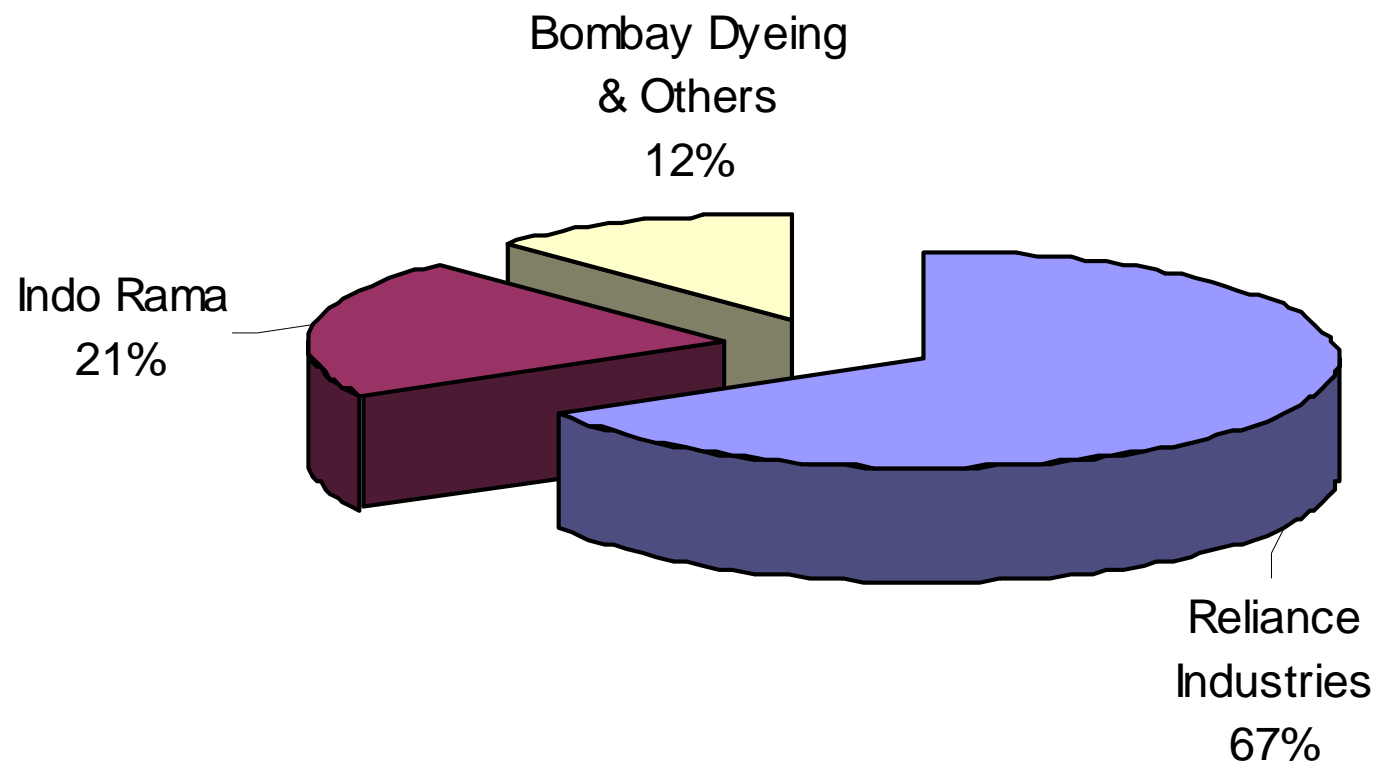
Huge untapped potential in non-apparel applications in India

# Fiber Production At A Glance



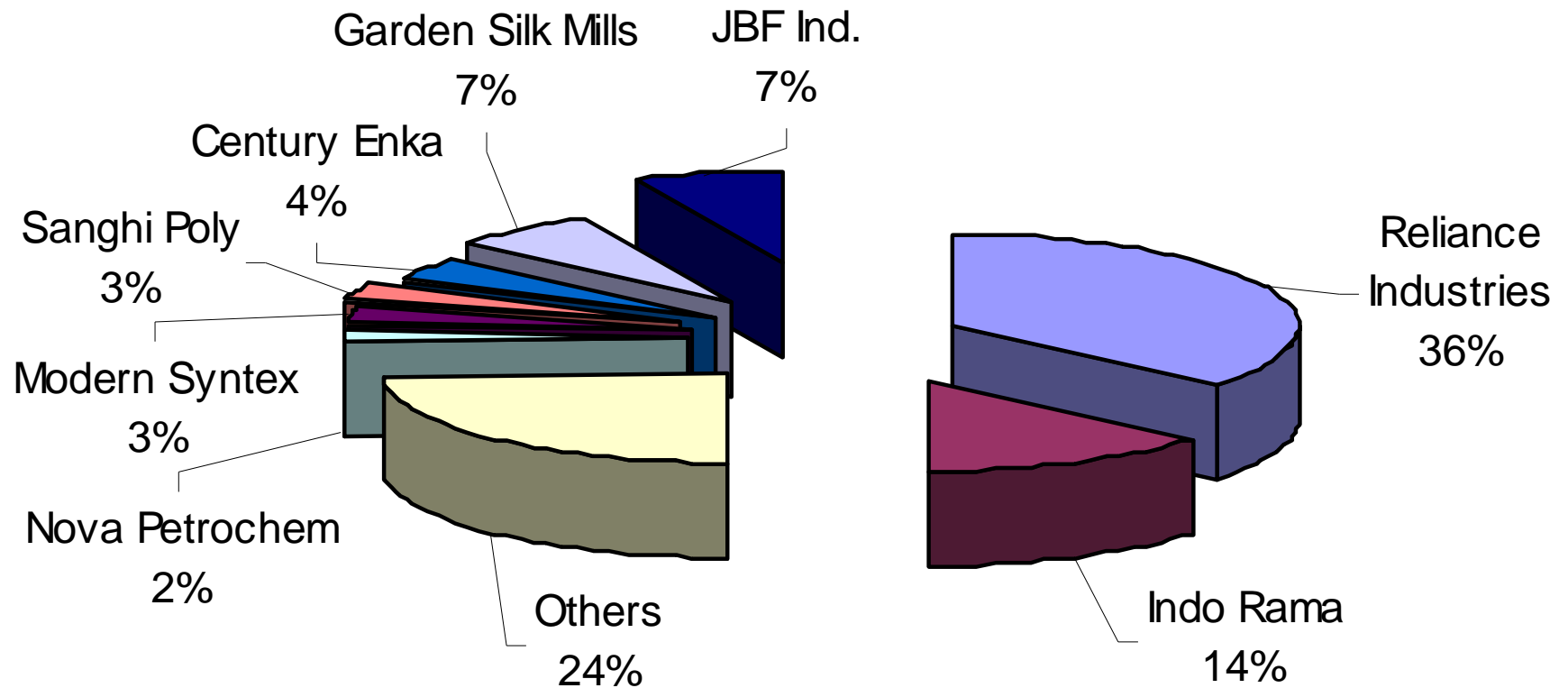
Shifting from Cotton to MMF in lines with international market is expected

# Break-up of PSF Capacity in India



Source: PCI

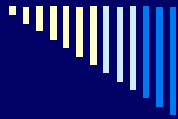
# The Major Players: POY - India





# Summary

- ❖ Textile sector is set for rapid growth which will lead to rapid increase in polyester demand
- ❖ Raw material scenario is expected to remain benign
- ❖ With the completion of polyester expansion project, benefits of economies of scale will start kicking in
- ❖ With both the power plants of IRPL having started commercial production there would be big savings for IRSL in Power & Fuel cost
- ❖ The IRSL and IRPL merger will enhance shareholder value by way of synergies
- ❖ Market Continues to be buoyant, IRSL is confident of placing the entire production of the expanded capacity in the market
- ❖ With the increasing of cotton prices , polyester prices have been revised significantly in the Q1 of 2008/09.



House Open for Questions