

Textile India

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Progress

Textiles-Apparels-Fashions-Textile Machinery-Dyestuffs & Chemicals

Parvathi TVR Chandran Publications

October 2006

Rs. 25/-

Indo Rama Synthetics (India) Limited

Poised to Touch 1 Million M/T/A Polyester Production



INDO RAMA
SYNTHETICS (INDIA) LIMITED

Targets Rs 60,000 Million Sales Turnover by 2011

Cover Feature

**Indo Rama Synthetics India Ltd to double Polyester capacity to 6,00,000 M/T/A
Targets Rs 6,000 crore sales turnover by 2009-2010**

Mr O.P. Lohia, Chairman and Managing Director, Indo Rama Synthetics (India) Ltd spoke to Textile India Progress on the company's growth plan in the next five years until 2009-2010. Mr Lohia said that IRSL's goal is to produce 10,00,000 M/T/A polyester by 2010-2011, but would certainly achieve a production of 6,00,000 M/T/A of polyester and a sales turnover of Rs 5,000 crore by 2009-2010. Mr Lohia said India is the only country along with China having integrated Textile players and having its presence across the textile value chain from Fibre production to value addition stage of garmenting. India is one of the key manufacturing hubs of textiles. Presently, cotton constitutes 80% of India's total exports. With the change in global dynamics, the growth is expected in polyester products. India is the only country along with China where the cost of production is lowest. In order to seize the opportunities of growth in India's Polyester Industry, IRSL group would like to leverage its core strength to build large capacities in polyester. As estimated, polyester products demand will rise rapidly at an annual growth rate at CAGR of 12% in the next 5 years. Excerpts of Mr O.P. Lohia's Interview with Textile India Progress:-



Mr O.P. Lohia, Chairman and Managing Director, Indo Rama Synthetics (India) Ltd

TIP: Could you elaborate on the expansion of PSF, POY-Production in m/t/a, sales turnover Rs/Value net profit and EPS of IRSL for 2007-2008, 2008-2009, 2009-2010, 2010-2011?

OPL: We have an ambitious plan to increase our production capacities and sales turnover as elaborated in the table below in this interview.

TIP: What is the capital expenditure already incurred? Total cost and how the funds were

raised - Outstanding debt and repayment schedule?

OPL: The total cost of project is Rs. 840 crore. The funds were raised through internal accruals and loans from Financial Institutions.

TIP: What is Indorama Synthetics India Ltd's CAGR?

OPL: Our CAGR is as follows:

	Sales	PAT
10 Years	9.7%	47.0%
5 Years	1.6%	22.6%

TIP: Could you brief us on Indorama Synthetics India Ltd's diversification activities if any?

OPL: Indo Rama has seen rapid growth in the past few years in its core business; sales have grown by 9.7% CAGR over the last 10 years, IRSL net profit has increased from Rs. 1 crore in FY96 to Rs. 52 crore in FY06. The group is in the final stages of doubling its polyester capacity from 3,00,000 to 6,00,000 t.p.a. This will add on to the healthy financial position and cash flows of the group.

IRSL group would like to leverage its core strength to build large capacities in polyester. As estimated, polyester products demand will rise rapidly at an annual growth rate at CAGR of 12% in the next 5 years. India is the only country along with China having integrated Textile players and having its presence across the textile value chain from Fibre production to value addition stage of garmenting. India is one of the key manufacturing hubs of textiles. Presently, cotton constitutes 80% of India's total exports. With the change in global dynamics, the growth is expected in polyester products. India is the only country along with China where the cost of production is lowest.

Keeping in mind the above, Indo Rama intends to continue to grow in its domain and will explore more opportunities for diversification which can supplement and complement the existing capacities. Diversification would be possible on those areas where existing business also get the benefit of higher margins and value addition.

The diversification in non-core areas is not on the anvil at the

moment.

TIP: On a production of 6,00,000 metric tonnes per annum, how much would be POY and how much PSF. Do you have plans to expand thereafter?

OPL: The mix between POY and PSF would be 50:50. Indo Rama would surely look forward to ramp up its scale further in POY and PSF.

TIP: On the question of acquisition of overseas POY, PSF companies, rather than expanding in India, because, in globalisation, sometimes it is better to have overseas factories?

OPL: India holds very bright prospects to become world's major clothier in the time to come. It is expected that lot of activity will take place in the textile industries where the capacity for the future will be added in India and China mainly. India holds the strategic advantage of availability of raw material, low cost labour, availability of latest technology, machinery, manufacturing and technologists.

Although we shall remain open to the developments in the global arena, our focus will be to consolidate capacities in India rather than outside. However, we remain open for any opportunity available in the global market which strategically will help us improving our presence at the international markets.

TIP: A final question. Does Indorama Synthetics India Ltd plan to make eventually 10,00,000 metric tonnes per annum, contributing to an average sales turnover of Rs 6,000 crore, even if you take the average polyester rate at Rs 60/- per kg?

OPL: Our aim is to expand our capacity to 10,00,000 metric tones in 2010-11. This will help us in increasing our sales turnover to more than Rs. 6,000 crore per annum.

TIP: We thank you for your enlightening answers and wish you success in your endeavours?

OPL: We thank you for the interest you have evinced in Indo Rama.

Indo Rama Synthetics (India) Limited Future Projections

Particulars		UOM	2005-06	2006-07	2007-08	2008-09	2009-10
Production Capacity	PSF	MT	150,000	200,000	300,000	330,000	360,000
	POY/FDY/Chips	MT	150,000	250,000	300,000	330,000	360,000
Actual Production	PSF	MT	120,583	190,000	300,000	330,000	360,000
	POY/FDY/Chips	MT	99,449	235,000	300,000	330,000	360,000
Sales Turnover		Rs. Cr.	2,102	3,305	4,372	4,497	4,906
Net Profit (PAT)		Rs. Cr.	52	93	209	278	302
EPS		Rs.	3.93	7.09	15.85	21.08	22.90
Export (on Tonnage)		%	2%	8%	6%	1.6%	1.5%