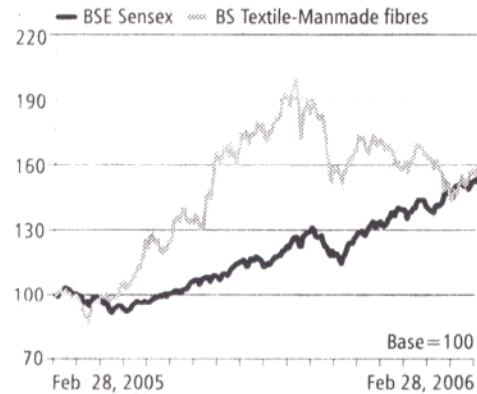


PROPOSALS • Excise duty on all man-made fibres and yarns cut to 8% • Import duty on man-made fibre, yarn and feedstock reduced to 10%

IMPACT • Price differential between cotton yarn and polyester to narrow down

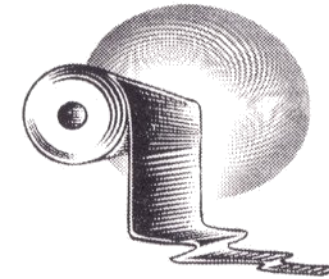


The budgetary measures for the man-made fibre industry has been in line with expectations. The Budget has made spun yarn and blended yarn competitive vis a vis cotton textiles with reduction of excise duty from 16 per cent to 8 per cent and import duty from 15 per cent to 10 per cent on all man-made fibres and filament yarns. Thus, competitiveness of spun and blended yarn is expected to improve both in domestic and export markets. Reduction of customs duty from 15 per cent to 10 per cent is also expected

MAN-MADE TEXTILES

	2004-05	2003-04	2002-03
NET SALES	6480.90	5580.22	4934.48
Net Profit	623.23	294.24	188.30
Excise	11.20	13.95	14.51
TAX (% OF PBT)	3.68	6.07	5.44
Imports (% of raw materials)	20.23	17.47	13.34

to result in lower raw material costs, though raw cotton prices are still at reasonable levels. However, overall margins are unlikely to improve substantially in the immediate future.



Indo Rama Synthetics

Net Sales: Rs 1903.52 crore
Net Profit: Rs 70.21 crore

- Easing of raw material prices on PTA and MEG due to customs duty reduction
- Lower excise duties will improve price competitiveness

Pre-Budget price (Rs)	72
Post-Budget price (Rs)	74.95
Variation (%)	4.1

Outlook: Indo Rama Synthetics is expected to be the biggest beneficiary in the long run due to economies of scale and technology. Its Rs 900-crore polyester project is expected to be commissioned by June 2006, by which time the raw material availability will not be a problem. It is India's largest dedicated polyester manufacturer. In terms of size, it is next to market leader Reliance Industries. The company will benefit with higher volumes as product prices will fall.

Rajasthan Spinning

Net Sales: Rs 725.87 crore
Net Profit: Rs 18.41 crore

- The cut in excise duties on man-made fibres will benefit Rajasthan Spinning

Pre-Budget price (Rs)	123.85
Post-Budget price (Rs)	125.35
Variation (%)	1.2

Outlook: The Rs 726-crore Rajasthan Spinning is India's largest manufacturer and exporter of synthetic spun yarn manufacturing almost all varieties of blended yarns like polyester-cotton, polyester-viscose among others. The yarn business contributes about 85 per cent of the company's total revenues. Though it has planned expansions in value added businesses like denim and garments, the yarn business, especially blended yarn, is expected to form the larger share of revenues. Realisations are expected to improve both due to improving raw material scenario as well as value added products.