

# Reliance Chemotex Industries Limited

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Investor Presentation

November 2019



# Safe Harbour



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## Quarterly Highlights

# Comments from Managing Director

“We are pleased to report that the company has continued its growth journey in the current year with our revenue and operating profits growing at 10% and 18% respectively on a quarter-to-quarter basis.

Our continued focus on strategic cost reduction and on further improving our versatile and value-added product mix has begun bearing fruit as is evident from the 17% (year-on-year) improvement in our operating profit. Furthermore, the company has successfully pursued businesses that require yarns of extremely high quality and yarns that are utilized in technical end-uses.

In our effort to further reduce our operating costs, the company has evaluated the feasibility of installing Solar Panels (up to a capacity of 3MW) on the rooftops of our manufacturing units in Udaipur. This endeavor will reduce the Company’s carbon footprint, lead to significant cost savings and will, to a certain extent, insulate the Company from fluctuations in Industrial Power Tariff Rates.

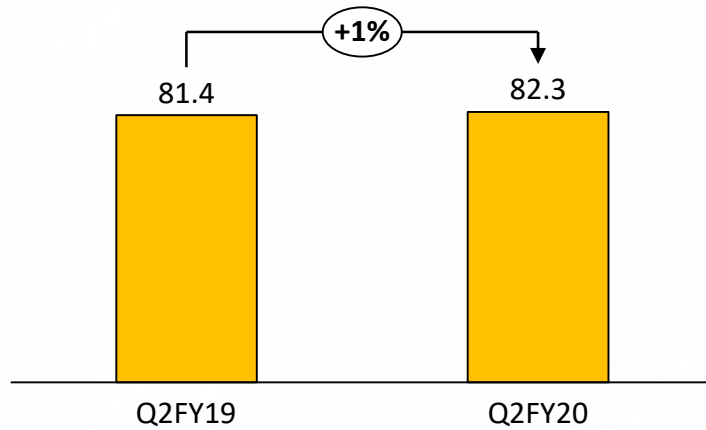
Furthermore, we have embarked on an expansion and modernization project which will replace certain older machines while allocating others for research and product development purposes. This project will significantly reduce operating costs, improve profitability and further increase the flexibility of the company’s manufacturing.

On the Balance Sheet front, the Company has repaid Rs. 4.31 crores of its long-term debt during the first six months of this financial year. The current outstanding long-term debt stands at Rs. 12.18 crores which translates to a comfortable net Long-term debt to equity of 0.13x.”

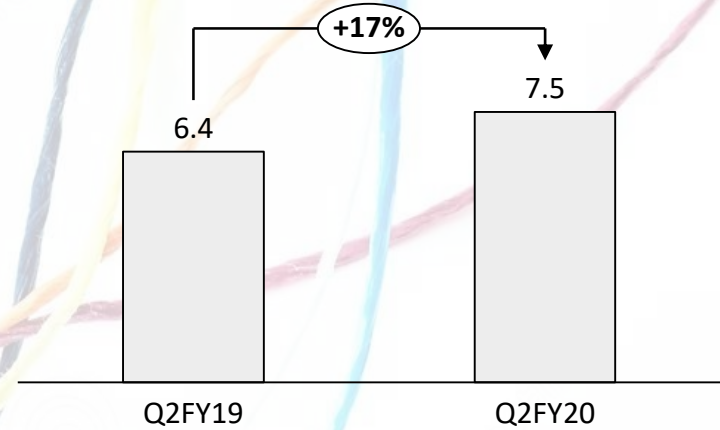
**Sanjiv Shroff**

# Q2 Financial Highlights

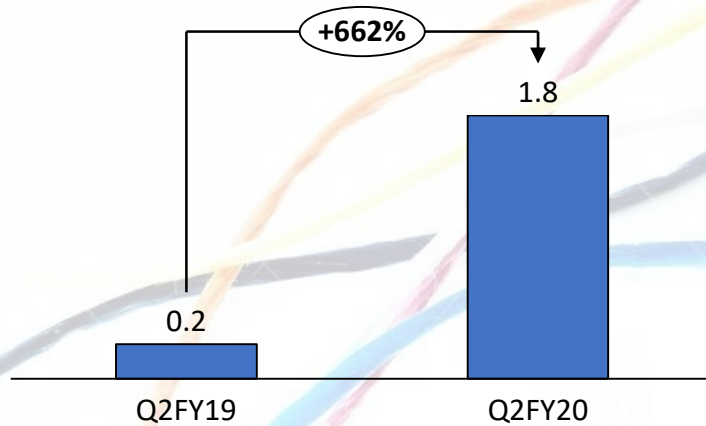
## Total Revenue\* (Rs Crs)



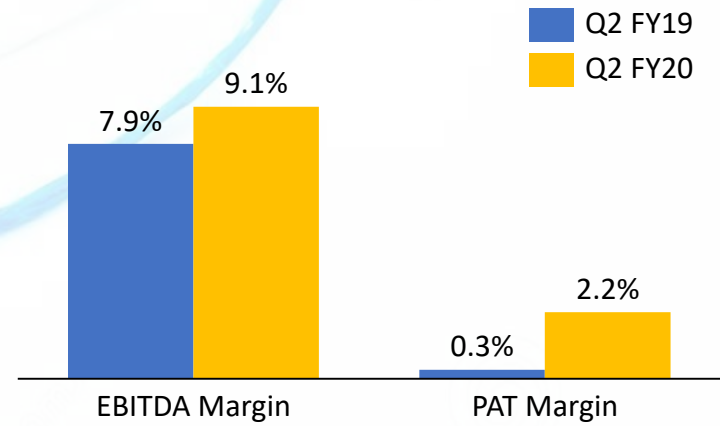
## EBIDTA\* (Rs Crs)



## PAT (Rs Crs)



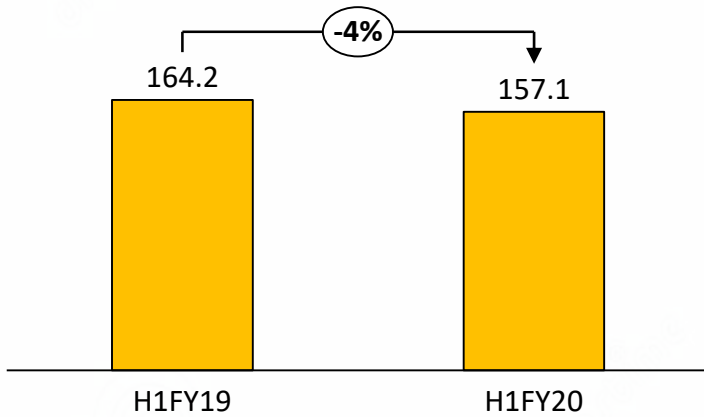
## Margins %



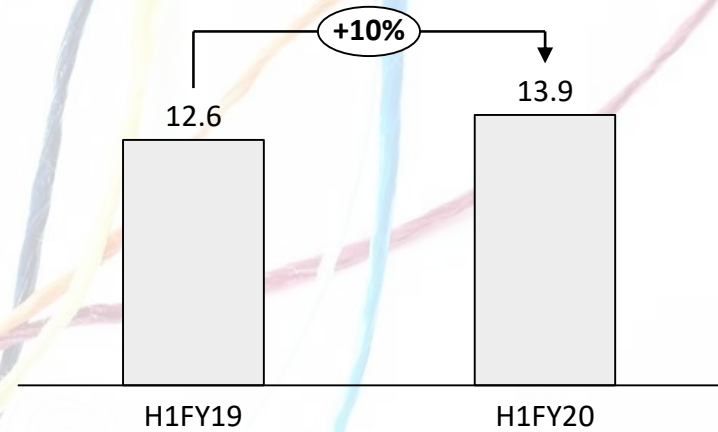
\*Includes Other Income

# H1 Financial Highlights

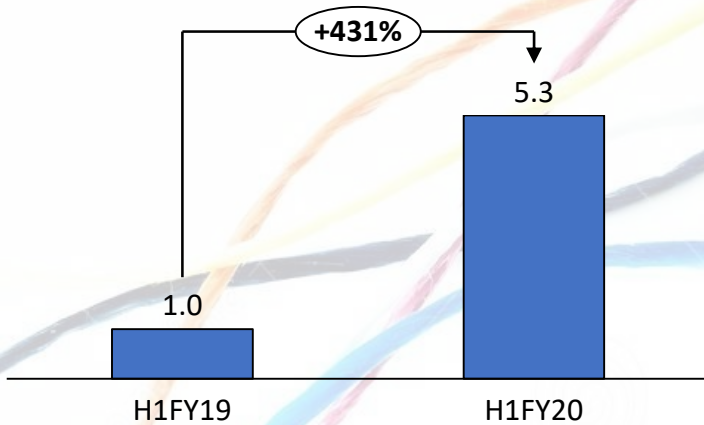
## Total Revenue\* (Rs Crs)



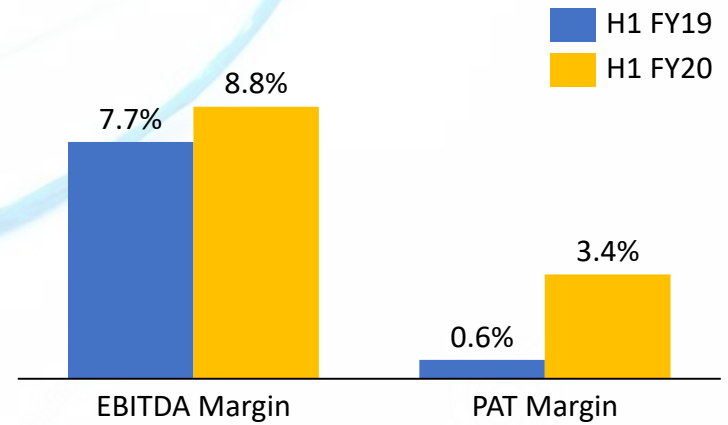
## EBIDTA\* (Rs Crs)



## PAT (Rs Crs)



## Margins %



\*Includes Other Income

# Profit & Loss Statement



Rs. Crores	Q2FY20	Q2FY19	Y-o-Y	Q1FY19	QoQ	H1FY20	H1FY19	Y-o-Y
<b>Net Revenue</b>	<b>82.34</b>	<b>81.37</b>		<b>74.77</b>		<b>157.11</b>	<b>164.22</b>	
Other Income	0.33	0.38		<b>0.24</b>		0.56	0.61	
<b>Total Revenue</b>	<b>82.67</b>	<b>81.75</b>	<b>1.12%</b>	<b>75.00</b>	<b>10.22%</b>	<b>157.67</b>	<b>164.83</b>	<b>-4.34%</b>
Direct Expenses	46.27	46.22		40.07		86.34	94.66	
Employee Expenses	9.35	9.13		9.95		19.31	18.29	
Power & Fuel	9.00	8.81		8.77		17.77	17.41	
Other Expenses	10.50	11.16		9.83		20.33	21.82	
<b>EBITDA</b>	<b>7.54</b>	<b>6.44</b>	<b>17.16%</b>	<b>6.38</b>	<b>18.28%</b>	<b>13.92</b>	<b>12.64</b>	<b>10.10%</b>
<b>EBITDA Margin</b>	<b>9.13%</b>	<b>7.88%</b>	<b>+125 bps</b>	<b>8.50%</b>	<b>+62 bps</b>	<b>8.83%</b>	<b>7.67%</b>	<b>+116bps</b>
Depreciation	2.02	1.68		1.65		3.67	3.35	
Finance costs	2.90	3.35		3.20		6.10	6.59	
<b>PBT</b>	<b>2.63</b>	<b>1.41</b>	<b>86.14%</b>	<b>1.53</b>	<b>72.30%</b>	<b>4.16</b>	<b>2.70</b>	<b>53.69%</b>
<b>PBT Margin</b>	<b>3.18%</b>	<b>1.73%</b>	<b>+145 bps</b>	<b>2.04%</b>	<b>+115 bps</b>	<b>2.64%</b>	<b>1.64%</b>	<b>+100 bps</b>
Tax	0.79	1.17		-1.96		-1.17	1.70	
<b>PAT</b>	<b>1.84</b>	<b>0.24</b>	<b>662.13%</b>	<b>3.49</b>	<b>-47.24%</b>	<b>5.33</b>	<b>1.00</b>	<b>430.68%</b>
<b>PAT Margin</b>	<b>2.23%</b>	<b>0.30%</b>	<b>+193 bps</b>	<b>4.65%</b>	<b>-243 bps</b>	<b>3.38%</b>	<b>0.61%</b>	<b>-277 bps</b>
Other Comprehensive Income (net of tax)	-0.01	0.01		-0.01		-0.02	0.02	
<b>Total Comprehensive Income for the Period</b>	<b>1.83</b>	<b>0.25</b>	<b>630.98%</b>	<b>3.48</b>	<b>-47.38%</b>	<b>5.31</b>	<b>1.02</b>	<b>419.50%</b>
<b>Cash Profit*</b>	<b>3.85</b>	<b>1.93</b>		<b>5.13</b>		<b>8.98</b>	<b>4.37</b>	

\*Cash Profit = Total Comprehensive Income for the Period + Depreciation

# Balance Sheet



Rs. Crores	Sep-19	Mar-19
<b>Non-Current Assets</b>	<b>143.10</b>	<b>143.30</b>
Property, plant and equipment	97.18	137.32
Investment – Property	2.13	2.14
Other intangible assets	0.09	0.09
<b>Financial assets</b>		
Right to use assets	39.38	0.00
Loans	4.32	3.42
Other financial assets	0.00	0.31
<b>Current Assets</b>	<b>84.59</b>	<b>74.78</b>
Inventories	37.63	37.88
<b>Financial assets</b>		
Trade receivables	22.25	17.52
Cash and cash equivalents	0.23	0.13
Bank balances	4.03	3.96
Other financial assets	6.24	7.00
Current Tax Assets (Net)	0.51	0.73
Other current assets	13.70	7.56
<b>TOTAL ASSETS</b>	<b>227.69</b>	<b>218.07</b>

Rs. Crores	Sep-19	Mar-19
<b>Shareholders Fund</b>	<b>93.96</b>	<b>66.89</b>
Share Capital	7.56	4.00
Other Equity	86.40	62.89
<b>Non-Current Liabilities</b>	<b>46.63</b>	<b>71.62</b>
Financial liabilities		
Borrowings	26.75	50.32
Other financial liabilities	1.51	0.82
Provisions	0.72	0.72
Deferred tax liabilities (net)	17.64	19.75
<b>Current Liabilities</b>	<b>87.10</b>	<b>79.57</b>
Financial liabilities		
Borrowings	26.16	23.52
Trade payables	33.73	35.88
Other financial liabilities	20.38	16.73
Other current liabilities	6.09	2.60
Provisions	0.74	0.84
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>227.69</b>	<b>218.07</b>



# Cashflow Statement



Rs. Crores	H1FY20	H1FY19
Profit Before Tax	4.16	2.70
Operating profit before working capital changes	13.61	12.28
Changes in working capital	-7.96	-10.56
Cash generated from operations	5.65	1.72
Direct taxes paid (net of refund)	-0.68	-0.6
<b>Net Cash from Operating Activities</b>	<b>7.96</b>	<b>13.99</b>
<b>Net Cash from Investing Activities</b>	<b>-0.37</b>	<b>-1.34</b>
<b>Net Cash from Financing Activities</b>	<b>-7.49</b>	<b>-12.50</b>
Net Change in cash and cash equivalents	0.10	0.2
Cash & Cash Equivalent at beginning of period	0.13	22.9
<b>Cash &amp; Cash Equivalent at the end of period</b>	<b>0.23</b>	<b>0.38</b>



## New Initiatives

# Expansion Plan

- Under the Expansion Project older machines will be replaced and certain machines will be re-allocated for research and product development purposes
- The project will be completed in 2 phases
  - Under Phase 1: 6,240 spindles to be replaced by March 2020
  - Under Phase 2: 10,560 spindles to be replaced by December 2020
- The project will increase the company's operational efficiencies and result in substantial cost savings
- The project has been appraised by Rajasthan State Industrial Development & Investment Corporation (RIICO)
  - RIICO has sanctioned the term loan of Rs. 35.50 crores
  - The loan has been sanctioned at a very attractive rate of interest of 9% and is eligible for 7% interest subvention
    - The Effective Rate of Interest will be 2%
  - Repayment tenure of 9 years
    - 3 Years of Moratorium on Principal repayment
    - 6 years of Principal repayment with a ballooning payment schedule (post moratorium)

# Rooftop Solar Panels

- Evaluated the feasibility of installing Solar Panels as part of Cost Saving initiatives
  - Total Capacity planned is upto ~3 MW
- The proposed Solar panels will provide the Company with power at a lower rate than prevailing industrial rates and result in significant cost savings
- To a certain extent, insulates the Company from fluctuations in Industrial Power Tariff Rates
- Requires minimal maintenance cost
- Helps generate power in an Eco-friendly way and reduce carbon footprint



# Manufacturing of Technical Textile Yarn

- Technical Textile are non-aesthetic textile products manufactured for their functional properties
- Technical Textile applications are across industries like medical, automobile, aerospace, defence, construction etc
- India's share in Global Technical Market is at around 4%
- Sector contributes 12-15% of the textile value chain
- Has seen a healthy growth rate of 12% over past few years
- Growth is expected accelerate over next couple of years
  - Government has made the use of 92 categories of technical textile mandatory by various ministries and public agencies
- These products will be value added products with better profitability profile
- These products will be manufactured at the existing manufacturing units without any major capital investments
- RCIL has already established essential partnerships with Raw Material suppliers in the protected technical textile value chain
- RCIL technical yarns are already well accepted in domestic and International markets



## Business Overview

# A Leading Synthetic Yarn Manufacturer



## Capacity

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53,280 Spindles

## Export Focused

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~54% of the revenue comes from export to Developed Markets like North America, Europe etc.

## High Value Added Yarns

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Our yarn is used for upholstery, carpet, automotive, medical and other industrial end-uses

## Versatile Product Portfolio with Customised Offering

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Working with flexibility and versatility to provide the best option to our customers

## Experienced Management

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40+ years of business experience  
Third generation has been inducted into the business

## Philosophy

RCIL's growth has been strategically built upon creative product development, a highly flexible and consumer-centric marketing ideology, a recruiting philosophy that values long-term commitment and perhaps most importantly, an unconditionally strong value system.

# We make the “Yarn of the future” ...



## Global

High preference of Man Made Fibre

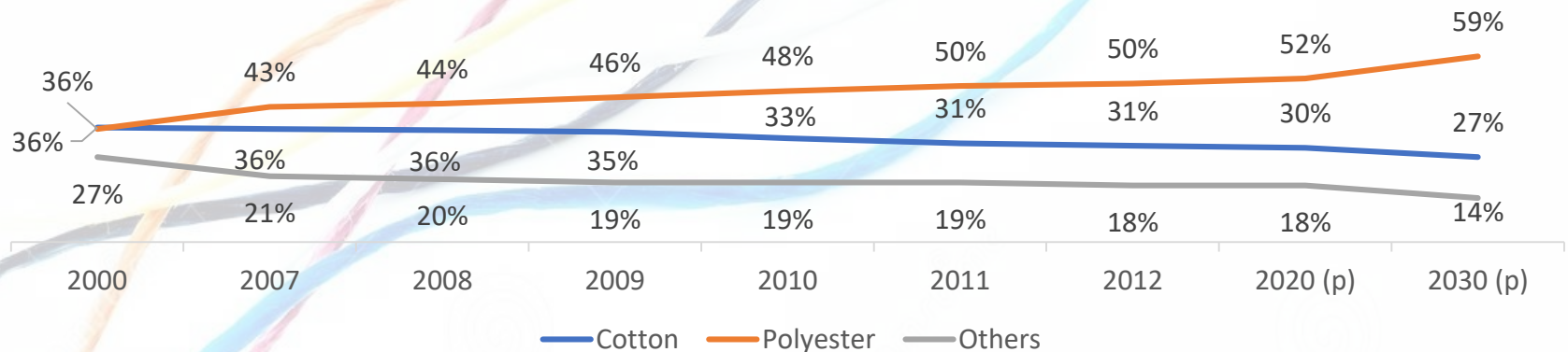
- Flexibility in manufacturing process
- Increasing new age end use (Technical & Medical)
- Higher Raw Material availability

## India

Production of man-made fibre has been on an upward trend

- Production stood at 1.32 million tonnes in FY18 up from 1.07 million tonnes in FY09, a CAGR of 2.4% and reached 1.20 million tonnes during April 2018 –January 2019
- Indian exports MMF textiles to more than 146 countries
  - Turkey, Egypt, Indonesia, Brazil, and Germany are major importers of Indian man-made fibre yarns

## Global Fibre Consumption Trend





# ...supported by Key Industry Tailwinds...

## Regulations

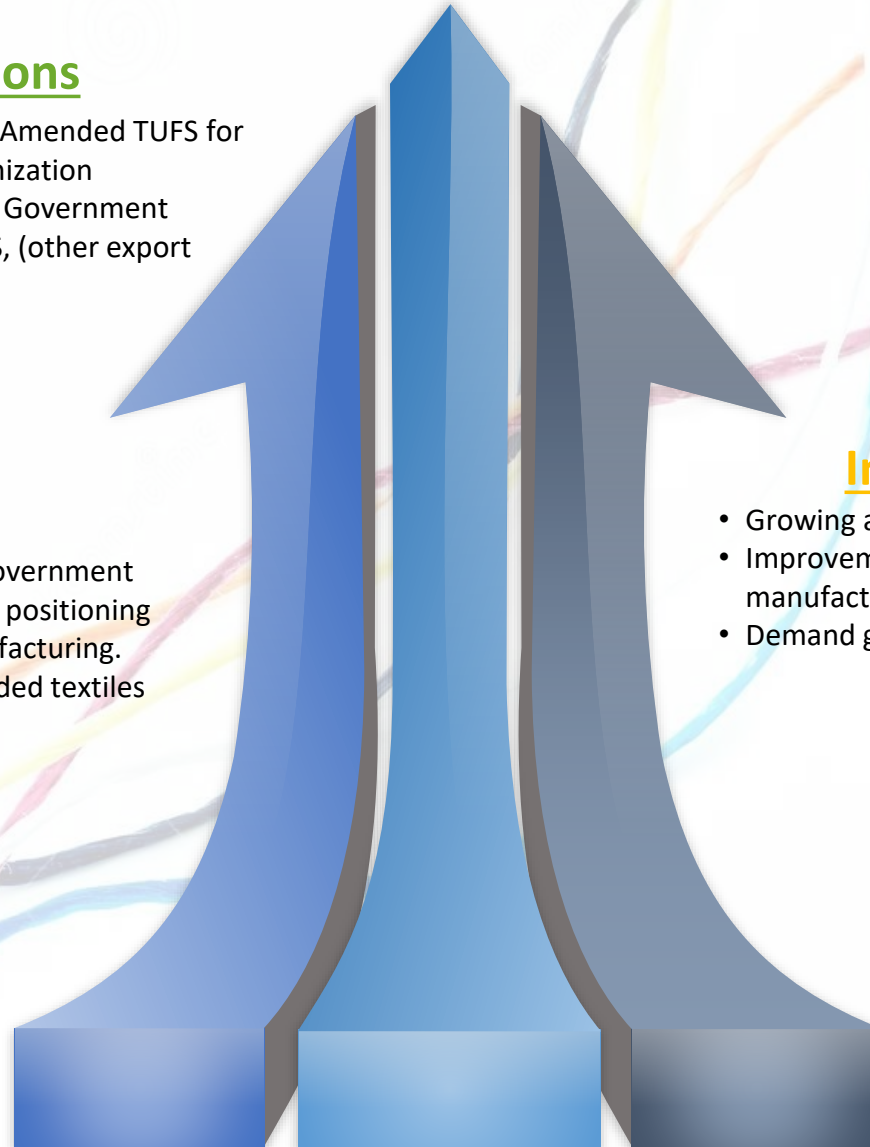
- Benefits continues from Amended TUFs for upgradation and modernization
- Continued Support from Government Schemes like TUFs, MEIS, (other export benefits)

## Make in India

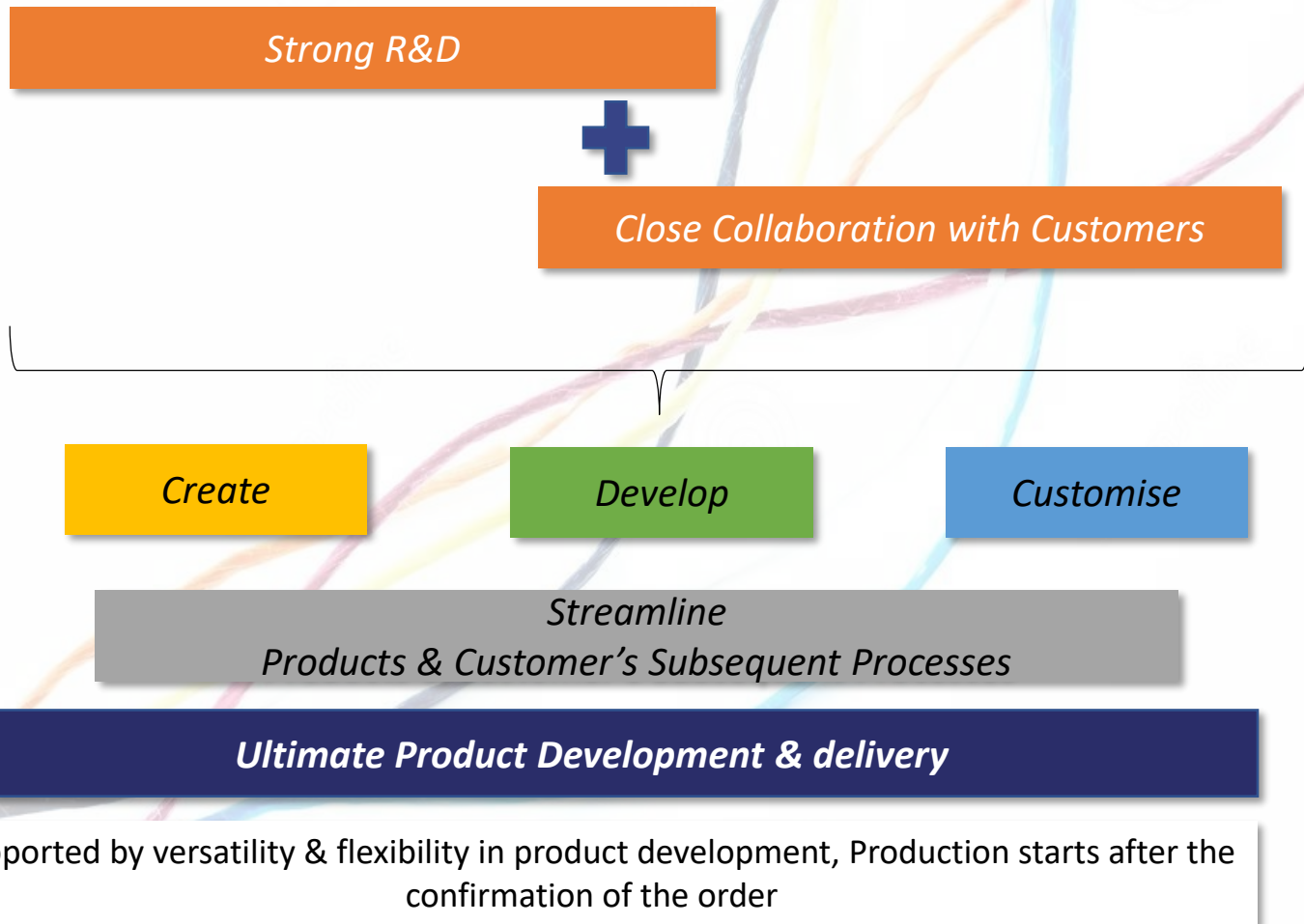
- Increasing thrust and support of Government
- More visibility in global markets by positioning India as a premier option for manufacturing.
- Growing demand for high value added textiles

## Innovation

- Growing acceptance of Synthetics in apparels
- Improvement in processing and manufacturing technology
- Demand growth from newer applications

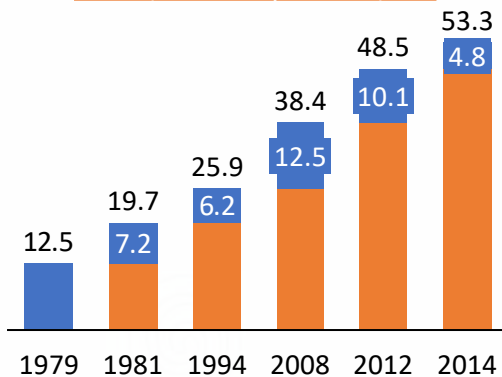


...captured through our Product Centric Approach...



# ...visible in our Journey so far

Capacity Additions  
(No. of Spindles)



2016-19

2019: Completed Rights Issue of Rs. 23 Crs

2014-16

2014: Augmented Capacity for production of dyed yarns

2001-13

2010 & 2013: 3<sup>rd</sup> generation, Rahul Shroff and Ameya Shroff joined the business

2006: Diversified to produce greige & fiber-dyed chenille yarns for high-end upholstery & carpet Industry

1984 - 2000

1994: Conceptualized and developed multifold, fibre-dyed viscose yarns, which later revolutionized the global artificial silk carpet industry

1994: Completed Follow on offer of Rs. 6 Crs

1987: Became one of the first Indian mill to export synthetic yarn

1980-83

1983: Mr. Sanjiv Shroff joined the business and shifted the Company's focus from Domestic market to Global Frontiers

1980: Pioneered the use of fibre-dyed Polyester/Viscose blended yarns in the production of school uniforms

1977-79

1979: Started production under the brand 'Reliwool' our now legendary 100% Dyed Acrylic yarns for sweater knitting

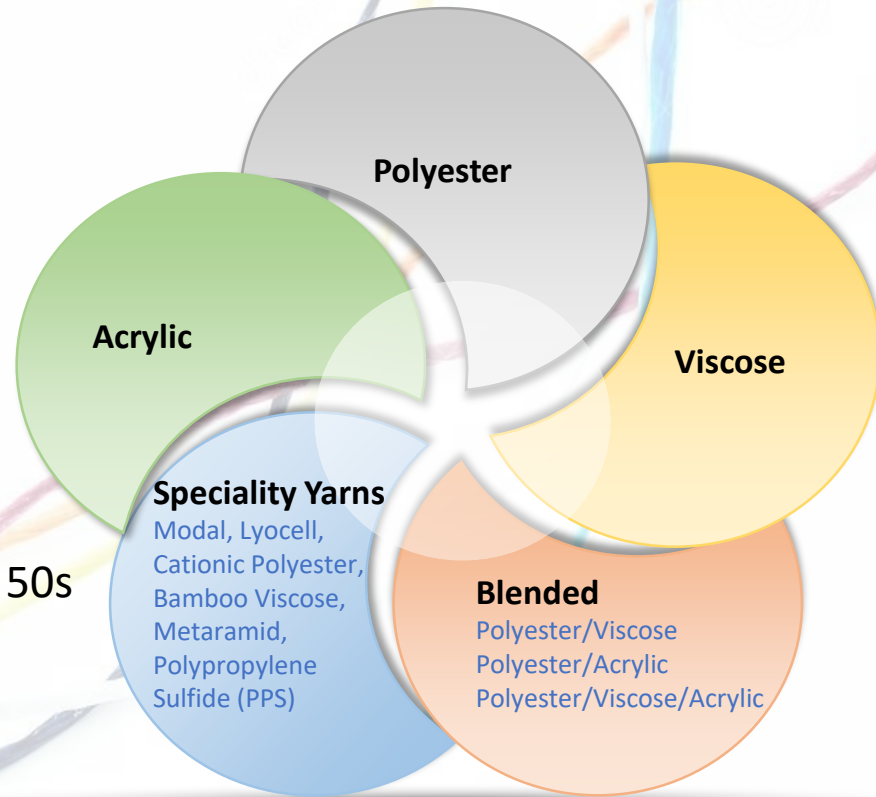
1979: Listing on BSE

1977: Incorporated Reliance Chemotex Industries Limited (RCIL) as a public limited spinning mill in Udaipur, RJ

# Our versatile product portfolio...



- Yarns Produced with
  - Raw-white Fibre
  - Dope-dyed Fibre
  - Fibre-dyed Fibre
- Count Range from Ne 6s to Ne 50s
  - In single, double, Multi-ply



...caters to High Value Added end use...

**Upholstery**



**Carpet**



**Medical**



**Towel**



**Artificial Leather**

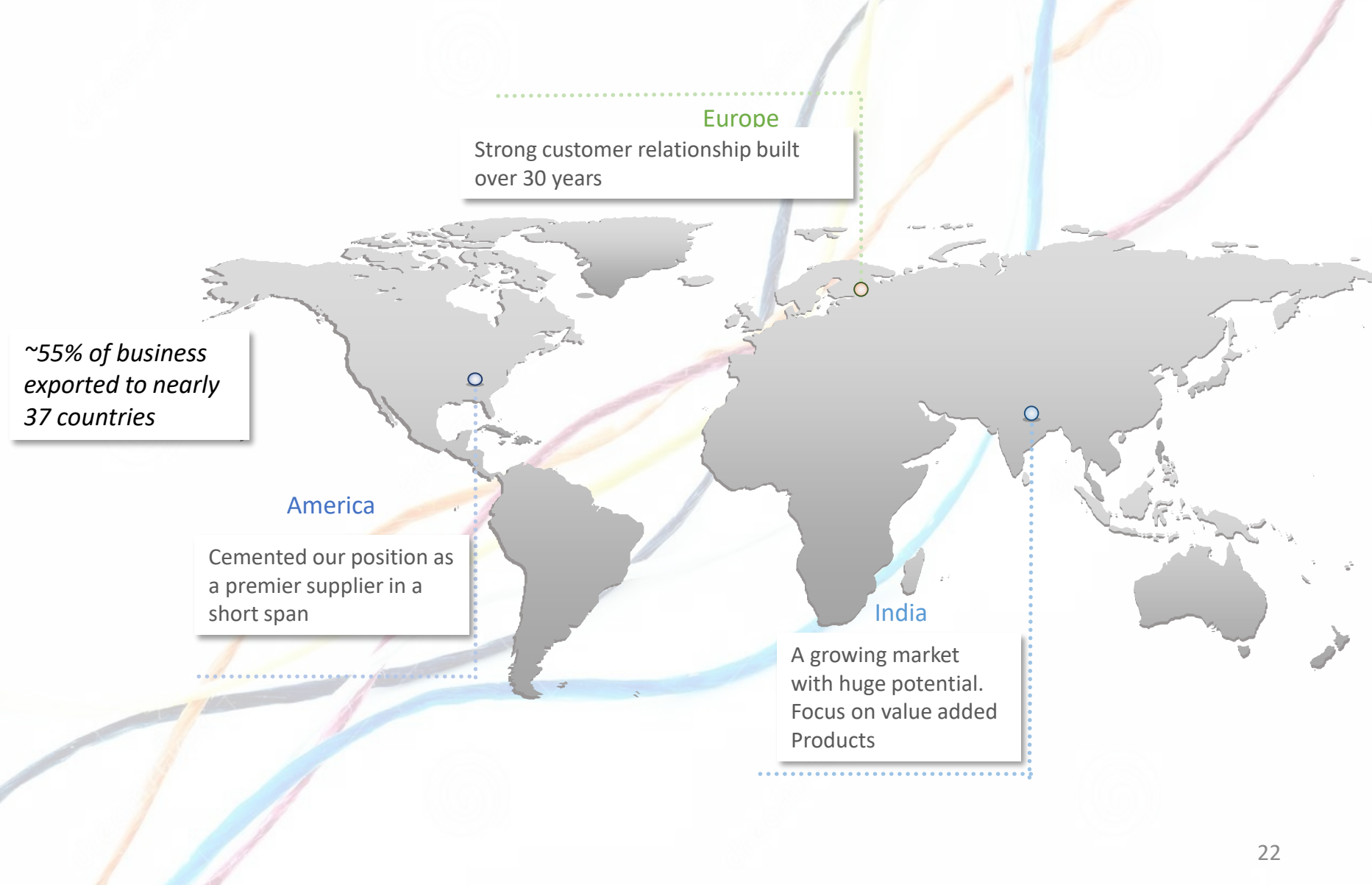


**Sports apparel**



**Automotive**

# ...across the most demanding markets



## Europe

Strong customer relationship built over 30 years

*~55% of business exported to nearly 37 countries*

## America

Cemented our position as a premier supplier in a short span

## India

A growing market with huge potential. Focus on value added Products

# Our Manufacturing capabilities...



## Spinning Facility

Facility based in Udaipur, Rajasthan

Capacity of

- 53,280 spindles
- Production of 14,936 MTPA in FY19

## Dyeing Unit

Fibre Dyeing unit for customization as per client requirements

Capacity of 12 Tonnes per Day

*"A Zero Discharge Facility"*

## Quality Control

Follow strict Quality Control

Oeko-Tex Standard 100 certifications  
GRS Certified



... provides us with Competitive Edge...



### **Quality**

Willingness to embrace change along with Cutting-edge technology and state-of-the-art machinery leads to maintain world-class quality standards

### **Consistency**

Delivering yarns that are the products of choice in the most demanding applications across an imposing breadth of textile-related industries around the world

### **Customer Centricity**

Relationship with Key Customers of Over 30 years nurtured with Quality, Mutual Learning, Respect & Trust



# ...developed by Experienced Management Team

## **Mr. S. L. Shroff** *Chairman Emeritus*

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A first generation entrepreneur started as a stock broker in 1950s and established business interests in textiles in 1960s with export of jute fibre to US

## **Mr. Rahul Shroff** *Executive Director*

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A BS & MS from MIT, USA. Joined in 2010 and has been instrumental in streamlining the company's manufacturing processes and diversification into industrial and medical textiles

## **Mr. P. K. Mishra** *Plant Head*

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B. Tech having 24+ years of experience working as President (Works). Handling operations at Udaipur plant

## **Mr. Sanjiv Shroff** *Managing Director*

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Bachelor of Science in Chemistry (Honors) from Kolkata University.  
Has been MD of the company since 1988 and has been associated with industry for last 30 years

## **Mr. Ameya Shroff** *Executive Director*

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A BS & MS from MIT, USA. Joined in 2013, he has revamped the administrative framework with focus on ERP, Inventory Management and store procurement and has been driving value added products sales in the domestic markets

## **Mr. Chandrasekaran Rajagopalan** *Chief Financial Officer*

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Chartered Accountant and Company Secretary and he has an experience of more than 30 years in various level of Management Positions in Finance, Accounts, Secretarial and Specialized in Financial Restructuring, Raising of Funds for Expansion Projects

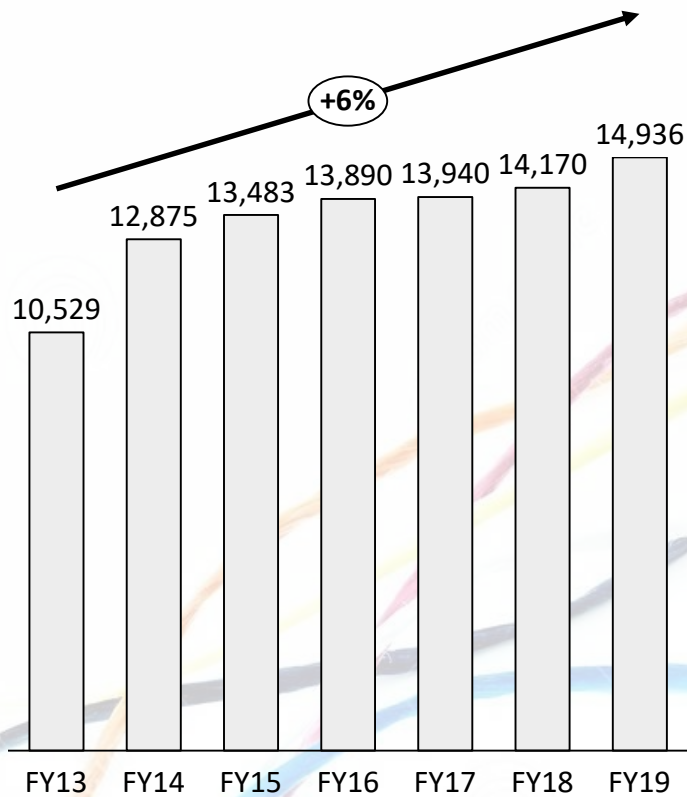


## Financials

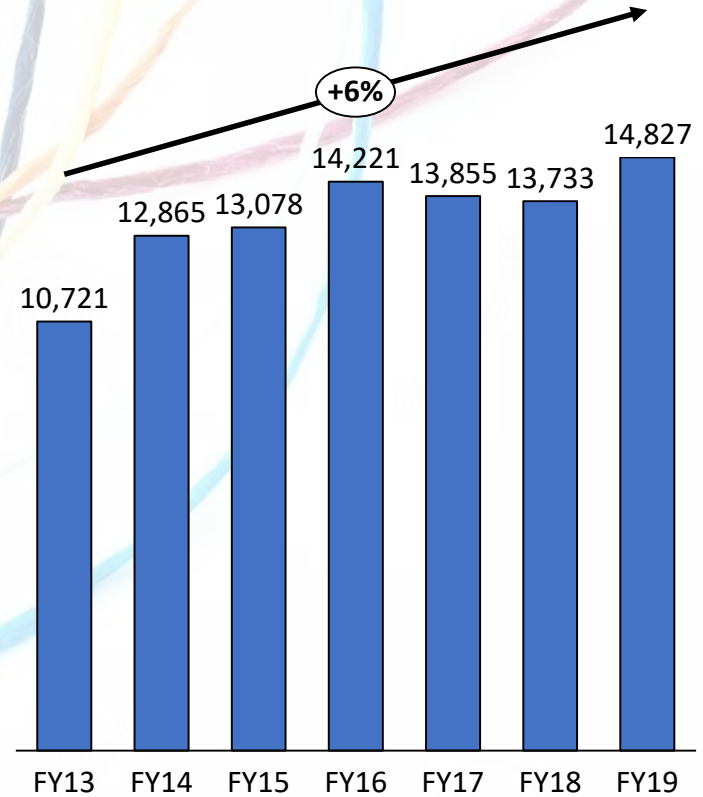
# Operational Capacity



Yarn Production (MT)

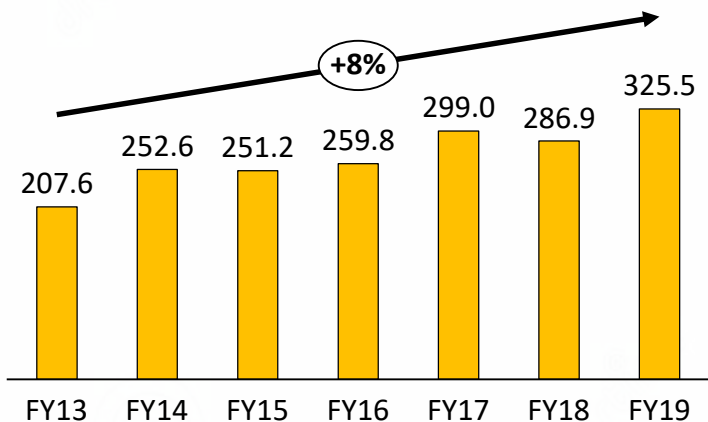


Sales (MT)

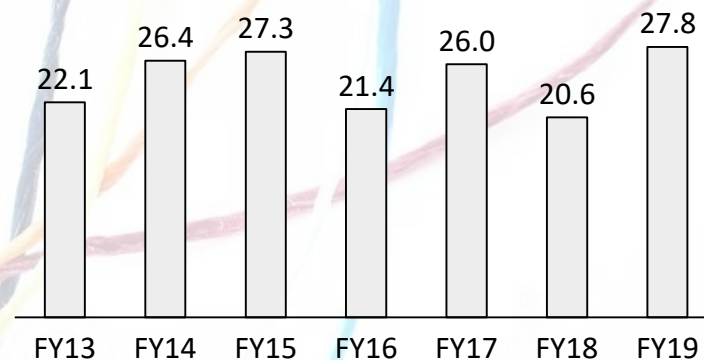


# Financial Performance

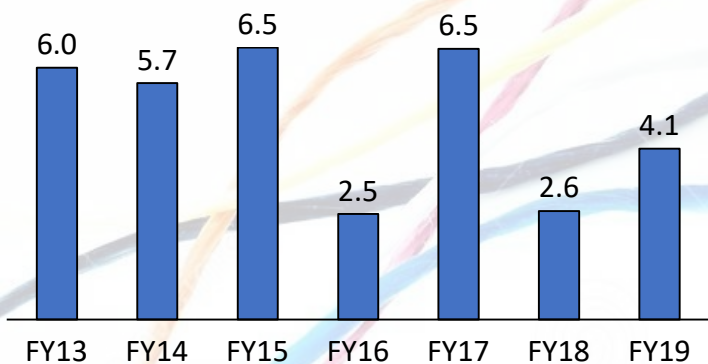
**Total Revenue\* (Rs Crs)**



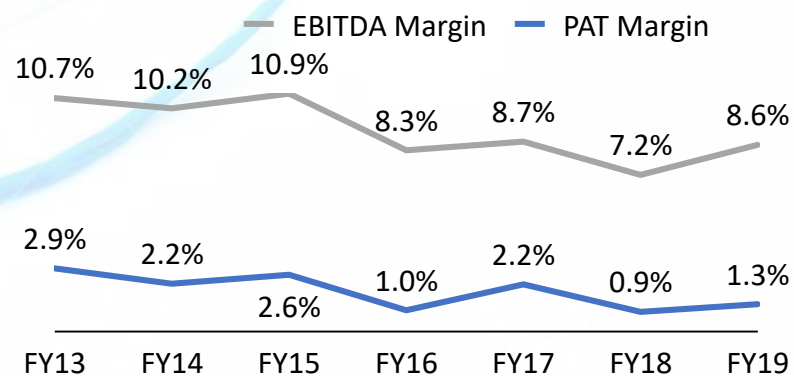
**EBIDTA\* (Rs Crs)**



**PAT (Rs Crs)**



**Margins %**



\*Includes Other Income  
Financials as per IGAAP, FY17 & FY18 numbers are as per IND-AS

# Profit & Loss Statement – Full Year



Rs. Crores	FY19	FY18	Y-o-Y
<b>Net Revenue</b>	<b>323.19</b>	<b>285.46</b>	
Other Income	2.30	1.40	
<b>Total Revenue</b>	<b>325.50</b>	<b>286.86</b>	<b>13%</b>
Direct Expenses	187.29	155.26	
Employee Expenses	37.59	36.75	
Power & Fuel	34.61	35.42	
Excise Duty	0.00	0.91	
Other Expenses	38.20	37.93	
<b>EBITDA</b>	<b>27.82</b>	<b>20.59</b>	<b>35%</b>
<b>EBITDA Margin</b>	<b>8.55%</b>	<b>7.18%</b>	<b>+137 bps</b>
Depreciation	6.71	7.39	
Finance costs*	10.29	9.60	
<b>Normalised PBT*</b>	<b>10.81</b>	<b>3.59</b>	<b>201%</b>
<b>Normalised PBT Margin*</b>	<b>3.32%</b>	<b>1.25%</b>	<b>+207 bps</b>
Dividend and DDT on Preference Shares	2.78	2.78	
<b>Reported PBT</b>	<b>8.04</b>	<b>0.81</b>	<b>893%</b>
Tax	3.95	-1.78	
<b>PAT</b>	<b>4.09</b>	<b>2.60</b>	<b>58%</b>
<b>PAT Margin</b>	<b>1.26%</b>	<b>0.91%</b>	<b>+35 bps</b>
Other Comprehensive Income (net of tax)	-0.04	0.21	
<b>Total Comprehensive Income for the Period</b>	<b>4.05</b>	<b>2.81</b>	<b>44%</b>
<b>Cash Profit**</b>	<b>10.76</b>	<b>10.20</b>	<b>5%</b>

\* Excl. Dividend & DDT on Preference Shares

\*\* Cash Profit = Total Comprehensive Income for the Period + Depreciation

# Balance Sheet

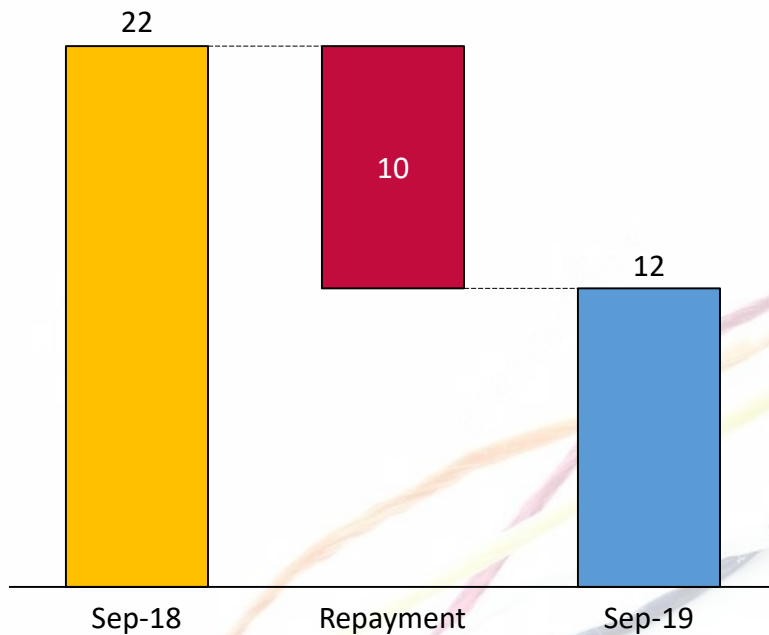


Rs. Crores	Mar-19	Mar-18
<b>Non-Current Assets</b>	<b>143.30</b>	<b>148.04</b>
Property, plant and equipment	137.32	143.09
Investment – Property	2.14	2.18
Other intangible assets	0.09	0.16
<b>Financial assets</b>		
Other financial assets	3.74	2.60
<b>Current Assets</b>	<b>74.78</b>	<b>79.73</b>
Inventories	37.88	41.45
<b>Financial assets</b>		
Trade receivables	17.52	17.27
Cash and cash equivalents	0.13	0.23
Bank balances	3.96	4.13
Other financial assets	7.00	5.07
Current Tax Assets (Net)	0.73	0.98
Other current assets	7.56	10.60
<b>TOTAL ASSETS</b>	<b>218.07</b>	<b>227.77</b>

Rs. Crores	Mar-19	Mar-18
<b>Shareholders Fund</b>	<b>66.89</b>	<b>70.42</b>
Share Capital	4.00	4.00
Other Equity	62.89	66.42
<b>Non-Current Liabilities</b>	<b>71.62</b>	<b>64.66</b>
Financial liabilities		
Borrowings	50.32	51.70
Other financial liabilities	0.82	0.70
Provisions	0.72	1.86
Deferred tax liabilities (net)	19.75	10.40
<b>Current Liabilities</b>	<b>79.57</b>	<b>92.68</b>
Financial liabilities		
Borrowings	23.52	31.47
Trade payables	35.88	35.70
Other financial liabilities	16.73	21.94
Other current liabilities	2.60	3.15
Provisions	0.84	0.42
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>218.07</b>	<b>227.77</b>

# Debt Profile

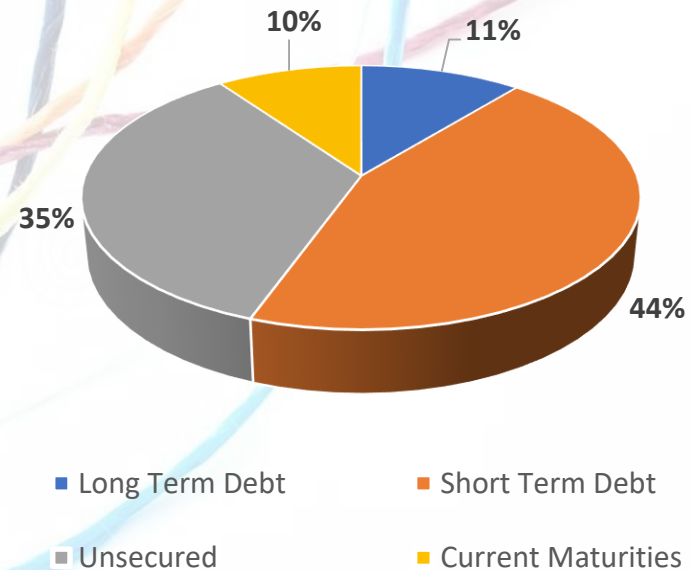
## Long Term Debt Movement<sup>^</sup>



**Net Long-term Debt to Equity of 0.13x**

<sup>^</sup> Includes Current Maturities of Long-Term Borrowings and excludes Preference Shares and unsecured loans

## Gross Debt Break-up (Rs. 59 Crs\*)



\* Includes Current Maturities of Long-Term Borrowings



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