CHAIRMAN'S REVIEW

DEAR SHAREHOLDERS,

Macroeconomic influences

The world economy picked pace in FY 2017-18 across developed and emerging markets with favourable financial conditions and firming commodity prices. According to the International Monetary Fund (IMF), annual global GDP growth is expected to have expanded by 3.8% in 2017 and global merchandise trade volume expanded to 4.9%, during the same time period. The improvements were driven by revival of global demand, especially capital spending. On the inflation front, both advanced and emerging economies witnessed a controlled increase primarily due to the rise in crude oil prices.

Tax policy reforms in the US is likely to have a positive impact on its economy as experts project a higher rate of growth in FY 2018-19. During the same period Asian economies are expected to grow at 6.5%. The Latin American economies are predicted to advance at 2.9% in FY 2018-19 on the back of strengthening commodity prices. While the economies of the Middle East and North Africa (MENA) are expected to accelerate owing to stronger oil prices.

However, despite projections of further economic recovery across the globe, a fear of intensifying trade wars looms across the world.

In line with the uptick in international economic activity, India's economy grew at 6.7% during 2017-18 (Source: CSO). This was a result of structured capital outlay by the government, increased consumer spending, improvement in rural demand and ebbing of the effects of demonetisation. The year also witnessed the roll out of the Goods and Services Tax (GST), which will facilitate the movement of goods across India, creating a 'one market, one tax' scenario in the country. We, at Indo Rama, welcome these policy-driven moves by the Government of India and are confident that they will help us chart a new course for the organisation.

India's textile industry is currently estimated at around USD 150 billion and is likely to reach USD 250 billion by 2022. The sector has witnessed a spurt of investment during the last few years and attracted Foreign Direct Investment (FDI) worth USD 2.82 billion between April 2000 and December 2017.

Industry scenario

India's textile industry is currently estimated at around USD 150 billion and is likely to reach USD 250 billion by 2022. Its overall textile exports during FY 2017-18 stood at USD 37.74 billion (Source: IBEF). It is furthur expected to grow at a CAGR of 13.58% (E) between 2009 and 2019. The sector has witnessed a spurt of investment during the last few years and attracted Foreign Direct Investment (FDI) worth USD 2.82 billion between April 2000 and December 2017. Besides, government initiatives like allowing 100% FDI under the automatic route is likely to bolster the segment further (Source: IBEF).

Our performance

During 2017-18, we navigated several challenges to record our total revenues at ₹ 2,317.44 crore vis-à-vis ₹ 2,729.57 crore in the previous financial year. The sales for the current year are excluding Goods and Service Tax whereas previous year include excise duty. Our operational EBIDTA stood at ₹ 60.22 crore in 2017-18, compared to ₹ 23.76 crore in 2016-17. During the year under review, we reported a net loss of ₹ 82.02 crore as against net loss of ₹ 84.23 crore in 2016-17.

Our business was primarily afflicted by volatility in raw materials prices. As our main raw materials are Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG), which are derivatives of petroleum industry, any change in the crude oil prices impacts their prices.

Raw material markets

During FY 2017-18, the price of Brent crude varied between USD 47 per barrel and USD 69 per barrel, which led to volatility in the prices of Paraxylene (PX), PTA and MEG. PTA prices were influenced by shutting down of inefficient PTA capacities in China and good performance by the downstream polyester industry. While in case of MEG, the shutdown of production units in the Middle East and speculative tendencies in China led to significant rise in prices.

₹2,317.44 crore

Total Revenues in FY 2017-18

₹60.22 crore

Operational EBIDTA in FY 2017-18

We have appealed to the Ministry of Textile, Commerce, Chemical and Fertiliser for rationalising GST rates on our raw materials (PTA, MEG and finished product PSF) to combat their rising prices. Once the GST rates are restructured, they will help augment the Man Made Fibre (MMF) industry and bring overall growth in the textile sector.

People-first approach

We are a 'people first' organisation with our team members at the heart of everything we do. We have a systematic performance management strategy that is based on best human resource practices, which in turn helps us attract and retain talent. We make significant investments in upskilling our people and provide comprehensive learning opportunities. At Indo Rama, we strive to maintain transparency and a collaborative spirit with free flow of knowledge across the organisation.

Value creation

We undertake several initiatives that ensure safety of our people and the environment. We have adopted leading-edge equipment and procedures to recycle waste and involve our people in countless other activities that enhances their safety such as mock drills and awareness programmes, among others.

We also engage in several social responsibility ventures that facilitate good healthcare services and impart education through skill development programmes.

We are completely prepared to navigate through a challenging operational environment and create sustainable value for all stakeholders. Going forward, we will emphasis on a customer-focussed and value-driven approach.

On behalf of the Board, let me thank all our business associates, employees, shareholders and esteemed customers for their support and encouragement. We are confident that this continued support will help us soon turn the course of the organisation.

Regards,

O.P. Lohia
Chairman and Managing Director