

# Management Discussion and Analysis

## Industries' Structure and Development

Indian Textile Industry is second largest producer of Natural and Man-made Fibre (MMF) in the world. The Indian Textile Industry consumes 45% MMF and 55% Cotton and other Fibers whereas internationally, Textile Industry consumes 70% MMF and 30% Cotton Fibre.

India produces around 10.0 Million Tons of MMF and Natural Fibre. The growth of MMF has been stagnant for the past many years due to Anti-dumping Duty on Raw Materials, making MMF unviable for the producers to Compete internationally. In the Budget 2020-21, the Government removed the Anti-dumping Duty on PTA after which the capacity utilisation increased to 80-82% from earlier i.e 70-72%. Further, many producers have also announced expansion plans.

## Outlook

Cotton being a Natural Fibre, the total production is more or less same from last four years and the capacity to increase is limited. Any increase in demand of Fiber can be met only from MMF. It is expected that India will need extra 23 Million Tons of MMF by 2026-27 to achieve the Indian Textile Trade of 300 US Billion Dollar from present 150 US Billion Dollar.

## Opportunities and Threats

Realising the growth potential of MMF and also employment potential, the Government of India is planning to come out with a new Textile Policy giving impetus to the growth of the Textile Industry. Presently, the industry employs around 45 Million directly and around 60 Million indirectly. With the removal of Anti-dumping Duty on PTA, and also announcement of the new Textile Policy, we can expect the industry to grow at 5 to 6 % per annum in the next five years.

Your Company will be highly benefited by the growth potential and considering the opportunity have embarked upon an expansion plan with investment of about ₹ 600 Crores.

The basic raw materials required for production of MMF are PTA (Purified Terephthalic Acid) and MEG (Mono Ethylene Glycol) which are petrochemical based products. In India, the main producer is Reliance Industries Limited, who also has a very large capacity of down-stream industry to produce MMF. The other producers of MMF have to compete with Reliance Industries domestically after buying the raw materials from them. Also, there is a shortage of raw material (PTA & MEG) and the industry is dependent on imports from China and other countries.

## Financial performance with respect to operational performance

### Corporate Strengths

- **Over 30 years of rich experience:** With over three decades of presence, the Company has developed market and industry insights that enables it to navigate challenging business landscape. It has an integrated production facility with an annual production capacity of 610,050 tonnes in Butibori (Maharashtra). The Company enjoys a varied product portfolio including Polyester Stable Fibre (PSF), Polyester Filament Yarn (PFY), Draw Texturised Yarn (DTY), Fully Drawn Yarn and polyester Chips
- **Strategically located production unit:** Being centrally located Indo Rama's manufacturing facility allows it to meet demand across India easily
- **Among India's most cost-effective producers:** Indo Rama's integrated facility allows it to maintain its cost and competitive edge in the market
- **Quality-focused and process-driven:** The Company's robust quality and process management systems allows it to deliver best-in-class products consistently and efficiently
- **Technology excellence:** State-of-the-art equipment enables Indo Rama to have streamlined operations and remain cost competitive.
- **Global presence:** The Company enjoys a significant presence for its quality products in major global markets such as the Turkey, MENA, Brazil, Argentina, Mexico, Columbia, Germany, Belgium, Portugal, Spain, Poland, Italy, Bangladesh and Nepal
- **Stable client relationships:** Indo Rama shares long-term bonds with its clients, which ensures offtake and fixed incomes.
- **Strong support from promoter shareholders:** The Company's management is controlled by Indorama Ventures Public Company Limited (IVL) - a world leader in fibre segment - which enables it to share synergies in technology, finance and operations.

## Production and Sales Performance

Particulars	FY 2020-21	FY 2019-20
Total revenue from operations (₹ in Crores)	2,022.79	2,107.51
F.O.B. value of exports (₹ in Crores)	411.01	501.71
Electrical power (MWPH)	0.18	24.49

Particulars	FY 2020-21	FY 2019-20
Polyester Staple Fibre (TPA)	139,745	117,255
Polyester Filament Yarn (TPA)	117,625	134,187
Draw Texturised Yarn (TPA)	86,301	107,868
Polyester Chips (TPA)	7,678	2,904

**Financial performance**

Particulars	₹ in Crores	
	FY 2020-21	FY 2019-20
Total income	2,043.59	2,127.94
EBIDTA	113.30	0.66
PBT	2.73	(180.00)
PAT	112.78	(316.10)
Book value per share (₹)	12.76	8.52
Earnings per share (₹)	4.32	(12.13)

**Risks and Concerns**

In today’s VUCA environment, it is essential to have a robust risk management system for any business. Indo Rama has been building a tough risk management system that enables it to achieve its business objectives and deliver sustainable long-term growth. The Company has decentralised its risk management to facilitate risk mitigation at transactional levels.

**Our key risks and their mitigation processes are:**

Risks	Mitigation process
<p><b>Cost Risk</b> Cost of raw materials fluctuate as polyester making raw materials are crude oil price sensitive</p>	<ul style="list-style-type: none"> <li>Procure major raw material, PTA, mostly from local source with minimum effect on price fluctuations and transit time.</li> <li>Renegotiate with vendors and alternative sourcing of other raw materials has helped the Company to optimise the cost of raw materials</li> <li>Links prices to published price index of various raw materials</li> </ul>
<p><b>Quality Risk</b> A drop in the quality of products may impair Company’s image</p>	<ul style="list-style-type: none"> <li>robust quality measures in place with strong technology backup helping in maintaining the quality of output</li> <li>quality certification ISO-9001:2008</li> <li>fully equipped quality-control laboratory with contemporary equipment and software ensures continuous supply of high-standard products</li> </ul>

Risks	Mitigation process
<p><b>Employee Risk</b> Inability to attract and retain skilled workforce can have a negative impact on growth</p>	<ul style="list-style-type: none"> <li>Follow a uniform and merit-based recruitment process, sustained by a structured and precise selection procedure to avoid discrimination</li> <li>Conduct impartial assessment process and unbiased performance appraisal to help retain skilled workforce</li> <li>Encourages people with rewards and recognitions</li> <li>Strengthen employee engagement activities and develop a congenial work environment</li> </ul>
<p><b>Technological Risk</b> Technological obsolescence may hurt operational performance</p>	<ul style="list-style-type: none"> <li>Several technical collaborations with global technology leaders</li> <li>Focus on re-engineering and improvisation to remain competitive.</li> <li>Emphasises continuous investment in technology up-gradations</li> <li>Monitor the entire process to ensure stability</li> </ul>
<p><b>Customer Risk</b> Inability to reach demand pockets and not catering to evolving needs may have a detrimental effect</p>	<ul style="list-style-type: none"> <li>Maintain a strong sales and marketing team to increase market penetration</li> <li>Undertake various measures to increase customer satisfaction</li> <li>Focus on maintaining long-term relations with customers to ensure repeat business</li> <li>Analysis of market trends to derive demand for customers</li> </ul>
<p><b>Competition Risk</b> Competition from other players might affect business</p>	<ul style="list-style-type: none"> <li>Focus on widening customer base and catering to specific needs to gain customer trust</li> <li>Addresses broader client base with an expanded value-added product portfolio</li> </ul>
<p><b>Forex Risk</b> Volatility in global currencies can impact profit margins</p>	<ul style="list-style-type: none"> <li>Maintain an equilibrium between exports receipts and import payments creating a natural hedge against currency fluctuations effect</li> <li>Safeguard against currency volatility, forward contracts are taken on need- and assessment-based approach</li> </ul>

### Power Generation and Sourcing

The Company has captive power generation capacity of 71.08 MW. Its Captive co-generation Power Plant (CPP) has a coal-based thermal power of 40 MW capacity and 31.08 MW FO-based DG capacity.

In the Financial Year 2020-21, from middle of June, the Company has stopped power generation from its captive co-generation facility and started sourcing 100% of required power from state DISCOM. On power being sourced from DISCOM, the Company is eligible and availing, the sector specific and region-specific subsidies extended by the Government of Maharashtra.

While sourcing the power from state DISCOM, the DG power set is always kept in standby mode as back-up power, for meeting critical power requirement during any power failure from State DISCOM. Indo Rama continues to monitor its power usage, internally and externally, for opportunities to reduce cost of production.

### Internal Controls Systems and their adequacy

Indo Rama has a robust Internal Control System in place designed to achieve efficacy of systems, processes and controls. Internal audit is carried out by an independent agency and internal enterprise risk management team. All the major areas and processes are covered in the review plan, drawn in consultation with the management. Standard operating procedure compliance and management-approved policies are reviewed and areas of improvement, if any, are identified. Internal audit process verifies whether all systems and processes are commensurate with the business size and structure. Adequate Internal Control Systems safeguard the assets of the company with timely identification and intervention to assuage risks. The internal audit report is discussed with the management and members of Audit Committee to keep a check on the existing systems and take corrective action to further enhance the control measures.

### Statutory Compliance

Company Secretary and Compliance Officer makes a declaration at each Board Meeting regarding the compliance with the provisions of various statutes, after obtaining confirmation form all the units of the Company. He also ensures compliance accordance to SEBI regulations and Companies Act, 2013 and rules thereof and all other applicable statutes.

### Human Resources and Industrial Relations

Indo Rama's success is the result of the expertise, excellence and experience of its people. The Company has incorporated a systematic performance management strategy to ensure its people remained engaged and Indo Rama retains the industry's best talent. The Company further offers opportunities to learn and grow with the organisation and ensures to build a collaborative and congenial work culture, alongside maintaining transparency across the organisation.

### Safety, Health and Environment

The Company is a responsible corporate and takes care of its environmental and social responsibility at every step. Indo Rama works towards enhancing values to workforce, society and the

environment. Its safety, health and environment objectives and procedures empowered it to obtain the ISO: 45001:2018 certification during the previous year.

### Safety

Sustainable development being engrained in corporate philosophy, is directly proportional to the safety, health and environment management. We endeavor to demonstrate environmental and social responsibility at every step.

We are devoted to benefit communities – workforce, public and environment. Our safety, health and environment objectives include complying with all applicable laws relevant to the industry. The management believes in sharing responsibility throughout the hierarchy in conforming to the existing laws.

### Fire & Safety

- We abide by all statutory compliance as per Factories Act 1948, Maharashtra Factories Rules 1963 and Maharashtra Fire Prevention and Life Safety Measures Rules.
- There is a continuous effort from Management of Indo Rama for creating awareness on fire and safety among employees including their family members and contract workers.
- No major fire incidents took place during the year.
- No fatality took place during the year.
- Fire Audits (form B) are conducted during the month of July 2020 and January 2021 as per statutory requirement of Maharashtra Fire Protection and Life Safety Measures Act.
- Well-defined and updated on-site Emergency Management Plan to tackle any major emergency inside and outside plant premises.
- Conducted mock drills on various emergency scenarios to ensure emergency preparedness.
- Imparted 5427 hours training on Health, Safety, Environment and Fire to employees including contract workers during the year, which include refresher safety training. Topics for safety training include Safety Management System, COVID-19, Work Permit System, Incident Investigation, Effective Use of PPEs, Fire & Safety including on job safety precautions to ensure work safety.
- Celebrated safety month (4 February to 4 March-2021) to create safety awareness among employees and contract workers. Around 200 participants participated in various 10 competitions directly. Safety Day function held on March 4, 2021 where prizes along with certificates distributed to encourage safety culture at workplace.
- Help extended to nearby industries during fire emergencies in their plant by providing fire tender to extinguish the fire during the year. Indo Rama extended timely help in coordination with Government organisation.
- Fire hydrant system was kept in working condition round the clock to cater any fire emergency.

**Health**

Health of employees has assumed paramount importance in the current environment. The Company has adopted several measures to mitigate the risks arising in current situation as a consequence to Novel Corona Virus "COVID -19", which has been declared as a Pandemic by World Health Organisation (WHO).

Various steps initiated to avoid adverse impact on the employees are as under:

- Awareness programs on Corona for workers, contractors, colony residents, security persons etc.
- Monitoring of SPO2 % and Temperature of employees at shop floor on regular intervals.
- Home visit of colony residents to check temp and SPO2.
- Distribution of Do's and Don'ts pamphlets to promote compliant behaviour.
- Display of Do's and Don'ts at prominent places in Site & Township for better awareness.
- Crisis Management team formation to assist in difficult situations
- First Aid lectures at Training Center to more than 150 persons.
- Follow guidelines from Govt. Authority and Local Authorities to implement suitable action at plant.
- Awareness sessions with Department Heads.
- Deployment of COVID Inspector 24x7.
- House keeping of Site & Township to maintain Health and Hygiene.
- Distribution of Arsenic album and Vit C 500mg chewable tab to boost immunity to all Indo Rama Employees & Workers families.
- Free distribution of Masks to all Contract and Indo Rama Employees. Installation of automatic hand sanitisers and steam inhalers across plant area.
- Free distribution of Corona Pustaka to all Contract and Indo Rama Employees and Primary Health Centre, Takalghat.
- Free distribution of Soaps to all Employees and Casual workers.
- RT- PCR TEST / Antigen test for COVID-19 of all Employees/ contract workers who are resuming duty after 3 day of absent with self declaration
- Quarantine centre at Colony no.2 Health Centre.
- Proactive Antigen test of all workers and contract labours at Site.
- Need based Financial assistance for COVID impacted employees.

**Environment**

At Indo Rama several new initiatives have been taken to maintain ecological balance in and around production facilities. We have complied with all laws pertaining to solid/ hazardous waste management and initiated measures to reduce effluent discharge

and increase water recycling. This is reflected in continuous efforts to ensure minimal adverse impact on environment.

**Information Technology (IT)**

Several measures for improvement in hardware and software have been made across the organisation during the period:

- New Servers to support applications like Document Management System, Attendance Software, New GST related software.
- Comprehensive plan underway to upgrade old servers to have more enhanced security layers, controls and monitoring.
- Upgradation of existing user end resources
- Migration to O365 mail servers

**KEY RATIOS**

The Company has identified the following ratios as key financial ratios:

Sr. No.	Particulars	FY 2020-21
1	Debtors Turnover Ratio (times)	18.64
2	Inventory Turnover Ratio ( times)	15.83
3	Interest Coverage Ratio (times)	1.59
4	Current Ratio (times)	0.74
5	Debt Equity Ratio (times)	0.92
6	Operating Profit Margin (%)	5.19%
7	Net Profit Margin (%)	5.75%
8	Return on Net Worth (%)	36.07%

**Cautionary Statement**

The Management of Indo Rama has prepared and is responsible for the financial statements that appear in this report. These are in conformity with accounting principles generally accepted in India. Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. The Management has made these statements based on its current expectations and projections about future events. Wherever possible, it has tried to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance. Such statements, however, involve known and unknown risks, significant changes in the political and economic environment in India or key markets abroad, tax laws, litigation, labour relations, exchange rate fluctuations, interest and other costs which may actual results to differ materially. The management cannot guarantee that these forward-looking statements will be realised, although it believes that it has been prudent in making these assumptions.

The Management undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.