



# **INDIAN RAYON AND INDUSTRIES LIMITED**

## **FY 2001 - PERFORMANCE REVIEW**

**Mumbai**  
**26<sup>th</sup> APRIL 2001**



# 4QFY01 – KEY DEVELOPEMENT

- Structural changes in garments industry
  - ⇒ Dereservation form SSI sector
  - ⇒ Excise duty introduced on branded garments
- Abnormal shutdown at
  - ⇒ Power plant (VFY) for 18 days for maintenance
  - ⇒ One of 3 lines of caustic soda plant for replacement of membrane
- Carbon Black units affected by sudden stoppage of lifting by tyre manufacturers
- Life Insurance joint venture kick starts operations
  - ⇒ Policies launched in March' 01



# 4QFY01 RESULTS

Rs. Crores

	4th Quarter		
	FY 2001	FY 2000	Variance
Net Turnover	353.1	317.5	11%
Other Income	10.3	15.7	-35%
PBDIT	62.7	62.3	1%
Interest	17.3	21.8	-21%
Gross Profit	45.4	40.5	12%
Royalty	1.8	1.4	27%
Depreciation/ Amortisation	19.1	18.1	6%
<b>PBT</b>	<b>24.5</b>	<b>21.0</b>	<b>17%</b>
Provision for Tax	2.1	-	-
<b>PAT</b>	<b>22.4</b>	<b>21.0</b>	<b>7%</b>
EPS (Rs. ) Annualised	15.0	14.0	7%



# 4QFY01 – PERFORMANCE HIGHLIGHTS

- Satisfactory performance by all businesses, despite challenging business environment
- Net Turnover up 11% to Rs. 353.1 crores in 4Q FY01
  - ⇒ Driven by 25% growth in Garments and 26% in VFY and 14% higher revenues from Insulator divisions
  - ⇒ Impact would have been more but lower revenues from Carbon Black
- Operating profit up marginally
  - ⇒ Improvement of margins at Insulator and Garments
  - ⇒ VFY suffered due to extra burden of maintenance
  - ⇒ Carbon Black affected due to lower off-take
- Interest charges down 21% QoQ, due to reduced short term borrowing and better working capital management
- Pre-tax profits thus up 17% to Rs. 24.5 crores
- Net profit and EPS up 7% to Rs. 22.4 crores

## FY 2001 – KEY DEVELOPMENT

- First full year of operation of Garment division- very successful
  - ⇒ Subsidiary acquires worldwide rights for “Louis Philippe”, “Allen Solly” and “Peter England”
  - ⇒ Structural changes in garments industry
    - ⇒ Dereservation from SSI sector
    - ⇒ Excise duty introduced
- Garments, Rayon and Insulator business reports “Highest Ever Turnover”
  - ⇒ Carbon Black suffered in last quarter
- Insurance joint venture kick starts operations
  - ⇒ Policies launched in March’ 01
- Debt Equity ratio improved further

# FULL YEAR RESULTS – FY 2001

Rs. Crores

	FY 2001	FY 2000	Variance
Net Turnover	1,416.2	1,072.1	32%
Other Income	31.7	52.2	-39%
PBDIT	230.2	205.8	12%
Interest	74.7	74.3	1%
Gross Profit	155.5	131.5	18%
Royalty	8.2	1.4	489%
Depreciation/ Amortisation	73.1	72.5	1%
<b>PBT</b>	<b>74.2</b>	<b>57.6</b>	<b>29%</b>
Provision for Tax	5.7	-	-
<b>PAT</b>	<b>68.5</b>	<b>57.6 *</b>	<b>19%</b>
EPS (Rs. ) Annualised	11.4	9.6	19%

\* Before Loss on Sea Water Magnesia Business



# FY 2001 – PERFORMANCE HIGHLIGHTS

- Overall improved performance
- FY2001 revenues up by impressive 32% YoY
  - ⇒ Fresh contribution for the full year from Garments business
  - ⇒ Highest ever sales volumes for Garments, VFY and Insulator
- PBDIT up 12% from Rs.205.8 crores to Rs.230.2 crores
  - ⇒ Pressure on margin across businesses except Insulator and Textile
- Other income down 39% YoY
  - ⇒ Surplus cash utilised for acquisition of global rights for Garment brands and investment made in Insurance joint venture
- Interest charges maintained flat
  - ⇒ Despite fresh funds raised for Madura acquisition during 4Q last year
  - ⇒ Better working capital management and repayment of short term debt
- Pre-tax profits thus up 29% YoY to Rs.74.2 crores
- MAT provisions made at Rs.5.7 crores; against zero provision last year
- Net profit up 19% to Rs. 68.5 crores
- Earnings per share up 19% from Rs. 9.6 to Rs.11.4

# **DIVISIONAL PERFORMANCE FY 2001**

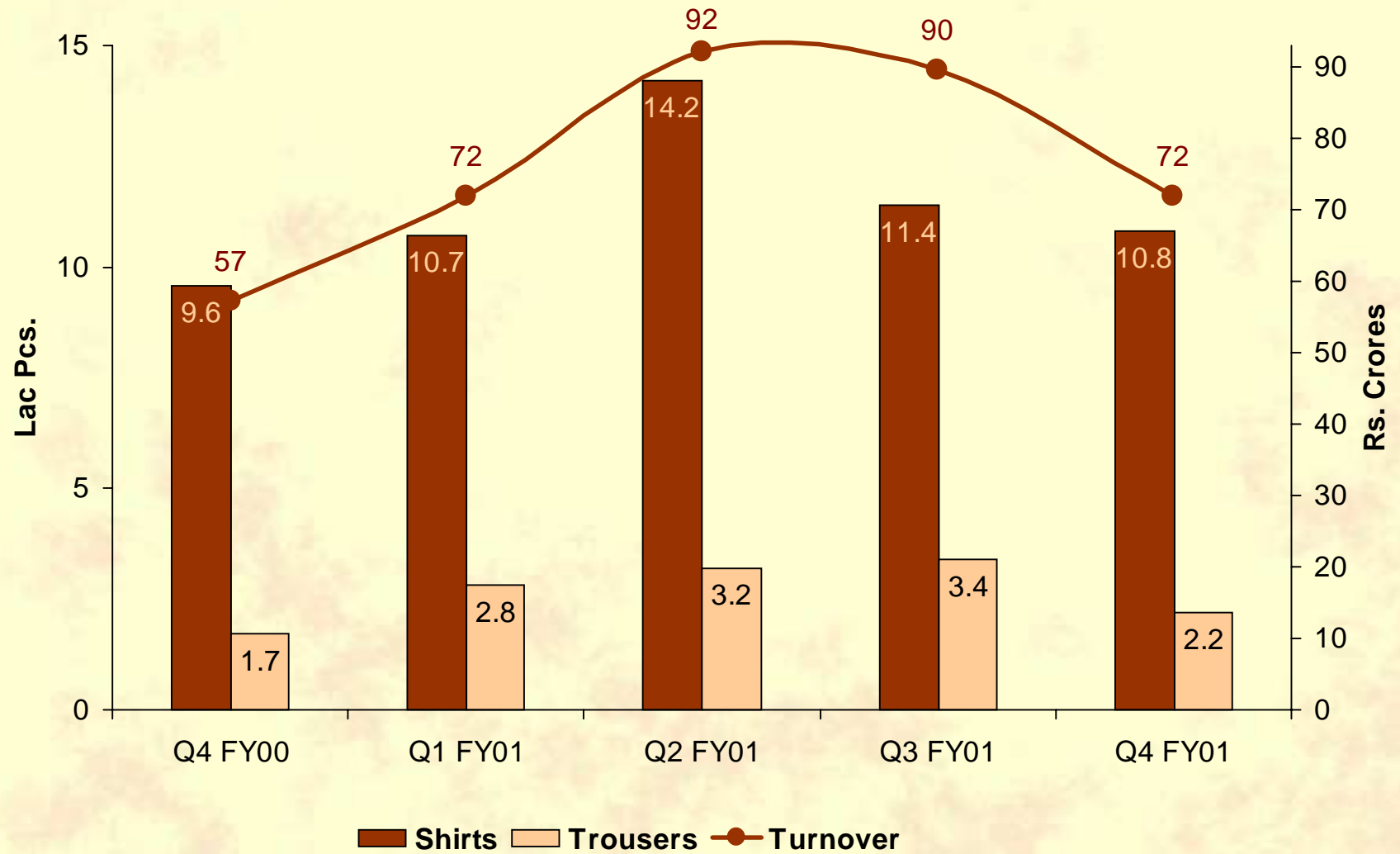
# GARMENTS

	Unit	FY 2001	FY 2000 <sup>#</sup>	4th Quarter		Growth %
				FY 2001	FY 2000	
Volumes						
-Shirts	Lacs Pcs.	47.2	9.6	10.8	9.6	13%
-Trousers	Lacs Pcs.	11.6	1.7	2.2	1.7	31%
<b>Turnover</b>	<b>Rs. Crs.</b>	<b>325.5</b>	<b>57.4</b>	<b>71.9</b>	<b>57.4</b>	<b>25%</b>
Operating Profit*	Rs. Crs.	59.7	9.4	12.0	9.4	27%
OPM*	%	18%	16%	17%	16%	
Advt. Expenses	Rs.Crs.	39.0	6.4	3.7	6.4	-42%
Royalty	Rs.Crs.	8.2	1.4	1.8	1.4	27%
Operating Profit	Rs.Crs.	12.5	1.6	6.5	1.6	306%
Exports	Rs.Crs.	34.6	7.4	10.6	7.4	44%
Exports	%	11%	13%	15%	13%	

\* Operating Profit before Advertising expenses and Royalty

# For three months only as business acquired on January 1, 2000

# GARMENTS – Performance At A Glance



# GARMENTS - Performance Review

- First full year of operation - very successful
  - ⊖ Remained market leader in menswear industry
  - ⊖ New retail format launched successfully
    - ⇒ “Trouser Town”, “Planet Fashion”
  - ⊖ Revenues up 30% against industry growth rate of 10 - 15%
- Strong revenue growth driven by increased shirt and trouser volumes
  - ⊖ Shirt volumes up 7% YoY to 47.2 lac pieces
  - ⊖ Trouser volumes up 50% YoY to 11.6 lac pieces
- Pre-advertising and royalty margins remain impressive at 18%
- Brand Building, efforts intensified - with investment in
  - ⊖ Launching of new retail formats
  - ⊖ Promotion of new collections and brand extensions
  - ⊖ Brand strengthening efforts in overseas markets
  - ⊖ Promotional efforts to improve branded exports
- Advertising expenses remains at 12% of sales

# GARMENTS - Outlook

- Industry outlook remains positive - to grow by 15% p.a.
  - ⇒ Continuing shift in customer preference towards ready-to-wear products
  - ⇒ Fundamental consumer trends towards branded products and emergence of organised retailing
  - ⇒ De-reservation of garments to enable modernisation
- Short term could be impacted by
  - ⇒ Sluggish market conditions due to economic slowdown
  - ⇒ Imposition of excise duty
- Madura garments strategy will be
  - ⇒ Continue to enhance leadership position – growth ahead of industry
  - ⇒ Program to improve efficiencies to better operating margins and neutralize cost increases
- Madura will reap benefits being market leader, to focus on
  - ⇒ Market development to ensure speedier conversion from “ready-to-stitch” to “ready-to-wear”
  - ⇒ Advertising support behind key brands
  - ⇒ Further strengthening of distribution network
    - ⇒ Expand distribution space by 30% in existing markets

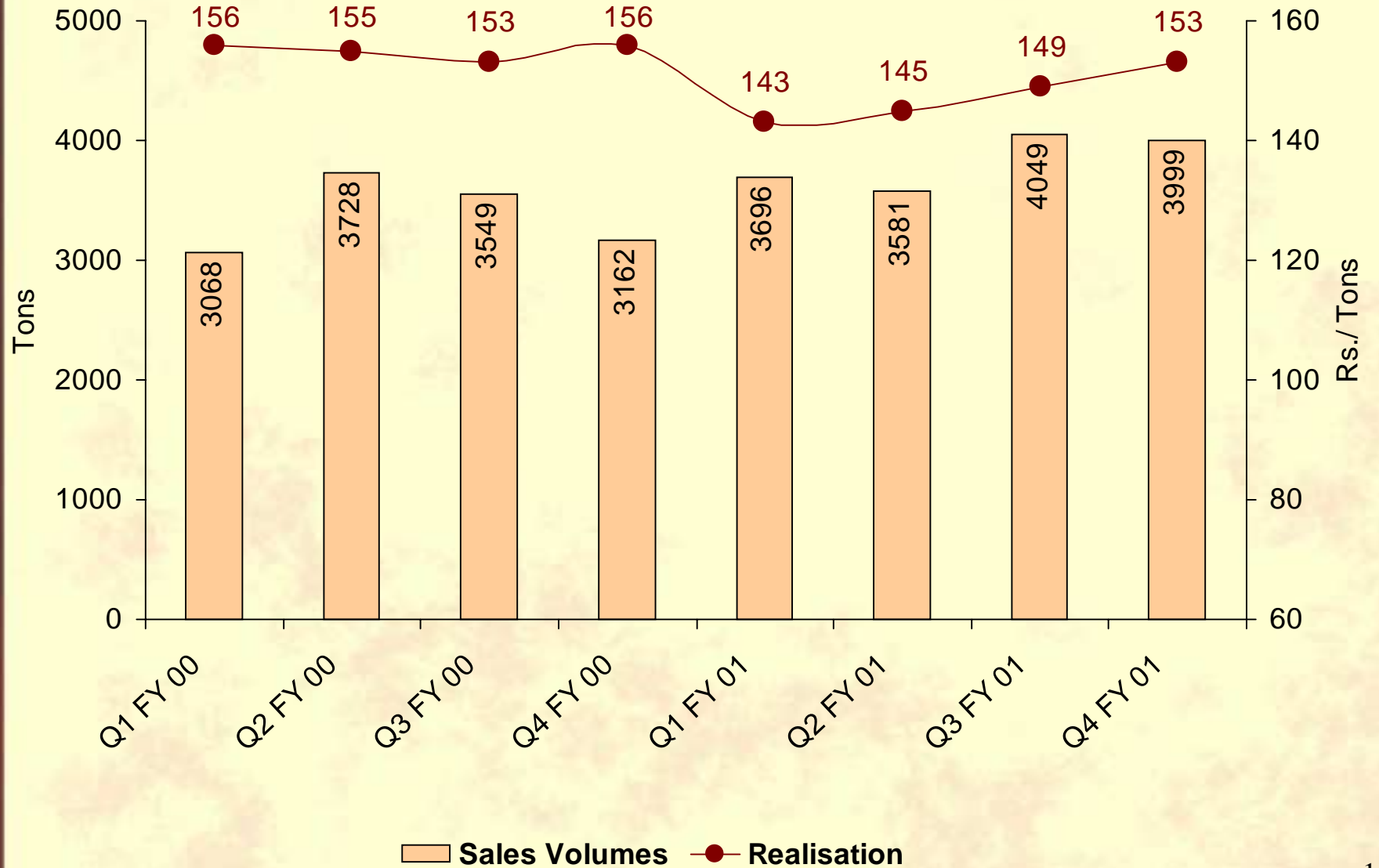
# GARMENTS - Outlook

- ⇒ Multiply trouser town/planet fashion retail formats
- ⇒ Enter new markets in middle east and establish leading position
- ⇒ Tapping new growth segments
  - ⇒ Blazers and Jackets – Significant progress made already
  - ⇒ Trouser brands in multiple price segments
    - » Peter England Trousers
- ⇒ Increase presence in international markets
  - ⇒ Leverage acquisition of Global rights to improve branded exports
  - ⇒ Continue focus on Contract Exports
- ⇒ Cost reduction through
  - ⇒ Implemented “Project Spark” – a supply chain project with PWC
  - ⇒ Aggressively improve efficiencies through value analysis, controlling material costs and attacking waste
  - ⇒ Better logistics management by leveraging technology optimally

# VISCOSE FILAMENT YARN (VFY)

	Unit	FY 2001	FY 2000	Growth %	4th Quarter		Growth %
					FY 2001	FY 2000	
Capacity	TPA	15,000	15,000		15,000	15,000	
Production	Tons	15,496	12,621	23%	3,820	3,086	24%
Capacity Utilization	%	103%	84%		102%	82%	
Sales Volume	Tons	15,326	13,507	13%	3,999	3,162	26%
VFY Realisation	Rs./ Kg.	148	155	-5%	153	156	-2%
Turnover - VFY	Rs. Crs.	226.5	209.3	8%	61.0	49.5	23%
Turnover -Caustic	Rs. Crs.	37.0	25.7	44%	9.1	6.3	44%
Divisional Turnover	Rs. Crs.	263.5	235.0	12%	70.1	55.8	26%
Divisonal OPM	%	23%	23%		19%	27%	
Exports	Rs. Crs.	29.9	16.9	77%	10.6	5.1	108%
Exports	%	11%	7%		15%	9%	

# VFY - Performance At A Glance





# VFY - Performance Review

- Satisfactory performance driven by VFY exports and improved realisation of chloro-alkali products
- Plant utilisation remained high
  - ⇒ Impact of water scarcity overcome with the new desalination plant
- Sales volumes up 13% - highest ever achieved so far
  - ⇒ Export volumes grew by 84% YoY with entry in new markets
  - ⇒ Domestic volumes up by 8%, despite challenging market conditions
    - ⇒ Enabled by improved yarn quality and strengthened distribution network
- Realisation down 5% YoY
  - ⇒ Bottomed out in Sept. 2000 and showing rising trend since then
- Divisional margins maintained at 23% despite lower VFY margins
  - ⇒ VFY margins down from 17% to 13% in FY01
    - ⇒ Lower realisation and steep rise in pulp, water and energy costs
    - ⇒ Replacement of membranes during 4Q added further pressure
      - » Cost of membrane replacement
      - » Resultant scale down of operations and consequent lower volumes
    - ⇒ Planned shut down of power plant also put pressure on 4Q margins
    - ⇒ Chloro-alkali segment helps in maintaining margins

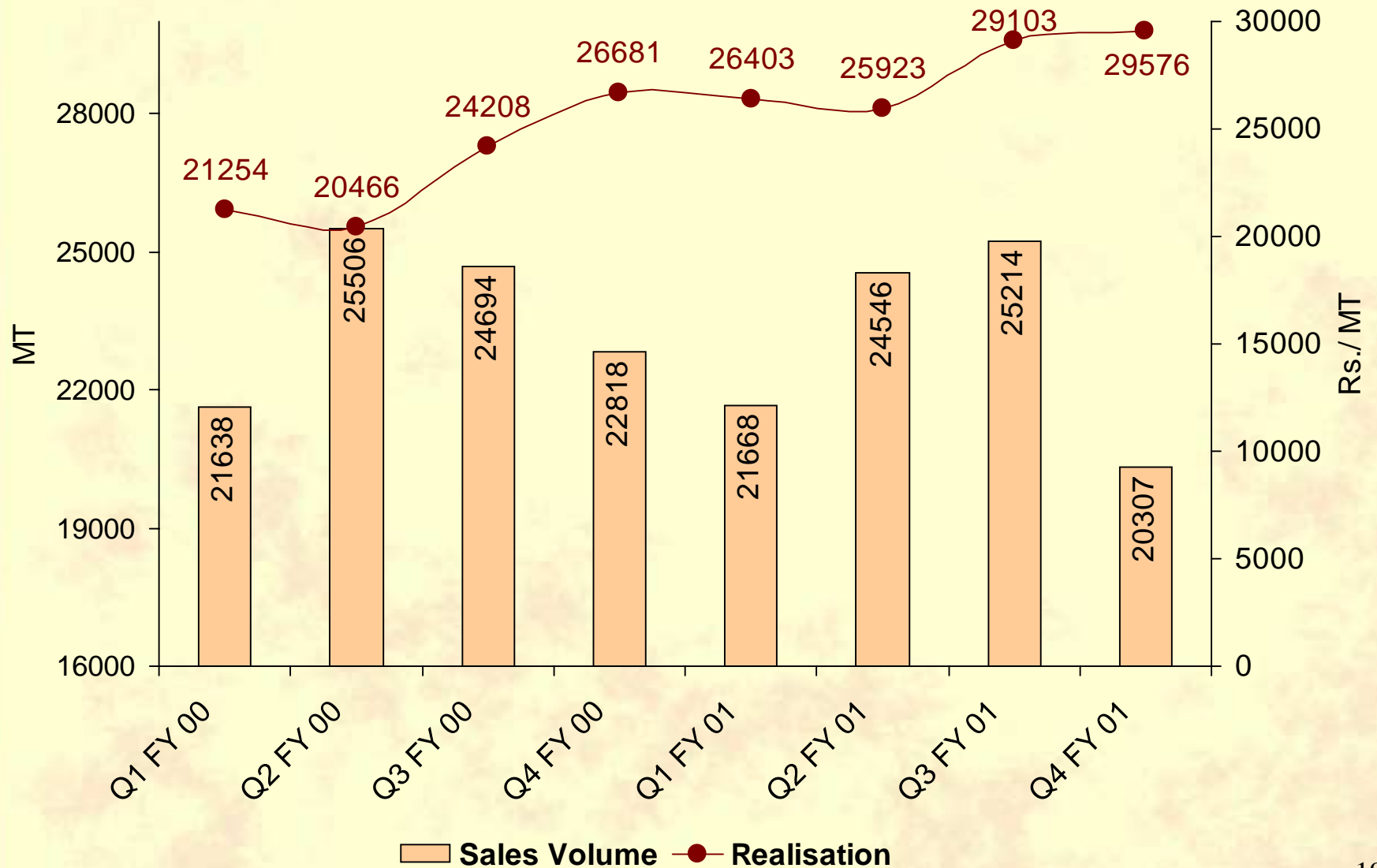
## VFY - Outlook

- Domestic outlook remains challenging due competition from low price PFY. Markets are recovering albeit slowly
- Rationalisation of overseas capacities to offer export opportunities
  - ⇒ Entry into new markets and aggressive efforts to contribute further
- Realisation moving up after bottoming-out in Sept.' 00
  - ⇒ Changing demand supply situation in domestic and global markets
  - ⇒ Rising share of exports, which offers better realisation
- Indian Rayon will continue to focus on
  - ⇒ Improving realisation
    - ⇒ Better positioning of products on quality and services fronts
    - ⇒ Further strengthening of distribution network
  - ⇒ Increasing exports - targeting at 18% of VFY sales
    - ⇒ Entry into premium markets
  - ⇒ Enhance profitability through
    - ⇒ Increasing production of 1st Quality and Knot-less Yarns
    - ⇒ Premium pricing in each market segments

# CARBON BLACK

	Unit	FY 2001	FY 2000	Growth %	4th Quarter		Growth %
					FY 2001	FY 2000	
Capacity	TPA	110,000	98,750	11%	110,000	110,000	0%
Production	Tons	89,739	95,828	-6%	20,442	25,144	-19%
Capacity Utilization	%	82%	97%		74%	91%	
Sales Volume	Tons	91,735	94,656	-3%	20,307	22,818	-11%
Realisation	Rs./ Ton	27,719	23,121	20%	29,576	26,681	11%
Turnover	Rs. Crs.	254.3	218.9	16%	60.1	60.9	-1%
OPM	%	21%	23%		19%	22%	
Exports	Rs. Crs.	31.6	13.1	141%	10.9	4.0	173%
Exports	%	12%	6%		18%	7%	

# CARBON BLACK - Performance At A Glance



# CARBON BLACK - Performance Review

- Industry environment remained challenging.
  - ⇒ Slowdown in automobile sector and lower demand for tyres
  - ⇒ Sharp rise in global CBFS prices with rising crude oil prices
- Sales volumes thus dropped 3% YoY
  - ⇒ Decline more prominent in 4Q – down 11% QoQ
    - ⇒ Tyre production down 3%; Automobile production down 18% in FY01
    - ⇒ Impact partially mitigated by higher export volumes
- Exports jumps up from 8,769 tons to 15,716 tons
- Per ton profit up 6% from Rs. 5,364 to Rs.5,700 but OPM down from 23% to 21%
  - ⇒ Sharp rise in CBFS price passed on to customers, realisation jumped 20% as a result
  - ⇒ Significant cost saving achieved with introduction of bulk packaging
  - ⇒ Margins could have been better but for lower per ton profit in 4Q
- Exports doubles 12% of sales, volumes up 80%
  - ⇒ Better realisation push turnover up by 141%

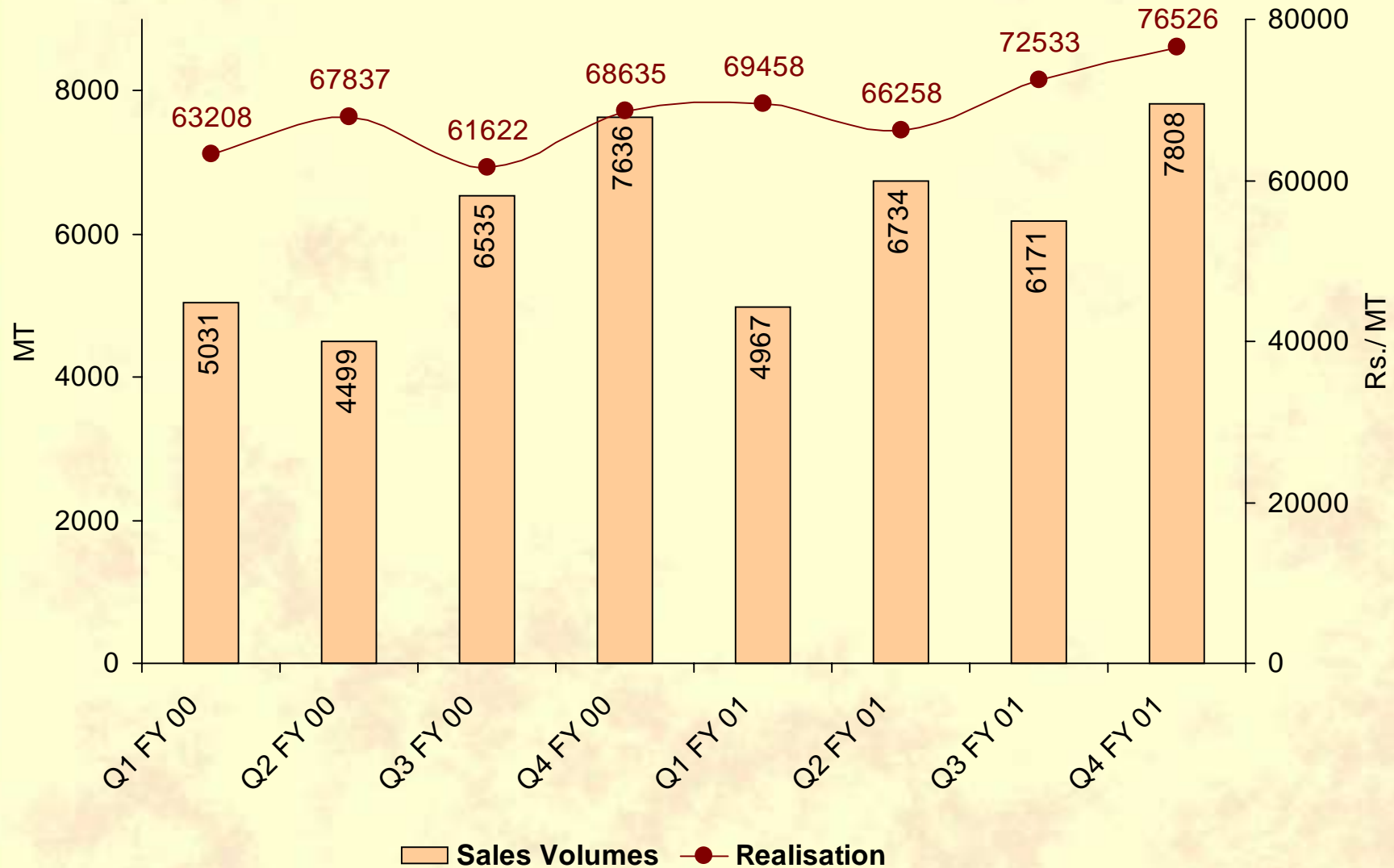
# CARBON BLACK - Outlook

- Sector outlook remains challenging
  - ⇒ Prospects for recovery in domestic demand remains uncertain
    - ⇒ Automobile sector still not showing signs of recovery
    - ⇒ Dumping of tyres by China in South East Asian markets
  - ⇒ Sluggish domestic demand necessitates focus on exports
  - ⇒ Softening of global CBFS prices is the solace
- Indian Rayon's strategy will be to
  - ⇒ Improve volume through
    - ⇒ Widen products range and Improve presence in speciality grades
  - ⇒ Develop non- tyre applications
  - ⇒ Better focus on exports
  - ⇒ New ADIT series is being launched
  - ⇒ Improve realisation through focus on speciality grades and high value products
  - ⇒ Tighten cost structure further with better logistic management
  - ⇒ Chennai unit is now the only plant in India to be certified by DNV, Holland for IQRS Level 7

# INSULATORS

	Unit	FY 2001	FY 2000	Growth %	4th Quarter		Growth %
					FY 2001	FY 2000	
Capacity	TPA	34,000	34,000		34,000	34,000	
Production	Tons	26,278	24,353	8%	6,729	5,966	13%
Capacity Utilization	%	77%	72%		79%	77%	
Sales Volume	Tons	25,691	23,701	8%	7,808	7,636	2%
Realisation	Rs./ Ton	71,480	65,398	9%	76,526	68,635	11%
Turnover	Rs. Crs.	183.6	155.0	18%	59.8	52.4	14%
OPM	%	17%	15%		18%	15%	
Exports	Rs. Crs.	96.3	74.0	30%	46.5	27.9	67%
Exports	%	52%	48%		78%	53%	

# INSULATORS - Performance At A Glance



# INSULATORS - Performance Review

- Demonstrated significant improvement over the quarters
  - ⇒ Enabled by improved productivity, better efficiency and cost control
- Sales volumes up 8% - highest ever achieved so far
  - ⇒ Driven largely by exports, volumes grew by 29%
    - ⇒ Entry into new markets and deeper penetration into global customers
      - » Improved quality and better on-time delivery
    - ⇒ Improved order-flow from global OEMs
  - ⇒ Domestic volumes slip by 7% to 12,343 tons from 13,319
    - ⇒ Ongoing restructuring of SEBs led to deferment of orders
    - ⇒ Resource constraints faced by SEBs
- Realisation up 9% YoY
  - ⇒ Better realisation from OEMs and change in product mix in favour of high realisation products
  - ⇒ Impact would have been more but for pressure on export realisation
    - ⇒ Export realisation under pressure due to competition from low cost producing countries

# INSULATORS - Performance Review

- Operating margins improved from 15% to 17%, despite increase in energy costs
  - ⇒ Enhanced yield and lower rejections
  - ⇒ Thrust on value added products
  - ⇒ Cost reduction efforts
- Order book strengthened further
  - ⇒ Orders worth Rs.82 crores outstanding
  - ⇒ Equal 5 months of production

# INSULATORS - Outlook

- Sector outlook encouraging - demand to pick-up on the back of new Govt. initiatives
  - ⇒ Revamping/up-gradation of T&D system
    - ⇒ Construction of new national power highway
  - ⇒ Rural electrification gaining momentum
  - ⇒ 1.6 lacs Ckt/Kms new lines being planned in 10th / 11th Plan
- Global outlook remains positive
  - ⇒ China – offers opportunity as well as it a threat
  - ⇒ European manufacturers cutting production due to high costs
  - ⇒ Multilateral agencies are committing large funds for electrification program in developing countries
- Indian Rayon will focus on
  - ⇒ Further improving yield, quality and cost reductions
  - ⇒ Value added products – Equipment Porcelain
  - ⇒ High rating products
    - ⇒ High strength suspension insulators for HVDC transmission lines
    - ⇒ Trial order for 210 KN

# INSULATORS - Outlook

- ⇒ Strengthening exports by
  - ⇒ Leverage existing relationship with global OEM's and power utilities
  - ⇒ Enter into new export markets
  - ⇒ Focus on profitable segments – High rating and high realisation products

# TEXTILES

	Unit	FY 2001	FY 2000	Growth %	4th Quarter		Growth %
					FY 2001	FY 2000	
TURNOVER							
Worsted	Rs. Crs.	121.0	102.5	18%	31.0	26.2	19%
Flax Yarn	Rs. Crs.	28.5	28.9	-1%	5.5	7.6	0%
Synthetic Yarn	Rs. Crs.	115.6	111.3	4%	28.9	29.3	-1%
Others	Rs. Crs.	76.0	80.5	-6%	15.4	19.9	-23%
		<b>341.1</b>	<b>323.2</b>	<b>6%</b>	<b>80.8</b>	<b>83.0</b>	<b>-3%</b>
OPM	%	13%	12%		16%	14%	
EXPORTS	Rs. Crs.	165.5	152.4	9%	36.0	36.4	-1%
EXPORTS	%	49%	47%		45%	44%	

# TEXTILES - Performance Review

- **Worsted Yarn was key contributor to strong divisional performance**
  - ⇒ Worsted yarn volumes up 5% and realisation up 13% YoY
  - ⇒ Enabled by improved focus on high value speciality yarn and intermediate products - 'Wool Top'
  - ⇒ Worsted yarn margins jumped from 15% to 19% due to better product mix, improved recovery and tightened cost structure
- **Divisional margins improved from 12% to 13%**
- **Flax segment registered 7% higher volume**
  - ⇒ Despite lower realisation overall revenue maintained on the back of conversion of by-product to sellable yarn
- **Other textile segments (viz. Synthetic and fabric) declined marginally**

# TEXTILES - Outlook

- Divisional outlook remains challenging
  - ⇒ Strong worsted performance likely to be masked by sluggish performance of the synthetic yarn and other segments
- Worsteds yarn segment to remain stable contributor
  - ⇒ Return of wool in the fashion segment
  - ⇒ Focus on specialty and high value added yarn
  - ⇒ Further tightening of cost structure through improvement in efficiency
- Right sizing of less profitable fabric and synthetic yarn segment
- Thrust on Linen as fabric for future

# SEA WATER MAGNESIA

Rs. Crores

	Fixed Assets	Current Assets	Total Assets
Realisable Value as on March 31, 2000	40.6	2.5	43.1
Asset Sold during the year	21.8	1.7	23.5
Balance Book Value as on March 31, 2001	18.8	0.8	19.6
Committed Sales	1.8	0.3	2.1
Balance to be Sold (Book Value)	17.0	0.5	17.5

- Efforts on to sell balance assets in the current financial year



## Life Insurance – An Update

- Rs.82.80 crores invested during the year towards 69% of equity in the joint venture
- Obtains licence in February 01
  - ⇒ Launched business in last week of March 01
- Business to break-even in 6th year and expected IRR over 15 years is higher than 20%

# SNAPSHOT - FY 2001

	Rs. Crores		
	FY 2001	FY 2000	FY 1999
Net Turnover	1416.2	1072.1	1052.6
Operating Profit (PBDIT)	230.2	205.8	250.3
Interest	74.7	74.3	95.8
Royalty	8.2	1.4	-
Depreciation	73.1	72.5	73.5
PBT*	74.2	57.6	81.0
Tax	5.7	-	7.0
<b>PAT*</b>	<b>68.5</b>	<b>57.6</b>	<b>74.0</b>
Earnings per Share (Rs.)	11.4	9.6 *	11.0
Cash Earnings per Share (Rs.)	23.7	21.8 *	21.9
Dividend (%)	30%	10%	40%

\* Before Loss on Sea Water Magnesia Business

# SNAPSHOT - FY 2001

Rs. Crores

	FY 2001	FY 2000	FY 1999
Equity	59.9	59.9	67.5
Net Worth	1142.7	1093.9	1413.3
Long Term Debt	317.3	319.4	534.0
Short Term Debt	150.6	276.8	117.0
<b>Capital Employed</b>	<b>1610.6</b>	<b>1690.1</b>	<b>2064.3</b>
Net Block	809.1	861.4	1054.6
Net Working Capital	457.7	484.6	569.5
Long Term Investment	343.8	344.2	440.2
RONW (At PAT)(%)	6%	5% *	5%
ROCE (At PBDIT)(%)	14%	12%	12%
Book Value (Rs.)	191	183	209
Debt:Equity	41%	55%	46%
Long Term Debt:Equity	28%	29%	38%

\* Before Loss on Sea Water Magnesia Business

## To Sum Up...

- All businesses have demonstrated significant improvement in performance, despite continued challenging operating environment
- Garments business would be a key driver of growth going forward
- Insulator division has demonstrated improvement and is likely to report further improvement in the years to come
- VFY should re-gain part of its past glory on the back of improving exports and gradual improvement in domestic market
- Carbon Black business continued to remain under recessionary pressures, but softening of global oil prices is a positive development
- In our core areas, focus will be on
  - ⇒ Strengthening of market position
  - ⇒ Improving asset utilisation
  - ⇒ Better control over costs and manufacturing efficiencies

...*And better results in years to come*

**THANK YOU**



**PRESS RELEASE**

Mumbai, 26<sup>th</sup> April, 2001

**THE ADITYA BIRLA GROUP'S**  
**INDIAN RAYON AND INDUSTRIES LIMITED**

**REPORTS GOOD PERFORMANCE**

		<b>This Year</b>	<b>Last Year</b>
<b>Turnover</b>	<b>Up 32%</b>	<b>Rs.1,416 crores</b>	<b>Rs. 1,072 crores</b>
<b>Gross Profit</b>	<b>Up 18%</b>	<b>Rs. 156 crores</b>	<b>Rs. 132 crores*</b>
<b>Profit after Tax</b>	<b>Up 19%</b>	<b>Rs. 69 crores</b>	<b>Rs. 58 crores*</b>
<b>Dividend Declared</b>		<b>30%</b>	<b>10%</b>

\* Before considering exceptional items

Indian Rayon, the flagship company of the Aditya Birla Group, has reported a turnover of Rs.1,416 crores in their audited results for the year ended 31<sup>st</sup> March, 2001 compared to Rs.1,072 crores in the previous year. In the interest of shareholders, the Board also considered a proposal to buy-back shares as a way to return its surplus cash to them.

The Company has recorded an all round superior performance. Turnover, gross profit and net profit have increased substantially. Enhanced volume growth in the key business of Garments, Insulators and Viscose Filament Yarn have enabled Indian Rayon to post a healthy growth in its net profit. Sales achieved in all of its core businesses has been an all time high barring Carbon Black. In the Carbon Black business, performance has been constrained due to the ongoing rise in the oil prices and its impact on the auto sector – which is its major customer segment.

Gross profit before payment of Royalty to the wholly owned subsidiary, Aditya Vikram Global Trading House Ltd. was 18% higher at Rs.155.5 crores against Rs.131.5 crores in last year.

The Company has achieved profit before tax of Rs.74.2 crores vis-a-vis Rs.57.6 crores prior to factoring exceptional items in last year. Exports stood at Rs.397 crores against Rs.296 crores in last year.

The Company had outgo of Rs.5.7 crores on account of MAT against 'NIL' tax in the previous year accordingly, profit after tax was Rs.68.5 crores.

The earning per share has been Rs.11.4 against Rs.9.6 in the previous year, up by 19 %.

**Dividend**

The Board of Directors have recommend a dividend of 30% as compared to 10% paid in the previous year. The dividend will absorb Rs.17.96 crores. Besides the direct outgo of the dividend, the company will bear the corporate tax on dividend amounting to Rs.1.83 crores, raising the total outgo to Rs. 19.79 crores.

## **Divisionwise Performance**

The sectoral overview of the production, sales volume and turnover are as indicated:

<b>Products</b>	<b>Unit</b>	<b>FY 2001</b>	<b>FY 2000</b>	<b>Variation</b>
<b>Production Volumes :-</b>				
Viscose Filament Yarn - MT	MT	15,496	12,621	23%
Carbon Black - MT	MT	89,739	95,828	(6 %)
Insulator - MT	MT	26,278	24,353	8%

<b>Sales Volume &amp; Net Turnover</b>		<b>Unit</b>	<b>FY 2001</b>		<b>FY 2000</b>	
				<b>Rs.in Crs.</b>		<b>Rs. In Crs.</b>
Garments :	Shirts	Nos.	47.2 lacs	325.5	9.6 lacs *	57.4 *
	Trousers	Nos.	11.6 lacs		1.7 lacs *	
Viscose Filament Yarn (VFY)		MT	15,326	263.5	13,507	235.0
Carbon Black		MT	91,735	254.3	94,656	218.9
Insulators		MT	25,691	183.6	23,701	155.0
Textiles			-	341.0	-	323.2

\* Three months operation from January, 2000 to March, 2000.

### **Madura Garments**

In its first full year's of operations, Madura Garments performed extraordinary well, sustaining its leadership in the Branded Menswear segment. During the year, it recorded a turnover of Rs.325.5 crores. Brand building efforts were intensified during the year through the launching of a slew of innovative collections, retail formats and brand extensions. Some of its brands were launched in South Asia and Middle East, while brand strengthening in other markets and promotional efforts to boost branded exports were ongoing. To support these activities, the company has had to invest heavily on its advertising spend, almost to the tune of 12% of its sales turnover, the benefits, of which will accrue in the coming year.

The long term outlook for the garment sector is positive with the market continuing to move from tailor made to ready-made. However, in short term, the imposition of excise duty and slowing of market growth/threat of recession both in India and abroad could act as inhibiting factors. Madura Garments has the opportunity to capitalise on its strong brands to increase its share. The dereservation of the Industry is another opportunity to improve productivity and innovation efforts.

### **Rayon Division**

In Viscose Filament Yarn production at 15496 MT is higher by 23%. Aggressive marketing combined with entry into new market segments has enabled this division to achieve export of Rs.29.9 crores, as compared to Rs.16.9 crores in the previous year. The Rayon prices have shown gradual but marginal recovery in the last two quarters. However, as compared to the previous year realisations have been down by 5% at Rs.148 per kg. Higher realisation of Chlor-Alkali products helped this division maintain its margins at 23%.

The timely installation of the Desalination plant has proven to be a great boon, as the company has been able to overcome the water scarcity problems in the Saurashtra region.

### **Carbon Black Division**

The Carbon Black division clocked a turnover of Rs.254.3 crores, reflecting an increase of 16% vis-à-vis Rs.218.9 crores achieved in the previous year. A continued thrust on exports has facilitated an increase in exports to Rs.31.6 crores vis-a-vis Rs.13.1 crores achieved in the previous year higher by 141%.

On the domestic front, the low off take by the tyre industry due to the recession in the auto and heavy transport sector has affected the Company's Carbon Black business. As a result, production was lower at 89,739 MT against 95,828 MT in last year. Sales volume and turnover were also affected in the last quarter. However realisation was up by 20% to Rs.27,719 per MT, largely due to the passing of increased CBFS prices partially to customers.

Despite these adverse conditions, the division maintained its position in the domestic market through its focus on quality, service and productivity.

### **Insulator Division**

The Insulator division registered a turnover of Rs.183.6 crores (Rs. 155 crores). At 26278 MT production was higher by 8% compared to 24,353 MT in the previous year. Realisations improved by 9% to Rs.71,480 /MT compared to Rs.65,398 /MT. Sales volume was 25691 MT higher by 8% compared to 23,701 MT in previous year. Operating Margin improved to 17% compared to 15% in previous year. Exports stood at Rs.96.3 crores up by 30% compared to Rs.74 crores in the previous year. Improved Realisation and lower costs emanating out of improved efficiencies, fewer rejections and better economies of scale facilitated growth in margins. The emphasis of the government on the Transmission and Distribution segment, setting up of “Crisis Resolution Group” to expedite power projects and power sector reforms will aid the division in the long term in growing the business in revenues and profitability.

### **Textiles Division**

Driven by the strong performance of the worsted yarn segment, increased offtake of Wool Tops along with marketing of value added products, the textile division recorded a good result. It achieved a turnover of Rs.341 crores vis-à-vis Rs.323.2 crores in the previous year. The division's exports at Rs.165.5 crores, forming 49% of its turnover, despite strong global competition, is indeed commendable.

### **Insurance Sector**

After getting the necessary approvals, Indian Rayon’s Insurance subsidiary - Birla Sunlife Insurance Company commenced operations towards end of March, 2001.

### **Share Buy-back proposal**

Indian Rayon expects to continue to generate cash in excess of its requirements. In its view there are limited growth opportunities available to meet the company’s hurdle rate of return on investment, given the extremely difficult market environment. The Board therefore felt that a share buy back would be the most tax-efficient way to return surplus cash to its shareholders. This would provide an exit route from the stock to them, without substantially impacting either the price at which they exit, or adversely affecting the interest of ongoing shareholders.

Consequently the Board has decided to seek the approval of shareholders for an enabling resolution, so that the company can Buy-back up to 15% of the equity shares at a price not exceeding Rs. 95 per share. The details of buy back programme will be finalised after obtaining shareholder approval, considering the then prevailing market conditions.

### **Future Outlook**

At Indian Rayon, all of its core businesses have demonstrated an improvement in performance. The future outlook of Garments is impressive with the industry pegged to grow by 15% p.a. in the medium term and Trousers emerging as a fast growth segment, slated to grow by 40% p.a. The encouraging demand for Insulators, continued growth in exports and movement towards higher value products will further enhance the bottom line. The performance of Carbon Black will depend on how soon the heavy vehicles and the Automobile Sector show an upward trend. Oil prices will also determine which way this sector moves. The additional impetus to exports should fuel further growth of the Rayon segment.

The company intends to expand its turnover through higher utilisation of existing capacities coupled with better control over cost and manufacturing efficiencies. This will add to the Company’s future profitability and free cash flows. The buy-back of shares will also enhance the company’s future Earning Per Share and shareholder returns.

The outlook for 2001-2002 is thus positive.

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**AUDITED FINANCIAL RESULTS  
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2001**

(Rs in crores)

	Quarter Ended		Financial Year Ended	
	31st March, 2001	31st March, 2000	31st March, 2001 (Audited)	31st March, 2000 (Audited)
<b>SALES</b>	<b>381.35</b>	<b>352.23</b>	<b>1,525.95</b>	<b>1,187.14</b>
Less: Excise Duty	28.26	34.75	109.76	115.05
Net Sales / Income from operations	353.09	317.48	1,416.19	1,072.09
Other Income	10.26	15.68	31.73	52.21
<b>Total Income</b>	<b>363.35</b>	<b>333.16</b>	<b>1,447.92</b>	<b>1,124.30</b>
<b>Total Expenditure:</b>				
(Increase) / Decrease in stock in trade	7.23	(47.61)	(6.45)	(21.24)
Consumption of Raw Materials	145.74	173.81	648.28	507.81
Staff Cost	26.57	28.98	118.51	108.24
Other expenditure	121.11	115.65	457.38	322.69
Expenses on shares buyback	-	0.08	-	0.99
Interest	17.31	21.78	74.69	74.33
<b>GROSS PROFIT (Operating Profit after Interest)</b>	<b>45.39</b>	<b>40.47</b>	<b>155.51</b>	<b>131.48</b>
Royalty to wholly owned subsidiary	1.78	1.39	8.26	1.39
Depreciation and other Amortisation	19.11	18.10	73.08	72.50
<b>PROFIT BEFORE TAX AND EXCEPTIONAL ITEM</b>	<b>24.50</b>	<b>20.98</b>	<b>74.17</b>	<b>57.59</b>
<b>Less: Extra ordinary loss due to exit from Sea water magnesia business</b>	<b>-</b>	<b>297.91</b>	<b>-</b>	<b>298.82</b>
Provision for Taxation	2.06	-	5.65	-
<b>PROFIT/(LOSS) AFTER EXCEPTIONAL ITEM</b>	<b>22.44</b>	<b>(276.93)</b>	<b>68.52</b>	<b>(241.23)</b>
Paid up Equity Share Capital (Face Value of Rs.10 each)	59.88	59.88	59.88	59.88
Reserves Excluding Revaluation Reserve	-	-	1,082.79	1,034.06
<b>Earning per share (Rs.) (Not annualised)*</b>	<b>3.75</b>	<b>3.50</b>	<b>11.44</b>	<b>9.62</b>
<b>Cash Earning per share (Rs.) (Not annualised)*</b>	<b>6.94</b>	<b>6.53</b>	<b>23.65</b>	<b>21.73</b>
Aggregate of Non-Promoter Shareholding				
- Number of Shares			43,903,555	45,239,850
- Percentage of Shareholding			73.34%	75.55%
Dividend			# 30%	10%

\* Before Exceptional Items

# Recommended

**Notes:**

- 1 Madura Garments was acquired by the Company from 1st January, 2000 and accordingly, the figures of the current year are not comparable with those of the previous year.
- 2 The above results have been taken on record at a meeting of the Board of Directors held on 26th April, 2001.
- 3 Previous year figures are regrouped/ rearranged wherever necessary

For and on behalf of Board of Directors

Place: Mumbai  
Date: 26th April, 2001

**B.L.SHAH**  
Director

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