

NANDAN DENIM LIMITED

Q3 & 9M FY15 RESULTS UPDATE

FEBRUARY 2015



This presentation and the following discussion may contain “forward looking statements” by Nandan Denim Limited (Nandan Denim) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of Nandan Denim about the business, industry and markets in which it operates.

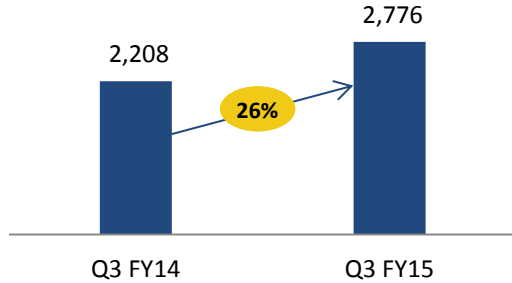
These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Nandan Denim’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of Nandan Denim. In particular, such statements should not be regarded as a projection of future performance of Nandan Denim. It should be noted that the actual performance or achievements of the company may vary significantly from such statements.

❑ Q3 & 9M FY15 Results Highlights	04 – 05
❑ Q3 & 9M FY15 Financials & Summary Outlook	06 – 07
❑ About Us	08 – 18
❑ Appendix	21 – 24

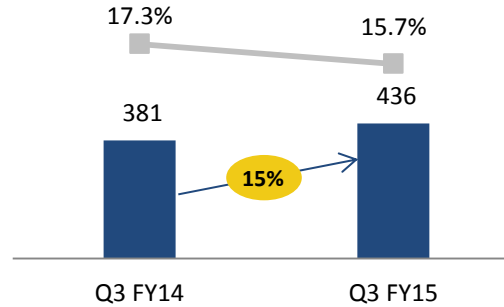


Q3 FY15 RESULTS – YoY Analysis

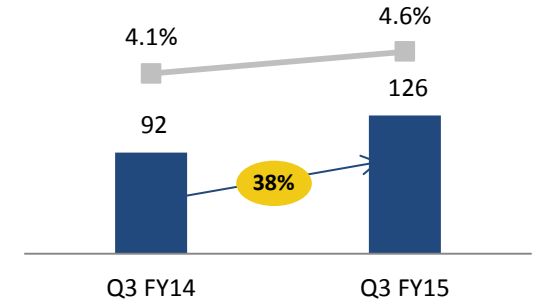
REVENUES



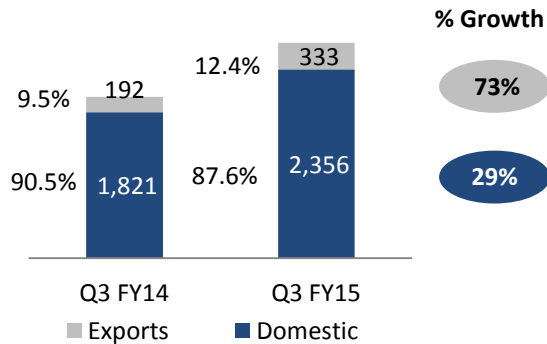
EBITDA & EBITDA MARGIN



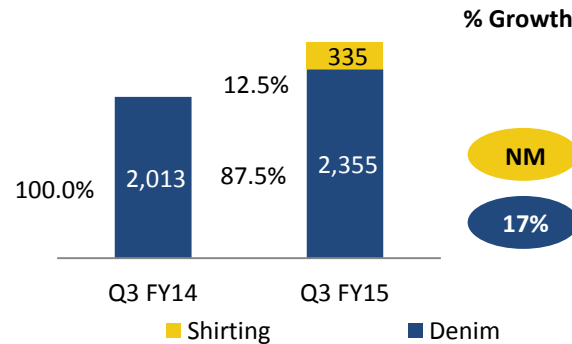
PAT & PAT MARGIN



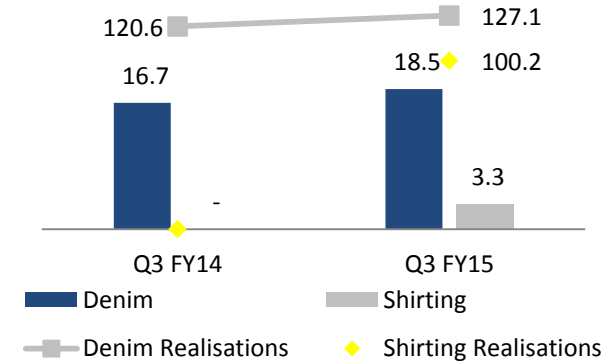
REVENUES MIX



REVENUE MIX



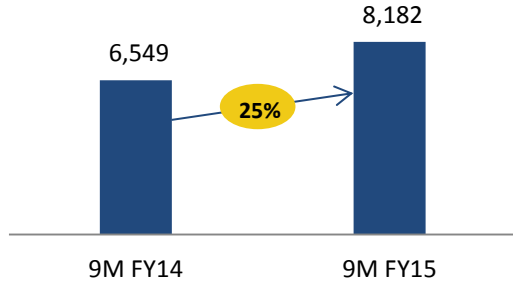
VOLUMES & REALISATIONS



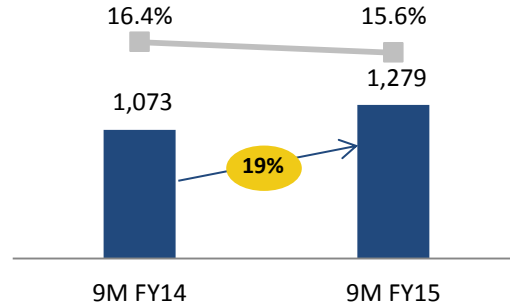
In Rs Mn , Volumes in Mn Metres, Realisations in Rs/Metre

9M FY15 RESULTS – YoY Analysis

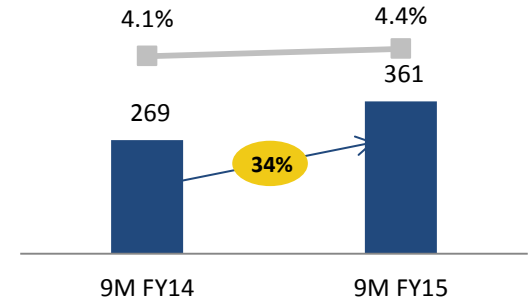
REVENUES



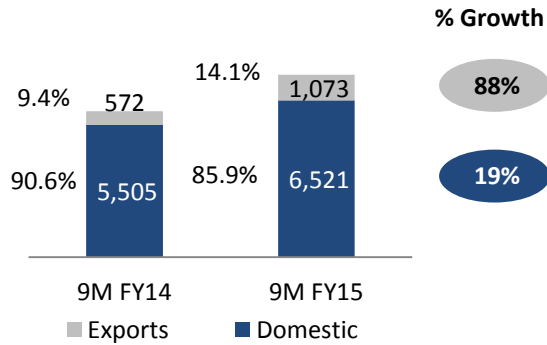
EBITDA & EBITDA MARGIN



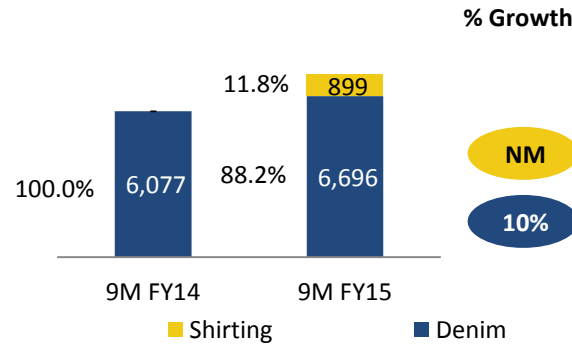
PAT & PAT MARGIN



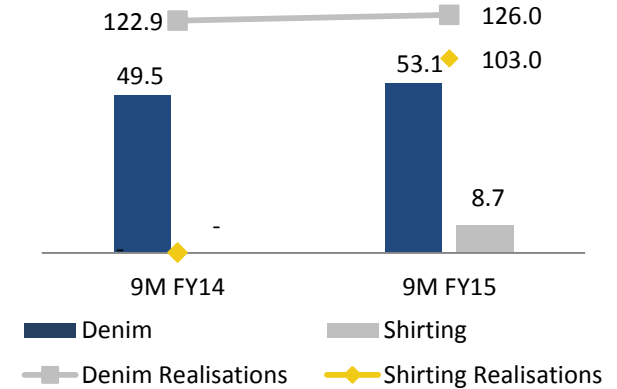
REVENUES MIX



REVENUE MIX



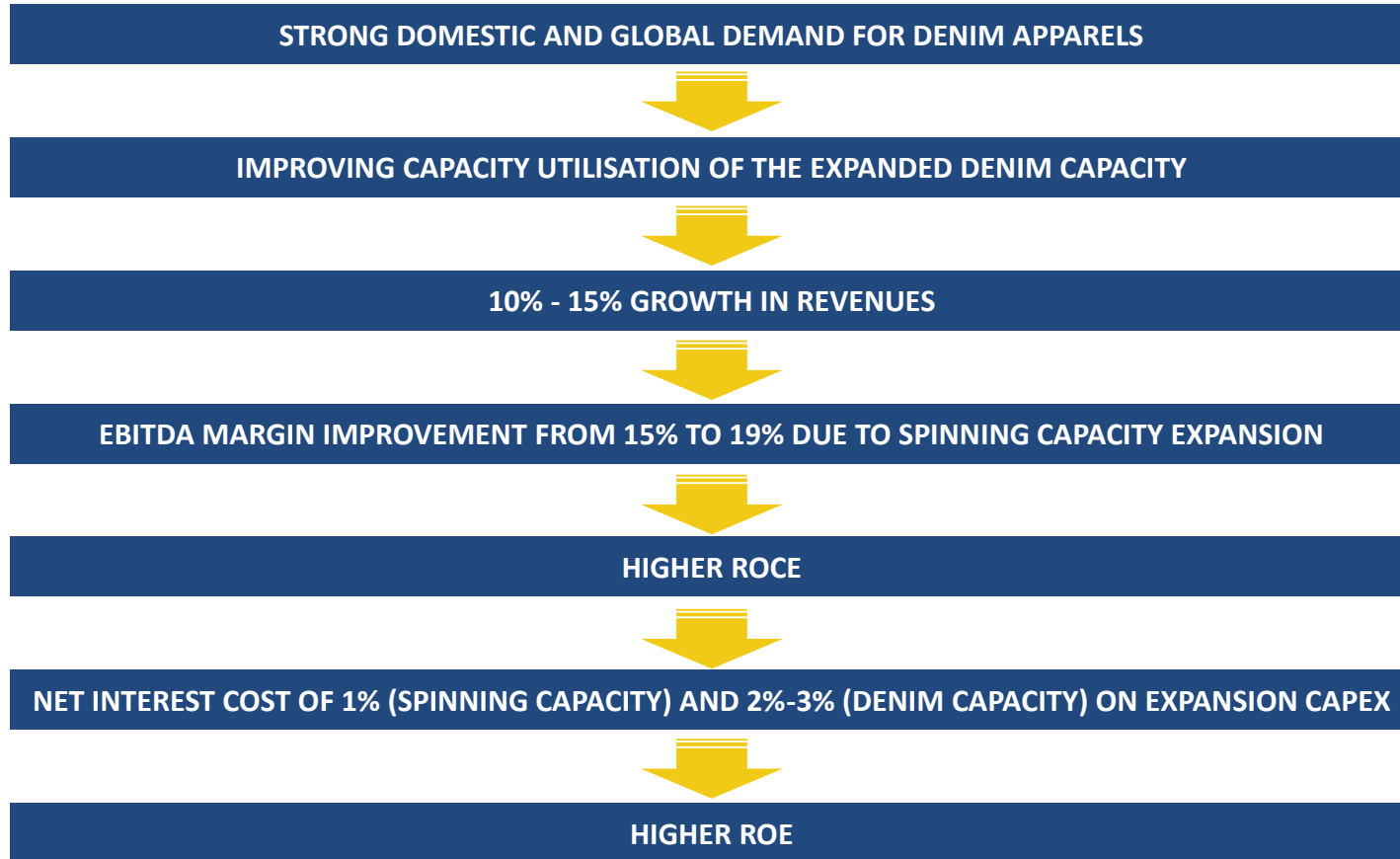
VOLUMES & REALISATIONS



In Rs Mn , Volumes in Mn Metres, Realisations in Rs/Metre

Q3 & 9M FY15 P&L STATEMENT

Particulars in Rs Mn	Q3 FY15	Q3 FY14	YoY %	Q2 FY15	QoQ %	9M FY15	9M FY14	YoY %	FY14
Sales from Operations	2,776	2,208	25.7%	2,769	0.2%	8,182	6,549	24.9%	8,703
Other Operating Income	-	-	-	-	-	-	-	-	234
Total Sales	2,776	2,208	25.7%	2,769	0.2%	8,182	6,549	24.9%	8,938
Cost of Goods Sold	1,892	1,471	28.6%	1,894	-0.1%	5,618	4,388	28.0%	6,249
Gross Profit	884	736	20.0%	875	1.0%	2,564	2,161	18.6%	2,689
Gross Margin %	31.8%	33.4%	-152 bps	31.6%	23 bps	31.3%	33.0%	-167 bps	30.1%
Employee Expenses	128	95	34.3%	108	18.4%	323	261	23.6%	310
Other Expenses	320	260	22.8%	328	-2.5%	962	827	16.4%	1,052
EBITDA	436	381	14.5%	440	-0.8%	1,279	1,073	19.1%	1,327
EBITDA Margin %	15.7%	17.3%	-154 bps	15.9%	-16 bps	15.6%	16.4%	-76 bps	14.8%
Depreciation	153	131	16.6%	153	0.2%	458	368	24.6%	497
Other Income	13	3	302.4%	5	139.0%	26	26	0.8%	40
Profits Before Interest and Taxes	296	253	17.1%	292	1.3%	847	732	15.7%	869
Interest Expense	93	92	1.3%	104	-10.2%	296	277	7.0%	320
Profits Before Taxes	203	161	26.1%	188	7.6%	551	455	21.0%	549
Taxes	76	69	10.3%	69	11.0%	190	186	2.3%	156
Tax rate	37.7%	43.1%	-540 bps	36.5%	115 bps	34.5%	40.9%	-631 bps	28.4%
Profits After Tax	126	92	38.0%	120	5.7%	361	269	34.0%	393
PAT Margin %	4.6%	4.1%	41 bps	4.3%	23 bps	4.4%	4.1%	30 bps	4.4%
EPS (Rs)	2.77	2.01	37.8%	2.63	5.3%	7.92	5.91	34.0%	8.63



ABOUT US: CHIRIPAL GROUP – EMERGING CONGLOMERATE



Group Turnover *
Rs 28,955 mn

Group EBITDA *
Rs 3,207 mn

Group PAT *
Rs 825 mn

Employee Strength
5,000

BUSINESS DIVISION	GROUP COMPANIES	DETAILS
Textiles	Nandan Denim Ltd. Chiripal Industries Ltd. (Processing Division) Vishal Fabrics Pvt. Ltd.	<ul style="list-style-type: none"> Fully integrated facilities for manufacturing range of products viz. woven fabrics, circular knitted fabrics, polar fleece fabrics, cotton hosiery, denim, etc.
Petrochemicals	Chiripal Industries Ltd. (Petrochemicals Division) CIL Nova Petrochemicals Ltd.	<ul style="list-style-type: none"> Offers integrated range of products ranging from POY – 50-250 denier and FDY – 50-150 denier. Employs latest and fully automated machinery operated with Japanese and German technology.
Chemicals	Chiripal Industries Ltd. (Chemicals Division)	<ul style="list-style-type: none"> Operates two major divisions – Adhesives & Speciality Performance Chemicals. Equipped to provide world class solutions to the paints, paper, leather, packaging & textile industries
Packaging	Chiripal Poly Films Ltd.	<ul style="list-style-type: none"> World Class two imported Biaxial orientation of polypropylene (BOPP) lines from Bruckner, Germany for manufacturing films capacity of 77,550 MTPA. In addition, CPFL has two Metalizers for producing metalized films. The company is also implementing BOPET Line to cater to wide demand for BOPET Products.
Infrastructure	Shanti Developers Dholi Integrated Spinning Park Vraj Integrated Textile Park	<ul style="list-style-type: none"> Operates a fully equipped industrial park for SME enterprises in the textile sector Has made a successful foray in the area of residential infrastructure as well.
Education	Shanti Educational Initiatives Ltd.	<ul style="list-style-type: none"> Runs 6 schools under the brand “Shanti Asiatic” located in Ahmedabad, Surat and Jaipur with over 2,700 students. Present in the management education space having student strength of 450 students. Successfully running over 130 pre-K franchise – Shanti Juniors with over 6,000 students.

* FY14



STRONG PEDIGREE

- Nandan Denim Limited is a part of a leading conglomerate, Chiripal Group, which was established in 1972 and is currently diversified across several businesses like Textiles, Petrochemicals, Chemicals, Packaging, Infrastructure and Education.
- Nandan Denim commenced its operations in 1994 with textile trading business and forayed into textile manufacturing in 2004. The company currently engages in manufacturing of denims, cotton fabrics and khakis.
- The company is run by a professional management team with an average experience of more than two decades..

LEADING INTEGRATED DENIM MANUFACTURER

- Nandan Denim has one of the largest denim fabric manufacturing capacities in the world.
- The company expanded its denim fabric capacity from 71 MMPA to 110 * MMPA in FY14.
- The company plans to backward integrate by expanding its spinning capacity from 64 TPD (tonnes per day) to 124 TPD in FY15-16 resulting into higher operating margins and improved return ratios.
- The company also owns a captive power plant of 15 MW.

STRONG FINANCIAL PERFORMANCE

- Consolidated revenues, EBITDA and PAT were Rs 8,938 mn, Rs 1,327 mn and Rs 393 mn in FY14 having grown at CAGR of 24%, 23% and 36% over last five years.
- Stable EBITDA margins of around 14% - 15% over last five years.
- Return ratios have improved over last five years driven by improving asset turnover.
 - ROCE – 9.0% in FY10 to 14.1% in FY14.
 - ROE – 9.5% in FY10 to 19.6% in FY14.
- FY14 Debt : Equity was 2:1.

* Post complete expansion

ABOUT US: INTEGRATED DENIM FABRIC FACILITY



FIBRE

Ginned Cotton

70% of cotton requirement is met from Gujarat



YARN

Spinning

Ring Spinning – 44 TPD
Open End Spinning – 20 TPD



FABRIC

Weaving & Processing

Denim – 110 * MMPA
Shirting – 10 MMPA

KEY HIGHLIGHTS

- One of the largest denim fabric facility in the world and second largest in India.
- Machinery with latest technology from Germany and Japan, capable of producing wide range of denim fabrics.
- ~10% domestic fabric market share.
- ~80% denim capacity utilisation.
- Sufficient power through 15 MW captive power plant.

* Post complete expansion

THE GUJARAT ADVANTAGE

GUJARAT TEXTILE HUB OF INDIA

- Largest producer of denim fabric (65-70%) in India and third largest in the world.
- Largest producer of cotton in India with 31% share.
- Textile hub of India housing the entire textile value chain.

GUJARAT TEXTILE POLICY – BENEFITS

- Interest Subsidy (in addition to Central subsidies) for 5 years:
 - 7% - Spinning & garment facilities
 - 6% - Technical textiles
 - 5% - All other facilities
- Power tariff subsidy @ Rs 1/unit for 5 years.
- VAT/Entry Tax reimbursement for 8 years.
- 100% stamp duty reimbursement.



SUPERIOR CONNECTIVITY

- Located in Ahmedabad, the financial capital of Gujarat.
- Superior infrastructure connectivity through roads, rail, airport and ports.

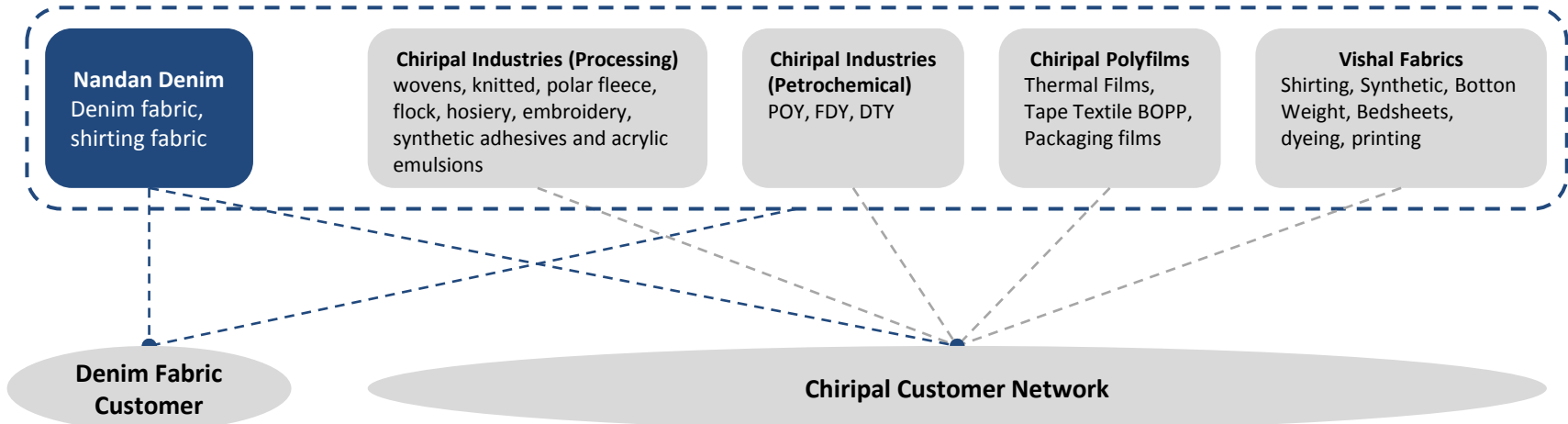
PROXIMITY TO MARKET

- Close proximity to machinery vendors, fabric dealers and leading garment manufacturers resulting in faster delivery and service.
- Lower marketing and transportation overheads.

LOW COST OF PRODUCTION

- Easy availability of key raw material - Cotton.
- Uninterrupted power supply in state of Gujarat.
- Gujarat meets around 70% of the cotton requirement.
- Easy availability of skilled and unskilled labour.

LEVERAGE CHIRIPAL GROUP ECO-SYSTEM



- Access to the large customer network of the Chiripal Group.
- Successful customer acquisition and retention through the cross-leveraging of group capabilities and cross-selling of group offerings.
- One of the largest group level processing capacity of ~0.8 MMPD adding significant value to customers by fulfilling their printing, dyeing, bleaching, synthetic yarn and other processing requirements under one roof.

MARKETING & DISTRIBUTION – DOMESTIC MARKETS

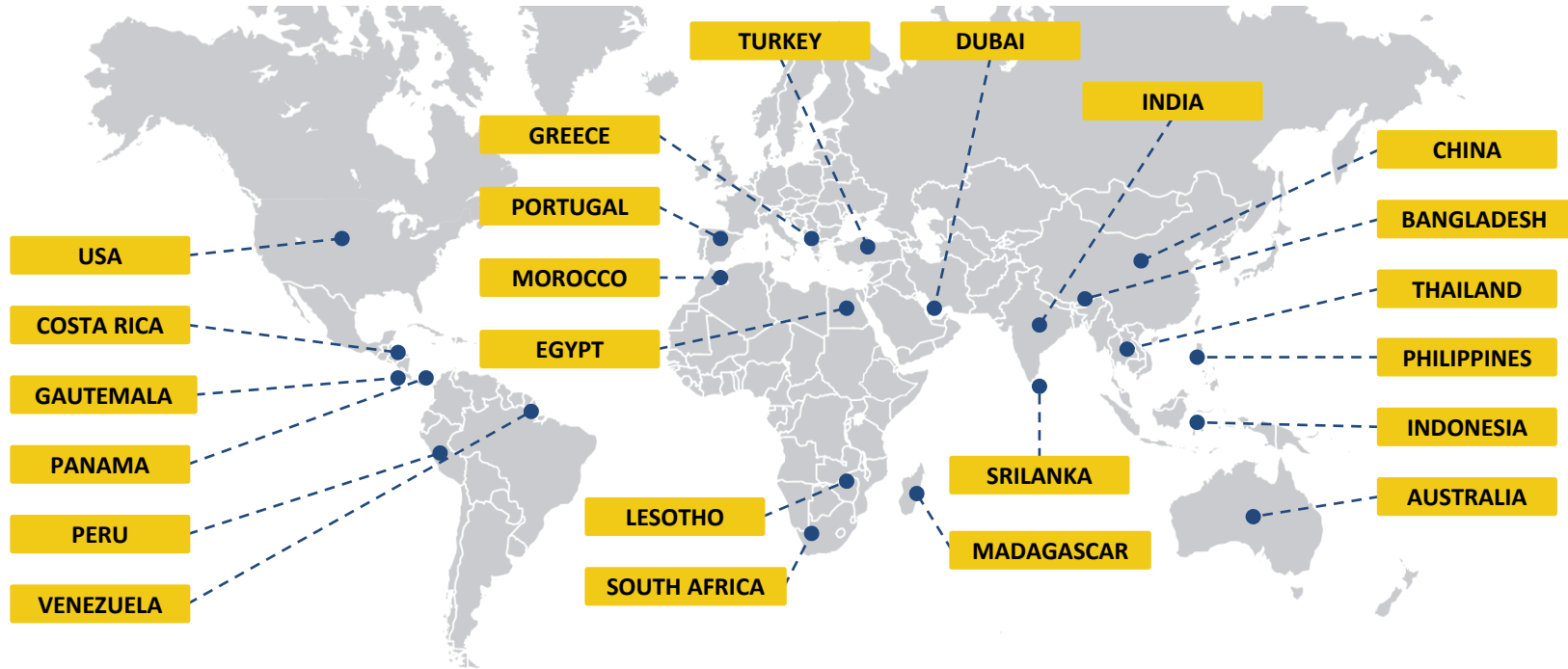
- Leveraging the strong agent-based domestic network of the Chiripal group.
- Strong pan-India network of around 35 – 40 distributors associated with the company for close to a decade.
- Strategic tie-ups with 10 firms to exclusively sell Nandan Denim's products.
- Around 2/3rd of the orders are confirmed through long term agreements involving minimum yearly quantity commitment.

MARKETING & DISTRIBUTION – EXPORTS MARKETS

- Leveraging the strong agent-based global network of the Chiripal group.
- Strong global network of around 15 distributors spread across 8 countries – Peru, Mauritius, Hong Kong, Dubai, Thailand, Bangladesh, New York, Columbia.
- Export of denim fabric to over 22 countries across the globe.
- Merchant exports through various star export houses to give an additional boost to exports.

Despite the current over-supply in the domestic denim market, Nandan Denim has been able to grow its revenues at a CAGR of 24% (compared to industry growth of 12% - 15%) over last 5 years, while maintaining stable EBITDA margins of around 14% - 15%.

ABOUT US: BUILDING GLOBAL PRESENCE



Nandan Denim exports its denim fabric to over 22 countries across the globe through its strong global dealer-distribution network.

ABOUT US: GLOBAL ACCEPTANCE FROM LEADING BRANDS

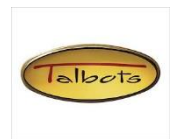


DOMESTIC BRANDS



GLOBAL DENIM FABRIC SUPPLIER TO MAJOR BRANDS AROUND THE WORLD

GLOBAL BRANDS



ANN TAYLOR



Capacity	FY13	FY14 – Phase I		FY15-16 – Phase II	
	Year End	Additions	Year End	Additions	Year End
Spinning (TPD)					
Open End Spinning	38	6	44	40	84
Ring Spinning	16	4	20	20	40
Fabric (MMPA)					
Denim	71	39	110 *	-	110 *
Shirting	-	10	10	-	10

CAPACITY EXPANSION:

- Capacity expansion plan to increase the denim fabric manufacturing capacity, spinning capacity and shirting capacity.
- Total capital requirement of Rs 6,120 mn to be funded with a D:E ratio of 2.4 : 1.

PHASE I EXPANSION:

- Expansion of denim fabric capacity will help the company to increase its domestic market share as well as diversify its operations on a global scale through increasing share of exports.
- Addition of new shirting capacity to further diversify its operations.

PHASE II EXPANSION:

- Expansion of spinning capacity to support the increased denim fabric capacity of 110 * MMPA.
- Backward integration through spinning capacity expansion will help the company to improve its operating flexibility and margins.

* Post complete expansion

LATEST UPDATE:

- Capex incurred as on Nov-14: Rs 2,625 mn (D:E – 1.5:1). Out of total debt of Rs 4,300 mn, Rs 3,281 mn has been sanctioned.

STRONG DOMESTIC AND GLOBAL DEMAND

- Strong domestic demand backed by majority young population (78% < 45 years), rising disposable incomes and fashion consciousness and increasing organised retail industry penetration in Tier II and III cities.
- Strong global demand and potential for being a global production hub driven by easy availability of cotton, competitive currency and low cost labour.
- Set to benefit from China's decreasing competitiveness . As per CITI estimates, if China loses 10% market share in global textiles, India's market share will increase by 80%.

LOCATION ADVANTAGE

- Located in Gujarat – Textile hub of India, largest exporter of denim fabric, largest producer of cotton etc.
- Easy availability of cotton (Gujarat meets 70% requirement) and skilled & unskilled labour.
- Close proximity to machinery vendors, fabric dealers and leading garment manufacturers resulting in faster delivery and service and lower overheads.

BENEFITS UNDER CENTRAL AND STATE GOVERNMENT POLICY

- **Gujarat textile policy:** 5% (7% - spinning facility) interest subsidy and power subsidy @ Rs1/unit for 5 years, VAT/Entry Tax reimbursement for 8 years, 100% stamp duty reimbursement.
- **TUFS (Central textile policy):** 5% interest subsidy and 10% capital subsidy for period of 7 years.

IMPROVED OPERATIONAL FLEXIBILITY

- Integrated facility will improve the overall operational flexibility, helping the company to absorb the increasing market demand.
- Faster delivery and timely execution due to limited dependency on external factors along the value chain.
- Achieve optimum capacity utilisation.
- Maintain consistency and high quality standards.

IMPROVED MARGINS THROUGH BACKWARD INTEGRATION

- In-house production of cotton yarn would result in ~10% - 15% savings compared to purchase of yarn from the market.
- Integrated facility to help in better management of the working capital and improve the operational efficiencies.
- Better market response, efficient capacity utilisation and cost savings on captive yarn would result in EBITDA margin improvement from current 14% - 15% to around 19% - 20%.

FUTURE IMPROVEMENT IN ASSET TURNOVER AND RETURN RATIOS

- Upfront expansion capex of Rs 6,120 mn at financing cost of only 1% - 3% (post state and central interest subsidies).
- Higher asset turnover along with improved operating margins will result in positive operating leverage and better return ratios.

FOR ANY FURTHER QUERIES CONTACT -



THANK YOU



Ms. Krishna Patel
Deputy Manager (Finance)
Email: krishnapatel@chiripalgroup.com
Contact No: +91 97129 49619

DICKENSON **SEAGULL** IR

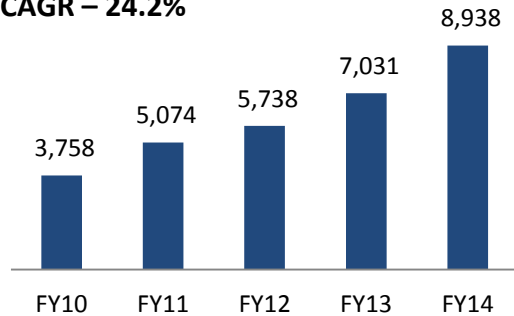
Mr. Ammeet Sabarwal / Mr. Nilesh Dalvi
IR Consultant
Email: ammeet.sabarwal@dickensonir.com
nilesh.dalvi@dickensonir.com
Contact No: +91 9819576873 / 9819289131



ANNEXURE

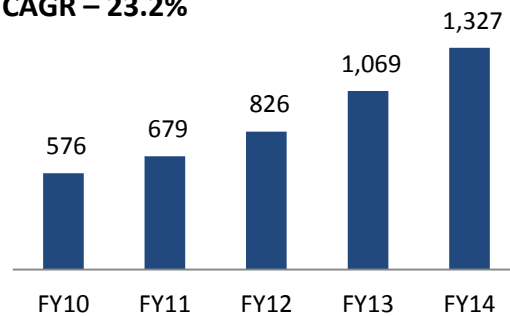
REVENUES (RS MN)

CAGR – 24.2%



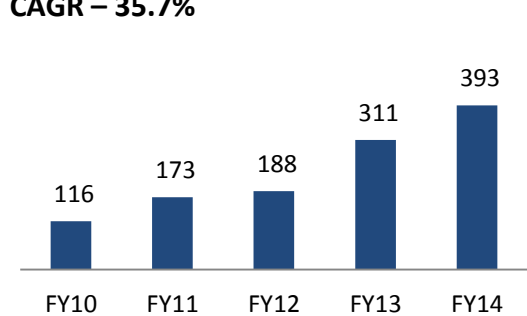
EBITDA (RS MN)

CAGR – 23.2%

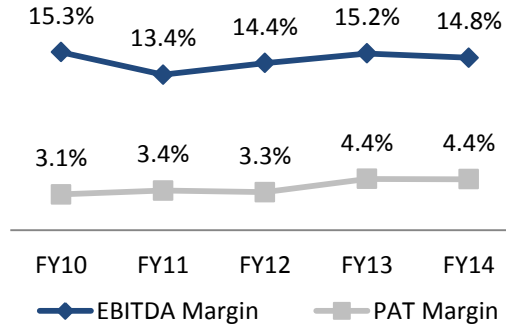


PAT (RS MN)

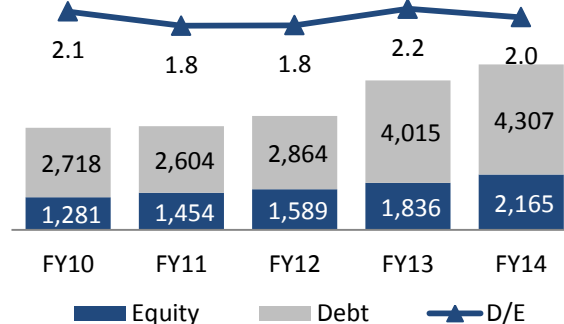
CAGR – 35.7%



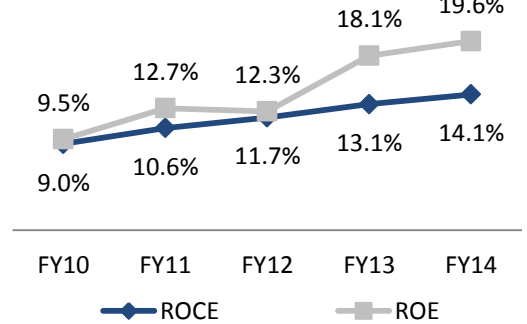
MARGIN ANALYSIS (%)



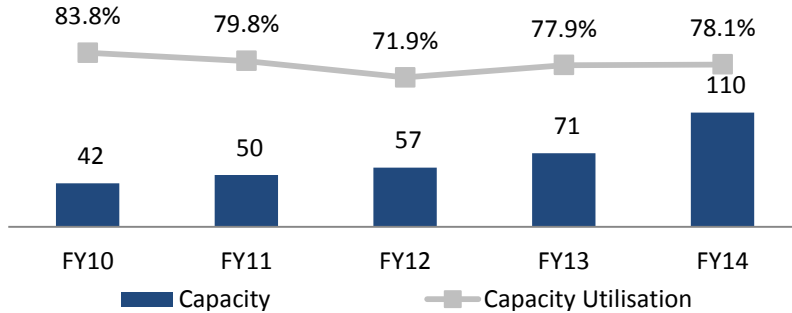
LEVERAGE ANALYSIS (RS MN)



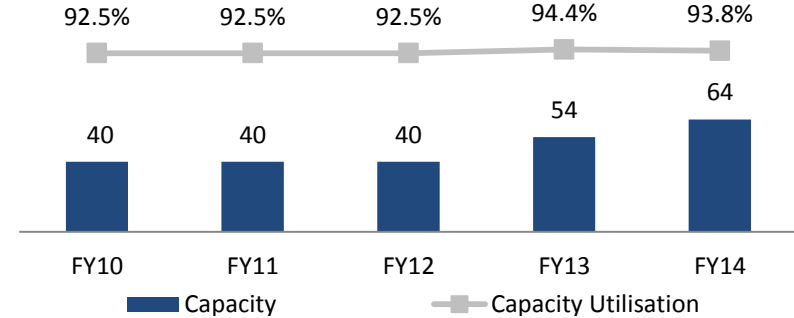
RETURN METRICS (%)



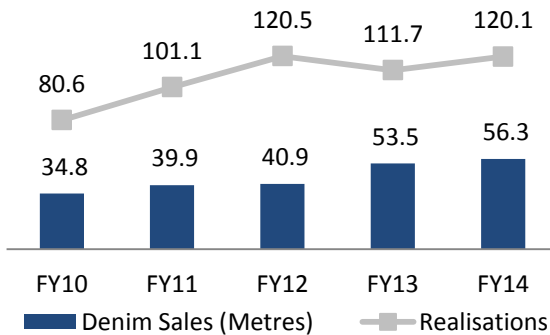
DENIM FABRIC CAPACITY (MMPA)



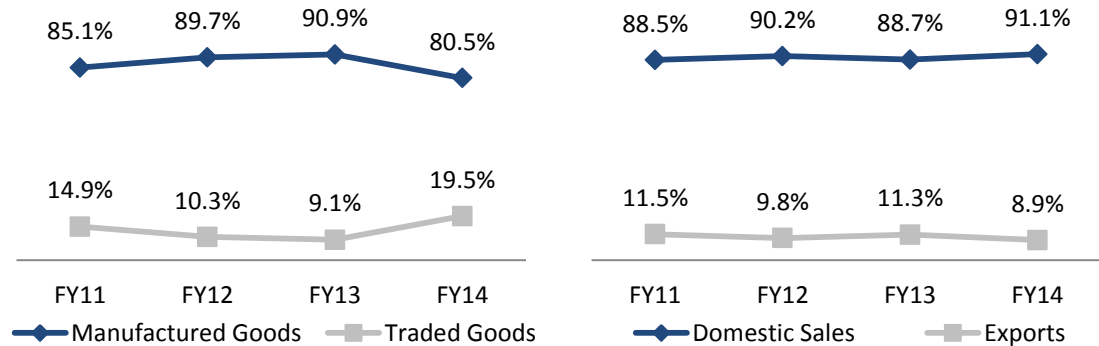
SPINNING CAPACITY (TPD)



DENIM REALISATIONS (RS/METRE)



SALES BREAKUP



CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars in Rs Mn	FY10	FY11	FY12	FY13	FY14
Sales from Operations	3,699	4,941	5,622	6,819	8,703
Export Incentive	48	43	40	59	63
Other Operating Income	11	90	76	153	171
Total Sales	3,758	5,074	5,738	7,031	8,938
Growth (%)	18.2%	35.0%	13.1%	22.5%	27.1%
Cost of Goods Sold	2,590	3,775	4,090	4,879	6,249
Gross Profit	1,169	1,299	1,648	2,152	2,689
Gross Margin %	31.1%	25.6%	28.7%	30.6%	30.1%
Employee Expenses	130	147	192	254	310
Other Expenses	463	473	630	829	1,052
EBITDA	576	679	826	1,069	1,327
EBITDA Margin %	15.3%	13.4%	14.4%	15.2%	14.8%
Depreciation	226	254	333	409	497
Other Income	2	3	5	15	40
Interest Expense	169	168	278	318	320
Prior Period/Exceptional Items	-	-	43	-	-
PBT	183	259	263	358	549
Taxes	67	86	75	47	156
Tax rate	36.8%	33.1%	28.6%	13.2%	28.4%
PAT	116	173	188	311	393
PAT Margin %	3.1%	3.4%	3.3%	4.4%	4.4%
Number of Shares (mn)	455.50	455.50	45.55	45.55	45.55
Basic EPS (Rs)	0.25	0.38	4.13	6.82	8.63

CONSOLIDATED BALANCE SHEET

Particulars in Rs Mn	FY10	FY11	FY12	FY13	FY14
Shareholders Funds	1,281	1,454	1,589	1,836	2,165
Long Term Debt (incl. CPLTD)	1,885	1,820	2,192	3,012	3,229
Short Term Debt	833	784	673	1,004	1,078
Total Debt	2,718	2,604	2,864	4,015	4,307
Other Long Term Liabilities	159	189	203	175	216
Sources of Funds	4,158	4,247	4,656	6,027	6,688
Gross Block	3,377	3,813	4,393	5,693	6,760
Less: Accumulated Depreciation	750	1,004	1,332	1,740	2,237
Net Block	2,627	2,810	3,060	3,953	4,523
Other Non-Current Assets	69	81	198	178	165
Inventory	680	1,213	984	1,198	1,385
Trade Receivables	1,283	550	695	912	1,214
Cash & Bank Balances	16	25	126	19	261
Other Non-Current Assets	228	258	196	516	369
Trade Payables	351	457	345	458	576
Other Current Liabilities	395	233	259	290	653
Net Current Assets	1,462	1,356	1,398	1,896	2,000
Application of Funds	4,158	4,247	4,656	6,027	6,688