

# NANDAN DENIM LIMITED

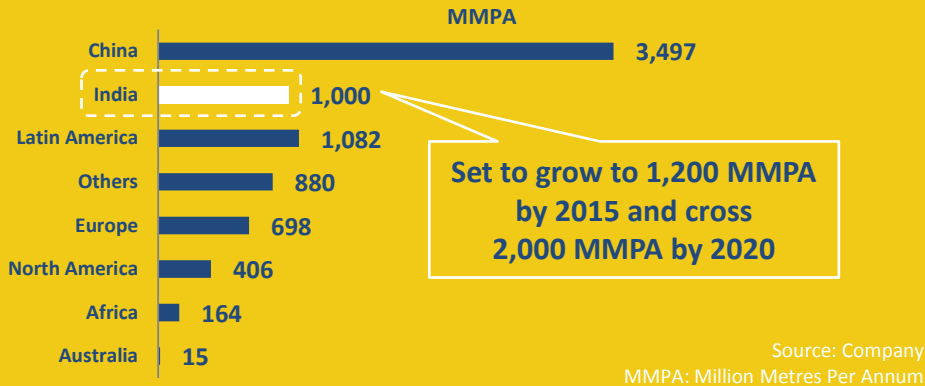
INVESTOR PRESENTATION  
AUGUST 2014



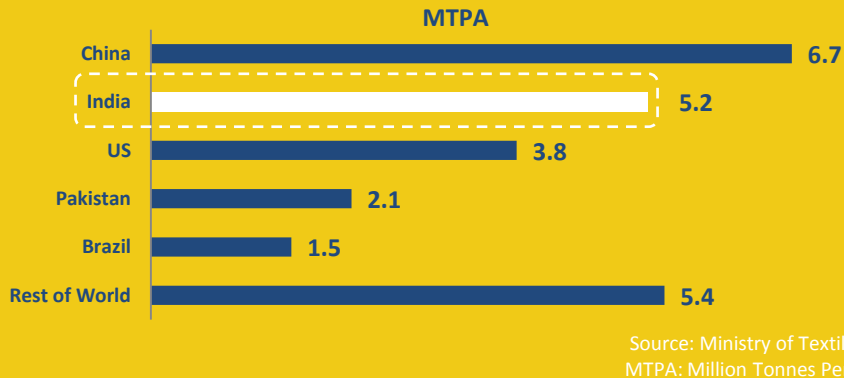
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# INDIA'S RAPIDLY EXPANDING BLUE FOOTPRINT IN THE GLOBAL DENIM MARKET

## 2<sup>ND</sup> LARGEST DENIM FABRIC CAPACITY IN THE WORLD

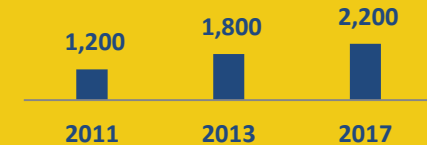


## 2<sup>ND</sup> LARGEST COTTON PRODUCER IN THE WORLD



- The global denim fabric market is around USD 17 bn, Asia accounts for ~70% of global denim fabric production.
- The Indian denim apparel market (CAGR of 14% - 15%) is fast outpacing the global denim apparel market (CAGR of 3% - 5%).

## INDIAN DENIM APPAREL MARKET (USD MN)



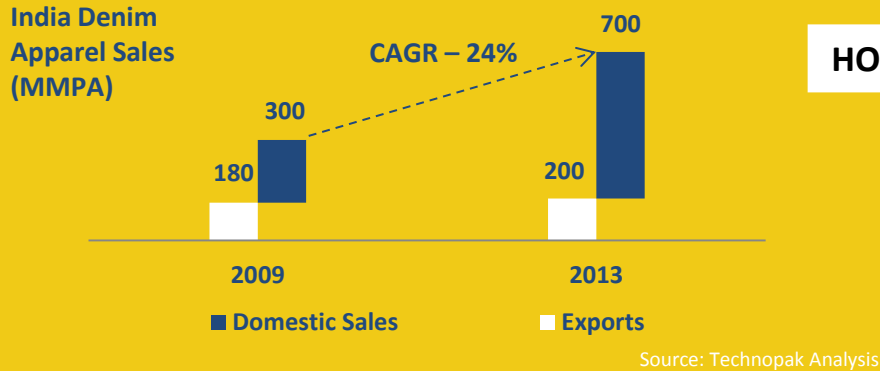
Source: Technopak Analysis

## INDIA IS SET TO ESTABLISH AS THE GLOBAL DENIM FABRIC AND APPAREL PRODUCTION HUB

- 4<sup>th</sup> largest denim fabric exporter in the world.
- Low cost and competitive currency.
- Favourable government textile policies.
- China's decreasing competitive edge.

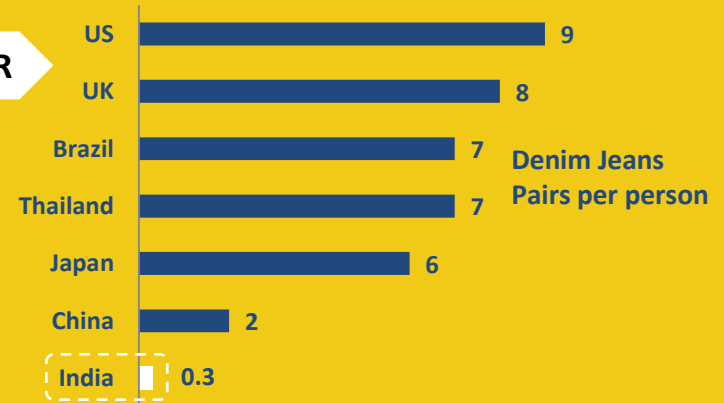
# DOMESTIC DENIM APPAREL MARKET - HUGE UNTAPPED OPPORTUNITY

## DOMESTIC DENIM APPAREL MARKET WITNESSING FASTER GROWTH

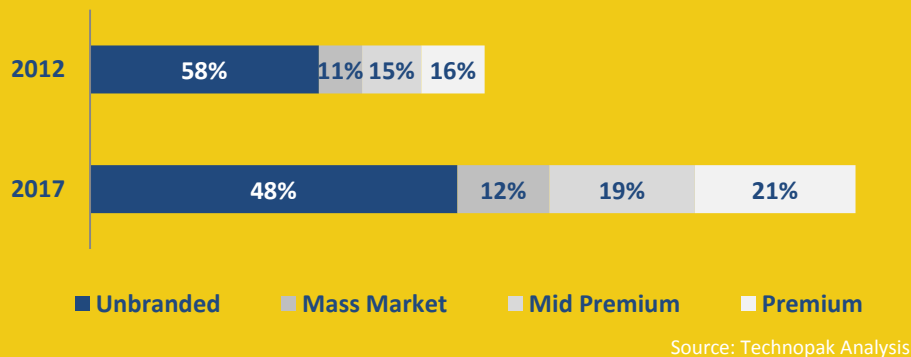


HOWEVER

## LOWEST PER CAPITA DENIM JEANS CONSUMPTION IN THE WORLD



## STRONG GROWTH ACROSS ALL GRADES OF DENIM



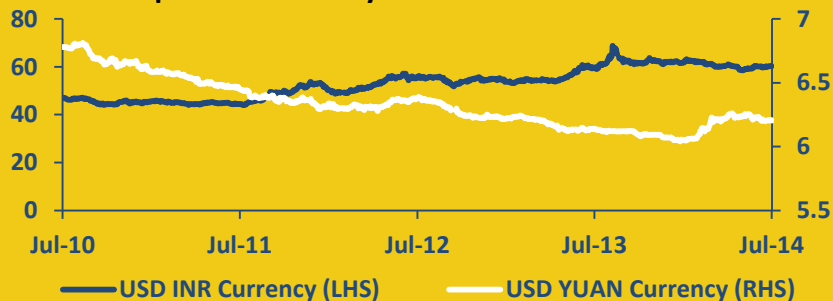
## KEY FUTURE DEMAND DRIVERS

- 78% of Indian population is less than 45 years of age.
- Rising demand from womenswear segment.
- Rising disposable incomes and fashion consciousness.
- Rising acceptance of denim jeans as an offwear.
- Rising demand from Tier II & III cities driven by expanding organised retail industry.

# INDIA TO BENEFIT AS CHINA BEGINS TO LOSE ITS COMPETITIVE EDGE

## INDIA'S STRENGTHS

- 4<sup>th</sup> largest denim fabric exporter in the world after China, Pakistan and Turkey, with ~5% market share.
- Abundant availability of high quality cotton.
- Easy labour availability & cost advantage.
- Favourable Central & State Government policies - TUFs, interest subsidy, VAT reimbursement, power subsidy etc.
- Average cost of denim fabric of ~ USD 2.50/metre compared to China's ~USD 2.65/metre.
- Competitive currency.

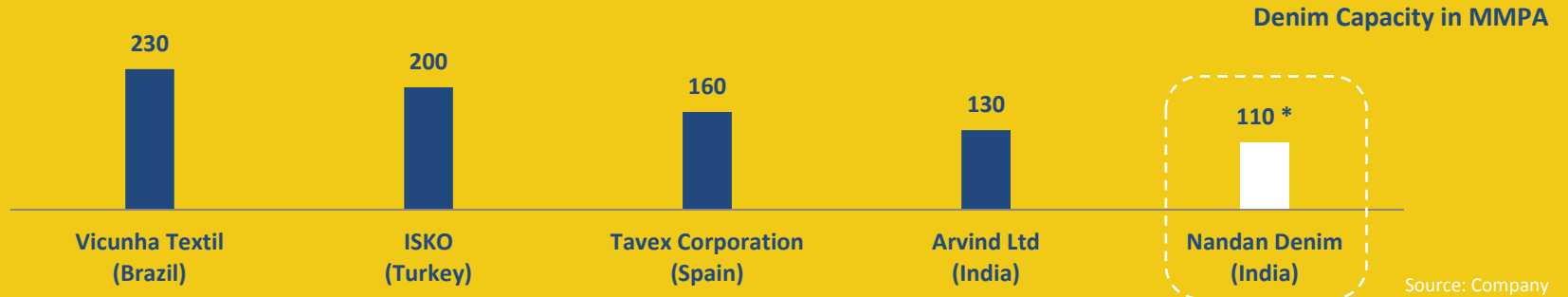


## CHINA'S CHALLENGES

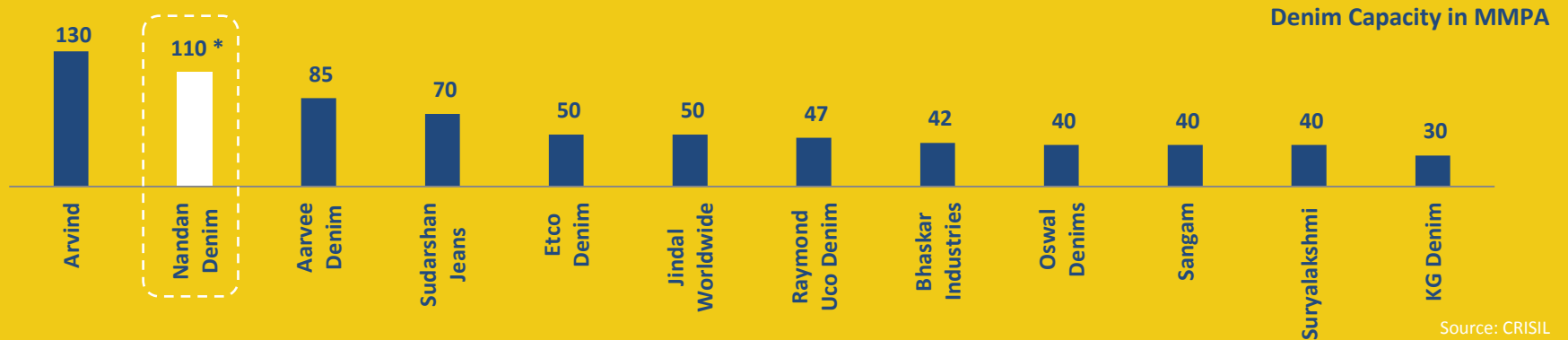
- **UNFAVOURABLE COTTON POLICY:** Higher MSP on domestic cotton (key raw material) resulting in declining domestic production.
- **RISING LABOUR COST:** Average Chinese wage cost is ~USD 1.44/hour vs. India's ~USD 0.86/hour.
- **CURRENCY APPRECIATION:** Appreciation of Yuan and depreciation of Indian Rupee.
- **ENVIRONMENTAL CONCERNS:** The Chinese government is imposing stricter environmental regulations and a possible environmental tax on all manufacturing factories.
  - According to Global Textiles, over 70% of rivers, lakes and water reservoirs in China are polluted due to industrial waste releases.

# NANDAN DENIM HAS ONE OF THE LARGEST DENIM FABRIC MANUFACTURING CAPACITY IN THE WORLD

## 5<sup>TH</sup> LARGEST DENIM MANUFACTURING FACILITY IN THE WORLD



## 2<sup>ND</sup> LARGEST DENIM MANUFACTURING FACILITY IN INDIA



\* Post complete expansion

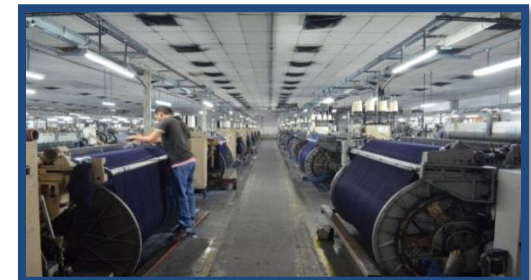
## **NANDAN DENIM AT VANTAGE POINT**

- **NANDAN DENIM IS INVESTING IN CREATING ONE OF THE LARGEST INTEGRATED DENIM MANUFACTURING FACILITIES IN THE WORLD.**
- **BACKWARD INTEGRATION THROUGH EXPANSION OF SPINNING CAPACITY WILL LEAD TO PROFITABLE GROWTH IN FUTURE.**
- **MAJOR PORTION OF THE INVESTMENT IN CAPACITY EXPANSION IS EXPECTED TO GET RECOVERED UNDER VARIOUS CENTRAL AND STATE BENEFITS.**
- **CAPACITY EXPANSION PLACES NANDAN DENIM AT A VANTAGE POINT TO INCREASE ITS MARKET SHARE IN THE DENIM FABRIC BUSINESS AND FURTHER DIVERSIFY ITS OPERATIONS ON A GLOBAL SCALE.**
- **RISING GLOBAL AND DOMESTIC DENIM APPAREL DEMAND IS SET TO RESULT IN IMPROVED CAPACITY UTILISATION LEADING TO HIGHER ASSET TURNOVER AND HIGHER RETURN RATIOS.**

*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.*

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

## STRONG PEDIGREE

- Nanda 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

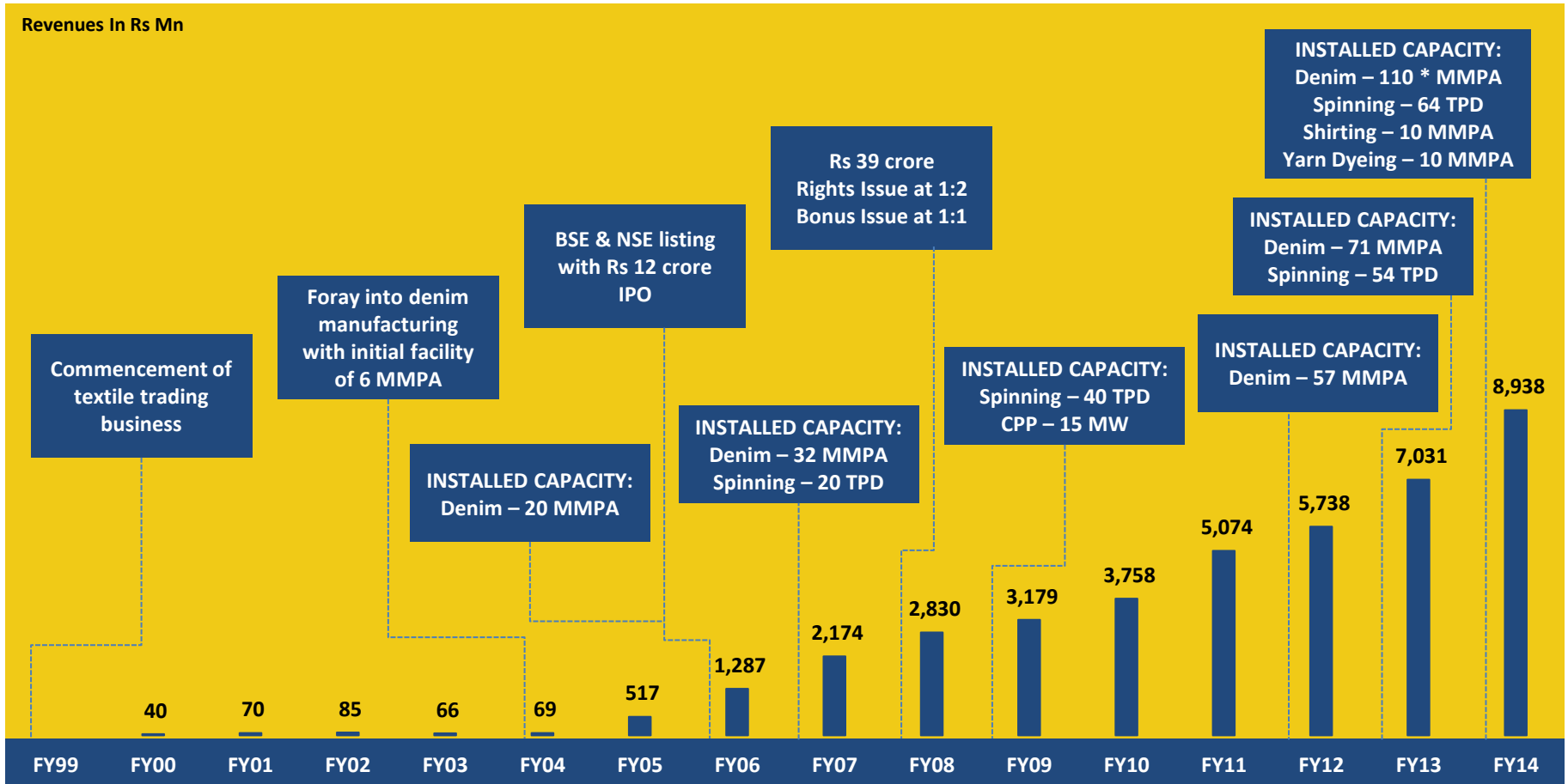
- Consolidated revenues, EBITDA and PAT were Rs 8,938 mn, Rs 1,327 mn and Rs 393 mn in FY14 having grown at CAGR of 24%, 23% and 36% over last five years.
- Stable EBITDA margins of around 14% - 15% over last five years.
- Return ratios have improved over last five years driven by improving asset turnover.
  - 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: KEY MILESTONES



Revenues In Rs Mn



\* Post complete expansion



## LATEST MANUFACTURING TECHNOLOGY

- State of art manufacturing facility with latest machinery & technology sourced from across the globe.
- The machinery is capable of producing wide range of denim fabrics - 100% cotton, cotton spandex, cotton poly, cotton poly spandex, cotton modal, cotton tencel etc.
- The technology enables the company to meet the latest trends and requirements of denim fabric.

## DESIGN & INNOVATION

- In-house creative design studio and product development cell.
- The Design Studio is managed by a team of designers and technocrats from India's premier art and design, textiles and technology learning and research institutions.
- Continual focus on new market trends, fashion and product requirements meeting customers' needs.

## QUALITY SYSTEMS

- ISO 9000 and OEKO-Tex certified manufacturing facilities.
- Fully computerized auto dispensing laboratory with all testing equipments and processes.
- Strict compliance with customers' needs and product designers' specifications.
- Real time monitoring of quality and execution through SAP ERP package.

**STRONG DENIM CAPABILITIES**

# 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.**

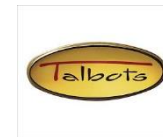
# ABOUT US: GLOBAL ACCEPTANCE FROM LEADING BRANDS



DOMESTIC BRANDS



GLOBAL BRANDS



ANN TAYLOR



# ABOUT US: BOARD OF DIRECTORS & KEY MANAGEMENT



**Ved Prakash D. Chiripal**  
**NON-EXECUTIVE  
CHAIRMAN**

- A Commerce Graduate and has almost three decades of experience in the field of manufacturing, trading and export of various textiles products.
- Started his textile business with 72 power looms in 1974. Subsequently, he set up various processing units and other manufacturing units of textile

**Brijmohan D. Chiripal**  
**MANAGING DIRECTOR**

- The Managing Director of the Company and younger brother of Mr. Vedprakash Chiripal.
- He is a Chemical Engineer and has more than 20 years of business experience in Textile Processing as well as export and domestic trading.

**T. S. Bhattacharya**  
**INDEPENDENT DIRECTOR**

- A MBA and Master of Science in Nuclear Physics.
- A retired MD of SBI with over 35 years of experience in the Banking industry.
- He is also the Director in other major companies such as Jindal Stainless Limited, IDFC Securities Limited, IDFC AMC Trustee Company Limited, etc.

**Ambalal C. Patel**  
**INDEPENDENT DIRECTOR**

- A Bachelor of Engineering in Metallurgy and Bachelor of Science in Chemistry. Retired from Gujarat Industrial & Investment Corporation Limited (GIIC) with an industry experience of around 40 years.
- He is also the Director in other major companies such as Jindal Hotels Limited, Sumeru Industries Limited.

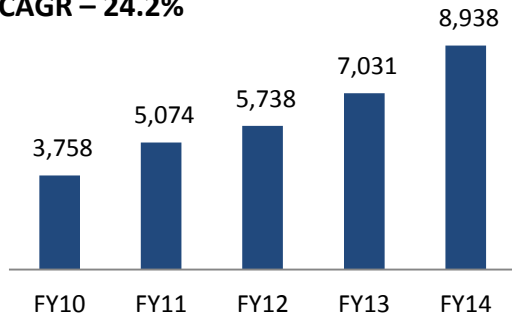
**Deepak Chiripal**  
**CHIEF EXECUTIVE OFFICER**

- A MBA and Bachelor of Commerce with an industry experience of nearly a decade.
- He heads the executive team of the company and has regular vigil upon the operations and growth plan. The team operates within the defined roles to achieve and exceed the business goals defined by the board
- He has been instrumental in developing the export market and expanding the domestic market for the Company.
- He has significantly contributed to the progress of the Company by assisting the promoters in handling the production, marketing and administrative departments.

**High Corporate Governance Standards - 60% of the Board consists of Independent Directors**

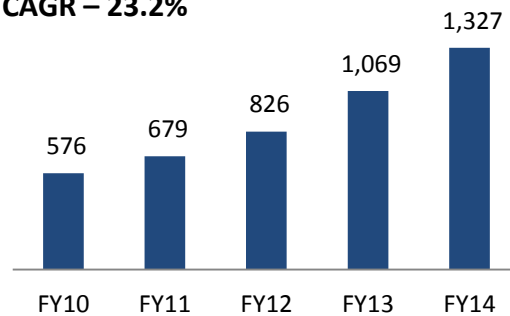
## REVENUES (RS MN)

CAGR – 24.2%



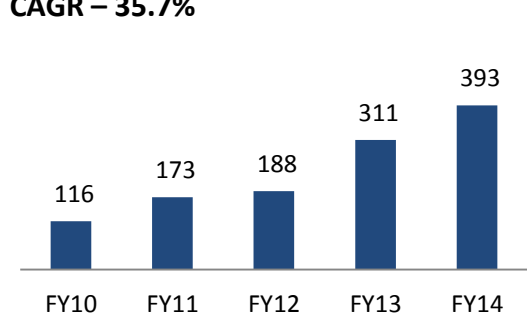
## EBITDA (RS MN)

CAGR – 23.2%

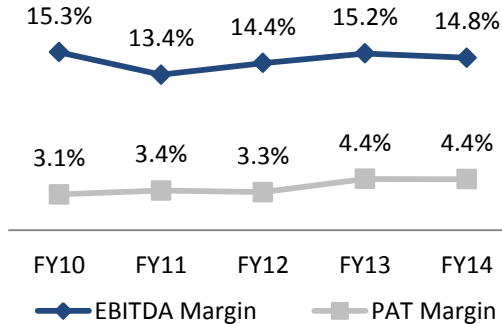


## PAT (RS MN)

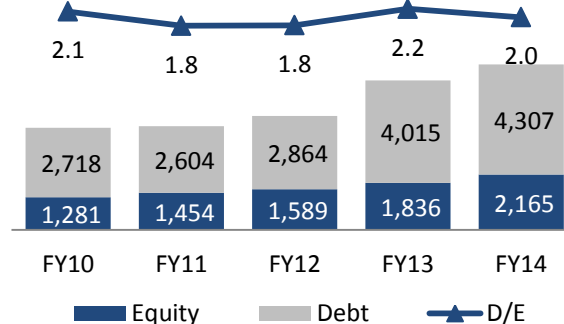
CAGR – 35.7%



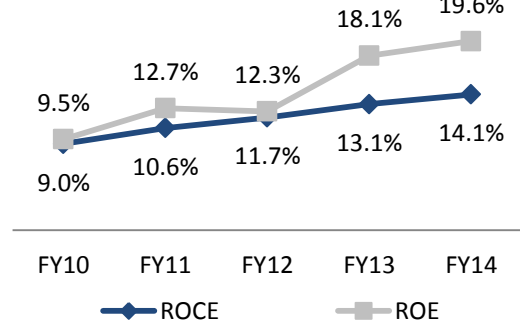
## MARGIN ANALYSIS (%)



## LEVERAGE ANALYSIS (RS MN)

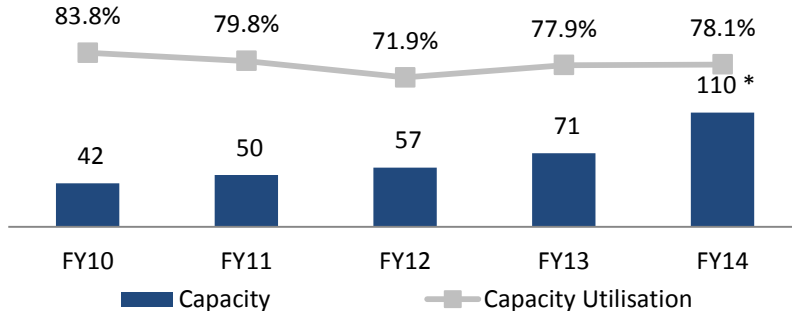


## RETURN METRICS (%)

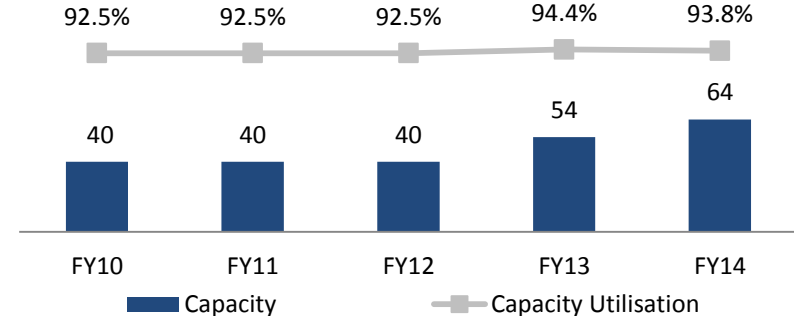




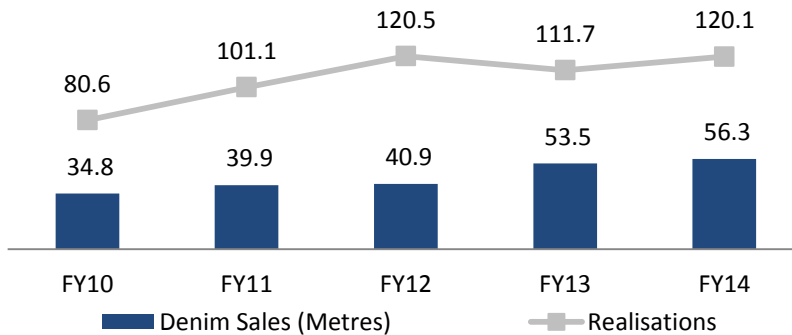
## DENIM FABRIC CAPACITY (MMPA)



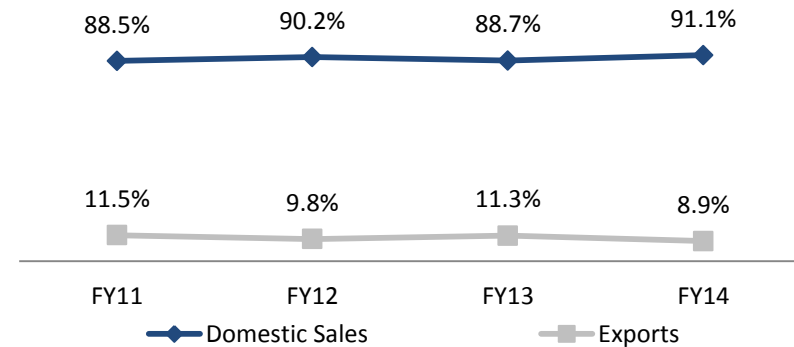
## SPINNING CAPACITY (TPD)



## DENIM REALISATIONS (RS/METRE)

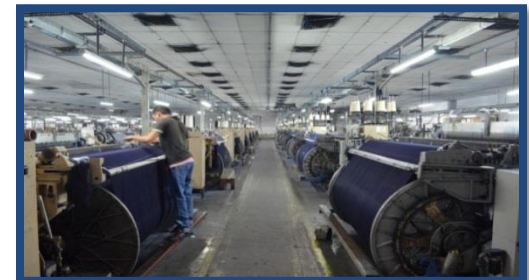
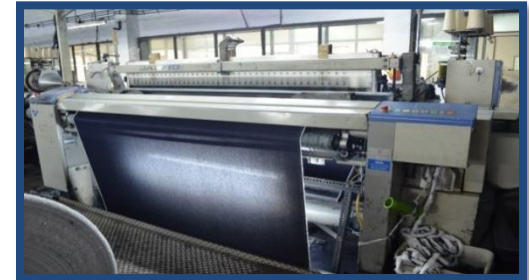


## SALES BREAKUP



\* Post complete expansion

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# KEY SUSTAINABLE ADVANTAGE: ONE OF THE LARGEST INTEGRATED DENIM FABRIC FACILITY



**FIBRE**

### Ginned Cotton

70% of cotton requirement  
is met from Gujarat



**YARN**

### Spinning

Ring Spinning – 20 TPD  
Open End Spinning – 44 TPD



**FABRIC**

### Weaving & Processing

Denim – 110 \* MMPA  
Shirting – 10 MMPA  
Yarn Dyeing – 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

# KEY SUSTAINABLE ADVANTAGE: STRATEGIC LOCATION OF MANUFACTURING FACILITIES

## 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

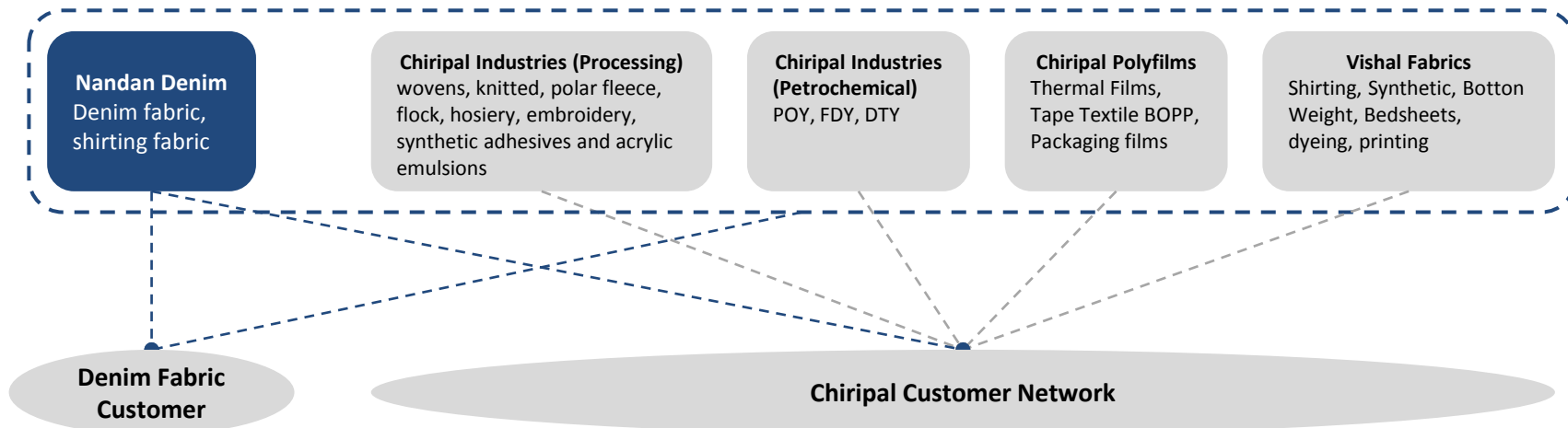
- Close proximity to machinery vendors, fabric dealers and leading garment manufacturers resulting in faster delivery and service.
- Lower marketing and transportation overheads.

### 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.

# KEY SUSTAINABLE ADVANTAGE: LEVERAGING THE CHIRIPAL GROUP ECO-SYSTEM

## 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.

# KEY SUSTAINABLE ADVANTAGE: SUPERIOR MARKETING & DISTRIBUTION



## MARKETING & DISTRIBUTION – DOMESTIC MARKETS

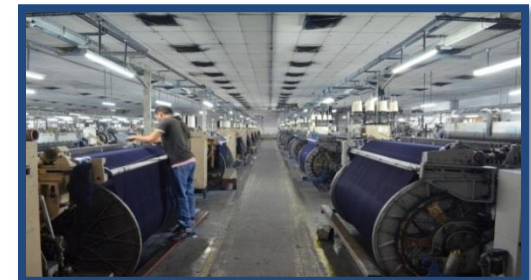
- Leveraging the strong agent-based domestic network of the Chiripal group.
- Strong pan-India network of around 35 – 40 distributors associated with the company for close to a decade.
- Strategic tie-ups with 10 firms to exclusively sell Nandan Denim's products.
- Around 2/3<sup>rd</sup> of the orders 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 23 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%.**

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Capacity	FY13	FY14 – Phase I		FY15-16 – Phase II	
	Year End	Additions	Year End	Additions	Year End
<b>Spinning (TPD)</b>					
Open End Spinning	38	6	44	40	84
Ring Spinning	16	4	20	20	40
<b>Fabric (MMPA)</b>					
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.
- Capex incurred – Rs 2,069 mn.

\* Post complete expansion

## 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.
- Incremental Capex to be incurred – Rs 4,051 mn.



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## 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 capital subsidy of 10% for processing capacity and 15% for looms 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.

## EXPANSION OF SPINNING CAPACITY FROM 64 TPD TO 124 TPD

### SPINNING ECONOMICS

#### COST PER KG OF CAPTIVE YARN - Coarse Count #

Cotton (kg/per kg of Yarn)	1.14
Cotton Blended Price (Rs/kg of cotton)	112.0
Transport Cost (Rs/kg of cotton)	1.0
Commission (Rs/kg of cotton) @0.5%	0.6
VAT on Cotton @ 5% (Rs/kg of cotton)	5.6
Electricity Cost (Rs/Kg)	11.0
Electricity required (Kwh/kg)	1.7
Electricity Cost (Rs/Kwh)	6.4
Labour and other Costs (Rs/kg)	2.7
<b>Total Cost of Captive Yarn (Rs/kg)</b>	<b>150.2</b>

#### COST PER KG OF MARKET YARN – Coarse Count #

Cost of Market Yarn (Rs/kg)	165.0
Transport Cost - Market Yarn (Rs/kg)	1.0
VAT on Market Yarn @ 5% (Rs/kg)	8.3
Commission (Rs/kg of Yarn) @0.5%	0.8
<b>Total Cost of Market Yarn (Rs/kg)</b>	<b>175.1</b>

### RATIONALE: HIGHER OPERATING MARGINS

- In-house production of coarse count yarn can result in 10% - 15% cost savings.
- Overall cost savings increase as more and more captive yarn is produced.
- Integrated Spinning facility get an interest subsidy of 5% compared to 2% for standalone spinning facility under the Central TUFS scheme.

### RATIONALE: HIGHER OPERATING FLEXIBILITY

- Increased flexibility to meet the 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.

# Denim fabric primarily requires the coarse count yarn with certain proportion of fine count yarn for specific quality and style requirements. The company majorly produces the coarse count yarn in-house and procures the fine count yarn from market.

# MARGIN IMPROVEMENT THROUGH SPINNING CAPACITY EXPANSION

	PRE EXPANSION	SCENARIO 1 POST EXPANSION	SCENARIO 2 POST EXPANSION
Denim Capacity (MMPA)	71	110 *	110 *
Capacity Utilisation %	78%	70%	80%
<b>Denim Production (MMPA)</b>	<b>55.3</b>	<b>77.0</b>	<b>88.0</b>
Realisation (Rs/Metre)	120	120	120
<b>Total Yarn Required for Denim/Fabric Production (MTPA)</b>	<b>27,637</b>	<b>38,500</b>	<b>44,000</b>
Spinning capacity (TPD)	64	124	124
Capacity Utilisation %	94%	75%	95%
<b>Captive Yarn Available (MTPA)</b>	<b>21,000</b>	<b>32,550</b>	<b>41,230</b>
<b>Market Yarn Required (MTPA)</b>	<b>6,637</b>	<b>5,950</b>	<b>2,770</b>
<b>DENIM PRODUCTION ECONOMICS (1 METRE OF DENIM FABRIC)</b>			
Denim Fabric Production (Metre)	1.0	1.0	1.0
Yarn Required (kg/Metre)	0.5	0.5	0.5
Captive Yarn (kg)	76%	85%	94%
Market Yarn (kg)	24%	15%	6%
Total Cost of Yarn (Rs/Metre)	82.5	80.1	77.3
Labour Cost (Rs/Metre)	4.1	4.1	4.1
Power Cost (Rs/Metre)	6.9	6.9	6.9
Other Costs (Rs/Metre)	5.4	5.4	5.4
<b>Total Cost per Metre of Denim (Rs/Metre)</b>	<b>98.9</b>	<b>96.5</b>	<b>93.7</b>
<b>Operating Margin (Rs/Metre)</b>	<b>21.1</b>	<b>23.5</b>	<b>26.3</b>
<b>Operating Margin (%)</b>	<b>17.6%</b>	<b>19.6%</b>	<b>21.9%</b>

## BACKWARD INTEGRATION RESULTING IN HIGHER OPERATING MARGINS:

- The capacity utilisation at the expanded denim facility is expected to gradually increase from around 65% to 80%.
- Higher denim capacity utilisation will increase the captive yarn requirement.
- Expanded spinning capacity will meet the captive yarn requirement resulting in higher operating margins.

Note: The operating margin figure excludes the corporate expenses.

\* Post complete expansion

# HIGHER ASSET TURNOVER TO DRIVE THE RETURN RATIOS

	PRE EXPANSION	SCENARIO 1 POST EXPANSION	SCENARIO 2 POST EXPANSION
Denim Capacity Utilisation %	78%	70%	80%
<b>Revenues</b>	<b>6,633</b>	<b>9,240</b>	<b>10,560</b>
% Captive Yarn/Total Yarn	76%	85%	94%
<b>Operating Margin (%)</b>	<b>17.6%</b>	<b>19.6%</b>	<b>21.9%</b>
<b>EBITDA</b>	<b>1,165</b>	<b>1,812</b>	<b>2,318</b>
VAT Reimbursement	-	182	214
<b>EBIT</b>	<b>815</b>	<b>1,504</b>	<b>2,042</b>
Incremental EBIT		690	1,228
Incremental Working Capital (4 months)		652	982
Incremental Capex		6,120	6,120
<b>Incremental Capital Employed</b>		<b>6,772</b>	<b>7,102</b>
<b>Incremental ROCE %</b>		<b>10.2%</b>	<b>17.3%</b>
Incremental Debt (D/E - 2:1)		4,515	4,735
Incremental Interest Cost @ 13%		587	616
Interest Subsidy (Average @11%)		473	473
Incremental PBT		576	1,085
Tax @33%		190	358
Incremental PAT		386	727
<b>Incremental ROE</b>		<b>17.1%</b>	<b>30.7%</b>

## RATIONALE: HIGHER RETURN RATIOS

- Increasing capacity utilisation coupled with higher operating margins will result in higher incremental ROCE.
- Incremental ROCE will further benefit from VAT reimbursement from the Gujarat government.
- Interest subsidy on term loan utilised for capacity expansion will lower the net financing cost to around 2%.
- Capacity expansion at low financing cost and higher asset turnover post expansion will result in higher incremental ROE.

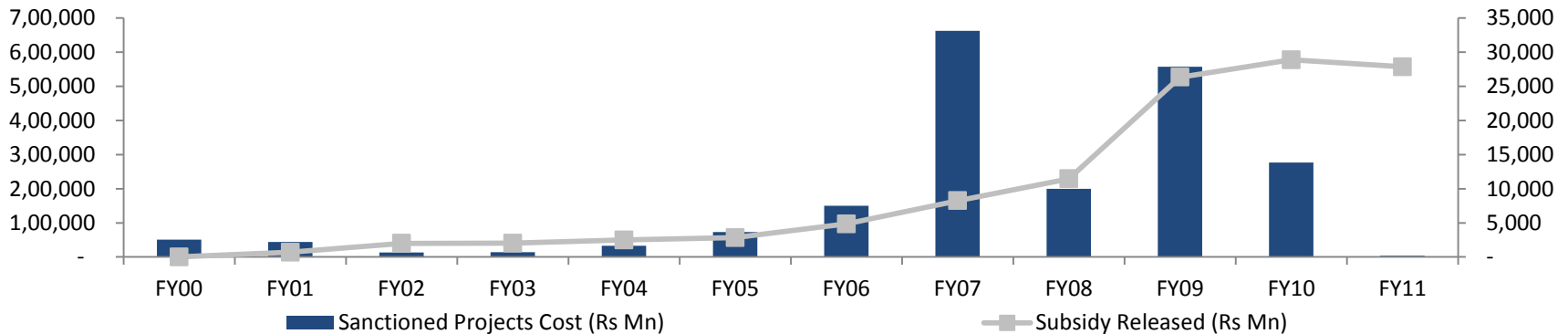
# GUJARAT TEXTILE POLICY – BENEFITS

Textile Policy	Gujarat	Karnataka	Maharashtra	Rajasthan	Madhya Pradesh
<b>Interest Subsidy</b>	<b>7% for Spinning unit, 6% for technical textiles, 5% for others without any ceiling</b>	-	12.5% without any ceiling.	5% with an additional 1% on investment > Rs 250 mn. 7% for technical textiles	5% for standalone units and 7% for integrated units.
<b>Capital Subsidy</b>	-	Lower of 20% of assets value or Rs 2 mn. Additional subsidy of lower of 5% of assets value or Rs 0.5 mn for units in designated textile parks.	10% for new projects.	-	25% for new machinery.
<b>Power Subsidy</b>	<b>@ Rs 1/unit for 5 years</b>	@ Rs 1/unit	-	-	-
<b>Stamp Duty Reimbursement</b>	<b>100% reimbursement</b>	100% reimbursement	-	50% exemption.	-
<b>VAT/Entry Tax Reimbursement</b>	<b>For 8 years</b>	Yes	-	60% reimbursement.	VAT and CST reimbursement for 8 years
<b>Common Infra/ Textile Park/ Cluster Devp</b>	<b>50% with max limit of Rs 100 mn (Rs 300 mn for spinning park) of total project cost.</b>	10% - 40% of the project cost depending upon the zone and project size (Rs 100-200 mn)	Interest subsidy for textile park	-	-

## TECHNOLOGY UPGRADATION FUND SCHEME (TUFs)

- Introduced in 1999 to catalyse investments in textiles and jute industry.
- Till FY11, 28,302 projects with a total project cost of Rs 20,77,470 mn have been sanctioned resulting in release of Rs 1,17,597 mn of subsidy.
- TUFs has facilitated an increase in productivity, cost and waste reduction and improved quality across the value chain.
- The total subsidy allocation for revised and restructured TUFs under the 12th Five Year Plan (2012-2017) is Rs 1,19,528 mn resulting in an expected investment of Rs 15,10,000 mn.
- For 2014-15, budgetary allocation under the TUFs increased to Rs 23 bn from the revised estimate of Rs 19.5 bn in 2013-14 .
- **Nandan Denim is entitled to 5% interest subsidy and 15% capital subsidy for period of 7 years.**

## PHYSICAL AND FINANCIAL PROGRESS UNDER TUFs – 1999 TO 2011



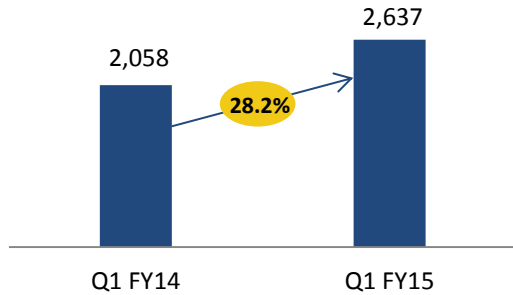


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❑ Capacity Expansion Plan	24
❑ Rationale for Capacity Expansion & Integration	26 – 32
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❑ Improving Return Ratios	30
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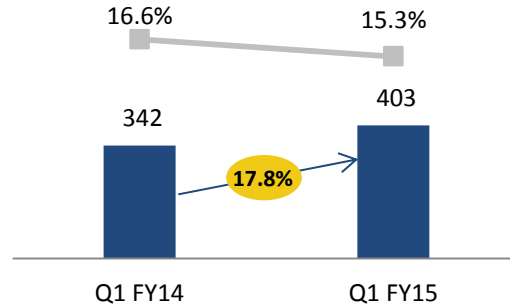


# Q1 FY15 RESULTS – YoY Analysis

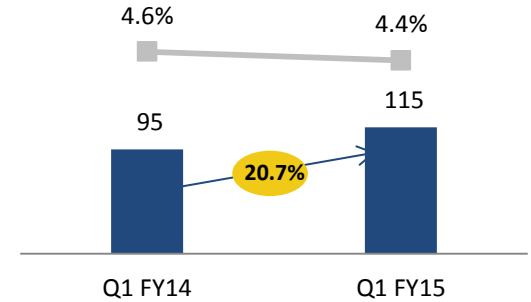
## REVENUES



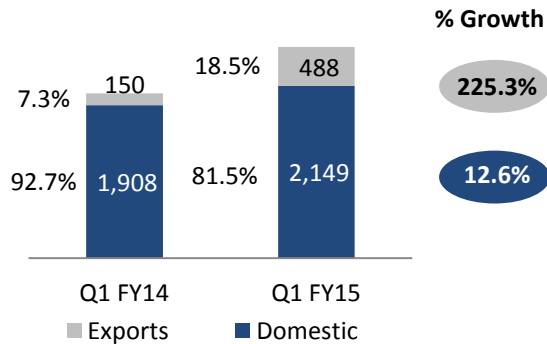
## EBITDA & EBITDA MARGIN



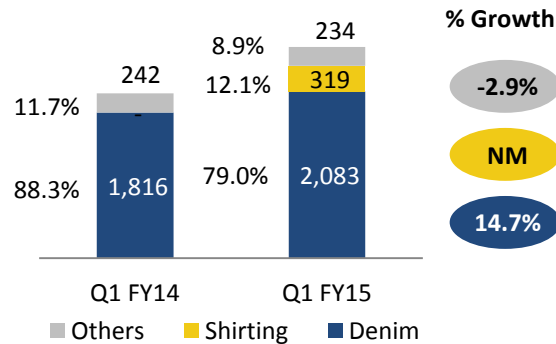
## PAT & PAT MARGIN



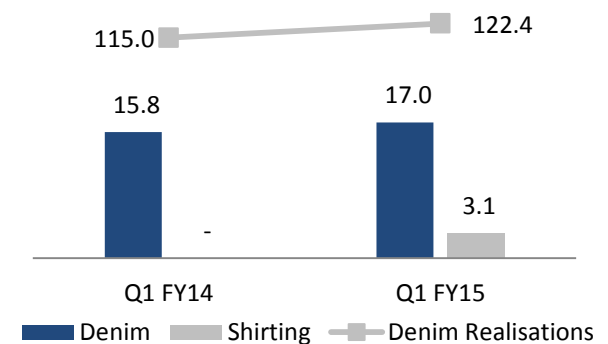
## REVENUES MIX



## PRODUCT MIX



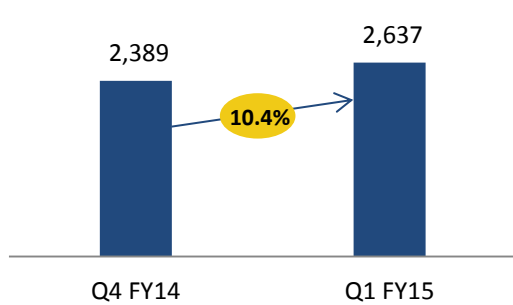
## VOLUMES & REALISATIONS



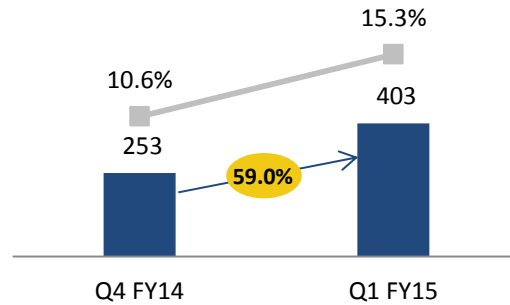
In Rs Mn , Volumes in Mn Metres, Realisations in Rs/Metre

# Q1 FY15 RESULTS – QoQ Analysis

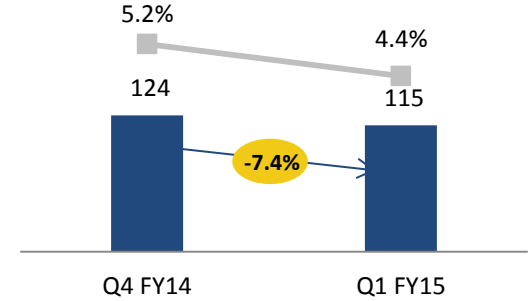
## REVENUES



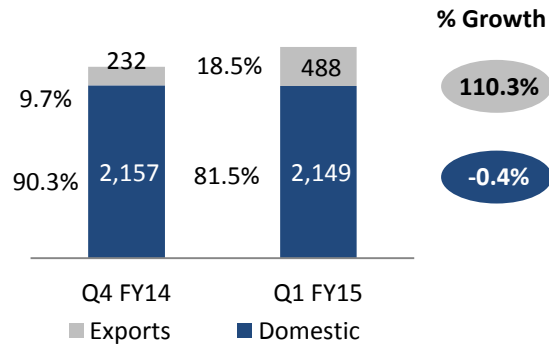
## EBITDA & EBITDA MARGIN



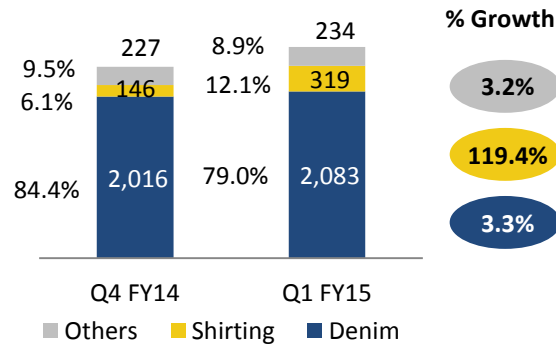
## PAT & PAT MARGIN



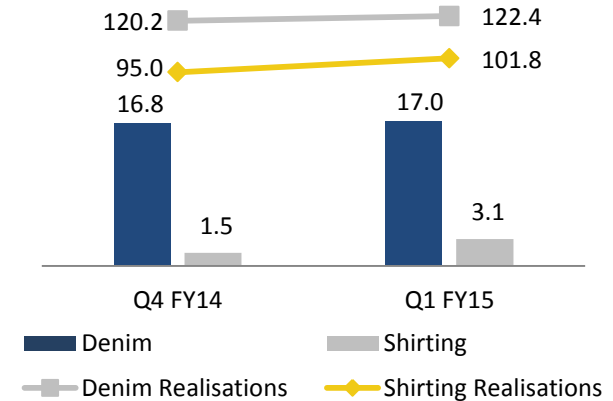
## REVENUES MIX



## PRODUCT MIX



## VOLUMES & REALISATIONS



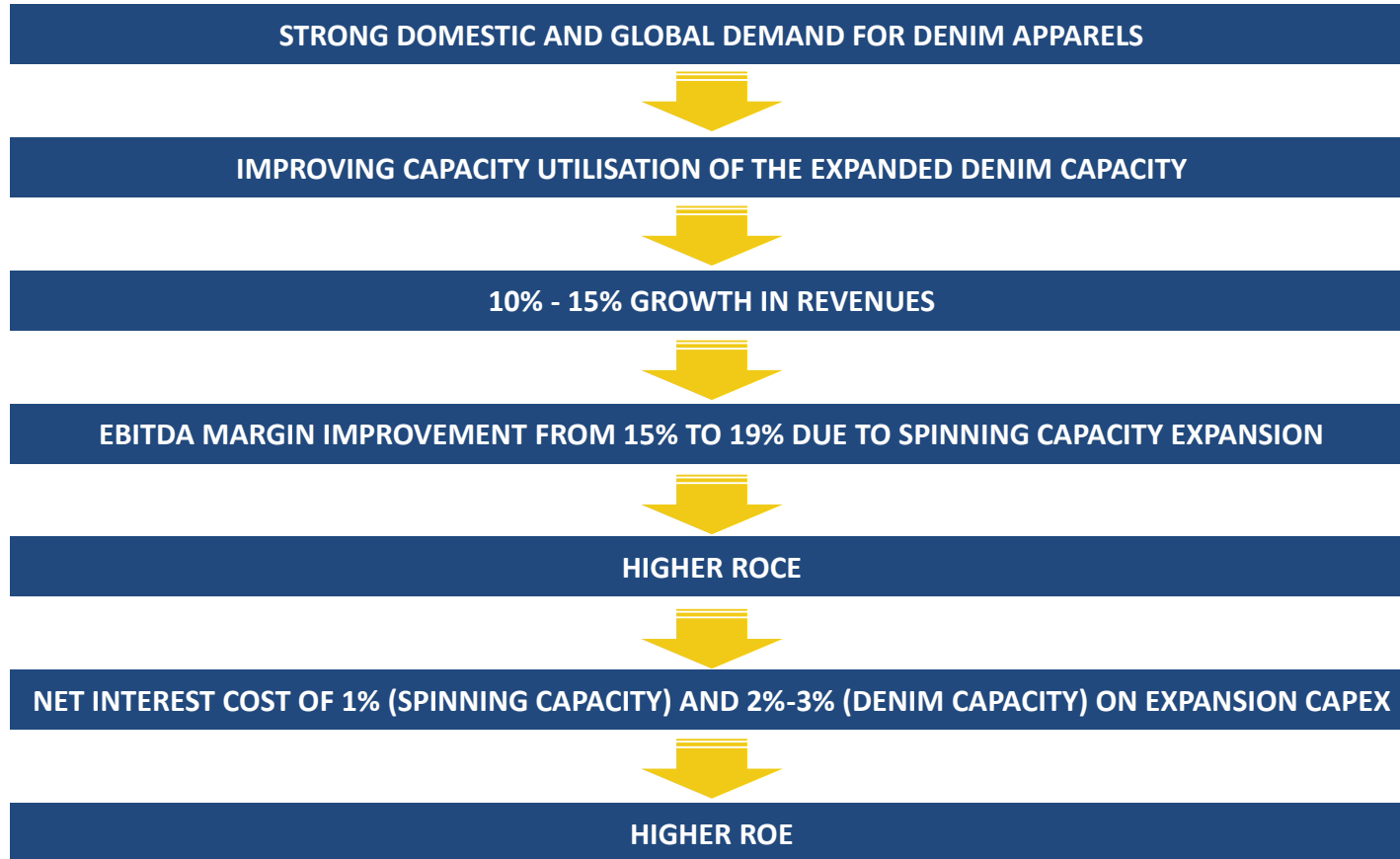
In Rs Mn , Volumes in Mn Metres, Realisations in Rs/Metre

- Sales grew 28.2% YoY and 10.4% QoQ driven by –
  - Higher denim fabric sales (denim capacity expansion) and higher realisations.
  - Diversification into shirting fabric along with steady realisations.
- Gross margin declined 490 bps YoY and increased 844 bps QoQ due to –
  - Higher raw material cost on YoY basis.
  - Significant trading activity during Q4 FY14 resulting in lower margins.
- However, EBITDA margin declined 134 bps YoY and increased 467 bps QoQ due to –
  - Operating expenses were stable on YoY basis.
  - Capitalisation of certain operating expenses during Q4 FY14.
- Higher depreciation charges were due to change in the accounting policy.

# Q1 FY15 FINANCIALS



Particulars in Rs Mn	Q1 FY15	Q1 FY14	YoY %	Q4 FY14	QoQ %
Sales from Operations	2,637	2,051	28.6%	2,388	10.4%
Other Operating Income	-	6	-	-	-
<b>Total Sales</b>	<b>2,637</b>	<b>2,058</b>	<b>28.2%</b>	<b>2,388</b>	<b>10.4%</b>
Cost of Goods Sold	1,832	1,329	37.9%	1,861	-1.6%
<b>Gross Profit</b>	<b>805</b>	<b>729</b>	<b>10.4%</b>	<b>528</b>	<b>52.6%</b>
<i>Gross Margin %</i>	<i>30.5%</i>	<i>35.4%</i>	-	<i>22.1%</i>	-
Employee Expenses	87	76	15.6%	49	77.4%
Other Expenses	315	312	1.0%	225	39.9%
<b>EBITDA</b>	<b>403</b>	<b>342</b>	<b>17.8%</b>	<b>253</b>	<b>59.0%</b>
<i>EBITDA Margin %</i>	<i>15.3%</i>	<i>16.6%</i>	-	<i>10.6%</i>	-
Depreciation	152	116	31.8%	130	17.5%
Other Income	8	-	-	14	-
Exceptional Items	-	-	-	-	-
<b>Profits Before Interest and Taxes</b>	<b>259</b>	<b>226</b>	<b>14.5%</b>	<b>137</b>	<b>88.5%</b>
Interest Expense	99	91	9.7%	44	128.4%
<b>Profits Before Taxes</b>	<b>160</b>	<b>136</b>	<b>17.6%</b>	<b>94</b>	<b>70.1%</b>
Taxes	45	41	10.6%	(30)	-250.1%
<i>Tax rate</i>	<i>28.2%</i>	<i>30.0%</i>	-	-	-
<b>Profits After Tax</b>	<b>115</b>	<b>95</b>	<b>20.7%</b>	<b>124</b>	<b>-7.4%</b>
<i>PAT Margin %</i>	<i>4.4%</i>	<i>4.6%</i>	-	<i>5.2%</i>	-
EPS (Rs)	2.52	2.09	-	2.72	-



FOR ANY FURTHER QUERIES CONTACT -



THANK YOU



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# APPENDIX



# 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
<b>Total Sales</b>	<b>3,758</b>	<b>5,074</b>	<b>5,738</b>	<b>7,031</b>	<b>8,938</b>
<b>Growth (%)</b>	<b>18.2%</b>	<b>35.0%</b>	<b>13.1%</b>	<b>22.5%</b>	<b>27.1%</b>
Cost of Goods Sold	2,590	3,775	4,090	4,879	6,249
<b>Gross Profit</b>	<b>1,169</b>	<b>1,299</b>	<b>1,648</b>	<b>2,152</b>	<b>2,689</b>
<b>Gross Margin %</b>	<b>31.1%</b>	<b>25.6%</b>	<b>28.7%</b>	<b>30.6%</b>	<b>30.1%</b>
Employee Expenses	130	147	192	254	310
Other Expenses	463	473	630	829	1,052
<b>EBITDA</b>	<b>576</b>	<b>679</b>	<b>826</b>	<b>1,069</b>	<b>1,327</b>
<b>EBITDA Margin %</b>	<b>15.3%</b>	<b>13.4%</b>	<b>14.4%</b>	<b>15.2%</b>	<b>14.8%</b>
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	-	-
<b>PBT</b>	<b>183</b>	<b>259</b>	<b>263</b>	<b>358</b>	<b>549</b>
Taxes	67	86	75	47	156
<b>Tax rate</b>	<b>36.8%</b>	<b>33.1%</b>	<b>28.6%</b>	<b>13.2%</b>	<b>28.4%</b>
<b>PAT</b>	<b>116</b>	<b>173</b>	<b>188</b>	<b>311</b>	<b>393</b>
<b>PAT Margin %</b>	<b>3.1%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>4.4%</b>	<b>4.4%</b>
Number of Shares (mn)	455.50	455.50	45.55	45.55	45.55
<b>Basic EPS (Rs)</b>	<b>0.25</b>	<b>0.38</b>	<b>4.13</b>	<b>6.82</b>	<b>8.63</b>

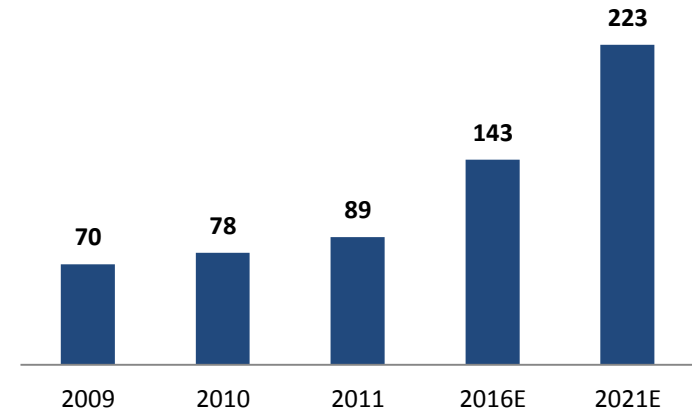
# CONSOLIDATED BALANCE SHEET

Particulars in Rs Mn	FY10	FY11	FY12	FY13	FY14
<b>Shareholders Funds</b>	<b>1,281</b>	<b>1,454</b>	<b>1,589</b>	<b>1,836</b>	<b>2,165</b>
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
<b>Total Debt</b>	<b>2,718</b>	<b>2,604</b>	<b>2,864</b>	<b>4,015</b>	<b>4,307</b>
Other Long Term Liabilities	159	189	203	175	216
<b>Sources of Funds</b>	<b>4,158</b>	<b>4,247</b>	<b>4,656</b>	<b>6,027</b>	<b>6,688</b>
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
<b>Net Current Assets</b>	<b>1,462</b>	<b>1,356</b>	<b>1,398</b>	<b>1,896</b>	<b>2,000</b>
<b>Application of Funds</b>	<b>4,158</b>	<b>4,247</b>	<b>4,656</b>	<b>6,027</b>	<b>6,688</b>

## KEY FACTS

- India is the world's second largest producer of textiles and garments.
- Indian textile industry accounts for about 24% of the world's spindle capacity and 8% of global rotor capacity.
- India has the highest loom capacity (including hand looms) with 63% of the world's market share.
- India accounts for about 14% of the world's production of textile fibres and yarns and is the second largest producer of cotton in the world.

## INDIAN TEXTILE MARKET SIZE (USD BN)



## INDIAN TEXTILE INDUSTRY PLAYS A MAJOR ROLE IN THE INDIAN ECONOMY

- Contributes 14% to industrial production and 4% to GDP.
- Second largest employment generator in India after agriculture, employing over 45 mn people.
- Accounts for nearly 11% of total exports and 27% of foreign exchange inflows.

