

NANDAN DENIM LIMITED

Q1 FY16 RESULTS UPDATE

August 2015



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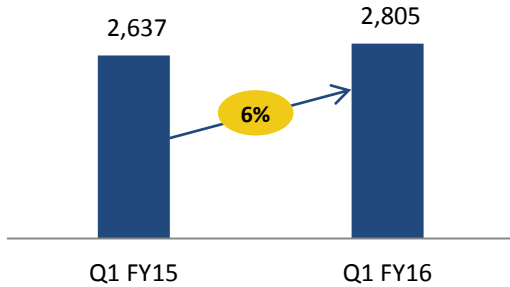
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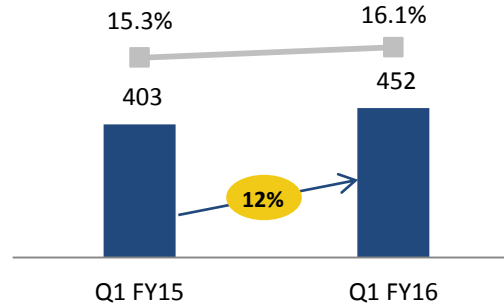


Q1 FY16 RESULTS – YoY Analysis

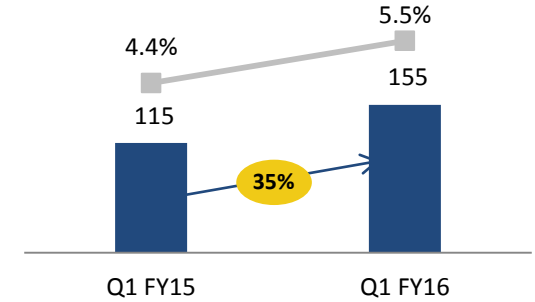
REVENUES



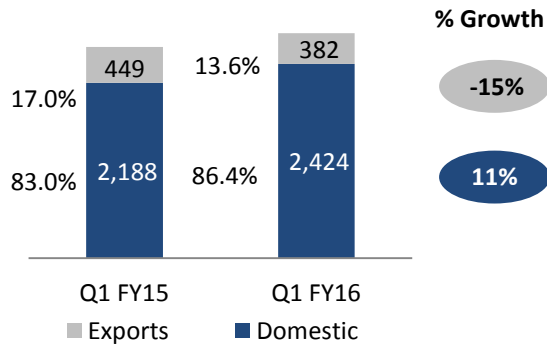
EBITDA & EBITDA MARGIN



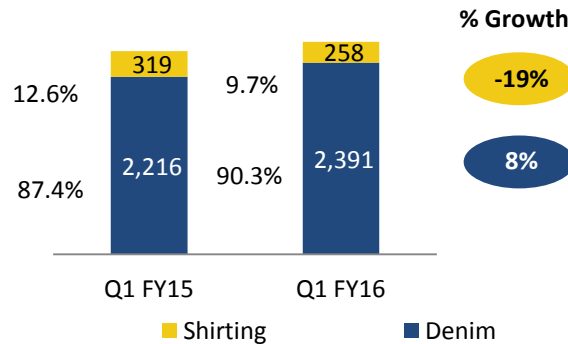
PAT & PAT MARGIN



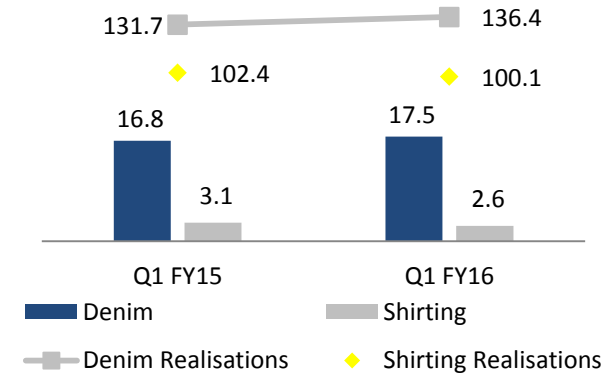
REVENUES MIX



REVENUE MIX



VOLUMES & REALISATIONS



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

Q1 FY16 RESULTS HIGHLIGHTS

- Q1 FY16 Revenues grew by 6.4% YoY –
 - Steady increase in denim realizations driven by favorable product mix
 - Increase in Denim volumes on the back of healthy demand in the domestic markets.

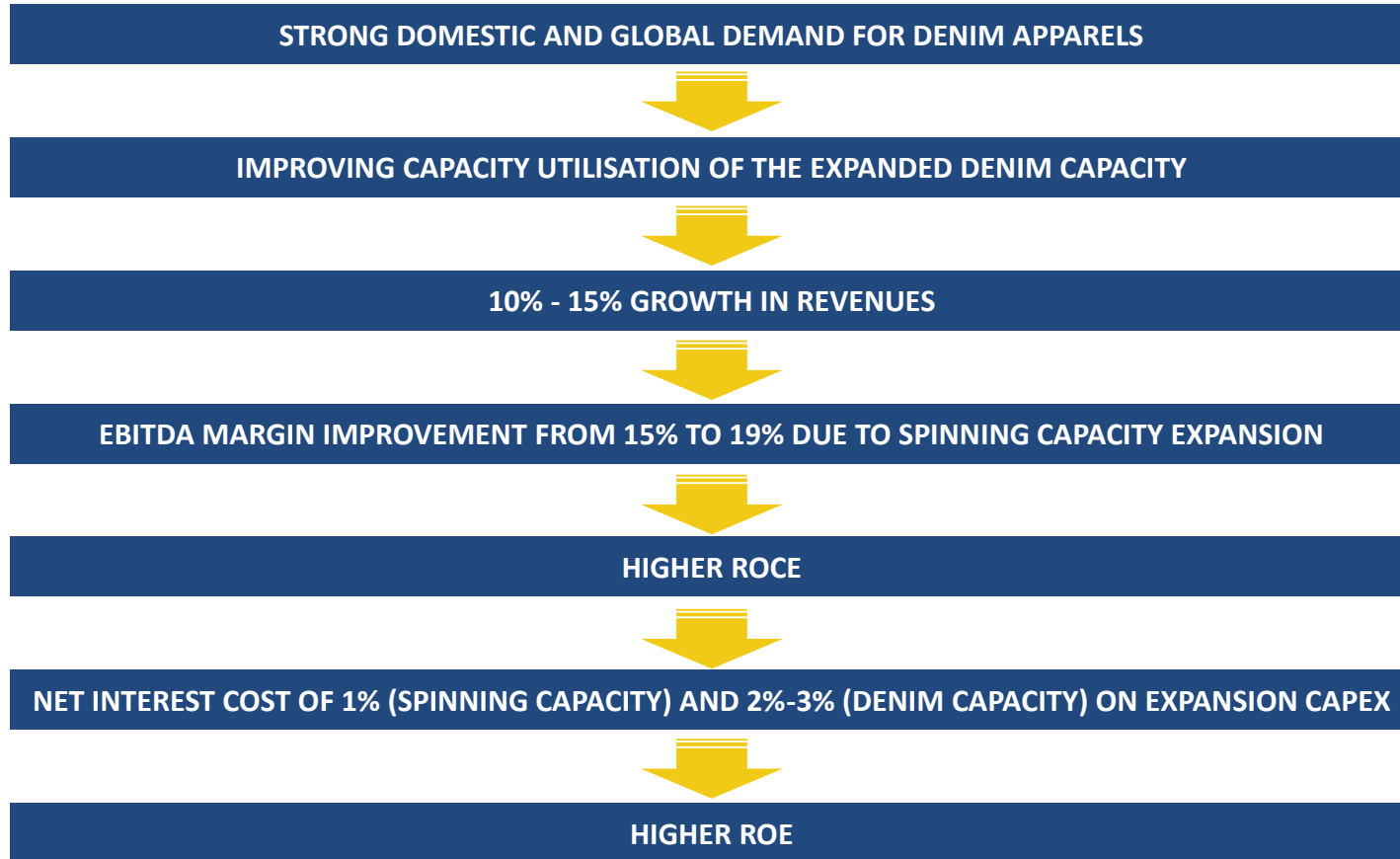
- Q1 FY16 Gross Margin increased by 269 bps YoY to 33.2% driven by –
 - Continued increase in denim realizations & denim volumes.
 - Reduced Trading Business & Increased proportion of value added products in product mix.
 - Fall in cotton prices aided in margin improvement

- Q1 FY16 EBITDA margin expanded by 84 bps YoY to 16.1% due to –
 - Higher denim realizations & volume growth

- Q1 FY16 PAT Margins expanded by 117 bps YoY to 5.5% due to –
 - Improved EBITDA margins
 - Reduction in finance costs
 - Lower taxes

Q1 FY16 P&L STATEMENT

	Q1 FY16	Q1 FY15	YOY%	Q4 FY15	QOQ%	FY15	FY14	YOY %
Sales from Operations	2,805	2,637	6.4%	2783	0.8%	10,965	8,938	22.7%
Other Operating Income	-	-	-	-	-	-	-	-
Total Sales	2,805	2,637	6.4%	2783	0.8%	10,965	8,938	22.7%
Cost of Goods Sold	1,873	1,832	2.3%	1959	-4.4%	7,578	6,249	21.3%
Gross Profit	932	805	15.7%	824	13.1%	3,388	2,689	26.0%
<i>Gross Margin %</i>	<i>33.2%</i>	<i>30.5%</i>	<i>269 bps</i>	<i>29.6%</i>	<i>362 bps</i>	<i>30.9%</i>	<i>30.1%</i>	<i>81 bps</i>
Employee Expenses	111	87	27.5%	115	-3.6%	438	310	41.1%
Other Expenses	368	315	17.0%	333	10.7%	1295	1052	23.1%
EBITDA	452	403	12.2%	375	20.4%	1654	1327	24.7%
<i>EBITDA Margin %</i>	<i>16.1%</i>	<i>15.3%</i>	<i>84 bps</i>	<i>13.5%</i>	<i>263 bps</i>	<i>15.1%</i>	<i>14.8%</i>	<i>24 bps</i>
Depreciation	166	152	9.3%	137	21.2%	596	497	19.8%
Other Income	10	8	20.3%	4	155.3%	30	40	-23.7%
Profits Before Interest and Taxes	296	259	14.2%	242	22.2%	1089	869	25.3%
Interest Expense	97	99	-1.9%	81	20.6%	377	320	17.7%
Profits Before Taxes	198	160	24.3%	161	23.0%	712	549	29.7%
Taxes	43	45	-3.4%	8	432.5%	198	156	27.2%
<i>Tax rate</i>	<i>21.9%</i>	<i>28.2%</i>	<i>-628 bps</i>	<i>5.1%</i>	<i>1683 bps</i>	<i>27.9%</i>	<i>28.4%</i>	<i>-54 bps</i>
Profits After Tax	155	115	35.1%	153	1.2%	514	393	30.7%
<i>PAT Margin %</i>	<i>5.5%</i>	<i>4.4%</i>	<i>117 bps</i>	<i>5.5%</i>	<i>2 bps</i>	<i>4.7%</i>	<i>4.4%</i>	<i>29 bps</i>
EPS (Rs)	3.40	2.52	34.9%	3.36	1.2%	11.28	8.63	30.7%



ABOUT US: CHIRIPAL GROUP – EMERGING CONGLOMERATE



BUSINESS DIVISION	GROUP COMPANIES	DETAILS
Textiles	Nandan Denim Ltd.	
	Chiripal Industries Ltd. (Processing Division)	<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.
	Vishal Fabrics Pvt. Ltd.	
Petrochemicals	Chiripal Industries Ltd. (Petrochemicals Division)	<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.
	CIL Nova Petrochemicals Ltd.	
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.



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 FY15.
- 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 10,965 mn, Rs 1,654 mn and Rs 514 mn in FY15 having grown at CAGR of 21%, 25% and 31% 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 – 10.6% in FY11 to 15.8% in FY15.
 - ROE – 12.7% in FY11 to 21.6% in FY15.
- FY15 Debt : Equity was 1.8:1.

* 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.

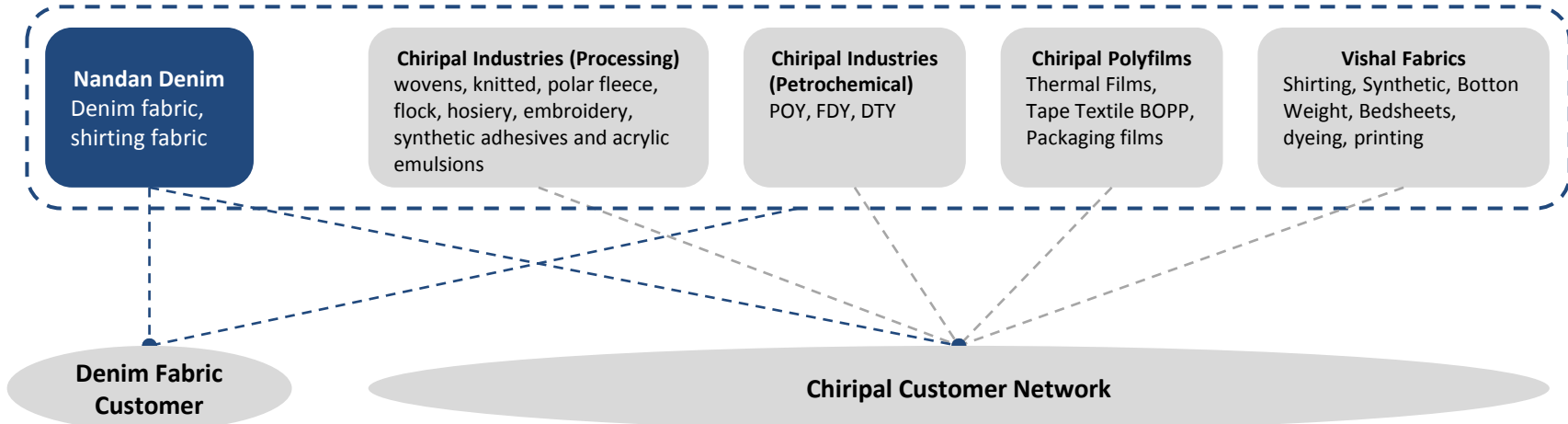
PROXIMITY TO MARKET

- 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

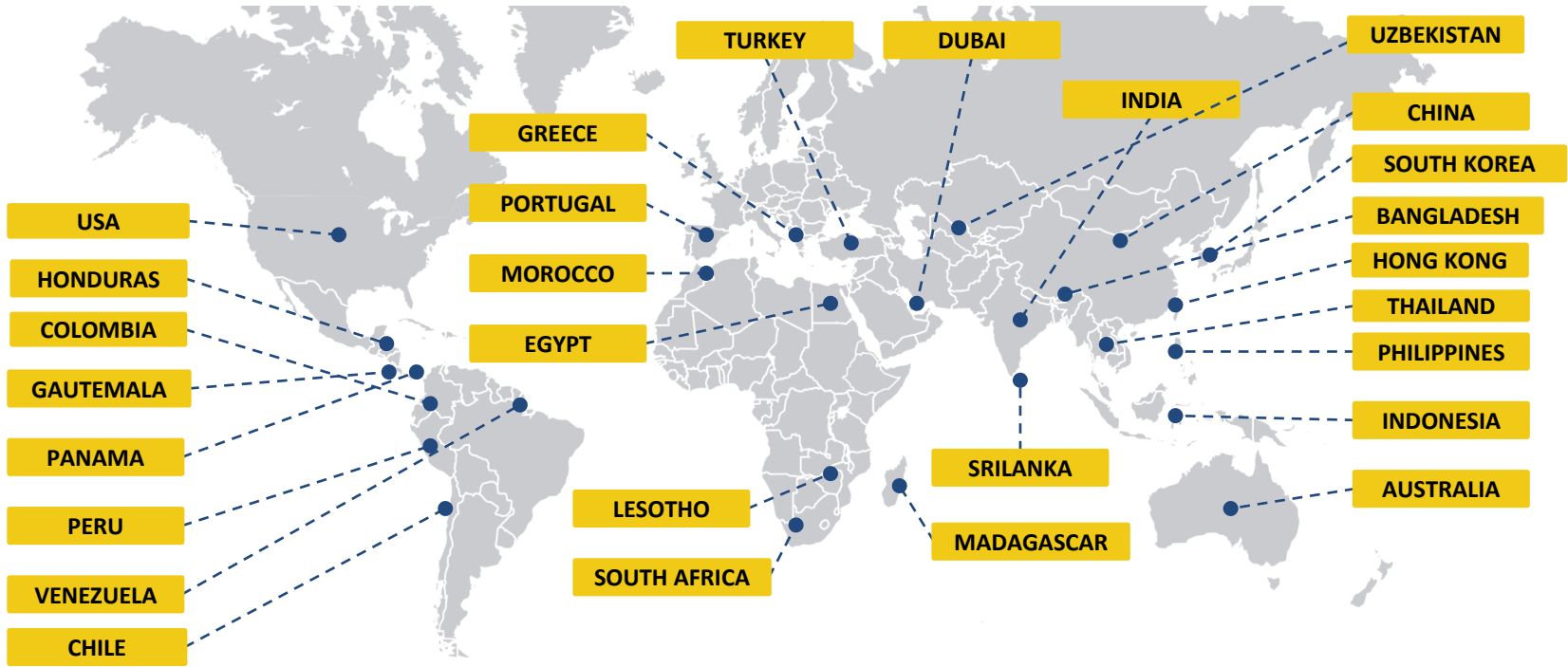
- Leveraging the strong agent-based domestic network of the Chiripal group.
- Strong pan-India network of around 35 – 40 distributors associated with the company for close to a decade.
- Strategic tie-ups with 10 firms to exclusively sell Nandan Denim's products.
- Around 2/3rd of the orders are confirmed 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 28 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 21% (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 28 countries across the globe through its strong global dealer-distribution network.

ABOUT US: GLOBAL ACCEPTANCE FROM LEADING BRANDS



DOMESTIC BRANDS



CHEMISTRY



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 June-15: Rs 3,387mn (D:E – 1.5:1)

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



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DICKENSON **SEAGULL** **IR**

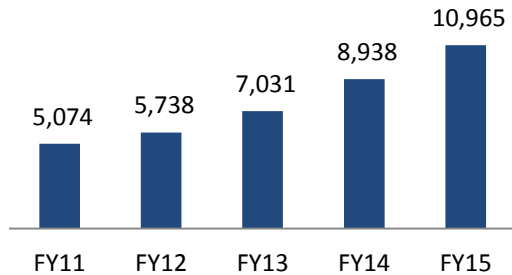
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ANNEXURE

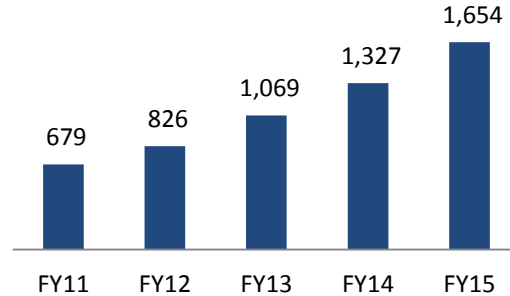
REVENUES (RS MN)

CAGR – 21.2%



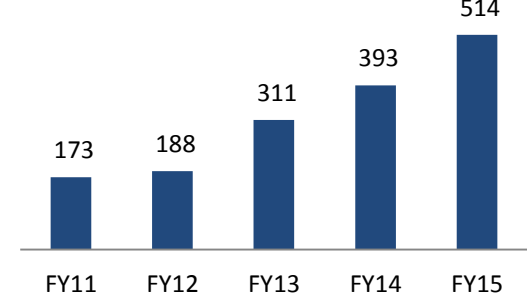
EBITDA (RS MN)

CAGR – 24.9%

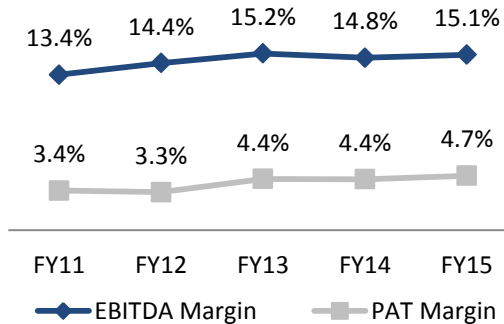


PAT (RS MN)

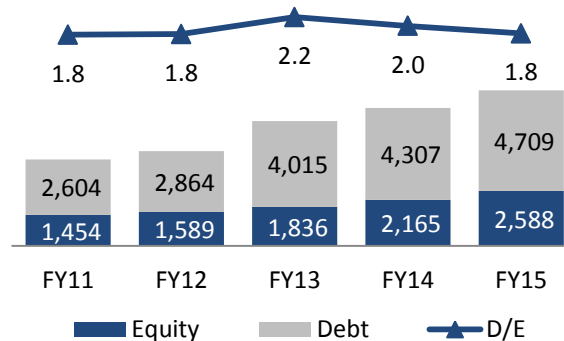
CAGR – 31.3%



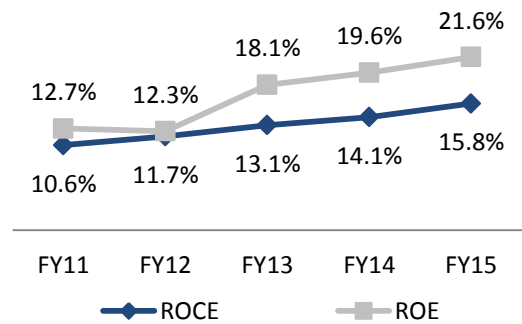
MARGIN ANALYSIS (%)



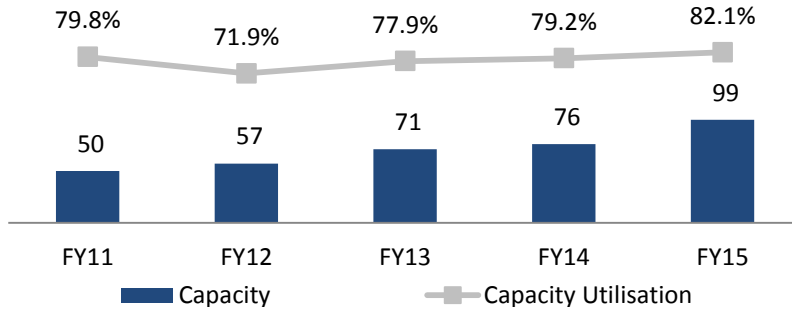
LEVERAGE ANALYSIS (RS MN)



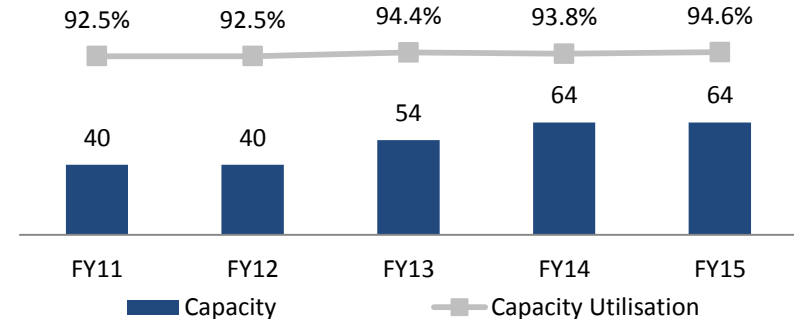
RETURN METRICS (%)



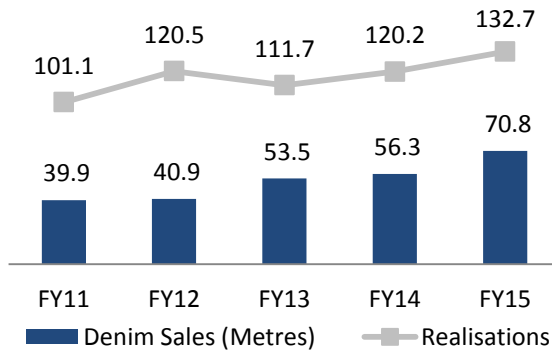
DENIM FABRIC CAPACITY (MMPA)



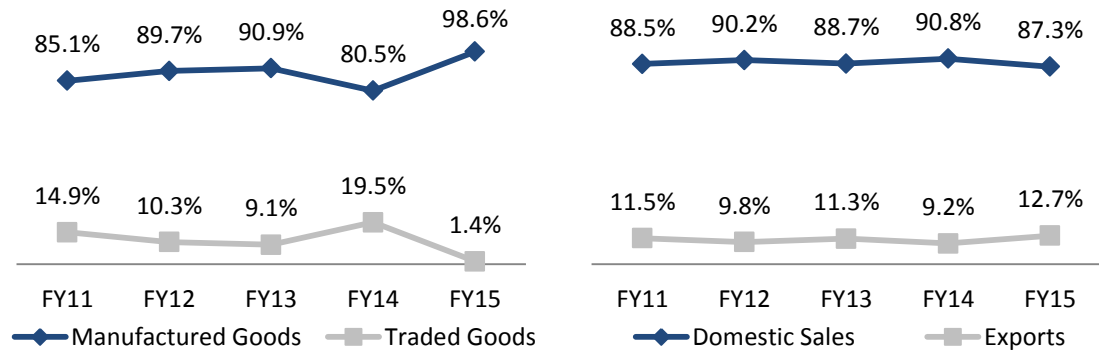
SPINNING CAPACITY (TPD)



DENIM REALISATIONS (RS/METRE)



SALES BREAKUP



CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars in Rs Mn	FY11	FY12	FY13	FY14	FY15
Sales from Operations	4,941	5,622	6,819	8,703	10,600
Export Incentive	43	40	59	63	117
Other Operating Income	90	76	153	171	248
Total Sales	5,074	5,738	7,031	8,938	10,965
Growth (%)	35.0%	13.1%	22.5%	27.1%	22.7%
Cost of Goods Sold	3,775	4,090	4,879	6,249	7,578
Gross Profit	1,299	1,648	2,152	2,689	3,388
Gross Margin %	25.6%	28.7%	30.6%	30.1%	30.9%
Employee Expenses	147	192	254	310	438
Other Expenses	473	630	829	1,052	1,295
EBITDA	679	826	1,069	1,327	1,654
EBITDA Margin %	13.4%	14.4%	15.2%	14.8%	15.1%
Depreciation	254	333	409	497	596
Other Income	3	5	15	40	30
Interest Expense	168	278	318	320	377
Prior Period/Exceptional Items	-	43	-	-	-
PBT	259	263	358	549	712
Taxes	86	75	47	156	198
Tax rate	33.1%	28.6%	13.2%	28.4%	27.9%
PAT	173	188	311	393	514
PAT Margin %	3.4%	3.3%	4.4%	4.4%	4.7%
Number of Shares (mn)	455.50	45.55	45.55	45.55	45.55
Basic EPS (Rs)	0.38	4.13	6.82	8.63	11.28

CONSOLIDATED BALANCE SHEET

Particulars in Rs Mn	FY11	FY12	FY13	FY14	FY15
Shareholders Funds	1,454	1,589	1,836	2,165	2,588
Long Term Debt (incl. CPLTD)	1,820	2,192	3,012	3,229	3,257
Short Term Debt	784	673	1,004	1,078	1,451
Total Debt	2,604	2,864	4,015	4,307	4,709
Other Long Term Liabilities	189	203	175	216	249
Sources of Funds	4,247	4,656	6,027	6,688	7,546
Gross Block	3,813	4,393	5,693	6,760	7,254
Less: Accumulated Depreciation	1,004	1,332	1,740	2,237	2,780
Net Block	2,810	3,060	3,953	4,523	4,474
Other Non-Current Assets	81	198	178	165	249
Inventory	1,213	984	1,198	1,385	1,409
Trade Receivables	550	695	912	1,214	1,472
Cash & Bank Balances	25	126	19	261	601
Other Current Assets	258	196	516	369	393
Trade Payables	457	345	458	576	683
Other Current Liabilities	233	259	290	653	370
Net Current Assets	1,356	1,398	1,896	2,000	2,823
Application of Funds	4,247	4,656	6,027	6,688	7,546