

NANDAN DENIM LIMITED



Q4 & FY17

RESULTS UPDATE

MAY 2017



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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.

DISCUSSION SUMMARY

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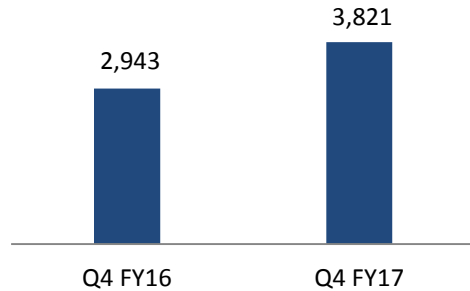
01 Q4 & FY17 FINANCIALS & OUTLOOK



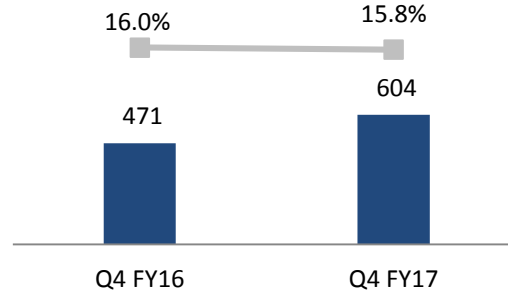
Q4 FY17 RESULT ANALYSIS

In Rs Mn

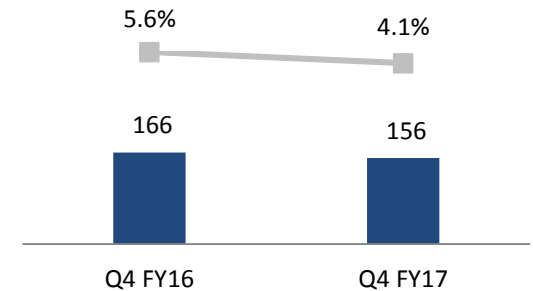
REVENUES



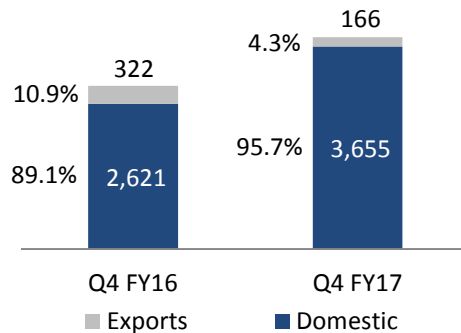
EBITDA & EBITDA MARGIN



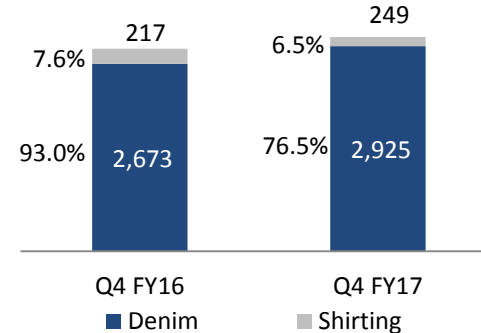
PAT & PAT MARGIN



REVENUE BREAKUP – DOMESTIC Vs. EXPORTS



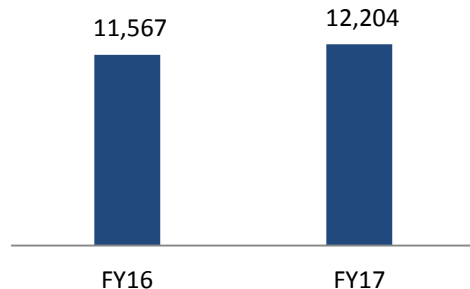
REVENUE BREAKUP – PRODUCT WISE



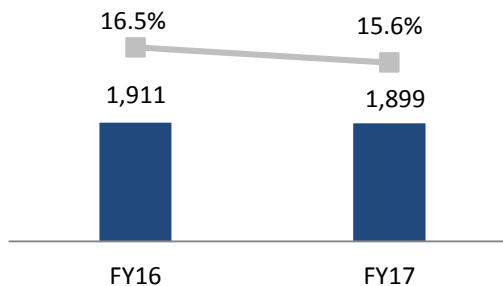
FY17 RESULT ANALYSIS

In Rs Mn

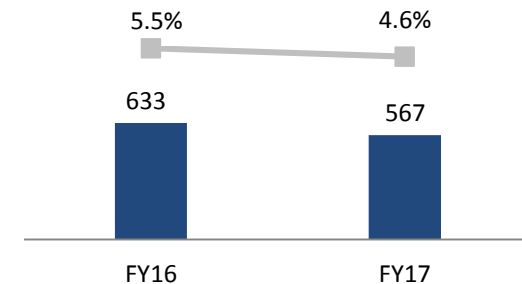
REVENUES



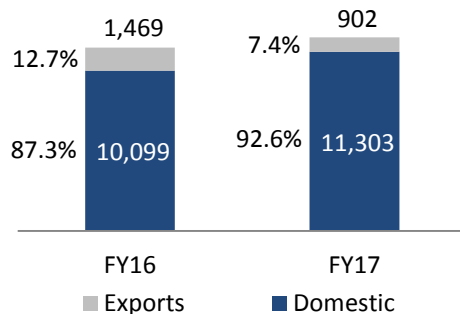
EBITDA & EBITDA MARGIN



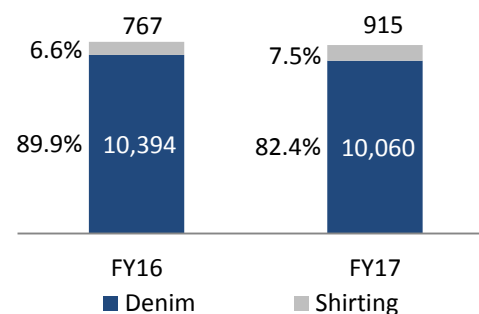
PAT & PAT MARGIN



REVENUE BREAKUP – DOMESTIC Vs. EXPORTS



REVENUE BREAKUP – PRODUCT WISE



Q4 & FY17 – PROFIT & LOSS STATEMENT

| Particulars in Rs. Mn | Q4 FY17 | Q4 FY16 | YoY% | Q3 FY17 | QoQ% | FY17 | FY16 | YoY% |
|--------------------------------|--------------|--------------|-----------------|--------------|----------------|---------------|---------------|-----------------|
| Revenue from Operations | 3,821 | 2,943 | 29.8% | 2,352 | 62.4% | 12,204 | 11,567 | 5.5% |
| COGS | 2,573 | 1,959 | 31.4% | 1,627 | 58.1% | 8,234 | 7,666 | 7.4% |
| Gross Profit | 1,247 | 984 | 26.7% | 725 | 72.0% | 3,971 | 3,901 | 1.8% |
| Gross Margins % | 32.7% | 33.4% | -80 bps | 30.8% | 182 bps | 32.5% | 33.7% | -119 bps |
| Employee Expenses | 140 | 167 | -16.1% | 137 | 2.2% | 578 | 545 | 6.0% |
| Other Expenses | 503 | 346 | 45.4% | 271 | 85.6% | 1,493 | 1,445 | 3.4% |
| EBITDA | 604 | 471 | 28.2% | 317 | 90.6% | 1,899 | 1,911 | -0.6% |
| EBITDA Margin % | 15.8% | 16.0% | -20 bps | 13.5% | 234 bps | 15.6% | 16.5% | -96 bps |
| Depreciation | 354 | 160 | 121.1% | 169 | 108.9% | 862 | 660 | 30.5% |
| Finance Cost | 125 | 113 | 11.0% | 60 | 109.8% | 362 | 412 | -12.2% |
| Other Income | 8 | 15 | -49.8% | 5 | 52.1% | 24 | 42 | -41.7% |
| PBT | 133 | 214 | -37.9% | 93 | 42.7% | 700 | 881 | -20.6% |
| Taxes | -23 | 48 | - | 5 | - | 133 | 248 | -46.2% |
| PAT | 156 | 166 | -5.7% | 88 | 77.8% | 567 | 633 | -10.5% |
| PAT Margin % | 4.1% | 5.6% | -154 bps | 3.7% | 35 bps | 4.6% | 5.5% | -83 bps |
| EPS (Rs.) - Basic | 3.25 | 3.64 | -10.7% | 1.83 | 77.6% | 11.87 | 13.90 | -14.6% |

Q4 & FY17 – BALANCE SHEET

| Particulars in Rs. Mn | FY17 | FY16 |
|---------------------------------------|-----------------|-----------------|
| Equity & Liabilities | | |
| Shareholder's Funds | | |
| Share Capital | 480.5 | 455.5 |
| Reserves & Surplus | 3,720.5 | 2,678.8 |
| Money received against share warrants | 0.0 | 250.0 |
| | 4,201.0 | 3,384.3 |
| Non-Current Liabilities | | |
| Long-term borrowings | 4220.4 | 3182.4 |
| Deferred tax liabilities (Net) | 207.8 | 228.9 |
| Other long term liabilities | 0.0 | 0.0 |
| Long term provisions | 0.0 | 0.0 |
| | 4,428.2 | 3,411.4 |
| Current Liabilities | | |
| Short-term Borrowings | 1,576.9 | 1,462.1 |
| Trade Payables | 1,355.1 | 844.8 |
| Other Current Liabilities | 858.5 | 914.0 |
| Short-term Provisions | 34.2 | 160.8 |
| | 3,824.7 | 3,381.6 |
| Total Equity & Liabilities | 12,453.9 | 10,177.3 |

| Particulars in Rs. Mn | FY17 | FY16 |
|-------------------------------|-----------------|-----------------|
| Assets | | |
| Non-Current Assets | | |
| Fixed Assets | 7,691.3 | 5,702.3 |
| Non-current investments | 32.0 | 73.2 |
| Deferred Tax Assets (net) | 0.0 | 0.0 |
| Long-term loans and advances | 79.1 | 93.8 |
| Other Non-current assets | 3.5 | 21.7 |
| | 7,805.9 | 5,891.1 |
| Current Assets | | |
| Current Investments | 0.0 | 0.0 |
| Inventories | 2,162.2 | 1,951.1 |
| Trade Receivables | 1,352.0 | 1,222.4 |
| Cash & Cash Equivalents | 685.4 | 649.0 |
| Short-term loans and advances | 448.4 | 463.7 |
| Other Current Assets | 0.0 | 0.0 |
| | 4,648.0 | 4,286.2 |
| Total Assets | 12,453.9 | 10,177.3 |

STRONG DOMESTIC AND GLOBAL DEMAND FOR DENIM APPARELS



IMPROVING CAPACITY UTILISATION OF THE EXPANDED DENIM CAPACITY



10% - 15% GROWTH IN REVENUES



EBITDA MARGIN IMPROVEMENT FROM SPINNING CAPACITY EXPANSION



HIGHER ROCE

02 ABOUT US



One World With Denim

At Nandan Denim,
we aim at weaving the world together

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 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 |
| | 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 has also implemented BOPET Line (capacity of 38,800 MTPA) to cater to wide demand for BOPET Products. |
| Infrastructure | Shanti Developers | |
| | Dholi Integrated Spinning Park | <ul style="list-style-type: none"> Operates a fully equipped industrial park for SME enterprises in the textile sector |
| | Vraj Integrated Textile Park | <ul style="list-style-type: none"> 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” across the country with over 3,700 students. Present in the management education space having student strength of 200 students. Successfully running over 160 pre-K franchise – Shanti Juniors with over 10,000 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, 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.
- The company has completed backward integration by expanding its spinning capacity from 54 TPD (tonnes per day) to 141 TPD which will result into higher operating margins.
- The company also owns a captive power plant of 15 MW.

STRONG FINANCIAL PERFORMANCE

- Consolidated Revenues, EBITDA and PAT were Rs 12,204 mn, Rs 1,899 mn and Rs 567 mn in FY17 having grown at CAGR of 15%, 15% and 16% over FY13 - FY17.
- Stable EBITDA margins of around 14% - 16% over FY13 - FY17.
- Return ratios have improved over last five years driven by improving asset turnover.
 - ROCE – 10.8% in FY17.
 - ROE – 14.9% in FY17.
- FY17 Debt : Equity was 1.5:1.

ABOUT US: INTEGRATED DENIM FABRIC FACILITY



FIBRE

Ginned Cotton

70% of cotton requirement is met from Gujarat



YARN

Spinning

Spinning Capacity – 141 TPD



FABRIC

Weaving & Processing

Denim – 110 MMPA
Shirting – 10 MMPA

KEY HIGHLIGHTS

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

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.
- 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.

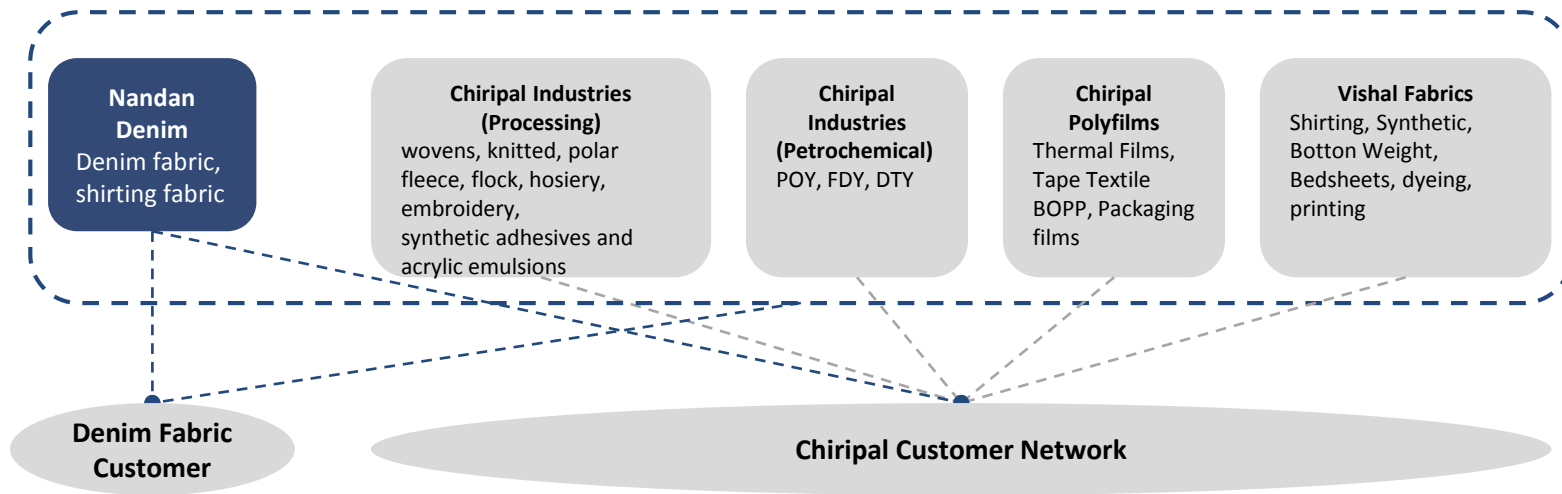
PROXIMITY TO MARKET

- 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

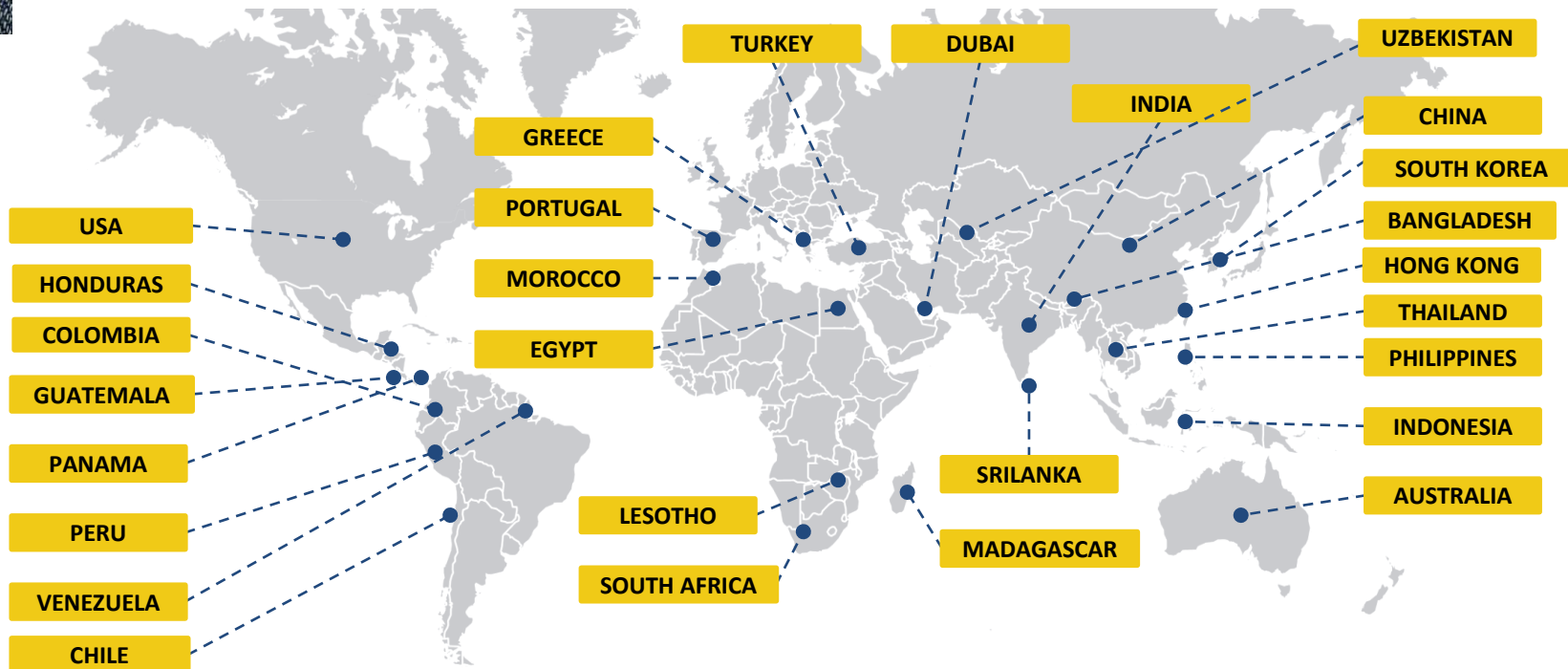
- Leveraging the strong agent-based domestic network of the Chiripal group.
- Strong pan-India network of around 35 – 40 distributors associated with the company for close to a decade.
- Strategic tie-ups with 10 firms to exclusively sell Nandan Denim's products.
- Around 2/3rd of the orders are confirmed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

Nandan Denim has been able to grow its revenues at a CAGR of 15% over last 5 years, with steady EBITDA margins

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: ACCEPTANCE FROM LEADING BRANDS

DOMESTIC BRANDS

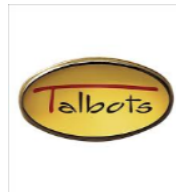


DENIM FABRIC SUPPLIER TO MAJOR BRANDS AROUND THE WORLD

GLOBAL BRANDS



ANN TAYLOR



CAPACITY EXPANSION COMPLETED

| Capacity | FY13 | FY14 | FY15 | FY16 | FY17 |
|-----------------------|------|------|------|------|------|
| Spinning (TPD) | 54 | 64 | 64 | 70 | 141 |
| Fabric (MMPA) | | | | | |
| Denim | 71 | 76 | 99 | 99 | 110 |
| Shirting | - | 10 | 10 | 10 | 10 |

03

Rationale for Capacity Expansion & Integration



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% 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%.

IMPROVEMENT IN ASSET TURNOVER AND RETURN RATIOS

- Higher asset turnover along with improved operating margins will result in positive operating leverage and better return ratios.

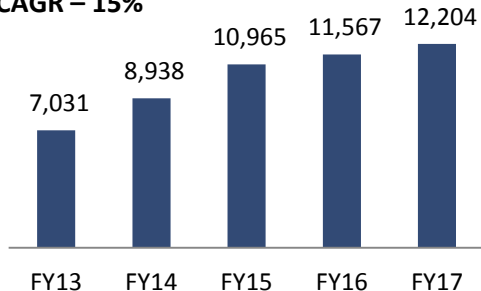
04 Annexure



FINANCIAL SUMMARY

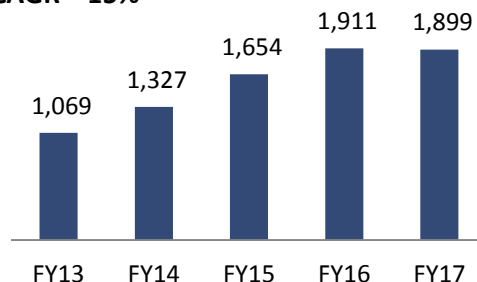
REVENUES (RS MN)

CAGR – 15%



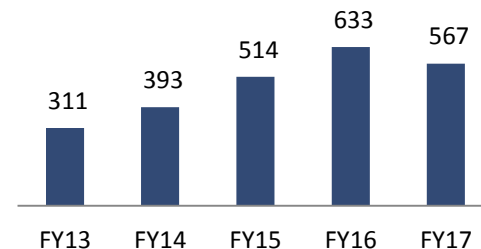
EBITDA (RS MN)

CAGR – 15%

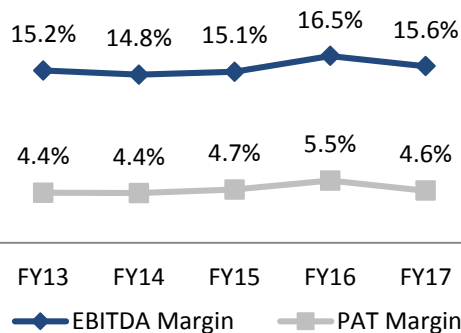


PAT (RS MN)

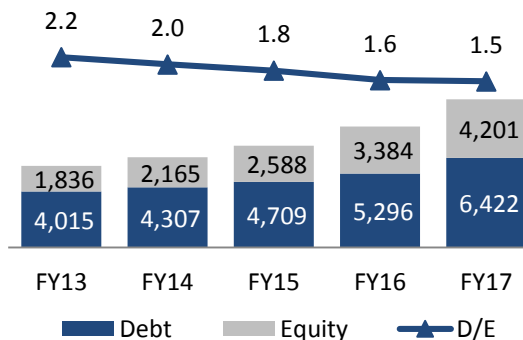
CAGR – 16%



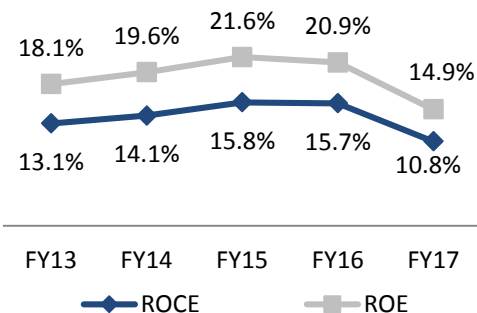
MARGIN ANALYSIS (%)



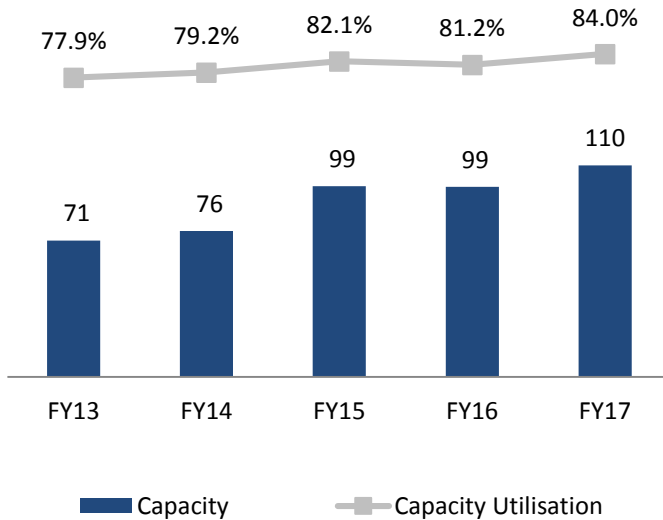
LEVERAGE ANALYSIS (RS MN)



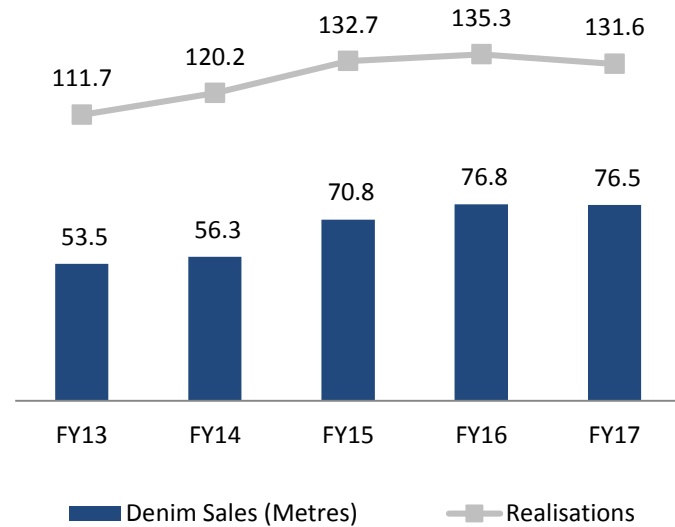
RETURN METRICS (%)



DENIM FABRIC CAPACITY (MMPA)



DENIM REALISATIONS (RS/METRE)





THANK YOU



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