

NANDAN DENIM LIMITED



Q4 & FY18

RESULTS UPDATE

May 2018



SAFE HARBOUR STATEMENT

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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Q4 & FY18 Results

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Annexure



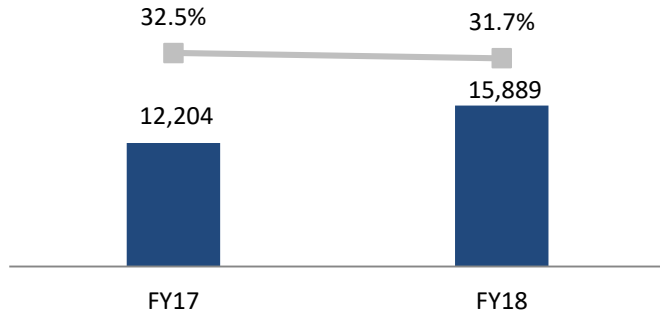
01 Q4 & FY18 RESULTS



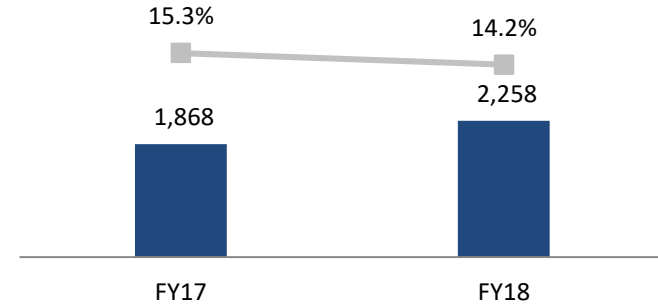
FY18 RESULTS – FINANCIAL HIGHLIGHTS

In Rs Mn

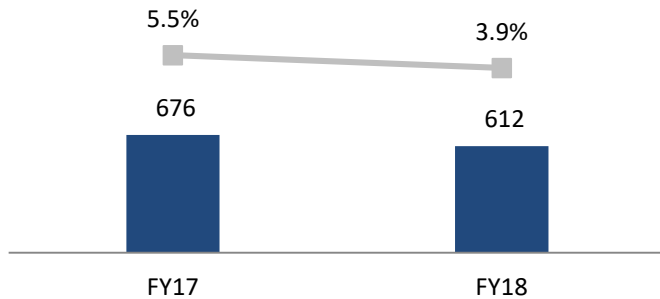
REVENUES & GROSS MARGIN



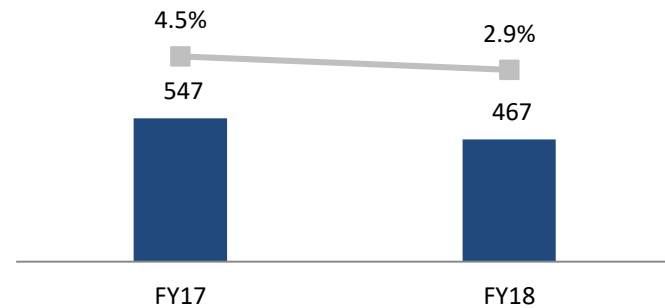
EBITDA & EBITDA MARGIN



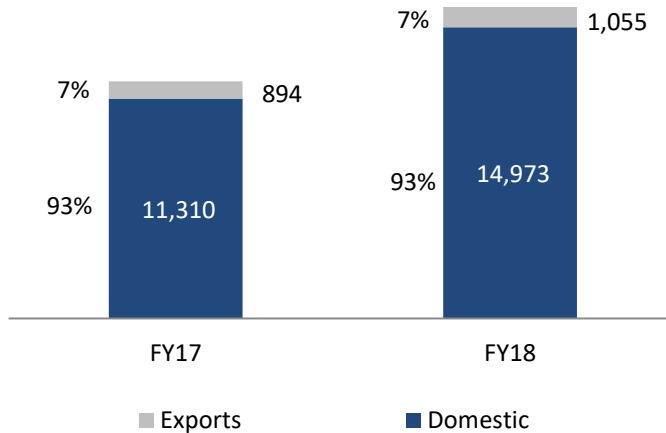
PBT & PBT MARGIN*



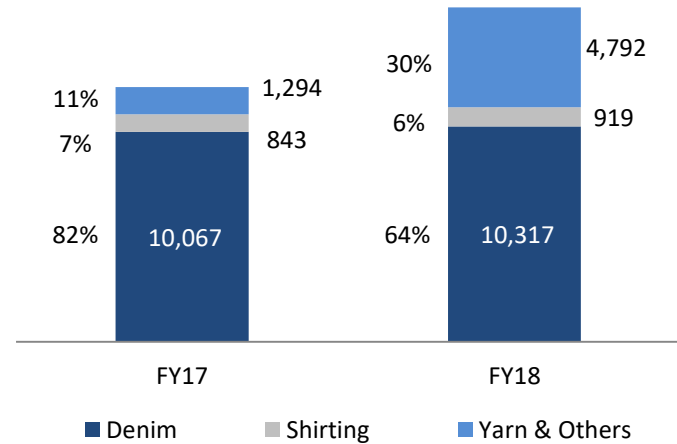
PAT & PAT MARGIN*



REVENUE BREAKUP – DOMESTIC Vs. EXPORTS



REVENUE BREAKUP – PRODUCT WISE

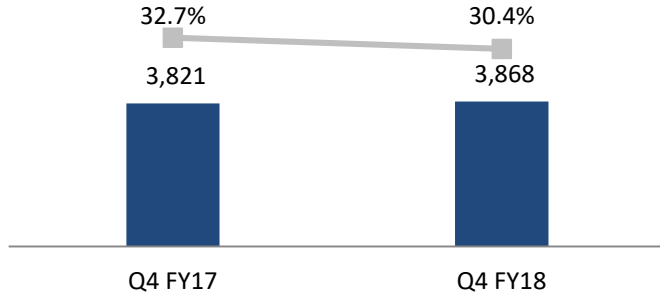


- For FY18, Nandan Denim has reported Rs. 15,889 Mn of operating revenue, up by 30% Vs Rs. 12,204 Mn in FY17.
- Denim capacity utilisation stood at 74% and realisation at Rs 132/meter in FY18.
- FY18 Gross Margin stood at 31.7%, declined by 81 bps.
- Employee Expenses and other operating expenses increased by 35.9% and 31.0% respectively in FY18, due to capacity expansion in H2 FY17.
- FY18, EBITDA increased by 20.9% to Rs. 2,258 Mn in FY18 Vs Rs. 1868.2 Mn in FY17. EBITDA Margin stood at 14.2%
- Depreciation expenses for the year increased by 39.6% YoY to Rs. 1,205 Mn due to capacity expansion.
- Finance cost for the year increased by 60% YoY due to increase in working capital usage post capacity expansion. In-principle approval from government for recognising the subsidy income is expected in the first half of FY19.
- Company has reported PBT of Rs. 612 Mn and PAT of Rs. 467 Mn in FY18.

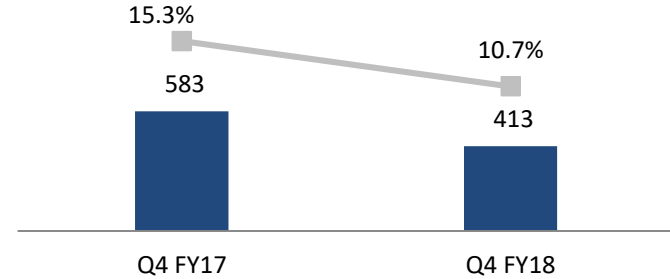
Q4 FY18 RESULTS – FINANCIAL HIGHLIGHTS

In Rs Mn

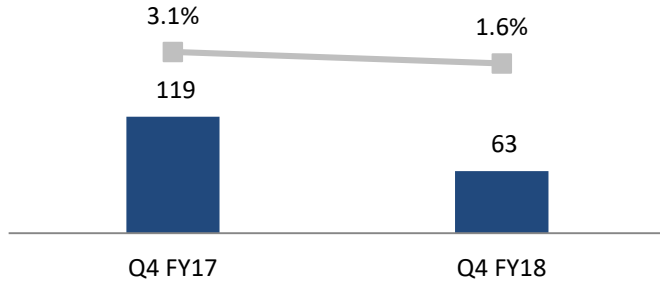
REVENUES & GROSS MARGIN



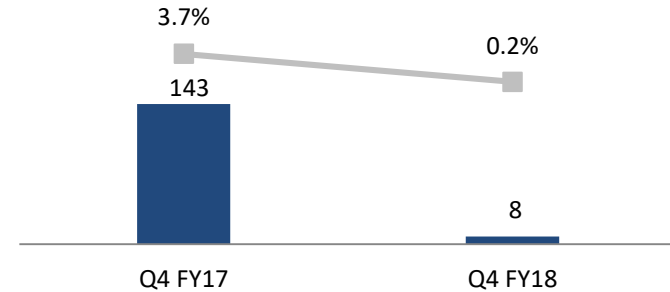
EBITDA & EBITDA MARGIN



PBT & PBT MARGIN*

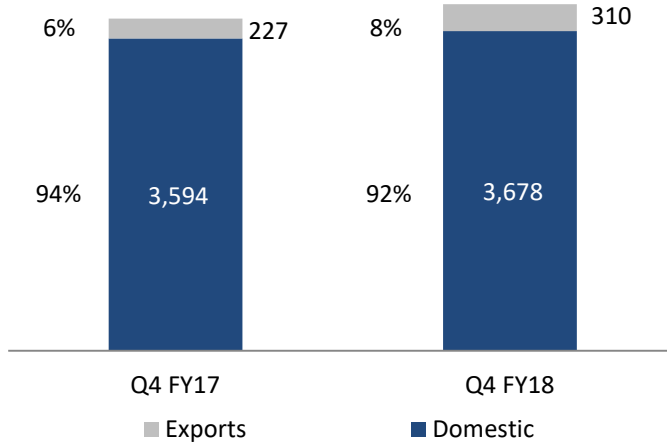


PAT & PAT MARGIN*

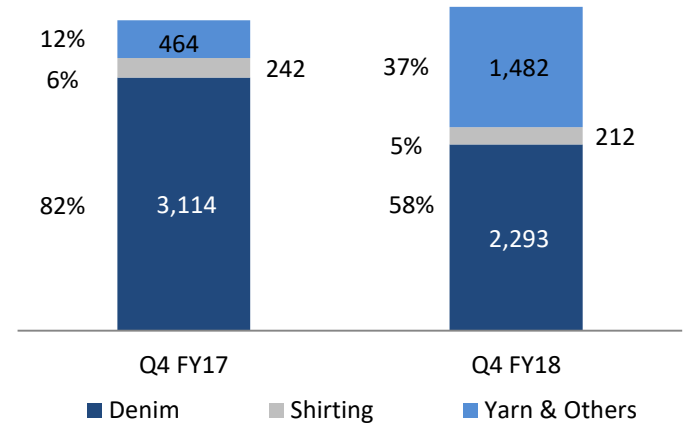


Q4 FY18 RESULTS – REVENUE MIX

REVENUE BREAKUP – DOMESTIC Vs. EXPORTS



REVENUE BREAKUP – PRODUCT WISE



CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars (Rs. in Mn)	Q4 FY18	Q4 FY17	YoY%	FY18	FY17	YoY%
Revenue from Operations	3,868.4	3,820.6	1.3%	15,889.2	12,204.1	30.2%
COGS	2,692.6	2,573.1	4.6%	10,848.0	8,233.5	31.8%
Gross Profit	1,175.8	1,247.5	-5.7%	5,041	3,971	27.0%
Gross Margins %	30.4%	32.7%	-226 bps	31.7%	32.5%	-81 bps
Employee Expenses	193.7	143.3	35.1%	803.0	590.7	35.9%
Other Expenses	568.9	521.0	9.2%	1,979.9	1,511.7	31.0%
EBITDA	413.2	583.2	-29.2%	2,258.4	1,868.2	20.9%
EBITDA Margin %	10.7%	15.3%	-458 bps	14.2%	15.3%	-109 bps
Depreciation	319.3	355.7	-10.3%	1,205.6	863.5	39.6%
Finance Cost	149.6	125.3	19.4%	579.8	361.7	60.3%
Other Income	119.2	194.9	-38.9%	139.0	211.6	-34.3%
PBT	63.4	297.1	-78.6%	612.0	854.6	-28.4%
Adj. PBT*	63.4	118.9	-46.7%	612.0	676.4	-9.5%
Taxes	55.7	-24.3	-329.3%	144.7	129.1	12.1%
PAT	7.7	321.4	-97.6%	467.3	725.5	-35.6%
Adj. PAT*	7.7	143.2	-94.6%	467.3	547.3	-14.6%
PAT Margin %	0.2%	3.7%	-355 bps	2.9%	4.5%	-154 bps

CONSOLIDATED BALANCE SHEET

Particulars (Rs. in Mn.)	FY18	FY17
Equity & Liabilities		
Shareholder's Funds	4,747.9	4,376.1
Share Capital	480.5	480.5
Reserves & Surplus	4,267.4	3,895.6
Non-Current Liabilities	3,922.0	4,428.2
Long-term borrowings	3,718.8	4,220.4
Deferred tax liabilities (Net)	201.3	207.8
Other long term liabilities	1.9	-
Current Liabilities	4,783.1	3,997.4
Short-term Borrowings	2,005.2	1,576.9
Trade Payables	1,661.1	1,356.7
Other Current Liabilities	1,072.8	1,029.5
Current Tax Liabilities (Net)	31.6	31.8
Short-term Provisions	12.4	2.4
Total Equity & Liabilities	13,453.0	12,801.7

Particulars (Rs. in Mn.)	FY18	FY17
Assets		
Non-Current Assets	7,416.9	8,153.7
Fixed Assets	7,362.6	7,967.2
Capital WIP	-	63.6
Financial Assets	22.6	20.6
Other Intangible Assets	7.8	7.8
Other Non-current assets	23.9	94.5
Current Assets	6,036.1	4,648.0
Inventories	2,475.0	2,162.1
Trade Receivables	2,724.5	1,352.0
Cash & Cash Equivalents	270.3	685.4
Short-term loans and advances	2.6	5.9
Other Current Assets	563.7	442.5
Total Assets	13,453.0	12,801.7

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
		<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 37,800 MTPA) to cater to wide demand for BOPET Products. The Company has installed a 220,000 MT per annum Polyethylene terephthalate (PET) Resin Plant.
Packaging	Chiripal Poly Films Ltd.	
Infrastructure	Shanti Developers	
	Dholi Integrated Spinning Park	<ul style="list-style-type: none"> Operates a fully equipped industrial park for enterprises in the textile sector Has made a successful foray in the area of residential infrastructure as well.
	Vraj Integrated Textile Park	
Education	Shanti Educational Initiatives Ltd.	<ul style="list-style-type: none"> Runs 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 180 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 and EBITDA were Rs 15,889 mn and Rs 2258 mn in FY18 having grown at CAGR of 15% and 14% over FY14 - FY18.
- Stable EBITDA margins of around 14% - 16% over FY14 - FY18.
- FY18 Debt : Equity was 1.3:1.

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.

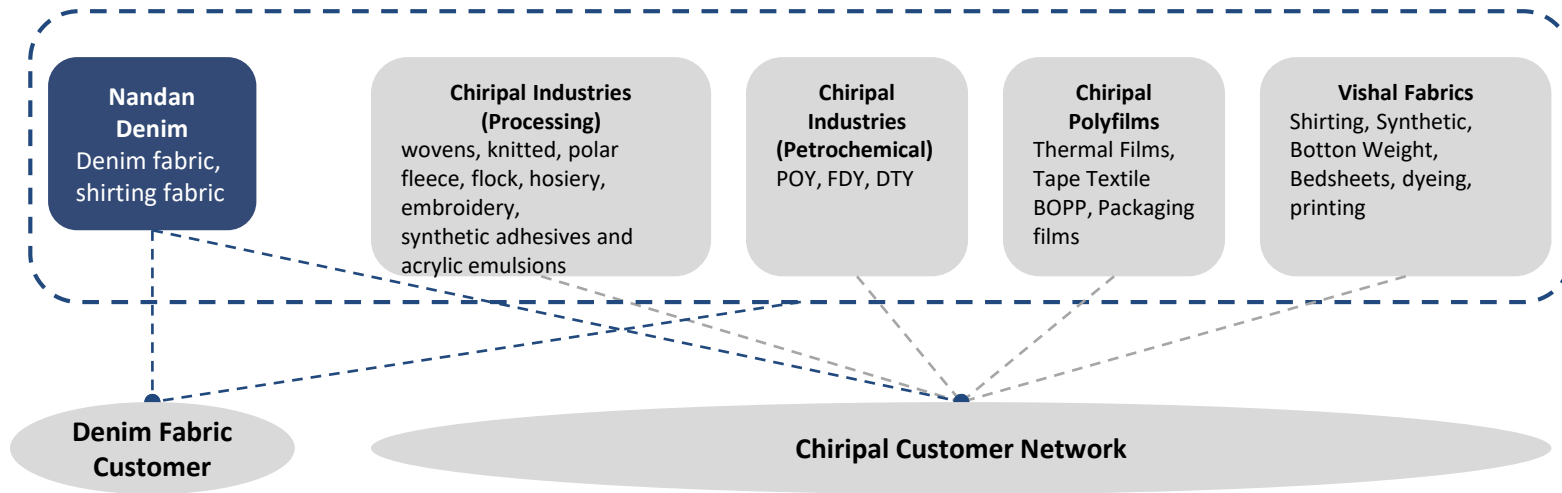
PROXIMITY TO MARKET

- 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

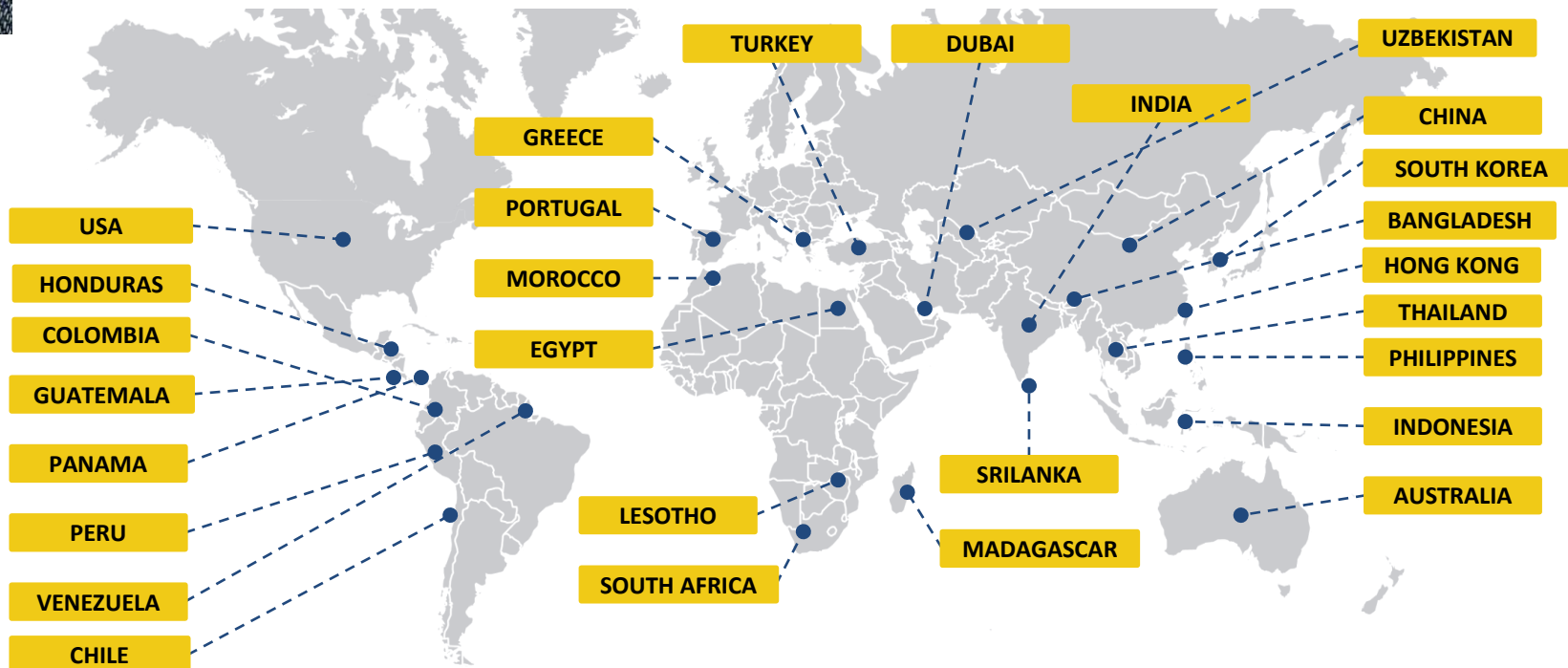
- Leveraging the strong agent-based domestic network of the Chiripal group.
- Strong pan-India network of around 35 – 40 distributors associated with the company for close to a decade.
- Strategic tie-ups with 10 firms to exclusively sell Nandan Denim's products.
- Around 2/3rd of the orders are confirmed 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 27 countries across the globe through its strong global dealer-distribution network.

ABOUT US: ACCEPTANCE FROM LEADING BRANDS

DOMESTIC BRANDS



GLOBAL BRANDS



ANN TAYLOR



LPP PULL&BEAR ZARA

PRIMARK®

OVS



Capacity	FY16	FY17*	FY18
Spinning (TPD)	70	141	141
Fabric (MMPA)			
Denim	99	110	110
Shirting	10	10	10

*Capacity expansion completed in December 2017

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 any incremental market demand in future.
- 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 significant 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.

IMPROVEMENT IN ASSET TURNOVER AND RETURN RATIOS

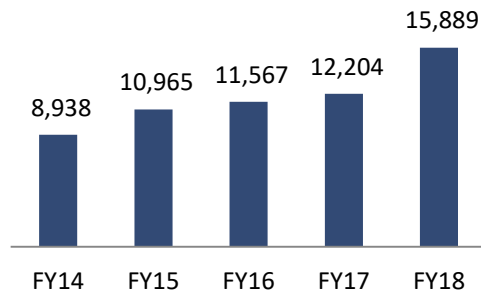
- Higher asset turnover along with improved operating margins will result in positive operating leverage and better return ratios.

04 Annexure

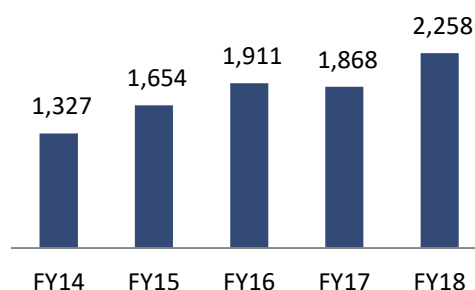


FINANCIAL SUMMARY

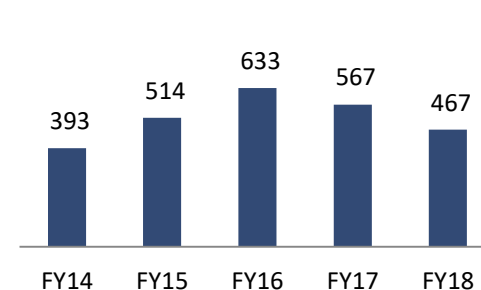
REVENUES (RS MN)



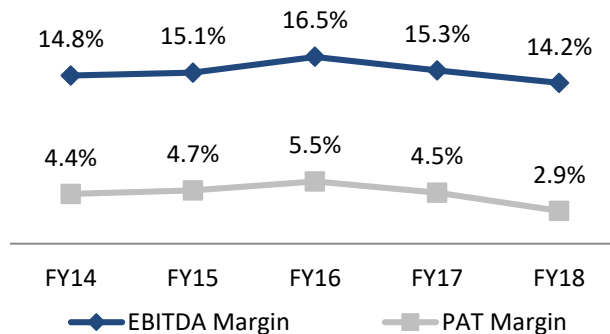
EBITDA (RS MN)



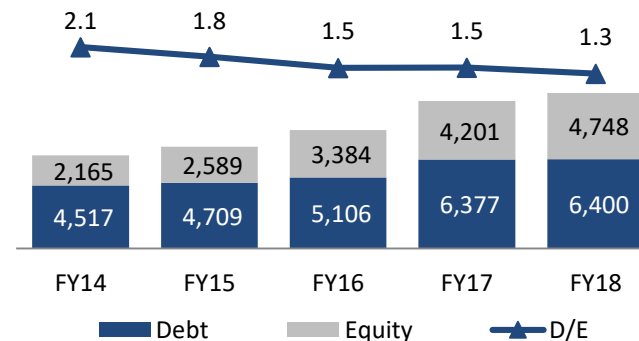
PAT (RS MN)



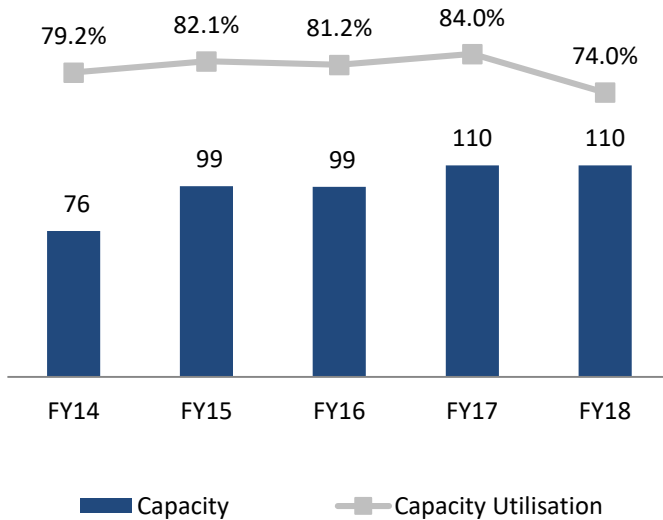
MARGIN ANALYSIS (%)



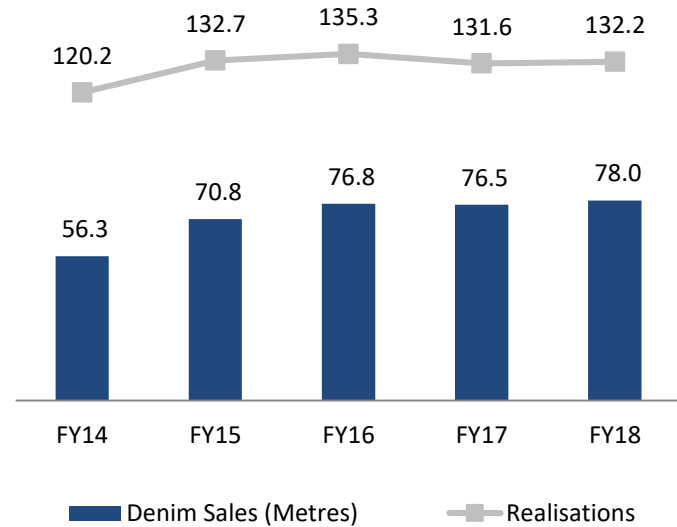
LEVERAGE ANALYSIS (RS MN)



DENIM FABRIC CAPACITY (MMPA)



DENIM REALISATIONS (RS/METRE)





THANK YOU



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