



Investor Presentation

May 2015

Safe Harbour

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➤ **Company Overview**

- *India Operations*
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- *Financials*



Sarla at a Glance

Manufacturer of *Specialized & High Margin* Polyester Yarn & Nylon Yarn

Amongst the First manufacturers of covered yarn & now one of the *Largest in India*

Only company in India to manufacture *Nylon 66*, a high tenacity & low shrinkage product

Supplies to **116** customers in over **40** countries in **6** continents

Long standing relationships with leading *Global Players* like Hanes Brands, Gildan, Renfro, American & Efird, Delta Galil, Coats & Jockey

Presence of Manufacturing & Distribution hub in close proximity to demand centres globally

Overseas *Joint ventures* & growing *US manufacturing facility*

Products with *High Value Add & Applications*

Brief Highlights

Background

- Commenced operations in **1995** as a manufacturer of commodity yarns
 - Progressed to specialized and higher value added yarns
- **100% EOU:**
 - Focus on high margin specialty polyester & nylon yarns
- **Products application:**
 - Narrow Fabrics, Hosiery, Innerwear & Sportswear
 - Threads
 - Industrial Yarns
- **Nylon 66:**
 - Pilot plant set up at Silvassa facility

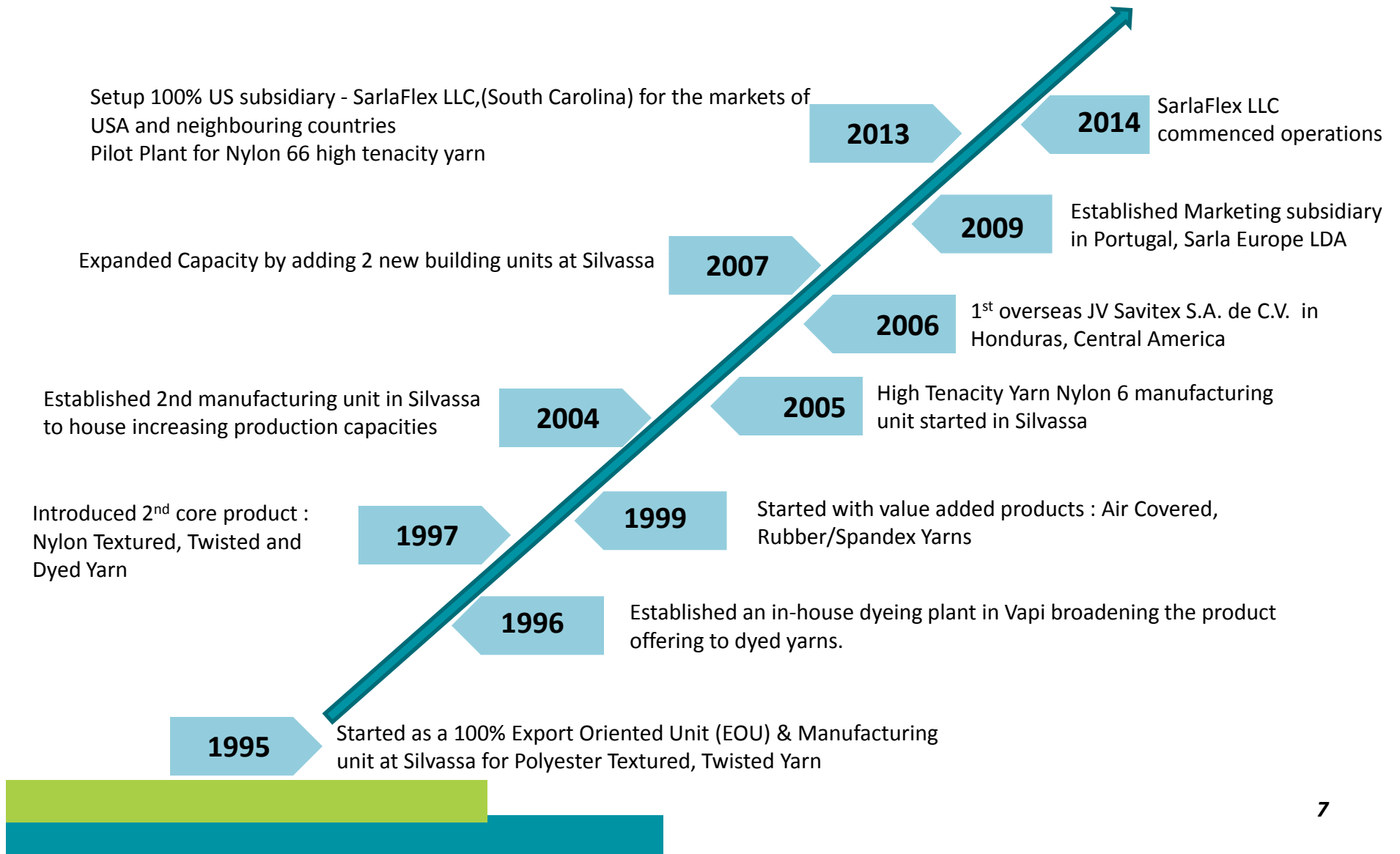
Presence

- **India:**
 - Silvassa: 2 manufacturing facilities; capacity 11,900 TPA
 - Vapi: In-house dyeing plant Capacity 3,200 TPA
 - Wind mills with capacities in Satara (2MW), Sangli (4MW) & Vapi (1.25 MW)
- **Europe & South America:**
 - Marketing offices in Portugal commenced in 2009
- **USA:**
 - Plant set up in South Carolina in 2013; capacity 30 tons per day

Financials

- **Last 10 years CAGR:**
 - Revenue: 13%
 - EBITDA: 20%
 - PAT: 21%
- ~18% EBITDA margin consistently
- Operating cash flows prudently deployed back into the business
 - For enhanced productivity and efficiency
- Raised Rs. 46.7 crores through QIP in October 2014

Key Milestones



Management Team



Madhusudan Jhunjunwala
Chairman &
Whole Time
Director

- Commerce graduate with more than 50 years of experience in cotton trading
- Has been president of Bombay Cotton Merchants and Muccadams Association, Western Indian Chambers of Commerce and also the director of East India Cotton Association



Krishnakumar Jhunjunwala
Managing
Director & CEO

- Commerce Graduate from University of Mumbai with more than 25 years of experience in textile industry
- Engaged in all aspects of Production, Planning, Marketing & Operations
- Actively participates in the key financial decisions of the Company

Ms. Neha Jhunjunwala

VP, Business Dev., Operations & HRD

- BMS from University of Mumbai & Master's in Marketing & Strategy from University of Warwick, London
- Currently involved in managing Business Development, Operations & HRD

Mr. Mahendra Sheth

CFO & Company Secretary

- FCA, ACS, B Com and LLB from University of Mumbai
- 35 years of experience in the field of Accounts, Finance & Secretarial

Mr. Sunil Jhunjunwala
Vice President, Marketing & Purchases

Mr. Abhishek Vaishnav
Accounts Manager

Mr. Nandakumar CN
Plant Head – Silvassa

Mr. Tarunkumar T Pankaj
Plant Head – Vapi

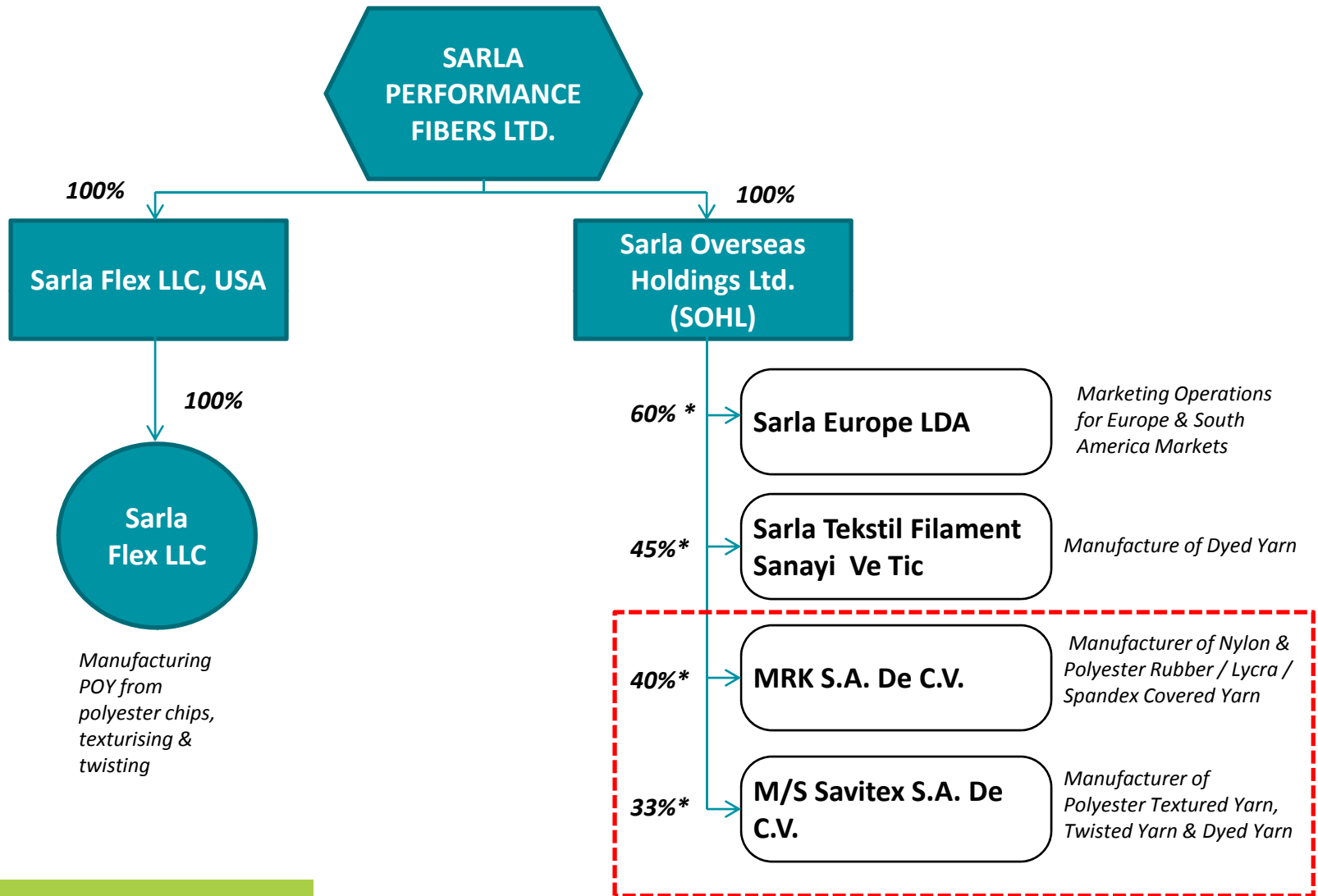
Mr. Ashok Ranagol
Manager Production Planning & Material Procurement

Mr. Wilson Baby
Manager, Exports & Logistics

Mr. Satish Malsaria
Marketing Head, India

Mr. Paolo Mauro
Marketing Head South America

Overview Of Key Subsidiaries



Note:- Management is in the process of winding up the JVs present in Honduras
 * Sarla's share of the business

Key Products

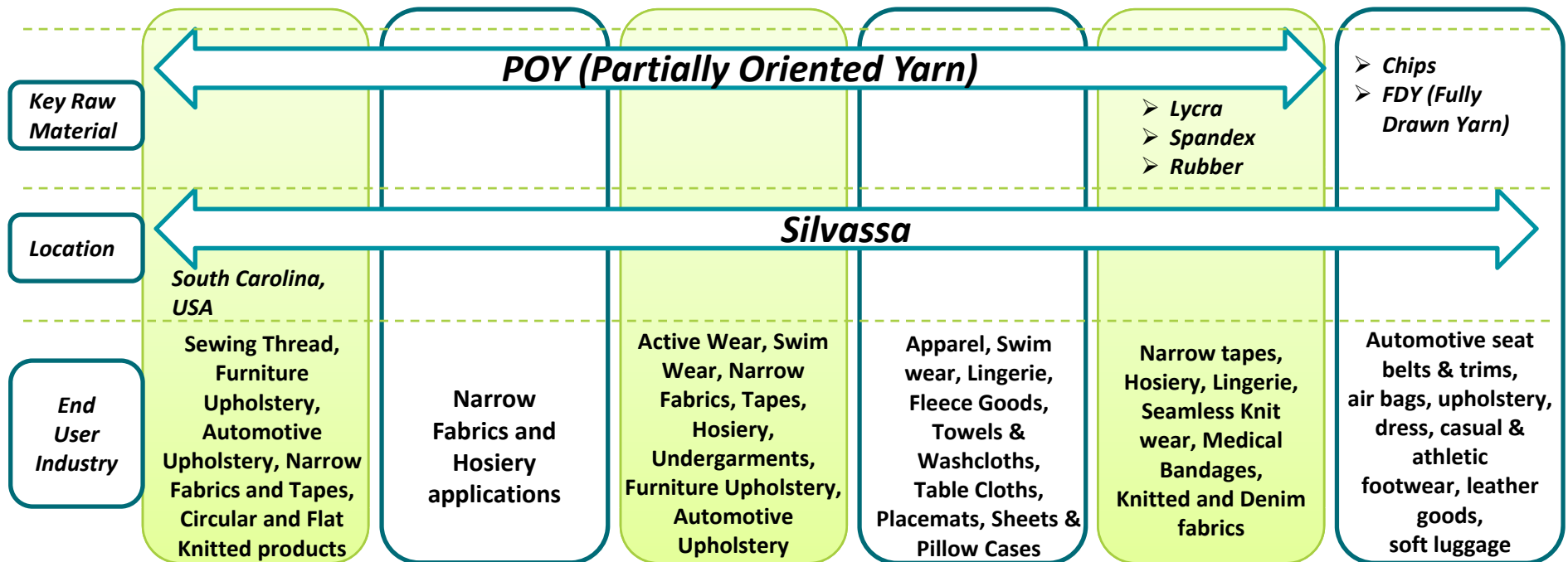
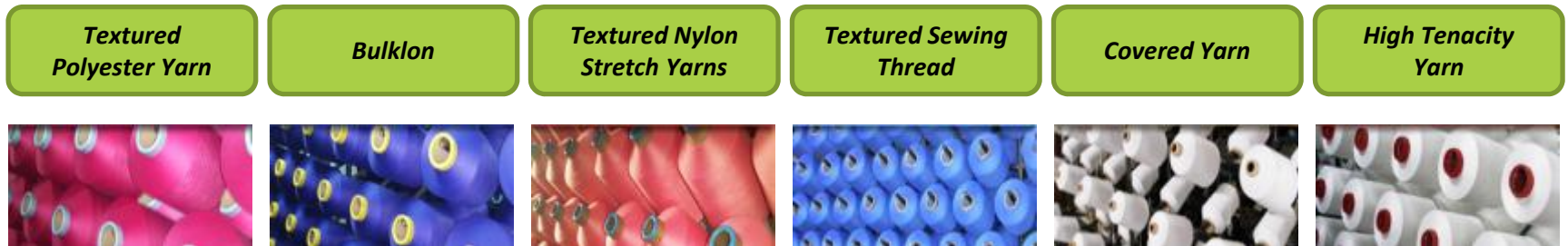


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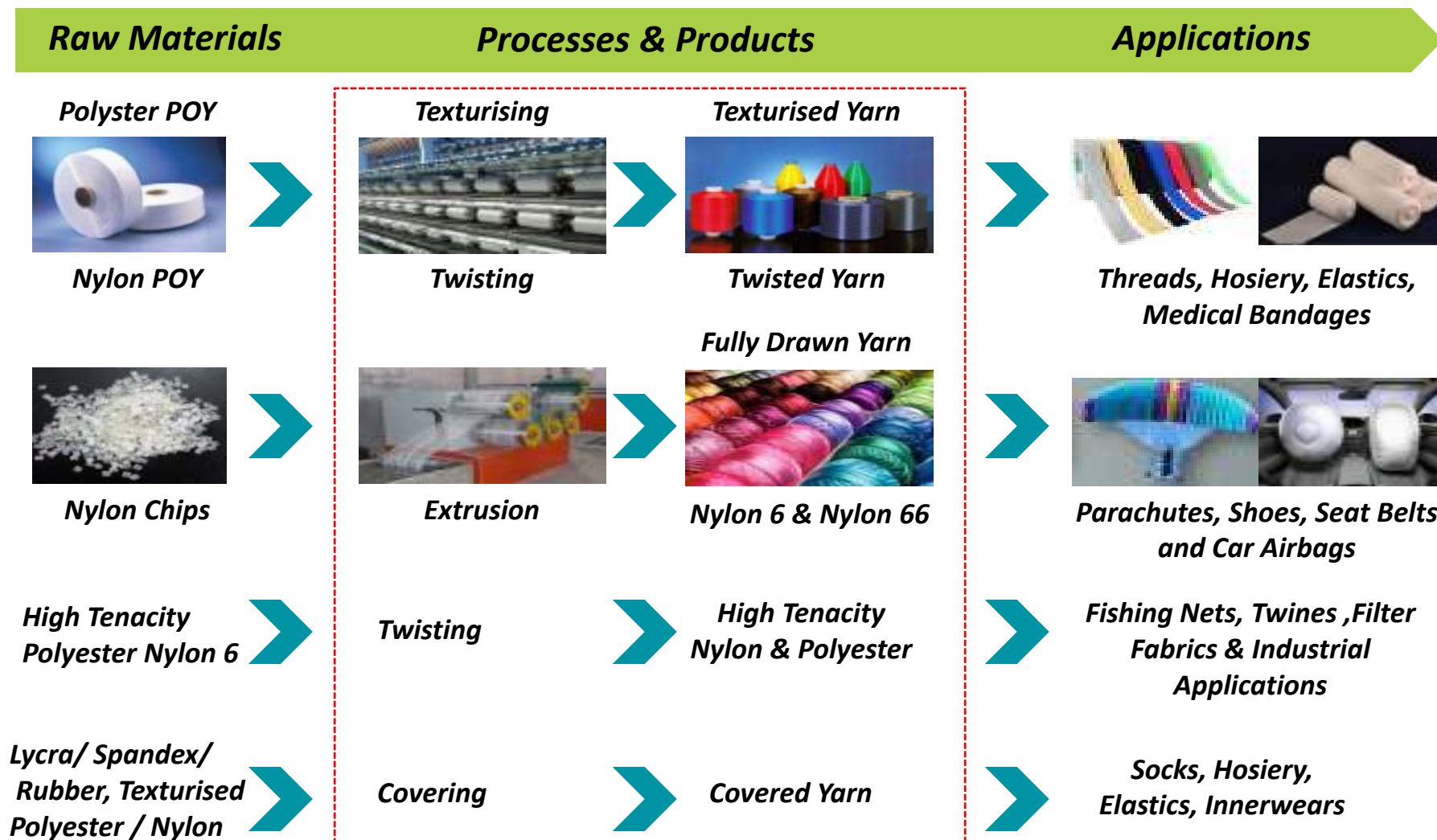
➤ **India Operations**

➤ *Overseas Operations*

➤ *Growth Plans*

➤ *Financials*

High-End Application products produced in India



Manufacturing Facility - India

Silvassa



Facility Highlights

- 2 facilities next to each other
- Installed Capacity of 11,900 TPA
- Can produce **250** different varieties of Polyester & Nylon Yarn

Product Offering

- Textured Polyester Yarn
- Bulklon
- Textured Nylon Stretch Yarns
- Covered Yarns
- High Tenacity Yarns

12 KM distance between facilities

Vapi



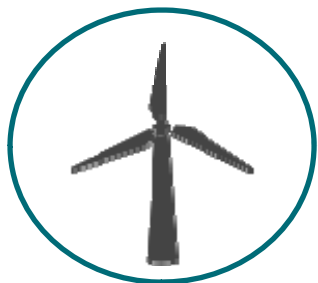
Facility Highlights

- In-house dyeing facility
- Installed Capacity of 3,200 TPA
- State of the art technology
- Computer shading matching and developing new colours

Highlights

- Increased product offering to Dyed Yarn
- Expansion, upgradation & modernisation undertaken in 2010

Wind Power Business



Efficient Wind Power Operations

<i>Place</i>	<i>Year Of Commissioning</i>	<i>Capacity (in MW)</i>
Baradiya, Gujarat	2010	1.25
Satara, Maharashtra	2011	2.0
Sangli, Maharashtra	2012	4.0
Total Installed Capacity		7.25

Captive Use for Dyeing facility in Vapi

Agreement for Power Procurement with private entities

Profitable Wind Power Business

- *Increased utilization of wind turbines & sale of renewable energy certificates benefiting Power income*
- *Limited CAPEX requirement makes it a cash positive business*
- *CAPEX per MW ~Rs.6 crores*
- *Current plant load factor at ~23-25%*

Funding

The Company has taken ECB loans for windmill projects. Exclusive charge of the windmill to the lending banks.

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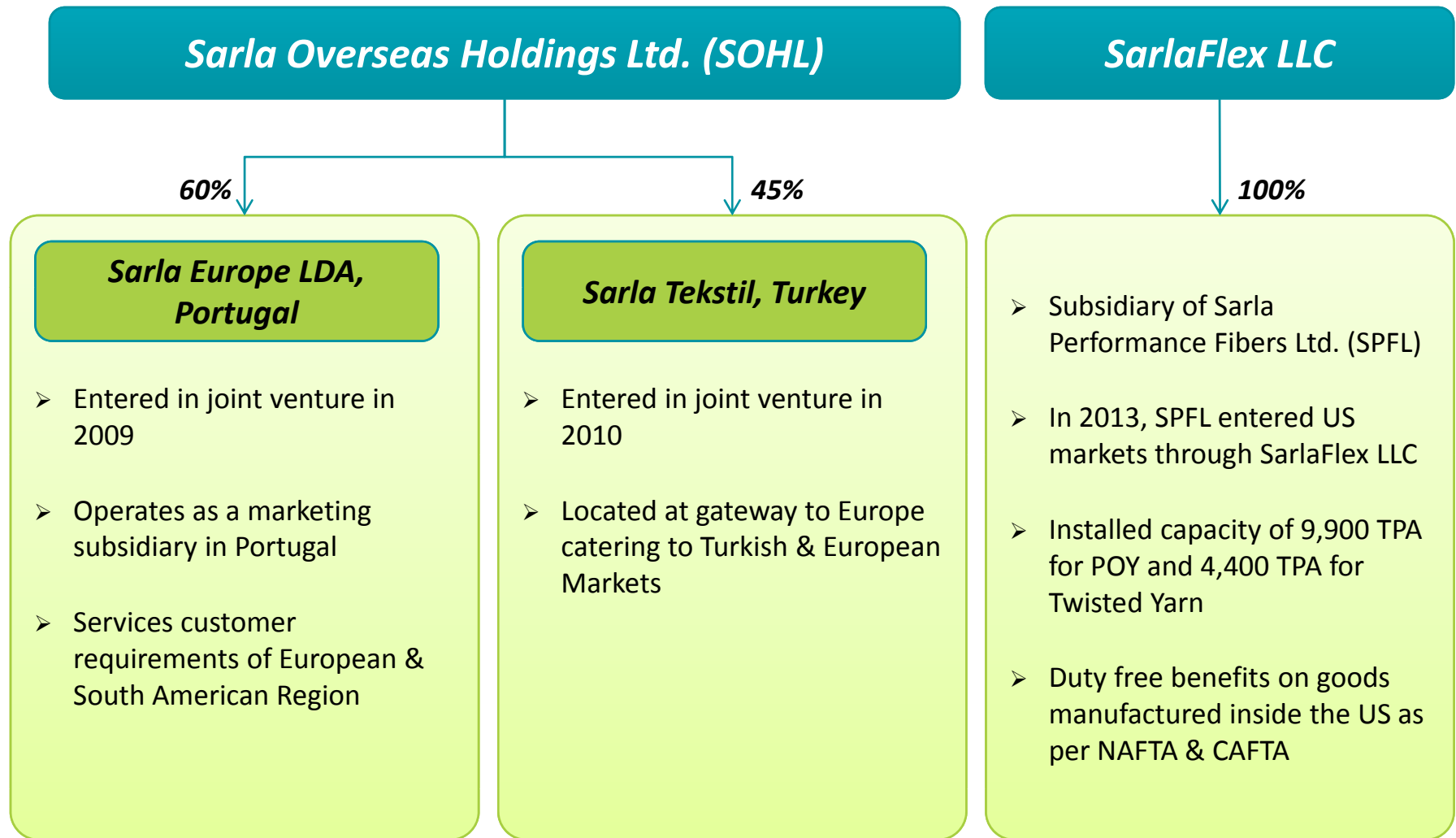
➤ *India Operations*

➤ **Overseas Operations**

➤ *Growth Plans*

➤ *Financials*

Overseas Subsidiaries



Manufacturing Facility - USA

Charleston, South Carolina



Benefits

- NAFTA & CAFTA treaties, allows waiver of duties upto 32% on synthetic garments manufactured in North or Central American region using US origin yarn when exported back into the United States
- **Proximity & Visibility** to customers
- **Lower** Logistics & Power
- **Lower** Cost of Borrowing

Facility Details:

- **Land Cost of Rs 4 Crores to be paid over 7 years**
- **Details**
 - Spread over 42 acres
 - Constructed area of 3.3 lakh sqft

Highlights

- Current Capacity of **9,900 TPA**
- Commenced Production in **Dec 2013**
- Products: Partially Oriented Yarn (POY) & Textured Polyester Yarn
- First POY plant in USA since 1998

USA: Strategic Location

- ~99% of the decision makers of textile industry with global brand presence are in the USA
- Presence in USA builds confidence & helps develop business with large customers
- Sarla is the only player in this sector to have manufacturing presence in USA & India

Focus of US Manufacturing

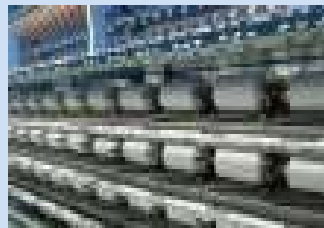
Raw Materials

Polyster chips



Processes & Products

Texturising



Twisting

Texturised & Twisted Yarn



Solution Dyed Yarn

Applications



Fabrics/ Elastics, Mattress Ticking Apparel & Industrial Application

Global Presence



- Exports to over 40 countries across 6 continents
- Subsidiary operations in USA & Portugal
- Joint Venture manufacturing operations in Honduras (Central America) and Turkey
- Distribution centres in Thailand & Vietnam

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New Products – Nylon 66

- Commenced trials production of Nylon 66 yarn at Silvassa in 2013 on pilot basis
- Nylon 66 is high tenacity and lower shrinkage yarn product
- Being a niche product on its own, extremely specialized hence margins are substantially higher
- Product applications:
 - Parachutes, Shoes, Seat Belts & Car Airbags, Specialized Sewing Applications in Automotive, Shoes, Leather, Industrial Filters, Hoses
- Installed Capacity of 450 TPA at a pilot stage in Silvassa

End User Industries



Filter Fabric



Air Bags



Sports Shoes



Parachutes

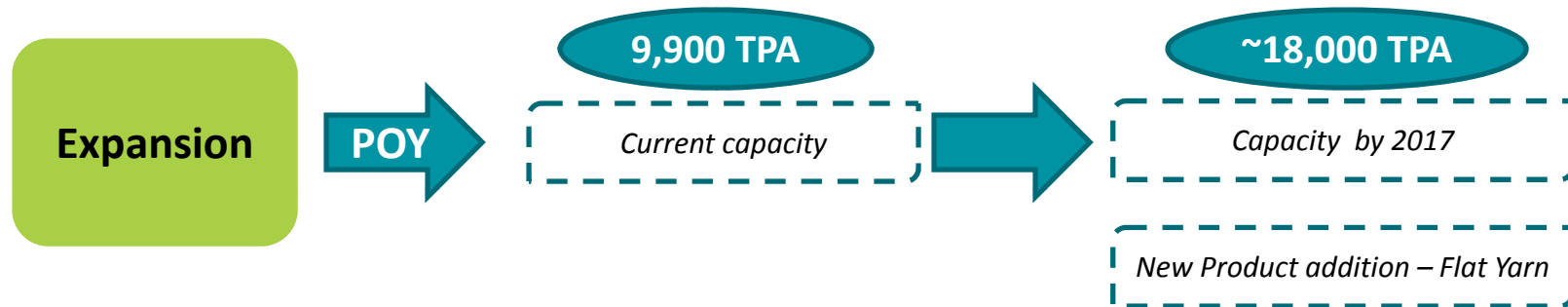


Seat Belts

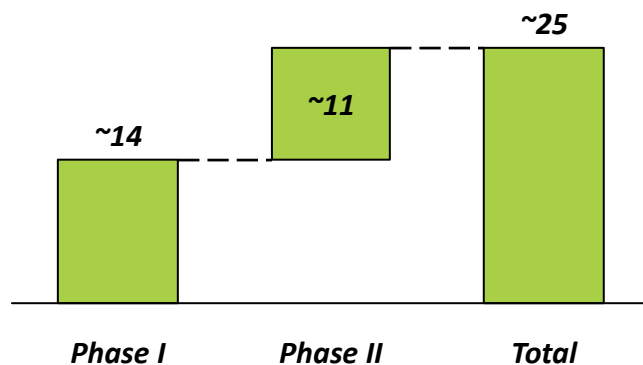
Only company in India to manufacture Nylon 66

US Facility – Expansion Plan

Further Expansion Of South Carolina Facility



Cost of Project (USD Million)



- The total cost of the project is USD~ 25 mn
- Cost of Phase I already incurred

Facility will directly cater to clients in North, South & Central American markets

Entry Barriers

➤ ***Over 150 varieties of moulds***

- Moulds form an integral part of the final product
- These are designed as per clients specifications to fit the varied machinery used by them in their plants in different geographies

➤ ***Clients Stickiness towards Quality & Goodwill***

- Global brands demand consistent quality products across markets
- Major overseas clients with long standing relationship built over the years

➤ ***Multi Geography Presence***

- Only Indian company in the sector to have manufacturing presence in NAFTA & CAFTA regions
- Manufacturing operations in US & India and Marketing offices in South America & Europe



Yarn constitutes ~5% to total cost of final product; however a very crucial product, hence Premium paid for Quality & Consistency desired by Large Global Customers

Key Strengths

One of the Largest Manufacturers of Covered Yarn in India

- Focused on High Margin value added products: Specialised Polyester and Nylon Yarns
- Amongst a few players globally catering to Specialised Yarns – Used in a variety of niche applications

Manufacturing & Distribution hub in close proximity to demand centres globally

- Effectively positioned to be a preferred supplier to global manufacturers in Eastern and Western Hemisphere
- Only Indian company in this sector to have manufacturing presence in NAFTA and CAFTA regions

Strong Balance Sheet

- Extremely low leverage – India Textile business has ‘Zero’ Long Term Debt
- QIP raised 46.7 crores in 2014

Strong Relationship with Worlds Largest Brands globally

- Relationships with brands like Hanes Brands, Gildan, Renfro, American & Efird, Delta Galil, Coats & Jockey
- Manufacturing presence in USA gives confidence to most of the major customers based out of USA

Product Innovations & Quality

- Consistent quality & wide range of products provided to customers across the geographies
- Over 150 moulds based on specifications provided by customers

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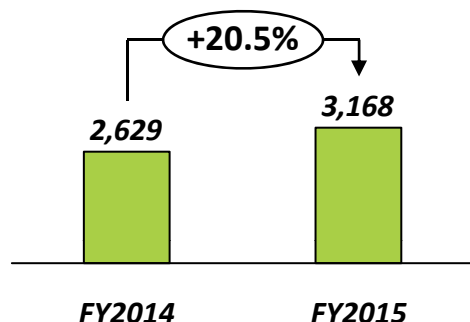
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Q4 FY2015 Highlights

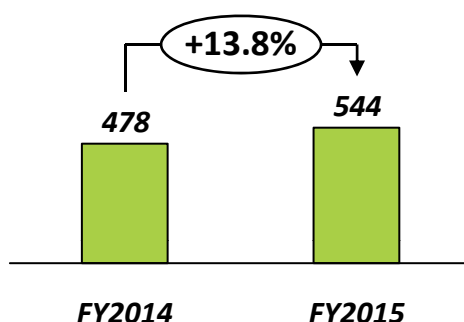
- Revenue of Rs. 794 mn, YoY growth of 11%
 - Revenue excluding US Operations were at Rs. 675 mn
- Gross Profit of Rs. 483 mn, margin 61%
- EBITDA of Rs. 151 mn, margin of 19%, impacted due to:
 - Capacity Utilization for the US Operations in the range of 30-35%
- PAT of Rs.112 mn, YoY growth of 80%
 - PAT excluding US Operations at Rs. 131 mn grew by 38%
- Cash PAT of Rs. 137 mn margin of 17%

Consolidated Performance Highlights

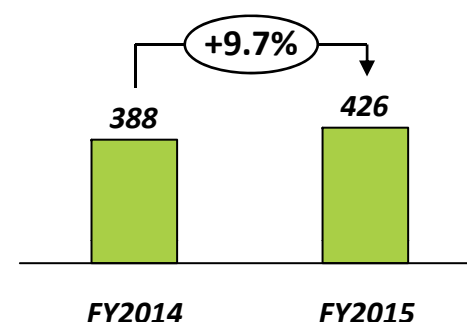
Revenue



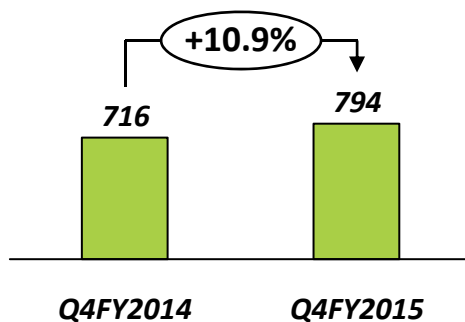
EBITDA



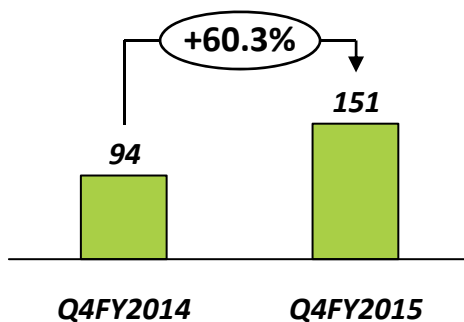
Cash PAT



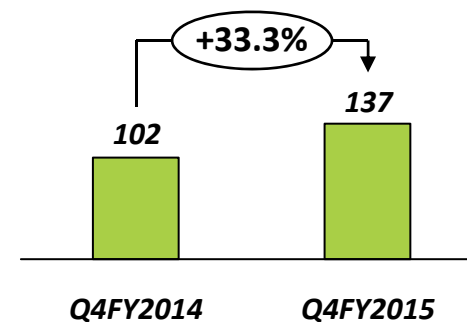
Revenue



EBITDA

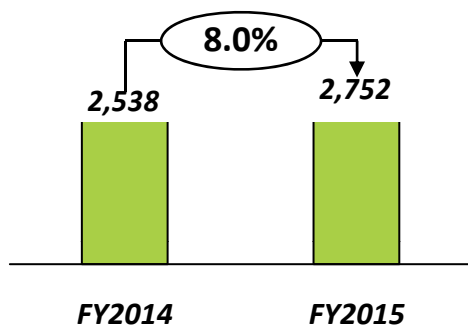


Cash PAT

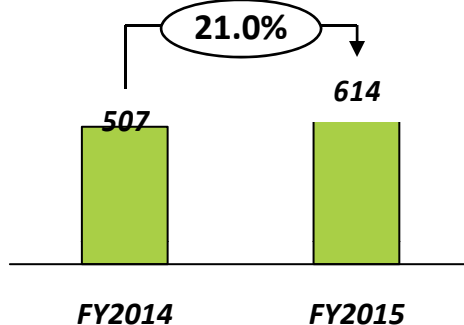


Performance Excluding US Operations

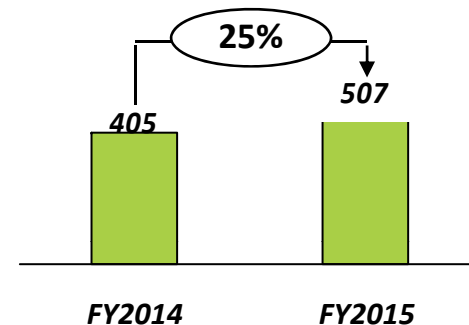
Revenue



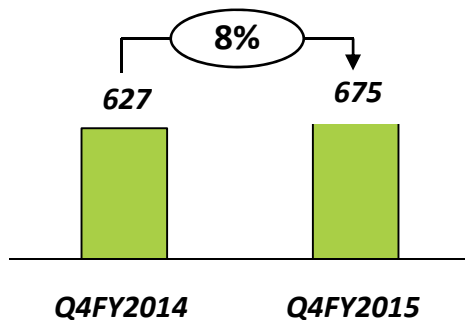
EBITDA



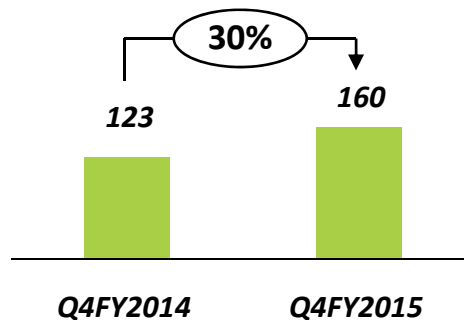
Cash PAT



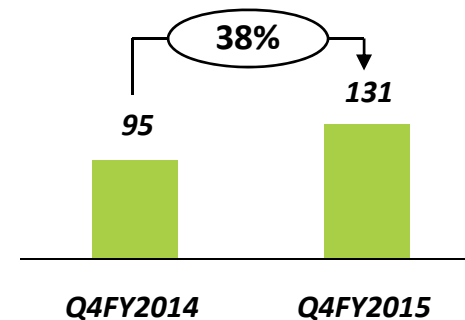
Revenue



EBITDA



Cash PAT

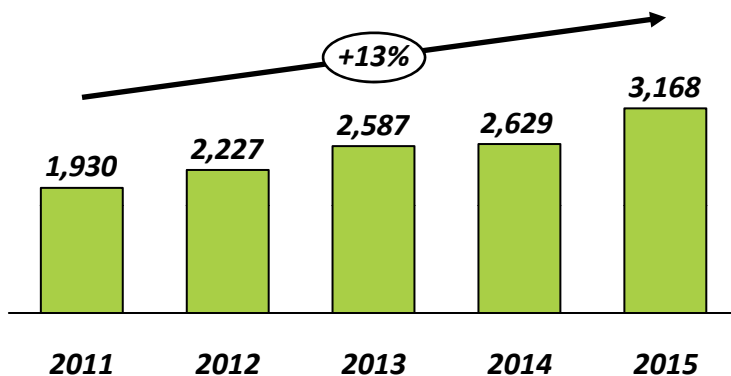


Profitability Statement

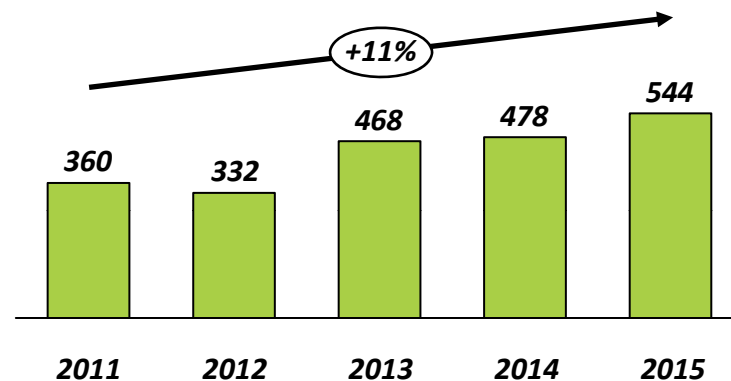
<i>Rs. In Millions</i>	<i>Q4 FY15</i>	<i>Q4 FY14</i>	<i>YoY</i>	<i>FY15</i>	<i>FY14</i>	<i>YoY</i>
Revenues	794	718	11%	3,168	2,629	21%
Raw Material	311	359		1492	1,379	
Manpower Cost	72	75		271	122	
Other Operating Expenses	260	190		861	650	
EBITDA	151	94	60%	544	478	14%
EBITDA Margin	19.0%	13.1%		17.2%	18.2%	
Other Income	40	37		69	78	
Depreciation	24	40		145	110	
Interest	12	12		64	69	
PBT	154	79	95%	404	377	7%
Tax	42	17		123	100	
PAT	112	63	80%	281	278	1%
PAT Margin	14.2%	8.7%		8.9%	10.6%	
Cash PAT	136	102	33%	426	388	10%
Cash PAT Margin	17.2%	14.3%		13.4%	14.7%	

Financials – Growth Story

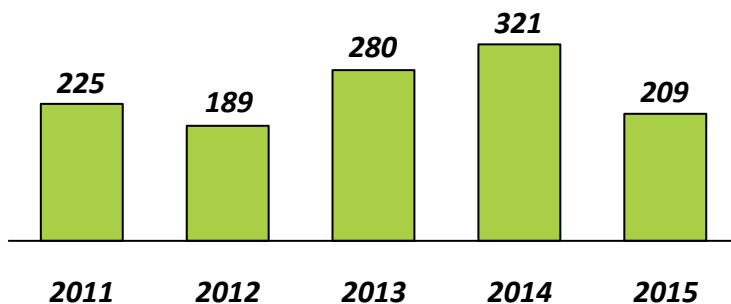
Revenues



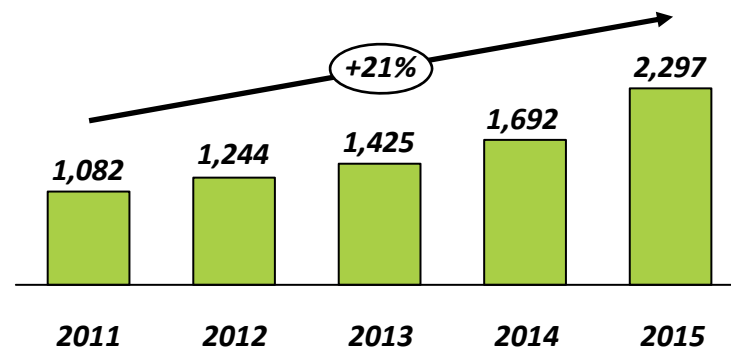
EBITDA



Profit After Tax – Impact of US operations



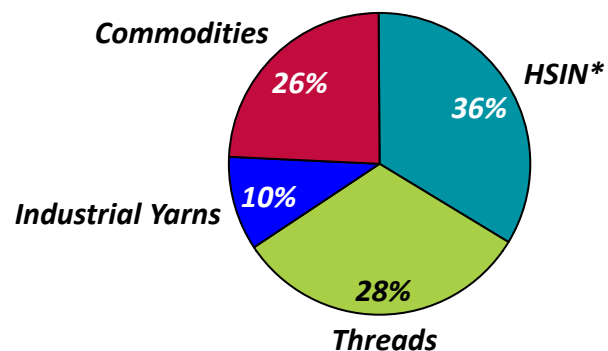
Networth



Rs. in Million

Financial Breakups

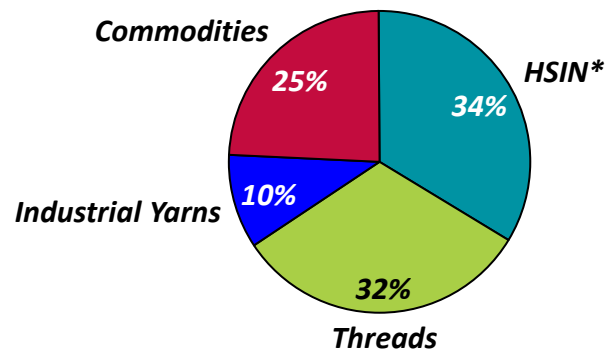
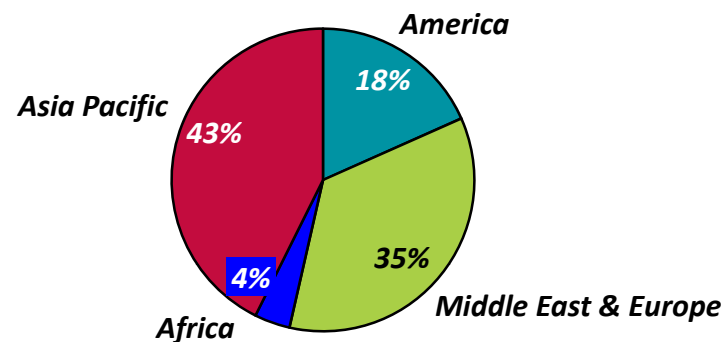
Segmental Breakup



2015

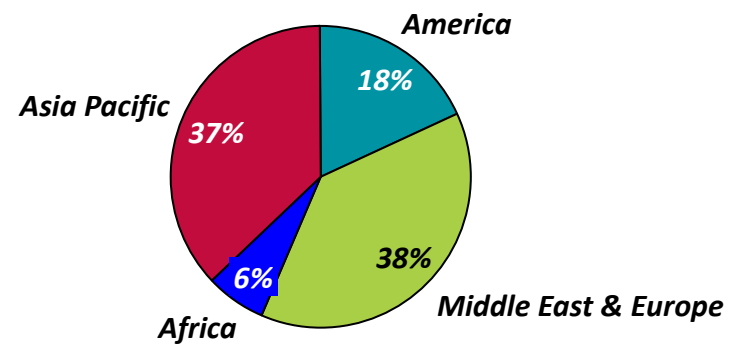
Total Revenue
Rs. 3,168 million

Geographical Breakup



2014

Total Revenue
Rs. 2,629 million

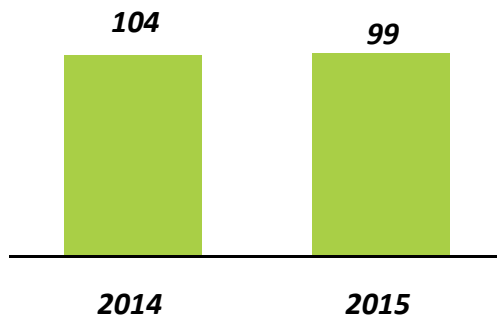


No Single Customer exceeds more than 15% of Revenue

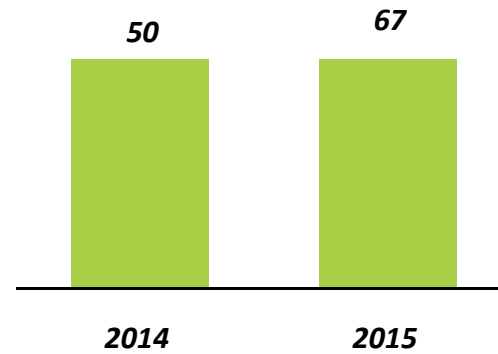
*Hosiery, Sports Wear, Innerwear, Narrow Fabrics

Working Capital Profile

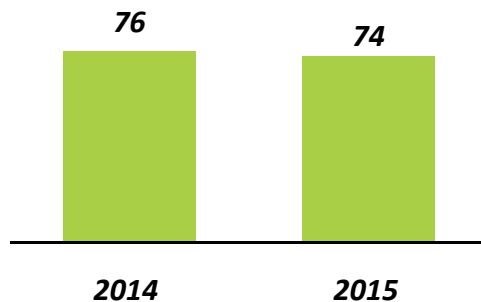
*Inventory Days (Sales)**



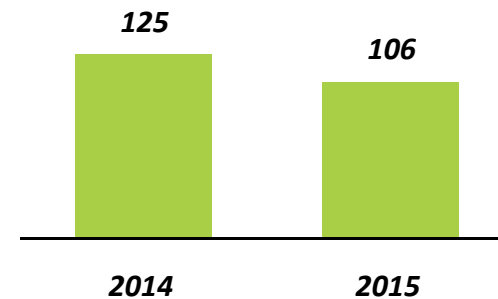
Creditor Days (Sales)



*Debtor Days (Sales)***



Net Working Capital Days



~95% of the Debtors are backed by Letter of Credit / Documents through banks

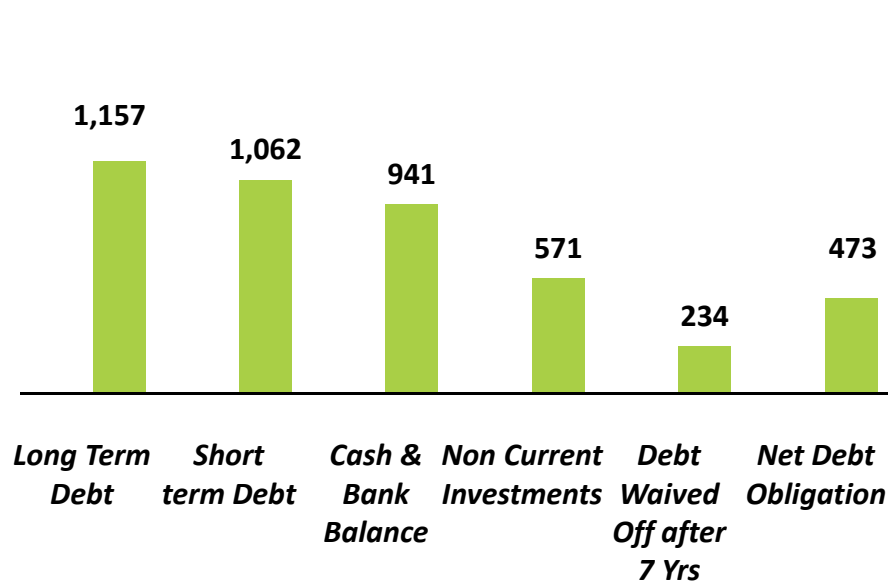
* Excludes Inventory held for Trading Sales

** Excludes Bill Discounting

Consolidated Debt & Finance Cost

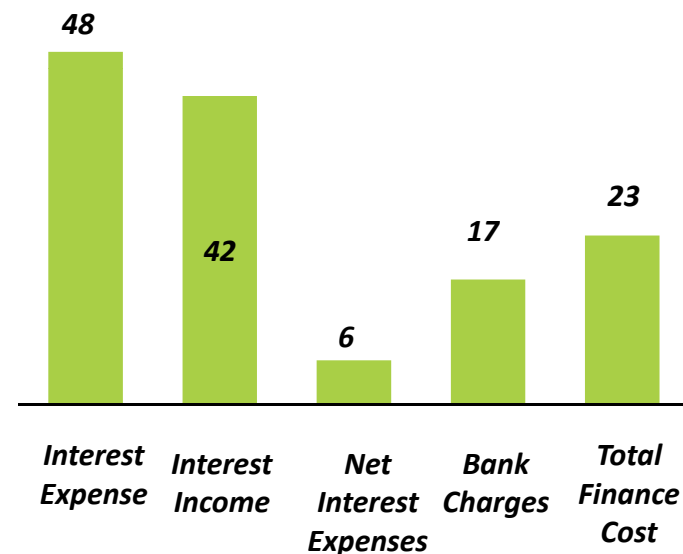
As at March 2015

Debt Structure*



* Excludes Bill Discounting

Finance Cost Structure

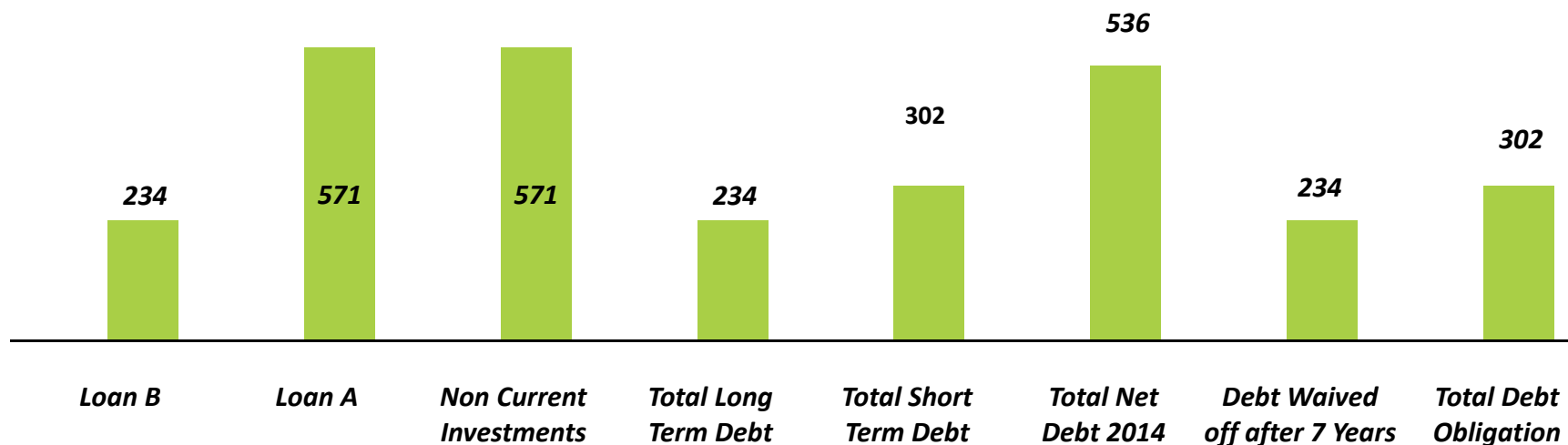


Fixed Deposit booked for the amount raised through QIP; Interest Income from the same will reduce Interest liability significantly

Rs. in Million

US Operations - Debt Structure

As at March 2015



- **New Market Tax Credit Structure** - The program provides 39% Tax Credit to the Lender for Loan Provided
- Net Debt of Rs 708 million includes:
 - Gross Debt: loan of Rs. 805 million (Loan A – Rs 571 million and Loan B – Rs. 234 million)
 - Investment: Rs. 571 million in USBCDC Investment Fund 8,LLC which is part of the Non-Current Investments
 - Short Term Foreign Debt: Rs. 302 million
- Debt of Rs 234 million is due to a '**new market tax credit**' transaction that we have done in the US which allows us fiscal incentives. As per the terms of this transaction, this debt will be waived after 7 years

Consolidated Profit & Loss account

<i>Rs. In Million</i>	<i>FY2015</i>	<i>FY2014</i>	<i>FY2013</i>	<i>FY2012</i>
Revenues	3,168	2,629	2,587	2,227
Raw Material	1492	1,379	1,376	1,211
Manpower Cost	271	122	53	44
Other Operating Expenses	861	650	690	635
EBITDA	544	478	468	332
EBITDA Margin	17.2%	18.2%	18.1%	14.9%
Other Income	69	78	8	13
Depreciation	145	110	82	81
Interest	64	69	44	30
PBT	404	377	350	235
Tax	123	100	71	46
PAT	281	278	280	189
PAT Margin	8.9%	10.6%	10.8%	8.5%

Consolidated Balance Sheet

<i>Rs. in Million</i>	<i>Mar-15</i>	<i>Mar-14</i>	<i>Mar-13</i>	<i>Mar-12</i>
Shareholders Fund	2297	1,692	1,425	1,244
Share capital	84	70	70	70
Reserves & Surplus	2214	1,622	1,355	1,175
Non-current liabilities	1336	1,475	548	189
Long term borrowings	1157	1,291	371	77
Other non-current liabilities	179	185	177	112
Current liabilities	1943	1,467	1,136	970
Short term borrowings	1218	742	701	548
Other current liabilities	725	724	435	423
Total Equity & Liabilities	5576	4,633	3,109	2,404
Non-current assets	2686	2,588	1,401	920
Fixed assets	1893	1,970	1,287	823
Non Current Investments	571	548	0	0
Long-term loans and advances	223	70	114	96
Foreign Currency Monetary Item	22	25	4	0
Minority Interest	3	0	0	0
Current assets	2864	2,021	1,704	1,484
Inventories	863	708	607	542
Trade receivables	796	756	584	645
Cash and bank balances	941	369	218	125
Short-term loans and advances	213	150	209	133
Other current assets	51	38	87	38
Total Assets	5576	4,633	3,109	2,404

For further information, please contact:

Company :

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CIN: L31909DN1993PLC0000562596

Mr. Mahendra Sheth, CFO & Company

Secretary

msheth@sarlafibers.com

www.sarlafibers.com
