Management Presentation

May 2016

Safe Harbour

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SARLA PERFORMANCE FIBERS

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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 **45** countries in **6** continents

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

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

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

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

    Maharashtra Satara (2MW), Sangli (4MW),

    Gujarat Vapi (1.25 MW)

    Madhya Pradesh Ratlam (3 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: 12%
  - EBITDA: 14%
  - PAT: 15%
- ~15% EBITDA margin consistently
- Operating cash flows prudently deployed back into the business
  - For enhanced productivity and efficiency

SARLA PERFORMANCE FIBERS

Key Milestones

1995 Started as a 100% Export Oriented Unit (EOU) & Manufacturing unit at Silvassa for Polyester Textured, Twisted Yarn

1996 Established an in-house dyeing plant in Vapi broadening the product offering to dyed yarns.

1997 Introduced 2nd core product : Nylon Textured, Twisted and Dyed Yarn

1999 Started with value added products : Air Covered, Rubber/Spandex Yarns

2004 Established 2nd manufacturing unit in Silvassa to house increasing production capacities

2005 High Tenacity Yarn Nylon 6 manufacturing unit started in Silvassa

2006 1st overseas JV Savitex S.A. de C.V. in Honduras, Central America

2007 Expanded Capacity by adding 2 new building units at Silvassa

2009 Established Marketing subsidiary in Portugal, Sarla Europe LDA

2013 Setup 100% US subsidiary - SarlaFlex LLC,(South Carolina) for the markets of USA and neighbouring countries
Pilot Plant for Nylon 66 high tenacity yarn

2014 SarlaFlex LLC commenced operations

2015 Raised Rs. 46.69 Cr by Placing Equity Shares at premium of Qualified Institutional Buyers (QIBs)

2016 Liquid Assets of the Company crossed Rs. 100 Crore Mark

Management Team

Madhusudan Jhunjhunwala
Chairman & Whole Time Director

Krishnakumar Jhunjhunwala
Managing Director & CEO

- 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

- 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

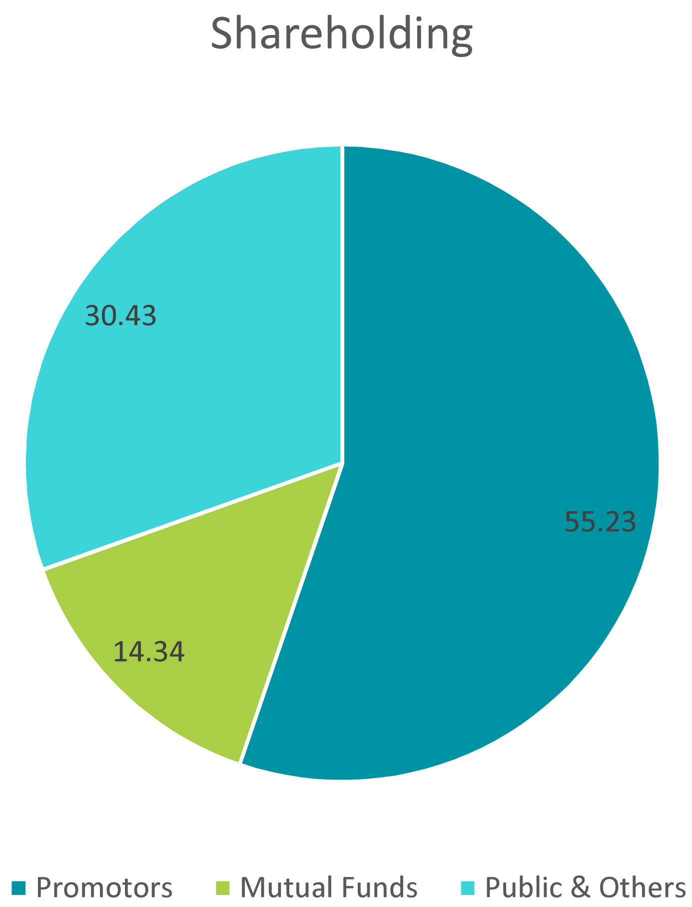
Ms. Neha Jhunjhunwala — ***Director***

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

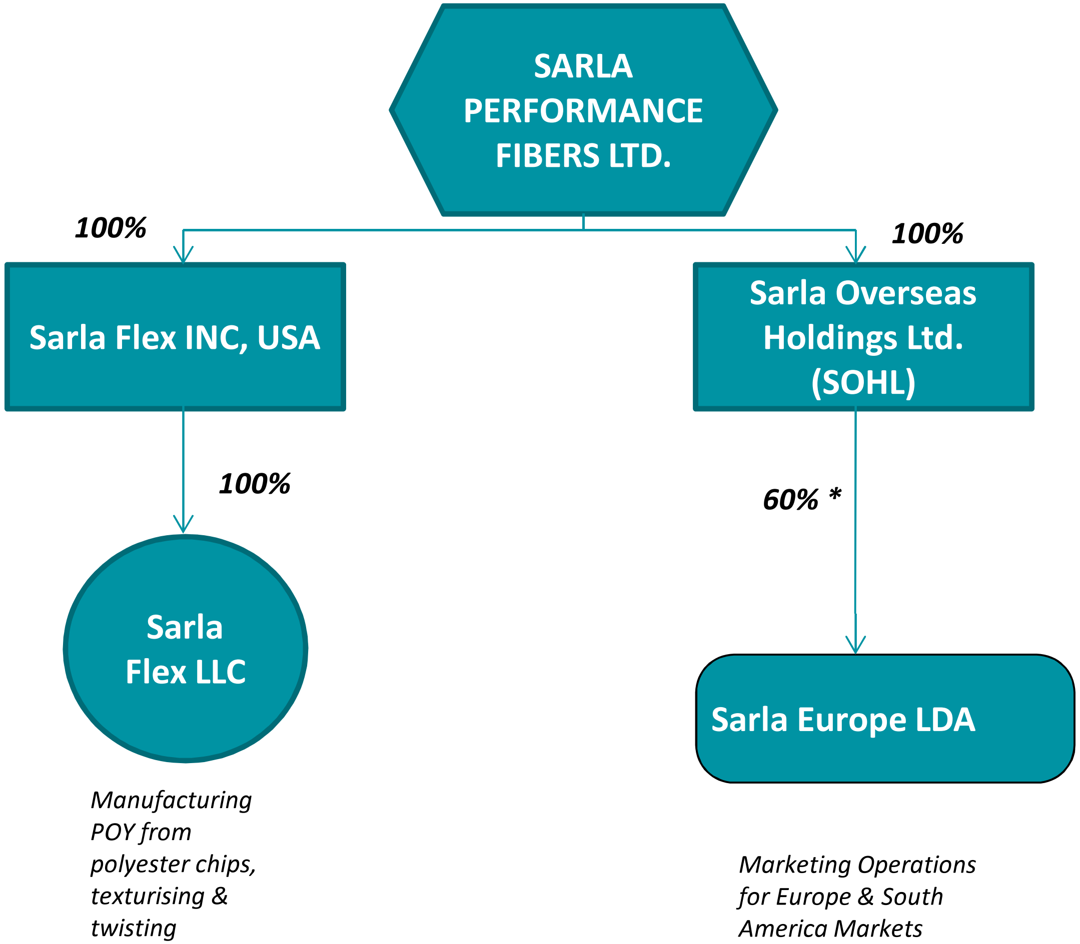
Mr. Mahendra Sheth — ***CFO & Company Secretary***

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

Shareholding as at 31st March, 2016

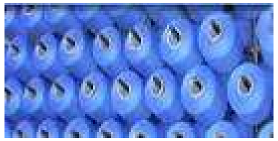


Overview Of Key Subsidiaries



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

Key Products

	Textured Polyester Yarn	Bulklon	Textured Nylon Stretch Yarns	Textured Sewing Thread	Covered Yarn	High Tenacity Yarn
						
Key Raw Material	*POY (Partially Oriented Yarn)*	*POY (Partially Oriented Yarn)*	*POY (Partially Oriented Yarn)*	*POY (Partially Oriented Yarn)*	*POY (Partially Oriented Yarn)*; ➢ *Lycra* ➢ *Spandex* ➢ *Rubber*	➢ *Chips* ➢ *FDY (Fully Drawn Yarn)*
Location	*Silvassa*; *South Carolina, USA*	*Silvassa*	*Silvassa*	*Silvassa*	*Silvassa*	*Silvassa*
End User Industry	Sewing Thread, Furniture Upholstery, Automotive Upholstery, Narrow Fabrics and Tapes, Circular and Flat Knitted products	Narrow Fabrics and Hosiery applications	Active Wear, Swim Wear, Narrow Fabrics, Tapes, Hosiery, Undergarments, Furniture Upholstery, Automotive Upholstery	Apparel, Swim wear, Lingerie, Fleece Goods, Towels & Washcloths, Table Cloths, Placemats, Sheets & Pillow Cases	Narrow tapes, Hosiery, Lingerie, Seamless Knit wear, Medical Bandages, Knitted and Denim fabrics	Automotive seat belts & trims, air bags, upholstery, dress, casual & athletic footwear, leather goods, soft luggage

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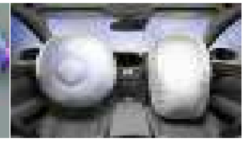
- *Company Overview*
- **India Operations**
- *Overseas Operations*
- *Growth Plans*
- *Financials*

High-End Application products produced in India

Raw Materials	*Processes & Products*		*Applications*
Polyster POY  *Nylon POY*	*Texturising*  *Twisting*	*Texturised Yarn*  *Twisted Yarn*	  *Threads, Hosiery, Elastics, Medical Bandages*
 *Nylon Chips*	 *Extrusion*	*Fully Drawn Yarn*  *Nylon 6 & Nylon 66*	  *Parachutes, Shoes, Seat Belts and Car Airbags*
High Tenacity Polyester Nylon 6	*Twisting*	*High Tenacity Nylon & Polyester*	*Fishing Nets, Twines ,Filter Fabrics & Industrial Applications*
Lycra/ Spandex/ Rubber, Texturised Polyester / Nylon	*Covering*	*Covered Yarn*	*Socks, Hosiery, Elastics, Innerwears*

Manufacturing Facility - India

Silvassa

12 KM distance between facilities

Vapi

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

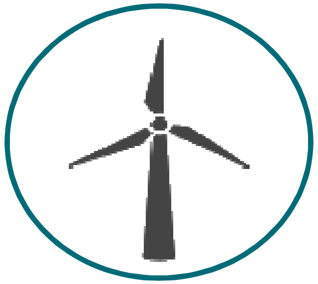
Vapi – Facility Highlights

- 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

Place	*Year Of Commissioning*	*Capacity (in MW)*
Baradiya, Gujarat	2010	1.25
Satara, Maharashtra	2011	2.0
Sangli, Maharashtra	2012	4.0
Ratlam, Madhya Pradesh	2016	3.0
Total Installed Capacity		*10.25*

Captive Use for Dyeing facility in Vapi

Agreement for Power Procurement with private entities

Sale to MP Board, PPA for 25 Years

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%*

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Overseas Subsidiaries

Sarla Overseas Holdings Ltd. (SOHL)

60%

Sarla Europe LDA, Portugal

- Entered in joint venture in 2009
- Operates as a marketing subsidiary in Portugal
- Services customer requirements of European & South American Region

SarlaFlex INC

100%

SarlaFlex LLC

- Subsidiary of Sarla Performance Fibers Ltd. (SPFL)
- In 2013, SPFL entered US markets through SarlaFlex LLC
- Installed capacity of 9,900 TPA for POY and 4,400 TPA for Twisted Yarn
- Duty free benefits on goods manufactured inside the US as per NAFTA & CAFTA

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

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

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***

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 ***Processes & Products*** ***Applications***

Polyster chips

Texturising

Twisting

Texturised & Twisted Yarn

Solution Dyed Yarn

Fabrics/ Elastics, Mattress Ticking Apparel & Industrial Application

Global Presence

- Exports to over 40 countries across 6 continents
- Subsidiary operations in USA & Portugal
- Distribution centres in Thailand & Vietnam

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Growth Drivers

- Optimisation of US Facility by increasing current capacity utilisation from ~30% to 100% going forward.
- Expand the Installed Capacity of Partially Oriented Yarn (POY) from the Current 9,900 TPA to 18,150 TPA by 2019.
- Set up Manufacturing capability of Fully Drawn Yarn with initial installed capacity of 1,980 TPA and gradually increase it to 3,960 TPA by 2019.
- Expansion of the Nylon 66 capacity at Silvassa from the current 1.5 TPD to 6 TPD with an incremental capex of ~ INR 100 Million
- Cater to sectors like Audomobiles which requires enhanced applications of specialised yarn in headlines and others.
- Targeting an increased wallet share from the existing customers.

Opportunity in other Markets & India

- Nylon 6.6 in India – to breakthrough with existing key customers and replace current imports into India.
- Uniquely positioned to gain market share in both Polyester and Nylon Fibres through its global business strategy and product offering.
- Growing opportunity in the South American market through Portugal subsidiary.
- Investments made to manufacture new products in India and US to cater to the growing demand.
- With the prevalence of Technical Textiles for Industrial appliances in India, the demand drivers for company’s product would get further strengthened in next few years.

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

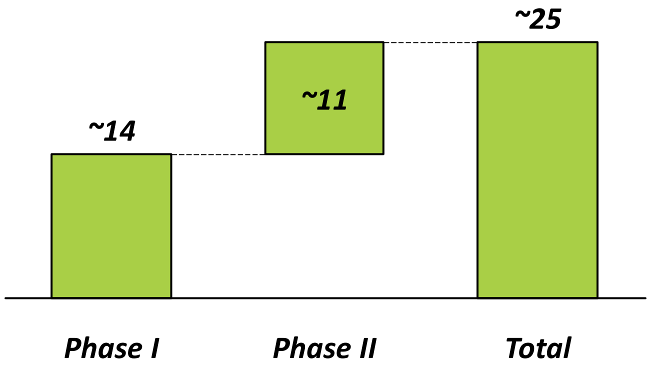
US Facility – Expansion Plan

Further Expansion Of South Carolina Facility

Expansion → **POY** → **9,900 TPA** *Current capacity* → **~18,000 TPA** *Capacity by 2019*

New Product addition – Flat Yarn

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 Rs. 46.7 crores in 2014
- Liquid Assets of Over Rs. 100 crores

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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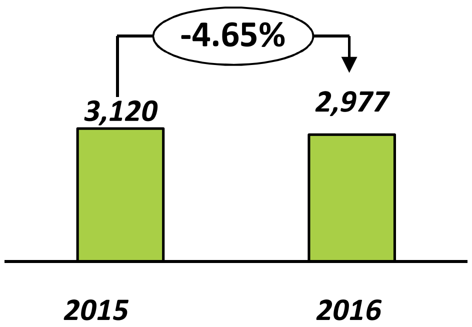
FY2016 Highlights

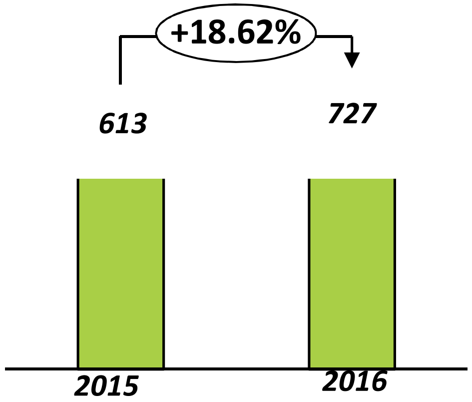
- Revenue of Rs. 2977 mn
- Gross Profit of Rs. 1752.40 mn, margin 59%
- EBITDA of Rs. 727.26 mn, margin of 24%,
- PAT of Rs. 450 mn, YoY growth of 61%
- Cash PAT of Rs. 604.99 mn margin of 20%

Consolidated Performance Highlights FY16

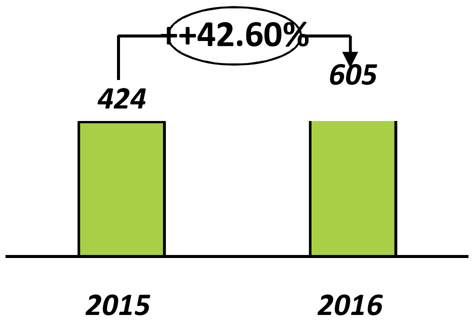
Revenue



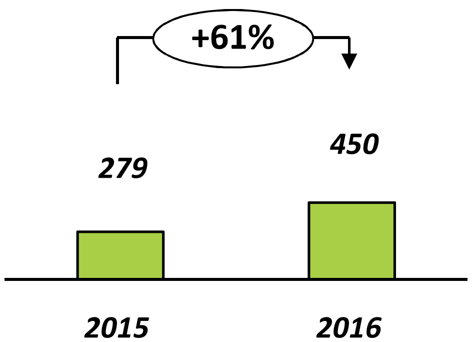
EBITDA



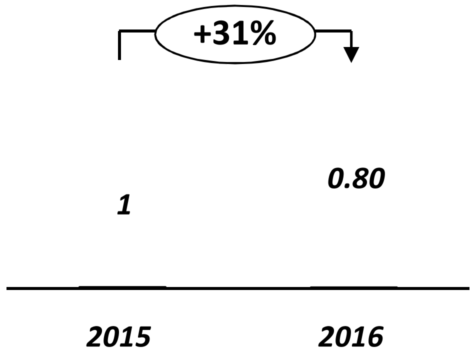
Cash PAT



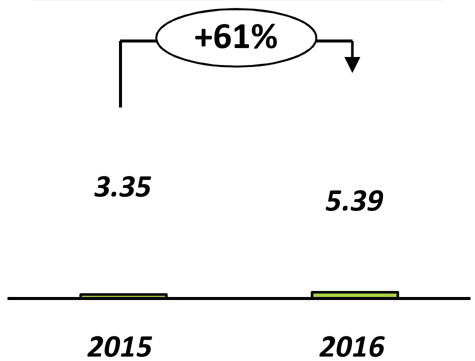
PAT



Dividend Per Share



EPS



Rs. in Million (except Dividend and EPS)

Profitability Statement

Rs. In Millions	*FY16*	*FY15*	*YoY*
Revenues	***2977***	***3120***	***-4.62%***
Raw Material	1224	1492	
Manpower Cost	215	271	
Other Operating Expenses	940	861	
EBITDA	***727***	***613***	***19%***
EBITDA Margin	***24%***	***20%***	
Other Income	131	117	
Depreciation	155	145	
Interest	65	64	
PBT	***508***	***404***	***26%***
Tax	57	123	
PAT	***450***	***279***	***61%***
PAT Margin	***15%***	***9%***	
Cash PAT	***605***	***424***	***43%***
Cash PAT Margin	***20%***	***14%***	

Ratio Analysis

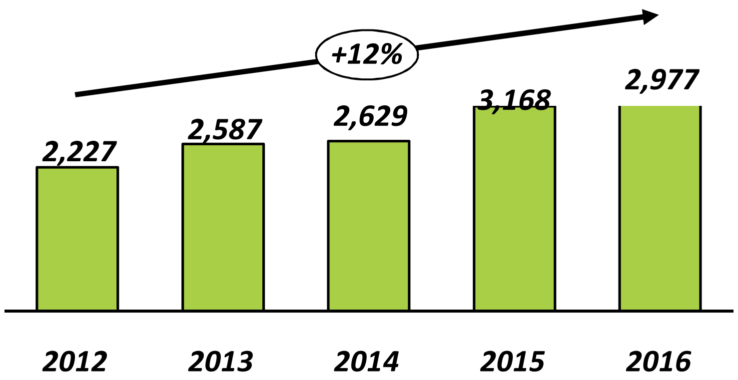
Key Ratios	201203	201303	201403	201503	201603
Debt-Equity Ratio	0.52	0.80	1.38	1.13	1.02
Long Term Debt-Equity Ratio	0.08	0.31	0.94	0.60	0.61
Current Ratio	1.56	1.53	1.50	1.49	1.55
Turnover Ratios					
Fixed Assets Ratio *	1.87	1.86	1.27	1.19	2.13
Inventory Ratio *	4.31	4.47	3.37	4.18	3.21
Debtors Ratio *	3.7	4.43	3.91	4.16	3.82
Interest Cover Ratio	7.9	8.06	6.50	7.35	8.85
PBIDTM (%)	14.77	18.40	20.54	18.94	24.43
PBITM (%)	11.33	15.22	16.48	14.46	19.24
PBDTM (%)	13.5	16.72	18.01	16.95	22.26
ROCE (%) *	15.72	17.47	13.53	10.51	10.11
RONW (%) *	16.25	20.96	17.81	14.00	18.33
Debtors Velocity (Days) *	99	80	93	88	114
Creditors Velocity (Days) *	78	40	67	73	85

* Annualised

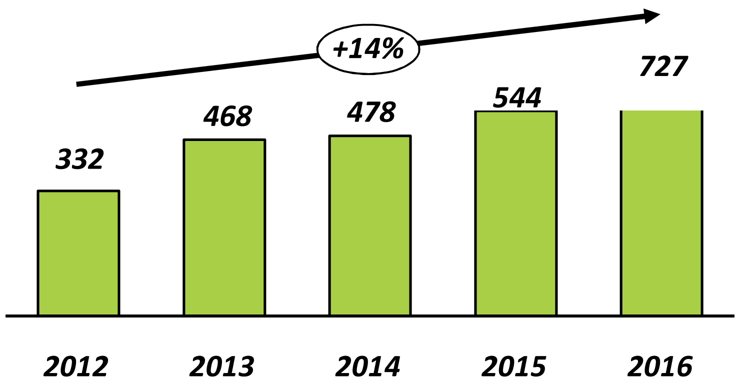
Financials – Growth Story

*2016 Figures are Annualised

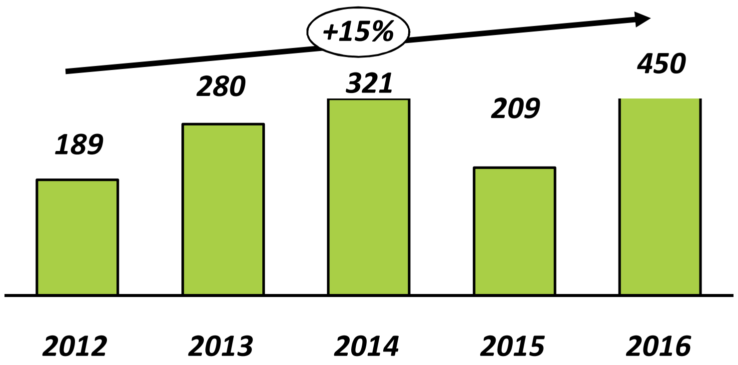
Revenues



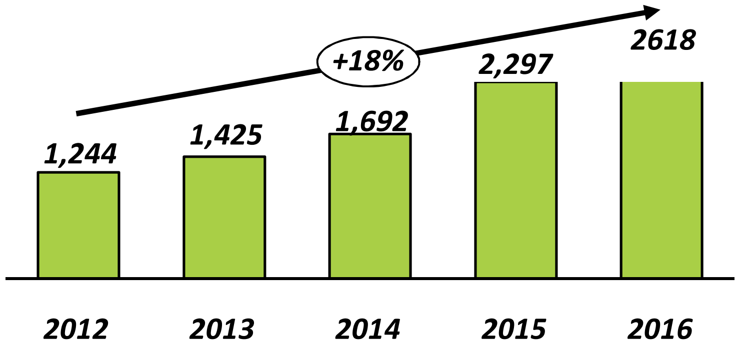
EBITDA



Profit After Tax



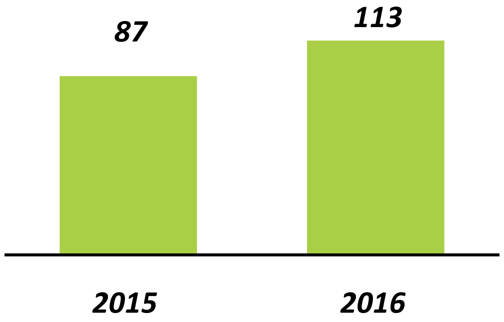
Networth



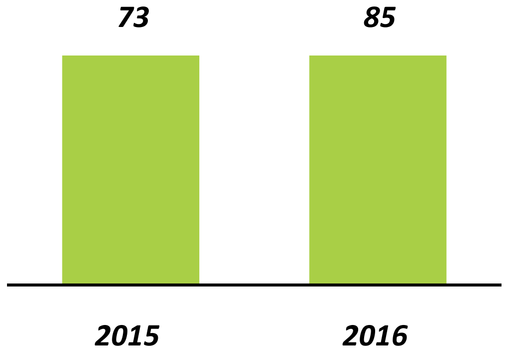
Rs. in Million

Working Capital Profile for FY16

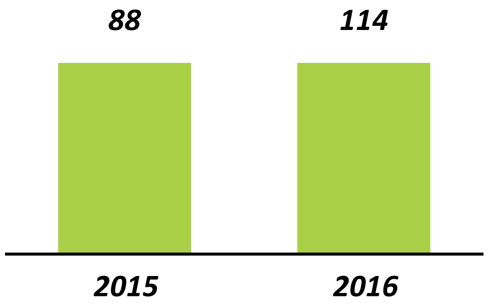
Inventory Days (Sales)



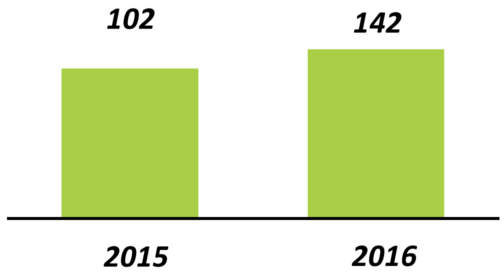
Creditor Days (Sales)



Debtor Days (Sales)



Net Working Capital Days



For further information, please contact:

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