Vardhman Textiles Ltd

Corporate Presentation
June 2014

Vardhman Textiles Ltd. (VTL)– an overview

- **VTL is the largest listed, integrated textile manufacturing company in the Country**
  - VTL has a strong position in the Indian textile sector in the manufacturing of fiber, yarn, sewing thread and fabrics
  - Now also into garment manufacturing through a collaboration with Nisshinbo, Japan with production started in Mar 2011
  - VTL and its subsidiaries have 20 manufacturing facilities across India and employ ~25,000 people
- **VTL is a market leader in its various product offerings**
  - VTL and its subsidiaries is the largest listed yarn manufacturer in India with a capacity of more than 1.00 million spindles including 7188 rotors.
  - The leading manufacturer & exporter of cotton yarn in India and leading manufacturer of piece dyed fabric.
  - The 2nd largest producer of sewing threads and the market leader in hand knitting yarn in India
- **Global alliances**
  - VTL has forged global alliances with leading textile companies such as American & Efird (A&E) Inc USA, Marubeni, Japan and Nisshinbo, Japan
- **Key Financials (Consolidated)**
  - FY14: Revenues – Rs. 62,403.5 Mn (US$ 1.04 Bn); EBITDA – Rs. 15,371.7 Mn (US$ 256.19 Mn); PAT – Rs. 7,684.7 Mn (US$ 128.08 Mn); PAT (after minority int.) – Rs. 7,183.5 Mn (US$ 119.73 Mn)

All currency conversions in the presentation has been done at 1 US$ = INR 60

VTL – Group Structure

Vardhman Textiles Limited (VTL)
1973
Yarn, Fabric
Revenue: Rs. 52,253.7 mn (US$870.89 Mn)
Listed on BSE, NSE

	Vardhman Yarns & Threads Ltd (VYTL)	Vardhman Acrylics Limited (VAL)	VMT Spinning Co. Limited (VMT)	VSS Ltd	VNG Co. Ltd.
VTL Stake	51%	70%	89%	31%	51%
Business	RMG / Industrial / Speciality Threads	Acrylic Staple Fibre	100% Cotton Yarn	Special Steels	Garments
Capacity	41 tpd threads 71k spindles (captive)	20,000 tpa	46,320 spindles	Melting 120,000 tpa Rolling 150,000 mtpa	1.80 mln pieces
Revenue	Rs. 6,577 mn (US$ 110 Mn)	Rs. 4,891 mn (US$ 82 Mn) *	Rs. 1,591 mn (US$ 26 Mn)	Rs. 5,797 mn (US$ 97 Mn)	Rs. 371 mn (US$ 6.18 Mn)
Collaborations	A&E, USA	-	Marubeni, Japan	-	Nisshinbo, Japan
Market Status	Unlisted	Listed on NSE & LSE	Unlisted	Listed on BSE & NSE	Unlisted

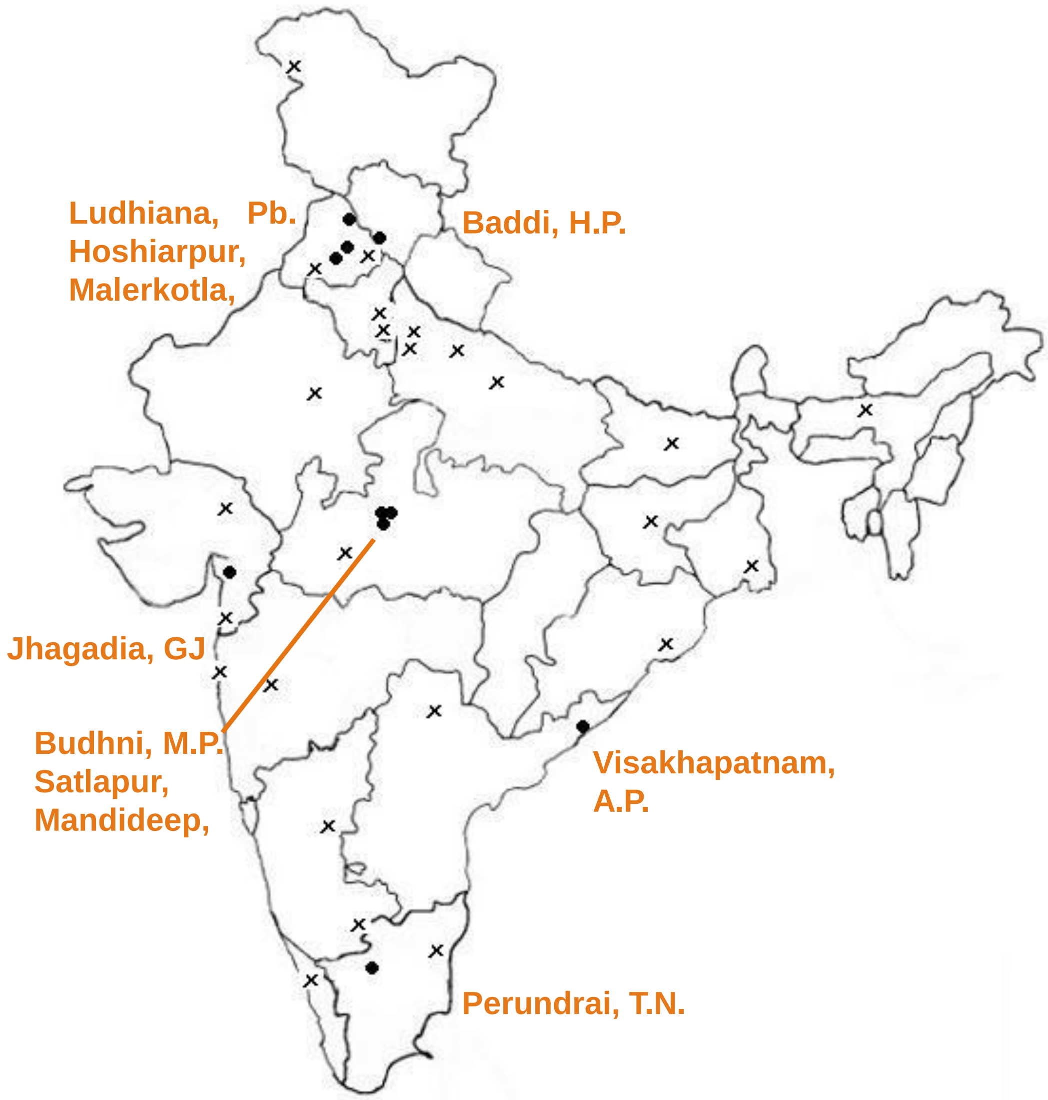
** Including Trading Turnover Rs. 1339.7 million*

Group also has two investment companies VTL Investment Ltd and Vardhman Holdings Ltd. other than the above companies, out of which Vardhman Holdings Limited is a listed company.

Vardhman Textiles Ltd. – Core Competencies

- Cotton Procurement Policy
- Employee Engagement & Culture of innovation
- Economies of scale and Operational Efficiencies
- Customer Oriented approach
- Focus on diversified and Value added products
- Technology up gradation and continuous process improvement
- Integrated Business
- Financial Strength
- Strong Credit Rating

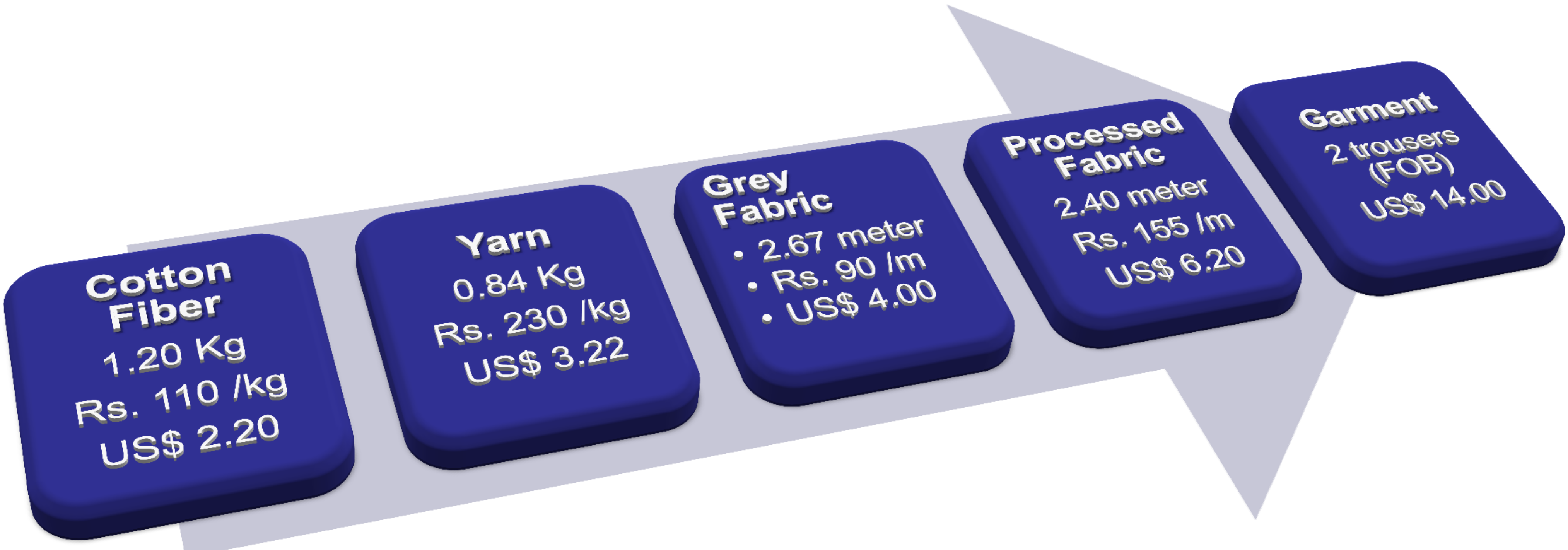
Manufacturing Facilities & Capacities



Yarn	• 1 Million Spindles
Fabric	• 1320 Looms
Processing	• 110 MMPA
Acrylic Fiber	• 20,000 TPA
Dyeing	• 71 TPD
Sewing Threads	• 39 TPD
Steel	• 120,000 TPA (Rolling and Billets)
Garments	• 1.80 Million Pieces PA
Power Plant	• 50 MW

× Offices • Manufacturing Facilities

Textiles Value Additions Through Supply Chain

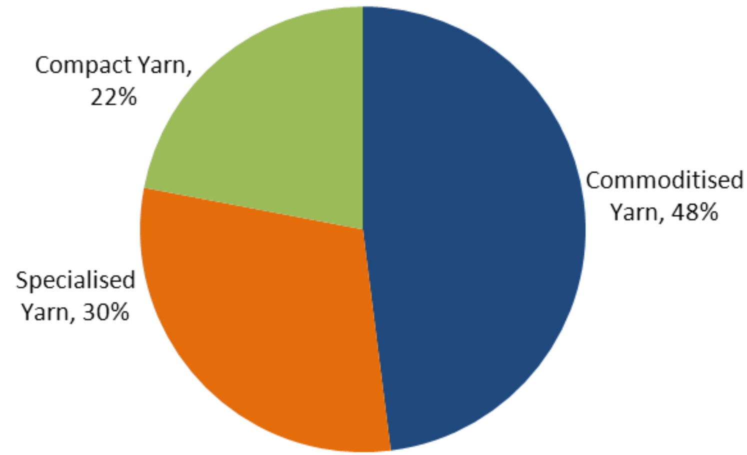


- Yarn: 30 combed yarn
- Fabric: Twirl bottom weight fabric

Exchange Rate: Rs 60/$

Yarn Business – 57% Revenue Share

- The largest spinning capacities in the country with > 1.00 MN spindles
- 12 production plants located in the states of Punjab, Himachal Pradesh and Madhya Pradesh
- Technical tie-ups with the well recognized global corporate’s from Japan and Korea.
- De-risked business through value added and specialized products
- A third of the total yarn production is exported, a third is sold domestically and remaining third is used to feed the captive looms.
- Focus on automation and to further diversify customer base.



Value Added Products	
Compact Yarn	Fibre Dyed
Cotton Lycra	Gas Mercerized
Melange Yarn	Fancy Yarns
Cotton Dyed	Slub Yarns
PC Yarn Dyed	Acrylic Yarns
Yarn Dyed	Hand Knitted Yarns

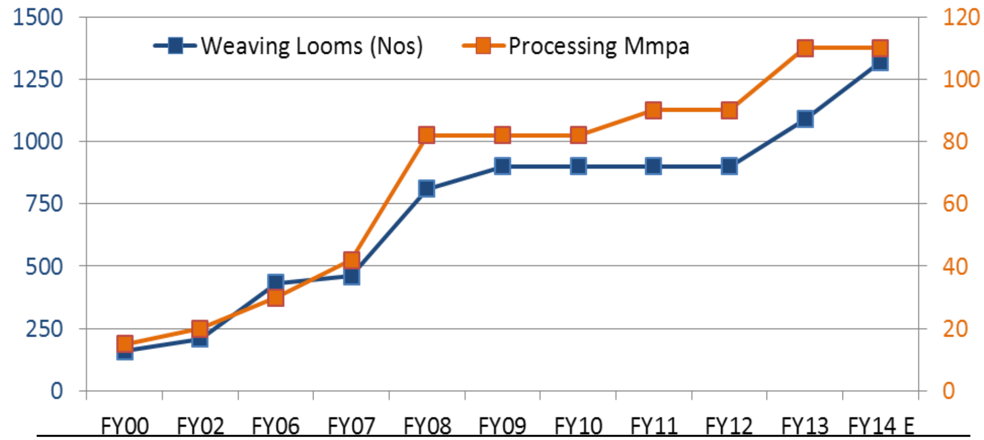
Specialized Products	
Cotton Lyocell	Cotton Silk
Cotton Bamboo	Cotton Modal
Cotton Tencel	Cotton Viscose

Environment Friendly Products	
Organic Cotton	Fair Trade Yarn
Contamination Free Yarn	

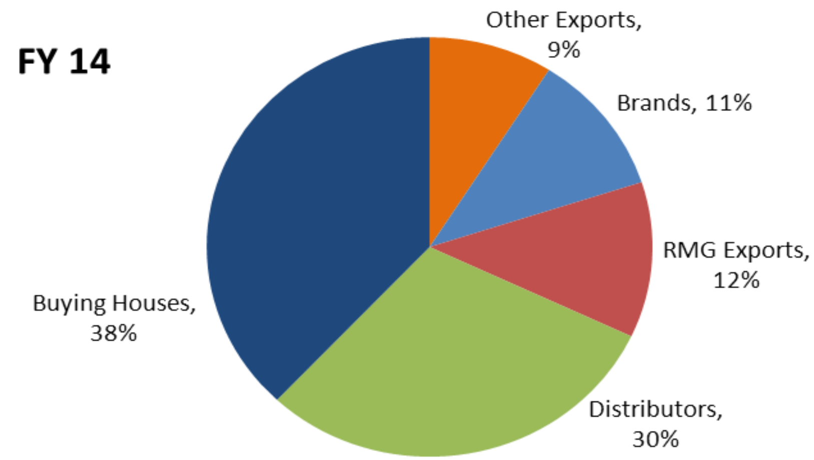
Fabrics Business – 25% Share

- Continuing its onward march up the value chain, the group entered Fabric business in 1992 with Greige Fabric and Processed Fabric in 1999.
- Current capacity is 1320 looms & 110 million meters of processed fabric per annum
- One of the few fully integrated fabric suppliers in the country and largest producer of stretched fabric.
- Producing wide variety of fabrics for Tops & Bottoms for Men, Women and Children.
- Doing specialized finishes like Liquid Ammonia, Teflon / Nanocare (oil & water repellent), ETI etc.
- Exports composes about 34% of the Fabric revenue.
- Customers include large international and domestic brands like GAP, H&M, Uniqlo, S'Oliver, Benetton, Van Heusen, Peter England, Wills, Etc.

Weaving and Processing capacities have expanded in tandem



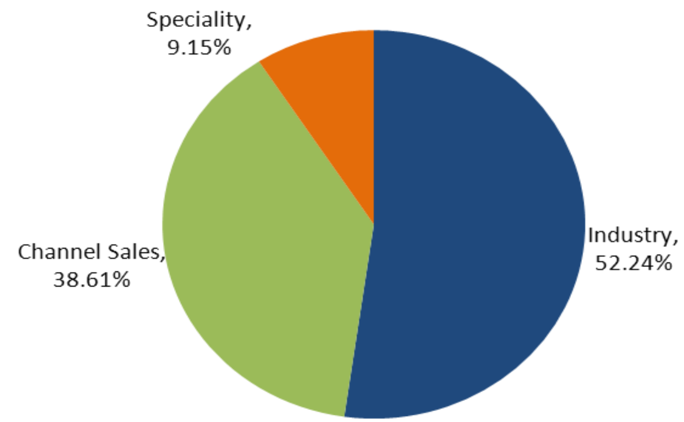
Segment sales are dominated by buying houses & distributors



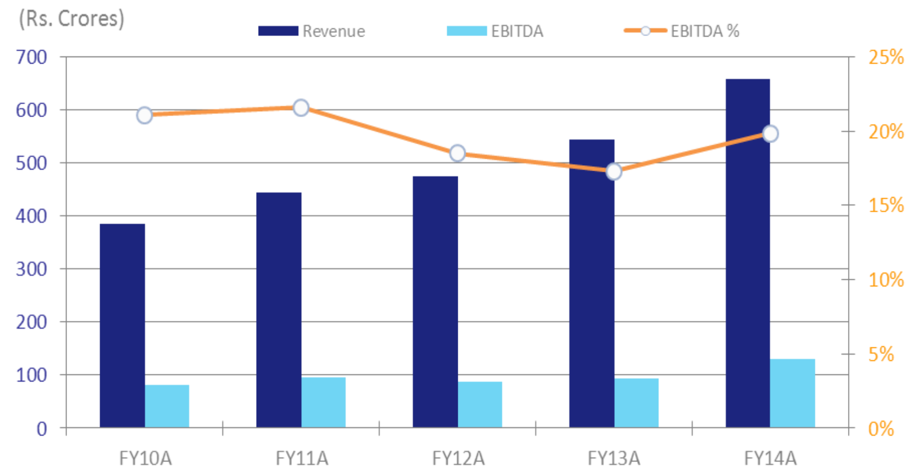
Sewing Thread Business – 9% Share

- The Group entered the Thread business in 1982 as a forward integration to its Yarn business
- Current capacity is 41 tpd across 5 plants at Punjab, Tamil Nadu & Himachal Pradesh
- In 2002, entered into a strategic alliance as a licensee with American & Efird, Inc. USA (A&E) for manufacturing & distribution of A&E branded sewing threads in India
- Spun off the Threads business into a new company (Vardhman Yarns & Threads Ltd) in 2008 and entered into a 51:49 Joint Venture with A&E
- Post creation of JV, increased the production capacity for core spinning & filament threads with A&E's quality parameters
- Currently Vardhman owns the 2nd largest brand of specialized threads in the country

Segmental Sales – Industry & Channel sales > ~ 90%



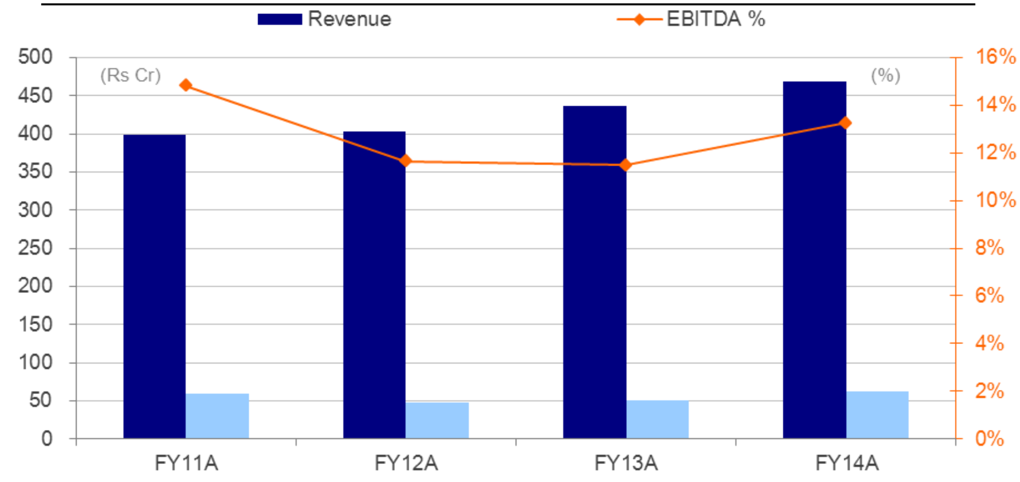
Healthy margin in a less crowded market



Acrylics Fibre Business – 6% Share

- Ventured into manufacture of Acrylic Staple Fibre in 1999 - Vardhman Acrylics Limited (VAL)
- The plant was set up in Gujarat, in collaboration with Marubeni & Japan Exlan of Japan.
- Current capacity is 20,000 mtpa
- World class wet spun technology with highly automated, microprocessor controlled systems
- Products are marketed under the brand name VARLAN©
- It is used in manufacturing of hand knitted yarns, blankets, jerseys, sweater, saris, upholster, carpets etc.
- VAL is a Debt Free Company with cash reserves of about Rs. 190 crores.

Fibre business



Steel Business

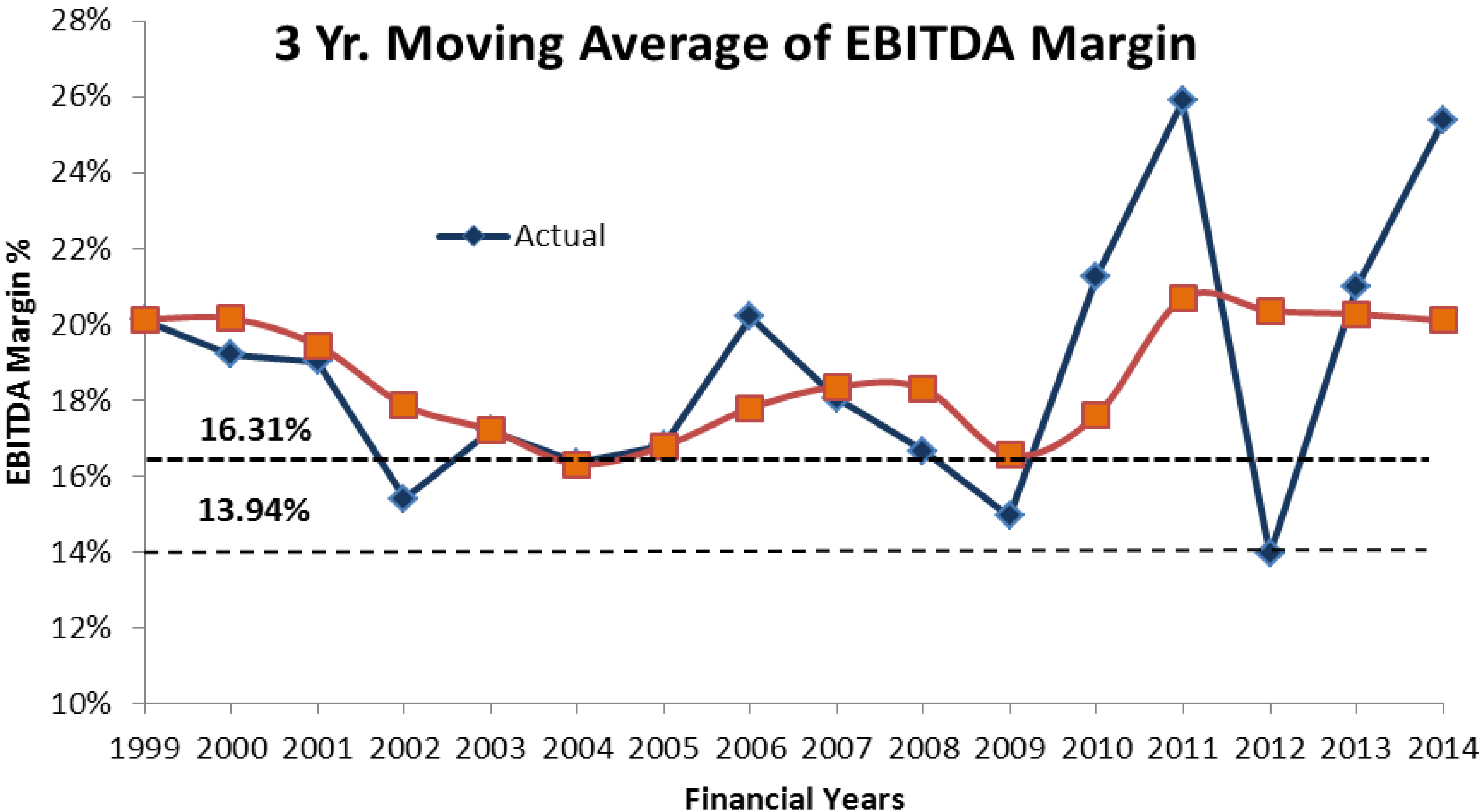
- Started Steel business in 1972 as a diversification strategy, with capacity of 35,000 tpa.
- Current Production Capacity: 120,000 tpa
- Caters to high technology quality conscious special & alloy steel segment
- Application of round products in automotive components, forging, ball bearings, piston pins, engineering applications, railways, defense etc.
- Preferred supplier to leading OEMs like Maruti-Suzuki, Hero Moto Corp., Toyota, Bajaj and Hyundai among others
- Focus on value addition.

Garments Business

- Started Garments business in 2010 as a forward integration strategy in a JV with Nisshinbo Textiles Inc. for production of shirts in Ludhiana, Punjab with Vardhman Textiles holding 51% stake.
- Installed Production Capacity: 1.8 MN pieces per year. Current Capacity of 0.9 MN pieces.
- The Shirts will be sold in India as well as exported to US, Europe & Japan.
- Vardhman is producing yarns & fabric and will perform liquid ammonia processing with technology cooperation from Nisshinbo.
- Initial Production is being sold in domestic market only.

Financials

Financial highlights



Financial highlights (continued)

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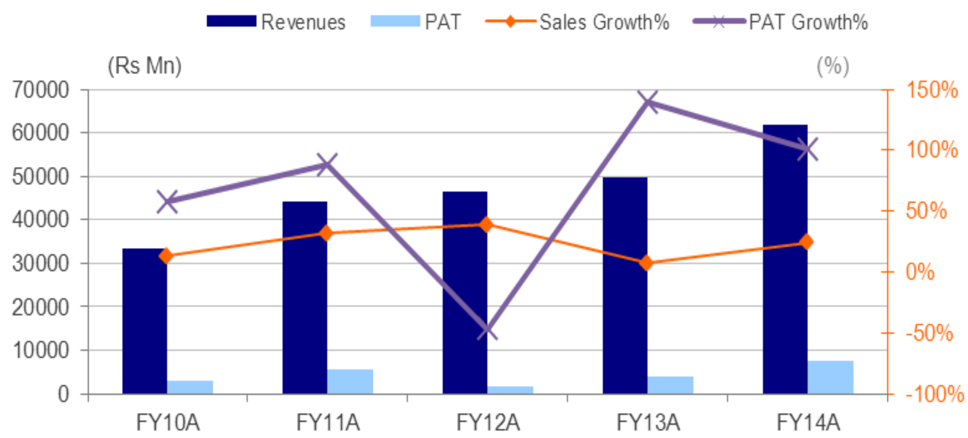
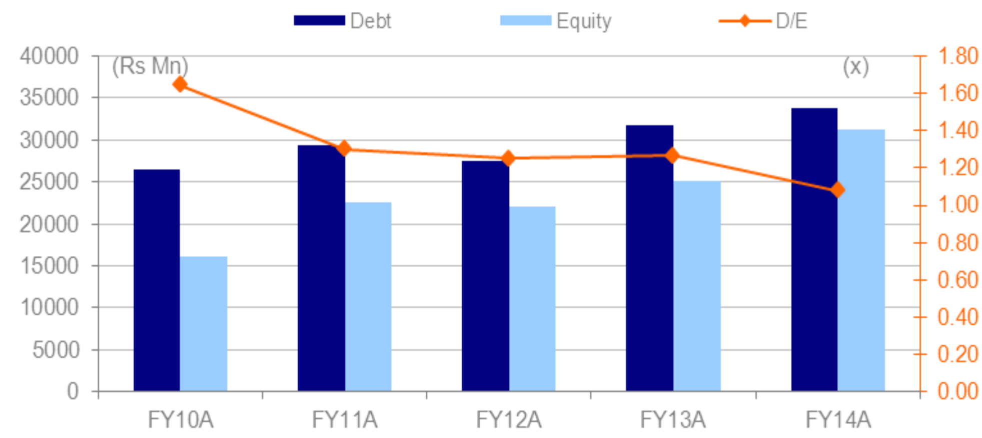
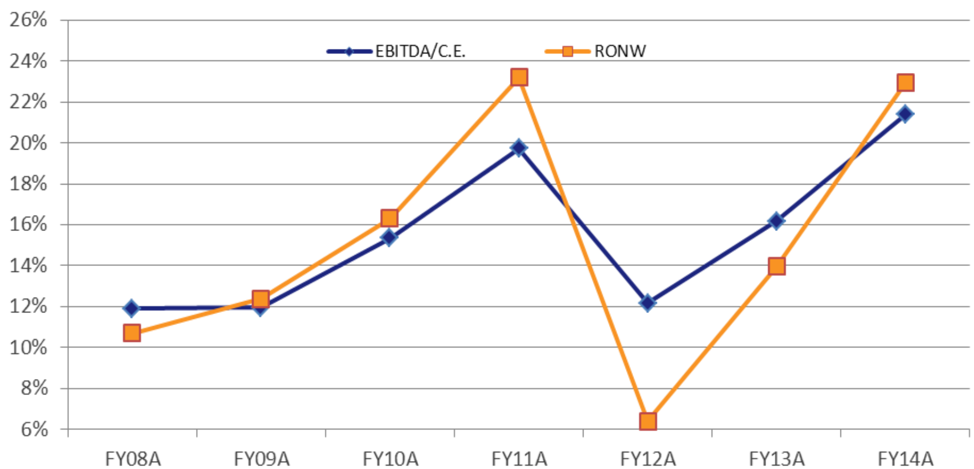
Bottom line growth over the years



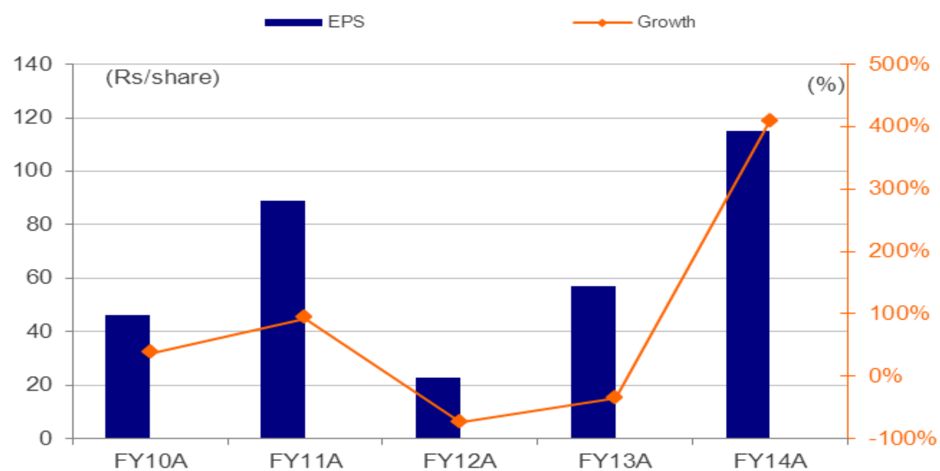
Comfortable debt/equity considering most debt under TUFS



Return ratios



Earnings Growth over the years



Key financials

	INR Million					USD Million				
Particulars	FY12A	FY13A	FY14A	Q4 FY14	Q4 FY13	FY12A	FY13A	FY14A	Q4 FY14	Q4 FY13
Revenues	46,986	50,211	62,404	12,922	11,463	783	837	1040	215	191
EBITDA	6,737	10,236	15,372	3,356	2,683	112	171	256	56	45
Margin %	14%	20%	25%	26%	23%	14%	20%	25%	26%	23%
PBT	2,266	5,512	10,506	2,058	1,624	38	92	175	34	27
Margin %	5%	11%	17%	16%	14%	5%	11%	17%	16%	14%
PAT	1,603	3,830	7,685	1,543	1,153	27	64	128	26	19
Margin %	3%	8%	12%	12%	10%	9%	9%	12%	12%	10%
Total Assets	59,665	67,887	78,648	68,802	59,233	994	1131	1311	1147	987
Net Worth	22,067	25,065	31,320	28,483	22,766	368	418	522	475	379
Total Debt	25,488	28,776	28,959	27,606	27,426	425	480	483	460	457
EBITDA / CE	10.64%	16.16%	21.37%	21.17%	19.26%	10.64%	16.16%	21.37%	21.17%	19.26%
ROCE	11.50%	11.50%	16.71%	15.78%	14.73%	11.50%	11.50%	16.71%	15.78%	14.73%
RONW	7.26%	15.28%	24.54%	21.67%	20.25%	7.26%	15.28%	24.54%	21.67%	20.25%
EPS - Basic	22.61	57.00	57.00	22.70	8.62	0.38	0.95	0.95	0.38	0.14

Most of the debt on the Company's books enjoys TUF scheme benefits and hence lower interest rates

All currency conversions in the presentation has been done at 1 US$ = INR 60
Quarterly figures are for Vardhman Textiles Ltd stand-alone

Capital Expenditure & Capacities

	FY 2012-13		FY 2013-14
Capital Expenditure in FY14		Rs. 734 Crores	
Spinning	0.97 MN Spindles	1,25,664 Spindles	1.10 MN Spindles
Weaving	1090 Looms	230 Looms	1320 Looms
Processing	110 MMPA		110 MMPA
Dyeing	71 TPD		71 TPD

Annexure

VTL Management

Name	Designation	Details	Experience
S .P. Oswal	Chairman & Managing Director	▪ Is an M.Com. Gold Medalist from Panjab University Chandigarh and also holds directorships in 22 other companies ▪ Holds Directorships in Confederation of Indian Textile Industry and New Delhi Institute of Management. Conferred the Padma Bhushan Award for his contribution towards Trade and Industry.	44
Sachit Jain	Executive Director	▪ B.Tech from IIT (Delhi) and an MBA from IIM Ahmedabad ▪ Holds directorships in 21 other companies including Vardhman Acrylics Ltd., Vardhman Texgarments Limited Vardhman Holdings Limited and VMT Spinning Company Ltd ▪ Chairman of the Audit Committee of Vardhman Yarns & Threads Limited , VMT Spinning Company Ltd and Vardhman Texgarments Limited	22
Suchita Jain	Executive Director	▪ Masters in Commerce from Punjab University Chandigarh. Holds directorships in 13 other companies including Vardhman Holdings Limited	22
B K Choudhary	MD, Vardhman Acrylics Ltd.	▪ Director, Operations at Vardhman Fabrics, Managing Director in Vardhman Acrylics Limited ▪ Masters in Commerce from Meerut University and MBA from University of Jodhpur. ▪ Extensive experience within the group in project management and business operations	38
D L Sharma	MD ,VYTL	▪ Holds a B.Sc (Engineering) and MBA from Punjab Agricultural University, Ludhiana. ▪ Director in charge of Vardhman Nisshinbo Garment Limited	38
Neeraj Jain	Executive Director MD. VMT Spg. Co. Ltd.	▪ He is a Chartered Accountant and a Graduate in Commerce from Ludhiana. Has extensive experience in the finance and yarns businesses within the group. ▪ Also holds directorships in Vardhman Apparels Limited and Vardhman Textile Components Limited	20
IMJS Sidhu	President, Baddi Operations	▪ Overall charge over the units of the Company situated at Baddi ▪ B. Text from Technological Institute of Textiles & Sciences, Bhiwani. Has experience in Maintenance Management, Production Management and Quality Control & Assurance in the group.	40

Major global strategic alliances

Product	Alliance Partner	Year
Fibre and Yarn Dyeing	Nihon Sanmo, Japan	1992
Gassed Mercerized Yarns	Kyung Bang, South Korea	1994
Cotton Yarns	Toho Rayon, Japan	1995
Acrylic Fibre (JV ended in 2009)	Exlan and Marubeni Corp, Japan	1996
Fabric Dyeing & Finishing	Tokai Senko, Japan	1998
Sewing Threads	American & Efird (A&E) Inc USA	2001
Cotton Yarns	Nisshinbo, Japan	2002
Cotton Fabric	Nisshinbo, Japan	2007
Garments	Nisshinbo, Japan	2009

VTL has forged major alliances with global players with an aim of forward integration and moving up the value chain

Government Policies and Regulations

- TUFS – Initiated in 1999 by the Govt. of India to catalyze investments in textiles and jute industry, the scheme has been revised from time to time and will be available for loan sanctions till 31.03.2017 in its present form and provides for a 2% interest subsidy for Spinning, 5% interest subsidy on fabric along with 10% capital subsidy (15% for Looms) for specific machinery.

- State Subsidy - Apart from the TUFS, some state governments also provide additional incentives. **Madhya Pradesh** Textile policy lays down a 5% interest subsidy for stand alone textile units whereas 7% interest subsidy on composite textile units on loans taken against TUFS compatible investments. **Gujarat** gives 7% subsidy on spinning and 5% on other than spinning for 5 years and **Maharashtra** reimburses whole of interest over and above the TUFS, subject to investment in specified backward districts

- Environment Concerns – As per the regulations the waste water has to be treated for any impurities before discharging it. Vardhman uses the treated water to irrigate the plantations within its facilities and we are putting up a RO facility in Budhni for water treatment.

- Free Trade Agreements – Bangladesh is one of the largest export market for Indian Trade. Under the Bangladesh FTA India has allowed Free trade of 61 items and most of them are related to textiles. This will impact negatively the small garment manufactures in India, but this in return can help the Fabric exporters in some way.

Thank You

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