



Vardhmān

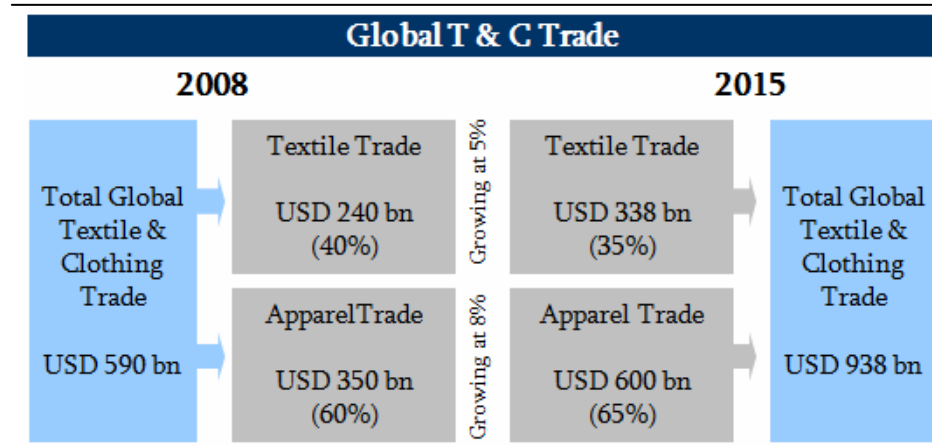
Vardhman Textiles Ltd

Corporate Presentation

February 2011

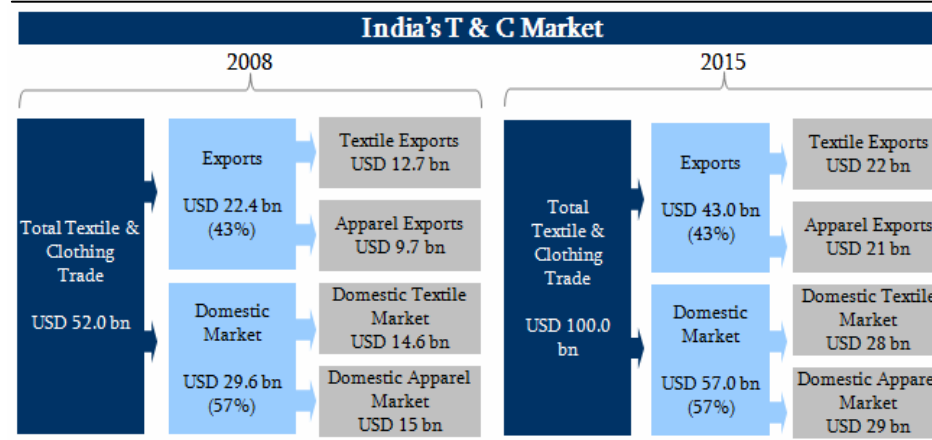
Textile & Clothing Industry

Global T&C industry will become a \$938b market by 2015



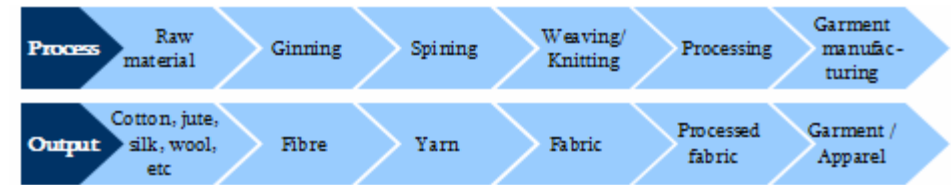
Source: Confederation of India Textile Industry (CITI)

India T&C industry will double by 2015 to a \$100b market



Source: CITI

The textile and clothing value chain

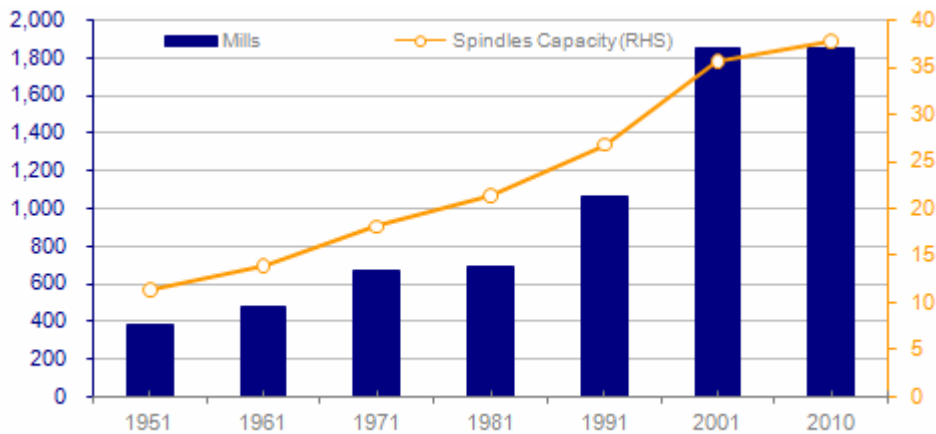


Source: Company

- Textile and Clothing (T&C) Industry constitutes 4% of India's GDP, 14% of Industrial Production and 14% of total exports of goods. India is one of the few countries which have a presence across the entire value chain of the T&C Industry. (Source : CITI)
- T&C sales generated US \$ 52 Billion in 2008: US \$ 29.6 billion from the domestic market and US \$ 22.4 billion from exports.
- The Indian Domestic T&C market is expected to grow at a CAGR of 10% between 2008-15 to become a US \$57 billion market by 2015

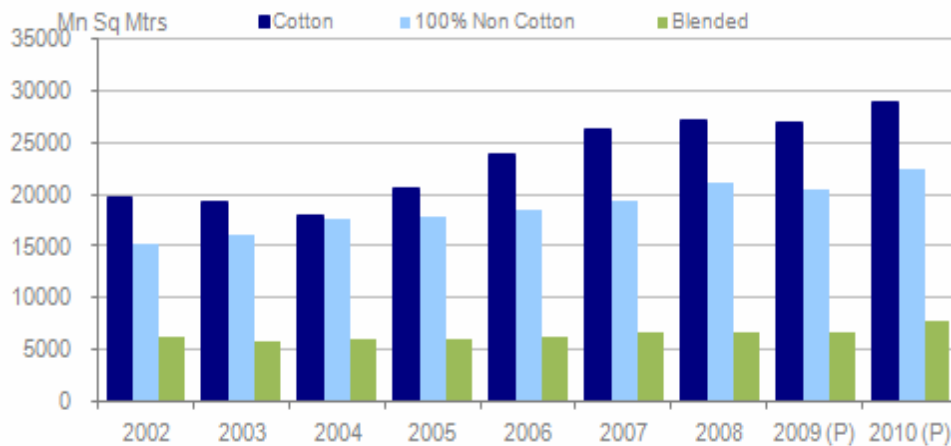
Indian Textile Industry : Fundamentally strong

India has seen a steady rise in spinning capacities



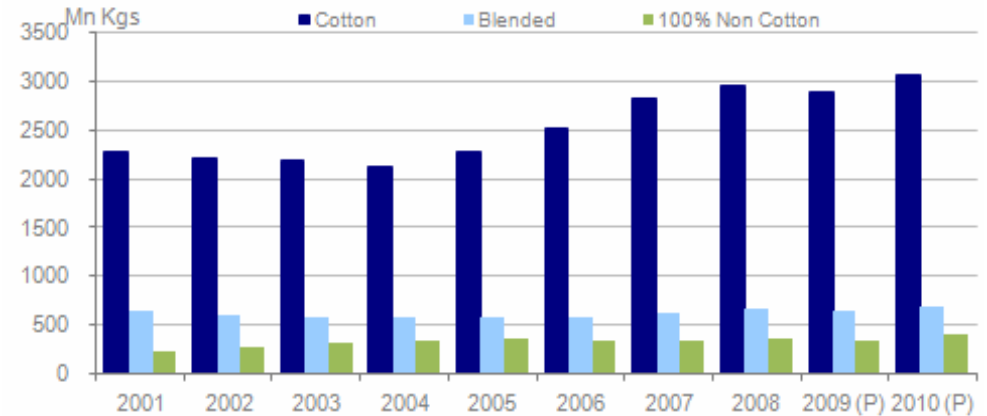
Source: Office of Textile Commissioner

Fabrics: Cotton continues to dominate but only has ~50% share



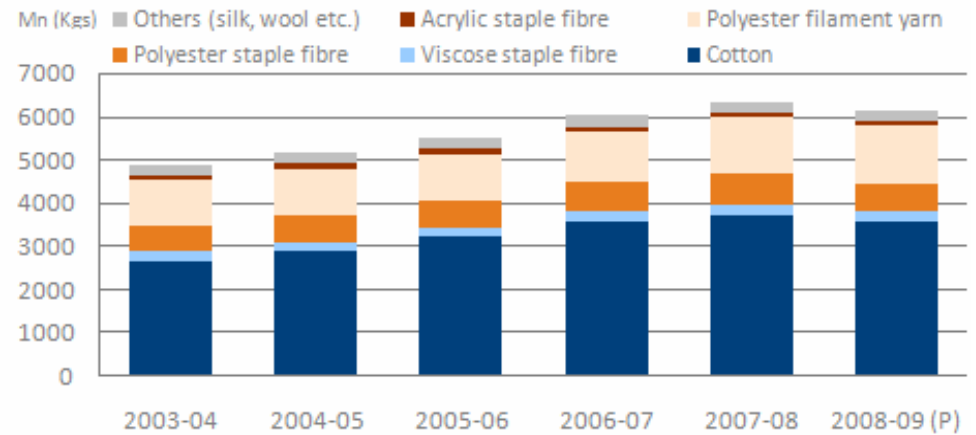
Source: Office of Textile Commissioner

Yarn: Cotton yarn is the dominant product in the category



Source: Office of Textile Commissioner

Steady consumption growth



Source: Office of Textile Commissioner,

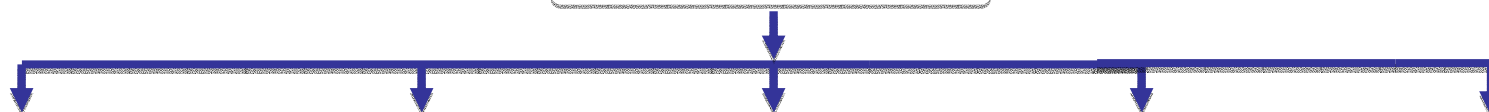
Vardhman Textiles Ltd. (VTL)– an overview

- **VTL is one of the largest listed, integrated textile manufacturing companies in the Country**
 - VTL has a strong position in the Indian textile sector in the manufacturing of fibre, yarn, sewing thread and fabrics
 - Also foraying into garment manufacturing through a collaboration with Nisshinbo, Japan with production expected to begin 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 is one of the largest listed yarn manufacturer in India with a capacity of 870,000 spindles
 - One of the leading manufacturer & exporter of cotton yarn in India
 - One of the leading producer of sewing threads and 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 & Toho Rayon, Japan and Nisshinbo, Japan
- **Key Financials**
 - FY10: Revenues – Rs. 33507 Mn (US\$ 712.9 Mn); EBITDA – Rs. 7531 Mn (US\$ 160.0 Mn); PAT – Rs. 3024 Mn (US\$ 64.0 Mn)

VTL – Group Structure



Vardhman Textiles Limited (VTL)
1973
Yarn, Fabric, Steel
Rs. 27,672 mn
Listed on BSE, NSE



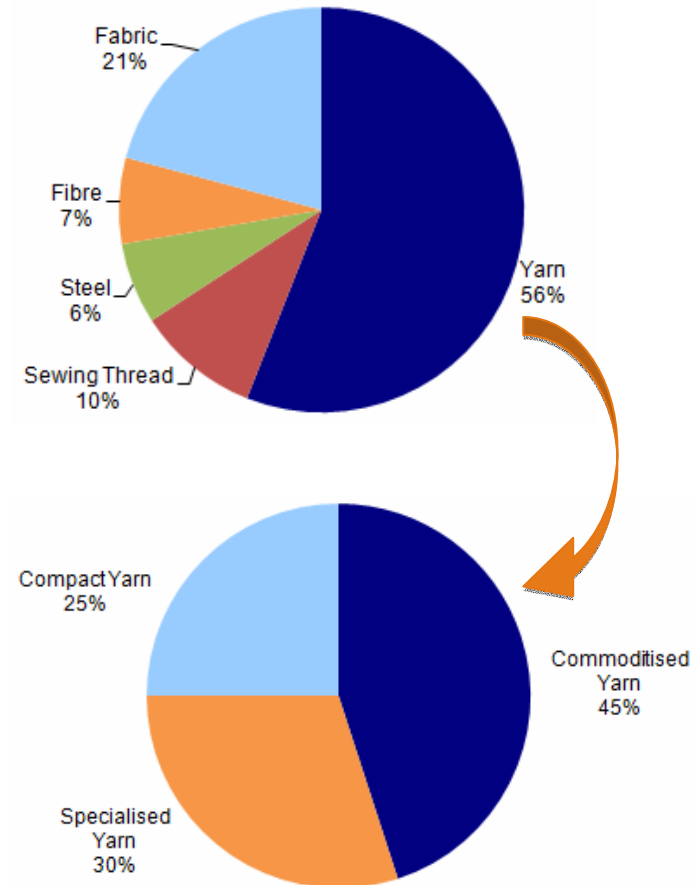
	Vardhman Yarns & Threads Ltd (VYTL)	Vardhman Acrylics Limited (VAL)	VMT Spinning Co. Limited (VMT)	VTL Investments Ltd	VTL Texgarments Ltd (VTGL)
VTL Stake	51%	59%	73%	100%	51%
Business	RMG / Industrial / Speciality Threads	Acrylic Staple Fibre	100% Cotton Yarn	NBFC	Garments
Capacity	33 tpd threads 70k spindles (captive)	20,000 tpa	45,120 spindles	N.A	N.A
Revenue	Rs. 3,324 mn	Rs. 2,745 mn	Rs. 1,010 mn	Rs. 37 mn	NA
Collaborations	A&E, USA	-	Marubeni & Toho Rayon, Japan	-	Nisshinbo, Japan
Market Status	Unlisted	Listed on NSE	Unlisted	Unlisted	Unlisted

Vardhman Textiles Ltd : Our Strengths

Our Key Strengths

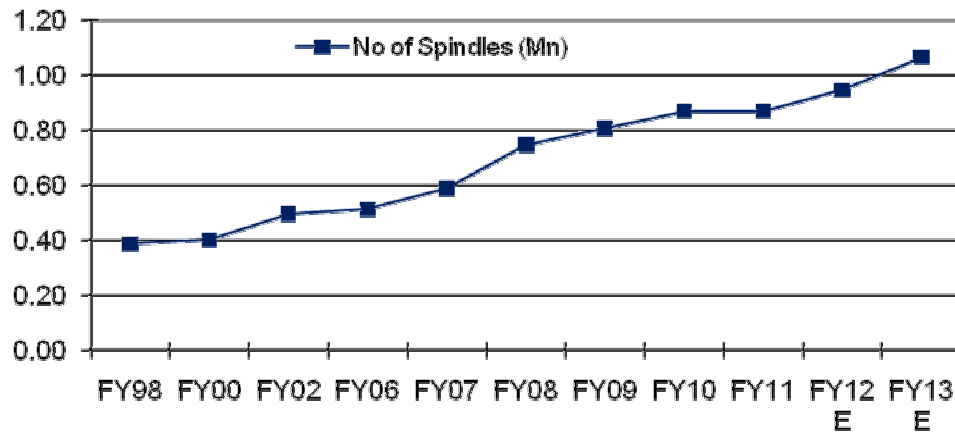
- Proven track record of execution
 - Has been operating in the textile industry since 1965 and has become one of the largest textile manufacturing companies in India
- Diversified business
 - VTL has 56% of total income coming from yarn products; within the yarn products the focus is on non-commoditized products
- Integrated business
 - The business is a wholly integrated concern operating across the entire value chain from fibre to fabrics. This allows the Company to be a one stop shop for customers including buying houses, retailers, overseas garment manufacturers, recognized export houses, wholesalers and marketing agents

Strong integration and diversified business operations

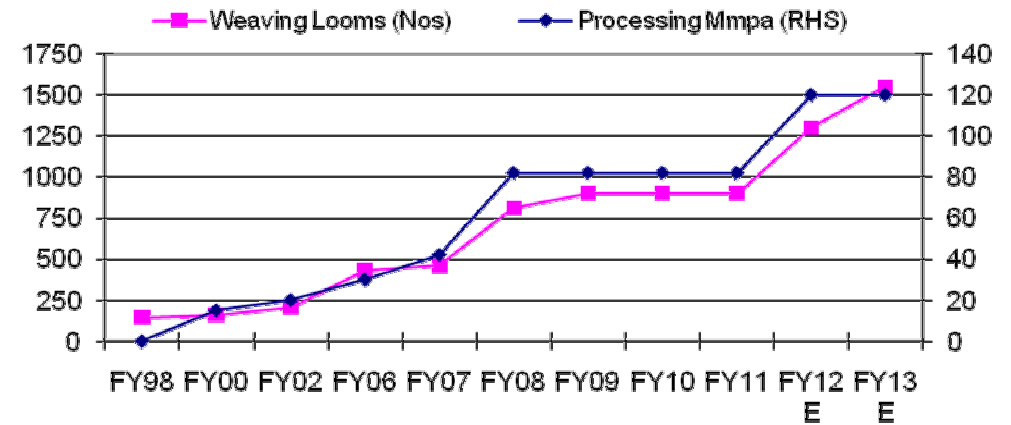


VTL's capacities have steadily expanded

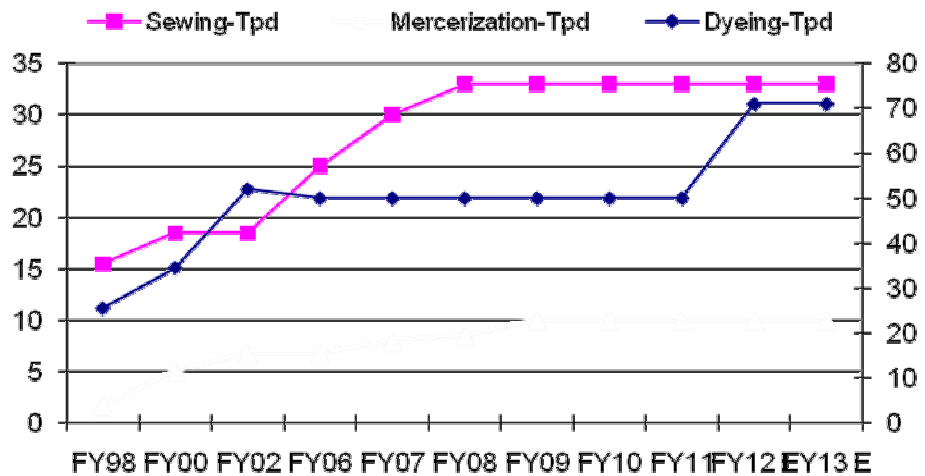
Spindles – Spinning capacity has increased at 12% CAGR



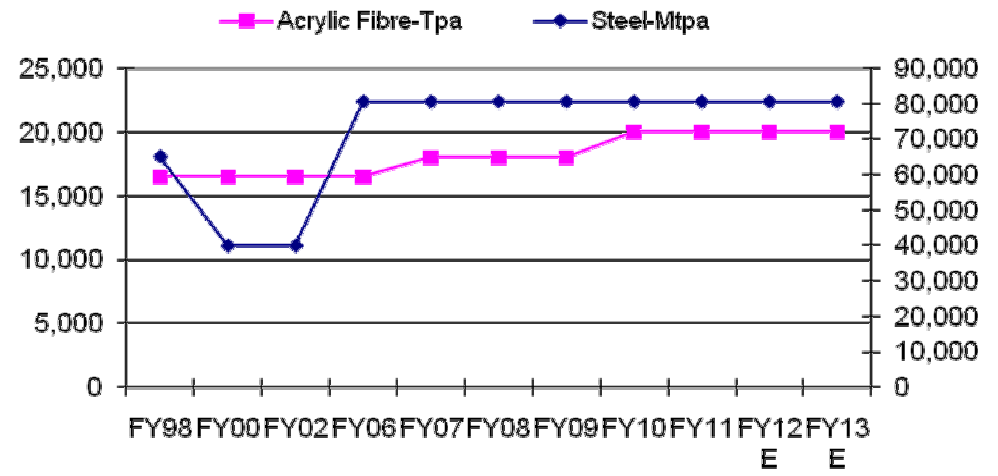
Weaving Looms & processing have grown in tandem



Gradual growth in Sewing, Dyeing and Mercerization



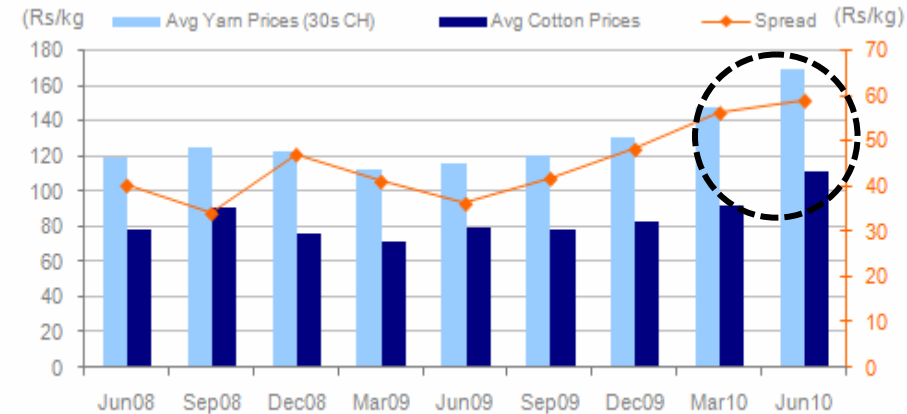
Steel & Acrylic fibre capacities have remained steady



Yarn – 56% of revenues

- One of the largest spinning capacities in the country with > 0.87 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
- After touching lifetime highs, the spreads have started coming down. Cotton prices in India are steadily rising and yarn prices are no longer rising at the same pace.
- At the current levels, either the cotton prices are expected to soften, or the yarn prices should move up.

Global yarn price have run up ahead of Indian cotton prices



Source: Company Estimates

Value Added Products

Compact Yarn	Fibre Dyed
Cotton Lycra	Gas Mercerised
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

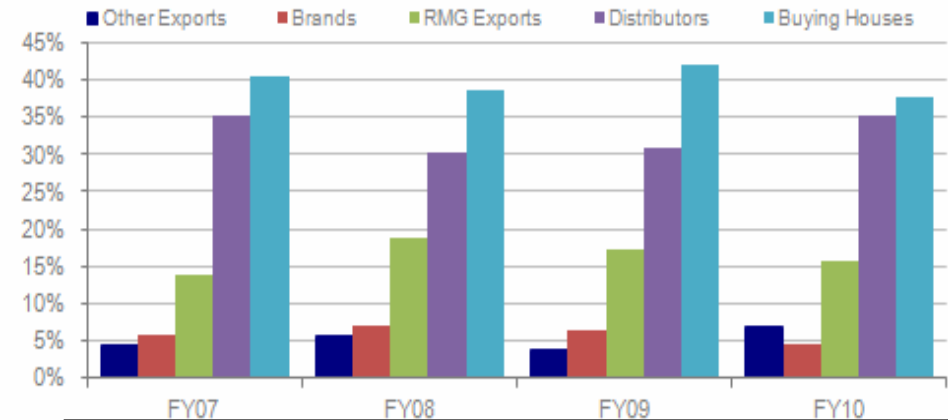
Environment Friendly Products

Organic Cotton	Fair Trade Yarn
Contamination Free Yarn	

Fabrics - 21% of revenues

- Continuing its onward march up the value chain, the group entered Fabric business in 1992 with Greige (unprocessed) Fabric
- Subsequently entered the Processed Fabric market in 1999
- Current capacity is 900 looms & 90 million meters of processed fabric per annum
- One of the few fully integrated fabric suppliers in the country
- Produce specialized fabrics like Yarn Dyed, Special White, Melanges, Nylon, Modal & Linen.
- Doing specialized finishes like Liquid Ammonia, Teflon / Nanocare (oil & water repellent), ETI etc.

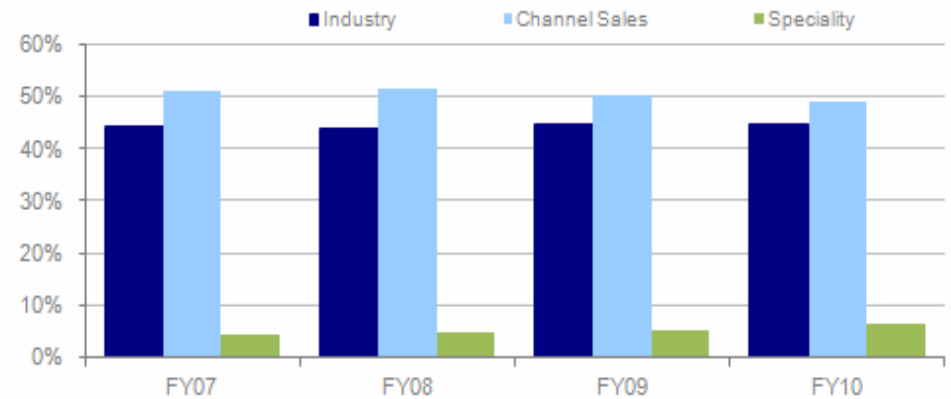
Segment sales are dominated by buying houses & distributors



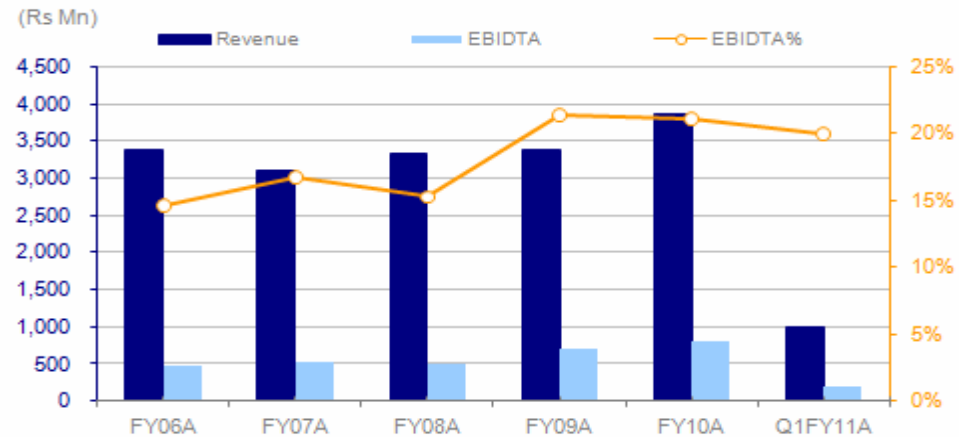
Sewing Thread - 10% of revenues

- The Group entered the Thread business in 1982 as a forward integration to its Yarn business
- Current capacity is 33 tpd across 4 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 one of the largest brands of specialized threads in the country

Segmental Sales – Industry & Channel sales > ~ 90%



Healthy margin growth in a less crowded market



Other segments – 13% of revenues

Acrylic Fibre (7% of revenues)

- Ventured into manufacture of Acrylic Staple Fibre in 1999 - Vardhman Acrylics Limited
- 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.

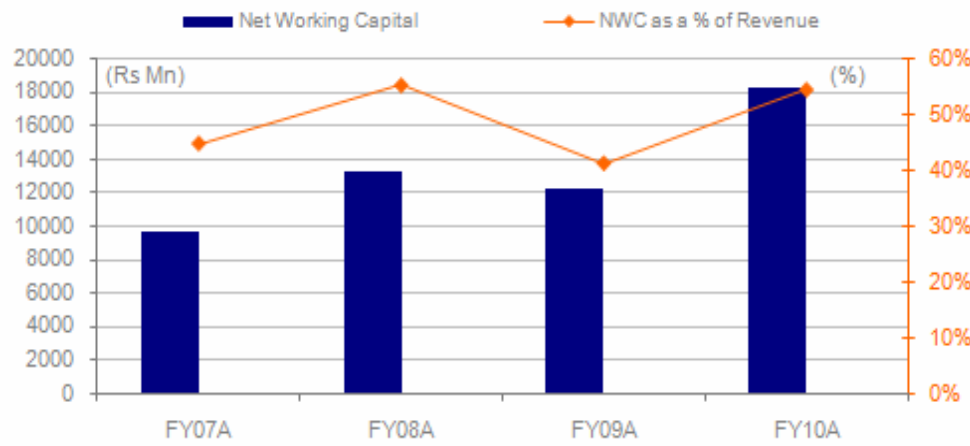
Steel (6% of revenues)

- Started Steel business in 1972 as a diversification strategy, with capacity of 35,000 tpa.
- Current Production Capacity: Steel Melting Shop 100,000 tpa ; Rolling Mill 80,400 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 Telco, Ashok Leyland, Maruti, Hindustan Motors, Toyota, M&M and Escorts among others
- Steel business is being demerged from VTL; the appointed date for demerger is January 1, 2011

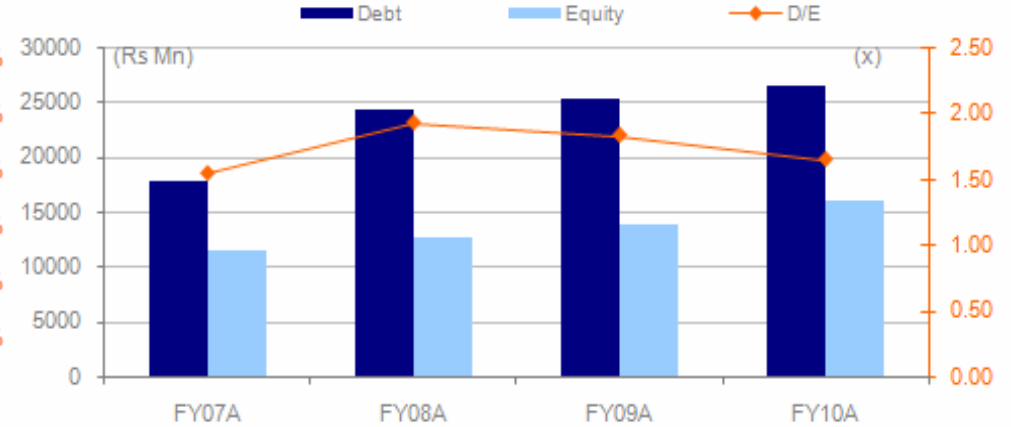
Financials

Financial highlights

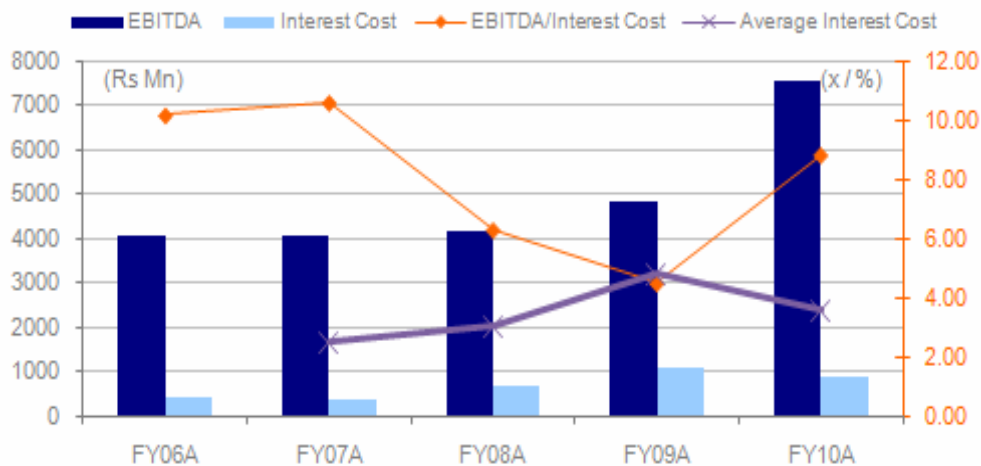
NWC levels are relatively stable



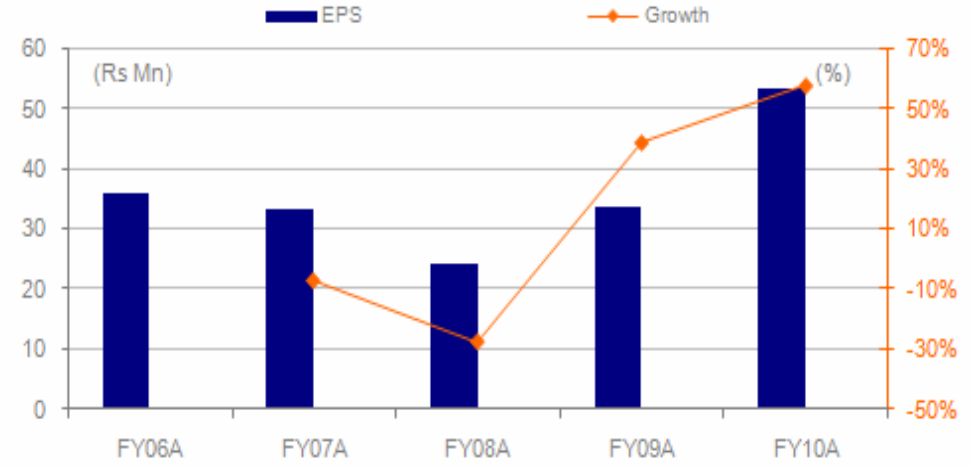
Comfortable net debt/equity considering most debt under TUFs



Healthy Interest coverage

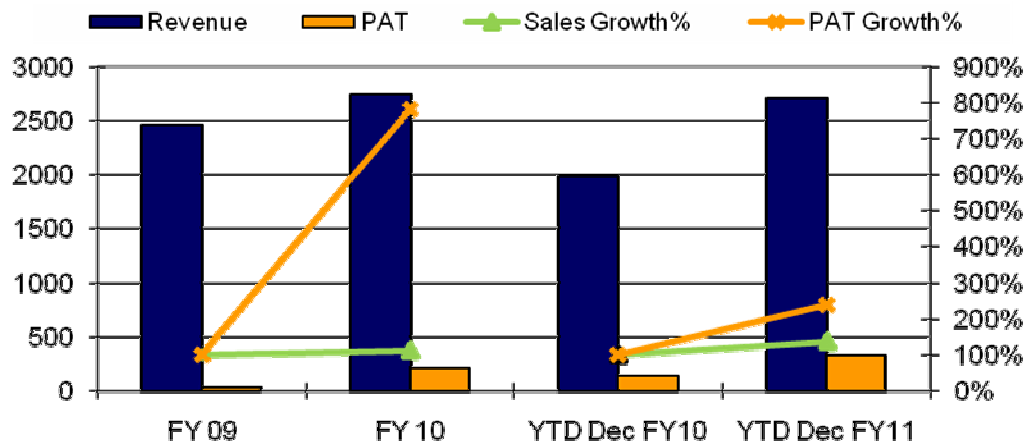


Strong earnings recovery

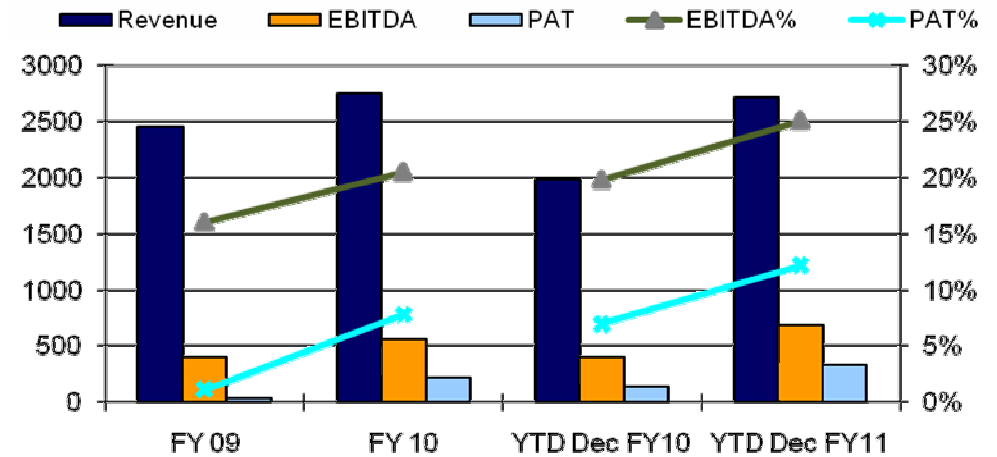


Financial highlights (cont..)

Strong bottom line growth

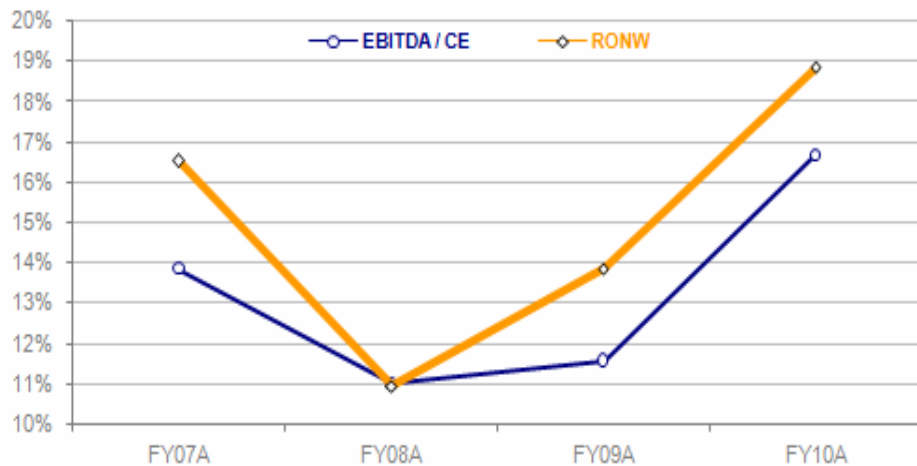


Rising margins with higher yarn realizations

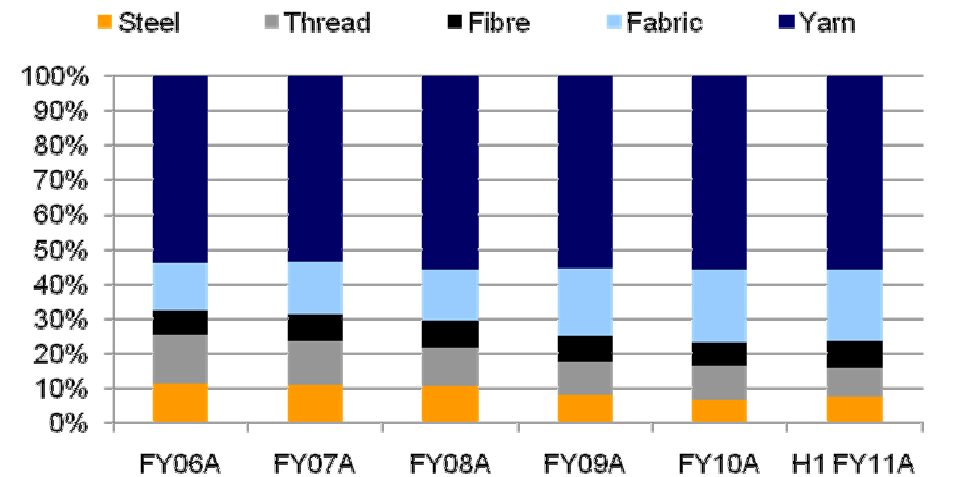


*Quarter only VTL

Return ratios have rebounded



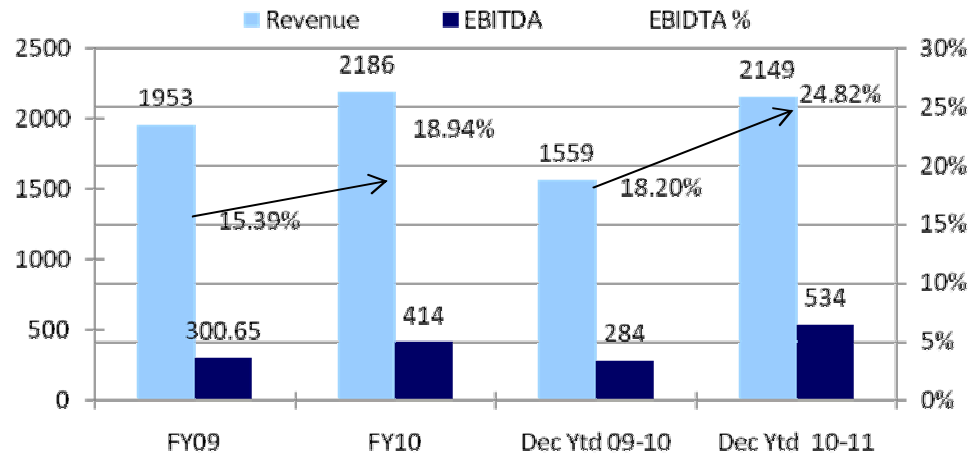
Yarn and fabric continue to be the biggest segments



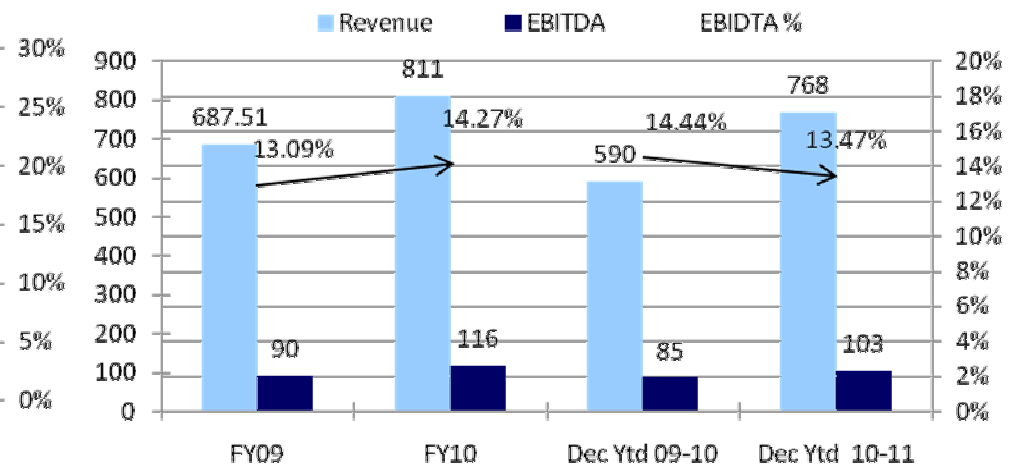
Note: All figures are for Vardhman Textiles Ltd. standalone

Segmental numbers

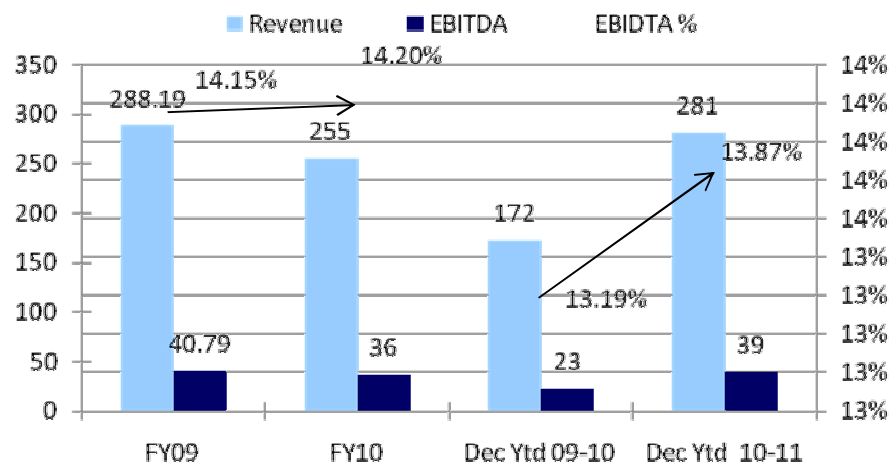
Yarn business



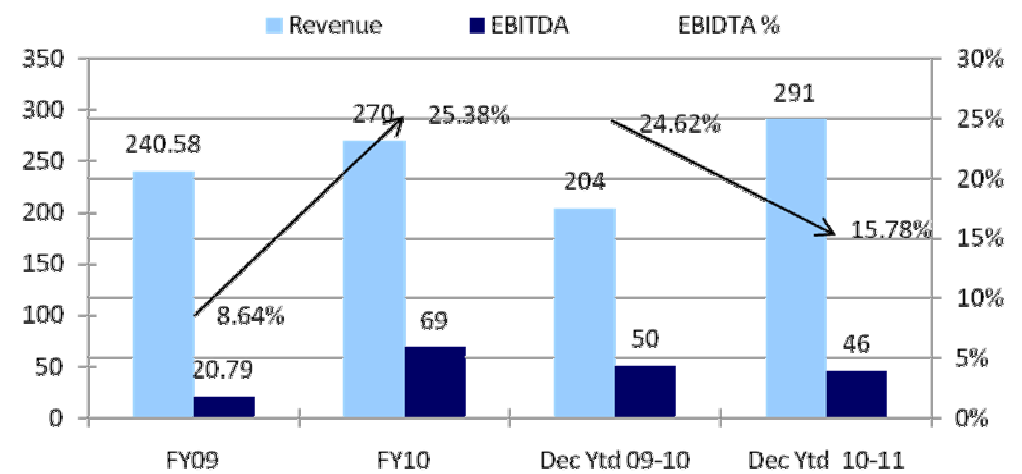
Fabric business



Steel business



Fibre business



Segment financials are shown without inter-company adjustments

Key financials

INR Million

Particulars	FY08A	FY09A	FY10A	DEC YTD FY10*	DEC YTD FY11*
Revenues	23,877	29,654	33,507	19,865	27,108
EBITDA	4,150	4,798	7,531	3,930	6,794.4
Margin %	17%	16%	22%	20%	25%
PBT	1,792	2,226	3,595	1,791	4,352
Margin %	8%	8%	11%	9%	16%
PAT	1,381	1,917	3,024	1,381	3,302
Margin %	6%	6%	9%	7%	12%
Total Assets	42,094	46,435	50,772	-	-
Net Worth	12,630	13,832	16,042	-	-
Total Debt	24,339	25,331	26,430	-	-
EBITDA / CE	11.00%	11.50%	16.70%	13.02%	31.00%
ROCE	-	-	7.98%	6.00%	10.26%
RONW	10.90%	13.90%	18.60%		
EPS - Basic	24.4	33.9	53.4	23.91	55.9

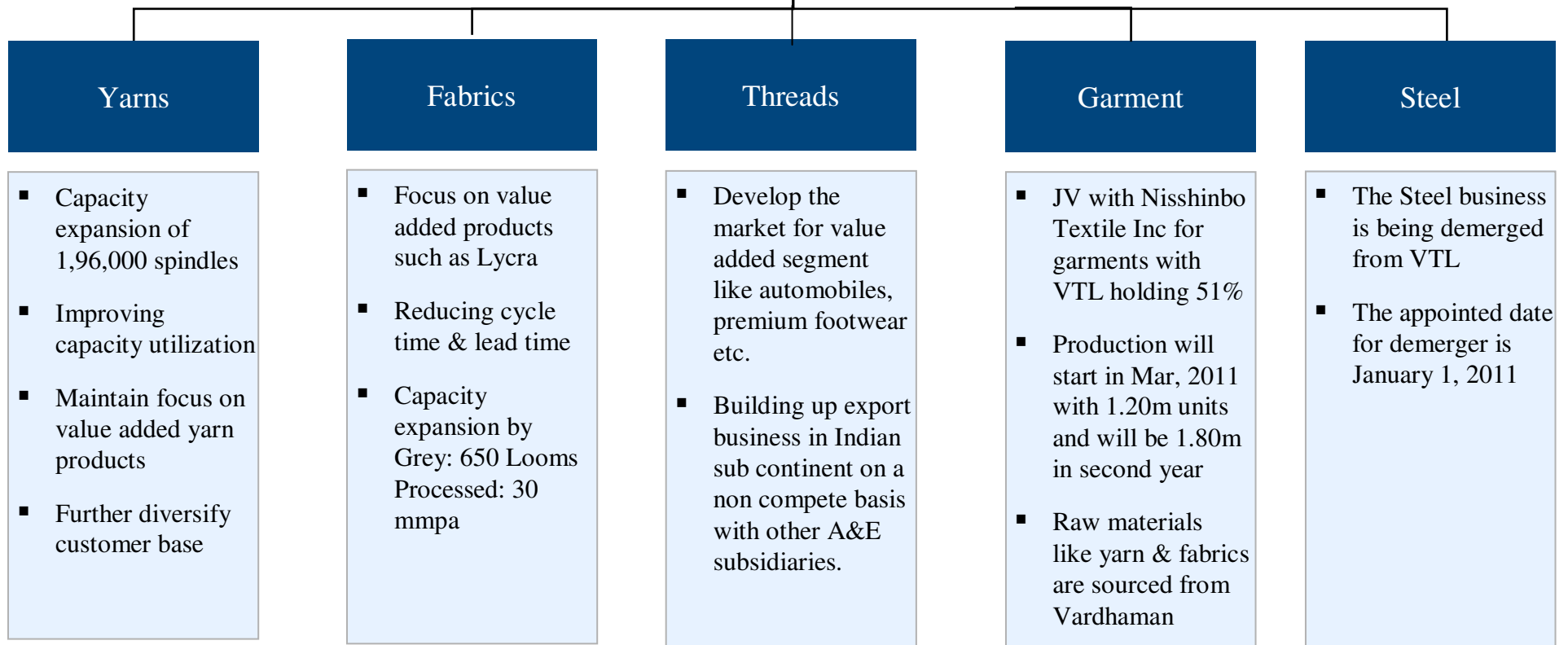
USD Million

	FY08A	FY09A	FY10A	DEC YTD FY10*	DEC YTD FY11*
	519	645	728	432	589
	90	104	164	85	148
	17%	16%	22%	20%	25%
	39	48	78	39	95
	8%	8%	11%	9%	16%
	30	42	66	30	72
	6%	6%	9%	7%	12%
	915	1009	1104	-	-
	275	301	349	-	-
	529	551	575	-	-
	11.00%	11.50%	16.70%	13.02%	31.00%
	-	-	7.98%	6.00%	10.26%
	10.90%	13.90%	18.60%		
	0.53	0.74	1.16	0.52	1.22

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

*All currency conversions in the presentation has been done at 1 US\$ = INR 46
All figures are only for Vardhman Textiles Ltd stand-alone*

The Road Ahead



Timeline – Capex & Capacities

Weaving	900 Looms	900 Looms	1300 Looms	1550 Looms
Processing	90 mmpa	90 mmpa	120 mmpa	120 mmpa
Spinning	0.87 Mln Spindles	0.88 Mln Spindles	0.94 Mln Spindles	1.07 Mln Spindles
Dyeing	50 tpd	50 tpd	71 tpd	71 tpd
Year Ending March...	2010	2011 (E)	2012 (E)	2013 (E)
Total Capex (Rs.Cr.)	-	320	735	450

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.	43
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	21
Suchita Jain	Executive Director	Masters in Commerce from Punjab University Chandigarh. Holds directorships in 13 other companies including Vardhman Holdings Limited	21
B K Choudhary	MD, Vardhman Acrylics Ltd.	- Director, Operations at Vardhman Fabrics, President of Vardhman Special Steels, 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	37
D L Sharma	MD ,VYTL	Holds a B.Sc (Engineering) and MBA from Punjab Agricultural University, Ludhiana.	37
Neeraj Jain	Executive Director	- 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	19
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.	39

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

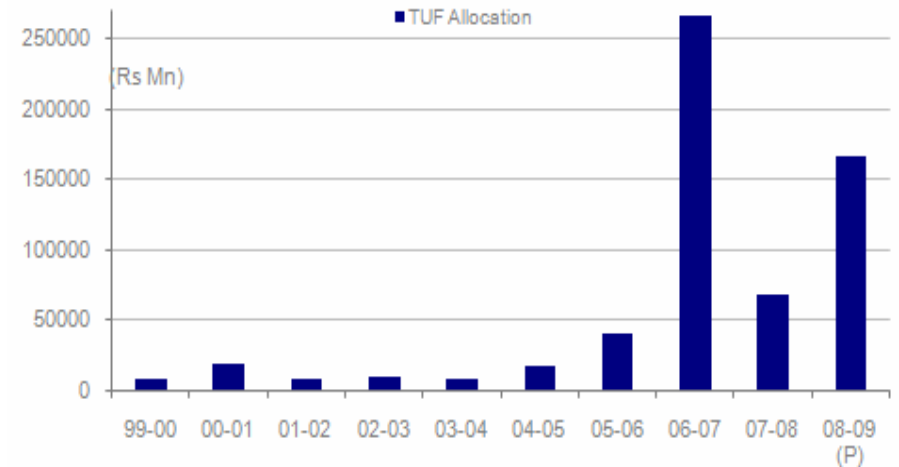
VTL has forged major alliances with global players with an aim of forward integration and moving up the value chain

The Technology Upgradation Fund Scheme (TUFS)



- TUFS was introduced by the Government in April 1999 with an objective to enable textile companies to modernize and expand their units at low cost by providing interest subsidy of 5 per cent.
- The scheme was extended up to the Eleventh Plan in the Union Budget 2007-08 however subsidy on spinning sector was reduced to 4%.
- The spinning sector has been the largest beneficiary of the TUFS, utilizing around 33 per cent (Rs. 163 billion) of the total amount disbursed under the scheme up to September 30, 2008. Consequently, the spinning sector grew without requisite investments in the downstream industries.
- All the loans of Vardhman Textiles Ltd (VTL) fall under TUFS and are hence eligible for a Government subsidy. Majority of these loans enjoy a subsidy of 5% for technology/capacity expansion.

Investments under the TUF scheme have steadily risen



Source: Textile Ministry

Benefits of the scheme

- A 5 per cent interest reimbursement of the normal interest charged by the lending agency on rupee term loan, or
- A 5 per cent exchange fluctuation (interest and repayment) from the base rate on foreign currency loan, or
- A 15 per cent credit-linked capital subsidy for the SSI sector, or
- A 20 per cent credit-linked capital subsidy for the powerloom sector, or
- A 5 per cent interest reimbursement plus a 10 per cent capital subsidy for specified processing machinery

Thank You

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