Vardhman Textiles Ltd

Corporate Presentation
Nov 2011

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 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 one of the largest listed yarn manufacturer in India with a capacity of 897,000 spindles including 4488 rotors.
  - 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 (Consolidated)**
  - FY11: Revenues – Rs. 44,551.7 Mn (US$ 891.03 Mn); EBITDA – Rs. 11,277.68 Mn (US$ 225.55 Mn); PAT – Rs. 5,675.20 Mn (US$ 113.50 Mn); PAT (after minority int.) – Rs. 5,252.59 Mn (US$ 105.05 Mn)

All currency conversions in the presentation has been done at 1 US$ = INR 50

VTL – Group Structure

Vardhman Textiles Limited (VTL)

- 1973
- Yarn, Fabric
- Revenue: Rs. 44,551 mn (US$ 968.5 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%	59%	73%	31%	51%
Business	RMG / Industrial / Speciality Threads	Acrylic Staple Fibre	100% Cotton Yarn	Special Steels	Garments
Capacity	33 tpd threads 70k spindles (captive)	20,000 tpa	45,120 spindles	80,400 MTPA	0.87 mln pieces
Revenue	Rs. 4,288 mn (US$ 93 Mn)	Rs. 4,053 mn (US$ 88.15 Mn)	Rs. 1,243 mn (US$ 27 Mn)	Rs. 3,942 mn (US$ 85.70 Mn)	NA
Collaborations	A&E, USA	-	Marubeni & Toho Rayon, Japan	-	Nisshinbo, Japan
Market Status	Unlisted	Listed on NSE & LSE	Unlisted	To be Listed on BSE & NSE	Unlisted

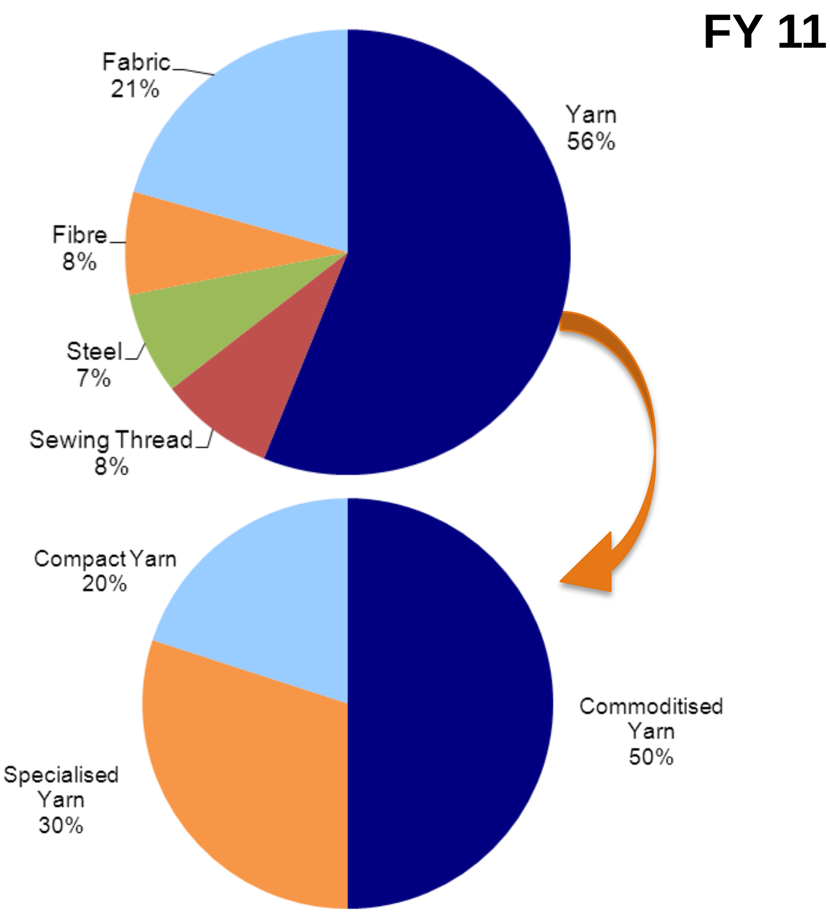
Group also has two investment companies VTL Investment Ltd and Vardhman Holdings Ltd. other than the above companies, out of which Vardhman Holdings Limited is a listed company.

Vardhman Textiles Ltd : Our Strengths

Our Key Strengths

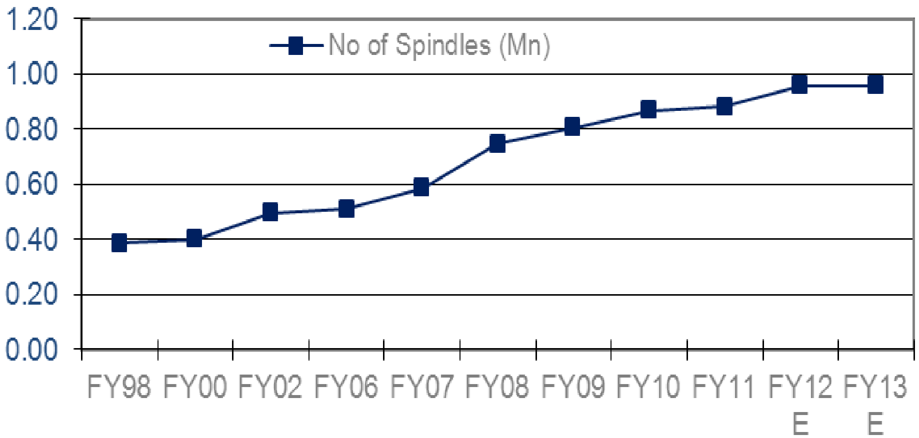
- Proven track record of execution
  - Has been operating in the textile industry since 1965 and has become one of the largest textile manufacturing companies in India
- Diversified business
  - VTL has 56% of total income coming from yarn products; within the yarn products the focus is on non-commoditized 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

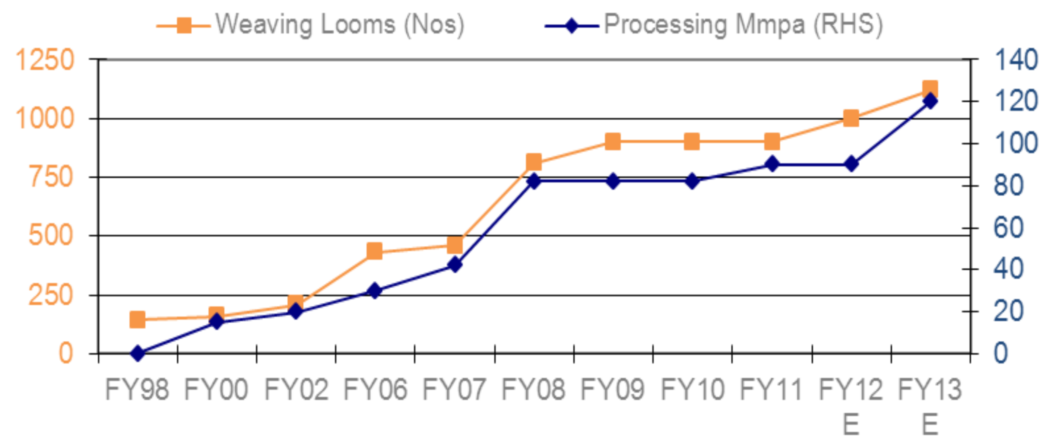


VTL's capacities have steadily expanded

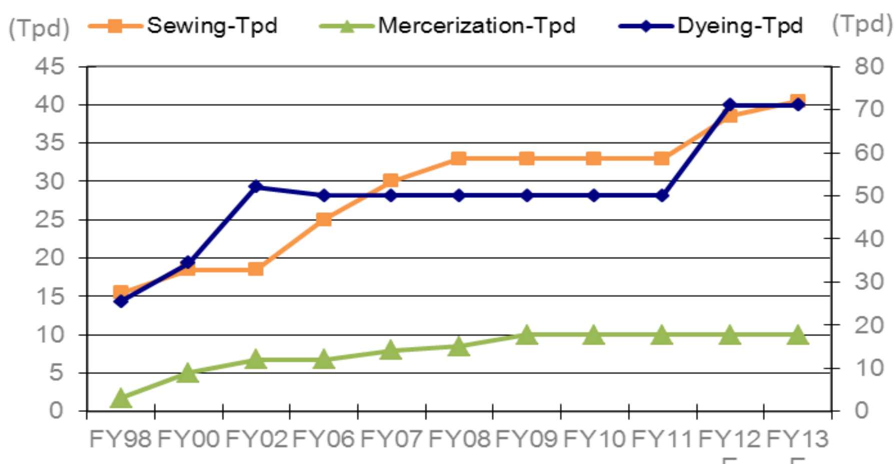
Spindles – Spinning capacity has increased at 12% CAGR



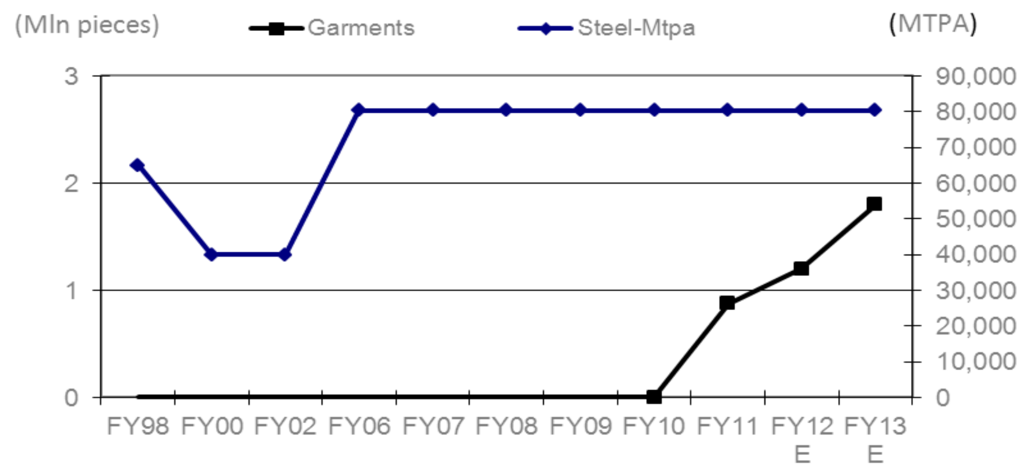
Weaving Looms & processing have grown in tandem



Gradual growth in Sewing, Dyeing and Mercerization



Garments Steel capacities have grown



Yarn – 56% of revenues

- One of the largest spinning capacities in the country with > 0.89 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 come down sharply.

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

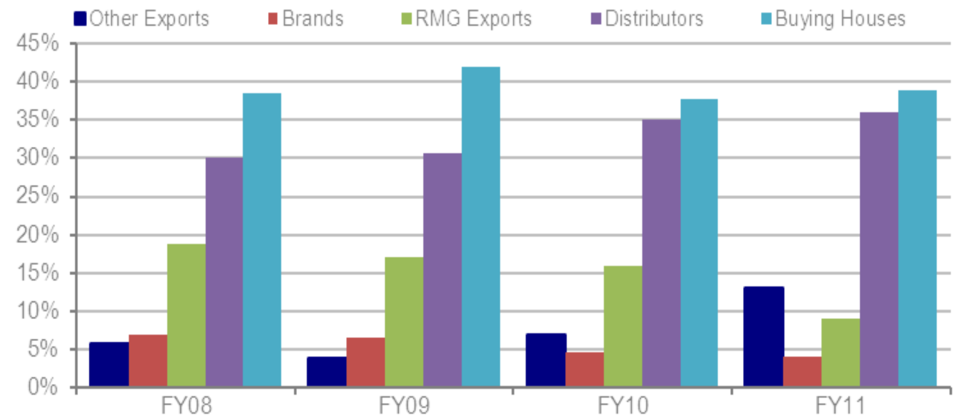
Specialized Products	
Cotton Lyocell	Cotton Silk
Cotton Bamboo	Cotton Modal
Cotton Tencel	Cotton Viscose

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.

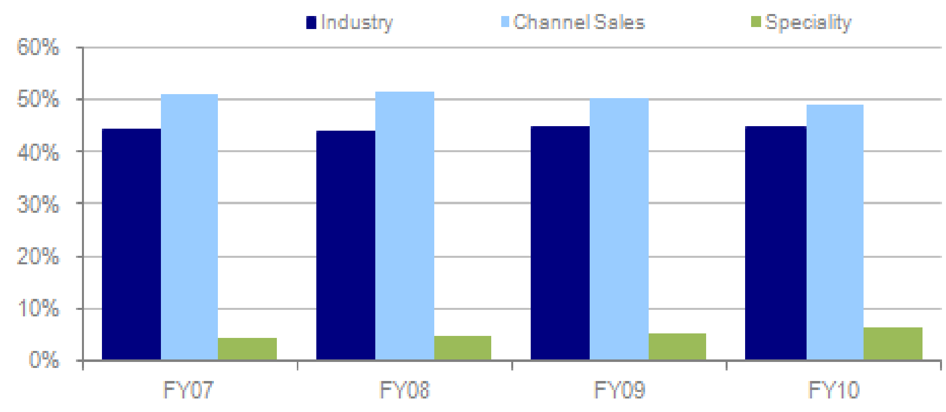
Segment sales are dominated by buying houses & distributors



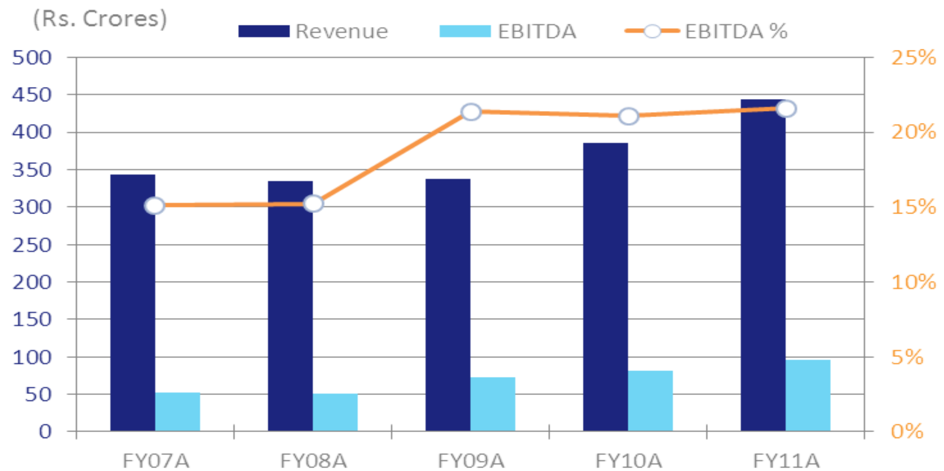
Sewing Thread - 8% of revenues

- 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 – 15% of revenues

Acrylic Fibre (7.5% 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.

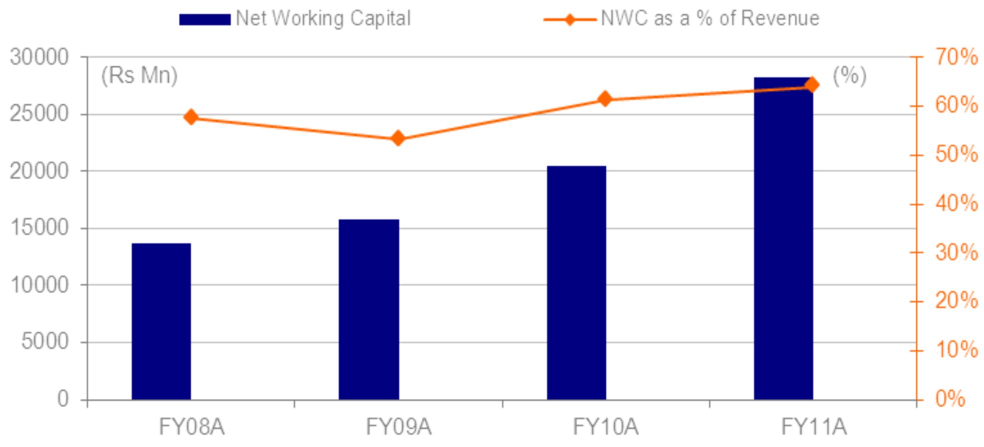
Steel (7.5% of revenues)

- 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 has been demerged from VTL; the Appointed Date for demerger was January 1, 2011

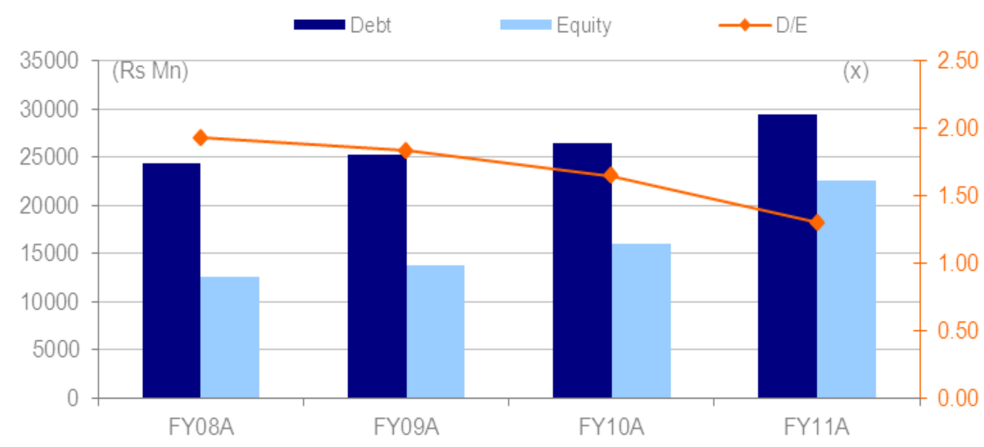
Financials

Financial highlights

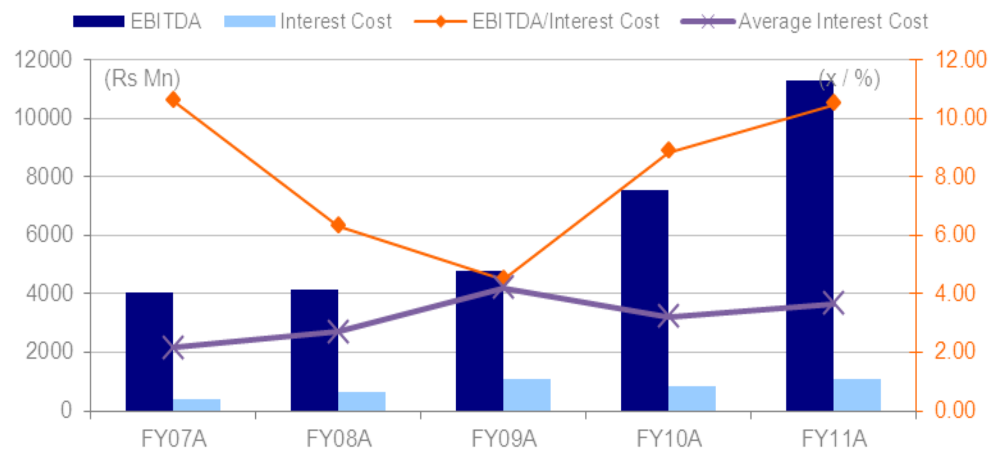
NWC levels are relatively stable



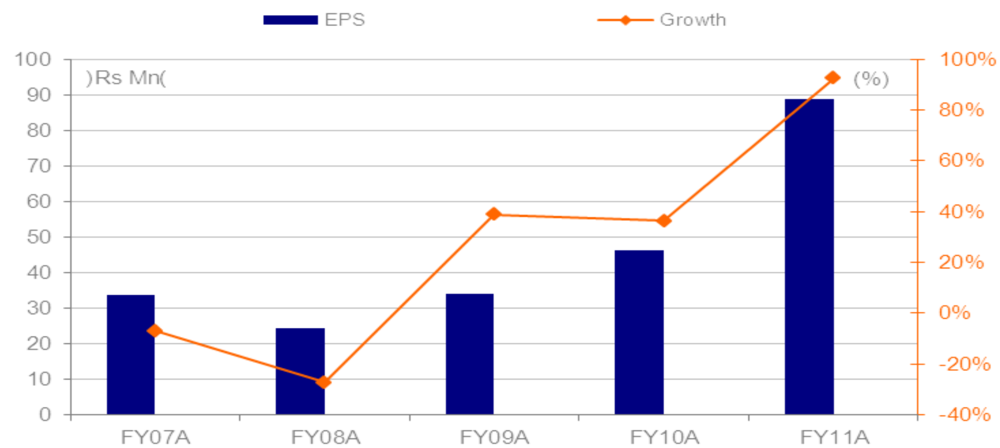
Comfortable net debt/equity considering most debt under TUFS



Healthy Interest coverage

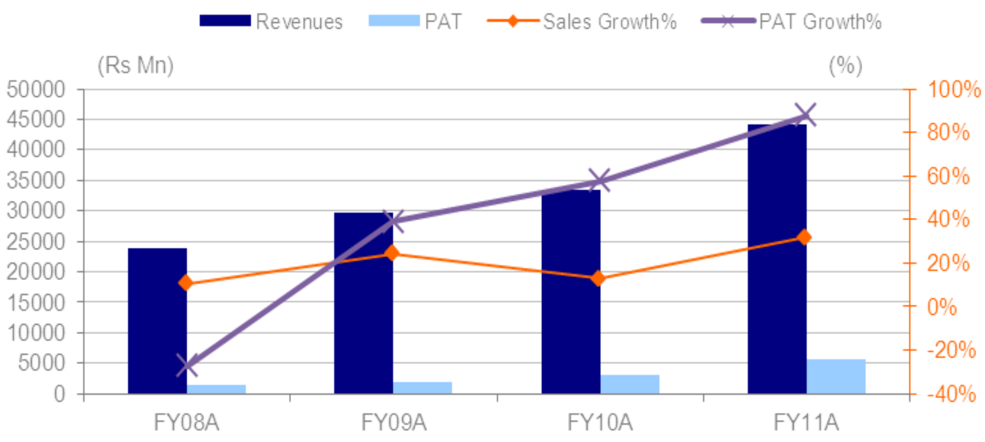


Strong earnings recovery

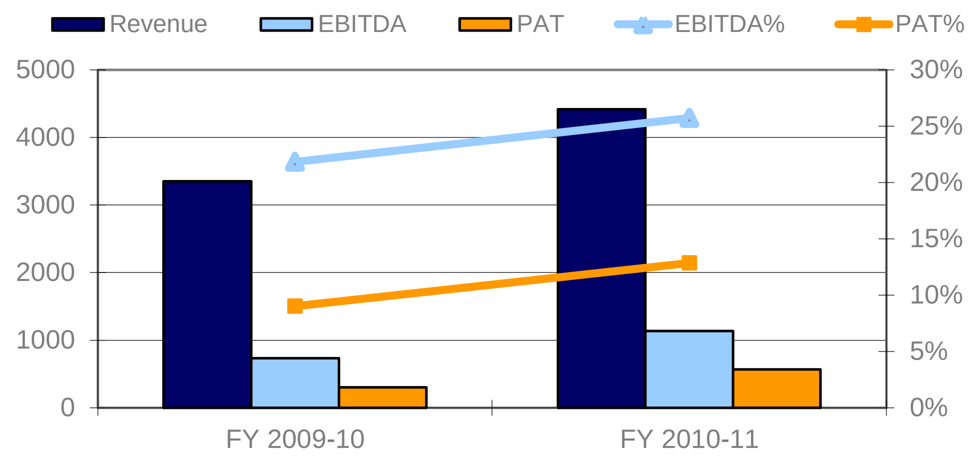


Financial highlights (cont..)

Strong bottom line growth

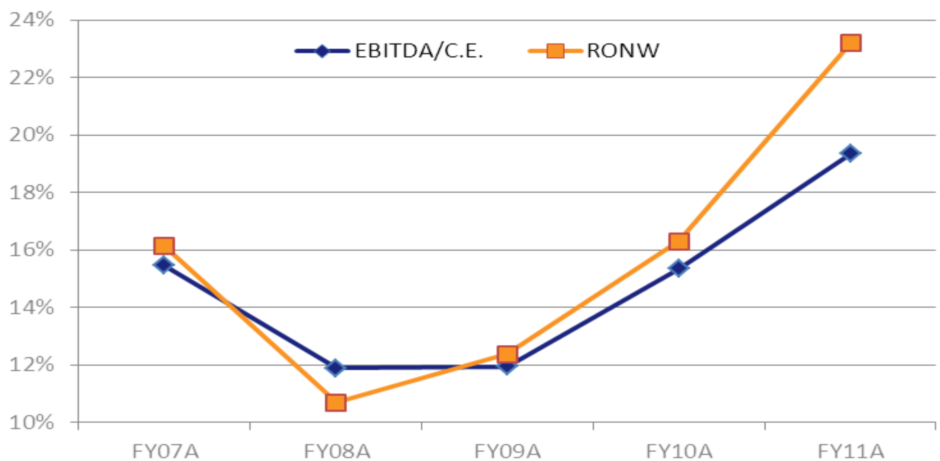


Rising margins with higher yarn realizations

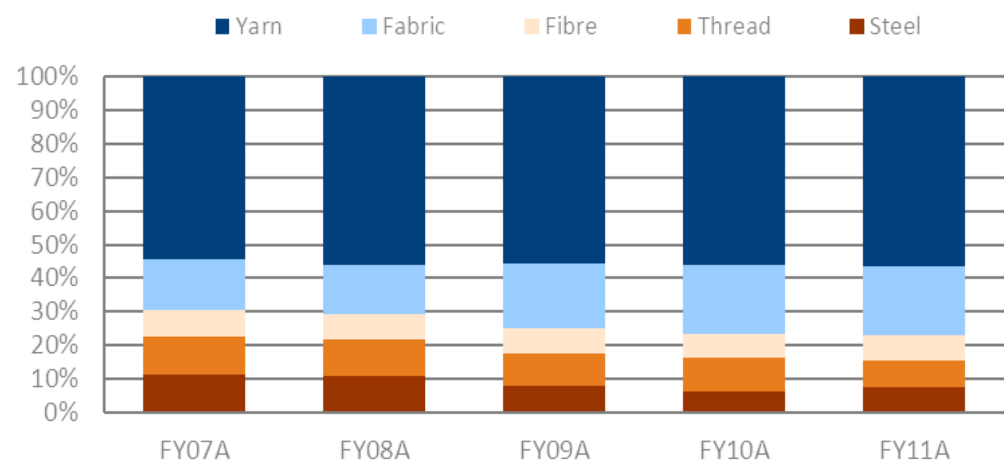


*Quarter only VTL

Return ratios have rebounded

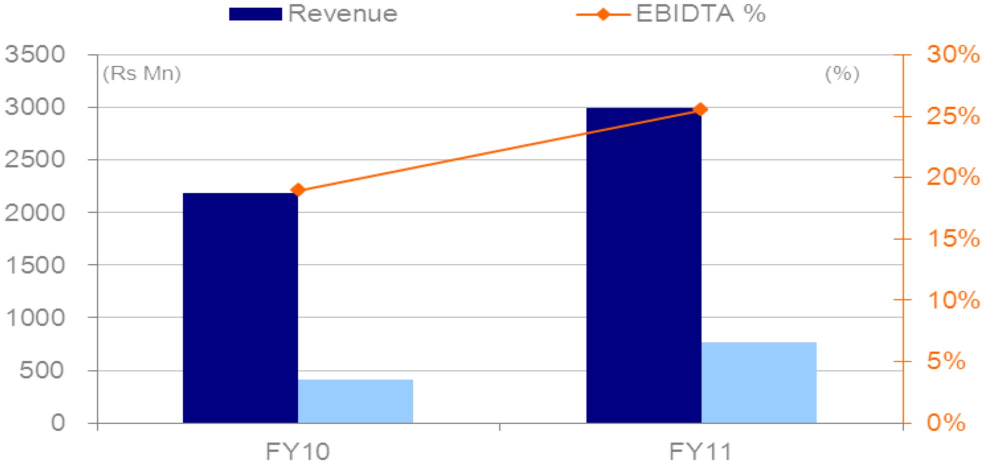


Yarn and fabric continue to be the biggest segments

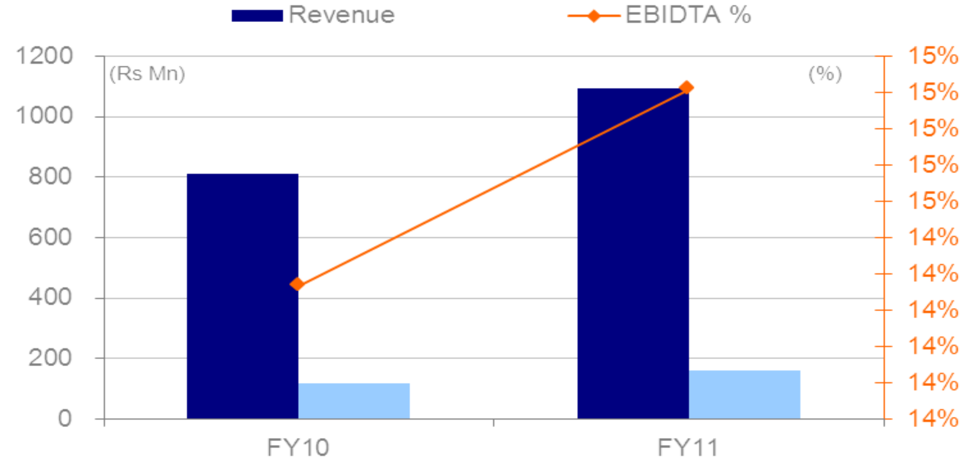


Segmental numbers

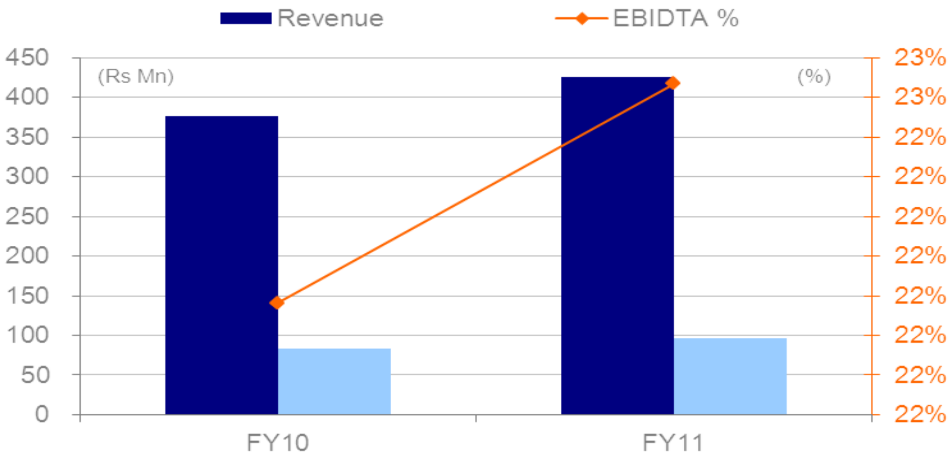
Yarn business



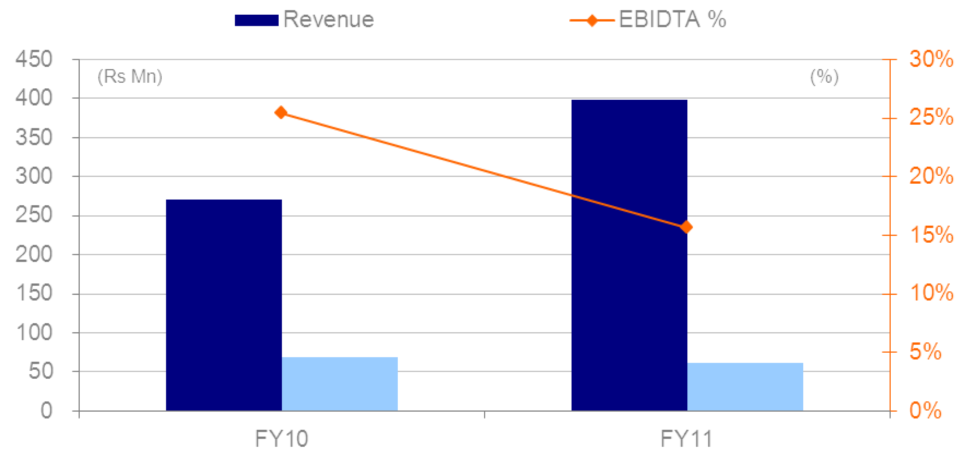
Fabric business



Thread Business



Fibre business



Key financials

Particulars	INR Million FY10A	FY11A	Q2 FY11	Q2 FY12	YTD FY11	YTD FY12	USD Million FY10A	FY11A	Q2 FY11	Q2 FY12	YTD FY11	YTD FY12
Revenues	33,507	44,185	9,217	10,356	17,329	20050	670	884	184	207	347	401.00
EBITDA	7,531	11,278	2,216	1,501	4,030	1871	151	226	44	30	81	37.42
Margin %	22%	26%	24%	14%	23%	9%	22%	26%	24%	14%	23%	9%
PBT	4,113	7,206	1,457	523	2,437	(108)	82	144	29	10	49	(2.16)
Margin %	12%	16%	16%	5%	14%	-1%	12%	16%	16%	5%	14%	-1%
PAT	2,615	5,253	1,160	358	1,947	(73)	52	105	23	7	39	(1.46)
Margin %	9%	9%	13%	3%	11%	0%	9%	9%	13%	3%	11%	0%
Total Assets	50,772	61,033	-	-	-	-	1015	1221	-	-	-	-
Net Worth	16,042	22,642	16,403	19,123	16,505	19109	321	453	328	382	330	382.19
Total Debt	26,430	29,444	-	-	-	-	529	589	-	-	-	-
EBITDA / CE	15.36%	19.63%	19.82%	14.11%	18.02%	9%	15.36%	19.63%	19.82%	14.11%	18.02%	9%
ROCE	9.98%	15.14%	15.13%	8.91%	13.19%	4%	9.98%	15.14%	15.13%	8.91%	13.19%	4%
RONW	16.30%	23.20%	28.28%	7.48%	23.59%	-1%	16.30%	23.20%	28.28%	7.48%	23.59%	-1%
EPS - Basic	46.17	88.97	20.07	5.62	33.70	(1)	0.92	1.78	0.40	0.11	0.67	(0.02)

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 50
Quarterly & YTD figures are only for Vardhman Textiles Ltd stand-alone

The Road Ahead

Yarns

- Capacity expansion of 76,000 spindles
- Improving capacity utilization
- Maintain focus on value added yarn products
- Further diversify customer base

Fabrics

- Focus on value added products such as Lycra
- Reducing cycle time & lead time
- Capacity expansion by Grey: 220 Looms Processed: 30 mmpa

Threads

- Develop the market for value added segment like automobiles, premium footwear etc.
- Building up export business in Indian sub continent on a non compete basis with other A&E subsidiaries.

Garment

- JV with Nisshinbo Textile Inc for garments with VTL holding 51%
- Production started in Mar, 2011 final capacity will be 1.80m in second year
- Raw materials like yarn & fabrics are sourced from Vardhaman

Steel

- The Steel business has been demerged from VTL
- The appointed date for demerger was January 1, 2011
- Capacity expansion: Rolling Mill 1,35,000 Mtpa by FY14

Timeline – Capex & Capacities

Weaving	900 Looms	1000 Looms	1120 Looms
Processing	90 mmpa	90 mmpa	120 mmpa
Spinning	0.88 Mln Spindles	0.96 Mln Spindles	0.96 Mln Spindles
Dyeing	50 tpd	71 tpd	71 tpd
Year Ending March...	*2011*	*2012 (E)*	*2013 (E)*
Total Capex (Rs.Cr.)	*205.55*	*440*	*310*

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

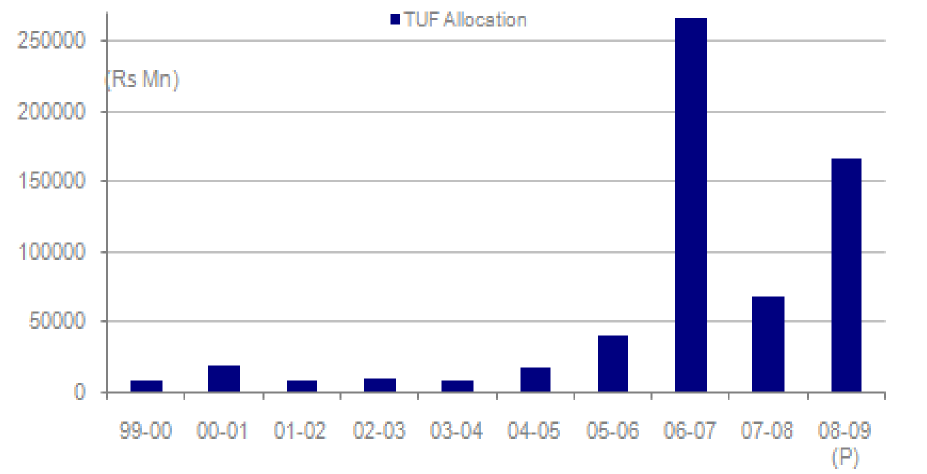
Product	Alliance Partner	Year
Fibre and Yarn Dyeing	Nihon Sanmo, Japan	1992
Gassed Mercerized Yarns	Kyung Bang, South Korea	1994
Cotton Yarns	Toho Rayon, Japan	1995
Acrylic Fibre (JV ended in 2009)	Exlan and Marubeni Corp, Japan	1996
Fabric Dyeing & Finishing	Tokai Senko, Japan	1998
Sewing Threads	American & 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.
- Old Scheme ended on 28th June 2010 and again the new scheme was launched on 28th Apr 2011 with some modifications.
- 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

Vardhman