



Vardhmān

Vardhman Textiles Ltd

Corporate Presentation
March 2015

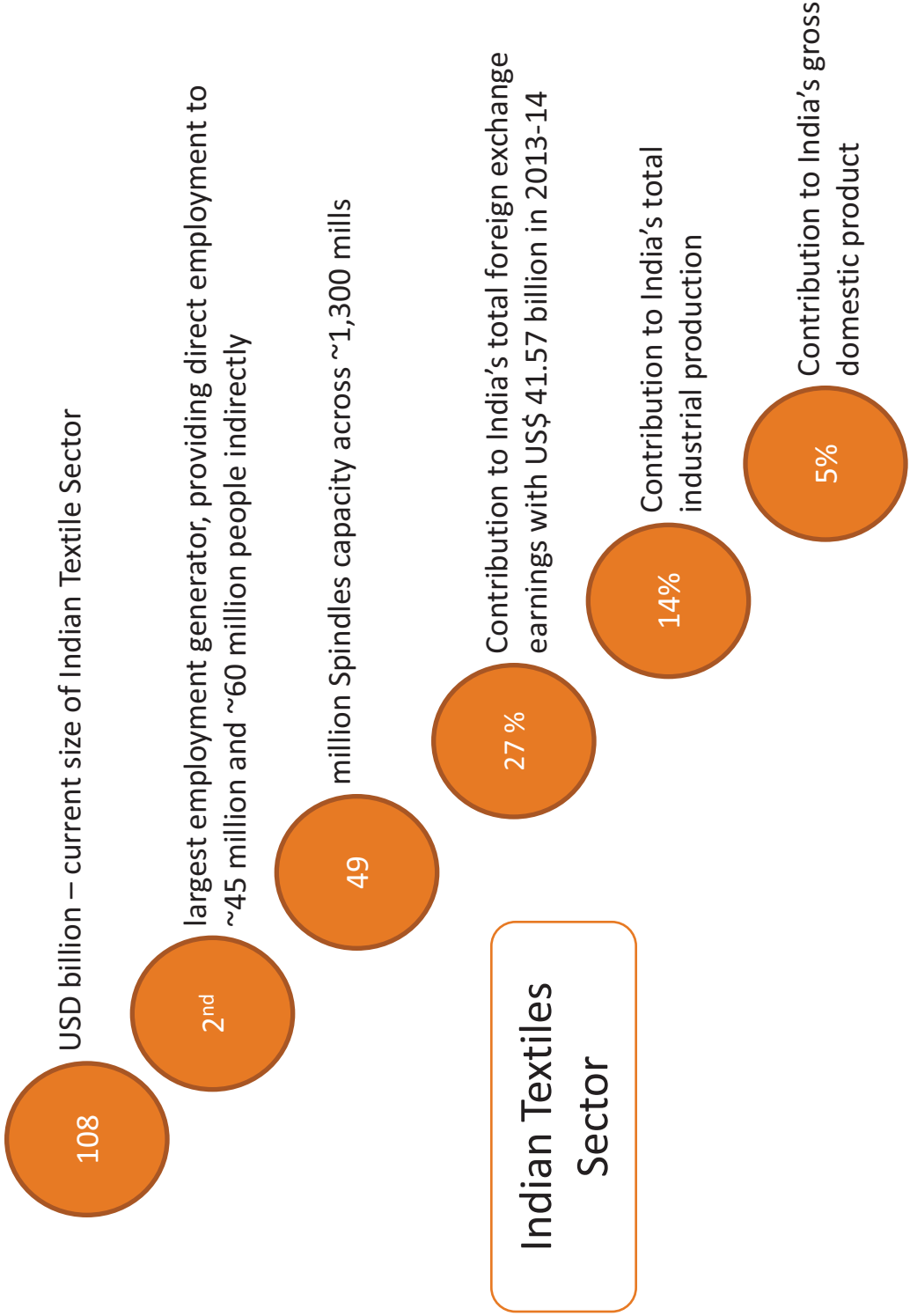
Vardhman Textiles Ltd. (VTL)– an overview



- **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 Nissinbo, Japan with production started in Mar 2011
 - VTL and its subsidiaries have 25 manufacturing facilities across India and employ ~26,000+ 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 7,188 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 Nissinbo, Japan
- **Key Financials (Consolidated)**
 - Consolidated revenues for 9 months ending 31 December 2014 – Rs. 52,366 Mn (US\$ 873 Mn); EBITDA – Rs. 9.295 Mn (US\$ 155 Mn); PAT – Rs. 3,252 Mn (US\$ 54 Mn)

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

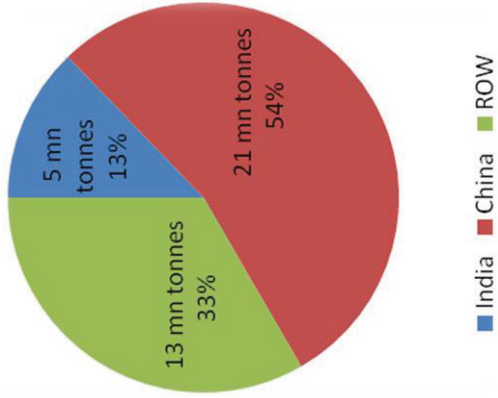
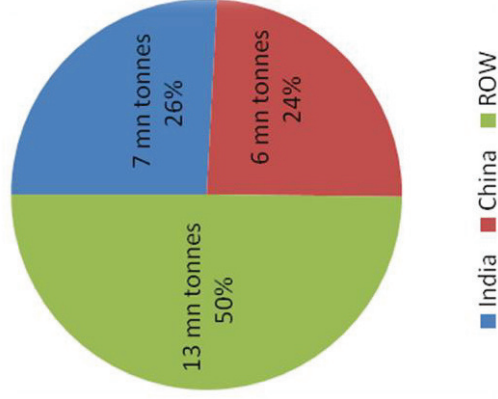
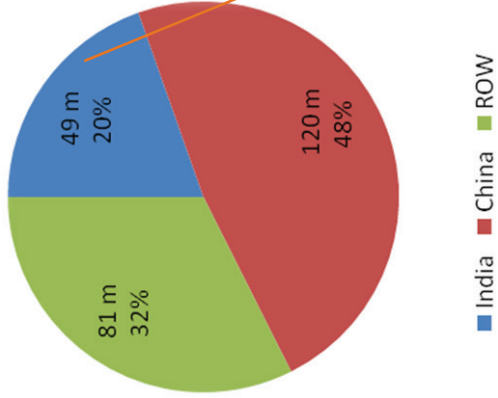
Indian Textiles Sector



Competitive Global Landscape – India v/s China



Global capacity ~250 million spindles Global cotton production ~26 m tonnes Global yarn production ~39 m tonnes

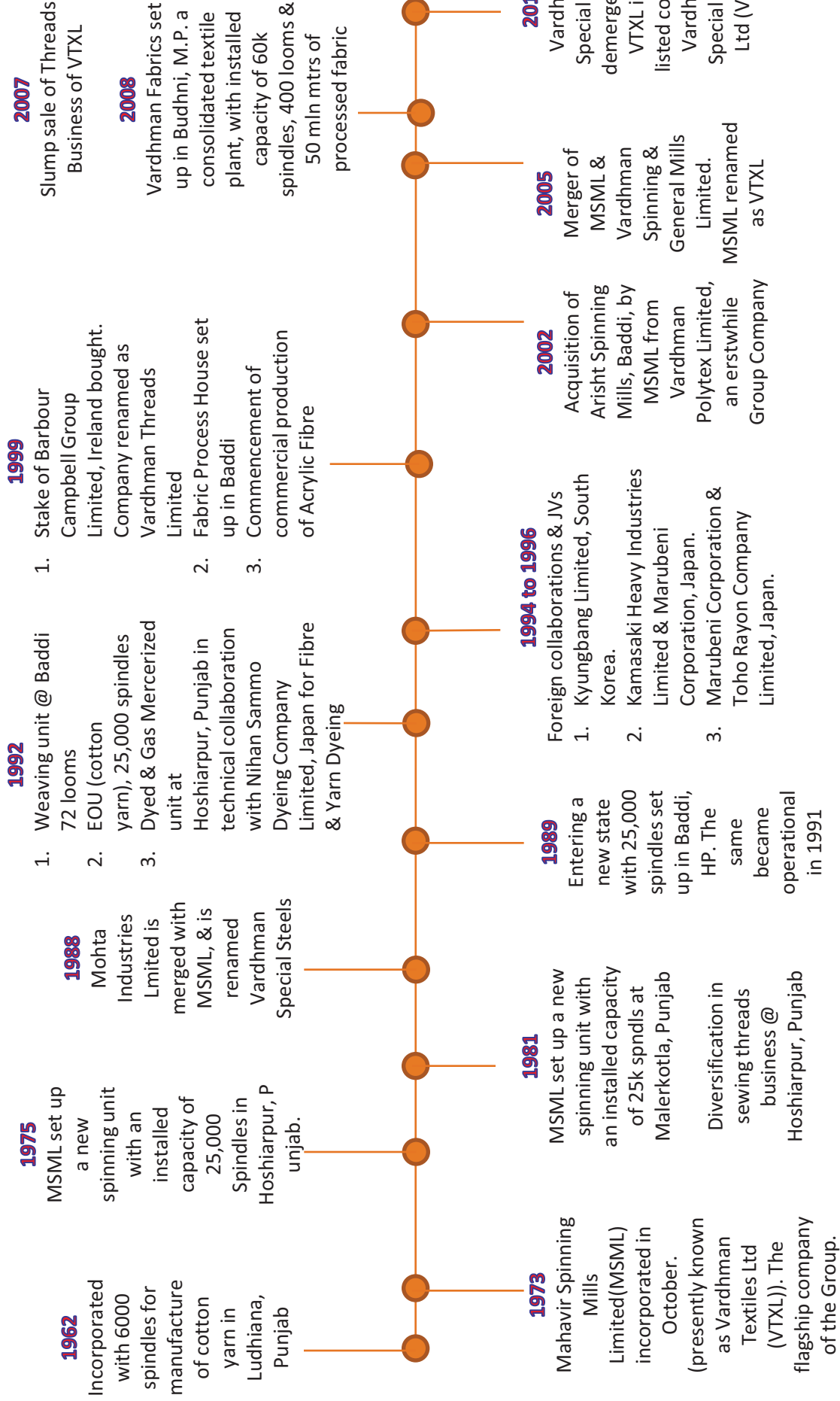


Vardhman has a capacity of 1.0 million+ spindles

Huge catch-up opportunities for Indian textile sector, when compared to China in global scenario

Source: WTO, International Textiles Outlook, Fiber Organ and Internal Studies.

Journey so far ...



VTL – Group Structure



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



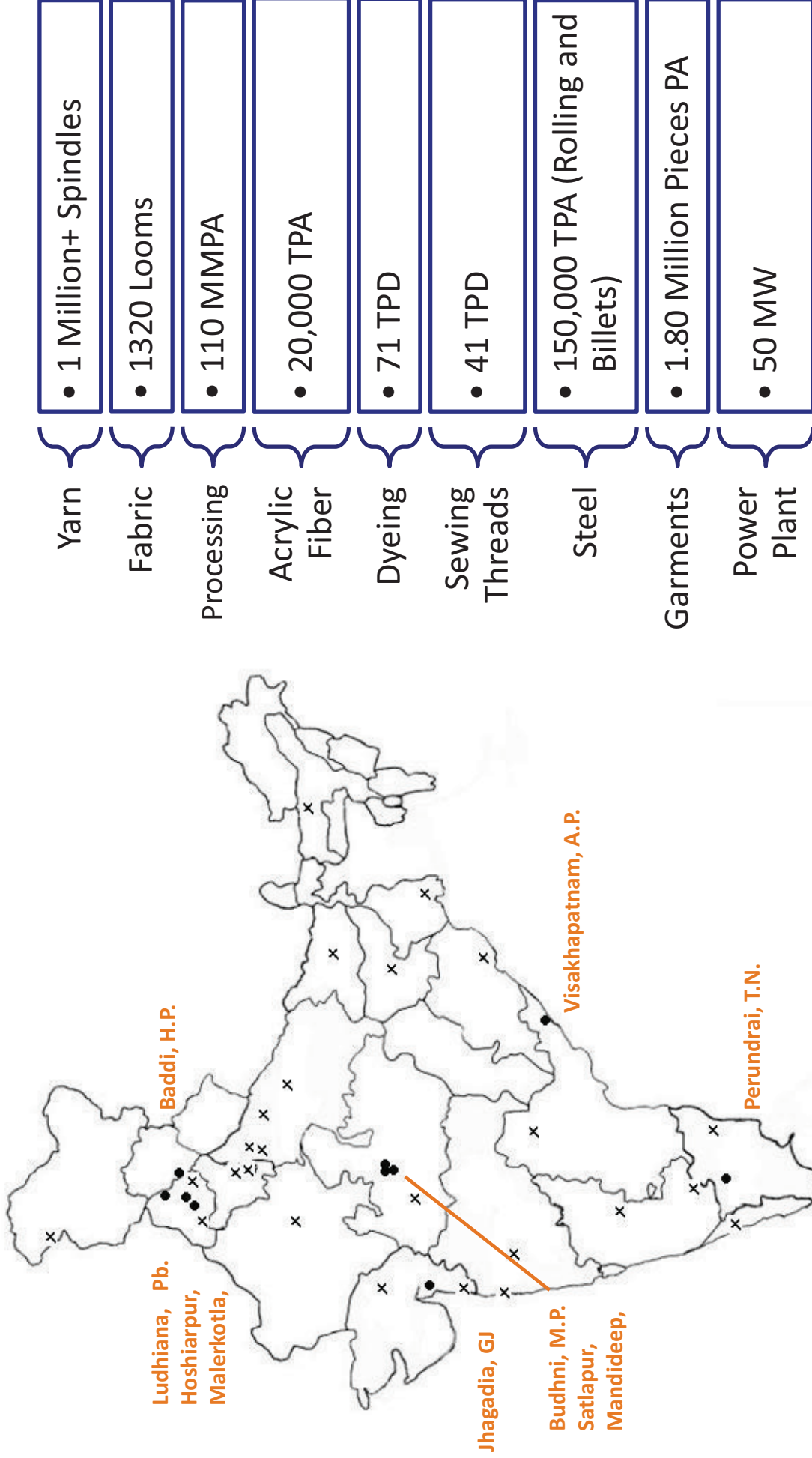
* Including Trading Turnover Rs. 1339.7 million # Revenues as on 31st March 2014

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

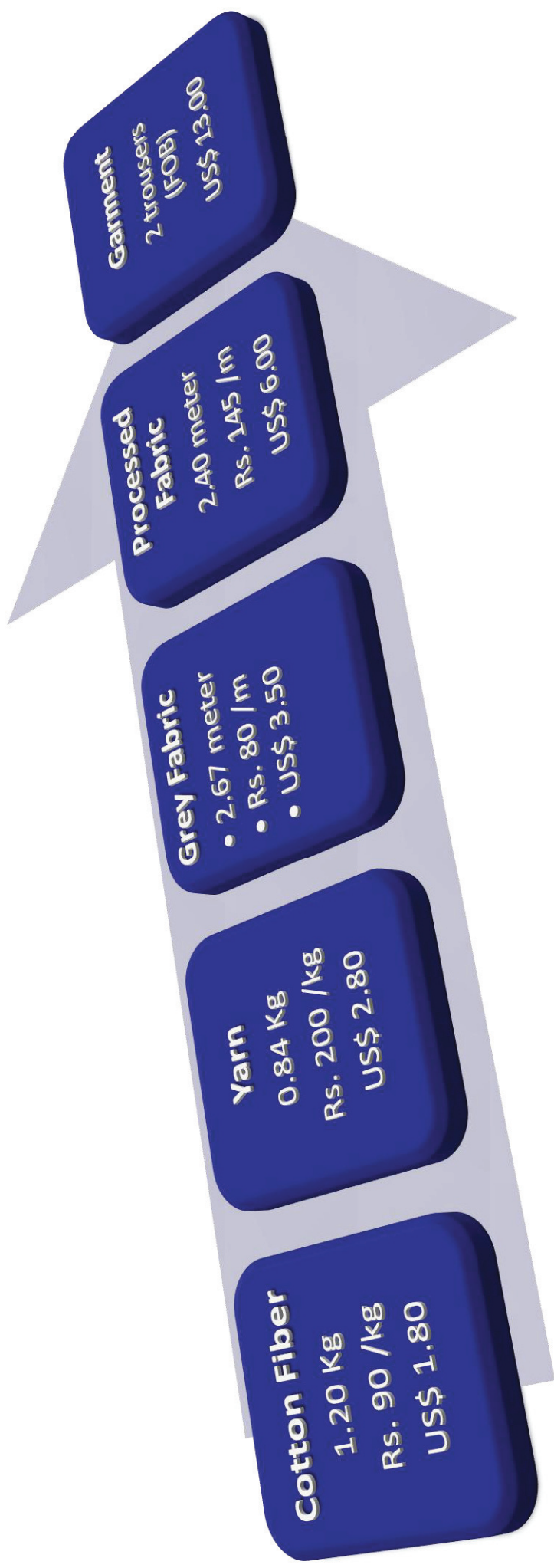
- Cotton Procurement Policy
- Employee Engagement & Culture of innovation
- Economies of scale and Operational Efficiencies
- Customer Oriented approach
- Focus on diversified and Value added products
- Technology up gradation and continuous process improvement
- Integrated Business
- Financial Strength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

Manufacturing Facilities & Capacities



Yarn	<ul style="list-style-type: none"> • 1 Million+ Spindles
Fabric	<ul style="list-style-type: none"> • 1320 Looms
Processing	<ul style="list-style-type: none"> • 110 MMPA
Acrylic Fiber	<ul style="list-style-type: none"> • 20,000 TPA
Dyeing	<ul style="list-style-type: none"> • 71 TPD
Sewing Threads	<ul style="list-style-type: none"> • 41 TPD
Steel	<ul style="list-style-type: none"> • 150,000 TPA (Rolling and Billets)
Garments	<ul style="list-style-type: none"> • 1.80 Million Pieces PA
Power Plant	<ul style="list-style-type: none"> • 50 MW

Textiles Value Additions Through Supply Chain



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

Exchange Rate: Rs 60/\$

Yarn Business – Key business driver

- 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

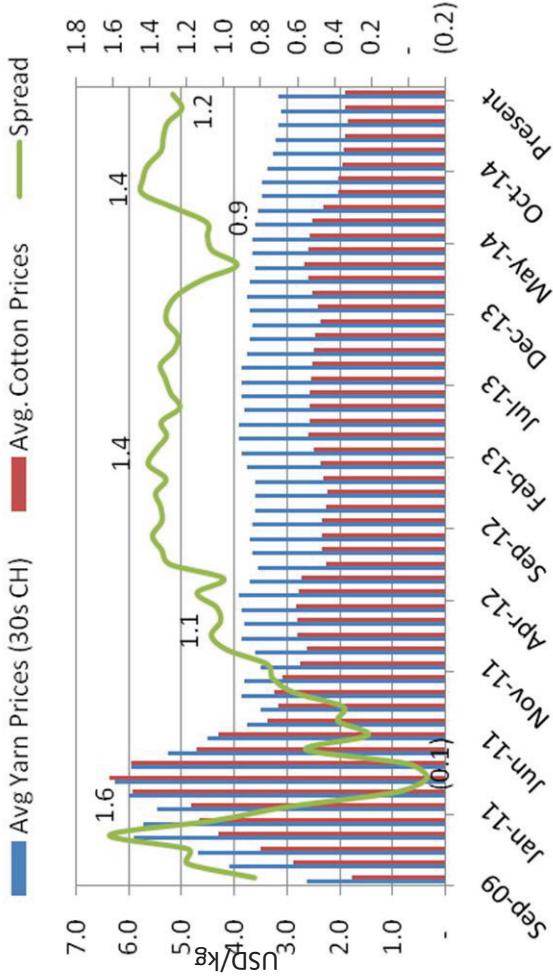
Specialized Products	
Cotton Lyocell	Cotton Silk
Cotton Bamboo	Cotton Modal
Cotton Tencel	Cotton Viscose

Environment Friendly Products	
Organic Cotton	Fair Trade Yarn
	Contamination Free Yarn

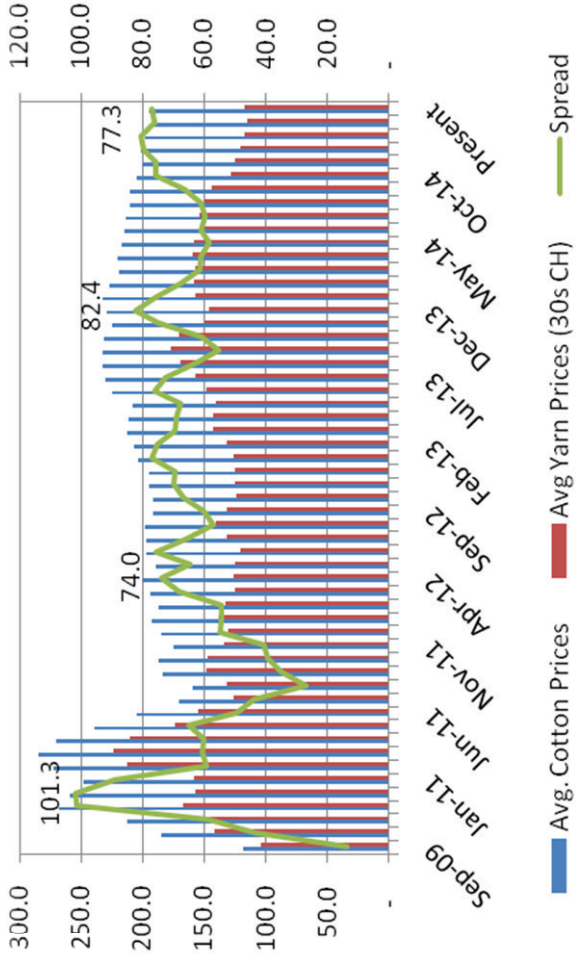
Hand-knit Yarn Business

- Market leader in hand-knit yarn category
- 40% share of the organised sector and 30% of the total market.
- Pan India total outlets approx. 4000. with Vardhman present at around 1800 retail outlets in 650 cities/towns.
- Patronage of ~6.0 million consumers across country
- Technology upgradation ,new product development and innovative marketing strategies – keys to success
- 45 sub brands in various packaging categories under vardhman knitting yarn umbrella brand.
- Effective use of electronic and print media for mass communication.
- Staying in-vogue – new designs introduced every year depicting latest fashion trends
- Consumer/dealer friendly approach

Changing spreads in cotton yarns



Spread over Cot-A Index (\$/kg)



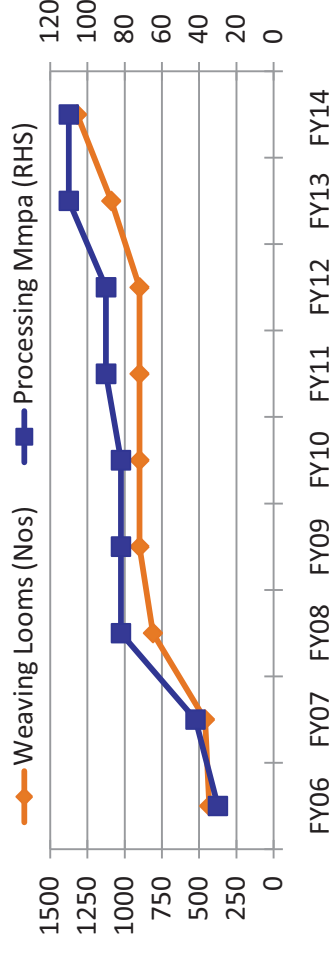
Spread over Indian Cotton (INR/kg)

Fabrics Business



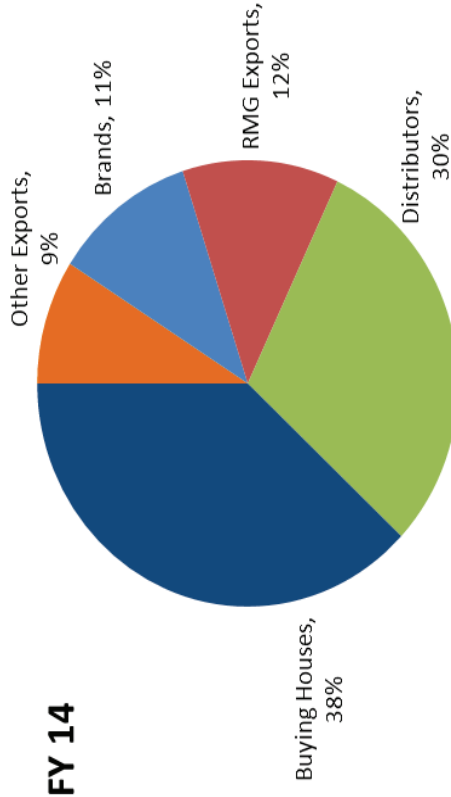
- Continuing its onward march up the value chain, the group entered Fabric business in 1992 with Greige Fabric and Processed Fabric in 1999.
- Current capacity is 1,320 looms & 110 million meters of processed fabric per annum
- One of the few fully integrated fabric suppliers in the country and largest 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.
- 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

FY 14

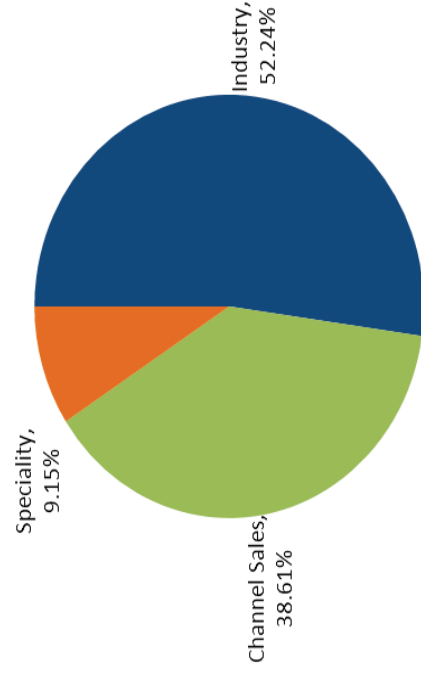


Sewing Thread Business

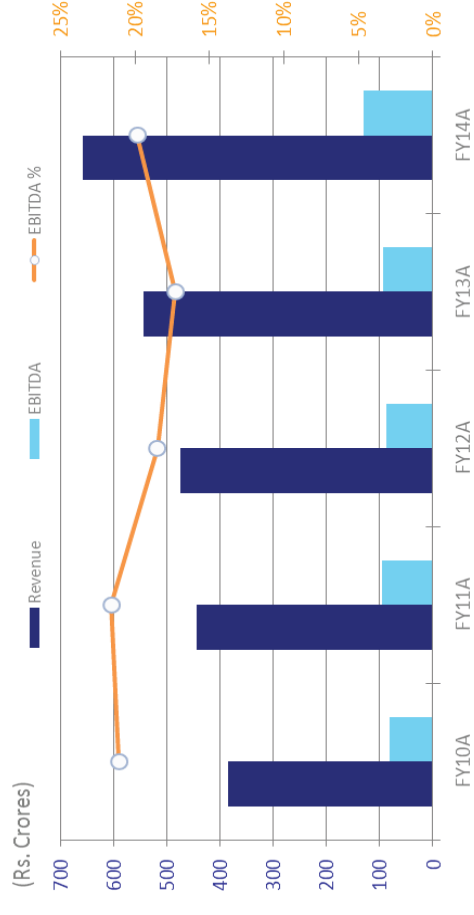


- The Group entered the Thread business in 1982 as a forward integration to its Yarn business
- Current capacity is 41 tpd across 5 plants at Punjab, Tamil Nadu & Himachal Pradesh
- In 2002, entered into a strategic alliance as a licensee with American & Efird, Inc. USA (A&E) for manufacturing & distribution 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%



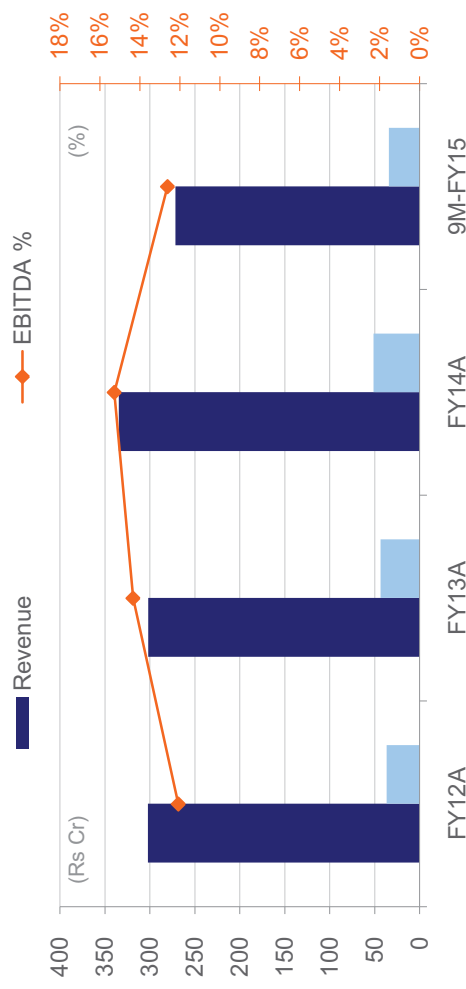
Healthy margin in a less crowded market



Acrylics Fibre Business

- 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, upholstery, carpets etc.
- VAL is a Debt Free Company with cash reserves of about Rs. 225 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 Melting & 150,000 tpa Rolling
- 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

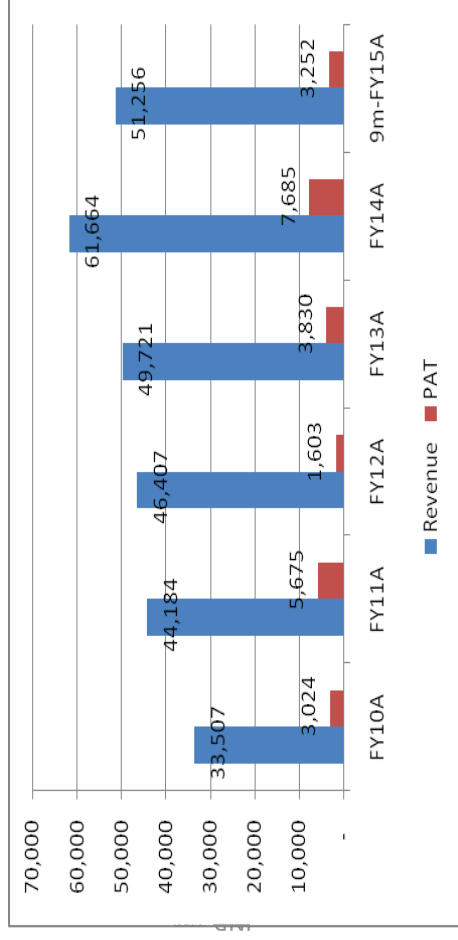
- Started Garments business in 2010 as a forward integration strategy in a JV with Nisshinbo Textiles Inc. for production of shirts in Ludhiana, Punjab with Vardhman Textiles holding 51% stake.
- Installed Production Capacity: 1.8 MN pieces per year. Current Capacity of ~1.4 MN pieces.
- The Shirts will 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

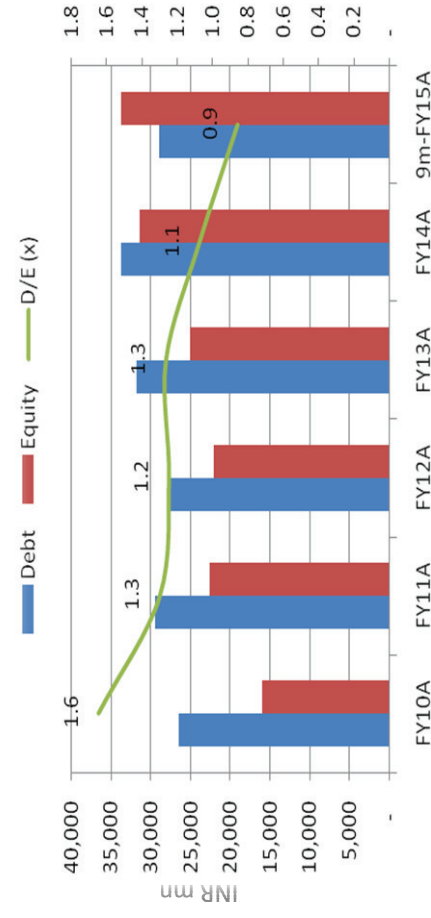
Financial highlights



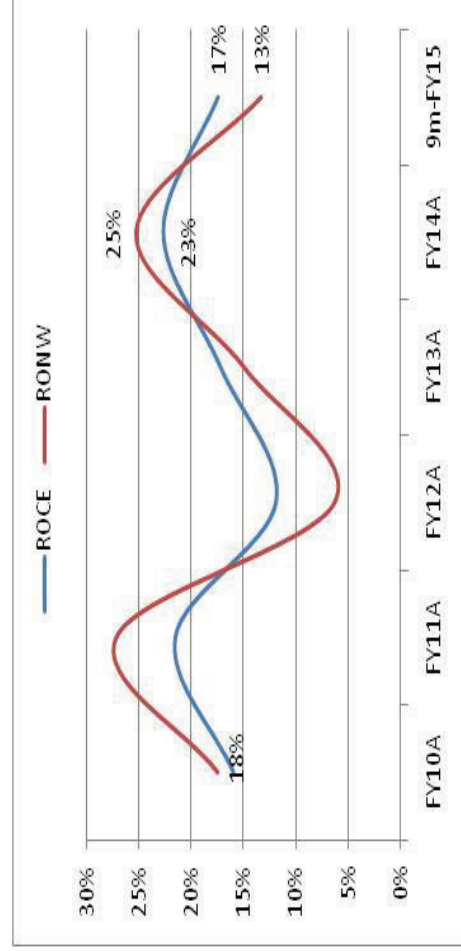
Bottom line growth over the years



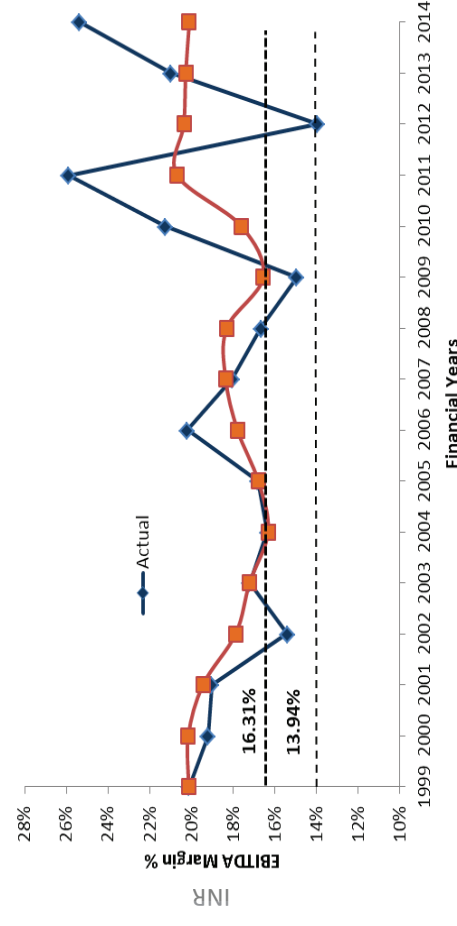
Comfortable debt/equity considering most debt under TUFs



Return ratios*



3 year moving average of EBITDA margins



* Considering the business dynamics, we have used EBITDA for calculating ROCE

Key financials



Particulars	INR Million				USD Million			
	FY14	FY13	9M-FY15	9M-FY14	FY14	FY13	9M-FY15	9M-FY14
Revenues	62,403	50,226	52,366	46,940	1,040	837	873	782
EBITDA	15,342	10,252	9,295	11,490	256	171	155	191
Margin %	25%	20%	18%	24%	25%	20%	18%	24%
PBT	10,476	5,528	4,434	8,042	175	92	74	134
Margin %	17%	11%	8%	17%	17%	11%	8%	17%
PAT	7,685	3,830	3,252	6,147	128	64	54	102
Margin %	12%	8%	6%	13%	12%	8%	6%	13%
Net Worth	31,320	25,065	33,621		522	418	560	
Total Debt	28,959	28,776	28,941		483	480	482	
ROCE	23%	17%	17%		23%	17%	17%	
RONW	25%	15%	13%		25%	15%	13%	
EPS - Basic	115	57	51	97	2	1	1	2
			63.65					

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
All figures are for Vardhman Textiles Ltd on consolidated basis

Capital Expenditure & Capacities

- 2015 has been a year of consolidation for the company and no major capital expenditure has been done.
- Marginal capacity in spinning has been added.
- Total expenditure on various line balances / modernization schemes has been to the tune of INR 2.0 billion.
- This has resulted in the improvement in productivity.

	FY 14	YTD FY15
Yarn Production	470 TPD	515 TPD

Annexure

VTL Management



Name	Designation	Details	Experience
S .P. Oswal	Chairman & Managing Director	<ul style="list-style-type: none"> 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	Jt. Managing Director	<ul style="list-style-type: none"> 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 Nisshinbo Garments Limited 	22
Suchita Jain	Executive Director	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Holds a B.Sc (Engineering) and MBA from Punjab Agricultural University, Ludhiana. Director in charge of Vardhman Nisshinbo Garment Limited 	38
Neeraj Jain	Jt. Managing Director MD. VMT Spg. Co. Ltd.	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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

Independent Directors



Name	Designation	Details	Experience
Prafull Anubhai	Independent Director	<ul style="list-style-type: none"> ■ Holds degree in Bachelors of Commerce and B. Sc. (Economics) from London School of Economics ■ Is associated with educational and research institutions like Indian Institute of Management (IIMA), Ahmedabad Education Society (AES), Ahmedabad University, CSTEP (Centre for Science Technology and Policy), ATIRA etc. and is the Chairman of the Board of Management of the Ahmedabad University. ■ Is associated with Vardhman Textiles Limited since July 1980 	41
A. K. Purwar	Independent Director	<ul style="list-style-type: none"> ■ holds degree in Masters of Commerce and Diploma in Business Administration from Allahabad University ■ Brings to the table a rich experience in banking sector and has served as the Chairman of State Bank of India during the year 2005-06 ■ Is associated with Vardhman Textiles Limited since June 2007 	40
Dr. Ashok Kumar Kundra	Independent Director	<ul style="list-style-type: none"> ■ holds degree of Masters in Economics from the University of Punjab and a PhD from School of International Studies, Jawaharlal Nehru University ■ holds expertise in industrial policy, industrial administration and planning and corporate management ■ was also secretary to the Government of India, Ministry of Mines, Chairman Tariff Commission and ex-officio secretary to the Government of India, Department of Industrial Policy and Promotion, special secretary in the Ministry of Environment and Forests and principal advisor to the Planning Commission ■ Is associated with Vardhman Textiles Limited since January 2009 	37

Independent Directors



Name	Designation	Details	Experience
Dr. Subash Khanchand Bijlani	Independent Director	<ul style="list-style-type: none"> ■ holds the degrees of Doctor of Management, Maryland (USA), Bachelors in Science and Technology (Mechanical Engineering), Manchester U.K. ■ Rich experience in the areas of industrial and operational management, strategic management and international management ■ Is associated with Vardhman Textiles Limited since March 2005 	49
Shravan Talwar	Independent Director	<ul style="list-style-type: none"> ■ Bachelor of Arts (Computational & Applied Math & Economics) from Rice University and MBA with distinction from Kellogg Business School of Northwestern University ■ Extensive experience in the field of strategic planning, marketing and restructuring of business operations ■ Is associated with Vardhman Textiles Limited since January 2010 	14
Devendra Bhushan Jain	Independent Director	<ul style="list-style-type: none"> ■ holds degree in B.Sc. from Bombay University ■ has an expertise in the field of marketing. ■ Is associated with Vardhman Textiles Limited since August 2014 	35

Major global strategic alliances



Product	Alliance Partner	Year
Fibre and Yarn Dyeing	Nihon Sanmo, Japan <i>Technical collaboration for foray into yarn & fibre dyeing</i>	1992
Gassed Mercerized Yarns	Kyung Bang, South Korea <i>Technical collaboration for foray into gassed mercerized yarns</i>	1994
Cotton Yarns	Toho Rayon, Japan <i>Joint Venture for making customised yarns for the Japanese market</i>	1995
Acrylic Fibre (JV ended in 2009)	Exlan and Marubeni Corp, Japan <i>Technology contract for transfer of technology & Equipment supply contract for supply of proprietary and special plant and equipment</i>	1996
Fabric Dyeing & Finishing	Tokai Senko, Japan <i>Technical collaboration for forward integration into fabric processing</i>	1998
Sewing Threads	American & Efird (A&E) Inc USA <i>Joint Venture</i>	2001
Cotton Yarns	Nisshinbo, Japan (<i>Technical collaboration</i>)	2002
Cotton Fabric	Nisshinbo, Japan (<i>Technical collaboration</i>)	2007
Garments	Nisshinbo, Japan (<i>Technical & Marketing collaboration</i>)	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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