



June 26, 2015

To,  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001.

National Stock Exchange of India Limited  
Exchange Plaza,  
Plot No. C/1, G – Block,  
Bandra Kurla Complex,  
Bandra (East),  
Mumbai – 400 051.

**Scrip Code: 532641**

**Scrip Symbol: NDL**

Dear Sir,

**Subject: Analyst Meet Presentation FY15**

We are pleased to submit herewith a copy of the Analyst Meet Presentation for FY15 regarding the financial performance of the Company and other highlights for the purpose of information to the shareholders, investors, public at large and all others concerned.

You are requested to kindly take the same on record.

Yours faithfully,  
For **NANDAN DENIM LIMITED**

*Purvee Roy*

**PURVEE ROY  
COMPANY SECRETARY  
MEM. NO. A26925**



**Nandan Denim Limited**  
(Formerly known as Nandan Exim Limited)  
(CIN:L51909GJ1994PLC022719)

**Plant & Regd. Office:**

Survey No. 198/1, 203/2, Sajipur-Gopalpur, Pirana Road, Piplej, Ahmedabad - 382 405  
Ph.: +91 9879200199 Website: www.nandandenim.com Email: info@nandandenim.com

**Corporate House:**

Chiripal House, Shivranjani Cross Roads, Satellite, Ahmedabad - 380 015  
Ph.: 079-26734660/2/3 Fax: 079-26768656

# NANDAN DENIM LIMITED

ANALYST MEET PRESENTATION  
JUNE 2015



**Nandan**  
One world with denim



Private and Confidential

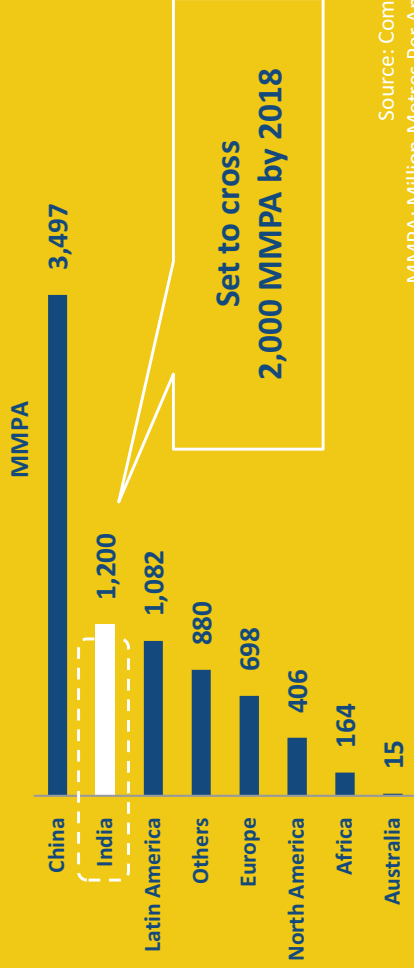
## DISCUSSION SUMMARY

- **Industry Overview & Outlook**
- **Company Overview**
- **Capacity Expansion Plan**
- **Gujarat Textile Policy & Strategic Location Benefits**
- **Rationale for Capacity Expansion & Integration**
- **Growth Outlook**



# INDIA DENIM FABRIC MARKET OVERVIEW

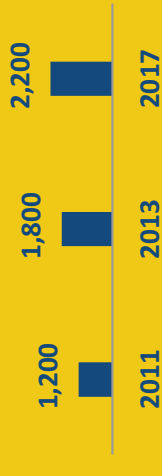
## 2<sup>ND</sup> LARGEST DENIM FABRIC CAPACITY IN THE WORLD



**INDIA IS NOW  
THE LARGEST COTTON PRODUCER IN THE WORLD  
AHEAD OF CHINA**

- The global denim fabric market is around USD 17 bn, Asia accounts for ~70% of global denim fabric production.
- The Indian denim apparel market (CAGR of 14% - 15%) is fast outpacing the global denim apparel market (CAGR of 3% - 5%).

## INDIAN DENIM APPAREL MARKET (USD MN)



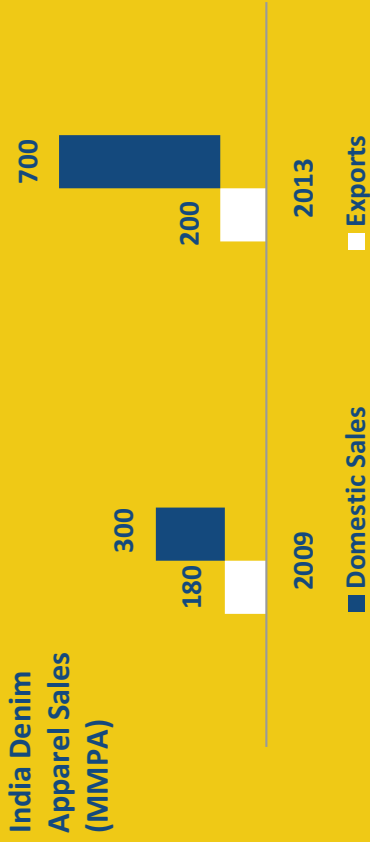
Source: Technopak Analysis

## INDIA IS SET TO ESTABLISH AS THE GLOBAL DENIM FABRIC AND APPAREL PRODUCTION HUB

- 4<sup>th</sup> largest denim fabric exporter in the world.
- Low cost and competitive currency.
- Favourable government textile policies.
- China's decreasing competitive edge.

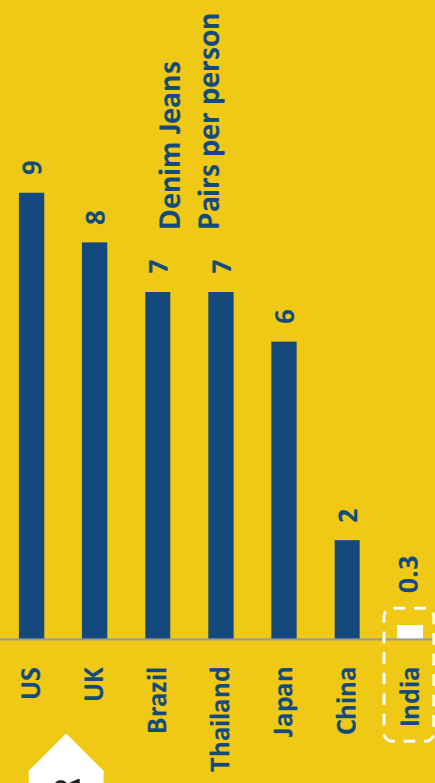
# DOMESTIC DENIM APPAREL MARKET - HUGE UNTAPPED OPPORTUNITY

## DOMESTIC DENIM APPAREL MARKET WITNESSING FASTER GROWTH

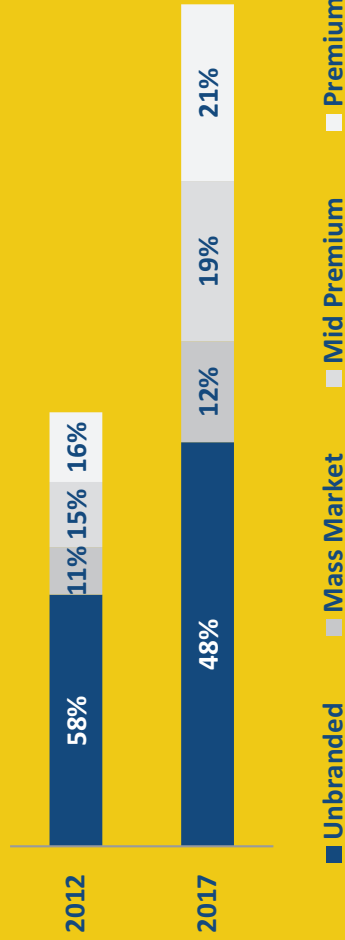


HOWEVER

## LOWEST PER CAPITA DENIM JEANS CONSUMPTION IN THE WORLD



## STRONG GROWTH ACROSS ALL GRADES OF DENIM

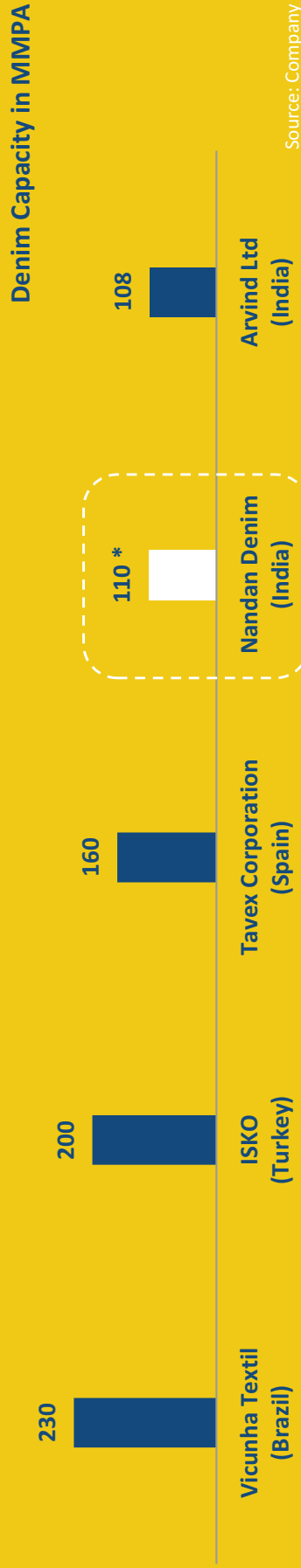


## KEY FUTURE DEMAND DRIVERS

- 78% of Indian population is less than 45 years of age.
- Rising demand from womenswear segment.
- Rising disposable incomes and fashion consciousness.
- Rising acceptance of denim jeans as an officewear.
- Rising demand from Tier II & III cities driven by expanding organised retail industry.

# NANDAN DENIM HAS ONE OF THE LARGEST DENIM FABRIC MANUFACTURING CAPACITY IN THE WORLD

## 4<sup>TH</sup> LARGEST DENIM MANUFACTURING FACILITY IN THE WORLD



## LARGEST DENIM MANUFACTURING FACILITY IN INDIA



\* Post complete expansion

## CURRENT CAPACITY SCENARIO – DENIM FABRIC MARKET

### Current Production Capacity : 1200 Million meter

- Estimated Production : 1000 Million Meter
  - Domestic consumption: 700-800 Million Meter
  - Exports : 200-300 Million Meter

### Estimated Growth Rate

- Domestic Market CAGR : 18%
- International Market CAGR : 3-5%

### At Current Growth Rate, Required Capacity by 2018:

**2000 Million meter**

- **Current No of players : 32-33**
- Manufacturing capacities: 10-110 Million Meter
- **Top 3 command 1/3rd Market Share**
- Pricing point: Rs. 80-Rs 300 per meter
- The lower the pricing point, higher the market size and higher the competition
- Dynamics are changing with higher disposable income.
- Currently 7% of population drives 49% consumption
- 85% male dominance in consumption, Women & Kids witnessing High Growth
- E-commerce has just arrived in India

**Any Chance of Over Capacity ?**

## OUR EXPERIENCE TILL DATE

- **Built capacities over the last one decade (Started from 6 MMPA in FY 05)**
- Never had machines waiting for the orders;
- Never ended with higher inventories
- **Never defaulted to any lender**
- Profits could fluctuate, never disappeared
- Never faced problems for financing the projects
- **Lower prices have higher competition**
- Already started distancing through product matrix change
- Focus on Value Added Segment



## IMPACT OF COTTON ON DENIM

- Denim, predominantly cotton fabric
- Cotton prices impact cotton yarn the most
- Yarn prices have cascading effect on fabric
- **The higher the product in the value chain, the higher is the insulation.**



## IMPACT OF COTTON ON DENIM – UNDERSTANDING CHINA

- **Chinese Cotton Inventory – 58% of global stocks**
- **Catch 22 situation**
  - Release inventory : Global trade declines, building pressure on international cotton prices
  - Don't release : Imports increase, impetus to exporters making Chinese textile uncompetitive.
- **Import quota restriction expected to 5 Mio bales only in CY 2015.** ( China will not issue cotton import quota at lower tariffs beyond the WTO mandated quota of ~5.2 million bales in Calendar Year 2015 as against imports of ~9.3 million bales in 2014 )
- **Chinese cotton consumption is up after 4 years' slide whereas crop is declining beyond Xinjiang due to differential subsidy, However the stock levels in China will continue to remain high**
  - Change in the subsidy system, with China halting its previous policy of buying from producers, now instead paying subsidy directly to the farmers.
  - In the main growing region of Xinjiang, home to about 50 percent of the domestic crop, farmers receive a subsidy equivalent to the difference between the market price and the target price of 19,400 yuan a tonne.
  - Meanwhile, producers in nine other regions get 2,000 yuan a tonne, placing them at a disadvantage to Xinjiang farmers, who currently are getting subsidy payments almost three times as large.

## INTERNATIONAL COTTON SCENARIO

- **Global share of cotton in textiles ~ 35%, balance 65% being MMF.**
- Movement in crude prices impacts prices of MMF ---> prices of cotton to compete in the market.
- **Generally, cotton prices have limited triggers for upside.**
- **Global cotton consumption to exceed production this year for the first time in last five consecutive years, however overhang of high stock levels carried from past years will continue**
- The global cotton production is expected to decline by ~5.2% while the cotton consumption is expected to increase by ~4.5% in CY 2015, driven by low cotton prices.
- The cotton production is expected to decline due to decline in acreage as farmers shift to alternate crops.
- The increase in cotton consumption is expected to be driven, mainly by China, on account of decline in the cotton prices which has improved the competitiveness of cotton with respect to synthetic fibers.

## INDIA COTTON SCENARIO

- **Expect Production to shrink by 3-5% in 2015-16**
- **Expect Consumption to increase due to restricted spread between cotton and polyester.**
- **Carry over stock of 30% to provide comfort.**
- **Market prices remained below MSP. Cotton prices have stabilised with CCI intervention.**
- **The CCI has acquired around 9 Million bales, 25% of production.**
- **CCI stock liquidation strategy to drive market prices.**
  - **If disposal below MSP then exports to go up.**
  - **If higher price then exports of yarn to decline ----> reduce demand for cotton ----> bring down prices.**
- **Crop size may not be impacted significantly in next crop season with timely spread of monsoon. In the worst case scenario, stocks would be depleted without impacting carry over stock.**
- **No correction expected in MSP.**

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# ABOUT US: CHIRIPAL GROUP – EMERGING CONGLOMERATE



**Group Turnover \***  
Rs 28,955 mn

**Group EBITDA \***  
Rs 3,207 mn

**Group PAT \***  
Rs 825 mn

**Employee Strength**  
5,000

BUSINESS DIVISION	GROUP COMPANIES	DETAILS
<b>Textiles</b>	Nandan Denim Ltd. Chiripal Industries Ltd. (Processing Division) Vishal Fabrics Pvt. Ltd.	<ul style="list-style-type: none"> <li>Fully integrated facilities for manufacturing range of products viz. woven fabrics, circular knitted fabrics, polar fleece fabrics, cotton hosiery, denim, etc.</li> </ul>
<b>Petrochemicals</b>	Chiripal Industries Ltd. (Petrochemicals Division) CIL Nova Petrochemicals Ltd.	<ul style="list-style-type: none"> <li>Offers integrated range of products ranging from POY – 50-250 denier and FDY – 50-150 denier.</li> <li>Employs latest and fully automated machinery operated with Japanese and German technology.</li> </ul>
<b>Chemicals</b>	Chiripal Industries Ltd. (Chemicals Division)	<ul style="list-style-type: none"> <li>Operates two major divisions – Adhesives &amp; Speciality Performance Chemicals.</li> <li>Equipped to provide world class solutions to the paints, paper, leather, packaging &amp; textile industries</li> </ul>
<b>Packaging</b>	Chiripal Poly Films Ltd.	<ul style="list-style-type: none"> <li>World Class two imported Biaxial orientation of polypropylene (BOPP) lines from Bruckner, Germany for manufacturing films capacity of 77,550 MTPA.</li> <li>In addition, CPFL has two Metalizers for producing metalized films.</li> <li>The company is also implementing BOPET Line to cater to wide demand for BOPET Products.</li> </ul>
<b>Infrastructure</b>	Shanti Developers Dholi Integrated Spinning Park Vraj Integrated Textile Park	<ul style="list-style-type: none"> <li>Operates a fully equipped industrial park for SME enterprises in the textile sector</li> <li>Has made a successful foray in the area of residential infrastructure as well.</li> </ul>
<b>Education</b>	Shanti Educational Initiatives Ltd.	<ul style="list-style-type: none"> <li>Runs 6 schools under the brand “Shanti Asiatic” located in Ahmedabad, Surat and Jaipur with over 2,700 students.</li> <li>Present in the management education space having student strength of 450 students.</li> <li>Successfully running over 130 pre-K franchise – Shanti Juniors with over 6,000 students.</li> </ul>

\* FY14



## ABOUT US: COMPANY OVERVIEW



### STRONG PEDIGREE

- Nandan Denim Limited is a part of a leading conglomerate, Chiripal Group, which was established in 1972 and is currently diversified across several businesses like Textiles, Petrochemicals, Chemicals, Packaging, Infrastructure and Education.
- Nandan Denim commenced its operations in 1994 with textile trading business and forayed into textile manufacturing in 2004. The company currently engages in manufacturing of denims, cotton fabrics and khakis.
- The company is run by a professional management team with an average experience of more than two decades..

### LEADING INTEGRATED DENIM MANUFACTURER

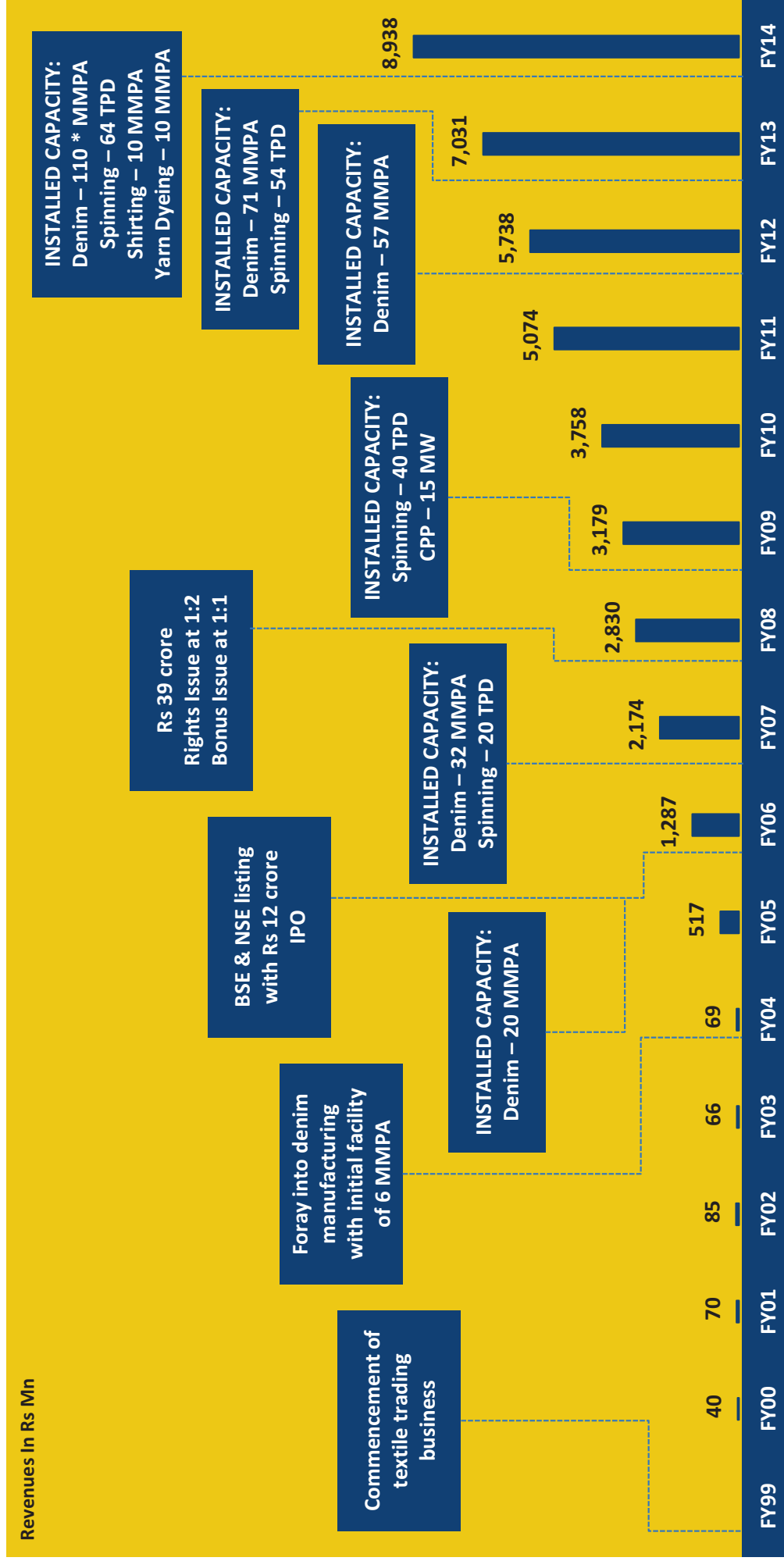
- Nandan Denim has one of the largest denim fabric manufacturing capacities in the world.
- The company expanded its denim fabric capacity from 71 MMPA to 110 \* MMPA in FY15.
- The company plans to backward integrate by expanding its spinning capacity from 64 TPD (tonnes per day) to 124 TPD in FY15-16 resulting into higher operating margins and improved return ratios.
- The company also owns a captive power plant of 15 MW.

### STRONG FINANCIAL PERFORMANCE

- Consolidated revenues, EBITDA and PAT were Rs 10,965 mn, Rs 1,654 mn and Rs 514 mn in FY15 having grown at CAGR of 21%, 25% and 31% over last five years.
- Stable EBITDA margins of around 14% - 15% over last five years.
- Return ratios have improved over last five years driven by improving asset turnover.
  - ROCE – 10.6% in FY11 to 15.8% in FY15.
  - ROE – 12.7% in FY11 to 21.6% in FY15.
- FY15 Debt : Equity was 1.8:1.

\* Post complete expansion

# ABOUT US: KEY MILESTONES



\* Post complete expansion





# ABOUT US: STRONG DENIM CAPABILITIES

## LATEST MANUFACTURING TECHNOLOGY

- State of art manufacturing facility with latest machinery & technology sourced from across the globe.
- The machinery is capable of producing wide range of denim fabrics - 100% cotton, cotton spandex, cotton poly, cotton poly spandex, cotton modal, cotton tencel etc.
- The technology enables the company to meet the latest trends and requirements of denim fabric.

## DESIGN & INNOVATION

- In-house creative design studio and product development cell.
- The Design Studio is managed by a team of designers and technocrats from India's premier art and design, textiles and technology learning and research institutions.
- Continual focus on new market trends, fashion and product requirements meeting customers' needs.

## QUALITY SYSTEMS

- ISO 9000 and OEKO-Tex certified manufacturing facilities.
- Fully computerized auto dispensing laboratory with all testing equipments and processes.
- Strict compliance with customers' needs and product designers' specifications.
- Real time monitoring of quality and execution through SAP ERP package.

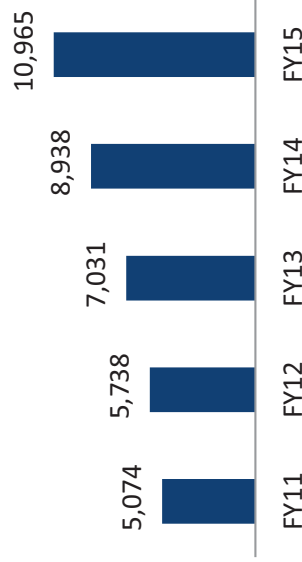
**STRONG DENIM CAPABILITIES**

# ABOUT US: FINANCIAL SUMMARY



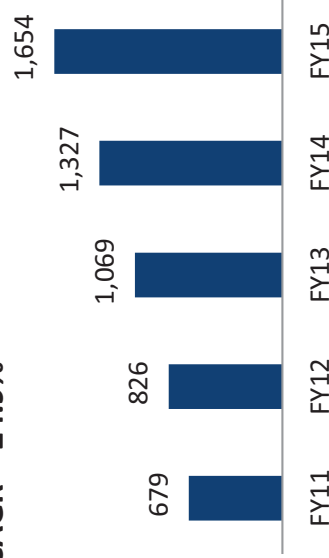
## REVENUES (RS MN)

CAGR – 21.2%



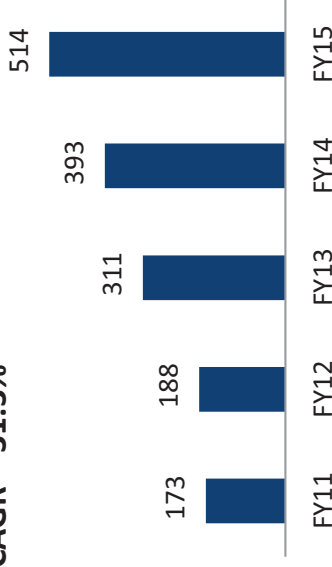
## EBITDA (RS MN)

CAGR – 24.9%

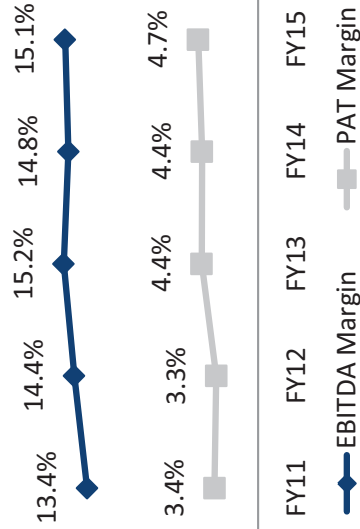


## PAT (RS MN)

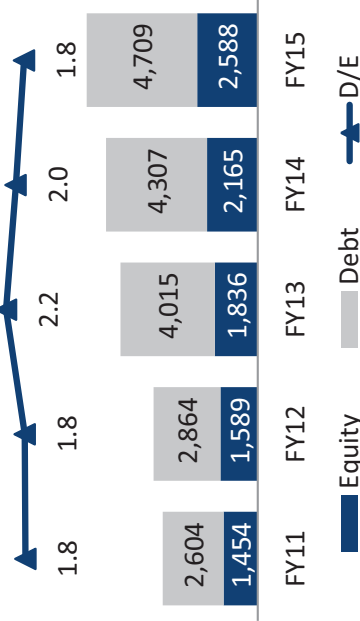
CAGR – 31.3%



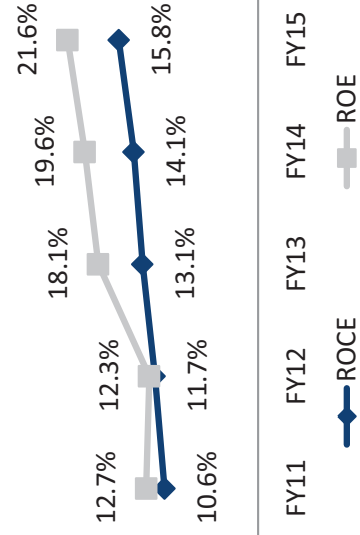
## MARGIN ANALYSIS (%)



## LEVERAGE ANALYSIS (RS MN)



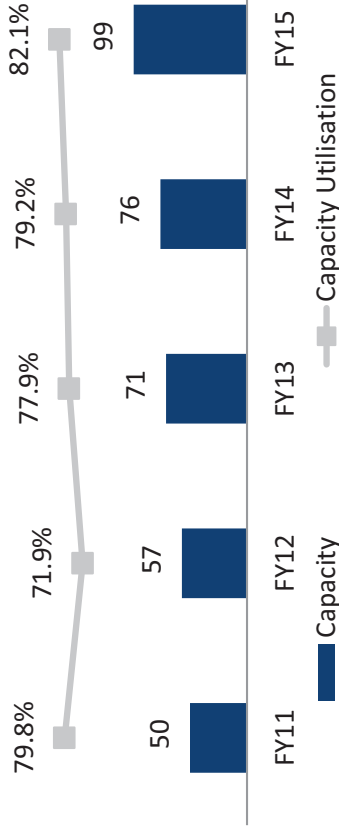
## RETURN METRICS (%)



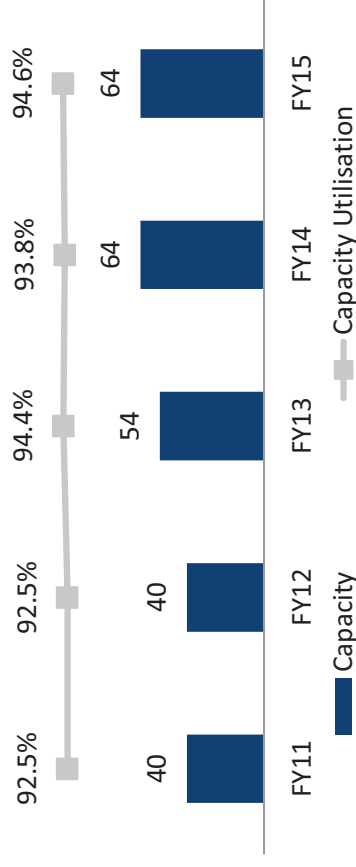
# ABOUT US: OPERATIONAL SUMMARY



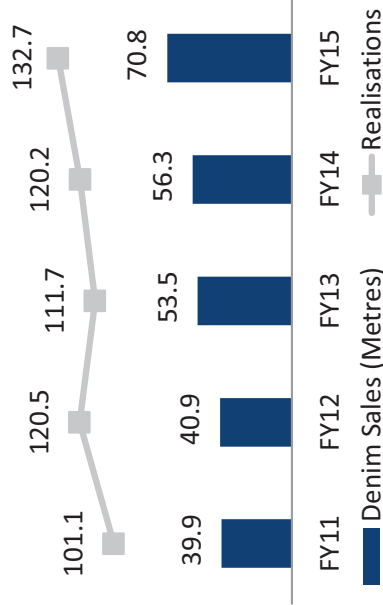
## DENIM FABRIC CAPACITY (MMPA)



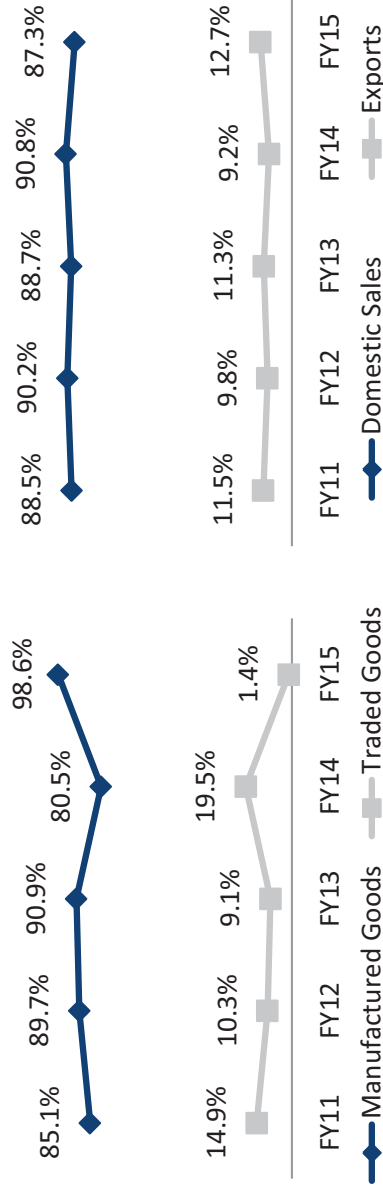
## SPINNING CAPACITY (TPD)



## DENIM REALISATIONS (RS/METRE)



## SALES BREAKUP



## ABOUT US: BOARD OF DIRECTORS & KEY MANAGEMENT



### **Ved Prakash D. Chiripal** **NON-EXECUTIVE** **CHAIRMAN**

- A Commerce Graduate and has almost three decades of experience in the field of manufacturing, trading and export of various textiles products.
- Started his textile business with 72 power looms in 1974. Subsequently, he set up various processing units and other manufacturing units of textile
- The Managing Director of the Company and younger brother of Mr. Vedprakash Chiripal.
- He is a Chemical Engineer and has more than 20 years of business experience in Textile Processing as well as export and domestic trading.

### **Brijmohan D. Chiripal** **MANAGING DIRECTOR**

- A MBA and Master of Science in Nuclear Physics.
- A retired MD of SBI with over 35 years of experience in the Banking industry.
- He is also the Director in other major companies such as Jindal Stainless Limited, IDFC Securities Limited, IDFC AMC Trustee Company Limited, etc.

### **T. S. Bhattacharya** **INDEPENDENT DIRECTOR**

- A Bachelor of Engineering in Metallurgy and Bachelor of Science in Chemistry. Retired from Gujarat Industrial & Investment Corporation Limited (GIIC) with an industry experience of around 40 years.
- He is also the Director in other major companies such as Jindal Hotels Limited, Sumeru Industries Limited.

### **Ambalal C. Patel** **INDEPENDENT DIRECTOR**

- A Mathematics graduate from the University of Delhi. He followed his passion for marketing and branding, has strong experience of nearly 3 decades in the field.

### **Giraj Mohan** **INDEPENDENT DIRECTOR**

- He is the Founder-Director of BehindTheMoon Consultants – a Brand & Strategic Consulting boutique, which boasts of an esteemed clientele having worked with companies such as L&T (IDPL), Star TV, Mother Dairy, LG Electronics, Miele of Germany, Vodafone and Panasonic among others.
- Prior to founding BehindTheMoon, he worked with Onida and the Indian Express in the marketing division at senior positions.

**High Corporate Governance Standards - 60% of the Board consists of Independent Directors**



## ABOUT US: BOARD OF DIRECTORS & KEY MANAGEMENT



- She has graduated from University of Virginia, USA and has three decades of experience in Corporate, International and Investment Banking. She has experience of working across diverse geographies of India, USA and South Africa.
- She was the country head of US operations of SBI, prior to that she was the CEO of the South African operations of the Bank. In addition to this, while at SBI, she also headed the Diamond Financing business of the Bank.
- Post SBI, she has worked as Group President (Finance) with Punj Lloyd Group having diversified operations in more than 15 countries. After Punj Lloyd, she served as the CEO of India Infoline Finance Ltd.

### **Pratima Ram** **INDEPENDENT DIRECTOR**

- Dr. Verma is an Engineering graduate, with Post Graduation in Business Administration and Ph.D. in area of Organizational Behavior from Indian Institute of Technology, Kharagpur. He is a well acclaimed Thought Leader, Mentor, Business Advisor, Speaker and Author.
- He currently serves as Director on boards of Dena Bank, Nandan Denim Limited and Rinac India Limited. He is also an advisor to Videocon Group of Industries. He takes keen interest in the education sphere and is an member of Executive Board of FORE School of Management, Delhi and also is a visiting faculty to premium management schools in the area of HR & OB and Strategy.
- Prior to this he served as the Chief Executive Officer of MIRC Electronics and Director(Home Appliances) of LG Electronics India. In 2008 he was the first non-Korean to be elevated as Executive in LG Global hierarchy.

### **Dr. Yasho. V. Verma** **INDEPENDENT DIRECTOR**

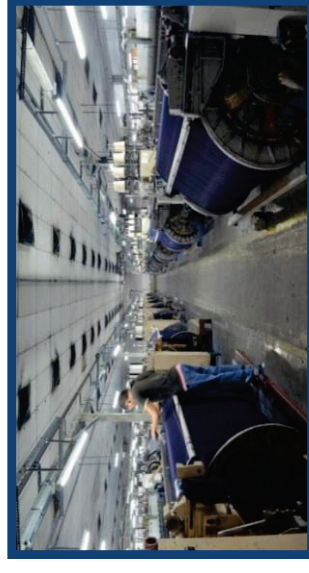
- A MBA and Bachelor of Commerce with an industry experience of nearly a decade.
- He heads the executive team of the company and has regular vigil upon the operations and growth plan. The team operates within the defined roles to achieve and exceed the business goals defined by the board
- He has been instrumental in developing the export market and expanding the domestic market for the Company.
- He has significantly contributed to the progress of the Company by assisting the promoters in handling the production, marketing and administrative departments.

### **Deepak Chiripal** **CHIEF EXECUTIVE OFFICER**

**High Corporate Governance Standards - 60% of the Board consists of Independent Directors**

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# ONE OF THE LARGEST INTEGRATED DENIM FABRIC FACILITY



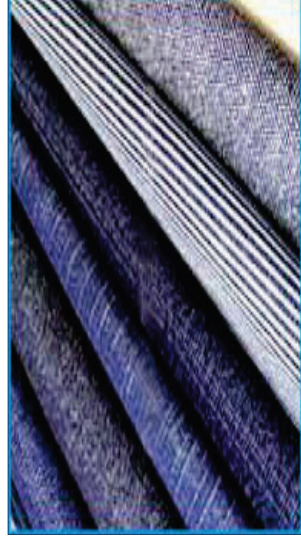
## FIBRE

**Ginned Cotton**  
70% of cotton requirement is met from Gujarat



## YARN

**Spinning**  
Ring Spinning – 20 TPD  
Open End Spinning – 44 TPD



## FABRIC

**Weaving & Processing**  
Denim – 71 MMPA

## POST CAPACITY EXPANSION

**Ginned Cotton**  
70% of cotton requirement is met from Gujarat

**Spinning**  
Ring Spinning – 44 TPD  
Open End Spinning – 80 TPD

**Weaving & Processing**  
Denim – 110 MMPA  
Shirting – 10 MMPA

## KEY HIGHLIGHTS

- One of the largest denim fabric facility in the world and second largest in India.
- Machinery with latest technology from Germany and Japan, capable of producing wide range of denim fabrics. Sufficient power through 15 MW captive power plant.

# CAPACITY EXPANSION PLAN

Capacity	Current Update – Mar 15		Est. Mar 2016	
	Pre - Expansion	Additions	Year End	Year End
<b>Spinning (TPD)</b>				
Open End Spinning	38	6	44	40
Ring Spinning	16	4	20	20
<b>Fabric (MMPA)</b>				
Denim	71	19	90	-
Shirting	-	10	10	-

## CAPACITY EXPANSION:

- Capacity expansion plan to increase the denim fabric manufacturing capacity, spinning capacity and shirting capacity.
- Total capital requirement of Rs 6,120 mn to be funded with a D:E ratio of 2.4 : 1.

## PHASE I EXPANSION:

- Expansion of denim fabric capacity will help the company to increase its domestic market share as well as diversify its operations on a global scale through increasing share of exports.
- Addition of new shirting capacity to further diversify its operations.

## PHASE II EXPANSION:

- Expansion of spinning capacity to support the increased denim fabric capacity of 110 \* MMPA.
- Backward integration through spinning capacity expansion will help the company to improve its operating flexibility and margins.

\* Post complete expansion

## LATEST UPDATE:

- Capex incurred as on Mar-15: Rs 3,049 mn (D:E – 1.3:1).



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## GUJARAT TEXTILE POLICY – KEY BENEFITS IN ADDITION TO CENTRAL BENEFITS

Textile Policy	Gujarat	Karnataka	Maharashtra	Rajasthan	Madhya Pradesh
Interest Subsidy	7% for Spinning unit, 6% for technical textiles, 5% for others without any ceiling	-	12.5% without any ceiling.	5% with an additional 1% on investment > Rs 250 mn. 7% for technical textiles	5% for standalone units and 7% for integrated units.
Capital Subsidy	-	Lower of 20% of assets value or Rs 2 mn. Additional subsidy of lower of 5% of assets value or Rs 0.5 mn for units in designated textile parks.	10% for new projects.	-	25% for new machinery.
Power Subsidy	@ Rs 1/unit for 5 years	@ Rs 1/unit	-	-	-
Stamp Duty Reimbursement	100% reimbursement	100% reimbursement	-	50% exemption.	-
VAT/Entry Tax Reimbursement	For 8 years	Yes	-	60% reimbursement.	VAT and CST reimbursement for 8 years
Common Infra/Textile Park/Cluster Devp	50% with max limit of Rs 100 mn (Rs 300 mn for spinning park) of total project cost.	10% - 40% of the project cost depending upon the zone and project size (Rs 100-200 mn)	Interest subsidy for textile park	-	-

# GUJARAT - STRATEGIC LOCATION OF MANUFACTURING FACILITIES

## THE GUJARAT ADVANTAGE

### GUJARAT TEXTILE HUB OF INDIA

- Largest producer of denim fabric (65-70%) in India and third largest in the world.
- Largest producer of cotton in India with 31% share.
- Textile hub of India housing the entire textile value chain.

### GUJARAT TEXTILE POLICY – BENEFITS

- Interest Subsidy (in addition to Central subsidies) for 5 years:
  - 7% - Spinning & garment facilities
  - 6% - Technical textiles
  - 5% - All other facilities
- Power tariff subsidy @ Rs 1/unit for 5 years.
- VAT/Entry Tax reimbursement for 8 years.
- 100% stamp duty reimbursement.

### SUPERIOR CONNECTIVITY

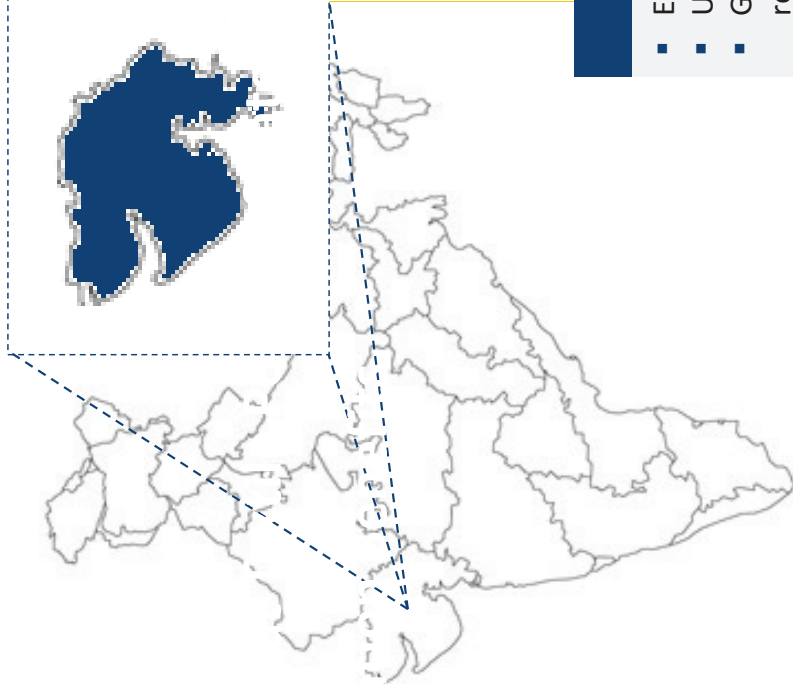
- Located in Ahmedabad, the financial capital of Gujarat.
- Superior infrastructure connectivity through roads, rail, airport and ports.

### PROXIMITY TO MARKET

- Close proximity to machinery vendors, fabric dealers and leading garment manufacturers resulting in faster delivery and service.
- Lower marketing and transportation overheads.

### LOW COST OF PRODUCTION

- Easy availability of key raw material - Cotton.
- Uninterrupted power supply in state of Gujarat.
- Gujarat meets around 70% of the cotton requirement.
- Easy availability of skilled and unskilled labour.



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- ❑ Growth Outlook



## RATIONALE FOR CAPACITY EXPANSION AND INTEGRATION

### STRONG DOMESTIC AND GLOBAL DEMAND

- Strong domestic demand backed by majority young population (78% < 45 years), rising disposable incomes and fashion consciousness and increasing organised retail industry penetration in Tier II and III cities.
- Strong global demand and potential for being a global production hub driven by easy availability of cotton, competitive currency and low cost labour.
- Set to benefit from China's decreasing competitiveness . As per CITI estimates, if China loses 10% market share in global textiles, India's market share will increase by 80%.

### LOCATION ADVANTAGE

- Located in Gujarat – Textile hub of India, largest exporter of denim fabric, largest producer of cotton etc.
- Easy availability of cotton (Gujarat meets 70% requirement) and skilled & unskilled labour.
- Close proximity to machinery vendors, fabric dealers and leading garment manufacturers resulting in faster delivery and service and lower overheads.

### BENEFITS UNDER CENTRAL AND STATE GOVERNMENT POLICY

- **Gujarat textile policy:** 5% (7% - spinning facility) interest subsidy and power subsidy @ Rs1/unit for 5 years, VAT/Entry Tax reimbursement for 8 years, 100% stamp duty reimbursement.
- **TUFS (Central textile policy):** 5% interest subsidy and capital subsidy of 10% for processing capacity and 15% for looms for period of 7 years.

## RATIONALE FOR CAPACITY EXPANSION AND INTEGRATION

### IMPROVED OPERATIONAL FLEXIBILITY

- Integrated facility will improve the overall operational flexibility, helping the company to absorb the increasing market demand.
- Faster delivery and timely execution due to limited dependency on external factors along the value chain.
- Achieve optimum capacity utilisation.
- Maintain consistency and high quality standards.

### IMPROVED MARGINS THROUGH BACKWARD INTEGRATION

- In-house production of cotton yarn would result in ~10% - 15% savings compared to purchase of yarn from the market.
- Integrated facility to help in better management of the working capital and improve the operational efficiencies.
- Better market response, efficient capacity utilisation and cost savings on captive yarn would result in EBITDA margin improvement from current 14% - 15% to around 19% - 20%.

### FUTURE IMPROVEMENT IN ASSET TURNOVER AND RETURN RATIOS

- Upfront expansion capex of Rs 6,120 mn at financing cost of only 1% - 3% (post state and central interest subsidies).
- Higher asset turnover along with improved operating margins will result in positive operating leverage and better return ratios.

# MARGIN IMPROVEMENT THROUGH SPINNING CAPACITY EXPANSION

## EXPANSION OF SPINNING CAPACITY FROM 64 TPD TO 124 TPD

### SPINNING ECONOMICS

COST PER KG OF CAPTIVE YARN - Coarse Count #	
Cotton (kg/per kg of Yarn)	1.14
Cotton Blended Price (Rs/kg of cotton)	112.0
Transport Cost (Rs/kg of cotton)	1.0
Commission (Rs/kg of cotton) @0.5%	0.6
VAT on Cotton @ 5% (Rs/kg of cotton)	5.6
Electricity Cost (Rs/kg)	11.0
Electricity required (Kwh/kg)	1.7
Electricity Cost (Rs/Kwh)	6.4
Labour and other Costs (Rs/kg)	2.7
<b>Total Cost of Captive Yarn (Rs/kg)</b>	<b>150.2</b>
COST PER KG OF MARKET YARN – Coarse Count #	
Cost of Market Yarn (Rs/kg)	165.0
Transport Cost - Market Yarn (Rs/kg)	1.0
VAT on Market Yarn @ 5% (Rs/kg)	8.3
Commission (Rs/kg of Yarn) @0.5%	0.8
<b>Total Cost of Market Yarn (Rs/kg)</b>	<b>175.1</b>

### RATIONALE: HIGHER OPERATING MARGINS

- In-house production of coarse count yarn can result in 10% - 15% cost savings.
- Overall cost savings increase as more and more captive yarn is produced.
- Integrated Spinning facility get an interest subsidy of 5% compared to 2% for standalone spinning facility under the Central TUFS scheme.

### RATIONALE: HIGHER OPERATING FLEXIBILITY

- Increased flexibility to meet the market demand.
- Faster delivery and timely execution due to limited dependency on external factors along the value chain.
- Achieve optimum capacity utilisation.
- Maintain consistency and high quality standards.

# Denim fabric primarily requires the coarse count yarn with certain proportion of fine count yarn for specific quality and style requirements. The company majorly produces the coarse count yarn in-house and procures the fine count yarn from market.

## DISCUSSION SUMMARY

- Industry Overview & Outlook
- Company Overview
- Capacity Expansion Plan
- Gujarat Textile Policy & Strategic Location Benefits
- Rationale for Capacity Expansion & Integration
- **Growth Outlook**





## SUMMARY OUTLOOK

STRONG DOMESTIC AND GLOBAL DEMAND FOR DENIM APPARELS



IMPROVING CAPACITY UTILISATION OF THE EXPANDED DENIM CAPACITY



10% - 15% GROWTH IN REVENUES



EBITDA MARGIN IMPROVEMENT DUE TO SPINNING CAPACITY EXPANSION



HIGHER ROCE



NET INTEREST COST OF 1% (SPINNING CAPACITY) AND 2%-3% (DENIM CAPACITY) ON EXPANSION CAPEX



HIGHER ROE

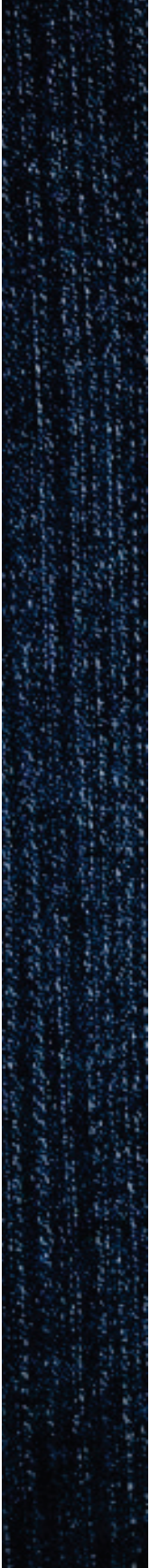
## SAFE HARBOR STATEMENT



*This presentation and the following discussion may contain “forward looking statements” by Nandan Denim Limited (Nandan Denim) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of Nandan Denim about the business, industry and markets in which it operates. These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Nandan Denim’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of Nandan Denim. In particular, such statements should not be regarded as a projection of future performance of Nandan Denim. It should be noted that the actual performance or achievements of the company may vary significantly from such statements.*

**THANK YOU**

**Q&A SESSION**



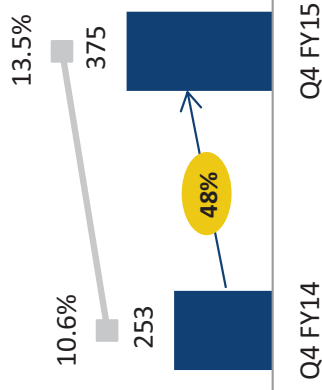
# ANNEXURE

# Q4 FY15 RESULTS – YoY Analysis

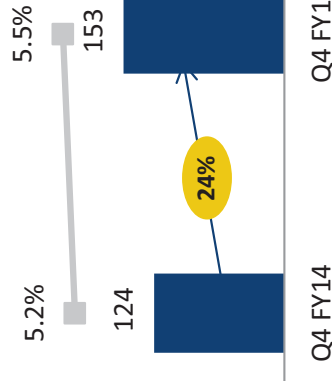
## REVENUES



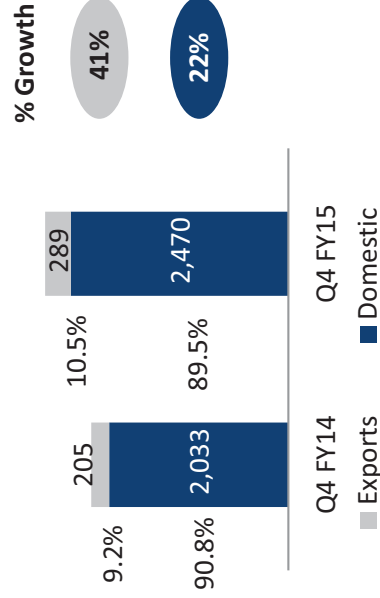
## EBITDA & EBITDA MARGIN



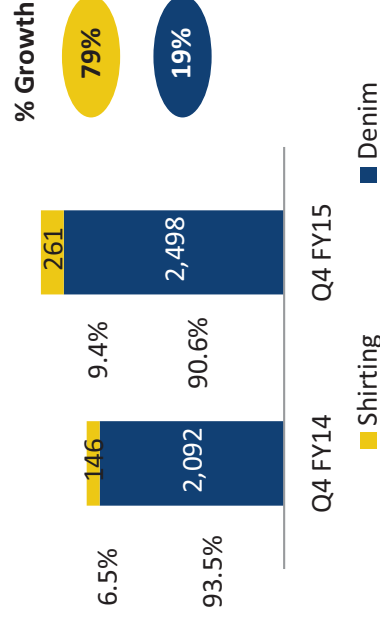
## PAT & PAT MARGIN



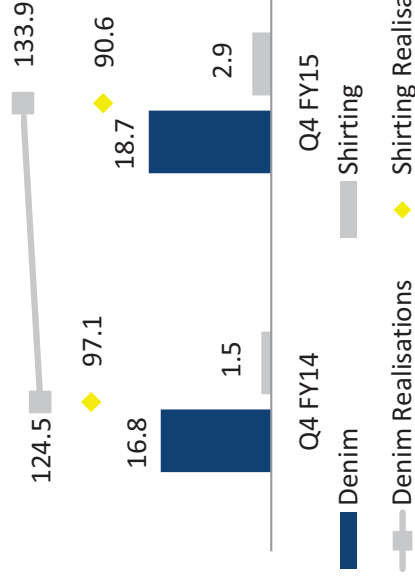
## REVENUES MIX



## REVENUE MIX



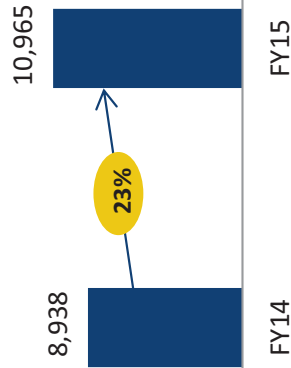
## VOLUMES & REALISATIONS



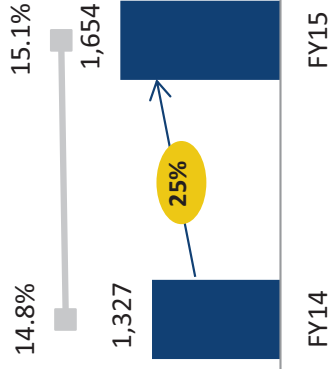
In Rs Mn , Volumes in Mn Metres, Realisations in Rs/Metre

# FY15 RESULTS – YoY Analysis

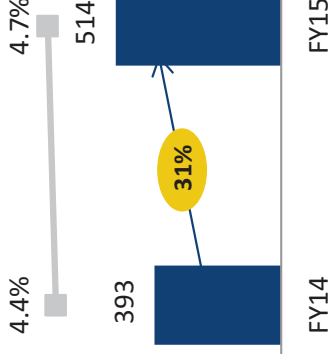
## REVENUES



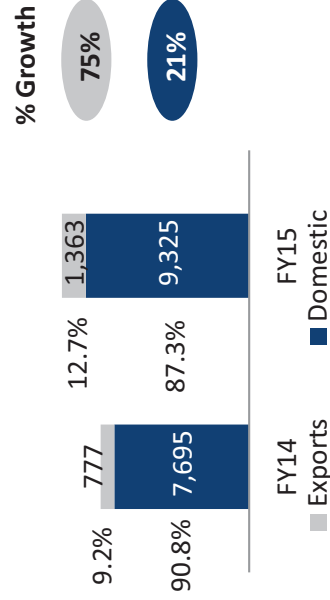
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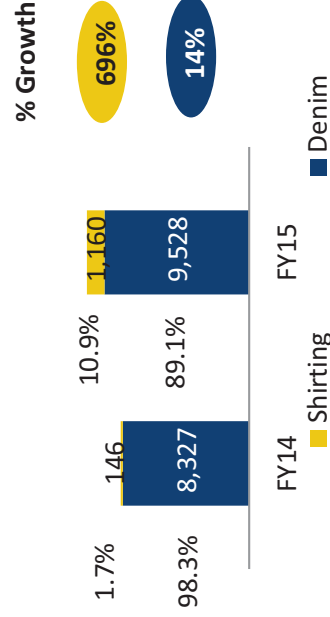
## PAT & PAT MARGIN



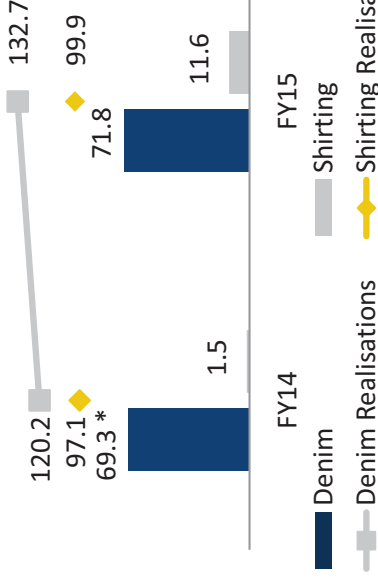
## REVENUES MIX



## REVENUE MIX



## VOLUMES & REALISATIONS



In Rs Mn , Volumes in Mn Metres, Realisations in Rs/Metre

\* Includes trading denim volumes of 13 mn metres

## Q4 & FY15 P&L STATEMENT

Particulars in Rs Mn	Q4 FY15	Q4 FY14	YoY %	Q3 FY15	QoQ %	FY15	FY14	YoY %
Sales from Operations	2,783	2,388	16.5%	2,776	0.3%	10,965	8,938	22.7%
Other Operating Income	0	0	-	0	-	-	-	-
<b>Total Sales</b>	<b>2,783</b>	<b>2,388</b>	<b>16.5%</b>	<b>2,776</b>	<b>0.3%</b>	<b>10,965</b>	<b>8,938</b>	<b>22.7%</b>
Cost of Goods Sold	1,959	1,861	5.3%	1,892	3.6%	7,578	6,249	21.3%
<b>Gross Profit</b>	<b>824</b>	<b>528</b>	<b>56.1%</b>	<b>884</b>	<b>-6.8%</b>	<b>3,388</b>	<b>2,689</b>	<b>26.0%</b>
<b>Gross Margin %</b>	<b>29.6%</b>	<b>22.1%</b>	<b>751 bps</b>	<b>31.8%</b>	<b>-224 bps</b>	<b>30.9%</b>	<b>30.1%</b>	<b>81 bps</b>
Employee Expenses	115	49	134.6%	128	-9.6%	438	310	41.1%
Other Expenses	333	225	47.9%	320	4.1%	1,295	1,052	23.1%
<b>EBITDA</b>	<b>375</b>	<b>253</b>	<b>48.2%</b>	<b>436</b>	<b>-14.0%</b>	<b>1,654</b>	<b>1,327</b>	<b>24.7%</b>
<b>EBITDA Margin %</b>	<b>13.5%</b>	<b>10.6%</b>	<b>288 bps</b>	<b>15.7%</b>	<b>-223 bps</b>	<b>15.1%</b>	<b>14.8%</b>	<b>24 bps</b>
Depreciation	137	130	5.9%	153	-10.3%	596	497	19.8%
Other Income	4	14	-70.9%	13	-68.7%	30	40	-23.7%
<b>Profits Before Interest and Taxes</b>	<b>242</b>	<b>137</b>	<b>76.2%</b>	<b>296</b>	<b>-18.2%</b>	<b>1,089</b>	<b>869</b>	<b>25.3%</b>
Interest Expense	81	44	85.8%	93	-13.2%	377	320	17.7%
<b>Profits Before Taxes</b>	<b>161</b>	<b>94</b>	<b>71.7%</b>	<b>203</b>	<b>-20.5%</b>	<b>712</b>	<b>549</b>	<b>29.7%</b>
Taxes	8	-30	-127.2%	76	-89.3%	198	156	27.2%
<b>Tax rate</b>	<b>5.1%</b>	<b>-31.9%</b>	<b>3697 bps</b>	<b>37.7%</b>	<b>-3264 bps</b>	<b>27.9%</b>	<b>28.4%</b>	<b>-54 bps</b>
<b>Profits After Tax</b>	<b>153</b>	<b>124</b>	<b>23.6%</b>	<b>126</b>	<b>21.2%</b>	<b>514</b>	<b>393</b>	<b>30.7%</b>
<b>PAT Margin %</b>	<b>5.5%</b>	<b>5.2%</b>	<b>32 bps</b>	<b>4.6%</b>	<b>95 bps</b>	<b>4.7%</b>	<b>4.4%</b>	<b>29 bps</b>
EPS (Rs)	3.36	2.72	23.5%	2.77	21.3%	11.28	8.63	30.7%

# CONSOLIDATED PROFIT & LOSS STATEMENT

Particulars in Rs Mn	FY11	FY12	FY13	FY14	FY15
Sales from Operations	4,941	5,622	6,819	8,703	10,600
Export Incentive	43	40	59	63	117
Other Operating Income	90	76	153	171	248
<b>Total Sales</b>	<b>5,074</b>	<b>5,738</b>	<b>7,031</b>	<b>8,938</b>	<b>10,965</b>
<b>Growth (%)</b>	<b>35.0%</b>	<b>13.1%</b>	<b>22.5%</b>	<b>27.1%</b>	<b>22.7%</b>
Cost of Goods Sold	3,775	4,090	4,879	6,249	7,578
<b>Gross Profit</b>	<b>1,299</b>	<b>1,648</b>	<b>2,152</b>	<b>2,689</b>	<b>3,388</b>
<b>Gross Margin %</b>	<b>25.6%</b>	<b>28.7%</b>	<b>30.6%</b>	<b>30.1%</b>	<b>30.9%</b>
Employee Expenses	147	192	254	310	438
Other Expenses	473	630	829	1,052	1,295
<b>EBITDA</b>	<b>679</b>	<b>826</b>	<b>1,069</b>	<b>1,327</b>	<b>1,654</b>
<b>EBITDA Margin %</b>	<b>13.4%</b>	<b>14.4%</b>	<b>15.2%</b>	<b>14.8%</b>	<b>15.1%</b>
Depreciation	254	333	409	497	596
Other Income	3	5	15	40	30
Interest Expense	168	278	318	320	377
Prior Period/Exceptional Items	-	43	-	-	-
<b>PBT</b>	<b>259</b>	<b>263</b>	<b>358</b>	<b>549</b>	<b>712</b>
Taxes	86	75	47	156	198
<b>Tax rate</b>	<b>33.1%</b>	<b>28.6%</b>	<b>13.2%</b>	<b>28.4%</b>	<b>27.9%</b>
<b>PAT</b>	<b>173</b>	<b>188</b>	<b>311</b>	<b>393</b>	<b>514</b>
<b>PAT Margin %</b>	<b>3.4%</b>	<b>3.3%</b>	<b>4.4%</b>	<b>4.4%</b>	<b>4.7%</b>
Number of Shares (mn)	455.50	45.55	45.55	45.55	45.55
<b>Basic EPS (Rs)</b>	<b>0.38</b>	<b>4.13</b>	<b>6.82</b>	<b>8.63</b>	<b>11.28</b>





# CONSOLIDATED BALANCE SHEET

Particulars in Rs Mn	FY11	FY12	FY13	FY14	FY15
<b>Shareholders Funds</b>	<b>1,454</b>	<b>1,589</b>	<b>1,836</b>	<b>2,165</b>	<b>2,588</b>
Long Term Debt (incl. CPLTD)	1,820	2,192	3,012	3,229	3,257
Short Term Debt	784	673	1,004	1,078	1,451
<b>Total Debt</b>	<b>2,604</b>	<b>2,864</b>	<b>4,015</b>	<b>4,307</b>	<b>4,709</b>
Other Long Term Liabilities	189	203	175	216	249
<b>Sources of Funds</b>	<b>4,247</b>	<b>4,656</b>	<b>6,027</b>	<b>6,688</b>	<b>7,546</b>
Gross Block	3,813	4,393	5,693	6,760	7,254
Less: Accumulated Depreciation	1,004	1,332	1,740	2,237	2,780
Net Block	2,810	3,060	3,953	4,523	4,474
Other Non-Current Assets	81	198	178	165	249
Inventory	1,213	984	1,198	1,385	1,409
Trade Receivables	550	695	912	1,214	1,472
Cash & Bank Balances	25	126	19	261	601
Other Current Assets	258	196	516	369	393
Trade Payables	457	345	458	576	683
Other Current Liabilities	233	259	290	653	370
<b>Net Current Assets</b>	<b>1,356</b>	<b>1,398</b>	<b>1,896</b>	<b>2,000</b>	<b>2,823</b>
<b>Application of Funds</b>	<b>4,247</b>	<b>4,656</b>	<b>6,027</b>	<b>6,688</b>	<b>7,546</b>

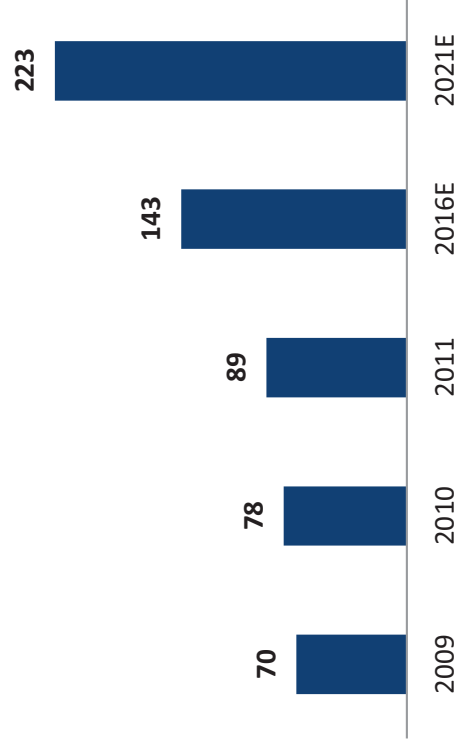


## INDIAN TEXTILE INDUSTRY

### KEY FACTS

- India is the world's second largest producer of textiles and garments.
- Indian textile industry accounts for about 24% of the world's spindle capacity and 8% of global rotor capacity.
- India has the highest loom capacity (including hand looms) with 63% of the world's market share.
- India accounts for about 14% of the world's production of textile fibres and yarns and is the second largest producer of cotton in the world.

### INDIAN TEXTILE MARKET SIZE (USD BN)



### INDIAN TEXTILE INDUSTRY PLAYS A MAJOR ROLE IN THE INDIAN ECONOMY

- Contributes 14% to industrial production and 4% to GDP.
- Second largest employment generator in India after agriculture, employing over 45 mn people.
- Accounts for nearly 11% of total exports and 27% of foreign exchange inflows.

# DENIM MANUFACTURING PROCESS

