VARDHMAN TEXTILES LIMITED

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E-mail : secretarial.lud@vardhman.com; Website : www.vardhman.com

Ref. VTXL:SCY:JUNE:2015-16 **Dated: 01.06.2015**

The National Stock Exchange of India Ltd,
"Exchange Plaza,
Bandra-Kurla Complex,
Bandra (East),
MUMBAI-400 051

SUB : INTIMATION REGARDING INVESTOR PRESENTATION

Sir,

We are enclosing herewith a copy of Investor Presentation which will be disseminated shortly.

The Investor Presentation is self- explanatory. Kindly note and display the same on your notice board for the information of the members of your exchange and general public.

Thanking you,

Yours faithfully,
For VARDHMAN TEXTILES LIMITED

(KARAN KAMAL WALIA)
COMPANY SECRETARY

Vardhmān

Vardhman Textiles Ltd

Corporate Presentation

June 2015

Private & Confidential

Vardhman Textiles Ltd. (VTL)– an overview

- **VTL is the largest listed, integrated textile manufacturing company in the Country**
  - VTL has a strong position in the Indian textile sector in the manufacturing of fiber, yarn, sewing thread and fabrics
  - Now also into garment manufacturing through a collaboration with Nisshinbo, Japan with production started in Mar 2011
  - VTL and its subsidiaries have 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 Nisshinbo, Japan
- **Key Financials (Consolidated)**
  - Consolidated revenues from operations for FY15 ended on 31st March, 2015 at Rs. 67,859 Mn (US$ 1,131 Mn); EBITDA – Rs. 12,840 Mn (US$ 214 Mn); PAT – Rs. 4,504 Mn (US$ 75 Mn)

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

Indian Textiles Sector

Vardhmān

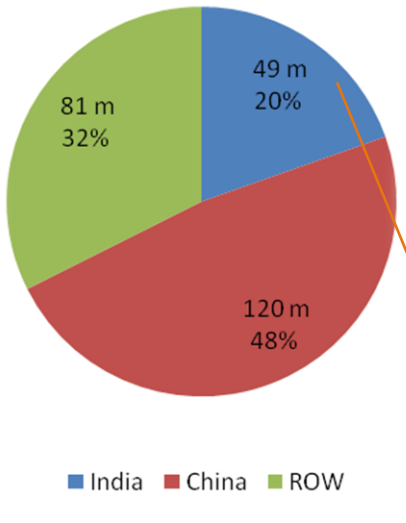
Indian Textiles Sector

- **108** USD billion – current size of Indian Textile Sector
- **2nd** largest employment generator, providing direct employment to ~45 million and ~60 million people indirectly
- **49** million Spindles capacity across ~1,300 mills
- **27 %** Contribution to India's total foreign exchange earnings with US$ 41.57 billion in 2013-14
- **14%** Contribution to India's total industrial production
- **5%** Contribution to India's gross domestic product

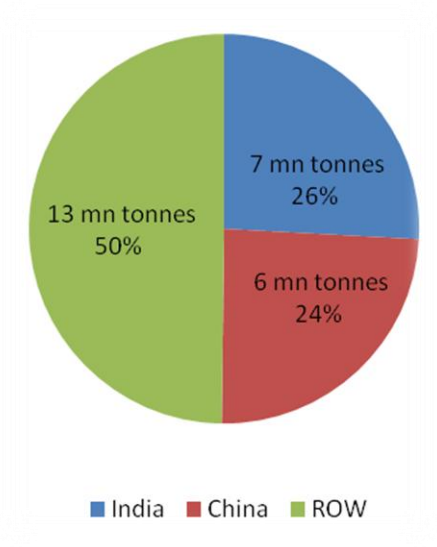
Source: IBEF`

Competitive Global Landscape – India v/s China

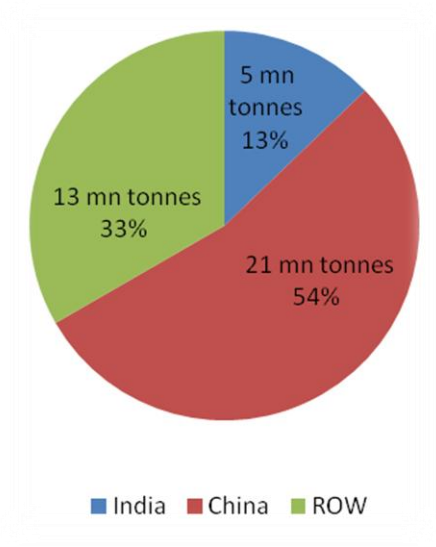
Global capacity ~250 million spindles



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 …

1962
Incorporated with 6000 spindles for manufacture of cotton yarn in Ludhiana, Punjab

1973
Mahavir Spinning Mills Limited(MSML) incorporated in October. (presently known as Vardhman Textiles Ltd (VTXL)). The flagship company of the Group.

1975
MSML set up a new spinning unit with an installed capacity of 25,000 Spindles in Hoshiarpur, Punjab.

1981
MSML set up a new spinning unit with an installed capacity of 25k spndls at Malerkotla, Punjab

Diversification in sewing threads business @ Hoshiarpur, Punjab

1988
Mohta Industries Lmited is merged with MSML, & is renamed Vardhman Special Steels

1989
Entering a new state with 25,000 spindles set up in Baddi, HP. The same became operational in 1991

1992
1. Weaving unit @ Baddi 72 looms
2. EOU (cotton yarn), 25,000 spindles
3. Dyed & Gas Mercerized unit at Hoshiarpur, Punjab in technical collaboration with Nihan Sammo Dyeing Company Limited, Japan for Fibre & Yarn Dyeing

1994 to 1996
Foreign collaborations & JVs
1. Kyungbang Limited, South Korea.
2. Kamasaki Heavy Industries Limited & Marubeni Corporation, Japan.
3. Marubeni Corporation & Toho Rayon Company Limited, Japan.

1999
1. Stake of Barbour Campbell Group Limited, Ireland bought. Company renamed as Vardhman Threads Limited
2. Fabric Process House set up in Baddi
3. Commencement of commercial production of Acrylic Fibre

2002
Acquisition of Arisht Spinning Mills, Baddi, by MSML from Vardhman Polytex Limited, an erstwhile Group Company

2005
Merger of MSML & Vardhman Spinning & General Mills Limited. MSML renamed as VTXL

2007
Slump sale of Threads Business of VTXL

2008
Vardhman Fabrics set up in Budhni, M.P. a consolidated textile plant, with installed capacity of 60k spindles, 400 looms & 50 mln mtrs of processed fabric

2011
Vardhman Special Steels demerged from VTXL into a listed company Vardhman Special Steels Ltd (VSSL).

VTL – Group Structure

Vardhman Textiles Limited (VTL)

- 1973
- Yarn, Fabric
- Revenue: Rs. 58,871.5 mn # (US$981.2 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%	74.28%	89%	31%	51%
Business	RMG / Industrial / Speciality Threads	Acrylic Staple Fibre	100% Cotton Yarn	Special Steels	Garments
Capacity	41 tpd threads 71k spindles (captive)	20,000 tpa	46,320 spindles	Rolling 150,000 mtpa	1.80 mln pieces
Revenue #	Rs. 7,106 mn (US$ 118.4 Mn)	Rs. 5,142 mn (US$ 85.7 Mn) *	Rs. 1,704 mn (US$ 28.4Mn)	Rs. 6,690 mn (US$ 111.5 Mn)	Rs. 472 mn (US$ 7.8 Mn)
Collaborations	A&E, USA	-	Marubeni, Japan	-	Nisshinbo, Japan
Market Status	Unlisted	Listed on NSE & LSE	Unlisted	Listed on BSE & NSE	Unlisted

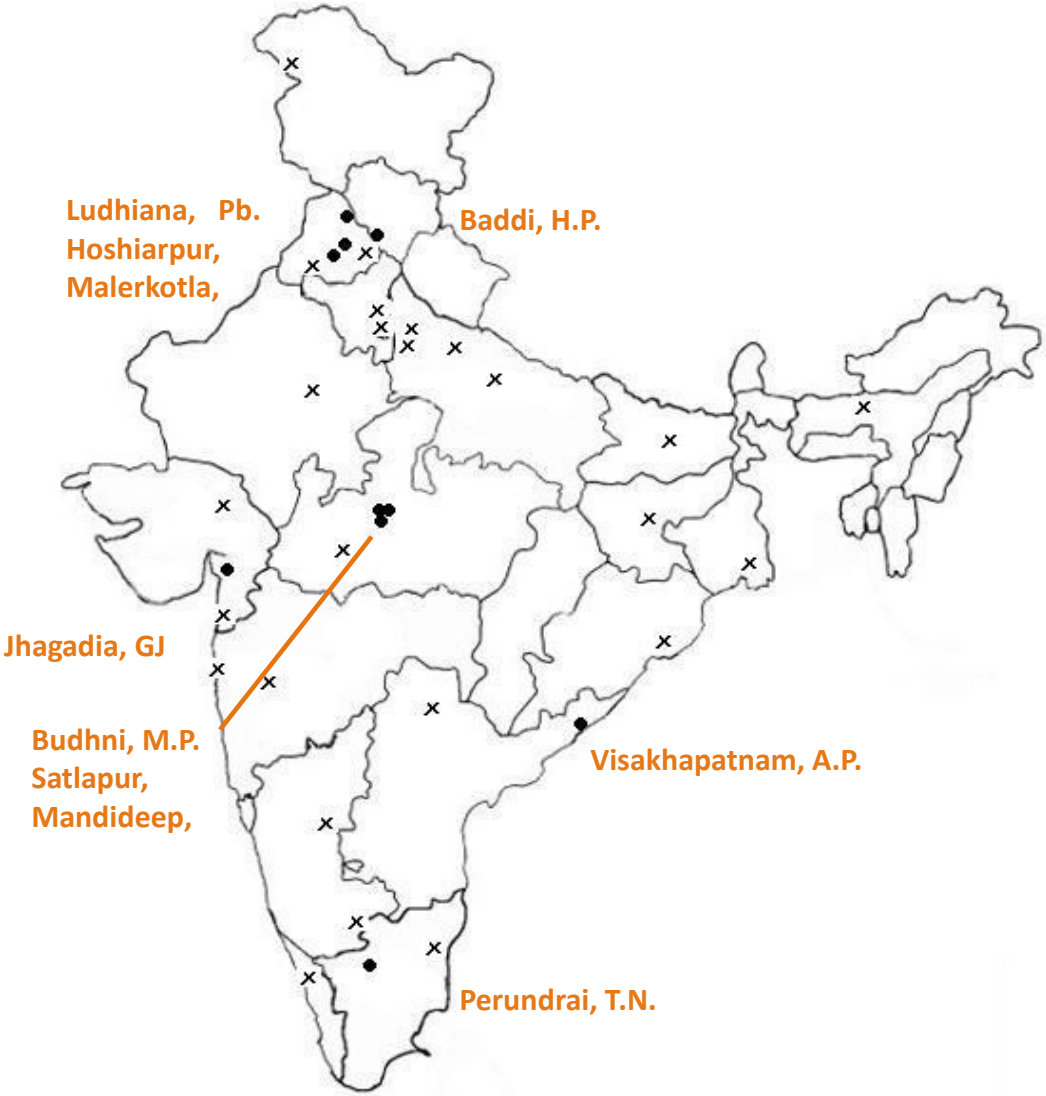
** Including Trading Turnover Rs. 1,530.7 million*
 # Standalone revenues as on 31st March 2015

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

Vardhman Textiles Ltd. – Core Competencies

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

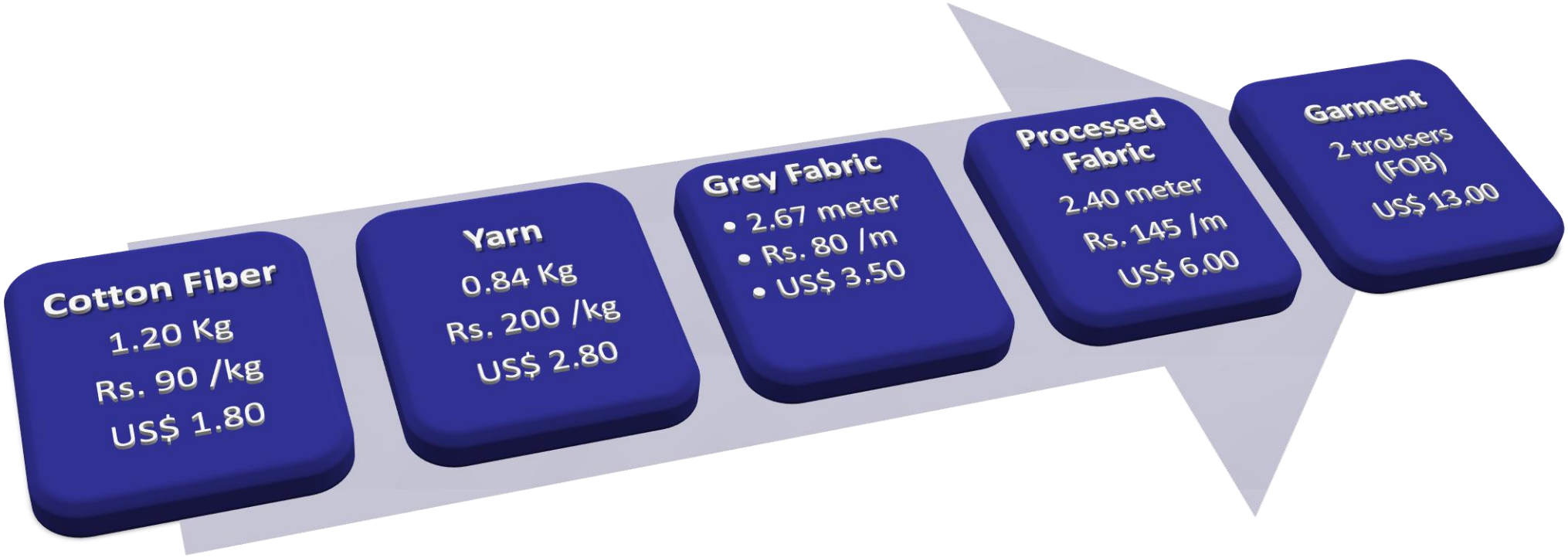
Manufacturing Facilities & Capacities



Yarn	• 1 Million+ Spindles
Fabric	• 1320 Looms
Processing	• 110 MMPA
Acrylic Fiber	• 20,000 TPA
Dyeing	• 71 TPD
Sewing Threads	• 41 TPD
Steel	• 120,000 TPA (Rolling and Billets)
Garments	• 1.80 Million Pieces PA
Power Plant	• 50 MW

× Offices ● Manufacturing Facilities

Textiles Value Additions Through Supply Chain



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

Exchange Rate: Rs 60/$

Yarn Business – 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

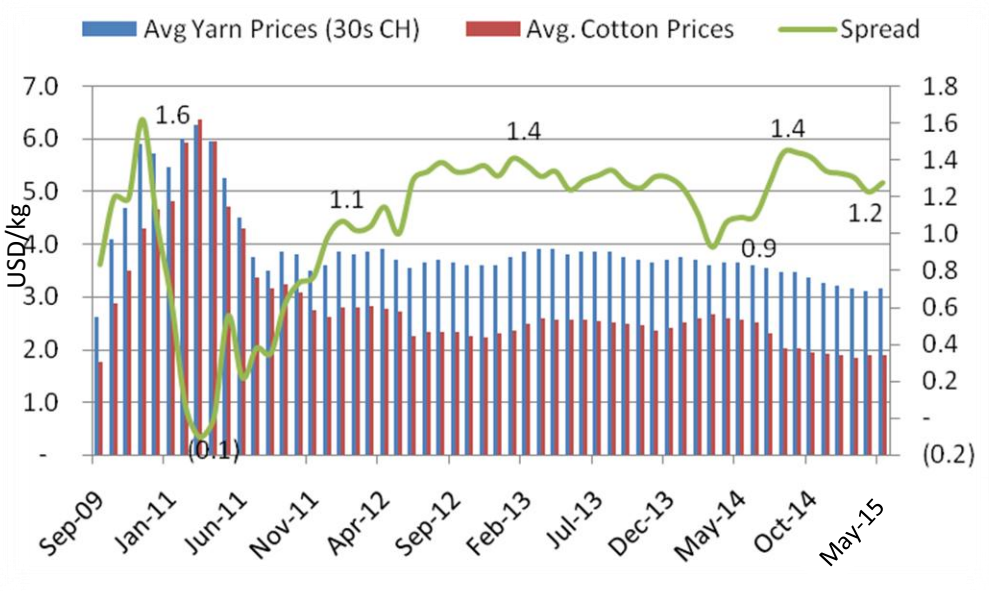
Specialized Products	
Cotton Lyocell	Cotton Silk
Cotton Bamboo	Cotton Modal
Cotton Tencel	Cotton Viscose

Environment Friendly Products	
Organic Cotton	Fair Trade Yarn
Contamination Free Yarn	

Hand-knit Yarn Business

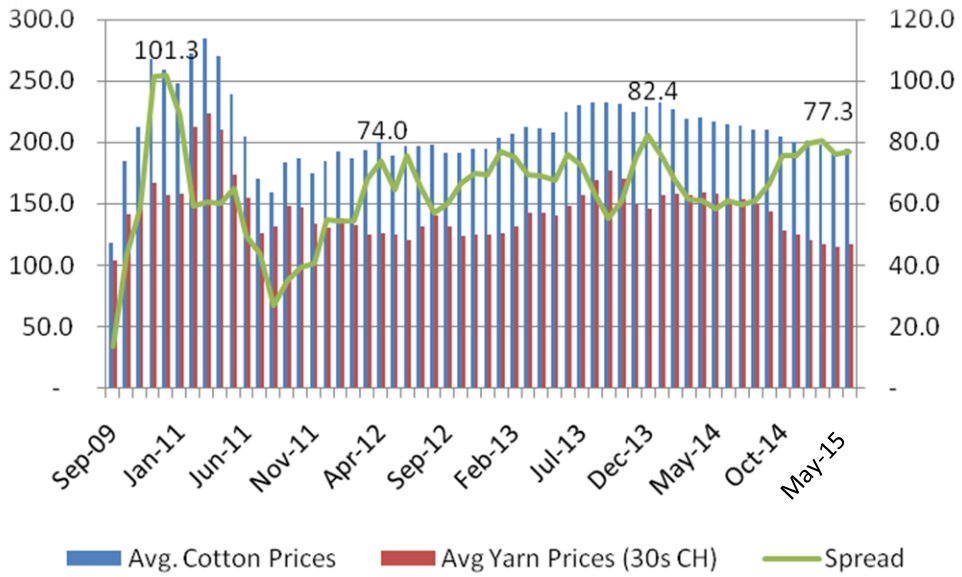
- Market leader in hand-knit yarn category
- 40% share of the organised sector and 30% of the total market.
- Pan India total outlets approx. 4,000. with Vardhman present at around 1,800 retail outlets in 650 cities/towns.
- Patronage of ~6.0 million consumers across country
- Technology upgradation ,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)

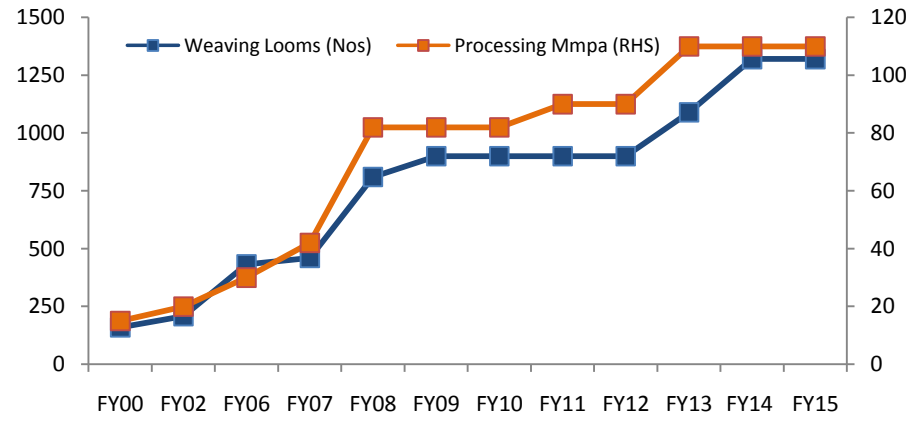
Spread over Indian Cotton (INR/kg)



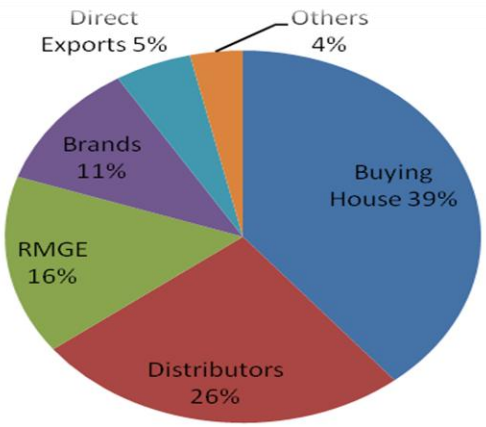
Fabrics Business

- 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



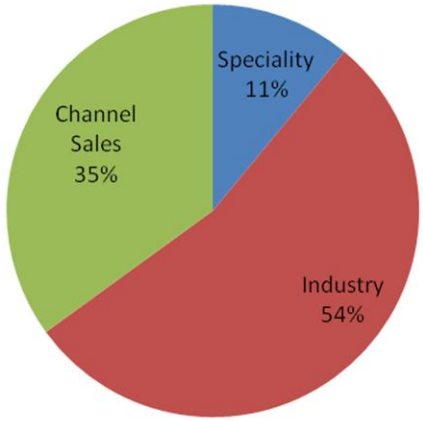
Segment sales are dominated by buying houses & distributors



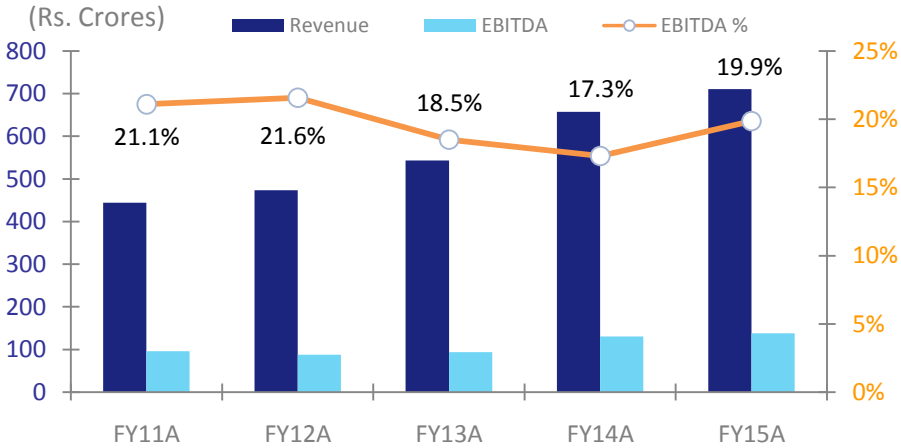
Sewing Thread Business

- 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%



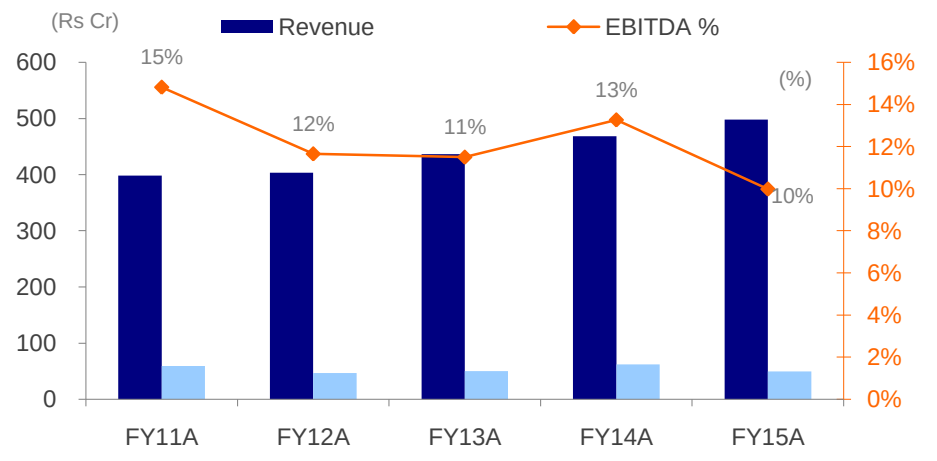
Healthy margin in a less crowded market



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, upholster, 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
- 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

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Financial highlights

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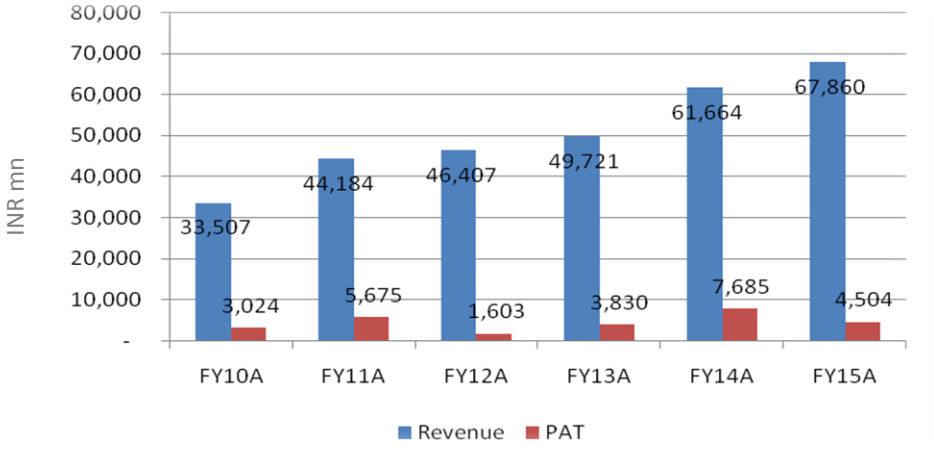
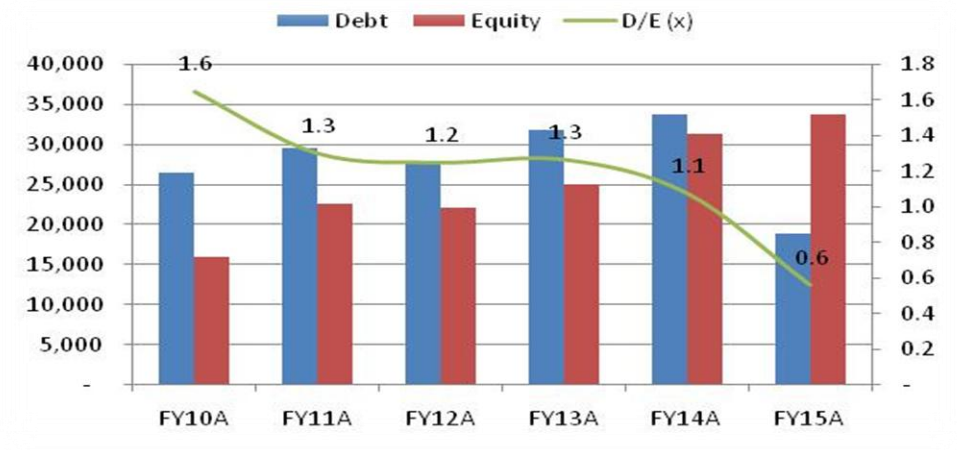
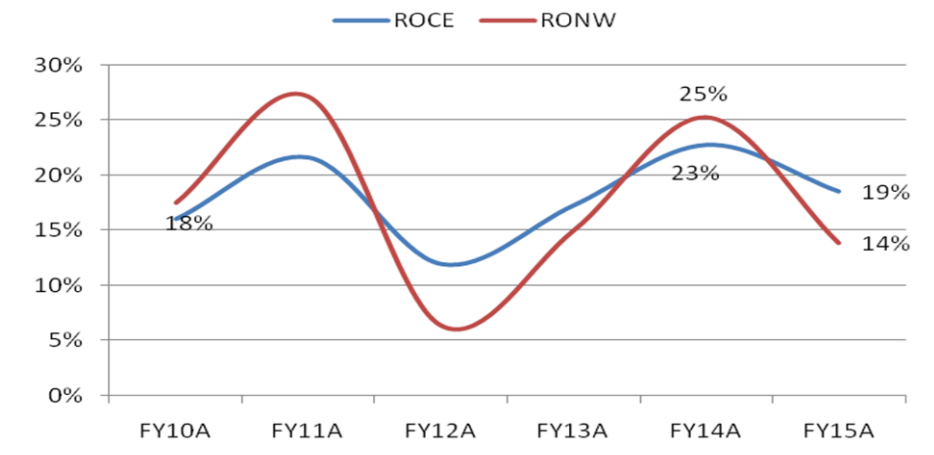
Bottom line growth over the years



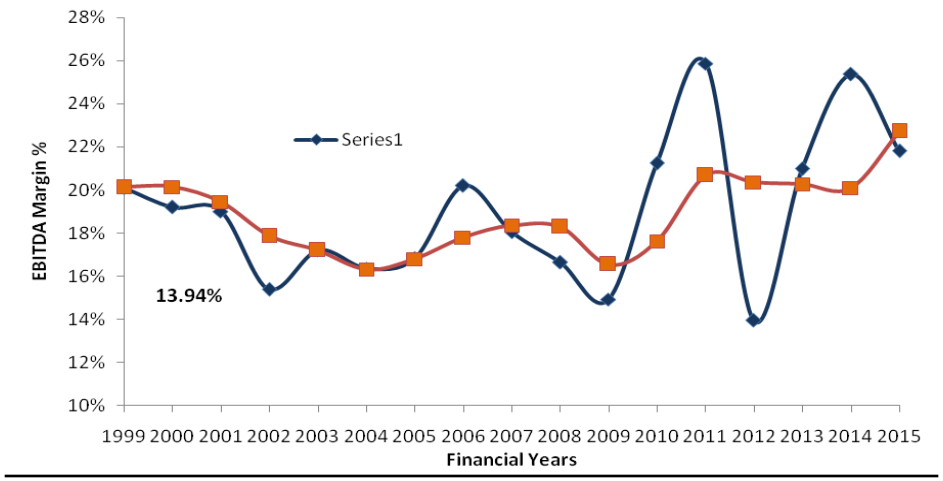
Comfortable debt/equity considering most debt under TUFS



Return ratios*



3 year moving average of EBIDTA margins



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

Key financials

Particulars	INR Million FY15	INR Million FY14	USD Million FY15	USD Million FY14
Revenues	69,522	62,403	1,159	1,040
EBITDA	12,840	15,342	214	256
Margin %	18%	25%	18%	25%
PBT	6,269	10,476	104	175
Margin %	9%	17%	9%	17%
PAT	4,504	7,685	75	128
Margin %	6%	12%	6%	12%
Net Worth	33,753	31,320	563	522
Total Debt	18,920	28,959	315	483
ROCE	19%	23%	19%	23%
RONW	14%	25%	14%	25%
EPS - Basic	56	115	1	2

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

Spinning	Capacity	Amount
FY 15-16	4000 spindles & line balancing	150 crores
FY 16-17 onwards	11,500 spindles & modernization	75 crores
Total		**200-250 crores**
Process House	**Capacity**	**Amount**
FY 15-16		170 crores
FY 16-17 onwards		180 crores
Total	**48 MMPA**	**350 crores**
Weaving	**Capacity**	**Amount**
FY 15-16		50 crores
FY 16-17 onwards		150 crores
Total CAPEX in FY 15-16	**220 Looms**	**200 crores**
Total CAPEX in next 3 years		**750 – 800 crores**

Annexure

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VTL Management

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

Independent Directors

Name	Designation	Details	Experience
Prafull Anubhai	Independent Director	▪ 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
Dr. Ashok Kumar Kundra	Independent Director	▪ 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	▪ 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	▪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	▪ 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 *Technical collaboration for foray into yarn & fibre dyeing*	1992
Gassed Mercerized Yarns	Kyung Bang, South Korea *Technical collaboration for foray into gassed mercerized yarns*	1994
Cotton Yarns	Toho Rayon, Japan *Joint Venture for making customised yarns for the Japanese market*	1995
Acrylic Fibre (JV ended in 2009)	Exlan and Marubeni Corp, Japan *Technology contract for transfer of technology & Equipment supply contract for supply of proprietary and special plant and equipment*	1996
Fabric Dyeing & Finishing	Tokai Senko, Japan *Technical collaboration for forward integration into fabric processing*	1998
Sewing Threads	American & Efird (A&E) Inc USA *Joint Venture*	2001
Cotton Yarns	Nisshinbo, Japan (*Technical collaboration)*	2002
Cotton Fabric	Nisshinbo, Japan (*Technical collaboration)*	2007
Garments	Nisshinbo, Japan (*Technical & Marketing collaboration)*	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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