



## *Investor Presentation*

*May 2015*

# Safe Harbour

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- **Company Overview**
- **India Operations**
- **Overseas Operations**
- **Growth Plans**
- **Financials**

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## ➤ **Company Overview**

➤ *India Operations*

➤ *Overseas Operations*

➤ *Growth Plans*

➤ *Financials*



# Sarla at a Glance

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Manufacturer of *Specialized & High Margin* Polyester Yarn & Nylon Yarn

Amongst the First manufacturers of covered yarn & now one of the *Largest in India*

Only company in India to manufacture *Nylon 66*, a high tenacity & low shrinkage product

Supplies to **116** customers in over **40** countries in **6** continents

Long standing relationships with leading *Global Players* like Hanes Brands, Gildan, Renfro, American & Efird, Delta Galil, Coats & Jockey

*Presence of Manufacturing & Distribution hub in close proximity to demand centres globally*

Overseas *Joint ventures* & growing *US manufacturing facility*

Products with *High Value Add & Applications*

# Brief Highlights

## Background

- Commenced operations in **1995** as a manufacturer of commodity yarns
  - Progressed to specialized and higher value added yarns
- **100% EOU:**
  - Focus on high margin specialty polyester & nylon yarns
- **Products application:**
  - Narrow Fabrics, Hosiery, Innerwear & Sportswear
  - Threads
  - Industrial Yarns
- **Nylon 66:**
  - Pilot plant set up at Silvassa facility

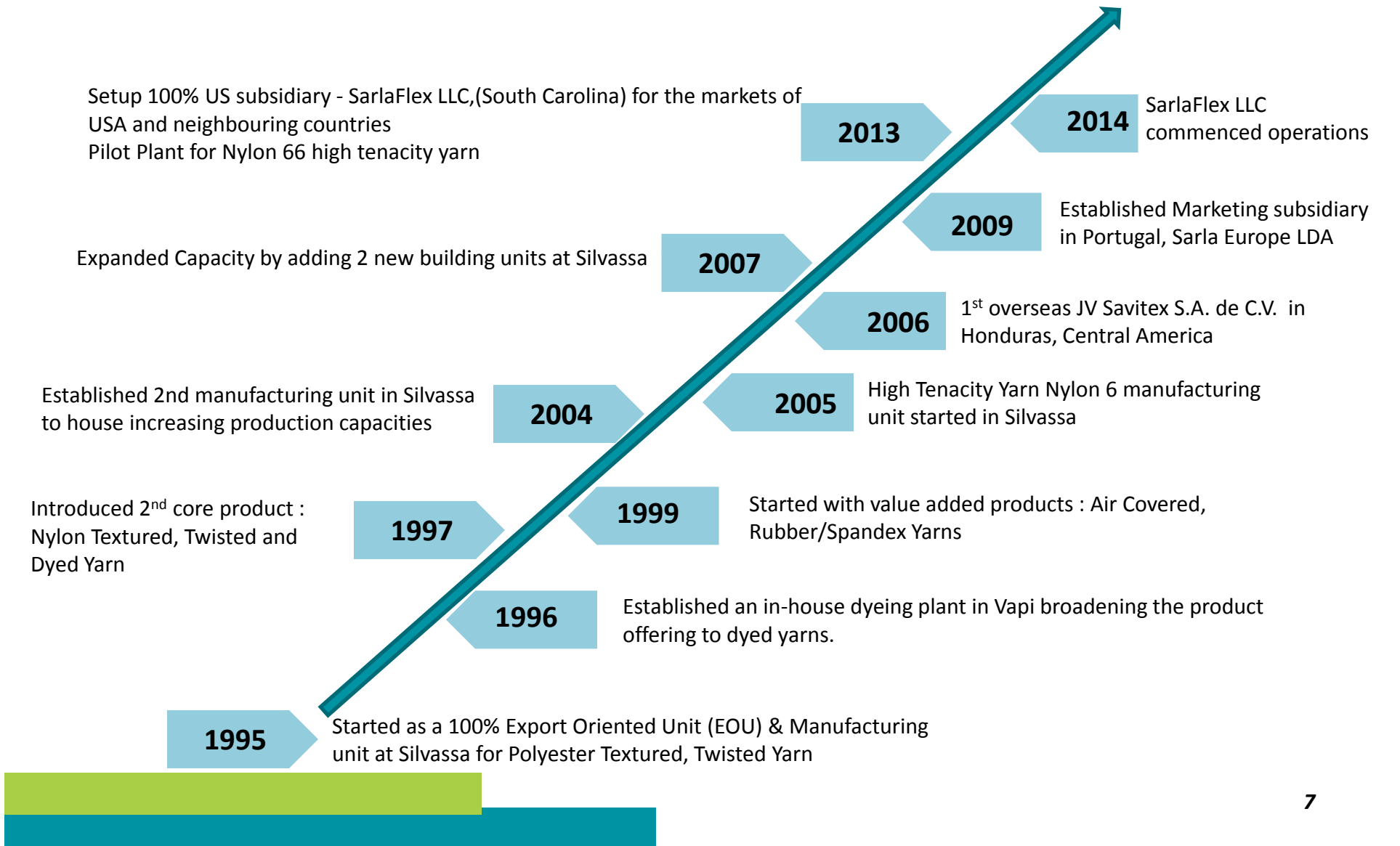
## Presence

- **India:**
  - Silvassa: 2 manufacturing facilities; capacity 11,900 TPA
  - Vapi: In-house dyeing plant Capacity 3,200 TPA
  - Wind mills with capacities in Satara (2MW), Sangli (4MW) & Vapi (1.25 MW)
- **Europe & South America:**
  - Marketing offices in Portugal commenced in 2009
- **USA:**
  - Plant set up in South Carolina in 2013; capacity 30 tons per day

## Financials

- **Last 10 years CAGR:**
  - Revenue: 13%
  - EBITDA: 20%
  - PAT: 21%
- ~18% EBITDA margin consistently
- Operating cash flows prudently deployed back into the business
  - For enhanced productivity and efficiency
- Raised Rs. 46.7 crores through QIP in October 2014

# Key Milestones



# Management Team



**Madhusudan Jhunjunwala**  
Chairman &  
Whole Time  
Director

- Commerce graduate with more than 50 years of experience in cotton trading
- Has been president of Bombay Cotton Merchants and Muccadams Association, Western Indian Chambers of Commerce and also the director of East India Cotton Association



**Krishnakumar Jhunjunwala**  
Managing  
Director & CEO

- Commerce Graduate from University of Mumbai with more than 25 years of experience in textile industry
- Engaged in all aspects of Production, Planning, Marketing & Operations
- Actively participates in the key financial decisions of the Company

**Ms. Neha Jhunjunwala** *VP, Business Dev., Operations & HRD*

- BMS from University of Mumbai & Master's in Marketing & Strategy from University of Warwick, London
- Currently involved in managing Business Development, Operations & HRD

**Mr. Mahendra Sheth** *CFO & Company Secretary*

- FCA, ACS, B Com and LLB from University of Mumbai
- 35 years of experience in the field of Accounts, Finance & Secretarial

**Mr. Sunil Jhunjunwala**  
*Vice President, Marketing & Purchases*

**Mr. Abhishek Vaishnav**  
*Accounts Manager*

**Mr. Nandakumar CN**  
*Plant Head – Silvassa*

**Mr. Tarunkumar T Pankaj**  
*Plant Head – Vapi*

**Mr. Ashok Ranagol**  
*Manager Production Planning & Material Procurement*

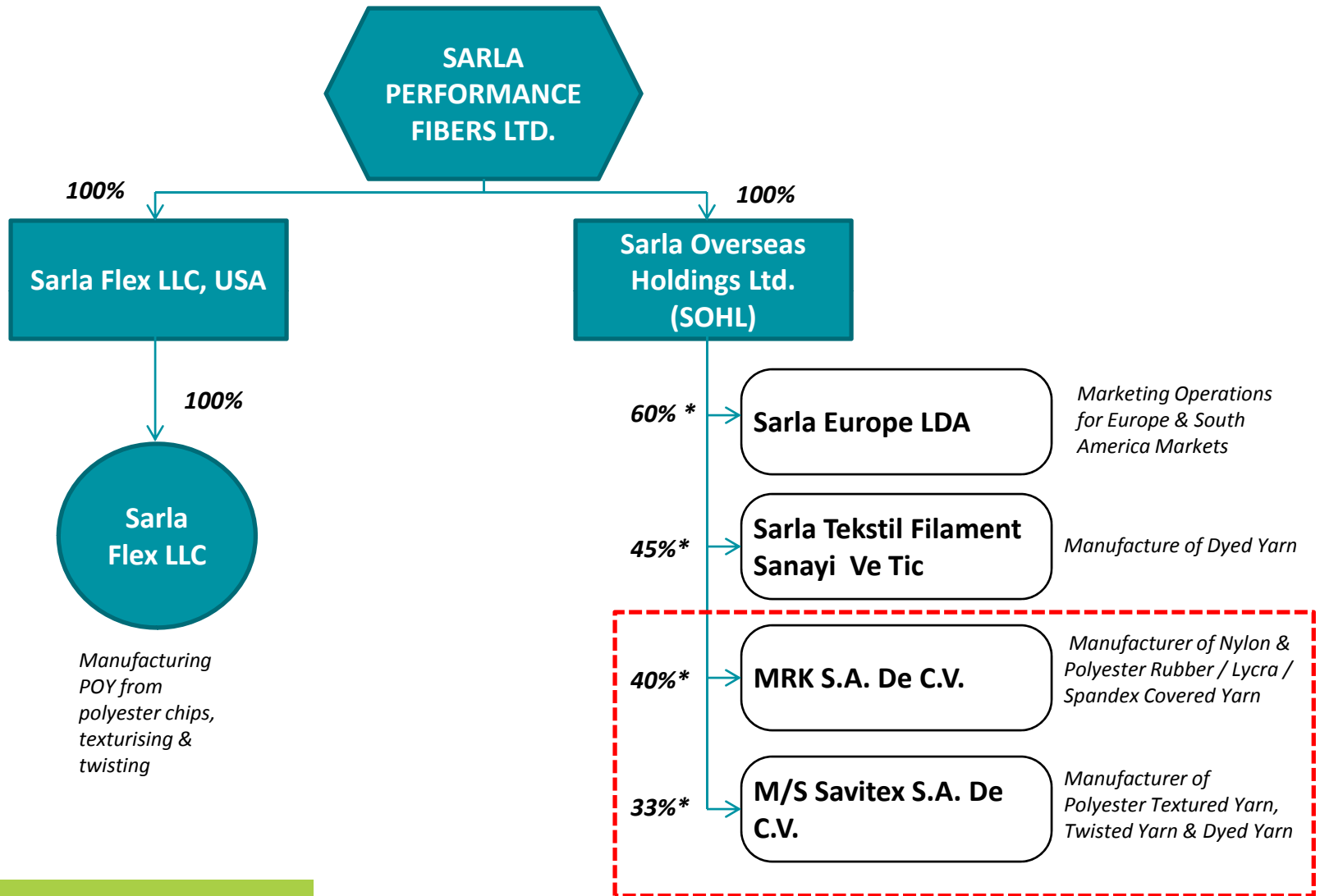
**Mr. Wilson Baby**  
*Manager, Exports & Logistics*

**Mr. Satish Malsaria**  
*Marketing Head, India*

**Mr. Paolo Mauro**  
*Marketing Head South America*

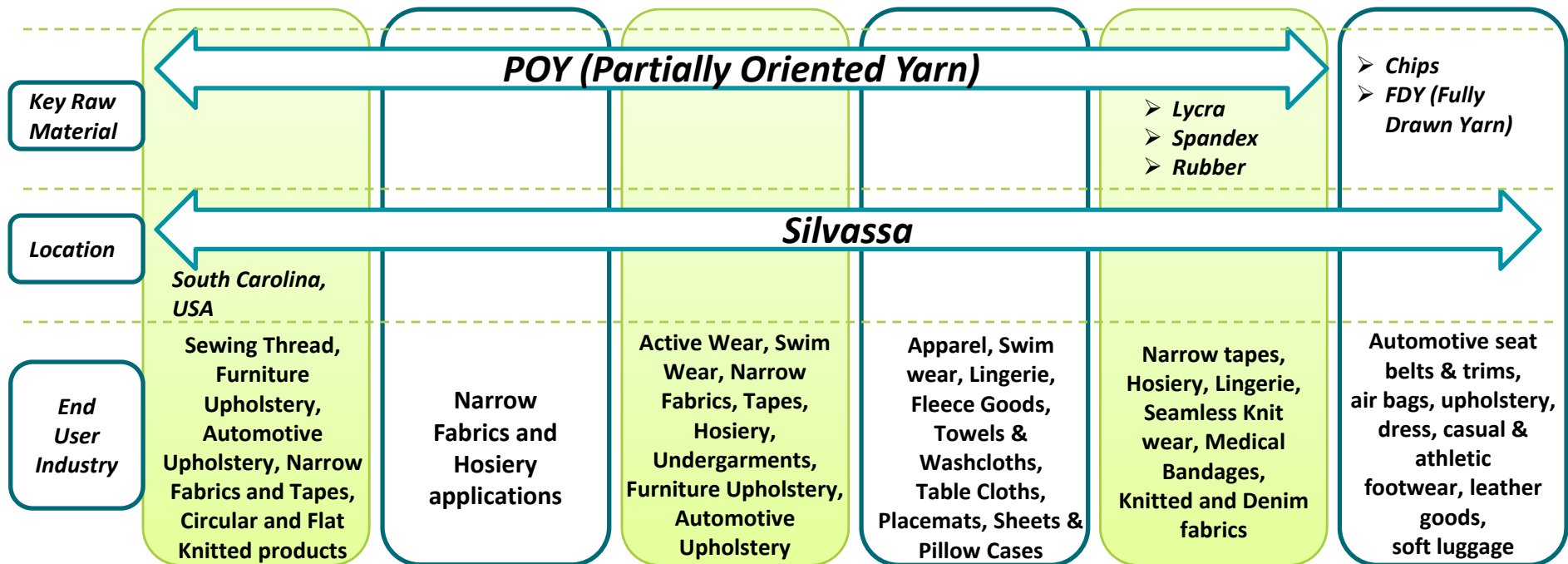


# Overview Of Key Subsidiaries



Note:- Management is in the process of winding up the JVs present in Honduras  
 \* Sarla's share of the business

# Key Products



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➤ *Company Overview*

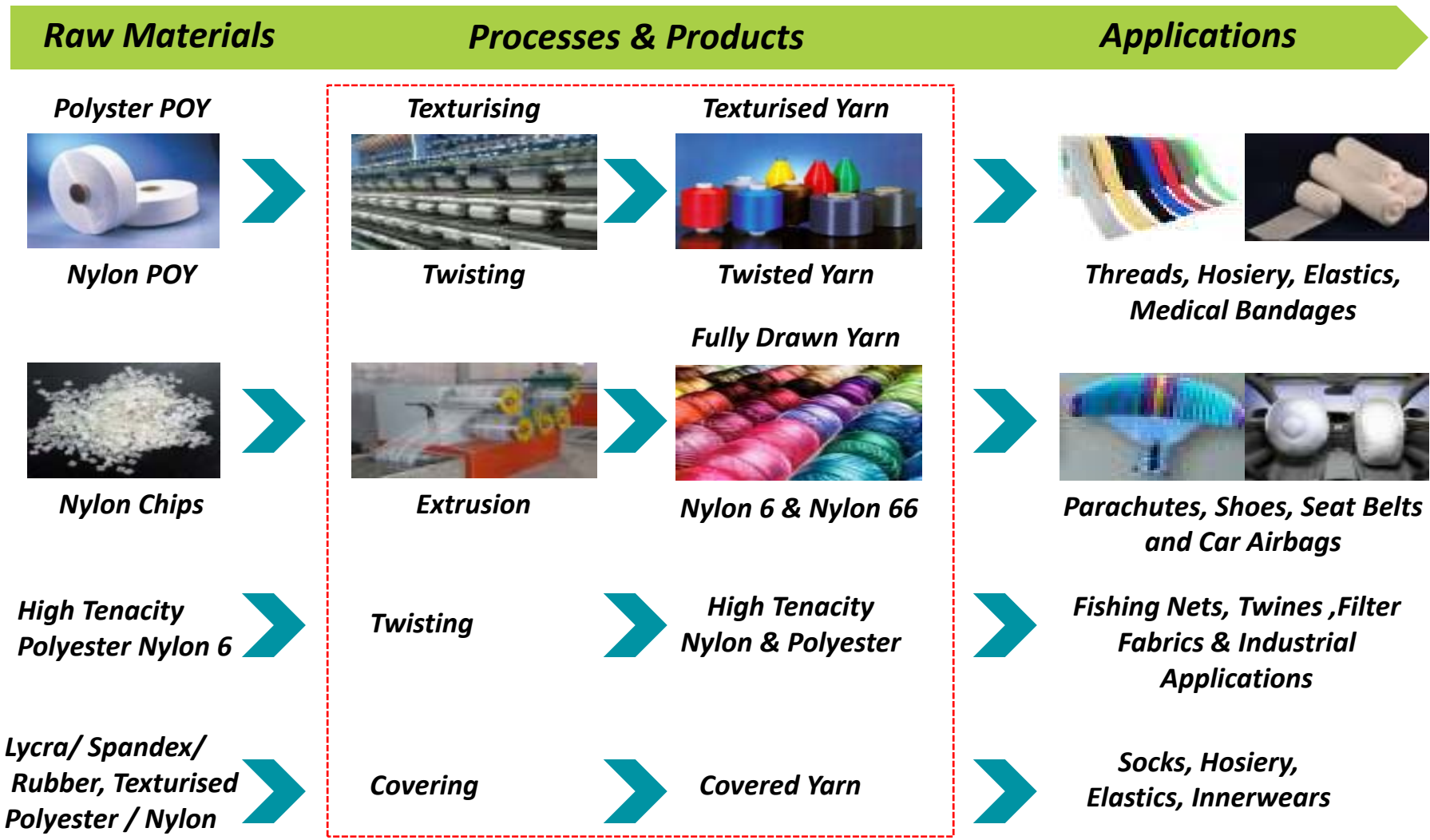
➤ **India Operations**

➤ *Overseas Operations*

➤ *Growth Plans*

➤ *Financials*

# High-End Application products produced in India



# Manufacturing Facility - India

## Silvassa



### Facility Highlights

- 2 facilities next to each other
- Installed Capacity of 11,900 TPA
- Can produce **250** different varieties of Polyester & Nylon Yarn

### Product Offering

- Textured Polyester Yarn
- Bulklon
- Textured Nylon Stretch Yarns
- Covered Yarns
- High Tenacity Yarns

12 KM distance between facilities

## Vapi



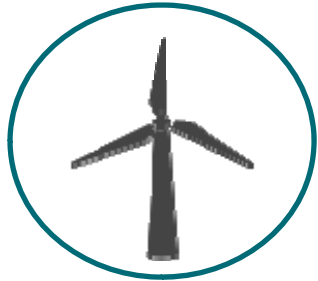
### Facility Highlights

- In-house dyeing facility
- Installed Capacity of 3,200 TPA
- State of the art technology
- Computer shading matching and developing new colours

### Highlights

- Increased product offering to Dyed Yarn
- Expansion, upgradation & modernisation undertaken in 2010

# Wind Power Business



*Efficient Wind Power Operations*

Place	Year Of Commissioning	Capacity (in MW)
Baradiya, Gujarat	2010	1.25
Satara, Maharashtra	2011	2.0
Sangli, Maharashtra	2012	4.0
<b>Total Installed Capacity</b>		<b>7.25</b>

*Captive Use for Dyeing facility in Vapi*

*Agreement for Power Procurement with private entities*

## Profitable Wind Power Business

- *Increased utilization of wind turbines & sale of renewable energy certificates benefiting Power income*
- *Limited CAPEX requirement makes it a cash positive business*
- *CAPEX per MW ~Rs.6 crores*
- *Current plant load factor at ~23-25%*

## Funding

*The Company has taken ECB loans for windmill projects. Exclusive charge of the windmill to the lending banks.*

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# Overseas Subsidiaries

## *Sarla Overseas Holdings Ltd. (SOHL)*

60%

### *Sarla Europe LDA, Portugal*

- Entered in joint venture in 2009
- Operates as a marketing subsidiary in Portugal
- Services customer requirements of European & South American Region

45%

### *Sarla Tekstil, Turkey*

- Entered in joint venture in 2010
- Located at gateway to Europe catering to Turkish & European Markets

## *SarlaFlex LLC*

100%

- Subsidiary of Sarla Performance Fibers Ltd. (SPFL)
- In 2013, SPFL entered US markets through SarlaFlex LLC
- Installed capacity of 9,900 TPA for POY and 4,400 TPA for Twisted Yarn
- Duty free benefits on goods manufactured inside the US as per NAFTA & CAFTA



# Manufacturing Facility - USA

## Charleston, South Carolina



### Benefits

- NAFTA & CAFTA treaties, allows waiver of duties upto 32% on synthetic garments manufactured in North or Central American region using US origin yarn when exported back into the United States
- **Proximity & Visibility** to customers
- **Lower** Logistics & Power
- **Lower** Cost of Borrowing

### Facility Details:

- **Land Cost of Rs 4 Crores to be paid over 7 years**
- **Details**
  - **Spread over 42 acres**
  - **Constructed area of 3.3 lakh sqft**

### Highlights

- Current Capacity of **9,900 TPA**
- Commenced Production in **Dec 2013**
- Products: Partially Oriented Yarn (POY) & Textured Polyester Yarn
- First POY plant in USA since 1998

### **USA: Strategic Location**

- ~99% of the decision makers of textile industry with global brand presence are in the USA
- Presence in USA builds confidence & helps develop business with large customers
- Sarla is the only player in this sector to have manufacturing presence in USA & India

# Focus of US Manufacturing

*Raw Materials*

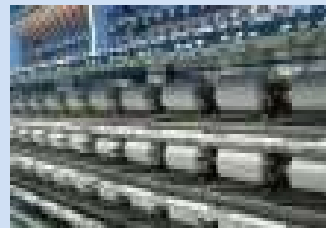
*Processes & Products*

*Applications*

*Polyster chips*



*Texturising*



*Twisting*

*Texturised  
& Twisted Yarn*



*Solution Dyed  
Yarn*



*Fabrics/ Elastics,  
Mattress Ticking  
Apparel & Industrial  
Application*

# Global Presence



- Exports to over 40 countries across 6 continents
- Subsidiary operations in USA & Portugal
- Joint Venture manufacturing operations in Honduras (Central America) and Turkey
- Distribution centres in Thailand & Vietnam

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# New Products – Nylon 66

- Commenced trials production of Nylon 66 yarn at Silvassa in 2013 on pilot basis
- Nylon 66 is high tenacity and lower shrinkage yarn product
- Being a niche product on its own, extremely specialized hence margins are substantially higher
- Product applications:
  - Parachutes, Shoes, Seat Belts & Car Airbags, Specialized Sewing Applications in Automotive, Shoes, Leather, Industrial Filters, Hoses
- Installed Capacity of 450 TPA at a pilot stage in Silvassa

## End User Industries



Filter Fabric



Air Bags



Sports Shoes



Parachutes

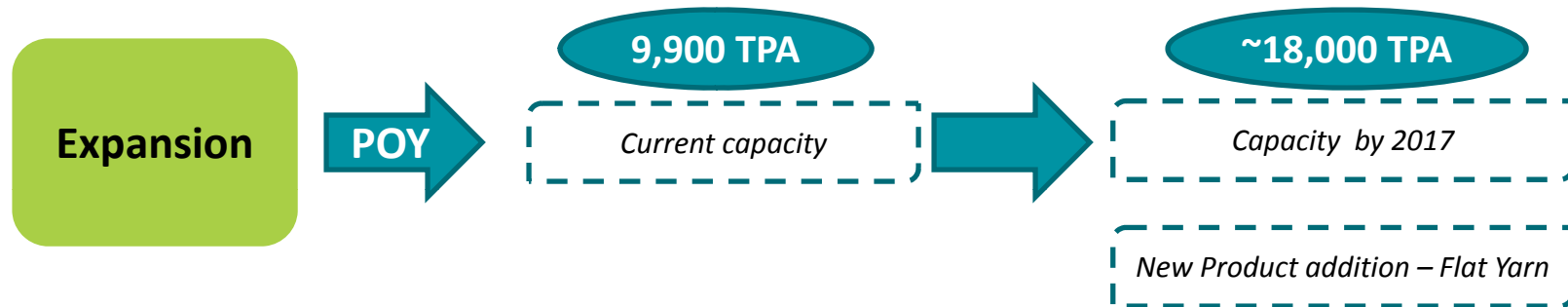


Seat Belts

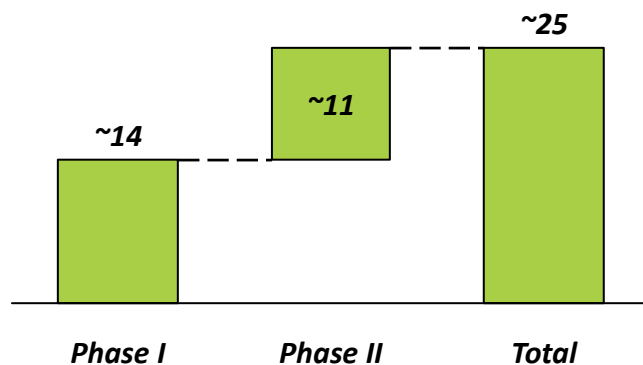
**Only company in India to manufacture Nylon 66**

# US Facility – Expansion Plan

## Further Expansion Of South Carolina Facility



### Cost of Project (USD Million)



- The total cost of the project is USD~ 25 mn
- Cost of Phase I already incurred

**Facility will directly cater to clients in North, South & Central American markets**

# Entry Barriers

## ➤ **Over 150 varieties of moulds**

- Moulds form an integral part of the final product
- These are designed as per clients specifications to fit the varied machinery used by them in their plants in different geographies

## ➤ **Clients Stickiness towards Quality & Goodwill**

- Global brands demand consistent quality products across markets
- Major overseas clients with long standing relationship built over the years

## ➤ **Multi Geography Presence**

- Only Indian company in the sector to have manufacturing presence in NAFTA & CAFTA regions
- Manufacturing operations in US & India and Marketing offices in South America & Europe



***Yarn constitutes ~5% to total cost of final product; however a very crucial product, hence Premium paid for Quality & Consistency desired by Large Global Customers***

# Key Strengths

## *One of the Largest Manufacturers of Covered Yarn in India*

- Focused on High Margin value added products: Specialised Polyester and Nylon Yarns
- Amongst a few players globally catering to Specialised Yarns – Used in a variety of niche applications

## *Manufacturing & Distribution hub in close proximity to demand centres globally*

- Effectively positioned to be a preferred supplier to global manufacturers in Eastern and Western Hemisphere
- Only Indian company in this sector to have manufacturing presence in NAFTA and CAFTA regions

## *Strong Balance Sheet*

- Extremely low leverage – India Textile business has ‘Zero’ Long Term Debt
- QIP raised 46.7 crores in 2014

## *Strong Relationship with Worlds Largest Brands globally*

- Relationships with brands like Hanes Brands, Gildan, Renfro, American & Efird, Delta Galil, Coats & Jockey
- Manufacturing presence in USA gives confidence to most of the major customers based out of USA

## *Product Innovations & Quality*

- Consistent quality & wide range of products provided to customers across the geographies
- Over 150 moulds based on specifications provided by customers



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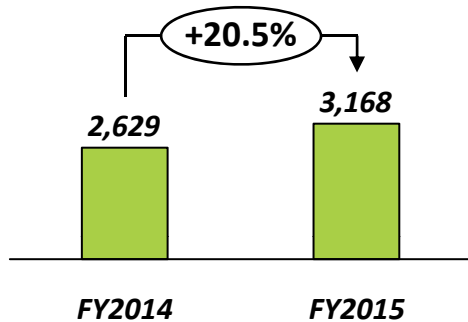
## Q4 FY2015 Highlights

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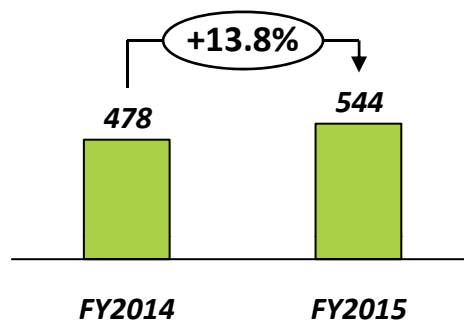
- Revenue of Rs. 794 mn, YoY growth of 11%
  - Revenue excluding US Operations were at Rs. 675 mn
- Gross Profit of Rs. 483 mn, margin 61%
- EBITDA of Rs. 151 mn, margin of 19%, impacted due to:
  - Capacity Utilization for the US Operations in the range of 30-35%
- PAT of Rs.112 mn, YoY growth of 80%
  - PAT excluding US Operations at Rs. 131 mn grew by 38%
- Cash PAT of Rs. 137 mn margin of 17%

# Consolidated Performance Highlights

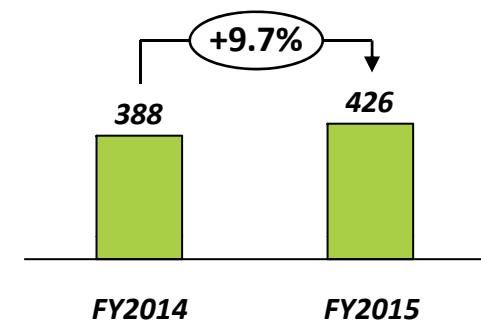
## Revenue



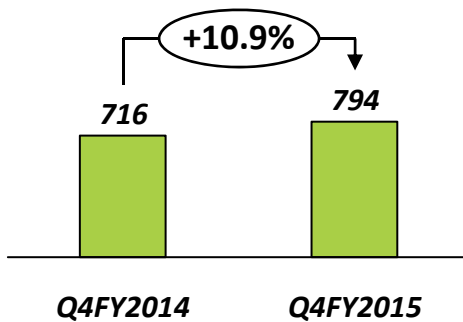
## EBITDA



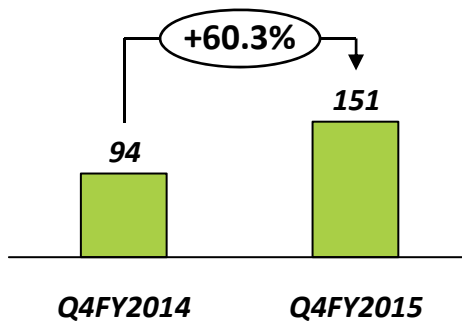
## Cash PAT



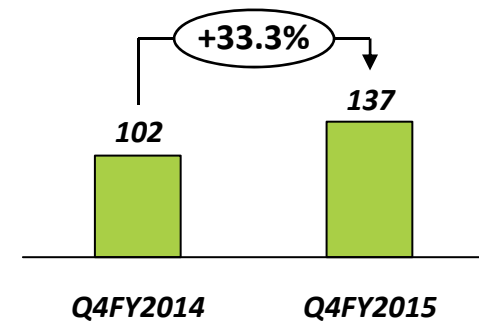
## Revenue



## EBITDA

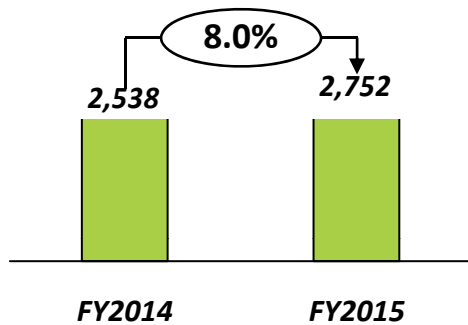


## Cash PAT

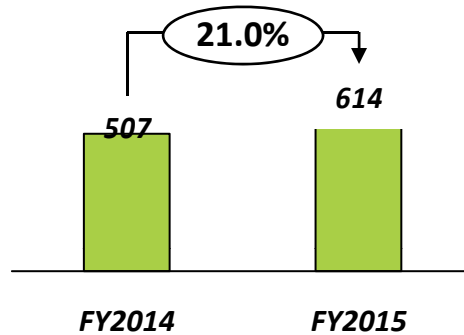


# Performance Excluding US Operations

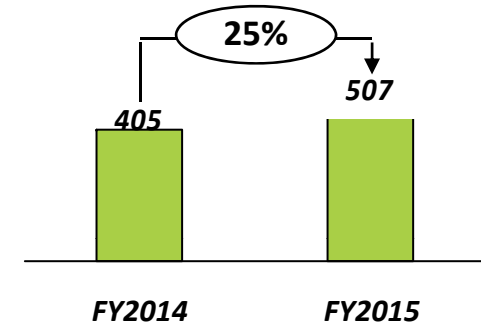
## Revenue



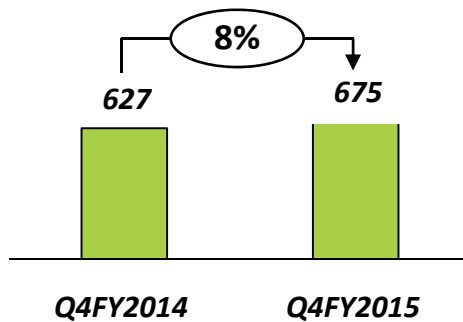
## EBITDA



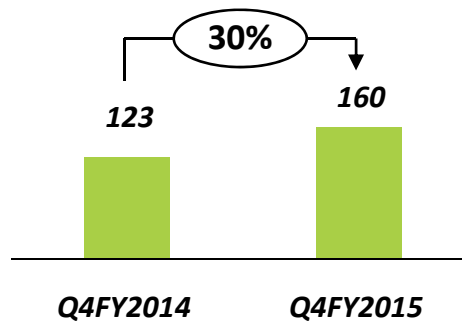
## Cash PAT



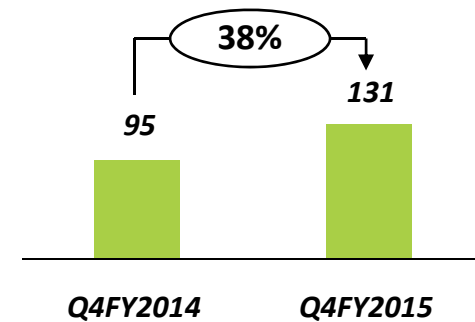
## Revenue



## EBITDA



## Cash PAT

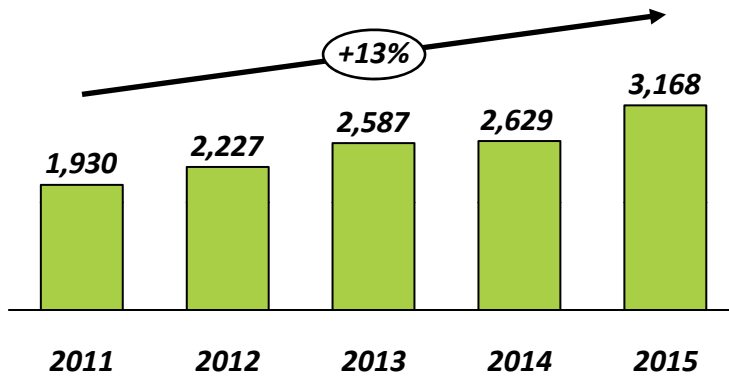


# Profitability Statement

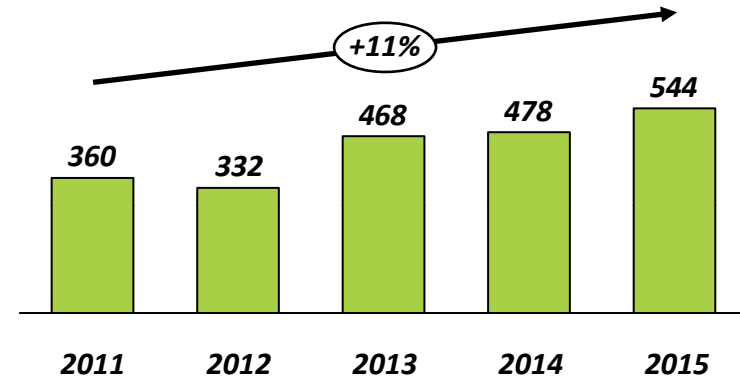
<i>Rs. In Millions</i>	<i>Q4 FY15</i>	<i>Q4 FY14</i>	<i>YoY</i>	<i>FY15</i>	<i>FY14</i>	<i>YoY</i>
<b>Revenues</b>	<b>794</b>	<b>718</b>	<b>11%</b>	<b>3,168</b>	<b>2,629</b>	<b>21%</b>
Raw Material	311	359		1492	1,379	
Manpower Cost	72	75		271	122	
Other Operating Expenses	260	190		861	650	
<b>EBITDA</b>	<b>151</b>	<b>94</b>	<b>60%</b>	<b>544</b>	<b>478</b>	<b>14%</b>
<b>EBITDA Margin</b>	<b>19.0%</b>	<b>13.1%</b>		<b>17.2%</b>	<b>18.2%</b>	
Other Income	40	37		69	78	
Depreciation	24	40		145	110	
Interest	12	12		64	69	
<b>PBT</b>	<b>154</b>	<b>79</b>	<b>95%</b>	<b>404</b>	<b>377</b>	<b>7%</b>
Tax	42	17		123	100	
<b>PAT</b>	<b>112</b>	<b>63</b>	<b>80%</b>	<b>281</b>	<b>278</b>	<b>1%</b>
<b>PAT Margin</b>	<b>14.2%</b>	<b>8.7%</b>		<b>8.9%</b>	<b>10.6%</b>	
<b>Cash PAT</b>	<b>136</b>	<b>102</b>	<b>33%</b>	<b>426</b>	<b>388</b>	<b>10%</b>
<b>Cash PAT Margin</b>	<b>17.2%</b>	<b>14.3%</b>		<b>13.4%</b>	<b>14.7%</b>	

# Financials – Growth Story

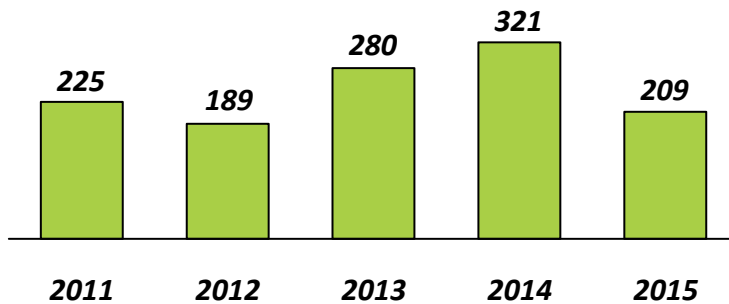
## Revenues



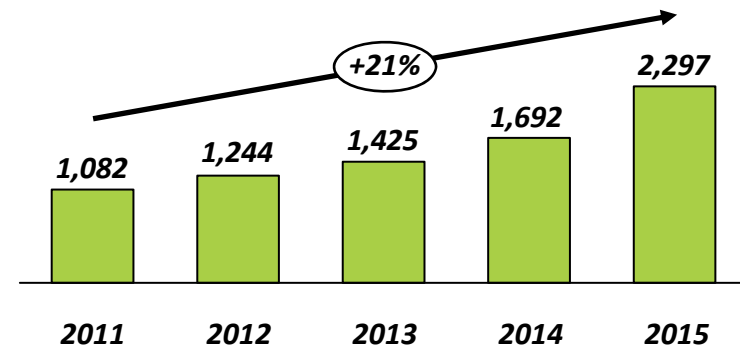
## EBITDA



## Profit After Tax – Impact of US operations



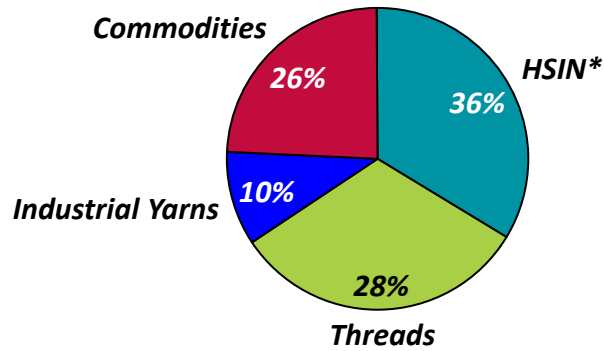
## Networth



Rs. in Million

# Financial Breakups

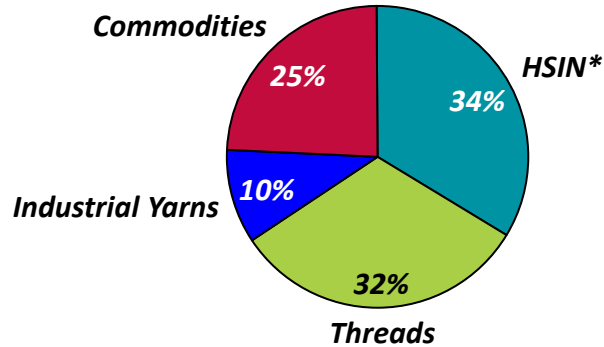
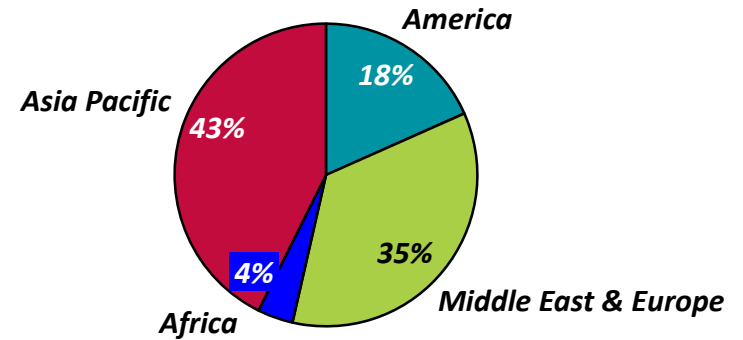
## Segmental Breakup



2015

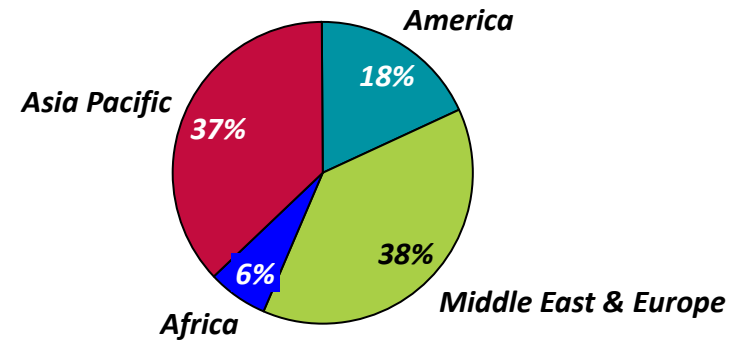
Total Revenue  
Rs. 3,168 million

## Geographical Breakup



2014

Total Revenue  
Rs. 2,629 million

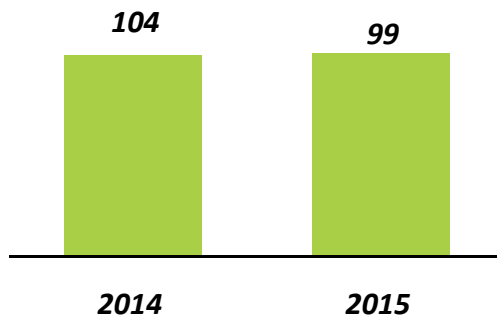


**No Single Customer exceeds more than 15% of Revenue**

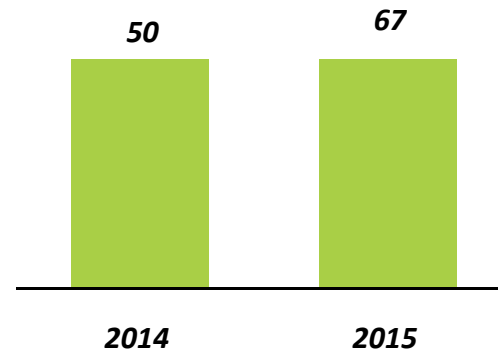
\*Hosiery, Sports Wear, Innerwear, Narrow Fabrics

# Working Capital Profile

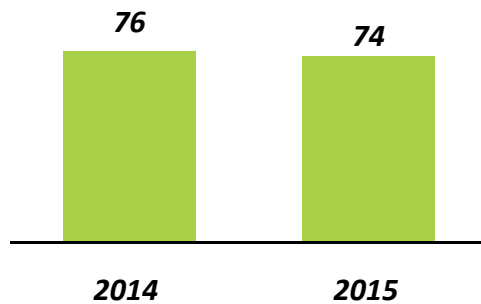
## Inventory Days (Sales)\*



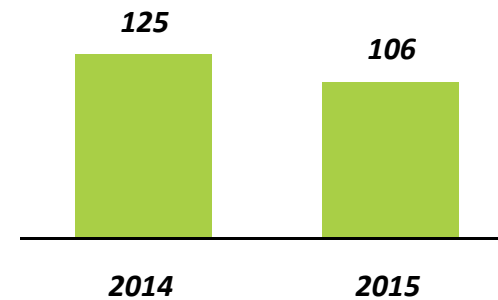
## Creditor Days (Sales)



## Debtor Days (Sales)\*\*



## Net Working Capital Days



**~95% of the Debtors are backed by Letter of Credit / Documents through banks**

\* Excludes Inventory held for Trading Sales

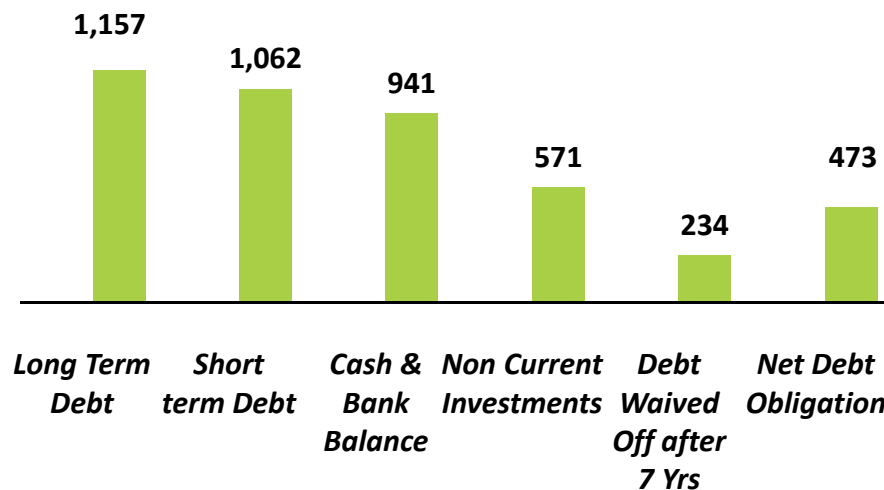
\*\* Excludes Bill Discounting



# Consolidated Debt & Finance Cost

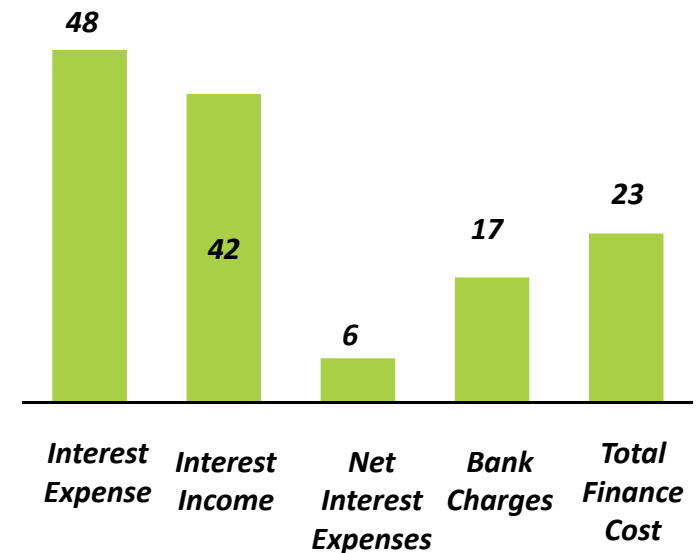
As at March 2015

## Debt Structure\*



\* Excludes Bill Discounting

## Finance Cost Structure

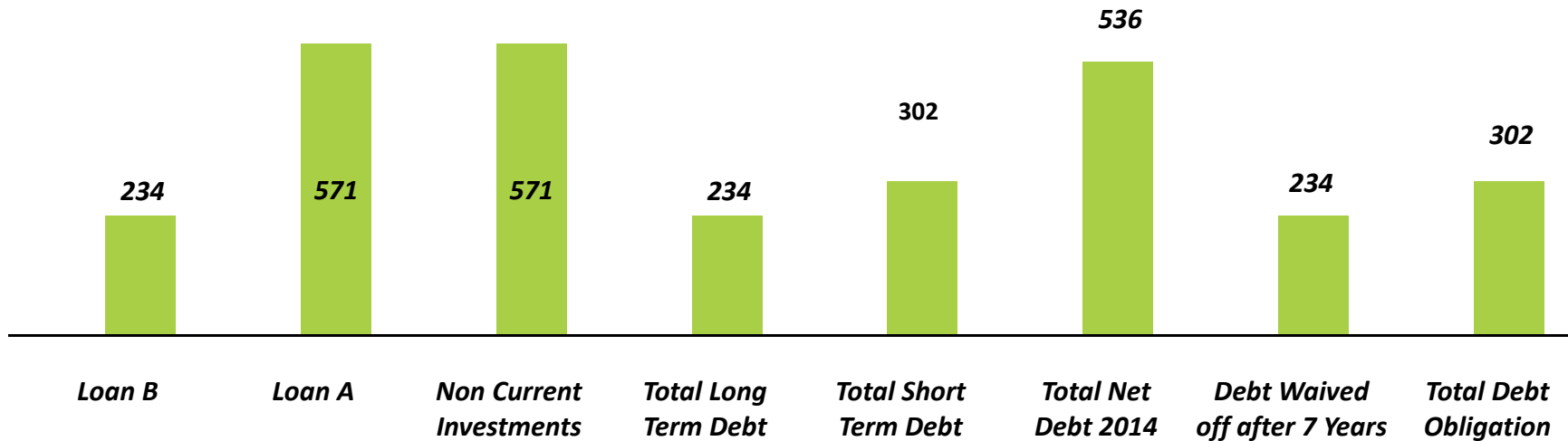


**Fixed Deposit booked for the amount raised through QIP; Interest Income from the same will reduce Interest liability significantly**

Rs. in Million

# US Operations - Debt Structure

*As at March 2015*



- **New Market Tax Credit Structure - The program provides 39% Tax Credit to the Lender for Loan Provided**
- Net Debt of Rs 708 million includes:
  - *Gross Debt: loan of Rs. 805 million (Loan A – Rs 571 million and Loan B – Rs. 234 million )*
  - *Investment: Rs. 571 million in USBCDC Investment Fund 8,LLC which is part of the Non-Current Investments*
  - *Short Term Foreign Debt: Rs. 302 million*
- Debt of Rs 234 million is due to a **'new market tax credit'** transaction that we have done in the US which allows us fiscal incentives. As per the terms of this transaction, this debt will be waived after 7 years

# Consolidated Profit & Loss account

<i>Rs. In Million</i>	<i>FY2015</i>	<i>FY2014</i>	<i>FY2013</i>	<i>FY2012</i>
<b>Revenues</b>	<b>3,168</b>	<b>2,629</b>	<b>2,587</b>	<b>2,227</b>
Raw Material	1492	1,379	1,376	1,211
Manpower Cost	271	122	53	44
Other Operating Expenses	861	650	690	635
<b>EBITDA</b>	<b>544</b>	<b>478</b>	<b>468</b>	<b>332</b>
<b>EBITDA Margin</b>	<b>17.2%</b>	<b>18.2%</b>	<b>18.1%</b>	<b>14.9%</b>
Other Income	69	78	8	13
Depreciation	145	110	82	81
Interest	64	69	44	30
<b>PBT</b>	<b>404</b>	<b>377</b>	<b>350</b>	<b>235</b>
Tax	123	100	71	46
<b>PAT</b>	<b>281</b>	<b>278</b>	<b>280</b>	<b>189</b>
<b>PAT Margin</b>	<b>8.9%</b>	<b>10.6%</b>	<b>10.8%</b>	<b>8.5%</b>

# Consolidated Balance Sheet

<i>Rs. in Million</i>	<i>Mar-15</i>	<i>Mar-14</i>	<i>Mar-13</i>	<i>Mar-12</i>
<b>Shareholders Fund</b>	<b>2297</b>	<b>1,692</b>	<b>1,425</b>	<b>1,244</b>
Share capital	84	70	70	70
Reserves & Surplus	2214	1,622	1,355	1,175
<b>Non-current liabilities</b>	<b>1336</b>	<b>1,475</b>	<b>548</b>	<b>189</b>
Long term borrowings	1157	1,291	371	77
Other non-current liabilities	179	185	177	112
<b>Current liabilities</b>	<b>1943</b>	<b>1,467</b>	<b>1,136</b>	<b>970</b>
Short term borrowings	1218	742	701	548
Other current liabilities	725	724	435	423
<b>Total Equity &amp; Liabilities</b>	<b>5576</b>	<b>4,633</b>	<b>3,109</b>	<b>2,404</b>
<b>Non-current assets</b>	<b>2686</b>	<b>2,588</b>	<b>1,401</b>	<b>920</b>
Fixed assets	1893	1,970	1,287	823
Non Current Investments	571	548	0	0
Long-term loans and advances	223	70	114	96
<b>Foreign Currency Monetary Item</b>	<b>22</b>	<b>25</b>	<b>4</b>	<b>0</b>
<b>Minority Interest</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current assets</b>	<b>2864</b>	<b>2,021</b>	<b>1,704</b>	<b>1,484</b>
Inventories	863	708	607	542
Trade receivables	796	756	584	645
Cash and bank balances	941	369	218	125
Short-term loans and advances	213	150	209	133
Other current assets	51	38	87	38
<b>Total Assets</b>	<b>5576</b>	<b>4,633</b>	<b>3,109</b>	<b>2,404</b>

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**For further information, please contact:**

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**Company :**

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**Sarla Performance Fibers Limited**

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Secretary

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