



Investor Presentation

February 2015

Safe Harbour

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➤ **Company Overview**

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➤ *Growth Plans*

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Sarla at a Glance

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

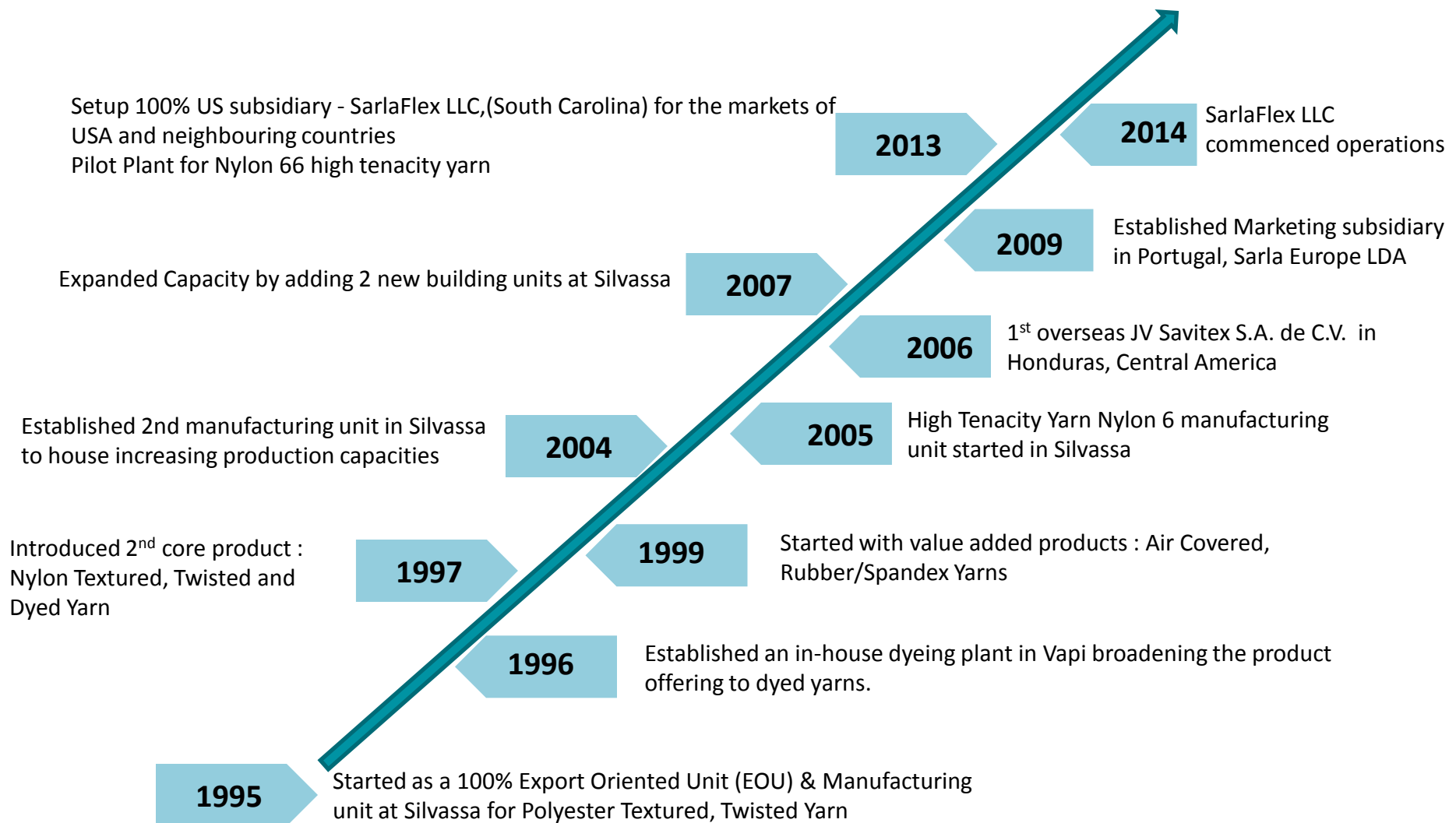
Presence

- **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

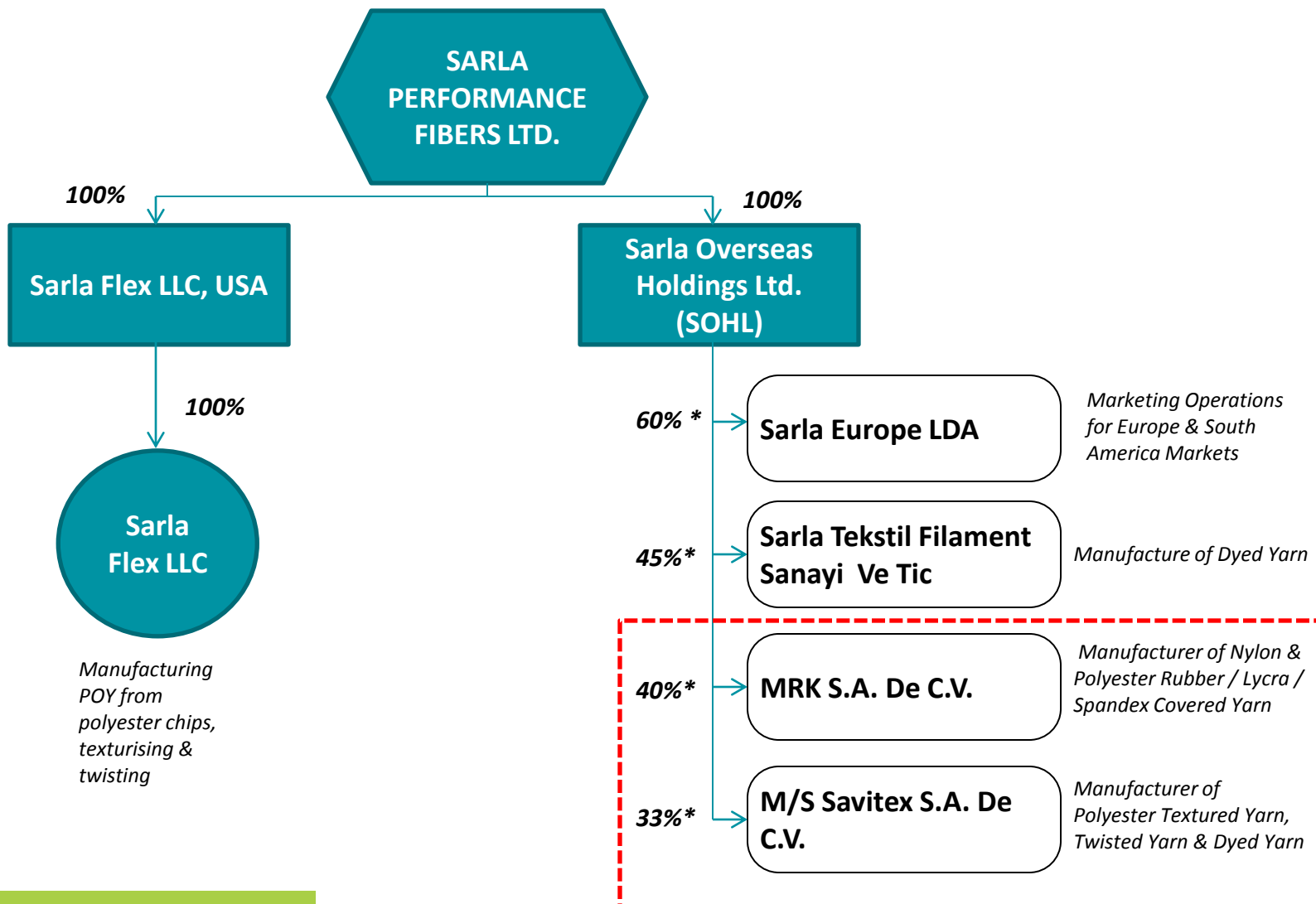
Mr. Ashok Ranagol
Manager Production Planning & Material Procurement

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

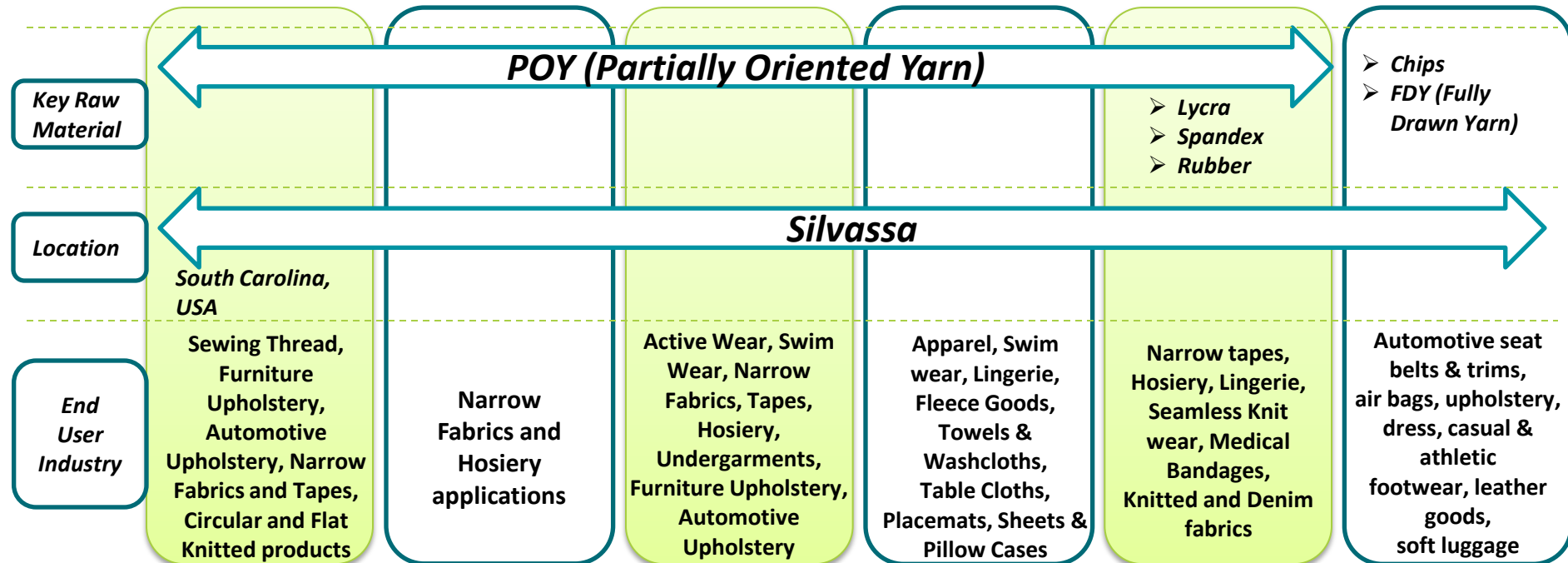
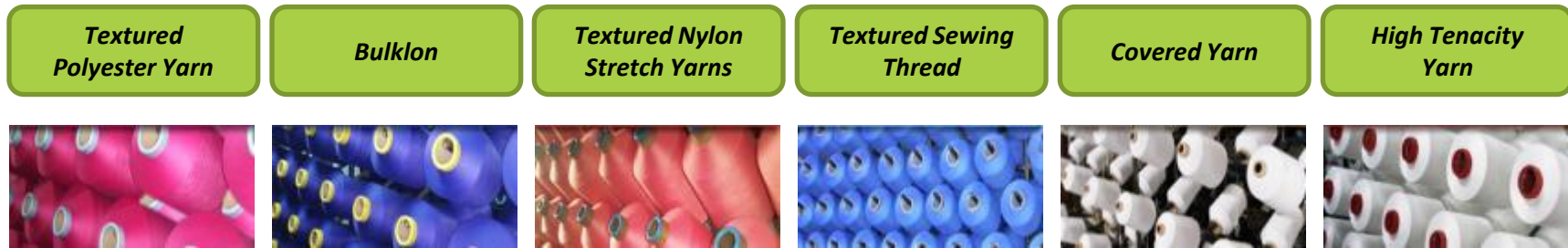


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➤ *Company Overview*

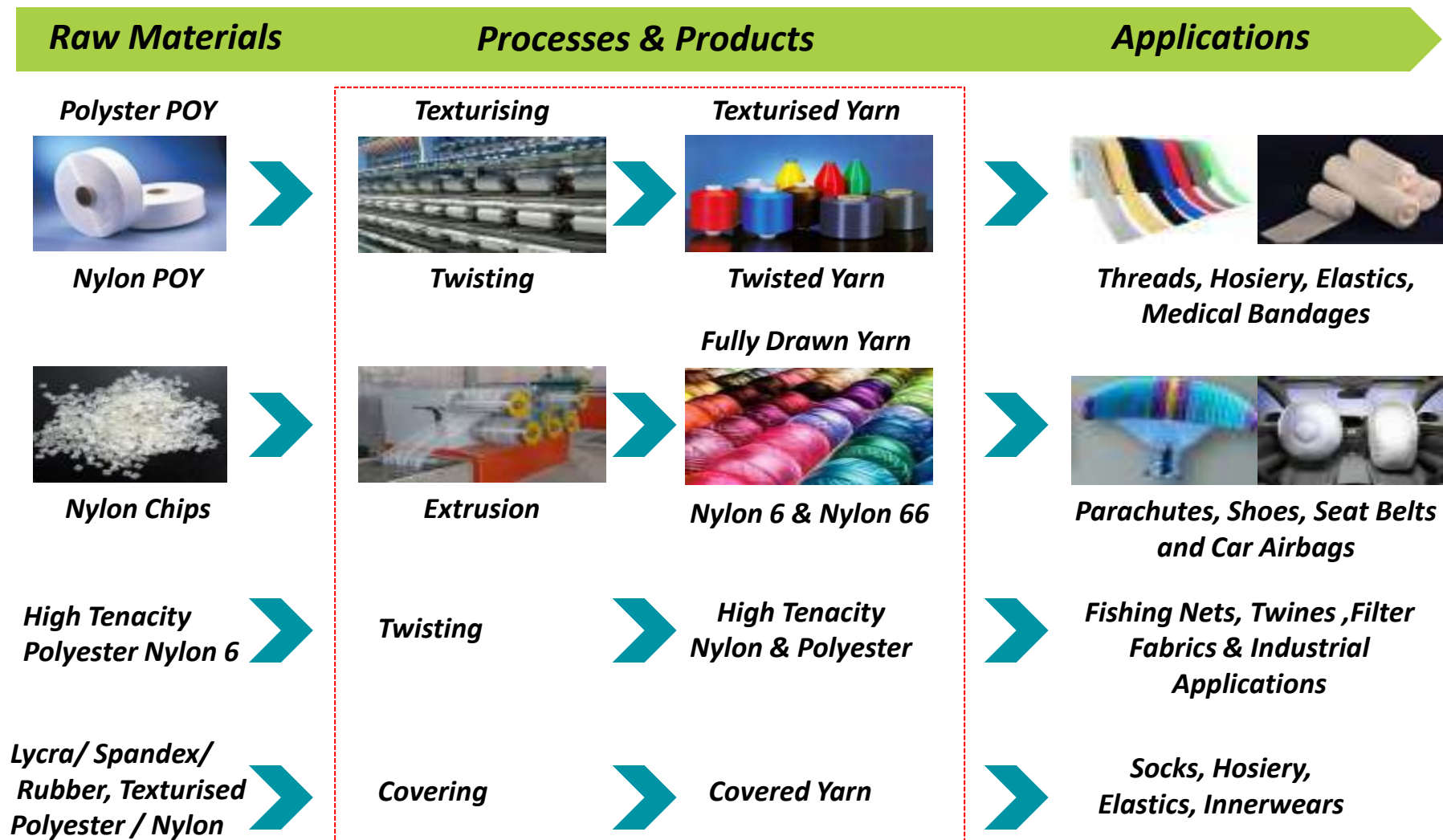
➤ **India Operations**

➤ *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

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

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

Polyster chips



Processes & Products

Texturising



Twisting

Texturised & Twisted Yarn



Solution Dyed Yarn

Applications



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

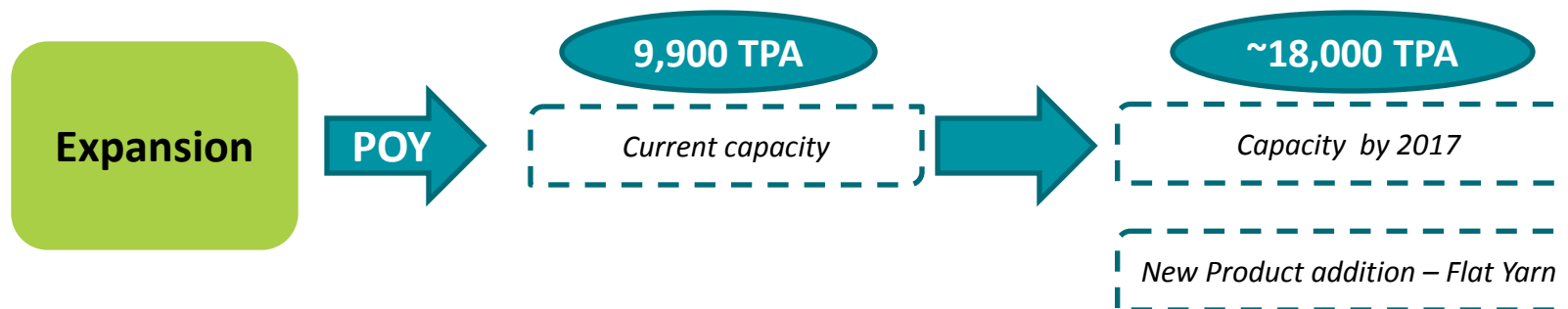


Seat Belts

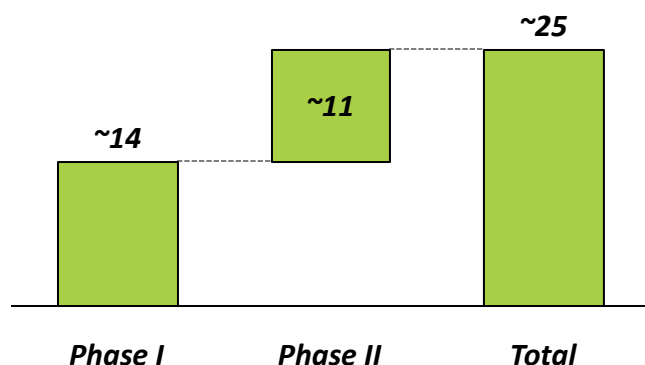
Only company in India to manufacture Nylon 66

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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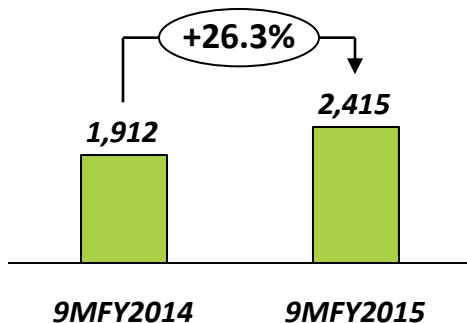
➤ **Financials**

Q3 FY2015 Highlights

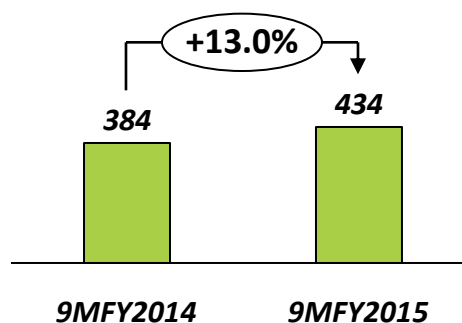
- Revenue of Rs. 727 mn, YoY growth of 13%
 - Revenue excluding US Operations were at Rs. 647mn
- Gross Profit of Rs. 415 mn, margin 57%
- EBITDA of Rs. 136 mn, margin of 19%, impacted due to:
 - Ramp up in US Operations:
 - ❖ EBITDA in US Operations at Rs. -28 mn
 - ❖ Higher Manpower and Other Overheads associated to the US Operations
 - One Time expense incurred for the Fund Raising through QIP of Rs. 5mn
- PAT of Rs.57 mn had an additional impact from depreciation from the new US facility
 - PAT excluding US Operations at Rs. 104mn grew by 26%
- Cash PAT of Rs. 98 mn margin of 13%
- Successfully raised Rs. 467 mn through QIP in October 2014

Consolidated Performance Highlights

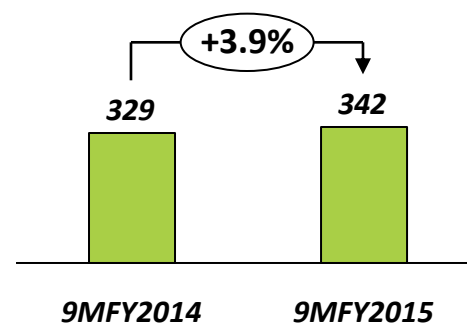
Revenue



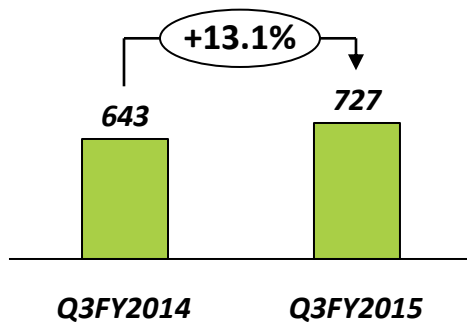
EBITDA



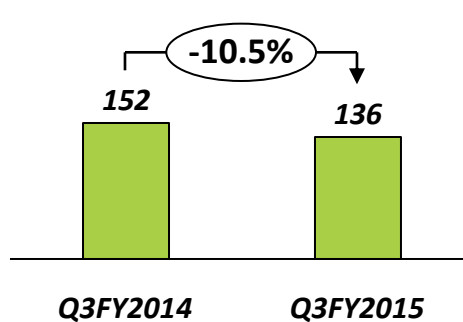
Cash PAT



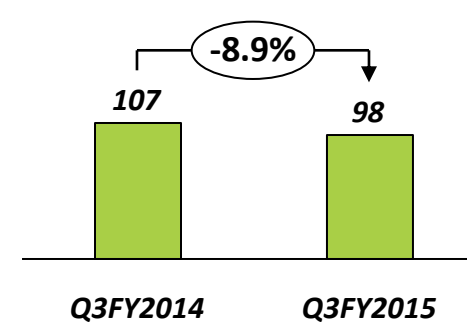
Revenue



EBITDA

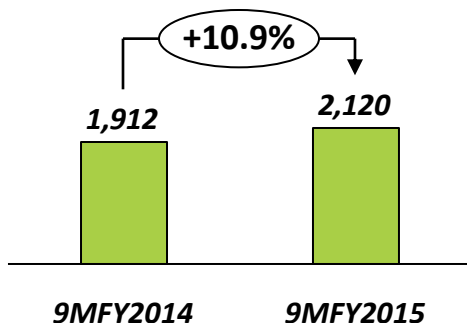


Cash PAT

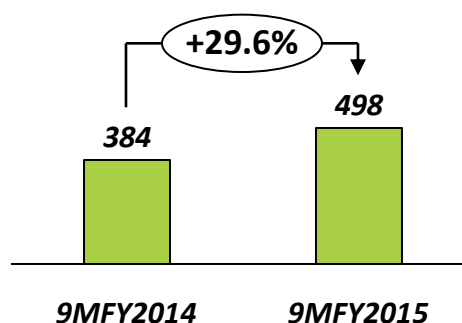


Performance Excluding US Operations

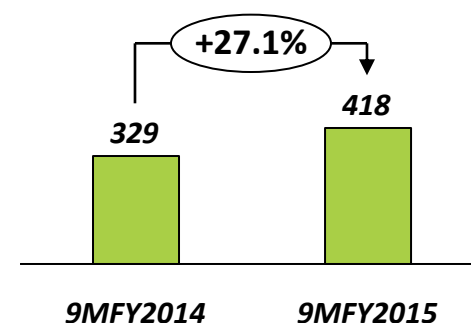
Revenue



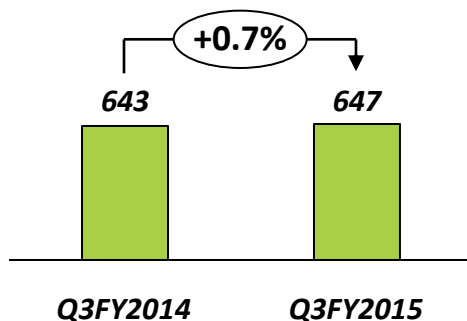
EBITDA



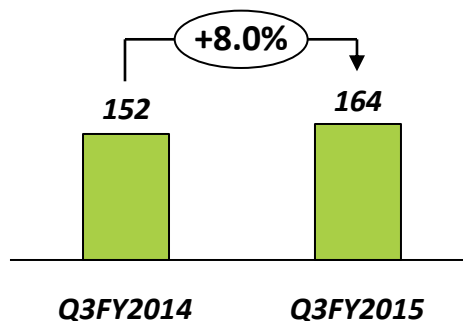
Cash PAT



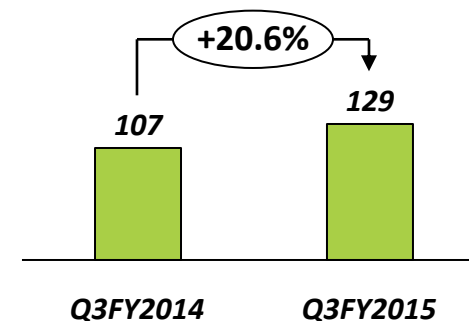
Revenue



EBITDA



Cash PAT

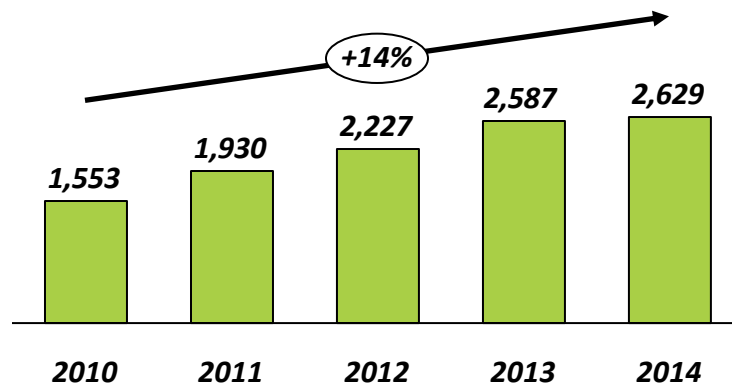


Profitability Statement

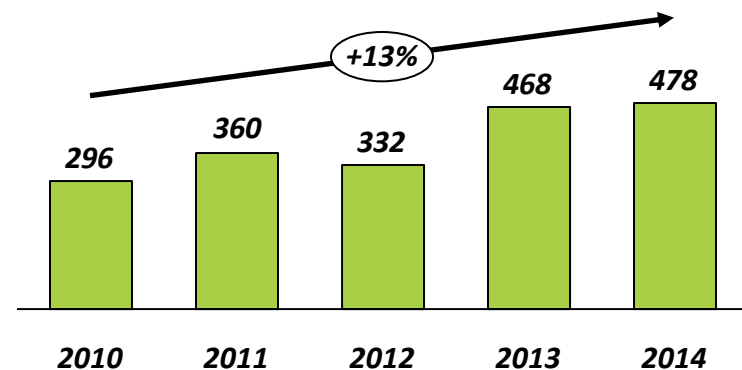
<i>Rs. In Millions</i>	<i>Q3 FY15</i>	<i>Q3 FY14</i>	<i>YoY</i>	<i>9m FY15</i>	<i>9m FY14</i>	<i>YoY</i>
Revenues	727	643	13%	2,415	1,912	26%
Raw Material	311	349		1181	1020	
Manpower Cost	69	19		200	47	
Other Operating Expenses	211	123		601	460	
EBITDA	136	152	-11%	434	384	13%
EBITDA Margin	18.7%	23.6%		18.0%	20.1%	
Other Income	1	0		42	76	
Depreciation	40	24		121	70	
Interest	17	14		52	47	
PBT	79	113	-30%	303	342	-12%
Tax	22	30		81	83	
PAT	57	83	-31%	221	259	-15%
PAT Margin	7.9%	12.9%		9.2%	13.5%	
Cash PAT	98	107	-9%	342	329	4%
Cash PAT Margin	13.4%	16.7%		14.2%	17.2%	

Financials – Growth Story

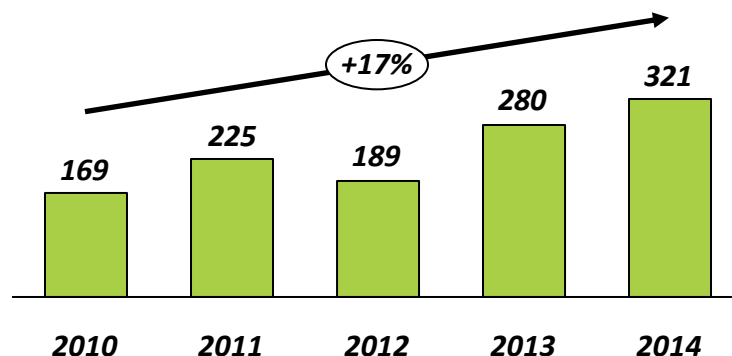
Revenues



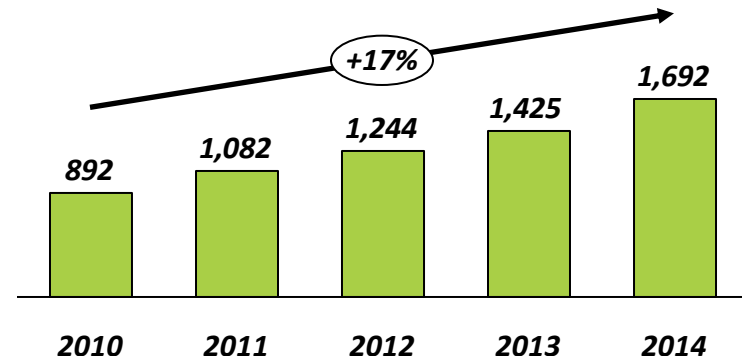
EBITDA



Profit After Tax

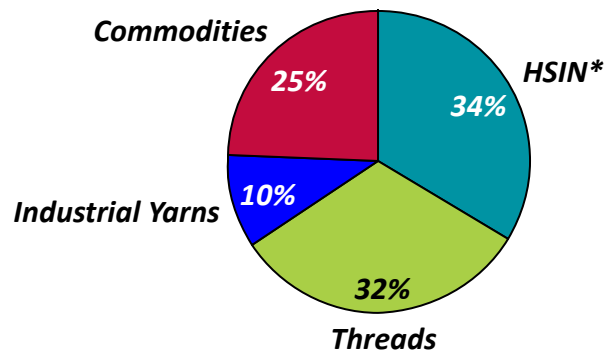


Networth



Financial Breakups

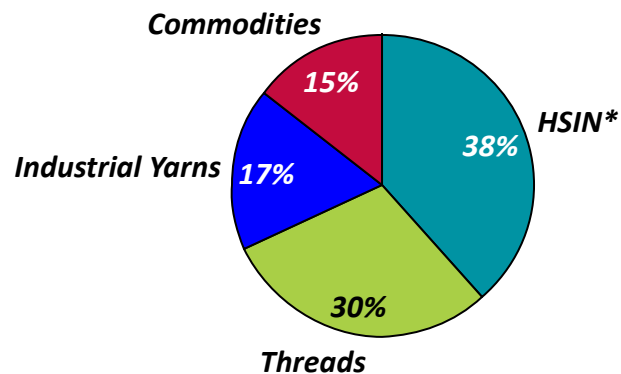
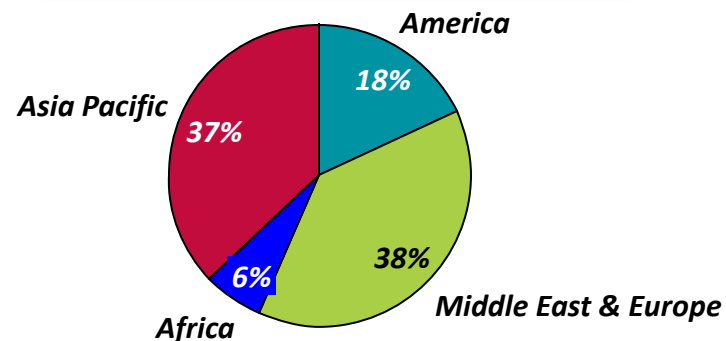
Segmental Breakup



2014

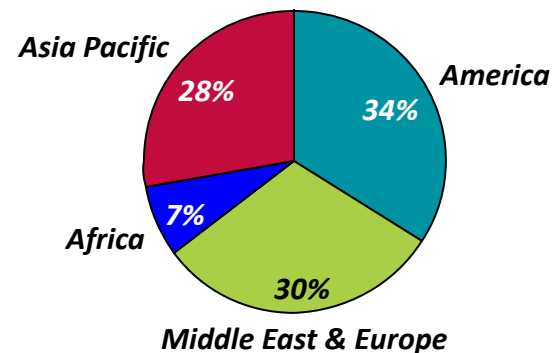
Total Revenue
Rs. 2,618 million

Geographical Breakup



2013

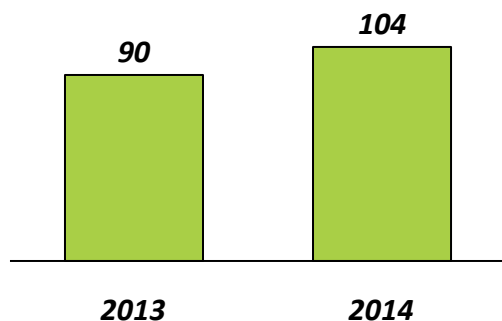
Total Revenue
Rs. 2,587 million



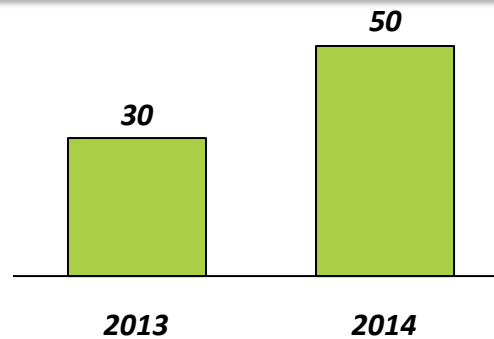
No Single Customer exceeds more than 15% of Revenue

Working Capital Profile

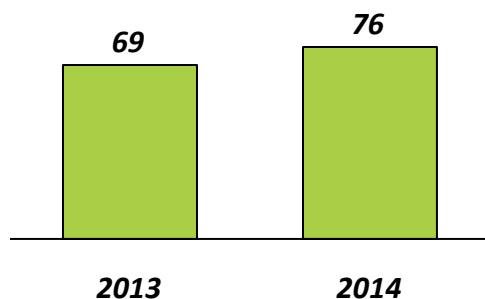
*Inventory Days (Sales)**



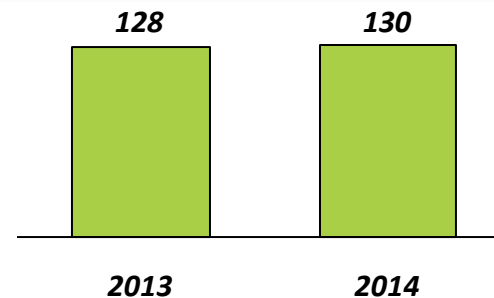
Creditor Days (Sales)



*Debtor Days (Sales)***



Net Working Capital Days



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

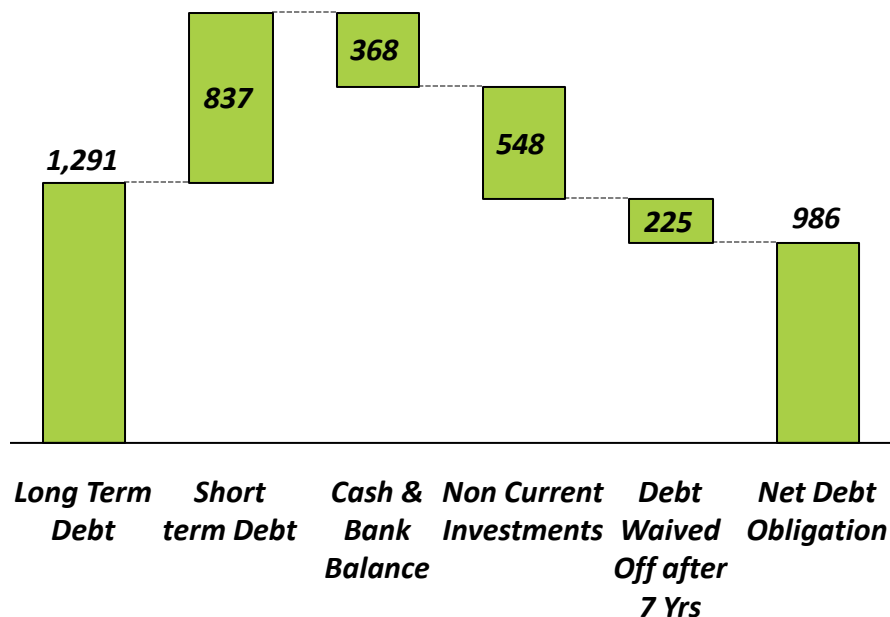
* Excludes Inventory held for Trading Sales

** Excludes Bill Discounting

Consolidated Debt & Finance Cost

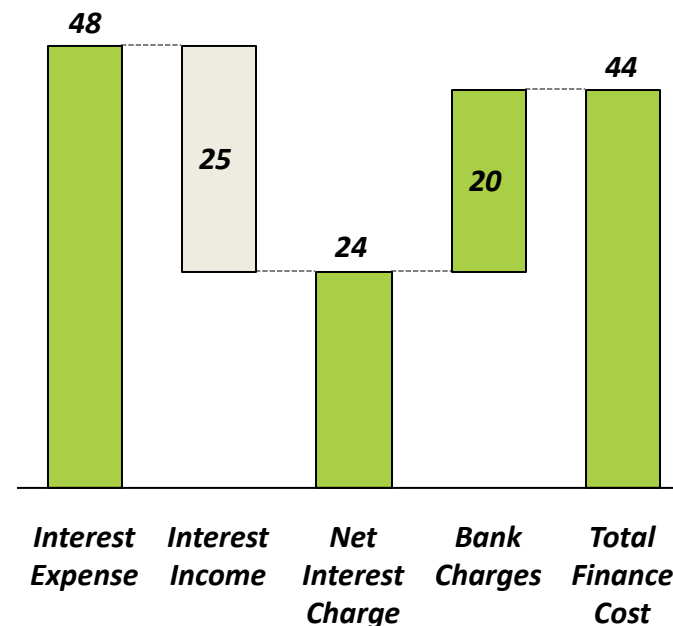
As at March 2014

Debt Structure*



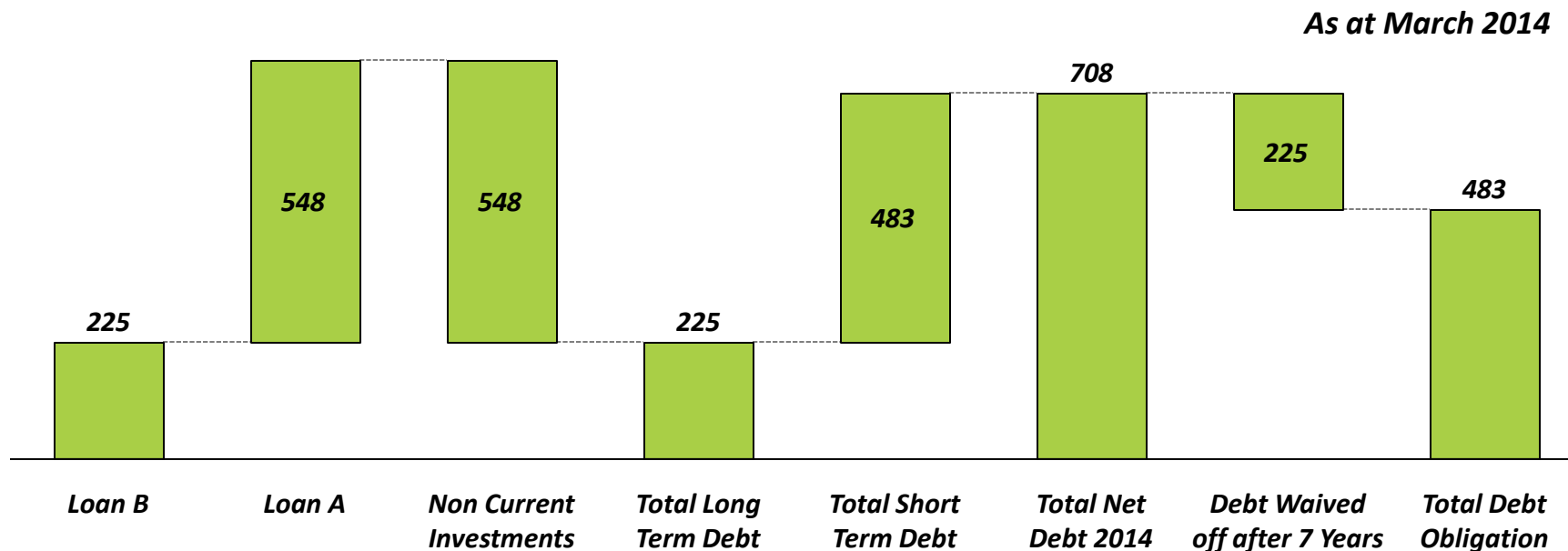
* Excludes Bill Discounting

Finance Cost Structure



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

US Operations - Debt Structure



- **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. 773 million (Loan A – Rs 548 million and Loan B – Rs. 225 million)
 - Investment: Rs. 548 million in USBCDC Investment Fund 8,LLC which is part of the Non-Current Investments
 - Short Term Foreign Debt: Rs. 483 million
- Debt of Rs 225 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>9MFY2015</i>	<i>FY2014</i>	<i>FY2013</i>	<i>FY2012</i>
Revenues	2,415	2,629	2,587	2,227
Raw Material	1181	1,379	1,376	1,211
Manpower Cost	200	122	53	44
Other Operating Expenses	601	650	690	635
EBITDA	434	478	468	332
EBITDA Margin	18.0%	18.2%	18.1%	14.9%
Other Income	42	122	8	13
Depreciation	121	110	82	81
Interest	52	69	44	30
PBT	303	421	350	235
Tax	81	100	71	46
PAT	221	321	280	189
PAT Margin	9.2%	12.2%	10.8%	8.5%

Consolidated Balance Sheet

<i>Rs. in Million</i>	<i>Sept-14</i>	<i>Mar-14</i>	<i>Mar-13</i>	<i>Mar-12</i>
Shareholders Fund	1,801	1,692	1,425	1,244
Share capital	70	70	70	70
Reserves & Surplus	1,732	1,622	1,355	1,175
Non-current liabilities	1,382	1,475	548	189
Long term borrowings	1,202	1,291	371	77
Other non-current liabilities	180	185	177	112
Current liabilities	1,636	1,467	1,136	970
Short term borrowings	973	742	701	548
Other current liabilities	663	724	435	423
Total Equity & Liabilities	4,819	4,633	3,109	2,404
Non-current assets	2,552	2,588	1,401	920
Fixed assets	1,931	1,970	1,287	823
Non Current Investments	548	548	0	0
Long-term loans and advances	73	70	114	96
Foreign Currency Monetary Item	28	25	4	0
Current assets	2,239	2,021	1,704	1,484
Inventories	793	708	607	542
Trade receivables	835	756	584	645
Cash and bank balances	416	369	218	125
Short-term loans and advances	161	150	209	133
Other current assets	33	38	87	38
Total Assets	4,819	4,633	3,109	2,404

For further information, please contact:

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