

# **SANGAM (INDIA) LIMITED**

**Investor Presentation  
August 2015**



# Disclaimer

The Corporate Presentation (the “Presentation”) is based on management estimates and is being provided to you (herein referred to as the “Recipient”) only for information purposes. The sole purpose of this Presentation is to provide preliminary information on the business activities of the company, in order to assist the recipient in understanding the Company. This Presentation does not purport to be all inclusive or necessarily include all information that a prospective investor may desire in evaluating the company. The company expressly disclaim any and all liability for any errors and/or omissions, representations or warranties, expressed or implied as contained in this document.

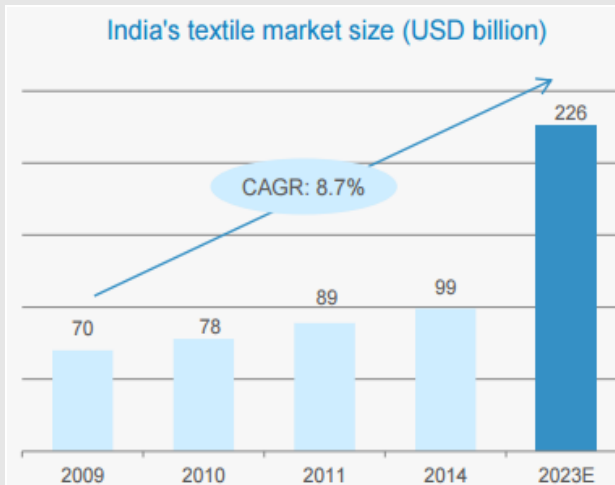
By receiving this Presentation, the Recipient agrees to keep confidential the information contained herein or made available in connection with any further evaluation of the company. This Presentation has been prepared for information purposes relating to this company only and upon the express understanding that it will be used only for the purposes set forth above. This Presentation may not be photocopied, reproduced or distributed to others at any time without prior consent of the company. Upon request, the Recipient will promptly return all material received from the company without retaining any copies thereof.

In furnishing this Presentation, the company do not make any obligation to provide the Recipient with access to any additional information on the company or its subsidiaries. This Presentation should not be deemed an indication of the state of affairs of the company nor shall it constitute an indication that there has been no change in the business or state of affairs of the company since the date of publication of this Presentation.

Any clarifications / queries on the proposal as well as any future communication regarding the company should be addressed to Sangam India Limited / the company.

# Indian Textile Industry

- ✓ India is the world's second largest producer of textiles and garments
- ✓ Strong presence in entire textile value chain - vertically and horizontally integrated – from fibres to fashion.
- ✓ Contributes about 11% to industrial production, 14% to the manufacturing sector, 4% to the GDP and 12% to the country's total export earnings
- ✓ India accounts 63% of the market share of textiles and garments
- ✓ India is the 2nd biggest producer of silk and cotton 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 (largest producer of jute, second largest producer of silk and cotton; and third largest in cellulosic fibre)



Source: Technopak, Make in India, News articles, Ministry of Textiles, Aranca Research  
Notes: CAGR - Compound Annual Growth Rate, E – Estimated, \*As of February 2014

# Indian Textile Industry

## Cotton

- ✓ Production of raw cotton grew to 37.5 mln bales in FY14, up from about 28.0 mln bales in FY07, a CAGR of 4.3%

## Man Made Fibre

- ✓ During the period of FY07-FY14, production increase at a CAGR of 1.7% and stood at 1.28 MT in FY14

## Yarn

- ✓ Production of yarn grew to 5.3 MT in FY14 from 3.8 MT in FY07, implying a CAGR of 4.9%
- ✓ Cotton yarn accounts for the largest share in total yarn production; in FY14, the segment's share amounted to 74%

## Fabric

- ✓ Fabric production rose to 63,319 MSM (million square metre) in FY14 from 52,665 MSM in FY07, implying a CAGR of 2.7%
- ✓ The major segment in FY14 is cotton yarn, which accounted for more than 56%

Exports have been a core feature of India's textile and trade apparel sector, a fact corroborated by trade figures Exports grew to ~\$32 bln in FY13 from ~\$18 bln in FY06, implying a CAGR of ~9%



# The Company

- ✓ Commenced operations in 1984
- ✓ A leader in the world of textiles
- ✓ Presence across the value chain:  
Dyed Yarn → Fabric → Garments
- ✓ Over 10,000 employees
- ✓ Market leader in PV yarn: ~25% market share
- ✓ Company has more than 200,000 spindles and 3900 rotors for producing PV dyed yarn, cotton and OE yarn
- ✓ ISO 9001:2008 certified
- ✓ Company is the largest producer of PV dyed yarn in Asia, at a single location
- ✓ Company is a forerunner in manufacturing ready to stitch PV fabric with the annual capacity to produce 24 million meters of fabric and 32 million meters of denim
- ✓ Company has introduced seamless garment manufacturing facility with 36 seamless knitting machine with capacity to produce 3.6 million pieces per annum

Net Sales

**Rs. 1468 crs**

EBIDTA

**Rs. 217 crs**

Net Profit

**Rs. 52 crs**

EPS

**Rs. 13.08**

YE March 2015

# The Company

## Capacities

**Spindles**  
**211296**

**Open End Rotors**  
**3908**

**Weaving Machines**  
**437**

**Knitting Machine**  
**18**

**Seamless Knitting Machines**  
**36**

**Texturising Machines**  
**3**

**Coal Based Captive Thermal Power Plants**  
**31 MW**

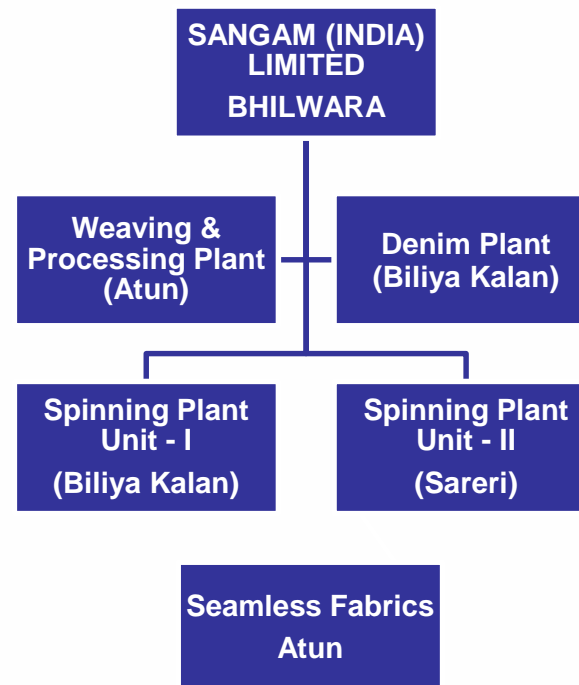
**Wind Power Plants at Jaisalmer**  
**5 MW**

**Solar Power Plant**  
**1 MW**

**Denim Processing Lines**  
**4**

**Process House**  
**53.40**  
**MMPA**

## Manufacturing Units



# The Company

## Products

PV Blended  
Dyed/ Grey Yarn

Cotton Spun  
Yarn

Cotton Open End  
Yarn

Texturised Yarn

Synthetic  
Blended Fabric

Seamless  
Garments

Denim Fabric

Cotton Knitted  
Fabrics

Generation of  
Captive Power

## Export Markets

USA

UK

China

Egypt

Poland

Brazil

Belgium

Chile

Italy

Spain

Australia

Japan


South  
Africa

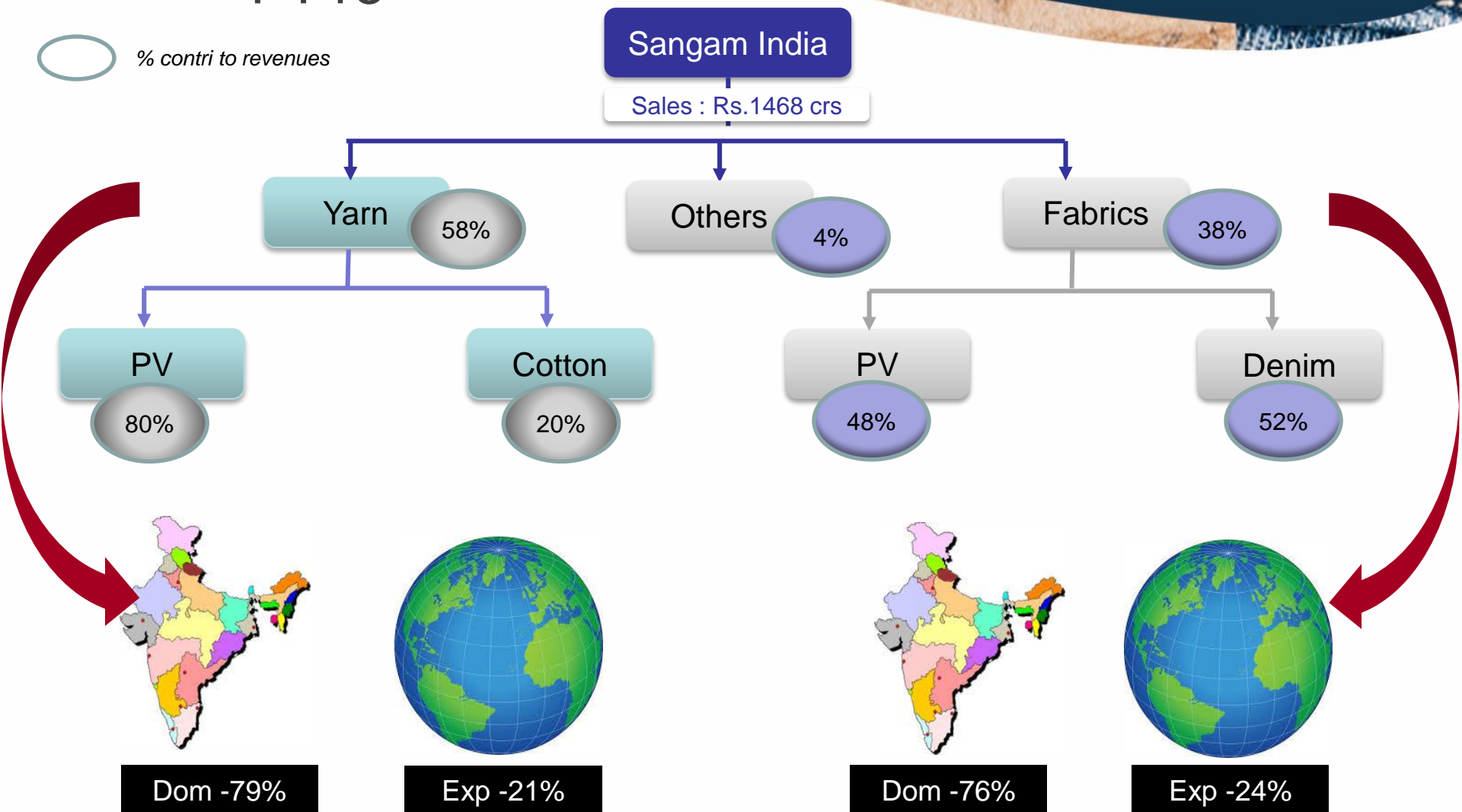
UAE

Turkey

Portugal

# Revenue Model FY15

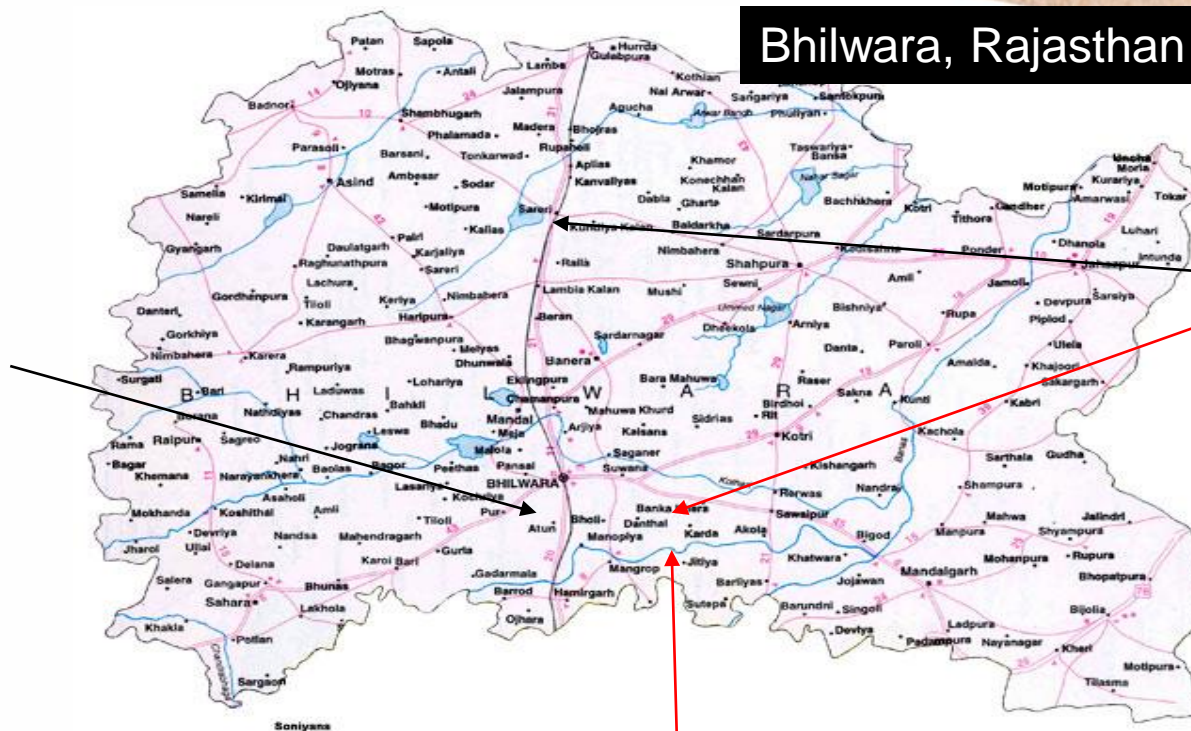
 % contri to revenues





# Mfg Capacities

## Bhilwara, Rajasthan



### Atun

PV Fabrics  
– 24 mln  
meters

Processed  
Fabrics –  
53 mln  
meters

### Biliya Kalan & Sareri

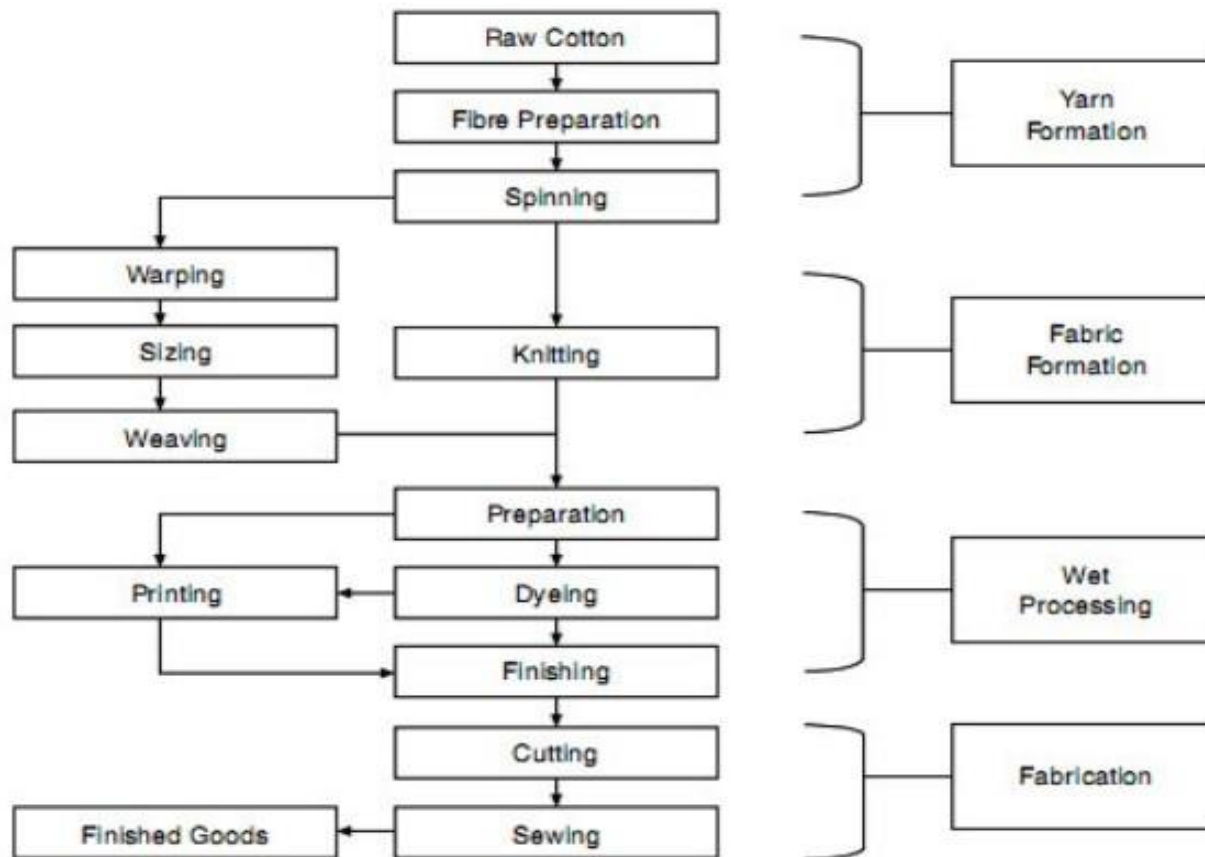
PV Dyed  
Yarn, PV  
Yarn &  
Cotton Yarn

1,14,432  
spindles  
(Sareri)  
15 MW CPP

### Biliya Kalan

Denim Fabric – 32 mln meters  
96,864 spindles  
16MW CPP

# Flow Chart – Manufacturing





## Segmental Analysis

### Key Statistics

- Yarn Production
  - 40,921 MTPA
- Yarn Sales
  - 34,161 MTPA
- Inter Division Consumption
  - 16.5% of production (up from 5.4% in FY11)
- Net Revenues
  - Rs. 682.08 Crores

### Demand Drivers

- ❖ Increased applications
  - ❖ Earlier used predominantly for bottom wear
  - ❖ Now also used in
    - ❖ Summer suits
    - ❖ Carpets
    - ❖ Socks, Knitted fabrics

### Proposed Strategy

- ✓ Increase in-house consumption (Up from ~15% currently, to 30% in the year)
  - ✓ Conversion of yarn to value added fabric
  - ✓ Improve margins
  - ✓ Increase realisations
- ✓ Increase PV yarn capacity

## Segmental Analysis

### Key Statistics

- Yarn Production
  - 17,925 MTPA
- Yarn Sales
  - 9,568 MTPA
- Inter Division Consumption
  - 46.6% of production
- Net Revenues
  - Rs. 178.78 Crores

### Demand Drivers

- ❖ Buoyancy in domestic demand
- ❖ Increased usage in Readymade Garments
- ❖ Increased consumption of denim fabric
- ❖ Growing income level and urbanization
- ❖ Penetration of organized retail.

### Proposed Strategy

- ✓ Increase in-house consumption (Up from ~47% currently, to 100% in the year)
- ✓ Increase Cotton yarn capacity



## Segmental Analysis

### Key Statistics

- Fabric Production
  - 22.747 MMPA
- Fabric Sales
  - 22.153 MMPA
- Net Revenues
  - Rs. 216.52 Crores

### Demand Drivers

- ❖ Increasing use in summer suits
- ❖ Increasing use in women bottom wear
- ❖ Increase in use for knitted fabrics

### Proposed Strategy

- ✓ Increased exports
- ✓ Introducing value added products

## Segmental Analysis

### Key Statistics

- Fabric Production
  - 26,071 MMPA
- Fabric Sales
  - 25,064 MMPA
- Net Revenues
  - Rs. 291.90 Crores

### Demand Drivers

- ❖ Favorable demographics
- ❖ Increased fashion awareness
- ❖ Denim usage extended to regular wear
- ❖ Rapid urbanization
- ❖ Demand buoyant from rural India as well

### Proposed Strategy

- ✓ Increased production of fancy & value added denims
  - ✓ Higher value add
  - ✓ Better margins
- ✓ Increased exports
- ✓ In-house consumption (garmenting)



## Strategy for existing business

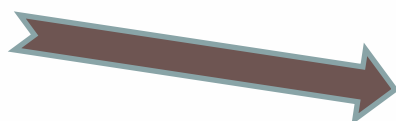


- Capacity expansion to be undertaken to augment our integration (backward & forward) capabilities
- All further capex to be funded prudently: mix of internal cash generation + assuming low cost debt
- The company aims to be debt free over the next couple of years

## Prudent Financial Management

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	Total
<b>PAT (Rs. Crs.)</b>	14.05	24.78	27.02	5.37	-15.98	17.15	56.59	17.08	51.30	40.50	51.57	289.58
<b>CFO (Rs. Crs.)</b>	20.15	15.69	-19.83	59.30	110.16	63.73	74.85	209.04	155.29	162.60	136.02	987.02
<b>CFO / PAT (X)</b>	<b>1.43</b>	<b>0.63</b>	<b>-0.73</b>	<b>11.04</b>	<b>-6.89</b>	<b>3.72</b>	<b>1.32</b>	<b>12.24</b>	<b>3.03</b>	<b>4.01</b>	<b>2.63</b>	<b>3.40</b>

Prudent cash flow management



Aids in deleveraging

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
<b>Eq (Rs. Crs)</b>	77.94	137.32	187.92	193.29	177.31	189.86	239.58	252.08	297.85	331.43	371.70
<b>Debt (Rs. Crs.)</b>	185.04	311.96	644.75	729.63	692.81	692.6	717.97	651.6	564.43	497.64	534.71
<b>D/E Ratio (X)</b>	<b>2.37</b>	<b>2.27</b>	<b>3.43</b>	<b>3.77</b>	<b>3.91</b>	<b>3.65</b>	<b>3.00</b>	<b>2.58</b>	<b>1.90</b>	<b>1.50</b>	<b>1.43</b>

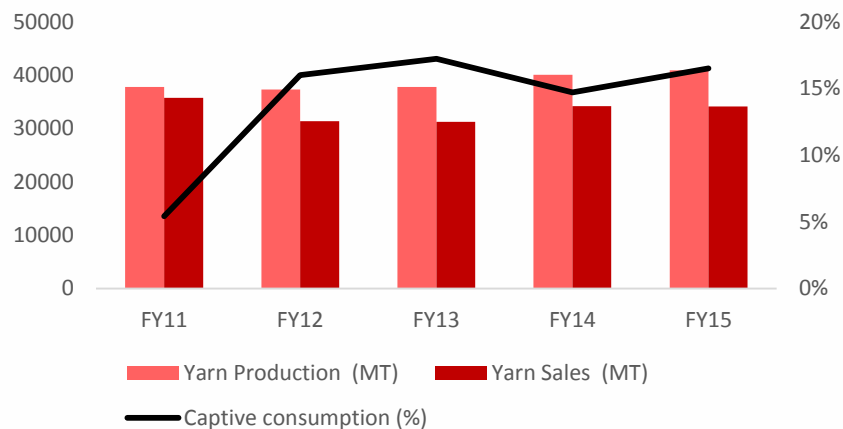
Despite addition in gross block

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
<b>Gross Block (Rs. Crs.)</b>	269	354	528	705	877	891	924	1059	1087	1114	1218

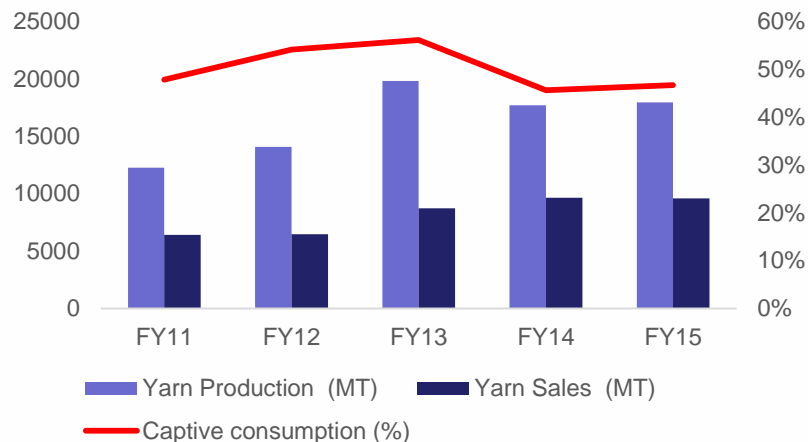


## Integration Benefits

PV Yarn



Cotton Yarn



Denim Realisations



### In-house consumption of yarn

- PV: Increased to ~17% from 5% in FY11
- Cotton: ~half of production

### Benefits:

- Increase in denim realisation, despite sharp decline in cotton prices over the last 5 years



The next BIG step



from

**B2B**

to

**B2C**



Ready To Wear

A new aspirational brand 'Channel Nine' launched

- Foray into the women's branded apparel - intimate, active & casual wear category
- Innovative first-of-its-kind 'seamless technology' introduced in the country
- Present manufacturing capacity of 3.6 mln units p.a.
- Latest world class seamless technology imported from Italy
- Leveraging 'Make in India' to tap export markets



Active Wear

Shape Wear

Intimate Wear



Medical Wear



Night Wear



Casual Wear



## Brand Story

Channel Nine clothing is designed to provide the woman of today, ultimate freedom of movement, comfort, fit and an enhanced fashion quotient, as she rushes about her daily business

### TARGET GROUP

- Channel Nine woman is independent
  - She is always on the move
- Fashion and fitness are her way of life
  - Her clothes are effortless

### CONSUMER PREFERENCE

- Change in the lifestyle
- Performance features like odour resistance & moisture management
- Not very price sensitive
- Better look, perfect fit, trendiness are key purchase parameters

### SELECTION CRITERIA

- Fit
- Quality
- Style
- Emotional Connect
- Price



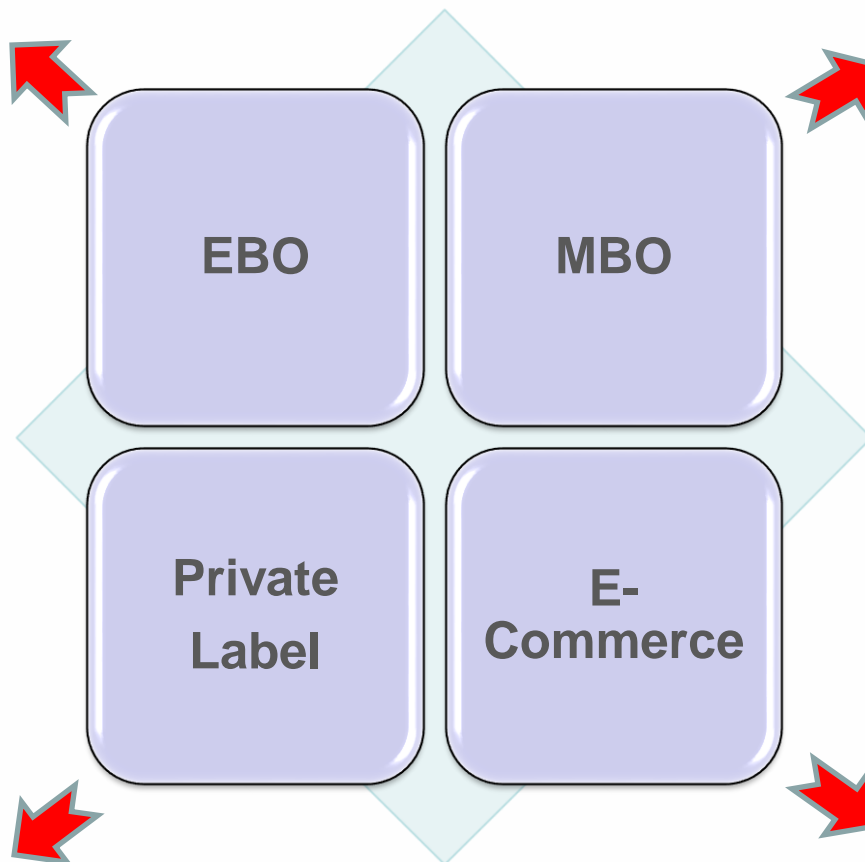
## 4-Pronged Strategy

- ✓ 10 Exclusive outlets targeted to be launched by March 2016.
- ✓ Asset light, franchisee model to be adopted

- ✓ In discussions with overseas retailers
- ✓ In Licensing opportunities, via JVs, being explored - from Poland, USA and Australia

- ✓ 400 multi brand outlets across 24 states
- ✓ 1000 stores targeted
- ✓ Tie up with Central (Future Retail)
- ✓ In discussions with other large retailers

- ✓ Company portal
- ✓ Tie ups with Ecom majors like Flipkart, Amazon ebay, snapdeal, Paytm, fashionara, belletouch



Channel Nine business model

## Marketing Activities

### Promotions / Mass Media ATL

- Display Ads
- PPC
- Social Media Paid Ads
- Contexts

### Online, Digital & Social Media

- Mainline Dailies
- Lifestyle Magazines
- Radio
- TVC

### City Specific Promotions

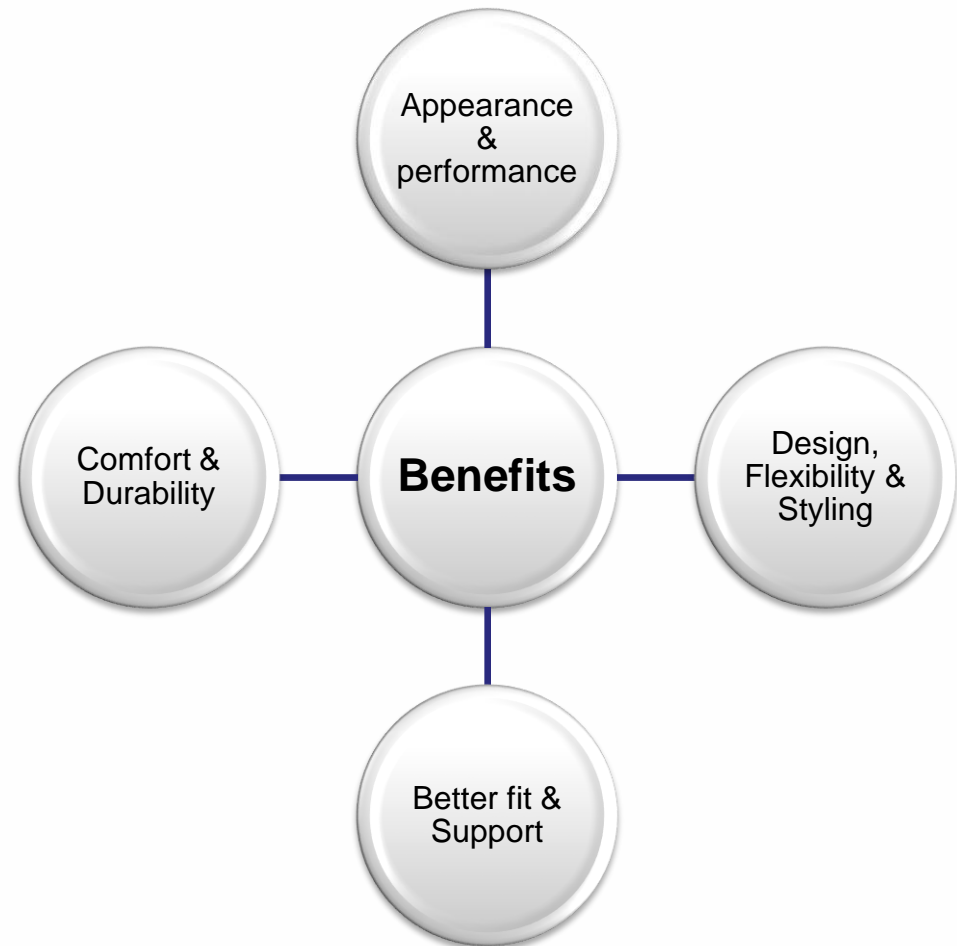
- OOH
- Ground Activations
- Local FM
- Messages / Whatsapp

### In store Branding / Visual Merchandising

- Special offers
- Promotions
- Sponsored ads

## Seamless technology – benefits

- ✓ Reduce labour costs
- ✓ Fewer machines
- ✓ Smaller work space
- ✓ Lower energy costs
- ✓ Reduce yarn and fabric inventory
- ✓ Quicker samples
- ✓ Production of complete garment
- ✓ Engineered features like compression, ventilation
- ✓ Just in time production



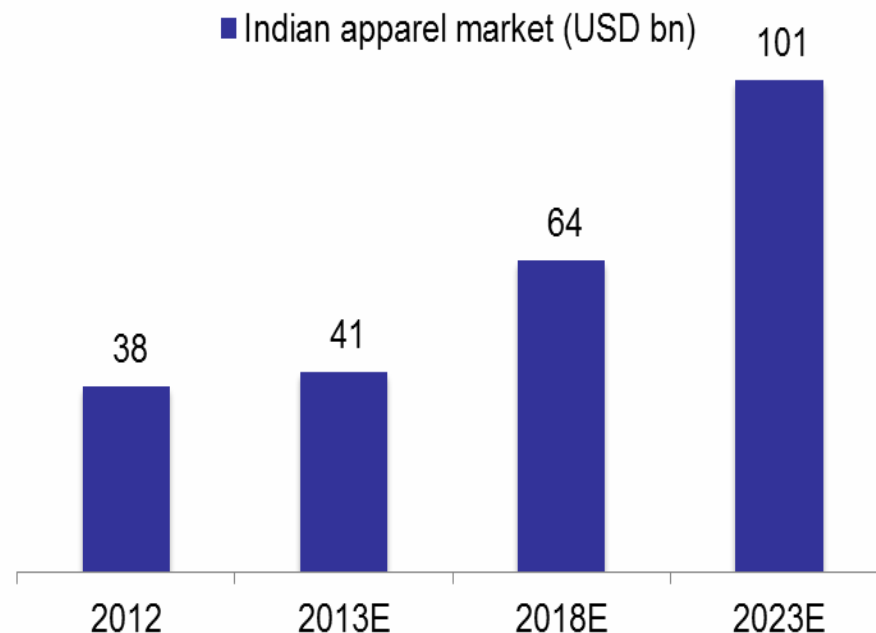


## Domestic Apparel Industry

- India's domestic apparel market garners \$41 bln
- 9% CAGR over 2013E-2023E
- Highly fragmented with only 19% of sales coming from organized sector
- Women's wear market is largely dominated by unorganized players.
- Women's tops and shirts market is expected to post a CAGR of 12%.
- while women's t-shirts and casual wear is expected to post 15% CAGR

Domestic Apparel

### Indian Apparel Market



Source: Technopak Report 2014

## Domestic Apparel Industry

- One of the high growth categories in the apparel market
- The category growth is an impressive 12% CAGR
- Present size: INR 15,870 crore (\$2.9 bln);
- Expected size: INR 27,900 crore (\$5.1 bln) by 2017.
- The women's innerwear segment contributes 60% to the market approximately.

Indian Inner Wear

- India's market for sportswear garners \$7.3 bln
- It is expected to have grown @33% p.a. between 2010-2014
- Some of the few trends supporting this growth are:
  - Increased media coverage of sports
  - Success of top Indian athletes
  - Investment into sports infrastructure
  - Participation from women

Indian Active Wear

# The Big Picture

Increase yarn capacity (PV & Cotton)

- To meet in-house consumption
- To augment integration capabilities
- To maintain market leadership status

**Backward  
Integration**

**Forward  
Integration**

- Increase denim (fabric) manufacturing capacity
- Explore opportunities into denim garmenting, affordable price points, focus on high growth domestic market
- Focus on increased exports of fabric
- Foray into manufacturing of seamless garments

**Forward  
Integration**

- Strong focus on the new vertical (Channel nine), multi-pronged strategy
- Asset light retailing venture, tight control over costs
- Explore in-licensing opportunities with global brands, via JVs

**Result:**

- ✓ **Changing business model to insulate company from biz cycles**
- ✓ **Moving up the value chain**
- ✓ **Improved revenue growth**
- ✓ **Much better margins**





# Financials

## P&L (5 yr)

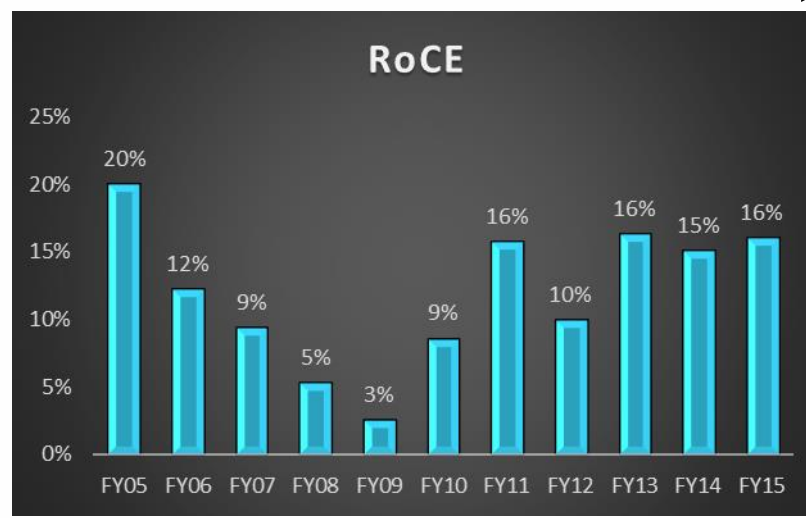
(Rs. Crs)	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	5yr CAGR
<b>Sales</b>	<b>852.25</b>	<b>1,171.52</b>	<b>1,417.22</b>	<b>1,478.84</b>	<b>1,432.61</b>	<b>1,476.94</b>	<b>12%</b>
<b>Expenses</b>	721.59	970.60	1,269.36	1,270.47	1,244.18	1,259.55	
<b>OP</b>	<b>130.66</b>	<b>200.92</b>	<b>147.86</b>	<b>208.37</b>	<b>188.43</b>	<b>217.39</b>	<b>11%</b>
<b>Other Income</b>	7.38	8.01	12.53	12.56	13.10	2.74	
<b>EBIDT</b>	138.04	208.93	160.39	220.93	201.53	220.13	<b>10%</b>
<b>Depreciation</b>	63.07	64.00	67.85	76.98	74.32	80.40	
<b>EBIT</b>	74.97	144.93	92.54	143.95	127.21	139.73	
<b>Interest</b>	47.59	56.50	66.53	68.67	66.06	67.22	
<b>PBT</b>	26.79	88.42	26.01	75.28	61.15	72.51	
<b>Tax</b>	9.05	26.70	8.93	23.53	20.65	23.12	
<b>PAT</b>	<b>17.15</b>	<b>56.59</b>	<b>17.08</b>	<b>51.30</b>	<b>40.50</b>	<b>51.57</b>	<b>25%</b>

## BS Highlight (5 yr)

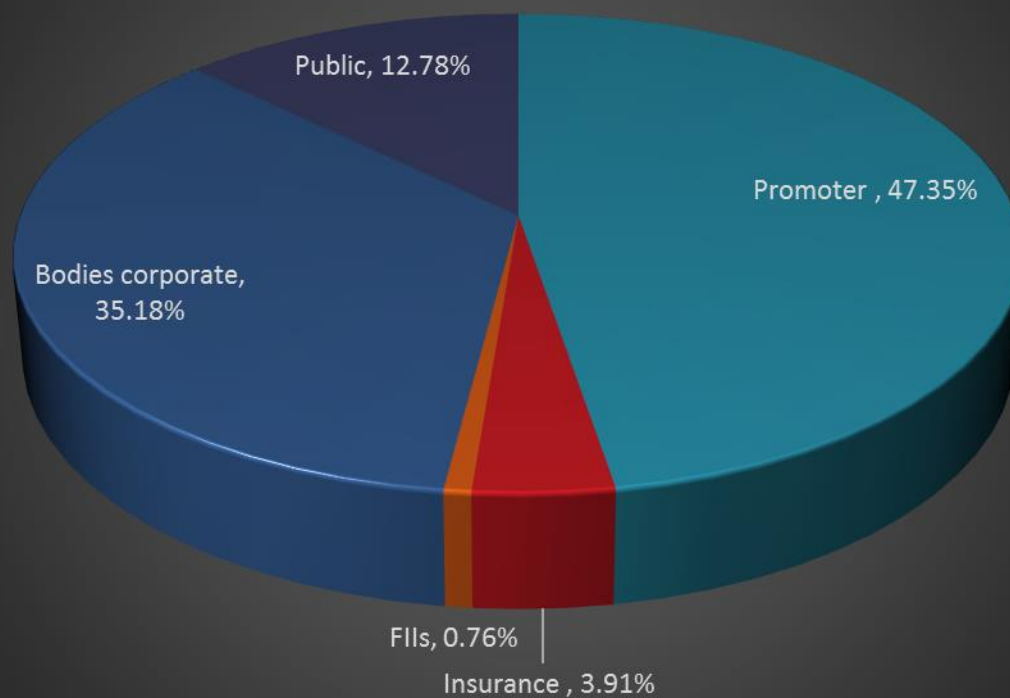
(Rs. Crs)	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar -15
<b>Equity Share Capital</b>	39.42	39.42	39.42	39.42	39.42	39.42
<b>Reserves</b>	150.44	200.16	212.66	258.43	292.01	332.28
<b>Secured Loans</b>	670.79	672.97	576.64	564.43	497.64	534.71
<b>Unsecured Loan</b>	21.81	45.00	74.96	-	-	
<b>Total</b>	882.46	957.55	903.68	862.28	829.07	906.41
<b>Debtors</b>	130.56	159.38	125.10	175.46	200.85	251.71
<b>Inventory</b>	177.00	238.02	201.50	213.55	233.73	265.09
<b>Debtor Days</b>	55.92	49.66	32.22	43.31	51.17	62.21
<b>Inventory Turnover</b>	4.81	4.92	7.03	6.93	6.13	5.57
<b>RoE</b>	9%	26%	7%	19%	13%	15%
<b>RoCE</b>	9%	16%	10%	16%	15%	16%



## 10 yr Snapshot



## Shareholding Pattern (30th June '15)





# Annexure



## Weaving & Processing plant - Atun

- Production began in 1985
- 253 Looms for Synthetic 30 Million Meters Fabric Weaving
- 53.40 Million Meters Fabric Processing P.A.
- 36 Knitting Machine for Seamless Garment Manufacturing

### 1985

- 8 Looms for Synthetic Fabric Weaving.



### 2000

- 227 Looms for Synthetic Fabric Weaving.



### 2015

- 253 Looms for Synthetic Fabric Weaving
- 36 Knitting Machine for Seamless Garment Manufacturing
- 53.40 Million Meters. Fabric Processing P.A.



## Spinning Plant – 1 (Biliya Kalan)

- Production began in 1995
- Biggest PV Dyed Yarn Plant at single location in Asia
- Spindles – 96864
- Texturising - 3 Machines
- 16.0 MW Coal Based Captive Thermal Power Plant



**1995**

- 17280 Spindles



**1999**

- 27072 Spindles



**2003**

- 48384 Spindles
- 10.0 MW Coal Based Captive Thermal Power Plant



**2009**

- 96864 Spindles
- 16.0 MW Coal Based Captive Thermal Power Plant



**2015**

- 96864 Spindles
- 3 Texturising Machines
- 16.0 MW Coal Based Captive Thermal Power Plant





## Spinning Plant – 2 (Sareri)

- Production began in 2006
- 53856 Spindles - For Production of Cotton Yarn
- 60576 Spindles - For Production of P/V Dyed/Grey Yarn
- 18 nos. - Knitting Machines
- 3908 - Open End Rotors
- 15.0 MW Coal Based Captive Thermal Power Plant.



**15.0 MW Coal Based  
Captive Thermal  
Power Plant at  
Spinning Plant – II  
(Sareri)**





## Denim Weaving & Processing Plant (Biliya Kalan)

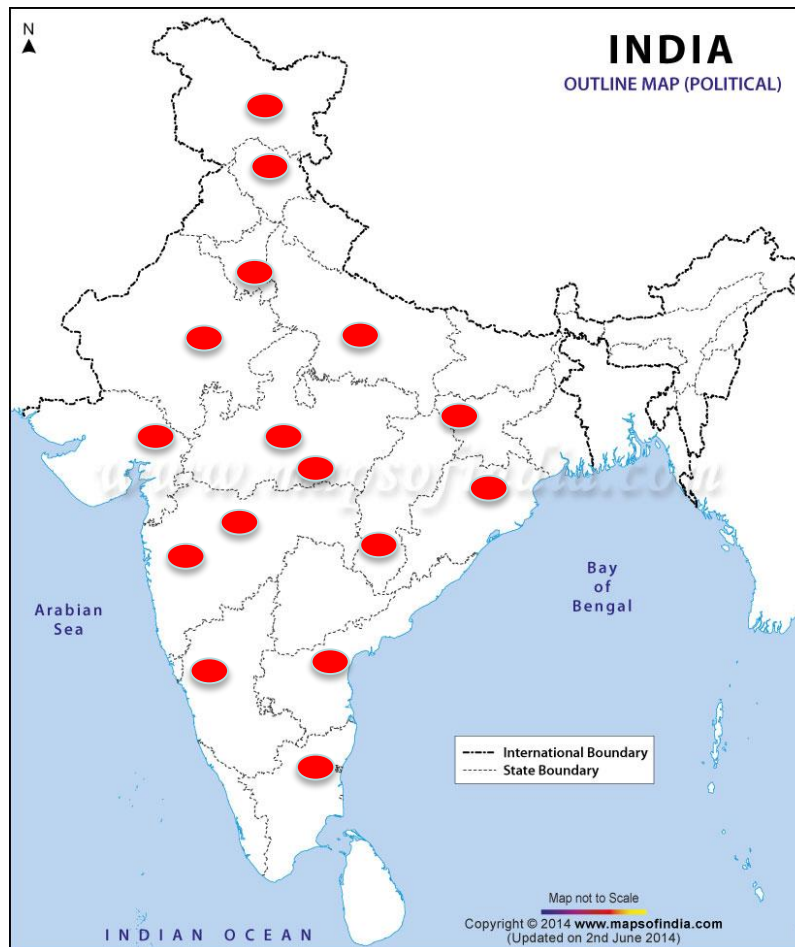
- Production began in 2009
- 184 Looms – For Denim Fabric Weaving with 4 Processing Lines.
- Production Capacity: 32 Million Meters P.A



Wind power 5 MW plant - Jaisalmer



# Distribution Network in India





**Thank You**