

Investor Presentation 2020

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Discussion
Summary



Company
Overview

Vishal Fabrics Limited is a renowned company of Chiripal Group. Vishal Fabrics commenced its operation in 1985, recognised as leading processing house in India and forayed into manufacturing of premium denim fabrics.

Promote Denim from an occasional lifestyle product to a fully accepted lifestyle necessity, from youth-centric fashion wear to a premium fabric that caters to all ages and from an outdoor attire to a fabric that is worn round the clock. Vishal Fabrics wants to create a world where denim is a household narrative and not just a style statement.

Vision

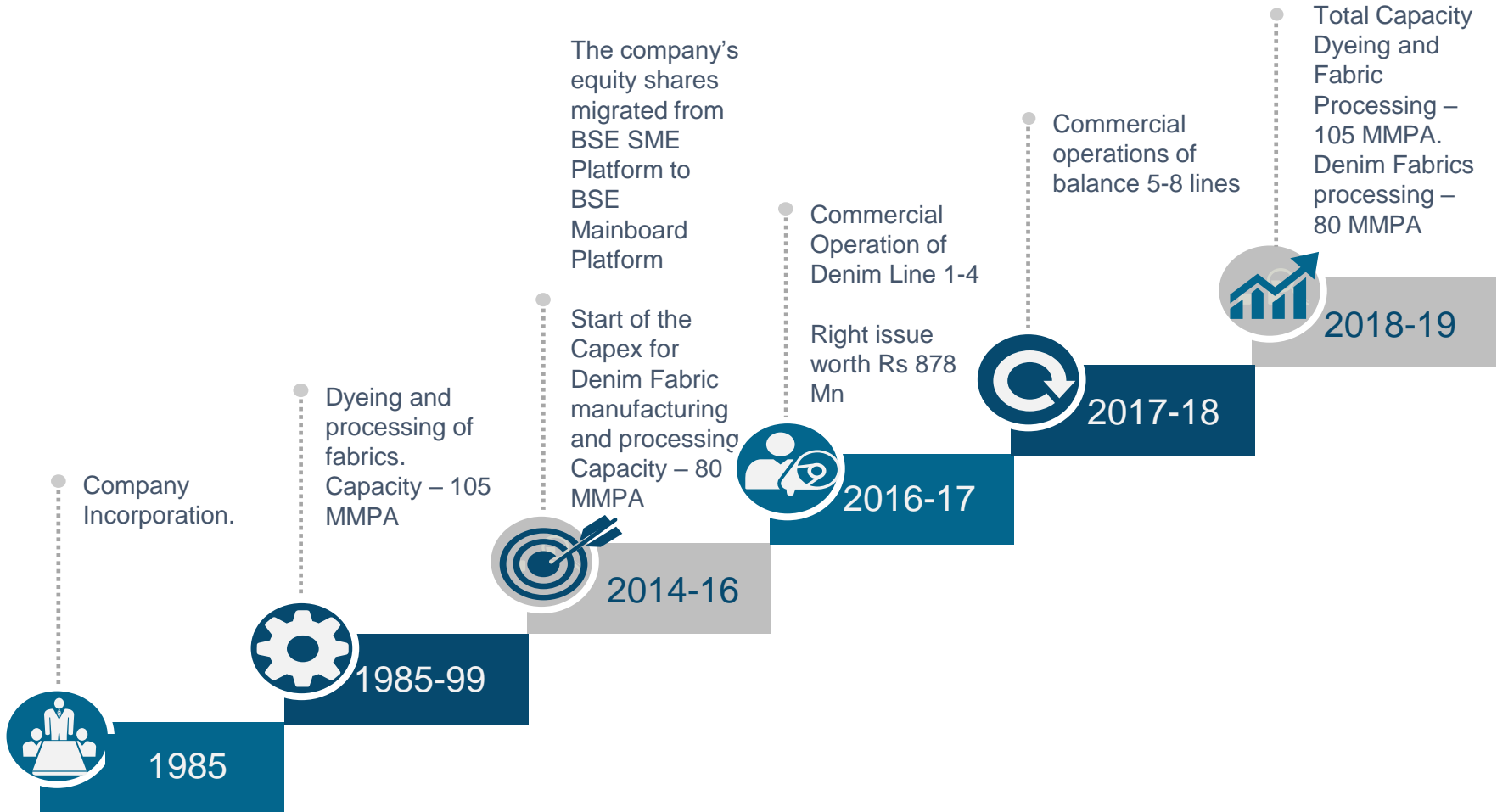
For us, denim is a fabric that weaves people together in a thread of unity. Our mission is to produce premium quality denim that breaks the barriers of age, gender and location. We aim to keep doing what we do best – keeping our customers, their likes and their needs first, always!

Mission

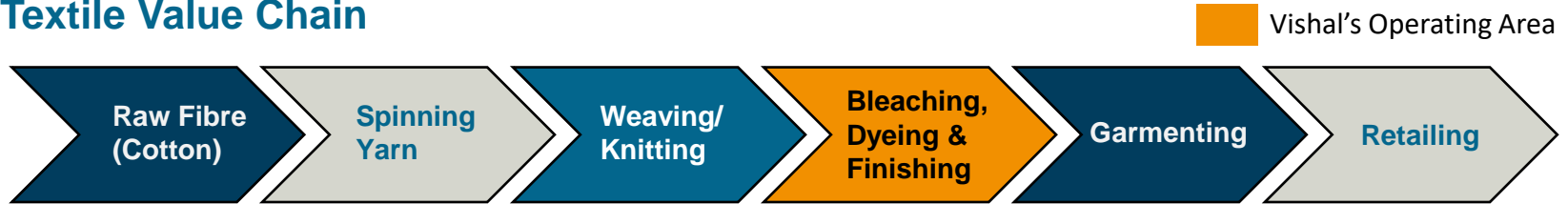
- We credit our success to the foundation of our unflinching core values. We never compromise on production quality and are in a constant hunt for innovations that can help us in scaling up our quality levels.
- We pledge to follow the fairest business practices to ensure a healthy, just and all-inclusive business ecosystem.
- We keep our customers first

Values

Company Overview Key Milestones



Textile Value Chain



Vishal's Model



Asset Light Model

Company has diversified manufacturing facilities, ~40% of yarn procuring from sister concern company and balance from open market



Vishal Fabrics initiated expansion in 2017-18 towards the end of Gujarat subsidy policy, with below mentioned steps:

- Machines are being upgraded using high end technology
- The business can weave wider denim fabric width between 62"–90" while the other industrial players typically have a weaving width of 62"–68" fabric capacity
- All the 400 looms at Vishal Fabrics are of a wider width; Larger fabric width helps minimize clothing waste by 5% - 7%
- Denim products have less water retention so they can be quickly dried and thus reduces the carbon footprint
- Goods are made from easily stretchable fabrics so that less wash is necessary
- In-house creative design studio and product development cell managed by team of designers and technocrat from premier institution
- Offering wide range of products with more than 30 designs every month

Apparels



Footwears

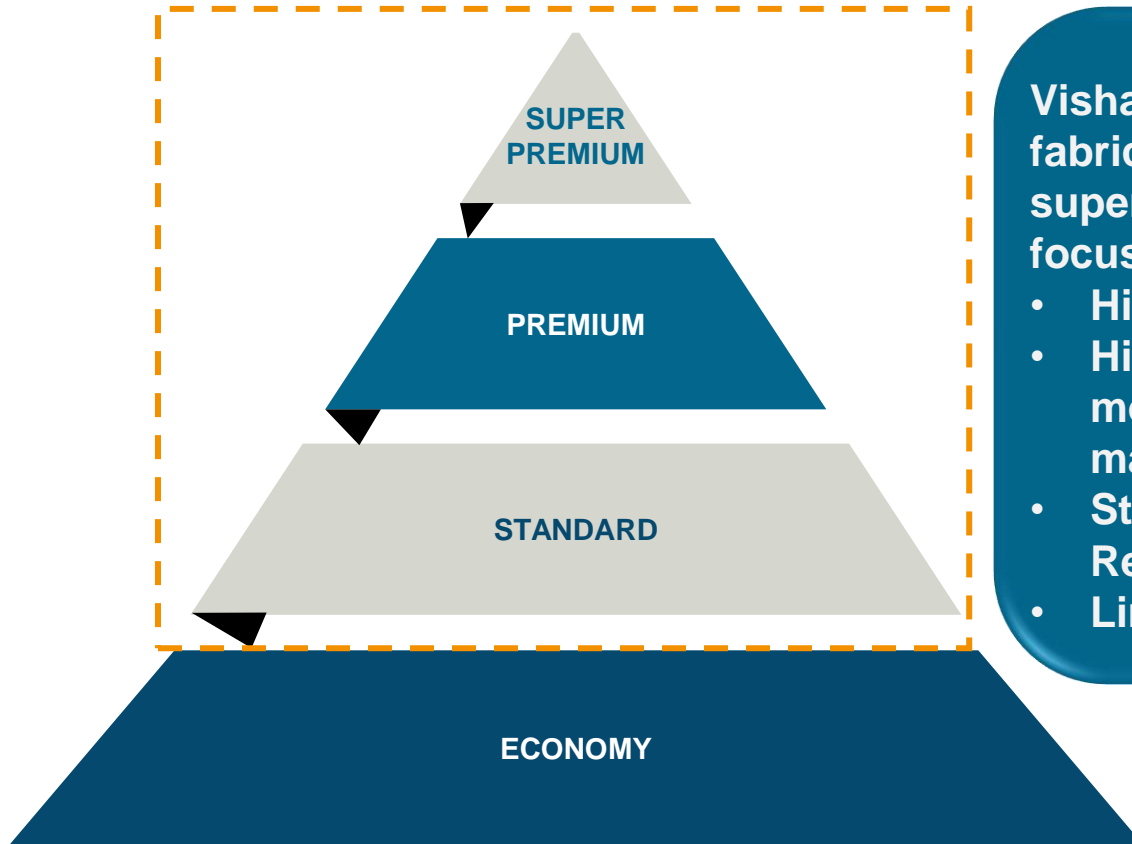


Fashion Accessories



Home Textiles



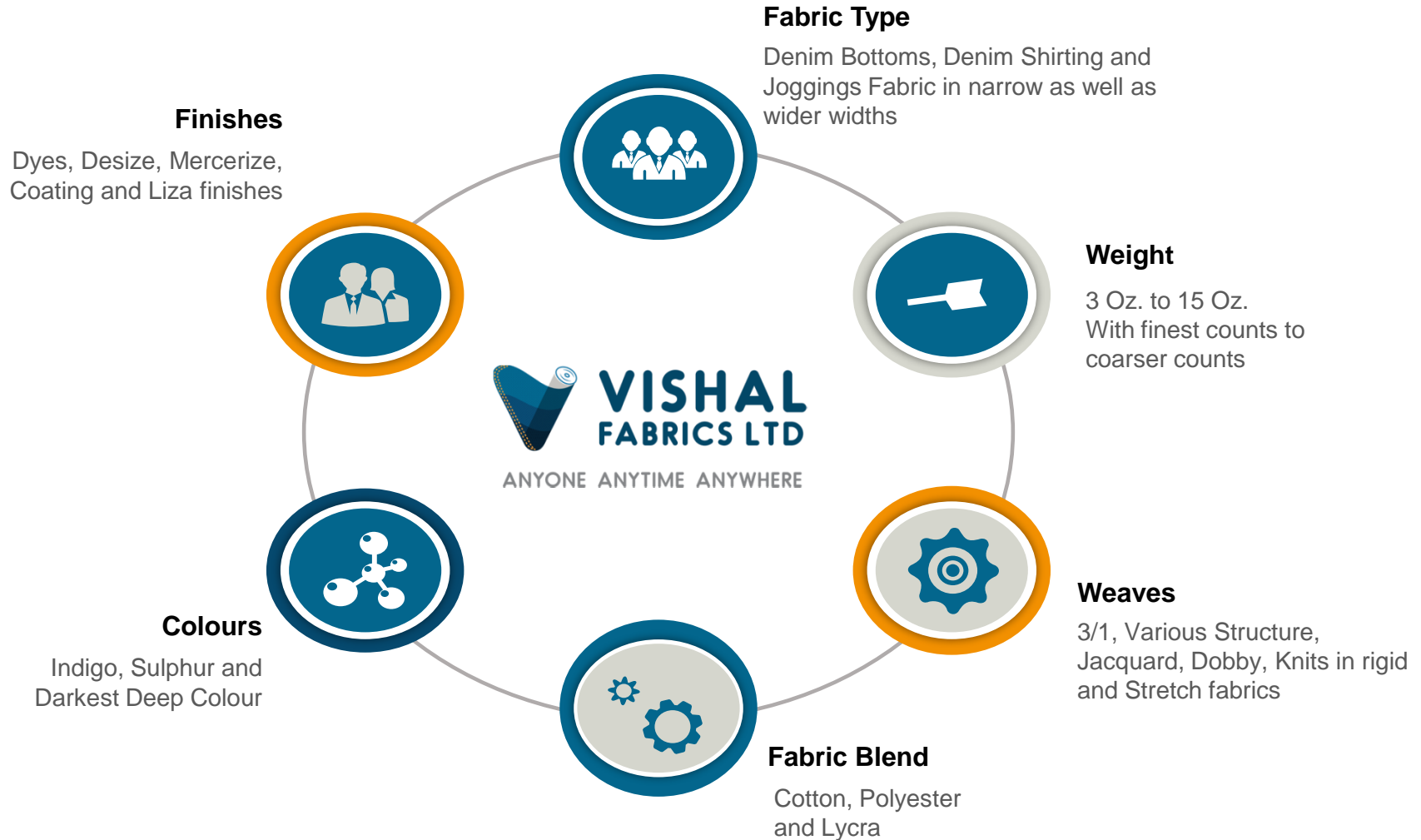


Vishal Fabrics can manufacture fabric ranging from standard to super premium segment but focused on premium segment.

- Higher realisation
- High Susceptibility to movement in price of raw material
- Stable EBITDA Margin & Return Ratios
- Limited Players

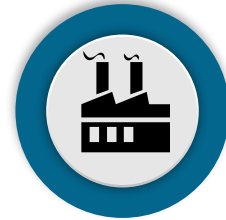
Company Overview

Capability Of Wide Range Of Product Offering

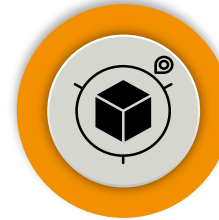


Company Overview

State Of Art Manufacturing Facility



80 MMTPA
Dyeing Capacity



105 MMTPA
processing
capacity



6 MW Captive
Thermal
Power Plant



Exporting to
over 12
countries



Over 2,000 No.
of Employees
as on FY20



10 No. of
Designers



Advantage of Gujarat

- Gujarat is a textile hub of India
 - Largest producer of denim fabric in India
 - Housing the entire textile value chain
- Gujarat Textile Policy Benefits
 - 10% capital subsidy from central government for plant and machinery
 - 5% interest rate subsidy from state government
 - 2.5% SGST subsidy on sales
- Superior infrastructure connectivity through roads, rail, airport and ports.
- Close proximity to fabric dealers, garment manufacturer resulting in faster delivery and services and lower operating overheads
- Low cost production
 - Easy availability key raw material – Yarn
 - One of the largest producer of yarn
 - Uninterrupted power supply
 - Easy availability of skilled and unskilled labour

Company Overview

Acceptance Of Our Product From Leading Brands





Business Strategy
& Outlook



Strategic Tie-ups

Focus on strategic tie-ups with leading global retail brands for direct sales.



New Geography

Focus on exports and target new markets to diversify customer base geographically for further growth.



Improve Utilisation

Optimise capacity utilisation levels and continue to improve operational efficiency.



Improve Return Ratios

Ability to sustain robust growth without any major capex for over 2 years. Therefore, return ratios set to improve.



Higher Revenues

- To focus on increasing the share of Value Added Products (VAP) from 50% to 60% over next couple of years
- The company is also eyeing a rise in revenue share from the exports.
- Strategic steps towards VAP coupled with higher exports will scale up revenues and margins

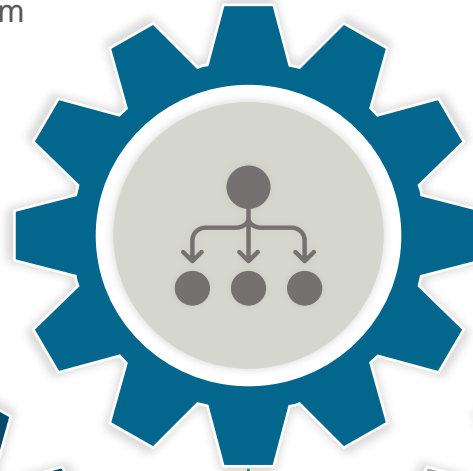
Cost Efficiency

- Capacity utilization of Denim manufacturing improved from 55% to 75% in FY20
- Improved capacity utilization has led to better efficiency and higher EBITDA margins
- The company is also focused on superior technology, higher automation and reduction in operating expenses which leads to cost optimization

Financial Discipline

- Comfortable Debt to equity ratio at 1.5x as on FY20 indicates financial prudence
- Net Debt to EBITDA is at 2.1x in FY20

Wide range of product offering across denim fabrics



Acceptance our product from global brands reflects our design sensibilities

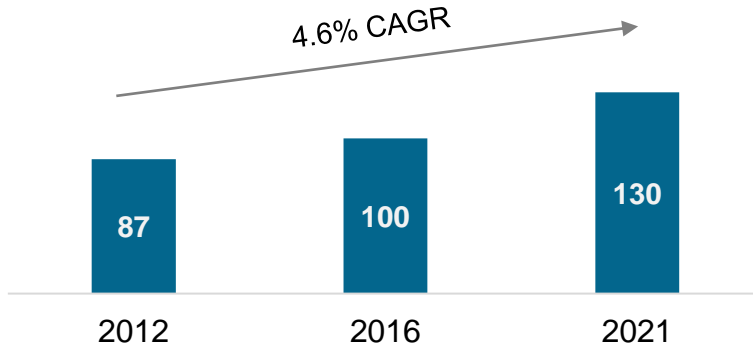


Understand the customer's need

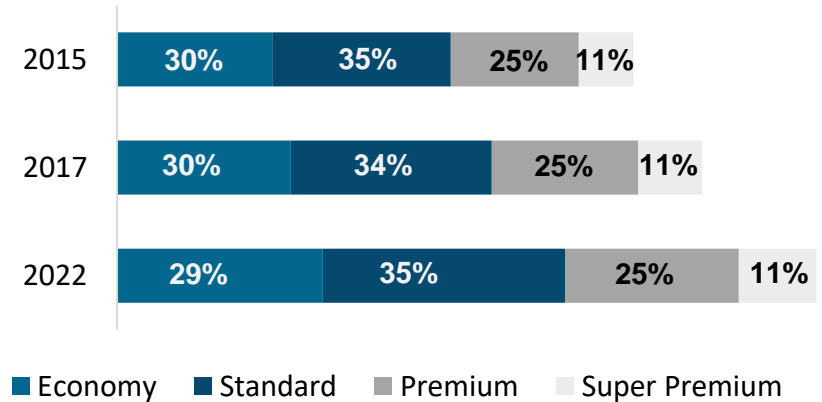


Focus on innovation and value-added products

Global Denim Jeans Sales (USD Bn)

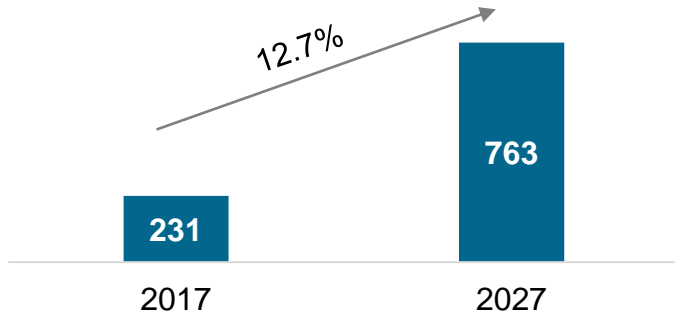


Strong Denim Jeans Growth Across All Categories

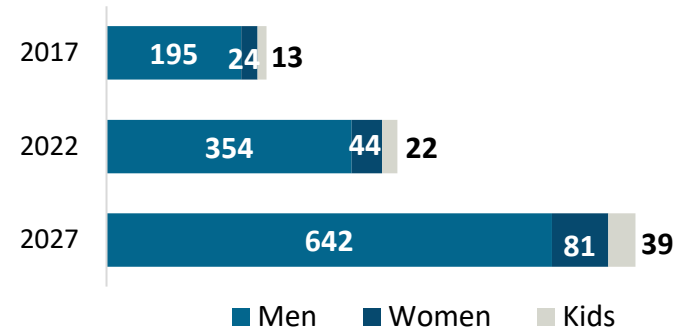


- Global denim fabric market is estimated to grow at ~4.6% p.a. from \$87 billion in 2016 to \$130 billion in 2021
- India has a second largest installed capacity of denim fabric in the world after china
- Domestic consumption of denim fabric ~800 MMPA and exports stands at ~200 MMPA

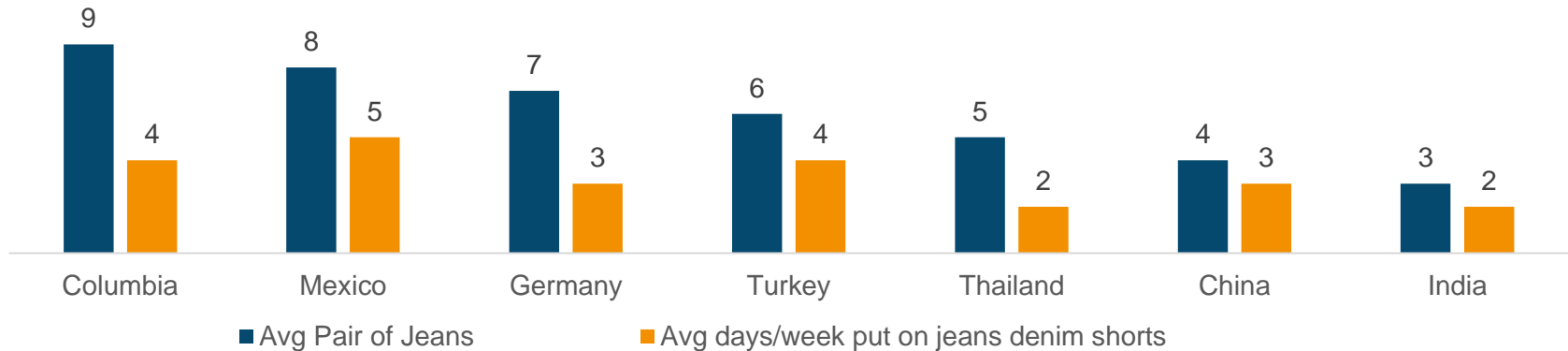
Domestic Denim Apparel Market (Rs. Bn)

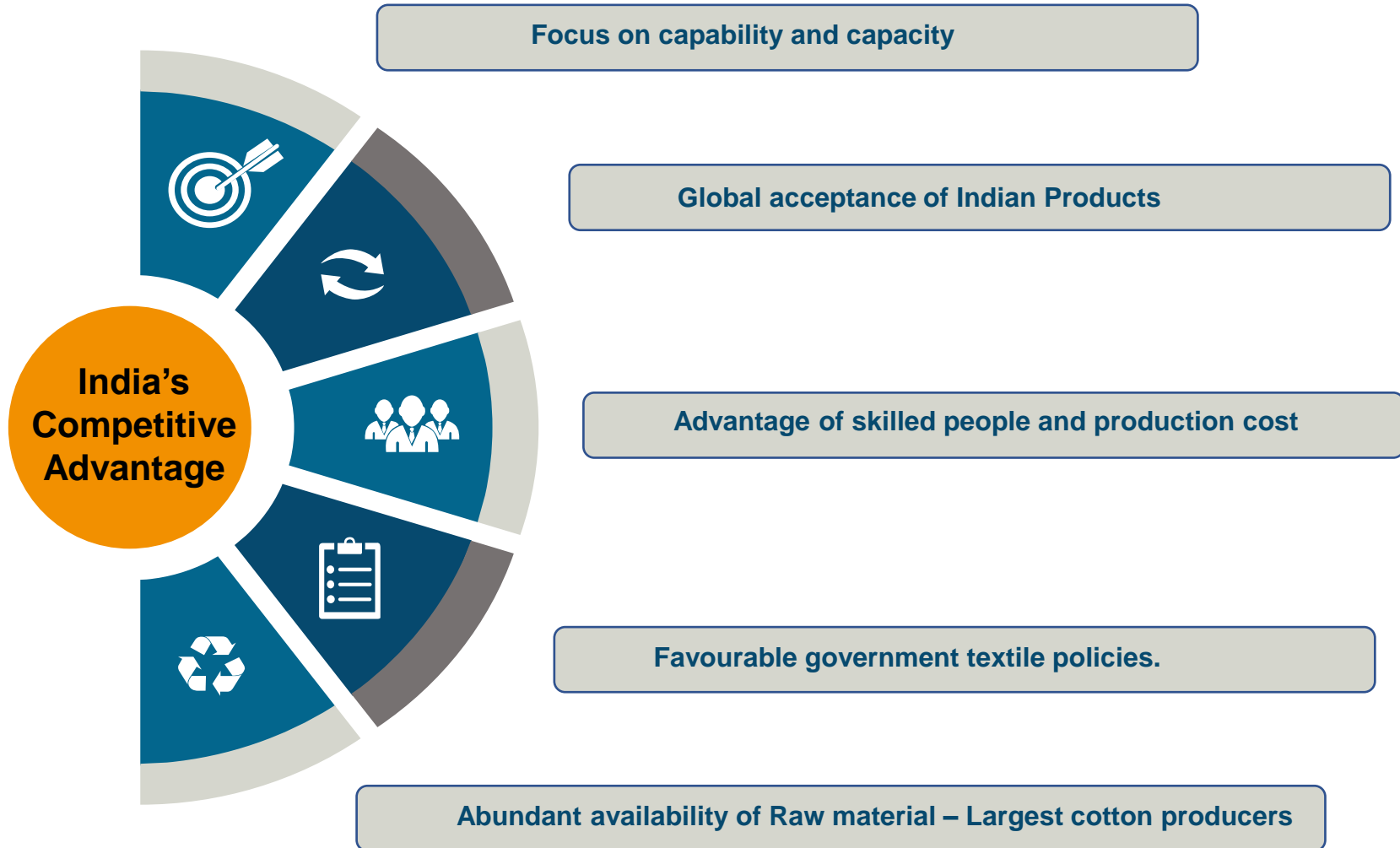


Growth Across All Categories (Rs. Bn)



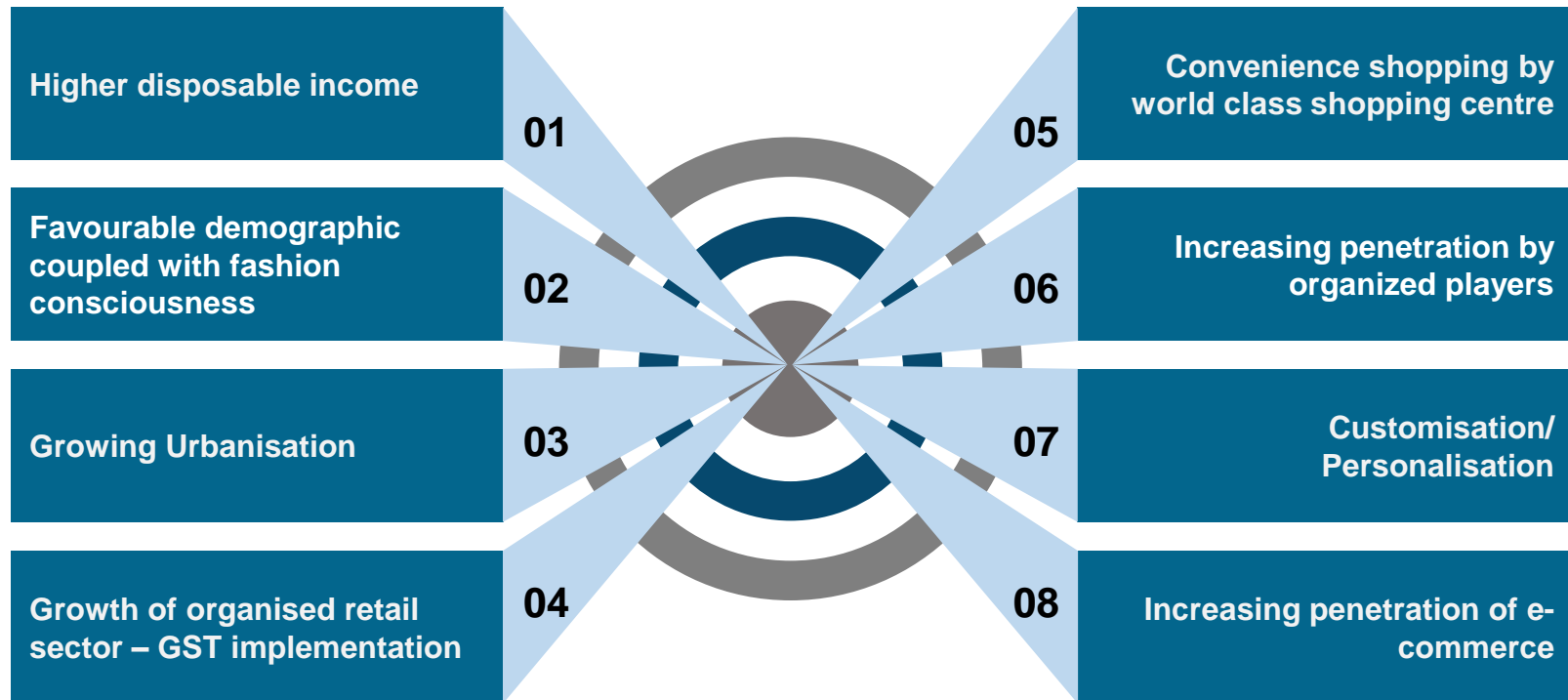
Lowest Per Capita Denim Jeans Consumption





Demand Driver

Supply Driver



Operational Highlights:

- As per government directives, the company's manufacturing facility at Dholi, Ahmedabad, had resumed its operations from April 11, 2020. Similarly, Narol plant was operational from June 1, 2020. Both the facilities are currently running on 65% capacity utilisation
- The company is monitoring potential knock-on effects on production and deliveries and will try to mitigate the same
- Our sales and marketing team has been in constant touch with our customers across the country and well-positioned to tap the opportunities that may come across post the lockdown
- The company possesses a strong order book inclusive of an healthy export order book and is well equipped to fulfil all the export commitment

Financial Highlights:

- We have sufficient liquidity and bank limits to protect ourselves from any potential delay in the working capital cycle
- Trade receivables may be delayed; however, the company is in a comfortable scenario to withstand the impact of the same
- Company has availed moratorium facility because of cash flow mismatch

Way Forward:

- **Business Continuity** - All the departments are in constant touch in order to take inputs and to ensure business continuity. We are in regular touch with our suppliers, customers, employees, bankers and the authorities
- **Employee Safety** - Employee safety is our utmost priority. Our HR department is playing a very proactive role by constantly communicating with all our permanent and on-contract employees and monitoring their health
- **Liquidity Management** - Preserving cash in the need of the moment. We have identified areas for cost reduction and several initiatives have been taken to reduce the cost



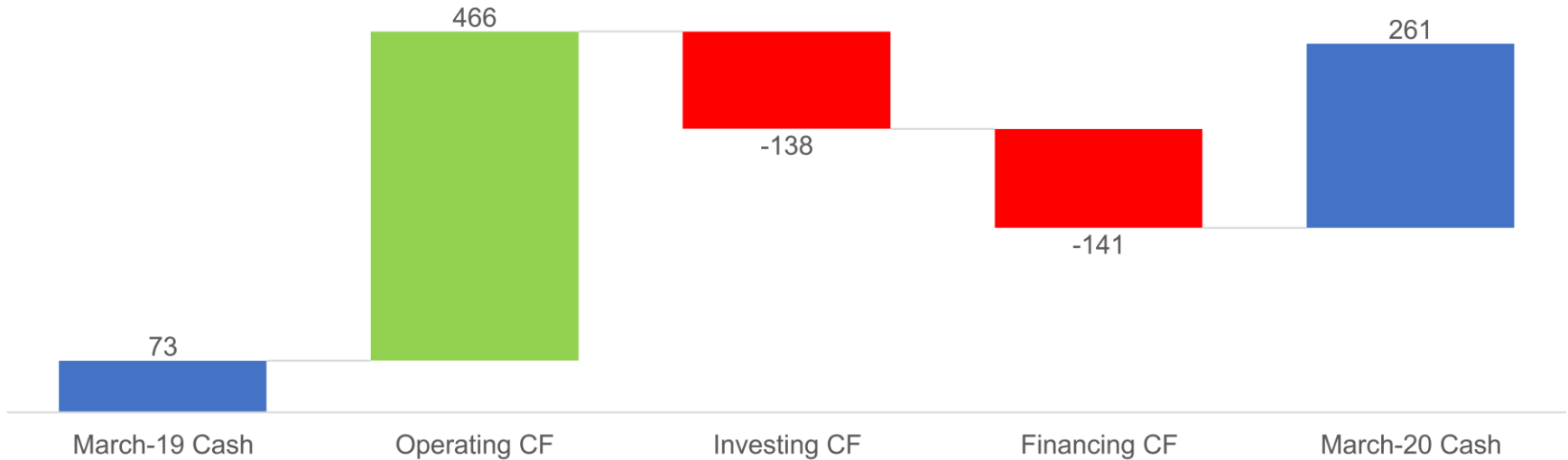
Consolidated Profit & Loss Statement

| Particulars (Rs Mn) | Q4 FY20 | Q3 FY20 | QoQ% | FY20 | FY19 | YoY% |
|-------------------------|--------------|--------------|-----------------|---------------|---------------|----------------|
| Revenue from Operations | 3437.4 | 3264.6 | 5.30% | 12968.4 | 9984.9 | 29.88% |
| COGS | 2812.6 | 2718.7 | 3.45% | 10770.6 | 8076.2 | 33.36% |
| Gross Profit | 624.9 | 545.9 | 14.48% | 2197.7 | 1908.7 | 15.14% |
| Employee Expenses | 281.4 | 161.3 | 74.51% | 759.9 | 742.2 | 2.37% |
| Other Expenses | 45.0 | 125.8 | -64.22% | 403.7 | 418.9 | -3.62% |
| EBITDA | 298.5 | 258.9 | 15.31% | 1034.2 | 747.6 | 38.33% |
| EBITDA Margin % | 8.68% | 7.93% | 75 bps | 7.97% | 7.49% | 48 bps |
| Depreciation | 90.4 | 71.2 | 27.00% | 303.3 | 293.1 | 3.49% |
| Finance Cost | 85.3 | 77.3 | 10.33% | 320.4 | 259.8 | 23.30% |
| Other Income | 0.7 | 14.0 | -94.73% | 23.1 | 9.8 | 135.96% |
| PBT | 123.5 | 124.4 | -0.70% | 433.6 | 204.5 | 112.04% |
| Taxes | 72.2 | 40.7 | 77.44% | 132.6 | 25.9 | 411.89% |
| PAT | 51.2 | 83.6 | -38.72% | 301.0 | 178.6 | 68.55% |
| PAT Margin % | 1.49% | 2.56% | -107 bps | 2.32% | 1.79% | 53 bps |

| Particulars (Rs Mn) | Mar-20 | Mar-19 |
|---------------------------------------|---------------|---------------|
| Shareholder's Funds | | |
| Equity Share Capital | 219.6 | 219.6 |
| Reserves & Surplus | 2249.4 | 1947.2 |
| Non-Current Liabilities | | |
| Borrowings | 2251.1 | 2505.8 |
| Long Term Provisions | 42.9 | 38.5 |
| Deferred Tax Liability | 19.6 | 0 |
| Current Liabilities | | |
| Income Tax Liabilities (net) | 41.6 | 11.9 |
| Short Term Borrowings | 1399.3 | 1063.9 |
| Trade Payables | 1387.4 | 1560.0 |
| Other Current Liabilities | 41.1 | 29.1 |
| Short Term Provisions | 15.2 | 11.4 |
| Total Equity & Liabilities | 7703.9 | 7419.2 |

| Particulars (Rs Mn) | Mar-20 | Mar-19 |
|--------------------------------------|---------------|---------------|
| Non-Current Assets | | |
| Fixed Assets – Tangible & Intangible | 2631.9 | 2855.9 |
| CWIP & Intangibles under development | 301.1 | 232.4 |
| Other Non Current Assets | 284.3 | 289.4 |
| Income Tax Assets (Net) | 0 | 38.3 |
| Current Assets | | |
| Inventories | 662.5 | 606.2 |
| Trade Receivables | 3056.0 | 2463.2 |
| Cash & Bank Balances | 261.0 | 73.2 |
| Other Current Assets | 507.0 | 860.6 |
| Total Assets | 7703.9 | 7419.2 |

Rs Mn



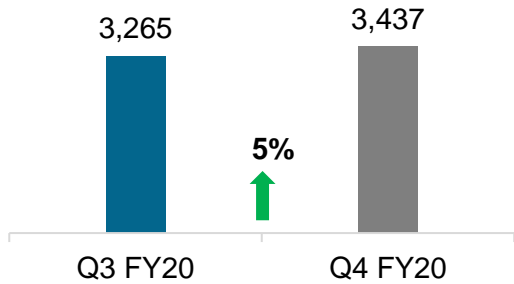
Comments on Cash Flow as on March 20:

- Debt/ Equity ratio is at 1.48x
- Debt/ Equity ratio is at 1.1x (Considering Rs 920 Mn of debt as quasi equity)
- Net Working Capital is at Rs 1,602 Mn
- Cash & Cash Equivalents at Rs 261 Mn

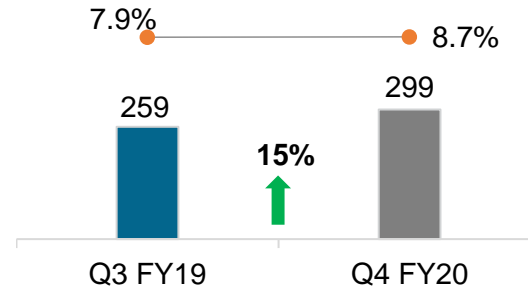
Q4 FY20 YoY Analysis

In Rs Mn

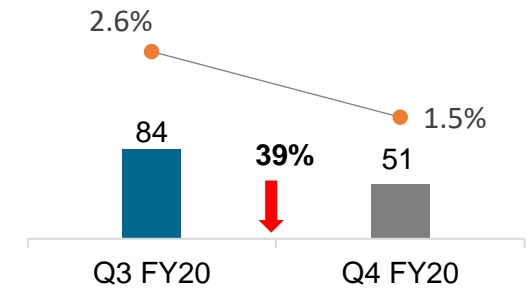
Revenue



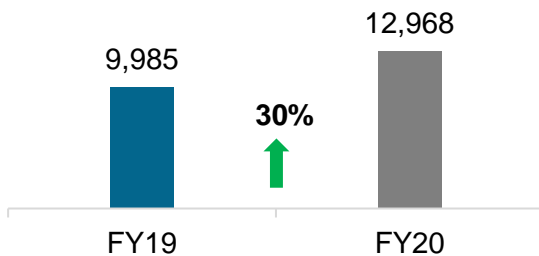
EBITDA & EBITDA Margin



PAT & PAT Margin

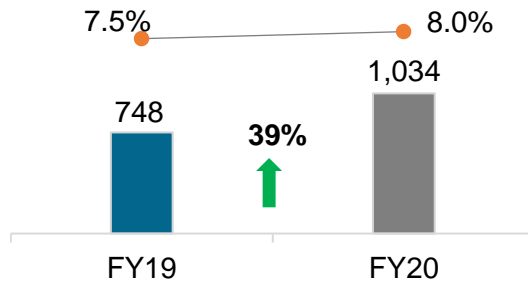


Revenue

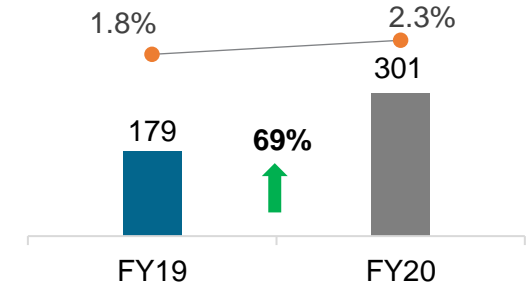


FY20 YoY Analysis

EBITDA & EBITDA Margin



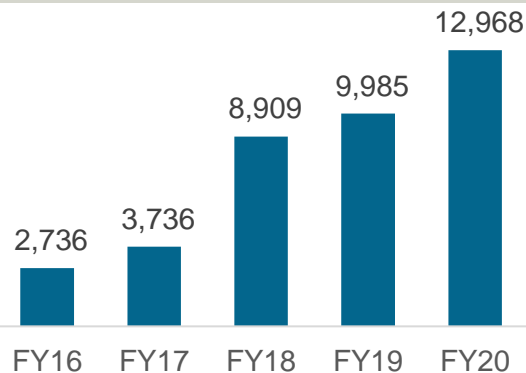
PAT & PAT Margin



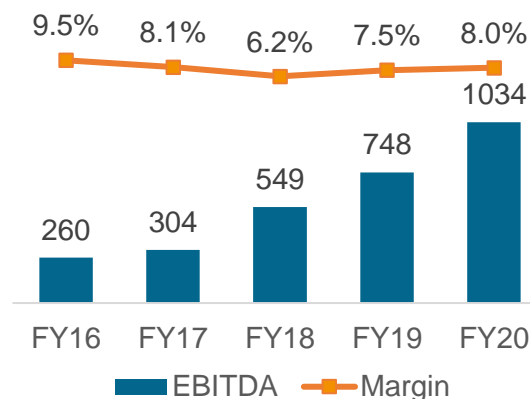


Annexure

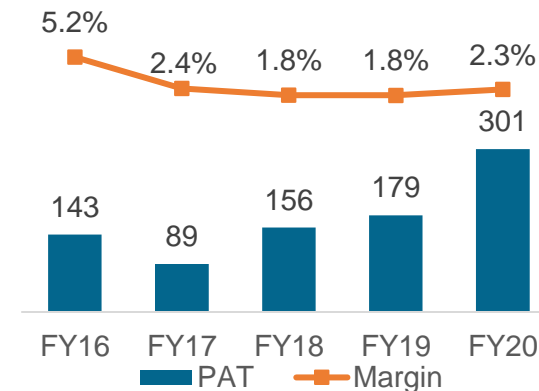
Sales (Rs. Mn)



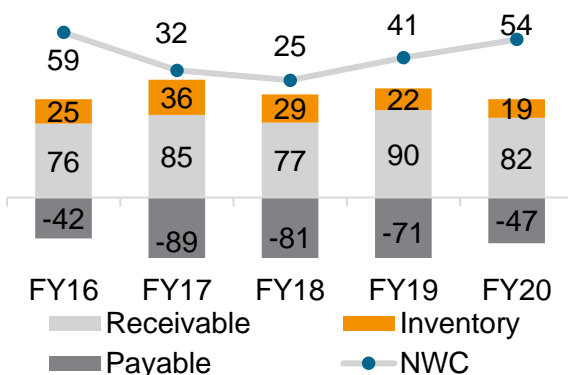
EBITDA (Rs. Mn)



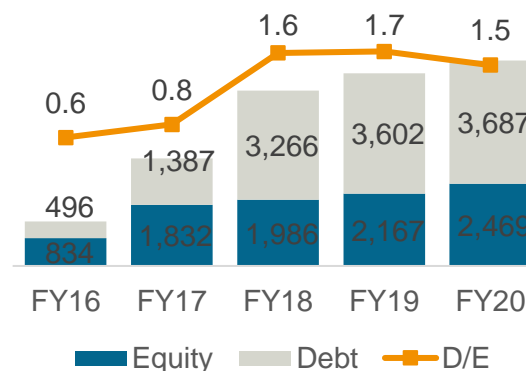
PAT (Rs. Mn)



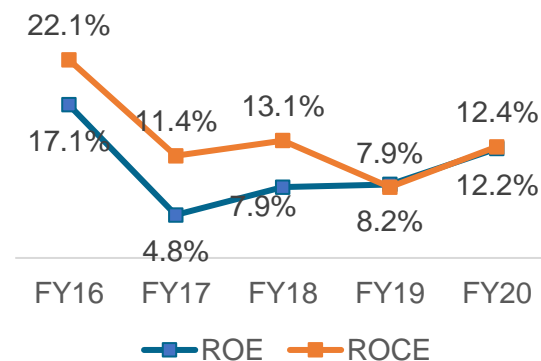
Working Capital



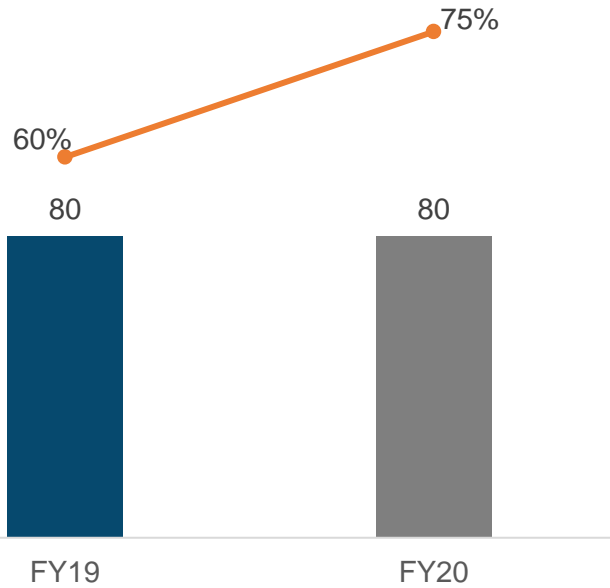
Leverage Analysis (Rs. Mn)



Return Ratios

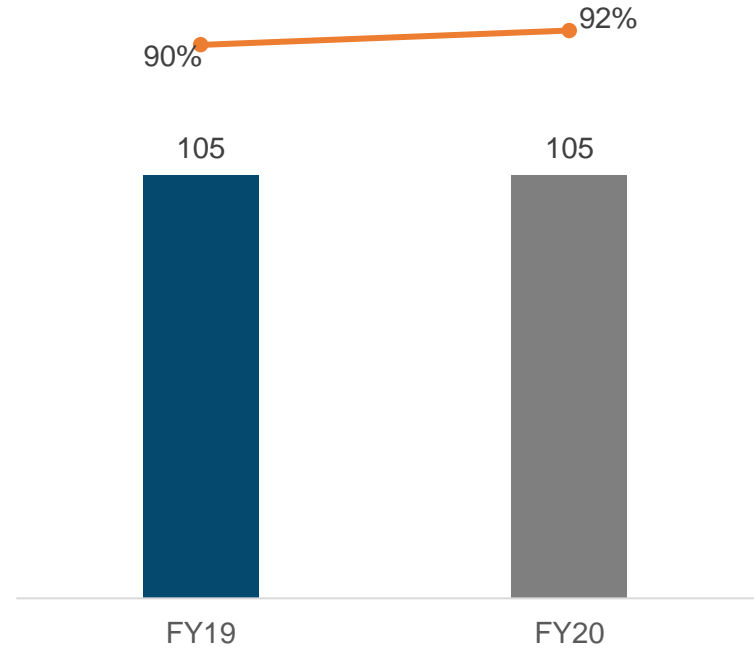


Denim Capacity & Utilisation



■ Capacity (Mn/Mtr) —●— Utilisation (%)

Processing Capacity & Utilisation



■ Capacity (Mn/Mtr) —●— Utilisation (%)



Mr. Brijmohan D. Chiripal Managing Director & CEO

Mr. Chiripal is a visionary, think tank, and a beacon of astute leadership in the Chiripal Group. He is a Chemical Engineer with almost 21 years of business experience in Textile Processing as well as export and domestic trading.

Mr. Amit Kadmawala Whole Time Director

Since 2006, Mr. Amit Kadmawala has worked tirelessly to escalate VFL to new heights. Under his guidance, VFL was able to reduce functional costs while simultaneously increasing the standard of quality.

Mr. Ravindra Bajaj Whole Time Director

Mr. Ravi Bajaj is a MBBS. He has expertise in spinning cotton, synthetics, cotton-yarn, manufacturing of cloth, operations of plant, experience in fabric, yarn business and knitted apparels.

Mr. Chitranjan Singh Independent Director

Graduated in Bio-Chemistry from Gujarat University and IPS from Union Public Service Commission. Retired IPS Officer with almost 38 years of experience and has served in Gujarat since 1978.

Ms. Dhara Shah Non-Executive Independent

Completed her Bachelor of Commerce and LLB from Gujarat University.

Mr. Shubankar Jha Non-Executive Independent

A veteran who has more than 40 years of experience in the Banking Sector, brings valuable guidance in his sphere of knowledge.

Mr. Deepak Vyas CS & Compliance Officer

Mr. Deepak Vyas Associate Member of the Institute of Company Secretaries of India and L.L.B. having experience of seven years in the field of Secretarial and Compliance Department of listed entities. He has been associated with Vishal Fabrics Limited since April, 2018.

Mr. Vinay Thadani CFO

Mr. Vinay Thadani, Chief Financial Officer (CFO), is a veteran at Vishal Fabrics. He has approximately 9 years of work experience. Prior to Vishal Fabrics he served as practicing CA for 5 years having exposure to Debt Syndication and Tax Planning.

Mr. Thadani has been associated with Company since February, 2017, and appointed as CFO in May, 2019 and responsible for finance, accounting, treasury, audit, legal and compliance functions.



2018

BCI Certification:

The Better Cotton Initiative exists to make global cotton production better for the people who produce it, better for the environment that grows it and better for the sector's future, by developing Better Cotton as a sustainable mainstream commodity. VFL is a proud member of the BCI and contributes to an ecosystem where sustainably produced cotton enters the global supply chain.



2018

Oeko-Tex Certification:

Oeko-Tex certification is an assurance of how well the fabric has been processed, including manufacturing aspects like dyes and finishes. Oeko-Tex certified textiles and fabrics are free from harmful chemicals and humans can use it without any danger. Vishal Fabrics Limited has attained the Oeko-Tex Standard certification because the fabric we produce has been tested & verified to be free from more than 100 harmful substances. We update this certification annually to ensure that our customers get nothing but the safest and the finest.

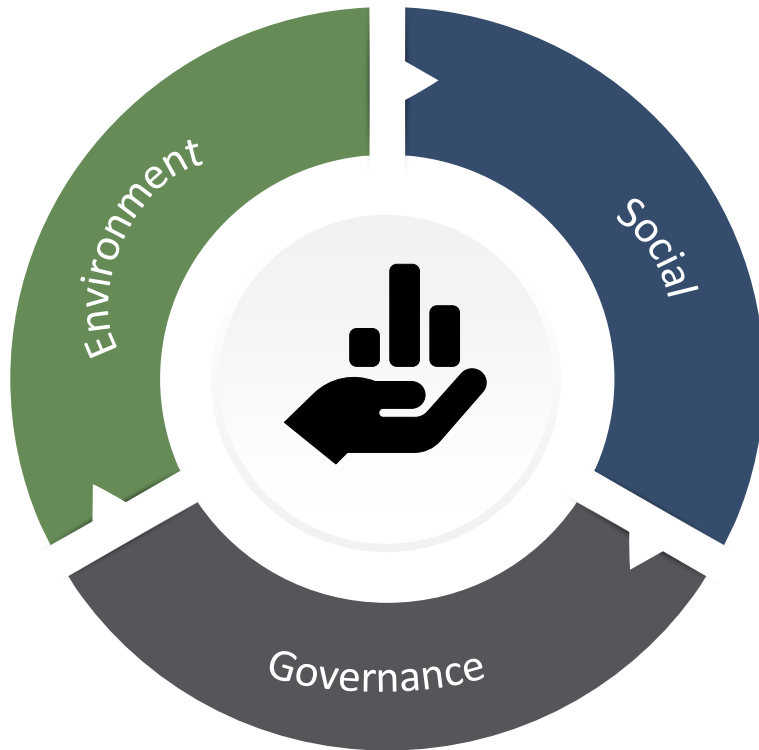


2019

Global Organic Textile Standard:

The Global Organic Textile Standard (GOTS) is set by the leading standard setters to ensure that the organic status of textiles is top notch. This makes sure that the fabric is taken care of throughout the process of acquiring, processing, manufacturing, and packaging of the material. It is a benchmark that assures the customers that the best, and only the best has been provided to them. Certificate of compliance received by the The GOTS.





- The company uses go green washing machine for sampling and development; using water spray technology for washing to save ~803 KL water per annum.
- Eco-friendly dyes are used, alternatives to chemical dyes.
- VFL has created a massive green cover at the plant and also at the industrial park in an attempt to preserve, enhance and encourage green spaces.

- Vishal conducts its CSR activities through “Happiness Reserves”, a NGO that works towards Fostering Education through Technology and contributing to India’s overall development.
- The company organises one of the largest robotics festivals called “Robotex India” to create opportunities for children and youngsters to explore science and innovation through robotics.

- Established various committees of board members to ensure smooth functioning of government policies
- Chairman and CEOs position held by two different people signifying proper governance
- Policy on Related Party Transactions to ensure alignment with the applicable laws and regulations

VFL reckon that the benefits of every CSR activity must reach the people in every possible manner. And to achieve that, VFL starts off from the grassroots level, to eventually produce valuable fruits to the society.

01

During F.Y. 2018-2019, an amount of Rs.45 lacs was spent towards the CSR activities in education, which is 2.49% of VFL's profit generated after tax deduction.

02

VFL promotes education by providing educational material, computer & study material, student books & periodicals, teaching aids, library setups, scholarships, coaching classes.

03

Vishal Fabrics Limited directly executes all it's educational welfare activities through its registered trust, 'Chiripal Charitable Trust', 'Happiness Reserves Foundation' and 'Milestone Educom Trust', which has an impressive track record of making educational development a reality for four years.

04



Thank You