



INNOVATION INTEGRATION INVESTMENT

Annual Report 2009-10



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INNOVATION INTEGRATION INVESTMENT

These are the three pillars that propel our growth.

At Mandhana Industries Limited, our growth is led by innovation.

Innovation has played a key role in making us one of India's leading textile and garment manufacturing companies. Be it our design, our technology or our processes, innovation is the bedrock of everything that we do.

Integration has powered our growth.

We are one of the most integrated companies in the Indian textile sector, present across the value chain from designing to yarn dyeing to garments. Our integrated facilities empower us to deliver our products in the quickest possible turnaround time. Vertical integration has also enabled us to achieve cost efficiencies and exercise strict quality control over our products.

Global buyers today are increasingly looking at

consolidating their sourcing strategy. This means they want to source from fewer vendors who offer them everything. We are thus a preferred vendor because of our size, integrated facilities and modern facilities. It is no wonder then our reach extends to 25 countries across the world and we are still counting!

Further, we are maximising our growth through investment.

Over the past four years, we have close to doubled our yarn dyeing capacity. Our fabric processing capacity has increased by more than two times and our garmenting capacity has increased by 1.5 million pieces per annum.

In 2010-11, we came out with a successful Initial Public Offering (IPO) of ₹ 107.9 crore, which was oversubscribed by more than six times. We propose to use the majority of the proceeds to double our weaving capacity to 36 million metres per annum

and increase our garmenting capacity by over two times to 8.3 million pieces per annum.

An increase in capacity will ensure operating efficiencies which will help us be more competitive in the global market. It will also ensure better margins. More value addition will lead to higher ROI and return ratios, resulting in a stronger balance sheet and market capitalisation.

And strong growth.

Sustainable and long - term.

It's no matter of coincidence that our turnover has grown at a CAGR of 37.18% over the past three years and net profit at a CAGR of 30.72% during the same period. Our ROCE is over 20%, one of the best in the industry. We are growing qualitatively and quantitatively.

And it is all thanks to our three pronged strategy - Innovation. Integration. Investment.



INNOVATION

"Innovation distinguishes between a leader and a follower."

- Steve Jobs

At Mandhana, innovation is a passion.

From the first step of the value chain (design) to the last (garments), innovation is at the heart of everything that we do.

And it begins at the beginning.

We have strong design talent. Our design and sampling team conducts extensive research and in-depth analysis of market trends. They also interact with clients to understand their requirements and create innovative designs based on their requirements. Our state-of-the-art style lab and textile studio equipped with the latest CAD/CAM software enables our designers to create cutting-edge fashion.

Our four R&D centres, for yarn dyeing, fabric dyeing, weaving and garmenting operations

respectively, with a dedicated team for each, are testimony to our commitment to design and product development. With our designing and sampling capacity, we thus have the capability to serve customers who launch upto 12 fashion seasons globally every year.

Going forward, it will be our constant endeavour to strengthen our apparel design and product development process. We will continuously upgrade our design studios both in terms of human resources and technology.

But at Mandhana, innovation is not just restricted to design.

We have the capability to create a variety of innovative finishes such as water/oil/mosquito repellent finishes and anti-

bacterial/ takara finish including stain-free/U.V.protector/quick dry finish. We deploy state-of-the-art technology and modern equipment in all our operations which enables us to deliver the best product in the fastest possible time.

Innovation is vital to our growth. Innovation adds sustainability and scale.

Our ability to get a higher share of the business is directly dependent on our ability to design better and execute faster.

With the best designs, best environment, best equipment and the best people, Mandhana is well poised to create the fashions of tomorrow.



INTEGRATION

"It's all about business value. Why do customers want end-to-end integration? It's all about speed. It's all about return. It's all about creating great business revenues."

- Steve Mills

Fashion is our business.

And fashion changes very fast. The design to delivery cycle in our business is thus very critical. There is no way one can outsource and reduce delivery time. And that's the strength of our integrated operations.

We are committed to helping our customers introduce fashion faster. We have captured the entire value chain from designing to yarn dyeing to garments. And so our design-to-delivery cycle time can be as quick as a mere 30 days. And we intend to reduce this even further.

We start with design and product development, dye the yarn, make and process the fabric and manufacture the garments too. The customer is delighted.

And so are we. Integration helps improve margins, cash flows and ROI. The customer stays longer, buys more. That makes us expand, grow and add scale. With it, come efficiency and more margin.

As the world becomes smaller and the boundaries for business dissolve, we are becoming the preferred partner for customers around the world by virtue of our integrated operations. We are part of the global textiles space catering to customers who sell in every part of the world. We have over 700 customers across 25 countries. And this number will only increase in the coming years.

We are confident.

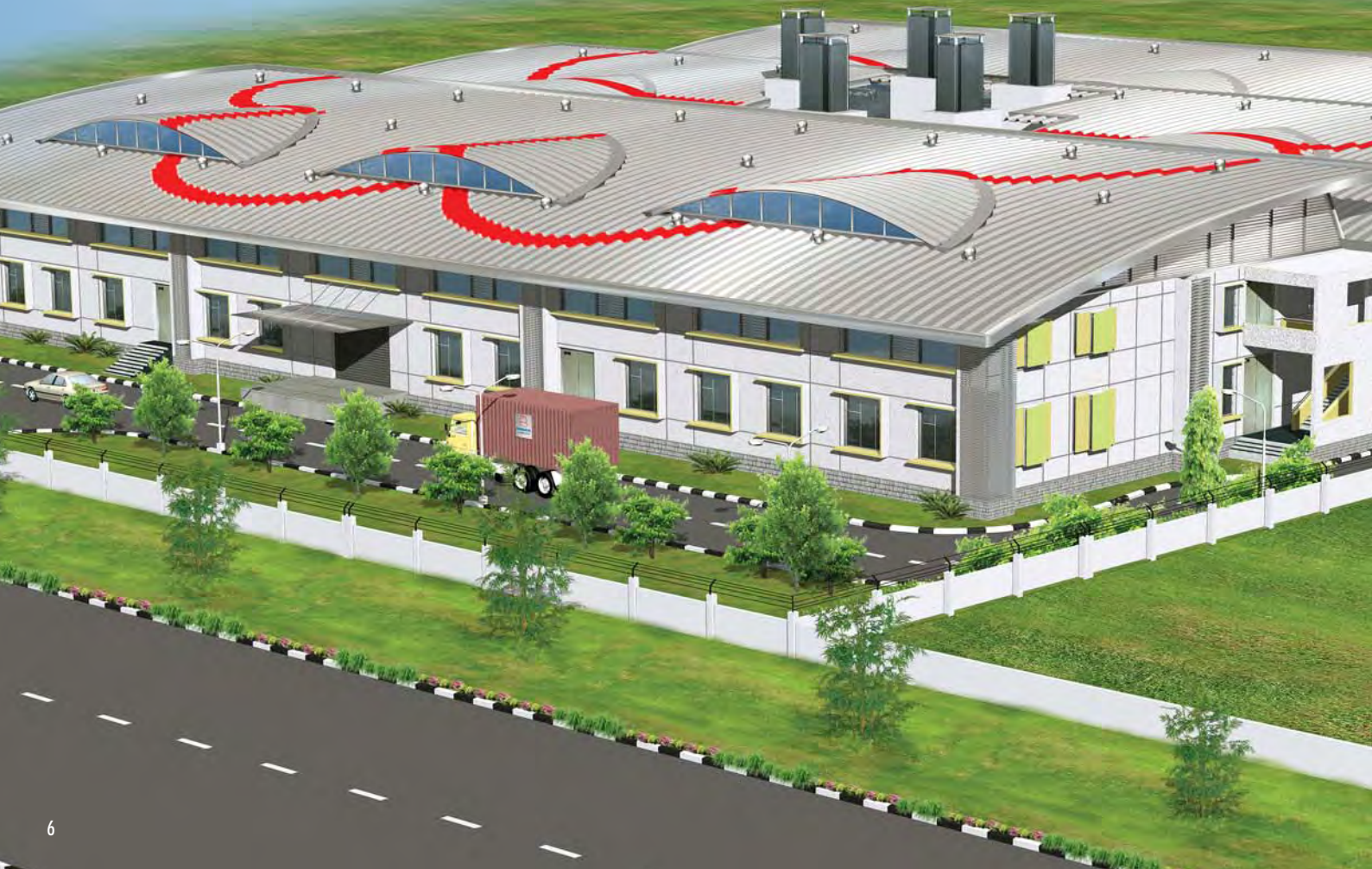
Strong and sustainable relationships with our customers are crucial to our success.

We aspire to develop relationships with our clients not only through increased sales but increased variety of products as well. Simultaneously, we aspire to add more clients to our fold. This way, we not only enter new markets, we diversify our income and reduce our dependence on a given set of customers.

As we look ahead, we see ourselves exploring opportunities in various countries where we can supply value added textile products. At the same time, we will continue to participate in the domestic market in line with the available opportunity.

The journey has just begun.

INVESTMENT



"Sow the seed now to reap the fruit later."

-Anonymous

Innovation and integration are the roots of our business.

What has given us wings is investment.

Over the past few years, we have invested in:

- Almost doubling our yarn dyeing capacity
- Increasing our fabric processing capacity by more than two times
- Enhancing our garmenting capacity by 1.5 million pieces per annum
- Establishing a liaison office in Paris, France to build our international image and strengthen our foothold in Europe. This marketing base has been instrumental in increasing our exports to Europe from ₹ 4,981.63 lacs in FY06 to ₹ 12,2020.71 lacs in FY10.

The result.

Our turnover has grown at a CAGR of 37.18% over the past three years and our net profits have grown at a CAGR of 30.72%. We have increased our EBITDA margin from 9.18% in FY06 to 20.13% in FY10.

And investment continues to be our mantra for growth.

Being an integrated player with global reach, we are now becoming even stronger by adding significant size. Our successful IPO of ₹ 107.9 crore will enable us to double our weaving capacity to 36 million metres per annum and increase our garmenting capacity by over two times to 8.3 million pieces per annum.

Increase in expansion will lead to operating efficiencies which will enable us to be more competitive and ensure better margins and a

higher share. Faster and value added growth will ensure higher ROI and return ratios.

We are especially optimistic about the garment segment.

The Readymade Garments industry (domestic and exports) is expected to grow at a CAGR of 6.4% to touch ₹ 2,209 billion in 2014 from ₹ 1,615 billion in 2009. Given the various Government incentives for the textile industry, we believe the time is right to maximise the opportunity in this space- casual wear, women's wear, formal wear, linen wear, etc.

We have built a strong foundation through focus on design, product development and integration.

Expect strong and sustainable growth hereon, onwards and upwards.



FROM THE CMD'S DESK

