

Human Face of Style

Mandhana Industries Limited
29th Annual Report | 2012 - 2013



Forward Looking Statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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DOES STYLE HAVE A HUMAN FACE?

CAN FASHION ADORN AND EVEN ELEVATE HUMAN LIVES?



At Mandhana Industries Limited (MIL), we ask these critical questions and this sensitivity towards human well-being has inspired us to be associated with the 'Being Human' apparel brand that promotes social awareness for the benefit of the vulnerable sections of society.

As a fully integrated global player in high-street fashion encompassing textile and garments manufacturing and retailing, we blend style and substance to enhance our visibility across geographies and gain market share.

We are performing with passion and prudence to sustain operating margins in challenging times. We are also leveraging our tie-ups with global brands to reach more customers around the world.

In pursuit of providing fashion trends to the world, Mandhana is deeply aware of its societal role to help alleviate human suffering and ignorance.

*We represent
the human face
of style.*

Breathing life into style

AT MIL, WE HELP CREATE GLOBAL FASHION AND STYLE TRENDS THROUGH CONSISTENT RESEARCH AND METICULOUS DESIGN. WE ARE A MULTI-DIVISIONAL AND MULTI-GEOGRAPHIC BUSINESS ENTERPRISE WITH A PRESENCE IN THE TEXTILE AND THE GARMENT SEGMENTS GLOBALLY.

- Integrated operations and facilities to manufacture a wide variety of value-added fabrics and garments.
- Four state-of-the-art manufacturing facilities at MIDC, Tarapur, for yarn dyeing, weaving and fabric processing and five garment manufacturing facilities at Bengaluru. Another garment unit at Baramati, known as the Hi-tech Textile Park, is nearing completion.
- Domestic sales offices across Delhi, Bengaluru, Mumbai and Chennai.

We are among the select league of integrated players manufacturing textiles and garments using state-of-the-art infrastructure. The processes include designing, yarn dyeing, weaving, processing, dyeing and garment manufacturing.

We have always catered to global customers through tie-ups with the best-in-class companies around the world. We have laid a constant focus on delivering continuous growth and maintaining sustainable margins year-on-year.

Stock tickers

BSE code: 533204

NSE code: MANDHANA

ISIN: INE087J01010



DIVISIONS

Textiles segment

Garments segment

Revenue

₹ 1,119.8 Lacs

38% growth over the previous year

₹ 243.27 Lacs

45% growth over the previous year

Products

- Greige and finished fabrics including Cotton textiles, yarn dyed fabrics, embroidered and embellished
- Blended cotton fabrics including cotton blends with nylon, lycra, viscose, melange and others.

Readymade woven garments, including shirts, ladies tops, dresses, skirts, kids wear and sportswear, both for third-party brands as well as the Company's flagship brand 'Being Human'

Exports

MIL exports fabrics as well

As much as 95% garments are exported to over 25 countries

CAPACITY EXPANSION

At Mandhana, we have constantly expanded our manufacturing facilities to drive sustainable growth. One weaving facility and a garment manufacturing plant are located in Tarapur, Maharashtra, whereas another garment manufacturing facility is in the final stages of being commissioned at Baramati, Maharashtra.

CAPACITIES POST EXPANSION

Yarn Dyeing	Weaving	Fabric processing	Garmenting
3 Mn kgs annually	36 Mn mtrs annually	55 Mn mtrs annually	7.6 Mn pieces annually

CERTIFICATIONS

At Mandhana, we have strongly believed in delivering quality products and maintaining strict adherence to global quality norms. Mandhana has been accredited with the following certifications:

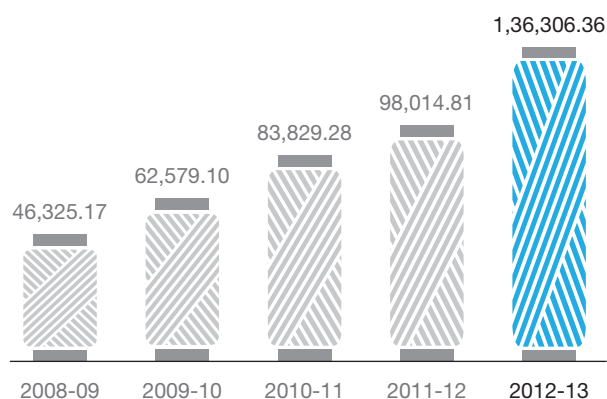
- ISO 9001 (Management ET System)
- Oeko – Tex (Using Environment-Friendly Chemicals)
- Flo – Cert (Fair Trade)
- Gots (Organic Cotton Production)
- Control Union (Eco-friendly Products)

Financial Highlights

Net Turnover

₹ in Lacs

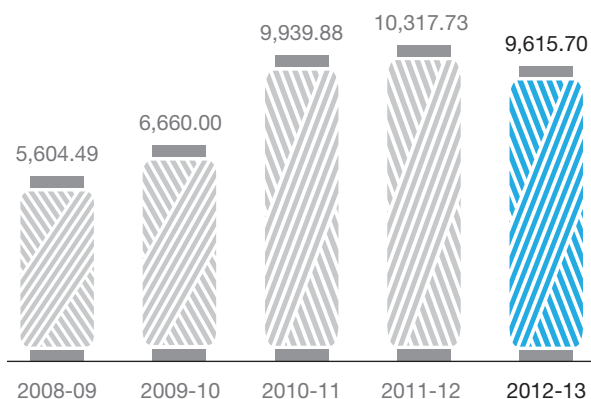
30.97% CAGR



Profit Before Tax (PBT)

₹ in Lacs

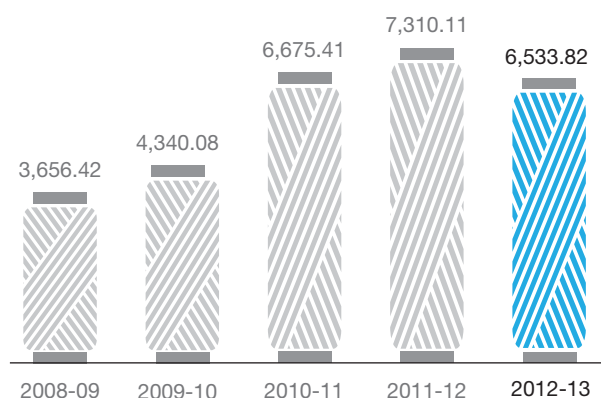
14.45% CAGR



Profit After Tax (PAT)

₹ in Lacs

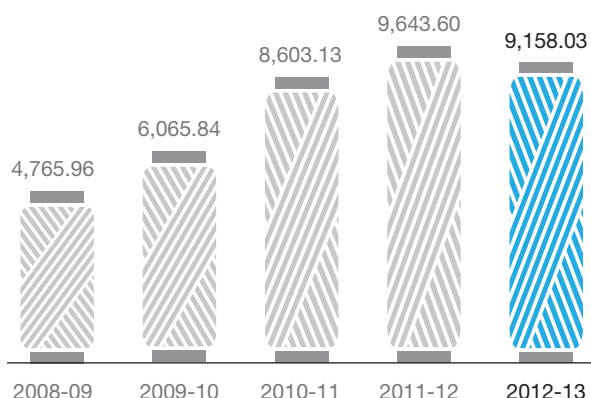
15.62% CAGR



Cash Profit

₹ in Lacs

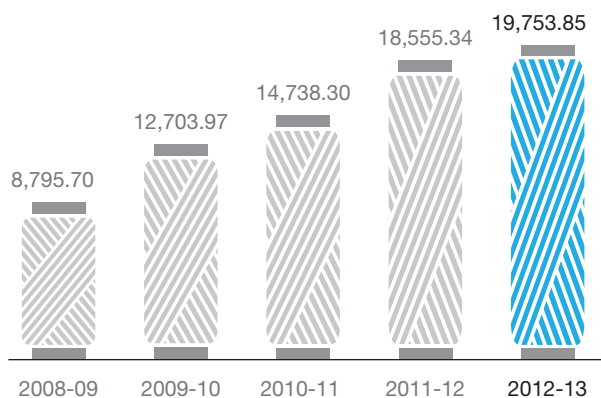
17.74% CAGR



EBITDA

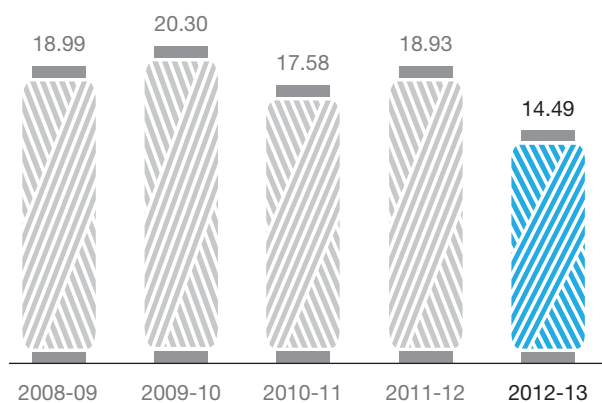
₹ in Lacs

22.42% CAGR



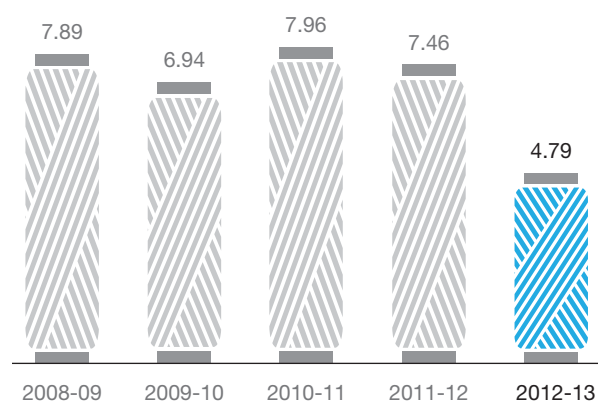
EBITDA Margin

(%)



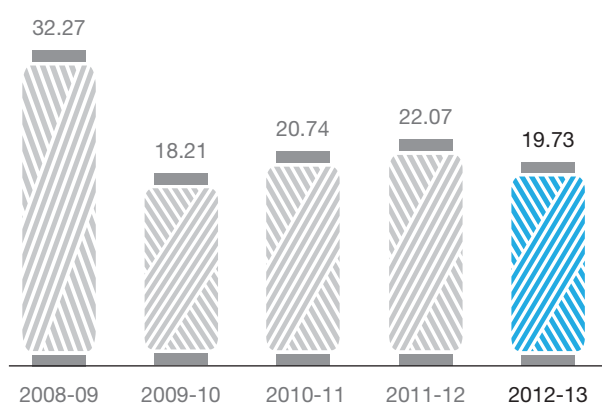
Net Profit Margin

(%)

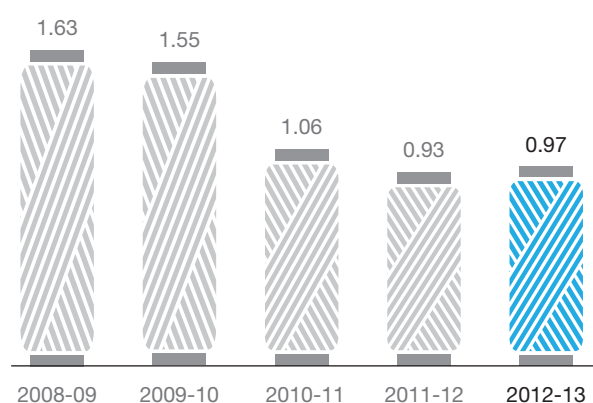


EPS

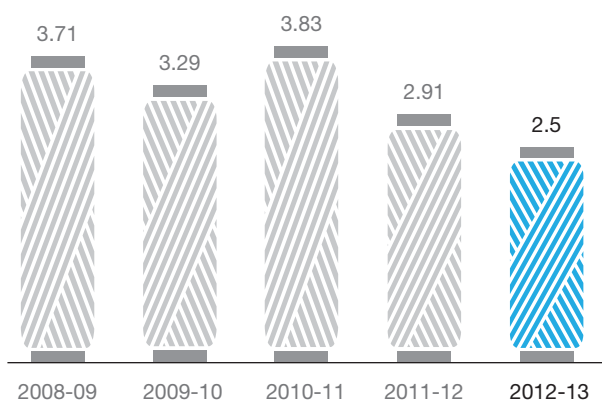
(₹)



Debt-Equity Ratio



Interest Cover



Chairman & Managing Director's Message



DEAR FRIENDS,

We began our journey with modest means and today, thanks to our collective effort, we have emerged as a multi-divisional and multi-geographic business enterprise with a significant presence in the textile and the garment segments. There were challenges along the way, but we have always focused on our vision to embrace global fashion and style trends, with a deep sensitivity towards human well-being. The happy blend of style and sensitivity is the enduring hallmark of Mandhana Industries Limited.

Purushottam C. Mandhana

Chairman & Managing Director

The FY 2012-13 was challenging for the entire textile industry on account of rising debt levels, higher interest costs, liquidity crunch and so on. These challenges had a subdued impact on our performance. We were able to counter these headwinds on the back of a strong and sustainable business model.

MIL recorded a healthy growth in topline during FY 2012-13. However, the profit margins were dampened due to an escalation in raw material cost and overall manufacturing costs. Hence, the net profit margin declined from 7.46% to 4.79%.

We were comfortably placed on the liquidity front, ensuring low gearing. In addition, our long-term debt to equity ratio stood at 0.97, i.e. less than one, enabling us to continue growing the business despite headwinds. The

result is that we see good business prospects in the medium to long term.

MIL is shifting gears. During FY 2012-13, we enhanced our focus on garments, exported fabrics, added a new fabric range, invested in capacity expansion and opened the first retail store in India. During the year under review, we had three active capex plans comprising garment expansion plans at Tarapur & Baramati and the third one for 'Being Human'.

Of these, the Tarapur expansion project has been commissioned and became commercially operational in 2012. Both the plants will be equipped to produce about two and a half million pieces annually. This takes the additional garment making capacity to 3.6 Mn pieces, which translates into a total capacity of

7.6 Mn pieces. These expansions are likely to contribute to the increase in topline and overall productivity.

For the Being Human venture, the previous two years witnessed a total investment of about ₹ 35 Cr, which is half of the total planned investment. In consonance with our ideology of 'doing good for society', we entered into a licensing agreement with Being Human apparel brand in 2011, which is endorsed by The Salman Khan Foundation. MIL has exclusive rights to design, manufacture, appoint distributors and franchisees and sell Being Human products online. This means that the brand is owned by Mandhana, albeit commercially, until March 2020.

We launched the commercial operations for Being Human products in October, 2012 in India. The flagship store was, however, launched in January, 2013 in Bandra, Mumbai. Four more stores were launched in the same quarter. Globally, the sale of products began in April, 2012.

MIL is now planning to sell Being Human products through EBOs (Exclusive Brand Outlets), franchisees, SIS (Store in Stores) formats, including the overseas distribution selling outlets. We have

significant presence in the Middle East and European markets having over 300 selling points already. The number is expected to increase further. We are also targeting other geographies (Far East, USA, Africa) with significant Indian population. Salman Khan is popular across these geographies and our brand will enjoy positive traction.

In India, Mandhana is confident of growing its retail presence, even in a competitive business landscape. We derive confidence from our ability to understand the customer's mindset and leverage the dominant fashion trend moving forward. India's domestic consumption story looks robust. Consumers are now becoming more discerning and brand conscious, which will surely drive retail penetration in India.

During the year under review, MIL

also entered into strategic tie-ups to make the brand available online to an ever-growing list of online buyers. We have already begun selling our clothes through Myntra.com, which enjoys extensive pan-India prominence.

Our progress rests on the shoulders of our people, who are capable of delivering world-class products. MIL has demonstrated remarkable resilience in the current challenging environment and I am confident that we have the strength and resources to withstand any adversity and emerge stronger.

The vision that helped us traverse such a long and arduous journey since inception will take us further.

With warm regards,

Purushottam C. Mandhana
Chairman & Managing Director



MIL IS SHIFTING GEARS. DURING FY 2012-13, WE ENHANCED OUR FOCUS ON GARMENTS, EXPORTED FABRICS, ADDED A NEW FABRIC RANGE, INVESTED IN CAPACITY EXPANSION AND OPENED THE FIRST RETAIL STORE IN INDIA.



Being Fashionable. Being Human.

A home-grown retail brand having an international appeal, Being Human was launched in 2007. The brand gives a whole new perspective to Mandhana's retail initiatives through its association with a noble cause.

THE FOUNDATION

Founded in 2007, the Being Human brand is owned by The Salman Khan Foundation. It is a registered charitable trust that focuses on doing well for the society. The proceeds from all Being Human merchandise are spent to provide education and healthcare for the underprivileged. Bollywood actor Salman Khan is the guiding force behind the brand, which has evolved into a prominent 'fashion-for-a-cause' entity.

With the brand's international appeal and Salman's patronage, we are confident that Being Human merchandise will be well accepted by our customers. This association also gives us an opportunity to promote and contribute to the Foundation.



BEING HUMAN BRAND HAS BEEN ESTABLISHED TO OFFER THE BASIC VALUES OF LOVE, CARE, SHARE, JOY, HELP AND HOPE TO THE DEPRIVED.

Mandhana is the global licensee for the brand, having the license to manufacture and retail its products throughout the globe. The proceeds from the licensing will be used only for the charity for the Foundation.

Through an excellent in-house design team, we also design and conceptualise the entire apparel range of the brand.

RETAIL EXPANSION

The association with Being Human marked MIL's foray into the retail segment. We launched five stores during the previous year in India. In addition, we have already received numerous enquiries for opening franchises in Tier-II and Tier-III cities. Mandhana has planned to invest heavily to open new stores, expand its reach and promote new offerings.

We aim to expand our presence to Pune, Amritsar, Chandigarh, Raipur, Kochi, Mumbai, Thane and Bengaluru.

Currently, the brand is sold through Shop-in-shop (SIS) stores and we expect to expand the reach through more stores by the end of the year. The tie-ups with various retail chains, such as Shoppers Stop, Lifestyle, Splash, Jade Blue, All That Jazz, My Store and Wardrobe, among others will drive sales further.