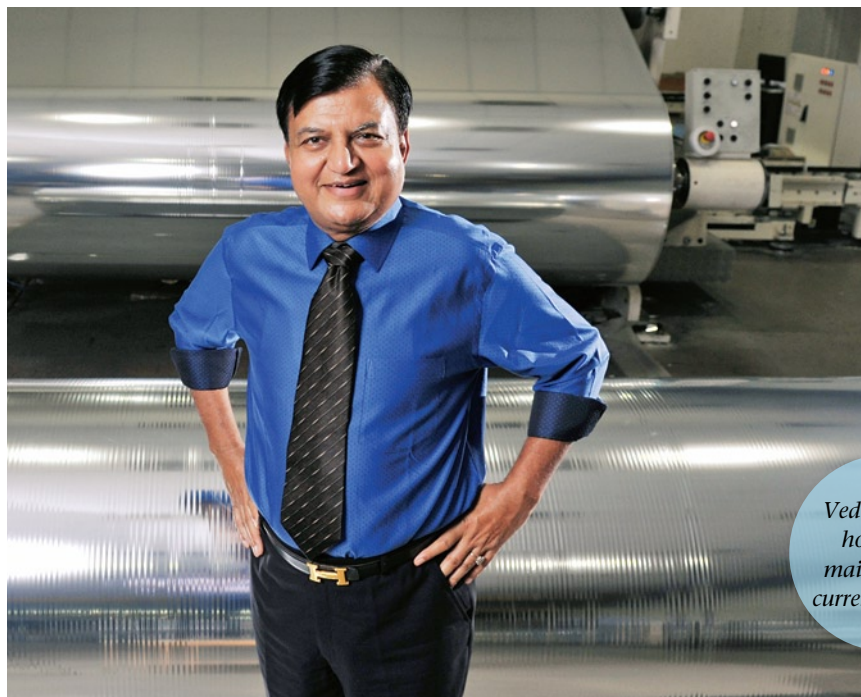


Heading for the big league



SANJAY BORADE

Ved Prakash: hoping to maintain the current strategy

Chiripal group, Ahmedabad, has evolved as a major player in the textile industry

From a humble set-up of just 12 power looms in 1972, the Chiripal group has come a long way. Led by its flagship entity, Nandan Denim Ltd, the Ahmedabad-based group has emerged as one of the major textile houses in the country, with a presence across the entire textile value chain. The ₹2,300 crore group boasts a highly-diversified product portfolio, starting with a basket of synthetic yarn to a wide range of woven and knitted fabrics including bottom weight fabrics, cotton hosiery and home furnishing.

Apart from denim, it has put up an integrated capability to make a large variety of valued-added fabrics such as polar fleece fabrics (circular knitted terry fabrics with different finishes) and flocked fabrics (velvet fabrics) used for multiple applications including in industries like automobile, shoe and health-care. Significantly, its spinning and

weaving facilities are fully integrated with a modern processing capability. Employing 6,000-odd people, the group has also diversified into the production of garments.

In the last few years, Nandan Denim, with 70 million metres per annum capacity, has become among the top five denim producers in the country and once its ongoing expansion project gets over in the next couple of months, the ₹700 crore company will become the second largest denim player (capacity: 110 million metres) after Arvind Ltd (140 million metres). Currently, Arvee Denim (85 million metres), Pratap Industries (80 million metres) and Bhaskar Industries (42 million metres) are the other major denim manufacturers in the country.

The company is supplying to all major brands including Tommy Hilfiger, GAP, Armani Exchange, Calvin Klein and Ralph Lauren. The group's

textile-related functions are spread over its other companies, such as the ₹660 crore Chiripal Industries Ltd, the ₹300 crore CIL Nova Petrochemicals and the ₹180 crore Vishal Fabrics Pvt Ltd. CIL Nova Petrochemicals and Nandan Denim are its listed entities.

The group has recently also forayed into the flexible packaging space by setting up a new venture, Chiripal Poly Films Ltd. The company, floated in 2012, has a state-of-the-art BOPP (Biaxially Oriented Poly Propylene) film manufacturing facility. The ₹500 crore company is doubling its capacity to 72,000 metric tonnes for a project cost of ₹220 crore.

Under the Union government's Integrated Textile Park scheme, it has recently also promoted a textile park – Vraj Integrated Textile Park in Kheda near Ahmedabad. The 100-acre park, started operations which in 2006-07, currently has around 22 units, engaged in textile-related activities, including manufacturing of non-woven textiles.

Over the last few years, the textile house has also diversified into the field of education with a presence in pre-primary, primary and secondary schools. Under Shanti Education Initiatives Ltd, the Chiripals have also moved into the management education space.

"Though we have tried to diversify, we would remain textile focussed as a group. In textiles, our efforts have been towards setting up an integrated manufacturing base spread over our group companies. We intend to become one of the major textile producers in the country," says Ved Prakash Chiripal, 62, chairman, Chiripal group of companies.

Originally from Bhiwani, Haryana where his father was a small-time iron merchant, Chiripal, a commerce graduate from Calcutta University, came down to Ahmedabad in 1969. He entered the business of textile as a commission agent and thereafter

set up a small weaving unit with about 12 power looms in 1972. Subsequently, he added more looms and in 1975 he formally named his venture Chiripal Textiles Mills Pvt Ltd, which was located at Narol, Ahmedabad. The company would produce grey fabrics at its facility and get them processed at a rental bleaching and dyeing unit.

Gradually, as the demand for processing increased, he decided to set up his own processing unit – Shanti Processors Ltd in 1985 at Piplej near Ahmedabad. Chiripal, who by now had also joined by his three younger brothers, put up in 1988 another venture Chiripal Twisting and Sizing Pvt Ltd which would process as well as manufacture fabrics. In following years, knitting and polyester yarn capacities were also added and in 2004, the company was rechristened as Chiripal Petrochemicals Ltd.

In 2005, in order to bring synergy to operations, various textile activities were merged with Chiripal Petrochemicals Ltd and, later in 2006, its name was changed to Chiripal Industries Ltd (CIL), which has got a highly diversified production base now.

In order to explore the fast-growing domestic denim market, the group diversified into denim, incorporating Nandan Denim in 1994. The company went public in May 2005 when its capacity was just 14 million metres. It came out with a public issue of 6 million equity shares of ₹10 each issued for cash at a premium of ₹10 per share, aggregating ₹120 crore. Centrum Finance was the sole lead manager to the issue.

In an attempt to enhance its presence in the polyester filament yarn

segment, the group formed Nova Petrochemicals Ltd, a 50:50 joint venture, in 1995 with the Gupta group of companies from Surat. In 2007, the entity was demerged, leading to formation of CIL Nova Petrochemicals Ltd, which got listed on BSE and NSE in May 2011. The company's stock is quoting at ₹10 with 52-week H/L of ₹9.50/₹22 (market cap: ₹27.10 crore). The company, with 35,000 tonnes per annum capacity, manufactures partially-oriented yarn (PoY), draw twisted yarn (DTY), texturised yarns and fully drawn yarn (FDY). It also exports its products to Europe and the Middle East.

Creating synergy

"As a group, we are fully committed to the textile industry. All our endeavours have been aimed at creating more synergy to our business, and enhancing shareholders value proposition," says Jyoti Prasad Chiripal, 60, director, CIL Nova Petrochemicals. A commerce graduate, Jyoti Prasad is younger to group chief Ved Prakash. The other two brothers are Jai Prakash Chiripal, 54, a commerce graduate and Brijmohan Chiripal, 52, a chemical engineer. While Jai Prakash is a whole-time director at CIL and plays a key role in expansion and implementation of projects, Brijmohan is managing director at Nandan Denim and is also responsible for carrying out education-related initiatives of the group.

From the second generation, Deepak Chiripal, 35 (CEO, Nandan Denim, and son of Jyoti Prakash), and Vishal Chiripal, 34 (director, Chiripal Industries and son of Ved

Prakash), have also joined the family business. Both are MBAs from Clark University, Boston, USA. "Ours is a joint family and we will continue to operate the entire business as a single group under the able guidance of our eldest brother. Our togetherness has given us the much-needed strength to fight against all adversities," says Brijmohan.

"Though we are working as a joint family, we have each been given separate responsibility less. This delegation of job has worked quite well in our case and hopefully we will be able to maintain this in future as well," concurs Ved Prakash, who has been instrumental in keeping the entire family together. He is the one who raised the entire family as his father died at an early age.

Exploring the opportunities, the group has made big strides in the last decade. From a consolidated turnover of around ₹475 crore in 2003-04, it currently boasts a revenue of over ₹2,300 crore. With various diversification and expansion plans in the pipeline, the group is all set to clock a turnover of ₹5,000 crore in the next three to four years.

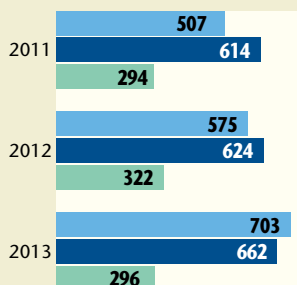
Nandan Denim (earlier Nandan Exim) is going to play a big role in achieving this target. The denim major has been on expansion mode for the last few years. After raising its capacity to 70 million metres from 30 million between 2006 and 2011, the company is currently undertaking another expansion, which will see its production capacity increasing to 110 million metres in the next two months. This expansion is part of the company's ₹800 crore capital

Financials

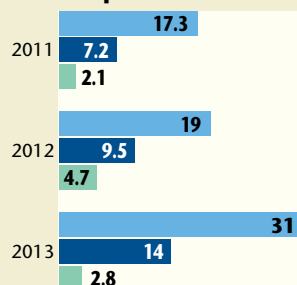
(₹ crore)

■ Nandan Denim ■ Chiripal Ind ■ CIL Nova Petrochemicals

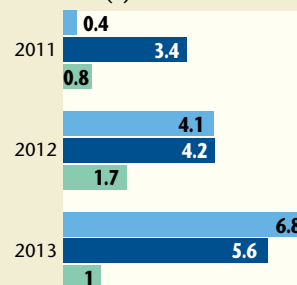
Turnover



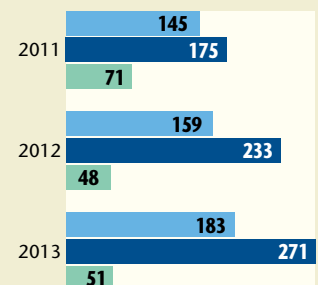
Net profit



EPS (₹)



Networth



expenditure programme. In Phase I, apart from putting up additional denim capacity, the company is also diversifying into a shirting capacity of two million metres, to be operational by the end of December 2013. Besides, the company is also planning to consolidate its backward integration, by adding around 110,000 spindles to its existing capacity of 70,000 spindles.

Out of the total project cost, about ₹175 crore has already been tied up while, in case of the remaining amount, State bank of India is at present carrying out the appraisal and syndication process. The company is availing these loans under the Centre-sponsored Technology Upgradation Fund (TUF), wherein textile companies making fresh investments are eligible for a 5 per cent interest subsidy as also 10 per cent capital subsidy on certain machineries. Besides, the company will also benefit out of the recently announced state textile policy by the government of Gujarat. Under this policy, the state is offering a 5-7 per cent interest subsidy and VAT refund to the extent of investment in plant and machinery and a ₹1 per unit power subsidy.

"All our investments in the recent past have been done under the TUF scheme. Over and above, now, we will be able to avail the sops announced by the state government as well, which will bring down the cost of funding considerably and help maintain our bottomline," says P.S. Misra, CFO, Chiripal group.

"There is massive potential in the denim market and we intend to explore this with expanded capacity going forward. Moreover, on one hand we are backward integrating, on the other we are diversifying with a new line of shirting. All this will help us deal with cyclical vagaries more effectively," states Deepak Chiripal, CEO, Nandan Denim.

Backed by its expanded capacity, the company is all prepared to explore the domestic as well as international markets. The domestic denim market has been growing at 8-10 per cent for the last five years, even as the market



(L to R) Deepak, Jyotiprasad, Vishal & Brijmohan Chiripal

is underpenetrated, with per capita consumption being abysmally low at 0.3 metres per annum. In the last decade or so, the domestic industry has seen major capacity build-up with all major players, led by Arvind Ltd, increasing their capacity. Currently, the total installed capacity in the industry is about 1 billion metres per annum. Indian players are likely to increase their share in the international market since lately China has cut down on its capacity to 2.5 billion from 3 billion metres due to the rising cost of production.

Exploring opportunities

"Given the per capita consumption, the domestic market presents a huge opportunity. Internationally too, we can gain as some portion of production is shifting out of China. Our production of cotton, the primary raw material, has seen a big leap in the last few years and this will help us ramp up our denim base in an effective manner," says Aamir Akhtar, CEO, denim fabrics, Arvind Ltd, which exports almost 45 per cent of its production.

The domestic market apart, Nandan Denim is increasing its exposure to the international market. The company is aiming to double its exports revenue to around 20 per cent in the

next two years from the present 10 per cent of net sales. Going forward, the company's top line will not only be able to keep its momentum intact, but will also grow at a higher rate. Analysts are of the view that post expansion, the sales volume will grow at a CAGR of about 24 per cent between 2013-14 and 2015-16, as against 21 per cent achieved in the recent past, while PAT is expected to grow at a higher rate of about 27 per cent on account of the lower interest cost. For 2012-13, the company clocked a net profit of ₹31 crore on net sales of ₹703 crore. On the BSE, the company's stock is priced at ₹27.40 with 52 week H/L of ₹24.40/₹33.60 (market cap: ₹124 crore).

"Despite all activities, textile stocks have failed to attract investor's attention. However, things may change slowly," says Deven Choksey, KR Choksey & Securities.

The group's second largest entity, CIL presents the most diversified product range starting from synthetic yarn to fabrics and even garmenting. At Piplej, Ahmedabad, the company has the capacity to produce 25,000 tonnes per annum of synthetic yarns including POY, PTY, FDY and PFY at its yarn and knit division where it also produces wrap knitted fabrics and circular knitted fabrics. The company's fabric and garment division has

the processing and manufacturing capacity for a wide range of fabrics and garments. The division makes embroidered, polar fleece and flock fabrics, as also garments made out of lighter weight fabrics like voile, cambric, poplin and chiffon, and solid and printed polar fleece. The garment unit has a capacity of 120,000 units per month.

At CIL the group has got one of the largest and most modern processing houses in the country, with a total processing capacity of around 85.50 million metres per annum, and a separate line for cotton knit processing with a capacity of 14.50 million metres. The process house is equipped to bleach, dye and print all kinds of fabrics including corduroy, cotton

of chemicals to its processing activities, CIL also has a chemical division that has a 6,000 tonne capacity to manufacture adhesives and specialty performance chemicals. While about 40 per cent of the production is used for captive consumption, the rest is sold in the market under the brands Chiritex and Chiribond.

Adding value

CIL supplies fabrics and garments to domestic clients like Pantaloon Retails, Page Industries and Gokaldas Images. Its global clients include Blair Corporation, USA, Next plc, Mariner of France, Titanus, Italy and Otto's, Switzerland.

On the financial front, in 2012-13, CIL registered a turnover of ₹662

its new entity Chiripal Poly Film, the group is under taking a major expansion, which will see its BOPP facility situated at Vraj Textile Park doubling to 72,000 tonnes. Commercial production is expected to start by the end of 2013. Moreover, the company has also announced plans to put up a new BOPET line (capacity: 36,000 tonnes) at a project cost of ₹250 crore. This project will be completed by Q3 FY15. It is also planning to add one more line of BOPP to its existing base. With all these developments on the cards, the company is expecting its turnover to touch ₹600 crore in 2013-14, as against ₹496 crore in 2012-13. The company's products are used as packaging material in a wide range of industries including textiles and food processing.

"Once most of our expansion goes on stream in the next two-three years, we would see our turnover touching ₹1,200 crore. The company would be a major contributor to the growth of the overall group," says Ved Prakash, managing director, Chiripal Poly Films.

With all these initiatives in place, Chiripal as a group is likely to keep its growth momentum intact going forward as well, even as it has grown quite rapidly in the last few years. Its portfolio is quite diversified and that has given it a distinct edge over its peers in the textile industry which is currently showing a good deal of vibrancy. The group's presence in a state like Gujarat itself is an added advantage since most of its manufacturing units are in a position to avail one of the best infrastructure facilities in the country. Moreover, the state's new textile policy is attracting a good deal of investments.

The Union government's recent decision to continue with the TUF scheme will go a long way in incentivising fresh investments in the textile industry and Chiripal as a group is expected to gain out of these sops. The denim industry in India still has a long way to go as the per capita consumption is quite low. With an expanded production base, Nandan Denim will be all set to consolidate its position.



Chiripal's modern BOPP polyfilm facility

twill, PV twill, knits, mosse crepe, viscose, georgettes, lycra and canvas. In addition to its in-house requirement, the process house also caters to the processing needs of a large number of textile manufacturers.

Additionally, the group also has another processing facility under Vishal Fabrics Pvt Ltd, which has the capacity to print and dye, process and finish a range of wider width fabrics suitable for home furnishings and a host of other applications. It can handle fabrics like cotton, viscose, polyester and nylon of widths up to 3,200 mm. Both the processing facilities have received global OEKO TEX Standards 100 for environment-friendly processes.

For ensuring uninterrupted supply

crore and a net profit of ₹14 crore, as against ₹624 crore and ₹9.50 crore in 2011-12. CIL had planned an IPO in 2008, but due to adverse market conditions, it had to postpone the move. "Though Nandan Denim is currently our flagship company, CIL provides the group with a more balanced portfolio including a greater degree of value addition and innovations. We are looking to either expand our polyester yarn capacity or add a new line for cotton spinning," says Jyoti Prasad Chiripal.

"At CIL, our focus will remain on putting up facilities that can add value to our overall production base. Our process house is well recognised in the industry," states Vishal Chiripal.

Continuing its aggressive intent at

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