



## Vardhman Textiles

STOCK INFO:	BLOOMBERG
BSE Sensex: 17,142	VTEX IN
	REUTERS CODE
S&P CNX: 5,136	MHSP.BO

11 May 2010

Buy

Rs257

Previous Recommendation: Buy

Equity Shares (m)	56.6
52-Week Range (Rs)	300/70
1,6,12 Rel.Per. (%)	1/62/218
M.Cap (Rs. b)	14.4
M.Cap (US\$ b)	0.3

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS YOY (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/09A	29,654	919	16.2	-32.0	15.7	1.0	6.6	5.0	1.2	8.0
3/10A	33,777	2,407	42.5	162.0	6.0	0.9	14.8	10.6	1.1	5.0
3/11E	35,763	2,289	40.4	-4.9	6.3	0.8	12.5	10.8	0.9	4.5
3/12E	37,902	2,598	45.9	13.5	5.6	0.7	12.6	11.9	0.8	3.7

- Results significantly better than expected:** Vardhman Textiles (VTL) has reported better than expected results for 4QFY10. EBITDA was Rs1.69b v/s our estimate of Rs1.5b, primarily due to better than expected performance of the yarn division. Yarn prices increased 15-20% during the quarter to touch record highs. Adjusted consolidated profit was Rs2.4b v/s our estimate of ~Rs1.8b. The reason for this variance was a one-time extraordinary profit of ~Rs332m (including forex gains of Rs208m booked in 4QFY10) and higher than expected profits from the acrylics and yarns businesses.
- EBIT margins up across key segments:** During 4QFY10, EBIT margins increased across key segments. EBIT margin in the yarn segment improved 885bp YoY to 15.4%. Yarn revenues grew 25% YoY to Rs5.8b. VTL's cotton procurement prices have increased by 10-15% in the last few months. Yarn margins could decline in FY11, as the government has recently removed DEPB benefits for cotton yarn exports.
- VTL to enter into a sweet spot from FY11:** VTL has spent Rs21b over FY07-10 on capacity expansion. With the successful commissioning of these capacities, VTL has no major capex requirements over FY11-12. While majority of the capacity got commissioned within FY09, capacity utilization was low till FY10. We expect FY11 to be the first full year of optimum utilization of these capacities. We model VTL to generate cash profits of ~Rs15.4b over FY10-12.
- Valuation and view:** We are revising our net profit estimates upwards by 9.6% for FY11 to Rs2.3b and by 9.7% for FY12 to Rs2.6b. The stock currently trades at attractive valuations of 6.3x FY11E EPS of Rs40.4 and 5.6x FY12E EPS of Rs45.9. We maintain **Buy** with a price target of Rs322 (1x FY11E book value of Rs322.7).

### QUARTERLY PERFORMANCE (STANDALONE)

(Rs Million)

Y/E MARCH	FY09				FY10				FY09	FY10
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Sales</b>	<b>5,662</b>	<b>6,507</b>	<b>6,451</b>	<b>5,917</b>	<b>6,201</b>	<b>6,752</b>	<b>6,992</b>	<b>7,565</b>	<b>24,537</b>	<b>27,510</b>
Change (%)	7.3	14.9	4.7	2.1	-4.7	3.8	8.4	27.8	6.9	12.1
Total Expenditure	4,804	5,395	5,518	5,082	5,105	5,401	5,612	5,875	20,799	21,992
<b>EBITDA</b>	<b>858</b>	<b>1,111</b>	<b>933</b>	<b>836</b>	<b>1,096</b>	<b>1,351</b>	<b>1,380</b>	<b>1,690</b>	<b>3,738</b>	<b>5,517</b>
Change (%)	-4.3	25.9	-0.9	8.6	27.7	21.6	48.0	102.2	5.4	47.6
As % of Sales	12.2	17.1	14.5	14.1	17.7	20.0	19.7	22.3	15.2	20.1
Depreciation	504	525	546	498	539	538	554	577	2,073	2,209
Interest	285	315	248	190	220	182	223	242	1,023	867
Other Income	36	100	111	103	156	3	62	0	335	221
Extra-ordinary items	1044	65	-74	130	112	0	0	208	775	320
<b>PBT</b>	<b>105</b>	<b>307</b>	<b>175</b>	<b>250</b>	<b>492</b>	<b>634</b>	<b>665</b>	<b>1,079</b>	<b>1,751</b>	<b>2,870</b>
Tax	53	113	83	96	93	130	188	323	344	733
Effective Tax Rate (%)	49.9	36.7	47.3	38.4	18.8	20.5	28.2	29.9	19.6	25.5
<b>Reported PAT</b>	<b>1,097</b>	<b>194</b>	<b>92</b>	<b>25</b>	<b>399</b>	<b>504</b>	<b>478</b>	<b>756</b>	<b>1,408</b>	<b>2,138</b>
<b>Adj. PAT</b>	<b>314</b>	<b>129</b>	<b>166</b>	<b>154</b>	<b>287</b>	<b>504</b>	<b>478</b>	<b>611</b>	<b>633</b>	<b>1,818</b>
Change (%)	4.2	-65.5	-58.6	9.8	-8.5	290.9	187.5	296.7	-48.4	187.4

### Results significantly better than expected

- VTL has reported better than expected results for 4QFY10. EBITDA was Rs1.69b v/s our estimate of Rs1.5b, primarily due to better than expected performance of the yarn division. Yarn prices increased 15-20% during the quarter to touch record highs.
- Adjusted consolidated profit was Rs2.4b v/s our estimate of ~Rs1.8b. The reason for this variance was a one-time extraordinary profit of ~Rs332m (including forex gains of Rs208m booked in 4QFY10) and higher than expected profits from the acrylics and yarns businesses.
- Revenues grew 27.6% YoY to Rs7.6b (v/s our estimate of Rs8b), while reported PAT was up ~4x YoY to Rs756m (v/s our estimate of Rs540m). Reported profit included forex gains of ~Rs208m. Adjusted profit was Rs611m v/s our estimate of Rs540m.
- VTL has also taken board approval for de-merging its steel business.

### Segmental analysis: EBIT margins up across key segments

- During 4QFY10, EBIT margin in the yarn segment improved 885bp YoY to 15.4%. Yarn revenues grew 25% YoY to Rs5.8b. VTL's cotton procurement prices have increased by 10-15% in the last few months. Yarn margins could decline in FY11, as the government has recently removed DEPB benefits for cotton yarn exports.
- EBIT margin remained flat at 5% for the fabric division. Fabric revenues grew 13% YoY to Rs2.1b, primarily due to capacity additions at its new plant in Madhya Pradesh.
- Steel revenues increased 115% YoY to Rs826m. EBIT margin also improved from 8.1% in 4QFY09 to 15.2% in 4QFY10.

#### SEGMENT-WISE RESULTS (RS M)

Y/E MARCH	FY09				FY10			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Segment-wise Revenues</b>								
Yarns	4,093	4,762	4,993	4,671	4,868	5,259	5,463	5,820
Steel	1,041	974	482	384	533	488	699	826
Fabric	1,446	1,843	1,910	1,676	1,756	2,088	2,060	2,207
Unallocated	54	190	210	209	260	335	313	321
Inter Segment Revenue	972	1,263	1,144	1,024	1,217	1,498	1,544	1,610
<b>Total</b>	<b>5,662</b>	<b>6,507</b>	<b>6,451</b>	<b>5,917</b>	<b>6,201</b>	<b>6,672</b>	<b>6,992</b>	<b>7,565</b>
<b>Segment-wise EBIT</b>								
Yarns	283	467	353	306	449	661	647	896
Steel	176	129	35	31	54	47	97	126
Fabric	-9	91	111	133	119	114	181	169
Unallocated	-24			-63	7		-3	-19
<b>Total</b>	<b>427</b>	<b>687</b>	<b>498</b>	<b>406</b>	<b>628</b>	<b>822</b>	<b>923</b>	<b>1,171</b>
<b>Segment-wise EBIT (%)</b>								
Yarns	6.9	9.8	7.1	6.5	9.2	12.6	11.8	15.4
Steel	16.9	13.2	7.2	8.1	10.2	9.6	13.9	15.2
Fabric	-0.6	5.0	5.8	7.9	6.8	5.4	8.8	7.6
<b>Total</b>	<b>7.5</b>	<b>10.6</b>	<b>7.7</b>	<b>6.9</b>	<b>10.1</b>	<b>12.3</b>	<b>13.2</b>	<b>15.5</b>

Source: Company/MOSL

### Spinning companies enjoying record spreads

- FY09 was one of the worst years for the Indian textile industry. It got impacted by a multitude of negative factors such as: (1) appreciating rupee, (2) demand slowdown in the export market, (3) inventory de-stocking by domestic retailers, and (4) higher depreciation and interest cost. Most of these factors reversed in FY10. We expect the fortunes of the textile industry to improve further in FY11.
- While the overall textile industry has been in recovery phase, the cotton spinning industry is already enjoying record profits. This is largely due to advantageous raw material scenario – while the global cotton crop has been low, the domestic cotton crop has been bumper. As a result, even though domestic cotton prices have already increased ~30% across varieties, yarn prices have increased more sharply across various categories, thereby improving spreads for most cotton yarn spinners.
- The profitability of select cotton spinners that have been carrying low cotton inventory has improved even more sharply. We believe VTL, the largest domestic cotton spinning company in India, is the best proxy to play this trend.

#### INTERNATIONAL COTTON YARN PRICES UP SHARPLY OVER LAST 12 MONTHS (US\$/KG)

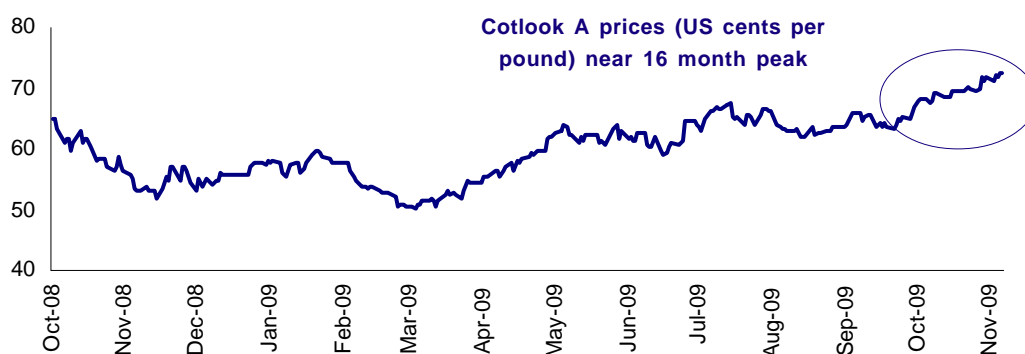
YARN TYPE	DEC-08	SEP-09	MAR-10	1-MONTH CHG. (%)	3-MONTH CHG. (%)	6-MONTH CHG. (%)	1-YEAR CHG. (%)
20/1	2.0	2.3	3.2	6.7	6.7	42.2	73.0
20/2	2.3	2.5	3.5	6.2	6.2	38.0	64.3
30/1	2.2	2.5	3.4	4.7	4.7	34.0	63.4
30/2	2.5	2.8	3.7	4.3	4.3	30.4	55.3
40/1	2.5	2.8	3.8	5.6	5.6	33.9	59.6
40/2	2.9	3.2	4.1	5.1	5.1	30.2	51.9

Source: Industry/MOSL

### International cotton prices at decade high; limited near-term impact on Indian mills

- International cotton prices are nearing their earlier peaks and have increased sharply from US Cents 51/pound to US Cents 82/pound.
- Several Indian mills are already covered for their cotton requirements for 9MFY11; hence, the impact of rising cotton prices on these companies, in the near term, would be limited. Indian cotton spinners are currently at an advantageous position viz-a-viz other global players due to bumper domestic cotton crop and low cotton inventory costs. Spreads for cotton spinners are currently at record highs.

#### INTERNATIONAL COTTON PRICES (US CENTS/POUND)



Source: Industry/MOSL

### Indian cotton textile industry favorably placed vis-à-vis China

- Due to the bumper cotton crop in India, the Indian textile industry is in a favorable situation v/s other countries particularly China, which needs to import a significant part of its cotton requirements to meet high domestic consumption demand.
- Indian upstream cotton textile players are in an advantageous position due to the bumper cotton crop in India. Yarn prices have moved up by almost ~35% in the last few months to ~US\$3.4/Kg, record highs for cotton yarns. With international cotton production expected to fall ~5% next year, we expect cotton yarn prices to remain strong.

### VTL to enter into a sweet spot from FY11

- VTL has spent Rs21b over FY07-10 on capacity expansion. With the successful commissioning of these capacities, VTL has no major capex requirements over FY11-12.
- While majority of the capacity got commissioned within FY09, capacity utilization was low till FY10. We expect FY11 to be the first full year of optimum utilization of these capacities.
- We expect VTL to generate cash profits of ~Rs15.4b over FY10-12.

#### CAPACITY EXPANSION PLANS

PARTICULARS		1998	2000	2002	2006	2007	2008	2009	2010 (E)
Spinning	Spindles	3.86	4.00	4.96	5.12	5.88	7.47	7.85	8.37
Dyeing	Tpd	25.50	34.50	52.00	55.00	55.00	55.00	55.00	55.00
Mercerization	Tpd	1.70	5.00	6.75	6.75	8.00	8.50	10.00	10.00
Weaving	Looms	144	160	208	432	460	810	900	900
Sewing	Tpd	15.50	18.50	18.50	25.00	30.00	33.00	33.00	33.00
Acrylic Fibre	Tpa	16,500	16,500	16,500	16,500	18,000	18,000	18,000	18,000
Processed	Mma	NA	15	20	30	42	82	90	90
Steel	Mtpa	65,000	40,000	40,000	80,400	80,400	80,400	80,400	80,400

Source: Company/MOSL

### Valuation and view

- We are revising our net profit estimates upwards by 9.6% for FY11 to Rs2.3b and by 9.7% for FY12 to Rs2.6b.
- VTL has spent Rs21b over FY07-10 on capacity expansion. While majority of the capacity has already been commissioned, capacity utilization remains low. We expect FY11 to be the first full year of optimum utilization of these capacities.
- With the successful commissioning of these capacities, VTL has no major capex requirements over FY11-12. We expect VTL to generate cash profits of ~Rs15.4b over FY10-12.
- The stock currently trades at attractive valuations of 6.3x FY11E EPS of Rs40.4 and 5.6x FY12E EPS of Rs45.9. We maintain **Buy** with a price target of Rs322 (1x FY11E book value of Rs322.7).

## Vardhman Textiles: an investment profile

### Company description

Vardhman Textiles has a large spindlage capacity and is the second largest sewing thread player in India. The company stands to gain substantially from strong increase in demand from the domestic downstream sector and the robust export market. In our opinion, Vardhman is all set to emerge as one of the most cost competitive textile companies globally by virtue of its large scale capacities, world class facilities and diversified product mix.

### Key investment arguments

- De-risked business model.
- Superior management quality.
- Poised to reap benefits of its major capex expansion, over FY07-10.

### Key investment risks

- Commodity nature of its business.
- Steel contribution to decline.
- Fabric capacity still operating at low utilization rates.

### Recent developments

- VTL has taken board approval to de-merge the steel business, with effect from Apr-10.
- Increased fabric capacity to 90m meters and spinning capacity to ~0.85m spindles in FY10.
- Announced plans to foray into garment manufacturing with collaboration with a Japanese company.

#### COMPARATIVE VALUATIONS

		VARDHMAN	WELSPUN	ALOK
P/E (x)	FY11	6.3	5.6	7.1
	FY12	5.6	4.4	6.2
P/BV (Rs)	FY11	0.8	1.0	0.5
	FY12	0.7	0.9	0.5
EV/Sales (x)	FY11	0.9	1.0	1.8
	FY12	0.8	0.9	1.6
EV/EBITDA (x)	FY11	4.5	6.5	7.2
	FY12	3.7	5.6	6.4

#### SHAREHOLDING PATTERN (%)

	MAR-10	DEC-09	MAR-09
Promoter	67.2	67.2	67.2
Domestic Inst	12.1	10.9	11.8
Foreign	1.0	0.8	0.6
Others	19.7	21.1	20.3

### Valuation and view

- We are revising our FY11 and FY12 net profit estimates upwards by 9.6% and 9.7% respectively to Rs2.3b for FY11 and Rs2.6b for FY12.
- VTL has spent Rs22b over FY07-10 on capacity expansion. While majority of the capacity has been already commissioned, capacity utilization currently remains low. FY11 is likely to be first full year of optimum utilization of these capacities.
- With the successful commissioning of these capacities, VTL has no major capex.
- The stock trades at attractive valuations of 6.3x FY11E EPS of Rs40.4 and 5.6x FY12E EPS of Rs45.9.

### Sector view

- Indian domestic textiles and apparel market is one of the fastest growing market in the world.
- India's market share of the global textile trade remains low at ~4-5%. A level playing field, increased competitiveness through investments and Government help could allow India to increase its market share significantly from these levels, even if the global textile trade remains weak.
- Recent studies on Chinese textile industry indicate that China's comparative advantage in the textile industry is declining. Any shift of global textile trade away from China is likely to benefit its key competitors such as India, Bangladesh and Sri Lanka.

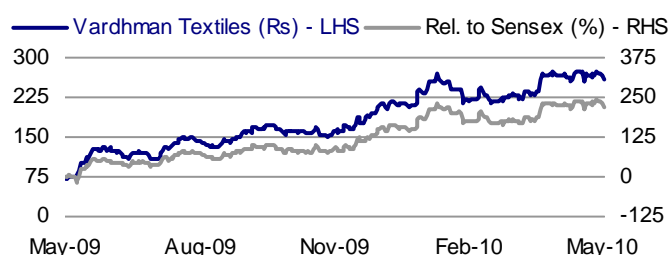
#### EPS: MOST FORECAST V/S CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY11	40.4	42.1	-4.0
FY12	45.9	45.2	1.6

#### TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
257	322	26.3	Buy

#### STOCK PERFORMANCE (1 YEAR)



## Financials and Valuation

INCOME STATEMENT		(Rs Million)			
Y/E MARCH	2009	2010E	2011E	2012E	
<b>Net Sales</b>	<b>29,654</b>	<b>33,777</b>	<b>35,763</b>	<b>37,902</b>	
Change (%)	24.2	13.9	5.9	6.0	
<b>Total Expenditure</b>	<b>25,130</b>	<b>26,457</b>	<b>28,521</b>	<b>30,020</b>	
<b>EBITDA</b>	<b>4,524</b>	<b>7,320</b>	<b>7,242</b>	<b>7,882</b>	
Change (%)	18.9	61.8	-1.1	8.8	
% of Net Sales	15.3	21.7	20.2	20.8	
Depreciation	2,434	2,566	2,753	2,819	
<b>EBIT</b>	<b>2,090</b>	<b>4,754</b>	<b>4,489</b>	<b>5,062</b>	
Interest & Finance Charges	1,068	852	1,117	1,202	
Other Income	275	3	168	241	
<b>PBT</b>	<b>1,296</b>	<b>3,905</b>	<b>3,540</b>	<b>4,101</b>	
Tax	793	1,089	991	1,230	
Effective Rate (%)	61.2	27.9	28.0	30.0	
<b>Reported PAT before MI</b>	<b>1,917</b>	<b>3,024</b>	<b>2,549</b>	<b>2,871</b>	
Change (%)	38.9	57.7	-15.7	12.6	
<b>Reported PAT after MI</b>	<b>1,713</b>	<b>2,615</b>	<b>2,289</b>	<b>2,598</b>	
<b>Adjusted PAT</b>	<b>919</b>	<b>2,407</b>	<b>2,289</b>	<b>2,598</b>	

BALANCE SHEET					
Y/E MARCH	2009	2010E	2011E	2012E	
Sources of Funds					
Equity Capital	566	566	566	566	
Share Capital	566	566	566	566	
Reserves	13,266	15,684	17,712	19,983	
<b>Net Worth</b>	<b>13,832</b>	<b>16,251</b>	<b>18,278</b>	<b>20,549</b>	
Loans	25,332	26,242	20,932	19,832	
Minority Interest	2,287	2,287	2,287	2,287	
<b>Capital Employed</b>	<b>41,451</b>	<b>44,779</b>	<b>41,497</b>	<b>42,668</b>	
Application of Funds					
Gross Fixed Assets	39,408	42,158	43,808	45,158	
Less: Depreciation	13,744	16,310	19,063	21,882	
<b>Net Fixed Assets</b>	<b>25,664</b>	<b>25,848</b>	<b>24,745</b>	<b>23,276</b>	
Capital WIP	694	0	0	0	
Investments	1,401	1,401	651	651	
<b>Curr. Assets</b>	<b>22,162</b>	<b>26,558</b>	<b>25,997</b>	<b>29,491</b>	
Inventory	7,396	10,176	10,970	11,546	
Sundry Debtors	3,459	3,897	4,126	4,373	
Cash & Bank Balances	3,730	4,302	2,800	4,822	
Loans & Advances & Other Curr	7,577	8,183	8,101	8,749	
<b>Current Liab. &amp; Prov.</b>	<b>6,391</b>	<b>6,512</b>	<b>6,984</b>	<b>7,345</b>	
Sundry Creditors	767	827	878	933	
Other Liabilities	2,037	2,098	2,161	2,269	
Provisions	3,587	3,587	3,946	4,143	
<b>Net Current Assets</b>	<b>15,771</b>	<b>20,046</b>	<b>19,012</b>	<b>22,145</b>	
<b>Deferred Tax Liability</b>	<b>2,080</b>	<b>2,515</b>	<b>2,912</b>	<b>3,404</b>	
<b>Application of Funds</b>	<b>41,451</b>	<b>44,779</b>	<b>41,497</b>	<b>42,668</b>	

E: MOSL Estimates

RATIOS					
Y/E MARCH	2009	2010E	2011E	2012E	
<b>Basic (Rs)</b>					
<b>Adj. EPS</b>	<b>16.2</b>	<b>42.5</b>	<b>40.4</b>	<b>45.9</b>	
Cash EPS	59.2	87.8	89.0	95.7	
Book Value per Share	244.2	286.9	322.7	362.8	
DPS	2.0	3.0	4.0	5.0	
Payout (Incl. Div. Tax) %	9.5	6.5	10.3	11.4	
<b>Valuation (x)</b>					
P/E	15.7	6.0	6.3	5.6	
Cash P/E	4.3	2.9	2.9	2.7	
EV/EBITDA	8.0	5.0	4.5	3.7	
EV/Sales	1.2	1.1	0.9	0.8	
Price to Book Value	1.0	0.9	0.8	0.7	
Dividend Yield (%)	0.8	1.2	1.6	2.0	
<b>Profitability Ratios (%)</b>					
EBITDA Margins	15.3	21.7	20.2	20.8	
Net Profit Margins	1.7	8.3	7.1	7.6	
RoE	6.6	14.8	12.5	12.6	
RoCE	5.0	10.6	10.8	11.9	
<b>Turnover Ratios</b>					
Debtors (Days)	42	42	42	42	
Inventory (Days)	107	140	140	140	
Creditors (Days)	20	20	20	20	
Working Capital (Days)	194	217	194	213	
Asset Turnover (x)	0.7	0.8	0.9	0.9	
Fixed Asset Turnover (x)	0.8	0.8	0.8	0.8	
<b>Leverage Ratio</b>					
Debt/Equity (x)	1.8	1.6	1.1	1.0	

CASH FLOW STATEMENT		(Rs Million)			
Y/E MARCH	2009	2010E	2011E	2012E	
<b>PBT before E.O. Items</b>	<b>1,298</b>	<b>4,113</b>	<b>3,540</b>	<b>4,101</b>	
Add: Depreciation	2,434	2,566	2,753	2,819	
Add: Interest	1,068	852	1,117	1,202	
Less: Direct taxes paid	793	1,089	991	1,230	
Incl/Dec in WC	980	(3,702)	(469)	(1,110)	
<b>CF from operations</b>	<b>5,690</b>	<b>2,740</b>	<b>5,949</b>	<b>5,782</b>	
Minority Int. & Share of Associat	0	0	0	0	
EO Income	(702)	0	0	0	
<b>CF from Oper. incl. EO Iter</b>	<b>(2,538)</b>	<b>2,740</b>	<b>5,949</b>	<b>5,782</b>	
(Inc)/Dec in FA	(1,191)	(2,056)	(1,650)	(1,350)	
(Pur)/Sale of Investments	(1,347)	0	750	0	
<b>CF from investments</b>	<b>(2,538)</b>	<b>(2,056)</b>	<b>(900)</b>	<b>(1,350)</b>	
Incl/Dec in Networth	(328)	(409)	(260)	(272)	
Incl/Dec in Debt	992	910	(5,310)	(1,100)	
Less: Dividend Paid	183	196	262	327	
<b>CF from Fin. Activity</b>	<b>(141)</b>	<b>(111)</b>	<b>(6,552)</b>	<b>(2,410)</b>	
<b>Incl/Dec of Cash</b>	<b>3,010</b>	<b>573</b>	<b>(1,503)</b>	<b>2,023</b>	
Add: Beginning Balance	719	3,730	4,302	2,800	
<b>Closing Balance</b>	<b>3,730</b>	<b>4,302</b>	<b>2,800</b>	<b>4,822</b>	

**N O T E S**



For more copies or other information, contact

**Institutional:** Navin Agarwal. **Retail:** Manish Shah

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com

**Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021**

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Motilal Oswal Securities Limited (*hereinafter referred as MOST*) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

The report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon such. MOST or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

MOST and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

**Disclosure of Interest Statement**

**Vardhman Textiles**

- |   |    |
|---|----|
| 1. Analyst ownership of the stock                       | No |
| 2. Group/Directors ownership of the stock               | No |
| 3. Broking relationship with company covered            | No |
| 4. Investment Banking relationship with company covered | No |

This information is subject to change without any prior notice. MOST reserves the right to make modifications and alternations to this statement as may be required from time to time. Nevertheless, MOST is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.