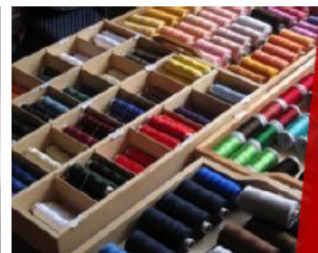
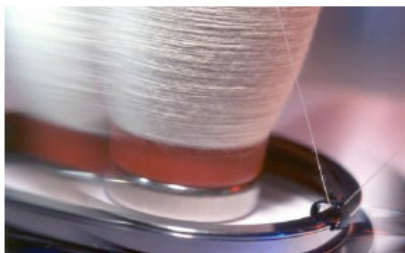




## Management meet and Plant Visit update

**"SVP Global Ventures Ltd." - Robust play in compact yarn - "Not rated"**

**8<sup>th</sup> February, 2017**



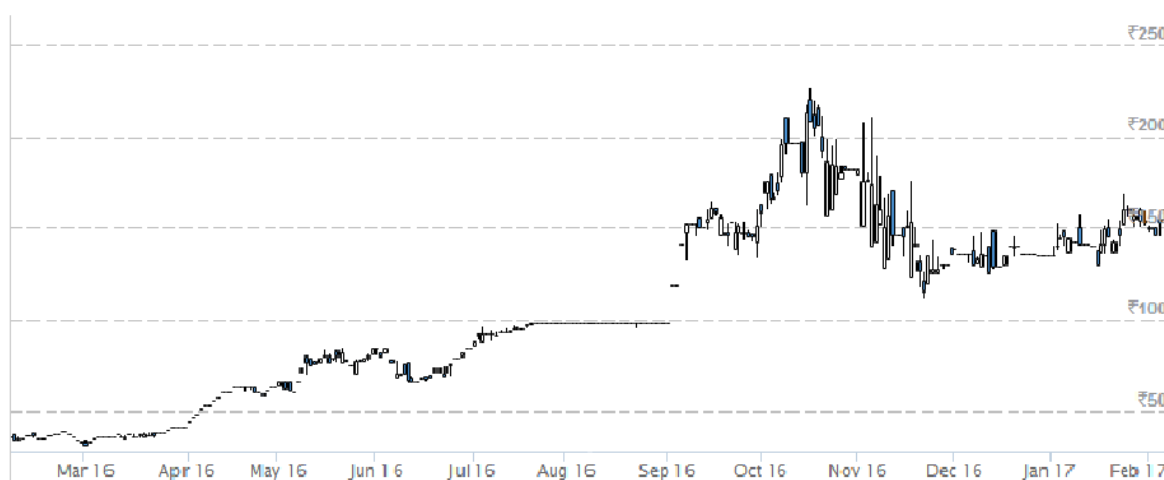


**CMP: 195 | FV: Rs. 10 | Market Cap: Rs. 2468 mn | Promoters Holding: 67.58%**

### Management meet and Plant visit update

We recently met the management OF SVP Global Ventures Ltd. ("SVP") - a diversified yarn manufacturing company (Textile branch of Shri. Vallabh Pittie Group), incorporated in 1982, and listed on the Bombay Stock Exchange and visited its manufacturing facilities at Jhalawar, Rajasthan.

### Stock price movement



Source: Moneycontrol

### Financial Summary (Rs. In mn)

Particulars	FY14	FY15	FY16	H1FY17
Net Sales	54.28	373.11	17,879	6,157
EBITDA	2.11	4.31	662	385
OPM (%)	3.89	1.16	3.70	6.25
PAT	0.35	1.87	88	50
PAT (%)	0.64	0.50	0.49	0.81
EPS (Rs.)	0.46	0.15	6.95	3.96
Equity Capital	22.40	126.50	187	187
Reserves	4.92	7.94	4,465	5,553
Book Value (Rs.)	1.46	7.18	249	307
P/BV(x)	134	27	0.78	0.64
ROE (%)	0.3	1.4	1.9	-

Source: Company, Ajcon Research



**About the Company:** SVP Global Ventures Ltd, incorporated in 1982, is a diversified yarn manufacturing company. Headquartered in Mumbai, the company owns 3 units at Coimbatore, Palani, Madurai in Tamil Nadu with a installed capacity of 98,000 spindles for manufacturing Polyester & Cotton Blended Yarn. Manufacturing facility is fungible between specialized cotton, polyester and blended yarns depending on customer preference and demand scenario. There also is additional manufacturing capacity running on Job Work Basis/Contract Basis.

The Company is professionally managed company, led by a dynamic promoter Mr. Chirag Pittie. The Company has built some good brands in the yarn market that enjoy a good standing and reputation like DG TEX/SVP/SVRP.

SVP has strong expertise in sourcing best quality raw materials leading to higher quality yarns. Looking to its future and capitalizing on the extensive experience of its Management Team, SVP Global Ventures has now embarked on its largest initiative yet: the Company is setting up textile manufacturing facilities in the state of Rajasthan, at the RIICO Industrial Area in Dhanodi, District of Jhalawar. These new units will produce high quality compact yarn which are Low on hairiness, higher strength and elongation, less fiber fly, significant advantages in downstream processing.

**Plant facilities:** The company owns 3 units at Coimbatore, Palani, Madurai in Tamil Nadu for manufacturing Polyester & Cotton Blended Yarn. (Company has three units in Tamil Nadu with 98,000 Spindles Capacity for Specialized Polyester and Cotton Blended Yarn catering to wide base of customers)

Manufacturing facility is fungible between specialized cotton, polyester and blended yarns depending on customer preference and demand scenario. The Company has built some good brands in the yarn market that enjoy a good standing and reputation like DG TEX/SVP/SVRP.

In August 2015, SVP Global acquired the entire business of CITRON and its subsidiaries for a book value of Rs. 103 Crore (Market value significant higher as located in heart of Mumbai). Citron has significant land bank in Mumbai which has been offered to Companies as commercial space yielding rental income of Rs80 mn annually.

**Product Mix:** The Company's product mix consists of Cotton, polyester and blended yarn which it sells in the domestic and exports market. The Company offers diversified quality of yarn manufacturing from Count 6 to Count 70. FY16 Product mix: Cotton 50%, Polyester and Blended 50%.

**Exports:** Exports account for five percent of total sales. The Company exports to countries like China, Egypt, Vietnam, Bangladesh and Pakistan.

## Background of the Group

### THE LEGACY OF SETH SHRIVALLABH PITTIE



#### Seth Shri. Vallabh Pittie and Shri. Ramdev Pittie

The journey began in 1895, when a young 13 year old boy from Nagaur in Rajasthan decided to follow the path destiny had laid out for him. Unknown to himself, the young lad had literally embarked on the journey to make his fortune.

The journey of a thousand miles began with a single footstep

He first walked all the way to Ajmer, from where he caught a train to Hyderabad. He found work there, but soon felt the urge to make his way to Bombay and make the city his home. Once in Bombay his true struggle began. He persevered for years before fortune favored him.

In the year 1898 he ventured into trading and broking in metals and he entered the bullion trade. He formed his first company - - ShriVallabh Pittie, Significantly he also became one of the founder members of the Bombay Bullion Exchange, now called the Bombay Bullion Association, of which the company is still a member.

#### Mr. Chirag Pittie, Managing Director



SVP Global is led by Mr. Chirag Pittie – Managing Director, SVP Global Ventures. He has a BSBA degree in Finance and Management from Boston University, USA. He is over 33 years of age, and has set the foundation for establishing the group as a major business house. He is supported by a strong & well experienced professional management team. He has the vision of converting the close family held business into a leading public company delivering superior returns to shareholders.

## Yarn industry – Opportunity for Indian Players

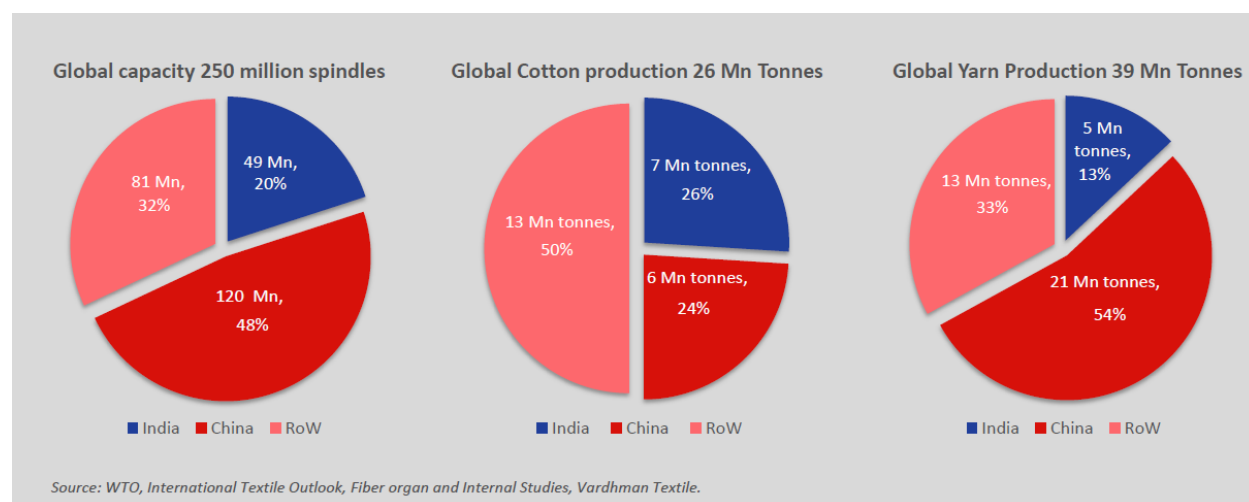
### Lowering Competitiveness of Chinese manufacturers

- 1) Higher Compliance Cost
- 2) Increasing Labour Cost
- 3) Pollution norms becoming stricter
- 4) Currency Volatility: 20,400 yuan (\$3,400) per tonne of cotton last year
- 5) Lower focus on value added products:

### Opportunity for India

- 1) Increasing shift of clients from China to other geographies
- 2) Largest scale after China. (India Spindle Capacity: 50 mn.)
- 3) Value added products and high customisation
- 4) Localised raw material
- 5) Better Compliance norms
- 6) Higher adaptability to changing trends and client requirement

## Yarn Industry – Competitive Landscape





*Upcoming Compact Yarn facility at Jhalawar, Rajasthan in three phases –  
Likely to be game changer for SVP Global Ventures Ltd.*



In July 2016, the company has commissioned a new plant in Jhalawar district of Rajasthan with an installed capacity of 1,00,000 spindle of compact yarn, this facility will produce compact yarn which are Low on hairiness, higher strength and elongation, less fiber fly, significant advantages in downstream processing. Rajasthan is a cotton producing state and has good yarn market. Hence, the Company would avoid logistics cost which is present in case of its Plants in South India. The company further plans to add another 50,000 spindles by Q2 FY18.

**Strategic Advantage of Rajasthan:** Rajasthan is a preferred business destination owing to its abundant natural resources, investment-friendly policies, a vast and unexplored talent pool and a secular environment are some of the reasons why national and international business giants are drawn to this magnificent state. A number of innovative policies including the Industrial and Investment Promotion Policy (RIPS) announced by the current state government have boosted the investment prospects in the state.

**TUF Interest Subsidy: 2%, State Subsidy: 6%+3% - customized package for the group, VAT benefit: 60% VAT to be paid back and Power Benefit: 100% Electricity Duty Rebate**

## Jhalawar Plant – Phase I

In July 2016, the company has commissioned a new plant in Jhalawar district of Rajasthan spread across 25 acres of Land with an installed capacity of 1,00,000 spindle of compact yarn, this facility will produce compact yarn which are Low on hairiness, higher strength and elongation, less fiber fly, significant advantages in downstream processing. The facility was inaugurated on 22nd July by Mrs. Vasundhara Raje, CM of Rajasthan. The land for manufacturing facilities is on a long term lease of 90 years.

SVP has also added another unit for 2,400 rotors as well, which was commissioned in Q2FY2017. The company further plans to add another 50,000 spindles by Q2 FY18.

The Project Cost for setting up this facility was 445Cr and was funded by Funding: Equity mix: 170 Cr and Debt mix - 275 Cr. The repayment for debt starts in January 2018 (Tenure: 5 years). The debt for 1,00,000 spindles is under moratorium period.

***The Jhalawar Plant I enjoys TUF Interest Subsidy of 2%, State Subsidy: 6%+3% - Customized package for SVPL, VAT benefit: 60% VAT to be paid back and Power Benefit: 100% Electricity Duty Rebate.***





## Jhalawar Plant – Phase II

- 1) Timeline: Q3FY2017
- 2) Expected Project Cost: Rs. 91 crores
- 3) Funding Equity mix: Rs. 37 crores and Debt Mix: Rs. 55 crores
- 4) Total capacity in tones: 11,000 p.a.
- 5) Facility spread across 5.13 acres land
- 6) State subsidy: 6% + 3% customized package for SVPL
- 7) VAT benefit: 60% VAT to be paid back
- 8) Power Benefit: 100% Electricity duty rebate
- 9) Count range: 6 to 24
- 10) On the verge of completing setting up additional 2,400 rotors (11kt capacity).



## Jhalawar Plant – Phase III details

- 1) Timeline: Q4FY17
- 2) Expected Project Cost: Rs. 225.29 crores
- 3) Funding: Equity Rs. 65.29 crores and Debt. Rs. 160 crores
- 4) Total Capacity - 10,867 tonnes
- 5) Total 10 acres land bought to manufacture compact cotton yarn
- 6) State subsidy: 6% + 3% customized package for SVPL
- 7) VAT benefit: 60% VAT to be paid back
- 8) Power benefit: 100% Electricity Duty Rebate



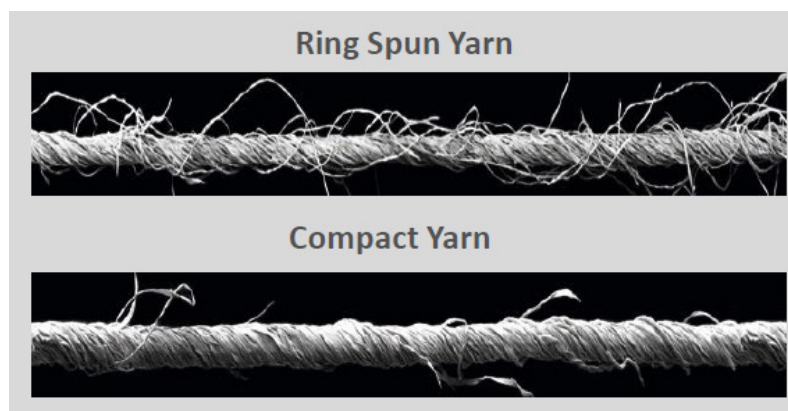


## Key takeaways

**We were impressed by the plant setup at Jhalawar district Rajasthan. The plant is fully automated and is fully equipped with the latest machines procured from top suppliers in that particular segment.**

- 1) Foray into Compact Yarn segment:** Compact yarn is a revolution in spinning technology. Over recent years, the system of compact spinning has constituted a rapidly developing technological trend in most countries. The compact spinning is a process where fibre strand drawn by drafting system is condensed before twisting it. The Company is launching its compact yarn segment in Jhalawar district of Rajasthan. SVP is entering the compact yarn business due to the following benefits: Better smoothness, higher luster, Abrasion fastness better by 40-50%, hairiness lower by 20-30%, as measured with the use of the ster apparatus, increase Production by 8% approximately, hairiness lower by 60%, as measured with the use of the Zweigle apparatus, tenacity and elongation at break higher by 8-15%, and smaller mass irregularity.
- 2) Significant growth in topline to be witnessed:** The Company expects mutifold revenue growth over the next few years by addition of 1,00,000 spindles and 2,400 rotors to more than double the capacity at Jhalawar, Rajasthan.
- 3) Improvement in EBITDA margins going forward:** Compact Yarn from the Jhalawar Facility which is fully automated (650 employees) offers compact yarn which has low hariness, higher strength, less fiber fly new facility will enjoy 6-7% premium over existing products from other facilities (3,000 employees for similar capacity). The management has given a guidance of higher EBITDA margin at its Jhalawar plant (EBITDA margin of 15-20%) as compared to its Tamil Nadu plants (7%).

**Note: Compact Yarn enjoys higher margins as compared to Ring Spun Yarn due to better quality**



- 4) Interest and other subsidies to significantly enhance bottomline.**



### **Recommendation parameters for fundamental reports:**

**Buy** – Absolute return of 20% and above

**Accumulate** – Absolute return between 15% and above

**Book profits:** On achieving the price target given in the research report for a particular Company or on a occurrence of a specific event leading to change in fundamentals of the Company recommended

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