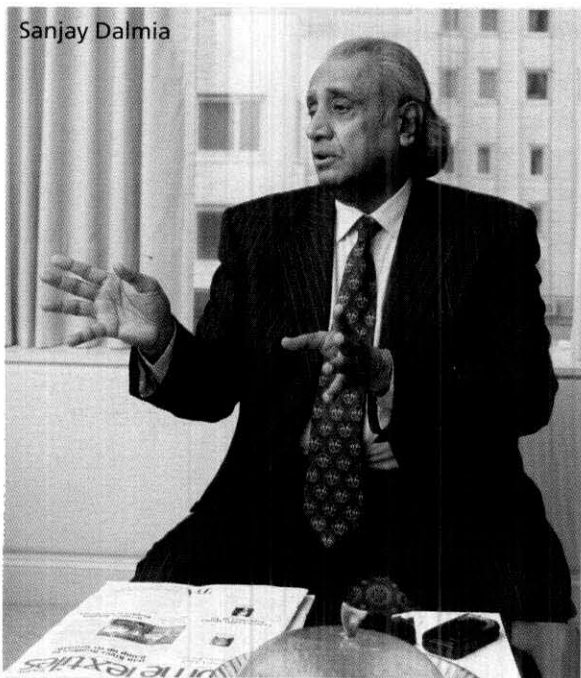


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# Home Textiles Today

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Sanjay Dalmia



## Dalmia Sets GHCL Course

BY DON HOGSETT

**NEW YORK** — The Indian conglomerate that earlier this year bought Dan River is now on the prowl to buy a major American home fashions retail chain — guessing games begin here — creating an entirely new business model that directly links manufacturing to the mall, cutting out costs in the middle and potentially reaping huge new profits.

Going one step further as he enunciates a radically new paradigm for the American textiles industry, Sanjay Dalmia, the soft-spoken, deceptively still, chairman of GHCL, the New Delhi-based company that transformed Dan River from a manufacturing to a marketing company, said he wants to take the retail empire he's building to his Indian homeland, where it can supply American brands to a rapidly emerging middle class hungry

for U.S. goods and looks.

The platform for this new vision is Dalmia's GHCL, a moderately-sized company that combines a soda ash business supplying the glass and detergent industries, and a thriving, vertical textiles business. Capturing a client for its Indian yarn and bedding plants, GHCL bought Dan River out of bankruptcy earlier this year, shut down its plants and shifted production to India, China and Pakistan. Forging the next link in a wide-reaching global supply chain, GHCL bought Roseby's, a British home fashion retailer with more than 300 stores and \$250 million in sales.

Now, in the next step to transform GHCL into a global powerhouse with \$4 billion in annual sales, Dalmia said he is negotiating to buy a major U.S. home fashions chain that can serve as a customer for products produced

SEE **GHCL** PAGE 27

# Dalmia Looks Ahead

**GHCL** FROM PAGE 1

in his plants and designed and marketed by Dan River. "Some of them seem to be interested in a strategic relationship."

He politely demurs when asked who he wants to buy. But there are only so many options. And he drops a big hint when he said he hopes the unidentified U.S. retailer is "medium to reasonably large" and can leapfrog GHCL to about \$4 billion in sales over the next 12 to 24 months from about \$600 million this year.

That leaves out Bed Bath & Beyond, on track to break \$6 billion in sales this year, and likely far too expensive. Dalmia likes to buy on the cheap, buying broken companies and fixing them. Anna's Linens would seem far too small to catapult GHCL to \$4 billion, since it generated about \$225 million in sales in 2004.

That would seem to leave Linens'n Things — which generated \$2.7 billion in 2005 sales. The problem there is that Linens was bought out earlier this year by Apollo Management, a private investor group, for \$1.3 billion. And Apollo has given no public indication it's interested in selling out.

Whoever it turns out to be, Dalmia told *Home Textiles Today* he's hopeful a deal can be completed by the end of the first quarter in 2007.

Specifically, he said, "Thanksgiving business was terrible," a reference to Black Friday, the day after Thanksgiving and the start of the holiday season. Since Black

Friday turned out to be Bleak Friday, "We will see what happens at Christmas," Dalmia said.

Whichever retail chain it turns out to be, Dalmia said that linkage of manufacturing and retailing is critical to the survival of the U.S. textiles industry. "There is no other way. The retailers in America have already done this the correct way, they have shortened the value chain, the supply chain, by outsourcing and eliminating the middleman correctly. Now Dan River is preparing for that by doing the same thing, just moving in the other direction, buying the retail customer."

Given the troubled state of the U.S. textiles industry so far this year, has he had any second thoughts about buying Dan River?

"No! No!" he stated emphatically. "When I took Dan River, that is the stepping stone, the beginning of the story, and I want to complete that value chain."

Not only is he undeterred by slowed sales this year, he's out to buy yet another textiles company, bidding \$6.8 million for the hospitality division of bankrupt Best Manufacturing, an institutional supplier with sales in the range of \$85 million.

At that point it likely stops, said Dalmia. "I don't want to increase my manufacturing capacity. I will use others to manufacture."

Largely a bedding producer, Dalmia said he wants Dan River to move into terry and bath prod-

ucts, and grins when he speaks of competing with Wellspan and Trident. "That could be very interesting. But I don't have to manufacture everything. I don't have to tie up my capital."

Still relatively small — its sales frittered away to about \$250 million in 2005 under a prior ownership reluctant to shed U.S. manufacturing — is Dan River too small to compete with larger rivals Springs and WestPoint Home?

"It is not the size of the company that is important. Many big American companies are not making money. And it will not be possible until they do what we are doing. You have to outsource and take the costs out. Wal-Mart is outsourcing, Target is outsourcing; they are taking cost out by eliminating the middleman. There is no longer a role for the middleman. The idea is to add value, not to add cost. What value does a middleman add? He only adds cost. If you are a middleman, who needs you? In two years, those companies will be gone. You have to complete the value chain, and that is why we are buying retailers."

The next step, said Dalmia, is to take those retail formats to India, a nation that has nothing resembling a national retail chain, yet whose population is ready to embrace the concept, he thinks.

And then, one final step. Already a phenomenally hot stock on the Indian exchange — GHCL's share price has more than quadrupled over the past 12 months — Dalmia will take GHCL to a London exchange to launch it globally. "The London

exchanges are less restrictive than the American."

Then Dalmia will finally have found the ultimate stage for his company. "It is a fascinating journey," he smiles. "There is really nothing to stop you when you make your business on adding value, and when you understand that the world has changed forever. This is now a

global situation. It is no longer an Indian thing, or an American thing, or a Chinese thing. It is one world now, and that is the only way you can do business. There are some cultural differences, but we get over it. The differences don't last long because we learn from one another. This is a very good thing, and we grow." **HTT**