

## The Investor: Navis Capital Partners



**Fund Manager:** Navis Capital Partners

**Fund Name:** Navis Asia Fund VII

**Fund Size:** USD1.438 billion

**Total AUM:** ~USD5 billion

*Navis Capital Partners was founded in 1999 and manages both private and public equity funds focused on growth buyouts in Southeast Asia. As of October 2020, Navis has completed 87 controlling private equity investments in addition to over 75 follow-on investments. Based in Kuala Lumpur, the company has 100 professionals working across six offices in the region.*

## The Company: Saitex

**Company:** Saitex

**Website:** [www.sai-tex.com](http://www.sai-tex.com)

**Industry / Sector:** Garment and textiles

**Location:** Vietnam

*Founded in 2001, Saitex designs and manufactures environmentally sustainable denim products. Saitex's services include product development, design, raw material sourcing, sewing, washing, and finishing of denim. The company produces over five million garments per year for global brands that include Everlane, Madewell, G-Star Raw, J.Crew, and more, and has achieved B Corp, LEED, and Fairtrade certifications.*

**Date of Investment:**  
**May 2018**

**Amount:**  
**Undisclosed**

**Participation / Stake:**  
**Majority**

## Opportunity

Sanjeev Bahl, founder and Chief Executive of Vietnam-based denim manufacturer Saitex, set out to find solutions to make the textile business more environmentally sustainable. As Saitex grew, Bahl decided to bring in a financial and strategic partner and was introduced to the team at Southeast Asia-focused private equity firm Navis Capital Partners in 2017.

Navis had toured numerous textile businesses in the region, but Saitex—with its unique focus on sustainability—was unlike any company in the sector. Saitex had a well-established customer base and pipeline that included some of the largest global players in the industry, as well as a compelling business model of charging premium prices while maintaining lower production costs than many of its premium-focused competitors in Western Europe, Turkey, and China. Navis invested in Saitex in May 2018 with the goal of implementing a vertical integration strategy and increasing capacity to meet growing demand—and to do so as one of the most sustainable denim producers in the world.

“It's no secret that denim mills, which have largely been doing the same thing for decades, are not the cleanest part of the supply chain, but change is difficult and expensive. Saitex's new mill will be the greenest in the world and it's a huge expense. But we are doing the right thing—differentiating ourselves in the process—and there will be a payoff.

– David Ireland

*Senior Partner, Navis Capital Partners*



## Execution

Navis helped Bahl recruit Chief Financial and Operating Officers in 2018 to support an aggressive growth plan, which included doubling the production capacity in Saitex's sewing and laundry facilities. In addition to investing in automation to improve production efficiency, Navis assisted the company in acquiring a nearby garment factory, incorporating and bringing onboard that factory's workers in the process. Navis also worked closely with Saitex to develop a vertical integration strategy to fuel revenue growth and margin expansion through both upstream and downstream initiatives.

International clothing brands typically dictate which fabric suppliers the denim manufacturers should use, leaving the factories with little control over—and often limited awareness of—how the cotton was sourced, the amount of water or dye used, or the level of pollution created. Seeking to address the problems associated with this part of the supply chain, Bahl had the vision to invest upstream and is currently partnering with Navis to build a new USD66 million state-of-the-art mill in Vietnam to produce sustainable denim fabrics. The mill will enable Saitex to achieve greater profitability while providing a one-stop solution

for customers and reducing the order time frequently associated with external mills.

Navis assisted Saitex in navigating the site selection, construction, and licensing process, and secured financing for the greenfield project. The mill is slated to open in the first quarter of 2021 and will create approximately 600 jobs, many of which will be skilled positions, for example those operating the weaving of the fabric and fabric-related research and development. As Vietnam is not traditionally known for producing high-quality textiles, the mill with state-of-the-art technology will drive a significant transference of skills to the local workforce.

Integrating downstream, Saitex is building a small and highly automated Los Angeles-based factory to meet United States-based customers' demands for flexibility and speed. Navis and Saitex believed that some clients would be willing to pay a premium for faster delivery as the apparel cycle can be long—a designer in New York or Los Angeles may have to wait up to a year to receive a final product, which makes it difficult to make changes or move quickly in rolling out a new trend.

## Outlook

Saitex's revenues are projected to increase from USD70 million in 2018 to over USD100 million in 2021, despite weakened customer demand resulting from the global COVID-19 pandemic. Navis has helped Saitex implement measures to mitigate the negative impact of the virus including controlling costs around payroll, marketing, subcontracting, and logistics, and

has also supported the new fabric mill through a USD5.6 million equity contribution in July 2020. Beyond ensuring the success of the mill and Los Angeles-based factory, looking forward, Navis plans to help Saitex invest in the development of its own and licensed brands, while constantly keeping the focus on sustainability and transparency.

## Spotlight: Raising the Bar On Sustainability For the Global Textile Industry

Greenwashing is a common trend in the fashion industry. Inspired to do better, the Saitex team has been focused on maximizing a reduction in water, chemicals, and power usage throughout the company's core operations—initiatives that Navis has supported and helped to accelerate, particularly through investments in technology. Saitex utilizes the Higg Facility Environmental Module, an assessment tool for apparel products developed by the Sustainable Apparel Coalition, to measure its environmental impact. In 2019, the company achieved a score of 90 out of 100, making it the top-rated business in Vietnam and one of the highest globally.

Saitex uses a closed water system and jet washing that enables the company to save 430 million liters of water per year, while the production of each jean requires 1.5 liters of water versus the industry standard of 80 liters. In addition, the toxic by-product from Saitex's wastewater treatment plant is shipped to a nearby brick factory and mixed with concrete, with the resulting bricks used to build affordable homes. The new denim mill will also employ the latest modern dyeing techniques with a nearly waterless application resulting in 92% less water, 30% less energy, and 87% less cotton waste than incumbent mills.

To reduce energy usage, 100% of the steam produced in Saitex's mill will come from renewable sources, with 30%—or approximately 6,000 tonnes—of fuel derived from sludge generated by a nearby industrial park effluent wastewater treatment plant, and much of the remainder coming from agricultural waste by-products such as coconut shells or rice husks. The company has installed solar panels on its facilities, saving an estimated 13 million kilowatts per year. Saitex also takes the unique approach of primarily air drying its jeans, for which it has constructed a giant conveyer on its ceiling.

Navis encouraged Saitex to strive for certifications that are typically difficult for apparel manufacturers to achieve. In 2019, the company became the first and only Vietnamese apparel business to be awarded B Corp certification. Saitex has also received LEED (Leadership in Energy and Environmental Design) certification and is the only Bluesign certified laundry in the world, recognizing the company's commitment to using the least amount of water possible.

