

Textiles – 2QFY16 Results Review

Export market remains strong; domestic market under pressure

Second quarter results once again clearly highlights the diverse trend between the companies having presence in export and domestic markets. The exporters continue to see healthy order book while the companies with domestic focus is witnessing weak demand. The export market remains attractive supported by benign raw material prices and depreciated rupee while the domestic market remains infested with high inventory both at wholesale and retail level. Thus, we remain confident on the performance of the export oriented companies in the near to medium term while the companies with focus on the domestic market will take some time before they start witnessing rebound in demand scenario, however, they look attractive over the medium to long-term given the demographic advantages India enjoys.

On the export side, we believe that the companies having integration across the value chain are the preferred suppliers to the retailers/brands and are well positioned to earn consistent and stable margins. These companies also has huge potential to grow beyond their existing presence in specific geographical area. Under this theme, we like **Himatsingka Seide, KPR Mill and Welspun India** from our coverage universe.

Among others, we like **Arvind and Vardhman** over the medium to long-term. We like Arvind because of its strong and stable textile product portfolio, fast growing portfolio of global brands and soon to be launched e-commerce platform. We like Vardhman because of its continuous focus on increasing processed fabric mix, extremely healthy balance sheet and strong free cash flow.

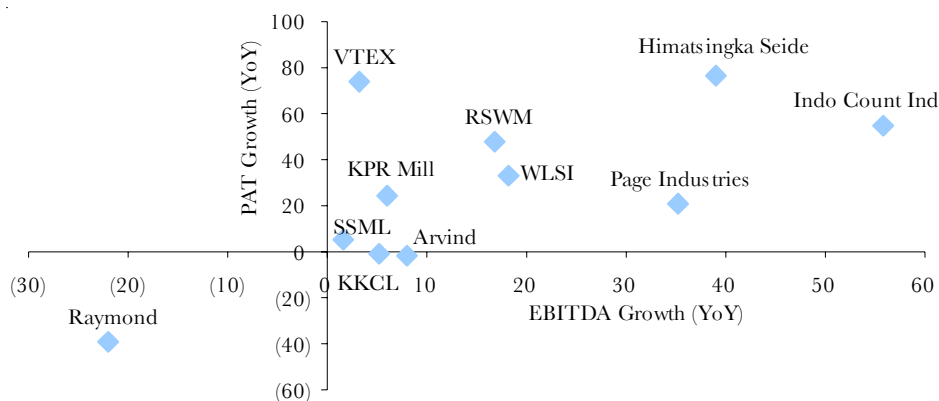
B&K's Textile Universe

Companies under coverage	B&K's Rating	Mkt Cap (Rs mn)	Current price (Rs)	Target price (Rs)	FY15-18E CAGR (%)			FY17E	
					Revenue	EBITDA	APAT	P/E (x)	EV/EBITDA (x)
Arvind	BUY	78,621	304	390	14.7	14.6	17.0	15.5	8.7
Himatsingka Seide	BUY	21,282	216	303	8.4	37.4	40.9	9.4	8.1
Indo Count Industries	BUY	37,822	958	1,238	20.4	25.7	26.3	13.2	8.3
Kewal Kiran Clothing	UP	23,627	1,917	1,680	13.3	14.2	13.6	21.5	18.7
KPR Mill	BUY	31,350	832	1,090	7.1	12.7	26.0	10.8	6.3
Page Industries	OP	145,226	13,020	15,223	20.2	22.8	23.0	49.9	30.7
Raymond	OP	25,719	419	522	8.0	17.0	28.5	15.7	7.3
RSWM	BUY	7,184	310	409	9.1	13.0	29.7	4.9	4.0
Siyaram Silk Mills	BUY	8,718	930	1,310	9.8	11.2	16.8	8.5	5.4
Vardhman Textiles	BUY	49,083	785	1,104	4.8	10.8	22.2	7.8	4.5
Welspun India	BUY	83,483	831	1,142	14.3	12.2	12.1	12.2	6.6

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Sector review

2QFY16 – EBITDA growth and PAT growth performance (YoY)



Source: Company, B&K Research

Note: EBITDA and PAT growth of Indo Count Industries and Vardhman Textiles are on standalone basis. VTEX: Vardhman Textiles, WLSI: Welspun India, SSML: Siyaram Silk Mills, KKCL: Kewal Kiran Clothing.

2QFY16 – Revenue, EBITDA and PAT divergence

(Rs mn)	Revenue			EBITDA			Adjusted PAT		
	Actual	Estimate	Diff. (%)	Actual	Estimate	Diff. (%)	Actual	Estimate	Diff. (%)
Arvind	20,964	21,939	(4.4)	2,614	2,759	(5.3)	948	1,020	(7.0)
Himatsingka Seide	5,327	5,587	(4.6)	746	788	(5.3)	416	420	(1.0)
Indo Count Industries	5,821	5,651	3.0	1,245	1,250	(0.5)	659	657	0.3
Kewal Kiran Clothing	1,422	1,365	4.1	376	384	(1.9)	241	259	(6.9)
KPR Mill	6,078	7,033	(13.6)	1,212	1,287	(5.8)	522	558	(6.5)
Page Industries	4,614	4,997	(7.7)	1,014	1,079	(6.1)	603	666	(9.5)
Raymond	14,926	15,276	(2.3)	1,340	1,497	(10.5)	414	554	(25.2)
RSWM	7,337	7,009	4.7	977	981	(0.5)	251	238	5.4
Siyaram Silk Mills	3,980	3,758	5.9	498	455	9.6	231	207	11.6
Vardhman Textiles	13,853	14,288	(3.0)	2,701	2,693	0.3	1,592	1,078	47.7
Welspun India	14,723	15,547	(5.3)	3,743	3,941	(5.0)	1,724	1,602	7.6

Note: Indo Count Industries and Vardhman Textiles numbers are on standalone basis.

2QFY16 – Key financial highlights

	2QFY16	2QFY15	YoY (%)	1QFY16	QoQ (%)
Revenue (Rs mn)					
Arvind	20,964	19,646	6.7	18,769	11.7
Himatsingka Seide	5,327	5,178	2.9	4,685	13.7
Indo Count Industries	5,821	4,788	21.6	4,610	26.3
Kewal Kiran Clothing	1,422	1,298	9.5	924	53.8
KPR Mill	6,078	6,770	(10.2)	6,233	(2.5)
Page Industries	4,614	3,969	16.2	4,465	3.3
Raymond	14,926	14,607	2.2	11,217	33.1
RSWM	7,337	7,778	(5.7)	7,008	4.7
Siyaram Silk Mills	3,980	3,980	0.0	3,007	32.4
Vardhman Textiles	13,853	15,260	(9.2)	13,951	(0.7)
Welspun India	14,723	14,135	4.2	13,885	6.0
EBTIDA (Rs mn)					
Arvind	2,614	2,421	8.0	2,266	15.4
Himatsingka Seide	746	537	38.9	754	(1.0)
Indo Count Industries	1,245	799	55.8	1,038	19.9
Kewal Kiran Clothing	376	358	5.3	152	147.1
KPR Mill	1,212	1,143	6.0	1,223	(0.9)
Page Industries	1,014	749	35.3	1,014	(0.1)
Raymond	1,340	1,720	(22.1)	480	179.0
RSWM	977	837	16.7	1,052	(7.1)
Siyaram Silk Mills	498	490	1.7	309	61.4
Vardhman Textiles	2,701	2,616	3.3	2,935	(8.0)
Welspun India	3,743	3,169	18.1	3,598	4.0
EBTIDA margin (%)					
			YoY (bps)		QoQ (bps)
Arvind	12.5	12.3	10	12.1	40
Himatsingka Seide	14.0	10.4	360	16.1	(210.0)
Indo Count Industries	21.4	16.7	470	22.5	(110.0)
Kewal Kiran Clothing	26.5	27.5	(110.0)	16.5	1,000
KPR Mill	19.9	16.9	300	19.6	30
Page Industries	22.0	18.9	310	22.7	(70.0)
Raymond	9.0	11.8	(280.0)	4.3	470
RSWM	13.3	10.8	260	15.0	(170.0)
Siyaram Silk Mills	12.5	12.3	20	10.3	230
Vardhman Textiles	19.5	17.1	240	21.0	(150.0)
Welspun India	25.4	22.4	300	25.9	(50.0)

Contd.

	2QFY16	2QFY15	YoY (%)	1QFY16	QoQ (%)
Adjusted PAT (Rs mn)					
Arvind	948	965	(1.8)	609	55.6
Himatsingka Seide	416	235	76.8	408	1.9
Indo Count Industries	659	425	55.1	554	19.1
Kewal Kiran Clothing	241	243	(0.6)	114	112.1
KPR Mill	522	419	24.7	505	3.3
Page Industries	603	499	20.8	632	(4.6)
Raymond	414	682	(39.2)	(137.2)	0.0
RSWM	251	169	48.2	288	(13.0)
Siyaram Silk Mills	231	220	4.8	116	99.6
Vardhman Textiles	1,592	917	73.7	1,480	7.6
Welspun India	1,724	1,299	32.7	1,632	5.6
Adjusted PAT margin (%)					
			YoY (bps)		QoQ (bps)
Arvind	4.5	4.9	(40)	3.2	130
Himatsingka Seide	7.8	4.5	330	8.7	(90)
Indo Count Industries	11.3	8.9	240	12.0	(70)
Kewal Kiran Clothing	17.0	18.7	(170)	12.3	470
KPR Mill	8.6	6.2	240	8.1	50
Page Industries	13.1	12.6	50	14.1	(110)
Raymond	2.8	4.7	(190)	(1.2)	400
RSWM	3.4	2.2	120	4.1	(70)
Siyaram Silk Mills	5.8	5.5	30	3.8	200
Vardhman Textiles	11.5	6.0	550	10.6	90
Welspun India	12	9	250	11.8	–

Note: Indo Count Industries and Vardhman Textiles numbers are on standalone basis.

2QFY16 – Key result highlights

Companies	Result highlights	Management comments
Arvind	<ul style="list-style-type: none"> Excluding Megamart, Branded Apparel revenue grew at a strong 18% YoY in a subdued market; power brand supported operating margins. Soft growth in textiles segment; flat margins. PBT grew by 15% YoY, higher tax rate impacted PAT. 	<ul style="list-style-type: none"> Expects 2HFY16 to be better than last year. Capex of Rs 5 bn; debt to remain same or may fall marginally. E-commerce and Mobile App to be launched in 4QFY16; 1st Aeropostale store in 3Q
Himatsingka Seide	<ul style="list-style-type: none"> Manufacturing segment repeats strong performance; operating margin of 24.4%. Soft revenue growth in distribution segment; EBITDA grew by 52% YoY. 	<ul style="list-style-type: none"> Expects manufacturing margins to remain steady during 2HFY16. Expects distribution margin to be mid single digit over the next two years.
Indo Count Industries	<ul style="list-style-type: none"> Declared (1st interim) dividend after a long gap. Healthy ramp-up of new facility resulting in strong top-line and profitability growth (economies of scale). 	<ul style="list-style-type: none"> Capex: Phase 1 – Rs 1.75 bn on expansion, utilities and automation (December 2016); Phase 2 – Rs 3 bn backward integration (over three years). Entering domestic branded market with outlay of Rs 250 mn over three years.
Kewal Kiran Clothing	<ul style="list-style-type: none"> Not so encouraging volume growth of 9.4% YoY but healthy pipeline of store opening (42). Higher expenses (admin, manufacturing and higher provisioning to support EOSS) impacted margins. FMP investments impacted other income. 	<ul style="list-style-type: none"> Expects ~12% growth in FY16. Large FMP investment income will fall in 2Q and 3Q of FY17. Expects receivables to normalise in 3Q Overall market continues to remain subdued.
KPR Mill	<ul style="list-style-type: none"> Revenue growth impacted because of large unsold sugar inventory (13.5% below our estimates). Moderate growth in operating profit despite subdued yarn market. Debt and interest cost continue to fall. 	<ul style="list-style-type: none"> Garment plant commissioned last year to reach full capacity by the end of FY16. New large garment plant of 36 mn pieces to be commissioned by March 2016. Rise in sugar prices to aid profitability.
Page Industries	<ul style="list-style-type: none"> Slow off-take in men's segment impacted growth. Leisure wear segment rebounds after issues in product launch last quarter. Strong operating profits led by lower expenses. 	<ul style="list-style-type: none"> Men's wear growth expected to remain soft. Gross margin should improve in 2H. Price hike expected in March 2016. Management cautious regarding increase in minimum wages.
Raymond	<ul style="list-style-type: none"> Weak demand continues to impact revenue growth. Store renovation and A&P spends continue to impact profitability. Engineering business continue to disappoint. 	<ul style="list-style-type: none"> Weak demand conditions remain a concern. Continue to expand and modernise retail network and brand building which will impact margins in short-term.
RSWM	<ul style="list-style-type: none"> Lower realisation impacted revenue growth (down 5.7% YoY). Better gross margin, improvement in denim segment, backward integration and better product mix aided strong 17% YoY EBITDA growth. 	<ul style="list-style-type: none"> Expects stable 2HFY16. Rope dyeing to sheet dyeing will aid increase in denim capacity; evaluating capex in spinning which will be started in FY17. Focus on branding – 'Mayur' Fabrics.
Siyaram Silk Mills	<ul style="list-style-type: none"> Lower realisation (fabric business) and slow offtake (branded apparel business) impacted revenue growth. EBITDA remained flat; supported by gross margin Inventory levels were higher by Rs 465 mn (YoY) due to slow movement at wholesale level. 	<ul style="list-style-type: none"> Domestic demand remains subdued. Hope on upcoming festivals followed by marriage season. Decided to acquire 100% stake of Balkrishna Synthetics (group company) for Rs 447 mn.
Vardhman Textiles	<ul style="list-style-type: none"> Falling realisation impacted revenue growth. Healthy profitability in a challenging industry scenario. Consolidated net debt declines and stood at Rs 9.5 bn. 	<ul style="list-style-type: none"> Expects 3Q to be slightly weaker than 2Q (Yarn). Expecting improvement in fabric business in 3Q Capex of Rs 10 bn over three-four years.
Welspun India	<ul style="list-style-type: none"> Revenue growth lower than expected due to capacity constraints and higher base effect. Higher vertical integration and improving product mix aided EBITDA margin expansion of 300 bps. Strong PAT growth of ~33% on strong base. 	<ul style="list-style-type: none"> Expects 13-17% growth in 2HFY16 led by volume growth in sheeting and towels. Expects near-term margin to remain at current levels while long-term between 22-24%. Launched e-com portal 'www.shopwelspun.in'.

Change in estimates

(Rs mn)		Old			New			% change		
		FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Arvind	Sales	85,425	101,384	118,377	85,425	101,384	118,377	-	-	-
	EBITDA	10,970	13,314	15,583	10,970	13,314	15,583	-	-	-
	Adjusted PAT	3,953	5,083	6,357	3,953	5,083	6,357	-	-	-
	Adjusted EPS (Rs)	15.3	19.7	24.6	15.3	19.7	24.6	-	-	-
	RoE (%)	14.6	15.9	17.0	14.6	15.9	17.0	-	-	-
	RoCE (%)	14.0	15.5	16.5	14.0	15.5	16.5	-	-	-
Himatsingka Seide	Sales	20,617	22,801	24,748	20,617	22,801	24,748	-	-	-
	EBITDA	3,134	4,195	5,568	3,134	4,195	5,568	-	-	-
	Adjusted PAT	1,720	2,269	2,764	1,720	2,269	2,764	-	-	-
	Adjusted EPS (Rs)	17.5	23.0	28.1	17.5	23.0	28.1	-	-	-
	RoE (%)	19.9	22.4	22.8	19.9	22.4	22.8	-	-	-
	RoCE (%)	16.5	17.4	17.4	16.5	17.4	17.4	-	-	-
Indo Count Industries	Sales	21,343	25,535	-	21,890	26,006	30,979	2.6	1.8	-
	EBITDA	4,212	4,989	-	4,540	5,057	6,087	7.8	1.4	-
	Adjusted PAT	2,365	2,770	-	2,514	2,858	3,448	6.3	3.2	-
	Adjusted EPS (Rs)	59.9	70.2	-	63.7	72.4	87.3	6.3	3.2	-
	RoE (%)	58.4	46.2	-	61.2	46.5	40.4	4.8	0.7	-
	RoCE (%)	40.9	38.2	-	43.5	38.5	36.1	6.4	1.0	-
Kewal Kiran Clothing	Sales	4,743	5,655	-	4,473	5,135	5,944	(5.7)	(9.2)	-
	EBITDA	1,138	1,383	-	1,002	1,222	1,439	(12.0)	(11.6)	-
	Adjusted PAT	769	1,151	-	659	1,100	970	(14.2)	(4.4)	-
	Adjusted EPS (Rs)	62.4	93.4	-	53.5	89.3	78.7	(14.2)	(4.4)	-
	RoE (%)	22.8	30.2	-	19.7	29.3	22.9	(13.6)	(2.8)	-
	RoCE (%)	32.4	40.6	-	28.7	38.0	32.3	(11.4)	(6.4)	-
KPR Mill	Sales	27,187	30,178	-	26,342	29,254	31,514	(3.1)	(3.1)	-
	EBITDA	5,197	5,957	-	5,120	5,750	6,255	(1.5)	(3.5)	-
	Adjusted PAT	2,305	2,961	-	2,257	2,911	3,438	(2.1)	(1.7)	-
	Adjusted EPS (Rs)	61.2	78.6	-	59.9	77.2	91.2	(2.1)	(1.7)	-
	RoE (%)	22.3	23.8	-	21.9	23.8	24.0	(1.7)	0.1	-
	RoCE (%)	20.3	23.7	-	20.5	23.5	26.9	0.8	(0.8)	-
Page Industries	Sales	19,529	24,780	-	17,931	21,887	26,807	(8.2)	(11.7)	-
	EBITDA	4,072	5,183	-	3,951	4,780	5,912	(3.0)	(7.8)	-
	Adjusted PAT	2,562	3,316	-	2,376	2,910	3,651	(7.2)	(12.3)	-
	Adjusted EPS (Rs)	229.7	297.3	-	213.0	260.9	327.4	(7.2)	(12.3)	-
	RoE (%)	58.5	59.7	-	53.3	50.4	49.4	(8.8)	(15.5)	-
	RoCE (%)	56.2	56.9	-	53.0	50.9	50.1	(5.7)	(10.5)	-

Contd.

(Rs mn)		Old			New			% change		
		FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Raymond	Sales	59,075	65,091	–	55,502	61,194	67,136	(6.0)	(6.0)	–
	EBITDA	5,391	6,379	–	4,329	5,630	6,834	(19.7)	(11.7)	–
	Adjusted PAT	1,637	2,061	–	1,037	1,637	2,394	(36.7)	(20.6)	–
	Adjusted EPS (Rs)	26.7	33.6	–	16.9	26.7	39.0	(36.7)	(20.6)	–
	RoE (%)	10.2	11.7	–	6.6	9.9	13.2	(34.8)	(15.1)	–
	RoCE (%)	11.1	12.5	–	9.0	11.3	13.3	(18.7)	(10.1)	–
RSWM	Sales	35,233	40,149	–	29,295	33,683	38,959	(16.9)	(16.1)	–
	EBITDA	4,143	4,818	–	3,984	4,446	4,987	(3.8)	(7.7)	–
	Adjusted PAT	1,153	1,447	–	1,060	1,459	1,851	(8.1)	0.8	–
	Adjusted EPS (Rs)	49.8	62.5	–	45.8	63.0	80.0	(8.1)	0.8	–
	RoE (%)	24.3	25.4	–	22.5	26.2	27.4	(7.1)	3.2	–
	RoCE (%)	15.1	16.7	–	15.4	18.1	20.1	1.4	7.8	–
Siyaram Silk Mills	Sales	16,580	19,352	–	15,415	17,409	19,982	(7.0)	(10.0)	–
	EBITDA	1,956	2,264	–	1,857	2,071	2,398	(5.1)	(8.5)	–
	Adjusted PAT	930	1,148	–	859	1,023	1,256	(7.7)	(10.9)	–
	Adjusted EPS (Rs)	99.3	122.5	–	91.6	109.1	134.0	(7.7)	(10.9)	–
	RoE (%)	19.6	20.2	–	18.2	18.5	19.2	(7.0)	(8.7)	–
	RoCE (%)	20.3	21.1	–	19.2	19.6	20.6	(5.6)	(7.3)	–
Vardhman Textiles	Sales	72,385	78,466	–	65,780	71,035	78,038	(9.1)	(9.5)	–
	EBITDA	13,826	15,483	–	12,853	13,842	15,210	(7.0)	(10.6)	–
	Adjusted PAT	5,778	6,991	–	5,438	6,275	7,299	(5.9)	(10.2)	–
	Adjusted EPS (Rs)	92.4	111.8	–	87.0	100.4	116.8	(5.9)	(10.2)	–
	RoE (%)	16.0	16.9	–	15.2	15.5	16.0	(5.2)	(8.0)	–
	RoCE (%)	14.5	16.5	–	14.2	15.4	16.8	(1.6)	(6.6)	–
Welspun India	Sales	60,449	69,127	80,460	59,983	68,328	79,244	(0.8)	(1.2)	(1.5)
	EBITDA	15,445	16,832	18,264	15,326	16,638	17,988	(0.8)	(1.2)	(1.5)
	Adjusted PAT	6,309	6,993	7,805	6,267	6,852	7,608	(0.7)	(2.0)	(2.5)
	Adjusted EPS (Rs)	62.8	69.6	77.7	62.4	68.2	75.7	(0.7)	(2.0)	(2.5)
	RoE (%)	38.1	32.9	29.5	38.0	32.5	29.1	(0.4)	(1.3)	(1.4)
	RoCE (%)	24.7	24.0	24.8	23.8	23.7	24.4	(3.5)	(1.4)	(1.6)

Absolute price performance – B&K's Textile Universe

(%)	1-month	3-months	6-months	12-months
Arvind	9	16	38	11
Himatsingka Seide	1	19	151	142
Indo Count Industries	5	6	84	201
Kewal Kiran Clothing	(6)	(10)	(4)	7
KPR Mill	3	15	38	153
Page Industries	(7)	(9)	(9)	41
Raymond	(4)	7	–	(16)
RSWM	9	6	30	65
Siyaram Silk Mills	(1)	(10)	(12)	18
Vardhman Textiles	3	(10)	21	87
Welspun India	12	9	47	118

B&K's Textile Universe – Changes in Rating

Name of Company	Pre-result rating	Post-result rating	CMP (Rs)	Old TP (Rs)	New TP (Rs)
Arvind	BUY	BUY	304	390	390
Himatsingka Seide	BUY	BUY	216	296	303
Indo Count Industries	BUY	BUY	958	1,155	1,238
Kewal Kiran Clothing	SELL	UP	1,917	1,618	1,680
KPR Mill	BUY	BUY	832	862	1,090
Page Industries	OP	OP	13,020	16,896	15,223
Raymond	OP	OP	419	576	522
RSWM	BUY	BUY	310	360	409
Siyaram Silk Mills	BUY	BUY	930	1,469	1,310
Vardhman Textiles	BUY	BUY	785	783	1,104
Welspun India	BUY	BUY	831	1,074	1,142

Valuation matrix (B&K's Textile Universe)

Company	Reco.	CMP	Target	Chg	M-Cap	Net Sales (Rs mn)			EBITDA Margin (%)			Interest Cost (Rs mn)			Adjusted PAT (Rs mn)		
		(Rs)	Price	(%)	(Rs mn)	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E
Arvind	BUY	304	390	28	78,621	78,514	85,425	101,384	13.2	12.8	13.1	4,162	3,922	4,159	3,967	3,953	5,083
Himatsingka Scide	BUY	216	303	40	21,282	19,406	20,617	22,801	11.1	15.2	18.4	854	894	1,031	988	1,720	2,269
Indo Count	BUY	958	1,238	29	37,822	17,749	21,890	26,006	17.3	20.7	19.4	612	498	531	1,713	2,514	2,858
Kewal Kiran	UP	1,917	1,680	(12)	23,627	4,083	4,473	5,135	23.6	22.4	23.8	27	28	31	662	659	1,100
KPR Mill	BUY	832	1,090	31	31,350	25,658	26,342	29,254	17.0	19.4	19.7	839	707	448	1,720	2,257	2,911
Page Industries	OP	13,020	15,223	17	145,226	15,430	17,931	21,887	20.7	22.0	21.8	167	166	196	1,960	2,376	2,910
Raymond	OP	419	522	25	25,719	53,326	55,502	61,194	8.0	7.8	9.2	2,004	1,969	2,019	1,128	1,037	1,637
RSWM	BUY	310	409	32	7,184	30,034	29,295	33,683	11.5	13.6	13.2	1,252	1,266	1,116	849	1,060	1,459
Siyaram Silk Mills	BUY	930	1,310	41	8,718	15,103	15,415	17,409	11.5	12.0	11.9	306	307	303	789	859	1,023
Vardhman Textiles	BUY	785	1,104	41	49,083	67,860	65,780	71,035	16.5	19.5	19.5	1,249	1,046	939	4,002	5,438	6,275
Welspun India	BUY	831	1,142	37	83,483	53,025	59,983	68,328	24.0	25.6	24.4	2,829	2,459	2,447	5,398	6,267	6,852

Company	Adjusted EPS (Rs)			Total Debt (Rs mn)			Net Debt / Equity (x)			Net Debt / EBITDA (x)			RoCE (%)		
	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E
Arvind	15.4	15.3	19.7	35,467	36,635	38,160	1.3	1.1	1.0	3.3	3.3	2.8	14.9	14.0	15.5
Himatsingka Scide	10.0	17.5	23.0	7,563	8,263	13,180	0.9	0.9	1.2	3.4	2.5	3.1	11.3	16.5	17.4
Indo Count	43.4	63.7	72.4	4,434	4,453	5,340	0.9	0.6	0.5	1.3	0.8	0.8	35.6	43.5	38.5
Kewal Kiran	53.7	53.5	89.3	114	133	153	(0.2)	(0.2)	(0.2)	(0.7)	(0.7)	(0.6)	30.9	28.7	38.0
KPR Mill	45.6	59.9	77.2	8,233	7,602	5,599	0.8	0.6	0.4	1.7	1.4	0.9	16.5	20.5	23.5
Page Industries	175.7	213.0	260.9	1,573	1,894	2,342	0.4	0.2	0.2	0.5	0.3	0.3	53.4	53.0	50.9
Raymond	18.4	16.9	26.7	18,810	18,754	19,680	0.9	0.9	0.9	3.4	3.3	2.8	9.9	9.0	11.3
RSWM	36.7	45.8	63.0	12,915	11,610	10,944	3.0	2.3	1.8	3.7	2.9	2.4	13.5	15.4	18.1
Siyaram Silk Mills	84.1	91.6	109.1	3,094	3,182	3,231	0.7	0.5	0.4	1.8	1.4	1.2	19.4	19.2	19.6
Vardhman Textiles	64.0	87.0	100.4	26,402	22,246	18,779	0.5	0.4	0.3	1.8	1.2	0.9	10.8	14.2	15.4
Welspun India	53.7	62.4	68.2	30,851	31,894	29,712	1.8	1.5	1.1	2.1	1.9	1.6	22.9	23.8	23.7

Valuation matrix (B&K's Textile Universe)

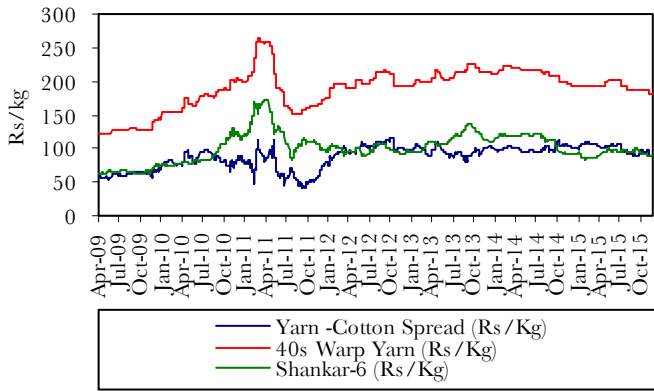
Company	RoE (%)			PER (x)			Price / Book Value (x)			EV / EBITDA (x)			Dividend Yield (%)		
	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E	FY15	FY16E	FY17E
Arvind	16.7	14.6	15.9	17.0	19.9	15.5	2.8	2.7	2.3	9.9	10.4	8.7	1.0	1.0	1.2
Himatsingka Seide	12.7	19.9	22.4	8.0	12.4	9.4	1.0	2.3	1.9	7.1	9.3	8.1	2.5	1.4	1.9
Indo Count	70.8	61.2	46.5	8.7	15.0	13.2	4.7	7.5	5.2	6.1	9.1	8.3	0.0	1.3	1.5
Kewal Kiran	21.7	19.7	29.3	38.9	35.8	21.5	8.1	6.7	5.9	26.0	22.9	18.7	1.2	1.3	2.1
KPR Mill	19.5	21.9	23.8	10.4	13.9	10.8	1.9	2.8	2.4	5.8	7.5	6.3	1.9	1.5	2.0
Page Industries	58.0	53.3	50.4	78.1	61.1	49.9	39.6	28.8	22.4	48.5	37.1	30.7	0.5	0.7	0.8
Raymond	7.5	6.6	9.9	24.1	24.8	15.7	1.8	1.6	1.5	9.7	9.3	7.3	0.7	1.0	1.2
RSWM	21.3	22.5	26.2	5.8	6.8	4.9	1.1	1.4	1.2	5.2	4.7	4.0	4.7	4.0	4.8
Siyaram Silk Mills	19.6	18.2	18.5	10.4	10.2	8.5	1.9	1.7	1.5	6.5	6.1	5.4	1.1	1.1	1.3
Vardhman Textiles	12.3	15.2	15.5	8.5	9.0	7.8	1.0	1.3	1.1	4.8	5.1	4.5	2.4	2.0	2.4
Welspun India	42.5	38.0	32.5	6.6	13.3	12.2	2.5	4.5	3.6	4.9	7.3	6.6	3.0	1.9	2.1

Key business comparison – B&K's Textile Universe

Company	Business	Manufacturing location	Exports (% of revenue)	FY15 Revenue (Rs mn)					
				Spinning	Weaving/ Processing	Garments/ Made-ups	Brands/ Distribution/ Retailing	Others	Total
Arvind	Spinning/Weaving/ Knitting/Processing/ Garments/Branded Apparel/Retail & Distribution/Real Estate/ Engineering /Others	Ahmedabad/Gandhinagar/ Bengaluru	26	–	39,050	10,720	23,499	5,245	78,514
Himatsingka Seide	Weaving/ Processing/Made-Ups/Distribution/ Captive Thermal Plant	Hassan/Bengaluru	96	–	1,454	–	17,607	345	19,406
Indo Count Industries	Spinning/Weaving/Processing/Made-ups/ Others	Kolhapur	84	2,691	–	14,488	–	570	17,749
Kewal Kiran	Branded Apparel/Accessories/Retail & Distribution	Dadar/Vapi/Goregaon/Daman	–	–	–	–	3,866	185	4,051
KPR Mill	Spinning/Weaving/Knitting/Processing/ Garments/Sugar/Windmills/Others	Sathyamangalam/ Coimbatore/Tirupur	31	10,260	4,630	5,110	–	5,658	25,658
Page Industries	Branded Apparel/Retail & Distribution/Others	Bengaluru/Hassan/Mysore	–	–	–	–	15,140	291	15,430
Raymond	Weaving/Processing/Garments/ Branded apparel/Retail & Distribution/ Engineering/Personal care products	Thane/Vapi/Bengaluru/ Jalgaon/Chhindwara/ Kolhapur/Yavatmal	26	–	31,287	5,330	10,106	6,603	53,326
RSWM	Spinning/Weaving/Processing/Garments/ Retail & Distribution/Others	Banswara/Mandapam/ Rishabhdev/Ringas/ Kharigram/Bagalur	34	24,812	2,904	48	1,733	537	30,034
Siyaram Silk Mills	Yarn Dyeing/Weaving/Processing/ Branded Apparel/Retail & Distribution/Others	Tarapur/Daman/Silvassa	7	–	11,830	–	2,421	852	15,103
Vardhman Textiles	Spinning/Weaving/ Processing/Garments/ Others	Punjab/MP/HP	38	43,635	20,316	471	–	3,438	67,860
Welspun India	Spinning/Weaving/Made-ups/Distribution/ Captive Thermal Plant/Others	Anjar/Vapi	95	53	–	49,083	2,811	1,078	53,025

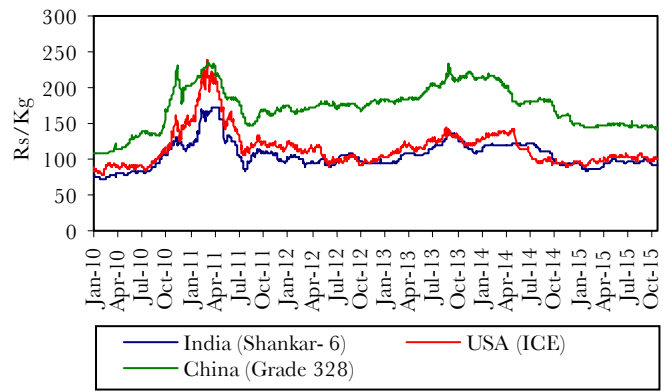
Important variables

Cotton prices and Yarn prices



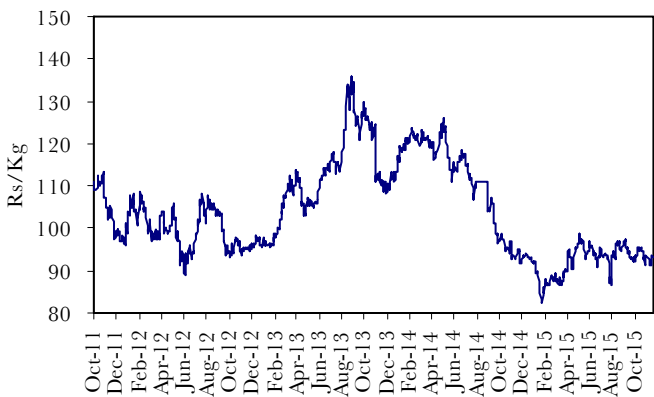
Source: B&K Research

Cotton prices of India, China and USA



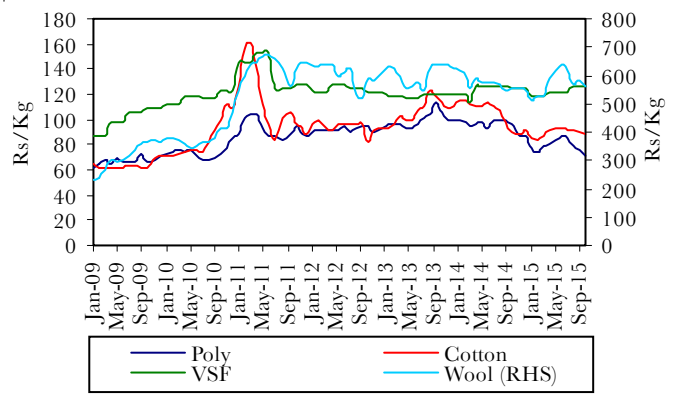
Source: Bloomberg, B&K Research

MCX Cotton 29 mm – Near month futures



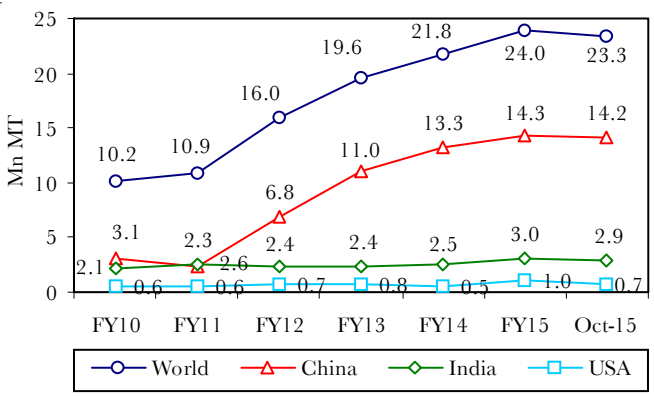
Source: Bloomberg

Cotton, Poly, VSF and Wool price



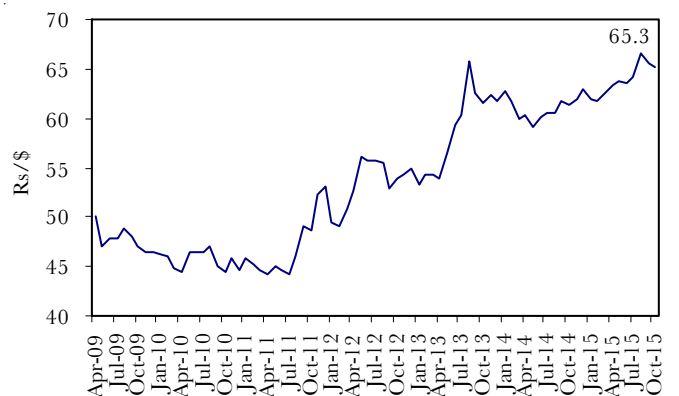
Source: Bloomberg, B&K Research

Global cotton inventory



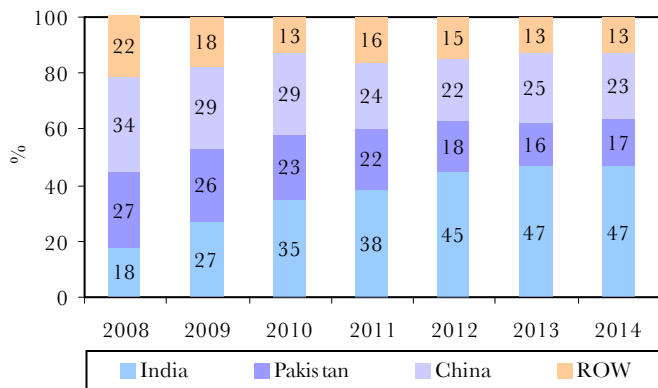
Source: www.cottoninc.com

Rs/US\$ movement

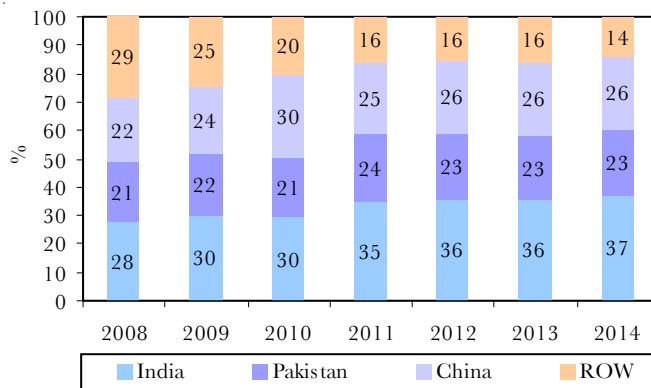


Source: Bloomberg

Bed linen market share (In US imports)

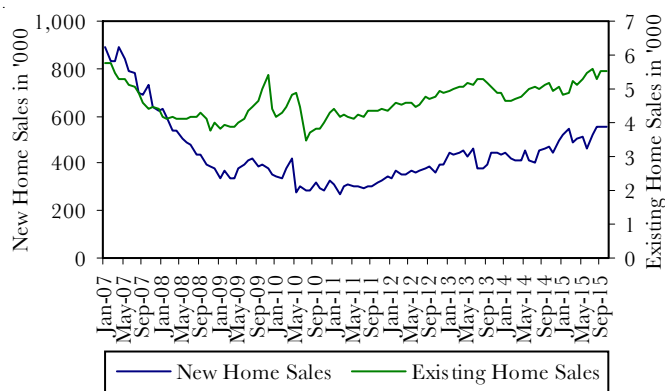


Towels market share (In US imports)

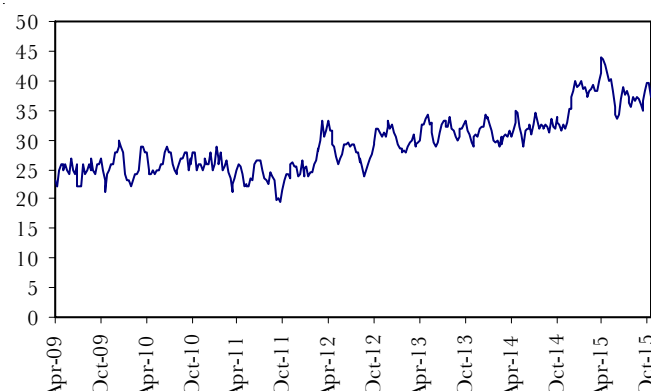


Source: Otexa

US home sales (New and Existing)



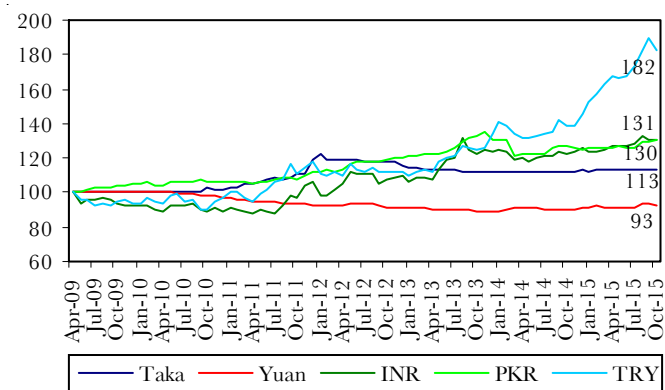
US consumer buying sentiment index



Source: Bloomberg

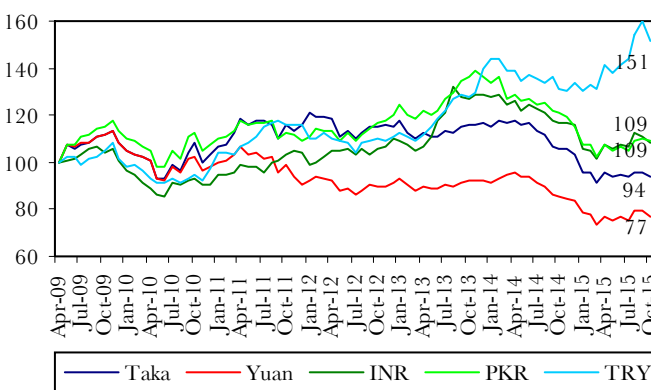
Currency movement – USD terms (Index to 100)

India, Pakistan, Bangladesh, China and Turkey



Currency movement – Euro terms (Index to 100)

India, Pakistan, Bangladesh, China and Turkey



Source: Bloomberg

World cotton production

(millions of metric tonnes)	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 Nov.	(%)
India	5.3	5.9	6.3	6.2	6.7	6.4	6.2	27.0
China	7.0	6.6	7.4	7.6	7.0	6.5	5.4	23.5
United States	2.7	3.9	3.4	3.8	2.8	3.6	2.9	12.6
Pakistan	2.0	1.9	2.3	2.0	2.1	2.3	2.0	8.7
Brazil	1.2	2.0	1.9	1.3	1.7	1.5	1.4	6.1
Uzbekistan	0.8	0.9	0.9	1.0	0.9	0.8	0.8	3.5
Turkey	0.4	0.5	0.7	0.6	0.5	0.7	0.6	2.6
Australia	0.4	0.9	1.2	1.0	0.9	0.5	0.5	2.2
Turkmenistan	0.3	0.4	0.3	0.3	0.3	0.3	0.3	1.3
Burkina	0.2	0.1	0.2	0.3	0.3	0.3	0.3	1.3
Greece	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.9
Mali	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.9
Mexico	0.0	0.2	0.3	0.2	0.2	0.3	0.2	0.9
Argentina	0.2	0.3	0.2	0.2	0.3	0.2	–	–
Rest of World	1.6	1.8	2.2	2.1	1.9	2.1	1.9	8.3
African Franc Zone	0.5	0.5	0.6	0.9	0.9	1.0	1.0	4.3
EU-27	0.2	0.3	0.3	0.3	0.3	0.4	0.3	1.3
World	22.4	25.5	27.6	26.8	25.8	25.9	23.0	100

Source: www.cottoninc.com

World cotton consumption

(millions of metric tonnes)	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 Nov.	(%)
China	10.9	10.0	8.3	7.8	7.5	7.6	7.2	29.6
India	4.3	4.5	4.2	4.7	5.1	5.3	5.6	23.0
Pakistan	2.3	2.2	2.2	2.4	2.3	2.3	2.2	9.1
Turkey	1.3	1.2	1.2	1.3	1.4	1.4	1.4	5.8
Bangladesh	0.8	0.8	0.7	0.8	0.9	1.0	1.2	4.9
Vietnam	0.3	0.4	0.4	0.5	0.7	0.8	1.0	4.1
United States	0.8	0.8	0.7	0.8	0.8	0.8	0.8	3.3
Brazil	1.0	0.9	0.9	0.9	0.9	0.8	0.7	2.9
Indonesia	0.5	0.5	0.5	0.6	0.6	0.7	0.7	2.9
Mexico	0.4	0.4	0.4	0.4	0.4	0.4	0.4	1.6
Thailand	0.4	0.4	0.3	0.3	0.3	0.3	0.3	1.2
Uzbekistan	0.2	0.3	0.3	0.3	0.3	0.3	0.3	1.2
South Korea	0.2	0.2	0.2	0.3	0.3	0.3	0.3	1.2
Rest of World	2.4	2.3	2.1	2.1	2.1	2.1	2.1	8.6
African Franc Zone	–	–	–	–	–	–	–	–
EU-27	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.8
World Total	25.9	24.9	22.4	23.2	23.5	24.3	24.3	100

Source: www.cottoninc.com

World cotton balance sheet

(millions of metric tonnes)	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 Nov.
Beginning Stocks	13.5	10.2	10.9	16.0	19.6	22.3	24.4
Production	22.4	25.5	27.6	26.8	25.8	25.9	23.0
Supply	35.9	35.7	38.5	42.8	45.4	48.2	47.7
Consumption	25.9	24.9	22.4	23.2	23.5	24.2	24.3
Ending Stocks	10.2	10.9	16.0	19.6	21.8	24.0	23.1
Stocks/Use Ratio	39.6	44.0	71.3	84.3	92.9	98.7	95.1

Source: www.cottoninc.com

China cotton balance sheet

(millions of metric tonnes)	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 Nov.
Beginning Stocks	4.7	3.1	2.3	6.8	11.0	13.7	14.8
Production	7.0	6.6	7.4	7.6	7.0	6.5	5.4
Imports	2.4	2.6	5.3	4.4	3.1	1.7	1.3
Supply	14.0	12.4	15.1	18.8	21.0	21.9	21.5
Mill-Use	10.9	10.0	8.3	7.8	7.5	7.6	7.2
Exports	–	–	–	–	–	–	–
Demand	10.9	10.0	8.3	7.8	7.5	7.6	7.2
Ending Stocks	3.1	2.3	6.8	11.0	13.3	14.3	14.3
Stocks/Use Ratio	28.0	23.0	82.0	140.0	179.0	187.1	197.2

Source: www.cottoninc.com

India cotton balance sheet

(millions of metric tonnes)	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 Nov.
Beginning Stocks	2.4	2.1	2.6	2.4	2.6	2.5	2.9
Production	5.3	5.9	6.3	6.2	6.7	6.4	6.2
Imports	0.1	0.1	0.1	0.3	0.2	0.3	0.2
Supply	7.8	8.1	9.0	8.8	9.5	9.2	9.3
Mill-Use	4.3	4.5	4.2	4.8	5.1	5.3	5.6
Exports	1.4	1.1	2.4	1.7	2.0	0.9	1.0
Demand	5.7	5.6	6.6	6.4	7.1	6.2	6.5
Ending Stocks	2.1	2.6	2.4	2.4	2.5	3.0	2.8
Stocks/Use Ratio	37.0	46.0	36.0	40.0	34.0	47.8	43.4

Source: www.cottoninc.com

Cotton production scenario

Name of the state	2015-16*		2014-15*		2013-14		2012-13		2011-12		2010-11		2009-10		2008-09	
	Area#	Prod.@	Area#	Prod.@	Area#	Prod.@	Area#	Prod.@	Area#	Prod.@	Area#	Prod.@	Area#	Prod.@	Area#	Prod.@
Northern Zone	14.4	46	15.5	50	13.8	59	15.4	64	16.7	64	13.6	46	14.6	40	12.9	39
Gujarat	27.6	105	30.1	108	25.2	124	25.0	93	29.6	122	26.3	106	26.3	98	23.5	90
Maharashtra	38.2	80	41.9	78	41.9	84	41.5	81	41.3	76	39.4	88	35.0	66	31.4	62
Madhya Pradesh	5.5	18	5.7	18	5.1	19	6.1	19	7.1	18	6.5	18	6.1	15	6.3	18
Central Zone	71.3	203	77.8	204	72.3	227	72.5	193	77.9	216	72.3	212	67.4	179	61.2	170
Telangana	16.9	59	17.2	57	–	–	–	–	–	–	–	–	–	–	–	–
Andhra Pradesh	6.6	23	8.2	27	23.9	78	24.0	84	18.8	60	18.8	60	14.8	55	14.0	53
Southern Zone	30.4	111	36.0	121	32.0	106	30.1	107	25.7	82	25.5	78	20.3	72	19.2	67
Orissa	1.3	3	1.3	4	1.2	4	1.2	4	1.0	4	0.7	2	0.5	1	0.6	1.5
Others	0.2	2	0.3	2	0.3	2	0.5	2	0.5	2	0.3	2	0.2	1	0.3	0.5
Total	117.6	365	130.8	380	119.6	398	119.8	370	121.8	367	112.4	339	103.1	293	94.1	278

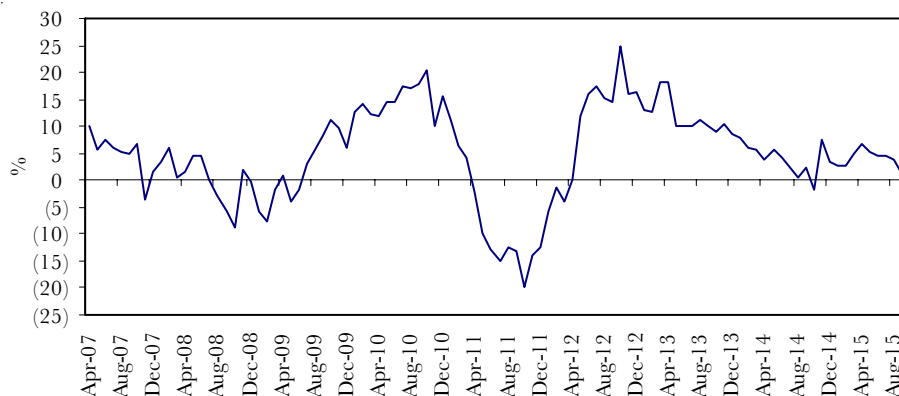
Note: P – Provisional. Period defined as starting from October and ending in September.

*As estimated by CAB in its meeting held on 03.11.2015

#Area in Lakh hectares

@Production in lakh bales of 170 kgs each

Cotton yarn production (% growth YoY)



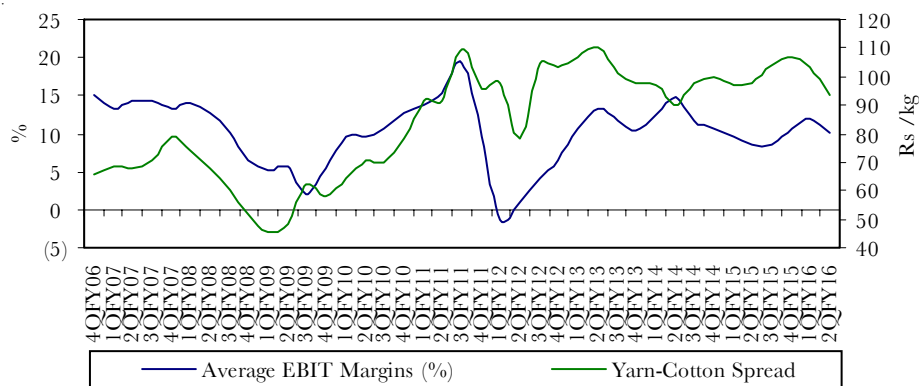
Source: www.txcindia.gov.in

Exports of cotton-based products

(US\$ bn)	1HFY15	1HFY16	YoY (%)
Cotton Yarn	4.63	4.46	(3.7)
Cotton Fabrics and Made-ups	1.84	1.88	2.2
Cotton Readymade garments	2.79	2.67	(4.3)

Note: Cotton prices have corrected by ~10 YoY and Rupee depreciated by ~5% YoY

Performance of spinning players – 2QFY16



Source: Company, B&K Research

Performance of Branded Apparel players – 2QFY16

	2QFY16	2QFY15	YoY (%)	1QFY16	QoQ (%)
Revenue (Rs mn)					
Arvind Brands & Retail	7,029	6,447	9.0	5,271	33.4
Indian Terrain Fashions	960	1,036	(7.3)	563	70.6
Madura Garments	10,839	10,168	6.6	8,369	29.5
Kewal Kiran Clothing	1,411	1,291	9.3	912	54.6
Zodiac Clothing	816	913	(10.6)	823	(0.8)
Provogue	1,317	1,465	(10.1)	1,233	6.8
Raymond	3,334	2,925	14.0	2,106	58.3
EBIT (Rs mn)					
Arvind Brands & Retail	252	156	62.1	(71)	–
Indian Terrain Fashions	130	110	18.6	68	90.3
Madura Garments	1,308	1,511	(13.4)	501	161.3
Kewal Kiran Clothing	372	375	(0.8)	181	105.2
Zodiac Clothing	(3)	32	–	(44)	–
Provogue	(403)	(137)	–	(20)	–
Raymond	(91)	141	–	(105)	–
EBIT margin (%)					
			YoY (bps)		QoQ (bps)
Arvind Brands & Retail	3.6	2.4	118	(1.3)	493
Indian Terrain Fashions	13.5	10.6	296	12.1	141
Madura Garments	12.1	14.9	(279)	6.0	609
Kewal Kiran Clothing	26.3	29.0	(267)	19.8	650
Zodiac Clothing	(0.4)	3.5	(393)	(5.3)	490
Provogue	(30.6)	(9.3)	(2,124)	(1.6)	(2,897)
Raymond	(2.7)	4.8	(757)	(5.0)	224

Performance of Branded Innerwear players – 2QFY16

	2QFY16	2QFY15	YoY (%)	1QFY16	QoQ (%)
Revenue (Rs mn)					
Page Industries	4,614	3,969	16.2	4,465	3.3
Rupa and Co.	2,698	2,586	4.3	2,084	29.5
Maxwell Industries	497	674	(26.3)	580	(14.4)
Lovable	481	461	4.4	655	(26.6)
Ashapura Intimates	519	–	–	500	3.8
EBITDA (Rs mn)					
Page Industries	1,014	749	35.3	1,014	(0.1)
Rupa and Co.	348	342	1.7	312	11.4
Maxwell Industries	2	58	(97.0)	58	(97.0)
Lovable	75	72	4.4	118	(36.9)
Ashapura Intimates	76	–	–	65	17.4
EBITDA margin (%)			YoY (bps)		QoQ (bps)
Page Industries	22.0	18.9	309	22.7	(74)
Rupa and Co.	12.9	13.2	(33)	15.0	(209)
Maxwell Industries	0.3	8.6	(826)	9.9	(959)
Lovable	15.6	15.5	1	18.1	(252)
Ashapura Intimates	14.7	–	–	13.0	171

MID CAP

Share Data

Price (Rs)	304
BSE Sensex	25,959
Reuters code	ARVN.BO
Bloomberg code	ARVND IN
Market cap. (US\$ mn)	1,181
6M avg. daily turnover (US\$ mn)	8.9
Issued shares (mn)	258
Target price (Rs)	390

Performance (%)	1M	3M	12M
Absolute	9	18	8
Relative	15	17	18

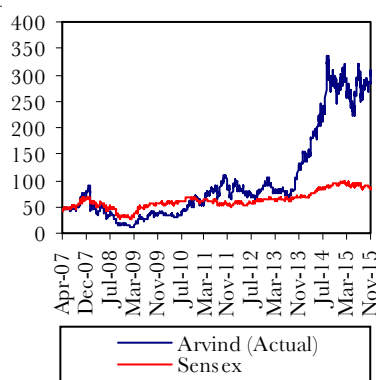
Valuation Ratios (Consolidated)

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	15.3	19.7	24.6
+/- (%)	(0.3)	28.6	25.1
PER (x)	19.9	15.5	12.4
PBV (x)	2.7	2.3	1.9
Dividend/Yield (%)	1.0	1.2	1.4
EV/EBITDA (x)	10.4	8.7	7.6

Major shareholders (%)

Promoters	44
FII's	15
MF's	10
BFSS's	6
Public & Others	25

Relative performance



Arvind

Maintain BUY

Muted 1HFY16; expecting improved 2HFY16

Branded apparel portfolio – Mixed bag

Branded apparel revenue for 2QFY16 grew moderately by 9% YoY, primarily because of negative 20% growth in Megamart (because of significant store closures during the last one year and lower than optimal efficiency of newly opened stores) while supported by strong growth in power brands which grew at 17% YoY. EBITDA margin improved by 140 bps YoY to 6.7% largely supported by strong 400 bps improvement in power brands which touched all time high margin of 14.3% (aided by operating leverage and higher full price sales) while Megamart and other brands continue to put pressure on margins which stood at -7.3% and -5.8%, respectively.

Textile segment – Muted performance

2QFY16 textile segment revenue grew moderately at 5.2% YoY with flat growth in both the large businesses (denim and wovens) while supported by strong 29% YoY growth in garment business (ramp-up of new capacities commissioned last year). EBITDA margin fell marginally by 60 bps and stood at 17.2% impacted mainly due to lower utilisation of wovens fabrics. The management expects the growth to remain soft during 2H while margins may see marginal improvement.

Higher tax rate eats into profit growth

Consolidated tax rate during the quarter stood at 29.5% as compared to 20.2% during the same quarter last year. Thus, despite 15% YoY growth in PBT, adjusted PAT growth fell by 2% YoY.

Strong launches in 2HFY16 in the branded apparel business

During 2HFY16, the company is expected to expand its distribution presence in most of its new brands. 1st store of Aeropostale launched during November and few more stores expected by the end of March 2016. Launched 3 stores of GAP in 3Q and expecting 3 more stores by year end. TCP getting rolled as SIS within Shoppers Stop. E-commerce site and mobile app expected to be launched during 4QFY16.

Outlook and valuation

The first half performance of the company remained muted both on revenue and operating profitability front mainly because of subdued domestic demand environment. Moreover, higher tax rate (30.1% in 1HFY16 versus 16.5% in 1HFY15) also impacted the net profit. We believe the second half (especially 3Q) should be much better as compared to last year supported by higher revenue growth in branded apparel segment resulting in economies of scale and better margins. We believe that the increasing integration in textile segment through expansion in garmenting business will aid the return ratios and improve serviceability ratio of the segment. In the branded apparel segment, we feel that the company has multiple levers through which it has a potential to grow its revenue at 25%+ for the next five-seven years and with increasing number of brands scaling up (non-power brands portfolio), the margins are also expected to gradually improve. We maintain our Buy rating on the stock with a target price of Rs 390/share.

Arvind

Income Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Revenue	78,514	85,425	101,384	118,377
Growth (%)	14.4	8.8	18.7	16.8
Operating expenses	(68,157)	(74,456)	(88,070)	(102,794)
Operating profit	10,357	10,970	13,314	15,583
EBITDA	10,357	10,970	13,314	15,583
Growth (%)	10.9	5.9	21.4	17.0
Depreciation	(2,124)	(2,496)	(2,793)	(3,070)
Other income	932	950	900	900
EBIT	9,165	9,423	11,420	13,413
Finance Cost	(4,162)	(3,922)	(4,159)	(4,331)
Exceptional & Extraordinary	(543)	(70)	0	0
Profit before tax	4,460	5,431	7,262	9,081
Tax (current + deferred)	(1,072)	(1,548)	(2,178)	(2,724)
P/(L) for the period	3,389	3,883	5,083	6,357
P/L of Associates, Min Int, Pref Div	35	0	0	0
Reported Profit/(Loss)	3,424	3,883	5,083	6,357
Adjusted Net profit	3,967	3,953	5,083	6,357
Growth (%)	7.1	(0.3)	28.6	25.1

Balance Sheet (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share Capital	2,582	2,582	2,582	2,582
Reserves & surplus	24,656	29,758	34,479	40,579
Shareholders' funds	27,239	32,341	37,061	43,162
Minority Int, Share Appl, Pref Capital	348	348	348	348
Non-Current Liabilities	14,947	15,923	16,126	16,355
Long-term borrowings	13,941	14,809	14,884	14,959
Other Long term liab, Prov, DTL	1,006	1,113	1,242	1,396
Current liabilities	37,223	35,376	41,737	46,118
Short-term borrowings, Curr Maturity	21,526	21,826	23,275	26,000
Other Current Liab + Provi	15,697	13,550	18,462	20,118
Total (Equity and Liab.)	79,756	83,987	95,272	105,983
Non-current assets	39,842	42,790	46,090	49,221
Fixed assets (Net block)	33,082	35,531	38,237	40,667
Non-current Investments	571	569	569	569
Long-term loans and advances	6,104	6,606	7,199	7,900
Other non-current assets, DTA, Goodwill	85	85	85	85
Current assets	39,914	41,197	49,182	56,762
Cash & Current Investment	847	667	1,120	597
Other current assets	39,066	40,529	48,062	56,165
Total (Assets)	79,756	83,987	95,272	105,983
Total Debt	35,467	36,635	38,160	40,959
Capital Employed	64,059	70,437	76,810	85,865

Cash Flow Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before Tax	4,460	5,431	7,262	9,081
Depreciation	2,124	2,496	2,793	3,070
Change in working capital	(4,200)	(4,199)	(3,347)	(7,308)
Total tax paid	(1,036)	(1,548)	(2,178)	(2,724)
Others	4,162	3,922	4,159	4,331
Cash flow from oper. (a)	5,510	6,103	8,688	6,450
Capital expenditure	(4,990)	(4,945)	(5,500)	(5,500)
Change in investments	708	3	0	0
Others	(31)	0	0	0
Cash flow from inv. (b)	(4,314)	(4,942)	(5,500)	(5,500)
Free cash flow (a+b)	1,196	1,161	3,188	950
Equity raised/(repaid)	5	0	0	0
Debt raised/(repaid)	3,797	1,169	1,524	2,800
Dividend (incl. tax)	(710)	(790)	(918)	(1,102)
Others	(5,118)	(1,720)	(3,341)	(3,171)
Cash flow from fin. (c)	(2,026)	(1,341)	(2,735)	(1,473)
Net chg in cash (a+b+c)	(830)	(180)	453	(523)

Key Ratios (Consolidated)

Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	15.4	15.3	19.7	24.6
Growth	7.1	(0.3)	28.6	25.1
CEPS (Rs)	23.6	25.0	30.5	36.5
Book NAV/share (Rs)	95.1	114.8	133.1	156.7
Dividend/share (Rs)	2.5	3.1	3.7	4.4
Dividend payout ratio	23.1	23.6	21.7	20.8
EBITDA margin	13.2	12.8	13.1	13.2
EBIT margin	11.7	11.0	11.3	11.3
Tax Rate	21.4	28.1	30.0	30.0
RoCE	14.9	14.0	15.5	16.5
Net debt/Equity (x)	1.3	1.1	1.0	0.9
Net Debt/EBITDA (x)	3.3	3.3	2.8	2.6
Du Pont Analysis - ROE				
Net margin	5.1	4.6	5.0	5.4
Asset turnover (x)	1.0	1.0	1.1	1.2
Leverage factor (x)	3.2	3.0	2.8	2.7
Return on equity	16.7	14.6	15.9	17.0

Valuations (Consolidated)

Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	17.0	19.9	15.5	12.4
PCE	11.1	12.2	10.0	8.3
Price/Book	2.8	2.7	2.3	1.9
Yield (%)	1.0	1.0	1.2	1.4
EV/EBITDA	9.9	10.4	8.7	7.6

MID CAP

Himatsingka Seide

Maintain BUY

Share Data

Price (Rs)	216
BSE Sensex	25,959
Reuters code	HMSD.BO
Bloomberg code	HSS IN
Market cap. (US\$ mn)	320
6M avg. daily turnover (US\$ mn)	3.3
Issued shares (mn)	98
Target price (Rs)	303

Performance (%) 1M 3M 12M

Absolute	1	33	149
Relative	7	31	172

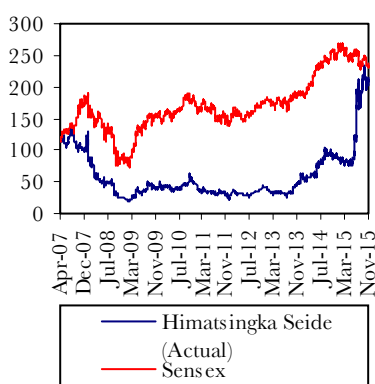
Valuation Ratios (Consolidated)

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	17.5	23.0	28.1
+/- (%)	74.1	31.9	21.8
PER (x)	12.4	9.4	7.7
PBV (x)	2.3	1.9	1.6
Dividend/Yield (%)	1.4	1.9	2.3
EV/EBITDA (x)	9.3	8.1	6.5

Major shareholders (%)

Promoters	57
FII's	5
MF's	8
Public & Others	30

Relative performance



Strong 1HFY16; expecting stable 2HFY16

Manufacturing segment – Another strong performance

Manufacturing segment revenue grew marginally and stood at Rs 2.6 bn, up 5.5% YoY. Profitability continues to remain strong repeating the 1Q performance with a margin of 24.4% on the back of better gross margin. It expects the similar performance to continue in the remaining half given the healthy order book, depreciated rupee and soft raw material prices.

Distribution segment – Muted performance

Distribution segment revenue remained soft and stood at Rs 4.9 bn, up 3.7% YoY, as the company is currently in the phase of building its brand portfolio. The EBTIDA of the segment improved by ~52% YoY on a lower base at ~3% margin and expected to reach mid single digit over the next two years. It expects the brand business to be ~Rs 8 bn in FY16E and grow to Rs 12 bn by FY18E. It currently has seven matured brands which are growing at nominal rate while the recently licenced brands (~5) are expected to drive the overall growth of the branded portfolio over the next few years.

Capex starts rolling; sheeting capacity to double by 1QFY17

The Rs 12.8 bn manufacturing capex is spread over three years with brownfield sheeting expansion to start contributing to revenue from 2QFY17 while spinning and terry towels capacities will start contributing to revenue from FY18 and FY19, respectively. It expects the first phase of its capex (~Rs 2 bn) to double the sheeting capacity by June 2016 which will ramp-up gradually during FY17E. It expects margin improvement post this brownfield capex mainly on account of operating leverage.

Outlook and valuation

We believe that the new manufacturing capex is significantly positive for HSS given that the company has strong front end distribution and retail business which substantially reduces the risk associated with capacity utilisation. This capex will not only result in better profitability but also aid in earning stable and consistent profits due to higher level of integration. We also feel that with growing revenue from branded portfolio, the company is well positioned to retain some of the benefits derived from depreciated rupee and softer raw material prices which are typically passed on to the retailers through price revisions in case of private label business. We believe that HSS is stable and long-term story to play Indian Home Textile export theme.

We maintain our Buy rating on the stock with a target price of Rs 303 based on 8x FY18E EV/EBTIDA. It is important to note that the net debt figure of FY18E includes the debt related to terry towels plant which is expected to generate revenue and profits from FY19E and we have not yet incorporated the probable duty draw-back benefit in case if the existing manufacturing location gets de-notified out of SEZ, which provides an upside risk of ~Rs 50/share.

Himatsingka Seide

Income Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Revenue	19,406	20,617	22,801	24,748
<i>Growth (%)</i>	<i>(4.3)</i>	<i>6.2</i>	<i>10.6</i>	<i>8.5</i>
Operating expenses	(17,261)	(17,484)	(18,605)	(19,180)
Operating profit	2,145	3,134	4,195	5,568
EBITDA	2,145	3,134	4,195	5,568
<i>Growth (%)</i>	<i>7.2</i>	<i>46.1</i>	<i>33.9</i>	<i>32.7</i>
Depreciation	(446)	(441)	(626)	(1,061)
Other income	70	60	70	70
EBIT	1,769	2,753	3,639	4,577
Finance cost	(854)	(894)	(1,031)	(1,101)
Profit before tax	914	1,859	2,608	3,476
Tax (current + deferred)	64	(139)	(339)	(713)
P/(L) for the period	978	1,720	2,269	2,764
P/L of Associates, Min Int, Pref Div	9	0	0	0
Reported Profit/(Loss)	988	1,720	2,269	2,764
Adjusted net profit	988	1,720	2,269	2,764
<i>Growth (%)</i>	<i>46.2</i>	<i>74.1</i>	<i>31.9</i>	<i>21.8</i>

Balance Sheet (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share capital	492	492	492	492
Reserves & surplus	7,557	8,723	10,531	12,719
Shareholders' funds	8,049	9,215	11,023	13,211
Non-current liabilities	3,810	3,760	9,316	12,322
Long-term borrowings	3,552	3,702	9,252	12,252
Other non-current liabilities	258	59	64	71
Current liabilities	7,457	8,322	7,768	6,757
ST borrowings, Curr maturity	4,011	4,561	3,928	2,856
Other current liabilities	3,445	3,761	3,840	3,901
Total (Equity and Liab.)	19,315	21,297	28,108	32,290
Non-current assets	11,829	12,656	18,217	22,171
Fixed assets (Net block)	4,650	5,546	11,669	15,608
Non-current Investments	2	2	2	2
Long-term loans and advances	771	712	150	165
Other non-current assets	6,407	6,396	6,396	6,396
Current assets	7,487	8,642	9,890	10,119
Cash & current investment	264	389	379	395
Other current assets	7,223	8,253	9,512	9,725
Total (Assets)	19,315	21,297	28,108	32,290
Total debt	7,563	8,263	13,180	15,108
Capital employed	15,870	17,537	24,267	28,389

Cash Flow Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before tax	914	1,859	2,608	3,476
Depreciation	446	441	626	1,061
Change in working capital	(2)	(841)	(736)	(286)
Total tax paid	37	(268)	(339)	(713)
Others	854	894	1,031	1,101
Cash flow from oper. (a)	2,250	2,086	3,190	4,640
Capital expenditure	(560)	(1,337)	(6,750)	(5,000)
Cash flow from inv. (b)	(559)	(1,337)	(6,750)	(5,000)
Free cash flow (a+b)	1,691	749	(3,560)	(360)
Debt raised/(repaid)	(484)	700	4,917	1,928
Dividend (incl. tax)	(173)	(227)	(342)	(457)
Others	(1,036)	(1,097)	(1,026)	(1,095)
Cash flow from fin. (c)	(1,693)	(624)	3,549	376
Net chg in cash (a+b+c)	(2)	125	(10)	16

Key Ratios (Consolidated)				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	10.0	17.5	23.0	28.1
Growth	46.2	74.1	31.9	21.8
CEPS (Rs)	14.6	21.9	29.4	38.8
Book NAV/share (Rs)	81.8	93.6	112.0	134.2
Dividend/share (Rs)	2.0	3.0	4.0	5.0
Dividend payout ratio	24.1	20.1	20.3	20.8
EBITDA margin	11.1	15.2	18.4	22.5
EBIT margin	9.1	13.4	16.0	18.5
Tax rate	(7.0)	7.5	13.0	20.5
RoCE	11.3	16.5	17.4	17.4
Net debt/Equity (x)	0.9	0.9	1.2	1.1
Net debt/EBITDA (x)	3.4	2.5	3.1	2.6
Du Pont Analysis - ROE				
Net margin	5.1	8.3	10.0	11.2
Asset turnover (x)	1.0	1.0	0.9	0.8
Leverage factor (x)	2.5	2.4	2.4	2.5
Return on equity	12.7	19.9	22.4	22.8

Valuations (Consolidated)				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	8.0	12.4	9.4	7.7
PCE	5.5	9.8	7.4	5.6
Price/Book	1.0	2.3	1.9	1.6
Yield (%)	2.5	1.4	1.9	2.3
EV/EBITDA	7.1	9.3	8.1	6.5

MID CAP

Share Data

Price (Rs)	958
BSE Sensex	25,959
Reuters code	ICNT.BO
Bloomberg code	ICNT IN
Market cap. (US\$ mn)	568
6M avg. daily turnover (US\$ mn)	1.1
Issued shares (mn)	39
Target price (Rs)	1,238

Performance (%) 1M 3M 12M

Absolute	2	12	191
Relative	8	11	218

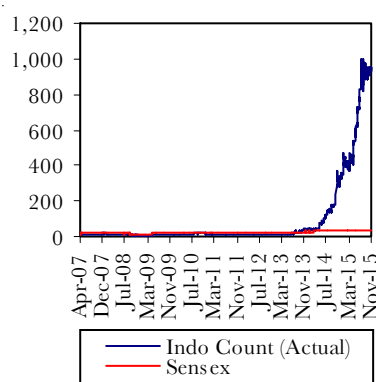
Valuation Ratios (Consolidated)

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	63.7	72.4	87.3
+/- (%)	46.8	13.7	20.7
PER (x)	15.0	13.2	11.0
PBV (x)	7.5	5.2	3.8
Dividend/Yield (%)	1.3	1.5	1.8
EV/EBITDA (x)	9.1	8.3	7.0

Major shareholders (%)

Promoters	59
FII's	8
MF's	2
Public & Others	31

Relative performance



Indo Count Industries

Maintain BUY

Growing consistently

Strong volume led growth; announced 1st interim dividend

Standalone revenue grew 22% YoY to Rs 5.8 bn driven by strong volume growth. EBITDA stood at Rs 1.24 bn, up 56%/20% on YoY/QoQ. EBITDA margin improved by 470 bps on YoY basis to 21.4% supported by higher mix of valued-added products, soft raw material prices and depreciated rupee. PAT stood at Rs 659 mn, up 55%/19% on YoY/QoQ on a higher tax rate of 37%. The board declared first interim dividend of Re 1/share for FY16 after a gap of 14 years.

Expect healthy volume led growth and stable margins

The incremental capacity of 23 mn meters commissioned in FY15 is ramping-up gradually. It is currently running at ~50% utilisation level which is expected to reach ~100% utilisation level by end of FY17. To support growth beyond FY17, ICNT has announced brownfield expansion of 22 mn meters with a capex of Rs 800 mn which is expected to be commissioned by December 2016. Addition in customer base, addition in product portfolio, expanding geographical presence and increase in institutional business will drive growth. On the operating margins, it expects to earn stable margin between 21-23%.

Capex on utilities, automation and backward integration will aid in earning sustainable profits; investment to grow domestic business

Out of the total capex of Rs 4.75 bn, ~Rs 4 bn (Rs 500 mn capex on upgrading the ETP facility, Rs 400 mn capex on automation of made up facility and ~Rs 3 bn capex on backward integrating the weaving facility) is to be spent on creating infrastructure which will aid in earning sustainable profits. These expenditures are mostly incurred to provide support to the business from various perspective like complying with pollution control board (ETP), control on employee strength (Automation) and flexibility in supply chain (Backward integration). The capex on ETP and Automation is expected to be completed over the next one year while the capex related to backward integration is expected to be completed gradually over the next two-three years. In addition to these expenditures, Indo Count Industries (ICNT) is also planning to invest Rs 250 mn to increase its domestic presence in branded home textile market over the next two-three years.

Outlook and valuation

New capacity, product portfolio expansion, geographical expansion, improving client mix and gradual steps into e-tailing and domestic market are the multiple growth drivers going forward. ICNT's ability to efficiently source its raw-material is helping it grow in an asset light way. Ramping up of capacity, softer raw material prices and depreciated rupee will aid in maintaining healthy margins over medium to short-term. We maintain our Buy rating on the stock with a revised target price of Rs 1,238/share (based on 10x FY17E EV/EBITDA).

Indo Count Industries

Income Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Net sales	17,749	21,890	26,006	30,979
<i>Growth (%)</i>	19.2	23.3	18.8	19.1
Operating expenses	(14,681)	(17,350)	(20,949)	(24,892)
Operating profit	3,068	4,540	5,057	6,087
EBITDA	3,068	4,540	5,057	6,087
<i>Growth (%)</i>	70.0	48.0	11.4	20.4
Depreciation	(160)	(233)	(359)	(557)
Other income	30	60	100	120
EBIT	2,939	4,368	4,798	5,650
Finance cost	(612)	(498)	(531)	(577)
Exceptional & extraordinary	(257)	0	0	0
Profit before tax	2,069	3,869	4,267	5,072
Tax (current + deferred)	(611)	(1,354)	(1,408)	(1,623)
P/(L) for the period	1,459	2,515	2,859	3,449
P/L of Associates, Min Int, Pref Div	(3)	(1)	(1)	(1)
Reported Profit/(Loss)	1,455	2,514	2,858	3,448
Adjusted net profit	1,713	2,514	2,858	3,448
<i>Growth (%)</i>	55.9	46.8	13.7	20.7

Balance Sheet (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share capital	395	395	395	395
Reserves & surplus	3,819	5,604	7,650	10,143
Shareholders' funds	4,214	5,999	8,045	10,538
Minority Interest and others	82	82	82	82
Non-current liabilities	1,064	1,665	2,672	4,070
Long-term borrowings	672	1,233	2,197	3,547
Other non-current liabilities	393	432	475	523
Current liabilities	7,059	7,391	8,015	8,273
ST borrowings, Curr maturity	3,762	3,220	3,143	2,645
Other current liabilities	3,297	4,171	4,872	5,628
Total (Equity and Liab.)	12,419	15,136	18,814	22,963
Non-current assets	4,146	4,721	6,271	8,128
Fixed assets (Net block)	4,024	4,576	6,098	7,921
Long-term loans and advances	116	140	167	201
Other non-current assets	6	6	6	6
Current assets	8,273	10,415	12,543	14,835
Cash & current investment	508	786	1,100	1,369
Other current assets	7,765	9,629	11,444	13,466
Total (Assets)	12,419	15,136	18,814	22,963
Total debt	4,434	4,453	5,340	6,192
Capital employed	9,122	10,965	13,942	17,334

Cash Flow Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before tax	2,069	3,869	4,267	5,072
Depreciation	160	233	359	557
Change in working capital	(1,094)	(1,011)	(1,139)	(1,297)
Total tax paid	(109)	(1,317)	(1,367)	(1,578)
Others	612	498	531	577
Cash flow from oper. (a)	1,638	2,272	2,651	3,332
Capital expenditure	(843)	(904)	(2,000)	(2,500)
Cash flow from inv. (b)	(843)	(904)	(2,000)	(2,500)
Free cash flow (a+b)	794	1,368	651	832
Equity raised/(repaid)	37	0	0	0
Debt raised/(repaid)	26	19	888	852
Dividend (incl. tax)	0	(609)	(692)	(835)
Others	(663)	(500)	(533)	(579)
Cash flow from fin. (c)	(600)	(1,090)	(337)	(562)
Net chg in cash (a+b+c)	195	278	313	269

Key Ratios (Consolidated)				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	43.4	63.7	72.4	87.3
Growth	40.1	46.8	13.7	20.7
CEPS (Rs)	47.4	69.6	81.5	101.4
Book NAV/share (Rs)	79.8	128.1	182.9	249.1
Dividend/share (Rs)	0.0	12.7	14.5	17.5
Dividend payout ratio	0.0	24.2	24.2	24.2
EBITDA margin	17.3	20.7	19.4	19.6
EBIT margin	16.6	20.0	18.5	18.2
Tax rate	26.2	35.0	33.0	32.0
RoCE	35.6	43.5	38.5	36.1
Net debt/Equity (x)	0.9	0.6	0.5	0.5
Net Debt/EBITDA (x)	1.3	0.8	0.8	0.8
Du Pont Analysis - ROE				
Net margin	9.7	11.5	11.0	11.1
Asset turnover (x)	1.6	1.6	1.5	1.5
Leverage factor (x)	4.7	3.4	2.8	2.4
Return on equity	70.8	61.2	46.5	40.4

Valuations (Consolidated)				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	8.7	15.0	13.2	11.0
PCE	8.0	13.8	11.8	9.4
Price/Book	4.7	7.5	5.2	3.8
Yield (%)	0.0	1.3	1.5	1.8
EV/EBITDA	6.1	9.1	8.3	7.0

MID CAP

Kewal Kiran Clothing

Upgrade to Underperformer

Share Data

Price (Rs)	1,917
BSE Sensex	25,959
Reuters code	KKCLBO
Bloomberg code	KEKCIN
Market cap. (US\$ mn)	355
6M avg. daily turnover (US\$ mn)	0.1
Issued shares (mn)	12
Target price (Rs)	1,680

Performance (%)	1M	3M	12M
Absolute	(9)	(11)	10
Relative	(4)	(12)	20

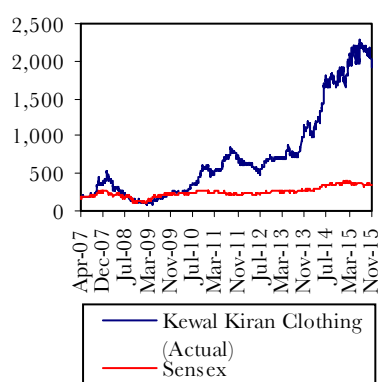
Valuation Ratios

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	53.5	89.3	78.7
+/- (%)	(0.5)	66.9	(11.8)
PER (x)	35.8	21.5	24.4
PBV (x)	6.7	5.9	5.3
Dividend/Yield (%)	1.3	2.1	1.8
EV/EBITDA (x)	22.9	18.7	15.9

Major shareholders (%)

Promoters	74
FII's	12
MF's	9
Public & Others	5

Relative performance



Slower growth; rich valuations

Another weak quarter

Revenue grew by 9.5% to Rs 1.4 bn supported by volume growth (9.4% YoY). EBITDA stood at Rs 376 mn, a modest 5.3% YoY growth. EBITDA margins fell by 110 bps YoY to 26.5% affected by higher expenses (administration, manufacturing and higher provisioning to support end of season sales) while lower selling & distribution expenses aided margins. Adjusted PAT stood at Rs 241 mn, flat on YoY basis partially impacted by lower other income.

Weak demand scenario to impact 2HFY16 performance

The overall demand environment remains weak. The demand scenario is more pronounced in tier II towns in general where the company has higher presence. We expect Kewal Kiran Clothing's (KEKC) revenue growth to be ~10% during 2HFY16. Interestingly, opening of 42 new stores (highest ever) is currently underway which is expected to provide support to revenue growth. We expect the operating margins to remain stable during 2HFY16.

Higher other income from FMP to lift PAT in FY17E

Most of the company's investments are into 3-year FMPs. The maturity of most of the FMPs is falling during 2QFY17 and 3QFY17. We expect the other income during FY17E to be ~Rs 360 mn as compared to Rs 70 mn in FY16. This is expected to be significantly lift the PAT during FY17E.

Outlook and valuation

KEKC's lower presence in the fast growing modern trade (EBOs and Large format stores) coupled with subdued retail environment especially in tier II is impacting the topline growth. KEKC is contemplating to incur a capex on increasing the retail presence through its own stores to drive the future growth. It is also planning to set up garments plant to support the incremental needs going forward. This strategy may help the company to reverse the current trend of slow revenue growth. On the margin front, we expect the company to maintain its operating margins because of its efficient in-house garment manufacturing, large presence through MBOs channel and niche product line (Jeans). At the current market price of Rs 1,917/share, the stock trades at 22.9x FY16E and 18.7x FY17E EV/EBITDA. We upgrade the stock to Underperformer rating with a revised target price of Rs 1,680/share based on 15x FY17E EV/EBITDA.

Kewal Kiran Clothing

Income Statement				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Net sales	4,083	4,473	5,135	5,944
<i>Growth (%)</i>	<i>11.2</i>	<i>9.6</i>	<i>14.8</i>	<i>15.8</i>
Operating expenses	(3,118)	(3,471)	(3,913)	(4,506)
Operating profit	965	1,002	1,222	1,439
EBITDA	965	1,002	1,222	1,439
<i>Growth (%)</i>	<i>3.3</i>	<i>3.8</i>	<i>22.0</i>	<i>17.7</i>
Depreciation	(37)	(42)	(54)	(66)
Other income	80	67	359	89
EBIT	1,007	1,027	1,528	1,462
Finance cost	(27)	(28)	(31)	(35)
Profit before tax	981	999	1,497	1,427
Tax (current + deferred)	(318)	(340)	(397)	(457)
P/(L) for the period	662	659	1,100	970
Reported Profit/(Loss)	662	659	1,100	970
Adjusted net profit	662	659	1,100	970
<i>Growth (%)</i>	<i>(1.2)</i>	<i>(0.5)</i>	<i>66.9</i>	<i>(11.8)</i>

Balance Sheet				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share capital	123	123	123	123
Reserves & surplus	3,075	3,378	3,884	4,330
Shareholders' funds	3,198	3,501	4,007	4,454
Non-current liabilities	104	114	124	130
Other non-current liabilities	104	114	124	130
Current liabilities	803	864	954	1,065
ST borrowings, Curr maturity	114	133	153	177
Other current liabilities	689	731	802	889
Total (Equity and Liab.)	4,105	4,479	5,086	5,650
Non-current assets	2,087	2,347	2,693	3,034
Fixed assets (Net block)	582	644	891	1,125
Non-current Investments	1,410	1,536	1,636	1,743
Long-term loans and advances	79	150	150	150
Other non-current assets	16	16	16	16
Current assets	2,018	2,131	2,393	2,616
Cash & current investment	803	819	896	884
Other current assets	1,215	1,312	1,497	1,732
Total (Assets)	4,105	4,479	5,086	5,650
Total debt	114	133	153	177
Capital employed	3,415	3,748	4,284	4,761

Cash Flow Statement				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before tax	981	999	1,497	1,427
Depreciation	37	42	54	66
Change in working capital	35	(56)	(114)	(147)
Total tax paid	(312)	(340)	(397)	(457)
Others	(53)	(39)	(329)	(54)
Cash flow from oper. (a)	688	606	711	835
Capital expenditure	(190)	(175)	(300)	(300)
Change in investments	(114)	(158)	(134)	(144)
Others	83	67	359	89
Cash flow from inv. (b)	(222)	(267)	(75)	(354)
Free cash flow (a+b)	467	340	636	480
Debt raised/(repaid)	(5)	19	20	24
Dividend (incl. tax)	(367)	(356)	(594)	(524)
Others	(4)	(18)	(20)	(29)
Cash flow from fin. (c)	(376)	(355)	(594)	(529)
Net chg in cash (a+b+c)	90	(15)	42	(49)

Key Ratios				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	53.7	53.5	89.3	78.7
Growth	(1.2)	(0.5)	66.9	(11.8)
CEPS (Rs)	56.8	56.9	93.7	84.0
Book NAV/share (Rs)	259.5	284.1	325.1	361.4
Dividend/share (Rs)	25.0	24.1	40.2	35.4
Dividend payout ratio	55.4	54.0	54.0	54.0
EBITDA margin	23.6	22.4	23.8	24.2
EBIT margin	24.7	23.0	29.8	24.6
Tax rate	32.5	34.0	26.5	32.0
RoCE	30.9	28.7	38.0	32.3
Net debt/Equity (x)	(0.2)	(0.2)	(0.2)	(0.2)
Du Pont Analysis - ROE				
Net margin	16.2	14.7	21.4	16.3
Asset turnover (x)	1.0	1.0	1.1	1.1
Leverage factor (x)	1.3	1.3	1.3	1.3
Return on equity	21.7	19.7	29.3	22.9

Valuations				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	38.9	35.8	21.5	24.4
PCE	36.9	33.7	20.5	22.8
Price/Book	8.1	6.7	5.9	5.3
Yield (%)	1.2	1.3	2.1	1.8
EV/EBITDA	26.0	22.9	18.7	15.9

MID CAP

Share Data

Price (Rs)	832
BSE Sensex	25,959
Reuters code	KPRM.BO
Bloomberg code	KPR IN
Market cap. (US\$ mn)	471
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	38
Target price (Rs)	1,090

Performance (%) 1M 3M 12M

Absolute	1	21	160
Relative	6	20	184

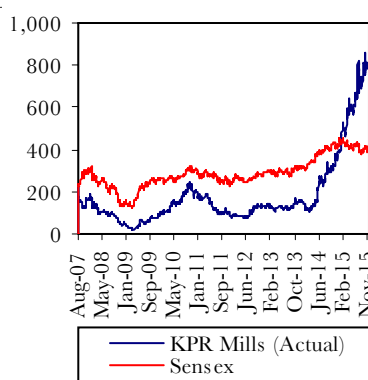
Valuation Ratios (Consolidated)

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	59.9	77.2	91.2
+/- (%)	31.2	29.0	18.1
PER (x)	13.9	10.8	9.1
PBV (x)	2.8	2.4	2.0
Dividend/Yield (%)	1.5	2.0	3.6
EV/EBITDA (x)	7.5	6.3	5.4

Major shareholders (%)

Promoters	75
FII's	4
MF's	9
Public & Others	12

Relative performance



KPR Mill

Maintain BUY

Garmenting ramp-up to drive growth

Healthy performance despite challenging yarn market scenario

Revenue growth during 2QFY16 (down 10.2% YoY) impacted mainly because of higher sugar inventory (~25% of its last seasons' sugar production as on 30th September 2015) which is expected to reduce during 3Q. In addition to this, lower realisation in yarn segment (~15% YoY) and increasing vertical integration also impacted the revenue. EBITDA stood at Rs 1.2 bn, a modest 6% YoY growth. In general, the cotton spinning companies continue to remain under pressure because of demand-supply mismatch. Despite the difficult market conditions KPR is able to maintain its operating profit mainly because of vertical integration, competitive advantage and value-added product-mix.

Rising sugar prices to aid profitability

Sugar prices rose by ~30% over the last couple of months mainly because of improving global demand and doubts over domestic production. Rising sugar prices will not only aid the company on its existing inventory but also improve the profitability in the upcoming season.

Garment expansion to drive growth; reduce debt and improve return ratios

The 12 mn pieces garment plant commissioned during 4QFY15 is currently ramping up and expected to reach full capacity by 4QFY16. The construction of new garment factory of 36 mn pieces is currently under progress and expected to be commissioned by 4QFY16. KPR's incremental investment is into garment segment which is a high asset turn business. The debt levels are expected to fall moderately in the current year because of the ongoing capex while we expect it to fall by Rs 2.5 bn during FY17 and FY18 each. We expect relative debt level (net debt/EBITDA) to fall from 1.4x in FY15 to 0.4x in FY18E and ROE to improve from 19.5% in FY15 to 24% by FY18E.

Outlook and valuation

We believe that KPR Mill is a stable and long-term story to play the Indian garment export theme. We are positive on the sector and on KPR specifically because of the company's competitive advantages (power, labour, close to buyers' market, etc.), integrated operations, diversified product-mix, growing exports and strong balance sheet. We expect EPS CAGR of 26% between FY15-18E. The forward integration through increase in garmenting capacity will help to improve the profitability, return ratios and earn sustainable margins going forward. At the current market price of Rs 832, the stock trades at 13.9x FY16E EPS and 10.8x FY17E EPS. We maintain our Buy rating on the stock with a revised target price of Rs 1,090 (valued at 8x FY17E EV/EBITDA).

KPR Mill

Income Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Revenue	25,658	26,342	29,254	31,514
<i>Growth (%)</i>	8.2	2.7	11.1	7.7
Operating expenses	(21,285)	(21,222)	(23,504)	(25,259)
Operating profit	4,373	5,120	5,750	6,255
EBITDA	4,373	5,120	5,750	6,255
<i>Growth (%)</i>	3.6	17.1	12.3	8.8
Depreciation	(1,540)	(1,517)	(1,515)	(1,446)
Other income	240	301	331	364
EBIT	3,073	3,904	4,566	5,173
Finance Cost	(839)	(707)	(448)	(243)
Profit before tax	2,234	3,197	4,118	4,930
Tax (current + deferred)	(498)	(927)	(1,194)	(1,479)
P/(L) for the period	1,736	2,270	2,924	3,451
P/L of Associates, Min Int, Pref Div	(16)	(13)	(13)	(13)
Reported Profit/(Loss)	1,720	2,257	2,911	3,438
Adjusted Net profit	1,720	2,257	2,911	3,438
<i>Growth (%)</i>	22.8	31.2	29.0	18.1

Balance Sheet (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share Capital	527	527	527	527
Reserves & surplus	8,926	10,611	12,785	14,857
Shareholders' funds	9,452	11,137	13,312	15,383
Non-Current Liabilities	4,276	4,067	3,470	2,344
Long-term borrowings	3,129	3,467	2,869	1,744
Other Long term liab, Prov, DTL	1,147	600	600	600
Current liabilities	8,589	7,390	6,315	5,634
Short-term borrowings,	5,104	4,136	2,730	1,290
Curr Maturity				
Other Current Liab + Provision	3,486	3,254	3,586	4,344
Total (Equity and Liabilities)	22,318	22,595	23,097	23,362
Non-current assets	12,706	13,034	12,319	11,873
Fixed assets (Net block)	12,080	12,540	11,825	11,379
Non-current Investments	35	35	35	35
Long-term loans and advances	578	447	447	447
Other non-current assets, DTA,	13	13	13	13
Goodwill				
Current assets	9,611	9,560	10,778	11,489
Cash & Current Investment	984	481	679	445
Other current assets	8,628	9,079	10,099	11,044
Total (Assets)	22,317	22,595	23,097	23,362
Total Debt	8,233	7,602	5,599	3,034
Capital Employed	18,832	19,340	19,511	19,017

Cash Flow Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before Tax	2,234	3,197	4,118	4,930
Depreciation	1,540	1,517	1,515	1,446
Change in working capital	(1,801)	(673)	(815)	(798)
Total tax paid	(405)	(901)	(1,162)	(1,441)
Others	599	407	117	(121)
Cash flow from oper. (a)	2,168	3,546	3,773	4,017
Capital expenditure	(1,009)	(1,976)	(800)	(1,000)
Change in investments	12	580	0	0
Others	235	301	331	364
Cash flow from inv. (b)	(762)	(1,096)	(469)	(636)
Free cash flow (a+b)	1,405	2,450	3,304	3,380
Debt raised/(repaid)	(1,366)	(630)	(2,003)	(2,566)
Dividend (incl. tax)	(312)	(476)	(643)	(794)
Others	(315)	(1,266)	(461)	(255)
Cash flow from fin. (c)	(1,993)	(2,373)	(3,106)	(3,615)
Net chg in cash (a+b+c)	(588)	77	197	(234)

Key Ratios (Consolidated)				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	45.6	59.9	77.2	91.2
Growth	22.8	31.2	29.0	18.1
CEPS (Rs)	86.5	100.1	117.5	129.6
Book NAV/share (Rs)	250.8	295.6	353.3	408.2
Dividend/share (Rs)	9.0	12.6	16.3	30.2
Dividend payout ratio	23.7	25.3	25.3	39.7
EBITDA margin	17.0	19.4	19.7	19.8
EBIT margin	12.0	14.8	15.6	16.4
Tax Rate	22.3	29.0	29.0	30.0
RoCE	16.5	20.5	23.5	26.9
Net debt/Equity (x)	0.8	0.6	0.4	0.2
Net Debt/EBITDA (x)	1.7	1.4	0.9	0.4
Du Pont Analysis - ROE				
Net margin	6.7	8.6	10.0	10.9
Asset turnover (x)	1.2	1.2	1.3	1.4
Leverage factor (x)	2.5	2.2	1.9	1.6
Return on equity	19.5	21.9	23.8	24.0

Valuations (Consolidated)				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	10.4	13.9	10.8	9.1
PCE	5.5	8.3	7.1	6.4
Price/Book	1.9	2.8	2.4	2.0
Yield (%)	1.9	1.5	2.0	3.6
EV/EBITDA	5.8	7.5	6.3	5.4

LARGE CAP

Share Data

Price (Rs)	13,020
BSE Sensex	25,959
Reuters code	PAGE.BO
Bloomberg code	PAG IN
Market cap. (US\$ mn)	2,182
6M avg. daily turnover (US\$ mn)	3.5
Issued shares (mn)	11
Target price (Rs)	15,223

Performance (%)	1M	3M	12M
Absolute	(10)	(6)	39
Relative	(5)	(7)	52

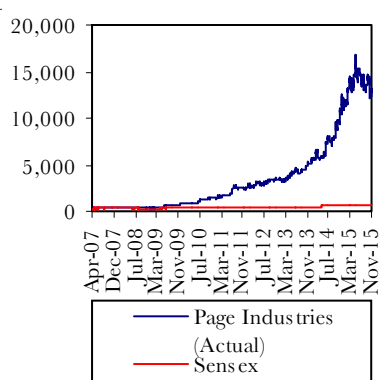
Valuation Ratios

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	213.0	260.9	327.4
+/- (%)	21.2	22.4	25.5
PER (x)	61.1	49.9	39.8
PBV (x)	28.8	22.4	17.5
Dividend/Yield (%)	0.7	0.8	1.1
EV/EBITDA (x)	37.1	30.7	24.8

Major shareholders (%)

Promoters	51
FII's	34
MF's	5
Public & Others	10

Relative performance



Page Industries

Maintain Outperformer

Muted 1HFY16; better gross margins to support 2HFY16

Men's wear revenue disappoints; strong growth in EBITDA

Revenue during 2QFY16 grew at 16.2% YoY and stood at Rs 4.6 bn, affected due to slow off-take in men's wear segment, which grew at single digit (9% YoY) for the first time since listing. EBITDA for the quarter grew by 35.3% YoY basis to Rs 1.01 bn. EBITDA margin grew by 320 bps YoY to 22.0% supported by lower other expenses. PAT grew at a slow pace by 20.8% YoY to Rs 603 mn.

Soft raw material prices to aid gross margin during 2HFY16

Cotton yarn is one of the key raw material for the company. The prices of cotton yarn fell by ~12% and ~6% over the last one year and six months, respectively. It buys the yarn six months in advance and hence the benefit typically comes with a lag. We feel that 2HFY16 should see this benefit flowing in which should improve the gross margin by 150 bps to 200 bps.

Capex on increasing garmenting capacity and fabric processing

The company is currently in the process of setting up new garment facility at Tiptur by 40 mn pieces which will take the total capacity to 230 mn pieces. It is also envisaging similar expansion during FY17. In addition to this, it is setting up knitting and fabric processing capacity of 5,000 MT which will meet 30% of its total fabric requirement. This project will be margin accretive and will be completed by the end of FY17.

Outlook and valuation

The company reported second consecutive quarter of weak results. 1Q results were weak because of withdrawal of product launch in Leisure wear segment and 2Q results were impacted because of weak growth in men's wear segment. We expect the performance during 2HFY16 to be better than 1HFY16 because of stable performance in each of the segment and better gross margins (supported by soft cotton yarn prices). Over the medium term, the increasing capacity along with improving product mix (high value and varied end use) will keep the growth momentum. The company's altered focus to strategically outsource certain products will aid to keep a check on employee strength which now stands at ~20,000. Changes in consumer behaviour and increasing competition from domestic and international brands provide mild concerns to our estimates. Maintaining brand leadership position will remain a key element to sustain and grow market share. We maintain our Outperformer rating on the stock with a target price of Rs 15,223/share.

Page Industries

Income Statement				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Revenue	15,430	17,931	21,887	26,807
<i>Growth (%)</i>	29.9	16.2	22.1	22.5
Operating expenses	(12,240)	(13,980)	(17,108)	(20,894)
Operating profit	3,190	3,951	4,780	5,912
EBITDA	3,190	3,951	4,780	5,912
<i>Growth (%)</i>	25.1	23.8	21.0	23.7
Depreciation	(176)	(227)	(286)	(356)
Other income	86	70	77	85
EBIT	3,100	3,793	4,571	5,641
Finance Cost	(167)	(166)	(196)	(232)
Profit before tax	2,933	3,628	4,375	5,410
Tax (current + deferred)	(973)	(1,252)	(1,466)	(1,758)
P/(L) for the period	1,960	2,376	2,910	3,651
Reported Profit/(Loss)	1,960	2,376	2,910	3,651
Adjusted Net profit	1,960	2,376	2,910	3,651
<i>Growth (%)</i>	27.5	21.2	22.4	25.5

Balance Sheet				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share Capital	112	112	112	112
Reserves & surplus	3,756	4,935	6,378	8,189
Shareholders' funds	3,868	5,046	6,489	8,300
Non-Current Liabilities	1,245	1,469	1,838	2,207
Long-term borrowings	345	444	667	862
Other Long term liab, Prov, DTL	900	1,025	1,172	1,345
Current liabilities	3,122	3,555	4,207	5,076
Short-term borrowings, Curr Maturity	1,227	1,450	1,675	2,003
Other Current Liab + Provi	1,894	2,104	2,531	3,072
Total (Equity and Liabilities)	8,234	10,070	12,534	15,583
Non-current assets	2,656	3,150	3,908	4,599
Fixed assets (Net block)	2,174	2,695	3,410	4,054
Long-term loans and advances	456	433	477	524
Other non-current assets, DTA, Goodwill	27	21	21	21
Current assets	5,578	6,920	8,627	10,984
Cash & Current Investment	44	712	1,027	1,676
Other current assets	5,534	6,207	7,599	9,308
Total (Assets)	8,235	10,070	12,534	15,583
Total Debt	1,573	1,894	2,342	2,865
Capital Employed	6,340	7,966	10,003	12,511

Cash Flow Statement				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before Tax	2,933	3,628	4,375	5,410
Depreciation	176	227	(286)	(356)
Change in working capital	(685)	(483)	(1,061)	(1,280)
Total tax paid	(953)	(1,252)	(1,466)	(1,758)
Others	80	96	690	859
Cash flow from oper. (a)	1,552	2,216	2,253	2,874
Capital expenditure	(586)	(749)	(1,000)	(1,000)
Others	103	75	77	85
Cash flow from inv. (b)	(483)	(674)	(923)	(915)
Free cash flow (a+b)	1,069	1,543	1,330	1,959
Debt raised/(repaid)	(59)	321	448	523
Dividend (incl. tax)	(899)	(1,144)	(1,402)	(1,763)
Others	(101)	(52)	(62)	(71)
Cash flow from fin. (c)	(1,060)	(875)	(1,015)	(1,311)
Net chg in cash (a+b+c)	9	668	315	648

Key Ratios				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	175.7	213.0	260.9	327.4
Growth	27.5	21.2	22.4	25.5
CEPS (Rs)	191.6	233.4	286.5	359.3
Book NAV/share (Rs)	346.7	452.4	581.8	744.2
Dividend/share (Rs)	72.0	89.5	109.6	137.5
Dividend payout ratio	48.9	50.4	50.4	50.4
EBITDA margin	20.7	22.0	21.8	22.1
EBIT margin	20.1	21.2	20.9	21.0
Tax Rate	33.2	34.5	33.5	32.5
RoCE	53.4	53.0	50.9	50.1
Net debt/Equity (x)	0.4	0.2	0.2	0.1
Net Debt/EBITDA (x)	0.5	0.3	0.3	0.2
Du Pont Analysis - ROE				
Net margin	12.7	13.3	13.3	13.6
Asset turnover (x)	2.0	2.0	1.9	1.9
Leverage factor (x)	2.2	2.1	2.0	1.9
Return on equity	58.0	53.3	50.4	49.4

Valuations				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	78.1	61.1	49.9	39.8
PCE	71.7	55.8	45.4	36.2
Price/Book	39.6	28.8	22.4	17.5
Yield (%)	0.5	0.7	0.8	1.1
EV/EBITDA	48.5	37.1	30.7	24.8

MID CAP

Share Data

Price (Rs)	419
BSE Sensex	25,959
Reuters code	RYMD.BO
Bloomberg code	RWIN
Market cap. (US\$ mn)	386
6M avg. daily turnover (US\$ mn)	1.0
Issued shares (mn)	61
Target price (Rs)	522

Performance (%) 1M 3M 12M

Absolute	(5)	7	(15)
Relative	-	6	(8)

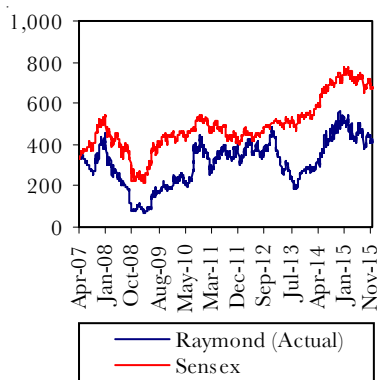
Valuation Ratios (Consolidated)

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	16.9	26.7	39.0
+/- (%)	(8.1)	57.9	46.3
PER (x)	24.8	15.7	10.7
PBV (x)	1.6	1.5	1.3
Dividend/Yield (%)	1.0	1.2	1.4
EV/EBITDA (x)	9.3	7.3	6.1

Major shareholders (%)

Promoters	41
FII's	8
MF's	4
BFSI's	9
Public & Others	38

Relative performance



Raymond

Maintain Outperformer

Brand building efforts to pay-off from FY17E

A&P, store renovation and weak demand impacted 2Q results

Revenue grew moderately at 2.2% YoY to Rs 14.9 bn with support only from branded apparel segment which grew by 14% YoY. EBITDA fell by 22% YoY to Rs 1.34 bn due to higher other expenses (higher A&P and store renovation expenses). Poor performance in engineering businesses continues to drag overall profitability. Adjusted PAT fell by 39% YoY to Rs 414 mn due to poor operating profits and higher tax rate (~37% in 2QFY16 as against ~17% in 2QFY15). Reported PAT impacted much sharply because of exceptional loss of Rs 320 mn related to provision for impairment in the carrying value of the forging business in auto component segment.

Suiting fabric business – moderate growth; margin improvement

The company expects moderate growth (single digit) in the matured suiting fabric business. However, it expects the margin to improve over medium to long-term because of various initiatives taken by it over the last few years like higher brand visibility, renovation of TRS, focus on MTM stores, etc.

Network expansion, brand building exercise and streamlining branded apparel to start paying-off from FY17E

The company is aggressively focusing on increasing its footprint in its branded apparel business across the channels (EBOs, MBOs, Departmental stores). The healthy distribution expansion is supported by strong branding exercise across the brands through various mediums. It is also focusing on streamlining its brands and its positioning to reduce the overlapping of the products and effectively reducing the SKUs offered. We believe that this exercise will start paying the company both in terms of higher revenue growth and better operating margins.

Capex in denim, shirting and garment business to drive growth

The company is incurring capex to increase its capacity in denim (Rs 1.2 bn), shirting (Rs 900 mn) and garments (Rs 1 bn) over the next one year which is expected to drive revenue growth.

Outlook and valuation

The core branded textile and apparel segment continue to remain under pressure due to higher A&P and store renovation costs coupled with subdued consumer environment. These initiatives will impact the short-term profit while on a long-term basis we believe that the renewed efforts on brand positioning will help to improve the market share. We maintain our Outperformer rating on the stock with a revised target price of Rs 522/share.

Raymond

Income Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Revenue	53,326	55,502	61,194	67,136
<i>Growth (%)</i>	17.3	4.1	10.3	9.7
Operating expenses	(49,058)	(51,173)	(55,564)	(60,301)
Operating profit	4,268	4,329	5,630	6,834
EBITDA	4,268	4,329	5,630	6,834
<i>Growth (%)</i>	(11.1)	1.4	30.0	21.4
Depreciation	(1,619)	(1,675)	(1,990)	(2,160)
Other income	952	677	673	738
EBIT	3,601	3,331	4,313	5,413
Finance Cost	(2,004)	(1,969)	(2,019)	(2,068)
Exceptional & Extraordinary	0	(320)	0	0
Profit before tax	1,597	1,042	2,294	3,345
Tax (current + deferred)	(439)	(375)	(757)	(1,080)
P/(L) for the period	1,159	667	1,537	2,264
P/L of Associates, Min Int, Pref Div	(31)	50	100	130
Reported Profit/(Loss)	1,128	717	1,637	2,394
Adjusted Net profit	1,128	1,037	1,637	2,394
<i>Growth (%)</i>	(21.1)	(8.1)	57.9	46.3

Balance Sheet (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share Capital	614	614	614	614
Reserves & surplus	14,800	15,251	16,552	18,538
Shareholders' funds	15,414	15,865	17,165	19,152
Minority Int, Share Appl, Pref Capital	725	705	685	665
Non-Current Liabilities	11,233	11,453	11,831	11,713
Long-term borrowings	9,503	9,649	9,949	9,749
Other Long term liab, Prox, DTL	1,730	1,804	1,883	1,965
Current liabilities	19,309	18,959	20,884	22,603
Short-term borrowings, Curr Maturity	9,307	9,105	9,731	10,385
Other Current Liab + Provi	10,001	9,854	11,153	12,218
Total (Equity and Liab.)	46,680	46,982	50,566	54,133
Non-current assets	19,607	19,279	20,189	20,968
Fixed assets (Net block)	14,702	14,010	14,521	14,860
Non-current Investments	1,090	1,090	1,090	1,090
Long-term loans and advances	2,678	2,946	3,241	3,565
Other non-current assets, DTA, Goodwill	1,137	1,232	1,338	1,453
Current assets	27,073	27,703	30,377	33,165
Cash & Current Investment	4,472	4,342	4,091	4,380
Other current assets	22,601	23,361	26,286	28,784
Total (Assets)	46,680	46,982	50,566	54,133
Total Debt	18,810	18,754	19,680	20,133
Capital Employed	36,679	37,128	39,413	41,915

Cash Flow Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before Tax	1,597	1,042	2,294	3,345
Depreciation	1,619	1,675	1,990	2,160
Change in working capital	(390)	(1,287)	(2,003)	(1,843)
Total tax paid	(357)	(360)	(746)	(1,067)
Others	2,004	1,969	2,019	2,068
Cash flow from oper. (a)	4,473	3,039	3,554	4,664
Capital expenditure	(2,017)	(984)	(2,500)	(2,500)
Change in investments	877	(0)	0	0
Others	(609)	(96)	(105)	(116)
Cash flow from inv. (b)	(1,749)	(1,079)	(2,605)	(2,616)
Free cash flow (a+b)	2,724	1,959	949	2,048
Equity raised/(repaid)	(114)	0	0	0
Debt raised/(repaid)	(196)	(56)	926	454
Dividend (incl. tax)	(176)	(188)	(285)	(357)
Others	(1,755)	(1,845)	(1,841)	(1,856)
Cash flow from fin. (c)	(2,241)	(2,090)	(1,200)	(1,759)
Net chg in cash (a+b+c)	483	(130)	(251)	290

Key Ratios (Consolidated)				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	18.4	16.9	26.7	39.0
Growth	(21.1)	(8.1)	57.9	46.3
CEPS (Rs)	44.7	44.2	59.1	74.2
Book NAV/share (Rs)	251.1	258.5	279.7	312.0
Dividend/share (Rs)	3.0	4.0	5.0	6.0
Dividend payout ratio	19.6	39.8	21.8	17.9
EBITDA margin	8.0	7.8	9.2	10.2
EBIT margin	6.8	6.0	7.0	8.1
Tax Rate	27.5	27.5	33.0	32.3
RoCE	9.9	9.0	11.3	13.3
Net debt/Equity (x)	0.9	0.9	0.9	0.8
Net Debt/EBITDA (x)	3.4	3.3	2.8	2.3
Du Pont Analysis - ROE				
Net margin	2.1	1.9	2.7	3.6
Asset turnover (x)	1.2	1.2	1.3	1.3
Leverage factor (x)	3.0	3.0	3.0	2.9
Return on equity	7.5	6.6	9.9	13.2

Valuations (Consolidated)				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER (x)	24.1	24.8	15.7	10.7
PCE (x)	9.9	9.5	7.1	5.6
Price/Book (x)	1.8	1.6	1.5	1.3
Yield (%)	0.7	1.0	1.2	1.4
EV/EBITDA (x)	9.7	9.3	7.3	6.1

SMALL CAP

Share Data

Price (Rs)	310
BSE Sensex	25,959
Reuters code	RSWM.BO
Bloomberg code	RJS IN
Market cap. (US\$ mn)	108
6M avg. daily turnover (US\$ mn)	0.7
Issued shares (mn)	23
Target price (Rs)	409

Performance (%)	1M	3M	12M
Absolute	6	5	64
Relative	11	4	79

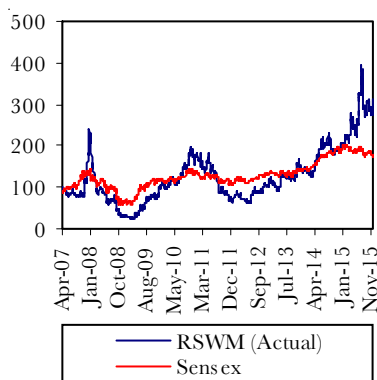
Valuation Ratios

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	45.8	63.0	80.0
+/- (%)	24.8	37.6	26.9
PER (x)	6.8	4.9	3.9
PBV (x)	1.4	1.2	1.0
Dividend/Yield (%)	4.0	4.8	5.8
EV/EBITDA (x)	4.7	4.0	3.5

Major shareholders (%)

Promoters	51
FII's	4
MF's	8
BFSI's	1
Public & Others	36

Relative performance



RSWM

Maintain BUY

Healthy performance in challenging market scenario

Healthy performance in challenging 2Q

Revenue fell by 5.7% YoY and stood at Rs 7.3 bn affected by falling realizations. However, EBITDA grew by 16.7% YoY and stood at Rs 977 mn supported by 660 bps improvement in gross margin. Captive power availability at competitive price and uptick in denim division performance aided the profitability. Adjusted PAT grew by 48.2% on a lower base of last year and stood at Rs 251 mn partially supported by lower tax rate.

2HFY16 to be remain challenging; value-added products and exports to support performance

The overall domestic consumption environment remains subdued. The demand during festive season was soft resulting in inventory glut at wholesalers and dealers level. Most of the intermediaries are now hopeful on upcoming marriage season. We thus feel that the demand for the blended yarn is expected to remain soft for the next few months till any signs of demand improvement is visible. This will impact RSWM's domestic business performance whereas exports and value-added products like mélange, denim, etc. will support the overall performance.

No major capex in FY16; contemplating spinning capex in FY17

The capex of ~Rs 1.8 bn during FY15 to increase its yarn capacity (mélange) and fabric (suiting) capacity is providing volume growth during FY16E but getting offset with lower realisation. It is currently in the consolidation mode. It is currently evaluating projects in spinning segment and expects capex during FY17 which will provide revenue growth from FY18.

Outlook and valuation

Falling raw material prices has led to fall in revenue while ability to maintain absolute profits per kg helped in reporting improvement in relative margins. Despite short-term headwinds in the blended yarn segment, we feel that RSWM will be able to report steady performance mainly because of its product mix. On a long-term, we remain positive on the company's growth potential given its leadership position in blended and value added yarn space. The company's ability to gradually improve its presence in the value-added product segment will help it improve the margins and its leadership position. Healthy RoE, serviceability ratio and dividend provides additional comfort. We maintain our Buy rating on the stock with a target price of Rs 409/share (based on 6.5x FY17E EPS).

RSWM

Income Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Revenue	30,034	29,295	33,683	38,959
Growth (%)	(4.1)	(2.5)	15.0	15.7
Operating expenses	(26,575)	(25,311)	(29,237)	(33,972)
Operating profit	3,459	3,984	4,446	4,987
EBITDA	3,459	3,984	4,446	4,987
Growth (%)	(10.5)	15.2	11.6	12.2
Depreciation	(1,353)	(1,362)	(1,369)	(1,447)
Other income	316	146	168	195
EBIT	2,422	2,769	3,245	3,734
Finance cost	(1,252)	(1,266)	(1,116)	(1,032)
Profit before tax	1,170	1,503	2,129	2,703
Tax (current + deferred)	(321)	(443)	(671)	(851)
P/(L) for the period	849	1,060	1,459	1,851
Reported Profit/(Loss)	849	1,060	1,459	1,851
Adjusted net profit	849	1,060	1,459	1,851
Growth (%)	(15.6)	24.8	37.6	26.9

Balance Sheet (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share capital	231	231	231	231
Reserves & surplus	4,116	4,824	5,860	7,207
Shareholders' funds	4,348	5,055	6,092	7,438
Minority Interest and others	102	102	102	102
Non-current liabilities	7,630	6,983	6,950	6,920
Long-term borrowings	6,692	5,992	5,902	5,812
Other non-current liabilities	938	992	1,048	1,108
Current liabilities	8,302	7,605	7,288	7,046
ST borrowings, Curr maturity	6,224	5,619	5,042	4,506
Other current liabilities	2,078	1,987	2,246	2,540
Total (Equity and Liab.)	20,382	19,746	20,432	21,507
Non-current assets	12,850	12,007	11,658	11,532
Fixed assets (Net block)	11,607	10,745	10,376	10,229
Non-current Investments	907	907	907	907
Long-term loans and advances	293	307	323	339
Other non-current assets	43	48	52	58
Current assets	7,532	7,739	8,774	9,974
Cash & current investment	46	166	239	194
Other current assets	7,486	7,573	8,535	9,781
Total (Assets)	20,382	19,746	20,432	21,507
Total debt	12,915	11,610	10,944	10,318
Capital employed	18,304	17,759	18,186	18,967

Cash Flow Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before tax	1,170	1,503	2,129	2,703
Depreciation	1,353	1,362	1,369	1,447
Change in working capital	797	(188)	(713)	(962)
Total tax paid	(213)	(402)	(627)	(806)
Others	1,252	1,266	1,116	1,032
Cash flow from oper. (a)	4,358	3,540	3,274	3,414
Capital expenditure	(2,746)	(500)	(1,000)	(1,300)
Change in investments	(197)	0	0	0
Others	15	(4)	(5)	(5)
Cash flow from inv. (b)	(2,929)	(504)	(1,005)	(1,305)
Free cash flow (a+b)	1,429	3,036	2,270	2,108
Debt raised/(repaid)	(31)	(1,305)	(667)	(626)
Dividend (incl. tax)	(278)	(347)	(417)	(500)
Others	(1,115)	(1,263)	(1,113)	(1,028)
Cash flow from fin. (c)	(1,424)	(2,916)	(2,197)	(2,154)
Net chg in cash (a+b+c)	5	120	73	(46)

Key Ratios (Consolidated)				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	36.7	45.8	63.0	80.0
Growth	(15.6)	24.8	37.6	26.9
CEPS (Rs)	95.1	104.6	122.2	142.5
Book NAV/share (Rs)	187.8	218.4	263.2	321.3
Dividend/share (Rs)	10.0	12.5	15.0	18.0
Dividend payout ratio	32.7	32.8	28.6	27.0
EBITDA margin	11.5	13.6	13.2	12.8
EBIT margin	8.1	9.5	9.6	9.6
Tax rate	27.4	29.5	31.5	31.5
RoCE	13.5	15.4	18.1	20.1
Net debt/Equity (x)	3.0	2.3	1.8	1.4
Net Debt/EBITDA (x)	3.7	2.9	2.4	2.0
Du Pont Analysis - ROE				
Net margin	2.8	3.6	4.3	4.8
Asset turnover (x)	1.5	1.5	1.7	1.9
Leverage factor (x)	5.0	4.3	3.6	3.1
Return on equity	21.3	22.5	26.2	27.4

Valuations (Consolidated)				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	5.8	6.8	4.9	3.9
PCE	2.3	3.0	2.5	2.2
Price/Book	1.1	1.4	1.2	1.0
Yield (%)	4.7	4.0	4.8	5.8
EV/EBITDA	5.2	4.7	4.0	3.5

SMALL CAP

Share Data

Price (Rs)	930
BSE Sensex	25,959
Reuters code	SIYR.BO
Bloomberg code	SIYA IN
Market cap. (US\$ mn)	131
6M avg. daily turnover (US\$ mn)	0.1
Issued shares (mn)	9
Target price (Rs)	1,310

Performance (%)	1M	3M	12M
Absolute	(2)	(11)	16
Relative	3	(12)	27

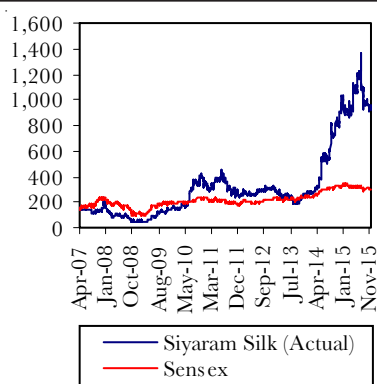
Valuation Ratios

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	91.6	109.1	134.0
+/- (%)	8.9	19.2	22.7
PER (x)	10.2	8.5	6.9
PBV (x)	1.7	1.5	1.2
Dividend/Yield (%)	1.1	1.3	1.5
EV/EBITDA (x)	6.1	5.4	4.6

Major shareholders (%)

Promoters	67
FII's	1
MF's	6
Public & Others	26

Relative performance



Siyaram Silk Mills

Maintain BUY

Weak consumer environment impacting growth

Higher base and soft market impacted Q2 performance; higher inventory indicates slow off-take

Revenue remained flat and stood at Rs 3.98 bn, impacted by slow revenue growth in branded apparel segment and lower realisation in fabric business. EBITDA grew marginally by 1.7% YoY to Rs 498 mn, negatively impacted by higher manufacturing and employee cost while supported by better gross margins. Consequently, PAT also grew marginally by 4.8% to Rs 231 mn. Inventory as on 30th September 2015 was higher by Rs 465 mn as compared to similar quarter last year due to slow movement at wholesale level.

Acquisition of group company Balkrishna Synthetics – Positive

The company has decided to acquire 100% stake of Balkrishna Synthetics Ltd. (A group company) for the total consideration of Rs 447 mn, subject to approval of shareholders and other appropriate authorities. This acquisition will reduce the related party transaction of the company. The company purchased good worth Rs 570 mn from Balkrishna Synthetics Ltd.

2HFY16 looks challenging

The overall domestic consumption environment remains subdued. The demand during festive season was soft resulting in inventory glut at wholesalers and dealers level. Most of the market intermediaries are now hopeful on upcoming marriage season. We thus, feel that the demand is expected to remain soft for the next few months till any signs of demand improvement is visible at the retail level.

Outlook and valuation

2Q has remained soft for most of domestic focused textile and branded apparel companies due to subdued demand. Siyaram's result also reflects the same trend, but interestingly it is able to maintain its operating margin primarily due to better product mix. Ability to maintain higher gross margin in a falling raw material price environment reflects the brand strength to retain the pricing. On a long-term basis, Siyaram's market leadership in branded PV fabric, increasing thrust on fast growing branded apparel space, strong distribution network, and improvement in margin profile due to changing revenue mix, efficient working capital management and future growth engines by launching new product categories will help it to maintain healthy revenue and profitability growth. We maintain our Buy rating on the stock with a target price of Rs 1,310/share (based on 12x FY17E EPS).

Siyaram Silk Mills

Income Statement				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Net sales	15,103	15,415	17,409	19,982
<i>Growth (%)</i>	<i>15.9</i>	<i>2.1</i>	<i>12.9</i>	<i>14.8</i>
Operating expenses	(13,361)	(13,558)	(15,338)	(17,585)
Operating profit	1,742	1,857	2,071	2,398
EBITDA	1,742	1,857	2,071	2,398
<i>Growth (%)</i>	<i>24.3</i>	<i>6.6</i>	<i>11.5</i>	<i>15.7</i>
Depreciation	(409)	(404)	(415)	(432)
Other income	162	166	174	183
EBIT	1,495	1,618	1,830	2,148
Finance cost	(306)	(307)	(303)	(301)
Exceptional & extraordinary	1	0	0	0
Profit before tax	1,190	1,311	1,527	1,847
Tax (current + deferred)	(402)	(452)	(504)	(591)
P/(L) for the period	789	859	1,023	1,256
Reported Profit/(Loss)	789	859	1,023	1,256
Adjusted net profit	789	859	1,023	1,256
<i>Growth (%)</i>	<i>25.5</i>	<i>8.9</i>	<i>19.2</i>	<i>22.7</i>

Balance Sheet				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share capital	94	94	94	94
Reserves & surplus	4,256	5,002	5,889	6,987
Shareholders' funds	4,350	5,095	5,983	7,081
Non-current liabilities	1,144	1,184	1,226	1,269
Long-term borrowings	578	596	613	631
Other non-current liabilities	566	589	613	638
Current liabilities	4,278	4,331	4,599	4,909
ST borrowings, Curr maturity	2,516	2,587	2,618	2,653
Other current liabilities	1,761	1,745	1,981	2,257
Total (Equity and Liab.)	9,771	10,611	11,808	13,260
Non-current assets	3,543	3,637	3,747	3,844
Fixed assets (Net block)	3,392	3,464	3,549	3,616
Non-current Investments	2	2	2	2
Long-term loans and advances	149	171	197	226
Current assets	6,229	6,974	8,061	9,415
Cash & current investment	46	554	677	942
Other current assets	6,183	6,420	7,383	8,474
Total (Assets)	9,771	10,611	11,808	13,260
Total debt	3,094	3,182	3,231	3,284
Capital employed	8,010	8,866	9,827	11,003

Cash Flow Statement				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before tax	1,190	1,311	1,527	1,847
Depreciation	409	404	415	432
Change in working capital	(757)	(356)	(745)	(836)
Total tax paid	(439)	(452)	(504)	(591)
Others	306	307	303	301
Cash flow from oper. (a)	710	1,214	997	1,153
Capital expenditure	(290)	(390)	(500)	(500)
Cash flow from inv. (b)	(290)	(390)	(500)	(500)
Free cash flow (a+b)	419	824	497	653
Debt raised/(repaid)	(46)	88	49	53
Dividend (incl. tax)	(113)	(113)	(135)	(158)
Others	(271)	(292)	(286)	(284)
Cash flow from fin. (c)	(430)	(316)	(373)	(389)
Net chg in cash (a+b+c)	(10)	508	124	264

Key Ratios				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	84.1	91.6	109.1	134.0
Growth	25.5	8.9	19.2	22.7
CEPS (Rs)	127.8	134.7	153.4	180.1
Book NAV/share (Rs)	464.0	543.6	638.3	755.4
Dividend/share (Rs)	10.0	10.0	12.0	14.0
Dividend payout ratio	14.3	13.1	13.2	12.6
EBITDA margin	11.5	12.0	11.9	12.0
EBIT margin	9.9	10.5	10.5	10.7
Tax rate	33.7	34.5	33.0	32.0
RoCE	19.4	19.2	19.6	20.6
Net debt/Equity (x)	0.7	0.5	0.4	0.3
Net Debt/EBITDA (x)	1.8	1.4	1.2	1.0
Du Pont Analysis - ROE				
Net margin	5.2	5.6	5.9	6.3
Asset turnover (x)	1.6	1.5	1.6	1.6
Leverage factor (x)	2.3	2.2	2.0	1.9
Return on equity	19.6	18.2	18.5	19.2

Valuations				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	10.4	10.2	8.5	6.9
PCE	6.9	6.9	6.1	5.2
Price/Book	1.9	1.7	1.5	1.2
Yield (%)	1.1	1.1	1.3	1.5
EV/EBITDA	6.5	6.1	5.4	4.6

MID CAP

Share Data

Price (Rs)	785
BSE Sensex	25,959
Reuters code	VART.BO
Bloomberg code	VTEX IN
Market cap. (US\$ mn)	750
6M avg. daily turnover (US\$ mn)	0.9
Issued shares (mn)	64
Target price (Rs)	1,104

Performance (%) 1M 3M 12M

Absolute	6	(10)	90
Relative	11	(11)	107

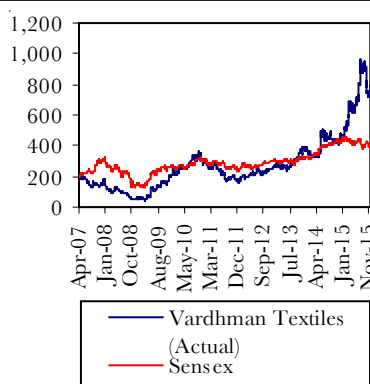
Valuation Ratios (Consolidated)

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	87.0	100.4	116.8
+/- (%)	35.9	15.4	16.3
PER (x)	9.0	7.8	6.7
PBV (x)	1.3	1.1	1.0
Dividend/Yield (%)	2.0	2.4	2.8
EV/EBITDA (x)	5.1	4.5	3.8

Major shareholders (%)

Promoters	62
FII's	12
MF's	12
Public & Others	14

Relative performance



Vardhman Textiles

Maintain BUY

Operating performance to improve from 4Q

Healthy performance in a challenging environment

Consolidated revenue fell by 8.2% YoY to Rs 16.5 bn, impacted due to lower realisation in yarn market and weak fabric market (~7% volume de-growth). ETITDA grew marginally by 2.8% YoY to Rs 3.2 bn on a lower base (cotton prices fell sharply during same quarter last year). PAT grew strongly by 26.3% YoY to Rs 1.26 bn supported by lower depreciation and interest cost. However, cash PAT fell marginally by 2.2% YoY to Rs 2.25 bn.

3Q looks weak; uptick in performance expected from 4Q

We expect 3Q performance to have negative impact because of fall in yarn prices during the beginning of the quarter (seasonally weak quarter) but expect it to improve gradually as demand improves from 4Q. We also feel that the risk in the yarn segment is minimal at the current depressed cotton prices. On the other side, cotton production continues to shrink globally but higher global inventory will support the demand and will keep the cotton prices at the current levels for some time.

Significant improvement in free cash flow and reduction in debt

FY15 and most of FY16 remain year of consolidation. The operating cash flow saw significant improvement on account of healthy operating profit and falling raw material prices (reduces working capital). Most of this free cash flow is use to reduce debt. Vardhman Textiles's (VTEX) consolidated net debt continues to reduce and stood at ~Rs 9.5 bn as on 30th September 2015 (extremely healthy net debt/EBITDA of ~1.2x).

Incremental capex in fabric segment to improve earning quality

VTEX is planning a capex of Rs 10 bn over the next four years to increase its processed fabric capacity (Rs 6 bn) and for de-bottlenecking and modernisation (Rs 4 bn). This incremental capex will further increase the share of the more stable fabric business. It has categorically mentioned that it will add spinning capacity only to backward integrate the fabric capacity in future.

Outlook and valuation

In general, the spinning industry is under pressure because of supply demand mismatch and volatile demand from Chinese mills. Despite the challenging environment, VTEX reported healthy operating performance during 2Q. We believe that this is primarily because of richer product mix within yarn segment, integrated operations (fabric business), longer tenure yarn contracts for exports and consistent cotton procurement policy. Over medium to long-term basis, VTEX's increasing forward integration, diversified product mix, strong balance sheet and superior management will help it to remain profitable and maintain its leadership position. We maintain our Buy rating on the stock with a revised target price of Rs 1,104/share (based on 11x FY17E EPS).

Vardhman Textiles

Income Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Revenue	67,860	65,780	71,035	78,038
Growth (%)	10.0	(3.1)	8.0	9.9
Operating expenses	(56,682)	(52,926)	(57,193)	(62,829)
Operating profit	11,178	12,853	13,842	15,210
EBITDA	11,178	12,853	13,842	15,210
Growth (%)	(23.6)	15.0	7.7	9.9
Depreciation	(5,322)	(3,871)	(3,863)	(3,891)
Other income	1,662	600	600	600
EBIT	7,518	9,582	10,579	11,919
Finance Cost	(1,249)	(1,046)	(939)	(766)
Profit before tax	6,269	8,537	9,640	11,153
Tax (current + deferred)	(1,765)	(2,561)	(2,892)	(3,346)
P/(L) for the period	4,504	5,976	6,748	7,807
P/L of Associates, Min Int, Pref Div	(502)	(538)	(472)	(507)
Reported Profit/(Loss)	4,002	5,438	6,275	7,299
Adjusted Net profit	4,002	5,438	6,275	7,299
Growth (%)	(44.3)	35.9	15.4	16.3

Balance Sheet (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share Capital	625	625	625	625
Reserves & surplus	33,128	37,363	42,211	47,857
Shareholders' funds	33,753	37,988	42,836	48,482
Minority Int, Share Appl, Pref Capital	4,410	4,948	5,420	5,928
Non-Current Liabilities	16,657	13,499	11,494	10,491
Long-term borrowings	14,183	11,002	8,970	7,938
Other Long term liab, Provi, DTL	2,473	2,497	2,524	2,553
Current liabilities	18,965	17,963	17,254	15,621
Short-term borrowings, Curr Maturity	12,218	11,244	9,809	7,384
Other Current Liab + Provi	6,746	6,719	7,445	8,237
Total (Equity and Liab.)	73,784	74,398	77,004	80,522
Non-current assets	36,174	36,321	36,009	35,733
Fixed assets (Net block)	29,460	29,566	29,213	28,832
Non-current Investments	4,568	4,568	4,568	4,568
Long-term loans and advances	780	796	811	852
Other non-current assets, DTA, Goodwill	1,366	1,391	1,416	1,481
Current assets	37,611	38,078	40,996	44,789
Cash & Current Investment	6,146	6,252	5,985	6,207
Other current assets	31,465	31,825	35,011	38,582
Total (Assets)	73,784	74,398	77,004	80,522
Total Debt	26,402	22,246	18,779	15,322
Capital Employed	67,038	67,679	69,559	72,285

Cash Flow Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before Tax	6,269	8,537	9,640	11,153
Depreciation	5,322	3,871	3,863	3,891
Change in working capital	5,228	(394)	(2,465)	(2,808)
Total tax paid	(2,457)	(2,561)	(2,892)	(3,346)
Others	(414)	446	339	166
Cash flow from oper. (a)	13,949	9,898	8,485	9,056
Capital expenditure	(2,432)	(3,978)	(3,510)	(3,510)
Change in investments	(851)	0	0	0
Others	725	575	575	535
Cash flow from inv. (b)	(2,558)	(3,402)	(2,935)	(2,975)
Free cash flow (a+b)	11,392	6,496	5,549	6,081
Debt raised/(repaid)	(7,326)	(4,156)	(3,466)	(3,457)
Dividend (incl. tax)	(1,051)	(1,202)	(1,428)	(1,653)
Others	(1,795)	(1,031)	(923)	(748)
Cash flow from fin. (c)	(10,172)	(6,389)	(5,817)	(5,859)
Net chg in cash (a+b+c)	1,220	107	(268)	222

Key Ratios (Consolidated)				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	64.0	87.0	100.4	116.8
Growth	(44.3)	35.9	15.4	16.3
CEPS (Rs)	149.1	148.9	162.2	179.0
Book NAV/share (Rs)	539.9	607.6	685.2	775.5
Dividend/share (Rs)	13.1	16.0	19.0	22.0
Dividend payout ratio	26.3	22.1	22.8	22.6
EBITDA margin	16.5	19.5	19.5	19.5
EBIT margin	11.1	14.6	14.9	15.3
Tax Rate	28.2	30.0	30.0	30.0
RoCE	10.8	14.2	15.4	16.8
Net debt/Equity (x)	0.5	0.4	0.3	0.2
Net Debt/EBITDA (x)	1.8	1.2	0.9	0.6
Du Pont Analysis - ROE				
Net margin	5.9	8.3	8.8	9.4
Asset turnover (x)	0.9	0.9	0.9	1.0
Leverage factor (x)	2.3	2.1	1.9	1.7
Return on equity	12.3	15.2	15.5	16.0

Valuations (Consolidated)				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	8.5	9.0	7.8	6.7
PCE	3.6	5.3	4.8	4.4
Price/Book	1.0	1.3	1.1	1.0
Yield (%)	2.4	2.0	2.4	2.8
EV/EBITDA	4.8	5.1	4.5	3.8

MID CAP

Welspun India

Maintain BUY

Share Data

Price (Rs)	831
BSE Sensex	25,959
Reuters code	WLSP.BO
Bloomberg code	WLSIIN
Market cap. (US\$ mn)	1,254
6M avg. daily turnover (US\$ mn)	3.5
Issued shares (mn)	100
Target price (Rs)	1,142

Performance (%) 1M 3M 12M

Absolute	10	14	114
Relative	16	13	134

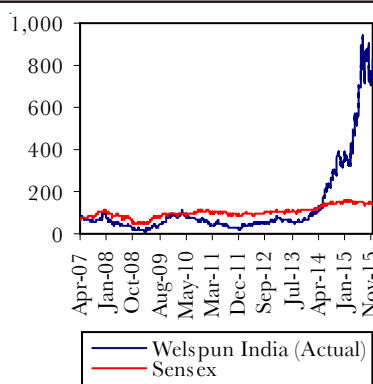
Valuation Ratios (Consolidated)

Yr to 31 Mar	FY16E	FY17E	FY18E
EPS (Rs)	62.4	68.2	75.7
+/- (%)	16.1	9.3	11.0
PER (x)	13.3	12.2	11.0
PBV (x)	4.5	3.6	2.9
Dividend/Yield (%)	1.9	2.1	2.3
EV/EBITDA (x)	7.3	6.6	5.9

Major shareholders (%)

Promoters	73
FII's	7
MF's	4
Public & Others	15

Relative performance



2HFY16 to see volume led revenue growth

Another strong quarter; declared 1st interim dividend

Consolidated revenue grew marginally by 4% to Rs 14.7 bn supported by ~5% volume growth and ~1% exchange growth while negatively impacted by lower export incentive from MEIS. EBITDA grew at a healthy 18% YoY to Rs 3.7 bn supported by higher vertical integration and larger share of innovative and branded products. PAT grew strongly by 33% YoY to Rs 1.7 bn supported by healthy operating profitability and lower finance cost. The company has declared first interim dividend of Rs 6.5/share for FY16.

Expects mid teen revenue growth and normalized margin between 22-24%

Welspun India (WLSI) expects the revenue to grow at mid teen for the next two-three years on the back of expansion in all the product segments. Rugs and Carpets segment is expected to grow at a much faster pace over the next few years albeit on a lower base. Towels and bed linen business will be supported by increasing institutional business (hospitality, healthcare, etc.) and higher traction from Japan, South Africa, Middle East and Europe. On the margin front, it expects margins to remain at the current levels in the near term while it expects normalized margin to be between 22-24%.

No major impact because of Trans-pacific partnership (TPP)

Recently USA and 11 other countries including Vietnam have come into the TPP agreement. The management feels that TPP will not impact the competitiveness of Indian home textile sector. Vietnam, one of the major competitors in the textile space among the TPP countries is dominant in apparel segment. Also, the import duties on home textile in USA are at currently between 5-9% as compared to ~20% for apparel products. In addition to this, easy availability of cotton and huge spinning capacity works in favour of Indian players.

Outlook and valuation

We remain positive on WLSI given its multiple growth drivers like penetrating newer geographies, scaling new product categories, expanding under-penetrated channels, etc. WLSI's increasing vertical integration, higher share of value-added products and branded sales will aid healthy operating margins. Fall in the relative debt level despite the ongoing large capex is the major highlight of the performance. We maintain our Buy rating on the stock with a revised target price of Rs 1,142 (based on 8.5x FY17E EV/EBITDA).

Welspun India

Income Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Net sales	53,025	59,983	68,328	79,244
Growth (%)	18.0	13.1	13.9	16.0
Operating expenses	(40,283)	(44,657)	(51,690)	(61,256)
Operating profit	12,742	15,326	16,638	17,988
EBITDA	12,742	15,326	16,638	17,988
Growth (%)	38.3	20.3	8.6	8.1
Depreciation	(3,329)	(4,255)	(4,707)	(5,018)
Other income	949	840	850	800
EBIT	10,362	11,911	12,781	13,771
Finance cost	(2,829)	(2,459)	(2,447)	(2,295)
Profit before tax	7,533	9,452	10,334	11,476
Tax (current + deferred)	(2,090)	(3,185)	(3,483)	(3,867)
P/(L) for the period	5,443	6,267	6,852	7,608
P/L of Associates, Min Int, Pref Div	(45)	0	0	0
Reported Profit/(Loss)	5,398	6,267	6,852	7,608
Adjusted net profit	5,398	6,267	6,852	7,608
Growth (%)	(4.6)	16.1	9.3	11.0

Balance Sheet (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Share capital	1,005	1,005	1,005	1,005
Reserves & surplus	13,314	17,696	22,487	27,807
Shareholders' funds	14,319	18,701	23,492	28,812
Minority Interest and others	378	378	378	378
Non-current liabilities	17,607	20,158	19,962	19,368
Long-term borrowings	15,946	18,446	18,195	17,545
Other non-current liabilities	1,661	1,712	1,766	1,823
Current liabilities	24,650	23,349	22,994	22,244
ST borrowings, Curr maturity	14,905	13,448	11,517	8,897
Other current liabilities	9,745	9,901	11,477	13,347
Total (Equity and Liab.)	56,953	62,586	66,825	70,803
Non-current assets	29,396	34,249	34,714	33,386
Fixed assets (Net block)	26,049	30,780	31,122	29,651
Non-current Investments	15	15	15	15
Long-term loans and advances	1,377	1,515	1,667	1,833
Other non-current assets	1,955	1,939	1,911	1,887
Current assets	27,557	28,337	32,111	37,417
Cash & current investment	4,657	2,773	3,063	3,908
Other current assets	22,900	25,564	29,048	33,509
Total (Assets)	56,953	62,586	66,825	70,803
Total debt	30,851	31,894	29,712	26,443
Capital employed	47,208	52,685	55,348	57,456

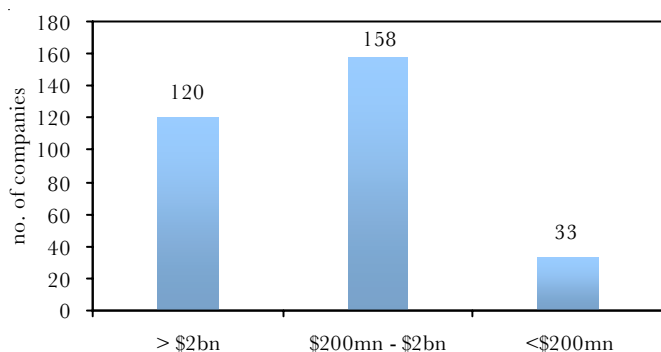
Cash Flow Statement (Consolidated)				
Period end (Rs mn)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Profit before tax	7,533	9,452	10,334	11,476
Depreciation	3,329	4,255	4,707	5,018
Change in working capital	(1,456)	(2,596)	(2,006)	(2,703)
Total tax paid	(1,884)	(3,185)	(3,483)	(3,867)
Others	2,829	2,459	2,447	2,295
Cash flow from oper. (a)	10,351	10,384	11,999	12,218
Capital expenditure	(5,608)	(8,986)	(5,048)	(3,546)
Change in investments	(305)	1,405	0	0
Others	852	(34)	(20)	(22)
Cash flow from inv. (b)	(5,061)	(7,615)	(5,069)	(3,569)
Free cash flow (a+b)	5,290	2,770	6,931	8,650
Equity raised/(repaid)	4	0	0	0
Debt raised/(repaid)	558	1,043	(2,182)	(3,269)
Dividend (incl. tax)	(1,268)	(1,885)	(2,061)	(2,288)
Others	(3,662)	(2,407)	(2,398)	(2,248)
Cash flow from fin. (c)	(4,370)	(3,249)	(6,640)	(7,805)
Net chg in cash (a+b+c)	920	(480)	290	844

Key Ratios (Consolidated)				
Period end (%)	Mar 15	Mar 16E	Mar 17E	Mar 18E
Adjusted EPS (Rs)	53.7	62.4	68.2	75.7
Growth	(4.7)	16.1	9.3	11.0
CEPS (Rs)	86.9	104.7	115.1	125.7
Book NAV/share (Rs)	142.5	186.1	233.8	286.8
Dividend/share (Rs)	10.5	15.6	17.1	18.9
Dividend payout ratio	23.5	30.1	30.1	30.1
EBITDA margin	24.0	25.6	24.4	22.7
EBIT margin	19.5	19.9	18.7	17.4
Tax rate	27.7	33.7	33.7	33.7
RoCE	22.9	23.8	23.7	24.4
Net debt/Equity (x)	1.8	1.5	1.1	0.8
Net debt/EBITDA (x)	2.1	1.9	1.6	1.3
Du Pont Analysis - ROE				
Net margin	10.2	10.4	10.0	9.6
Asset turnover (x)	1.0	1.0	1.1	1.2
Leverage factor (x)	4.3	3.6	3.1	2.6
Return on equity	42.5	38.0	32.5	29.1

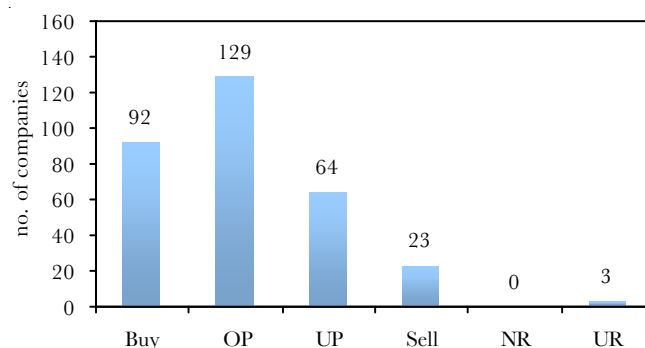
Valuations (Consolidated)				
Period end (x)	Mar 15	Mar 16E	Mar 17E	Mar 18E
PER	6.6	13.3	12.2	11.0
PCE	4.1	7.9	7.2	6.6
Price/Book	2.5	4.5	3.6	2.9
Yield (%)	3.0	1.9	2.1	2.3
EV/EBITDA	4.9	7.3	6.6	5.9

B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



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B&K Investment Ratings.

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BUY	>+20% (absolute returns)	>+25% (absolute returns)	>+30% (absolute returns)
OUTPERFORMER	+10% to +20%	+15% to +25%	+20% to +30%
UNDERPERFORMER	+10% to -10%	+15% to -15%	+20% to -20%
SELL	<-10% (absolute returns)	<-15% (absolute returns)	<-20% (absolute returns)

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B & K SECURITIES INDIA PRIVATE LTD.

Equity Research Division: City Ice Bldg., 298, Ground/1st Floor, Perin Nariman Street, Behind RBI, Fort, Mumbai - 400 001, India. Tel.: 91-22-4031 7000, Fax: 91-22-2263 5020/30.

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