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Sector: Textile

	<u>Page</u>
♦ Executive Summary	3
♦ Business overview and triggers	5
♦ China – Leader in textile export loosing its shine	13
♦ Structural changes in T&A in favor of India	17
♦ Indian textile business overview	23
♦ <b>Our picks</b>	
• KPR Mill Ltd	29
• Siyaram Silk Mills Ltd	35
• Ambika Cotton Mills Ltd	39
♦ Annexure	44

## Executive Summary

Sector: Textile

### Industry transformation in the making

- The Textile & Apparel (T&A) industry is dynamic and has witnessed multiple shifts throughout its history. T&A production was earlier located in developed economies such as the US and UK but over the years manufacturing has shifted to developing economies like China, Bangladesh etc. due to the cost advantage offered by these countries.
- Currently China (the largest producer and exporter of T&A) is creating a space in T&A export (on account of losing competitive advantage and becoming self consuming economy) which is resulting in another geographical shift in T&A. Structural changes in Chinese T&A industry has created opportunities for other countries to exploit.

### Cost reduction , a key driver for the shift

- Trade partners in T&A are largely driven by lower capital and labor intensity . On account of low cost base, developing countries produce half the world's textile exports and nearly three-quarters of the world's clothing exports. Buyers interest has increased in moving production/outsourcing from China to other Asian countries due to increased cost in China.

### Structural changes in T&A in favor of India

- Growing domestic market and increasing opportunities in global trade on account of declining share of Chinese export will create enormous scope for Indian players. In addition to favorable demographic dividend, stable economic conditions, increasing disposable income, growing population, increased urbanization and higher brand consciousness are acting as growth drivers for India's domestic market.

## Executive Summary

Sector: Textile

India a key beneficiary of loss of China's share in global trade

- India is one of the most cost competitive textile manufacturing base for entire value chain of T&A. Labour cost in India is lower than most of the competing countries except Bangladesh, Ethiopia and Kenya. Although power cost is on the higher side but still cheaper than China and Cambodia. Importers look at India as an alternative of China due to quality, its cost competitiveness, better adherence to compliance and political stability.

Export to report a CAGR growth of 19% by 2025

- India's textile and apparel exports reported a CAGR of 8.1% over 2005-2016 and stood at ~USD 40 bn in 2015-2016. Going forward, according to Alok Industries report, India's T&A exports are projected to reach to USD 185 bn 2025, a CAGR growth of 19% over 2016-2025.

# Business overview and triggers

## Global Textile and Apparel (T&A) trade

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Sector: Textile

### Textile Market growth

- World textile and apparel (T&A) export market was worth USD 745 bn in 2015 and is expected to reach to USD 1600 Bn by 2025E, with a CAGR of 7.9%.
- The global textile trade was worth USD 319 billion (43% global textile trade share) in 2015, while the global apparel trade was worth USD 426 billion (57% share). In coming years, growth of the trade in knit fabric and apparel is likely to remain higher than that for the woven counterparts. Going forward, textile and apparel demand will be fueled by population growth, urbanization and higher incomes that will substantially increase household purchasing power. GDP per capita is expected to keep rising with a rate of 3-4% over next four years.

### Major T&A export countries

- China is largest T&A exporter in the world with a market share of ~37% in 2015. India, Bangladesh, Vietnam etc. are the other major T&A exporters. In 2015, India was second largest exporter with 5.2% share in T&A export.
- Over 2005-2013, Vietnam has delivered a tremendous CAGR of 17.5% in T&A export while T&A export of China and India have grown at a CAGR of 12.9% and 11.3% respectively.
- **Textile export:** China, the European Union and India remained the top three exporters of textiles in 2015. Altogether, they accounted for almost two-thirds of world exports. Highest declines in exports was seen in the European Union (-14%) and Turkey (-13%) while China reported an export decline of (-2%)
- **Apparel export:** In 2015, the top ten apparel exporter countries accounted for 87% of world exports of clothing. Among the top ten 2015 apparel exporters, increases in export values were recorded by Vietnam (+10%), Cambodia (+8%), Bangladesh (+6%) and India (+2%).
- Apparel is the largest exported category for major T&A exporter countries with a share of 94% in Bangladesh, 61% in China, 39% in India and 78% in Vietnam. Apparel's export contribution in India's overall T&A export is on lower side which is likely to improve going forward. Value addition by apparel is higher than yarn and fabrics.

## Global Textile and Apparel (T&A) trade

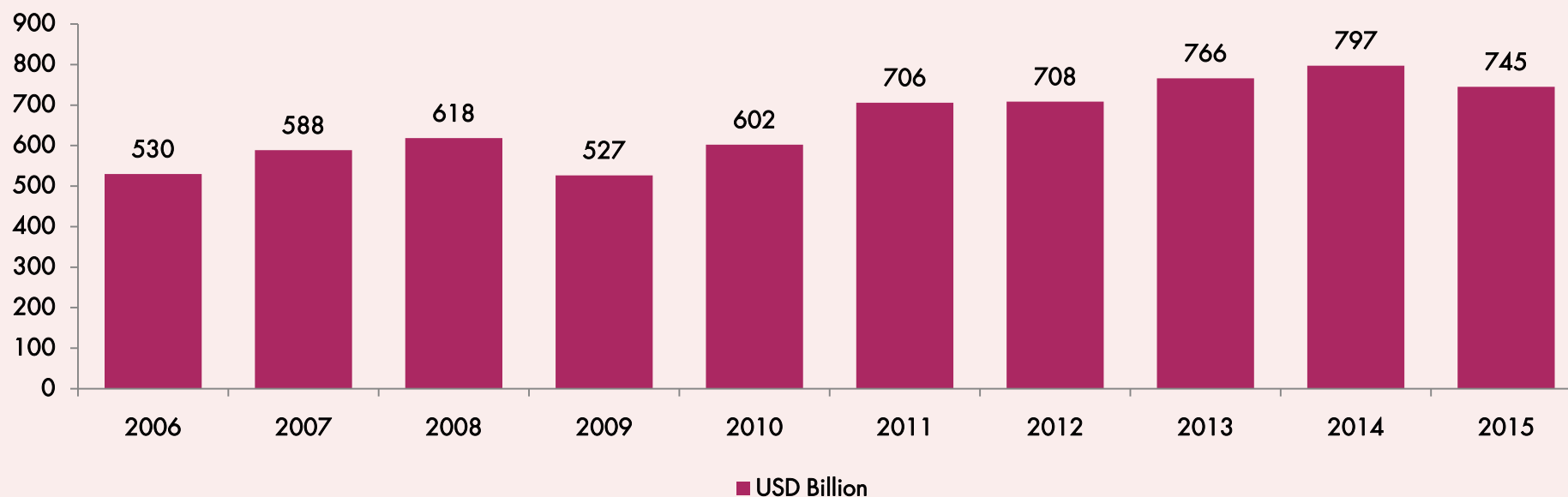
Sector: Textile

### Major T&A import countries:

- The largest importers of T&A are USA (17% import share), China-Hong Kong (9% share), Germany (8% share), Japan (7% share), UK (5.1% share), France (4% share) and Italy (3.8% share).
- US and EU continued to account for 52% of global imports. Japan's imports grew at a fast pace of 9% in 2005-2013
- Developed countries continue to be the major importers although new markets such as Russia, Brazil, Poland, Australia, South Korea etc are also showing tremendous growth in T&A import.

### Global T&A export

*From 2006 to 2015, the global textile and apparel trade has grown at a rate of 4% per annum to USD 745 bn*



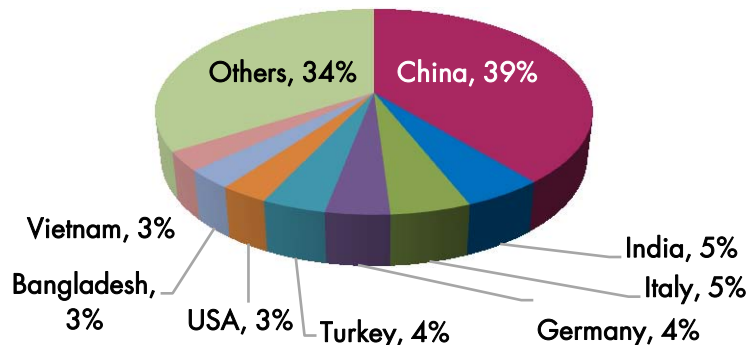
Source: Company, Axis Securities

## Global T&A trade

Sector: Textile

### Market share of major exporting nations (2013)

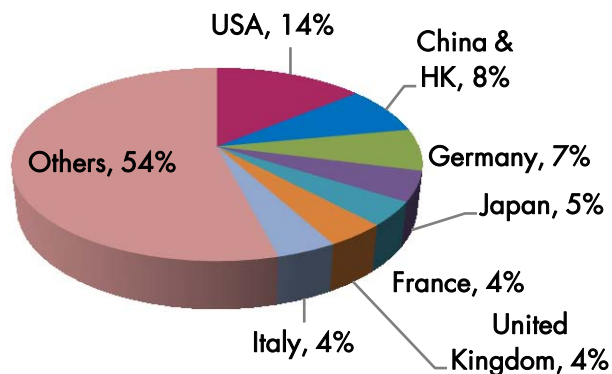
The top 5 textile and apparel exporting nations are China, India, Italy, Germany and Turkey. China, the largest exporter, has a share of 39% while India is distant second with 5% share.



Source: Textile Ministry, Axis Securities

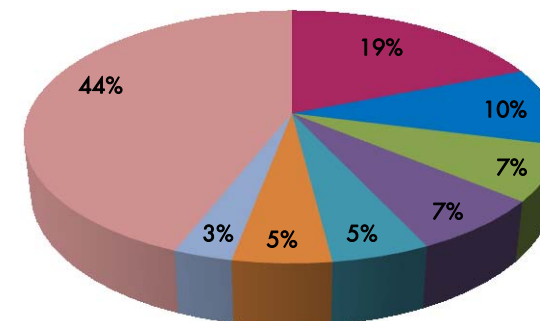
### Market share of importing nations (2013)

The top 5 textile and apparel importing nations are USA, China, Germany, Japan and United Kingdom. USA is the single largest importer with a share of approx. 14% of the total global trade.



Source: Textile Ministry, Axis Securities

### Major markets for Indian textile and apparel exports (2015)



■ USA ■ UAE ■ UK ■ China ■ Bangladesh ■ Germany ■ France ■ Others

### India's positioning

- India is the second largest exporter of textile & apparel in the world after China, with a share of approx. 5.2% of global textile and apparel trade. Indian export for textile and apparel has grown from US\$ 31 billion in 2010-11 to US\$ 40 billion in 2015-16 registering a CAGR of 5.2%. In 2015-16, India's domestic consumption stood at USD 97 bn.

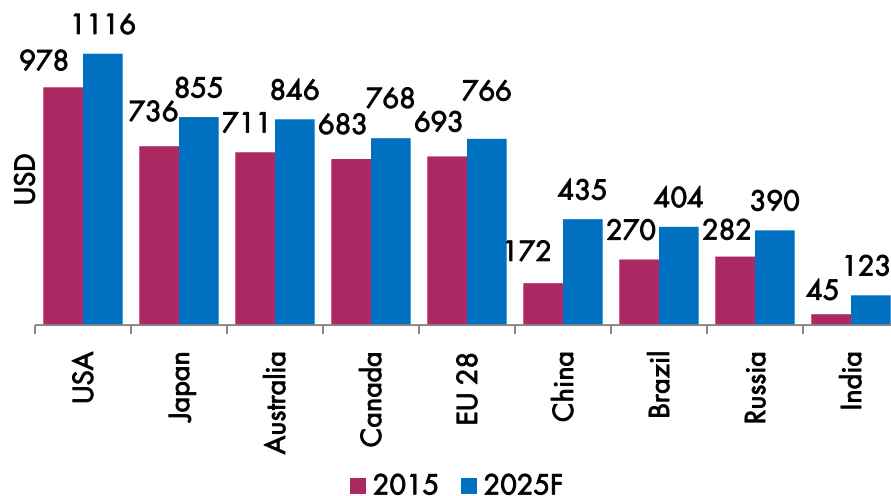


## Growth Drivers

Sector: Textile

### Per capita spend on apparel

- Per capita apparel consumption in developing countries like India and China is expected to increase by more than 2 times in next 10 years (CAGR of 9-11%) and will make developing countries the drivers of incremental growth, while the developed markets will still remain important because of their large size.



Source: Company, Textile Ministry Report, Axis Securities

- India's per capita apparel consumption is just 4.6% of US consumption, which has highest apparel consumption in the world.

### Rising income and changing lifestyles

- Growing urbanization and rising per capita income of India & China would result in increased purchasing power and change in lifestyle. China & India will be key markets for the growth of textile and apparel. The expenditure on apparel never goes down in absolute terms and increased purchasing power will lead to higher spend on apparels.
- The growth rate is likely to remain higher for developing countries while developed countries will show a moderate growth. But developed markets will provide huge opportunity to textile exporters on account of their large size despite moderate growth in demand.
- Global apparel consumption to grow at a CAGR of 4.4% in next 10 years

### Global Apparel consumption will become USD 2600 Bn

Region ( USD Bn)	2015	2025	CAGR (%)
EU 28	350	390	1.1%
USA	315	385	2.0%
China	237	615	10.0%
Japan	93	105	1.2%
India	59	180	11.8%
Brazil	56	90	4.9%
RoW	575	835	3.8%
<b>Total</b>	<b>1685</b>	<b>2600</b>	<b>4.4%</b>

Source: Alok Industries, Axis Securities

## Growth Drivers

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Sector: Textile

### India and China's apparel market to be bigger than USA and Europe by 2025

- China and India are expected to be the major growth centers for apparel consumption. According to Alok Industries report, the combined apparel market size of India and China is likely to reach to a level of USD 795 Bn ( CAGR of 10.4% over next ten years) by 2025 while USA and Europe are expected to have a combined market size of USD 775 bn by 2025 ( CAGR of 1.5% over 2015-2025).

### Export from low manufacturing cost countries to get a boost

- In search of low cost manufacturing base, the textile and apparel manufacturing industry has continued to move from one part of the world to the other
- China's loss of share in global T&A export will provide opportunities for emerging exporters such as Vietnam, Ethiopia, Kenya, Myanmar, Bangladesh and India.

## Challenges for Indian players

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Sector: Textile

- ◆ **Trans - Pacific Partnership (TPP):** The Trans - Pacific Partnership Agreement (TPP) is a regional free -trade agreement (FTA) signed by trade ministers of 12 member countries, including the United States, on February 4, 2016, but is not yet implemented due to pending negotiations. These 12 countries collectively cover half of the global output and ~40% of world trade. TPP countries constitute important destination for Indian products as around 25% of Indian exports are destined for TPP nations. USA alone is the destination for 16% of India's textile exports and 22% of India's apparel exports. *TPP is likely to impact the T&A export of India in adverse manner as TPP countries will get benefit of low or nil duties to export to the US market as well as member countries. India is not a part of TPP, hence duties levied on Indian products would be higher than TPP members which will make Indian products expensive as compared to TPP members and would make Indian T&A exports less competitive. Vietnam is likely to benefit the most.*
- ◆ Profitability undermined by volatile raw material prices and rising wages
- ◆ Fierce competition weighing on margins and further stressed by e-commerce activities
- ◆ Changing consumer behavior (e.g. fast fashion) forcing T&A manufacturers to become more flexible
- ◆ India does not have duty free access to EU and US markets, which gives other competing countries a major competitive advantage over India.

## Industry's dramatic geographical shifts

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Sector: Textile

### T&A industry chases cheap labor

Driven by the importance of cheap labor to the competitiveness of T&A industry participants, the search for low wages underpins a history of dramatic geographic shifts in the T&A industry. Three such shifts have occurred historically and recent increased consumption and wages in China would lead to another shift in the base of T&A trade/ manufacturing to other South Asian countries.

#### Late 18<sup>th</sup> century : Origin of T&A

First revolution started in Britain in the late 18<sup>th</sup> century and was based on imported cotton. The modern form of textile manufacturing using factories with machinery driven by artificial motive power. It expanded in North America and Western Europe.

#### First shift in T&A (1950 – 1960): From North America and Western Europe to Japan

Initially based on British spinning machinery and later (post world war II) based on its own indigenously developed state of the art equipment, Japan became the most preferred destination.

#### Second shift (1970-80): Japan to Hong Kong, Taiwan and South Korea

The second shift was from Japan to Hong Kong, Taiwan and the Republic of Korea. These countries dominated textile and clothing exports in the 1970's and early 1980's.

#### Third shift (1980 -90) : Hong Kong, Taiwan & South Korea to China

The third migration was a move to other developing countries in Asia. In the 1980's production moved principally to mainland China, but also to Indonesia, Malaysia, the Philippines, Sri Lanka and Thailand.

#### Fourth Shift (2012-13): China to India, Vietnam, Cambodia, Bangladesh

Rising labor costs coupled with increased consumption of T&A in China, volatility in Chinese currency and losing competitiveness in manufacturing is leading to fourth geographical shift in T&A industry. The immediate beneficiaries are India, Vietnam, Bangladesh etc.

# China – Leader in textile export loosing its shine

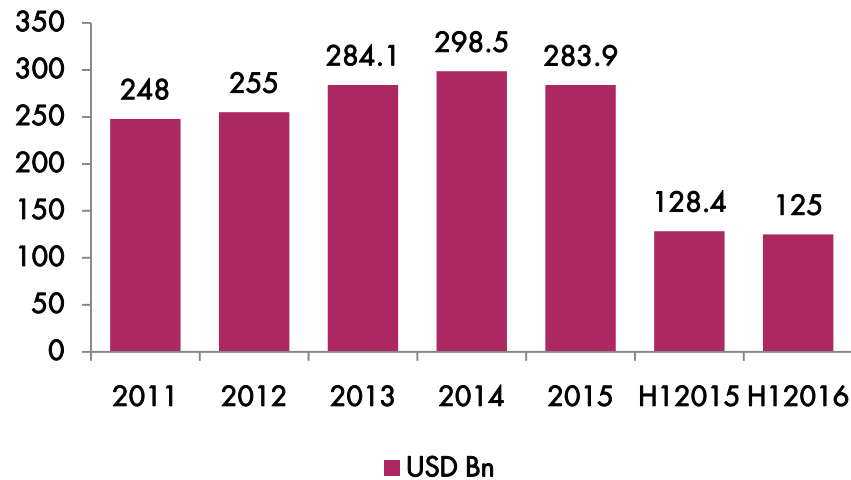
## China's dominance in textile export set to come down

Sector: Textile

- ◆ The T&A export growth rate of China has fallen from 11.4% in 2013 to -4.9% in 2015 and from 2015 onwards, China's T&A exports are continuously delivering a negative growth.
- ◆ In 2015, China's textile export was down -2% to USD 109 bn, while apparel export was down by -6% to USD 175 bn.
- ◆ China's T&A exports are expected to contract further and as per industry estimates, the apparel exports' growth is expected to reduce to 4% CAGR over the next decade vs. a 12% CAGR growth for last 10 years.

### China's T&A export

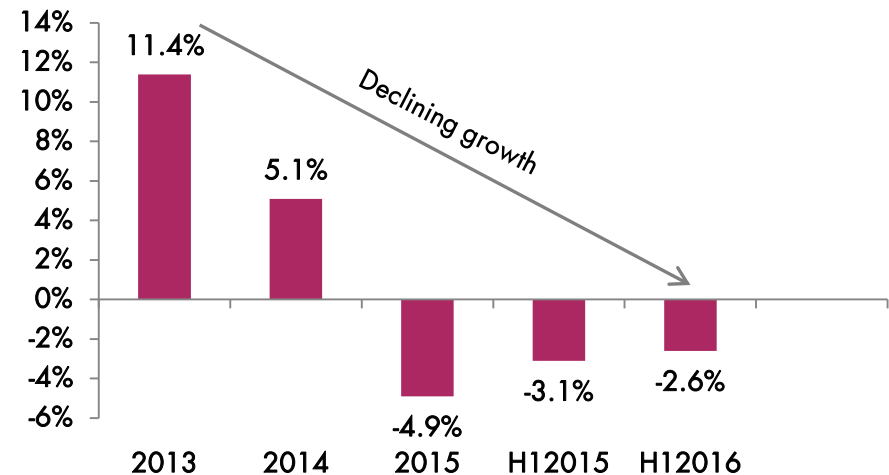
*Steady growth of domestic demand but severe export situation*



Source: Weiqiao Textile presentation, Axis Securities Ltd.

### Growth rate of China's T&A exports

*Growth rate shows a slow down in Chinese T&A industry*

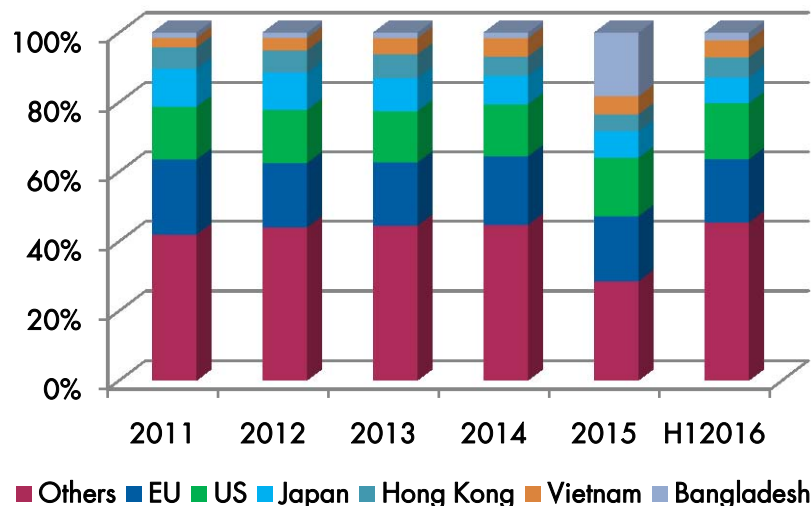


Source: Weiqiao Textile presentation, Axis Securities Ltd.

## China's T&A exports (by regions)

Sector: Textile

### China's Textile and Apparel Exports (by regions)

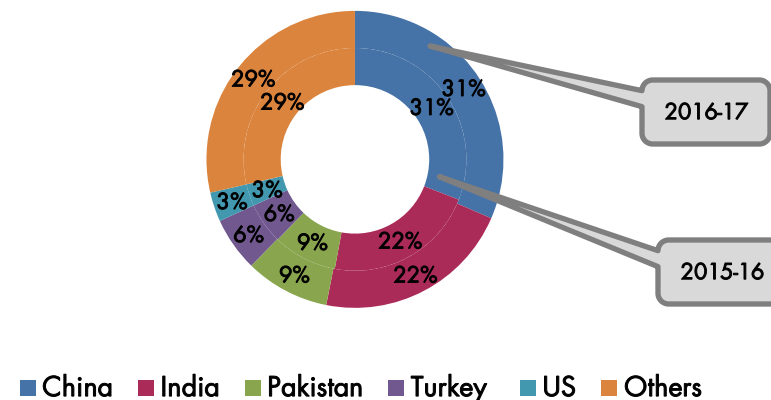


Source: Weiqiao Textile presentation, Axis Securities Ltd.

### Growth rate shows a slow down in Chinese T&A industry

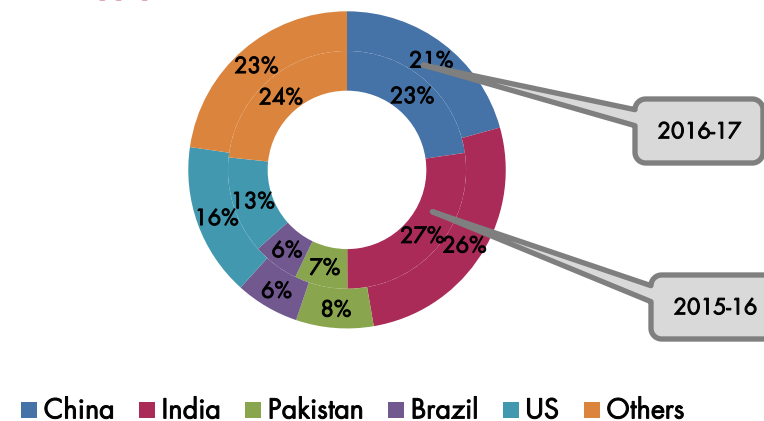
- In 1H2016, China's textile and apparel exports were USD 125 billion, down 2.6% YoY
- In 1H2016, China's textile and apparel were exported to USA (down 5% Y-o-Y), Japan (down 5.1% Y-o-Y), EU (4.4% Y-o-Y), Vietnam (down 9.1% Y-o-Y). Exports to other regions delivered a de-growth of 2.3%

### Global cotton consumption forecast



Source: Weiqiao Textile presentation, Axis Securities Ltd.

### Global cotton supply forecast



Source: Weiqiao Textile presentation, Axis Securities Ltd.

## ...China's slow down in T&A export to benefit India

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Sector: Textile

The growth of domestic demand of T&A in China is expected to surpass exports growth. While on the supply side, higher manufacturing cost and shift to value added sectors may result in slowdown of T&A manufacturing growth. Consequently, China's market share in global T&A trade may reduce from the current levels.

China's share in global T&A export to reduce from present level due to two major factors –

- ◆ **Increased growth in China's domestic demand driven by higher incomes and increased per capita spend on apparel**
  - On supply side, China's shift towards service economy and manufacturing of value added sectors to result in a changing supply chain landscape; this will benefit of South East Asian countries
  - Rising per capita income making China a self consuming economy (domestic consumption growing at 13% CAGR) likely to impact its ability to export
  
- ◆ **Chinese export becoming uncompetitive:**
  - Chinese manufacturing becoming less competitive due to rising labor and power cost which has resulted in decline in T&A exports from China. Wages in China have doubled over the past five years. Monthly manufacturing wages in Shanghai were about \$ 500-550, about three times higher than those in Hanoi, Vietnam's capital.
    - **Currency volatility:** Appreciation of Chinese Yuan against the Dollar created an adverse effect on the costs for Chinese exports
  - Indian products are design lead compared to commoditized products of China



# Structural changes in T&A in favor of India

## Competitive advantage to Indian textile manufacturers

Sector: Textile

### Cost advantage to India amongst the competing nations

Country		India	Bangladesh	China	Vietnam	Cambodia	Ethiopia	Kenya
Labour cost	US\$/ month	140-160	100	500-550	180	190	50-60	125-150
Power cost	US cents / Kwh	10-12	9-12	15-16	8	22	4	9
Lending rate	%	10-12%	13%	5-6%	6-7%	15%	8.5-9.5%	16-18%
Water cost	US Cents / m3	18	20.5	57	50-80	70-90	30-40	150-180
Backward integration	India and China have complete value chain of textile business i.e. from fibre to finished products. Bangladesh and Vietnam have strong garment manufacturing capacity but very limited backward linkages to support the competitiveness							

Source: Alok Industries annual report, Axis Securities

- India is one of the most cost competitive textile manufacturing base for entire value chain of T&A. Labour cost in India is lower than most of the competing countries except Bangladesh, Ethiopia and Kenya. Although power cost is on the higher side but still cheaper than China and Cambodia. Importers look at India as an alternative of China due to quality, its cost competitiveness, better adherence to compliance and political stability.

## Change in cost matrix

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Sector: Textile

### Structural changes in favor of India

- ◆ China, earlier known for low production costs and a stable currency, has experienced a record rise in production costs (21% over 2013-2015) and trying to mitigate the volatility of the Yuan. Chinese market share is showing an ongoing decrease in textile export.
- ◆ Chinese textiles manufacturers have lost competitive advantages of lower cost of production in the last few years. China's competitiveness in cotton textiles dropping rapidly while India's competitiveness is steadily improving.
- ◆ This has offered an opportunity for Indian textiles sector to grab the market share of China in the developed world, especially the European Union and the United States, which cumulatively comprise around 60% of the global export market.
- ◆ China move towards a service economy to result in a changing supply chain landscape, will benefit South East Asian countries. The Indian textiles industry, currently estimated at around USD137 billion, is expected to reach USD 470 billion by 2025 with domestic and export size of USD 285 bn and USD 185 bn respectively.
- ◆ Rising per capita income making China a self consuming economy (domestic consumption growing at 13% CAGR) likely to impact its ability to export

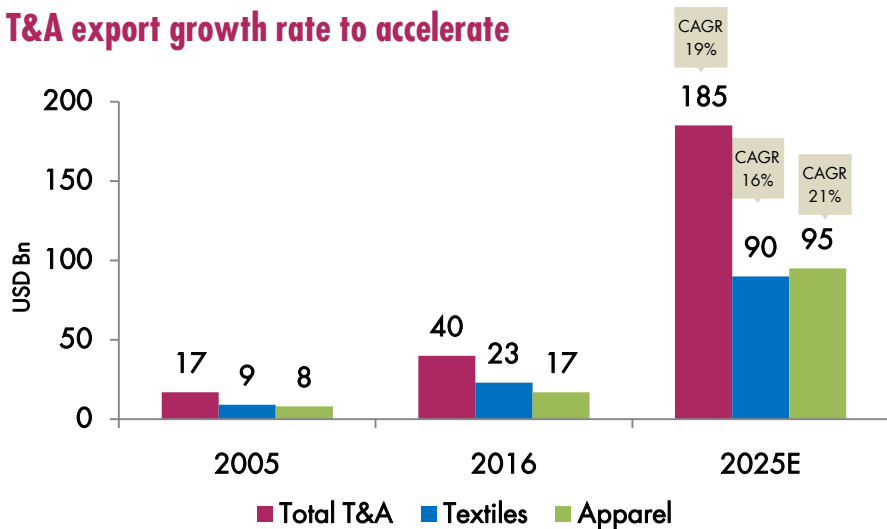
## Structural change: Manifests in higher market share for India

Sector: Textile

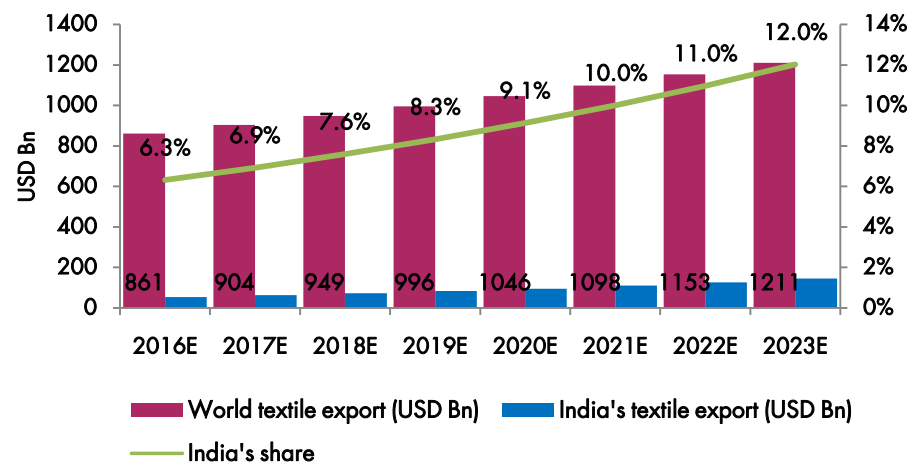
- India's textile and apparel exports reported a CAGR of 8.1% over 2005-2016 and stood at ~USD 40 bn in 2016. Going forward India's T&A exports are projected to grow at a CAGR of 18.5% over 2016-2025E to reach USD 185 bn by 2025.
- Apparel exports with an expected CAGR of 21% are likely to play a major role in deriving the higher growth in T&A export.
- India's T&A export market share is likely to increase from 5.2% in 2015 to 12% in 2023E

- India's market share in textile and apparel trade has increased from 3.7% in 2006 to 5.2% in 2015. India's share in world textile export in 2015 increased to 7% while in apparel export, it was reported at 4.1%.
- Potential for India to grow in T&A exports is immense particularly as the China, the global leader is facing higher cost of production with increase in wages and focusing on a shift to services, and some of the other competing countries like Turkey, Bangladesh etc witnessing political instability, high inflation, currency appreciation and concerns over workplace conditions

### T&A export growth rate to accelerate



### India's share in global textile export to rise



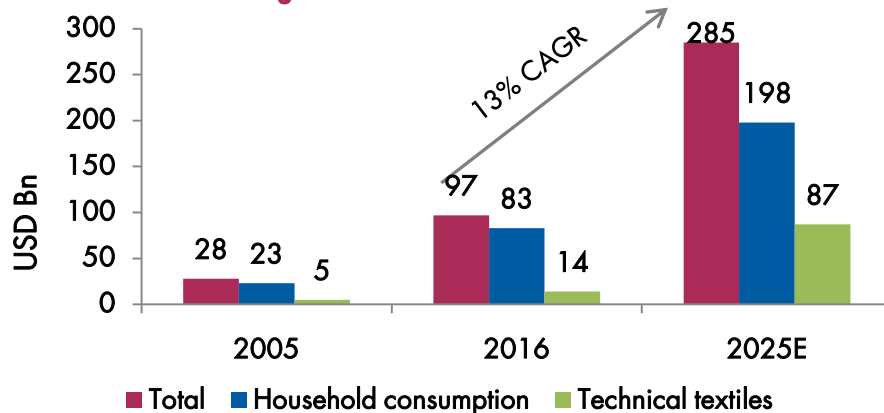
Source: Alok Industries, Axis Securities Ltd.

Source: Industry reports, Axis Securities Ltd.

## Indian textile industry set to grow

Sector: Textile

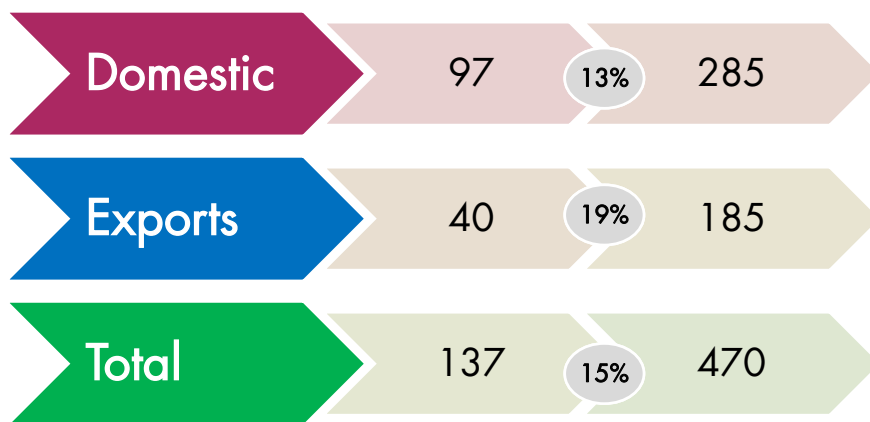
### Domestic demand to grow at a CAGR of 13% over 2016-2025E



Source: Alok Industries, Wazir Advisors, Handlooms.nic.in, Axis Securities Ltd.

### Indian Textile Market

2016 2025



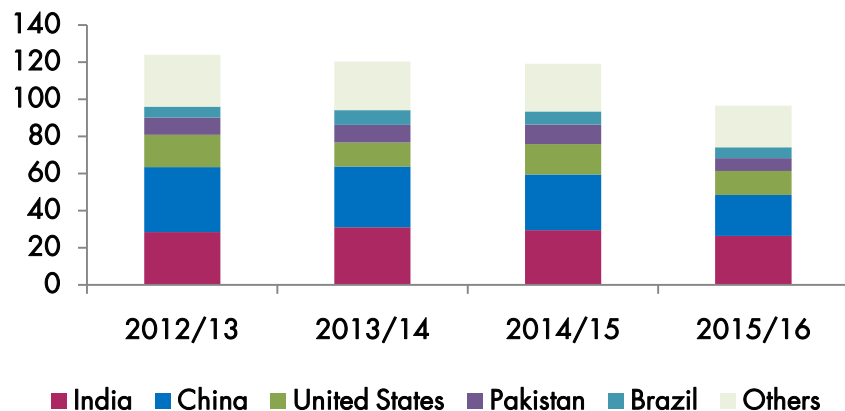
Source: Alok Industries, Wazir Advisors, Handlooms.nic.in, Axis Securities Ltd.

- ◆ The Indian textiles industry is set for strong growth, buoyed by strong domestic consumption as well as export demand.
- ◆ Rising per capita income, growing middle classes and shift in preference to branded products to boost domestic demand of textile and apparels
- ◆ According to World Bank, urban population accounts for 32.7% of the total population of India. This works as demand driver due to changing taste and preferences in the urban part of India
- ◆ India's per capita consumption on garment is expected to increase from USD 37 in 2013 to USD 129 by 2025. The growth rate of per capita spend on garment is highest for India and China at ~11%
- ◆ Domestic market's 74% T&A demand comes from apparel, 7% from home textile and 19% from Technical textiles. Apparel and technical textiles are likely to grow at a rate of 15-20% over next few years.
- ◆ Increasing outsourcing over the years as Indian players moved up the value chain from being mere converters to vendor partners of global retail giants. With global retail brands assured of a domestic foothold, outsourcing will also rise significantly.

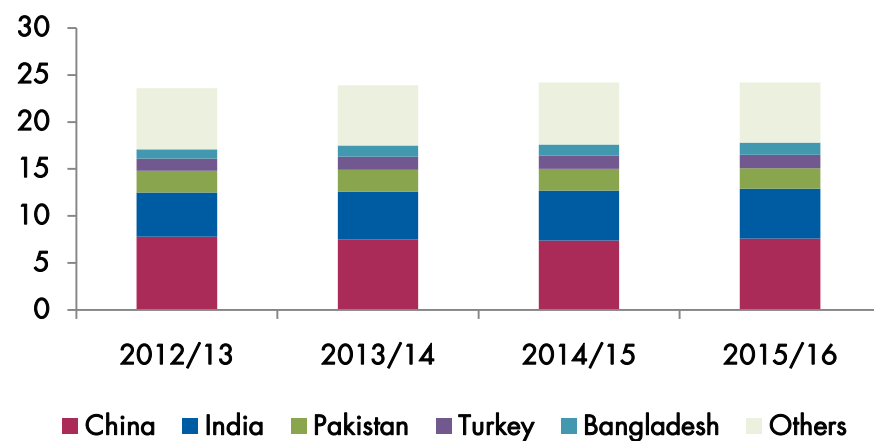
## Raw material availability

Sector: Textile

### World cotton production ( mn bales)



### World cotton consumption ( mn metric tons)



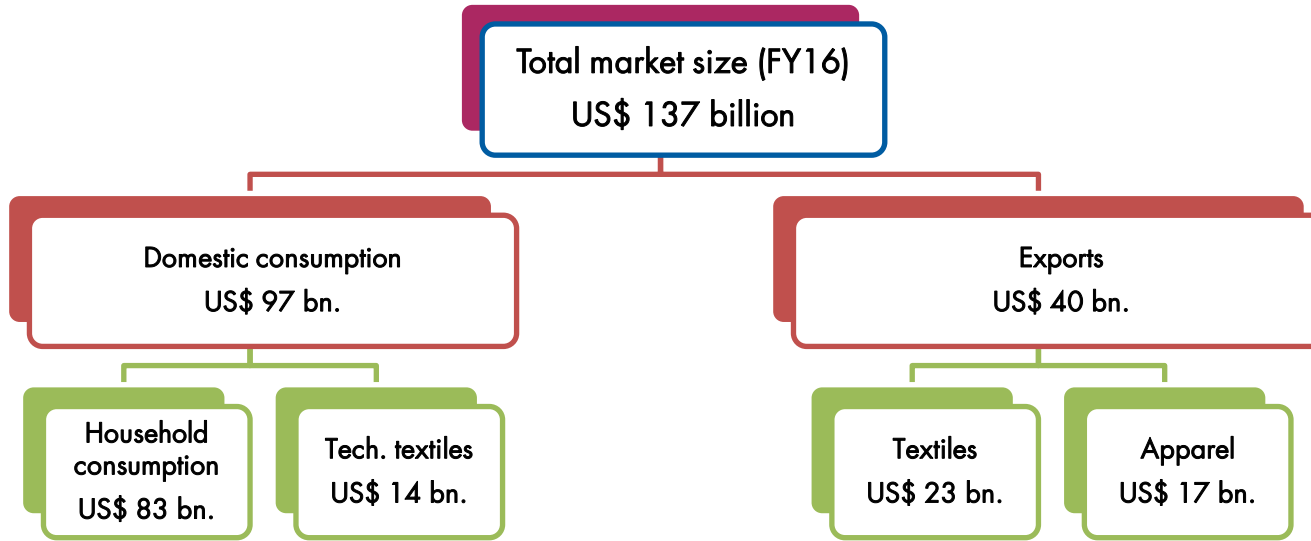
- ◆ India is the largest producer of cotton with a share of 26.5% of the world cotton production. China ranks second with a share of 24%. The production of cotton in Bangladesh and Vietnam is miniscule and both rely on imports of cotton to fulfill their demand for textile and apparel sector.
- ◆ India is the second largest exporter of cotton after USA. China with its huge domestic demand is left with limited quantities for export while Bangladesh and Vietnam with limited cotton production are not exporting cotton at all.
- ◆ China is the world's largest cotton importer. However, it is currently not adding to its stock position and therefore imports have dropped significantly. Vietnam is the second largest cotton importer and its imports have surged significantly indicating strong yarn spinning capacity growth.
- ◆ In China, the area under cotton harvest has decreased by 30% over the last 3 years. Cotton productivity in China is almost 3 times that of India.
- ◆ Abundant availability of raw materials such as cotton, wool, silk, jute and skilled workforce have made India a sourcing hub. It is the world's second largest producer of textiles and garments.

Source: Cotton inc, Axis Securities Ltd.

# Indian textile business overview

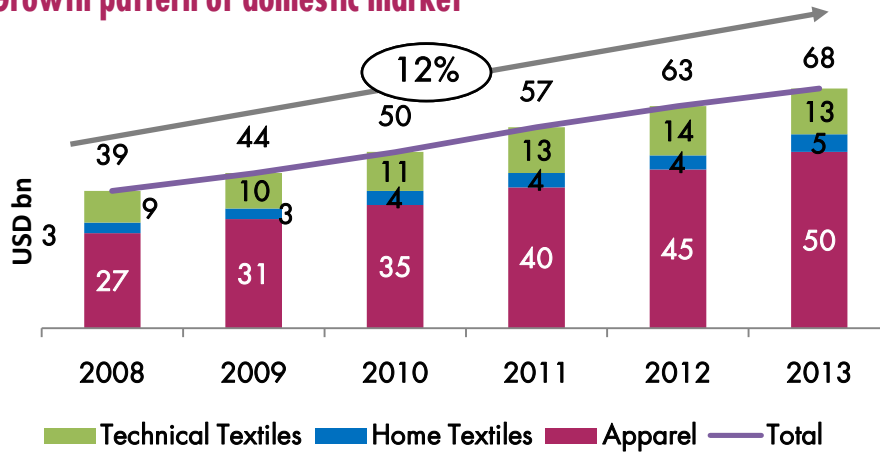
# Indian Textile Market

Sector: Textile

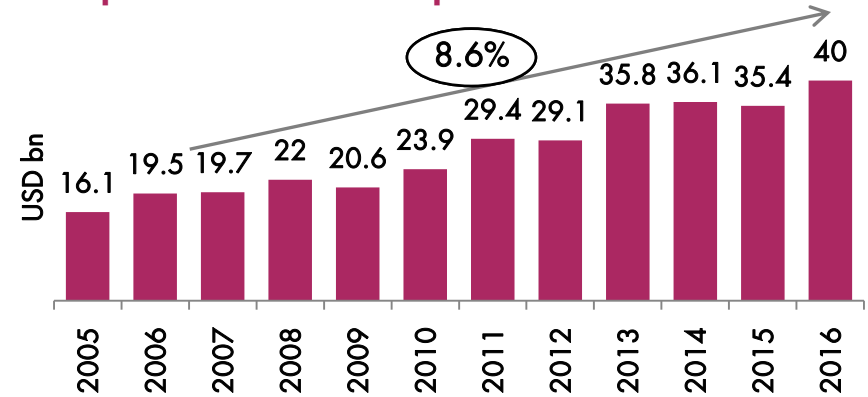


Source: Handlooms.nic.in Textile Ministry, Axis Securities

## Growth pattern of domestic market



## Growth pattern of Indian T&A exports



Source: Himatsingka, Handlooms.nic.in, Axis Securities

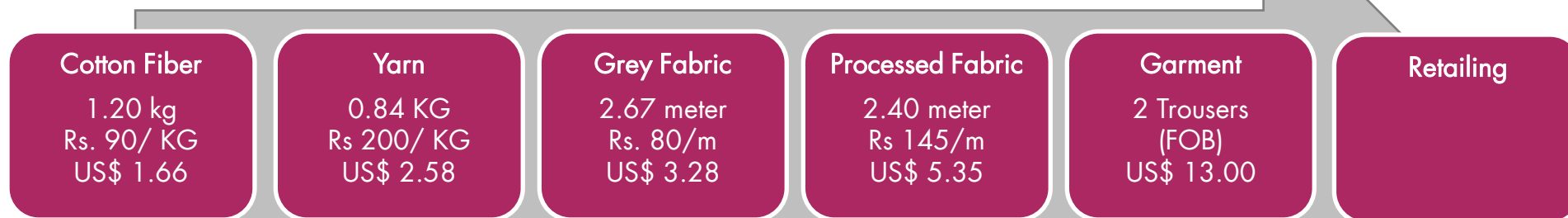
Source: Textile Ministry, Axis Securities



## Textiles Value Additions Through Supply Chain

Sector: Textile

Fully integrated companies to benefit more



To sell finished garment rather than raw material is always better for an exporter. If 1 kg of yarn is processed and sold as finished garment, it generates ~four times more revenue. If 1 kg of cotton fibre is sold as finished garment, it generates 6-8 times more revenue. India exports USD 9 billion/annum of raw cotton fibre and yarn to China, which it uses in making garments and then exports to other countries. So China's ~USD 20 - 24 Bn exports comes with the help of India.

Source: Vardhman Textiles Ltd.

Yarn: 30 combed yarn Fabric: Twirl bottom weight fabric Exchange Rate: Rs 65/\$

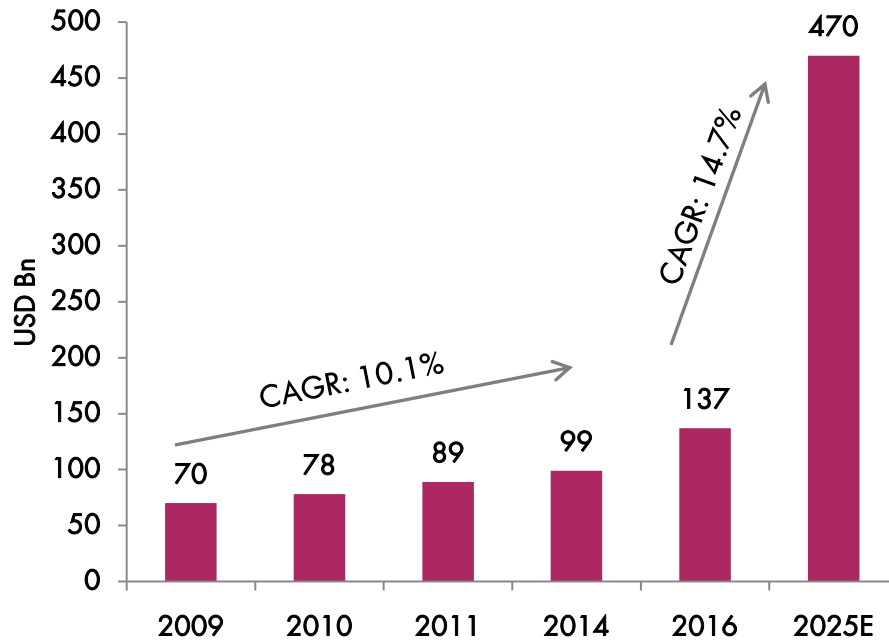
### Presence of our picks in the value chain

	Yarn	Fabric	Apparel	Retail
Ambika cotton	✓	✗	✗	✗
Siyaram silk mills	✓	✓	✓	✓
KPR Mill	✓	✓	✓	✗

## Indian Textile Market

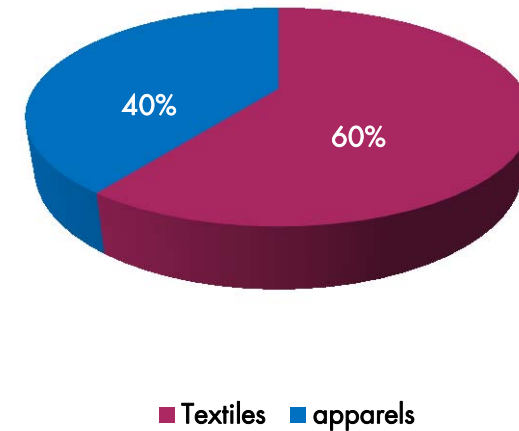
Sector: Textile

### Industry on a higher growth trajectory



Source: IBEF, Alok Industries.

### Contribution of textiles and apparels in 2014 T&A export

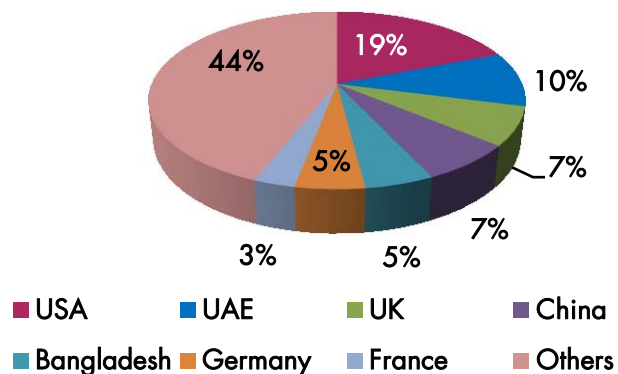


Source: Himatsingka annual report

- ◆ Indian textile industry is likely to grow at a CAGR of 14.7% over 2016-2025E v/s 10.1% CAGR over 2009-2016
- ◆ India is second largest exporter of textiles and apparel in the world.
- ◆ In 2014, textiles contributed 60% in T&A export while remaining 40% was contributed by apparels

## Key global markets for Indian Textile & apparel products

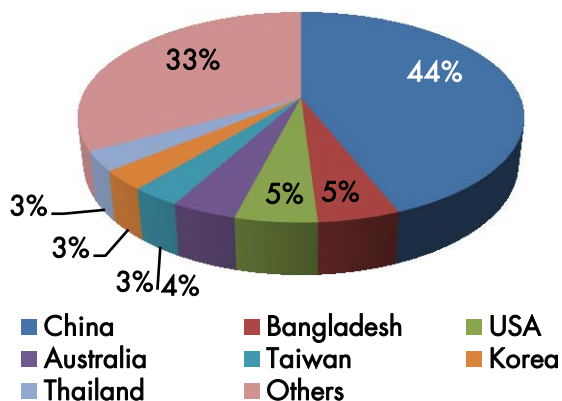
### Key market for Indian textile export (2014-2015)



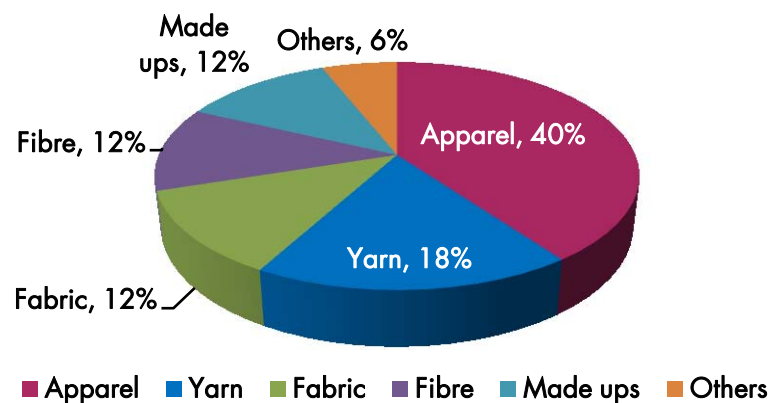
### Indian Textile Industry - Strengths

- ◆ Constitute 14% of Global production of textile fibres and yarn
- ◆ Largest producer and 2nd largest consumer & exporter of cotton
- ◆ 25% market share in Global cotton yarn exports
- ◆ The second biggest exporter of textile & apparel
- ◆ Cost effective manufacturing facilities (Indian spinning sector most efficient in the world)

### Key T&A importers for India (2014-15)



### Break up of India's Textile exports (2013 - 14)



Source: Textile Ministry , Axis Securities

Source: Textile ministry, Axis securities

# Our picks

## KPR Mill Ltd

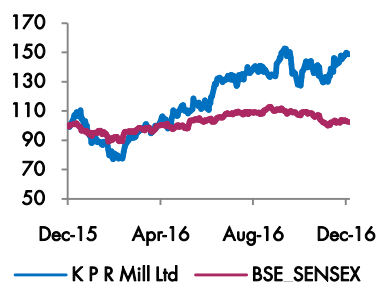
**KPR Mill Ltd**

Sector: Textile

### Stock Data

CMP (10 Jan 2017)	Rs 573
No. of shares	7.53 Cr
Market cap (Rs)	4314 Cr
52 week high/low (Rs)	637/ 310
Avg. daily vol. (6 mths)	62274
Bloomberg code	KPR IN
Reuters code	KPRM.BO

### Price Performance



Source: Axis Securities Ltd, Capitaline.

KPR Mill, a vertically integrated apparel manufacturing company has a cumulative capacity of 3,53,568 spindles to produce 90,000 MT of yarn/annum, knitting facility of 27,000 MT of fabrics/annum and garmenting facility to produce 95 mn pieces of readymade knitted apparel per annum. KPR also owns 9000 MT embedded fabric processing unit, 61.9 MW wind based power generation capacity and sugar power plant having capacity of 5,000 TCD with 30 MW co-gen plant.

### Investment Rationale

- Vertical integration to increase competitiveness:** KPR Mill is a vertically integrated company having presence from manufacturing yarn to garments leading to better margins. The captive consumption of yarn is likely to increase from current consumption of 35-40% to 60% in next 2-3 years which will drive the margins.
- Capacity expansion to capture growing demand:** Growth trend in Knitwear sector is expected to continue for a long term. Encouraging demand from the existing Buyers and enquiries from new markets, the company has set up a Green field manufacturing facility of 36 Million garments per annum at a cost of Rs.175 Crores in Thekkalur, Tirupur. The company is also expanding its dyeing capacity from current level of 9000 MT to 18000 MT. The company is targeting for a revenue of Rs 1000 Cr from garment business.
- Value addition in yarn to improve profitability:** The company has converted its conventional yarn capacity to value added yarn, carrying premium prices resulting in better margins than the conventional yarn by ~2%. Value added yarn consists compact, melange and colour melange yarn.

### Financial Summary (Consolidated)

Y/E March	Sales (Rs cr)	PAT (Rs Cr)	EPS* (Rs)	Change (%)	PE (x)	RoE (%)	RoCE (%)	DPS* (Rs)
FY14	2371	142	18.8	37.5	-	18.3	12.8	3.5
FY15	2566	174	23.0	22.5	-	19.4	13.7	4.5
FY16	2591	210	27.9	21.1	20.5	20.2	13.5	5.0

- Source: Axis Securities Ltd, Capitaline.
- \*: Adjusted for stock split

## KPR Mill Ltd

### Investment Rationale (Cont'd)

- To secure power supply, KPR Mill acquired sugar Mill: In 2012-13, to secure uninterrupted and cheap power supply, the company acquired a sugar company in Karnataka which had a co-gen power capacity of 30 MW. The company receives 10 crore units of power from sugar mill at a cost of Rs 2.5-3/unit (including bagasse) which results in an annual saving of ~ Rs 40 Cr in power cost for the company. Sugar business of the company is debt free.

### Key milestones: Moving towards value added products

1984 – Started business at Coimbatore

1995 – Export of knitted garments

1995-1999 – Set up spinning capacity of 30240 spindles

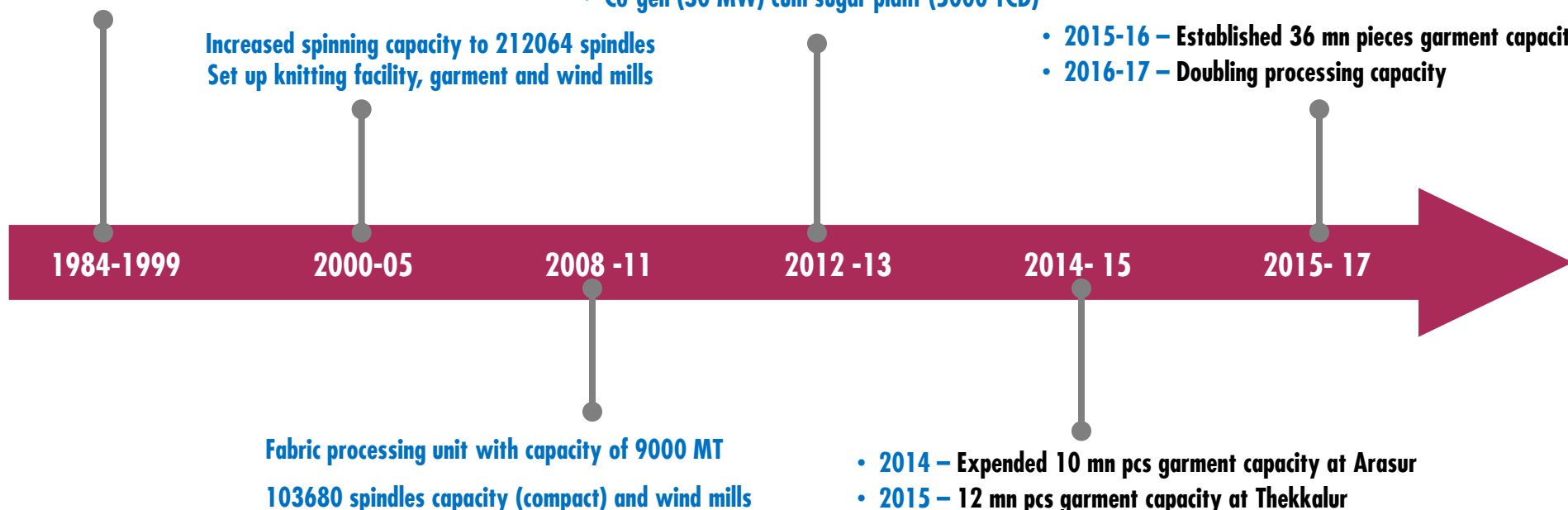
- 16128 spindles for Melange Yarn

- Co-gen (30 MW) cum sugar plant (5000 TCD)

Increased spinning capacity to 212064 spindles  
Set up knitting facility, garment and wind mills

- 2015-16 – Established 36 mn pieces garment capacity

- 2016-17 – Doubling processing capacity



## KPR Mill Ltd

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**KPR Mill Ltd****Sector: Textile**

### Investment Rationale (Cont'd)

- ❑ **Sugar inventory to add value due to favorable sugar prices:** The company has a sugar inventory of 37000 metric ton at the end of Q2FY17. The rising trend in sugar prices is expected to sustain in FY17 which will generate a good cash flow for the company.
- ❑ **Supplying to marquee clients:** The company has relationship with about 1,200 regular domestic clients for yarn & fabric and around 50 leading international brands for garments. Its garment business is 100% export oriented with major revenue coming from Europe. In garment business, around 50% revenues come from top 10 clients while in yarn and fabric business, the sales is fragmented and single client don't contribute more than 1-2% of overall revenue of yarn and fabric segment.
- ❑ **Plans to be debt free:** Management targets to make KPR Mill debt free in next three years. Increased earnings from textile business will be used in retiring the debt of the company.
- ❑ **Capex:** Capex is an ongoing process and company will keep increasing its capacities of yarn and garments business gradually. But for next 1-2 years, it doesn't has any plan for capacity expansion. The maintenance capex of the company is ~Rs 50 Cr/annum. After 2-3 years, it can go for a capex of Rs 100 Cr for spinning business and Rs 200 Cr for garments' capacity expansion.
- ❑ **Jahnvi Motor private Ltd:** The company is the business of selling Audi cars (dealership of Audi). It sold 271 Audi cars in FY16 and generated revenues of Rs 131.6 Cr. The margins in the business are 9-10% which are lower than the margins of textile business. On overall basis, Audi dealership adversely impacts the margins of the company.

## KPR Mill Ltd

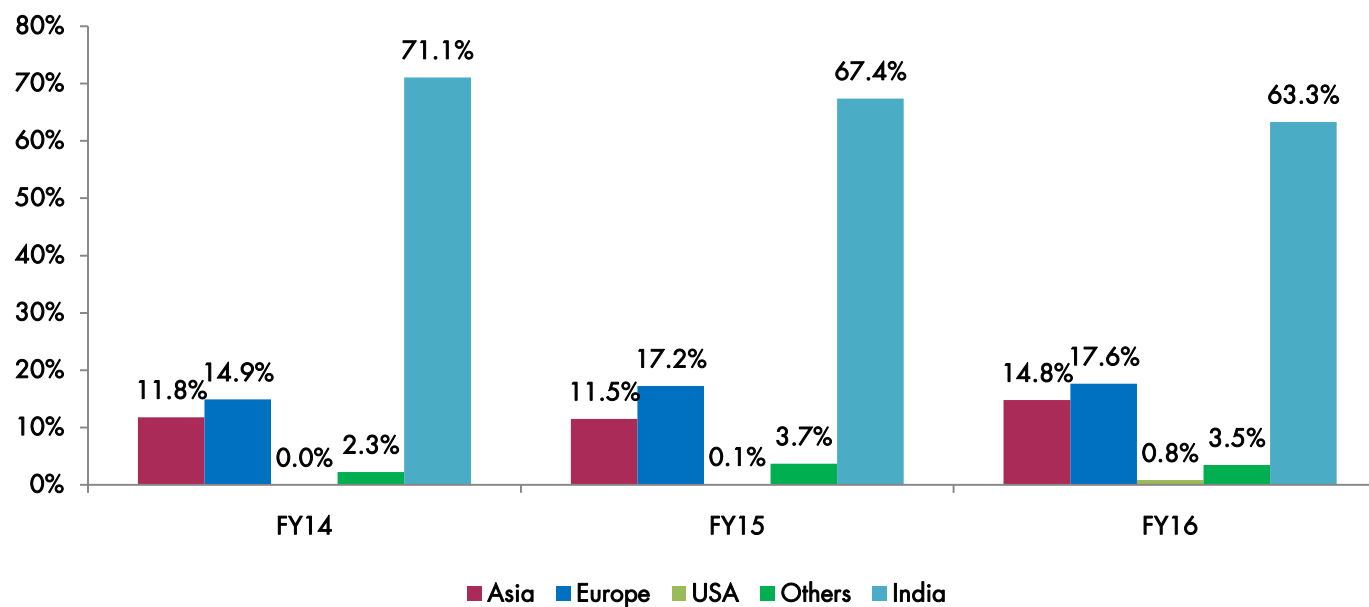
**KPR Mill Ltd**

Sector: Textile

### Segmental Revenue Break-up - Contribution of higher margin garments segment is on rise

YE March	FY14	FY15	FY16	H1FY17
Yarn & Fabric	63.8%	59.8%	59.0%	57.2%
Garments	16.5%	20.5%	23.7%	24.6%
Sugar	10.2%	11.3%	8.4%	10.6%
Others	9.5%	8.4%	8.9%	7.6%

### Geography wise revenue break up





## KPR Mill Ltd

KPR Mill Ltd

Sector: Textile

### Profit & Loss A/c (Consolidated)

(Rs Cr)

YE March (Rs. Cr)	FY12	FY13	FY14	FY15	FY16
Net Sales	1269	1665	2371	2566	2591
Other Income	7	6	31	24	23
Stock Adjustments	-51	185	2	23	14
<b>Total Income</b>	<b>1225</b>	<b>1855</b>	<b>2404</b>	<b>2613</b>	<b>2628</b>
Raw Materials	842	1146	1589	1697	1598
Power & Fuel Cost	36	65	71	108	129
Employee Cost	83	117	151	183	218
Other Manufacturing Expenses	43	88	75	95	118
Selling and Administration Expenses	27	42	56	62	67
Miscellaneous Expenses	8	5	9	7	7
<b>Total Expenditure</b>	<b>1038</b>	<b>1462</b>	<b>1951</b>	<b>2152</b>	<b>2135</b>
<b>EBIDTA</b>	<b>187</b>	<b>393</b>	<b>453</b>	<b>461</b>	<b>493</b>
Interest	48	98	105	84	57
Depreciation	104	151	157	154	152
Profit Before Tax	35	144	192	223	283
Tax	-3	26	53	50	74
Deferred Tax	5	15	-2	0	-1
<b>Net Profit</b>	<b>33</b>	<b>103</b>	<b>142</b>	<b>174</b>	<b>210</b>

### Balance sheet

(Rs Cr)

YE March (Rs. Cr)	FY12	FY13	FY14	FY15	FY16
Share Capital	56	53	53	53	38
Reserves Total	575	654	762	893	1,057
Total Shareholders Funds	631	706	815	945	1,094
Total Debt	799	1,008	962	824	887
Other Liabilities	171	147	-	55	54
<b>Total Liabilities</b>	<b>1,601</b>	<b>1,862</b>	<b>1,777</b>	<b>1,824</b>	<b>2,035</b>
APPLICATION OF FUNDS :					
Gross Block	1,551	1,951	2,020	2,122	2,220
Less: Accumulated Depreciation	460	612	764	915	1,063
Net Block	1,091	1,339	1,256	1,206	1,157
Capital Work in Progress	75	-	6	2	35
Investments	-	66	63	61	2
Inventories	187	358	405	516	506
Sundry Debtors	137	159	238	282	425
Cash and Bank	59	76	99	40	46
Loans and Advances	79	60	87	65	107
Total Current Assets	462	652	829	903	1,083
Current Liabilities	47	148	309	310	283
Provisions	24	18	19	37	19
Total Current Liabilities	71	166	328	348	302
Net Current Assets	391	486	502	556	781
Net Deferred Tax	-47	-62	-60	-60	-59
Other Assets	91	32	11	58	120
<b>Total Assets</b>	<b>1,601</b>	<b>1,862</b>	<b>1,777</b>	<b>1,824</b>	<b>2,035</b>

Source: Axis Securities Ltd, Capitaline.

## KPR Mill Ltd

KPR Mill Ltd

Sector: Textile

### Key ratios

(%)

YE March	FY13	FY14	FY15	FY16
Raw Material / Sales (%)	57.6%	63.5%	61.7%	55.4%
Other Income/EBT(%)	4.0%	16.2%	10.8%	8.1%
<b>EBITDA Margin (%)</b>	<b>23.3%</b>	<b>17.8%</b>	<b>17.0%</b>	<b>18.1%</b>
Tax / PBT (%)	28.5%	26.2%	22.3%	25.8%
Net Profit Margin (%)	6.2%	6.0%	6.8%	8.1%
<b>RoE (%)</b>	<b>28.3%</b>	<b>18.3%</b>	<b>19.4%</b>	<b>20.2%</b>
<b>RoCE (%)</b>	<b>20.4%</b>	<b>12.8%</b>	<b>13.7%</b>	<b>13.5%</b>
Debt/ Equity (x)	1.3	1.0	0.8	0.7
Interest Coverage (x)	4.0	4.0	5.2	8.2
Interest / Debt (%)	21.7%	11.9%	10.6%	7.4%
Growth in Gross Block (%)	-	3.5%	5.1%	4.6%
Sales Growth (%)	-	42.4%	8.2%	1.0%
EBITDA Growth (%)	-	9.0%	3.6%	7.4%
<b>Net Profit Growth (%)</b>	-	<b>37.5%</b>	<b>22.5%</b>	<b>21.1%</b>
Debtors (Days of net sales)	35	36	40	60
Creditors (Days of Raw Materials)	33	52	48	44
Inventory (Days of Optg. Costs)	102	76	89	87
Current Ratio (x)	1.6	1.9	1.9	2.8
Net Current Assets/Capital Employed (%)	15.9%	23.1%	26.5%	39.4%

Source: Axis Securities Ltd, Capitaline.

### Quarterly financials

(Rs Cr)

YE March (Rs. Cr)	Q4 FY15	Q1F Y16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17
<b>Net Sales</b>	<b>655.3</b>	<b>603.4</b>	<b>587.3</b>	<b>619.5</b>	<b>693.4</b>	<b>638.8</b>	<b>734</b>
Other Operating Income	21.5	23.1	20.6	20.5	26.6	27.2	21
Other Income	6.3	6.4	4.7	5.3	6.8	6.8	7.5
<b>Total Income</b>	<b>683</b>	<b>632.8</b>	<b>612.5</b>	<b>645.3</b>	<b>726.8</b>	<b>672.8</b>	<b>762.9</b>
<b>Total Expenditure</b>	<b>570.2</b>	<b>504.1</b>	<b>486.7</b>	<b>524.2</b>	<b>609.7</b>	<b>534.4</b>	<b>600.6</b>
<b>EBIDTA</b>	<b>112.8</b>	<b>128.7</b>	<b>125.8</b>	<b>121</b>	<b>117.1</b>	<b>138.4</b>	<b>162.3</b>
Interest	21.3	18.2	14.5	11.9	12.8	20.2	16.6
PBDT	91.5	110.5	111.3	109.2	104.2	118.2	145.7
Depreciation	36.9	37.6	38.6	38.6	37.3	37.2	37.6
<b>PBT</b>	<b>54.6</b>	<b>73</b>	<b>72.8</b>	<b>70.6</b>	<b>66.9</b>	<b>81</b>	<b>108.1</b>
Tax	4.5	22.5	20.6	17.6	12.4	18.1	26.9
<b>PAT</b>	<b>50.1</b>	<b>50.5</b>	<b>52.2</b>	<b>53</b>	<b>54.5</b>	<b>62.9</b>	<b>81.2</b>

## Siyaram Silk Mills Ltd

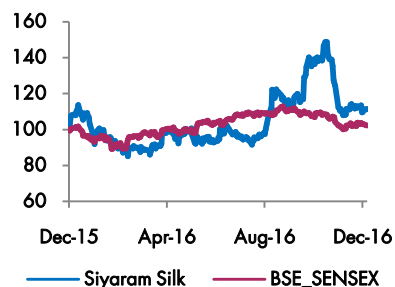
**Siyaram Silk Mills Ltd**

Sector: Textile

### Stock Data

CMP (10 Jan 2017)	Rs 1400
No. of shares	0.937 Cr
Market cap (Rs)	1312 Cr
52 week high/low (Rs)	1690/ 925
Avg. daily vol. (6 mths)	5490
Bloomberg code	SIYA.IN
Reuters code	SIYR.BO

### Price Performance



Source: Axis Securities Ltd, Capitaline.

Siyaram Silk Mills Ltd. is an integrated textile manufacturer with a domestic focus mainly in tier II and Tier III cities. Over the past few years, Siyaram is strategically transforming itself from a textile manufacturer to a garmenting and brand house with portfolio of brands such as Oxemberg, J. Hampstead, Mistair, MSD, Royal Linen, Moretti etc. Also in FY14, Siyaram entered the ladies' salwar kameez and ethnic wear segment with the brand Siya.

### Investment Rationale

- A strong bouquet of brands coupled with entry into ladies ethnic wear:** In the Fabric Space, it has Brands like Siyaram's, J.Hampstead, Mistair. In the readymade space, it has brands like Oxemberg, MSD and in the premium ready to wear space, it has J.Hampstead and Cadini (Italian brand). Other key brands in the company's portfolio include Oxemberg, MSD, etc, which has a strong presence in value brands category. Siyaram entered the ladies' salwar kameez and ethnic wear segment with the brand Siya in FY14.
- Focus on franchise based asset light model for retailing of brands:** The company has a network on around 250 franchise stores and plans to expand to 500 stores over next two to three years. The company has 1600 dealers and presence in around 3 lakh multi brand outlets.
- The company is aggressively monetizing its brands through high-margin RMG business, which has helped to improve its EBITDA margin and ROCEs from 8% and 6% in FY09 to 12% and 18%, respectively in FY15

### Financial Summary

Y/E March	Sales (Rs cr)	PAT (Rs Cr)	EPS (Rs)	Change (%)	PE (x)	RoE (%)	RoCE (%)	DPS (Rs)
FY14	1610	67.1	66.5	-	-	19	18.6	8
FY15	1902	77.9	82.0	23.3%	-	20	19.6	10
FY16	2078	89.3	91.2	11.2%	15.4	19	18.5	11

\* CMP Source: Axis Securities Ltd, Capitaline.

## Siyaram Silk Mills Ltd

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**Siyaram Silk Mills Ltd****Sector: Textile**

### Investment Rationale (Cont'd)

- ❑ **Manufacturing capacity:** The company is one of the major producer of polyester viscose blended fabrics with manufacturing facilities to produce 68 million meters fabric/annum, 3.6 million kg of dyed yarn and 4.3 million nos of garments.
- ❑ **Garment segment to drive growth:** Revenue of the company has grown at a CAGR of 16.7 % over FY12- FY16 with earnings growth of 12.6% over the same period.

## Siyaram Silk Mills Ltd

### Siyaram Silk Mills Ltd

Sector: Textile

#### Profit & Loss A/c

(Rs Cr)

YE March (Rs. Cr)	FY12	FY13	FY14	FY15	FY16
Net Sales	1,112	1,292	1,610	1,902	2,077
Other Income	11	19	16	16	17
Stock Adjustments	27	18	2	5	70
<b>Total Income</b>	<b>1,150</b>	<b>1,329</b>	<b>1,628</b>	<b>1,923</b>	<b>2,164</b>
Raw Materials	487	550	674	799	880
Power & Fuel Cost	17	20	28	30	32
Employee Cost	63	89	108	123	144
Other Manufacturing Expenses	158	169	203	217	248
Selling and Administration Expenses	285	354	436	543	632
Miscellaneous Expenses	13	18	24	20	23
<b>Total Expenditure</b>	<b>1,022</b>	<b>1,200</b>	<b>1,472</b>	<b>1,732</b>	<b>1,960</b>
<b>EBIDTA</b>	<b>128</b>	<b>129</b>	<b>156</b>	<b>190</b>	<b>205</b>
Interest	24	25	29	31	31
Depreciation	22	22	29	41	42
Profit Before Tax	81	82	98	119	133
Tax	26	24	31	43	44
Deferred Tax	-1	3	3	-3	1
<b>Reported Net Profit</b>	<b>57</b>	<b>55</b>	<b>64</b>	<b>79</b>	<b>88</b>
Extraordinary Items	1	0	-4	1	-2
<b>APAT</b>	<b>56</b>	<b>55</b>	<b>67</b>	<b>78</b>	<b>89</b>

Source: Axis Securities Ltd, Capitaline.

#### Balance sheet

(Rs Cr)

YE March (Rs. Cr)	FY12	FY13	FY14	FY15	FY16
Share Capital	9	9	9	9	9
Reserves Total	258	305	360	426	501
Total Shareholders Funds	267	314	370	435	511
Secured Loans	155	208	258	231	212
Unsecured Loans	83	71	56	79	184
Total Debt	237	278	314	309	396
Other Liabilities	27	28	31	38	44
<b>Total Liabilities</b>	<b>531</b>	<b>620</b>	<b>715</b>	<b>782</b>	<b>951</b>
APPLICATION OF FUNDS :					
Gross Block	403	499	570	589	648
Less : Accumulated Depreciation	173	194	220	258	296
Net Block	230	305	349	332	353
Capital Work in Progress	15	16	3	7	4
Investments	3	0	0	0	46
Inventories	188	222	225	238	326
Sundry Debtors	177	200	260	335	361
Cash and Bank	2	3	6	5	6
Loans and Advances	78	33	39	48	58
Total Current Assets	445	458	531	626	751
Current Liabilities	104	139	149	166	202
Provisions	62	10	10	13	2
Total Current Liabilities	166	149	159	180	204
Net Current Assets	279	310	371	447	547
Net Deferred Tax	-16	-19	-22	-19	-20
Other Assets	20	8	13	15	21
<b>Total Assets</b>	<b>531</b>	<b>620</b>	<b>715</b>	<b>782</b>	<b>951</b>

## Siyaram Silk Mills Ltd

**Siyaram Silk Mills Ltd**

Sector: Textile

### Key ratios

(%)

	FY12	FY13	FY14	FY15	FY16
Debt-Equity Ratio	1.03	0.89	0.87	0.77	0.75
Long Term Debt-Equity Ratio	0.31	0.31	0.27	0.18	0.11
Current Ratio	1.21	1.32	1.31	1.34	1.35
Turnover Ratios					
Fixed Assets	2.84	2.88	3.01	3.28	3.36
Inventory	6.66	6.34	7.2	8.21	7.36
Debtors	6.02	6.88	6.99	6.39	5.97
Total Asset Turnover Ratio	2.16	2.26	2.41	2.54	2.4
Interest Cover Ratio	4.38	4.25	4.41	4.89	5.35
PBIDTM (%)	11.37	9.91	9.68	10.01	9.86
CPM (%)	7.05	5.91	5.76	6.29	6.22
APATM (%)	5.06	4.23	3.95	4.14	4.22
ROCE (%)	20.26	18.58	18.99	19.97	18.84
RONW (%)	23.3	18.93	18.6	19.59	18.52
PBT / EBIT (X)	0.77	0.76	0.77	0.8	0.81
EBIT / Sales (X)	0.09	0.08	0.08	0.08	0.08
Sales / Assets (X)	2.14	2.25	2.41	2.54	2.4
Assets / Equity (X)	2.13	1.98	1.95	1.86	1.83
ROE (X)	0.23	0.19	0.19	0.2	0.19
Market Cap/Sales	0.22	0.17	0.17	0.43	0.44

Source: Axis Securities Ltd, Capitaline.

### Quarterly financials

(Rs Cr)

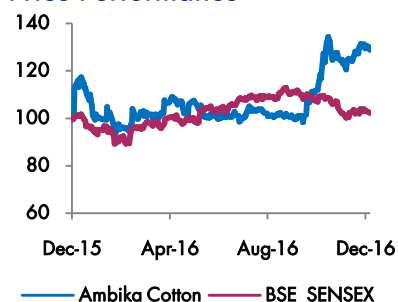
YE March (Rs. Cr)	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17
Net Sales	297	397.4	415.4	504.1	280.4	421.1
Other Operating Income	0.5	0.6	0.3	0.8	0.9	0.6
Other Income	4.4	3.8	4.7	4.2	5.6	7.2
Total Income	301.9	401.8	420.4	509.2	286.9	428.9
Total Expenditure	266.4	348.2	368.9	444.7	251.7	368.2
EBIDTA	35.5	53.6	51.5	64.5	35.3	60.7
Interest	6.8	7.2	8.1	8.4	9	8.4
PBDT	28.7	46.4	43.4	56.1	26.3	52.3
Depreciation	9.7	10.8	10.5	10.6	10.9	11
PBT	19	35.6	32.9	45.6	15.4	41.3
Tax	6.8	10.9	12.5	13.9	6.6	14.5
Deferred Tax	-0.7	1.6	-0.4	-0.4	-1.2	-
Reported PAT	12.9	23.1	20.9	32.1	10	26.8

## Ambika Cotton Mills Ltd

### Stock Data

CMP (10 Jan 2017)	Rs 1044
No. of shares	0.587 Cr
Market cap (Rs)	613 Cr
52 week high/low (Rs)	1095/ 735
Avg. daily vol. (6 mths)	8531
Bloomberg code	ACML IN
Reuters code	AMBK BO

### Price Performance



Source: Axis Securities Ltd, Capitaline.

Ambika Cotton Mills Limited is engaged in manufacturing and selling specialty cotton yarn catering to the needs of manufacturers of premium branded shirts and t-shirts. The company has installed 27.4 MW wind power capacity for captive consumption of spinning segment. The Spinning Plants are located at Kanniyapuram, Dindigul with a total capacity of 1,08,288 spindles and Windmills are located in Tirunelveli, Dharapuram and Theni in the State of Tamilnadu.

### Investment Rationale

- Focus on profitability:** Ambika Cotton has not increased its capacity since FY07 but its earnings have improved from Rs 17.3 Cr in FY07 to Rs 44.5 Cr in FY16. The increased profitability was primarily on account of change in product mix driven by R&D.
- Capacity expansion:** The company is planning to enter into manufacturing of knitted fabric (only grey fabric). The company has already invested Rs 8.5 Cr and another planned capex for grey colour knitted fabric manufacturing is Rs 35-40 Cr which is likely to be invested over next few months. Apart from that, the company is also expanding spinning capacity by 30000 spindles with an capex of around Rs 100 Cr. The planned capex is likely to be funded through internal accruals.
- Debt has reduced Y-o-Y:** Given healthy cash flow of the company, debt of the company has reduced from Rs 152 Cr in FY12 to Rs 20 Cr in FY16.
- Planning for acquisition:** Operating cash flow of the company in FY16 stood at Rs 67 Cr, which is likely to remain in that range in coming two to three years. The strong cash flow generation will accumulate huge cash in the balance sheet of the company. To utilize the cash, management is planning to acquire a company in related business and wants to grow inorganically. Current capacities of the company are operating at 90-95% utilizations.

### Financial Summary

Y/E March	Sales (Rs cr)	PAT (Rs Cr)	EPS (Rs)	Change (%)	PE (x)	RoE (%)	RoCE (%)	DPS (Rs)
FY14	477	48	79.8	-	-	20	21.5	12.5
FY15	495	51	84.3	5.6%	-	18.2	19.6	14
FY16	492	43.2	73.6	(12.7%)	14.2	14	18.0	15

\* CMP Source: Axis Securities Ltd, Capitaline.

## Ambika Cotton Mills Ltd

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**Ambika Cotton Mills Ltd**

Sector: Textile

### Investment Rationale (Cont'd)

- ❑ **Specialized yarn:** The company is engaged in manufacturing specialized yarn having average realization of Rs.400 – 450/ Kg V/s average realization of Rs. 250 per Kg for normal yarn. The company is actively engaged in R&D and innovation which helps in making specialty yarn from superior cotton. The company's primary focus is to improve EBIDTA/spindle which is on the higher side in comparison to its peers. The yarn produced by the company is supplied to selected customers which are focused on quality products. Around 60% revenues comes from export business.

### Concern

- ❑ Huge dependency on imported raw material such as Giza and Pima cotton from Egypt and US respectively. Availability of quality raw material at right price can create concern for the company.
- ❑ Inability to pass on the increased raw material cost to customers can impact the margins. Also competition exists from Chinese and Hong Kong players.
- ❑ Demand slowdown in European countries
- ❑ Product mix coupled with volume growth are key for the future growth of the company. But the company's focus is on product mix having high margin and not on volume growth. So after a point, saturation can lead to adverse impact on the earnings of the company. We feel that the company is facing the similar situation since last two years.



## Ambika Cotton Mills Ltd

**Ambika Cotton Mills Ltd**

Sector: Textile

### Profit & Loss A/c

(Rs Cr)

YE March (Rs. Cr)	FY12	FY13	FY14	FY15	FY16
<b>Net Sales</b>	<b>389</b>	<b>399</b>	<b>477</b>	<b>495</b>	<b>492</b>
Other Income	0.7	0.3	0.2	0.6	1.8
Stock Adjustments	0.2	3.1	8.4	-10.9	4.5
<b>Total Income</b>	<b>390</b>	<b>401</b>	<b>486</b>	<b>485</b>	<b>499</b>
Raw Materials	238	238	286	294	306
Power & Fuel Cost	14	21	26	25	33
Employee Cost	20	21	24	24	25
Other Manufacturing Expenses	8	15	12	12	12
Selling and Administration Expenses	19	14	24	26	26
Miscellaneous Expenses	13	5	10	3	2
<b>Total Expenditure</b>	<b>311</b>	<b>314</b>	<b>381</b>	<b>385</b>	<b>404</b>
<b>EBIDTA</b>	<b>79</b>	<b>88</b>	<b>104</b>	<b>100</b>	<b>95</b>
Interest	20	19	13	7	6
Depreciation	27	27	32	29	30
<b>Profit Before Tax</b>	<b>32</b>	<b>41</b>	<b>60</b>	<b>64</b>	<b>59</b>
Tax	8	13	15	13	18
Deferred Tax	0	-3	-4	0	-4
Reported Net Profit	24	31	48	51	45
<b>Adjusted PAT</b>	<b>24</b>	<b>31</b>	<b>48</b>	<b>51</b>	<b>43</b>

### Balance sheet

(Rs Cr)

YE March (Rs. Cr)	FY12	FY13	FY14	FY15	FY16
Share Capital	6	6	6	6	6
Reserves Total	190	215	254	295	329
Total Shareholders Funds	196	220	260	301	335
Secured Loans	121	94	100	63	20
Unsecured Loans	31	-	-	-	-
Total Debt	152	94	100	63	20
<b>Total Liabilities</b>	<b>348</b>	<b>314</b>	<b>360</b>	<b>364</b>	<b>355</b>
Gross Block	457	466	484	494	507
Less : Accumulated Depreciation	147	174	195	224	252
Net Block	310	291	289	270	255
Inventories	83	92	133	145	124
Sundry Debtors	11	7	6	6	19
Cash and Bank	2	2	3	3	5
Loans and Advances	15	20	15	15	17
Total Current Assets	110	121	156	169	165
Current Liabilities	39	56	44	35	32
Provisions	3	7	10	10	0
Total Current Liabilities	42	64	53	45	32
Net Current Assets	68	57	103	124	133
Deferred Tax Liability	48	45	41	41	37
Net Deferred Tax	-48	-45	-41	-41	-37
Other Assets	18	10	9	11	4
<b>Total Assets</b>	<b>348</b>	<b>314</b>	<b>360</b>	<b>364</b>	<b>355</b>

Source: Axis Securities Ltd, Capitaline.

## Ambika Cotton Mills Ltd

**Ambika Cotton Mills Ltd**

Sector: Textile

### Key ratios

(%)

	FY12	FY13	FY14	FY15	FY16
Debt-Equity Ratio	1.1	0.6	0.4	0.3	0.1
Long Term Debt-Equity Ratio	0.6	0.4	0.2	0.1	0.0
Current Ratio	0.8	0.8	0.9	1.1	1.4
Turnover Ratios					
Fixed Assets	0.9	0.9	1.0	1.0	1.0
Inventory	3.3	4.6	4.2	3.6	3.7
Debtors	24.6	46.6	78.0	84.4	40.1
Total Asset Turnover Ratio	1.0	1.2	1.4	1.4	1.4
Interest Cover Ratio	2.6	3.1	5.6	9.9	11.0
PBIDTM (%)	20.3	22.0	21.8	20.3	19.3
PBITM (%)	13.4	15.1	15.2	14.3	13.2
APATM (%)	6.1	7.8	10.1	10.3	9.0
<b>ROCE (%)</b>	<b>13.3</b>	<b>18.1</b>	<b>21.5</b>	<b>19.6</b>	<b>18.0</b>
<b>RONW (%)</b>	<b>12.9</b>	<b>14.9</b>	<b>20.0</b>	<b>18.2</b>	<b>14.0</b>
Payout (%)	12.6	18.6	15.7	16.6	20.7
Sales / Assets (X)	1.0	1.2	1.4	1.4	1.4
Assets / Equity (X)	2.1	1.6	1.4	1.3	1.1
Market Cap/Sales	0.2	0.3	0.4	0.9	1.0

Source: Axis Securities Ltd, Capitaline.

### Quarterly Financials

YE March (Rs. Cr)	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17
<b>Net Sales</b>	<b>121.7</b>	<b>121.1</b>	<b>122.2</b>	<b>118.4</b>	<b>123.6</b>	<b>130.5</b>
Other Operating Income	2.5	2.3	2.1	2.0	2.0	2.5
Other Income	0.1	0.1	0.1	1.5	0.1	0.22
Total Income	124.3	123.5	124.4	121.9	125.6	133.2
<b>Total Expenditure</b>	<b>99.4</b>	<b>100.7</b>	<b>101.3</b>	<b>98.6</b>	<b>100.2</b>	<b>106.2</b>
<b>EBIDTA</b>	<b>24.9</b>	<b>22.8</b>	<b>23.1</b>	<b>23.4</b>	<b>25.4</b>	<b>27.0</b>
Interest	1.5	1.2	1.1	1.5	1.4	1.1
PBDT	23.4	21.6	22.0	21.9	24.0	25.9
Depreciation	7.4	7.5	7.5	7.6	7.2	7.2
<b>PBT</b>	<b>16.0</b>	<b>14.1</b>	<b>14.5</b>	<b>14.3</b>	<b>16.8</b>	<b>18.7</b>
Tax	4.1	3.7	3.2	7.1	5.2	4.5
Deferred Tax	-0.1	-0.1	0.0	-3.4	-0.9	-0.7
<b>Reported PAT</b>	<b>12.1</b>	<b>10.6</b>	<b>11.3</b>	<b>10.5</b>	<b>12.5</b>	<b>14.8</b>

# Annexure

## Trans – Pacific Partnership (TPP): Unfavorable to India

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Sector: Textile

### Trans-Pacific Partnership (TPP)

- TPP is a free trade agreement being negotiated between 12 member states which are the US, Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile and Peru.
- Textile makers are shifting upstream processes to other countries before the TPP is ratified by its member nations. China is not among those countries.
- TPP countries will not be able to benefit from eliminated tariffs if they source material imported from nonmember countries. This is one reason China's textile industry is in flux.
- The TPP marks the first FTA (free trade agreement) for the United States since the complete end of quotas on textile and apparel trade in 2005. Duty - free access to the U.S. market under TPP could be of considerable benefit to Asian manufacturers, which now face U.S. import duties on textiles and apparel of up to 32 %. It also could change the competitive position of Western Hemisphere apparel suppliers in the U.S. market.
- Zero duty access from a country to a major market is an important reason for relocation of manufacturing base to that country. Countries such as Bangladesh, Turkey, Cambodia, etc. have successfully developed textile and apparel sectors leveraging their duty free status to EU or USA which are the largest consumption bases.
- Among the Asian countries in the proposed TPP, Vietnam is the only one with significant apparel trade with the United States.

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**Sector: Textile**

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**Sector: Textile**

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