

Institutional Equities
 India Research

Siyaram Silk Mills

QUARTERLY REVIEW

 Bloomberg: SIYA IN
 Reuters: SIYR.BO

BUY

Staring at festive season; Maintain "BUY" with Revised Target price of Rs. 352

Siyaram Silk Mills (SSML) sales, EBITDA and net income grew by 9%, (22)% and 6% YoY respectively.

Revenue Growth: The Company's top-line grew 9.3% YoY to Rs. 2,673 mn during Q2FY13, while sequential growth was higher at 30%. The Company is looking for better festive season during H2FY13 in order to liquidate its inventory under readymade garments and better realizations on fabric sales. We expect H2FY13 to be fairly better for Textile & Apparel players.

Operating margins under pressure: The Company's EBITDA declined by 21.9% YoY to Rs. 255.9 mn during Q2FY13 on account of higher raw-material and other input costs. EBITDA margin for the quarter stood at 9.6% which declined 383 bps YoY and 160 bps QoQ. The Company is struggling with pushing high priced inventory under discount sales and looking to refresh the old inventory by Q4FY13. The management is positive on softer raw material prices going forward and also stopped outright purchases of material for re-sale.

Net income grew on higher other income: Net Income for Q2FY13 grew 5.5% YoY to Rs. 179.2 mn. The major contribution was from other income to the tune of Rs. 103.6 mn compared to corresponding quarter of Rs. 39.7 mn. On sequential basis, net income was up by 73.8%. We believe profit on sale of current investments is the major contributor for higher other income.

We revised down our expected EBITDA by 13.0% and 2.6% for FY13E and FY14E respectively. Consequently, expected Net Income has been revised down by 11.4% and 5.8% for FY13E and FY14E respectively.

Outlook & Valuation:

SSML's revenue and net income are expected to grow at a CAGR of 13.4% and 7.8%, respectively in FY13-14E. At CMP of Rs. 300, the stock trades at 5.3x of FY13E and 4.2x of FY14E earnings, respectively. We maintain our "BUY" recommendation and revised down our price target to Rs. 352, which has a potential upside of 18%.

Key Financials

Y/E Mar (Rs. mn)	FY2010	FY2011	FY2012	FY2013E	FY2014E
Net Sales	6,597	8,548	9,095	10,045	11,685
EBIDTA	719	1,049	1,105	1,055	1,402
Net Profit	320	575	567	530	660
EPS (Rs)	34.2	61.4	60.5	56.5	70.4
PER (x)	8.7	4.9	4.9	5.3	4.2
EV/EBITDA (x)	6.5	5.4	4.7	5.4	4.3

Source: Company, Karvy Institutional Research

Recommendation

CMP:	Rs300
Target Price:	Rs352
Previous Target Price	Rs374
Upside (%)	18%

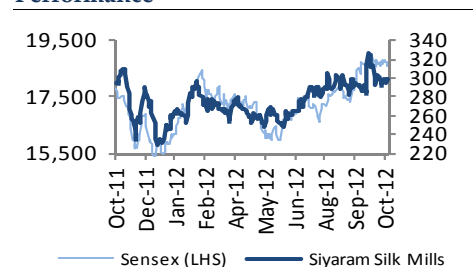
Stock Information

Market Cap. (Rs bn / US\$ mn)	03/52
52-week High/Low (Rs)	354/224
3m ADV (Rs mn /US\$ mn)	01/0.0
Beta	1.0
Sensex/ Nifty	18,625/5,664
Share outstanding (mn)	09

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	2.6	3.8	5.2	29.3
Rel. to Sensex	2.6	(7.3)	(2.3)	7.3

Performance



Source: Bloomberg

Earnings Revision

	FY13E	FY14E
Sales	↑1.9	↑1.4
EBITDA	↓13.0	↓2.6
PAT	↓11.4	↓5.8

Source: Karvy Institutional Research

Analysts Contact

Rahul Singh
 +91-40-44857911
 rahulsingh@karvy.com

Siyaram Silk Mills
Exhibit 1: Quarterly Performance

(Rs Mn)	Q2FY12	Q1FY13	Q2FY13	QoQ (%)	YoY (%)
Total Op. Income	2,444	2,056	2,673	30.0	9.3
Operating Costs	2,117	1,826	2,417	32.3	14.2
EBIDTA	328	230	256	11.4	(21.9)
EBIDTA Margin (%)	13.4	11.2	9.6	(1.6)	(3.8)
Other Income	40	28	104	268.7	161.0
Interest	61	53	69	29.2	13.0
Depreciation	51	52	50	(3.5)	(2.9)
Profit Before Tax	255	153	241	57.4	(5.6)
Tax	86	50	62	23.6	(27.6)
Tax Rate (%)	33.5	32.7	25.7		
Rep. PAT	170	103	179	73.8	5.5

Source: Company, Karvy Institutional Research

Exhibit 2: Variance from Our Earlier Estimates

(Rs Mn)	Previous Estimates		Current Estimates		Variance (%)	
	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Revenue	9,854	11,519	10,045	11,685	1.9	1.4
EBITDA	1,212	1,440	1,055	1,402	(13.0)	(2.6)
Net Income	598	700	530	660	(11.4)	(5.8)
EPS	63.8	74.7	56.5	70.4	(11.4)	(5.8)
ROCE (%)	12.1	12.4	10.0	11.6	(2.2)	(0.8)
ROE (%)	20.4	20.1	18.3	19.5	(2.1)	(0.7)

Source: Company, Karvy Institutional Research

Financials

Exhibit 3: Profit & loss statement

Y/E Mar (Rs. mn)	FY10	FY11	FY12	FY13E	FY14E
Net revenues	6,597	8,548	9,095	10,045	11,685
% Growth	24.4	29.6	6.4	10.4	16.3
Raw Material	4,749	5,947	5,646	6,177	7,128
Staff	373	467	628	854	935
Operating Expenses	757	1,086	1,716	1,959	2,220
Operating expenses	5,879	7,499	7,990	8,990	10,283
EBIDTA	719	1,049	1,105	1,055	1,402
% Growth	65.2	45.9	5.3	(4.5)	33.0
EBIDTA margin (%)	10.9	12.3	12.1	10.5	12.0
Other income	93	136	171	185	120
Interest	120	147	240	237	277
Depreciation	202	209	223	241	296
Profit Before Tax	490	828	812	762	949
Provision for tax	153	253	245	232	290
Effective tax rate (%)	31.3	30.6	30.1	30.5	30.5
Adjusted Net Profit	337	575	567	530	660
% Growth	194.2	70.9	(1.4)	(6.6)	24.6
Reported Net Profit	320	575	567	530	660

Source: Company, Karvy Institutional Research

Exhibit 4: Balance Sheet

Y/E Mar (Rs. mn)	FY10	FY11	FY12	FY13E	FY14E
Equity capital	94	94	94	94	94
Reserves & surplus	1,605	2,105	2,578	3,020	3,571
Shareholders funds	1,699	2,199	2,671	3,114	3,665
Short term Loans	681	1,705	1,347	1,547	1,547
Long Term Loans	1,217	1,151	1,035	1,335	1,735
Total Loans	1,897	2,855	2,382	2,882	3,282
Deferred tax liability	183	170	160	160	160
Total Liabilities and Equity	3,779	5,224	5,213	6,155	7,106
Gross block	3,372	3,873	3,873	4,720	5,470
Depreciation	1,370	1,565	1,789	2,029	2,325
Net block	2,001	2,307	2,084	2,691	3,146
Capital WIP	5	11	368	120	70
Other Non-current Assets	-	-	196	228	228
Investments	282	181	30	2	2
Inventory	893	1,492	1,878	2,009	2,337
Debtors	1,168	1,848	1,898	2,109	2,454
Cash & Bank Balance	29	29	20	34	40
Current Assets	2,514	4,079	4,579	5,207	5,999
Sundry Creditors	711	936	1,011	1,094	1,273
Other current liabilities	312	419	1,032	998	1,066
Current Liabilities	1,022	1,355	2,043	2,092	2,338
Net current assets	1,492	2,725	2,535	3,114	3,661
Total Assets	3,779	5,224	5,213	6,155	7,106

Source: Company, Karvy Institutional Research

Siyaram Silk Mills
Exhibit 5: Cash Flow Statement

Y/E Mar (Rs. mn)	FY10	FY11	FY12	FY13E	FY14E
EBIT	517	839	882	814	1,107
(Inc.)/Dec in working capital	378	(1,234)	181	(565)	(540)
Cash flow from operations	895	(394)	1,062	249	566
Other income	93	136	171	185	120
Depreciation	170	195	223	241	296
Interest paid (-)	(120)	(147)	(240)	(237)	(277)
Tax paid (-)	(153)	(253)	(245)	(232)	(290)
Dividends paid (-)	(66)	(76)	(70)	(87)	(109)
Deferred Tax Liability	3	(13)	(10)	-	-
Net cash from operations	822	(552)	891	118	306
Capital expenditure (-)	(107)	(508)	(356)	(600)	(700)
Net cash after capex	715	(1,060)	534	(482)	(394)
Inc./(Dec.) in short-term borrowing	(223)	1,024	(358)	200	-
Inc./(dec.) in long-term borrowing	(207)	(66)	(116)	300	400
Inc./(dec.) in borrowings	(430)	958	(474)	500	400
(Inc.)/Dec. in investments	(282)	100	151	28	-
Cash from Financial Activities	(711)	1,058	(322)	528	400
Others	5	1	(221)	(32)	-
Opening cash	21	29	29	20	34
Closing cash	29	29	20	34	40
Change in cash	8	(1)	(9)	14	6

Source: Company, Karvy Institutional Research

Exhibit 6: Key Ratios

Y/E Mar	FY2010	FY2011	FY2012	FY2013E	FY2014E
Raw Material Cost / Sales (%)	72.0	69.6	62.1	61.5	61.0
Manpower Cost / Sales (%)	5.7	5.5	6.9	8.5	8.0
Operating & Other cost / Sales (%)	11.5	12.7	18.9	19.5	19.0
Revenue Growth (%)	24.4	29.6	6.4	10.4	16.3
EBIDTA Margins (%)	10.9	12.3	12.1	10.5	12.0
Net Income Margins (%)	5.1	6.7	6.2	5.3	5.6
ROCE (%)	9.2	12.9	11.8	10.0	11.6
ROE (%)	20.5	29.5	23.3	18.3	19.5

Source: Company, Karvy Institutional Research

Exhibit 7: Valuation Parameters

Y/E Mar	FY2010	FY2011	FY2012	FY2013E	FY2014E
EPS (Rs)	34.2	61.4	60.5	56.5	70.4
P/E (x)	8.7	4.9	4.9	5.3	4.2
BV (Rs)	181.2	234.6	285.0	332.2	391.0
P/BV (x)	1.6	1.3	1.0	0.9	0.8
EV/EBIDTA (x)	6.5	5.4	4.7	5.4	4.3
Fixed assets turnover ratio (x)	3.3	4.0	4.1	4.2	4.0
Debt/Equity (x)	1.10	1.29	0.88	0.91	0.88
EV/Sales (x)	0.7	0.7	0.6	0.6	0.5

Source: Company, Karvy Institutional Research

Institutional Equities Team

Rangachari Muralikrishnan	Head – Institutional Equities / Research / Strategy	+91-22 61844301	muralikrishnan@karvy.com
Shridhar Iyer	Head - Institutional Sales	+91-22 61844302	shridhar.iyer@karvy.com
K. Anant Rao	Head - Sales-Trading & Derivatives	+91-22 61844303	k.anantrao@karvy.com
Uday Raval	Karvy Inc. USA	+1 212 2674334	udayr@karvy.com

INSTITUTIONAL RESEARCH

Analysts	Industry / Sector	Desk Phone	Email ID
Dwaipayan Poddar	Chief Technical Strategist	+91-22 61844372	dwaipayan.poddar@karvy.com
Hatim Broachwala, CFA	Banking	+91-22 61844329	hatim.broachwala@karvy.com
Jagdishwar Pasunoori, CFA, FRM	MidCap	+91-40-44857912	jagdishwar.p@karvy.com
Manoj Kumar Manish	Derivatives and Quant Analyst	+91-22 61844327	manojkumar.m@karvy.com
Maruti Kadam	Automobiles / Metals & Mining	+91-22 61844326	maruti.kadam@karvy.com
Mitul Shah	Automobiles	+91-22 61844312	mitul.shah@karvy.com
Nishith Sanghvi	Pharmaceuticals	+91-22 61844325	nishith.s@karvy.com
Naveen Trivedi	FMCG	+91-22-61844316	naveen.trivedi@karvy.com
Pallav Agarwal	Metals & Mining	+91-22 61844317	agarwal.pallav@karvy.com
Paresh Jain	BFSI	+91-22 61844324	paresh.jain@karvy.com
Parikshit Kandpal	Infra / Real Estate / Strategy	+91-22 61844311	parikshit.kandpal@karvy.com
Rahul Sharma	Pharmaceuticals	+91-22 61844310	rahul.sharma@karvy.com
Rahul Singh	MidCap	+91-40-44857911	rahulsingh@karvy.com
Rajesh Kumar Ravi	Cement & Logistics	+91-22 61844313	rajesh.ravi@karvy.com
Rupesh Sankhe	Power/Capital Goods	+91-22 61844315	rupesh.sankhe@karvy.com
Vinay Nair	Oil & Gas	+91-22 61844319	vinaynair@karvy.com

INSTITUTIONAL SALES

Dinesh Bajaj	Sales	+91-22 61844341	dinesh.bajaj@karvy.com
R. Sriram	Sales	+91-22 61844340	sriram.rangarajan@karvy.com
Shabbir Dahodwala	Sales (USA)	+1-212-2674334	shabbir@karvy.com
Tejash Gandhi	Sales	+91-22 61844345	tejash.gandhi@karvy.com

INSTITUTIONAL SALES TRADING & DEALING

Bhavesh Gandhi	Institutional Dealer	+91-22 61844368 /69	bhavesh.gandhi@karvy.com
Prashant Oza	Institutional Dealer	+91-22 61844370 /71	prashant.oza@karvy.com
Parag Shah	Sales Trader	+91-22 61844364 /65	parag.shah@karvy.com
Sriram Jagdish	Sales Trader	+91-22 61844366 /67	sriram.jagdish@karvy.com
Gurdarshan Singh Kharbanda	Sales Trader	+91-22-61844368 / 69	gurdarshansingh.k@karvy.com

PRODUCTION

Asim Kumar Mohapatra	Editor	+91-22 61844318	asim.mohapatra@karvy.com
Vishal Randive	Database Analyst	+91-22 61844321	vishal.randive@karvy.com
Vijayalaxmi Moolya	Production	+91-22 61844328	vijayalaxmi.m@karvy.com

Stock Ratings		Absolute Returns
Buy	:	> 15%
Hold	:	5-15%
Sell	:	< 5%

For further enquiries please contact:

research@karvy.com

Tel: +91-22-6184 4300

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Karvy Stock Broking Limited

Institutional Equities

Office No. 702, 7th Floor, Hallmark Business Plaza, Opp.-Gurunanak Hospital, Mumbai 400 051

Regd Off : 46, Road No 4, Street No 1, Banjara Hills, Hyderabad – 500 034.

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