

## Siyaram Silk Mills

### Performance Highlights

Particulars (₹ cr)	1QCY2013	1QCY2012	%chg (yoy)	4QCY2012	%chg (qoq)
<b>Net sales</b>	<b>205.6</b>	<b>181.2</b>	<b>13.5</b>	<b>267.9</b>	<b>(23.3)</b>
EBITDA	23.0	21.8	5.3	32.7	(29.7)
EBITDA margin (%)	11.2	12.0	(87)	12.2	(103)
<b>Net profit</b>	<b>10.3</b>	<b>9.5</b>	<b>8.2</b>	<b>17.0</b>	<b>(39.5)</b>

Source: Company, Angel Research

For 1QFY2013, Siyaram Silk Mills (SSM) reported in-line performance. The company's net sales grew by 13.5% yoy to ₹206cr. OPM contracted by 87bp yoy to 11.2%. Net profit increased by 8.2% to ₹10cr. **We continue to maintain our Buy view on the stock.**

**Top line increases, EBITDA margin declines:** During the quarter, SSM's top line increased by 13.5% yoy to ₹206cr on the back of a seasonally strong quarter. The company's EBITDA increased by 5.3% yoy to ₹23cr on the back of margin compression during the quarter. EBITDA margin contracted by 87bp yoy to 11.2% due to higher raw-material cost including purchase of traded goods, which increased significantly by 160bp yoy to 48.3% of sales, which was somewhat offset by lower processing & labor charges. PAT increased by 8.2% yoy to ₹10cr, higher than EBITDA growth due to higher other income during the quarter, which increased by 77.8% yoy to ₹3cr.

**Outlook and valuation:** SSM is in a strong expansion mode. The company plans to add 286 looms (479 current looms) in a phased manner over FY2012-14 in the fabric segment and will be adding 400 machines in its readymade garment (RMG) segment by FY2013. Moreover, timely capacity expansion will help the company to take full advantage of the growing demand in India, which will drive its revenue at a 13.2% CAGR over FY2012-14E. The stock is currently trading at reasonable valuation of 3.6x FY2014E earnings (as against its historical median of 5x one-year forward EPS). **We continue to maintain our Buy rating on the stock with an upgraded target price of ₹392, valuing the stock at 5x FY2014E earnings.**

#### Key financials

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
<b>Net sales</b>	<b>859</b>	<b>916</b>	<b>1,042</b>	<b>1,173</b>
% chg	30.2	6.6	13.8	12.6
<b>Net profit</b>	<b>58</b>	<b>57</b>	<b>62</b>	<b>74</b>
% chg	71.2	(1.6)	9.5	18.4
<b>FDEPS (₹)</b>	<b>61.5</b>	<b>60.5</b>	<b>66.3</b>	<b>78.5</b>
EBITDA margin (%)	12.7	12.7	12.4	12.5
P/E (x)	4.6	4.7	4.3	3.6
RoE (%)	29.6	23.3	21.1	20.8
RoCE (%)	19.5	18.5	19.4	19.2
P/BV (x)	1.2	1.0	0.8	0.7
EV/Sales (x)	0.6	0.5	0.5	0.4
EV/EBITDA (x)	4.9	4.1	3.8	3.5

Source: Company, Angel Research

## BUY

CMP	₹282
Target Price	₹392

Investment Period	12 Months
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Stock Info	
Sector	Textile
Market Cap (₹cr)	264
Beta	1.0
52 Week High / Low	377/224
Avg. Daily Volume	1,546
Face Value (₹)	10
BSE Sensex	16,839
Nifty	5,100
Reuters Code	SIYR.BO
Bloomberg Code	SIYA@IN

Shareholding Pattern (%)	
Promoters	67.1
MF / Banks / Indian Fls	6.8
FII / NRIs / OCBs	0.1
Indian Public / Others	26.1

Abs.(%)	3m	1yr	3yr
Sensex	(1.7)	(8.6)	9.5
Siyaram Silk Mills	11.0	(24.3)	140

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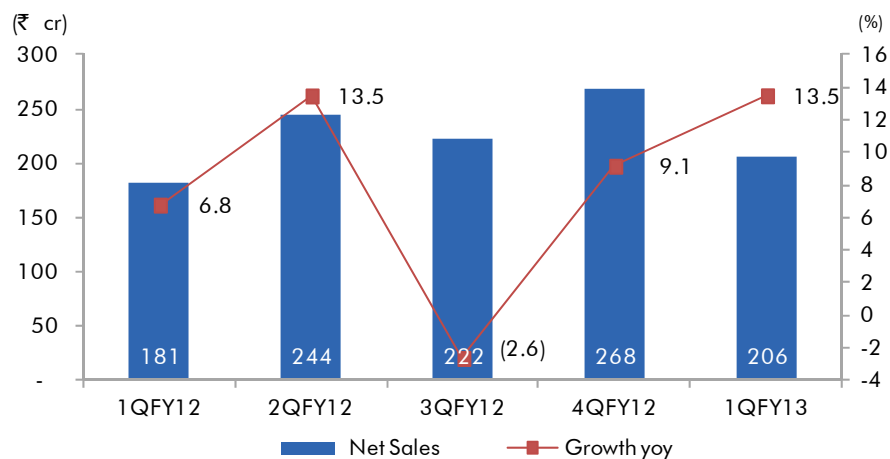
**Exhibit 1: 1QFY2013 performance highlights**

Particulars (₹ cr)	1QCY2013	1QCY2012	%chg (yoy)	4QCY2012	%chg (qoq)	FY2012	FY2011	%chg (yoy)
Net Sales	205.6	181.2	13.5	267.9	(23.3)	916	859	6.6
Total Expenditure	182.6	159.4	14.6	235.2	(22.4)	799.0	749.9	6.5
EBITDA	23.0	21.8	5.3	32.7	(29.7)	116.5	108.8	7.2
OPM (%)	11.2	12.0	(87)	12.2	(103)	12.7	12.7	6
Depreciation	5.2	5.1	2.0	5.8	(10.6)	22.3	20.9	6.6
EBIT	17.8	16.8	6.3	26.9	(33.9)	94.2	87.8	7.3
Interest	5.3	4.5	17.5	6.5	(18.7)	24.0	14.7	63.0
Other Income	2.8	1.6	77.8	2.8	-	11.0	9.8	12.9
Excp. Item	-	-	-	-	-	-	0.1	-
PBT	15.3	13.8	10.8	23.2	(34.0)	81.2	82.9	(2.1)
Tax	5.0	4.3	16.5	6.2	(19.1)	24.5	25.3	(3.2)
Net Profit	10.3	9.5	8.2	17.0	(39.5)	56.7	57.6	(1.6)
NPM (%)	5.0	5.3	(24)	6.4	(134)	6.2	6.7	(52)
Diluted EPS (₹)	11.0	10.2	8.2	18.2	(39.5)	60.5	61.5	(1.6)

Source: Company, Angel Research

**Revenue up by 13.5% yoy**

For 1QFY2013, SSM registered 13.5% yoy growth in its revenue to ₹206cr on the back of a seasonally strong the quarter. We expect the company's revenue to continue to improve on a qoq basis on the back of improving economic scenario and capacity expansion being undertaken by the company.

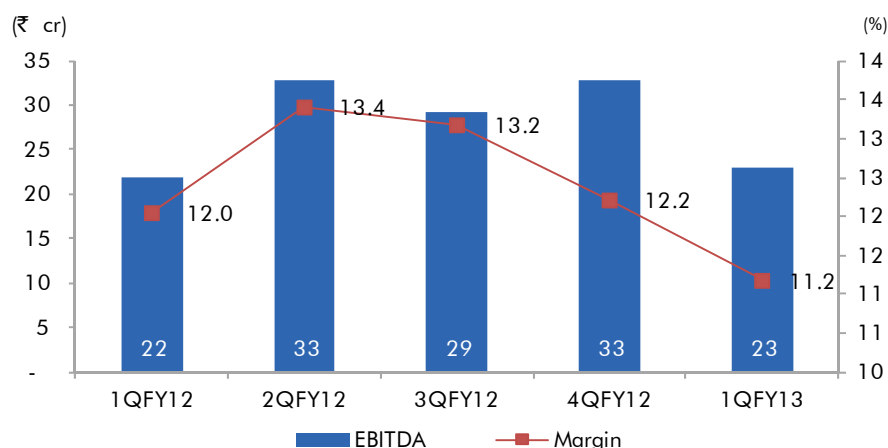
**Exhibit 2: Revenue trend**


Source: Company, Angel Research

### EBITDA margin contracts by 87bp yoy

During the quarter, EBITDA increased by 5.3% yoy to ₹23cr on the back of higher revenue. EBITDA margin contracted by 87bp yoy to 11.2% due to higher raw-material cost, which increased significantly by 160bp yoy to 48.3% of sales, which was somewhat offset by lower processing & labor charges. Going ahead, we expect the company's margin to remain more or less in the same range.

#### Exhibit 3: EBITDA margin up on a yoy basis

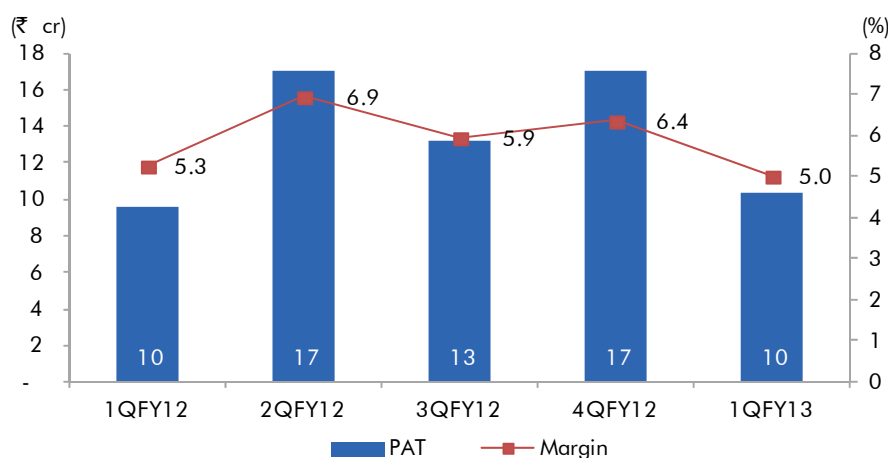


Source: Company, Angel Research

### PAT up by 8.2% yoy

For 1QFY2013, the company witnessed an 8.2% yoy increase in its PAT to ₹10cr on the back higher revenue and other income during the quarter, which increased by 77.8% yoy to ₹3cr. PAT margin declined by 53bp yoy to 5.0% during the quarter.

#### Exhibit 4: PAT trend



Source: Company, Angel Research

## Investment arguments

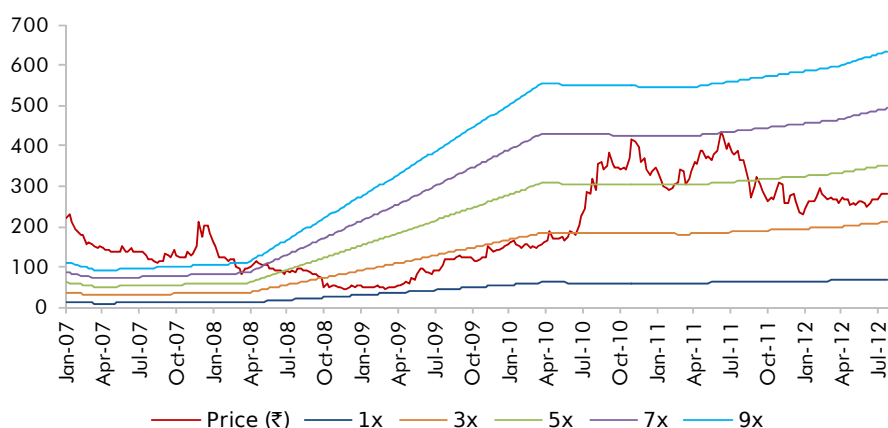
SSM is one of the leading textile manufacturers in India. The company enjoys a strong brand presence across the country, with brands such as *Siyaram*, *Mistair*, *J Hampstead* and *Oxemberg* in its kitty.

**Strong brand presence:** SSM has built a strong brand presence in the country through continuous advertisement and brand-building efforts over the past 30 years. The company has created a niche for itself in a highly competitive industry. SSM enjoys a monopolistic position for its fabric segment under the *Siyaram* brand, which constitutes nearly 85% of its revenue.

**Largest distribution network across India:** SSM has one the largest distribution networks in the country. The company has a strong network of over 1,500 dealers and 500 agents supplying to more than 40,000 outlets across India. This enables the company to launch new products with a high success ratio and low marketing cost, giving it an edge over competitors.

**Outlook and valuation:** SSM is in a strong expansion mode. The company plans to add 286 looms (479 current looms) in a phased manner over FY2012-14 in the fabric segment and will be adding 400 machines in its RMG segment by FY2013. Moreover, timely capacity expansion will help the company to take full advantage of the growing demand in India, which will drive its revenue at a 13.2% CAGR over FY2012-14E. The stock is currently trading at reasonable valuation of 3.6x FY2014E earnings (as against its historical median of 5x one-year forward EPS). **We continue to maintain our Buy rating on the stock with an upgraded target price of ₹392, valuing the stock at 5x FY2014E earnings.**

### Exhibit 5: One-year forward P/E band



Source: Company, Angel Research

**Company background:**

Siyaram Silk Mills (SSM) is one of the leading textile manufacturers in India. The company enjoys a strong brand presence across the country, with brands such as Siyaram, Mistair, J Hampstead and Oxemberg in its kitty. SSM has built a strong brand presence in the country through continuous advertisement and brand-building efforts over the past 30 years. The company has created a niche for itself in a highly competitive industry. SSM enjoys a dominant position in its fabric segment under the Siyaram brand, which constitutes nearly 83% of its revenue.

**Profit and loss statement**

Y/E Mar. (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Total operating income</b>	<b>660</b>	<b>859</b>	<b>916</b>	<b>1,042</b>	<b>1,173</b>
% chg	24.4	30.2	6.6	13.8	12.6
Total expenditure	589	750	799	913	1,027
Consumption of raw materials	258	367	370	427	481
Employees cost	39	47	63	71	80
Other expenditure	128	172	172	195	220
Processing, excise & labour charges	84	106	105	119	134
Purchase of traded goods	71	101	116	125	135
Other	-	-	-	-	-
<b>EBITDA</b>	<b>70</b>	<b>109</b>	<b>117</b>	<b>129</b>	<b>146</b>
% chg	66.1	54.8	7.2	11.0	13.0
(% of Net sales)	10.6	12.7	12.7	12.4	12.5
Depreciation & amortisation	20	21	22	26	29
<b>EBIT</b>	<b>50</b>	<b>88</b>	<b>94</b>	<b>103</b>	<b>117</b>
% chg	116.5	75.5	7.3	9.7	13.3
(% of Net sales)	7.6	10.2	10.3	9.9	10.0
Interest & other charges	12	15	24	26	24
Adj. Other income	11	10	11	12	12
(% of PBT)	22.3	11.9	13.6	13.0	11.5
Share in profit of associates	-	-	-	-	-
<b>Recurring PBT</b>	<b>49</b>	<b>83</b>	<b>81</b>	<b>89</b>	<b>105</b>
% chg	234.6	69.3	(2.1)	9.5	18.4
Extraordinary expense/(Inc.)	-	-	-	-	-
<b>PBT (reported)</b>	<b>49</b>	<b>83</b>	<b>81</b>	<b>89</b>	<b>105</b>
Tax	15	25	24	27	32
(% of PBT)	31.3	30.5	30.2	30.2	30.2
<b>PAT (reported)</b>	<b>34</b>	<b>58</b>	<b>57</b>	<b>62</b>	<b>74</b>
Add: Share of earnings of asso.	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-
% chg	194.2	71.2	(1.6)	9.5	18.4
Prior period items	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>34</b>	<b>58</b>	<b>57</b>	<b>62</b>	<b>74</b>
Extraordinary income post tax	-	-	-	-	-
<b>ADJ. PAT</b>	<b>34</b>	<b>58</b>	<b>57</b>	<b>62</b>	<b>74</b>
% chg	194.2	71.2	(1.6)	9.5	18.4
(% of Net sales)	5.1	6.7	6.2	6.0	6.3
<b>Basic EPS (₹)</b>	<b>35.9</b>	<b>61.5</b>	<b>60.5</b>	<b>66.3</b>	<b>78.5</b>
<b>Fully Diluted EPS (₹)</b>	<b>35.9</b>	<b>61.5</b>	<b>60.5</b>	<b>66.3</b>	<b>78.5</b>
% chg	194.2	71.2	(1.6)	9.5	18.4

**Balance sheet**

Y/E Mar. (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>SOURCES OF FUNDS</b>					
Equity share capital	9.4	9.4	9.4	9.4	9.4
Reserves & surplus	160	211	258	312	377
<b>Shareholders' funds</b>	<b>170</b>	<b>220</b>	<b>267</b>	<b>321</b>	<b>386</b>
Total loans	190	286	215	233	248
Deferred tax liability	18	17	16	16	16
<b>Total liabilities</b>	<b>378</b>	<b>522</b>	<b>498</b>	<b>570</b>	<b>650</b>
<b>APPLICATION OF FUNDS</b>					
Gross block	337	387	387	477	487
Less: Acc. depreciation	137	157	179	205	234
<b>Net block</b>	<b>200</b>	<b>231</b>	<b>208</b>	<b>272</b>	<b>253</b>
Capital work-in-progress	0	1	37	-	-
<b>Investments</b>	<b>28</b>	<b>18</b>	<b>3</b>	<b>3</b>	<b>3</b>
Current Assets	251	408	477	489	538
Cash	2.9	2.9	2.0	2.2	2.8
Loans & advances	42	71	98	98	98
Inventories	89	149	188	200	225
Debtors	117	185	190	189	213
Other	-	-	-	-	-
Current liabilities	102	135	228	195	145
<b>Net Current Assets</b>	<b>149</b>	<b>272</b>	<b>250</b>	<b>295</b>	<b>394</b>
DEFERRED TAX ASSETS (Net)	-	-	-	-	-
<b>Total Assets</b>	<b>378</b>	<b>522</b>	<b>498</b>	<b>570</b>	<b>650</b>

**Cash flow statement**

Y/E Mar. (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
Profit before tax	49	83	81	89	105
Depreciation	20	21	22	26	29
Change in working capital	46	(95)	49	(44)	(99)
Less: Other income	11	10	11	12	12
Direct taxes paid	15	25	24	27	32
<b>Cash Flow from Operations</b>	<b>89</b>	<b>(26)</b>	<b>117</b>	<b>32</b>	<b>(8)</b>
(Inc.)/Dec. in Fixed assets	(11)	(51)	(36)	(53)	(10)
(Inc.)/Dec. in Investments	(28)	10	15	-	-
(Inc.)/Dec. in loans and advances	(8)	(29)	(27)	-	-
Other income	11	10	11	12	12
<b>Cash Flow from Investing</b>	<b>(36)</b>	<b>(60)</b>	<b>(36)</b>	<b>(42)</b>	<b>2</b>
Issue/(Buy Back) of equity	-	-	-	-	-
(Inc.)/Dec. in loans	(43)	96	(71)	18	15
Dividend paid (Incl. Tax)	(7)	(8)	(8)	(8)	(8)
Others	(2)	(3)	(2)	-	-
<b>Cash Flow from Financing</b>	<b>(52)</b>	<b>85</b>	<b>(81)</b>	<b>10</b>	<b>7</b>
Inc./(Dec.) in Cash	0.8	(0.1)	(0.9)	0.3	0.5
<b>Opening Cash balances</b>	<b>2.1</b>	<b>2.9</b>	<b>2.9</b>	<b>2.0</b>	<b>2.2</b>
<b>Closing Cash balances</b>	<b>2.9</b>	<b>2.9</b>	<b>2.0</b>	<b>2.2</b>	<b>2.8</b>



**Key ratios**

Y/E Mar.	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	7.9	4.6	4.7	4.3	3.6
P/E (on basic, reported EPS)	7.9	4.6	4.7	4.3	3.6
P/CEPS	4.9	3.4	3.3	3.0	2.6
P/BV	1.6	1.2	1.0	0.8	0.7
Dividend yield (%)	2.1	2.5	2.7	2.7	2.7
Market cap. / Sales	0.4	0.3	0.3	0.3	0.2
EV/Sales	0.6	0.6	0.5	0.5	0.4
EV/EBITDA	6.0	4.9	4.1	3.8	3.5
EV / Total Assets	1.1	1.0	1.0	0.9	0.8
<b>Per Share Data (₹)</b>					
EPS (Basic)	35.9	61.5	60.5	66.3	78.5
EPS (fully diluted)	35.9	61.5	60.5	66.3	78.5
Cash EPS	57.5	83.8	84.3	94.0	109.4
DPS	6	7	8	8	8
Book value	181.2	234.6	285.0	342.5	412.2
<b>Dupont Analysis (%)</b>					
EBIT margin	7.6	10.2	10.3	9.9	10.0
Tax retention ratio	68.7	69.5	69.8	69.8	69.8
Asset turnover (x)	1.8	2.0	1.8	2.0	1.9
ROIC (Post-tax)	9.3	14.4	13.2	13.6	13.5
Cost of debt (Post Tax)	3.9	4.3	6.7	8.1	7.0
Leverage (x)	1.2	1.1	0.9	0.7	0.6
Operating RoE	16.0	25.1	19.3	17.5	17.6
<b>Returns (%)</b>					
RoCE (Pre-tax)	13.0	19.5	18.5	19.4	19.2
Angel RoIC (Pre-tax)	13.6	20.7	19.7	20.2	19.4
RoE	21.6	29.6	23.3	21.1	20.8
<b>Turnover ratios (x)</b>					
Asset turnover (Gross Block)	2.0	2.4	2.4	2.4	2.4
Asset turnover (Net Block)	3.3	4.0	4.2	4.3	4.5
Asset turnover (Total Assets)	1.7	1.9	1.8	2.0	1.9
Operating income / Invested cap.	1.8	2.0	1.8	2.0	1.9
Inventory / Sales (days)	52	51	67	68	66
Receivables (days)	64	64	75	66	63
Payables (days)	45	51	72	74	53
WC cycle (ex-cash) (days)	91	88	103	95	106
<b>Solvency ratios (x)</b>					
Gross debt to equity	1.1	1.3	0.8	0.7	0.6
Net debt to equity	0.9	1.2	0.8	0.7	0.6
Net debt to EBITDA	2.3	2.4	1.8	1.8	1.7
Interest coverage (EBIT / Int.)	5.9	7.4	4.9	5.0	6.1

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Disclosure of Interest Statement	Siyaram Silk Mills
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	Yes
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

*Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors*

<b>Ratings (Returns):</b>	Buy (> 15%) Reduce (-5% to 15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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