

Siyaram Silk Mills

Performance Highlights

Particulars (₹ cr)	4QCY2012	4QCY2011	%chg (yoy)	3QCY2011	%chg (qoq)
Net sales	267.9	245.5	9.1	222.0	20.7
EBITDA	32.7	31.9	2.4	29.2	11.9
EBITDA margin (%)	12.2	13.0	(81)bp	13.2	(97)bp
Net profit	17.0	18.6	(8.4)	13.2	29.0

Source: Company, Angel Research

For 4QFY2012, Siyaram Silk Mills (SSM) reported in-line performance. The company's net sales grew by 20.7% qoq and 9.1% yoy to ₹268cr. OPM contracted by 81bp yoy to 12.2%. Net profit witnessed an 8.4% yoy decline to ₹17cr. **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 20.7% qoq and 9.1% yoy to ₹268cr on the back of a seasonally strong quarter. The company's EBITDA increased by 2.4% yoy to ₹33cr on the back of margin compression during the quarter. EBITDA margin contracted by 81bp yoy to 12.2% due to higher raw-material cost, which increased significantly by 959bp yoy to 46.5% of sales, which was somewhat offset by lower other expenditure, which declined by 642bp yoy to 13.2%. For 4QFY2012, SSM witnessed an 8.4% yoy decline in PAT to ₹17cr on the back of margin compression and higher interest and depreciation cost.

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 3.3x 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
Net sales	859	916	1,042	1,173
% chg	30.2	6.6	13.8	12.6
Net profit	58	57	62	74
% chg	71.2	(1.6)	9.5	18.4
FDEPS (₹)	61.5	60.5	66.3	78.5
EBITDA margin (%)	12.7	12.7	12.4	12.5
P/E (x)	4.3	4.3	4.0	3.3
RoE (%)	29.6	23.3	21.1	20.8
RoCE (%)	19.5	18.5	19.4	19.2
P/BV (x)	1.1	0.9	0.8	0.6
EV/Sales (x)	0.6	0.5	0.5	0.4
EV/EBITDA (x)	4.7	3.9	3.7	3.3

Source: Company, Angel Research

BUY

CMP	₹262
Target Price	₹392

Investment Period	12 Months
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Stock Info

Sector	Textile
Market Cap (₹cr)	245
Beta	1.0
52 Week High / Low	464/224
Avg. Daily Volume	1,957
Face Value (₹)	10
BSE Sensex	16,153
Nifty	4,891
Reuters Code	SIYR.BO
Bloomberg Code	SIYA@IN

Shareholding Pattern (%)

Promoters	67.1
MF / Banks / Indian Fls	7.0
FII / NRIs / OCBs	0.1
Indian Public / Others	25.9

Abs.(%)	3m	1yr	3yr
Sensex	(11.7)	(10.7)	13.1
Siyaram Silk Mills	(7.5)	(28.5)	27.5

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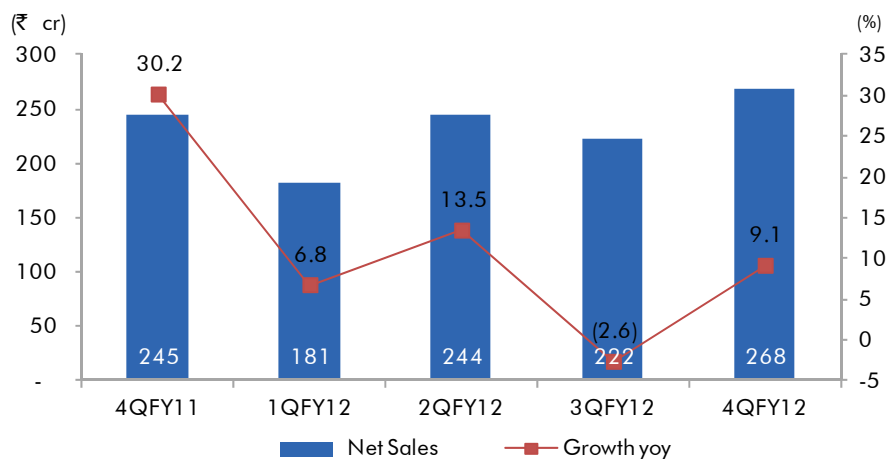
Exhibit 1: 4QFY2012 performance highlights

Particulars (₹ cr)	4QCY2012	4QCY2011	%chg (yoy)	3QCY2011	%chg (qoq)	FY2011	FY2010	%chg (yoy)
Net Sales	267.9	245.5	9.1	222.0	20.7	916	859	6.6
Total Expenditure	235.2	213.5	10.2	192.7	22.1	799.0	749.9	6.5
EBITDA	32.7	31.9	2.4	29.2	11.9	116.5	108.8	7.2
OPM (%)	12.2	13.0	(81)bp	13.2	(97)bp	12.7	12.7	6bp
Depreciation	5.8	5.2	10.3	6.3	(8.5)	22.3	20.9	6.6
EBIT	26.9	26.7	0.8	22.9	17.5	94.2	87.8	7.3
Interest	6.5	5.1	28.9	6.9	(5.9)	24.0	14.7	63.0
Other Income	2.8	4.4	(35.8)	2.7	6.0	11.0	9.8	12.9
Excp. Item	-	-	-	-	-	-	0.1	-
PBT	23.2	26.0	(10.8)	18.6	24.6	81.2	82.9	(2.1)
Tax	6.2	7.4	(16.8)	5.4	13.8	24.5	25.3	(3.2)
Net Profit	17.0	18.6	(8.4)	13.2	29.0	56.7	57.6	(1.6)
NPM (%)	6.4	7.6	(122)bp	5.9	41bp	6.2	6.7	(52)bp
Diluted EPS (₹)	18.2	20.0	(9.0)	14.1	29.0	60.5	61.5	(1.6)

Source: Company, Angel Research

Revenue up by 20.7% qoq and 9.1% yoy

For 4QFY2012, SSM registered 20.7% qoq and 9.1% yoy growth in its revenue to ₹268cr 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.

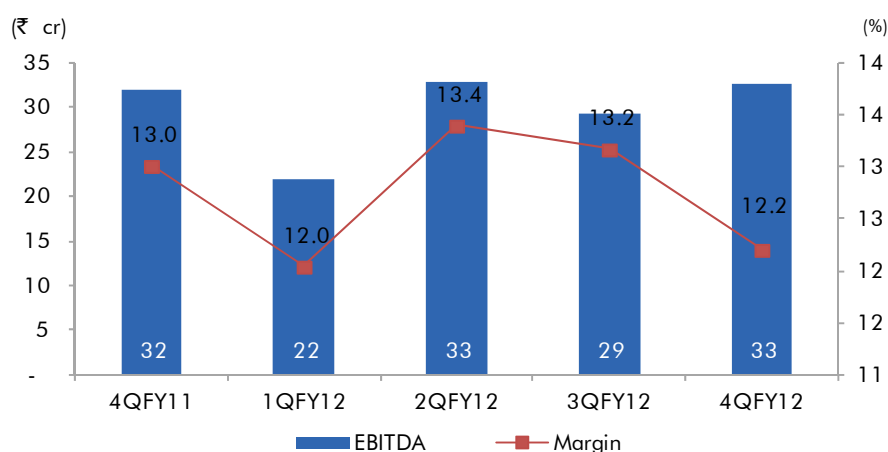
Exhibit 2: Revenue trend


Source: Company, Angel Research

EBITDA margin contracts by 81bp yoy

During the quarter, EBITDA increased by 2.4% yoy to ₹33cr on the back of higher revenue. EBITDA margin contracted by 81bp yoy to 12.2% due to higher raw-material cost, which increased significantly by 959bp yoy to 46.5% of sales, which was somewhat offset by lower other expenditure, which declined by 642bp yoy to 13.2%. 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

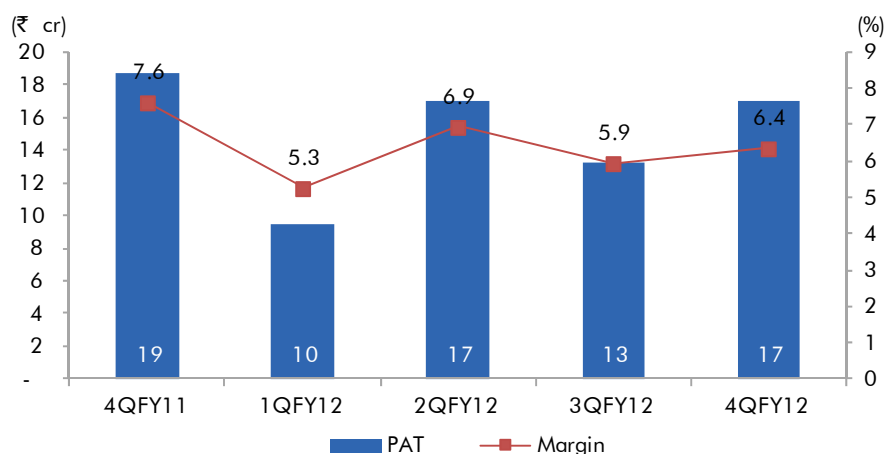


Source: Company, Angel Research

PAT declines by 8.4% yoy

For 4QFY2012, the company witnessed an 8.4% yoy decline in its PAT to ₹17cr on the back margin compression, higher depreciation (up 10.3% yoy) and increased interest cost (up 28.9% yoy) because of capacity expansion being undertaken by the company. Consequently, the company's PAT margin declined by 122bp yoy to 6.4% 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.

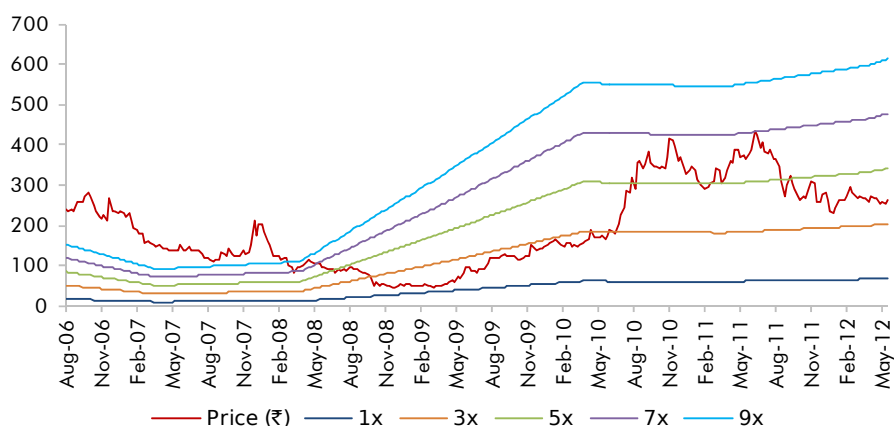
Largest distribution network across India: SSM has one the largest distribution networks in the country. The company has a strong network of over 1,500 dealers and 500 agents supplying to more than 40,000 outlets across India. This enables the company to launch new products with a high success ratio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

Higher utilization to drive growth: SSM's yarn segment achieved 57% capacity utilization in FY2011 compared to 41.9% in FY2009, which is further expected to improve to 80% in FY2012E.

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 3.3x 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

Profit and loss statement

Y/E Mar. (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
Total operating income	660	859	916	1,042	1,173
% 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	-	-	-	-	-
EBITDA	70	109	117	129	146
% 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
EBIT	50	88	94	103	117
% 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	-	-	-	-	-
Recurring PBT	49	83	81	89	105
% chg	234.6	69.3	(2.1)	9.5	18.4
Extraordinary expense/(Inc.)	-	-	-	-	-
PBT (reported)	49	83	81	89	105
Tax	15	25	24	27	32
(% of PBT)	31.3	30.5	30.2	30.2	30.2
PAT (reported)	34	58	57	62	74
Add: Share of earnings of associate	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-
% chg	194.2	71.2	(1.6)	9.5	18.4
Prior period items	-	-	-	-	-
PAT after MI (reported)	34	58	57	62	74
Extraordinary income post tax	-	-	-	-	-
ADJ. PAT	34	58	57	62	74
% chg	194.2	71.2	(1.6)	9.5	18.4
(% of Net sales)	5.1	6.7	6.2	6.0	6.3
Basic EPS (₹)	35.9	61.5	60.5	66.3	78.5
Fully Diluted EPS (₹)	35.9	61.5	60.5	66.3	78.5
% chg	194.2	71.2	(1.6)	9.5	18.4

Balance sheet

Y/E Mar. (₹ cr)	FY2010	FY2011	FY2012	FY2013E	FY2014E
SOURCES OF FUNDS					
Equity share capital	9.4	9.4	9.4	9.4	9.4
Reserves & surplus	160	211	258	312	377
Shareholders' funds	170	220	267	321	386
Total loans	190	286	215	233	248
Deferred tax liability	18	17	16	16	16
Total liabilities	378	522	498	570	650
APPLICATION OF FUNDS					
Gross block	337	387	387	477	487
Less: Acc. depreciation	137	157	179	205	234
Net block	200	231	208	272	253
Capital work-in-progress	0	1	37	-	-
Investments	28	18	3	3	3
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
Net Current Assets	149	272	250	295	394
DEFERRED TAX ASSETS (Net)	-	-	-	-	-
Total Assets	378	522	498	570	650

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
Cash Flow from Operations	89	(26)	117	32	(8)
(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
Cash Flow from Investing	(36)	(60)	(36)	(42)	2
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)	-	-
Cash Flow from Financing	(52)	85	(81)	10	7
Inc./(Dec.) in Cash	0.8	(0.1)	(0.9)	0.3	0.5
Opening Cash balances	2.1	2.9	2.9	2.0	2.2
Closing Cash balances	2.9	2.9	2.0	2.2	2.8

Key ratios

Y/E Mar.	FY2010	FY2011	FY2012	FY2013E	FY2014E
Valuation Ratio (x)					
P/E (on FDEPS)	7.3	4.3	4.3	4.0	3.3
P/E (on basic, reported EPS)	7.3	4.3	4.3	4.0	3.3
P/CEPS	4.6	3.1	3.1	2.8	2.4
P/BV	1.4	1.1	0.9	0.8	0.6
Dividend yield (%)	2.3	2.7	2.9	2.9	2.9
Market cap. / Sales	0.4	0.3	0.3	0.2	0.2
EV/Sales	0.6	0.6	0.5	0.5	0.4
EV/EBITDA	5.8	4.7	3.9	3.7	3.3
EV / Total Assets	1.1	1.0	0.9	0.8	0.7
Per Share Data (₹)					
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
Dupont Analysis (%)					
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
Returns (%)					
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
Turnover ratios (x)					
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 capital	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
Working capital cycle (ex-cash) (days)	91	88	103	95	106
Solvency ratios (x)					
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 / Interest)	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

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