

Siyaram Silk Mills

Performance Highlights

Particulars (₹ cr)	4QCY2011	4QCY2010	%chg (yoy)	3QCY2011	%chg (qoq)
Net sales	245.5	188.6	30.2	228.0	7.7
EBITDA	31.9	26.3	21.4	29.8	7.1
EBITDA margin (%)	13.0	14.0	(94)	13.1	(7)
Adj. net profit *	18.6	15.3	21.8	15.9	16.9

Source: Company, Angel Research

For 4QFY2011, Siyaram Silk Mills (SSM) registered strong performance with 30.2% yoy growth in net sales to ₹245cr. OPM contracted by 94bp yoy to 13.0%. Net profit witnessed 21.8% yoy growth to ₹19cr. **We continue to maintain our Accumulate rating on the stock.**

Strong overall performance yoy: SSM's top line grew by 30.2% yoy for 4QFY2011 as well as for FY2011 to ₹245cr and ₹859cr, respectively, led by higher realisation and volumes. EBITDA increased by 21.4% yoy in 4QFY2011 to ₹32cr on the back of higher revenue during the quarter. However, the margin declined by 94bp to 13% due to higher other expenditure, which increased by 471bp to 19.6% (14.9%). This increase in other expenses was partially offset by a 300bp yoy decrease in raw-material prices to 37% (40%). For 4QFY2011, the company witnessed a 22.6% increase in PAT to ₹187cr on the back of higher revenue and margin expansion during the quarter.

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 FY2011–13 in the fabric segment and will be adding 400 machines in its readymade garment (RMG) segment by September 2011. 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 16% CAGR over FY2011–13E. The stock is currently trading at reasonable valuation of 5.3x FY2013E earnings (as against its historical median of 6x one-year forward EPS). **We continue to maintain our Accumulate rating on the stock with a revised target price of ₹422 (₹414), valuing the stock at 6x FY2013E earnings.**

Key financials

Y/E March (₹ cr)	FY2010	FY2011	FY2012E	FY2013E
Net sales	660	859	982	1,150
% chg	24.4	30.2	14.4	17.0
Net profit	34	58	61	66
% chg	194.2	71.2	5.9	8.1
FDEPS (₹)	35.9	61.5	65.1	70.4
EBITDA margin (%)	10.6	12.7	12.2	11.6
P/E (x)	10.4	6.1	5.8	5.3
RoE (%)	21.6	29.6	25.0	22.3
RoCE (%)	13.0	19.5	16.5	15.9
P/BV (x)	2.1	1.6	1.3	1.1
EV/Sales (x)	0.8	0.7	0.7	0.6
EV/EBITDA (x)	7.7	5.8	5.8	5.1

Source: Company, Angel Research

ACCUMULATE

CMP	₹375
Target Price	₹422

Investment Period	12 Months
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Stock Info	
Sector	Textiles
Market Cap (₹ cr)	351
Beta	0.8
52 Week High / Low	450/156
Avg. Daily Volume	1,198
Face Value (₹)	10
BSE Sensex	18,012
Nifty	5,395
Reuters Code	SIYR.BO
Bloomberg Code	SIYA@IN

Shareholding Pattern (%)	
Promoters	67.1
MF / Banks / Indian Fls	3.6
FII / NRIs / OCBs	4.0
Indian Public / Others	25.4

Abs. (%)	3m	1yr	3yr
Sensex	2.2	9.4	10.2
Siyaram Silk Mills	17.9	121.0	274.1

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Exhibit 1: 4Q and FY2011 performance

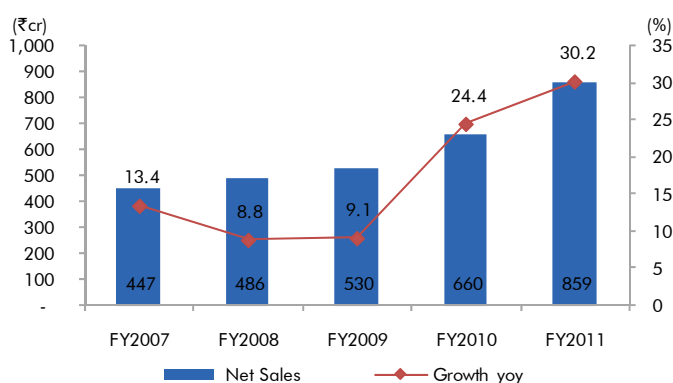
Particulars (₹ cr)	4QCY2011	4QCY2010	%chg (yoy)	3QCY2011	%chg (qoq)	FY2011	FY2010	%chg (yoy)
Net Sales	245.5	188.6	30.2	228.0	7.7	858.7	659.7	30.2
Total Expenditure	213.5	162.3	31.6	198.2	7.8	749.9	589.5	27.2
EBITDA	31.9	26.3	21.4	29.8	7.1	108.8	70.2	54.8
OPM (%)	13.0	14.0	(94.1)	13.1	(6.8)	12.7	10.6	201.8
Depreciation	5.2	5.0	5.3	5.4	(2.1)	20.9	20.2	3.6
EBIT	26.7	21.3	25.1	24.5	9.1	87.8	50.0	75.5
Interest	5.1	2.9	72.9	3.6	40.2	14.7	12.0	23.2
Other Income	4.4	2.7	61.1	2.1	111.6	9.8	9.3	4.9
Excp. Item	0.1	1.2	(90.0)	-	-	0.1	1.6	(92.6)
PBT	26.0	22.3	16.5	22.9	13.5	82.9	49.0	69.3
Tax	7.4	7.1	5.1	7.0	5.7	25.3	15.3	65.0
Net Profit	18.6	15.3	21.8	15.9	16.9	57.6	33.7	71.2
NPM (%)	7.6	8.1	(52.0)	7.0	59.9	6.7	5.1	161
Diluted EPS (₹)	20.0	16.3	22.6	17.0	17.7	61.5	35.9	71.2

Source: Company, Angel Research;

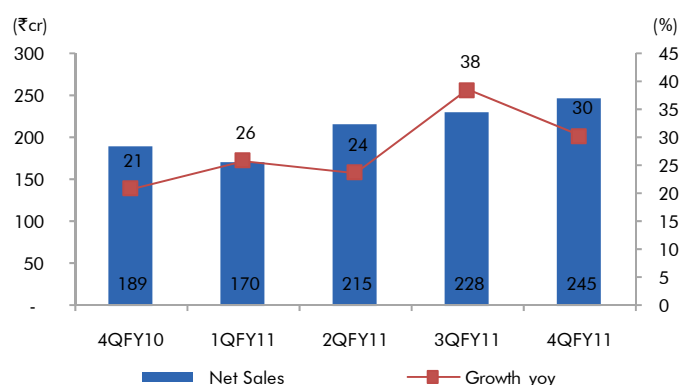
Revenue up 30.2% yoy on the back of higher realisation

For 4QFY2011, SSM registered 30.2% yoy growth in revenue to ₹245cr on the back of higher utilisation in all segments especially the yarn dying segment, which led to higher volumes during the quarter. Higher volumes were complemented by higher realisation.

For FY2011, the company reported 30.2% yoy growth in revenue to ₹859cr. Such high growth came on the back of increasing utilisation levels in the RMG and yarn segments and the fabric segment running at full capacity.

Exhibit 2: Higher utilisation and realisation


Source: Company, Angel Research

Exhibit 3: .. leading to strong revenue growth


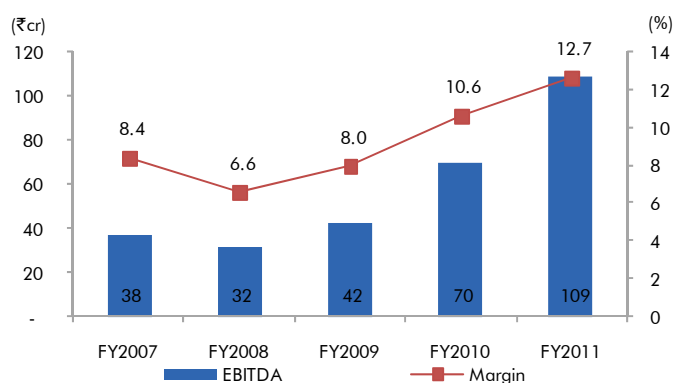
Source: Company, Angel Research

EBITDA margin expand for FY2011 but decline in 4Q yoy

EBITDA increased by 21.4% yoy in 4QFY2011 to ₹32cr on the back of higher revenue during the quarter. However, the margin declined by 94bp to 13% due to higher other expenditure, which increased by 471bp to 19.6% (14.9%). This increase in other expenses was partially offset by a 300bp yoy decrease in raw-material prices to 37% (40%).

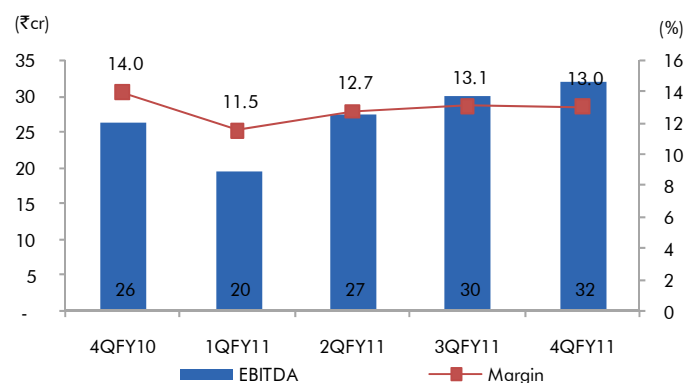
For FY2011, EBITDA increased by 54.8% yoy to ₹109cr on the back of higher revenue and expansion in EBITDA margin, which increased by 202bp to 12.7% because of lower raw-material cost, which declined by 150bp to 39% (40.5%). Though raw-material prices have increased substantially during the year, the company was able to pass on the increase in cost and at the same time was able to increase its margins showing robust demand for its products.

Exhibit 4: Margins on the rise



Source: Company, Angel Research

Exhibit 5: ...Even on quarterly basis



Source: Company, Angel Research

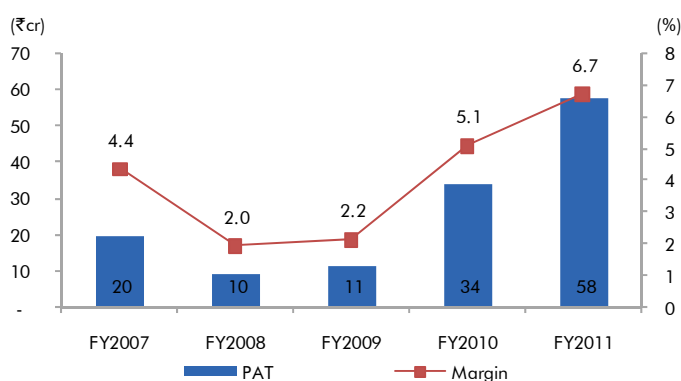
PAT increases by 21.8% yoy in 4Q and 71.2% yoy in FY2011

For 4QFY2011, the company witnessed a 22.6% increase in PAT to ₹187cr on the back of higher revenue during the quarter. PAT margin also contracted by 52bp yoy to 7.6% (8.1) on back of higher interest cost during the quarter, which increased by 72.9% to ₹5.1cr (₹2.9cr).

The company, which is on an expansion mode, has increased its debt to fund the expansion in its fabric and RMG segments. At the end of the quarter, the company's debt stood at ₹286cr (₹190cr), up 50.5% yoy.

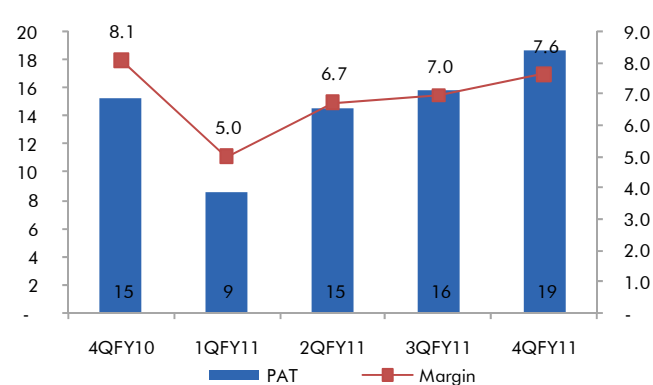
For FY2011, SSM witnessed a substantial increase of 71.2% yoy in PAT to ₹58cr due to higher revenue and EBITDA margin. Consequently, PAT margin expanded by 161bp to 6.7% (5.1%).

Exhibit 6: Expansion in EBITDA margins



Source: Company, Angel Research

Exhibit 7: ..leading to higher PAT and margins



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 utilisation to drive growth: SSM's yarn segment is expected to achieve 60% capacity utilisation 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 FY2011–13 in the fabric segment and will be adding 400 machines in its RMG segment by September 2011. 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 16% CAGR over FY2011–13E. The stock is currently trading at reasonable valuation of 5.3x FY2013E earnings (as against its historical median of 6x one-year forward EPS). **We continue to maintain an Accumulate rating on the stock with a target price of ₹422 (₹414), valuing the stock at 6x FY2013E earnings.**

Exhibit 8: Key assumptions

Particulars (%)	Estimates	
	FY2012	FY2013
Sales growth	14.4	17.0
EBITDA margin	12.2	11.6
Tax rate	31.5	31.5
NPM	6.2	5.7

Source: Company, Angel Research

Profit and loss statement

Y/E Mar. (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
Net sales	530	660	859	982	1,150
% chg	9.1	24.4	30.2	14.4	17.0
Total expenditure	488	589	750	863	1,017
Consumption of raw materials	209	258	367	427	500
Employees cost	33	39	47	56	66
Other expenditure	116	128	172	188	216
Processing, excise & labour charges	70	84	106	124	145
Purchase of traded goods	48	71	101	103	115
Other	-	-	-	-	-
EBITDA	42	70	109	119	133
% chg	32.0	66.1	54.8	9.9	11.4
(% of Net sales)	8.0	10.6	12.7	12.2	11.6
Depreciation & amortisation	19	20	21	25	31
EBIT	23	50	88	95	102
% chg	49.3	116.5	75.5	8.0	7.8
(% of Net sales)	4.4	7.6	10.2	9.7	8.9
Interest & other charges	16.8	12	15	16	17
Adj. Other income	8.4	11	10	10	11
(% of PBT)	57.1	22.3	11.9	11.5	11.2
Share in profit of associates	-	-	-	-	-
Recurring PBT	15	49	83	89	96
% chg	19.5	234.6	69.3	7.4	8.1
Extraordinary expense/(Inc.)	-	-	-	-	-
PBT (reported)	15	49	83	89	96
Tax	3.2	15	25	28	30
(% of PBT)	21.9	31.3	30.5	31.5	31.5
PAT (reported)	11	34	58	61	66
Add: Share of earnings of associate	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-
% chg	20.4	194.2	71.2	5.9	8.1
Prior period items	-	-	-	-	-
PAT after MI (reported)	11	34	58	61	66
Extraordinary income post tax	-	-	-	-	-
ADJ. PAT	11	34	58	61	66
% chg	20.4	194.2	71.2	5.9	8.1
(% of Net sales)	2.2	5.1	6.7	6.2	5.7
Basic EPS (Rs)	12.2	35.9	61.5	65.1	70.4
Fully Diluted EPS (Rs)	12.2	35.9	61.5	65.1	70.4
% chg	20.4	194.2	71.2	5.9	8.1

Balance sheet

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
SOURCES OF FUNDS					
Equity Share Capital	9.4	9.4	9.4	9.4	9.4
Reserves & Surplus	133	160	211	260	313
Shareholders' Funds	142	170	220	269	322
Total Loans	233	190	286	342	324
Deferred Tax Liability	18	18	17	17	17
Total Liabilities	393	378	522	627	662
APPLICATION OF FUNDS					
Gross Block	325	337	338	438	538
Less: Acc. Depreciation	120	137	158	183	213
Net Block	205	200	180	255	324
Capital Work-in-Progress	2	0	52	75	-
Investments	0	28	18	18	18
Current Assets	248	251	408	429	492
Cash	2.1	2.9	2.9	1.9	2.2
Loans & Advances	34	42	71	71	71
Inventories	97	89	149	171	200
Debtors	114	117	185	186	219
Other	-	-	-	-	-
Current liabilities	61	102	135	150	172
Net Current Assets	186	149	272	279	320
DEFERRED TAX ASSETS (Net)	-	-	-	-	-
Total Assets	393	378	522	627	662

Cash flow statement

Y/E Mar. (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E
Profit before tax	15	49	83	89	96
Depreciation	19	20	21	25	31
Change in Working Capital	34	46	(95)	(8)	(41)
Less: Other income	8	11	10	10	11
Direct taxes paid	3	15	25	28	30
Cash Flow from Operations	56	89	(26)	68	46
Inc./ (Dec.) in Fixed Assets	(19)	(11)	(52)	(123)	(25)
Inc./ (Dec.) in Investments	0	(28)	10	-	-
Inc./ (Dec.) in loans and advances	(1)	(8)	(29)	-	-
Other income	8	11	10	10	11
Cash Flow from Investing	(12)	(36)	(61)	(113)	(14)
Issue/(Buy Back) of Equity	-	-	-	-	-
Inc./ (Dec.) in loans	(38)	(43)	96	56	(18)
Dividend Paid (Incl. Tax)	(5)	(7)	(8)	(12)	(13)
Others	0	(2)	(1)	-	-
Cash Flow from Financing	(43)	(52)	87	44	(31)
Inc./ (Dec.) in Cash	1.0	0.8	(0.1)	(1.0)	0.3
Opening Cash balances	1.1	2.1	2.9	2.9	1.9
Closing Cash balances	2.1	2.9	2.9	1.9	2.2

Key ratios

Y/E Mar.	FY2009	FY2010	FY2011	FY2012E	FY2013E
Valuation Ratio (x)					
P/E (on FDEPS)	10.4	6.1	5.8	5.3	10.4
P/E (on basic, reported EPS)	10.4	6.1	5.8	5.3	10.4
P/CEPS	6.5	4.5	4.1	3.6	6.5
P/BV	2.1	1.6	1.3	1.1	2.1
Dividend yield (%)	1.6	1.9	2.9	3.1	1.6
Market cap. / Sales	0.5	0.4	0.4	0.3	0.5
EV/Sales	0.8	0.7	0.7	0.6	0.8
EV/EBITDA	7.7	5.8	5.8	5.1	7.7
EV / Total Assets	1.4	1.2	1.1	1.0	1.4
Per Share Data (Rs)					
EPS (Basic)	12.2	35.9	61.5	65.1	70.4
EPS (fully diluted)	12.2	35.9	61.5	65.1	70.4
Cash EPS	32.7	57.5	83.8	91.4	103.3
DPS	5	6	7	11	12
Book value	151.8	181.2	234.6	286.9	343.5
Dupont Analysis (%)					
EBIT margin	4.4	7.6	10.2	9.7	8.9
Tax retention ratio	78.1	68.7	69.5	68.5	68.5
Asset turnover (x)	1.3	1.8	2.0	1.8	1.8
ROIC (Post-tax)	4.4	9.3	14.4	11.7	11.2
Cost of debt (Post Tax)	5.2	3.9	4.3	3.5	3.4
Leverage (x)	1.8	1.2	1.1	1.2	1.0
Operating RoE	3.1	16.0	25.1	21.2	19.2
Returns (%)					
RoCE (Pre-tax)	5.7	13.0	19.5	16.5	15.9
Angel RoIC (Pre-tax)	5.7	13.6	22.1	19.3	17.4
RoE	8.2	21.6	29.6	25.0	22.3
Turnover ratios (x)					
Asset turnover (Gross Block)	1.7	2.0	2.5	2.5	2.4
Asset turnover (Net Block)	2.6	3.3	4.5	4.5	4.0
Asset turnover (Total Assets)	1.3	1.7	1.9	1.7	1.8
Operating income / Invested capital	1.3	1.8	2.0	1.8	1.8
Inventory / Sales (days)	71	52	51	59	59
Receivables (days)	85	64	64	69	64
Payables (days)	41	45	51	53	51
Working capital cycle (ex-cash) (days)	138	91	88	102	95
Solvency ratios (x)					
Gross debt to equity	1.6	1.1	1.3	1.3	1.0
Net debt to equity	1.6	0.9	1.2	1.2	0.9
Net debt to EBITDA	5.5	2.3	2.4	2.7	2.3
Interest coverage (EBIT / Interest)	2.5	5.9	7.4	7.5	8.0

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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	No
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%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
	Reduce (-5% to 15%)	Sell (< -15%)	