

Ambika Cotton Mills Ltd.**BUY**

Key Indicators as on 07/07/2014	SOURCE:CMIE
Closing Price (Rs.)	394.05
EPS (Rs.) - TTM	81.94
P/E – TTM	4.81
BV per Share (Rs.)	444.56
PB	0.89
Yield%	3.3
Mkt Cap (Rs. Crore)	231.50
Borrowing as on Mar-14	69.54
Beta	0.79
Mkt Cap/Sales - TTM	0.49
Mkt Cap/PBIDTA - TTM	2.27
Mkt Cap/PBDT - TTM	2.54
Mkt Cap/PAT - TTM	4.81
Mkt Cap/Cash Profit - TTM	2.90
PBDITA Rs. in Crores TTM	102.06
Face Value	10
Shares Outstanding crores	0.59
Equity Share capital in Rs. Crores	5.88
Share holding (%)	Mar 2014
Promoters	48.12
Public	28.28
FII's	-
Others	23.60

Investment Highlights:

- Sales, PBDITA net of P&E & OI & PAT net of P&E & OI growing at 16.1%, 13% & 28.5% CAGR respectively since FY08-FY14
- Decrease in borrowings over the years improving bottomline
- Promoter holding increasing continuously since 10 years
- Certain non promoters too increasing holding
- Dividend yield of 3.2% at cmp of 394.05
- Positive cash flows since 2 consecutive years
- Reducing working capital cycle improving cash flows
- Trading below its 10 year average Ebitda multiple, PE & PB of 5.7, 4.8 & 0.8 respectively
- Increasing exports along with rupee depreciation increasing revenues



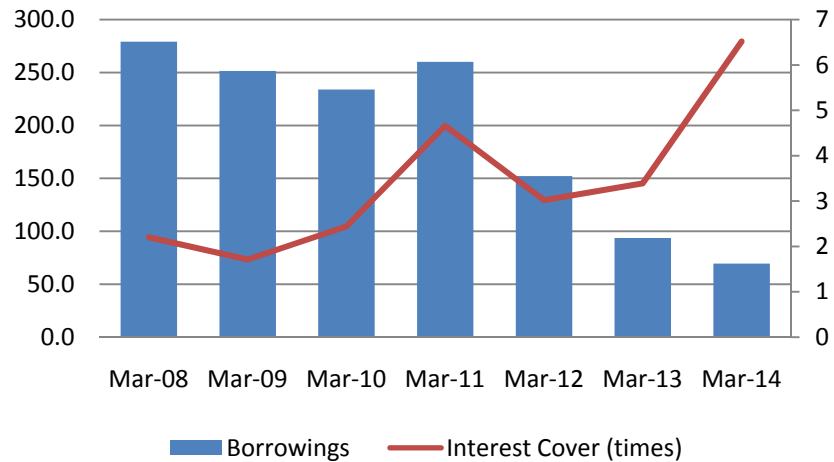
Investment Rationale:

Sales, PBDITA net of P&E & OI & PAT net of P&E & OI growing at 16.1%, 13% & 28.5% CAGR respectively since FY08-FY14

	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	CAGR
Sales	167.6	179.8	216.4	321.4	391.4	400.9	477.2	16.1%
PBDITA	49.8	53.0	60.2	99.4	90.1	91.4	103.7	11.1%
PBIDTA net of P&E and OI	43.6	47.1	54.6	93.7	90.3	91.3	102.8	13.0%
PAT	14.3	11.2	17.4	42.5	23.9	31.0	48.1	18.9%
PAT net of P&E and OI	8.2	5.3	11.8	36.9	24.1	30.8	47.3	28.5%

(Source:Prowess)

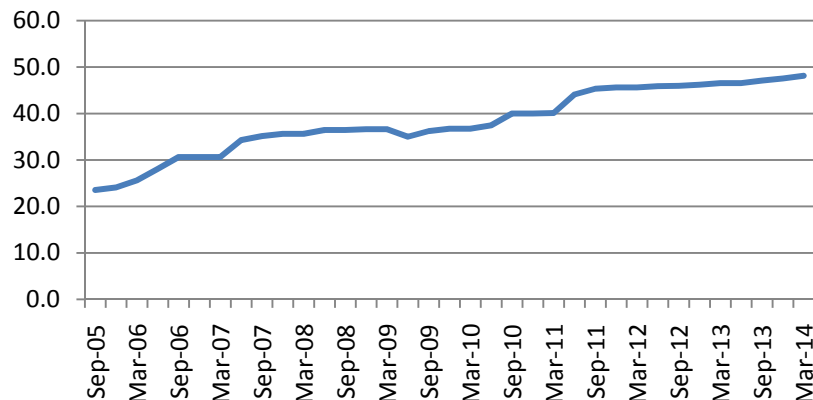
Decrease in borrowings over the years improving the bottomline



(Source:Prowess)

Promoter holding increasing continuously since 10 years

Promoters



(Source:Prowess)

Certain non promoters too increasing holding

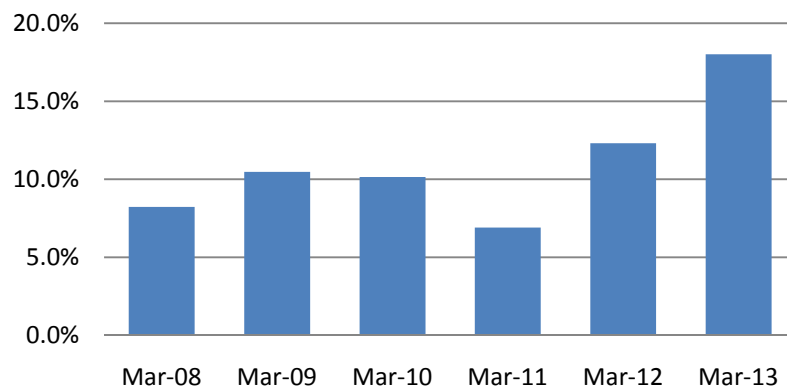
Non-Promoters (%)	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Anil Kumar Goel	2.25	2.42	2.49	2.87	2.93
Apple Finance Ltd	3.07	3.07	3.07	3.07	3.07
Avalokiteshvar Valinv Ltd	1.60	1.60	1.60	1.60	1.60
Idfc Equity Opportunity - Series I	-	1.53	2.20	2.20	2.20
Idfc Sterling Equity Fund	8.87	7.39	6.71	6.71	5.36
P K Ganeshwar	1.00	1.00	1.00	1.00	1.00
Raghu Trading & Investment Co Pvt Ltd	5.65	5.65	5.92	5.92	6.63

(Source:Prowess)

Dividend yield of 3.3% at cmp of 380.70

→ Increasing Dividend Payout gives comfort to investors

Dividend Payout%



(Source:Prowess)

Positive cash flows since 2 consecutive years

	CFO	Purchase of FA	Interest Paid	Dividend Paid	Net Cash Flow
Mar-08	43.0	-122.2	-15.4	-1.5	-96.1
Mar-09	50.8	-36.3	-17.7	-1.2	-4.4
Mar-10	37.1	-1.7	-16.5	-1.2	17.8
Mar-11	72.7	-84.0	-16.2	-2.9	-30.4
Mar-12	135.4	-5.6	-19.7	-2.9	107.2
Mar-13	87.4	-8.6	-18.8	-1.8	58.2

(Source:Prowess)

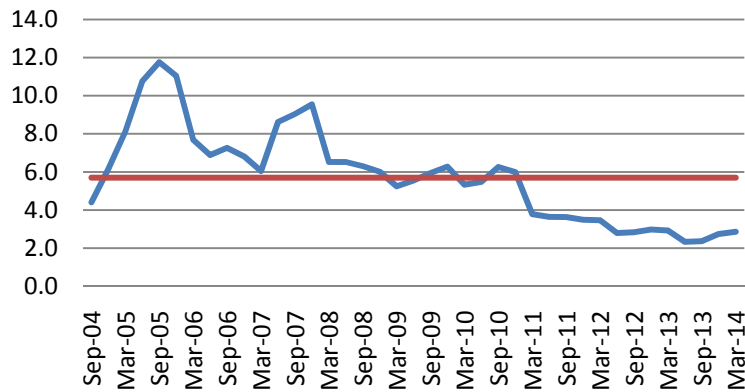
Net working capital cycle days continuously reducing since 6 years thus improving cash flows

Working cycle (days)	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13
Raw material cycle	428	365	325	269	151	105
WIP cycle	10	10	11	10	9	10
Finished goods cycle	19	16	13	11	7	7
Debtors	10	12	26	25	15	8
Gross working capital cycle	467	402	375	315	182	131
Creditors	120	91	97	89	56	56
Net working capital cycle	347	312	278	226	126	75

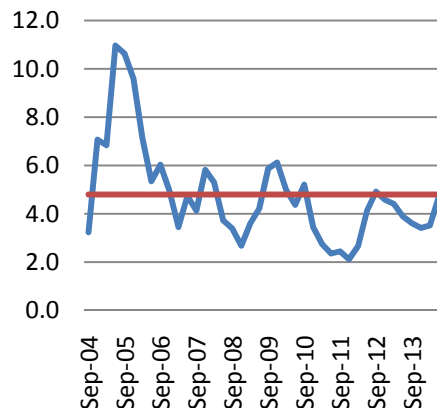
(Source:Prowess)

Trading below its 10 year average Ebitda multiple, PE & PB of 5.7, 4.8 & 0.8 respectively

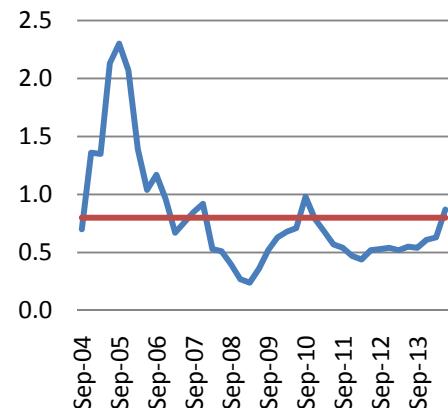
EV/EBITDA



PE



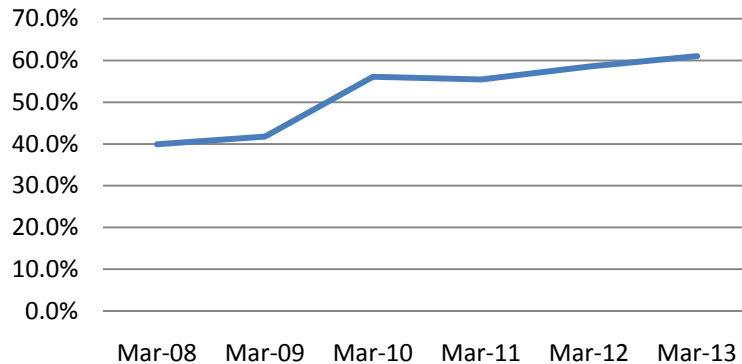
PB



(Source:Prowess)

Increasing exports along with rupee depreciation increasing revenues

Exports/Sales%



(Source:Prowess)

Company Profile:

Ambika Cotton Mills Limited (ACML) based out of Coimbatore in Southern India, is engaged in the manufacture of premium quality Compact and Elitwist cotton yarn for hosiery and weaving. It is an established player in the international and domestic yarn market with exports constituting roughly 60% of its revenues.

They have 4 manufacturing units situated in Dindigul, Tamil Nadu with a total spindle capacity of 1, 10,000.

Quarterly Results – (Standalone)

Ambika Cotton Mills Ltd.	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14
Currency: Rs. Crore (Non-Annualised)	3 mths	3 mths	3 mths	3 mths	3 mths	3 mths
-						
Total income	94.7	110.3	107.0	125.0	128.6	117.5
Net sales	94.2	110.2	106.9	124.6	128.2	117.5
Other & extra-ordinary income	0.5	0.1	0.1	0.4	0.4	
Change in stock	2.2	-7.0	2.5	4.7	0.2	1.1
Total expenses	88.7	95.0	101.0	115.3	113.7	108.4
Operating expenses	75.2	81.4	87.9	102.8	98.8	93.3
Raw materials, etc & purch of fin gds	55.3	59.2	61.9	73.9	77.6	72.5
Salaries and wages	4.9	5.5	6.0	6.0	5.9	6.2
Total other expenses	15.0	16.7	20.0	22.8	15.3	14.7
Extra-ordinary expenses		0.5		0.0		
PBDIT	21.7	21.5	21.5	26.9	30.0	25.3
Interest expenses	4.1	3.7	3.5	3.3	2.6	2.7
Depreciation	6.8	7.1	7.0	7.1	7.1	10.5
PBT	10.8	10.7	11.1	16.5	20.3	12.1
Total tax provision	2.5	2.4	2.6	2.1	5.2	1.9
Net profit (PAT)	8.3	8.3	8.5	14.4	15.1	10.2

From **NAYAN M. VALA SECURITIES PVT.LTD.RESEARCH**
By **Maulik A. Shah**

Disclaimer: The information contained herein is confidential and is intended solely for the addressee(s). Any unauthorized access; use, reproduction, disclosure or dissemination is prohibited. This information does not constitute or form part of and should not be construed as, any offer for sale or subscription of or any invitation to offer to buy or subscribe for any securities. The information and opinions on which this communication is based have been compiled or arrived at from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to their accuracy, correctness and are subject to change without notice. NAYAN M. VALA SECURITIES PVT.LTD. and/ or its clients may have positions in or options on the securities mentioned in this report or any related investments, may affect transactions or may buy, sell or offer to buy or sell such securities or any related investments. Recipient/s should not consider this report as only a single factor in making their investment decision. Neither NAYAN M. VALA SECURITIES PVT.LTD. nor any of its affiliates shall assume any legal liability or responsibility for any incorrect, misleading or altered information contained herein.

MEMBER: NATIONAL STOCK EXCHANGE OF INDIA LTD	CODE NO. 13511
MEMBER: BOMBAY STOCK EXCHANGE LTD	CODE NO. 6222
MEMBER: THE CALCUTTA STOCK EXCHANGE ASSOCIATION LTD	CODE NO. 506
MEMBER: MCX-SX	CODE NO. 82100

NAYAN M. VALA SECURITIES PVT.LTD.

403-404, Cosmos Court,
Above Waman Hari Pethe Jewellers
S. V. Road, Vile-Parle (West),
Mumbai – 400056. INDIA

Tel: (+91-22) 2610 5973 / 2610 5974
Fax: +91-22- 2612 4310
E-Mail: research@nayanmvala.com
Website: www.nayanmvala.com