

Himatsingka Seide Ltd.

In continuation to our report dated 20-07-2010

Maintain BUY

Key Indicators as on 22/03/2014	SOURCE:CMIE
Closing Price (Rs.)	55.80
EPS (Rs.) - TTM	7.10
P/E - TTM	7.85
BV per Share (Rs.)	73.83
PB	0.76
Yield(%)	1.79
Mkt Cap (Rs. Crore)	549.39
Borrowing as on Dec-13 (Rs. Crore)	790.00
Beta	0.95
Mkt Cap/Sales – TTM	0.29
Mkt Cap/PBIDTA – TTM	2.64
Mkt Cap/PBDT – TTM	4.08
Mkt Cap/PAT – TTM	7.85
Mkt Cap/Cash Profit – TTM	4.50
PBDITA (Rs. Crores) TTM	207.98
Face Value	5
Shares Outstanding crores	9.85
Equity Share capital in Rs. Crores	49.23
Share holding (%)	Dec-2013
Promoters	57.07
Public	24.96
FII's	0.96
Others	17.01

Investment Highlights:

- PAT net of P&E & OI growing at 33% CAGR since 3 years
 - Highest Cash Profit since 5 years
 - Increase in capacity utilization & improvement in realizations will improve operating efficiency
 - Dollar realizations yet to benefit on EBITDA level
 - Closure of derivative contracts on Aug 2012 will bring stability
 - Management expects zero debt company in next 3-4 years
 - Rupee depreciation, strong presence in North America & huge exports will benefit
 - Some growth initiatives taken by the company
 - Implementation of ERP
 - Launched 1st online store
 - Acquired remaining 20% stake in subsidiary Divatex - USA
 - Decreasing WC cycle improving cash flows
 - Increasing promoter holding since 4 years
 - Trading below its 14 year average PB & Ebitda multiple of 1.3 & 9.4 respectively
- Areas of Concern**
- Depreciation is a major driver for improved results



Investment Rationale

PAT net of P&E & OI growing at 33% CAGR since 3 years

→ PAT net of P&E & OI has doubled each year since March 2012 till date

Rs. in crore	Mar-12	Mar-13	growth %
Sales	1445.0	1703.5	18%
PBDITA	176.9	184.2	4%
PBDITA net of P&E & OI	165.0	174.5	6%
PAT	33.9	53.0	56%
PAT net of P&E & OI	22.1	43.2	96%
	9MFY13	9MFY14	growth %
Sales	1295.1	1530.1	18%
PBDITA	132.1	158.9	20%
PBDITA net of P&E & OI	124.0	156.4	26%
PAT	30.8	47.7	55%
PAT net of P&E & OI	22.7	45.2	99%

→ 9MFY14 pat net of P&E & OI already crossed FY13 figure

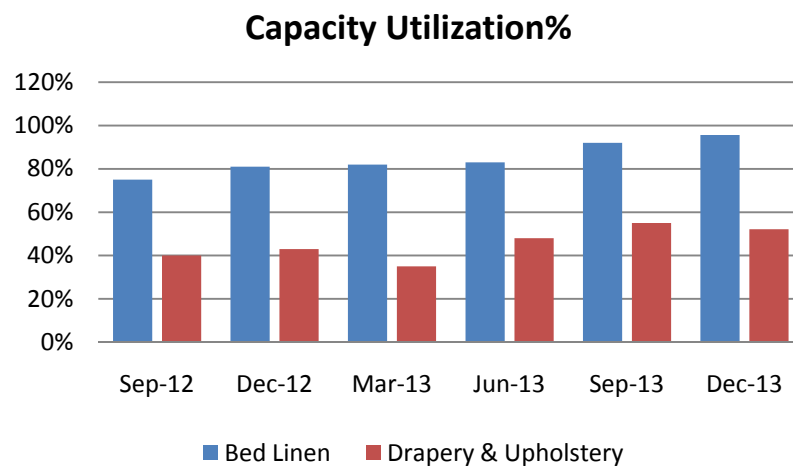
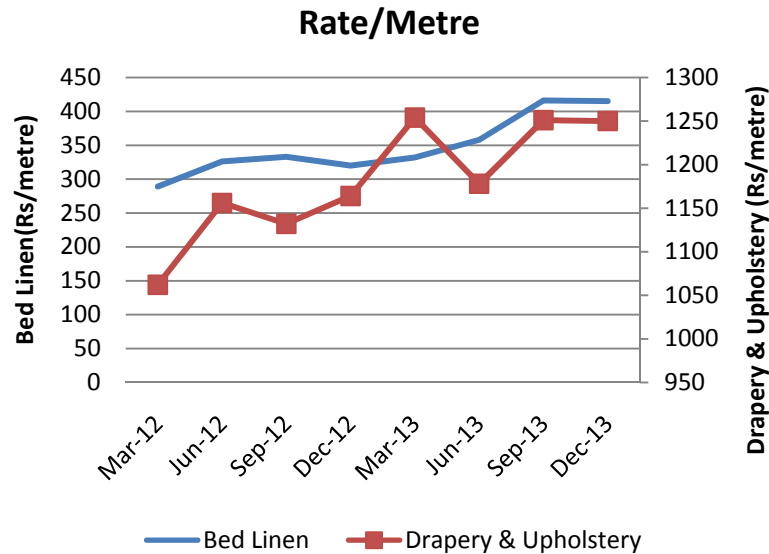
Rs. in crore	FY13	9MFY14
PAT	52.95	47.74
PAT net of P&E & OI	43.23	45.22

Highest cash profit since 5 years

Rs. in crore	Mar-10	Mar-11	Mar-12	Mar-13	TTM
PAT	9.72	-15.78	33.94	52.95	69.95
Depreciation	54.76	56.46	55.57	52.16	52.26
Cash Profit	64.48	40.68	89.51	105.11	122.21

Increase in capacity utilization & improvement in realizations will improve operating efficiency

- Increase in Bed Linen & Drapery/Upholstery realization rates by 44% & 18% respectively over the past 2 years as well as increasing capacity utilization has helped the company increase its topline.
- The current exchange rate benefit will be realized in next 3-4 months which will increase its operating profit.



Dollar realizations yet to benefit on EBITDA level

- As per the hedging policy (2-3 quarters of receivables in advance depending on the order book) the realization rate previous quarter was 58.50. As the company books its sales at spot they were unable to reap benefits of rupee depreciation. That is the reason for the growth not entirely translating into EBITDA.
- The management this quarter has covered 45 million at Rs. 63.50 which they expect to realize in the next 3 months which will improve their margins.

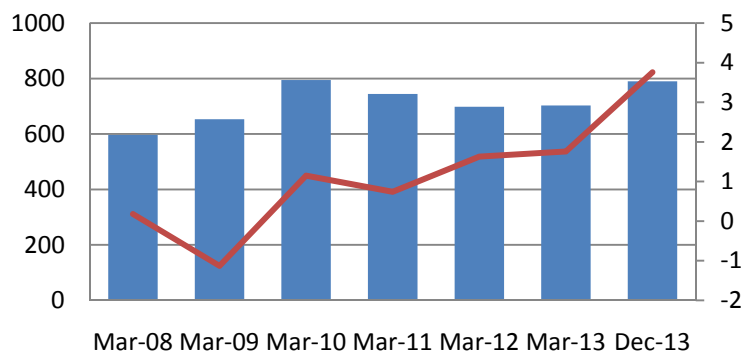
Closure of derivative contracts on Aug 2012 will bring stability

- The company had various derivative contracts since 2008 which had impacted the profitability. However, the company post Aug-12 has no derivative contracts which will bring stability.
- The company continues to hedge foreign currency exposure through foreign exchange contracts.

Management expects a zero debt company in the next 3-4 years

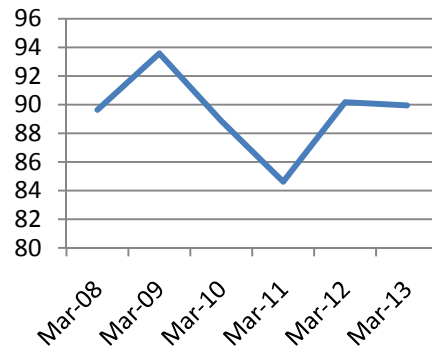
- Debt repayments till FY14 will be 101.77 crores & for FY15 it will be 126.69 crores. The management will reduce their debt further if the cash flow improves.
- With no such major capex & on schedule debt repayments, the bottomline may increase further.
- Interest cover (times) increased even though borrowings have increased, this shows that the operating efficiency is improving

Borrowings

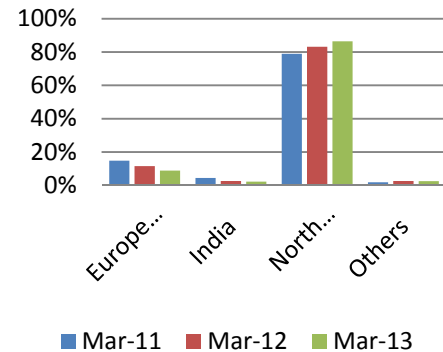


Rupee depreciation, strong presence in North America & huge exports will benefit

Export / sales (%)



Geographic Revenue



Some growth initiatives

- Growth Initiatives taken during the year
 - Implementation of an ERP package for all the locations of its mfg & retail division in India to enhance the operational & financial condition
 - Retail business 'Atmosphere' launched its 1st online store "atmospheredirect.com"
 - Acquired remaining 20% stake in subsidiary Divatex - USA

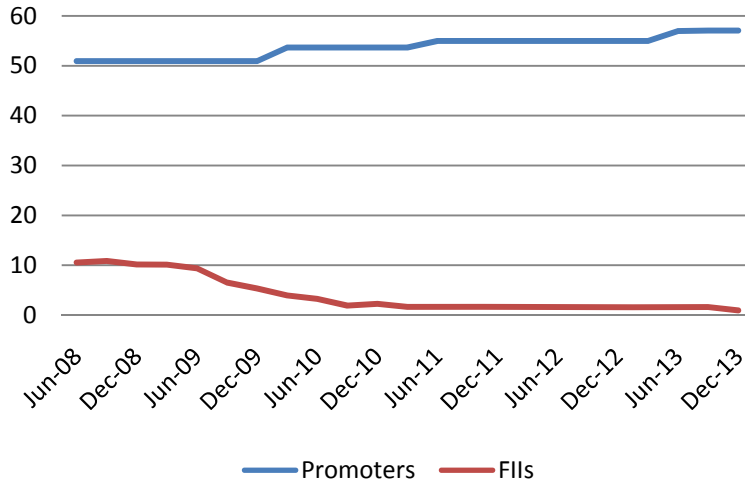
Decreasing WC cycle improving cash flows

Working cycle (days)	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13
Raw material cycle	68.42	77.54	79.91	33.22	27.65	24.36
WIP cycle	39.24	51.25	64.12	38.74	30.21	23.85
Finished goods cycle	63.42	91.62	84.89	69.18	71.96	65.69
Debtors	42.12	41.05	34.56	25.05	20.47	17.19
Gross working capital cycle	213.21	261.45	263.48	166.18	150.29	131.09
Creditors	76.36	103.53	96.52	65.6	60.66	56.02
Net working capital cycle	136.85	157.93	166.96	100.58	89.63	75.07

→ Good amount of cash flows after all the expenses are met

Rs. in crore	CFO	purchase of FA	interest paid	dividend paid	taxes paid	Net Cash Flows
Mar-08	45.09	-185.31	-23.1	-0.69	-20.83	-184.84
Mar-09	101.82	-72.56	-53.9	-0.07	1.33	-23.38
Mar-10	-100.38	-46.52	-67.41	-0.04	-4.21	-218.56
Mar-11	130.29	-23.14	-69.55	-7.2	-1.47	28.93
Mar-12	124.84	-18.94	-71.37	-2.05	-6.72	25.76
Mar-13	199.77	-17.32	-79.66	-4.98	-3.65	94.16

Increasing promoter holding since 4 years

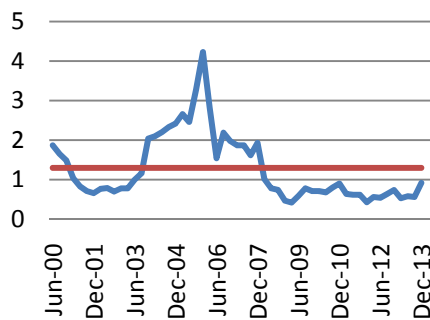


(Source:Prowess)

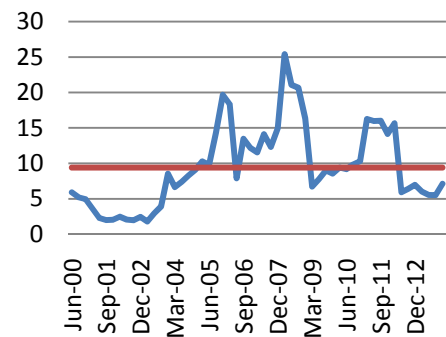
Trading below its 14 year average PB & Ebidta multiple of 1.3 & 9.4 respectively

→ Trading below its 14 year average PB & Ebidta multiple of 1.3 & 9.4 respectively

PB



EV/EBITDA

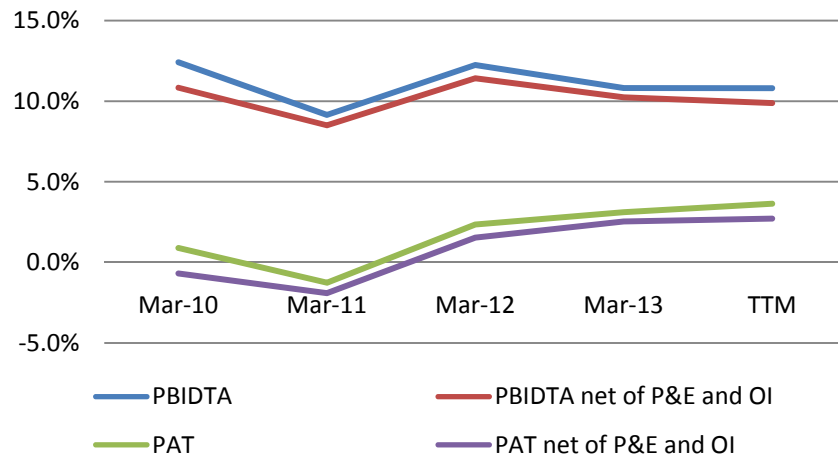


(Source:Prowess)

Areas of concern:

Depreciation is a major driver for improved results

→ Only decrease in Depreciation as a % to Sales has helped the company increase its bottomline.



(Source:Prowess)

Company Profile:

Himatsingka Seide Ltd is a vertically integrated Home Textile major ranging from manufacturing, retailing and distribution of Home textile products. Their manufacturing unit is concerned with the manufacturing of upholstery and drapery, bed linen, silk and blended yarn while the retail business has a strong global presence in North America, Europe and Asia.

Name of the Subsidiary	Himatsingka Wovens Pvt Ltd	Twill & Oxford LLC	Himatsingka Singapore Pte Ltd	DWI Holdings Inc.	Himatsingka America Inc.	Divatex Home Fashions Inc.	Guiseppe Bellora SpA
Country of Incorporation	India	UAE	Singapore	USA	USA	USA	Italy
% of ownership	100%	49%	100%	100%	100%	100%	70%
Turnover	46.16	12.5	5.8	412.2	-	1007.65	87.99
PBT	1.98	-0.0058	-0.89	28.68	-23.21	20.57	-16.67
PAT	-0.67	-0.0058	-0.89	28.49	-23.31	20.57	-16.67
PBT%	4.29%	-0.05%	-15.34%	6.96%	-	2.04%	-18.95%
PAT%	-1.45%	-0.05%	-15.34%	6.91%	-	2.04%	-18.95%

Quarterly Results – (Consolidated)

Himatsingka Seide Ltd.	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Currency: Rs. Crore (Non-Annualised)	3 mths	3 mths	3 mths	3 mths	3 mths	3 mths
-						
Total income	475.76	442.72	410.77	478.66	551.35	504.13
Net sales	472.66	440.01	394.32	477.7	549.79	502.56
Other & extra-ordinary income	3.1	2.71	16.45	0.96	1.56	1.57
Other income	0.98	2.71	1.51	0.96	1.56	1.57
Extra-ordinary income	2.12		14.94			
Change in stock	-36.37	-10.81	0.31	67.14	104.19	48.23
Total expenses	428.95	420.53	388.87	530.67	638.79	536.5
Operating expenses	394.49	385.71	360.77	495.24	599.21	498.8
Raw materials, etc & purch of fin gds	279.19	286.11	245.4	383.69	453.9	366.13
Salaries and wages	40.26	42.65	47.59	48.88	49.53	50.64
Total other expenses	75.04	56.95	67.78	62.67	95.78	82.03
Extra-ordinary expenses			1.21			1.57
PBDIT (operating profit)	44.9	46.2	49.1	50.56	56.33	51.99
Interest expenses	16.64	16.91	15.38	19.34	19.13	19.56
Depreciation	13.49	13.57	11.51	13.06	13.87	13.82
PBT	14.77	15.72	22.21	18.16	23.33	18.61
Total tax provision	4.33	4.34		3.03	6.58	2.75
Net profit (PAT)	10.44	11.38	22.21	15.13	16.75	15.86

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