

1 March 2013

CMP: Rs.1.55

Industry: Textiles

BSE group: B

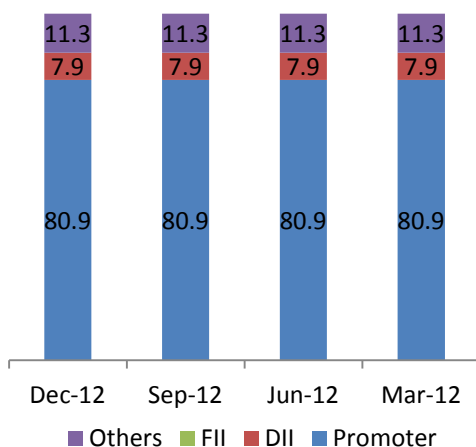
Promoters

Praful Shah and family
Garden Vareli Group

Key Data (as on 26 Feb' 13)

| | |
|----------------------------------|--------------|
| BSE | 530185 |
| ISIN | INE936A01025 |
| Face Value (Rs.) | 1.0 |
| Mkt Cap (Rs. mn) | 344.2 |
| Current P/E | 31.0 |
| Current P/BV | 0.5 |
| 52 week low-high | 1.15-2.20 |
| 30 days avg daily trading volume | 8297 |
| Equity capital (Rs mn) | 222.0 |
| Net worth (Rs mn) | 693.5 |

Shareholding Pattern (%)



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Company business

Surat Textile Mills Limited ('STML') is engaged in the manufacture and sale of polyester filament yarn, polyester chips and cotton spun yarns. It has three manufacturing units in Surat, Gujarat and one in Silvassa, Dadra and Nagar Haveli. The company has a total installed capacity to produce 25,000 tonnes of polyester chips and 5000 tonnes of polyester yarn across the four manufacturing facilities. STML, formerly known as Garden Cotton and Yarn, is part of the Garden Vareli group promoted by Praful Shah and family. The group's flagship company, Garden Silk Mills Limited, is a garment manufacturer and reported net losses of Rs.788 mn in FY12.

Recent developments

The Union budget for 2014 has provided a lot of sops for the textile industry. In the cotton segment, there will now be zero duty at the fibre stage and in case of spun yarn, there will be a duty of 12% at the fibre stage. Duty on branded garments has been brought down to zero percent from 3.5% earlier and Rs.13 bn has been provided in the budget for this purpose. Even the technology upgradation fund scheme (TUFS) was extended with an investment target of Rs.1510 bn.

Financials

| Particulars (Rs in mn) | Oct '12 to Dec '12 | Oct '11 to Dec '11 | % Change ¹ | Jul'12 to Sep '12 | % Change ² |
|------------------------|--------------------|--------------------|-----------------------|-------------------|-----------------------|
| Total income | 587.8 | 774.2 | (24.1%) | 547.9 | 7.3% |
| Total expenditure | 547.2 | 482.5 | 13.4% | 499 | 9.7% |
| EBIDTA | 40.6 | 291.7 | (86.1%) | 48.9 | (17.0%) |
| EBIDTA margin | 6.91% | 37.7% | (81.7%) | 8.92% | (22.6%) |
| PBT | 36.3 | 281.4 | (87.1%) | 44.6 | (18.6%) |
| PAT | 36.3 | 281.4 | (87.1%) | 44.6 | (18.6%) |
| PAT margin | 6.18% | 36.3% | (83.0%) | 8.14% | (24.1%) |
| Cash accruals | 40.1 | 285.2 | (85.9%) | 48.4 | (17.1%) |
| EPS | 0.2 | 1.3 | (84.6%) | 0.2 | (20.0%) |

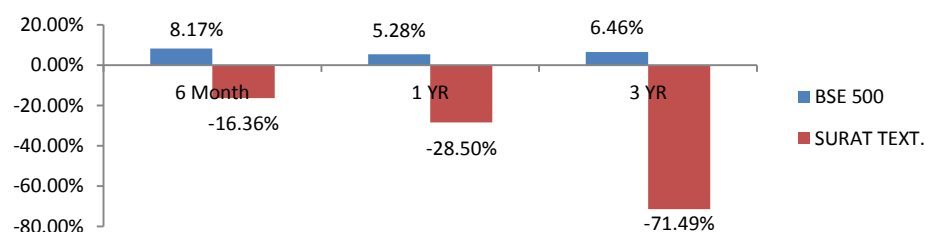
¹ compared to corresponding quarter in the previous year **Source: Moneycontrol, Company**

² sequential comparisons

Financial Performance

The company's top-line improved by 7.2% to Rs.587.8 mn during the quarter. However, a higher cost of raw material muted the net profits which declined by 18.6% to Rs.36.3 mn. The quarterly performance is not comparable to the previous year, as it included a one-time income of Rs.283.4 mn from the sale of assets.

Share Price Performance



Financials

| P&L (Rs. mn) | FY10 | FY11 | FY12 |
|-------------------------|-------------|-------------|-------------|
| Total income | 2,430 | 2,728 | 2,174 |
| EBIDTA | 145 | 164 | 319 |
| EBIDTA margin | 6% | 6% | 15% |
| Depreciation | 18 | 17 | 15 |
| EBIT | 127 | 147 | 304 |
| Interest | 40 | 39 | 29 |
| PBT | 87 | 108 | 275 |
| Tax | 15 | 25 | 77 |
| PAT | 72 | 84 | 198 |
| PAT Margin | 3% | 3% | 9% |
| Dividend | - | - | - |
| Dividend Payout | - | - | - |
| Valuation ratios | FY10 | FY11 | FY12 |
| P/E | 14.02 | 6.90 | 1.62 |
| P/BV | 3.19 | 1.16 | 0.46 |

| Balance Sheet (Rs. mn) | FY10 | FY11 | FY12 |
|--------------------------|-------------|--------------|-------------|
| Share Capital | 222 | 222 | 222 |
| Reserves & Surplus | 95 | 274 | 472 |
| Net worth | 317 | 496 | 694 |
| Borrowings | 290 | 290 | 9 |
| Other liabilities | 363 | 222 | 251 |
| Total liabilities | 970 | 1,008 | 954 |
| Net fixed assets | 237 | 220 | 209 |
| Other non-current assets | 186 | 230 | 206 |
| Loans and Advances | 174 | 46 | 69 |
| Current Assets | 372 | 512 | 470 |
| Total assets | 970 | 1,008 | 954 |
| Cash Flow (Rs.mn) | FY10 | FY11 | FY12 |
| PBT | 87 | 108 | 275 |
| CF from Operation | 199 | (118) | 52 |
| CF from Investment | (60) | 42 | 265 |
| CF from Financing | (68) | (36) | (306) |
| Inc/(dec) Cash | 71 | (112) | 11 |
| Closing Balance | 123 | 10 | 21 |

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