

06 February 2013

CMP: Rs.35.25

Industry: Textiles - Cotton

BSE group: B

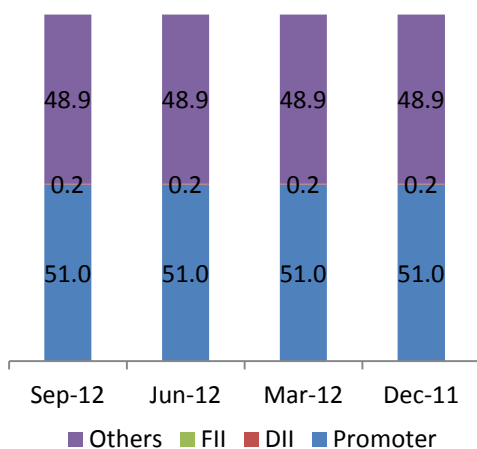
Promoters

Kallam Group, (Kallam Mohan Reddy & family)

Key Data (as on 25 Jan' 13)

BSE	530201
ISIN	INE629F01017
Face Value (Rs.)	10.0
Mkt Cap (Rs. mn)	241.5
Current P/E	4.4
Current P/BV	0.6
52 week low-high	24.00-40.85
30 days avg daily trading volume	3641
Equity capital (Rs mn)	68.5
Net worth (Rs mn)	398.5

Shareholding Pattern (%)



Initiation Report:

[Kallam Spinning Mills](#)

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Company business

Kallam Spinning Mills Limited ('KSML') is engaged in the manufacture and sale of cotton yarn. The company's product portfolio comprised of both ring-spun and open-ended yarns. While it markets its products globally, KSML's primary focus is on the domestic market from where it derives the bulk (80-90%) of its revenues. KSML is headquartered in Guntur, Andhra Pradesh and is the flagship company of the Kallam group which also operates in the housing, agriculture, education and cottonseed oil industries through various group entities. The company also has a captive hydro-power division, with a total capacity of 4 MW spread across its three plants in the Khammam district of Andhra Pradesh.

Recent developments

In order to help the textile manufacturers tide over their loan repayment woes, the Government approved a debt restructuring package worth Rs.350 bn for the industry in September 2012. The package is expected to help a lot of the smaller textile players to save costs and return to profitability.

Financials

Particulars (Rs in mn)	Jul '12 to Sep '12	Jul '11 to Sep '11	% Change ¹	Apr'12 to Jun '12	% Change ²
Total income	402.2	333.9	20.5%	449.4	(10.5%)
Total expenditure	303.9	287.4	5.7%	369.8	(17.8%)
EBIDTA	98.3	46.5	111.4%	79.6	23.5%
EBIDTA margin	24.44%	13.93%	75.5%	17.71%	38.0%
PBT	50.6	2.8	1,707.1%	21.2	138.7%
PAT	39.3	(0.6)	-	10.1	289.1%
PAT margin	9.77%	negative	-	2.25%	334.8%
Cash accruals	56.6	16.2	249.4%	30.3	86.8%
EPS	5.7	--	-	1.5	282.7%

¹ compared to corresponding quarter in the previous year

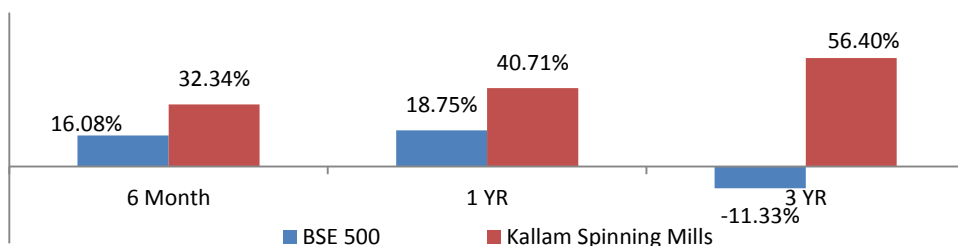
² sequential comparisons

Source: Moneycontrol, Company

Financial Performance

The company has registered a strong performance in the July-September period as compared to Q2FY12. While revenues have grown by 20.5%, the expenses have been under control and increased marginally by 5.7%. As a result, the net profits have surged to Rs.39.3 mn, up from a reported loss of Rs.0.6 mn for the same period in the previous year.

Share Price Performance



Financials

P&L (Rs. mn)	FY10	FY11	FY12
Total income	819	1,374	1,559
EBIDTA	188	331	194
EBIDTA margin	23%	24%	12%
Depreciation	49	57	69
EBIT	139	275	125
Interest	60	75	124
PBT	79	200	1
Tax	18	60	(5)
PAT	61	140	6
PAT Margin	7%	10%	0.4%
Dividend	11	14	-
Dividend Payout	18%	10%	0%

Valuation ratios	FY10	FY11	FY12
P/E	2.7	2.6	29.7
P/BV	0.6	0.9	0.4

Note: In spite of the fall in earnings, the price had not adjusted in the market leading to an relatively higher P/E multiple in FY12

Balance Sheet (Rs. mn)	FY10	FY11	FY12
Share Capital	69	69	69
Reserves & Surplus	198	324	330
Net worth	267	392	398
Borrowings	1,017	1,295	1,446
Other liabilities	149	243	247
Total liabilities	1,433	1,930	2,092
Net fixed assets	987	1,133	1,312
Other non-current assets	-	-	-
Loans and Advances	94	167	193
Current Assets	352	630	587
Total assets	1,433	1,930	2,092

Cash Flow (Rs.mn)	FY10	FY11	FY12
PBT	79	200	1
CF from Operation	37	9	222
CF from Investment	(209)	(211)	(240)
CF from Financing	159	205	14
Inc/(dec) Cash	(13)	3	(4)
Closing Balance	8	12	7

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