

1 March 2013

CMP: Rs.36.45

Industry: Textiles - Cotton

BSE group: B

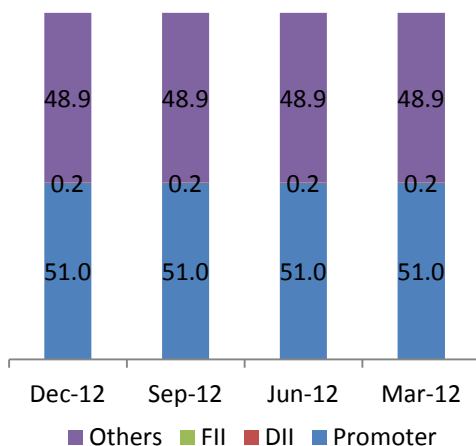
Promoters

Kallam Group, (Kallam Mohan Reddy & family)

Key Data (as on 26 Feb' 13)

BSE	530201
ISIN	INE629F01017
Face Value (Rs.)	10.0
Mkt Cap (Rs. mn)	249.7
Current P/E	2.9
Current P/BV	0.6
52 week low-high	24.00-42.50
30 days avg daily trading volume	3300
Equity capital (Rs mn)	68.5
Net worth (Rs mn)	398.5

Shareholding Pattern (%)



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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

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	490.3	357.3	37.2%	402.2	21.9%
Total expenditure	397.4	310.1	28.2%	303.9	30.8%
EBIDTA	92.9	47.2	96.8%	98.3	(5.5%)
EBIDTA margin	19.0%	13.2%	43.4%	24.4%	(22.5%)
PBT	41.2	2.1	1,861.9%	50.6	(18.6%)
PAT	27.8	(4.6)	-	39.3	(29.3%)
PAT margin	5.7%	negative	-	9.8%	(42.0%)
Cash accruals	46.7	13.0	259.2%	56.6	(17.5%)
EPS	4.1	--	-	5.7	(29.3%)

¹ compared to corresponding quarter in the previous year

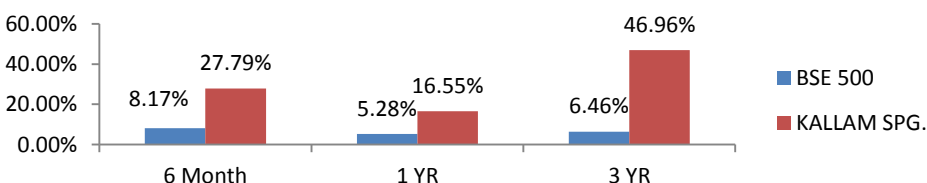
Source: Moneycontrol, Company

² sequential comparisons

Financial Performance

The company registered a strong performance during the quarter as compared to the same period in the previous year. Revenues surged by 37% and coupled with an improvement in operational efficiency, the company's PAT rose to Rs.27.8 mn. However, it fell short of its performance in the Sep'12 quarter, where the EBIDTA and PAT margins were much higher at 24.4% and 9.8% respectively.

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 has not adjusted in the market leading to a 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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