

1 March 2013

**CMP:** Rs.243.35

**Industry:** Textiles – Cotton Yarn

**BSE group:** B

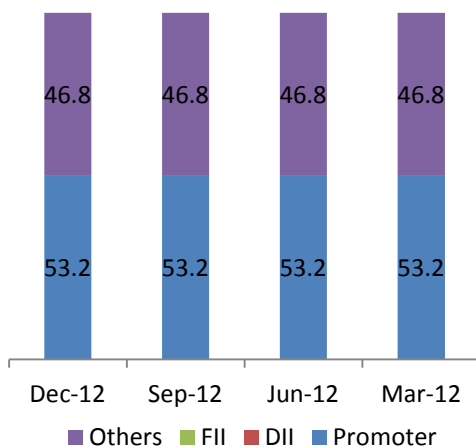
**Promoters**

PR Ramasubrahmaneya Rajha & family  
(Ramco group)

**Key Data** (as on 26 Feb' 13)

BSE	532503
ISIN	INE296E01026
Face Value (Rs.)	10.0
Mkt Cap (Rs. mn)	1795.0
Current P/E	6.3
Current P/BV	1.1
52 week low-high	168.70-266.65
30 days avg daily trading volume	745
Equity capital (Rs mn)	73.8
Net worth (Rs mn)	1568.9

**Shareholding Pattern (%)**



[Click here for: Initiation Report](#)

[Write to us at: equity.research@outlook.com](mailto:equity.research@outlook.com)

**Company business**

Rajapalayam Mills Limited ('RML') is primarily engaged in the production and sale of cotton yarns and fabrics. It has an aggregate capacity of more than 120,000 spindles installed in its spinning mills across Tamil Nadu, Andhra Pradesh and Karnataka. In recent years, the company has attempted to diversify into areas like tissue culture and windmill power generation which currently contributes around 8% to the overall revenues. RML (promoted by the PR Ramasubrahmaneya Rajha family) is part of the Ramco Group which has diversified interests in cements (Madras Cements), building products (Ramco Industries) and software solutions (Ramco Systems).

**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 <sup>1</sup>	Jul'12 to Sep '12	% Change <sup>2</sup>
Total income	1,010.2	757.3	33.4%	1025.5	(1.5%)
Total expenditure	794.0	634.6	25.1%	778.1	2.0%
EBIDTA	216.2	122.7	76.2%	247.4	(12.6%)
EBIDTA margin	21.4%	16.2%	32.1%	24.1%	(11.3%)
PBT	82.7	(45.4)	-	106.3	(22.2%)
PAT	66.5	(22.9)	-	77.4	(14.1%)
PAT margin	6.6%	negative	-	7.6%	(12.8%)
Cash accruals	137.5	57.4	139.5%	149.1	(7.8%)
EPS	9.0	--	-	10.5	(14.1%)

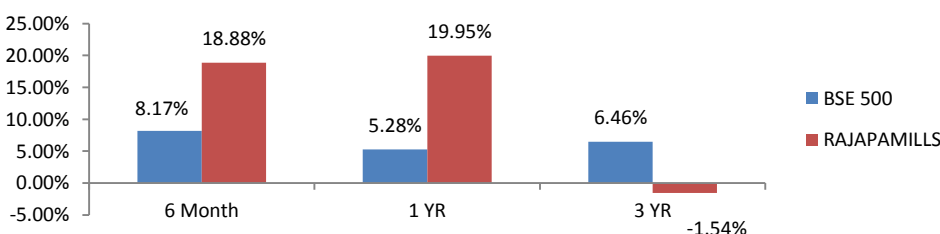
<sup>1</sup> compared to corresponding quarter in the previous year Source: Moneycontrol, Company

<sup>2</sup> sequential comparisons

**Financial Performance**

During the quarter, the company recorded a 33.4% increase in its top-line as compared to the same period in the previous year. However the power and fuel charges have almost doubled from Rs.98 mn to Rs.187 mn, thereby denting the overall profitability. On a q-o-q basis, the margins have remained flat and the overall PAT decreased from Rs.77.4 mn to Rs.66.5 mn.

**Share Price Performance**



**Financials**

<b>P&amp;L (Rs. mn)</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
Total income	2,844	3,370	3,471
EBIDTA	749	995	618
EBIDTA margin	26%	30%	18%
Depreciation	303	321	301
EBIT	446	674	318
Interest	297	285	371
PBT	149	389	(53)
Tax	30	120	(66)
PAT	119	269	13
PAT Margin	4%	8%	0%

<b>Valuation ratios</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
P/E	6.16	2.72	117.18
P/BV	0.57	0.49	0.98

<b>Balance Sheet (Rs. mn)</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
Share Capital	35	35	74
Reserves & Surplus	1,240	1,447	1,495
<b>Net worth</b>	<b>1,275</b>	<b>1,482</b>	<b>1,569</b>
Borrowings	3,587	4,097	2,972
Other liabilities	641	877	671
<b>Total liabilities</b>	<b>5,503</b>	<b>6,456</b>	<b>5,212</b>
Net fixed assets	3,015	3,293	3,124
Other non-current assets	388	508	560
Loans and Advances	1,036	841	476
Current Assets	1,064	1,815	1,052
<b>Total assets</b>	<b>5,503</b>	<b>6,456</b>	<b>5,212</b>

<b>Cash Flow (Rs.mn)</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>
PBT	149	389	(53)
CF from Operation	398	131	1,214
CF from Investment	102	(510)	(1)
CF from Financing	(472)	387	(1,238)
Inc/(dec) Cash	29	8	(26)
<b>Closing Balance</b>	<b>56</b>	<b>64</b>	<b>38</b>

**Disclaimer**

The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Our company shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation which may affect their investment in the securities of companies referred to in this document (including the merits and risks involved). The discussions or views expressed may not be suitable for all investors. This information is strictly confidential and is being furnished to you solely for your information.