

30 August 2013

CMP: Rs.251

Industry: Textiles – Cotton Yarn

BSE group: B

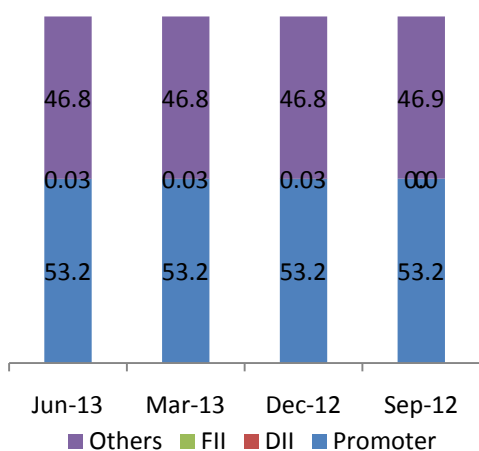
Promoters

PR Ramasubrahmaneya Rajha & family
(Ramco group)

Key Data (as on 30Aug' 13)

BSE	532503
ISIN	INE296E01026
Face Value (Rs.)	10.0
Mkt Cap (Rs. mn)	1851.4
Current P/E	6.3
Current P/BV	1.1
52 week low-high	187.10-279.95
30 days avg daily trading volume	997
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. 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

To concentrate on its textile business (core operations), the company ceased the operations of the tissue culture division in the long term interest of the company. The tissue culture division contributes only 1% of the Company's revenue. RML paid an interim dividend of Rs 5 per share of Rs 10/- each for the year 2012-2013. The share capital of the company increased from Rs 35mn to Rs 74mn on account of bonus issue of shares in the ratio of 1:1 and preferential allotment of Rs 3.5mn equity shares of Rs 10/-each at Rs 234/- per share to P R Ramasubrahmaneya Rajha.

Financials

Particulars (Rs in mn)	Apr '13 to Jun '13	Apr '12 to Jun '12	% Change ¹	Jan'13 to Mar '13	% Change ²
Total income	1,010.8	849.4	19.0%	974.7	3.7%
Total operating expenditure	749.4	680.8	10.1%	723.3	3.6%
EBIDTA	261.4	168.6	55.0%	251.4	4.0%
EBIDTA margin	25.86%	19.85%	6.01%	25.79%	0.07%
PBT	110.5	21.3	418.8%	127.2	(13.1%)
PAT	70.1	14.7	376.9%	79.1	(11.4%)
PAT margin	6.94%	1.73%	5.21%	8.12%	(1.18%)
Cash accruals	145.3	87.0	67.0%	145.4	(0.1%)
EPS	9.0	2.0	350.0%	11.0	(18.2%)

¹ compared to corresponding quarter in the previous year

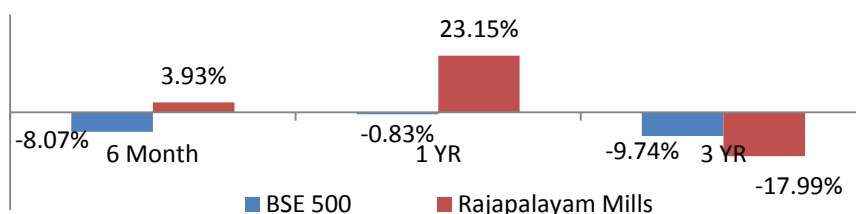
² sequential comparisons

Source: Money control, Company

Financial Performance

During the quarter Apr-Jun'13 the company recorded a 19% increase in its turnover as compared to the same period in the previous year. The income from textiles has increased to Rs. 1003mn from Rs 764mn (Apr-Jun'12) and income from wind mills have increased to Rs 121mn from Rs 70mn (Apr-Jun'12). The growth in revenues (19%) was higher than the growth in expenses (10%), which led to increase in EBIDTA margin by 30%. The depreciation and the finance cost have remained flat during this period. PAT has increased to Rs 70.1mn from Rs 14.7mn (Apr-Jun'12) on account of amalgamation scheme of a company with its wholly owned subsidiary M/s Rajapalayam Spinners Ltd.

Share Price Performance



Financials

P&L (Rs. mn)	FY10	FY11	FY12
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%

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

Balance Sheet (Rs. mn)	FY10	FY11	FY12
Share Capital	35	35	74
Reserves & Surplus	1,240	1,447	1,495
Net worth	1,275	1,482	1,569
Borrowings	3,587	4,097	2,972
Other liabilities	641	877	671
Total liabilities	5,503	6,456	5,212
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
Total assets	5,503	6,456	5,212

Cash Flow (Rs.mn)	FY10	FY11	FY12
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)
Closing Balance	56	64	38

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.