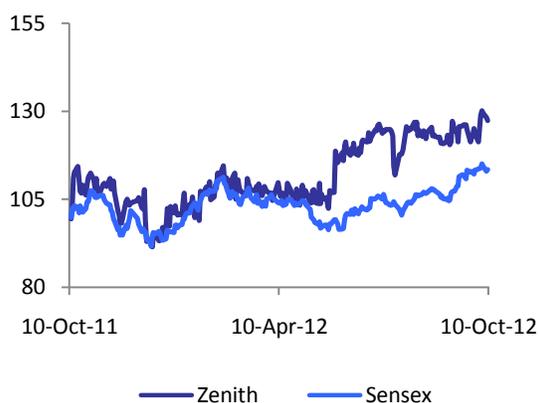


October 10, 2012

***CMP** **Rs. 36.35**

BSE Code	514266
BSE ID	ZENIFIB
High/Low 1Y (Rs.)	43 / 26
Average Volume (3M)	1,36,488
Market Cap (Rs. Cr.)	16

Shareholding %	Jun-12	Mar-12
Promoters	50.22	50.22
DII [#]	0.62	0.69
FII [#]	-	-
Public & Others	49.16	49.09

Stock Chart (Relative to Sensex)


Stock Performance (%)	1M	6M	1Yr
Zenith Fibres	1.1	14.8	27.4
Sensex	4.9	8.2	13.5

Financials	FY10	FY11	FY12
Revenue	34.0	39.4	50.5
Y-o-Y	-3.5%	15.9%	28.1%
EBITDA	4.0	3.7	5.2
Y-o-Y	-11.1%	-8.2%	39.9%
Net Profit	2.9	2.5	3.5
Y-o-Y	2.6%	-13.5%	42.9%
EPS (Dil.)	6.5	5.6	8.0
EBITDA Margin	11.9%	9.4%	10.3%
Net Profit Margin	8.4%	6.3%	7.0%
P/E(x)	5.6x	6.5x	4.5x

Financial year ends at March 31 on consolidated basis.

All figures in Rs. crore except for per share data

[#]FII^s- Foreign Institutional Investors

[#]DII^s- Domestic Institutional Investors

 *CMP as of Closing hours of 10th Oct 2012

Zenith Fibres Ltd.

Company Overview

Zenith Fibres Ltd., incorporated in the year 1989, was promoted by The Rungta Group, a multi-crore conglomerate. The company has an ISO 9001:2000 certification. Mr. A.K. Rungta, was the former president of FICCI and International Chamber of Commerce-India. He has also held several key positions in leading organisations at both national and international levels. He was also a former director of IIBI.

The company is into manufacturing of entire range of Polypropylene Staple Fibre (PPSF). The company is also into trading of Polypropylene Spun Yarn. About 60% of the PPSF production caters to the domestic market and the remaining 40% is exported.

Company Fundamentals

Growth in Sales, but Margins affected

Zenith Fibres reported a total revenue of Rs. 50.5 crore for FY12, reporting Y-o-Y growth of 28%. The year under review saw highest revenue and sales since inception of the company. Sales of fibre, including self consumption for conversion, had increased. Sales of yarn stood at 1078 tonnes in FY12 compared to 636 tonnes in FY11.

The net profit margins saw a 3.5% growth in FY12 compared to 2.5% in FY11, a minimal increment though, because of an overall increase in fuel and power cost, which in turn increased the per unit production cost to some extent.

State of the Art technology

By maintaining very good power factor of 0.99 almost throughout the year, the company managed to receive applicable rebate in the monthly power bill from the electricity supplying utility firm. There is continued endeavour to maintain capacity utilization at optimum levels to ensure that overall cost per unit of production does not go up in future.

Key Strengths

- Vast experience in textile industry
- Improved technology in production capacity
- Foreign exchange earner
- Several sectors identified where PP Fibre will be essential

Company Business

Zenith Fibres Ltd. is the only company in India that manufactures the entire range of Polypropylene Staple Fibre (PPSF). The company is also into trading of Polypropylene Spun Yarn. It has a professional set up led by CEO Dr. S. R. Vengsarker who has over 45 years of experience in this field.

The company has set up a plant to manufacture PPSF in village Tundav, near Baroda, India. The plant and technology was imported from BARMAG AG, Germany. The company has expanded its capacity of PPSF from August, 1996. The plant for expansion was imported from PFE Ltd. U.K.

Products

Polypropylene Staple Fibre (PPSF) has wide-ranging applications in view of it being a light-weight fibre with high insulation properties and good resistance to abrasion. Globally, polypropylene staple fibre is fast outpacing other synthetic fibres in terms of market growth. PPSF is finding new and varied usages over older and more traditional synthetic fibres. Among all synthetic fibres in the world, the share of PPSF has increased considerably.

Capacity

The company has expanded the capacity of PPSF from 1000 MT to 4500 MT p.a. PPSF is manufactured in two grades:

- a) 1.5 Denier to 6 Denier for hosiery yarns, geo-textile and for filter grade fabrics.
- b) 10 Denier and above for catering to applications such as Carpets, Blankets, Asbestos Sheets and Pipes and many other Industrial applications.

Markets

About 60% of PPSF production is marketed in the domestic market. The balance 40% of production is exported to countries like Nepal, Malaysia, Saudi Arabia, United Arab Emirates, Italy, Australia, South Africa and Japan.

Quality Consciousness

Being an ISO 9001-2000 certified, the company is into continuous technology modifications and possible upgrades to produce better quality product in all the grades. The company continues to receive satisfactory feedback from almost all its domestic and foreign customers.

Outlook

The general outlook for the company is bright. Several sectors have been identified where use of PP fibre will be essential. Besides traditional need in various "infrastructure sectors" its use has started in fabrics used for soil erosion and collection of ashes from power plants. To take advantage of expected increase in demand, the company has augmented its capacity and commercial production was expected to commence from June 2012.

Industry Overview

The Indian Textiles Industry is one of the largest organized industry in the country in terms of employment and number of units and also one of the largest textile industries in the world and India earns around 27% of the foreign exchange from exports of textiles and its related products. Besides this, a large number of subsidiary industries like manufacturing machinery, accessories, stores, ancillaries, dyes & chemicals are also dependent on this sector. The Indian textile industry contributes about 14% to industrial production and 4% to GDP. In addition, it contributes 17% to the country's total export earnings.

The Indian textile industry has the advantage of high operational efficiencies in spinning and weaving, low-cost skilled labour, availability of raw materials and design capabilities. All these factors are good for the Indian textile industry in the long run. The Indian textile companies are now aggressively upgrading their technology to compete in the global market. According to the Ministry of Textiles, the Government of India, investment which has increased significantly in the textiles sector, is expected to touch Rs 1,50,600 crore by 2012, and this

increased investment is expected to generate 17.37 million jobs (comprising 12.02 million direct and 5.35 million indirect jobs) by 2012.

According to a white paper on 'Challenges in Textile and Apparel Industry' by industry body FICCI and the research firm Technopak, India's share of the world's textile and apparel exports stands at 4.5%. Due to the increasing shift of textile and apparel production to Asian nations and the deteriorating export-competitiveness of China, it is estimated that the share will grow to 8% by 2020, with a total exports value of \$82 billion. This paper estimates that India's total textile and apparel industry size, both domestic and exports, is projected to grow at a CAGR of 9.5% to reach \$223 billion by 2021 from \$89 billion in 2011.

Yarn industry has a vital role in the textile industry in the sense that out of total consumption of 6.94 billion kg of Fibre (2010-11), including cotton and Manmade, 2.57 billion kg, i.e. 37% is manufactured by the man-made Fibre/ yarn industry. Even the yarn production has increased consistently over the past few years. According to the Office of Textile Commissioner, the production of Cotton Yarn and Manmade Filament Yarn increased to 3121 and 1462 million kg in 2011-12 from 2896 and 1418 million kg in 2008-09, respectively. Despite these statistics, the textile industry is undergoing tough times, marked by substantial fall in cotton prices and corresponding drop in the yarn prices, drastic demand erosion in the domestic and international markets.

The Confederation of Indian Textile Industry (CITI) has projected the market for Indian textile and clothing till 2015 taking into consideration certain assumptions about growth, such as CAGR of 8% for Textile exports and 12% for Apparel Exports and CAGR of 10% for Textiles and Apparel domestic demand.

2009			2015		
Total Textile and Clothing Market US\$ 55 Bn	Export Market US\$ 22.4 Bn (43%)	Textile Export US\$ 12.7 Bn	Textile Export US\$ 22 Bn	Export Market US\$ 43 Bn (43%)	Total Textile and Clothing Market US\$ 100 Bn
		Apparel Exports US\$ 9.7 Bn	Apparel Export US\$ 21 Bn		
	Domestic Market US\$ 32.6 Bn (57%)	Domestic Textile Market US\$ 17.6 Bn	Domestic Textile Market US\$ 28 Bn	Domestic Market US\$ 57 Bn (57%)	
		Domestic Apparel Market US\$ 15 Bn	Domestic Apparel US\$ 29 Bn		

Source: CITI Estimates, www.moneycontrol.com: Business news, Oct 10, 2012

Competitor Analysis

We have compared Zenith Fibres with its close peers in the Textile industry.

Company	Year End	CMP	M Cap	Revenue (FY12)	EBIT Margin (FY12)	EPS (FY12)	P/E
Zenith Fibres Ltd	Mar-12	36.35	16	50.6	8.7%	8.0	4.5x
Gem Spinners India Ltd	Mar-12	2.14	13	36.58	-2.7%	-0.96	-
Cheslind Textile	Mar-12	7.10	16	152	14.8%	-13.7	-
VTX Industries	Mar-12	10.40	18	189	13%	-14.4	-
Kandagiri Spinning Mills	Mar-12	65.15	23	126.4	-4.74-%	-33.7	-

Source: BSE. Market cap and Revenue and Capitalline Operating Profits in Rs. Crore. Mcap as of Oct 10, 201

Summary Financials

Profit & Loss Statement

Particulars (Rs crore)	FY10	FY11	FY12
Net Sales	34.0	39.4	50.4
Other Op. Revenue	0.0	0.0	0.0
Total Revenue	34.0	39.4	50.5
<i>Growth (%)</i>	-3.5%	15.9%	28.1%
Cost of Goods Sold	-26.4	-31.6	-40.2
Gross Profit	7.6	7.8	10.3
Employee Costs	-1.6	-1.8	-1.9
Other Expenditure	-2.0	-2.3	-3.2
EBITDA	4.0	3.7	5.2
<i>Growth (%)</i>	-11.1%	-8.2%	39.9%
Depreciation	-1.0	-0.9	-0.9
EBIT Profit	3.1	2.8	4.2
Finance cost	-0.2	-0.1	-0.2
Other Income	1.0	1.1	1.3
Exceptional Items			
PBT	3.9	3.7	5.4
<i>Growth (%)</i>	-8.9%	-5.1%	46.2%
Income Tax	-1.0	-1.2	-1.9
Profit after Tax	2.9	2.5	3.5
Extra Ordinary Items	0.0		
Net Profit	2.9	2.5	3.5
<i>Growth (%)</i>	2.6%	-13.5%	42.9%
Rep. Basic EPS	6.47	5.60	8.00
Rep. Diluted EPS	6.47	5.60	8.00
Equity Capital	5.1	5.1	5.1
Face value	10	10	10

Ratio Analysis	FY10	FY11	FY12
Margins			
EBITDA Margin (%)	11.9%	9.4%	10.3%
Net Profit Margin (%)	8.4%	6.3%	7.0%
Valuation			
P/E (x)	5.6	6.5	4.5
P/BV (x)	1.0	0.9	0.8
Profitability			
ROCE (%)*	-	13.4%	18.2%
RONW (%)	15.3%	12.1%	15.4%
Solvency Ratio			
Debt/ Equity Ratio (x)	0.0	0.0	0.0
Interest Cover (x)	19.5	18.9	27.3

*Bifurcation between long term and short term debt is not available for FY10.

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