

## Arvind Ltd (ARVMIL)

₹ 326

### Margin profile improves for brands business...

- NCLT has approved the demerger of Arvind Fashions and Anup Engineering from Arvind Ltd. The company has reported financials for its continuing business only. However, for the purpose of comparison, the company has provided the consolidated summary
- Revenues from the textile division (excluding advanced materials) grew 6.4% YoY to ₹ 1488 crore mainly driven by 15%, 14% growth in the garmenting, woven division, respectively. The denim business continues to remain under pressure due to stiff competition and oversupply situation in the country. Denim segment reported 3% YoY growth (down 8% QoQ) to ₹ 433 crore. The advanced material division reported strong revenue growth of 21% YoY to ₹ 145 crore. The revenue trajectory for Brands & Retail division (B&R) slowed down in the quarter with growth of 9% YoY (13% adjusted growth) to ₹ 1227 crore. A shift in the festive season and weak Onam sales impacted growth. Consolidated revenues grew 12% YoY to ₹ 3053 crore
- EBITDA margins for B&R division improved 60 bps YoY to 6.2% on account of improved profitability in emerging brands and speciality retail. For textiles division, margins declined 70 bps YoY to 12.4% on account of reduced drawback rates. EBITDA margins for advanced material division improved significantly to 9.8% vs. 1.6% in Q2FY18

#### Lowers guidance for textiles segment (excluding advance material)

For H1FY19, textiles division registered subdued revenue growth of 4% with EBITDA margins declining ~200 bps to 12.1%. Following the same, the management has lowered its revenue guidance to 5-6% for FY19E. The cut in guidance was on account of a) lower denim sales triggered by likely inventory correction & over supply situation in the country and b) three to six months' delay in new garmenting manufacturing projects (lowered growth guidance from 35% to 20% in FY19E). Arvind is aggressively expanding capacity of garmenting facility from current 30 million (mn) pieces to ~90 mn pieces in the next three years [Ranchi (9.6 mn pieces), Ahmedabad cluster (20 mn pieces), Ethiopia (8.4 mn pieces), AP (6 mn pieces)]. Arvind is planning to increase captive consumption of fabric from 10% currently to ~ 25% in next two three years.

#### Brand & retail segment to pick up in H2FY19...

For B&R division, Q2FY19 begun on a positive note with double digit LTL growth in July. However, due to a shift in festive season and weak Onam sales, the division witnessed soft LTL growth in August and negative in September. The division reported revenue growth of 9% YoY (13% adjusted growth) to ₹ 1227 crore, mainly driven by healthy growth in power brands (13% YoY to ₹ 742 crore). Profitability of the B&R segment continued to improve in H1FY19 with EBITDA margins expanding ~100 bps YoY to 5.1%. The management is expecting H2FY19 to perform much better particularly in Q3FY19 due to shift in major festival.

#### Scale up of brands to enhance margins; maintain BUY!

Factoring in the moderate performance in H1FY19, we revise our earnings estimates downwards for FY19/20E. Brand and retail are expected to continue their revenue growth momentum and expected to grow at ~19% CAGR in FY18-20E, with improvement in profitability, while textile segment revenues are expected to be driven by growth in the garmenting segment and advanced material division. The recent stock price correction (~15%) offers good entry opportunity. We maintain our **BUY** recommendation on the stock with a revised target price of ₹ 450.

Rating matrix		
Rating	:	Buy
Target	:	₹ 450
Target Period	:	12 months
Potential Upside	:	38%

What's changed?	
Target	Changed from ₹ 500 to ₹ 450
EPS FY19E	Changed from ₹ 15.2 to ₹ 13.7
EPS FY20E	Changed from ₹ 19.9 to ₹ 19.2
Rating	Unchanged

Quarterly performance					
₹ Crore	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	3,053.0	2,735.0	11.6	2,861.0	6.7%
EBITDA	277.0	218.0	27.1	246.3	12.5%
EBITDA (%)	9.1	8.0	110 bps	8.6	46 bps
PAT	73.0	62.0	17.7	64.3	13.5%

Key financials				
₹ Crore	FY17	FY18E	FY19E	FY20E
Net Sales	9,236	10,826	12,057	13,712
EBITDA	943	965	1,109	1,337
Net Profit	320.1	309.5	353.7	495.7
EPS (₹)	12.4	12.0	13.7	19.2

Valuation summary				
	FY17	FY18E	FY19E	FY20E
P/E (x)	26.3	27.2	23.8	17.0
Target P/E (x)	36.2	37.5	32.8	23.4
EV/EBITDA (x)	12.0	11.9	10.6	8.8
P / BV (x)	2.4	2.2	2.0	1.8
RONW (%)	9.0	8.2	8.6	10.9
ROCE (%)	9.9	8.8	9.6	11.2

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	8,431.0
Total Debt (FY18) (₹ Crore)	3,112.5
Cash (FY18) (₹ Crore)	65.5
EV (₹ Crore)	11,478.0
52 week H/L	477.8/289
Equity Capital (₹ Crore)	258.6
Face Value (₹)	10.0

Peer Comparison				
	1M	3M	6M	12M
Raymond	13.3	-4.6	-32.5	-20.6
Arvind	0.3	-20.8	-19.9	-19.4
KPR Mill	-2.3	-9.5	-14.5	-22.0
Kewal Kiran Cloth.	-5.2	-12.0	-16.6	-32.2

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## Variance analysis

₹ crore	Q2FY19	Q2FY19E	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	Comments
Revenue	3,053.0	3,025.8	2,735.0	11.6	2,861.0	6.7	Textile segment grew 6%, B&R segment reported YoY revenue growth 9%
EBITDA	277.0	260.0	218.0	27.1	246.3	12.5	
EBITDA Margin (%)	9.1	8.6	8.0	110 bps	8.6	46 bps	
PBT	121.0	105.0	93.0	30.1	95.0	27.4	
Total Tax	35.0	26.8	27.0	29.6	22.2	57.4	
Exceptional Item	-13.4	-6.0	-4.5	NM	-8.6	56.1	Exceptional expenses on account of retrenchment related compensation
Reported PAT	72.6	75.7	61.5	17.9	64.2	13.1	

Key Metrics	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)	
<b>Textiles</b>						
Revenue	1,488.0	1,399.0	6.4	1,561.5	-4.7	Growth driven by 14%, 15% revenue growth in garmenting segment, respectively. reported marginal growth of 3% sequentially) woven, Denim (down 9%)
EBITDA	184.0	183.0	0.5	185.0	-0.5	
EBITDA margin (%)	12.4	13.1	-72 bps	11.8	52 bps	Reduced duty drawback rates and higher operative expense in garmenting pre-impacted margins

## Brand & Retail

Revenue	1,227.0	1,128.0	8.8	1,016.4	20.7	Shift in festive season and weak Onam impacted growth. Adjusted growth YoY sales was at 13%
EBITDA	76.0	63.0	20.6	38.0	100.0	
EBITDA margin (%)	6.2	5.6	61 bps	3.7	246 bps	Improved profitability driven by emerging brands

## Advanced material

Revenue	145.0	120.0	20.8	127.4	13.8	
EBITDA	14.0	2.0	600.0	10.0	40.0	
EBITDA margin (%)	9.7	1.7	799 bps	7.8	181 bps	Operating leverage and higher unlit realisation led to significant margin expansion.

Source: Company, ICICI Direct Research

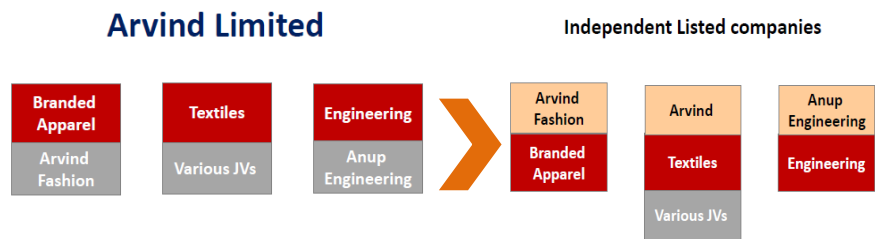
## Change in estimates

(₹ Crore)	FY18E	FY19E			FY20E		
		Old	New	% Change	Old	New	% Change
Revenue	10,826.1	12,375.2	12,056.7	-2.6	14,030.1	13,711.8	-2.3
EBITDA	965.0	1,157.4	1,108.5	-4.2	1,356.6	1,336.8	-1.5
EBITDA Margin (%)	8.9	9.4	9.2	-16 bps	9.7	9.7	8 bps
PAT	309.5	392.2	353.7	-9.8	514.4	495.7	-3.6
EPS (₹)	12.0	15.2	13.7	-9.8	19.9	19.2	-3.5

Source: Company, ICICI Direct Research

## Details of de-merger

### Exhibit 1: Consolidated structure to be divided into three independent listed companies...



Source: Company, ICICI Direct Research

The de-merger would result in three independent listed entities. The textile business, which includes denim, wovens, garments, technical textiles, etc, would continue to be a part of Arvind Ltd. The branded apparel business, which includes 15 brands [Tommy Hilfiger, US Polo, Arrow, Flying Machine, Gap, Aeropostale, The Children Place (TCP), Sephora, etc] will be de-merged into Arvind Fashion (AFL). The consideration would be one share of AFL for every five existing Arvind shares. In addition to AFL shares, the engineering division (including Anup and recently formed Anveshan) would also be demerged. Anup would be merged with Anveshan while the renamed listed entity would be Anup Engineering. The consideration would be one share of Anup for every 27 existing Arvind shares.

### Key indicators of independent entities...

#### Exhibit 2: Key indicators of de-merged entities...

Particulars	Arvind Ltd.	Arvind Fashions Ltd.	Anup Engineering Limited
FY18 Revenue (in crs)	₹ 6750 crore	₹ 3852 crore	₹ 224 crore
(Revenue growth)	(7%)	(33%)	(21%)
FY18 EBITDA (in crs)	₹ 677 crore	₹ 235 crore	₹ 54 crore
EBITDA Margin	10.0%	6.1%	23.9%
Net Debt as on FY18	₹ 2578 crore	₹ 745 crore	Net Cash of ₹ 46 crore
Shareholders Equity	~₹ 2551 crore	₹ 1217 crore	₹ 209 crore

Source: Company, ICICI Direct Research

### Key conference call takeaways...

- The record date for allotment of shares of Arvind Fashion and Anup Engineering is likely to be November 29, 2018. The listing of the companies is expected in early February 2019
- For FY19, the management has maintained its guidance of 10% for its textile entity (that includes advanced material division). However, it has cut its guidance on the textile division to 5-6% (earlier guided for 10%) on account of a) lower denim sales triggered by likely inventory correction & over supply situation in the country and b) 3-6 month's delay in new garmenting manufacturing projects (lowered growth guidance from 35% to 20% in FY19E). The management has increased the revenue guidance for advanced material division to 24% for FY19E. On the profitability front, overall margins for the textile unit are expected to improve 100 bps YoY, with advance material division likely to clock 9% EBITDA margin (vs. -1% last year) and textile margin to be lower by 80 bps
- Revenue guidance for B&R segment is maintained at 20% YoY with 100 bps likely improvement in EBITDA margins for FY19E
- Arvind is aggressively expanding the capacity of the garmenting facility from current 30 million pieces to ~90 million pieces over the next three years. The company is setting up a garmenting facility in Ranchi (9.6 mn pieces), Ahmedabad cluster (20 mn pieces), Ethiopia (8.4 mn pieces), AP (6 mn pieces)
- Volumes of the denim segment remained flattish at 21 mn metre with average realisation increasing 7% YoY to ₹ 190/meter. Woven segment reported volume growth of 17% to 34 mn meter (14% growth in the domestic market)
- Online sales grew 48%, which is in line with increasing e-commerce penetration in fashion retail
- The innerwear business (consisting of US Polo, Hanes and Calvin Klein) registered 33% revenue growth in Q2FY19. The management expects it to grow 50%+ in FY19E
- The management continues to invest in brand building activities with marketing spends up 40% YoY in Q2FY19
- Reported revenues for the brand & retail segment for Q2FY19 and Q2FY18 were higher by ₹ 61 crore and ₹ 96 crore, respectively, on account of implementation of Ind-As 115.

## Company Analysis

### Arvind - One stop shop for apparel requirements

Arvind possesses key ingredients that would enable it to capture the high trajectory growth opportunity in the apparel segment. Having diversity in offerings across menswear, womenswear and kidswear positions the company as a one stop to shop for all apparel requirements of a family. The company is equipped with probably the best portfolio of brands (both owned and licensed) in the Indian apparel industry coupled with a nationwide reach that would enable it to reach a large quantum of customers across various price points. Arvind has products with a price range starting from as low as ₹ 400 to as high as ₹ 15000, which provides a variety of choices and entry points for each and every customer.

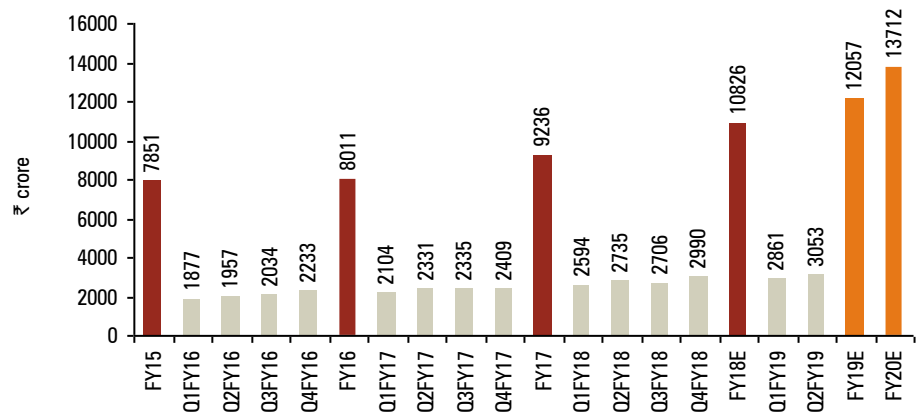
**Exhibit 3: Everything for everyone..!!!**

Mens Wear Mkt. Size → (₹105000 cr / \$18 bn)			Kids Wear (₹44000 cr / \$8 bn)	Inner Wear (₹18000 cr / \$3 bn)		Women Wear (₹95000 cr / \$15 Bn)
Formal	Casual	Denim	Brands	Men	Women	Brands
ARROW USA 1861	TOMMY HILFINGER	FLYING MACHINE	U.S. POLO ASSN. SINCE 1890	TOMMY HILFINGER	Hanes	TOMMY HILFINGER
EXCALIBUR	U.S. POLO ASSN. SINCE 1890	Calvin Klein	NAUTICA	Calvin Klein	THE ONE AND ONLY Wonderbra	ELLE
GEORGE BEENE	AÉROPOSTALE	GAP	CHEROKEE inspired comfort	Hanes	Calvin Klein	GAP
	CHEROKEE inspired comfort		THE CHILDREN'S PLACE			Karigari
	GAP		ELLE	U.S. POLO ASSN. SINCE 1890		
	NAUTICA		GAP KIDS			CHEROKEE inspired comfort
	Calvin Klein					

Source: Company, ICICI Direct Research

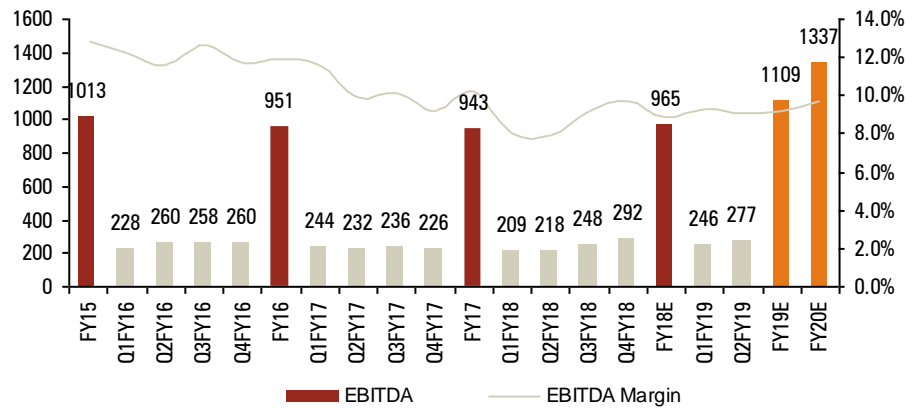
Over a period of time, Arvind has strategically built up its brand portfolio, which includes a blended combination of mass brands, entry level brands, premium brands and super premium brands. With this combination, the company manages to capture customers across the income pyramid. For menswear, it has entry level brands like Excalibur and Cherokee and power brands like Arrow, US Polo and Flying Machine. For women, it has brands like Elle and Karigari. For kidswear, it has association with major brands like The Children's Place (TCP) and GAP for kids. Furthermore, brands like Tommy Hilfiger and GAP are available across categories. Also, in the innerwear segment, the company is well positioned with brands like Hanes & Tommy Hilfiger.

**Exhibit 4: Consolidated revenue trend**



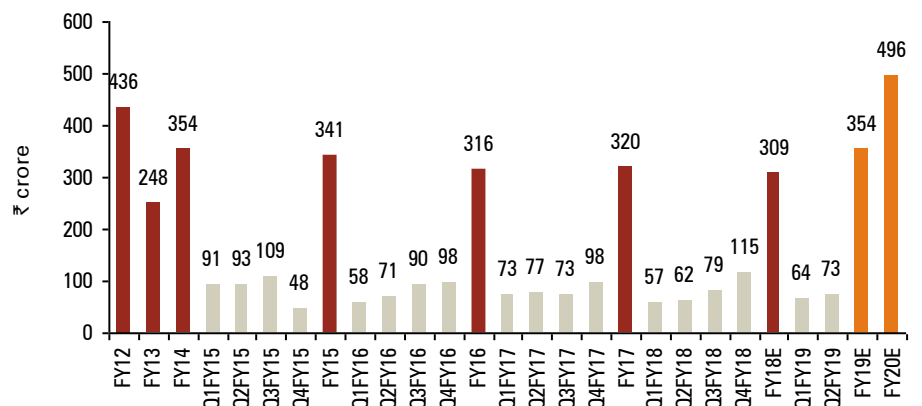
Source: Company, ICICI Direct Research

**Exhibit 5: EBITDA and EBITDA margin trend**



Source: Company, ICICI Direct Research

**Exhibit 6: Consolidated net profit**



Source: Company, ICICI Direct Research

## Valuation

### Standalone capex to focus on high asset turnover garmenting segment

Over the past few years, the company's investments in augmenting its garmenting capacity and textile capabilities were insignificant. With the recent demerger, the investments in expansion of its intention to triple its garmenting capacity to a targeted 90 million pieces over next three years. Further, currently only 10% of fabrics produced are used for production of garments. The company intends to increase to 25% by 2020 and 50% by 2022. With the enhancement of capacity, standalone revenues would be mainly driven by garments. Garment revenues have increased at a CAGR of 20% in 2013-18. This is further expected to grow at a CAGR of ~19% in FY18-20E. Furthermore, additional investments in new segments like advanced material will drive Arvind Ltd revenues. We believe the standalone business has different dynamics and has very different working capital cycle.

We value the standalone business on the basis of EV/EBITDA and assign an industry average EV/EBITDA multiple of 6.0x FY20E. Hence, we arrive at a targeted market capitalisation of ₹ 1932.5 crore and value of ₹ 75/share.

#### Exhibit 7: Valuing standalone business....

Arvind Textile & others	
Target EV/EBITDA (x)	6.0
EBITDA (FY20E) (₹ Crore)	775.1
Net Debt (₹ Crore)	2,718.2
Enterprise Value (₹ Crore)	4,650.7
Target Market cap Core business (₹ crore)	1,932.5
Value/Share (₹)	75

Source: Company, ICICI Direct Research

#### Exhibit 8: Valuing Anup Engineering ....

Target EV/EBITDA (x)	10
EBITDA (FY20E) (₹ Crore)	70.0
Net Debt	-
Enterprise Value (₹ Crore)	665.0
Target Market cap Core business (₹ crore)	665.0
Value/Share (₹)	25

Source: Company, ICICI Direct Research



### Brands & retail business – stability to remain crucial...

The theme around brands and positioning apparel as a 'bridge to luxury' segment has seen only a handful of players like Madura and Page getting it right and being successful. The growth from branded apparel has been lumpy with close to 200 international brands currently present in the India fashion segment. Over a decade, the company believes it has added sufficient number of brands and now wants to focus on its monetisation. The restructuring of Megamart (to Unlimited) and closure of unsuccessful ventures like Debenhams and Next affirm the management efforts to focus on profitable growth.

Majority of brands in India, though not profitable, are targeting revenue growth. However, profitability will creep in once significant scale is achieved. To quote the management, "When a brand attains a turnover of ₹ 100-150 crore it gets out of negative EBITDA. By the time it touches ₹ 250 crore, RoCE becomes attractive. By the time it gets to ₹ 350 crore, a brand makes tonnes of money". With the currently successful launch of GAP store and target audience for Aeropostale, it is well poised to create a number of powerbrands by 2020. We believe this business would be valued on the basis of the sales that the company is able to achieve and following this, the estimated market capitalisation that it would demand. We value its brands & retail business using the EV/Sales multiple. Thus, we value the company at an average multiple of 2x and arrive at a value of ₹ 350 per share.

#### Exhibit 9: Valuing brands & retail business....

Target EV/Sales (x)	2
Sales (FY20E)	5,494.1
Net Debt (₹ crore)	679.5
Enterprise Value (₹ Crore)	10,713.5
Market Capitalization for 90% stake	9,030.5
No. of Shares	25.8
Price target (₹)	350

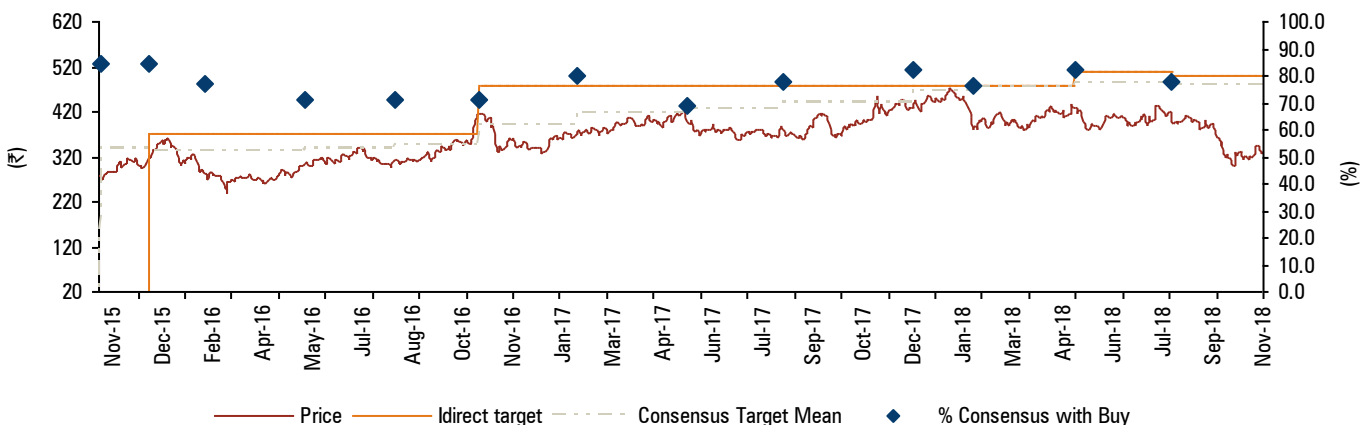
Source: Company, ICICI Direct Research

### Consolidated valuation

Applying the EV/EBITDA multiple of 6.0x to its textiles business (₹ 75/share) and EV/sales multiple of 2x to its brands & retail business (₹ 350/share) and Anup Engineering at 10x EV/EBITDA (₹ 25/share), we revise our consolidated target price to ₹ 450/share.



## Recommendation history vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

## Key events

Date	Event
Dec-04	Arvind Brands Ltd made subsidiary company of Arvind
Jul-10	Launches The Arvind Store and its first major real estate project
Oct-11	Sets up joint venture for marketing Tommy Hilfiger brand
Aug-12	Signs distribution agreement with Billabong Arvind acquires India operations of Debenhams, Next, Nautica
Sep-13	Signs agreement for licenses of Hanes Enters long term licensing agreement with Iconix Lifestyle India
Oct-14	Buys 49% stake in Calvin Klein in India Set up joint venture (JV) with Goodhill Corporation of Japan for launch of formal suits
May-15	Launches the first GAP store in Delhi; the company ties up with American specialty retailer - Aeropostale
Jul-15	Reports Q1FY16 results with 6% growth in revenues; brands & retail revenues at ₹ 527 crore
Oct-15	Reports Q2FY16 results in line with estimates. Textiles grew by 5% YoY and Brands & Retail grew by 9% YoY
Feb-16	Reports Q3FY16 results in line with expectation. Textiles remained stagnant and brand & retail grow 12%
May-16	Launch of nnnnow.com
Aug-16	Reports Q1FY17 results in line with expectation. Textiles grew by 13%; brand & retail grew by 26%
Oct-16	Reports Q2FY17 results. Stake sale of 10% to "Multiples" at ₹ 740 crore in ALBL. Revenues grew by 19% YoY; Brands & Retail grew by 33% YoY, textile grew by 9%
Jan-17	Reports Q3FY17 results with revenues growth of 15% YoY; Brands & Retail grew by 25% YoY, textile grew by 8%. Debt reduced to ₹ 2780 crore

Source: Company, ICICI Direct Research

## Top 10 Shareholders

Rank	Investor Name	Latest Filing Date	% O/S	Position	Change (m)
1	Aura Securities Pvt. Ltd.	30-Sep-18	36.95%	95.6	0.0
2	HDFC Asset Management Co., Ltd.	30-Sep-18	4.52%	11.7	2.2
3	Kotak Mahindra Asset Management Company Ltd.	30-Sep-18	4.23%	10.9	-0.2
4	Franklin Templeton Asset Management (India) Pvt.	30-Sep-18	2.76%	7.1	0.2
5	AML Employees Welfare Trust	30-Sep-18	2.45%	6.3	0.0
6	Dimensional Fund Advisors, L.P.	30-Sep-18	2.19%	5.7	0.0
7	Sundaram Asset Management Company Limited	30-Sep-18	1.82%	4.7	-0.2
8	Multiples Alternate Asset Management Private Limi	30-Sep-18	1.77%	4.6	0.0
9	Reliance Nippon Life Asset Management Limited	30-Sep-18	1.68%	4.3	-1.4
10	Lalbhai Group	30-Sep-18	1.60%	4.1	0.0

Source: Reuters, ICICI Direct Research

## Shareholding Pattern

(in %)	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Promoter	42.9	42.9	42.9	42.9	43.0
FII	27.1	27.1	23.7	22.4	22.2
DII	14.1	13.8	18.1	18.6	16.7
Others	15.9	16.2	15.3	16.1	18.1

## Recent Activity

BUY			SELL		
Investor Name	Value	Shares	Investor Name	Value	Shares
HDFC Asset Management Co., Ltd.	9.5	2.2	Life Insurance Corporation of India	-19.2	-4.4
TT International	8.9	1.5	Reliance Nippon Life Asset Management Limited	-6.2	-1.4
L&T Investment Management Limited	1.8	0.3	UTI Asset Management Co. Ltd.	-4.6	-1.1
Franklin Templeton Asset Management (India) Pvt. Ltd.	0.9	0.2	DSP Investment Managers Pvt. Ltd.	-3.0	-0.7
Indiabulls Asset Management Company Limited	0.9	0.2	Tata Asset Management Limited	-3.7	-0.7

Source: Reuters, ICICI Direct Research

## Financial summary

Profit and loss statement					₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Total operating Income	9,235.5	10,826.1	12,056.7	13,711.8	
Growth (%)	15.3	17.2	11.4	13.7	
Raw Material Expenses	4,196.5	5,259.5	5,787.2	6,581.7	
Employee Expenses	1,096.3	1,264.7	1,416.5	1,558.2	
Manufacturing & Other Expenses	2,986.5	3,322.7	3,684.2	4,166.7	
Project Expenses	12.9	14.2	60.3	68.6	
Total Operating Expenditure	8,292.2	9,861.2	10,948.1	12,375.1	
EBITDA	943.4	965.0	1,108.5	1,336.8	
Growth (%)		2.3	14.9	20.6	
Depreciation	297.1	359.3	388.7	438.9	
Interest	288.4	257.9	272.4	278.4	
Other Income	78.0	62.6	65.8	69.0	
PBT	435.9	410.4	513.2	688.4	
Growth (%)	0.4	(5.9)	25.1	34.1	
Total Tax	99.7	74.6	137.5	192.8	
PAT (adj. exceptional gains/loss)	320.1	309.5	353.7	495.7	
Growth (%)	1.2	(3.3)	14.3	40.2	
EPS (₹)	12.4	12.0	13.7	19.2	

Source: Company, ICICI Direct Research

Cash flow statement					₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Profit after Tax	320.1	309.5	353.7	495.7	
Add: Depreciation	297.1	359.3	388.7	438.9	
(Inc)/dec in Current Assets	(453.5)	(1,353.3)	(604.4)	(731.5)	
Inc/(dec) in CL and Provisions	299.9	962.7	238.9	362.8	
Others	-	-	-	-	
CF from operating activities	463.5	278.3	376.8	565.9	
(Inc)/dec in Investments	147.8	285.4	(5.5)	(5.8)	
(Inc)/dec in Fixed Assets	(445.6)	(759.8)	(589.7)	(592.9)	
(Inc)/dec in CWIP	3.2	5.1	1.7	(1.0)	
Others	-	-	-	-	
CF from investing activities	(294.6)	(469.3)	(593.5)	(599.7)	
Issue/(Buy back) of Equity	0.1	0.3	-	-	
Inc/(dec) in loan funds	(853.2)	146.9	250.0	75.0	
Others	677.1	55.5	(42.9)	(57.4)	
CF from financing activities	(176.0)	202.6	207.1	17.6	
Net Cash flow	(7.0)	11.6	(9.5)	(16.2)	
Opening Cash	60.9	53.9	65.5	56.0	
Closing Cash	53.9	65.5	56.0	39.8	

Source: Company, ICICI Direct Research

Balance sheet					₹ Crore
(Year-end March)	FY17	FY18E	FY19E	FY20E	
Liabilities					
Equity Capital	258.4	258.6	258.6	258.6	
Reserve and Surplus	3,309.4	3,524.2	3,842.5	4,288.6	
Total Shareholders funds	3,567.8	3,782.9	4,101.1	4,547.3	
Total Debt	2,965.6	3,112.5	3,362.5	3,437.5	
Deferred Tax Liability	(144.1)	(149.8)	(157.2)	(165.1)	
Minority Interest / Others	151.4	307.2	307.2	307.2	
Total Liabilities	6,540.7	7,052.8	7,613.6	8,126.8	
Assets					
Gross Block	4,012.6	4,592.6	5,182.2	5,775.1	
Less: Accumulated depreciation	607.7	967.0	1,355.7	1,794.6	
Net Block	3,404.9	3,625.5	3,826.5	3,980.5	
Capital WIP	94.8	89.7	88.0	89.0	
Intangibles	148.9	328.7	328.7	328.7	
Total Fixed Assets	3,499.8	3,715.3	3,914.5	4,069.5	
Investments	396.0	110.6	116.2	122.0	
Inventory	2,382.8	2,619.4	2,939.8	3,324.6	
Debtors	813.9	1,767.0	1,981.9	2,254.0	
Loans and Advances	584.7	533.8	587.2	645.9	
Other Current Assets	564.4	778.8	794.4	810.3	
Cash	53.9	65.5	56.0	39.8	
Total Current Assets	4,399.6	5,764.5	6,359.3	7,074.6	
Trade Payables	1,478.8	2,147.2	2,371.7	2,719.8	
Provisions	64.5	87.6	89.4	91.1	
Other Current Liabilities	360.2	631.5	644.1	657.0	
Total Current Liabilities	1,903.6	2,866.3	3,105.1	3,467.9	
Net Current Assets	2,496.1	2,898.2	3,254.2	3,606.6	
Application of Funds	6,540.7	7,052.8	7,613.6	8,126.8	

Source: Company, ICICI Direct Research

Key ratios				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Per share data (₹)				
EPS	12.4	12.0	13.7	19.2
Cash EPS	23.9	25.9	28.7	36.1
BV	138.1	146.3	158.6	175.8
Cash Per Share	2.1	2.5	2.2	1.5
Operating Ratios				
EBITDA Margin (%)	10.2	8.9	9.2	9.7
PBT Margin (%)	4.5	3.6	4.1	5.0
PAT Margin (%)	3.4	2.9	2.9	3.6
Inventory days	94.2	88.3	89.0	88.5
Debtor days	32.2	59.6	60.0	60.0
Creditor days	58.4	72.4	71.8	72.4
Return Ratios (%)				
RoE	9.0	8.2	8.6	10.9
RoCE	9.9	8.8	9.6	11.2
RoIC	10.8	9.1	10.0	11.6
Valuation Ratios (x)				
P/E	26.3	27.2	23.8	17.0
EV / EBITDA	12.0	11.9	10.6	8.8
EV / Net Sales	1.2	1.1	1.0	0.9
Market Cap / Sales	0.9	0.8	0.7	0.6
Price to Book Value	2.4	2.2	2.0	1.8
Solvency Ratios				
Debt/EBITDA	3.1	3.2	3.0	2.6
Debt / Equity	0.8	0.8	0.8	0.8
Current Ratio	2.3	2.0	2.0	2.0
Quick Ratio	1.0	1.1	1.1	1.1

Source: Company, ICICI Direct Research

## ICICI Direct Research coverage universe (Retail & Textile)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
Kewal Kiran Cloth.	1255	1140	Hold	1547	59.4	67.4	71.2	21.1	18.6	17.6	15.6	13.7	13.1	20.6	21.7	21.5	18.3	19.2	19.0
Page Industries	29310	28880	Hold	32692	311.1	410.8	526.0	94.2	71.3	55.7	64.3	50.3	39.8	57.2	60.8	63.4	41.0	44.2	45.8
Rupa & Company	305	470	Buy	2409	10.8	12.5	15.9	28.2	24.4	19.2	20.7	17.9	14.5	22.7	23.9	27.6	17.3	18.0	20.3
Vardhman Textiles	1052	1200	Hold	6045	103.1	114.8	133.3	10.2	9.2	7.9	9.3	7.6	6.7	10.2	11.9	12.7	11.7	11.9	12.5
Arvind Ltd	326	450	Buy	8431	12.0	13.7	19.2	27.2	23.8	17.0	11.9	10.6	8.8	8.8	9.6	11.2	8.2	8.6	10.9

Source: Company, ICICI Direct Research

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Buy: > 10%/15% for large caps/midcaps, respectively;

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Sell: -10% or more;



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