

## Revenue continues to remain in stress; margins stable

Tepid consumption demand and seasonally weak quarter led SSL to report muted revenue growth of 1.2% YoY to ₹ 326.0 crore. The market environment remained challenging with MBO's facing liquidity issues. Despite muted revenue growth, efforts towards controlled operational cost structure resulted in EBITDA margins remaining constant YoY at 10.5%. Employee expenses and other expenses (adjusting for Ind-AS 116) remained flattish YoY at ₹ 46.9 crore and ₹ 79.1 crore, respectively. Lower depreciation expense (down 3% YoY to ₹ 15.1 crore) and finance cost (down 13% YoY to ₹ 9.6 crore) aided PAT growth. Resultant adjusted PAT grew 6.4% YoY to ₹ 10.5 crore.

## Uptick in festive season to be critical for Siyaram

The management highlighted that market conditions remained sluggish post implementation of GST while normalisations at the dealer's level took longer than anticipated. Despite higher number of wedding days in Q1FY20, revenue growth continued to remain muted. Upcoming festive season and stabilisation of trade channels remain critical triggers for green shoots in revenues. Furthermore, the company may have to increase its marketing spends to revive sales growth leading to pressure on operating margins. We revise our revenue estimates downwards for FY20, FY21E, underlying the challenging market environment. We expect revenues to grow at a CAGR of 7% YoY in FY19-21E (earlier estimate of 11%).

## Garment revenue to rise with introduction of sharper price points

The revenue trajectory for Siyaram's garmenting division decelerated with revenue growth of mere ~3% YoY FY19. Volumes grew at a steady rate of 11% YoY but realisations declined to ~₹ 600/piece, on account of higher discounting and increased proportion of lower price point category in the revenue mix. With sharper price points now in place, and enhanced brand visibility we anticipate garmenting division will bounce back sharply and be the next leg of growth for SSSML.

## Valuation & Outlook

On the balance sheet front, with stringent control on cash conversion cycle, the company was able to reduce its total debt by 22% YoY to ₹ 460.2 crore (D/E: 0.6x in FY19 vs. D/E: 0.9x in FY18). Given the subdued market conditions, the working capital cycle may witness certain deterioration owing to higher inventory days. With no major capex plans in the near term, debt is expected to remain at levels similar to FY19. We expect revenue to grow at a CAGR of 7% in FY19-21E, with EBITDA margins remaining range bound at ~13%. SSML's stock price witnessed a significant correction of ~33% since our last result update, making it available at valuation of 8.5x FY21E earnings. Hence, we have a **BUY** recommendation with a revised target price of ₹ 270 (10x FY21E EPS).

### Key Financial Summary

₹ crore	FY18	FY19E	FY20E	FY21E	CAGR (FY19-21E)
Net Sales	1,733.1	1,816.2	1,916.8	2,068.3	6.7%
EBITDA	245.0	239.6	251.6	272.4	6.6%
PAT	110.8	99.1	109.5	127.5	13.4%
P/E (x)	9.7	10.9	9.8	8.5	
EV/Sales (x)	0.9	0.8	0.8	0.7	
EV/EBITDA (x)	6.7	6.4	6.0	5.2	
RoCE (%)	14.5	14.6	14.3	15.4	
RoE (%)	16.3	13.1	13.1	13.7	

Source: Company, ICICI Direct Research



### Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	1,078.0
Debt (FY19) (₹ Crore)	460.2
Cash (FY19) (₹ Crore)	8.6
EV (₹ Crore)	1,529.6
52 week H/L	673 / 303
Equity Capital (₹ Crore)	9.4
Face Value (₹)	2

### Key Highlights

- Challenging market conditions continued with input cost pressure and lower off-take at dealer level. The management expects gradual pick up in revenues during the festive season
- Investments in brand building and addition of new products at sharper price points to aid revival in revenue growth. We model revenue CAGR of ~7% in FY19-21
- Maintain BUY with lower target price of ₹ 270

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Exhibit 1: Variance Analysis

₹ crore	Q1FY20	Q1FY20E	Q1FY19	YoY (%)	Q4FY19	QoQ (%)	Comments
Revenue	326.0	N/A	322.1	1.2	587.6	-44.5	
Other Income	6.5	N/A	7.7	-15.5	7.0	-6.3	
Raw Material Expense	132.4	N/A	127.7	3.7	284.6	-53.5	
Employee Expense	46.9	N/A	46.5	0.8	49.7	-5.6	
Processing & Labour Expense	33.2	N/A	34.8	-4.6	52.6	-36.9	
Other Expense	75.4	N/A	79.1	-4.6	112.8	-33.1	Adjusting for IND-AS 116, other expenses came in flattish YoY at ₹ 79.1 crore. Ad-spends were lower in the quarter
EBITDA	38.0	N/A	34.0	11.7	87.9	-56.8	Adjusted EBITDA: ₹ 34.2 crore
EBITDA Margin (%)	11.6	N/A	10.5	110 bps	15.0	-332 bps	Adjusted EBITDA margins: 10.5%
Depreciation	18.3	N/A	15.6	17.3	15.2	20.5	
Interest	11.0	N/A	11.0	-0.1	11.7	-6.2	
Exceptional Item	0.0	N/A	0.0		0.0		
PBT	15.2	N/A	15.1	0.7	68.0	-77.6	
Tax Outgo	5.3	N/A	5.2	0.6	21.3	-75.3	
PAT	10.0	N/A	9.9	0.7	46.7	-78.6	Adjusted PAT up 6.5% YoY to ₹ 9.9 crore

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY19A	FY20E			FY21E		
	Actual	Old	New	% Change	Old	New	% Change
Revenue	1,816.2	2,003.1	1,916.8	-4.3	2,218.0	2,068.3	-6.7
EBITDA	239.6	266.1	251.6	-5.5	299.6	272.4	-9.1
EBITDA Margin (%)	13.2	13.3	13.1	-16 bps	13.5	13.2	-34 bps
PAT	99.1	123.5	109.5	-11.3	148.6	127.5	-14.2
EPS (₹)	21.1	26.3	23.4	-11.2	31.7	27.2	-14.2

Source: Company, ICICI Direct Research

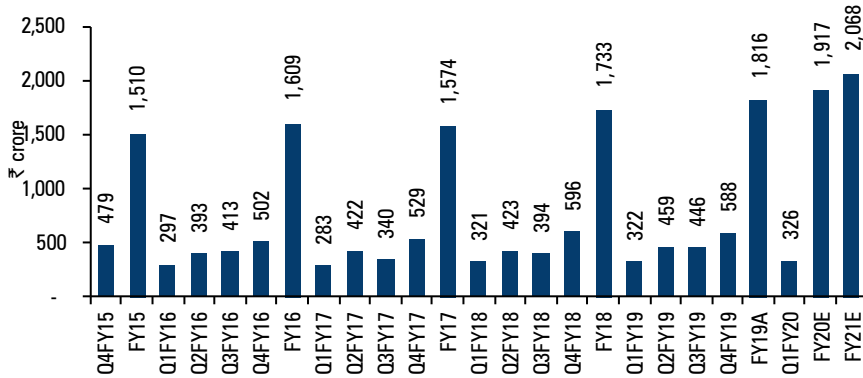
Exhibit 3: Assumptions

	FY17	FY18	FY19E	FY20E	FY21E
Cloth Volume (Lakh Mtrs)	852.7	915.5	915.7	942.4	985.9
Average Realisation (₹)	136	139	144	146	149
Readymade Garments					
Volume Lakh (Pcs)	52.5	59.6	65.9	69.7	76.6
Average Realisation (₹)	640	675	628	634	640

Source: Company, ICICI Direct Research

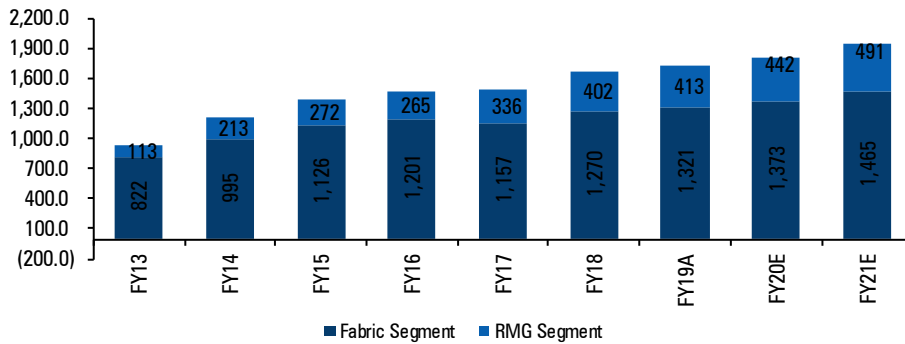
## Financial story in charts

Exhibit 4: Revenue trend



Source: Company, ICICI Direct Research

Exhibit 5: Segmental revenue contribution



Source: Company, ICICI Direct Research

Revenue mix (9MFY19)

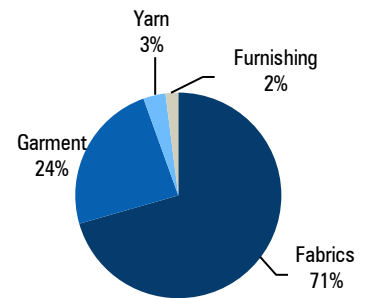
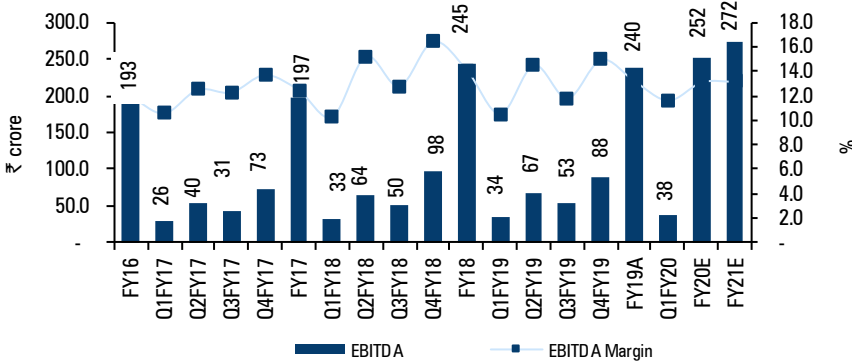
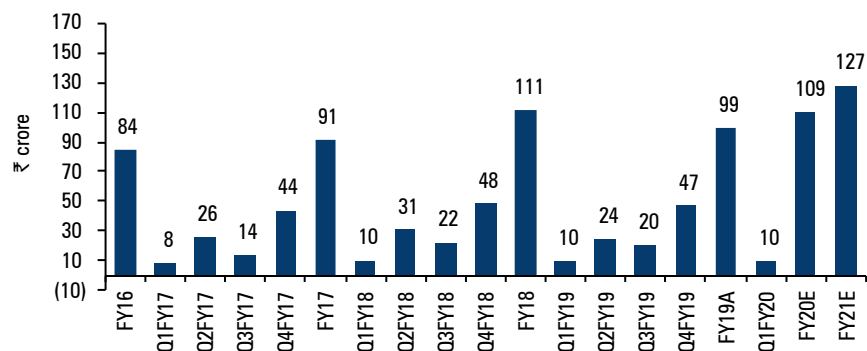


Exhibit 6: EBITDA and EBITDA margin trend



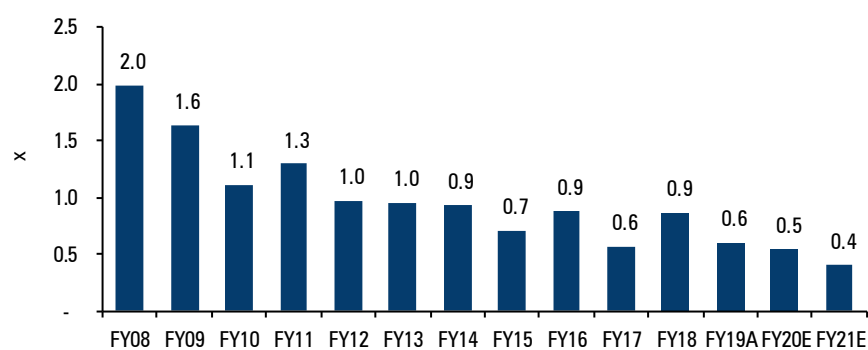
Source: Company, ICICI Direct Research

Exhibit 7: PAT to grow at steady pace



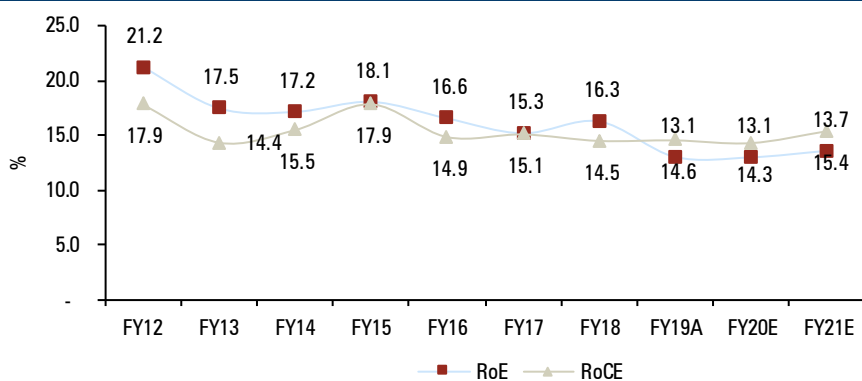
Source: Company, ICICI Direct Research

Exhibit 8: Debt: equity trend



Source: Company, ICICI Direct Research

Exhibit 9: Return ratios to improve, going forward



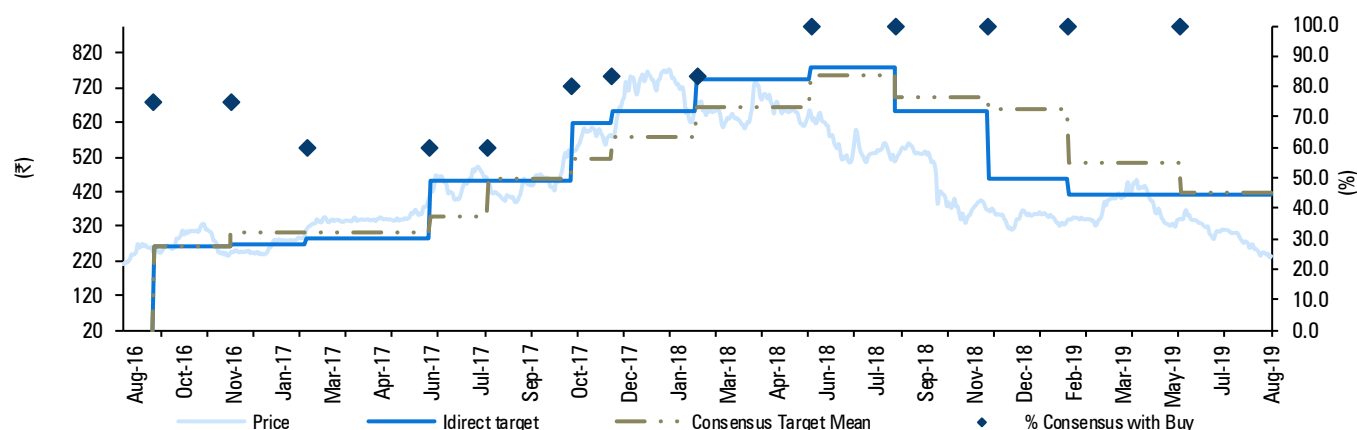
Source: Company, ICICI Direct Research

Exhibit 10: Valuation

	Sales (₹ cr)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	1,733.1	10.1	23.6	21.7	9.7	6.7	16.3	14.5
FY19A	1,816.2	4.8	21.1	(10.6)	10.9	6.4	13.1	14.6
FY20E	1,916.8	5.5	23.4	10.5	9.8	6.0	13.1	14.3
FY21E	2,068.3	7.9	27.2	16.5	8.5	5.2	13.7	15.4

Source: Company, ICICI Direct Research

Exhibit 11: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 12: Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	PKP Enterprises, L.L.P.	30-Jun-19	23.7	11.12	0.00
2	DSP Investment Managers Pvt. Ltd.	30-Jun-19	8.3	3.90	0.31
3	Poddar (Ashadevi Rameshkumar)	30-Jun-19	6.9	3.23	0.00
4	Poddar (Vibhadevi Shrikishan)	30-Jun-19	4.6	2.16	0.00
5	Poddar (Gaurav Pramod)	30-Jun-19	4.4	2.04	0.00
6	Poddar (Ankit Pramodkumar)	30-Jun-19	4.4	2.04	0.00
7	Poddar (Rameshkumar D)	30-Jun-19	3.9	1.85	0.00
8	Poddar (Avnish Pawankumar)	30-Jun-19	3.7	1.74	0.00
9	Poddar (Anurag Pawankumar)	30-Jun-19	3.7	1.74	0.00
10	Poddar (Shrikishan Dharaprasad)	30-Jun-19	3.7	1.72	0.00

Source: Reuters, ICICI Direct Research

Exhibit 13: Recent Activity

Buys			Sells		
Investor name	Value (Mn)	Shares(Mn)	Investor name	Value (Mn)	Shares (Mn)
DSP Investment Managers Pvt. Ltd.	1.39	0.31			
Principal Asset Management Private Limited	0.12	0.03			
Reliance Nippon Life Asset Management Limited	0.11	0.03			

Source: Reuters, ICICI Direct Research

Exhibit 14: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Promoter	67.1	67.1	67.1	67.1	67.1
FII	1.7	1.7	1.5	1.5	1.4
DII	9.4	9.6	10.1	10.8	11.6
Others	21.9	21.7	21.3	20.7	19.9

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 15: Profit and loss statement				
	₹ crore			
(Year-end March)	FY18	FY19A	FY20E	FY21E
<b>Total operating Income</b>	<b>1,733.1</b>	<b>1,816.2</b>	<b>1,916.8</b>	<b>2,068.3</b>
Growth (%)	10.1	4.8	5.5	7.9
Raw Material Expenses	773.9	806.6	855.6	927.2
Employee Expenses	189.8	198.2	207.8	223.4
Manufacturing & Other Expenses	524.5	571.8	601.9	645.3
Total Operating Expenditure	1,488.2	1,576.6	1,665.2	1,795.9
<b>EBITDA</b>	<b>245.0</b>	<b>239.6</b>	<b>251.6</b>	<b>272.4</b>
Growth (%)	24.5	-2.2	5.0	8.3
Depreciation	60.6	62.3	66.3	69.8
Interest	34.2	48.4	47.8	40.5
Other Income	26.3	28.2	28.4	31.0
Exceptional Item	-6.0	-4.7	0.0	0.0
PBT	170.4	152.4	165.9	193.2
Growth (%)	29.7	-10.9	5.6	16.5
Total Tax	59.6	53.3	56.4	65.7
<b>PAT</b>	<b>110.8</b>	<b>99.1</b>	<b>109.5</b>	<b>127.5</b>
Growth (%)	21.7	-10.6	10.5	16.5
<b>EPS (₹)</b>	<b>23.6</b>	<b>21.1</b>	<b>23.4</b>	<b>27.2</b>

Source: Company, ICICI Direct Research

Exhibit 16: Cash flow statement				
	₹ crore			
(Year-end March)	FY18	FY19A	FY20E	FY21E
PAT	110.8	99.1	109.5	127.5
Add: Depreciation	60.6	62.3	66.3	69.8
(Inc)/dec in Current Assets	-260.0	23.6	-101.3	-54.4
Inc/(dec) in CL and Provisions	70.9	-3.3	16.6	20.5
Others	0.0	0.0	0.0	0.0
<b>CF from operating activities</b>	<b>-17.6</b>	<b>181.7</b>	<b>91.1</b>	<b>163.4</b>
(Inc)/dec in Investments	-23.8	7.8	1.5	1.4
(Inc)/dec in Fixed Assets	-90.6	-142.3	-40.0	-40.0
(Inc)/dec in CWIP	-56.5	84.6	4.0	2.0
Others	-5.3	0.0	0.0	0.0
<b>CF from investing activities</b>	<b>-176.1</b>	<b>-50.0</b>	<b>-34.5</b>	<b>-36.6</b>
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	246.6	-128.8	-5.2	-75.0
Others	-33.8	-18.0	-27.4	-31.9
<b>CF from financing activities</b>	<b>212.7</b>	<b>-146.8</b>	<b>-32.6</b>	<b>-106.9</b>
Net Cash flow	18.98	-15.06	24.02	19.97
Opening Cash	4.7	23.6	8.6	32.6
<b>Closing Cash</b>	<b>23.6</b>	<b>8.6</b>	<b>32.6</b>	<b>52.6</b>

Source: Company, ICICI Direct Research

Exhibit 17: Balance sheet				
	₹ crore			
(Year-end March)	FY18	FY19A	FY20E	FY21E
<b>Liabilities</b>				
Equity Capital	9.4	9.4	9.4	9.4
Reserve and Surplus	668.8	745.5	827.6	923.3
Total Shareholders funds	678.2	754.9	837.0	932.6
Total Debt	589.0	460.2	455.0	380.0
Deferred Tax Liability	15.1	19.6	19.6	19.6
Minority Interest / Others	-	-	-	-
<b>Total Liabilities</b>	<b>1,282.4</b>	<b>1,234.7</b>	<b>1,311.6</b>	<b>1,332.2</b>
<b>Assets</b>				40.0
Gross Block	571.1	713.4	753.4	793.4
Less: Acc Depreciation	141.1	203.4	269.7	339.5
Net Block	430.0	510.1	483.8	454.0
Capital WIP	92.5	8.0	4.0	2.0
Total Fixed Assets	522.5	518.1	487.8	456.0
Investments	37.8	30.0	28.5	27.1
Inventory	431.1	422.2	462.1	481.7
Debtors	421.8	392.7	441.1	464.7
Loans and Advances	116.6	130.9	143.8	155.1
Cash	23.6	8.6	32.6	52.6
Total Current Assets	993.1	954.4	1,079.6	1,154.0
Current Liabilities	258.6	255.5	271.4	291.3
Provisions	12.4	12.3	12.9	13.5
Total Current Liabilities	271.0	267.7	284.3	304.8
Net Current Assets	722.1	686.6	795.3	849.2
Others Assets	-	-	-	-
<b>Application of Funds</b>	<b>1,282.4</b>	<b>1,234.7</b>	<b>1,311.6</b>	<b>1,332.2</b>

Source: Company, ICICI Direct Research

Exhibit 18: Key ratios				
(Year-end March)	FY18	FY19A	FY20E	FY21E
<b>Per share data (₹)</b>				
EPS	23.6	21.1	23.4	27.2
Cash EPS	36.6	34.4	37.5	42.1
BV	144.7	161.1	178.6	199.0
DPS	5.2	4.8	5.8	6.8
<b>Cash Per Share</b>	<b>5.0</b>	<b>1.8</b>	<b>7.0</b>	<b>11.2</b>
<b>Operating Ratios</b>				
EBITDA Margin (%)	14.1	13.2	13.1	13.2
PBT Margin (%)	9.8	8.4	8.7	9.3
PAT Margin (%)	6.4	5.5	5.7	6.2
Inventory days	90.8	84.8	88.0	85.0
Debtor days	88.8	78.9	84.0	82.0
Creditor days	85.6	79.5	80.0	80.0
<b>Return Ratios (%)</b>				
RoE	16.3	13.1	13.1	13.7
RoCE	14.5	14.6	14.3	15.4
RoIC	16.6	15.2	15.1	16.5
<b>Valuation Ratios (x)</b>				
P/E	9.7	10.9	9.8	8.5
EV / EBITDA	6.7	6.4	6.0	5.2
EV / Net Sales	0.9	0.8	0.8	0.7
Market Cap / Sales	0.6	0.6	0.6	0.5
Price to Book Value	1.6	1.4	1.3	1.2
<b>Solvency Ratios</b>				
Debt/EBITDA	2.4	1.9	1.8	1.4
Debt / Equity	0.9	0.6	0.5	0.4
Current Ratio	3.7	3.6	3.8	3.8
Quick Ratio	2.1	2.0	2.2	2.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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