

## S. Kumars Nationwide

### Changing consumer preferences to drive growth

S. Kumars Nationwide Ltd. (SKNL) is one of the leading textile and apparel companies in India catering to various segments ranging from economy to premium. The company has also extended its presence globally by acquiring *Leggiuno* in Italy and *Hart Schaffner Marx (HMX)* in the U.S. In addition, it has entered an 80:20 JV with *Louis Vuitton (LVMH)* in U.K., thereby creating a strong portfolio with 45 owned and licensed brands. SKNL has a 74.4% stake in its subsidiary, *Reid & Taylor* (valued at ₹3,514cr in 2008 by GIC), whose IPO, if hits the market, may prove to be a re-rating trigger for the stock. We initiate coverage on SKNL with a Buy recommendation.

#### Investment rationale

**Strong historical growth – Foundation for a stable future:** Over the past five years (FY2008-12), SKNL (consolidated) reported a revenue CAGR of 38.1%, substantially higher than its peers. This was mainly on the back of changing consumer preferences from the unorganized market towards the branded market and from textile to ready-to-wear. Further, we expect the company's revenue to normalize and post a CAGR of 14.2% over FY2012-14E to ₹8,290cr.

**It's all about brand show:** SKNL follows a strong brand ambassador-led strategy, as part of which its major domestic brands are endorsed by big celebrities such as Amitabh Bachchan (*Reid & Taylor*), Shahrukh Khan (*Belmonte*) and Sachin Tendulkar (*World Player*). In FY2011, the company spent ₹110cr on advertisement (including conferences, publicity and business promotion activities). This rigorous spending has helped the company in positioning itself as a strong brand. We expect the company's advertising spend to increase to ₹176cr by FY2014E.

**International acquisitions – Long-term growth drivers:** With overseas acquisitions (*Leggiuno* and *HMX*) and an 80:20 JV between its wholly owned U.K. subsidiary, SKNL (U.K.) Ltd., and LVMH group, SKNL has expanded its presence across the globe, thus creating a strong portfolio of 45 owned and licensed brands. We expect revenue from the international business to post a CAGR of 14.5% over FY2012-14E to ₹1,747cr.

#### Outlook and valuation

We expect SKNL's consolidated revenue to post a 14.2% CAGR to ₹8,290cr and profit to post a 15.2% CAGR to ₹524cr over FY2012-14E. **We initiate coverage on SKNL with a Buy rating and an SOTP target price of ₹45.**

#### SOTP valuation

Value of SKNL's stake in Reid & Taylor (discounted by 70%) (₹ cr)	784
Expected value of SKNL standalone (target PE of 2x for FY2014E) (₹ cr)	549
<b>Net value of the company (SKNL standalone + Reid &amp; Taylor) (₹ cr)</b>	<b>1,334</b>
Existing no. of shares (cr)	30
<b>Expected CMP (₹)</b>	<b>45</b>

Source: Company, Angel Research

#### Key financials (Consolidated)

Year	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/Sales (x)	EV/EBITDA (x)
FY2013E	7,279	21.0	447	15.0	13.7	2.3	0.3	0.7	3.4
FY2014E	8,290	21.0	524	17.6	13.9	1.9	0.2	0.7	3.2

Source: Company, Angel Research

## BUY

CMP	₹34
Target Price	₹45

Investment Period	12 Months
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Stock Info	
Sector	Textile
Market Cap (₹ cr)	1,008
Beta	1.5
52 Week High / Low	60 / 22
Avg. Daily Volume	469,551
Face Value (₹)	10
BSE Sensex	17,489
Nifty	5,306
Reuters Code	SKNL.BO
Bloomberg Code	SKNL IN

Shareholding Pattern (%)	
Promoters	48.6
MF / Banks / Indian Fls	12.0
FII / NRIs / OCBs	26.2
Indian Public / Others	13.2

Abs. (%)	3m	1yr	3yr
Sensex	2.2	(6.0)	30.5
SKNL	0.7	(37.3)	(6.4)

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## Investment arguments

### It's all about brand show

SKNL, being a multi-brand company, is very clear about differentiating its brands across segments so that brands do not end up cannibalizing each other. The company follows a strong brand ambassador-led strategy, as part of which its major domestic brands are endorsed by big celebrities such as Amitabh Bachchan, Shahrukh Khan and Sachin Tendulkar.

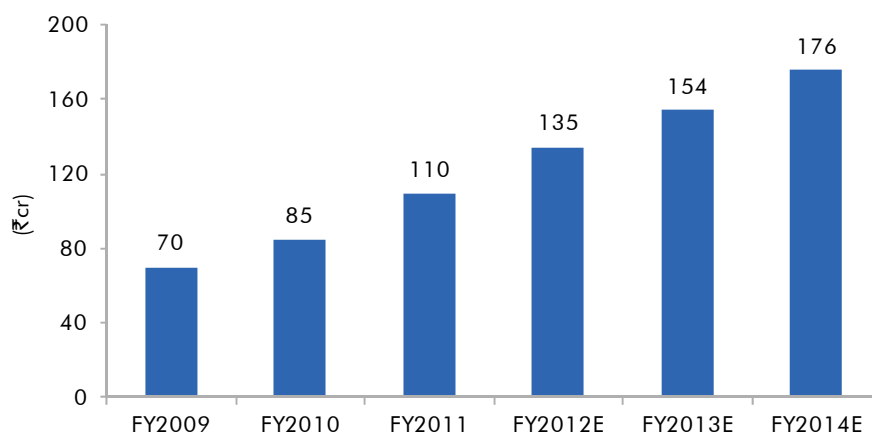
#### Exhibit 1: Strong brand show

Brand	Ambassador
Reid & Taylor	Amitabh Bachchan
Belmonte	Shahrukh Khan
World Player	Sachin Tendulkar

Source: Company, Angel Research

The company has been spending rigorously on advertising for the recognition of its brands. In FY2011, the company spent ₹110cr on advertisement (including conferences, publicity and business promotion activities). This rigorous spending has helped the company in positioning itself as a strong brand. We expect the company's advertising spend to increase to ₹176cr by FY2014E.

#### Exhibit 2: Rigorous ad spend for strong brand positioning



Source: Company, Angel Research, Note: Ad spend includes publicity and promotional activities

The company is also gearing up for the launch of its premium casual brand, *Kruger*, which is expected to be in a price band of ₹999-4,999, competing with brands such as *Tommy Hilfiger* (Arvind Ltd. JV) and *ColorPlus* (Raymond).

### International acquisitions – Long-term growth drivers

SKNL extended its presence overseas to European and North American markets by expanding its brand portfolio to 45 leading brands, catering to various price points. SKNL acquired *Leggiuno* in Italy (October 2008) and *HMX* in the U.S. (May 2009). The company has also signed an 80:20 JV between its wholly owned U.K. subsidiary, SKNL (U.K.) Ltd., and *Louis Vuitton* (LVMH) group for the global menswear license for *DKNY* brand.

Acquisition of *Leggiuno* was a strategic move by SKNL to provide its domestically produced HVFC fabric an access to leading international brands in the high-end market along with better sales price realization and higher margins through *Leggiuno*, which is a manufacturer of HVFC fabrics. The Indian HVFC plant currently caters to 30-35% of *Leggiuno*'s high-value fabric requirement and aims at supplying 50% in the near future.

HMX is the largest men's formal wear clothing company in the U.S. and a leading American producer of luxury apparel. The company is the largest manufacturer and marketer of men's suits and coats in the U.S. The company's brands include *HMX*, *Hickey Freeman*, *Misook*, *Coppley*, *Austin Reed*, *Claiborne* and *Pierre Cardin*, among others. HMX has a broad distribution network of speciality and leading department stores, value-oriented retailers and direct mail catalogues.

The JV between SKNL's wholly owned U.K. subsidiary SKNL (U.K.) Ltd. and (80%) DKNY (20%) gives SKNL the right to design, manufacture/outsource and wholesale the brand across the globe (except Japan). It also allows SKNL to open its own retail outlets in countries where there is no existing retail partner.

### Exhibit 3: International brands across segments

Segment	Brands
Luxury	<i>Hickey Freeman</i> , <i>Leggiuno</i>
Accessible luxury	<i>HMX</i> , <i>Bobby Jones</i> , <i>JAG Jeans</i> , <i>Exclusively Misook</i> , <i>Coppley</i> , <i>Monarchy</i>
Moderate	<i>Jack Nicklaus Golf</i> , <i>Pierre Cardin</i> , <i>Palm Beach</i> , <i>Sansabelt</i>

Source: Company, Angel Research

All these acquisitions along with the JV were strategic steps taken by SKNL at the right time, which helped SKNL to get them at a lower cost. With these acquisitions, SKNL has an access to the global distribution network, which helps it in catering to customers in the U.S. and Europe. So far, SKNL has been successful in turning around the business by discontinuing brands that were not able to sustain on their own. Currently, only *HMX*, *Misook* and *Hickey Freeman* are manufactured in the U.S. and the remaining are outsourced. Also, SKNL has successfully lowered its selling and administration expenses for international businesses from US\$150mn at the time of acquisition to US\$90mn currently. In FY2012, revenue from the international business stood at ₹1,334cr, with EBITDA margin at 4.7%. We expect revenue from the international business to post a 14.5% CAGR over FY2012-14E to ₹1,747cr.

### Reid & Taylor IPO – A potential re-rating trigger

SKNL had filed Draft Red Herring Prospectus (DRHP) with SEBI on December 9, 2010, for the listing of Reid & Taylor (74.4% subsidiary) for an expected issue size of ~₹1,000cr. However, the IPO for the same didn't materialized due to the unfavorable and volatile market. If going forward, the IPO hits the market; we expect it to command a premium over SKNL's valuation because of its strong brand name, supported by healthy financial and operational efficiency.

## Well-diversified portfolio

SKNL deals in branded products across various price segments, ranging from the mass level to premium category. The company's product portfolio ranges from fabric to ready-to-wear. SKNL is also present in the home textile segment. This positioning allows the company to capitalize on the consumption patterns of all segments domestically. In addition, with its overseas acquisitions, the company is expanding its presence across the globe. The company has a strong brand portfolio of 45 owned and licensed brands, such as *Reid & Taylor*, *Belmonte*, *S Kumars* and *Carmichael House* and international names such as *HMX*, *Hickey Freeman*, *Exclusively Misook*, *Austin Reed*, *Jag Jeans*, *Bobby Jones* and *DKNY*.

### Exhibit 4: SKNL's diversified portfolio is present across all segments

	Fabric	Home textile	Ready-to-wear
Premium	Reid & Taylor/ Baruche	Carmichael House	Reid & Taylor/ Kruger
Mid-price	Belmonte	-	Belmonte
Economy	S Kumars	-	World Player

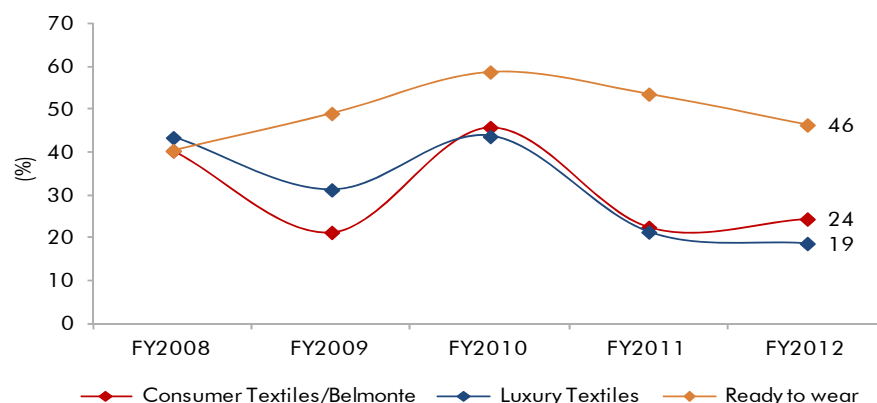
Source: Company

## Strong historical growth – Foundation for a stable future

Over the past five years (FY2008-12), SKNL (consolidated) has posted a revenue CAGR of 38.1%, substantially higher than its peers. This was mainly on the back of changing consumer preferences from the unorganized market towards the branded market and from textile to ready-to-wear. This shift is providing a major opportunity (in terms of increasing penetration) to players in the textile industry.

The consumer textile/*Belmonte* division, a major contributor to the company's revenue, witnessed a 28.2% CAGR over FY2008-12. For the same period, the luxury textile segment posted a 28.5% CAGR and ready-to-wear posted a 51.9% CAGR. Going forward, we expect growth to normalize with consumer textile, luxury textile and ready-to-wear segments posting a revenue CAGR of 12.9%, 13.7% and 15.6%, respectively, over FY2012-14E.

### Exhibit 5: Segmental growth



Source: Company, Angel Research

We expect the company's revenue to normalize and post a CAGR of 14.2% over FY2012-14E to ₹8,290cr, aided by changing consumer preferences and the company's strong brand positioning. Also, SKNL has maintained its EBITDA margin at 19.5-22.5% from FY2008 to FY2012. Going ahead, we factor in the same kind of consistent performance on the margin front and expect it to be 21.0% in FY2014E.

### **Conversion of warrants at premium demonstrates confidence**

The promoter group company, Sansar Exim Private Limited, which held 1,24,25,000 numbers of equity share warrants allotted on preferential basis issued on 15<sup>th</sup> June, 2010 converted the warrants into equity shares at ₹63.5, at a premium of 109% from the market price (₹30.4) on 13<sup>th</sup> Dec, 2011, thus increasing the promoter's stake by 1.7% yoy in FY2012. This is a positive signal for investors, as it demonstrates the confidence of promoters in the company's future growth outlook.

## Financials

### SKNL's financials (Standalone)

#### Exhibit 6: Key assumptions

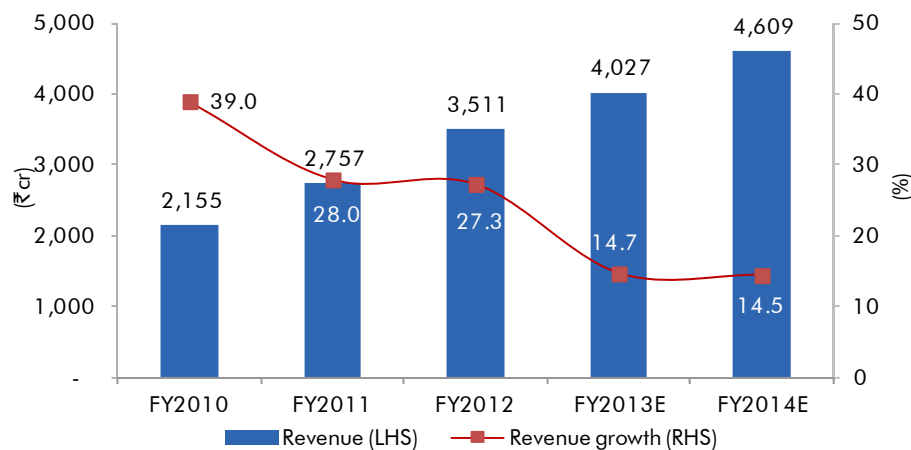
	2013E	2014E
Average volume growth (%)	10.2	10.2
Average realization growth (%)	4.1	3.9

Source: Company, Angel Research

#### Demand for branded fabrics and readymade garments to drive revenue

We expect demand for branded fabrics and apparels to grow in future, as consumers' preference has shifted from the unorganized market towards the branded market and from textile to ready-to-wear. Also the company's strong brand positioning and its strategically planned growth strategy, which includes – 1) rollout of additional exclusive brand outlets for *Reid & Taylor* (~160 stores), *Kruger* and *Belmonte* to expand their distribution and franchisee networks, 2) set up a shirts factory to improve margins by offering readymade products, 3) scale up capacity utilization at BSFC and 4) capacity expansion in the luxury and mid-premium textile segments, are expected to be the company's growth drivers. We expect SKNL's (standalone) revenue to normalize and post a decent CAGR of 14.6% over FY2012-14E from ₹3,511cr in FY2012 to ₹4,609cr in FY2014E.

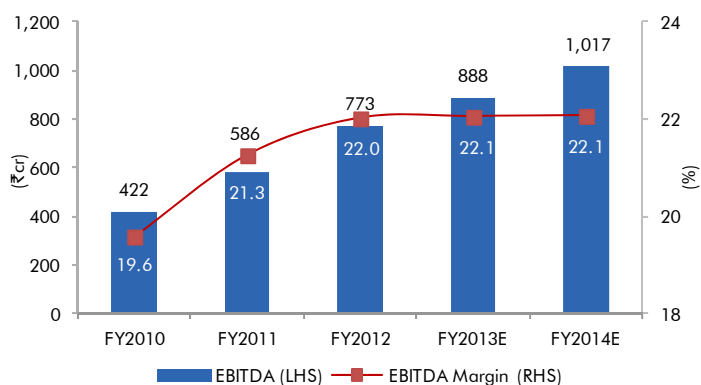
#### Exhibit 7: Changing consumer preferences and growth strategies to drive revenue



Source: Company, Angel Research

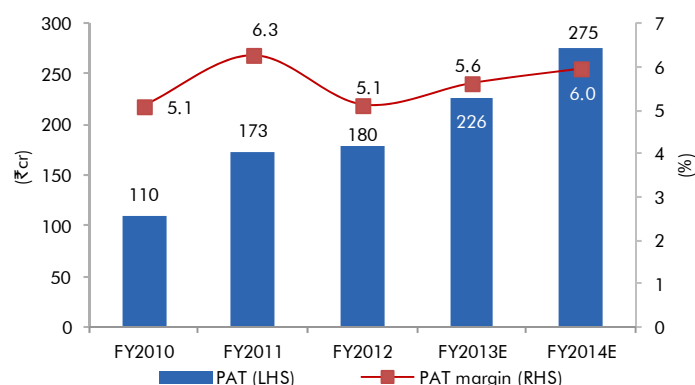
We expect the company's operating margin to remain flat over FY2012-14E at 22.1%. Going forward, the relative increase in interest outgo for the company is expected to come down substantially to ~10% as compared to ~29% in last two years, assuming the interest rate to be stable at 16.6% and debt to increase by 10%, each for FY2013E and FY2014E. Bottom-line growth on a yoy basis was muted in FY2012 at 3.9%, mainly because of higher tax outgo, as the company lost the MAT credit entitlement in FY2012. The effective tax rate for FY2012 was 35.7%, which we expect would come down to the normal level of 33.0% in the coming years. Aided by the above-mentioned factors, we expect SKNL's profit to post a 23.7% CAGR over FY2012-14E to ₹275cr.

**Exhibit 8: EBITDA margin to remain flat**



Source: Company, Angel Research

**Exhibit 9: PAT margin to improve**



Source: Company, Angel Research

### Reid & Taylor's financials

We expect Reid & Taylor's revenue to post a 15.2% CAGR to ₹1,911cr over FY2011-14E, driven by strong brand name and increasing demand for branded apparel in the urban market. Operating margin is expected to be flat at 32.7% for FY2014E. In FY2012, the tax outgo was lower on account of excess provision for tax in earlier years, which was a one-time benefit for the company. We expect the company's profit to register a 9.7% CAGR over FY2011-14E to ₹320cr.

### Consolidated financials of SKNL

We expect SKNL (consolidated) to post a revenue CAGR of 14.2% to ₹8,290cr over FY2012-14E, with an operating margin of 21.0% in FY2014E. The major contributor to the revenue is the consumer textile segment (₹3,084cr), followed by the international business (₹1,747cr) and the luxury textile segment (₹1,426cr).

We expect the company to report profit of ₹524cr, registering a 15.2% CAGR over FY2012-14E.

**Exhibit 10: SBU's contribution to consolidated results**

SBU's	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Consumer textiles/Belmonte</b>					
Net Sales	1,585	1,942	2,418	2,730	3,084
% chng	45.9	22.6	262.1	12.9	13.0
EBITDA	329	436	555	628	709
EBITDA margin	20.8	22.5	23.0	23.0	23.0
<b>Luxury textiles</b>					
Net Sales	765	929	1,103	1,252	1,426
% chng	43.8	21.5	255.5	13.5	13.9
EBITDA	281	355	421	478	544
EBITDA margin	36.7	38.2	38.2	38.2	38.2
<b>Ready-to-wear</b>					
Net Sales	397	610	894	1,034	1,194
% chng	58.8	53.7	234.8	15.6	15.5
EBITDA	84	129	183	209	240
EBITDA margin	21.1	21.2	20.5	20.2	20.1
<b>Home textiles</b>					
Net Sales	386	426	462	524	590
% chng	13.4	10.5	259.1	13.6	12.6
EBITDA	69	72	80	90	101
EBITDA margin	17.9	16.8	17.2	17.2	17.2
<b>Luxury cotton</b>					
Net Sales	16	111	183	226	249
% chng		607.8	258.3	23.6	10.2
EBITDA	1	21	46	56	62
EBITDA margin	3.3	18.8	25.0	25.0	25.0
<b>International business</b>					
Net Sales	714	1,328	1,334	1,514	1,747
% chng		85.9	350.3	13.5	15.4
EBITDA	10	44	62	70	82
EBITDA margin	1.4	3.3	4.7	4.7	4.7
Intercompany	(1.8)	(124.1)	(28.7)	-	-
<b>Total</b>	<b>3,861</b>	<b>5,223</b>	<b>6,364</b>	<b>7,279</b>	<b>8,290</b>

Source: Company, Angel Research



## Outlook and valuation

SKNL has a well-planned growth strategy, following which it has set up a suit factory at Bangalore, which commenced operations at the end of 3QFY2012. The company further plans to – 1) rollout additional exclusive brand outlets for *Reid & Taylor* (~160 stores), *Kruger* and *Belmonte* to expand its distribution and franchisee networks, 2) set up a shirts factory to improve margins by offering readymade products, 3) scale up capacity utilization at BSFC and 4) capacity expansion in the luxury and mid-premium textile segments. Considering all these factors, we expect SKNL's consolidated revenue to post a 14.2% CAGR to ₹8,290cr and profit to post a 15.2% CAGR to ₹524cr over FY2012-14E.

GIC had invested ₹900cr in *Reid & Taylor* in July 2008 for a 25.6% stake, which gives a value of ₹2,614cr for the 74.4% stake of SKNL. On a conservative basis, discounting SKNL's stake in *Reid & Taylor* by 70%, its value in *Reid & Taylor* would be ₹784cr. Assuming PE of 2x for SKNL (standalone) for FY2014E, we get a value of ₹549cr. Thus, the net value of SKNL would be ₹1,334cr, including *Reid & Taylor*'s stake, while the company currently has a market cap of ₹1,008cr.

Currently, at ₹34, SKNL (standalone) is trading at PE of 3.7x; and on a consolidated basis, it is trading at 1.9x for FY2014E. **We initiate coverage on SKNL with a Buy recommendation and an SOTP target price of ₹45.**

### Exhibit 11: Valuation

GIC investment in <i>Reid &amp; Taylor</i> (₹ cr) (in 2008)	900
GIC's stake (%)	25.6
SKNL's stake in <i>Reid &amp; Taylor</i> (%)	74.4
Value of SKNL's stake in <i>Reid &amp; Taylor</i> (₹ cr)	2,614
<b>Value after discounting stake by 70% (₹cr)</b>	<b>784</b>
SKNL's standalone PAT (FY2014E) (₹ cr)	275
Target PE (x)	2
<b>Expected mcap (₹ cr)</b>	<b>549</b>
Net value of the company (SKNL standalone + <i>Reid &amp; Taylor</i> value)	1,334
Existing no. of shares (cr)	30
SKNL's current Mcap (₹cr)	1,008
CMP	34
<b>Expected CMP (₹)</b>	<b>45</b>
Upside (%)	32

Source: Company, Angel Research

**Exhibit 12: One-year forward PE band**



Source: Company, Angel Research

**Peer comparison on various parameters**

On FY2014E basis, SKNL (consolidated) is trading at PE of 1.9x, which looks attractive vis-à-vis its peers. The operating margin of the company is expected to be 21.0% for FY2014E, which is higher than the operating margin of Arvind Ltd. and Raymond.

**Exhibit 13: SKNL trading at a discount vs. domestic textile industries**

Company	Year	Mcap (₹ cr)	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/Sales (x)	EV/EBITDA (x)
SKNL - Standalone	FY2013E	1,008	4,027	22.1	226	7.6	13.7	4.5	0.6	0.8	3.5
	FY2014E	1,008	4,609	22.1	275	9.2	14.8	3.7	0.5	0.7	3.3
SKNL - Consolidated	FY2013E	1,008	7,279	21.0	447	15.0	13.7	2.3	0.3	0.7	3.4
	FY2014E	1,008	8,290	21.0	524	17.6	13.9	1.9	0.2	0.7	3.2
Alok Industries*	FY2013E	1,458	11,218	25.0	479	5.8	16.4	3.0	0.4	1.1	4.4
	FY2014E	1,458	12,342	25.2	665	8.0	17.4	2.2	0.4	1.0	3.9
Arvind Ltd.*	FY2013E	1,977	5,372	12.9	294	11.6	13.2	6.7	0.9	0.7	5.6
	FY2014E	1,977	5,968	13.5	393	15.4	15.3	5.0	0.7	0.7	4.8
Raymond*	FY2013E	2,455	4,077	10.8	189	30.8	13.1	13.0	1.6	0.9	6.3
	FY2014E	2,455	4,630	11.4	236	38.4	14.6	10.4	1.4	0.8	5.5

Source: Company, Angel Research; Note: \* Bloomberg estimates

In the ready-to-wear segment, SKNL faces competition from branded competitors such as Arvind Mills (Arrow), Aditya Birla Nuvo Brands (Louis Philippe, Allen Solly and Van Heusen) and Raymond Apparel (Park Avenue).

## Concerns

### Economic slowdown

According to industry reports, the current size of the domestic textile and apparel market is US\$77bn (2010). The market is expected to post a CAGR of 11% to UD\$220bn over FY2010-20E, mainly driven by increasing disposable income and awareness in the mass market (i.e. rural India) about branded fabrics and garments. However, any slowdown in the economy may adversely affect demand and, hence, the company's revenue.

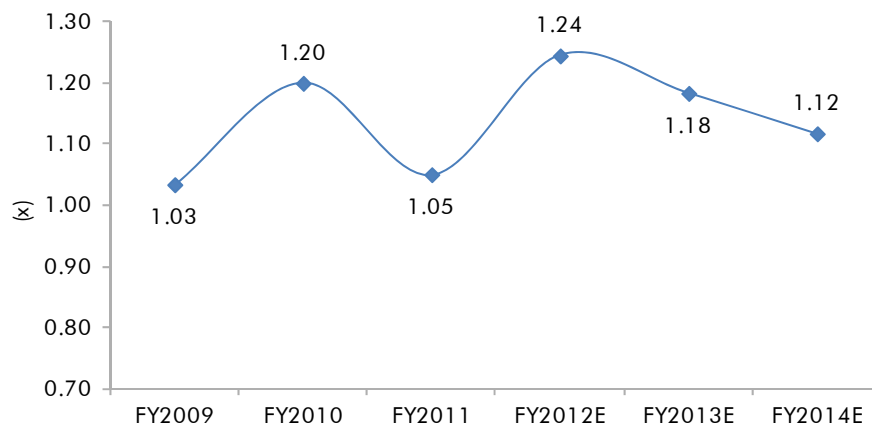
### Further postponement of Reid & Taylor IPO

SKNL had filed DRHP with SEBI on December 9, 2010, for the listing of Reid & Taylor. However, the IPO for the same didn't materialized due to the unfavorable and volatile market. If the IPO is delayed further, it may be a concern for the company as Reid & Taylor's IPO is a major re-rating trigger for SKNL.

### High net debt to equity level

Owing to the acquisitions and expansion activities, the net debt to equity for SKNL (consolidated) has been at high levels in previous years. However, the management expects the debt level to come down in the coming years as the investments start yielding profits. However, if that doesn't happen, it may be a concern for the company going forward.

#### Exhibit 14: Net debt to equity level (consolidated)



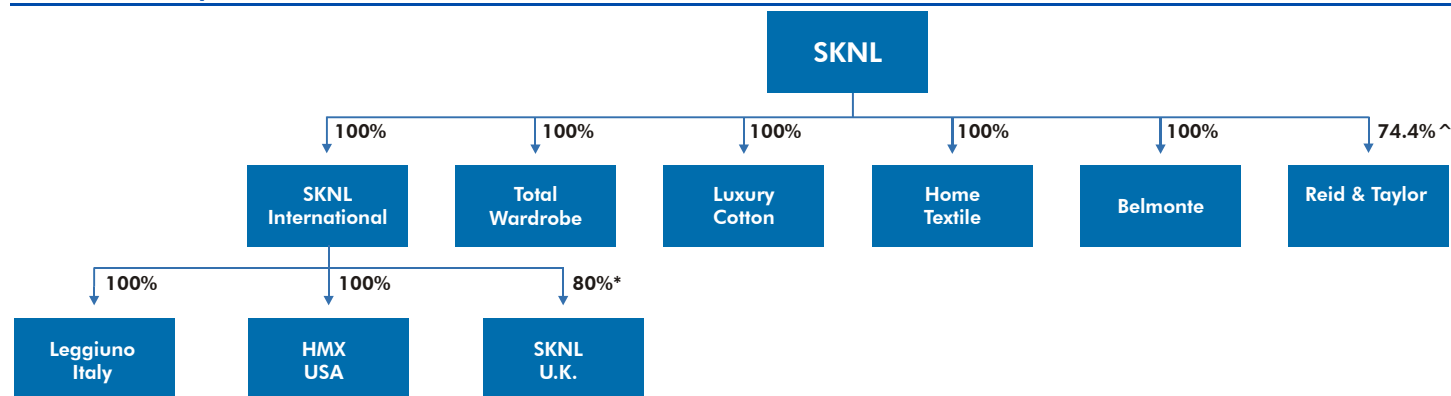
Source: Company, Angel Research

## Company background

### S. Kumars Nationwide Ltd.

SKNL is one of the leading textile and apparel companies in India, which is involved in the manufacturing, marketing and distribution of polyester blended suitings, worsted suitings, workwear fabric, home textiles and ready-to-wear garments. The company's main growth drivers include its strong brand positioning, diverse product portfolio that caters to all socioeconomic segments, vertically integrated business model, presence across the value chain and contemporary product offerings. SKNL is a market leader in the uniforms segment, with a 30% market share. In addition, the company is the second largest player in the worsted suiting segment. Further, SKNL is one of the largest institutional suppliers of textiles to defense and police forces in India. The company is also a leader in the formal wear segment in North America with popular brands, *Copley*, *HMX* and *Hickey Freeman*.

**Exhibit 15: Corporate structure**



Source: Company, Angel Research; Note: ^ 25.6% owned by GIC; \* 20% owned by LVMH

The company has manufacturing units located in India, Italy, U.K., U.S. and Canada with cost-effective outsourcing.

**Exhibit 16: SKNL's manufacturing units**

Plant and location	Location	Products
Reid & Taylor Suiting Unit	Mysore, Karnataka	Worsted Suiting, Premium P/V Blended Suiting
S. Kumars Suiting Unit	Dewas, Madhya Pradesh	Uniforms, Work Wear Fabrics, Polyester & Polyester – Viscose Blended Suitings
Home Textile Chamunda Standard Mills	Dewas, Madhya Pradesh	Polyester Blended Yarn, Grey Fabrics(PV,PC,100% Cotton) Medium Value Cotton
Total Wardrobe Solutions	Bengaluru, Karnataka	Shirts, Trousers, Blazers, Suits & Other Accessories
Home Textiles	Jhagadia, Gujarat	Home Textiles
HVFC	Jhagadia, Gujarat	High Value Fine Cotton Shirting
Leggiuno	Italy & U.K.	Luxury Cotton Shirting & Woolen Fabrics
HMX	Illinois & New York, U.S.	Tailored Products
Copley	Hamilton, Canada	Tailored Products

Source: Company, Angel Research

## **SKNL's SBUs**

SKNL operated under six SBUs, Consumer textile, Luxury textile, Ready-to-wear, Home textile, luxury cotton and international business.

### **1. Consumer Textiles/Belmonte**

The consumer textile division addresses to the economy and mid-price strata of the society and deals in fabrics for work wear, uniforms and daily wear. This division is the major contributor to the company's overall growth over years and is improving with further market penetration.

*Uniformity*, the work wear division of *Belmonte*, is the market leader in the uniform segment with a 30% market share and is one of the largest institutional suppliers of textiles to defense and paramilitary forces in India.

### **2. Luxury textiles**

The luxury textiles division primarily comprises *Reid & Taylor*, which targets the premium segment of the Indian fabric market. The luxury textiles segment continues to be a prime revenue driver, reporting consistent growth over time. Being a premium segment caterer, this segment is the last to get affected with any rise in raw-material prices and has seen good growth on the back of expanding volumes and better realizations in polyester-wool as well as polyester-viscose fabrics.

### **3. Ready-to-wear**

Ready-to-wear consists of garments/apparel represented by *Reid & Taylor*, *Belmonte* and *World Player*. Ready-to-wear is the fastest growing segment in the textile and apparel market because of changing consumer preferences. The company also plans to launch brand '*Kruger*' under premium category to capture high margins.

### **4. Home textiles / Carmichael House / Total Home Expression**

This segment manufactures and markets home textiles, such as bed sheets and sheeting fabrics. The segment is witnessing a rise in demand because of increasing disposable income and consumers' shift towards luxury brands.

### **5. Luxury cotton / HVFC (High Value Fine Cotton)**

This segment focuses on the HVFC market for shirting, bottoms and home textiles. This division operates the 12.8mn meters per year state-of-the-art HVFC facility at Bharuch, Gujarat (operating at 70% capacity utilization – 4QFY2012). The segment is represented by the premium category brand, *Baruche*.

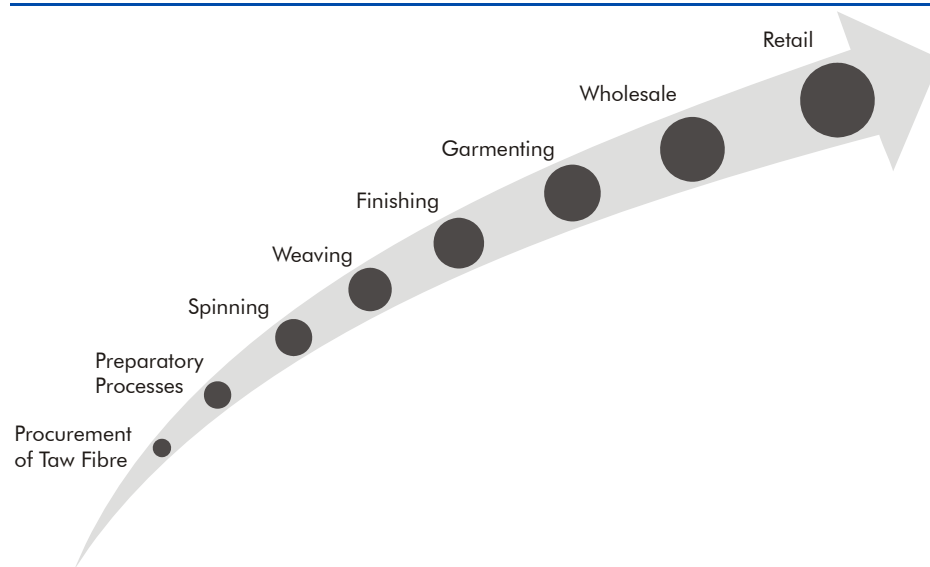
### **6. International business**

SKNL has expanded its global footprints by acquiring HMX in the U.S. and *Leggiuno* in Italy. The company has also signed an 80:20 JV between its wholly owned U.K. subsidiary, SKNL (U.K.) Ltd., and LVMH group, for the global menswear license for *DKNY* brand.

## Vertically integrated system and strong distribution channel

SKNL operates through a vertically integrated operational system, which facilitates its presence across the value chain and captures higher margin. The company's presence across the supply chain allows it to operate in a more systematic way.

### Exhibit 17: Presence across the supply chain



Source: Company, Angel Research

In addition, SKNL has a well-entrenched distribution channel, which gives it an edge over other players in terms of reach. The company has an extensive distribution network consisting of multi-brand outlets (more than 30,000 retailers serviced by a network of over 400 wholesalers), exclusive brand outlets and large format stores. The company is further focused on expanding its distribution franchisee networks by adding more exclusive brand outlets for *Reid & Taylor*, *Kruger* and *Belmonte* as part of its growth strategy.

### World Player – New card in the product portfolio deck

*World Player*, SKNL's economy brand under SKumars' apparel segment, is a total wardrobe solution, ranging from shirts, trousers, jeans to knitwear. The company has chosen Sachin Tendulkar as its brand ambassador. The company has currently launched it in four states of Southern India and plans to extend its presence across India by having it in 650 districts. Through this brand, SKNL is poised to access the mass market of India, which is a huge market in terms of volume and is increasingly becoming brand conscious. The average selling price of shirts under this brand ranges from ₹270 to ₹500.

## **Reid & Taylor**

Reid & Taylor, a 74.4% subsidiary of SKNL, is the flagship brand of the company. The remaining 25.6% is owned by the Government of Singapore Investment Corporation (Ventures) Pte. Ltd. (GIC). In July 2008, GIC invested ₹900cr in Reid & Taylor for its stake, which gives a value of ₹2,614cr to SKNL's stake.

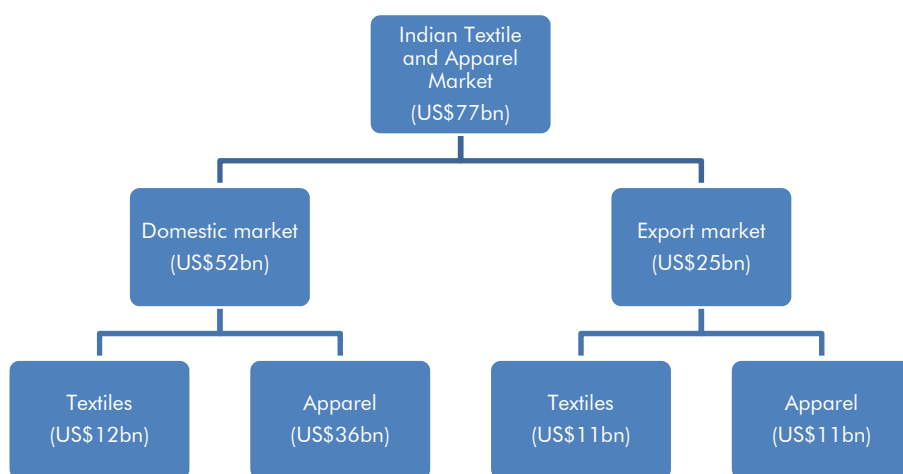
Reid & Taylor covers premium and super premium fabrics, such as worsted, all-wool and wool polyester blended suitings, which cater to the premium and super premium markets, as well as ready-to-wear garments that focus on the formal wear part of the premium segment. The apparel range includes formal and casual daywear suits, jackets, trousers, ties and other accessories along with a wide range of t-shirts, jeans and other weekend wear. According to CARE Research, *Reid & Taylor* has a ~24% share (in 2010) of the worsted fabrics market in India.

## Textile and apparel industry in India

The Indian textile industry is one of the leading textile industries in the world, contributing ~4% to India's GDP and 17% to forex earnings. This industry is one of the most important sectors of the economy in terms of investment, revenue, trade and employment generation the world over.

According to Technopak's analysis, the current size of the domestic textile and apparel market is US\$77bn (2010). The market is expected to post a CAGR of 11% to US\$220bn over FY2010-20E.

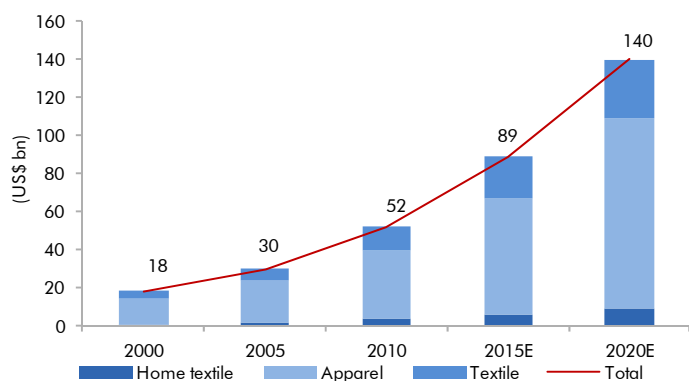
### Exhibit 18: Indian textile and apparel market (2010)



Source: Technopak analysis

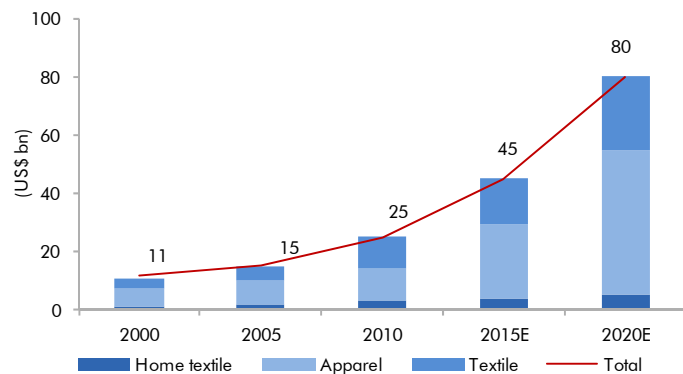
Of the total domestic textile market, apparels are expected to post a CAGR of 11% over FY2010-20E to US\$100bn, surpassing the other segments such as home textile (CAGR 8%) and technical textile (CAGR 10%). The export market is estimated to post a 12% CAGR in this decade and the market size will reach US\$80bn by FY2020E.

### Exhibit 19: Domestic textile & apparel market (US\$bn)



Source: Technopak Analysis

### Exhibit 20: Indian textile & apparel export (US\$bn)



Source: Technopak Analysis



**Profit and Loss (Standalone)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Gross sales	1,550	2,155	2,757	3,511	4,027	4,609
Less: Excise duty	0	0	0	-	-	-
Net Sales	1,550	2,155	2,757	3,511	4,027	4,609
Other operating income	-	-	-	-	-	-
<b>Total operating income</b>	<b>1,550</b>	<b>2,155</b>	<b>2,757</b>	<b>3,511</b>	<b>4,027</b>	<b>4,609</b>
% chg	(3.4)	39.0	28.0	27.3	14.7	14.5
Net Raw Materials	1,165	1,547	1,930	2,456	2,814	3,207
% chg	8.7	32.8	24.7	27.3	14.6	14.0
Other Mfg costs	24	31	58	63	72	88
% chg	(44.1)	29.9	88.1	9.0	14.7	20.8
Personnel	29	41	54	88	101	120
% chg	(21.6)	43.0	30.8	64.8	14.7	18.1
Other	86	113	130	131	151	177
% chg	(28.3)	31.9	14.4	0.7	15.6	17.5
Total Expenditure	1,304	1,733	2,171	2,738	3,139	3,592
<b>EBITDA</b>	<b>247</b>	<b>422</b>	<b>586</b>	<b>773</b>	<b>888</b>	<b>1,017</b>
% chg	(26.4)	71.2	38.9	31.9	14.9	14.5
(% of Net Sales)	15.9	19.6	21.3	22.0	22.1	22.1
Depreciation & Amortisation	27	42	74	92	109	122
<b>EBIT</b>	<b>220</b>	<b>380</b>	<b>512</b>	<b>681</b>	<b>779</b>	<b>895</b>
% chg	(26.5)	72.9	34.7	32.9	14.4	14.9
(% of Net Sales)	14.2	17.7	18.6	19.4	19.3	19.4
<b>Interest &amp; other Charges</b>	<b>139</b>	<b>244</b>	<b>314</b>	<b>404</b>	<b>443</b>	<b>487</b>
Other Income	61	5	4	2	2	3
(% of Net Sales)	3.9	0.2	0.1	0.1	0.1	0.1
<b>Recurring PBT</b>	<b>81</b>	<b>137</b>	<b>198</b>	<b>277</b>	<b>336</b>	<b>408</b>
% chg	(61.3)	69.2	44.9	39.9	21.0	21.5
<b>PBT (reported)</b>	<b>142</b>	<b>142</b>	<b>202</b>	<b>279</b>	<b>338</b>	<b>410</b>
Tax	82	36	29	100	112	136
(% of PBT)	57.7	25.2	14.5	35.7	33.0	33.0
<b>PAT (reported)</b>	<b>60</b>	<b>106</b>	<b>173</b>	<b>180</b>	<b>226</b>	<b>275</b>
Extraordinary Expense/(Inc.)	50	(4)	(0)	-	-	-
<b>ADJ. PAT</b>	<b>10</b>	<b>110</b>	<b>173</b>	<b>180</b>	<b>226</b>	<b>275</b>
% chg	(94.7)	1,008.2	57.7	3.9	26.0	21.4
(% of Net Sales)	0.6	5.1	6.3	5.1	5.6	6.0
<b>Basic EPS (₹)</b>	<b>0.4</b>	<b>4.6</b>	<b>6.1</b>	<b>6.0</b>	<b>7.6</b>	<b>9.2</b>
<b>Fully Diluted EPS (₹)</b>	<b>0.4</b>	<b>4.6</b>	<b>6.1</b>	<b>6.0</b>	<b>7.6</b>	<b>9.2</b>
% chg	(95.0)	946.7	30.9	(0.5)	26.0	21.4

**Balance Sheet (Standalone)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	310	313	337	350	350	350
Reserves & Surplus	602	765	1,175	1,208	1,393	1,627
<b>Shareholder's Funds</b>	<b>913</b>	<b>1,077</b>	<b>1,512</b>	<b>1,557</b>	<b>1,743</b>	<b>1,977</b>
Total Loans	1,938	2,366	2,226	2,426	2,669	2,936
Deferred Tax (Net)	8	17	27	40	40	40
<b>Total Liabilities</b>	<b>2,858</b>	<b>3,460</b>	<b>3,765</b>	<b>4,023</b>	<b>4,451</b>	<b>4,952</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	682	881	1,068	1,487	1,711	1,882
Less: Acc. Depreciation	193	230	304	396	505	628
Less: Impairment	-	-	-	-	-	-
<b>Net Block</b>	<b>489</b>	<b>651</b>	<b>764</b>	<b>1,091</b>	<b>1,205</b>	<b>1,254</b>
Capital Work-in-Progress	607	564	259	71	171	271
Lease adjustment	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Investments	206	426	504	517	517	517
<b>Current Assets</b>	<b>1,838</b>	<b>2,229</b>	<b>3,043</b>	<b>3,486</b>	<b>3,762</b>	<b>4,288</b>
Cash	43	46	21	11	49	49
Loans & Advances	381	427	848	791	805	922
Inventory	578	726	941	1,162	1,340	1,528
Debtors	837	1,030	1,189	1,494	1,539	1,761
Current liabilities	-	-	45	28	28	28
Other current assets	282	409	806	1,143	1,204	1,378
<b>Net Current Assets</b>	<b>1,556</b>	<b>1,819</b>	<b>2,237</b>	<b>2,344</b>	<b>2,558</b>	<b>2,910</b>
Misc. Exp. not written off	-	-	-	-	-	-
<b>Total Assets</b>	<b>2,858</b>	<b>3,460</b>	<b>3,765</b>	<b>4,023</b>	<b>4,451</b>	<b>4,952</b>

**Cash Flow (Standalone)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E
Profit before tax	142	142	202	279	338	410
Depreciation	27	42	74	92	109	122
Change in Working Capital	(346)	(260)	(444)	(116)	(175)	(353)
Direct taxes paid	(82)	(36)	(29)	(100)	(112)	(136)
Others	66	148	68	(2)	(2)	(3)
<b>Cash Flow from Operations</b>	<b>(193)</b>	<b>36</b>	<b>(129)</b>	<b>154</b>	<b>158</b>	<b>41</b>
(Inc.)/Dec. in Fixed Assets	(278)	(156)	118	(231)	(324)	(271)
(Inc.)/Dec. in Investments	(165)	(219)	(78)	(13)	-	-
Others	(6)	(8)	(258)	2	2	3
<b>Cash Flow from Investing</b>	<b>(449)</b>	<b>(384)</b>	<b>(219)</b>	<b>(242)</b>	<b>(321)</b>	<b>(268)</b>
Issue of Equity	(70)	3	24	12	-	-
Inc./(Dec.) in loans	836	428	(140)	200	243	267
Dividend Paid (Incl. Tax)	-	-	(39)	(41)	(41)	(41)
Others	(90)	(79)	477	(94)	-	-
<b>Cash Flow from Financing</b>	<b>676</b>	<b>351</b>	<b>322</b>	<b>78</b>	<b>202</b>	<b>226</b>
Inc./(Dec.) in Cash	35	3	(25)	(10)	39	(1)
<b>Opening Cash balances</b>	<b>8</b>	<b>43</b>	<b>46</b>	<b>21</b>	<b>11</b>	<b>49</b>
<b>Closing Cash balances</b>	<b>43</b>	<b>46</b>	<b>21</b>	<b>11</b>	<b>49</b>	<b>49</b>

**Key Ratios (Standalone)**

Y/E March	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	101.9	9.2	5.8	5.6	4.5	3.7
P/CEPS	27.7	6.7	4.1	3.7	3.0	2.5
P/BV	1.1	0.9	0.7	0.6	0.6	0.5
EV/Net sales	1.7	1.3	1.0	0.8	0.8	0.7
EV/EBITDA	10.9	6.9	4.6	3.8	3.5	3.3
EV / Total Assets	0.9	0.8	0.7	0.7	0.7	0.7
<b>Per Share Data (₹)</b>						
EPS (Basic)	0.4	4.6	6.1	6.0	7.6	9.2
EPS (fully diluted)	0.4	4.6	6.1	6.0	7.6	9.2
Cash EPS	1.6	6.4	8.7	9.1	11.3	13.3
DPS	-	-	1.0	1.0	1.0	1.0
Book Value	40.9	45.6	53.1	52.4	58.6	66.5
<b>DuPont Analysis</b>						
EBIT margin	14.2	17.7	18.6	19.4	19.3	19.4
Tax retention ratio	0.4	0.7	0.9	0.6	0.7	0.7
Asset turnover (x)	0.8	0.9	0.9	1.0	1.1	1.1
ROIC (Post-tax)	4.7	11.8	14.8	12.9	14.2	14.7
Cost of Debt (Post Tax)	3.9	8.5	11.7	11.2	11.6	11.6
Leverage (x)	1.9	1.8	1.1	1.2	1.2	1.2
Operating ROE	6.1	17.7	18.3	15.1	17.3	18.4
<b>Returns (%)</b>						
ROCE (Pre-tax)	7.7	11.0	13.7	17.1	17.6	18.2
Angel ROIC (Pre-tax)	11.0	15.8	17.3	20.1	21.2	22.0
ROE	1.1	11.0	13.3	11.7	13.7	14.8
<b>Turnover ratios (x)</b>						
Asset TO (Gross Block)	2.7	2.8	2.8	2.7	2.5	2.6
Inventory / Net sales (days)	125	110	110	109	113	114
Receivables (days)	170	158	147	139	139	139
Payables (days)	64	73	102	130	140	140
WC cycle (ex-cash) (days)	316	278	264	236	219	213
<b>Solvency ratios (x)</b>						
Net debt to equity	1.9	1.8	1.1	1.2	1.2	1.2
Net debt to EBITDA	6.8	4.5	2.9	2.5	2.4	2.3
Int. Coverage (EBIT/ Int.)	1.6	1.6	1.6	1.7	1.8	1.8

**Profit and Loss (Consolidated)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Gross sales	2,260	3,838	5,181	6,355	7,279	8,290
Less: Excise duty	0	0	0	-	-	-
Net Sales	2,260	3,838	5,180	6,355	7,279	8,290
Other operating income	-	-	-	-	-	-
<b>Total operating income</b>	<b>2,260</b>	<b>3,838</b>	<b>5,180</b>	<b>6,355</b>	<b>7,279</b>	<b>8,290</b>
% chg	29.3	69.8	35.0	22.7	14.6	13.9
Net Raw Materials	1,461	2,316	2,971	3,738	4,278	4,863
% chg	29.4	58.5	28.3	25.8	14.4	13.7
Other Mfg costs	79	124	187	203	232	265
% chg	49.5	57.6	50.8	8.9	14.1	14.2
Personnel	73	313	506	584	668	770
% chg	73.8	328.4	61.5	15.5	14.5	15.2
Other	183	338	487	492	570	654
% chg	36.4	84.9	44.1	1.0	15.9	14.6
Total Expenditure	1,796	3,091	4,151	5,017	5,748	6,551
<b>EBITDA</b>	<b>465</b>	<b>747</b>	<b>1,029</b>	<b>1,337</b>	<b>1,531</b>	<b>1,738</b>
% chg	18.9	60.7	37.9	29.9	14.5	13.5
(% of Net Sales)	20.6	19.5	19.9	21.0	21.0	21.0
Depreciation & Amortisation	44	81	125	148	188	211
<b>EBIT</b>	<b>420</b>	<b>665</b>	<b>905</b>	<b>1,190</b>	<b>1,343</b>	<b>1,527</b>
% chg	20.7	58.3	36.0	31.5	12.9	13.7
(% of Net Sales)	18.6	17.3	17.5	18.7	18.5	18.4
<b>Interest &amp; other Charges</b>	<b>145</b>	<b>264</b>	<b>390</b>	<b>533</b>	<b>588</b>	<b>647</b>
Other Income	73	23	43	10	11	13
(% of Net Sales)	3.2	0.6	0.8	0.2	0.2	0.2
<b>Recurring PBT</b>	<b>275</b>	<b>401</b>	<b>515</b>	<b>656</b>	<b>755</b>	<b>880</b>
% chg	9.7	45.7	28.4	27.4	15.0	16.6
<b>PBT (reported)</b>	<b>349</b>	<b>425</b>	<b>558</b>	<b>666</b>	<b>766</b>	<b>893</b>
Tax	153	147	165	195	246	286
(% of PBT)	44.0	34.7	29.6	29.3	32.1	32.1
<b>PAT (reported)</b>	<b>195</b>	<b>277</b>	<b>392</b>	<b>471</b>	<b>520</b>	<b>606</b>
Minority interest	19	48	62	76	73	82
<b>PAT after MI</b>	<b>177</b>	<b>229</b>	<b>331</b>	<b>395</b>	<b>447</b>	<b>524</b>
Extraordinary Expense/(Inc.)	43	(3)	(1)	-	-	-
<b>ADJ. PAT</b>	<b>134</b>	<b>232</b>	<b>332</b>	<b>395</b>	<b>447</b>	<b>524</b>
% chg	(37.3)	73.5	43.0	19.1	13.1	17.3
(% of Net Sales)	5.9	6.0	6.4	6.2	6.1	6.3
<b>Basic EPS (₹)</b>	<b>6.0</b>	<b>9.8</b>	<b>11.6</b>	<b>13.3</b>	<b>15.0</b>	<b>17.6</b>
<b>Fully Diluted EPS (₹)</b>	<b>6.0</b>	<b>9.8</b>	<b>11.6</b>	<b>13.3</b>	<b>15.0</b>	<b>17.6</b>
% chg	(41.1)	63.8	18.7	14.1	13.1	17.3

**Balance Sheet (Consolidated)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>SOURCES OF FUNDS</b>						
Equity Share Capital	310	313	337	350	350	350
Reserves & Surplus	1,325	1,855	2,401	2,674	3,148	3,708
Equity Share Warrants	-	13	33	-	-	-
Equity Application Money	-	6	6	-	-	-
<b>Shareholders' Funds</b>	<b>1,636</b>	<b>2,188</b>	<b>2,777</b>	<b>3,023</b>	<b>3,498</b>	<b>4,058</b>
Minority Interest	230	337	411	487	508	590
Total Loans	1,804	2,759	3,000	3,796	4,197	4,617
Deferred Tax (Net)	11	150	75	103	103	103
<b>Total Liabilities</b>	<b>3,681</b>	<b>5,434</b>	<b>6,263</b>	<b>7,408</b>	<b>8,306</b>	<b>9,368</b>
<b>APPLICATION OF FUNDS</b>						
Gross Block	852	1,573	1,839	2,615	3,005	3,345
Less: Acc. Depreciation	217	376	490	638	826	1,037
Less: Impairment	-	-	-	-	-	-
<b>Net Block</b>	<b>634</b>	<b>1,196</b>	<b>1,349</b>	<b>1,977</b>	<b>2,179</b>	<b>2,308</b>
Capital Work-in-Progress	666	783	284	297	597	797
Lease adjustment	-	-	-	-	-	-
Goodwill	101	125	125	125	125	125
Investments	4	1	1	1	1	1
<b>Current Assets</b>	<b>2,756</b>	<b>4,077</b>	<b>5,664</b>	<b>6,659</b>	<b>7,094</b>	<b>8,051</b>
Cash	109	132	82	32	57	81
Loans & Advances	634	921	1,976	2,107	2,257	2,570
Inventory	808	1,307	1,586	2,023	2,223	2,485
Debtors	1,204	1,717	1,968	2,459	2,518	2,876
Other current assets	-	-	53	39	39	39
Current liabilities	480	748	1,160	1,650	1,689	1,914
<b>Net Current Assets</b>	<b>2,276</b>	<b>3,329</b>	<b>4,504</b>	<b>5,009</b>	<b>5,404</b>	<b>6,137</b>
Misc. Exp. not written off	-	-	0	0	0	0
<b>Total Assets</b>	<b>3,681</b>	<b>5,434</b>	<b>6,263</b>	<b>7,408</b>	<b>8,306</b>	<b>9,368</b>

**Cash Flow (Consolidated)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012E	FY2013E	FY2014E
Profit before tax	349	425	558	666	766	893
Depreciation	44	81	125	148	188	211
Change in Working Capital	(727)	(1,029)	(1,226)	(555)	(370)	(708)
Direct taxes paid	(153)	(147)	(165)	(195)	(246)	(286)
Others	114	550	443	(10)	(11)	(13)
<b>Cash Flow from Operations</b>	<b>(374)</b>	<b>(120)</b>	<b>(266)</b>	<b>54</b>	<b>326</b>	<b>97</b>
(Inc.)/Dec. in Fixed Assets	(517)	(862)	232	(788)	(690)	(540)
(Inc.)/Dec. in Investments	(2)	2	0	(0)	-	-
Others	60	389	(626)	(159)	11	13
<b>Cash Flow from Investing</b>	<b>(459)</b>	<b>(470)</b>	<b>(394)</b>	<b>(947)</b>	<b>(679)</b>	<b>(528)</b>
Issue of Equity	(70)	3	24	12	-	-
Inc./(Dec.) in loans	409	955	242	795	402	420
Dividend Paid (Incl. Tax)	-	-	(39)	(41)	(41)	(41)
Others	591	(344)	383	76	17	77
<b>Cash Flow from Financing</b>	<b>931</b>	<b>613</b>	<b>610</b>	<b>843</b>	<b>378</b>	<b>456</b>
Inc./(Dec.) in Cash	98	23	(50)	(50)	25	25
<b>Opening Cash balances</b>	<b>11</b>	<b>109</b>	<b>132</b>	<b>82</b>	<b>32</b>	<b>57</b>
<b>Closing Cash balances</b>	<b>109</b>	<b>132</b>	<b>82</b>	<b>32</b>	<b>57</b>	<b>81</b>

**Key Ratios (Consolidated)**

Y/E March	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Valuation Ratio (x)</b>						
P/E (on FDEPS)	7.5	4.3	3.0	2.6	2.3	1.9
P/CEPS	5.7	3.2	2.2	1.9	1.6	1.4
P/BV	0.6	0.5	0.4	0.3	0.3	0.2
EV/Net sales	1.2	0.9	0.8	0.8	0.7	0.7
EV/EBITDA	5.8	4.9	3.8	3.6	3.4	3.2
EV / Total Assets	0.7	0.7	0.6	0.7	0.6	0.6
<b>Per Share Data (₹)</b>						
EPS (Basic)	6.0	9.8	11.6	13.3	15.0	17.6
EPS (fully diluted)	6.0	9.8	11.6	13.3	15.0	17.6
Cash EPS	8.0	13.2	16.0	18.2	21.4	24.7
DPS	-	-	1.0	1.0	1.0	1.0
Book Value	73.2	92.5	97.4	101.7	117.6	136.5
<b>DuPont Analysis</b>						
EBIT margin	18.6	17.3	17.5	18.7	18.5	18.4
Tax retention ratio	0.6	0.7	0.7	0.7	0.7	0.7
Asset turnover (x)	0.8	0.9	0.9	0.9	1.0	1.0
ROIC (Post-tax)	8.4	10.2	11.2	12.3	12.3	12.6
Cost of Debt (Post Tax)	5.1	7.6	9.5	11.1	10.0	10.0
Leverage (x)	1.0	1.2	1.1	1.2	1.2	1.1
Operating ROE	11.9	13.5	12.9	13.7	15.0	15.4
<b>Returns (%)</b>						
ROCE (Pre-tax)	11.5	12.6	14.6	16.3	16.4	16.5
Angel ROIC (Pre-tax)	15.1	15.7	15.9	17.4	18.1	18.5
ROE	10.2	12.1	13.4	13.6	13.7	13.9
<b>Turnover ratios (x)</b>						
Asset TO (Gross Block)	3.2	3.2	3.0	2.9	2.6	2.6
Inventory / Net sales (days)	112	101	102	104	106	104
Receivables (days)	162	139	130	127	125	119
Payables (days)	72	72	84	102	106	100
WC cycle (ex-cash) (days)	350	304	312	286	268	267
<b>Solvency ratios (x)</b>						
Net debt to equity	1.0	1.2	1.1	1.2	1.2	1.1
Net debt to EBITDA	3.6	3.5	2.8	2.8	2.7	2.6
Int. Coverage (EBIT/ Int.)	2.9	2.5	2.3	2.2	2.3	2.4



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### Disclosure of Interest Statement

	SKNL
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	Yes
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors.

### Ratings (Returns):

Buy (&gt; 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (&lt; -15%)

Neutral (-5 to 5%)

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