

**Bombay Dyeing**

₹ 446

**'Retail'ing the 'Store'y****Accumulate**

May 25, 2012

**Financial Performance**

Operations-wise, Bombay Dyeing is still struggling. During the quarter ended on December 31, 2012 the company reported net sales of ₹ 4437.7 mn as against ₹ 4353.2 mn for the quarter ended December 31, 2010, representing an increase of 1.94%. Revenue from its textile business cropped to ₹ 970 mn as against ₹ 1301.3 mn during corresponding previous quarter. Real estate division showed a rise in sales to ₹ 367.8 mn from ₹ 210 mn whereas Polyester business fell to ₹ 3109.2 mn from ₹ 3619.6 mn.

The textile and polyester maker's total expenditure during the quarter under review increased to ₹ 4661.9 mn, compared to ₹ 3923.8 mn. The company's raw material costs increased to ₹ 3126 mn as against ₹ 2663.9 mn.

The company has posted net loss of ₹ 521.1 mn for the quarter ended Dec. 31, 2011 as compared to ₹ 6.7 million for the quarter ended Dec. 31, 2010. Polyester business was the key contributor as it posted a loss of ₹ 154.1 mn as against a profit of ₹ 89 mn a year ago. Similarly profit in real estate division fell to ₹ 8.7 mn from ₹ 23.8 mn. This is mainly on account of change in accounting policy. Real estate income is now accounted on the basis of % completion.

**Investment Rationale****Restructuring To Be Saviour**

The retail and the realty business of the Wadia Group are controlled by the Bombay Dyeing company itself. It has a distribution chain consisting of 600 plus exclusive shops spread all over the country. It also has 14 flagship stores in the country to sell premium and designer products and international brands. The company now plans to create a portfolio of products for use across economic classes. The 'home & you' concept is the group's strategy in many segments, under which it will be offering wide range of products including home furnishing, business wear, leisurewear, sportswear and accessories. Bombay Dyeing already makes products for the home textiles segment. For it plans to source both inhouse and from outside. Their strategy is to sell what people want and not what they produce.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 09	Mar 10	Mar 11
Revenue (₹ mn)	15929.4	19386.2	20353.8
<b>Rev. growth (%)</b>	<b>43.19</b>	<b>21.70</b>	<b>4.99</b>
EBITDA (₹ mn)	1259.4	3140.5	273.6
Net profit (₹ mn)	(1946.2)	184.2	213.9
Shares outstanding (mn)	38.6	38.6	40.5
EPS (₹)	(50.4)	4.8	5.3
<b>EPS growth (%)</b>	<b>289.32</b>	<b>(109.46)</b>	<b>10.68</b>
P/E (x)	(3.3)	115.8	69.4
EV/ EBITDA	18.7	12.4	99.4
<b>ROCE (%)</b>	<b>(3.13)</b>	<b>(10.53)</b>	<b>0.95</b>

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**Previous Report**

Date	: Dec 23, 2011
Recommendation	: Buy
Price	: ₹ 366
Target Reached	: Jan 19, 2012

**Market Data**

52 Wk Range (₹)	: 593 / 283
Shares in Issue (mn)	: 41.3
Mkt. Cap (₹ bn)	: 18.34
BSE 2 Wk Avg Vol	: 120,000

**Share Holding Pattern (%)**

Promoters	: 52.07
DII's	: 16.38
FII's	: 9.29
Others	: 22.26

**Investment Theme**

Bombay Dyeing has also entered in the real estate space. It has formed a real estate arm, Bombay Realty, which will not only develop and/or undertake the real estate projects of the company, but also develop the land bank of the Nusli Wadia group (its promoter). The management has said the group has 10,000 acres of land across India, including 64 acres owned by the company. The company has started to monetise these prime assets. The firm has reportedly launched 2.5 million square feet of projects in prime location space in Central Mumbai. That is two and a half times the area it developed over the last six years put together. Its diversification strategy would help it to see turnaround backed by cash flow generated by real estate. We remain positive about the future of the company. Thus recommend to accumulate.

**Dyeing the Future Bright !**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 09	Mar 10	% Chg	Mar 11	% Chg
Total Sales + Excise	15769.1	19601.6	24.30	20945.3	6.86
Other Income	589.1	247.5	(57.99)	430.0	73.74
Change in Stocks	(1494.7)	(2456.8)	64.37	8503.2	(446.11)
Raw Material Con.	8154.2	8223.3	0.85	11694.9	42.22
Employee Exp.	534.4	532.5	(0.36)	662.0	24.32
Indirect Taxes	475.6	507.0	6.60	1065.0	110.06
Other Exp.	4439.9	4989.0	12.37	13757.4	175.75
Operating Exp.	15098.8	16708.6	10.66	18676.1	11.78
Operating Profit	670.3	2893.0	331.60	2269.2	(21.56)
Total Interest	2322.2	2223.5	(4.25)	1806.7	(18.75)
Gross Profit	(1062.8)	917.0	(186.28)	892.5	(2.67)
Net Dep.	869.8	607.0	(30.21)	621.5	2.39
Total Taxation	13.6	125.8	825.00	57.1	(54.61)
Net Profit/Loss	(1946.2)	184.2	(109.46)	213.9	16.12

## 4 Years Balance Sheet

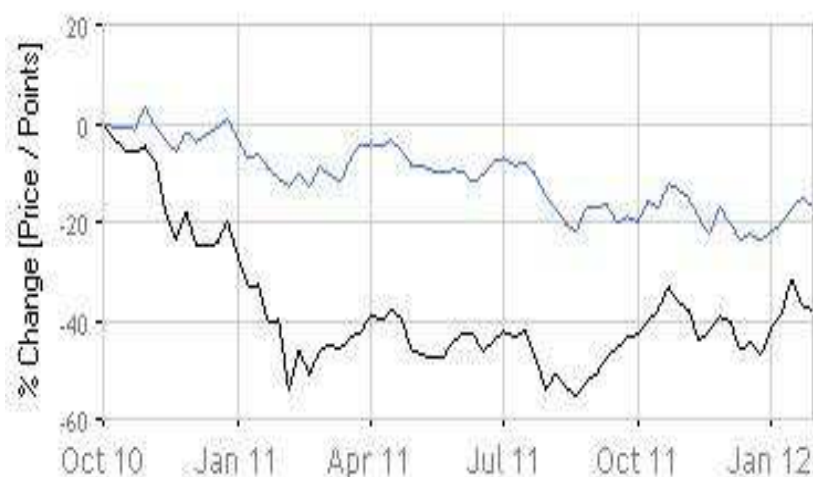
(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 08	Mar 09	Mar 10	Mar 11
<b>SOURCES OF FUNDS</b>	<b>18211.8</b>	<b>18797.4</b>	<b>19854.6</b>	<b>15866.6</b>
Equity Share capital	386.1	386.1	386.1	405.4
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	3691.9	1302.5	1717.4	3088.2
Secured Loans	9973.6	14990.0	16119.7	11464.9
Unsecured Loans	4160.2	2118.8	1631.4	908.1
<b>USES OF FUNDS</b>	<b>18211.8</b>	<b>18797.4</b>	<b>19854.6</b>	<b>15866.6</b>
Gross Block	10603.2	11597.5	11834.4	11901.4
Less : Revaluation Reserves	0.0	2015.6	0.0	7788.3
Less : Accumulated Depreciation	1236.7	1787.2	2312.6	2928.1
Net Block	9366.5	7794.7	9521.8	1185.0
Capital Work in Progress	3039.0	2188.5	2083.9	2055.5
Investments	1317.2	652.2	698.0	601.9
Current Assets	8682.9	12805.6	12155.2	16780.7
Less : Current Liabilities	4221.7	4657.6	4604.3	4756.5
Total Net Current Assets	4461.2	8148.0	7550.9	12024.2
Misc. Expenses not written	27.9	14.0	0.0	0.0
<b>NOTE</b>				
Bk Val Unquoted Investments	651.7	652.2	698.0	601.9
Mkt Val. Quoted Investments	665.5	0.0	0.0	0.0
Contingent Liabilities	1908.8	1707.2	1893.0	2405.1
Dividend (%)	14	4	10	14

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Mar 11	Jun 11	Sep 11	Dec 11
Net Sales	6384.60	4142.60	5119.60	4437.70
Cost Of Sales	5033.60	4031.10	4900.40	4510.00
Operating Profit	1351.00	111.50	219.20	(72.30)
Recurring Income	1.30	3.40	30.90	61.70
Adjusted PBDIT	1352.30	114.90	250.10	(10.60)
Financial Expenses	331.40	361.30	438.90	358.60
Depreciation	153.80	151.50	150.50	151.90
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	867.10	(397.90)	(339.30)	(521.10)
Tax Charges	52.60	0.00	0.00	0.00
Adjusted PAT	814.50	(397.90)	(339.30)	(521.10)
Non Recurring Items	5.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	819.50	(397.90)	(339.30)	(521.10)

**52 Week Index Relative Percentage Appreciation**

**BOMBAYDYE vs SENSEX**
**Risks**

- The Bombay High Court has asked Bombay Dyeing to hand over one-third of its mill lands each at Naigaum and Lower Parel to the Brihanmumbai Municipal Corporation (BMC) and Maharashtra Housing and Area Development Authority (Mhada), respectively. The work layout was passed in 2005 and the company had to surrender certain land to MHADA for redevelopment of chawls for the mill workers. According to the company, under the DC regulation, it would have to surrender land to Mhada and the corporation on completion of 30% of the work in the layout. This order for surrendering land will not impact the valuation of the company. It is only a timing difference wherein the company had to surrender the land any which ways.
- The recent global events have put doubts in the minds of investors worldwide about the global economic recovery. A further downward movement European economies would have some effect on all the countries worldwide. The exports to such countries might get affected significantly and this could affect the performance of the company.
- Hike in Inflation has restricted the RBI from further cuts in policy rates. This could have impact on overall financial cost as well as sluggish demand in real estate division.

## Bombay Dyeing

### In a Nutshell

Bombay Dyeing was established in the year of 1879. It is the flagship textile company of the Wadia Group. It has been in the business for the past 130 years. The company has witness the golden era of textiles in the erstwhile city of Bombay. It is one of the few companies to have retained its business post the era of textiles. The Brand Bombay Dyeing is well known for its quality and quality product. Over the years the Wadia group has forayed into many business adventures & as the oldest company of the group, Bombay Dyeing has a stake in most of these businesses. The company now has decided to focus on more on the retail business & real estate development. It has huge land bank at the prime locations in Mumbai. The construction work has already begun in the Dadar mills compound. The firm has reportedly launched 2.5 million square feet of projects in prime location space in Central Mumbai. We believe that the restructuring of the business would unlock huge value for the company. The retail and the realty business of the Wadia Group are controlled by the Bombay Dyeing company itself. The company now plans to aggressively transforming into retail. The 'home & you' concept is the group's strategy in many segments to sell what people want and not what they produce. Going forward we believe the stock would outperform in the long term. Therefore we recommend to accumulate this stock

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## Rating Interpretation

<b>Buy</b>	: Expected to appreciate 20% or more over 12-months	<b>Reduce</b>	: Expected to depreciate up to 10% over 12-months
<b>Accumulate</b>	: Expected to appreciate 10% to 20% over 12-months	<b>Sell</b>	: Expected to depreciate 10% or more over 12-months
<b>Trade Buy</b>	: Expected to appreciate more than 10% over 45-days	<b>Trade Sell</b>	: Expected to depreciate more than 10% over 45-days

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