

# Bombay Dyeing

₹ 62

*Not just Dyeing any More***Accumulate**

Jan 24, 2014

## Company Background

Bombay Dyeing & Manufacturing Company (Bombay Dyeing) was incorporated in Aug 1879. It operates in the three main segments of textiles, polyester and Real-estate. The textile division produces bed linen, towels, furnishings; suit fabrics, shirts, dresses, and saris in cotton and polyester blends. The industrial range includes microdot interlining, fabrics for shoe uppers, adhesives, abrasives, leather cloth and filters. Through its five facilities, the company has a daily production of 300,000 meters of fabric. The Polyester division manufactures dimethyl terephthalate (DMT) with a capacity of 165,000 TPA. A new polyester staple fiber (PSF) plant is also currently undergoing trial runs. Restructuring and locating the textile businesses in one location has spawned real-estate development opportunities for the company. Bombay Dyeing owns 60 acres of prime land, which is being developed into mixed-use real estate comprising apartments, office space, malls and hotels at Dadar and Worli in Mumbai. The company is forming a new joint venture company with Larsen & Toubro for a redevelopment project at Bandra-Kurla complex. Bombay Dyeing exports to advanced countries such as USA, Europe, Australia and New Zealand. A unique strength of Bombay Dyeing in India is a distribution chain consisting of 600 plus exclusive shops spread all over the country.

## Key Highlights

- ➔ The Bombay High Court has passed an order upholding the petition filed by Bombay Dyeing permitting it to handover 66,651 sq. meter land to MCGM and MHADA as against the increased area demanded by them.
- ➔ Bombay Dyeing controls both the retail and the realty business of the Wadias and has decided to restructure itself from a basic textile company into a retail company. Through its 600 plus brand stores and 14 premium stores which sell premier designer products and international brands.
- ➔ The development plans for Mumbai properties are huge: about 10 mnsqft for IT parks, retail hubs, commercial and residential projects, hotels and serviced apartments. The company has already begun sales of residential projects valued at around Rs 500 crore & a net margin of Rs 10000 psqft is expected.

## Key Financials

Year Ended 31 <sup>st</sup>	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	19,082.4	22,848.2	23,760.0
Rev. growth (%)	(1.57)	19.73	3.99
EBITDA (INR mn)	2,749.8	1,571.1	1,876.3
Net profit (INR mn)	213.9	(1,059.2)	(812.1)
Shares outstanding (mn)	40.6	41.3	206.5
EPS (INR)	5.3	(25.6)	(3.9)
EPS growth (%)	10.60	(586.07)	(84.66)
P/E (x)	13.9	(4.5)	(22.3)
RONW (%)	5.5	(28.7)	(20.0)
ROCE (%)	0.9	(6.6)	(5.1)

**Nishant Chopra**

nishantc@indiratrade.com

## Previous Report

Recommended Buy on May 12, 2012 @ ₹ 89 (effective price after split) reached ₹ 139 (56% up) in 1 year.

## Info Codes

Reuters	: B DYN.B O
Bloomberg	: B D@I N
NSE	: B O M D Y E I N G
BSE	: 5 0 0 0 2 0

## Market Data

52 Wk Range (₹)	: 125 / 37
Shares in Issue (mn)	: 206.5
Mkt. Cap (₹ bn)	: 12.61
BSE 2 Wk Avg Vol	: 37000

## Share Holding Pattern (%)

Promoters	: 52.35
DII's	: 14.88
FII's	: 9.62
Others	: 23.15

## 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 but also develop the land bank of the group. Management says the group has 10,000 acres of land in India, including 64 acres owned. It has started to monetise prime assets. The firm has reportedly launched 2.5 mnsqft of projects in prime location space in 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.

**Growth Real-ty-me**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	19717.2	23566.8	19.52	24579.5	4.30
Other Income	419.7	458.9	9.34	460.1	0.26
Change in Stocks	8503.2	5181.1	(39.07)	(3305.8)	(163.80)
Raw Material Con.	11619.8	13051.1	12.32	12437.9	(4.70)
Employee Exp.	672.2	842.1	25.28	984.6	16.92
Indirect Taxes	1097.8	1215.0	10.68	1343.8	10.60
Other Exp.	12522.7	12574.8	0.42	5091.6	(59.51)
Operating Exp.	17409.3	22501.9	29.25	23163.7	2.94
Operating Profit	2307.9	1064.9	(53.86)	1415.8	32.95
Total Interest	1828.0	1834.8	0.37	1747.4	(4.76)
Gross Profit	899.6	(311.0)	(134.57)	128.5	(141.32)
Net Dep.	633.1	593.2	(6.30)	719.5	21.29
Total Taxation	52.6	155.0	194.68	221.1	42.65
Net Profit/Loss	213.9	(1059.2)	(595.18)	(812.1)	(23.33)

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 10	Mar 11	Mar 12	Mar 13
<b>SOURCES OF FUNDS</b>	<b>19,854.6</b>	<b>15,902.3</b>	<b>17,158.3</b>	<b>17,191.4</b>
Equity Share capital	386.1	405.4	413.1	413.1
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	1,717.4	3,088.2	3,732.3	4,248.2
Long Term Loans	15,303.9	10,081.7	10,134.2	8,913.2
Short Term Loans	2,447.2	2,327.0	2,878.7	3,616.9
<b>USES OF FUNDS</b>	<b>19,854.6</b>	<b>15,902.3</b>	<b>17,158.3</b>	<b>17,191.4</b>
Gross Block	11,834.4	11,901.4	12,785.8	13,186.8
Less : Revaluation Reserves	0.0	7,788.3	13,778.6	12,209.5
Less : Accumulated Depreciation	2,312.6	2,928.1	3,491.6	4,107.3
Net Block	9,521.8	1,185.0	(4,484.4)	(3,130.0)
Capital Work in Progress	2,083.9	1,965.2	1,020.4	1,269.1
Investments	698.0	601.9	559.6	559.6
Current Assets	12,155.2	16,572.9	26,300.1	28,164.1
Less : Current Liabilities	4,604.3	4,422.7	6,310.6	9,752.4
Total Net Current Assets	7,550.9	12,150.2	19,989.5	18,411.7
Misc. Expenses not written	0.0	0.0	73.2	81.0
<b>NOTE</b>				
Bk Val Unquoted Investments	698.0	601.9	559.6	559.6
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	1,893.0	2,449.5	3,127.1	3,532.1
Dividend (%)	25	35	50	50

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Dec 12	Mar 13	Jun 13	Sep 13
Net Sales	4,806.10	8,572.00	5,272.70	5,059.80
Cost Of Sales	4,574.20	6,308.60	5,064.60	5,229.10
Operating Profit	231.90	2,263.40	208.10	(169.30)
Recurring Income	74.30	83.60	103.40	133.30
Adjusted PBDIT	306.20	2,347.00	311.50	(36.00)
Financial Expenses	422.60	383.80	431.60	436.40
Depreciation	152.20	164.10	155.60	149.50
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	(268.60)	1,799.10	(275.70)	(621.90)
Tax Charges	0.00	221.10	0.00	0.00
Adjusted PAT	(268.60)	1,578.00	(275.70)	(621.90)
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	(268.60)	1,578.00	(275.70)	(621.90)

**52 Week Index Relative Percentage Appreciation**

**Bombay Dyeing vs SENSEX**
**Risks Associated**

- ➔ 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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### Indira Group Offices

<b>Registered Office</b>	: Singh House, 3rd Floor, 23/25 Ambalal Doshi Marg, Fort, Mumbai 400023
	<b>Tel :</b> +91-22-22656812 <b>Fax :</b> +91-22-22656985 <b>Email :</b> <a href="mailto:im@indiratrade.com">im@indiratrade.com</a>
<b>Administrative Office</b>	: Ramavat House, E-15 Saket Nagar, Indore 452018
	<b>Tel :</b> +91-731-2566361 <b>Fax :</b> +91-731-2562117 <b>Email :</b> <a href="mailto:ii@indiratrade.com">ii@indiratrade.com</a>
<b>Institutional Dealing Unit</b>	: Africa House, 3rd Floor, 5 Topiwala Lane, Lamington Road, Mumbai 400007
	<b>Tel :</b> +91-22-30080675 <b>Fax :</b> +91-22-23870767 <b>Email :</b> <a href="mailto:ie@indiratrade.com">ie@indiratrade.com</a>

### 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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