

# Bombay Dyeing

₹ 63

**Good Days around Again!****Buy**

Jun 19, 2015

## 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

- ➔ SEBI has reiterated the importance of Real Estate Investment Trusts (REITs) which is expected to infuse a large pool of money into the real estate sector by opening up opportunities for small investors to participate. Currently, the participation is largely restricted to NRIs, HNIs and institutional investors.
- ➔ There is a growing trend among consumers who are looking at home décor as lifestyle products, beyond utility value. There is greater propensity to spend money on home décor products, including bed and bath, so as to reflect their lifestyles. Bombay Dyeing is focussing on this premium segment.
- ➔ The company proposes to sell off its textile processing unit in Pune to Oasis Procon, together with all assets in excluding its brand name for a consideration of Rs 230 crore. This should help reduce some interest burden.

## Key Financials

| Year Ended 31 <sup>st</sup> | Mar 12    | Mar 13   | Mar 14    |
|-----------------------------|-----------|----------|-----------|
| Revenue (INR mn)            | 22,848.2  | 23,752.5 | 26,959.2  |
| Rev. growth (%)             | 19.7      | 4.0      | 13.5      |
| EBITDA (INR mn)             | 1,571.1   | 1,876.3  | 1,203.8   |
| Net profit (INR mn)         | (1,059.2) | (812.1)  | (2,033.1) |
| Shares outstanding (mn)     | 41.3      | 206.5    | 206.5     |
| EPS (INR)                   | (25.6)    | (3.9)    | (9.8)     |
| EPS growth (%)              | (586.1)   | (84.7)   | 150.4     |
| P/E (x)                     | (4.5)     | (22.3)   | (5.6)     |
| RONW (%)                    | (28.7)    | (20.0)   | (44.4)    |
| ROCE (%)                    | (6.6)     | (5.1)    | (11.3)    |

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## Info Codes

|           |             |
|-----------|-------------|
| Reuters   | : BLYN.BO   |
| Bloomberg | : BD@IN     |
| NSE       | : BOMDYEING |
| BSE       | : 500020    |

## Market Data

|                      |           |
|----------------------|-----------|
| 52 Wk Range (₹)      | : 59 / 87 |
| Shares in Issue (mn) | : 206.5   |
| Mkt. Cap (₹ bn)      | : 12.98   |
| BSE 2 Wk Avg Vol     | : 165000  |

## Share Holding Pattern (%)

|           |         |
|-----------|---------|
| Promoters | : 52.35 |
| FIIs      | : 7.05  |
| DIIIs     | : 9.69  |
| Others    | : 30.91 |

## Previous Report

Recommended Accumulate on Jan 03, 2015 at Rs 68 reached target of 20% appreciation on Feb 02, 2015

## Investment Theme

Bombay Dyeing has entered in the real estate space. It has formed a real estate arm, Bombay Realty, which will not only develop but also undertake the real estate projects but also develop the land bank of 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 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. And recommend a buy rating.

**Construction of New Stories**

## Financial Statements

## Income Statement

(₹ mn)

| Year end             | Mar 12   | Mar 13   | % Chg    | Mar 14   | % Chg     |
|----------------------|----------|----------|----------|----------|-----------|
| Total Sales + Excise | 23566.8  | 24579.5  | 4.30     | 27867.8  | 13.38     |
| Other Income         | 458.9    | 452.6    | (1.37)   | 359.0    | (20.68)   |
| Change in Stocks     | 5181.1   | (3305.8) | (163.80) | (5460.9) | 65.19     |
| Raw Material Con.    | 13051.1  | 12437.9  | (4.70)   | 14517.9  | 16.72     |
| Employee Exp.        | 842.1    | 992.1    | 17.81    | 933.0    | (5.96)    |
| Indirect Taxes       | 1215.0   | 1343.8   | 10.60    | 1390.6   | 3.48      |
| Other Exp.           | 12574.8  | 5076.6   | (59.63)  | 4723.6   | (6.95)    |
| Operating Exp.       | 22501.9  | 23156.2  | 2.91     | 27026.0  | 16.71     |
| Operating Profit     | 1064.9   | 1423.3   | 33.66    | 841.8    | (40.86)   |
| Total Interest       | 1834.8   | 1747.4   | (4.76)   | 2473.9   | 41.58     |
| Gross Profit         | (311.0)  | 128.5    | (141.32) | (1273.1) | (1090.74) |
| Net Dep.             | 593.2    | 719.5    | 21.29    | 672.0    | (6.60)    |
| Total Taxation       | 155.0    | 221.1    | 42.65    | 88.0     | (60.20)   |
| Net Profit/Loss      | (1059.2) | (812.1)  | (23.33)  | (2033.1) | 150.35    |

## 4 Years Balance Sheet

(₹ mn)

| Balance Sheet as on 31 <sup>st</sup> | Mar 11          | Mar 12          | Mar 13          | Mar 14          |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>SOURCES OF FUNDS</b>              | <b>15,902.3</b> | <b>17,158.3</b> | <b>17,191.4</b> | <b>19,076.3</b> |
| Equity Share capital                 | 405.4           | 413.1           | 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                   | 3,088.2         | 3,732.3         | 4,248.2         | 4,289.4         |
| Long Term Loans                      | 10,081.7        | 10,134.2        | 8,913.2         | 9,452.7         |
| Short Term Loans                     | 2,327.0         | 2,878.7         | 3,616.9         | 4,921.1         |
| <b>USES OF FUNDS</b>                 | <b>15,902.3</b> | <b>17,158.3</b> | <b>17,191.4</b> | <b>19,076.3</b> |
| Gross Block                          | 11,901.4        | 12,785.8        | 13,186.8        | 13,159.7        |
| Less : Revaluation Reserves          | 7,788.3         | 13,778.6        | 12,209.5        | 9,933.0         |
| Less : Accumulated Depreciation      | 2,928.1         | 3,491.6         | 4,107.3         | 4,582.2         |
| Net Block                            | 1,185.0         | (4,484.4)       | (3,130.0)       | (1,355.5)       |
| Capital Work in Progress             | 1,965.2         | 1,020.4         | 1,269.1         | 1,533.9         |
| Investments                          | 601.9           | 559.6           | 559.6           | 559.6           |
| Current Assets                       | 16,572.9        | 26,300.1        | 28,299.4        | 28,323.2        |
| Less : Current Liabilities           | 4,422.7         | 6,310.6         | 9,887.7         | 10,066.6        |
| Total Net Current Assets             | 12,150.2        | 19,989.5        | 18,411.7        | 18,256.6        |
| Misc. Expenses not written           | 0.0             | 73.2            | 81.0            | 81.7            |
| <b>NOTE</b>                          |                 |                 |                 |                 |
| Bk Val Unquoted Investments          | 601.9           | 559.6           | 559.6           | 559.6           |
| Mkt Val. Quoted Investments          | 0.0             | 0.0             | 0.0             | 0.0             |
| Contingent Liabilities               | 2,449.5         | 3,127.1         | 3,084.1         | 3,508.4         |
| Dividend (%)                         | 35              | 50              | 50              | 40              |

## Quarterly Income Sheets

(₹ mn)

| Quarter Ended         | Jun 14  | Sep 14  | Dec 14  | Mar 15  |
|-----------------------|---------|---------|---------|---------|
| Net Sales             | 5544.0  | 5505.4  | 5154.9  | 7578.4  |
| Cost Of Sales         | 5528.7  | 5312.5  | 5161.7  | 5106.5  |
| Operating Profit      | 15.3    | 192.9   | (6.8)   | 2471.9  |
| Recurring Income      | 114.1   | 151.4   | 48.4    | 235.2   |
| Adjusted PBDIT        | 129.4   | 344.3   | 41.6    | 2707.1  |
| Financial Expenses    | 543.4   | 566.9   | 589.8   | 572.1   |
| Depreciation          | 122.3   | 121.7   | 111.1   | 113.1   |
| Other Write Offs      | 0.0     | 0.0     | 0.0     | 0.0     |
| Adjusted PBT          | (536.3) | (344.3) | (659.3) | 2021.9  |
| Tax Charges           | 0.0     | 0.0     | 0.0     | 103.8   |
| Adjusted PAT          | (536.3) | (344.3) | (659.3) | 1918.1  |
| Non Recurring Items   | 0.0     | 0.0     | 0.0     | (132.6) |
| Other Non Cash Adjust | 0.0     | 0.0     | 0.0     | 0.0     |
| Net Profit            | (536.3) | (344.3) | (659.3) | 1785.5  |

## 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 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.
- Recent hike in Inflation will probably restrict RBI from further cuts in policy rates. This could have impact on overall financial cost as well as sluggish demand in real estate division. The current scenario of Real Estate is also not too good.

## 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. This stock has never dissappointed us even in our previous recommendations and therefore we once again recommend a Buy rating on this stock.

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### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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