

Bombay Dyeing

₹ 41

*The Phoenix wil Rise again !***Buy**

Feb 12, 2016

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

- ➔ Real Estate Investment Trusts (REITs) which are expected soon would infuse a large pool of money into the real estate sector by which small investors can participate. Currently, the participation is by NRIs, HNIs & institutions. Further important events like lowering interest rates, RBI offering incentives for infrastructure financing, relaxation of FDI norms in construction are positive.
- ➔ The fall of crude would also benefit the Polyester business as crude is one of the major raw materials required for Polyester.
- ➔ There is a growing trend among modern home buyers and existing owners on spending more to improve home interiors. More people are spending on changing the look and feel on a regular basis by adding lifestyle accessories and soft furnishings.

Key Financials

Year Ended 31 st	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	23,752.5	26,959.2	24,332.8
Rev. growth (%)	3.96	13.50	(9.74)
EBITDA (INR mn)	1,876.3	1,203.8	(37.8)
Net profit (INR mn)	(812.1)	(2,033.1)	(3,266.8)
Shares outstanding (mn)	206.5	206.5	206.5
EPS (INR)	(3.9)	(9.8)	(15.8)
EPS growth (%)	(84.66)	150.35	60.68
P/E (x)	(22.33)	(5.62)	(4.04)
RONW (%)	(19.98)	(44.31)	(72.19)
ROCE (%)	(5.06)	(11.29)	(16.31)

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Info Codes

Reuters	: BDYN.BO
Bloomberg	: BD@IN
NSE	: BOMDYEING
BSE	: 500020

Market Data

52 Wk Range (₹)	: 40 / 94
Shares in Issue (mn)	: 206.5
Mkt. Cap (₹ bn)	: 8.46
BSE 2 Wk Avg Vol	: 191000

Share Holding Pattern (%)

Promoters	: 53.67
Public	: 46.33
Others	: 00.00

Past Performance

Recommended BUY at 68 on Jun 19, 2015 reached Target of 20% appreciation on Jul 06, 2015. Appreciated 38% within 45 days.

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.

**Take benefits from the
Tumble & Bounce back game !**

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	24,579.5	27,867.8	13.4	25,040.5	(10.1)
Other Income	452.6	352.8	(22.1)	494.4	40.1
Change in Stocks	(3,305.8)	(5,460.9)	65.2	493.5	(109.0)
Raw Material Con.	12,437.9	14,517.9	16.7	13,216.5	(9.0)
Employee Exp.	992.1	933.0	(6.0)	882.3	(5.4)
Indirect Taxes	1,343.8	1,390.6	3.5	1,477.6	6.3
Other Exp.	5,076.6	4,717.4	(7.1)	10,489.8	122.4
Operating Exp.	23,156.2	27,019.8	16.7	25,572.7	(5.4)
Operating Profit	1,423.3	848.0	(40.4)	(532.2)	(162.8)
Total Interest	1,747.4	2,473.9	41.6	2,510.6	1.5
Gross Profit	128.5	(1,273.1)	(1,090.7)	(2,548.4)	100.2
Net Dep.	719.5	672.0	(6.6)	614.6	(8.5)
Total Taxation	221.1	88.0	(60.2)	103.8	18.0
Net Profit/Loss	(812.1)	(2,033.1)	150.4	(3,266.8)	60.7

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 12	Mar 13	Mar 14	Mar 15
SOURCES OF FUNDS	17,158.3	17,191.4	19,076.3	22,000.3
Equity Share capital	413.1	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	3,732.3	4,248.2	4,289.4	4,326.9
Long Term Loans	10,134.2	8,913.2	9,431.4	13,503.2
Short Term Loans	2,878.7	3,616.9	4,942.4	3,757.1
USES OF FUNDS	17,158.3	17,191.4	19,076.3	22,000.3
Gross Block	12,785.8	13,186.8	13,159.7	13,566.7
Less : Revaluation Reserves	13,778.6	12,209.5	9,933.0	10,982.8
Less : Accumulated Depreciation	3,491.6	4,107.3	4,582.2	5,187.1
Net Block	(4,484.4)	(3,130.0)	(1,355.5)	(2,603.2)
Capital Work in Progress	1,020.4	1,269.1	1,533.9	745.9
Investments	559.6	559.6	559.6	559.6
Current Assets	26,300.1	28,299.4	28,323.2	31,669.4
Less : Current Liabilities	6,310.6	9,887.7	10,066.6	8,499.6
Total Net Current Assets	19,989.5	18,411.7	18,256.6	23,169.8
Misc. Expenses not writtenoff	73.2	81.0	81.7	128.2
NOTE				
Bk Val Unquoted Investments	559.6	559.6	559.6	559.6
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	3,127.1	3,084.1	3,508.5	3,383.1
Dividend (%)	50.0	50.0	40.0	40.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 15	Jun 15	Sep 15	Dec 15
Net Sales	7,578.4	4,047.1	4,389.9	3,355.5
Cost Of Sales	5,106.5	3,886.2	4,450.4	3,458.8
Operating Profit	2,471.9	160.9	(60.5)	(103.3)
Other Income	235.2	40.2	144.6	147.5
Adjusted PBDIT	2,707.1	201.1	84.1	44.2
Financial Expenses	572.1	628.0	667.6	745.8
Depreciation	113.1	106.8	72.9	79.9
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	2,021.9	(533.7)	(656.4)	(781.5)
Tax Charges	103.8	0.0	0.0	0.0
Adjusted PAT	1,918.1	(533.7)	(656.4)	(781.5)
Non Recurring Items	(132.6)	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	1,785.5	(533.7)	(656.4)	(781.5)

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.
- The recent global events have put doubts in the minds of investors worldwide about the global economic recovery. A further downward movement of Global 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.
- Excessive supply of 'luxury residences' in the Central Mumbai area by competing developers might impact the project profitability negatively. Tepid global economic recovery, fiscal deficit and adverse monetary policies could also delay the proposed reforms and impact the real estate industry in general and the Company's projects in particular.

Bombay Dye

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. It has also been seen that the price of the stock has bounced back usually after a steep correction. Therefore we 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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