

Suryajyoti Spinning Mills Ltd.

Key Stock Indicators

| | | | | | |
|------------------------|------------|--|-----------|-------------------------------------|---------|
| NSE Ticker : | SURYAJYOTI | CMP as on 23 Jun 2011-Rs/share : | 28.5 | Shares outstanding (mn) : | 18.5 |
| Bloomberg Ticker : | SJSM:IN | 52 week range up to 23 Jun 2011 (Rs)(H/L) : | 64.6/23.5 | Free Float (%) : | 60.7 |
| Face value per share : | 10.0 | Market Cap as on 23 Jun 2011 (Rs mn) : | 526 | Average daily volumes (12 months) : | 152,596 |
| Div.Yield (%) : | 0.0 | Enterprise Value as on 23 Jun 2011 (Rs mn) : | 3,078 | Beta (2 year) : | 1.0 |

Suryajyoti Spinning Mills (SSML) was incorporated in May 1983. Promoted by Mr L. N. Agarwal, Mr B. N. Agarwal and others, it is the flagship company of the Suryalakshmi group. The main object of the company is to manufacture cotton, blended yarn and fabrics.

KEY HIGHLIGHTS

Opened weaving & processing unit in FY10

In FY10, the company set up a weaving and processing unit in technical collaboration with Pangea SRL, an Italian firm, at Kucherkal in Mahabubnagar district of Andhra Pradesh. The unit has capacity to manufacture 20 mn metres of fabric per annum. It commenced commercial production from October 1, 2009. The unit produces innerwear fabric having both special and normal finishes. The fabric manufactured would be sold in India and overseas under a brand name "Pangea Fabrics". SSML has three other spinning units in Andhra Pradesh, with an installed capacity of 86,560 spindles.

Exports contributed ~42% of FY10 revenue

The company mainly exports medium and fine combed cotton yarn, synthetic yarn and speciality fabric. The company mainly exports to Latin America, Europe and the Far East. In FY10, SSML exported yarn worth Rs 1.12 bn. Of this, yarn worth at Rs 27.5 mn was exported through third parties. Including yarn procured from outside, the company achieved export turnover of Rs 1.18 bn in FY10, compared with export turnover of Rs 1.02 bn during the previous year, a growth of 16% year-on-year. Exports contributed ~42% to revenues in FY10.

KEY RISKS

- Volatility in price of cotton, the main raw material in the manufacturing of cotton yarn and fabric
- Exposed to currency fluctuations — exports contributed ~42% to FY10 revenue
- Competitive threat to India from low-cost manufacturing countries like Korea, Taiwan, Bangladesh, Sri Lanka and Vietnam.

Stock Performances vis-à-vis market

| | Returns | | | |
|------------|---------|-----|-----|------|
| | YTD | 1-m | 3-m | 12-m |
| SURYAJYOTI | 16 | -16 | -35 | 16 |
| NIFTY | 1 | -1 | -3 | 0 |

Note:

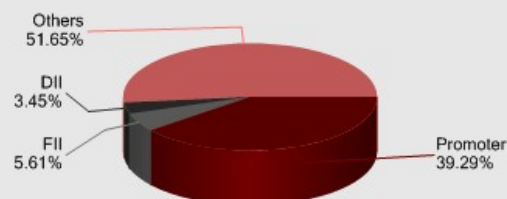
- 1) YTD returns are since Apr 1, 2010 to Jun 23, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Jun 23, 2011

Key Financial Indicators

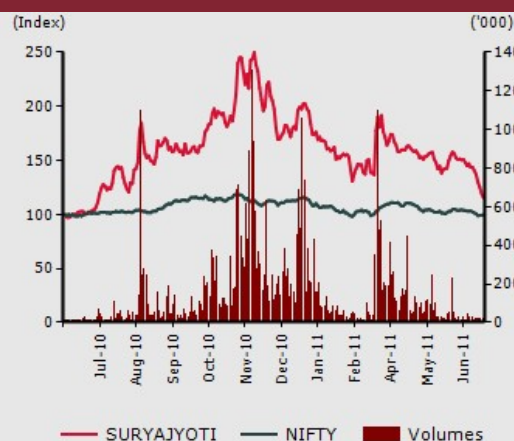
| | MAR-08 | MAR-09 | MAR-10 |
|--------------------|---------|---------|---------|
| Revenue (Rs mn) | 2,051.6 | 2,104.9 | 2,697.1 |
| EBITDA margins (%) | 10.6 | 10.5 | 11.0 |
| PAT (Rs mn) | 77.7 | 30.1 | 36.6 |
| PAT margins (%) | 3.8 | 1.4 | 1.4 |
| Gearing (x) | 3.1 | 3.4 | 3.6 |
| EPS (Rs/share) | 5.5 | 1.9 | 2.3 |
| PE (x) | 6.6 | 5.0 | 12.6 |
| P/BV (x) | 0.9 | 0.2 | 0.6 |
| RoCE (%) | 6.7 | 5.5 | 5.7 |
| RoE (%) | 13.8 | 4.7 | 5.3 |
| EV/EBITDA (x) | 9.9 | 10.5 | 10.2 |

n.m. : Not meaningful

Shareholding (As on March 31, 2011)



Indexed price chart



Suryajyoti Spinning Mills Ltd.

BACKGROUND

Incorporated in May 1983, SSML started with 5,040 spindles in 1992. It is the flagship company of the Suryalakshmi group. It is promoted by Mr. L. N. Agarwal, Mr. B. N. Agarwal and others. SSML manufactures cotton, synthetic and blended yarn and cotton and fabrics. The company has four spinning units and one unit for fabric manufacturing at Andhra Pradesh. The company produces high quality yarn from cotton, polyester spun, poly viscose blend, poly cotton blend and 100% viscose spun, which is exported to Latin America, Europe and the Far East. Exports contributed ~42% to total revenue in FY10. The company has an "Export Trading House" status for its cotton yarn and fabrics products. It has grown from an installed capacity of 5,040 spindles in 1992 to 86,560 spindles and 20 mn metres of weaving and processing capacity in FY10. The company has a technical collaboration with Pangea SRL of Italy.

COMPETITIVE POSITION

Peer Comparison

| | Suryajyoti Spinning Mills Ltd. Mar-10 | K.P.R. Mill Limited Mar-10 | Malwa Cotton Spinning Mills Ltd. Mar-10 | Super Spinning Mills Ltd. Mar-10 | Suryalakshmi Cotton Mills Ltd. Mar-10 |
|--------------------|---------------------------------------|----------------------------|---|----------------------------------|---------------------------------------|
| Revenue (Rs mn) | 2,697.1 | 8,340.8 | 4,330.6 | 3,950.0 | 4,353.3 |
| EBITDA margins (%) | 11.0 | 19.7 | 2.9 | 11.5 | 12.4 |
| PAT (Rs mn) | 36.6 | 504.4 | -172.5 | 8.1 | 34.6 |
| PAT margins (%) | 1.4 | 6.0 | -4.0 | 0.2 | 0.8 |
| Gearing (x) | 3.6 | 0.9 | 108.7 | 2.4 | 2.7 |
| EPS (Rs/share) | 2.3 | 13.4 | -23.5 | 0.1 | 2.3 |
| PE (x) | 12.6 | 8.7 | n.m. | 52.7 | 30.5 |
| P/BV (x) | 0.6 | 0.8 | 11.2 | 0.4 | 0.9 |
| RoCE (%) | 5.7 | 9.0 | 4.1 | 7.0 | 6.9 |
| RoE (%) | 5.3 | 9.6 | n.m. | 0.9 | 3.3 |
| EV/EBITDA (x) | 10.2 | 5.1 | 22.1 | 5.3 | 6.9 |

n.m: Not meaningful

FINANCIAL PROFILE

Top line, bottom line and EBITDA margin increase in FY10

Top line increased ~28.1% year-on-year to Rs 2.69 bn in FY10 from Rs 2.10 bn in FY09. Increase in revenue was primarily on account of increase in sales volume of yarn to 16,975 tonnes from 16,103 tonnes in FY09.

EBITDA margin increased ~50 basis points to 11% in FY10. This was largely on account of decrease in total expenses as a percentage of sales.

PAT increased ~21.7% and stood at Rs 36.6 mn in FY10, as against Rs 30.1 mn in FY09, mainly on account of higher EBITDA.

INDUSTRY PROFILE

Textiles

The textiles sector includes the apparel, home textiles, and technical textiles segments. The industry contributes around 4 per cent to India's GDP and is also one of the major sources of export earnings for the country. The industry is expected to grow at a CAGR of 7-8 per cent, in volume terms, over the next 5 years, with the domestic market expected to be the main driver. This growth would be driven by growing urbanisation, increasing penetration of organised retail, increasing brand and fashion consciousness, and increasing number of working women. The industry, with the exception of manmade fibre intermediates, is characterised by the presence of small and fragmented units across the value chain. Policy reforms such as de-reservation of garment manufacturing after 2004-05 and provision of investment support under the Technology Upgradation Fund Scheme (TUFS) have been introduced to bring in consolidation and induce technological development in the industry in order to improve global competitiveness. Economies of scale, technology modernisation, level of integration across the value chain, value addition in products manufactured, and raw material sourcing abilities are key differentiating factors across players in the industry.

Key Financial Indicators

| | Units | Mar-08 | Mar-09 | Mar-10 |
|----------------|------------|---------|---------|---------|
| Revenue | Rs million | 2,051.6 | 2,104.9 | 2,697.1 |
| EBITDA margins | Per cent | 10.6 | 10.5 | 11.0 |
| PAT | Rs million | 77.7 | 30.1 | 36.6 |
| PAT margins | Per cent | 3.8 | 1.4 | 1.4 |
| Revenue growth | Per cent | 23.5 | 2.6 | 28.1 |
| EBITDA growth | Per cent | 0.5 | 2.3 | 33.5 |
| PAT growth | Per cent | -22.8 | -61.3 | 21.7 |
| Gearing | Times | 3.1 | 3.4 | 3.6 |
| RoCE | Per cent | 6.7 | 5.5 | 5.7 |
| RoE | Per cent | 13.8 | 4.7 | 5.3 |

ANNUAL RESULTS

Income statement

| (Rs million) | Mar-08 | Mar-09 | Mar-10 |
|-------------------------|----------------|----------------|----------------|
| Net Sales | 2,051.0 | 2,102.3 | 2,696.3 |
| Operating Income | 2,051.6 | 2,104.9 | 2,697.1 |
| EBITDA | 217.1 | 222.0 | 296.3 |
| EBITDA Margin | 10.6 | 10.5 | 11.0 |
| Depreciation | 76.4 | 81.0 | 116.6 |
| Interest | 49.5 | 104.7 | 128.5 |
| Other Income | 14.4 | 12.6 | 4.0 |
| PBT | 105.5 | 49.0 | 55.2 |
| PAT | 77.7 | 30.1 | 36.6 |
| PAT Margin | 3.8 | 1.4 | 1.4 |
| No. of shares (Mn No.) | 14.1 | 16.1 | 16.1 |
| Earning per share (EPS) | 5.5 | 1.9 | 2.3 |

Cash flow

| (Rs million) | Mar-08 | Mar-09 | Mar-10 |
|--|---------------|---------------|---------------|
| Pre-tax Profit | 105.5 | 49.0 | 55.2 |
| Total tax paid | -12.6 | -6.8 | -9.5 |
| Depreciation | 76.4 | 81.0 | 116.6 |
| Change in working capital | -54.2 | 228.3 | -264.5 |
| Cash flow from operating activities | 115.1 | 351.5 | -102.2 |
| Capital expenditure | -523.4 | -937.7 | -277.6 |
| Investments and others | 0.1 | 0.5 | -1.9 |
| Cash flow from investing activities | -523.4 | -937.2 | -279.5 |
| Equity raised/(repaid) | 0.0 | 76.2 | 0.0 |
| Debt raised/(repaid) | 326.7 | 423.2 | 295.5 |
| Dividend (incl. tax) | -9.9 | 0.0 | 0.0 |
| Others (incl. extraordinary) | 1.3 | -32.1 | 0.0 |
| Cash flow from financing activities | 318.1 | 467.3 | 295.5 |
| Change in cash position | -90.2 | -118.4 | -86.2 |
| Opening cash | 314.2 | 223.9 | 105.5 |
| Closing cash | 223.9 | 105.5 | 19.4 |

n.m.: Not meaningful

QUARTERLY RESULTS

Profit and loss account

| (Rs million) | Mar-11 | % of Rev | Mar-10 | % of Rev | Dec-10 | % of Rev |
|----------------|----------------|--------------|--------------|--------------|----------------|--------------|
| No of Months | 3 | | 3 | | 3 | |
| Revenue | 1,290.7 | 100.0 | 839.2 | 100.0 | 1,047.3 | 100.0 |
| EBITDA | 157.2 | 12.2 | 86.6 | 10.3 | 163.1 | 15.6 |
| Interest | 64.5 | 5 | 46.0 | 5.5 | 59.0 | 5.6 |
| Depreciation | 50.9 | 3.9 | 30.5 | 3.6 | 46.5 | 4.4 |
| PBT | 57.9 | 4.5 | 10.1 | 1.2 | 57.6 | 5.5 |
| PAT | 57.9 | 4.5 | 10.1 | 1.2 | 57.6 | 5.5 |

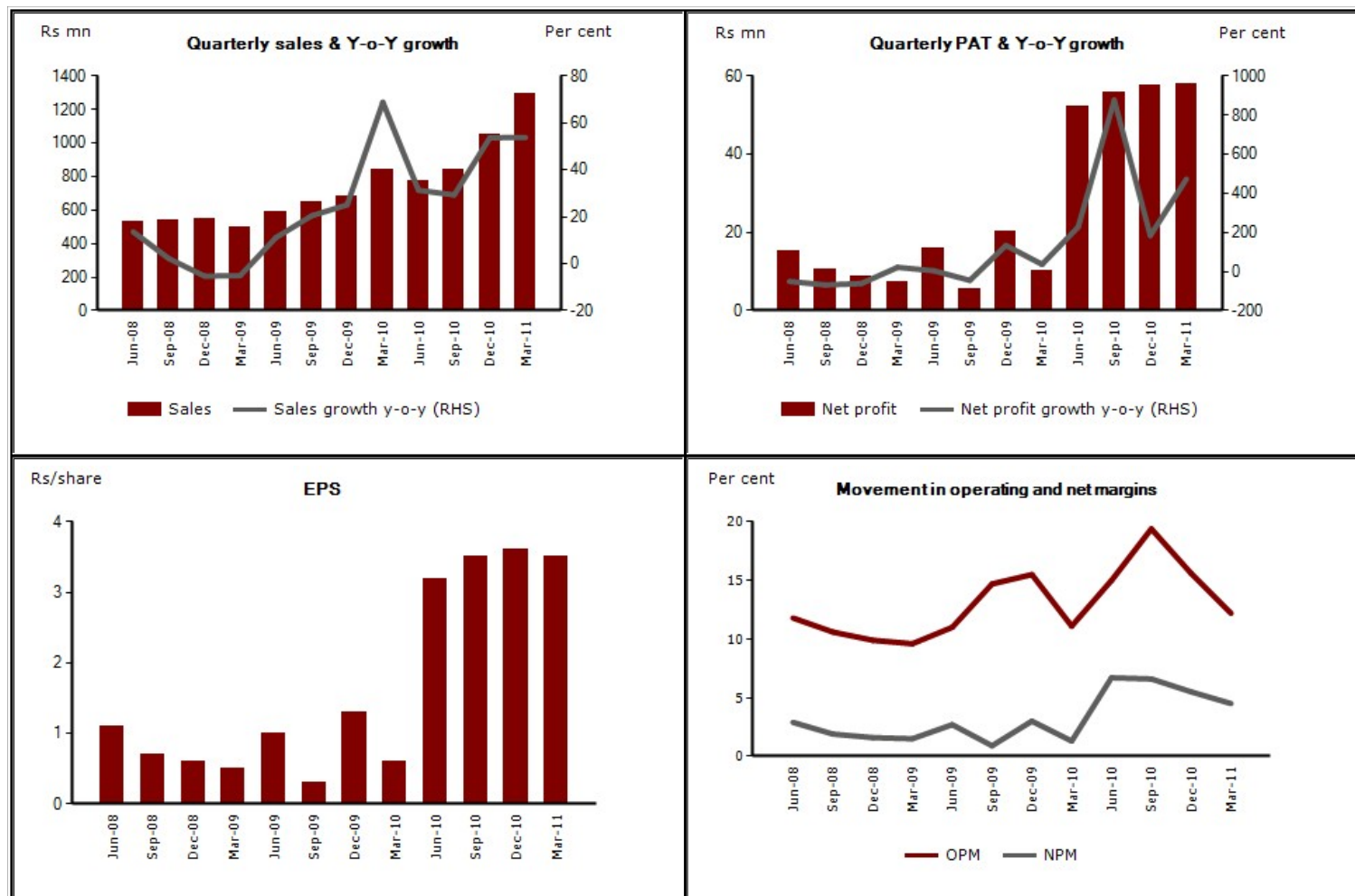
Balance Sheet

| (Rs million) | Mar-08 | Mar-09 | Mar-10 |
|---------------------------------|----------------|----------------|----------------|
| Equity share capital | 141.5 | 161.5 | 161.5 |
| Reserves and surplus | 456.8 | 511.0 | 547.5 |
| Tangible net worth | 598.3 | 672.4 | 709.0 |
| Deferred tax liability: asset | 66.5 | 78.6 | 87.7 |
| Long-term debt | 1,524.5 | 1,869.6 | 1,955.7 |
| Short-term-debt | 328.7 | 406.9 | 616.2 |
| Total debt | 1,853.2 | 2,276.4 | 2,571.9 |
| Current liabilities | 166.2 | 403.0 | 431.0 |
| Total provisions | 14.7 | 0.0 | 1.4 |
| Total liabilities | 2,698.9 | 3,430.4 | 3,801.0 |
| Gross block | 1,705.0 | 1,741.2 | 3,367.6 |
| Net fixed assets | 1,722.1 | 2,578.7 | 2,739.7 |
| Investments | 0.7 | 0.2 | 2.1 |
| Current assets | 976.1 | 851.5 | 1,059.3 |
| Receivables | 279.9 | 267.5 | 271.0 |
| Inventories | 253.9 | 240.9 | 492.1 |
| Cash | 223.9 | 105.5 | 19.4 |
| Total assets | 2,698.9 | 3,430.4 | 3,801.1 |

Ratios

| | Mar-08 | Mar-09 | Mar-10 |
|-------------------------------|--------|--------|--------|
| Revenue growth(%) | 23.5 | 2.6 | 28.1 |
| EBITDA growth(%) | 0.5 | 2.3 | 33.5 |
| PAT growth(%) | -22.8 | -61.3 | 21.7 |
| EBITDA margins(%) | 10.6 | 10.5 | 11.0 |
| Tax Rate(%) | 12.0 | 13.8 | 17.2 |
| PAT margins(%) | 3.8 | 1.4 | 1.4 |
| Dividend payout(%) | 10.9 | - | - |
| Dividend per share(Rs) | 0.6 | - | - |
| BV(Rs) | 42.3 | 41.6 | 43.9 |
| Return on Equity(%) | 13.8 | 4.7 | 5.3 |
| Return on Capital employed(%) | 6.7 | 5.5 | 5.7 |
| Gearing(x) | 3.1 | 3.4 | 3.6 |
| Interest coverage(x) | 4.4 | 2.1 | 2.3 |
| Debt/EBITDA(x) | 8.5 | 10.3 | 8.7 |
| Asset turnover(x) | 1.3 | 1.2 | 1.1 |
| Current ratio(x) | 1.9 | 1.1 | 1.0 |
| Gross current assets(days) | 173 | 147 | 143 |

FOCUS CHARTS AND TABLES



Shareholding pattern (Per cent)

| | Jun 2010 | Sep 2010 | Dec 2010 | Mar 2011 |
|-----------|----------|----------|----------|----------|
| Promoters | 39.2 | 39.2 | 35.5 | 39.3 |
| FII | 6.4 | 6.4 | 6.4 | 5.6 |
| DII | 4.0 | 4.0 | 4.0 | 3.5 |
| Others | 50.5 | 50.5 | 54.1 | 51.7 |

Board of Directors

| Directors Name | Designation |
|-----------------------------|--------------------------------------|
| Ravinder Kumar Agarwal | Managing Director, Promoter-Director |
| Arun Kumar Agarwal | Promoter-Director |
| Nageswara Rao Akkineni | Non-Executive Director |
| Ankit Jain | Non-Executive Director |
| Harishchandra Prasad Kanuri | Non-Executive Director |
| Sanjeev Mitla | Non-Executive Director |

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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