

### Company Details

CMP:	Rs.205.65
Face value:	Rs.5
Market cap:	Rs.2106.98 Crs.
TTM EPS	Rs.22.01
52 week high:	Rs.444.35
52 week low:	Rs.210.9
BSE Code:	514043
Sector	Textiles

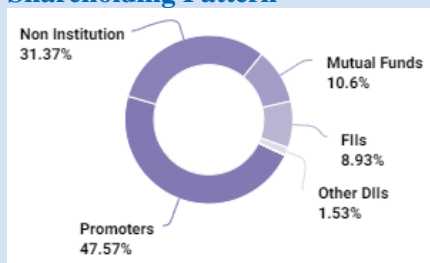
### Financial Highlights (YoY)

Rs. in crores			
	FY18	FY17	% Var
Net Sales	2249.06	2138.41	5.2%
Total Expendit	1800.46	1760.71	2.3%
PBDIT	448.60	377.70	18.8%
Op.Profit	466.23	390.89	19.3%
OPM (%)	20.7%	18.3%	13.4%
PBT	290.48	239.35	21.4%
PAT	201.64	182.10	10.7%
EPS (Rs.)	20.48	18.49	10.7%
Equity	49.23	49.23	0.0%

### Quarterly Performance (YoY)

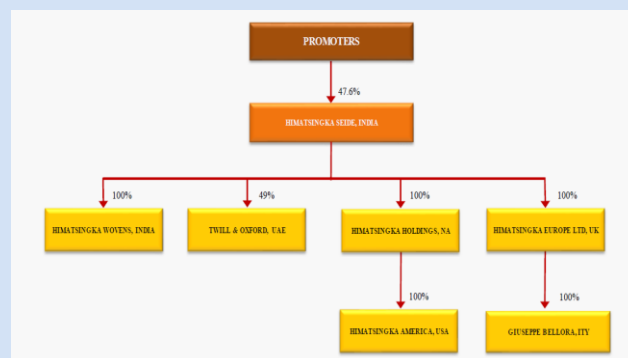
Rs. in crores			
	Q2FY19	Q2FY18	% Var
Net Sales	665.96	578.50	15.1%
Total Expe	544.76	479.04	13.7%
PBDIT	121.20	99.46	21.9%
Op.Profit	154.13	113.23	36.1%
OPM (%)	23.1%	19.6%	18.2%
PBT	87.20	70.65	23.4%
PAT	52.73	50.56	4.3%
EPS (Rs.)	5.36	5.14	4.3%

### Shareholding Pattern



### Company Background

**Himatsingka Seide Ltd.**, a Bangalore based company, incorporated in 1985, is engaged in manufacturing, retailing and distribution of home textile products. Apart from India, it has got retail and distribution networks across North America, Europe and the Asia. With 2 manufacturing plants spread over 400 acres and 6000 employees, the company is world's largest integrated sheeting (Current capacity at 46MMPA) and Terry towel (under construction Capacity of 25,000 tonnes per annum) producer.



The Global textiles and apparel trade for 2017 stood at USD 752 billion (USD 729 billion in 2016) and has witnessed a CAGR of 2.5% from 2007 to 2017. The Global textiles and apparel trade is expected to grow at a CAGR of approx. 4.5-5.5%. The size of Indian textile and garment market in 2017 was approx. USD 150 billion, and is expected to grow to USD 223 billion by 2021, at a CAGR of 10.4% between 2016-21. India and China

contribute approx. 50% of the global cotton output. Over the year, India's production has been rising. As a result, India has surpassed China as world largest producer of cotton.

### Financial Performance

The company had reported Net sales of Rs. 665.96 crores in Q2FY19 higher by 15.1% against Rs. 578.50 crores in Q2FY18, while Operating profit was at Rs.154.13 crores in Q2FY19 up by 36.1% against the same quarter last year. The consolidated operating profit margin improved to 23.1%, as compared to 19.6% in corresponding quarter in the previous year, an increase of 350bps. The EPS grew by 4.3% at Rs 5.36 in Q2FY19.

### Investment Rationale

- **Iconic Brand portfolio;** the company is amongst the top producers globally of luxury Drapery and Upholstery fabrics for residential and contract applications with over 12 licensed and own brands; i.e Calvin Klein, Kate Sapde, Tommy Hilfiger, Bellora, Atmosphere, Barbara Barry and others. **It earns 75% revenue from sale of branded products.**
- **Strong Client base;** like Oberoi Hotels & Resorts, Bed bath & beyond, Taj, Marshalls, Amazon.com etc.
- The company has setup of new plant which will yield benefit to it by having quality control over yarn production and raw material savings.
- **Sweating Assets;** the company has maintained its **RoCE above 13%, ROE above 17% & comfortable levels of margin** compared to its peer group.
- **Focus on European Market;** the management expects pockets of buoyancy in US and Canada but at the same time continues to make efforts to enhance its presence in the European region. **The company earns more 80% of its revenue from exports.**
- **Capex being funded by Debt and internal cash flows;** which has increased the Debt burden temporarily, as per the management guidance it will cool off in the next 2-3 years as benefit from the new plants start coming up. The Debt/Equity ratio of the company at the end of FY18 was 1.5:1 and it has maintained its interest coverage at a comfortable level of 3x .
- As on Sep 30<sup>th</sup>, 2018, the promoters hold 47.57% equity of the company, whereas FIIs and DIIs own 8.93% and 12.13% respectively, and the balance 31.37% shares are held by the public.



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## Concerns

Fluctuation in Foreign Exchange, Competition from peers and volatility in raw material prices are the main concerns.

## Valuation

The share of the Company which has declined from 52week high of Rs. 444.35 by more than 50% is trading at **TTM P/E of only 9.4x**. Keeping in view of the prospects of home furnishing textile industry, high promoter holding, ability to scale the top-line and improvement in margins, we expect the company to report **EPS of above Rs.21 for FY19 and based on PE of 13x**, we estimate the price of the scrip to appreciate to about Rs.275 over the next 6 months (price appreciation of about 30%).

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