

12 August 2013

CMP: Rs 71.5

Industry: Other Apparels & Accessories

BSE group/index: M/S&P SME IPO

Promoters

Harshad H Thakkar

Year of incorporation

2006

Corporate office

Unit No. 3-4, Ground Floor, Pacific Plaza, Plot No. 570, TPS IV, Dadar (West), Mumbai – 400 028, Maharashtra, India

Company website

www.valentineloungeweargroup.com

Investors should note that AIFL has been recently listed on 15 April 2013

Write to us at:

equity.research@outlook.com

Key Data (as on 12 August' 13)

BSE	535467	ISIN	INE428O01016
Face value (Rs)	10.0	Mkt Cap (Rs.mn)	1396.8
Current P/E	21.5	Current P/BV	7.5
52 week high-low	76.1-46.4	30 day daily trading volume(nos)	0
Equity capital (Rs.mn) (31/03/2013)	142.2	Net worth (Rs.mn) (31/03/2013)	187.4

Company business

Ashapura Intimates Fashion Limited ('AIFL' or 'the company') is in the business of designing, branding, marketing and retailing intimate garments such as loungewear, bridal night wear, honeymoon sets, bathrobes and night wear under the brand name 'Valentine' – the flagship brand, 'N-Line' and 'Night & Day' since incorporation.

In 2011, the company expanded its portfolio by adding other intimate garments such as sportswear, women's innerwear including lingerie marketed and distributed under the brand "Valentine Sportswear", "Valentine Secret Skin" & "Valentine Pink" respectively.

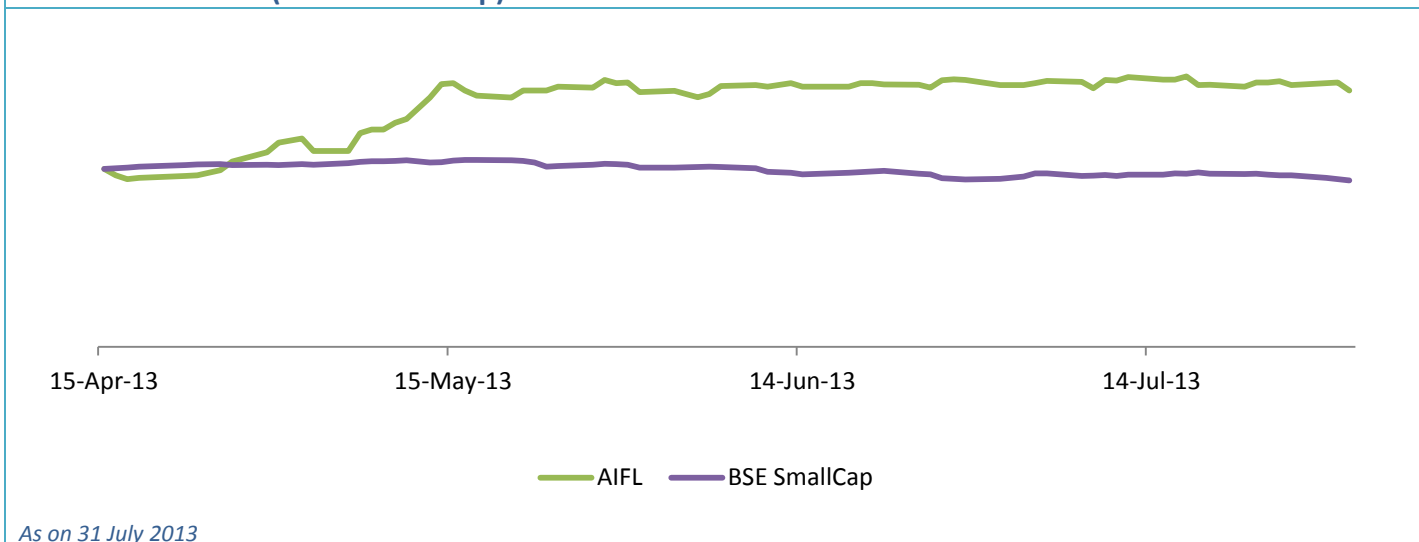
Promoter Harshad Thakkar is the chairman and managing director and Darshana H Thakkar (wife of Harshad Thakkar) is the whole time director of the company. The company is based in Mumbai, with its warehousing facility at Thane, Maharashtra.

Peer group analysis – Standalone financials

FY12, Rs mn	AIFL	Lovable Lingerie	Rupa & Co
Total income	1,018.2	1,478.1	7,255.0
EBIDTA	95.9	298.1	874.0
EBIDTA margin (%)	9.4	20.2	12.0
PBT	52.3	277.2	602.0
PAT	34.1	216.5	415.2
PAT margin (%)	3.3	14.6	5.7
EPS	64.3	12.9	5.2
Cash accruals	38.8	231.5	475.8
BV/share	206.8	94.6	24.0
Debt/EBIDTA (x)	3.6	0.1	1.9
Debt/Equity (x)	3.1	0.0	0.3
ROANW (%)	37.3	13.6	21.5
ROACE (%)	19.7	17.4	22.9
P/E	~*	20.0	31.7
P/BV	~*	2.7	6.9
Face Value	100.0	10.0	1.0

Source: Moneycontrol, Company *Not listed as on 31 March 2012

Price Performance (vs BSE small cap)



Public Shareholders with >1% holding

Sl. No.	Name of the Shareholder	No. of Shares (000's)	Shares as % of Total Shares
1	Dinesh Chanabha Sodha	900.0	4.62
2	SIDI Trustee Company Ltd A/c India Oppor.	717.0	3.68
3	Sar Capital Pvt Ltd	324.0	1.66
4	NNM Securities Pvt Ltd	264.0	1.36
5	Dharmendra Dasinbhai Parmar	216.0	1.11
6	Gangadaram Gangadhara Bhotla	216.0	1.11
Total		2637.0	13.55

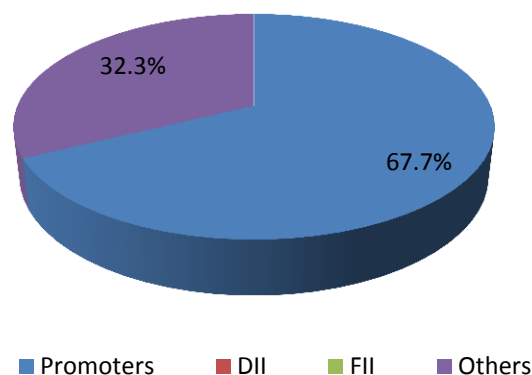
Source: BSE

Change in Shareholding Pattern (%)

Year	Promoters	DII	FII	Others
Apr-13	67.7	0.0	0.0	32.3

Source: BSE

Shareholding Pattern



Source: BSE, as at 10 April 2013

Key strengths

Well established industry

AIFL's business of retailing intimate garments is a part of the Indian apparel industry. The Indian apparel industry is expected to grow at a CAGR of about 8% from Rs 2,026 bn in FY12 to Rs 3218 bn in FY17. The primary key drivers for the expected growth being rising disposable income, increased usage of plastic money leading to impulsive buying, maturing taste and fashion sense amongst the shoppers. For FY12 the company's total income doubled to Rs 1018 mn from Rs 508 mn in FY11.

Key concerns

Competitive business

AIFL is involved in the intimate garment segment. The company may face significant competition from its competitors - organized and unorganized players along with domestic and international brands. In addition, the failure to bid its products competitively and position correctly may adversely affect its operations.

Availability of retail space

The single largest element of cost for retail brands is real estate. With the awareness of the limited availability of quality real-estate and increasing unpredictability of the per square foot rates, the cost of real-estate is always going to be a concern for retail expansions. The company plans to open 10 new EBOs in coming years.

Industry overview

Apparel Industry

Apparel industry is primarily segmented under men's wear, women's wear, boy's wear and girl's wear. The largest market in the Indian apparel industry is of men's wear followed by women's wear and boy's wear. The Indian apparel industry grew at a CAGR of 9% from Rs.1, 260 bn in FY07 to Rs.2, 074 bn in FY13 with an expectation to grow to Rs 3218 bn by 2017. Presently, the innerwear market is valued in excess of Rs 160 bn.

Indian Intimate Wear Industry

India has immense growth potential for the intimate wear industry, which is evident from the entry of large international brands in the Indian market in the last few years. This market is considered to be the fastest developing sector of the fashion industry. The organized Indian innerwear market has almost doubled in the last five years. Key factors contributing to this are, growing income levels of Indians, the increased awareness about better fits, quality, brands, colors and their changing lifestyles which has restructured the category from just an intimate wear to a fashion clothing item, at least in the urban interiors.

The intimate wear market in India can be classified into super-premium, premium, mid-market, economy and mass market segments. A major share of the intimate wear market is held by the mid-market and economy segments, in terms of both value and volume. However, due to the advent of multinational brands in the Indian market and the growth of organized retail, the premium and super-premium segment of intimate wear industry are witnessing higher growth compared to mid or low or economy segments.

Company information

Company brief

Incorporated on 17 July 2006, Ashapura Intimates Fashions Limited – 'AIFL' (formerly known as Ashapura Apparels Private Limited) falls under the intimate apparels industry. The company designs, markets and distributes its branded products through an established retail network of 75 distributors (including overseas distributors), 10 C&F agents and through tie ups with various multi brand outlets (MBO's) namely Vijay Store Private Limited, Big Life by JDS Apparels Private Limited, Chunmun by Chunmun Stores Private Limited and La Lingerie by S&D Fashions. AIFL has an in house design studio for developing products and creating styles.

In April 2013, AIFL raised Rs 210 mn at an issue price of Rs.40 per share (face value – Rs.10 share). The proceeds from the IPO would primarily be utilized for working capital requirements, setting up of Exclusive Brand Outlets (EBOs), brand building & marketing setup, modernization of machinery, investment in a group company & others.

Currently, the company has three EBOs with plans to open 10 more at various locations in Mumbai, Navi Mumbai and Thane. These EBOs will be company owned and franchisee operated unlike the existing three which are franchisee owned and franchisee operated.

On 23 January 2013, the company entered into share subscription agreement with MAPL, which is in the business of manufacturing non-branded intimate garments, in order to acquire majority stake for a consideration aggregating to Rs 15.9 mn. The investment was financed out of the share proceeds of Rs 210 mn - IPO.

Exclusive manufacturing agreement with Momai Apparels Private Limited (MAPL) – 51% subsidiary

In addition, AIFL also entered into an exclusive manufacturing agreement with MAPL (promoter group company) for supplying non-brand products, based on specifications and design provided by AIFL, for a period of five years. Under the agreement AIFL has leased its machinery to MAPL on rent basis (Rs 84.344 p.m.) to manufacture products, on a minimal margin, exclusively for AIFL. As on 31 Mar 2012, AIFL at its manufacturing facility in Bhiwandi had an installed capacity of 0.9 mn pieces of lounge wear, 1.0 mn pieces of lingerie, 0.5 mn pieces of sports-wear, 0.5 mn pieces of slips and 0.3 mn pieces of nighties, which has now been entirely leased to MAPL.

Moreover, until now the company purchased raw materials for its products, however going forward, the same will be purchased by MAPL after AIFL's inspection which in turn will help AIFL to focus more on its branding and designing activities.

Key financial information

In FY12, the total income of the company has doubled to Rs 1018 mn from Rs 508.0 mn in FY11. EBIDTA also grew to Rs 96 mn from Rs 45 mn in FY11, in line with the company's income. During the year FY12, company's finance expenses increased substantially to Rs 39 mn from Rs 20 mn in FY11 primarily on account of increase in company's borrowings to Rs 344 mn from Rs 188 mn in FY11 primarily to fund its working capital requirements. PAT increased to Rs 34 mn from Rs 14 mn in FY11.

Financial performance FY12

For FY12, the company paid dividend of Rs 5 per equity share.

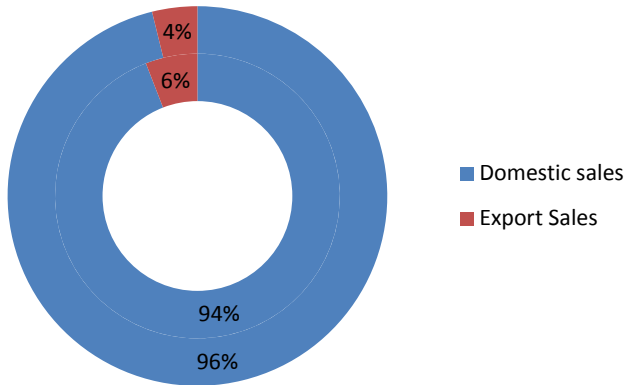
Details of increase in equity share capital:

Date of allotment /subscription	No of equity allotted	Face value	Nature of consideration	Cumulative no of equity shares	Cumulative paid up equity capital (Rs)
31 March 2010				17,005	1,700,500
24 December 2010	7530	100	Cash	24,535	2,453,500
25 March 2011	6490	100	Cash	31,025	3,102,500
1 March 2012	57452	100	Cash	88,477	8,847,700
			Bonus Issue in the ratio of		
30 March 2012	442385	100	5:1	5,30,862	53,086,200
1 October 2012	180000	100	Cash	7,10,862	71,086,200
			Bonus Issue in the ratio of		
18 October 2012	710862	100	1:1	1,421,724	142,172,400
			Sub-division of face value from		
18 October 2012	Rs 100 to Rs 10	10	Sub-division	14,217,240	142,172,400

Bonus issues and subsequent IPO

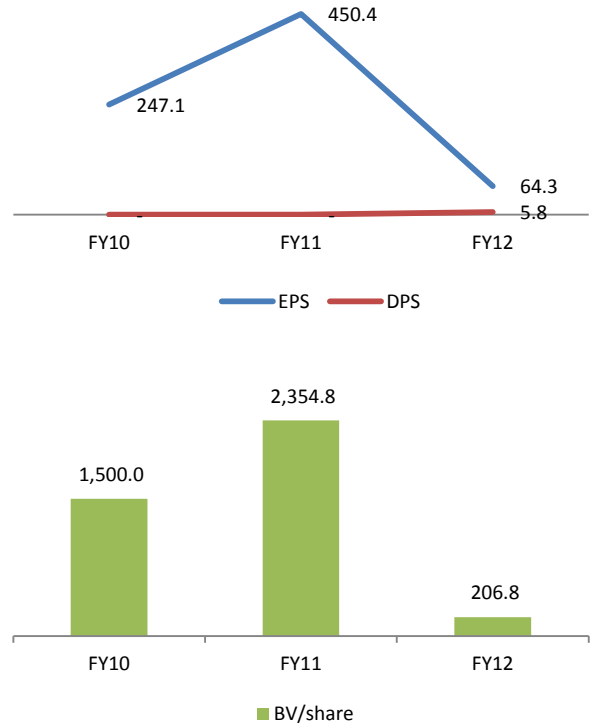
Further in April 2013 the company did an IPO by issuing 5.25 equity shares (FV Rs 10), thereby increasing its equity share capital to Rs 194.7 mn in FY13.

Segment-wise break-up towards operating revenue

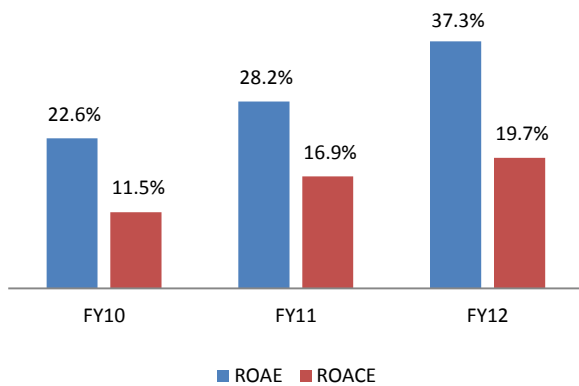


Inner ring represents FY11 data: Total income Rs 508.0 mn
Outer ring represents FY12 data: Total income Rs 1018.2 mn

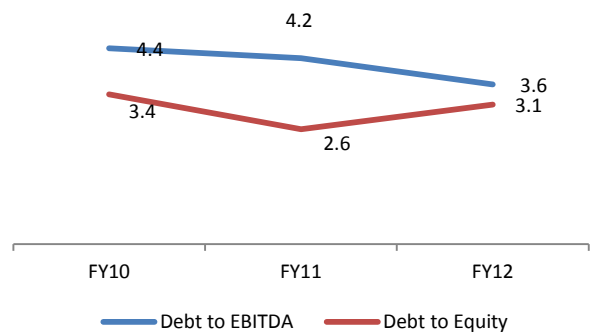
Key ratios



Profitability ratios



Leverage ratios



Financials

P&L (Rs. mn)	FY10	FY11	FY12
Total income	245.8	508.0	1,018.2
EBIDTA	19.5	45.1	95.9
EBIDTA margin (%)	7.9	8.9	9.4
Depreciation	3.1	3.1	4.7
EBIT	16.4	42.0	91.2
Interest	9.7	20.3	38.9
PBT	6.7	21.7	52.3
Tax	2.5	7.8	18.2
PAT	4.2	13.9	34.1
PAT Margin (%)	1.7	2.7	3.3
Dividend	-	-	3.1
Dividend Payout (%)	0.0	0.0	9.1

Balance Sheet (Rs. mn)	FY10	FY11	FY12
Share Capital	1.7	3.1	53.1
Reserves & Surplus	23.8	69.9	56.7
Net worth	25.5	73.0	109.8
Borrowings	85.7	188.3	343.8
Other liabilities	39.8	84.4	125.4
Total liabilities	151.0	345.7	579.0
Net fixed assets	19.7	27.8	51.9
Investments	-	-	-
Loans and Advances	2.3	3.2	3.0
Current Assets	129.0	314.7	524.1
Total assets	151.0	345.7	579.0
Face value	100.0	100.0	100.0

Cash Flow (Rs.mn)	FY10	FY11	FY12
PBT	6.7	21.7	52.3
CF from Operation	(22.0)	(99.1)	(99.7)
CF from Investment	(1.7)	(10.6)	(28.2)
CF from Financing	23.9	115.9	122.3
Inc/(dec) Cash	0.2	6.1	(5.6)
Closing Balance	0.4	6.5	0.9

Disclaimer

The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Our company shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation which may affect their investment in the securities of companies referred to in this document (including the merits and risks involved). The discussions or views expressed may not be suitable for all investors. This information is strictly confidential and is being furnished to you solely for your information.