

Cravatex Limited

Stock Performance Details

Current Price	: ` 247.8^
Face Value	: ` 10 per share
52 wk High / Low	: ` 550.0 / 215.0
Total Traded Volumes:	431 shares^
Market Cap	: ` 63.9 crore^
Sector	: Comm. Trading & Distribution
EPS (H1 FY16)	: ` 2.23 per share
Equity Share Capital	: ` 2.6 crore
P/E (TTM)	: 31.57 (x)^
P/BV (TTM)	: 1.53 (x)^
Financial Year End	: 1 st April - 31 st March
BSE Scrip Name	: CRAVATEX
BSE Scrip Code	: 509472

^ As on 19th January, 2016

Shareholding Details - September 2015

Particulars	Shareholding	
	Nos.	(%)
Promoter & Promoter Group Holding	19,38,120	75.00
Total Institutional Holdings (FII & DII)	0	0.00
Public Holdings	6,46,040	25.00
Total	25,84,160	100.00

Background

- Cravatex Limited was incorporated in 1951 by Ram Kumar Batra and is a part of The Batra Group. At first, Cravatex owned the largest chain of dyers and dry cleaners in India and subsequently diversified into Garment Export, Textile Processing and Printing. Currently, the Company has evolved into a global Retail, Brand Licensing, Distribution and Sourcing company.
- Cravatex is engaged in the distribution of health and fitness equipment for home and commercial uses in India. The Company represents several reputed international brands of fitness equipment. It offers branded sports products of Johnson, Horizon, Proline Fitness, Matrix, Polar and Mihabodytech branded fitness equipment and the Fila and Wilson. Some of the other offerings of the company include sports shoes and apparels, tennis balls, tennis rackets, and massage chairs and accessories.
- BB (UK) Ltd. is a wholly owned subsidiary of the Company headquartered in London, UK. BB UK provides end-to-end design, development and sourcing services for all Fila development within Cravatex and to other Global Licensees. BB UK also operates an exclusive Sub-License given by JD Sports PLC for the Fila brand in the UK and a Sublicense for Accessories for the whole of Europe from the brand owner.
- The Company launched Proline Fitness brand in 1996 which is a pioneer in introducing the personal range of fitness equipments to the Indian Market. The Company represents Johnson Health Tech, Taiwan one of the world's largest and fastest growing fitness equipment manufacturers as an exclusive distributor to India, Sri-Lanka and Bangladesh with a Long-term agreement and a partnership.
- Other collaborations includes distribution contract with Polar Electro, Finland who is the leader in Heart Rate Monitors and Training Computers. It also has an exclusive distribution network with MihaBodyTec, Germany a pioneer in Electro Muscular Stimulation training technologies. Cravatex has a long-term licensing agreement with the FILA brand for India, Sri Lanka, Nepal, Bhutan and Pakistan, Middle East and North Africa. It has also formed a partnership with Amer Sports, Finland for exclusive distribution rights for the Wilson Brand.
- The Company has a presence across the Indian Subcontinent, United Kingdom, Europe, North Africa and the Middle East.

Financial Snapshot

Particulars	Standalone (₹ Million)	
	H1 FY16	H1 FY15
Income Statement		
Income from Operations	870.4	909.9
Y-o-Y Growth (%)	(4.3)	7.4
EBITDA	61.9	63.6
Y-o-Y Growth (%)	(2.7)	15.6
EBITDA Margin (%)	7.1	7.0
Net Profit	5.8	8.3
Y-o-Y Growth (%)	(30.1)	(51.2)
NPM (%)	0.7	0.9
Balance Sheet		
Fixed Assets	281.0	264.3
Cash and Bank Balances	25.5	21.4
Inventories	592.3	415.6
Net Working Capital	351.9	338.1
Net Worth	422.6	408.6
Balance Sheet Ratios		
ROCE (%)	11.2	12.0
RONW (%)	1.4	2.0

Source: Capitaline

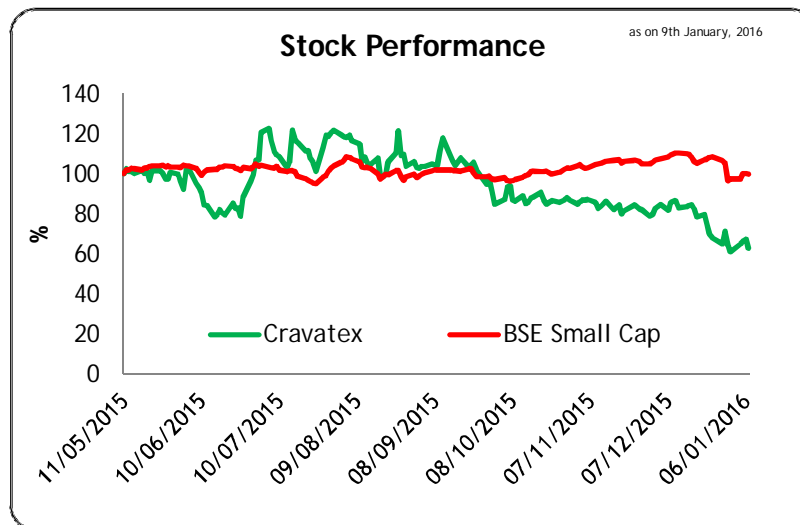
From the Research Desk of LKW's Gurukshetra

- On a Standalone basis, the Company's Income from Operations decreased by 4.3% y-o-y to Rs. 870.4 million in H1 FY16 from Rs. 909.9 million reported in H1 FY15. For H1 FY16, Revenues from the Domestic Segment dropped by 5.7% y-o-y to Rs. 840.9 million from Rs. 891.9 million in H1 FY15, whereas Revenues from the International Segment increased by 63.9% y-o-y to Rs. 29.5 million from Rs. 18 million in H1 FY15. Revenues from the Other Segments remain unchanged at Rs. 12.7 million.
- Material Cost increased to Rs. 653.5 million in H1 FY16 from Rs. 608.5 million reported in H1 FY15. Employee Benefit Expenses decreased to Rs. 98.7 million in H1 FY16 from Rs. 104.5 million reported in H1 FY15. Other Expenses decreased to Rs. 184.6 million in H1 FY16 from Rs. 189.2 million in H1 FY15.
- The drop in Topline coupled with higher Material Cost led to the decline in the Operating Profit for H1 FY16 which stood at Rs. 61.9 million as compared to an Operating Profit of Rs. 63.6 million in H1 FY15. EBITDA Margin stood at 7.1% in H1 FY16 as against 7% in H1 FY15.
- Depreciation Cost and Interest stood at Rs. 15.3 million and Rs. 51.6 million respectively in H1 FY16. With higher Interest Cost on increased working capital

funding on an extended cycle and increase in the exchange rate also impacted the profitability. Net Profit stood at Rs. 5.8 million in H1 FY16 as compared to a Net Loss of Rs. 8.3 million reported in H1 FY15. PAT Margin stood at 0.7% in H1 FY16 as against 0.9% in H1 FY15.

- Cash and Cash Equivalents fell from Rs. 21.4 million in H1 FY15 to Rs. 25.5 million in H1 FY16. Inventories of the Company increased y-o-y to Rs. 592.3 million in H1FY16 from Rs. 415.6 million reported in H1FY15. Debtors increased by 30.6% on y-o-y basis from Rs.98.7 million in H1 FY15 to Rs. 130.6million in H1 FY16.

Performance on the Bourses



Peer Comparison

The table mentioned below gives a snapshot of the Company's performance vis-à-vis other players in the market which operate in the similar business segment, for H1 FY16.

(In millions)

Particulars	Cravatex	COSCO (India)
Income from Operations	870.4	642.5
EBIDTA	61.9	51.7
Net Profit	5.8	18.9
EBIDTA Margins (%)	7.1	8.0
PAT Margins (%)	0.7	2.9
Book Value Per Share	161.3	52.9
P/E (x)	30.46 [^]	18.11 [^]
P/BV (x)	1.48 [^]	3.50 [^]
RONW (%)	1.4	8.0

Source: Capitaline Financials on Standalone Basis; [^] On a Standalone Basis as on September, 2015 (TTM Basis)

About the Industry

The growth in the Indian fitness services and equipment market has been largely impelled by the augmenting demand for fitness services on account of rising lifestyle diseases and obesity. The major drivers of the retail sporting goods industry are growth in disposable income, Governments promoting sports activities and encouraging sports participation and rising number of health-conscious people.

The share of domestic sports equipment will rise at an augmented rate due to improvisation of the domestic manufacturing, trading and distribution process. The retail sporting goods industry is expected to grow with a CAGR of 3.4% over 2015 to 2020. The sales revenue of India fitness services and fitness equipment market is projected to grow at a CAGR of nearly more than 23% and 22% respectively over the period of FY15-FY19, majorly due to rapid increase in India's Services Sector and youth population.

Asia Pacific and Rest of the World are expected to be the leading region because of the growth in disposable income and improving standard of living in emerging markets, such as India and China. The factors such as budding awareness of the urban and middle and high income population about fitness have ultimately boosted the sports equipment market in India. It has been observed that with global integration, the culture of the workplace in India is changing. Growth in the global sports market and rising number of sporting events is projected to encourage more and more people.

The Indian market has a large number of unorganized players in fitness equipments market. The low penetration of fitness services and equipment has attracted many leading international players in India. Future growth of Indian Fitness Services and Equipment Market will be led by rapid urbanization, health consciousness among young adults and teenagers and surging lifestyle related diseases.

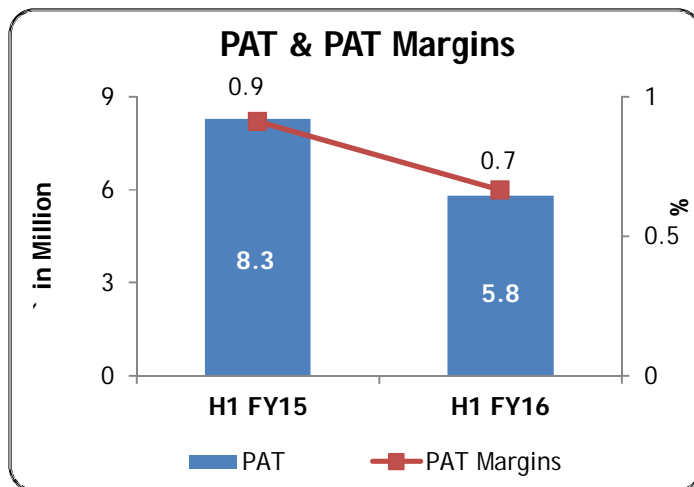
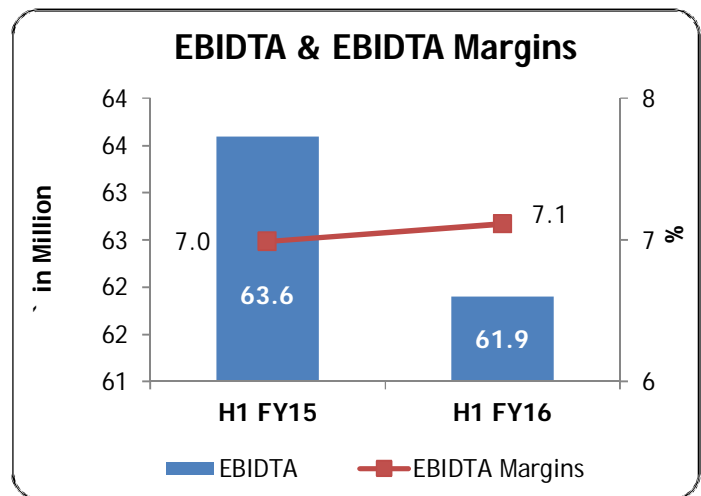
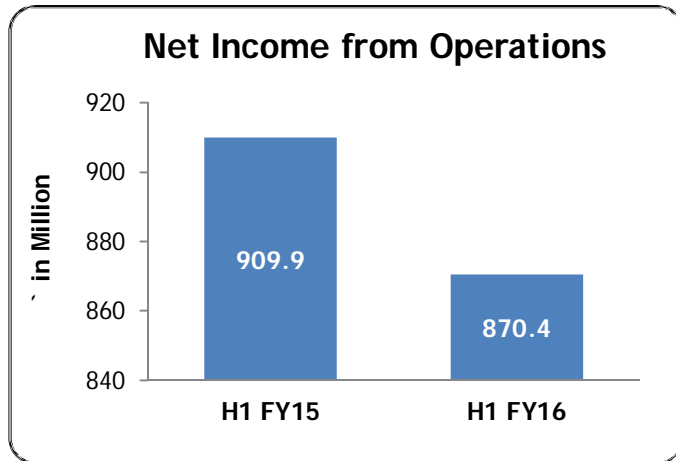
Management Outlook

The Indian sports equipment market has experienced strong growth in recent years as more people are embracing physical activity and health-conscious lifestyles, presenting sports apparel brands with an unmatched opportunity. New customers are constantly entering the sports apparel market and as a result, the brands have to maintain a presence across both traditional and digital media.

The company's domestic sales registered a marginal growth. Weak global demand is the major reason for reduced global sales. In absence of signs of strong liquidity in the market, the Company has been cautious and conservative in sales push. The same has resulted into profitability being impacted with reduced other income and an increase in purchase cost, import duty and operating cost.

The Company's products fall under the discretionary purchase category. Surplus cash left with consumers highly influence the demand for the company's products. Further, the challenge posed by the online business has had its impact on brick and mortar retail. Major purchases of the company are imported. Exchange risk is identified as a major risk factor. The Company is taking effective steps to overcome these challenges and expects its prospects to improve.

Financial Graphs



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Disclosure

Each member of the team involved in the preparation of this report, hereby affirms that there exists no conflict of interest.



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About Us

LOTUS KNOWLWEALTH (LKW) commenced business in 1991 and is currently engaged in providing **CAPITAL MARKET RESEARCH, INVESTMENT ADVISORY and STRATEGY services.**

GURUKSHETRA is the Research and Training arm of LKW.

LKW Investment Advisers is the SEBI registered Investment Advisory arm of LKW.

Contact Us

LOTUS KNOWLWEALTH Pvt. Ltd.

Regd. Office: B Wing, 505-506, Fairlink Centre,
Off Andheri Link Road, Andheri (W),
Mumbai – 400 053.

Email: enquiry@lotusknowlwealth.com

Tel: 022- 4010 5482 | 4010 5483

Website: www.lkwindia.com