

CMP: INR68.55**Stock data**

BSE code	514470
BSE ID	WINSOMTX
Face value (INR)	10.0
No of shares (m)	19.8
Market cap (INRm)	1,358.7
3m avg. daily vol (No)	2,792.8
Free float (INRm)	899.3
Dividend yield FY15 (%)	0.0
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S&P BSE Sensex	26,145.7

Stock performance (%)

52-week H/L	76.8/29.1		
	1M	3M	12M
Absolute (%)	23.0	27.4	33.1
Relative (%)	24.5	25.7	41.6

Shareholding pattern (%)

Promoters	FIIs	DIIs	Others
33.81%	31.47%	3.61%	31.11%

Relative stock movement

Source: BSE

Dec 2015**Company Overview**

Winsome Group, a vision backed by commitment and dedication commenced operations in 1951, as a trading company in Kolkata, group has its presence in textiles, energy, engineering, computer software, hotels, tea, brewery and stock broking. With focus on constant innovation and expansion, company setup a state-of-the-art spinning unit called Winsome Textile Industries Ltd. at Baddi, Himachal Pradesh in 1980. From 16,000 spindles in the 80s to 1,06,000 spindles today. Company is a leading producer of high quality Raw White, Melange and Dyed Yarn. Company has also been credited and awarded as one of the largest exporters of Processed Yarn. Company has over 250 customers across globe and 600 plus customers in India.

FY15 and recent performance

- Net sales in FY15 increased by 30.2% YoY to INR6,494.7m. Company reported operating profit of INR977.0m in FY15 against operating profit of INR873.5m in FY14, mainly due to higher sales and decrease in other expenses. Winsome Textile Industries Ltd reported net profit of INR129.2m in FY15 compared to INR182.9m in FY14.
- In balance sheet, net fixed assets decreased from INR3,963.6m in FY14 to INR3,936.9m in FY15. Loans and advance and cash and cash bank balance was reported at INR709.3m and INR164.5m in FY15 respectively compared to INR1,087.2m and INR184.5m in FY14 respectively. Trade payables decreased from 1,699.3m in FY14 to INR1,507.9m.
- Operating cash flow increased from INR209.7m in FY14 to INR1,116.8m in FY15.
- In Q2FY16, revenue has increased by 0.3% YoY to INR1,692.3m. Winsome Textile Industries Ltd. earned EBITDA of INR253.7m during the said period. Company reported PAT of INR71.6m in Q2FY16, increase of 31.1% on YoY basis.

Table 1: Key financials

(Y/e March)	FY13	FY14	FY15
Sales (INRm)	3,518.0	4,988.3	6,494.7
YoY Growth (%)	11.2	41.8	30.2
EBITDA (INRm)	625.1	873.5	977.0
EBITDA Margin (%)	17.8	17.5	15.0
PAT (INRm)	151.1	182.9	129.2
EPS (INR)	7.6	9.2	6.5
YoY Growth (%)	-263.9	21.0	-29.3
RoE (%)	15.3	15.8	9.8
P / E (x)	9.0	7.4	10.5

Source: Company, Varhad Research

Industry Overview

Indian Textile Industry contributes about 11% to industrial production, 14% to the manufacturing sector, 4% to the GDP and 12% to the country's total export earnings. It provides direct employment to over 35m people, the second largest provider of employment after agriculture. Besides, another 54.9m people are engaged in its allied activities. It has been estimated that one of every six households in the country depends on this sector, either directly or indirectly, for its livelihood.

The demand for cotton in international market is sliding, which can be largely linked to China's new cotton policy, as China constitutes about 60% of the India's cotton exports. Cotton export from India is estimated to fall from high of 11m bales in FY14 to 6-7m bales in FY15

Board of Director

Table 2: Composition of Board

Name	Director type	Business relationship with company
Shri Ashish Bagrodia	Director	Chairman & Managing Director
Shri Chandra Mohan	Director	Independent Non Executive Director
Shri Satish Girotra	Director	Independent Non Executive Director
Shri Amrit Lal Batra	Director	Independent Non Executive Director
Smt. Neena Singh	Director	Independent Non Executive Director

Source: Company

Key Strength and growth drivers

- Indian economy and textile industry both are insulated from the effects of world recession of financial crisis.
- India is the leader in the production of organic cotton
- The free trade environment is a great opportunity for the Indian textile industry to increase its share in the global market
- The company's strength has been in value added yarn, last year company had introduced many new innovative products which helped us in improving our bottom line

Risk and concern

- Rising production cost arising out of rising wages, cost of input materials, increased rate on interest and taxation.
- India's labour productivity is amongst the lowest in the world.
- Absence of world class technology.

Interim Performance

- During Q2FY16, revenue increased marginally by 0.3% on YoY basis from INR1,687.7m in Q2FY15 to INR1,692.3m. On operational front, operating profit of the company decreased marginally by 0.5% YoY from INR255.0m in Q2FY15 to INR253.7m in Q2FY16.
- Net profit of the company increased by 31.1% YoY from INR54.6m in Q2FY15 to INR71.6m in Q2FY16.

Table 3: Summary of year to date performance

(INRm)	Q2 FY16	Q2FY15	YoY %	Q1FY16	QoQ%	H1FY16	H1FY15	YoY %
Revenue	1,692.3	1,687.7	0.3	1,629.5	3.9	3,321.8	3,448.6	-3.7
EBITDA	253.7	255.0	-0.5	291.1	-12.8	544.8	510.4	6.7
EBITDA Margin (%)	15.0	15.1	-0.1	17.9	-2.9	16.4	14.8	1.6
PAT	71.6	54.6	31.1	102.5	-30.1	174.1	109.0	59.7

Source: Company, Varhad Research

Competition analysis

Table 4: Peer comparison

	CMP (INR)	Mcap (INRm)	Rev (INRm)	NPM (%)	EPS(INR)	PE(x)
Winsome Textile Industries	68.6	1,358.7	6,494.7	2.0	6.5	10.5
Alok Industries Ltd	7.1	9,806.5	221,307.2	1.6	2.5	2.8
Suryalaxshmi Cotton Mills Ltd	105.4	1,757.3	7,132.6	1.7	7.3	14.4
KG Denim Ltd	58.0	1,487.9	5,918.2	0.0	0.1	708.5

Source: BSE

Financial snapshot

Chart 1: Sales trend

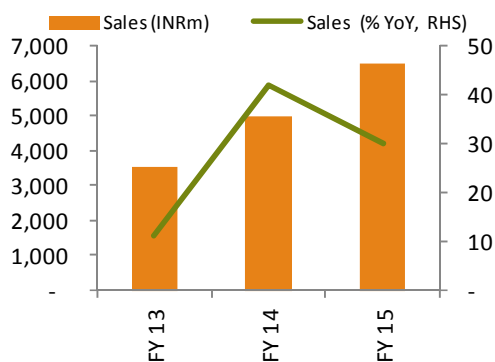


Chart 2: Margin trend

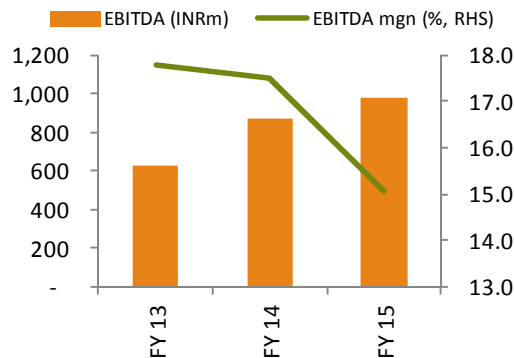


Chart 3: EPS trend

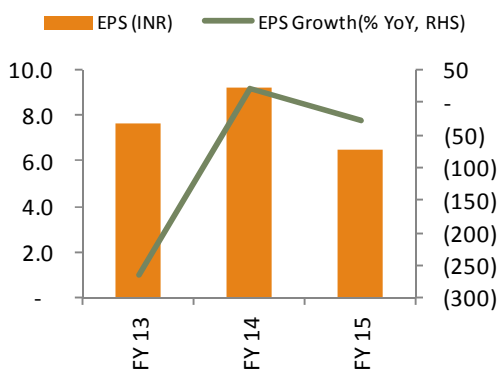


Chart4: Working Capital Profile



Source: Company, Varhad Research

Financial Summary

Profit and loss (INR m)				Balance sheet (INR m)			
Year ending 31 March	FY13	FY14	FY15	Year ending 31 March	FY13	FY14	FY15
Revenue	3,518.0	4,988.3	6,494.7	Net Block	3,191.8	3,963.6	3,936.9
Direct Expense	1,846.5	2,659.8	3,798.0	Investments	415.4	0.3	0.0
Staff Cost	222.9	319.7	414.2	Cash and Banks Balance	97.9	184.5	164.5
Other Expenditure	823.4	1,135.3	1,305.5	Inventory	1,159.6	1,928.1	1,936.5
Total Cost	2,892.9	4,114.8	5,517.8	Sundry Debtors	401.3	583.9	717.3
EBITDA	625.1	873.5	977.0	Loans and Advances	993.7	1,087.2	709.3
<i>EBITDA margin (%)</i>	<i>17.8</i>	<i>17.5</i>	<i>15.0</i>	Other Current Assets	0.0	0.0	0.0
Depreciation	117.3	162.4	177.2	Other	0.0	0.0	0.0
EBIT	507.8	711.0	799.7	Total Assets	6,259.8	7,747.6	7,464.5
Interest Expenses	373.6	438.8	614.0	Gross Debt	3,401.2	3,828.1	3,489.5
Non-operating Income	40.1	75.4	24.7	Trade Payables	1,086.3	1,699.3	1,507.9
PBT	174.3	347.6	210.5	Provisions & other curr lia	488.6	627.8	662.9
Provision for Tax	23.1	164.7	81.3	Others	219.4	346.2	425.6
PAT	151.1	182.9	129.2	Equity Capital	198.2	198.2	198.2
<i>Growth %</i>	<i>-263.9</i>	<i>21.0</i>	<i>-29.3</i>	Reserves & Surplus	866.0	1,048.1	1,180.4
<i>PAT margin (%)</i>	<i>4.3</i>	<i>3.7</i>	<i>2.0</i>	Share Application money	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	Minority Interest	0.0	0.0	0.0
Extra Ordinary	0.0	0.0	0.0	Shareholders' funds	1,064.2	1,246.3	1,378.6
PAT (Reported)	151.1	182.9	129.2	Total Liabilities	6,259.8	7,747.6	7,464.5
Cash Flow Metrics				Ratios, growth and per share analysis			
	FY13	FY14	FY15	Y-o-Y % change	FY13	FY14	FY15
Net Profit before tax	174.3	347.6	210.5	Revenue	11.2	41.8	30.2
Operating Cash Flow	700.6	209.7	1,116.8	EBITDA	148.6	39.7	11.9
Investing Cash Flow	-2,097.8	-225.7	-139.2	Recurring EPS	-263.9	21.0	-29.3
Financing Cash Flow	900.1	102.5	-997.6	Ratios (%)			
Net Change in Cash	-497.1	86.6	-20.0	ROE	15.3	15.8	9.8
Op.cash and Equivalent	595.0	97.9	184.5	ROCE	13.9	13.0	15.0
Cl.cash and Equivalent	97.9	184.5	164.5	EBITDA Margin	17.8	17.5	15.0
Ratio - Du Pont Analysis				Net Debt/Equity (x)	271.4	292.3	241.2
	FY13	FY14	FY15	Net Debt/ EBITDA (x)	4.6	4.2	3.4
Net Profit Margins (%)	4.3	3.7	2.0	Inventory days	115.2	113.0	108.6
Total Assets Turnover	0.9	1.0	1.2	Debtors days	39.8	36.0	36.6
Leverage Multiplier	4.0	4.4	4.1	Payables day	100.1	101.9	90.1
ROAE (%)	15.3	15.8	9.8	Total Asset TO ratio	0.9	1.0	1.2
Valuation				Fixed Asset TO Ratio	1.4	1.4	1.6
	FY13	FY14	FY15	Per share data (INR)			
EV/Sales	1.2	1.0	0.7	EPS reported (diluted)	7.6	9.2	6.5
EV/EBITDA	6.8	5.7	4.8	Recurring EPS (diluted)	7.6	9.2	6.5
P/E (x)	9.0	7.4	10.5	DPS	0.0	0.0	0.0
P/B(x)	1.2	1.1	1.0	Book Value(basic)	55.6	62.9	69.7
Dividend yield (%)	0.0	0.0	0.0	Wtd avg ord shares (m)	19.8	19.8	19.8
FCF yield (%)	-1.6	-1.9	1.4	Wtd avg dil shares (m)	19.8	19.8	19.8

Source: BSE, Company, Varhad research

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