



## Bombay Dyeing

STOCK INFO.	BLOOMBERG
BSE SENSEX: 12,995	BD IN
	REUTERS CODE
S&P CNX: 3,717	BDYN.BO

12 December 2006

Buy

Previous Recommendation: Buy

Rs645

Equity Shares (m)	38.6
52-Week Range	989/309
1,6,12 Rel. Perf. (%)	-5/-1/36
M.Cap. (Rs b)	24.9
M.Cap. (US\$ b)	0.6

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/06A	10,254	734	19.0	73.4	44.7	5.4	18.2	10.3	3.7	47.3
3/07E	7,134	756	19.6	2.9	43.4	4.8	15.3	9.1	5.6	36.4
3/08E	11,878	2,377	61.6	214.5	13.8	3.5	38.6	16.0	3.9	15.8

We are upgrading our price target for Bombay Dyeing to Rs850 based on several positive developments with respect to unlocking of hidden value from its two plants at Dadar and Lower Parel, Mumbai. Key arguments:

**Substantial increase in property value estimates:** There has been significant increase in expected value accretion in its real estate at Dadar and Lower Parel. Substantial changes in planned development (inclusion of hotels which would enjoy 100% higher FSI limits v/s residential and commercial development) have allowed the company to increase its developable area from 3.7m sq/ft at both its plants to 4.3m sq/ft, an increase of 16%.

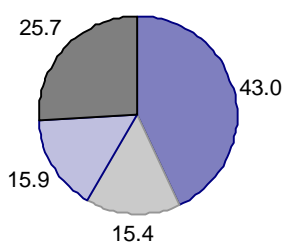
**Strategic shift in property development plans:** Bombay Dyeing has reworked its property development plans aimed at unlocking hidden value from its prime properties at Dadar and Lower Parel. Contrary to earlier plans of selling a majority of its developable area outright, it now plans to sell only 0.4m sq ft at Dadar, while commercially leasing the remaining 3.9m sq/ft. We believe this strategic shift would be more value accretive for the company, which would enjoy healthy yields from its leased properties and also capture any potential appreciation in its prime real estate.

**Traditional businesses to turn around by FY09:** Long-term strategic plans propose to turn around its traditional textile business comprising home textiles and DMT by FY08-09. DMT is already being forward integrated to PSF, which is expected to be fully functional from 4QFY07. Post relocation of the home textile plant, home textile capacity is expected to double and margins are expected to expand sharply.

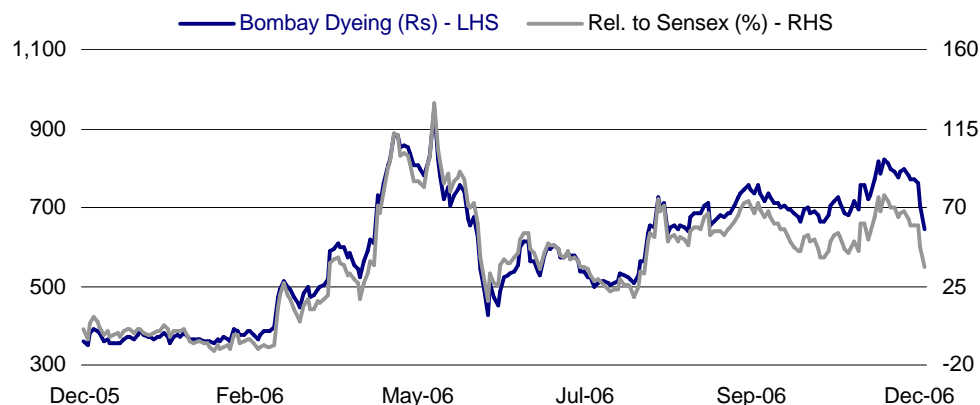
**SOTP valuations at Rs850:** Based on our SOTP valuations, we arrive at our upgraded target price of Rs850/share. We have valued: (1) the real estate rental business at Rs615/share; (2) the PV from sale of the Dadar property at Rs101/share; and (3) its traditional businesses at Rs134/share. We rate the stock a **Buy** with a one-year price target of Rs850.

SHARE-HOLDING PATTERN SEP-06 (%)

Promoters Dom. Inst.  
FII/FDIs Others



STOCK PERFORMANCE (1 YEAR)



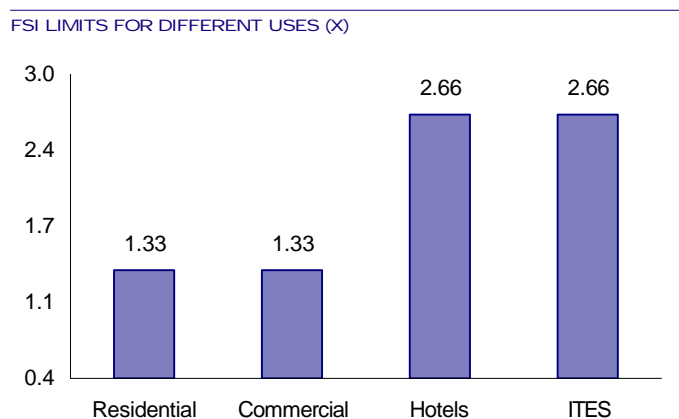
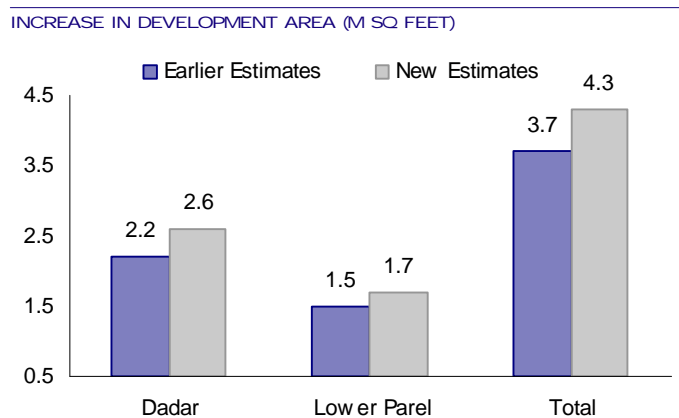
We maintain our **Buy** recommendation on Bombay Dyeing. Our reworked price target for the stock is Rs850, which is an upside of 32%, from current levels. Our upgrade is based on new developments associated with its real estate division. Bombay Dyeing is in the process of unlocking tremendous hidden value via sale of its real estate and development of its textiles business by relocating its textile operations to Rajangoan, Pune, from Mumbai. It has plans to commercially develop close to 4.3m sq/ft of saleable commercial and residential areas over the next 2-3 years. These would include residential buildings, commercial offices, malls, hotels and convention centres.

**Substantial increase in property value estimates**

There has been significant increase in expected value accretion from the company’s real estate at Dadar and Lower Parel. Changes in planned development have allowed the company to increase its developable area from 3.7m sq/ft at both its plants to 4.3m sq ft, an increase of 16%. This has been possible due to a change in development plans to include hotels, which enjoy higher FSI limits. As per MRDA rules, the FSI limits for hotels and ITES infrastructure is 100% higher compared with the FSI limits for residential and commercial development.

**Development plans have changed**

Bombay Dyeing had earlier planned to develop 60% of the property at Dadar for residential purpose and 40% for commercial purpose, while it planned to develop the entire Lower Parel plant commercially. Now, it has plans to limit residential development at Dadar to only around 10-15%, but would include a five-star hotel at both its locations along with service apartments. The service apartments would also get classified as hotels and enjoy similarly higher FSI limits. Management has stated that they have not yet firmed up the areawise development breakdown.



Source: Company/ Motilal Oswal Securities

**Strategic shift in property development plans**

Bombay Dyeing has reworked its property development plans aimed at unlocking the hidden value from its two prime properties at Dadar and Lower Parel. Compared with its earlier plans to sell a majority of its 3.7m sq ft of real estate post development, it now plans to sell only 0.4m sq/ft of its real estate at Dadar and commercially lease the remaining 3.9m sq/ft of real estate at Dadar and Worli. We believe that this shift in strategic plans would be more value accretive for the company, as it would now be in a position to not only enjoy the healthy yields from its leased properties, but also capture any potential appreciation in its prime real estate property.

## Unlocking of hidden property value

We have valued Bombay Dyeing's property business in two parts: (1) the real estate rental business at Rs615/share; (2) the PV from sale of the Dadar property at Rs101/share.

### 1. Income from sale of property

There has been significant increase in expected value accretion from the company's real estate at Dadar and Lower Parel. Bombay Dyeing has plans to sell 0.4m sq ft of real estate at its Dadar plant. While we were estimating realizations at Dadar at Rs8,500/sq ft, the company had already made partial bookings in three stages at Rs.10,000/sq ft, Rs12,000/sq ft and Rs14,000-14,500/sq ft respectively. Hence, we have revised our average realizations to Rs13,200/sq ft for Dadar. We value income from the sale of property at Rs101/share.

#### INCOME FROM SALE OF PROPERTY

##### INCOME FROM PROPERTY SALES

DCF Value of Ddar (Rs m)	3,889
Per share value (Rs)	101

#### ASSUMPTIONS AND WORKINGS

##### DADAR

Total Area developed (Sq feet)*	400,000
Area for sale (Sq Feet)	400,000
Selling Price (Rs/Sq feet)	13,200
Sale Realization (Rs m)	5,280
Cost of Development (Rs/sq feet)	2,500
Total Cost Incurred (Rs m)	1,000
Total Realization (Rs m)	4,280

\* Entire area assumed to be sold

Source: Company/ Motilal Oswal Securities

### 2. Valuing the lease rental business

Bombay Dyeing plans to commercially lease a majority of its prime real estate at Dadar and Lower Parel for commercial purpose. Historically the Indian real estate market is primarily a residential market, accounting for almost 90%, and this market continues to be the most significant share of the overall real estate market in India. Going forward, the demand from retail malls/office segment is likely to increase substantially. In our opinion, Bombay Dyeing by virtue of its prime real estate in the heart of Mumbai is best placed to benefit from the retail boom.

Bombay Dyeing aims to commercially lease 3.9m sq feet of its developable real estate at Dadar and Lower Parel. Management has not shared the specific development plans for both its properties, as they indicated that these plans are not yet frozen and hence subject to alterations or modifications. However, management has shared the broad framework, of the development plans for both its properties. Both the properties would comprise service apartments, hotel, retail malls and offices. In addition to these the Lower Parel property is also likely to include a convention center.

#### ASSUMPTIONS FOR RENTAL BUSINESS (M SQ FEET)

	AREA BREAK-UP			OP COST (% OF REV.)
	DADAR	LOWER PAREL	TOTAL	
Service Apartments	0.27	0.30	0.57	17.5
Hotels	0.36	0.25	0.61	20.0
Offices	0.67	0.40	1.07	6.0
Mall	0.90	0.55	1.45	7.0
Convention Centre	0.00	0.20	0.20	7.0
<b>Total</b>	<b>2.20</b>	<b>1.70</b>	<b>3.90</b>	<b>10.3</b>

\* Does not include 0.4m sq feet of residential area, which is to be sold at Dadar

Source: Motilal Oswal Securities

### Summary rental business valuations

We have assumed the following rental rates for the residential and commercial real estate of Bombay Dyeing at Dadar and Lower Parel.

#### LEASE RENTAL ASSUMPTIONS (RS/SQ. FT/MTH)

	DADAR		LOWER PAREL	
	SERVICE APT.	COMM.	SERVICE APT.	COMM.
Base Rents	100	130	130	160
<b>Gross Rents</b>	<b>105</b>	<b>137</b>	<b>137</b>	<b>168</b>
Efficiency %	75	75	75	75
<b>NECO</b>	<b>140</b>	<b>182</b>	<b>182</b>	<b>224</b>
Advance/ month	6	6	6	6
Interest p.a. (%)	10.0	10.0	10.0	10.0
Amount/ month	5.0	6.5	6.5	8.0

Source: Motilal Oswal Securities

For calculating our gross rental rates for the company, we have assumed a 6-month advance for all leases and an interest of 10% per annum on the deposit amount. We believe that our assumed rental rates are conservative, as even our net effective cost of occupation (NECO) rates is lower than the prevailing gross rental rates in both areas for quality property. The reasons for our lower rate assumption is that we believe the current reported high rental

rates is largely due to acute shortage of quality property in the market, however, we expect supply of quality property to increase significantly by FY08, which could moderate rental rates considerably. Mumbai is expected to receive almost 6.5m sq feet of quality office space, over FY06-08 (Source: Knight Frank India Research).

Historically, the commercial lease rental yields have hovered around 9-11% per annum in India. Considering the prevailing commercial real estate prices at Dadar and Lower Parel, a target yield of 10.5% would imply average rentals of Rs145/

sq feet/month, which is in line with our average rental rate of Rs141/sq feet/month in FY09.

## IMPLIED AVERAGE RENTS AT CURRENT MARKET RATES

	AREA	COMM. RATES	VALUE
Dadar	2,200,000	15,000	33,000
Lower Parel	1,700,000	18,500	31,450
Total	3,900,000	16,526	64,450
<b>Value/Share (Rs)</b>			<b>1,669</b>
Historical average yield (%)		10.5	6,767
<b>Implied Avg. Rental/Month @10.5% yield</b>			<b>145</b>
<b>Average Rent as per our model in FY09</b>			<b>141</b>

Source: Motilal Oswal Securities

## SCHEDULE FOR COMPLETION

	AREA (M SQFT)	FY08	FY09	FY10	FY11
<b>Total Area for Rentals</b>					
Dadar	2,200,000	5%	20%	75%	100%
Lower Parel	1,700,000	1%	5%	50%	100%
Total Area for Rentals	3,900,000				

## RENTAL INCOME

	FY08	FY09	FY10	FY11	FY12	FY13
<b>DADAR</b>						
Total Available Area for Rentals (sq feet)	110,000	440,000	1,650,000	2,200,000	2,200,000	2,200,000
Vacancy Rates (%)	10.0	10.0	10.0	10.0	10.0	10.0
Total Leased Area	99,000	396,000	1,485,000	1,980,000	1,980,000	1,980,000
<b>Average Rate/sq feet/Month</b>	<b>133</b>	<b>137</b>	<b>141</b>	<b>145</b>	<b>149</b>	<b>154</b>
<b>Area</b>						
Commerical (88%)	87,120	348,480	1,306,800	1,742,400	1,742,400	1,742,400
Service Apartments (12%)	11,880	47,520	178,200	237,600	237,600	237,600
<b>Gross Rentals/sq feet/Month</b>						
Commerical	137	141	145	149	154	158
Service Apartments	105	108	111	115	118	122
<b>Value</b>						
Commerical	143	588	2,271	3,119	3,212	3,309
Residential	15	62	238	327	337	347
<b>Amount (Rs m) -A</b>	<b>158</b>	<b>650</b>	<b>2,509</b>	<b>3,446</b>	<b>3,549</b>	<b>3,656</b>
<b>LOWER PAREL</b>						
Total Available Area for Rentals (sq feet)	17,000	85,000	850,000	1,700,000	1,700,000	1,700,000
Vacancy Rates (%)	10.0	10.0	10.0	10.0	10.0	10.0
Total Leased Area	15,300	76,500	765,000	1,530,000	1,530,000	1,530,000
Average Rate/sq feet/Month	162	162	167	172	177	183
<b>Area</b>						
Commerical (82%)	12,546	62,730	627,300	1,254,600	1,254,600	1,254,600
Service Apartments (18%)	2,754	13,770	137,700	275,400	275,400	275,400
<b>Gross Rentals/sq feet/Month</b>						
Commerical	168	168	173	178	184	189
Service Apartments	137	137	141	145	149	154
<b>Value</b>						
Commerical	25	126	1,303	2,683	2,764	2,847
Residential	5	23	232	479	493	508
<b>Amount (Rs m) -B</b>	<b>30</b>	<b>149</b>	<b>1,535</b>	<b>3,162</b>	<b>3,257</b>	<b>3,354</b>
<b>Total Rental Income (Rs m) (A+B)</b>	<b>187</b>	<b>799</b>	<b>4,044</b>	<b>6,608</b>	<b>6,806</b>	<b>7,010</b>
<b>Average Rental Yield/ Month</b>	<b>137</b>	<b>141</b>	<b>150</b>	<b>157</b>	<b>162</b>	<b>166</b>

Source: Motilal Oswal Securities

## PROFIT&amp;LOSS FOR RENTAL BUSINESS OF BOMBAY DYEING

YEAR END MARCH	FY08	FY09	FY10	FY11	FY12	FY13
Net Revenues	187	799	4,044	6,608	6,806	7,010
<i>% Change</i>		326.0	406.4	63.4	3.0	3.0
-Dadar	158	650	2,509	3,446	3,549	3,656
-Lower Parel	30	149	1,535	3,162	3,257	3,354
<b>Expenses</b>	<b>29</b>	<b>104</b>	<b>417</b>	<b>681</b>	<b>701</b>	<b>722</b>
Operating Expenses	15	52	202	330	340	351
Maintenance	14	52	214	350	361	372
<b>EBIDTA</b>	<b>158</b>	<b>695</b>	<b>3,627</b>	<b>5,927</b>	<b>6,105</b>	<b>6,288</b>
<i>EBIDTA (in %)</i>	84.5	87.0	89.7	89.7	89.7	89.7
Depreciation	66	116	88	67	51	39
<b>EBIT</b>	<b>92</b>	<b>579</b>	<b>3,539</b>	<b>5,860</b>	<b>6,054</b>	<b>6,249</b>
Financial Charges	223	445	223	89	22	22
<b>Profit Before Tax</b>	<b>-130</b>	<b>133</b>	<b>3,317</b>	<b>5,771</b>	<b>6,032</b>	<b>6,226</b>
<b>Provision for Taxation</b>	<b>-39</b>	<b>40</b>	<b>995</b>	<b>1,731</b>	<b>1,810</b>	<b>1,868</b>
<i>% Tax/PBT ratio</i>	30.0	30.0	30.0	30.0	30.0	30.0
<b>Reported PAT</b>	<b>-91</b>	<b>93</b>	<b>2,322</b>	<b>4,040</b>	<b>4,222</b>	<b>4,358</b>

We have assumed operating expenses between 10%-14% for all the segments comprising service apartments, malls, convention center and offices.

Source: Company/ Motilal Oswal Securities

**Notes:**

1. We have assumed vacancy rates between 10% for both Dadar and Lower Parel
2. We have assumed a 3% p.a. inflationary growth rate in rentals

## DCF ANALYSIS

PARTICULARS	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
<b>Revenue</b>	<b>187</b>	<b>799</b>	<b>4,044</b>	<b>6,608</b>	<b>6,806</b>	<b>7,010</b>	<b>7,220</b>	<b>7,437</b>
<i>Change %</i>		326.0	406.4	63.4	3.0	3.0	3.0	3.0
Operating margin	84.5	87.0	89.7	89.7	89.7	89.7	89.7	89.7
Operating Profit	158	695	3,627	5,927	6,105	6,288	6,477	6,671
Depreciation	66	116	88	67	51	39	39	39
EBIT	92	579	3,539	5,860	6,054	6,249	6,438	6,632
Effective tax rate (%)	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Tax Adjusted EBIT	65	405	2,477	4,102	4,238	4,375	4,507	4,643
Add: Depreciation	66	116	88	67	51	39	39	39
<b>Less: Capex</b>	<b>-5,300</b>	<b>-5,300</b>	<b>-100</b>	<b>-50</b>	<b>-50</b>	<b>-50</b>	<b>-50</b>	<b>-50</b>
<b>Free cash flow to the firm</b>	<b>-5,169</b>	<b>-4,779</b>	<b>2,466</b>	<b>4,119</b>	<b>4,239</b>	<b>4,363</b>	<b>4,495</b>	<b>4,631</b>
<b>Period</b>	<b>1.0</b>	<b>2.0</b>	<b>3.0</b>	<b>4.0</b>	<b>5.0</b>	<b>6.0</b>	<b>7.0</b>	<b>8.0</b>
<b>Discount factor</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>
<b>NPV on Mar 31</b>	<b>-5,169</b>	<b>-4,229</b>	<b>1,931</b>	<b>2,854</b>	<b>2,599</b>	<b>2,367</b>	<b>2,158</b>	<b>1,968</b>

Source: Company/ Motilal Oswal Securities

**COMPANY VALUATION**

Discounted free cash flow from operating period	4,479	15%
Terminal value discounted	25,799	85%
Firm Value	30,278	
Less: Total Net Debt	6,510	27%
Add: Transferable liquid investments	-	0%
Total equity value of the company	23,768	100%
No. of shares in issue in (m)	38.6	
Theoretical value of the stock in Rs/ share	615	

**WEIGHTED AVERAGE COST OF CAPITAL**

Net worth		4,240
Financial debt		6,360
Total capital employed		10,600
Debt/Total capital		60.0
Equity/Total capital		40.0

**WACC**

Cost of equity		
Rf +B(Rm-Rf) (%)		22.5%
Rf (%)		7.5%
Beta		1.5
Rm (%)		17.7
Cost of equity (%)		22.5
Cost of equity (%)		22.5
Cost of debt (pre-tax) (%)		9.5
Cost of debt (post-tax) (%)		6.7

**WACC (%)****13.0%****TERMINAL VALUE (value driver formula)**

Terminal growth rate (nominal)		5.0%
Terminal value (adjusted)		25,799

Source: Company/ Motilal Oswal Securities

**Traditional businesses to turn around by FY09**

Bombay Dyeing has adopted long term strategic plans to turn around its traditional textile business comprising home textiles and DMT. In this effort, it is already in the process of forward integrating its DMT operations to PSF (polyester staple fibre), which is expected to be functional from 4QFY07. Post integration, the company would be in a position to access a diverse client mix and a larger market compared with just DMT clients, as a majority of DMT users have switched to PSF over the years. It is also in the process of shifting its high cost home textile operations in Mumbai to a low cost region in Rajangaon, Pune. Once this relocation is complete, the home textile capacity is expected to double and the company's margins are expected to expand sharply. We expect both the traditional businesses to turn around by FY08-09.

**Forward integration into PSF:** The company is forward integrating by setting up a 165,000m ton PSF plant next to its DMT plant at Patalganga at a cost of around Rs3.5b. The project has been commissioned and is likely to achieve optimum utilization by 1QFY08.

**Doubling of processing capacity:** Bombay Dyeing has consolidated its textile business from Spring Mills (near Dadar) to Textile Mills (Lower Parel) and over the next two years, it plans to move these operations to a low-cost area in Maharashtra. Once it completes this restructuring, it will have doubled its processing capacity and exited its spinning and weaving operations. It has plans to sub-contract its spinning and weaving plants.



## Valuation of textiles business

We have valued Bombay Dyeing's traditional business at Rs134/share, which is based on a EV/EBITDA of 6x FY09 for the home textile division and an EV/EBITDA multiple of 8x FY09 for the PSF division. Management also has plans to invest in the retail business to leverage its strong brand franchise in the home textiles market. Our estimates do not factor in any major contribution from the new planned thrust on retail and any positive development in this segment is likely to further add to our forecast.

### VALUATIONS OF TRADITIONAL BUSINESS

#### Textiles Business

<b>Total Sales (FY09, Rs m)</b>	<b>12,034</b>
Home Textiles	5,500
PSF Business	6,534
<b>Valuations (x)</b>	
Home Textiles (6x FY09 EBITDA)	3,540
PSF Business (8x FY09 EBITDA)	5,148
<b>Total Value</b>	<b>8,688</b>
Net Debt	3,500
Equity Value of Textile Business	5,188
<b>Price per share (Rs)</b>	<b>134</b>

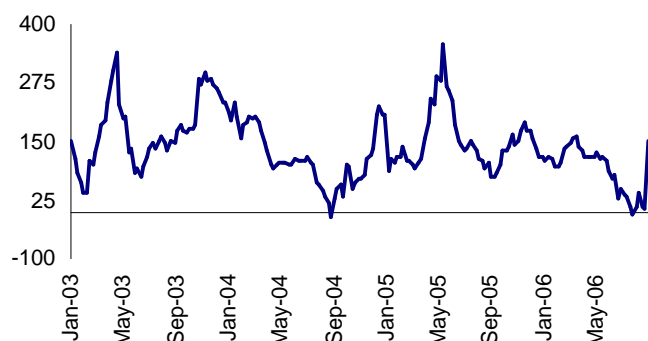
Source: Company/ Motilal Oswal Securities

### WORKINGS FOR PSF AND INTERMEDIARIES

	FY08	FY09
PSF capacity (MT)	165,000	165,000
PSF price (US\$/MT)	1,200	1,100
PSF delta (US\$/MT)	100	125
Operating rate (%)	65	80
Revenue (Rs m)	5,792	6,534
Gross margin (Rs m)	483	743
Cost (Rs m)	429	528
EBITDA (Rs m)	54	215
DMT capacity (MT)	165,000	165,000
DMT price (US\$/MT)	950	850
DMT delta (US\$/MT)	100	150
Operating rate (%)	65	80
Revenue (Rs mn)	4,585	5,049
Gross margin (Rs mn)	483	891
Cost (Rs mn)	375	462
EBITDA (Rs mn)	107	429
<b>Total EBITDA (Rs m)</b>	<b>161</b>	<b>644</b>
EV/EBITDA (x)		8
EV (Rs mn)		5,148
Debt		1,750
Equity Value		3,398

Source: Company/ Motilal Oswal Securities

### PSF MARGINS (US\$/MTPA)



Source: Company/ Motilal Oswal Securities

## Valuations

Bombay Dyeing is a strong play on the textile, retail and real estate businesses. We believe the company has tremendous potential to leverage its strong brand equity and re-invent itself via its ongoing restructuring exercise.

Based on our SOTP valuations, we arrive at our upgraded target price of Rs850/share. We have valued: (1) the real estate rental business at Rs615/share; (2) the PV from sale of the Dadar property at Rs101/share; and (3) its traditional businesses at Rs134/share. We rate the stock a **Buy** with a one-year price target of Rs850.

### SOTP VALUATIONS (RS M)

#### DCF Value of Rental Business - A

Value (Rs m)	23,768
<b>Price per share (Rs)</b>	<b>615</b>

#### Sale of Property - B

DCF Value of Wadala (Rs m)	3,889
<b>Price per share (Rs)</b>	<b>101</b>

#### Textiles Business - C

Total Sales (FY09, Rs mn)	12,034
Home Textiles	5,500
PSF Business	6,534

#### Valuations

Home Textiles (6x FY09 EBITDA)	3,540
PSF Business (8x FY09 EBITDA)	5,148
<b>Total Value</b>	<b>8,688</b>
Net Debt	3,500
Equity Value of Textile Business	5,188
<b>Price per share (Rs)</b>	<b>134</b>
<b>Equity (Rs m)</b>	<b>38.6</b>
<b>Total equity value Rs million (A+B+C)</b>	<b>32,845</b>
<b>Price per share (Rs)</b>	<b>850</b>

Source: Company/ Motilal Oswal Securities

INCOME STATEMENT					
(Rs Million)					
Y/E MARCH	2005	2006	2007E	2008E	2009E
<b>Net Sales</b>	<b>10,419</b>	<b>10,254</b>	<b>7,134</b>	<b>11,878</b>	<b>12,833</b>
Change (%)		-16	-30.4	66.5	8.0
Total Expenditure	9,858	9,449	6,036	8,951	10,779
<b>EBITDA</b>	<b>562</b>	<b>805</b>	<b>1,098</b>	<b>2,926</b>	<b>2,053</b>
% of Net Sales	5.4	7.9	15.4	24.6	16.0
Depreciation	194	169	205	366	411
Interest	144	176	273	373	558
Other Income	271	253	175	150	150
<b>PBT</b>	<b>495</b>	<b>713</b>	<b>795</b>	<b>2,338</b>	<b>1,235</b>
Tax	71	-21	40	-39	348
Rate (%)	14.4	-3.0	5.0	-1.7	28.2
<b>Reported PAT</b>	<b>423</b>	<b>734</b>	<b>756</b>	<b>2,377</b>	<b>887</b>
Change (%)	-	73.5	2.9	214.5	-62.7

**BALANCE SHEET**

Y/E MARCH	2005	2006E	2007E	2008E	2009E
Equity Share Capital	386	386	386	386	386
Reserves	3,034	4,262	4,825	6,719	7,027
<b>Net Worth</b>	<b>3,420</b>	<b>4,648</b>	<b>5,211</b>	<b>7,105</b>	<b>7,413</b>
Loans	3,545	5,584	8,000	13,580	16,280
<b>Capital Employed</b>	<b>6,964</b>	<b>10,232</b>	<b>13,211</b>	<b>20,685</b>	<b>23,693</b>
Gross Fixed Assets	7,545	7,205	11,205	18,255	23,805
Less: Depreciation	6,224	5,962	6,167	6,533	6,944
<b>Net Fixed Assets</b>	<b>1,321</b>	<b>1,243</b>	<b>5,038</b>	<b>11,722</b>	<b>16,861</b>
Capital WIP	594	2,751	2,613	2,483	2,358
Investments	2,412	1,680	1,180	1,180	1,180
Deferred Tax Asset	-106	-26	-26	-26	-26
<b>Curr. Assets</b>	<b>3,900</b>	<b>5,579</b>	<b>5,383</b>	<b>7,279</b>	<b>5,429</b>
Inventory	1,997	2,120	1,759	2,441	2,637
Debtors	728	1,585	882	1,369	1,813
Cash & Bank Balance	55	333	816	99	-2,897
Loans & Advances	1,120	1,541	1,926	3,371	3,876
<b>Current Liab. &amp; Prov.</b>	<b>1,156</b>	<b>1,051</b>	<b>977</b>	<b>1,952</b>	<b>2,109</b>
<b>Net Current Assets</b>	<b>2,744</b>	<b>4,528</b>	<b>4,406</b>	<b>5,327</b>	<b>3,320</b>
<b>Application of Funds</b>	<b>6,964</b>	<b>10,176</b>	<b>13,211</b>	<b>20,685</b>	<b>23,693</b>

E: MOST Estimates

**RATIOS**

Y/E MARCH	2005	2006E	2007E	2008E	2009E
<b>Basic (Rs)</b>					
<b>Adjusted EPS</b>	<b>11.0</b>	<b>19.0</b>	<b>19.6</b>	<b>61.6</b>	<b>23.0</b>
Growth (%)	-	73.4	2.9	214.5	-62.7
Cash EPS	16.0	23.4	24.9	71.1	33.6
Book Value	88.6	120.4	135.0	184.1	192.0
DPS	22.8	5.0	5.0	12.5	15.0
Equity Div.Payout (incl. Div.)	25.6	29.6	28.7	22.8	73.4
<b>Valuation (x)</b>					
P/E (standalone)		44.7	43.4	13.8	37.0
Cash P/E		27.6	25.9	9.1	19.2
EV/EBITDA		47.3	36.4	15.8	25.3
EV/Sales		3.7	5.6	3.9	4.1
Price/Book Value		5.4	4.8	3.5	3.4
Dividend Yield (%)		0.8	0.8	19	2.3
<b>Profitability Ratios (%)</b>					
RoE		18.2	15.3	38.6	12.2
RoCE		10.3	9.1	16.0	8.1
<b>Turnover Ratios</b>					
Debtors (Days)		25	56	55	55
Asset Turnover (x)		6.0	8.0	2.3	14
<b>Leverage Ratio</b>					
Debt/Equity (x)		10	12	15	19

**CASH FLOW STATEMENT**

Y/E MARCH	2005	2006E	2007E	2008E	2009E
PBT before Extraordinary It	<b>495</b>	<b>713</b>	<b>795</b>	<b>2,338</b>	<b>1,235</b>
Add : Depreciation	194	169	205	366	411
Interest	144	176	273	373	558
Less : Direct Taxes Paid	71	-21	40	-39	348
(Inc)/Dec in WC	-737	-1,506	606	-1,638	-989
<b>CF from Operations</b>	<b>24</b>	<b>-427</b>	<b>1,839</b>	<b>1,477</b>	<b>866</b>
<b>CF from Oper.incl.EO</b>	<b>24</b>	<b>-427</b>	<b>1,839</b>	<b>1,477</b>	<b>866</b>
(Inc)/Dec in FA	114	-2,248	-3,862	-6,919	-5,426
(Pur)/Sale of Investments	1,191	732	500	0	0
<b>CF from Investments</b>	<b>1,136</b>	<b>-1,572</b>	<b>-3,306</b>	<b>-6,919</b>	<b>-5,426</b>
(Inc)/Dec in Networth	-1,008	631	24	60	72
(Inc)/Dec in Debt	-81	2,039	2,416	5,580	2,700
Less : Interest Paid	144	176	273	373	558
Dividend Paid	109	217	217	543	651
<b>CF from Fin. Activity</b>	<b>-1,343</b>	<b>2,277</b>	<b>1,951</b>	<b>4,725</b>	<b>1,563</b>
<b>Inc/Dec of Cash</b>	<b>-183</b>	<b>278</b>	<b>483</b>	<b>-717</b>	<b>-2,996</b>
Add: Beginning Balance	238	55	333	816	99
<b>Closing Balance</b>	<b>55</b>	<b>333</b>	<b>817</b>	<b>99</b>	<b>-2,897</b>



**N O T E S**

For more copies or other information, contact

**Institutional:** Navin Agarwal. **Retail:** Manish Shah, Mihir Kothari

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: inquire@motiloswal.com

**Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021**

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Motilal Oswal Securities Limited (*hereinafter referred as MOST*) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

The report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon such. MOST or any of its affiliates or employees 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. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

MOST and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

**Disclosure of Interest Statement**

**Bombay Dyeing**

1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No

This information is subject to change without any prior notice. MOST reserves the right to make modifications and alternations to this statement as may be required from time to time. Nevertheless, MOST is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.