

Arvind Products

Market Cap (Rs. Cr) 65.25

52 Week-H/L(Rs)

12.50 / 5.24

CMP

Rs. 8.06

Target Price

Rs. 14/21

Bloomberg -

Reuters

ARPR.BO

BSE 532489

NSE -

Investment Arguments

Arvind Products is a 51% subsidiary of Arvind Mills. Arvind products has three main activities - **1. Bottomweights**, making a wide variety of khakis, with number of value added products for the global clients like GAP and Mark & Spencers. **2. Voiles**, one of the largest producer of voils in domestic market with 40% market share. **3. Yarn division**, supplies to parent company at market oriented prices. The most promising division is Bottomweights, where in it manufactures a wide range of value added trouser fabrics. These includes - **wrinkle free, water repellent, lint repellent, Anti-Microbial PU Coated, Sulphur dyed and fabric from Organic Cotton**. Company is continuously investing in Processing and **finishing machines** to increase the output of value added differentiated fabrics for global buyers. Latest in this series is instalation of India's first **-Diamond/Carbon Brush finishing machine**, to improve finish of fabric, leading to vastly improved realisations from the buyers. Increased capacities for Dyieng, sizing, finishing, created in current year, will have significant positive impact on realisations and also in attracting more and more MNC buyers. **Further margin improvement will come from the addition of more and more value added fabrics in total export sales. Company has appointed Italian disigners to foresee demand pattern in developed market and develop and design fabric accordingly, ahead of competitors and supply in time to fetch better realisations.** Company is having **24 MW gas based plant**, for captive power supply [this is common utility for Company and its parent]. Also has some **3000 Sq.Yard surplus land**, though for now company has no plans to sell it as the valuations are likely to go up further in coming years. Similarly management also denied any plans to merge the company with parent company. For the year ended March '07, company reported a total turnaround in operations, led by good growth in bottomweight segment. Despite expansion and modernisation expenses, company cut down on interest expenses. Though net profit for this first year of turnaround is negligible, cash EPS is attractive at Rs 5.20. Going by the trend the EPS and Cash EPS for '08 could be 3.89 & 8.34 respectively. **At present you are getting a Rs 450 Cr company with Rs 42 Cr annual Cash Profit with Market Cap of just Rs 65 Crs; & for '08 - its 550 Cr Co with 67 Crs cash profit at 65 Cr Mkt Cap- DAM Cheap. BUY, for short as well as long term gains, with targets of Rs 14 and 21 respectively .**

Financials for the year ended (in Rs. Crores)

Particulars	Mar 06	Mar 07	Mar 08 E
Gross Sales	389.89	447.39	545.00
PBIDT	50.06	63.54	85.50
Interest	23.49	21.26	18.00
Depreciation	33.79	34.96	36.00
PAT	-7.34	7.12	31.50
EPS (in Rs)	0.00	0.88	3.89
CEPS (in Rs)	3.27	5.20	8.34
Book Value (in Rs)	3.71	4.59	8.48
Face Value (in Rs)	10.00	10.00	10.00
Dividend (%)	0.00	0.00	0.00
Dividend Yield (%)	0.00	0.00	0.00
Net Worth	30.00	35.50	67.00
Debt	234.27	220.00	200.00
Equity Capital	80.96	80.96	80.96
P.E. (x)	0.0	9.2	2.1
NPM %	-1.88	1.59	5.78
EBIDTA Margin %	12.84	14.20	15.69
RoCE %	18.9%	24.9%	32.0%

Latest result update (in Rs. Crores)

PARTICULARS	03/07 Quarter	03/06 Quarter	% change
Gross Sales	113.33	100.01	
PBIDT	15.37	11.53	
Net Profit (PAT)	2.15	[-3.51]	
Equity	80.95	80.95	
NPM	1.90	negative	

Technical Trend:-



After forming a top at Rs 20.70 in Feb'05, the stock went in to deep correction along with other penny stocks. In May- June' 06 meltdown, it touched a low of Rs 5.25 and then touched a high of 12.45 in Jan'07.

Then again it went under correction, but this time it formed a higher bottom of Rs 6.70, compared to Rs 5.45. Now it is again showing signs of recovery after a double bottom formation, indicating a strong up move.

One can buy the stock, with stop loss of Rs 7.50 for near term target of Rs 14 and one year target of Rs 21. Traders can raise the trailing stop loss with rise in stock prices.

Shareholding Pattern

