

Institutional Equities
 India Research

Maxwell Industries

RESULT REVIEW

 Bloomberg: MXWI IN
 Reuters: MAWL.BO

HOLD

Focus on innerwear showing results

Maxwell Industries sales, EBITDA and net income grew by 24%, 9% and 122% YoY respectively.

Revenue Growth: The Company's top-line grew 23.9% YoY to Rs. 756 mn during Q2FY13, while sequential growth was reported at 28.8%. The top-line growth was on the back of 16% YoY volume growth as well as realization hike of approx. 3%. The Company's decision to focus on innerwear and closing spinning business is showing better results. The Company is increasingly focused on introducing new product lines under Eminence & VIP brands to establish itself as a premium innerwear manufacturer. This would further help to improve operating margins on higher realizations.

Operating margins: The Company's EBITDA grew 8.7% YoY to Rs. 60.2 mn during Q2FY13 on account of higher raw-material and other input costs. EBITDA margin for the quarter stood at 8.0% which declined 111 bps YoY and 95 bps QoQ. Advertisement expenses were up by 4x YoY to Rs. 39.9 mn for Q2FY13. The Company aims to incur Rs. 100 mn in advertisement for FY13, out of which Rs. 65.1 mn were incurred during H1FY13. Therefore better operating margins are expected for H2FY13 on lower advt. expenses and better realizations.

Net income shot up on revenue growth: Net Income for Q2FY13 grew 122.4% YoY to Rs. 14.5mn on the back of higher top-line growth. On sequential basis, net income was up by 41.6%.

We revised up our expected Sales by 8.1% and 11.2% for FY13E and FY14E respectively & EBITDA up marginally by 0.4% and 3.7% for FY13E and FY14E respectively. Expected Net Income has been revised down by 3.5% and 0.1% for FY13E and FY14E respectively.

Outlook & Valuations

We expect the Company to be in positive net earnings by FY13E and revenues to grow at a CAGR of 20% over FY12-FY14E. At CMP of Rs. 26 per share, the stock trades at 13x FY14E earnings and 7.1x FY14E EV/EBITDA. We maintain our target price of Rs. 26 per share and downgrade our recommendation to "HOLD" as target price achieved.

Key Financials

Y/ E Mar (Rs mn)	FY10	FY11	FY12	FY13E	FY14E
Net Sales	2,114	2,293	2,205	2,635	3,188
EBIDTA	234	171	165	257	351
Net Profit	65	16	(12)	58	124
EPS (Rs)	1.0	0.3	0.7	0.9	2.0
PER (x)	24.7	98.6	34.7	28.0	13.0
EV/EBITDA (x)	10.0	14.2	14.9	9.5	7.1

Source: Company, Karvy Institutional Research

Recommendation

CMP:	Rs26
Target Price:	Rs26
Upside (%)	1%

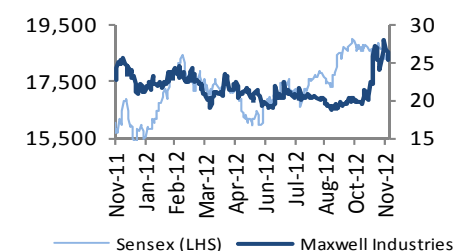
Stock Information

Market Cap. (Rs bn / US\$ mn)	02/29
52-week High/Low (Rs)	29/18
3m ADV (Rs mn /US\$ mn)	04/0.1
Beta	0.7
Sensex/ Nifty	18,537/5,636
Share outstanding (mn)	63

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	23.1	24.6	2.0	20.8
Rel. to Sensex	23.7	19.6	(13.6)	0.7

Performance



Source: Bloomberg

Earnings Revision

(%)	FY13E	FY14E
Revenue	↑8.1	↑11.2
EBITDA	↑0.4	↑3.7
PAT	↓3.5	↓0.1

Source: Karvy Institutional Research

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Maxwell Industries
Exhibit 1: Quarterly Performance

(Rs Mn)	Q2FY12	Q1FY13	Q2FY13	QoQ (%)	YoY (%)
Total Op. Income	610	587	756	28.8	23.9
Operating Costs	555	535	696	30.2	25.4
EBIDTA	55	52	60	15.1	8.7
EBIDTA Margin (%)	9.1	8.9	8.0	(0.9)	(1.1)
Other Income	2	4	3	(20.0)	84.1
Interest	37	34	36	4.7	(3.2)
Depreciation	10	9	9	0.2	(14.0)
Profit Before Tax	10	13	19	41.7	86.4
Tax	4	3	4	42.1	21.8
Tax Rate (%)	35.8	23.3	23.4		
Rep. PAT	6	10	14	41.6	122.4

Source: Company, Karvy Institutional Research

Exhibit 2: Variance from Our Earlier Estimates

(Rs Mn)	Previous Estimates		Current Estimates		Variance (%)	
	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
Revenue	2,437	2,867	2,635	3,188	8.1	11.2
EBITDA	256	338	257	351	0.4	3.7
Net Income	60	124	58	124	(3.5)	(0.1)
EPS	0.9	2.0	0.9	2.0	(3.5)	(0.1)
ROCE (%)	7.8	10.5	7.7	10.5	(0.1)	(0.0)
ROE (%)	5.9	11.6	5.7	11.6	(0.2)	0.0

Source: Company, Karvy Institutional Research

Financials

Exhibit 3: Profit & Loss Statement

Y/E Mar (Rs mn)	FY10	FY11	FY12	FY13E	FY14E
Net revenues	2,114	2,293	2,205	2,635	3,188
% Growth	10.2	8.5	(3.8)	19.5	21.0
Raw Material	1,056	1,220	1,239	1,574	1,881
Staff	111	135	140	145	159
Operating Expenses	713	768	661	659	797
Operating expenses	1,880	2,123	2,040	2,378	2,837
EBIDTA	234	171	165	257	351
% Growth	7.8	(26.9)	(3.2)	55.5	36.5
EBIDTA margin (%)	11.0	7.4	7.5	9.7	11.0
Other income	30	29	26	12	12
Interest	114	132	149	149	147
Depreciation	44	43	39	38	39
Profit Before Tax	107	24	3	82	176
Provision for tax	41	8	15	25	53
Effective tax rate (%)	38.8	32.0	24.7	30.0	30.0
Adjusted Net Profit	65	16	(12)	58	124
% Growth	1.0	(75.0)	(175.4)	(567.5)	114.6
Reported Net Profit	65	16	46	58	124

Source: Company, Karvy Institutional Research

Exhibit 4: Balance Sheet

Y/E Mar (Rs mn)	FY10	FY11	FY12	FY13E	FY14E
Equity capital	126	126	126	126	126
Reserves & surplus	736	733	741	769	858
Shareholders' funds	1,104	1,040	986	1,014	1,064
Short term Loans	503	685	825	845	900
Long Term Loans	237	136	40	40	55
Total Loans	740	821	865	885	955
Deferred tax liability	110	114	116	116	116
Total Liabilities and Equity	1,955	1,975	1,967	2,015	2,135
Gross block	1,217	1,302	1,242	1,282	1,316
Depreciation	584	625	664	702	741
Net block	633	677	577	580	575
Capital WIP	62	-	-	10	6
Goodwill	126	126	126	126	126
Investments	-	-	95	86	86
Other Non-current Assets	0	0	0	0	0
Inventory	886	1,094	915	1,001	1,148
Debtors	561	527	472	527	606
Cash & Bank Balance	25	14	24	57	69
Current Assets	1,553	1,718	1,414	1,664	1,886
Sundry Creditors	342	521	207	422	510
Other current liabilities	78	25	39	29	34
Current Liabilities	420	546	245	451	544
Net current assets	1,133	1,172	1,169	1,213	1,342
Deferred expenditure					
Total Assets	1,955	1,975	1,967	2,015	2,135

Source: Company, Karvy Institutional Research

Maxwell Industries
Exhibit 5: Cash Flow Statement

Y/E Mar (Rs mn)	FY10	FY11	FY12	FY13E	FY14E
EBIT	190	127	126	219	312
(Inc.)/Dec in working capital	(67)	(49)	14	(12)	(116)
Cash flow from operations	123	78	140	207	195
Other income	30	29	26	12	12
Depreciation	44	43	39	38	39
Interest paid (-)	(114)	(132)	(149)	(149)	(147)
Tax paid (-)	(41)	(8)	(15)	(25)	(53)
Dividends paid (-)	(44)	(18)	(29)	(29)	(34)
Deferred Tax Liability	4	4	2	-	-
Extraordinaries	-	-	59	-	-
Net cash from operations	2	(4)	72	54	12
Capital expenditure (-)	(66)	(23)	61	(50)	(30)
Net cash after capex	(64)	(27)	133	4	(18)
Inc./(Dec.) in short-term borrowing	55	182	140	20	55
Inc./(dec.) in long-term borrowing	11	(101)	(96)	-	15
Inc./(dec.) in preference capital	-	(62)	(63)	-	(39)
Inc./(dec.) in borrowings	66	19	(19)	20	31
Cash from Financial Activities	66	19	(19)	20	31
Others	(3)	(2)	(104)	9	-
Opening cash	26	25	14	24	57
Closing cash	25	14	24	57	69
Change in cash	(2)	(11)	10	33	12

Source: Company, Karvy Institutional Research

Exhibit 6: Key Ratios

Y/E Mar	FY10	FY11	FY12	FY13E	FY14E
Raw Material Cost / Sales (%)	49.9	53.2	56.2	59.8	59.0
Manpower Cost / Sales (%)	5.3	5.9	6.4	5.5	5.0
Operating & Other cost / Sales (%)	33.8	33.5	30.0	25.0	25.0
Revenue Growth (%)	10.2	8.5	(3.8)	19.5	21.0
EBIDTA Margins (%)	11.0	7.4	7.5	9.7	11.0
Net Income Margins (%)	3.1	0.7	(0.6)	2.2	3.9
ROCE (%)	6.1	4.4	4.8	7.7	10.5
ROE (%)	5.9	1.6	(1.2)	5.7	11.6

Source: Company, Karvy Institutional Research

Exhibit 7: Valuation Parameters

Y/E Mar	FY10	FY11	FY12	FY13E	FY14E
EPS (Rs)	1.0	0.3	0.7	0.9	2.0
P/E (x)	24.7	98.6	34.7	28.0	13.0
BV (Rs)	17.5	16.5	15.6	16.1	16.9
P/BV (x)	1.5	1.5	1.6	1.6	1.5
EV/EBIDTA (x)	10.0	14.2	14.9	9.5	7.1
Fixed assets turnover ratio (x)	3.3	3.5	3.5	4.6	5.5
Debt/Equity (x)	0.65	0.78	0.85	0.82	0.83
EV/Sales (x)	1.1	1.1	1.1	0.9	0.8

Source: Company, Karvy Institutional Research

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Stock Ratings		Absolute Returns
Buy	:	> 15%
Hold	:	5-15%
Sell	:	< 5%

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Disclosures Appendix

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