

Maharaja Shree Umaid Mills Ltd

Q3FY12 First cut – Sales in line, profits outperform

Fundamental Grade 2/5 (Moderate fundamentals)

Valuation Grade 5/5 (CMP has strong upside)

Industry Textiles, Apparel & Luxury Goods

Maharaja Shree Umaid Mills Ltd's (MSUM's) Q3FY12 revenues and operating profitability were in line with CRISIL Research's expectations. The company reported q-o-q revenue growth of 6.6% primarily backed by pick-up in volumes. Exhaustion of high-cost cotton inventory and fall in cotton prices since May 2011 enabled MSUM to turn profitable at the EBITDA level in Q3FY12. Net profit exceeded our expectations due to higher other income. In this quarter, the company has received Rs 3.9 bn cash (net of taxes and payment of Rs 7 mn towards court settlement concerning the Kota land) from the profit on the sale of 21.65% stake in Andhra Pradesh Paper Mills Ltd. We will revise our estimates post our interaction with the management. Given MSUM's concentrated product profile and vulnerability to fluctuating cotton prices, we maintain the fundamental grade of **2/5**.

Q3FY12 result analysis

- MSUM's Q3 revenues grew by 6.6% q-o-q (down 2.5% y-o-y) to Rs 1,107 mn driven by pick-up in volumes in the yarn segment. Also, since the previous quarter, the company has increased its focus on exports in order to capitalise on the benefits of a weak rupee, which may have contributed to revenue growth.
- The company reported EBITDA margin of 3.8% in Q3FY12, a significant improvement from a loss of Rs 47 mn at the EBITDA level in the previous quarter. Fresh inventories of low-cost cotton resulted in raw material expenses as a proportion of revenues dropping to 75% in Q3FY12 from 83% in the previous quarter.
- Adjusting for the extraordinary income of Rs 3.9 bn, it reported PAT of Rs 93 mn backed by healthy other income of Rs 88 mn in Q3FY12.

Key Developments

- In a notice to the BSE on December 30, 2011, the company announced a 2:1 bonus issue, with the record date of February 15, 2012. With this, it will issue additional 17.28 mn shares and capitalise Rs 173 mn of reserves.
- The company has altered its MoA to include the following objectives: a) to deal in any kind of power or electrical energy, b) carry on business of real estate or construction and c) provide necessary infrastructure to harvest and develop forest-based resources. This may be an indication of the possible areas for utilisation of surplus cash available with the company.

Valuations: Current market price has strong upside

We continue to use the sum-of-the-parts method to value MSUM's core textile business, surplus cash and land reserves and maintain our fair value of Rs 279 (adjusted for bonus issue of 2:1). The valuation grade is **5/5**.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	2,973	3,197	4,317	4,297	4,928
EBITDA	253	289	482	90	404
Adj PAT	6	113	180	-16	288
Adj EPS-Rs	0.7	13.1	20.8	(0.6)	11.1
EPS growth (%)	48.5	1,883.1	58.8	(103.0)	NM
Dividend yield (%)	2.6	2.2	1.4	-	0.3
RoCE (%)	5.8	6.3	10.1	(0.5)	2.9
RoE (%)	0.5	7.4	7.7	(0.3)	4.1
PE (x)	71.9	8.7	16.8	(250.7)	14.3
P/BV (x)	0.3	0.6	1.0	0.6	0.6
EV/EBITDA (x)	5.6	7.8	8.4	18.3	5.8

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

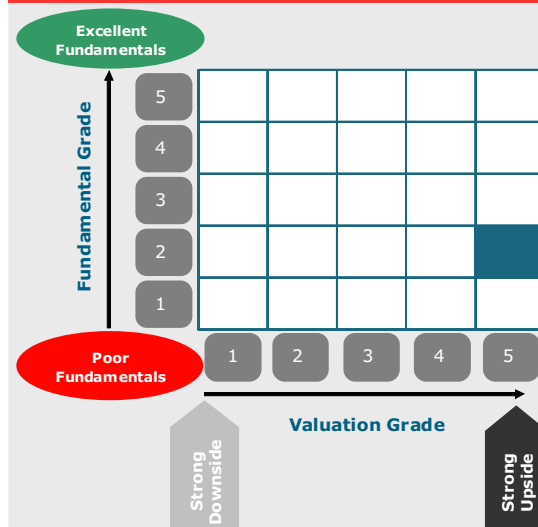


February 16, 2012

Fair Value Rs 279

CMP Rs 158

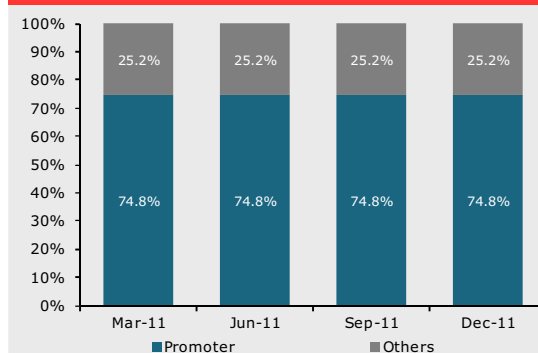
CFV MATRIX--CHANGE



KEY STOCK STATISTICS

NIFTY / SENSEX	5532/18202
BSE ticker	MAHASHR
Face value (Rs per share)	10
Shares outstanding (mn)	25.9
Market cap (Rs mn)/(US\$ mn)	1,998/41
Enterprise value (Rs mn)/(US\$ mn)	3,757/76
52-week range (Rs) (H/L)	203/65
Beta	1.1
Free float (%)	25.2%
Avg daily volumes (30-days)	9731
Avg daily value (30-days) (Rs mn)	1.4

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
MSUM	1%	-9%	25%	129%
NIFTY	14%	9%	9%	1%

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