

Maxwell Industries Limited

About the company:

Maxwell Industries Limited is the leading manufacturer of Innerwear in India which was incorporated in 1991. Maxwell has strong foot hold all over India with manufacturing units in Tamil Nadu, Daman and Gujarat. Maxwell has strong brand names under their umbrella like VIP, Frenchie X, Frenchie, Feelings, Eminence and Leader in both men and women's innerwear segments.

Investment Rational:

Maxwell Industries has recently sold their spinning unit for Rs.39 cr. which contributed only 15% to their revenue. Management expects to close the Deal and get the remaining amount of Rs.35 cr. by September 2011. Funds so received will be utilized mainly to Repay the Loans and for part Repayment of pref.share capital belonging to the erstwhile Partners Reddys (Promoters of Lovable Lingerie) will be redeemed. Thus Debt burden of the company will get reduced very significantly and interest burden will also come down improving the earnings of the company. Further with the sale of the spinning mill Managements attention and Focus will now shift more to Brand led Top line and Bottom line growth like Jockey (Page inds.) and Lovable.

Strong Brand recall provides strong Competitive advantage against peers. VIP brand has a very good acceptance in mass market and Frenchie and Frenchie X and Eminence augur well in mid to premium segment in men's innerwear and Feelings in the mid segment for women's innerwear.

New product / Brand launches are on the management's priority to capture the growing demand in premium segment.

Maxwell industries have a very strong distribution network with over 550 dealers and supply to over 110000 retail outlets in India. To cater to the demand of all geographic area's of India, Maxwell Industries has four regional offices in Delhi, Kolkata, Mumbai, and Bangalore.

Management led by Mr. Sunil Pathare, VC & MD of the company has prepared a blue print to open about 100 exclusive lingerie and innerwear stores in tier 1&11 cities of India within two to three years from 2012 and has set an ambitious target of achieving a turnover of about Rs.550cr by 2014-15 when it will be completing its Silver jubilee year.

Price Rs : 24.95	TP Rs. : 40
Rating	BUY
NSE Code	MAXWELL
BSE Code	532613
ISIN Code	INE450G01024
Industry	Apparel's mfg. & trading

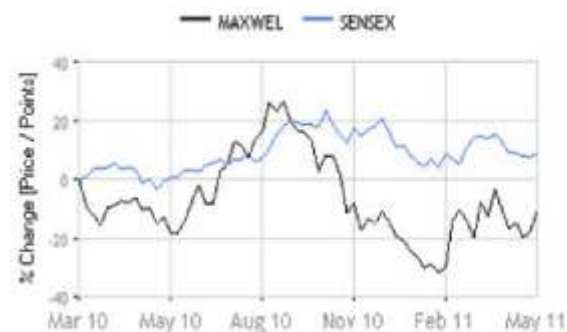
Key Share Data:

Face Value	Rs. 2
52 Weak H/L	Rs. 30.15/14.80
Equity Cap.(Cr.)	Rs. 12.62
Market Cap.(Cr.)	Rs. 157.43
Book Value	Rs. 13.62
EPS	Rs. 0.26
P/E	Rs. 96.59
Industry P/E Ratio	Rs. 21.25

Share Holding Pattern as on 31Jun, 2011

Promoter	63.57
FII	0.34
DII	-
Bodies Corp.	18.52
Others	17.57
Total	100.00

Stock Performance with Sensex



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Share holding pattern from Sep, 2010 to Jun, 2011

(In %)

	Sept.2010	Dec.2010	Mar.2011	Jun.2011
Promoters	63.57	63.57	63.57	63.57
FII	0.34	0.34	0.34	0.34
DII	-	-	-	-
Bodies Corp.	19.51	19.12	18.74	18.52
Others	16.58	16.97	17.35	17.57
Total	100.00	100.00	100.00	100.00

Sources: BSE

Share holding more than 1% as on Mar, 2011

S.No.	Name of the Shareholder	No. of Shares	% of Total Shares
A	Promoters	40097868	63.57
B	Public	10394215	16.48
1	Reliance Capital Limited	9177215	14.55
2	Videocon Industries	1217000	1.93
	Total	50492083	80.05

Sources: BSE

Key Risks to our assumptions:

- Cyclical nature of Raw material Industry
- Intense competition from regional and foreign brands
- High Inventories & Debtors Level
- Increasing cost of Debt
- Timely completion of sale of spinning Mill

Textile Industry in India:

The textile sector includes the apparel, textile and technical textile. The industry contributes around 4 % of India's GDP, 17% of India's export earnings and 14% to Industrial production. Textile sector is the second largest provider of employment after agriculture with over 35 millions people employed, according to Annual report 2010-11 of the Ministry of textiles. Thus the growth of this sector is directly correlated with growth of India.

According to provisional Census data India has approx. 121 crores population which is the second largest in the world after china and with India's GDP likely to grow at about 9 % as per Planning commission approach paper adopted for Twelfth Five year Plan 2012-17 ,augurs well for the growth of textile industry in India.

With rapidly increasing per capita income and young Demographic profile of our country's population with fast changing lifestyle trends and rising aspirations of the people are fueling the demand for Branded apparels.

Maxwell Industries has a wide range of well known brands in his portfolio like VIP, Frenchie, Frenchie X, and feelings, Brat, LEADER and Eminence in all segments for men, women and kids. Its brand VIP has a leadership position in mass market and Frenchie X and Eminence are well position in premium segment.



Annual Results:

Rs.in Cr.

Particulars	2008-09	2009-10	2010-11
Net Revenue	191.90	211.39	229.31
Expenditure	170.23	188.04	212.26
EBIDTA	23.74	26.38	19.93
Depreciation	4.43	4.35	4.31
Interest	8.29	11.36	13.22
Tax	4.55	4.14	0.37
Profit after tax	6.47	6.53	1.63
Equity Cap.(Fv. Rs 2)	12.62	12.62	12.62
EPS	1.03	1.03	0.26

Balance Sheet:

Rs.in Cr.

Sources of funds	2008-09	2009-10	2010-11
Equity Share capital	12.62	12.62	12.62
Preference Share Capital	24.35	24.35	18.14
Reserves & Surplus	71.43	73.60	73.26
Loan funds	67.45	74.03	82.10
Deferred Tax liability	10.64	11.00	11.37
Total	186.49	195.60	197.51
Application of funds			
Gross block	133.88	134.30	142.79
Less : Depreciation	54.61	58.38	62.49
Net block	79.27	75.91	80.30
Capital work in progress	-	6.19	-
Net Fixed Assets	79.27	82.10	80.30
Investment	0.01	0.01	0.01
Current Assets & Liabilities			
Inventories	73.40	88.57	109.41
Sundry Debtors	57.53	56.06	52.69
Cash & bank balance	2.60	2.45	1.97
Loans & Advances	9.45	8.23	8.29
Less: Current liabilities & prov.	36.16	42.12	54.56
Net Current Assets	113.47	113.19	117.80
Total	186.49	195.60	197.51

Data Source: Company Annual Reports / BSE / NSE websites

Annual Ratios:

Rs.in Cr.

Particulars	2008-09	2009-10	2010-11
Sale Growth %	-6.17	10.16	8.48
EBIDTA Growth %	-8.02	11.12	-24.45
NPM Growth %	-36.75	0.93	-75.04
EPS	1.03	1.03	0.26
CEPS	1.73	1.72	0.94
EBIDTA margins %	12.37	12.48	8.69
PAT margins %	3.37	3.09	0.71
P/Book Value	1.25	1.82	1.69
P/E	16.29	24.06	88.46
E.V./EBIDTA	7.18	8.67	10.30
E.V./Sales	0.89	1.08	0.98
RoNW %	7.70	7.57	1.90
RoA %	8.16	7.95	2.03
RoCE %	4.27	4.07	0.97

Source: Company, Arch Finance Research

Quarterly Results

Rs.in Cr.

Particulars	Jun.2010	Mar.2011	Jun.2011
Net Revenue	56.64	52.59	53.84
Expenditure	51.56	49.31	49.55
EBIDTA	5.78	4.06	5.00
Depreciation	1.11	1.15	1.15
Interest	2.11	6.32	3.36
Profit for the period	1.71	-2.25	0.29
Equity Cap.(Fv. Rs 2)	12.62	12.62	12.62
EPS	0.27	-0.36	0.05

Peer Comparison

Rs.in Cr.

Particular	Maxwell 2010-2011	Lovable 2010-2011	Page Ind. 2010-2011
Net Sales	229.31	104.03	491.56
EBIDTA	19.93	19.47	90.74
Depreciation	4.31	1.37	9.82
Interest	13.22	0.53	5.22
Net Profit	1.63	14.12	58.54
Equity Capital	12.62	16.80	11.15
Face Value (Rs.)	2	10	10
Net Worth	85.91	141.22	123.77
Fixed Assets	80.30	12.93	100.48
EPS	0.26	8.40	52.50
Book Value	13.61	84.06	111.00
E.V./EBIDTA	11.92	46.83	33.36
E.V./Sale	1.04	8.76	6.16
MKT Cap/Sale	0.69	9.81	6.12
P/E	96.59	72.24	51.40
P/B.V	1.83	7.22	24.31
Inventory turnover Ratio	2.32	5.87	3.90s
Debtors turnover Ratio	4.22	8.59	21.86
Debtors Velocity (Days)	86.00	42.00	17.00
Creditors Velocity (Days)	74.00	55.00	22.00

Source: Capitaline Databases.

Valuation & Outlook:

Maxwell Industries is trading at a market price of Rs 24.95 with a P/Book value of 1.69, EV/EBIDTA of 10.30 and P/E of 88.46 of FY2011. We recommend BUY to Maxwell Industries at every dip with a target price of Rs.40 within 12 -15 months.

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