

Kohinoor Textile Mills limited



ICON CAPITAL MANAGEMENT (PVT.) LTD.

Company Profile

KTML is one of the oldest & fully vertically integrated home textiles company with state of the art capabilities for spinning, weaving, dyeing, printing and stitching. The company has a diverse customer base with sales in both the local and export markets. The main international markets include Asia, Europe, USA and Australia.

Financial Results HFY-DEC-15

The Company recorded after-tax profit of Rs. 477 million compared to profit after tax of Rs. 423 million during the corresponding period last year, an increase of 12.77%. Company posted Sales turnover of Rs. 7,731 million against Rs. 7,467 million, showing increase of 3.54% QoQ. Gross profit stands Rs. 1,249 million (16.15%) relative to G.P of Rs. 1,138 million (15.24%) during the corresponding period last year. Operating profit for the period before adjustment for financial charges amounted to Rs. 883 million this year, against Rs.753 million in the last year.

PKR	FY14 Unconsolidated	(E)FY15 Unconsolidated	FY14 Consolidated	(E)FY15 Consolidated
Net Sale	15,302,242	15,767,161	34,268,453	36,574,139
Gross Profit	1,907,163	2,616,137	8,778,473	10,675,198
PBIT	1,853,976	2,779,766	6,501,424	8,852,650
Profit/Loss before tax	1,288,592	2,261,465	4,490,684	7,209,290
Profit/Loss after tax	1,169,652	1,990,318	3,423,288	5,928,664
NCI			1,093,723	2,015,746
EPS	4.76	8.11	9.49	15.94

Financial Review

- In future, we expect the core operations of the company to remain strong due to reduction in cost pressures as the cotton prices in the country have declined significantly. This will generate higher margins on the product.
- As of Dec'14, the long term debt of the company stood at PKR382mn (Long Term Debt to Assets at 2.2%), including new loan of PKR317mn for its upcoming production facility. This coupled with decreasing interest rates in the country. As the company has settled most of its old long term debt by 1QFY15, this will considerably trim down the finance cost thus further adding to the growth in bottom-line. The firm has applied this strategy to trim down financial load on operations and will preserve a strong repayment plan.
- Company has announced to increase its production capacity in its weaving segment by installing 48 new High Speed Air Jet Looms. The new looms started their production Jan-15, which will provide greater revenues going forward as a result of increased capacity.
- Due to gas shortage company is forced to use furnace oil to generate electricity. Given the sharp decline in oil prices, company would be able to produce electricity at low cost. With drastic drop in furnace oil rates the firm is secured from gas shortages and recent price hike.
- Company new investment portfolio after selling 15 Million share of MLCF comprises 291mn (55.22%) shares of MLCF and 100mn (99.5%) shares of Maple Leaf Capital Limited. KTML's total portfolio market value/share stands at RS: 67.64. MLCF is in a position to pay more dividend in FY15 and KTML's earnings could receive boost due to dividend income.
- Furthermore, generation license for sale of surplus energy (through FO generation) has been received after approval by NEPRA where KTML is permissible to sell surplus energy generated through FO power plant to other mills in the surrounding area. As KTML requires only 4.5-5MW for own usage, the left over 13-13.5MW generated through the FO plant will be sold to other companies and generate an additional earnings for the company.
- Company has sold 15,000,000 share holdings of MLCF @ 60.13 which will increase the EPS by RS: 3.06/Share.
- As per our estimate for FYE-15 company may post consolidated EPS of 16.59 and stand alone EPS of Rs: 8.11.
- Currently the script is trading at 56.99 & offers an upside of 77.9% from our TP of Rs. 100. Thus, we give **BUY** call for KTML.

April 15, 2015

KTML: BUY

Current Price: 56.99

Target Price: 100

Key Data

Ticker	FABL
52Week High(PKR/sh)	58.90
52Week Low(PKR/sh)	20.85
Market Cap.(PKR Bn)	14.17
P/E Ratios 2014	7.68

	G.P Margin	Revenue (ooo)
2011	15.15	12,037,253
2012	16.48	11,146,689
2013	14.98	14,250,439
2014	12.46	15,302,242

	P/E	PAT(ooo)	EPS
2011	1.80	487,851	2.20
2012	8.87	116,429	0.47
2013	8.53	484,532	1.97
2014	4.99	1,169,652	4.76

	B.Value	ROE%
2011	17.87	18.96
2012	18.39	9.69
2013	20.36	2.58
2014	25.13	11.12

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