

Lovable Lingerie Ltd.

INDUSTRY	Textile
No. of Shares (Cr.)	1.68
Face value (Rs)	10.00
Mkt. Cap (Rs. Crs)	453.85
Price (08/06/2016)	270.15
Book Value (Rs)	122.17
P/BV	2.21x
BSE Code	533343
NSE Code	LOVABLE
Bloomberg	LLL IN
Reuters	LOVA.BO
Avg. Weekly Volume	445166
52 W H/L (Rs)	324.30/205.00

Shareholding Pattern	%
Promoters	67.23
DIIs	4.17
FIIIs	0.62
Body Corporate	0.00
Non-Institutions	27.98
Total	100.00
(As on March 31, 2016)	

Recommendation

BUY



Company Background

Lovable Lingerie Ltd, a Mumbai headquartered company is one of India's leading women's innerwear manufacturers. It focuses on dealing in hosiery garment products. "Lovable" and "Daisy Dee" are its flagship brands. It manufactures innerwear products under the brand "Lovable" which caters to the premium segment market in India, while Daisy Dee caters to the mid segment. To focus on consumer tastes and fashion cycles, it has set up an in house design studio for developing innerwear products and creating styles to meet the global standards. It has three manufacturing facilities in Bengaluru.

Investment Rationale

- In Q4FY16, the company has reported a strong growth in its financials. Its topline and bottomline grew by ~42% and ~138% YoY respectively. For the full year of FY16, its topline grew by ~14% and bottomline grew by ~18%.
- Strong growth in profitability has helped it to improve its Return ratio. Its Return on Equity (RoE) improved by 64bps YoY to ~11.29% in FY16.
- Recently, the company has entered into a distributorship agreement with Hanes Italy S.r.L (an overseas company of Hanes Brands group) & acquired non-exclusive third-party right to import, distribute, promote and sell certain of its products under the "Lovable" trademark within the territory of India for a period of 3 years. We believe, it may improve its business growth going forward.
- The company's has a diversified portfolio of brands and its brand "Lovable" is amongst the top three most preferred brand in women's innerwear in India.
- The company has been consistently paying dividend to its equity shareholders. For FY16, it has declared a dividend of 15%.
- The company has almost zero debt burden which is clearly reflected in its Debt/Equity ratio. As on March 31, 2016, its Debt/Equity ratio stood at 0.01x.
- The Indian innerwear market is estimated to grow at a CAGR of ~13% to reach Rs.59540 over the period of 2013-23 and women innerwear market is estimated to grow at a CAGR of ~15% to Rs.44000 crores over the same period. Higher disposal income, consumers' shifting focus from a price sensitive category to a brand sensitive category coupled with growing number of working women and the increasing demand of western wear continues to drive growth in the sector.
- At the CMP of Rs.270.15, the stock is trading at FY18E P/E of 14.18x. We recommend a BUY on the stock with a Price Target of Rs.343 (18x FY18E EPS) with an upside potential of ~27% from the current level with an investment horizon of 12-18 months.

Particulars (Rs. Crs)	Q4FY16	Q4FY15	Variance %	FY14	FY15	FY16	FY17E	FY18E
Net Sales	36.30	25.65	41.52	159.52	172.49	196.77	226.29	262.49
EBIDT	6.36	1.65	285.45	27.10	24.21	30.63	36.06	43.73
Net Profit	3.17	1.33	138.34	21.16	19.72	23.18	27.12	32.00
EBIDT margin (%)	17.52	6.43	1109bps	16.99	14.04	15.56	15.94	16.66
Net Profit Margin (%)	8.73	5.19	354bps	13.26	11.43	11.78	11.98	12.19
EPS (Rs)	1.89	0.79	139.24	12.59	11.74	13.80	16.14	19.05

Financials

Income Statement					
Description (Rs. Crs)	FY12	FY13	FY14	FY15	FY16
Net Sales	132.99	151.09	159.52	172.49	196.77
Total Expenditure	109.91	127.82	132.42	148.29	166.14
Operating Profit (Excl OI)	23.08	23.27	27.10	24.21	30.63
Other Income	6.46	4.45	6.51	6.34	5.93
EBIDTA	29.54	27.72	33.61	30.55	36.56
Interest	0.32	0.39	1.60	1.11	1.39
EBDT	29.21	27.33	32.01	29.43	35.17
Depreciation	1.50	1.85	3.15	2.49	2.80
Tax	6.06	6.59	7.70	7.22	9.19
PAT	21.65	18.89	21.16	19.72	23.18
Adjusted EPS (Rs)	12.89	11.24	12.59	11.74	13.80

Balance Sheet					
Description (Rs. Crs)	FY12	FY13	FY14	FY15	FY16
SOURCES OF FUNDS					
Share Capital	16.80	16.80	16.80	16.80	16.80
Reserves	142.17	157.15	173.40	168.30	188.45
Total Shareholders' Funds	158.97	173.95	190.20	185.10	205.25
Total Borrowings	3.44	9.41	9.28	5.49	2.21
Other Liabilities	22.89	27.90	31.24	37.79	26.54
Total Liabilities	185.31	211.26	230.73	228.38	234.01
APPLICATION OF FUNDS					
Non Current Assets					
Net Block	23.44	40.81	39.64	38.91	47.68
Capital Work in Progress	3.78	0.00	0.00	0.77	0.00
Investments	96.12	79.82	104.62	74.58	70.75
Loans and Advances	5.45	2.92	1.72	1.92	1.56
Other Non Current Assets	0.00	0.01	0.01	0.01	0.28
Total Non Current Assets	128.80	123.55	145.99	116.19	120.28
Current Assets Loans & Advances					
Inventories	33.61	43.09	51.68	66.45	63.92
Sundry Debtors	15.47	17.36	26.52	38.50	42.31
Cash and Bank	3.27	3.14	3.03	1.78	3.58
Short Term Loans and Advances	4.01	0.94	1.38	4.50	3.44
Other Current Assets	0.15	23.17	2.14	0.96	0.47
Total Current Assets	56.51	87.71	84.74	112.19	113.73
Total Assets	185.31	211.26	230.73	228.38	234.01

Source: Company, Ace Equity & AUM Research

Aum Capital RESEARCH DESK

Rajesh Agarwal – Head of Research	033 –32629127	rajesh.agarwal@aumcap.com
Sanjeev Jain – Sr. Research Analyst	033 –32629127	sanjeev.jain@aumcap.com
Tanya Kothary – Sr. Research Analyst	033 –32629127	tanya.kothary@aumcap.com

Disclosure & Disclaimer

This document is solely for the personal information of the recipient and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved) and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. AUM Capital Market Private Limited (hereinafter referred to as "AUM Cap") or any of its affiliates/group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. AUM Cap has not independently verified all the information contained within this document. Accordingly, we cannot testify nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document.

While, AUM Cap endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory compliance or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly. Neither, AUM Cap nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

AUM Cap is registered under SEBI (Research Analysts) Regulations, 2014. Further, AUM Cap hereby declares that –

- AUM Cap/its associates/research analysts do not have any financial interest/beneficial interest of more than one percent/material conflict of interest in the subject company.
- AUM Cap/its associates/research analysts have not received any compensation from the subject company(s) during the past twelve months.
- AUM Cap/its research analysts has not served as an officer, director or employee of company covered by analysts and has not been engaged in market making activity of the company covered by analysts.

AUM Capital Market Private Limited

Registered Office: 5, Lower Rawdon Street, Akashdeep building 1st Floor, Kolkata – 700020; Phone: +91(33) 24861040/43; Fax: +91(33) 24760191

Website: www.aumcap.com; Email: aumresearch@aumcap.com

