DCM Ltd. (DCM)

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About the Company

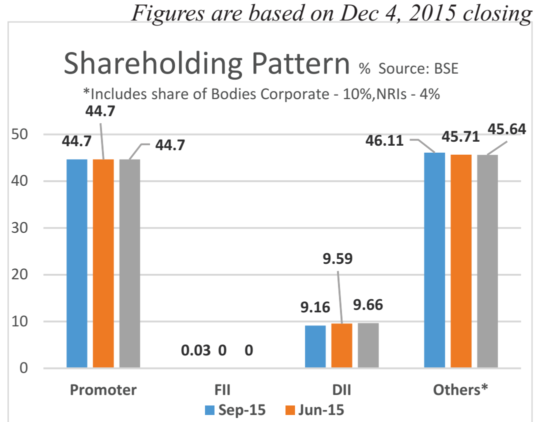
DCM Ltd is part of DCM Group, founded in 1889 by Lala Shri Ram. The Company has business interests in Textiles, automotive engineering products, IT services and real estate. DCM Ltd has 66.53 acre (freehold & leasehold both) of land at prime location in Delhi and 250 acre of land in Hisar, main belt for cotton yarn in North India.

Stock Statistics	
Bloomberg Code	DCM:IN
BSE Code	502820
NSE Code	DCM
BSE Sensex	25638.11
CMP (INR)	86.9
52 Wk High / Low (NSE)	128.9/ 75.55
Face Value (INR)	10
Book Value	120.53
M-Cap (In Rs Cr)	151.03
P/BV (x)	0.72
TTM PE (x)	7.48
Dividend (Rs/per share)	3.00
Dividend Yield (%)	3.45%
Source: Accord Fintech	

Figures are based on Dec 4, 2015 closing

Shareholding pattern

The promoters hold 44.7% stake in the Company. Life Insurance Corporation of India is the biggest institutional shareholder in the Company with 8.61% stake as on September 30, 2015.



Business Segments

Textiles -

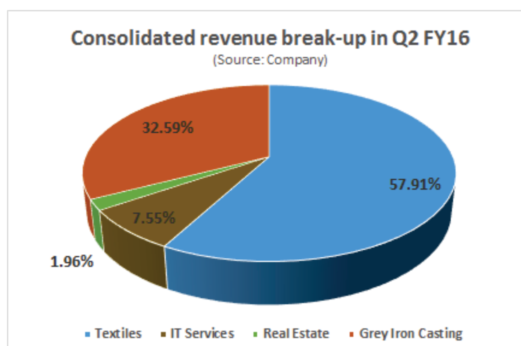
DCM Textiles, Textiles division of the Company is leading manufacturer & exporter of 100% cotton carded and combed yarns in single and two-ply forms of count range Ne 14s to 32s. It has spindle capacity of 1,14096 producing 25271 MTPA yarn.

Automotive Engineering Products-

The Company's subsidiary DCM Engineering having, the largest independent cylinder blocks and head foundry in India, is the first Indian foundry to manufacture compacted graphite iron (CGI) castings using the Swedish SinterCast process control technology. It is a major supplier of Castings to all the segments in the automotive industry.

The subsidiary is under process of getting merged with DCM Ltd.

(Swap Ratio for merger - 20 equity shares of DCM Ltd of Rs10 FV for every share 77 equity shares of Rs10 FV of DCM Engineering Ltd)



IT services -

The Company's subsidiary, DCM DataSystems is a pure play service provider of systems and storage in information technology (IT) and infrastructure services globally.

Real Estate -

The Company's real estate division is dealing with development projects of the Company's land bank in Delhi and Hisar.

Joint Venture

DCM Ltd stake in JV - 16.4%

Purearth Infrastructure Ltd. - Real Estate - Purearth Infrastructure Limited (formerly known as DCM Estates & Infrastructure Ltd) is the Company's Joint Venture with Thakral Holdings (Singapore based Business Group) and GuocoLand (a Singapore based developer having major focus on Singapore real estate and presence in China and Malaysia as well). In February 2004

Historic Stock Returns	1M	3M	12M
Price INR	90.9	79.65	78.45
Gain/Loss	-4%	9%	11%

the Company had entered into definitive agreement, in terms of SORA, with PIL for sale of development rights in the Company's freehand and leasehold land at Bara Hindu Rao / Kishanganj (a prime location in Central Delhi near all the major commercial hubs of Delhi connected by Metro, Railways and local transportation) for a total consideration of Rs.288.20 crore. In terms of SORA, the Company will not dispose off its shareholding in PIL until the completion of the land development project at Bara Hindu Rao/ Kishan Ganj, Delhi.

Earnings will be driven by -

- *Revival of automobile and textile sectors in India, both these sectors are major contributors to the Company's consolidated topline*
- *Improved market conditions for real estate in India, may prompt the Company to monetize its land bank*
- *Rs.3250 cr sanction from Central Govt to Delhi Govt to decongest Delhi roads, have revived hopes of completion of construction work at Rani Jhansi Road flyover, a major hurdle in success of its development project at Bara Hindu Rao / Kishan Ganj*
- *The Company's long term relationship with its clients for IT services*

Please refer to page no.7 for land bank valuations)

Initiating coverage with FY 16 earnings estimate of INR 15.70 per share on standalone basis

We are initiating coverage on DCM Ltd with a BUY recommendation because of its reasonable valuations (TTM PE at 7.48x, P/BV .072x) and the Company's presence in Textile and Auto ancillary sectors which are likely to see turnaround in FY16. Th Company has big land bank in Delhi and Hisar. Revived real estate market in these locations may prompt the Company to monetize these assets resulting in huge cash flows to the Company in form of sale of land development rights, rentals and higher dividend from PIL. The Company is merging its automotive engineering products subsidiary, DCM Engineers Ltd, with itself which should create good value for DCM Ltd Shareholders going ahead. DCM Engineering contributed nearly 33% to the Company's turnover in Q2FY16. Share swap ratio of 20:77 looks attractive considering the M-Cap / Sales ratio of listed peers of DCM Engineering.

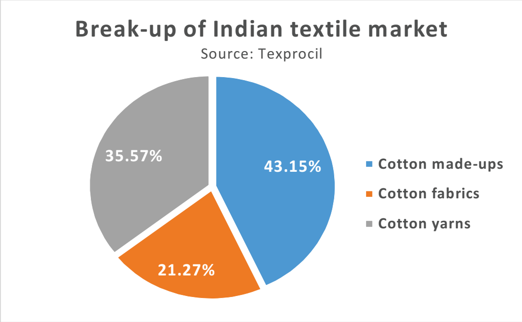
The Company had raised its cotton yarn production capacity by 39168 spindles in FY15 at an investment of about Rs. 105 Crore. The government is committed to revival of manufacturing sector under its "Make in India" initiative. The Government of India is already consulting with textile industry for measures to revive the industry. Some positive policy measures expected in the union budget for FY17 may give a boost to the textile sector. Textile Industry is already demanding government to include cotton yarns and merchant exports under interest equalisation scheme announced in November 2015. If this demand is accepted by GoI, it can help the cotton yarn manufacturers like DCM Ltd. in bringing down their finance cost. Chinese slowdown had impacted the performance of the Company in recent results but same is expected to offset with improved economic conditions in another major market US and increased demand from other markets such as Bangladesh, Vietnam, UAE and Peru. Depreciating rupee against US dollar is likely to help the Company in improving financial performance because the Company earns more than 50% of its revenues in US Dollars.

Auto ancillary sector is already set to see good time going ahead. The recent auto sales number of automobile companies (all segments - two wheelers, four wheelers and commercial vehicles) have shown decent growth and the upward trend is likely to continue with the current central government going ahead firmly on its reforms agenda and focus to achieve target of double digit growth in next two years. Revived economy will result in better job creation, increased household income and affordability for personal vehicles. Recommendations of Seventh Pay Commission also auger well for the automobile industry. Falling interest rates and easily available auto loans with lucrative offers from automobile companies and young population with craze for personal vehicles are likely to keep auto sales benign. Improved scenario for automobile industry is likely to result in better capacity utilisation for the Company's automotive engineering products i.e. castings. We are expecting Foundry business to break-even in FY16.

Investment Thesis

Healthy future outlook for Textile Industry - *Textile business contributes nearly 50% in consolidated revenue of DCM Ltd.*

Healthy growth rate of above 4% expected for textile & clothing world trade in 2016 onwards



The world trade in textile and clothing is expected to grow at a CAGR of 6% in the coming years, increasing to USD 1,180 billion by 2020. India is second largest exporter of Cotton & Textile after China with US a major market. Indian T&C Export to US grew by 8.8%in the first quarter of 2015 . China, second largest importer of India cotton products started consuming domestic

Buoyancy in US market and increased demand from Bangladesh and Vietnam likely to offset impact of slowing Chinese demand

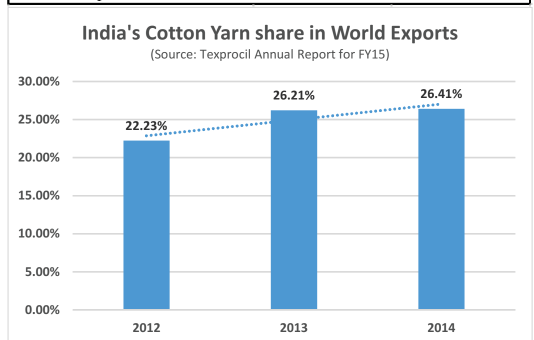
supply which resulted in decline of Chinese share to 13.72% in FY 15 from 16.84% for Cotton Textile exports. However increased demand from Bangladesh, UAE & Vietnam is likely to offset poor demand for cotton imports from China.

Top five world exporters - Textiles & Clothing	
Country	**Share %**
China	36.09%
India	4.85%
Italy	4.64%
Germany	4.42%
Bangladesh	3.76%
Source: Texprocil	

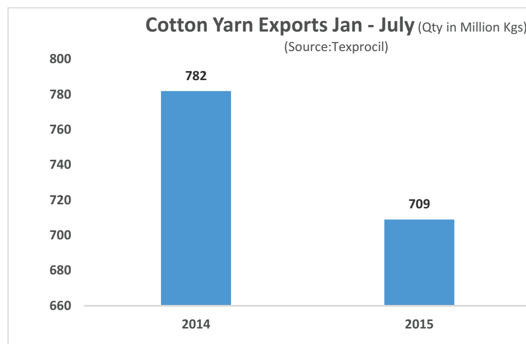
Cotton Yarn exports

India is top exporter of the cotton yarn in the world. Exports account for close to one-fourth of the total yarn produced by the industry. India's share in global cotton yarn export increased from 22.23% in 2012 to 26.41% in 2014. India's exports reached a level of US $ 2.26 Bn (782 Mn Kgs) in Jan-July 2015 decreasing from US $ 2.42 Bn (709 Mn Kgs) in Jan-July 2014 – a decline of 6.35% in dollar terms and growth of 10.24% in quantity terms.

Top five importers of Indian Cotton Textiles		
Country	**FY 14**	**FY 15**
USA	19.72%	20.90%
China	16.84%	13.72%
European Union (EU 28)	16.51%	16.06%
Bangladesh	8.09%	8.82%
UAE	3.74%	5.49%
Source: Texprocil		

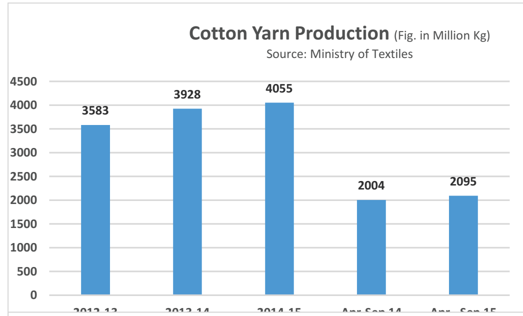


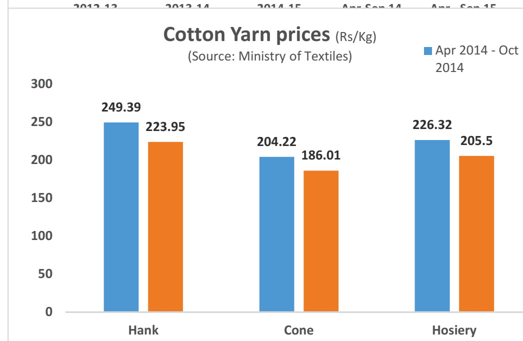
China, the largest importer of Indian cotton yarn discontinued stock piling policy in April 2014 to support local manufacturers. Demand from China is likely to be revived in 2016,Chinese import of global Cotton Yarn increased by 7.74% in January - July 2015. The Chinese garment industry (the largest in the world) requires substantial amount of good quality yarn to manufacture its products. Prices of cotton yarn in the Indian markets are expected to fall in the current fiscal. Consequently, the Chinese textile mills are likely to increase their yarn purchases from India. Apart from this, Bangladesh and Vietnam are expected to augment their yarn purchases from India to service their growing apparel export industry. CMIE expects total yarn exports to grow by 6.8% to 1.6 million tonnes during the year.



Domestic demand scenario for cotton yarn

Demand for yarn in the domestic market is expected to remain upbeat in FY16 backed by an increase in yarn purchases by the integrated apparel and fabric manufacturers. Factors such as urbanization, rise in per capita income, favourable demographics and a shift in preference for branded products will continue to boost the demand for apparels and fabrics in the domestic market. Overseas demand for apparels is also expected to remain healthy during the year. An expected pick-up in the real-estate sector is likely to drive the demand for home textiles.





Growth Drivers for Cotton Yarn manufacturers & exporters going ahead

The Central Government has allowed Foreign Direct Investment through automatic route in the textile sector. Cotton Textiles Export Promotion Council (Texprocil) is pitching for inclusion of cotton yarn and merchant exports in Interest Rate

Subvention Scheme on pre-shipment and post-shipment Rupee Export Credit. The scheme, which will now be called as Interest Equalisation Scheme offering rate of interest equalisation at 3%, will be effective from April 1, 2015 for a period of five years. It will be evaluated after three years. Interest rates on export finance is very high in India as compared to competing countries like Bangladesh, Pakistan, Sri Lanka and Vietnam. Cotton yarn export is currently reeling under difficult market conditions, especially in China and this product should be covered under the scheme to enable yarn exporters to reduce costs and remain competitive in these difficult times. If the Government considers this request in the upcoming budget, it can give a big relief to cotton yarn exporters such as DCM Ltd.

An Overview - Foundry Industry

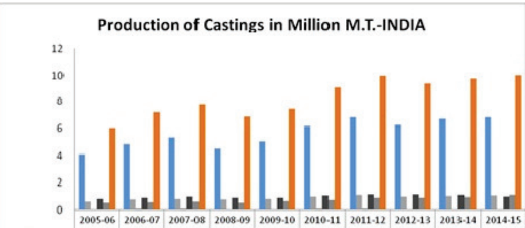
Revival of automobile sector should drive better capacity utilisation in Indian Foundry Industry - *Foundry (Casting) business contributes nearly 40% in cons. revenue of DCM Ltd.*

The Indian foundry industry (Metal Casting) manufacturers metal cast components for applications in Auto, Tractor, Railways, Machine tools, Defence, Earth Moving /Textile / Cement / Electrical / Power machinery, Pumps / Valves etc. Foundry Industry has a turnover of approx. USD 18 billions with export component at approx USD 2.5 billions.

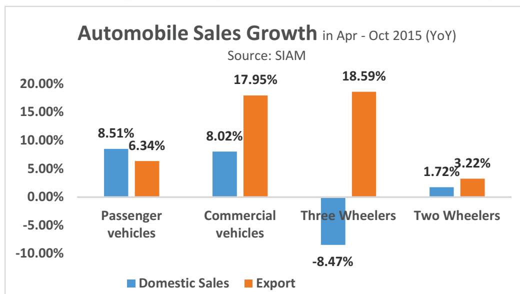
The various types of castings which are produced are ferrous, non ferrous, Aluminium Alloy, graded cast iron, ductile iron, Steel etc for application in Automobiles, Railways, Pumps Compressors & Valves, Diesel Engines, Cement/Electrical/Textile Machinery, Aero & Sanitary pipes & Fittings etc & Castings for special applications. Grey iron castings have the major share i.e. approx 60% of total castings produced.

Reviving automotive sector is likely to result in better utilisation of excess capacity in Indian Foundry Industry

Indian Foundry Industry has seen overwhelming growth in the past few years. With the availability of young & skilled manpower, emerging business environment & focus of the Govt on "Make in India" & "Ease of Doing Business", India is seen as a potential hub for the global companies who are looking forward to set up their manufacturing base abroad. The production of castings in FY15 increased to 10.02 million MT from 9.8 million MT in FY14 but the utilisation was low (say approx 70% in case of DCM Engineering) because of poor auto sales. The auto sales numbers have shown a rebound from last few months. Mostly all the companies have registered decent sales numbers in Q2 of FY16..



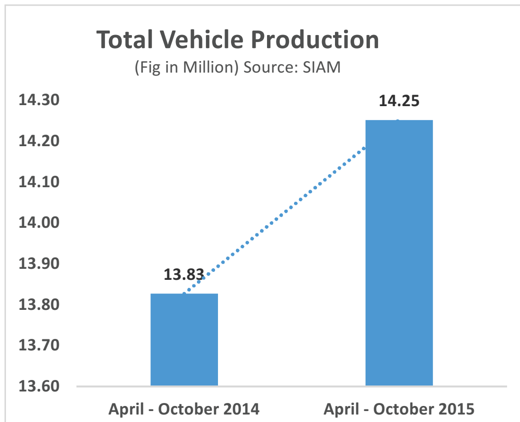
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Grey C.I.	4.116	4.87	5.332	4.532	5.05	6.18	6.798	6.254	6.7	6.83
SG iron	0.618	0.762	0.802	0.785	0.8	0.984	1.09	0.981	1.000	1.07
Malleable	0	0.0623	0.0651	0.0605	0.0602	0.0692	0.066	0.0604	0.060	0.06
Steel	0.805	0.914	0.964	0.916	0.88	1.07	1.14	1.158	1.100	0.968
non ferrous	0.516	0.571	0.608	0.547	0.653	0.75	0.9	0.891	0.95	1.093
TOTAL	6.055	7.1793	7.7711	6.8405	7.4432	9.0532	9.994	9.3444	9.810	10.021



Growth of automotive sector will be further boosted by -

- *Favourable policy initiatives under "Make in India" programme by the Government of India*
- *Falling crude prices and interest rates*
- *Increased household income*
- *Goods and Services Tax Bill if passed by Rajya Sabha*

The future outlook for the automotive industry looks better with domestic sales getting a boost from better growth for Indian economy (expected to grow at over 7% in current financial year and over 8% in next two years). If recommendations of Seventh Pay Commission are accepted by the Government of India, it can give a major trigger to automotive demand because vehicles is first preference when affordability is increased in India. Falling fuel prices and interest rates are also making owning vehicles more affordable and generating demand for the same. In the Union budget of 2015-16, the Government had announced to provide credit of Rs 850,000 crore (US$ 127.5 billion) to farmers, which is expected to boost the tractors segment sales. More encouraging announcements are expected in the



upcoming union budget to give a relief to the Indian farmers who have faced poor financial conditions in 2015 because of deficient monsoon. The financial help to the farmers through easy credit is likely to boost tractor demand going ahead.

The slowdown in Chinese demand is expected to be compensated with improved economic growth scenario in US and major European countries such as UK, Germany, Italy and France. South African and West Asian countries are also driving exports of India automobiles higher. We don't expect a drastic fall in demand from China because China had been fastest growing economy in the world for more than a decade which has resulted in better economic conditions and improved lifestyle including craze for personal vehicles.

Government of India aims to make automobiles manufacturing the main driver of 'Make in India' initiative. The Government has allowed 100% Foreign Direct investment in auto sector under the automatic route. , as it expects passenger vehicles market to triple to 9.4 million units by 2026, as highlighted in the Auto Mission Plan (AMP) 2016-26.

IT Infrastructure and Analytics - ***Business contributes nearly 7% in the cons. revenue of DCM Ltd. and witnessing good growth***

An Overview -IT - BPM Industry

Focus on digitalisation and importance strong IT infrastructure to grow a business will keep growth of IT infrastructure and analytics industry strong going ahead

As per NASSCOM estimates, the Indian IT-BPM (Information Technology - Business Process Management) industry generates about USD 146 billion. It grew at about 13% last year. Out of this the domestic industry was about USD 48 billion and exports were about USD 98 billion. Increased business need for strong IT infrastructure has resulted in growth of 20-40% for Indian Analytics Products market in last few years. Over 60% o the software products launched since 2012 have achieved substantial revenue and customer base, clearly highlighting the strategic excellence and acceptance of Indian software products in domestic and global markets.

IT - BPM Revenue share

Particulars	USD Bn	(%)
Domestic	48	33%
Exports	98	67%
Total	146	100%

Source: NASSCOM

Future for IT sector looks good with rapid digitalization not only in India but all over world. US and India,both major contributor to the revenue of Indian IT firms are showing improved economic growth recently

Operational Performance of the business segments

Textiles

DCM Ltd, manufacturer and exporter of cotton yarn in India, has been expanding and upgrading its machines by availing interest subsidy under TUF Scheme of Govt

The Company reported healthy growth of 19% in FY 15 to Rs.486.63 cr from Rs.409.3 cr in Fy14 but profit suffered because of higher interest, depreciation and fuel costs. The Company increased capacity of yarn by 32% (approx.) to 25271 MT in FY 15 from 19095 Mt in FY 14 through an addition of 39168 spindles at an investment of about Rs. 105 Crore. Exports to China came down in FY15 and in first half of FY16 because of China, major importer of Cotton yarn, giving a pause to its policy of stocking cotton & yarn in April 2014.

Performance of Textile Division (Fig in Rs Cr)

Particulars	FY15	FY14	Change
Net Sales	486.63	409.3	19%
PBIDT	46.93	68.07	-31%
Interest	18.65	11.75	59%
Depreciation	24.31	11.07	120%
PBT	3.97	45.25	-91%

Source: Company

Road ahead

Export markets

China, USA, Bangladesh, Vietnam, South Korea, Peru, Italy, Egypt & others

US Market which is a key market for world textiles & clothing is growing at a healthy rate and employment data is also encouraging. Revival of demand from China is expected because of bigger size of its garment industry and cheaper cotton yarn in India. Bangladesh & Vietnam are also going to boost the cotton yarn exports.

Domestic markets
Delhi, Panipat, Ludhiana, Ahmedabad, Ichalkaranji & Bhilwara

The domestic demand of cotton yarn is also expected to be good because of reviving Indian economy. We expect the textile to show healthy growth in revenue profits because of falling cotton prices and depreciating rupee. If Government of India agrees to include cotton yarn exports in interest equalisation scheme, it will give a major relief to the Company in bring down interest cost.

Automotive Engineering Products

Capacity of the Foundry - 72000 MTPA with CGI technology, one of the biggest foundry in the automotive segment

FY 15 was a challenging year for the Company because of slowdown in the automotive industry, particularly lower demand from the tractor industry. Dispatches were down to 47,337 MT in FY15 from 52,320 in FY 16. Tractor demand was low in first half of FY 16 as well because of the deficient monsoon this year. But Commercial vehicles (particularly Medium & Heavy Commercial vehicles segment) and passenger vehicles are showing sales trend which can boost the demand for the castings going ahead.

DCM Engineering Financials (Fig in Rs Cr)

Particulars	FY15	FY14	Change
Net Sales	371.57	397.32	-6%
PBT	8.79	14.98	-41%
Interest	11.19	9.35	20%
Depreciation	15.96	11.06	44%
PAT	-18.36	-5.43	-238%

Source: Company

It enjoys good relationship with most of the OEMs and automotive majors in India and abroad

The Engineering division's performance also got suffered from higher interest, depreciation, raw material costs (particularly steel scrap) and higher rejections due to new sand plant stablisation. The Company's total debt increased to Rs105 Cr in FY15 from Rs86.22 cr in FY14.

DCM Engineering - Key Customers

DCM Engineering - Key Customers
Hyundai Motors India Ltd.
Maruti Suzuki India Ltd.
Mahindra & Mahindra Ltd.
SML Izusu Ltd. (Swaraj)
Ashok Leyland Ltd.
International Tractors Ltd. (Sonalika)
Farmtrac Ltd. (Escorts)
General Motors Ltd.
Force Motors Ltd.
Tata Cummins Ltd.
JCB India Ltd.
Simpson & Company
V. E. Commercial Vehicles Ltd. (Eicher)
Perkins UK
International Cars & Motors Ltd. (Sonalika)

Source: Company

Road ahead

The Company has a strong customer base including major OEMs in India and abroad. The management is hopeful of increased volumes in FY16 with the supply of new development items by Q3 of FY16. The Company had provided Rs11.74 crore for imported capital goods in FY15, likely to start contributing in Q3 FY16.

CGI Technology - Competitive advantage for the Company

The demands for downsizing and power-up continue to pose challenges for engine designers and for the materials they choose. The application of Compacted Graphite Iron (CGI) provides approximately double the fatigue limit of conventional grey iron and aluminium alloys and therefore satisfies bottom- end durability requirements without increasing the size or weight of the main bearing region. There will be increased demand for CGI engine components as new road infrastructure and the current Bharat Stage IV emission norms and Bharat Stage V emission norms from 2019 onwards will drive demand for improved engine performance.

Merger of DCM Engineering with itself - a Win win situation for the Company

DCM Engineering is set to merge with parent DCM Ltd after necessary approvals. The listed peer Nelcast is enjoying over 1x M-cap/ sales (609cr/544.89 cr). Considering market cap/sales ratio of listed peer, the valuation of DCM Engineering should be much higher than the current valuation at which it is getting merged with DCM Ltd. DCM Ltd will get approx 4 million treasury shares after this merger on the books which can be used in the future to fund expansions.

DCM Eng V/s Nelcast (FY15) (Fig in Rs. Cr)

Particulars	DCM Eng	Nelcast
Net Sales	371.57	544
PBIDT	8.79	42.24
Interest	11.19	4.68
Depreciation	15.96	12.65
PAT	-18.36	21.94
Equity	20.05	17.4
M-Cap*	N/A	609

Source: Company for DCM Eng & BSE for Nelcast

We are expecting Foundry business to be in black from Fy16 onwards because of improved demand for tractors by farmers with the financial assistance schemes from government.

IT Infrastructure & Analytics

The IT Division is witnessing good growth since start of operations.

The Company's IT infrastructure and Analytics business registered decent growth of 17% in net sales (against growth of 13% in Indian IT industry) and 47% in Profit before Tax on account of increased volumes both in India & overseas business, better margins on exports and favorable exchange rates.

Performance of IT Division (Fig in Rs Cr)			
Particulars	FY15	FY14	Change
Net Sales	75.54	64.79	17%
PBIDT	6.97	4.98	40%
Interest	0.2	0.37	-46%
Depreciation	0.33	0.22	50%
PBT	6.44	4.39	47%

Source: Company

Road ahead

Outsourcing in Infrastructure services, application maintenance, server and application monitoring is likely to continue to specialized vendors to help optimise the overall IT budget of companies. Data Center spending in the US is expected to continue at double digit growth rates and greater opportunities are likely to exist in the areas of server management, storage management, virtualization & security. All this augurs well for the Division.

IT Division - Key Customers
Mother Dairy
LG Electronics
Hero Motorcop
Indraprastha Gas (IGL)
Eicher
Vedanta
RITES
Technology Partners
IBM
Oracle
VMWare

The Company is likely to clock good growth with increasing demand for strong IT infrastructure as a business need

With Clients in India and the USA, DCM is currently investing to bring in industry specific solutions. DCM is focusing on the Telecom industry with services for fault, configuration, administration, performance, security & compliance management using tools like IBM Netcool. In addition in the niche technologies like IPTV, VOIP, they have some of the largest telecom operators in the US, as customers.

Real Estate JV

The Government's drive to decongest Delhi roads may result in better commercial prospects of the PIL's project, Centre Square Project at Bara Hindu Rao

The real estate project, Centre Square Plaza, started by the Company through JV Purearth Infrastructure had hit a road block because of some project clearances, real estate slowdown, higher commodity prices leading to higher construction cost, highly congested roads due to delay in construction of Rani Jhansi Road flyover which was likely to be completed in 27 months after start of construction work in 2008. The time bound completion of this project (Even PIL is bearing some % of the cost to build this flyover as per media reports) would have boosted bookings at Central Square project of PIL. The construction work is still pending at this flyover even after so many years. The Central government has recently in November 2015 sanctioned Rs.3250 cr for Delhi Government to decongest Delhi roads. This development has given a hope for early completion of Rani Jhansi Road flyover because encroachment in the area was cleared by North Corporation last year. Improved scenario for real estate after eased foreign direct investment norms for the sector, falling interest rates and Seventh pay Commission report increasing purchasing power of a large number of household may prompt PIL to complete this project at the faster speed. DLF which had purchased Swatantra Bharat Mill land from DCM Shriram Consolidated in 2007 has also started developing this land after realizing the revival of real estate in NCR.

Valuation of Land Bank of the Company		
Particulars	Hisar	Delhi
Land Size (in acres)	250	66.53
Circle rate (Rs / Per sq mtr)	8000	56640.00
Rate Per Acre (Rs)	32,374,800	229,213,584
Total Land value (Rs Cr)	809.37	1524.96

1 acre = 4046.85 square meter
Source of land bank - Company
Source of cirlce rate - HUDA (Hisar), Maps of India (Delhi)
Disclaimer - Please cross check, we have tried to be accurate

Improved real estate scenario in Delhi & Hisar means increased revenue flow through sale of development rights, rentals & dividend from JV

Details of Charge Creation / Modification by PIL		
Date	Amt in cr	Charge Holder
27/04/2015	145.00	HDFC Ltd
10/10/2014	70.00	HDFC Ltd
30/12/2013	10.00	HDFC Ltd
21/01/2013	13.00	IFCI LIMITED
21/01/2013	15.00	IFCI LIMITED
22/03/2013	15.00	ICICI BANK LIMITED
Total Amount	268.00	

Source: MCA website

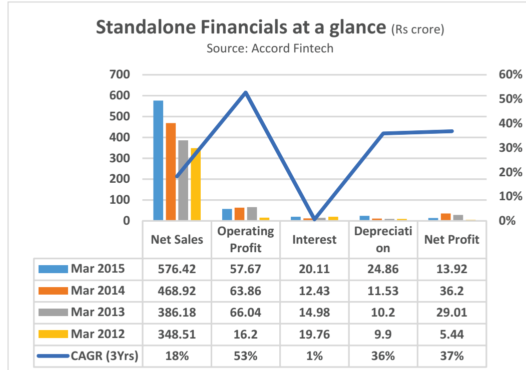
There were news in media about the Company's plan to monetize 250 acres land it had repossessed from the Government of Haryana in 2012. With all the stimulators (improving economic growth, increased affordability, a real estate regulator bill in pipeline, low interest rates and construction cost) available for growth of real estate in India, we can expect some positive developments for the Company going ahead. We expect higher fund flow from real estate development business of the Company.

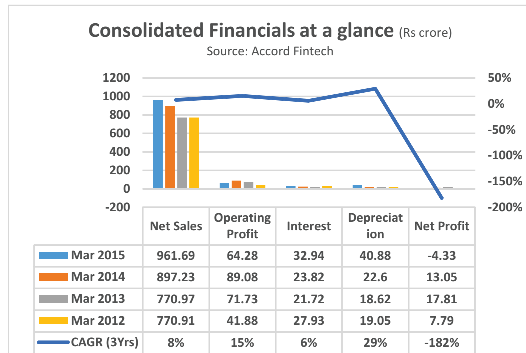
Investment Rationale

Worst is behind the Company with improved business prospects

The Company's standalone performance has grown at a CAGR of 18% for sales and 37% for the net profit despite dip in profit in FY15. The Company has reported CAGR of 8% in sales on consolidated basis against contraction in net profit because of a disappointing FY15 when its performance was severely hit because of slowing economy and demand of its products, higher finance, production and depreciation cost. The First half of FY16 was also disappointing because of poor demand from tractor segment due to poor monsoon this year.

Going ahead, we expect better demand prospects for cotton yarn and castings. China is expected to start procuring cheap cotton yarn available in India. Domestic auto companies are witnessing better demand which should bring better capacity utilisation for the Company's foundry business. The Government's pro farmer attitude should result in some policy initiatives to improve financial condition of farmers, a trigger for higher tractor sales (means higher demand for the Castings). The management is also hopeful of better growth from Q3 of FY16 onwards with contribution from new products. We expect better revenue contribution from PIL in FY16 onwards.





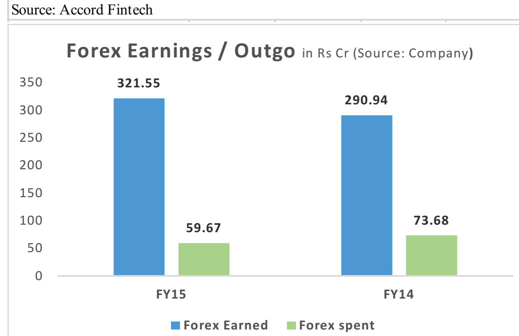
Quarterly Performance at a glance (Cons. Fig in Rs Cr)

Particulars	Sep 2015	Sep 2014	Jun 2015	Jun 2014
Net Sales	223.01	247.43	210.97	233.99
Operating Profit	9.37	4	21.9	2.79
Interest	8.53	8.02	8.99	7.8
Depreciation	9.16	10.9	8.85	9.67
Profit after tax	-4.6	-15.48	0.69	-13.21
PBIDTM %	4.2	1.62	10.38	1.19
PATM %	-2.06	-6.26	0.33	-5.65

Source: Accord Fintech

Depreciating rupee likely to help in improvement of margins

As the Company derives major revenue for textile segment through exports. We expect a depreciating rupee should have positive impact on the Company's financial performance and margins.



Good dividend yield & reasonable debt-equity ratio

The Company is consistently paying high dividend (dividend yield at 3.45%) and has manageable debt-equity ratio of 1.07x in FY15.

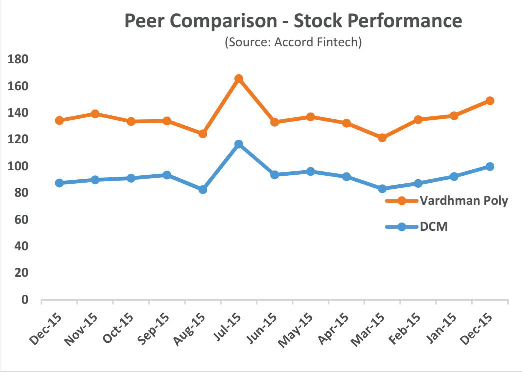
Peer Comparison - Financials

Particulars	DCM Ltd	Vardhman Poly
Inventory Days	58.48	44.56
EV/EBIT(x)	11.05	28.93
M Cap / Sales (x)	0.25	0.09
Total Debt/Equity(x)	1.07	3.54
ROCE	4.27	2.50%
RONW	-4.12%	-77.94%
P/Book Value	0.72	1.43
PE	7.48	Loss making

Source: Accord Fintech

Peer Comparison & Concluding remarks

The Company is in better position on financial parameters when compared with its listed peers. Its stock performance has been at par compared to the peers such as Vardhman Poly. We expect the stock to outperform its peers in future with clear growth visibility from its real estate and foundry business from Fy16 onwards. Rani Jhansi Road flyover, which has hampered the growth of development of the Company's land at Bara Hindu Rao /Kishangan,j is likely to get completed by June 2016 as per North Corporation. It should give a major boost to the Company's revenue from real estate segment and help in strengthening of bottom-line. We are positive on the Company's future growth and recommend a **BUY** rating at current price with One Year price Target of Rs. 140.



FINANCIALS AT A GLANCE (Consolidated Fig. in Rs. crore)

PARTICULARS	2016 E	2015	2014	2013	2012	2011
NET SALES	1048.24	961.69	897.23	770.97	770.91	685.77
EBITDA	75.11	55.19	80.41	64.40	32.59	96.09
NET PROFIT	27.29	-4.33	13.05	17.81	7.79	57.94
EBITDA MARGIN	7%	6%	9%	8%	4%	14%
NP MARGIN	3%	0%	1%	2%	1%	8%
EPS	15.70	-2.49	7.51	10.25	4.49	33.35
TTM PE (x)	-	7.48	-	-	-	-
P/BV (x)	-	0.72	-	-	-	-
Source: Accord Fintech						

Disclaimer: *We have tried to estimate the results best as per knowledge, the actual results by the Company may be different, we shall not be held responsible for the fluctuation in same.*

Basis of our estimates -

- *We are expecting textile business to witness higher turnover in second half on revived demand from China (Chinese new year celebrations in Q4) ,US (ahead of christmas and new year festive season in Q3) and higher demand from Bangladesh & Vietnam. Falling Cotton prices should help in lower raw material cost)*
- *We are optimistic about the good cash flows from the Company's JV - PIL from Fy16 onwards.*
- *We are expecting Foundry business to break-even in Fy16 and steady growth in the performance of its IT Division.*