

Analysis of ABSL Multicap Fund and Textile sector with Innerwear and Hosiery as a Subsector with reference to Lux Industries Ltd

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ABSTRACT

The internship project entitled "Analysis of ABSL Multicap Fund and Textile Sector with Innerwear and Hosiery as a subsector with reference to Lux Industries Ltd." was taken up at Aditya Birla Sun Life Ltd. by Rohan Ganesh Kolhapure. The project would involve assessing the performance, strategies, and market positioning of the ABSL Multicap Fund for the period between June-August 2024. This also included assessing the textile sector dynamics, with special inward titude toward the innerwear hosiery subsector, using Lux Industries Ltd as a case study. The main tasks were related to the assessment of historical performance of ABSL Multicap Fund and its investment strategies, as well as the analysis of sectoral trends influencing the innerwear market. Specific methodologies included quantitative analysis of financial statements, asset allocation, and risk management practices, in addition to strategic frameworks like SWOT, PESTEL, and Porter's Five Forces.

I. INTRODUCTION

The project is an analysis of the Aditya Birla Sun Life Multicap Fund, focusing on its investment strategies, performance metrics, and study of Indian economy and the Textile sector, particularly the Innerwear as a subsector. The concept revolves around understanding mutual funds, specifically the Multicap Fund, which invests across various market capitalizations (large, mid, and small-cap stocks) to achieve long-term capital growth. The analysis includes evaluating financial metrics, market trends, and the competitive landscape using tools like Porter's Five Forces and SWOT analysis.

Scope of the project the scope includes:

- Analyzing the ABSL Multicap Fund's asset allocation and performance metrics.
- Examining the textile sector's dynamics, particularly the innerwear market.
- Utilizing strategic analysis tools (e.g., SWOT, Porter's Five Forces) to understand competitive positioning.
- Reviewing macroeconomic indicators that impact investment decisions in the Indian market.

II. OBJECTIVES

- To evaluate the fund's historical performance and financial metrics.
- To analyze the competitive landscape of the textile sector, focusing on the innerwear subsector.
- To assess the economic factors influencing the fund's investment decisions.
- To provide recommendations for potential investors based on the analysis.

III. THEORETICAL BACKGROUND

The aim of fundamental analysis is to estimate the intrinsic value of a stock for long-term investment decisions. Fair value can be contrasted with the market price to allow the investor to have an advantageous time to buy—if below fair value—or sell/avoid—if above it. It includes economic analysis, industry analysis, sector performance, and company analysis or specific financials: one has to consider the following aspects: general economic conditions.

Top-Down vs. Bottom-Up Approaches:

- Top-down starts with an assessment of the overall economy, drills down into looking at industries, then picks select individual stocks within auspicious sectors.
- Bottom-up investing deals directly with the stock itself and analyses the earnings of a company, or the microeconomic factors that surround it, to find strong prospects, irrespective of whatever occurs in the general industry.

Equity Research provides views to aid investment decisions and typically covers:

1. Industry analysis - Profile and trends, competition utilizing Porter's Five Forces/PEST analysis.
2. Management assessment - Quality of leadership.
3. Historical financials - Analysing past performance against expectations.
4. Forecasting - Estimating future results using top-down or bottom-up models.
5. Valuation - Applying assumptions for valuation multiples and discount rates.
6. Recommendations - Advising investors whether to buy, hold, or sell the stocks.

IV. PROJECT DETAILS

Indian Textile Sector Overview

The entire production spectrum, from fiber cultivation to completed textiles and clothing, is included in the Indian textile industry. With a 2.3% GDP contribution and a 12% export contribution, it is essential to the country's economy. With a strong basis of natural fibers (cotton, silk, jute, and wool) and synthetic fibers (polyester and nylon), India is one of the top five exporters of textiles worldwide.

Subsectors

1. Textile Manufacturing: This includes the manufacture of fiber, yarn, and knitted and woven fabrics.
2. Clothing & Accessories: This category includes areas such as sportswear, luxury clothing, and innerwear.
3. Textiles for the home: This category includes carpets, upholstery, and bed linens.
4. Technical Textiles: Items used for purposes other than clothing, such as industrial and medical textiles.

Trends in the Market

By 2030, the Indian textile market is expected to reach USD 350 billion, growing at a 10% CAGR. Technical textiles are anticipated to grow considerably, especially for industrial and automotive applications. Growth is driven by sustainability initiatives, fabric technology advancements, and rising domestic demand.

Segment of Innerwear

The Indian hosiery market is expanding at a compound annual growth rate (CAGR) of 6.9%, with a 2023 valuation of USD 4.4 billion. The market share of women's innerwear is 60%, while that of men's and children's innerwear is growing as a result of changing lifestyles, increased earnings, and an emphasis on practicality and comfort.

Lux Manufacturing

With a 15% market share, Lux Industries dominates the organized Indian hosiery industry. With the help of a large distribution network and strategic manufacturing, it provides more than 100 items under several names. Lux aims for growth through expansions and digital transformation, placing a high priority on cost leadership and brand awareness.

Birla Aditya Sun Life Multi-Cap Fund

Long-term capital growth is the aim of this open-ended equity strategy, which invests in large, mid, and small-cap firms. It maintains a balanced, diversified strategy by allocating at least 25% to each market cap category.

CAGR	24.01%
NAV (August 9, 2024)	₹20.17
AUM (July 31, 2024)	₹6197.85
Inception Date	5 years +
Entry Load	Nil
Exit Load (For redemption within 90 days)	1%
Portfolio Turnover	15 Cr

Investment Horizon	5 years +
Minimum Investment	₹500

India's Economic Overview (2024)

GDP: India now has the fifth-largest economy in the world, with a GDP that increased from \$3,353 billion to \$3,550 billion last year. Growth estimates for FY 2024–2025 indicate a 6.5%–7% expansion, fueled by an increase in both foreign and local investments.

Foreign Direct Investment (FDI): \$44.42 billion in stock inflows and \$70.95 billion in total FDI inflows were recorded. Telecommunications, Computer Software & Hardware, and Services are among the top industries.

Index of Industrial Production (IIP): Basic metals, electrical equipment, and motor vehicles contributed significantly to the 4.2% increase in industrial output in June 2024. Nonetheless, decreases were observed in medications and tobacco items.

Inflation: Mostly as a result of base effects in food prices, inflation dropped from 5.08% in June to 3.54% in July 2024, below the RBI's 4% objective.

Interest Rates: To strike a balance between promoting growth and controlling inflation, the RBI maintained its benchmark repo rate at 6.5%.

Job market pressures caused the unemployment rate to rise from 7% in May 2024 to 9.2% in June.

Business and Consumer Confidence: In May 2024, consumer confidence decreased somewhat to 97.5 points. In Q2 2024, business confidence dropped to 127.2 points.

Crude oil prices were ₹6,415/1BBL, with minor variations according to supply and demand dynamics worldwide.

With a focus on resilience in GDP growth, FDI inflows, and industrial activity amidst obstacles, this succinct economic snapshot covers the major metrics influencing India's economic trajectory into 2024.

Due to challenges from the market or competition, the company's operating revenue decreased slightly from ₹2,361.29 crore in 2023 to ₹2,314.36 crore in 2024. From ₹1,857 crore in 2022 to ₹2,173.06 crore in 2024, total expenses climbed dramatically, showing higher operating, labor, and material costs. Nonetheless, between 2023 and 2024, cost optimization initiatives seem to be noticeable.

Sharp drops in EBITDA and EBIT were a result of higher expenses and decreased operational efficiency. Amortization and depreciation increased, indicating continued investments. EBT dropped dramatically from ₹439.91 crore in 2022 to ₹151.79 crore in 2024, resulting in lower taxes and a lower PAT of ₹125.60 crore in 2024, but finance expenses varied.

Important profitability statistics that show a decline in asset and capital efficiency are ROA (6.15%), ROCE (12.28%), and RoNW (8.44%). As a result of cost constraints and decreased profitability, margins such as PBDIT, PBIT, and Net Profit Margin also decreased. Recovery and expansion require strategies to increase revenue, reduce expenses, and streamline operations.

V. Conclusion

The Aditya Birla Sun Life Multicap Fund has shown strong performance with a 24.01% CAGR over the past five years, supported by a diversified portfolio focused on equities across large, mid, and small-cap categories. Economic indicators, such as projected GDP growth and consumer confidence, suggest a favourable investment environment, particularly in sectors like textiles. The textile sector, especially the innerwear subsector, shows growth potential, though competition remains intense. Lux Industries Ltd, a leader in the innerwear market, benefits from strong brand presence, an extensive distribution network, and efficient manufacturing. Its proactive growth plans, including expanding product offerings and improving omni-channel capabilities, position it for continued success. Both the ABSL Multicap Fund and Lux Industries present promising investment opportunities, supported by solid performance and growth strategies, though continuous monitoring is essential.

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