

BUZZING

STOCK

Karuturi Networks Ltd.

CMP – Rs.174

Analyst

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Key Stock Data

Sensex	14300
Nifty	4220
Sector	Floriculture
Bloomberg	KARN IN
Reuters	NA
No. of shares (m)	24
Market Cap (Rs m)	4,176
Market Cap (US\$ m)	102
52-week H/L	Rs.188/34

Shareholding Pattern (%)

Promoters	56.07
Mutual Funds	0.00
FII's	8.85
Corporate Bodies	11.63
Pubic & Others	23.38

Karuturi Networks Ltd. (KNL) is all set to become the leader of \$80b global rose industry. It is at the final stages of negotiation for acquisition of Sher, the world's largest rose company. KNL is into the business of floriculture deriving around 84% of the total revenues from flower segment. The company also has presence into business of ISP (called KARNET) and Software Development.

Acquisition: KNL is planning to acquire Sher, Netherlands, the world's largest producer and supplier of roses. Sher produces around 600 million rose stems annually. This acquisition is expected to increase the rose volumes by around 10x, resulting in burgeoning topline. The acquisition is expected to cost around \$50 million to be funded by internal accruals and recently raised \$25 million FCCB funds.

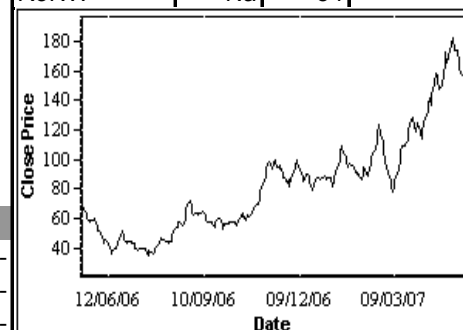
Expansion Plan: KNL has 60 hectares of land in India and Ethiopia whereby it produces 65 million rose stems per annum. In Ethiopia, KNL produces around 50 million rose stems from 50 hectare of land. The company is planning to expand its operation by doubling the land holding to 100 hectares, by December 2007. This is expected to increase its production to 100 million rose stems in Ethiopia. The company already has an order of Rs.3bn for supply of 52 million rose stems annually to leading retail store in UK.

Diversification: Along with floriculture the company is expanding in bottled gherkins, synergistically viable business. KNL is setting up processing facility to produce bulk and bottled gherkins. It has orders worth Rs.3bn to be executed over next 5 years. Besides it has order from supermarket chains, their existing clients.

Valuations: KNL has reported excellent set of numbers in its latest results. In FY07, consolidated revenue at Rs.1,019m is up by 133% YoY. PAT at Rs.392m is 182% YoY higher, with EBIDTA margins at 43% increasing by 9 percentage points YoY. The current market price discounts the FY07 EPS of Rs.32.7 by 5.4x.

Financial Snapshot

Karuturi Networks Ltd.				Rs.m			Ratios (%)			
	Q4 FY07	Q4 FY06	Chg. (%)	FY07	FY06	Chg. (%)		FY07	FY06	Chg.(%)
Financial Year End: March										
Net Sales	107	122	(13)	1019	435	134	Debt -Equity	Na	0.1	-
Other Income	0	0	-	0	0	-	PBIDTM	39	41	(3)
Total Income	107	122	(13)	1019	435	134	PBDM	39	41	(3)
Total Expenditure	61	80	(23)	578	288	101	RoCE	Na	51	-
PBIDT	46	43	7	442	150	194	RoNW	Na	54	-
Interest	3	0	-	7	1	415				
PBDT	43	43	1	435	149	192				
Depreciation	2	3	(29)	41	10	325				
Tax	1	2	(75)	2	0	1,700				
Reported Profit After Tax	41	38	7	392	139	182				
Extra -ordinary Items	0	0	-	0	0	-				
Adj. Profit After Extra-ordinary item	41	38	7	392	139	182				
No. of shares (m)	12	8	-	12	8	-				
EPS (annualised.) (Rs.)	13.5	18.9	-	32.7	17.4	-				
P/E	13.0	9.3	-	5.4	10.1	-				



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