

ACCUMULATE
CMP: Rs. 617.95

TARGET: Rs. 760

Videocon Industries Limited



Jaypee Momentum Pick

Codes	
BSE Code	511389
ISIN No	INE703A01011
NSE Symbol	VIDEOIND
Blomberg Code	VCLF.IN
Reuters Code	VDCF.BO

As on 18 th December, 2007.	
Market Price (Rs.)	617.95
Market Cap. (Rs. Cr.)	14345.42
Dividend (%)	35.00
52 Week High/Low	664/302
Face Value	10

Key Ratios

	200709	200609
Price Earning (P/E)	14.72	11.34
Price to Book Value	1.67	2.24
Price/Cash EPS	5.9	8.00
EV/EBIDTA	6.45	8.61
Market Cap/Sales	0.95	1.20
Debt-Equity Ratio	-	1.05
EBITDA Margins (%)	21.15	19.84
RONW (%)	-	21.18

Shareholding Pattern	(%)
Promoters	70.30
FIs & Local MFs	5.19
FIIIs	21.86
Free Float	2.65
Total	100.00

Performance (%)	1M	3M	6M
Absolute	53.23	69.30	45.25

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The Videocon group emerges as a **USD 2.5 Billion** global conglomerate continuing to set trends in every sphere of its activities from a conference room sized assembly line in 1979. The company has reported **increase of 15% in net sales** to Rs 8691.75 crore for the fiscal year ended Sept., 2007. OPM recorded an improvement of 200 bps at 19.3% and resultantly, operating profit posted 28% growth at Rs 1673.31 crore. The company is currently trading at 14.72x its fiscal year ended Sept., 07 considering EPS of Rs. 42.10 which is less as compared to the industry average of around 18x. The stock of the company has seen a decent run up in past one month but considering the expansion and diversification plans of the company, we recommend to **ACCUMULATE** the stock on dips.

Company Update:

Videocon Industries is spinning off its myriad energy businesses—stretching from coal fields in Indonesia to oil and gas blocks in Brazil—into a separate company called Videocon Natural Resources (VNRL).

The move will result in two entities operating in two separate industries. The flagship Videocon Industries will retain a substantial stake in the new entity and would continue to operate in the consumer electronics and retail sectors. VNRL will be an independent energy company with a large and growing presence in conventional and non-conventional energy. Its assets will include oil and gas blocks in Brazil and East Timor, coal blocks in Indonesia, and other conventional and non-conventional energy assets in India and the world.

VNRL will also spearhead strategic acquisitions in the space of natural resources and oil & gas, which will also help the company strengthen its management.

The company's power projects include Goa Energy, mega power projects in Gujarat and West Bengal while coal projects include a coal mine in West Bengal and 51% stake in a large coal block acquired in Indonesia. The company has 14 oil blocks in Oman, Brazil, Australia and Timor Sea. Other energy ventures are the solar energy projects in Mexico, India and Europe. These energy assets are capable of being expanded with value addition.

The company is also planning to be a global leader in driving Solar Power as the main source of energy in the world through its subsidiary VSOL.

Financial Summary:

Particulars	Income (Rs. crores)	EBITDA (Rs. crores)	PAT (Rs. crores)	RONW (%)	EPS (Rs.)
FY 2005	6825.91	744.49	398.39	26.45	15.02
FY 2006	13311.38	1727.49	792.33	21.18	35.21



Company Profile:

VIDEOCON, the multi brand and multi facet group is a truly Indian multinational well rooted in multiple industries with a turn over of 22,000 Crores & more than 18,000 employees across the globe. The group is an ever-revolving group continuing to set trends in every sphere of its activities.

Videocon Industries was incorporated in 1986. The company has two core activities, which include the manufacturing, assembly, marketing and distribution of consumer electronics and home appliances, and exploration and production of oil and gas. The company presently has seven operating business divisions, in which major divisions are consumer electronics, home appliances, components, etc.

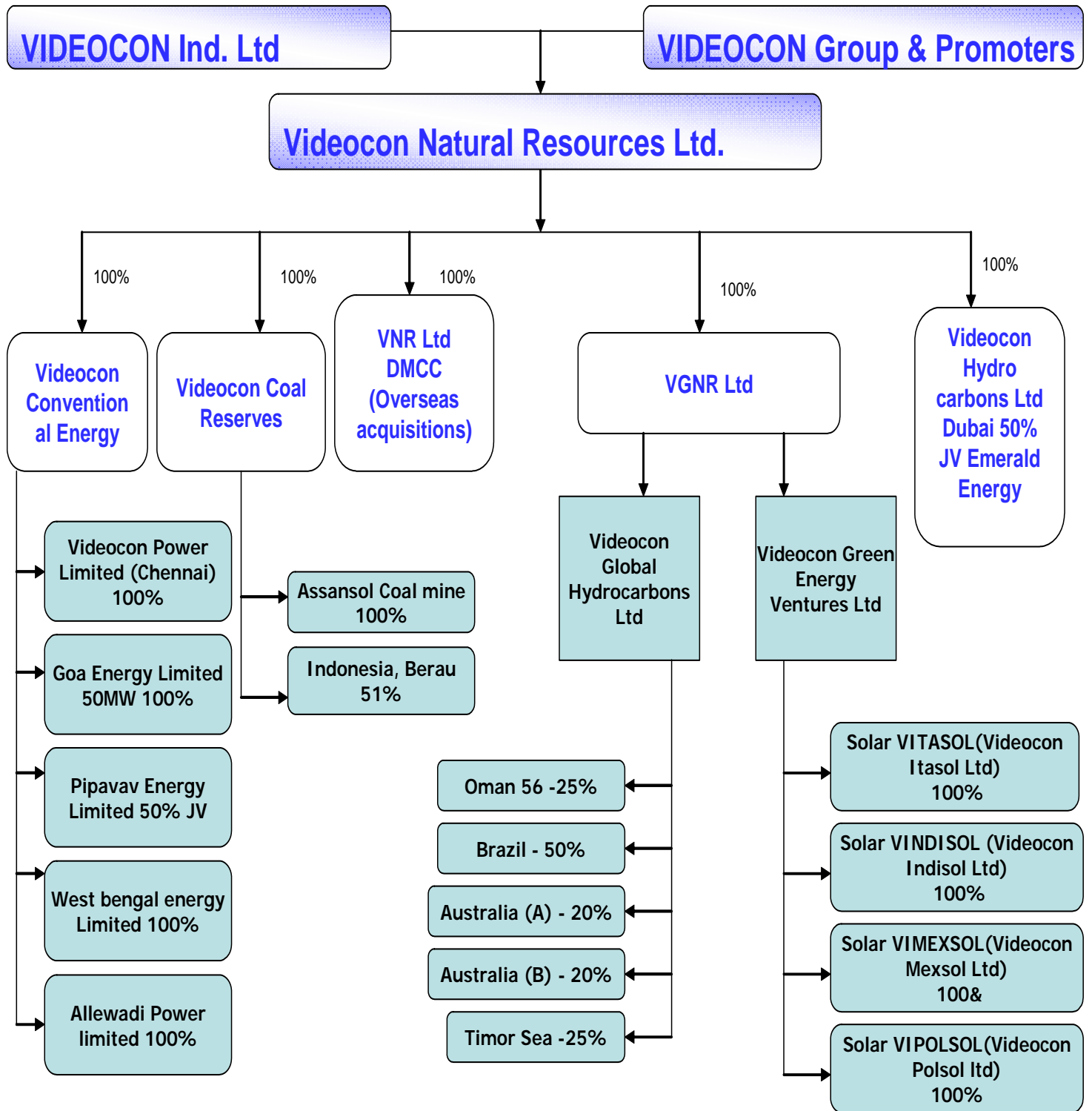
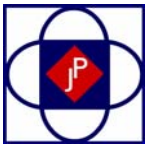
Today the group operates through 4 key sectors:

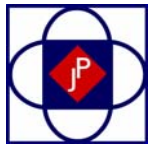
Consumer Electronics, Home Appliances & Compressor manufacturing: The company enjoys a pre-eminent position in terms of sales and customer satisfaction in many of its consumer products like Colour Televisions, Washing Machines, Air Conditioners, Refrigerators, Microwave ovens and many other home appliances, selling them through a Multi-Brand strategy with the largest sales and service network in India. Refrigerator manufacturing is further supported by in-house compressor manufacturing technology in Bangalore. The Consumer Electronics segment contributed 82% towards Company's sales and 61% towards Company's PBIT.

Display industry and its components: With the Thomson acquisition Videocon has emerged as one of the largest Colour Picture tube manufacturers in the world, operating in Mexico, Italy, Poland and China, continuing to lead through new innovative technologies like slim CPT, extra slim CPT and High Definition 16:9 format CPT.

Colour Picture Tube Glass: Videocon is one of the largest CPT Glass manufacturers in the world with a high level of experience and technical expertise operating through Poland and India. Videocon will leverage on this synergy after the Thomson acquisition to internally source glass for its CPT manufacturing increasing efficiencies and lowering costs.

Oil and Gas: An important asset for the group is its Ravva oil field with one of the lowest operating costs in the world producing 50,000 barrels of oil per day. The group has ambitious plans for expansion in this sector globally. The Oil & Gas segment accounted for 16% of Company's sales and 38% of Company's PBIT.



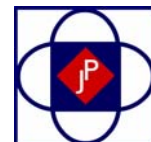


Technical Analysis



The stock has seen a decent run-up in past few days after it gave a positive breakout at Rs. 400 levels. The stock had gone upto Rs.660 levels with good volumes. Currently the stock is in consolidation phase between Rs. 580 to Rs. 650 and can go up after consolidation. The stock has support at around Rs. 575 levels and a strong support at around Rs. 545 levels. The daily Stochastics chart suggests that the stock is in overbought region which further strengthens our argument for buying on dips. One can accumulate the stock on dips and those who have the stock can hold the stock with a stop loss of Rs. 540.

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