

Stock Review of Techno Funda Research Product – Value Picks

Value Picks Call Information Data	Scrip Code	Grade	52 Week H/L	F.V.	CMP	Target
Gitanjali Gems Ltd.	532715	B	315.90 / 32.50	10	70	115

SHARE HOLDING (%)

Promoters	54.4
FII	19.7
FI / MF	7.7
Body Corporates	7.6
Public & Others	10.6

STOCK DATA

Reuters Code	GTGM.BO	
Bloomberg Code	GITG@IN	
BSE Code	532715	
NSE Symbol	GITANGALI	
Shares Outstanding(*)	85.06 mn	
52 Weeks (H/L)	Rs.316/ 32	
Avg. Daily Volume (6m)	319,358 Shares	
Price Performance (%)		
1M	3M	6M
49	54	(9)
200 Days EMA Rs.114		

* fully diluted equity

- Gitanjali Gems Ltd. (GGL) is one of India's largest integrated gems & jewellery manufacturer & retailer having presence over the entire value chain. It is one of the first companies to introduce branded jewellery in India with strong brands like D'Damas, Asmi, Sangini, Nakshatra, Gili etc.
- GGL has 125 outlets, more than 120000 sq.ft of retail space and is planning to increase it up to 650000 sq.ft in next two years. It also has 143 retail outlets in US through the acquisition of Samuels Jewelers (84% stake of GGL) & Roger Jewelers (100% stake of GGL). GGL is also planning to expand its presence in Middle-east & China in near future.
- GGL has recently diversified into infrastructure development space and is currently developing gems & jewellery specific SEZ's in Hyderabad and Panvel. It also has plans to develop similar SEZ's in Nagpur, Nasik, Nanded, Aurangabad and Kolkata.
- GGL has reported decent performance during the 9 months period ending December, 2008. On a Consolidated basis, its Revenues grew by 8.3% YoY to Rs 36208 mn, its EBIDTA increased by 15.9%YoY to Rs.2276 mn while its EBIDTA margins increased by 410 bps to 6.3%. Its Adjusted Profit after tax decreased by 6.1% YoY to Rs. 1196 mn.
- During the past 2 years, the company has substantially expanded its business through organic means as well as through acquisitions. While its performance during FY09 is expected to be muted, the management expects its performance to improve substantially during FY2010.
- GGL has recently announced a buy back of equity shares of the Company from Open Market at a price not exceeding Rs. 120 per share, at an aggregate amount not exceeding Rs. 144 crore.
- At the CMP of Rs.70, the stock currently trades at 3.3x FY10E earnings.

Y/E Mar (Consl)	Revenue (Rs.mn)	APAT (Rs.mn)	AEPS (Rs.)	AEPS (% chg)	P/E (x)	ROCE (%)	ROE (%)	P/BVPS (x)
FY08	48317.4	1606.9	18.9	21.5	3.7	7.1	9.2	0.3
FY09E	48860.0	1539.5	18.1	(4.2)	3.9	6.6	8.0	0.3
FY10E	58632.0	1786.6	21.0	16.1	3.3	7.2	8.5	0.3

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- GGL has recently forayed into the luxury retail business by launching its 'Luxury Connexions (Lx)' outlets housing global brands and world class fashion stores. The company will invest Rs 100 crore over the three years to set up luxury malls in eight leading cities across the country. The luxury malls will house global brands, fine-dine restaurants, spas, international jewellery brands and stores for weddings with personalized services to suit the needs of the customers.
- GGL has raised US\$ 180mn through the issue of GDR, proceeds of which will be utilized for expansion of new & existing business.
- GGL holds a prestigious sight-holder position with DTC (Diamond Trading Corporation). This status enables it to procure diamonds at a considerable lower cost than other players in the industry.
- GGL, by way of incorporation of its wholly owned subsidiary Mohar Jewels, has forayed into the business of providing gold loans & safe deposits vault to entities & individuals. Total investment forecasted by GGL for this subsidiary may go up to Rs. 1000mn in 1 year.

RECENT ACQUISITIONS

- GGL acquired "LUCERA" - Flagship jewellery brand of Renaissance Retail Venture for Rs. 250 mn. The company plans to broaden the Lucera Brand Portfolio into designer watches, belts, bags, etc. It aims to report sales worth Rs. 600 mn over next 1 year under this brand
- GGL also acquired Trinty Company Pvt. Ltd. & Hoop Silver Jewellery for an amount of Rs. 200mn.
 - ✓ Trinty is engaged in the business of selling watches under its registered premium brands like Iris, Saint Hanore, Umbro & Everlast. GGL expects the brand to earn revenue of around Rs. 100 mn in a period of 2 years.
 - ✓ Hoop is a brand offering daily fashion accessory. It has designs in silver, titanium, steel, wood, leather, diamonds & other precious stores. GGL expects a to earn a revenue of Rs. 150 mn over a period of 2 years.

BALANCE SHEET STATEMENT (Cons.) (Rs.mn)

As on 31 st March	FY10E	FY09E	FY08	FY07
Share Capital	850.6	850.6	850.6	590.0
Share Warrant	0.0	0.0	312.0	0.0
Share Suspense	0.0	0.0	0.0	450.7
Reserves	21321.4	19534.8	17683.4	7686.2
Shareholders Funds	22172.1	20385.5	18846.0	8726.9
Minority Interest	936.1	936.1	936.1	941.3
Total Debt	20424.3	18692.1	16338.1	14588.7
Total Liabilities	43532.4	40013.7	36120.2	24256.9
Fixed Assets	3073.7	3280.7	2507.2	1352.9
Exp during Cont Period	53.9	53.9	53.9	14.4
Goodwill on Consolidation	704.7	704.7	704.7	402.7
Investments	200.0	200.0	141.8	229.1
Sundry Debtors	34622.3	28851.9	22825.2	15185.0
Cash and Bank	6533.0	8025.0	11229.6	6174.5
Loans and Advances	4576.8	3814.0	3771.7	2687.4
Inventory	21007.4	17506.2	12365.5	7797.2
Current Assets	66739.5	58197.2	50191.9	31844.1
Current Liabilities	26289.5	21641.4	16724.5	9312.8
Provisions	952.8	784.4	757.7	518.8
Current Liabilities	27242.3	22425.8	17482.2	9831.5
Net Current Assets	39497.2	35771.4	32709.7	22012.6
Deferred Tax Assets (Net)	2.8	2.8	2.8	(0.1)
Miscellaneous Expenditure	0.2	0.2	0.2	245.3
Total Assets	43532.4	40013.7	36120.2	24256.9

PROFIT & LOSS STATEMENT (Cons.) (Rs.mn)

Y/E March	FY10E	FY09E	FY08	FY07
Revenue	58632.0	48860.0	48317.4	34674.4
RM Consumption	48078.2	39841.1	41669.0	31706.1
Staff costs	2858.7	2485.9	1520.0	370.2
Other Expenditure	3867.9	3363.4	2574.0	919.6
Total Expenditure	54804.9	45690.4	45763.0	32995.9
EBITDA	3827.1	3169.6	2554.4	1678.5
Interest	1265.6	973.5	448.4	496.4
EBDT	2561.5	2196.1	2106.0	1182.1
Depreciation	457.0	380.9	201.0	70.4
PBT excl. OI	2104.5	1815.2	1905.0	1111.8
Other Income	15.3	10.9	45.0	40.8
PBT incl OI	2119.8	1826.1	1950.0	1152.6
Tax	233.2	191.7	212.6	143.4
APAT	1886.6	1634.4	1737.4	1009.2
Sh of P/L in the ass co	0.0	0.0	12.6	6.2
Minority Interest	100.0	95.0	143.1	97.9
CON APAT/ RPAT	1786.6	1539.5	1606.9	917.5
EPS (Rs)	21.0	18.1	18.9	15.6
EBIDTA Margin (%)	6.5	6.5	5.3	4.8
EBDTA Margin (%)	4.4	4.5	4.4	3.4
Net Profit Margin (%)	3.2	3.3	3.6	2.9
Tax/PBT (%)	11.0	10.5	10.9	12.4

Source: Company, Sushil Financial Services Estimates

Disclaimer

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