

March 27, 2007

Godfrey Phillips India Ltd.

CMP - Rs. 1140 NSE Symbol - GODFRYPHLP BSE Code -500163

Strong Bonus Candidate

Godfrey Phillips is today the second largest player in the Indian cigarette industry (after ITC) and owns popular cigarette brands like Red and White, Four Square, Jaisalmer, Cavanders, Tipper and Prince. The company has made new launches and brand variants in recent years - I-Gen, premium brand targeted at free spirited youth and has unisex appeal; Four Square Lights;

The company was promoted in 1936 by Godfrey Philips, London has business presence in manufacture and marketing of Cigarettes and branded tea. The company is now a part of KK Modi Group of companies. Phillips Morris, a major cigarette producer in the world had acquired full ownership in GPIL through its wholly owned subsidiary Phillips Morris International Financial Corporation (PMIFC). Then in 1979 PMIFC along with five other Non-resident Foreign Shareholders reduced their shareholding in GPIL to a level not more than 40%. Presently Phillips Morris holds 35.93% stake in GPIL. The KK Modi group also holds around 36%, taking the total promoters holding to 72%.

The company has its manufacturing facilities located in Ghaziabad (near Delhi) and in Andheri (in Mumbai), a state of the art R&D centre in Mumbai. The company has a tobacco-buying unit in Guntur (Andhra Pradesh). The company's factory at Andheri, Mumbai has been awarded a certificate of ISO 14001. The certification takes into account the Environmental Management System in place in the factory enabling it to conserve natural resources. During 2004-05, the company set up a new pilot Research & Development plant in Andheri factory. The R&D facility is recognized by the Department of Science & Technology, Government of India, and is one of a kind in India. Godfrey Phillips has for the last 10 years used the Haichi-Ban, 5S, Kaizen Teian (a continuous improvement programme) & TQM (Total Quality Management) procedures.

In 1987, it diversified into the blending and manufacture of branded tea at Guntur, Andhra Pradesh. In 1987, the company commenced the sale of specially blended and branded loose tea from an exclusive franchised outlet called **Tea City**, in Delhi. Distribution network for Tea City was further expanded to Bihar, Madhya Pradesh, Andhra Pradesh and Rajasthan.

During 2004-05, the company expanded its installed capacity of Cigarettes by 109 million Nos., and the installed capacity of cigarettes increased to 3377 million Nos.

Its products are distributed through an extensive India wide network comprising 484 exclusive distributors and over 800,000 retail outlets

Financials

The latest financials of the company are as follows :-

QUARTERLY - LATEST RESULTS - Godfrey Phillips India Ltd (Curr: Rs in Cr.)

Particulars	Quarter Ended	Quarter Ended	Quarter Ended	YTD (Dec 06)	YTD (Dec 05)	YTD (% Var)	Year Ended (Mar 06) (12)	Year Ended (Mar 05) (12)	Year Ended (%Var)
Sales	193.11	170.01	13.6	555.64	496.93	11.8	670.11	685.49	-2.2
Other Income	8.07	6.45	25.1	32	60.35	-47	59.64	29.68	100.9

PBIDT	39.88	34.75	14.8	122.6	107.63	13.9	120.84	122.22	-1.1
Interest	0.72	0.9	-20	2.25	2.1	7.1	2.78	5.72	-51.4
PBDT	39.16	33.85	15.7	120.35	105.53	14	118.06	116.5	1.3
Depreciation	4.74	4.63	2.4	14.14	12.91	9.5	18.37	16.55	11
PBT	34.42	29.22	17.8	106.21	92.62	14.7	99.69	99.95	-0.3
Tax	13.31	11.45	16.2	36.56	35.71	2.4	39.56	36.35	8.8
Deferred Tax	0	0	-	0	0	0	0	0	-
PAT	21.11	17.77	18.8	69.65	56.91	22.4	60.13	63.6	-5.5

**Latest Data As On
26/03/2007**

Latest Equity(Subscribed)	10.4
Latest Reserve	347.7
Latest Bookvalue -Unit Curr.	344.33
Latest EPS -Unit Curr.	68.62
Latest Market Price -Unit Curr.	1140
Latest P/E Ratio	16.52
52 Week High -Unit Curr.	1650
52 Week High-Date	4/7/2006
52 Week Low -Unit Curr.	1000
52 Week Low-Date	11/23/2006
Market Capitalisation	1178.84
Stock Exchange	BSE
Dividend Yield -%	1.99

Conclusion

Godfrey Phillips is part owned by Philip Morris, one of the largest tobacco companies

in the world - manufacturing and selling many of the world's best-selling cigarette brands including Marlboro and Virginia Slims . The company has achieved consistent growth year on year and has also increased the dividend payouts every year - the latest being 225% for FY 05-06. The recent imposition of VAT will be a short term dampener for the stock, however cigarette companies have the ability to pass on the cost to the customer without a significant fall in demand. The company has achieved an increase of 12% in its topline and 22% in bottomline in the first 9 months of the current FY. For full year, we expect the PAT at Rs.85 crores which would lead to an EPS of Rs.85. One can expect higher dividend on the back of higher earnings.

With its small Equity Capital of Rs.10 crores and Sales revenues of around Rs.700 crores, the company enjoys a high Sales to Equity ratio. The company has over Rs.200 crores invested in units of various Mutual Funds. With the current year profits, the Book Value of the company will jump to over Rs.400. The company thus is a very strong BONUS CANDIDATE.

Investors can accumulate the stock at the current price and on declines