

BUZZING

STOCK

MIRC Electronics Ltd.

CMP – Rs.21

Analyst

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Key Stock Data

Sensex	13617
Nifty	3928
Sector	Engineering
Bloomberg	NA
Reuters	NA
No. of shares (m)	142
Market Cap (Rs m)	3,032
Market Cap (US\$ m)	68
52-week H/L	Rs.30/14

Shareholding Pattern (%)

Promoters	54
Mutual Funds	2.73
FII's	8.63
Corporate Bodies	10.55
Pubic & Others	24.09

MIRC Electronics:

MIRC Electronics makes and markets the Onida brand of products. The company has a market share of about 15% in the Colour TV (CTV) market and derives around 68% of its revenue from CTVs alone. The company has its manufacturing plant at Wada near Thane in Maharashtra. It has production capacity for manufacturing 30 lac CTVs, 3.8 lac Washing Machines and 1lac ACs at this plant. The company also trades major electronics items. Traded goods constitute 35% of the total revenue of the company.

Widening the Product Range:

Till 2005 the company was deriving its major parts of its revenue from CTVs. Despite stiff competition from the Multinationals and Imported items the company has tried to maintain its market share with a single brand. Now to widen its brand the company made its foray in to other household appliances like air conditioners, washing machines, DVDs, plasma television and home theatre systems. This will give the company some edge to reduce competition from the multinationals.

Revenue Mix: Getting Wider:

Year	FY06	%	FY05	%
TV	9126	68%	9000	75%
Washing Machine	578	4%	407	3%
AC	945	7%	401	3%
DVD	1350	10%	828	7%
Microwave Oven	147	1%	27	0%
Others	1286	10%	1262	11%
Total Gross Sales	13432	100%	11925	100%

Increasing Own Manufacturing:

Sale of Manufactured Goods	8734	65%	7690	64%
Sale of Traded Goods	4698	35%	4235	36%

Expansion plan

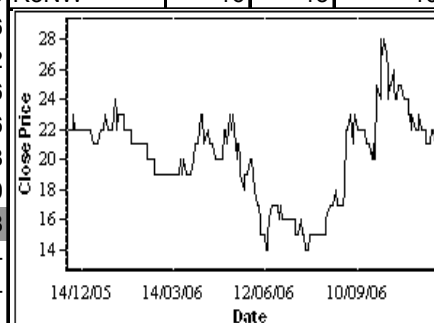
In order to take the advantage of direct and excise tax benefits the company is planning to set up a manufacturing plant in Uttaranchal for manufacturing various consumer electronic products. Although the company has not finalized the detailed project for this but according to the company the expenditure for the project will be financed through internal accruals. We expect the company will shift part of its manufacturing activity in Maharashtra to Uttaranchal and will take the advantage of providing manufacturing services to foreign branded players. This will give the company the advantage of higher scale of manufacturing on the one hand and on the other hand to serve its own brand well with its in house manufacturing and services.

Valuation

During the H2FY07 the company has reported 26% rise in net sales to Rs.3,995m. But due to the increase in raw material price the EBITDA of the company witnessed marginal decline. The net profit reported at Rs. 174m. The current market price Rs 21 discounts the annualized FY07E EPS of Rs 2.45 by the 8.6 times.

Financial Snapshot

MIRC Electronics Ltd.						Rs.m	Ratios (%)			
	Q2 FY07	Q2 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
Financial Year End: March										
Net Sales	3995	3165	26	12203	10930	12	Debt -Equity	0.9	0.8	8
Other Income	4	13	(69)	47	32	45	PBIDTM	7	6	10
Total Income	3999	3177	26	12250	10962	12	PBDTM	5	5	8
Total Expenditure	3737	2896	29	11342	10233	11	RoCE	18	15	15
PBIDT	261	282	(7)	908	729	25	RoNW	16	15	10
Interest	52	45	15	177	129	36				
PBDT	210	237	(11)	731	600	22				
Depreciation	50	49	1	225	194	16				
Tax	52	70	(25)	162	128	26				
Reported Profit After Tax	105	115	(8)	328	278	18				
Extra -ordinary Items	0	0	0	0	0	0				
Adj. Profit After Extra-ordinary item	105	115	(8)	328	278	18				
No. of shares (m)	142	141	-	141	141	-				
EPS (annualised.) (Rs.)	3.0	3.3	-	2.3	2.0	-				
P/E	7.1	6.5	-	9.3	10.7	-				



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