

# Titan Industries

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## Shareholding (%)

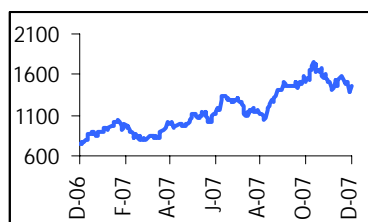
Promoters	53.1
FII's	12.3
MFs	1.0
Others	33.6

## Share price performance

52-week high/low (Rs)	1790/716		
	-1m	-3m	-12m
Abs (%)	-3.7	-2.6	94.5
Rel* (%)	-0.9	-28.9	48.4

\*to Nifty

## Stock chart



## SPARKLING DIAMOND

Strong brands, sustained leadership in watches and jewellery, an impressive management pedigree, and enhanced focus on entering new categories, is expected to translate into strong performance for Titan Industries. We expect the company to post a revenue and net profit CAGR of 36.5% and 35.3% respectively through FY07-FY10E. The company is likely to record revenues of Rs39.59bn in FY09E and Rs53.13bn in FY10E. We expect the company to post EPS of Rs49.3 and Rs65.9 during the same period. We initiate our coverage on the stock with a **BUY** rating and price target of Rs1849 (DCF valuation), an upside of 27% from the current levels.

### Key investment highlights

#### ▲ Watches division

- ✓ Low penetration; huge opportunity
- ✓ Encouraging usage of multiple watches; strong design capabilities
- ✓ New product introduction at higher range
- ✓ Excellent distribution network

#### ▲ Jewellery division

- ✓ Huge market (16bn USD): Organised market comprises just 4% of total market
- ✓ Leadership position with strong brand loyalty
- ✓ Improving product mix in favor of studded jewellery
- ✓ Catering to mass market through *Gold-plus*

#### ▲ Eyewear

- ✓ Unique offering in a highly unorganised market
- ✓ Huge market (USD 5bn p.a.) with attractive margins
- ✓ Leveraging on brand name of *Titan* and experience of *Fastrack*

**Valuations:** We expect Titan to post EPS of Rs49.3 in FY09E and Rs65.9 in FY10E. ROCE and ROE are likely to improve to 30.6% and 40.1% in FY10E respectively. We initiate our coverage on the stock with a BUY rating and a price target of Rs1849, an upside of 27% from current levels.

# Buy

# Rs1460

December 18, 2007

#### Market cap

Rs bn 65

US\$ bn 2

#### Avg 3m daily volume

148,921

#### Avg 3m daily value

USD mn 6

#### Shares outstanding (mn)

44

#### Reuters/Bloomberg

TITN.BO/TITAN.NS

#### NSE/BSE

TITAN IN

#### Sensex

19,080

#### Nifty

5,742

Year-end	Sales	YoY	EBITDA	YoY	NP	EPS	YoY	PE	EV/EBITDA	PSR	PBR	RoE	RoCE	DPS	Div Yield
March	(Rs m)	(%)	(Rs m)	(%)	(Rs m)	(Rs)	(%)	(x)	(x)	(x)	(x)	(%)	(%)	(Rs)	(%)
FY07	20902	44.7	1984	25.5	1181	26.6	15.0	54.9	33.5	3.1	19.8	42.2	24.7	5.0	0.3
FY08E	29109	39.3	2684	35.3	1610	36.3	36.3	40.2	24.5	2.2	14.4	41.5	27.1	7.5	0.5
FY09E	39591	36.0	3510	30.8	2189	49.3	35.9	29.6	18.4	1.6	10.5	41.1	28.9	10.0	0.7
FY10E	53126	34.2	4555	29.8	2926	65.9	33.7	22.2	13.8	1.2	7.7	40.1	30.6	12.5	0.9

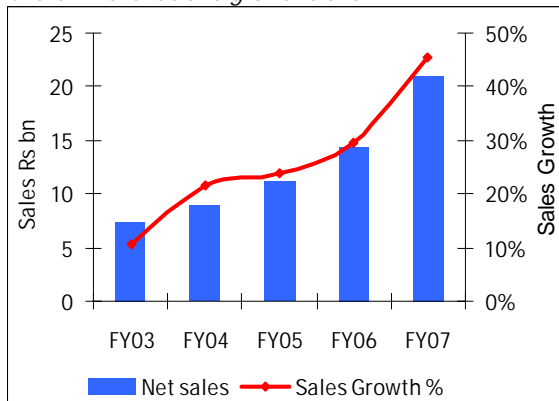
# Titan Industries

## Company Background

*Titan Industries' revenues have grown at a 29.8% CAGR through FY03-FY07E. During this period, watches have grown at a CAGR of 17.2% and jewellery sales have increased by 39%*

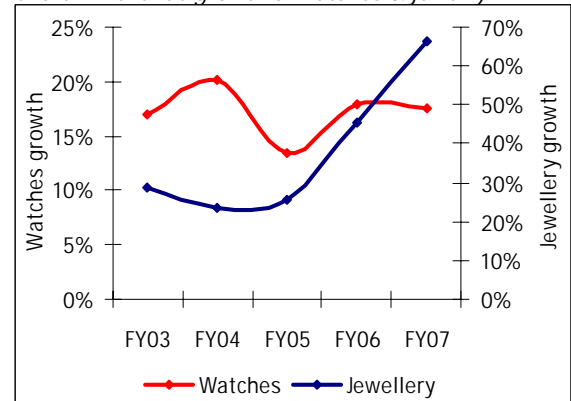
Promoted by the Tamil Nadu Industrial Development Corporation and the Tata group, Titan Industries is India's leading manufacturer and marketer of watches and jewellery. With brands like *Titan*, *Sonata*, *Fastrack*, and *Xylus*, Titan Industries leads the organised segment of the Rs30bn domestic watch market with a 65% market share. Established in 1987, Titan also has *Tanishq*, the country's largest jewelry brand, in its portfolio that has emerged as the largest source of revenue for the company in the past few years. *Tanishq* is the market leader in the organised segment of jewellery market with a share of more than 40%. Titan Industries' revenues have grown at a 29.8% CAGR through FY03-FY07E. During this period, watches have grown at a CAGR of 17.2% and jewellery sales have increased by 39% (see chart 1 & 2).

Chart 1: Revenue and growth trend



Source: IISL research, company

Chart 2: Revenue growth of watches & jewelry



Source: IISL research, company

- Introduction of *Sonata* in 1997:** Over the years, Titan Industries has been at the forefront of introducing new products and entering new categories at regular intervals; this strategy has enabled the company to sustain the growth momentum in its revenues and earnings. Titan Industries has successfully tapped the economy segment of the watch market by introducing *Sonata* in 1997 in the price range of Rs395 to Rs1250. *Sonata* has gone on to become the largest selling watch brand in the country in volume terms by selling 4.2mn pieces in FY07.
- Entry into the gold jewelry market in 1994:** Realising the potential of branding in the largely unorganised jewellery market, Titan Industries introduced *Tanishq* in 1994. *Tanishq* now commands the organised jewellery market in India with a market share of more than 40%. With 106 *Tanishq* stores across 70 towns, the division's revenues and EBIT have grown impressively at a CAGR of 39% and 59% through FY03-FY07 respectively.

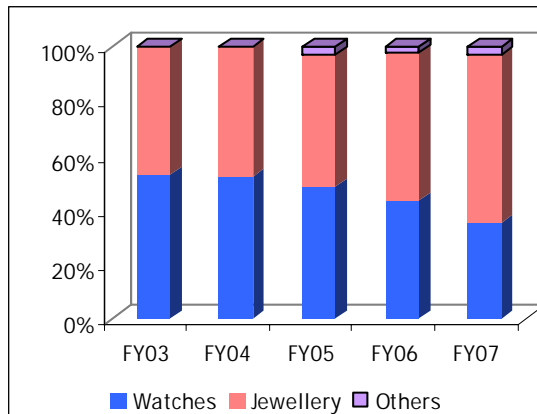
# Titan Industries

*With strong brands, impressive management quality, and a robust distribution network, we strongly believe that Titan Industries is a best play in the Indian consumption sector.*

- Venturing into mass-market jewellery:** In FY06, the company ventured in mass-market 22k plain gold jewellery category under the brand *Gold-plus*; through this segment, the company intended to cater to Tier-II and Tier-III cities and towns across India. *Gold-plus* has reported outstanding performance in FY07 by attaining revenues of Rs950mn. During H1FY08, the company's revenues almost touched the Rs1bn mark.
- Eyewear: Sunglasses and Prescription, the next frontier:** In FY07, the company entered the prescription eyewear market (annual size of Rs20bn) under the umbrella of *Titan eye +*. Available in the price range of Rs295 - Rs30000, *Titan Eye +* would include in-house brands like *Dash, Eye +* and *Titan*, along with licensed frames and glasses from globally renowned brands like *Hugo Boss, Tommy Hilfiger, Dunhill, Gucci, Dior* and *Armani* among others. Apart from marketing frames, sunglasses and lenses, the showrooms also have optometry clinics that offer customers 'error-free' eye testing service. Titan Industries plans to open over 250 *Eye +* stores over the next five years.

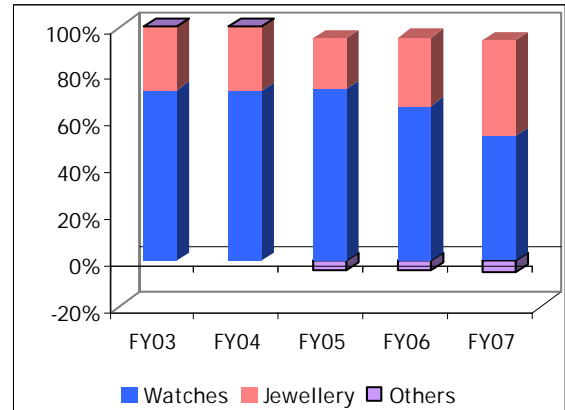
As depicted by chart 3 and 4, the company's revenue profile has been skewed in favor of the jewellery business during the past five years (61.7% of total revenues in FY07). Though the contribution of watches to overall revenues has fallen over the years, the segment still accounts for higher share (59.8% in FY07) of the EBIT margins.

Chart 3: Revenue distribution



Source: IISL research, company

Chart4: EBIT Distribution



Source: IISL research, company

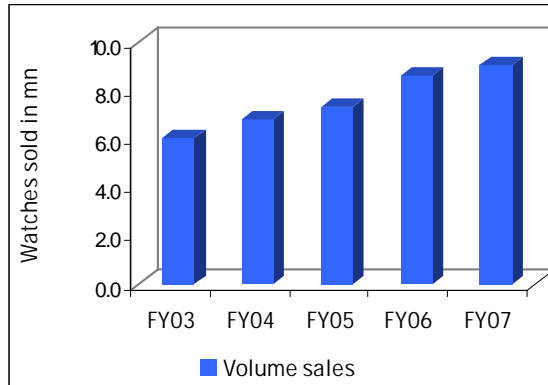
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# Titan Industries

## Watches Division

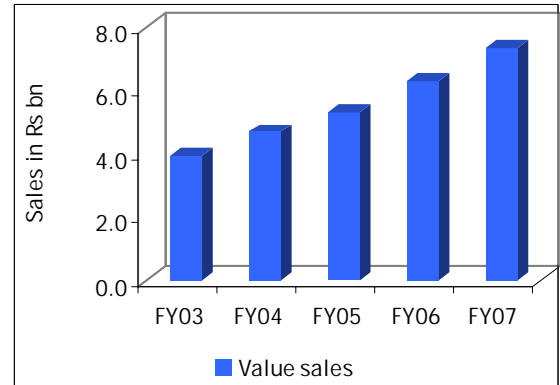
The Indian watch market is roughly around Rs30bn in value terms and 40 mn watches in volume terms; the organised industry accounts for 40% of the domestic watch market. Titan Industries leads the organised market with share of 65%. The company's major brands include *Titan*, *Sonata*, *Fastrack*, and *Xylus* among others. In the past five years, the revenues and EBIT of the watch division have grown at a CAGR of 17.2% and 31.7% respectively. Chart 5 and 6 depict the performance of Titan's watch segment in past five years in volume and value terms:

Chart 5: Performance in volume terms



Source: IISL research, company

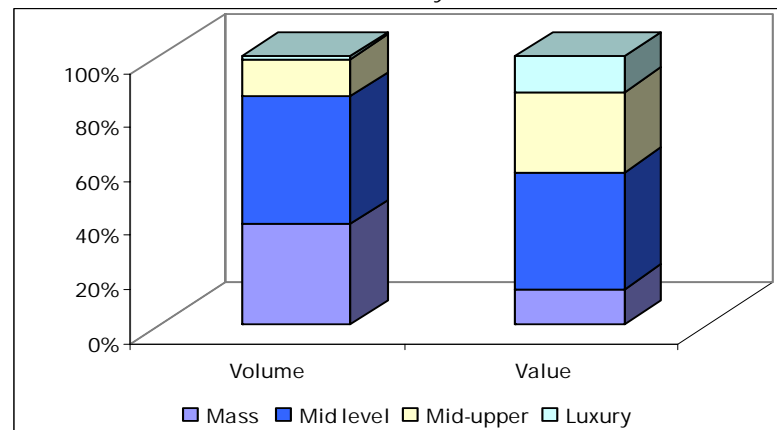
Chart 6: Performance in value terms



Source: IISL research, company

India's watch market is divided into four categories (see chart 7). The mass market segment lies at the bottom of the pyramid where the price range is below Rs500; this segment accounts for 85% of total watch sales (in volume terms). In the middle level category, the price of the watch ranges between Rs500-Rs1000. Watches in the range of Rs1000-Rs5000 fall in upper-middle category whereas the luxury segment accounts for watches that sell above Rs5000. We believe that, going forward, the upper-middle and luxury end will grow at a faster level than the other categories, given the increasing disposable income levels, improved awareness, and fashion consciousness.

Chart 7: Structure of Indian watch industry



Source: IISL research, company

## Titan Industries

We believe that Titan Industries is in a strong position to continue growing at the same pace, going forward, on account of:

*Titan Industries, with its strong presence across major segments of the watch market, is likely to tap opportunities in any of these segments.*

*With offerings like Fastrack, Raga and others, Titan Industries has initiated an effort to improve the usage of multiple watches.*

- ▲ **Low penetration, huge opportunity:** The watch market in India is highly under-penetrated, with just 27% of the population owning a watch. With increase in disposable income levels, we expect this proportion to improve, going forward. Titan Industries, with its strong presence across major segments of the watch market, is likely to tap opportunities in any of these segments. While *Sonata* addresses the middle level market, *Fastrack* and *Titan* are present in the middle and upper-middle end of the market. The company's luxury offering include *Aviator*, *Xylus*, *Nebula* and *Edge*.
- ▲ **Market dominated by low-priced watches, scope for better product mix:** Out of the total watch market, more than 85% of the watches in volume terms, and 70% in value terms, are sold below Rs500. We expect the higher end watches to grow faster than the industry, going forward, thereby improving the value growth for the company. *Sonata* is in an enviable position to attract non-watch users and unorganised category consumers towards organized markets. In contrast, brands like *Titan* and *Fastrack* are likely to facilitate low-end watch users to upgrade over a period.
- ▲ **Encouraging usage of multiple watches:** With offerings like *Fastrack*, *Raga* and others, Titan Industries has initiated an effort to improve the usage of multiple watches. Currently, only 8% of the watch users own multiple watches. Going forward, we expect this proportion to improve, assisting further revenue growth for the company.
- ▲ **Excellent distribution network:** Titan Industries has a robust distribution network with more than 225 *World of Titan* showrooms across the country. Out of the total strength, almost 85% of the showrooms are standalone stores while 15% are housed in shopping malls. The company plans to take the total strength of *World of Titan* showrooms to 285 by end of FY08; most of these additions are likely to take place in shopping malls. This, in our view, will enable the company to benefit from the increasing number footfalls in these malls, translating into higher impulse purchases.  
  
Titan Industries also operates 142 *Timezone* (Multi-brand outlets) across 89 towns. Apart from that, Titan watches are sold in more than 12000 outlets across 2500 towns. The company also boasts of close to 700 customer service centers with quick response and quality repairs.
- ▲ **Focus on introducing new designs:** Designs are a critical factor in the success of any watch brand. Titan has a very strong design capability with a team of in-house as well as freelance designers.
- ▲ **Top-end growing much faster than the industry, segment to see more introductions:** The top-end of the watch market (price of more than Rs4000) is growing in the range of 20%-25% (in volume terms), well ahead of industry growth of around 10%-12%. In an effort to improve the product mix, Titan

*With the success of new introductions and the company's strategy of launching new collections at higher price points, we believe that there is further scope for margin expansion, going forward.*

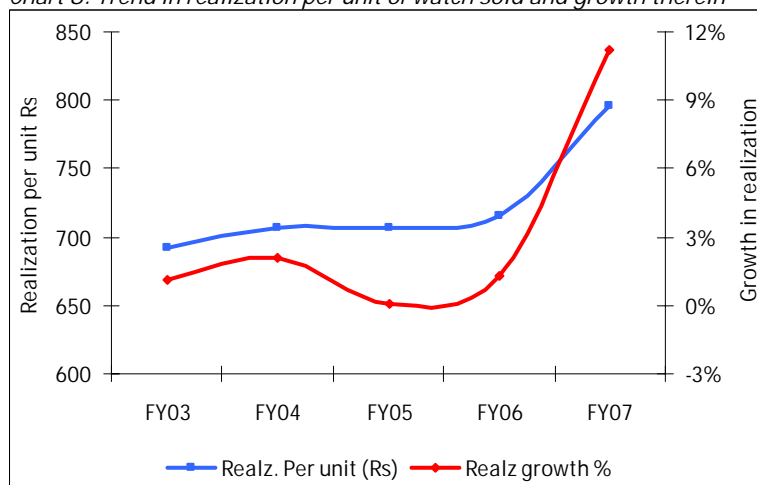
Retail

# Titan Industries

Industries has been introducing new brands and collections specifically targeting the top-end segment. *Xylus*, introduced in 2006, is available in the price range of Rs10000-Rs30000. Inspired by designs of World War II aircrafts, *Aviator* series was launched in March 2007 in the price range of Rs4000-Rs7000 and proved to be a runaway hit. The brand has registered volume sales in high 5-digits. Based on India's architectural heritage, the company introduced watches under the *Heritage* collection in October 2007, in price range of Rs3750-Rs8000. With the success of these introductions and the company's strategy of launching new collections at higher price points, we believe that there is further scope for margin expansion, going forward.

- ▲ **Brand ambassadors give it an edge:** Titan Industries has brand-specific ambassadors that command a huge fan following amongst the consumers in that respective product category. While Mahendra Singh Dhoni promotes the economy segment brand *Sonata*, actors Aamir Khan and Rani Mukherjee endorse premium range brands *Xylus* and *Titan Raga* respectively.
- ▲ **Improved product mix to assist margin expansion:** We believe that, going forward, Titan Industries is likely to enhance its focus on growing brands in the price range of more than Rs1000; this is in contrast to the FY02-FY06 period when *Sonata*, the economy brand outpaced the overall company growth, leading to fall in realisations. However, greater focus on high-priced products within the portfolio translated into an 11% increase in realisations per unit during FY07 (see chart 8). We see the trend continuing, going forward, and have assumed a 10% growth in realisations per annum over the next three years.

Chart 8: Trend in realization per unit of watch sold and growth therein



Source: IISL research, company

In H1FY08, revenues from the watches division grew by 19.3% to Rs4.46bn. A better product mix resulted in EBIT margin improvement by 75bps to 12.3%; this led to a 27% growth in EBIT to Rs547.8mn during H1FY08.

# Titan Industries

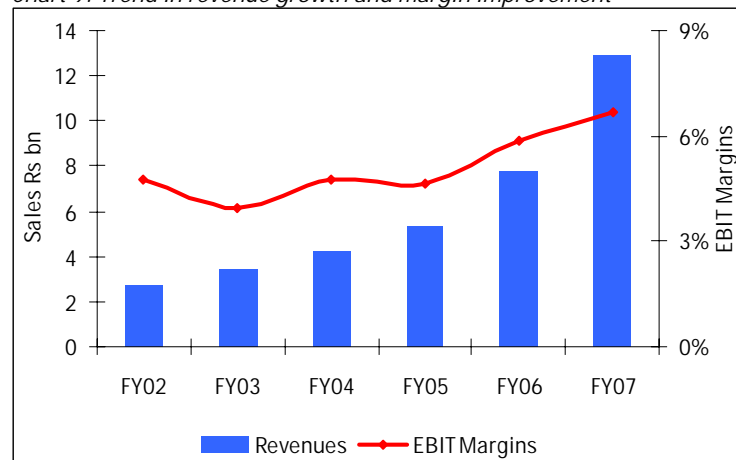
## Jewellery Division

Indian gems and Jewellery market size is pegged at a whopping 16 billion USD; of this, 96% is controlled by the unorganised sector with more than 250,000 jewelers. Gold accounts for more than 80% sales in the industry, with studded jewellery constituting the remaining. India consumed 790 metric tons of gold in FY07. The gold jewellery market is highly event-specific as weddings account for more than 70% of jewellery sales.

Titan Industries' *Tanishq* is the market leader in the organised segment with more than 40% share. *Tanishq* is the largest selling brand for the company across all categories in its portfolio. The jewellery division's revenues and EBIT have grown at a phenomenal rate of 37% and 46.5% annually through FY02-07. EBIT margins too have shown a gradual improvement, from 3.9% in FY03 to 6.7% in FY07, on account of improved product mix (see chart 9).

*The jewellery division's revenues and EBIT have grown at a phenomenal rate of 37% and 46.5% annually through FY02-07*

Chart 9: Trend in revenue growth and margin improvement



Source: IISL research, company

**We foresee a promising opportunity for Titan Industries to grow its jewellery business, going forward, due to the following reasons:**

- ▲ With an early mover advantage, *Tanishq* has been able to carve a huge brand loyalty amongst the existing customers. Backed by word-of-mouth publicity, we believe that there is a huge potential for the brand to capture higher share of the unorganised jewellery market (96%) in the country. The brand symbolizes reliability, quality of the product, and innovating designs. With a strong presence in 104 stores across 70 locations in prime streets, the *Tanishq* brand is likely to increase its revenues at more than 30% over the next three years.
- ▲ *Tanishq* is the largest brand in the jewellery market on a national level. However, if we look at competition in local markets, *Tanishq* ranks second or third, acting as the closest rival of the dominant player in that respective market. This, in our view, provides significant upside potential for the brand to grow, going forward, and achieve leadership in local markets.



## Titan Industries

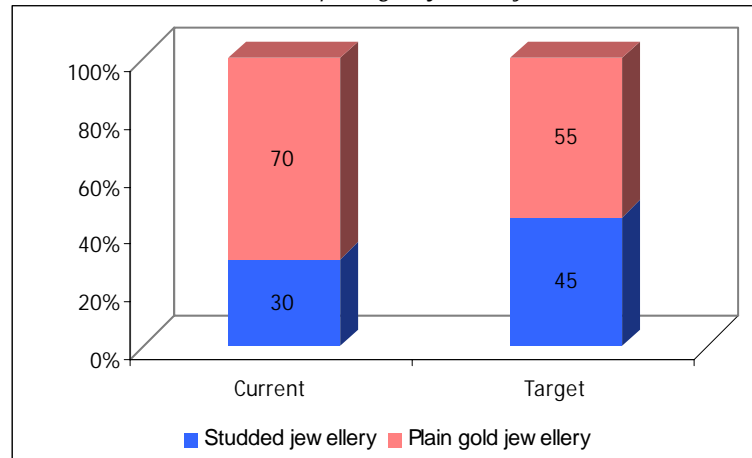
*The current ratio of gold: studded jewellery stands at 70:30. With increasing consciousness amongst the consumers about diamond jewellery, we expect the ratio to move towards the high-margin studded jewellery*

- ▲ The same store sales growth for *Tanishq* is in the range of 25%-30% and is sustainable in the near future. This, in our opinion, would result in higher return on capital employed, going forward.
- ▲ Titan industries ventured into mass category plain 22k gold jewellery segment by launching *Gold-plus* stores in September 2005. *Gold-plus* caters to the Tier II and Tier III cities where jewellery is purchased during occasions such as weddings or festivals. These cities account for close to half of the total jewellery demand in the country. The company also has local expertise at its disposal to capture any change in tastes or preferences of local population. With 10 showrooms in place, *Gold plus* contributed Rs950mn to the company's revenues in FY07 and crossed this amount in H1FY08. This clearly signifies the potential of the category, going forward.

We believe that there is enormous potential for revenue growth in this segment; the company management has guided to have a total of 80 *Gold Plus* showrooms by FY10. However, Titan Industries will be cautious in treading this path as it will put more pressure on the company's margins; this is because there is little scope for value addition in *Gold-plus* than in *Tanishq*.

- ▲ The current ratio of gold: studded jewellery stands at 70:30. With increasing consciousness amongst the consumers about diamond jewellery, we expect the ratio to move towards the high-margin studded jewellery (see chart9).

Chart 9: Share of studded and plain gold jewellery



Source: IISL research, company

- ▲ One-fourth of the company's sales in the jewellery division accrue from gold coins that predominantly generate low margins (roughly 1/3<sup>rd</sup> of 22k gold margins). We expect this focus to shift more towards promoting studded jewellery and 22k gold jewellery, going forward, resulting in margin expansion.
- ▲ Titan Industries has been able to create more occasions for wearing jewellery, and thus for jewellery purchase. The company has been able to create a brand in a commoditised category. Unlike commodities, brands enable the company to take a consumer-oriented approach.



## Titan Industries

*We believe that with its exit from loss-making markets, Titan Industries is in a position to focus on growing markets of GCC, South East Asia, and Africa, going forward.*

### International Business

Titan Industries has a presence in 26 countries across the globe, selling more than 650k watches annually. The company is amongst the top three players in some Asian countries. The company's turnover for watch exports grew by 36% in FY07; this growth was supported by its impressive performance in the Middle-East and Africa through retail expansion and launch of exclusive products created specifically for overseas markets. Effective marketing programmes and enhanced store presence translated into a 31% growth in *Tanishq's* jewellery business in FY07. The shop-in-shop concept is extended to 55 stores across seven countries. The brand was able to achieve good growth and acquire new customers in Singapore in FY07, it has undertaken extensive research to enter the highly competitive jewellery market in the US.

Titan Industries has exited from Europe after making a combined loss of Rs1.1bn in last decade; the company was unable to challenge the brand loyalty of Japanese and Swiss watches in these markets. It had entered European markets in early 90's in 12 countries; however, the company wound up operations in eight countries in 2004 and exited Britain, Spain, Greece, and Portugal in December 2006. We believe that with its exit from loss-making markets, Titan Industries is in a position to focus on growing markets of GCC, South East Asia, and Africa, going forward.

### Precision Engineering Business

Titan Industries initially entered the precision engineering business to utilise its manufacturing facilities. It, however, realised the potential of this business after assessing the increased outsourcing of precision products to India on account of its high engineering skills. The addressable market size for the company in is a whopping 35bn USD in the domestic and international markets. Currently, the precision engineering division manufactures dashboard clocks as OEM to car manufacturers. It also supplies precision components to aviation and automobile industry. Some of the applications include:

- ▲ Assembly of wrist watch movement/mechanism
- ▲ Valve part of automotive shock absorber assembly
- ▲ Steering column part and electronic circuit board assembly and its testing

The client list includes majors like Delphi, Mico, 3M, IFB and Honeywell among others. The division contributed Rs400mn to the company's topline in FY07 and around Rs200mn in H1FY08. Currently, 90% of Titan Industries' revenues come from automotive clients, with aerospace segment contributing 10%. We expect Titan Industries to increase its focus on the high-margin aerospace industry and move towards a ratio of 70:30. Though the revenue growth potential for the division is very high, we believe that the management will focus more on margin expansion through higher focus on the aerospace segment. The segment is expected to breakeven in FY09.

*The addressable market size for the company in is a whopping 35bn USD in the domestic and international markets.*

## Titan Industries

*We believe that after the jewellery business, prescription eyewear will be the next blockbuster for the company.*

### Eyewear: The Next Blockbuster

Approximately 30% (300mn) of the Indian population needs correction in vision; of this, just 25% are actual users of correction instruments. On an average, a user changes glasses/frames once at least in 3-4 years. This provides the prescription eyewear industry with an addressable opportunity of 25mn units per annum (equivalent to Rs18-20bn). This is precisely the arena that Titan Industries has targeted. Taking into account the company's excellent distribution network and its expertise in eyewear (through *Fastrack*), we believe that after the jewellery business, prescription eyewear will be the next blockbuster for the company. Titan Industries has already opened five TITAN *EYE+* stores on pilot basis. The company has presence in the eyewear market through *Fastrack*; the brand achieved revenues of Rs250mn in FY07.

### Characteristics of the current eyewear market:

- ▲ Highly fragmented market with no major presence of branded vendor
- ▲ Low entry barriers especially for supply of frames from China and Hong Kong
- ▲ Significant variation in retail prices across stores even in same city
- ▲ Selective presence of international brands; however, consumer depends on opticians knowledge for purchase
- ▲ Lack of transparency and quality assurance from retailers

### How will Titan dominate the category?

- ▲ The company would enter the market as a retail brand, set up a chain of standalone stores under the brand *TITAN EYE +* and offer style, expertise, and trust to mid-market consumer with warranty on all optical products.
- ▲ Offer a complete range of products, from glasses, lens, to eye checking (optometry)
- ▲ Provide range of frames and glasses under the brand name of *Titan* (Rs950-Rs4000), *Eye +* (Rs395-Rs890) and *Dash* (Rs395-Rs840). It would also offer licensed international brands (Rs2500-Rs25000) such as *Hugo Boss*, *Armani*, *Calvin Klein*, and *Tommy Hilfiger* among others.
- ▲ Offer lenses under brand name of *Titan* (Rs145-Rs21000) and other well known brands like *Essilor* and *Nikon* (Rs350-Rs15000).

*Prescription eyewear has the capability to provide higher margins than the watches division; in certain cases, there exists a mark up of up to 300% between landed costs and the market price.*

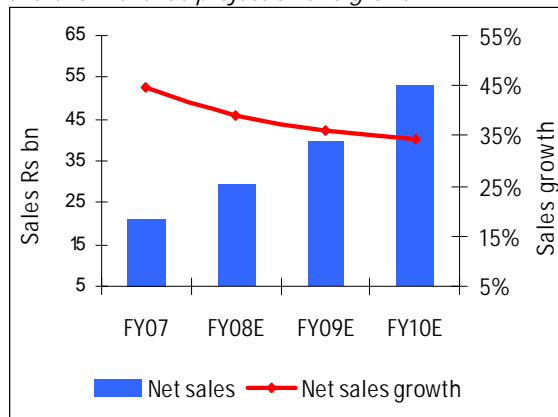
Titan Industries plans to open 250 stores in next five years in all Tier I and Tier II cities with an average store size of 1100-2000 square feet. The focus will be more on design, retail, service, and marketing on brands; the manufacturing function would be outsourced and include tie ups with reputed brands and labs for lenses. We believe that the segment has the capability to provide higher margins than the watches division; in certain cases, there exists a mark up of up to 300% between landed costs and the market price.

**Valuations**

We expect Titan to post net sales CAGR of 36.5% through FY07-FY10E; the watches division is likely to grow at a CAGR of 18.8% and the jewellery division at CAGR of 39.9%. Earnings are estimated to grow at a CAGR of 35.3% through FY07-10E.

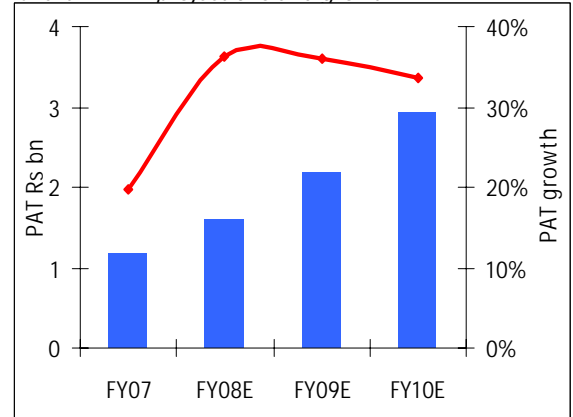
The company's net sales are expected to touch Rs39.59bn and 53.13bn in FY09E and FY10E respectively. Higher share of jewellery division in overall revenues is likely to result in fall in operating profit margins from 9.5% in FY07 to 8.6% in FY10E. Operating profit growth, however, is expected to remain strong at Rs3.51bn (30.8% YoY growth) and Rs4.56bn (29.8% YoY growth) in FY09E and FY10E respectively. The company's net profits are expected to stand at Rs2.19bn (35.9% YoY growth) and Rs2.93bn (33.7% growth) in the same period.

Chart 10: Revenue projection and growth



Source: IISL research, company

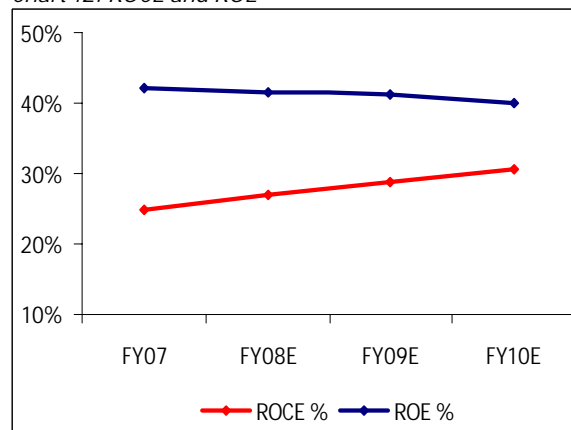
Chart 11: PAT projections and growth



Source: IISL research, company

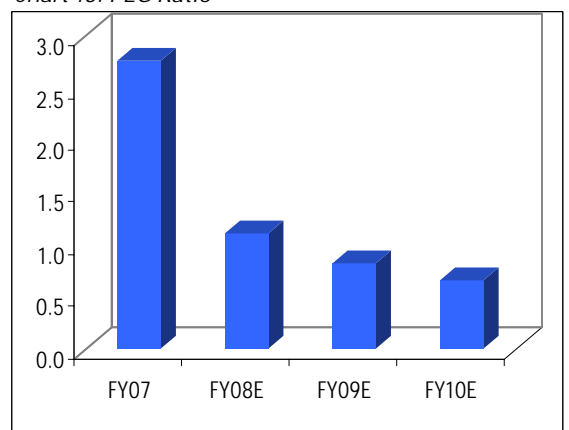
We expect the company to report strong return ratios, going forward. RoCE is likely to grow from 24.7% in FY07 to 30.6% in FY10E (see chart12).

Chart 12: ROCE and ROE



Source: IISL research, company

Chart 13: PEG Ratio



Source: IISL research, company

## Titan Industries

We expect Titan industries to post an EPS of Rs49.3 and Rs65.9 in FY09E and FY10E respectively. At the current price of Rs1460, the stock is trading at 29.6x and 22.6x based on FY09E and FY10E earnings.

Though the stock looks expensive on price-earnings multiple, we believe that P/E method is not suitable in valuing a growth company like Titan. Instead, we have valued the company on a DCF basis. We have arrived at a value of Rs1849, an upside of 27% from the current levels. We initiate our coverage on the stock with a **BUY** rating and a price target of Rs1849.

Table 1.: Assumptions for DCF Valuation

Particulars	Amount (Rs mn)
Discounted FCFE	24,238
Terminal value	59,025
Present value of the firm	83,263
Less: Debt (net of cash)	(1,167)
Enterprise value	82,096
Number of shares	44.39
Value per share (Rs)	1,849
Upside	27%
WACC	11.4%
Terminal growth	4.0%

Source: IISL research, company

## Financials

Profit & Loss						Balance Sheet					
Rs mn	FY06	FY07	FY08E	FY09E	FY10E	Rs mn	FY06	FY07	FY08E	FY09E	FY10E
Net sales	14,443.1	20,902.4	29,109.1	39,590.7	53,126.1	Share capital	822.8	443.9	443.9	443.9	443.9
YoY (%)	31.7	44.7	39.3	36.0	34.2	Reserves	1,503.0	2,830.6	4,050.7	5,718.9	7,994.2
Total expenses	12,862.3	18,917.9	26,424.8	36,080.5	48,570.7	Net worth	2,325.7	3,274.4	4,494.6	6,162.8	8,438.1
Raw material cost	8,094.7	12,083.8	17,239.9	23,695.1	32,171.7	Total borrowings	2,679.2	2,470.1	2,770.1	2,770.1	2,770.1
Purchase of finished goods	732.8	1,305.3	1,814.8	2,468.3	3,312.1	Deferred tax	237.5	174.4	127.8	94.6	50.2
Staff cost	1,192.3	1,671.4	2,005.7	2,507.1	3,133.9	Total liabilities	5,242.5	5,918.9	7,392.5	9,027.5	11,258.4
Advt. and sales promotion	1,262.8	1,682.0	2,346.5	3,296.5	4,445.2	Gross block	4,204.3	5,154.9	5,754.9	6,354.9	6,954.9
Other expenses	1,579.7	2,175.4	3,017.8	4,113.5	5,507.8	Less: Acc. depreciation	(2,439.7)	(2,643.4)	(2,929.1)	(3,244.6)	(3,589.8)
EBIDTA	1,580.8	1,984.5	2,684.2	3,510.2	4,555.3	Net block	1,764.6	2,511.5	2,825.8	3,110.3	3,365.1
YoY (%)	37.3	25.5	35.3	30.8	29.8	OWP	195.6	159.7	159.7	159.7	159.7
<b>EBIDTA (%)</b>	<b>10.9%</b>	<b>9.5%</b>	<b>9.2%</b>	<b>8.9%</b>	<b>8.6%</b>	Investments	270.2	270.2	270.2	270.2	270.2
Other income	24.3	32.2	33.4	34.7	36.2	Current assets	6,467.6	8,858.1	12,617.5	17,440.9	24,060.3
PBITD	1,605.1	2,016.7	2,717.6	3,544.9	4,591.5	Inventories	3,743.9	6,774.8	9,208.0	12,523.6	16,805.2
Interest	248.4	204.2	210.6	210.6	210.6	Debtors	901.2	920.6	1,188.1	1,615.9	2,168.4
Gross profit	1,356.7	1,812.5	2,507.1	3,334.3	4,380.9	Cash	382.9	507.3	1,603.4	2,731.3	4,578.6
Depreciation	196.6	255.9	285.7	315.5	345.3	Loans and advances	1,439.6	655.4	618.0	570.0	508.1
PBT	1,160.1	1,556.5	2,221.4	3,018.8	4,035.6	Current liabilities	3,331.4	5,368.6	7,752.5	10,948.0	15,233.1
(-) Tax	132.6	375.3	610.9	830.2	1,109.8	Provisions	267.2	554.0	770.3	1,047.6	1,405.8
Tax/PBT	11.4%	24.1%	27.5%	27.5%	27.5%	Net current assets	2,869.1	2,935.5	4,094.7	5,445.2	7,421.4
PAT	1,027.4	1,181.3	1,610.5	2,188.7	2,925.8	Miscellaneous expenses	143.1	42.1	42.1	42.1	42.1
YoY (%)	71.5	15.0	36.3	35.9	33.7	Total assets	5,242.6	5,919.0	7,392.5	9,027.5	11,258.4
Extra ordinary income	250.0	240.0	0.0	0.0	0.0						
PAT after EO income	777.4	941.3	1,610.5	2,188.7	2,925.8						
YoY (%)	212.1	21.1	71.1	35.9	33.7						
<b>Net profit margin %</b>	<b>7.1%</b>	<b>5.7%</b>	<b>5.5%</b>	<b>5.5%</b>	<b>5.5%</b>						

Key Ratios						Cash Flow					
	FY06	FY07	FY08E	FY09E	FY10E	Rs mn	FY06	FY07	FY08E	FY09E	FY10E
EPS (Rs)	23.3	26.6	36.3	49.3	65.9	Net profit	736.2	941.3	1,610.5	2,188.7	2,925.8
CEPS (Rs)	19.8	26.3	41.7	55.7	72.7	Depn and w/o	196.6	255.9	285.7	315.5	345.3
Book value (Rs)	28.3	73.8	101.3	138.8	190.1	Deferred tax	(55.7)	(63.1)	(46.6)	(33.2)	(44.4)
Dividend per share (Rs)	3.0	5.0	7.5	10.0	12.5	Change in working cap	56.2	58.0	(63.1)	(222.6)	(128.9)
Debt-equity (x)	1.2	0.8	0.6	0.4	0.3	Operating cash flow	933.4	1,192.1	1,786.4	2,248.4	3,097.8
ROCE	23.4	24.7	27.1	28.9	30.6	Capital expenditure	(203.6)	(950.6)	(600.0)	(600.0)	(600.0)
ROE	48.1	42.2	41.5	41.1	40.1	Investments	0.0	0.0	0.0	0.0	0.0
						Investing cash flow	(203.6)	(950.6)	(600.0)	(600.0)	(600.0)
<b>Valuations</b>						Dividend	(176.6)	(264.1)	(390.3)	(520.4)	(650.5)
PE (x)	62.6	54.9	40.2	29.6	22.2	Fresh equity	0.0	739.6	0.0	0.0	0.0
Cash PE (x)	73.9	55.5	35.0	26.2	20.1	Debt/Preference shares	(502.7)	(609.2)	300.0	0.0	0.0
PEG Ratio	0.9	3.7	1.1	0.8	0.7	Financing cash flow	(679.2)	(133.7)	(90.3)	(520.4)	(650.5)
Price/book value (x)	51.6	19.8	14.4	10.5	7.7	Others	(109.5)	16.7	0.0	0.0	0.0
Dividend yield	0.2	0.3	0.5	0.7	0.9	Net change in cash	(58.9)	124.4	1,096.1	1,127.9	1,847.3
Market cap/sales	4.5	3.1	2.2	1.6	1.2	Opening cash	441.8	382.9	507.3	1,603.4	2,731.3
EV/sales (x)	4.4	3.2	2.3	1.6	1.2	Closing cash	382.9	507.3	1,603.4	2,731.3	4,578.6
EV/EBIDTA (x)	41.4	33.5	24.5	18.4	13.8						

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