



# Profit Track



Weekly Financial newspaper

**[www.profittrack.in](http://www.profittrack.in)**  
**Contact--09755261070**

**By Profit track**  
**E-mail:-profit@profittrack.in**

## EMPEE DISTILLERIES LTD BSE CODE: 532920 LAST CLOSE: 122

Empee Distilleries Ltd. started over two decades ago in a small way in Chennai, for manufacturing Indian Made Foreign Liquor, has now expanded substantially with state-of-art manufacturing facilities not only in Tamil Nadu but also in Kerala, Karnataka and Andhra Pradesh. The distinction of having manufacturing facilities in all the southern states is unique, which few National players can boast of. In the Premium segment, Empee Distilleries Ltd. holds a major share, which is the envy of even All-India-brands.

Similarly, in Kerala, the distillery unit at Palakkad is poised to reach the market leader position with its well-established brands.

Empee Distilleries Ltd.'s Chennai unit is able to hold its sway in the Premium segment in-tact for the past 20 years by virtue of high quality of its premium products like Empees Napoleon Brandy and Premium Whisky. The introduction of Old Secret Rum has made a huge impact in the liquor industry with an innovative launch, marketing strategies and the quality of the product. Similarly, POWER brand of Rum, Brandy and Whisky and the recent introduction of Old Secret Brandy has created considerable expectations among the consumers and Empee distilleries Ltd is hopeful of encashing the market potential.

In Kerala, its VICTORIA Rum, Sixer Rum & All Gold VSOP Brandy has been a run-away success right from introduction and is the envy of the competition.

Today, identifying the need to match international standards in IMFL manufacturing, the Group has drawn plans to set up four grain distillation units in four major south Indian states with a planned capacity of 360 KL per day..

Company has come out with IPO in end of 2007 @ Rs.400/share. Company has equity of just Rs.19.01crore while company has huge reserve of around Rs.217.28crore. Promoter hold 71.88% stake in company, non promoter corporate bodies hold 7.19% and public hold 19.15% stake in company.

In June quarter company has shown very good number. Net profit zoomed to 120% to Rs.5.94crore from Rs.2.70crore and Company has declared 50% dividend.

Company has fix book closure for dividend from 22<sup>nd</sup> September.

Current level stock is available at dirt cheap rate with 50% dividend right.. Investors, buy with stop loss of 100, on upper side stock will go up to 140-150 level in short term while in medium term stock will cross Rs.250-300 level.

# DCM SHRIRAM INDS. LTD. (RS. 118)

Belonging to erstwhile DCM Group, DCM Shriram Inds. is a diversified conglomerate with diversified interests in Sugar, Chemicals and Rayon Tyre Cord Fabrics:

- 1) Company has 12,000 TCD capacity in Sugar Division. It also has cogen power plant of which 12 MW is sold outside.
- 2) In Chemical Division, Company is producing Extra Neutral Spirit which is supplied to liquor industry. Last year, company installed super distillation plant which enabled it to produce high quality alcohol for premium segment.
- 3) Company is one of the leading producers of Rayon Tyre Cord Fabrics in India, part of which is for exports.

Rationale for recommendation:

Due to boom in sugar prices, its sugar division is performing extremely well. Further, despite rise in molasses prices, even chemical division is reporting improved performance due to buoyant demand. Due to huge demand from fast growing Tyre Industry, Tyre Cord Division is also doing extremely well. Company is likely to report all time high profit in 09-10. Last year, company was in limelight due to aborted takeover attempt by Delhi based brokerage firm.

Financial Performance:

	Year Ended 31-03-'08 cr
Sales	587.95
PBT	-7.59
PAT	- 4.21
Equity	15.45
EPS (Rs.)	-2.71

Company has reported extremely good results for year ended March 2009.

- 1) Topline grew by 43% to 798 crs
- 2) PAT stood at Rs 39.64 crs (against loss in previous year), turnaround of 44crs
- 3) EPS stood at 22.78. Stock is trading at 5.18x FY09 EPS

Future Outlook:

	08 - 09 cr.	09-10E cr.
Total Sales	834.00	945.00
PAT	39.64	68.50
Equity	17.40	17.40
EPS Rs.	22.78	39.35

Performance of quarter ended June 2009:

	Qtr June 09	Qtr June 08
Sales	254.00	169.00
PBT	30.79	0.45
PAT	20.18	0.15

Company has report Super-fabulous results for Q1:

1. Topline has flared by 50%
2. PBT has zoomed by 6700%
3. Despite big income tax provision, PAT has polevaulted by 13500%.
4. Q1 EPS is 11.60

At present, sugar scrips have reached very high valuations as sugar prices continue to rise. P.E. Ratio of Sugar Industry is more than 18 due to very high P.E. Ratio (35 for Shree Renuka, 20 for Triveni Engineering) of some bigger players. However, P.E. Ratio of 5.18 for DCM Shriram is extremely low considering that company has other divisions also which reduces risks associated with cyclical sugar business. STOCK IS TRADING AT JUST 3.00X FY10E EPS. DEFINITELY THE CHEAPEST SCRIP IN SUGAR INDUSTRY

Even if company has a low P.E. Ratio of 6, its share price should be Rs. 237/-, based upon FY10E EPS. Promoters had taken preferential offer at Rs. 90/-.

Our price target:

- A) Rs. 160/- in 6 weeks.
- B) Rs. 210/- in 6 months.

Buying strongly recommended.

**Disclaimer:** The recommendations made herein do not constitute an offer to sell or a solicitation to buy any of the securities mentioned. No representations can be made that the recommendations contained herein will be profitable or that they will not result in losses. Readers using the information contained herein are solely responsible for their actions. Information is obtained from sources deemed to be reliable but is not guaranteed as to accuracy and completeness.

