

Rayban Sunoptics

Market Cap (Rs. Cr) **214.322**

52 Week-H/L(Rs) **126 / 64.05**

CMP

Rs. 87.55

Target Price

Rs. 105/120

Bloomberg **BL@IN**

Reuters

BSHL.BO

BSE 500044

NSE

BAUSCHLOMB

Investment Arguments

FASHION CONCIUSNESS & RISING INCOMES OF YOUTH TO DRIVE DEMAND

Company is a 44% subsidiary of Luxottica, Italy. Euro 4.3 billion **Luxottica Group** is the world's leading designer, manufacturer and distributor of prescription frames and sunglasses in the premium and luxury segment with approximately 5,500 sun and optical stores worldwide, with operations in 130 countries. [The Group's brand portfolio currently includes a total of 26 brands (eight house brands and 18 license brands). Luxottica Group's house brands include Ray-Ban, the world's best known prescription and sun brand, as well as Vogue, Persol, Arnette and Revo. License brands include Bvlgari, Chanel, Dolce & Gabbana, Donna Karan, Prada, Versace as well as Burberry and Polo Ralph Lauren (the latter two from January 2006 and 2007, respectively).]

Sunglasses and frames are main products of this company. Right now 85% comes from branded sunglasses while rest comes from Frames.

Company markets its products under **inhouse brands like -RayBan, Vogue and Arnette** as well as outside brands such as **Killer Loop, Luxottica, Sferoflex and Ferragamo**. Company has around 300 models across all its brands. The Indian eyewear market is estimated to be more than Rs 200 crore, and **Rayban enjoys a near 50% share of the organised market** Further in early 2007, company is planning to **launch two high end brands in Indian markets – Burberry & Polo Ralph**. While former will **cost between 12,000-15,000, the latter will cost between 9,000-10,000** [Mkt for such premium brands is about 5 lakh Pcs per annum growing @20%].

With fashion consciousness rapidly gaining ground, thanks to the increasing share of youth in the high-income brackets, the share of expenditure towards higher-end products is rising significantly. The **retailing industry in India is undergoing a major transformation** the trend is expected to continue to accelerate. Further, with the changing lifestyle and increase in consumer spending, together with increased **preference for high quality branded products**, the demand for the company's products are bound to remain high in coming years.

Off late performance of the company is improving remarkably with rising sales and improving margins. **With the introduction of still high end products in '07, the margins will improve further in '07. Plus valuations for this Retail and Lifestyle entity looks extremely cheap right now.** Rayban is a cash-rich company with liquid funds of Rs 65 crore (Rs 27 per share) as of FY 2005, and Zero debts. Excluding cash, share is available at Rs 60 only [87-27=60 and discounts '07 earnings less then 8 times. One can BUY for medium to long term around current prices.

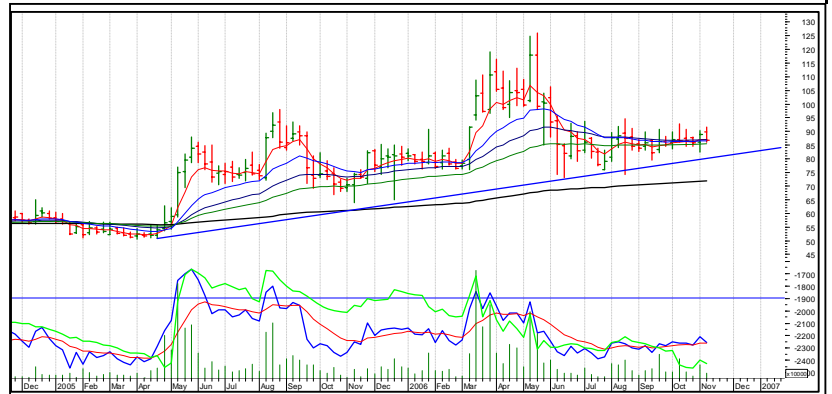
Financials for the year ended (in Rs. Crores)

Particulars	Dec 04	Dec 05	Dec 06 E	Dec 07 E
Gross Sales	42.29	51.68	68.50	89.50
PBIDT	9.61	16.92	22.50	30.50
Interest	0.12	0.14	0.10	0.00
Depreciation	1.53	1.49	1.50	1.50
PAT	5.20	10.15	15.50	21.20
EPS (in Rs)	2.12	4.15	6.33	8.66
CEPS (in Rs)	2.75	4.75	6.94	9.27
Book Value (in Rs)	30.76	34.91	40.03	48.20
Face Value (in Rs)	10.00	10.00	10.00	10.00
Dividend (%)	0.00	0.00	10.00	20.00
Dividend Yield (%)	0.00	0.00	1.14	2.28
Net Worth	75.30	85.45	98.00	118.00
Debt	0.00	0.00	0.00	0.00
Equity Capital	24.48	24.48	24.48	24.48
P.E. (x)	41.2	21.1	13.8	10.1
NPM %	12.30	19.64	22.63	23.69
EBIDTA Margin %	22.72	32.74	32.85	34.08
RoCE %	12.8%	19.8%	23.0%	25.8%

Latest result update (in Rs. Crores)

PARTICULARS	9M 2006	9M 2005	% change
Gross Sales	48.21	36.42	32.37
PBIDT	14.20	10.97	29.44
Net Profit (PAT)	8.62	6.52	32.21
Equity	24.48	24.48	
EPS	3.52	2.66	32.21

Technical Trend:-



After touching a high of Rs 126 in May'06, the stock corrected sharply to make a low of Rs 75 in Aug.'06. Since then its consolidating between Rs 80 and 93.

Now its showing signs of a fresh breakout on upper side. One can buy the stock around current price with stop loss of Rs 79 and can look for first target of Rs 105 and then Rs 120 in medium term. Long term outlook for the stock also looks much better and investors with couple of years time horizon can look for new highs.

ShareHolding Pattern

