

**Tilaknagar Industries**Market Cap (Rs. Cr) **55.87**

52 Week-H/L(Rs)

**97.50 / 30.80**CMP Rs. **97.50**Target Price Rs. **145/295**Bloomberg [TLNGR@IN](#)

Reuters

[TILK.BO](#)BSE [507205](#)

NSE

**Investment Arguments**

Tilaknagar Industries is engaged in the business of manufacture and sale of **Indian Made Foreign Liquor (IMFL)**, Spirit and alcohol based chemicals. With **IMFL being the core business and accounting for more than 90% of the Company's revenues**. The plants are situated at Tilaknagar in Shirampur in the district of Ahmednagar, Maharashtra. This is a sugar belt where availability of basic raw material like molasses, alcohol is in plenty. **IMFL consists of- Whisky, Brandy, Rum, Gin and Vodka** Some of the leading brands are **Mansion House, Courier Napoleon, Senate, Classic & Savoy Club**.

The current annual capacity of the company's distillation plants are 90 lakh bulk litres of spirit and 60 L bulk Ltrs of IMFL. the modern bottling plants have a **capacity to produce 1.1 million cases annually, which will go up around 2 million cases in current year**. The company has **joint venture with West Indies-based Angostura Ltd for manufacturing and distributing alcoholic beverages in India**. The company intends to modernize the existing plant, reduce labor cost and reduce the high cost debt. The company is also putting effort on marketing front by **appointing new distributors** to make the presence felt where ever required.

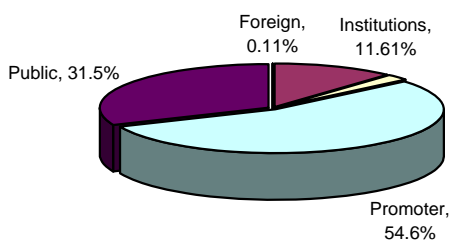
The Company has **re-positioned its existing brands by up-gradation of packaging and blend and is planning to aggressively introduce a brand in the regular whisky segment**. The Company plans to undertake brand building activities at the local level to ensure growth in sales volume and increase in market share for the Company.

**Changing lifestyle, burgeoning middle class income and increasing exposure to global trends are driving the Beer and IMFL market to new highs. Coupled with the tech boom and westernization it is expected that this industry will surge to new highs.** The liquor industry is a highly regulated and taxed industry. Excise Duty on IMFL being a state subject, the industry is affected by the excise policy announced by the states on year to year basis. Due to heavy inter-state taxation levied by the state governments and increasing transport costs and with a view to become more cost effective and competitive, the **Company has entered into franchise arrangement in Andhra Pradesh and is planning to have similar arrangements in West Bengal, Orissa and Uttar Pradesh.**

Going by company's future plans, the total sales and profits will zoom in current year leading to sharp rise in EPS in 07-08. **Stock is available at just 3X of '08 earnings against peer valuations of 25X to 50X. STRONG BUY.**

**Financials for the year ended ( in Rs. Crores)****Latest result update ( in Rs. Crores)**

PARTICULARS	FY 06	FY 07	FY 08E	Mar 09 E	PARTICULARS	Q4 2006-07	Q4 2005-06	% change
Gross Sales	96.39	112.11	191.00	230.00	Total Income	27.28	20.15	35.38
PBIDT	7.01	17.46	29.50	35.50	PBIDT	9.05	2.33	288.41
Interest	3.77	3.43	2.20	2.50	Net Profit	5.41	0.81	567.90
Depreciation	0.75	1.03	1.40	2.50	Equity	5.73	5.73	0.00
PAT	1.24	8.66	17.50	22.00	EPS	9.44	1.41	567.90
EPS ( in Rs)	2.16	15.11	30.54	38.39	<b>Technical Trend:-</b>			
CEPS ( in Rs)	3.47	16.91	32.98	42.76				
Book Value ( in Rs)	20.58	33.80	62.00	84.00				
Face Value ( in Rs)	10	10	10	10.00				
Dividend ( in%)	8	15	20	25.00				
Deividend Yeild (%)	0.82	1.54	2.05	2.56				
Net Worth	11.79	14.29	31.00	52.00				
Debt	23.42	28.00	22.00	25.00				
Equity Capital	5.73	5.73	5.73	5.73				
P.E. (x)	45.05	6.45	3.19	2.54				
NPM %	1.29	7.72	9.16	9.57				
EBIDTA Margin %	7.27	15.57	15.45	15.43				
RoCE %	19.91	41.29	55.66	46.1%				

**Shareholding Pattern**

**Stock broke away on upper side from a long term triangle in weekly chart. This indicates a powerful upmove in the offing.**

**Not only this, stock is now in to a new bull orbit, with new high being made every day. Looking to trend one can look for target of Rs 145 in next 3-4 months and Rs 295 in next one years time frame.**

**Buy with stop loss of Rs 85.**