

Nov 22, 2013

Tilaknagar Industries Ltd.

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NSE Code: TI

Reuters Code:

TILK.NS

Bloomberg Code: TLNGR:IN

Tilaknagar Industries Ltd (TI) is a leading player in the liquor industry and manufactures Indian Made Foreign Liquor (IMFL). Established in 1933 as Maharashtra Sugar Mills Ltd. (MSM), the company transitioned to the liquor business in 1987. Over its 75 year existence, TI owns more than 40 brands across the whisky, brandy, gin, rum and vodka categories.

Investor's Rationale

Q2FY'14 revenues rose 13% to ₹1985mn on surge in volumes – Tilak Nagar Industries (TI) has posted 13% growth in revenues at ₹1,985.0 mn on account of deeper brand penetration in existing markets along with presence in new regions too, coupled with higher brand & marketing initiatives. While for the first half of this fiscal (H1FY'14), TI reported 15.3% growth in net sales at ₹3,655.3 mn, on account of 27%YoY robust volume growth to 7.7 mn cases. The quarter also witnessed robust volumes performance with 26% increase in Q2FY'14 to 4.0 mn cases as against 3.1 mn cases in Q2FY'13 and this volume expansion was driven by the launch of several brands in various states across multiple categories- Brandy, Rum, Whisky and Vodka. The company also attributed the consistent increment in volume growth to TI's varied brand profile, its premium products and extensive distribution system.

Posted another quarter of improved performance – TI posted 1.1% growth in Profit After Tax (PAT) in Q1FY14 at ₹160.5 mn as against ₹158.7 mn in Q2FY'13 while in H1FY'14, TI posted significant growth of 24.3% YoY net profit to Rs. 333.2mn as against ₹268 mn in H1FY'13. The growth in bottom line was driven by profitable volume growth, brand development and geographic expansion. EBITDA during the quarter fell by 3.2% to ₹440 mn as against ₹454 mn in Q2FY'13 and this decline was mainly due to higher costs of raw materials - mainly ENA. Fluctuating ENA prices are largely attributable to the impact of the weak monsoon season in the previous year. While in H1FY'14, EBITDA grew marginally by 1.5% YoY to ₹84.1 crore.

Launched several brands in various states across multiple categories – The company in Q2FY'14 launched White house Brandy in Andhra Pradesh while Mansion House brandy & Courier Napoleon Brandy Green in Meghalaya. Further in the rum category, it launched Madiraa GOLD Rum and White House Rum in Odisha and West Bengal respectively. It launched Blacpower Whisky in Goa, SHOT whisky in Assam & Bihar, Mansion House Whisky in Bihar and Meghalaya. It also launched Classic Vodka in Madhya Pradesh. Brand expansion witnessed a healthy trajectory as the company not only enhanced penetration in existing markets but also successfully pursued new market opportunities especially in the East.

Market Data

Rating		BUY
CMP (₹)		57
Target Price		72
Stop Loss		50
Duration		Short-term
52-week High-Low (₹)		89.7/44.8
Rise from 52WL (%)		27.2
Correction from 52WH (%)		36.4
Beta		0.26
1 year Average Volume (mn)		0.03
Stock Return (%)	3M-	(1.2)
	6M-	(15.4)
	1Y-	(11.02)
Market Cap (₹bn)		7.07
Book Value (₹)		40.7

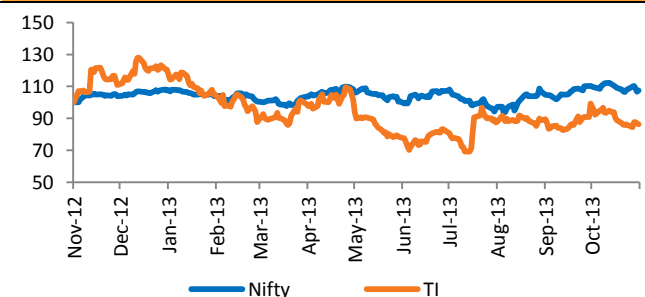
Shareholding Pattern

	Sep'13	Jun'13	Chg
Promoters (%)	55.88	56.18	(0.30)
FII (%)	10.43	12.69	(2.26)
DII (%)	10.82	8.53	2.29
Public & Others (%)	22.87	22.6	0.27

Quarterly Performance (Consolidated)

(₹Mn)	Q2 FY'14	Q2 FY'13	Q1 FY'14	YoY Change(%)	QoQ Change (%)
Sales	1,985.0	1,757.4	1,670.2	13.0	18.8
Op. exp	1,558.0	1,307.1	1,400.3	19.2	11.3
EBITDA	440.0	454.4	400.9	(3.2)	9.8
OPM (%)	22.0	25.8	22.3	(377bps)	(24bps)
Net profit	160.5	158.7	172.7	1.1	(7.1)
NPM (%)	8.0	9.0	9.5	(99bps)	(153bps)
EPS (₹)	1.3	1.3	0.1	(2.3)	808.5

One Year Price Chart





Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

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