



# Salora International Limited

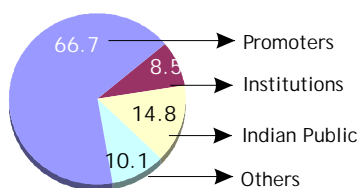
Quarterly Update Q308 | CMP Rs. 176.25

## Stock Codes

Bloomberg : SLI.IN  
 Reuters : SALI.BO  
 BSE Code : 500370  
 NSE Code : SALORAINTL  
 BSE Group : A

## Share Holdings (%)

As on 31st December, 2007.



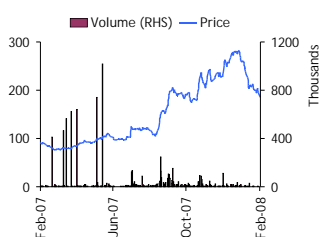
## Stock Data

Sensex : 17047.4  
 Nifty : 4945.05  
 52 W High Rs. : 291.0  
 52 W Low Rs. : 74.0  
 Mkt Cap Rs. Mn. : 1550.0  
 Face Value Rs. : 10.0

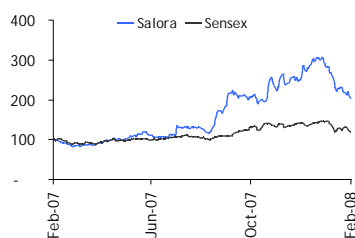
## Absolute Returns

%	1M	3M	6M
Salora	-28.16	-13.48	59.84
Sensex	-20.15	-12.63	10.87

## Price/Volume



## Price Comparison



The company has come out with its third quarter results posting a decent set of results even if on the face of it the results don't look very spectacular. The key highlights of this quarter's results can be summed up as follows.

1. Total Revenue at Rs. 3329.88 million, up 17.16% qoq, up 33.87% yoy.
2. Total Expenditure at Rs. 3057.4 million, up 18.49% qoq, up 34.1% yoy.
3. Profit after tax at Rs. 49.3 million, down 21.48% qoq, up 41.95% yoy.

The above numbers and a detailed review of the results show a squeeze in the margins of the company, the same can be attributed to some key points that were highlighted by the management, which are as under.

1. Slowdown in the sales in the Infocom division during the December month much below than the management's forecast.
2. Slow December sales coupled with higher inventory levels lead to an increase in the interest cost to the company which acted like a double whammy.
3. For the company the wind energy business did not generate any power in the quarter, this business generates revenue for five months during the year and that is inherent nature of the business. Therefore this division has shown a loss which has directly impacted the bottomline of the company.

All the above reasons have had an adverse impact on the company, which make the results look a little more adverse than what they actually are. Our discussion with the management have been fairly positive and we are confident of the company meeting its revenue targets going forward.

Some key developments that should take place for the company in the near future can be pointed out as follows.

1. The retail venture of the company is on track with 5 exclusive Sony Ericsson stores already up and running and the management is confident of the number of these exclusive stores touching 25 by March 2008
2. The company's plan for its own multi brand stores is on track and the management is confident of 10 stores up and running by March 2005
3. The company has got in to an agreement with Virgin Mobile of UK to setup there mobile stores on an exclusive bases. The company intends to 25 kiosks of Virgin Mobile in north and east India. The full modalities of this agreement will be known to us in some time as the management would not like to comment on the same as the full issue still needs to be sorted out.
4. The board has given an approval for raising Rs. 50 Cr which will be utilised for the retail venture.
5. The new principal account that the company did manage to get in the last quarter i.e. of distribution of Hewlett Packard range of personal computers and laptops will take more meaning full shape from the next quarter which will help the company in garnering more steam as the brand has already got a very good reputation in India.

In the 9 months the company has reported Rs. 171.2 Mn at the PAT level and for it to reach our FY08E PAT estimate of Rs. 198.7 Mn looks very easily achievable. All in all we feel that though the result for the quarter is not very encouraging it is not something that requires a panic button to be pressed right now and looking at the price of the stock we still maintain a buy on the stock.

In terms of relative valuations if one compares Salora international Ltd (SIL) to its peers one can see that the company trades at a sharp discount to its peers which makes SIL from the current levels very attractive and if one does keep a long term view on the stock there look a clear upside from the current levels.

PE Ratios	FY08E	FY09E
Redington	14.82	14.89
HCL	9.59	7.85
<i>Concensus Estimates : Bloomberg</i>		
Salora	7.82	5.78
<i>PPFAS Estimates</i>		

## Quarterly Financials

(Rs. Mn)	Q308	Q208	Q-Q Chng	Q307Y-Y Chng	9M 08	9M 07	9M Chng
Total Revenues	3329.9	2842.1	17.16%	2487.4 33.87%	8620.6	6186.1	39.4%
Total Expenditure	3231.4	2730.2	18.36%	2409.8 34.10%	8304.9	5995.4	38.5%
<i>RM Consumed</i>	3057.1	2580.2	18.49%	2258.4 35.37%	7808.3	5583.1	39.9%
<i>Staff Cost</i>	49.4	49.1	0.53%	43.2 14.20%	140.2	132.1	6.1%
<i>Other Expenditure</i>	124.9	100.9	23.80%	108.1 15.52%	356.3	280.2	27.2%
Operating Profit	98.5	111.9	-11.99%	77.6 26.94%	315.7	190.7	65.5%
Other Income	5.2	5.8	-9.90%	6.9 -23.69%	14.2	9.3	52.1%
EBITDA	103.7	117.7	-11.89%	84.5 22.82%	329.9	200.1	64.9%
Depreciation	13.2	13.1	0.97%	14.7 -9.84%	39.5	38.4	3.0%
PBIT	90.5	104.6	-13.50%	69.8 29.69%	290.4	161.7	79.6%
Interest	10.5	9.0	17.04%	6.5 60.63%	25.9	13.6	91.2%
PBT	80.0	95.7	-16.37%	63.3 26.48%	264.5	148.2	78.5%
Tax	30.7	32.8	-6.59%	28.5 7.63%	93.2	58.8	58.5%
PAT	49.3	62.8	-21.48%	34.8 41.95%	171.2	89.3	91.7%
Extra-ordinary Income	0.0	0.0		9.5 -100.00%	0.0	23.5	
Reported PAT	49.3	62.8	-21.48%	44.2 11.56%	171.2	112.8	51.8%
Equity Capital	88.2	88.2		88.2	88.2	88.2	
Adjusted EPS (in Rs.)	5.6	7.1		3.9	19.4	10.1	
Profitability	Q308	Q208	Q-Q (bps)	Q307 Y-Y (bps)	9M 08	9M 07	9M (bps)
OPM %	3.0%	3.9%	98.00	3.1% (16.16)	3.7%	3.1%	57.90
EBITDA %	3.1%	4.1%	102.72	3.4% (28.02)	3.8%	3.2%	59.28
PBIT %	2.7%	3.7%	96.36	2.8% (8.78)	3.4%	2.6%	75.48
PAT %	1.5%	2.2%	72.90	1.4% 8.43	2.0%	1.4%	54.22
Operational Parameters	Q308	Q208	Q-Q (bps)	Q307 Y-Y (bps)	9M 08	9M 07	9M Chng
RM Consumed	91.8%	90.8%	(102.43)	90.8% 101.27	90.6%	90.3%	32.56
Staff Cost	1.5%	1.7%	24.53	1.7% (25.54)	1.6%	2.1%	(50.94)
Other Expenditure	3.7%	3.5%	(20.11)	4.3% (59.57)	4.1%	4.5%	(39.52)
Effective Tax Rate	38.3%	34.3%		45.1%	35.3%	39.7%	

