



CAPSTOCKS & SECURITIES (INDIA) PVT. LTD.

Capstocks Research Team

Conviction Ideas - 41

Goodricke Group (BSE Only)

Recommendation

Reiterate Buy: Rs.155**Target: Rs. 175****Holding Period: 3 Months**

COMPANY OVERVIEW:

Goodricke group Limited is one of the leading tea plantation companies in India. The company was incorporated in the year 1977 was owned by UK based Camellia Plc through two wholly owned subsidiaries Western Dooars Investment and Assam Doors Investment. The company owns seventeen tea estates spread across three regions namely Dooars (twelve estates), Darjeeling (three estates) and Assam (two estates). The company has total planted area of 7488 hectares in Dooars, 1376 hectares in Assam and 942 Hectares in Darjeeling with grand total of 9807 Hectares of planted area.

BUSINESS:

The Company has tea estates in Darjeeling, Dooars (North Bengal) and Assam. This geographical spread offers a wide range of teas for its customers in domestic or export market. The company sells teas through bulk and instant tea. Bulk tea forms 99% of Goodricke operation. Bulk teas are sold through various sales channels such as public auction, private sales and packet sales. Packet tea witnessed a higher volume of 7.19 million kgs in 2011. With greater market spread, The Company is establishing a chain of own depots in key market areas. Apart from its own depots at Madhya Pradesh and Rajasthan, the Company is in the process of having similar set up in the states of Chattisgarh and Maharastra. The streamlining of its own two packing units upcountry and packeting tie-up with Balmer Lawrie & Co. Ltd. are expected to strengthen the logistic base for future growth. Apart from domestic sales, company also exports to various countries. The Company's exports more than doubled to Rs. 703 million in 2011, resultant of volume growth as well as improved unit price realizations. All the categories of Company's exports covering Assam CTC and Orthodox and Darjeeling contributed to the encouraging growth.

BUSINESS RISKS:

Tea is an agricultural commodity whose yield is highly dependent on weather condition. Any adverse weather may affect the production of tea which will impact the profitability of the company short term.

FINANCIAL HIGHLIGHTS:

	2009	2010	2011
NET SALES Cr.	371.1	399.3	457.5
NET PROFIT Cr.	41.5	44.9	37.0
EPS Rs.	18.7	20.0	16.6
BOOK VALUE Rs.	51.3	66.3	79.0
DIVIDEND Rs.	4	5	4

INVESTMENT RATIONALE:

Goodricke is one of the top teas producing company in India. The company is consistently upgrading its tea factory to improve productivity. The company produces quality tea which attracts premium over other teas. Exports are doing well and currency depreciation aids margin in that segment. Prices of tea which was strong in the first half of 2011 saw dip during second half of 2011. Globally major tea producing countries like Kenya, Sri Lanka reported less production due to adverse weather condition. Domestically too tea production saw dip during last quarter of 2011. Due to global and domestic shortage of tea, price in domestic auction has gone up by 20% percent in current year. On one hand consumption is increasing and on other hand production remains tight which augurs well for strong prices. Goodricke one of the quality tea manufacturers is to benefit from any price increase. The company has strong balance sheet with only working capital debt. Investors can consider buying Goodricke at current price for decent gain in next six months.

SHAREHOLDING PATTERN AS ON Dec 2011

	%
PROMOTERS	
Foreign	74.0
INSTITUTIONS	
Mutual Funds	2.3
NON-INSTITUTIONS	
Bodies Corporate	6.7
Public and others	17.0

BSE SYMBOL	GOODRIC
FACE VALUE Rs.	10
BOOK VALUE Rs.	79.2
EPS Rs.	16.6
MARKET PRICE Rs.	154
P/E	9.2

Previous Conviction Ideas:

Company Name	Recommendation Date & Price		Target Price	Status
Amararaja Batteries	18-May-11	₹ 208	₹ 256	Target Achieved
GMDC	25-May-11	₹ 138	₹ 180	Target Achieved
IGL	1-Jun-11	₹ 342	₹ 409	Target Achieved
Ineos ABS	8-Jun-11	₹ 595	₹ 690	Target Achieved
City Union Bank	15-Jun-11	₹ 45	₹ 54	
IDFC	22-Jun-11	₹ 122	₹ 154	Target Achieved
Goodyear	29-Jun-11	₹ 322	₹ 396	Target Achieved
Yes Bank	6-Jul-11	₹ 325	₹ 374	Target Achieved
Sundaram Finance	13-Jul-11	₹ 552	₹ 640	Target Achieved
ITC	20-Jul-11	₹ 205	₹ 226	Target Achieved
CRISIL	27-Jul-11	₹ 8600	₹ 9600	Target Achieved
L.G. Balakrishnan	3-Aug-11	₹ 290	₹ 340	Target Achieved
Wyeth	10-Aug-11	₹ 1016	₹ 1150	
Balmer Lawrie	17-Aug-11	₹ 660	₹ 750	
Gateway Distriparks	24-Aug-11	₹ 130	₹ 150	Target Achieved
Ashok Leyland	7-Sep-11	₹ 27	₹ 32	Target Achieved
Gujarat Industries	14-Sep-11	₹ 76	₹ 86	Target Achieved
United Phosphorus	21-Sep-11	₹ 155	₹ 179	
Biocon	28-Sep-11	₹ 345	₹ 385	
FDC	5-Oct-11	₹ 89	₹ 106	
Grindwell Norton	12-Oct-11	₹ 235	₹ 268	Target Achieved
Raymond	20-Oct-11	₹ 356	₹ 415	Target Achieved
LIC Housing	2-Nov-11	₹ 235	₹ 275	Target Achieved
Amararaja Battery	17-Nov-11	₹ 223	₹ 260	Target Achieved
Mangalore chemicals	30-Nov-11	₹ 33	₹ 40	Target Achieved
Zensar Tech	5-Jan-11	₹ 135	₹ 165	Target Achieved
Tata Motors	11-Jan-11	₹ 205	₹ 240	Target Achieved
Oracle Financial	18-Jan-11	₹ 2020	₹ 2280	Target Achieved
Escorts	25-Jan-11	₹ 84	₹102	
Fag Bearings	1-Feb-11	₹ 1199	₹1430	Target Achieved
NIIT Tech	9-Feb-11	₹ 240	₹310	
Zensar Tech	15-Feb-11	₹ 181	₹215	Target Achieved
Cera Sanitaryware	22-Feb-11	₹ 219	₹260	Target Achieved
Hydrabad Industries	29-Feb-12	₹ 345	₹420	
Raymond	14-Mar-12	₹ 400	₹460	
Sundaram Finance	21-Mar-12	₹ 640	₹725	
Gateway Distriparks	28-Mar-12	₹ 150	₹180	
Goodyear Tyres	04-Apr-12	₹ 365	₹440	
HSIL Limited	11-Apr-12	₹ 165	₹205	
Amararaja Battery	18-Apr-12	₹ 315	₹375	

Prepared By:

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