

BURNING BRIGHT

Rs crore	FY08	FY09E
Net revenues	356.64	502.86
Operating profit	66.43	90.52
Net profit	48.00	60.34
EPS (Rs)	17.13	21.55
P/E (x)	9.28	7.38

E: Estimates

entered into alliances with Italian and Chinese manufacturers to tap the market dominated by Philips, Bajaj Electricals and Wipro. While the organised market for luminaires is growing at about 15 per cent over the last few years, the result of Phoenix's efforts in this area will be visible over the next couple of years as the company expands its distribution and strengthens its brand. As part of a new initiative to back up its growth, the company announced last month that it is entering into a JV with a foreign partner to manufacture electronic gears, in which Phoenix's Electronic gears are an input for the manufacture of CFLs. To cater to overseas demand, the company formed joint venture in Kuwait to make/marketing CFLs and luminaires.

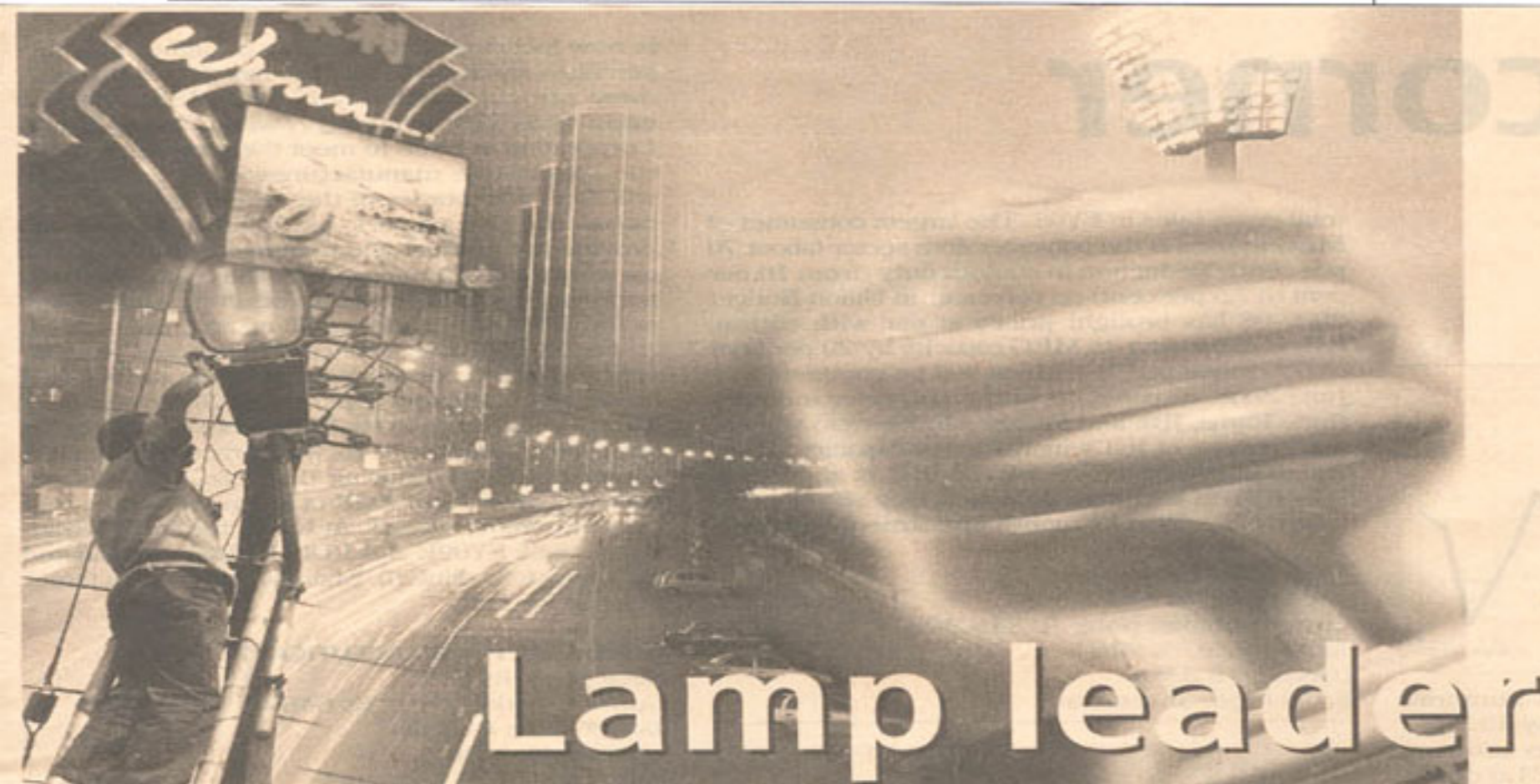
Automotive lamps

While the automotive lamps market is valued at about Rs 180 crore with an offtake of 100 million units, Phoenix caters to the headlamp segment, which at Rs 100 crore accounts for about 20 per cent of the market in volume terms and 55 per cent in value terms. The company is banking on a host of car launches and 10 per cent domestic auto lamps growth to spur sales to the OEM market, where it has a 70 per cent market share.

The company exports nearly 60 per cent of its 70 million units, but with the expected increase in domestic auto lamp OEM replacement sales, exports share is likely to come down. While auto headlamp sales have grown at about 15 per cent over the last few years to 55 per cent of overall revenue, its share is likely to come down to 45 per cent by FY09. The company estimates a 10 per cent increase in sales over the next two years.

Investment rationale

The company posted decent numbers in Q4 FY08, with revenues moving up 10 per cent to Rs 98.9 crore, while operating profit jumped 96 per cent on account of lower raw material imports and better production. Going forward, the company will probably incur higher marketing costs as it goes on shoring up its distribution network and promoting its 'Halonix' brand.



Lamp leader

High growth prospects in its product segments and expanded capacity will help Phoenix Lamps boost revenues and profits

Phoenix Lamps, a manufacturer of automotive and compact fluorescent lamps (CFL), is expanding capacities to diversify its revenue base and capture a larger share of the market. The company's move to increase its CFL capacity to 75 million units in FY09 from about 25 million currently will help it to join the list of the top three CFL makers in country.

Growth segment

To tap the domestic CFL market, which has been growing at 40 per cent over the last few years, the company set up a greenfield unit in Haridwar (Uttaranchal), which commenced production with an initial production capacity of 15 million units in December 2007. This capacity will be tripled by the end of FY09 at a cost of Rs 60 crore. The company has spent Rs 25 crore in expanding capacities in FY08 and is planning to fund its investment programme through debt (60 per cent) and internal accruals. The CFL market is estimated at 140 million units in CY 2007 accounting for 12 per

cent of total lighting sales. The figure has improved from about 15 per cent in FY06 and the company plans to increase the share of own brands (as percentage of total lighting sales) to 50 per cent. This, the company hopes to achieve by expanding its own distribution network. In April, the company terminated its distribution arrangement with Eveready to market its CFLs through the battery major's nine million outlets across India.

Phoenix is also eyeing the domestic luminaires market. The organised market for luminaires, which help position, protect and connect the lamps, is pegged at about Rs 1,000 crore and comprises about 25 per cent of the total market, with the unorganised segment contributing the rest. The company has

The high rate of growth for CFLs in the lighting segment is largely due to the power and cost savings in the long term over conventional bulbs

VOLUME PLAY

