

SCARY PROMISES

Buyers Beware

CASE 1

Recently read a brokerage report to Buy Archies Ltd

Company is likely to bounce back in sales of traditional products. Sales of the traditional Greetings card of the company is likely to bounce back due to larger base of young population in India and also due to awareness on media penetration in new areas and also due to increased social connect between the young, the middle aged and the old.

Really ? Is young india going to go back to traditional cards for gifting

I am unable to understand how company is going to bounce back with traditional cards

Strong brand with inexpensive valuation: Archies is a strong brand with super connects between generations through its social expression products. The Market Cap to sales of the company is just ~0.30 only which is way below for leading brands. The company has reasonable financial strength and is a consistent dividend paying company.

I m flummoxed at reasoning given for inexpensive valuation

Valuation

We adopted Price-to-earnings (P/E) methodology to value Archies Ltd. Based on FY2016E EPS of INR2.45 and a target multiple of 15.00x, we arrived at a target price of INR37.00 for the stock, which represents an upside of 71.70%, one year basis, from the current market price of INR21.55.

The reports uses forward PE to value to the company, now at look last few years and projections given in the same report

Particulars	FY2012A	FY2013A	FY2014A	FY2015E	FY2016E
P/E	8.37	7.13	13.90	12.51	8.77

It's very own report has contradiction in FY16 PE ~ to arrive at price is using 15 and in projection table it is 8.77

How confident are you to put your money in this recommendation ? – My money is sitting in my pocket 😊

CASE 2

Now see how quickly analyst opinion changes with change in markets ...

FY14 Q4 – May 29 2014 – Page Industries

Positives priced in; maintain HOLD

While we continue to like the company for its strong fundamentals and healthy dividend payouts, we believe the current market price discounts the same. We expect the pace of growth to marginally slow down owing to a larger base. Our earnings estimates have also been marginally reduced owing to higher interest costs. We maintain HOLD on Page Industries with a revised target price of ₹ 5770 (based on 26x FY16E EPS of ₹ 221.8).

FY15 Q1 – August 27 2014

Consistent growth with healthy fundamentals; upgrade to BUY

Many consumer oriented companies that have delivered consistent growth are trading at premium multiples. Similarly, we believe Page should also command a premium considering its strong fundamentals and consistent dividend payouts. Page has been able to grow consistently while many of its peers are struggling to grow. We, thereby, upgrade Page Industries to BUY with a revised target price of ₹ 8660 (based on 30x FY17E EPS of ₹ 288.7).



In 3 months the PE estimate changes from 26X to 30X a whopping 16% has business changed drastically in 3 months ? – Obviously No