

Explains Ved Prakash Chaturvedi, head of research at Sun F&C Asset Management (I): "New brands cost an enormous amount to introduce. Indians are essentially conservative and reluctant to switch brands, so early entrants have an advantage." And given the fast growth of branded product markets, the biggest beneficiaries will be companies with established brands: they enjoy improving cash flows, which can be reinvested in the business or paid to shareholders as dividends.

Despite its size, there are few signs, if any, of a slowdown. Lever's management is confident of maintaining a healthy growth. Says chairman K.B. Dadiseth: "We hope to achieve sales growth of 18-20 per cent and profit growth of 25-26 per cent for the next five to six years." The growth in profits points clearly to continued share price appreciation.

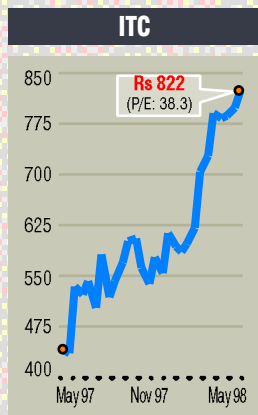
ITC

Barring some hiccups, this 88-year-old company has been an old favourite with investors. Despite the uncomfortable recent past (excise claims, FERA violation cases and money-laundering allegations), and the tussle between the Indian management and the foreign parent—the UK-based BAT—for control, the ITC stock has emerged a winner.

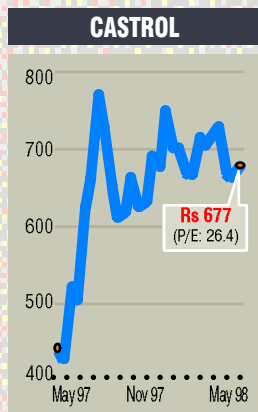
Reason: good performance in the past 18 months that has sent its profits soaring. Also, the foreign parent now seems to be in a comfortable position with the new management. Benson & Hedges, a BAT product, was recently launched by ITC, and State Express-555 cigarettes, another internationally popular BAT product, is on the way.

Today, ITC is India's largest cigarette manufacturer, with a marketshare of over 60 per cent in the organised sector. It is also among the largest exporters, and reports filtering out of ITC's Calcutta-based Virginia House headquarters suggest that the company is in talks with BAT to source Benson & Hedges and State Express-555 for other BAT markets. If this comes true, ITC could see a spurt in growth, up from the single-digit growth in the domestic tobacco industry.

The company is currently restructuring



Sales **Rs 6,927 cr**
 EPS **Rs 21.44**
 Mkt. Cap ... **Rs 20,173 cr**



Sales **Rs 993 cr**
 EPS **Rs 25.61**
 Mkt. Cap ... **Rs 4,181 cr**

The company is its UK-based parent's second-largest operation in world, and accounts for 10 per cent of the group's annual profits.

In volume terms, the Indian lubes market has virtually stagnated over the last five years, so Castrol's achievement is remarkable. Apart from eating into its rivals' marketshare, the company has been introducing better quality, and longer lasting products—at a premium, though. It is now further strengthening its core business of lubricants.

With capacities already in place and no fresh investment needed for at least three years, cash at the company's disposal will increase dramatically. This increased cash flow is very likely to go into the pockets of the shareholders through dividends or, when regulations permit, will be used to buy back shares from the open market to enhance shareholder wealth. A smooth ride past uncertainties in the Indian stockmarket seems assured from investing in this profit-making machine.

its operations. Apart from its mainline business, tobacco, it will remain in hotels and paper. But it is getting out of financial services and agro-based products. Both industries are in the market's doghouse, so the move will help ITC improve its stock valuation.

While the total cost of restructuring and a proposed modernisation project calls for over Rs 1,500 crore in investment over the next five years, funding is unlikely to be a problem for ITC, because the tobacco business is intrinsically cash-generating. In 1997-98 ITC earned a cash profit of over Rs 600 crore—a Rs 200-crore jump on the 1996-97 figure.

CASTROL

As the second-largest lubricants (lubes) manufacturer in India, Castrol is the most aggressive player in the industry. The post-liberalisation era has been extremely fruitful for the company: it has hiked its production capacity, enlarged its distribution network, widened its product range, and strengthened research and development activities. The result: Castrol's marketshare tripled to 18 per cent, and profits zoomed past the Rs 150-crore mark in 1997.

BRITANNIA

The deregulation of the biscuit industry in April 1997 makes it a significant year for this leader in the Rs 3,500-crore organised biscuits segment. Even though Britannia has a marketshare of 37 per cent that contributes 85 per cent to its revenues, the scope for further growth is still enormous.

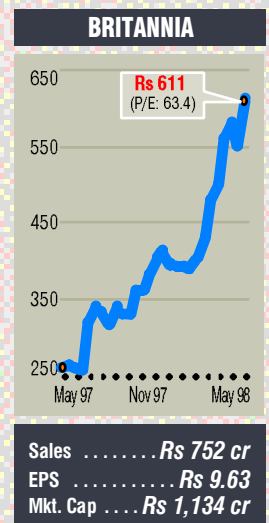


With capacity restrictions gone, Britannia can now expand rapidly. This, along with modernisation of plant and machinery, will help it offer better products at affordable prices. Keeping future growth in mind, Britannia has initiated a Rs 200-crore (Rs 62 crore spent till March 1997) modernisation and expansion plan spread over the next three to five years.

The company recently revamped its corporate identity. Its new look coincides with the launch of new products like cheese and dairy whitener, and projects Britannia as a foods company—away from its earlier image of merely a bakery products company.

The non-bakery segment is likely to feed future growth, as the company plans for a third of its projected Rs 1,800-crore sales in 2001 to be in that segment.

Britannia's French parent, Groupe Danone, may hike its stake to 51 per cent, if a reluctant Nusli Wadia (the main Indian promoter, with a 32 per cent stake) agrees. This would go a long way in adding spice to the stock price. ■



Sales **Rs 752 cr**
 EPS **Rs 9.63**
 Mkt. Cap ... **Rs 1,134 cr**