

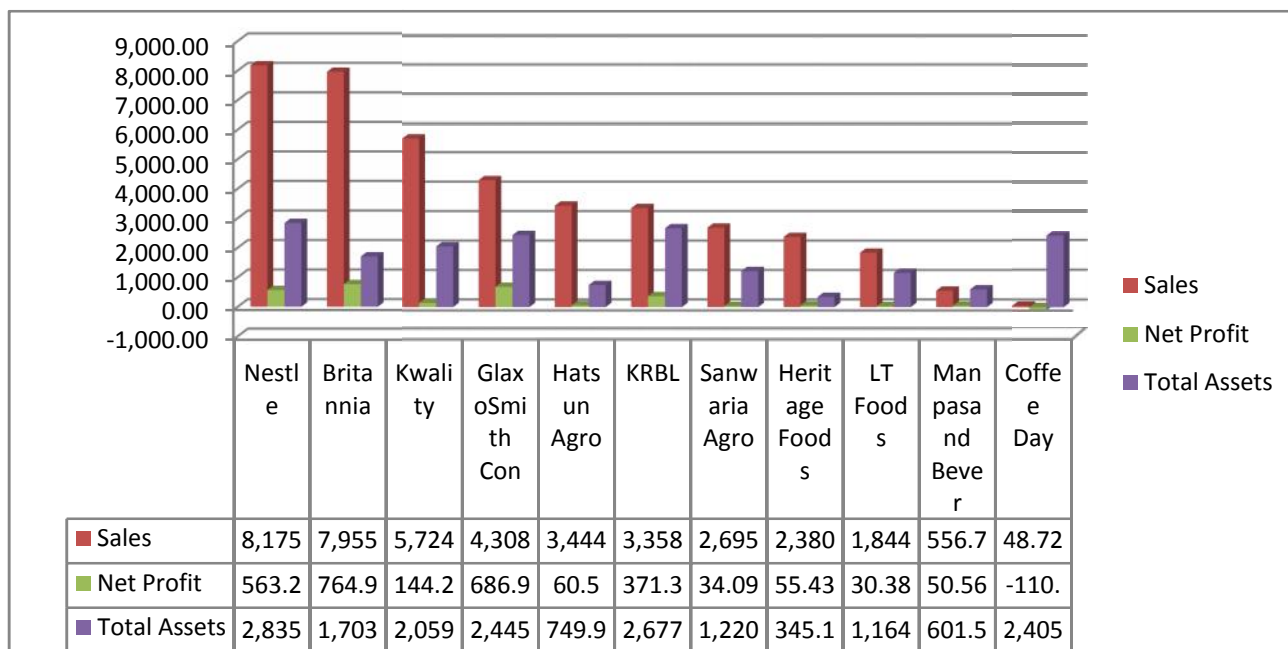
BHH SECURITIES PRIVATE LIMITED RESEARCH

SANWARIA AGRO OILS LIMITED		CMP: 13.25	May 23, 2017
Result Update FY17		Overweight	ISIN: INE890C01046
Index Details			
Stock Data			
Sector	FMCG Food Products		
BSE Code	519260		
Face value	1.00		
52wk High/Low (Rs.)	4.35/16.30		
Volume (2wk. Avg)	357540 (BSE)		
	1179052 (NSE)		
Market Cap (Rs. In mn.)	4873.00		
Annualized Estimate Results (A*: Actual/E*: Estimated/U*: Un-Audited)			
Years (Rs. in mn)	FY 16A	FY 17U	FY18E
Net sales	26952.46	35124.35	40392.99
EBITDA	1188.59	1242.15	1608.90
Net Profit	156.79	441.36	733.46
EPS	0.45	1.20	1.00#
P/E	29.44	11.04	13.25
# After taking the effect of Bonus 1:1 declared by the company in the Board Meeting dated 22.05.2017			
Shareholding Pattern (%)			
	As on March 2016	As on March 2017	
Promoter	70.05	71.68	
Non-Promoter	29.95	28.32	
1 Year Comparative Graph			
SANWARIA AGRO OILS LTD		BSE SENSEX	
<div style="text-align: center;">SYNOPSIS</div> <ul style="list-style-type: none"> ➤ Sanwaria Agro Oils Limited is India's most preferred FMCG Company with a legacy spanning 25 years, having a multi brand presence both in the domestic as well as in the overseas markets. ➤ Revenue for the Q4FY17 increased by 135.55% to Rs. Rs. 11323.69 mn from Rs. 4807.27 mn in the corresponding quarter ending of previous year. ➤ Revenue for the FY17 has increased by 30.32% to Rs. 35124.35 mn from Rs. 26952.46 mn in FY16. ➤ In the FY17 the Company marked the Net Profit of Rs. 441.36 mn against Rs. 156.79 mn in the FY16 reflecting growth of 181.50%. ➤ In the FY17, EBIDTA stood at Rs. 1242.15 mn as against Rs. 1188.59 mn in FY16. ➤ In the FY17, PBT stood at Rs. 504.41 mn as against Rs. 399.23 mn FY16. ➤ EPS of the Company stood at Rs. 1.20 in FY17 against Rs. 0.45 in FY16. ➤ Net Sales and PAT of the Company are expected to grow at a CAGR of 13% and 35% Over 2015 to 2018E, respectively. ➤ As on May 22, 2017; the Company declared the Interim Dividend @5% and Bonus issue of Equity Shares at the ratio of 1:1 (One Bonus Shares for every one Equity Shares held) 			

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COMPETITION SCENARIO

Rs. In Crores



PEER GROUPS	CMP	MARKET CAP	EPS (TTM)	P/E(X) (TTM)	P/BV (X)
Company Name	(Rs.)	Rs. In mn.	(Rs.)	Ratio	Ratio
SANWARIA	13.25	4873.00	1.20	11.03	1.48
KRBL	411.35	96815.90	17.10	24.05	5.96
LT Foods	78.30	20877.30	3.35	23.37	3.89

QUARTERLY HIGHLIGHTS

Results updates – Q4FY17;

(Rs. In Million)	March – 16	March – 17	% Change
Revenue	4807.27	11323.69	+135.55
Net Profit	-74.88	152.97	+304.29
EPS	0.31	0.42	+35.48

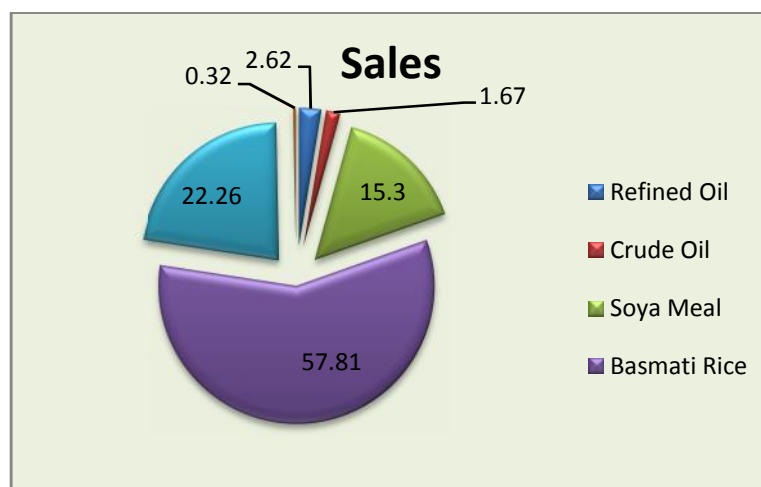
Sanwaria Agro Oils Limited has achieved a turnover of Rs. 11323.69 million for the 4th quarter of FY 2016-17 as against Rs. 4807.27 million in the corresponding quarter of the previous year. During the quarter, net profit increased by whopping percent of 304.29% to Rs. 152.97 million. Reported earnings per share of the Company stood at Rs. 0.42 in the Q4FY17 as against Rs. 0.31 in the Q4FY16 in the corresponding quarter of the previous year.

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Break up of Expenditure;

Break up of Expenditure	Value in Rs. millions	
	Q4 FY16	Q4 FY17
Cost of Material Consumed and Purchase of Stock in trade	4135.67	11039.56
Changes in inventories of Finished Goods, Work in progress and Stock in trade	208.63	-80.21
Employee Benefits Expenses	5.82	11.75
Depreciation and Amortization Expenses	11.21	19.83
Other Expenses	53.46	112.93

Revenue Mix (FY17);



COMPANY PROFILE

“**Sanwaria Agro Oils Limited** is one of the largest integrated food processors in India and is engaged in the business of manufacturing and processing of Soyabean, Paddy and manufacturing of other value added food products like Suji, Rawa, Maida, Chakki Fresh Aatta etc. It is presently one of the top names in the industry having its presence in various growing sectors like Renewal Energy, Infrastructure, Hospitality, Warehousing, and more prominently FMCG food processing

It was incorporated in April 1991, by Lt. Mr. Ram Narayan Agrawal and commenced its operations in 1993 with small Solvent extraction capacity of 200 TPD in Itarsi && other minor oil seeds at Industrial area, Kheda Itarsi and commenced commercial production from 5th December ,1993 and thereafter it left no stone unturned. Currently the Company is having capacity of 2500 TPD of Solvent Extraction Plant, Soya Refinery of 250 TPD and 500 TPD of Paddy processing Plant.

The Company is recently ranked **336th** in amongst 1000 India's finest Companies on the basis of Turnover by the “**The Financial Express**”. In 2016, Sanwaria Agro Oils Limited was featured among India’s top 500 Companies by Dun & Bradstreet. Accordingly it has been ranked with remarkable achievement at 269th for Income, 413th for Net Profit and 472nd for Net Worth. It was ranked in top 500 companies in 2014 for income, 318th in 2013 and 389th in 2012 for its Net Profit; 428th in 2013 and 439th in 2012 for Net Worth by

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“Manappuram Finance Limited”. Then in 2008; the Company was awarded “Global India – 2008” as the fastest emerging company in the Northern India. In March 2005, Sanwaria Agro Oils received “Outstanding Achievement Award in Export” by FMPCCI. The Company has also received '**BEST CAPACITY UTILIZATION AWARD**' from SOPA from financial year 98-99 to 2001-2002 had achieved 103% capacity utilization as against the Industry average of 35 %. The expansion of the capacity was wholly financed by internal accruals. The Sales & profit of the company is also at constant move in upward direction which in turn has created a strong standing of Sanwaria Agro Oils in the FMCG Industry.

The Company started with regional presence and has grown up worldwide. It is ISO 14001, 22000, Halal Certified, “ Good Manufacturing Practice” (GMP) as per the norms laid down by WHO and has been certified by U.K. Certification and Inspection Limited, and Government Recognized Trading House by DGFT & now the company is aiming at the Star Trading House status. It had been honored with '**THE NIRYAT SHREE SILVER AWARD**' for the financial year 2001-02 by the President of India, Mr. K.R. Narayan organized by the Federation of Indian Exports Organization for Export excellence. It is ongoing thirst for exports & its decision to concentrate on brand building for its whole range of products, the company had launched its full range of its food products under the brand names "**SULABH**", "**NARMADA**" & "**SANWARIA**". The Company has recently introduced Basmati rice in Dubai under the brand name of "**NASHIRA**". “Sulabh” and “Sanwaria” is the lower segment brand to attract the lower middle class while “Narmada” and “Nashira” is the premium segment brand to attract middle and upper middle class consumer. After receiving favorable response from customers & constant increase in demand of the retail packs, The Company has launched 1, 2.5 and 15 litre/Kg consumer packs in pouch, tin & jar , to continue its ongoing process to outperform the Industry.”

Sanwaria has adopted strategy to convert its conventional commodity and agro based business into an FMCG Business by adding new product range like like Suji, Maida, Dalia, Besan, Chakki Fresh Atta, Poha, Soya Flour, Sugar Pulses and packaged food, etc. and with upcoming products including Tea, Mustered oil , Soya Pasta.

Company's premium products basket consist of:

- Basmati Rice (Exotic & Premium- Raw/Sella)
- Refined Soyabean Oil, Refined Rice Bran Oil/ Fortified with vitamins,
- Chakki fresh Atta fortified with Soya Flour
- Chakki fresh fortified Protein & Iron rich Atta
- Maida, Suji, Rawa, Besan, Daliya, Pulses (Dals),
- Soya Flour, Soya Chunks (Bari)
- Salt, Sugar, Poha
- Soya Meal, Soya Meal High Protein
- Rice Flour, Lecithin
- Aqua Feed
- Poultry Feed and others

The Company is foraying into direct retail by opening up company owned retail outlets under the brand name 'Sanwaria Kirana' to reach the end customer directly. The Company has already opened up 11 stores at different locations of Madhya Pradesh and another 10 retail stores are in pipeline. It is venturing into different geographical locations through Franchise Route. It has a plan of opening 100% subsidiary in Dubai to get the overseas market business of Middle East & Africa and initiate the business in Singapore through 100 % Subsidiary which will get business from rest of the world along with cheaper finance facilities.

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FINANCIAL HIGHLIGHTS (A*: Actual/E*: Estimated/U*: Un-Audited) [Rs. In Millions]

Balance sheet as of March 31, 2015-2018E

	FY15A	FY16A	FY17U	FY18E
SOURCES OF FUNDS				
Shareholder's Funds				
Share Capital	348.05	348.05	368.05	736.10
Reserves & Surplus	2698.02	2854.80	3776.16	4141.57
Share Application Money	-	500.00	-	-
Non-Current Liabilities				
Long Term borrowings	463.04	93.44	151.05	154.08
Deferred Tax Liabilities	155.05	167.43	167.43	167.43
Long Term Provisions	2.03	2.03	2.03	2.03
Current Liabilities				
Short Term Borrowings	7453.61	8411.87	8948.74	9610.65
Trade Payables	2664.19	1939.70	1036.98	1088.82
Other Current Liabilities	286.64	302.42	241.22	265.35
Short Term Provisions	147.23	147.21	208.20	229.02
Total Liabilities	14217.86	14766.95	14935.87	16395.05
APPLICATION OF FUNDS				
Non- Current Assets				
Fixed Assets				
a) Tangible Assets	975.66	1142.32	1077.73	1181.02
b) Intangible				
c) Capital Work in Progress	377.81			
Non Current Investments	362.97	362.97	362.97	362.97
Long Term Loans & Advances	169.62	201.39	223.17	223.17
Other Non Current Assets	0.90	0.60	0.30	0.32
Current Assets				
Inventories	5388.62	5341.20	5294.52	6353.41
Trade Receivables	5810.79	6737.69	6983.38	7123.04
Cash & Bank Balances	353.34	157.34	164.97	197.96
Short Term Loans & Advances	778.15	823.44	828.84	953.16
Current Investments	-	-	-	-
Other Current Assets	-	-	-	-
Total Assets	14217.86	14766.95	14935.87	16395.05

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Annual Profit & Loss Statement for the period 2015 to 2018E

Value (Rs. In mn)	FY15A	FY16A	FY17U	FY18E
Description	12m	12m	12m	12m
Net Sales	26446.72	26952.46	35124.35	40392.99
Other Income	178.53	119.66	137.86	140.61
Total Income	26625.25	27072.12	35262.20	40533.61
Expenditure	25704.54	25883.53	34020.05	38924.71
Operating Profit	920.71	1188.59	1242.15	1608.90
Interest	530.05	710.06	658.43	691.35
Gross Profit	390.66	478.53	583.72	917.55
Depreciation	66.43	79.31	79.31	79.31
Profit before Extraordinary item and tax	324.23	399.22	504.41	838.24
Exceptional Items	-	184.16	-	-
Profit Before Tax	324.23	215.06	504.41	838.24
Tax	73.88	58.28	63.05	104.78
Net Profit	250.35	156.78	441.36	733.46
Equity Capital	348.05	348.05	368.05	736.10
Reserves	2698.02	2854.80	3776.16	4141.57
Face Value	1.00	1.00	1.00	1.00
EPS	0.72	0.45	1.20	1.00

Quarterly Profit & Loss Statement for the period of 30th June, 2016 to 31st March, 2017

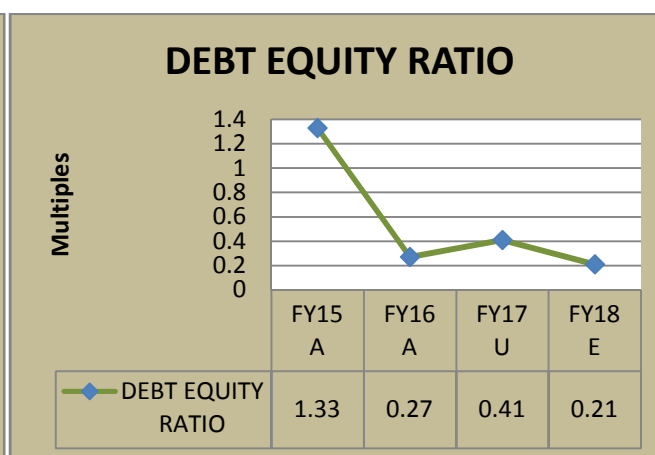
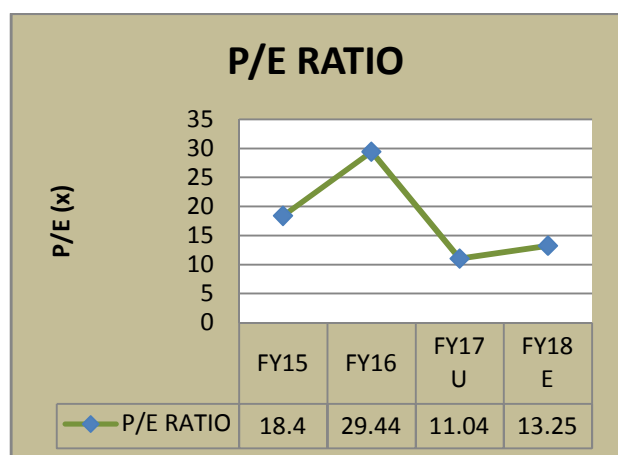
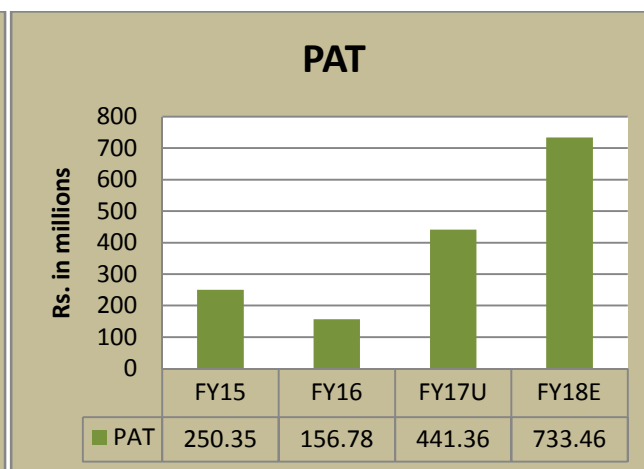
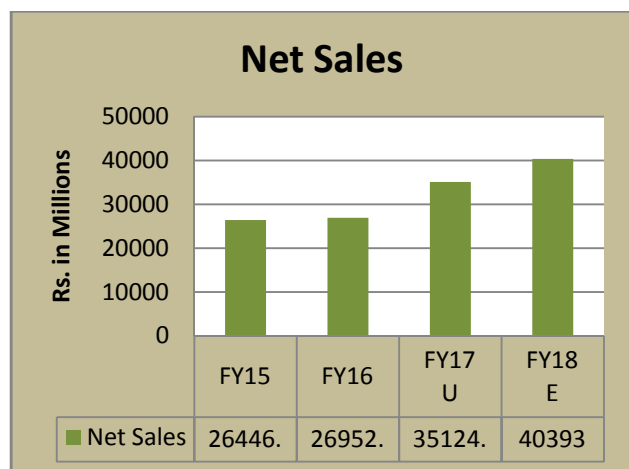
Value (Rs. In mn)	30-Jun-16	30-Sep-2016	31-Dec-2016	31-Mar-17
Description	3m	3m	3m	3m
Net Sales	5705.92	6699.41	11395.32	11323.69
Other Income	31.00	36.36	11.35	59.14
Total Income	5736.93	6735.77	11406.67	11382.84
Expenditure	5390.65	6463.31	11032.06	11084.03
Operating Profit	346.28	272.46	374.61	298.81
Interest	194.69	174.30	225.59	113.85
Gross Profit	151.59	98.16	149.02	184.96
Depreciation	19.83	19.83	19.83	19.83
Exceptional Items				-
Profit Before Tax	131.76	78.33	129.19	165.13
Tax	23.27	12.45	15.18	12.16
Net Profit	108.49	65.88	114.01	152.97
Equity Capital	348.05	348.05	368.05	368.05
Face Value	1.00	1.00	1.00	1.00
EPS	0.31	0.19	0.31	0.42

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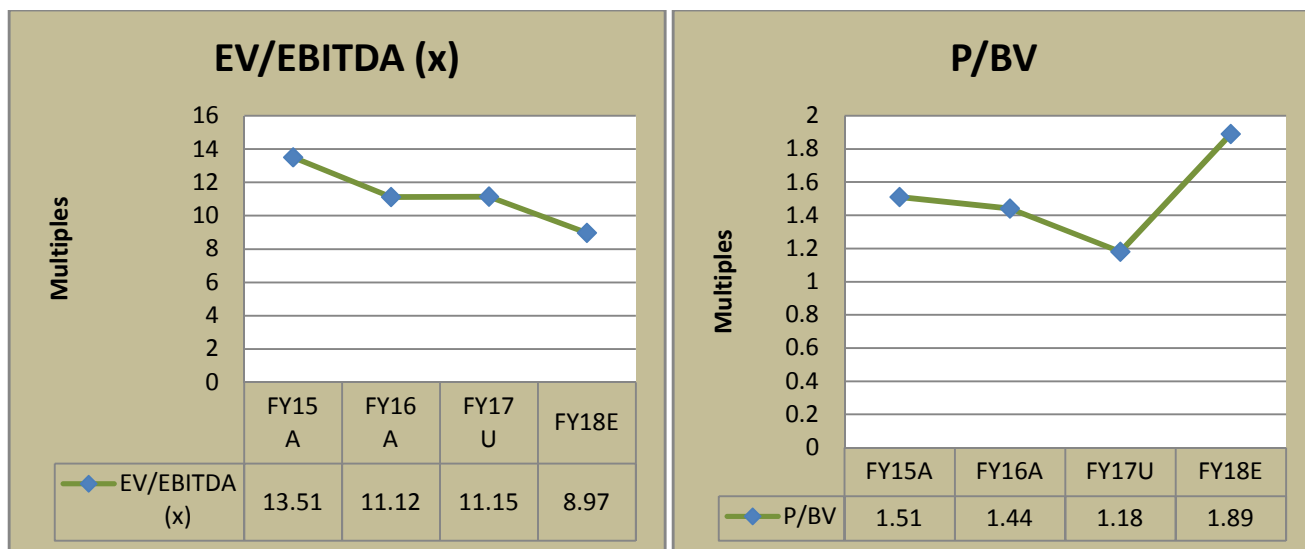
Ratio Analysis;

Particulars	FY15A	FY16A	FY17U	FY18E
EPS (Rs.)	0.72	0.45	1.20	1.00
EBITDA Margin (%)	3.48	4.41	3.54	3.98
PBT Margin (%)	1.23	1.48	1.44	2.08
PAT Margin (%)	0.95	0.58	1.26	1.82
P/E Ratio (x)	18.40	29.44	11.04	13.25
ROE (%)	8.22	4.90	10.65	15.04
ROCE (%)	7.13	4.76	10.28	14.58
Debt Equity Ratio	1.33	0.27	0.41	0.21
EV/EBITDA (x)	13.51	11.12	11.15	8.97
Book value (Rs.)	8.75	9.20	11.26	7.00
P/BV	1.51	1.44	1.18	1.89

Charts



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OUTLOOK AND CONCLUSION

- At the Current Market Price of Rs. 13.25, the stock P/E ratio is at 11.04 x FY17U and 13.25 x FY18E respectively.
- Earnings per share (EPS) of the Company for the Earnings for FY17U and FY18E is seen at Rs. 1.20 and Rs. 1.00 respectively.
- Net sales and PAT of the Company are expected to grow at a CAGR of 13% and 35% over 2015 to 2018E respectively.
- On the basis of EV/EBIDTA, the stock trades at 11.15 x for FY17E and 8.97 x for FY18E
- Price to Book Value of the stock is expected to be at 1.18 x and 1.89 x for FY17E and FY18E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Short to Medium term investment and expect that the Company surplus scenario is likely to continue for the next years, will keep its growth story in the upcoming quarters also. Currently Share is trading at the P/E of 11.04 as compared to industry P/E of 50 seems highly undervalued.

INDUSTRY OVERVIEW

INDIAN FOOD PROCESSING INDUSTRY OVERVIEW

The Indian Food Industry is poised for huge growth, increasing its contribution to world food trade every year. In India, the food sector has emerged as a high-growth and high-profit sector due to its immense potential for value addition, particularly within the food processing industry.

The food industry, which is currently valued at US\$ 39.71 billion; is expected to grow at a Compounded Annual Growth Rate (CAGR) of 11 per cent to US\$ 65.4 billion by 2018. Food and grocery account for around 31 per cent of India's consumption basket.

Accounting for about 32 per cent of the country's total food market, The Government of India has been instrumental in the growth and development of the food processing industry. The government through the

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Ministry of Food Processing Industries (MoFPI) is making all efforts to encourage investments in the business. It has approved proposals for joint ventures (JV), foreign collaborations, industrial licenses, and 100 per cent export oriented units.

Market Size: The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food retail market is expected to reach Rs 61 lakh crore (US\$ 915 billion) by 2020. The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. It contributes around 14 per cent of manufacturing Gross Domestic Product (GDP), 13 per cent of India's exports and six per cent of total industrial investment. Indian food service industry is expected to reach US\$ 78 billion by 2018.

Government Initiatives: Some of the major initiatives taken by the Government of India to improve the food processing sector in India are as follows:

- In Union Budget 2017-18, the Government of India has set up a dairy processing infra fund worth Rs 8,000 crore (US\$ 1.2 billion).
- Union Budget 2016-17 proposed 100 per cent FDI through FIPB (Foreign Investment Promotion Board) route in marketing of food products produced and manufactured in India.
- The Government of India has relaxed foreign direct investment (FDI) norms for the sector, allowing up to 100 per cent FDI in food product e-commerce through automatic route.
- The Food Safety and Standards Authority of India (FSSAI) plans to invest around Rs 482 crore (US\$ 72.3 million) to strengthen the food testing infrastructure in India, by upgrading 59 existing food testing laboratories and setting up 62 new mobile testing labs across the country.
- The Indian Council for Fertilizer and Nutrient Research (ICFNR) will adopt international best practices for research in fertilizer sector, which will enable farmers to get good quality fertilizers at affordable rates and thereby achieve food security for the common man.
- The Government of India allocated Rs 1,500 crore (US\$ 225.7 million) and announced various measures under the Merchandise Exports from India Scheme (MEIS), including setting up of agencies for aquaculture and fisheries in coastal states and export incentives for marine products.
- Government of India plans to allow two Indian dairy companies, Parag Milk Foods and Schreiber Dynamic Dairies, to export milk products to Russia for six months, after these companies got approval for their products by Russian inspection authorities.
- Ms Harsimrat Kaur Badal, Union Minister for Food Processing Industries, Government of India inaugurated the first of its kind Rs 136 crore (US\$ 20 million) mega international food park at Dabwala Kalan, Punjab. She has also expressed confidence that the decision to allow 100 per cent Foreign Direct Investment (FDI) in multi-brand retail with 100 per cent local sourcing condition, will act as a catalyst for the food processing sector, thereby controlling inflation, uplifting the condition of farmers, and creating more jobs in the country.
- FSSAI has issued new rules for importing products, to address concerns over the entry of sub-standard items and simplify the process by setting shelf-life norms and relaxing labeling guidelines.

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India Rice Overview:

India is one of the major rice producing, consuming and exporting countries in the world. India continued to be the world's largest rice exporter for the fourth consecutive year. It has a significant competitive edge in rice exports due to combination of external factors, domestic market dynamics, high yielding and better paddy quality, low cost of paddy production and efficient execution of contracted business both from east and west coast ports of India. India's rice industry has seen a transformation in the last decade, with growth of branded business in the domestic market and a strong 20% and 30% in value terms over the last four years. India is also the world's largest exporter of basmati rice to the global market with major destinations being Saudi Arabia, Iran, United Arab Emirates, Iraq and Kuwait. India is also the largest player in export of Non-basmati Rice. Key markets in the non-basmati segment are Benin, Bangladesh, Senegal, South Africa, Liberia and Cote d' Ivoire. Indian rice industry has developed a strong position in exports, reaching 25% of market share of global trade.

Domestic business has also become more attractive in India with growth in branded rice and modern retail. Due to its importance as an essential food grain with price sensitive, rice in the past was perceived as a low engagement category from the consumers' buying perspective. Driven by increase in disposable incomes, urbanization, women's participation in the workforce and a younger population, consumer lifestyles have changed over the last one and a half decades. People now have a higher propensity to spend, paired with a desire for convenience and increased availability and access to quality products.

The cereal segment is seeing traction towards better quality and premium products. This is evident in the rice category, as consumers are shifting their purchasing patterns from loose rice to packaged, branded products with better color, grain size and improved post-cooking attributes, such as aroma and taste.

Indian Basmati Rice Overview:

Basmati Rice, grown only once a year, is considered amongst the finest rice globally. It is a Kharif crop cultivated in the Indo-Gangetic plain. India and Pakistan are the sole suppliers of basmati Rice as it can only be cultivated in these regions.

Basmati Rice accounts for a small proportion of the total rice produced in India. Despite this, India is a global leader in Basmati Rice production accounting for 70% of the total global production. In the FY 2015-16, basmati Rice accounted for only 9.46% of the total rice production, whereas in export value terms its share was higher at 60%. India exported 40.44 Lacs MT of Basmati Rice in FY 2015-16 with a value of Rs. 22,714 Crores. Apart from basmati Rice the exports of all major commodities in FY 2015-16 declined. Lower prices and strong demand from West Asian countries boosted Basmati Rice exports during the year. Moreover, the lifting up of ban on Basmati Rice imports by Iran further contributed to exports growth. Iran accounted for nearly 38% of India's basmati Rice exports in FY 2013-14. However, the country imposed a ban on rice imports from India during October 2014 to December 2015 leading to a decline in India's basmati Rice exports in FY 2014-15. Thus, resumption of the trade is a major boost for the Indian basmati Rice industry.

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Future Outlook:

As a visionary and future –focused organization, SAOL promises a continuing success story during the coming years. The Company is looking at increased sales and higher return on equity on the back of its bean power. With a robust financial position and balanced leveraged only to the extent of its working capital, the Company is well positioned to surge confidently ahead to further augment growth.

Strengthening the farmer’s relation and continued investments in building the HR component will further enhance the Company’s competitive position in the industry, domestically and globally.

ANALYST STOCK WEIGHTS

Overweight (O): The stock’s total return is expected to exceed the average total return of the analyst’s industry (or industry team’s) coverage universe, on a risk-adjusted basis, over the next 3-6 months.

Equal-Weight (E): The stock’s total return is expected to be in line with the average total return of the analyst’s industry (or industry team’s) coverage universe, on a risk adjusted basis, over the next 3-6 months.

No-weight(NR): Currently the analyst does not have any adequate conviction about the stock’s total return relative to the average total return of the analyst’s industry (or industry team’s) coverage universe, on a risk-adjusted basis, over the next 3-6 months.

Underweight (U): The stock’s total return is expected to be below the average total return of the analyst’s industry (or industry team’s) coverage universe, on a risk-adjusted basis, over the next 3-6 months.
