

Sanwaria Agro Oils Ltd.

INR: 65.0



Realization impacts top line

HOLD

**Q1FY10 Results below our estimates** - Net sales declined by 17% y-o-y to Rs. 143.0 crore, EBITDA declined by 52% y-o-y to Rs. 14.2 crore and net profit declined by 52% y-o-y to Rs. 10.1 crore.

Q1FY10 Result Snapshot:

(Rs. Crore)

Particulars	Jun09Q	Jun08Q	y-o-y	Mar 09Q	q-o-q
Net Sales	143.0	274.3	-48%	256.4	-44%
Operating Profit	14.2	29.5	-52%	18.9	-25%
PAT	10.1	20.8	-52%	7.00	44%
EPS	0.6	1.2	-52%	0.4	44%
OPM	9.94%	10.8%	-82bps	7.4%	258bps
NPM	7.0%	7.6%	-54bps	2.7%	432bps

Source: Company Data, KRC Research

Net sales declined mainly because of lesser production on account of 2 plants remaining closed for annual maintenance. Also, volume of refined soyabean oil and DOC sold during the quarter declined on account of import of cheaper oil in India. Average realization for ref. soyabean oil was lower by 20% y-o-y.

Operating profit declined by 52% y-o-y on the back of lower realization and increase in staff cost. Procurement of raw materials at lower cost helped the company to maintain the margins with a marginal drop inspite of prices of soyabean seeds rising during the quarter.

Net Profit declined by 52% y-o-y to Rs. 10.1 crore. However, NPM declined marginally by 54bps.

**Valuations & Views** - On the demand side, a growing population and vastly varied dietary habits have ensured a thriving market for edible oil in the country. India is world's third largest edible oil economy, after China and US. India's annual consumption is around 12 million tones, which is met by import and domestic production in the ratio of 60:40. The consumption of soy oils is outstripping the production and also use of oils for bio fuels will be a key bullish factor for increasing demand of soy oil. Also, margins for SAOL will improve with production of production of soyabean derivative products having higher margins. With this, we maintain our 'HOLD' recommendation on the stock with a target price of Rs. 72 giving an upside potential of 10% from its current levels. At the CMP of Rs. 65 the stock is trading at 17x FY10E EPS of Rs. 3.7

## Key Financials

Rs. Crore

Particulars	FY08	FY09	FY10E	FY11E
Sales	938.1	1111.0	1266.6	1494.5
Growth	110%	18%	14%	18%
EBITDA	72.4	82.1	101.3	122.6
Growth	212%	13%	24%	21%
PAT	43.3	53.3	63.3	82.2
Growth	254%	23%	19%	30%
EPS	2.5	3.1	3.7	4.8
OPM	7.7%	7.4%	8.0%	8.2%
NPM	4.6%	4.8%	4.8%	4.8%

Source: Company Data, KRC Estimates

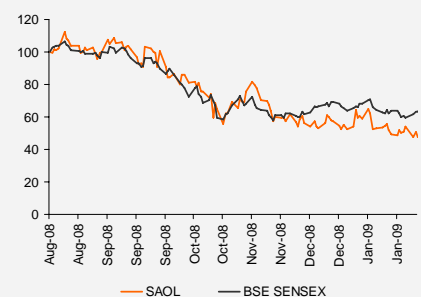
## Price Outlook (INR): 72

Market Data	Aug. 10, 2009
Shares outs (Cr)	17.4
Equity Cap (Rs. Cr)	17.4
Mkt Cap (Rs. Cr)	1,131
52 Wk H/L (Rs)	109.0 / 14.8
Avg Vol (1yr avg)	6,018
Face Value (Rs)	1.0
Bloomberg Code	SAO IN

## Market Info:

SENSEX	14,902
NIFTY	4,403

## Price Performance



## Share Holding pattern (%)

Particulars	Jun-09	Mar-09	Chg
Promoters	70.0	70.0	0.0
MF/Ins. Co.	0.0	0.0	0.0
FII's	0.4	0.5	(0.1)
Bodies Corporate	25.4	25.4	0.0
Public	4.2	4.1	0.1
Total	100.0	100.0	

Source: BSE

Analyst :

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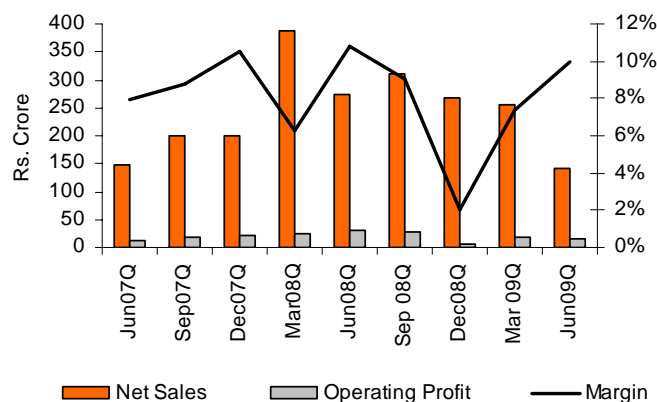
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## Net sales



Source: Company Data, KRC Research

Particulars	June09Q	Jun08Q	y-o-y	Mar09Q	q-o-q
<b>Sales Volume</b>					
Ref. Soyabean oil (Tonnes)	2757	7554	-63%	5908	-53%
De-oiled cakes(Tonnes)	36509	87121	-58%	103266	-65%
<b>Average Realisation (Rs./p.u.)</b>					
Ref. Soyabean oil	48360	60286	-20%	47793	1%
De-oiled cakes	24799	14608	70%	18301	36%

## Segment wise revenue

(Rs. Crore)

Particulars	Jun08Q	Mar 09Q	Jun09Q	y-o-y	q-o-q
<b>Sales Break-up</b>	274.3	256.4	143.0	-48%	-44%
Solvent Extraction & Refining	272.3	255.8	140.9	-48%	-45%
Power Generation	2.1	0.7	2.1	1%	208%
Less: Inter Segment Transfer	0.0	0.0	0.0		
<b>Total Segment Revenue</b>	274.3	256.4	143.0	-48%	-44%
<b>Segmental Break-up</b>	28.5	17.1	14.7	-48%	-14%
Solvent Extraction & Refining	27.0	16.4	12.6	-53%	-23%
Power Generation	1.5	0.7	2.1	38%	207%
Interest	3.6	4.8	2.7	-26%	-44%
other unallocable expenditure (net)	0.0	0.0	0.0		
<b>PBT</b>	24.9	12.3	12.0	-52%	-2%
<b>EBIT Margins</b>					
Solvent Extraction & Refining	9.9%	6.4%	8.9%	-95bps	253bps
Power Generation	73.3%	100.0%	99.8%	2,652bps	-22bps

Source: Company Data, KRC Research

## Q1FY10 Result

(Rs In Crore)

Particulars	Jun08Q	Mar 09Q	Jun09Q	y-o-y	q-o-q	Comments
Net Sales	274.3	256.4	143.0	-48%	-44%	Declined in volume of ref. soyabean oil & DOC sold and fall in realization
Expenditure	244.8	237.5	128.8	-47%	-46%	
Staff Cost	0.6	0.5	0.9	50%	90%	
Other Expenditure	12.3	17.3	10.6	-14%	-39%	
(Increase) / Decrease In Stocks	-5.3	-19.5	-1.6	-70%	-92%	
Consumption of Materials / Purchase	229.5	231.8	119.0	-48%	-49%	
Other Manufacturing Expenses	7.7	7.5	0.0	-100%	-100%	
<b>Operating Profit</b>	<b>29.5</b>	<b>18.9</b>	<b>14.2</b>	<b>-52%</b>	<b>-25%</b>	Lower realization
Margin	10.8%	7.4%	9.94%	-82bps	258bps	
Other Income	0.3	0.4	1.9	595%	384%	
Interest	3.6	4.8	2.7	-26%	-44%	
Depreciation	1.3	1.4	1.4	5%	1%	
<b>PBT</b>	<b>24.9</b>	<b>13.1</b>	<b>12.0</b>	<b>-52%</b>	<b>-8%</b>	
Provision for Tax	4.0	6.130	2.0	-52%	-68%	
Tax Rate	16.3%	46.7%	16.3%	0%	-65%	
<b>PAT</b>	<b>20.8</b>	<b>7.00</b>	<b>10.1</b>	<b>-52%</b>	<b>44%</b>	Affected by operating matrix
Margin	7.6%	2.7%	7.0%	-54bps	432bps	
EPS	1.2	0.4	0.6			

Source: Company Data, KRC Research

## Capital Employed

Particulars	Jun08Q	Mar 09Q	Jun09Q
Capital Employed			
Solvent Extraction & Refining	173.9	128.0	157.3
Power Generation	24.4	42.6	48.0
Other Unallocable items	0.0	0.0	0.0
<b>Total</b>	<b>198.4</b>	<b>170.5</b>	<b>205.3</b>

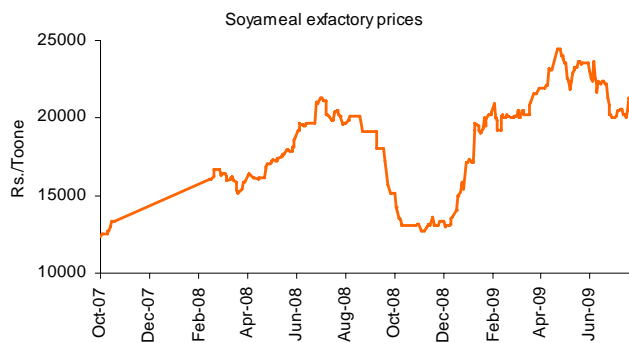
Source: Company Data, KRC Research

Debt on books as on Jun30' 2009 was Rs. 154.6 crore

Cash on hand as on June30' 2009 was Rs. 29.9 crore.

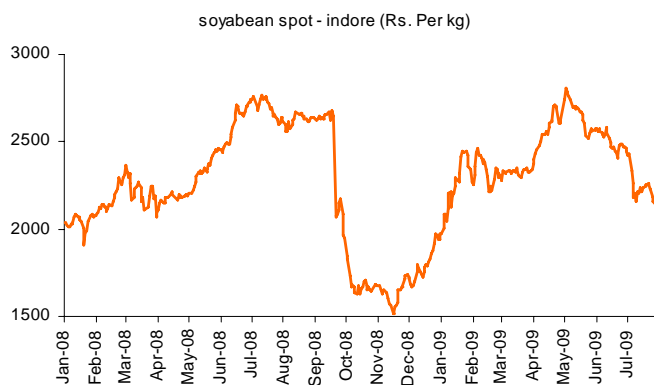
Annexure

Soyameal exfactory prices (Rs./Tonne)



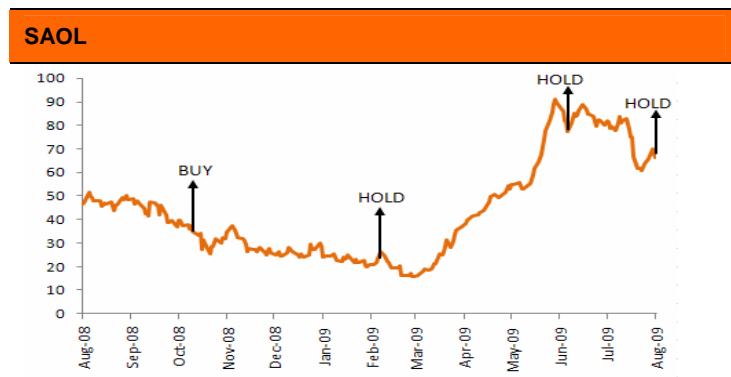
Source: Bloomberg, KRC Research

Soyabean spot - Indore (Rs. Per kg.)



Source: Bloomberg, KRC Research

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Rating Legend	
Our Rating	Upside
Strong Buy	More than 25%
Buy	15% - 25%
Hold	10% - 15%
Reduce	Nil - 10%
Sell	Less than 0%

Other Stocks in the sector under our active coverage: **FMCG**

Ticker	Company	Recommendation	As of	Return	Bmk	Outper	BARR
Summary	Coverage 9	Avg Rating: 3.7		20.54%	23.28%	-2.74%	
CLGT	IN Colgate-Palmolive India Ltd	hold	08/08/09	0.00%	31.83%	-31.83%	
NEST	IN Nestle India Ltd	hold	08/04/09	-13.27%	16.87%	-30.13%	
SKB	IN GSK Consumer Healthcare Ltd	hold	07/31/09	13.45%	53.00%	-39.55%	
HUVR	IN Hindustan Unilever Ltd	hold	07/30/09	10.53%	3.74%	6.79%	
ITC	IN ITC Ltd	hold	07/24/09	10.54%	13.27%	-2.73%	
RDSD	IN Riddhi Siddhi Gluco Biols Ltd	hold	07/01/09	-37.83%	-34.43%	-3.40%	
TT	IN Tata Tea Ltd	buy	07/01/09	41.87%	33.37%	8.50%	4th
SAO	IN Sanwaria Agro Oils Ltd	buy	07/01/09	90.64%	90.64%	0.00%	1st
KSO	IN KS Oils Ltd	buy	03/23/09	18.59%	8.22%	10.37%	3rd

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