

Company Details

CMP:	Rs.87.00
Face value:	Rs.2.00
Market cap:	Rs.408.90 Crs.
TTM EPS	Rs.7.11
52 week high:	Rs.88.40
52 week low:	Rs.43.75
BSE Code:	530307
Sector	Consumer Food

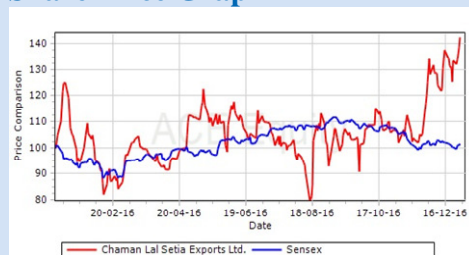
Financial Highlights (YoY)

Rs. In crores			
	FY16	FY15	% Var
Net Sales	485.56	508.35	-4.48
Total Expendi	425.29	471.51	-9.80
PBDIT	60.27	36.84	63.60
Op.Profit	62.40	38.85	60.62
OPM (%)	12.85	7.64	68.16
PBT	57.12	29.54	93.36
PAT	37.36	19.50	91.59
EPS (Rs.)	7.94	4.14	91.59
Equity	9.41	9.41	0.00

Half-Yearly Performance (YoY)

Rs. In crores			
	H1FY17	H1FY16	% Var
Net Sales	236.52	246.20	-3.93
Total Expendi	206.30	213.74	-3.48
PBDIT	30.22	32.46	-6.90
Op.Profit	31.48	32.90	-4.32
OPM (%)	13.31	13.36	-0.40
PBT	29.57	30.12	-1.83
PAT	19.34	19.89	-2.77
EPS (Rs.)	4.11	4.23	-2.77

Share Price Graph



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Company Background

Chaman Lal Setia Exports Ltd., a Punjab-based company incorporated in 1983, is engaged in processing, procurement and selling of basmati and parboiled rice in India. It offers sella rice, bhatti sella, rice for diabetic people, smoked rice, and pesticide residue free rice. It provides its products under the Maharani and Begum Water Filter brand names. The Company largely exports its products to overseas clients. The company has milling and processing capacity of more than 50,000 million tonnes per annum each of raw and of parboiled Basmati Rice alone.

Financial Performance

During FY16, the net sales of the Company at Rs.485.56 crores were marginally down by 4.5% but **PAT at Rs.37.36 crores was up by 91.6% compared to that during FY15**. The sales of the Company declined during FY16 due to fall in the average price realization but PAT improved on the back of timely procurement of raw materials at very reasonable rates and through product innovative ideas. **The EPS, on face value of Rs.2, had increased from Rs.4.14 for FY15 to Rs.7.94 for FY16. The Company has paid dividend of 22% for FY16 against 20% for FY15. The Company had also issued bonus shares in the ratio of 1:10 in October 2016.**

The net sales and PAT of the Company during H1FY17 at Rs.236.52 crores and Rs.19.34 crores, respectively, are down by 3.9% and 2.8% over those during H1FY16. **The EPS has declined marginally from Rs.4.23 for H1FY16 to Rs.4.11 for H1FY17.**

However, in Q2FY17, its net sales and PAT have increased by 4.7% and 6.7%, respectively, compared to those for Q2FY16.

Investment Rationale

- India is the leading exporter of the Basmati Rice to the global market. The country has exported 40,45,796 MT of Basmati Rice to the world during FY16 and 63,66,585 MT non basmati rice. The total volume of rice exports increased during FY16 but revenue received from rice exports declined due to lower rates of Indian rice in overseas market. **However, the basmati prices have firmed up by Rs.100 per quintal at the wholesale grains market following pickup in demand. This augurs well for the Company.**
- Net sales and PAT of the Company have grown at a CAGR of 22% and 48%, respectively, during FY12-16 and are further expected to see robust growth with prospering Indian middle class. Packaged rice market is also growing at CAGR of 30%.
- Its plants are located amidst the richest Basmati paddy fields-at Amritsar in Punjab and Karnal in Haryana. This gives the Company an overview of more than 140 grain markets spread over more than 4000 square kilometers of rice producing area. The Company's Karnal Sheller also has a SORTEX machine which incorporates the state of the art technology for cleaning rice and removing impurities.
- The Company has strong management team and is largely focused on exports business. It has added 82 international customers till FY16 which contribute to the exports of around Rs.400 crores.
- The Company has been continuously paying dividend since FY07.**
- The Company has reduced its debt burden from Rs.61.98 crores at the end of FY14 to Rs.24.38 crores at the end of FY16. Its Debt:Equity ratio stood at 0.2:1 at the end of FY16.
- The promoters hold 74.8% equity capital of the Company, followed by institutions and non-promoter corporates that hold 0.3% and 4%, respectively, and the balance 20.9% shares are held by the public.

Concerns

Slow down in global economy, uncertain monsoon, higher import duty in some countries and exchange rate fluctuations are some of the concerns.

Valuation

The share of the Company is trading at a lower P/E of 11.1x against that of industry at 35x. Keeping in view the increasing demand of branded basmati rice in global market, expected a robust growth in net sales & PAT of the Company, strong management team, increase in basmati rice prices, cost control, reduction in debt, higher promoters holding and reasonably low PE ratio, we recommend a buy on share of this Company with an expected price appreciation of about 30% over the next 12 months.

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