

Natraj Proteins Ltd.

₹ 43

*The Golden Beans !***Buy**

Mar 20, 2015

Company Background

Natraj Proteins Ltd. (Natraj) was incorporated in November 1990 and is engaged in the manufacture and trade of oil, byproducts and de-oiled cakes. The company has its manufacturing unit in Itarsi, Madhya Pradesh with installed capacities 75,000 MT de-oiled cakes and oils and 15,000 MT refined oil. Soya seeds and hexane are used as raw materials by the company. Natraj Proteins has set up a solvent extraction plant for the manufacture of crude oil, edible grade refined oil and de-oiled cake. The technology selected by the company for solvent plant and refinery is well proven within the country and the company is making all the efforts to update its technology.

Key Highlights

- ➔ The company sources most of its raw material from Madhya Pradesh. As per Soyabean Processor's Association of India in Madhya Pradesh the Area under Soybean Cultivation during Kharif 2014 is 5.55 mn Hectares as compared to 6.26 mn Hectares during Kharif 2013 showing a decrease of 11.40 per cent. However, in 2013 the productivity was abnormally low, which was not the case this year, and inspite of lower area, the production during Kharif 2014 is 6.03 mn MT as compared to 4.33 mn MT during Kharif 2013 showing an increase of 39.26 per cent which is likely to continue.
- ➔ The company is aggressive about its Research and Development to modify the extraction process in such a way that extraction is maximised. The current extraction value of the company is around 17-18%.
- ➔ Newer findings are suggestive of that high use of soyabean and its products in diet may be beneficial in various diseases related to heart disease, menopause, etc. This is an indication of a growing premium market of soya products in India.
- ➔ Currently the company employs the services of various export houses for export of its products. If the company exports directly the margins of the company would be benefitted.
- ➔ The company has already launched brands of its own like Poushtik which is an oil brand and there may be some more in the pipeline.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	1,834.3	2,130.5	3,113.0
Rev. growth (%)	41.2	16.1	46.1
EBITDA (INR mn)	57.3	101.2	225.9
Net profit (INR mn)	16.7	35.4	108.6
Shares outstanding (mn)	4.5	3.8	3.8
EPS (INR)	3.7	9.4	29.0
EPS growth (%)	(54.0)	156.6	206.8
P/E (x)	3.7	1.7	1.0
RONW (%)	9.7	19.5	45.3
ROCE (%)	3.8	5.6	15.9

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Info Codes

Reuters	: NATR.BO
Bloomberg	: NTJP@IN
NSE	: N.A.
BSE	: 530119

Market Data

52 Wk Range (₹)	: 51 / 29
Shares in Issue (mn)	: 3.8
Mkt. Cap (₹ bn)	: 0.20
BSE 2 Wk Avg Vol	: 2

Share Holding Pattern (%)

Promoters	: 53.14
FII's	: 0.00
DII's	: 1.90
Others	: 44.96

Investment Theme

Natraj is a company which is into the agri-processing sector. Such companies largely depend on the climate, monsoon and the agricultural produce. The graph of productivity of soyabean was less last year especially in the region of Madhya Pradesh an area from where company sources most of its soyabean. Though the area under cultivation has still dipped this year, overall productivity per hectare should increase this year, thus resulting in more readily available raw material for processing. To take this advantage the company has been aggressively working on R&D, strengthening its supplychain & focussing on its central manufacturing facility to earn more business. We feel if the predictions turn accurate, the figures of the company should better this year giving in potential for appreciation. We therefore recommend the company as a Buy.

Building Block of your Portfolio

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	1895.8	2203.8	16.25	3193.8	44.92
Other Income	5.1	5.0	(1.96)	2.1	(58.00)
Change in Stocks	14.9	(21.0)	(240.94)	36.4	(273.33)
Raw Material Con.	1647.0	1788.8	8.61	2534.2	41.67
Employee Exp.	7.2	9.6	33.33	10.9	13.54
Indirect Taxes	1.9	1.7	(10.53)	1.9	11.76
Other Exp.	202.4	286.5	41.55	459.4	60.35
Operating Exp.	1843.6	2107.6	14.32	2970.0	40.92
Operating Profit	52.2	96.2	84.29	223.8	132.64
Total Interest	24.7	38.8	57.09	54.2	39.69
Gross Profit	32.6	62.4	91.41	171.7	175.16
Net Dep.	7.6	7.7	1.32	8.6	11.69
Total Taxation	8.3	19.3	132.53	54.5	182.38
Net Profit/Loss	16.7	35.4	111.98	108.6	206.78

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	249.4	497.6	692.8	695.8
Equity Share capital	41.9	41.9	37.5	37.5
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	94.7	111.4	151.5	260.1
Long Term Loans	18.9	34.5	30.3	20.2
Short Term Loans	93.9	309.8	473.5	378.0
USES OF FUNDS	249.4	497.6	692.8	695.8
Gross Block	172.0	173.1	183.5	187.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	77.9	85.0	92.6	100.7
Net Block	94.1	88.1	90.9	87.0
Capital Work in Progress	2.5	4.9	3.9	14.5
Investments	0.0	0.0	0.0	0.0
Current Assets	239.9	514.3	668.3	685.9
Less : Current Liabilities	87.1	109.7	70.3	91.6
Total Net Current Assets	152.8	404.6	598.0	594.3
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	0.0	0.0	0.0	0.0
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	2.1	2.2	2.2	2.2
Dividend (%)	0	0	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 14	Jun 14	Sep 14	Dec 14
Net Sales	1091.0	727.2	550.2	916.3
Cost Of Sales	1018.6	699.5	535.4	903.6
Operating Profit	72.4	27.7	14.8	12.7
Recurring Income	3.1	0.2	1.4	2.7
Adjusted PBDIT	75.5	27.9	16.2	15.4
Financial Expenses	13.8	15.2	11.7	7.0
Depreciation	1.7	2.0	2.0	1.3
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	60.0	10.7	2.5	7.1
Tax Charges	22.2	2.5	0.8	2.7
Adjusted PAT	37.8	8.2	1.7	4.4
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	37.8	8.2	1.7	4.4

52 Week Index Relative Percentage Appreciation



Natraj vs SENSEX

Risks Associated

- Since the company is into Soya Protein extraction the major risk is of the climate as agri manufacturing activities are mainly dependent on the availability of seed, which is directly related to the monsoon.
- Since, the products of the company are bulky products, the Company's transportation activities of the Oil and DOC are based on the availability of racks from the Indian Railway, sometimes it is not available as and when required and disturb the dispatch schedule.
- The Company's product being indirectly exported, which has exchange control risk and the parity of the profitability is based on the exchange rates. As the rupee moves up and down, the profitability of the Company will also be affected to some extent.
- Many new soya based solvent extraction plants have been commissioned in previous years in the state of Maharashtra and surrounding areas of the state of Madhya Pradesh, to get advantage of increased area under cultivation. This brings in an ever increasing competition every year.



In a Nutshell

Natraj Proteins is overall a small producer of soyabean oil and deoiled cakes. It was incorporated in Nov 1990 promoted by Surendra Singh Arora, Kailash Chandra Sharma and Jagdish Prasad Agarwal. It set up a solvent extraction plant for the manufacture of crude oil, edible grade refined oil and de-oiled cake. Due to the delay in the implementation of the project to set up a 200-tpd solvent extraction plant for processing soyabean, rapeseed, rapeseed oil cake, and other oil bearing substances and a refinery of 50 tpd at Nagpur Kalan, Madhya Pradesh, commercial production commenced only in 1994. The technology selected by the company for solvent plant and refinery is well proven within the country and the company is making all the efforts to update its technology. The launched its first brand of refined oil 'Paushtik' in 2001. Ever since the company has been focussed in a single manufacturing facility. It has aggressively entered into R&D and worked a lot on delivery of cost saving and strengthening of its supply chain. However since the major raw material of the company is an agri commodity, the fate on the company largely depends on the monsoons. That is the reason in 2013 the company could not meet the expectations. As per a recent survey by SOPA the productivity of Soyabean in Madhya Pradesh is on the rise. This translates into better rawmaterial supply to the company whereby it may be able to make the most out of its other exercises done in anticipation.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months	Reduce : Expected to depreciate up to 10% over 12-months
Accumulate : Expected to appreciate 10% to 20% over 12-months	Sell : Expected to depreciate 10% or more over 12-months
Trade Buy : Expected to appreciate more than 10% over 45-days	Trade Sell : Expected to depreciate more than 10% over 45-days

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