

Cheviot Co.Ltd**₹1193****India Is World's Top Producer...!!!****Buy**

Aug 04, 2017

Company Background

Cheviot Company Limited is the flagship company of Group Cheviot. It was incorporated on December 27, 1897. It owns Cheviot Jute Mills in West Bengal. In Jute, it has presence for more than 100 years in manufacturing Eco Friendly & Bio-Degradable products. It operate two business segments, namely Jute goods and Captive power generation. The Company's geographical segments are with in India and Outside India. It owns Cheviot Jute Mills in West Bengal. It manufactures jute products and jute fabrics to cater to both domestic and international market. Company manufactures technical jute fabrics and customized jute shopping bags for export market at the Export Oriented Unit situated at Falta Special Economic Zone in the state of West Bengal, India. Its jute bags and products include promotional bags, fashion bags, beach bags, bottle bags, utility bags, cotton bags, and jute for hessian bags and sacking bags. The Company offers jute bags of various sizes, styles, shapes and colors. It also offers jute yarn or twin yarn in single or multiple twists available in cylindrical/conical/coneless spools or hanks. It also offers covering fabrics; stuffings, and other materials that are used in upholstery.

Key Highlights

- ➔ It's core operations are in Jute products and since 4 years it is achieving almost 100% sales revenue from Jute goods.
- ➔ It had reported quarterly results for March 2017. The company's top line item increased by 7.91% to ₹1054.10 mn, operating profit declined by 38.35% and financial charges rose by 84.62% on Quarter on Quarter basis.
- ➔ Company operating profit grew by 20.4% to ₹ 692.9 mn and net profit rose by 24.9% to ₹ 455.6 mn on YoY basis for FY 2016-17.
- ➔ Depreciation charges were higher by 24.3%, interest charges were declined by 25.6% and taxes were increased by 10.3% for the year 2016-17 as compared to precious year.
- ➔ For FY 2016-17 company sales were rosed by 13.8% to ₹ 3902.1 mn, other income also increased by 88.3% to ₹ 239.5 mn and EBITDA was higher by 15.84% to ₹ 575.3 mn on Year on Year basis.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	2,896.4	3,557.6	4,141.6
Rev. growth (%)	0.38	22.83	16.42
EBITDA (INR mn)	446.6	496.6	575.3
Net profit (INR mn)	345.8	364.7	455.6
Shares outstanding (mn)	4.5	4.5	4.5
EPS (INR)	73.1	77.3	100.9
EPS growth (%)	28.72	5.73	30.48
P/E (x)	4.61	9.30	10.57
RONW (%)	9.26	12.01	10.90
ROCE (%)	11.08	16.33	14.36

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: CHVI.BO
Bloomberg	: CVC IN
NSE	: N/A
BSE	: 526817

Market Data

52 Wk Range (₹)	: 726/1418
Shares in Issue (mn)	: 4.5
Market. Cap (bn)	: 5.38
BSE 2 Wk Avg Vol	: 807

Share Holding Pattern (%)

Promoters Holding	: 75.00
Public & Others	: 22.12
Corporate Holding	: 01.88
Foreign Institution	: 00.83
Institutions	: 00.17

Investment Theme

Cheviot Company Limited is the flagship company of Group Cheviot. The Company manufactures jute products and jute fabrics with flexibility to cater to both domestic and international markets. West Bengal is the largest producer of jute with the total area of 577 hectares and they produce 8349 bales. There are 33 odd districts spanning West Bengal, Orissa, Bihar and Assam, which account for 98.41% area under jute cultivation, as well as 98.43% of total raw jute production in the country. Jute industry contributes to the export earnings in the range of ₹1,000 to ₹ 1, 200 crore annually. India is the largest manufacturer of jute and it holds the production of 61% of total jute production of the world. For FY 2016-17 Company sales revenue increased by 13.8% and it had payout 10% dividend, has good dividend record.

Over 100 Years Of Excellence in Jute...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	2,670.0	3,430.4	28.5	3,902.1	13.8
Other Income	226.4	127.2	(43.8)	239.5	88.3
Change in Stocks	(20.9)	95.8	(558.4)	(25.5)	(126.6)
Raw Material Con.	1,330.7	1,926.1	44.7	2,146.0	11.4
Employee Exp.	467.8	565.9	21.0	615.3	8.7
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	580.3	586.1	1.0	661.9	12.9
Operating Exp.	2,378.8	3,078.1	29.4	3,423.2	11.2
Operating Profit	496.7	575.3	15.8	692.9	20.4
Total Interest	8.8	8.2	(6.8)	6.1	(25.6)
Gross Profit	487.9	567.1	16.2	686.8	21.1
Net Dep.	64.8	57.3	(11.6)	71.2	24.3
Total Taxation	77.3	145.1	87.7	160.0	10.3
Net Profit/Loss	345.8	364.7	5.5	455.6	24.9

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	3,463.4	3,712.8	4,307.7	4,729.8
Equity Share capital	45.1	45.2	45.2	45.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	3,281.8	3,524.3	4,135.8	4,548.9
Secured Loans	130.4	140.3	125.9	133.2
Unsecured Loans	6.1	3.0	0.8	2.7
USES OF FUNDS	3,463.4	3,712.8	4,307.7	4,729.8
Gross Block	2,686.5	2,713.3	3,087.9	2,376.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,519.1	1,592.1	1,638.3	937.2
Net Block	1,167.4	1,121.2	1,449.6	1,439.4
Capital Work in Progress	3.1	0.6	8.2	4.1
Investments	1,593.7	1,934.4	1,874.9	2,283.4
Current Assets	902.6	880.0	1,125.3	1,191.8
Less : Current Liabilities	260.3	252.0	189.6	203.4
Total Net Current Assets	642.3	628.0	935.7	988.4
Misc. Expenses not writtenoff	56.9	28.6	39.3	14.5
NOTE				
Book Value of Unquoted Investments	190.1	823.1	667.5	939.2
Market Value of Quoted Investments	1,509.1	1,258.0	1,404.0	1,571.2
Contingent Liabilities	20.7	0.0	560.6	520.9
Dividend (%)	150.0	170.0	170.0	10.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 16	Sep 16	Dec 16	Mar 17
Net Sales	687.2	1,149.5	976.8	1,054.1
Cost Of Sales	611.9	1,035.5	834.8	966.4
Operating Profit	75.3	114.0	142.1	87.6
Other Income	70.7	60.0	39.6	103.7
Adjusted PBDIT	146.0	174.0	181.7	191.3
Financial Expenses	2.0	0.6	1.3	2.4
Depreciation	13.9	17.6	19.1	20.6
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	130.1	155.8	161.3	168.3
Tax Charges	28.2	43.3	46.7	41.8
Reported Profit	101.9	112.5	114.6	126.5
Extra Ordinary Items	0.0	6.1	0.0	0.0
Other Non Cash Adjust	0.0	1.7	0.0	0.0
Adjusted Net Profit	101.9	108.1	114.6	126.5

52 Week Index Relative Percentage Appreciation



Cheviot vs SENSEX

Risks Associated

- Farmers are allured to take up agricultural activities other than jute which result in poor jute crop. Hard work required in jute industry drive away new generation of workers to opt for alternate opportunities.
- Dilution of Jute Packaging Materials Act, 1987 leads to use of alternate synthetic products for packaging of food grains and sugar.
- The consumption and export of jute goods in India have stagnated for the past three to four years. Also, the industry has not been able to scale up production or export of jute goods. It may be noted that the jute industry's 10 year CAGR is less than 0.1 per cent.
- Export markets remaining sluggish, traditional jute sacking products will constitute major share in the Company's revenue. The Company endeavours to control other input costs in all possible manners.
- There is a strong competition from Bangladesh in the international market. The cost of labour and power in India are significantly higher than Bangladesh. As a result, the price quoted by Bangladesh in the global market cannot be matched by Indian jute manufacturers.
- Export sales of the company are transacted in foreign currencies where fluctuation in currency may impact margins of the Company. In order to mitigate this risk, company enters into forward contract for hedging foreign exchange exposure against exports and imports. India exports almost 2 lakh tonne of jute goods valued at around Rs 2000 cr.
- Companies in the jute production sector introduce new ideas in dyeing, bleaching and production of wholesome jute products. GST is imposed 5% from July 1 on jute products.

In a Nutshell

Before independence, India hold the monopoly in producing and exporting jute to different parts of the world but after partition, most of the jute production went in the hands of Pakistan. Now, there are 10 states which are still producing jute in India. India accounts for an estimated 70% of the worlds total production of jute products. Over 90 mills are currently operational, 67 in West Bengal alone. The rest are in Bihar, Assam, Tripura, Uttar Pradesh and Andhra Pradesh. However, the industry's overdependence on government orders is considered a major factor behind the current state of affairs of the Indian Jute Industry. The government buys jute sacks worth ₹ 5,000 crore a year for packaging of food grains and sugar under the Public Distribution System. India is the largest producer of jute goods in the world, while Bangladesh is the largest cultivator of raw jute. The cultivation of Jute in India is mainly confined to the eastern region states - West Bengal, Bihar, Assam, Tripura, Meghalaya, Orissa and Uttar Pradesh. Nearly 50% of total raw jute production in India alone figures in West Bengal. Farmers have sown jute on 8.18 lakh hectares this year, up 11% year-on-year, according to the Department of Agricultural Extension's estimate. Awareness to use eco-friendly, bio-degradable jute goods across the world will keep jute goods always in demand. Steps taken by the Government of India to assist the jute mills to upgrade old/obsolete machineries and to promote jute diversified products will provide opportunity to increase market of jute goods. Cheviot Company Ltd is an India-based company and it has 2 production units in Kolkata, namely BUDGE-BUDGE and FALTA. It manufactures and exports jute yarns and fabrics in India and internationally.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.