



A Govt. Recognised Trading House

# SANWARIA CONSUMER LIMITED

(Formerly known as Sanwaria Agro Oils Limited)

CIN - L15143MP1991PLC006395



**SANWARIA GROUP**  
Serving society through Industry

Date: 26/11/2018

<b>Bombay Stock Exchange Ltd.</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001.  <b>BSE Scrip Code: 519260</b>	<b>National Stock Exchange of India Ltd.</b> Exchange Plaza, 5th Floor Plot No. C/1, G Block Bandra – Kurla Complex (BKC), Bandra (E) Mumbai-400051.  <b>NSE Scrip Symbol: SANWARIA</b>
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**SUBJECT: Equity Research Report**

**Reference: Pursuant to regulation 30 of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015.**

Dear Sir/Madam,

Pursuant to Regulation 30 of Security Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015, we have to inform you that today we have received Independent Equity Research Report from **Brickwork Risk and Investment Management Solution Private Limited**; we are attaching the same for your kind perusal.

Further note that Company has been awarded/assigned with good Fundamentals i.e 3/5 and Excellent Valuation Grade i.e 5/5

We hope you will find the above in order and kindly acknowledge the same and oblige us

Thanking you,  
Yours faithfully,

**By the Order of Board,  
For Sanwaria Consumer Limited.**

Sd/-  
**Komal Madhyani**  
(Company Secretary)

Encl: As above





# BWS Equity Meter

Equity Research Report

## Sanwaria Consumer Limited

Formerly 'Sanwaria Agro Oils Limited'

Date of Report: 22 November, 2018



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CIN: U74900KA2015PTC081521

# Explanation of Equity Meter Scale

Fundamental Grade	Assessment	Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+/-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

## Analyst Details:

**Nishant Kumar**

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# Sanwaria Consumer Ltd (SCL)

## Industry: Food Products

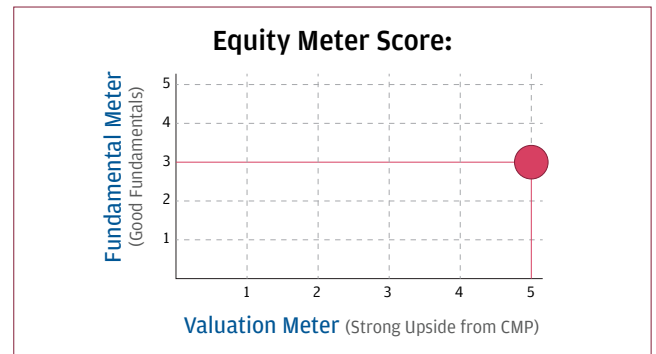
22 Nov 2018

Successfully Diversified into Basmati Rice Segment

Fundamental Grade: 3/5 (Good Fundamentals) | Valuation Grade: 5/5 (Strong Upside Potential) | CMP: Rs.11.01 | Fair Value : Rs.23  
 Sensex: 35457 | Initiating Coverage

Sanwaria Consumer Ltd. has successfully established itself in Basmati rice segment. It has transformed itself from soya products producer to Basmati rice producer. Today the company has become one of the top players in India in Basmati rice market. 53% of its topline comes from Basmati rice. SCL has shown robust growth in its topline over last 3 years (CAGR 37%). Growth is expected to continue for next two years (at CAGR 15%) driven by expansion into new geographies. Company's profits have also shown good growth over last three years. Rising profits have led to increased surplus which in turn has improved Debt-Equity ratio. D-E ratio is further expected to decline in next two years. Management plans to focus more on B2C segment through its retail stores and also plans to enter US market. It also plans to double rice production capacity and look for suitable acquisition targets. SCL plans to raise INR 500 cr from market towards these ends. RoCE and RoNW of the company have shown constant improvement and was at 12% and 15% in FY18, we expect them to remain at same level or marginally improve in next two years. We also expect EBITDA margin to improve by around 30 bps in next two years. In light of the above we **assign 3/5 on fundamental meter scale to SCL.**

Using P/E Multiple method we have arrived at a fair value estimate of Rs. 24 for each share of SCL. Current Market Price (CMP) of SCL shares are Rs. 11.01 hence there is strong upside potential from CMP. **Thus we assign 5/5 on valuation meter scale to SCL.**



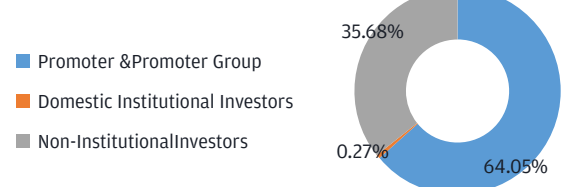
### Key Stock Statistics

NSE/BSE ticker	SANWARIA/ SANWARIA
Market Cap (Rs.)	800.14 crs
Enterprise Value (Rs.)	2,670 crs
52 Week High / Low (Rs.)	34.75/ 10.10
P/E (FY18)	17.3x
Beta	1.46
Free float (%)	33%
Average Daily Volume (20 days)	1.74 million

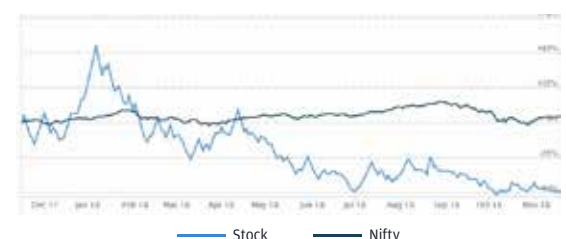
## Financial Forecast

INR Crores	FY16	FY17	FY18	FY19 E	FY19 E
Operating Income	2695.25	3512.44	5054.73	5812.94	6684.88
EBITDA	106.89	110.58	187.08	232.20	267.60
PAT	15.68	43.68	84.69	98.35	115.48
Adjusted EPS* (Rs.)	0.45	1.19	1.15	1.34	1.57
DPS (Rs.)	0	0.15	0	0	0
RoCE %	8.24%	7.99%	12.14%	12.95%	12.95%
P/E (times)	13.6	6.8	17.3	17.2	14.6
P/BV (times)	0.75	0.78	3.21	2.4	2.1

### Shareholding



### Stock vs Nifty 50



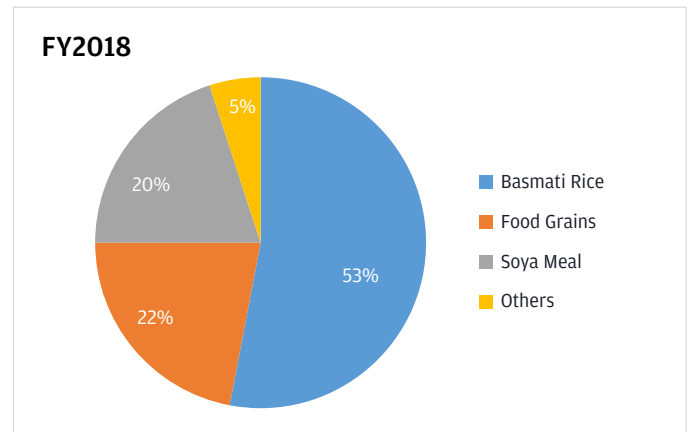
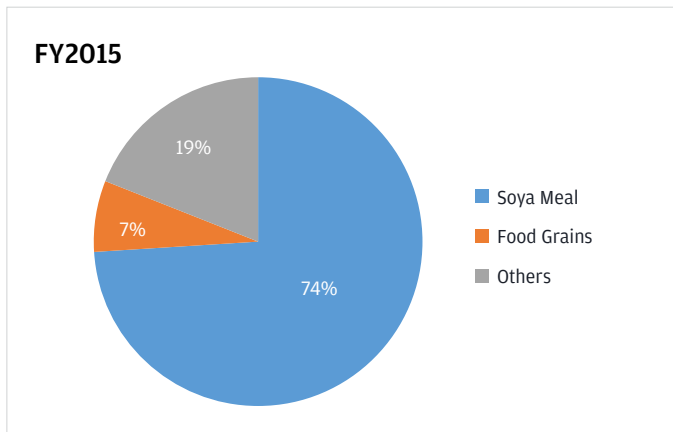
# Fundamental Meter

## Good Fundamentals

Meter: 3/5

### From Soya products producer to Basmati Rice producer

Sanwaria Consumer Limited has successfully transformed itself from a commodity based business to an FMCG company with Basmati rice as its main product. In FY18 Basmati rice was the largest contributor to its topline with 53% share. The company has also launched other FMCG products like wheat atta, salt, pulses, rawa, suji, poha etc. Today it has a portfolio of around 35 products. SCL has also established its own brands successfully.



## Overseas Expansion – Entry in US market will improve margins

After having established itself among top Basmati rice producers of India, we believe SCL is at the cusp of a new phase. The company has generated good cash flows for last 3 years on account of growth in Basmati rice segment. Now the company wants to build on to that. Management plans major capex, acquisition and expansion into new geographies (domestic as well as international) in coming years.

## Focus on direct retail to improve margins and establish brand ‘Sanwaria Consumer Shoppy’

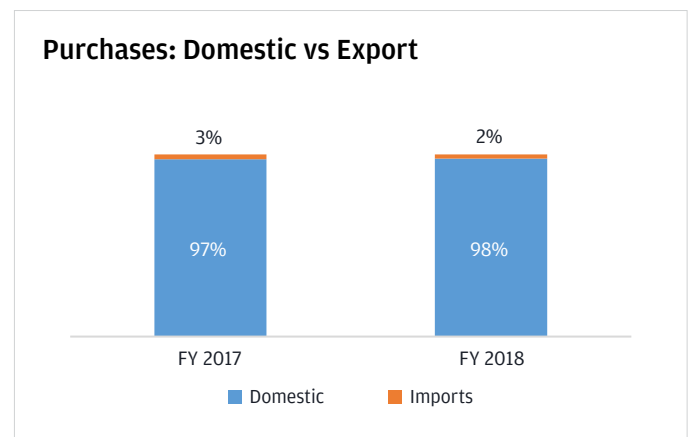
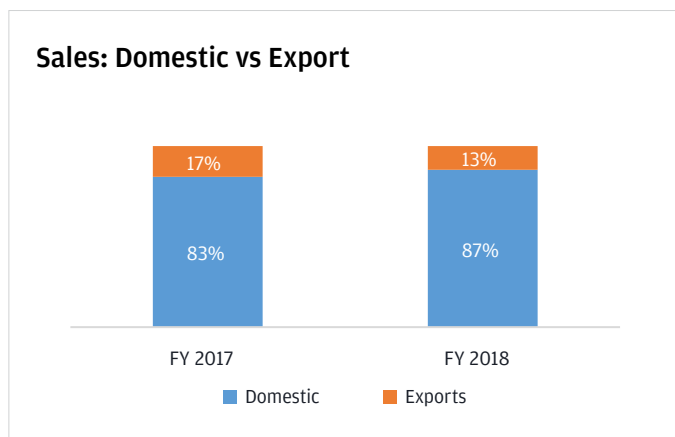
SCL plans to focus on direct retail through retail outlets under the brand name ‘Sanwaria Consumer Shoppy’. It has already opened up 50 retail stores at different locations of Madhya Pradesh, 2 stores in Maharashtra and another 10 retail stores are in pipeline to be opened shortly. Management plans to open 100 stores in MP and Maharashtra. Thereafter, it will cover Gujarat and then rest of India with 600 stores. ‘Sanwaria Consumer Shoppy’ being a B2C model will help in improving the margins. ‘Sanwaria Consumer Shoppy’ will provide good visibility to different brands of the company and will also provide significant cross-selling opportunities.

## Focus on At Door Services through ‘E- Commerce’

SCL is planning to reach out to global customers through online platform. This will lead to increase in sales and will also enable the company to provide better customer services. The company will also focus on adding more and more products on E-commerce websites to get brand visibility and customers’ attention. Management is planning to collaborate with leading online retailers like Amazon and Flipkart in near future.

## Overseas Expansion – Entry in US market will improve margins

As part of its geographical expansion overseas, the management is planning to enter the US market. It has already received necessary approval from US Food and Drug Administration. Successful entry in US market will give big boost to the topline of the company. SCL plans to sell its branded products in USA which will help improve its margins also. The company already has a 100% subsidiary in Singapore but operations are yet to start in that company. Management is planning to incorporate another 100% subsidiary in Dubai. Presently it is catering to the markets of Middle East and Africa through its agents and distributors.



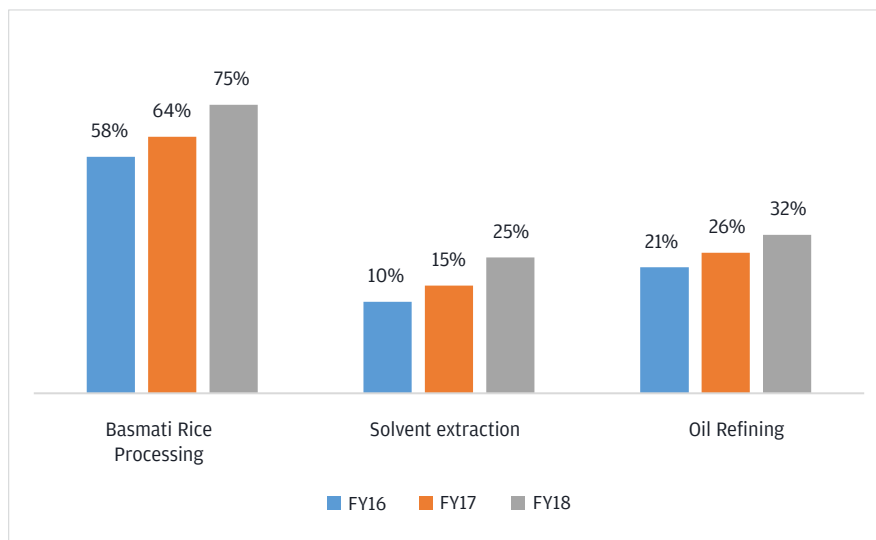
## Tie up with Patanjali – Soya Chunks

SCL has entered into an agreement with Patanjali Ayurved Limited to manufacture and supply Soya Chunks or Soya Bari to them. This will be sold under Patanjali brand and SCL will get credit as manufacturer. This partnership is expected to further boost the topline of SCL.

## Cash Flows to be utilized for capex and acquisition – Rice capacity expansion planned

Management plans to double its rice production capacity from 500 TPD (tones per day) to 1000 TPD. For this existing cash flows will be utilized and additional capital will be raised from the market. There are no plans to distribute any dividends in near future. Management is planning to raise Rs 250 crores towards capacity expansion and another Rs 250 crores towards acquisitions. It has also proposed preferential allotment of equity shares to the tune of Rs 100 crores to reduce debt.

## Product-wise capacity utilisation FY16-FY18)



## Corporate Governance – more professionals and women members to be inducted

Overall, the corporate governance practices at SCL meet the requisite standards, and are supported by reasonably good board processes and practices. The company wants to bring more professionals and women members on its board in near future.

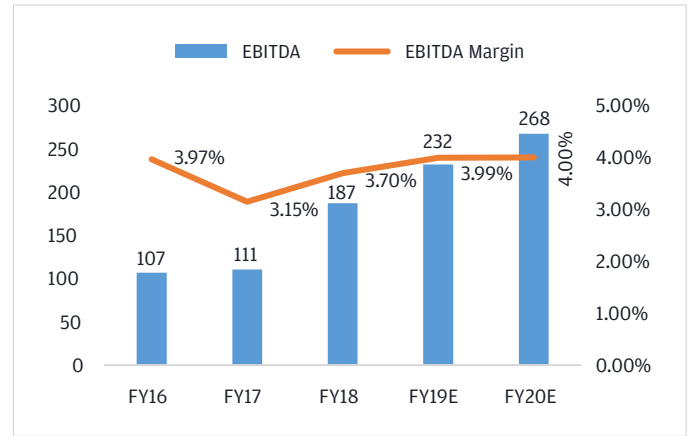
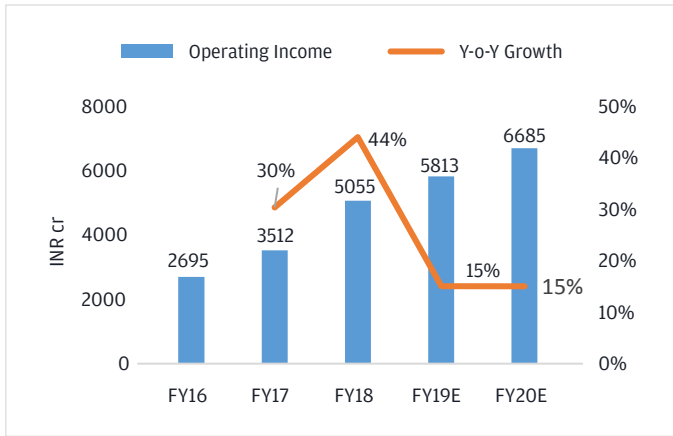
## Financial Outlook

### Operating income expected to grow at 15% CAGR over FY18 - 20E.

Operating income is expected to grow at a CAGR of 15% over next two years. This growth will be driven mainly by Basmati rice segment. The company is planning to penetrate into more geographies with its branded Basmati rice. Domestically the management plans to enter Gujarat in this fiscal year and then expand to other adjoining states next year. Internationally SCL is planning to enter the US market. It has already received necessary approval from US FDA. The company is also planning to add more food based products to its existing product portfolio. Management is also planning to make suitable acquisitions which will further increase its product portfolio.

### EBITDA to increase; EBITDA margin also expected to improve

EBITDA of SCL has increased over last three years with good growth in FY18. EBITDA is expected to show healthy growth in coming years also. SCL plans to set up a number of ‘Sanwaria Consumer Shoppy’ stores in next fiscal year in Maharashtra and Gujarat. With this the contribution of B2C segment in total revenue will increase which will improve margins. Rising share of high-margin branded products in topline is expected to increase in coming years which will further improve the margins.



## Capex plans: Double the rice production capacity

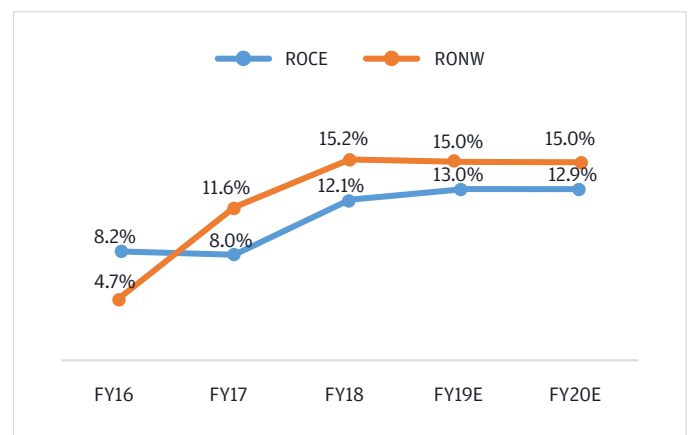
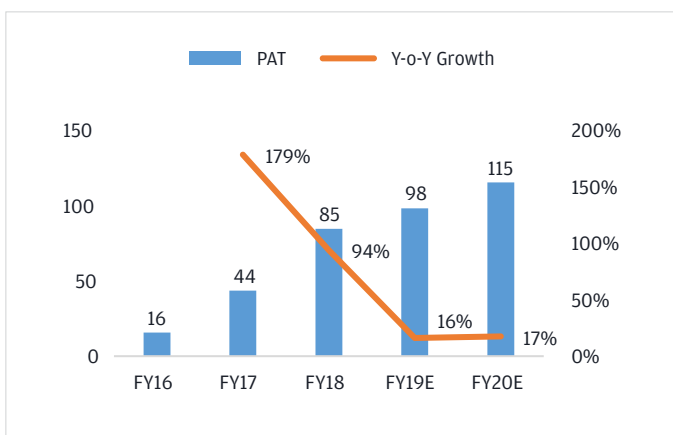
The company plans to double its existing capacity of rice production from 600 TPD to 1100 TPD. To achieve this management plans to raise INR 250 crores from the market.

## PAT expected to show healthy growth over FY18-20E

PAT of the company has shown very good growth in last 3 years backed by increase in Basmati rice sales. Growth in PAT is expected to continue in FY19E and FY20E also. PAT is expected to grow at a CAGR of 16%.

## Return ratios to show improvement

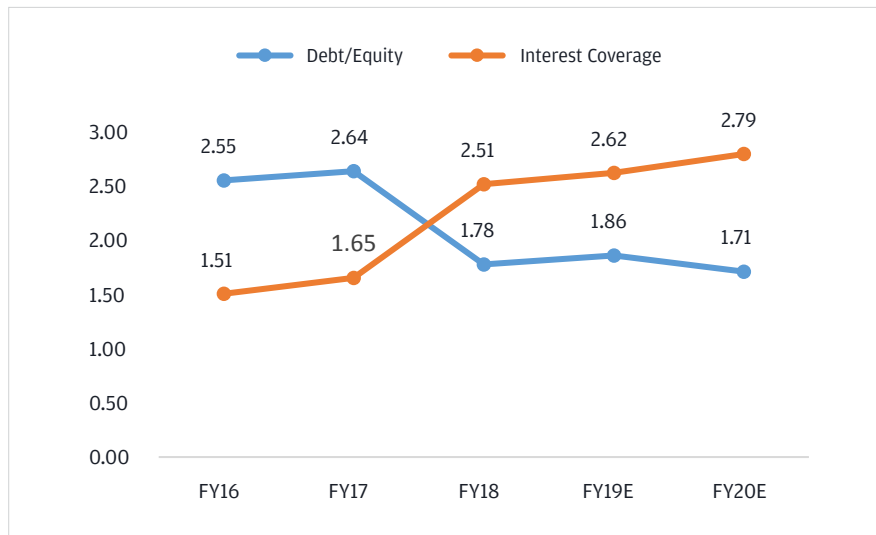
ROCE and RONW are expected to improve in FY19E and FY20E on account of growth in topline as well as bottomline.





## Overall leverage to decline

Rising Networth due to increase in profits is expected to bring down the Debt-Equity ratio of the company in next two years. With improvement in Operating Profits, interest coverage is also expected to become better.



## Management Overview

### Experienced top management

The company is looked after mainly by four brothers who have around 25 years of related experience. Mr. Gulab Chand Agarwal is the Executive chairman of the company. He looks after working capital management of the company. He has developed internal control system for cash in the company. Mr. Anil Agarwal takes care of finance, accounts, taxation and law related matters of the company. Mr. Ashok Agrawal looks after overall factory/plant and sales & marketing matters of the company. Mr. Satish Agrawal is in charge of raw material procurement. He is also involved in day to day affairs of Roller Flour Mills and Solvent Extraction Plant.

### Supported by qualified Tier-II management

Top management is supported by qualified tier II staff to look after day to day operations.

**Management has successfully established the company in Basmati rice segment. In a period of just five years SCL has become one of the leading players in Indian Basmati rice segment.**

# Valuation Meter

Strong upside potential

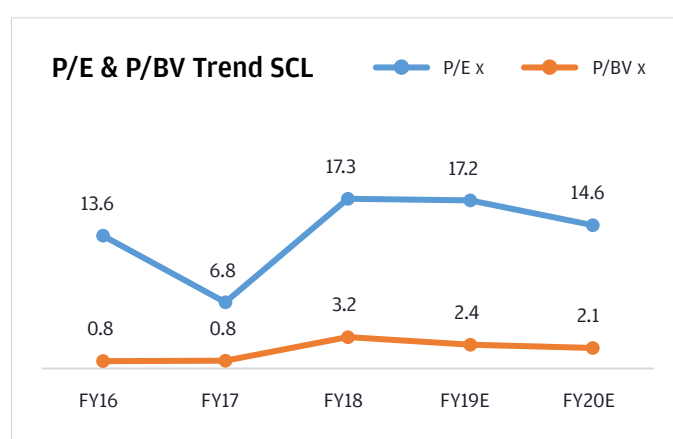
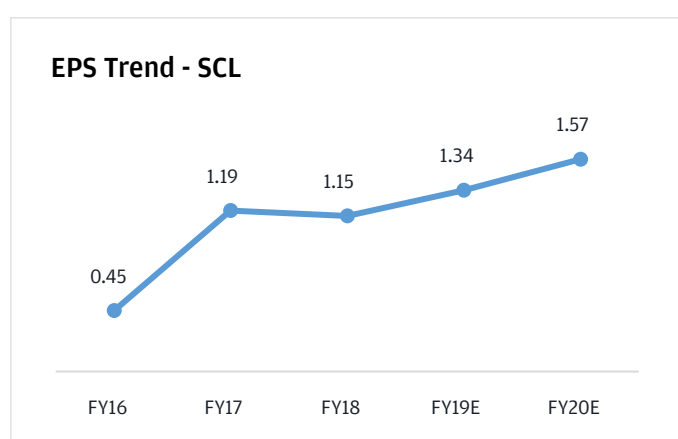
Meter: 5/5

The company has shown robust growth in its topline in last few years. Its profits as well as margins have improved. Its leverage has also declined. We have applied Price-Earnings Multiple method to value the equity shares of the company.

Keeping in mind the expected economic environment, historical performance of SCL and performance of comparable companies we have considered a P-E Multiple of 17x and EV / EBITDA multiple of 10.5x to value the equity shares of SCL.

Price-Earnings Multiple Method		EV / EBITDA Multiple Method	
P/E Multiple Considered	17x	EV/EBITDA Multiple Considered	10.5x
EPS of SCL (FY19E)	1.34	EBITDA of SCL (TTM)	254.24
Price per Share	22.78	Price per Share <sup>1</sup>	23.20

Fair Value of SCL shares: INR 23 per share	
Current Market Price <sup>2</sup>	11.01
Fair Value	23
Upside Potential	109 %



<sup>1</sup> Calculated assuming 73.91 crores shares outstanding

<sup>2</sup> Closing Price on BSE - 16-11-2018

## Company Profile

Sanwaria Consumer Limited (SCL) was incorporated in April 1991 as Sanwaria Agro Oils Ltd. Its name was changed to Sanwaria Consumer Limited recently in FY18. SCL is an FMCG company. It is engaged in manufacturing and selling of agro based products like Basmati rice, edible oil, soya, pulses, wheat flour, Rice Flour, Salt, Suji, Maida, Besan, Daliya etc. SCL is a part of Sanwaria Group which has presence in sectors like FMCG Food Processing, Renewable energy, Hospitality, Warehousing, Infrastructure and Power Sector. SCL markets its products under brand names Sanwaria, Nashira, Silk etc. The company diversified into production of basmati rice in 2013 and this segment grew rapidly over the years. Today Basmati rice is the largest contributor to the topline of SCL with more than 50% share. SCL has manufacturing units at Mandideep, Itarsi and Betul in Madhya Pradesh which are strategically located in the food production and consumption belt in India. Currently SCL has installed capacity of 2500 TPD - Solvent Extraction, 225 TPD - Soya Refinery and 500 TPD - Paddy Processing. SCL is ISO 14001, 22000, GMP and Halal Certified. It is also a Government Recognized Export Trading House as per DGFT.

## Milestones

1991	Incorporation of Sanwaria Agro Oils Limited
1993	Itarsi, M.P. Plant commences operation
2002-04	Launch of “Sulabh”, “Narmada” and “Sanwaria” brands
2005	Started Production at Mandideep Plant
2006	Commences production of Lecithin and high protein soy meal
2008	Expansion of Mandideep unit with capacity of 1000 TPD
2009	Started Production at Betul Plant with 500 TPD capacity
2011	Marketing office at Mumbai set up to commence import of commodities and incorporated an offshore subsidiary in Singapore
2012	Conversion into FMCG and Launch of Chakki Fresh Atta
2013	Set up of Mandideep Rice division with installed capacity of 200 TPD and started production of Basmati Rice under the brand ‘Sanwaria’
2015	Plant at Kiratpur launched. Basmati Rice under the brand ‘Nashira’ for Dubai market
2016	Completed 25 successful years and launched: pulses, sugar, rawa, spices, suji and poha etc.
2017	Direct retail outlets ‘Sanwaria Consumer Shoppy’ launched.
2017-18	Name of the company changed to ‘Sanwaria Consumer Limited’
2018	Company’s U.S. Agent, M/s. Liberty Management Group Ltd. got registered with U.S. Food & Drugs Administration Authority for marketing company’s products in U.S.A.
2018	Introduction of E- Commerce Platform (B2C Approach) to focus on covering larger region.

# Annexure

## Peer Performance

All four companies are primarily engaged in Basmati rice business. Below financials are for Trailing Twelve Months<sup>3</sup>.

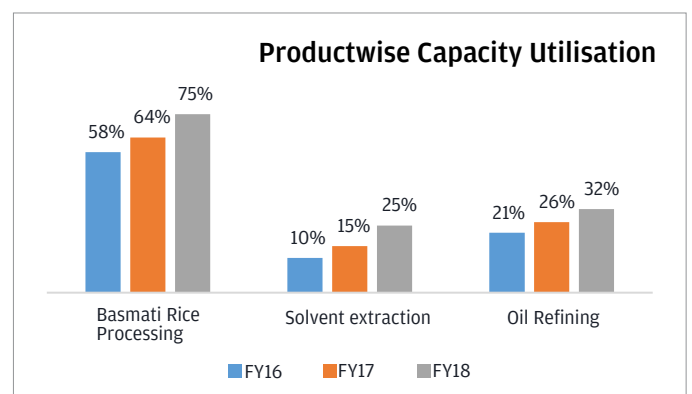
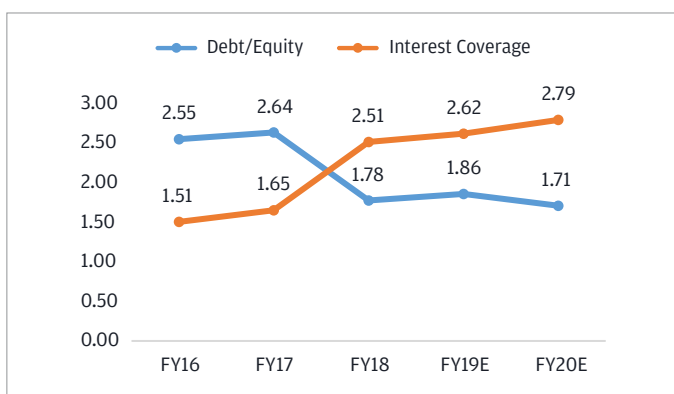
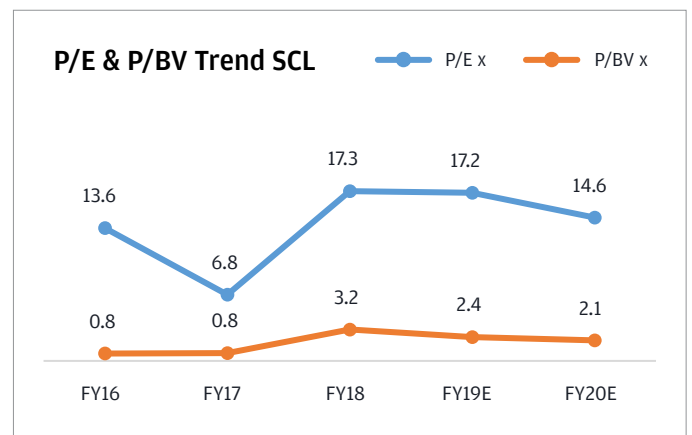
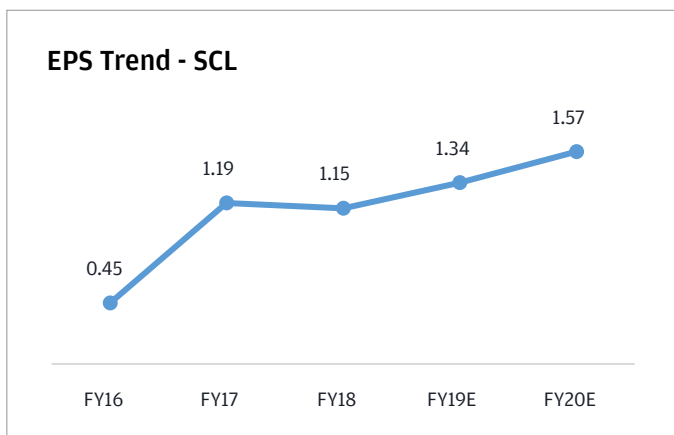
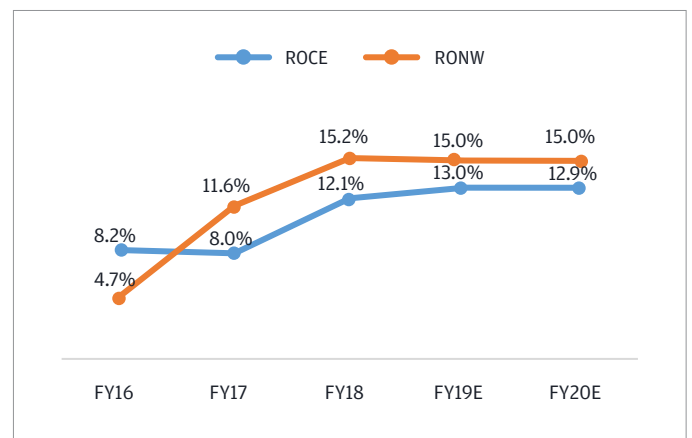
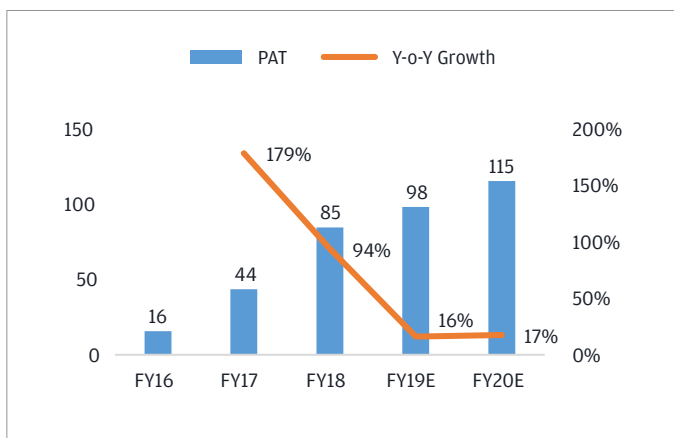
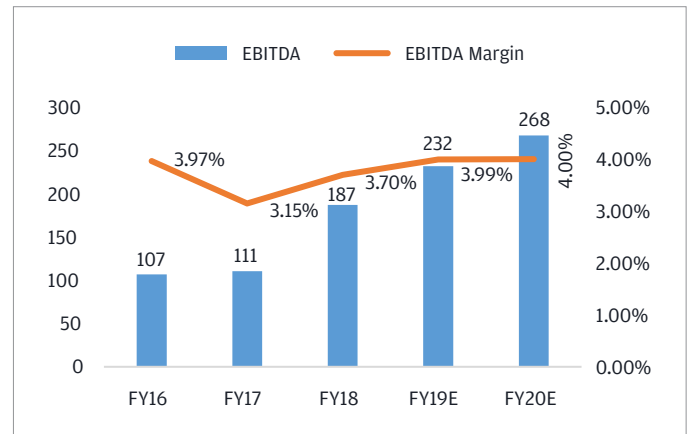
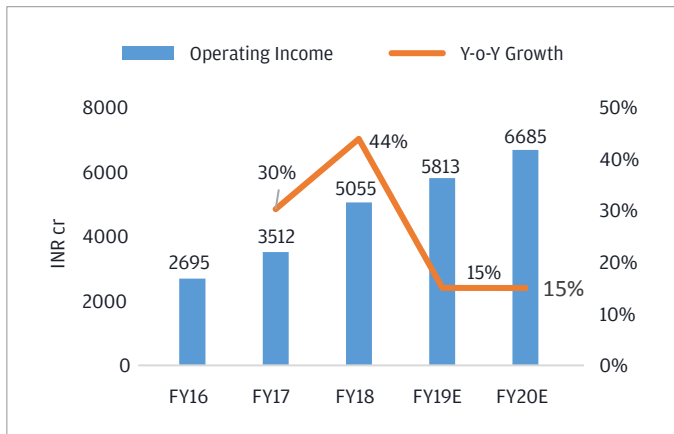
	All figures are for Trailing Twelve Months (TTM)					INR crores
Company Name	Chaman Lal Setia Exports	Kohinoor Foods Ltd.	KRBL Ltd.	LT Foods Ltd.	Sanwaria Consumer Ltd.	
Date	30-Jun-2018	30-Jun-2018	30-Sep-2018	30-Jun-2018	30-Sep-2018	
Revenue	788.78	614.97	3646.82	2177.39	5172.23	
EBITDA	72.13	-7.12	819.64	162.06	254.24	
Interest	7.94	82.40	45.55	77.99	78.37	
PAT	41.75	-106.44	478.18	48.74	136.04	
Equity Capital	10.35	35.24	23.54	31.99	73.61	
Adj EPS (in Rs)	8.07	-30.20	20.31	1.52	1.67	
EBITDA Margin %	9.14	-1.16	22.48	7.44	4.90	
PAT Margin %	5.29	-17.31	13.11	2.24	2.62	

## Financials

Crores	FY16	FY17	FY18	FY19E	FY20E
Result Type	Audited	Audited	Audited	Estimated	Estimated
Total Operating Income	2695.25	3512.44	5054.73	5812.94	6684.88
Raw Material Consumed	1729.34	523.11	456.95	5470.09	6274.01
Cost of Goods Sold	2544.25	3347.05	4780.42	5463.69	6271.50
Selling, General and other Administrative expenses	44.06	54.74	87.23	117.05	145.78
Operating Expenses	2588.35	3401.85	4867.65	5580.74	6417.28
OPBDIT	106.89	110.58	187.08	232.20	267.60
Depreciation/Amortization/Impairment	7.93	7.27	8.03	8.56	8.98
OPBIT	98.96	103.31	179.05	223.64	258.62
Interest and Finance Charges	71.01	66.91	74.40	88.65	95.76
OPBT	27.96	36.41	104.65	134.99	162.86
Non Operating Income(Expenses)	11.97	13.37	11.85	11.80	9.50
PBT	39.92	49.78	116.50	146.79	172.36
Provision for Taxes	5.83	6.10	31.82	48.44	56.88
PAT	15.68	43.68	84.69	98.35	115.48
EPS	0.45	1.19	1.15	1.34	1.57
DPS	0	0.15	0	0	0
P/E x	13.6	6.8	17.3	17.2	14.6
P/BV x	0.75	0.78	3.21	2.4	2.1
EBITDA Margin %	3.97%	3.15%	3.70%	3.99%	4.00%
PAT Margin %	0.58%	1.24%	1.68%	1.69%	1.73%
RoCE %	8.24%	7.99%	12.14%	12.95%	12.95%
EQUITY AND RESERVES	370.29	414.26	594.13	692.49	807.97
Share capital	34.81	36.81	73.61	73.61	73.61
Reserves and Surplus	248.71	340.06	383.86	482.21	597.69
Revaluation Reserve	36.77	37.39	36.67	36.67	36.67
Non-current liabilities	26.29	25.87	34.43	34.42	34.42
Long-Term Borrowings	9.34	9.38	18.69	18.69	18.69
Deferred tax Liabilities (Net)	16.74	16.29	15.28	15.28	15.28
Long-Term Provisions	0.20	0.20	0.45	0.45	0.45
Current liabilities	1080.12	1071.75	1103.14	1348.71	1456.56
Short-Term Borrowings	841.19	984.04	972.15	1200.00	1300.00
Trade Payables	199.97	45.46	66.55	70.45	68.67
Other Current Liabilities	24.47	27.27	15.99	72.56	80.94
Short-Term Provisions	14.49	14.97	48.45	5.70	6.95
Total Liabilities	1476.70	1511.88	1731.70	2075.62	2298.95
ASSETS					
Non-current assets	170.67	160.33	152.72	147.17	141.69
Net Fixed assets	114.23	106.96	98.93	92.37	86.39
Non Current Investments	36.30	36.31	36.30	36.30	36.30
Other Non Current Assets	20.14	17.07	17.50	18.50	19.00
Current assets	1306.03	1351.55	1578.97	1928.45	2157.26
Inventories	534.12	505.27	524.91	665.83	772.66
Trade Receivables > Six Months	0.37	0.00	0.00	0.00	0.00
Trade Receivables < Six Months	673.40	727.16	916.03	1099.92	1215.08
Cash and Cash Equivalents	15.73	16.63	29.26	34.02	29.06
Short-Term Loans and Advances	70.43	79.16	102.43	120.18	130.46
Other Current Assets	11.92	23.32	6.33	8.50	10.00
Total Assets	1476.70	1511.88	1731.70	2075.62	2298.95
D-E Ratio	2.55	2.64	1.78	1.86	1.71
Current Ratio	1.21	1.26	1.43	1.43	1.48

<sup>3</sup> Source: Ace Equity

# Graphs and Charts



## DISCLOSURES & DISCLAIMER

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