

CMP Rs. 110.25

Target Rs. 200

SENSEX- 12982.98

BUY

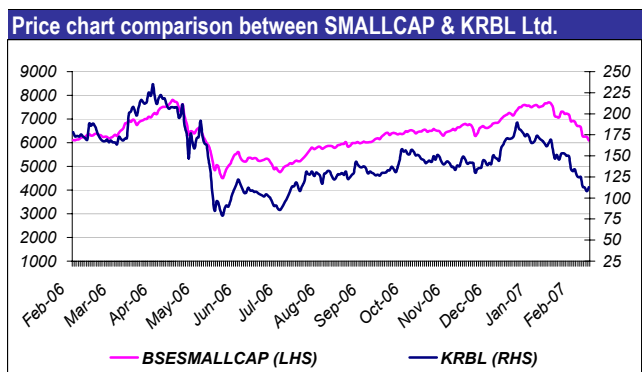
Shareholding Pattern-31.12.2006		Key Share Data	
Promoters	49.91%	FV	Rs. 10.00
Institutions	3.51%	Equity Capital	Rs. Cr. 24.35
Govt. Holding	0.00%	Mkt. Cap.	Rs. Cr. 268.46
Non Promoter holding	7.65%	52-wk High	Rs. 243.00
Indian Public	13.11%	52-wk Low	Rs. 77.60
Foreign	25.82%	Avg. Yearly Volume	172098

Other Key Share Data	
BSE Code	530813
NSE Code	KRBL
Reuters Code	KRBL.BO
Bloomberg Code	KRB@IN

Financials	Rs Crores			
	FY06	FY07(E)	FY08(E)	FY09(E)
Net Sales	724.76	1034.46	1230.22	1349.88
Sales Gr	44.16%	42.73%	18.92%	9.73%
EBIDTA	91.03	145.98	179.38	207.99
PAT	32.03	59.82	81.01	101.87
PAT Gr	96.74%	86.76%	35.42%	25.76%
EPS (Rs.)	13.15	24.57	33.27	41.91
Cash EPS	20.57	31.72	41.21	49.78

Quarterly Financials	Rs Crores			
	Q3FY07	Q3FY06	% change	9mFY07
Net Sales	279.52	214.84	30.11%	697.58
EBIDTA	39.90	27.69	44.10%	103.04
PAT	19.02	10.53	80.63%	48.19
EPS	7.81	4.32	80.63%	19.79

Key Financial Ratios	FY06	FY07(E)	FY08(E)	FY09(E)
Debt-Equity	1.98	1.40	1.13	0.91
P/E	8.38	4.49	3.31	2.63
P/BV	0.98	0.83	0.67	0.54
P/Cash EPS	5.36	3.48	2.68	2.21
MCap/Sales	0.32	0.26	0.22	0.20
EV/EBIDTA	7.10	4.66	3.74	3.12
RoNW	15.87%	21.21%	22.38%	22.67%
RoCE	10.50%	13.62%	15.20%	16.09%
OPM (%)	10.63%	13.51%	13.94%	14.77%
NPM (%)	4.42%	5.78%	6.58%	7.55%



Company Profile:

KRBL Ltd., founded in 1988, is one of the leading exporters of basmati rice in India, with presence in more than 11 countries across the world (US, Europe, Africa and Gulf). It contributes 9% to India's total basmati exports and is focused on branded products (83% of total exports). It has its plants in Ghaziabad, Uttar Pradesh, Punjab, Delhi and Maharashtra.

Investment Rationale:

Capacity additions to meet rising demand: KRBL had increased its total rice milling capacity from 67.50 MTPH (Metric Tonne Per Hour) in FY05 to 157.50 MTPH in FY06 and further to 198 MTPH during FY07. This will help the company to meet the growing demand in the coming years.

Escalating Operating Margins (OPMs): KRBL has been able to improve its OPMs over the years i.e, from 5.09% in FY04 to 10.63% in FY06. We expect the company to maintain its margins above 14% for the next few years.

Tapping the huge export market: Export contributes around 52% of the company's total sales. KRBL exports to 11 countries with Middle East, Africa and North America being the major importers of its products.

Brand Product Portfolio: Over the years, KRBL has developed strong brand names like India Gate, Doon, Bemisal, Noor Jahan, Al Wisom, Lotus etc., which contribute around 83% to total revenues.

Adequate paddy availability: KRBL has been able to procure its paddy requirement regularly due to the timely payment made to the farmers and adoption of various measures like contract farming. This helps the company to achieve sustainable growth.

By-products to add value: KRBL claims to be one of the leading players in integrated rice processing industry. It has a total Bran Oil capacity of 42 MTPD, Furfural of 10 MTPD and a total power generating capacity of Rs. 26.6 MW. This helps the company to improve its OPMs.

Outlook & Recommendation:

KRBL, with a major market share in India and abroad, will benefit from increasing exports, strong brand value and a better product mix in the future. We believe that the company having a long experience and a healthy track record, will be able to achieve sustainable growth in the years to come.

KRBL is currently trading at 3.31 x FY08E earnings and 2.63 x FY09E earnings of Rs. 33.27 and Rs. 41.91 respectively. **We rate the stock a BUY with a 1-year price target price of Rs. 200 at 5x FY09E earnings.**

Company Background: *KRBL Ltd. (KRBL)* was founded in 1988 by two brothers - Khusi Ram (KR) and Behari Lal (BL). It is one of the leading basmati rice exporters from India, with a presence in more than 25 countries across the world (US, Europe, Africa and Gulf). It contributes 9% to India's total basmati exports and is focused on brand branded exports (83% of total exports).

It has its plants in Ghaziabad (with a total rice milling capacity of 45 MTPH), Punjab (with a total rice milling capacity of 150 MTPH, furfural capacity of 10 MTPD, rice bran oil capacity of 42 MTPD and power generation capacity of 10.5 MW), Maharashtra (with a power generation capacity of 12.5 MW) and two rice processing units at Kandla (40 MTPH) and Alipur (30MTPH) in Delhi.

Industry Outlook: Rice is the most consumed cereal in the world. Asia contributes more than 90% to the total world production. Geographically the overall supply is highly concentrated with top 10 exporters contributing about 90% to the total exports. On the contrary, geographically demand is quite diverse with top 10 importers accounting for approximately 40% of the total world imports.

Indian Rice Scenario

- India is the second largest producer of rice after China, producing around 86 mn MT of milled rice per annum. Unusually favourable weather conditions resulted in exceptionally good crop in the calendar year 2005. Thus, milled rice production in India increased by 0.8% to 86.4 mn MT coupled with 1.7% increase in the area harvested to 43 mn hectares.
- According to FAO, US, domestic consumption in South Asia is expected to grow at around 2.05% CAGR. In India, the rise in population should be the underpinning factor for rising rice demand.
- Indian production is expected to rise to 140m MT by 2010 based on 0.8% growth in area harvested and 1.39% improvements in the yield backed by strong R&D activities resulting into high yielding varieties of rice.
- Of the total 86 mn MT rice produced in the country, basmati rice contributes around 2 mn MT/annum, of which around two-thirds is exported. Pakistan is the sole competitor for India in the international market for basmati rice.

Basmati Rice Scenario

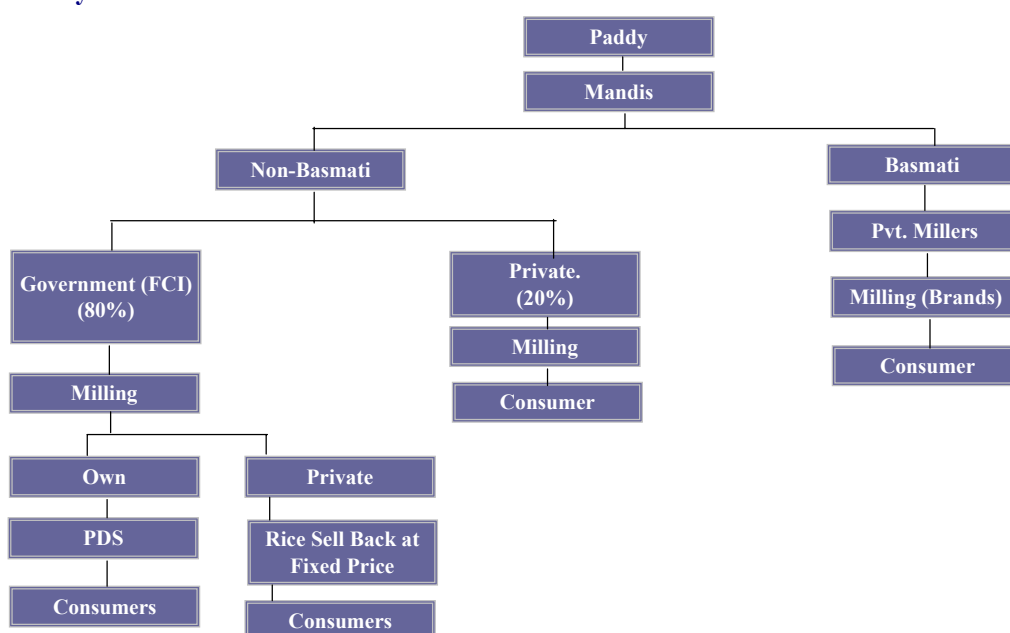
- India and Pakistan are the only countries that produce basmati rice in the world. Basmati is grown only on the foothills of India and Pakistan. In India it is grown in the Indo-Gangetic belt with bulk production coming from Uttar Pradesh, Haryana and Punjab.
- The distinct characteristics of basmati rice (i.e., long slender grains, aroma, pearl white lustre, linear elongation and separation after cooking) and increasing popularity justify the price premium that basmati enjoys over the non-basmati varieties in India.
- According to Agricultural and Process Food Products Export Development Authority (APEDA), exports were down by 0.13% YoY at 1.161 mn MT for the year ended March 2006.
- Between the period April-July 2006, basmati exports at 0.296m MT, were significantly down by 21.5% valued at Rs.7,779.8m. In FY07, exports are expected to be down by around 15% on account of lower basmati production.
- Gulf region is the major market for Indian basmati rice including Saudi Arabia that accounts for the 57% of basmati exports from India. UK is the next important market for Indian basmati accounting for 10% of basmati exports followed by Kuwait that buys around 8% of India's exports.

Indian Basmati Exports

Saudi Arab	57%
UK	10%
Kuwait	8%
U Arab EMTs	5%
Yamen Arab Republic	3%
USA	3%
Italy	2%
Canada	1%
France	1%
Germany	1%
Belgium	1%
Others	8%

Source: Company & SKP Research

Paddy Procurement Network in India



Source: Company & SKP Research

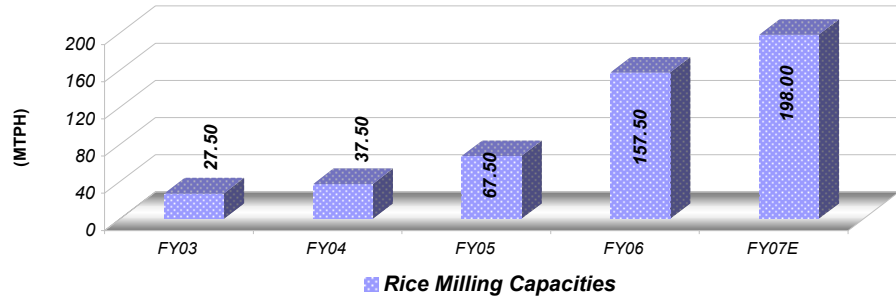
Generally the total paddy is brought to the mandies for both the varieties of rice i.e., Basmati and Non Basmati. Out of the total non-basmati paddy produced, 80% is secured by Government for which MSP (Minimum Statutory Price) is declared well in advance. This assurance of the price is modulated through agriculture produce markets locally called ‘mandis’. Food Corporation of India (FCI) is one of the largest organizations in the world and it undertakes assured procurement of food grains on behalf of Government of India throughout the country. Stocks of paddy directly purchased from the farmers are subsequently milled by FCI in their own mills or are allotted to private millers. Private millers have to process the paddy and sell back the rice produced to Government at predetermined price. Private millers thus can either directly produce rice by purchasing paddy or can purchase paddy from government and then resell back.

Basmati Paddy is brought to mandis by the farmers from where ‘Pucca Artiya’ (agents) purchases the paddy. Farmers have the right to sell the paddy to anyone, irrespective of the price offered. ‘Artiyas’ are appointed by the private millers who try to cover up as many mandis as possible to strengthen their procurement network.

Investment Positives:

Capacity additions to meet rising demand: Over the period KRBL has been increasing its plant capacities. It had acquired the largest rice mill in the world from Oswal Agro in Dhuri, Punjab for Rs.15.80 crores. This mill, with initial capacity of 130 MTPH, is now increased to 150 MTPH with an additional cost of Rs.40 crores. In addition, Dadri plant's capacity is increased from 38 MTPH to 48 MTPH taking their total capacity to 198 MTPH. This is expected to boost the topline by 23.04% CAGR over FY06-09.

.....with the rising demand and increased capacity, KRBL's revenues are expected to increase at 23.04% CAGR over FY06-09.

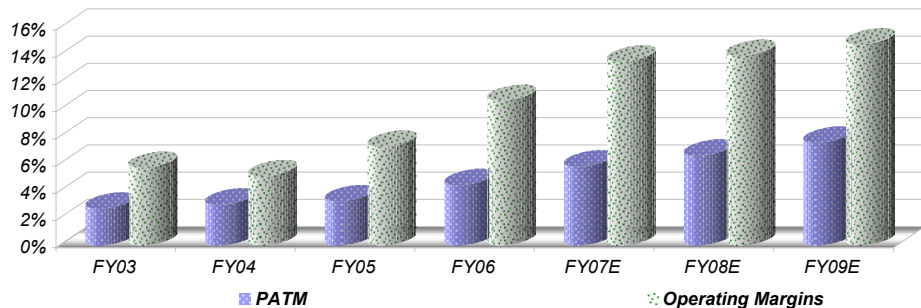


Source: Company & SKP Research

Escalating Margins: KRBL has managed to increase its Operating Margins (OPMs) in last few years. OPM for FY04 was 5.09%, whereas it was 10.63% in FY06. The OPMs have further increased to 13.76% in Q2FY07. This is largely due to increase in realisations and better product mix. They have increased their sales for basmati rice in the last few years, the prices for which have been rising. KRBL have also developed their brands over the periods, which gives them a premium to their product. We expect the company to maintain its OPMs above 14% over the next few years.

Profit and Operating Margins of KRBL

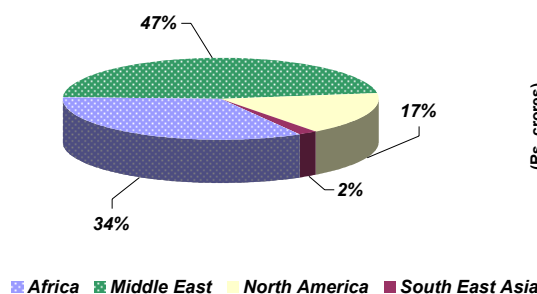
.....OPMs are expected to increase from 10.63% in FY06 to 14.61% in FY09



Source: Company & SKP Research

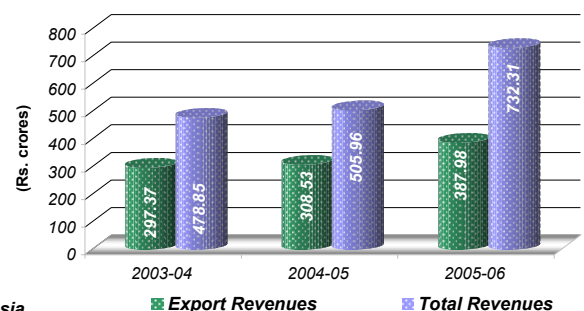
Tapping the Huge Export market: Exports contribute around 52% of the company's total sales. KRBL has strong foothold in overseas markets with 52% share of basmati rice market of USA and dominant presence in Middle East through various co-operatives, wholesalers, supermarkets, restaurants and others .

KRBL's Major Export Markets



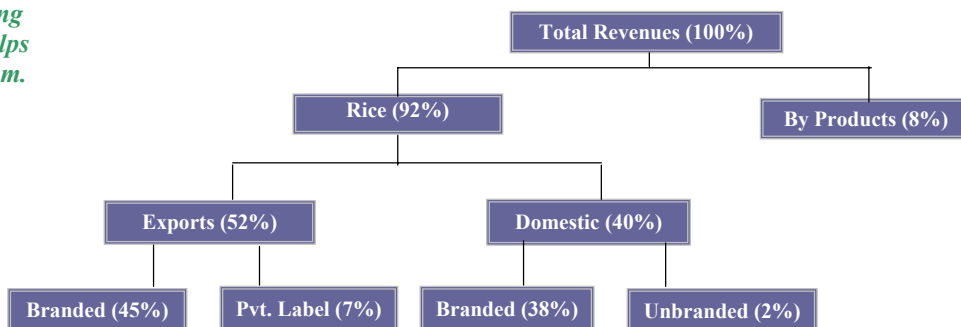
Source: Company & SKP Research

Revenues from Exports



Branded Product Portfolio: KRBL had developed a huge brand name over the years both domestically as well as in the export market. KRBL owns strong brands like India Gate, Doon, Bemisal, Nur Jahan, Al Wisam, Lotus, etc. It contributes 30% in India's branded rice sales and around 9% of the total Basmati rice exports from India. Branded rice contributes around 83% of KRBL's revenue. Building-up of these Brands helps the company to get premium over the others. The company had also ventured into an agreement with Big Bazaar, D'mart, Nil Giri, Food Land, Dhoppe Rite, V-Mart, Vishal Mega Mart, Spencer Plaza and Reliance Retail chain of stores, resulting in a greater shelf presence and wider customer base.

.....Branded rice contributing 83% to KRBL's revenues helps the company to earn premium.

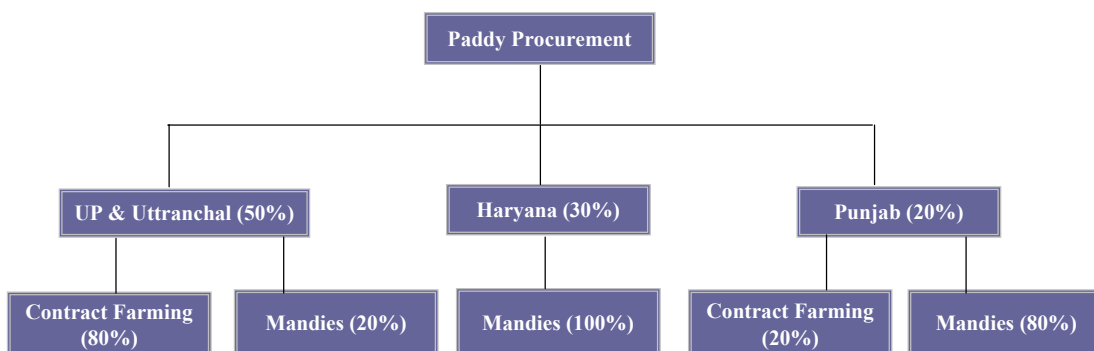


Source: Company & SKP Research

Adequate paddy availability: Paddy is the main raw material for the company which accounts for 65% of the total raw material costs. KRBL is well placed in terms of procuring paddy from the farmers. The company have taken various initiatives for the regular availability of paddy like contract farming, timely payment to the farmers, educating the farmers about the right methods of rice cultivation. It will process Indian non-basmati (35%) as well as basmati rice (65%). Out of the 35% non-basmati portion, around 28% will be through job work and rest will be their own production. Thus, the apprehension for unavailability of paddy for non-basmati is unfounded.

....Initiating the process of contract farming, helps KRBL to procure paddy regularly.

KRBL's Paddy Procurement Network



Source: Company & SKP Research

A strong relationship with the farmers through contract farming differentiates KRBL from its competitors. Currently, about 44% of the company's paddy requirements is derived from the contract farming. The Agri-Service Division works closely with the farmers during each lifecycle of the crop i.e., from sowing and replantation to harvesting and threshing, thereby ensuring procurement according to the desired standard. With the adoption of contract farming the company pushes the farmers to shift to the basmati rice cultivation, which is the thrust area for KRBL.

Presently, over 87000 acres are under contract farming programme up from 65000 acres last year. KRBL has recently signed an agreement with the Punjab Govt. to undertake contract farming over 18000 acres by 2010. KRBL has also signed a 750 acre seed farm and a 4 tph seed plant for supplying quality seeds to the farmers.

.....revenues from the by-products will help the company to boost its OPMs

By-products to add value: KRBL claims to be one of the leading players in integrated rice producing companies. It has a total Bran Oil capacity of 42 MTPD, Furfural of 10 MTPD and a total power generating capacity of Rs. 26.6 MW.

The Dhuri plant producing bran oil (42 MTPD capacity), furfural (10 MTPD capacity) and cattle feed is expected to contribute Rs.57 crore and Rs. 72 crore to topline in FY08 and FY09 respectively, alongwith boosting it's margins from 10.63% in FY06 to around 14.77% in FY09.

KRBL has the capacity to generate 10.5 MW of power using rice husk as fuel at a very low cost. The company will consume approximately 50% of the total power generated and the rest will be supplied to PSEB (Punjab State Electricity Board) at Rs. 3.49 per unit.

...setting-up power plant will result in cost-savings, thereby the Operating Margins.

Besides, the company has set up 12.5 MW windmill in Dhulia, Maharashtra for which it has signed a PPA (Power Purchase Agreement) with MSEB (Maharashtra State Electricity Board). This PPA is for next 13 years @ Rs.3.5/unit and an increment of Rs.0.15 per unit every year. The total revenues from power is expected to be around Rs. 10 crores /annum.

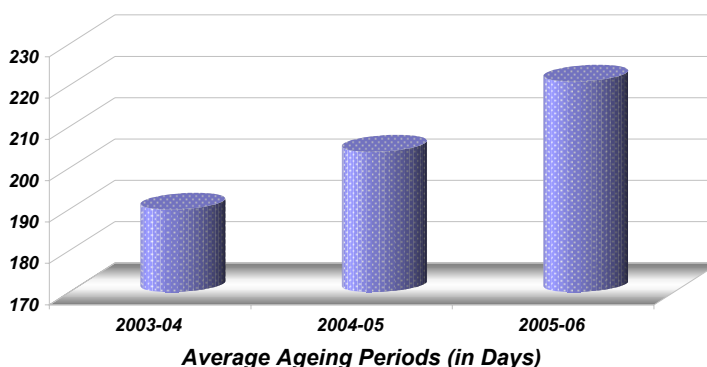
KRBL is in the process of setting up a 3.6 MW power plant in Ghaziabad for captive consumption. This is expected to result in cost savings and will increase margins significantly.

Better Quality Assurance: The need to age basmati and seasonal harvests, creates an elongated working capital cycle and underscore for branding. Basmati is harvested only once a year and therefore rice mills need to build up the inventory during the harvesting season for processing throughout the season. Basmati is also needed to be aged to get the best cooking characteristics of the product. As a result Basmati rice business has an extended working capital cycle of 16-18 months. Large organised players has the capacity to hold inventory for ageing the rice unlike the unorganised players. Thus, the offerings of branded players command a premium over those of unbranded players for ensuring the consumers a better quality product.

KRBL has a huge storage capacity which helps the company to increase the ageing cycle for a better quality product. It has a storage capacity of 1,50,000 MT with a warehousing facility over an area of 7,00,000 sq. ft. in Ghaziabad, 132 acre open storage and 4,00,000 sq. ft. closed warehouse in Punjab (another 6,00,000 sq. ft. under construction) and 1,30,000 sq. ft. for storing 20,000 MT of rice in Alipur.

Due to the huge storage facilities and the companies initiatives towards improving the quality, it has been able to extend the ageing cycle of Basmati rice by 17 days to 221 days in 2005-06, thereby ensuring a better quality product which enjoys higher realisations.

.....building-up of huge storage capacities will help KRBL to extend the ageing cycle, thereby ensuring better quality products.



Source: Company & SKP Research

Peer Group Comparison

- KRBL is the largest company in the pure rice processing industry in terms of rice milling capacity. It ranks as the second largest in term of revenues with a decent OPMs of 10.63% in FY06, which has further increased to 13.77% in Q3FY07.
- KRBL has a relatively healthy Debt-Equity ratio of 1.98, compare to others.
- As far as the valuations are concerned KRBL stands out to be the most attractive one among its peers. It has the lowest Price Earning ratio (P/E) and EV/EBIDTA ratio of 4.84 and 7.38 respectively.

KRBL 's Price to Book Value (P/BV) ratio is at 0.98, which is relatively cheaper than its peers.

	Kohinoor Foods	KRBL	L T Overseas	Lakshmi Energy	REI Agro
Capacity (MTPH)	40	198	30	80	49
N Sales	539.94	724.76	400.77	558.39	957.84
OPM	8.45%	10.63%	7.01%	13.30%	15.61%
PATM	3.85%	4.42%	2.78%	7.52%	6.89%
RoNW	18.26%	15.87%	20.08%	32.81%	26.79%
RoCE	12.21%	10.50%	14.35%	25.83%	15.77%
P/E *	5.98	4.84	9.16	9.98	11.31
P/BV	1.12	0.98	0.49	5.58	4.71
EV/EBIDTA	8.87	7.38	9.33	13.32	10.65
M. Cap/Sales	0.25	0.36	0.23	1.63	0.89
Debt Equity	2.92	1.98	3.70	0.64	2.31
Current ratio	1.38	1.32	1.12	1.61	1.86
Debtor Days	40	58	48	5	73
Creditor Days	16	16	13	15	5
Interest coverage ratio	2.88	2.52	1.96	11.41	3.83

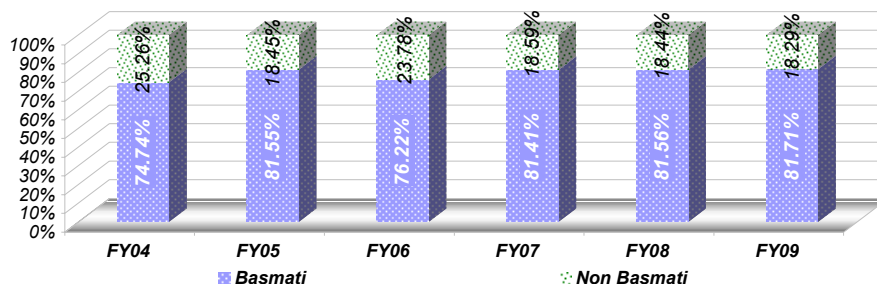
* P/E ratio calculated on trailing 12 months basis.

Source: Company & SKP Research

Financial Performance:

The company's Net Sales, EBIDTA and PAT have registered a CAGR of 22.86%, 25.39% and 21.88% respectively, over the last five years. The revenues from the rice processing was Rs. 664 crores out of the total revenue of 724.76 crores. Rest of the revenue came from by-products and the trading activities. Out of the total revenues from rice, basmati and non-basmati rice contributed 76.22% and 23.78% respectively. Total revenues for 9mFY07 increased by 28.35% to Rs. 697.58 crores. During 9mFY07 the company has sold 1,84,822 MT of basmati rice and 82,000 MT of non-basmati rice. KRBL will continue to draw maximum revenues from basmati rice segment, which its key focus area.

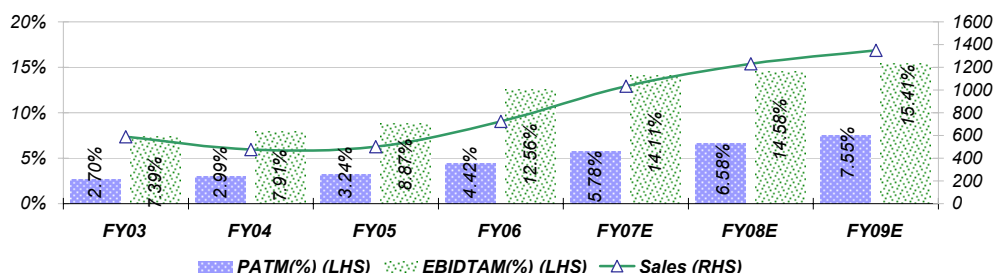
...KRBL revenues are expected to grow at 23.04% CAGR of the period of FY06-09.



Source: Company & SKP Research

KRBL had witnessed an Operating Margin of 10.63% in FY06, which has increased to 13.77% in 9mFY07 compared to 12.39% last year. Improving realisations from both the rice segment and larger focus towards the premium segment of basmati rice has lead to the increase in OPMs. PAT for the 9mFY07 increased by 80.60% to Rs 19.02 crore compared to Rs. 10.53 crores last year. It was majorly due to higher sales, better operating margins and lower interest costs. We expect the company's PAT to increase at 47.06% CAGR over the period of FY06-09.

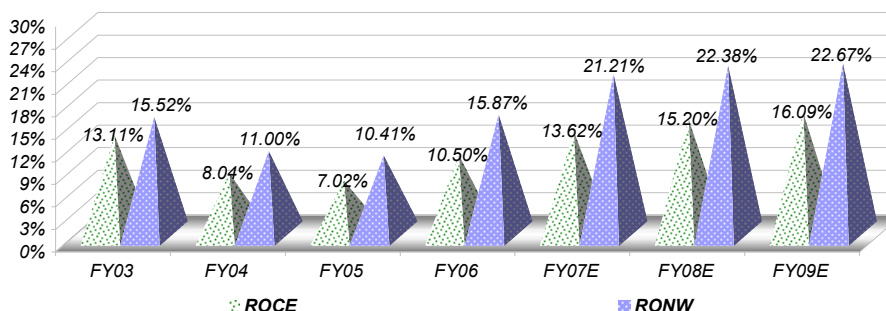
....larger focus towards the premium segment of basmati rice has lead to the increase in EBIDTA margins.



Source: Company & SKP Research

KRBL had a massive jump in its Return on Net Worth (RoNW) and Return on Capital Employed (RoCE) in FY06. RoNW increase to 15.87% in FY06 compared to 10.41% in FY05, whereas the RoCE increased to 10.50% in FY06 compared to 7.02% in FY05. Major reason for increasing RoNW was due higher earnings on the back of increased revenues and improved OPMs. KRBL has been able to maintain its debt-equity ratio at industry acceptable level. We expect the company's returns to improve in the next couple of years due to the earnings visibility and the company's ability to maintain its leverage positions.

....earnings visibility and KRBL's ability to maintain its leverage positions will improvise the returns.



Source: Company & SKP Research

Income Statement (Rs. Crores)

Year End March	FY06	FY07E	FY08E	FY09E
Net Sales	724.76	1034.46	1230.22	1349.88
Growth in Sales (%)	44.16%	42.73%	18.92%	9.73%
Other Income	14.00	6.24	7.95	8.60
Stock Adjustment	13.14	37.33	25.31	39.97
Total Income	751.90	1078.03	1263.49	1398.45

Raw Material Consumed	543.59	768.79	890.77	970.55
Employee Cost	8.96	11.20	13.10	15.40
Power & Fuel Cost	12.58	20.69	24.60	27.00
Other Expenses	35.97	52.76	68.28	81.67
Selling & Admin Expenses	55.57	77.58	86.12	94.49
Misc. Expenses	4.20	1.03	1.23	1.35
Total Expenditure	660.87	932.06	1084.10	1190.46

Operating Profit	77.03	139.73	171.43	199.40
OPM (%)	10.63	13.51	13.94	14.77
EBIDTA	91.03	145.98	179.38	207.99
Interest	30.56	41.87	42.65	43.13
Depreciation	11.89	17.41	19.34	19.34
PBT	48.58	86.70	117.40	145.53
Income Tax	16.55	26.88	36.39	43.66
PAT	32.03	59.82	81.01	101.87
Growth in PAT (%)	96.74%	86.76%	35.42%	25.76%

Eq. Capital (Rs. Crores)	24.35	24.35	24.35	24.31
EPS (Rs.)	13.15	24.57	33.27	41.91
Cash EPS (Rs.)	20.57	31.72	41.21	49.78
Dividend per Share (Rs.)	2.27	2.00	2.00	2.00

Ratio Analysis

Year End March	FY06	FY07E	FY08E	FY09E
Valuation Ratios				
Price Earning (P/E)	8.38	4.49	3.31	2.63
Price / Book Value	0.98	0.83	0.67	0.54
Price / Cash EPS	5.36	3.48	2.68	2.21
EV / EBIDTA	7.10	4.66	3.74	3.12
Market Cap / Sales	0.32	0.26	0.22	0.20

Earning Ratios

OPM (%)	10.63%	13.51%	13.94%	14.77%
NPM (%)	4.42%	5.78%	6.58%	7.55%
CEPS (%)	2.84%	3.07%	3.35%	3.69%
RoNW (%)	15.87%	21.21%	22.38%	22.67%
RoCE (%)	10.50%	13.62%	15.20%	16.09%

Balance Sheet Ratios

Debt-Equity	1.98	1.40	1.13	0.91
Current Ratio	21.31	11.43	11.09	12.68
Debtors Days	58	55	55	58
Creditors Days	16	15	20	20
Inventory Days	172	149	148	152
Interest Coverage Ratio	2.98	3.49	4.21	4.82

Turnover Ratios

Fixed Asset	7.05	8.06	9.45	12.18
Inventory	2.13	2.45	2.46	2.40
Debtor	6.29	6.67	6.67	6.25

Balance Sheet (in Crores)

Year End March	FY06	FY07E	FY08E	FY09E
Equity Share capital	21.35	24.35	24.35	24.35
Reserves	219.28	299.06	376.03	473.87
Networth	240.63	323.41	400.38	498.22
Secured Loan	451.87	451.87	451.87	451.87
Unsecured Loan	25.74	0.00	0.00	0.00
Total Liabilities	718.24	775.28	852.25	950.09

Gross Block	163.09	203.53	203.53	203.53
Depreciation	46.28	63.69	83.03	102.37
Net Block	116.81	139.84	120.50	101.16
Capital Work-in-Progress	30.44	0.00	0.00	0.00
Investments	0.00	0.00	0.00	0.00

Current Assets

Inventories	377.52	465.98	532.96	592.03
Debtors	142.40	167.94	201.13	230.83
Cash & Bank Balance	67.05	39.96	49.40	70.64
Loans & Advances	20.49	31.19	29.57	36.74

Current Liabilities & Provisions

Current Liabilities	21.09	54.09	65.78	65.79
Provisions	7.42	7.57	7.57	7.57

Net Current Assets	578.95	643.41	739.71	856.89
Misc. Exp not written off	0.00	0.00	0.00	0.00
Net Deferred Tax Asset	-7.96	-7.96	-7.96	-7.96
Total Assets	718.24	775.28	852.25	950.09

Cash Flow Statement

Year End March	FY06	FY07E	FY08E	FY09E
Cash Flow from Operations				
PBT	48.61	86.70	117.40	145.53
Add: Depreciation	11.89	17.41	19.34	19.34
Interest	27.42	37.08	36.43	36.43
Others	0.02	0.00	0.00	0.00
Total	87.94	141.19	173.16	201.30
Change in Working Capital				
Change in Receivables	3.94	88.56	21.57	36.87
Change in Inventory	73.93	88.46	66.98	59.07
Change in Payables	-16.86	33.00	11.68	0.02
Direct tax Paid	13.18	26.05	35.57	42.83
Net change in WC	-167.89	-117.74	-122.44	-138.76
Total	-79.95	23.44	50.73	62.53

Cash flow from Investing Activities

Change in Fixed Assets	40.06	40.44	0.00	0.00
Change in CWIP	10.94	-30.44	0.00	0.00
Change in Investment	0.00	0.00	0.00	0.00
Total	-51.00	-10.00	0.00	0.00

Cash Flow from Financing

Change in Equity	51.08	1.26	0.00	0.00
Change in Debts	166.46	0.00	0.00	0.00
Dividend Paid	-3.58	-4.86	-4.86	-4.86
Others	-27.91	-36.93	-36.43	-36.43
Total	186.05	-40.53	-41.29	-41.29

Opening Cash	11.95	67.05	39.96	49.40
Cash Flow	55.10	-27.09	9.44	21.24
Closing Cash	67.05	39.96	49.40	70.64

Concerns:

- **Uncertainty of climatic conditions:** The company is majorly dependent on the availability of paddy which in turn is depends on the climatic conditions like adequate rainfall. KRBL procures paddy largely from UP, Uttaranchal, Punjab and Haryana that enjoys adequate rainfall and is reinforced with proper irrigation facilities. The company has taken initiatives to invest on setting up irrigation facilities in major paddy procurement areas. In spite of the above any major shortfall or abundance in rainfall can have an adverse affect on the company.
- **Adequate paddy availability:** Although the company has taken various initiatives like contract farming, any crop failure due to any natural calamities like drought, flood etc. can limit the availability of paddy. This may bring down the company's revenues significantly.
- **Foreign Exchange risk:** Export contributes 52% of KRBL's total revenue. Although the company adopts hedging mechanism to mitigate the foreign exchange risk, but a major fluctuation in forex rates can have an adverse effect on the company.

Outlook & Recommendation:

KRBL, with a major market share in India and abroad, will benefit from increasing exports, strong brand value and a better product mix in the future. We believe that the company having a long experience and a healthy track record, will be able to achieve sustainable growth in the years to come.

KRBL is currently trading at 3.31 x FY08E earnings and 2.63 x FY09E earnings of Rs. 33.27 and Rs. 41.91 respectively. **We rate the stock a BUY with a 1 year price target of Rs. 200 at 5x FY09E earnings.**

Our Latest Reports

Company Name	Reco. Date	Reco. Price	Target Price	H/L since Reco.	Current Price
Hanung Toys & Textiles Ltd.	6-Mar-07	Rs. 107.05	Rs. 165.00	Rs. 116.80/100.85	Rs. 116.80
IMP Powers Ltd.	2-Feb-07	Rs. 121.50	Rs. 178.00	Rs. 119.65/90.00	Rs. 90.20
Gayatri Projects Ltd.	31-Jan-07	Rs. 388.50	Rs. 575.00	Rs. 399.70/223.15	Rs. 270.25
Manugraph India Ltd.	16-Jan-07	Rs. 252.70	Rs. 345.00	Rs.249.25/180.25	Rs. 190.20
Cera Sanitaryware Ltd.	13-Jan-07	Rs. 148.95	Rs. 225.00	Rs. 160.60/132.50	Rs. 138.05
Ahmednagar Forgings Ltd.	10-Jan-07	Rs. 288.85	Rs. 438.00	Rs. 288.45/223.50	Rs. 242.45
Nitco Tiles Ltd.	4-Jan-07	Rs. 248.30	Rs. 329.00	Rs. 260.25/178.90	Rs. 198.30
Mcnally Bharat Engg. Co. Ltd.	30-Dec-06	Rs. 146.25	Rs. 210.00	Rs. 185.90/135.60	Rs. 147.35
Hindustan Sanitaryware Ltd.	12-Dec-06	Rs. 112.70	Rs. 152.00	Rs. 109.90/90.10	Rs. 94.65
Gateway Distiparks Ltd.	16-Nov-06	Rs. 166.70	Rs. 236.00	Rs. 210.70/142.55	Rs. 151.10
Bharti Shipyard Ltd.	11-Nov-06	Rs. 340.30	Rs. 506.00	Rs. 424.65/299.75	Rs. 348.20
Bartronics India Ltd.	30-Oct-06	Rs. 86.70	Rs. 141.00	Rs. 136.10/93.35	Rs. 109.05
Shree Cements Ltd.	16-Oct-06	Rs. 1133.00	Rs. 1500.00	Rs. 1525.75/961.10	Rs. 966.85
Balrampur Chini Mills Ltd.	6-Sep-06	Rs. 98.00	Rs. 138.00	Rs. 114.20/56.50	Rs. 62.05
Gujrat Ambhuja Exports Ltd.	29-Jul-06	Rs. 18.00	Rs. 32.00	Rs. 37.25/17.60	Rs. 27.75

The above analysis and data are based on last available prices and not official closing rates.

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