

BUZZING

STOCK

# Agro Dutch Industries Ltd.

CMP – Rs.24

**Analyst**

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**Key Stock Data**

Sensex	13696
Nifty	3955
Sector	Food Processing
Bloomberg	ADF@IN
Reuters	AGDF.BO
No. of shares (m)	30
Market Cap (Rs m)	715.40
Market Cap (US\$ m)	16
52-week H/L	Rs.51/17

**Shareholding Pattern (%)**

Promoters	26.97
Mutual Funds	4.73
FII's	5.72
Corporate Bodies	10.62
Pubic & Others	21.97

**Agro Dutch Industries Ltd. (ADIL)**, the largest producer and exporter of white mushrooms in India is geared to move on to higher trajectory with its plan of back ward integration. ADIL is on an expansion mode whereby mushroom growing capacity will increase from 36,000 TPA to 50,000TPA . ADIL has its facility located in Punjab that is the largest producer of wheat straw, a crucial substrate for growing mushroom.

**Backward Integration:** ADIL is the largest can maker in India manufacturing finest quality of cans. Considering the demand potential of food cans with Easy Open Ends (EOE), ADIL plans to manufacture EOE's. ADIL plans to set up international scale EOE plant with capacity of 10,000 TPA for captive consumption and sale in domestic and export market. The work for the new plant has already started and is expected to be completed by FY08. The capex for the plant is estimated to be Rs.558m to be funded by debt and internal accruals.

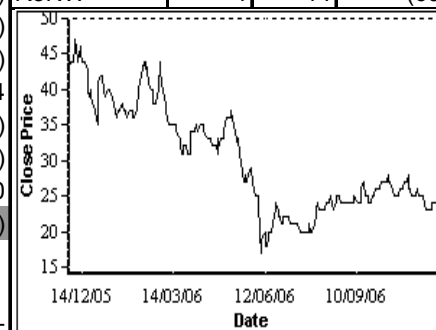
**Mushrooming Exports:** ADIL has strong foothold in North America that imports 1,20,000 MT of canned mushroom. It exports around 80% of its production to North America. Another important export destination is Israel whereby ADIL occupies 75% market share. The company is developing strategies to further increase the share therein. ADIL is also planning to mark its presence in Europe, Romania & Russia that have high consumption of canned mushrooms. It is reviewing opportunities to export to China whereby the production has declined significantly due to their increased focus on real estate development.

**Sound Fundamentals:** ADIL with its climate controlled concrete growing room produces mushrooms round the year unlike China whereby only in winters mushrooms are produced. This also provides an edge in terms of quality whereby mushrooms with higher consistency are produced. Besides its location gives it an unparallel advantage due to perennially availability of wheat straw. In FY06, due to expansion activity, mushroom producing facility could be only partially utilized which impacted the financial performance of the year.

**Valuations:** In H1FY07, revenues at Rs.1064m were up by 51% YoY. EBIDTA margins at 19% increased by 52 bps YoY. PAT at Rs.86m was up by 336% YoY. The current market price discounts the H1FY07 annualized EPS of 5.9 by 4.1x.

## Financial Snapshot

Agro Dutch Industries Ltd.						Rs.m	Ratios (%)			
	Q2 FY07	Q2 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
<b>Financial Year End: March</b>										
Net Sales	542	428	27	1431	1445	(1)	Debt -Equity	1.4	1.5	(8)
Other Income	4	2	141	15	6	148	PBIDTM	24	28	(12)
Total Income	546	430	27	1445	1451	0	PBDM	15	18	(19)
Total Expenditure	437	333	31	1108	1052	5	RoCE	10	16	(35)
PBIDT	109	97	13	337	398	(15)	RoNW	4	14	(69)
Interest	41	39	7	133	134	(1)				
PBDT	68	58	16	204	264	(23)				
Depreciation	21	20	7	79	76	4				
Tax	0	2	(100)	0	9	(97)				
Reported Profit After Tax	46	37	23	52	119	(57)				
Extra -ordinary Items	0	0	0	0	0	0				
Adj. Profit After Extra-ordinary item	46	37	23	52	119	(57)				
No. of shares (m)	30	15	-	30	15	-				
EPS (annualised.) (Rs.)	6.2	10.0	-	1.8	8.0	-				
P/E	3.8	2.4	-	13.2	3.0	-				



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