



### Issue Highlights

Industry	Edible Oil
Issue Size in Cr.	180-190
Price Band in (Rs.)	180-190
Offer Date	28-Apr-10
Close Date	30-Apr-10
Face Value	10
Lot Size	30
IPO Grade	FITCH IPO Grade 2 Indicating Below average fundamentals

### Issue Composition

	In shares
Total Issue	10,000,000
QIB	5,000,000
NIB	1,500,000
Retail	3,500,000

**Book Running Lead Manager**  
Atherstone Capital Markets Ltd.

**Syndicate Member**  
SMC Global Securities Limited

**Name of the registrar**  
Bigshare Services Pvt.Ltd.

### Shareholding Pattern (%)

Particulars	Pre-issue	Postissue
Promoters and promoters group	100	62.72
QIB	-	17
NIB	-	5
Retail	-	12
<b>Total</b>	<b>100</b>	<b>100</b>

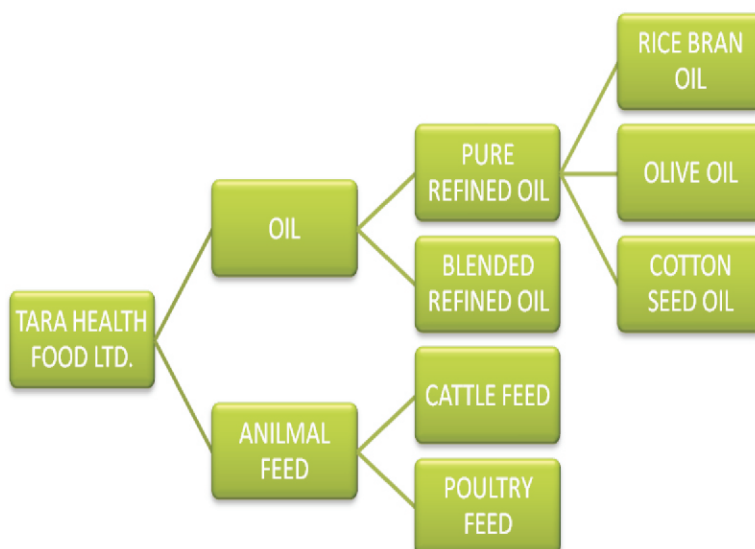
### Analyst

**Shilpi Agarwal**  
shilpiagarwal@smcindiaonline.com

**Kamla Devi**  
kamladevi@smcindiaonline.com

### Business Overview

Catering to the needs of both human & animal nutrition Tara Health Foods Ltd (THFL) product offering can be broadly divided into two categories namely edible oil and cattle feed with its units located at Jitwal Kalan, Sangrur, Punjab and Sitarganj, Uttaranchal (respectively with Uttaranchal unit having breaks in taxes and excise). It is amongst the few players in organized segment with capabilities of producing blended oil and amongst the strongest player in the region in Branded Cattle Feed segment. The company not only produces products but also markets them in the northern part of the country through its wide distribution network. Within a span of four years the company has have installed capacities to produce Cattle & Poultry Feed, Oil refinery, Solvent Extraction.



### Strength

**Visionary and dynamic management:** The company has a strong visionary and dynamic management with energetic track record. Its management's ability to attract, train, motivate and retain skilled and unskilled personnel has led to continuous success of the business.

**Credible Brand Image:** THFL manufactures and market its products under different brand names on the basis of its qualitative and quantitative features, with a view to ensure its reach to the broad class of target consumers.

**Attractive financial performance:** The company has been continuously enjoying customer confidence with attractive financial performance. Its capacity expansions and increase in revenue at CAGR of 130% from FY 2006 to FY 2009 is a reflection of its growth story which is a direct result of its products acceptability in the market.

**Sound distribution system using own infrastructure:** Tara's major strength lies in its 2,500+ dealers spread over the northern Indian states of Punjab, Delhi, Himachal Pradesh and J&K, especially in rural areas. It has its own fleet of 35 trucks used for the delivery of end-products to the dealers/retailers at desired locations.

**An opportunity to explore the options to export:** To tap foreign market of healthy oil, it has set up a refinery unit with an installed refining capacity of 120 TPD for refining of edible oil at its existing facilities in the year 2008. This plant was installed with the state of art technology. It offered the company a foothold in the indigenous market.

**Profitable track record:** Tara has profitable track record with high growth revenue. Revenue grew strongly at CAGR of 95% from FY07-FY09. This has also been accompanied by an expansion in EBITDAR margin to 24.2% in 9MFY10, from 15.6% in FY09, due to a combination of low-cost inventory and full utilisation of its current capacities resulting in higher efficiencies.

### Strategies

**High Quality Products:** The company continues to endeavor to have the state of the art manufacturing equipments to ensure efficient production of quality products and to compete with the organized players. Moreover it believes that its investment in technology shall allow it to attract new customers and differentiate itself from other competitors.

**Wide product range:** The company offers a wide and varied range of products that include cattle & poultry feeds, oils and its derivative products, in its product basket, allowing the customer to choose as per their specific requirements and affordability.

**Manufacturing Capabilities:** The company's manufacturing facilities at Malerkotla & Sitarganj have the ability to provide comprehensive range of oil & cattle & poultry feed products. Its manufacturing facilities are fully integrated, starting from extraction of oil from rice bran to refining and filtration of edible oils. The company believes that its integrated model shall give it an advantage over the players particularly in the unorganized sector which will help it to compete more effectively.

**Focus on developing a conservative but sustainable Business Model:** The company intends to focus on developing a conservative but sustainable Business Model in order to mitigate risks arising within the business and positioning itself to sustain any downturn in the economic activity as witnessed in the recent past.

**Brand recognition through awareness campaigns:** The company believes its awareness campaigns at regular intervals will help it in better understanding the needs and requirements of its customers and thereby generating company's brand recognition.

### Risk Factors

**Heavy reliance on the availability/supply of raw materials:** The company's business is heavily dependent on the availability/supply and cost of raw materials such as soyabean, sunflower, rice bran, mustard, maize, molasses, rice bran, olive oil (crude), cotton seed etc. Fluctuations in the price, availability and quality of the raw materials could have a material adverse effect on its operating performance.

**Lack of long-term contracts:** As the company does not have any long-term contracts with any of dealers/retailers/distributors, so any change in the buying pattern of the company's end users can adversely affect the business and profitability in future.

**Dependency on senior management:** Tara heavily relies on its management for any decisions regarding services and operations. So its total growth depends, in large part, on its ability to attract, train, motivate and retain skilled and unskilled personnel. Any failure on this part may hamper the business from every prospect.

### Objects of the Issue\*

Particulars	Amt.(in Cr.)
Setting up new Edible oil refining plant	125.32
Expansion of cattle feed plant	4.52
Working capital requirement	38.96
General Corporate expense	[•]
Issue Expenses	[•]
<b>Total</b>	<b>[•]</b>

**Concentration within Northern India:** Most of Tara's operations are concentrated mainly in the states of Punjab, Haryana, Delhi, Himachal Pradesh, Uttaranchal and Bihar. Any failure to successfully expand in other parts of the country may adversely affect its business and operations. The company has a high dependence on the Punjab region, which contributed over 70% to revenue over FY09 and 9MFY10.

### Industry Overview

India is the third largest consumer and importer of edible oil in the world, next only to China and the US. Its annual consumption of edible oil stands at around 12 million tonnes compared to China's 14.5 million tonnes. Demand for oilseeds is driven by increase in human consumption and rise in use of animal feed and other ancillary applications such as soaps, detergents, etc. In India, production of oilseeds has been rising steadily, while on a global level it has been declining. Considering population growth rate of 1.8% (around 20 million additions every year) and income increases through economic growth (assuming an average of 8.5% a year), consumption demand for vegetable oil is set to expand on an average by 6-7% over the next five years. By 2010, India's total vegetable oil consumption demand at 4% growth rate is slated to reach 15.6 million tonnes and further to 20.8 million tonnes by 2015; and at 6% growth rate, it will be 17 million tonnes by 2010 and about 25 million tonnes by 2015. In olive oil segment, India is only a consumer and not a producer of olive oil. The consumption has grown by 73% in the last two years. The consumption of Olive oil in India is expected to grow to 42,218 tonnes by 2012, translating a whopping 75% CAGR growth over the next four years. In Rice Bran Oil segment, India is the second largest producer of rice in the world next only to China, having potential to produce about one million ton of RBO per annum. Currently, the industry is processing about 3.5 million tonnes of Rice Bran producing about 600,000 tonnes of RBO per annum, of which 480,000 tonnes is of edible grade and the balance 120,000 tonnes is of non edible grade.

**Livestock Industry:** The livestock and fisheries sector's contribution to the total GDP during 2006-07 was 5.26%. India to its credit owns a vast resource of livestock and poultry, which play a vital role in improving the socioeconomic conditions of its rural as well as urban population. India ranks first in respect of buffalos, second in cattle and goats, third in sheep, fourth in ducks, fifth in chickens and sixth in camel population in the world. India enjoys the credit of having around 57% of the world's total buffalo population.

### Valuation

Considering the P/E valuation, the company is trading at pre issue P/E of 7.5x on the lower side of the band and 7.9x on the higher side of the band of its annualised FY10 EPS of Rs.24.14. Looking at the post issue valuation, the company is trading at P/E of 11.2 times on the lower side and 11.8 times on the higher side of its post issue annualised FY10 EPS of Rs.16.11. At its P/B ratio it trades at 3.8 and 4.1 multiples of the lower and higher band of its pre issue book value of Rs.47.34 and 1.9x and 2x on the lower and higher side of its post issue book value of Rs.94.82 respectively.

## Annexure

### Profit & Loss

Rs. in Cr.

Particulars	Dec-09	Mar-09	Mar-08	Mar-07	Mar-06
Total Operating Income	231.10	195.18	101.22	31.40	6.99
Total expenditure	175.34	164.77	86.06	28.80	6.40
Operating Profit	55.76	30.41	15.16	2.61	0.59
OPM%	24%	16%	15%	8%	8%
Other Income	0.96	0.05	0.04	0.00	0.00
<b>PBDIT</b>	<b>56.72</b>	<b>30.45</b>	<b>15.21</b>	<b>2.61</b>	<b>0.59</b>
Interest	9.43	7.64	2.76	0.81	0.19
<b>PBDT</b>	<b>47.29</b>	<b>22.82</b>	<b>12.44</b>	<b>1.80</b>	<b>0.40</b>
Depreciation	2.37	2.71	0.91	0.31	0.30
<b>PBT</b>	<b>44.92</b>	<b>20.11</b>	<b>11.54</b>	<b>1.49</b>	<b>0.10</b>
Tax	8.62	3.11	2.52	0.07	0.03
<b>Net Profit</b>	<b>36.29</b>	<b>17.00</b>	<b>9.01</b>	<b>1.42</b>	<b>0.06</b>

### Balance Sheet

Rs. in Cr.

Particulars	Dec-09	Mar-09	Mar-08	Mar-07	Mar-06
<b>Net Block</b>	<b>56.33</b>	<b>41.30</b>	<b>35.45</b>	<b>9.62</b>	<b>2.18</b>
Total Fixed Assets	56.33	41.30	35.45	9.62	2.18
Current assets, Loans & Advances	216.83	119.87	53.83	17.09	5.44
<b>Total Assets</b>	<b>273.16</b>	<b>161.18</b>	<b>89.28</b>	<b>26.70</b>	<b>7.62</b>
Liabilities & Provisions	178.28	107.17	56.01	18.47	4.70
<b>Net Worth</b>	<b>94.88</b>	<b>54.01</b>	<b>33.27</b>	<b>8.24</b>	<b>2.92</b>
<b>Represented by:</b>					
Share Capital	20.04	9.02	8.50	6.50	1.50
Share Application Money	0.00	0.00	0.00	0.00	0.85
Reserves & Surplus	74.839	44.99	24.772	1.738	0.57
<b>Net Worth</b>	<b>94.88</b>	<b>54.01</b>	<b>33.27</b>	<b>8.24</b>	<b>2.92</b>

## Investment Research Team

Rajesh Jain

Head (Research)

### Fundamental Research

Saurabh Jain  
Saurabh Rana  
Priyanka Ahluwalia  
Jaisheel Garg  
Manish Choudhary  
Ankita Nanda  
Surabhi Sharma  
Dinesh Joshi  
Harsh Gupta  
Mayank Garg  
Kamla Devi  
Bhavesh Chauhan  
Shilpi Agarwal

Team Leader  
Team Leader  
Sr. Research Analyst  
Sr. Research Analyst  
Sr. Research Analyst  
Research Analyst  
Research Analyst  
Research Analyst  
Research Analyst  
Research Analyst  
Research Analyst  
Research Analyst  
Asst. Research Analyst

saurabhjain@smcindiaonline.com  
saurabh\_rana@smcindiaonline.com  
priyankaahluwalia@smcindiaonline.com  
jaisheelgarg@smcindiaonline.com  
manishchoudhary@smcindiaonline.com  
ankitananda@smcindiaonline.com  
surabhi@smcindiaonline.com  
dineshjoshi@smcindiaonline.com  
harsh\_gupta@smcindiaonline.com  
mayankgarg@smcindiaonline.com  
kamladevi@smcindiaonline.com  
bhaveshchauhan@smcindiaonline.com  
shilpiagarwal@smcindiaonline.com

### Technical Research (Commodity / Equity)

Dr. R.P.Singh  
Ajit Mishra  
Parminder Chauhan  
Suruchi Kapoor

Head - Technical (Commodities)  
Sr. Technical Analyst  
Research Analyst  
Research Analyst

ravisingh@smcindiaonline.com  
ajitmishra@smcindiaonline.com  
parminderchauhan@smcindiaonline.com  
suruchikapoor@smcindiaonline.com

### Derivative Research

Nitin Murarka  
Vineet Sood  
Kunal Sharma  
Dhirender Singh Bisht

Head - Derivative Research  
Sr. Research Analyst (Strategies)  
Research Analyst  
Research Analyst

nitinmurarka@smcindiaonline.com  
vineetsood@smcindiaonline.com  
kunal\_sharma@smcindiaonline.com  
dhirenderbisht@smcindiaonline.com

### Commodity/Currency Research Team

Vandana Bharti  
Tejas Seth  
Sandeep Joon  
Shitij Gandhi  
Ajeet Kumar  
Subhranil Dey  
Priyanka Chauhan

Sr. Research Analyst  
Sr. Research Analyst  
Research Analyst  
Research Analyst  
Research Analyst  
Research Analyst  
Research Analyst

vandanabharti@smcindiaonline.com  
sethtejas@smcindiaonline.com  
sandeepjoon@smcindiaonline.com  
shitijgandhi@smcindiaonline.com  
ajeet694@smcindiaonline.com  
subhranildey@smcindiaonline.com  
priyankachauhan@smcindiaonline.com

### Mutual Fund

Anant Sharma  
Bhaskar Mandal

Sr. Research Analyst  
Research Analyst

anantsharma@smcindiaonline.com  
bhaskar.mandal@smcindiaonline.com

### Support Team

Simmi Chibber  
Shivanand Upadhyay  
Pramod Chhimwal

Research Executive  
Content Editor (Hindi)  
Graphic Designer

simmi@smcindiaonline.com  
shivanand@smcindiaonline.com  
pramodchhimwal@smcindiaonline.com



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## RANKING METHODOLOGY

<b>WEAK</b>	★
<b>NEUTRAL</b>	★ ★
<b>FAIR</b>	★ ★ ★
<b>GOOD</b>	★ ★ ★ ★
<b>EXCELLENT</b>	★ ★ ★ ★ ★

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