

Usher Agro Ltd

Key Stock Indicators

NSE Ticker :	USHERAGRO	CMP (as on 17 Feb 2011—Rs/share):	92.4	Shares outstanding (mn) :	33.1
Bloomberg Ticker :	UAL:IN	52-week range up to 17 Feb 2011 (Rs)(H/L):	102.4/39.9	Free Float (%) :	73.5
Face value / Share:	10.0	Market Cap as on 17 Feb 2011 (Rs mn):	3,055	Average daily volumes (12 months) :	390,002
Div. Yield (%):	1.1	Enterprise Value as on 17 Feb 2011 (Rs mn):	4,952	Beta (2 year) :	1.0

Usher Agro Limited (UAL) was incorporated in 1996. The company processes rice, wheat and paddy. It has 3 manufacturing plants located in Uttar Pradesh (UP) and Bihar. In FY10, the domestic market accounted ~94% of revenues, while exports contributed ~6%.

KEY HIGHLIGHTS

Established market position in food processing business and wide distribution network

UAL has an established presence in the food processing industry, especially in Maharashtra, UP and Gujarat. The company is among the top 5 players in the non-Basmati milling business. It has built a strong brand equity in both rice and wheat products. The Usher group has a wide network of commission agents for sale of its products to wholesalers and bulk purchasers in the above mentioned states. UAL has tied up with "Spinach", the retail chain of the Wadhwa group, for supply of Usher group's products in Maharashtra. The company also has location advantage, as its plants are located close to major markets, which reduces transportation costs.

Capacity expansion in rice and wheat mills to enhance growth

UAL has three manufacturing plants — in Mathura (UP) and Buxar (Bihar). In FY10, the company enhanced rice milling capacity of the Chhata plant in Mathura to 486,000 tonnes per annum (TPA) from 194,400 TPA, and of the Buxar plant to 96,800 TPA from 50,000 TPA. For wheat milling, the company is enhancing capacity of the Chhata plant to 125,000 TPA from 75,000 TPA.

Setting up 1 MW captive power plant to control costs

The expansion of rice milling capacity will mean an increase in by-products (rice husks). To take advantage of this, UAL is setting up a co-generation power plant of 1 MW at Buxar (Bihar) for captive use. This power plant will reduce costs of operation. In FY10, 51% of company's power requirement was fulfilled by own generation through diesel generator and using rice husks.

KEY RISKS

- Change in government policy
- Volatility in raw material prices — paddy, wheat
- Anomalies in the weather
- UAL faces product concentration risk as majority of revenue (~73%) comes from rice

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
USHERAGRO	-1	-1	2	107
NIFTY	6	-2	-8	13

Note:

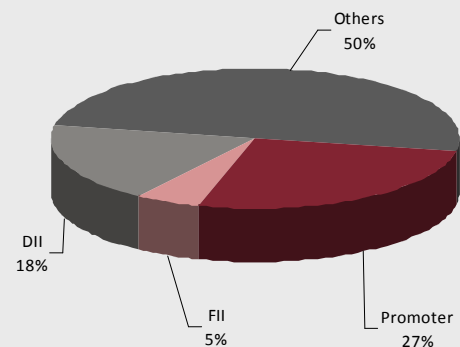
- 1) YTD returns are since Jul 01, 2010 to Feb 17, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Feb 17, 2011.

Key Financial Indicators

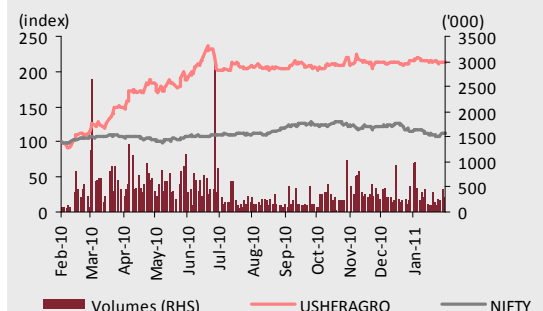
	Jun-08	Jun-09	Jun-10
Revenue (Rs mn)	1,415.2	2,094.6	3,422.9
EBITDA margins (%)	13.5	13.1	14.1
PAT (Rs mn)	123.2	145.2	232.0
PAT margins (%)	8.7	6.9	6.8
Gearing (x)	0.8	1.4	2.1
EPS (Rs/share)	6.8	6.8	10.4
PE (x)	18.9	4.8	8.9
P/BV (x)	4.7	1.0	2.0
RoCE (%)	24.5	19.2	17.5
RoE (%)	30.5	25.0	27.3
EV/EBITDA (x)	14.2	6.0	8.2

n.m. : Not meaningful

Shareholding (As on December 31, 2010)



Indexed price chart



Usher Agro Ltd

BACKGROUND

UAL was incorporated in 1996 by Mr. Vinod Chaturvedi and Mr. Manoj Chaturvedi. The company processes rice (non-Basmati variety), wheat and paddy. The company's wheat products include flour (atta), refined flour (maida), and coarsely ground grain (suji). The company has 3 plants, 2 in UP and 1 in Bihar. As of FY10, the company has one subsidiary, Usher Eco Power Ltd.

In FY10, revenue from the domestic market accounted for ~94% of total revenue, while exports contributed ~6%. Product-wise, rice accounted for ~73%, wheat ~26% and by-products ~1%.

COMPETITIVE POSITION

Peer Comparison

	Usher Agro Ltd Jun-10	KRBL Limited Mar-10	Kohinoor Foods Ltd. Mar-10	L T Foods Ltd. Mar-10
Revenue (Rs mn)	3,422.9	15,928.5	8,544.5	10,517.6
EBITDA margins (%)	14.1	13.7	12.7	9.0
PAT (Rs mn)	232.0	1,245.5	-70.2	331.5
PAT margins (%)	6.8	7.8	-0.8	3.2
Gearing (x)	2.1	1.2	4.2	5.1
EPS (Rs/share)	10.4	5.1	16.6	5.9
PE (x)	8.9	6.5	2.6	9.1
P/BV (x)	2.0	1.5	0.6	0.7
RoCE (%)	17.5	17.3	6.0	9.9
RoE (%)	27.3	26.0	n.m	20.4
EV/EBITDA (x)	8.2	6.2	8.1	9.9

n.m: Not meaningful

FINANCIAL PROFILE

Capacity increase fuels top-line growth; margin improves in FY10

Revenue increased at a ~55% CAGR between FY08 and FY10, as expanded rice milling capacity became operational.

In FY10, revenue increased by ~63% vis-à-vis FY09, due to better utilisation of enhanced capacities in rice and wheat mills and improved realisations.

EBITDA margin improved to 14.1% in FY10 from 13.1% in FY09, due to decline in cost of consumable stores and better realisations.

PAT increased by ~60% to Rs 232 million (mn) in FY10, from Rs 145.2 mn in FY09, following increase in operating profit and non-operating income and lower provision for deferred tax.

Key Financial Indicators

	Units	Jun-08	Jun-09	Jun-10
Revenue	Rs million	1,415.2	2,094.6	3,422.9
EBITDA margins	Per cent	13.5	13.1	14.1
PAT	Rs million	123.2	145.2	232.0
PAT margins	Per cent	8.7	6.9	6.8
Revenue growth	Per cent	103.0	48.0	63.4
EBITDA growth	Per cent	163.0	43.1	75.8
PAT growth	Per cent	246.3	17.9	59.8
Gearing	Times	0.8	1.4	2.1
RoCE	Per cent	24.5	19.2	17.5
RoE	Per cent	30.5	25.0	27.3

INDUSTRY PROFILE

Agro-Processing

In India, ~58.4% population is dependent on agriculture for their livelihood. Agriculture sector contributes to ~ 1/5th of the total gross domestic product (GDP) of India. Food grains accounted for ~10% of total export earnings from FY06 to FY08. The day-to-day processes undertaken by agro processing sector are rice mills, wheat mills, oil extraction plants, fruits and vegetables processing plants, etc. The central and state governments have introduced various schemes to promote this sector and provided subsidies to farmers. In last few years, agro-processing sector is growing in India due to steady progress towards modernization. Still, there are some problems to be tackled in this sector such as low capacity utilization, poor recovery of the finished product from the raw materials, problems of arranging adequate working capital, low product quality, unreliable assured power supply etc.

Usher Agro Ltd

ANNUAL RESULTS

Income Statement

(Rs million)	Jun-08	Jun-09	Jun-10
Net Sales	1,412.4	2,089.5	3,420.0
Operating Income	1,415.2	2,094.6	3,422.9
EBITDA	191.4	273.9	481.5
EBITDA Margin	13.5	13.1	14.1
Depreciation	15.9	23.3	53.5
Interest	19.5	53.7	139.4
Other Income	0.2	0.2	2.6
PBT	151.9	193.1	288.1
PAT	123.2	145.2	232.0
PAT Margin	8.7	6.9	6.8
No. of shares (Mn No.)	18.0	21.3	22.3
Earnings per share (EPS)	6.8	6.8	10.4

Cash flow

(Rs million)	Jun-08	Jun-09	Jun-10
Pre-tax profit	156.2	197.2	291.2
Total tax paid	-23.4	-22.0	-42.6
Depreciation	15.9	23.3	53.5
Change in working capital	-186.0	-415.4	-992.5
Cash flow from operating activities	-37.3	-216.9	-690.4
Capital Expenditure	-246.5	-323.7	-283.2
Investments and others	-10.9	-31.8	-107.5
Cash flow from investing activities	-257.4	-355.5	-390.7
Equity raised/(repaid)	-3.2	94.3	136.7
Debt raised/(repaid)	250.8	540.9	1,197.4
Dividend (incl. tax)	-12.4	-12.4	-26.0
Others (incl extraordinary)	61.0	-50.4	12.8
Cash flow from financing activities	296.2	572.4	1,320.9
Change in cash position	1.5	0.0	239.8
Opening cash	6.7	8.3	8.2
Closing cash	8.3	8.2	247.9

n.m : Not meaningful;

Balance sheet

(Rs million)	Jun-08	Jun-09	Jun-10
Equity share capital	256.2	235.0	254.5
Reserves and surplus	233.8	435.8	774.9
Tangible net worth	490.0	670.8	1,029.4
Deferred tax liability: asset	16.8	42.7	56.1
Long-term debt	200.2	316.2	549.0
Short-term-debt	206.6	631.6	1,596.2
Total debt	406.8	947.7	2,145.1
Current liabilities	84.2	216.3	234.5
Total provisions	35.8	28.3	21.4
Total liabilities	1,033.6	1,905.8	3,486.5
Gross block	285.0	818.9	895.8
Net fixed assets	518.0	818.4	1,048.1
Investments	10.9	42.7	150.2
Current assets	504.7	1,044.7	2,288.1
Receivables	244.4	369.9	655.3
Inventories	245.4	640.6	1,348.4
Cash	8.3	8.2	247.9
Total assets	1,033.6	1,905.8	3,486.4

Ratio

	Jun-08	Jun-09	Jun-10
Revenue growth (%)	103.0	48.0	63.4
EBITDA growth(%)	163.0	43.1	75.8
PAT growth(%)	246.3	17.9	59.8
EBITDA margins(%)	13.5	13.1	14.1
Tax rate (%)	15.4	11.4	14.8
PAT margins (%)	8.7	6.9	6.8
Dividend payout (%)	8.6	7.3	9.6
Dividend per share (Rs)	0.6	0.5	1.0
BV (Rs)	27.2	31.5	46.2
Return on Equity (%)	30.5	25.0	27.3
Return on capital employed (%)	24.5	19.2	17.5
Gearing (x)	0.8	1.4	2.1
Interest coverage (x)	9.8	5.1	3.5
Debt/EBITDA (x)	2.1	3.5	4.5
Asset turnover (x)	5.7	3.8	4.0
Current ratio (x)	1.6	1.2	1.2
Gross current assets (days)	130	182	244

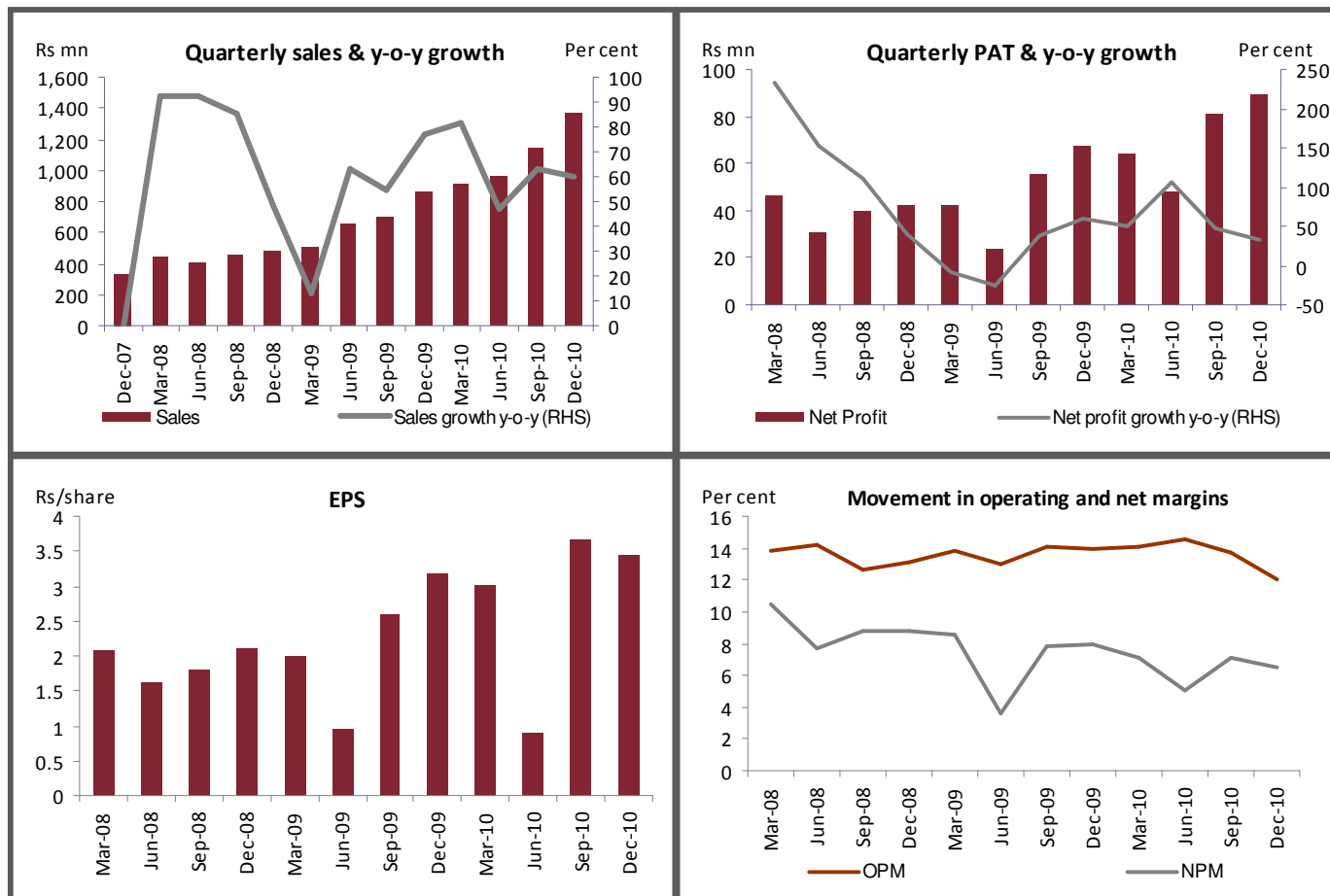
QUARTERLY RESULTS

Profit and loss account

(Rs million)	Dec-10	% of Rev	Dec-09	% of Rev	Sep-10	% of Rev	Dec-10	% of Rev	Dec-09	% of Rev
No of Months	3		3		3		6		6	
Revenue	1,370.6	100.0	856.5	100.0	1,146.0	100.0	2,516.6	100.0	1,559.6	100.0
EBITDA	164.7	12.0	119.7	14.0	156.5	13.7	321.3	12.8	218.6	14.0
Interest	37.5	2.7	31.8	3.7	49.8	4.3	87.3	3.5	57.8	3.7
Depreciation	13.0	1.0	11.8	1.4	14.7	1.3	27.8	1.1	22.1	1.4
PBT	114.2	8.3	76.1	8.9	92.0	8.0	206.3	8.2	138.7	8.9
PAT	89.3	6.5	67.5	7.9	81.4	7.1	170.7	6.8	122.8	7.9

Usher Agro Ltd

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Promoter	39.4	39.4	39.4	26.5
FII	0.4	0.2	0.2	5.3
DII	0.0	2.3	1.8	18.4
Others	60.2	58.1	58.6	49.8

Board of Directors

Director Name	Designation
Vinod Kumar Murarilal	Managing Director
Chaturvedi (Mr.)	
Ajay Prakash Madho Prasad	Non-Executive Director
Arora (Mr.)	
Shri Prakash Jagat Prasad Arora (Dr.)	Non-Executive Director
Manoj Murarilal Pathak (Mr.)	Director
Vijay Pyarelal Ranchan (Mr.)	Non-Executive Director
N. Krishnan (Mr.)	Non-Executive Director
Pandoo Naig (Mr.)	Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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