

06 November 2012

CMP: Rs 23.20

Industry: Food processing

BSE Group: B

Promoters

Man Mohan Malik

Year of incorporation

1992

Corporate office

Village Shubhkhera,
Paonta Sahib
Sirmour - 173025
Himachal Pradesh, India

Company website

www.himalyainternational.com

Key Data (as on 06 November 2012)

BSE	526899	ISIN	INE552B01010
Face Value	Rs 10.0	Mkt Cap (Rs. mn)	1192.4
Current P/E	6.4	Current P/BV	0.7
52 week high-low	31.5-15.4	30 day daily trading volume (nos.)	53510
Equity capital (Rs. mn)	514.0	Net worth (Rs. mn)	1668.9

Company business

Himalya International Limited (Himalya) is engaged in the manufacture of mushrooms, cheese, vegetables, yogurt, french fries, sweets and appetizer. Himalya exports its products to USA and also sells these domestically.

Himalya has four production facilities at its 25-acre complex in Himachal Pradesh. Himalya is ISO 9001:2000 certified company with all its plants complying with International GMP (Good Manufacturing Practice) and HACCP (Hazard Analysis and Critical Control Points). It has set up a new facility in Mehsana district, Gujarat.

Himalya is promoted by Man Mohan Malik. He is the chairman and managing director of the company.

Peer group analysis

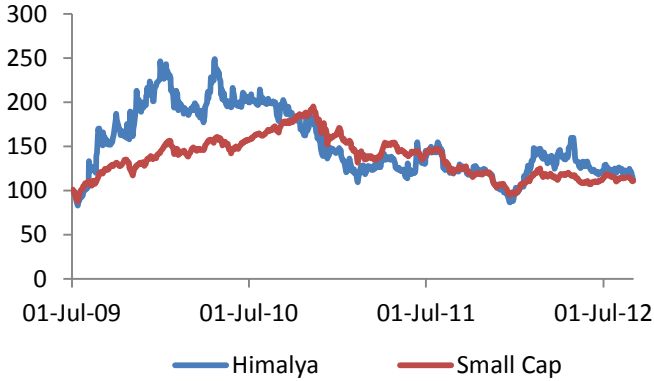
Himalya's operating margin of 22.8% and PAT margin of 12.4% are highest among its peers. The price on 31 March 2012 discounts the earnings of the company by 6.9x lower than that of Sita Shree Food Products.

FY12, Rs in mn	Himalya International	Agro Dutch Industries	Sita Shree Food Products
Total income	1398.3	1802.8	1442.5
EBIDTA	319.3	13.5	52.1
EBIDTA margin	22.8%	0.7%	3.6%
PAT	173.5	(479.3)	9.9
PAT margin	12.4%	(26.6%)	0.7%
EPS	3.4	(5.1)	0.5
Cash accruals	216.4	(314.1)	14.8
BV/share	32.5	(2.6)	22.0
Debt/EBIDTA	3.9	194.4	8.1
Debt/equity	0.7	Negative	0.9
ROANW	11.0%	10534.1%	2.1%
ROACE	10.4%	(4.5%)	5.8%
P/E	8.0	Negative	11.9
P/BV	0.7	Negative	0.2
FV (Rs.)	10.0	10.0	10.0

Source: Company

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Capacity		Price performance with index
Product	Annual Capacity	
Frozen French Fries	25000 MT	
Frozen Appetizers	15000 MT	
Dairy Products	6000 MT	
Fresh Mushrooms	10000 MT	
Canned Products	30 million cans	
MT: metric tonnes		

Source: BSE

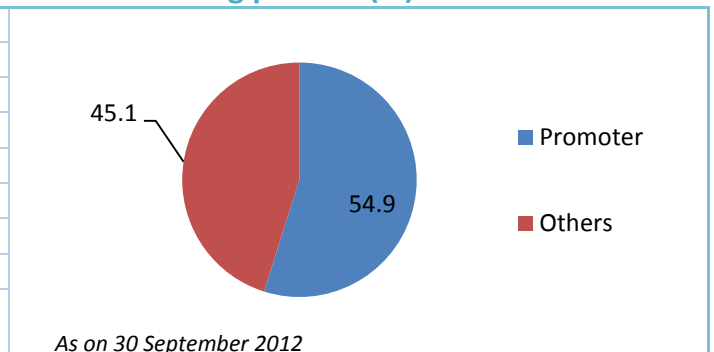
Public shareholding >1%

Sr. No.	Name of the shareholder	Total shares held (mn)	Shares as %age of total shares
1	Bennett Coleman and Co Ltd.	4.9	9.6
2	First Family Holding	3.3	6.4
3	Rain Dance America	2.4	4.7
4	Kiran Mahenderpal Bahl	1.0	1.9
5	Stressed Assets Stabilisation Ltd	1.0	1.9
6	Mushroom Associates	0.7	1.4
7	Shri Paasram Holding Pvt Ltd	0.7	1.3
Total		14.0	27.2

Change in shareholding pattern (%)

Year	Promoter	Others
Sep-12	54.9	45.1
Jun-12	54.9	45.1
Mar-12	54.9	45.1
Dec-11	54.9	45.1
Sep-11	54.9	45.1
Mar-11	54.9	45.1
Mar-10	54.9	45.1
Mar-09	54.5	45.5
Mar-08	52.3	47.7

Shareholding pattern (%)



Source: BSE

Contract farming

Key strengths

Himalya's partnership with several local farmers in Himachal Pradesh enables it to procure raw material including vegetables and pure buffalo milk. Agricultural wing of the company assists these farmers in a variety of ways including planning the crops to providing quality seeds. This helps ensure timely availability of raw material and reduces procurement cost.

Focus on quality

Himalya has a strong focus on quality and it follows strict HACCP procedures for its products. It has a modern quality control laboratory (chemical and microbiological laboratory) to check quality of its finished products. This helps provide quality and safe-for-consumption products to the market.

Diversified Product portfolio

Himalya has well-diversified product portfolio. Himalya's product portfolio includes fresh mushrooms, Italian cheese, yogurts, paneer, breaded appetizers, frozen vegetables etc.

Increase in borrowings will impact bottom-line

Key Concerns

Himalya's borrowings have increased on account of increase in investments in new projects. Further increase in borrowings will lead to more interest expenses. This investment will take time to contribute to bottom line of the company.

Food processing industry is expected to reach US \$ 195 billion

Industry overview

The Indian food processing industry accounts for 32% of the country's total food market. The industry, with a size of around US \$ 120 billion, is one of the largest in India in terms of production, consumption and exports. It covers fruits & vegetables, spices, meat & poultry, milk & milk products, plantation, grain processing etc. The industry is primarily export oriented and contributes approximately 13% of India's exports. The industry is expected to reach US \$ 195 billion by 2015.

100% FDI under automatic route in the industry

Government Policy

The government allows 100% FDI under the automatic route (foreign investment, technology transfer) in food processing industry. 100% export-oriented units (agri-products) are allowed to sell upto 50% in the domestic market. There is no import duty on capital goods or raw materials for these units.

Vision 2015 action plan to improve India's share in global food trade

The Ministry of Food Processing Industries (MoFPI) has formulated a Vision 2015 action plan. The plan includes raising the level of perishables from 6% to 20%, increasing value addition from 20% to 35% and enhancing India's share in global food trade from 1.5% to 3%. The implementation of this plan would help enhance farmer income, generate employment opportunities and provide choice to consumers at affordable price.

To set up Mega Food Parks to attract FDI

The government promotes the concept of Mega Food Parks (MFPs) and is expected to set up 30 MFPs across the country to attract FDI. It has also planned providing a total assistance of upto US \$ 23 mn to implement the Food Parks Scheme.

Food processing capacity has increased to 75000 tons of food per year

Company fundamentals

Himalya has set up a food producing unit on its 52 acres land at Mehsana in Gujrat. With this, Himalya's combined capacity has increased to 75000 tons of food per year. The unit will process mushrooms, frozen vegetables, breaded appetizers, yogurt and cheese. Himalya has invested Rs 1.7 bn in setting up this unit. The project was financed by term loans and internal cash accruals.

Partnership with JR Simplot to market Himalya's products

During FY12, Himalya International Ltd and J R Simplot USA have formed a 50:50 joint venture company, Himalya Simplot Private Limited (HSPL). J R Simplot, an agro based company, has production facilities in USA, Canada, Australia and China. HSPL will market in India all frozen products (potatoes and appetizers) processed at Himalya plants in Himachal and Gujarat.

New marketing offices in Gurgaon

Himalya has opened two new marketing offices in Gurgaon namely Himalya International Ltd (Himalya) and Himalya Simplot Private Ltd (HSPL). Himalya will market fresh canned and chilled products while HSPL will market frozen products.

Key financial indicators

Total revenue from operations grew by 31% from Rs 824 mn in FY11 to Rs 1083 mn. The growth is largely on account of increase in 'mushroom' sales by 54% to Rs 610 mn (Rs 396 mn in FY11).

Financial performance for FY12

Operating margin of the company significantly decreased from 34.1% to 22.8% in FY12 mainly due to increase in cost of raw material by 154% from Rs 262 mn to Rs 667 mn in FY12.

PAT increased from Rs 153 mn to Rs 173 mn (FY12) while PAT margin decreased from 18.2% to 12.4% in FY12. EPS for FY12 is Rs 3.4, compared to Rs 3.0 in the previous year.

Export and domestic sales

Export contributed 17% of total revenue from operations (40% in FY11) while domestic sales contributed 83% (60% in FY11).

Increase in borrowings

Himalya's borrowings have increased from Rs 907 mn to Rs 1250 mn in FY12. A large portion of borrowings have been used to set up new facilities in Mehsana district, Gujarat.

No dividend payments due to capex plans

Himalya has not paid any dividend over the last three years due to its ongoing capital expenditure. Also, during FY12, Himalya has borrowed an amount of Rs 343 mn for implementation of its capital projects under expansion.

Quarterly results

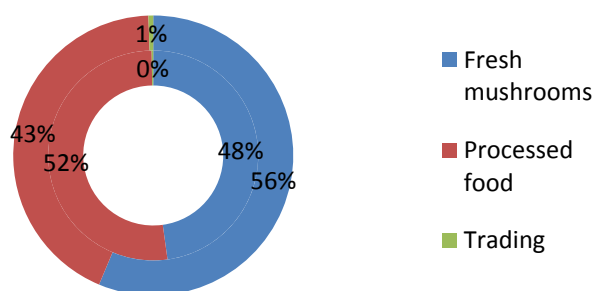
Particulars (Rs in mn)	Jul'12-Sep'12	Jul'11-Sep'11	% Chg ^[1]	Apr'12-Jun'12	% Chg ^[2]
Total income	441.9	281.3	57.1%	421.2	4.9%
Total expenditure	307.0	184.3	66.6%	312.7	(1.8%)
EBIDTA	134.9	97.0	39.1%	108.5	24.3%
EBIDTA margin	30.5%	34.5%	-	26.0%	-
PAT	70.2	65.0	8.0%	41.7	68.3%
PAT margin	15.9%	23.1%	-	10.0%	-
Cash accruals	93.5	78.8	-	65.0	-
EPS	1.40	1.30	7.7%	0.8	75.0%

[1] Compared to corresponding quarter in the previous year

[2] Sequential comparison

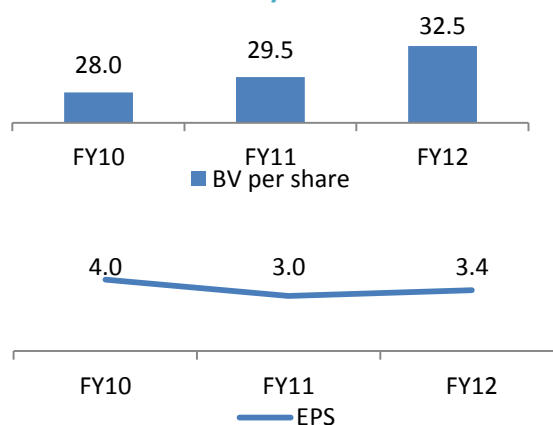
Source: Company, BSE filings

Segment revenue

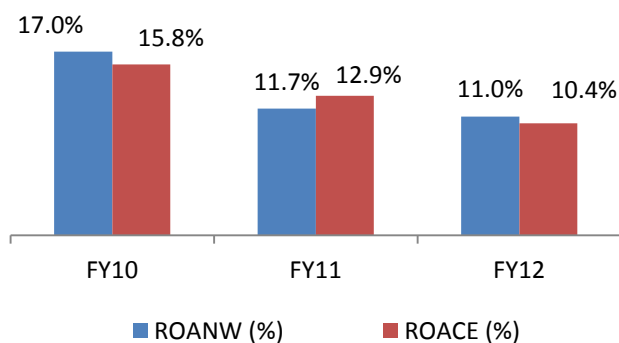


Inner ring represents FY11 data: total revenue - Rs 828mn
Outer ring represents FY12 data: total revenue - Rs 1083 mn

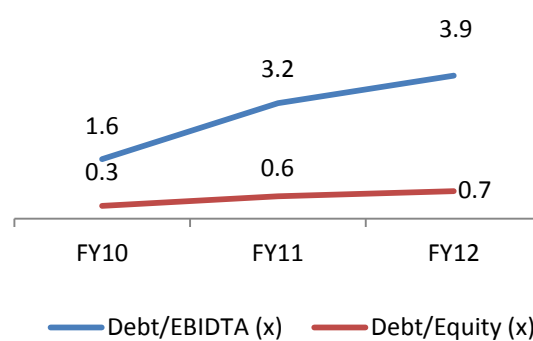
Key ratios



Profitability ratios



Leverage ratios



Financials

P&L (Rs. mn)	FY10	FY11	FY12	Balance Sheet (Rs. mn)	FY10	FY11	FY12
Total income	760.7	843.0	1398.3	Equity share capital	405.8	504.3	514.0
EBIDTA	243.1	287.3	319.3	Share application money	42.8	0.0	0.0
EBIDTA margin	32.0%	34.1%	22.8%	Reserves & surplus	728.6	981.3	1154.9
Depreciation	28.8	30.8	42.9	Net worth	1134.4	1485.6	1668.9
EBIT	214.3	256.5	276.4	Borrowings	395.7	907.8	1250.5
Interest	44.4	87.7	77.3	Current liabilities & provisions	41.1	162.3	302.4
PBT	169.9	168.8	199.1	Deferred tax liabilities	2.3	9.2	25.3
Tax	9.5	15.2	25.6	Total liabilities	1616.3	2564.9	3247.1
PAT	160.4	153.6	173.5	Fixed assets	1084.2	1975.5	2193.6
PAT margin	21.1%	18.2%	12.4%	Investments	0.0	0.0	47.0
Dividend (including tax)	-	-	-	Long term loans & advances	0.0	16.6	30.7
Dividend per share	-	-	-	Other non-current assets	0.0	7.9	14.0
				Current assets	532.1	564.9	961.7
				Total assets	1616.3	2564.9	3233.0
Valuation ratios	FY10	FY11	FY12	Cash Flow (Rs. mn)	FY10	FY11	FY12
P/E	2.5	8.2	8.0	PBT	169.9	168.8	199.1
P/BV	1.2	0.8	0.8	CF from Operation	141.2	304.7	266.5
				CF from Investment	(370.9)	(922.1)	(260.9)
				CF from Financing	231.1	616.1	9.7
				Inc/(dec) in Cash	1.4	(1.3)	15.3
				Closing Balance	2.3	3.6	18.9

Source: Company

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