

National Foods Limited
Profit and Loss statement

(In million Rs.)	2011	2012	2013
Sales	5,521	7,169	8,546
Cost of sales	3,947	4,837	5,589
Gross profit	1,574	2,331	2,957
GP margin	28.5%	32.5%	34.6%
Other income	12	43	67
Operating profit	487	907	1,053
OP margin	8.8%	12.7%	12.3%
Finance cost	126	71	75
PBT	362	836	978
Taxation	131	253	305
PAT	231	583	673
NP Margin	4.2%	8.1%	7.9%
EPS	5.56	14.07	16.25
DPS	2.5	6	7.5
Bonus	-	-	25%

Source: Company records & www.scstrade.com

NATF Statistics

Avg Volume (52 Weeks)	17,632.64
52 Weeks High	426
52 Weeks Low	238
Current Price	360.72
Market Capitalization	14.23bn
Beta	0.74
Total No of Shares	41.4mn
Free-Float Shares	12.43mn

Source: SCS Research

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National Foods: Still at attractive PE multiple...BUY maintained...

NATF reported FY13 EPS of Rs 16.25/sh, against Rs.14.07/sh in FY12. And also reported a final cash dividend of Rs 4.00/sh which is addition to the interim cash dividend of Rs 3.5/sh, thus making a cash cumulative dividend of Rs 7.5/sh for FY13.

In addition to cash dividend, company also announced 25% bonus shares.

The PAT increased to Rs 673mn showing 15% growth over the last year profit of Rs 583mn. Even though, gross profit margin remained high i.e. 34.6%, operating margin and net profit margins remained flat thus eroded more earnings propensity in the eyes of investing public. Additional distribution & administrative cost hampered these two margins.

Operations look good...

NATF's sales is growing with good speed; company reported 23% sales growth in FY11 and 30% in FY12 where in FY13 sales grew by 20%, which is due to local consumer's preference for National Foods products especially spices.

As a market leader in pickles segments, company's products performing well in all segments including Ketchup, Recipe Mix, Fruitily, Salt and others. The marketing strategy of National Foods to attract the consumer to buy products is very admirable; they target the costumers with emotional attachment, which makes long term relationship with loyal customers.

Valuation-Attractive to investment...

If we see overall trend of price to earnings multiple, NATF yield overall lower PE multiples then the other peers. NATF yield PE of 22.13 during FY13 where in UPFL yield 34.3x and Nestle at 38x.

We see NATF's earning to increase and based on our calculation NATF yield leading PE of 18x and historical PE of 22x. We maintain **BUY**.

FMCG-PE Multiples	2011	2012	2013
National Foods	10.1	7	22.13
Unilever Foods	14.6	23.2	34.2
Nestle	33.6	31.5	37.98
Michell's Fruit FARms	5.1	12.3	23.85

Source: www.scstrade.com