

**Analyst & Advisor: Abhishek Jain**  
**www.stocksidea.com**  
**+91-98260-41144**

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## **REI AGRO LIMITED—BUY—185—INR**

Sector — Food Processing  
Regd.Off. — Everest House, 46 C, 15th Floor, Kolkata, W.B. 700071  
Listed — NSE, BSE.

### **Company overview—**

Rei Agro was incorporated in the year 1994. The main business Profile of Rei Agro is production and processing of rice. The company's plants are located in Jaliavas (Revvari, Haryana). Over 75% of the world's basmati rice being produced in India, REI Agro has proactively embarked on strengthening its branding, processing and production capabilities. It has revamped its processing capacity to over 0.5M tpa, making it one of the largest basmati processors in India. The state of the art facilities and ISO certification, conforming quality initiatives have resulted in superior quality grain at an excellent value proposition. REI Agro has strengthened its team with competent and experienced professionals, leading to increased product variations, enhanced value, deepened market penetration, stronger brand and expanded global presence. Indian parboiled basmati rice is favored in the Saudi market because of its aromatic flavor and competitive pricing. Indian basmati is preferred as it is considered 'natural' as against American rice, which has a reputation for being 'manufactured'.

### **Products & Services—**

REI agro is One of India's fastest growing rice processing companies. The company's plants are located in Jaliavas (Revvari, Haryana). From modest beginnings before a decade ago, the company has grown to hold nearly 20% of the basmati rice segment worldwide. REI Agro is an integrated player, undertaking activities right from contract farming to procuring paddy to drying, de-husking, milling and polishing, colour sorting, grading, inspection, packing, branding, distribution and retailing. In india, 10% of the market is accounted for by premium branded rice, 40% by the mid/ value segment and the remaining 50% by popular/ mass segment.

REI Agro is the largest purchaser of basmati paddy, with the largest milling capacity in India. REI Agro has the unique distinction of being present in all price points in the domestic market. Company has premium products like kasauti, real magic, mid-range products like Mr miller, hungama and lkon and economy range products like hansraj and rain drop. The Company sells its products in India, Saudi Arabia, Dubai, USA and UK, among others.

India's basmati has transcended boundaries and tastes. The domestic demand for Basmati has been growing annually. There is a greater acceptance of the Indian product in the international markets. REI Agro's basmati is special because it is processed as painstakingly as it is grown. The result is basmati of the highest quality, rich in aroma and flavour and packed with nutrition. Company's innovative marketing initiatives ensure that basmati is available at all price points, to suit a wide variety of consumers. From procuring of paddy to packing, Company has mastered the art of producing the finest quality basmati. Its systemic practices, state-of-the-art equipment and our marketing initiatives give the edge. The pleasant aroma, superfine grains and extreme grain elongation helps fetch good export prices. India is also expected to gain more

market share due to various other factors like; The Company is well equipped to reap the benefits of the new economic scenario. To begin with, contract farming helps the company to acquire improved quality of rice at low cost, maintain regular flow of raw material and also strengthens the company's relationship with the farmers. The setting up of fully integrated rice mills by REI Agro gives it a competitive advantage over other small Basmati processor. The company has commissioned one of the country's largest parboiled rice facilities in Haryana. As part of the growing infrastructure, REI Agro has also installed two 7.5 MW and 22.4 MW wind farm power plants in Rajasthan and Maharashtra. The company has entered into long term PPA's for the sale of power.

### Recent developments—

Rei Agro has registered its 7.5 mw wind power project at Rajasthan with the United Nations Framework Convention for Climate Change (UNFCCC) under the clean development mechanism (CDM). The company's wind power projects are at different stages of the CDM project cycle for registration. Once the project is registered and verified, it will open the doors of additional revenue stream for the company. This revenue will come from the sale of CERs accruing from the CDM projects. CERs are used by companies in the industrialized countries to meet their GHG reduction targets under the Kyoto Protocol. The company has already invested three wind power projects of 35.9 mw in the states of Rajasthan, Maharashtra and Tamilnadu at an approximate investment of about Rs 2 billion.

Rei Agro launched its retail business project in Delhi and NCR. The company inaugurated consumer friendly neighborhood convenience stores with modern state of the art technology and facilities at various locations in the city of Delhi and NCR. The company has branded the chain as "6TEN".

### Financials—

#### Financials for 3<sup>rd</sup> Quarter 2006-07

Financial Results	Rs. Lakhs
Net Sales	24072.67
Gross Income	24072.67
Increase/Decrease in Stock	-8242.52
Consumption of Raw Materials	25134.67
Staff Cost	304.65
Total Expenditure Excluding Other Expenditure	17196.80
Other Expenditure	786.88
Total Expenditure	17983.68
Interest	1882.34
Profit Before Depreciation & Taxes	4206.65
Depreciation	369.00
Profit Before Tax	3837.65
Provision for Taxation	1307.29
Net Profit	2530.36
Face Value of Share (in Rs.)	10.00

Paid-up Equity Share Capital	4072.16
Dividend (%)	15.00
Basic EPS (in Rs.)	6.38
Diluted EPS (in Rs.)	6.38

### **Valuation—**

REI Agro has emerged as the fastest growing player in the Indian basmati rice industry in last few years. Its revenues are growing over a CAGR of 44% from last 6 years. There is a huge demand for parboiled rice in the Gulf and this will be a major driving force behind the company's exports in the future. On the marketing front, REI has launched a unique Magic Pack (Rupees Five) to reach out to the masses, with an eye on market expansion. Many other innovative sales promotion activities are also underway both in the domestic and international markets. At CMP, Stock is trading at 5.8 X multiple of its FY2008 Estimated EPS of 31.8 Rs. We recommend investors to "BUY" "Rei Agro Ltd." for medium to long-term investment horizon.

**We invite Readers to send Feedback, stock and subscription queries at E-mail Id- [investment\\_guru1@yahoo.com](mailto:investment_guru1@yahoo.com)**

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