Institute of Business Management (IoBM) Student Research

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FMCG Industry

Engro Foods

Prized Stallion in the making!

December 20, 2011

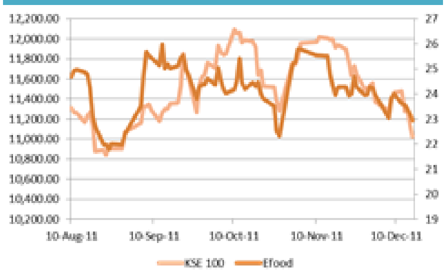
Ticker: EFOODS
Price: PKR 23.22

Recommendation: BUY
Price Target: PKR 30.05

Market Profile	
12M High/Low (PKR)	25.97/21.8
Avg Daily Volume ('000)	208
Market Cap (US$ Mn)	191
Market Cap (PKR Mn)	17,129
Shares Outstanding (Mn)	748
Main Shareholders:	
Engro Corp	89.97%
Private Placement	6.42%
General Public	3.61%
Free Float (Mn/%)	27/4
Exchange	KSE
Reuters Code	EFOODS.KA
Bloomberg Code	EFOODS.PA

Source: Bloomberg, KSE

EFoods vs. KSE



Source: Bloomberg, KSE

Key Financial Ratios	
Return on Assets (ROA)	5.48%
Return on Equity (ROE)	14.85%
12M Forward ratios:	
P/E (x)	17.13
P/B (x)	2.4
PEG (x)	0.26
EV/EBITDA (x)	7.3

Source: Bloomberg, KSE

Forecast Summary	2010A	2011F	2012F	2013F	2014F
Net Revenue (PKR Mn)	20,945	30,195	38,025	46,295	69,054
EBITDA (PKR Mn)	1,761	2,917	4,321	5,362	6,564
Net Income (PKR Mn)	176	611	1,042	1,699	2,557
EPS (PKR/share)	0.31	0.81	1.36	2.21	3.33
BVPS (PKR/share)	7.32	8.8	9. 7	11.9	15.2

Source: Company's Financials, IoBM Estimates

Highlights

- **Initiate with Buy; 29.41% upside to target price of PKR 30.05:** We rate Engro Foods Ltd (EFoods) Buy and set 12-month target price of PKR 30.05 based on DCF (Discounted Cash Flow). EFoods is Pakistan's largest UHT player with strong growth prospect in dairy and other segments. We believe EFoods has a convincing investment case premised on (1) strong industry backdrop, (2) EFoods' market leadership position while competing with likes of Nestle and ULever, (3) impressive sales and earnings growth outlook, (4) Skilled Management and (5) Trading on cheaper regional PEG multiples (EFoods PEG 0.26 vs. average regional PEG 0.47)

- **Pakistan dairy potential to propel growth:** With only 7% penetration of processed milk, world's 3rd largest milk producer and 4th largest milk consumer, dairy segment of Pakistan offers huge untapped growth potential in a strong population of 180mn believed to have one of the highest per capita milk consumption. Ambient UHT segment has undergone 5-year CAGR of 14% with industry growth momentum likely to continue.

- **Market leadership position:** Within 5 years of operations, EFoods has secured a commanding position with 44% market share in the Ambient UHT segment (89% of topline). Growing trend of urbanization, focus on hygiene and non-cyclicality of the industry backed by company efforts for product innovation should enable EFoods to consolidate its position while expanding the industry pie. EFoods' foray into Ice cream segment has paid huge dividend with market share of 23% within 3 years, only behind Unilever's Walls.

- **Impressive growth in sales and earnings growth:** EFoods sits on sweet spot to leverage its future earnings following heavy investment in marketing and supply chain. We conservatively estimate CAGR of 60.39% outpacing sales CAGR of 22.8% over CY11-14. EFoods entry in Halal food market in North America, new product launch in dairy (powder, chilled dairy) and Juices remains the key upside.

- **Key risks to our investment case:** are (1) Differing tax treatment for loose and UHT milk, (2) Increase in level of competition, (3) failure in new product launch, (4) stronger than expected raw material price hike (5) Interest rate risk.

Business Description:

Table 1: Brand Category

UHT Whole Milk	Olpers
Hi-Cal Low Fat ("HCLF")	Olwell
Flavored Milk	Owsum
Cream	Olpers Cream
Juices	Olfrute
Ghee	Tarrka
Skimmed Milk powder	Glorious
Liquid Tea Whitener	Tarang
Tea Whitening Powder	Tarang Powder
Ice Cream	Omore

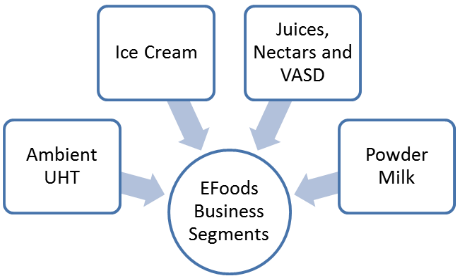
Source: Company Prospectus

Engro Foods Limited ('EFoods'), initially founded as a wholly owned subsidiary of Engro Corporation in 2005, started commercial operations in 2006. It was listed in August 2011 through an offer for sale of shares by shareholders of Engro Corporation. The company is listed on Karachi, Lahore and Islamabad stock exchanges. It is well known in Pakistan for its various brands including Olpers, Tarang, Omore and Olfrute.

EFoods operates on its strengths of skilled management, strong brand equity, diversified product portfolio, state-of-art production facilities, specialized supply chain management and an international presence. It is currently the market leader in the packaged milk industry with a share of 44%, beating giants like Nestle and Haleeb which respectively accounted for 35% and 13% of the market as of November 2011.

EFoods also emerged as the 2nd biggest player in the ice cream industry in just three years of operations, with its brand Omore gaining 23% market share as of November 2011. The company posted CAGR of 93% in topline revenue during CY06-10; its peer Nestle registered a CAGR of mere 24% during the same period.

Following are the details of various business units of EFoods:



Ambient UHT

This segment is the highest contributor towards revenue with a share of 89% in total sales for 9M2011. EFoods leads the UHT milk market in Pakistan with 44% market share. The company produces a wide variety of ambient UHT products including "Olpers" (full cream milk) the flagship brand of the company, Olwell (low fat milk), Tarang (Liquid Tea creamer), "Owsum" (flavored milk) and "Dairy Omung" (the budget milk brand).

Powder Milk

EFoods entered in the powder segment in May 2010 and has so far captured 1% share of the market. Currently this segment consists of powder tea creamer which has only 0.5% contribution in sales.

Milk Procurement – EFoods mainly procures milk through its Milk Collection Centers (MCCs) and its own dairy farm. Currently the company has over 900 MCCs which it plans to increase by 200 MCCs per annum. MCCs are equipped with milk chillers, generators and insulator tanks for safe transportation to the plant facility. Due to the parent company's long term relationship with farmers, EFoods has a competitive advantage in milk collection through self-reliance rather than dependence on external contractors.

Table 2: EFoods Capacity

	2009	2010
EFoods Ambient UHT (Million Liter)	368	401
EFoods Powder (Tons/year)	0	8,760
EFoods Ice Cream (Million Liter)	10.29	19.03

Source: Company Prospectus

Dairy Farm – The dairy farm was established in 2008 and it is one of the largest in Pakistan with imported breeds totaling 2,591 animals to date. The farm produces 20,000 liters per day (LPD) which is sold to EFoods for use in production of ambient and powder dairy products.

Going forward, the management believes that the dairy farm will be a significant contributor in production of infant nutrition products and dairy exports.

Juices, Nectars and Value Added Still Drinks (VASD)

EFoods controls 3% of this market segment which accounts for about 0.5% of sales revenue, with current 9 flavors.

Ice-cream

Ice-cream segment ranks second in terms of contribution towards sales, 10% in 2011. Ice cream is marketed under the brand name 'Omore' which was launched in March 2009. The company has managed to become the 2nd largest player in the industry attaining market share of 23% to date.

Table 3: Production Centers

UHT Milk Plants	1.4 Mn Liters/ Day
Dairy Farm	0.2 Mn Liters/ Day
Ice Cream Plant	0.06 Mn Liters/Day
Powder Plant	24 Tonnes / Day

Source: Company Prospectus

Global Business Unit (GBU)

GBU was formed in 2009 in line with the company's vision to expand into global markets. As the first venture, ECorp acquired Al-Safa, the oldest Halal meat brand in North America, at a total cost of US$6.3 million. The business is currently owned by ECorp for regulatory reasons, but under management of EFoods, and as soon as Efoods obtains approval from State Bank of Pakistan, it will purchase Al-Safa at cost from the parent company. This step towards international diversification has made EFoods the first Pakistani company to target Halal meat market to cater to Muslim minorities in the West.

Strong Industry Backdrop

Figure 1: Population & Per Capita Income Growth

Source: Pakistan Economic Survey, 2011

Growing population and Per Capita Income

Growing population will continue to expand consumer base while rising incomes will strengthen buying power. According to Pakistan Economic Survey (PES), total population is expected to grow at a CAGR of 2.1% from 2011-15. Per capita income has been increasing at a higher rate than population growth in Pakistan. According to PES, per capita income increased at a CAGR of 6.86% while total population increased at a CAGR of 2.8% during the period CY06 – 10.

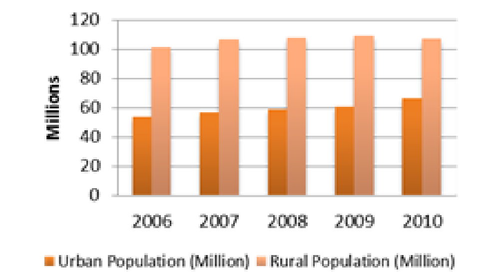
Rapid Urbanization Trend

Increasing trend in urbanization serves as the major growth driver for FMCGs. According to Tetra Pak Dairy Index (Issue 3 dated July 2010), urban population increased at a CAGR of 5.3% during the last five years and will further stage growth of 3.10% during CY11-15. The statistics reveal that as people have moved further from the rural areas where most of the dairy farms are found, their access to good quality loose milk has been restricted due to lack of a cold supply chain. This has provided packaged milk manufacturers with an opportunity to offer an alternative in the form of good quality, safe milk. The Urban to rural ratio will grow to 67% in CY15 as compared to 62% in CY10.

Changing demographics bring new opportunities

According to PES, 30% of Pakistan's population is currently under 9 years of age while 47.2% fall under 19 years. Producers are now promoting their dairy products to young consumers by introducing different flavors of milk and ice cream. The demographic profile also provides business opportunity to FMCGs to penetrate further into infant and nutritional market segment.

Figure 2: Urban & Rural Population



Source: Government Publications

More educated, sophisticated consumers

As people are becoming more aware, they value safety, hygiene and convenience resulting in increasing dissatisfaction with unpackaged milk. Consumers now appreciate the fact that packaged milk does not need to be boiled before use, which is the case for loose milk. In addition, packaged milk can be stored for up to three months before opening.

Rural consumption of packaged food to accelerate

Demand for packaged food is on the rise, even in rural areas where mothers want to ensure that their children receive a balanced diet. According to PES 2011, 49% of total average monthly per capita expenditure is spent on food. Of this total expenditure, rural population spending constitutes around 55% while that of urban is about 41%. Higher expenditure on food by rural population augurs well for FMCGs as majority of the population belongs to his group. With Pakistan average monthly income increasing to PKR 21,785 from PKR 14,456 during CY08-11and rural income increasing to PKR 18,712 as compared to PKR 12,625 during the same period registering CAGR of 13.8%, exhibiting a rise in their purchasing power. This growth in rural income further enhances FMCG opportunity to expand into these areas.

Non-Cyclical Industry

The food industry is relatively insensitive to economic conditions and the consumers keep on spending on premium products despite slowing economy. This can be witnessed from the fact that average monthly income grew at a CAGR of 14.65% where as per capital expenditure on food, milk & dairy products and package milk grew at a CAGR of 20.08%, 18.22% and 27.07%.

Figure 3: Global Dairy Consumption

***Source:** Tetra Pak Dairy Index – Issue 3 2010*

Liquid Dairy Products (LDP) Consumption

According to Tetra Pak dairy Index, LDP consumption increased at CAGR of 2.8% in Pakistan through CY09-12 which is higher than many other countries as can be seen in Figure 3. The packaged LDP consumption grew at a CAGR of 8.4% during CY06-09 and is expected to grow at 10.4% during CY09-12 due to changing demographic drivers.

Penetration of organized supermarkets

Organized supermarkets are increasing which allow consumers to purchase branded packaged food from one place. The large European food retail giants such as Makro, Metro, and Hyper star have all opened stores in Pakistan's major metropolitan cities (Karachi, Lahore, Faisalabad, and Islamabad) in the past 6 years. These large retail stores have been able to tap into the changes in consumer lifestyles (convenience and hygiene) and higher disposable income.

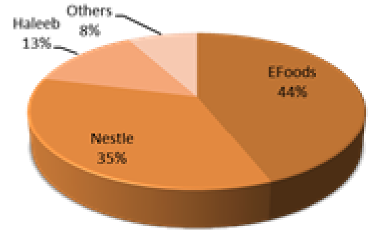
Industry Structure

Currently, EFoods has presence in the following segments within the food industry:

- Ambient UHT
- Ice cream
- Powder
- Juices Nectars and VASD

Industry structure of each segment is explained below:

Figure 4: Current UHT Industry Players



Source: IoBM Research

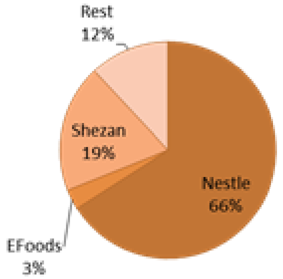
Ambient UHT

This industry is currently worth about PKR 46 billion with a volume of 838 million liters. The segment consists of milk (whole fat, diet and flavored milk), cream and tea whiteners. The industry has grown at a CAGR of 14% from CY06-10 and is expected to show a CAGR of 10% from CY2011-14. (Refer to Figure 4 for Industry Players)

Ice cream

Ice cream industry is fragmented into branded and unbranded segments. Branded ice cream segment accounts for 78% of the total market which was valued at PKR 8.7 billion in 2010. Branded ice cream segment is mainly dominated by established brands which target upper and middle class. Unbranded segment includes local ice cream parlors, shops and carts. Unilever's Walls controls 75% of the market followed by EFoods at 23% while the rest 2% belongs to the unbranded segment and small brands (Hico, Igloo etc). The target market of ice cream industry is a wide consumer segment encompassing kids, teens, and families.

Figure 5: Current Juice Industry Players



Source: IoBM Research

Powder

This industry, with a total worth of PKR 26 billion, is divided into three main segments including Growing up and all purpose (27%), Infant Nutrition (55%) and Tea Whitening (18%). EFoods is currently present in only tea whitening segment with a market share of 1%, with Nestle controlling 98% of the total market.

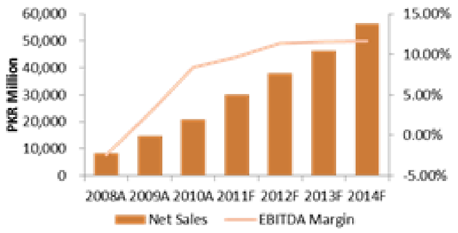
Juices, Nectars and Value Added Still Drinks

This market is divided into Juice and Nectar (JN), Still Drinks (SD) and Value added Still Drinks (VASD). These products vary in fruit content with that of juices at 100%, nectars at 25-99% and SD at 0-24%. VASD is SD with value addition such as innovative packaging or addition of pulp. The total JNSD market stands at 507 million liters out of which EFoods focuses on JN and VASD at a market size of PKR 11.4 billion with total volume of 114 million liters. Nestle is the market leader with 66% share, Shezan at 19% and Engro foods at 3% in 2011 while remaining 12% belongs to the unbranded fresh juice market.

(***Please*** see ***Appendix for Snapshot of Key Dairy Producers)***

Investment Summary

Figure 6: EFoods Sales & EBITDA Margin



Source: IoBM Research, Company Accounts

EFoods is the fastest growing FMCG in Pakistan in the last 5 years and one of the leading players in the food industry. It has successfully fended off competition from market giant Nestle and Unilever to become market leader in Ambient UHT industry and 2nd biggest player in the ice cream industry. EFoods with its skilled management, powerful business model, diversified product portfolio and specialized supply chain should maintain its competitive position. The company has the capacity to face current and future industry competition and it will remain a premier growth company in the food industry, in our view. Increasing urbanization, changing life styles and a large untapped branded food segment bode well for industry demand. We rate EFoods a Buy and set DCF based target price of PKR 30.05 for 31st December 2012. Our Buy rating is premised on;

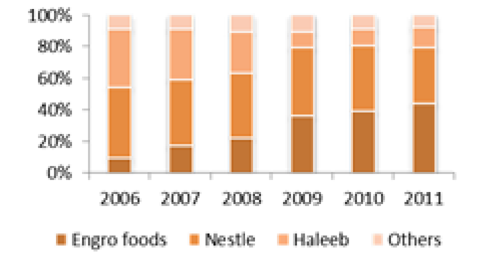
Pakistan dairy potential to propel growth

With only 7% penetration in the world's 3rd largest milk producer and 4th largest milk consumer, dairy segment offers huge untapped growth potential in a strong population of 180mn believed to have one of the highest per capita milk consumption. Ambient UHT segment has undergone 5-year CAGR of 14% with industry growth momentum likely to continue. EFoods other operating segment i.e. Ice Cream and Juice are equally attractive supported by rapid urbanization, large young population and rapidly changing life styles.

Market leadership position

Within five years of operations, EFoods has secured a commanding position in the Ambient UHT segment with 44% market share (89% of E Foods' topline). Growing trend of urbanization, focus on hygiene and non-cyclicality of the industry backed by company efforts for product innovation should enable EFoods to consolidate its position while expanding the industry pie. E Foods' foray into Ice cream segment has paid huge dividend with market share of 23% within 3 years, only behind Unilever's Walls.

Figure 7: EFoods Milk Share Trend

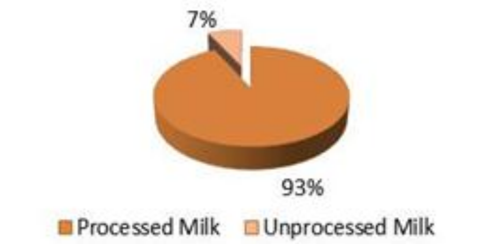


Source: IoBM Research

E Foods has so far launched only seven flavors in 23 cities in juices, nectars and VASD segment which are less than Nestlé's offering. The management plans to increase the number of flavors and geographical penetration to match that of Nestle. The company has launched its budget milk 'Dairy Omung' which is priced lower than fresh milk and is going to target the unprocessed part of milk industry which is hefty 93%, Tarang liquid and powder are only present in 8 and 6 cities respectively. We expect the geographical coverage of this segment to expand further into provinces of Sindh, Punjab further strengthening its UHT leadership.

Omore ice-cream, which is currently present in only 1 city of Sindh, is expected to expand into other major cities of Sindh and Khyber Pakhtunkhuwa in the coming years. In order to support this expansion, EFoods has currently increased UHT and ice cream plant capacity by 27% and 15% respectively. To further strengthen market status of Omore, management plans to aggressively improve the ice cream supply chain through increase in cold-chain deployment, partnering and acquiring local distributors and a possibility of acquisition of ice-cream production facility near Karachi.

Figure 8: Milk Composition



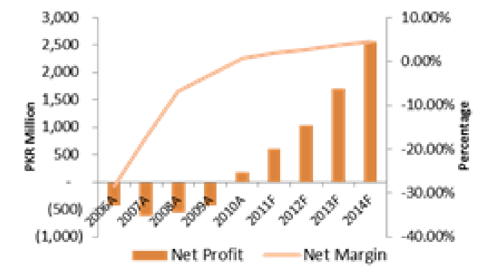
Source: Industry Sources

Impressive sales and earnings growth

EFoods sits on sweet spot to leverage its future earnings following heavy investment in marketing and supply chain. We conservatively estimate CAGR of 60.39% outpacing sales CAGR of 22.8% over CY11-14 on the back strong sales growth CAGR of UHT and Ice Cream segment. EFoods entry in Halal food market in North America, new product launch in dairy (powder, chilled dairy) and Juices remains the key upside.

We estimate net margins for E Foods to expand to 4.54% in CY14 from 0.84% in CY10, on the back of increasing cost efficiency, business synergies, sales and decreasing financial charges. EBITDA margins are expected to increase by 370bps by CY14. ROE as result of increasing net margins are expected to expand to 24.49% in CY14 as compared to only 4% in CY10. ROA is expected to increase to 11.27% in CY14 as compared to only 1.64% in CY10. OCF will grow at CAGR of 68% during CY11-14 with OCF to sales ratio reaching 5.89% in CY14 against 1.38 in CY11.

Figure 9: Net Profits & Net Margin



Source: IoBM Research, Company Accounts

Growth strategy of EFoods is to acquire and build new/innovative brands with a global perspective. In this pursuit, EFoods targets the North American Halal food market through an acquisition of a Halal meat company, Al Safa in Canada. The company will be acquired from ECorp after regulatory approvals. Using a conservative approach, we have not incorporated revenues from Al-Safa in our projections since no time frame for acquisition has been specified by the management and no business plan has been presented to the investors.

Skilled Management

EFoods is being led by Mr. Afnan Ahsan who has 20 years' experience with multinationals like Pepsi, Coca Cola and Nestle. The senior management brings vast experience in FMCG companies in marketing, human resource and supply chain. The board of directors consists of 10 directors out of which 4 are independent with members comprising of Ex CEOs of Gillette, Unilever China and Kraft. The management with its skill set has made EFoods the market leader in UHT segment and second biggest player in ice-cream industry.

(Please see Appendix for snapshot of management profile)

Valuation

EFoods' attractive investment story comes at undemanding valuation, suggesting market is yet to fully appreciate company's growth potential. We have set target price of PKR 30.05/share for 31 December 2012 based on DCF method. Our target price offers an upside potential of 29.41% over its 20 December 2011 price of PKR 23.22.

Methodology

Given EFoods' dynamics (growing company with limited price and financial history); we believe DCF is the most suitable method to value the company. For FCFF valuation, we have discounted the projected free cash flows using the weighted average cost of capital of 13.47%. The cost of debt represents average interest costs on all long-term and short-term loans taken by the company based on current rates.

We have used required rate of equity return of 20.40%, derived through Capital Asset Pricing Model. The risk free rate in the model is the prevailing discount rate in the country i.e., 12%. Recently, the State Bank of Pakistan (SBP) slashed the discount rate by 150bps in the monetary policy announced on 08 October 2011. In the last monetary policy announcement on 30 November 2011, the rate remained unchanged. Going forward, we believe that SBP will keep the discount rate at current levels.

EFoods has recently turned public (Offer for sale on July 5-7, 2011) and does not have much of a trading history so beta calculation would not be reflected in our view. Hence, we assumed a beta 1.2x as the company is moderately leveraged that exposes it to interest rate risk, and is still in its infancy stage, promising high growth.

Moreover, we have taken a conservative approach and have assumed that Employee Stock Ownership Scheme (ESOS) will be exercised fully by December 2011. The impact of this dilution is incorporated in our Target Price.

Risk to Target Price

50bps increase in the Cost of Capital will still give an upside of 15%.

(Please see Appendix for a Detailed Sensitivity Analysis)

Table 4: Assumptions

CAPM Calculation	
Risk Free Rate (SBP DR)	12.00%
Risk Premium	7.00%
Beta	1.2
Required Rate of Return	**20.40%**
WACC Calculation	
Cost of Debt	13.26%
Cost of Equity	20.40%
Weight of Debt	0.59
Weight of Equity	0.41
Tax rate	35%
WACC	**13.47%**

Source: IoBM Research, Company Accounts

Table 5: DCF Valuation Summary*

Discounted FCFF	PKR -2,118
Enterprise Value	PKR 30,678
PV Debt	PKR 7,550
Equity Value	PKR 23,128
Shares Outstanding (Mn.)	769
Target Price Per Share	**PKR 30.05**

Source: IoBM Research
**See Appendix for Detailed Table*

Relative Valuation

Local Peers

Lack of investable stocks in the local market limits the comparison with domestic peers. Nestle and Unilever are two big names, however, liquidity in both the stocks is low. Following should serve only as a reference point for EFoods. EFoods is currently trading at 51% and 25% discount to Nestle and Unilever EV/EBITDA multiples respectively.

On a similar note, EFoods is also trading 77% and 69% cheaper to the P/S multiple of Nestle and Unilever respectively.

Table 6: Domestic Multiples (CY 11)

	EV/EBITDA	P/S
NESTLE	19.26	2.56
ULEVER	12.64	1.88
EFOODS	9.5	0.59

Source: IoBM Research

Regional Peers

EV/EBITDA and PEG multiples of EFoods is lower than most of the regional companies in comparison, trading at 7% and 45% discount to 12 months forward respective average regional multiples. All of these companies are engaged in dairy business and are big market players in their local markets.

(Please see Appendix for Detailed Table of Regional Analysis)

Table 8: Regional Multiples (12M Forward)

	PEG	EV/EBITDA
China Mengniu	0.59	10
Almarai	0.48	10.7
Juhayna Food Industries	0.2	4.4
Modern Dairy	0.17	12.2
Saudi Dairy	1.21	7.2
China Mizhong Food	0.15	2.6
Industry Average	*0.47*	*7.83*
EFoods	**0.26**	**7.32**

Source: Bloomberg, IoBM Research

Investment Risks

Likely imposition of GST on processed milk
Food segment is not affected by government regulations but it is likely that the Government of Pakistan may impose General Sales Tax on processed milk in order to generate taxes at time when the government is faced with tight fiscal position. This can potentially create divergence on tax treatment for fresh and processed milk prices and may threaten the gross margins in case GST is not fully passed on to end consumers. We believe EFoods and other players enjoy pricing power and should be able to pass through any new tax. We have calculated the impact of 1% change in gross margin and estimate bottom-line impact of average PKR 0.30/share from every 1% move in gross margin on our future estimates.

Intensifying competition
Current and future competition in the foods industry among key major players may negatively affect EFoods margins as each will be competing to attain highest market share, which will lead to higher product price pressures leading to lower margins. For now, we see low risk of increase in competition as existing players are focused on increasing overall industry sales due to low penetration. Secondly, heavy investment requirement also creates an effective barrier for the new entrant.

Failure of acceptance of new products
EFoods intends to launch new products in various food segments, making it vulnerable to risk of failure of new offerings. So far, the company has launched 10 brands which have enabled EFoods to gain a strong position in the market. We see low risk of happening the same.

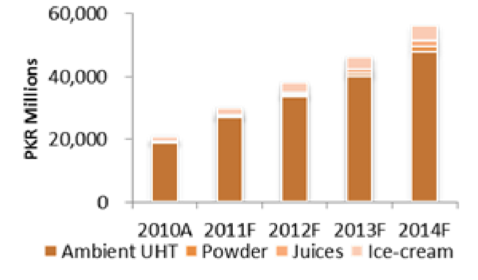
Raw material cost hike
Rising energy and input costs can increase cost of production leading to lower gross profit margins. EFoods is investing heavily in dairy supply chain in the form of Milk Collection Center. Furthermore, the company operates a dairy farm to partially meet its fresh milk demand. We believe EFoods will remain exposed to the risk as the company is unlikely to increase own milk production.

Interest rate risk
All of the debt financing is based on floating rate loans and currently the company is highly leveraged so any hike in interest rate will squeeze net margins. However, the impact on bottom line of any increase in interest rate should remain limited, in our view. We estimate downside to our estimate of PKR 3.4 from 50bps increase in interest rate.

Financial Analysis

Sales growth driven by product line and market share expansion

Figure 10: Revenue Breakup



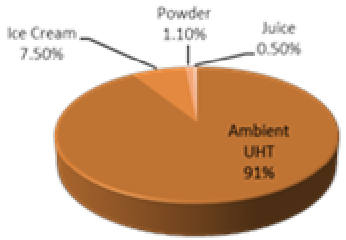
Source: IoBM Research, Company Accounts

Ambient UHT – UHT sales grew at a CAGR of 89% during CY06-10, with the most significant contribution to total revenue. Going forward we expect sales growth of this segment to ease down as the competition from peer companies including, Nestle and Haleeb, stiffens. UHT sales volume is expected to reach 490 million liters by CY14, contributing 85% share in total revenue. Steady growth in market share is expected to be fuelled by budget milk brand “Dairy Omung” which is priced at 7.5% discount to fresh milk and will target the unprocessed segment of milk industry i.e.93%.

Powder Milk – Powder milk business, commenced in the year 2010, has a market share of a mere 1% and contributes only 0.50% to revenue. However, it is expected that the contribution will increase to 2.93% by CY14. Currently, the business has presence in only six cities. Following expansion, sales of this segment are projected to grow at a CAGR of 80% during CY11-14 reaching PKR1.6 billion while volumes are projected to show a CAGR of 62% increasing to more than 2500 tons during the same period.

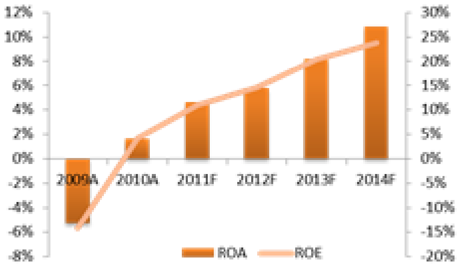
Juices & Nectars – Initiated in 2010, this business segment has been successful in gaining a 3% market share with a presence in 23 cities. Sales are expected to grow at 74% CAGR during CY11-14 reaching PKR 1.78 billion in CY14 following the introduction of new brands/flavors and geographical regions.

Figure 11: Segment Contribution in Sales in CY10



Source: Annual Accounts 2010

Figure 12: ROA and ROE



Source: IoBM Research, Annual Accounts

Ice Cream – EFoods is the 2nd largest player in the ice cream market. Sales are expected to grow at a CAGR of 23.7% during CY14 and will reach PKR 4.8bn by the end of CY14. Ice cream revenue will be primarily driven by a thrust on kids and teen segment since significant percentage of population is under 15 years of age. Sales volume of this segment is expected to grow at a CAGR of 12.50% reaching 24.8 million liters by CY14. The management plans aggressive expenditure to improve supply chain of ice cream business which also includes geographical expansion plan. Ice cream segment is expected to break even by end of CY12.

Net Margins

Net profit is expected to grow at a CAGR of 60.39% during CY11-14 as net margins expand to 4.54% in CY14 from 0.84% in CY10 due to the following factors:

Robust sales Growth - Sales are expected to grow at a CAGR of 22.85% during CY11-14 as result of growth in market share of Ambient UHT, powder milk, juices & nectars, and ice cream as detailed above.

Efficiency Improvements – The management aims to increase efficiency to improve the profitability of its existing and new segments, with special consideration towards juices and ice cream. EBITDA margins are expected to improve by 370bps from 8% in CY10 to 11.7% in CY14.

Capacity and product line expansions – The company plans total capital expenditure of PKR 4.6 billion, which includes capacity expansion for dairy, juices, ice cream and dairy farm to enhance market share. UHT plant capacity will be increased to 1.4 million liters per annum by end of CY11 and further increase to 1.9 million liter per annum next year, at a total cost of more than PKR 4 billion. The ice cream shortage that occurred in Ramadan CY11 due to supply chain inefficiency is being countered with aggressive capacity and supply chain expansion at expenditure of PKR 1.091 billion during CY11. The expansions will be financed by internal cash generation (PKR 1.4 billion), private placement proceeds (PKR 1.2 billion) and debt (PKR 1.925 billion).

Strong Cash flows – Sales and margin growth will increase cash flows from operations. According to our estimates, the company will generate PKR 2.04 billion of operating cash flows on average for the next three years. The operating cash flow to sales ratio is expected to reach 5.89% by CY14 as compared to 1.38% in CY10. The company does not plan to give dividends in the foreseeable future.

Solvency

The debt to equity ratio will remain above 1 due to heavy expenditures on capacity and sales infrastructure development. The CY10 debt to equity ratio of 1.43x is expected to decline to 0.97x in CY14 when the company starts to moderate its expenditure. This decrease in debt to equity ratio will decrease financial charges thus improving solvency of the company which is witnessed by an increase in solvency ratio to 0.34 in CY14 as compared to 0.12 in CY10 and the interest coverage ratio improving to (0.44x in CY10) to 3.41x by CY14.

APPENDIX

DCF Valuation (PKR/Million)	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
Cash Flow from Operations	1,693.52	2,476.87	3,316.89	4,210.38	5,153.90
Less: Other Income on Cash	(139.17)	(50.55)	(67.53)	(75.87)	(89.97)
Capital expenditure	(4,883.79)	(784.69)	(765.34)	(3,781.32)	(406.10)
Add: After Tax Interest Expense	933.64	792.50	633.06	624.70	419.90
FCFF	(2,395.80)	2,434.12	3,117.08	977.89	5,077.73
Discounted FCFF	(2,118)	1,896	2,140	592	2,707
Enterprise Value	30,677.83				
PV Debt	7,550.00				
Equity Value	23,127.83				
No of Shares Outstanding (Mn.)	769.00				
Target Price Per Share	**30.05**				

Source: IoBM Research

DCF Sensitivity Analysis (WACC ↓ Terminal Growth →)

TP	4%	5%	6%	7%	8%
10.47%	44.67	54.29	68.24	90.26	130.15
11.47%	34.93	41.54	50.58	63.68	84.34
12.47%	27.68	32.42	38.63	47.12	59.42
13.47%	22.10	25.61	30.05	35.90	43.88
13.97%	19.78	22.83	26.65	31.57	38.15
14.97%	15.85	18.19	21.06	24.65	29.28
15.97%	12.67	14.50	16.70	19.40	22.78

Source: IoBM Research

Regional Multiples

Company Name	Currency	EPS				EPS CAGR	P/E			PEG	EV/EBITDA			ROE
		2010	2011	2012	2013	2011-2013	2011	2012	2013		2011	2012	2013	2011
China Mengniu	HKD	0.9	1.0	1.2	1.6	30%	23.1	17.9	13.6	0.59	12.5	10.0	8.0	16%
Almarai	SAR	4.5	5.0	6.7	8.4	29%	18.5	13.9	11.1	0.48	12.6	10.7	8.9	18%
Juhayna Food Industries	EGP	0.3	0.3	0.4	0.7	43%	10.9	8.8	5.3	0.20	5.3	4.4	2.8	14%
Modern Dairy	HKD	0.0	0.1	0.1	0.2	78%	26.8	13.4	8.3	0.17	21.5	12.2	7.9	7%
Saudi Dairy	SAR	3.3	3.7	4.2	4.4	10%	13.2	11.6	11.0	1.21	8.8	7.2	6.9	18%
China Mizhong Food	CNY	1.0	1.1	1.1	1.7	23%	4.2	3.4	2.5	0.15	3.4	2.6	2.0	n/a
Industry Average										*0.47*	*10.67*	*7.83*	*6.07*	*15%*
EFOODS	PKR	0.31	0.81	1.36	2.21	65%	28.63	17.13	10.51	**0.26**	**9.48**	**7.32**	**5.72**	**11%**

Source: Bloomberg, IoBM Research

Snapshot of Key Dairy Producers

	Nestle Pakistan	Haleeb Foods	Shakarganj Foods	Engro Foods
Sponsors	Nestle SA/ Packages group	Chaudhry Illyas	Cresent group	Engro/ Dawood group
Sponsor key business	Processed Foods; Consumer packaging	Nil	Sugar & Allied	Fertilizers, Energy
Flagship Brand	MilkPak	Haleeb	Good Milk	Olpers
Plant Location	Kabirwala & Sheikupura (Punjab)	Rahimyar Khan & Bhai Peru (Punjab)	Faisalabad (Punjab)	Sukkur (Sindh) & Sahiwal (Punjab)
Year of Launch	1981	1986	March-06	March-06
Current Market Share	36-35%	30-35%	5%	44-45%
Milk Procurement Method (Main)	Self Collection	3rd Party Contractors	Self Collection	Self Collection
Bottom-line	Positive	Positive	Positive	Positive
Other segments	Beverages, Infant food, Confectionary	Juices	Juices	Juices, Powder, Ice-cream
Expansions in pipeline	3x	Expansion in powdered milk	3x	3x
Expected Size (on completion) ltrs/day	3,000,000	-	300,000	850,000
Key Dairy Brands	MilkPak	Haleeb Milk	Good Milk	Olpers Milk
	Nesvita	Haleeb Butter	Good Milk Cream	Olwell Milk
	Nido	Haleeb Cream	Ghee	Olpers Cream
	Milk Pak Cream	Candia Milk		Tarang
	Nestle Yogurt	Dairy Queen Milk		
	Everyday tea whitener	Labban Lassi		
	Nestle Butter	Haleeb Ghee		
	Nestle Raita	Chedder Cheese		
	Nestle Fruit Yogurt	Skimz		

Source: Company Publications, IoBM Research

Management Profile

Name	Designation	Experience	Affiliated Companies	Qualification
Mr. Asad Umer	Chairman	25 years	Engro corp., Dawood Corporation, Dawood Hercules, Engro fertilizers	MBA
Mr. Afnan Ahsan	CEO	20 years	Nestle, Pepsi and Coca Cola	MBA
Mr. Imran Anwer	CFO	20 years	PWC, Deloitte, Touche	CA
Mr. Faud Chundrigar	Vice president Marketing	19 years	Unilever, Danone	MBA
Mr. Babur Sultan	Vice President sales	25 years	GSK, Reckitt & Benckiser, Haleeb Foods	MSC
Mr Ahmed Sheikh	Vice President Supply chain	20 years	Engro Corp	MBA, MS engineering

Source: Company's Website and Publications

SWOT Analysis

Strengths:

Strong Sponsor Profile

Engro Foods operates under the parent company Engro Corporation. Hence, when Engro launched Efoods, people instantaneously associated it with well-established and successful brand 'Engro' operating in the fertilizer, IT and infrastructure sector. Strong brand equity allows Engro Corporation to easily attract investments, as seen in the case of "Engro Rupiya Certificate". The offering received overwhelming response from public, resulting in exercise of green shoe option. A consistent funding stream and strong distribution network in the agriculture sector are two key strengths of the parent company that Efoods can capitalize upon.

Management

The company is being led by Mr. M.Afnan Ahsan who has 20 years' experience with multinationals including Pepsi, Coca Cola and Nestle. The senior management brings vast experience in blue chip FMCG companies in marketing, human resource and supply chain. The board of directors consists of 10 directors out of which 4 are independent with members comprising of Ex CEOs of Gillette, Unilever China and Kraft.

Market Awareness due to Intensive Consumer Research

Engro conducted thorough consumer & product research before and after entering the FMCG sector through well reputed global research partners like AC Nielsen, Mindshare, JWT Asiatic and MARS marketing and advertising agencies. Market research paved the way for Efoods success in the business, making it a formidable player in the FMCG sector previously dominated by with decades of operating history. In its first year, EFoods crossed 1.4 billion in sales figure reflecting customers' satisfaction with its products.

Well established Linkages with Farmers and Dairy Dealers

EFoods has been doing business with the farmers in the fertilizer sector with a good reputation in the market. Strong long term relationship with the farmers has facilitated consistent supply of milk to the company.

Dairy Farm

Dairy farm was established in 2008 and has more than 2500 animals. This move is to help EFoods vision of future milk exports and production of high quality infant and growing up milk powder.

Weaknesses:

Packaging
Efoods depends on Tetra pack for packing in case of milk and cream. Since Tetra Pack has a monopoly in the market, the company is vulnerable to high packaging costs resulting in a decline in margins.

Opportunities:

Enhanced Awareness about Consumption of Processed Milk
With the passage of time people have realized that loose milk termed as “khulla doodh” in Urdu may not be as nutritious as it may sound. Some decades ago processed milk was not considered good for health due to the misconception that “all of the nutrition is sucked out of the milk by passing it through machines operated by electricity”. This mindset is changing now since consumers are more educated and open to new ideas such as a separate milk brand especially for tea.

Pakistan, the third largest producer of milk
Pakistan ranks among the largest producers of milk in the world, with a total production of 33.25 billion liters of milk per annum. Processed milk is only 7% of total production which if enhanced can enable the country to expand export volume of dairy products.

Threats:

Competition
Efoods has been successful in combating intense competition from experienced players of the industry such as Nestle and Haleeb. Old brands have been in the industry for quite some time with an established clientele. EFoods will need to consistently come up with innovative ways for dealing with competition from existing as well as new players. With Nestle planning to double their milk output within three years, EFoods is in for a market share war, the company’s introduction of low budget milk will help their cause.

Pricing
Price differentials pose a threat for the company. It is of vital importance that Engro fulfills their customer’s expectations in terms of offering quality products at competitive pricing. Since the company targets middle class and the lower middle class, pricing will be a significant factor to capture market share as these two income segments are extremely price sensitive. In order to effectively capture these price sensitive segments, the company has launched its low budget milk which is priced even lower than fresh milk.

Outbreak of diseases in dairy animals
Almost a decade or two ago, the dairy dealers and farmers wouldn’t have to worry about any outbreak of any lethal and dangerous diseases in the animal, but as the world turns into a huge global village, the diseases have also found roads to travel and reach far and wide. Various decease in livestock such as the foot and mouth disease, and various other deceases that affect the productivity of farm animal are common these days. EFoods having a commercial farm with more than 2500 animal is subject to risk of diseases which can hamper farm productivity. In order to effectively deal with this issue Engro foods has vaccination programs to stop outbreak of livestock diseases.

Critical Success Factors for Dairy Business

1. Independence in Milk Supply Chain

With rising pressure on supply management with everyone eyeing the same farmers in Punjab (key milk producing area along the Ravi river belt), the importance of an independent supply network is becoming crucial. Greater reliance on third party contractors (compared to a self-collection system) increases contractors’ bargaining power to manipulate supply, erodes margins due to high cost, deteriorates quality (mixing of water content and longer delivery time) and weakens direct relationship with the farmer. EFoods is rightly focused in this area and has adopted the following measure to strengthen the supply chain.

a) Achieving maximum level of self-reliance

EFL is emphasizing a self-collection system. It has more than 900 milk collection centers with a goal to achieve complete self-reliance on milk procurement. Self-collection milk centers are equipped with milk chillers and generators as well as insulated tanks for safe transportation to the plant. The company has direct presence in 700 villages with state of the art chilling equipment and is procuring milk through over 50,000 farmers. It is also educating farmers in animal and fodder management employing an Agri-Services team of veterinary doctors in 144 villages. It has created direct employment opportunities for over 1,500 individuals across Pakistan.

b) Building long-term relationships with farmers

Long-term relationship with farmers is another key area in the entire strong supply chain which comes along with a self-collection system. This is one of the key elements of Nestlé’s success story in Pakistan. With the ‘*Engro*’ brand already having a strong presence within the farmer community through its fertilizer business over the last 40 years (especially in the Sindh province), the task of building relationships and procuring milk from Sindh became a lot easier for EFoods compared to other new entrants. This has strengthened further with the parent company turning aggressive in agri-services. The farmer-company relationship weakens when the company collects milk indirectly through contractors, which reduces farmers' loyalty to the company and increases the ability of contractors to bargain.

c) Investing in cold chain system

Back-end investment in a cold chain system for milk processing companies is becoming a must to ensure acceptable quality and timely delivery to the factory as the company plans to expand its direct milk collection network.

d) Commercial dairy farming – the way forward

Commercial farming is the way forward in the dairy industry to exploit the factors favoring its development including agri-land, adequate water supply, ideal weather conditions and availability of feed. EFoods investing in commercial dairy farming will gain from economies of scale and cost and quality control from backward integration. With a long-term vision of becoming fully independent in milk collection, EFL is currently running a model farm having more than 2,500 imported cows.

2. Marketing – Loyalty & Share of mind

The dairy industry operates in a highly competitive environment where companies need to gain top of the mind share on a continuous basis. EFL management has shown its commitment towards investing in building the brand to gain a strong market position with an average market expenditure of 11% during CY11-14.

Corporate Social Responsibility

Engro Corp and the Engro Foundation

The company believes in working with all the stakeholders to improve their quality of life, in a way that is both good for business and development. The company has been making sizeable contributions for various CSR projects. ENGRO's urea manufacturing site is located in Daharki district Ghotki. The company's commitment to this part of Sindh is evident in its social development projects as the bulk of Company's contribution budget is spent in and around Daharki. The company has intrusion in number of areas like education, health, environment, sports, and infrastructural improvements.

EFoods has joined hands to provide support to flood victims with NGOs and other parties. For this project, they have helped in setting up various tents, providing them with basic necessities like water, milk, medicines, and food items. This ensures that EFoods has been a great contributor towards helping poor and affected people by building them up by fulfilling their necessities, some of their notable efforts are towards educational development such as the Ali Institute of Education made in collaboration with The citizens foundation and program for empowerment of women. Beside educational programs, Engro Corp through the Engro foundation has set up free snake bite clinics, and dialysis centers

Engro Foods

EFoods works alongside with the Engro foundation to fulfill its social responsibility. Some of initiatives that the company took are highlighted below:

Khushal Livestock

USAID in collaboration with Engro foundation has started a scheme to help the farmers that were affected by floods. Engro Foods will oversee the implementation of the project through which Rs 78 million will be given to over 15000 farmers reaching out to 100,000 dairy animals in a span of 6 months. This initiative has been started so that the pre-flood productivity of animals is restored. The package includes provision of nutritional supplements, vaccination and fertilizers.

Dairy Hub

Engro Foods partnering with Tetra Pak Pakistan started the first dairy in the country in Kassowal, district Sahiwal. The primary goal of the project is to help the farmers in improving the productivity and efficiency of the livestock. Through one herd concept, development and organization of the small-holder farmer milk production is done. This program provides agri-sevices, training and education on animal feeding and deceases. This would lead to improved quality of milk, efficient value chain, improved livelihoods in rural areas, increased employment in agriculture and enhanced skills of farmers.

EFoods Income Statement

Income Statement (PKR/Millions)	2006A	2007A	2008A	2009A	2010A	2011F	2012F	2013F	2014F	2015F
Net Sales	**3,631**	**8,173**	**14,665**	**20,945**	**20,945**	**30,195**	**38,025**	**46,295**	**56,338**	**69,054**
-Ambient UHT	3,631	8,173	13,933	19,058	19,058	27,035	33,629	40,274	48,056	57,557
-Powder	0	0	0	219	219	277	508	918	1,649	2,405
-Juices	0	0	0	90	90	335	653	1,116	1,780	2,726
-Ice Cream	0	0	732	1,579	1,579	2,548	3,235	3,987	4,853	6,365
Cost of Goods Sold	**3,370**	**7,128**	**12,163**	**16,552**	**16,552**	**23,612**	**29,658**	**36,410**	**44,692**	**55,385**
-Ambient UHT	3,370	7,128	11,556	15,061	15,061	21,127	26,161	31,613	38,100	46,193
-Powder	0	0	0	173	173	216	395	706	1,259	1,831
-Juices	0	0	0	71	71	280	549	934	1,487	2,283
-Ice Cream	0	0	607	1,248	1,248	1,988	2,554	3,157	3,846	5,077
Gross Profit	**261**	**1,046**	**2,502**	**4,393**	**4,393**	**6,584**	**8,366**	**9,884**	**11,646**	**13,669**
-Ambient UHT	261	1,046	2,377	3,997	3,997	5,908	7,468	8,661	9,956	11,364
-Powder	0	0	0	46	46	61	113	212	391	574
-Juices	0	0	0	19	19	54	104	182	294	443
-Ice Cream	0	0	125	331	331	560	681	829	1,007	1,288
Marketing & Distribution Exp.	548	950	1,305	2,419	2,913	3,951	4,378	4,983	5,512	6,112
Administrative Expenses	55	129	304	347	473	549	618	681	748	829
Other Operating Income	2	2	80	176	55	139	51	68	76	90
Operating Income/(Loss)	**(340)**	**(31)**	**974**	**1,803**	**1,061**	**2,224**	**3,420**	**4,288**	**5,462**	**6,818**
Depreciation Expense	153	285	499	700	700	694	901	1,074	1,103	1,252
EBITDA	**(187)**	**254**	**1,472**	**2,503**	**1,761**	**2,917**	**4,321**	**5,362**	**6,564**	**8,071**
Other Operating Expenses	32	20	53	131	131	282	381	456	553	665
Finance Charges	23	105	354	515	660	1,001	1,436	1,219	974	961
Earnings B/f Tax	**(395)**	**(157)**	**567**	**1,156**	**270**	**940**	**1,603**	**2,613**	**3,935**	**5,192**
Taxation @ 35%	230	334	303	223	95	329	561	915	1,377	1,817
Profit/(Loss) for the year	**(165)**	**177**	**869**	**1,379**	**176**	**611**	**1,042**	**1,699**	**2,557**	**3,375**
EPS (PKR)	**(2.82)**	**(1.29)**	**(0.80)**	**0.31**	**0.31**	**0.81**	**1.36**	**2.21**	**3.33**	**4.39**

EFoods Balance Sheet

Balance Sheet (PKR/Millions)	2006A	2007A	2008A	2009A	2010A	2011F	2012F	2013F	2014F	2015F
ASSETS										
Property, plant and equipment	1,309	2,744	4,567	5,809	7,148	11,633	15,616	15,327	14,989	17,518
Long term investments	0	0	0	153	980	0	0	0	0	0
Biological assets	0	10	307	439	428	471	518	570	627	690
Intangible assets	4	4	19	28	142	157	172	190	209	229
Long term advances, deposits and prepayments	4	6	9	8	23	28	33	40	48	58
Deferred taxation	247	0	0	0	0	0	0	0	0	0
Non-Current Assets	1,564	2,763	4,901	6,436	8,722	12,288	16,340	16,126	15,873	18,495
Stores, spares and loose tools	38	79	188	290	442	664	837	1,018	1,239	1,519
Stock-in-trade	152	418	1,239	1,164	2,089	2,320	2,914	3,578	4,392	5,442
Trade debts	2	8	9	25	52	55	69	85	103	126
Advances, deposits and prepayments	41	41	122	339	244	269	295	325	358	393
Other receivables	54	865	711	572	721	757	795	834	876	920
Taxes recoverable	0	0	56	31	9	10	10	11	11	12
Derivative financial instruments	0	0	0	0	1	0	0	0	0	0
Cash and bank balances	136	155	99	148	180	169	225	253	300	433
Current Assets	423	1,566	2,425	2,569	3,738	4,244	5,146	6,104	7,279	8,846
TOTAL ASSETS	**1,987**	**4,329**	**7,326**	**9,005**	**12,460**	**16,532**	**21,486**	**22,230**	**23,152**	**27,341**
EQUITY AND LIABILITIES										
Share Capital	1,000	2,200	4,300	5,423	7,000	7,690	7,690	7,690	7,690	7,690
Advance against issue of share capital	603	200	50	0	0	0	0	0	0	0
Share Premium	0	0	0	0	0	147	0	0	0	0
Hedging reserve	0	0	0	0	0	0	0	0	0	0
Accumulated loss	(444)	(1,064)	(1,618)	(2,052)	(1,876)	(1,265)	(223)	1,476	4,033	7,408
Total Equity	**1,158**	**1,336**	**2,732**	**3,371**	**5,124**	**6,572**	**7,467**	**9,166**	**11,723**	**15,098**
Long term finances	350	1,393	2,742	3,325	4,625	6,085	7,816	6,508	4,304	2,030
Obligations under finance lease	17	12	15	8	5	3	0	0	0	0
Deferred taxation	0	452	599	301	181	181	181	181	181	181
Deferred liabilities	2	2	3	3	3	4	4	5	5	6
Non-Current Liabilities	**369**	**1,859**	**3,358**	**3,637**	**4,814**	**6,272**	**8,002**	**6,693**	**4,490**	**2,216**
Current portion of										
- long term finances	0	0	58	117	200	465	1,199	1,621	2,204	2,275
- obligations under finance lease	5	5	8	5	4	3	3	0	0	0
Trade and other payables	294	542	790	1,583	2,041	2,219	2,815	3,450	4,235	5,252
Accrued interest / mark-up on										
- long term finances	5	61	176	183	275	0	0	0	0	0
- short term finances	2	15	23	2	2	0	0	0	0	0
Short term finances	154	511	180	108	0	1,000	2,000	1,300	500	2,500
Current Liabilities	**460**	**1,135**	**1,236**	**1,997**	**2,522**	**3,687**	**6,017**	**6,371**	**6,939**	**10,027**
TOTAL EQUITY AND LIABILITIES	**1,158**	**1,336**	**2,732**	**3,371**	**12,460**	**16,532**	**21,486**	**22,230**	**23,152**	**27,341**

EFoods Cash flow statement

Cashflow Statement (PKR/Millions)	2007A	2008A	2009A	2010A	2011F	2012F	2013F	2014F	2015F
Net Profit/(Loss) for the year	(620)	(554)	(433)	176	611	1,042	1,699	2,557	3,375
Depreciation Expense	153	285	499	700	694	901	1,074	1,103	1,252
Stores, spares and loose tools	(41)	(109)	(102)	(152)	(222)	(172)	(182)	(221)	(280)
Stock-in-trade	(267)	(821)	75	(925)	(231)	(594)	(663)	(814)	(1,051)
Trade debts	(6)	(1)	(16)	(27)	(3)	(14)	(15)	(18)	(23)
Advances, deposits and prepayments	0	(82)	(216)	94	(24)	(27)	(30)	(33)	(36)
Other receivables	(811)	154	139	(148)	(36)	(38)	(40)	(42)	(44)
Taxes recoverable	0	(55)	24	22	(0)	(0)	(1)	(1)	(1)
Derivative financial instruments	0	0	0	(1)	1	0	0	0	0
Trade and other payables	248	248	792	458	178	597	635	785	1,017
Accrued interest / mark-up on	69	123	(15)	93	(277)	0	0	0	0
Cash Flow From Operating Activities	**(1,274)**	**(812)**	**747**	**290**	**688**	**1,694**	**2,477**	**3,317**	**4,210**
Property, plant and equipment	(1,587)	(2,108)	(1,741)	(2,040)	(5,178)	(4,884)	(785)	(765)	(3,781)
Long term investments	0	0	(153)	(827)	980	0	0	0	0
Biological assets	(10)	(297)	(132)	11	(43)	(47)	(52)	(57)	(63)
Intangible assets	0	(15)	(9)	(115)	(14)	(16)	(17)	(19)	(21)
Long term advances, deposits and prepayments	(1)	(3)	1	(15)	(5)	(6)	(7)	(8)	(10)
Deferred taxation	247	0	0	0	0	0	0	0	0
Cash Flow From Investing Activities	**(1,352)**	**(2,422)**	**(2,034)**	**(2,986)**	**(4,260)**	**(4,952)**	**(860)**	**(849)**	**(3,874)**
Share Capital	1,200	2,100	1,123	1,577	690	0	0	0	0
Advance against issue of share capital	(403)	(150)	(50)	0	0	0	0	0	0
Share Premium	0	0	0	0	147	(147)	0	0	0
Hedging reserve	0	0	0	0	(0)	0	0	0	0
Long term finances	1,043	1,407	642	1,383	1,725	2,465	(886)	(1,621)	(2,204)
Obligations under finance lease	(5)	6	(10)	(5)	(2)	(3)	(3)	0	0
Deferred taxation	452	147	(297)	(120)	(0)	0	0	0	0
Deferred liabilities	0	0	0	1	0	0	0	0	1
Short term finances	357	(332)	(72)	(108)	1,000	1,000	(700)	(800)	2,000
Cash Dividend	-	-	-	-	-	-	-	-	-
Cash Flow From Financing Activities	**2,645**	**3,178**	**1,336**	**2,728**	**3,560**	**3,315**	**(1,589)**	**(2,421)**	**(203)**
Cash Balance - Starting	136	155	99	148	180	169	225	253	300
Net Change in Cash	19	(56)	49	32	(12)	57	28	47	133
Cash Balance - Ending	**155**	**99**	**148**	**180**	**169**	**225**	**253**	**300**	**433**

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