

FEBRUARY 2017

overview

Symbol : SBEH1
Estimated EPS for 1395: 582 Rial
Market cap.:8 Trillion Rial
Industry P/E : 8.81
Capital: 3000 Billion Rial
Share price: 2685 Rial
Average daily volume: 1.1 million share
Suggestion: Buy
Fiscal Year: 09/30
P/E : 4.6
Estimated Return: 60%
Target price: 4215

Price History



History

The company was established in 1330 as a private stock company. It was listed and offered in TSE in 1373. This company is one of the oldest edible oil producers in the Middle East and produces 1200 tons of edible and cooking oils per day which has made it the largest company of Iran by about 40% market share. Ladan brand is one of the most famous brands in the market. Behshahr Industries company is one of the subsidiaries of Saffola Behshahr which is in turn owned by Saudi Arabia Saffola.

Edible oil industry in Iran

The industry is depended on importing raw edible oil and purifying it. Most of the active brands import their raw material. There are 47 active companies and the consumption per capita for edible oil is 17 kg per year.

Behshahr Industries Company is the leader of the market by a bit less than half of the market share. Ladan, Bahar and Nastaran are some of the related brands of the company. Margarin is an important competitor and enjoys 10% market share. Behpak is another producer whose production line is more complete and produces edible oils by extracting from soybean seed and rapeseed. It also produces soybean protein. According to mentioned dependence on import of raw edible oil like soybean oil, palm oil and sunflower oil, Behpak utilizes only 26% of the capacity and owns 2% market share.

Golestan province with more than 600 thousand hectares land under cultivation produces 80% of Iran seed oils.

¹ Rial is the currency traded in Iran. At the date of this report one dollar is equal to 38000 Rial.

Behshahr production capacity

Behshahr production capacity is in the table below:

Product	Unit	Numinal Capacity		Real Capacity		Estimated 1395	
		۱۳۹۶	۱۳۹۵	۱۳۹۶	۱۳۹۵	۱۳۹۶	۱۳۹۵
oil Vegetable	ton	500,000	500,000	550,000	550,000	508,999	508,012
Semi-finished products	ton	0	0	0	0	0	674

Capital of the company

The capital has increased from 1023 billion Rial to 3000 billion Rial this year. The current number of shares is 30 billion shares with 1000 Rial nominal value.

Equity Holders:

Equity Holders is in the table below:

Equity Holders	share	percentage
savfula Behshahr co	2 B	79.89
Sepah Investment co	80 M	2.67
Modabberan Eghtesad Investment co	48 M	1.6
Pars tooshe Investment co	45 M	1.5
Civil servant pension Fund	39 M	1.29



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Fundament analysis: Behshahr Industry

Future projects and plans

- Decreasing solid oils and increasing the production of liquid oils.
- Working on new and more specialized formulas
- Extending the market to extreme areas by Tolu Pakhsh Transportation Company

Important events

In November the deputy minister of agriculture explained: In order to provide the demand for edible oils we need to import 99% of the demand. But the government plan is to become import needless for 70% of the demand by buying and supporting domestic oilseeds.

EPS Estimates

Some assumptions for estimating the next year EPS are as follows:

- Dollar price for importing raw material is assumed to be equal to official prices which is about 33000 Rial.
- The prices of products in year 95 were 4% under the authorized price. It is assumed that the discounts will be omitted in year 96.
- Tariffs for importing raw materials will increase more than 20%.



Income Statement	Unit	Projects of 96	company budget	realized 95
total sale	million Rial	26,145,356	24,753,790	21,834,412
cost of goods sold	million Rial	23,118,655-	21,837,473-	19,716,321-
Incom gross	million Rial	3,026,701	2,916,317	2,118,091
general and administration expenditure	million Rial	765,647-	648,037-	639,404-
other operetional expenses	million Rial	50,500	50,500	18,751
Income operational	million Rial	2,311,554	2,318,780	1,497,438
Interest Expenses	million Rial	94,417-	94,417-	70,256-
investment gains or dividends	million Rial	58,750	58,750	103,188
other non operational Expenses	million Rial	30,000	30,000	3,531-
incom before tax Net	million Rial	2,305,887	2,313,113	1,526,839
Tax	million Rial	498,856-	566,713-	412,016-
income net	million Rial	1,807,031	1,746,400	1,114,823
EPS	Rial	602	582	372
Capital	million Rial	3,000,000	3,000,000	3,000,000
number of share	million share	3	3	3

Valuation

It should be considered that valuation in Iran suffers from major limitations such as lack of transparent benchmarks for risk free rates. The average inflation in the last 5 years has been 23% while the nominal return of the capital market experienced an average of 34% during the period. There for according to beta of the companies, the real required return in capital market will be between 8 to 15 percent. ROE is about 20% and the real rate of growth is predicted to be 5% with 70% payout ratio. According to the fact that the industry is experiencing the last stages of maturity, one-period DDM is used for valuation. The formula is:



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Fundament analysis: Behshahr Industry

$$p = \frac{D_1}{k-g} = \frac{602 * 70\%}{15\% - 5\%} = 4,214$$

In the formula real required return is 15% because the company is assumed high risk.
Real rate of growth is also 5% according to the above data.

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