

RESULT UPDATE

SMALL CAP

Share Data

Reuters code	KVRI.BO
Bloomberg code	KSCLIN
Market cap. (US\$ mn)	77.5
6M avg. daily turnover (US\$ mn)	0.2
Issued shares (mn)	13.7
Target price (Rs)	325

Performance (%)	1M	3M	12M
Absolute	(11)	(5)	42
Relative	(2)	(4)	23

Valuation ratios

Yr to 31 Mar	FY11E	FY12E
EPS (Rs)	25.0	29.0
+/- (%)	17.9	16.0
PER (x)	10.8	9.3
PBV (x)	2.0	1.7
Dividend/Yield (%)	0.9	1.1
EV/Sales (x)	2.1	1.8
EV/EBITDA (x)	9.0	7.6

Major shareholders (%)

Promoters	62
FII's	5
MF's	14
Public & Others	19

Financial highlights

(Rs mn)	4QFY09	4QFY10	YoY (%)	FY09	FY10	YoY (%)	FY11E	YoY (%)	FY12E	YoY (%)
Net sales	184	127	(31.0)	1,231	1,621	31.8	1,791	10.4	2,042	14.0
Operating profit	21	7	(66.1)	310	353	13.8	421	19.3	490	16.4
OPM(%)	11.3	5.6	-	25.2	21.8	-	23.5	-	24.0	-
Other income	1	18	1,232.2	13	19	46.6	19	0.4	20	4.8
Depreciation	(9)	(15)	55.2	(32)	(42)	28.9	(46)	11.3	(58)	25.0
Interest paid	(2)	(5)	106.1	(19)	(18)	(5.0)	(19)	2.3	(17)	(8.0)
PBT & Exceptional Items	10	5	(49.6)	271	312	14.9	375	20.2	435	16.0
Exceptional items	(5)	-	-	(20)	-	-	-	-	-	-
PBT	6	5	(5.6)	251	312	24.0	375	20.2	435	16.0
Current Tax	(1)	(3)	493.0	(22)	(21)	(4.8)	(32)	51.7	(37)	16.0
PAT	4.9	1.7	(65.3)	229	291	26.8	343	17.9	398	16.0
Adjusted PAT	10	2	(82.4)	249	291	16.7	343	17.9	398	16.0
Adjusted EPS (Rs)	0.7	0.1	(82.4)	18.2	21.2	16.7	25.0	17.9	27.0	8.1

Kaveri Seed

Maintain Outperformer

Price: Rs 270

BSE Index: 16,022

25 May 2010

4QFY10 Result – Tepid performance in a lean quarter

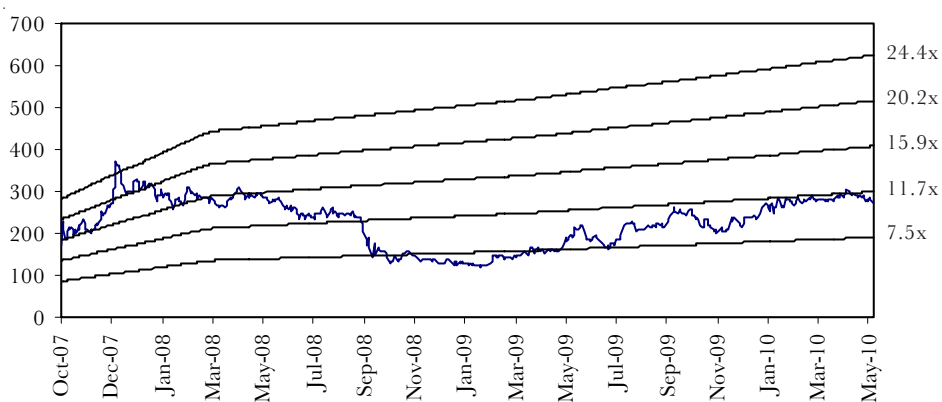
Kaveri Seed Company (KSCL) has reported a tepid performance for 4QFY10. However, historically quarter ending March is off season for sale of seeds and 4Q contributes less than 5% to the full year profits. Delay in sowing in Andhra Pradesh and not very encouraging hybrid corn seeds sales led to the decline in revenue for the quarter from seeds business, down 46.5% YoY. Micro nutrients sales increased by 165.7% YoY, benefitting from the shift in sales from the 2Q to 3Q. Overall, revenue for the quarter declined from Rs 184 mn in 4QFY09 to Rs 127 mn in 4QFY10, decline of 31% YoY.

Going forward in FY11E, expectation of normal monsoon in 2010, improvement in Bt cotton seeds sales, increase in high value corn hybrid seed sales, stable acreage under bajra crop and prevailing better realisation of agriculture produce for farmers will help KSCL post strong performance. In the long-term, with less than 1% of rice acreage and 50% of maize acreage under hybrid seeds, we see abundant growth opportunity within the seed sector. KSCL is well positioned to benefit from the increasing thrust towards improving the seed replacement rate and growth in the hybridisation. KSCL product portfolio includes 12 hybrid corn varieties, five of sunflower, six of cotton, and 23 varieties of paddy. KSCL has established strong presence in South India, and its plans of expansion of geographic presence to North India offer significant growth avenue. Increasing competition from established MNCs and relatively lower market share in Indian seeds industry are the key concerns. We have introduced our EPS estimate of Rs 29 for FY12E. We expect revenue and earnings CAGR of 12.2% and 17%, respectively, for the period FY10-12E. At Rs 270, the stock trades at 10.8x FY11E and 9.3x FY12E earnings. We maintain Outperformer, with a target price of Rs 325.

Segment results

(Rs mn)	4QFY09	4QFY10	YoY (%)	FY09	FY10	YoY (%)
Segment revenue						
Seeds	171	91	(46.5)	1,099	1,502	36.7
Micro nutrients	13	36	165.7	132	119	(9.5)
Total	184	127	(31.0)	1,231	1,621	31.8
EBIT						
Seeds	11	6	(47.5)	261	317	21.2
Micro nutrients	2	4	117.3	29	13	(53.9)
Total	13	10	(21.3)	290	330	13.6
EBIT (%)						
Seeds	6.2	6.1	–	23.8	21.1	–
Micro nutrients	15.0	12.2	–	22.1	11.3	–

PER Band



Source: B&K Research

Income Statement

Yr end 31 Mar (Rs mn)	FY09	FY10	FY11E	FY12E
Net sales	1,231	1,621	1,791	2,042
<i>Growth (%)</i>	27.4	31.8	10.4	14.0
Operating expenses	(921)	(1,269)	(1,370)	(1,552)
Operating profit	310	353	421	490
EBITDA	310	353	421	490
<i>Growth (%)</i>	22.2	13.8	19.3	16.4
Depreciation	(32)	(42)	(46)	(58)
Other income	13	19	19	20
EBIT	290	330	394	452
Interest paid	(19)	(18)	(19)	(17)
Pre-tax profit	271	312	375	435
(before non-recurring items)				
Non-recurring items	(20)	0	0	0
Pre-tax profit	251	312	375	435
(after non-recurring items)				
Tax (current + deferred)	(22)	(21)	(32)	(37)
Net profit	229	291	343	398
Adjusted net profit	249	291	343	398
<i>Growth (%)</i>	57.6	16.7	17.9	16.0
Net income	229	291	343	398

Balance Sheet

Yr end 31 Mar (Rs mn)	FY09	FY10P	FY11E	FY12E
Current assets	1,454	1,618	1,835	2,157
Investments	20	20	20	20
Net fixed assets	788	866	996	1,149
Total assets	2,263	2,504	2,851	3,326
Current liabilities	799	784	853	1,002
Total debt	214	214	189	164
Other non-current liabilities	0	1	1	1
Total liabilities	1,013	999	1,043	1,167
Share capital	137	137	137	137
Reserves & surplus	1,114	1,368	1,670	2,022
Less: Misc. expenditure	(1)	0	0	0
Shareholders' funds	1,250	1,505	1,807	2,159
Total equity & liabilities	2,263	2,504	2,851	3,326
Capital employed	1,464	1,720	1,998	2,324

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY09	FY10P	FY11E	FY12E
Pre-tax profit	251	312	375	435
Depreciation	32	42	46	58
Chg in working capital	(199)	(207)	(173)	(111)
Total tax paid	(24)	(20)	(32)	(37)
Cash flow from oper. (a)	60	126	215	344
Capital expenditure	(453)	(119)	(176)	(211)
Chg in investments	212	0	0	0
Cash flow from inv. (b)	(241)	(119)	(176)	(211)
Free cash flow (a+b)	(181)	7	39	133
Equity raised/(repaid)	0	1	0	0
Debt raised/(repaid)	157	0	(25)	(25)
Dividend (incl. tax)	(32)	(36)	(41)	(46)
Cash flow from fin. (c)	125	(35)	(66)	(71)
Net chg in cash (a+b+c)	(56)	(28)	(26)	63

Key Ratios

Yr end 31 Mar (%)	FY09	FY10P	FY11E	FY12E
EPS (Rs)	18.2	21.2	25.0	29.0
EPS growth	57.6	16.7	17.9	16.0
Book NAV/share (Rs)	91.2	109.9	131.9	157.6
Tax rate	8.9	6.8	8.6	8.6
EBITDA margin	25.2	21.8	23.5	24.0
EBIT margin	23.6	20.4	22.0	22.1
RoCE	22.6	20.7	21.2	20.9
Net debt/Equity	5.9	6.8	5.7	0.7

Valuations

Yr end 31 Mar (x)	FY09	FY10P	FY11E	FY12E
PER	14.9	12.7	10.8	9.3
PCE	13.2	11.1	9.5	8.1
Price/Book	3.0	2.5	2.0	1.7
Yield (%)	0.7	0.8	0.9	1.1
EV/Net sales	3.1	2.3	2.1	1.8
EV/EBITDA	12.2	10.8	9.0	7.6

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY09	FY10P	FY11E	FY12E
Net margin (%)	20.2	17.9	19.1	19.5
Asset turnover	0.7	0.7	0.7	0.7
Leverage factor	1.6	1.7	1.6	1.6
Return on equity (%)	21.6	21.1	20.7	20.0

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Analyst Declaration: I, G.Vijayaraghavan, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendation or view expressed in this report.

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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