

Sanwaria Agro Oils Ltd

Significant decline in earnings

Fundamental Grade 2/5 (Moderate fundamentals)

Valuation Grade 3/5 (CMP is aligned)

Industry Food Products

Sanwaria Agro Oils Ltd's (Sanwaria's) Q3FY12 results were significantly below CRISIL Research's expectations as the company posted 23% y-o-y decline in its top line for the quarter and saw its earnings halve compared to Q3FY11. We had expected the company's performance to improve in Q3 led by palm oil trading revenues and 10% increase in prices of refined soya oil during the quarter. We have lowered our FY12 and FY13 earnings estimates in light of Sanwaria's declining profitability. We maintain the fundamental grade of **2/5**.

Q3FY12 result analysis

- Revenues declined nearly 23% y-o-y and 14% q-o-q. For 9MFY12, revenues declined by 8.7% compared to 9MFY11. We are unable to comment on the realisation and volume trends as we have not interacted with the management.
- EBITDA margin contracted by 75 bps y-o-y to 2.9%, but increased sequentially. Raw material cost as a percentage of sales increased by 101 bps, which we believe was on account of lower realisations. Employee cost also rose by ~10% y-o-y. Increase in expenses was partially offset by 28% y-o-y dip in other expenses.
- PAT margin declined by 63 bps y-o-y to 1.2%, whereas de-growth in absolute PAT was ~49%. EPS for the quarter was Rs 0.12
- For 9MFY12, Sanwaria reported EPS of Rs 0.36, 52% lower compared to 9MFY11. EPS was Rs 0.8 in FY11.

Earnings estimates – revised downwards

We have lowered Sanwaria's revenue estimates for FY12 and FY13 by 20% and 22% respectively. On account of deteriorating profitability, EPS estimate has been reduced to Rs 0.5 and Rs 1.0 for FY12 and FY13 respectively.

Valuations: Current market price is aligned

On account of volatility in profits and lack of revenue visibility (owing to significant share of Sanwaria's revenues coming through trading), we have valued Sanwaria using price to book value method. We maintain our valuation at Rs 15 per share and assign a valuation grade of **3/5**.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	11,153	11,176	15,702	13,909	15,719
EBITDA	711	701	530	428	606
Adj PAT	398	396	296	169	333
Adj EPS-Rs	1.1	1.1	0.8	0.5	1.0
EPS growth (%)	(8.6)	(0.6)	(25.4)	(43.0)	97.4
Dividend yield (%)	0.9	0.6	-	-	-
RoCE (%)	21.6	17.1	8.7	6.8	11.3
RoE (%)	29.5	23.6	14.7	7.5	13.3
PE (x)	14.5	14.5	19.5	34.2	17.3
P/BV (x)	3.8	3.1	2.7	2.5	2.2
EV/EBITDA (x)	9.6	10.8	18.6	18.7	13.3

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

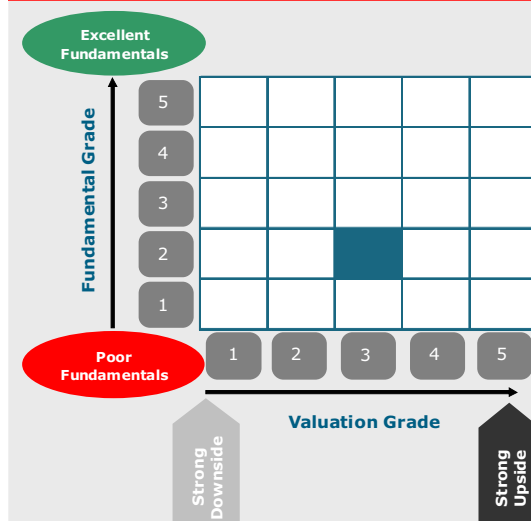


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Fair Value Rs 15

CMP Rs 17

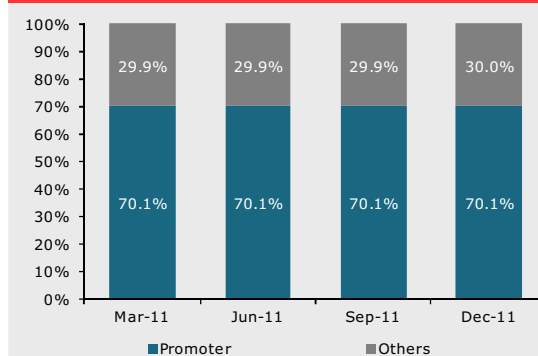
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5483/18079
NSE / BSE ticker	SANWARIA
Face value (Rs per share)	1
Shares outstanding (mn)	348
Market cap (Rs mn)/(US\$ mn)	5,760/116
Enterprise value (Rs mn)/(US\$ mn)	9,878/200
52-week range (Rs) (H/L)	147/10
Beta	1.2
Free float (%)	30.0
Avg daily volumes (30-days)	342,414
Avg daily value (30-days) (Rs mn)	5.9

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
SANWARIA	12%	19%	-6%	-78%
NIFTY	9%	17%	11%	1%

ANALYTICAL CONTACT

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