

Sanwaria Agro Oils Ltd

Q3FY12 First cut – Earnings decline significantly

Fundamental Grade **2/5 (Moderate fundamentals)**
Valuation Grade **1/5 (CMP has strong downside)**

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 some price recovery in soya oil market seen during December 2011. We are likely to lower our estimates post discussion with the management. 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.
- 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 is 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.

Valuation: Current market price has strong downside

We maintain our fair value at Rs 15 per share for Sanwaria. At the current market price of Rs 22, the valuation grade is **1/5**.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	11,153	11,176	15,702	17,327	20,031
EBITDA	711	701	530	774	1,158
Adj PAT	398	396	296	351	652
Adj EPS-Rs	1.1	1.1	0.8	1.0	1.9
EPS growth (%)	(8.6)	(0.6)	(25.4)	18.7	85.8
Dividend yield (%)	0.7	0.4	-	0.4	1.4
RoCE (%)	21.6	17.1	8.7	11.0	15.7
RoE (%)	29.5	23.6	14.7	15.1	23.8
PE (x)	19.5	19.6	26.3	22.2	11.9
P/BV (x)	5.2	4.2	3.6	3.1	2.6
EV/EBITDA (x)	12.4	13.7	22.4	15.1	10.1

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

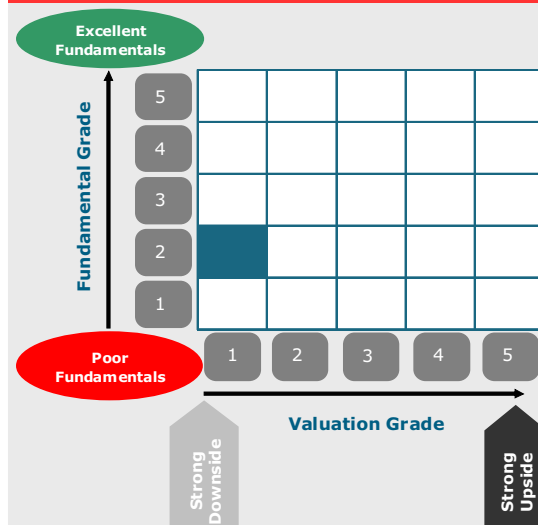


February 14, 2012

Fair Value **Rs 15**

CMP **Rs 22**

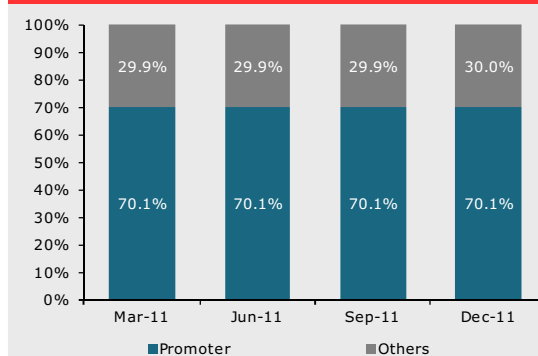
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5416/17848
NSE / BSE ticker	SANWARIA
Face value (Rs per share)	1
Shares outstanding (mn)	348
Market cap (Rs mn)/(US\$ mn)	7,779/157
Enterprise value (Rs mn)/(US\$ mn)	11,781/238
52-week range (Rs) (H/L)	140/10
Beta	1.2
Free float (%)	30%
Avg daily volumes (30-days)	272,544
Avg daily value (30-days) (Rs mn)	4.3

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
SANWARIA	53%	30%	30%	-68%
NIFTY	11%	5%	7%	-1%

ANALYTICAL CONTACT

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