

GOLDMINE STOCKS PVT. LTD

Research Division

Member: National Stock Exchange of India Ltd,
Bombay Stock Exchange Ltd.

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Monsanto India [08/06/2013]

Monsanto India

	Rs.Cr.
Equity	17.26
Reserves	390.16
Acc.Dep	51.82
Debt	8.75
FV	10.00
Exp.NP	84.05
Cash Pr.	95.05
EPS	48.70
CEPS	55.07
Debt:Equi	0.02
Book Value	284.75
Cash Book Value	321.14
M.Price	724.00
M.Cap	1249.62
P/E	14.87
Dividend Expected	20.00
Dividend Yield (%)	2.76
Total Worth	459.24
Sales	530.00

Shareholding Pattern

Promoters	72.14
FII	0.01
Institutions	2.10
Corp.Bodies	6.98
Public	18.77

Background: Head quarter in United States, Missouri. Global sales was around Rs 65000 crores in 2011. Indian sales were just about 0.6% of the global sales. So Indian sales need to catch up in a big way, particularly where about 50% of our population in dependent on agriculture. Monsanto U.S has a much larger basket of products but due to poor intellectual property rights in India, many of those products have not yet been introduced into India.

The company is basically into agricultural and vegetable seeds [maize, cotton, oilseeds-soyabeans, canola, vegetables], plant biotechnology traits and Crop protection chemicals [Roundup-largest selling herbicide].

In India, the company has 357 employees, presence since last six decades, 2 seed research breeding stations, 1 seed processing facility, 1 quality assurance laboratory, 1 chemistry plant.

Monsanto India, a subsidiary of Monsanto Company, USA is the only publicly listed Monsanto entity outside of United States.

Indian subsidiary focusses on Maize [Dekalb-India's largest selling hybrid maize seed brand] and agricultural productivity (Roundup, the world's largest selling glyphosate herbicide), touching the lives of Indian farmers and promoting their progress. Round up used for the protection of various crops like Tea, Maize and many more.

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Future Growth Triggers: Globally working towards doubling the yield in its three core crop- cotton, maize and soyabean by 2030, which means improving yield by about 6-7% per annum.

If India is to really show jump in GDP growth, the next phase has to come from agriculture. Though 50% of India's population is dependent on agriculture, the contribution of agriculture to GDP is below 10% and that is pathetic. With FDI in retails, better irrigation facilities, increasing power supplies, scientific method adopted in agriculture, the share of agriculture in GDP is set to rise. So, if the share were to rise by only 5% from 10% to 15%, the actual growth would be 100% in agriculture or even more.

Once the Government passes the Food Security Bill, the consumption of various foodgrains in India will rise dramatically. The Food security bill ensures a minimum amount of quantity per month per person at token prices. So, if the Food Security Bill is to be implemented properly, we will need lot of increase in overall productivity.

According to the company, maize is the next big crop in India, where its use and consumption is rising rapidly. Average maize productivity in India is only 0.85 MT per acre while the same is over 4 MT per acre in US and Spain. Brazil is over 1.5 MT per acre. India needs to increase growth rate of maize to meet increasing demands. India is 6th largest producer and 5th largest consumer of maize in the World.

Risks: Weak monsoons could result in lower than expected growth or stagnancy sometimes. But continuous improvement in irrigation facilities could help. Sometimes there are issues, where there is opposition to hybrid seeds but what Indian farmers and Indian regulators must do is to see the results of the use of those seeds in US, the home country of Monsanto and if found ok, they must not hesitate to use them to improve their yields. In last few years, a few domestic players have emerged in the seeds and agrichem space. However as far as scientific approach to farming and research are concerned, US as a country is much ahead.

Technicals and Comments: The stock is above all its moving averages, which stand below the Rs 625 mark. The stock is currently quoting at Rs 724 and is cum dividend of Rs 12+ Rs 50 special dividend. So effectively, the stock is available at just above all its moving averages, if dividends were to be excluded. The high price of the stock was around Rs 2530 in the last five years. Post bonus, the high price can be regarded as Rs 1215 and low price at around 555. We are picking this stock after a consolidation of almost 20 months post the crash from 1215 to 555. So it seems that the stock is looking good both from fundamental and technical perspective. There could be short term volatility due to the overall markets, but we feel that this is a quality stock capable of delivering good consistent returns in the long run.

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