

Index	Closing	Chg	Chg (%)
Sensex	17591.2	-342.0	-1.9%
Nifty	5262.6	-99.1	-1.8%
Auto	7588.3	-227.6	-2.9%
Bankex	10553.9	-342.6	-3.1%
Cap Goods	13984.1	-474.4	-3.3%
Cons Durables	4581.8	101.5	2.3%
FMCG	2868.1	8.8	0.3%
Healthcare	5322.5	-25.1	-0.5%
IT	5500.0	171.3	3.2%
Metal	18224.7	-120.1	-0.7%
Oil & Gas	10090.3	-339.4	-3.3%
Power	3152.3	-56.2	-1.8%
Realty	3549.6	51.1	1.5%

World Index	Closing	Chg	Chg (%)
Dow	11018.7	21.3	0.2%
Nasdaq	2481.3	27.2	1.1%
Hang Seng	21865.3	-343.2	-1.5%
Nikkei	11102.2	-102.2	-0.9%
FTSE 100	5744.0	-27.0	-0.5%
Brazil	69421.4	-1995.9	-2.8%
Russia	1642.6	10.8	0.7%
Mexico	33621.4	-219.5	-0.6%
Singapore Strait	3007.2	35.2	1.2%
Taiwan	8111.6	19.5	0.2%

\* As on Friday 4 pm

Top Gainers	Closing	Chg (Rs)	Chg (%)
Indiabulls Fin.	140.3	13.4	10.5%
Titan Inds.	2056.1	150.6	7.9%
Balrampur Chini	95.2	6.4	7.2%
Castrol India	390.1	25.8	7.1%
Unitech	81.1	5.1	6.8%

\* As on 16th April '10

Top Losers	Closing	Chg (Rs)	Chg (%)
Max India	184.9	-35.0	-15.9%
Bajaj Finserv	308.0	-51.2	-14.2%
Aditya Bir. Nuv.	834.8	-122.2	-12.8%
United Spirits	1232.9	-118.7	-8.8%
Essar Oil	138.8	-12.4	-8.2%

\* As on 16th April '10

Metal	Closing	Chg	Chg (%)
Gold (\$/oz)	1137.4	-24.6	-2.1%
Silver (\$/oz)	17.7	-0.7	-3.7%
Aluminium (\$/MT)	2402.1	29.3	1.2%
Copper (\$/MT)	7728.0	-165.5	-2.1%
Lead (\$/MT)	2237.0	-68.0	-3.0%
Zinc (\$/MT)	2390.3	9.8	0.4%

\* As on Friday 4 pm

Date	DII (Cash)	FI (Cash)	FI (FO)
12-Apr-09	NA	257.7	1209.6
13-Apr-09	NA	244.5	506.2
15-Apr-09	NA	607.8	185.6
16-Apr-09	NA	343.1	

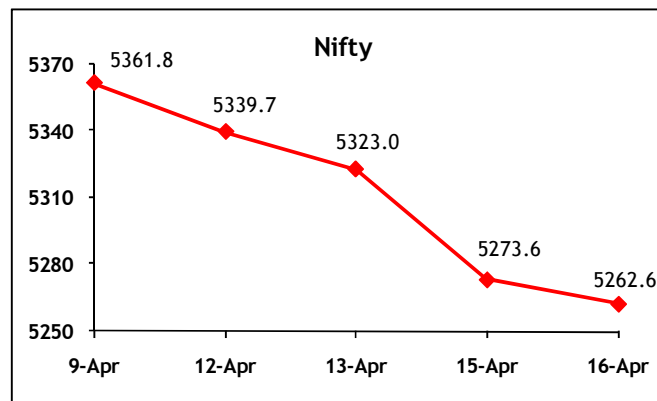
# NA - Not Available

## SNAP SHOT

Markets dropped 1.8% WoW on the back of profit booking witnessed in frontline stocks ahead of Q4 results. During the week Infosys, the IT major, reported better than expected fourth quarter results and gave guidance for future growth. Market is awaiting RBI's stance on rate hike in the fourth quarter monetary policy to be held next week.

IT Index was the best performer of the week, gaining 3.2% WoW on the back of better than expected results by Infosys. It was followed by Consumer Durables Index which rose 2.3% WoW.

The primary articles inflation increased by 13.88% YoY in the week ended April 03, 2010 against 14.5% in the previous week.



## Global Economic Update

### United States:

- ⇒ For the week ended April 09, 2010 Mortgage Bankers Association's (MBA) index declined by 9.6%. While the purchase gauge decreased by 11% and refinance measure dropped 9%.
- ⇒ Initial Jobless claims increased by 24,000 to 4,84,000 for the week ended April 10, 2010 from previous claims of 4,60,000 for the week ended April 03, 2010.
- ⇒ The number of unemployed enjoying insurance benefits increased to 4.639 million for the week ended April 03, 2010 from earlier revised claims of 4.566 million.
- ⇒ US Trade deficit increased by 7.3% to \$39.7 billion in February, 2010.
- ⇒ US Consumer Price Index based inflation rose by 0.10% MoM and 2.3% YoY in March 2010.
- ⇒ US Advance Retail Sales grew by 1.60% in March 2010 from earlier revised sales growth of 0.50%.
- ⇒ US Industrial Production increased by 0.1% in March as against 0.3% growth in previous month.

ADR's	Closing	*Chg (\$)	Chg (%)
Infosys	62.0	1.0	1.7%
ICICI Bank	40.8	-4.2	-9.3%
HDFC Bank	144.2	-3.5	-2.4%
Tata Motors	19.3	0.0	-0.1%
Satyam	5.3	-0.2	-3.3%

\* As on Friday

GDR's	Closing	*Chg (\$)	Chg (%)
RIL	48.5	-2.2	-4.3%
SBI	92.5	-3.7	-3.8%
L&T	35.5	-2.0	-5.3%

Banking Data	26-Mar-10 (Rs in Cr)	Chg (Rs in Cr)	Chg (%)
Credit Growth	3240399	115549	3.7%
Deposit Growth	4486574	83631	1.9%

\*Chg - Fortnightly

**Economic Calendar**

Date	Economic Data	Previous
<b>UNITED STATES</b>		
19-Apr	Leading Indicators	0.10%
21-Apr	MBA Mortgage Applications	-9.60%
22-Apr	Initial Jobless Claims	484K
22-Apr	Continuing Claims	4639K
22-Apr	Existing Home Sales MoM	-0.60%
23-Apr	New Home Sales MoM	-2.20%
<b>UNITED KINGDOM</b>		
20-Apr	CPI (YoY)	3.00%
21-Apr	Claimant Count Rate	4.90%
21-Apr	Jobless Claims Change	-32.3K
23-Apr	GDP (YoY)	-3.10%
<b>JAPAN</b>		
19-Apr	Consumer Confidence	40.0
22-Apr	Merchnds Trade Balance Total	¥651.0B
22-Apr	Merchnds Trade Exports YoY	45.3
22-Apr	Merchnds Trade Imports YoY	29.5

- ⇒ US housing starts increased by 1.6% MoM in March to 6,26,000 and Building permits rose by 7.5% to 6,85,000.
- ⇒ University of Michigan Confidence Index declined to 69.5 in April 2010. A reading above 50 indicates expansion.

**United Kingdom:**

- ⇒ UK's total trade deficit stood at 2.061 billion pounds in February as against a deficit of 3.904 billion pounds in previous month.

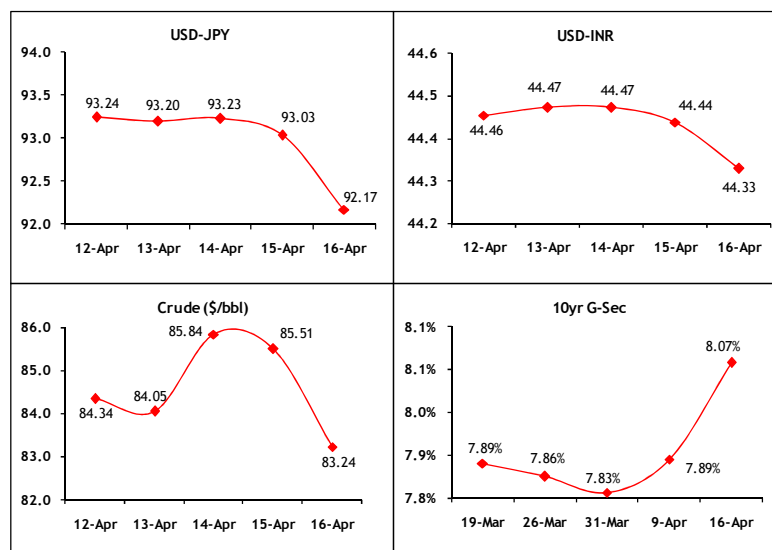
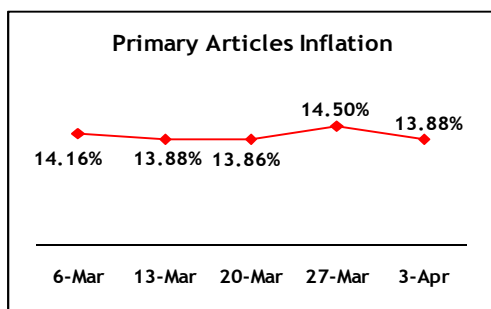
**Europe:**

- ⇒ Germany's Consumer Price Index based inflation increased by 0.5% MoM and 1.1% YoY in March 2010.
- ⇒ France's Current Account deficit increased to 3.6 billion Euro in Feb, 2010 as compared to a deficit of 3.4 billion Euro in previous month.

**Asia:**

- ⇒ Japan's Bank credit declined by 1.8% YoY in March, 2010 following a drop of 1.5% in previous month.
- ⇒ Japan's Industrial production increased by 31.3% YoY in February. However; on a sequential basis it declined marginally by 0.6%.
- ⇒ China's exports and imports grew by 24.3% and 66% YoY in March resulting in a trade deficit of \$7.24 billion.
- ⇒ China's Gross Domestic Product (GDP) increased by 11.9% YoY in the first quarter of 2010.
- ⇒ China's Retail sales and Industrial production increased by 18% and 18.1% YoY respectively in March.

**CURRENCY, CRUDE & G-SEC**



**SABERO ORGANICS GUJARAT LTD.**

Sabero Organics, incorporated in 1991, is one of the manufacturers of plant protection chemicals for supply to large plant protection companies in India and abroad. It has a global marketing presence with different product categories like pesticides, fungicides, herbicides and insecticides. It derives ~65% of its revenue via exports and rest ~35% from Indian markets. Over the years, the company has emerged as one of the integrated players in the crop protection industry. It also makes critical chemicals which go in manufacturing of plant protection chemicals.

**INVESTMENT RATIONALE**

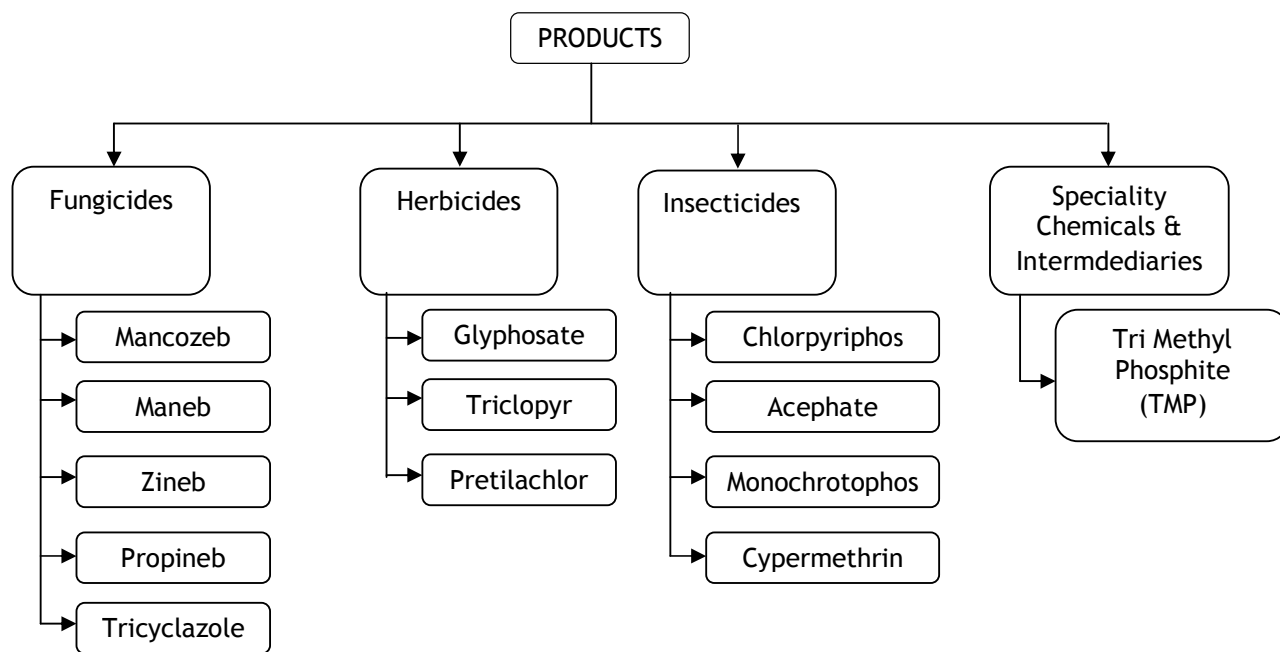
➤ **Strong presence across developing countries**

The company has over 240 products registered in more than 50 countries. The products are all off-patent products and need to be registered with EPA/Department of Agriculture of respective countries. Every registration involves an investment of about \$0.2-1.0 million with a lead time of 6 months - 3 year, which acts as entry barriers for new and unorganised players.

Sabero, with over 240 product registration enjoys a dominant share across major product categories.

➤ **Diversified Product Portfolio**

The company has presence across all product categories of pesticides which includes Fungicides, Herbicides and Insecticides. The company also manufactures speciality chemicals and intermediary products to supply to large pesticide companies in India and abroad. The speciality chemical business contributes ~7% to the company’s revenues.



➔ **Fungicides:** Fungicides is the largest business segment of the company contributing about 40% to the company’s revenues. In fungicides, Mancozeb is the largest selling product contributing about 35% to the company’s revenues and has an estimated market size of ~\$500 million. The company has recently expanded the capacity of Mancozeb to 32000 MT, making it the second largest manufacturer of Mancozeb.

Dow Agro Sciences. The manufacturer of Mancozeb closed down its plant with capacity of 25000 MT in October 2008. This has resulted in huge opportunities for the company to expand the geographical reach of its products given the huge demand scenario.

- **Herbicides:** Herbicides are used to kill unwanted plants in agriculture and non-agriculture areas. Glyphosate is one of the widely used herbicide across the globe. Glyphosate contributes ~5% to the company's revenues. The company, in 2009, also increased the capacity of Glyphosate plants in order to serve the growing demand for the product. It has obtained the registration for Glyphosate technical in Europe and is focusing to increase its presence in Africa, Europe and Latin America. The company has also completed the backward-integration for its product Glyphosate.
- **Insecticides:** Insecticide is a form of pesticide used against insects. The company's largest selling insecticide products are Acephate, Monochrotophos and Chlorpyrifos contributing about 15%, 10% and 5% respectively to the company's revenues. It completed the registration of Chlorpyrifos in Brazil in 2009 and has received orders in excess of half of its capacity from Brazil alone. The company has doubled the capacity of Chlorpyrifos in 2009.

The company is also a significant player in acephate across the world with major presence in India, Brazil, USA, Argentina, Paraguay and Japan. In order to enjoy cost advantages, the company has completed the backward integration from yellow phosphorous which will give it the competitive edge over its peers.

#### ➤ Foray into Formulation Business and New products

The company, in order to become an integrated player in the crop protection industry and branding of its products, has forayed into formulation business. The company's strategy is to use its own technical products to form formulations such as Mancozeb (EmthaneM45), Glyphosate (Glyweed), Acephate (Acehero), Monochrotophos (Mophos) and Chlorpyrifos (Robust).

The company is also planning to set up its plant in Dahej SEZ which will help the company to further reduce its costs. Also, it plans to launch two-three new products every year to enhance its product base and help it in forward and backward integration.

## VALUATION

The company is poised to grow at a CAGR of 32-35% over the next 2-3 years given its steady business model. The company is looking to introduce new products and obtain more and more registration of its products in various overseas markets to expand its footprint and grab a dominant share in the crop protection industry. There is a need to improve the agricultural production per hectare as population increases, which will lead to huge demand for plant protection products.

At the CMP of Rs.76.9, the stock is trading at 5.5x and 4.3x its FY10E and FY11E EPS of Rs.14 and Rs.17.83 respectively which is at a huge discount to its peers. We Recommend BUY on the stock with a price target of Rs.107 over a period of six months.

**FINANCIALS**

Sabero Organics (Rs. In Crs.)	FY08	FY09
<b>Net Sales</b>	<b>207.3</b>	<b>377.3</b>
<b>Expenditure</b>		
Net Raw Mat	136.4	256.5
Other expenses	34.5	57.0
Personnel	9.8	12.9
<b>Total expenditure</b>	<b>180.7</b>	<b>326.4</b>
<i>(% of Sales)</i>	<i>87.1%</i>	<i>86.5%</i>
<b>EBITDA</b>	<b>26.7</b>	<b>51.0</b>
<i>EBITDA (%)</i>	<i>12.9%</i>	<i>13.5%</i>
Depreciation	5.3	5.7
<b>EBIT</b>	<b>21.4</b>	<b>45.3</b>
<i>EBIT (%)</i>	<i>10.3%</i>	<i>12.0%</i>
Non-Operating Income	2.4	1.9
Interest	15.0	18.5
<b>PBT</b>	<b>8.8</b>	<b>28.7</b>
<i>PBT (%)</i>	<i>4.2%</i>	<i>7.6%</i>
Less: Tax	2.4	8.2
<i>(% of PBT)</i>	<i>27.7%</i>	<i>28.7%</i>
<b>PAT</b>	<b>6.3</b>	<b>20.4</b>
<i>PAT (%)</i>	<i>3.1%</i>	<i>5.4%</i>

Source: Company

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**Branch Network:** Fort, Mahalaxmi, Parel, Bandra, Santacruz, Vile Parle, Andheri, Malad, Kandivili, Borivali, Bhayender, Ghatkopar, Mulund, Chunabhatti, Jacob Circle, Masjid Bunder, Cotton Green, Thane, Bhiwandi, Panvel, Pune, Sholapur, Nasik, Malegoan, Ahmednagar, Aurangabad, Akola, Mahekar, Nagpur, Surat, Karjan(Baroda), Khambat, Ahmedabad, Rajkot, Surendranagar, Porbandar, Amreli, Bharuch, Anand, Chennai, Vishakhapatnam, Vizianagaram, Palasa, Kakinada, Karnal, Kolkatta, Bhubhaneshwar, Hyderabad, Bangalore, Jafrabad, Chital, Kodinar, Keshod, Gondal, Haryana, Srikakulam, Mehkar (Buldhana, Jamnagar, Bangalore, Jodhpur, Jalgaon, Malkangiri (Orissa), Karimnagar Dist. (Andhra Pradesh).

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