Parag Parikh Financial Advisory Services Ltd.

PPFAS

4th April, 2006

Idea Note

Syngenta India Ltd.

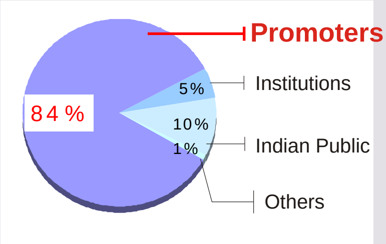
CMP : Rs. 435.0

Stock Codes

Bloomberg	: SYNG.IN
Reuters	: SYNG.BO
BSE Code	: 532409
NSE Code	: -
BSE Group	: A

Share Holdings (%)

As on 31st December, 2005.



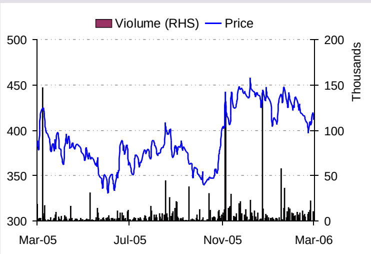
Stock Data

Sensex	: 11564.36
Nifty	: 3473.30
52 W High Rs.	: 525.0
52 W Low Rs.	: 328.50
Mkt Cap Rs. Crs	: 1306.0
No of Shares	: 3.18 Crs

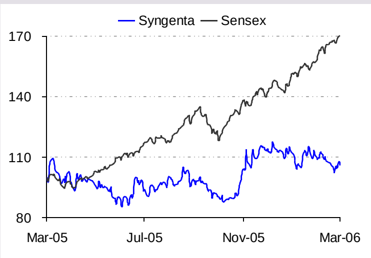
Absolute Returns

%	1M	3M	6M
Syngenta	-3.55	-6.45	7.72
Sensex	7.82	19.75	28.82

Price/Volume



Price Comparison



Outsourcing opportunity coupled with being the best beneficiary of India's agricultural growth

Syngenta India Ltd (SIL), is a Rs.750cr+, an 84% subsidiary of the US-based Syngenta group. Syngenta , a $7bn + group is a world leader in crop-protection and the third largest in the high-value commercial seeds market. Syngenta was formed globally as a result of the spin-off and merger of Novartis' crop-protection and seeds businesses with Astra-Zeneca's agro-chemicals business. Syngenta spends around $750 mn per annum on R&D which is around 11% of its sales. The main utility of the innovative biotech based products developed is that they help in increasing the yield and at the same time do not harm the crops. Its subsidiaries world over are direct beneficiaries as they have a excellent patented and hard to replicate product pipeline.

SIL a very well-diversified product- portfolio spanning herbicides, fungicides, pesticides as well as seeds for various crops including paddy, soybean, sunflower, cotton, wheat, rice, tea and groundnut. SIL has invested substantially in strong brands and a good marketing network which is a key investment requirement in this business. **SIL has been leveraging the parent's strong product breadth and profile very profitably and is in good stead to almost double revenues in the next 2 years . The company has done a capital expenditure of Rs 53 crs in 2004 and Rs 47 crs in 2005 and should do around Rs 50 crs more in the current year for its 100% EOU in Goa. This capital expenditure has primarily been for the export opportunity in Thiamethoxam, which the parent has been sourcing from Syngenta India. Exports grew 129% to 42% of turnover last year. We believe going forward SIL could become a big outsourcing hub for the $7 bn parent, With an excellent Fixed Asset turnover ratio of 6.2x, we see Net profits growing 35% for the next 2 years to Rs.147cr, which is a PEG of 0.46 and a 2007E PE multiple of 9 x (December year end).**

Recommendation :

A MNC with strong entry barriers with 25% ROE's and strong growth is available at a 2 yr forward Mcap/sales multiple of 1x. We think the stock has strong potential to double from here. We estimate an EPS of Rs. 46 for 07E (December yr end) and would like to estimate an 18x TTM multiple which would give us a target price of Rs.828 in 24 months.

Investment Summary :

- Big Agriculture push by the Government
- Strong Credit push to Rural India
- Corporates like Bharti & Reliance have mega plans for their Agriculture Ventures, the focus on scientific farming and high yielding processes will come in the fore front.
- Syngenta would be a big beneficiary of the growth of India's Agriculture sector
- Syngenta India has access to its parent's strong patented product portfolio, and the parent's $750 mn yearly spend on R&D would keep Syngenta India ahead in its product portfolio breadth
- Entry barriers : The business thus has high entry barriers in terms of top quality innovative products and brand names. The products have a biotech base, hence are difficult to replicate. Also the business needs to have an extensive marketing network set up and is working capital intensive, Monsanto and Bayer remain the only 2 main competitors in the space.
- SIL could be a big outsourcing opportunity as the Parent's sourcing from India is set to grow multi fold with a EOU set up in Goa for Thiamethoxam. The year saw a 129% jump in exports of Thiamethoxam to Rs.320 cr which is 42% of revenue.

Outsourcing Whispers

The $5.4-bn Philadelphia-based leading global specialty chemicals and materials manufacturer, Rohm &Hass 's who moves in line with the plans of many chemical & agrochemical MNCs like BASF, Clariant, Isagro, LanXess, Bayer and Syngenta is investing Rs.100 cr in green field expansion in India, as **many of its customers are stepping up investments to take advantage of the outsourcing opportunities in India.**

Financial Summary

Part. (Rs.Cr)	2004	2005	2006E	2007E
Net Sales	569.0	767.0	1,016.0	1,333.0
PAT	72.2	80.0	111.0	147.0
Gross Block	124.0	164.0	215.0	240.0
Asset /TO	6.2	6.2	6.2	6.2

Particulars	Syngenta	Monsanto
Sales (Rs.cr)	767.0	380.0
OPM %	14.0%	23.0%
P/E x TTM	16x	22x
P/B x	3x	4x
P/Sales x TTM	**1.7 x**	**4.5x**
Return on Equity %	20.0%	20.0%

Macro Indian Agri Picture

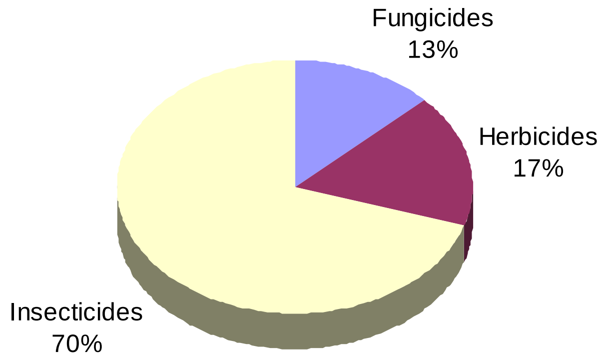
Production Of Major Crops In India

Crop	Mn. Tonnes	World Ranking
Rice	90	2
Wheat	76	2
Ground nut	5.3	1
Cotton	13.2	3
Potato	24	5
Pulses	13	1
Tea	0.8	1
Sugarcane	299	1
Vegetables	55	1

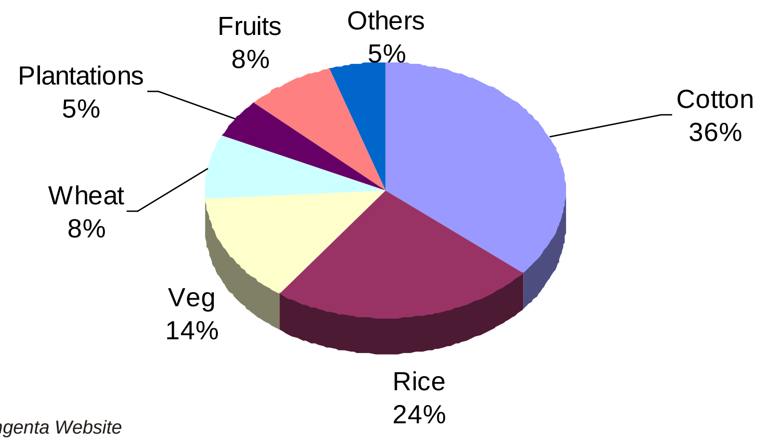
* Million bales of 170 kgs each

Crops	Average Yield tonnes/ha.			India's Potential
	India	China	World's Best	YIelds - mt/ha.
Cotton	0.3	0.7	1.5(AUST)	0.7
Rice	2.6	5.8	6.39(Japan)	5
Wheat	2.4	3.3	6.9 (UK)	4.5
Groundnut	1.0	2.1	2.8 (USA)	2.5

Indian Crop Protection Market-2001



Source :Syngenta Website



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