

# Sintal Agriculture

## Overlooked opportunity for upside

### Sintal unveils aggressive plans for 2011-13

Sintal Agriculture announced key strategic targets for 2010-13 during “Russia Calling”, an investment forum recently held in Moscow. In addition to the launch of the Kharkiv silo by year-end, which will increase storage capacity 2.2x to 215,000 mt, Sintal plans to:

- Acquire two river-based, 60,000 mt elevators in the Kherson region, which will serve as transshipment points with 4x-6x grain stock turnover p.a;
- Boost its grain warehouse capacity by 75% to a total of 70,000 mt;
- Increase its land bank by 50% to 150,000 mt, maintaining planted acreage at 85% of land controlled;
- Improve major grain crop yields by at least 15-20% and double its mini-till farming area to 80,000 mt in 2012;
- Increase irrigated acreage 4.1x to 80,000 ha by 2013.

### Announcement suggests possible 36% CAGR increase in sales over the next three years

We see the company’s objectives as fundamentally positive for its top line growth over 2011-13, based on the following:

- A combination of the forecasted 11% y-o-y increase in Sintal’s planted area to 102,000 ha and expected 20-25% average recovery in crop yields in 2011 suggests 49% y-o-y growth in Sintal’s gross harvest collection to 430,000 mt next year;
- In our view, the global demand for agricultural commodities should remain stable in 2011-13 as a recovering global economy is set to support on average an 8-12% CAGR increase in grains and oilseeds from current levels over the next three years;
- We forecast the growth in land bank, recovery in yields and anticipated strong grain and oilseeds prices in 2011 to result in 68% y-o-y top line growth to USD 84 mln next year;
- We expect revenues to increase by a 36% CAGR in 2010-13 on the back of targeted 50% land bank growth to 150,000 ha in 2013, as the company attempts to maintain at least 85% of its land bank planted;
- A 2.2x rise in Sintal’s storage capacity and the acquisition of river-based silos serving as transshipment terminals should additionally favor profitability growth by increasing the company’s bargaining power against grain traders and support direct export expansion;
- We estimate the CapEx requirements for the said projects at USD 50 mln for the next three years, or approximately 2.5x a forecasted 2010 EBITDA. Given the company’s debt-free position, we see a high probability that Sintal will be able to secure funding to support the top line growth we envision.

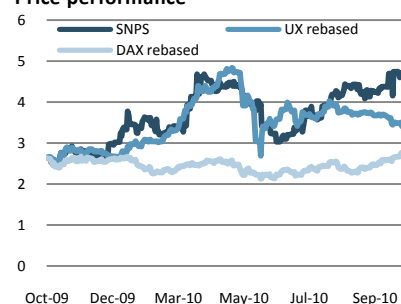
### Valuation: stock is overlooked and offers 52% upside

At the current market price of USD 4.9 per share, the stock trades at 4.7x on 2011E EV/EBITDA, suggesting a 27-44% discount range to both domestic and emerging market farming peers. Moreover, the stock shows even larger discounts, ranging from 30-65% on 2011E P/E, which in our view are not justified. Using a multiples-based valuation, we derived a target price of USD 7.5 per share, implying 52% potential upside and rate the stock as a BUY

Report date	21 Oct 2010
Bloomberg	SNPS GR
<b>Recommendation</b>	<b>BUY</b>
Price (21 Oct 10), USD	4.9
12M price target, USD	7.5
No of DRs, mln	32.9
DRs per ord share	1:700
Market Cap, USD mln	161.8
52-week performance	87%
52-week range, USD	2.4/4.9
ADT, 6M, USD mln	0.03
Free float, %	36.3
Free float, USD mln	58.7

Prices as of Oct. 21, 2010

#### Price performance



Source: Bloomberg, UX

## Comparative valuation

### Sintal comparative valuation

	Ticker Bloomberg	Price USD	Mcap USD mln	EV/EBITDA			P/E		
				09E	10F	11E	09E	10F	11E
<b>EM farming peers</b>									
WILMAR INTERNATIONAL LTD	WIL SP Equity	4.9	31,503.0	13.9	13.9	11.9	19.5	17.6	15.5
ASTRA AGRO LESTARI TBK PT	AALI IJ Equity	2.7	4,267.0	13.0	12.1	10.0	21.5	19.7	16.2
COSAN LTD-BDR	CZLT11 BZ Equity	12.6	2,188.5	n/a	3.3	3.5	n/a	4.1	5.8
PP LONDON SUMATRA INDONES PT	LSIP IJ Equity	1.2	1,657.8	14.0	9.5	8.4	23.3	15.2	13.6
SAO MARTINHO SA	SMTO3 BZ Equity	11.5	1,300.5	8.5	6.4	6.5	28.3	22.9	40.3
KWS SAAT AG	KWS GR Equity	171.6	1,132.7	7.9	7.4	6.6	15.9	16.6	14.6
SLC AGRICOLA SA	SLCE BZ Equity	12.3	1,214.3	32.4	16.5	12.6	473.9	49.0	32.8
CRESUD S.A.-SPONS ADR	CRESY US Equity	18.8	943.9	16.8	7.5	8.4	51.3	19.9	26.9
<b>Median</b>				<b>13.9</b>	<b>8.5</b>	<b>8.4</b>	<b>23.3</b>	<b>18.7</b>	<b>15.9</b>
<b>Ukrainian farming peers</b>									
KERNEL HOLDING SA	KER PW Equity	22.2	1,627.2	9.4	8.1	6.4	12.3	10.0	7.4
MRIYA AGRO HOLDING -GDR REGS	MAYA GR Equity	9.4	1,000.2	11.4	12.4	10.2	12.2	13.0	10.3
ASTARTA HOLDING NV	AST PW Equity	25.6	639.1	13.4	6.2	6.4	19.4	7.2	8.4
MCB AGRICOLE HOLDING AG-GDR	4GW1 GR Equity	2.5	42.2	15.0	7.6	4.2	28.7	11.5	5.4
<b>Median</b>				<b>12.4</b>	<b>7.8</b>	<b>6.4</b>	<b>15.9</b>	<b>10.8</b>	<b>7.9</b>
<b>SINTAL AGRICULTURE-REG S GDR</b>	<b>SNPS GR Equity</b>	<b>4.9</b>	<b>161.8</b>	<b>11.8</b>	<b>8.7</b>	<b>4.7</b>	<b>16.2</b>	<b>10.8</b>	<b>5.5</b>
Sintal (Discount)/Premium to EM farming peers				(15%)	2%	(44%)	(31%)	(42%)	(65%)
Sintal (Discount)/Premium to Ukrainian farming peers				(5%)	11%	(27%)	2%	0%	(30%)

Source: Bloomberg, Concorde Capital estimates

## Investment ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

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Sell	8	9%	Sell	0	0%
Under Review	10	12%	Under Review	0	0%
<b>Total</b>	<b>85</b>	<b>100%</b>	<b>Total</b>	<b>11</b>	<b>100%</b>

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