

Market not interested in guidance

30 Sept 2011

Below is link of AGM note that Bayer has filed with BSE >

http://www.bseindia.com/xml-data/corpfiling/AttachHis/Bayer_CropScience_Ltd_280911.pdf

Management of Bayer CropScience has guided for 10%+ growth in main business area (pesticides) for FY2012 (page 5 of attached file). This can be interpreted anything between 10 to infinite. But given last years performance, its easy to guess management doesn't expect strong growth like FY2011 (sales growth of 24%). however market doesn't seem to be bother by that at all . At Current Mkt price of Rs820 Bayer is trading at 25x its FY2011 earning, even it one excludes Rs250 per share (from sale of land) it trades at 17x.

Bayer is leader in Indian Pesticides Market, while Rallis is amongst top-5 players in india and it is trading at around 27x its FY2011 earnings.

On friday Bayer closed 1% up while Rallis was down by 0.5%. Clearly market is either not interested in management guidance or is expecting these companies to grow at higher pace.

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