

Retail Equity Research (South India Focus)

Coromandel International Ltd

Fertilizers

Buy

BSE CODE : 506395 NSE CODE: COROMANDEL
 BLOOMBERG CODE: CRIN:IN SENSEX : 33,981

12M Investment Period Rating as per Mid Cap
CMP Rs 641 TARGET Rs 821 RETURN 28% ↑
 (Closing: 04-06-20)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Predicted normal monsoon to drive volumes this year..

Coromandel International (CRIN) is one of the leading private sector fertilizer producers in the country with significant presence in South India. They are one of the leading producers of NPK and SSP grade fertilizers.

- Q4FY20 revenues grew by 9% YoY, led by 7% growth in Nutrient and other allied business and 22% growth in crop protection business (CPC).
- During the year EBITDA margins grew to 13.2% vs 10.9% in FY19 as increase in sale of high margin complex fertilizers, de-bottlenecking of plants and soft raw material prices aided margin expansion.
- The Company expects the recent ban on pesticides to be overturned, CRIN sells 4 out of the 27 molecules banned
- With the expectation of a normal monsoon, backward integration and new launches, we expect net profit CAGR of 12% over FY20-FY22E
- Hence we recommend a "Buy" and value CRIN at 18x FY22E EPS with a target of Rs.821.

Higher NPK Volumes leads revenue growth

Q4FY20 revenues grew by 9% YoY, led by 7% growth in Nutrient and other allied business and, 22% growth in crop protection business (CPC). In the Nutrient and allied business, complex fertilizer volumes grew at 23% YoY to 5.8 Lakh tonnes. The recent lockdown did not have a large effect on sales volumes as Agriculture was classified as an essential sector by the government. 6 new products were launched in the crop protection segment during the year and these were met with a positive response from the market. For FY20, total revenues were down by 1%, as the closure of the CPC plant during H1FY20 impacted revenues

EBIDTA margins continue to surge

During the quarter, EBITDA margins expanded by 380bps to 13.6% compared to Q4FY19, as the expansion of Phos acid plant during Q3FY20 led to a lower cost of production for CRIN. As a result net profit grew at 113% YoY to Rs.239cr with net profit margins at 8.3% vs 4.2% in Q4FY19. During the year EBITDA margins grew to 13.2% vs 10.9% in FY19 as an increase in the sale of high margin complex fertilizers, de-bottlenecking of plants and soft raw material prices aided margin expansion. With the company's focus on new launches in the CPC segment and lower raw material costs, we expect EBITDA to grow at 13% CAGR over FY20-FY22E

Ban on pesticides expected to be overturned

On May 14th, the government issued a draft order to ban the sale of 27 pesticide molecules in the country and has given industry and companies 45 days for comments and suggestions. Out of the 27, 4 of the molecules-Mancozeb, Malathion, Monocrotophos and Acephate, are sold by Coromandel in the crop protection segment and these contributed 6% to the FY20 revenues. The company stated that it was surprised by the decision and that these molecules have been used by farmers for the last 30 years. Most of the molecules are not banned in other countries and CRIN is confident that the ban will be overturned. Malathion has been proven as an effective pesticide against locusts, which has been spreading rapidly in North India over the last few weeks

Valuations

IMD has predicted a normal southwest monsoon this season, which will aid in the offtake of fertilizers for the company. We believe CRIN's focus on improving its bottom-line through increase in R&D spends, new product launches in the CPC segment, backward integration as well as increasing its volume of complex fertilizers should see net profit grow at a CAGR of 12% over FY20-FY22E. The recently announced Agri schemes to replace archaic laws, reform agri marketing, raise farm-gate prices and unify domestic markets can further boost demand for fertilizers in the long term. Hence we recommend a "Buy" and value CRIN at 18x FY22E EPS with a target of Rs.821.

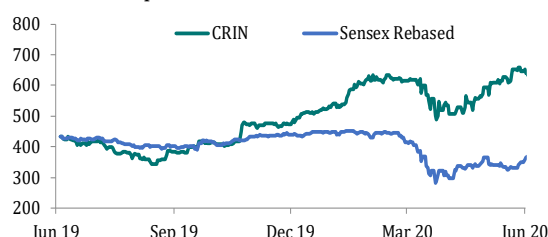
Company Data

Market Cap (cr)	Rs.18,778
Enterprise Value (cr)	Rs.20,697
Outstanding Shares (cr)	29.3
Free Float	38%
Dividend Yield	1.0
52 week high	Rs.700
52 week low	Rs.337
6m average volume (cr)	0.02
Beta	1.04
Face value	Rs.1

Shareholding (%)	Q2FY20	Q3FY20	Q4FY20
Promoters	51.4	51.4	51.4
FII's	14.7	13.8	12.1
MFs/Insti	20.0	20.6	21.6
Public	13.9	14.2	14.9
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	3.6%	29.3%	48.3%
Absolute Sensex	-11.7%	-16.0%	-15.2%
Relative Return*	15.3%	45.3%	63.5%

*over or under performance to benchmark index



Consolidated (cr)	FY20A	FY21E	FY22E
Sales	13,136	14,818	16,151
Growth (%)	(0.7)	12.8	9.0
EBITDA	1,731	1,977	2,199
EBITDA Margin(%)	13.2	13.3	13.6
PAT Adj.	1,064	1,193	1,332
Growth (%)	42.9	12.1	11.7
Adj.EPS	36.4	40.8	45.6
Growth (%)	42.9	12.1	11.7
P/E	17.5	15.6	13.9
P/B	4.3	3.6	3.0
EV/EBITDA	12.3	10.2	9.2
ROE (%)	27.7	25.0	23.2
D/E	0.4	0.4	0.4

Joe V Samuel
 Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

(Rs cr)	Q4FY20	Q4FY19	YoY Growth %	Q3FY20	QoQ Growth %	FY20	FY19	YoY Growth %
Sales	2,869	2,638	8.7	3,279	(12.5)	13,136	13,225	(0.7)
EBITDA	391	259	50.8	432	(9.6)	1,731	1,443	19.9
EBITDA margins %	13.6	9.8	380bps	13.2	40bps	13.2	10.9	230bps
Depreciation	45	35	28.4	41	10.4	158	114	38.8
EBIT	345	224	54.3	291	(11.7)	1,573	1,329	18.3
Interest	43	65	-33.5	46	(5.4)	235	251	(6.2)
Other Income	12	9	33.4	9	26.7	40	37	7.9
Exceptional Items	-	-4	-	-	-	1	-24	-
PBT	314	164	91.8	354	(10.0)	1,378	1,093	26.1
Tax	80	53	49.8	90	(11.1)	314	372	(15.7)
Share of profit from Associate	0.43	0.19	126.3	0.07	514.3	1	1	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	239	110	113.2	265	(9.6)	1,065	720	47.8
Adjustments	-	-	-	-	-	1.0	24	-
Adj PAT	239	110	113.2	265	(9.6)	1,064	744	42.9
No. of Shares	29	29	-	29	-	29	29	-
EPS (Rs)	8.0	3.8	113.2	9.0	(9.6)	36.4	24.6	42.9

Year / Rs cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	14,638	15,720	14,818	16,151	1.2	2.8
EBITDA	1,865	2,103	1,977	2,199	6.0	4.6
Margins (%)	12.7	13.4	13.3	13.6	60bps	20bps
Adj. PAT	1,040	1,199	1,193	1,332	14.7	11.1
EPS	35.6	41.0	40.8	45.6	14.7	11.1

Segment Revenue

(Rs cr)	FY18A	FY19A	FY20A
Nutrient and other allied business	9,602	11,505	11,550
% Growth	7.7	19.8	0.4
Crop Protection	1,662	1,802	1,685
% Growth	18.0	8.4	(6.5)
Total	11,265	13,307	13,235
% Growth	9.1	18.1	(0.5)

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Sales	11,083	13,225	13,136	14,818	16,151
% change	9	19	-1	13	9
EBITDA	1,256	1,443	1,731	1,977	2,199
% change	28	15	20	14	11
Depreciation	99	114	158	192	210
EBIT	979	1079	1337	1585	1772
Interest	178	251	235	199	217
Other Income	59.69	37	40	49	53
PBT	1038	1093	1378	1634	1825
% change	46	5	26	19	12
Tax	347	372	314	441	493
Tax Rate (%)	33%	34%	23%	27%	27%
Reported PAT	691	720	1065	1193	1332
Adj.*	0	23.85	0.8	0	0
Adj. PAT	691	744	1064	1193	1332
% change	45	8	43	12	12
No. of shares (cr)	29	29	29	29	29
Adj EPS (Rs)	24	25	36	41	46
% change	45%	8%	43%	12%	12%
DPS (Rs)	6.5	6.5	7.5	8.0	8.0

CASH FLOW

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Net inc. + Depn.	1137	1206	1536	1826	2035
Non-cash adj.	329	264	536	391	427
Changes in W.C	-754	-460	312	-836	-942
C.F. Operation	263	526	1862	749	818
Capital exp.	-123	-273	-256	-345	-310
Change in inv.	0	-330	0	0	0
Other invest.CF	162	4	37	-84	-69
C.F - Investment	32	-597	-222	-438	-376
Issue of equity	17	5	14	0	0
Issue/repay debt	444	232	-1357	204	357
Dividends paid	-281	-229	-124	-283	-283
Other finance.CF	-180	-251	-240	-199	-217
C.F - Finance	-1	-244	-1723	-298	-144
Chg. in cash	294	-315	-83	13	298
Closing cash	555	159	78	92	389

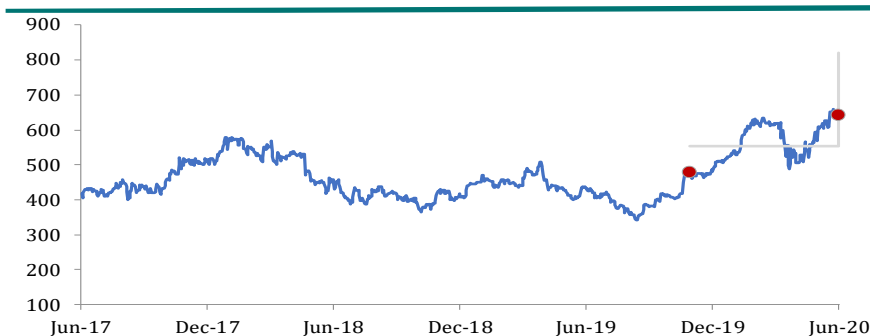
BALANCE SHEET

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	555	159	78	92	389
Account Receivable	4205	4218	4050	4466	4867
Inventories	2262	3241	2697	3301	3739
Other Cur. Assets	731	706	539	690	752
Investments	221	201	211	236	261
Gross Fixed Assets	2459	2519	2989	3244	3594
Net Fixed Assets	1316	1301	1614	1676	1816
CWIP	37	176	49	140	100
Intangible Assets	22	24	23	31	28
Def. Tax (Net)	0.5	0.5	0.4	0.4	0.4
Other Assets	90	120	458	478	479
Total Assets	9848	10574	10148	11597	12964
Current Liabilities	4063	4106	3727	4056	4013
Provisions	24	32	36	41	44
Debt Funds	2728	2954	1625	1838	2219
Other Liabilities	136	123	444	435	411
Equity Capital	29	29	29	29	29
Reserves & Surplus	2867	3329	4288	5198	6247
Shareholder's Fund	2896	3358	4318	5227	6277
Total Liabilities	9848	10574	10149	11597	12964
BVPS	99	115	148	179	215

RATIOS

Y.E March	FY18A	FY19A	FY20A	FY21E	FY22E
Profitab & Return					
EBITDA margin (%)	11.3	10.9	13.2	13.3	13.6
EBIT margin (%)	10.4	10.1	12.0	12.0	12.3
Net profit mgn.(%)	6.2	8.1	8.1	8.1	8.2
ROE (%)	23.9	23.0	27.7	25.0	23.2
ROCE (%)	20.9	21.7	24.4	25.6	24.1
W.C & Liquidity					
Receivables (days)	138	116	115	105	105
Inventory (days)	96	108	120	107	116
Payables (days)	151	140	143	130	134
Current ratio (x)	2.0	2.1	2.1	2.2	2.6
Quick ratio (x)	1.2	1.1	1.1	1.1	1.3
Turnover & Leverage					
Gross asset T.O (x)	4.6	5.3	4.8	4.8	4.7
Total asset T.O (x)	1.2	1.3	1.3	1.4	1.3
Int. covge. ratio (x)	6.5	5.3	6.7	9.0	9.2
Adj. debt/equity (x)	0.9	0.9	0.4	0.4	0.4
Valuation					
EV/Sales (x)	1.9	1.6	1.7	1.4	1.3
EV/EBITDA (x)	17.0	14.9	12.8	10.5	9.6
P/E (x)	27.9	25.9	18.1	16.2	14.5
P/BV (x)	6.7	5.8	4.5	3.7	3.1

Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
1st January 2020	Buy	656
4th June 2020	Buy	821

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated : The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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