

Coromandel International

Refer to important disclosures at the end of this report

More bang for same bucks; upgrade to Buy

CMP: Rs 756
as of (July 1, 2020)

TP: Rs 910 (▲)
12 months

Rating: BUY (▲)

Upside: 20.4 %



We appreciate your support in the [Asiamoney Brokers Poll 2020](#)

Structural change in ROCE

- We upgrade CRIN to Buy from Hold as investors take note of doubling of nutrient segment's ROCE over the last five years. As the increase in ROCE is more structural, we believe that CRIN deserves to trade at a premium to its historical valuations.
- FY20 has been a transformational year for CRIN. Its fertilizer segment's ROCE (pre-tax) jumped 541bps yoy to 32.1% in FY20. CRIN's strategy to push more NPK and manufactured volumes has paid off.
- Apart from a change in the product mix, ROCE and EBITDA in the fertilizer segment were aided by 1) lower raw material prices, 2) backward integration of Phos Acid, and 3) robust acreages aided by rainfall in its key geographies (AP/TG/KA/MH).
- We upgrade CRIN to Buy with revised TP of Rs910 based on 19x Jun-22E EPS (vs. 17x Mar-22E). We increase our target multiple due 1) change in ROCE profile, 2) backward integration, 3) robust demand environment, and 4) pick up in crop protection segment.

ROCE on incremental capex (fertilizer segment) to be higher

CRIN has increased its utilization to 86% over the last two years, which has helped to improve EBIT margins. In the Q4 earnings call, management guided that CRIN can increase capacities at existing sites by de-bottlenecking to cater to higher demand. CRIN can increase 6-7% capacity in the near term by de-bottlenecking operations and with minimal capex. Hence, ROCE on incremental capex should be higher, driving overall operating leverage.

Crop protection segment has hit trough

CRIN's CP business has faced headwinds from realization pressure in exports and firm raw material prices. We believe that realization pressure in exports is now already in the base and raw material prices have started correcting. Also, CRIN has introduced new products in the domestic market, which should aid in improving revenue growth as well as EBIT margins.

Outlook: Upgrade to Buy

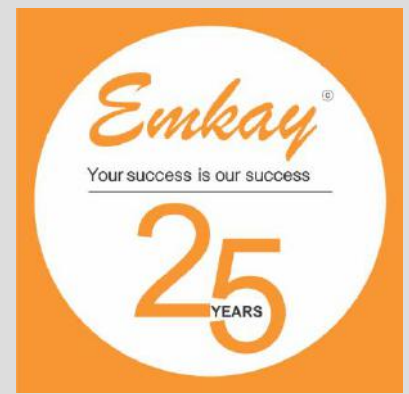
With a structural change in the ROCE profile of the fertilizer segment, CRIN should trade at a premium to its historical average. We upgrade CRIN to Buy with a revised TP of Rs910 and increase our one-year forward P/E multiple to 19x vs. 17x earlier and roll forward to Jun-22E EPS. We maintain UW in our EAP due to a recent run-up but remain confident of long term prospects. Key risks: a) Sharp change in RM prices, b) erratic weather and c) lower demand in export markets.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Agri Input & Chemicals \(Page 15\)](#)

Financial Snapshot (Consolidated)

| (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|---------|---------|---------|---------|---------|
| Net Sales | 132,246 | 131,367 | 137,437 | 147,608 | 157,285 |
| EBITDA | 14,431 | 17,310 | 20,104 | 21,335 | 22,727 |
| EBITDA Margin (%) | 10.9 | 13.2 | 14.6 | 14.5 | 14.4 |
| APAT | 7,443 | 10,643 | 12,893 | 13,762 | 14,854 |
| EPS (Rs) | 25.4 | 36.3 | 44.0 | 47.0 | 50.7 |
| EPS (% chg) | 7.6 | 42.7 | 21.1 | 6.7 | 7.9 |
| ROE (%) | 23.8 | 27.7 | 26.9 | 23.9 | 21.7 |
| P/E (x) | 29.7 | 20.8 | 17.2 | 16.1 | 14.9 |
| EV/EBITDA (x) | 17.3 | 13.7 | 11.8 | 10.9 | 10.0 |
| P/BV (x) | 6.6 | 5.1 | 4.2 | 3.5 | 3.0 |

Source: Company, Emkay Research



Change in Estimates

| | |
|-------------------------|-------|
| EPS Chg FY21E/FY22E (%) | 11/12 |
| Target Price change (%) | 28 |
| Target Period (Months) | 12 |
| Previous Reco | HOLD |

Emkay vs Consensus

| | EPS Estimates | |
|-------------------------|---------------|-------|
| | FY21E | FY22E |
| Emkay | 44.0 | 47.0 |
| Consensus | 38.8 | 43.4 |
| Mean Consensus TP (12M) | Rs 763 | |

Stock Details

| | |
|------------------------------|------------|
| Bloomberg Code | CRIN IN |
| Face Value (Rs) | 1 |
| Shares outstanding (mn) | 293 |
| 52 Week H/L | 769 / 337 |
| M Cap (Rs bn/USD bn) | 222 / 2.93 |
| Daily Avg Volume (nos.) | 703,498 |
| Daily Avg Turnover (US\$ mn) | 6.0 |

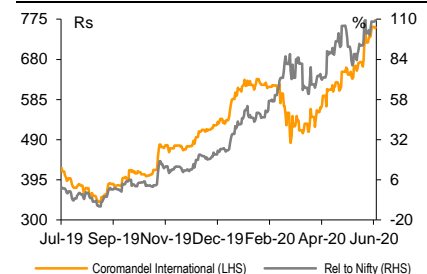
Shareholding Pattern Mar '20

| | |
|-------------------|-------|
| Promoters | 61.6% |
| FIIs | 3.5% |
| DIIIs | 19.7% |
| Public and Others | 15.2% |

Price Performance

| (%) | 1M | 3M | 6M | 12M |
|---------------|----|----|----|-----|
| Absolute | 17 | 38 | 42 | 81 |
| Rel. to Nifty | 9 | 15 | 68 | 107 |

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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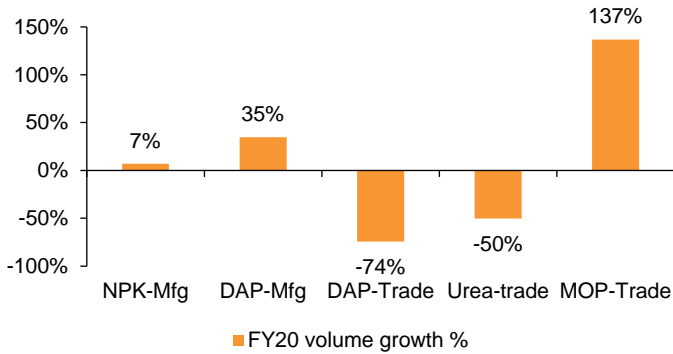
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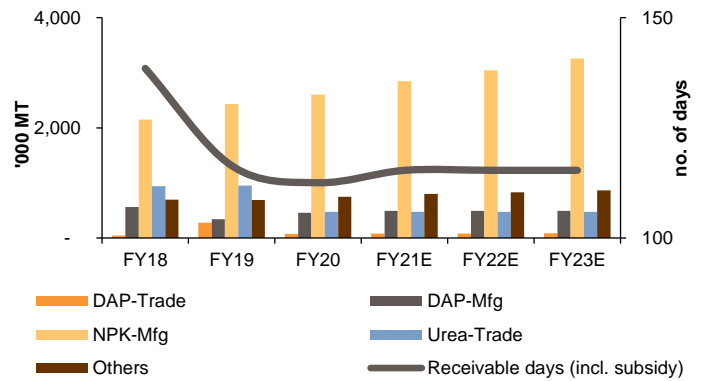
Story in Charts

Exhibit 1: Increase in DAP-mfg volume by 35%



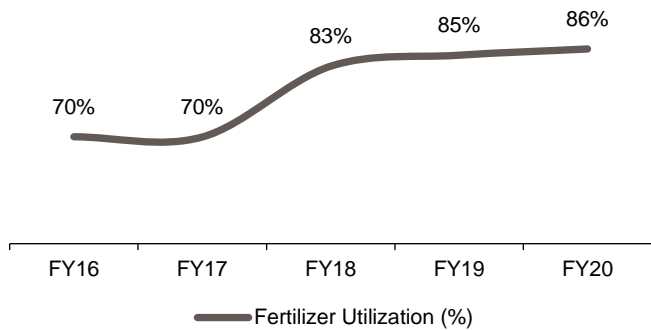
Source: Company, Emkay Research

Exhibit 2: Higher share of NPK to lead to lower working capital days



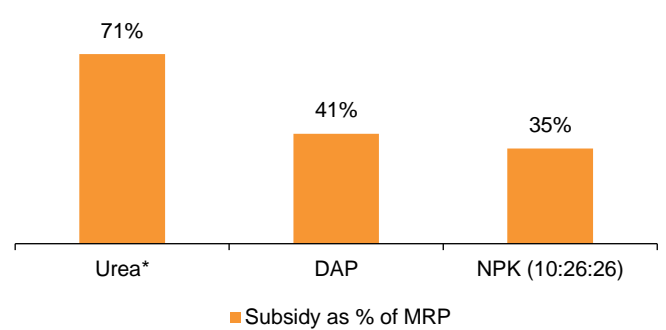
Source: Company, Emkay Research

Exhibit 3: Fertilizer utilization at 5-yr high



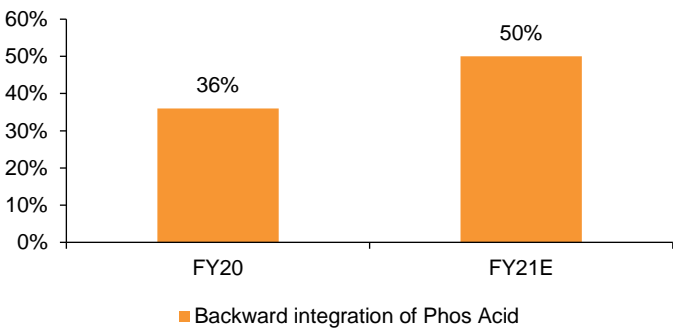
Source: Company, Emkay Research

Exhibit 4: NPK has lower subsidy component



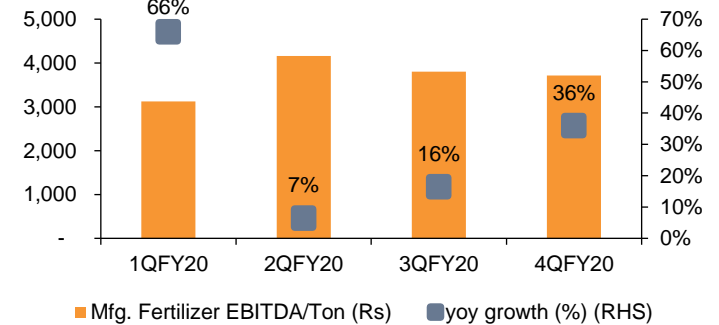
Source: Company, Emkay Research

Exhibit 5: Phos Acid backward integration to improve margin profile



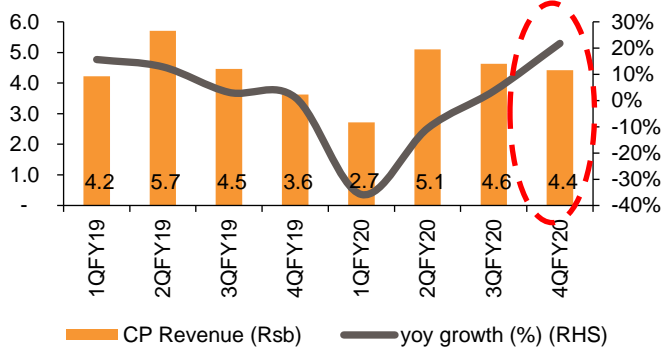
Source: Company, Emkay Research

Exhibit 6: Consistent yoy improvement in EBITDA/ton



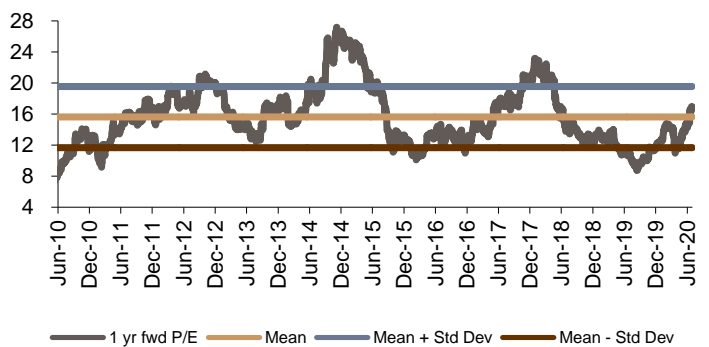
Source: Company, Emkay Research

Exhibit 7: Initial signs of improvement in CP margin



Source: Company, Emkay Research

Exhibit 8: CRIN is trading at 1-yr fwd P/E of 16.9x



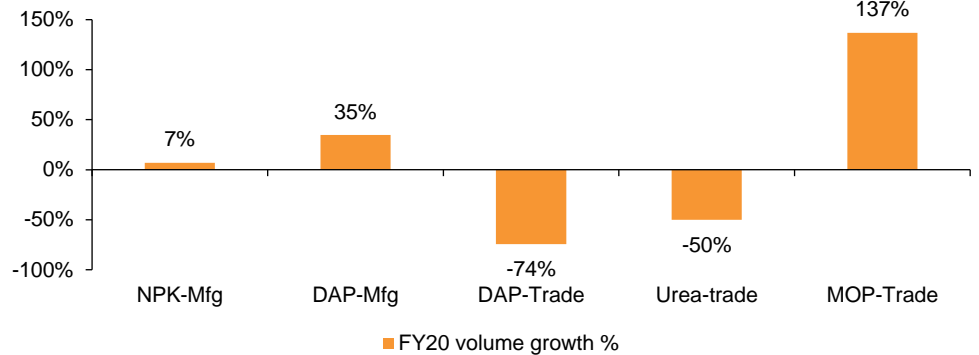
Source: Company, Emkay Research

Increasing manufacturing of lower subsidy products

Shift in manufactured volumes towards more NPK and DAP

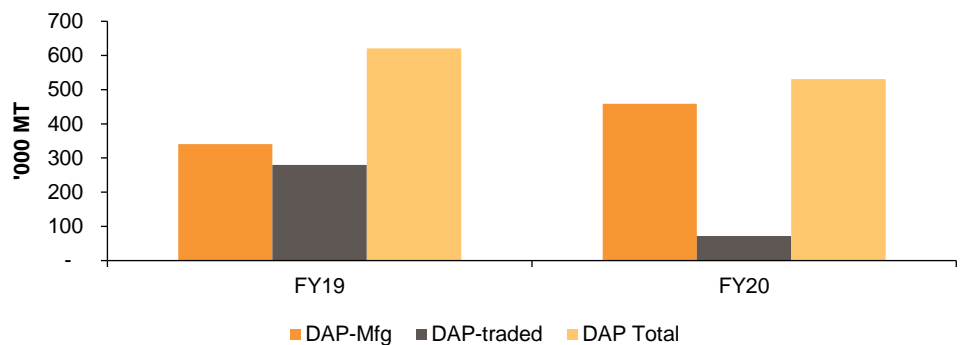
CRIN has shifted its fertilizer business mix in favor of own manufactured volumes vs. trading volumes in FY20. CRIN's own manufactured volumes increased 11.2% yoy in FY20 while its trading volume decreased 48% yoy in FY20. DAP trading volumes declined 72% in FY20 while manufactured DAP volumes increased 35% yoy in FY20. DAP trading volumes declined by 74% in FY20 vs 35% increase in manufactured volumes.

Exhibit 9: DAP trade volumes decrease by 74% in FY20



Source: Company presentation, Emkay Research

Exhibit 10: Overall DAP volumes declined but manufactured volumes increased

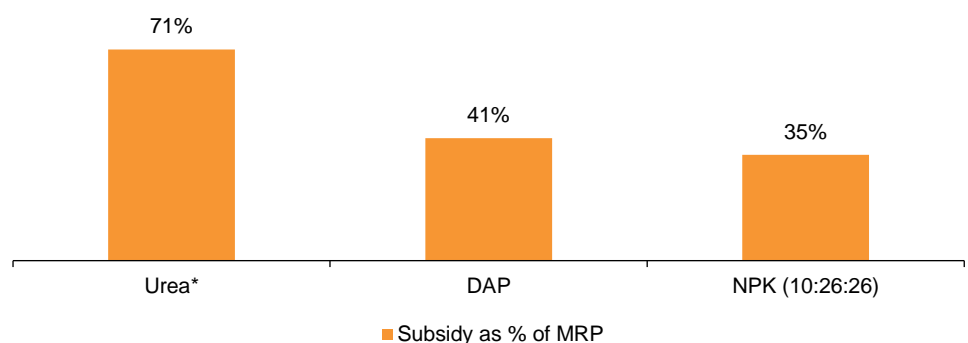


Source: Company presentation, Emkay Research

Lower subsidy exposure resulting in optimization of working capital

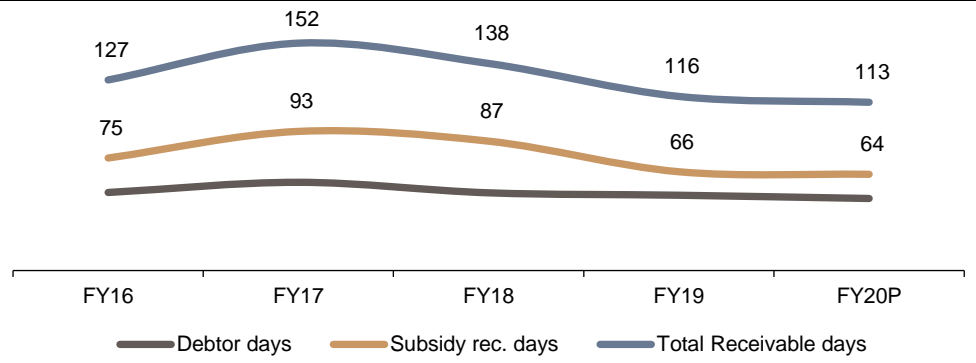
CRIN's shift towards NPK has reduced its exposure to subsidy as percentage of sales. Subsidy receivable from the government as % of MRP is ~35% for NPK vs. 41% for DAP and 71% for Urea. Hence, the increase in NPK volumes at the expense of DAP and Urea over the last five years has resulted in lower overall receivable cycle.

Exhibit 11: NPK has lower subsidy receivable from government



Source: Emkay Research Estimates, *excluding commission to dealer and Urea coating charges, all comparisons based on sample of price taken in Mar-20 and actual may vary

Exhibit 12: Change in product mix resulting in lower subsidy investment in working capital



Source: Company, Emkay Research

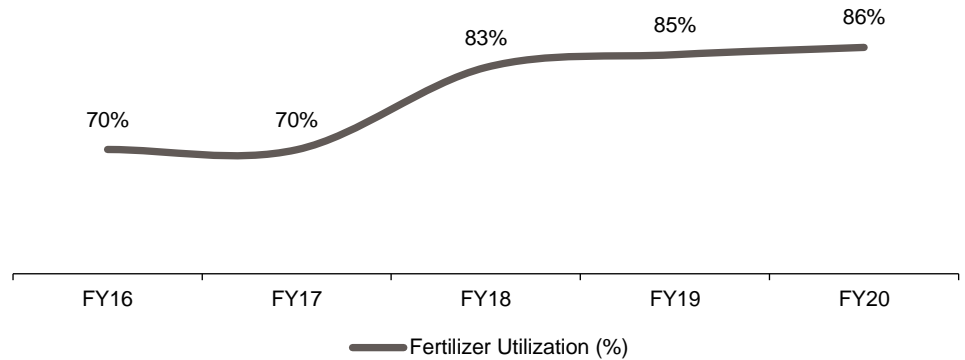
De-bottlenecking to increase capacity

~86% capacity utilization in FY20

Strong demand from its key markets for NPK and DAP has led to an increase in utilization to 86%. However, CRIN's overall DAP volumes declined due to a shift in its strategy to reduce the traded business and substitute for NPK.

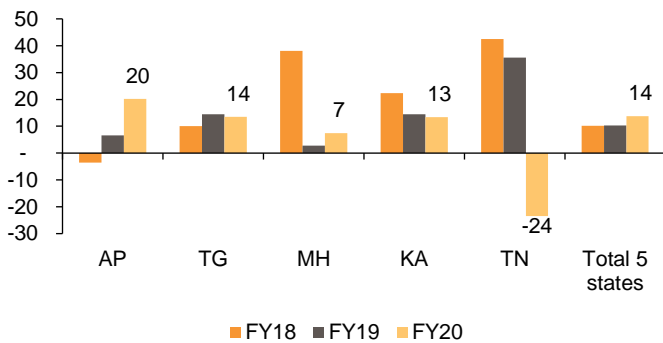
CRIN can increase 6-7% capacity in the near term by de-bottlenecking operations and with minimal capex. CRIN has indicated that in the short term, if demand surges, it could substitute DAP manufacturing with NPK and import DAP instead. However, in the long run, it would incur capex at existing locations to increase overall capacities.

Exhibit 13: Utilization at 5-yr high



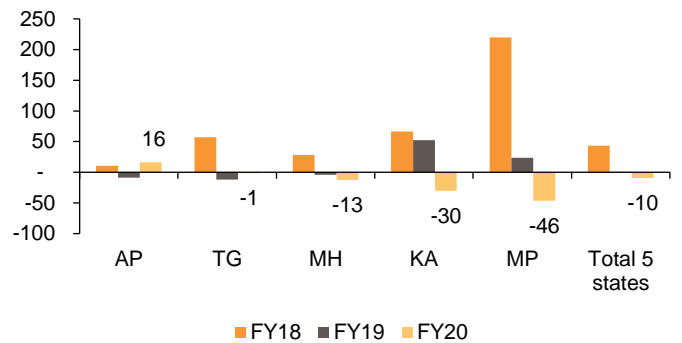
Source: Company, Emkay Research

Exhibit 14: NPK volumes increase 14% in key states due increase in NPK production as well as robust demand



Source: Company, Emkay Research

Exhibit 15: DAP volumes declined 10% in key states due to reduction in trading volumes



Source: Company, Emkay Research

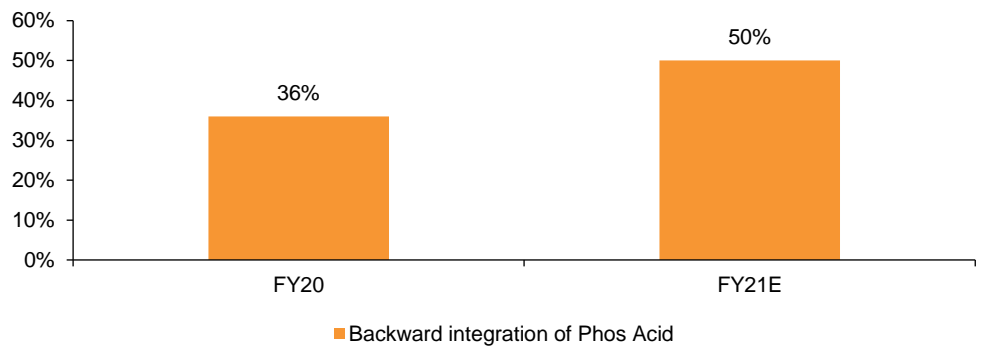
Structural change in margin profile in fertilizer business

Backward integration of Phos Acid to improve margins structurally

CRIN inaugurated the second Phos Acid plant at Vizag in the beginning of Q3FY20 with annual capacity of 140k MT per annum. With this, cumulative backward integration in Phos Acid stands at ~50% of total requirement with the Vizag plant's fully backward integrated. This structural change has resulted in ~USD100-120/ton savings on Phos Acid costs.

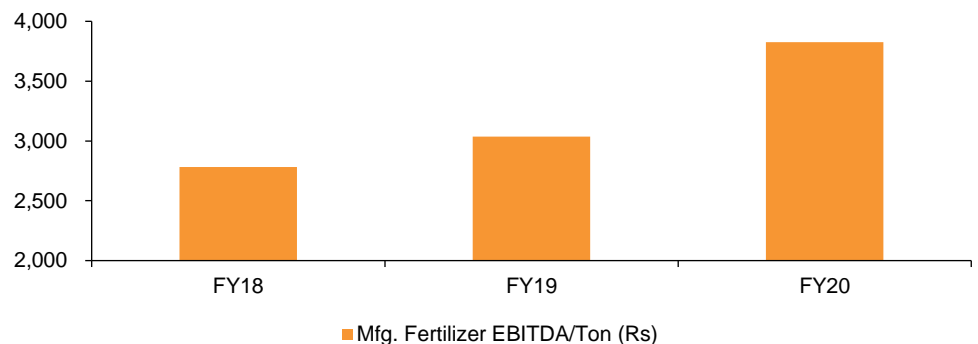
Since this plant was commissioned in Q3FY20, FY21 will be the first full year of benefits from this backward integration. Hence, H1FY21 margins would continue to improve on a yoy basis.

Exhibit 16: Phos Acid backward integration upto 50% of requirements



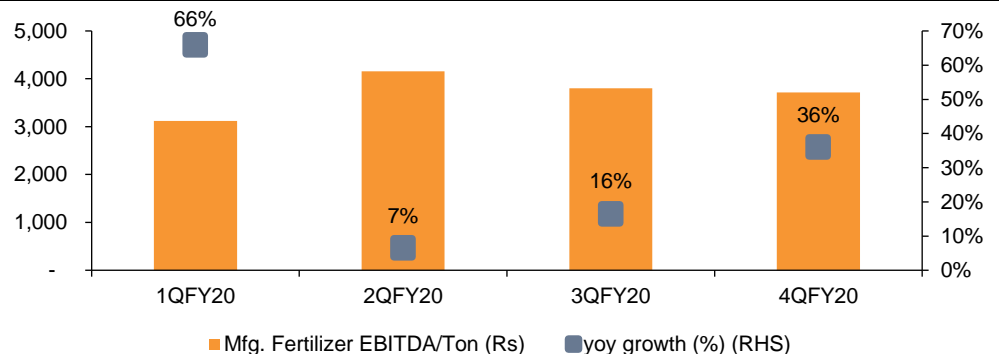
Source: Company, Emkay Research

Exhibit 17: Manufacturing EBITDA/ton jumped 37% over two years



Source: Company, Emkay Research Estimates

Exhibit 18: Consistent yoy improvement in manufacturing EBITDA/ton in FY20

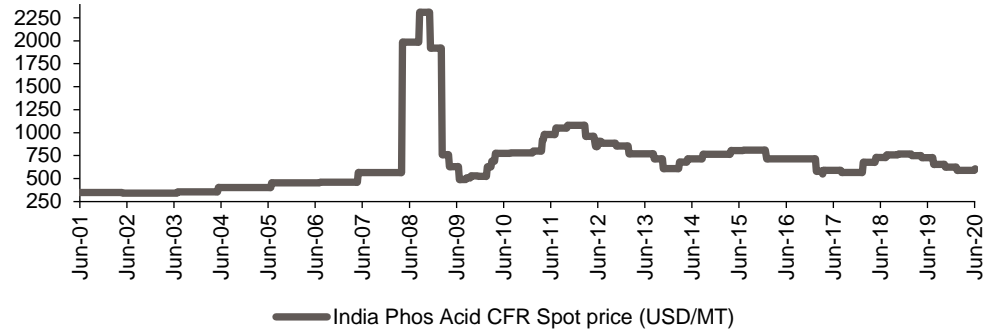


Source: Company, Emkay Research Estimates

Raw material prices bottoming out

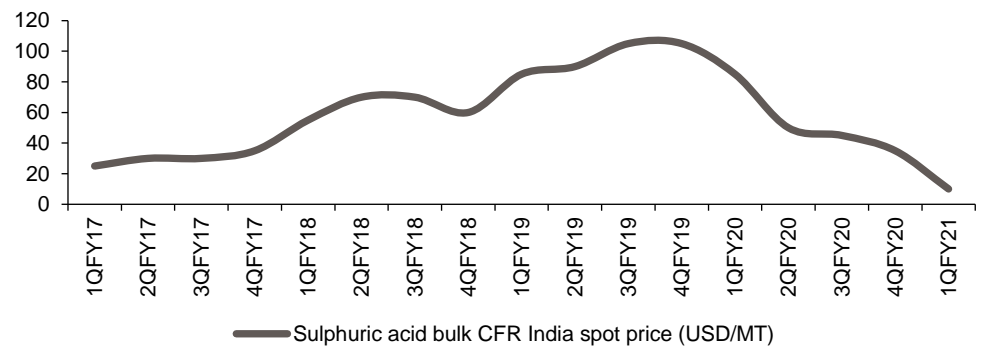
CRIN has benefitted from multi-year low raw material prices in the fertilizer segment in Q4FY20. Also, the backward integration of the Phos Acid plant resulted in abnormal Mfg. EBITDA/ton of ~Rs3,717/ton (Emkay est.) in Q4FY20. We believe that most of these raw material prices have bottomed out and should stabilize in the near term.

Exhibit 19: Phos Acid prices bottoming out



Source: Company, Emkay Research

Exhibit 20: Sulphuric Acid prices at 4yr low



Source: Company, Emkay Research

Raw material prices are pass through in nature

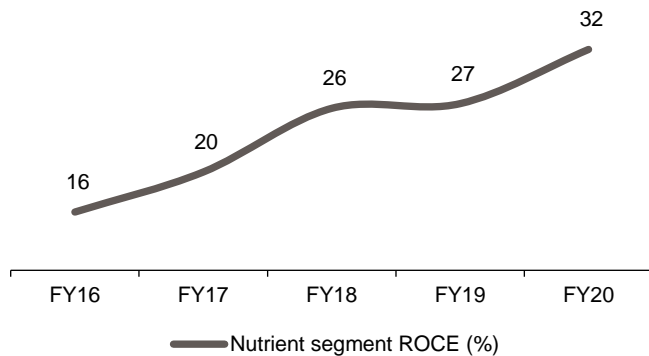
While raw material prices have fallen considerably over FY20, the same has been passed on to consumers by the industry as well as CRIN. However, the benefit came from higher volumes due to improved affordability for farmers.

When raw material prices start rising again, the same would be passed on to farmers. However, companies like CRIN with better utilization rates, should be able to maintain EBITDA/ton on the back of higher utilization and prudent capital allocation.

Nutrient segment ROCE double over 5 years

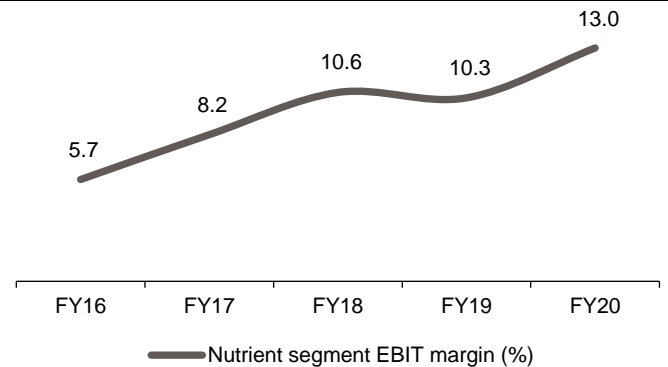
CRIN's nutrient segment pre-tax ROCE doubled over the last five years on the back of operating leverage, increase in manufactured volumes, shift towards NPK from other segments, backward integration of Phos Acid and benign raw material prices. We also note that despite higher raw material prices in FY18, ROCE continued to improve.

Exhibit 21: Nutrient seg. ROCE doubled over the last 5 yrs



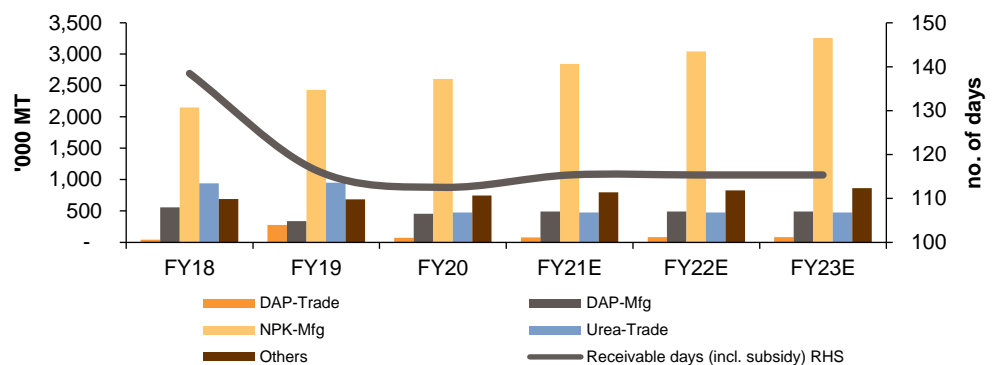
Source: Company, Emkay Research

Exhibit 22: Nutrient seg. EBIT margin also doubled over the last 5 yr



Source: Company, Emkay Research

Exhibit 23: Receivable days coming down with downsizing of Urea and trading portfolio



Source: Company, Emkay Research

ROCE to cool-off from FY20 high but to remain above historical trend

We believe that CRIN hit a high of 32% pre-tax ROCE in FY20 due to a change in the product mix, backward integration and lower raw material prices. In our view, raw material prices have largely bottomed out and should stabilize at the current level or increase marginally during FY21E.

Exhibit 24: Manufacturing and DAP (trade) ROCE higher than Urea

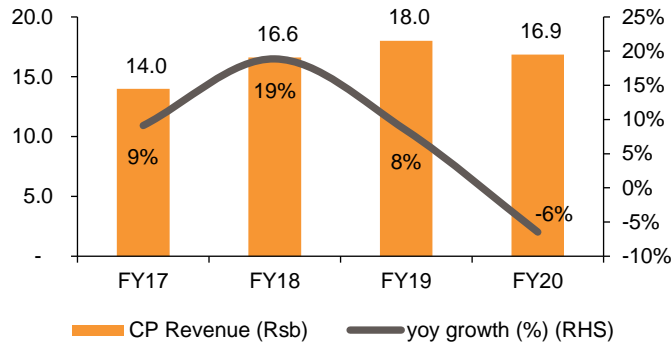
| Rs | DAP (Trade) | Urea (Trade) | Mfg. (DAP+NPK) |
|--------------------------|-------------|--------------|----------------|
| MRP/ton (non-subsidized) | 25,000 | 11,000 | 25,000 |
| EBITDA/ton | 1,550 | 55 | 3,825 |
| Cost/ton | 23,450 | 10,945 | 21,175 |
| Capital invested/ton | 6,018 | 2,596 | 12,131 |
| ROCE (%) | 26% | 2% | 32% |

Source: Emkay Research Estimates

Crop protection has bottomed out in FY20

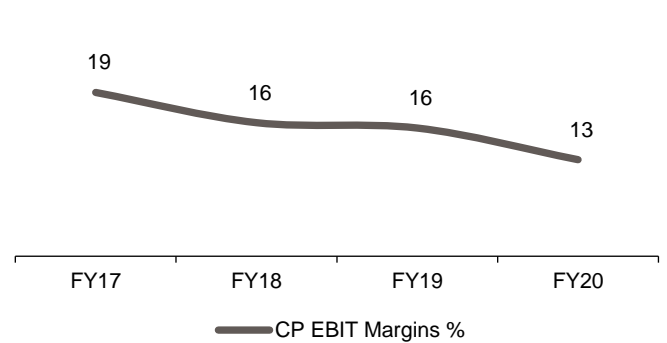
While the nutrient segment hit highs in FY20, the Crop protection (CP) segment has hit trough in FY20 mainly due to 1) shutdown at the Sarigam plant in Q1FY20, 2) firm raw material prices, and 3) realization pressure in key export molecules.

Exhibit 25: CP revenue has hit trough in FY20



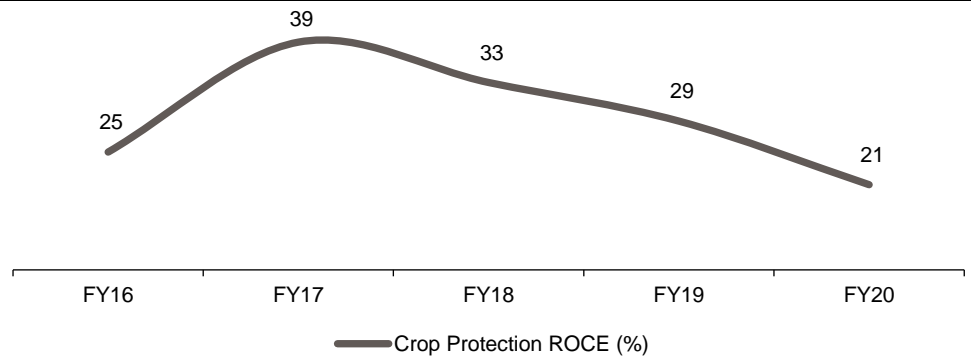
Source: Company, Emkay Research

Exhibit 26: CP EBIT margins also bottoms out



Source: Company, Emkay Research

Exhibit 27: CP ROCE also bottoming out due to lower EBIT margins

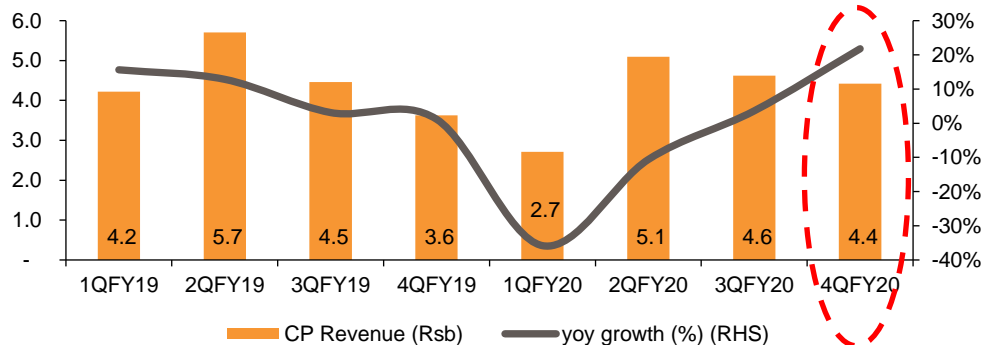


Source: Company, Emkay Research

Initial signs of pick-up in crop protection visible in Q4FY20

CRIN's CP business has faced headwinds from realization pressure in exports and firm raw material prices. We believe that realization pressure in exports is now already in the base and raw material prices have started correcting. Also, CRIN has introduced several new products in the domestic market and plan to introduce 3-4 new products every year, which should aid in improving revenue growth as well as EBIT margins. Hence, we believe that CRIN's CP business should improve on revenue as well as EBIT margins in FY21E.

Exhibit 28: Pick-up in crop protection in Q4FY20



Source: Company, Emkay Research

Valuations: Structural change in ROCE profile warrants re-rating; upgrade to Buy

We upgrade CRIN to Buy from Hold as 1) we increase the target P/E multiple to 19x vs. 17x earlier, 2) roll forward our valuation to Jun-22E EPS. CRIN's 10-year mean one-year forward multiple is 15.7x.

With a structural change in the ROCE profile of the fertilizer segment, CRIN should trade at a premium to its historical average. We increase our one-year forward P/E multiple to 19x vs. 17x earlier due to 1) change in ROCE profile, 2) backward integration, 3) robust demand environment on the back of monsoon in its key target markets and 4) pick up in crop protection business.

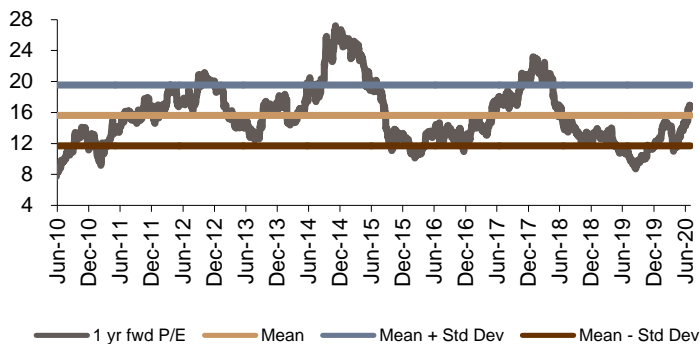
While we have ascribed 19x 1-yr forward P/E multiple to CRIN, considering increase in raw material prices in FY21/22E in the nutrient segment. However if CRIN is able to maintain its margins and ROCE despite the increase in raw material prices, it could trade at higher multiples. Over the last 10 years, CRIN has traded thrice above 20x one-year forward P/E (Oct-12: 21x, Dec-14: 26x, Jan-18: 23x).

Exhibit 29: Target price calculation

| | Emkay | Scenario 2 | Scenario 3 |
|-----------------------------|-------------|-------------|-------------|
| 10-yr 1-yr fwd mean P/E (x) | 15.7 | 15.7 | 15.7 |
| Target P/E (x) | 19.0 | 20.0 | 21.0 |
| Premium over 10-yr mean | 21% | 27% | 34% |
| TP (Rs) | 910 | 958 | 1,006 |
| CMP (Rs) | 756 | 756 | 756 |
| Upside % | 21% | 27% | 33% |

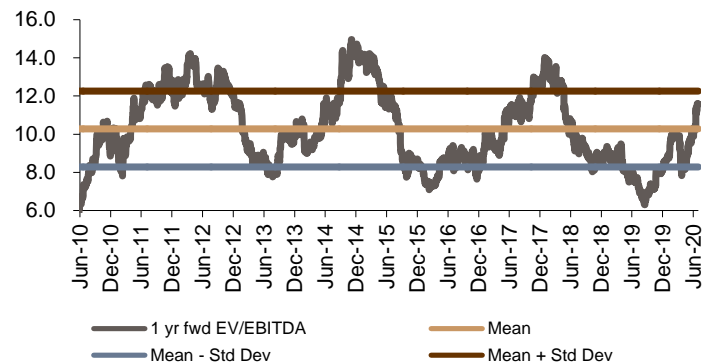
Source: Emkay Research

Exhibit 30: CRIN is trading at 1-yr fwd P/E of 16.9



Source: Company, Bloomberg, Emkay Research

Exhibit 31: CRIN 1-yr fwd EV/EBITDA chart



Source: Company, Bloomberg, Emkay Research

Exhibit 32: Peer Valuation

| Company Name | Price (Rs) | Mkt Cap (Rs bn) | Reco | TP (Rs) | PE (x) | | | EBITDA margin (%) | | | ROE (%) | | |
|---------------------------------|------------|-----------------|------------|------------|-------------|-------------|-------------|-------------------|-------------|-------------|-------------|-------------|-------------|
| | | | | | FY20 | FY21E | FY22E | FY20 | FY21E | FY22E | FY20 | FY21E | FY22E |
| Coromandel International | 756 | 222 | Buy | 910 | 20.8 | 17.2 | 16.1 | 13.2 | 14.6 | 14.5 | 27.7 | 26.9 | 23.9 |
| Chambal Fertilisers* | 150 | 62 | NA | NA | 5.4 | 5.5 | 5.8 | 17.1 | 17.0 | 16.4 | 29.2 | 22.1 | 19.3 |
| Fertilizer Avg. | | | | | 13.1 | 11.4 | 11.0 | 15.1 | 15.8 | 15.4 | 28.5 | 24.5 | 21.6 |

Source: Company, Emkay Research, Bloomberg

Exhibit 33: Changes in Estimates

| (All fig in Rs mn) (except % and EPS) | FY21E | | | FY22E | | | FY23E |
|--|---------|---------|----------|---------|---------|----------|---------|
| | Old | New | % change | Old | New | % change | New |
| Revenues | 136,100 | 137,437 | 1% | 144,932 | 147,608 | 2% | 157,285 |
| EBITDA | 18,342 | 20,104 | 10% | 19,532 | 21,335 | 9% | 22,727 |
| EBITDA margins, % | 13.5% | 14.6% | 115 bps | 13.5% | 14.5% | 98 bps | 14.4% |
| Net profits | 11,565 | 12,893 | 11% | 12,248 | 13,762 | 12% | 14,854 |
| EPS | 39.5 | 44.0 | 11% | 41.9 | 47.0 | 12% | 50.7 |

Source: Company, Emkay Research

Exhibit 34: Key Assumptions

| (Rs bn) | FY17 | FY18 | FY19 | FY20 | FY21E | FY22E | FY23E |
|---------------------------------|------|------|------|------|-------|-------|-------|
| Nutrient segment revenue | 89 | 96 | 115 | 116 | 119 | 127 | 133 |
| Crop Protection segment revenue | 14 | 17 | 18 | 17 | 19 | 22 | 25 |
| Tax Rate (%) | 33.0 | 33.4 | 33.4 | 22.8 | 25.2 | 25.2 | 25.2 |

Source: Company, Emkay Research

Key Financials (Consolidated)**Income Statement**

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Net Sales | 132,246 | 131,367 | 137,437 | 147,608 | 157,285 |
| Expenditure | 117,815 | 114,057 | 117,333 | 126,273 | 134,558 |
| EBITDA | 14,431 | 17,310 | 20,104 | 21,335 | 22,727 |
| Depreciation | 1,138 | 1,580 | 1,810 | 2,021 | 2,233 |
| EBIT | 13,292 | 15,730 | 18,294 | 19,314 | 20,495 |
| Other Income | 371 | 400 | 420 | 450 | 480 |
| Interest expenses | 2,507 | 2,353 | 1,485 | 1,373 | 1,125 |
| PBT | 11,156 | 13,777 | 17,229 | 18,391 | 19,850 |
| Tax | 3,721 | 3,135 | 4,337 | 4,629 | 4,996 |
| Extraordinary Items | 238 | (8) | 0 | 0 | 0 |
| Minority Int./Income from Assoc. | 0 | 0 | 0 | 0 | 0 |
| Reported Net Income | 7,205 | 10,650 | 12,893 | 13,762 | 14,854 |
| Adjusted PAT | 7,443 | 10,643 | 12,893 | 13,762 | 14,854 |

Balance Sheet

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--|---------------|---------------|---------------|---------------|----------------|
| Equity share capital | 293 | 293 | 293 | 293 | 293 |
| Reserves & surplus | 33,291 | 42,884 | 52,261 | 62,507 | 73,844 |
| Net worth | 33,584 | 43,177 | 52,554 | 62,800 | 74,137 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Loan Funds | 29,545 | 16,251 | 16,751 | 13,751 | 11,251 |
| Net deferred tax liability | 1,502 | 1,005 | 1,024 | 1,057 | 1,089 |
| Total Liabilities | 64,630 | 60,433 | 70,329 | 77,608 | 86,477 |
| Net block | 13,095 | 20,322 | 22,512 | 24,991 | 27,258 |
| Investment | 2,008 | 2,114 | 2,114 | 2,114 | 2,114 |
| Current Assets | 88,723 | 78,393 | 87,438 | 95,369 | 104,949 |
| Cash & bank balance | 1,593 | 784 | 912 | 1,962 | 5,419 |
| Other Current Assets | 8,257 | 5,849 | 6,600 | 7,089 | 7,554 |
| Current liabilities & Provision | 41,104 | 41,051 | 42,389 | 45,520 | 48,499 |
| Net current assets | 47,619 | 37,343 | 45,049 | 49,849 | 56,450 |
| Misc. exp | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 64,630 | 60,433 | 70,329 | 77,608 | 86,477 |

Cash Flow

| Y/E Mar (Rs mn) | FY19 | FY20 | FY21E | FY22E | FY23E |
|---------------------------------------|----------------|-----------------|----------------|----------------|----------------|
| PBT (Ex-Other income) (NI+Dep) | 10,785 | 13,377 | 16,809 | 17,941 | 19,370 |
| Other Non-Cash items | 0 | 0 | 0 | 0 | 0 |
| Chg in working cap | (9,799) | 8,969 | (7,558) | (3,717) | (3,114) |
| Operating Cashflow | 5,264 | 18,619 | 8,629 | 13,439 | 15,097 |
| Capital expenditure | (1,997) | (7,553) | (4,000) | (4,500) | (4,500) |
| Free Cash Flow | 3,268 | 11,066 | 4,629 | 8,939 | 10,597 |
| Investments | 206 | (106) | 0 | 0 | 0 |
| Other Investing Cash Flow | (4,551) | 5,039 | (420) | (450) | (480) |
| Investing Cashflow | (5,971) | (2,219) | (4,000) | (4,500) | (4,500) |
| Equity Capital Raised | 0 | 1 | 0 | 0 | 0 |
| Loans Taken / (Repaid) | 2,260 | (13,294) | 500 | (3,000) | (2,500) |
| Dividend paid (incl tax) | (2,813) | (2,292) | (1,234) | (3,516) | (3,516) |
| Other Financing Cash Flow | 623 | 706 | (2,282) | 0 | 0 |
| Financing Cashflow | (2,437) | (17,231) | (4,501) | (7,889) | (7,141) |
| Net chg in cash | (3,144) | (832) | 128 | 1,050 | 3,456 |
| Opening cash position | 4,465 | 1,338 | 506 | 634 | 1,684 |
| Closing cash position | 1,593 | 784 | 912 | 1,962 | 5,419 |

Source: Company, Emkay Research

Key Ratios

| Profitability (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| EBITDA Margin | 10.9 | 13.2 | 14.6 | 14.5 | 14.4 |
| EBIT Margin | 10.1 | 12.0 | 13.3 | 13.1 | 13.0 |
| Effective Tax Rate | 33.4 | 22.8 | 25.2 | 25.2 | 25.2 |
| Net Margin | 5.6 | 8.1 | 9.4 | 9.3 | 9.4 |
| ROCE | 22.3 | 25.8 | 28.6 | 26.7 | 25.6 |
| ROE | 23.8 | 27.7 | 26.9 | 23.9 | 21.7 |
| RoIC | 24.5 | 27.1 | 29.6 | 27.7 | 27.1 |

| Per Share Data (Rs) | FY19 | FY20 | FY21E | FY22E | FY23E |
|----------------------------|-------------|-------------|--------------|--------------|--------------|
| EPS | 25.4 | 36.3 | 44.0 | 47.0 | 50.7 |
| CEPS | 29.3 | 41.7 | 50.2 | 53.9 | 58.3 |
| BVPS | 114.8 | 147.4 | 179.4 | 214.3 | 253.0 |
| DPS | 6.5 | 12.0 | 12.0 | 12.0 | 12.0 |

| Valuations (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-----------------------|-------------|-------------|--------------|--------------|--------------|
| PER | 29.7 | 20.8 | 17.2 | 16.1 | 14.9 |
| P/CEPS | 25.8 | 18.1 | 15.1 | 14.0 | 13.0 |
| P/BV | 6.6 | 5.1 | 4.2 | 3.5 | 3.0 |
| EV / Sales | 1.9 | 1.8 | 1.7 | 1.6 | 1.4 |
| EV / EBITDA | 17.3 | 13.7 | 11.8 | 10.9 | 10.0 |
| Dividend Yield (%) | 0.9 | 1.6 | 1.6 | 1.6 | 1.6 |

| Gearing Ratio (x) | FY19 | FY20 | FY21E | FY22E | FY23E |
|--------------------------|-------------|-------------|--------------|--------------|--------------|
| Net Debt/ Equity | 0.8 | 0.4 | 0.3 | 0.2 | 0.1 |
| Net Debt/EBIDTA | 1.9 | 0.9 | 0.8 | 0.6 | 0.3 |
| Working Cap Cycle (days) | 127.0 | 101.6 | 117.2 | 118.4 | 118.4 |

| Growth (%) | FY19 | FY20 | FY21E | FY22E | FY23E |
|-------------------|-------------|-------------|--------------|--------------|--------------|
| Revenue | 19.3 | (0.7) | 4.6 | 7.4 | 6.6 |
| EBITDA | 14.9 | 20.0 | 16.1 | 6.1 | 6.5 |
| EBIT | 14.9 | 18.3 | 16.3 | 5.6 | 6.1 |
| PAT | 4.2 | 47.8 | 21.1 | 6.7 | 7.9 |

| Quarterly (Rs mn) | Q4FY19 | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 26,383 | 21,307 | 48,580 | 32,787 | 28,537 |
| EBITDA | 2,590 | 1,953 | 7,130 | 4,320 | 3,880 |
| EBITDA Margin (%) | 9.8 | 9.2 | 14.7 | 13.2 | 13.6 |
| PAT | 1,178 | 624 | 5,039 | 2,645 | 2,309 |
| EPS (Rs) | 4.2 | 2.2 | 18.0 | 9.5 | 8.3 |

Source: Company, Emkay Research

| Shareholding Pattern (%) | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Promoters | 61.8 | 61.7 | 61.7 | 61.7 | 61.6 |
| FIIIs | 4.1 | 4.3 | 3.4 | 3.5 | 3.5 |
| DIIIs | 13.8 | 14.0 | 18.6 | 18.5 | 19.7 |
| Public and Others | 20.3 | 20.0 | 16.3 | 16.3 | 15.2 |

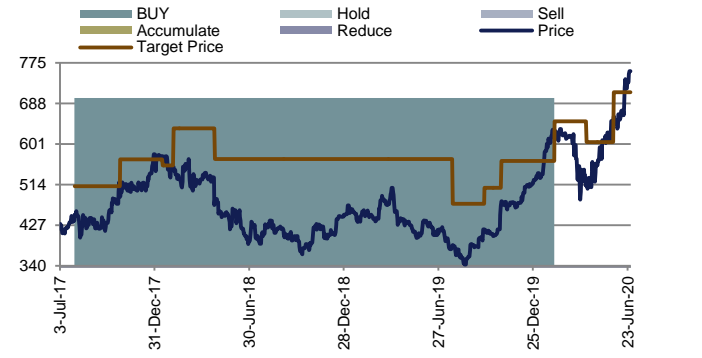
Source: Capitaline

RECOMMENDATION HISTORY TABLE

| Date | Closing Price | TP | Period (months) | Rating | Analyst |
|-----------|---------------|-----|-----------------|--------|----------------|
| 27-May-20 | 661 | 712 | 12m | Hold | Varshit Shah |
| 19-May-20 | 606 | 605 | 12m | Hold | Varshit Shah |
| 17-May-20 | 626 | 605 | 12m | Hold | Varshit Shah |
| 13-Apr-20 | 509 | 605 | 12m | Hold | Varshit Shah |
| 5-Apr-20 | 512 | 605 | 12m | Hold | Varshit Shah |
| 4-Feb-20 | 620 | 650 | 12m | Hold | Varshit Shah |
| 25-Oct-19 | 479 | 565 | 12m | Buy | Varshit Shah |
| 23-Sep-19 | 414 | 507 | 12m | Buy | Varshit Shah |
| 24-Jul-19 | 385 | 473 | 12m | Buy | Varshit Shah |
| 25-Apr-19 | 434 | 569 | 12m | Buy | Amar Mourya |
| 23-Jan-19 | 434 | 569 | 12m | Buy | Amar Mourya |
| 29-Oct-18 | 396 | 569 | 12m | Buy | Amar Mourya |
| 21-Sep-18 | 400 | 569 | 12m | Buy | Amar Mourya |
| 1-Aug-18 | 428 | 569 | 12m | Buy | Pratik Tholiya |
| 25-Apr-18 | 482 | 569 | 12m | Buy | Pratik Tholiya |
| 2-Apr-18 | 535 | 635 | 12m | Buy | Pratik Tholiya |
| 7-Mar-18 | 539 | 635 | 12m | Buy | Pratik Tholiya |
| 5-Feb-18 | 552 | 635 | 12m | Buy | Pratik Tholiya |
| 15-Jan-18 | 575 | 555 | 12m | Buy | Pratik Tholiya |
| 26-Oct-17 | 488 | 568 | 12m | Buy | Pratik Tholiya |
| 31-Jul-17 | 450 | 511 | 12m | Buy | Pratik Tholiya |

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Agri Input & Chemicals



Analyst: Varshit Shah

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Sector

Agro-Chemicals and Fertilizers

Analyst bio

Varshit Shah is a Chartered Accountant and a commerce graduate from Narsee Monjee College of Commerce and Economics, Mumbai. He comes with total eight years of experience across sectors such as Chemicals, Education, Telecom, IT and Midcaps. His team currently covers 12 stocks in Agro Chemicals, Fertilizers and Midcaps.

EAP sector portfolio

| Company Name | BSE200 Weight | EAP Weight | OW/UW (%) | OW/UW (bps) | EAP Weight (Normalised) |
|-----------------------------------|---------------|-------------|-----------|-------------|-------------------------|
| Agri Input & Chemicals | 0.90 | 0.90 | 0% | 0 | 100.00 |
| Bayer CropScience* | 0.15 | 0.15 | 0% | 0 | 16.64 |
| Chambal Fertilisers* | 0.00 | 0.00 | NA | 0 | 0.00 |
| Coromandel International | 0.15 | 0.13 | -13% | -2 | 14.50 |
| DCM Shriram* | 0.00 | 0.00 | NA | 0 | 0.00 |
| Deepak Fertilisers* | 0.00 | 0.00 | NA | 0 | 0.00 |
| Dhanuka Agritech | 0.00 | 0.00 | NA | 0 | 0.00 |
| GSFC* | 0.00 | 0.00 | NA | 0 | 0.00 |
| Insecticides India* | 0.00 | 0.00 | NA | 0 | 0.00 |
| PI Industries | 0.18 | 0.18 | 0% | 0 | 19.96 |
| Rallis India | 0.00 | 0.01 | NA | 1 | 1.50 |
| Sharda Cropchem* | 0.00 | 0.00 | NA | 0 | 0.00 |
| UPL | 0.42 | 0.43 | 1% | 1 | 47.40 |
| Cash | 0.00 | 0.00 | NA | 0 | 0.00 |

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

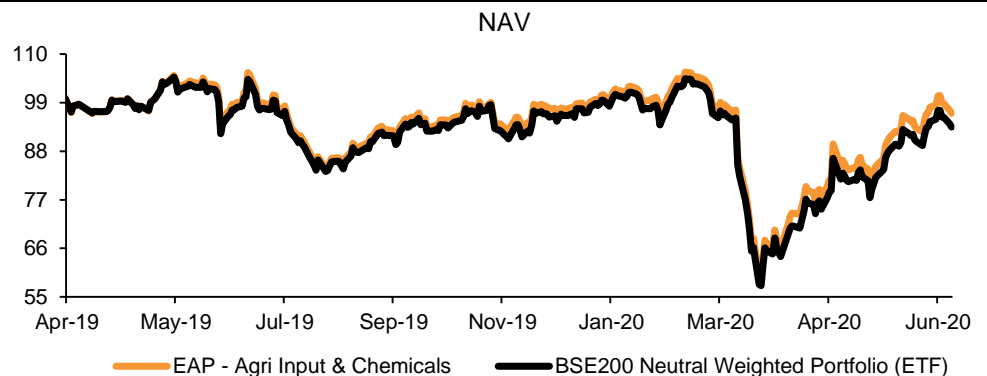
Sector portfolio NAV

| | Base | | | | | Latest |
|---|----------|-----------|-----------|-----------|-----------|-----------|
| | 1-Apr-19 | 27-Sep-19 | 31-Dec-19 | 31-Mar-20 | 29-May-20 | 30-Jun-20 |
| EAP - Agri Input & Chemicals | 100.0 | 95.4 | 99.4 | 70.1 | 91.1 | 96.6 |
| BSE200 Neutral Weighted Portfolio (ETF) | 100.0 | 94.1 | 98.3 | 68.3 | 88.2 | 93.5 |

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

| Ratings | Expected Return within the next 12-18 months. |
|---------|---|
| BUY | Over 15% |
| HOLD | Between -5% to 15% |
| SELL | Below -5% |

Completed Date: 01 Jul 2020 23:49:10 (SGT)

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