

Retail Equity Research (South India Focus)
Coromandel International Ltd
Fertilizers

Buy

BSE CODE : 506395 NSE CODE: COROMANDEL
BLOOMBERG CODE: CRIN:IN SENSEX : 38,493

12M Investment Period Rating as per Mid Cap
CMP Rs 775 TARGET Rs 942 RETURN 22% ↑
(Closing: 28-07-20)

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.

- CRIN saw significant revenue growth of 51% YoY to Rs.3213cr during the quarter as above average monsoon and growth in sowing activities saw large volume offtake.
- Volumes of key fertilizer products saw large off-take as Nitrogen-Phosphate-Potassium (NPK) and Di-Ammonium Phosphate (DAP) fertilizers saw an 80% growth in sales volumes.
- The Crop Protection segment saw its revenues grow by 55% YoY to Rs.420cr as exports and domestic business saw good performance
- Considering the good monsoon, focus on CPC business and backward integration, we expect a net profit CAGR of 20% over FY20-FY22E
- Hence we recommend a “Buy” and value CRIN at 18x FY22E EPS with a target of Rs.942.

Strong monsoon leads to top-line expansion

CRIN saw significant revenue growth of 51% YoY to Rs.3213cr during the quarter as key markets of Telangana and Andhra Pradesh saw above-average rainfall and water reservoir levels as well as growth in kharif sowing activities. Volumes of key fertilizer products saw large off-take as Nitrogen-Phosphate-Potassium (NPK) and Di-Ammonium Phosphate (DAP) fertilizers saw an 80% growth in sales volumes. The total volumes in the fertilizer segment grew by 57% to 10.5 Lakh Tonnes in Q1FY21 from 6.7 Lakh Tonnes in Q1FY20. The company stated that if a similar trend in the rainfall and reservoir levels continues, there would be the possibility of the kharif season extending further.

CPC business back on track

After the subdued performance of the Crop Protection business (CPC) last year on account of the plant closure in the first few months, of FY20, the segment saw its revenues grow by 55% YoY to Rs.420cr. The domestic formulation business as well as the exports saw good performance during the quarter. The CPC business is currently 13% of the total revenues and CRIN has stated it will increase its focus on the segment through increased R&D, new launches as well as the identification of recently off-patented and to be off-patented molecules. We expect the CPC segment revenue to grow at a CAGR of 21% over FY20-FY22E on the back of these factors. The company has exported the pesticide molecules that were banned in the country during the last quarter and the CRIN expects the ban of these molecules to be overturned.

Bottom-line numbers continue to surge

The company’s EBITDA margins grew by 360bps YoY to 12.8% in Q1FY21 while EBITDA itself grew by 111% YoY to Rs.412cr. The increase in volumes of the high margin NPK fertilizers as well as the turnaround in the CPC business enabled the EBITDA growth. In addition to the backward integration measures that mitigated the volatility of the raw material prices, lower freight costs through the optimization of the supply chain have also lowered operational costs. On the Capex front, the company stated that in the near term, it would focus on de-bottlenecking the fertilizer plants, thereby potentially increasing their capacities as well as optimizing the product mix. In the long term, further backward integration projects may be undertaken by the company.

Valuations

The above-average rainfall seen in the country so far is expected to continue in the current quarter. Hence we expect CRIN to maintain its volume growth over the next few quarters. The increased focus on the CPC business augurs well for the company and we expect new launches and enhancement in R&D to propel this segment as well as improve overall margins. The classification of the Agri sector as “essential” should enable the company to continue its operations normally in the event of a further lockdown. On the back of these assumptions, we expect a net profit CAGR of 20% over FY20-FY22E. Hence we value CRIN at 18x FY22E EPS with a target price of Rs.942 a reiterate a “Buy”

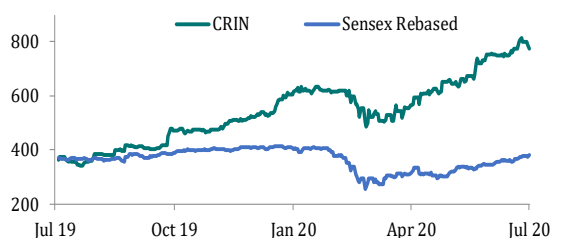
Company Data

Market Cap (cr)	Rs.22,669
Enterprise Value (cr)	Rs.24,803
Outstanding Shares (cr)	29
Free Float	40.4
Dividend Yield	1.6%
52 week high	Rs.830
52 week low	Rs.337
6m average volume (cr)	0.05
Beta	1.04
Face value	Rs.1

Shareholding (%)	Q3FY20	Q4FY20	Q1FY21
Promoters	61.7	61.3	59.6
FII’s	3.5	3.5	4.3
MFs/Insti	18.5	20.0	21.2
Public	16.3	15.2	14.9
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	35.9%	24.9%	108.4%
Absolute Sensex	17.6%	-5.9%	2.1%
Relative Return*	18.3%	30.8%	106.2

*over or under performance to benchmark index



Consolidated (cr)	FY20A	FY21E	FY22E
Sales	13,136	15,530	17,177
Growth (%)	(0.7)	18.2	10.6
EBITDA	1,731	2,141	2,477
EBITDA Margin(%)	13.2	13.8	14.4
PAT Adj.	1,064	1,311	1,530
Growth (%)	42.9	23.3	16.7
Adj.EPS	36.4	44.8	52.3
Growth (%)	42.9	23.3	16.7
P/E	21.3	17.3	14.8
P/B	5.3	4.3	3.5
EV/EBITDA	14.7	11.3	9.9
ROE (%)	27.7	27.1	26.4
D/E	0.4	0.4	0.4

Joe V Samuel
Research Analyst

Quarterly Financials (Consolidated)

Profit & Loss

(Rs cr)	Q1FY21	Q1FY20	YoY Growth %	Q4FY20	QoQ Growth %
Sales	3,213	2,130	50.8	2,869	12.0
EBITDA	412	195	111.2	391	5.6
EBITDA margins %	12.8	9.2	360bps	13.6	(80)bps
Depreciation	42	30	38.1	45	(6.5)
EBIT	370	165	124.7	345	7.2
Interest	43	80	(45.4)	43	-
Other Income	11	10	7.4	12	(7.0)
Exceptional Items	-	-	-	-	-
PBT	340	95	257.8	314	8.3
Tax	90	33	174.8	80	12.1
Share of profit from Associate	3	-0.2	-	0.43	-
Minority Interest	-	-	-	-	-
Reported PAT	251	62	301.2	234	7.0
Adjustments	-	-	-	-	-
Adj PAT	251	62	301.2	234	7.0
No. of Shares	29	29	-	29	-
EPS (Rs)	8.6	2.1	301.2	8.0	7.0

Year / Rs cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	14,818	16,151	15,530	17,177	4.8	6.4
EBITDA	1,977	2,199	2,141	2,477	8.3	12.6
Margins (%)	13.3	13.6	13.8	14.4	50bps	80bps
Adj. PAT	1,193	1,332	1,311	1,530	9.9	14.9
EPS	40.8	45.6	44.8	52.3	9.8	14.7

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	15,530	17,177
% change	9	19	-1	18	11
EBITDA	1,256	1,443	1,731	2,141	2,477
% change	28	15	20	24	16
Depreciation	99	114	158	192	210
EBIT	979	1079	1337	1746	2040
Interest	178	251	235	203	228
Other Income	59.69	37	40	51	56
PBT	1038	1093	1378	1,797	2,096
% change	46	5	26	30	17
Tax	347	372	314	485	566
Tax Rate (%)	33	34	23	27	27
Reported PAT	691	720	1065	1,311	1,530
Adj.*	0	24	0.8	0	0
Adj. PAT	691	744	1064	1,311	1,530
% change	45	8	43	23	17
No. of shares (cr)	29	29	29	29	29
Adj EPS (Rs)	24	25	36	45	52
% change	45	8	43	23	17
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	1989	2306
Non-cash adj.	329	264	536	396	438
Changes in W.C	-754	-460	312	-973	-1281
C.F. Operation	263	526	1862	734	687
Capital exp.	-123	-273	-256	-345	-310
Change in inv.	0	-330	0	0	0
Other invest.CF	162	4	37	-108	-79
C.F - Investment	32	-597	-222	-461	-386
Issue of equity	17	5	14	0	0
Issue/repay debt	444	232	-1357	298	420
Dividends paid	-281	-229	-124	-283	-283
Other finance.CF	-180	-251	-240	-203	-228
C.F - Finance	-1	-244	-1723	-208	-93
Chg. in cash	294	-315	-83	64	208
Closing cash	555	159	78	143	352

BALANCE SHEET

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	555	159	78	143	352
Account Receivable	4205	4218	4050	4638	5318
Inventories	2262	3241	2697	3430	3988
Other Cur. Assets	731	706	539	723	800
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	12006	13707
Current Liabilities	4063	4106	3727	4251	4280
Provisions	24	32	36	43	47
Debt Funds	2728	2954	1625	1926	2367
Other Liabilities	136	123	444	441	420
Equity Capital	29	29	29	29	29
Reserves & Surplus	2867	3329	4288	5317	6564
Shareholder's Fund	2896	3358	4318	5346	6593
Total Liabilities	9848	10574	10148	12006	13707
BVPS	99	115	148	183	225

RATIOS

Y.E March	FY18A	FY19A	FY20A	FY21E	FY22E
Profitab & Return					
EBITDA margin (%)	11.3	10.9	13.2	13.8	14.4
EBIT margin (%)	10.4	10.1	12.0	12.5	13.2
Net profit mgn.(%)	6.2	8.1	8.1	8.4	8.9
ROE (%)	23.9	23.0	27.7	27.1	25.6
ROCE (%)	20.9	21.7	24.4	27.5	26.4
W.C & Liquidity					
Receivables (days)	138	116	115	102	106
Inventory (days)	96	108	120	104	114
Payables (days)	151	140	143	127	133
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	5.0	5.0
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	9.6	9.9
Adj. debt/equity (x)	0.9	0.9	0.4	0.4	0.4
Valuation					
EV/Sales (x)	2.2	1.9	1.9	1.6	1.4
EV/EBITDA (x)	19.7	17.2	14.7	11.3	9.9
P/E (x)	32.7	30.5	21.3	17.3	14.8
P/BV (x)	7.9	6.8	5.3	4.3	3.5

Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
1 st January 2020	Buy	656
4 th June 2020	Buy	821
29 th July 2020	Buy	942

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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