Coromandel International (CRIN IN)

Rating: REDUCE | CMP: Rs788 | TP: Rs676

Time to Harvest - Peak Earnings and Valuations

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September 23, 2020

Company Initiation

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Time to Harvest - Peak Earnings and Valuations

We initiate coverage on Coromandel International (CRIN) with REDUCE rating with a target price of Rs676 based on 15x Sept'22E EPS of Rs45. CRIN has reaped benefits from 1) benign input costs (~17%/21% decline in price of Phosphoric Acid/Rock Phosphate) 2) supportive NBS regime (mere 3% cumulative decline in subsidy rates for FY20 & FY21) and 3) 8% volume CAGR in NPK between FY19-21E. However, we believe CRIN's margins to peak out in FY21E and APAT to decline by 9% in FY22E driven by 1) increasing raw material prices of Phosphoric Acid, Rock Phosphate, Ammonia, Sulphur, etc (2) Expected lower NBS subsidy in FY22E and 3) limited volume growth due to capacity constraints (operating at +86%). While CRIN's fundamentals remain rock solid and Crop Protection division (13% of revenue/ EBIT) is on a steady growth trajectory but headwinds emerging from the fertilizer segment (87% of revenue & EBIT) leave little room for a negative surprise given that the stock trades at near-to-peak multiples (18x Sep'22E EPS) as well as margins. Reduce

Phosphatic fertiliser RM prices likely to bottomed out globally: The downcycle in the raw material prices seems to be over and we are on the verge of resuming new upcycle driven by 1) recovery in North American agriculture market (10% decline in fertiliser demand in 2019 due to massive flooding) 2) global demand surge for Agri-inputs to maintain adequate food supply amidst COVID 3) expectations of higher DAP imports from India (up 37% in Q1) and 4) bouts of short supply in raw materials driven by mine closures. In the past 3 cycles (between 2000-2017), Phos acid prices have bottomed out between USD 490-609/tn which has been the case in 2017-Apr'20 cycle as well. From the bottom of 4QFY20, we are factoring in price increase of 19%, 46% and 55% for Phosphoric Acid, Rock Phosphate and Ammonia by FY23.

NBS subsidy unlikely to compensate for higher input cost in FY22: Phosphoric acid prices are down ~20% (from USD 770/tn to USD 590/ton) in the last 2 years while Ammonia prices are down by more than 40% (from USD 350/tn to USD 160/tn). The estimated decline in cost of manufacturing DAP has been Rs 3420/tn whereas realisations are down by Rs 2300/tn (MRP- Rs 2130/tn, Subsidy- Rs 170/tn). As per our calculation, the decline in price is lower than the decline in input cost leading to increase in profitability (by ~300 bps). The decline in NBS rate has been very low, so even if raw material price increases in future, NBS rates are unlikely to change proportionately. This may force CRIN to take aggressive price hikes or accept lower profitability.

Phosphatic fert. volume growth to be tepid in FY21-23E (4%) due to capacity constraints: CRIN is already operating its Phosphatic fert. plant at +86% utilisation. We believe capacity constraints will limit volume growth, despite ample headroom to expand market share in few states due to capacity constraints. While imports are always an option especially for DAP, we expect limited placement of imported phosphatic fertiliser from the company as it will dilute the brand and product positioning of its unique grade fertilisers.

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	1,31,367	1,39,327	1,52,367	1,72,011
EBITDA (Rs. m)	17,310	21,757	19,799	21,061
Margin (%)	*13.2*	*15.6*	*13.0*	*12.2*
PAT (Rs. m)	10,650	13,982	12,687	13,684
EPS (Rs.)	36.4	47.8	43.4	46.8
Gr. (%)	*43.1*	*31.3*	*(9.3)*	*7.9*
DPS (Rs.)	12.0	15.8	14.3	15.4
Yield (%)	*1.5*	*2.0*	*1.8*	*2.0*
RoE (%)	*27.7*	*29.3*	*22.5*	*21.0*
RoCE (%)	*25.7*	*31.8*	*26.3*	*25.9*
EV/Sales (x)	1.9	1.7	1.5	1.4
EV/EBITDA (x)	14.2	11.1	11.9	11.1
PE (x)	21.6	16.5	18.2	16.8
P/BV (x)	5.3	4.4	3.8	3.3

Key Data	CROM.BO | CRIN IN
52-W High / Low	Rs. 839 / Rs. 400
Sensex / Nifty	37,668 / 11,132
Market Cap	Rs. 231 bn/ $ 3,138 m
Shares Outstanding	293m
3M Avg. Daily Value	Rs. 861.02m

Shareholding Pattern (%)

Promoter's	59.60
Foreign	4.26
Domestic Institution	21.28
Public & Others	14.86
Promoter Pledge (Rs bn)	0.02

Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	57.8	90.2
Relative	1.0	8.9	97.4

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CRIN – An Integrated Play on Crop Protection

Coromandel International (Murugappa Group) has strong corporate governance and professional management. It is a play on India's agriculture growth story. Its strong brand equity, cost effective manufacturing & supply chain and extremely capable R&D team places the company on a very firm footing to capitalise on the growth opportunity in the crop nutrient and crop protection segments.

- CRIN is the largest private sector phosphate fertilizer player (Overall No2) with a capacity of 3.5 MT and 16% market share. With capacity of 1 mn tonnes and market share of 14%, it is the largest player in SSP (Single Super Phosphate).
- In the crop Protection segment, CRIN is India's 5th largest player and largest manufacturer of Neem based Bio-pesticide globally. CRIN has 10000 dealers marketing +60 brands across +80 countries.
- CRIN's Gromor retail outlets (800 centres) is India's largest rural retail initiative, providing own manufactured & label products and value added services.
- To provide a comprehensive agri solutions, CRIN also provides seeds, vet feeds, farm implements apart from value added services like farm mechanization, agri insurance, soil testing, credit, extension activities. To be abreast with new technologies, the company has successfully forayed into use of drones on pilot basis, providing real time crop diagnostics.

Exhibit 1: Fertiliser segment contribute more than 85% of revenue and profits

Rs Mn	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,32,246	1,31,367	1,39,327	1,52,367	1,72,011
Fertiliser	1,15,053	1,15,500	1,20,085	1,30,182	1,46,476
Phosphatic Fertilisers	*64,077*	*63,795*	*67,871*	*76,015*	*85,155*
Urea	*5,261*	*2,596*	*2,596*	*2,596*	*2,596*
MoP	*1,892*	*2,817*	*3,092*	*3,273*	*3,464*
SSP	*3,510*	*3,728*	*3,946*	*4,602*	*5,368*
Others	*9,248*	*10,053*	*11,058*	*12,606*	*14,371*
Subsidies	*31,064*	*32,512*	*31,523*	*31,091*	*35,523*
Crop Protection	18,019	16,854	20,225	23,259	26,747
Intersegment	-826	-987	-982	-1,074	-1,213
EBIT (Rs Mn)					
Fertiliser	11,803	15,070	18,469	15,903	16,276
Margin	*10.3%*	*13.0%*	*15.4%*	*12.2%*	*11.1%*
Crop Protection	2,832	2,203	2,892	3,419	4,280
Margin	*15.7%*	*13.1%*	*14.3%*	*14.7%*	*16.0%*

Source: Company, PL

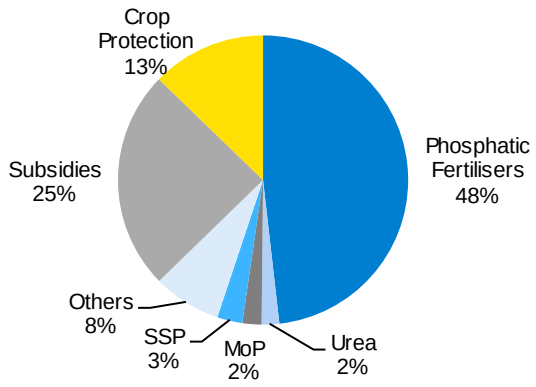
Exhibit 2: CP contribution to inch up incrementally

	FY19	FY20	FY21E	FY22E	FY23E
Sales Mix					
Fertiliser	86%	87%	86%	85%	85%
Crop Protection	14%	13%	14%	15%	15%
EBIT Mix					
Fertiliser	81%	87%	86%	82%	79%
Crop Protection	19%	13%	14%	18%	21%

Source: Company, PL

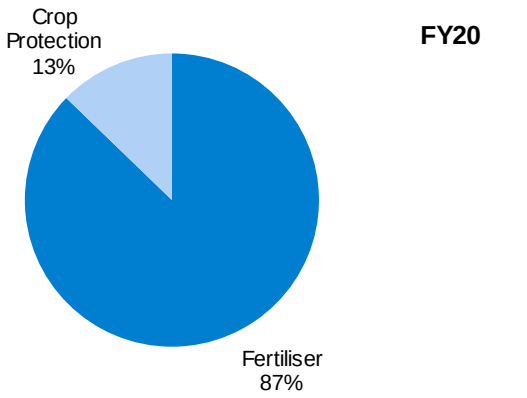
Story in Charts

Exhibit 3: Fertilizers 75% of sales, Crop protection 17%



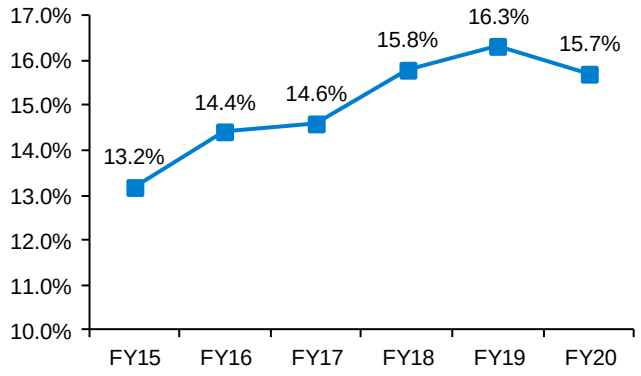
Source: Company, PL

Exhibit 4: Fertilizers are 87% of EBIT



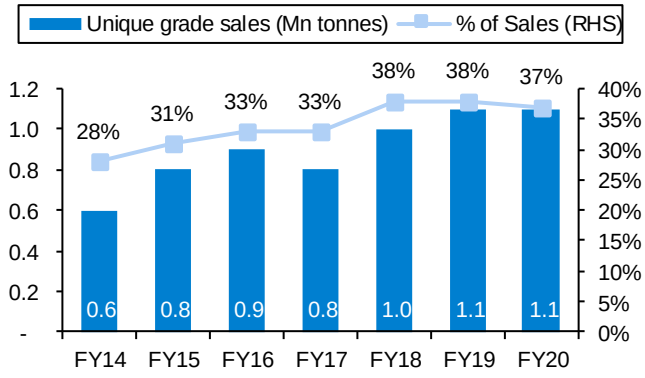
Source: Company, PL

Exhibit 5: Market share inching up in Phosphatic Fertiliser



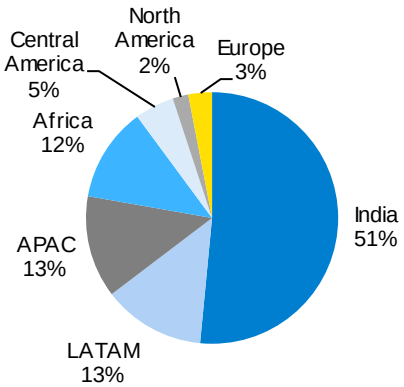
Source: Company, PL

Exhibit 6: Unique grade fertiliser mix continue to rise



Source: Company, PL

Exhibit 7: Crop Protection- India accounts for 51% of sales



Source: Company, PL

Exhibit 8: CRIN had 6 New launches in CPC in FY20

Brand	Molecule	Segment
Astra	Pymetrozine	Insecticide
Arithri	-	Biological
Xenga	Pyrazosulfuron	Herbicide
Fornax SC	Chloranthraniliprol	Insecticide
Fornax granules	Chloranthraniliprol	Insecticide
Mythri	Fipronil + Hexythiozax	Insecticide

Source: Company, PL

Investment Arguments

Phosphate fertilizer RM prices have bottomed out

Phos acid prices touched a low of USD 590/ton in the current downcycle

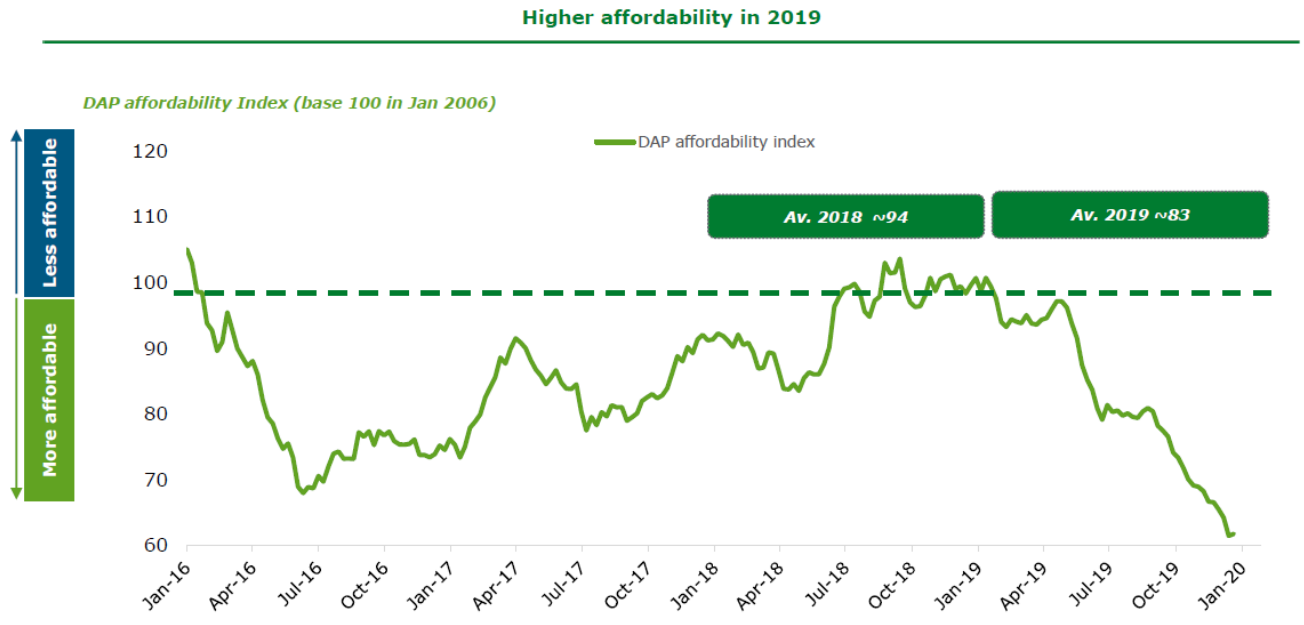
Phophoric acid, Rock Phosphate, Ammonia and Sulphur started to consolidate and then decline since the end of CY2018 due to 1) US faced sharp decline in agricultural activity due to extensive snowfall (3rd highest ever) followed by excessive flooding in 1HCY2019 and 2) lower than expected DAP imports into India in CY2019/FY20. Consequently, Phosphoric acid prices declined from USD 768/tn in October 2018 to USD 590/ton in February 2020 and are currently trading at USD 625/ton.

DAP affordability index @ 61 has bottomed out

DAP affordability index, ratio of average DAP price and crop price index, is currently ~60 i.e. lowest level since January 2016. A ratio less than 100 indicates that DAP is more affordable than during base year, and a ratio greater than 100 means less affordable than during the base year. The chart has trended downwards over the last 18 months largely due to decline in phosphatic fertiliser prices.

The stripping margin (difference between DAP price and cost of sulfur and ammonia per ton of DAP) remained mostly below $200 per ton. In the past decade, there have been 3 instances where sub-$200/t has occurred and that too was short-lived before a sharp rebound.

Exhibit 9: DAP affordability index @ 61 in Jan'20 was most favourable since 2016



Source: OCP, PL

Raw material prices have bottomed out globally

We believe, Phosphate fertilizer raw material prices have bottomed out globally and the current down cycle seems to be getting over. Prices have started inching up from USD 590/tn in April to USD 625/tn currently driven by

- Recovery in North American agriculture market with rebound in US crop acreages
- Global demand surge to maintain adequate food supply amidst COVID
- High import expectations from India (up 63% YoY in YTD Aug'20) due to better monsoon
- Bouts of short supply in raw materials led by mine closures.

Fertiliser raw material price movements tend to have a cyclical pattern. Our analysis for the raw material price data over the last 20 years indicate that in the previous 3 complete cycles (between 2000- 2017) Phos acid prices have bottomed out between USD 490-609/tn. In the last cycle also (2017- Apr'20) Phos acid/ Rock Phosphate/ Ammonia prices had hit the bottom @ USD 590/75/160 per ton in Apr'20 and subsequently increased by 6%/13%/69% from those lows. We note that the price change from bottom for Phosphoric acid was 120% in 2009, 33% in 2014 and 35% in 2017 cycle.

Exhibit 10: Phosphoric acid prices bottom out between USD 500-600/ton

Start Year	End Year	Start Price	Highest Price	End Price/ Lowest Price
May-03	Jun-09	342	2310	490
Jul-09	Dec-13	490	1080	609
Jan-14	Nov-17	609	810	567
Dec-17	Apr-20	567	768	590
May-20	--	625	--	--

Source: Bloomberg, PL

Rock Phosphate prices imitate Phosphoric acid price trend

Rock Phosphate prices too have likely commenced its new upcycle from May'20 after prices bottomed out in April @ USD 75/tn. In the last 3 cycles, rock phosphate prices bottomed between USD 85-110/tn. The current Rock Phosphate prices are at USD 85/ton. We note that the price change from bottom for Rock Phosphate was 86% in 2010, 35% in 2013 and 24% in 2017 cycle.

Both Phos acid and Rock phosphate prices are likely to have bottomed out

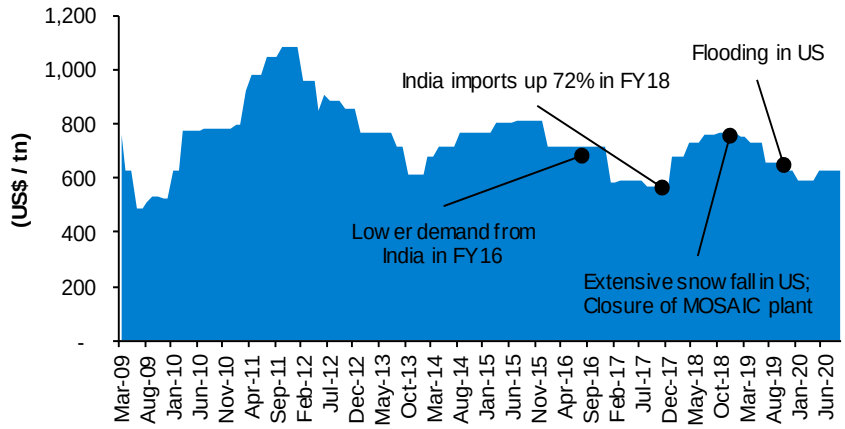
Exhibit 11: Rock Phosphate prices bottom out between USD 500-600/ton

Start Year	End Year	Start Price	Highest Price	End Price/ Lowest Price
Mar-00	May-10	46	500	110
Jun-10	Oct-13	110	205	90
Nov-13	Oct-17	100	135	85
Nov-17	Apr-20	85	105	75
May-20	--	80	--	--

Source: Bloomberg, PL

Phosphoric acid prices have declined by 23% from the highs

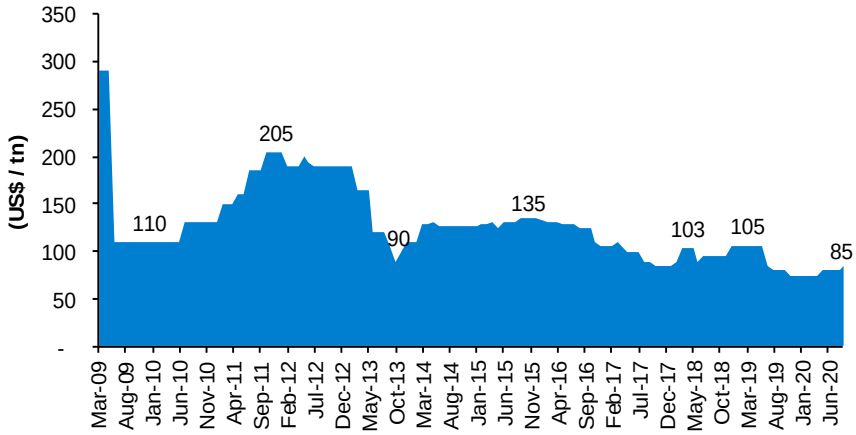
Exhibit 12: Phos acid prices typically bottom out between USD 500-600/ton



Source: Bloomberg, PL

Rock Phosphate prices have bottomed out at USD 75/ton, down 29% from the highs

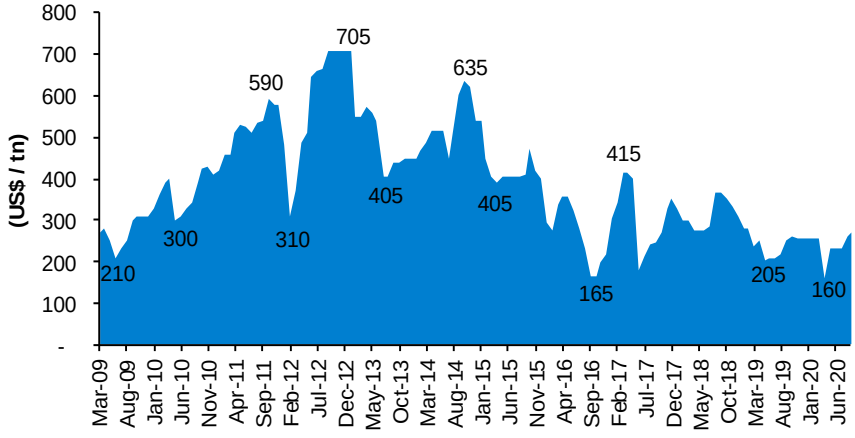
Exhibit 13: Rock phosphate prices mimic trend of Phos acid



Source: Bloomberg, PL

Ammonia prices are up ~70% from the lows of April'20

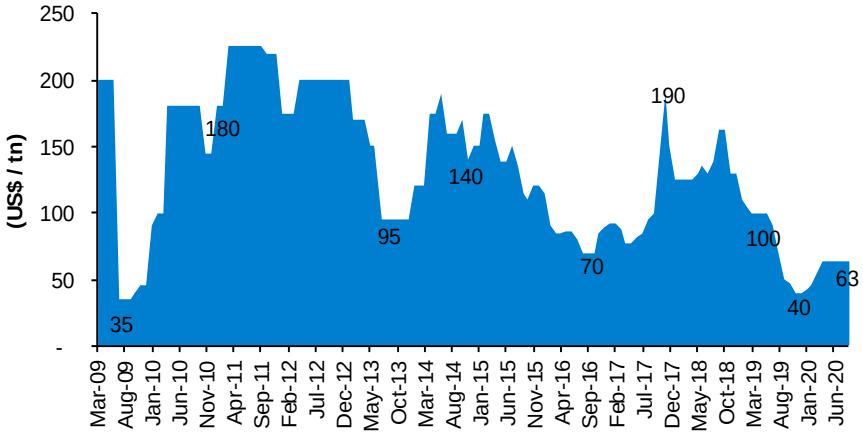
Exhibit 14: Decline in ammonia prices was a positive for Urea manufacturers



Source: Bloomberg, PL

Sulphur prices are up 58% from the lows of USD 40

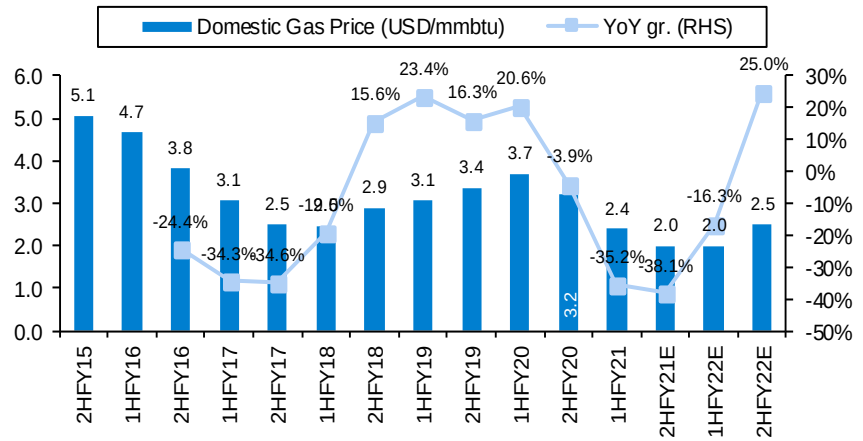
Exhibit 15: Sulphur prices have declined significantly



Source: Bloomberg, PL

Urea subsidy is expected to reduce with decline in gas prices

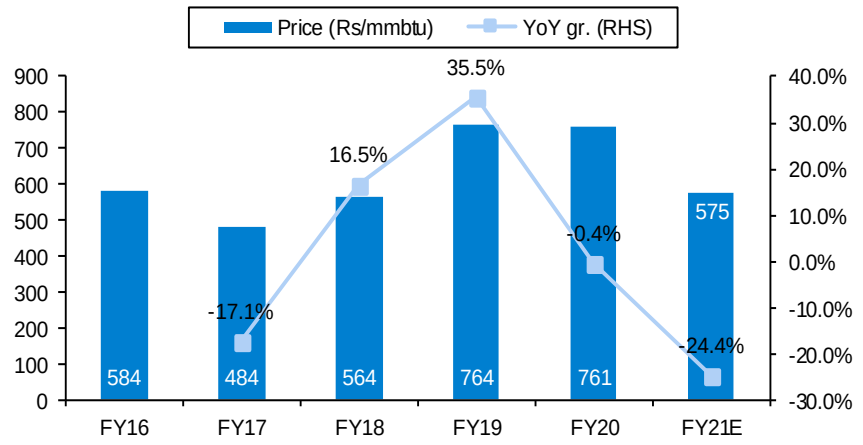
Exhibit 16: Domestic gas prices have declined by 35% for 1HFY21



Source: GoI, PL

Lower pooled gas prices to reduce working capital requirements for Urea companies

Exhibit 17: Pooled gas price expected to decline by ~25% in FY21



Source: CRISIL, PL

Flooding in North America in early 2019 drove demand and prices down

Recovery in North American agriculture to drive demand

A rebound in US crop acreage will support increased fertiliser demand in 2020. Growers sentiment is positive and expected to support higher than normal spring fertilizer applications for all primary fertilisers.

- In 2019 severe floods in the southeast and Midwest region of US led to massive delays/ no planting of Corn/Soy crops for many farmers. The 12-month period ending in May'2019 was the wettest 12 months' record in US. In August'19, US Department of Agriculture reported that more than 19.4 mn acres of cropland went unplanted, since reporting began in 2007.

- The spring of 2019 followed a truncated season for fall fieldwork in 2018, when weather was also a factor. Back-to-back planting seasons (fall '18 and spring '19) missed fertilizer applications as millions of acres were not planted. Phosphate demand in the United States fell from 4 million metric tons (mmt) in 2018 to 3.6 mmt in 2019, decline of 10%. Other than US, demand for phosphate and potash nutrients also faltered in a couple of major markets resulting in global shipments of the leading P&K products retreating from the record demand achieved in 2018.

Exhibit 18: North America crop acreage expected to grow by 6.5% on a low base of CY19

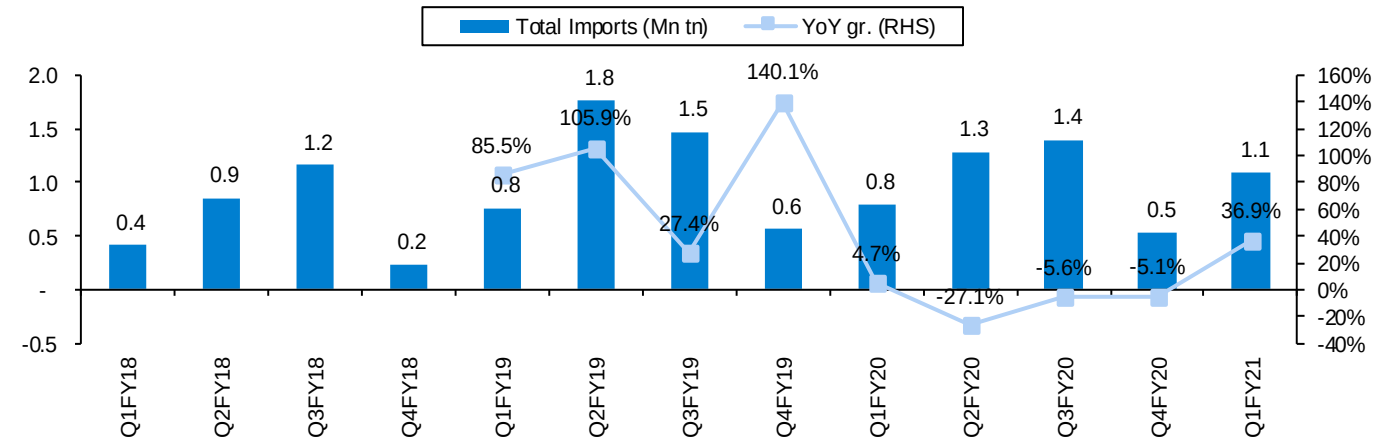
Crop (Mn acres)	CY2013	CY2014	CY2015	CY2016	CY2017	CY2018	CY2019	CY2020F
Corn	95.3	90.6	88.4	94	90.2	89.9	89.7	97
Soybean	76.5	83.7	83.2	83.4	90.1	89.2	76.1	83.5
Wheat	56.2	56.8	56.8	50.2	46.4	47.8	45.2	44.7
Cotton	10.3	11	8.6	10.1	12.6	14.1	13.7	13.7
Sorghum	8.1	7.2	8.7	6.7	5.6	5.7	5.3	5.8
Rice	2.5	2.9	2.6	3.2	2.5	3	2.5	2.8
Total US major	**248.9**	**252.2**	**248.3**	**247.6**	**247.4**	**249.7**	**232.5**	**247.5**
Growth (%)		***1.3%***	***-1.5%***	***-0.3%***	***-0.1%***	***0.9%***	***-6.9%***	***6.5%***

Source: USDA, Nutrien, PL

India Phosphate fertilizer imports to increase global demand in FY21

Sale of imported phosphatic fertiliser declined 12% @ 4 mn tonnes in FY20 driven by lower demand in Kharif 2019. With lower DAP inventories, competitive pricing and robust domestic demand, imports are expected to see a sharp increase giving a support to benchmark prices. Phosphatic imports are already up 37% & 63% YoY in Q1FY21 & YTD to 1.1 mn tons & 2.5 mn tons respectively. Globally, India is among the top 3 importers of DAP and a deciding factor for phosphatic market.

Exhibit 19: Sale of Imported phosphates declined 12% in FY20 but is up 63% till August in FY21



Source: GoI, PL

"While we have demonstrated the viability of the repurpose plan at Itafos Arraias, including producing and commercializing new premium products, market prices have continued to decline and have currently reached unsustainable levels. As a result of these external factors, we have decided to idle Itafos Arraias to manage the cycle, while we evaluate strategic options for the business,"

Dr. Mhamed Ibnabdeljalil, interim CEO of Itafos.

"Phosphate prices have declined further through the summer, with excess imports continuing to enter the U.S. on top of high channel inventories. We expect our move to idle production to tighten supply and rebalance the market."

Joc O'Rourke, President and CEO, Mosaic

Several mines and plants shutdown due to non-viability

Globally, mines and plant closed due to downward spiral in prices. By the end of 2019 production margins were at unsustainably low levels which led to further production cuts, and provided some support to prices in 2020.The gradual product cuts in last 18 months and expected demand recovery in 2020 will aid in rebalancing supply and demand and higher input costs after a lag.

Exhibit 20: Mine/Plant Closures

Company	Location	Year	Capacity
Mosaic	Plant City (Plant)	Jun-19	17 lakh TPA
Mosaic	Louisiana (Mine)	Sep-19	5 lakh TPA
Mosaic	Bartow (Plant)	Dec-19	18 lakh TPA
Nutrien	Redwater (Plant)	Q4CY18	3300 MTPD
Nutrien	Louisiana (Mine)	Q4CY18	2 lakh TPA
Itafos	Arraias	Nov-19	5 lakh TPA
Incitec Pivot	Portland	Apr-19	1.8 lakh TPA

Source: Mosaic, Nutiren, Itafos, CRU, PL

NBS subsidy unlikely to compensate for higher input cost in FY22

Every year, any change in NBS subsidy rate for phosphate fertilizers (and other nutrients) by GoI largely reflects change in international raw material price. The only exception to this has been the NBS rate for FY20 (flat vis-à-vis FY19) and FY21E (down 2% for phosphate). Phosphoric acid prices are down ~20% (from USD 770/tn to USD 590/ton) in the last 2 years while Ammonia prices are down by more than 40% (from USD 350/tn to USD 160/tn). The estimated decline in cost of manufacturing DAP has been Rs 3420/tn whereas realisations are down by Rs 2300/tn (MRP- Rs 2130/tn, Subsidy- Rs 170/tn). As per our calculation, the decline in price is lower than the decline in input cost leading to increase in profitability (by ~300 bps). The decline in NBS rate has been very low, so even if raw material price increases in future, NBS rates are unlikely to change proportionately. This may force CRIN to take aggressive price hikes or accept lower profitability.

Exhibit 21: Movement in RM Price and NBS rate for Phosphates

Year	Phos Acid Price (USD/tn)	YoY% (A)	NBS for Phosphate (Rs/kg)	YoY% (B)	Phase of cycle	Gain/(Loss) excluding change in MRP, (C=B-A)	DAP MRP (Rs/tn)
FY11	811		26.00				10150
FY12	1,026	26.5%	32.34	24.4%	Upcycle	-2.1%	17749
FY13	838	-18.3%	21.80	-32.6%	Downcycle	-10.6%	26075
FY14	688	-17.9%	18.68	-14.3%	Downcycle		25184
FY15	759	10.4%	18.68	0.0%	Upcycle	-12.8%	24620
FY16	778	2.4%	18.68	0.0%	Upcycle		25020
FY17	672	-13.6%	13.24	-29.1%	Downcycle	-16.3%	20743
FY18	614	-8.6%	12.00	-9.4%	Downcycle		21418
FY19	753	22.6%	15.22	26.8%	Upcycle	4.2%	27039
FY20	638	-15.3%	15.22	0.0%	Downcycle	15.1%	26518
FY21	625	-2.0%	14.89	-2.2%	Downcycle		24909
FY22E			14.14	-5.0%			

Source: GoI, PL

Nutrient segment margins have expanded by 270 bps in FY20, expected to improve another 100 bps in FY21E

CRIN has minted money in the last 15-18 months on the back of this anomaly…

GoI's move to reduce NBS rate for phosphate by ~2% in FY21 over and above keeping it flat in FY20 led to massive jump in profitability for phosphatic fertiliser companies particularly Coromandel International. While the company passed benefits to farmers by reducing MRP by ~12%, the pass through has not been complete, aiding massive margin expansion for it. Other factors like operating leverage benefit due to higher volumes and commencement of backward integration unit in 2HFY20 also aided profit. In FY20, CRIN's Nutrient segment margin expanded by 279 bps to 13% i.e. highest ever. We expect another 233 bps improvement in margins to 15.4% in FY21E.

The government, in our view, will correct this anomaly while fixing NBS rate for FY22 which may lead to pressure of profitability in FY22E and taking the margins to more sustainable level.

Exhibit 22: Robust margin expansion in the last 12-18 months

Nutrient Segment		4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
Revenue		22,807	18,816	43,914	28,408	24,362	28,072
	YoY gr.	*10.6%*	*-11.7%*	*-1.8%*	*8.4%*	*6.8%*	*49.2%*
EBIT		2,005	2,020	6,282	3,649	3,119	3,695
	YoY gr.	*36.8%*	*17.7%*	*10.8%*	*51.2%*	*55.6%*	*83.0%*
Margin		*8.8%*	*10.7%*	*14.3%*	*12.8%*	*12.8%*	*13.2%*
	YoY (bps)	*168*	*268*	*163*	*364*	*401*	*243*

Source: Company, PL

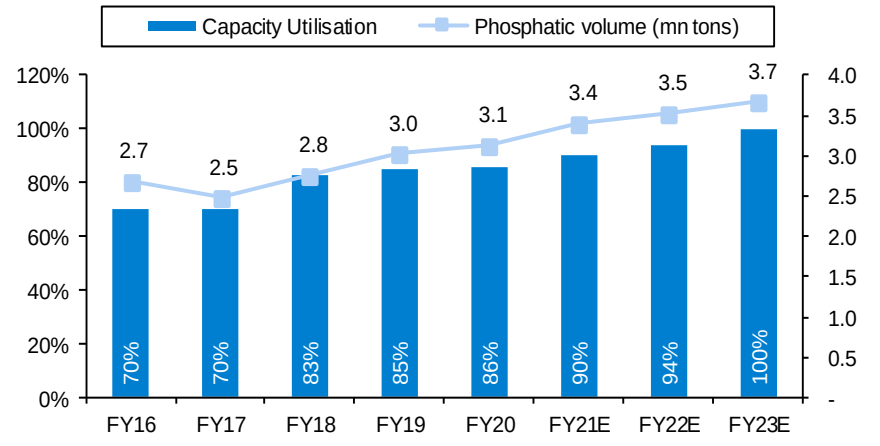
Volume growth to slow down to 4% CAGR over FY21-23E

CRIN's phosphate fertilizer volumes have grown at a CAGR of 8.1% between FY17-20. Its phosphatic fertiliser plant's capacity utilisation increased from ~78% in FY19 to ~86% in FY20. While the company is removing some bottlenecks to further increase its utilisation, the same can be stretched to a maximum of 100%, thus giving capacity constraints to CRIN.

While imports are always an option especially for DAP we expect limited placement of imported phosphatic fertiliser from the company as it will dilute the brand and product positioning of its unique grade fertilisers. Due to capacity constraints we do not expect aggressive geographical expansion into newer territories or deepening penetration, even within the existing ones. We estimate Phosphatic fertilizer volume CAGR of 5.3% over FY20-23 as against 8.1% over FY17-20.

Market share expansion may be limited in few states due to capacity constraints

Exhibit 23: Capacity Utilisation expected to peak out by FY23



Source: Company, PL

Penetration to deepen further in Maharashtra, Karnataka, Madhya Pradesh and Chattisgarh. Further expansion in West Bengal and Uttar Pradesh

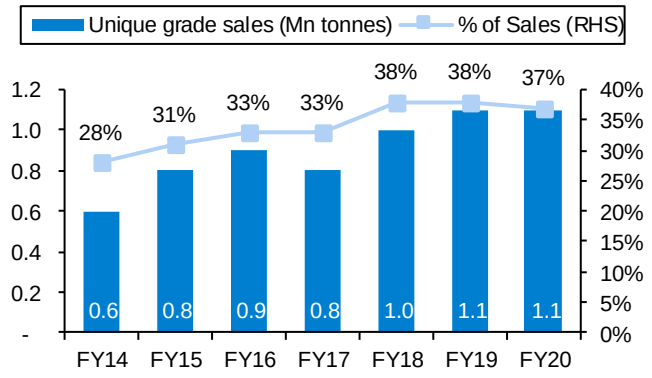
Market share gains to continue

CRIN has seen its market share increasing by more than 350 bps over the last 5 years. Its quest for market share gains will continue to be driven by strategy of expanding geographical presence and deepening penetration within existing states.

While Andhra Pradesh, Telangana and Karnataka are CRIN's key markets, it is also present in Maharashtra, Tamil Nadu, Madhya Pradesh, Chattisgarh, Odisha, West Bengal, parts of UP, etc. Going forward CRIN plans to further deepen its penetration in Maharashtra, Karnataka, Madhya Pradesh and Chattisgarh. It also plans to expand further in West Bengal and Uttar Pradesh.

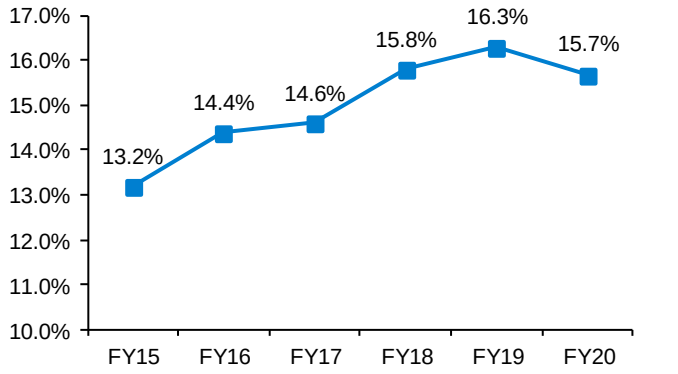
Its portfolio of unique grade fertilisers, new generation products & superior farm solutions packages coupled with consumer engagement with branding initiatives ensures brand loyalty and stickiness among farmers.

Exhibit 24: Share of unique grade fertilisers continue to rise



Source: Company, PL

Exhibit 25: Market share gains expected to continue

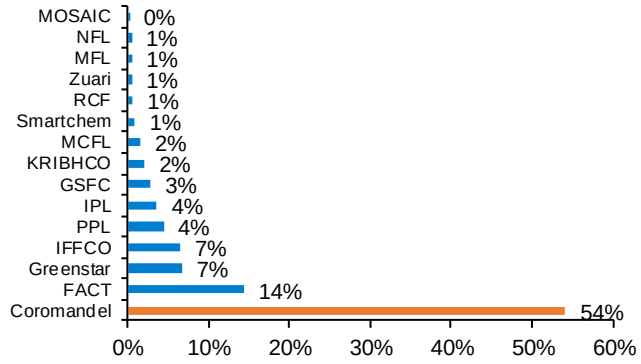


Source: Company, PL

CRIN has strengthened its marketing and agronomist teams. Continued focus & investment in R&D and product development has resulted in enhancing the product portfolio. Its conscious strategy of introducing superior new generation products incentivises farmers to shift from grade to brand and has realigned its branding strategy to strike a deeper connect with its customers.

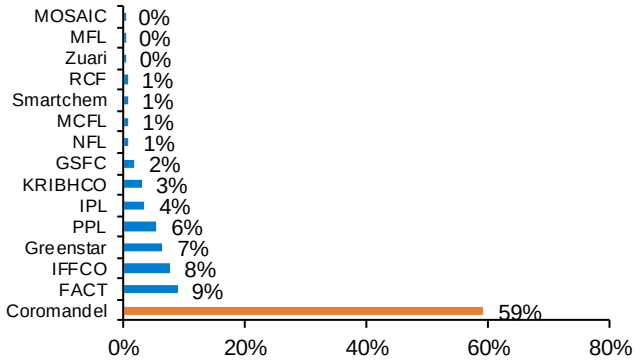
Phosphatic fertiliser market share in key states

Exhibit 26: CRIN enjoys 54% MS in AP



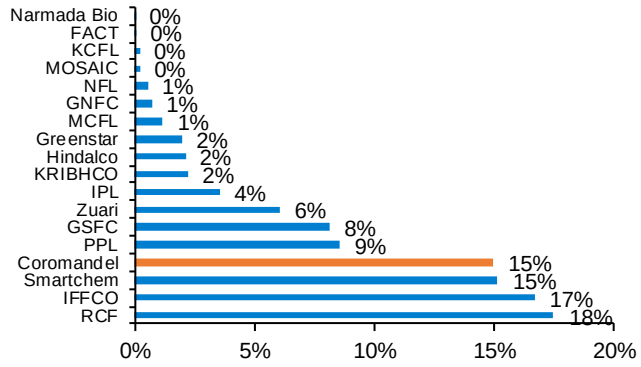
Source: GoI, PL

Exhibit 27: CRIN enjoys 59% MS in TG



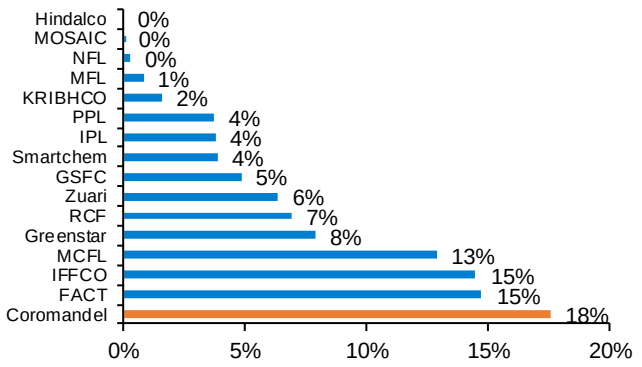
Source: GoI, PL

Exhibit 28: CRIN has 15% MS in Maharashtra, 4th position



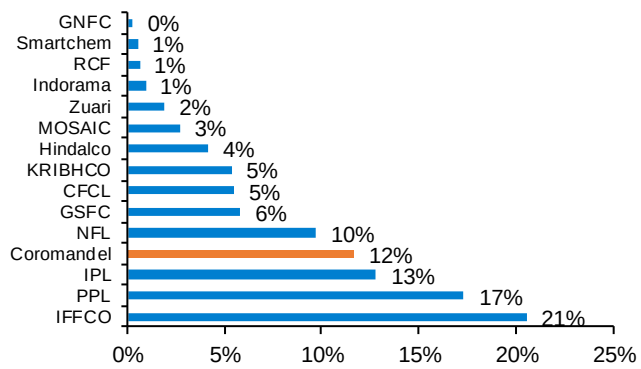
Source: GoI, PL

Exhibit 29: CRIN has 18% MS in Karnataka, largest player



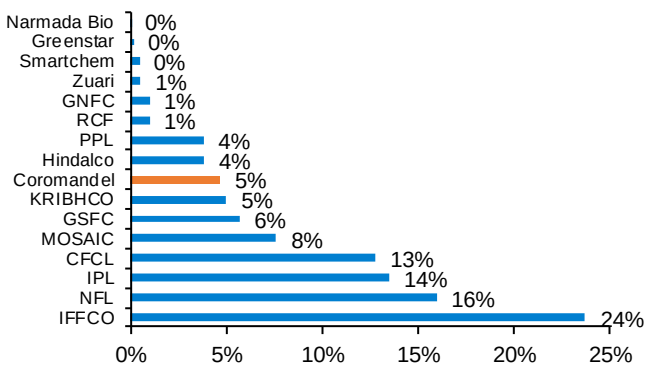
Source: GoI, PL

Exhibit 30: CRIN has 12% MS in Chattisgarh, 4th position



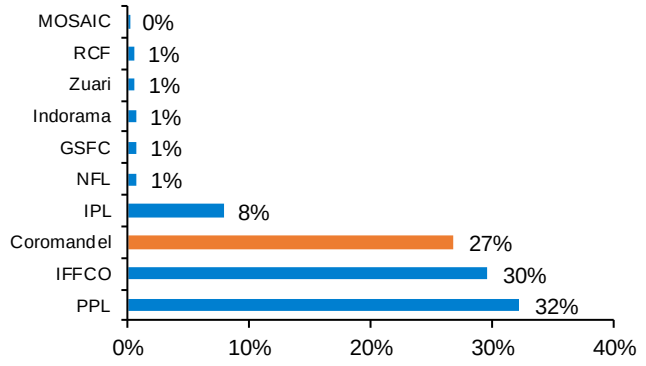
Source: GoI, PL

Exhibit 31: 5% MS in MP, ample headroom for expansion



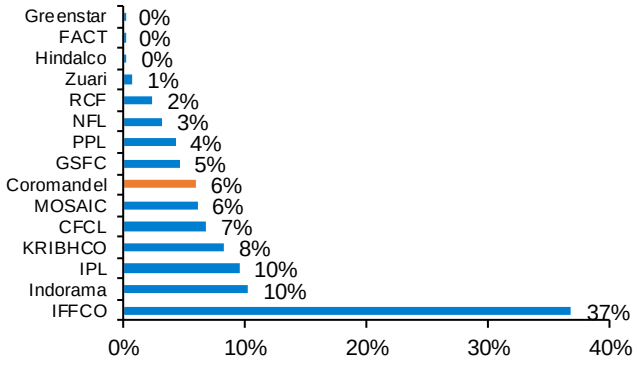
Source: GoI, PL

Exhibit 32: 27% MS in Odisha, among the top 3 players



Source: GoI, PL

Exhibit 33: 6% MS in WB, ample headroom for expansion



Source: GoI, PL

Combined acreage area to expand by ~15% post commencement of irrigation projects

AP and TG market to expand by 6-10 lakh tons in the next few years due to 2 massive irrigation projects

Upcoming irrigation projects in AP & TG will be a boon for CRIN

The upcoming irrigation projects in the home state of CRIN will catapult the company to the next level. On completion of both Polavaram Irrigation Project (Andhra Pradesh) and Kaleshwaram Irrigation Project (Telangana), 31-44 lakh acres of assured irrigation acreages are expected to come up which is ~10-14% of the existing combined total acreage area for AP and TG.

FY21 CRIN is in its first year of long term strategic plan period. Already running at near to peak utilisation, it is imperative for CRIN to expand its Phosphatic fertiliser capacity to leverage on this upcoming massive opportunity.

Exhibit 34: Expected additional fertiliser demand due to Irrigation projects

In lakhs	AP	Telangana	Total
New acreages (Acres)	7.20	18.26	25.46
Additional benefits from stabilisation (Acres)	-	6.28	6.28
Total New Acreages (Acres)	7.20	24.53	31.73
Existing acreages (Acres)	183.20	138.22	321.42
Incremental Acreages (%)	3.9%	17.7%	9.9%
Existing Fertiliser consumption (Tons)	18.02	15.02	33.04
Incremental Opportunity (Tons)			6-10

Source: Govt of AP, Govt of Telangana, PL

Exhibit 35: Direct benefits of Polavaram Irrigation Project

	Districts	New Acreage (Acre)
Left Canal	Visakhapatnam	150000
	East Godavari	250000
Right Canal	West Godavari	258000
	Krishna	62000
	Total	**720000**
Expected increase in Agriculture production		109 lakh MT

Source: Govt of Andhra Pradesh, PL

Exhibit 36: Direct benefits of Kaleshwaram Irrigation Project

Districts	New acreages
Kamareddy	184108
Sangareddy	269744
Medak	247418
Medchal	29473
Yadadri	249105
Nalgonda	29169
Rajanna Sircilla	153539
Siddipet	329616
Jagityal	19979
Karimnagar	800
Paddapalli	30000
Nirmal	100000
Nizamabad	182749
Total New acreages	**1825700**
Stabilisation of existing acreages (Sriramsagar, Flood Flow Canal, Singur & Nizamsagar projects)	**1882970**
Total Direct benefit	**3708670**

Source: Govt of Telangana, PL

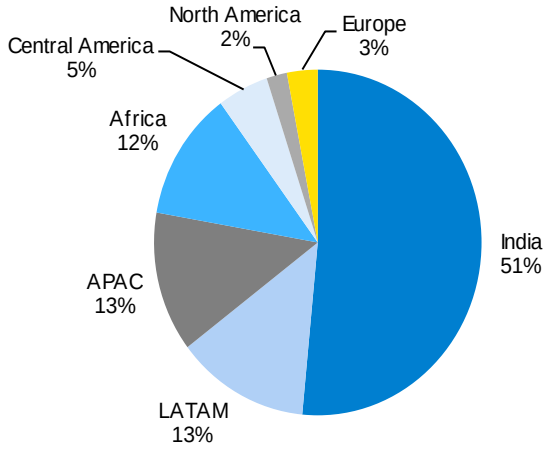
Crop protection segment on a high growth trajectory

Coromandel manufactures and markets crop protection (13% of revenue and EBIT) products including insecticides, herbicides, fungicides and PGRs. Technical and formulation business contribute ~2/3rd and ~1/3rd of revenue resp. Coromandel has several brands that enjoy leadership status in India (51% of segment revenue) as well as in international markets (49%). With +1000 product registrations and presence in over 81 countries, CRIN is 5th largest crop protection company in India.

The company has expanded the division by both organic and inorganic means. It acquired Sabero Organics and Ficom Organics, both of whom produced a variety of technical grade pesticides. **Mancozeb, Malathion, Phenthoate, etc are some of its key molecules. Coromandel is the second largest manufacturer of Malathion and is the major manufacturer of Phenthoate in Asia.**

In the formulation segment, it has more than 50 crop protection products across Insecticides, Herbicides, Fungicides and Bio stimulants category. Apart from own products, it has also tied up with innovators like Nihon Nohyaku, Syngenta, Corteva, BASF, etc for marketing their molecules in India.

Exhibit 37: Geographical revenue mix in CPC



Source: Company, PL

New launches to be the primary growth driver going forward

- CRIN is also graduating away from old generics to newer patented combinations and recently off patented molecules.
- It has launched Pymetrozine, Pyrozosulfuron and Mancozeb WDG in FY20 and plans are afoot to launch 4 technical products in FY21.
- CRIN is the 1st company in India to garner registrations for 'Pymetrozine' (technical) and 'Picoxystrobin' (technical) for indigenous manufacture
- Its R&D team has developed novel processes for Cyproconazole & Azoxystrobin technicals and filed patent applications for the same in India.

- With ~50-60 combination molecules in various stages of development, the larger objective is to launch 2-3 combination molecules every year

Exhibit 38: New launches in CPC segment in FY20

Brand	Molecule	Segment	Application
Astra	Pymetrozine	Insecticide	BPH in rice
Arithri	-	Biological	Root growth and development
Xenga	Pyrazosulfuron	Herbicide	Grass and broad leaved weed in Rice
Fornax SC	Chloranthraniliprol	Insecticide	Lepidopteran pests in Cotton, Rice and Sugarcane
Fornax granules	Chloranthraniliprol	Insecticide	Stem borers in Sugarcane and Rice
Mythri	Fipronil + Hexythiozax	Insecticide	Mites & Thrips in Chilli

Source: Company, PL

Other business growth drivers: Apart from new launches, venturing into newer chemistries, geographical expansion (exports @ 49% of segment sales), partnerships and customer connect initiatives (commencing B2C footprint) will also aid growth. Initiatives to work upon new types of formulations like Water Emulsion (EW), Biopesticide formulation and Micro encapsulation are also on the anvil.

CPC topline has grown at a CAGR of 12% between FY16-19. FY20 was a temporary blip (6% decline in revenue) due to fire at its Sarigam unit (now stabilised and recommenced). We expect ~17% revenue CAGR over between FY20-23E driven by demand for recently launched Pymetrozine, Pyrozosulfuron and Mancozeb WDG, ramp up at its Sarigam unit, commercialisation of 4 technical products in FY21.

CPC segment in a secular growth trajectory

Exhibit 39: Exp. CPC revenue CAGR 17%, EBIT share 22% by FY23

Crop Protection	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Revenue	12,816	14,082	16,622	18,019	16,854	20,225	23,259	26,747
Growth %		*9.9%*	*18.0%*	*8.4%*	*-6.5%*	*20.0%*	*15.0%*	*15.0%*
EBIT	1,642	2,615	2,687	2,832	2,203	2,892	3,419	4,280
Growth %		*59.3%*	*2.7%*	*5.4%*	*-22.2%*	*31.3%*	*18.2%*	*25.2%*
Margin %	*12.8%*	*18.6%*	*16.2%*	*15.7%*	*13.1%*	*14.3%*	*14.7%*	*16.0%*
EBIT Mix %	*21.6%*	*26.4%*	*20.9%*	*19.3%*	*12.8%*	*13.5%*	*17.7%*	*21.7%*

Source: Company, PL

CRIN is largest manufacturer of Azadirachtin, a neem based pesticide

Bio pesticides and Specialty nutrients are niche segments

- The bio pesticides business is fully integrated with CP business. CRIN is the largest manufacturer of Azadirachtin, a neem based pesticide, with patented proprietary products and state of the art manufacturing facility. Nearly 60% of the production volume gets exported to developed markets including US, Canada and Europe.

- CRIN's presence in Biopesticide, Bio-stimulant and Bio-surfactant enriches its product portfolio apart from making it future ready to provide more bio solutions and Integrated Pest Management services.

Key brands in WSF- Speedfol, Insta, Superia, Ultrasol

- The Specialty Nutrients business of the Company focuses on water soluble fertiliser, sulphur & micronutrients. While the potential for the segment is huge (69 mn Ha), converting that into actual business can largely happen only with expansion in micro irrigation coverage area (currently @ 6%, 8 mn Ha) v/s 50-55% in US and Brazil).
- The company is market leader in WSF (Brands- Speedfol, Insta, Superia, Ultrasol) and Sulphur segments forcing on Cereals, Pulses, Cotton and Horticulture crops.
- CRIN has collaborated with multiple agri input players across the value chain to improve its customer connect initiatives.

Topline/EBITDA/PAT are expected to grow at a CAGR of 9%/5%/7% between FY20-23

Financials

Between FY18-FY20, CRIN has clocked topline/EBITDA/APAT CAGR of 9%/17%/24% driven by 10% growth in fertiliser segment revenue. Phosphatic fertiliser volume and realisations have grown by 6% CAGR each over the same period. Margin expansion of ~200 bps has been largely driven by lower raw material cost in FY20.

Topline/EBITDA/PAT are expected to grow at a CAGR of 9%/7%/9% between FY20-23. CP segment will drive growth with 17% CAGR while Fertiliser segment growth will remain subdued at 8% CAGR. Phosphatic business growth of 10% CAGR will be largely driven by volumes (5%) and realisations are expected to grow by 5% CAGR due to price hikes expected in FY22E & FY23E.

Gross margins are likely to contract 77 bps & 193 in FY21E & FY22E (14 bps expansion in FY23E), driven by raw material price pressure, expectation of lower NBS subsidy and CRIN's inability to fully recover the same in the form of price hikes. We expect 14% decline & 2% growth in fertiliser segment EBIT in FY22E & FY23E. Margin are expected to decline by 316 bps in FY22E & 110 bps in FY23E to 12.2% & 11.1% respectively.

CP segment margins are likely to expand by 290 bps to 16.0% by FY23E driven by ramp up at recently commenced plants and traction for new product launches.

With healthy cash generation, CRIN is expected to reduce leverage despite decent annual capex outlay of Rs 4 bn each year over the next 2-3 years. We expect Net debt reduction of Rs 11 bn between FY20-23E while net debt:equity is expected to reduce from 0.4 in FY20 to 0.1 in FY23E.

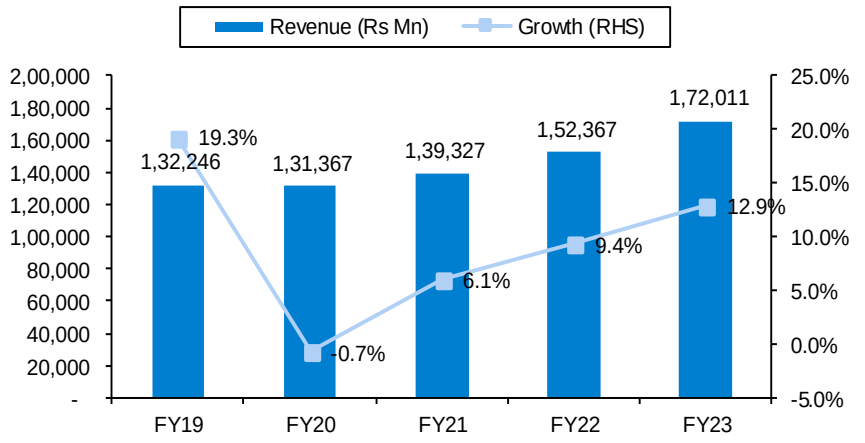
Exhibit 40: Nutrient segment will continue to dominate the overall business mix (Rs mn)

	FY19	FY20	FY21E	FY22E	FY23E
Phosphatic Fertilisers	64,077	63,795	67,871	76,015	85,155
Urea	5,261	2,596	2,596	2,596	2,596
MoP	1,892	2,817	3,092	3,273	3,464
SSP	3,510	3,728	3,946	4,602	5,368
Others	9,248	10,053	11,058	12,606	14,371
Subsidies	31,064	32,512	31,523	31,091	35,523
NUTRIENT SEGMENT	**1,15,053**	**1,15,500**	**1,20,085**	**1,30,182**	**1,46,476**
CROP PROTECTION	**18,019**	**16,854**	**20,225**	**23,259**	**26,747**
Intersegment Sales	-826	-987	-982	-1,074	-1,213
Net Revenue	**1,32,246**	**1,31,367**	**1,39,327**	**1,52,367**	**1,72,011**
Segment Profit					
NUTRIENT SEGMENT	11,803	15,070	18,469	15,903	16,276
YoY%	*16.4%*	*27.7%*	*22.6%*	*-13.9%*	*2.3%*
Margin %	*10.3%*	*13.0%*	*15.4%*	*12.2%*	*11.1%*
CROP PROTECTION	2,832	2,203	2,892	3,419	4,280
YoY%	*5.4%*	*-22.2%*	*31.3%*	*18.2%*	*25.2%*
Margin %	*15.7%*	*13.1%*	*14.3%*	*14.7%*	*16.0%*
Intersegment profit	-33.4	-64.8	-50	-50	-50
Unallocable Exp	-1,309	-1,478	-1,463	-1,600	-1,806
EBIT	**13,292**	**15,730**	**19,848**	**17,672**	**18,700**

Source: Company, PL

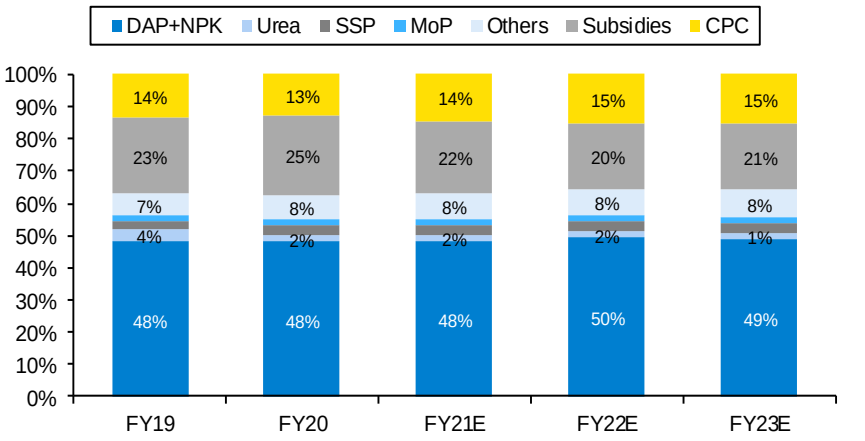
Limited volume growth due to capacity constraints; growth to be driven by mix of volume and relaisation

Exhibit 41: Revenue to grow at a CAGR of 9% between FY20-23E



Source: Company, PL

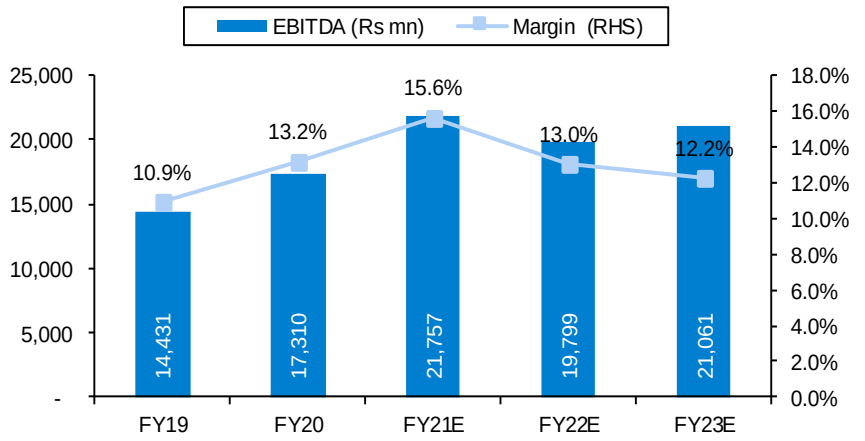
Exhibit 42: CPC revenue contribution to inch up by 200bps by FY23



Source: Company, PL

Margins to decline 390 bps between FY21E-23E

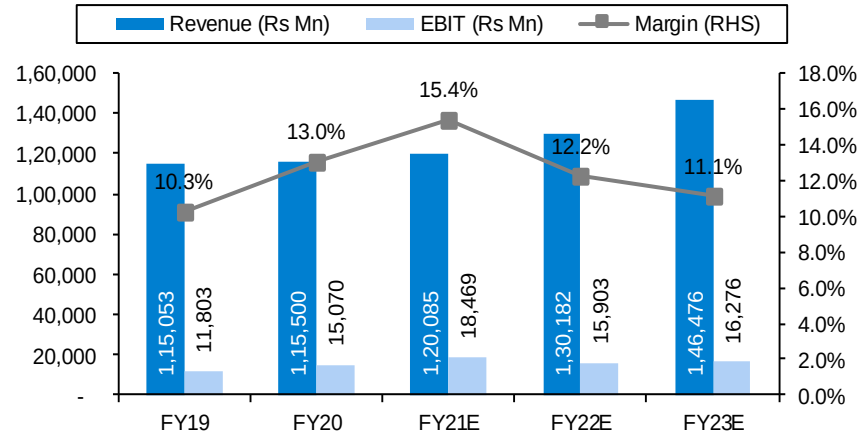
Exhibit 43: Margins to soften by 260 bps in FY22E over FY21E



Source: Company, PL

Fertiliser segment margins to decline by 316 bps in FY22E

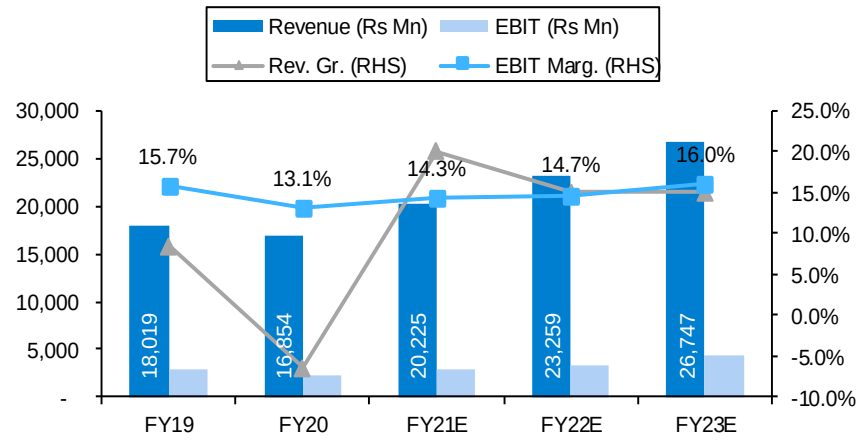
Exhibit 44: Fertilizer segment margins decline 140bps in FY22



Source: Company, PL

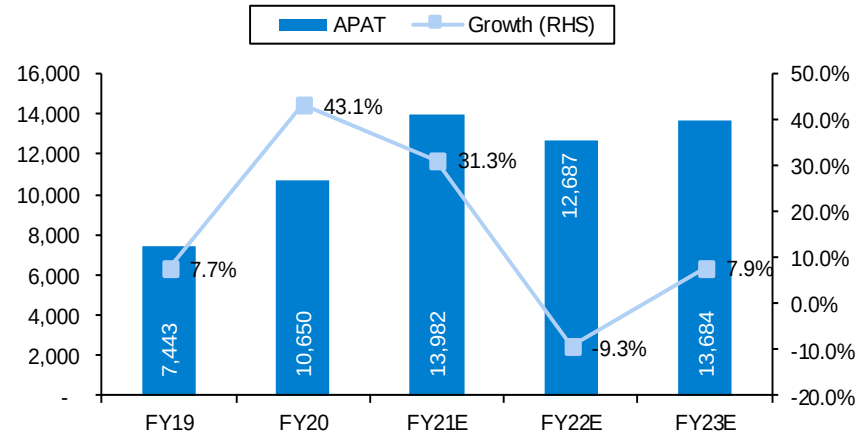
CPC segment in a secular growth trajectory

Exhibit 45: CPC to clock +15% topline growth and 300 bps margin expansion



Source: Company, PL

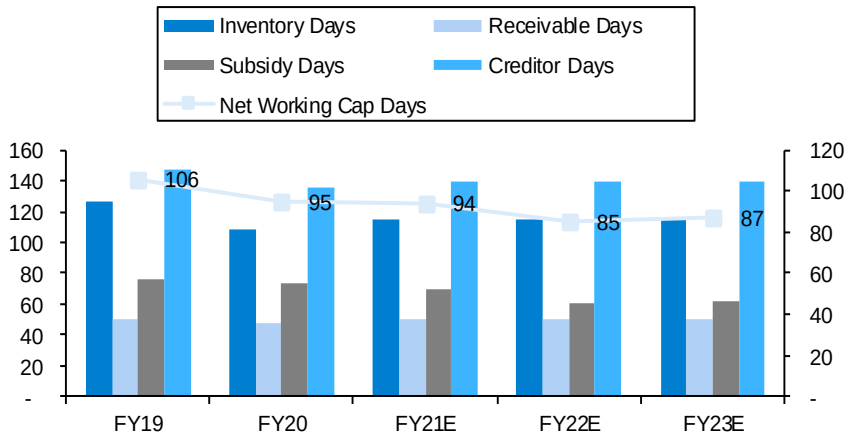
Exhibit 46: APAT to clock 7% CAGR between FY20-23E



Source: Company, PL

Net Working Capital days to largely remain at current levels

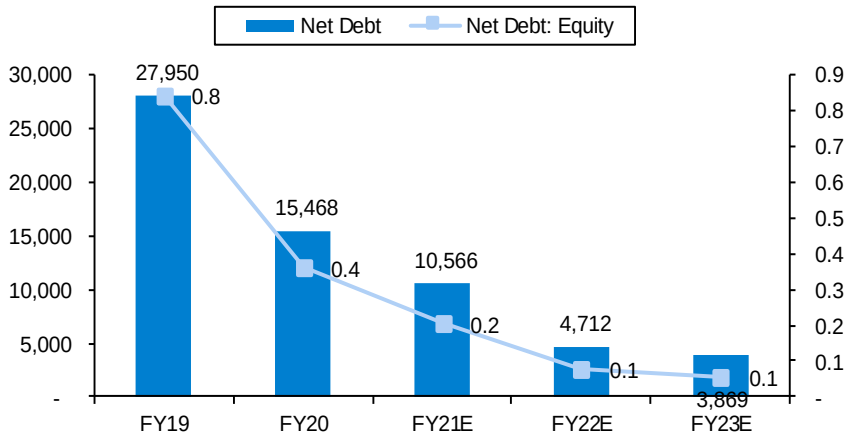
Exhibit 47: Working Capital days to come down due to lower subsidies



Source: Company, PL

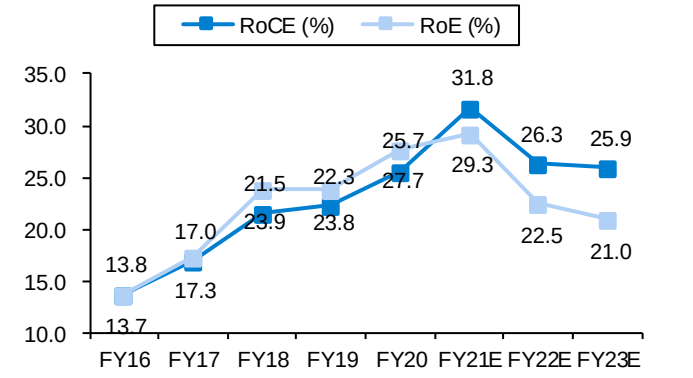
Leverage to come down significantly in between FY21-22

Exhibit 48: CRIN is expected to be a net cash company by FY23



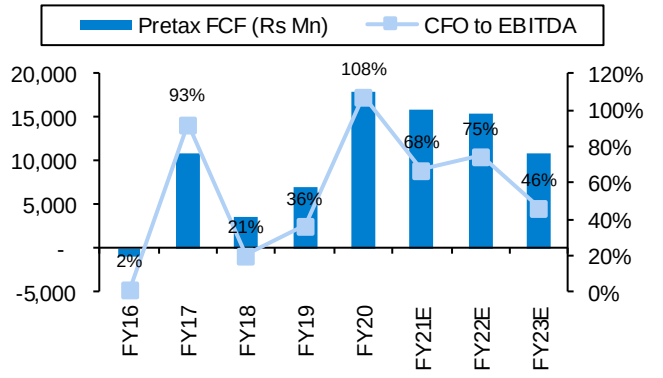
Source: Company, PL

Exhibit 49: Return ratios to peak out in FY21E



Source: Company, PL

Exhibit 50: FCF to be robust sans no major capex



Source: Company, PL

Increasing raw material price, lower NBS subsidy and limited volume growth to put pressure on profitability in FY22

Outlook & Valuation

We expect margins to peak out in FY21E & APAT may decline by 9% in FY22E driven by increasing raw material price, lower NBS subsidy and limited volume growth due to capacity constraints (currently operating at 86%). The cyclical nature of the international raw material prices is expected to put pressure of profitability for FY22E. While CRIN's fundamentals remain rock solid but the emerging sector headwinds warrants a cautious view on the stock given that the stock is trading near-to-peak multiples (18x FY23E EPS) with peak earnings. We initiate coverage on CRIN with REDUCE recommendation for a target price of Rs 659 based on 15x Sept'22E EPS of Rs 45.

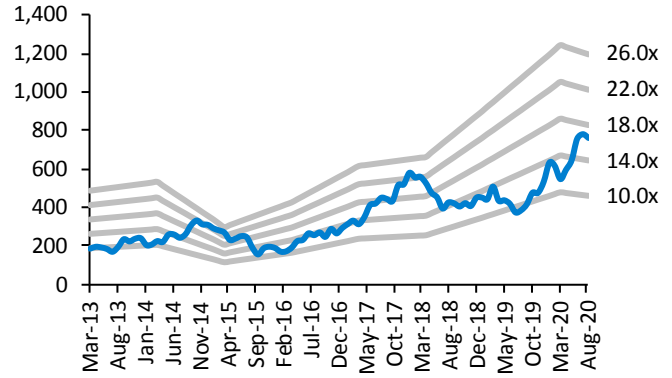
External factors leading to our REDUCE call…

The external factors impacting the fertiliser industry i.e. likelihood of renewed upcycle in international raw material prices driven by robust demand across the globe and disproportionately higher level of subsidy in NBS vis-à-vis prevailing prices provides us enough visibility of forthcoming pressure of earnings in FY22E.

…Even as Coromandel's fundamentals remain rock solid

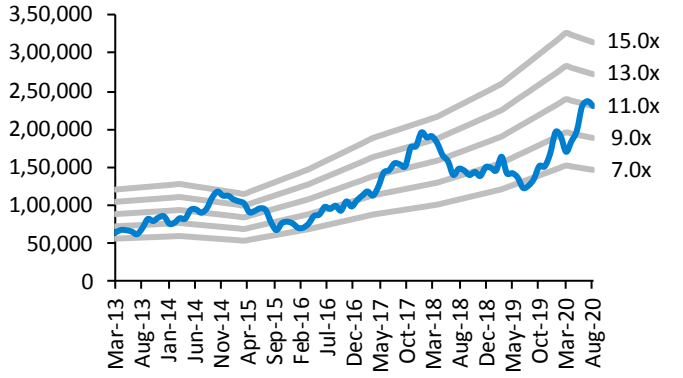
Coromandel's long term fundamental continues to remain rock solid with intermittent blip in earnings due to external factors. These blip tend to be a drag on earnings for a period of 9-15 months but Coromandel has always emerged stronger from the cycle.

Exhibit 51: One year forward Price / Earnings Band



Source: Company, PL

Exhibit 52: One year forward EV/EBITDA Band



Source: Company, PL

Risks

Continued benign RM cost environment: The international raw material prices tend to move in a cyclical pattern. While we believe that current price reversal from the doldrums is a start of new upcycle but further downward correction in the raw material prices will continue to be positive for CRIN and a risk to our call.

No change in NBS rates for FY22: Since the commencement of NBS regime, GoI has tinkered with the NBS rates every year to reflect the change in international raw material prices. The only exception has been the NBS subsidy declared for FY20 & FY21 where cumulative reduction in NBS subsidy has been ~3% for phosphatic fertilisers while decline in raw material price has been ~15-20%. Hence we expect significant decline in NBS rates in FY22 to pass on benefit to farmers. However, if the GoI continues to maintain status quo to NBS rates then CRIN may continue to reap benefits of higher subsidies.

About the company

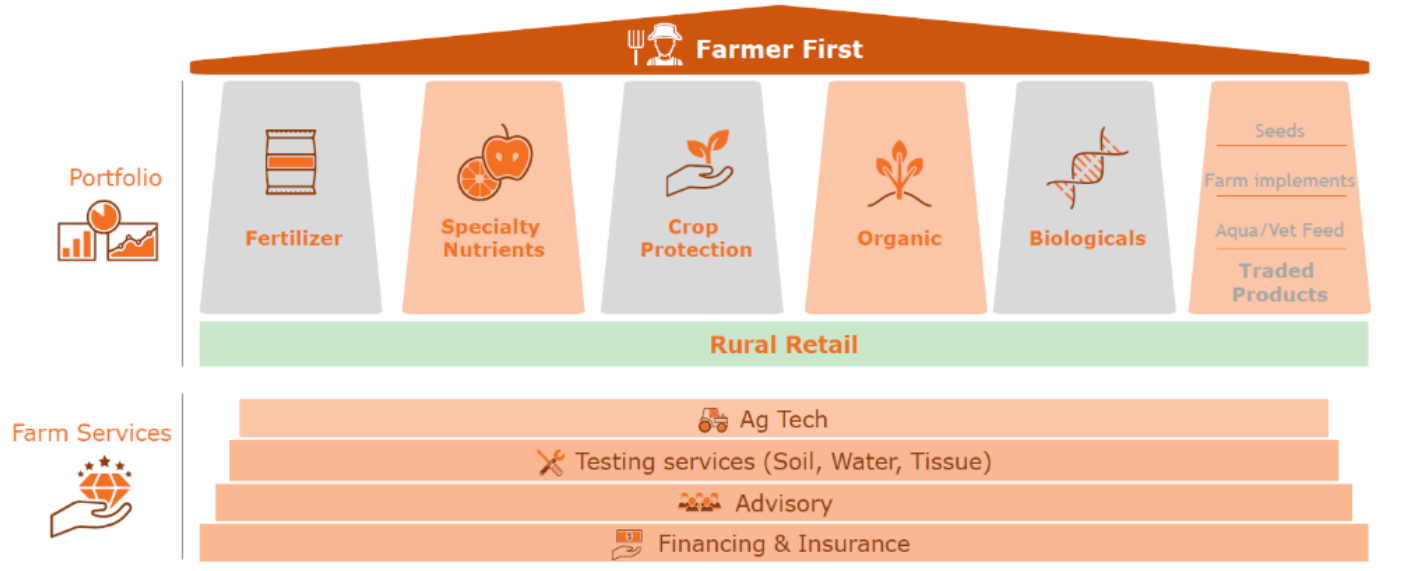
Coromandel International, a Murugappa group company, is engaged in manufacturing of fertilisers and agrochemicals. Nutrient business contributes 87% each of revenue and EBIT while the rest is Crop protection.

With a manufacturing capacity of 3.5mn tonnes, CRIN is India's 2nd largest phosphatic fertiliser company (~16% MS). It has SSP capacity of 1mn tonnes and is largest player in India (14% MS). CRIN has 800 retail outlets (Gromor stores), +20000 dealers and more than 2000 personnel in the market development team.

Apart from Fertiliser and Agrochemicals, CRIN is also spreading its wings into (1) other agri-inputs like specialty nutrients; organic fertilisers like city compost, nutrition, gypsum, etc (2) Providing all products and services under one roof via its GROMOR retail outlets (~750-800 centres) (3) Usage of existing & new technologies like soil testing, E-kiosks for improving reach & product delivery (4) Custom hiring centres.

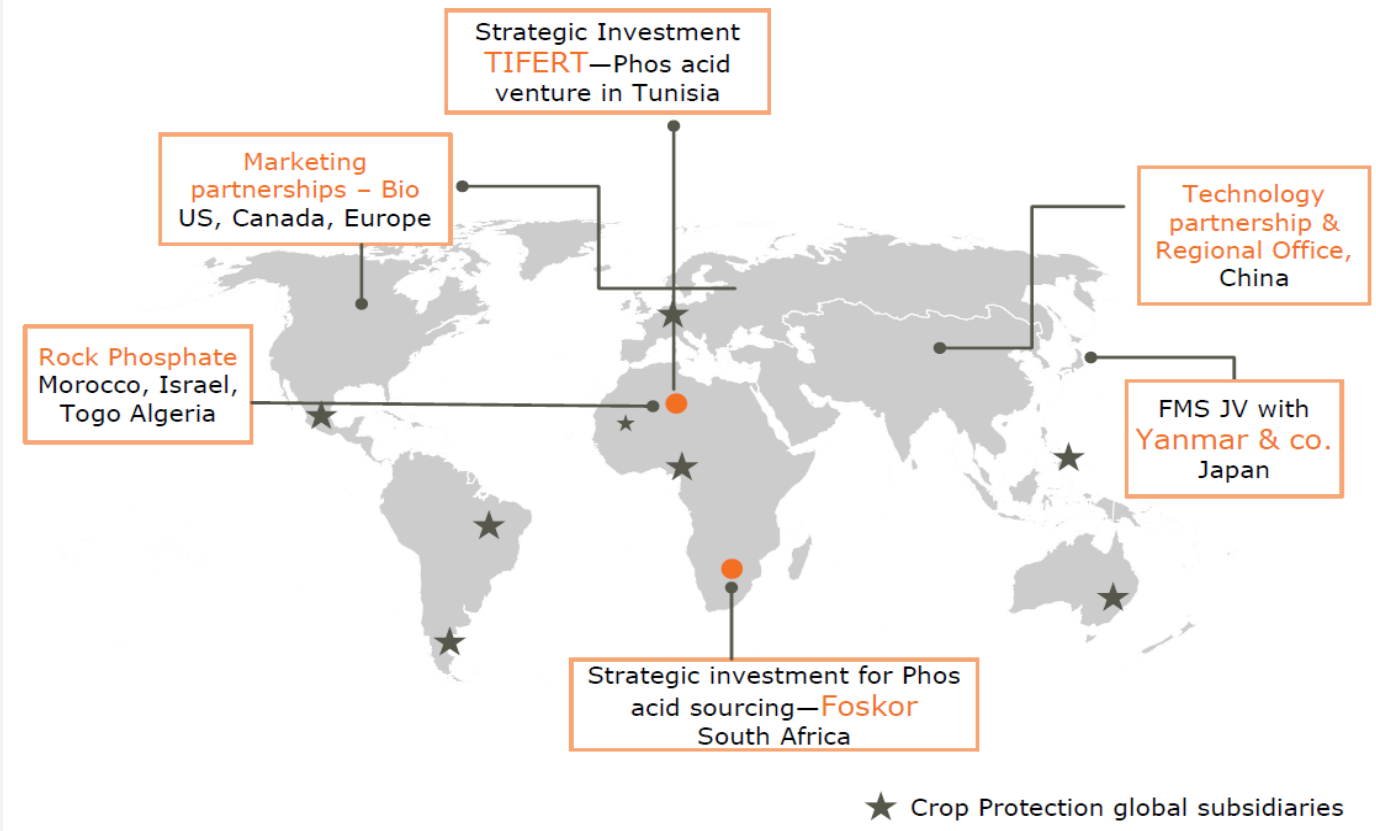
Gromor stores, India's largest agri retail chain, acts as a one stop shop for agriculture needs providing comprehensive agri solutions by converging products and services. It provides both own manufactured & other products ranging from nutrients, pesticides, seeds, vet feed, farm implements, etc. It also offers value added services like farm mechanisation, agri insurance, soil testing, credit, extension activities, etc.

Exhibit 53: CRIN's presence across agri-inputs segments



Source: Company, PL

Strategic tie ups



CRIN has investments in TIFERT (JV) and Foskor along with agreements with Fertiliser majors in Morocco, Isreal, Togo Algeria, etc to secure continued supply of Phosphoric acid and Rock Phosphate. Tie-ups with various companies' aids CRIN in derisking the supply risk incase of any geopolitical tensions. A few years back the industry had seen massive shortages of raw materials due to geo-political tensions in the Middle East.

CRIN's JV with Yanmar, Yanmar Coromandel Agrisolutions Private Limited, is a collaboration for manufacture, sales and after-sales service of rice transplanters and combine harvesters in the Indian market. The purpose is to significantly enhance paddy field productivity by utilizing rice transplanters and combine harvesters, along with practices that best match local needs. The joint venture focuses on spreading rice farming practices employed in Japan, while also aiming to further promote farm mechanization so as to actively contribute to enhancing crop yields in India.

CRIN offers value added services like farm mechanisation, agri insurance, soil testing, etc

~750
Retail Centers

Significant presence in AP, TG, KN; foray into Maharashtra

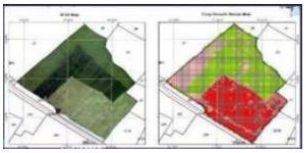
ONE
Stop Shop for Agriculture needs

Convergence of Products & Services

3 million +
Farmers - Direct connect

Farmer driven insights

Stress Map



Soil pH

~50,000 soil tests carried out annually

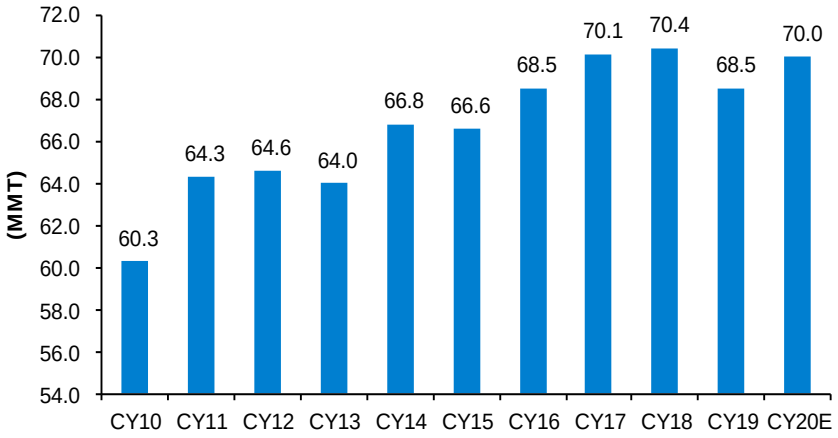
Hiring Farm machinery through **Custom Hiring Centers**

Gromor **Nutrient Manager** based nutrients recommendations

E kiosks for improving reach & product delivery

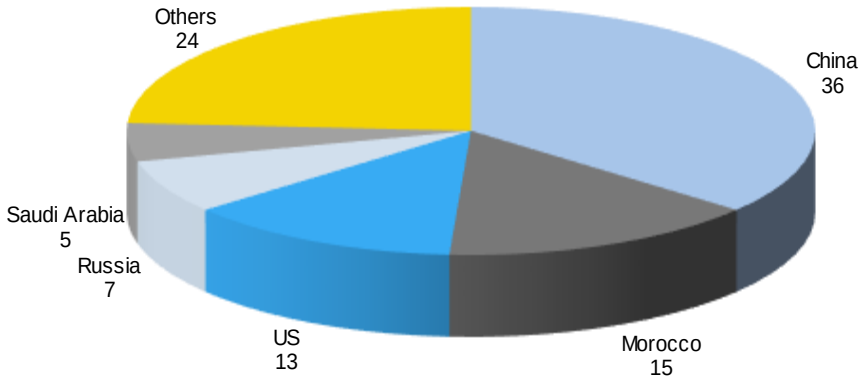
Annexure

Exhibit 54: Global Phosphate shipments- Demand recovery in 2020



Source: CRU, MOSAIC, PL

Exhibit 55: Global Phosphate Capacity share (%)



Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	**1,31,367**	**1,39,327**	**1,52,367**	**1,72,011**
YoY gr. (%)	*(0.7)*	*6.1*	*9.4*	*12.9*
Cost of Goods Sold	90,556	97,119	1,09,146	1,22,974
Gross Profit	40,811	42,208	43,221	49,036
Margin (%)	*31.1*	*30.3*	*28.4*	*28.5*
Employee Cost	4,611	5,294	5,790	6,364
Other Expenses	18,890	15,157	17,632	21,611
EBITDA	**17,310**	**21,757**	**19,799**	**21,061**
YoY gr. (%)	*20.0*	*25.7*	*(9.0)*	*6.4*
Margin (%)	*13.2*	*15.6*	*13.0*	*12.2*
Depreciation and Amortization	1,580	1,909	2,127	2,361
EBIT	**15,730**	**19,848**	**17,672**	**18,700**
Margin (%)	*12.0*	*14.2*	*11.6*	*10.9*
Net Interest	2,353	1,589	1,264	960
Other Income	400	414	535	536
Profit Before Tax	**13,777**	**18,674**	**16,943**	**18,276**
Margin (%)	*10.5*	*13.4*	*11.1*	*10.6*
Total Tax	3,135	4,700	4,265	4,600
Effective tax rate (%)	*22.8*	*25.2*	*25.2*	*25.2*
Profit after tax	**10,643**	**13,974**	**12,679**	**13,676**
Minority interest	-	-	-	-
Share Profit from Associate	8	8	8	8
Adjusted PAT	**10,650**	**13,982**	**12,687**	**13,684**
YoY gr. (%)	*43.1*	*31.3*	*(9.3)*	*7.9*
Margin (%)	*8.1*	*10.0*	*8.3*	*8.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**10,650**	**13,982**	**12,687**	**13,684**
YoY gr. (%)	*47.8*	*31.3*	*(9.3)*	*7.9*
Margin (%)	*8.1*	*10.0*	*8.3*	*8.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,650	13,982	12,687	13,684
Equity Shares O/s (m)	**293**	**293**	**293**	**293**
EPS (Rs)	**36.4**	**47.8**	**43.4**	**46.8**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	**33,625**	**37,084**	**41,050**	**45,012**
Tangibles	33,336	36,746	40,661	44,574
Intangibles	288	338	388	438
Acc: Dep / Amortization	**13,305**	**14,823**	**16,528**	**18,434**
Tangibles	13,079	14,570	16,247	18,121
Intangibles	226	252	281	313
Net fixed assets	**20,320**	**22,262**	**24,522**	**26,578**
Tangibles	20,258	22,176	24,414	26,453
Intangibles	62	86	107	125
Capital Work In Progress	654	1,165	1,169	1,172
Goodwill	3	3	3	3
Non-Current Investments	2,568	2,949	3,028	3,145
Net Deferred tax assets	(578)	(578)	(578)	(578)
Other Non-Current Assets	4	4	4	4
Current Assets				
Investments	-	-	2,000	-
Inventories	26,971	30,599	34,388	38,745
Trade receivables	40,503	41,902	42,352	48,464
Cash & Bank Balance	783	2,685	1,540	1,883
Other Current Assets	4,386	4,876	5,333	6,020
Total Assets	**1,01,488**	**1,11,671**	**1,20,052**	**1,32,466**
Equity				
Equity Share Capital	293	293	293	293
Other Equity	42,884	52,001	60,386	69,340
Total Networth	**43,177**	**52,294**	**60,679**	**69,633**
Non-Current Liabilities				
Long Term borrowings	16,251	13,251	8,251	5,751
Provisions	211	139	152	172
Other non current liabilities	88	139	152	172
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	33,481	37,251	41,864	47,168
Other current liabilities	3,933	4,171	4,447	4,981
Total Equity & Liabilities	**1,01,488**	**1,11,671**	**1,20,052**	**1,32,466**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	13,785	18,682	16,951	18,284
Add. Depreciation	1,580	1,909	2,127	2,361
Add. Interest	2,353	1,589	1,264	960
Less Financial Other Income	400	414	535	536
Add. Other	1,427	(414)	(535)	(536)
Op. profit before WC changes	19,145	21,765	19,807	21,069
Net Changes-WC	3,113	(1,903)	(331)	(6,225)
Direct tax	(3,638)	(5,170)	(4,691)	(5,060)
Net cash from Op. activities	**18,620**	**14,691**	**14,786**	**9,784**
Capital expenditures	(2,559)	(4,003)	(4,003)	(4,003)
Interest / Dividend Income	364	414	535	536
Others	(25)	-	(2,000)	2,000
Net Cash from Invt. activities	**(2,219)**	**(3,589)**	**(5,468)**	**(1,467)**
Issue of share cap. / premium	137	-	-	-
Debt changes	(13,574)	(3,000)	(5,000)	(2,500)
Dividend paid	(1,234)	(4,614)	(4,187)	(4,516)
Interest paid	(2,399)	(1,589)	(1,264)	(960)
Others	(146)	-	-	-
Net cash from Fin. activities	**(17,216)**	**(9,203)**	**(10,450)**	**(7,976)**
Net change in cash	**(816)**	**1,900**	**(1,133)**	**341**
Free Cash Flow	16,059	10,688	10,782	5,780

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Net Revenue	**48,580**	**32,787**	**28,693**	**32,132**
YoY gr. (%)	*(3.0)*	*7.5*	*8.8*	*50.8*
Raw Material Expenses	35,215	22,466	18,658	22,812
Gross Profit	13,365	10,321	10,035	9,321
Margin (%)	*27.5*	*31.5*	*35.0*	*29.0*
EBITDA	**7,130**	**4,320**	**3,907**	**4,125**
YoY gr. (%)	*7.0*	*42.1*	*50.9*	*111.3*
Margin (%)	*14.7*	*13.2*	*13.6*	*12.8*
Depreciation / Depletion	417	408	451	421
EBIT	**6,713**	**3,912**	**3,457**	**3,704**
Margin (%)	*13.8*	*11.9*	*12.0*	*11.5*
Net Interest	664	459	434	434
Other Income	95	91	115	107
Profit before Tax	**6,145**	**3,544**	**3,137**	**3,402**
Margin (%)	*12.6*	*10.8*	*10.9*	*10.6*
Total Tax	1,110	899	800	896
Effective tax rate (%)	*18.1*	*25.4*	*25.5*	*26.3*
Profit after Tax	**5,035**	**2,644**	**2,338**	**2,506**
Minority interest	-	-	-	-
Share Profit from Associates	4	1	1	-
Adjusted PAT	**5,039**	**2,645**	**2,338**	**2,480**
YoY gr. (%)	*30.8*	*70.9*	*105.0*	*295.5*
Margin (%)	*10.4*	*8.1*	*8.1*	*7.7*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**5,039**	**2,645**	**2,338**	**2,480**
YoY gr. (%)	*30.8*	*70.9*	*105.0*	*295.5*
Margin (%)	*10.4*	*8.1*	*8.1*	*7.7*
Other Comprehensive Income	**-**	**-**	**-**	**-**
Total Comprehensive Income	**-**	**-**	**-**	**-**
Avg. Shares O/s (m)	**293**	**293**	**293**	**293**
EPS (Rs)	**17.2**	**9.0**	**8.0**	**8.5**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	36.4	47.8	43.4	46.8
CEPS	41.8	54.3	50.6	54.9
BVPS	147.6	178.8	207.5	238.1
FCF	54.9	36.5	36.9	19.8
DPS	12.0	15.8	14.3	15.4
Return Ratio(%)				
RoCE	25.7	31.8	26.3	25.9
ROIC	20.1	24.8	20.8	19.9
RoE	27.7	29.3	22.5	21.0
Balance Sheet				
Net Debt : Equity (x)	0.4	0.2	0.1	0.1
Net Working Capital (Days)	94	92	84	85
Valuation(x)				
PER	21.6	16.5	18.2	16.8
P/B	5.3	4.4	3.8	3.3
P/CEPS	18.8	14.5	15.5	14.4
EV/EBITDA	14.2	11.1	11.9	11.1
EV/Sales	1.9	1.7	1.5	1.4
Dividend Yield (%)	1.5	2.0	1.8	2.0

Source: Company Data, PL Research

Notes

Notes

Price Chart

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	6,421	6,294
2	Dhanuka Agritech	Hold	857	852
3	Godrej Agrovet	Accumulate	513	491
4	Insecticides India	BUY	612	526
5	P.I. Industries	Hold	2,000	2,046
6	Rallis India	Accumulate	321	325
7	Sharda Cropchem	BUY	348	307
8	Sumitomo Chemical India	Hold	295	285
9	UPL	BUY	606	492

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Buy	:	>15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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