

November 3, 2020

Q2FY21 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	REDUCE		REDUCE	
Target Price	676		676	
Sales (Rs. m)	1,52,367	1,72,011	1,52,367	1,72,011
% Chng.	-	-	-	-
EBITDA (Rs. m)	19,799	21,061	19,799	21,061
% Chng.	-	-	-	-
EPS (Rs.)	43.4	46.8	43.4	46.8
% Chng.	-	-	-	-

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 (%)	1.6	2.2	2.0	2.1
RoE (%)	27.7	29.3	22.5	21.0
RoCE (%)	25.7	31.8	26.3	25.9
EV/Sales (x)	1.8	1.6	1.4	1.3
EV/EBITDA (x)	13.3	10.3	11.1	10.4
PE (x)	20.1	15.3	16.9	15.7
P/BV (x)	5.0	4.1	3.5	3.1

Key Data

CROM.BO | CRIN IN

52-W High / Low	Rs.839 / Rs.443
Sensex / Nifty	40,261 / 11,814
Market Cap	Rs.215bn/ \$ 2,890m
Shares Outstanding	293m
3M Avg. Daily Value	Rs.823.73m

Shareholding Pattern (%)

Promoter's	59.58
Foreign	5.86
Domestic Institution	19.70
Public & Others	14.86
Promoter Pledge (Rs bn)	0.02

Stock Performance (%)

	1M	6M	12M
Absolute	(7.5)	23.4	53.7
Relative	(11.1)	3.4	53.4

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Margins in the midst of peaking out

Quick Pointers

- Both segment saw healthy margin expansion
- Volume growth to be under pressure due to high base

CRIN reported inline set of results with 5% decline in topline (PLe (5%)), 18% EBITDA growth (PLe 16%) and 17% increase in PAT (PLe 12%) but the segmental margin expansion was higher than anticipated in both segments. Sales & EBITDA mix stood at 86% & 84% respectively for Nutrient segment. CP segment is consistent on its structural growth trajectory with 25% & 66% growth in topline & profits respectively. Despite strong underlying demand in fertilisers, it will be a herculean task for CRIN to clock volume growth in 2H due to high base and its own capacity constraints. RM cost inflation may also reflect in financials by way of gross margin pressure 4Q onwards. Maintain reduce with a target price of Rs676 based on 15x Sep'22 EPS of Rs45

329 bps expansion in nutrient segment margins: CRIN reported 9% decline in revenue to Rs40bn (PLe Rs40bn) and 12% growth in EBIT to Rs7bn (PLe Rs5.6bn). Fertiliser segment volumes were largely flat @ 1.6mn tonnes. Margins expanded by 329 bps to 17.6% driven by lower raw material cost and limited marketing activity.

Q3 Phos acid price fixed at USD 689/tn: Phosphoric acid contracted price for India has been fixed at USD689/tn, up 10% YoY. While CRIN has stacked up inventory for Q3 at lower prices, they are expected to feel cost inflation pressure 4Q onwards. The management is of the view that industry might have to increase the price in a month or two.

CP segment margins up 540 bps YoY: CP segment topline grew by 25% YoY to Rs6.4bn due to strong demand and lower base. There was demand traction in both domestic and international markets. New launches, product development and strategic partnerships have strengthened the business. New products now account for 25% of domestic formulation business. CRIN is looking for more tie ups with Japanese innovators for in-licensing 9(3) molecules in India. It is also working upon 30-35 molecules which are likely to go off-patent in the next few years, to either make or buy these molecules.

Other key highlights: (a) Payment of subsidy to P&K players has been slow till date but is expected to catch up in 2H. (b) CRIN does not sell any Mancozeb in Europe (c) Manufacturing volumes have been down in Q2 due to COVID related lockdown. (d) The company plans to invest Rs4-5bn in capex every year but FY21 capex has been partially deferred due to COVID related issues. The undergoing de-bottlenecking exercise will release 1.5 lakh tons of capacity. (e) CRIN may take maintenance shutdown of ~20 days in 4Q.

Exhibit 1: Good all round performance

Y/e March (Rs Mn)	Q2FY21	Q2FY20	YoY gr. (%)	Q1FY21	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
Net Sales	46,113	48,580	(5.1)	32,132	43.5	78,245	69,887	12.0
Expenditure								
Raw Materials	30,669	35,215	(12.9)	22,812	34.4	53,481	49,432	8.2
<i>% of Net Sales</i>	<i>66.5</i>	<i>72.5</i>		<i>71.0</i>		<i>68.4</i>	<i>70.7</i>	
Employee Cost	1,360	1,128	20.6	1,216	11.9	2,576	2,236	15.2
<i>% of Net Sales</i>	<i>3.0</i>	<i>2.3</i>		<i>3.8</i>		<i>3.3</i>	<i>3.2</i>	
Other Expenses	5,652	5,107	10.7	3,980	42.0	9,632	9,137	5.4
<i>% of Net Sales</i>	<i>12.3</i>	<i>10.5</i>		<i>12.4</i>		<i>12.3</i>	<i>13.1</i>	
Total Expenditure	37,682	41,450	(9.1)	28,007	34.5	65,689	60,805	8.0
EBITDA	8,431	7,130	18.2	4,125	104.4	12,556	9,082	38.2
<i>Margin (%)</i>	<i>18.3</i>	<i>14.7</i>		<i>12.8</i>		<i>16.0</i>	<i>13.0</i>	
Depreciation	420	417	0.6	421	(0.4)	841	722	16.5
EBIT	8,011	6,713	19.3	3,704	116.3	11,715	8,361	40.1
Interest	253	664	(61.9)	434	(41.8)	687	1,459	(52.9)
Other Income	82	95	(13.4)	107	(23.0)	189	195	(2.8)
PBT	7,841	6,145	27.6	3,376	132.2	11,217	7,096	58.1
Tax	1,967	1,110	77.2	896	119.5	2,863	1,436	99.4
<i>Tax Rate (%)</i>	<i>25.1</i>	<i>18.1</i>		<i>26.5</i>		<i>25.5</i>	<i>20.2</i>	
RPAT	5,874	5,035	16.7	2,480	136.8	8,354	5,660	47.6
APAT	5,889	5,039	16.9	2,480	137.5	8,370	5,666	47.7
EPS	20.1	17.2	16.8	8.5	137.5	28.6	19.4	47.7

Source: Company, PL

Exhibit 2: 66% growth in CP segment EBIT

Segment Performance (Rs Mn)	Q2FY21	Q2FY20	YoY gr. (%)	Q1FY21	QoQ gr. (%)	1HFY21	1HFY20	YoY gr. (%)
REVENUE								
Nutrient and other allied business	40,142	43,914	(8.6)	28,072	43.0	68,214	62,730	8.7
<i>YoY gr. (%)</i>	<i>12.4</i>	<i>10.8</i>		<i>83.0</i>				
Crop Protection	6,371	5,099	25.0	4,202	51.6	10,573	7,809	35.4
<i>YoY gr. (%)</i>	<i>25.0</i>	<i>-10.6</i>		<i>55.1</i>				
Total	46,513	49,013	(5.1)	32,274	44.1	78,787	70,538	11.7
Less: Inter-segment revenue	400	433	(7.6)	142	182.0	542	651	(16.8)
Income from operations	46,113	48,580	(5.1)	32,132	43.5	78,245	69,887	12.0
EBIT								
Nutrient and other allied business	7,064	6,282	12.4	3,695	91.2	10,760	8,302	29.6
Crop protection	1,385	834	66.2	542	155.4	1,928	892	116.1
Total	8,449	7,116	18.7	4,238	99.4	12,687	9,194	38.0
Unallocable expenses	(438)	(403)	8.8	(534)	(18.0)	(972)	(833)	16.8
Finance cost	(253)	(664)	(61.9)	(434)	(41.8)	(687)	(1,459)	(52.9)
Other income	82	95	(13.4)	107	(23.0)	189	195	(2.8)
Exceptional item/Share of profit in JV	15	4	253.5	26	(40.4)	41	3	1,353.6
PBT	7,856	6,149	27.8	3,402	130.9	11,258	7,099	58.6

Source: Company, PL

Exhibit 3: Nutrient segment contributes ~85-90% of revenue and profit

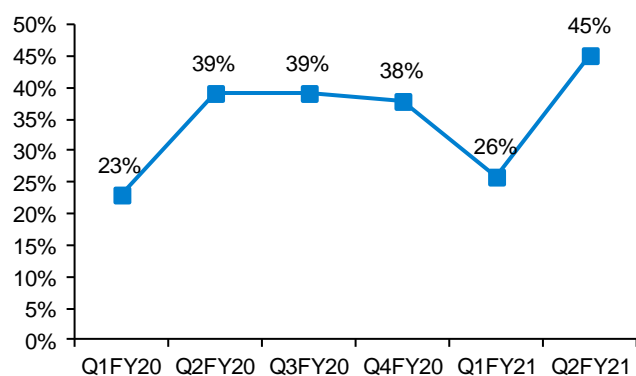
	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Sales Mix						
Nutrient and other allied business	87%	90%	86%	85%	87%	86%
Crop protection	13%	10%	14%	15%	13%	14%
EBIT Mix						
Nutrient and other allied business	97%	88%	84%	84%	87%	84%
Crop protection	3%	12%	16%	16%	13%	16%

Source: Company, PL

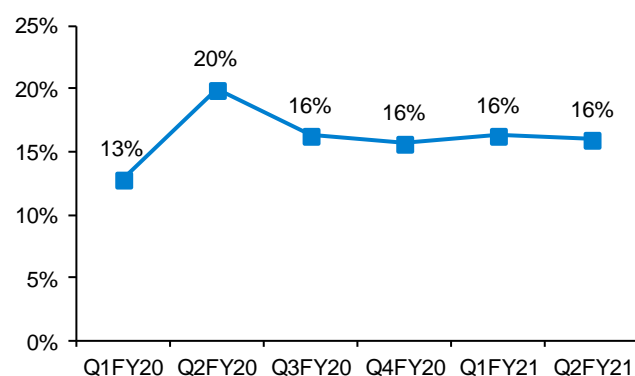
Exhibit 4: Margin expansion in both the segments

Segment Margin	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Nutrient and other allied business	10.7%	14.3%	12.8%	12.8%	13.2%	17.6%
Margin expansion/ (contraction) in bps	268	163	364	401	243	329
Crop protection	2.2%	16.3%	15.4%	13.5%	12.9%	21.7%
Margin expansion/ (contraction) in bps	-1137	-207	-25	-53	1075	540

Source: Company, PL

Exhibit 5: Unique Grade share stands at 45%


Source: Company, PL

Exhibit 6: Market Share flat @ 16%


Source: Company, PL

Exhibit 7: NPK volumes down 11% YoY in Q2

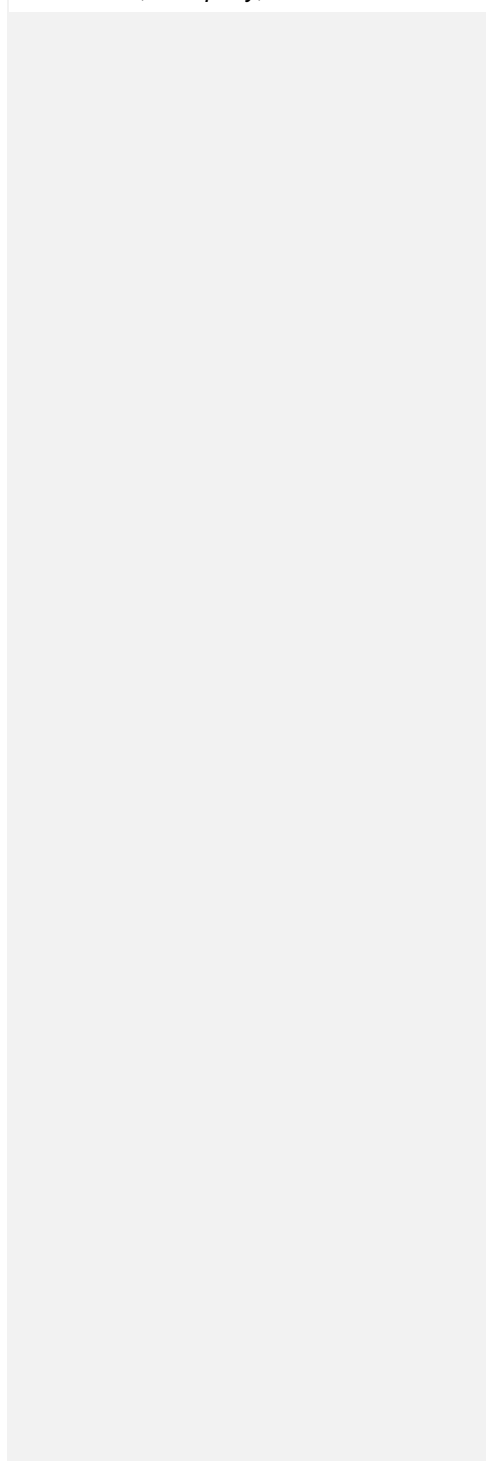
Volume in tons	Q2'21	Q2'20	YoY gr.	Q1'21	QoQ gr.
Urea	1,87,794	1,32,159	42.1%	60,801	208.9%
Manufacture	-	-	-	-	-
Imports	187794	132159	42.1%	60801	208.9%
DAP	1,74,806	1,70,401	2.6%	2,06,725	-15.4%
Manufacture	30,444	1,54,482	-80.3%	1,40,922	-78.4%
Imports	144362	15918	806.9%	65802	119.4%
Complex Fertilisers	9,32,179	10,44,720	-10.8%	6,42,156	45.2%
Manufacture	9,05,933	10,44,720	-13.3%	6,42,156	41.1%
Imports	26246	0	-	0	-
SSP	201247	193124	4.2%	129977	54.8%
MoP	81790	66285	23.4%	33452	144.5%
Compost	6009	5390	11.5%	10017	-40.0%
TOTAL VOLUME	15,83,825	16,12,079	-1.8%	10,83,128	46.2%

Source: Gol, Company, PL

Exhibit 8: Raw material prices bottoming out

Raw Material price (USD/tn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Phos Acid	722	655	625	590	602	630
<i>YoY gr.</i>	-1.1%	-13.6%	-18.4%	-21.9%	-16.6%	-3.8%
Rock Phos	120	111	101	100	99	99
<i>YoY gr.</i>	-1.6%	-14.0%	-22.3%	-23.1%	-17.5%	-10.8%
Ammonia	236	219	254	250	238	208
<i>YoY gr.</i>	-20.3%	-39.0%	-28.2%	-18.3%	0.8%	-5.0%
Sulphur	118	97	69	69	73	77
<i>YoY gr.</i>	-17.5%	-39.8%	-60.1%	-45.7%	-38.1%	-20.3%
USD/INR	70.3	69.4	70.4	71.3	73.1	74.3
<i>YoY gr.</i>	8.9%	2.8%	-0.4%	0.3%	3.9%	7.1%

Source: Gol, Company, 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 Inv. 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	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Net Revenue	32,787	28,693	32,132	46,113
YoY gr. (%)	7.5	8.8	50.8	(5.1)
Raw Material Expenses	22,466	18,658	22,812	30,669
Gross Profit	10,321	10,035	9,321	15,443
Margin (%)	31.5	35.0	29.0	33.5
EBITDA	4,320	3,907	4,125	8,431
YoY gr. (%)	42.1	50.9	111.3	18.2
Margin (%)	13.2	13.6	12.8	18.3
Depreciation / Depletion	408	451	421	420
EBIT	3,912	3,457	3,704	8,011
Margin (%)	11.9	12.0	11.5	17.4
Net Interest	459	434	434	253
Other Income	91	115	107	82
Profit before Tax	3,544	3,137	3,402	7,841
Margin (%)	10.8	10.9	10.6	17.0
Total Tax	899	800	896	1,967
Effective tax rate (%)	25.4	25.5	26.3	25.1
Profit after Tax	2,644	2,338	2,506	5,874
Minority interest	-	-	-	-
Share Profit from Associates	1	1	-	15
Adjusted PAT	2,645	2,338	2,480	5,889
YoY gr. (%)	70.9	105.0	295.5	16.9
Margin (%)	8.1	8.1	7.7	12.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,645	2,338	2,480	5,889
YoY gr. (%)	70.9	105.0	295.5	16.9
Margin (%)	8.1	8.1	7.7	12.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Avg. Shares O/s (m)	293	293	293	293
EPS (Rs)	9.0	8.0	8.5	20.1

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	20.1	15.3	16.9	15.7
P/B	5.0	4.1	3.5	3.1
P/CEPS	17.5	13.5	14.5	13.4
EV/EBITDA	13.3	10.3	11.1	10.4
EV/Sales	1.8	1.6	1.4	1.3
Dividend Yield (%)	1.6	2.2	2.0	2.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-Oct-20	Reduce	676	723
2	23-Sep-20	Reduce	676	788

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	6,421	5,707
2	Coromandel International	Reduce	676	723
3	Dhanuka Agritech	Accumulate	868	735
4	Godrej Agrovet	Accumulate	513	533
5	Insecticides India	BUY	612	458
6	P.I. Industries	Hold	2,026	2,161
7	Rallis India	Hold	275	262
8	Sharda Cropchem	BUY	358	270
9	Sumitomo Chemical India	Hold	295	283
10	UPL	BUY	606	453

PL's Recommendation Nomenclature (Absolute Performance)

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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