

Retail Equity Research (South India Focus)

# Coromandel International Ltd

Fertilizers

BSE CODE : 506395

NSE CODE: COROMANDEL

BLOOMBERG CODE: CRIN:IN

SENSEX : 48,254

**Buy**

12M Investment Period

Rating as per Mid Cap

**CMP Rs.725 TARGET Rs.941 RETURN 30%** ↑

(Closing: 04-05-21)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

## Outlook intact despite weak quarter...

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's total revenues in Q4FY21 de-grew by 0.5% YoY to Rs.2,856cr on the back of de-growth in revenues and volumes from the fertilizer business.
- The de-growth was mainly due to the planned maintenance shutdown of fertilizer plants and inventory build-up for the kharif season.
- The crop protection business saw a 16.5% growth YoY to Rs.515cr in revenues during the quarter with new product launches contributing to revenue growth.
- CRIN received subsidy reimbursements of Rs.2,943cr from the government in Q4FY21, which will improve the working capital cycle in the long term.
- Rainfall is forecasted to be normal in the coming year which will enable further volume growth.
- We reiterate a "Buy" rating on CRIN with a target price of Rs.941 based on 16x FY23E EPS.

### Fertilizer revenues decline

CRIN's total revenue de-grew by 0.5% YoY in Q4FY21 on the back of de-growth in volumes and revenue from the fertilizer business (-2.9% YoY). The decline in volumes was mainly attributed to the early annual maintenance shutdown of the fertilizer plants as well as the building up of inventory for the upcoming kharif season. The crop protection business grew by 16.5% YoY in Q4FY21 as new launches continue to gain traction. The increase in key raw material prices and higher freight rates during the quarter led to a decline in EBITDA margins (-450bps YoY) and net profits (-33.6% YoY).

### Government subsidy pay-out boosts balance sheet

CRIN received subsidy reimbursements of Rs.2,943cr in Q4FY21 vs Rs.100cr in Q4FY20. The large subsidy pay-out was on the back of the announcement by the finance ministry during the union budget to allocate a further Rs.65000cr to settle outstanding fertilizer subsidy. We expect CRIN's receivables to substantially decline going forward thus improving its working capital performance in the long term as well as generation of higher free cash flow.

### Capex plans to improve bottom-line

The management stated that it plans to incur a capex of Rs.500-600cr over the next 2 years across different segments. CRIN will set up a large evaporator plant in Vizag which will improve the availability of phosphoric acid, a key raw material. Once operational in FY22, the plant will enable CRIN to further reduce raw material costs and improve margins. In the crop protection business, the company looking at acquiring molecules that are going off-patent as well as incurring capex for R&D and product development.

### Outlook and valuation

We expect revenue/net profit to grow at a CAGR of 9%/17% during FY20-FY23E. The management expects a normal monsoon which will aid volume growth of the fertilizer products. Despite a decline in margins in Q4FY21, margins should continue to improve in FY22, on the back of backward integration measures and price hikes of few fertilizer products. The company will also look to increase its share of revenues from higher-margin segments like crop protection and speciality nutrients through new launches and better marketing initiatives. The large subsidy pay-out from the government has eased the working capital constraints and will enable CRIN to generate higher cash flow for potential organic and inorganic opportunities. We reiterate a "Buy" rating on CRIN with a target price of Rs.941 based on 16x FY23E EPS.

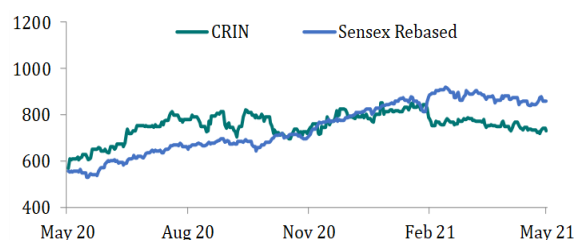
### Company Data

Market Cap (Rs cr)	Rs.21,414
Enterprise Value (Rs cr)	Rs.21,076
Outstanding Shares (cr)	29.3
Free Float	42.4
Dividend Yield	1.6%
52 week high (Rs)	Rs.880
52 week low (Rs)	Rs.564
6m average volume (cr)	0.03
Beta	0.2
Face value (Rs)	Rs.1

Shareholding (%)	Q2FY21	Q3FY21	Q4FY21
Promoters	59.6	57.6	57.6
FPI's	5.9	7.0	7.7
MFs/Institutions	19.6	19.2	20.6
Public	14.9	16.2	14.1
Total	100.0	100.0	100.0

Price Performance	3 month	6 month	1 year
Absolute Return	-7.3%	-2.4%	27.8%
Absolute Sensex	-4.0%	16.7%	52.1%
Relative Return*	-3.3%	-19.9%	-24.3%

\*over or under performance to benchmark index



Consolidated (cr)	FY21A	FY22E	FY23E
Sales	14,213	15,736	16,933
Growth (%)	8.2	10.7	7.6
EBITDA	2,014	2,321	2,557
EBITDA Margin(%)	14.2	14.8	15.1
PAT Adj.	1,328	1,574	1,720
Growth (%)	24.8	18.5	9.3
Adj.EPS	45.4	53.8	58.8
Growth (%)	24.8	18.5	9.3
P/E	16.1	13.6	12.4
P/B	4.2	3.3	2.7
EV/EBITDA	11.4	8.9	7.9
ROE (%)	28.0	27.2	24.0
D/E	0.0	0.0	0.0

## Quarterly Financials (Consolidated)

(Rs cr)	Q4FY21	Q4FY20	YoY Growth (%)	Q3FY21	QoQ Growth (%)	FY21	FY20	YoY Growth (%)
<b>Sales</b>	<b>2,856</b>	<b>2,869</b>	<b>(0.5)</b>	<b>3,533</b>	<b>(19.2)</b>	<b>14,213</b>	<b>13,136</b>	<b>8.2</b>
<b>EBITDA</b>	<b>261</b>	<b>391</b>	<b>(33.3)</b>	<b>499</b>	<b>(47.8)</b>	<b>2,014</b>	<b>1,731</b>	<b>16.4</b>
EBITDA margins %	9.1	13.6	(450)bps	14.1	(500)bps	14.2	13.2	100bps
Depreciation	47	45	3.7	42	10.4	173	158	9.6
<b>EBIT</b>	<b>214</b>	<b>345</b>	<b>(38.1)</b>	<b>457</b>	<b>(53.2)</b>	<b>1,735</b>	<b>1,337</b>	<b>17.1</b>
Interest	16	43	(62.2)	21	(20.0)	106	235	(54.9)
Other Income	16	12	37.4	9	77.5	44	40	10.4
Exceptional Items	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>213</b>	<b>314</b>	<b>(32.1)</b>	<b>447</b>	<b>(52.3)</b>	<b>1,785</b>	<b>1,378</b>	<b>29.5</b>
Tax	58	80	(28.0)	113	(49.1)	457	314	45.8
Share of profit from Associate	-0.2	0.4	-	2	-	5	-	-
<b>Reported PAT</b>	<b>156</b>	<b>234</b>	<b>(33.6)</b>	<b>334</b>	<b>(33.6)</b>	<b>1,329</b>	<b>1,064</b>	<b>24.8</b>
Adjustments	-	-	-	-	-	-	-	-
<b>Adj PAT</b>	<b>156</b>	<b>234</b>	<b>(33.6)</b>	<b>334</b>	<b>(33.6)</b>	<b>1,329</b>	<b>1,064</b>	<b>24.8</b>
No. of Shares	29	29	-	29	-	29	29	-
<b>Adj EPS (Rs)</b>	<b>5.3</b>	<b>8.0</b>	<b>(33.6)</b>	<b>11.4</b>	<b>(33.6)</b>	<b>45.3</b>	<b>36.4</b>	<b>24.8</b>

## Change in Estimates

Year / Rs Cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	15,425	16,533	15,736	16,933	2.0%	2.4%
EBITDA	2,337	2,480	2,321	2,557	-0.7%	3.1%
Margins (%)	14.3	15	14.8%	15.1%	100bps	120bps
Adj. PAT	1,523	1,671	1,574	1,720	3.3%	2.9%
EPS	52.1	57.1	53.8	58.8	3.3%	3.0%

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Sales</b>	<b>13,225</b>	<b>13,136</b>	<b>14,213</b>	<b>15,736</b>	<b>16,933</b>
% change	18.9	-0.7	8.2%	10.7	7.6
<b>EBITDA</b>	<b>1443</b>	<b>1,731</b>	<b>2,014</b>	<b>2,321</b>	<b>2,557</b>
% change	14.9	19.9	16.4%	15.2	10.2
Depreciation	114	158	173	207	231
EBIT	1,079	1,337	1,735	2,047	2,269
Interest	251	235	106	67	57
Other Income	37	40	44	52	56
<b>PBT</b>	<b>1,093</b>	<b>1,378</b>	<b>1,785</b>	<b>2,098</b>	<b>2,324</b>
% change	5.2	26.1	29.5%	17.6	10.8
Tax	372	314	457	525	604
Tax Rate (%)	34	23	26	25	26
<b>Reported PAT</b>	<b>720</b>	<b>1,065</b>	<b>1,328</b>	<b>1,574</b>	<b>1,720</b>
Adj.*	24	1	0	0	0
<b>Adj. PAT</b>	<b>744</b>	<b>1,065</b>	<b>1,329</b>	<b>1,574</b>	<b>1,720</b>
% change	7.7	42.9	24.8	18.5	9.3
No. of shares (cr)	25.4	25.4	25.4	25.4	25.4
Adj EPS (Rs)	25	36	45	54	59
% change	7.7	42.9	24.8	18.5	9.3
DPS (Rs)	7	8	8	8	8

### BALANCE SHEET

Y.E March (Rs cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	132	50	692	1,434	2,051
Account Receivable	4,218	4,050	1,144	1,724	1,856
Inventories	3,241	2,697	3,085	3,749	2,827
Other Cur. Assets	706	539	696	754	789
Investments	201	211	236	261	286
Gross Fixed Assets	2,519	2,989	3,244	3,594	4,094
Net Fixed Assets	1,301	1,614	1,676	1,816	2,106
CWIP	176	49	140	100	100
Intangible Assets	24	23	31	28	25
Other Assets	120	458	478	479	414
<b>Total Assets</b>	<b>10,574</b>	<b>10,148</b>	<b>11,737</b>	<b>13,214</b>	<b>12,338</b>
Current Liabilities	4,106	3,727	4,066	4,024	3,769
Provisions	32	36	36	43	46
Debt Funds	2,954	1,625	2	214	229
Other Liabilities	123	444	430	406	415
Equity Capital	29	29	29	29	29
Reserves & Surplus	3,329	4,288	5,323	6,480	7,849
Shareholder's Fund	3,358	4,318	5,352	6,510	7,878
<b>Total Liabilities</b>	<b>10,574</b>	<b>10,148</b>	<b>11,737</b>	<b>13,214</b>	<b>12,338</b>
BVPS	115	148	183	223	269

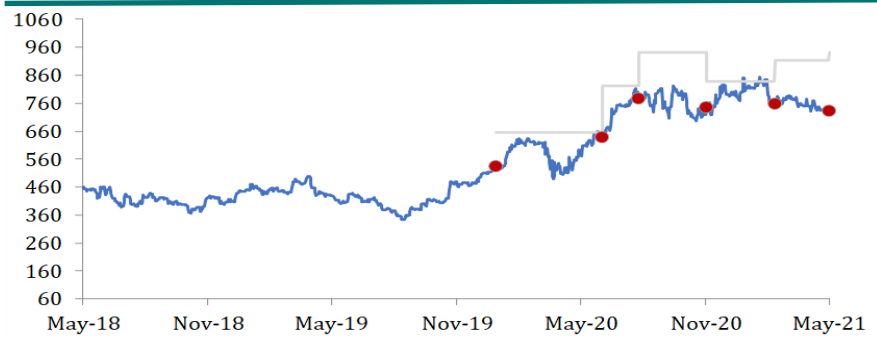
### CASH FLOW

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
Net inc. + Depn.	1,206	1,536	1,959	2,306	2,556
Non-cash adj.	264	536	138	274	288
Changes in W.C	-460	312	2,695	-211	-473
<b>C.F. Operation</b>	<b>526</b>	<b>1,862</b>	<b>4,150</b>	<b>1,637</b>	<b>1,535</b>
Capital exp.	-273	-256	-188	-453	-500
Change in inv.	-330	0	0	0	0
Other invest.CF	4	37	-1,053	-258	-156
<b>C.F - Investment</b>	<b>-597</b>	<b>-222</b>	<b>-1,257</b>	<b>-716</b>	<b>-653</b>
Issue of equity	5	14	14	0	0
Issue/repay debt	232	-1,357	-1,624	189	24
Dividends paid	-229	-124	-528	-283	-283
Other finance.CF	-251	-240	-107	-67	-57
<b>C.F - Finance</b>	<b>-244</b>	<b>-1,723</b>	<b>-2,263</b>	<b>-179</b>	<b>-266</b>
Chg. in cash	-315	-83	630	741	617
Closing cash	132	50	692	1,434	2,051

### RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Profitab &amp; Return</b>					
EBITDA margin (%)	10.9	13.2	14.2	14.7	15.1
EBIT margin (%)	10.1	12.0	13.0	13.4	13.7
Net profit mgn.(%)	5.4	8.1	9.3	10.0	10.2
ROE (%)	23.0	27.7	28.0	27.2	24.0
ROCE (%)	21.7	24.4	30.6	33.2	29.7
<b>W.C &amp; Liquidity</b>					
Receivables (days)	116	115	67	33	39
Inventory (days)	108	120	100	89	87
Payables (days)	140	143	118	120	135
Current ratio (x)	2.1	2.1	2.0	2.1	2.5
Quick ratio (x)	1.1	1.1	0.6	0.8	1.0
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	5.3	4.8	4.6	4.7	4.4
Total asset T.O (x)	1.3	1.3	1.5	1.6	1.5
Int. covge. ratio (x)	5.3	6.7	17.4	31.5	40.9
Adj. debt/equity (x)	0.9	0.4	0.0	0.0	0.0
<b>Valuation</b>					
EV/Sales (x)	1.8	1.8	1.6	1.3	1.2
EV/EBITDA (x)	16.3	13.9	11.4	8.9	7.9
P/E (x)	28.7	20.1	16.1	13.6	12.4
P/BV (x)	6.4	5.0	4.2	3.3	2.7

## Recommendation Summary (Last 3 years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
1 <sup>st</sup> January 2020	Buy	656
4 <sup>th</sup> June 2020	Buy	821
29 <sup>th</sup> July 2020	Buy	942
6 <sup>th</sup> November 2020	Accumulate	837
15 <sup>th</sup> February 2021	Buy	914
4 <sup>th</sup> May 2021	Buy	941

## Investment Criteria

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

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**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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