

July 5, 2021

Company Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		UNDER REVIEW	
Target Price	981		-	
Sales (Rs. m)	182,335	192,803	167,676	177,541
% Chng.	8.7	8.6		
EBITDA (Rs. m)	22,670	23,492	19,385	20,419
% Chng.	16.9	15.1		
EPS (Rs.)	53.7	54.5	45.3	46.7
% Chng.	18.5	16.8		

Key Financials - Standalone

Ye Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	131,367	142,135	182,335	192,803
EBITDA (Rs. m)	17,310	20,158	22,670	23,492
Margin (%)	13.2	14.2	12.4	12.2
PAT (Rs. m)	10,650	13,292	15,705	15,944
EPS (Rs.)	36.4	45.4	53.7	54.5
Gr. (%)	43.1	24.8	18.2	1.5
DPS (Rs.)	12.0	12.0	17.7	18.0
Yield (%)	1.3	1.3	1.9	2.0
RoE (%)	27.7	28.1	27.8	23.9
RoCE (%)	25.7	33.2	36.5	31.6
EV/Sales (x)	2.1	1.8	1.4	1.3
EV/EBITDA (x)	16.3	12.8	11.5	11.1
PE (x)	25.0	20.0	16.9	16.7
P/BV (x)	6.2	5.2	4.3	3.7

Key Data

CROM.BO | CRIN IN

52-W High / Low	Rs.956 / Rs.682
Sensex / Nifty	52,485 / 15,722
Market Cap	Rs.267bn/ \$ 3,568m
Shares Outstanding	293m
3M Avg. Daily Value	Rs.858.52m

Shareholding Pattern (%)

Promoter's	57.56
Foreign	7.73
Domestic Institution	20.59
Public & Others	14.12
Promoter Pledge (Rs bn)	0.02

Stock Performance (%)

	1M	6M	12M
Absolute	14.8	11.7	20.8
Relative	13.4	1.9	(17.5)

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Ripe for rerating

We assign ACCUMULATE rating (from Under Review) on CRIN with TP of Rs 981 based on 18x FY23E EPS of Rs 54.5 (Previously 15x). We increase CRIN's topline/EBITDA/PAT estimates by 9%/17%/19% for FY22 and 9%/15%/17% for FY23 to factor in benefits arising from increase in NB subsidy for Phosphates by >200% to Rs 45.3/kg. we believe, this substantially reduces the impact of rising raw material prices and risk of reduction in volumes due to potential sharp price hikes (~30-50%). Higher subsidy payout and lower MRP coupled with strong underlying demand momentum is likely to aid 5% volume growth in NPK and provide operating leverage benefits. Balance sheet has improved with little debt and minimal working capital (@ 20 days in FY21).

We expect sustained re-rating given 1) Gol move in increasing subsidy in inflationary RM scenario 2) robust FCF generation (Rs65.8bn pretax over FY21-23), 3) net cash balance sheet (INR 7.2 bn), 3) comfortable outstanding subsidy position (lowest ever @ 18 days) and 4) strong parentage of Murugappa group. Accumulate

Increase in NBS subsidy to maintain consumption momentum: To keep affordability of fertilisers in check, Gol increased NB subsidy of Phosphate by >200% from Rs 14.9/kg to Rs 45.3/kg and asked P&K fertiliser companies to reduce MRP to the level prevailing before commencement of price hikes. This move would increase subsidyburden for the government by Rs 147.8 bn.

By taking the hit, Gol ensured that underlying demand momentum remained unfazed by RM cost inflation. With higher volumes, CRIN will continue to enjoy operating leverage benefits. Fertiliser raw material prices are on an upward trajectory and prices have shot up very sharply from lows of last business cycle.

Exhibit 1: NBS for Phosphates up by 200% May'21 onwards

Nutrient Price (Subsidy Rs / kg)	FY19	FY20	FY21	FY22 till 19th May	FY22 20th May onwards
Nitrogen (N)	18.9	18.9	18.8	18.8	18.8
Phosphate (P)	15.2	15.2	14.9	14.9	45.3
Potash (K)	11.1	11.1	10.1	10.1	10.1
Sulphur (S)	2.7	3.6	2.4	2.4	2.4

Source: PL, Gol

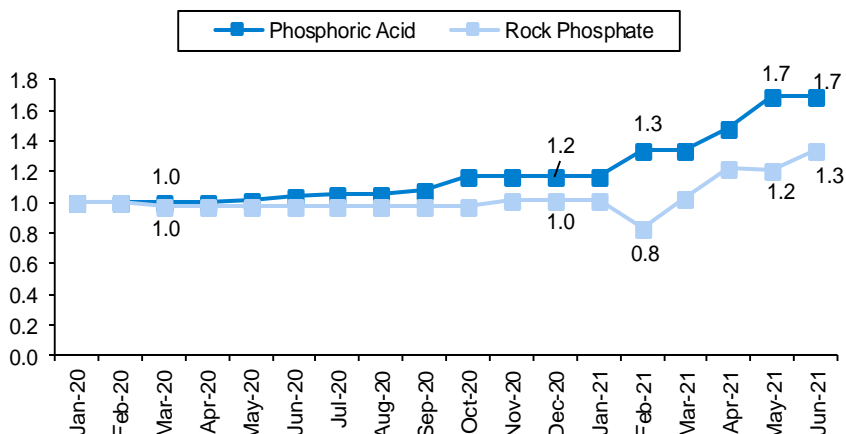
Exhibit 2: RM prices have seen very sharp increase

Fertiliser (USD/tn)	Previous Low	Current price	Change (%)
DAP	295	650	120%
Phos Acid	590	998	69%
Rock Phosphate	75	135	80%
Ammonia	160	610	281%
Sulphur	40	180	350%

Source: PL, Gol

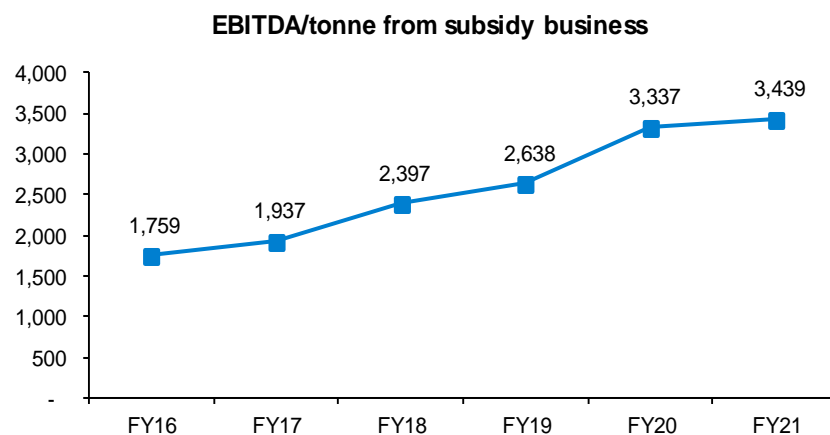
Backward integration benefits to ward off RM inflation impact: In the current upcycle, Phosphoric acid prices have shot up ~USD 400/tn to USD 998/tn, but Rock Phosphate prices are up only USD 60/tn to USD 135/tn. This has increased the backward integration benefits for CRIN on its 4.5 lakh ton phosphoric acid manufacturing capacity by USD 100/tn in FY22E. As a result, EBITDA/tn is likely to increase 4% in FY22E. Had the backward integration unit not been there, EBITDA/tn would have declined by 15-18% as increase in Phosphate subsidy is unlikely to suffice for other raw materials price rise (Exhibit-2).

Exhibit 3: Price rise in Rock Phosphate is less vis-à-vis Phos Acid



Source: PL, GoI

Exhibit 4: EBITDA/tn has been trending upwards



Source: PL

Key risks and Assumptions

Risks

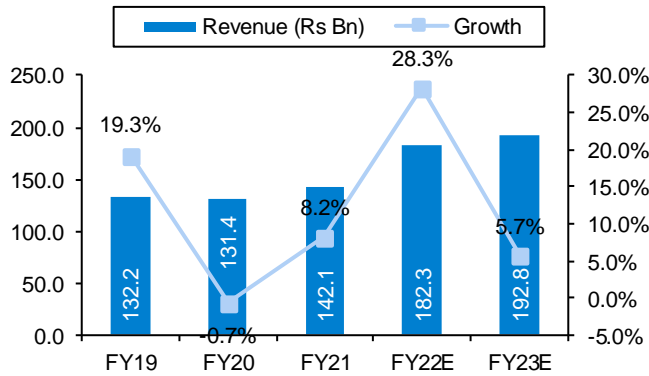
- Rock Phosphate prices playing catch up with Phosphoric Acid price
- Fertiliser RM prices increasing further

Assumptions

- The current NBS policy which is applicable till 31-10-21, is likely to extend for the entire year

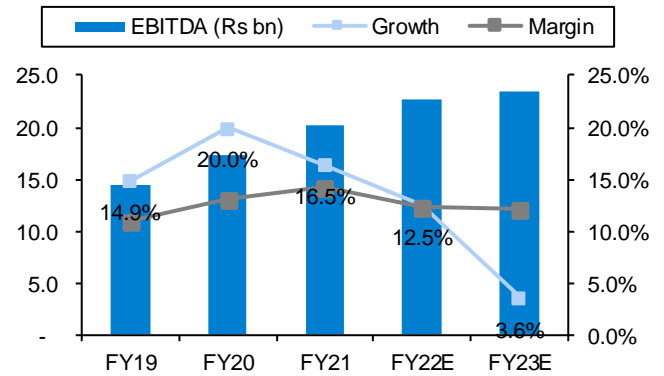
Story in Charts

Exhibit 5: Sharp topline growth in FY22 driven by higher subsidy



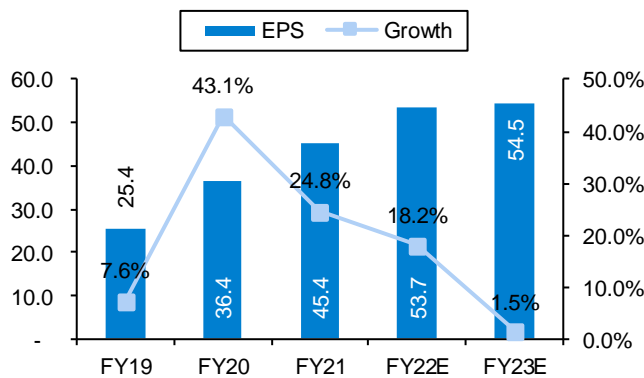
Source: Company, PL

Exhibit 6: EBITDA growth key to watch; margin contraction is cosmetic



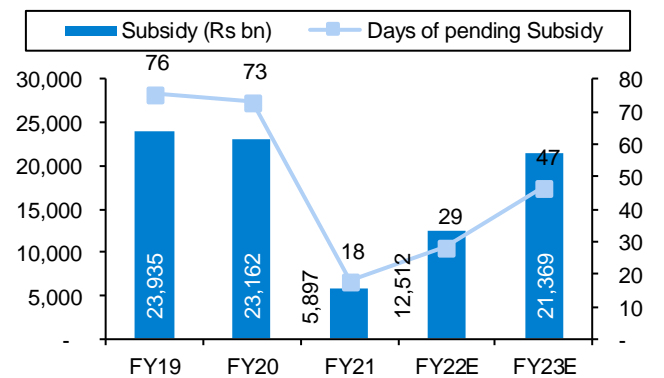
Source: Company, PL

Exhibit 7: APAT to grow by 18% in FY22



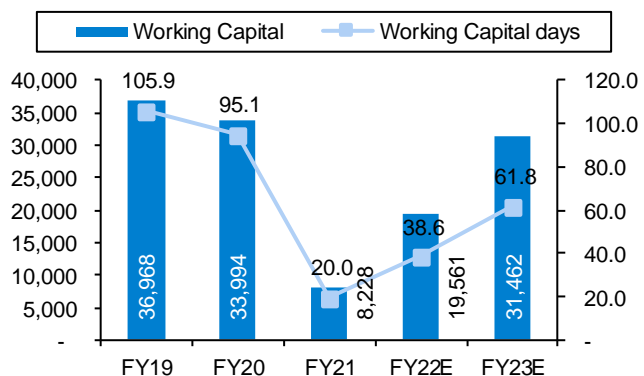
Source: Company, PL

Exhibit 8: Outstanding subsidy at its lowest ever



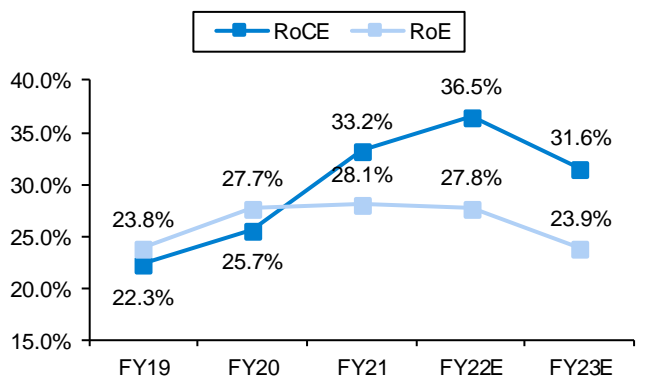
Source: Company, PL

Exhibit 9: WC days to be lower compared to historical levels



Source: Company, PL

Exhibit 10: Very healthy return ratios



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	131,367	142,135	182,335	192,803
YoY gr. (%)	(0.7)	8.2	28.3	5.7
Cost of Goods Sold	90,556	96,879	132,368	139,991
Gross Profit	40,811	45,256	49,967	52,812
Margin (%)	31.1	31.8	27.4	27.4
Employee Cost	4,611	5,386	6,017	6,748
Other Expenses	18,890	19,712	21,280	22,572
EBITDA	17,310	20,158	22,670	23,492
YoY gr. (%)	20.0	16.5	12.5	3.6
Margin (%)	13.2	14.2	12.4	12.2
Depreciation and Amortization	1,580	1,731	2,039	2,371
EBIT	15,730	18,427	20,631	21,122
Margin (%)	12.0	13.0	11.3	11.0
Net Interest	2,353	1,057	183	186
Other Income	400	435	529	361
Profit Before Tax	13,777	17,806	20,977	21,297
Margin (%)	10.5	12.5	11.5	11.0
Total Tax	3,135	4,568	5,280	5,360
Effective tax rate (%)	22.8	25.7	25.2	25.2
Profit after tax	10,643	13,238	15,697	15,936
Minority interest	-	-	-	-
Share Profit from Associate	8	54	8	8
Adjusted PAT	10,650	13,292	15,705	15,944
YoY gr. (%)	43.1	24.8	18.2	1.5
Margin (%)	8.1	9.4	8.6	8.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10,650	13,292	15,705	15,944
YoY gr. (%)	47.8	24.8	18.2	1.5
Margin (%)	8.1	9.4	8.6	8.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,650	13,292	15,705	15,944
Equity Shares O/s (m)	293	293	293	293
EPS (Rs)	36.4	45.4	53.7	54.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	33,625	35,187	40,596	46,058
Tangibles	33,336	34,844	40,203	45,616
Intangibles	288	342	392	442
Acc: Dep / Amortization	13,305	15,036	16,647	18,562
Tangibles	13,079	14,780	16,370	18,252
Intangibles	226	256	277	310
Net fixed assets	20,320	20,151	23,949	27,496
Tangibles	20,258	20,065	23,834	27,363
Intangibles	62	87	115	133
Capital Work In Progress	654	898	1,144	1,146
Goodwill	3	3	3	3
Non-Current Investments	2,568	2,681	2,776	2,813
Net Deferred tax assets	(578)	(576)	(576)	(576)
Other Non-Current Assets	4	10	10	10
Current Assets				
Investments	-	-	-	-
Inventories	26,971	26,009	36,265	38,354
Trade receivables	40,503	11,441	25,001	37,215
Cash & Bank Balance	783	7,221	4,707	6,152
Other Current Assets	4,386	5,040	6,382	6,748
Total Assets	101,488	88,957	113,091	126,300
Equity				
Equity Share Capital	293	293	293	293
Other Equity	42,884	51,213	61,298	71,741
Total Networkth	43,177	51,506	61,591	72,034
Non-Current Liabilities				
Long Term borrowings	16,251	16	-	-
Provisions	211	137	182	193
Other non current liabilities	88	83	182	193
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	33,481	29,222	41,705	44,107
Other current liabilities	3,933	3,781	4,924	5,185
Total Equity & Liabilities	101,488	88,957	113,091	126,300

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	13,785	17,860	20,985	21,305
Add. Depreciation	1,580	1,731	2,039	2,371
Add. Interest	2,353	1,057	183	186
Less Financial Other Income	400	435	529	361
Add. Other	1,427	(1,419)	(529)	(361)
Op. profit before WC changes	19,145	19,228	22,678	23,500
Net Changes-WC	3,113	26,948	(8,997)	(5,571)
Direct tax	(3,638)	(4,674)	(5,808)	(5,896)
Net cash from Op. activities	18,620	41,503	7,873	12,033
Capital expenditures	(2,559)	(1,977)	(5,503)	(5,503)
Interest / Dividend Income	364	321	529	361
Others	(25)	(18,137)	-	-
Net Cash from Invt. activities	(2,219)	-	(4,974)	(5,142)
Issue of share cap. / premium	137	144	-	-
Debt changes	(13,574)	(16,235)	(16)	-
Dividend paid	(1,234)	(5,277)	(5,183)	(5,262)
Interest paid	(2,399)	(1,074)	(183)	(186)
Others	(146)	(189)	-	-
Net cash from Fin. activities	(17,216)	(22,632)	(5,381)	(5,447)
Net change in cash	(816)	-	(2,482)	1,443
Free Cash Flow	16,059	39,620	2,370	6,530

Source: Company Data, PL Research

Quarterly Financials (Rs m)

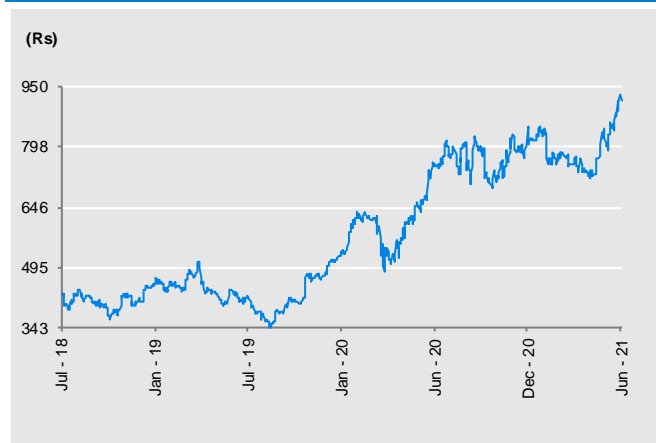
Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	32,132	46,113	35,330	28,560
YoY gr. (%)	50.8	(5.1)	7.8	(0.5)
Raw Material Expenses	22,812	30,669	23,790	19,609
Gross Profit	9,321	15,443	11,540	8,951
Margin (%)	29.0	33.5	32.7	31.3
EBITDA	4,125	8,431	4,992	2,610
YoY gr. (%)	111.3	18.2	15.6	(33.2)
Margin (%)	12.8	18.3	14.1	9.1
Depreciation / Depletion	421	420	423	467
EBIT	3,704	8,011	4,570	2,142
Margin (%)	11.5	17.4	12.9	7.5
Net Interest	434	253	205	164
Other Income	107	82	89	158
Profit before Tax	3,402	7,841	4,453	2,135
Margin (%)	10.6	17.0	12.6	7.5
Total Tax	896	1,967	1,130	575
Effective tax rate (%)	26.3	25.1	25.4	26.9
Profit after Tax	2,506	5,874	3,323	1,561
Minority interest	-	-	-	-
Share Profit from Associates	-	15	16	(2)
Adjusted PAT	2,480	5,889	3,338	1,558
YoY gr. (%)	295.5	16.9	26.2	(33.4)
Margin (%)	7.7	12.8	9.4	5.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,480	5,889	3,338	1,558
YoY gr. (%)	295.5	16.9	26.2	(33.4)
Margin (%)	7.7	12.8	9.4	5.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	-	-	-	-
Av g. Shares O/s (m)	293	293	293	293
EPS (Rs)	8.5	20.1	11.4	5.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	36.4	45.4	53.7	54.5
CEPS	41.8	51.4	60.7	62.6
BVPS	147.6	176.1	210.6	246.3
FCF	54.9	135.5	8.1	22.3
DPS	12.0	12.0	17.7	18.0
Return Ratio(%)				
RoCE	25.7	33.2	36.5	31.6
ROIC	20.1	28.4	29.8	26.1
RoE	27.7	28.1	27.8	23.9
Balance Sheet				
Net Debt : Equity (x)	0.4	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	94	21	39	60
Valuation(x)				
PER	25.0	20.0	16.9	16.7
P/B	6.2	5.2	4.3	3.7
P/CEPS	21.7	17.7	15.0	14.5
EV/EBITDA	16.3	12.8	11.5	11.1
EV/Sales	2.1	1.8	1.4	1.3
Dividend Yield (%)	1.3	1.3	1.9	2.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Jun-21	UR	-	831
2	3-May-21	Reduce	700	741
3	8-Apr-21	Reduce	676	743
4	3-Feb-21	Reduce	676	788
5	11-Jan-21	Reduce	676	810
6	3-Nov-20	Reduce	676	733
7	10-Oct-20	Reduce	676	723
8	23-Sep-20	Reduce	676	788

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	BUY	6,022	5,197
2	Coromandel International	UR	-	831
3	Dhanuka Agritech	BUY	953	748
4	Godrej Agrovet	BUY	639	529
5	Insecticides India	Accumulate	817	756
6	P.I. Industries	Hold	2,119	2,418
7	Rallis India	BUY	321	275
8	Sharda Cropchem	BUY	383	311
9	Sumitomo Chemical India	BUY	369	319
10	UPL	Hold	740	692

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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