

Retail Equity Research

Coromandel International Ltd

Fertilizers

BSE CODE : 506395

NSE CODE: COROMANDEL

BLOOMBERG CODE: CRIN:IN

SENSEX : 58,853

Accumulate

12Month Investment Period

Rating as per Mid Cap

CMP Rs. 1,049 TARGET Rs. 1,171 RETURN 12% ↑
 (Closing: 08-08-22)

KEY CHANGES:
TARGET ↑

RATING ↔

EARNINGS ↑

Higher realization drove the top line.

Coromandel International (CRIN) is one of the leading private sector fertilizer manufacturers in the country, with significant presence in South India. CRIN is one of the key producers of NPK and SSP grade fertilizers.

- In Q1FY23, revenue grew by 56% YoY aided by higher realisation. Nutrients and other allied business (89% of sales mix) grew 66% YoY.
- EBITDA rose by 42% YoY, but the margin shrunk by 120bps YoY to 12%, on account of input cost inflation.
- CRIN's NPK market share improved marginally on a QoQ basis from 27% to 28%.
- Company acquired its first rock mine in Senegal as part of backward integration and expected to meet one-third of its phosphatic requirements.
- We believe the company to report robust growth in sales on the back of capacity expansion, backward integration and expectation of normal monsoon.
- However, the margins are expected to be subdued in FY23 owing to higher raw material cost. The same is likely to improve by FY24 supported by the relaxation in material prices.
- Considering the healthy balance sheet and consistent ROE of ~27% for the last 3 years, we reiterate our ACCUMULATE rating with revised target price of Rs. 1,171 based on 15x FY24E adj. EPS.

Top line reported growth while margins contracted.

CRIN reported revenue of Rs.5,729Cr for Q1FY23 (56% YoY) compared to Rs.4,227Cr in Q4FY22, aided by realisation growth. EBITDA rose from Rs.483Cr in Q1FY22 to Rs.685Cr in Q1FY23. EBITDA margin contracted to 12% from 13.2% in Q1FY22. PAT grew by 48% YoY to Rs.499Cr, while the PAT margin shrunk YoY by 50bps to 8.7%. DAP and complex fertilizer plants operated at 91% capacity compared to 83% for FY22. During the quarter, CRIN received subsidy of Rs.136Cr (v/s Rs.493Cr in Q1FY22) from government and reported subsidy outstanding of Rs.2,731Cr as on 30th June 2022 (v/s Rs.1,149Cr in Q1FY22). Considering good reservoir levels and soil moisture level, management anticipates good traction in the rabi season.

Better realisation aided the operating performance

During the quarter, EBITDA margin expanded to 12% from 9% in Q4FY22, despite the headwinds in raw material cost. The company was able to expand the margins by sourcing raw materials from multiple sources, control on fixed overheads, utilization of plant flexibility and inventory gains. We are expecting the profitability to sustain throughout the year considering the benefits of backward integration, new product launches, higher NBS (Nutrient Based Subsidy) by Government of India and softening in raw material cost.

Focus on backward integration and de-bottlenecking plants.

Planned capex of Coromandel for FY23 is Rs.800-900 Crs. Out of which Rs.600-650 Crs for fertilizer segment. For 1) capacity expansion for sulphuric acid plants. 2) Debottlenecking the phosphoric acid plants and 3) for general capital expenditure. Capex planned for crop protection is Rs.150-200 Crs. During the quarter Coromandel invested in rock mine in Senegal. The management expect this will help in diversifying the rock sourcing and strengthen the backward linkage. These mines can meet one-third of company's phosphatic rock requirements.

Outlook and valuation

We believe, the company has limited ability to pass on the increased raw material cost to customers in FY23, but the same is expected to improve by FY24 aided by lower input prices. Considering the healthy balance sheet and consistent ROE of ~27% for the last 3 years, we reiterate our ACCUMULATE rating with revised target price of Rs. 1,171 based on 15x FY24E adj. EPS.

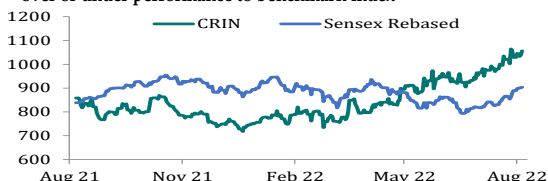
Company Data

Market Cap (Cr)	Rs.31,044
Enterprise Value (Cr)	Rs.29,709
Outstanding Shares (Cr)	29.4
Free Float	42.5%
Dividend Yield	1.1%
52 week high	Rs.1,077
52 week low	Rs.710
6m average volume (Cr)	0.06
Beta	0.5
Face value	Rs.1

Shareholding (%)	Q3FY22	Q4FY22	Q1FY23
Promoters	57.5	57.5	57.5
FPI's	7.2	7.1	8.0
MFs/Institutions	15.8	16.1	15.3
Public	19.5	19.3	19.2
Total	100.0	100.0	100.0

Price Performance	3 month	6 month	1 year
Absolute Return	15.9%	33.1%	25.5%
Absolute Sensex	6.6%	-0.3%	7.3%
Relative Return*	9.3%	33.4%	18.2%

*over or under performance to benchmark index



Consolidated (Cr)	FY22A	FY23E	FY24E
Sales	19,110	22,696	24,974
Growth (%)	35	19	10
EBITDA	2,149	2,680	3,242
EBITDA Margin(%)	11.2	11.8	13.0
PAT Adj.	1,528	1,860	2,291
Growth (%)	15.0	21.7	23.1
Adj.EPS	52.1	63.4	78.0
Growth (%)	14.6	21.7	23.1
P/E	14.2	11.7	9.5
P/B	3.4	2.8	2.2
EV/EBITDA	9.7	7.4	6.2
ROE (%)	26.6	26.2	26.1
D/E	0.0	0.0	0.0

 Yadhu Ramachandran
 Research Analyst

Quarterly Financials (Consolidated)

(Rs cr)	Q1FY23	Q1FY22	YoY Growth (%)	Q4FY22	QoQ Growth (%)	FY22	FY21	YoY Growth (%)
Sales	5,729	3,664	56.4	4,227	35.5	19,111	14,182	34.8
EBITDA	685	483	41.8	380	80.5	2,150	1,984	8.4
EBITDA margins (%)	12.0	13.2	-120bps	9.0	300bps	11.2	14.0	-270bps
Depreciation	45	42	5.6	45.4	-1.9	172.5	173	-0.2
EBIT	641	441	45.3	334	91.7	1,977	1,811	9.2
Interest	27	17	55.3	21.3	24.2	75.5	105.6	-28.5
Other Income	54	22	145.7	76.8	-30.2	144.4	43.6	231.1
Exceptional Items	-	-	-	-	-	-	-	-
PBT	669	448.4	49.3	389	72.1	2,050	1,754	16.8
Tax	170	110	54.2	99.2	71.7	521.3	456.8	14.1
Share of profit from Associate	2	3	-43.3	-1	-312.5	4	5	-31.3
Reported PAT	499	338	47.7	289.9	72.2	1,528.6	1,298	17.8
Adjustments	-	-	-	-	-	-	-	-
Adj PAT	499	338	47.7	289.9	72.2	1,528.6	1,298	17.8
No. of Shares	29.4	29.4	0.0	29.4	0.0	29.4	29.3	0.4
Adj EPS (Rs)	17.0	11.5	47.7	9.9	72.2	52.0	44.3	17.4

Change in Estimates

Year / Rs Cr	Old estimates		New estimates		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	18,303	-	22,696	24,974	24.0%	-
EBITDA	2,507	-	2,680	3,242	6.9%	-
Margins (%)	13.7	-	11.81	13.0	-189bps	-
Adj. PAT	1,686	-	1,860	2,291	10.3%	-
EPS	57.6	-	63.4	78.0	10.0%	-

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Sales	13,136	14,182	19,110	22,696	24,974
% change	-0.7	8.0%	34.8%	18.8%	10.0%
EBITDA	1,731	1,984	2,149	2,680	3,242
% change	19.9	14.6%	8.3%	24.7%	20.9%
Depreciation	158	173	173	188	217
EBIT	1,337	1,705	1,901	2,403	2,968
Interest	235	106	75	90	56
Other Income	40	75	144	78	86
PBT	1,378	1,786	2,049	2,480	3,054
% change	26.1	29.6%	14.8%	21.0%	23.1%
Tax	314	457	521	620	764
Tax Rate (%)	23	26%	25%	25%	25%
Reported PAT	1,065	1,329	1,528	1,860	2,291
Adj.*	1	-	-	-	-
Adj. PAT	1,065	1,329	1,528	1,860	2,291
% change	42.9	24.9%	15.0%	21.7%	23.1%
No. of shares (cr)	25.4	25.4	25.4	25.4	25.4
Adj EPS (Rs)	36	45	52	63	78
% change	42.9	24.9%	15.0%	21.7%	23.1%
DPS (Rs)	8	8	8	8	8

BALANCE SHEET

Y.E March (Rs cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash	79	722	1,753	1,714	2,559
Account Receivable	4,050	1,144	559	1,244	1,711
Inventories	2,697	2,601	3,663	4,113	4,455
Other Cur. Assets	967	2,055	2,765	2,487	2,737
Investments	211	214	243	251	263
Gross Fixed Assets	2,989	3,029	3,198	3,998	4,498
Net Fixed Assets	1,614	1,616	1,701	2,314	2,597
CWIP	49	76	120	0	0
Intangible Assets	23	23	29	29	29
Other Assets	458	445	451	871	958
Total Assets	10,149	8,896	11,285	13,022	15,309
Current Liabilities	3,727	3,279	4,446	4,570	4,950
Provisions	36	36	34	44	55
Debt Funds	1,625	2	0	0	0
Other Liabilities	444	430	447	542	587
Equity Capital	29	29	29	29	29
Reserves & Surplus	4,288	5,121	6,329	7,837	9,687
Shareholder's Fund	4,318	5,151	6,358	7,866	9,717
Total Liabilities	10,149	8,896	11,285	13,022	15,309
BVPS	148	176	217	268	331

CASH FLOW

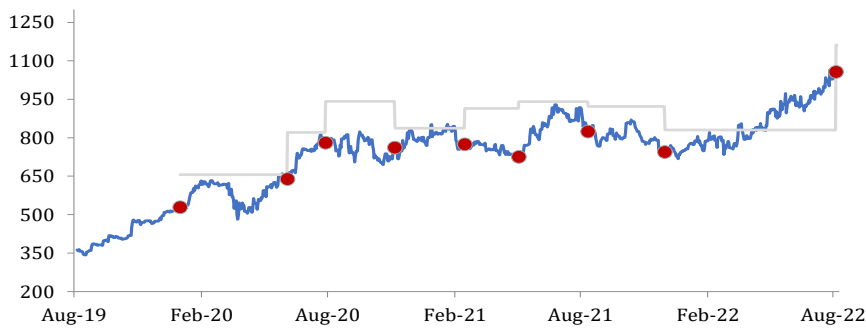
Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Net inc. + Depn.	1,536	1,959	2,306	2,668	3,271
Non-cash adj.	536	137	141	278	273
Changes in W.C	312	2,695	372	-1,109	-200
C.F. Operation	1,862	4,150	2,078	1,029	2,363
Capital exp.	-256	-188	-278	-680	-500
Change in inv.	0	0	0	0	0
Other invest.CF	37	-1,053	-1,345	378	-169
C.F - Investment	-222	-1,257	-1,622	-302	-669
Issue of equity	14	14	4	0	0
Issue/repay debt	-1,357	-1,624	-2	96	45
Dividends paid	-124	-528	-352	-352	-440
Other finance.CF	-240	-107	-34	-90	-56
C.F - Finance	-1,723	-2,263	-443	-766	-539
Chg. in cash	-83	630	14	-39	1,156
Closing cash	51	692	706	667	1,512

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Profitab & Return					
EBITDA margin (%)	13.2%	14.0%	11.2%	11.8%	13.0%
EBIT margin (%)	12.0%	12.8%	10.3%	11.0%	12.1%
Net profit mgn.(%)	8.1%	9.4%	8.0%	8.2%	9.2%
ROE (%)	27.7%	28.1%	26.6%	26.2%	26.1%
ROCE (%)	24.4%	30.1%	31.7%	32.6%	32.2%
W.C & Liquidity					
Receivables (days)	115	67	16	17	24
Inventory (days)	120	100	80	85	87
Payables (days)	143	118	88	88	87
Current ratio (x)	2.1	2.0	2.0	2.1	2.3
Quick ratio (x)	1.1	0.6	0.5	0.6	0.9
Turnover & Leverage					
Gross asset T.O (x)	4.8	4.7	6.1	6.3	5.9
Total asset T.O (x)	1.3	1.5	1.9	1.9	1.8
Int. covge. ratio (x)	6.7	17.1	26.2	27.7	53.6
Adj. debt/equity (x)	0.4	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	1.9	1.6	1.1	0.9	0.8
EV/EBITDA (x)	14.1	11.7	9.7	7.4	6.2
P/E (x)	20.3	16.3	14.2	11.7	9.5
P/BV (x)	5.0	4.2	3.4	2.8	2.2

Recommendation Summary (Last 3 years)

Dates	Rating	Target
1-Jan-20	Buy	656
4-Jun-20	Buy	821
29-Jul-20	Buy	942
6-Nov-20	Accumulate	837
15-Feb-21	Buy	914
4-May-21	Buy	941
12-Aug-21	Accumulate	922
1-Dec-21	Accumulate	830
9-Aug-22	Accumulate	1171



Source: Bloomberg, Geojit Research.

Investment Criteria

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

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: 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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