



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✓

Company details

Market cap:	Rs. 52,925 cr
52-week high/low:	Rs. 1,977/1,037
NSE volume: (No of shares)	4.6 lakh
BSE code:	506395
NSE code:	COROMANDEL
Free float: (No of shares)	12.7 cr

Shareholding (%)

Promoters	57
FII	8
DII	21
Others	14

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-2.9	1.1	5.9	60.8
Relative to Sensex	0.2	10.8	16.8	60.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Coromandel International Ltd

Good addition to the crop protection business

Fertiliser	Sharekhan code: COROMANDEL		
Reco/View: Buy	↔	CMP: Rs. 1,798	Price Target: Rs. 2,208 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Coromandel has signed a definitive agreement to acquire a majority stake in NACL Industries Ltd (NACL).
- NACL has a strong branded domestic formulation business, exports technicals and has a presence in the CDMO business as well.
- Focus on backward integration and investment in CDMO, specialty chemicals & drone business would drive long-term growth.
- We maintain a Buy with a revised PT of Rs. 2,208, assigning a multiple of 24x on FY27 EPS due to backward integration and increasing presence in non-fertilizer business. At CMP, the stock trades at a valuation of 23.8x/19.5x on its FY26E/FY27E EPS.

Coromandel International announced the signing of definitive agreements to acquire a majority stake in NACL Industries Limited (NACL). Coromandel is set to acquire 53% shareholding in NACL industries, for consideration of Rs 820 Crores at Rs 76.7/- price per share from the current promoter KLR Products Limited. Coromandel also proposes to make an open offer to the public to acquire upto 26% of the equity share capital of the company as per regulations. The proposed transaction is likely to be consummated by 1HFY26. The valuation of 1.2x its EV/sales is quite reasonable considering its cheaper peers are trading ~2x EV/sales. The acquisition will enhance Coromandel's position in the crop protection business with their large presence in domestic formulations and diversified product portfolio.

- About NACL:** NACL Industries Limited is a prominent Indian agrochemical company established in 1986 and headquartered in Hyderabad, Telangana. It specializes in crop protection, having strong branded formulation business in domestic markets, exports Technicals in key global geographies and has presence in contract manufacturing operations with global multinational agrochemical companies. The company's revenue split across segments in 9MFY24 was as follows: Insecticides – 40%, Herbicides – 20%, Fungicides – 30% and Plant Growth Regulators – 8%. With four manufacturing facilities in Andhra Pradesh and Gujarat, NACL serves over 5 million farmers. The company operates Technical and Formulation plants in Andhra Pradesh, besides having centralized R&D facility near Hyderabad. NACL's subsidiary has also recently invested in Technical grade facility at Dahej, capable of manufacturing Active Ingredients. NACL exports to over 30 countries and it formed ~22% of revenue in 9MFY24. The exports split was as follows: America – 52%, Asia – 30%, Africa – 14%.
- Coromandel's CPC business:** The company's own crop protection business had a revenue of Rs. 2,457 crore in FY24 with an EBIT of Rs. 290 crore. The geographical split was 55% revenue from domestic business and the rest 45% from exports. NACL's revenue was Rs. 1,779 crore in FY24 and it had a negative EBIT and PAT loss due to weak global demand and pressure on pricing. Coromandel will combine their own extensive distribution network and deep industry expertise with NACL's manufacturing capabilities, diversified product portfolio and large formulations presence.. The acquisition also enables them to tap into critical customer segments and secure strategic CDMO relationships.
- Focus on increasing share of the non-subsidy business:** Coromandel wants to expand the share of the non-fertilizer business, including crop protection, specialty nutrients, bio-products, organic fertilizers, retail, specialty chemicals, and drones. Dhaksha, the drone company has an orderbook of Rs. 250 crore. The establishment of a state-of-the-art Multi-Product Plant for the production of recently off-patented fungicides is underway in Ankleshwar, Gujarat. The company had outlined significant capital expenditure, including a Rs 1,000 crore investment over two years (announced in 2023) to expand operations in crop protection chemicals and establish a foothold in specialty chemicals and CDMO businesses.

Revision in earnings estimates – We have not incorporated NACL financials in our estimates yet.

Our Call

Valuation – Maintain Buy on Coromandel with a revised PT of Rs. 2,208: Emphasis on backward integration, combined with investments in CDMO, specialty chemicals, and drone sectors, is expected to drive long-term growth. The acquisition of NACL in crop protection would aid the growth as well. We assign a valuation multiple of 24x on its FY27E EPS, reflecting the potential from CDMO and specialty chemicals, and maintain a buy rating with a revised price target of Rs 2,208. At the current market price, the stock is valued at 23.8x/19.5x FY26E/FY27E EPS.

Key Risks

1) Poor monsoons can affect the demand environment 2) Unfavourable variation in raw material prices and delay in the ability to pass on price hikes 3) Continuing margin pressure in the CPC business.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY26E
Revenue	29,628	22,058	24,083	25,915	28,619
OPM (%)	9.9	10.9	10.9	12.3	13.3
Adjusted Net Profit	2,013	1,641	1,741	2,226	2,708
% YoY growth	31.7	(18.5)	6.1	27.8	21.7
EPS (Rs.)	68.5	55.7	59.1	75.6	92.0
PE (x)	26.3	32.3	30.4	23.8	19.5
P/BV (x)	6.7	5.6	4.9	4.2	3.6
EV/EBITDA	17.6	20.6	18.7	15.0	12.1
ROE (%)	28.2	18.9	17.2	19.1	19.8
ROCE (%)	38.4	26.1	24.4	25.9	26.7

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector Outlook – Steady outlook for the fertilizer business and improving for agro-chem

The fertilizers and agri-solutions sector in India is set for steady growth in 2025, driven by the nation's agriculture-centric economy and rising demand for enhanced farm productivity. Government support, including a Rs. 1.68 lakh crore fertilizer subsidy for FY26, underpins the sector, alongside initiatives like Kisan Drones for precision farming. Increasing adoption of crop protection and nutrient solutions reflects farmers' focus on yield optimization. Challenges such as regulatory shifts and raw material price volatility persist, but innovations and sustainable practices are expected to fuel resilience and expansion, aligning with India's goal of agricultural self-reliance. Also, the outlook of the global agro-chem market is improving.

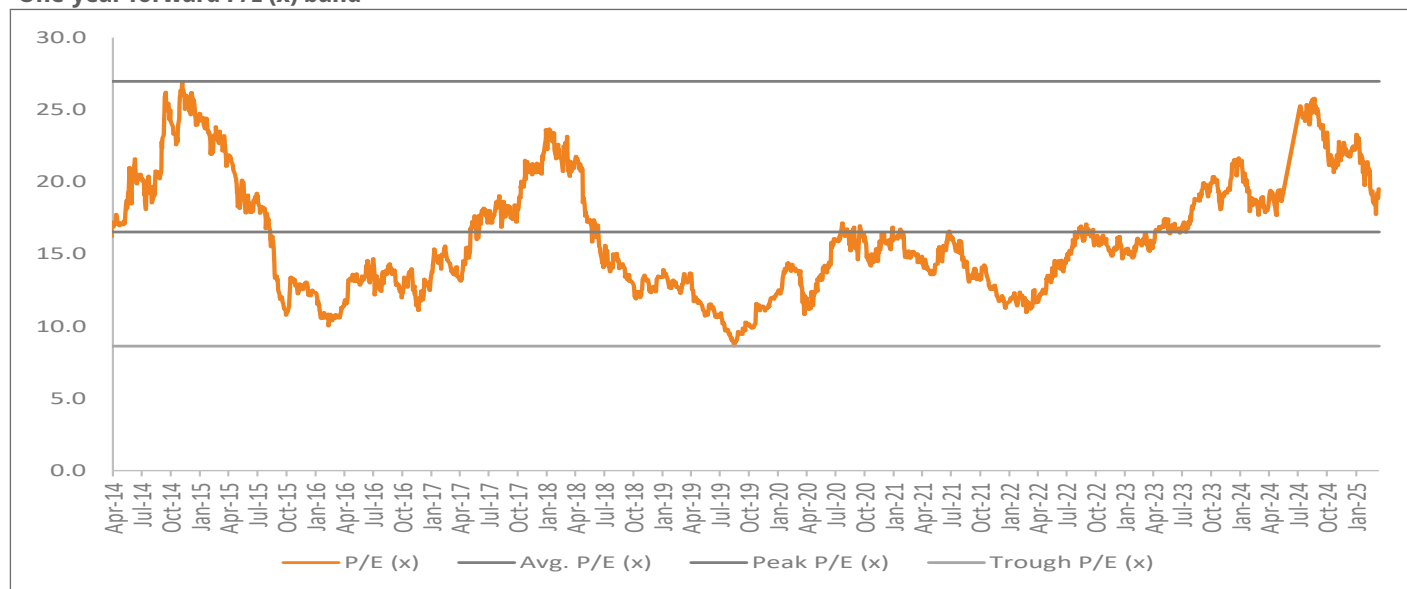
■ Company Outlook – Backward integration and focus on non-subsidy business to drive growth

We like Coromandel because of its leadership position in key businesses, strong focus on backward integration for the sourcing of key raw materials and strong distribution reach. This helps the company deliver healthy performance on a consistent and sustainable basis. The company has been generating healthy cash flows, which have helped the company to look for inorganic acquisitions at different intervals in related businesses. The company's focus to foray into CDMO and specialty chemical is a right step to diversify its business stream and the same could drive meaningful growth in the medium to long term. Also, its drone business 'Dhaksha' has an orderbook of Rs. 250 crore.

■ Valuation – Maintain Buy on Coromandel with a revised PT of Rs. 2,208

Emphasis on backward integration, combined with investments in CDMO, specialty chemicals, and drone sectors, is expected to drive long-term growth. The acquisition of NACL in crop protection would aid the growth as well. We assign a valuation multiple of 24x on its FY27E EPS, reflecting the potential from CDMO and specialty chemicals, and maintain a buy rating with a revised price target of Rs 2,208. At the current market price, the stock is valued at 23.8x/19.5x FY26E/FY27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About the company

Coromandel was incorporated in 1961 by the synergistic efforts of EID Parry Limited, a leading business house in India associated with agriculture and two major U.S. companies, namely Chevron Chemical Company and International Minerals and Chemicals Corporation. Coromandel is part of the \$9 billion Murugappa Group. Coromandel is India's largest private-sector phosphatic fertiliser company and the largest single super phosphate (SSP) company. The company is also the pioneer and market leader in specialty nutrients. Coromandel is also the No. 1 organic manure player in India and has the largest rural retail chain across the country with 750+ centres. The company's manufacturing facilities are located in 18 locations. The company is also present across 81+ countries.

Investment theme

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Key Risks

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Additional Data

Key management personnel

Mr. Arun Alagappan	Executive Chairman
Mrs. Jayashree Satagopan	President – Corporate & CFO
Mr. Sankarasubramanian S	Managing Director & CEO
Dr. Raghuram Devarakonda	Executive Director, CPC, Bio products and retail

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kotak Mahindra Asset Management Co	5.47
2	Life Insurance Corp of India	2.34
3	DSP Investment Managers Pvt Ltd	2.02
4	Vanguard Group Inc/The	1.68
5	Axis Asset Management Co Ltd/India	1.66
6	Groupe Chimique Tunisien SA	1.63
7	INVESTOR EDUCATION & PROTECTN FD	1.39
8	UTI Asset Management Co Ltd	1.31
9	FundRock Management Co SA	1.05
10	Sundaram Asset Management Co Ltd	0.76

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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