

Coromandel International

BSE SENSEX
37,922

S&P CNX
11,438

CMP: INR400

TP: INR557 (+39%)

Buy



Stock Info

Bloomberg	CRIN IN
Equity Shares (m)	292
M.Cap.(INRb)/(USDb)	117.1 / 1.6
52-Week Range (INR)	588 / 382
1, 6, 12 Rel. Per (%)	-8/-33/-25
12M Avg Val (INR M)	121
Free float (%)	38.2

Financials Snapshot (INR b)

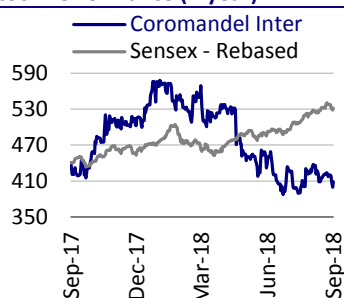
Y/E Mar	2018	2019E	2020E
Net Sales	109.5	127.8	136.2
EBITDA	12.3	12.6	14.5
PAT	6.6	6.8	8.1
EPS (INR)	22.7	23.4	27.9
Gr. (%)	39.1	3.1	19.1
BV/Sh (INR)	106.9	121.9	141.4
RoE (%)	22.1	20.4	21.2
RoCE (%)	14.2	13.3	14.3
P/E (x)	17.6	17.1	14.4
P/BV (x)	3.7	3.3	2.8

Shareholding pattern (%)

As On	Jun-18	Mar-18	Jun-17
Promoter	61.8	61.8	61.9
DII	12.1	10.5	8.0
FII	4.4	5.6	5.3
Others	21.7	22.1	24.9

FII Includes depository receipts

Stock Performance (1-year)



Well on track for a healthy season

Expect 7% volume growth in FY19

- **On track to achieve full-year volume estimate:** CRIN's volumes declined 7.1% YoY in 1QFY19. However, revenue grew 11.8% YoY, primarily on account of multiple price hikes taken over the past few months (Di Ammonium Phosphate (DAP) price increased ~25% to INR26,600/MT). Moreover, the Ministry of Fertilizers' data reveal a strong traction in 2QFY19 volumes so far. Sales volume for July and August stood at over 1.2m MT, which is ~81% of our volume estimate for 2QFY19.
- So far in 2QFY19, the company has achieved 99% of the volume estimate for urea, 86% for DAP, 80% for NPK and 74% for single super phosphate (SSP). The only disappointment comes from MOP, where CRIN has clocked only 17% of our estimated volumes. However, given the relatively low volume mix of MOP, we believe its sluggishness is unlikely to hamper the overall growth estimates.
- We expect the strong acreage trend in key crops to continue aiding growth. Furthermore, good rainfall in key states of Andhra Pradesh, Telangana, Karnataka, Maharashtra and Odisha also provides comfort. We expect overall volume growth of 7% and revenue growth of 16.8% in FY19.
- **Volume growth aided by increased acreage in key crops:** Key markets for CRIN are Andhra Pradesh (AP), Telangana, Maharashtra, Karnataka, West Bengal and Odisha. These six states account for 93% of CRIN's NPK/DAP volumes and 73% of its overall volumes. In our [report](#) published at the onset of the 2018-19 Kharif season, we had estimated that the sowing area under paddy, soybean and sugarcane is set to increase in the six key states, while that under cotton and pulses is likely to dip. We had also estimated that overall fertilizer consumption would increase given that paddy, soybean and sugarcane are relatively high-fertilizer-consuming crops.
- According to the Department of Agriculture and Cooperation, overall acreage increased 5% in Telangana, 7% in Karnataka and 11% in West Bengal, but declined by 1% in Andhra Pradesh and 2% in Maharashtra. On the other hand, the acreage of paddy, soybean and sugarcane increased across the six key states.
- Acreage of soybean is up by 6%, of paddy by 2% and of sugarcane by 4%. On the other hand, the acreage of cotton and pulses is down by 2% each. Average four-year fertilizer consumption of pulses and cotton across the key states is 1.4-2.1MT/ha and 1.1-2.0MT/ha, respectively, while consumption is much higher in paddy (1.5-2.1MT/ha), soybean (~2.6MT/ha) and sugarcane (1.6-2.7MT/ha). We believe the crop mix change has been instrumental in driving volume growth for CRIN in 2QFY19 so far, and the company is well on track to achieve its full-year volume growth estimate of 7%.

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- **Valuation and view:** We believe that CRIN has fared well so far in FY19 and that the outlook for volume growth is positive. The mix shift toward higher-fertilizer-consuming crops is expected to continue boosting CRIN's volumes by 12% in 2QFY19 and 7% in FY19. Further, multiple price hikes taken in the past few months (DAP price increased ~25% to INR26,600/MT) are likely to aid revenue growth. We keep our estimates unchanged and expect 12%/11% revenue/PAT CAGR over FY18-20.
- The company, however, still faces gross margin pressure due to the run up in raw material prices (phosphoric acid and ammonia). We expect margins to contract by 130bp to 9.9% in FY19. However, commissioning of CRIN's captive phosphoric acid capacity should ease margin pressure, leading to margin expansion of 70bp to 10.6% over FY19-20. Further, on account of the transition to direct benefit transfer (DBT), CRIN expects average subsidy receivable (which had spiked in 1QFY19 due to initial glitches) to decline in the coming quarters.
- The stock has been trading at a P/E of 17.5x over the last five years. We value it at 20x FY20E EPS (~15% premium), which we believe is justified given the positive earnings growth, margin (led by backward integration initiative) and RoE (maintained at ~21% in FY20E) prospects. Our TP of INR557 implies a 39% upside. Maintain **Buy**.

Exhibit 1: Progress of area coverage under Kharif crops as on 6.09.2018 (in lakh ha)

Crop	Area Sown			% Change
	Normal Area	2018-19	2017-18	
Rice	395.5	381.9	373.4	2%
Pulses	111.9	134.4	137.5	-2%
Arhar	41.9	45.2	45.1	0%
Urdbean	27.0	38.0	43.4	-12%
Moongbean	24.9	34.1	31.7	7%
Kulthi	2.3	0.8	0.8	-2%
Other pulses	15.8	16.3	16.4	0%
Coarse cereals	188.6	174.3	181.6	-4%
Jowar	22.3	17.7	17.8	-1%
Bajra	74.0	65.1	70.3	-7%
Ragi	11.4	8.2	10.0	-18%
Small millets	6.6	4.7	4.9	-4%
Maize	74.2	78.6	78.7	0%
Oilseeds	184.2	174.0	169.2	3%
Groundnut	42.0	39.9	40.8	-2%
Soybean	112.5	111.9	105.3	6%
Sunflower	2.1	1.1	1.4	-19%
Sesamum	14.5	13.7	13.5	2%
Niger	2.6	0.9	1.5	-42%
Castor	10.5	6.5	6.9	-6%
Sugarcane	50.1	51.9	49.9	4%
Jute & Mesta	8.1	7.0	7.1	-1%
Cotton	119.8	118.1	121.0	-2%

Source: Agricoop

Exhibit 2: Kharif acreage for key crops — states (in lakh ha)

	Rice	% Change	Pulses	% Change	Oilseeds	% Change	Sugarcane	% Change	Cotton	% Change
Andhra Pradesh	12.9	2%	2.3	-16%	7.1	4%	1.4	2%	5.4	-5%
Karnataka	11.4	93%	16.4	7%	8.5	6%	4.4	3%	3.8	-18%
Maharashtra	15.0	12%	20.5	-10%	41.6	2%	10.8	16%	41.0	-2%
Odisha	36.5	2%	5.7	-7%	1.8	2%	0.1	9%	1.6	9%
Telangana	9.6	37%	3.7	1%	2.2	6%	0.4	8%	17.8	-4%
West Bengal	41.9	0%	0.5	-5%	0.0	-14%	0.2	-5%	-	-

Source: Agricoop

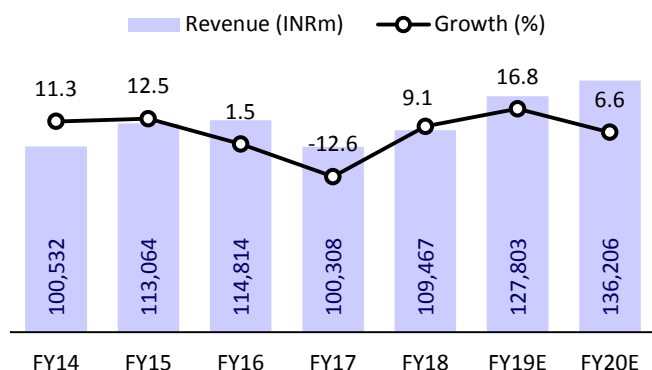
Exhibit 3: State-wise rainfall distribution

Period: 1.06.2018 to 5.09.2018	Actual (mm)	Normal (mm)	%DEP.	CAT.
East and North East India				
Arunachal Pradesh	965.5	1,492.2	-35%	D
Assam & Meghalaya	1,105.3	1,569.0	-30%	D
NMMT	1,045.0	1,300.3	-20%	D
SHWB & Sikkim	1,372.2	1,725.9	-20%	D
Gangetic West Bengal	834.6	977.6	-15%	N
Jharkhand	748.0	935.8	-20%	D
Bihar	720.1	874.1	-18%	N
North West India				
East Uttar Pradesh	733.8	770.4	-5%	N
West Uttar Pradesh	708.8	679.6	4%	N
Uttarakhand	1,067.1	1,108.1	-4%	N
Har. CHD & Delhi	344.2	421.5	-18%	N
Punjab	373.7	437.6	-15%	N
Himachal Pradesh	713.5	743.9	-4%	N
Jammu & Kashmir	512.2	477.4	7%	N
West Rajasthan	189.6	245.5	-23%	D
East Rajasthan	578.8	570.8	1%	N
Central India				
Odisha	1,149.1	998.8	15%	N
West Madhya Pradesh	762.7	782.0	-2%	N
East Madhya Pradesh	897.6	938.8	-4%	N
Gujarat Region	666.2	833.9	-20%	D
Saurashtra & Kutch	312.6	433.0	-28%	D
Konkan & Goa	2,823.5	2,711.4	4%	N
Madhya Maharashtra	627.6	620.7	1%	N
Marathwada	509.7	575.3	-11%	N
Vidarbha	820.1	859.1	-5%	N
Chhattisgarh	1,040.6	1,023.1	2%	N
South Peninsula				
Andaman & Nicobar	1,303.8	1,380.1	-6%	N
Coastal Andhra Pradesh	496.7	465.0	7%	N
Telangana	666.1	650.8	2%	N
Rayalaseema	151.6	294.1	-48%	D
Tamil Nadu & Pondichery	195.5	226.2	-14%	N
Coastal Karnataka	3,007.6	2,889.9	4%	N
N.I. Karnataka	291.9	390.5	-25%	D
S.I. Karnataka	584.4	547.7	7%	N
Kerala	2,434.0	1,863.3	31%	E
Lakshadweep	484.6	871.6	-44%	D
Country	721.9	775.7	-7%	

Source: IMD

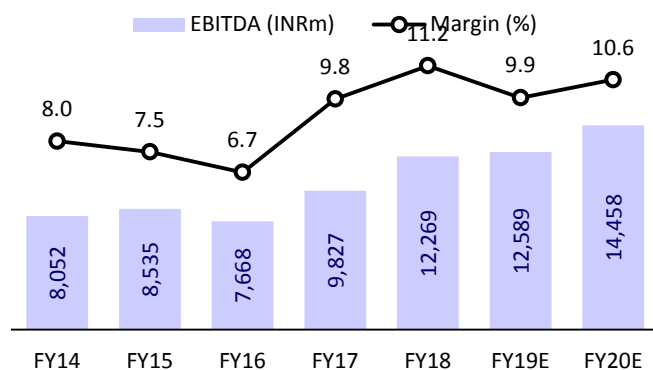
Story in charts

Exhibit 4: Revenues to post 12% CAGR over FY18–20E



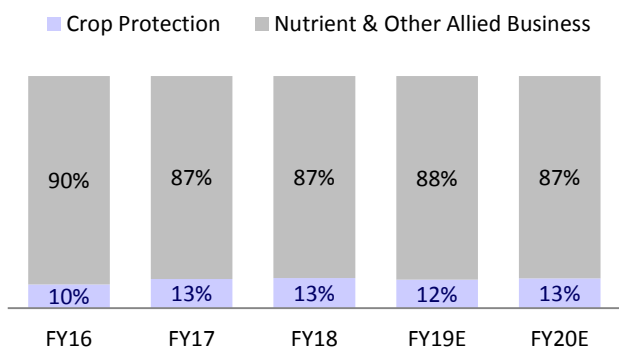
Source: Company, MOSL

Exhibit 5: Margins to improve by 70 bp in FY20E



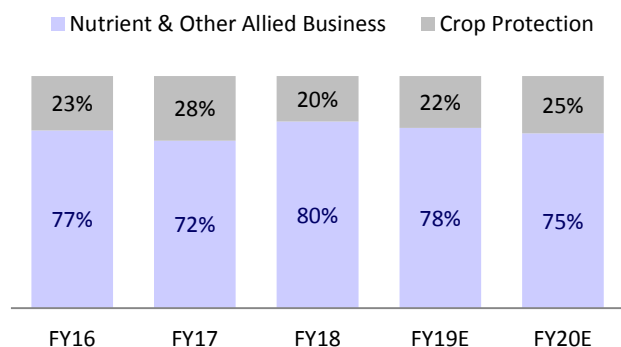
Source: Company, MOSL

Exhibit 6: Segment-wise revenue mix



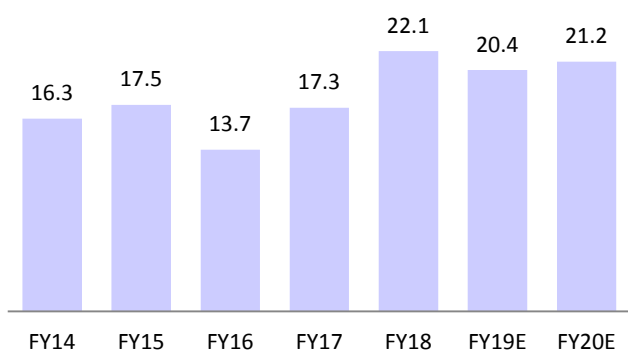
Source: Company, MOSL

Exhibit 7: Segment-wise EBITDA mix



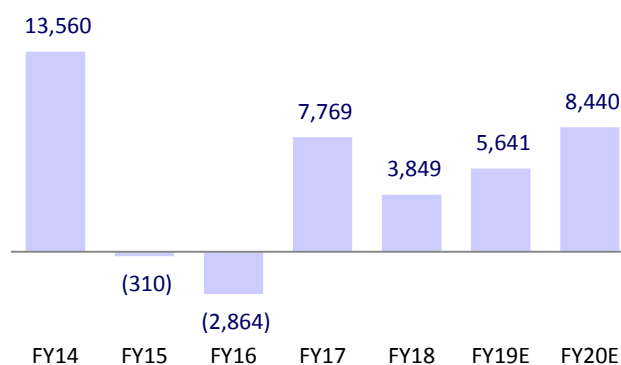
Source: Company, MOSL

Exhibit 8: RoE (%) to remain steady



Source: Company, MOSL

Exhibit 9: Operating cash flow to remain strong (INR m)



Source: Company, MOSL

Financials and Valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total Income from Operations	90,337	100,532	113,064	114,814	100,308	109,467	127,803	136,206
Change (%)	(8.8)	11.3	12.5	1.5	(12.6)	9.1	16.8	6.6
EBITDA	7,679	8,052	8,535	7,668	9,827	12,269	12,589	14,458
Margin (%)	8.5	8.0	7.5	6.7	9.8	11.2	9.9	10.6
Depreciation	711	961	1,046	1,061	1,007	976	1,039	1,166
EBIT	6,968	7,092	7,489	6,607	8,820	11,293	11,550	13,292
Int. and Finance Charges	2,102	2,403	2,096	2,209	2,238	1,783	1,980	1,840
Other Income	701	608	566	665	548	584	642	706
PBT bef. EO Exp.	5,567	5,297	5,959	5,062	7,130	10,094	10,213	12,159
EO Expense/(Income)	0	-126	-39	250	0	0	0	0
PBT after EO Exp.	5,567	5,170	5,920	5,312	7,130	10,094	10,213	12,159
Total Tax	1,231	1,521	1,902	1,716	2,353	3,452	3,370	4,012
Tax Rate (%)	22.1	29.4	32.1	32.3	33.0	34.2	33.0	33.0
Reported PAT	4,320	3,565	4,018	3,574	4,770	6,636	6,840	8,146
Adjusted PAT	4,320	3,654	4,045	3,405	4,770	6,636	6,840	8,146
Change (%)	10.0	-15.4	10.7	-15.8	40.1	39.1	3.1	19.1
Margin (%)	4.8	3.6	3.6	3.0	4.8	6.1	5.4	6.0

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	283	283	291	291	292	292	292	292
Preference Capital	0	0	0	0	0	0	0	0
Total Reserves	21,683	22,529	23,099	26,048	28,616	30,966	35,350	41,040
Net Worth	21,966	22,812	23,390	26,340	28,908	31,259	35,642	41,332
Minority Interest	1,063	254	0	0	0	0	0	0
Deferred Liabilities	1,877	1,890	1,899	1,679	1,495	1,290	1,290	1,290
Total Loans	28,671	16,711	21,220	26,267	22,284	27,284	28,284	26,284
Capital Employed	53,577	41,667	46,509	54,286	52,686	59,833	65,216	68,906
Gross Block	21,269	22,070	22,604	23,550	24,612	25,385	27,885	31,885
Less: Accum. Deprn.	7,397	8,212	9,189	10,250	11,257	12,233	13,272	14,437
Net Fixed Assets	13,872	13,858	13,415	13,300	13,355	13,152	14,613	17,448
Capital WIP	4,201	744	386	309	137	359	128	136
Total Investments	1,599	3,418	4,497	4,772	3,885	2,214	2,214	2,214
Curr. Assets, Loans&Adv.	59,758	54,545	65,196	73,433	69,071	81,545	94,320	98,963
Inventory	14,775	17,529	22,522	23,458	17,246	22,271	25,210	26,868
Account Receivables	18,201	14,835	13,034	16,419	16,217	15,234	19,258	20,524
Cash and Bank Balance	5,346	4,722	3,099	1,978	1,678	5,508	6,083	4,925
Loans and Advances	21,436	17,461	26,542	31,579	33,930	38,531	43,768	46,646
Curr. Liability & Prov.	30,544	34,381	36,989	37,531	33,764	37,440	46,062	49,858
Account Payables	24,014	27,081	29,632	32,329	29,345	33,590	37,973	41,348
Other Current Liabilities	4,538	5,372	7,123	4,945	4,129	3,616	5,252	5,597
Provisions	1,992	1,927	235	257	289	235	2,836	2,913
Net Current Assets	29,214	20,165	28,207	35,902	35,307	44,105	48,258	49,105
Appl. of Funds	53,577	41,667	46,509	54,286	52,686	59,833	65,216	68,906

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Basic (INR)								
EPS	15.3	12.9	13.9	11.7	16.4	22.7	23.4	27.9
Cash EPS	17.8	16.3	17.5	15.3	19.8	26.0	26.9	31.8
BV/Share	77.6	80.6	80.3	90.4	99.1	106.9	121.9	141.4
DPS	4.5	4.5	4.5	2.5	4.0	6.5	7.0	7.0
Payout (%)		42.0	39.2	24.5	29.4	34.4	35.9	30.2
Valuation (x)								
P/E	26.2	31.0	28.8	34.2	24.5	17.6	17.1	14.4
Cash P/E	22.5	24.6	22.9	26.1	20.2	15.4	14.8	12.6
P/BV	5.2	5.0	5.0	4.4	4.0	3.7	3.3	2.8
EV/Sales	1.5	1.2	1.2	1.2	1.4	1.3	1.1	1.0
EV/EBITDA	17.9	15.6	15.8	18.4	14.0	11.3	11.1	9.6
Dividend Yield (%)	1.1	1.1	1.1	0.6	1.0	1.6	1.8	1.8
FCF per share	25.6	47.7	-0.2	-12.8	23.6	9.8	11.5	15.2
Return Ratios (%)								
EBITDA Margins (%)	8.5	8.0	7.5	6.7	9.8	11.2	9.9	10.6
Net Profit Margins (%)	4.8	3.6	3.6	3.0	4.8	6.1	5.4	6.0
RoE	18.8	16.3	17.5	13.7	17.3	22.1	20.4	21.2
RoCE	11.5	12.1	13.0	10.1	12.1	14.2	13.3	14.3
RoIC	13.5	13.3	14.3	10.4	12.5	15.1	14.3	15.0
Working Capital Ratios								
Fixed Asset Turnover (x)	4	5	5	5	4	4	5	4
Asset Turnover (x)	1.7	2.4	2.4	2.1	1.9	1.8	2.0	2.0
Inventory (Days)	60	64	73	75	63	74	72	72
Debtor (Days)	74	54	42	52	59	51	55	55
Creditor (Days)	129	132	125	135	150	162	150	155
Working Capital Turnover (Days)	96	56	81	108	122	129	120	118
Leverage Ratio (x)								
Current Ratio	2.0	1.6	1.8	2.0	2.0	2.2	2.0	2.0
Interest Cover Ratio	3	3	4	3	4	6	6	7
Debt/Equity	1.3	0.7	0.9	1.0	0.8	0.9	0.8	0.6

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
NP/(Loss) Before Tax and EO Items	5,567	5,171	5,920	5,062	7,130	10,094	10,213	12,159
Depreciation	711	961	1,046	1,061	1,007	976	1,039	1,166
Interest & Finance Charges	1,521	1,858	1,605	1,545	1,690	1,199	1,338	1,134
Direct Taxes Paid	-1,207	-1,112	-1,425	-1,716	-2,353	-3,452	-3,370	-4,012
(Inc)/Dec in WC	2,546	6,683	-7,456	-8,816	296	-4,969	-3,578	-2,005
CF from Operations	9,139	13,560	-310	-2,864	7,769	3,849	5,641	8,440
Others	702	1,051	1,173	0	0	0	0	0
CF from Operating incl EO	9,841	14,611	863	-2,864	7,769	3,849	5,641	8,440
(inc)/dec in FA	-2,585	-1,114	-921	-869	-890	-995	-2,269	-4,008
Free Cash Flow	7,255	13,497	-59	-3,733	6,879	2,854	3,372	4,432
(Pur)/Sale of Investments	-2,282	-962	-19	-275	887	1,671	0	0
Others	-187	282	-827	665	548	584	642	706
CF from Investments	-5,054	-1,794	-1,767	-479	546	1,260	-1,627	-3,302
Issue of Shares	26	-44	33	0	0	1	0	0
Inc/(Dec) in Debt	-5,626	-9,238	3,693	5,047	-3,983	5,001	1,000	-2,000
Interest Paid	-2,014	-2,649	-2,159	-2,209	-2,238	-1,783	-1,980	-1,840
Dividend Paid	-1,674	-1,511	-2,208	-876	-1,403	-2,281	-2,456	-2,456
Others	0	0	-77	260	-990	-2,217	-3	0
CF from Fin. Activity	-9,288	-13,442	-719	2,222	-8,614	-1,279	-3,439	-6,296
Inc/Dec of Cash	-4,501	-624	-1,623	-1,121	-299	3,829	575	-1,158
Add: Beginning Balance	9,847	5,346	4,722	3,099	1,978	1,679	5,508	6,083
Closing Balance	5,346	4,722	3,099	1,978	1,679	5,508	6,083	4,925

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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