

Retail Equity Research

Coromandel International Ltd.

Fertilizers

BSE CODE : 506395

NSE CODE: COROMANDEL

BLOOMBERG CODE: CRIN:IN

SENSEX : 65,795

BUY

12 Months Investment Period

Rating as per Mid Cap

CMP Rs. 1,121 TARGET Rs. 1,299 RETURN 16% ↑
 (Closing: 17-11-23)

KEY CHANGES:
TARGET ↑

RATING ↑

EARNINGS ↑

Volume trims topline.. Margins supports bottom line

Coromandel International Ltd. (CRIN) is one of the leading private sector fertilizer manufacturers in the country. CRIN is one of the key producers of NPK and SSP grade fertilizers.

- Despite flat EBITDA growth, margin improved by 470bps to 15.2%% YoY, owing to stable RM prices and backward integration.
- During Q2, CRIN launched neem-oil-based biopesticides and planned to launch non-neem-based biopesticides in H2FY24.
- CRIN introduced nano-DAP-based fertilizer, and its initial response has been overwhelming positive, and obtained drone orders from the Indian Army.
- The fall in input prices, better capacity utilisation, backward integration measures are likely to improve the margin outlook in the near term.
- We value the stock at a revised target price of Rs.1,299, based on 17x FY25E EPS, and upgrade to BUY rating.

Top line dips.. But improved margin cushioned bottom line

CRIN reported consolidated revenue of Rs.6,988cr for Q2FY24, a degrowth of 30.9% YoY, compared to Rs.10,013cr in Q2FY23. This was due to a decline in government subsidies and a subnormal monsoon. Revenue from nutrients and other allied businesses saw a de-growth of 33.4% YoY to Rs.6,302cr, while crop protection chemicals (CPC) witnessed a muted growth of 3.3% to Rs.730cr. While EBITDA grew modestly by 0.2% to Rs.1,059cr in Q2FY24. But the EBITDA margin improved by 470bps to 15.2% (YoY). Hence, PAT improved modestly by 1.9% to Rs.755cr. During the quarter, CRIN received a huge subsidy amounting to Rs.4,243cr during this quarter. The company has to receive a total subsidy of Rs.1,497cr as of Q2FY24 (v/s Rs.4,176cr in Q2FY23).

Backward integration aids margin support

CRIN showcased improved EBITDA margins on the benefit of stable raw material prices along with strong backward integration measures. We expect the company to be able to improve margins through efficient sourcing of raw materials, higher utilization, and expansion. CRIN has maintained its EBITDA per tone guidance to Rs. 5,500 in FY24. During the quarter, the company launched a biopesticide based on neem oil and planned to introduce a non-neem-based biopesticide in H2FY24. During Q2FY24, DAP and complex fertilizer plants operated over 86% of capacity, with a production of 11.6 lakh metric tones.

New capacity expansion, product launches to improve margin

In Q2FY24, Coromandel further strengthened its backward integration capabilities by commissioning a sulphuric acid plant, resulting in an 83% increase in annual production. The company also set up a desalination plant for its daily requirements. In addition, CRIN introduced nano-DAP-based fertilizer, and the initial response has been overwhelming positive. Despite global headwinds, the crop protection business has seen healthy volume growth, bolstering its performance in both exports and domestic formulations. Apart from nano-DAP and urea, the company commenced its presence in high-growth specialty chemicals and explored opportunities in CDMO manufacturing. The company has successfully obtained drone orders worth Rs.165cr from the Indian Army and has also made a strategic investment by acquiring a 16.53% stake in Xmachines, an AI-based robotics startup specializing in a variety of agricultural operations. CRIN plans to invest Rs.500cr during FY24 for the setting up of the SSP granulation facility, the DAP plant, and the manufacturing of CPC segments.

Outlook and valuation

The fall in input prices, improved capacity utilization, backward integration measures, and the launch of new products are likely to improve the margin outlook in the near term. Hike in MSP for rabi crops and near-normal monsoon in the ending season improve demand. However, the impact of El Nino during the rabi season is still a brewing concern. Therefore, we value the stock at a revised target price of Rs. 1,299, based on 17x FY25E EPS, and upgrade to BUY rating.

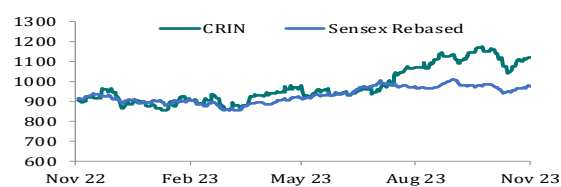
Company Data

| | |
|----------------------------|--------|
| Market Cap (Rs cr) | 32,963 |
| Enterprise Value (Rs cr) | 29,543 |
| Outstanding Shares (Rs cr) | 29.4 |
| Free Float | 0.43 |
| Dividend Yield | 1.1% |
| 52 week high | 1,185 |
| 52 week low | 839 |
| 6m average volume (cr) | 0.05 |
| Beta | 0.8 |
| Face value (Rs) | 1.0 |

| Shareholding (%) | Q4FY23 | Q1FY24 | Q2FY24 |
|------------------|--------|--------|--------|
| Promoters | 57.4 | 57.4 | 57.3 |
| FPI's | 9.4 | 7.6 | 7.2 |
| MFs/Institutions | 15.9 | 15.6 | 17.4 |
| Public | 17.3 | 19.4 | 18.1 |
| Total | 100.0 | 100.0 | 100.0 |

| Price Performance | 3 Month | 6 Month | 1 Year |
|-------------------|---------|---------|--------|
| Absolute Return | 4.65% | 20.79% | 22.14% |
| Absolute Sensex | 1.30% | 6.59% | 6.55% |
| Relative Return* | 3.35% | 14.21% | 15.60% |

*over or under performance to benchmark index



| Consolidated (cr) | FY23A | FY24E | FY25E |
|-------------------|--------|--------|--------|
| Sales | 29,628 | 24,039 | 26,863 |
| Growth (%) | 55.0 | -18.9 | 11.7 |
| EBITDA | 2,926 | 2,716 | 3,170 |
| EBITDA Margin(%) | 9.9 | 11.3 | 11.8 |
| PAT Adj. | 2,013 | 1,933 | 2,245 |
| Growth (%) | 31.7 | -4.0 | 16.1 |
| Adjusted EPS | 68.5 | 65.8 | 76.4 |
| Growth (%) | 31.6 | -4.0 | 16.1 |
| P/E | 13.5 | 14.0 | 12.1 |
| P/B | 3.4 | 2.9 | 2.4 |
| EV/EBITDA | 8.7 | 9.5 | 7.4 |
| ROE (%) | 28.2 | 22.3 | 21.7 |
| D/E | 0.0 | 0.0 | 0.0 |

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 Research Analyst

Quarterly Financials (Consolidated)

| Rs.(cr) | Q2FY24 | Q2FY23 | YoY Growth (%) | Q1FY24 | QoQ Growth (%) | H1FY24 | H1FY23 | YoY Growth (%) |
|--------------------------------|--------------|---------------|----------------|--------------|----------------|---------------|---------------|----------------|
| Sales | 6,988 | 10,113 | -30.9 | 5,693 | 22.7 | 12,682 | 15,842 | -20.0 |
| EBITDA | 1,059 | 1,057 | 0.2 | 709 | 49.3 | 1,768 | 1,742 | 1.5 |
| EBITDA margins(%) | 15.2 | 10.5 | 470 bps | 12 | 269 bps | 14 | 11 | 294 bps |
| Depreciation | 54 | 46 | 17.9 | 48 | 12.2 | 102 | 90 | 13.0 |
| EBIT | 1,005 | 1,011 | -0.6 | 661 | 52.0 | 1,666 | 1,652 | 0.8 |
| Interest | 46 | 54 | -14.8 | 41 | 14.1 | 87 | 81 | 7.4 |
| Other Income | 45 | 31 | 44.0 | 45 | 0.7 | 89 | 85 | 5.4 |
| Exceptional Items | - | - | - | - | - | - | - | - |
| PBT | 1,000 | 989 | 1.1 | 661 | 51.1 | 1,661 | 1,658 | 0.2 |
| Tax | 245 | 248 | -1.3 | 167 | 46.3 | 412 | 418 | -1.4 |
| Share of profit from Associate | -4 | 1 | -775 | -4 | 5 | -7 | 2 | -453.6 |
| Reported PAT | 755 | 741 | 1.9 | 494 | 52.7 | 1,249 | 1,240 | 0.7 |
| Adjustments | - | - | - | - | - | - | - | - |
| Adj PAT | 755 | 741 | 1.9 | 494 | 52.7 | 1,249 | 1,240 | 0.7 |
| No. of Shares | 29 | 29 | 0.0 | 29 | 0.0 | 29 | 29 | 0.0 |
| EPS (Rs) | 26 | 25 | 1.9 | 17 | 52.7 | 42 | 42 | 0.7 |

Change in Estimates

| Year / Rs cr | Old estimates | | New estimates | | Change (%) | |
|--------------|---------------|--------|---------------|--------|------------|-------|
| | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E |
| Revenue | 25,518 | 26,625 | 24,039 | 26,863 | -5.8 | 0.9 |
| EBITDA | 2,884 | 3,142 | 2,716 | 3,170 | -5.8 | 0.9 |
| Margins (%) | 11.3 | 11.8 | 11.3 | 11.8 | 0 bps | 0 bps |
| Adj. PAT | 2,064 | 2,223 | 1,933 | 2,245 | -6.3 | 1.0 |
| EPS | 70.2 | 75.7 | 65.8 | 76.4 | -6.3 | 0.9 |

Consolidated Financials

PROFIT & LOSS

| Y.E March (Rs cr) | FY21A | FY22A | FY23A | FY24E | FY25E |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| Sales | 14,182 | 19,110 | 29,628 | 24,039 | 26,863 |
| % change | 8.0 | 34.8 | 55.0 | -18.9 | 11.7 |
| EBITDA | 1,984 | 2,149 | 2,926 | 2,716 | 3,170 |
| % change | 14.7 | 8.3 | 36.1 | -7.2 | 16.7 |
| Depreciation | 173 | 173 | 182 | 158 | 186 |
| EBIT | 1,706 | 1,901 | 2,554 | 2,462 | 2,864 |
| Interest | 106 | 75 | 190 | 96 | 120 |
| Other Income | 75 | 144 | 171 | 116 | 130 |
| PBT | 1,786 | 2,049 | 2,701 | 2,578 | 2,993 |
| % change | 29.6 | 14.7 | 31.8 | -4.6 | 16.1 |
| Tax | 457 | 521 | 688 | 644 | 748 |
| Tax Rate (%) | 26 | 25 | 25 | 25 | 25 |
| Reported PAT | 1,329 | 1,528 | 2,013 | 1,933 | 2,245 |
| Adj.* | 0 | 0 | 0 | 0 | 0 |
| Adj. PAT | 1,329 | 1,528 | 2,013 | 1,933 | 2,245 |
| % change | 24.9 | 15.0 | 31.7 | -4.0 | 16.1 |
| No. of shares (cr) | 25.4 | 25.4 | 25.4 | 25.4 | 25.4 |
| Adj EPS (Rs) | 45 | 52 | 69 | 66 | 76 |
| % change | 24.9 | 15.0 | 31.7 | -4.0 | 16.1 |
| DPS (Rs) | 12 | 12 | 12 | 12 | 12 |

BALANCE SHEET

| Y.E March (Rs cr) | FY21A | FY22A | FY23A | FY24E | FY25E |
|---------------------------|--------------|---------------|---------------|---------------|---------------|
| Cash | 722 | 1,753 | 1,418 | 3,438 | 4,697 |
| Account Receivable | 554 | 265 | 589 | 593 | 662 |
| Govt Subsidies Receivable | 590 | 294 | 2,378 | 1,976 | 1,472 |
| Inventories | 2,601 | 3,663 | 4,416 | 4,052 | 4,475 |
| Other Cur. Assets | 2,055 | 2,765 | 2,513 | 2,108 | 2,355 |
| Investments | 214 | 243 | 287 | 315 | 347 |
| Gross Fixed Assets | 3,029 | 3,198 | 3,507 | 4,307 | 5,007 |
| Net Fixed Assets | 1,616 | 1,701 | 1,828 | 2,470 | 2,984 |
| CWIP | 76 | 120 | 376 | 80 | 80 |
| Intangible Assets | 23 | 29 | 32 | 32 | 32 |
| Other Assets | 445 | 451 | 396 | 724 | 810 |
| Total Assets | 8,896 | 11,285 | 14,235 | 15,788 | 17,914 |
| Current Liabilities | 3,279 | 4,446 | 5,828 | 5,571 | 5,873 |
| Provisions | 36 | 34 | 44 | 53 | 59 |
| Debt Funds | 2 | 0 | 5 | 300 | 300 |
| Other Liabilities | 430 | 447 | 451 | 450 | 449 |
| Equity Capital | 29 | 29 | 29 | 29 | 29 |
| Reserves & Surplus | 5,121 | 6,329 | 7,878 | 9,385 | 11,203 |
| Shareholder's Fund | 5,151 | 6,358 | 7,908 | 9,414 | 11,233 |
| Total Liabilities | 8,896 | 11,285 | 14,235 | 15,788 | 17,914 |
| BVPS | 176 | 217 | 269 | 320 | 382 |

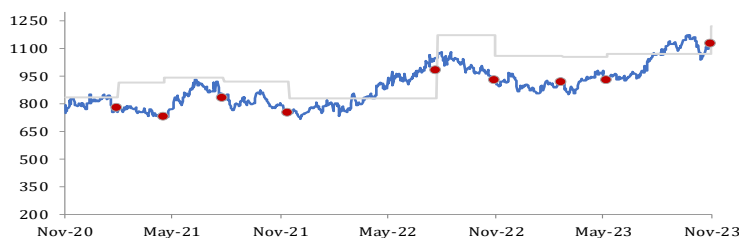
CASH FLOW

| Y.E March | FY21A | FY22A | FY23A | FY24E | FY25E |
|-------------------------|---------------|---------------|-------------|--------------|--------------|
| Net inc. + Depn. | 1,959 | 2,306 | 2,883 | 2,736 | 3,179 |
| Non-cash adj. | 137 | 141 | 247 | 255 | 306 |
| Changes in W.C | 2,695 | 372 | -1,652 | 673 | 242 |
| C.F. Operation | 4,150 | 2,078 | 593 | 2,861 | 2,793 |
| Capital exp. | -188 | -278 | -605 | -504 | -700 |
| Change in inv. | 0 | 0 | -157 | 0 | 0 |
| Other invest.CF | -1,053 | -1,345 | 1,364 | 220 | -202 |
| C.F - Investment | -1,257 | -1,622 | 639 | -284 | -902 |
| Issue of equity | 14 | 4 | 20 | 0 | 0 |
| Issue/repay debt | -1,624 | -2 | 5 | 294 | 0 |
| Dividends paid | -528 | -352 | -353 | -427 | -427 |
| Other finance.CF | -107 | -34 | -152 | -96 | -120 |
| C.F - Finance | -2,263 | -443 | -543 | -557 | -632 |
| Chg. in cash | 630 | 14 | 689 | 2,020 | 1,259 |
| Closing cash | 692 | 706 | 1,394 | 3,414 | 4,673 |

RATIOS

| Y.E March | FY21A | FY22A | FY23A | FY24E | FY25E |
|--------------------------------|-------|-------|-------|-------|-------|
| Profitab & Return | | | | | |
| EBITDA margin (%) | 14.0 | 11.2 | 9.9 | 11.3 | 11.8 |
| EBIT margin (%) | 12.8 | 10.3 | 9.3 | 10.6 | 11.1 |
| Net profit mgn.(%) | 9.4 | 8.0 | 6.8 | 8.0 | 8.4 |
| ROE (%) | 28.1 | 26.6 | 28.2 | 22.3 | 21.7 |
| ROCE (%) | 30.1 | 31.7 | 36.0 | 27.5 | 26.8 |
| W.C & Liquidity | | | | | |
| Receivables (days) | 29 | 8 | 5 | 9 | 9 |
| Inventory (days) | 100 | 80 | 63 | 84 | 76 |
| Payables (days) | 118 | 88 | 72 | 102 | 93 |
| Current ratio (x) | 2.0 | 2.0 | 1.9 | 2.2 | 2.3 |
| Quick ratio (x) | 0.4 | 0.5 | 0.3 | 0.7 | 0.9 |
| Turnover & Leverage | | | | | |
| Gross asset T.O (x) | 4.7 | 6.1 | 8.8 | 6.2 | 5.8 |
| Total asset T.O (x) | 1.5 | 1.9 | 2.3 | 1.6 | 1.6 |
| Int. covge. ratio (x) | 17.1 | 26.2 | 14.4 | 26.5 | 24.9 |
| Adj. debt/equity (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Valuation | | | | | |
| EV/Sales (x) | 1.6 | 1.4 | 0.9 | 1.1 | 0.9 |
| EV/EBITDA (x) | 11.7 | 12.3 | 8.7 | 9.5 | 7.6 |
| P/E (x) | 16.3 | 17.7 | 13.5 | 14.0 | 12.1 |
| P/BV (x) | 4.2 | 4.3 | 3.4 | 2.9 | 2.4 |

Recommendation Summary (Last 3 years)



| Dates | Rating | Target |
|-----------|------------|--------|
| 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 | 1,171 |
| 15-Nov-22 | Accumulate | 1,058 |
| 10-Mar-23 | Accumulate | 1,054 |
| 25-May-23 | Accumulate | 1,060 |
| 17-Nov-23 | Buy | 1,299 |

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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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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