

Coromandel Intl. Ltd.

₹ 264

Fertile Investments !**Accumulate**

Jun 08, 2012

Company Background

Incorporated in 1964 Coromandel Intl. Ltd. (CIL) engaged in manufacturing of fertilizers, plant protection chemicals & speciality nutrients. CIL is a part of the ₹ 22,314 crores (USD 4.4 bn) Murugappa Group. The Company clocked a turnover of ₹ 9,823 crore in 2011-12 (USD 1.93 billion as on March 31, 2012). Coromandel manufactures a wide range of fertilisers and markets around 2.9 million tons making it a leader in its addressable markets and the second largest phosphatic fertiliser player in India. In its endeavour to be a complete plant nutrition solutions company, CIL has also introduced a range of Speciality Nutrient products including Organic Fertilisers. The Crop Protection business produces insecticides, fungicides and herbicides and markets these products in India and across the globe. CIL is the 2nd largest manufacturer of Malathion and only the 2nd manufacturer of Phenthoate. CIL has also ventured into the retail business setting up more than 425 rural retail centers in the agri and lifestyle segments.

Key Highlights

- ➔ Coromandel is the first company in India to have been granted direct import permission of Urea for its captive consumption. It has already signed a pact with QAFCO for its supply. This will directly benefit the company.
- ➔ CIL is a leading player in decontrolled fertilizer space with capacity of 2.3 mn mt of NPK (23% market share) & 0.8 mn mt of DAP (market share 6%).
- ➔ Acquisition of Sabero Organics, a leading agrochemical player in technicals manufacturing, should facilitate growth for CIL's agro chemicals business. Improved capacity utilization from 30-35% at present and integration of Sabero's diversified product portfolio of active ingredients (AI's) with CIL's strong distribution network will help the company to support revenues, though the contribution will remain marginal in percentage terms.
- ➔ Tunisian Indian Fertilisers (TIFERT), a joint venture between Coromandel and GSFC is likely to get commissioned in FY13. TIFERT commissioning is expected to boost phos acid volumes for Coromandel & meet its requirements of the train C at Kakinada. Management expects TIFERT to increase availability of phos acid by 90,000-100,000mt in FY13.

Key Financials

Year Ended 31 st	Mar 09	Mar 10	Mar 11
Revenue (INR mn)	96678.4	65268.4	77161.5
Rev. growth (%)	151.88	(32.49)	18.22
EBITDA (INR mn)	10770.1	8709.6	(24.6)
Net profit (INR mn)	4963.8	4682.0	6944.6
Shares outstanding (mn)	139.9	140.3	281.8
EPS (INR)	35.5	33.4	24.6
EPS growth (%)	136.64	(5.91)	(26.18)
P/E (x)	2.6	9.4	11.6
EV/ EBITDA	2.7	7.2	(3840.8)
ROCE (%)	5.76	10.01	8.47

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Previous Report

Date	: Feb 08, 2008
Recommendation	: Buy
Price	: ₹ 131
Target	: ₹ 158
Target Reached	: Apr 22, 2008
Peak in 52 Week	: ₹ 200
% High in 1 Yr	: 52.67%

Market Data

52 Wk Range (₹)	: 358 / 245
Shares in Issue (mn)	: 281.8
Mkt. Cap (₹ bn)	: 74.03
BSE 2 Wk Avg Vol	: 23729

Share Holding Pattern (%)

Promoters	: 63.91
DII's	: 7.25
FII's	: 7.73
Others	: 21.11

Investment Theme

CIL's acquisition of Gujarat based agrochemical company Sabero Organics would continue to strengthen its topline growth. Sabero has a wide portfolio of 8 to 9 products across various categories like insecticides, herbicides and fungicides. Strong synergy benefit is expected from this acquisition going forward. CIL's growth trajectory would be further supported by expansion of phosphoric fertiliser capacity in Kakinada and addition of 200 retail stores. Revenue from Kakinada's new capacity is expected to start contribution from H2 FY13. High fertiliser subsidy and fall in global P & K fertiliser prices would continue to boost its consumption in coming quarters.

Ureakka !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 09	Mar 10	% Chg	Mar 11	% Chg
Total Sales + Excise	95918.6	64424.8	(32.83)	75985.6	17.94
Other Income	1191.4	1150.0	(3.47)	1739.9	51.30
Change in Stocks	3053.4	(1536.9)	(150.33)	2199.7	(243.13)
Raw Material Con.	73216.6	41062.0	(43.92)	50607.3	23.25
Employee Exp.	1334.3	1648.8	23.57	1792.2	8.70
Indirect Taxes	548.9	418.7	(23.72)	644.4	53.90
Other Exp.	14293.5	12198.8	(14.65)	15146.2	24.16
Operating Exp.	86339.9	56865.2	(34.14)	65990.4	16.05
Operating Profit	9578.7	7559.6	(21.08)	9995.2	32.22
Total Interest	2129.3	957.0	(55.06)	1214.0	26.85
Gross Profit	8640.8	7752.6	(10.28)	10521.1	35.71
Net Dep.	549.1	597.8	8.87	620.8	3.85
Total Taxation	3127.9	2472.8	(20.94)	2955.7	19.53
Net Profit/Loss	4963.8	4682.0	(5.68)	6944.6	48.33

4 Years Balance Sheet

(₹ mn)

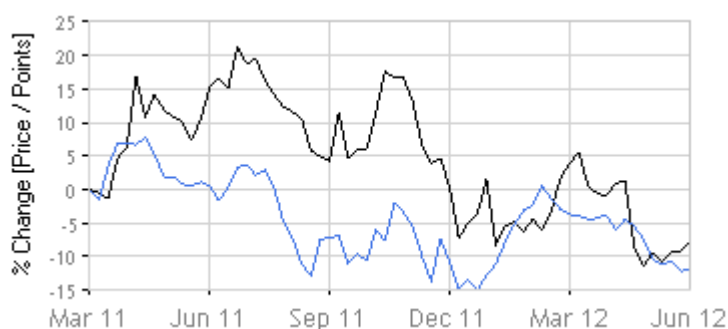
Balance Sheet as on 31 st	Mar 08	Mar 09	Mar 10	Mar 11
SOURCES OF FUNDS	17480.2	27541.5	32547.1	32738.8
Equity Share capital	279.8	279.8	280.5	281.8
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	7664.6	10991.6	14069.3	18759.3
Secured Loans	5531.7	2970.6	4656.0	3876.9
Unsecured Loans	4004.1	13299.5	13541.3	9820.8
USES OF FUNDS	17480.2	27541.5	32547.1	32738.8
Gross Block	11259.3	12049.7	12995.9	13442.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	4013.8	4409.5	4955.5	5504.9
Net Block	7245.5	7640.2	8040.4	7937.2
Capital Work in Progress	108.4	278.0	132.7	594.9
Investments	3513.4	10436.1	10710.1	6423.1
Current Assets	16859.8	28675.8	25179.4	37558.7
Less : Current Liabilities	10246.9	19488.6	11515.5	19775.1
Total Net Current Assets	6612.9	9187.2	13663.9	17783.6
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	3261.9	10434.6	10708.8	6421.8
Mkt Val. Quoted Investments	251.1	0.5	0.6	0.4
Contingent Liabilities	612.5	4223.2	3241.9	5638.4
Dividend (%)	175	500	500	700

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 11	Sep 11	Dec 11	Mar 12
Net Sales	17956.70	27240.80	25605.60	26721.80
Cost Of Sales	15458.50	23903.20	23135.10	25118.60
Operating Profit	2498.20	3337.60	2470.50	1603.20
Recurring Income	190.80	185.00	207.20	583.70
Adjusted PBDIT	2689.00	3522.60	2677.70	2186.90
Financial Expenses	243.40	187.80	292.10	427.20
Depreciation	142.10	135.50	137.80	146.20
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	2303.50	3199.30	2247.80	1613.50
Tax Charges	710.00	1100.00	556.90	398.10
Adjusted PAT	1593.50	2099.30	1690.90	1215.40
Non Recurring Items	0.00	688.90	(355.30)	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	1593.50	2788.20	1335.60	1215.40

52 Week Index Relative Percentage Appreciation



CIL vs SENSEX

Points to Ponder

- ➔ CIL stands out to be the largest manufacturer and marketer of a wide range in special Fertiliser segments. CIL manufactures phosphatic fertilisers making it a market leader and it is the second largest phosphatic fertiliser player in India. The company has dominant hold in southern India market making it a market leader in complex fertiliser segment.
- ➔ CIL hold a strong market position in manufacturing of complex fertilizer. It is poised to be the biggest beneficiary in the complex fertiliser space in India through the NBS policy. The company products are based upon the new Nutrient Based Subsidy policy making CIL more competitive in product segment.

Risks Associated

The fertilizer industry is majorly regulated by the government and therefore faces the main risk of non-conducive policies and inter-department disagreements. Further the delay in payment of subsidies by the government as well as since the industry works on seasonal demand & continuous production working capital finance is attracting an interest burden. Pricing of gas for fertilizer units seems to be a major issue along with its availability. The raw material prices and other operating costs are on the rise. Any disruption in the supply of key raw materials directly affects the volumes as evident from the last quarters. An additional credit risk is also attached to the industry, because the sales to dealers involve non-payment risks, especially if the monsoon is not favorable as key customers of the fertilizer industry are farmers.

In a Nutshell

Coromandel International Ltd., previously Coromandel Fertilizer Ltd. is an Indian manufacturer of phosphatic and other complex fertilizers. Coromandel has huge cash reserves which would give the company great advantage in its capex plans. It has been able to maintain its margins even during the slack period due to its product mix. The company has been focusing on non subsidy products to increase its margin. The company has increased prices of its products which were well absorbed due to rise in MSPs. This coupled with the spillover of key crops sowing due to extended rainfall, would add more sales revenue in the upcoming quarter. It has been paying high dividends consistently and is a safe stock in its sectors. The strategic partnerships with leading companies across the globe for raw materials, coupled with its high efficiency plants, enables it to be a cost leader in domestic complex fertilizers. Continued supply of required raw materials at competitive international prices, technical know-how's will improve the operating cost & advantageous over its peers. CIL has a wide distribution network of product marketing through its 423 Retail outlet. These outlets besides providing complete range of farm products they also provide information on crop cultivation, pest management recommendation, symptoms identification details to the farmers. This enables the company to build strong relationships with the farmers and improves the cultivation of crops.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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