

Coromandel Intl Ltd.

₹ 303

A Complex Marketshare !**Buy**

Jan 9, 2015

Company Background

Incorporated in 1964 Coromandel Intl. Ltd. (Coromandel) engaged in manufacturing of fertilizers, plant protection chemicals & speciality nutrients. Coromandel is a part of the Rs. 22,314 crores (USD 4.4 bn) Murugappa Group. The Company generated Net Sales of of Rs. 9497.8 Crore in 2013-14. 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, Coromandel 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. Coromandel is the 2nd largest manufacturer of Malathion and only the 2nd manufacturer of Phenthoate. Coromandel has also ventured into the retail business setting up more than 425 rural retail centers.

Key Highlights

- ➔ Coromandel's market share in complex fertilizers is expanding and has nearly touched 30%. With focus on customized products and investments in the Gromor brand, the management is confident of further market share gains. Focus on complexes as against DAP, along with revival of demand for domestic agro-chemicals and higher gypsum sales will boost aggregate margins. Further, due to normalization of channel inventories and higher capacity utilization, Coromandel will outpace industry growth.
- ➔ Management has strengthened its credit mechanism in the market with an average of 30 days credit days as against 45 to 60 days in FY14. Going forward, management is looking to move to Cash and carry model as per earlier trend. This will ease pressure on the working capital.
- ➔ Though right now prices of ammonia which is a major raw material remain high however the correction in Crude prices should benefit the company soon as ammonia prices are linked to crude.
- ➔ The profit making subsidiary of Coromandel is merging with the parent. This should shortly bring in more revenues from the parent shortly.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	99,315.5	86,293.1	94,380.2
Rev. growth (%)	28.7	(13.1)	9.4
EBITDA (INR mn)	13,540.5	10,221.2	10,378.2
Net profit (INR mn)	6,932.7	4,439.9	3,448.5
Shares outstanding (mn)	282.6	283.1	283.2
EPS (INR)	24.5	15.7	12.2
EPS growth (%)	(0.4)	(36.1)	(22.4)
P/E (x)	11.6	11.8	18.2
RONW (%)	30.8	19.5	16.1
ROCE (%)	16.3	9.6	8.7

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: CORF.BO
Bloomberg	: CRIN@IN
NSE	: COROMANDEL
BSE	: 506395

Market Data

52 Wk Range (₹)	: 195 / 340
Shares in Issue (mn)	: 283.2
Mkt. Cap (₹ bn)	: 86.9
BSE 2 Wk Avg Vol	: 7978

Share Holding Pattern (%)

Promoters	: 63.20
FIIs	: 6.65
DIIIs	: 5.57
Others	: 24.58

Previous Report

Recommended Accumulate on May 31, 2013 at Rs 195 reached an appreciation of 41% during the year.

Investment Theme

Coromandel appears to be a good bet because of its focus on the more lucrative complex fertilizers space and its initiatives to diversify from a pure fertilizer business to a broader, agricultural inputs business. Coromandel has been able to increase in market share in complex fertilizers from 24% to about 30% over the past one year. Going forward, with a focus on customized products, investments in the Gromor brand, management is confident of further market share gains. The management has also indicated that capacity utilization in FY16 can be ramped up to 85-90% thus driving strong volume and revenue growth. We therefore recommend to accumulate the stock.

Merging in Profitability !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	98388.8	86627.2	(11.95)	94978.2	9.64
Other Income	1509.8	678.2	(55.08)	517.1	(23.75)
Change in Stocks	2588.7	(1472.0)	(156.86)	1239.5	(184.21)
Raw Material Con.	59103.0	49073.1	(16.97)	60050.5	22.37
Employee Exp.	1864.4	2024.5	8.59	2407.8	18.93
Indirect Taxes	1018.6	1103.1	8.30	1374.2	24.58
Other Exp.	26975.7	23435.0	(13.13)	22524.1	(3.89)
Operating Exp.	86373.0	77107.7	(10.73)	85117.1	10.39
Operating Profit	12015.8	9519.5	(20.78)	9861.1	3.59
Total Interest	3262.8	3818.4	17.03	4560.9	19.45
Gross Profit	10262.8	6379.3	(37.84)	5817.3	(8.81)
Net Dep.	565.1	716.0	26.70	873.5	22.00
Total Taxation	2765.0	1223.4	(55.75)	1495.3	22.22
Net Profit/Loss	6932.7	4439.9	(35.96)	3448.5	(22.33)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	32,738.8	48,352.9	44,458.5	37,510.0
Equity Share capital	281.8	282.6	283.1	283.2
Share Application Money	0.0	0.0	0.0	2.6
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	18,759.3	23,429.3	21,473.0	22,047.4
Long Term Loans	1,463.7	3,193.5	8,026.9	3,559.4
Short Term Loans	12,234.0	21,447.5	14,675.5	11,617.4
USES OF FUNDS	32,738.8	48,352.9	44,458.5	37,510.0
Gross Block	13,442.1	13,978.7	17,677.2	19,310.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	5,505.1	5,907.7	6,256.7	7,199.5
Net Block	7,937.0	8,071.0	11,420.5	12,111.1
Capital Work in Progress	206.4	1,331.3	279.4	269.2
Investments	6,423.3	6,279.4	8,795.5	7,440.1
Current Assets	37,827.4	57,717.0	53,513.5	51,348.6
Less : Current Liabilities	19,655.3	25,045.8	29,550.4	33,659.0
Total Net Current Assets	18,172.1	32,671.2	23,963.1	17,689.6
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	6,422.9	2,261.9	3,061.8	3,337.4
Mkt Val. Quoted Investments	0.4	1,858.6	3,460.8	3,187.5
Contingent Liabilities	4,655.4	6,505.1	3,978.3	2,259.0
Dividend (%)	700	700	450	450

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 13	Mar 14	Jun 14	Sep 14
Net Sales	25007.2	23369.6	16854.1	32453.5
Cost Of Sales	22920.2	21551.8	15879.2	29279.4
Operating Profit	2087.0	1817.8	974.9	3174.1
Recurring Income	125.5	204.5	165.3	135.1
Adjusted PBDIT	2212.5	2022.3	1140.2	3309.2
Financial Expenses	506.9	558.2	556.6	539.5
Depreciation	197.1	228.6	216.1	224.5
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	1508.5	1235.5	367.5	2545.2
Tax Charges	487.7	404.6	114.3	841.4
Adjusted PAT	1020.8	830.9	253.2	1703.8
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	1020.8	830.9	253.2	1703.8

52 Week Index Relative Percentage Appreciation



Coromandel vs SENSEX

Points to Ponder

- Coromandel stands out to be the largest manufacturer and marketer of a wide range in special Fertiliser segments. Coromandel manufactures phosphatic fertilisers making it a market leader and it is the second largest phosphatic fertiliser player in India. It has dominant hold in south India market making it a market leader in complex fertilisers.
- Coromandel 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 Nutrient based Subsidy policy.

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 nonpayment risks, especially if the monsoon is not favorable as key customers are farmers.

Coromandel

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. Coromandel has a wide distribution network of product marketing through its 425 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.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007
Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018
Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007
Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

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

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.

