

**Coromandel Intl****₹409****2nd Largest Phosphatic Fertilizer...!!! Buy**

July 07, 2017

**Company Background**

Coromandel International Limited, India's second largest Phosphatic fertilizer player, is in the business segments of Fertilizers, Specialty Nutrients, Crop Protection and Retail. It manufactures a wide range of fertilizers and markets around 3.2 million tons making it a leader in its addressable markets. It is a part of the R.s.300 bn Murugappa Group. It has also ventured into the retail business setting up more than 750 rural retail centers in the States of Andhra Pradesh and Karnataka. It was ranked among the top 20 best companies to work for by Business Today and was also voted as one of the ten greenest companies in India by TERI, reflecting its commitment to the environment and society. Its brand name includes Gromor, Paramfos, Parry Sulphur and Parry Gold. The company's fertilizer plants are located at Visakhapatnam & Kakinada in Andhra Pradesh, Ennore and Raniper in Tamil Nadu. It was incorporated in the year 1961, by the synergistic efforts of two major companies of the US namely Chevron Chemical Company and International Minerals and Chemicals Corporation & EID Parry Ltd, a leading business house in India associated with agriculture.

**Key Highlights**

- ➔ The Company clocked a turnover of Rs.10,250 Crore during FY 2016-17.
- ➔ It has production capacity of 23.10 lakh tonnes of complex fertilizers, 8.15 lakh tonnes of DAP and 1.32 lakh tonnes of SSP.
- ➔ It is marketing their products all over India and exports pesticides to various countries across the globe and it's more than 50% contribution to turn over from Phosphate related products.
- ➔ It is also engaged in rural retail business in the states of Andhra Pradesh and Karnataka through a chain of 600+ retail outlets set up in various parts of these States.
- ➔ Coromandel International Limited, India's second largest Phosphatic fertilizer player, is in the business segments of Fertilizers, Specialty Nutrients, Crop Protection and Retail. It was ranked among the top 20 best companies by Business Today and was also voted as one of the 10 greenest companies in India by TERI.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	1,15,112.3	1,17,153.6	1,02,386.8
Rev. growth (%)	20.35	1.77	(12.60)
EBITDA (INR mn)	7,873.7	9,050.7	8,556.2
Net profit (INR mn)	4,031.4	3,578.6	4,767.8
Shares outstanding (mn)	291.3	291.3	291.7
EPS (INR)	12.9	11.8	15.5
EPS growth (%)	13.52	(8.89)	31.83
P/E (x)	20.76	16.12	20.14
RONW (%)	18.33	15.33	17.94
ROCE (%)	19.34	15.46	18.21

**Nishant Chopra**

nishantc@indiratrade.com

**Info Codes**

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

**Market Data**

52 Wk Range (₹)	: 223/444
Shares in Issue (mn)	: 291.67
Market. Cap ( bn)	: 119.48
BSE 2 Wk Avg Vol	: 13000

**Share Holding Pattern (%)**

Promoters Holding	: 61.99
Public & Others	: 13.38
Corporate Holding	: 08.31
Foreign Institution	: 08.74
Institutions	: 07.58

**Investment Theme**

Coromandel Fertilisers Ltd, a part of the Murugappa Group of companies is a leading manufacturer of a wide range of fertilisers and pesticides. They are the producer of phosphatic fertilisers, plant protection chemicals, specialty nutrients, and sulphur bentonite, potash. And it is India's second largest player for producing Phosphatic fertilizer. India is 4th largest global producer of agro chemicals in 2016. A large population, dependence on agriculture & strong export demand are the key growth drivers for the fertilisers, crop protection business. Our prices of urea are perhaps the lowest in the world at around \$85 per million tonne against \$265/ MT in China and more than \$360/ MT in Pakistan. The market share in key markets of AP and Telangana rose from 59% in FY 2015 to 60% in FY 2016.

**India is 2nd biggest consumer of fertilizer in the world...!!!**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	1,12,852.6	1,14,725.8	1.7	1,00,209.6	(12.7)
Other Income	556.0	903.8	62.6	533.8	(40.9)
Change in Stocks	4,075.6	1,133.6	(72.2)	(3,056.0)	(369.6)
Raw Material Con.	90,132.3	88,278.8	(2.1)	68,059.6	(22.9)
Employee Exp.	2,754.8	2,912.5	5.7	3,101.5	6.5
Indirect Taxes	1,703.7	1,524.0	(10.5)	1,643.4	7.8
Other Exp.	13,842.7	15,491.7	11.9	14,528.8	(6.2)
Operating Exp.	1,08,433.5	1,08,207.0	(0.2)	87,333.3	(19.3)
Operating Profit	9,050.7	8,556.2	(5.5)	10,354.1	21.0
Total Interest	2,093.2	2,209.1	5.5	2,236.7	1.2
Gross Profit	6,957.5	6,347.1	(8.8)	8,117.4	27.9
Net Dep.	1,033.1	1,055.5	2.2	998.8	(5.4)
Total Taxation	1,893.0	1,713.0	(9.5)	2,350.8	37.2
Net Profit/Loss	4,031.4	3,578.6	(11.2)	4,767.8	33.2

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16	Mar 17
<b>SOURCES OF FUNDS</b>	<b>37,982.0</b>	<b>44,932.5</b>	<b>52,095.6</b>	<b>50,681.2</b>
Equity Share capital	283.2	291.3	291.3	291.7
Equity Application Money	2.6	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	22,047.4	21,354.0	24,736.3	27,827.6
Secured Loans	8,724.9	8,033.5	8,514.6	9,729.7
Unsecured Loans	6,923.9	15,253.7	18,553.4	12,832.2
<b>USES OF FUNDS</b>	<b>37,982.0</b>	<b>44,932.5</b>	<b>52,095.6</b>	<b>50,681.2</b>
Gross Block	19,310.6	22,811.7	23,256.1	23,941.2
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	7,199.5	9,158.9	10,103.6	10,705.0
Net Block	12,111.1	13,652.8	13,152.5	13,236.2
Capital Work in Progress	269.2	464.4	416.3	219.6
Investments	7,440.1	3,522.1	3,696.8	3,341.9
Current Assets	50,226.1	64,763.8	72,277.5	68,169.7
Less : Current Liabilities	30,772.7	36,279.1	36,702.4	33,463.4
Total Net Current Assets	19,453.4	28,484.7	35,575.1	34,706.3
Misc. Expenses not writtenoff	(1,291.8)	(1,191.5)	(745.1)	(822.8)
<b>NOTE</b>				
Book Value of Unquoted Investments	1,336.3	3,519.3	3,693.7	3,339.4
Market Value of Quoted Investments	1.8	2.4	0.0	0.0
Contingent Liabilities	5,108.4	4,708.1	592.5	679.1
Dividend (%)	450.0	450.0	400.0	500.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 16	Sep 16	Dec 16	Mar 17
Net Sales	19,987.0	34,979.6	22,241.7	22,456.3
Cost Of Sales	19,258.1	31,300.2	19,972.5	19,858.5
Operating Profit	728.9	3,679.4	2,269.2	2,597.8
Other Income	281.1	336.2	222.4	239.1
Adjusted PBDIT	1,010.0	4,015.6	2,491.6	2,836.9
Financial Expenses	650.6	586.3	528.9	470.9
Depreciation	243.5	249.7	253.3	252.3
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	115.9	3,179.6	1,709.4	2,113.7
Tax Charges	37.5	1,052.5	582.7	678.1
Reported Profit	78.4	2,127.1	1,126.7	1,435.6
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	78.4	2,127.1	1,126.7	1,435.6

52 Week Index Relative Percentage Appreciation



Coromandel vs SENSEX

Risks Associated

- ➔ Fertiliser sector has not seen any major fresh investment in the last 15 years or so. Some urea manufacturers are even seriously thinking of downing shutters.
- ➔ Unpaid fertiliser subsidy bills to the industry have crossed Rs 48,000 crore, as per industry estimates. The total allocation for fertilizers in the Indian budget for 2016-17 is Rs 70,000 crore, a reduction of 4% year on year. The budget allocation on decontrolled fertilizers has been reduced by Rs 34.6 bn or 15% compared with the allocation for 2015-16.
- ➔ First and foremost, Government has to clear the arrears to bring some optimism in the industry and resurrect the government's budgetary credibility.
- ➔ Government has to bring urea under the nutrient-based subsidy scheme and recalibrate the relative prices of nitrogen, phosphorus and potassium - urea prices should go up and phosphorus and potassium prices inch down a bit.
- ➔ Neglecting the fertiliser sector for too long can cost India heavily in terms of food security. India still depends heavily on imports for the raw ingredients for its phosphatic and potassium fertilizers.
- ➔ A bold policy step would be to distribute the fertiliser subsidy through direct cash transfers to farmers on a per-hectare basis, coupled with the decanalisation of imports and decontrol of fertiliser prices. The issue of identifying the owner/tenant can easily be tackled if the government is serious and focused.
- ➔ The main feedstock for urea - gas is available to the fertiliser industry at a pooled price of \$10.5 per million metric British thermal unit (mmBtu), while it is available in many Gulf countries at less than \$3/ mmBtu.



## Coromandel Inter In a Nutshell

Coromandel International Limited is market leader in the phosphatic fertilizer segment has a production capacity of 36.25 lakh tonnes of di-ammonium phosphate (DAP) and complexes. The fertilizer manufacturing facilities are located at Vishakhapatnam and Kakinada in Andhra Pradesh and Ennore in Tamil Nadu, making it the largest phosphatic manufacturer among private sector players in India. Phosphatic and potassic fertilizers of various grades with different composition of nutrients are produced and marketed. Imported DAP, potash, urea and NPKs are also distributed. The phosphatic fertilizer volumes rose 5% to 0.68 million tonnes in the March 2016 quarter over a year ago, while they remained flat at 2.3 mt in FY 2016. A healthy volume growth is projected in FY 2017. The crop protection business recorded a moderate growth in FY 2016 by leveraging the exports business in key Latin America and European markets. Strong demand for chemicals mancozeb in global markets and chloropyriphos in Brazil were the key growth drivers. However, weakening of the local currency in some countries of South America and Africa affected the landed cost of the product. The market share in key markets of AP and Telangana improved from 59% in FY 2015 to 60% in FY 2016 despite sluggish demand environment due to 15% deficient rains during the kharif season in these states. The position has been improved in other states such as Tamil Nadu, West Bengal, Madhya Pradesh and Chattisgarh. However, some market share was lost in Maharashtra due to opting out of co-marketing of certain products and also in Karnataka due to low ground water level.

### 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](mailto: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](mailto: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](mailto:ie@indiratrade.com)

### Rating Interpretation

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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