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Coromandel International Limited (Coromandel) is India's prominent Phosphatic fertilizer player. Coromandel manufactures a wide range of fertilizers and markets around 3.4mn tons making it one of the leaders in its addressable markets. It is also engaged in the business of other farm inputs comprising of crop protection, specialty nutrients and organic compost.

## Key Developments

### Market share in agri states of South India:

During FY16, the market share of fertilizer improved in various states including Andhra Pradesh, Telangana, Tamil Nadu, West Bengal, Chhattisgarh and Madhya Pradesh. Notably, Coromandel improved market share in Andhra Pradesh from 59% in FY15 to 60% in FY16. Further, Coromandel is witnessing traction in low cost SSP (super phosphate) as sales volume surged by robust 13% YoY in FY16 & the company also improved market share from 13.2% to 13.5%. During FY16, the company also introduced new products such as zincated SSP.

### Operating margins driven by rising share of non-subsidy business:

As the company has developed solutions around improving nutrient uptake efficiency & balanced crop nutrition, Coromandel is shifting business mix towards high margin non-subsidy business. Specialty nutrients comprises of water soluble fertilizers, sulphur products, micro nutrients and organic manure, which offers significant growth opportunities in India. After the acquisition of erstwhile Sabero Organics in 2011, Coromandel's crop protection business has expanded its presence globally with wide range of products consisting of Insecticides, Fungicides and Herbicides. Over the years, Sabero improved its operational performance significantly, led by declining raw material costs and gas prices, leading to better EBITDA margins. In FY16, company introduced 3 new products- Speedfol, Prilled Potassium Nitrate and Micronized Sulphur.

### Retail business:

Currently, with around 800 stores spread across 3 states (AP, Telangana and Karnataka), the centers have been established as a leading rural retail chain in India. Retail centers offer comprehensive solutions in form of high quality inputs, soil testing, field demos, nutrient and pesticide recommendations.

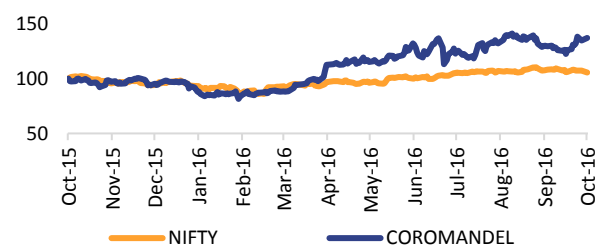
## Market Data

<b>CMP (Rs.)</b>	<b>270</b>
Face Value	1.0
52 week H/L (Rs.)	293/146
Adj. all time High (Rs.)	293
Decline from 52WH (%)	7.9
Rise from 52WL (%)	84.4
Beta	1.5
Mkt. Cap (Rs.Cr)	7,862
Enterprise Value(Rs. Cr)	9,089

## Fiscal Year Ended

	FY14	FY15	FY16
<b>Total revenue (Rs.cr)</b>	10,053	11,306	11,522
<b>Adj. PAT (Rs.cr)</b>	369	406	336
<b>Share Capital (Rs.Cr)</b>	28	29	29
<b>EPS (Rs.)</b>	13.0	13.9	11.5
<b>P/E (x)</b>	20.7	19.4	23.4
<b>P/BV (x)</b>	3.4	3.6	3.2
<b>ROE (%)</b>	16.5	18.1	14.5

## One year Price Chart

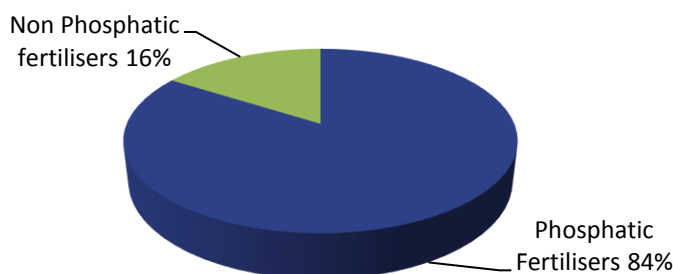


Shareholding	Sep-16	Jun-16	Diff.
<b>Promoters (%)</b>	62.0	62.1	(0.1)
<b>Public (%)</b>	38.0	37.9	0.1
<b>Others (%)</b>	-	-	-

## Coromandel International Ltd: Business Overview

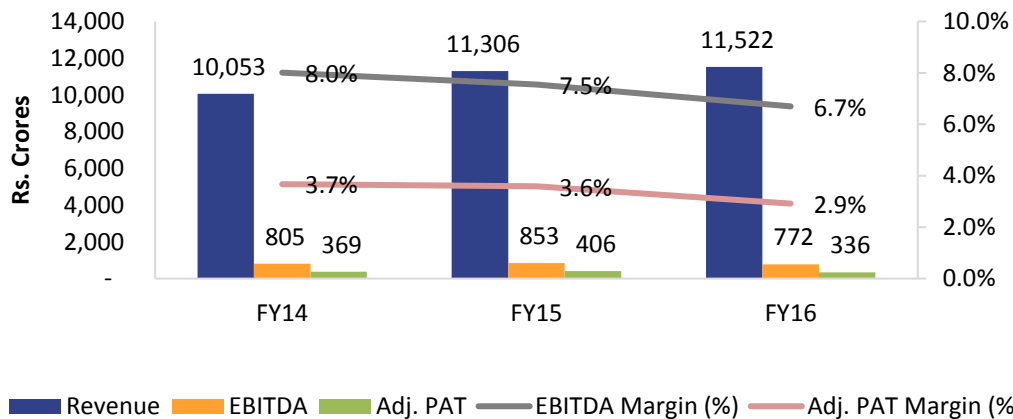
Coromandel is engaged in the business of farm inputs comprising of fertilizers, crop protection, specialty nutrients and organic compost. It has 15 manufacturing facilities located in Andhra Pradesh, Tamil Nadu, Karnataka, Maharashtra, Madhya Pradesh, Uttar Pradesh, Rajasthan, Gujarat and Jammu & Kashmir. Coromandel's products are marketed all over the country through an extensive network of dealers & its own retail centers. It also operates a network of around 800 rural retail outlets under its retail business across Andhra Pradesh, Telangana and Karnataka. The company also exports crop protection products to various countries.

### Revenue break-up (FY16)



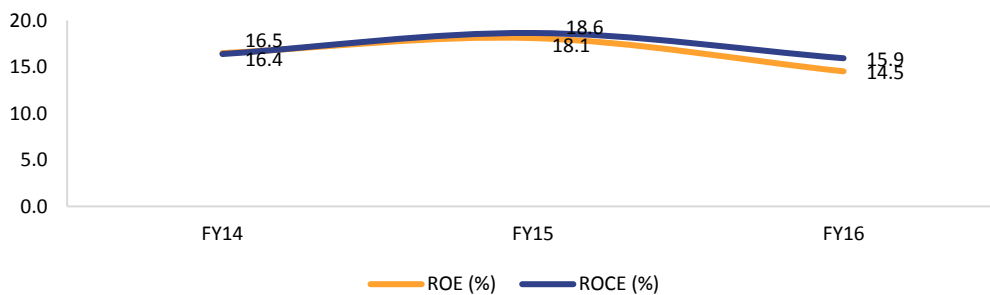
Source: Company, In-house research

### Financial snapshot of Coromandel



Source: Company, In-house research

### Return ratios trend



Source: Company, In-house research

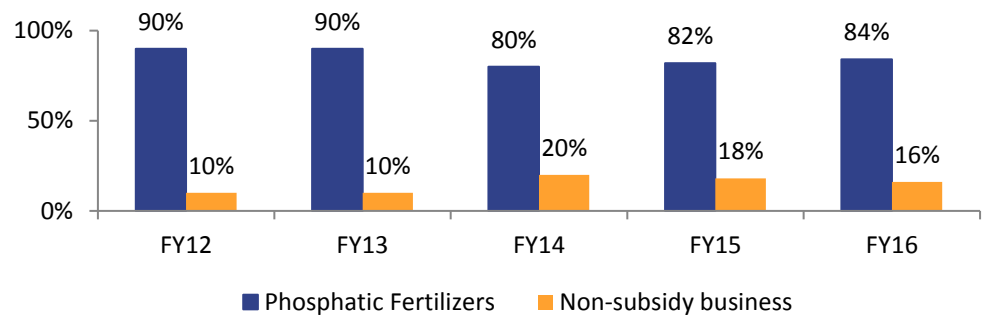
## Fertilisers: Focus towards low cost alternative and complex products

Coromandel manufactures a wide range of fertilizers and markets around 3.4 mn tons in its addressable markets. It is the second largest manufacturer of Malathion (an organophosphate insecticide of relatively low human toxicity) and only the second manufacturer of Phenthoate in India. It offers a complete bouquet of products in NPK fertilizer segment (70% of Coromandel's fertilizers volumes). Fertilizers business accounted for 84% of overall sales and 64% of operating profit in FY16. While Coromandel witnessed moderate sales volume growth of 5% YoY in fertilizer, it witnessed lower realisation on the back of declining raw material prices. However, the company improved market share in Andhra Pradesh, Telangana, Tamil Nadu, West Bengal, Chhattisgarh and Madhya Pradesh.

## SSP: Low cost alternative

SSP, which is a low 'P' fertiliser, is ideally suited for pulses and oilseed growers, and offers a low cost alternative over other conventional grades. With the integration of erstwhile Liberty Phosphate operations in 2013, the SSP sales have grown significantly. The company had also introduced new products such as zincated SSP. With this, Coromandel has now fully diversified its operations in terms product offering and crop segments. Despite pressure on the EBITDA margin owing to depressed market prices, Coromandel has improved its market share in SSP and sustained leadership position in terms of volumes. In FY16, company achieved volume growth of 13% YoY and market share improved from 13.2% to 13.5%.

### Revenue mix



Source: Company, In-house research

## Non Fertilizers business: Increasing contribution to operating margins

Due to imbalanced nutritional practices and low manure usage, the Indian soils have become less responsive to the nutrient application. Recognizing this, Coromandel has developed solutions around improving nutrient uptake efficiency and balanced crop nutrition. Coromandel's non fertilizers consist of crop protection chemicals, specialty nutrients and retail businesses. In FY16, non-fertilizers business contributed 16% to overall revenue and 36% to operating profit respectively. Further, specialty nutrients, which comprises of water soluble fertiliser, sulphur products, micro nutrients and organic manure offers significant growth opportunities in India going forward. Moreover, the company introduced 3 new products Speedfol, Prilled Potassium Nitrate and Micronized Sulphur in FY16.

Other business segments like domestic formulations and specialty nutrients faced headwinds on account of erratic rainfall in FY16. However, it was offset by better realisations logged by the technical business segment of crop protection. After the acquisition of erstwhile Sabero Organics, Coromandel's crop protection business has expanded its presence globally. Currently the business ranks among the top players in India with its coverage across wide range of products consisting of Insecticides, Fungicides and Herbicides. Sabero improved its operational performance significantly, led by declining raw material costs and gas prices, leading to better EBITDA margin. During FY16, the company witnessed higher volumes & realization of key molecule Mancozeb.

### **Retail business**

Currently, with around 800 stores spread across 3 states (AP, Telangana and Karnataka), the centers have been established as a leading rural retail chain in India. Retail centers offer comprehensive solutions in form of high quality inputs, soil testing, field demos, nutrient and pesticide recommendations.

## Balance Sheet (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
Share Capital	28	29	29
Reserve and surplus	2,253	2,173	2,396
<b>Net Worth</b>	<b>2,281</b>	<b>2,202</b>	<b>2,425</b>
Minority Interest	26	-	-
Total Debt	1,843	2,288	2,259
Other non-current liabilities	47	47	33
<b>Total Equity &amp; Liabilities</b>	<b>4,197</b>	<b>4,537</b>	<b>4,717</b>
Net Fixed Assets	1,386	1,387	1,367
Capital WIP	74	39	31
Goodwill	348	-	-
Investments	342	352	389
Net current assets	2,158	2,877	3,054
Deferred tax assets (net)	(189)	(188)	(171)
Other non-current assets	78	69	47
<b>Total Assets</b>	<b>4,197</b>	<b>4,537</b>	<b>4,717</b>

## Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY14	FY15	FY16
<b>Net profit/loss before tax &amp; extraordinary items</b>	<b>517</b>	<b>592</b>	<b>535</b>
Net cashflow from operating activities	777	898	46
Net cash used in investing activities	(50)	(216)	(56)
Net cash used from financing activities	(1,344)	(64)	(401)
<b>Net inc/dec in cash and cash equivalents</b>	<b>(617)</b>	<b>618</b>	<b>(411)</b>

## Financial performance snapshot

Net sales of the company stood at Rs. 11,522 Crores in FY16, a growth of 1.9% as compared to Rs. 11,306 Crores in FY15. The operating expenses of the company increased by 2.8% YoY to Rs. 10,750 Crores from Rs. 10,453 Crores during the year. The company's EBITDA de-grew by 9.6% YoY to Rs. 772 Crores in FY16 from Rs. 853 Crores in FY15. EBITDA margin contracted by 85bps to 6.7% in FY16 from 7.5% in FY15. Adjusted profit decreased by 17.2% to Rs. 336 Crores in FY16 from Rs. 406 Crores in FY15. Adj. PAT Margin contracted by 67 bps to 2.9% from 3.6% during the period under review.

## Profit & Loss Account (Consolidated)

(Rs.Cr)	FY14	FY15	FY16
<b>Net revenue</b>	<b>10,053</b>	<b>11,306</b>	<b>11,522</b>
Expenses	9,248	10,453	10,750
<b>EBITDA</b>	<b>805</b>	<b>853</b>	<b>772</b>
Depreciation	96	105	107
<b>EBIT</b>	<b>709</b>	<b>749</b>	<b>665</b>
Interest cost	240	210	220
Other Income	61	57	66
<b>Profit Before Tax</b>	<b>530</b>	<b>596</b>	<b>510</b>
Tax	152	190	174
<b>Profit After Tax</b>	<b>378</b>	<b>406</b>	<b>336</b>
Minority Interest	8	-	-
P/L from Associates	-	-	-
<b>Adjusted PAT</b>	<b>369</b>	<b>406</b>	<b>336</b>
E/o expense / (income)	13	4	(25)
<b>Reported Profit</b>	<b>357</b>	<b>402</b>	<b>361</b>

## Key Ratios (Consolidated)

	FY14	FY15	FY16
EBITDA Margin (%)	8.0	7.5	6.7
EBIT Margin (%)	7.1	6.6	5.8
NPM (%)	3.7	3.6	2.9
ROCE (%)	16.4	18.6	15.9
ROE (%)	16.5	18.1	14.5
EPS (Rs.)	13.0	13.9	11.5
P/E (x)	20.7	19.4	23.4
BVPS (Rs.)	80.5	75.6	83.2
P/BVPS (x)	3.4	3.6	3.2
EV/EBITDA (x)	11.2	11.5	12.9



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