

Agri Input & Chemicals

Refer to important disclosures at the end of this report

Q4FY21 Preview: Price hike commentary key monitorable

- We expect Agri-Input companies under our coverage to deliver 9% yoy revenue growth in Q4 on 1) favorable demand environment in the international markets, backed by strong demand from the US, EU and LatAm; 2) strong rabi season demand on account of higher acreages; and 3) favorable comparable due to Covid-19 shutdown in Mar-20.
- The key monitorable in the earnings season would be companies' commentary on price hikes to mitigate the increase in active ingredient prices/higher packaging cost and freight costs.
- We continue to remain constructive on contract manufacturing and export businesses as they would be in a better position to pass on the RM price increase than domestic branded businesses. Improved commodity price should help sustain acreages in the export market..
- PI Industries continues to be our top pick in the Agro-Chem space with robust 36% growth in the CSM business on successful order executions and the introduction of new molecules. In our coverage universe, our pecking order is PI, UPL, RALI, DAGRI and CRIN. While we continue to remain OW on PI and UPL, we are UW on CRIN in EAP.

Agro-chemicals: exports to lead revenue growth

- In our coverage universe, we expect Agro-chemical companies to report 11% yoy revenue growth, driven by export-oriented companies such as PI (+33%), RALI (+19%) and UPL (+9%).
- As per our channel checks, we expect domestic revenue to grow 14-18% for our coverage universe vs. 8-10% growth for the industry.
- We expect aggregate EBITDA margins to improve by 433bps yoy due to UPL and RALI. The sharp increase in EBITDA margin is driven by gross margin improvement due to favorable product mix and positive operating leverage.

Fertilizers: volume decline in Mar'21 due to channel de-stocking

- Following robust growth in the previous three quarters, fertilizer industry's volumes in Q4 declined 5% on a sharp 23% yoy decline in Mar'21. Companies across the industry have reduced channel inventory between 30-50% yoy. This is the key reason for the sharp decline in March volumes. Companies have reduced channel inventory so that they can sell stock closer to demand and pass on higher raw material costs to end customers.
- Import volumes declined 23% yoy and manufactured volumes declined marginally by 1% yoy. Overall volume decline was impacted by DAP (-38%) and Urea (-8%), whereas volumes for other fertilizers increased NPKS (+12%), SSP (+37%) and MOP (+8%).
- We expect CRIN to report 9% volume decline driven by a 12% decline in manufactured volumes. However, the lower import cost of DAP in comparison with domestic manufactured DAP led to a 9% yoy increase in traded volumes. We expect CRIN's manufactured EBITDA/ton to decline 6% yoy due reverse operating leverage amid lower volumes.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Agri Input & Chemicals \(Page 9\)](#)

Coromandel International	BUY
CMP	Target Price
744	910

Dhanuka Agritech	BUY
CMP	Target Price
748	910

PI Industries	BUY
CMP	Target Price
2,423	2,500

Rallis India	BUY
CMP	Target Price
272	325

UPL	BUY
CMP	Target Price
654	635

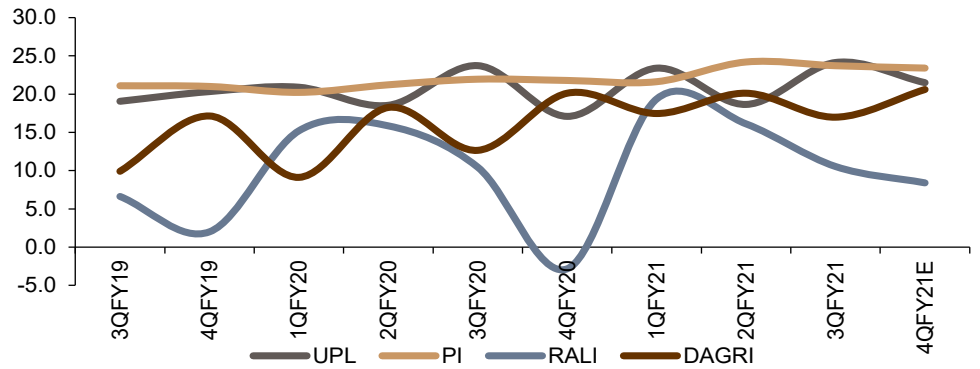
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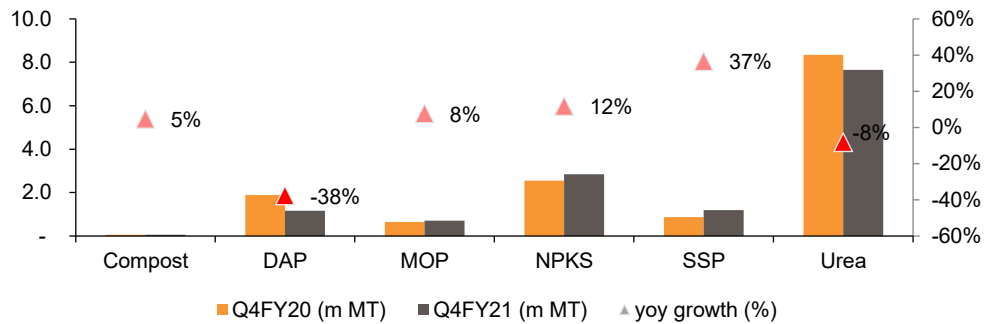
Story in Charts

Exhibit 1: EBITDA margin (%)



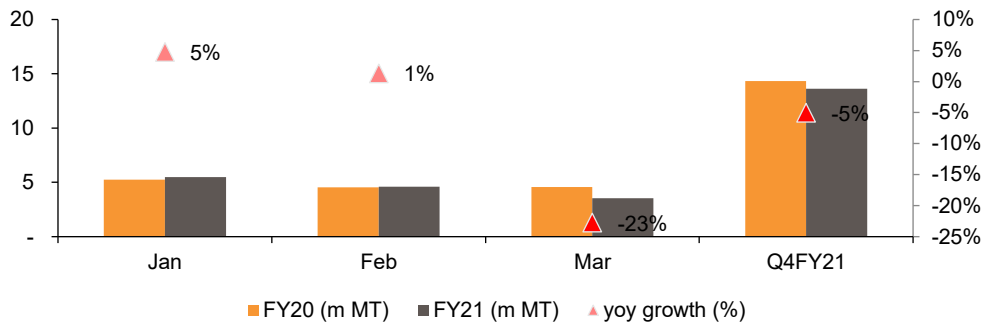
Source: Company, Emkay Research

Exhibit 2: Overall volumes: DAP & Urea drag overall volume growth



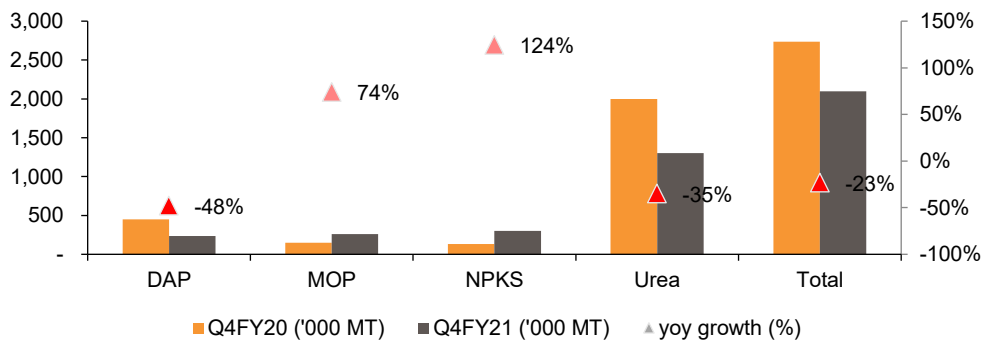
Source: Department of fertilizers, Emkay Research

Exhibit 3: Overall volume declined 5% yoy in Q4FY21



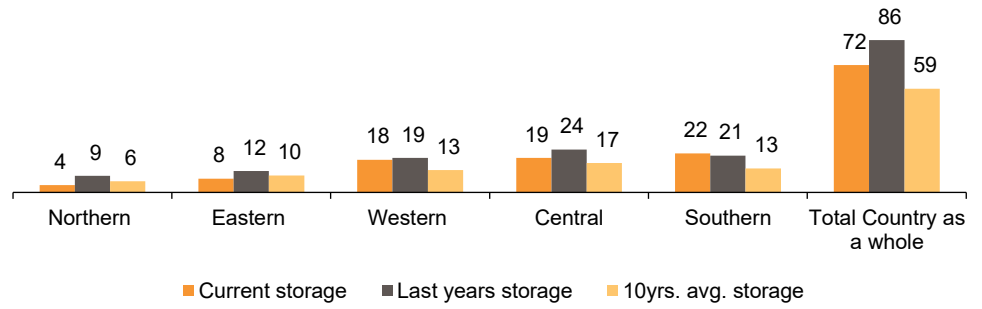
Source: Department of fertilizers, Emkay Research

Exhibit 4: Imports: 23% yoy decline during Q4FY21; NPKS & MOP imports continue to increase



Source: Department of fertilizers, Emkay Research

Exhibit 5: Sufficient reservoir levels across major regions (% capacity)



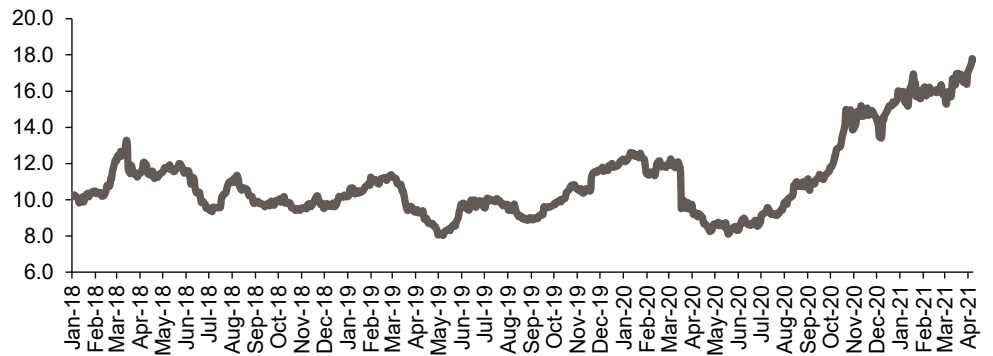
Source: Department of Water Resources, as on April 01, 2021

Exhibit 6: Key commodity price trend

Price change	1M	3M	6M	1Y	2Y	3Y
Corn (Brazil)	12%	14%	43%	91%	91%	47%
Soybean (USA)	-1%	4%	35%	71%	69%	36%
Wheat (USA)	-5%	-4%	1%	11%	35%	26%
Rice (USA)	2%	5%	4%	-8%	25%	5%

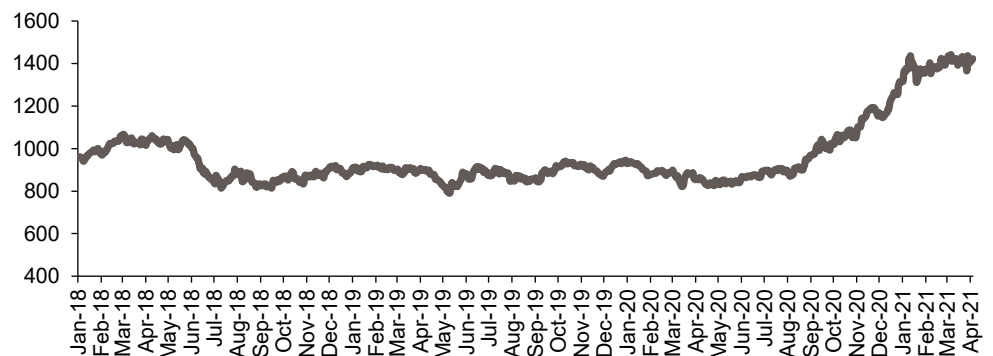
Source: Bloomberg, Emkay Research, as on Apr 06, 2021

Exhibit 7: Brazil corn spot prices

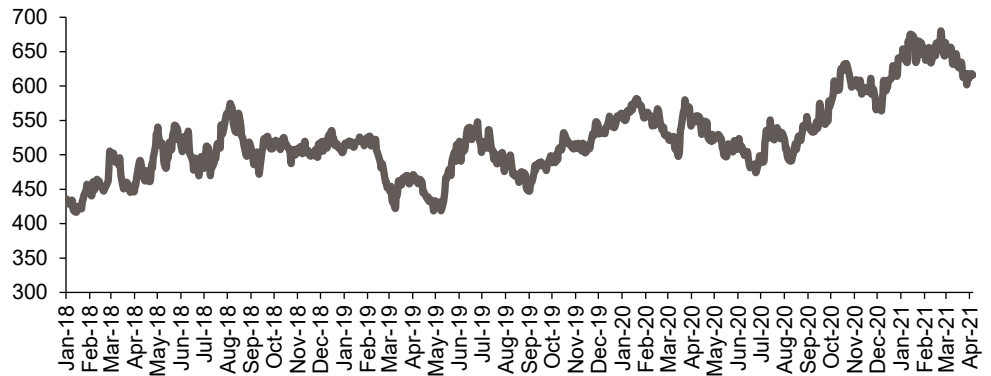


Source: Bloomberg, Emkay Research

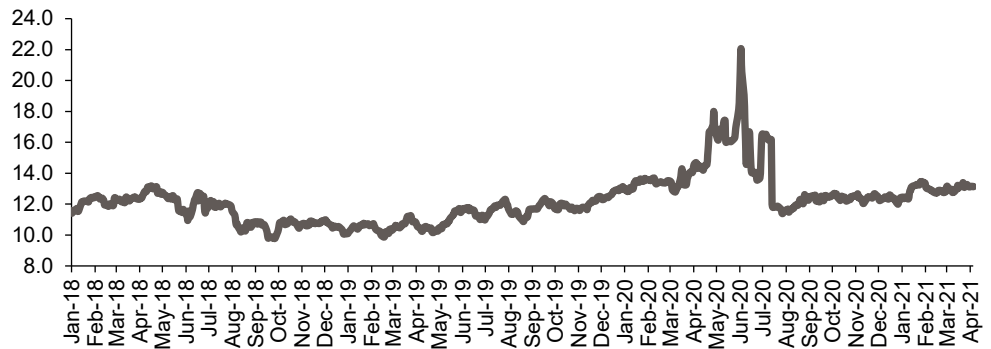
Exhibit 8: US soybean spot prices



Source: Bloomberg, Emkay Research

Exhibit 9: US wheat spot prices

Source: Bloomberg, Emkay Research

Exhibit 10: US rice spot prices

Source: Bloomberg, Emkay Research

Exhibit 11: Quarterly estimate summary

Company	Revenue (Rs mn)			EBITDA (Rs mn)			EBITDA Margin (%)			PAT(Rs mn)		
	Q4FY20	Q4FY21	YoY (%)	Q4FY20	Q4FY21	YoY (%)	Q4FY20	Q4FY21	YoY (bps)	Q4FY20	Q4FY21	YoY (%)
Rallis	3,463	4,119	19.0%	-98	346	nm	-2.8	8.4	nm	7	239	nm
UPL	111,410	120,900	8.5%	19,040	25,988	36.5%	17.1	21.5	441 bps	8,750	11,371	30.0%
PI	8,552	11,350	32.7%	1,863	2,656	42.6%	21.8	23.4	162 bps	1,107	1,968	77.8%
Dhanuka	2,276	2,594	14.0%	458	534	16.7%	20.1	20.6	49 bps	390	438	12.2%
Coromandel	28,693	29,748	3.7%	3,907	3,766	-3.6%	13.6	12.7	-96 bps	2,342	2,570	9.7%

Source: Company, Emkay Research

Exhibit 12: Relative valuation

Company	Price (Rs)	Reco	Target Price (Rs)	PE (x)			EV/EBITDA (x)			ROE (%)		
				FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Rallis	272	Buy	325	24.6	21.6	19.3	16.2	13.5	11.6	14.3	14.5	14.5
PI	2,423	Buy	2,500	50.7	38.4	32.0	33.6	26.0	21.3	18.7	17.2	17.6
UPL	654	Buy	635	16.1	14.2	12.5	8.4	7.3	6.5	15.3	15.3	15.4
Dhanuka	748	Buy	910	17.4	16.8	15.6	13.4	12.3	11.4	27.0	25.3	25.2
Coromandel	744	Buy	910	20.5	15.0	14.6	13.5	10.0	9.8	27.7	30.4	26.3

Source: Emkay Research

Exhibit 13: Company wise estimate

Name			Mar'21	Dec'20	Mar'20	YoY chg	QoQ chg	Comments
Rallis India								
CMP(Rs)	272	Net Sales (Rs mn)	4,119	5,705	3,463	19.0%	-27.8%	We expect RALI to deliver 19% yoy revenue growth, driven by 25%/15% yoy revenue growth in international/domestic business. New product launches, price hikes in international segment and rebound of metribuzin demand shall lead to 98bps yoy improvement in gross margins. We expect positive EBITDA/PAT of Rs346mn/239mn vs. loss last year. There was one-off expenses of Rs151mn related to forex loss, slow moving inventory and other provisions last year which led to EBITDA loss.
Mkt Cap (Rs bn)	53	EBITDA (Rs mn)	346	601	-98	nm	-42.4%	
Reco	Buy	EBITDA Margin (%)	8.4	10.5	-2.8	nm	-214 bps	
Target Price (Rs)	325	PAT (Rs mn)	239	456	7	nm	-47.7%	
% Upside	19%	EPS (Rs)	1.2	2.0	-0.6	-321.8%	-39.6%	
UPL								
CMP(Rs)	654	Net Sales (Rs mn)	120,900	91,260	111,410	8.5%	32.5%	We expect a 9% yoy revenue growth for UPL led by mid-teen growth in India with other geographies (US, LatAm and ROW) expected to grow in single-digits. We expect gross margin expansion of 808bps yoy on improved product and geographic mix. EBITDA margin to expand by 441bps yoy to 21.5%. We expect interest expense to increase by 55% yoy. Adj. PAT should increase 30% yoy to Rs11.4bn.
Mkt Cap (Rs bn)	500	EBITDA (Rs mn)	25,988	22,020	19,040	36.5%	18.0%	
Reco	Buy	EBITDA Margin (%)	21.5	24.1	17.1	441 bps	-263 bps	
Target Price (Rs)	635	PAT (Rs mn)	11,371	7,160	8,750	30.0%	58.8%	
% Upside	-3%	EPS (Rs)	14.9	9.4	11.4	30.0%	58.8%	
PI Industries								
CMP(Rs)	2,423	Net Sales (Rs mn)	11,350	11,621	8,552	32.7%	-2.3%	We expect strong 33% yoy revenue growth on strong 36%/18% growth in exports/domestic segment. Synergies from Isagro acquisition in brands business, ramp-up of Isagro MPP and plants commissioned in Q4FY20 shall lead to 162bps yoy expansion in EBITDA margin to 23.4%. PAT should increase by 73% yoy to Rs1.9bn due to higher other income on account of cash from QIP proceeds.
Mkt Cap (Rs bn)	368	EBITDA (Rs mn)	2,656	2,755	1,863	42.6%	-3.6%	
Reco	Buy	EBITDA Margin (%)	23.4	23.7	21.8	162 bps	-31 bps	
Target Price (Rs)	2,500	PAT (Rs mn)	1,968	1,954	1,107	77.8%	0.7%	
% Upside	3%	EPS (Rs)	12.9	12.9	8.0	61.3%	0.7%	
Dhanuka Agritech								
CMP(Rs)	748	Net Sales (Rs mn)	2,594	2,957	2,276	14.0%	-12.3%	We expect DAGRI's to report 14% yoy revenue growth led by new product launches, favorable demand, and favorable comparables. We expect 49bps yoy expansion in EBITDA margins to 20.6% on operating leverage. PAT should increase by 12% yoy to Rs438mn.
Mkt Cap (Rs bn)	35	EBITDA (Rs mn)	534	502	458	16.7%	6.4%	
Reco	Buy	EBITDA Margin (%)	20.6	17.0	20.1	49 bps	362 bps	
Target Price (Rs)	910	PAT (Rs mn)	438	400	390	12.2%	9.3%	
% Upside	21%	EPS (Rs)	9.4	8.6	8.2	14.6%	9.3%	
Coromandel International								
CMP(Rs)	744	Net Sales (Rs mn)	29,748	35,330	28,693	3.7%	-15.8%	We expect CRIN to report a 4% yoy increase in revenue, driven by 9% volume decline in the fertilizer segment. We expect CP segment to maintain its growth momentum and deliver 13% yoy revenue growth. Reverse operating leverage from fertilizer segment shall lead to 197bps/96bps yoy decline in gross margin/EBITDA margin to 33%/12.7%. We expect manufacturing EBITDA/tn to decline 6% yoy due to reverse operating leverage. We expect other income to increase 30% yoy due to robust cash flow generation and ~Rs20bn (est.) receipt of subsidy arrears .PAT to increase by 10% yoy to Rs2.6bn.
Mkt Cap (Rs bn)	218	EBITDA (Rs mn)	3,766	4,993	3,907	-3.6%	-24.6%	
Reco	Buy	EBITDA Margin (%)	12.7	14.1	13.6	-96 bps	-147 bps	
Target Price (Rs)	910	PAT (Rs mn)	2,570	3,338	2,342	9.7%	-23.0%	
% Upside	22%	EPS (Rs)	8.8	11.3	8.0	9.7%	-22.6%	

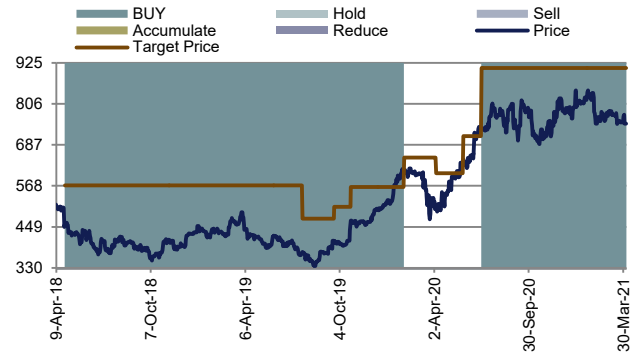
Source: Company, Emkay Research

Coromandel International
RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
2-Feb-21	783	910	12m	Buy	Varshit Shah
1-Feb-21	825	910	12m	Buy	Varshit Shah
4-Nov-20	739	910	12m	Buy	Varshit Shah
10-Oct-20	718	910	12m	Buy	Varshit Shah
28-Jul-20	769	910	12m	Buy	Varshit Shah
16-Jul-20	767	910	12m	Buy	Varshit Shah
1-Jul-20	735	910	12m	Buy	Varshit Shah
27-May-20	645	712	12m	Hod	Varshit Shah
19-May-20	592	605	12m	Hod	Varshit Shah
17-May-20	611	605	12m	Hod	Varshit Shah
13-Apr-20	497	605	12m	Hod	Varshit Shah
5-Apr-20	500	605	12m	Hod	Varshit Shah
4-Feb-20	605	650	12m	Hod	Varshit Shah
25-Oct-19	468	565	12m	Buy	Varshit Shah
23-Sep-19	404	507	12m	Buy	Varshit Shah
24-Jul-19	376	473	12m	Buy	Varshit Shah
25-Apr-19	420	569	12m	Buy	Amar Mourya
23-Jan-19	417	569	12m	Buy	Amar Mourya
29-Oct-18	381	569	12m	Buy	Amar Mourya
21-Sep-18	384	569	12m	Buy	Amar Mourya
1-Aug-18	411	569	12m	Buy	Pratik Tholiya
25-Apr-18	459	569	12m	Buy	Pratik Tholiya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



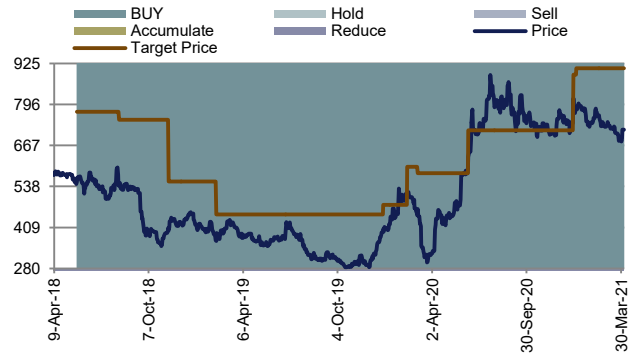
Source: Bloomberg, Company, Emkay Research

Dhanuka Agritech
RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
16-Mar-21	727	910	12m	Buy	Varshit Shah
3-Jan-21	782	910	12m	Buy	Varshit Shah
28-Dec-20	815	890	12m	Buy	Varshit Shah
10-Jun-20	631	715	12m	Buy	Varshit Shah
19-May-20	468	580	12m	Buy	Varshit Shah
17-May-20	487	580	12m	Buy	Varshit Shah
13-Apr-20	464	580	12m	Buy	Varshit Shah
5-Mar-20	467	580	12m	Buy	Varshit Shah
14-Feb-20	520	600	12m	Buy	Varshit Shah
30-Dec-19	404	480	12m	Buy	Varshit Shah
9-Nov-19	294	450	12m	Buy	Varshit Shah
23-Sep-19	322	450	12m	Buy	Varshit Shah
19-Jul-19	378	450	12m	Buy	Varshit Shah
22-May-19	350	450	12m	Buy	Amar Mourya
3-Apr-19	390	450	12m	Buy	Amar Mourya
13-Feb-19	367	450	12m	Buy	Amar Mourya
11-Jan-19	421	554	12m	Buy	Amar Mourya
14-Nov-18	400	554	12m	Buy	Amar Mourya
11-Aug-18	541	748	12m	Buy	Pratik Tholiya
22-May-18	552	773	12m	Buy	Pratik Tholiya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

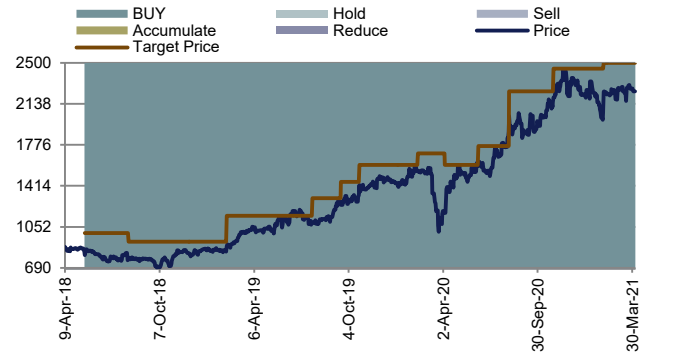
PI Industries

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
3-Feb-21	2,247	2,500	12m	Buy	Varshit Shah
30-Oct-20	2,194	2,450	12m	Buy	Varshit Shah
10-Oct-20	2,018	2,250	12m	Buy	Varshit Shah
6-Aug-20	2,032	2,250	12m	Buy	Varshit Shah
8-Jun-20	1,591	1,765	12m	Buy	Varshit Shah
19-May-20	1,471	1,600	12m	Buy	Varshit Shah
17-May-20	1,483	1,600	12m	Buy	Varshit Shah
13-Apr-20	1,359	1,600	12m	Buy	Varshit Shah
5-Apr-20	1,176	1,600	12m	Buy	Varshit Shah
13-Feb-20	1,539	1,700	12m	Buy	Varshit Shah
6-Jan-20	1,414	1,600	12m	Buy	Varshit Shah
24-Oct-19	1,421	1,600	12m	Buy	Varshit Shah
23-Sep-19	1,271	1,450	12m	Buy	Varshit Shah
19-Sep-19	1,246	1,450	12m	Buy	Varshit Shah
26-Jul-19	1,089	1,305	12m	Buy	Varshit Shah
21-May-19	1,113	1,150	12m	Buy	Amar Mourya
12-Feb-19	880	1,150	12m	Buy	Amar Mourya
11-Jan-19	838	920	12m	Buy	Amar Mourya
29-Oct-18	726	920	12m	Buy	Amar Mourya
8-Aug-18	767	920	12m	Buy	Pratik Tholiya
16-May-18	803	998	12m	Buy	Pratik Tholiya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

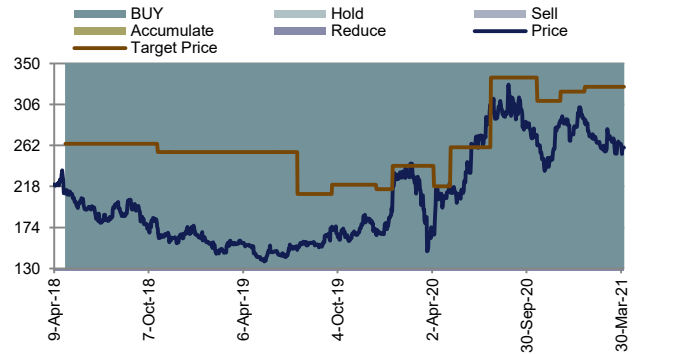
Rallis India

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
19-Jan-21	285	325	12m	Buy	Varshit Shah
4-Dec-20	290	320	12m	Buy	Varshit Shah
20-Oct-20	262	310	12m	Buy	Varshit Shah
10-Oct-20	270	335	12m	Buy	Varshit Shah
7-Aug-20	304	335	12m	Buy	Varshit Shah
23-Jul-20	303	335	12m	Buy	Varshit Shah
19-May-20	200	260	12m	Buy	Varshit Shah
17-May-20	212	260	12m	Buy	Varshit Shah
7-May-20	212	260	12m	Buy	Varshit Shah
13-Apr-20	204	218	12m	Buy	Varshit Shah
5-Apr-20	166	218	12m	Buy	Varshit Shah
17-Jan-20	218	240	12m	Buy	Varshit Shah
16-Jan-20	191	215	12m	Buy	Varshit Shah
17-Dec-19	166	215	12m	Buy	Varshit Shah
23-Oct-19	162	220	12m	Buy	Varshit Shah
23-Sep-19	175	220	12m	Buy	Varshit Shah
19-Jul-19	153	210	12m	Buy	Varshit Shah
26-Apr-19	146	255	12m	Buy	Amar Mourya
19-Jan-19	160	255	12m	Buy	Amar Mourya
11-Jan-19	163	255	12m	Buy	Amar Mourya
24-Oct-18	172	255	12m	Buy	Amar Mourya
18-Jul-18	182	264	12m	Buy	Pratik Tholiya
30-Apr-18	212	264	12m	Buy	Pratik Tholiya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



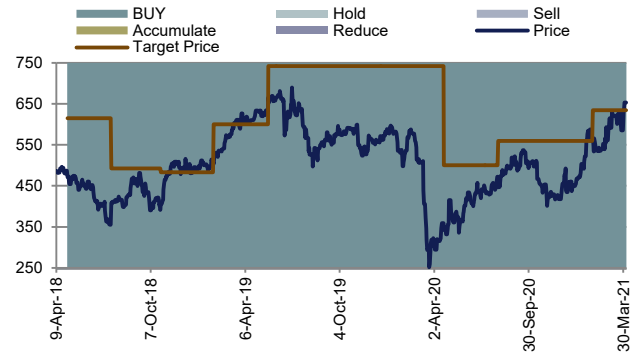
Source: Bloomberg, Company, Emkay Research

**UPL
RECOMMENDATION HISTORY TABLE**

Date	Closing Price	TP	Period (months)	Rating	Analyst
30-Jan-21	561	635	12m	Buy	Varshit Shah
31-Oct-20	453	560	12m	Buy	Varshit Shah
10-Oct-20	497	560	12m	Buy	Varshit Shah
2-Aug-20	472	560	12m	Buy	Varshit Shah
22-May-20	367	500	12m	Buy	Varshit Shah
19-May-20	336	500	12m	Buy	Varshit Shah
17-May-20	374	500	12m	Buy	Varshit Shah
3-May-20	415	500	12m	Buy	Varshit Shah
20-Apr-20	350	500	12m	Buy	Varshit Shah
20-May-19	666	742	12m	Buy	Amar Mourya
4-Feb-19	504	600	12m	Buy	Amar Mourya
11-Jan-19	512	483	12m	Buy	Amar Mourya
26-Oct-18	407	483	12m	Buy	Amar Mourya
31-Jul-18	416	493	12m	Buy	Pratik Tholiya
23-Jul-18	408	493	12m	Buy	Pratik Tholiya
30-Apr-18	471	615	12m	Buy	Pratik Tholiya

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Agri Input & Chemicals



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Sector

Agro-Chemicals and Fertilizers

Analyst bio

Varshit Shah is a Chartered Accountant and a commerce graduate from Narsee Monjee College of Commerce and Economics, Mumbai. He comes with total eight years of experience across sectors such as Chemicals, Education, Telecom, IT and Midcaps. His team currently covers 12 stocks in Agro Chemicals, Fertilizers and Midcaps.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Agri Input & Chemicals	0.84	0.84	0%	0	100.00
Bayer CropScience*	0.08	0.07	-12%	-1	8.56
Chambal Fertilisers*	0.00	0.01	NA	1	0.83
Coromandel International	0.10	0.09	-11%	-1	10.62
DCM Shriram*	0.00	0.00	NA	0	0.00
Deepak Fertilisers*	0.00	0.00	NA	0	0.00
Dhanuka Agritech	0.00	0.00	NA	0	0.00
GSFC*	0.00	0.00	NA	0	0.00
Insecticides India*	0.00	0.00	NA	0	0.00
PI Industries	0.22	0.23	1%	0	26.73
Rallis India	0.00	0.00	NA	0	0.00
Sharda Cropchem*	0.00	0.00	NA	0	0.00
UPL	0.44	0.45	3%	1	53.27
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	01-Apr-19	08-Apr-20	06-Oct-20	05-Jan-21	05-Mar-21	06-Apr-21
EAP - Agri Input & Chemicals	100.0	73.3	112.9	112.8	124.0	131.4
BSE200 Neutral Weighted Portfolio (ETF)	100.0	70.6	108.7	108.8	119.7	126.4

*Performance measurement base date 1st April 2019

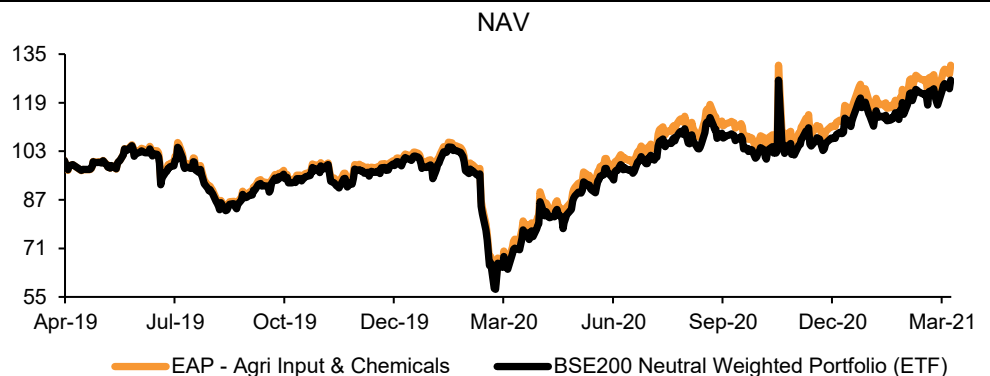
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Agri Input & Chemicals	5.9%	16.4%	16.4%	79.2%
BSE200 Neutral Weighted Portfolio (ETF)	5.7%	16.2%	16.3%	79.1%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 08 Apr 2021 00:54:39 (SGT)

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