

# Coromandel International

Refer to important disclosures at the end of this report

## In-line quarter; product mix improves in crop protection segment

<b>CMP</b>	<b>Target Price</b>
<b>Rs 830</b> as of (February 1, 2021)	<b>Rs 910 (₹)</b> 12 months
<b>Rating</b>	<b>Upside</b>
<b>BUY (₹)</b>	<b>9.7 %</b>

### Result highlights

- Coromandel International (CRIN) EBITDA/PAT increased 15.6%/25.6% yoy on the back of 1) 19% growth in fertilizer volumes, 2) 96bps improvement in EBITDA margins, led by 208bps EBIT margin improvement in crop protection segment, and 3) 55% reduction in interest expenses due to robust operating cash flow generation.
- EBITDA/PAT missed our estimates by 2% mainly due to lower-than-expected margins in the complex fertilizer trading segment. Fertilizer manufacturing EBITDA increased 2.7% yoy to Rs4,160/ton (Emkay est.) against our estimate of flat on a yoy basis.
- Crop protection (CP) revenue increased 11% yoy to Rs5.1bn (4% below estimate) despite challenges in its key markets of AP/TG/TN on the back of excessive rainfall and drought conditions in LatAm (key export market).
- EBITDA margins improved 96bps yoy to 14.1% (vs. our estimate of 13.9%), aided by higher margins in the CP segment. Nutrient segment EBIT margin expanded 57bps yoy to 13.4%. Crop protection segment margins improved 208bps yoy to 17.5% due to improved product mix. Overall gross margins improved 118bps yoy to 32.7%.
- Interest expenses decreased 55% yoy to Rs205m on the back of robust operating cash flow.

### New products/Capex

- The Sulphuric Acid plant has been successfully re-commissioned at Ranipet and a pilot Liquid Fertilizer Plant is being set up at Vizag.
- The company has received registration for Quizalofop Ethyl, a selective systemic herbicide for soybean and other vegetative crops. New products continue to do well and have contributed to 25% of the domestic formulation business on an YTD basis.
- CRIN plans to expand capacity at the Thyagavalli plant to cater to the increased demand for bio products.

### Emkay View

- CRIN's improvement in manufactured EBITDA/ton despite lower manufactured volumes is impressive. We believe that improvement in EBITDA/ton could be attributable to 1) increased share of unique grades to 50% vs. 38% in Q3FY20 and 2) full ramp-up of phos acid plant at Vizag vs. partial ramp-up in the base quarter. New launches and better product mix has helped achieve the best Q3 EBIT margins in the CP segment since Q3FY17. We expect additional cash flow of ~Rs20bn in FY21E on the back of accelerated subsidy payout by the government (Rs1.34trn vs. Rs71bn budgeted). CRIN's strong balance sheet allows it to pursue inorganic opportunities going ahead to accelerate growth.
- We shall revisit our estimates after the earnings call on Tuesday, February 2<sup>nd</sup> at 2.30pm.

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

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### Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	132,246	131,367	141,600	150,573	159,100
EBITDA	14,431	17,310	21,141	22,013	22,730
EBITDA Margin (%)	10.9	13.2	14.9	14.6	14.3
APAT	7,443	10,643	13,928	14,489	15,125
EPS (Rs)	25.4	36.3	47.5	49.4	51.6
EPS (% chg)	7.6	42.7	30.9	4.0	4.4
ROE (%)	23.8	27.7	28.8	24.5	21.5
P/E (x)	32.6	22.8	17.5	16.8	16.1
EV/EBITDA (x)	18.8	14.9	12.2	11.5	10.8
P/BV (x)	7.2	5.6	4.5	3.8	3.2

Source: Company, Emkay Research

**Exhibit 1: Actual vs Estimates (Q3FY21)**

(Rs mn)	Actual	Estimates		% variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Sales	35,330	36,742	37,650	-4%	-6%	Below our estimates due marginally lower volumes
EBITDA	4,993	5,107	5,239	-2%	-5%	Below estimate due to revenue miss
EBITDA Margin	14.1%	13.9%	13.9%	23 bps	22 bps	Above estimates due to higher gross margins
PAT	3,338	3,398	3,462	-2%	-4%	Below estimates due to EBITDA miss

Source: Company, Bloomberg consensus, Emkay Research

**Exhibit 2: Quarterly summary**

Rs. Mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY%	QoQ%	M9FY21	M9FY20	YoY%
<b>Sales</b>	<b>32,787</b>	<b>28,693</b>	<b>32,132</b>	<b>46,113</b>	<b>35,330</b>	<b>7.8</b>	<b>(23.4)</b>	<b>113,575</b>	<b>102,674</b>	<b>10.6</b>
Cost of Raw Material	22,466	18,658	22,812	30,669	23,790	5.9	(22.4)	77,271	71,898	7.5
as % of sales	68.52	65.03	70.99	66.51	67.34			68.03	70.03	
Employee expenses	1,207	1,169	1,216	1,360	1,432	18.6	5.3	4,008	3,442	16.4
as % of sales	3.68	4.07	3.78	2.95	4.05			3.53	3.35	
Other expenses	4,794	4,959	3,980	5,652	5,116	6.7	(9.5)	14,748	13,931	5.9
as % of sales	14.62	17.28	12.39	12.26	14.48			12.98	13.57	
Total Expenditure	28,467	24,786	28,007	37,682	30,338	6.6	(19.5)	96,027	89,271	7.6
<b>EBITDA</b>	<b>4,320</b>	<b>3,907</b>	<b>4,125</b>	<b>8,431</b>	<b>4,993</b>	<b>15.6</b>	<b>(40.8)</b>	<b>17,548</b>	<b>13,403</b>	<b>30.9</b>
Depreciation	408	451	421	420	423	3.6	0.8	1,263	1,130	11.8
<b>EBIT</b>	<b>3,912</b>	<b>3,457</b>	<b>3,704</b>	<b>8,011</b>	<b>4,570</b>	<b>16.8</b>	<b>(43.0)</b>	<b>16,285</b>	<b>12,273</b>	<b>32.7</b>
Other Income	91	115	107	82	89	(2.4)	7.7	278	285	(2.7)
Interest cost	459	434	434	253	205	(55.3)	(18.8)	893	1,919	(53.5)
<b>PBT</b>	<b>3,544</b>	<b>3,137</b>	<b>3,376</b>	<b>7,841</b>	<b>4,453</b>	<b>25.7</b>	<b>(43.2)</b>	<b>15,670</b>	<b>10,640</b>	<b>47.3</b>
Total Tax	899	800	896	1,967	1,130	25.7	(42.5)	3,993	2,335	71.0
<b>PAT before Minority Interest</b>	<b>2,644</b>	<b>2,338</b>	<b>2,480</b>	<b>5,874</b>	<b>3,323</b>	<b>25.6</b>	<b>(43.4)</b>	<b>11,677</b>	<b>8,305</b>	<b>40.6</b>
Minority Interest	-	-	-	-	-			-	-	
P&L from associate/JV	1	4	26	15	16			56	4	
<b>PAT before extra</b>	<b>2,645</b>	<b>2,342</b>	<b>2,506</b>	<b>5,889</b>	<b>3,338</b>	<b>26.2</b>	<b>(43.3)</b>	<b>11,733</b>	<b>8,308</b>	<b>41.2</b>
Exceptional Items	-	-	-	-	-			-	-	
<b>Reported PAT</b>	<b>2,645</b>	<b>2,342</b>	<b>2,506</b>	<b>5,889</b>	<b>3,338</b>	<b>26.2</b>	<b>(43.3)</b>	<b>11,733</b>	<b>8,308</b>	<b>41.2</b>

Margins (%)						bps	bps				bps
EBIDTA	13.2	13.6	12.8	18.3	14.1	96	(415)	15.5	13.1	240	
EBIT	11.9	12.0	11.5	17.4	12.9	100	(444)	14.3	12.0	239	
PBT	10.8	10.9	10.5	17.0	12.6	180	(440)	13.8	10.4	343	
PAT	8.1	8.1	7.7	12.7	9.4	134	(333)	10.3	8.1	219	
Effective Tax rate (% of PBT)	25.4	25.5	26.5	25.1	25.4	1	30	25.5	21.9	354	

**Segmental Details****Segment Revenue (Rs mn)**

Nutrient and Other Allied Business	28,408	24,362	28,072	40,142	30,453	7.2	(24.1)	98,666	91,138	8.3
Crop Protection	4,625	4,420	4,202	6,371	5,114	10.6	(19.7)	15,687	12,434	26.2

**Segment Results (EBIT) (Rs mn)**

Nutrient and Other Allied Business	3,649	3,119	3,695	7,064	4,087	12.0	(42.1)	14,846	11,951	24.2
Crop Protection	713	598	542	1,385	894	25.4	(35.4)	2,822	1,605	75.8

**Segment EBIT Margins (%)**

Nutrient and Other Allied Business	12.8	12.8	13.2	17.6	13.4	57	-418	15.0	13.1	193
Crop Protection	15.4	13.5	12.9	21.7	17.5	208	-425	18.0	12.9	508

Source: Company, Emkay Research

## Emkay Rating Distribution

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

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