

COROMANDEL INTERNATIONAL

Margin expansion drives PAT growth

India Equity Research | Fertilisers



Coromandel International (CRIN) reported a 25% YoY fall in revenues, mainly owing to the correction in fertiliser prices and weak fertiliser sales in the South due to poor rains. However, EBITDA and PAT surpassed our and consensus estimates on higher EBITDA margin (12.1% versus 9.0% estimate), led by fall in raw material (RM) and better performance of fertiliser business. PAT, at INR1.4bn, zoomed 57% YoY/29% QoQ, aided by lower interest expense. Overall, we expect PAT to clock 22% CAGR over FY17-19, driven by volume growth in complex fertilisers, debottlenecking in agrochemicals, superior margins and lower interest costs. We maintain 'BUY' with revised TP of INR393, based on 16x FY19E EPS. DBT implementation entails further rerating potential.

Q4FY17 performance: Key highlights

1) Revenue fell 25% YoY, mainly impacted by the correction in fertiliser prices and weak fertiliser sales in the South due to poor rains; 2) EBITDA margin jumped to 12.1% (Q4FY16: 6.6%) due to lower RM prices and also fall in other expenses as production was curtailed this quarter, and favourable currency; 3) Interest cost declined 17% YoY to INR473mn; and 4) The subsidy receivable as of Q4FY17 stood at INR20.5bn (INR5bn was settled via a special banking arrangement), compared to INR20bn as of Q4FY16.

Fertiliser shines this quarter; agrochemical drives FY17 growth

Fertiliser (nutrients and allied businesses) revenues contracted by 28% YoY whereas crop protection corrected by only 2%. CRIN manufactured ~0.6mn tonnes fertilizer this quarter. However, higher operating profit was led by the fertiliser business which delivered robust margin expansion and EBIT increased 44% YoY to INR2.2bn. EBIT/tonne stood at INR3,800. Crop protection EBIT increased 11% YoY to INR488mn. For FY17, both segments witnessed improvement in profitability with fertiliser EBIT moving up 23% YoY to INR7.3bn and crop protection surging 59% YoY to INR2.6bn.

Outlook and valuations: Strong RoCE expansion; maintain 'BUY'

We believe volume growth in complex fertilisers (led by lower channel inventory), debottlenecking in agrochemicals, superior margins (on better operating leverage and increasing contribution from non-fertiliser business) and lower interest costs (dip in debt) will bolster growth and drive 22% PAT CAGR FY17-19E. We maintain 'BUY' with a revised TP of INR393 (INR392 earlier), based on 16x FY19E EPS. DBT implementation entails further rerating potential.

Financials (Consolidated)

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net rev.	22,591	30,117	(25.0)	22,352	1.1	100,308	117,997	130,576
EBITDA	2,724	1,994	36.6	2,372	14.8	9,827	10,871	13,080
Adj. profit	1,443	918	57.1	1,118	29.0	4,770	5,887	7,150
Adj. Dilu. EPS (INR)	5.0	3.2	57.1	3.8	29.0	16.4	20.2	24.5
Diluted P/E (x)						22.0	17.8	14.7
EV/EBITDA (x)						12.8	10.9	8.6
ROAE (%)						17.3	19.1	20.1

EDELWEISS RATINGS

Absolute Rating	BUY
Investment Characteristics	Growth

MARKET DATA (R: CORF.BO, B: CRIN IN)

CMP	: INR 360
Target Price	: INR 393
52-week range (INR)	: 385 / 215
Share in issue (mn)	: 291.7
M cap (INR bn/USD mn)	: 105 / 1,585
Avg. Daily Vol. BSE/NSE ('000)	: 424.9

SHARE HOLDING PATTERN (%)

	Current	Q2FY17	Q1FY17
Promoters *	62.0	62.0	62.0
MF's, FI's & BKs	7.6	6.8	5.6
FII's	5.2	4.5	4.4
Others	25.3	26.6	27.9
* Promoters pledged shares (% of share in issue)	:		NIL

PRICE PERFORMANCE (%)

	BSE Midcap Index	Stock	Stock over Index
1 month	6.4	10.1	3.8
3 months	14.1	5.0	(9.1)
12 months	34.3	57.3	23.0

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Q4FY17 conference call: Key highlights

Market outlook/industry

- Overall, industry benefited from normal South-West monsoon.
- Improved residual moisture and higher reservoir aided 5.5% YoY increase in sowing.
- However, North-East monsoon was much below expectations
- CSO expects agriculture sector's GVA to grow by 4.4% YoY in FY17 (0.8% last year).
- Expect rural sentiment to remain positive.
- Food-grain output this year is expected to increase by 8% YoY to 272MT.
- Reservoir levels are up 25% YoY, though the Southern region is suffering with reservoir levels at mere 10% versus 14% last year.
- Overall, urea production stood flat at 242lakh MT (LMT). Urea imports fell 35% YoY to 54.8LMT. Urea sales declined 7% YoY owing to: 1) Higher channel inventory, 2) reduced consumption due to neem coating
- Production of phosphatic fertilisers was flat at 122.5LMT. Phosphatic fertiliser imports declined 26% YoY to 49.1LMT.
- MOP imports increased 15% to 37.4LMT.
- Opening stock of fertilizers stood at 6mn tonnes. Expect this to have moderated to 4mn tonnes.
- Agri credit and coverage of crop insurance also increased because of the government's push.

Q4FY17/FY17 highlights:

- Q4FY17
 - Revenue: 80% subsidy related with 20% non-subsidy related business
 - EBITDA: 74% subsidy related with 26% non-subsidy related business
- Improvement in margins was also driven by better product mix.
- Working capital is also under control.
- Other expenses fell due to lower production and benefits arising from currency appreciation.
- As part of its retail network, CRIN has 800 stores and >550 are at cash break-even. This is an improvement of 100 stores YoY. Top-200 stores witnessed significant improvement in profitability.

Policy/DBT (direct benefit transfer)

- Pilot trials in FY17 evinced mixed response.
- The company believes the fertiliser industry has geared up to this change and is looking at distributing 2lakh POS.
- Current DBT policy will make weekly settlement of subsidies.
- DBT will require end-to-end supply chain management. This will require reaching the last mile.
- There is a possibility of all past dues getting cleared before DBT roll out.

Raw material

- Phosphatic acid price increased from USD550/tonne to USD590/tonne. All price correction had happened by January'17.
- FY17 average for phos acid stood at ~USD570/tonne.

Fertiliser

- Total outlay for fertiliser sector for FY18 is INR70,000cr, with slight redistribution between NPK and urea.
- Production in FY17 stood at 2.4mn tonnes (flat YoY).
- Market share was flat at 14.4%, similar to previous year.
- Share of unique grades went up to 34% in Q4FY17 (FY17: 33%).

Other business (non-subsidy):

- This year usage of crop protection was low because of pest infection, high inventory and currency issues.
- Industry contracted by 2.4% YoY to USD50bn. However, CRIN saw an increase in revenues by 10% and PBIT by 59% for the year.
- Specialty nutrition business volumes grew 25% YoY, driven by water soluble nutrients.
- The company has capacity of 10,000-12,000 tonnes in Mancozeb.
- Crop protection is the focus area in non subsidy business. Currently, exports to over 70 countries.
 - FY17 revenues: INR14bn. Formulation at INR3bn and balance was B2B.
 - USD80mn was exports in crop protection (major portion was Mancozeb).
- The balance INR9bn was made up by specialty nutrients, organic manure and non-fertilizer sales at retail outlets.

Subsidy

- Total outstanding was INR20.5bn this year; INR5bn was settled via a special banking arrangement which appears under debt.

Q3FY17 conference call: Key highlights

- Market outlook:** Management highlighted that Q3FY17 was a very eventful quarter with demonetisation, USD strengthening, high crop sowing and deficit in North East monsoon. The deficit in North East monsoon was 45%; in southern markets it was 62%. Reservoir levels at an all India level were marginally down. As per the CSO survey the agriculture sector is expected to grow at a healthy 4.1% in FY17 versus 1.2% in FY16. Rabi sowing improved 6% YoY with major increase coming in wheat, pulse and oilseeds. Overall, sowing has improved in Telangana by 64% while markets of AP, Tamil Nadu and Karnataka were severely impacted on account of scanty rainfall. The MSP of rabi crops announced by the government had major incentive for pulses and oilseeds.
- Policy reforms:** The NBS has been retained at the same level for the second half of the year. The government has been focusing on domestic manufacturing. In view of the constraints faced due to demonetisation, the government has extended the interest scheme on crop loans by 2 months for November and December. Further, crop insurance scheme for rabi has also been extended up till Jan 10, 2017. The government has also released INR2bn through NABARD for the Polavaram project which is expected to be completed in 2019. This will help the company's major markets to get water which will in turn be beneficial to the company.
- Direct benefit Transfer (DBT):** The DBT has been rolled out in 16 districts during rabi 2016. As per the current system, subsidy will be disbursed to the manufacturer once the sale is made to the farmers. Management believes that there might have been some challenges in ground level implementation. The final structure of DBT is yet to be announced by the government.
- Industry performance in H1FY17:** Production of phosphatic fertilisers grew 3% YoY with major increase coming from North and Central markets. Demand for phosphatic fertilisers contracted 4% in South India which is the major market for the company. Overall, in 9mFY17, industry's phosphatic sales fell 7% YoY. Channel inventory, which was as high as 6-7mn MT at the beginning of the year, has started showing signs of moderation. DAP imports declined 29% YoY to 4.2mn MT partly substituted by higher domestic margins. Steep price correction in MOP resulted in volume pick up. Urea sales have dipped 7% on account of neem coating of urea.
- Raw material prices:** Phosphoric acid have corrected from USD610/MT to INR580/MT, while other raw material prices have also declined during the quarter. As a result, industry cut prices by 5% in December.
- Capacity utilisation:** All plants of CRIN were operational during Q3FY17 leading to ~71% capacity utilisation. Fertiliser production improved marginally YoY to 6.1mn MT. The company also expects to improve utilisation during the year.
- Revenue/EBITDA break up:** Nutrient/crop protection business contributed 86%/14% and 74%/26% to sales/EBIT in Q3FY17. Subsidy/non-subsidy businesses contributed 73%/27% to consolidated sales during Q3FY17 and 58%/42% to consolidated EBITDA.
- Fertilisers:** Production growth was 12% YoY to 19.4lakh tonnes in 9mFY17, which was slightly lower on account of partial shut down taken in the Ennore plant due to cyclone Vardah. Phosphatic sales were impacted on account of poor North East monsoon in the company's major markets. Overall, CRIN sold 5.1lakh MT of DAP and complex fertilisers during the quarter versus 5.8 lakh MT in Q3FY16. In 9mFY17, the company

had flat volumes. Sale of MOP increased 80% to 0.4 lakh MT during Q3FY16. Overall sales of manufactured products were 4.99 lakh MT and imports were 0.07 lakh MT. Sale of manufactured DAP was 1.73 lakh MT. Urea sales for the quarter were 2.77 lakh MT. Share of unique grades jumped 42% versus 37% in Q3FY16. In 9mFY17, share of unique grade was 32%. The company's market share stood at 14.7% (up 1% YoY).

- **Non-subsidy:** The non-subsidy business including crop protection, specialty nutrients and retail performed well with PBIT improvement of 48% YoY and 19% versus 14% in Q3FY16. Demand for key molecules remained strong in international markets though domestic business was impacted by poor North East monsoon. Sale of speciality nutrients increased 20-25% YoY during the quarter. Within organic fertilizers, sale of variants jumped 10-15% YoY. Retail sales were impacted on account of demonetisation. However, the company had placed swipe machines at 800 retail centres which led to quick turnaround. Overall, all verticals including gypsum sale increased 15-20% YoY during the quarter.
- **Outstanding subsidy:** As on Dec 31, 2016, subsidy outstanding was INR19.9bn versus INR15.8bn as on Dec 31, 2015, and INR18.9bn as on Sep 30, 2016. As per management, the government has started paying subsidy from June. However, on account of demonetisation the subsidy disbursements of August, September and October are still pending and the company expects the subsidy position to ease in coming months.
- **Interest cost:** Overall borrowing levels still remain high on account of increase in the level of subsidy outstanding and trade receivables. However, interest cost declined 2.8% YoY. Management highlighted that the government has started paying subsidy from June 2016 and hence expects interest cost to dip in coming quarters.
- **Capex:** CRIN has completed the debottlenecking of the Mancozeb plant at Saregam and the new Dahej plant for Mancozeb is expected to be commissioned in February 2017. It is also planning to expand capacity of granulated SSP.

Table 1: Segment Wise Breakup (Consolidated)

Particulars	Q4FY17	Q4FY16	% YoY	Q3FY17	%QoQ
Segment Revenue (Gross)					
- Nutrient and other allied products	20,000	27,701	(27.8)	19,703	1.5
- Crop Protection	2,896	2,851	1.6	3,282	(11.8)
Total	22,896	30,553	(25.1)	22,986	(0.4)
Segment Results (EBIT)					
- Nutrient and other allied products	2,185	1,515	44.2	1,754	24.6
- Crop Protection	488	438	11.3	601	(18.8)
Total	2,673	1,953	36.8	2,355	13.5
EBIT margin (%)					
- Nutrient and other allied products	10.9	5.5		8.9	
- Crop Protection	16.8	15.4		18.3	

Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	22,591	30,117	(25.0)	22,352	1.1	100,308	117,997	130,576
Raw material	15,233	22,622	(32.7)	15,092	0.9	71,210	87,036	96,014
Staff costs	817	748	9.2	785	4.2	3,108	3,112	3,233
Other expenses	3,818	4,753	(19.7)	4,104	(7.0)	16,163	16,978	18,250
Total expenditure	19,867	28,123	(29.4)	19,980	(0.6)	90,481	107,126	117,497
EBITDA	2,724	1,994	36.6	2,372	14.8	9,827	10,871	13,080
Depreciation	254	274	(7.3)	256	(0.9)	1,007	1,255	1,362
EBIT	2,470	1,720	43.6	2,115	16.8	8,820	9,615	11,717
Other income	128	118	8.1	118	8.0	548	809	886
Interest	473	568	(16.8)	529	(10.6)	2,238	1,567	1,482
Add: Exceptional items								
Profit before tax	2,125	1,270	67.3	1,705	24.6	7,130	8,858	11,121
Provision for taxes	679	347	95.4	583	16.3	2,353	2,971	3,971
Minority interest								
Associate profit share	(3)	(4)	NA	(3)	NA			
Reported net profit	1,443	918	57.1	1,118	29.0	4,777	5,887	7,150
Adjusted Profit	1,443	918	57.1	1,118	29.0	4,770	5,887	7,150
Equity capital(FV INR 1)	291	291		291		292	291	291
Diluted shares (mn)	291	291		291		292	291	291
Adjusted Diluted EPS	5.0	3.2	57.1	3.8	29.0	16.4	20.2	24.5
Diluted P/E (x)	-	-		-		22.0	17.8	14.7
EV/EBITDA (x)	-	-		-		12.8	10.9	8.6
ROAE (%)	-	-		-		17.3	19.1	20.1
As % of net revenues								
Raw material	67.4	75.1		67.5		71.0	73.8	73.5
Employee cost	3.6	2.5		3.5		3.1	2.6	2.5
Other expenses	16.9	15.8		18.4		16.1	14.4	14.0
EBITDA	12.1	6.6		10.6		9.8	9.2	10.0
Reported net profit	6.4	3.0		5.0		4.8	5.0	5.5

Company Description

Coromandel, incorporated in 1961, is owned by the Murugappa Chettiar Group. The company manufactures and markets fertilisers and pesticides. It is the second largest phosphatic fertiliser player in India (after IFFCO). Its fertilisers are sold under brand names - Gromor, Paramfos, Parry Gold, Parry Super and Godavari. For crop protection, Coromandel produces insecticides, fungicides, herbicides, and markets them in India and abroad. It has also ventured into the retail business, setting up more than 650 rural retail centers in agri and lifestyle segments. Coromandel markets its products all over India through 15 marketing offices and a network of 13,000 dealers besides exporting pesticides to various countries across the globe. Coromandel's fertiliser plants are located at Visakhapatnam (Vizag) and Kakinada in Andhra Pradesh, and Ennore and Ranipet in Tamil Nadu with a combined production capacity of 3.2 mn MT of fertilisers. These plants are state-of-the-art facilities with a good infrastructure support and integration, enabling a high capacity utilisation for Coromandel and also making it the lowest cost producer of complex fertilisers in India.

Investment Theme

Coromandel, the largest private sector phosphatic fertiliser manufacturer in India, is poised to be the biggest beneficiary in the complex fertiliser space in India with the implementation of the nutrient based subsidy (NBS) scheme. NBS will benefit the company in the long term by means reduction in working capital and lesser volatility in earnings, on the back of its raw material linkages, scale of operations and operational efficiencies. The strategic partnerships of Coromandel with leading companies across the globe for raw materials, coupled with its high efficiency plants, have enabled it to be a cost leader in domestic complex fertilisers.

Coromandel is also targeting an improvement in the non-subsidy business substantially over the next four years, contributing as high as 50% to EBITDA (from the current 36%). Specialty nutrients are likely to lead the charge in this division on the back of a strong growth in municipal compost and water soluble fertilisers in India. Coromandel has been posting an RoE of over 15% for the past three years%, which is likely to improve to 19% in FY18E owing to improved metrics.

Key Risks

Any execution delay in capacity expansion at the Kakinada plant will lead to an opportunity loss for the company and downside risks to our estimates.

Though Coromandel has tied up for phosphoric acid and rock phosphates, any issue on the suppliers' front may pose a hazard.

High volatility in crude prices could adversely impact the company's raw material costs.

Poor monsoon could hit fertiliser demand.

Delay in payment of fertiliser subsidies by government can also mar prospects.

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.5	5.8	5.8
USD/INR (Avg)	65.0	67.5	67.0	67.0
Company				
Mfg Fert. sales vol (MT)	2,426,927	2,498,800	2,653,600	2,810,200
Tr fert sales vol(MT)	1,173,955	1,185,107	1,273,457	1,384,114
Plant prot Rev growth(%)	(84.1)	15.0	15.0	20.0
Non-sub rev grw(ex-crop)	10.6	15.0	17.0	18.0
Sabero rev. growth (%)	10.7	20.0	20.0	20.0
Comp Fert Real. (INR/MT)	31,414	26,547	26,547	26,906
DAP Realisation (INR/MT)	35,358	29,652	29,652	30,067
Cost assumptions				
Phosp acid price(US\$/MT)	675	594	565	570
Ammonia (US\$/MT)	534	267	253	261
Raw Material (% net rev)	76.0	71.0	73.8	73.5
Employee cost (% of rev)	2.5	3.1	2.6	2.5
Other exp (% net rev)	14.8	16.1	14.4	14.0
Sabero EBITDA margin(%)	15.0	14.5	14.5	14.5
Financial assumptions	-	-	1	1
Net borrowings (INR mn)	24,289	20,606	13,305	7,904
Tax rate as % of PBT	33.9	33.0	33.5	35.7
Capex (INR mn)	1,058	1,372	2,497	2,000
Debtor days	135	167	131	104
Inventory days	96	104	74	71
Payable days	132	158	112	95
Cash conversion cycle	99	113	93	81
Interest Exp (% of Debt)	9.3	9.2	8.3	9.6
Dep. (% gross block)	4.6	4.1	4.8	4.8

Income statement

(INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	114,814	100,308	117,997	130,576
Materials costs	87,231	71,210	87,036	96,014
Gross profit	27,584	29,098	30,961	34,563
Employee costs	2,919	3,108	3,112	3,233
Other Expenses	16,997	16,163	16,978	18,250
EBITDA	7,668	9,827	10,871	13,080
Depreciation	1,061	1,007	1,255	1,362
EBIT	6,607	8,820	9,615	11,717
Add: Other income	664.9	548.2	809.44	886.2
Less: Interest Expense	2,209	2,238	1,567	1,482
Profit Before Tax	5,062	7,130	8,858	11,121
Less: Provision for Tax	1,716	2,353	2,971	3,971
Associate profit share	(22)	(7)	-	-
Exceptional items	250	-	-	-
Reported Profit	3,574	4,770	5,887	7,150
Exceptional Items	250	-	-	-
Adjusted Profit	3,324	4,770	5,887	7,150
Shares o/s (mn)	291	291	291	291
Adjusted Basic EPS	11.4	16.4	20.2	24.5
Diluted shares o/s (mn)	291	291	291	291
Adjusted Diluted EPS	11.4	16.4	20.2	24.5
Adjusted Cash EPS	15.1	19.8	24.5	29.2
Dividend per share (DPS)	4.0	5.0	5.5	5.5
Dividend Payout Ratio(%)	39.2	36.6	32.7	26.9

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Gross margin	24.0	29.0	26.2	26.5
EBITDA margins	6.7	9.8	9.2	10.0
EBIT margins	5.8	8.8	8.1	9.0
Net Profit margins	2.9	4.8	5.0	5.5

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	1.5	(12.6)	17.6	10.7
EBITDA	(10.2)	28.2	10.6	20.3
Adjusted Profit	(18.1)	43.5	23.4	21.5
EPS	(18.1)	43.5	23.4	21.5

Balance sheet		(INR mn)			
As on 31st March	FY16	FY17	FY18E	FY19E	
Share capital	291	292	291	291	
Reserves & Surplus	26,048	28,616	32,581	37,808	
Shareholders' funds	26,340	28,908	32,872	38,100	
Short term borrowings	25,826	22,284	15,000	15,000	
Long term borrowings	441	-	500	500	
Total Borrowings	26,267	22,284	15,500	15,500	
Def. Tax Liability (net)	1,679	1,495	1,709	1,709	
Sources of funds	54,286	52,686	50,081	55,308	
Gross Block	23,551	25,099	27,599	29,599	
Net Block	13,101	13,159	14,403	15,041	
Capital work in progress	309	137	137	137	
Intangible Assets	202	199	196	196	
Total net fixed assets	13,612	13,495	14,736	15,374	
Non current investments	4,769	3,884	3,829	3,829	
Cash and Equivalents	1,981	1,680	2,197	7,598	
Inventories	23,458	17,246	17,905	19,453	
Sundry Debtors	16,419	16,217	10,205	9,909	
Loans & Advances	28,471	30,793	27,322	27,322	
Other Current Assets	3,108	3,137	3,000	3,000	
Current Assets (ex cash)	71,455	67,392	58,432	59,685	
Trade payable	32,329	29,345	23,873	25,937	
Other Current Liab	5,202	4,418	5,668	5,668	
Total Current Liab	37,531	33,764	29,541	31,605	
Net Curr Assets-ex cash	33,924	33,629	28,891	28,079	
Uses of funds	54,286	52,686	50,081	55,308	
BVPS (INR)	90.4	99.2	112.8	130.8	

Free cash flow		(INR mn)			
Year to March	FY16	FY17	FY18E	FY19E	
Reported Profit	3,574	4,770	5,887	7,150	
Add: Depreciation	1,061	1,007	1,255	1,362	
Interest (Net of Tax)	1,480	1,499	1,050	993	
Others	876	438	4,826	(397)	
Less: Changes in WC	2,798	(240)	595	(812)	
Operating cash flow	4,194	7,954	12,423	9,920	
Less: Capex	1,058	1,372	2,497	2,000	
Free Cash Flow	3,136	6,582	9,926	7,920	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
		FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Coromandel International	1,585	17.8	14.7	10.9	8.6	19.1	20.1
Deepak Fertilizer Ltd	367	8.7	7.8	6.5	3.9	15.4	15.3
Zuari Agro Chemicals	274	14.2	10.1	9.7	9.2	9.4	11.9
Median	-	14.2	10.1	9.7	8.6	15.4	15.3
AVERAGE	-	13.6	10.9	9.0	7.2	14.6	15.8

Source: Edelweiss research

Cash flow metrics		FY16	FY17	FY18E	FY19E
Year to March					
Operating cash flow		4,194	7,954	12,423	9,920
Investing cash flow		(555)	63	(1,634)	(1,114)
Financing cash flow		(4,008)	(7,973)	(10,273)	(3,405)
Net cash Flow		(369)	44	516	5,402
Capex		(1,058)	(1,372)	(2,497)	(2,000)
Dividend paid		(1,403)	(1,748)	(1,923)	(1,923)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	13.7	17.3	19.1	20.1
ROACE (%)	15.2	18.1	20.9	24.7
Inventory Days	96	104	74	71
Debtors Days	135	167	131	104
Payable Days	132	158	112	95
Cash Conversion Cycle	99	113	93	81
Current Ratio	2.0	2.0	2.1	2.1
Gross Debt/EBITDA	3.4	2.3	1.4	1.2
Gross Debt/Equity	1.0	0.8	0.5	0.4
Adjusted Debt/Equity	1.0	0.8	0.5	0.4

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	2.3	1.9	2.3	2.5
Fixed Asset Turnover	8.4	7.5	8.4	8.8
Equity Turnover	4.7	3.6	3.8	3.7

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	11.4	16.4	20.2	24.5
Y-o-Y growth (%)	(18.1)	43.5	23.4	21.5
Adjusted Cash EPS (INR)	15.1	19.8	24.5	29.2
Diluted P/E (x)	31.5	22.0	17.8	14.7
P/B (x)	4.0	3.6	3.2	2.8
EV / Sales (x)	1.1	1.3	1.0	0.9
EV / EBITDA (x)	16.8	12.8	10.9	8.6
Dividend Yield (%)	1.1	1.4	1.5	1.5

Additional Data

Directors Data

A Vellayan	Chairman	V Ravichandran	Vice Chairman
B V R Mohan Reddy	Director	M M Venkatachalam	Director
Sameer Goel	Managing Director	Prasad Chandran	Director
Mr. Sumit Bose	Director		

Auditors - Deloitte Haskins & Sells

**as per last available data*

Holding Top -10

	Perc. Holding		Perc. Holding
ICICI Prudential Life Insurance	5.06	Sundaram Asset Management	0.99
Groupie Chimique Tunisien	1.65	Reliance Capital	0.82
DSP Blackrock Investment Manager	1.35	Foskor	0.62
Norges Bank	1.13	UTI Asset Management	0.71
Government Pension Fund - Global	1.09	Vanguard Group	0.62

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
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No Data Available

**as per last available data*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
14 Feb 2017	Cholamandalam MS General Insurance Company Limited	Sell	44162.00
13 Feb 2017	Cholamandalam MS General Insurance Company Limited	Sell	42769.00
01 Feb 2017	Arun Leslie George	Sell	45000.00
08 Sep 2016	V Ravichandran	Sell	20000.00
18 Aug 2016	V Ravichandran	Sell	21000.00

**as per last available data*

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Coverage group(s) of stocks by primary analyst(s): Fertilisers

Chambal Fertilisers and Chemicals, Coromandel International, Deepak Fertilizer Ltd, Zuari Agro Chemicals

Recent Research

Date	Company	Title	Price (INR)	Recos
23-Feb-17	Zuari Agro Chemicals	Decent performance; structural benefits ahead; <i>Result Update</i>	332	Buy
13-Feb-17	Deepak Fertiliser	Decent show; reverts to growth path; <i>Result Update</i>	260	Buy
27-Jan-17	Coromandel International	Robust margin boosts PAT; <i>Result Update</i>	332	Buy

Distribution of Ratings / Market Cap

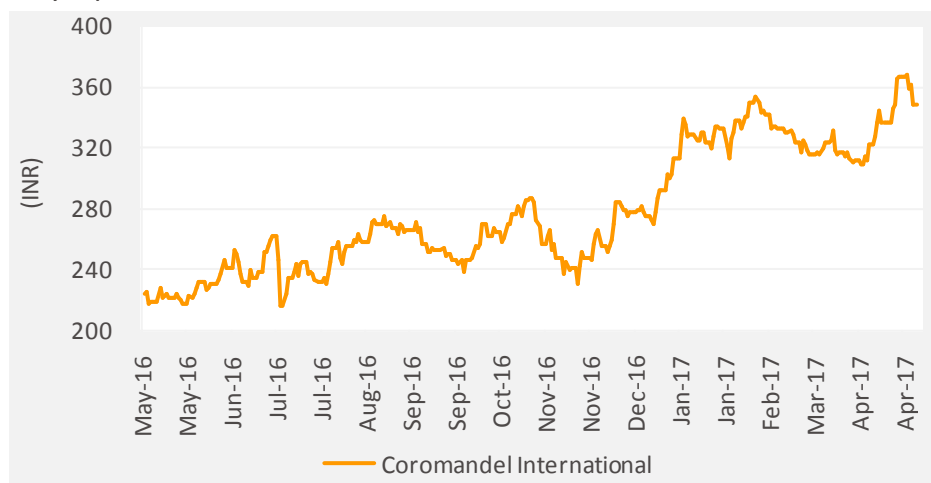
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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