

July 22, 2010

BUY

Price	Target Price
Rs 508	Rs 565
Sensex	18,113

Price Performance

(%)	1M	3M	6M	12M
Absolute	11	47	87	190
Rel. to Sensex	9	42	76	138

Source: Bloomberg

Stock Details

Sector	Agri-input & Chemicals
Reuters	CORF.BO
Bloomberg	CRIN@IN
Equity Capital (Rs mn)	281
Face Value(Rs)	2
No of shares o/s (mn)	140
52 Week H/L	524/160
Market Cap (Rs bn/USD mn)	71/1,556
Daily Avg Volume (No of sh)	124613
Daily Avg Turnover (US\$m)	1.1

Shareholding Pattern (%)

	M'10	D'09	S'09
Promoters	64.3	64.3	64.4
FII/NRI	8.3	8.1	7.8
Institutions	10.1	10.5	10.3
Private Corp	1.8	1.7	1.7
Public	15.5	15.5	15.8

Source: Capitaline

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- **Coromandel International Ltd (CIL) Q1FY11 results were above est on account of higher than exp EBITDA margins**
- **Revenues declined by 2% to Rs 15.5 bn despite 15% drop in fertiliser volumes**
- **With EBITDA margin expansion of 750 bps to 12.2% PAT increased by 133% to Rs 1.2 bn**
- **We believe that the new Nutrient Based Subsidy (NBS) scheme is favourable for efficient players like CIL and hence we maintain our BUY reco with revised price target of Rs 565**

Q1FY11 revenues above est

CIL's Q1FY11 results were ahead of est. Revenues declined marginally by 2% to Rs 15.5 bn as against our expectation of Rs 12.2 bn. Higher revenues are mainly on account of increased fertiliser realisations and higher share from the non fertiliser business (includes specialty fertilisers, agrochemicals, water soluble fertilisers etc). Fertiliser volumes however declined by 15% to 610 thousand mt (which includes 5 thousand mt of fertiliser trading from DAP and MOP). Delay in monsoon in the current year contributed to the drop in fertiliser volumes as against advance purchase made by farmers previous year.

Benefit from NBS led to EBITDA margin expansion of 750 bps

CIL witnessed EBITDA margin expansion of 750 bps to 12.2% on account of low base effect along with benefiting from the recently introduced Nutrient Based Subsidy (NBS) scheme. We believe margins also improved due to higher revenue contribution from the high margin - non fertiliser business, although specific details of the segment's contribution are not available. EBITDA margin expansion is despite the sharp jump witnessed in other expenditure, +22% YoY to Rs 2 bn which includes Rs 212 mn on account of shipping related third party claims (more details required however we have not taken it as extra ordinary). During the quarter the company purchased goods for resale worth Rs 2.7 bn which is reflected in the increase in inventories. This is likely to result in higher fertiliser trading in the subsequent quarter.

PAT increased by 133%

With strong margin expansion, EBITDA increased by 154% YoY to Rs 1.9 bn which was significantly ahead of our est of Rs 973 mn. Interest and depreciation were broadly in line with est however other income declined by 37% YoY to Rs 208 mn and was below our est. Resulting PAT increased by 133% YoY to Rs 1.2 bn and was ahead of our est of Rs 723 mn. EPS for the quarter stood at Rs 8.7 as against Rs 3.7 previous year.

Price target revised to Rs 565, maintain BUY

As witnessed in the current quarter results, we believe that the recently introduced NBS scheme is very favourable for efficient players like CIL and the company is likely to gain from margin expansion going forward. Though we maintain our earnings est for FY11 and FY12, we further upgrade our price target from Rs 470 to Rs 565 due to revision in valuation multiple from 10x to 12x and maintain our BUY recommendation on the stock.

Financial Snapshot

Rs Mn

YE-Mar	Net Sales	EBITDA (Core)	EBITDA (%)	PAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/EBITDA	P/BV
FY09	94,007	7,696	8.2	4,780	34.2	47.1	49.8	14.9	10.8	6.3
FY10	62,388	5,787	9.3	3,953	28.3	(17.3)	30.9	18.0	12.1	5.0
FY11E	58,955	8,144	13.8	5,346	38.2	35.2	33.4	13.3	8.2	4.0
FY12E	67,841	9,565	14.1	6,570	47.0	22.9	32.8	10.8	6.7	3.2

Key Financials – Quarterly

Rs mn

	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11	YoY (%)	QoQ (%)
Revenue	15,880	15,293	17,568	13,648	15,528	(2.2)	13.8
Expenditure	15,135	13,526	15,493	12,447	13,635	(9.9)	9.5
as % of sales	95.3	88.4	88.2	91.2	87.8		
Consumption of RM	13,168	11,656	13,326	10,442	11,255	(14.5)	7.8
as % of sales	82.9	76.2	75.9	76.5	72.5		
Employee Cost	360	409	402	498	427	18.5	(14.3)
as % of sales	2.3	2.7	2.3	3.7	2.7		
Other expenditure	1,607	1,461	1,765	1,506	1,953	21.6	29.7
as % of sales	10.1	9.6	10.0	11.0	12.6		
EBITDA	744	1,766	2,075	1,201	1,894	154.4	57.7
Depreciation	140	150	149	154	142	1.1	(7.8)
EBIT	604	1,617	1,927	1,047	1,752	190.0	67.3
Other Income	332	264	363	364	208	(37.4)	(42.8)
Interest	175	258	179	148	185	5.9	25.3
PBT	762	1,622	2,111	1,263	1,775	133.0	40.5
Total Tax	240	487	650	442	560	133.3	26.6
Adjusted PAT	522	1,136	1,461	821	1,215	132.9	48.0
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0		
APAT after MI	522	1,136	1,461	821	1,215	132.9	48.0
Extra ordinary items	0	736	0	0	0		
Reported PAT	522	1,872	1,461	821	1,215	132.9	48.0
Reported EPS	3.7	13.4	10.4	5.9	8.7	132.9	48.0
Margins (%)						(bps)	(bps)
EBIDTA	4.7	11.6	11.8	8.8	12.2	751	339
EBIT	3.8	10.6	11.0	7.7	11.3	748	361
EBT	2.7	8.9	9.9	6.6	10.1	738	350
PAT	3.3	7.4	8.3	6.0	7.8	454	181
Effective Tax rate	31.5	30.0	30.8	35.0	31.6	4	(347)

Source: Company, Emkay Research

Key Financials

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Net Sales	94,007	62,388	58,955	67,841
Growth (%)	147.7	(33.6)	(5.5)	15.1
Expenditure	86,311	56,601	50,811	58,276
Materials Consumed	79,288	48,875	42,312	48,927
Power & Fuel	631	694	763	839
Other Manufacturing Exp	1,551	1,706	1,877	2,065
Employee Cost	1,318	1,450	1,595	1,754
Other Exp	3,524	3,876	4,264	4,690
EBITDA	7,696	5,787	8,144	9,565
Growth (%)	57.8	(24.8)	40.7	17.5
EBITDA margin (%)	8.2	9.3	13.8	14.1
Depreciation	561	594	619	650
EBIT	7,134	5,193	7,525	8,916
EBIT margin (%)	7.6	8.3	12.8	13.1
Other Income	1,611	1,362	985	1,350
Interest expenses	847	782	496	416
PBT	7,898	5,773	8,015	9,850
Tax	3,118	1,819	2,669	3,280
Effective tax rate (%)	39.5	31.5	33.3	33.3
Adjusted PAT	4,780	3,953	5,346	6,570
Growth (%)	47.1	(17.3)	35.2	22.9
Net Margin (%)	5.1	6.3	9.1	9.7
(Profit)/loss from JVs/Ass/MI	-	-	-	-
Adjusted PAT After JVs/Ass/MI	4,780	3,953	5,346	6,570
E/O items	-	736.0	-	-
Reported PAT	4,780	4,689	5,346	6,570
PAT after MI	4,780	3,953	5,346	6,570
Growth (%)	47.1	(17.3)	35.2	22.9

Cash Flow

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
PBT (Ex-Other income)	6,287	4,411	7,029	8,500
Depreciation	561	594	619	650
Interest Provided	847	782	496	416
Other Non-Cash items	(1,076)	736	-	-
Chg in working cap	(9,041)	9,441	(327)	(1,236)
Tax paid	-3,118	-1,819	-2,669	-3,280
Operating Cashflow	-5,539	14,145	5,149	5,049
Capital expenditure	(960)	(800)	(1,000)	(1,000)
Free Cash Flow	-6,499	13,345	4,149	4,049
Other income	1,611	1,362	985	1,350
Investments	1,880	-	(4,000)	(4,000)
Investing Cashflow	3,491	1,362	-3,015	-2,650
Equity Capital Raised	-	-	-	-
Loans Taken / (Repaid)	7,179	(10,000)	(2,000)	-
Interest Paid	(847)	(782)	(496)	(416)
Dividend paid (incl tax)	(573)	(655)	(1,637)	(1,964)
Income from investments	-	-	-	-
Others	-	-	-	-
Financing Cashflow	5,759	-11,437	-4,133	-2,380
Net chg in cash	2,752	3,270	-2,999	-981
Opening cash position	663	3,415	6,685	3,686
Closing cash position	3,415	6,685	3,686	2,705

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	280	280	280	280
Reserves & surplus	10,992	14,044	17,426	22,032
Net worth	11,271	14,324	17,706	22,311
Minority Interest				
Secured Loans	2,971	2,971	2,971	2,971
Unsecured Loans	14,229	4,229	2,229	2,229
Loan Funds	17,199	7,199	5,199	5,199
Net deferred tax liability	795	795	795	795
Total Liabilities	29,265	22,318	23,699	28,305
Gross Block	12,050	12,328	13,128	14,128
Less: Depreciation	4,409	5,004	5,622	6,272
Net block	7,640	7,324	7,505	7,856
Capital work in progress	278	800	1,000	1,000
Investment	1,633	1,633	5,633	9,633
Current Assets	37,264	25,572	21,534	23,243
Inventories	13,475	10,427	9,853	11,338
Sundry debtors	1,043	2,222	2,100	2,416
Cash & bank balance	3,415	6,685	3,686	2,705
Loans & advances	19,331	6,239	5,895	6,784
Other current assets	-	-	-	-
Current lia & Prov	17,550	13,012	11,973	13,427
Current liabilities	16,331	10,810	9,444	10,898
Provisions	1,220	2,202	2,529	2,529
Net current assets	19,714	12,560	9,561	9,816
Misc. exp	-	-	-	-
Total Assets	29,265	22,318	23,699	28,305

Key ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
Profitability (%)				
EBITDA Margin	8.2	9.3	13.8	14.1
Net Margin	5.1	6.3	9.1	9.7
ROCE	83.9	48.2	50.6	49.3
ROE	49.8	30.9	33.4	32.8
RoIC	37.1	28.0	56.6	62.9
Per Share Data (Rs)				
EPS	34.2	28.3	38.2	47.0
CEPS	38.2	32.5	42.6	51.6
BVPS	80.6	102.4	126.6	159.5
DPS	10.0	10.0	12.0	12.0
Valuations (x)				
PER	14.9	18.0	13.3	10.8
P/CEPS	13.3	15.6	11.9	9.8
P/BV	6.3	5.0	4.0	3.2
EV / Sales	0.9	1.1	1.1	0.9
EV / EBITDA	10.8	12.1	8.2	6.7
Dividend Yield (%)	0.8	2.3	2.3	2.8
Gearing Ratio (x)				
Net Debt/ Equity	1.1	(0.1)	(0.2)	(0.3)
Net Debt/EBIDTA	1.6	(0.2)	(0.5)	(0.7)
Working Cap Cycle (days)	(7)	11	16	15

Recommendation History: Coromandel International – CRIN IN

Date	Reports	Reco	CMP	Target
27.04.2010	Coromandel Intl. Q4FY10 Result Update	Buy	361	470
25.01.2010	Coromandel Intl. Q3FY10 Result Update	Buy	273	329
23.10.2009	Coromandel Intl. Q2FY10 Result Update	Buy	221	263
23.07.2009	Coromandel Intl. Q1FY10 Result Update	Buy	175	263

Recent Research Reports

Date	Reports	Reco	CMP	Target
22.07.2010	JK Paper Q1FY11 Result Update	Buy	57	84
19.07.2010	Rallis India Q1FY11 Result Update	Buy	1177	1440
16.07.2010	Chambal Fertilisers Q1FY11 Result Update	Accumulate	67	77
14.07.2010	Kajaria Ceramics Q1FY11 Result Update	Buy	67	91

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