

COROMANDEL INTERNATIONAL LTD

HOLD
CMP Rs279
TP Rs316

14 Jan 2011

Coromandel International's (CIL) Q3FY11 results were inline with our expectations as net sales grew by 16.3% YoY to ~Rs20.4bn (PINCe 14.7% and ~Rs20.1bn respectively). OPM contracted slightly by 96bps to 10.8% resulting in an overall operating profit of Rs2.2bn. Other income was down 9.2% to ~Rs331mn. Consequently, net profit increased marginally by 3.8% YoY to ~Rs1.5bn.

Manufactured fertilisers volume for the quarter fell ~5% to ~7.4lakh tonnes from ~7.79lakh tonnes due to disruption in supply of phosphoric acid as one of its key suppliers "FOSKAR" faced production issues at its rock phosphate mine. Operations have resumed since then as management expects normal volumes for Q4FY11. However, better sales volume from fertiliser trading business (Urea at ~74,000 tonnes and DAP at ~41,000 tonnes) contributed to modest rise in overall sales volumes. As a result, volume for the quarter increased by 2% YoY to ~8.62lakh tonnes vs ~8.43lakh tonnes in Q3FY10.

Outlook: Indian government has reduced subsidy for complex fertiliser under NBS scheme by ~15-20%. Despite this small blip, we believe CIL is well placed with its ability to increase fertiliser prices at farmers' level, better negotiation for raw material prices in international market and rising proportion of non-subsidy business (micro-nutrients/ specialty fertilisers). These factors should enable CIL to maintain its margins with no major impact on profitability.

VALUATIONS AND RECOMMENDATION

We have slightly decreased our FY12 estimates by 8.5% following government's move of ~15-20% reduction in subsidy for complex fertiliser. At the CMP of Rs279, CIL trades at FY11 and FY12 P/E of 14.1x and 12.4x and EV/EBITDA of 4.1x and 4.1x respectively. We maintain our 'HOLD' recommendation with a target price of Rs316 (22.5 FY12E EPS).

KEY FINANCIALS

	Rs mn				
	FY08	FY09	FY10	FY11E	FY12E
Net Sales	37,573	93,750	63,947	77,486	78,339
YoY Gr.(%)	81.8	149.5	(31.8)	21.2	1.1
Op. Profits	4,128	6,521	7,100	10,376	9,302
Op. Marg.(%)	11.0	7.0	11.1	13.4	11.9
Adjusted Net Profit	2,101	4,532	4,677	5,581	6,343
YoY Gr.(%)	80.0	115.7	3.2	19.3	13.7

KEY RATIOS

Dil. EPS (Rs)	7.5	16.1	16.6	19.8	22.5
ROCE (%)	26.3	39.0	24.6	30.1	26.0
RoE (%)	31.2	45.2	34.5	33.1	30.9
PER (x)	37.4	17.3	16.8	14.1	12.4
EV/Net sales (x)	2.2	2.3	1.7	0.6	0.6
EV/EBITDA (x)	10.5	4.9	5.7	4.1	4.1

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QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Jun-10	Sep-10	Dec-10
Net Sales	15,489	27,573	20,433
YoY Gr (%)	(2.5)	63.6	16.3
Op .Profits	1,854	5,155	2,214
OPM (%)	12.0	18.7	10.8
Adj. Net Profit	1,215	2,199	1,505
YoY Gr. (%)	132.9	17.1	3.8

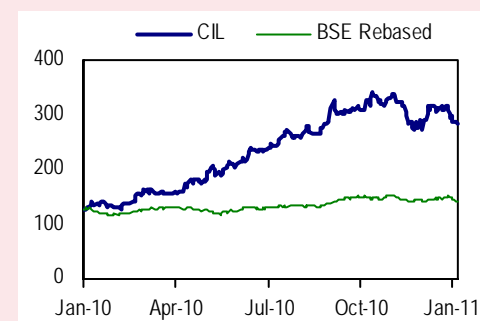
STOCK DATA

Market Cap	Rs78.5bn.
Book Value per share	Rs53.7
Eq Shares O/S (F.V. Rs1)	279.8mn.
Free Float	35.7%
Avg Traded Value (6 mnths)	Rs74mn
52 week High/Low	Rs373/127
Bloomberg Code	CRIN IN
Reuters Code	CORF.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	(2.8)	(8.8)	120.2
Relative	(0.7)	(3.6)	100.8

RELATIVE PERFORMANCE



Financial Table

Rs mn	Dec-09	Dec-10	YoY (%)	Sep-10	QoQ (%)	FY09	FY10	YoY (%)
Net Sales	17,568	20,433	16.3	27,573	(25.9)	93,750	63,947	(31.8)
EBITDA	2,073	2,214	6.8	5,155	(57.1)	6,521	7,100	8.9
<i>EBITDA Margins (%)</i>	<i>11.8</i>	<i>10.8</i>	<i>-</i>	<i>18.7</i>	<i>-</i>	<i>7.0</i>	<i>11.1</i>	<i>-</i>
Other Income	365	331	(9.2)	367	(9.9)	2,066	1,362	(34.1)
Interest	190	218	15.1	226	(3.5)	876	782	(10.8)
Depreciation	149	163	9.5	165	(1.6)	562	594	5.7
PBT	2,099	2,164	3.1	5,131	(57.8)	7,149	7,086	(0.9)
<i>Tax (%)</i>	<i>31.0</i>	<i>30.5</i>	<i>-</i>	<i>31.8</i>	<i>-</i>	<i>35.9</i>	<i>34.0</i>	<i>-</i>
PAT	1,449	1,505	3.8	3,501	(57.0)	5,595	4,677	(16.4)
Adj PAT	1,449	1,505	3.8	2,199	(31.6)	4,532	4,677	3.2
EPS	5.2	5.3	3.3	12.4	(57.0)	20.0	16.7	(16.4)
Adj EPS	5.2	5.3	3.3	7.8	(31.6)	16.2	16.7	3.2

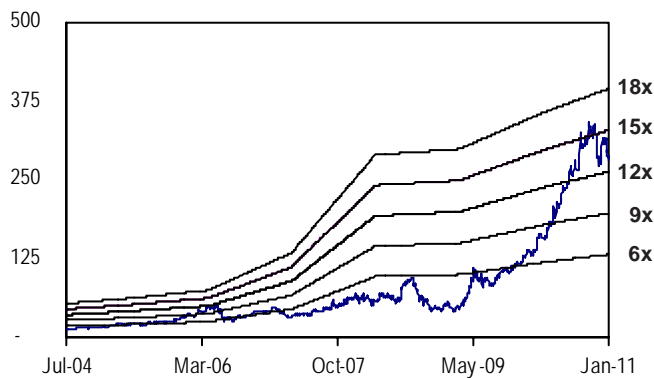
Income Statement	FY08	FY09	FY10	FY11E	FY12E
Net sales	37,573	93,750	63,947	77,486	78,339
Growth (%)	81.8	149.5	(31.8)	21.2	1.1
Operating Profit	4,128	6,521	7,100	10,376	9,302
Growth (%)	107	58	9	46	(10)
Other income	432	3,652	1,362	1,512	1,692
EBDITA	4,560	10,173	8,462	11,887	10,993
Growth (%)	107	58	9	46	(10)
Depreciation	522	562	594	644	667
EBIT	4,038	9,611	7,868	11,243	10,326
Interest paid	699	876	782	763	715
PBT	3,339	8,735	7,086	10,480	9,611
Tax provision	1,238	3,140	2,409	3,459	3,268
E/o Income / (loss)	-	1,586	-	2,151	-
Net profit	2,101	5,595	4,677	7,022	6,343
Adjusted net profit	2,101	4,532	4,677	5,581	6,343
Growth (%)	80.0	115.7	3.2	19.3	13.7
Diluted EPS (Rs)	7.5	16.1	16.6	19.8	22.5
Diluted EPS Growth (%)	80.0	115.7	3.2	19.3	13.7

Cash Flow Statement	FY08	FY09	FY10	FY11E	FY12E
Pre-tax profit	3,339	8,735	7,086	10,480	9,611
Depreciation	522	562	594	644	667
Total tax paid	(1,124)	(3,238)	(2,442)	(3,459)	(3,268)
Chg in working capital	(293)	(7,321)	1,205	(3,973)	1,389
Other items	809	1,420	486	(749)	(977)
Cash flow from oper. (a)	3,254	159	6,928	2,944	7,423
Capital expenditure	(421)	(1,161)	(2,215)	(1,200)	(1,000)
Chg in investments	(1,683)	(1,490)	7	(100)	(100)
Other investing activities	68	991	66	1,512	1,692
Cash flow from inv. (b)	(2,036)	(1,661)	(2,142)	212	592
Free cash flow (a+b)	1,218	(1,502)	4,786	3,156	8,014
Equity raised/(repaid)	-	-	-	2	-
Debt raised/(repaid)	(775)	7,082	2,944	(1,000)	(1,500)
Chg in Minorities int.	-	-	-	-	-
Dividend (incl. tax)	(351)	(1,529)	(1,619)	(3,291)	(2,813)
Other financing activities	(716)	(870)	(759)	(763)	(715)
Cash flow from fin. (c)	(1,841)	4,683	566	(5,053)	(5,028)
Net chg in cash (a+b+c)	(624)	3,181	5,352	(1,896)	2,986

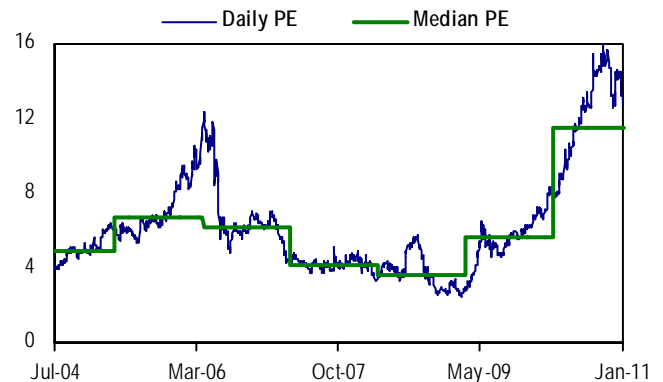
Balance Sheet	FY08	FY09	FY10	FY11E	FY12E
Equity capital	280	280	280	281	281
Reserves & Surplus	7,675	11,840	14,735	18,465	21,996
Shareholders' funds	7,955	12,120	15,015	18,747	22,277
Minorities interest	-	-	-	-	-
Deferred Tax Liability	825	795	855	855	855
Total debt	10,431	17,708	20,470	19,470	17,970
Capital Employed	19,210	30,622	36,339	39,071	41,101
Net fixed assets	7,402	7,966	9,576	10,132	10,465
Cash & cash Eq.	1,072	4,253	9,605	7,708	10,695
Net other current assets	10,018	16,195	15,465	19,438	18,049
Investments	718	2,208	1,693	1,793	1,893
Total assets	19,210	30,622	36,339	39,071	41,101

Key Ratios	FY08	FY09	FY10	FY11E	FY12E
OPM(%)	11.0	7.0	11.1	13.4	11.9
Net margin (%)	5.6	4.8	7.3	7.2	8.1
Dividend yield (%)	0.6	1.8	3.6	3.6	3.6
Net debt/Equity (x)	1.2	1.1	0.7	0.6	0.3
Net Working Capital (days)	86.6	44.0	17.5	40.0	32.0
Asset turnover (x)	1.1	0.7	0.8	2.0	1.9
ROCE (%)	26.3	39.0	24.6	30.1	26.0
ROE (%)	31.2	45.2	34.5	33.1	30.9
EV/Net sales (x)	2.2	2.3	1.7	0.6	0.6
EV/EBITDA (x)	10.5	4.9	5.7	4.1	4.1
PER (x)	37.4	17.3	16.8	14.1	12.4
Price/Book (x)	9.8	6.4	5.2	4.2	3.5

1 year forward P/E Band



Median PE v/s Daily PE



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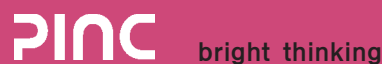
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