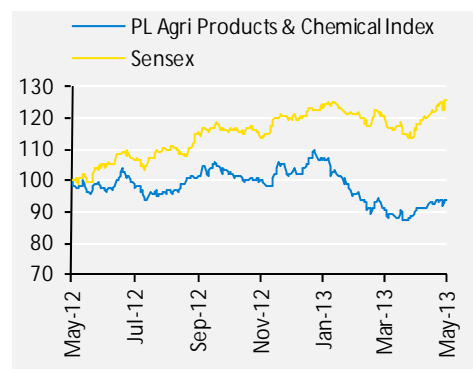


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**Sensex v/s PL Agri Products & Chemical Index**



Source: Bloomberg

**Stock Performance**

(%)	1M	6M	12M
<b>Sensex</b>	<b>8.3</b>	<b>10.8</b>	<b>26.2</b>
<b>PL Agri Products</b>			
<b>Index</b>	<b>3.6</b>	<b>(6.5)</b>	<b>(6.2)</b>
Chambal Fertilisers	(6.6)	(26.6)	(31.9)
Coromandel Int.	(4.6)	(32.3)	(27.0)
Deepak Fertilisers	(1.5)	(22.9)	(23.6)
Dhanuka Agritech	10.4	(2.3)	40.8
GSFC	(1.2)	(25.1)	(32.4)
Rallis India	10.4	(13.7)	9.0
Tata Chemicals	0.5	1.8	(0.7)
United Phosphorus	22.8	37.1	28.0

*Preliminary data from the Ministry of Fertilisers indicates that sales volumes of overall complex fertilisers (incl. manufactured & traded) declined by 50% YoY for the industry during Apr'13. On the contrary, urea sales increased by 6% YoY during the same period. Imported complex fertilisers witnessed decline of 56% YoY during Apr'13 as companies refrained from importing due to delay in subsidy fixation as well as huge inventory in system. Similarly, manufactured complex fertiliser volumes declined by 47% YoY during Apr'13. While we expect urea demand to remain steady, complex fertiliser sales continues to remain under pressure due to wide differential in urea v/s complex fertiliser prices and huge inventory in system. Though few companies have already announced reduction in farm gate prices of complex fertilisers, the bigger challenge is the existing inventory in system which will be sold at reduced prices. Our channel checks/interactions with industry suggest that major portion of the loss will have to be borne by the companies. However, companies have already passed significant part of the reduction in the form of dealers discounts, promotional offers etc. We maintain 'BUY' on Chambal Fertilisers and 'Accumulate' on Coromandel, GSFC, Tata Chemicals, and Deepak Fertilisers.*

- Complex fertiliser sales continue to face demand headwinds:** Preliminary volumes data for Apr'13 indicates that sales volumes of overall complex fertilisers (incl. manufactured & traded) declined by 50% YoY for the industry. On the contrary, urea sales increased by 6% YoY during the same period. Complex fertiliser sales continue to face demand headwinds due to windfall increase in their prices over the last two years. Our channel checks suggest that farmer is reluctant to purchase complex fertiliser at such high prices despite his crop economics remaining favourable.
- Reduction of farm gate prices on existing inventory has emerged as a new problem for industry:** Complex fertiliser industry, which was already grappling with the slide in demand and consequent build-up of inventory, is now facing another challenge. Though few companies have already announced reduction in farm gate prices of complex fertilisers, the bigger challenge is the existing inventory in the system which will be sold at reduced prices. Our channel checks/interactions with industry suggest that major portion of the loss will have to be borne by the companies. However, companies have already passed significant part of the reduction in the form of dealer discounts, promotional offers etc. during the last few quarters.

**Exhibit 1: Valuations Primer**

Name	Rating	CMP (Rs)	TP (Rs)	EPS (Rs)		PE (x)	
				FY14E	FY15E	FY14E	FY15E
Chambal Fertilisers & Chemicals	Buy	50	67	7.5	8.6	6.6	5.7
Coromandel International	Accumulate	186	220	18.0	22.4	10.3	8.3
Deepak Fertilisers & Petrochemicals Corporation	Accumulate	100	130	20.6	24.2	4.8	4.1
Gujarat State Fertilisers & Chemicals	Accumulate	57	70	13.9	16.0	4.1	3.6
Tata Chemicals	Accumulate	318	354	35.4	39.3	9.0	8.1

Source: PL Research

## Fertiliser Sales Volume

**Exhibit 2: Apr'2013 sales volumes**

Product - mt	Apr-12	Apr-13	% change
Imported DAP	71,906	31,865	-55.7%
Imported NPK	18,329	1,986	-89.2%
MoP	75,717	40,567	-46.4%
Others imported	2,018	-	-100.0%
<b>Total Imported</b>	<b>167,970</b>	<b>74,418</b>	<b>-55.7%</b>
Indigenous DAP	119,496	41,606	-65.2%
Indigenous NPK	179,947	102,510	-43.0%
Other complex indigenous (excl. SSP, TSP)	27,443	15,723	-42.7%
SSP, TSP	48,525	38,582	-20.5%
<b>Total indigenous fertilisers</b>	<b>375,411</b>	<b>198,421</b>	<b>-47.1%</b>
<b>Total complex fertilisers</b>	<b>543,381</b>	<b>272,839</b>	<b>-49.8%</b>
<b>Urea</b>	<b>1,275,266</b>	<b>1,352,868</b>	<b>6.1%</b>

Source: Ministry of Fertilisers, PL Research

**Exhibit 3: Company level complex fertiliser sales volumes**

Company - mt	Apr-12	Apr-13	% change
Chambal Fertiliser	4,145	2,656	-36%
<b>Coromandel Int'l</b>	<b>46,695</b>	<b>34,770</b>	<b>-26%</b>
<i>Manufactured</i>	<i>40,994</i>	<i>30,613</i>	<i>-25%</i>
<i>Traded</i>	<i>5701</i>	<i>4,157</i>	<i>-27%</i>
Deepak Fertilisers	15,303	3,572	-77%
FACT	70,576	13,235	-81%
GNFC	9,849	924	-91%
GSFC	57,236	46,719	-18%
IFFCO	44,877	14,994	-67%
Indian Potash	51,824	38,938	-25%
Paradeep Phosphates	23,882	5,181	-78%
RCF	44,229	35,045	-21%
Tata Chemicals	23,823	14,041	-41%
Zuari Holdings	33,079	10,604	-68%

Source: Ministry of Fertilisers, PL Research

**Exhibit 4: Annual Sales volumes**

Product - mt	FY10	FY11	FY12	FY13	YTD FY13	YTFY14	% change
Imported DAP	5,805,146	7,541,386	6,902,274	5,467,985	71,906	31,865	-55.7%
Imported NPK	-	1,076,379	3,299,541	1,077,956	18,329	1,986	-89.2%
MoP	4,675,723	3,899,849	2,994,530	2,135,938	75,717	40,567	-46.4%
Others imported	135,757	88,443	323,505	89,603	2,018	-	-100.0%
<b>Total Imported</b>	<b>10,616,626</b>	<b>12,606,057</b>	<b>13,519,850</b>	<b>8,771,482</b>	<b>167,970</b>	<b>74,418</b>	<b>-55.7%</b>
Indigenous DAP	4,347,054	3,565,397	4,010,539	3,669,475	119,496	41,606	-65.2%
Indigenous NPK	8,062,410	9,151,715	7,769,499	6,224,809	179,947	102,510	-43.0%
Other complex indigenous (excl. SSP, TSP)	145,336	556,898	479,583	453,725	27,443	15,723	-42.7%
SSP, TSP	119,115	3,483,002	3,438,899	3,969,115	48,525	38,582	-20.5%
<b>Total indigenous fertilisers</b>	<b>12,673,915</b>	<b>16,757,012</b>	<b>15,698,520</b>	<b>14,317,124</b>	<b>375,411</b>	<b>198,421</b>	<b>-47.1%</b>
<b>Total complex fertilisers</b>	<b>23,290,541</b>	<b>29,363,069</b>	<b>29,218,370</b>	<b>23,088,606</b>	<b>543,381</b>	<b>272,839</b>	<b>-49.8%</b>
<b>Urea</b>	<b>25,233,711</b>	<b>27,115,837</b>	<b>29,356,568</b>	<b>30,159,512</b>	<b>1,275,266</b>	<b>1,352,868</b>	<b>6.1%</b>

Source: Ministry of Fertilisers, PL Research

**Exhibit 5: Quarterly sales volumes**

Product - mt	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Imported DAP	539,366	231,1292	2,135,162	1,916,454	674,760	1,836,889	1,982,175	974,161
Imported NPK	126,627	1,113,482	917,111	1,142,321	447,332	329,521	171,171	129,932
MoP	509,897	192,428	1,065,357	1,226,848	408,781	690,668	482,495	553,994
Others imported	17,909	73,684	145,764	86,148	21,931	67,427	208	37
<b>Total Imported</b>	<b>1,193,799</b>	<b>3,690,886</b>	<b>4,263,394</b>	<b>4,371,771</b>	<b>1,552,804</b>	<b>2,924,505</b>	<b>2,636,049</b>	<b>1,658,124</b>
Indigenous DAP	925,448	1,103,654	756,094	1,225,343	620,940	856,041	752,096	1,440,398
Indigenous NPK	1,840,795	2,220,237	1,975,468	1,732,999	1,175,275	1,778,153	1,517,028	1,754,353
Other complex indigenous (excl. SSP, TSP)	4,894	152,607	139,526	92,556	88,135	142,162	116,604	106,824
SSP, TSP	864,592	1,058,499	833,256	682,552	837,689	1,037,188	933,432	1,160,806
Total indigenous fertilisers	3,725,729	4,534,997	3,704,344	3,733,450	2,722,039	3,813,544	3,319,160	4,462,381
<b>Total complex fertilisers</b>	<b>4,919,528</b>	<b>8,225,883</b>	<b>7,967,738</b>	<b>8,105,221</b>	<b>4,274,843</b>	<b>6,738,049</b>	<b>5,955,209</b>	<b>6,120,505</b>
<b>Urea</b>	<b>5,898,439</b>	<b>8,067,308</b>	<b>7,982,628</b>	<b>7,408,193</b>	<b>5,575,049</b>	<b>8,006,565</b>	<b>8,483,936</b>	<b>8,093,962</b>

Source: Ministry of Fertilisers, PL Research

**Exhibit 6: Quarterly sales volumes growth YoY**

Product	Q1FY12	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13	Q3FY13	Q4FY13
Imported DAP	-49%	-32%	-10%	168%	25%	-21%	-7%	-49%
Imported NPK	270%	157%	99%	677%	253%	-70%	-81%	-89%
MoP	0%	-87%	6%	32%	-20%	259%	-55%	-55%
Others imported	-49%	63%	1635%	111781%	22%	-8%	-100%	-100%
<b>Total Imported</b>	<b>-27%</b>	<b>-31%</b>	<b>11%</b>	<b>144%</b>	<b>30%</b>	<b>-21%</b>	<b>-38%</b>	<b>-62%</b>
Indigenous DAP	-4%	15%	-12%	58%	-33%	-22%	-1%	18%
Indigenous NPK	3%	-21%	-17%	-21%	-36%	-20%	-23%	1%
Other complex indigenous (excl. SSP, TSP)	-5%	-20%	-3%	-25%	-7%	-7%	-16%	15%
SSP, TSP	-24%	15%	7%	7%	-3%	-2%	12%	70%
Total indigenous fertilisers	-7%	-7%	-11%	0%	-27%	-16%	-10%	20%
<b>Total complex fertilisers</b>	<b>-13%</b>	<b>-19%</b>	<b>-1%</b>	<b>47%</b>	<b>-13%</b>	<b>-18%</b>	<b>-25%</b>	<b>-24%</b>
<b>Urea</b>	<b>9%</b>	<b>22%</b>	<b>0%</b>	<b>5%</b>	<b>-5%</b>	<b>-1%</b>	<b>6%</b>	<b>9%</b>

Source: Ministry of Fertilisers, PL Research

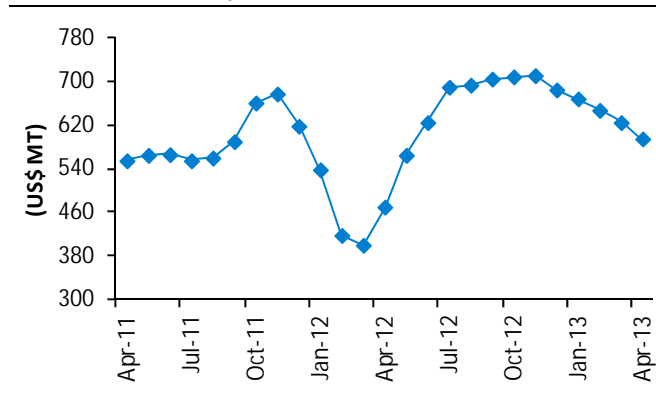
## Fertilisers Prices

**Exhibit 7: Global Fertiliser prices**

\$/mt	Apr'2013	Apr'2012	Mar'2013	% YoY	% MoM	Comments
Ammonia	595	470	625	27%	-5%	Improvement in supply to keep prices under check
Phos Acid	770	960	770	-20%	0%	
Rock Phosphate	150	180	153	-17%	-2%	
Potash	452	525	455	-14%	-1%	Prices have come off from US\$500 in Sep'12
DAP	512	511	492	0%	4%	
Urea	371	657	396	-43%	-6%	Globally weak demand & bearish fundamentals

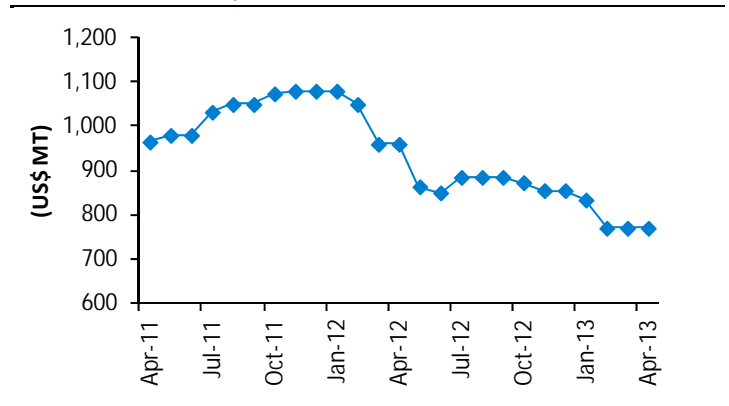
Source: Bloomberg, PL Research

**Exhibit 8: Ammonia prices**



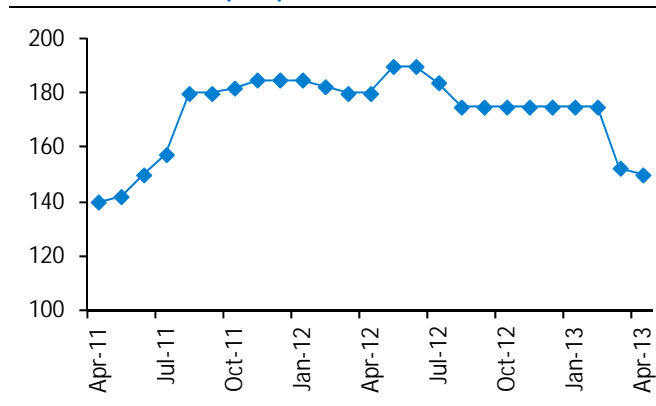
Source: Bloomberg, PL Research

**Exhibit 9: Phos Acid prices**



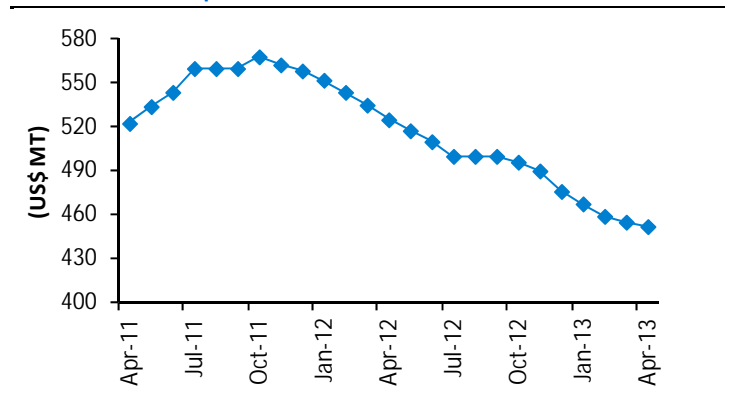
Source: Bloomberg, PL Research

**Exhibit 10: Rock Phosphate prices**



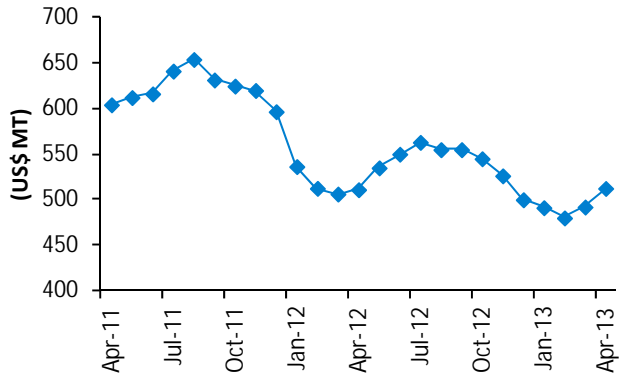
Source: Bloomberg, PL Research

**Exhibit 11: Potash prices**



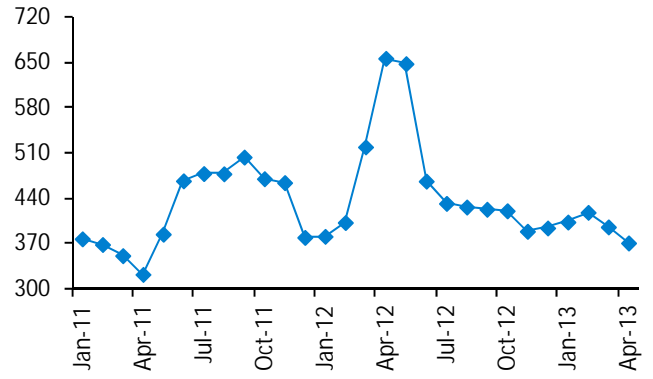
Source: Bloomberg, PL Research

**Exhibit 12: DAP prices**



Source: Bloomberg, PL Research

**Exhibit 13: Urea prices**

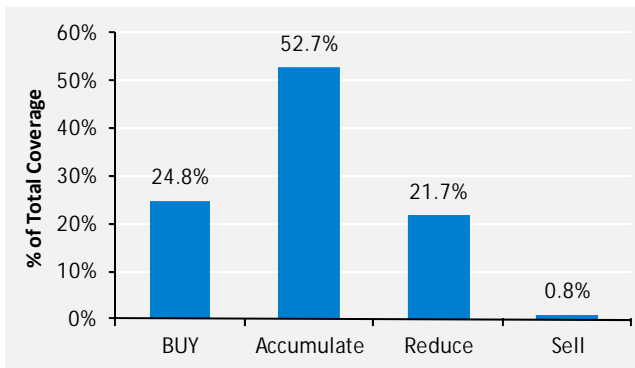


Source: Bloomberg, PL Research



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**PL's Recommendation Nomenclature**

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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