

January 23, 2012

Reco Hold	Previous Reco Hold
CMP Rs 274	Target Price Rs 286

EPS change FY12E/13E (%)	-7/NA
Target Price change (%)	NA
Nifty	5,046
Sensex	16,752

Price Performance

(%)	1M	3M	6M	12M
Absolute	0	(19)	(20)	12
Rel. to Sensex	(6)	(19)	(10)	26

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Agri-input & Chemicals
Bloomberg	CRIN@IN
Equity Capital (Rs mn)	282
Face Value(Rs)	1
No of shares o/s (mn)	282
52 Week H/L	376/218
Market Cap (Rs bn/USD mn)	77/1,536
Daily Avg Volume (No of sh)	164289
Daily Avg Turnover (US\$m)	0.9

Shareholding Pattern (%)

	Dec-11	Sep-11	Jun-11
Promoters	64.0	64.0	64.0
FII/NRI	12.4	11.3	10.8
Institutions	7.7	8.5	8.8
Private Corp	2.1	2.1	2.2
Public	13.9	14.2	14.3

Source: Capitaline

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- Q3FY12 results disappointed due to lower margins and revenues. Sales Rs 25.5bn, 24% yoy, was lower than est. APAT of Rs 1.5bn, 2% yoy was lower than est of Rs 2.1bn
- EBITDA margins declined by 180bps yoy/470 bps qoq to 9.2% (est of 11%) due to higher trading. Increase in inventory of Rs 6.3bn is a key concern
- APAT adjusted for EO item of Rs 355mn on account of non compete fee for Sabero and Rs 120mn subsidies related to previous period. Company reported PAT Rs 1.3bn
- Near term outlook remain challenging due to supply pressure (higher inventories) and weak demand however monsoons remain key driving factor. Maintain Hold with TP of Rs 286

Revenue growth of 24%, below est despite higher trading

Coromandel International reported revenues of Rs 25.5bn, 24% yoy, lower than our est of Rs 28.5bn due to lower average sales realizations. Fertiliser volumes declined marginally by 1% to 830,000mt. Despite lower sales volumes, revenues increased by 24% yoy as higher fertiliser prices (on a yoy basis) boosted topline.

EBITDA margins disappoint; decline by 180bps yoy/470 bps qoq to 9.2%

Coromandel reported EBITDA of Rs 2.3bn, +4% yoy, lower than est of Rs 3.2bn. EBITDA margins declined by 180bps yoy/470bps qoq to 9.2% against est of 11%. Sharp decline in margins is primarily attributable to higher trading which has lower margins. Purchase of traded goods increased to 42% of sales compared to 15% last year. Interest costs increased to Rs 304mn, 44% yoy due to higher interest rate (up by 200 bps) and higher working capital requirements. APAT remained flat at Rs 1.5bn against our est of Rs 2.1bn with AEPS of Rs 5.2. APAT has been adjusted for 1) Rs 116mn related to subsidy income recognized of earlier periods and 2) Rs 355mn of non compete fee paid to Sabero's promoters. Coromandel has declared interim dividend of Rs 4 per share.

Higher inventories pose near term risks

Complex fertiliser inventory in the industry has gone up to ~3 mn mt as against normal inventory level of 1-1.5 mn mt. Coromandel also has inventory of ~3,00,000 mt (includes DAP, MOP and raw materials) which has resulted in increase in inventory of Rs 6.3 bn in Q3FY12. With higher supplies in the market and sluggish demand, we expect prices to remain under pressure in near future. Also finished product prices have already started declining and along with recent currency appreciation we may see some losses on such inventory going forward.

Reduce FY12 est by 7%, maintain hold

Driven by weak Q3FY12 results, we reduce our FY12 est EPS by 7% to Rs 21. We maintain our Hold rating on the stock. We expect near term pressure on demand and margins to have adverse impact on company's profitability.

Financial Snapshot

Rs Mn

YE-Mar	Net Sales	EBITDA (Core)	EBITDA (%)	EPS PAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/EBITDA	P/BV
FY10	62,388	5,787	9.3	3,953	14.1	(17.5)	30.1	19.4	14.9	5.1
FY11	73,410	7,961	10.8	5,160	18.4	30.5	29.8	14.9	10.4	3.9
FY12E	84,882	9,075	10.7	5,895	21.0	14.2	28.0	13.0	8.6	3.4
FY13E	88,282	10,426	11.8	6,917	24.7	17.3	28.2	11.1	7.5	2.9

Key Financials – Quarterly

Rs mn

Rs mn	Q3FY11	Q4FY11	Q1FY12	Q2FY12	Q3FY12	YoY (%)	QoQ (%)	YTD12	YTD11	YoY (%)
Revenue	20,503	11,796	17,665	27,241	25,497	24.4	(6.4)	70,403	61,614	14.3
Expenditure	18,264	11,129	15,461	23,477	23,162	26.8	(1.3)	62,100	54,320	14.3
<i>as % of sales</i>	<i>89.1</i>	<i>94.3</i>	<i>87.5</i>	<i>86.2</i>	<i>90.8</i>			<i>88.2</i>	<i>88.2</i>	
Consumption of RM	15,918	9,027	12,926	20,734	20,158	26.6	(2.8)	53,818	47,005	14.5
<i>as % of sales</i>	<i>77.6</i>	<i>76.5</i>	<i>73.2</i>	<i>76.1</i>	<i>79.1</i>			<i>76.4</i>	<i>76.3</i>	
Employee Cost	470	455	490	529	535	13.8	1.2	1,554	1,365	13.9
<i>as % of sales</i>	<i>2.3</i>	<i>3.9</i>	<i>2.8</i>	<i>1.9</i>	<i>2.1</i>			<i>2.2</i>	<i>2.2</i>	
Other expenditure	1,875	1,648	2,046	2,213	2,469	31.6	11.5	6,728	5,950	13.1
<i>as % of sales</i>	<i>9.1</i>	<i>14.0</i>	<i>11.6</i>	<i>8.1</i>	<i>9.7</i>			<i>9.6</i>	<i>9.7</i>	
EBITDA	2,238	667	2,203	3,764	2,335	4.3	(38.0)	8,303	7,294	13.8
Depreciation	161	149	143	136	139	(13.6)	2.9	418	470	(11.1)
EBIT	2,077	518	2,061	3,629	2,196	5.7	(39.5)	7,885	6,824	15.5
Other Income	188	196	193	185	212	12.6	14.3	589	625	(5.8)
Interest	212	219	246	188	304	43.5	61.8	738	620	19.1
PBT	2,053	494	2,007	3,626	2,103	2.4	(42.0)	7,736	6,830	13.3
Total Tax	616	90	620	1,026	631	2.4	(38.5)	2,295	1,707	34.5
Adjusted PAT	1,437	404	1,387	2,600	1,472	2.4	(43.4)	5,460	4,756	14.8
(Profit)/loss from JV's/Ass/MI	0	0	0	0	0			0	0	
APAT after MI	1,437	404	1,387	2,600	1,472	2.4	(43.4)	5,460	4,756	14.8
Extra ordinary items	66	322	202	188	-166			223	1483	
Reported PAT	1,503	726	1,589	2,788	1,306	(13.1)	(53.2)	5,683	6,239	(8.9)
Reported EPS	5.4	2.6	5.7	9.9	4.7	(13.1)	(53.2)	20.3	22.2	(8.9)

Margins (%)						(bps)	(bps)			(bps)
EBIDTA	10.9	5.7	12.5	13.8	9.2	(176)	(466)	11.8	11.8	(4)
EBIT	10.1	4.4	11.7	13.3	8.6	(152)	(471)	11.2	11.1	12
EBT	9.1	2.5	10.3	12.6	7.4	(168)	(521)	10.2	10.1	8
PAT	7.0	3.4	7.9	9.5	5.8	(124)	(377)	7.8	7.7	4
Effective Tax rate	30.0	18.2	30.9	28.3	30.0	(0)	171	29.7	25.0	468

Source: Company, Emkay Research

Revision in estimates

Rs mn	FY12E		
	Old Estimates	New Estimates	% Change
Net sales	86272	84,882	-1.6%
EBITDA	9486	9,075	-4.3%
EBITDA %	11.0%	10.7%	-30
APAT	6,350	5,895	-7.2%
AEPS	22.6	21.0	-7.0%

Volumes were negatively impacted in Q3FY12 due to erratic nature of the North east monsoons & widening spread between urea/complex fertilisers

Coromandel's sales volumes declined by 1% yoy to 830,000mt in Q3FY12 due to erratic nature of the North East monsoons and widening spread between urea and complex fertilizers which impacted offtake of complex fertilizers. Despite increase in acreages for wheat and paddy during the current rabi season, agricultural productivity was impacted due to the erratic nature of North East monsoons. Delay in the onset of monsoons combined with deficient rainfalls caused disruptions in cropping patterns & impacted fertiliser offtake. Complex fertiliser volumes have also been impacted due to the widening spread between urea and complex fertilizers over the last 18 months. While urea price has remained constant during this period, prices of decontrolled fertilizers have almost doubled impacting their offtake.

Sabero Organics to be consolidated w.e.f from Dec31,2011- management expects Sabero's performance to improve in FY13

Coromandel has recently completed the acquisition of Sabero Organics and the same is likely to be consolidated w.e.f Dec31,2011. Currently, Sabero's capacity utilization stands at around 30-35% which is likely to improve in the coming quarters. Sabero made a loss in the first two quarters however management expects profitability to improve as capacity utilization increases.

Subsidy for FY13 to be revised downwards as global fertiliser prices decline from their peaks

Management indicated that subsidy levels for FY13 are likely to be revised downwards as global fertiliser prices have declined from their peaks and have now stabilized. DAP prices which were ruling at \$680/mt have declined to \$520-530/mt and are likely to stabilize around these levels. Consequently, government is likely to announce subsidy reduction for FY13 on decontrolled fertilizers. Global DAP capacity is also likely to witness addition in FY13 which would keep the supply of phosphatic fertiliser intact. While Saudi Arabian Mining Company (Ma'aden)'s plant is likely to create additional supply of 1.5-2mn mt, commissioning of TIFERT would also aid volumes.

Key Financials

Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Net Sales	62,388	73,410	84,882	88,282
Growth (%)	(33.6)	17.7	15.6	4.0
Expenditure	56,601	65,449	75,807	77,855
Materials Consumed	48,875	56,951	66,459	58,224
Power & Fuel	694	763	839	1762
Other Manufacturing Exp	1,706	1,877	2,065	4,336
Employee Cost	1,450	1,595	1,754	3,683
Other Exp	3,876	4,264	4,690	9,850
EBITDA	5,787	7,961	9,075	10,426
Growth (%)	(24.8)	37.6	14.0	14.9
EBITDA margin (%)	9.3	10.8	10.7	11.8
Depreciation	594	619	568	964
EBIT	5,193	7,342	8,507	9,462
EBIT margin (%)	8.3	10.0	10.0	10.7
Other Income	1,362	821	789	1,178
Interest expenses	782	839	938	615
PBT	5,773	7,324	8,358	10,025
Tax	1,819	2,164	2,554	3,108
Effective tax rate (%)	31.5	29.5	30.6	31.0
Adjusted PAT	3,953	5,160	5,895	6,917
Growth (%)	(17.3)	30.5	14.2	17.3
Net Margin (%)	6.3	7.0	6.9	7.8
(Profit)/loss from JVs/Ass/MI	-	-	-	-
Adj. PAT After JVs/Ass/MI	3,953	5,160	5,895	6,917
E/O items	736	1,805	224	-
Reported PAT	4,689	6,965	6,119	6,917
PAT after MI	3,953	5,160	5,895	6,917
Growth (%)	(17.3)	30.5	14.2	17.3

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
PBT (Ex-Other income)	4,411	9,804	7,569	8,847
Depreciation	594	621	568	964
Interest Provided	782	868	938	615
Other Non-Cash items	2,115	3,772	91	-
Chg in working cap	526	(3,065)	2,336	(2,446)
Tax paid	-1,819	-2,949	-2,554	-3,108
Operating Cashflow	6,608	9,051	8,948	4,872
Capital expenditure	(2,210)	(2,439)	(1,500)	(2,000)
Free Cash Flow	4,398	6,612	7,448	2,872
Other income	1,362	-	789	1,178
Investments	(60)	67	-	-
Investing Cashflow	1,302	67	789	1,178
Equity Capital Raised	(600)	60	-	-
Loans Taken / (Repaid)	3,271	1,360	-	(5,000)
Interest Paid	(782)	(849)	(938)	(615)
Dividend paid (incl tax)	(1,399)	(1,944)	(2,954)	(2,954)
Income from investments	-	-	-	-
Others	-	(5,305)	-	-
Financing Cashflow	490	-6,678	-3,892	-8,569
Net chg in cash	6,190	1	4,345	-4,519
Opening cash position	3,415	9,605	9,605	13,950
Closing cash position	9,604	9,605	13,950	9,432

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	281	282	282	282
Reserves & surplus	14,735	19,286	22,226	26,189
Net worth	15,015	19,567	22,508	26,471
Minority Interest				
Secured Loans	5,946	5,802	5,802	5,802
Unsecured Loans	14,523	10,836	10,836	5,836
Loan Funds	20,470	16,638	16,638	11,638
Net deferred tax liab	855	815	815	815
Total Liabilities	36,339	37,020	39,961	38,924
Gross Block	13,074	13,529	16,944	18,444
Less: Depreciation	4,962	5,515	6,082	7,047
Net block	8,112	8,015	10,862	11,398
Cap work in progress	1,464	3,415	1,500	2,000
Investment	1,693	1,705	1,705	1,705
Current Assets	35,101	42,277	43,233	40,572
Inventories	9,264	15,138	14,147	14,754
Sundry debtors	1,398	2,052	2,403	3,144
Cash & bank balance	9,605	9,605	13,950	9,432
Loans & advances	14,834	15,481	12,732	13,242
Other current assets	-	-	-	-
Current lia & Prov	10,031	18,392	17,339	16,751
Current liabilities	9,069	17,070	16,017	15,428
Provisions	962	1,322	1,322	1,322
Net current assets	25,070	23,885	25,894	23,821
Misc. exp	-	-	-	-
Total Assets	36,339	37,020	39,961	38,924

Key Ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
Profitability (%)				
EBITDA Margin	9.3	10.8	10.7	11.8
Net Margin	6.3	7.0	6.9	7.8
ROCE	20.0	22.3	24.2	27.0
ROE	30.1	29.8	28.0	28.2
RoIC	21.9	32.0	37.7	38.9
Per Share Data (Rs)				
EPS	14.1	18.4	21.0	24.7
CEPS	16.2	20.6	23.0	28.1
BVPS	53.5	69.4	79.9	93.9
DPS	10.0	7.0	9.0	9.0
Valuations (x)				
PER	19.4	14.9	13.0	11.1
P/CEPS	16.9	13.3	11.9	9.8
P/BV	5.1	3.9	3.4	2.9
EV / Sales	1.4	1.1	0.9	0.9
EV / EBITDA	14.9	10.4	8.6	7.5
Dividend Yield (%)	1.8	2.5	3.3	3.3
Gearing Ratio (x)				
Net Debt/ Equity	0.6	0.3	0.0	0.0
Net Debt/EBIDTA	1.6	0.7	0.1	0.0
Working Cap Cycle (days)	9	1	2	10

Recommendation History: Coromandel International – CRIN IN

Date	Reports	Reco	CMP	Target
19/10/2011	Coromandel Intl Q2FY12 Result Update	Buy	307	435
22/07/2011	Coromandel Intl Q1FY12 Result Update	Buy	333	435
31/05/2011	Coromandel Intl Event Update	Buy	317	435
25/04/2011	Coromandel Intl Q4FY11 Result Update	Buy	324	435

Recent Research Reports

Date	Reports	Reco	CMP	Target
20/01/2012	Rallis India Q3FY12 Result Update	Hold	127	120
19/01/2012	Fertiliser Sector Update			
17/01/2012	Kajaria Ceramics Q3FY12 Result Update	Buy	109	143
17/01/2012	Chambal Fertilisers Q3FY12 Result Update	Accumulate	79	98

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