



MORNING FARSIGHT

Tuesday, November 27, 2018

**COROMANDEL
INTERNATIONAL**

CMP:RS 398

TRGT:RS 460

TIME HORIZON: 1 YEAR

Coromandel International is giving a buying opportunity as many developments have turned in favour of company, including —recent fall in Crude price, rupee appreciation in past 1 month, increased subsidy disbursal from Govt with lag of 6-8 months now having reduced to 1 month, increasing consumption of Captive Phos Acid by the company, prediction of normal north east monsoon (period Oct - Dec is referred to as North east Monsoon Season), higher reservoir levels in South India, over last year, indicating good outlook for Rabi Crop, Mancozeb capacity expansion at Dahej to be completed in Q4. Despite adverse macro environment in H1FY19 with higher crude oil prices, rupee depreciation, 58% YoY rise in Finance Cost, due to delay in disbursal of Subsidy from Govt, less optimistic monsoon and rising prices of key RM viz., Phos Acid, Coromandel reported strong performance with Revenue growth of 26% at Rs 7,536 cr and PBT growth of —12% at Rs 713 cr with an EPS of Rs 15.6 for H1FY19. Company has taken a price hike in Q3FY19 so far and DAP (final product) Price is running at 29,000/tonne for Q3 against Rs26,600 in Q2, crude oil prices have corrected from levels of \$86/bbl to —\$59/bbl, rupee has stabilized and company's Captive acid production from Vizag and Ennore went up by 3% in Q2FY19. Phosphoric acid capacity enhancement project at Vizag is on track and will come up by second quarter of FY20. After this, company will be adding another 1 lakh tons of phosphoric acid production, which will basically make our Vizag plant totally integrated. It must be noted that captive Phos Acid gives a delta of —US\$100/MT over imported Phos Acid. Further, Mancozeb capacity expansion at Dahej is on track and is likely to be commissioned in Q4, which will expand the capacity to 45,000 MTPA from 35,000 MTPA. Industry volume growth of Total Phosphatic Fertiliser in Q2FY19 was at 22% YoY (Complex NPK 26% YoY and DAP 19% YoY) while Coromandel achieved volume growth of 28% YoY (Complex NPK 32% YoY and DAP 16% YoY). During Q2FY19, company has received Rs 1,008 cr subsidy and further in October, the company received another Rs 640 cr mainly towards DBT. Company's Single-super phosphate business is also growing at a rapid pace and had a very good performance in Q2, wherein the sales volume has grown by 25% in Q2 and 26% in H1. Overall the market share in H1 has increased to 13% from 12% making Coromandel the market leader for SSP. On an estimated EPS of Rs 27 for FY19 and Rs 30 for FY20, stock is trading at PE of 14.7x and 13.2x respectively, as compared to 5 year avg PE of 19x (on 1 year forward basis). Share ruling at Rs 398 can move to Rs 460 in 1 year. Buy as an investor only.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.