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COROMANDEL INTERNATIONAL

CMP:RS 408

TRGT:RS 470

TIME HORIZON: 1 YEAR

Coromandel International is still looking a good buy, as stock is pretty much immune to global shocks with steady business model (only volatile factor being monsoon) and can be accumulated during tough times, to be held in portfolio for long-term. Company's current MD is Mr. Sameer Goel, who is from IIM A and has worked previous with GSK Consumer for over 25 years Further, Mr. Kapil Mehan (Joint MD) has done APM (Advanced Management Programme) from Harvard Business School and also PGDM from IIM A (PGDM — Agri) and is veteran in agro chemicals / fertilisers field. Recently, many developments have turned in favour of the company including — recent fall in Crude Oil prices, rupee appreciation in past 1 month, increased subsidy disbursement 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, higher reservoir levels in South India, against last year, indicating good outlook for (Rat)! Crop, Despite adverse macro environment in H1FY19 with higher crude oil prices, rupee depreciation and 58% rise in Finance Cost, due to delay in disbursement of Subsidy from Govt, less optimistic monsoon, rising prices of key RM viz., Phos Acid, Coromandel reported good performance with Revenue growth of 26% at Rs 7,536 cr and PBT growth of —12% at Rs 713 cr with EPS of Rs 15.6 for H1FY19. Now, majority of the adversity has abated and environment has turned quite favourable for the company, which should help the stock to regain its lost mojo, in coming weeks. Company has taken price hikes in 003FY19 solar and DAP (final product) Price is running at 29,000/tonne for Q3 against 26,600 in Q2, crude oil prices have corrected from levels of \$86/bbl to —\$62/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 lakh tons of phosphoric acid production, which will basically make 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. In Q2FY19, company's Market share has gone up marginally from 18.7% to 18.9% with increase coming across almost all the operating states, as Coromandel outperformed Industry in Q2FY19. 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%, up 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 14.8x and 13.3x respectively, as compared to 5 year avg PE of 19x (on 1 year forward basis). Share ruling at Rs 408 can move to Rs 470 in 1 year.

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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.