



Farsight

MORNING FARSIGHT

Monday, August 06, 2018

**COROMANDEL
INTERNATIONAL**

CMP:RS 422

TRGT:RS 500

TIME HORIZON: 1 YEAR

Coromandel International is looking a good buy, with company having posted better earnings for Q1FY19. while Q2 is strongest quarter for Coromandel seasonally and earnings will remain strong with near normal monsoon. Company has achieved Revenue growth of 5% QoQ and 12% YoY at Rs 2,529 cr, while EBITDA rose by 16% QoQ and 26% YoY at Rs 214 cr, with EBITDA margin expanding to 8.5% from 7.7%QoQ and 7.5% YoY. Consequently, PAT grew by 24% YoY to Rs90.5 cr, leading to an EPS of Rs 3.09 for Q1FY19. The outlook for the remaining kharif season remains positive. July has witnessed normal rainfall across the country that has led to good of take of fertiliseRs With reservoir levels (especially in key market of south India) having increased to 58%, against 25% of same period last year, Coromandel is set to benefit due to its dominant position in southern states of AP and Telengana. Concerns on gross margins have also been addressed with the consecutive price hikes taken in last few months. In Crop Protection, the management has indicated that mancozeb inventory in Brazil has started to ease and thus expects better volume growth in FY19. The company has launched 5 new products across various segments which should help maintain growth momentum. The company expects to launch few more differentiated molecules in crop protection segment in the coming yeaRs The Q2FY19 contract for Phos Acid have been signed at USS758/MT, which is higher by 28% YoY and 4%QoQ,however, management has guided for stable margins given the company's ability to pass on the cost increases to the market +DAP prices increase of 27% in the last six months +16%increase in government subsidy. Also, higher production of captive Phos Acid and enhanced capacity utilization have led to improved operating leverage. Further, New Phos Acid Brownfield expansion is underway at Vizag and is expected to be completed by Q2FY20. This plant will add 0.1 mn MT of additional capacity, thus taking the total Phos Acid capacity to 0.35 MTPA (The company's total Phos Acid demand is 0.85 MTPA). Management has mentioned that captive Phos Acid gives a delta of -USS100/MT over imported Phos Acid. The company is also looking at further augmenting its Mancozeb capacity at Dahej, as It continues to witness healthy demand. For this purpose, the company has earmarked Rs 100 cr for additional 10,000 MT capacity of Mancozeb at Dahej (Current Mancozeb capacity is 35,000MT). On an estimated EPS of Rs 26 for FY19, stock is trading at PE of 16x, which is seen attractive, with company being part of Murugappa Group with promoter stake of - 62%and Institutional Holding of 16%. Share ruling at Rs 422 can move to Rs 500 in 1year period.

DISCLAIMER: This is solely for information of clients of Farsight Securities Ltd. and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Farsight Securities Ltd. its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Farsight Securities Ltd. or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Farsight Securities Ltd. in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Farsight Securities Ltd. has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Farsight Securities Ltd. makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

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.