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# Equity Research Report

Coromandel International Ltd.  
(NSE: COROMANDEL)



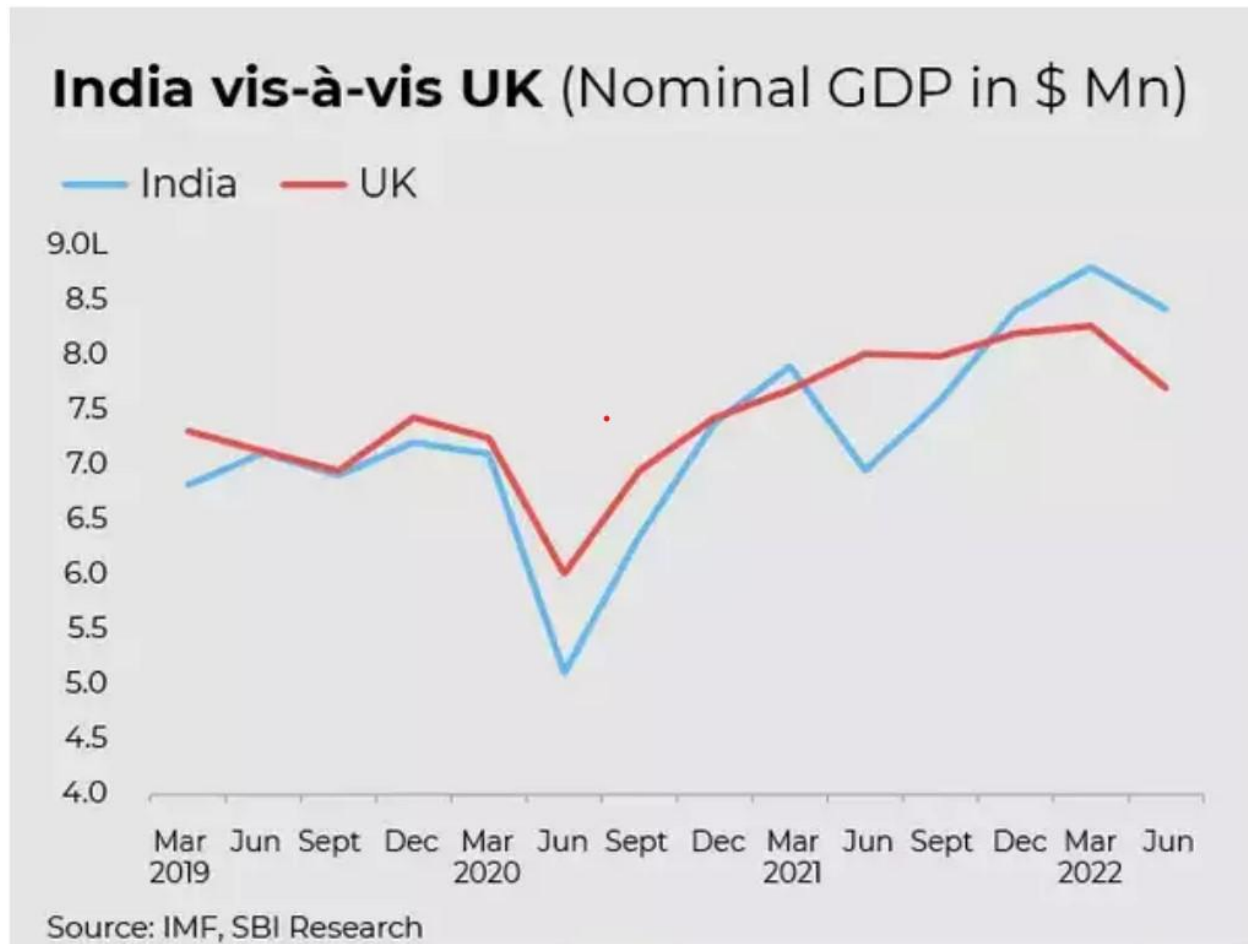
Research by:

**Shahnaz Abdul Hameed &  
Shantanu Dash**

# Industry *Analysis* & Shortlisting

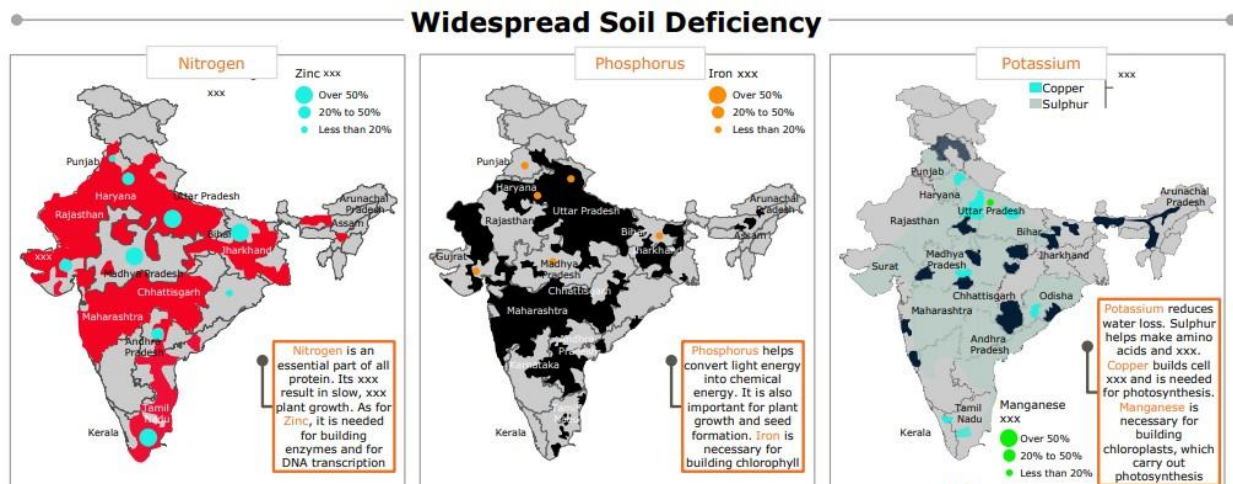
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*India expected to be the 3rd largest economy by 2030 according to SBI*



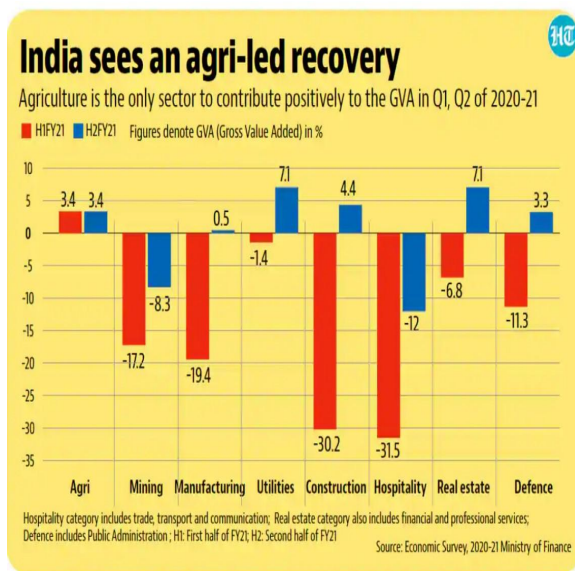
**Within** India, there's a **strong increase in food demand** expected with increasing population, initiatives on hunger and poverty eradication and increasing calorie intake per capita ( a projected 11% increase from 3547 tonnes in 2020 to 3927 in 2030 according to *FAOSTAT*; *BCG analysis*). The global agricultural trend of rising consumption & resource exhaustion combined with non-ceasing water and land scarcity is leading to a natural resource pressure triangle; leading to pressure in increasing agricultural productivity. India is witnessing its decade of accelerated economic growth, with a projected GDP rise from \$2.7 T in 2011 ranking 10th globally to \$8-9 T in 2030, a forecasted rise to 3rd position. ( according to the *International Monetary Fund*, *Oxford Economics*, *The Economist Intelligence Unit*, *OECD*, *The World Bank & RBI*).

The nation's cumulative gross value added by the agricultural sector has doubled in the last 30 years, from ~\$1.7 trillion in 08-18 to ~\$3.3 trillion in 19-29. We've found at least 4 major factors that have exponentially increased opportunities for value creation in the agricultural sector over the next decade, **falling land holding per capita** (from 2.25 in 1970 to 1.22 in 2016 acc to Ministry of Agriculture), **imbalance nutrient usage** (a 6.1:2.5: 1 against the ideal 4:2:1 N:P:K Consumption Ratio in FY18, acc to FAI), **low mechanisation** (40 % acc the *WORLD BANK*), **low crop protection consumption** (0.6 kg/ha pesticide consumption according to *FICCI*): we have immense growth opportunities to bridge these gaps.



## The Effect Of COVID-19 - Agricultural Reforms & more

There are 8 major agricultural trends that the COVID-19 pandemic accelerated



**Pressure on natural resources:** Driving greater push towards micro-irrigation in India.

**Evolution of dietary patterns:** As demand for fruits, vegetables & pulses continues to grow at 6-8%.

**Declining average farm holding:** 87% of Indian farmers hold <2 Ha- adding pressure on farm productivity

**Decreasing labour availability:** Driving 10% p.a. rise in cultivation cost of major crops.

**Government interventions:** In the form of higher MSP and Direct Benefit Transfer to support farmers.

**Digitalisation of farmers:** Providing unique opportunities to use personalization to build deep farmer connect.

**Data-driven agriculture and precision farming:** Changing the landscape of agri today & will continue to do so in the future.

**Evolution of logistics sector:** With 42 mega Food Parks planned across the country. The acceleration indicates that we foresee an improved agricultural input penetration, F&V pulses with changing dietary preferences, holistic agricultural solutions in the future, digital farmer connect & personalization, and shared service models for mechanisation

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### *The Role of Government*

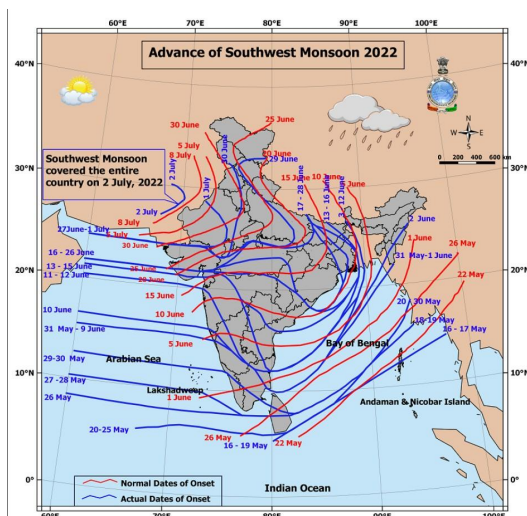
Recent government policies have focussed vigilantly on value creation in the agricultural sector:

**Farmer Focus:** Doubling of farmer income through productivity- Soil Health Cards, customised fertiliser. Prize realisation- Direct Income Support, Centre & State initiatives, Agricultural Insurance, Electronic Agriculture Markets, MSP support. Contract farming- Improved value chain linkage.

**Positive Policy Shifts:** Direct Benefit Transfer (DBT)- Soil health cards. Nutrient self-sufficiency- 'Make in India' to target intermediate & finished product capacity additions. Quality consciousness- SSP – RM quality, Pesticide Management Bill. Sustainable farm solutions- Balanced nutrition, Bio and Organic as next focus areas. Dynamic Policy Decisions- Subsidy Rates, MSP Prices.

**Welfare Policy:** JAM (Jan Dhan, Aadhaar, Mobile) as enabler to direct benefit transfer for beneficiaries. Building Rural India- Electrification, Ayushman Bharat (Health insurance). Push towards Pulses & Oilseeds – Self sufficiency goals.

**Infra Push:** Irrigation focus- Micro Irrigation focus, Accelerated Irrigation Benefit Program. River linkages- Increased investments in logistics, cold chain and warehousing. Inland waterways, Sagarmala project – Alternate distribution channel. Thrust on Farm mechanisation – Custom Hiring Centres.



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### *Climatic Considerations*

The Indian Meteorological Department (IMD) has announced that it expects Southwest monsoon rainfall to be 105% of long period average. This augurs well for the consumption of fertilisers and agrochemicals. The above avg rainfall in their key markets, good soil moisture conditions and proactive steps taken by the government in procuring a bumper Rabi harvest is forecasted to result in an early demand for agricultural inputs.

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# Why we chose Coromandel



## *The Numbers: A Snapshot*

As analysts, we believe in data that speaks for itself. Simply taking the financial year 2021-22, Coromandel had a turnover of Rs. 192 B- in April 2022, its market cap was 249 B with a total income of 192.3 B, a 35% increase from the previous year. Its PAT grew 8% to 14.12 B; With CRISIL India, it has the strongest credit rating of AA+, and 0 long term debt.

It has an undeniable footprint in India, being the largest private sector Phosphatic fertiliser company, the largest single sulphate phosphate company, 2nd largest manufacturer of Malathion & Phenthoate, 5th largest crop protection company & world's largest neem-based biopesticide manufacturer, India's topmost organic manure player, and the largest rural retail chain. It has 17 manufacturing locations, 750 Retail Centres, 2000+ dealers, presence across 81 countries and a 2,000+ market development team.

During the year, Coromandel registered revenue growth of 35% driven by both nutrient and crop protection businesses to reach INR 19,111 crores, EBITDA grew by 8% to reach 2,154 crores, and net profit improved by 15% to reach Rs. 1,528 crores. The company's Speciality Nutrients Division (SND) business achieved the highest ever sales and profitability & its Crop Protection business registered its highest ever turnover during the year gone by, growing by 20% to INR 2,511 crores

Coromandel has also ventured into the retail business setting up around 800 rural retail centres in the states of Andhra Pradesh, Telangana, Karnataka and Maharashtra. It was ranked among the top 20 best companies to work for by Business Today and was also voted as one of the ten greenest companies in India by TERI, reiterating its commitment to the environment and society. Coromandel is a part of the INR 381 Billion (38,105 Crores) Murugappa group.

## *Environmental Considerations*



## Outputs



### Financial Capital

- 35% Revenue growth over last year
- EBITDA: **INR 2,150 Cr**
- Net profit after tax: **INR 1,528 Cr**

### Manufactured Capital

#### Quantity produced

- Fertiliser (NPK & DAP): **2.9 million MT**
- SSP: **0.7 million MT**
- CPC (Technical): **0.6 Lakhs MT**
- Bio (Aza based): **12.2 MT**

### Intellectual Capital

- New products launched: **9**
- Patents granted (to date): **18**
- Established research farms for accelerated experimentation, bio-efficacy, and sustainability trials of products
- R&D Expenditure
  - Revenue: **INR 15.95 CR**
  - Capital: **INR 2.24 CR**

### Human Capital

- TRIR: **0.60**
- **Zero** complaints of Human Rights violation

### Social & Relationship Capital

- Lives impacted through CSR initiatives: **7.25 lakhs +**
- Farmers engaged through retail stores: **~3 million**
- Nutri-clinics (Advisory and innovation): **~1.5 Lakhs**

### Natural Capital

- Energy Intensity
  - Fertiliser: **0.59 GJ/MT**
  - SSP: **0.10 GJ/MT**
  - CPC: **9.75 GJ/MT**
  - Bio: **6.08 GJ/kg**
- Wastewater reused **3,11,095 KL**
- Diverting the hazardous waste from disposal through recycling, reprocessing and reusing it in process wherever possible

Being the second largest phosphatic fertiliser company in India (after *IFFCO*), Coromandel is perfectly placed to **capture the opportunity of current widespread soil-deficiency** (in Nitrogen, Phosphorus and Potassium) and low nutrient usage (131 kg/ha).

India is well positioned to tap the huge multi-year exports opportunity in agricultural chemicals. The Indian pesticide consumption is the lowest in the world (0.6 kg/ha), with the Indian avg of pesticide consumption against the global avg low across all major crops (Rice, F&V, Cotton, Wheat, Soybean- acc to: *Ken Research 2016, Ministry of Commerce, BCG Analysis*); There are unique advantages in India to boost exports- high quality operations at low cost, strong IP protection (*CRAMS*), skilled manpower & process engineering skills, strong presence in generic space, SEZs & a strong investment climate. India is well positioned to tap the huge multi-year exports opportunity in agricultural chemicals, and **Coromandel is best placed to take hold of the market.**

There is a **potent opportunity for a fertiliser business** to provide balanced nutrition in a relatively untapped secondary & micro Nutrients segment. Coromandel's organic products assist in soil rejuvenation, right in the cap of a growing market.

## Differentiated Strategy

**Improving R&D:** With the help of advanced tools such as 'ARM' and 'Minitab' to conduct trials and analyse research data. It's aligning itself with key trends in the industry by expanding its product portfolio to address the growing demand for high-performance complex Agri input solutions. CRIN's R&D team is using an agriculture research field trial tool (ARM) to enhance the impact of its trials. It improves trial quality and consequently the results

**Digitisation:** It is **venturing into drone spraying services** to address the need for highly efficient delivery mechanisms. Under its digital transformation program, it has provided its units with a dashboard for materials management, tracking customer escalations, and ascertaining the status of different batches

**Optimising Supply chain:** CRIN has improved its back-end supply chain & operating margin on backward integration and improvement in sourcing in FY22, with EBITDA/MT for manufactured fertilisers (DAP and NPK) increasing by 12% YoY to INR 4,588/MT. Coromandel continues to make progress in achieving a **higher degree of backward integration**. As internally produced raw materials take a higher share in the overall cost structure, margin and production visibility improved considerably

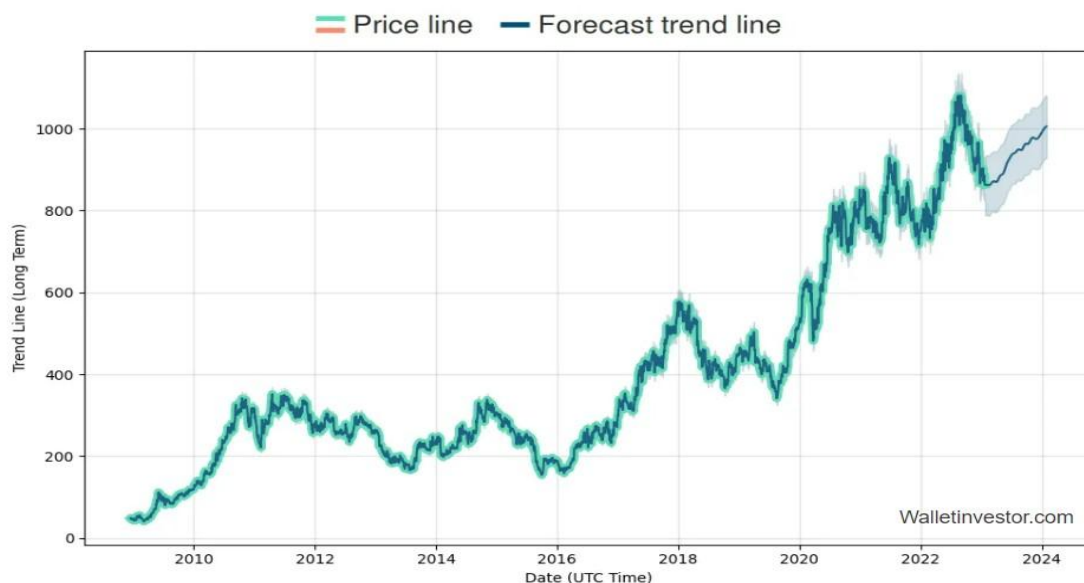
**Strategic investments & partnerships:** Strategic investment in Tifert (in Tunisia) and Foskor (in South Africa) for upstream integration for Phosphoric Acid sourcing. Strategic partnerships with global Crop Protection companies for new product development, manufacturing technology and marketing.

**Organisational realignment:** The management is seeking to re-align its organisational structure to provide greater control, responsibility, and independent decision-making ability at the strategic business unit level.

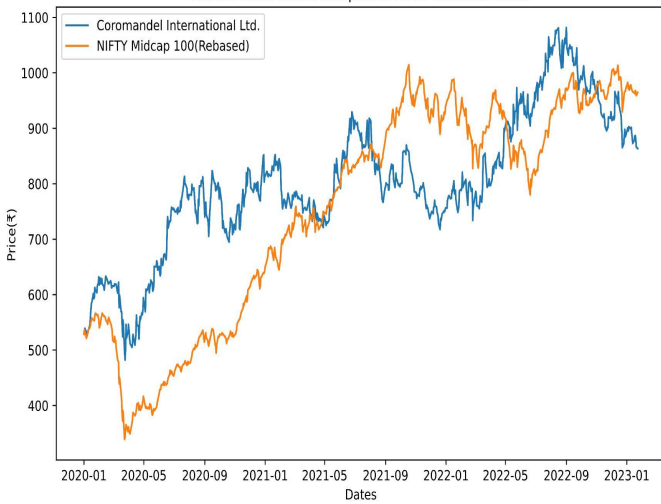
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What additionally puts Coromandel apart from the rest is its differentiated product offerings, efficient manufacturing, and victory in markets. It has a 39% unique share, with 13 different products to cater to variety in needs, quick test kits for quality focus, and collaboration with IIT Bombay Monash and IIT Kharagpur pilot farms initiatives for **new R&D**. By FY22, it had 4.5 MT capacity (NPK and SSP) along with an 82% utilisation. Its strong cost positioning led to an upstream integration, it's strategically tech tied-up with global players (JVs for Phos. acid security) It has a 15.3% market share being the 2nd largest phosphatic marketer in India, the largest SSP marketer (14% market share) along with the best in class agronomists & market development team (~300).

*Coromandel International, long term stock value predictions.*



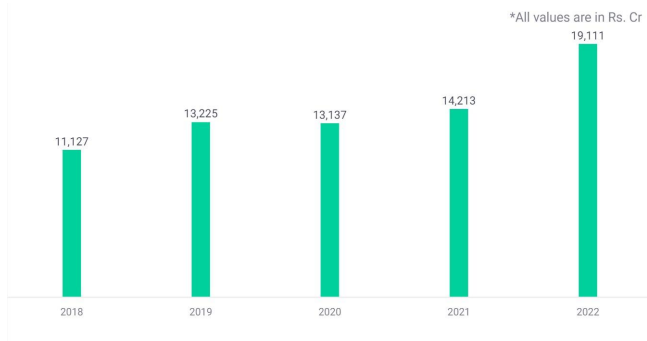
Stock Performance comparison with Rebased Index



**CMP: INR850.00 | TP: INR1387 (+63.1%) | [BUY](#)**  
**SERIES: EQ**

## Executive Summary

Price Information		Trade Information	
52 Week High (01-Sep-2022)	<b>1,094.00</b>	Traded Volume (Shares)	<b>1,45,716</b>
52 Week Low (24-Feb-2022)	<b>729.55</b>	Traded Value (₹ Lakhs)	<b>1,263.15</b>
Upper Band	<b>949.85</b>	Total Market Cap (₹ Lakhs)	<b>25,31,276.93</b>
Lower Band	<b>777.15</b>	Free Float Market Cap (₹ Lakhs)	<b>10,41,078.23</b>
Price Band	<b>No Band</b>	Impact cost	<b>0.04</b>



**Being** a flagship of the 118 year old Murugappa Group, Coromandel is a leading Indian agri inputs player with significant global presence. Coromandel has a strong track record of delivering consistent value, repeatedly being the top quartile TSR performer over the last 3 years (in the S&P BSE 200), with strong balance sheets, zero long term debt and an AA+ credit rating from CRISIL India. With the 1st Green Revolution driven by Agri-inputs and achieving self-sufficiency in food grains, our research suggests a 2nd Green Revolution to be powered by superior products, smarter delivery mechanisms & agri-tech, towards achieving income security and farm sustainability.

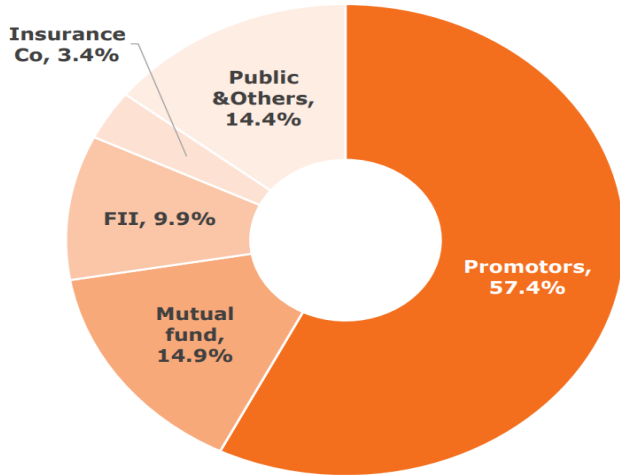
### Revenue (top) & Profit (bottom)



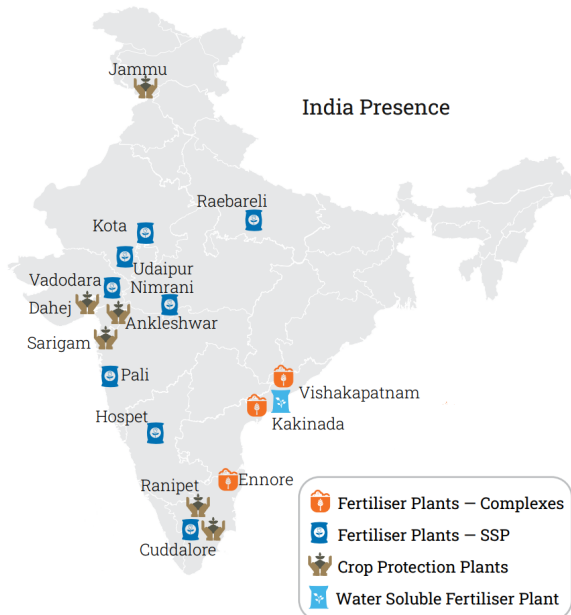
Coromandel has always been a strategist in the market: accelerating the innovation agenda, building power brands, reinforcing customer strongholds, leading the push “creating a market”, becoming a player of scale, building processes with focus on safety and sustainability and partnering with the government on agricultural reforms. Its unique business model driven by farm prosperity focuses on agricultural tech , testing services (soil, water, tissue), advisory financing & insurance.



## Shareholding Pattern as of Sep 2022



- Promoters:
  - EID Parry (India) Ltd (56.3%)
  - Individual/HUF (0.6%)
  - Trust/NRI/Others (0.5%)
- Top Domestic Institutional Holdings:
  - Kotak Mutual Fund (4.8%)
  - DSP Mutual Fund (2.6%)
  - UTI Mutual Fund (1.4%)
  - Axis (1.2%)
  - L&T (0.9%)
- Top Foreign Institutional Investors
  - Vanguard (1.4%)
  - Kotak (0.7%)
  - Goldman Sachs (0.6%)
  - Principal (0.5%)
  - Govt Pension Funds (Global) (0.5%)
  - MIT (0.5%)
  - Morgan Stanley (0.4%)



We believe a number of factors have led to gauge the current stock pricing to be fair:

**India's Largest Agricultural Retail Chain:** With 750+ retail centres and a direct connection to 3M+ farmers, Coromandel has provided a strong brand equity with over 70% turnover through Captive products. Its non-fertilizer focused products make 45% of sales with routine education of farmers & scientists at stores to assist them in their product choices. It's been a leading player as a "one-stop shop for all your agricultural needs" along with value added services of farm mechanisation, agri insurance, soil testing, credit, extension activities- effectively cutting out further competition.

**The No.1 organic fertiliser marketer in India:** With over 1.8 Lakh tons of annual sales & tie-ups with agricultural universities and organic farms, Coromandel is the largest organic marketer in India. It has an unmatched three-tier soil portfolio of soil health (City compost), soil nutrition (Kash, PROM, CMS, Nrich) and soil amendment



India's largest private  
sector Phosphatic  
Fertiliser company



Pioneers &  
market leaders in  
Speciality Nutrients



No. 1 Organic  
Fertiliser player  
in India



World's largest Neem  
based Bio pesticide  
manufacturer



Largest Agri Retail  
chain in India with  
~750 stores



6<sup>th</sup> largest Crop  
Protection Indian  
company

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**A successful foray into AgTech:** With real time crop diagnostics (stressed region highlights & quick interventions), carrying out trials using drones & technical advancements including stress-maps for soil pH, Coromandel has witnessed a whopping 23% and 18% yield improvements with an additional income of Rs.8547/acre and Rs. 5848 / acre in paddy and wheat respectively, along with a 55%/34% net avg returns.

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**Technological Leveragemet for Farmer Prosperity:**

With over 50,000 annual soil tests, scientist's panels for farmer advisory, nutrient manager "Gromor" based recommendations, custom hiring centres for farm machinery, development of superior delivery mechanisms (Injectables), and e-kiosks throughout the country for improving reach & product delivery, Coromandel is the forefront of technological integration into Indian Agricultural sector, with no close competitors.

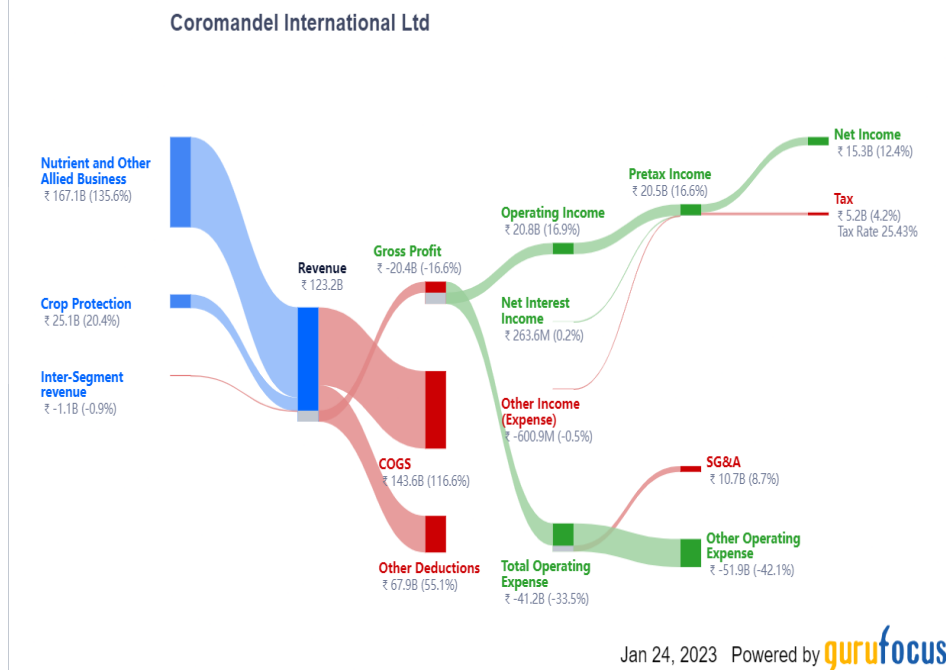
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**Focus on sustainable development:** With a first of its kind initiative globally converting Phospho gypsum heaps into green belt & the establishment of Bird's Paradise in Kakinada Plant to host 100+ species (recognised by UNDP along with extensive coverage by Discovery), Coromandel's pivot of sustainable development in harmony with a growing global focus on it (called the "Decade of Action" by the UN as a part of the 2030 Agenda on SD, including top companies like Nike, Huawei, LEGO, K-C, Discovery Channel, etc) has accelerated its valuation in the Indian (& even Global) market. This marks the company as a top choice in bridging the gaps of the nation in SD ranking (121/163) with potential for feverous advancement.

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## How Coromandel International Ltd (NSE:COROMANDEL) Makes Its Money

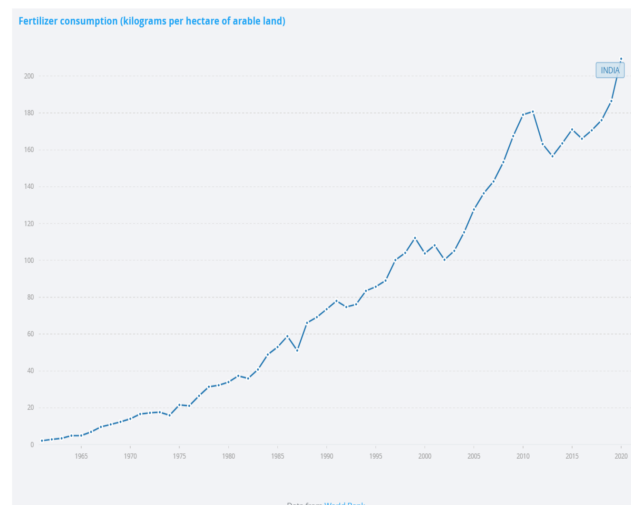
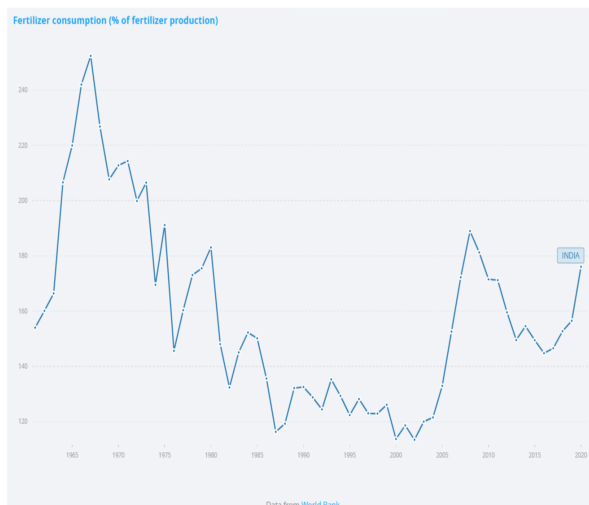
Financials Breakdown as of 2022-03-28

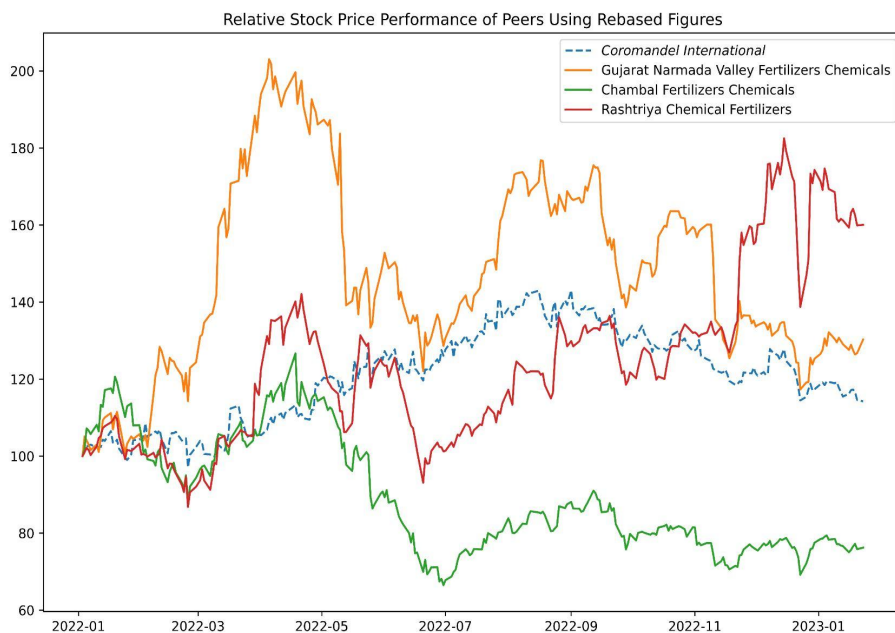


**Track record of sustained financial performance & strategic investments:** We found a **13% CAGR (FY22)** on Revenue from operations and **EBITDA** (29, 088 Cr and 2078 Cr), **26% CAGR (FY22)** in profit after taxes (1412 Cr), **30% return on Capital Employed (FY22)**, **0 Debt to Equity Ratio**, EPS of Rs. 48/share. Coromandel also pursued strategic investments in a Senegal rock phosphate mine, expected to provide up to one-third of the company's rock phosphate requirements, it's also initiating a new sulfuric acid plant and optimising its existing phosphoric acid plants. expected to come on stream in FY24 and will help CRIN augment its sulfuric acid capacity to 3,300 MTPD.

We believe there's an unparalleled value creation opportunity in the Indian agriculture space, **with GV to reach INR 230 trillion by 2029** as the government is focused on doubling farmer's income. Coromandel is *perfectly placed to tap on this opportunity*, and has recently strengthened its back-end supply-chain across businesses with significant backward integration, in addition to ramping up its manufacturing capacities through sustained optimisation efforts.

Here we show a projection of India's fertiliser needs.



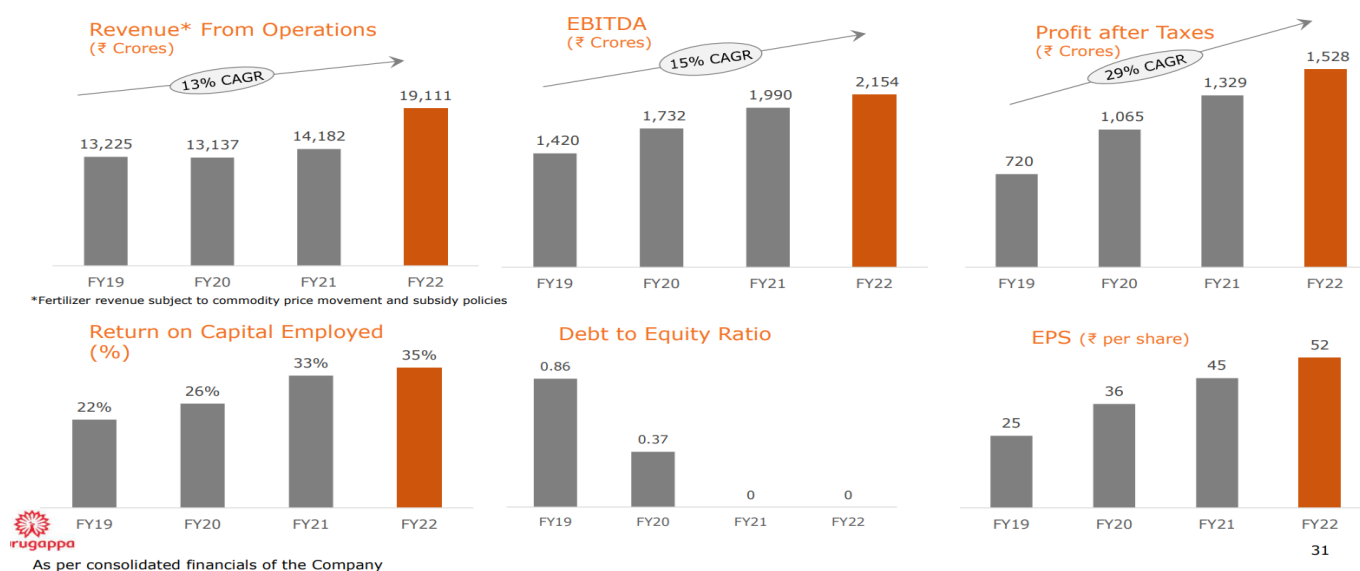


Coromandel displayed strong growth across all business segments in the year. The Company **focused on operational, sourcing and marketing** efficiencies. It has been investing in R&D and product development and has launched **10+** new products during the year to meet the agricultural needs of the farmers.

It had **adequate liquidity & backup lines of credit, its working capital remained at comfortable levels** through the year, and Net Cash from operations for the year stood at Rs. 2,093 crores.

The Company has adequate internal processes to assess, monitor and manage financial risks. It seeks to minimise the effects of these risks by using financial instruments such as **foreign currency forward contracts, option contracts, interest and currency swaps to hedge risk exposures and appropriate risk management policies**. The use of these financial instruments is governed by the Company's policies, which outlines principles on foreign exchange risk, interest rate risk, credit risk and deployment of surplus funds.

We found that if equity prices had been **5%** higher/lower other comprehensive income/ equity for the year ended 31 March 2022 would increase/decrease by ₹762 Lakhs (2021: ₹ 695 Lakhs) as a result of the changes in fair value of equity investments measured at FVTOCI. **The impact of change in equity price on profit or loss is not significant.** If interest rate had been 10 basis points higher/ lower in case of foreign currency borrowings and 50 basis points higher/ lower in case of rupee borrowings and all other variables were held constant, the Group's profit for the year ended 31 March 2020 would decrease/ increase by ₹ 0.02 lakhs (2021: ₹ 0.61 lakhs)



# Financial Analysis & Valuation



**Revenue:** grew 35% YoY to INR191b in FY22 on the back of higher realisation growth in both the Nutrient and Crop Protection business. The Nutrient and Allied business segment grew 36% YoY, with its share in consolidated revenue improving marginally to 87% in FY22 from 86% in FY21. In volume terms, manufactured fertiliser grew 3.8% YoY to 3.7MMT on the back of strong traction in DAP/SSP (up 10.2%/12.8% YoY to 2.2MMT/7.6MMT) and a

Shareholding pattern (%) As On Mar-22 Dec-21 Mar-21 Promoter 57.5 57.5 57.6 DII 21.2 21.7 20.6 FII 7.1 7.2 7.7 Others 14.2 13.5 14.1 FII Includes depository receipts Coromandel International 19 July 2022 3 1.1% growth in NPK to 27.7MMT. However, volumes for traded fertiliser fell 22% YoY to 0.96 MMT. Revenue from the Crop Protection segment grew 20% YoY to INR 25.1b in FY22.

**Margin:** EBITDA/adjusted PAT grew 8.3%/15% YoY to INR 21.5b/INR15.3b. As per our calculations, EBITDA/MT for manufactured fertilisers (including SSP, assuming an EBITDA/MT of INR1,300) stood at INR3,925/MT (up 10% YoY). The same for manufactured NPK and DAP stood at INR4,588/MT (up 12% YoY). EBITDA for the Crop Protection segment stood at INR4.3b (up 18% YoY), with margin at 17.9% (down 50bp YoY).

**Cash flow analysis:** CFO fell 50% YoY to INR 20.7b in FY22. The CFO/EBITDA ratio stood at 97% in FY22 (v/s 209% in FY21). The decline was primarily due to extraordinarily high cash flow in the base year (FY21) as the government released pending subsidies to aid fertiliser companies.

**Capex:** Total capex stood at INR2.8b in FY22 (v/s INR 1.9b in FY21). In FY22, CRIN began setting up a sulfuric acid plant in Visakhapatnam and commissioned a state-of-the-art liquid fertiliser plant. Other major projects included expansion of capacity for granulated SSP and Bio pesticides, phosphoric acid evaporator, structural stability, and other maintenance initiatives.



**RoCE/RoE:** stood at 27.5%/26.6% in FY22 v/s 25.3%/28.1% in FY21. The fall in RoE was due to lower net profit margin (8% in FY22 v/s 9.4% in FY21) and higher asset turnover (3x in FY22 v/s 2.7x in FY21), while the equity multiplier remained at 1x in FY21 and FY22.

**Working capital cycle:** In FY22, its overall working capital days fell to 42 days from 56 days, led by a decrease in trade/government subsidy receivable days to five/six days (v/s 14/15 days in FY21). CRIN's reduced its trade and subsidy receivables by over 50% as collection improved on the back of higher

## Consolidated Financial Statements

### Balance Sheet (INR cr):

PARTICULARS	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Assets	9,848	10,574	10,149	8,896	11,285	10,509	10,629
Current Assets	8,162	8,753	7,794	6,521	8,340	7,351	7,164
Cash And Short Term Investments	457.49	140.73	58.98	699.88	1,730	1548.667	1859.084
Total Receivables	4,826	4,965	4,756	2,995	2,412	1,951	1,272
Total Inventory	2,262	3,241	2,697	2,601	3,663	3,541	3,758
Other Current Assets	615.48	405.57	281.38	225.8	535.15	310.547	276.504
Non Current Assets	1,687	1,821	2,355	2,374	2,945	3,157	3,464
Net Loans	NA	NA	NA	NA	NA	NA	NA
Net Property ,Plant & Equipment	1,353	1,477	2,075	2,082	2,204	2,530	2,761
Goodwill	0.32	0.32	0.32	0.32	0.32	0.32	0.32
Intangibles	21.72	23.21	22.4	22.74	28.76	27.849	29.21
Long Term Investments	251.91	228.12	239.03	244.21	278.92	269.471	276.482
Other Long Term Assets	59.16	92.58	18.24	24.92	432.82	329.442	397.408
Other Assets	NA	NA	NA	NA	NA	NA	NA
Total Liabilities	6,952	7,216	5,831	3,745	4,926	3,477	2,725
Current Liabilities	6,801	7,079	5,367	3,302	4,466	2,869	2,024
Accounts Payable	3,379	3,762	3,348	2,922	3,914	3,534	3,557
Total Deposits	NA	NA	NA	NA	NA	NA	NA
Total Other Current Liabilities	3,423	3,316	2,018	379.69	552.05	-666	-1,534
Non Current Liabilities	150.8	137.02	464.56	443.22	460.88	609.204	701.84
Long Term Debt	NA	NA	NA	NA	NA	NA	NA
Deferred Income Tax	125.38	112.29	57.83	57.56	65.97	31.741	14.386

Liability							
Other Liabilities Total	25.42	24.73	31.31	23.75	24.02	24.712	24.334
Total Equity	2,896	3,358	4,318	5,151	6,358	7,031	7,903
Common Stock	29.24	29.25	29.3	29.34	29.35	29.389	29.42
Preferred Stock	NA	NA	NA	NA	NA	NA	NA
Other Equity Total	2,867	3,329	4,288	5,121	6,329	7,002	7,873

### Consolidated Income Statement (INR m):

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	114,814	100,308	1,10,829	1,32,246	1,31,367	1,41,820	1,91,109	2,79,058	2,42,608
Change (%)	2	-13	11	19	-1	8	35	46	-13.1
Raw Material Cost	87,231	71,210	76,094	93,396	90,556	96,879	1,42,165	2,26,198	1,85,004
As a percentage of Sales	76	71	69	71	69	68	74	81.1	76.3
Personnel Expenses	2,919	3,108	3,619	4,111	4,611	5,386	5,872	6,620	7,036
As a percentage of Sales	3	3	3	3	4	4	3	2.4	2.9
Freight and Distribution Expenses	8,274	8,278	9,792	10,327	8,844	8,923	10,334	11,425	11,888
As a percentage of Sales	7	8	9	8	7	6	5	4.1	4.9
Other Expenses	8,723	7,885	8,761	9,981	10,046	10,789	11,239	12,233	12,858
As a percentage of Sales	7.6	7.9	8	8	8	7.6	5.9	4.4	5.3
Total Expenditure	1,07,146	90,481	98,265	1,17,815	1,14,057	1,21,977	1,69,610	2,56,475	2,16,786
As a percentage of Sales	93.3	90.2	88.7	89.1	86.8	86	88.8	91.9	89.4
EBITDA	7,668	9,827	12,564	14,431	17,310	19,843	21,499	22,583	25,822
Margin (%)	6.7	9.8	11.3	10.9	13.2	14	11.2	8.1	10.6
Depreciation	1,061	1,007	991	1,138	1,580	1,731	1,727	1,968	2,241
EBIT	6,607	8,820	11,573	13,292	15,730	18,112	19,772	20,615	23,582
Int. and Finance Charges	2,209	2,238	1,783	2,507	2,353	1,057	755	755	755
Other Income	665	548	597	371	400	751	1,443	1,659	1,908
PBT bef. EO Exp.	5,062	7,130	10,387	11,156	13,777	17,806	20,460	21,520	24,735
EO Expense/(Income)	250	0	0	-239	0	0	0	0	0
PBT after EO Exp.	5,312	7,130	10,387	10,917	13,777	17,806	20,460	21,520	24,735
Current Tax	1,878	2,432	3,539	3,874	3,686	4,599	5,187	5,505	6,226
Deferred Tax	-161	-78	-71	-153	-551	-31	26	0	0
Total Tax	1,716	2,353	3,468	3,721	3,135	4,568	5,213	5,505	6,226
Tax Rate (%)	32.3	33	33.4	34.1	22.8	25.7	25.5	25.6	25.2
Less: MI/Share of profit/loss of JV and Ass.	22	7	6	-8	-8	-54	-37	-39	-41
Reported PAT	3,574	4,770	6,913	7,205	10,650	13,292	15,285	16,054	18,551
Adjusted PAT	3,324	4,770	6,913	7,443	10,650	13,292	15,285	16,054	18,551

Change (%)	-18.1	43.5	44.9	7.7	43.1	24.8	15	5	15.6
Margin (%)	2.9	4.8	6.2	5.6	8.1	9.4	8	5.8	7.6

## Ratios:

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>									
EPS	11.4	16.4	23.6	25.4	36.3	45.3	52.1	54.7	63.2
Cash EPS	15.1	19.8	27	29.3	41.7	51.2	58	61.4	70.8
BV/Share	90.4	99.1	99.1	114.8	147.4	175.5	216.6	257.3	306.5
DPS	2.5	4	6.5	6.5	12	12	12	14	14
Payout (%)	24.5	29.4	33	31.7	39.6	26.5	23	25.6	22.2
<b>Valuation (x)</b>									
P/E ratio	87.7	61.2	42.3	39.3	27.5	22.1	19.2	18.3	15.8
Cash P/E ratio	66.5	50.5	37	34.1	24	19.5	17.3	16.3	14.1
P/BV ratio	11.1	10.1	10.1	8.7	6.8	5.7	4.6	3.9	3.3
EV/Sales ratio	2.8	3.1	2.8	2.4	2.4	2	1.4	1	1.1
EV/EBITDA ratio	41.2	31.8	25	22.2	17.8	14.4	12.9	12.1	10.3
Dividend Yield (%)	0.2	0.4	0.6	0.6	1.2	1.2	1.2	1.4	1.4
FCF per share	7	30.1	4.8	8.7	51.8	121.3	60.6	20.6	31.5
<b>Return Ratios (%)</b>									
RoE	13.4	17.3	23.9	23.8	27.7	28.1	26.6	23.1	22.4
ROCE	10.1	12.1	15.1	15.1	20.3	25.3	27.5	23.8	23.1
RoIC	10.4	12.5	16	16.2	21.1	27.4	34.8	32.4	31.6
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	5	4	4	5	4	4	5	6	5
Asset Turnover (x)	2.1	1.9	1.9	2.1	2.2	2.7	3	3.7	2.7
Inventory (Days)	75	63	75	89	75	67	70	70	70
Debtor (Days)	52	59	52	50	48	14	5	6	8
Govt. Subsidy Receivable (days)	75	93	87	66	64	15	6	5	5
Creditor (Days)	135	150	162	147	135	110	100	95	95
Others (Days)									
Working Capital Turnover (Days)	108	122	118	126	112	56	42	34	47
<b>Leverage Ratio (x)</b>									
Current Ratio	2	2	2	2.1	2	1.8	1.8	1.7	2
Interest Coverage Ratio	3	4	6	5	7	17	26	27	31

Debt/Equity ratio	1	0.8	0.9	0.9	0.4	0	0	0	0
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## Cash Flow Statement (INR m):

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
NP/(Loss) Before Tax and EO Items	5,062	7,130	10,387	11,156	13,777	17,806	20,460	22,388	24,921
Depreciation	1,061	1,007	991	1,138	1,580	1,731	1,727	1,896	2,040
Interest and Finance Charges	1,545	1,690	119	1,783	2,353	1,057	755	-904	-1,153
Direct Taxes Paid	-1,716	-2,353	-3,498	-3,709	-3,135	-4,568	-5,213	-5,536	-6,056
(Inc.)/Dec. in WC	-3,039	2,195	-7,540	-4,601	4,044	25,476	3,052	13,715	16,444
<b>CF from Operations</b>	<b>2,913</b>	<b>9,669</b>	<b>459</b>	<b>5,768</b>	<b>18,620</b>	<b>41,502</b>	<b>20,781</b>	<b>33,592</b>	<b>38,429</b>
Others	0	0	2,174	-504	0	0	0	0	0
<b>CF from Operations incl. EO</b>	<b>2,913</b>	<b>9,669</b>	<b>2,633</b>	<b>5,264</b>	<b>18,620</b>	<b>41,502</b>	<b>20,781</b>	<b>33,520</b>	<b>38,279</b>
(inc.)/dec. in FA	-869	-890	-1,230	-2,731	-3,434	-5,926	-3,002	-5,251	-5,917
<b>Free Cash Flow</b>	<b>2,044</b>	<b>8,779</b>	<b>1,402</b>	<b>2,534</b>	<b>15,186</b>	<b>35,576</b>	<b>17,779</b>	<b>28,269</b>	<b>32,361</b>
(Pur.)/Sale of Investments	-275	887	0	0	-105	-25	-297	-258	-329
Others	665	548	2,483	-4,053	1,320	-6,622	-12,921	1,659	1,908
<b>CF from Investments</b>	<b>-479</b>	<b>546</b>	<b>1,253</b>	<b>-6,784</b>	<b>-2,219</b>	<b>-12,572</b>	<b>-16,220</b>	<b>-5,341</b>	<b>-3,092</b>
Issue of Shares	0	0	167	45	1	0	0	0	0
Inc./(Dec.) in Debt	5,047	-3,983	4,437	2,316	-13,294	-16,235	-16	0	0
Interest Paid	-2,209	-2,238	-1,801	-2,511	-2,353	-1,057	-755	-965	-744
Dividend Paid	-876	-1,403	-2,813	-2,292	-4,219	-3,521	-3,522	-4,603	-5,088
Others	-5,517	-2,890	0	0	2,654	-1,679	10,044	39	41
<b>CF from Fin. Activity</b>	<b>-3,556</b>	<b>-10,513</b>	<b>-10</b>	<b>-2,441</b>	<b>-17,211</b>	<b>-22,491</b>	<b>5,751</b>	<b>-9,101</b>	<b>-9,574</b>
<b>Inc./Dec. in Cash</b>	<b>-1,121</b>	<b>-299</b>	<b>3,876</b>	<b>-3,961</b>	<b>-810</b>	<b>6,438</b>	<b>10,312</b>	<b>2,893</b>	<b>6,321</b>
Add: Beginning Balance	3,099	1,977	1,678	5,554	1,593	783	7,221	17,533	20,426
<b>Closing Balance</b>	<b>1,977</b>	<b>1,678</b>	<b>5,554</b>	<b>1,593</b>	<b>783</b>	<b>7,221</b>	<b>17,533</b>	<b>20,426</b>	<b>26,747</b>

# Valuation

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## Fundamentals

Market Cap	₹25,392Cr	ROE	26.56%
P/E Ratio(TTM)	13.30	EPS(TTM)	64.95
P/B Ratio	3.99	Dividend Yield	1.39%
Industry P/E	13.86	Book Value	252.70
Debt to Equity	0.22	Face Value	1

Stock: Currently **Undervalued**- possible reasons:

1. **Socio-economic and overall market slowdown.**
2. Unknown variables in the market, effects of **current government policies** have contributed to an unclarity of future growth.
3. **Fluctuating supply** and pricing of **petrochemical raw materials**.

We've discussed the growth of the company and our belief in its fundamentals throughout this report. We believe that it is **currently undervalued**, having a significant upside in the future. With the **growing demand for food and grains, decreasing amount of arable land in India** and a **rising requirement of fertiliser p.ha**, we feel the company has immense potential to grow as supported by past data.

Thus we give a **BUY** rating to COROMANDEL, with the **target price of ₹1387**.

Discounting back at 10% per annum, our forecast shows CORAMANDEL trading at 18x FY24E EPS. Our ₹1387 target price is derived via DCF, using a 13% cost of equity and 3% terminal growth. Risks include, government regulatory policies, operational risks, low customer loyalty for subsidised products, global socio-economic events and recessions.



# Environment & Social Governance (ESG)

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## Environmental

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**Converting city waste to value:** Nearly 70 per cent of India's arable soil is organic carbon deficient. Coromandel forayed into the organic fertiliser segment in 2006, intending to balance the nutritional value of soil. Since then, the company has introduced multiple variants of organic fertilisers derived from natural sources like using the organic components of city waste, sugarcane molasses and its by-products, oil cakes and gypsum.

**Water and Effluents:** Implementing zero liquid discharge programme R&D to enhance water efficiency of products and promoting water efficient crop management practices among farmers. The fertigation and foliar application not only conserves water usage, but also improves nutrient uptake by plants up to 90% from conventional levels of 40%-50%. fully reprocessing/treating the wastewater, while others have achieved steady

reduction in the generation of wastewater. The Company's Fertilizer and SSP plants have implemented Zero Liquid Discharge systems which help in recycling and reusing the water for its processes



Figure 32: Installation of Sea water pipeline at Ennore Plantkits

**Energy and Emissions:** The fertiliser manufacturing operations at Visakhapatnam and Ennore have been accessing 50% of its energy requirements from waste heat recovered from captive Sulphuric acid plants. Its plant in Kakinada uses solar energy to heat water for boilers, thus reducing its dependence on natural gas.

**Biodiversity:** Development of the Birds Paradise and development of green belts Green Visakha-urban environmental greening in collaboration with state and district administrations, Miyawaki Plantation at Coromandel, Visakhapatnam: A total of 14000 saplings have been planted on two acres of land to create a forest within the plant. Coromandel is fast evolving its product-mix to support sustainable farming. Having ventured into the bio-pesticide segment in 2018, Coromandel has become the largest manufacturer of neem seed extract-based bio products. Its state-of-the-art manufacturing facility at Cuddalore, Tamil Nadu converts neem seed to highest purity Azadirachtin through a patented extraction process

## Social

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**Regulatory Guidelines:**Coromandel adheres to all regulatory guidelines for providing financial and non-financial benefits to employees, going above and beyond the guidelines as per law.Life insurance, health coverage and accident leave benefits are provided to all employees, and medical check-ups are done once every two years. Coromandel provides parental leave for both male and female employees, supplemented by flexible work and support systems to help in transitioning back to work.

**Learning and Development:** Coromandel provides opportunities for self-development through internal e-learning portals( Vidhya Online), partnerships with external agencies consisting of leading institutes like Indian School of Business, Great Lakes, Indian Institute of Management, IIFT, etc, and a Financial Assistance Scheme.

**Diversity and Inclusion:** Coromandel is a safe workplace where all opinions are heard without judgement. Employees can use multiple channels for open communication to have their voices heard and listen to their peers and senior executives. Coromandel believes in fostering an inclusive workplace and does not discriminate based on gender, nationality, culture, age, etc. Employee compensation is based on merit. Women currently comprise only 3.53% of the workforce, but we aim to improve gender diversity through targeted policies and hiring strategies.

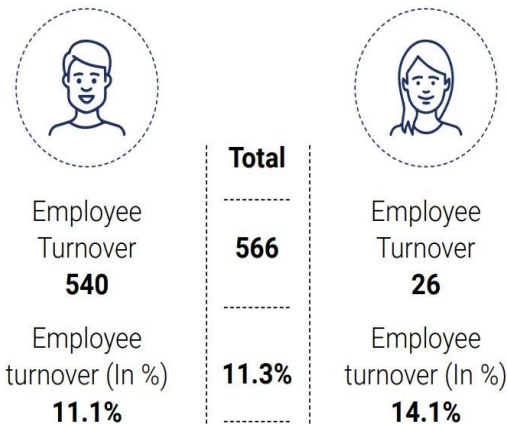
**Safety:** Coromandel is a manufacturer of high-quality farm inputs and has adopted the occupational health and safety framework of OHSAS18001 and ISO 45001. They use the mySetu application to manage hazards and have general safety and ESG committees to assess safety performance. They encourage employees to flag safety risks and raise them to authorities, and provide training on chemical, process, fire, electrical and general safety, environmental management systems, and employee assistance programs.

## Governance

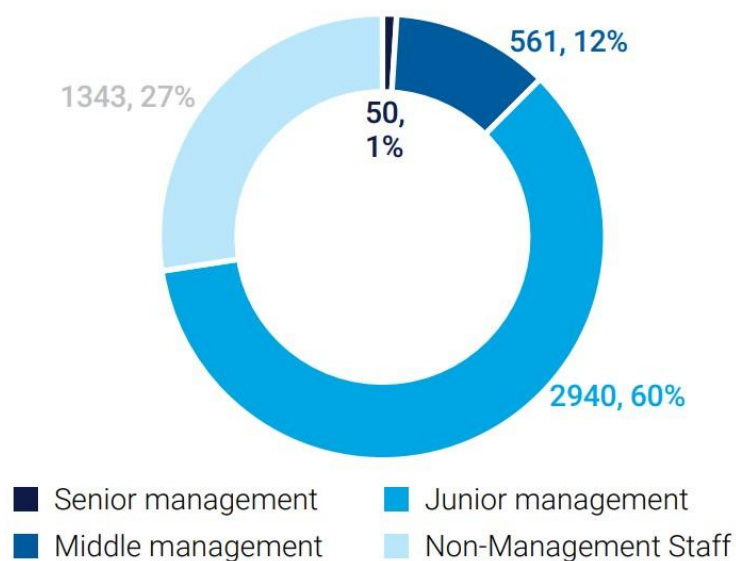
**Audit committee structure:** The Committee conducts financial statement reviews before its submission for Board oversight & reviews the adequacy of internal control systems, whistleblower mechanisms and internal audit findings. The Internal Audit Department and the Audit Committee are responsible to ensure the organisation’s operations are led by strong ethics and values constantly.

**Environment, Quality, Occupational Health and Safety Policy:** The company gives the highest priority to Safety, Health and Environment (SHE) at all their plants. Coromandel’s comprehensive Quality and SHE policy ensures the highest operational standards and regularly governs the impact of their business on the environment.

**Executive Compensation:** The compensation paid to the Executive Directors (including MD) is always within the scale approved by the shareholders. The elements of the total compensation, approved by the N&R Committee, have always been within the overall limits specified under the Companies Act, 2013.



**Succession Planning and Leadership Development:** A High Potentials (HiPos) development program has been launched to strengthen the Leadership pipeline in CPC business. The program is designed at 2 levels – Emerging Leaders (MG3- MG4A) and Seasoned Leaders (MG5 to MG7). It is designed with involvement of Management Development Center, L&D team, Academia and External consultants.



**Bribery & Corruption policies:** Coromandel has well established policies in accordance with the statutory guidelines and the relevant SEBI Regulations: Whistle Blower Policy/Vigil Mechanism, The Dividend Distribution Policy, Code of practices for fair disclosure of unpublished price sensitive information, Remuneration Policy, Policy on preservation and archival of documents, Policy for Determination of Materiality for Disclosure of Information/Events to the Stock Exchanges, Policy on Related Party Transactions, Policy for determining Material Subsidiaries. The above company policies can be accessed by anyone from the Company's website.

## Investment Risks

Risks specific to COROMANDEL that could affect our target price and recommendation include:

**Regulatory Risks:** Change in Government Subsidy Policies would have impact on turnover/working capital and change in distribution pattern.

**One Nation One Fertiliser (ONOF) scheme:** Under the recently announced *ONOF* scheme all subsidised fertilisers will now be sold under the 'Bharat' brand across India. This includes urea, di-ammonium phosphate, muriate of potash- which have fixed nutrient content as specified under the Fertiliser Control Order, which does not change with brands. This is likely to adversely impact margins. The Company will have to build strong marketing and promotional strategies to maintain their share and grow, which will add to selling expenses and thus impact margins.

**Operational Risks:** Possibility of reduction of timely supply or non-availability of key raw materials & proper pricing. This was recently evidenced due to the fluctuating supply and pricing of petrochemicals due to the Russia-Ukraine Conflict.