

The financial performance of agri input companies is likely to improve during the first half of 2018-19 owing to forecasts that the [monsoon](#) this year will be normal.

Their sales and profits were under pressure in the fourth quarter of 2017-18 because of a sharp increase in the prices of raw material and weak lean season demand.

Companies such as Dhanuka Agritech, PI Industries and Rallis India posted declines in their sales and profits during January-March 2017-18.

[United Phosphorus](#) reported a 35 per cent decline in its profit after tax in the January-March 2018 quarter.

Both dealers and consumers have stayed away so far from building inventories because they apprehend a decline in the prices of agri inputs. Now, with the [monsoon](#) round the corner, the top line and bottom line of agri input companies are set to improve, with the September quarter expected to be better than April-June.

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“During the demand season, agri input companies will be able to pass on the raw material price hike to consumers. Also, rain in the current [monsoon](#) is expected to spread towards the end of June. Hence, the June quarter is considered to be lean.

The weather scenario becomes clear during the September quarter with increased demand for agri input. Hence, the September quarter is expected to be better in terms of sales and profitability,” said M K Dhanuka, managing director, [Dhanuka Agritech](#).

Normally the demand for seeds, fertilisers and agro chemicals depends on the extent of floods, drought or pest attacks. Also, the demand for agri inputs increases in a normal monsoon in anticipation of a rise in the sowing area.

Paddy, cotton, pulses, soya bean, maize, etc are kharif crops sown when the rains start.

Meanwhile, the consumption of [agrochemicals](#) in the domestic market remained subdued during the fourth quarter of 2017-18. This was because of fewer pest attacks on account of favourable weather conditions.

Also, the bumper kharif harvest kept prices of many crops low and consequently hit farmers’ profitability, which restricted their ability to purchase high-end specialty [agrochemicals](#).

“Most agrochemical companies reported contraction in EBITDA (earnings before interest, taxation, depreciation and amortisation) margins during the March quarter due to inflationary pressure on raw material.

The cost of raw material continued to increase in the first quarter of this financial year and is likely to stabilise only from the middle of the second quarter,” said Pratik Tholiya, an analyst with Emkay Global Financial Services.

For the fertiliser sector, however, rising prices of phosphoric acid and natural gas, coupled

# MONSOON EFFECT

with  
rupee

FY19 estimates	Sales ₹ mn	EBITDA		PAT	
		₹ mn	YoY chg (%)	₹ mn	YoY chg (%)
UPL	192,426	39,447	12.2	23,123	1.5
Coromandel International	120,217	13,035	6.2	7,408	11.5
Chambal Fertilisers	79,483	8,649	10.7	5,184	8.8
GSFC	70,779	7,096	37.9	4,481	34.6
DCM Shriram	67,994	8,824	-14.7	5,452	18.5
Deepak Fertilisers	67,514	6,793	24.6	2,399	51.4
Bayer CropScience	30,351	4,705	14.9	3,286	9.5
PI Industries	26,211	5,897	19.9	4,271	16.5
Rallis India	20,785	3,158	19.9	2,043	21.9
Sharda Cropchem	19,740	3,948	14.3	2,122	11.2
Insecticides India	11,980	1,770	19.7	1,036	23.4
Dhanuka Agritech	10,732	1,861	12.1	1,318	4.5

Source: Emkay

depreciation, are likely to put pressure on margins. Consequently, most companies have hiked prices of complex fertilisers by Rs 2,000-3,000 a tonne.

“Subsidy disbursement was quick in 2017-18. However, under the new direct benefit transfer (DBT) regime, we expect healthy volume growth in 2018-19,” said Tholiya in a report.