

## Fertilizers

(CRIN / CHMB)

Nurturing a sustainable tomorrow..!!



**Himanshu Binani**  
himanshubinani@plindia.com  
+91-22-6632 2232

# Contents

	Page No.		Page No.
Fertilizers - Nurturing a sustainable tomorrow..!!	3	Strategic tie-ups with Global suppliers for uninterrupted supply	39
Improving farm economies	4-5	Focus on differentiated products to boost Crop Protection (CP) business	40
Prices of major crops continues to trend above MSP's	6	Rich product pipeline in CP segment provides margin visibility	41
How Crop MSP's have moved over the years..!!	7	Retail-'Gromor store'- One-stop agri-solution provider to Farmers	42
Green revolution opened up unparalleled value creation in Agri Sector	8	Specialty nutrients and retail add feather to the cap	43
Opportunity to address nutrient imbalance	9	Key Risk	44
Changing Agricultural trends and its Impact on India	10	Rating and Valuation	45
<b>Global Fertilizer Industry</b>		Management Profile	46
Global Fertilizer Industry- At a glance	12	Financial Outlook	47-48
Nitrogen (N) – Major contributor to the Fertilizer segment	13	Financials – Income Statement & Balance Sheet	49
China continues to dominate global Phosphatic (P) Fertilizers	14	Financials – Cash Flow & Key Ratios	50
Potash (P) Fertilizers - Largely led by European region	15	<b>Chambal Fertilizers &amp; Chemicals</b>	<b>51</b>
Global Fertilizer Crisis...	16	Investment Rationale	52
...and Its Impact on India	17	Company Description	53
<b>Domestic Fertilizer Industry</b>		Chambal Fertilizers - Strong foothold in North and West India	54
Domestic Fertilizer Industry- At a glance	19	<b>Investment Rationale</b>	
Domestic Fertilizer Industry - Long term growth story intact	20	Urea business- To remain Cash Cow for the company...	56
Government Policies for the Fertilizer Industry	21	...however, urea offers limited headroom for future growth	57
Positive policy measures...	22	Non-Urea business - Capacity expansion in phosphatic value chain to boost earnings	58
DBT Flowchart	23	Global uncertainty calls for own manufacturing set-up for stable earnings	59
Price trend of Key Fertilizers	24	Aggressive penetration in Crop protection (CP) business	60
Competitive positioning of domestic Fertilizer companies	25	Foraying into industrial chemicals (TAN & NA) to add feather to the cap	61
Valuation Snapshot	26	Proximity of CHMB's project to end user market provides an edge	62
One year forward Price / Earnings	27	Rating and Valuation	63
<b>Companies</b>		Key Risk	64
<b>Coromandel International</b>	<b>29</b>	Management Profile	65
Investment Rationale	30	Financial Outlook	66-67
The ABC of CRIN business model	31	Financials – Income Statement & Balance Sheet	68
Coromandel International - An integrated farm solutions company	32	Financials – Cash Flow & Key Ratios	69
<b>Investment Rationale</b>			
India's leading private phosphatic fertilizer player with a Lion's share in its home markets	34		
Backward integration and value addition to propel margins	35		
Increasing share of Unique grades to overall manufactured volumes	36		
Rising Share of Non-Subsidy business to the overall revenues	37		
Investments in securing RM and agri start-ups bodes well for long term	38		

# Fertilizers - Nurturing a sustainable tomorrow..!!

*As we slowly emerge out of COVID-19 pandemic, the need to secure food supply is set to be top priority of every nation. Consequently, we believe domestic fertilizer industry is well poised for structural growth, led by renewed emphasis towards food security in current times of shortage and global supply chain upheaval. The domestic agri-input industry holds immense growth potential given a) rising domestic demand, b) tighter global supply scenario from China (China controls ~40% of the global phosphate exports); c) balanced plant nutrition (NPK ratio 4:2:1 v/s 7:3:1 currently) through higher agri-input penetration; d) higher usage of specialized nutrients led by change in dietary preferences and e) continued emphasis on improving farm productivity and farm income.*

*Accordingly, we are initiating coverage on 2 highly integrated fertilizer companies: Coromandel International (CRIN) and Chambal Fertilizers (CHMB) with a positive view underpinned by 1) their strong focus on core business areas, 2) compelling valuations and 3) better product offerings among Indian peers. Both CRIN and CHMB are well placed to capitalize on long term growth opportunities, given their dominant market share of >50% in home markets. We expect CRIN/CHMB to clock revenue/EBITDA/PAT CAGR of 1%/9%/10% and 5%/6%/8% over FY22-25E. Initiate 'BUY' on SOTP based TP of Rs1200 (17.6x FY25E EPS) for CRIN and Rs480 (10x FY25E EPS) for CHMB.*

## Trends opening up in the sector to drive value going forward:

- **Improving farm economics** - Govt. thrusts on doubling farmer's income by 2022 via (a) higher MSPs for crops (average increase of 20% across crops in the last 5 years); (b) increased irrigation coverage (area under irrigation currently at ~52% of net sown area as against ~40% few years back; implies improved crop yield); (c) better procurement efficiencies and (d) higher agricultural credit, bodes well for the sector. We believe efforts to boost crop yields and farmers awareness towards crop protection benefits will drive domestic demand of agrochemicals.
- **Green revolution opened up unparalleled value creation in agri sector:** The Green revolution (term used for swift increase in crop yields by incorporating model tools and techniques combined with better use of fertilizers and other chemical inputs) has been a major example of overcoming adversities in India. The revolution brought significant impact on agriculture production in developing countries. Our country which was often tormented by starvations and ceaseless nourishment lack before green upheaval, is today in a position contemplating with the issue of excess. From a food grain production of 55mn mt during 1960's, we are currently more than 315mn mt as on FY22.
- **Opportunity to address nutrient imbalance:** Most of the Indian soils are deficient in organic carbon and micro nutrients. Out of 3 major macro nutrients N,P,K (Nitrogen, Phosphorus and Potassium) only N and P have substantial deficit in many districts of India. The ideal NPK usage ratio is 4:2:1, while current usage ratio stands at 7:3:1 in India. As per the Govt. data available from soil testing samples across the country, around 85%/97%/83%/71% of soil samples were found to be deficient in organic carbon/nitrogen/phosphorus/potassium respectively. While for soil micro-nutrients, around 47%/39%/37%/36% of soil samples were deficient in boron/zinc/iron/ sulphur respectively. Thus we believe that better usage of balanced nutrients on the back of rising awareness between farmers coupled with high focus from regulatory body, bodes well for the overall sector.
- **Changing agricultural trends and its impact on India:** We believe that changing agricultural landscapes like a) rising pressure on natural resources; b) changing dietary preferences; c) declining arable land and farm labour; d) favorable government policies; e) rise in digital agriculture; f) evolution of food processing units etc. augur well for bright outlook of the Indian agriculture ecosystem. While, we are also of the view that recent pandemic led by COVID-19 coupled with rising Geo-political tensions have in-turn accelerated this trend, wherein need for food security remains top priority of every nation.

# Improving farm economies

## Govt.'s impetus to double farmers income augurs well for agronomics

- Agriculture contributes >20% to the Gross Value added (GVA) of Indian economy (which is highest in the last decade).
- Government's incessant focus on agriculture through higher budgetary allocation over various schemes like Crop insurance, interest subsidy, PK-Kisan, PMKSY etc. augurs well for the overall farm economics.
- Focus on doubling of farmers income by increasing minimum support price (MSP) of crops (MSP's up 35% in the last 5 years) has given major boost to the agricultural productivity.
- With decline in arable land coupled with rising population, only increasing yield through agrochemicals is the way ahead.

## Declining arable land; increasing yield through better agri-input is the way ahead

Year	Food Grains		
	Area (Mn ha)	Production (Mn Mt)	Yield (kg/ha)
1990-91	127.8	176.4	1,380
1995-96	121.0	180.4	1,491
2000-01	121.1	196.8	1,626
2005-06	121.6	208.6	1,714
2010-11	126.7	244.5	1,930
2011-12	124.8	259.3	2,078
2012-13	120.8	257.1	2,129
2013-14	125.0	265.0	2,120
2014-15	124.3	252.0	2,028
2015-16	122.7	252.2	2,056
2016-17	129.2	275.1	2,129
2017-18	127.6	284.8	2,233
2018-19	124.2	283.4	2,281
2019-20	127.6	296.7	2,325
2020-21	129.3	308.7	2,386

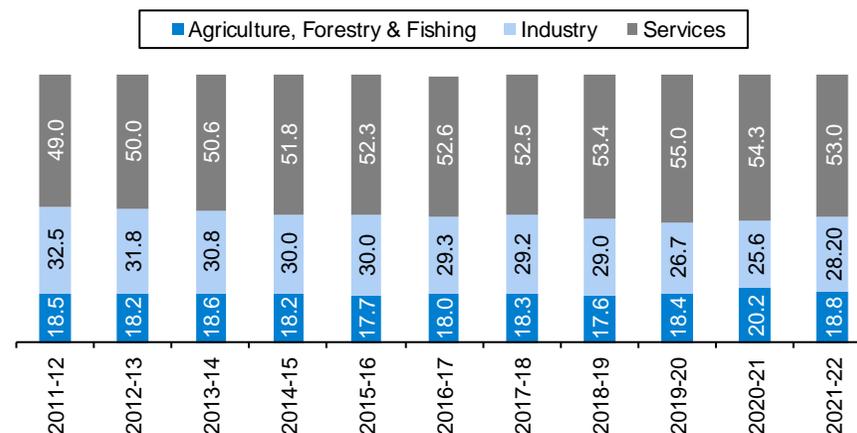
Source: GOI, PL

## Budgetary allocation remains high; augurs well for the sector

Particulars (INR bn)	Actual 2018-19	Actual 2019-20	Revised 2020-21	Budget 2021-22	Budget 2022-23
Crop Insurance Scheme	119	126	153	160	155
Interest Subsidy for short term credit to farmers	115	162	198	181	-
Market Intervention scheme and Price support scheme	14	20	10	36	15
Pradhan Mantri Annadata aay sanrakshan Yojna	47	3	3	-	-
PM-Kisan	12	487	650	675	680
PMKSY	29	27	26	20	20
National Food security mission	16	18	19	15	-

Source: GOI, PL

## Agriculture contributes >20% of the GVA- highest in the last decade



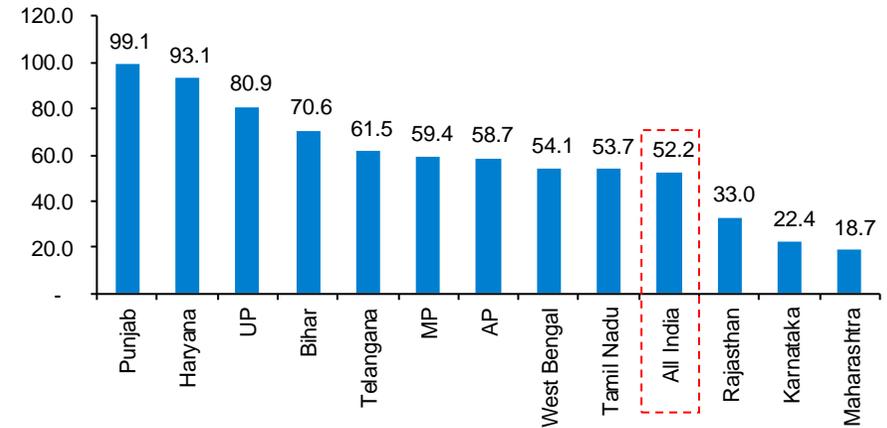
Source: GOI, PL

## Wider area under irrigation >> enhanced agri-input usage >> better yield

- Currently about 52% of net sown area is covered by irrigation. Going ahead there will be a **wider area under irrigation** supported by 1) enhanced awareness about crop productivity and 2) Govt. spending on sprinklers and drip irrigation (per drop more crop).
- We believe higher area under irrigation bodes well for the overall agriculture sector led by 1) to improve crop intensity, 2) **higher consumption of agri inputs**, 3) better yields and 4) reduced dependency on rainfall and crop failure.
- Better yield** for major crops like rice, wheat and maize is already in the northward trend.

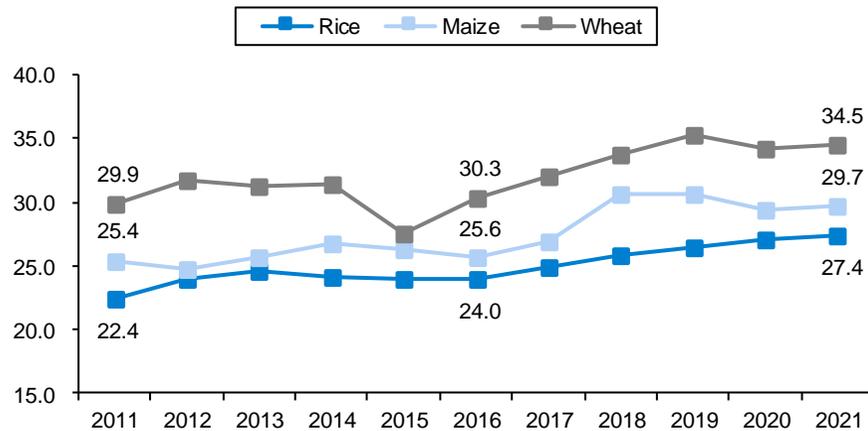
However, remunerative soft commodity prices in domestic markets support the entire argument.

## 52% of the India's agricultural land is under irrigation facilities



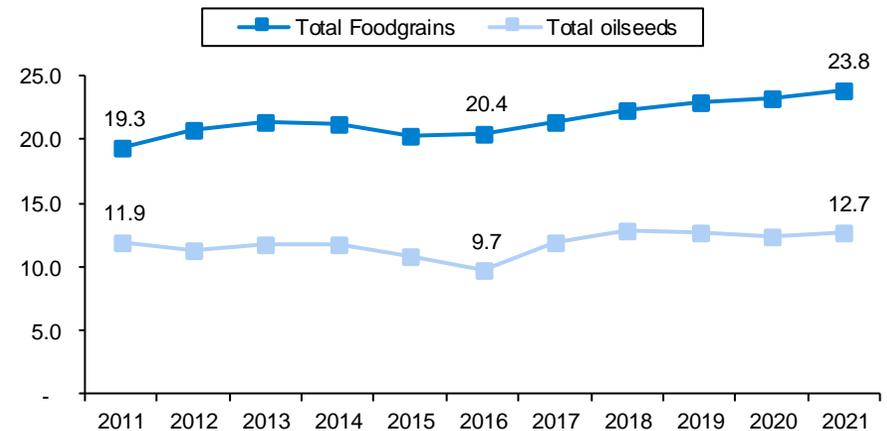
Source: Industry, PL

## Crop Yields have been constantly improving over the years (Qtl/ha)



Source: Industry, PL

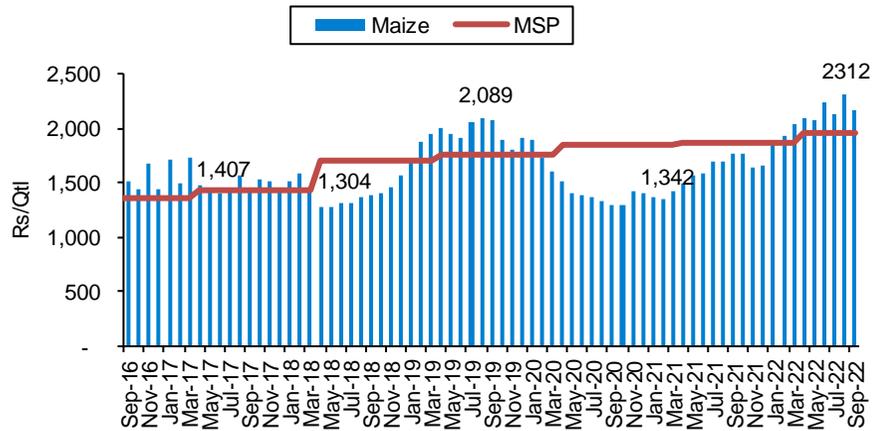
## Food grain and oilseed yield trend over the years (Qtl/ha)



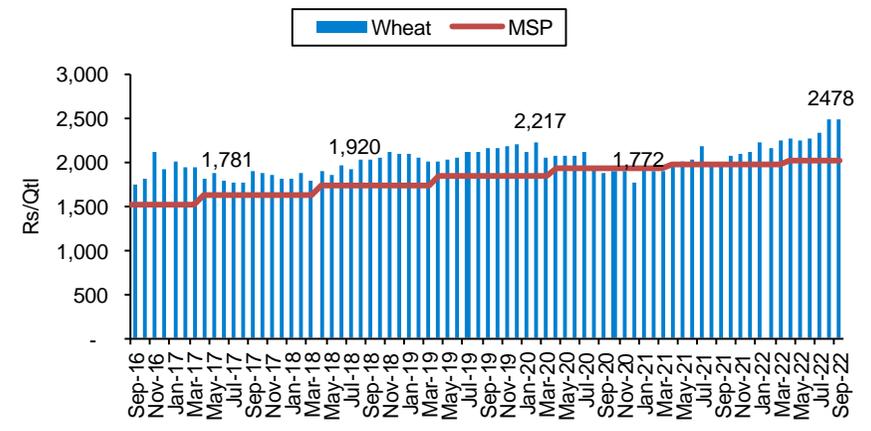
Source: Industry, PL

# Prices of major crops continues to trend above MSP's

All-India Average Monthly Prices- Maize (Rs/Qtl)



All-India Average Monthly Prices- Wheat (Rs/Qtl)

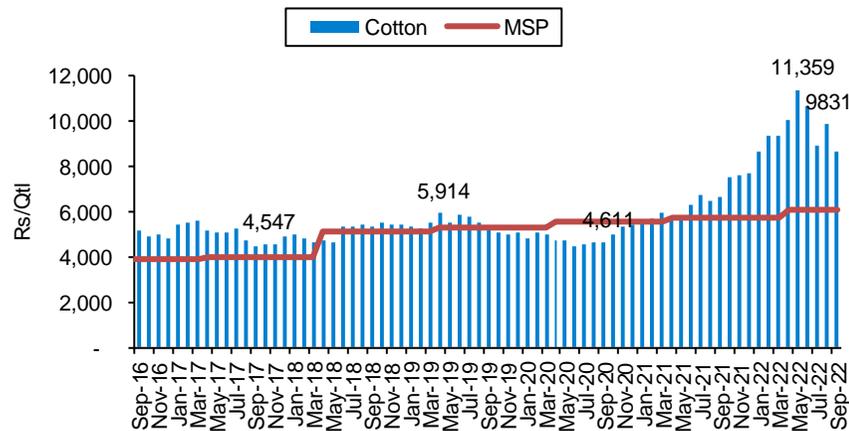


Source: GOI, PL

Note: Rs/Qtl means Rs/Quintal

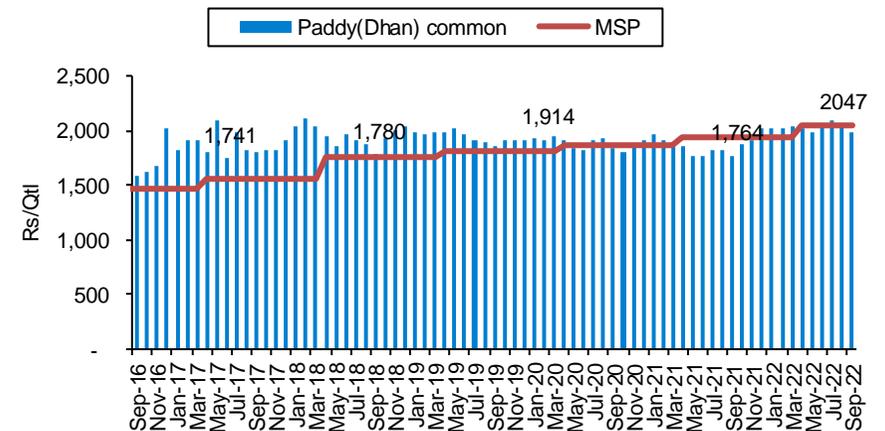
Source: GOI, PL

All-India Average Monthly Prices- Cotton (Rs/Qtl)



Source: GOI, PL

All-India Average Monthly Prices- Paddy (Rs/Qtl)



Source: GOI, PL

# How Crop MSP's have moved over the years..!

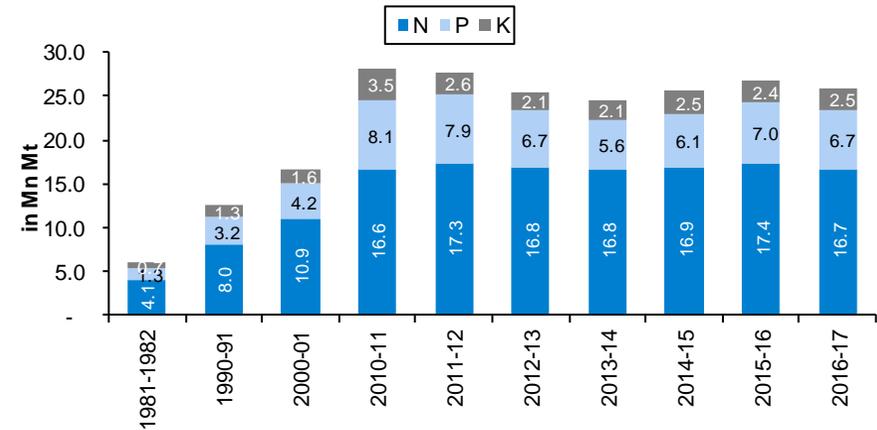
Commodity	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	CAGR 13-23 (%)
<b>Kharif Crops</b>												
Paddy Common	1,250	1,310	1,360	1,410	1,470	1,550	1,750	1,815	1,868	1,940	2,040	5.0
Paddy (F)/Grade'A'	1,280	1,345	1,400	1,450	1,510	1,590	1,770	1,835	1,888	1,960	2,060	4.9
Jow ar-Hybrid	1,500	1,500	1,530	1,570	1,625	1,700	2,430	2,550	2,620	2,738	2,970	7.1
Jow ar-Maldandi	1,520	1,520	1,550	1,590	1,650	1,725	2,450	2,570	2,640	2,758	2,990	7.0
Bajra	1,175	1,250	1,250	1,275	1,330	1,425	1,950	2,000	2,150	2,250	2,350	7.2
Maize	1,175	1,310	1,310	1,325	1,365	1,425	1,700	1,760	1,850	1,870	1,962	5.3
Ragi	1,500	1,500	1,550	1,650	1,725	1,900	2,897	3,150	3,295	3,377	3,578	9.1
Tur (Arhar)	3,850	4,300	4,350	4,625	5,050	5,450	5,675	5,800	6,000	6,300	6,600	5.5
Moong	4,400	4,500	4,600	4,850	5,225	5,575	6,975	7,050	7,196	7,275	7,755	5.8
Urad	4,300	4,300	4,350	4,625	5,000	5,400	5,600	5,700	6,000	6,300	6,600	4.4
Groundnut	3,700	4,000	4,000	4,030	4,220	4,450	4,890	5,090	5,275	5,550	5,850	4.7
Sunflow erSeed	3,700	3,700	3,750	3,800	3,950	4,100	5,388	5,650	5,885	6,015	6,400	5.6
Soyabean Black	2,200	2,500	2,500	-	-	-	-	-	-	-	-	-
Soyabean Yellow	2,240	2,560	2,560	2,600	2,775	3,050	3,399	3,710	3,880	3,950	4,300	6.7
Sesamum	4,200	4,500	4,600	4,700	5,000	5,300	6,249	6,485	6,855	7,307	7,830	6.4
Nigerseed	3,500	3,500	3,600	3,650	3,825	4,050	5,877	5,940	6,695	6,930	7,287	7.6
Medium Staple Cotton	3,600	3,700	3,750	3,800	3,860	4,020	5,150	5,255	5,515	5,726	6,080	5.4
Long Staple Cotton	3,900	4,000	4,050	4,100	4,160	4,320	5,450	5,550	5,825	6,025	6,380	5.0
<b>Rabi Crops</b>												
Wheat	1,350	1,400	1,450	1,525	1,625	1,735	1,840	1,925	1,975	2,015		
Barley	980	1,100	1,150	1,225	1,325	1,410	1,440	1,525	1,600	1,635		
Gram	3,000	3,100	3,175	3,500	4,000	4,400	4,620	4,875	5,100	5,230		
Lentil (Masur)	2,900	2,950	3,075	3,400	3,950	4,250	4,475	4,800	5,100	5,500		
Rapeseed/ mustard	3,000	3,050	3,100	3,350	3,700	4,000	4,200	4,425	4,650	5,050		
Safflow er	2,800	3,000	3,050	3,300	3,700	4,100	4,945	5,215	5,327	5,441		
<b>Commercial Crops</b>												
Jute	2,200	2,300	2,400	2,700	3,200	3,500	3,700	3,950	4,225	4,500	4,750	8.0
Sugarcane	170	210	220	230	230	255	275	275	285	290	305	6.0
Copra (Milling)	5,250	5,250	5,550	5,950	6,500	7,511	9,521	9,960	10,335	10,590		
Copra (Ball)	5,500	5,500	5,830	6,240	6,785	7,750	9,920	10,300	10,600	11,000		

**Average increase in MSP's across crops has been 20% in the last 5 years.**

# Green revolution opened up unparalleled value creation in Agri Sector

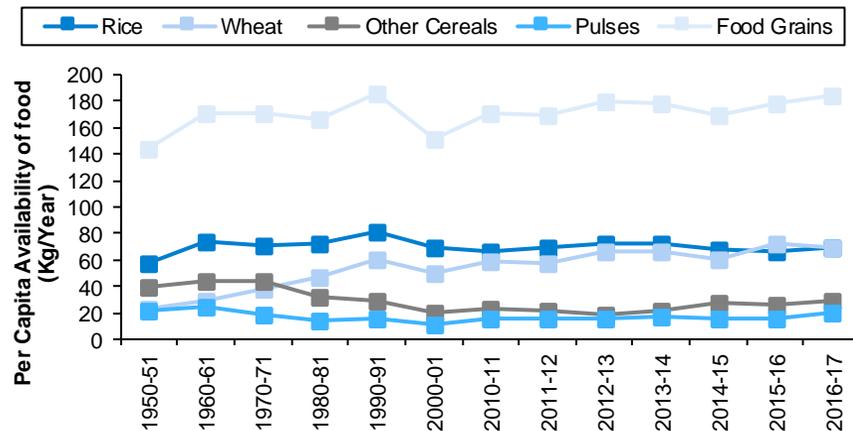
- Green revolution (term used for swift increase in crop yields by incorporating modern tools and techniques combined with better use of fertilizers and other chemical inputs) incorporated in 1960 had a significant impact on the agriculture production in developing countries.
- India was often tormented by starvations and ceaseless nourishment lack before the green upheaval, whereas today it is in a position fighting on the issue of excess.
- For 2021-22 **India's food grain production is estimated to be more than 315mn mt as against 55mn mt during 1960's.**
- Increase in consumption of chemical fertilizers for cultivation of crop resulting into higher food grain production and per capita availability of foods can be seen in the below charts.

## ...resulting into increasing food grain production over the years



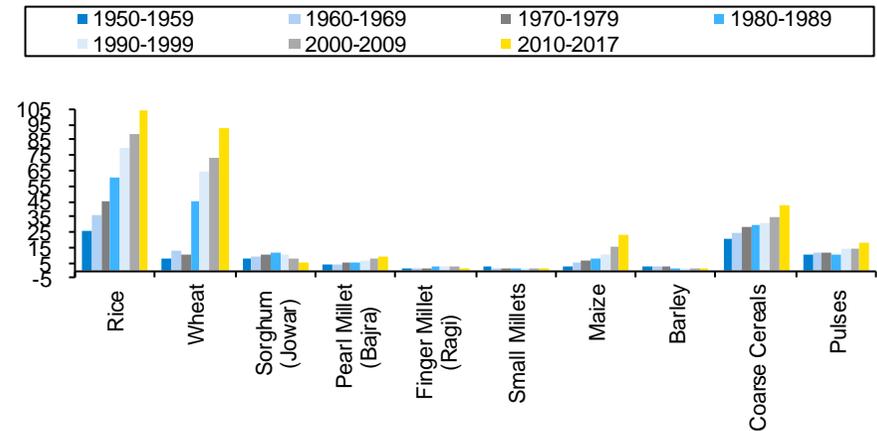
Source: Industry, PL

## Consumption of fertilizers in the increasing trend...



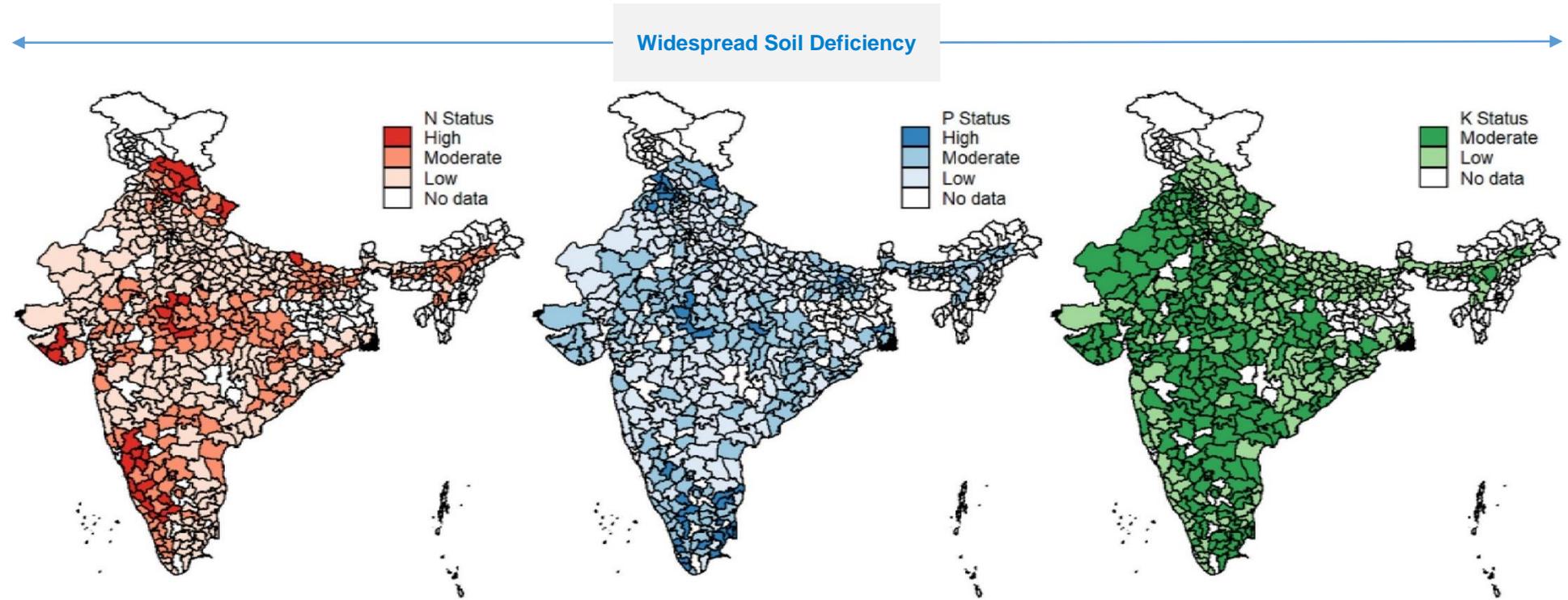
Source: Industry, PL

## ...leading to higher per-capita availability to food grains..



Source: Industry, PL

# Opportunity to address nutrient imbalance



## Widespread soil deficiency in most parts of India

The map above shows district level soil fertility for three major macro-nutrients (N,P,K) indicating low fertility status in substantial districts - particularly in nitrogen and phosphorus:

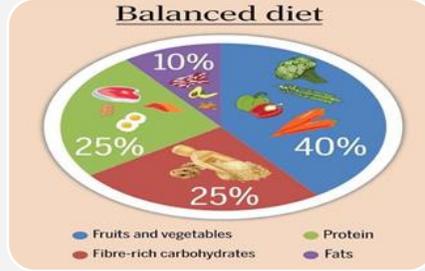
- **Nitrogen (N)**, which is considered to be most crucial for crop productivity is deficit in most districts of Indo-Gangetic plains (IGP) region. Several districts have low to moderate nitrogen stock in intensive rice cultivating states along eastern coast of India. While Himachal Pradesh, Uttarakhand and coastal districts of Karnataka have higher amount of soil nitrogen.
- Similar pattern for high **Phosphorus (P)** deficiency can be seen in the map. Only some parts of Punjab and Tamil Nadu have higher soil phosphorus stocks.
- Moderate availability of **Potassium (K)** can be seen in major parts of India, barring several districts of eastern India.

# Changing Agricultural trends and its Impact on India



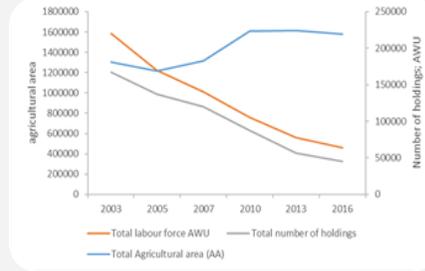
## Rising pressure on natural resources

Rising pressure on natural resources is driving greater push towards micro-irrigation in India



## Changing dietary preferences

Changes in dietary patterns are evolving as demand for fruits, vegetables & pulses continues to grow at 6-8% CAGR v/s cereals at 1%.



## Evolution of farm holdings

Declining average farm holding from 2.28 hectares in 1970-71 to 1.08 hectares in 2015-16.



## Farm labour shortages and increasing farm mechanization

Decreasing labour availability is driving ~10% p.a. rise in cultivation cost of major crops.



## Favourable Government policies in the farm sector

Increasing Government's focus in the form of higher MSP and Direct Benefit Transfer to support farmers.



## Rise of digital farmers

Increasing mobile penetration, drone technology to provide unique opportunity to use personalization builds deep farmer connect.



## Farm-tech advancements

Data-driven agriculture (Soil Health cards, Crop Insurance; Kisan credit cards) is changing the landscape of agri today & will continue in the future.



## Food Processing

## Fragmentation of food processing units/parks

Farm Logistics is evolving in India with 42 mega Food Parks planned across the country.

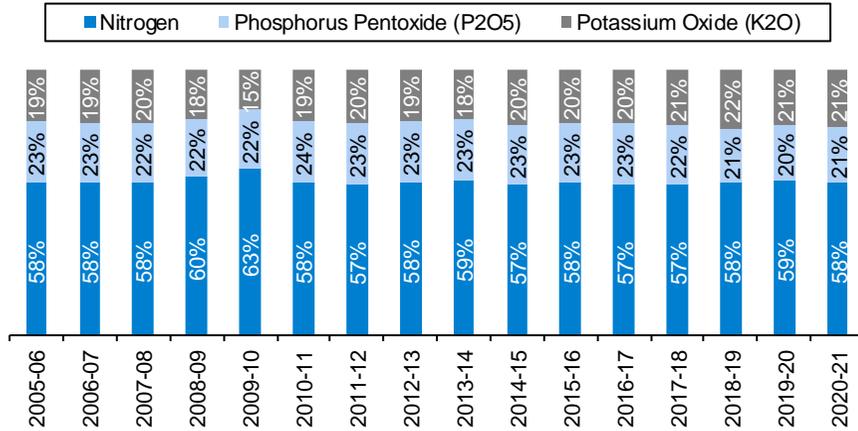
---

# Global Fertilizer Industry

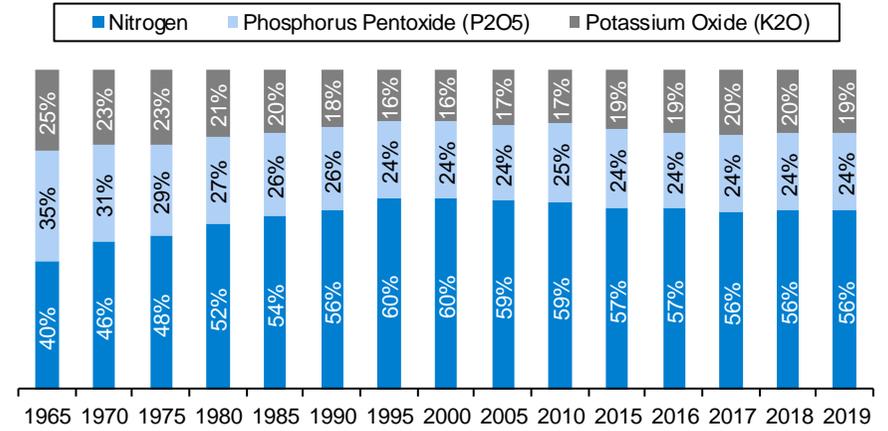
# Global Fertilizer Industry- At a glance

- The global Nitrogen (N)/Phosphorus (P)/Potash (K) market has grown at a CARG of 2%/1%/2% over CY06-21.
- China followed by US and India are Top-3 producers of nitrogenous fertilizers, globally. While China is largest consumer of fertilizers followed by India. The international fertilizer industry is highly market concentrated with small number of countries controlling most of the production capacity.

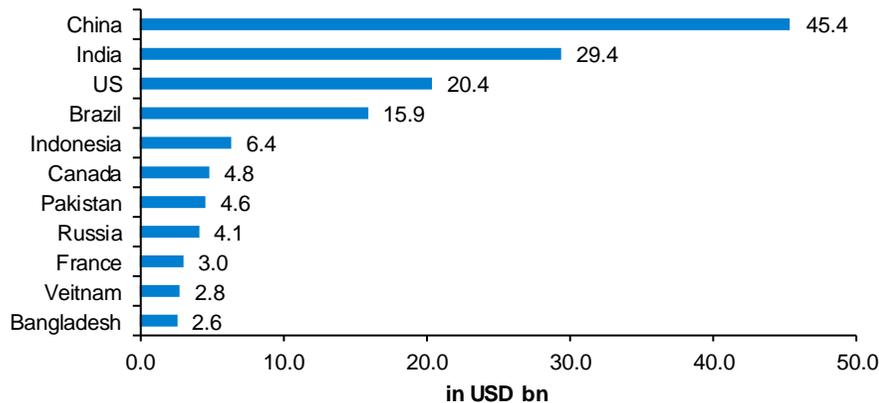
Global Production of fertilizers (by nutrient) (In Mn mt)



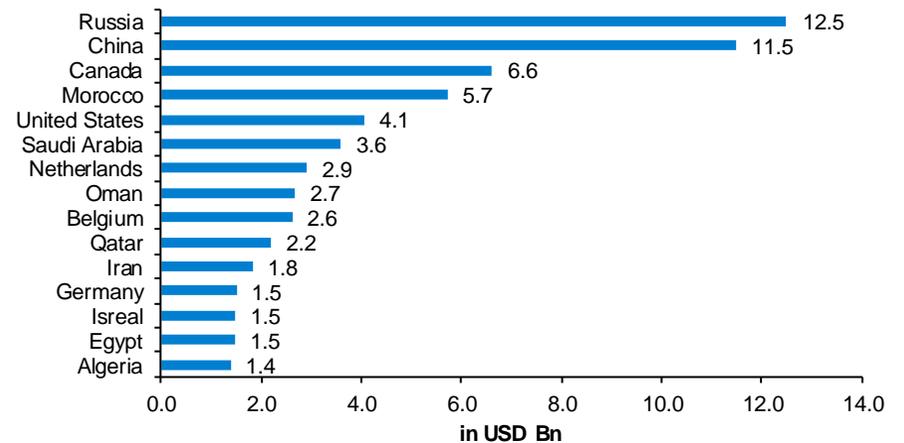
Global consumption of fertilizer (by nutrient) (In Mn mt)



Consumption of fertilizers worldwide (In USD Bn)



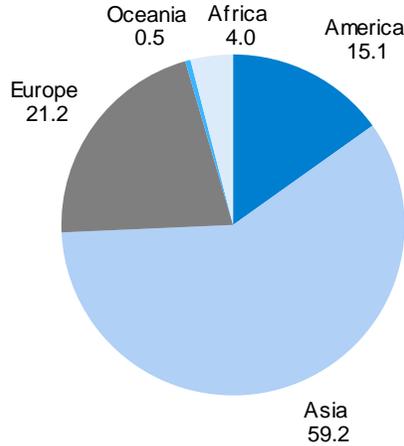
Leading fertilizer exporting countries (in USD Bn)



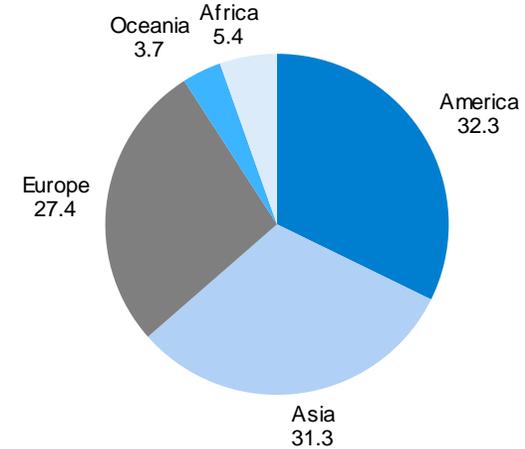
# Nitrogen (N) – Major contributor to the Fertilizer segment

- As small number of countries control most of the production capacity for nitrogen, phosphate and potash fertilizers - any change in actions of major players in international market will lead to demand/supply mismatch and hence change prices accordingly.
- Asia continues to dominate global Nitrogen (N) production with ~59% of total global production, followed by European region.

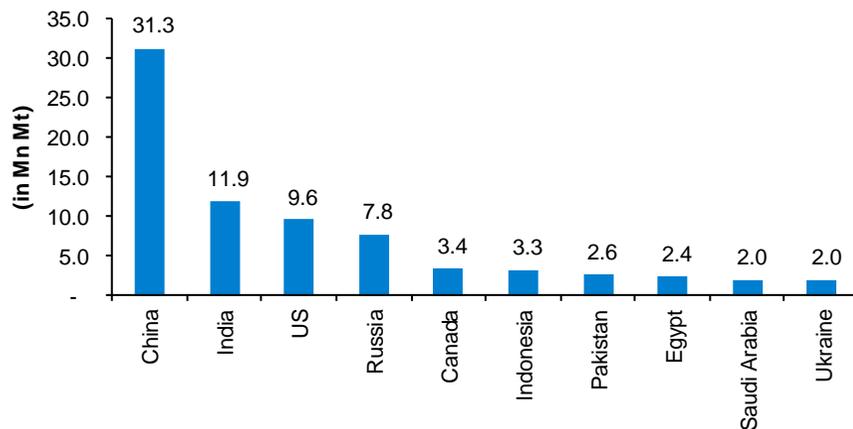
Nitrogen (N) Production- Asia is the highest contributor with 59.2%



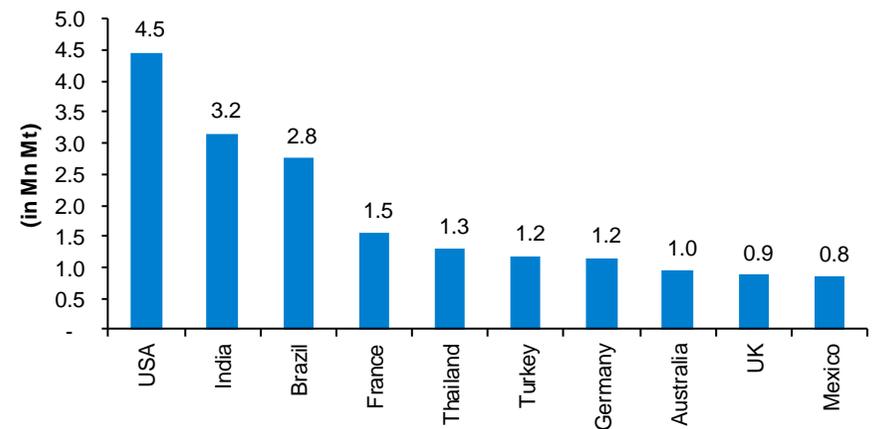
Nitrogen Imports - Significant contribution by Europe, Asia and America



Top 10 countries by Nitrogen Production (CY20)



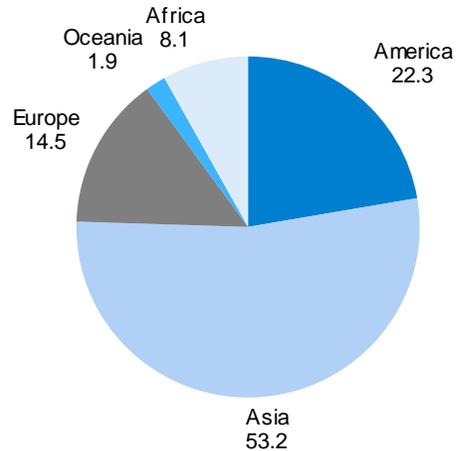
Top 10 countries by Nitrogen Imports (CY20)



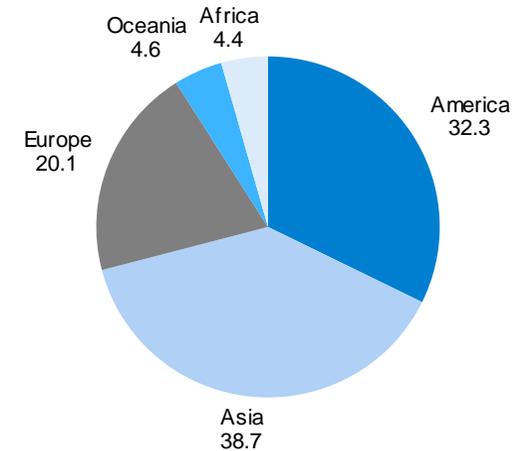
# China continues to dominate global Phosphatic (P) Fertilizers

- Asia contributes ~53% of the global phosphate production, largely led by China.
- China has a dominating influence on global phosphate production with a sizeable contribution of ~40-45% to the global trade.
- Brazil and India contribute to major imports of phosphates, led by higher crop acreages in corn and soybean (which are large consumers of phosphates).

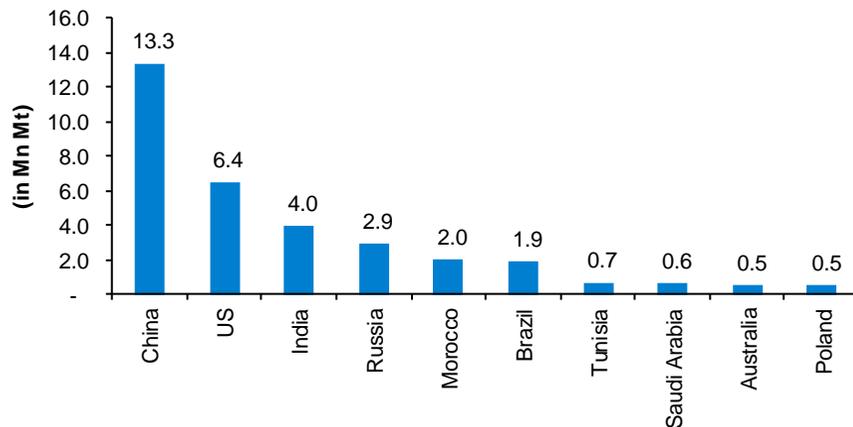
China dominates global Phosphate (P2O5) Production



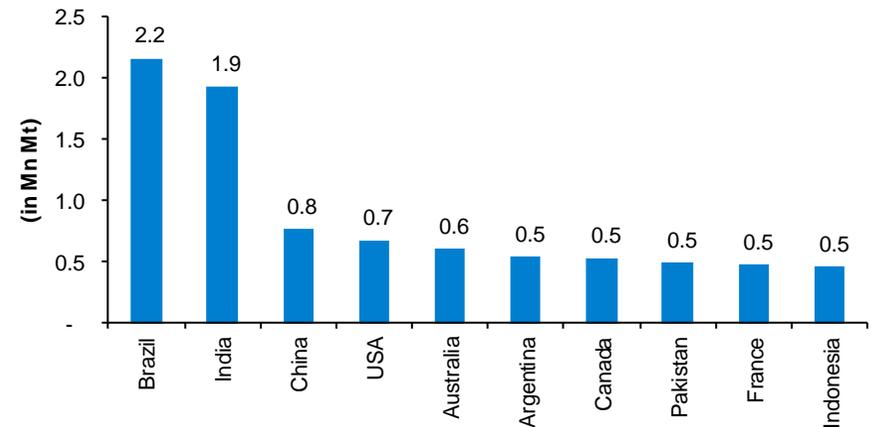
Asia followed by US are major importers of phosphates(P2O5)



Top-10 countries by Phosphate (P2O5) production- (CY20)



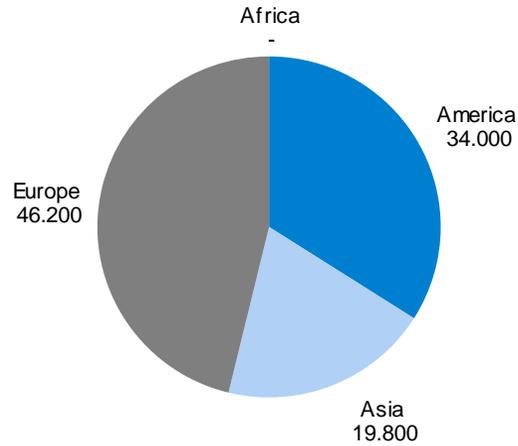
Top-10 importing countries by Nutrient Phosphate (P2O5)- (CY2020)



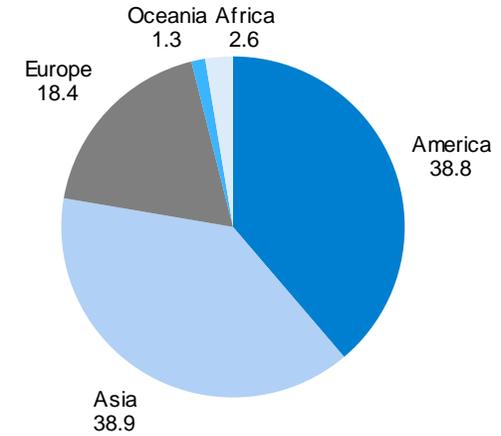
# Potash (P) Fertilizers - Largely led by European region

- European regions contribute ~46% of the global potash production, followed by US and Asian regions contributing 34%/20% respectively.
- On imports side, Asia followed by US contributes <75% of global potash to many countries. Russia contributes 19% of global Muriate of Potash (MOP) exports.
- US, China, Brazil and India contribute to majority of potash imports, led by higher crop acreages in corn and soybean (which are large consumers of potash).

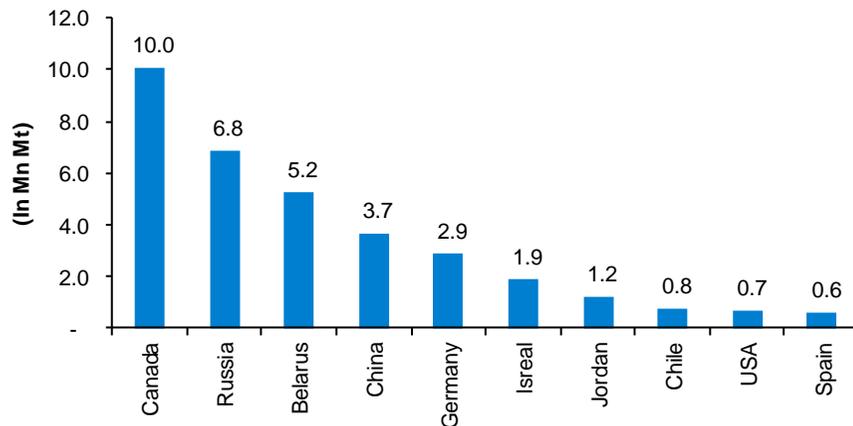
Europe dominates global Potash (K2O) production (%)



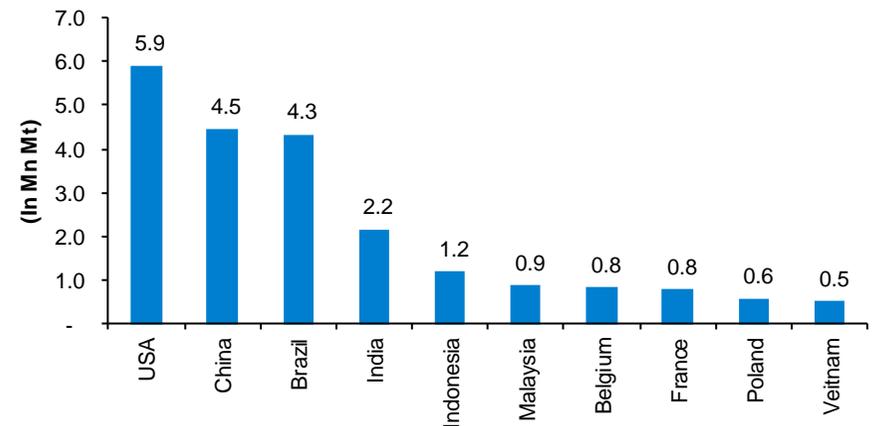
US followed by Asia is the highest importer of Potash (K2O) (%)



Top 10 countries by Nutrient Potash (K2O)- Production (CY20)



Top 10 countries by Nutrient Potash (K2O)- Imports (CY2020)



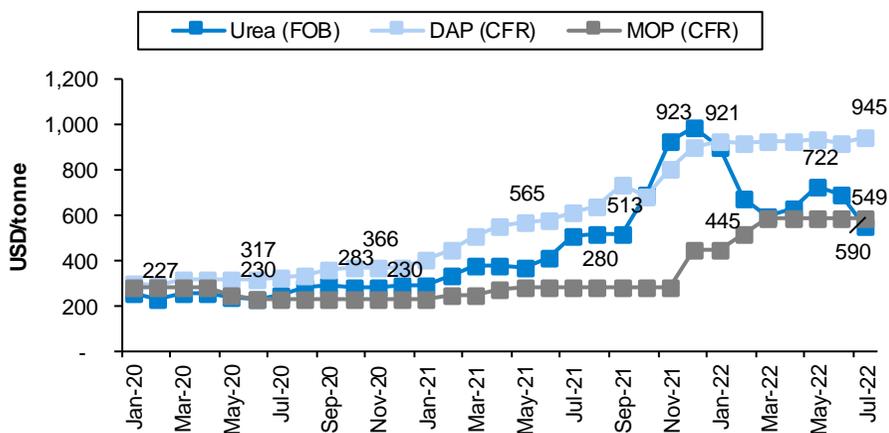
# Global Fertilizer Crisis...

The world is currently witnessing fertilizer crisis with record high prices in international markets. Some major reasons attributable to such crisis are 1) increased global demand, 2) rise in the cost of inputs for fertilizers (Phosphoric acid/Urea/Ammonia prices up 48%/32%/30% YoY respectively), 3) shortage of supply in the international market, 4) domestic policies and 5) rising geopolitical tensions. Additionally, war between Russia and Ukraine has added to the woes by creating further supply shortage in international markets. Currently, Russia accounts for 16%/10%/19% of global Urea/Di-ammonium Phosphate (DAP)/Muriate of Potash (MOP) exports.

- **Key crop-growing regions have strong demand for chemical fertilizer products** which act as a driving force in price hikes. Crops like corn and Soybeans had a greater need for potash and phosphatic fertilizers at the global level, due to increased crop acreage. However, higher costs of inputs for production of various fertilizer products have also bolstered prices.
- **In case of Phosphatic fertilizers**, raw materials like Ammonia and Phosphoric acid have witnessed a sharp increase in prices up 30%/48% YoY (as on 15<sup>th</sup> September'22) led by, global demand-supply mismatch and restrictions related to COVID-19. On the other hand, Urea, prices are up by 32% YoY (as on 15<sup>th</sup> September'22) led by higher gas prices due to escalated geo-political tensions between Russia and Ukraine.

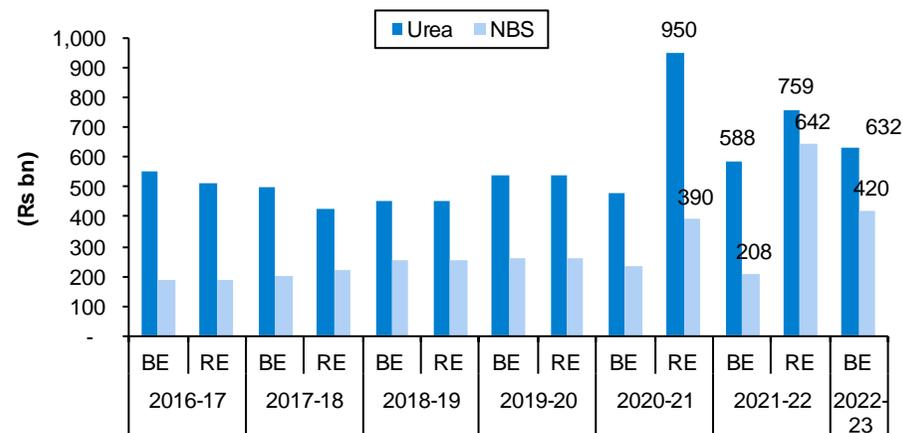
Although India tried to increase its domestic production by increasing through-puts, getting better efficiency and reviving 5 sick units of Urea, still it failed the attempt because things depended a lot more on imported feed stocks and raw materials.

## Key fertilizer prices continues to be higher YoY



Source: Bloomberg; PL

## Fertilizer Subsidy exceeding Rs1 trillion for the 2<sup>nd</sup> consecutive year



Source: GOI; PL

# ...and Its Impact on India

- Although fertilizers raw material (RM) prices continued with its upward journey (Urea/DAP/Ammonia/Phos acid prices up 30%/15%/34%/48% YoY respectively), yet Indian government policies made them available at an affordable cost to farmers.
- The Government had even borne price hike burden by providing various subsidies to farmers (an excess fertilizer subsidy over and above the budgeted estimate in FY21 and FY22 revealed this). Thus, revised estimate of fertilizer subsidy increased over Rs1 trillion for the second consecutive year, due to an unprecedented rise in raw material cost and fertilizers prices.

## Impact of global fertilizer crisis on India

### Impact on Farmers

- Shortage of fertilizers- Fertilizer inventory at multi-year low of 0.62mn mt down 68% YoY (Urea+ complex as on Dec'21)
- Higher demand for low priced/highly subsidized product like Urea
- Imbalance in Favorable nutrient ratio (currently at 7:3:1 v/s ideal usage ratio of 4:2:1)
- Decline in agricultural productivity.

### Impact on Fertilizer Industry

- Higher cost of production leading to lower production and liquidity issues.
- Increased working capital (WC) resulting into higher subsidy outstanding from Govt. and increase in interest cost.
- Regulatory pressure for more production of low-priced products

### Impact on Government

- Imports becomes costlier having a direct impact on Govt.'s import bills.
- Higher subsidy burden
- Increase in MSP of crops
- Increase in food inflation

---

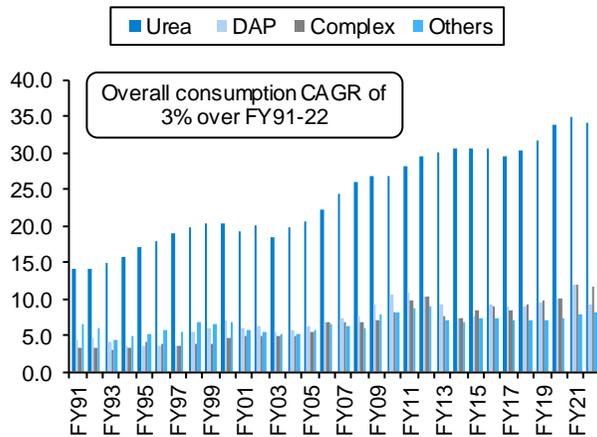
# Domestic Fertilizer Industry

# Domestic Fertilizer Industry- At a glance

Chemical fertilizers can be broadly categorized into Urea, Di-ammonium Phosphate (DAP), Single Super Phosphate (SSP), Muriate of Potash (MOP) and various grades of NPK fertilizers having different composition of **Nitrogen (N), Phosphorus (P), Potassium (K) and Sulphur (S)**. India is the 3rd largest producer of nitrogenous fertilizers and 2nd largest consumer of fertilizer with urea accounting to over half of overall fertilizer consumption. Indigenous fertilizer production stood at ~38mn MT as on FY22 largely dominated by Urea (accounts to 67% of total production). While complex fertilizer production contributed to 19% of the overall production in FY22. Currently, there are 33 large-sized Urea manufacturing units, 21 DAP and Complex fertilizers units and 105 SME units for SSP production.

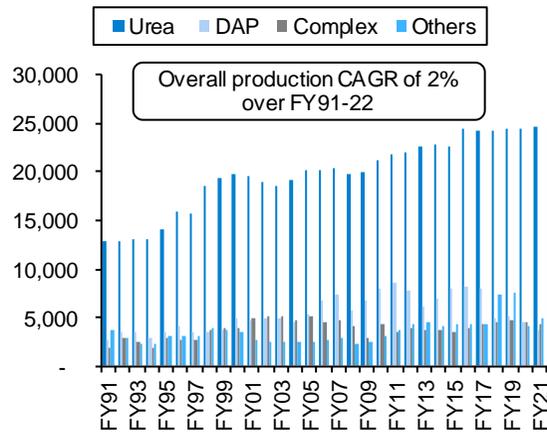
- **Urea:** Urea is the most subsidized form of nitrogenous fertilizer (prices fully controlled by the Government), which offers highest nitrogen content (46%). Indigenous production of urea has witnessed a stable 1.5% CAGR over FY15-22, while it is expected to grow at an expedited rate given government's thrust to eliminate urea imports coupled with revival of 5 sick urea units of 1.2mn mt each (of which 1 plant is already operational). Indigenous production of urea has increased from 59% in FY15 to 67% in FY22, while import dependence of urea has gradually come down to 33% in FY22 as against 41% in FY15.
- **DAP:** Di-ammonium Phosphate (DAP) has 18% phosphorous content and 46% nitrogen content with NIL potash and Sulphur content. Indigenous DAP production has declined by 6% over FY11-22. Domestic production of DAP primarily depends on prices of raw material (majorly Phosphoric acid), thus any increase/decrease in domestic production can be attributed to volatility in raw material prices.
- **SSP:** Single Super Phosphate (SSP) contains 16% phosphorous and 11% Sulphur. SSP production has clocked 3.3% CAGR over FY11-22.
- **MOP:** MOP contains 60% potash and accounts for nearly 95% of all potash fertilizers used globally. MoP is imported in India from various middle-east countries like Jordan, Israel, Russia, and Canada etc.

Domestic Fertilizer Production (In Mn Mt)



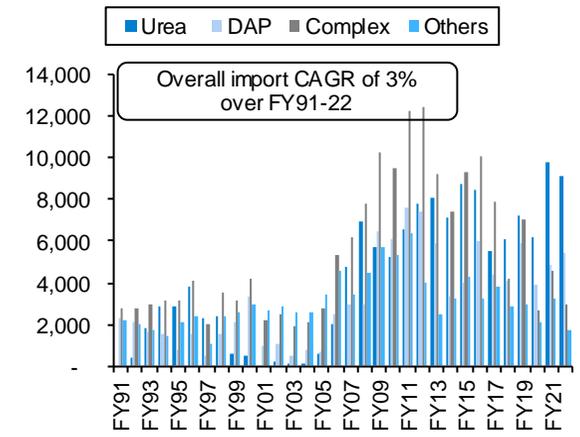
Source: GOI; PL

Domestic Fertilizer Consumption (in Mn Mt)



Source: GOI; PL

Balance met through imports (In Mn Mt)

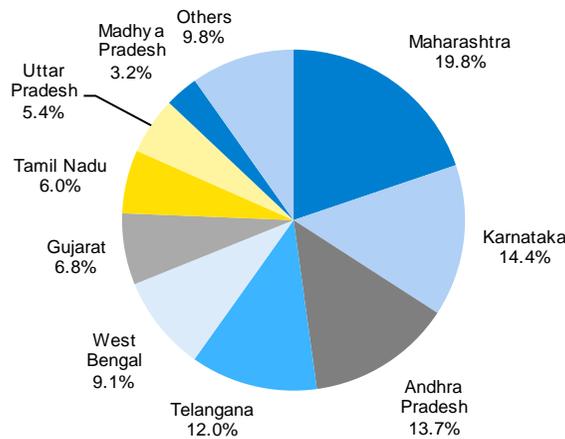


Source: GOI; PL

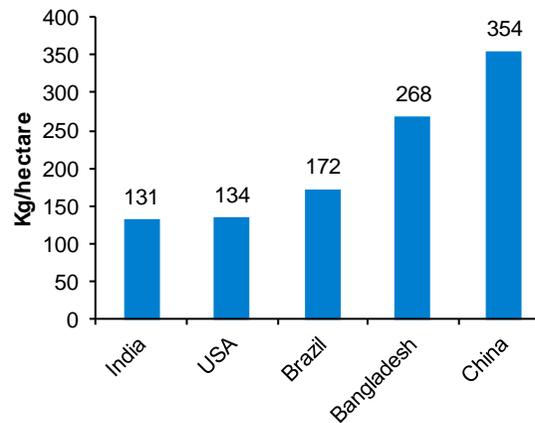
# Domestic Fertilizer Industry - Long term growth story intact

- Share of agriculture to India's GDP was ~20% in FY21 to INR446bn (highest in the last 17 years).
- Domestic agri input industry has been witnessing structural changes driven by a) rising domestic demand, b) tighter global supply scenario from China (China controls ~40% of the global phosphate exports); c) balanced plant nutrition (NPK ratio 4:2:1 v/s 7:3:1 currently) through higher agri-input penetration; d) higher usage of specialized nutrients led by change in dietary preference and e) continued emphasis on improving farm productivity and farm income.
- With >50% of population dependent on farming along with muted income growth over last few years, government's thrust on doubling farmers' income through higher MSPs for crops, increased irrigation coverage, better procurement and higher agricultural credit augur well for the sector.
- India is 3rd largest producer of fertilizers after China and USA; besides it is also 2nd largest consumer of fertilizers globally.
- Top-9 states (MH, KN, AP, TL, WB, TN, UP, GJ and MP) contribute more than 90% of the domestic fertilizer consumption in India.
- Per- capita consumption of fertilizers happens to be low as compared to the global averages. Hence we believe that rising thrust on higher yield would result into higher usage of agri-inputs, going forward.

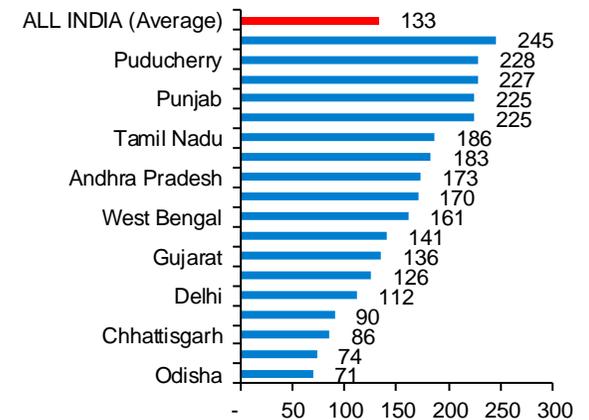
## Top-9 states consumes <90% of domestic consumption



## Nutrient usage continues to be low in India



## State-wise consumption of Fertilizers (kg/acre)



Source: Industry, PL

Source: Industry, PL

Source: Industry, PL

# Government Policies for the Fertilizer Industry

The government is continuously striving on doubling farmer's income by way of balanced crop nutrition and improving soil health. Below are some of the initiatives undertaken in recent times:

- **Nutrient-based Subsidy (NBS):** NBS was implemented from Apr'10 to provide underlying 22 grades of decontrolled fertilizers to farmers at subsidized rates, based on their nutrient contents (N,P,K &S). The subsidy is fixed annually on a per kg basis and MRP of fertilizers is left open for manufacturers to decide at a reasonable level, which is determined considering international prices, exchange rate and inventory level in the market.
- **New Urea Policy – 2015** aims at making domestic urea globally competitive in terms of energy efficiency. It ensures maximum production of indigenous urea with government subsidizing urea manufacturing units for transportation cost with a view to facilitate urea availability at same MRP all over the country.
- **Direct Benefit Transfer (DBT):** As per this scheme, the subsidy is released to fertilizer companies instead of beneficiaries post the sale. Disbursal is based on weekly settlement of claims from actual sales date captured on POS machines after sale from retailer. Going forward, under DBT 2.0, government wants to utilize the data on real time for balanced nutrition application and also explore the option of directly transferring subsidy to farmers' account.
- **Neem Coating of Urea:** Govt.'s notification of 100% neem coating in urea has resulted in curtailment of urea diversion to other allied sectors and savings of fertilizer subsidy. Neem coating of urea has several other uses like (1) destroys ground insects (due to its bitter taste) thereby improving soil health, (2) preserves nitrogen content thereby reducing urea requirement.
- **Gas Pooling for Urea:** The Government provides pooled domestic gas with re-gasified imported LNG, to help provide natural gas at uniform delivery price to all natural gas grid connected urea manufacturing plants.
- **Introduction of Nano Urea:** Under Nano urea (Liquid urea) developed and Patented by IFFCO; would help to further reduce farmer's dependence on packaged urea. Application of 1 bottle of Nano Urea (500 ml) can effectively replace at least 1 bag of Urea of 45kgs each.
- **One nation One Fertilizer:** In order to reduce diversion of fertilizers to other industrial usage and have a proper check in place, the Govt. recently announced One Nation One Fertilizer, which would be sold under the brand name BHARAT. The single brand name for Urea, DAP, MOP and NKPS would be sold under BHARAT Urea, Bharat DAP, Bharat MOP, Bharat NPKS respectively for all fertilizer companies.

## NBS Rates since inception

Nutrients	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
N' (Nitrogen)	23.2	27.2	24.0	20.9	20.9	20.9	15.9	19.0	18.9	18.9	18.8	18.8	92.0
P' (Phosphate)	26.3	32.3	21.8	18.7	18.7	18.7	13.2	12.0	15.2	15.2	14.9	45.3	72.7
K' (Potash)	24.5	26.8	24.0	18.8	15.5	15.5	15.5	12.4	11.1	11.1	10.1	10.1	25.3
S' (Sulphur)	1.8	1.7	1.7	1.7	1.7	1.7	2.0	2.2	2.7	3.6	2.4	2.4	6.9

Source: MOF; PL (Note: NBS rates for FY23 is applicable till September'22; Govt. to revise it post 1HFY23 depending on the global RM scenario)

# Positive policy measures...

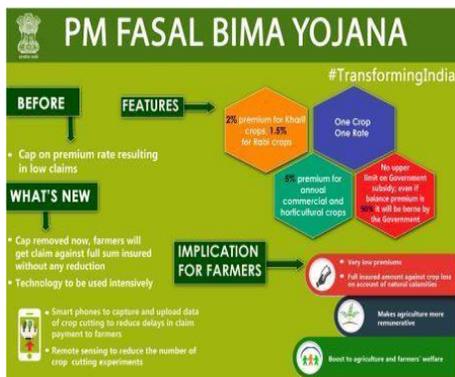
## Soil Health Cards (SHC)...



### Soil Health Cards

- SHC scheme was started in 2015 by Government of India.
- Soil health cards issued every two years - 140 mn farmers already covered.
- Higher the number of soil health cards, better it is for agri-input usage, in terms of better nutrient management.

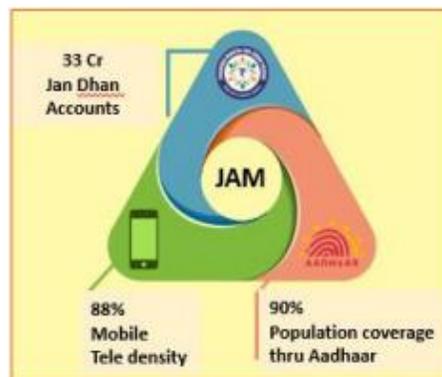
## Crop Insurance Scheme (PMFBY)



### Crop Insurance scheme (PMFBY)

- Uniform premium of only 2% to be paid by farmers for all kharif crops and 1.5% for all rabi crops.
- Premium rates to be paid by farmers are very low and balance premium will be paid by the Govt. to provide full insured amount to farmers against crop loss on account of natural calamities.

## 'JAM' Trinity for Direct Transfers



### 'JAM' Trinity for Direct Transfers

- Rural India high on "JAM" coverage - Jan Dhan (Bank account coverage), Aadhaar (Biometric system), Mobile (88% coverage).
- Paving way for direct subsidy transfer to farmers.

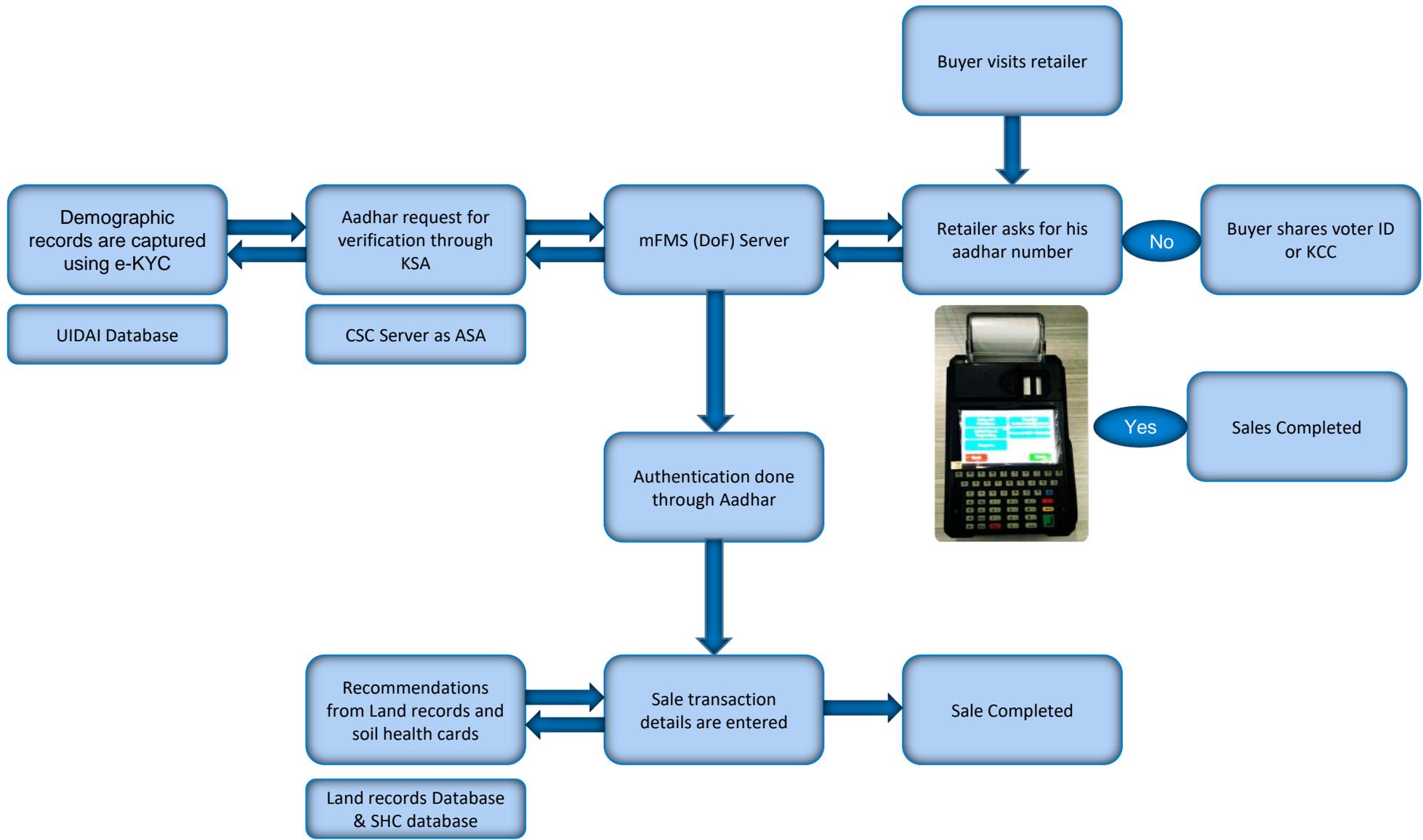
## Boosting Investments



### Boost Investments

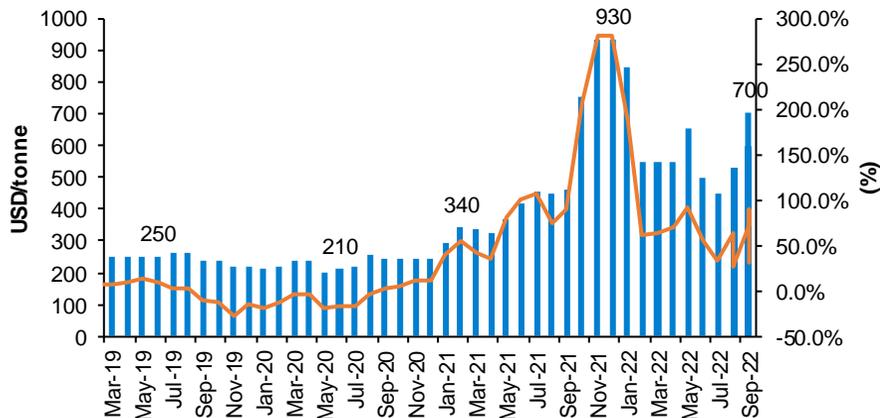
- Self sufficiency in Urea- Additional 6 mn mt capacity by reviving 5 sick units in urea.
- P&K-Ensuring distribution flexibility for domestic manufacturers.
- Focus on converting household waste into organic compost.

# DBT Flowchart



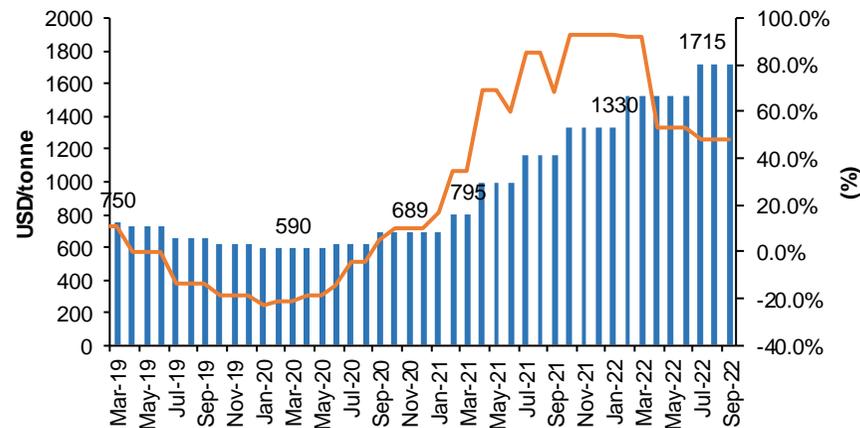
# Price trend of Key Fertilizers

Global Price trend of Urea (in USD/ tonne)



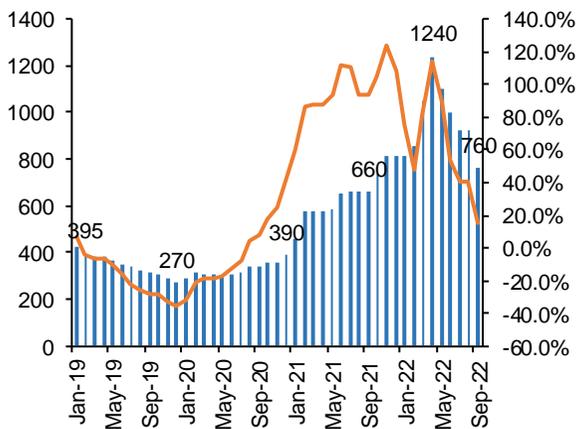
Source: Bloomberg, PL

Global Phosphoric acid prices (In USD/tonne)



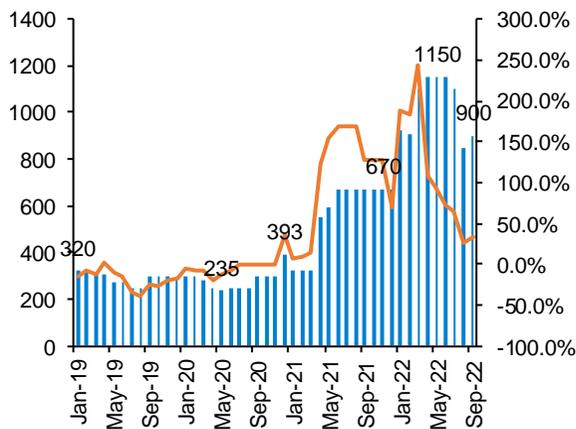
Source: Bloomberg, PL

Global DAP prices (in USD/tonne)



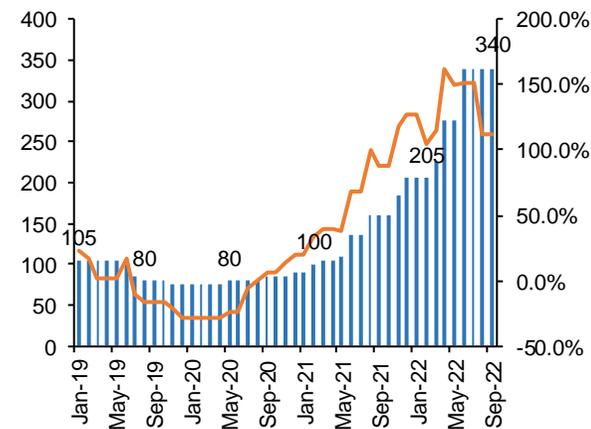
Source: Bloomberg, PL

Global Ammonia Prices (In USD/tonne)



Source: Bloomberg, PL

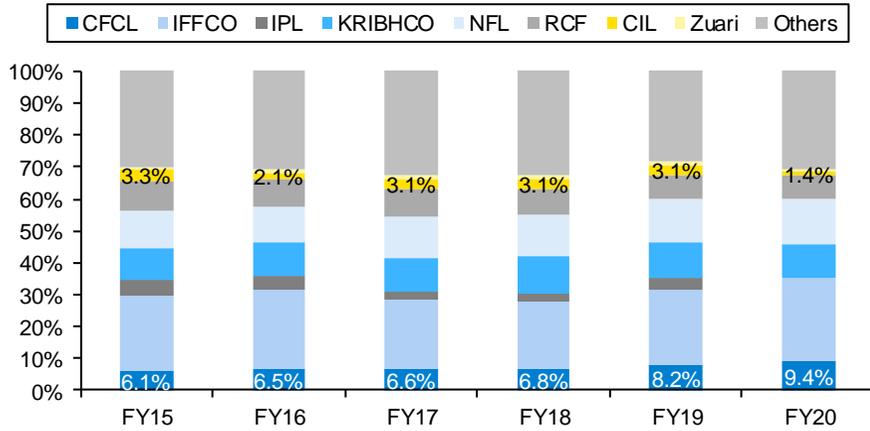
Global Rock Phosphate prices (in USD/tonne)



Source: Bloomberg, PL

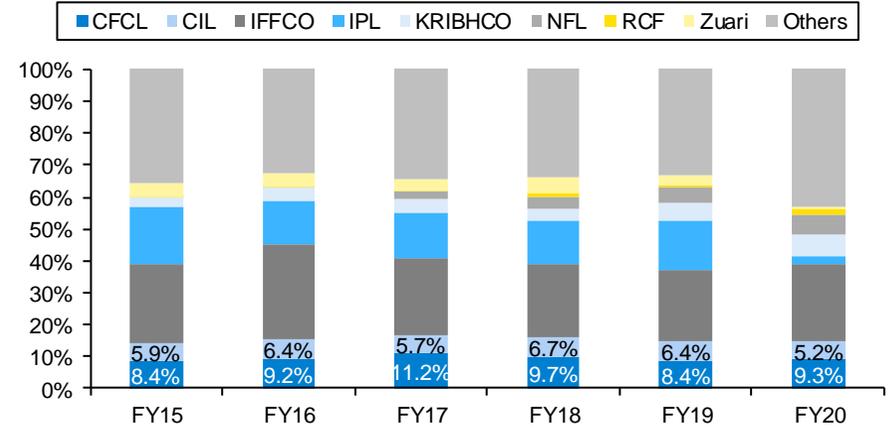
# Competitive positioning of domestic Fertilizer companies

PAN India- NPK Market Share (%)



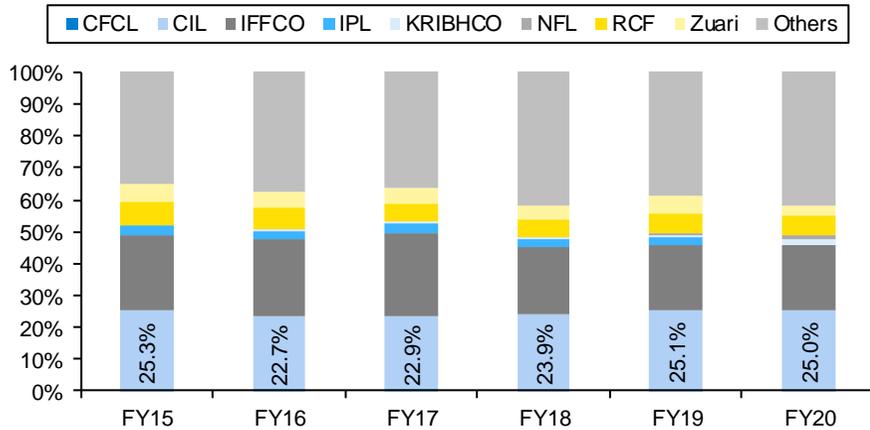
Source: MOF; PL (Note: MOF- Ministry of Fertilisers)

PAN India- DAP Market Share (%)



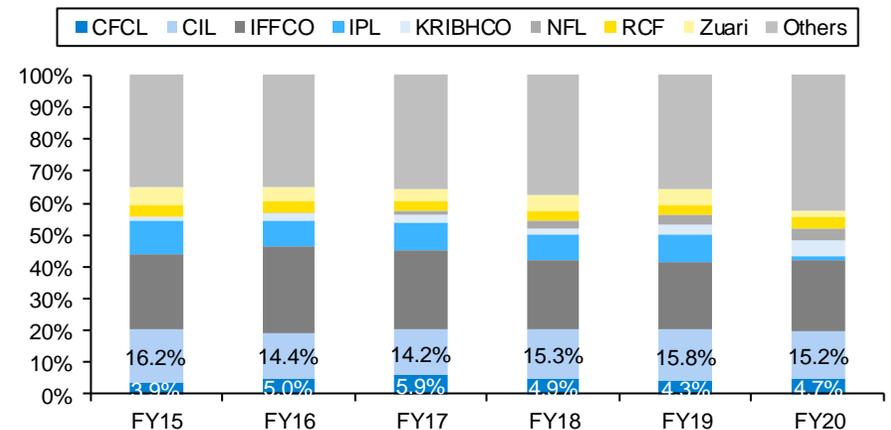
Source: MOF; PL

PAN India- Urea Market Share (%)



Source: MOF; PL

PAN India- Total Complex (DAP+NPK) Market Share (%)



Source: MOF; PL

# Valuation Snapshot

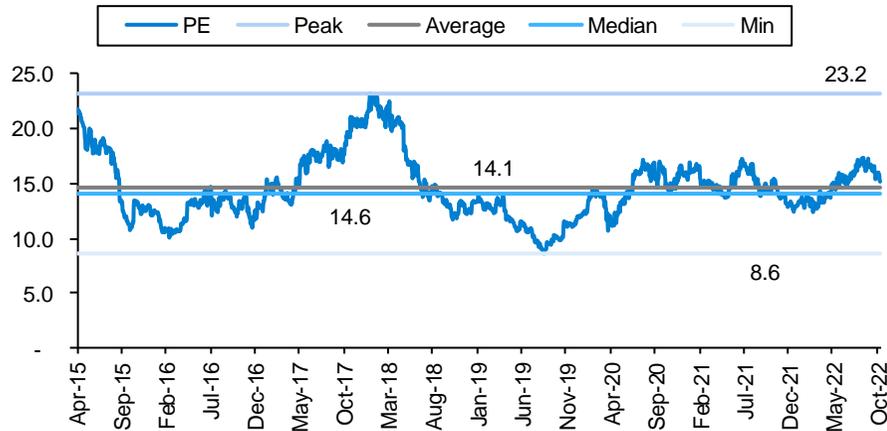
Company	CMP (Rs)	TP (Rs)	M Cap (Rs mn)	Rating	Target Multiple (x)	Revenue					EBITDA					Adjusted PAT				
						FY21	FY22	FY23E	FY24E	CAGR FY22-24(%)	FY21	FY22	FY23E	FY24E	CAGR FY22-24(%)	FY21	FY22	FY23E	FY24E	CAGR FY22-24(%)
						BYRCS	4,700	5,650	2,11,017	ACC	30x	42,613	47,344	53,499	59,919	12.5	8,117	8,111	9,469	11,444
CRIN	973	1,200	2,83,843	BUY	18x	1,42,135	1,91,109	2,86,714	1,79,255	-3.2	20,158	21,499	24,854	27,094	12.3	13,292	15,285	17,617	19,435	12.8
CHMB	320	480	1,33,104	BUY	10x	1,27,190	1,60,688	1,65,392	1,70,942	3.1	24,635	22,622	18,883	21,740	-2.0	13,169	15,660	14,392	16,299	2.0
DAGRI	669	850	31,168	BUY	15x	13,875	14,778	16,256	18,381	11.5	2,691	2,634	2,877	3,382	13.3	2,106	2,088	2,311	2,647	12.6
GOAGRO	507	570	97,384	ACC	14x	62,667	83,061	94,939	1,01,080	10.3	5,638	6,654	7,120	8,086	10.2	3,137	4,199	4,074	4,816	7.1
INST	740	920	14,602	HOLD	13x	14,202	15,040	16,995	18,694	11.5	1,523	1,697	1,920	2,206	14.0	1,031	1,070	1,197	1,390	13.9
PI	3,006	3,450	4,55,475	BUY	40x	45,770	52,995	63,653	75,233	19.1	10,122	11,424	14,199	17,554	24.0	7,339	8,402	10,496	13,081	24.8
RALI	212	250	41,253	BUY	18x	24,294	26,039	29,369	33,461	13.4	3,229	2,741	3,177	3,929	19.7	2,286	1,642	1,826	2,314	18.7
SHCR	436	740	39,336	BUY	15x	23,956	35,798	42,796	49,732	17.9	4,168	6,994	7,952	9,696	17.7	2,293	3,493	3,648	4,424	12.5
SUMICHEM	501	510	2,50,022	BUY	40x	26,449	30,646	35,708	41,854	16.9	4,869	5,999	7,142	8,789	21.0	3,454	4,235	5,081	6,389	22.8
UPL	674	1,020	5,15,304	BUY	14x	3,86,940	4,62,400	5,31,423	5,73,953	11.4	85,590	1,01,650	1,19,039	1,32,009	14.0	30,662	38,917	47,059	55,744	19.7

Company	Adjusted EPS (Rs)				Net Debt (INR Mn)				Net debt/Equity (x)				RoE(%)				RoCE (%)			
	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
BYRCS	137.2	133.3	155.4	188.5	(12,617)	(8,259)	(13,373)	(17,838)	(0.5)	(0.3)	(0.4)	(0.5)	24.1	23.6	25.2	25.6	31.6	31.7	33.8	34.2
CRIN	45.3	52.1	60.0	66.2	(7,205)	(17,532)	(22,408)	(32,196)	(0.1)	(0.3)	(0.3)	(0.4)	28.1	26.6	25.0	23.0	33.7	36.5	34.8	31.5
CHMB	39.8	37.6	34.6	39.2	30,110	37,690	34,346	23,249	0.6	0.6	0.5	0.3	30.0	26.9	21.3	21.5	19.9	19.5	14.9	17.5
DAGRI	45.2	44.8	49.6	56.8	(1,808)	(1,975)	(2,315)	(2,974)	(0.2)	(0.2)	(0.2)	(0.2)	28.0	23.8	21.9	21.1	37.5	31.5	29.4	28.3
GOAGRO	16.3	21.9	21.2	25.1	8,919	15,313	15,499	14,455	0.4	0.7	0.6	0.5	16.1	19.4	17.0	18.0	15.0	14.4	13.1	14.2
INST	45.2	54.2	60.7	70.4	79	106	69	(760)	0.0	0.0	0.0	(0.1)	12.1	12.7	13.0	13.3	14.0	15.7	16.7	17.4
PI	48.4	55.5	69.3	86.3	2,410	(20,700)	(20,950)	(29,005)	(0.4)	(0.3)	(0.4)	(0.4)	18.4	14.7	15.9	17.1	21.8	17.3	19.0	20.8
RALI	11.3	8.4	9.4	11.9	(2,976)	(2,139)	(1,962)	(2,531)	(0.2)	(0.1)	(0.1)	(0.1)	15.2	10.0	10.5	12.4	19.0	13.2	13.8	16.2
SHCR	25.4	38.7	40.4	49.0	(2,757)	(2,624)	(1,818)	(4,003)	(0.2)	(0.1)	(0.1)	(0.2)	15.2	19.8	17.6	18.2	19.3	24.3	22.1	23.2
SUMICHEM	6.9	8.5	10.2	12.8	(5,169)	(4,104)	(5,278)	(8,629)	(0.3)	(0.2)	(0.2)	(0.3)	25.0	24.4	23.7	24.2	32.8	33.2	32.1	32.5
UPL	40.1	50.9	61.5	72.9	2,49,030	2,18,700	2,18,920	2,08,735	1.2	1.0	0.8	0.5	17.9	19.7	20.1	20.3	12.7	14.2	16.6	18.2

Company	PE(x)				Price/Book Value (x)				EV/EBITDA (x)			
	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E	FY21	FY22	FY23E	FY24E
BYRCS	34.2	35.3	30.2	24.9	8.3	8.4	7.0	5.8	18.3	18.9	15.6	12.5
CRIN	21.5	18.7	16.2	14.7	5.5	4.5	3.7	3.1	13.7	12.4	10.5	9.3
CHMB	8.0	8.5	9.2	8.2	2.5	2.1	1.9	1.7	5.4	6.2	7.3	5.8
DAGRI	14.8	14.9	13.5	11.8	3.9	3.2	2.7	2.3	11.5	11.7	10.6	8.8
GOAGRO	31.0	23.2	23.9	20.2	4.7	4.3	3.9	3.4	18.9	16.9	15.9	13.8
INST	16.4	13.6	12.2	10.5	1.9	1.7	1.5	1.3	10.1	8.7	7.6	6.3
PI	62.1	54.2	43.4	34.8	8.5	7.4	6.5	5.5	43.0	38.0	30.0	23.9
RALI	18.8	25.1	22.6	17.8	2.6	2.4	2.3	2.1	11.9	14.3	12.4	9.9
SHCR	17.2	11.3	10.8	8.9	2.4	2.1	1.8	1.5	8.8	5.2	4.7	3.6
SUMICHEM	72.4	59.0	49.2	39.1	16.2	13.0	10.6	8.6	50.3	41.0	34.3	27.5
UPL	16.8	13.2	11.0	9.2	2.9	2.4	2.0	1.7	8.6	7.2	6.1	5.1

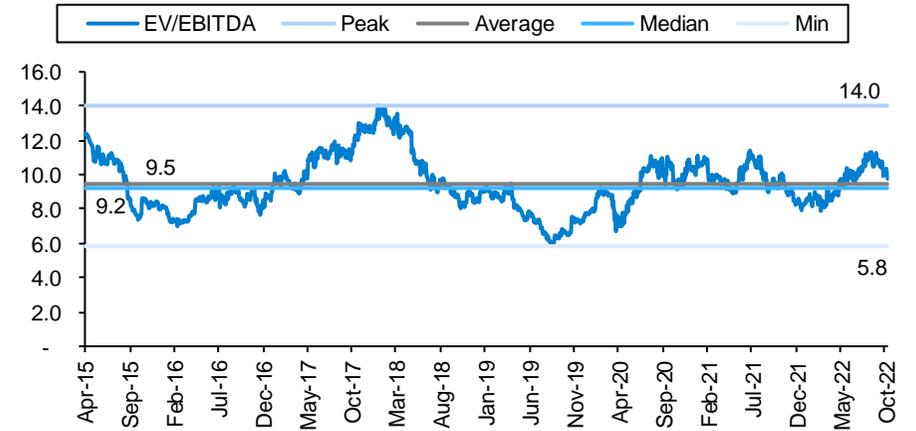
# One year forward Price / Earnings

## One Year Forward Price / Earnings - CRIN



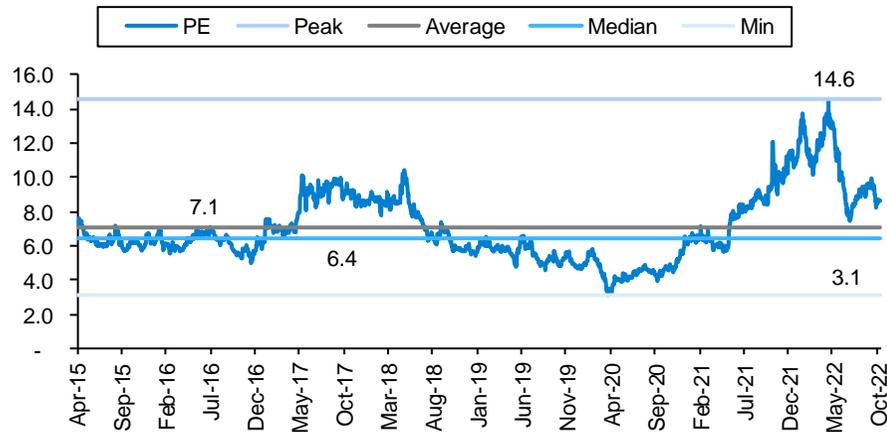
Source: Bloomberg; PL

## One Year Forward EV/EBITDA - CRIN



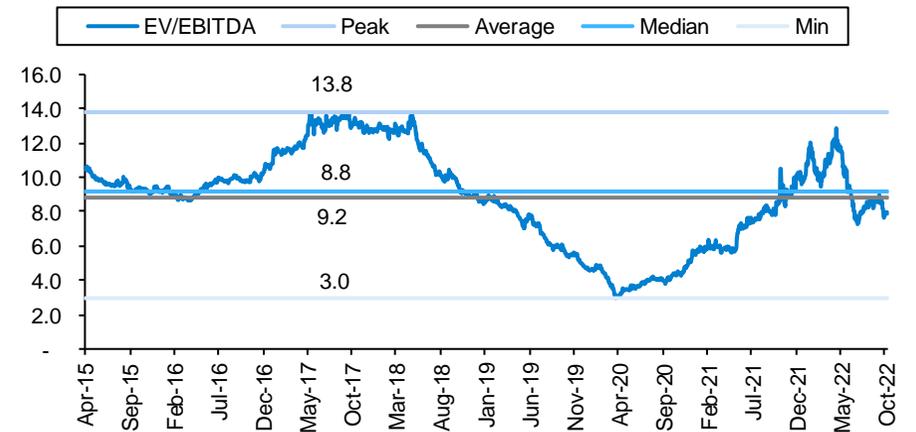
Source: Bloomberg; PL

## One Year Forward Price / Earnings - CHMB



Source: Bloomberg; PL

## One Year Forward EV/EBITDA - CHMB



Source: Bloomberg; PL

---

# Companies

# Coromandel International – A play on integrated farm solutions company..!!

Rating: BUY | CMP: Rs973 | TP: Rs1,200 | Mcap: Rs285.6bn

	Y/e March	2020	2021	2022	2023	2024	2025
<b>Income Statement (Rs m)</b>	Net Sales	1,31,367	1,42,135	1,91,109	2,86,714	1,79,255	1,93,320
	Growth (%)	-0.7	8.2	34.5	50.0	-37.5	7.8
	EBITDA	17,310	20,158	21,499	24,854	27,094	28,006
	Growth (%)	20.0	16.5	6.7	15.6	9.0	3.4
	Margin (%)	13.2	14.2	11.2	8.7	15.1	14.5
	EBIT	15,730	18,427	19,772	22,994	25,003	25,686
	Net Interest	2,353	1,057	755	905	543	489
	Other Income	400	435	1,443	1,718	1,804	1,894
	PBT	13,777	17,806	20,460	23,806	26,264	27,091
	Total Tax	3,135	4,568	5,213	6,190	6,829	7,044
Adj. PAT	10,650	13,292	15,285	17,617	19,435	20,047	
Growth (%)	43.1	24.8	15.0	15.3	10.3	3.2	
<b>Balance Sheet (Rs m)</b>	Gross Block	34,236	35,777	38,338	43,443	48,443	53,443
	Investments	2,113	2,138	2,435	2,435	2,435	2,435
	Inventories	26,971	26,009	36,632	50,356	36,025	39,392
	Trade receivables	17,341	5,544	2,649	4,586	5,668	6,957
	Cash & Bank Balance	783	7,221	17,533	22,408	32,196	42,276
	Equity Share Capital	293	293	294	293	293	293
	Total Netw orth	43,177	51,506	63,583	77,092	91,832	1,06,892
	Borrow ings	16,251	16	0	-	-	-
	Trade payables	33,481	29,222	39,135	50,356	36,025	39,392
<b>Cash Flow (Rs m)</b>	Net cash from Op. activities	18,620	41,502	20,781	13,316	18,221	18,662
	Net Cash from Invt. activities	-2,219	-12,572	-16,220	-2,209	-3,196	-3,106
	Net cash from Fin. activities	-17,231	-22,632	-4,425	-5,013	-5,237	-5,477
	Net change in cash	-831	6,298	135	6,094	9,787	10,080
	Free Cash Flow	16,059	39,619	18,001	8,215	13,221	13,662
<b>Key Ratios</b>	EPS (Rs)	36.4	45.3	52.1	60.0	66.2	68.3
	Growth (%)	43.1	24.4	15.0	15.3	10.3	3.2
	BPVS (Rs)	147.6	175.5	216.6	262.8	313.0	364.3
	DPS (Rs)	12.0	12.0	12.0	14.0	16.0	17.0
	RoCE (%)	25.7	33.2	34.4	32.7	29.6	25.9
	RoE (%)	27.7	28.1	26.6	25.0	23.0	20.2
	Net Debt : Equity (x)	0.4	-0.1	-0.3	-0.3	-0.4	-0.4
	Net Working Capital (Days)	30.1	6.0	0.3	5.8	11.5	13.1
	PE (x)	26.7	21.5	18.7	16.2	14.7	14.2
	P/B (x)	6.6	5.5	4.5	3.7	3.1	2.7
	EV / EBITDA (x)	17.3	13.8	12.5	10.6	9.4	8.7
	Dividend Yield (%)	1.2	1.2	1.2	1.4	1.6	1.7

Key Data	CROM.BO   CRIN IN
<b>52-W High / Low</b>	Rs.1,094 / Rs.709
<b>Sensex / Nifty</b>	57,626 / 17,124
<b>Market Cap</b>	Rs.286bn/ \$ 3,475m
<b>Shares Outstanding</b>	294m
<b>3M Avg. Daily Value</b>	Rs.578.56m

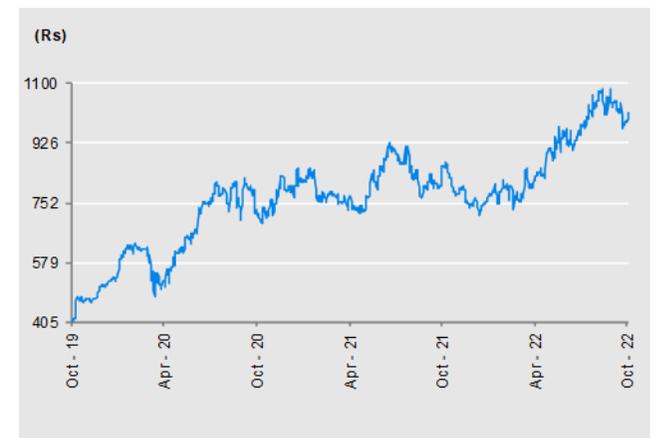
### Shareholding Pattern (%)

<b>Promoter's</b>	59.53
<b>Foreign</b>	9.21
<b>Domestic Institution</b>	23.74
<b>Public &amp; Others</b>	15.52
<b>Promoter Pledge (Rs bn)</b>	-

### Stock Performance (%)

	1M	6M	12M
<b>Absolute</b>	-7.0	17.6	14.1
<b>Relative</b>	-3.0	19.5	19.4

### Price Chart



# Investment Rationale

*We initiate coverage on Coromandel International (CRIN) with 'BUY' rating at SOTP based TP of Rs1200 valuing its fertilizer business at Rs19.2bn (11x EBITDA), CP business at Rs5.6bn (14x EBITDA) and other business at Rs2.0bn (8x EBITDA). CRIN is India's largest private phosphatic fertilizer manufacturer with leadership position in water soluble fertilizers (WSF) and specialty nutrients, besides growing presence in agrochemicals segment. We believe CRIN is well poised for growth in agri-input segment given 1) its dominant market share of 18%/16% in Phosphatic/SSP fertilizers segment; 2) focus on backward integration and value addition to propel margins; 3) new product launches to boost CP business growth; 4) India's largest rural retail initiative (Mana Gromor stores) that provides comprehensive solution to farmers and 5) FCF generation of Rs35bn over FY23-25E with a finest return profile (healthy RoE/Pre-tax ROCE of 27%/37% and net cash balance sheet in FY22. We estimate revenue/EBITDA/PAT CAGR of 1%/9%/10% over FY22-25E, led by improvement in margins (tepid revenue growth due to high base in FY22). The implied P/E and EV/EBITDA with SOTP valuation comes at 18x and 12x, respectively. Initiate 'BUY'.*

- **India's leading private phosphatic fertilizer player with a Lion's share in its home markets :** CRIN is India's largest private phosphatic fertilizer player and largest single super phosphate (SSP) player with an overall market share of ~18% and 16% respectively as on FY22. CRIN continues to consolidate its market share (MS) in Southern market with dominant market share of ~55-60% in its home markets i.e. Andhra Pradesh, Telangana and Karnataka. ~70% volumes are being contributed by top 9 states, who collectively account for ~90% of total fertilizer demand in India. Although, the company has not finalized its phosphatic fertilizer capacity expansion plans as of now, we expect CRIN to increase its capacity to sustain its MS and meet growing demands.
- **Fertilizers (82% of FY22 revenues) - Backward integration and value addition to propel margins:** Despite building in a 6% overall manufactured volume CAGR over FY22-25E, we expect CRIN's EBITDA margins to expand by 320bps over FY22-25E primarily led by a) increasing utilization of Phosphoric acid plant (currently at +70% currently), amid rising cost scenario; b) rising share of Unique grades from 28% in FY14 to 34% in FY22- likely to reach 40% by FY25E; c) higher share of non-subsidy in the overall business (from 14% in FY14 to 18% in FY22)- likely to reach 22% by FY25E; d) investments of Rs2.2bn in securing RM (for rock phosphate ) and agri start-ups and e) strategic tie-ups with global suppliers like Foskor ,TIFERT and Canpotex for uninterrupted supply.
- **Crop protection business (18% of FY22 revenues)- New product launches to boost growth:** CRIN is the 6th largest domestic agrochemical player with presence in both exports and domestic market (contributing 49%/51% in FY22 respectively). Going forward, with higher focus on combination and specialty molecules the company aims to support growth in non-subsidy business.
- **Retail- 'Mana Gromor stores'- A comprehensive agri-solution provider to Farmers:** CRIN's Gromor retail outlets (+750 centers) is India's largest rural retail initiative, providing own manufactured & label products and value added services. We believe, this in turn would help CRIN to position itself as an integrated farm and agri solution provider in rural India. Gromor is providing other value added services to farmers like crop advisory, soil testing and farm mechanization to around 3mn farmers, which will help CRIN to build its brand equity and enable steady growth rate in coming years.
- **Specialty nutrients and retail add feather to the cap-** CRIN is leading in the Specialty nutrients segment in India. While, the company is pioneer and India's leading organic marketer with market share of ~18% in city compost segment.

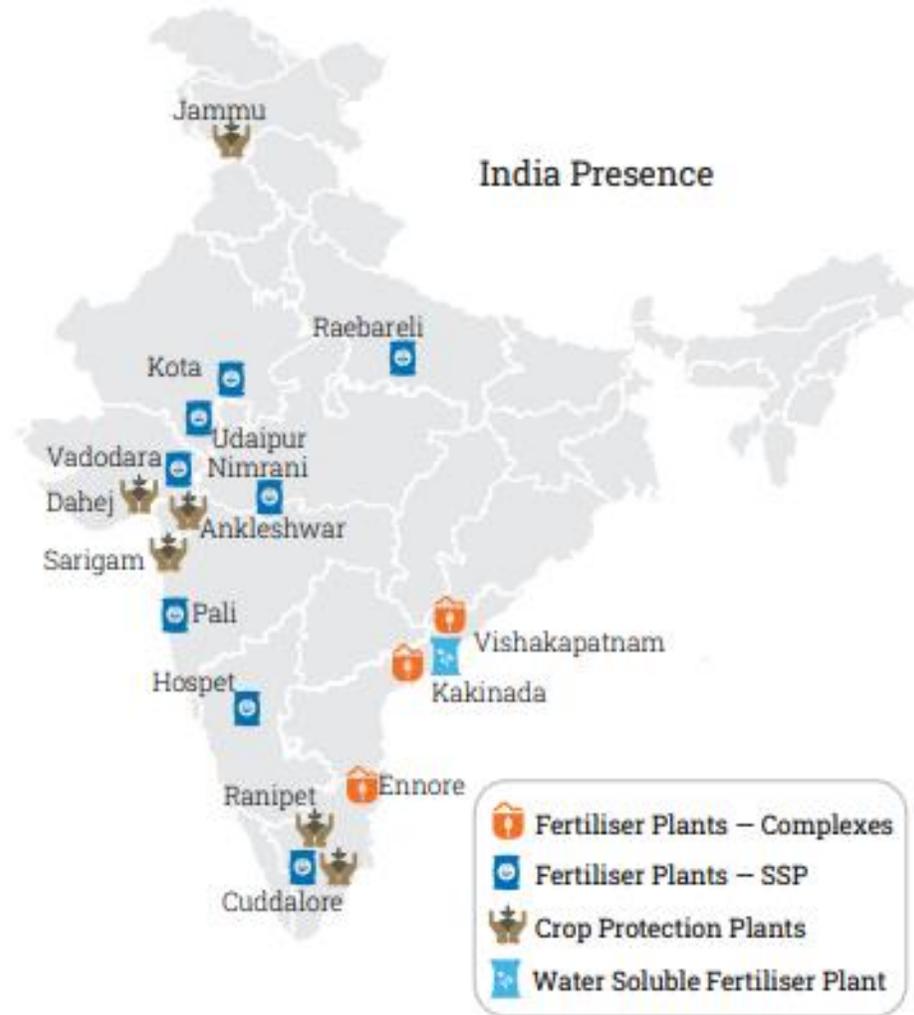
# The ABC of CRIN business model

	Fertiliser business (DAP, NPK, SSP, Urea)	Non-Fertiliser business (CP, Retail, crop nutrition, WSF)
Share in business	<ul style="list-style-type: none"> <li>➤ Revenue share (FY22)- 82%</li> <li>➤ EBITDA Share (FY22)- 70%</li> </ul>	<ul style="list-style-type: none"> <li>➤ Revenue share (FY22)- 18%</li> <li>➤ EBITDA Share (FY22)- 30%</li> </ul>
EBITDA Margins	9%	18%
Business model	<ul style="list-style-type: none"> <li>➤ Largest Private phosphatic player in India, having manufactured capacity of 3.6 mn mt;</li> <li>➤ Deals in trading of urea fertiliser</li> <li>➤ Sourcing tie-ups for Phos. acid and rock phosphate (TIFERT and Foskor)</li> <li>➤ Leader in SSP segment with MS of 16% in FY22</li> </ul>	<ul style="list-style-type: none"> <li>➤ <b>Agrochemicals:~( 75% of the overall non-fertiliser business) -</b> Present in both formulations and technicals; with exports contributing 49% of the overall revenues in FY22</li> <li>➤ <b>Speciality Nutrients:</b> WSF (Water soluble fertilisers); Organic manure</li> <li>➤ <b>Mana Gromor stores:</b> Have +750 retail outlets in AP and Karnataka.</li> </ul>
Regulations; Pricing	<ul style="list-style-type: none"> <li>➤ Complex fertilisers (DAP and NPK) falls under the NBS regime of subsidy payment (Subsidy is fixed; while MRP is flexible)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Comes under the ambit of Central insecticides board for registrations (CIB&amp;RC)</li> <li>➤ No regulations as such in terms of pricing etc.</li> </ul>
Key Monitorables	<ul style="list-style-type: none"> <li>➤ Raw Material pricing in global market</li> <li>➤ Capacity utilisation</li> <li>➤ Subsidy disbursements from the Govt.</li> <li>➤ Capacity enhancement in Non-Urea fertilisers</li> </ul>	<ul style="list-style-type: none"> <li>➤ Raw material price movement</li> <li>➤ Channel inventory both in domestic and exports market</li> </ul>

# Coromandel International - An integrated farm solutions company

- CRIN is India's 2nd largest phosphatic fertilizer manufacturer** and largest SSP player with an overall market share of ~18% and ~16% as on FY22. The company has 16 manufacturing facilities in India comprising of 3 complex fertilizer plants, 8 SSP plants, 6 Crop protection and 1 water soluble plant. CRIN's complex fertilizer plants are fungible in nature providing them the flexibility to produce multiple products with limited variation. Further, backward integrated operations help them to maximize the value generation and improve scope of customization.
- CRIN's retail store** - 'Gromor center', operates +750 stores in Andhra Pradesh, Telangana, Karnataka and Maharashtra. The company has evolved as a 'Complete Farming Solution Multi-Brand Platform' offering entire range of agri-input products and services to ~3 million farmers with customer value proposition of 'Quality, Trust and Farm Advice'. Its retail centres are called 'Mana Gromor Center' in Andhra Pradesh & Telangana, 'Namma Gromor Center' in Karnataka and 'Aapla Gromor Center' in Maharashtra. We believe, this in turn would aid CRIN to further enhance its brand equity and enable to sustain steady growth rate in the coming years.
- It is also a market leader in Specialty nutrients** including Water Soluble Fertilizer and Sulphur segment catering to paddy, potato, pulses and other horticulture crops. With Government's high impetus on promoting balanced nutrition and increasing horticulture coverage, we expect the business to register better growth opportunities emerging in secondary and micro nutrient space.
- Furthermore CRIN is the pioneer and India's leading organic marketer** with market share of ~18% in city compost segment. With more than 60% of Indian soils being deficient in organic carbon, CRIN recognized the need to provide balanced nutrition and hence forayed into organic inputs space, almost a decade back. This coupled with Govt's increasing thrust on Farmer Producer Organizations (FPOs) and Village Producers Organizations (VPOs), will drive healthy growth for the segment, in the near term.

## Domestic Presence of CRIN



Source: Company; PL

---

# Investment Rationale

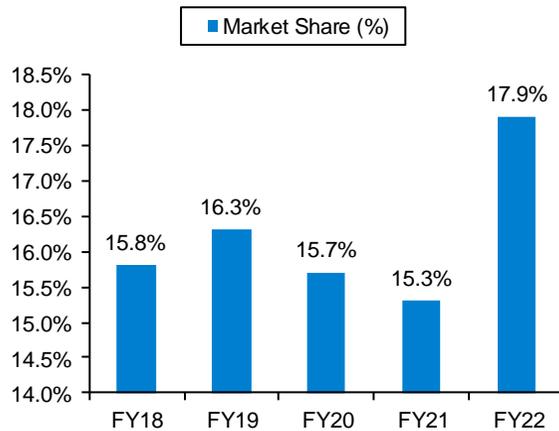
- [India's leading private phosphatic fertilizer player with a Lion's share in its home markets.](#)
- [Backward integration and value addition to propel margins](#)
  - [Increasing utilization of Phosphoric acid plant, amid rising cost scenario.](#)
  - [Growing share of unique grade fertilizer to overall volumes.](#)
  - [Rising share of non-subsidy business to the overall pie.](#)
  - [Investments of Rs2.2bn in securing RM for rock phosphate and agri start-ups.](#)
  - [Strategic tie-ups with global suppliers for uninterrupted supply.](#)
- [New product launches to boost growth.](#)
- [Retail- 'Mana Gromor stores'- A comprehensive agri-solution provider to farmers.](#)
- [Specialty nutrients and retail add feather to the cap.](#)

# India's leading private phosphatic fertilizer player with a Lion's share in its home markets

## Leading private phosphatic fertilizer player in India with increasing presence in agrochemicals

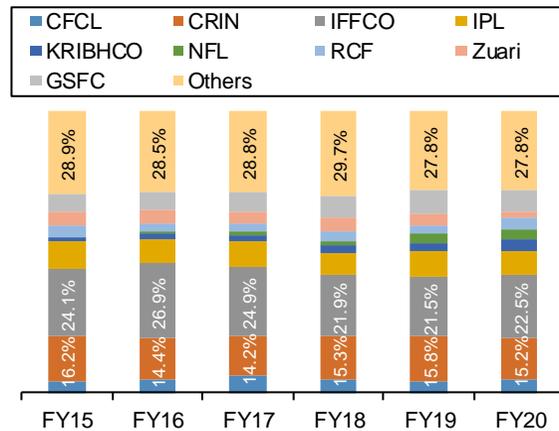
- CRIN is India's 2nd largest phosphatic fertilizer manufacturer and largest SSP player with an overall market share of ~18% and ~16% as on FY22.
- The company is the market leaders in specialty nutrients including Water Soluble Fertilizer (WSF) and Sulphur segment. It is also India's largest organic fertilizer marketer with annual sales of 2.2 lakh tons in FY22.
- In phosphatic fertilizer space Indian Farmers Fertilizer Cooperative (IFFCO) is the largest player with market share of 23% (FY20) owned by Indian Co-operatives, followed by Indian Potash (IPL) and GSFC having a market share of 8% each as on FY20.
- In phosphatic fertilizers CRIN holds lion's share in its home markets** Andhra Pradesh (AP, ~54%), Telangana (TN, ~59%) and Karnataka (KN, ~18%).
- ~70% of CRIN's total phosphatic fertilizer volume are contributed by top 9 states, who collectively account for ~90% of total fertilizer demand in India.

PAN India phosphatic market share at 18% in FY22



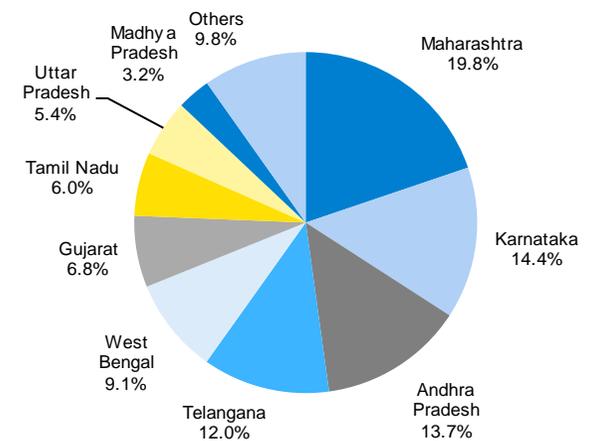
Company; PL

Dominant NPK share in its home market AP+Telangana



MOF; PL

Top-9 States contributes to <90% of domestic Fertilizer consumption



MOF; PL

# Backward integration and value addition to propel margins

## Manufactured Fertilizer margins to enter a new trajectory

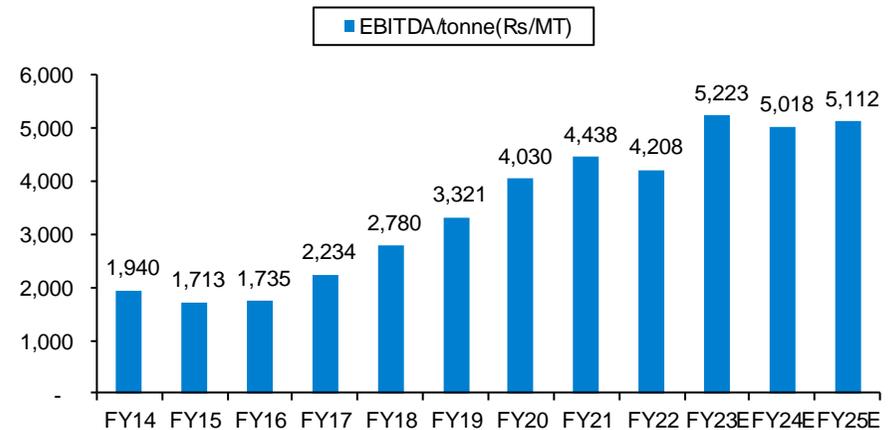
- CRIN's manufactured EBITDA/tonne has been moving up steadily from Rs1713/tonne in FY15 to Rs4438/tonne in FY21, before a pause in FY22 to Rs4208/tonne.
- We believe current global inflationary RM scenario is unlikely to impact CRIN's fertilizer margins. On the contrary, we expect margins to enter into a new trajectory (as against the company's EBITDA/tonne guidance of Rs4000-4500/tonne) primarily led by :
  - Benefits of backward integration in phosphoric acid**, amid rising cost scenario. As per our estimates likely to benefit CRIN by USD430/tonne at spot prices as on September'22 (Refer to adjacent table and graph)
  - Increasing share of **unique grade fertilizer** to overall volumes (34% in FY22 v/s 28% in FY14), likely to reach +40% by FY25E.
  - Rising share of non-subsidy business to the overall pie** (18% in FY22 v/s 14% in FY14), likely to contribute 22% in FY25E.
  - Investments of Rs2.25bn in securing 45% stake** in a rock phosphate mine of Africa, in addition to commissioning of sulphuric acid plant; and
  - Strategic tie-ups with global suppliers for uninterrupted supply** (15% equity in JV in TIFERT, JV with Foskor, MOU signed with Canpotex for potash supply of 0.5mn mt for the next 3 years).
- Further, CRIN has enhanced its phosphoric acid capacity in FY20 by 0.1mn MT to 0.45m MT (of the total requirement of ~1.0 mn mt of phos acid). This in-turn has enhanced the backward integration capacity to 40-45% (as against 25-30% earlier). The balance requirement is met through imports from its strategic partners based out of Morocco, Jordan, Tunisia and South Africa. Hence, during an increasing cost scenario in current time, this is directly benefitting CRIN in terms of higher EBITDA/tonne.
- Further backward integration of sulphuric acid (from 1800 MTPD to 3300 MTPD) in setting up a new plant (Rs2.25bn) will likely aid margins.
- Hence, citing the above attributes, we expect CRIN's EBITDA margins to boost by 320bps over FY22-25E.

## Backward Integration of Phos.acid supporting margins...

Manufacturing	Phosphoric Acid
Exchange rates Rs/USD	81.5
Rock Phosphate global price- USD / mt	340
Sulphuric acid global prices - USD/mt	35
Rock Phosphate cost/ mt of manufactured Phos acid (Rs/mt)	91,453
Sulphuric Acid cost / mt of manufactured Phos Acid (Rs/mt)	8,223
Total RM Cost (Rs/Mt)	99,677
Other cost (duty, other manufact, handling, transport, others)	9,984
Total manufacturing cost (Rs/Mt)	1,09,660
Landed Cost Rs/MT	1,09,660
Imported Price Rs/MT	1,39,788
Benefits accrued Rs/mt	30,128
Benefits accrued USD/mt	370
Benefits of other By-products USD/MT	61
Total Benefits accrued in USD/MT	431

Source: PL research (Note: Above is for indication purpose; actual may differ based on spot prices)

## ...reflected in EBITDA/tonne for CRIN



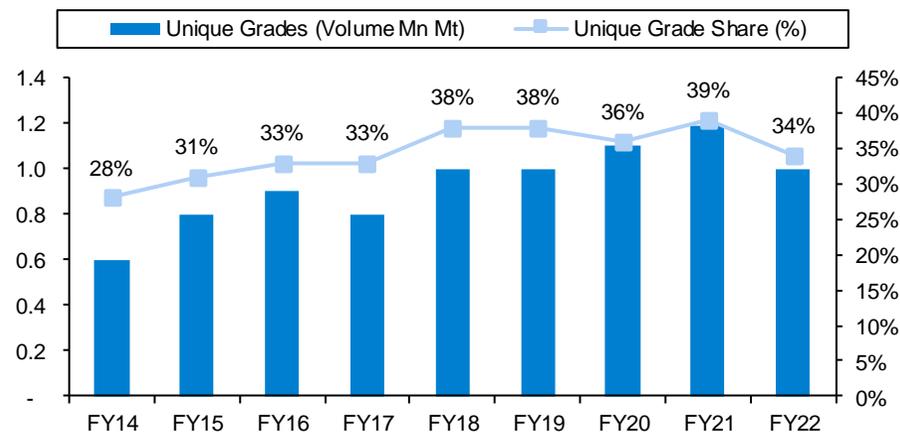
Source: Company, PL

# Increasing share of Unique grades to overall manufactured volumes

## Rising share of unique grades to the overall fertilizer volumes-

- Share of unique grade fertilizers in overall fertilizer volume has improved from 28% in FY14 to 34% in FY22, growing at a CAGR of 6.5% over FY14-22 (v/s overall manufactured volume CAGR of 4%).
- Unique grade fertilizers have higher nutrient content than traditional grades which in-turn results in higher productivity for farmers. In the current scenario, the traditional grades are fetching losses in the spot prices, whereas Unique grades are getting positive margins for the company.
- On the other side, these grades are exclusively/largely supplied by CRIN which shields the company from competition for better realizations than that of commoditized grades.

## Share of Unique grades in northward trend to the overall volumes



Source; Company; PL

## Superior margin profile for unique grades as compared to traditional grades

Particulars	Traditional Grades			Unique Grades			
	DAP	NPK 10:26:26:00	NPK 12:32:16:00	NPK 16:20:00:13	NPK 28:28:00:00	NPK 17:17:17:00	NPK 24:24:00:08
Subsidy (Rs/Mt)	50,013	34,689	38,362	30,164	46,116	32,302	40,083
Market Price (Rs/Mt)	25,155	24,342	24,540	19,052	25,510	25,000	24,200
Realisation (Rs/Mt)	75,168	59,031	62,902	49,216	71,626	57,302	64,283
Total RM Cost (Rs/Mt)	75,155	53,794	58,902	40,181	59,809	43,804	51,733
Customs (Rs/Mt)	3,758	2,690	2,945	2,009	2,990	2,190	2,587
Other Cost (Rs/Mt)	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Cost (Rs/Mt)	84,913	62,483	67,848	48,190	68,799	51,995	60,319
Gross Profit (Rs/Mt)	(9,745)	(3,452)	(4,946)	1,026	2,827	5,307	3,964
Gross Margins (%)	-13%	-6%	-8%	2%	4%	9%	6%

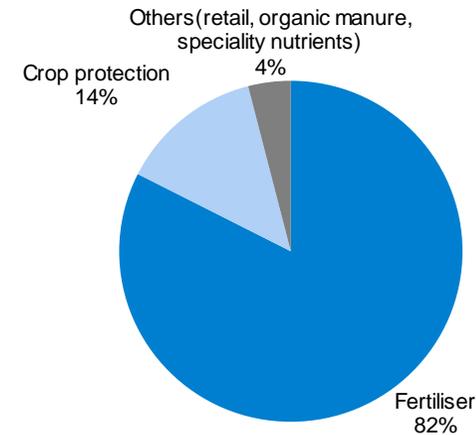
Source: PL Research (Note: Above table is for indication purpose; actual numbers may vary depending on Spot prices)

# Rising Share of Non-Subsidy business to the overall revenues

## Rising share of Non-Subsidy business

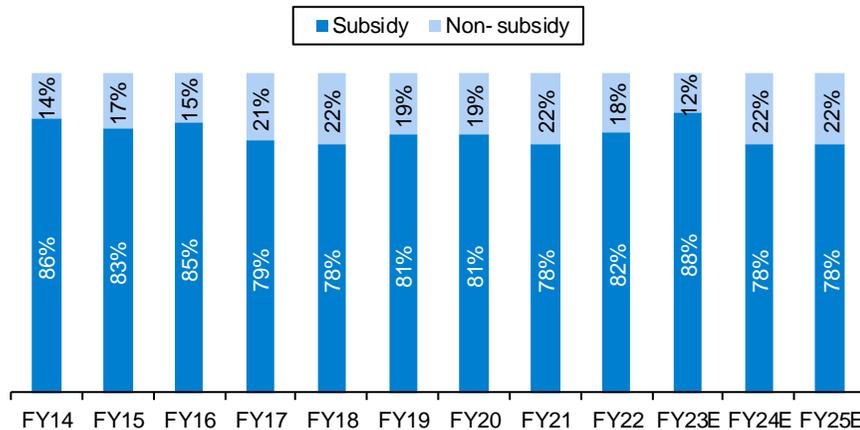
- The revenue and EBITDA share of Non-subsidy business has been on an increasing trend from 14% and 29% in FY14 to 18%/30% in FY22.
- With continued focus and investments in new product development in crop protection, specialty nutrients and organic manure business, we believe that the contribution from non-subsidy segment is likely to inch-up to 22%/31% to Revenue/EBITDA by FY25E.
- Major contributor to the increasing share in Non-subsidy business in both revenue and EBITDA has been from Crop protection (CP) business which has clocked 16% revenue CAGR over FY11-22, resulting into an increase in share of its non-subsidy business from 14% in FY14 to 18% in FY22 to overall revenues.
- Non-subsidy business has substantially higher margin and return ratios as compared to fertilizer business, which in-turn supports the overall margin improvement.

## Higher realizations resulting into lower Non-subsidy contribution in FY22



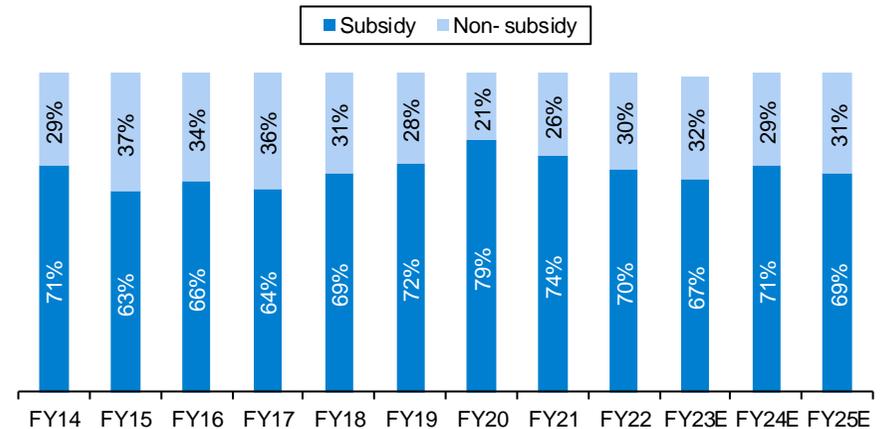
Source: Company; PL

## Non-subsidy business revenue up from 14% in FY14 to 22% in FY25E



Source: Company; PL

## Non-subsidy business accounts for 30% of the EBITDA



Source: Company; PL

# Investments in securing RM and agri start-ups bodes well for long term

CRIN is actively collaborating with academia, research and start-up ecosystems to accelerate smart agri-innovations and improve advisory solutions for soil health, crop diagnostics, nutrient and crop care recommendations. The company is also expanding its engagements with leading global organizations from technology, research, sourcing and farm mechanization to exchange ideas and innovations. These partnerships give them an edge in designing solutions complementing their strength across the value chain.

## CRIN to invest Rs2.2bn to acquire 45% stake in Rock phosphate mine in Africa augurs well for longer term

- India is a largest importer of rock phosphate having imported volumes of about ~7.6 mn mt. Majority of domestic rock phosphate requirement is met through imports primarily from African region. Out of the global rock phosphate production of 207mn mt, rock available for trade is only 15% (~30 mn mt), as major producers of rock are also captive consumers of phosphoric acid and phosphatic fertilizer.
- CRIN has recently announced acquisition of 45% equity stake in Baobab Mining and Chemicals corporation (BMCC), a rock phosphate mining company based out in Senegal (South Africa) for a capital outlay of Rs2.25bn (Rs1.5bn for buying the equity stake and Rs0.75bn towards the way of capital infusion through shareholders loan). This acquisition would be through its wholly owned subsidiary Parry chemicals Ltd (transaction to be completed by 2QFY23).
- Currently, CRIN expects to get 1.5-2.0 lakh tonnes of rock phosphate from Senegal mine. Going forward, the company intends to bring it up to 5 lakh tonnes (meeting 1/3rd of the total rock requirement of CRIN) over next 2-3 years by incurring further capex into it.

## CRIN signed MOU with Canpotex, Canada for interrupted supply of Potash for 3 years

- CRIN along with Chambal Fertilisers (CHMB) and Indian Potash Ltd (IPL) signed a Memorandum of Understanding (MOU) with Canpotex, Canada (one of the leading suppliers of Potash globally) for supply of Potash. The MOU will reduce price and supply volatility by ensuring long term supply of Potassic fertilizer to India. As a part of the MOU, Canpotex Canada will supply upto 1.5mn mt of Potash annually (v/s 4 mn mt requirement- met 100% through imports) for a period of 3 years to the Indian fertilizer companies.
- Canpotex is a JV between leading fertilizer players i.e MOSAIC and Nutrien and markets potash which is being produced in Saskatchewan region in Canada.

## CRIN making Venture capital (VC) investments in several Agri start-up companies

- Dhaksha Unmanned systems (Drone start-up company)-** CRIN has recently entered into Drone start-up Dhaksha Unmanned systems through its VC arm Dare ventures, to provide complete range of unmanned Aerial Systems (UAS) technology solutions for different applications covering agriculture, defence, surveillance and delivery, among others. In addition to having developed capability to manufacture battery-operated drones, Dhaksha is also the only company in India to manufacture petrol engine-based drones. We believe, CRIN can use its technology in future to push for farm mechanization in agriculture whereby drones will be used for spraying of fertilizers, agrochemicals etc. While, this also coincides with Govt. of India's objective to use drones in agriculture to reduce the cost of manpower.
- EcoZen and String Bio (Bio-technology for cleaner environment)-** CRIN (through its 100% subsidiary- Dare Ventures) invested in other Agri start-ups like EcoZen and String Bio. With a vision to build a cleaner world and better ways of living through biotechnology, String has developed a set of next generation products across different sectors to deliver such solutions. Using innovative technology platform, String leverages advances in biology, fermentation technology, chemistry and process engineering to convert methane (a highly potent green-house gas) into high quality products and ingredients for agriculture, animal nutrition, human nutrition and personal care sectors.

# Strategic tie-ups with Global suppliers for uninterrupted supply

- In fertilizer industry, sourcing raw material is a crucial factor, as it is available with select countries and players. CRIN has host of strategic partnerships with leading companies across the globe to ensure steady supply of key raw materials.
- **TIFERT-** CRIN holds 15% equity in joint venture (JV) between Indian and Tunisian partners (TIFERT) – CRIN, GSFC, The Compagnie des phosphates de Gafsa and Groupe Chimique, Tunisien. The Plant, situated at La Skhira, Tunisia, has a capacity to manufacture 3.6 lakh tons merchant grade phosphoric acid, which gets exported in equal shares to Indian partners. CRIN gets ~0.15 mn mt of its overall Phosphoric acid requirement of ~1.0mn mt from this JV.
- **FOSKOR-** Another JV with Foskor, is a vertically integrated phosphate producer founded by Industrial Development Corporation (IDC) in 1951 in South Africa. CRIN holds 14% equity in Foskor, providing supply security and flexibility with regards to phosphoric acid requirement. CRIN gets another ~0.15 mn mt of its overall Phosphoric acid requirement of ~1.0mn mt from this JV.
- The balance phosphoric acid requirement of ~0.7mn mt ; 0.4 mn mt is sourced from OCP, Morocco and ~0.4mn mt from its own backward integrated phosphoric acid plant.

## CRIN has long term agreements with key suppliers for RM globally



Source: Company; PL

# Focus on differentiated products to boost Crop Protection (CP) business

## Focus on differentiated products to boost Crop Protection business

- CRIN is now amongst 6<sup>th</sup> largest player in crop protection business of India having diversified product portfolio between formulations and technical which is again split equally between domestic and exports. CRIN's CP revenue/EBITDA stood at Rs25.1bn/Rs4.4bn as on FY22.
- CRIN is the second largest manufacturer of Malathion (insecticide) and is major manufacturer of Phenthoate (insecticide) in Asia. It has strong dealer network of 10,000 and 60+ brand across product portfolios.
- CRIN has rich product pipeline and is focusing on new product launches. Further, it will be supported by recent capacity enhancement in Mancozeb and other products.
- The company has launched 6/1/6 new products in FY20/21/22 respectively. It is also 3rd largest manufacturer of Mancozeb globally after UPL and Indofil Industries. Further, Mancozeb is largest product, contributing 45-50% to CRIN's CP business. CRIN has enhanced its Mancozeb capacity in Sarigram and Dahej, Gujarat to fulfill growing demand of the product.
- It is also expanding capacities in other products like pyrazosulfuron to diversify its CP revenue concentration. CP business has clocked 16% CAGR over FY11-22 (including Sabero), which resulted in rising revenue share of non-subsidy business from ~14% in FY14 to ~18% in FY22. We expect CP revenue/EBITDA growth of 10%/9% over FY22-25E.

## Top 5 Products contributes >70% of the CP business

SL No.	Technicals	Brand Name
1	Mancozeb	Marlett, Kapeni, Prospell
2	Acephate	Ortain, Piranha
3	Malathion	Cythion
4	Propineb	Aaroosh, Lancia, Propicron,
5	Profenofos	Ajanta, Ajanta Super

Source: Company; PL

## CRIN's strength in the CP business



### Product Offering

- 1000+ product registrations globally resulting in geographically diversified sales
- Focus on new products/combinations development - Rich product pipeline
- State of the art R&D center & pilot labs



### Manufacturing

- 3<sup>rd</sup> Largest Mancozeb manufacturer globally
- 3 technical and 2 formulation facilities
- Ability to manufacture 17 technical
- Manufacturing capacity across 6 plant locations



### Sales and Marketing

- B2B and B2C presence
- Geographically diversified sales: 41% international sales
- Best in class agronomists & market development team (~300)

Source: Company; PL

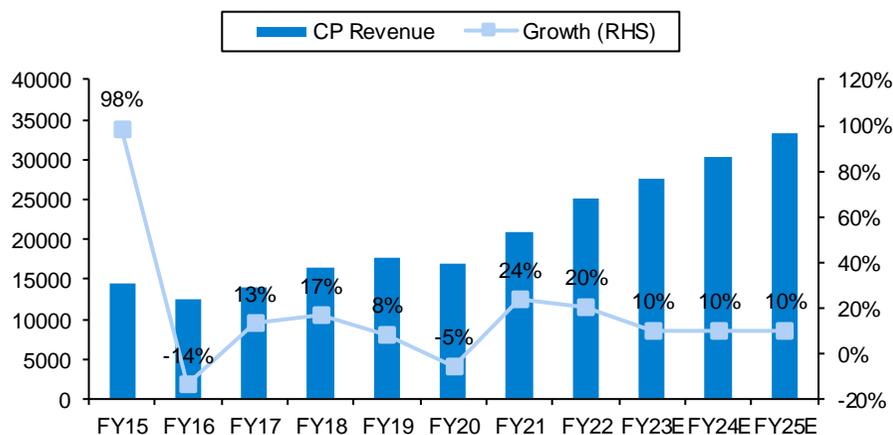
## R&D Led launch of new products in FY22

Brand	Category	Description
Groshakti Plus	Fertiliser	Fertiliser with Enphos technology and Zinc for cereals, pulses and oilseeds
Accu Mist Zinc	Liquid Fertiliser	Liquid fertiliser containing 39.5% zinc oxide
Makeba	Insecticide	Spinetoram 11% SC
Finio	Insecticide	Pyriproxyfen 5% + Diafenthiuron 25% SE
Officer	Herbicide	Bispyribac Sodium 20%+ Pyrazosulfuren Ethyl 25% WDG
Insas	Insecticide	Spiromesifen 22.9% SC
Optra FS	Insecticide	Thiamethoxan 25% WG
Magnite	Fungicide	Azoxystrobin + Difenconazole
Fitsol Grapes	Water Soluble fertiliser	Product customised to meet the nutrient requirements of the Grape crop

Source: Company; PL

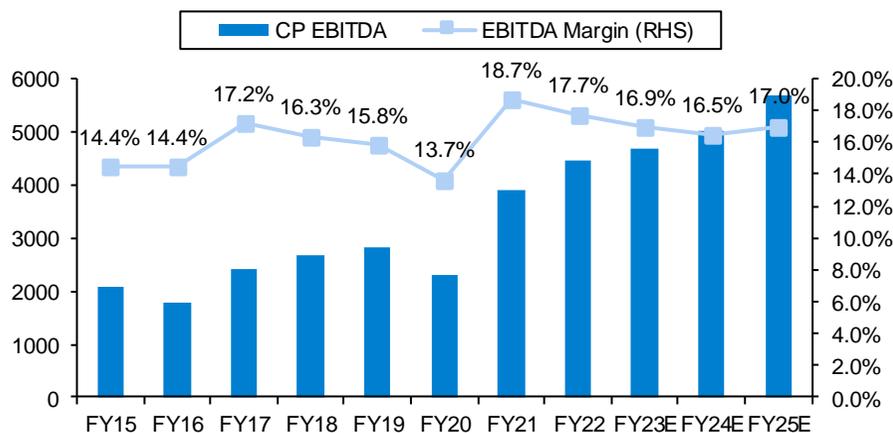
# Rich product pipeline in CP segment provides margin visibility

CP revenue estimated to grow at a CAGR of 10% over FY22-25E



Source: Company; PL

EBITDA margins expected to reach 17% by FY25E



Source: Company; PL (Note: Margins are derived; CRIN don't disclose it separately)

>70% of the registrations in the last 5 years are of 9(3) category

Year	Technical Name	Registration Section	Remarks
FY18	Mancozeb 40% + Azoxystrobin 7%	9(3)	Indigenous manufacture
FY18	Pyrazosulfuron ethyl Technical (Purity 97%)	9(4)	Indigenous manufacture
FY18	Pyrazosulfuron ethyl Technical	9(4)	Indigenous manufacture
FY18	Tolfenpyrad Technical 98.50% w/w min	9(3)	Indigenous manufacture
FY19	Fipronil 7% + Hexythiazox 2% w/w	9(3)	Indigenous manufacture
FY20	Picoxystrobin Technical 93% w/w min	9(3)	Indigenous manufacture
FY20	Pymetrozine Technical 98% w/w min	9(3)	Indigenous manufacture
FY20	Pymetrozine 50% w/w WDG	9(3)	Indigenous manufacture
FY21	Bispyribac Sodium 20% + Pyrazosulfuron Ethyl 15%	9(3)	Indigenous manufacture
FY21	Halosulfuron-methyl Technical 97% w/w min	9(3)	Indigenous manufacture
FY22	Fipronil Technical 95.0% w/w Min	9(4)	Import
FY22	Hexythiazox 3.5 + Diafenthiuron 42% WDG	9(3)	Indigenous manufacture
FY22	Acephate 50% + Fipronil 5% WDG	9(3)	Indigenous manufacture
FY22	Penoxasulam technical 98% w/w min	9(4)	Indigenous manufacture
FY22	Boscalid technical 98% w/w min	9(3)	Indigenous manufacture
FY22	Phenthoate 45% + Cypermethrin 6% EC	9(3)	Indigenous manufacture
FY22	Halosufuron methyl 75% WDG	9(3)	Indigenous manufacture
YTD FY23	Fipronil Technical 95% Min	9(4)	Import

Source: CIBRC; PL

# Retail-‘Gromor store’- One-stop agri-solution provider to Farmers

- With an aim to address gaps across the agriculture value cycle, CRIN through its customized crop offerings ensures efficient distribution, providing advisory services and introducing novel technologies through its +750 retail outlets who work closely with farmers to promote sustainable crop management practices.
- CRIN through its Mana Gromor stores is able to directly reach farmers, which in-turn results into additional saving of 3-5% on fertilizers distributor margin. This enables them to earn double digit distribution margin on third party and non-fertilizer products apart from aiding brand-building and getting ground insights.
- Its retail centres are called 'Mana Gromor Center' in Andhra Pradesh & Telangana, 'Namma Gromor Center' in Karnataka and 'Aapla Gromor Center' in Maharashtra.

## Comprehensive Retail Solution



### Key achievements

- India's largest agri retail chain
- Strong brand equity providing customer value proposition of Quality, Trust & farm Advice



### Comprehensive Agri solutions

- Own manufactured and label products: Ag nutrients, crop pesticides, seeds, vet feed, farm implements
- Value added services: farm mechanization, agri insurance, soil testing, credit, extension activities etc.



### Consumer Connect

- Strong farmer connect – ~70% turnover through Captive product
- Non Fertilizer Focus: ~45% of sales
- Educating farmers through regular meetings
- Scientist at store to assist farmers

Source: Company; PL

## Mana Gromor Retail Outlet



Source: Industry; PL

## Gromor nutrient manager providing advisory services to farmers



Source: Industry; PL

# Specialty nutrients and retail add feather to the cap

- **Specialty Nutrients:** CRIN is the leading company in the Specialty nutrients segment in India. To address issues concerning imbalanced crop nutrition practices, declining fertilizer efficiency and low factor productivity, CRIN forayed into Specialty Nutrients segment about two decades back. This Business compliments the company's endeavor in enriching farm productivity by supplementing secondary and micronutrient deficiency prevailing in Indian soils.
- The company aims to provide best quality, extensive research based solution centric products with a notion of complete balanced Nutrition to plants. Specialty nutrients are broadly classified into a) Crop specific water soluble grades, b) Generic water soluble grades, c) Sulphur based fertilizers and d) Micronutrients.
- **Organic Manure:** CRIN is the pioneer and India's leading organic marketer with market share of ~18% in city compost segment. With more than 60% of Indian soils being deficient in organic carbon, CRIN recognized the need to provide balanced nutrition and hence forayed into organic inputs space, almost a decade back. This coupled with Govt's increasing thrust on Farmer Producer Organizations (FPOs) and Village Producers Organizations (VPOs), will drive healthy growth for the segment, in the near term.

## CRIN's speciality Nutrients products



Source: Company, PL

## Market leader in speciality Nutrients- WSF and Sulphur segments



### Product Offering

- Focus on **Crop specific nutrient & liquid fertilizer solutions** targeting Cereals, pulses, cotton and horticulture crops
- Exclusive offerings of WSF grades - **AcuSpray, Insta, Superia, Fitsol**



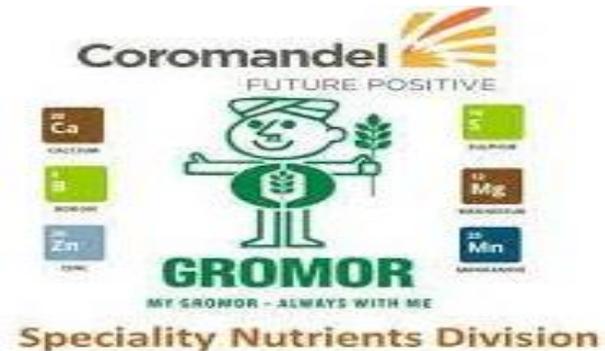
### Sourcing & Manufacturing

- **Efficient manufacturing capabilities:** Bentonite sulphur, Water Soluble Fertilizers (WSFs)



### Sales and Marketing

- Strong dealer network to capture whitespace emerging from **increasing micro irrigation penetration**
- Agronomist team for Extension support



Source: Company, PL

- **Erratic monsoon-** Rainfall plays an important role in Agriculture productivity of India and hence demand for fertilizer products is highly dependent on good southwest and northeast monsoon. However, often the actual onset of monsoon differs greatly from forecasts by various agencies. Hence, any deficit in monsoon can cause lower crop production and adversely impact CRIN's sales. Deficit in rainfall also leads to lower reservoir levels, which further negatively impacts crop production. Sometimes, delayed or adverse monsoons could hit collection of receivables for the industry too.
- **Delay in subsidy payments-** Although Govt. has been proactively reimbursing the industry with timely subsidy payments since last 2 years, any abnormal increase in key raw material price has a direct bearing on subsidy payable, thereby resulting into stretched working capital scenario for the whole industry. Subsidy receivable for CRIN post 1QFY23 stood at Rs27.3bn as against Rs2.9bn as on March'22.
- **Volatility in raw material prices:** Production of phosphatic fertilizers is dependent on raw materials like phosphoric acid, sulphuric acid, rock phosphate, etc. As India imports majority of fertilizer raw materials, hence any adverse fluctuations in key raw material prices pose a risk to the industry in form of increased/delayed subsidy payment from the government.
- **Regulatory risks:** Any negative regulatory announcement could dampen the industry's growth prospects. Further, delay in subsidy disbursement can result in deterioration of balance sheet and return ratios.
- **Adverse currency movement:** Since most raw materials are imported, any sharp INR movement could affect the company's earnings prospects. However, we believe the industry as well as CRIN has pricing power to pass on RM cost inflation.

# Rating and Valuation

We initiate coverage on Coromandel International (CRIN) with 'BUY' rating at SOTP based TP of Rs1200 valuing its fertilizer business at Rs19.2bn (11x EBITDA), CP business at Rs5.6bn (14x EBITDA) and other business at Rs2.0bn (8x EBITDA). CRIN is India's largest private phosphatic fertilizer manufacturer with leadership position in water soluble fertilizers (WSF) and specialty nutrients, besides growing presence in agrochemicals segment. We believe CRIN is well poised for growth in agri-input segment given 1) its dominant market share of 18%/16% in Phosphatic/SSP fertilizers segment; 2) focus on backward integration and value addition to propel margins; 3) new product launches to boost CP business growth; 4) India's largest rural retail initiative (Mana Gromor stores) that provides comprehensive solution to farmers and 5) FCF generation of Rs35bn over FY23-25E with a finest return profile (healthy RoE/Pre-tax ROCE of 27%/37% and net cash balance sheet in FY22). We estimate revenue/EBITDA/PAT CAGR of 1%/9%/10% over FY22-25E, led by improvement in margins (tepid revenue growth due to high base in FY22). The implied P/E and EV/EBITDA with SOTP valuation comes at 18x and 12x, respectively. Initiate 'BUY'.

## SOTP Valuation

(Rs mn)	FY25E			
	EBITDA	Assigned EV (x)	EV	Per Share
Subsidy business	19,283	11x	2,14,039	730
Crop protection business	5,685	14x	79,597	271
Other business	2,038	8x	16,305	56
Total	27,006	11x	3,09,941	1,056
Net Debt			(42,276)	(144)
Market Cap.			3,52,217	
Value/Share			1200	1,200
CMP			970	
Potential Upside			23.8%	
Implied PE			17.6	
Implied EV/EBITDA			11.5	

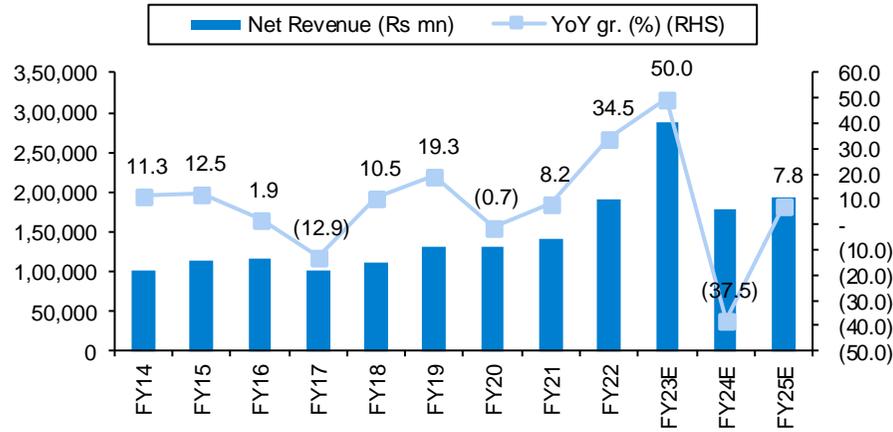
Source: PL

# Management Profile

Name	Designation	Profile
A Vellayan	Chairman	Commerce graduate from from Shri Ram college of Commerce, New Delhi, Diploma in Industrial Administration from Aston University UK and holds a master's degree in Business studies from University of Warwick Business school UK. Has vast experience in fertilisers business, General Management and Financial planning.
Sameer Goel	Managing Director	holds a Post Graduate Diploma in Management from IIM, Ahmedabad, and a Bachelor's degree in Economics from St. Stephens College, New Delhi. Over 26 years of experience in various leadership and senior management roles.
Arun Alagappan	Executive Vice Chairman	He has done his Graduation in Commerce from the University of Madras and completed the 'Owner President/Management Program' from Harvard Business School at Boston, USA. Served in Tube Investments of India Limited heading various divisions and functions before eventually becoming the President & Business Head of TI Cycles. Was appointed as Executive Director of Cholamandalam Investment and Finance Company Limited and subsequently as the Managing Director prior to joining Coromandel
M M Venkatachalam	Director	Graduate from the University of Agricultural Sciences in Bangalore and holds a Master's Degree in Business Administration from George Washington University, USA. Held senior positions in the Murugappa Group of Companies spanning a period of two and a half decades. He is presently the Chairman of Parry Agro Industries Limited. Also serves on boards of corporates like Ramco Cements Limited, E.I.D Parry Limited.
Sumit Bose	Independent Director	He holds a Masters Degree in Social Policy and Planning from London School of Economics and Masters of Arts from St. Stephen's College, Delhi. He has served in various positions with the Government of Madhya Pradesh and the Government of India, before retiring as the Union Finance Secretary, Government of India. Post retirement, he was a member of the Expenditure Management Commission and the Committee to Review the Fiscal Responsibility legislation. He is currently on the Boards of HDFC Pension Management Company Limited, HDFC Life Insurance Company Limited, TATA AIG General Insurance Company Limited, BSE Limited, and other companies. He also serves on the Boards of non-profit organisations
R Nagarajan	Independent Director	Holds a B.Tech. degree in Chemical Engineering from IIT Madras, and a Ph.D. in the same field from Yale University (New Haven, CT, USA). He is currently working as Professor and Head at the Department of Chemical Engineering, IIT Madras. He also served as Research Faculty in the Department of Mechanical & Aerospace Engineering at West Virginia University, Morgantown, WV. He was also a Senior Technical Staff Member with IBM Storage Systems' Development Laboratory in San Jose, CA.
Aruna B. Advani	Independent Director	She is a Science Graduate (Hons) from University of Sussex and has also done Owners Management Programme from Harvard Business School and Strategic Financial Planning from IIM Ahmedabad. She is currently on the Board of Metro Brands Limited.
K V Parameshwar	Independent Director	A Chartered Accountant and holds a Post Graduate Diploma in Management from IIM, Ahmedabad. worked with Citigroup for twenty years in multiple roles and is currently the head of Administration and Finance at of the Wildlife Conservation Society – India and an Independent Director of IIFL Trustees Limited. Has more than 30 years of experience and expertise in Business and Financial Management including Control, Reporting, Taxation, Treasury and Legal.
Sudarshan Venu	Independent Director	Holds B.S. in Mechanical Engineering from the School of Engineering and Applied Sciences and B.S. in Economics from the Wharton School. Completed M.Sc. in International Technology Management from the Warwick Manufacturing Group attached to University of Warwick in U.K.He has also is the Managing Director of TVS Motor Company Limited, Non-Executive Director in Sundaram-Clayton Ltd and TVS Credit Services Ltd.

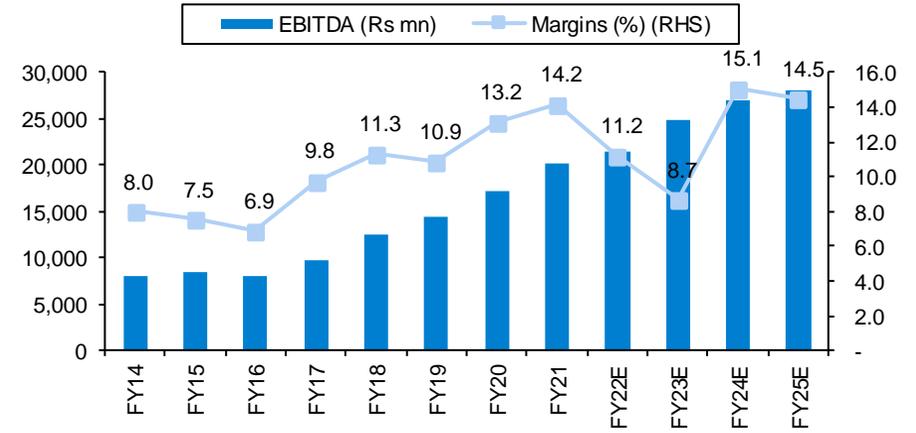
# Financial Outlook

Revenues CAGR at 1% over FY22-25E due to lower subsidy income



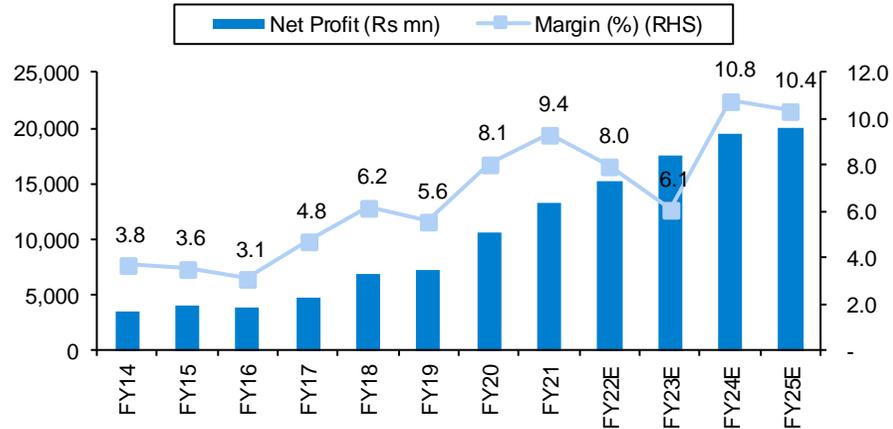
Source: Company; PL

EBITDA margins likely to improve 350bps over FY22-25E



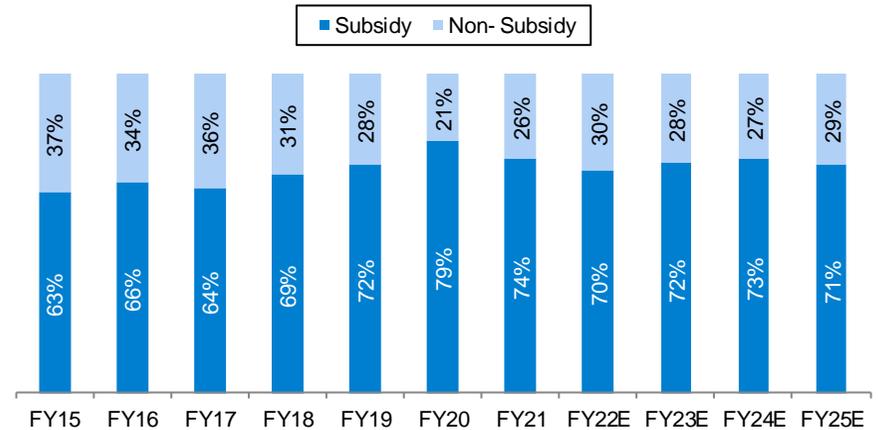
Source: Company; PL

PAT expected to grow at a CAGR of 10% over FY22-25E



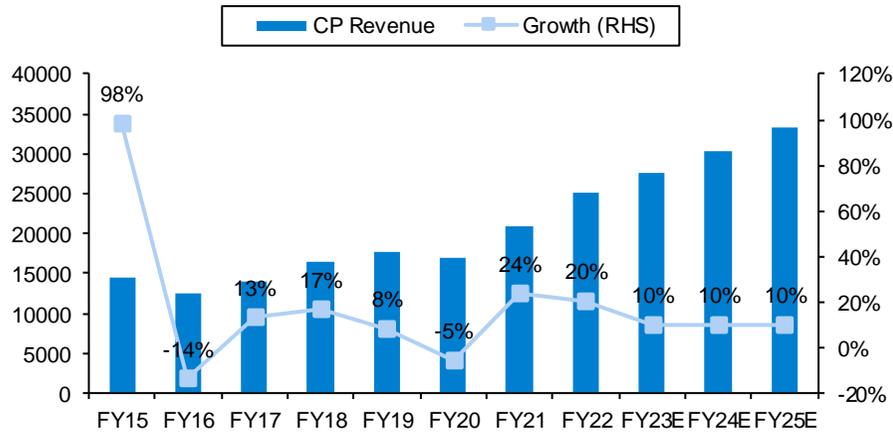
Source: Company; PL

Increasing share of Non-subsidy segment to the overall business



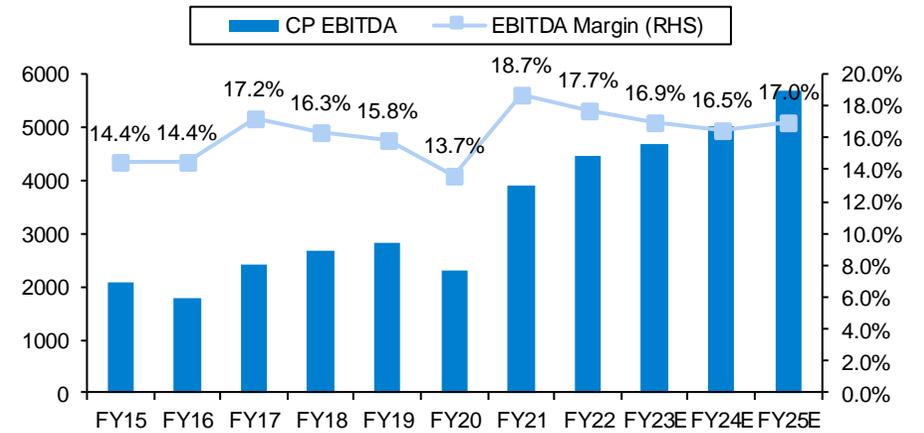
Source: Company; PL

## Crop Protection revenue to post 10% CAGR over FY22-25E



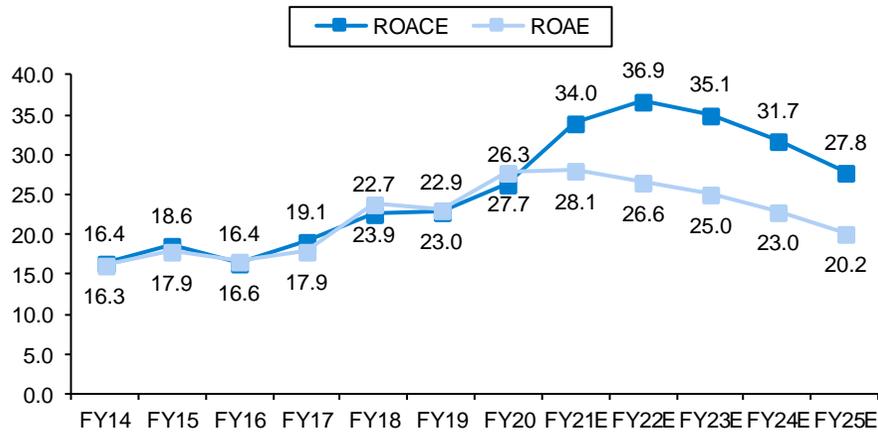
Source: Company; PL

## Crop Protection EBITDA CAGR estimated at 9% over FY22-25E



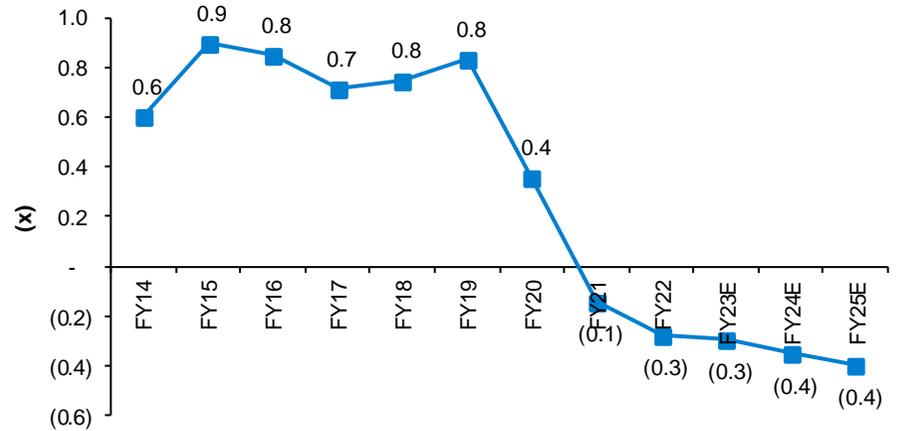
Source: Company; PL

## Healthy RoE and RoCE profile upwards of 20% respectively



Source: Company; PL

## Continues to remain a net cash balance sheet



Source: Company; PL

# Financials – Income Statement & Balance Sheet

Y/e Mar	FY22	FY23E	FY24E	FY25E	Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>1,91,109</b>	<b>2,86,714</b>	<b>1,79,255</b>	<b>1,93,320</b>	<b>Non-Current Assets</b>				
YoY gr. (%)	34.5	50.0	(37.5)	7.8					
Cost of Goods Sold	1,42,165	2,29,748	1,19,537	1,30,709	<b>Gross Block</b>	<b>38,338</b>	<b>43,443</b>	<b>48,443</b>	<b>53,443</b>
Gross Profit	48,943	56,966	59,718	62,611	Tangibles	38,051	42,952	47,952	52,952
Margin (%)	25.6	19.9	33.3	32.4	Intangibles	288	491	491	491
Employee Cost	5,872	6,594	7,170	7,733	<b>Acc: Dep / Amortization</b>	<b>17,212</b>	<b>19,073</b>	<b>21,163</b>	<b>23,484</b>
Other Expenses	21,573	25,518	25,454	26,871	Tangibles	17,212	19,073	21,163	23,484
					Intangibles	-	-	-	-
<b>EBITDA</b>	<b>21,499</b>	<b>24,854</b>	<b>27,094</b>	<b>28,006</b>	<b>Net fixed assets</b>	<b>21,126</b>	<b>24,370</b>	<b>27,279</b>	<b>29,959</b>
YoY gr. (%)	6.7	15.6	9.0	3.4	Tangibles	20,839	23,880	26,789	29,468
Margin (%)	11.2	8.7	15.1	14.5	Intangibles	288	491	491	491
Depreciation and Amortization	1,727	1,861	2,091	2,321	Capital Work In Progress	1,198	1,198	1,198	1,198
					Goodwill	3	-	-	-
<b>EBIT</b>	<b>19,772</b>	<b>22,994</b>	<b>25,003</b>	<b>25,686</b>	Non-Current Investments	2,435	2,435	2,435	2,435
Margin (%)	10.3	8.0	13.9	13.3	Net Deferred tax assets	(660)	(638)	(638)	(638)
Net Interest	755	905	543	489	Other Non-Current Assets	-	-	-	-
Other Income	1,443	1,718	1,804	1,894					
					<b>Current Assets</b>				
<b>Profit Before Tax</b>	<b>20,460</b>	<b>23,806</b>	<b>26,264</b>	<b>27,091</b>	Investments	-	-	-	-
Margin (%)	10.7	8.3	14.7	14.0	Inventories	36,632	50,356	36,025	39,392
Total Tax	5,213	6,190	6,829	7,044	Trade receivables	2,649	4,586	5,668	6,957
Effective tax rate (%)	25.5	26.0	26.0	26.0	Cash & Bank Balance	17,533	22,408	32,196	42,276
					Other Current Assets	12,930	12,854	12,854	12,854
<b>Profit after tax</b>	<b>15,247</b>	<b>17,617</b>	<b>19,435</b>	<b>20,047</b>	<b>Total Assets</b>	<b>1,12,847</b>	<b>1,37,466</b>	<b>1,37,875</b>	<b>1,56,302</b>
Minority interest	-	-	-	-	<b>Equity</b>				
Share Profit from Associate	37	-	-	-	Equity Share Capital	294	293	293	293
					Other Equity	63,289	76,798	91,539	1,06,599
<b>Adjusted PAT</b>	<b>15,285</b>	<b>17,617</b>	<b>19,435</b>	<b>20,047</b>	<b>Total Networth</b>	<b>63,583</b>	<b>77,092</b>	<b>91,832</b>	<b>1,06,892</b>
YoY gr. (%)	15.0	15.3	10.3	3.2	<b>Non-Current Liabilities</b>				
Margin (%)	8.0	6.1	10.8	10.4	Long Term borrowings	-	-	-	-
Extra Ord. Income / (Exp)	-	-	-	-	Provisions	9,469	9,380	9,380	9,380
					Other non current liabilities	-	-	-	-
<b>Reported PAT</b>	<b>15,285</b>	<b>17,617</b>	<b>19,435</b>	<b>20,047</b>	<b>Current Liabilities</b>				
YoY gr. (%)	15.0	15.3	10.3	3.2	ST Debt / Current of LT Debt	0	-	-	-
Margin (%)	8.0	6.1	10.8	10.4	Trade payables	39,135	50,356	36,025	39,392
Other Comprehensive Income	-	-	-	-	Other current liabilities	-	-	-	-
Total Comprehensive Income	15,285	17,617	19,435	20,047	<b>Total Equity &amp; Liabilities</b>	<b>1,12,847</b>	<b>1,37,466</b>	<b>1,37,875</b>	<b>1,56,302</b>
<b>Equity Shares O/s (m)</b>	<b>294</b>	<b>293</b>	<b>293</b>	<b>293</b>					
<b>EPS (Rs)</b>	<b>52.1</b>	<b>60.0</b>	<b>66.2</b>	<b>68.3</b>					

# Financials – Cash Flow & Key Ratios

Y/e Mar	FY22	FY23E	FY24E	FY25E	Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	20,498	23,806	26,264	27,091	<b>Per Share(Rs)</b>				
Add. Depreciation	1,727	1,861	2,091	2,321	EPS	52.1	60.0	66.2	68.3
Add. Interest	755	905	543	489	CEPS	58.0	66.4	73.4	76.2
Less Financial Other Income	1,443	1,718	1,804	1,894	BVPS	216.6	262.8	313.0	364.3
Add. Other	(1,081)	(1,718)	(1,804)	(1,894)	FCF	61.3	28.0	45.1	46.6
Op. profit before WC changes	21,898	24,854	27,094	28,006	DPS	12.0	14.0	16.0	17.0
Net Changes-WC	3,716	(5,371)	(2,044)	(2,300)	<b>Return Ratio(%)</b>				
Direct tax	(4,834)	(6,168)	(6,829)	(7,044)	RoCE	34.4	32.7	29.6	25.9
<b>Net cash from Op. activities</b>	<b>20,781</b>	<b>13,316</b>	<b>18,221</b>	<b>18,662</b>	ROIC	36.8	35.5	35.4	33.3
Capital expenditures	(2,766)	(5,101)	(5,000)	(5,000)	RoE	26.6	25.0	23.0	20.2
Interest / Dividend Income	1,053	1,718	1,804	1,894	<b>Balance Sheet</b>				
Others	(14,507)	1,174	-	-	Net Debt : Equity (x)	(0.3)	(0.3)	(0.4)	(0.4)
<b>Net Cash from Invnt. activities</b>	<b>(16,220)</b>	<b>(2,209)</b>	<b>(3,196)</b>	<b>(3,106)</b>	Net Working Capital (Days)	0	6	12	13
Issue of share cap. / premium	43	-	-	-	<b>Valuation(x)</b>				
Debt changes	(16)	0	-	-	PER	18.7	16.2	14.7	14.2
Dividend paid	(3,521)	(4,108)	(4,694)	(4,988)	P/B	4.5	3.7	3.1	2.7
Interest paid	(342)	(905)	(543)	(489)	P/CEPS	16.8	14.7	13.3	12.8
Others	(589)	-	-	-	EV/EBITDA	12.5	10.6	9.4	8.7
<b>Net cash from Fin. activities</b>	<b>(4,425)</b>	<b>(5,013)</b>	<b>(5,237)</b>	<b>(5,477)</b>	EV/Sales	1.4	0.9	1.4	1.3
<b>Net change in cash</b>	<b>135</b>	<b>6,094</b>	<b>9,787</b>	<b>10,080</b>	Dividend Yield (%)	1.2	1.4	1.6	1.7
Free Cash Flow	18,001	8,215	13,221	13,662					

# Chambal Fertilizers & Chemicals – Capacity addition in complex fertiliser to drive re-rating

Rating: BUY | CMP: Rs320 | TP: Rs480 | Mcap: Rs133.1bn

Y/e March	2020	2021	2022	2023	2024	2025	
<b>Income Statement (Rs m)</b>	Net Sales	1,22,060	1,27,190	1,60,688	1,65,392	1,70,942	1,85,833
	Growth (%)	-	-	-	-	-	-
	EBITDA	19,644	24,635	22,622	18,883	21,740	26,880
	Growth (%)	62.0	25.4	-8.2	-16.5	15.1	23.6
	Margin (%)	16.1	19.4	14.1	11.4	12.7	14.5
	EBIT	16,776	21,742	19,625	15,806	18,583	23,644
	Net Interest	5,026	2,894	1,059	1,521	1,160	1,013
	Other Income	1,066	474	680	748	823	905
	PBT	12,815	19,322	19,245	15,033	18,247	23,536
	Total Tax	1,014	6,119	6,648	3,758	4,562	5,884
Adj. PAT	11,824	13,169	15,660	14,392	16,299	19,834	
Growth (%)	47.6	11.4	18.9	-8.1	13.3	21.7	
<b>Balance Sheet (Rs m)</b>	Gross Block	74,970	76,672	81,058	83,058	85,058	87,058
	Investments	0	0	0	0	0	0
	Inventories	11,356	7,891	31,232	33,322	30,757	32,618
	Trade receivables	55,631	11,746	21,513	23,563	23,417	25,457
	Cash & Bank Balance	1,675	9,074	5,541	-1,528	1,915	7,470
	Equity Share Capital	4,162	4,162	4,162	4,162	4,162	4,162
	Total Net worth	35,393	52,488	63,996	71,109	80,371	93,341
	Borrowings	93,862	39,184	43,231	32,818	25,163	19,857
	Trade payables	5,415	3,890	14,998	14,439	12,583	13,344
<b>Cash Flow (Rs m)</b>	Net cash from Op. activities	8,271	69,436	-243	10,285	17,863	17,658
	Net Cash from Inv. activities	-4,553	-1,963	-1,191	-1,252	-1,177	-1,095
	Net cash from Fin. activities	-2,832	-60,030	-2,128	-19,214	-15,852	-13,184
	Net change in cash	886	7,443	-3,562	-10,181	834	3,379
	Free Cash Flow	1,766	67,083	-1,878	8,285	15,863	15,658
<b>Key Ratios</b>	EPS (Rs)	28.4	31.6	37.6	34.6	39.2	47.7
	Growth (%)	47.6	11.4	18.9	-8.1	13.3	21.7
	BPVS (Rs)	85.0	126.1	153.8	170.8	193.1	224.3
	DPS (Rs)	7.2	7.5	7.5	8.0	8.5	9.0
	RoCE (%)	13.7	19.7	19.7	15.0	17.7	21.6
	RoE (%)	36.8	30.0	26.9	21.3	21.5	22.8
	Net Debt : Equity (x)	2.6	0.6	0.6	0.5	0.3	0.1
	Net Working Capital (Days)	184.1	45.2	85.7	93.7	88.8	87.9
	PE (x)	11.3	10.1	8.5	9.2	8.2	6.7
	P/B (x)	3.8	2.5	2.1	1.9	1.7	1.4
	EV / EBITDA (x)	11.5	6.6	7.5	8.9	7.2	5.4
	Dividend Yield (%)	2.3	2.3	2.3	2.5	2.7	2.8

Key Data	CHMB.BO   CHMB IN
<b>52-W High / Low</b>	Rs.516 / Rs.261
<b>Sensex / Nifty</b>	57,626 / 17,124
<b>Market Cap</b>	Rs.133bn/ \$ 1,617m
<b>Shares Outstanding</b>	416m
<b>3M Avg. Daily Value</b>	Rs.789.47m

### Shareholding Pattern (%)

<b>Promoter's</b>	60.51
<b>Foreign</b>	13.45
<b>Domestic Institution</b>	10.56
<b>Public &amp; Others</b>	15.48
<b>Promoter Pledge (Rs bn)</b>	19.48

### Stock Performance (%)

	1M	6M	12M
<b>Absolute</b>	-12.2	-30.2	-16.9
<b>Relative</b>	-8.4	-29.1	-13.0

### Price Chart



*We initiate coverage on Chambal Fertilizers (CHMB) with 'BUY' rating at TP of Rs480 based on 10x FY25E EPS given 1) company's impeccable execution in Gadepan-3 to smoothly run its urea business, 2) aggressively exploring opportunities in non-urea fertilizer business (either through organic/inorganic route) to provide better revenue and margin visibility; and 3) foraying into industrial chemicals segment (i.e. Technical ammonium Nitrate (TAN) and Nitric Acid (NA) from surplus ammonia generated through urea manufacturing process) to add stability to the overall margin profile, going forward. Further, we believe government reforms in fertilizer sector like DBT 2.0 model of subsidy payments to farmers can act as an option value for the sector and benefit efficient players like CHMB. We expect revenue/EBITDA/PAT CAGR of 5%/6%/8% over FY22-25E, largely driven by a) continued utilization of urea plants particularly Gadepan-3 plant (already at optimum capacity) b) improved marketing margins and c) contribution from industrial chemicals business (Revenue/EBITDA of Rs8.4bn/Rs1.8bn by FY25E). Initiate 'BUY'.*

- **Urea business (~70% of FY22 revenues)- To remain Cash Cow for the company:** CHMB is the largest private urea producer in India with ~12-13% (3.4mn mt of urea capacity) domestic market share. We believe Urea business will likely remain cash cow for the company led by a) steady contribution to revenues /EBITDA (contributing ~70%/75% to overall FY22 Revenue/EBITDA) and ; b) unlikely expansion plans in urea business in near to medium term.
- **Non-Urea business (30% of FY22 revenues) to be the key growth driver:** In order to accelerate growth given limited growth opportunities in urea business (urea industry growth of 1.5% CAGR over FY15-22) CHMB has identified few growth areas like a) capacity expansion in the phosphate value chain; b) aggressive penetration into crop protection business and ;c) foraying into industrial chemical segment- TAN and Nitric Acid. We believe, this in turn would improve/provide stability to overall margin profile of the company going forward. We expect revenue contribution from Non-urea business to improve to 45% by FY25E from 30% in FY22.
  - **Capacity expansion in the phosphate value chain:** As a part of their core strategies to increase overall market share and profitability, CHMB plans to invest in phosphate fertilizer capacity in India/abroad (already have 33% stake in JV with IMACID Morocco for phos.acid- can forward integrate for DAP/NPK). We believe, this would create value and would be positive for the company to a) garner additional market share (enjoys 18%/24% market share in DAP and MOP in its territory- North India) in phosphatic fertilizers and b) improve profitability of overall fertilizer business.
  - **Aggressive penetration in Crop protection (CP) business:** In CP business (Revenues of Rs4.7bn in FY22) products are largely sold under its own brand sourced from MNC's with reasonable margin profile. With increasing focus on the segment, CHMB aspires to take this to Rs10bn over next few years, largely driven by identification and introduction of better combination molecules and enhancing better market reach by leveraging its existing distribution channel and command better market share in the segment.
  - **Foraying into industrial chemical segment- TAN and NA to provide stability to margins:** CHMB's foray into manufacturing of industrial chemicals segment by manufacturing of TAN with capacity of 2.2 lakh tonnes and NA capacity of 1.8 lakh tonnes (to be commissioned by FY25E at a capital outlay of Rs11.7bn) from surplus ammonia generated from urea manufacturing process is likely to add stability to margins, going forward. We estimate at 70% utilization during the 1<sup>st</sup> year of operations in FY25E, this should contribute to Rs8.4bn/ Rs1.8bn to FY25E Revenue/EBITDA.

---

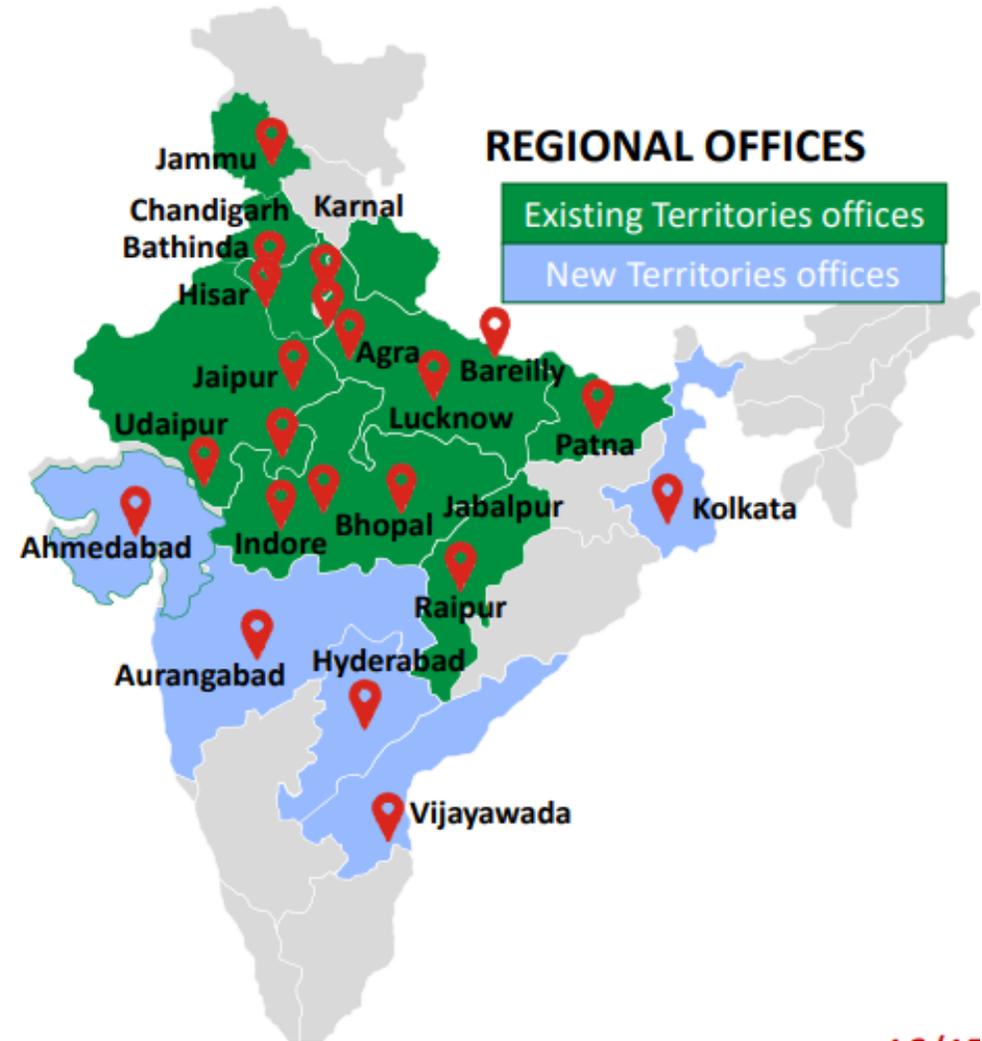
# Company Description

# Chambal Fertilizers - Strong foothold in North and West India

Chambal Fertilizers (CHMB) was promoted in 1985 by Zuari Industries, a KK Birla group company. The ownership of KK Birla group's businesses was later passed along to his three daughters, whose families today comprise of CHMB's promoter group. The largest stake in CHMB is held by Adventz group, controlled by SK Poddar. The Adventz Group is a USD3bn conglomerate with four major verticals – Agriculture, Engineering and Infrastructure, Lifestyle & Real estate and services.

- CHMB is one of India's largest private sector fertilizer manufacturers with annual fertilizer sales of ~4-5m mt (includes marketing volumes of ~1.6m mt), out of the country's overall sales of ~60m MT. The company is far focused primarily on urea business, which has 3 manufacturing units located at Gadepan, Rajasthan with a total installed capacity of ~3.4m MT serving farmers across ~10 states with a marketing network of 20 regional offices, 3750 dealers and 50k village level outlets.
- CHMB holds leadership position in key consuming markets of Rajasthan, Haryana, Punjab, Chhattisgarh and Madhya Pradesh. Overall, it has a presence in 10 states that have total urea demand of about 21mn mt, of which ~16mn mt are fulfilled via domestic production and balance through imports. All these factors provide significant opportunity to CHMB to sell additional volumes using extensive marketing and distribution network.
- In recent years, CHMB's non-urea fertilizer sales (currently entirely traded) have also scaled up rapidly to ~1.6m MT. These comprise of products such as DAP, MOP, SSP), pesticides and seeds which are sourced from reputed suppliers then sold under company's mother brand "Uttam". Going forward, CHMB intends to foray into industrial chemicals business by manufacturing TAN and NA (India is a net importer of these products) to provide stability to overall margin profile.
- While CHMB's traditional stronghold has been in north Indian states while it is now expanding operations across states of Maharashtra, Gujarat, Andhra Pradesh, Telangana and West Bengal. CHMB has an accessible market of 88% each for Urea and DAP. However, the company has 71%/ 76%/ 90% accessible market for MOP/NPK and Crop Protection respectively.

CHMB has strong foothold in North and western States



Source: Company, PL

---

# Investment Rationale

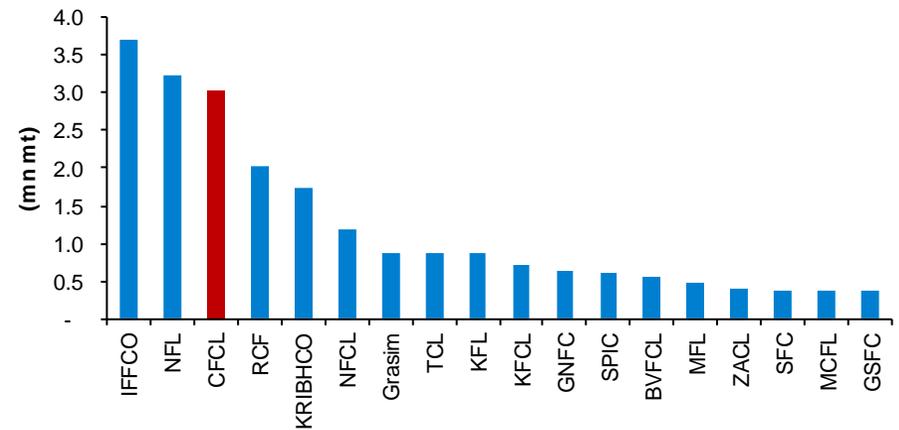
- [Urea business \(~70% of FY22 revenues\)- To remain Cash Cow for the company](#)
- [Non-Urea business \(30% of FY22 revenues\) to be the key growth driver](#)
  - [Capacity expansion in the phosphate value chain](#)
  - [Aggressive penetration in Crop protection \(CP\) business](#)
  - [Foraying into industrial chemical segment](#)

# Urea business- To remain Cash Cow for the company...

## Largest private urea player with leadership position in key markets

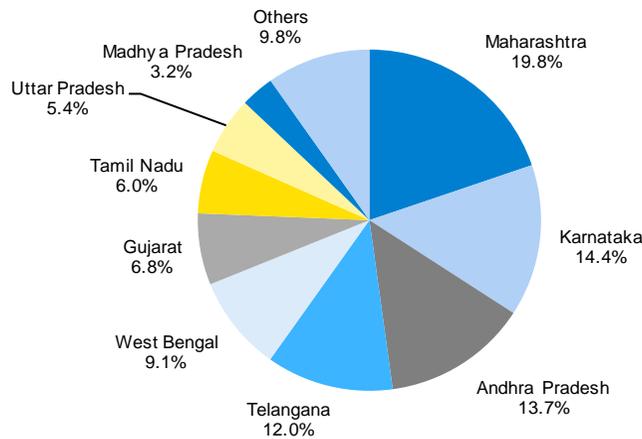
- With commissioning of Gadepan-3 brownfield urea plant in Jan'19, CHMB has become the largest private urea producer in India with domestic market share of ~12-13% and total capacity of 3.4mn tonnes at single location – in Kota, Rajasthan. This urea unit is one of Asia's most efficient plant and has been instrumental in driving growth for CHMB in last few years. Further we are of the view that urea business is likely to remain the Cash Cow for the company led by a) steady contribution to revenues /EBITDA (contributing ~70%/75% to overall FY22 Revenue/EBITDA); b) continued focus on improving efficiency, and c) No near-term capacity expansion plans in urea business.
- CHMB holds leadership position in key consuming markets of Rajasthan, Haryana, Punjab, Chhattisgarh and Madhya Pradesh. Overall, it has a presence in 10 states that have a total urea demand of about 21mn tonnes of which 16mn tonnes are fulfilled via domestic production and balance through imports. This provides significant opportunity for CHMB to sell additional volumes using existing marketing and sales distribution set up.

## Largest private urea player in India



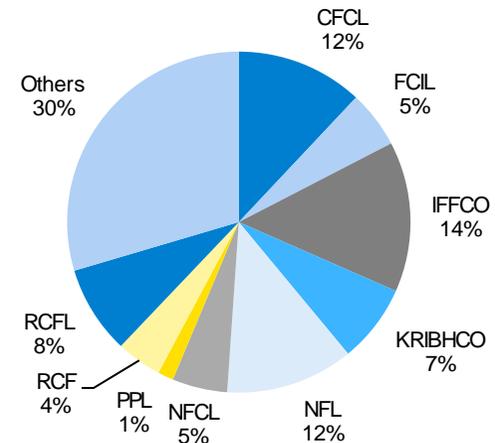
Source: MOF, PL

## Top-9 States contributes to <90% of domestic Fertilizer consumption



Source: MOF, PL

## CHMB is the largest private urea player in India with MS of 12%



Source: MOF, PL

# ...however, urea offers limited headroom for future growth

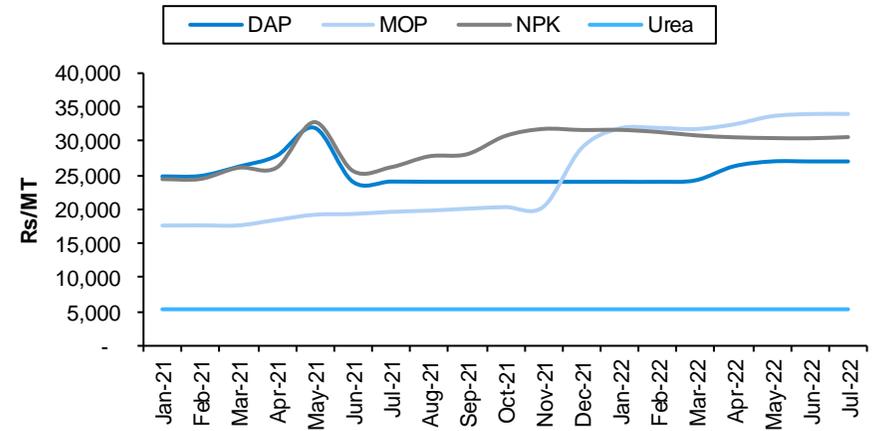
- Domestic urea production currently stands at ~26mn mt and has witnessed a stable 1.5% CAGR over FY15-22, while it is expected to grow at an expedited rate given government's thrust to eliminate urea imports coupled with revival of 5 sick urea units of 1.2mn mt each (of which 2 plants-Ramagundam and Gorakpur plant are already operational).
- Most of the urea capacities are already working at optimum utilization coupled with no new major capacity addition in the near term, but it would restrict the upside. While, higher regulation by the government in terms of pricing and margins (Govt. has fixed urea MRP at ~Rs5,600/mt and the difference between cost of urea + Fixed margin and urea MRP is given as subsidy to the urea units) caps major upside/re-rating in the sector.
- CHMB is the largest manufacturer of Urea in the private sector with an installed capacity of ~3.4mt per annum (domestic production capacity of ~26 mn mt). The company derived 2/3rds of its FY22 revenue from sale of urea manufactured across its 3 units. All the 3 urea units of CHMB is currently working at optimum utilization which leaves limited room for further upside.
- Urea price de-control remains a pipedream:** We believe, Govt.'s impetus and awareness among farmers for the need for balanced nutrients in crops coupled with limited visibility for urea price decontrol (resultant into higher subsidy burden on the Govt.) is likely to boost consumption of complex fertilizer going forward. Over FY14-20, urea and non urea fertilizer industry grew at 1.6% and 5.1%, respectively.

## Urea manufacturing capacity of CHMB

	Gadepan-1	Gadepan-2	Gadepan-3
Commissioning (Year)	1994	1999	2019
Urea Capacity (Mt)	10,23,000	9,90,000	13,20,000
Re-accessed Capacity (Mt)	8,64,600	8,64,600	12,70,000
Ammonia Capacity (Mt)	5,84,100	5,64,300	NA
Urea Plant Technology	Snamprogetti (Italy)	ACES process of Toya Japan	Toyo, Japan
Ammonia Plant Technology	Haldor Topsoe (Denmark)	Kellogg Brown Root USA)	Kellogg Brown Root USA)

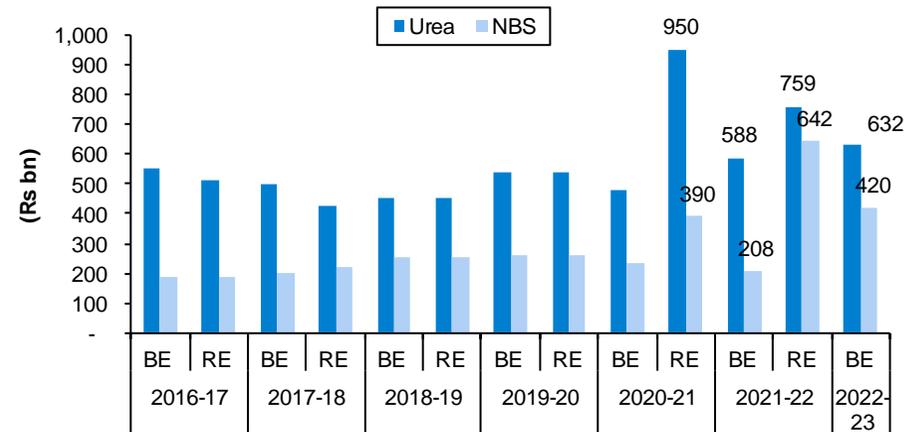
Source: Company, PL

## Price disparity between Urea and Non-urea fertilisers



Source: Industry, PL

## Urea continues to exert higher subsidy burden on the Govt.



Source: GOI, PL

# Non-Urea business - Capacity expansion in phosphatic value chain to boost earnings

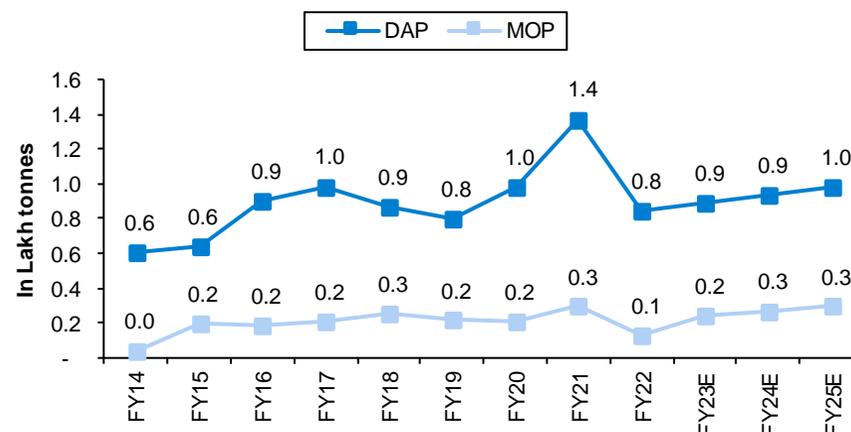
## Continued focus on expanding Non-urea business:

- As a part of their core strategies to increase overall market share and profitability, CHMB plans to invest in phosphate fertilizer capacity in India (through organic/inorganic route) or abroad (already have 33% stake in JV with IMACID Morocco for phos.acid- can forward integrate for manufacturing of DAP/NPK). We believe, this would create value and would be positive for the company to a) garner additional market share (enjoys 18%/24% market share in DAP and MOP in its territory- North India) in phosphatic fertilizers and b) improve profitability of overall fertilizer business.
- Since it operates in markets with high irrigation facilities, it does not foresee any major reduction in volume even during years of scanty rainfall.
- Increasing focus on cumulative crop protection revenues by launching new products by leveraging existing fertilizer distribution network, augurs well in terms of improving profitability and working capital for the company.

## IMACID (JV with OCP Morocco) profits likely to peak-out in FY23

- IMACID (Morocco)- Equal JV between Tata Chemicals, CHMB and OCP of Morocco.
- JV manufactures phosphoric acid in Morocco with a capacity of ~0.5mn tonnes.
- Phosphoric acid (produced by OCP) is supplied to India at quarterly contract prices.
- IMACID's FY22 Revenue/EBITDA/PAT stood at Rs 43.3bn/11.8bn/9.1bn. Chambal's share in the JV was Rs3.06bn for FY22.
- An increase in phosphoric acid prices should provide support to IMACID's earnings.

## Rising global uncertainty impacting trading volumes



Source: Company, PL

## IMACID profits likely to peak out in FY23E

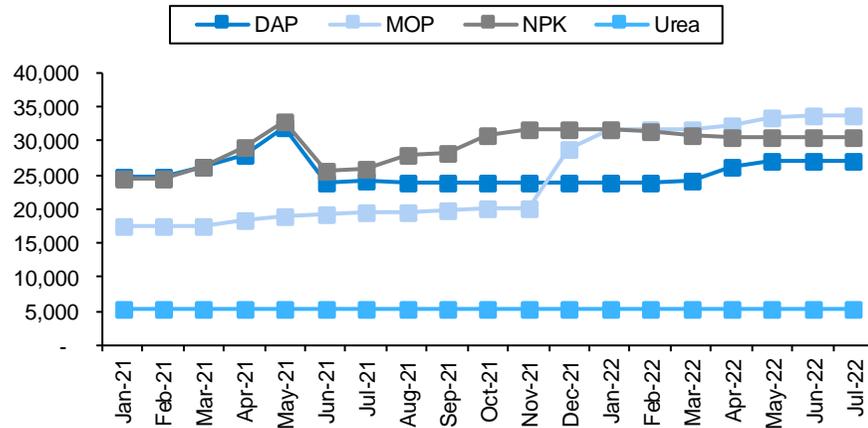
Particulars (Rs Mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	20,972	43,379	44,480	40,264	36,167
Gross Profit	8,570	16,803	17,413	15,297	13,242
Gross Profit Margin (%)	40.9%	38.7%	39.1%	38.0%	36.6%
EBITDA	4,241	11,796	12,133	10,264	8,656
EBITDA Margin (%)	20.2%	27.2%	27.3%	25.5%	23.9%
PAT	2,684	9,191	9,353	7,846	6,547
Chambal's Share	895	3,064	3,118	2,615	2,182

Source: Company, PL

# Global uncertainty calls for own manufacturing set-up for stable earnings

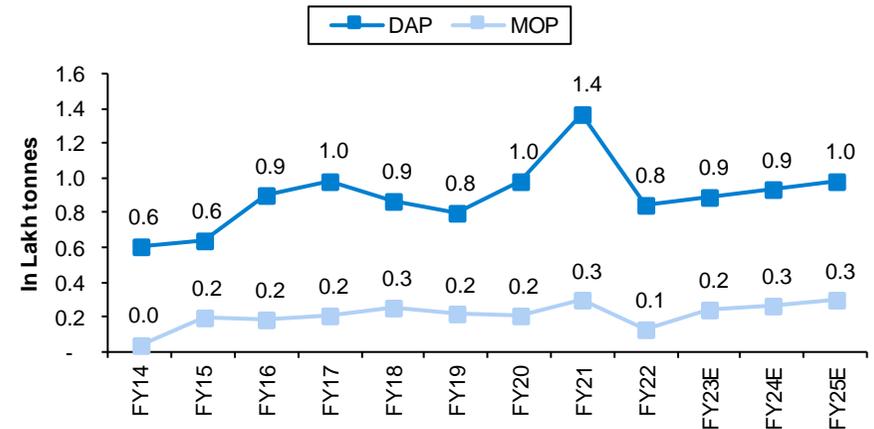
- While the world was grappling with COVID-19 pandemic, other challenges like increase in prices of feedstock/raw material and port restrictions & congestions also emerged on the horizon. Prices of fertilizers had started moving upward around the end of FY21 and this trend accelerated during FY22.
- Cost of inputs such as natural gas, ammonia, phosphoric acid and potash continuously rose which led to increase in prices of all grades of fertilizers. Increase in prices and change in trade flows due to higher demand mainly in Latin America and United States of America coupled with restrictions on imports from China, had impacted availability of fertilizers for Indian market.
- In view of these factors, there was substantial reduction in trading volumes of major Fertilizers like DAP and MOP in India during FY22, as compared to FY21.
- Further, geo-political situation arising due to Russia-Ukraine conflict added to challenges of business and industry across the globe.

RM prices continues to remain high YoY; exerting pressure on margins



Source: Bloomberg, PL

Trading volumes impacted in FY22 led by rising import cost

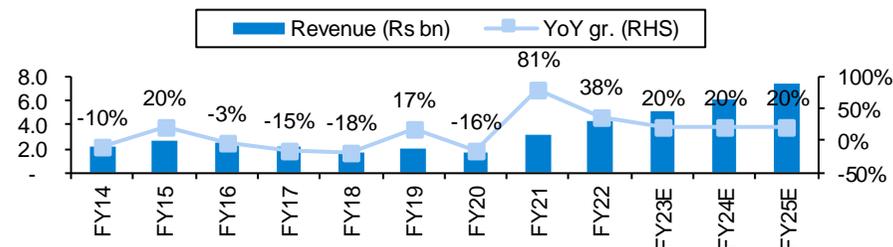


Source: Company, PL

# Aggressive penetration in Crop protection (CP) business

- In the Crop Protection business segment (Revenues of Rs4.7bn in FY22) products are largely sold under its own brand sourced from MNC's like Du-Pont, Syngenta and Bayer. This segment has reasonable margin and is well diversified across crops, insecticides and herbicides.
- With increasing focus in the segment, CHMB aspires to take this to Rs10bn over next few years largely driven by 1) identification and introduction of better combination molecules, 2) enhancing better market reach by leveraging its existing distribution channel and 3) commanding better market share in the segment.

CP business posted 25% revenue CAGR over FY18-22



Source: Company, PL

## List of Crop Protection (CP) Products

Insecticides		Herbicides		Fungicides	
Brand Name	Technical	Brand Name	Technical	Brand Name	Technical
Aceveer	Acephate 75% SP	Attract	Atrazine 50% WP	Figo	Tricyclazole 75% WP
Acto	Acetamaprid 20% SP	Butaveer	Butachlor 50%EC	Manzim	Manco 63% + Carben 12% WP
Bruno	Buprofezin 25% SC	Dhoomketu	Imazethapyr 30% SL	Sulfino	Sulphur 80% WDG
Imexo	Thiamethoxam 25% WDG	Lido	Butachlor 50% EW	Veercon	Propiconazole 25% EC
Lambda Double	Lambda Cyhalothrin 5% EC	Metaveer	Metribuzin 75% WP	Veersulp DP	Sulphur 85% DP
Lambda Strong	Lambda Cyhalothrin 4.9% CS	Penveer	Pendimethalin 30% EC	Uttam Fulcot	Thifluzamide 24% SC
Onvix	Chlorantraniliprole 0.4% Gr	Penveer Plus	Pendimethalin 38.7% CS	Uttam Lexon	Azoxystrobin 11%+Tebuconazole18.3%SC
Pevota	Chlorantraniliprole 18.5% SC	Pretilaveer	Pretilachlor 50% EC	Uttam Azole	Azoxystrobin 18.2%+Difenoconazole11.4%SC
Stembo	Fipronil 0.3% Gr	Totto	Paraquat Dichloride 24%SL		
Veercombi 44	Profenofos 40% + Cyper 4% EC	Veerkill 80	2,4-D Sodium Salt 80% WP		
Veercombi 505	Chlorpyriphos 50% + Cyper 5% EC	Zeto	Fenoxaprop Ethyl 9.3% EC		
Veeratap Power	Cartap Hydrochloride 4%Gr	Moto	Metsulfuron Methyl 20% WP		
Uttam Flue 3935	Flubendamide 39.35% W/W	Prido	Pretilachlor 37% EW		
Uttam EMA	Emmamectin Benzoate 5% SG	Veerkill	2,4-D Ethyl Ester 38% EC		
Toro-10	Bifenthrin 10% EC	Weedkil	2,4-D Amine Salt 58% SL		
Chloroveer	Chlorpyriphos 20% EC	Weeza	Clodinafop Propargyl 15% WP		
Chlorveer Strong	Chlorpyriphos 50% EC	Wheto	Sulfosulfuron 75% WDG		
Fenveer DP	Fenvalerate 0.4% Dust	Uttam Fluzi	Fluazifop-p-butyl 13.4%+ fomesafen 11.1% SL		
Imidaveer	Imidacloprid 17.8% SL	Uttam Temone	Tembotrione 34.4% SC		
Uttam Metroz	Pymetrozine 50%WG	Uttam Fillip	Bispyribac Sodium 10% SC		
Uttam Reon	Pyriproxyfen5% + Diafenthiuron25% SE				
Uttam Fentol	Tolfenpyrad 15% EC				
Pifro	Fipronil 5% SC				

Source: Company, PL

# Foraying into industrial chemicals (TAN & NA) to add feather to the cap

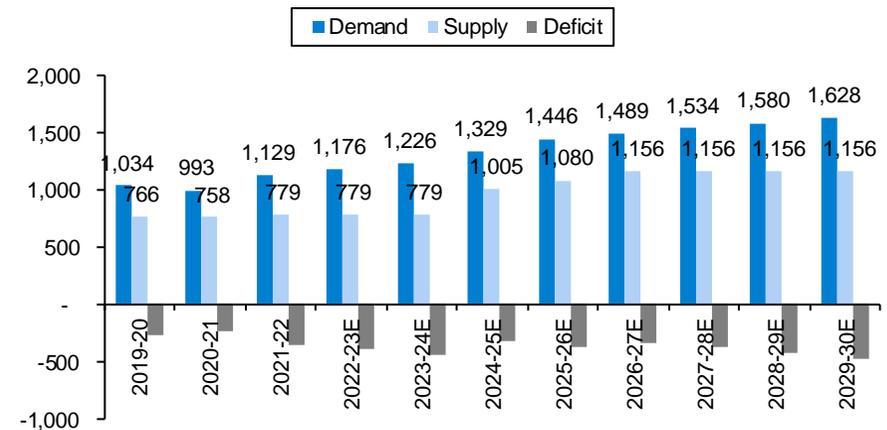
- Ammonium Nitrate is a popular fertilizer globally, but its application as fertilizer is not permissible in India. In India, it finds its application mainly in manufacturing Industrial Explosives (>98% demand), pharmaceuticals, mining, power, steel industry etc.
- India is net importer of Ammonium Nitrate (AN) with production as on FY21 was 7.58 lakh tonnes as against the domestic demand of 9.93 lakh tonnes. The demand supply mismatch of 2.35 lakh tonnes was met through imports. Further, Gap between demand-supply and expected CAGR of 5-6%, requires enhancement of domestic production of Ammonium Nitrate (AN). While, Govt.'s impetus on Atmanirbhar Bharat campaign further supports addition to the domestic production.
- CHMB's foray into manufacturing of industrial chemicals segment by manufacturing of Technical ammonium Nitrate (TAN) with capacity of 2.2 lakh tonnes and Nitric Acid (NA) capacity of 1.8 lakh tonnes (to be commissioned by FY25E at a capital outlay of Rs11.7bn) from surplus ammonia (~90,000-95,000 tonnes) generated from urea manufacturing process is likely to add stability to margins, going forward. Surplus ammonia is generated in urea manufacturing units due to various technical reasons like supply of lean gas, unplanned stoppage of urea streams etc. We estimate at 70% utilization during the 1<sup>st</sup> year of operations in FY25E, this should contribute to Rs8.4bn/Rs 1.8bn to Revenue/EBITDA in FY25E.
- Deepak fertilizers (DFPCL) is the domestic market leader in TAN with market share of ~44% currently (4.86 lakh tonnes of current capacity, while expanding it further by 3.75 lakh tonnes), followed by National Fertilisers Ltd (NFL) having a capacity of 2.4 lakh tonnes.

## Key TAN manufacturers in India

Company/Capacity (Tonnes)	Existing	Capacity Addition	Post Expansion	Market Share (%)
GNFC	1,70,000	NA	1,70,000	10%
RCF	1,90,000	NA	1,90,000	11%
NFL	2,40,000	NA	2,40,000	14%
DFPCL	4,86,900	3,75,000	8,61,900	51%
CHMB	-	2,20,000	2,20,000	13%
<b>Total</b>	<b>10,86,900</b>	<b>5,95,000</b>	<b>16,81,900</b>	

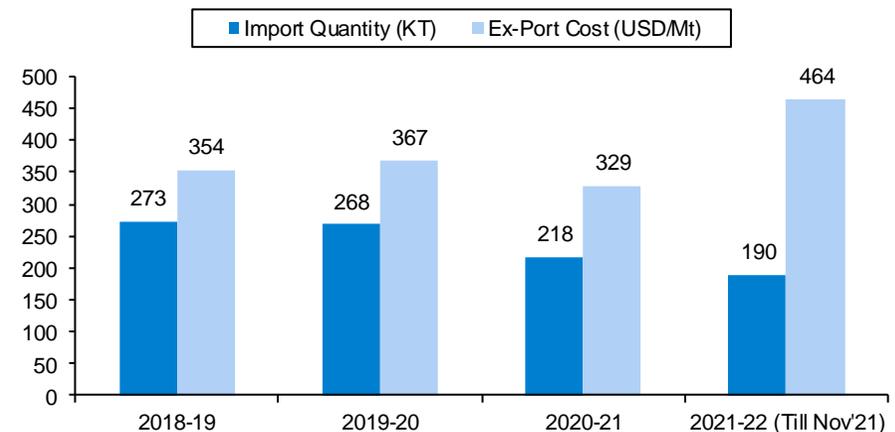
Source: Industry, PL

## TAN- Demand-Supply mismatch in India



Source: Industry, PL

## Trading volumes impacted in FY22 led by rising import cost

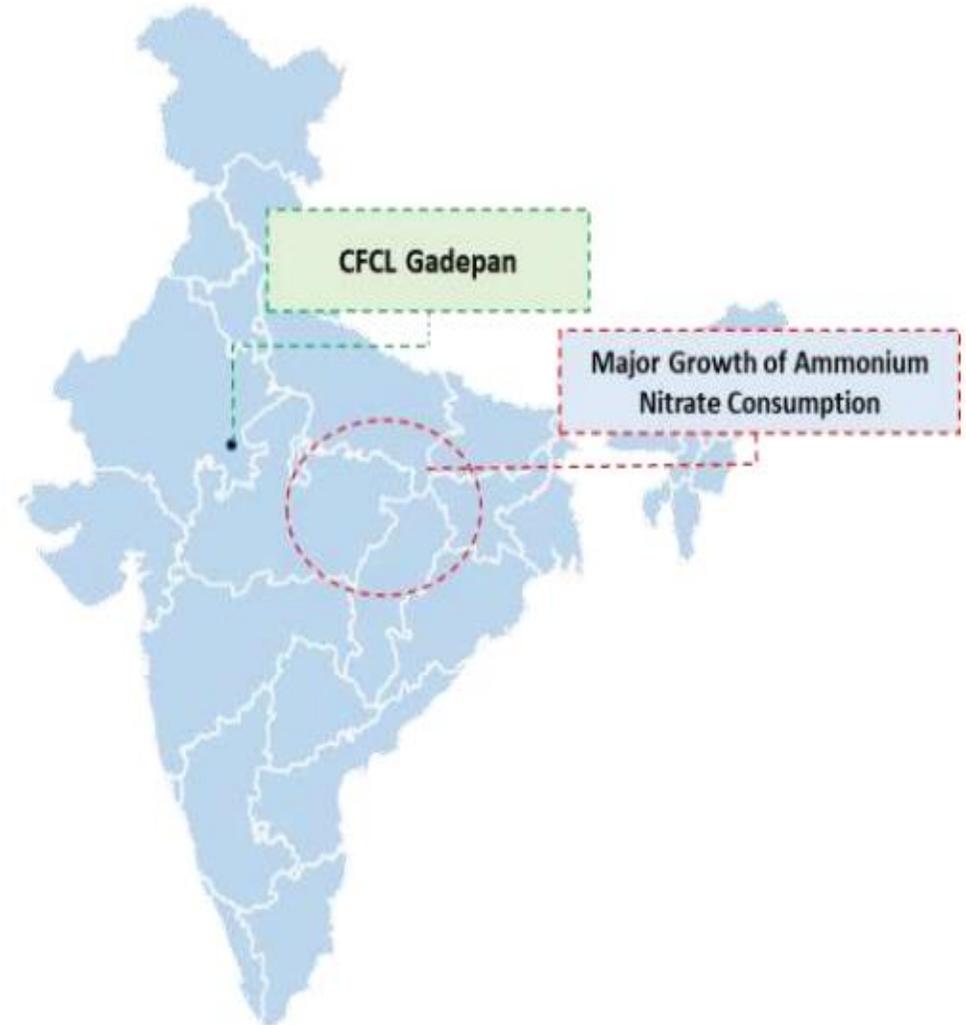


Source: Industry, PL

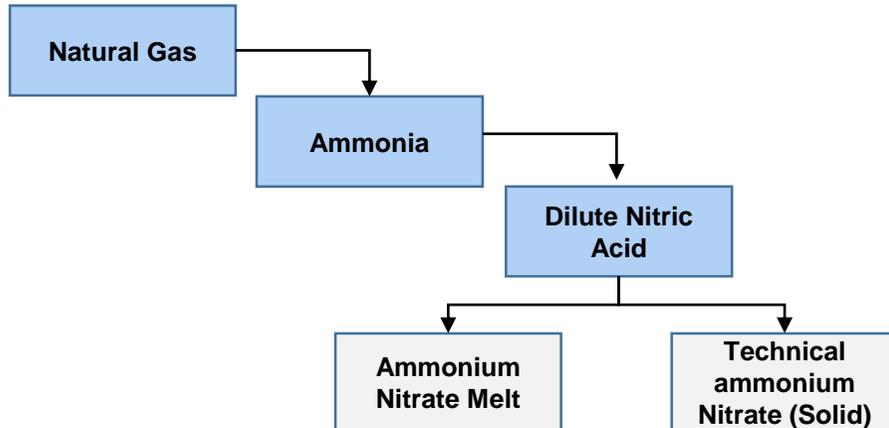
# Proximity of CHMB's project to end user market provides an edge

- **Proximity of CHMB's project location to end user market:** Coal mining, cement manufacturing, ore mining and stone quarrying activities require control blasting, thus the need of Ammonium Nitrate (AN) based explosives.
- Currently domestic demand is higher than domestic production of Ammonium Nitrate (AN) in India. During CY2020-21, domestic production was close to 758,000 MT, whereas demand was 993,000 MT. Gap in demand-supply i.e., about 235,000 MT is met through imports.
- Hence, proposed project will focus on supplying Ammonium Nitrate (AN) to domestic markets. While, proximity of project location to central parts of the country, which is one of the major consumption area, will facilitate easy sales in the domestic market.
- While on the exports side, demand for AN in neighboring countries like South Asia / Middle East is huge. Hence, export possibilities may be explored at a later date depending on local demand, market and price conditions.

## Proximity to CHMB's project location to End user market



## Value chain of Technical Ammonium Nitrate (TAN)



Source: DFPCL; PL

Source: Company, PL

# Rating and Valuation

*We initiate coverage on Chambal Fertilizers (CHMB) with 'BUY' rating at TP of Rs480 based on 10x FY25E EPS given 1) company's impeccable execution in Gadepan-3 to smoothly run its urea business, 2) aggressively exploring opportunities in non-urea fertilizer business (either through organic/inorganic route) to provide better revenue and margin visibility; and 3) foraying into industrial chemicals segment (i.e. Technical ammonium Nitrate (TAN) and Nitric Acid (NA) from surplus ammonia generated through urea manufacturing process) to add stability to the overall margin profile, going forward. Further, we believe government reforms in fertilizer sector like DBT 2.0 model of subsidy payments to farmers can act as an option value for the sector and benefit efficient players like CHMB. We expect revenue/EBITDA/PAT CAGR of 5%/6%/8% over FY22-25E, largely driven by a) continued utilization of urea plants particularly Gadepan-3 plant (already at optimum capacity) b) improved marketing margins and c) contribution from industrial chemicals business (Revenue/EBITDA of Rs8.4bn/Rs1.8bn by FY25E). Initiate 'BUY'.*

## Valuation- Snapshot

Particulars	FY25E
<b>EV/EBITDA</b>	
EBITDA (Rs mn)	26,880
EV/EBITDA target Multiple (x)	8
EV (Rs mn)	2,09,662
Net debt (Rs mn)	12,387
Tgt Mcap (Rs mn)	1,97,275
No of shares (mn)	416
Target Price (Rs)	474
<b>EPS</b>	<b>47.7</b>
PE at target price	10
<b>PE Valuation</b>	
EPS (adj)	47.7
Target PE multiple (x)	10
Target Price (Rs)	480

Source: PL Research

# Key Risk

- **Higher dependency on subsidy from the Government:** Given that urea pricing is largely regulated by the government and MRPs of urea have not been materially revised in past two decades, CHMB generates ~60-65% of its revenues through government subsidies. Delays in payment by the government may tie up working capital and lead to an increase in financial leverage. Adverse changes in government policies also pose a potential risk.
- **Benefits from Gadepan-III to expire after 8 years:** Gadepan-III unit currently enjoys incentives under the New Investment Policy 2012 along with margins that are ~3-4x of those in Gadepan-I and Gadepan-II. These incentives are due to curtail in 2026. Post that, Gadepan-III margins may correct.
- **Pledged shares by promoter entity:** Zuari Global (Now Zuari Industries) holds ~14% stake in the company and has pledged ~93% of its shareholding. Zuari industries is currently a loss-making company with ~Rs23bn of debt as on March'22. If it fails to service its debt, pledged shares may enter the market for sale. However, as per a recent media article, Chambal Fertilizers is evaluating options for acquiring the business of Mangalore chemicals and fertilizers Ltd (MCFL- which is again the same promoter entity). If this transaction sails through, then the risk of this promoter pledge goes down, as large part of the transaction money would go towards paying off the promoter debt .
- **Narrow visibility into earnings growth drivers:** Management has hinted towards acquiring a phosphatic manufacturing unit in India or abroad (mostly Morocco). However, these discussions are still in the drawing/discussion stages. If these plans do not materialize, then there would be limited earnings growth drivers, given in urea business – major revenue driver of the company is already running at optimum capacity.

## Shares Pledged by promoters remain key risk for the stock

Promoter Name	No. of Shares Pledged	Shares Pledged/Shareholding in the Company (%)	Shares Pledged/Total Share Capital (%)
Zuari Industries Ltd. (Old Name: Zuari Global Ltd.)	5,52,31,624	93.6	13.3
Premium Exchange & Finance Ltd.	30,00,000	97.2	0.7
Simon India Ltd.	19,72,000	89.6	0.5
Master Exchange & Finance Ltd.	7,00,000	43.7	0.2
<b>Total</b>	<b>6,09,03,624</b>	<b>24.2</b>	<b>14.6</b>

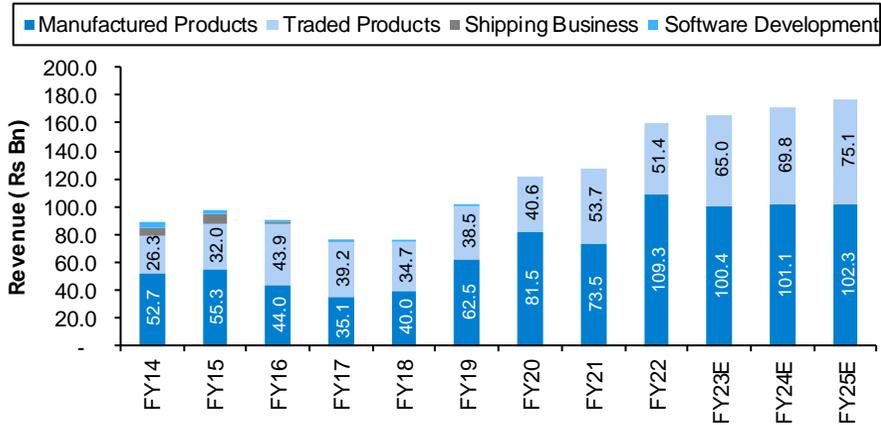
Source: BSE , PL

# Management Profile

Name	Designation	Profile
Saroj Kumar Poddar	Non-Executive Chairman	A gold medalist in B. Com (Hons) from Calcutta University. He is the Chairman of Adventz group with a turnover of about USD 3 Billion. The group under his leadership has promoted various seminal projects including joint ventures with leading international corporations. Having served as President of Federation of Indian Chambers of Commerce and Industry (FICCI) and International Chamber of Commerce in India, has been appointed by Government of India on Board of Trade - the highest body on trade - and on the Indian Institute of Science, Bangalore. He was also on the Advisory Board of one of the most reputed investment brokers, M/s N M Rothschild & Sons (India) Pvt. Ltd. He is the Chairman of India-Saudi Arabia Joint Business Council and a Member of the Indo-French CEO Forum.
Shyam Sunder Bhartia	Non-Executive Director	A Commerce graduate and a fellow member of the Institute of Cost and Works Accountants of India. He is the Chairman of M/s. Jubilant Life Sciences Limited. His past association to institutional segment included – Member of Board of Governors of Indian Institute of Technology, Mumbai, Indian Institute of Management, Ahmedabad and Director on the Board of Air India.
Gaurav Mathur	Managing Director	He is a chemical engineer from Indian Institute of Technology, Kanpur having long experience in the fields of Industrial Explosives, Specialty Chemicals, Coatings & Paints and Pharmaceutical Industries. He worked with ICI India Limited / AkzoNobel India Limited for around 27 years and held various senior executive positions. Before joining the Company, he was working as Managing Director of TEVA API India Private Limited since September 2016 and was heading Active Pharmaceutical Ingredient operations for Asia Pacific, Israel and Europe.
Pradeep Jyoti Banerjee	Independent Non-Executive Director	Graduated in Bachelors of Technology (Chemical) from Indian Institute of Technology, Delhi. Served as Vice president in HUL where he was responsible for strategic elements of Unilever’s global personal care supply chain. He is Chairman of Unilever Nepal Limited and Director of Unilever India Exports Limited. Apart from this, he is Independent Director of Gabriel India Limited and Whirlpool of India Limited.
Vivek Mehra	Independent Non-Executive Director	Commerce graduate from Shri Ram College of Commerce, University of Delhi and a fellow member of the Institute of Chartered Accountants of India, Has a consulting experience of over 38 years in tax and regulatory aspects of mergers and acquisitions focusing on cross border investment and transaction structuring. He was a Director on the Board of Union Bank of India and Punjab & Sind Bank. He was also member of Steering Committee and National Executive Committee of the Federation of Indian Chambers of Commerce and Industry.
Rita Menon	Independent Non-Executive Director	A graduate in M.A (Economics) from Delhi School of Economics. She joined the Indian Administrative Service in the year 1975 and held a number of senior positions in the Government of India and the Government of Uttar Pradesh. She retired in the year 2015 from the position of Chairperson and Managing Director of India Trade Promotion Organisation. She has a vast experience in the areas of industrial development, finance, defence planning and procurement, public policy & administration, etc.
Chandra Shekhar Nopany	Non-Executive Director	He is a Chartered Accountant and Master of Science in Industrial Administration from Carnegie Mellon University, Pittsburgh, U.S.A. An industrialist having vast industrial experience in diverse fields like sugar, shipping, textiles and fertilisers
Radha Singh	Independent Non-Executive Director	She has 40 years experience in public service, in several areas including rural and agricultural development, water resources, public finance and institution building. In her capacity as Agriculture and Cooperation Secretary, she also headed various national and international organizations as Board Member/ Chairperson.
Marco Philippus Ardeshir Wadia	Independent Non-Executive Director	He is B.A. (Hons.), L.L.B. and practicing Advocate since 1986, specializing in corporate matters. He is on the Boards and Committees of various companies.

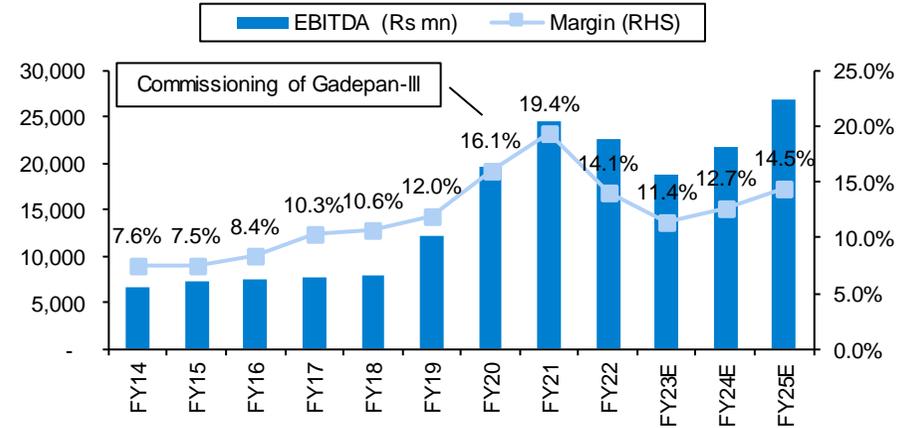
# Financial Outlook

## Revenues split by segment



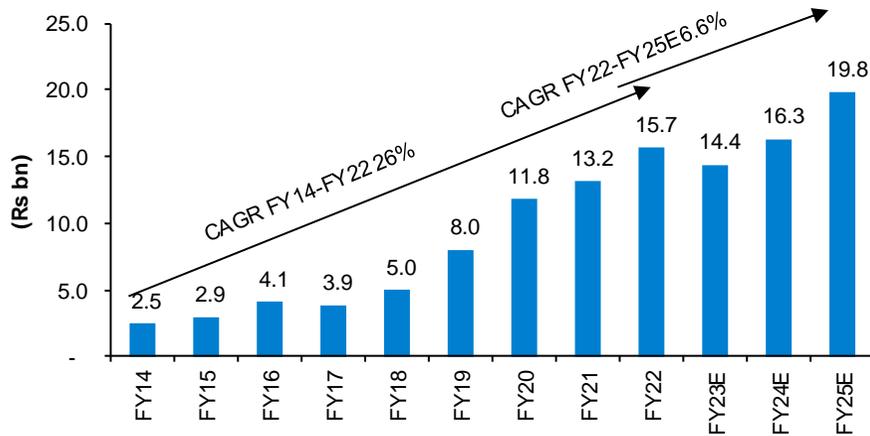
Source: Company; PL

## EBITDA/tonne is in the increasing trend supported by Gadepan-3



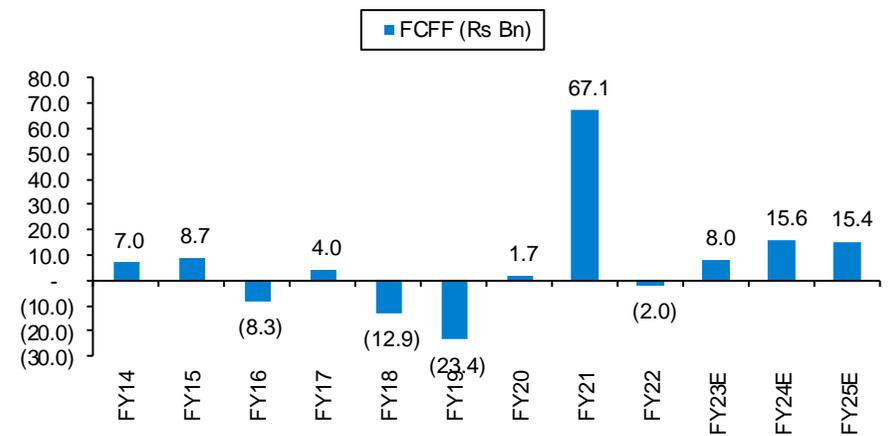
Source: Company; PL

## PAT and PAT Margins(%)



Source: Company; PL

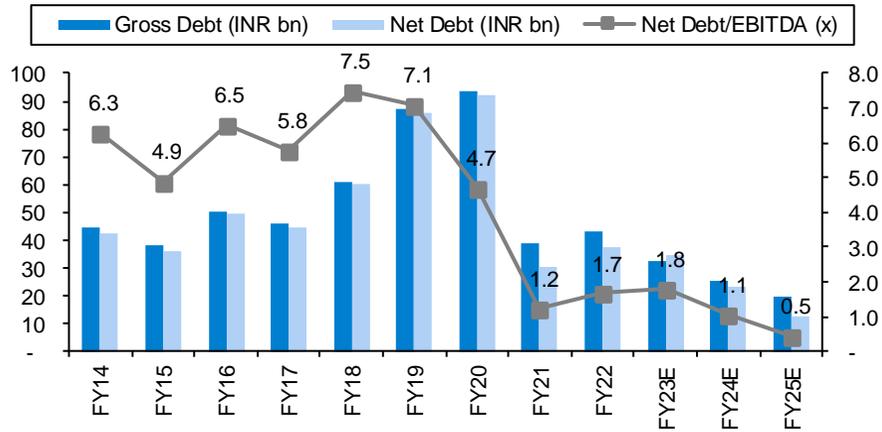
## Expect strong FCF generation over FY22-25E



Source: Company; PL

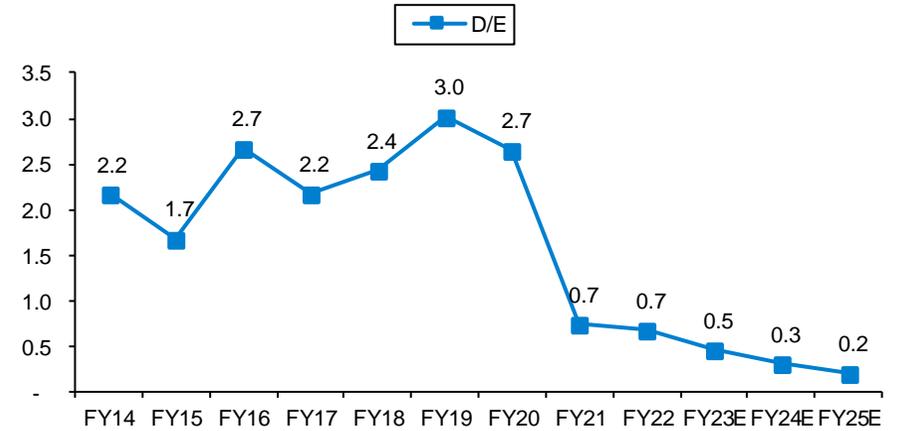
# Financial Outlook

## Net debt to come down gradually



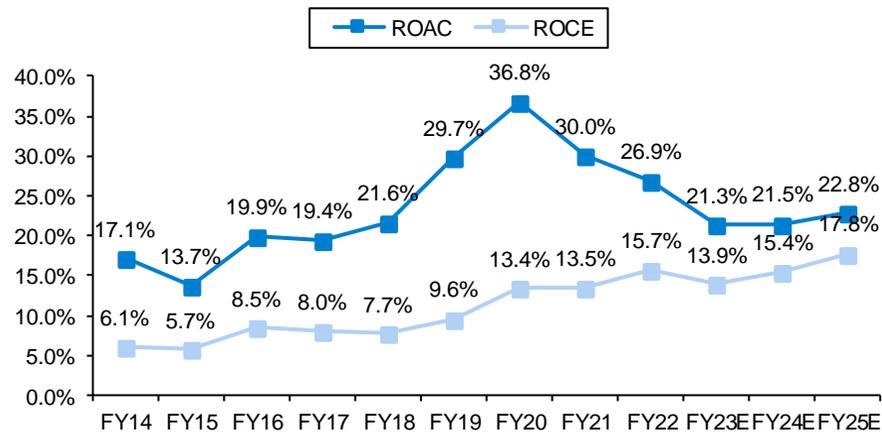
Source: Company; PL

## D/E to reduce to 0.2x by FY25E



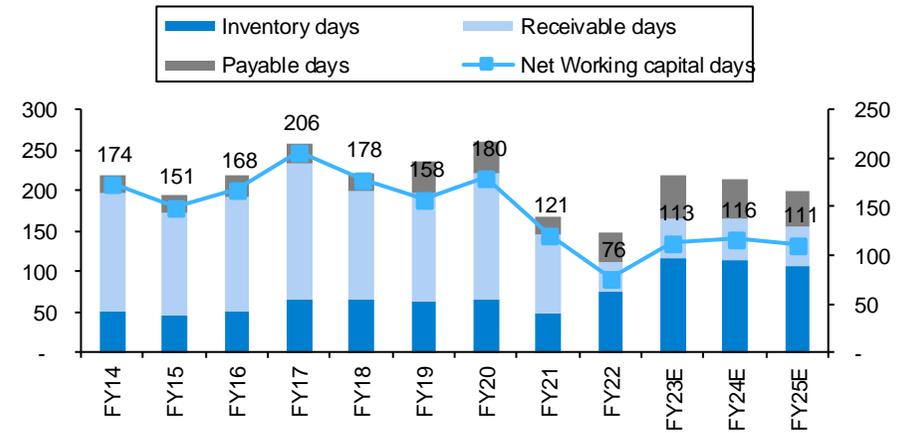
Source: Company; PL

## Return ratios improved post commissioning of Gadepan-3 in FY20



Source: Company; PL

## Sharp decline in WC in FY21/22 led by higher subsidy receivable from Govt



Source: Company; PL

# Financials – Income Statement & Balance Sheet

Y/e Mar	FY22	FY23E	FY24E	FY25E	Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>1,60,688</b>	<b>1,65,392</b>	<b>1,70,942</b>	<b>1,85,833</b>	<b>Non-Current Assets</b>				
YoY gr. (%)	-	-	-	-	<b>Gross Block</b>	<b>81,058</b>	<b>83,058</b>	<b>85,058</b>	<b>87,058</b>
Cost of Goods Sold	96,033	1,01,354	1,02,058	1,08,232	Tangibles	75,443	77,443	79,443	81,443
Gross Profit	64,655	64,038	68,884	77,601	Intangibles	5,615	5,615	5,615	5,615
Margin (%)	40.2	38.7	40.3	41.8	<b>Acc: Dep / Amortization</b>	<b>11,882</b>	<b>14,959</b>	<b>18,116</b>	<b>21,351</b>
Employee Cost	1,807	1,987	2,186	2,405	Tangibles	11,882	14,959	18,116	21,351
Other Expenses	40,227	43,167	44,958	48,316	Intangibles	-	-	-	-
<b>EBITDA</b>	<b>22,622</b>	<b>18,883</b>	<b>21,740</b>	<b>26,880</b>	<b>Net fixed assets</b>	<b>69,176</b>	<b>68,099</b>	<b>66,942</b>	<b>65,707</b>
YoY gr. (%)	(8.2)	(16.5)	15.1	23.6	Tangibles	63,561	62,484	61,328	60,092
Margin (%)	14.1	11.4	12.7	14.5	Intangibles	5,615	5,615	5,615	5,615
Depreciation and Amortization	2,997	3,077	3,156	3,236	Capital Work In Progress	1,566	1,566	1,566	1,566
<b>EBIT</b>	<b>19,625</b>	<b>15,806</b>	<b>18,583</b>	<b>23,644</b>	Goodwill	-	-	-	-
Margin (%)	12.2	9.6	10.9	12.7	Non-Current Investments	0	0	0	0
Net Interest	1,059	1,521	1,160	1,013	Net Deferred tax assets	(6,031)	(6,031)	(6,031)	(6,031)
Other Income	680	748	823	905	Other Non-Current Assets	-	-	-	-
<b>Profit Before Tax</b>	<b>19,245</b>	<b>15,033</b>	<b>18,247</b>	<b>23,536</b>	<b>Current Assets</b>				
Margin (%)	12.0	9.1	10.7	12.7	Investments	-	-	-	-
Total Tax	6,648	3,758	4,562	5,884	Inventories	31,232	33,322	30,757	32,618
Effective tax rate (%)	34.5	25.0	25.0	25.0	Trade receivables	21,513	23,563	23,417	25,457
<b>Profit after tax</b>	<b>12,597</b>	<b>11,275</b>	<b>13,685</b>	<b>17,652</b>	Cash & Bank Balance	5,541	(1,528)	1,915	7,470
Minority interest	(1)	(1)	(1)	(1)	Other Current Assets	3,859	4,245	4,670	5,137
Share Profit from Associate	3,064	3,118	2,615	2,182	<b>Total Assets</b>	<b>1,32,890</b>	<b>1,29,269</b>	<b>1,29,269</b>	<b>1,37,956</b>
<b>Adjusted PAT</b>	<b>15,660</b>	<b>14,392</b>	<b>16,299</b>	<b>19,834</b>	<b>Equity</b>				
YoY gr. (%)	-	-	-	-	Equity Share Capital	4,162	4,162	4,162	4,162
Margin (%)	9.7	8.7	9.5	10.7	Other Equity	59,834	66,946	76,209	89,179
Extra Ord. Income / (Exp)	-	-	-	-	<b>Total Networth</b>	<b>63,996</b>	<b>71,109</b>	<b>80,371</b>	<b>93,341</b>
<b>Reported PAT</b>	<b>15,660</b>	<b>14,392</b>	<b>16,299</b>	<b>19,834</b>	<b>Non-Current Liabilities</b>				
YoY gr. (%)	-	-	-	-	Long Term borrowings	24,712	16,762	8,812	2,437
Margin (%)	9.7	8.7	9.5	10.7	Provisions	495	520	546	573
Other Comprehensive Income	-	-	-	-	Other non current liabilities	-	-	-	-
Total Comprehensive Income	15,660	14,392	16,299	19,834	<b>Current Liabilities</b>				
<b>Equity Shares O/s (m)</b>	<b>416</b>	<b>416</b>	<b>416</b>	<b>416</b>	ST Debt / Current of LT Debt	18,519	16,056	16,351	17,419
<b>EPS (Rs)</b>	<b>37.6</b>	<b>34.6</b>	<b>39.2</b>	<b>47.7</b>	Trade payables	14,998	14,439	12,583	13,344
					Other current liabilities	4,274	4,488	4,712	4,948
					<b>Total Equity &amp; Liabilities</b>	<b>1,32,890</b>	<b>1,29,269</b>	<b>1,29,269</b>	<b>1,37,956</b>

# Financials – Cash Flow & Key Ratios

Y/e Mar	FY22	FY23E	FY24E	FY25E	Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	22,309	15,033	18,247	23,536	<b>Per Share(Rs)</b>				
Add. Depreciation	2,997	3,077	3,156	3,236	EPS	37.6	34.6	39.2	47.7
Add. Interest	1,037	1,521	1,160	1,013	CEPS	44.8	42.0	46.7	55.4
Less Financial Other Income	680	748	823	905	BVPS	153.8	170.8	193.1	224.3
Add. Other	(2,382)	(717)	(791)	(872)	FCF	(4.5)	19.9	38.1	37.6
Op. profit before WC changes	23,961	18,914	21,772	26,913	DPS	7.5	8.0	8.5	9.0
Net Changes-WC	(20,773)	(4,870)	654	(3,371)	<b>Return Ratio(%)</b>				
Direct tax	(3,430)	(3,758)	(4,562)	(5,884)	RoCE	19.7	15.0	17.7	21.6
<b>Net cash from Op. activities</b>	<b>(243)</b>	<b>10,285</b>	<b>17,863</b>	<b>17,658</b>	ROIC	13.7	11.1	13.6	17.4
Capital expenditures	(1,635)	(2,000)	(2,000)	(2,000)	RoE	26.9	21.3	21.5	22.8
Interest / Dividend Income	-	-	-	-	<b>Balance Sheet</b>				
Others	444	748	823	905	Net Debt : Equity (x)	0.6	0.5	0.3	0.1
<b>Net Cash from Invt. activities</b>	<b>(1,191)</b>	<b>(1,252)</b>	<b>(1,177)</b>	<b>(1,095)</b>	Net Working Capital (Days)	86	94	89	88
Issue of share cap. / premium	-	(3,117)	(2,614)	(2,181)	<b>Valuation(x)</b>				
Debt changes	2,606	(11,934)	(8,814)	(6,319)	PER	8.5	9.2	8.2	6.7
Dividend paid	(3,743)	(4,162)	(4,422)	(4,682)	P/B	2.1	1.9	1.7	1.4
Interest paid	-	-	-	-	P/CEPS	7.1	7.6	6.8	5.8
Others	(991)	(1)	(1)	(1)	EV/EBITDA	7.5	8.9	7.2	5.4
<b>Net cash from Fin. activities</b>	<b>(2,128)</b>	<b>(19,214)</b>	<b>(15,852)</b>	<b>(13,184)</b>	EV/Sales	1.1	1.0	0.9	0.8
<b>Net change in cash</b>	<b>(3,562)</b>	<b>(10,181)</b>	<b>834</b>	<b>3,379</b>	Dividend Yield (%)	2.3	2.5	2.7	2.8
Free Cash Flow	(1,878)	8,285	15,863	15,658					





# Disclaimer

Prabhudas Lilladher Pvt. Ltd. - 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai 400 018, India. Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

## PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	:	<b>&gt; 15%</b>
<b>Accumulate</b>	:	<b>5% to 15%</b>
<b>Hold</b>	:	<b>+5% to -5%</b>
<b>Reduce</b>	:	<b>-5% to -15%</b>
<b>Sell</b>	:	<b>&lt; -15%</b>
<b>Not Rated (NR)</b>	:	<b>No specific call on the stock</b>
<b>Under Review (UR)</b>	:	<b>Rating likely to change shortly</b>

### DISCLAIMER/DISCLOSURES

#### ANALYST CERTIFICATION

We/I, Mr. Himanshu Binani (MBA Finance), Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

#### Terms & conditions and other disclosures:

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd, which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at [www.plindia.com](http://www.plindia.com)

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Himanshu Binani (MBA Finance), Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

### DISCLAIMER/DISCLOSURES (FOR US CLIENTS)

#### ANALYST CERTIFICATION

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report

#### Terms & conditions and other disclosures:

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.