

Coromandel International

28 May 2020

Reuters: CORF.NS; Bloomberg: CRIN IN

May take a pause post recent rally

We maintain our Accumulate rating after raising our PE-based target price (TP) for Coromandel International (CRIN) by 26% to Rs714 (8.24% upside from CMP), following our 31%/26% upward revision in FY21-22E earnings. This is based on the good 4QFY20 results with PAT doubling YoY to Rs2.34bn - a beat of 40%/37% on consensus/NBIE estimates. The positive surprise was driven by the 17% growth in phosphatic sales (volume), 400bps/334bps beat in nutrient/CPC segment EBIT margins and 13.63% beat in CPC revenue, defying our expectation of lower volume/margin and the impact of lockdown in end Mar'20. During the 4QFY20 results concall, the management guided about healthy growth prospects and a favourable kharif crop in the coming season on indications of a good monsoon. Long term prospects look healthy, but hinge on execution of the company's plans to invest in (a) debottlenecking its fertilizer plants (b) new products and formulations in CPC and (c) new generation fertilizers and specialty nutrients with a focus on branding and B2C model. However, we believe that the stock's 57% surge in the last one year has priced in the good results and offers limited margin of safety in case of any setbacks, especially in 1QFY21 due to the following risks - i) weaker/delayed monsoon or labour shortages hampering progress in sowing and ii) the risk of damage to crops from a fresh locust swarm hitting India.

Indian government's proposal to ban 27 pesticides. This includes 4 of CRIN's products (worth Rs8bn-8.5bn in revenue). The proposal is open for public comments within 45 days of the issue of the gazette notification last week. Management stated that the industry is submitting requested data while making representations to the government against banning these chemicals, based on benefits to farmers and export prospects.

Revenue up 9%: Fertilizer revenue was up 6.8% YoY in 4QFY20 based on growth of 21.4% YoY in manufactured volume. CPC revenue was up 21.8% YoY.

EBITDA margin up 380bps at 13.62%: The company's share of revenue from the subsidy business remained unchanged at 80% compared to last year. The EBITDA share of the subsidy business came in at 75% for 4QFY20 vs.73% a year ago. Fertilizer EBIT per tonne was up by 60% at Rs3,249/tonne, which boosted segment EBIT by 56% to Rs3.1bn. Growth in fertilizer earnings was supported by soft input prices, operational efficiencies and brand equity enjoyed by its grades.

Capex of Rs3bn -4bn to develop new products in high margin CPC segment, increasing footprint of retail business, capacity augmentation for future growth in fertilizers and for R&D for developing new molecules and speciality nutrients. Additionally, some capex is planned for the debottlenecking of fertilizer plants. Management stated that cash level would continue to remain healthy going ahead.

CPC margin under pressure. CPC EBIT margin dipped 53bps to 13.5%. CPC's share of revenue was 15.4% vs 13.1% a year ago. New products launched include Astra - new generation insecticide. The company plans to invest in new projects to introduce combination molecules and increase its B2C presence.

Healthy balance sheet: Net debt for FY20 stood at Rs11.1bn vs Rs23.6bn last year and net debt/EBITDA for FY20 is comfortable at 0.64x. The company's subsidy dues have increased from Rs20.2bn last year to Rs23bn as of Mar'20. The ROCE for FY20 has come in at 18.96%.

Exhibit 1: 4QFY20 Result

Y/E March (Rsmn)	4QFY19	4QFY20	Ch YoY %	3QFY20	Ch QoQ %	4QFY20E	Var. (%)
Net sales	26,383	28,693	9	32,787	-12	29,489	-3
Cost of goods	18,527	18,658	1	22,466	-17	20,118	-7
Employee benefits expenses	1,054	1,169	11	1,207	-3	1,048	11
Other expenses	4,212	4,959	18	4,794	3	4,939	0
EBITDA	2,590	3,907	51	4,320	-10	3,384	15
EBITDAM (%)	9.82	13.62	380	13.18	44	11.48	214
Depreciation and amortization	351	451	28	408	10	705	-36
Other income	86	115	33	91	27	96	20
Interest expenses	653	434	-33	459	-5	479	-9
Exceptional income/ (exp)	(37)	-	-	-	-	-	-
Profit before tax	1,635	3,137	92	3,544	-11	2,296	37
Tax expenses	533	800	50	899	-11	586	37
Share of JV and assoc. +/-	2	4	-	1		3	-
Adj.Consol. PAT	1,141	2,342	105	2,645	-11	1,713	37
NPM (%)	4.32	8.16	384	8.07	9	5.81	235
EPS	3.90	8.01	105	9.05	-91	5.86	37

Source: Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

ACCUMULATE

Sector: Chemicals

CMP: Rs660

Target Price: Rs714

Upside: 8%

Amit Agarwal

Research Analyst

amit.agarwal@nirmalbang.com

+91-22-6273 8145

Key Data

Current Shares O/S (mn)	293.0
Mkt Cap (Rsbn/US\$bn)	193.5/2.6
52 Wk H / L (Rs)	700/337
Daily Vol. (3M NSE Avg.)	323,068

Price Performance (%)

	1-M	6-M	1-Y
CRIN	18.2	39.5	57
Nifty Index	0.4	(23.0)	(21.9)

Source: Bloomberg

Exhibit 2: 4QFY20 results vs NBIE and Bloomberg estimates

Rs Bn	NBIE 4QFY20E	4Q FY20A	Var %	Bloomberg Consensus estimates	Var %
Net Revenue	29.49	28.69	(2.70)	27.79	3.24
EBITDA	3.38	3.91	15.45	3.17	23.16
PAT	1.71	2.34	36.68	1.67	40.36

Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

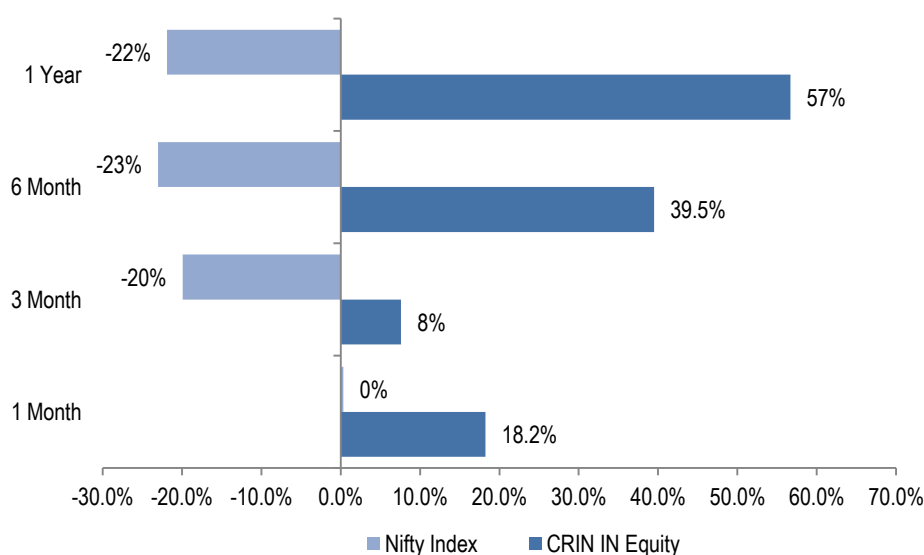
Investment Rationale

We have raised our TP by 26% to Rs714 based on 16.6x PE on our revised FY22E EPS. Our target multiple is at 6% premium to CRIN's 5-year average PE. We believe this is justified based on the company's cost leadership, brand equity with farmers and best in class management. Our TP revision follows 31.3%/26.1% upgrade in FY21-22E earnings, based on the strong FY20 performance and healthy long term prospects under normal monsoon assumptions, supported by the government's thrust to increase farm incomes and the company's long term growth initiatives on CPC and specialties to increase the share of non-subsidy business revenue currently at around 20%.

Exhibit 3: Earnings revision

Rs Mn	Revised estimate			Earlier estimate			% Revision		
	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Nutrient Revenue	1,14,665	1,13,031	1,14,950	1,16,002	99,594	1,16,812	-1.2	13.5	-1.6
CPC Revenue	16,702	19,874	22,279	16,161	19,312	21,622	3.3	2.9	3.0
Total Revenue	1,31,367	1,32,905	1,37,229	1,32,163	1,18,906	1,38,434	-0.6	11.8	-0.9
EBITDA	17,310	17,906	20,143	16,787	14,721	17,115	3.1	21.6	17.7
EBITDA margin (%)	13.18	13.47	14.68	12.70	12.38	12.36	-	-	-
Nutrient EBIT	13,764	12,771	14,410	13,130	9,548	12,031	4.8	33.7	19.8
CPC EBIT	1,966	3,078	3,604	1,823	3,212	3,073	7.8	-4.2	17.3
Total EBIT	15,730	15,849	18,014	14,954	12,760	15,104	5.2	24.2	19.3
EBIT margin	11.97	11.92	13.13	11.31	10.73	10.91	-	-	-
PAT	10,650	10,862	12,679	10,020	8,271	10,052	6.3	31.3	26.1
EPS	36.30	36.95	43.03	34.15	28.13	34.12	6.3	31.3	26.1
TP		714			567			26.1	

Source: Nirmal Bang Institutional Equities Research

Exhibit 4: Stock performance chart %


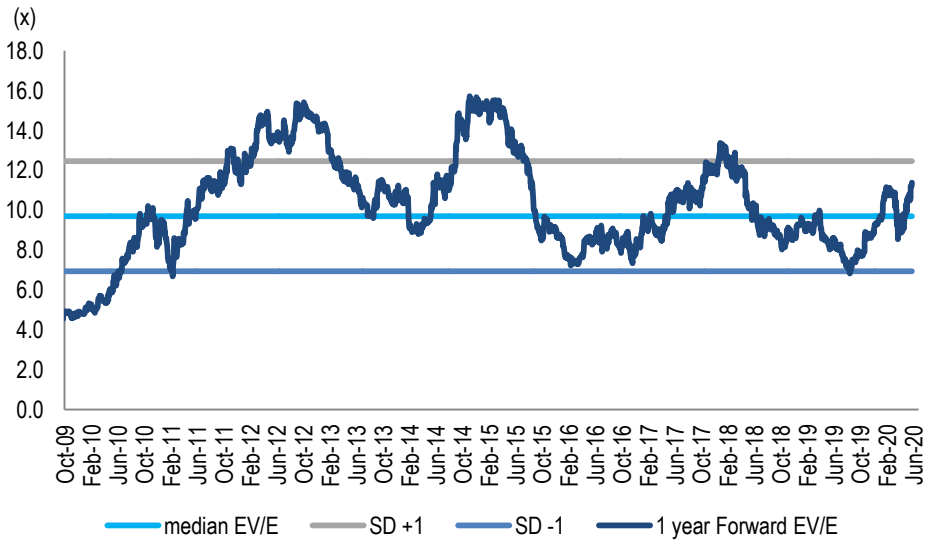
Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 5: 10-year forward P/E

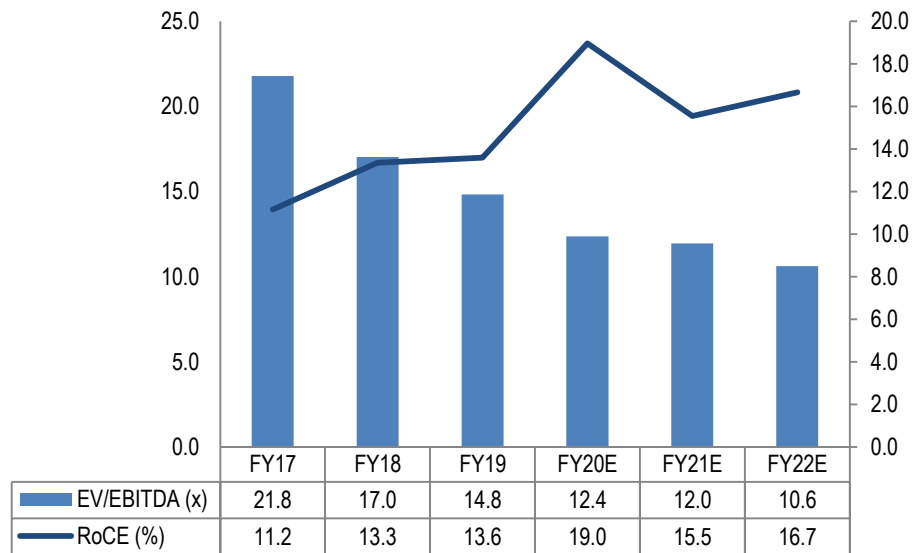


Source: Nirmal Bang Institutional Equities Research

Exhibit 6: 10-year forward EV/EBITDA



Source: Nirmal Bang Institutional Equities Research

Exhibit 7: EV/EBITDA vs ROCE


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 8: Peer group comparison

	Code	CMP	Mkt cap \$bn	Cons EPS est.FY21E	PE FY21E	EV/EBITDA FY21
Chambal Fertilizers and Chemic	CHMB IN Equity	Rs 164.75	0.96	-	7.44	-
Sociedad Quimica y Minera de C	SQM/B CI Equity	CLP 22300	7.03	1.25	22.24	10.18
Yara International ASA	YAR NO Equity	NOK 335.4	9.93	3.42	10.68	6.16
K+S AG	SDF GR Equity	EUR 8.764	1.86	0.69	13.93	7.64
Mosaic Co/The	MOS US Equity	USD 19.84	7.51	0.97	20.37	7.23
PhosAgro PJSC	PHOR RM Equity	RUB 2469	5.01	-	10.53	6.09
Acron PJSC	AKRN RM Equity	RUB 4838	3.07	-	8.03	7.44
Uralkali PJSC	URKA RM Equity	RUB 119.04	5.47	-	-	-
Taiwan Fertilizer Co Ltd	1722 TT Equity	TWD 47.1	1.52	0.07	23.37	17.06
Nutrien Ltd	NTR CN Equity	CAD 56.49	24.44	2.79	15.29	7.54
Fauji Fertilizer Co Ltd	FFC PA Equity	104.5	0.86	0.10	6.89	3.65
China BlueChemical Ltd	3983 HK Equity	HKD 1.63	0.97	0.03	7.55	2.95
Incitec Pivot Ltd	IPL AU Equity	AUD 3.16	3.42	0.15	14.50	7.29
Kingenta Ecological Engineerin	002470 CH Equity	CNY 2.3	1.08	0.03	10.45	4.38
CF Industries Holdings Inc	CF US Equity	USD 40.28	8.76	2.43	16.56	8.58
Sinofert Holdings Ltd	297 HK Equity	HKD 0.77	0.69	0.01	8.69	5.66
Abou Kir Fertilizers & Chemic	ABUK EY Equity	20.24	1.62	0.15	8.44	7.47
Saudi Arabian Fertilizer Co	SAFCO AB Equity	SAR 74	8.22	1.11	17.74	13.52
Average				0.94	13.10	7.68

Source: Company, Nirmal Bang Institutional Equities Research

Key highlights from CRIN conference-call

Industry overview:

- Sale of phosphatic fertilisers for the industry as a whole has improved to approx. 20mn tonnes in FY20 as against 18.6mn tonnes in FY19.
- FY20 has been a good year for agriculture on account of good rabi season. Foodgrain production was up by about 4% in the past year. Also, various government initiatives have enabled better conditions for agriculture - like better irrigation infrastructure available in the states of Telangana and Andhra Pradesh.
- The management is positive about the future prospects and a robust growth in future on the merits of good farm economics and expectation of normal monsoon, which shall be enablers for a good kharif season going ahead.
- Management expressed concern over the locust attack in India and mentioned that it could severely affect crops yields. The company has 2 products which can help against the locust attack, but warned that the situation could affect agriculture output if not dealt with in time.

FY20 Highlights:

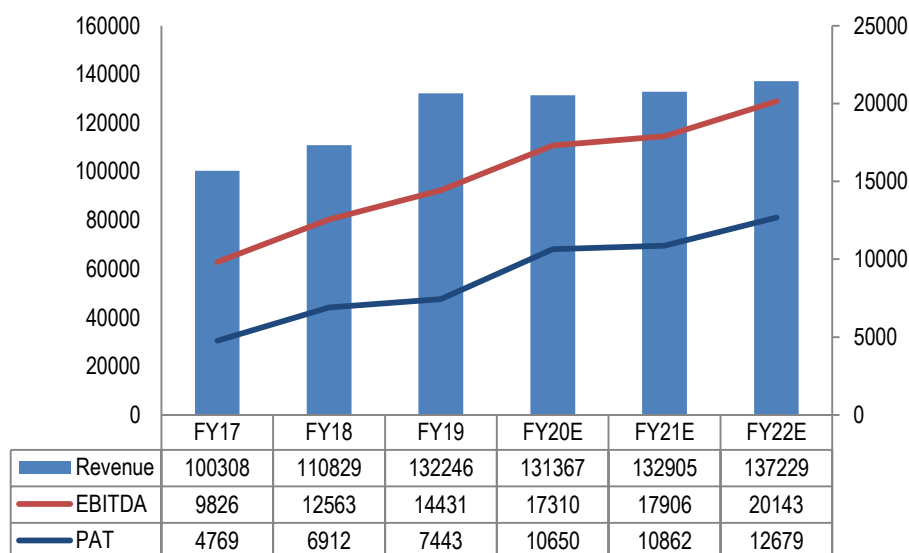
- Company volumes: NPK production up 23.4% YoY to 0.58mn tonnes for 4QFY20, and 7.43% YoY at 2.6mn tonnes in FY20. DAP production down 15.3% at 0.11mn tonnes for 4QFY20 and 11.47% YoY at 0.54mn tonnes for FY20.
- Phosphatic fertilizer POS sales volumes up 20%.
- The subsidy-non subsidy mix for FY20 revenue was 80:20 and for EBITDA the mix was 75:25. Out of total subsidy receivables of Rs23bn as of March 20, claims for approximately Rs11bn have been filed and are pending disbursement from the government.
- The company introduced 6 new molecules in the past year, out of which 2 are completely developed and manufactured in-house and the rest 4 are newly developed formulations.
- Currently all the plants are functional at around 86-88% of full capacity and the company can accommodate production ramp-up up to 95-100%.
- The gross debt stood at Rs16.25bn and net debt at Rs11.2bn as of March 20. This is net of approx. Rs5.05bn as cash and cash equivalents for this calculation.
The dividend payout ratio is 33.12%, which is in line with the company's dividend policy.

Capex and future development plans:

- The company is looking to improve its footprint in the CPC segment by investing in its R&D department, which has been set up since 2015. It is also looking to develop new generation molecules, speciality nutrients and custom-made nutrients. It also sees the current nutrient business expanding in future.
- The company had initially planned a capex of approx. Rs4bn for FY21. However, this may spill over for a quarter or so next year due to the covid situation. The future capex guidance would remain in the range of Rs3 to Rs4bn per year.

Impact of draft notification on ban on certain pesticides

- The government recently released a draft notification for ban of 27 molecules. It is released for comments from the industry based on which a final decision would be taken.
- In terms of impact for the company, there are 4 products within the CPC segment which might get affected: Mancozeb, Malathion, Monocrotophos and Acephate. These four products together contribute Rs8 to Rs8.5bn to CRIN's revenue. However, the company does not expect these products, especially Mancozeb to be banned due to: a) it is one of the most basic products used by farmers and b) The problem is on account of incomplete data with the government, for which the company is working with other industry players to address it appropriately. It is banned only in one country – Saudi Arabia. The company also highlighted that Malathion is the recommended chemical to exterminate the locust swarm, which is looming as a potential threat to India's crops.

Coromandel's financial in charts
Exhibit 9: Improving financials


Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: Healthy FCF yield and dividend yield

	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
FCF yield %	(0.21)	4.03	1.42	(0.34)	7.77	0.87	4.56
Dividend yield %	0.64	0.79	1.03	1.03	1.03	1.03	1.03

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 11: Key Financials

Y/E March (Rsmn): Consolidated	FY18	FY19	FY20	FY21E	FY22E
Net sales	1,10,829	1,32,246	1,31,367	1,32,905	1,37,229
EBITDA	12,563	14,431	17,310	17,906	20,143
EBIT	11,572	13,292	15,730	15,849	18,014
Consolidated Net Profit Adj	6,912	7,443	10,650	10,862	12,679
EV/FCFF (x)	72.47	(302.85)	13.05	24.37	14.52
Adj. EPS (Rs)	23.66	25.47	36.45	37.17	43.39
EPS growth (%)	44.93	7.69	43.09	1.99	16.72
EBITDA margin (%)	11.34	10.91	13.18	13.47	14.68
PER (x)	27.48	25.52	17.83	17.49	14.98
EV/EBITDA (x)	17.0	14.8	12.4	12.0	10.6
Net Debt/Equity (x)	60.94	70.48	25.90	16.05	-0.51
RoCE (%)	13.35	13.58	18.96	15.54	16.66
RoE (%)	23.89	23.04	27.75	23.26	23.25

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Segment details

	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Revenue Rs Mn							
Nutrient & Other	1,04,519	89,134	96,024	1,15,053	1,15,500	1,14,053	1,15,984
Crop protection	12,816	14,082	16,622	18,019	16,854	20,060	22,467
Less Inter segment revenue	997	1,265	1,375	826	987	1,207	1,221
Total	1,16,338	1,01,951	1,11,271	1,32,246	1,31,367	1,32,905	1,37,229
EBIT Rs Mn							
Nutrient & Other	5,951	7,305	10,144	10,667	13,764	12,771	14,410
Crop protection	1,642	2,615	2,687	2,625	1,966	3,078	3,604
Total	7,592	9,920	12,831	13,292	15,730	15,849	18,014
Revenue Mix %							
Nutrient & Other	89.1	86.4	85.2	86.5	87.3	85.0	83.8
Crop protection	10.9	13.6	14.8	13.5	12.7	15.0	16.2
EBIT Mix %							
Nutrient & Other	78.4	73.6	79.1	80.2	87.5	80.6	80.0
Crop protection	21.6	26.4	20.9	19.8	12.5	19.4	20.0

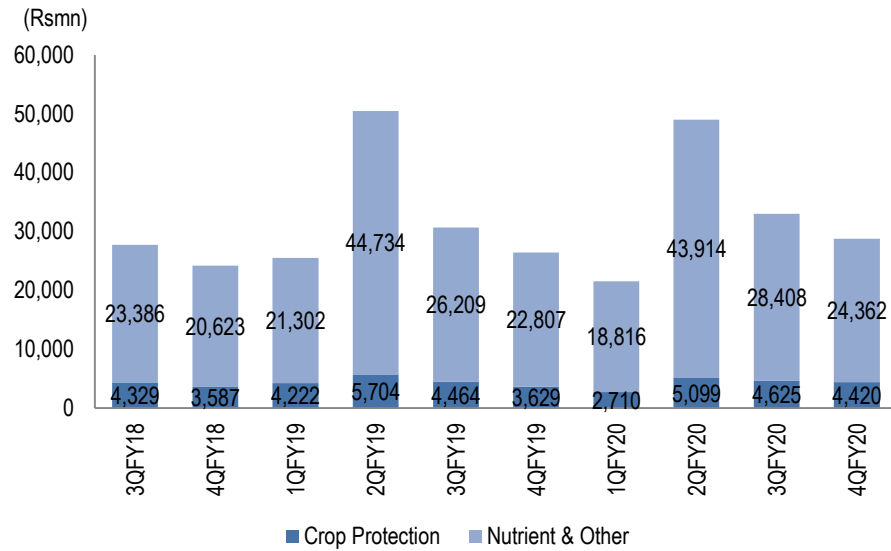
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 13: CRIN 4QFY20 Segment results

Segment Revenue	4QFY19	4QFY20	Ch YoY %	3QFY20	Ch QoQ %	FY19	FY20	Chg YoY %
Nutrient & Other	22,807	24,362	6.8	28,408	-14	1,15,053	1,15,500	0.4
Crop protection	3,629	4,420	21.8	4,625	-4	18,019	16,854	-6.5
Total Revenue	26,436	28,783	9	33,033	-13	1,33,072	1,32,354	-0.5
Less: Inter-segment	53	89	68	247	-64	826	987	19.5
Net revenues	26,383	28,693	9	32,787	-12	1,32,246	1,31,367	-0.7
Segment EBIT								
Nutrient & Other	1,729	3,119	80	3,649	-15	11,803	15,070	27.7
Crop Protection	510	598	17	713	-16	2,832	2,203	-22.2
Corp. exp	276	260	-87	451	-42	1,343	1,543	-88.4
Total EBIT	1,963	3,457	76	3,912	-12	13,292	15,730	18.3
Segment EBIT %								
Nutrient and other allied business	7.6	12.8	522	12.8	-4	10.3	13.0	278
Crop protection	14.1	13.5	-52.5	15.4	-188.7	15.7	13.1	-264
Total EBIT Margin	7.4	12.0	460.8	11.9	11.6	10.1	12.0	192

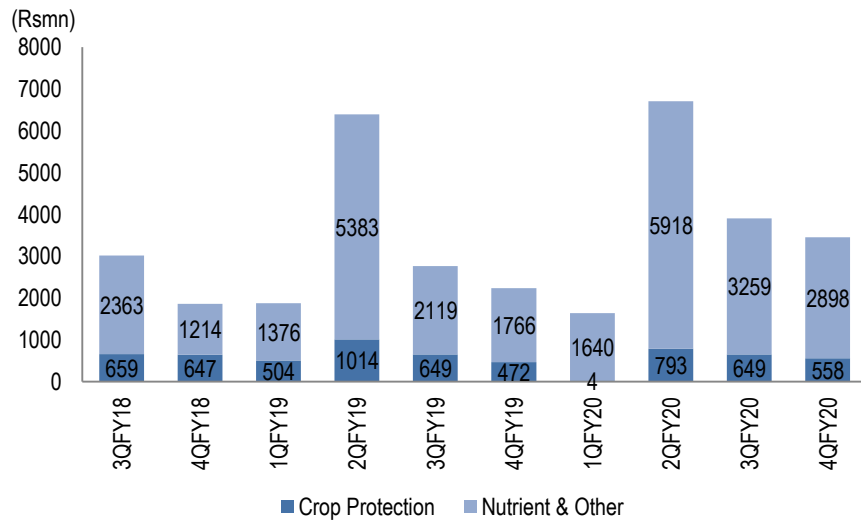
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 14: Segment revenue trend



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Segment EBIT trend



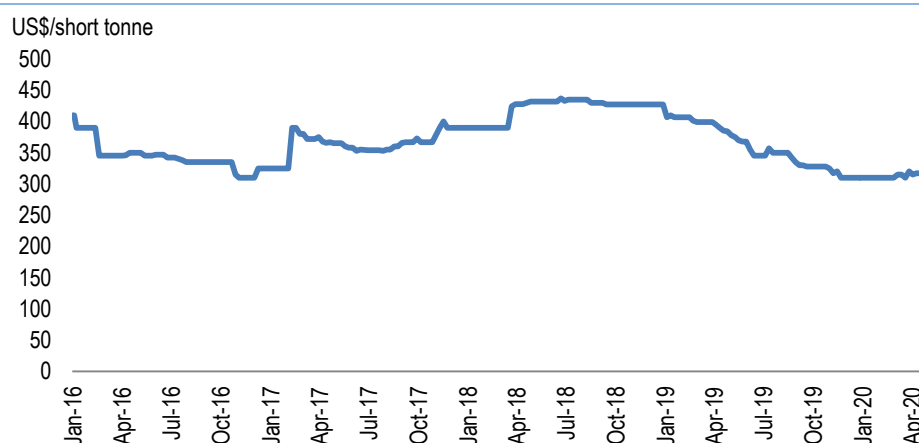
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 16: 4QFY20 Margin Analysis

Margins%	4QFY19	4QFY20	Ch bps	3QFY20	Ch bps	FY19	FY20	Chg bps
EBITDA	9.8	13.6	380.1	13.2	44.1	10.9	13.2	226
EBIT	8.5	12.0	356.1	11.9	11.6	10.1	12.0	192
PBT	6.3	10.9	459.5	10.8	12.6	8.3	10.5	223
PAT	4.3	8.2	383.8	8.1	9.5	5.4	8.1	266
Tax rate	31.9	25.5	-640.3	25.4	11.4	34.1	22.8	-1133
Per tonne						FY19	FY20	Chg YoY%
Revenue/ unit Mfd. Volumes	40,727	35,827	-12.0	23,674	51	41,686	37,622	-10
EBIT/Mfd Volumes	3,087	4,586	48.6	4,932	-7	4,277	4,909	15
Revenue/ Sales Volumes	23,037	25,377	10.2	26,063	-3	24,532	26,552	8
EBIT/ Sales Volumes	1746.1	3248.6	86.1	3348.1	-3	2516.7	3464.3	38

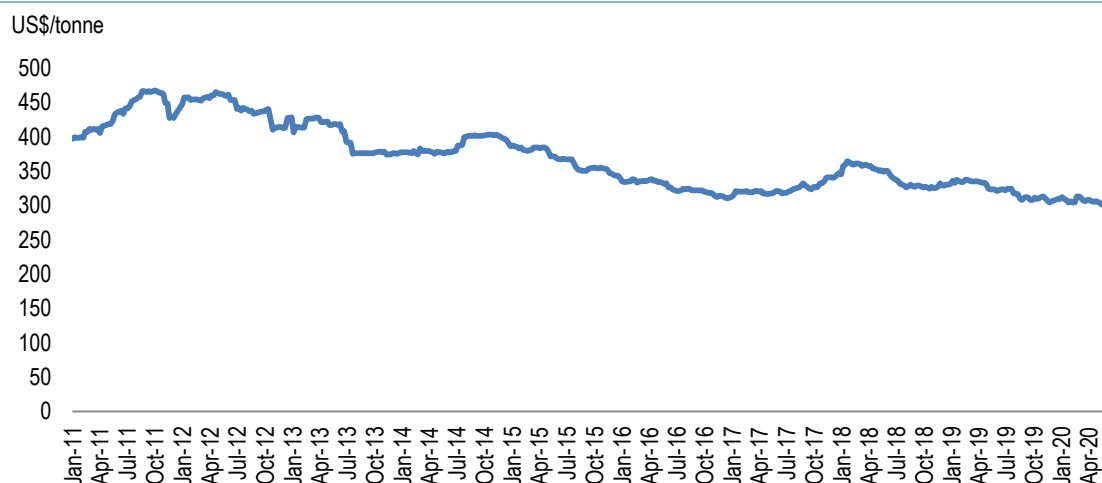
Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: India DAP CFR prices please update



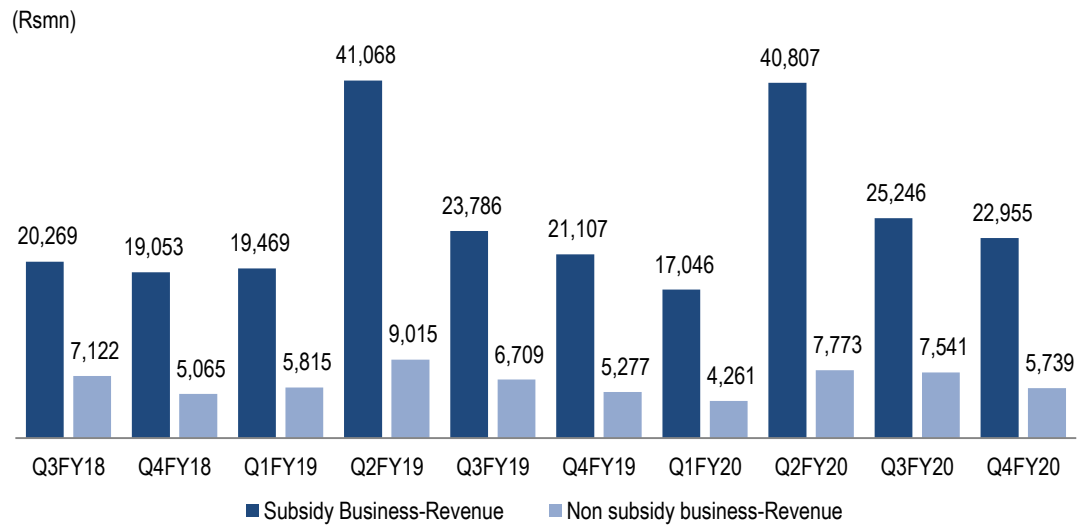
Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 18: China NPK prices please update



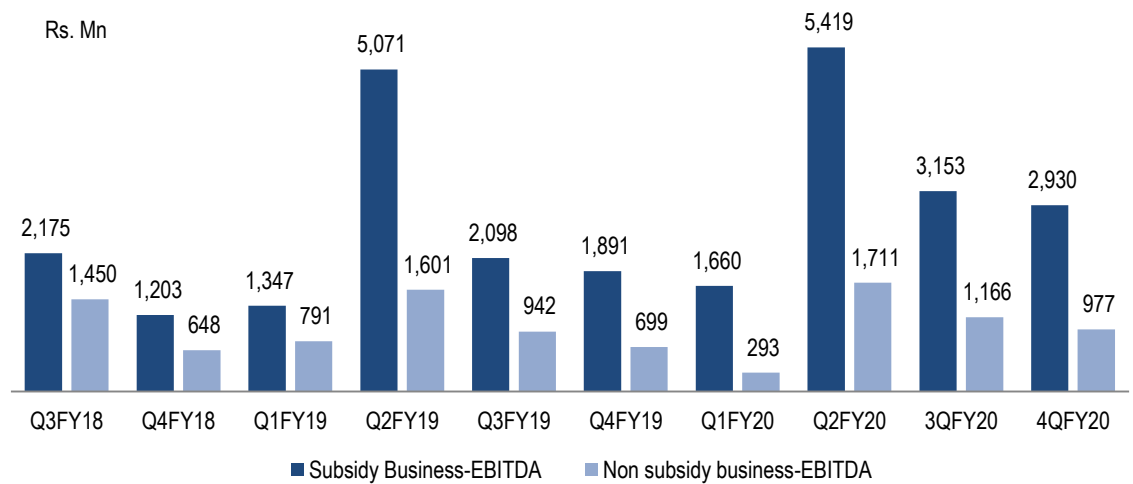
Source: Bloomberg, Nirmal Bang Institutional Equities Research

Exhibit 19: Quarterly revenue trend across subsidized and non-subsidized businesses



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 20: Quarterly EBITDA trend across subsidized and non-subsidized businesses



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 21: Product Mix

Brands under FUNGICIDE	
Brand Name	Technical
Aaroosh	Propineb 70% WP
Agni	Tricyclazole 75% WP
Azogro	Azoxystrobin 23% SC
Benofit	Benomyl 50% WP
Colastro	Metiram 55% + Pyraclostrobin 5% WP
Corazole EC	Hexaconazole 5% EC
Corazole SC	Hexaconazole 5% SC
Hexastop	Thiophanate Methyl 70% WP
Jatayu	Chlorothalonil 75% WP
Kapeni	Carbendazim 12%+ Mancozeb 63% WP
Marlett	Mancozeb 75% WP
Odin	Dimethomorph
Propicron	Propiconazole 25% EC
Sten	Carbendazim 50% WP
Brands under HERBICIDE	
Brand Name	Technical
Cormix	Metsulfuron Methyl 10% + Chlorimuron Ethyl 10% WP
Eezykill	Pendimethalin 30% EC
Fervent	Imazethapyr 10% SL
Glycor	Glyphosate 41% SL
Grometri	Metribuzin 70% WP
Killshot	Ammonium Salt of Glyphosate 71% SG
Pilot	Pretilachlor 50% EC
Pyramox	Imazamox 35% + Imazethapyr 35% WG
Skipper	ClodinafopPropargyl 15% WP
Weedax	Paraquat dichloride 24% SL
Brands under INSECTICIDE	
Brand Name	Technical
Aayudh	Carbosulfan 25% EC
Ajanta	Profenofos 50% EC
Ajanta super	Profenofos 40% EC + Cypermethrin 4% EC
Benzer	Emamectin Benzoate 5% SG
Canister	Bifenthrin 10% EC
Catchh	Chlorpyrifos 50% + Cypermethrin 5% EC
Cyperkill	Cypermethrin 25% EC
Cythion	Malathion 50% EC
Endurer	Hexythiazox 5.45% EC
Ferotia	Diafenthiuron 50% WP
Integer	Chlorpyrifos 50% EC
Josh SP	Cartap Hydrochloride 50% SP
Marvex Super	Dichlorvos 76% EC
Ninja	Buprofezin 25% SC
Optra	Thiomethoxam 25% WG
Ortain	Acephate 75% SP
Parry Ratna	Cartap Hydrochloride 4% G
Parryfos / Monophos	Monocrotophos 36% SL
Parymida	Imidacloprid 17.8% SL
Permasect	Permethrin 25% EC
Phendal	Phenthoate 50 % EC
Salvo Gr	Fipronil 0.3% G
Salvo SC	Fipronil 5% SC
Scuba	Acetamid 20% SP
Trishul	Chlorpyrifos 20% EC
Brand under Bio Stimulants	
Brand Name	Technical
Fantac Plus	Mixture of Amino acids and vitamins

Source: Company, Nirmal Bang Institutional Equities Research

Consolidated Financials
Exhibit 22: Income statement

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Net Revenue	1,10,829	1,32,246	1,31,367	1,32,905	1,37,229
y/y %	10	19	(1)	1	3
Purchase of stock in trade	12,442	21,594	13,503	13,710	14,121
Cost of material consumed plus Ch in invent.	63,652	71,802	77,053	77,274	78,228
Gross Profit	34,735	38,850	40,811	41,922	44,880
Employee cost	3,619	4,111	4,611	4,786	5,025
Freight cost	9,792	10,327	8,844	8,989	9,438
Other expenses	8,761	9,981	10,046	10,242	10,273
EBITDA	12,563	14,431	17,310	17,906	20,143
y/y %	28	15	20	3	12
Depreciation	991	1,138	1,580	2,057	2,130
EBIT	11,572	13,292	15,730	15,849	18,014
Interest Expense	1,783	2,507	2,353	2,045	2,282
Other Income	597	371	400	700	1,200
PBT (adjusted)	10,386	11,156	13,777	14,505	16,932
- Income Tax Expense	3,468	3,721	3,135	3,651	4,262
- Share of Associate	(6)	8	8	8	8
PAT (adjusted)	6,912	7,443	10,650	10,862	12,679
Diluted EPS (adjusted)	23.66	25.47	36.45	37.17	43.39
y/y %	44.93	7.69	43.09	1.99	16.72

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 24: Balance sheet

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Equity	292	293	293	293	293
Reserves	28,670	33,291	42,884	49,939	58,519
Net worth	28,963	33,584	43,177	50,232	58,812
Other long term liab.	1,508	1,370	891	891	891
Long term Lease Liab.	0	0	3,754	3,938	3,938
Accounts payables	33,786	37,625	33,481	24,927	25,301
Other ST liabilities	6,943	3,616	3,933	3,933	3,933
Short-term loans	27,284	29,545	16,251	21,251	17,251
Total Equity & Liabilities	98,484	1,05,739	1,01,488	1,05,172	1,10,127
Gross block	24,882	25,477	30,165	32,165	34,415
Accum. Depreciation	11,612	12,386	13,966	16,023	18,152
Net block	13,270	13,092	16,200	16,142	16,263
Goodwill	3	3	3	3	3
Other LT assets + WIP	1,379	3,106	5,230	6,730	8,480
Long-term investments	2,213	2,007	2,118	2,118	2,118
Inventories	22,625	32,414	26,971	22,434	21,506
Debtors (trade and subsidy)	42,046	42,179	40,503	39,162	38,809
Cash and Equivalent	4,465	1,321	505	8,626	12,990
Cash & ST Investments	5,168	4,554	4,563	4,563	4,563
Other current assets	7,315	7,064	5,395	5,395	5,394
Total current assets	81,619	87,532	77,938	80,179	83,262
Total assets	98,484	1,05,739	1,01,488	1,05,172	1,10,126

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 23: Cash flow

Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
PBT	10,381	10,926	13,785	14,505	16,932
Add Depreciation & Amortization	991	1,138	1,580	2,057	2,130
Add interest less other income and other adj	2,299	1,510	3,774	1,344	1,082
Ch in working Capital (inc)/dec less taxes	(7,540)	(4,601)	3,119	(2,675)	1,655
Cash From Op. Activities	2,633	5,264	18,620	11,580	17,537
Disposal of Fixed Assets	31	20	2	-	-
Capital Expenditures	(1,328)	(2,731)	(2,561)	(3,500)	(4,000)
Increase in Investments & Subsidiaries	(4,263)	(4,231)	(2,732)	-	-
Decrease in Investments	4,114	753	2,712	-	-
Other Investing Activities	1,145	(203)	(5)	-	-
Other Income	621	420	364	700	1,200
Cash From Investing Activities	320	(5,971)	(2,219)	(2,800)	(2,800)
Free cashflow to firm	2,953	(707)	16,400	8,780	14,737
Dividends Paid	(2,813)	(2,292)	(1,234)	(3,799)	(4,091)
Change in Short-Term Borrowings	4,437	2,316	(13,574)	5,000	(4,000)
Change in Short term inv	-	-	-	-	-
change in Long-term Borrowing	-	-	-	183	-
Change in Capital Stocks	167	45	137	-	-
Interest paid	(1,801)	(2,511)	(2,399)	(2,045)	(2,282)
Others	55	4	(161)	-	-
Cash from Financing Activities	45	(2,437)	(17,231)	(660)	(10,373)
Net Changes in Cash	2,998	(3,144)	(831)	8,120	4,364
Opening cash	1,467	4,465	1,321	505	8,626
Closing cash	4,465	1,321	491	8,626	12,990

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 25: Key Ratios

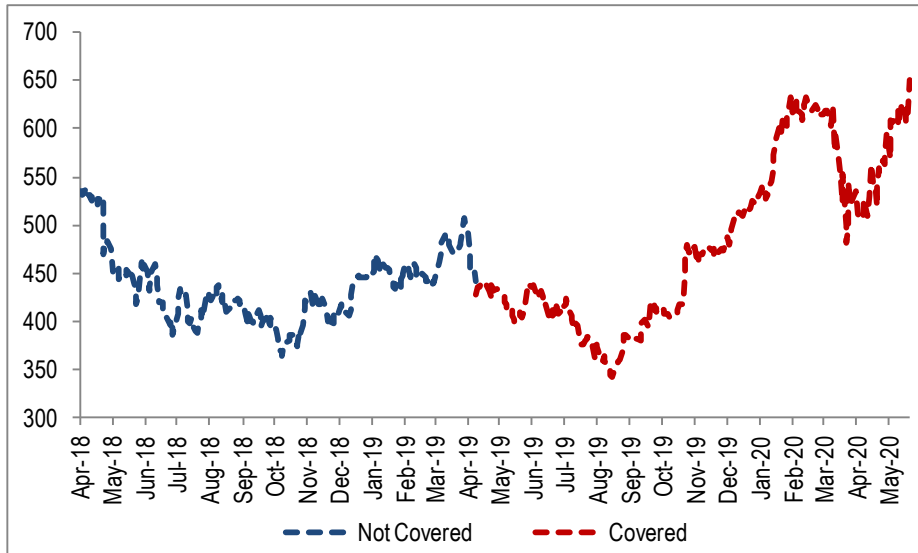
Y/E March (Rsmn)	FY18	FY19	FY20	FY21E	FY22E
Profitability & return ratios					
EBITDA margin (%)	11.3	10.9	13.2	13.5	14.7
EBIT margin (%)	10.44	10.05	11.97	11.92	13.13
Adj Net profit margin (%)	6.24	5.45	8.11	8.17	9.24
RoE (%)	23.89	23.04	27.75	23.26	23.25
RoCE (%)	13.35	13.58	18.96	15.54	16.66
RoIC (%)	16.59	16.97	18.02	20.52	22.39
Working capital ratios					
Trade receivables (days) *	53	47	49	50	50
Subsidy receivables (days)	85	69	65	70	70
Inventory (days)	66	76	83	90	85
Payables (days)	104	99	99	100	100
Cash conversion cycle	14	24	33	40	35
Leverage and FCF ratios					
Net debt/(cash) (Rsmn)	17,651	23,670	11,183	8,062	-302
Net Debt (cash)/Equity (x)	60.94	70.48	25.90	16.05	(0.51)
Total debt/Equity (x)	0.94	0.88	0.38	0.42	0.29
FCFF Yield (%)	1.38	(0.33)	7.66	4.10	6.89
FCF/Sales (%)	2.66	(0.53)	12.48	6.61	10.74
Valuation ratios					
EV/sales (x)	1.9	1.6	1.6	1.6	1.6
EV/EBITDA (x)	17.0	14.8	12.4	12.0	10.6
P/E (x)	27.5	25.5	17.8	17.5	15.0
P/BV (x)	6.6	5.7	4.4	3.8	3.3

Source: Company, Nirmal Bang Institutional Equities Research* excluding subsidy

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
15 th February 2019	Buy	445	600
10 th April 2019	Accumulate	436	495
24 th July 2019	Sell	382	336
9 th October 2019	Sell	412	379
25 th October 2019	Accumulate	466	468
4 th February 2020	Accumulate	630	630
28 th May 2020	Accumulate	660	714

Rating track graph



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BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

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Team Details:			
Name		Email Id	Direct Line
Rahul Arora	CEO	rahul.arora@nirmalbang.com	-
Girish Pai	Head of Research	girish.pai@nirmalbang.com	+91 22 6273 8017 / 18
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
 Nr. Peninsula Corporate Park,
 Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010