

Extra Ordinary performance

 25th July 2008

BUY

Price	Target Price
Rs 160	Rs 175

Sensex – 14,777

Price Performance

(%)	1M	3M	6M	12M
Absolute	41	21	40	88
Rel. to Sensex	34	37	63	100

Source: Bloomberg

Stock Details

Sector	Fertilisers
Reuters	CORF.BO
Bloomberg	CRFT@IN
Equity Capital (Rs mn)	280
Face Value (Rs)	2
No of shares o/s (mn)	140
52 Week H/L (Rs)	165/77
Market Cap (Rs bn /USD mn)	22/522
Daily Avg Vol (No of shares)	124364
Daily Avg Turnover (US\$ mn)	0.4

Shareholding Pattern (%)

	31/3/08	31/12/07	30/9/07
Promoters	63.7	63.7	69.7
FII/NRI	6.5	6.2	2.1
Institutions	11.1	11.2	11.9
Private Corp.	1.9	2.4	2.2
Public	16.8	16.6	14.1

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Coromandel Fertilizers Ltd (CFL) reported exceptionally good results for Q1FY09 and results were above our expectations. Net revenues increased by 232% YoY to Rs 14 bn driven by (1) approximately 90% growth in fertiliser sales volumes, (2) increase in fertiliser realisations and (3) 50-60% growth in pesticides business. EBITDA margins for the quarter declined by 576 bps YoY to 11.6% (on higher base) but was significantly above our expectation. Change in complex grade fertiliser policies and inclusion of sulphur based products for subsidy reimbursement w.e.f April 1, 2008 has changed business dynamics for the company and contributed to robust performance in the current quarter. Consequently, EBITDA increased by 122% YoY to Rs 1.6 bn and adjusted PAT increased by 271% YoY to Rs 961 mn- ahead of our estimates. Adjusted EPS for the quarter was Rs 7.6 as against Rs 2.0 in previous year. Company reported exceptional item of Rs 978 mn (adjusted for tax) which was received from Foskor Pty Ltd, South Africa. We may revise our estimates for FY09 and FY10 due to improved business dynamics and exceptionally good performance in Q1FY09. We shall fine-tune our earnings estimates after interaction with the management. We, continue to maintain BUY recommendation on the stock with a price target of Rs 175.

Q1FY09 Results Highlights -

- Results were significantly above our expectations in topline, EBITDA margins and bottomline as well. Sharp jump in sales volumes as against our expectation of volumes drop due to plant shut down during the quarter was the key reason for significant variation in revenues. While change in fertiliser policies, which is effective from 1st April'08, propelled the growth in EBITDA and bottomline.
- Company reported net revenues of Rs 14 bn, increased by 232% YoY. Fertiliser sales volumes increased by approx 90% in Q1FY08 (fertiliser sales at 410 thousand mt as against 214 thousand mt, source – Fertiliser ministry). Sharp increase in fertiliser production cost, resulting in higher subsidies, has also contributed to increase in revenues. Management has also indicated for approx 50-60% growth in pesticide business.
- EBITDA increased by 122% YoY to Rs 1.6 bn. However EBITDA margins declined by 576 bps YoY to 11.6% due to higher base. Management indicated that change in recent fertiliser policies like linking subsidy on complex grade fertiliser with import parity prices and receipts of subsidy on sulphur based products (which was not there earlier) is very positive for the company and has increased company's profitability.
- Depreciation increased by 6.5% YoY to Rs 124 mn while Interest declined by 28.5% YoY to Rs 156 mn. Other income grew by 261% YoY to Rs 136 mn. PBT for the quarter increased by 240% YoY to Rs 1.5 bn and adjusted PAT for the quarter increased by 271% YoY to Rs 961 mn.
- Company also reported an exceptional item of Rs 1.6 bn for performance improvement fees received from Foskor Pty Ltd, South Africa, which, after adjusting for estimated tax of Rs 608 mn works out Rs 978 mn. Money received will be reinvested in Foskar to increase CFL's stake in the company from 2.5% to 15%, as per agreement.
- Adjusted EPS for the quarter stood at Rs 7.6 as against Rs 2.0 in Q1FY08.

We maintain BUY recommendation with a price target of Rs175

We, at present maintain our BUY recommendation on the stock with a price target of Rs 175. However encouraging Q1FY09 results and change in business dynamics may result in revision in our earnings estimates and also the price target, which we may fine-tune after interaction with the management. do after clarity from the management.

Quarterly Results analysis

Rs mn

Y/E Mar	Q1FY08	Q4FY08	Q1FY09	% YoY	% QoQ	FY08
Net Sales	4,218	5,827	14,004	232%	140%	37,948
Raw Material	1,732	3,943	8,928	416%	126%	27,397
Staff Cost	221	262	266	20%	2%	958
Purchase of goods	381	455	1,891	396%	315%	-
Other Exp	1,152	974	1,298	13%	33%	4,845
Total Exp	3,486	5,634	12,382	255%	120%	33,200
EBITDA	731	193	1,622	122%	739%	4,748
Depreciation	117	118	124	7%	6%	521
EBIT	615	76	1,497	144%	1876%	4,227
Interest	218	183	156	-29%	-15%	698
Other Income	38	239	136	261%	-43%	415
PBT	435	132	1,478	240%	1022%	3,943
Tax	176	98	517	194%	426%	2,020
APAT	259	33	961	271%	2769%	1,923
Minority Interest	32	-	-	-100%	-	531
EO income / (loss)	-	-	978	-	-	-
Net Profit	227	33	1,939	756%	5690%	2,454
AEPS	2.0	0.3	7.6	271%	2769%	17.5

% of NS				(chng bps)	(chng bps)	
Raw Material	41.1	67.7	63.8	2269	(390)	72.2
Staff Cost	5.2	4.5	1.9	(335)	(259)	2.5
Purchase of goods	9.0	7.8	13.5	447	569	-
Other Exp	27.3	16.7	9.3	(1805)	(746)	12.8
EBITDA	17.3	3.3	11.6	(576)	826	12.5
EBIT	14.6	1.3	10.7	(389)	939	11.1
APAT	6.1	0.6	6.9	72	628	5.1

Source: Emkay Research

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