



DEALMONEY SECTOR REPORT

DealMoney

World-Class Financial Services

SECTOR OF
THE MONTH

Agriculture & Allied Industries



PICKS OF
THE MONTH

#PI INDUSTRIES LTD

#COROMANDEL INTERNATIONAL LTD

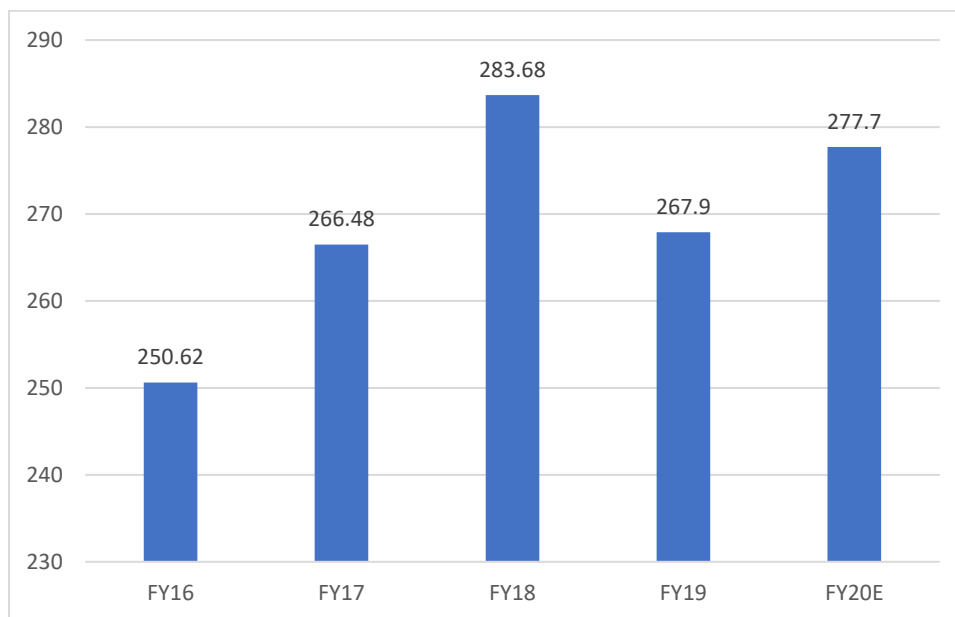
EQUITIES | COMMODITIES | WEALTH | MUTUAL FUNDS | INSURANCE

Sector of the Month: Agriculture and Allied industries

Agriculture is the most important sector of Indian Economy. Indian agriculture sector accounts for 14.4 per cent of India's gross domestic product (GDP) and provides employment to 58% of the countries workforce. Gross Value Added by agriculture, forestry and fishing is estimated at Rs 18.72 trillion (US\$ 267.90 billion) in FY19*. Agriculture and Allied sector's GVA at constant 2011-12 prices grew at CAGR of 4.70 percent between FY16-20. As per Union Budget 2020-21, allocation of Rs2.83 lakh crore (US\$ 40.06 billion) was made to the Ministry of Agriculture. Agriculture, forestry and fishing sector grew 3.7 percent 2019-20.

India is the largest producer of spices, pulses, milk, tea, cashew and jute, and the second largest producer of wheat, rice, fruits and vegetables, sugarcane, cotton and oil seeds. India is currently the world's fourth largest producer of agrochemicals.

Gross Value Added by Agriculture and Allied sectors (US\$ billion) (at constant 2011-12 prices)



What favor's the growth of Agri Sector

Demographic factor: Large population and rising urban and rural income has added to growth in demand of agriculture products.

Demand for processed food is rising with increase in disposable income, urbanisation, young population and nuclear families. Changing lifestyle and increasing expenditure on health and nutritional foods have also added to growth.

Geographical Advantage: India benefits from a large agriculture sector, abundant livestock and cost competitiveness. Lured by the size and returns of the Indian market, foreign firms have strengthened their presence in India. High proportion of agricultural land (157 million hectares) and diverse agro-climatic conditions encourage cultivation of different crops.

Source: Ace equity, IBEF, Dealmoney research

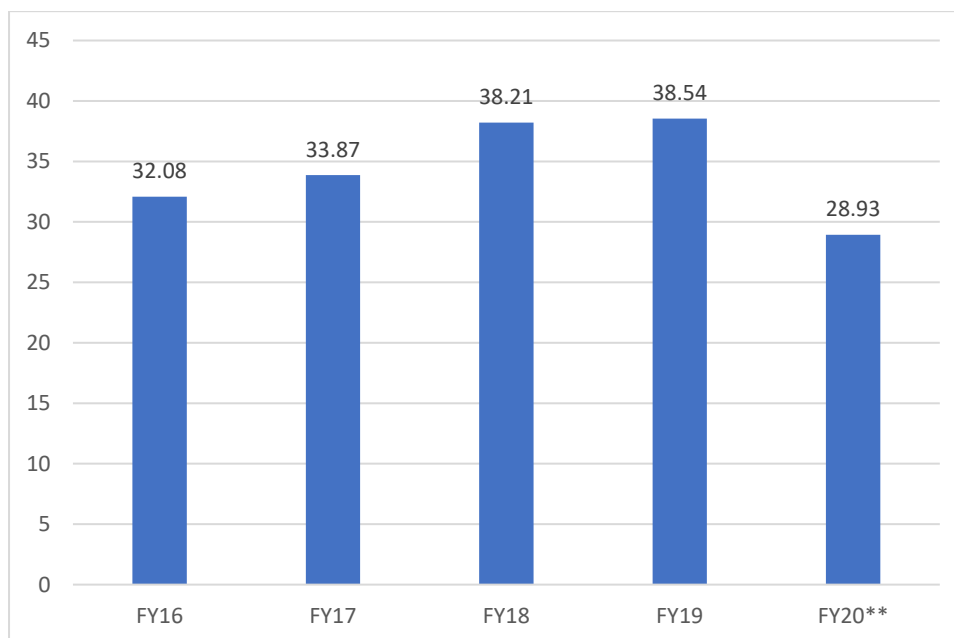
Demand Push: Increase in demand for agricultural inputs such as hybrid seeds and fertilizers. Promising opportunities in storage facilities –around 1303 cold storages with 45 lakh tonne storage capacity have been established since 2015. Investment opportunities to arise in agriculture, food infrastructure and contract farming.

Government Support: Schemes like Paramparagat Krishi Vikas Yojana has helped in developing organic clusters and availability of chemical free inputs to farmers. Government of India is also aiming to double farmers' income by 2022. Promoting rationalisation of tariffs and duties related to food processing sector.

Surge in demand of Indian Agricultural Products

Total agricultural export from India grew at a CAGR of 6.31 percent over FY16-19 to reach US\$ 38.54 billion in FY19. In FY20 (till January 2020), agriculture exports were US\$ 28.93 billion. The Agriculture Export Policy, 2018 was approved by the government of India in December 2018. The new policy aimed to increase India's agricultural export to US\$ 60 billion by 2022 and US\$ 100 billion in the next few years with a stable trade policy regime. The government of India has come out with the Transport and Marketing Assistance (TMA) scheme to provide financial assistance for transport and marketing of agriculture products in order to boost agriculture export. Government aims to raise fishery export from India to Rs1 lakh crore (US\$ 14.31 billion) by 2024-25.

Agriculture exports from India (US\$ billion)



**Till Jan 2020

Source: Ace equity, IBEF, Dealmoney research

Government focus on Agriculture reforms

Total allocation of about Rs 2.83 lakh crore has been made for the year 2020-21 in the union budget. The Budget 2020-21 has identified agriculture sector as one of the key drivers of the economy. As per Union Budget 2020-21, the government will work with state governments to allow farmers to benefit from eNAM. The government announced plan to launch Krishi Udaan on international and national routes. Fish production is expected to increase to 200 lakh tonnes by 2022-23. PM-KUSUM scheme has expanded to support 20 lakh farmers for setting up stand-alone solar pumps and will help another 15 lakh farmers to set up their grid-connected solar pump.

Currently, farmers have to sell compulsorily to the demarcated (Agricultural Purchase and Market Committee) APMC market. With freedom to farmers to sell their produce, the role of APMC will be diluted in the long run. APMC structures have resulted in cartelization by traders to rig prices in Mandis and deny fair realization to farmers.

Currently, states have put in place restrictions on interstate trade mainly by invoking Essential Commodities Act (ECA), 1955, and manage stock levels. With the ability of farmers to sell freely and amendment to ECA, India's agricultural market will unify into one market vs. 29 different markets currently. This would also boost the e-NAM platform as now consumers across India would be able to procure from anywhere.

We believe that improvement in farm realizations would lead to uptrading in Agri inputs. The usage of NPK and other unique fertilizers, along with better-quality seeds and agrochemicals, will increase. Some beneficiaries of this trend would be CRIN, BYRCS, SUMICHEM, RALI, DAGRI, UPL, INST and IFFCO.

We believe that large food processors and corporates would now bypass APMC and extra middlemen to procure directly from aggregators. This would lead to higher realization for farmers and lower cost for consumers at the expense of the middlemen.

Covid-19 Impact

The country's farm sector is functioning smoothly despite COVID-19 lockdown and there will not be much impact on its growth in the current fiscal unlike other sectors. Moreover, Niti Aayog pegged the farm sector growth at 3 per cent in the current fiscal in hopes of a good monsoon amid prevailing COVID-19 situation. NITI Aayog member Ramesh Chand said at a press conference Wednesday that currently the growth of the agriculture sector is 60 per cent more than the non-agriculture sectors, which is very rare.

Government has also announced relief package of the Agri sector in its fiscal policy as COVID-19 relief package.

Key highlights for this are:

- Financing facility of Rs 1 lakh cr will be provided for funding agriculture infrastructure projects at farm-gate and aggregation points. This is expected to provide impetus for development of farm-gate and aggregation points and in the process make the post-harvest management infrastructure financially viable.

Source: Ace equity, IBEF, Dealmoney research

- Provision of Rs 10000 cr for formalization of nearly 2 lakh Micro Food Enterprises. This is expected to improve health and safety standards of MFEs while aiding their retail market integration. This could also open the door for hitherto untapped export markets in some of the MFE products.
- Provision of Rs 2000 cr for fishermen through the Pradhan Mantri Matsya Sampada Yojana. This is expected to boost fish production and exports while creating 55 lakh jobs over the next 5-years.
- Outlay of Rs 13343 cr for the National Animal Disease Control Program. It will help ensure 100% vaccination of the entire cattle population for Foot and Mouth Disease and Brucellosis.
- Creation of Animal Husbandry Infrastructure Development Fund worth Rs 15000 cr to incentivize private investments in dairy processing and allied infrastructure.
- Provision of Rs 4000 cr for supporting niche herbal cultivation over the course of next two years.
- To implement Rs 500 cr scheme for supporting beekeeping production and associated supply chain.
- Operation Green will get extended from Tomatoes, Onions, and Potatoes to all fruits and vegetables. This will provide 50% subsidy each on transportation from surplus to deficient markets and on storage. It is expected to foster better price realization for farmers, reduce wastage, and improve affordability for end consumers. The total cost incurred under this program is expected to be Rs 500 cr.
- The government has notified its intention of amending the Essential Commodities Act to enable better price realization for farmers by attracting investments and fostering competition in the agriculture sector. In this context, agriculture produce including cereals, edible oils, oilseeds, pulses, onions, and potatoes would get deregulated. Stock limits would now be imposed only under exceptional circumstances like national calamities, famine, etc.
- The government will soon formulate a central law to reform APMCs by removing barriers to free inter-state trade and creating a framework for e-trading of agriculture produce. This is one of the long pending agriculture reforms and it is expected to smoothen the overall food supply chain while creating opportunities for better price realization for the farmer.
- The government will facilitate a legal framework to enable farmers to engage with processors, aggregators, large retailers, exporters, etc. in a fair and transparent manner. This is expected to provide risk mitigation, assured returns, and quality standardization for farmers.

Source: Ace equity, IBEF, Dealmoney research

Pick of the Month (PI Industries Ltd.):

CMP: 1540

Target: 1700

PI Industries Ltd. is an Agri Input and Custom Synthesis & Manufacturing company. The company's businesses are: Agri Inputs offering plant protection products, and speciality plant nutrient products and solutions; and Custom Synthesis & Manufacturing for contract research and production of agro chemicals, intermediates and other niche fine chemicals.

Increase in portfolio to provide growth momentum: New product AWKIRA (PYROXASULFONE), is targeted at Phalaris Minor weed which influences 50-70% of the wheat creation land region in India and is uncontrolled. Additionally, COSKO and Fantom belongs to Diamide and Stobilurin class of chemicals which has been performing well as a class while Acquisition of Isagro has added new products in the portfolio which shall benefit from PI's distribution network.

Robust Order Book: The company has confirmed order book of USD1.4b i.e ~Rs105b which can be executed over next 4 years. The order book based revenue typically consists of 70-80% of annual revenue and balance are spot orders. PI Industries has completed acquisition of Isagro in Dec-20. Isagro business will be reorganized by transferring domestic business and rest of the activities will be merged with PI industries. Company has commissioned one multi product plant at Jambusar in Q3FY20, scheduled to commission one plant in 4QFY20E and two plants in FY21E.

Can gain from trade war and stricter environmental norms in China: The trade friction between China and the United States is beneficial to India's pesticide industry. We believe that the US tariffs imposed on Chinese products will benefit the Indian pesticide industry. PI intends to scale-up of newer and niche technologies through own IP which company has been working for last couple of years, diversify into adjacent verticals through CDMOs and CSM into pharmaceuticals, other specialty chemicals (polymer and additives), nutraceuticals and imaging chemicals.

Outlook: With rising capacity expansion and to diversify its portfolio further to gain market traction in the market and successful new niche product launches in market is to drive growth for the company. It is trading at TTM PE of 45x, we give a buy at the CMP of Rs. 1540 with the target price of Rs. 1700.

NSE/BSE Code	PIIND / 523642
Sector	Chemicals
Industry	Pesticides & Agrochemicals
Face value/Book Value (Rs.per share)	1 / 187.3
Dividend yield(%)	0.3
52H/L(Rs.)	1643 / 974
Market Cap.(Rs.mn)	2,12,686
Shares Outstanding (mn)	138.1

(InRs.Cr)	FY16	FY17	FY18	FY19
NetSales	20,964	22,768	22,771	28,409
SalesGrowth	0.00%	8.60%	0.00%	24.80%
EBITDA	4,333	5,548	4,955	5,696
EBITDAMargin	20.70%	24.40%	21.80%	20.00%
PAT	3,116	4,595	3,675	4,102
NPM%	14.90%	20.20%	16.10%	14.40%
Adj.EPS(Rs.)	22.7	33.4	26.6	29.7

	FY16	FY17	FY18	FY19
P/E(x)	68.3	46.3	57.9	51.8
P/B(x)	18.2	13.1	11	9.3
EV/Sales(x)	10.2	9.4	9.4	7.5
EV/EBITDA(x)	49.3	38.5	43.1	37.5
ROCE(%)	35.50%	33.80%	25.20%	25.10%
ROE(%)	30.30%	33.10%	20.80%	19.60%

Quarterly Earnings	Q3FY20	Q2FY20	Q-o-Q %	Q3FY19
Net Sales	849.8	907.4	-6.4	707.5
Total Expenditure	663.3	714.9	-7.2	558.3
PBIDT (Excl OI)	186.5	192.5	-3.1	149.2
PAT	121.2	123.1	-1.5	107.7
PBIDTM% (Excl OI)	22.0	21.2	3.5	21.1
PBIDTM%	24.2	22.4	7.9	23.2
PATM%	14.3	13.6	5.1	15.2
Adj. EPS(Rs)	8.8	8.9	-1.7	7.8

Source: Ace equity, IBEF, Dealmoney research

Pick of the Month (Coromandel International Ltd.): CMP: 644

Target: 748

Coromandel International Limited, India's second largest Phosphatic fertilizer player, is in the business segments of Fertilizers, Specialty Nutrients, Crop Protection and Retail. The Company manufactures a wide range of fertilizers and markets around 4.5 million tons making it a leader in its addressable markets.

Strong set of numbers despite Covid19: Coromandel International (CRIN) reported good set of results with Sales, EBITDA and PAT increased by 8.8/50.9%/105.3% YoY respectively to Rs 28.7 bn/Rs 3.9 bn/Rs 2.3 bn. Sales increases was led by 6.8% increase in Nutrient business followed by 21.8% increase in Crop Protection business. As per industry data, Total fertilizer sales volume declined by 5.1% YoY to 9.5 Lakh MT due to lower sales volume from import. However, Manufactured fertilizer (Up by 12.7% YoY) led by Indigenous DAP and NPK was at 1.1 Lakh MT (up 10% YoY) and 5.7 Lakh MT (up 21.0% YoY).

Nutrient business reported EBIT growth of 55.6% YoY to Rs 3.1 bn owing to focus on manufactured product and lower phosacid prices (Down 21.3% YoY to US\$ 590 MT). Crop protection segment had reported improved numbers due to stabilization in production from the Sarigam plant and introduction of new products. Crop protection EBIT reported growth of 17.2% YoY. Strong performance of nutrition segment indicates healthy performance by fertiliser segment. The company has reported highest ever EBITDA in the fourth quarter of Rs 3.9 bn. PAT reported strong growth of 105.3% YoY to Rs 2.3 bn led by lower tax rate (25.5% vs 32.6% YoY), Lower interest cost (down 33.5% YoY) and higher other income (33.4% YoY).

Small hit may be taken because Indian government's proposal to ban 27 pesticides: It's four pesticides - Mancozeb, Malathion, Acephate and Monocrotophos (a red triangle product) fall under the category of the 27 pesticides that are proposed to be banned. These 4 pesticides together generate revenue of INR8-8.5b (~50% of plant protection revenue and ~6% of consol. FY20 revenue).

Outlook: The company has reported a strong set of numbers on improved performance in crop protection and nutrient segments and its margins benefited by lower raw material prices. The company would be the biggest beneficiary of ideal DBT implementation (market pricing/subsidy to be paid directly to farmers). At the CMP price of Rs. 644, it is trading at an TTM PE of 17.7x we recommend a buy with the target price of Rs. 748

NSE / BSE Code	COROMANDEL / 506395
Sector	Chemicals
Industry	Fertilizers
Face value / Book Value (Rs per share)	1 / 149.8
Dividend yield (%)	1.9
52 H/L (Rs.)	700 / 337
Market Cap. (Rs. mn)	1,88,662
Shares Outstanding (Cr)	293

(In Rs.Mn)	FY17	FY18	FY19	FY20
Net Sales	1,00,308	1,10,829	1,32,246	1,31,367
Sales Growth	-12.60%	10.50%	19.30%	-0.70%
EBITDA	9,827	12,564	14,431	17,310
EBITDA Margin	9.80%	11.30%	10.90%	13.20%
PAT	4,777	6,919	7,196	10,643
NPM%	4.80%	6.20%	5.40%	8.10%
Adj. EPS (Rs.)	16.4	23.6	24.6	36.4

	FY17	FY18	FY19	FY20
P/E (x)	39.5	27.3	26.2	17.7
P/B (x)	6.5	6.5	5.6	4.4
EV/Sales(x)	2.1	1.9	1.6	1.6
EV/EBITDA(x)	21.2	16.6	14.5	12.1
ROCE(%)	18.00%	22.70%	22.50%	20.30%
ROE(%)	17.30%	24.00%	23.10%	27.70%

Quarterly Earnings	Q4FY20	Q3FY20	Q-o-Q %	Q4FY19
Net Sales	2,869.3	3,278.7	-12.5	2,638.3
Total Expenditure	2,478.6	2,846.7	-12.9	2,379.4
PBIDT (Excl OI)	390.7	432.0	-9.6	259.0
PAT	233.8	264.4	-11.6	110.2
PBIDTM% (Excl OI)	13.6	13.2	3.3	9.8
PBIDTM%	14.0	13.5	4.2	10.1
PATM%	8.2	8.1	1.0	4.2
Adj. EPS(Rs)	8.0	9.0	-11.6	3.8

Analysts: -

Brijesh Bhatia - Research Head

brijesh.bhatia@dealmoney.in

Rohitkumar Rai - Research Analyst

rohitkumar.rai@dealmoney.in

For private circulation only

Website: www.dealmoneyonline.com

SEBI Research Analyst Registration No: INH000002319

DISCLAIMER

Dealmoney Securities Private Limited (hereinafter referred to as "Dealmoney") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and MCX Stock Exchange Limited. Dealmoney is also registered as a Depository Participant with CDSL. Dealmoney is in the process of making an application with SEBI for registering it as a Research Entity in terms of SEBI (Research Analyst) Regulations, 2014. Dealmoney or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market and no material disciplinary action has been taken by SEBI/other regulatory authorities impacting Dealmoney's Equity Research Analysis. Dealmoney or its associates/analyst including its relatives do not hold any actual/beneficial ownership of more than 1% in the company/ies covered by Analyst (hereinafter referred to as "Subject Company/ies"). Dealmoney or its associates/analyst including its relatives may hold financial interest in the company/ies covered by Analyst (hereinafter referred to as "Subject Company/ies"). Dealmoney or its associates/analysts or his/her relative does not receive any compensation or other benefits from the subject company/ies mentioned in this research report (hereinafter referred to as "Report") or from a third party in connection with preparation of the report. Accordingly, Dealmoney or its associates/analyst or his/her relative does not have any other material conflict of interest at the time of publication of the Report.

Research analyst/s engaged in preparation of the Report, has not received any compensation / managed or co-managed public offering of securities of the subject company/ies / has not received compensation for investment banking or merchant banking or brokerage services from the subject company/ies / has not received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company/ies / has not received compensation or other benefits from the subject company/ies or third party in connection with the Report of the subject company/ies during the past twelve months / has not served as an officer, director or employee of subject Company/ies and is not engaged in market making activity of the subject Company/ies.

Dealmoney or its associates are engaged in various financial services business, thus, it might have, received any compensation / managed or co-managed public offering of securities of the subject company/ies / received compensation for investment banking or merchant banking or brokerage services from the subject company/ies / received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company/ies / received compensation or other benefits from the subject company/ies or third party in connection with the Report of subject company/ies during the past twelve months engaged in market making activity for the subject company/ies.

Dealmoney group companies provides finance related product services like distribution of financial products and as such is a provider of many services like loans, mutual funds, tax & trust planning etc. mentioned in this brochure. And hence, Dealmoney do not warranty / guarantee about performance of any products and customer servicing w.r.t third party products per se.

Third party products are subject to code of conduct to be adhered to by the representatives of Dealmoney and Dealmoney is not responsible for the losses, whether actual or notional incurred by any investor. Services assured and expected may vary from actual service and Dealmoney does not guarantee about the quality of services. Investments in securities and commodities are subject to market and other risks and there is no assurance or guarantee that the objectives of any of the Investments/Schemes/product would be achieved. Past performances are only indicative and returns are not assured and guaranteed by Dealmoney group companies. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

Information/ opinion conveyed through this material/document/Report are strictly meant for the registered Clients of Dealmoney group of Companies of the respective segments. This information is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Dealmoney or its affiliates to any registration requirement within such jurisdiction or country. This information does not constitute an offer to sell or a solicitation of an offer to buy any financial products to any person in any jurisdiction where it is unlawful to make such an offer or solicitation. No part of this material may be duplicated in whole or in part in any form and / or redistributed without the prior written consent of Dealmoney. This material/document/Report is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on directly or indirectly.

Recipients of the Report shall always independently verify reliability and suitability of the Report and opinions before investing.

For Company details, please visit our website www.Dealmoney.com

For research related query, write to us at research@Dealmoney.com