

SECTOR UPDATE

Share Data

Performance (%)	1M	3M	12M
-----------------	----	----	-----

Stock Index

Sensex	5.7	(3.8)	11.7
BSE Midcap	9.1	(0.9)	24.4

Fertilisers

Chambal Fertilisers	0.3	(18.4)	10.5
Coromandel Int'l	4.4	(6.7)	6.3
Deepak Fertilisers	25.8	(4.1)	(10.4)
GSFC	8.9	(13.8)	(4.8)
RCF	5.2	(17.0)	8.8
Tata Chemicals	9.3	(0.7)	36.7

Valuation

EPS (Rs)	FY16E	FY17E
----------	-------	-------

Chambal Fertilisers	7.7	8.3
Coromandel International	20.1	23.6
Deepak Fertilisers	22.9	NA
GSFC	10.4	12.6
RCF	6.8	7.4
Tata Chemicals	39.5	46.1

P/E (x)	FY16E	FY17E
---------	-------	-------

Chambal Fertilisers	7.7	7.1
Coromandel International	12.2	10.4
Deepak Fertilisers	6.2	NA
GSFC	7.1	5.9
RCF	8.3	7.5
Tata Chemicals	11.4	9.7

Fertilisers

15 July 2015

June 2015 – Complex fertiliser sales increased by 45% YoY supported by higher trading

Preliminary data from the Ministry of Fertilisers indicates that sales volumes of overall complex fertilisers (including manufactured and traded) increased by 45% YoY during June 2015. Imported complex fertilisers witnessed increase of 94% YoY on lower base while indigenous production volumes increased by 22% YoY. Increase in imports volumes was driven primarily by higher DAP trading. Urea volumes declined by 10% YoY during June 2015. For 1QFY16, imported complex fertiliser volumes increased by 130% YoY, manufactured complex fertiliser volumes increased by 13% YoY resulting into overall complex fertiliser volumes increasing by 44% YoY. On the raw material pricing side, ammonia prices continue to remain weak and are currently quoting at US\$ 400/mt. Phosphoric acid contracts for 2Q have been negotiated at US\$ 810/mt. Global DAP prices remain stable at US\$ 470/mt opening up window for imports. Rupee depreciation in the current market environment is a concern.

- Current raw material prices favour imports; rupee depreciation an emerging concern:** While phosphoric acid prices have increased to US\$ 810/mt, global DAP prices remain stable at US\$ 470/mt. Ammonia prices remain weak at US\$ 400/mt which is positive for manufacturers. However, at current raw material prices, importing DAP appears attractive opening the window for imports. Rupee depreciation to 64/USD is an emerging concern. Meanwhile, our channel checks suggest that companies have raised prices on DAP by ~Rs 1,000/mt in certain regions.
- Complex fertiliser inventory stands normalised:** Complex fertiliser inventory in the system stands normalised. Hence, over the next 12-15 months, with no excess channel inventory margins should gradually recover. However, imports remain a risk.
- Maintain Outperformer on Coromandel International:** Over the medium term, we expect Coromandel's margins to improve driven by rationalisation of inventory in system and benefits from operating leverage playing out. Manufactured volumes are likely to improve and we have modeled for capacity utilisation of 76%/83% in FY16/17E, respectively. Improvement in operational performance of Sabero Organics would support non-subsidy business growth. However, lower availability of phosphoric acid and threat of complex fertiliser imports remain near-term headwinds. At the current market price of Rs 244, the stock is trading at 12.2x FY16E/10.4x FY17E earnings. We don't see any material downside in the stock from current levels, however, near-term upside is likely to be capped due to continued challenges on margins front in fertiliser business in the near term. We maintain our Outperformer rating (with a target price of Rs 280) due to reasonable valuations.

June 2015 complex fertiliser volumes

Product (mt)	Jun 14	Jun 15	% change	YTFY15	YTFY16	% change
Imported DAP	324,906	878,347	170.3	487,912	1,632,079	234.5
Imported NPK	33,857	92,226	172.4	50,499	145,198	187.5
MoP	266,328	238,807	(10.3)	432,815	455,938	5.3
Total imported	625,091	1,209,380	93.5	971,226	2,233,215	129.9
Indigenous DAP	298,270	223,016	(25.2)	667,954	618,290	(7.4)
Indigenous NPK	602,535	863,300	43.3	1,186,124	1,483,064	25.0
Other complex indigenous (excl. SSP, TSP)	33,372	54,791	64.2	100,923	100,871	(0.1)
SSP, TSP	383,120	470,057	22.7	787,977	896,185	13.7
Total indigenous fertilisers	1,317,297	1,611,164	22.3	2,742,978	3,098,410	13.0
Total complex fertilisers	1,942,388	2,820,544	45.2	3,714,204	5,331,625	43.5
Urea	2,713,595	2,431,198	(10.4)	6,459,139	7,021,242	8.7

Company level complex fertiliser volumes

Company (mt)	Jun 14	Jun 15	% change	1QFY15	1QFY16	% change
Chambal Fertilisers	132,387	133,215	0.6	198,560	261,854	31.9
Coromandel International	270,057	311,912	15.5	465,692	532,564	14.4
Manufactured	246,937	243,228	(1.5)	430,911	377,927	(12.3)
Traded	23,120	68,684	197.1	34,781	154,637	344.6
Deepak Fertilisers	16,296	56,523	246.9	47,831	73,154	52.9
FACT	56,614	96,979	71.3	157,202	170,294	8.3
GNFC	18,491	21,670	17.2	47,112	37,059	(21.3)
GSFC	98,316	101,161	2.9	213,944	195,027	(8.8)
IFFCO	227,734	480,415	111.0	434,920	988,381	127.3
Indian Potash	280,568	414,999	47.9	476,314	747,592	57.0
Paradeep Phosphates	135,516	173,450	28.0	253,916	326,418	28.6
RCF	38,968	69,072	77.3	123,156	145,822	18.4
Tata Chemicals	80,230	103,405	28.9	175,818	180,358	2.6
Zuari Holdings	114,153	159,303	39.6	189,784	272,039	43.3

Company level urea fertiliser volumes

Company (mt)	Jun 14	Jun 15	% change	1QFY15	1QFY16	% change
Chambal Fertilisers	181,803	202,985	11.7	474,174	525,406	10.8
GNFC	60,572	57,642	(4.8)	136,786	144,455	5.6
GSFC	27,169	31,963	17.6	84,257	85,578	1.6
IFFCO	602,641	602,340	(0.0)	1,265,676	1,797,578	42.0
KRIBHCO	321,516	262,734	(18.3)	689,933	719,189	4.2
Nagarjuna Fertilisers	176,564	148,102	(16.1)	382,892	441,588	15.3
National Fertilisers	341,506	277,428	(18.8)	905,782	730,099	(19.4)
RCF	237,850	234,891	(1.2)	631,418	688,654	9.1
Tata Chemicals	104,393	106,110	1.6	306,113	289,962	(5.3)

Annual complex fertiliser/urea sales volumes

Product (mt)	FY10	FY11	FY12	FY13	FY14	FY15	% change
Imported DAP	5,805,146	7,541,386	6,902,274	5,467,985	3,539,729	4,040,306	14.1
Imported NPK	–	1,076,379	3,283,285	1,020,198	360,152	327,838	(9.0)
MoP	4,675,723	3,899,849	2,994,530	2,135,938	2,194,082	2,784,091	26.9
Others imported	135,757	88,443	323,505	89,603	–	–	–
Total imported	10,616,626	12,606,057	13,503,594	8,713,724	6,093,963	7,152,235	17.4
Indigenous DAP	4,347,054	3,565,397	4,010,539	3,669,475	3,327,935	3,549,094	6.6
Indigenous NPK	8,062,410	9,151,715	7,785,755	6,228,732	6,788,896	7,885,936	16.2
Other complex indigenous (excl. SSP, TSP)	145,336	556,898	479,583	453,725	439,733	428,081	(2.6)
SSP, TSP	119,115	3,316,846	3,216,890	3,851,922	3,744,755	4,222,721	12.8
Total indigenous fertilisers	12,673,915	16,590,856	15,492,767	14,203,854	14,301,319	16,085,832	12.5
Total complex fertilisers	23,290,541	29,196,913	28,996,361	22,917,578	20,395,282	23,238,067	13.9
Urea	25,233,711	27,115,837	29,356,568	30,159,512	30,466,812	30,882,162	1.4

Quarterly complex fertiliser/urea sales volumes

Product (mt)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16
Imported DAP	373,676	1,412,890	1,304,325	448,838	487,954	1,526,062	1,593,158	433,132	1,632,079
Imported NPK	34,533	103,227	149,079	73,313	50,499	139,512	91,466	46,361	145,198
MoP	426,175	673,978	493,345	600,584	432,815	981,831	689,631	679,814	455,938
Total imported	834,384	2,190,095	1,946,749	1,122,735	971,268	2,647,405	2,374,255	1,159,307	2,233,215
Indigenous DAP	493,379	955,411	997,866	881,279	667,954	1,052,118	809,271	1,019,751	618,290
Indigenous NPK	883,033	2,073,995	2,038,673	1,793,195	1,186,124	2,333,764	2,198,939	2,167,109	1,483,064
Other complex indigenous (excl. SSP, TSP)	80,501	140,618	97,505	121,109	100,923	107,069	103,963	116,126	100,871
SSP, TSP	658,286	1,184,048	998,084	1,069,216	787,977	1,222,130	1,091,325	1,121,289	896,185
Total indigenous fert	2,115,199	4,354,072	4,132,128	3,864,799	2,742,978	4,715,081	4,203,498	4,424,275	3,098,410
Total complex fert	2,949,583	6,544,167	6,078,877	4,987,534	3,714,246	7,362,486	6,577,753	5,583,582	5,331,625
Urea	5,909,469	9,197,839	8,287,004	7,072,500	6,459,139	7,542,582	8,589,163	8,291,278	7,021,242

Quarterly complex fertiliser/urea sales volumes growth

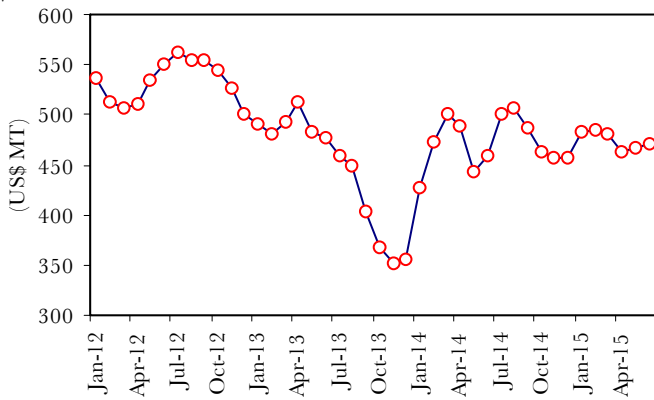
Product (%)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16
Imported DAP	(44.6)	(4.4)	(34.2)	(53.9)	30.6	8.0	22.1	(3.5)	234.5
Imported NPK	(92.2)	(49.5)	(12.9)	(43.5)	46.2	35.2	(38.6)	(36.8)	187.5
MoP	4.3	42.2	2.2	8.4	1.6	45.7	39.8	13.2	5.3
Total imported	(46.2)	(0.8)	(26.1)	(32.3)	16.4	20.9	22.0	3.3	129.9
Indigenous DAP	(20.5)	54.5	32.7	(38.8)	35.4	10.1	(18.9)	15.7	(7.4)
Indigenous NPK	(25.1)	67.2	34.4	2.2	34.3	12.5	7.9	20.9	25.0
Other complex indigenous (excl. SSP, TSP)	(8.7)	41.5	(16.4)	13.4	25.4	(23.9)	6.6	(4.1)	(0.1)
SSP, TSP	(22.1)	72.4	5.1	(8.6)	19.7	3.2	9.3	4.9	13.7
Total indigenous fertilisers	(22.6)	64.6	23.9	(13.6)	29.7	8.3	1.7	14.5	13.0
Total complex fertilisers	(31.1)	34.9	1.8	(18.6)	25.9	12.5	8.2	12.0	43.5
Urea	6.0	14.9	(2.3)	(12.6)	9.3	(18.0)	3.6	17.2	8.7

Global fertiliser prices

(US\$/mt)	June 15	June 14	May 15	YoY (%)	MoM (%)	Comments
Ammonia	396	510	380	(22)	4	Ammonia prices are currently quoting at US\$ 400/mt.
Phosphoric Acid	805	715	805	13	–	
Rock Phosphate	110	94	110	17	–	
Potash	362	379	375	(4)	(3)	
DAP	471	459	467	3	1	Current prices at US\$ 470/mt.
Urea	327	319	316	3	4	Current urea prices at US\$ 288/mt.

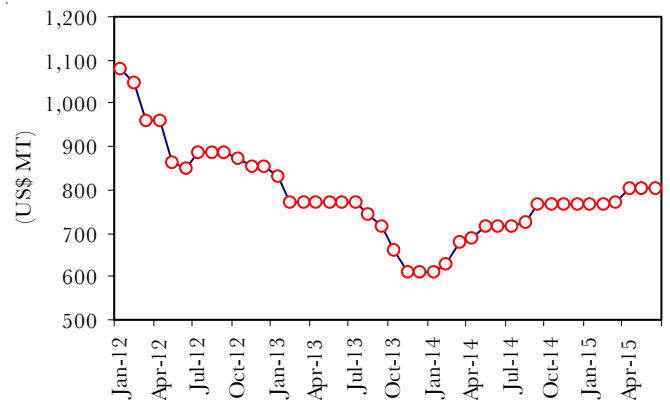
Source: Bloomberg

DAP price trend

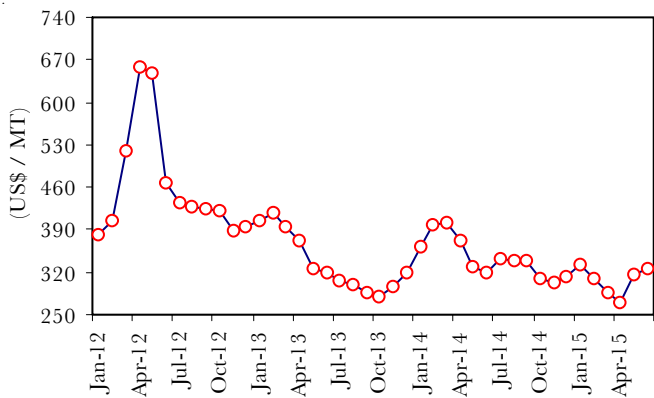


Source: Bloomberg

Phosphoric acid price trend

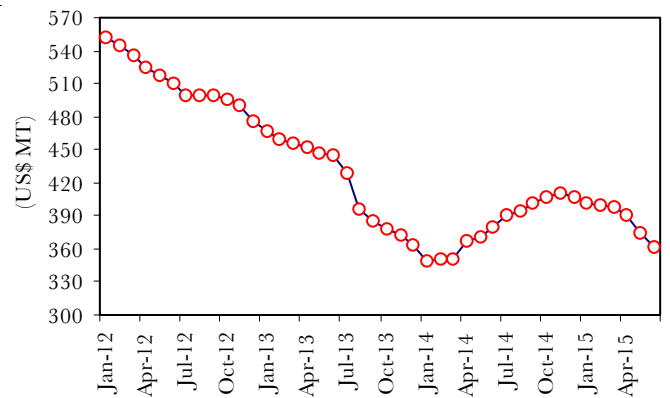


Urea price trend

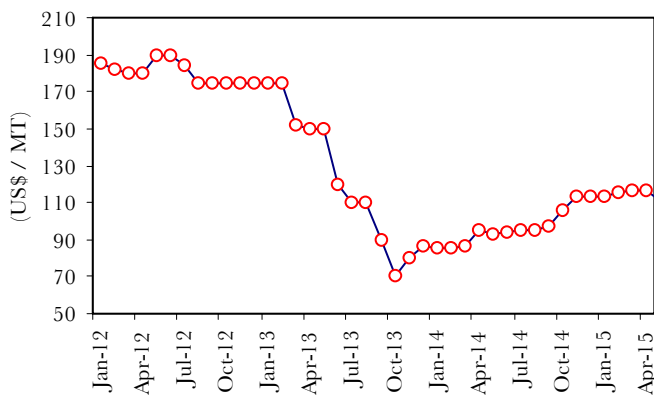


Source: Bloomberg

Potash price trend

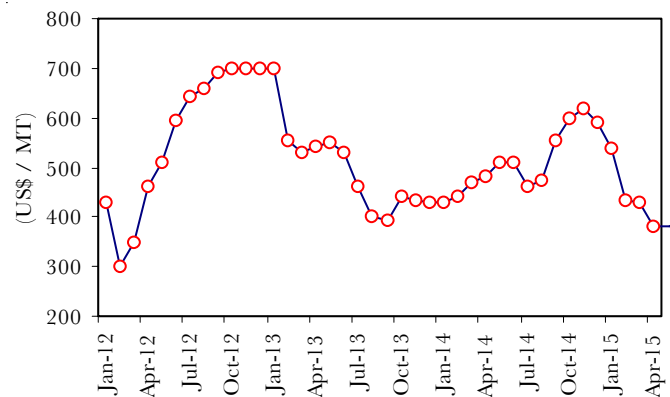


Rock phosphate price trend



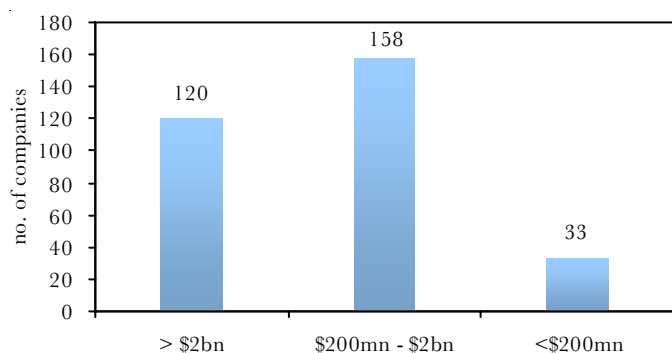
Source: Bloomberg

Ammonia price trend

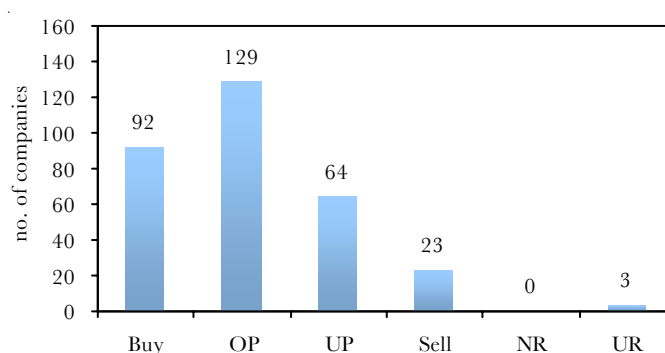


B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.

B&K Investment Ratings.

	LARGE CAP (Market Cap > USD 2 bn)	MID CAP (Market Cap of USD 200 mn to USD 2 bn)	SMALL CAP (Market Cap <USD 200 mn)
BUY	>+20% (absolute returns)	>+25% (absolute returns)	>+30% (absolute returns)
OUTPERFORMER	+10% to +20%	+15% to +25%	+20% to +30%
UNDERPERFORMER	+10% to -10%	+15% to -15%	+20% to -20%
SELL	<-10% (absolute returns)	<-15% (absolute returns)	<-20% (absolute returns)

Disclaimer: This report was prepared, approved, published and distributed by Batlivala & Karani Securities India Private Limited ("B&K") located outside of the United States (a "non-US Group Company"), which accepts responsibility for its contents. It is distributed in the U.S. by Enclave Capital, a U.S. registered broker dealer, on behalf of B&K, only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) pursuant to the exemption in Rule 15a-6. Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization. Outside the United States, this report is distributed by B&K or an authorized affiliate of B&K.

The report has been compiled or arrived from sources believed to be reliable and in good faith, but no representation or warranty, express or implied is made as to their accuracy, completeness or correctness. B&K has not verified the factual accuracy, assumptions, calculations or completeness of the information. Accordingly, B&K accepts no liability whatsoever for any direct or consequential loss or damage arising from (i) the use of this communication (ii) reliance of any information contained herein, (iii) any error, omission or inaccuracy in any such Information or (iv) any action resulting there from. B&K provides the information for the purpose of the intended recipient's analysis and review and recipients are advised to verify the factual accuracy, assumptions, calculations and completeness of the information.

This report was produced by B&K solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions. This document does not constitute an offer of, or an invitation by or on behalf of B&K or its affiliates or any other company to any person, to buy or sell any security.

Analyst Certification: Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

Disclosures, applying to B&K and the Analyst (together with associates and family members)

Ownership interest in the issuer of the securities mentioned	< 1%
Other financial interest in the issuer	None
Other material conflict of interest	None
Compensation/benefits received from issuer/3 rd Parties in past 12 months:	
Public offerings managed/co-managed for issuer	None
Fees for merchant banking, investment banking or brokerage services (as percentage of issuer's turnover)	< 0.1%
Compensation for other services (as percentage of issuer's turnover)	< 0.1%
Analyst service as officer, director or employee of the issuer	None
Involvement in market-making in the issuer's securities	None

Important US Regulatory Disclosures on Subject Companies

1. B&K or its Affiliates have not recently been the beneficial owners of 1% or more of the securities mentioned in this report.
2. B&K or its Affiliates have not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. B&K or its Affiliates have not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more person of B&K or its affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon either on their own account or on behalf of their clients.
5. B&K or its Affiliates may, to the extent permitted by law, act upon or use the above material or the conclusions stated above or the research or analysis on which they are based before the material is published to recipients and from time to time provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.
6. As of the publication of this report, Enclave Capital does not make a market in the subject securities.

Enclave Capital is the distributor of this document in the United States of America. Any US customer wishing to effect transactions in any securities referred to herein or options thereon should do so only by contacting a representative of Enclave Capital and any transaction effected by a U.S. customer in the securities described in this report must be effected through Enclave Capital (19 West 44th Street, suite 1700, New York, NY 10036).

B & K SECURITIES INDIA PRIVATE LTD.

Equity Research Division: City Ice Bldg., 298, Ground/1st Floor, Perin Nariman Street, Behind RBI, Fort, Mumbai - 400 001, India. Tel.: 91-22-4031 7000, Fax: 91-22-2263 5020/30.

Registered Office: Room No. 3/4, 7 Lyons Range, Kolkata - 700 001. Tel.: 91-33-2243 7902.

B&K Research is also available on Bloomberg <BNKI>, Thomson First Call & Investext.