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Agri input firms may put up buoyant show

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After two tepid years, agri input companies are set to post robust growth in their top line and bottom line during the current financial year, following improvement in sales.

This comes in the wake of intermittent pest attacks on agricultural crops. Most agri-centric companies posted rapid growth in their turnover and profit for the October-December quarter on improved sales.

Revenue and net profit of Insecticides India jumped 22.6 per cent and 75 per cent to ₹216 crore and ₹17 crore, respectively, for the October-December quarter. Similarly, total revenue of UPL went up to ₹2,216 crore for the quarter ended December 31, 2018, against ₹1,942 crore in the corresponding period last year.

The agricultural sector in India faced pest attacks of pink ballworm on cotton crops in the rainfall-deficient Maharashtra. This destroyed half of the budding bulbs in the standing crops in drought-prone districts.

Similarly, whit grub infestations damaged sugarcane crop in some part of drought-hit Maharashtra. Uneven distribution of rain this monsoon impacted agricultural crops in parts of Gujarat, Madhya Pradesh and Rajasthan.

"In Q3FY19, companies are expected to report a mixed set of results. Domestic market-focused companies are likely to report negative-to-flat revenue growth. Companies having higher export presence will be able to partially offset the decline in the domestic market. On an aggregate basis, we estimate 12-16 per cent y-o-y growth in revenues/EBITDA during Q3FY19. Based on our agri-dealer channel-checks across India, overall, the domestic pesticides market is growing in mid-single digits, primarily driven by new and combination molecules. Dealers noted that companies introducing new molecules/patented products are grabbing market share and that the shift is largely towards combination

NET SALES

Figures in ₹ cr		% chg	
	FY18Q3	FY19Q3	
UPL	4,194	4,921	17.33
Bayer	479.70	621	29.46
CropScience	621		
Sharda	325.46	471.45	44.86
Cropchem	471.45		
Rallis India	390.16	417.35	6.97
Insecticides India	175.93	215.74	22.63

Source: Capitaline Compiled by BS Research Bureau

products," said Amar Mourya, an analyst with Emkay Global Financial Services Ltd.

Mourya, however, tells investors to opt for companies with higher share of export revenues coupled with a high degree of backward integration. After a change in the global agro-market dynamics – an uptick in export demand and reduction in the global inventory situation – a few business models have become ineffective in creating shareholder value.

The Centre has set a target to double farm income by 2022 of which agri input companies are set to get major benefit.

"We envisage that agri input players will remain key beneficiaries, given the central government's target to double farm income after the recently-held state assembly elections. Also, with clear signs of a pick-up in the global agrochemical cycle, we believe this segment is set to post robust growth after nearly two tepid years," said Rohan Gupta, an analyst with Edelweiss Securities.

Rajesh Agarwal, managing director of Insecticides India, said, "The sector is facing anaemic sowing activity in the rabi crop across key states due to deficient rainfall in the post-monsoon period. Despite these challenges, Insecticides India has been able to put up an impressive growth across segments."