



“Coromandel International Limited Q2 FY2023 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Coromandel International Limited's Q2 FY2023 Results Conference Call hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone telephone. I now hand the conference over to Ankur Periwal from Axis Capital. Thank you and over to you Sir!

Ankur Periwal: Thank you. Good evening friends and welcome to Coromandel International Limited's Q2 FY2023 Post Results Earnings Call. The call as usual will be initiated with a brief management discussion on Q2 and H1 performance followed by an interactive Q&A session. Management team will be represented by Mr. Sameer Goel - Managing Director; Ms. Jayashree Satagopan – Chief Financial Officer; and Mr. Mayur Gangwal – GM, Finance. Over to you Sameer Sir for the initial remarks!

Sameer Goel: Good afternoon everyone and thanks Ankur for organizing the conference call. On the global economy - The global economy is expected to slowdown from 6% in 2021 to 3.2% in 2022 and 2.7% in 2023. It is facing several challenges, inflation higher than witnessed in several decades, tightening financial conditions in most regions and resulting calibration of monetary policy. I think the main issue is the strengthening of the dollar against major currencies and the Russian-Ukraine war all weighing heavily on the global economy's future health. A bit positive news on the agriculture side the food price index has declined to 136.3 in September of 2022 sharply lower than the record high of 159.7 in March. Also the commodity prices which were high globally have seen softening.

Coming to Indian economy most of you would know Indian economy is progressing better though the growth rates have been revised downwards and India is likely to remain the fastest growing large economy in the world. The tax collections have been buoyant reflecting all-round performance of the economy. The headwinds of rupee depreciation, high inflation and of course energy prices these need to be watched. The good news is the Indian agriculture continues to be in right path. India received the fourth consecutive year of good monsoon. Southwest monsoon was 106% of the long-term average. South and central parts of India where we operate received excess rainfall. While in north rains were irregular, but adequate. East had a huge deficit. The crop acreages in kharif were at 1103 lakh hectares 1% down compared to the previous year. Here also cotton has done better but obviously there is a deficit in paddy mainly as a result of the less acreage in eastern India and UP. The northeast monsoon is expected to be normal and with good reservoir levels currently at 108% of last year, we expect the rabi season to be good.

Coming to the fertilizer industry performance, the global supply of key commodities improved during the quarter and the industry has witnessed softening trends for major raw materials. The only place where we expect some hardening to happen is ammonia, a lot will depend upon how the winters are there in Europe. Domestically, the fertilizer demand has remained strong supported by good monsoons and favorable policies by the Government.

Coming to the quarter DAP and complex industry primary sales volume was up by 11%. Current year was 64.6 lakh metric tons where last year it was 58.5 lakh metric tons and mainly as a result of higher imports of DAP. DAP and complex fertilizer POS sales which are actual consumption went up by 6%, currently was 67.2 lakh metric tons versus 63.6 lakh metric ton last year. As I mentioned before major raw material prices witnessed a downfall trend against all-time high. The NBS rate for rabi for the full year 2022-2023 has been approved by the cabinet. Subsidy for Rabi season will be to the tune of Rs.51,875 Crores. For year-to-date DAP and complex fertilizer industry primary sales volume was up by 15%, current year was 119.1 lakh metric tons vis-à-vis 103.4 lakh metric tons last year. DAP and complex fertilizer industry PoS sales which is consumption sales was marginally down by 1%, current year was 103.67 lakh metric tons versus 104.3 lakh metric ton previous year.

Coming now to Coromandel's performance, the company delivered a robust performance during the quarter registering strong growth in turnover and profitability with the agricultural environment remaining favorable in most of its key operating markets. Normal crop sowing coupled by favorable policies from the Government helped. Coromandel registered a revenue growth of 65% during the quarter and 62% for H1 which was largely led by higher subsidy and MRP in the nutritional business, other businesses did well even on volumes. Coromandel ensured that agri imports are made available to the farmers in its key operating markets and promoted the use of balanced nutrition including organic fertilizer to help rejuvenate the soil and farm productivity.

Specifically on the Coromandel nutritional segment performance, the nutrition and allied business which includes our specialty nutrients and organic revenue increased by 73% during the quarter and 70% during the half year. Company's specialized nutrients and organic products registered a very good growth both in terms of turnover and profitability. We introduced a liquid fertilizer Acumist calcium during the quarter. On the sales front, in Q2 DAP complex volume was at 12.4 lakh tons 11% higher than last year at 11.2 lakh metric tons, for YTD DAP and complex volume was at 19.7 lakh metric tons versus 19 lakh metric tons last year.

Manufacture DAP and complex volume was higher by 19% during the quarter and 6% during the half year over last year. Imported products was lower by 30% during the quarter and down by 14% during half year over last year. Company's market share in Q2 was 19.2% and half year was 16.5%, last year it was the same for Q2 at 19.2% and 18.4% for half year. In the complex segment market share for Q2 was 28.8% (last year was 26.6%) and H1 was 28.4 versus 26.3 against last year.

SSP Q2 sales were 2.43 lakh metric tons with a growth of 8% over last year and for the half year it was at 4 lakh metric tons. Market share for the half year was at 14.3 which was down from 16.1 last year mainly on account of a soft Q1. Our commercial team has been abreast with the latest development in the global market and has ensured timely availability of raw material to ensure continuous production at the manufacturing plant. During the quarter our DAP and complex plants operated at 107% capacity and at 99% during the half year and produced 9.26

lakh metric tons of fertilizer during the quarter and 17.16 lakh metric tons during the half year. Phosphoric acid production during the quarter was again at all time high of 1.2 lakh tons and H1 was 2.3 lakh metric tons.

Progress on our key capex is as per plan. The work on sulfuric acid project is progressing well and will be commissioned as per schedule. We have initiated a desalination plant at Vizag which will help to improve our operational efficiencies. To further enhance SSP facilities, the company is increasing the granulation capacities. We added granulation capacity at our plant in MP, we have also revived our Pali plant, and started manufacturing in Kothari plant at Ennore. Progress on new products like nano, liquid, customized fertilizers is as per our internal plan. With these initiatives we would continue to promote balanced nutritional approach and support the farming community. We have successfully done drone trial with our specialty and liquid fertilizers in the market and that has been well accepted by the farmers.

Coming to crop protection, crop protection business registered a growth of 1% in revenue for the quarter and 3% for the year. Increase in key raw material cost and price challenges on Mancozeb impacted domestic business to business and export business. Domestic formulation business had a very good growth with positive traction from the new products launched this year and in the first half, we have exceeded the full year target. The business has received total of 5 patents during this year. These are unique product combinations which has been developed by our own R&D team and this will do well for our crop protection business. The business is building a rich product pipeline backed by strong R&D capabilities and is partnering with global investors to further strengthen its product offering. On the manufacturing side, CPC plants operated at a capacity utilization of 53% in Q2 (last year was 77%) and 56% during the half year (last year was 78%). The main reason for this was we had to slowdown our production on Mancozeb due to the stocks which we had. However, production has been scaled up with the recent softening of raw material cycle.

The Ankleshwar plant had high capacity utilization and we are setting up a new MPP plant for the manufacture of fungicides, which has been progressing well and is expected to be commissioned during the year. We have successfully done drone spraying trials in the farmers field for crop protection chemicals. The business would be further scaling up the usage of drones. Our retail centers operated very well during the quarter focusing on providing all-round agri solutions including products, farm advisory and mechanization service. Business has improved its operation efficiency and leveraged technology to reach out to the farmers. In Q2, 94% of our stores have been profitable and retail business operated with negative working capital. As part of our digital transformation journey, Coromandel has strengthened its digital data center initiatives which includes creating unified data platform on cloud, developing automated dash boards and building advanced use cases for the business. It has also created enough data for our manufacturing center. The company has taken significant steps in the last one year in the adoption of business intelligent dashboards. Salesforce productivity tools and robotic process automation has improved the process efficiency.

With the expectations of normal northeast monsoon and higher reservoir levels, Indian agriculture would be a bright spot. With its strengths in key operating markets Coromandel will continue to ensure timely availability of agri input to the farming community through our dealers and our retail outlets. Coromandel with its diversified presence across the value chain will continue to provide balanced nutrition and integrated pest management solution to maximize farm productivity. I will now like to hand over to Jayashree for the company financials.

Jayashree Satagopan: Thank you Sameer and good afternoon all. I will now provide updates on the company financials. In terms of turnover the company recorded a consolidated total income of Rs.10,145 Crores during this quarter and Rs.15,927 Crores during the first half. The numbers for the corresponding period last year is Rs.6,166 Crores for Q2 and Rs.9,852 Crores for the first half. The company has registered a growth of 65% during the quarter and 62% during the half year. The increase in revenue has been mainly on account of higher subsidy and MRP realization in the fertilizer business which was in turn driven by high RM costs.

Nutrients and allied businesses contributed to 93% share and the remaining 7% coming from crop protection business in the quarter and for the half year it is 91% and 9% respectively.

Subsidy non-subsidy share of business stands at 89% and 11% during the quarter and 87% and 13% during the half year during the previous year it was 83% and 17% during the quarter and 80% and 20% during the half year. As far as the profitability is concerned the consolidated EBITDA for the quarter was Rs.1,058 Crores as against Rs.744 Crores last year and for the first half it was Rs.1,744 Crores as against Rs.1,229 Crores last year. In terms of the breakup between subsidy and non-subsidy business it is 78% and 22% during the quarter and same for the first half. During the previous year it was 71% and 29% for the quarter and 72% and 28% for the first half. Net profit after tax for the quarter was Rs.741 Crores in comparison to Rs.519 Crores for the corresponding quarter last year and Rs. 1,240 Crores for the half year against Rs.857 Crores last year.

On the subsidy front during the quarter the company received Rs.3,866 Crores comparative figure last year was Rs.1,671 Crores. For the half year the total subsidy received was Rs.4,002 Crores and the previous year it was 2,163 Crores. Subsidy outstanding as on September 30, 2022 was Rs.4,176 Crores vis-à-vis Rs.1,698 Crores during the previous year.

On the interest front, during the quarter, company incurred a net interest expense excluding Ind-AS interest of Rs.13 Crores vis-à-vis interest income of Rs.8 Crores in the same quarter last year. For the half year company earned a net interest income of Rs.8 Crores versus Rs.20 Crores interest income in the previous year.

Company maintained its surplus fund of almost 2,374 Crores in Board approved securities and these have been earmarked for specific capex and growth-related investments. Short-term borrowings of Rs.1,279 Crores were taken to bridge the higher working capital requirement. Our company's balance sheet continues to be strong. During the quarter the company received AAA

(stable) rating by India Ratings and Research (A Fitch group company) and a short term debt rating as IND A1+. Company's long-term credit ratings by CRISIL continued to be CRISILAA+ (positive) and the short-term rating at CRISIL A1+.

On the Forex front, during Q2 rupee was extremely volatile and traded in a very broad range of 78.50 to 81.95. Coromandel followed a prudent conservative approach of hedging the forex exposure thereby limiting the impact of currency depreciation.

We thank you for your interest in Coromandel and joining us in the concall today. We shall open the session for question and answers.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

Tarang Agrawal: Good evening and congratulations for an extremely strong set of numbers. I have a couple of questions one on the manufacturing of your phosphatics and manufacturing of SSP, as we go forward can we expect you to probably cross your phosphatics manufacturing volumes north of 3 million tons and SSP volumes north of 7.5 million tons considering the capacity constraints or the debottleneckings that you might have, so that is number one, number two if you could give us some trend on how phos acid prices have moved for you in the past and what was the price for the upcoming period? Thank you.

Jayashree Satagopan: As regards the capacity for manufacturing of NPKs and SSP, your question was whether we would exceed the 3 million tons and 7.5 lakh tons of capacity. With the debottlenecking at plants and the flexibility to optimise production using different sources of raw materials, we believe that both these are possible. As far as the PA price trend is concerned, we have seen the prices shooting up from July 2021 onwards. We have seen continuous upticks till the last quarter. For instance, the PA prices were almost \$1715 per metric ton in the last quarter which eased during the current quarter to \$1175 per metric ton. So after a continuous increase in the prices, we are seeing the raw material prices are cooling down and we expect this trend to continue.

Tarang Agrawal: Thank you.

Moderator: Thank you. The next question is from the line of Himanshu Binani from Prabhudas Lilladher India. Please go ahead.

Prabhudas Lilladher: Thank you for taking my questions and congratulations on a good set of numbers. Sir I have two questions number one is on the margin side so despite we are seeing a lower contribution of unique grades to the overall volumes while the increased volumes in the trading side of the business and what I understand is that some of the competitors have actually pushed at the number taking some inventory loss from the carry over inventory from the last year also and due to the volatility into the RM Prices from 2Q to 3Q, so there might be some component of

inventory loss also in that but despite that we have like pushed at this sort of EBITDA per ton in the manufactured volumes so just wanted to have a sense on how the margins profile are and how should one actually look into the EBITDA number going forward and the second question was on the capex side, so any sense or color on the capacity enhancement into the complex fertilizer side as in we are like we have just alluded that we are already working at optimum utilization so going forward is there any plans for enhanced capacities into the complex fertilizer side? Thank you.

Sameer Goel:

You talked about the margins, basically when we do the planning, we look at whichever grades are giving us good return depending on the raw material and the conversion cost and the market r as per the crop demand we go for that so that is how we balance. The good thing about Coromandel is we have a lot of grades to choose from and we can promote them. You said we did more traded volumes, we did not do more traded volumes as far as NPK is concerned I have actually highlighted that we have done less given the higher prices, at the same time we enhanced our manufactured fertilizers. One of the good thing was we were able to source all the raw materials on time and therefore our manufacturing team is able to manufacture and that Jayashree alluded in the previous question.

Jayashree Satagopan:

The other thing Himanshu that we need to also look into is the backward integration that has been undertaken which has been a tremendous help in terms of the value capture at our end. Now I will talk about the capex, the capex plan for the year was close to 800 to 900 Crores we are tracking well. All the projects are going well. Currently in the plan, we have some debottlenecking capex but at the same time depending on the market conditions we are also exploring what could be the future capacity creation opportunities. We are also looking into setting up in the coming year possibly a liquid fertilizer plant which could be used for say, the nano DAP for which we are currently going through the regulatory approval process. Work is going on in the businesses to look at capacity augmentation and future capacity creation.

Prabhudas Lilladher:

Was there any sort of inventory loss component which is into the reported numbers?

Jayashree Satagopan:

As we do not do so much in DAP, we do not have inventory related losses. The way the Government had set up the subsidy for DAP was anything that is manufactured during the year we get Rs.50000 of subsidy and anything which was part of the carry forward inventory of prior year, subsidy was about Rs.33000. In the last quarter, on the carry forward inventory we had recognized subsidy only at Rs.33000 and therefore there is no inventory loss component for Coromandel.

Prabhudas Lilladher:

Thank you Madam.

Moderator:

Thank you. The next question is from the line of Manish Mahawar from Antique Stock Broking. Please go ahead.

- Manish Mahawar:** Good evening everyone. First question is in terms of our NBS rate what the government has announced day before yesterday so how do you see the rates and our action in terms of the MRP in the market place and how do you see for the full year subsidy outgo for government as a whole and the payment to the companies?
- Jayashree Satagopan:** The NBS rates have been announced by the Government close to what has been announced for the kharif season and the raw material prices have been coming down. So, at an appropriate time we believe that the Government will be relooking into the NBS rates and may come with a downward correction. Having said, when the raw material prices come down and the subsidy remains at this current level, there is a responsibility for companies to see how we work through the MRP and those options are being contemplated by Coromandel as well.
- Manish Mahawar:** But currently what the government has announced the rate and phos acid price right now how much maybe positive, do you think MRP will be come down in this next three months the government will take time to reevaluate this number further?
- Jayashree Satagopan:** That is being worked out so possibly we will get a clarity on it in the next one or two weeks and accordingly the actions will be taken in the market. The additional subsidy outgo for Kharif has been approved by the cabinet. In the month of October, we have received somewhere close to Rs. 2,200 Crores of subsidy from them and we hope during the next couple of months also they should be in a position to process and pay the subsidy outstanding to the companies.
- Manish Mahawar:** So by March 2023 what do you think the situation will be? Because the balance sheet as well as the subsidy outstanding has increased along with debtor number so will it normalize by March 2023 balance sheet time?
- Jayashree Satagopan:** I think so because during last year, the government had paid subsidy money almost all through the year, this time also they have taken approvals from the cabinet and I do not see a reason why subsidy would not get paid.
- Manish Mahawar:** Second question in terms of production capacity which is the earlier question also asked about so what type of because right now how much of a production we can do because we have done a lot of debottlenecking in our NPK plant so what is the optimal production we can do in the existing capacities in terms of NPK I am talking about or DAP?
- Sameer Goel:** We can continue to do even more production. A lot also depends on how we take annual turnaround. This depends on number of factors which includes the demand in the market but more importantly when we look at the safety of our plants and equipment. So that is something which we will take a call closer to the time when it is a non-season.
- Manish Mahawar:** But any number you can say maybe 32 lakhs ton or maybe 35 lakh ton what type of number we can manufacture on an annual basis?

- Jayashree Satagopan:** I think we should be able to do between 32 and 33 lakh tons. As Sameer mentioned there are two factors that could come in - one is the mix that we adopt, there are going to be certain products where the throughput is going to be much higher. If we are going to do too many products and we do constant changeovers that is going to have its impact. Also, there are certain products where the throughput would inherently be lower, so one is the component of mix. The second one is the timing of the ATAs. During an annual turnaround normally between 30- 35 days the plant could be shutdown depending on whether it is a fully integrated plant or it is just a granulation plant. So long and short between 32 and 33 lakhs is possible. We have to take a call and see if we want to do an ATA in March vis-à-vis April, depending on that we could be a lower production. That call normally the manufacturing team takes about a couple of months before the ATA.
- Manish Mahawar:** In terms of granulation plant maybe the Brownfield expansion how much time do you think we will maybe take or we are waiting for again raw mat sourcing for the final plant?
- Jayashree Satagopan:** We have mentioned in the previous calls that it is going to be important for us to tie up the sourcing as we look for capacity expansions. The business is looking into seeing how we can get our PA, SA secured as we think about additional granulation capacities.
- Manish Mahawar:** But anyways once you set up a plant right it will take around 18 to 24 months time to come on-stream right?
- Jayashree Satagopan:** Definitely.
- Manish Mahawar:** Okay sure that is it from my side and thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.
- Bharat Sheth:** Thanks for the opportunity Sameer and Jayashree. Coming on this crop protection despite we have been introducing new and we have been taking on earlier old product moving out this time also our growth is not comparing to industry is very low so where do we see a sustainable growth and what are the factors that has affected the growth?
- Sameer Goel:** Firstly our domestic growth has been very good. When you compare across companies domestic growth in Q2 has been very good this is despite the fact that we had what is called excessive rains and therefore it is stop to some of the application to happen during the quarter because of excessive rains and like we have said we are basically concentrating on a higher margins new products and therefore we have also done downsizing of some of the other products where the margins have been a issue but this requires investment so domestically things have been well. There has been pressure like we mentioned in our call on Mancozeb which has had added capacity plus also across both in the export and the domestic market primarily also got to do with the high prices which were rolling what we could do and that has impacted. The good thing is

raw material prices on Mancozeb is also coming down and we are putting up this thing and therefore again from September onwards we are seeing a quite a good upswing. Jayashree you want to add anything.

Jayashree Satagopan: As Sameer said, the prime reason for the muted sales is our exports and domestic B2B markets mostly driven by Mancozeb that is also because of the high RM cost and the decision from the business was not to produce more and sell at lower MRP. Having said that, in the last month or so the raw material prices have eased and therefore it gives an opportunity for additional Mancozeb sales during the coming quarter. On the domestic front, in the formulation business we had almost 29% growth year-on-year growth and the new product which has got introduced has been doing extremely well which is also helped in balancing the margins overall. As far as CPC is concerned there are two, three things which going forward should help the business. One - the new multipurpose plant that is being constructed at Ankleshwar should be ready for commissioning in January coming year this will be manufacturing three technicals Azoxy, Picoxy and Cyproconazole. This should complement and will help to reduce our heavy dependence on Mancozeb. Apart from this, the business is looking into further manufacture of new technicals which have become off patent in the last few years, they have identified in the first list and about 10 AIs out of which the R&D team has come out with the DOT for six of them. The business is looking at a new proposal for setting up fungicide multipurpose plant and the proposal should get cleared in the next two to three months time. All these actions in terms of improving the AI portfolio will help in the B2B business which is for both export and domestic customers. On the formulation front the business is continuing to look at introducing new molecules. This year already four new products have been introduced one more is in the pipeline for the coming quarter. The business has also got patent for five combination molecules which also is for the first time for Coromandel. Apart from these, 23 new registrations have been successfully obtained for the global markets, which also include some formulation-related registrations. While the current quarter has been muted, we think some of the actions that have been taken up should help get a much better portfolio mix for crop protection chemicals and also address some of the concerns relating to the over dependence on Mancozeb. Apart from that, we are also looking into a deeper penetration in select Southeast Asian markets to go on an aggressive B2B and also possibly on a B2C model.

Bharat Sheth: Currently Mancozeb contribute how much to the total revenue and second question related this five new patents which we got it so have we already launched the product or if not then when we will be seeing those product launching?

Jayashree Satagopan: Good question. Mancozeb currently is about 45% of our total revenue it used to be 60%, 65% it has come down to some extent. But most of our exports is really dependent on Mancozeb. As far as the five newly patented molecules, the patents have just been received. We will be working on the formulation and we should see the product launches in the coming year.

Bharat Sheth: So in rabi season do we expect or it will be again next year only?

- Jayashree Satagopan:** This will be in next year. In Rabi season we will be coming up with another “Me Too” product for launch.
- Bharat Sheth:** How much has this specialty nutrient and organic is contributing and if you can give roughly around the size of that business and how do we see the prospect of that?
- Jayashree Satagopan:** Specialty nutrients and organic as a business has been growing quite well, we have seen the business growing in almost 25%, 30% on a year-on-year and currently on a year-to-date basis there will be about 350 odd Crores in terms of revenue.
- Bharat Sheth:** On SSP side any color would you like to give, how is the profitability vis-à-vis which was earlier, now new granulation facility coming up?
- Sameer Goel:** SSP business is doing quite well. One of the issues which we had was to increase our capacity which we have done by reviving a couple of plants. We have also taken some additional facility and we are expanding the granulation facility. The granulation facility not only helps to improve the use of SSP but also helps in terms of launching our new products like Groplus which is now doing extremely well and has a better margin profile. One thing which has happened from the government is on freight subsidy on trade now this will help us to supply almost pan India and especially the big markets on the east where currently we are not tapping. So SSP will continue to see its growth, even the government is promoting SSP against the imported DAP especially in the markets of north and west as a better substitute, because from a farmers point of view it not only gives phosphate but also gives other required mineral which is very useful for the soil.
- Moderator:** We move to the next question which is from the line of Ranjit from IIFL Securities. Please go ahead.
- Ranjit:** Thank you for taking my question. My question is on the profitability of the fertilizer segment. We have been outperforming our guidance for quite some time now so whether there are any thoughts of the EBITDA per ton guidance revising of course and second question is that we have also seen a bit of hardening in the prices of the rock phosphate I do believe that we have been having the super efficiencies and probably a part of that at least on the rock phosphate front do we see a hardening of prices might lead to a bit of pressure from the conversion or the benefit that we have been getting due to the backward integration? Thank you.
- Jayashree Satagopan:** On the profitability front we have earlier guided on EBITDA per ton it is about Rs. 4500 for the full year. Given the way the margins have turned out for the first half, I think it would be reasonable to expect that the margins will be better during this year. Somewhere around Rs.5500 per metric ton is something which I think would be reasonable. On the rock phosphate pricing that you were mentioning we should also note that the prices across the commodities except for ammonia has been softening and we are seeing a similar trend in rock phosphate. So I do not see a reason why the prices for phosphate would go up, DAP prices are down, phos acid prices are down we are seeing softening in the rock phosphate prices as well.

- Ranjit:** Would we able to the guidance is for this year or even for the next year do you see a fair bit of comfort?
- Jayashree Satagopan:** I spoke about the guidance for this year. As we work out the business plan, we should be in a position to guide for the coming year.
- Ranjit:** Sure Madam thank you.
- Moderator:** Thank you. The next question is from the line of Rohan Gupta from Nuvama. Please go ahead.
- Rohan Gupta:** Good evening and thanks for the opportunity and congratulations on such a strong set of numbers in the current quarter. Sir two to three questions from my side first we start with on this current phos acid prices what are the contractual prices for phos acid and though Jayashree mentioned that government may look at further reducing the prices of the subsidy but I think that the subsidy rate which has been announced so far are already fixed for the entire rabi season and if the market prices are remaining or a hold on to the farmers or the current level we see that the margins at current level in a DAP and NPK fertilizer will be much better than what we have already seen in first half?
- Jayashree Satagopan:** Yes, the phos acid prices as I mentioned for this quarter is about \$1175 per metric ton it has come down from \$1715 in a last quarter. As I was mentioning, while the cabinet has gone through the NBS rate and we have a circular with rates for the rabi season, when there is going to be steep reduction in the RM prices we believe the government may look into the NBS rate and could come with a downward revision during even the rabi season. But we will have to wait and watch. Second the phos acid prices have just got finalized for the quarter and the raw material prices are coming down, the company has also been having inventory for continuous production. So there is going to be some level of high cost inventory which has to get liquidated and to that extent there could be a moderation in the margins. The third one, as I was mentioning little while ago with RM prices coming down there are also responsibilities for companies who look into how some of the benefits can be passed on to the farmers who are our end consumers. That is being worked out and probably in the next couple of weeks as we go through the costing proposals, we should be coming up with some MRP related action.
- Rohan Gupta:** Can you quantify your some numbers little bit that high cost inventory which we have of the raw material what can be the impact on profitability and I think that all will be visible in Q3?
- Jayashree Satagopan:** Yes, mostly all this should come into Q3 and this varies across various raw materials - there could be some on the phosphoric acid, We have some quantity of rock which have been purchased which could last for a relatively longer time. There is a certain quantum of sulfuric acid is being used during the quarter. We have seen the prices of all these commodities coming down and I am hoping that most of RM inventory should get exhausted in this current quarter itself.

- Rohan Gupta:** But is it secure the high cost inventory if I look at closely as you also mentioned that the government reduction in subsidy rate is on DAP is hardly Rs.1500 per ton and as we maintain the prices to the farmers at the same level it means that even the previous raw material which we are carrying is enough to maintain our old margins however now the phos acid which we are procuring right now is going to have a significant improvement in margins so did not get that will the inventory losses which we are talking about can be anything significant because the subsidy has not come down sharply and the farmer prices will remain same?
- Jayashree Satagopan:** I do not see a significant reduction in the margins. However, having said that, this is also the valuegap factor - when the phos acid prices are very high and we have our own backward integration, the value gap between buying the phos and converting rock into acid is higher. When the acid prices come down, it is good in a way. But at the same time, the value capture in terms of getting the rock and manufacturing acid will also come down. We are looking at some MRP revisions too. This to some extent would moderate the margins that we have seen in Q2. Overall for the year, I think we will still be better than last year.
- Rohan Gupta:** Second in terms of the margin guidance which you gave as we have already seen the first half solid number so definitely at Rs.5500 EBITDA per ton may not only hold on then we may exceed that number as well that what looks like. For next year any sense that do you see that these are the sustainable margins which one should be looking at going forward even at the phos acid coming down and the backward integration which we have now so do you see that these are the sustainable margin per ton level?
- Jayashree Satagopan:** I think so. Over the years, we have seen that the margins have been getting better with a lot of efficiencies that have been built in the plants, the plants operating at a higher capacity with the debottlenecking efforts. Margins should be definitely in the range of 5000, 5500 per MT. I think these are good numbers for us to look into.
- Sameer Goel:** Like Jayashree said those were the planning process and we will be able to tell you that for the next year.
- Rohan Gupta:** On our agrochemicals part of the business we have been highlighting that we are open for growth and even also have been very aggressively looking for inorganic growth opportunities also in that segment and even in other businesses as well related to agri. Do you see that we are having enough options and are we getting enough such opportunities which you may like to perceive and we may see some inorganic growth opportunities as well in the agrochemicals part of the business or in terms of you want to build a business towards the contract manufacturing and intermediate manufacturing or CRAMS model you would like to increase significantly in the agrochemicals part of the business over next couple of years how do you see that business panning out?
- Sameer Goel:** We have a detailed listing of actionables which is a long-term strategy we are looking at each of the revenues which we had talked about and this is not therefore crop protection that we will also

looking for any other adjacency which are there but it needs to make business sense to us so that is something which we have done. We have already seen that our Dare Ventures invested very well in three startups including we have taken up a Drone manufacturing company. I have shared this and part of the reason is so that we can then leverage them for our own operations for the benefit of the farmers which will go for the crop protection and the nutrition side also. So we will continue to look for those opportunities.

Rohan Gupta: Thank you.

Moderator: Thank you. We move to the next question from the line of Akshat Mehta from Sameeksha Capital. Please go ahead.

Akshat Mehta: Congratulations and thank you for the opportunity. I have a couple of questions the first one is that what kind of a sustainable benefit that we can get in our EBITDA per ton on account of the recent phosphoric acid expansion that we have done as well as the new sulfuric acid and the phosphate backward integration that we are going to complete in next year and in the next two years as well so what kind of a benefit that we get in EBITDA per ton because of that?

Jayashree Satagopan: So the benefits of PA has already been factored in and as far as the SAP Plant it will get commissioned next year. I had indicated earlier this is more to do with securing our raw material so that we can avoid high fluctuation in the procurement prices. There would be benefit in terms of power and steam that they generated so on and so forth. The primary intent of putting up a sulfuric acid plant is to ensure that our imports are coming down and we are not subject to huge volatility. So, I think it can help us to negotiate the prices better, that is the way one should look into the SAP capacity.

Akshat Mehta: Thank you Madam but under the normalized environment I know the primary reason is raw material security but you also have some kind of an arbitrage in pricing even if you know the drop in raw material price having a normalized environment and not elevated as they have been in the past so there may be some kind of quantifiable benefit that you would have received on account of just putting up the backward integration facility?

Jayashree Satagopan: There could be some which as I said normally which comes from the power and steam generation.

Akshat Mehta: Would you able to quantify that?

Jayashree Satagopan: Probably we can take it offline and you can give us a call I will have the numbers with me.

Akshat Mehta: And my second question is on nano DAP as you said that it is still in the approval process what kind of margins and what kind of growth are we seeing in nano DAP and the application of nano DAP in the fertilizer industry and as you know your competitor already have a patent which they

have taken three months back for nano DAP so how will that create a threat to our company in terms of the nano DAP that we are going to release?

Jayashree Satagopan: I think there are couple of companies who applied for approvals for Nano DAP. So each one would be following a different process and once we get all the approvals then the manufacturing and distribution will start. We have done the trials in the fields and we find that the results are quite encouraging., We will have to see to what extent this will sort of replace granulated DAP, our estimate is that it could be anywhere around 25% over a long period in time. Initially the adoption could be lower and over a period in time, based on the inputs that come from the field there will still be improvisation. These are very, very earlier stages for the new products that being planned to be introduced.

Akshat Mehta: My question was that the nano DAP that you are testing and have been given for the approval process will that be of a different grade than your competitors are using?

Jayashree Satagopan: There is nobody else today who has come with Nano DAP, there is Nano urea that is being manufactured and distributed by IFCO.

Akshat Mehta: But IFCO has already achieved IFCO is already granted a patent for nano DAP three months back.

Sameer Goel: So what we are trying to say is that the processes are entirely different. So there is no issue at all.

Akshat Mehta: Okay thank you.

Moderator: Thank you. The next question is from the line of Prashant Biyani from Elara Capital. Please go ahead.

Prashant Biyani: Thanks for the opportunity while we have quantified that the high cost inventory will be exhausted in Q3 but specifically at the start of Q3 or during the start of Q3 how much of phos acid and rock high cost inventory will be there for how many days if you can quantify in terms of number of days?

Jayashree Satagopan: I do not have those numbers right away with me, typically phos acid could be for 20 to 30 days, it also depends upon the mix that we are using. Rock would be for slightly longer period. If we do not know where the phos acid prices are going to be, we cannot predict the rock prices. Therefore, typically we hold rock for slightly longer periods. There could be some moderation in the prices as we have seen in August and September. We are constantly looking into and sort of optimizing and reducing the inventory for rock which typically is for a slightly longer period. The inventory that we are holding are not at the same level that we used to hold when the raw material prices were going up. It is lower since the prices are coming down you will definitely see some impact on this account.

- Prashant Biyani:** Would the strategy be to reduce the MRP after we liquidate the high cost inventory?
- Jayashree Satagopan:** I think that is what we have been looking at. I do not have an answer right now. We may look at MRP corrections after the liquidation of high cost inventory or it could be to consider an average cost and pass on the benefit to the farmers. That is something that is being considered by the management.
- Prashant Biyani:** Just a bit on the longer horizon with the kind of initiatives that we are taking on crop protection, organic and specialty nutrient do we think that the incremental growth from these three segments will be able to give us a decent incremental growth maybe next year or FY2025 onwards so that we do not feel the impact of lower volume growth in the core complex fertilizer business?
- Jayashree Satagopan:** The way we are looking into each of the SBUs, they will have their own growth path and trajectory. There are opportunities across all the SBU's obviously. If you see SND and organic, they have several white space opportunities. For instance in CPC, we can look at the Indian market, global markets both for B2B and B2C and there are opportunities to look into contract manufacturing.
- On SND, more of liquid fertilizers could come in, specially with water shortages. Organic is again is a very, very sought after business and we have seen increase in volume and revenue during the year. So these will have their own aggressive growth plan.
- At the same time there is opportunity for the fertilizer business that will also have its own growth agenda. For instance between last year to this year, the SSP growth has been pretty good. While SSP is much lower in terms of cost compared to NPK, even with the high prices of SSP, there has been a good off take. Moreover, in SSP, we are looking into converting most of the powder into granulation, there is value added SSP. As Sameer mentioned earlier, apart from the existing SBUs trying to grow, there are going to be focus areas in terms of how we even use technology to aid the farmers in improving the productivity. We have been in the last year or so investing into Ag Tech companies, we have done three investments so far all of them are very promising, primarily the drone investment that we have done in the last quarter. We think this is going to be very strategic for Coromandel because with labour cost going up and more of liquid applications coming in, whether it is in crop protection, specialty nutrients, the usage of drones is going to be helping the farmers in terms of getting the better efficacy as well as reducing the cost of input labor. We will be exploring multiple opportunities across the existing businesses and adjacencies to enable consistent growth within Coromandel.
- Prashant Biyani:** Lastly for the nano fertilizers or organic or specialty nutrients how many seasons or years of demand generation is required at the farmer end and we have been trying to do this since when?
- Sameer Goel:** What we did was for a specialty businesses and organic we have already got a agronomists team setup which is basically an expert marketing team which works with the farmers and they work on specific crop types obviously it is a concept selling, but now the farmers and including the fact

that they can use digital media adopting this very fast so we do see a very faster adoption, in fact our strategy here is to move more away from trading more into manufacturing so that we can also do the value capture and at the same time upgrade our offering to the farmers for example in sulphur we are the pioneers in the bentonite sulphur but now we have moved to a much more better product for the farmers called sulpha max. so we have limited our sales of bentonite sulphur which has become generic so we keep doing this to ensure that adoption is very fast and I believe that our agronomist team aided with the nutri clinic that we have in the field markets Coromandel's retail outlet we are very much geared up for a very fast introduction.

Prashant Biyani:

Thank you that is it from my side.

Moderator:

Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you Sir!

Sameer Goel:

Thank you very much. Thanks for taking up time on a Friday evening and it has been a very interesting and challenging year last six months especially given the international crisis which is there especially with the Ukraine war, but I think your company with what we have done in the past and with our diversified portfolio and our direct connect with the farmers both through our retail outlets and with our nutri clinics has done very well with the storm which is there, which is impacting across the industry and have been able to deliver. I think given our farmers focus and the new products which our R&D team is getting plus application plus advent into Ag Tech and we have seen reality there it is no longer just a dream, we will continue to support the farmers in our key markets for improving their productivity and hence the company will continue to do well. So thank you very much.

Moderator:

Thank you members of the management. Ladies and gentlemen on behalf of Axis Capital that concludes this conference call. Thank you for joining us. You may now disconnect your lines.