



“Coromandel International Limited Q2 FY2024 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY2024 Earnings Conference Call of Coromandel International Limited, hosted by IIFL Securities 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 phone. Please note that this conference is being recorded. I now handover the conference to Mr. Ranjit Cirumalla from IIFL Securities Limited. Thank you, and over to you, Mr. Cirumalla.

Ranjit Cirumalla: Thank you, Michell. Good afternoon all. On behalf of IIFL Securities, I welcome you all to Coromandel International Q2 FY2024 earnings call. Today we have with us Mrs. Jayashree Satagopan, President, Corporate and CFO, Mr. Sankarasubramanian S., Executive Director - Nutrient Business, and Dr. Raghuram Devarakonda, Executive Director – CPC, Bio and Retail Business. I will now invite Mrs. Jayashree Satagopan to share opening remarks and details on financial performance post which we will have a Q&A session. Thank you and over to you, ma'am.

Jayashree Satagopan: Good afternoon everyone, and thank you, Ranjit, for organizing the conference call. Let me first give an overview of the business environment experienced during the quarter, followed by the company's performance and then we can have the Q&A session.

As far as the global economy is concerned, it continues to recover slowly and as per IMF's latest projections, global growth is expected to be approximately 3% in 2023 versus 3.5% in the previous year. Energy and fertilizer prices have started moving up from September onwards due to the demand and supply mismatch.

India continues to show resilience, supported by robust domestic demand, strong public infrastructure investment, and a strengthening financial sector. IMF has revised India's GDP growth upwards by 0.2% to 6.3% in 2023.

During this quarter tax collection remains buoyant and retail inflation eased to a three month low in September, at around 5%.

On the agriculture side, India experienced below normal Southwest monsoon with the country receiving 6% low rainfall compared to the long period average. There was significant variability across regions and time periods, with India receiving record low rainfall in August followed by surplus in September. The overall crop sowing area remained around last year's level with acreage increase in paddy coarse cereals and sugar cane, and a decrease in pulses and cotton.

Among our key operating markets, crop sowing in Andhra got impacted while Telangana, Karnataka, Maharashtra and Bengal were close to normal levels. The All India reservoir level stand at 92% of long period average with the southern region at around 64%. IMD has forecasted a normal Northeast monsoon, which is likely to improve the irrigation prospects for the southern markets.

On the policy update, the government has recently announced the NBS rates for the second-half of FY2024. With the decline in raw material prices over the last six months, a steep reduction in the nutrient rates has been undertaken. The MSP for upcoming Rabi season has been declared with a 3% to 7% increase taken across the commodities. The government has maintained the criteria of fixing the MSP at least 1.5 times of the all India weighted average cost of production. There has been strong impetus from the government for drone adoption and the industry players have been encouraged for promoting drone based spraying applications for agriculture through women self-help groups.

On the fertilizer industry performance, the fertilizer raw material prices remained soft and stable during the first half of the year, but has started moving up from August onwards due to supply side issues. For the kharif season phosphatic industry has performed well, improving its primary sales by around 11%. The overall industry PoS consumption has also moved up by around 24%.

For the quarter, DAP plus complex fertilizer, industry's primary sales volume was up by 19%, 77.2 lakh metric ton in the current year vis-à-vis 64.6 lakh metric ton in the previous year. For DAP and complex fertilizer, industry's consumption indicated by POS sales volume in the current year is 90.2 lakh metric tons vis-à-vis 67.2 lakh metric tons in the previous year.

On a year to date basis, DAP and complex fertilizer industries primary sales volume was at 132.1 lakh metric tons vis-à-vis 119.1 lakh metric tons last year.

On the consumption, which is indicated by the POS sales, volume is 128.2 lakh metric tons in current year vis-à-vis 103.7 in the previous year.

Let me come to Coromandel's performance. Coromandel displayed a resilient performance in a challenging business environment, sustaining its profitability and improving its working capital position during the quarter. The company's key operating markets were impacted by sub normal monsoon affecting the agri inputs off take.

Company's Nutrient and Allied businesses focused on the nutrient consumption during the quarter. Lower primary sales by about 7% and fall in subsidy rates resulted in decline in the

segment revenue during the quarter. However, stable RM prices coupled with backward integration benefits resulted in margins remaining comparable with last year's levels.

On the sales front, the business registered a sales volume of about 11.6 lakh metric tons during the quarter compared to last year's of 12.4 lakh metric tons. On a year-to-date basis, sales volume is about 20.2 lakh metric tons vis-à-vis 19.7 lakh metric tons in the previous year. Company's market share in Q2 is about 15% and for half year is 15.2%. Last year comparable was 19.2 in Q2 and 16.5 for the half year.

SSP Q2 sales was at 2.1 lakh metric ton versus 2.4 lakh metric tons last year and half year sales is about 3.9 lakh metric ton versus 4 lakh metric tons last year. Market share for the quarter went up to 17.1% from 16.5% last year. On a year-to-date basis, the market share has gone up to 15.3% from 14.3% in the previous year.

During the quarter, our DAP and complex fertilizer plants operated at about 86% of the capacity. Phos acid production during the quarter was similar to last year's level.

During the quarter, the business commissioned its state-of-the-art sulfuric acid plant at Visakhapatnam with a capacity of about 1650 tons per day with an investment of approximately Rs 400 Crores to improve its backward integration capabilities. With this, Coromandel sulfuric acid capacity will increase to 11 lakh tons per annum from 6 lakh tons per annum, supporting its requirements towards downstream processes involving phosphoric acid and phosphatic fertilizer production. The plant is designed to meet one of the lowest emission standards globally and the steam generated from the plant will be used for captive power consumption. The production from the newly commissioned plant has been stabilized and we have started operating at the desired capacity.

As part of our sustainability initiatives, Coromandel has set up a 6 million litre per day desalination plant at Vizag. With this, close to 1/3rd of the plant's water requirement will be met through seawater.

During the quarter, the business has introduced Nano DAP, a patented nanotechnology based fertilizer and the initial customer feedback has been encouraging.

The crop protection business of the company registered a healthy volume growth, improving its performance in exports and domestic formulation segments. However, global industry headwinds, namely higher channel inventory and decline in commodity prices had its impact on price realization. The export segment of the business grew by 29% with major increase coming from South America and Africa markets. The manufacturing units operated at a

higher capacity, 65% versus 51% last year and focused on improving operational efficiencies. The business has initiated regulatory and infrastructure activities in the new Dahej site and is in the process of finalizing the multiproduct plant project.

On the specialty chemicals front, the business has initiated marketing some of the products to the customers. The company is strengthening its research and technology processes and has identified key products to be developed in the future.

On the CDMO front, the business is closely engaging with customers and has organized few customer visits to its facilities. The interactions have been quite positive so far.

The bio product business of the company improved its procurement during the year. Business is engaged in multiple process improvement initiatives focusing on improved cost efficiencies and yield. It has introduced Neem oil based pesticide Azamax during the first half and plans to introduce non Azadirachtin products in the second-half of the year.

Despite the dry spell in some parts of the South Karnataka and Rayalaseema markets, Retail stores adopted crop specific approach and operated well during the quarter focused on providing all round agri solutions including products, farm advisory and mechanization services. Overall 93% of stores remain profitable.

On the technology front, company's recent investment in Dhaksha, a differentiated drone startup is progressing well and Coromandel is providing adequate support to the Dhaksha team. It has bagged order for its medium altitude, light weight and heavyweight logistic drones from the Indian Army and has orders for its agriculture drones. Company has also received the 4th type certificate for its battery drones.

As part of its drone spraying services, Coromandel has introduced Gromor Drive initiative. Under this, the company has started offering drone based agri inputs applications through its trained pilots.

During the quarter, the company acquired 16.53% equity in XMachines, and AI based robotic startup focusing on a variety of agricultural operations such as planting, weed control and pest control.

Coromandel is driving companywide digital initiatives including automated dashboards, analytical use cases for improving productivity and cost efficiencies and is in the process of implementation of Sales force and new dealer portal.

With that, let me take you through the company's financial performance.

Turnover: The company recorded a consolidated total income of Rs 7,033 Crores during the quarter and Rs.12,771 Crores for the half year versus corresponding period of 10,145 Crores and half year 15,927 Crores. The decrease in revenue is mainly on account of drop in subsidy rates in the fertilizer business compared to last year. Nutrients and allied businesses contributed 90% share and the remaining 10% is from the crop protection business for the quarter as well as for the half year. Subsidy business share in revenue stands at 84% during the quarter and 85% for the half year. In the previous year, it was 89% for the quarter and 87% for the half year.

Profitability: Consolidated EBITDA for the quarter was Rs 1,059 Crores vis-à-vis Rs 1,057 Crores last year and for the half year it was Rs 1,768 Crores vis-à-vis Rs 1,742 Crores during the last year. Subsidy businesses' share in EBITDA stands at 81% during the quarter and 82% for half year. In the previous year, it was 78% for both the quarter and first half. Net profit after tax for the quarter was at Rs 755 Crores in comparison to Rs 741 Crores for the corresponding quarter last year and Rs.1,249 Crores for the half year against Rs 1,240 Crores in the previous year.

As regards subsidy, there has been a significant improvement on the subsidy side with the company claiming and receiving Rs.4,243 Crores in Q2. For the half year, the subsidy received is about Rs 6312 Crores. Overall subsidy outstanding on 30th September 2023 was about Rs 1,497 Crores vis-à-vis Rs 4,176 Crores in the previous year.

During the quarter, the company earned net interest income excluding the Ind-AS interest of Rs.5 Crores vis-à-vis the net interest expense of Rs 13 Crores previous year. For the half year, the company earned a net interest income of Rs.16 Crores vis-à-vis Rs 8 Crores in the previous year. Company maintained its surplus funds in board approved securities, and these are earmarked for specific growth related investments. The company ended the quarter with a net surplus of about Rs 3,380 Crores.

The company's balance sheet continues to be strong. The long-term credit rating by CRISIL is at CRISIL AAA stable and short-term at CRISIL A1+. During the quarter, the long-term credit rating was reaffirmed as Ind AAA (stable) by India Ratings and Research, a Fitch group company and the short-term debt rating at Ind A1+.

As far as Forex is concerned, during the quarter the rupee was trading in a broad range from 81.81 to 83.30. Coromandel continues to follow a very conservative approach of hedging the

Forex exposure, and this has immensely helped in limiting the impact of currency depreciation.

With the forecast of a normal Northeast monsoon, we expect the demand cycle to be conducive in the coming months. Coromandel, with its presence across the farming value chain, will continue to drive sustainable agricultural practices and improve prosperity.

Thank you for your interest in Coromandel and joining the call today. We look forward to your interaction.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take the first question from the line of Noel Vaz from Union Asset Management. Please go ahead.

Noel Vaz: Thank you for the opportunity. I just had one question regarding the sulfuric acid plant. So, the Capex is about Rs 400 Crores odd. What is the extent of cost savings that we are looking at the payback period? If you could have some details on that front. Thank you.

Jayashree Satagopan: The Capex as you rightly mentioned is about Rs 400 Crores for the plant. The purpose of setting up the sulfuric acid plant was mainly for securing our supplies and we have deliberated this in the past as well. However, given the way the commodity prices move, the value gap between procuring sulfuric acid in the market and converting sulfur into sulfuric acid could give us a benefit. At the current prices that are prevailing, we think in about two to three years we should get a payback on this project, but again, the main purpose of setting up the sulfur burner is for securing our own sulfuric acid.

Noel Vaz: Second thing would be, actually some clarity regarding subsidy changes. Are we expected to see any kind of provisions related to it in the second-half? Thank you.

Jayashree Satagopan: Your question was not very clear.

Noel Vaz: Sorry about that. There have been some revisions to the NBS rates, right? NBS subsidy. So, I just want to know if there is any kind of provision that we are expecting in the second half of the financial year.

Jayashree Satagopan: We will see that the subsidy realization in the second half is going to be lower because of the lower NBS rates. Having said that, we have also made some reasonable estimates and have factored it in our Q2 financials. So we may not see a one-time hit coming in the third quarter. But the overall realization is likely to be lower, and this is a normal trend. When the NBS rate goes up, the realization will be higher, when the rates come down, the realization will be

lower. The company has been following a consistent policy in terms of looking at what could be the rate and appropriately making the necessary adjustments in the books.

Noel Vaz: Thank you.

Moderator: Thank you. We will take the next question from the line of Tarang Agrawal from Old Bridge Asset Management. Please go ahead.

Tarang Agrawal: Hi, ma'am. Good afternoon. A couple of questions from my side. Specifically on the subsidy. I could gather that there has been a sharp reduction in the NBS rate and while in the first half the reduction was not as significant as the reduction in the global commodity prices that I think seems to have been made up in the current subsidy. While you have been prudent in terms of providing for it, but purely on a per ton margin basis, how do you see H2 period versus what we have seen in H1 and the previous year as well?

Jayashree Satagopan: You are right, the government has been adjusting the subsidy rates, the NBS rates in line with the raw material prices. We have seen in the first half a very sharp correction in raw material prices compared to what was prevailing in the previous year, and government normally looks into the last six months prices, and they took an adjustment and that is what has happened currently to the new NBS rates for Rabi. When we look into the EBITDA per ton, we normally look at it on a full year basis, we do not look at it on a quarter-to-quarter or just talk first half to second half. The raw material prices currently are in a slightly upward trend. So, if at all the government is going to look at it like last year when they made a correction in the NBS in Jan 1, we believe that could also be in consideration, but we do not know for certain at this point in time. With that background and the backward integration that Coromandel has done both in sulfuric and phosphoric acid plants, we believe on a full year basis, it should not majorly impact the margin per ton. Having said that, with the current visibility that we have, I think it should be in the range of Rs.5000 per ton for the full year.

Tarang Agrawal: That is helpful. The second question, when we came into FY2024, we were anticipating about anywhere between 6% to 10% volume growth in the Phosphatics business. So far in H1, things have been largely flat on the manufacturing side. So how are you looking at H2, and the third one, if you could give us a split of the 580 Crores Capex in H1 FY2024? Thank you.

Jayashree Satagopan: See, after almost 3-4 years we have seen that we have got a sub normal monsoon this year and Kharif is a big season. We have seen that August rainfall has been very, very low for the past several decades. September was very high. With so much uncertainty, I think it is only prudent not to go and dump the material in the market and to say that we are showing a volume growth. Therefore, we have been taking a very conservative as well as strategic

approach in terms of both manufacturing and placing of fertilizers in the market. It is not about placing it with the dealers. We also need to ensure that farmers are able to take and consume it in their field. So, from that standpoint, we feel comfortable in terms of what has been done in the first half given the extreme uncertainties in the monsoon and the reservoir level. Having said that, with the expectation of a near normal monsoon in the second half of the Rabi season, we expect that the consumption should go up. On your question relating to the Capex, I have earlier also indicated that it is about the sulfuric acid plant. We have a desalination plant that has got commissioned in Vizag. There is a Nano DAP plant that is coming up in Kakinada and there is work that is getting initiated in the crop protection chemicals for the multi-purpose plants and also their regular Capex. Apart from it, we are looking into increasing the granulation facilities in SSP. All of this put together should add up to say, about Rs 500 Crores of Capex during the year.

Tarang Agrawal: Thank you.

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

Prashant Biyani: Thanks for the opportunity. Just continuing on the NBS policy for H2, while I am not looking for any quarterly guidance, but for Q3 whether there will be a significant dip for the industry in profitability or there will be no profit at all on major grades of fertilizer that we are selling as an industry, if you can give some color on that? Not specifically from Coro's perspective, but for any backward integrated player.

Jayashree Satagopan: I think I will give you a very general outline. For companies who are backward integrated, the impact could be much lower compared to companies who are buying intermediates and manufacturing. The second thing is there could also be some MRP increases that could happen given the way that subsidy corrections have happened for the Rabi season. So one needs to keep in mind both these factors and accordingly when you look at it, definitely there is going to be an impact on margins, no doubt at all. More so for SSP than NPK and in NPK when companies are working on the unique grade, the possibility of pricing is better in such grades vis-à-vis the generic grades. Integrated players will do better than nonintegrated players. Traders may get even more impacted.

Prashant Biyani: How are we placed on the raw material inventory, especially for ammonia and phosphate for Q3? Have we had enough opportunity to buy it at lower cost?

Jayashree Satagopan: So, I think we have this very agile procurement team here and based on the inputs, on the price movements and the capacity that we have for storage of these raw materials, the team

has been taking very prudent calls and you could see that one of the main reasons for Coromandel profitability in the last few years., The procurement team has a sense in terms of how the raw material prices could move, and accordingly the purchase decisions are taken. It is also a factor in terms of how much storage capacity we have for each. So long and short, to the extent that we can store, material has been procured, secured and wherever we have to use our backward integrated facilities, the intent is to maximize production from our PA as well as SA plants.

Prashant Biyani: And lastly, how much are we backward integrated in phos acid manufacturing and how much in sulfuric acid?

Jayashree Satagopan: I would say for phos acid slightly above 50% and sulfuric acid could be 60% or so. Yes, it could be around 60%.

Prashant Biyani: Thank you, ma'am. That is it from my side.

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

Akshat Mehta: Thank you for the opportunity. One of the questions that I had is in this quarter, have we included any kind of provision for the changes in subsidy that it has come in October.

Jayashree Satagopan: Sorry I could not follow your question.

Akshat Mehta: My question was that in quarter two, have we taken some kind of provision for the reductions in subsidy that has come in recently.

Jayashree Satagopan: Yes, we have.

Akshat Mehta: If you could quantify that?

Jayashree Satagopan: No, I would not be in a position to quantify it now, but we have considered some impact on account of the NBS rates that has been announced.

Akshat Mehta: My next question was, given the Rabi season demand that there will be a normal Northeast monsoon and there will be good demand, but will there be any impact of the reservoir levels in southern region being quite low after kharif season on the demand in Rabi?

- Jayashree Satagopan:** Yes, the reservoir levels are very low in Southern markets. That would have an impact on the soil moisture conditions. We do see that as a constraint, but at the same time, if the rainfall is going to be good, to a great extent it could compensate.
- Akshat Mehta:** My next question is on the line of Nano DAP. So when are we kind of commercializing the Nano DAP plant?
- Jayashree Satagopan:** Actually the Nano DAP plant is said to be commissioned in Q3 of this year at Kakinada. We are waiting for some regulatory approvals to start the operations there. Pending the commissioning of the new Nano DAP plant at Kakinada, we have started producing Nano DAP at our pilot plant in Vizag and in September we have also started commercial production and sales, although at a limited quantities and we are seeing that the response from the farmer has been pretty good.
- Akshat Mehta:** My last question is that if you could throw some light on what has been the progress of specialty chemical during the quarter and going forward when you will be able to kind of give some numbers or Capex requirements on specialty chemicals?
- Jayashree Satagopan:** As I was mentioning in the past, the intent of getting into specialty chemicals is primarily utilizing our existing assets, for some of the molecules where the applications are beyond agrochemicals. So we have started in a very small way during the last quarter, token invoicing and shipments are happening to some of the specialty chemicals customers already. It is not substantial we are not talking about the absolute numbers at this point in time. But the good news is the traction has begun. Now the business has also worked out certain specific areas where they would like to invest further in terms of building up our own capabilities, infrastructure as we go into a medium-term, and that is where the current focus is on the specialty chemicals business. We will continue to use our existing assets in the near-term and get the customer connects. Start shipping the products to broad base our customers and applications and in the medium-term invest further and deeper into specialty chemicals.
- Akshat Mehta:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Vishal Biraia from Bandhan AMC. Please go ahead.
- Vishal Biraia:** Madam, for this Nano DAP plant that is coming up, could you tell us as to what is the extent of capacity, and what are the kind of revenue that you would look forward to?

- Jayashree Satagopan:** The capacity that we are looking at is 1 Crore bottles per year, which is a 1 litre bottle, and the pricing for these bottles, MRP is about Rs.600. So that is the capacity that we are building up. Depending upon how the response of the market is because this calls for lots of customer awareness and education. If the farmers do not know how it has to be used then it could actually boomerang. We are seeing mixed response from the farmers in the case of Nano urea and therefore from Coromandel's standpoint, there is lot of ground level activity going on in terms of the agronomist reaching out to the farmers, helping them to understand the product better, how to apply so on and so forth. We have also initiated what is called as a Gromor drive, which is using the drones for some of these foliar applications. So combining both of these, we are in for a slow and a steady start with farmers understanding there is an opportunity for us to sell more and these are all modular facilities. So in a quick period of about 8 to 10 months, we should be in a position to add further plant capacities. That is the game plan as far as Nano is concerned.
- Vishal Biraia:** And just to understand something on the technical side as to your utilization of phos acid here will be how different than the utilization of phos acid for the solid-state complex grades or DAP?
- Jayashree Satagopan:** Here we do not directly use phos acid.
- Vishal Biraia:** Could you help me understand as to what would be the substitute for the phos acid here.
- Jayashree Satagopan:** This is a patented technology and I may not be able to reveal what are the contents and what percentage of what is being used for manufacturing Nano DAP at this point in time. But I should tell you the phos acid, sulfuric acid, the quantum that we use is all going to be for granulation. There is no comparison at all.
- Vishal Biraia:** And on a steady state basis, once this business stabilizes, what would be the kind of operating margins that you would target?
- Jayashree Satagopan:** On Nano DAP.
- Vishal Biraia:** Yes.
- Jayashree Satagopan:** Nano product must have a very decent margin here. I think it should be pretty healthy.
- Vishal Biraia:** If it is 20%-22%.
- Jayashree Satagopan:** Yes, it should be in the range of 20%.

- Vishal Biraia:** Final question. I think it is a continuation of what the earlier participant was asking. When you say Rs.5000 per ton for the full year for the fertilizer business, this includes SSP.
- Jayashree Satagopan:** No, normally we do not include SSP. This is mainly for NPK's.
- Vishal Biraia:** And then could you give as to what would be this number for NPK for the second quarter like for the September quarter, what this number have been?
- Jayashree Satagopan:** No, I normally encourage to look at a full year number because there are seasonalities, you see subsidy price is up and down, MRP considerations. raw material consideration. So for a seasonal business, given so much of external variations, it is always good to look at an annualized basis.
- Vishal Biraia:** And just lastly to get to this 5000 number, hypothetically what would be the extent of increase in MRP would you require to get to this number for the balance half of the year looking at the way the, and assuming that the RM prices remain where they are and the subsidy is what it is. There is no upper revision.
- Jayashree Satagopan:** There could be MRP increases in unique grades. On the generic grades, we need to look at how the industry is taking it up and what is the view of the government.
- Vishal Biraia:** If you look at the generic grades or let us look at the specialty grade, what would be the extent that you would target to get to this number for the full year?
- Jayashree Satagopan:** That depends upon the market conditions honestly.
- Vishal Biraia:** Okay. Fair enough. Thank you.
- Moderator:** Thank you. The next question is from the line of Vishnu from Avendus Spark. Please go ahead.
- Vishnu:** Hi, thanks for your time, I am Vishnu from Spark. Firstly, continuing the previous participant's question, compared to first half most of the raw materials have currently spiked a lot and there is at least Rs.10000 to Rs.12000 correction on an average on subsidy. So second-half, I mean, given it is an election year and if the price hikes do not come even the fertilizer EBITDA still be positive or can it tend to be a bit negative?
- Jayashree Satagopan:** I think we can talk for Coromandel, given the backward integration that we have, we expect the margins to be positive. We saw a steep correction in raw material prices, and there has

been some increase in the last couple of months, we really do not know to what extent these increases will sustain or will it again come down because what we saw here before was unprecedented increases. So from that standpoint, we think we will have to go with the market. If the prices continue to be high, there could be some opportunities in terms of our backward integration and value capture. But if prices come down then it is even better. We like to see how the government is going to respond on subsidy. We have seen in the past they have been pretty considerate and they have responded to the industry requirement when there was a price increase, they have increased the subsidy. When the raw material prices are corrected, they have just now reduced the subsidy. I think while there are considerations of election year so on and so forth, we just need to work along with the government as an industry and impress on them on the rising raw material prices, and see how we can help in getting a subsidy rate correction for the fourth quarter.

Vishnu: And secondly, on the subsidy provisioning firstly for kharif they have provided some 38000 plus another 22000 they have mentioned so that takes to 60. But whereas in the government budget for NPK we understand only 45000 Crores is provided, so additional 15000 will have to come through a supplementary grant and would this be normally the total amount gets covered, but this time around the actual NPK is 60 which has provided only 45. So will there be a supplementary grant immediately or after elections only do you think that this will happen? I am questioning from the possibility of a delay on subsidy release in March.

Jayashree Satagopan: Answer honestly, we do not know. The government has been considering and getting supplementary credits for disbursing subsidy. So, we hope they will be able to get it through. This year especially, I have also mentioned that the subsidy disbursements have been pretty good. They do not have any arrears in terms of DBT claims that have been made by the companies. Since we are able to get through these supplementary grants, we should be able to get the subsidy realizations also fast, but in case there is a constraint and it spills over to next year, we have to wait. So, we do not know the answer, but we honestly believe the government will be able to get it through.

Vishnu: And one final question, what will be the stock, that stock of materials that we have sold, and it is still lying with the dealers and distributors, any rough number in million tons 0.2-0.3 or any rough number if you could help us understand.

Jayashree Satagopan: Can we come back on this?

Vishnu: Sure, ma'am. Thank you. Thanks and all the best.

Moderator: Thank you. We will take the next question from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Thanks for the opportunity. First on the crop protection side, you did mentioned, we witnessed a good volume led recovery in both domestic and export markets. If you can share some details there, how has been the growth in exports and especially given the negative commentary from most of the global and other domestic players as well, how are we seeing the market there?

Jayashree Satagopan: A little bit in terms of how the global markets have been behaving. As you know, Brazil is our largest consumer of agrochemicals and we have seen that there is a high level of channel inventory in Brazil. Having said that, we also know that the prices of agrochemicals from China has been very, very low. They have been trying to dump their chemicals in the market. So, this has a dual impact. Therefore, if we hear and we witness that exporters are having a tough time, it is very much resonating with the realities in the market. For us, we have done specifically well on three counts, one we have focused on bundling our products instead of just one or two of our technicals, our export has grown by 29%. We were successful in onboarding new customers, we got more than 20 new customers who helped us generate additional sales volumes. Apart from that, there were a lot of dormant registrations which have been activated, which has also helped in increasing the overall export sales. A combination of these activities plus our sales force becoming far more active in these markets have helped in the export sales growth.

Ankur Periwal: Sure, that is helpful. So going ahead as well, we should see a continuation of say a decent growth here given that the new customer addition as well as the geographic expansion that you highlighted.

Jayashree Satagopan: Yes, you are right. We also wish that we should be in a position to grow our export markets well. Equally important is to increase our range of products, which is what we are also trying to address both in terms of technical and in terms of formulation. So that is part of our long-term strategy to see that we add more technicals which are recently off patented and also come up with certain formulations and a B2C light model in select countries which can help grow our export business.

Ankur Periwal: Sure. That is helpful. Secondly, on the crop protection margins, again this quarter we saw a dip probably because of the pricing led competition or the commodity price decline that we are seeing from China. Any thoughts there because what we had highlighted earlier was most of the new product launches, through technicals or through collaboration were margin

accretive. So is this more a near-term phenomenon and maybe FY2025 should see a better growth there on margins front?

Jayashree Satagopan: Yes, We have seen this price pressure coming in near term, I do not know whether it will extend to a medium-term because to several experts whom we have spoken and companies whom we have been in dialogue with, nobody is certain about when this China dumping is going to end. So that is one main factor. Some of the companies who are producing certain technicals, as I understand have even stopped production because it becomes more economical to import from China. So that is a short-term phenomenon. Hopefully if the Brazilian market picks up again this year and the demand goes up, we should see some quick wins in terms of the pricing as well as recovery in the margins.

Ankur Periwal: And just one clarification if I may. The Rs.5000 EBITDA per ton guidance which you gave that is for the current financial year given the subsidy rates? Any thoughts on FY2025 and beyond given annually government has been pretty supportive in terms of RM inflation being absorbed in terms of subsidy?

Jayashree Satagopan: I would wait a little bit on this. We have to see how the raw material prices move and the election year, what the government is going to come up with. But as you rightly said, the government has been pretty supportive; at times, when the raw material prices have gone up they have helped the industry with higher subsidies. So I do expect that trend to continue and if that continues, our margin should hold and also we will work to see how to improve it.

Ankur Periwal: Sure. That is helpful. Thank you and all the best.

Moderator: Thank you. We will take the next question from the line of S Ramesh from Nirmal Bang Equities. Please go ahead.

S Ramesh: Thank you very much. Following up on the questions on the crop protection business. Can you give us some details on the volume growth in the crop protection business in domestic and export markets for the second quarter, and if you can give us some sense in terms of when you expect to complete the 1000 Crores Capex in crop protection and what is the kind of impact you expect from that, say from FY2026?

Jayashree Satagopan: Thanks Ramesh. These are nice questions that you come up with. In terms of volume growth, I would say that the export market has volume growth close to about 30%. On the domestic front, formulations had a volume growth, but we did see a contraction in the domestic B2B mainly because of the price pressures and the margin pressures. We had consciously limited our sales into the B2B market, but we focused on growing the formulation business as well

as the exports. As far as the capital expenditure is concerned of Rs 1000 Crores that has been announced, there are three multi-purpose multi product projects that the business is working on. We have submitted the proposal for one large Capex, and that is currently under the approval process. Given the short-term scenario that we are currently in with the prices showing such a steep fall, especially from China, we are looking into certain other factors as well to ensure that as we set up the MPP, we have the right level of backward integration. The right type of Capex, so that the return on investment can be much faster. So we are currently in the evaluation stage as I mentioned earlier as well, the Rs 1000 Crore investment is for three large plants and it could take a period of about 24 to 36 months in all for us to consume this entire capital. The good news obviously is we have completed procurement and bhoomi pooja for the new herbicide facility in Dahej and the business is setting up the basic infrastructure and is contemplating to set up formulation units because those can be done on a fast-track basis at the Dahej herbicide facility.

S Ramesh: Thank you very much.

Moderator: Thank you. The next question is from the line of Naushad Chaudhary from Aditya Birla Sunlife AMC. Please go ahead.

Naushad Chaudhary: Thanks for the opportunity. Two quick questions I have. Firstly, on the Capex space. We are entering a historic high Capex space. So in terms of the management bandwidth, are we okay with the existing, which we have or is there any addition, which we are doing to support the Capex which we are running. If you can, share something on that piece?

Jayashree Satagopan: I quite did not follow your question. Are you asking whether we have enough management bandwidth to execute these large Capex?

Naushad Chaudhary: Yes.

Jayashree Satagopan: I believe so. We have added quite a few people to strengthen our project team in our businesses both nutrients as well as crop protection as you see the sulfuric acid plant and the desal plant that has been commissioned. It has happened in a record period of 18 months, such a large Capex does not happen in 18 months' time frame. A similar approach is also being planned for our multi-purpose plants in Gujarat. So I think we have the in-house strength to manage these large Capex projects.

Naushad Chaudhary: Lastly on the thought process of investing in drone business, what is your long-term vision here? How do you see this drone investment can help your core business?

Jayashree Satagopan: We invested in the drone business almost a year back with a small stake and then we increased it over a period in time. We have found that the application of drones is not just limited to agriculture. It could be for various things. It could be for defense, it could be for logistics, it could be for enterprise, and we are also seeing that the government is opening up opportunities for exports in the non-defense sector. There is also a huge opportunity in terms of training because you need trained pilots to operate these drones. So there are multiple areas where the drone services can be deployed. So from that standpoint, we believe it is more of a technology game with an adjacency in agriculture. Even in agriculture, given that labor constitutes almost 35% to 40% in terms of the cost of inputs that goes in, drone spraying could be a very good opportunity given the shortage of manpower and the cost. So that is the way one should look into this investment in drones.

Naushad Chaudhary: Sure. Thank you so much and all the best. I will come back in the queue.

Moderator: Thank you. We will take the next question from the line of Gaurav Nigam from Tunga Investments. Please go ahead.

Gaurav Nigam: Thank you for taking my question. Just have one question on this government subsidy receivable. In the last few years, I have seen that it has been considerably reduced. Just wanted to understand how should we think about the sustainability of reduction in this government subsidy there and what is the reason behind this reduction?

Jayashree Satagopan: As I mentioned earlier, we have been submitting the claims the same day the portal opens. That is number one. Second, there is a lot of activity in the field to ensure there is consumption happening on the ground. The farmers are actually buying and using it. The third obviously is that the government machinery is also pretty fast in terms of processing, and they have been supportive in terms of timely dispersal. All the three have favorably contributed to receiving record subsidies and maintaining the outstanding at a low level. We will continue to do activities from our end and I think the government has been fairly supportive and if this trend continues, we should not see a huge buildup in terms of receivables.

Gaurav Nigam: Just a follow up on that, is this receivable days come down for everyone in the industry or we have some added advantage because of which it has come down more for Coromandel?

Jayashree Satagopan: I honestly do not know. I have been monitoring our receivables and we have been pushing our teams, working very closely with our marketing teams and Agronomists. So I can tell you as far as Coromandel is concerned, but generally the government is also being disbursing subsidy timely.

- Gaurav Nigam:** Got it. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Noel Vaz from Union Asset Management. Please go ahead.
- Noel Vaz:** I just wanted to get some clarity about the 165 Crore drone order that was announced earlier. Has there been some execution on that and do we have any idea as to what kind of growth prospects that we are looking for or margins on the same? Thank you.
- Jayashree Satagopan:** Yes. We are in the process of executing these orders. Raw materials have been procured. A new manufacturing site is also being commissioned. It should be ready by December of this year. The existing facility is also being leveraged so that we can do a certain quantum of manufacturing from the existing site.
- Noel Vaz:** Margins, any idea what could be the margins now or in the future?
- Jayashree Satagopan:** We have to wait to see the overall margin profile. Currently there is a good amount of spending that is also happening on the technology front, R&D and we do not want to restrict investment in R&D, especially in an area where it is a sunrise industry. It is a startup, and we have to scale up, we have to invest in manufacturing. We have to continue investing in R&D. Those are all happening. I honestly believe this will be a good margin business as we go along, not just in terms of manufacture and sale, but also in terms of services and training.
- Noel Vaz:** Thank you. That is all from my side.
- Moderator:** Thank you. Ladies and gentlemen, this will be the last question for today, which is from the line of Vipulkumar Shah from Sumangal Investments. Please go ahead.
- Vipulkumar Shah:** Thanks for the opportunity. What is our annual requirement of phos acids and how much we produce captively in-house and the same for sulfuric acid?
- Jayashree Satagopan:** We require close to about 10 lakh tons of phos acid and depending upon the product mix, we may require about 4.5 to 5 lakh tons of imported acid. I mentioned earlier about 50% plus of our capacity is through our in-house production. On the sulfuric acid front, we would have close to about 60% of our capacity in-house and we will have to import for the balance.
- Vipulkumar Shah:** So, any plan to expand further in phos acid manufacturing?

- Jayashree Satagopan:** The business is thinking about further investments in fertilizer, especially in backward integration. At this point in time these are all in the discussion stage, once we are certain about it, we will definitely come back and have the announcements made.
- Vipulkumar Shah:** Lastly, regarding this investment in this drone company. Are we involved in the management also or we are just the financial investors?
- Jayashree Satagopan:** We are involved in the management. We are helping them in setting up the operation, scaling up the operations, putting together the systems, processes, everything. So, it is an integral part of Coromandel.
- Vipulkumar Shah:** We are one of their biggest customers, right?
- Jayashree Satagopan:** We are not their biggest customer. They have got orders from the Army for the logistics drones. We have also got a good order from IFFCO for agriculture drones. We have picked up drones and we are doing our Gromor drive, so there are multiple customers for Daksha.
- Vipulkumar Shah:** Okay, ma'am. Thank you so much and wish you all the best.
- Moderator:** Thank you. As that was the last question for today, I would now like to hand the conference over to the management for closing comments. Over to you.
- Jayashree Satagopan:** Thank you very much all of you who have joined the call today and actively participated. In case there are any further questions, please feel free to reach out to us. Thanks again.
- Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of IIFL Securities Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.