



## “Coromandel International Limited Q1 FY25 Earnings Conference Call”

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**MODERATOR:** **MR. PRASHANT BIYANI – ELARA SECURITIES PRIVATE  
LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Coromandel International Limited Q1 FY '25 Earnings Conference Call hosted by Elara Securities Private Limited.

As a reminder, all the 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 “\*” and then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prashant Biyani from Elara Securities Private Limited. Thank you, and over to you, sir.

**Prashant Biyani:** Good afternoon, everyone. Thank you for joining our Q1 FY '25 Earnings Con Call of Coromandel International.

From the Management side, we have Mr. S. Sankarasubramanian – MD and CEO; Ms. Jayashree Satagopan – President Corporate and CFO; and Dr. Raghuram Devarakonda – Executive Director (CPC, Bio and Retail business).

First of all, many congratulations to Mr. Sankarasubramanian on being elevated to the role of MD and CEO for the Company.

I would request the management to give their “Opening Remarks” on the Results, post which we will start with Q&A session. Thank you, and over to the management team.

**Jayashree Satagopan:** Good afternoon, everyone, and thank you, Prashant, for organizing this call today. Let me give a brief on the business environment experienced during the quarter, following which we can go through the Q&A session.

**Indian Agriculture:**

After a slow start to the season, the Southwest monsoons have seen a swift recovery from July onwards. As of 4th August, India has received 106% of the long period average rainfall. With the exception of Odisha, Coromandel’s key operating markets have received above normal rains. Reservoir status, especially in Southern regions, have increased considerably, up by 52% compared to last year. Crop sowing have also picked up. As on August 2, it is up by 3% to 90 million hectares, which is approximately 83% of the country’s normal sowing area. There has been a good support from the government on the farm income side, through higher MSP announced for Kharif 2024 and direct income transfers schemes like PM-KISAN, Rythu Bandhu, et cetera.

### **Industry Performance:**

Phosphatic consumption for the industry increased by 11% during the quarter. This was led by improved NPK consumption, which went up by 42%, indicating a positive shift towards balanced nutrition. Detailed volume breakup for the industry and the Company is available in the investor presentation placed on the Company's website. With active monsoon, there has been a good fertilizer offtake and there is likelihood of channel inventory getting normalized by end of Kharif. Given these higher reservoir levels, we expect a good Rabi season as well. DAP prices, after reaching the lows, have started to move up due to the supply side curtailment mainly from China. On the crop protection side, there has been strong domestic market demand. Global ag chem market situation is also improving. We have seen that the inventory is getting normalized.

### **On the Company's Performance:**

The Nutrient segment, the NPK and DAP primary sales volumes for Coromandel was close to last year's level at 8.4 lakhs tons in quarter 1. Between the NPK and DAP sales, the Company has increased the NPK sales share to 87%. Unique product sales stand at 31%. The share of the manufacturing sales also improved in the overall mix. Company has increased the POS sales for the quarter by 32% to 4.8 lakh tons.

The Company's PoS market share stands at 11.7% compared to 9.7% a year ago. Plants operated close to 96% capacity, focusing on a prudent product mix. Company's Ennore plant is awaiting final clearance from the authorities to start its intermediate production. It has carried out the annual turnaround and has received clearances from the technical suppliers like PKIS and MECS. The new sulphuric acid plant commissioned at Vizag in 2023 is operating close to full capacity and has improved backward-integration capabilities in addition to generating captive power from the waste heat recovery.

Further the Company has received all the statutory clearances for its proposed phosphoric acid and sulphuric acid plant in Kakinada and we have commenced activities during the quarter and major orders have been released. To improve the operational efficiency and throughput at its phosphatic mine, at BMCC Senegal, the Company is setting up a fixed processing plant, which is expected to be commissioned in the second quarter of the year. Senegal Rock is currently being blended and used in its Vizag operations. During the quarter, the business introduced Urea Super Phosphate and Paramfos Plus, which offers balanced nutrition through availability of multiple nutrients.

### **On the Nano front:**

During the quarter, the Nano facility in Kakinada has been commissioned. The business is giving required impetus to promote the product by strengthening the marketing structure and have been continuously engaging with the farmers to pushing the product as an alternate to conventional DAP.

**On the Crop Protection side of the business:**

The volumes have improved by 5%, driven by growth in both technicals and formulations. During the quarter, the export volumes have seen an increase. However, the prices continue to be soft. Company's focused Specialties and new products have performed well. The business continues to adopt Crop-solutions approach to capture the market demand.

The business introduced 10 new products during the 1st Quarter, including 4 patented products, and it's in licensed insecticide formulation Prachand. We are seeing encouraging response in the market and the business plans to introduce such novel formulations in the coming periods by partnering with the global innovators. The share of the new product sales has improved over the quarters. And in the 1st Quarter of FY '25, it was at 22%. This has also resulted in margin accretion for the business. The business has also finalized plans for the setting up multiproduct plants for herbicides and fungicides manufacturing.

**On the Retail side:**

The business continues to perform well despite late monsoon arrival in its catchment regions. It is strengthening the digital footprint at farm level outreach. During the quarter, business has opened 22 new stores.

**On the Bioproducts side:**

The business focused on expanding its product portfolio to diversify its sales. During the quarter, it has ventured into microbial space in addition to foraying into Home & Garden segment. Three new products including Mycorrhiza, NPK Consortia have been introduced.

**On the technology front:**

Coromandel increased the shareholding in Dhaksha. This is a drone manufacturing company, where Coromandel had invested earlier. The overall stake has moved up to 58% through fresh issue of shares with an investment of Rs. 150 crores. The proceeds from this fundraise will help Dhaksha in strengthening its research and development effort, cater to servicing large orders and also meet up its working capital requirements. Further, Coromandel invested Rs. 24 crores in Ecozen, to increase its stake to 5.54%. With increased consumer acceptance and demand for sustainable solutions, Ecozen has been delivering strong results.

**With that, let me take you through the Company's Financial Performance:**

**Turnover:**

The Company recorded a consolidated total income of Rs. 4,783 crores during the quarter vis-a-vis Rs. 5,738 crores in Q1 of last year. The decrease in revenue has been mainly on account of

lower subsidy rates. Subsidy, non-subsidy share of business stands at 81% and 19% during the quarter. In the previous year, it was 86% and 14% in Q1.

**Profitability:**

The consolidated EBITDA for the quarter was Rs. 506 crores against Rs. 709 crores in the corresponding period last year. The decrease in EBITDA is mainly due to the lower NBS rates and increased raw material prices in fertilizer that we witnessed during the quarter. The Company has improved its non-subsidy EBITDA mix during the quarter, which stands at 25% versus 16% in the previous year.

**Subsidy:**

During the quarter, Company received Rs. 987 crores towards subsidy claims, comparative figures last year was Rs. 2,069 crores. Government has been prompt in clearing the subsidy dues. As of today, we have received subsidy claims till the first week of July. Subsidy outstanding as of June 30, 2024, was Rs. 1,970 crores versus last year, it was Rs. 2,816 crores.

**On the FOREX front:**

We have seen the rupee trading in a relatively narrow range and the Company continued to hedge its exposures on a conservative basis.

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

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

**Nirav Jimudia:**

I have 2 questions. So, one on the Crop Protection side. So, as per the annual report, what we have written is that on the cost side, we have transited from, let's say, DMT to DMPAT. I am guessing this is for the acephate production, which we are undergoing. And you have also mentioned that we have undertaken cost reduction initiatives, predominantly the war on waste, to reduce the specific consumption of RM and utilities. So, if you can just help us understand how both of this could help us in terms of cost savings on an annual basis, some understanding on the same, ma'am.

**Jayashree Satagopan:**

Yes. Thanks, Nirav, for the question. If you look into both our businesses, Fertilizers and Crop Protection, fertilizers have been highly backward integrated. Whereas in Crop protection, we are taking steps now to the extent possible, and it is feasible to do backward integration in the Crop Protection as well. As we know, when we do the backward integration, it helps us on 2 fronts. One is to help secure the raw materials at the right price. The second one, it could also be cost savings, buy versus make. So, in the DMPAT, very recently we have got the business case

approved. And it's a smaller capacity plant, which will come up in the next 6 to 8 months' time. This will help us to be a little more competitive in the Acephate space. The war on waste initiative, current year will be the third year, where the business has been successfully able to identify multiple opportunities across various functions, manufacturing, processing or process engineering, looking into every aspect to optimize and reduce the waste.

This has actually helped the business during the last year when there were extreme pressures in terms of prices and the business was able to use these savings from war on waste initiative to competitively bid and expand our customer base. So, this is continuous focus area, and there's a lot of efforts that have gone successfully to reduce the cost and the business will continue to focus on this.

**Nirav Jimudia:** So, ma'am, based on the plant work we are going to commission over 6 to 8 months, how much of our requirement from the outside world would come down with the commissioning of this plant?

**Jayashree Satagopan:** So, for DMPAT, we are expecting about 20%, 25% of our requirements would be in-house. And depending on how this goes at a later point, we can look at additional capacity.

**Nirav Jimudia:** Ma'am, secondly in the annual report, like, last year, we have launched some close to 7 products. If I see Q1 cumulatively, we have launched close to 10 products on the Crop Protection side. If you can just help us understand because in the annual report, we have written that our capacity across the plants is close to 90,000 tons for technicals. So, with these new products coming in, what could be the market size of such products in India? Does it qualify for the export opportunities also? And along with it, if you can also share the mix between the technical and the formulation sales in FY '24 and Q1 of FY '25? And lastly, how much we are backwardly integrated for our formulation sales through our technical plants?

**Jayashree Satagopan:** All right. So, your first one was relating to the number of products that we have introduced - last year 7; this year 10. If you look at the history of Coromandel, we have been a bit slow in terms of introduction of new products. When we look into the entire product range, go crop by crop, this we are talking mainly on the formulation front. There were obvious gaps if we were to take any particular crop, like Rice or Cotton or specific fruits and vegetables. So, the team had identified all the crops, so that when a farmer comes to Coromandel, we are able to give them all the solutions and not say we have only a few select products to cater to their requirements. So, there is a change in the approach.

The second one was also to look into patented products where we work with the global innovators and get those products in the portfolio, which will possibly have lesser resistance since they are new to the pests. So, this was a revised approach. In last couple of years, we have seen a large number of formulations that have got introduced, and this has been received pretty well. As I was just mentioning a few minutes back, we have seen that almost 22% of the sales in the domestic formulation today is coming from new products. When I say new product, these

are products that have been introduced in the last 3 years. So, that's one. The second one we are talking about is in terms of the share of formulation in the overall business, which is around 30%. Technical continues to be a large portion of the Crop Protection sales. Formulation still has a long runway. We're in the right direction. Currently, it's about 30%.

And when we look into the formulation, I would say by far several of these formulations, wherever we have technical, we use the technicals to formulate. But that is not a constraint. In some cases, where we have to buy technical, either from new players who are manufacturing it domestically or if we have to import we do that and then those formulations are sold in the market. Raghu, you may want to add anything further.

**Raghuram Devarakonda:** Yes, sure. So, as Jayashree mentioned, I think what we have gone through the press is about the formulation of new products. We also have plans to launch some new technicals for which the internal processes have been completed. So, you should hear about it shortly once we have the execution underway. So, we have a few technicals also, which will be launched. I mean, these are new products for us. Obviously, none of these are new to the industry as far as technicals are concerned. But there are some of those, I mean, at least 4 of the 10 that we launched are patented. So, these are absolutely new in the industry, addressing some of the farmers requirements.

So, having said that, in terms of backward integration and leveraging our capabilities in the technical side of things, we are waiting for these new technicals to come on stream in the next 6 to 9 months, we hope to complete the projects that will further strengthen our competitiveness in the market while we continue to leverage our existing molecules that we manufacture. And we are extending the longevity of existing molecules by developing new products, which are 2-way combinations, 3-way combinations other than just keeping them as solo.

As you may be aware, the solo molecules have a tendency to develop resistance, while combination formulations extend the life of these molecules, because of their multiple modes of attack on the pest. Because pest can develop resistance that easily, because there are multiple things that are acting on the pest, maybe in the digestive system or the nervous system and so on, while the solo will be affecting this one of those mechanisms. So, I hope between the two of us, we have addressed the question.

**Nirav Jimudia:** Absolutely, sir. Just a small clarification. This 90,000-ton capacity is purely the technical side of the business, right?

**Raghuram Devarakonda:** That's right.

**Moderator:** The next question will be from the line of from S. Ramesh from Nirmal Bang Equities. Please go ahead.

**S. Ramesh:** So, if you look at the nutrient business, what is the understanding you have in terms of potential increase in the NBS rates in the second half or when the industry have to go for an increase in

retail prices, given the recent increase in the input cost and the subsidies being frozen at April. What is the current thought process there?

**Jayashree Satagopan:** Sankar?

**S. Sankarasubramanian:** Good afternoon. Currently, the subsidy, which has been announced for Kharif, will operate upto September. And if you notice, there has been a compression in margin in the Kharif, basically because of increase in the commodity prices, and the subsidy notified in February-March, factored the raw material prices which prevailed in the previous year. So, there's always a little bit of a lag between the subsidy rate and the actual raw material price rate. So, we need to wait and watch that, based on the current raw material price trend, which has been rising now, there is a possibility that subsidy will factor in the increase in the input cost. So, it's a function of commodity prices, and hopefully that will be taken care of in Rabi season. So, hopefully, we should see that major product price increase gets absorbed in the NBS rates as and when it gets announced for Rabi.

**S. Ramesh:** So, if you look at your Crop Protection business, when you say that the domestic market is looking up and the international business also stabilizing, do you see the decline in prices getting arrested? What was the decline in prices in the overall equation between volume and prices for your Crop Protection revenue performance?

**Jayashree Satagopan:** So, Ramesh, this needs to be looked into 2 aspects. On the formulation business, as I was mentioning earlier, this is mainly for the demand in India. We are seeing that the prices have stabilized. The new product introductions have helped the Company, so the margins have seen an accretion. Whereas in the technical front especially in our export, we have seen that while there has been a volume increase, there is still price pressure that continue. We expect this to continue for another quarter or 2, because China continues to be dumping and the prices of the AIs are still much lower.

**S. Ramesh:** Is it possible to quantify what is the reduction in the realization in the export market?

**Jayashree Satagopan:** I can come back to you, Ramesh.

**S. Ramesh:** And just one last thought. In terms of your plan for increasing the profitability of BMCC, what is the timeline you have to see that JV turning EBITDA positive and eventually cash positive based on the investments you're making?

**Jayashree Satagopan:** Which one you're asking, sorry?

**S. Ramesh:** I am asking about BMCC, the Senegal JV. Right now, in the share of JV, there is a loss. So, in terms of your initiatives to invest in capacity and increase the productivity there, what is the timeline and what is the investment required? And how long do you think it will take before you are able to generate positive EBITDA and then eventually positive profit after tax?



**S. Sankarasubramanian:** See, as far as Senegal operation is concerned, last year was the first year, and we could stabilize the production and we started using the Senegal rock stabilizing the Vizag operations. So, to that extent, there has been a positive move in the last year. And we have also taken a decision to move away from the setup what we had last year to a fixed processing plant and that plant commissioning is underway. Hopefully, we should be able to complete the trial run by end of September. And this is an off-season period for mining operations and probably in the second half, we should be able to stabilize the production, and we will get the steady material coming into the Vizag operations. So, second half, we can see a positive traction on the BMCC operations. And overall for the year, we should be able to reach what we indicated for this current financial year.

**Jayashree Satagopan:** Ramesh, on your question relating to the volumes and price. The volume uptick in Q1 on export has been close to about 12%, and the price pressure has been more or less in the same range.

**Moderator:** The next question will be from the line of Vipulkumar Shah from Sumangal Investment. Please go ahead.

**Vipulkumar Shah:** So, my question is what is our annual Phos-Acid requirements for manufacturing the 3.5 million ton of NPK fertilizers. Our capacity right now is 0.5 million ton and same for sulfuric acid also.

**S. Sankarasubramanian:** See, as for the Phos Acid, the requirement is a function of the product mix., if we use a high Phos Acid grade like DAP, then the requirement goes up. But looking at the mix, what we generally follow, we optimize the product mix depending on the commodity prices. It can be anywhere in the range of 5.5 lakh tons to 6 lakh tons. And this is over and above the captive production, what we have at Vizag. And partially, some of its requirements has been coming from Vizag to Kakinada, predominantly we import acid only for the Kakinada operations. So, we can say our net-phos acid requirement will be in the range of 4 lakh tons to 4.5 lakh tons, sometimes it goes down to 3 lakh tons, sometimes it goes up to 5.5 lakh tons.

In the case of sulfuric acid, as you all aware, that we have commissioned the plant last year and it is going good. Imported sulfuric acid which used to be in the range of 1 million tons can potentially come down by almost 5 lakhs tons, on annual basis. In the 1st Quarter, we have ramped up the production of sulfuric acid, and we have done more than 100% of rated capacity. So, full year basis, still, we will continue to import sulfuric acid close to 6 lakh tons to 8 lakh tons. Again, it depends on the product mix. Some grades of NPK require more sulfuric acid. So, we can say, our import requirement of sulfuric acid has come down by 30% to 40%.

**Vipulkumar Shah:** So, once this new capacity of Phos-Acid comes online, still we will be importing Phos-Acid?

**S. Sankarasubramanian:** Yes, it will be less. It will be in the range of 2 lakh tons to 3 lakh tons. We will continue to import, and we have dedicated long-term contracts. So, there are no challenges.

- Moderator:** The next question will be from the line of Prashant Biyani from Elara Securities. Please go ahead.
- Prashant Biyani:** Ma'am, subsidy for Q2 will also be lower on a Y-o-Y basis. So, what efforts are we taking to reduce the pressure on profitability in Q2?
- S. Sankarasubramanian:** See, as I said, it's a function of our raw material price and the product mix and also the commodity price, how we are procuring. So, always we have ensured efficient procurement compared to the competition in the industry. And also, we have improved our captive production, both on sulfuric acid and phos acid front. And that is really helping us in the way the commodity prices are behaving at this point of time, now that all the raw materials are going up and we have good, long-term contract. So, we hope to see improvement in margins, coupled with our efficiency improvement, blending of our own rock, which is coming from Senegal. So, all this will help us to have an improved margin in the Q2. So, going forward, we have to see in terms of the subsidy rates for Rabi, how the commodity prices behave. But definitely, it will be much better than what we witnessed in Q1.
- Jayashree Satagopan:** Just to add to Sankar, the whole industry came out of a bad Rabi season. The soil moisture conditions were not good, and there was also a high channel stock. So, in Q1 across the industry there was some level of discounting. With the rainfalls coming and reservoir levels becoming much better, I think there is normalization that's happening there. And Prashant, that also needs to be factored in when you look at the margin for the second quarter.
- Prashant Biyani:** Ma'am, how much was the revenue from Dhaksha in Q1? And if you can provide some updates about the new product development and demand and inquiries from various industries?
- Jayashree Satagopan:** Yes. So, Dhaksha, one needs to look at in 2, 3 different ways. They had Rs. 280-odd crores of defense order book. And there were some agriculture-related orders that they were executing during the quarter. What has happened for Dhaksha is, Agri drones that have got produced and distributed, whereas on the defense front, 106 drones have been manufactured. We are waiting for the PDIs to happen, post which the shipments of these drones to logistics requirements will be taken up.
- In the meantime, there are efforts which are ongoing. As you know, Coromandel had injected about Rs. 150 crores of equity into Dhaksha. This is mainly for multiple R&D projects they are working on. And this is a technology play where we expect a lot more R&D work to happen, to be on the forefront and also ensure there are new applications that are getting developed. So, that's what is happening on with Dhaksha. To your specific point in terms of the turnover, the turnover for the quarter was Rs. 17 crores.
- Prashant Biyani:** And ma'am, what would be the outlook on raw material for fertilizers? And how much was Nano fertilizer volume in Q1?

**Jayashree Satagopan:** Sankar, you want to take this one?

**S. Sankarasubramanian:** Yes. Raw material prices behave in different ways. At this point of time, there has been some hardening in raw material of prices of ammonia and urea, but we have to take it quarter-by-quarter. And we could contract Phos Acid price, at a competitive rate for Q2, which is fairly much better positioned for the Company like us who are focusing on domestic manufacturing. And also, there is a visibility on potash price, which as compared to last year, has come down to \$283 from \$319. So, for the key ingredients of phosphoric acid and potash, the prices are relatively stable and much better than the rates which have prevailed in earlier quarters. And for the other raw materials, we have to take those in quarters. I would say that there's a reasonable visibility in terms of the input cost as we move to the Q2. In terms of the Nano, it is in early stages. As you know, the Nano application happens after 20, 40 days of crop sowing. But in spite of that, we have positioned the material in the channel. So, right now, Coromandel have crossed 10 lakhs litres of Nano, which is a very significant volume, and we do it in a very systematic way in terms of convincing the farmers and doing education across the country. And hopefully, we will see improved traction on Nano volumes as we move into Q2 when the consumption starts sometime in mid-August. But the initial response has been pretty good.

**Moderator:** The next question is from the line of Darshita from Antique Stock Broking. Please go ahead.

**Darshita Shah:** Firstly, congratulations to Sankar sir for the elevation. My first question was with respect to the Rs. 3,500 special DAP subsidy that the government has recently announced. Given that nothing has been announced on the NPK side, are we looking at taking some price hikes in the NPK products?

**S. Sankarasubramanian:** See, our pricing call is a function of input costs and the market response. As Jayashree informed, we need not go in for an MRP increase per se, but we may require moderating the trade discount which was passed during the off-season period. So, that would be sufficient at this point of time. And with the revised price contracts happened for phosphoric acid and potash, at this point of time, we don't look at correcting the MRPs for the NPK. The main tradable product, that is DAP, we predominantly import and we don't manufacture. We still continue to operate at the current MRP, and we are also looking forward to support from government towards additional compensation for the increase in cost what we're incurring. And hopefully, if it comes through, that will also help us to bring down the negative pricing we have on the DAP.

**Darshita Shah:** I don't know if you gave that number or not, but I missed that probably. What is the PA price contract we are looking at?

**S. Sankarasubramanian:** We have finalized the PA price at \$950 for Q2. This price will prevail up to September. There is a marginal increase of \$2 over the previous quarter price.

**Moderator:** The next question will be from the line of Ranjit from IIFL Securities. Please go ahead.

**Ranjit Cirumalla:** The first one is on just a bit of a confirmation of the guidance for the fertilizer segment EBITDA per ton still stays intact or are we going to relook at that?

**Jayashree Satagopan:** That is intact. We spoke about Rs. 4,500 to Rs. 5,000 for manufactured products. I think that's pretty much intact.

**Ranjit Cirumalla:** Yes. And the second one is on the growth projects. So, in addition to what we have announced, if you can also guide us about how to look at the Company probably 2 to the 3 years' down the line. Fertilizer segments and the other adjacencies that we have been doing. So, you have spoken about drones. But in addition to drones, we also have been speaking about a lot in the Spec Chem of the chemical side, even in some part of the bulk chemical side. If you can just highlight about these two or three avenues and how much should we be able to grow in these segments?

**Jayashree Satagopan:** So, first of all, before we get on to the adjacencies, I would just want to say that we are focused on core strength. On the Nano, this will be the first year and we are expecting a good uptick to happen. Let's see how the consumption picks up in August, September. While the results during the trials have been encouraging, we need to continue to work with the farmers. So, that's one focus area. The second one is to see how we can improve our share in sales for formulation, which the team has done a very good job in the 1st Quarter, and we expect it to pick up during the rest of the year. So, this is in terms of the core.

When we look into adjacencies, as it was mentioned in last call, we had set up a small facility at Nimrani, which is mainly for sodium silico fluorides. And we have started commercial production and sale of those. Similarly, lot of opportunities have been identified internally, which could be using the existing assets. As we have seen that the prices of the AIs have come down during the last 1.5 years is not only for agrochemicals, we are seeing a similar trend in overall chemical space. Therefore, while we have identified select molecules both in Crop Protection and in Specialty Chemicals, using newer chemistries, we are just seeing how to get the business case more attractive. So, that's what is happening on the adjacency space, especially on the Specialty Chemicals. The smaller efforts, testing the waters, getting the products out, establishing the customer base is going on well. And CDMO with 3 innovators, there has been good dialogue that is happening, that really is progressing well. It's 2, 3 years journey. So, we can only say at this point in time, it's progressing in the right direction.

**S. Sankarasubramanian:** Just to add to that, see, the core business on fertilizers, we have been working on debottlenecking our plants and that project is underway. If you notice, we have been operating at 95% capacity. And currently, we are embarking on PA-SA plant, which is progressing well. So, with a greater visibility on input raw materials, both phosphoric acid and sulfuric acid, and also likely stabilization of rock from Senegal, now it gives us much more visibility to expand capacities in our existing facilities.

So, as a Company, we have been always prudent in capital investment, and we are looking for brownfield expansion. So, we are happy to share that we have got approval during this quarter

to expand our capacity at Kakinada by another million ton. So, as and when the right opportunity comes, we will be looking to expand the capacities as well for granulation so that it will be in line with our intermediate capacity expansion and also will help to grow the top line. So, besides looking adjacencies, we will also be looking to grow the core business what we are currently doing.

**Jayashree Satagopan:** Raghu, would you like to comment a little more on the CDMO side, please?

**Raghuram Devarakonda:** I think that's the most comprehensive answer we can give at the moment other than getting into details like where are we with the samples, where are we with the tech packs and CAPEX development. So, those I don't think would be necessary to share at the moment. So, the progress is happening as planned. And these prospective customers are continuing to engage with us. And both the teams are working a lot more closely. So, it's going in the right direction. So, we have more than 1 lead, and they are maturing. We're not taking the different stages that one has to go through. So, it's auguring well.

**Ranjit Cirumalla:** So, one bit on that. I believe the team would be in place. So, probably the kind of a skill set that would be required for the CDMO kind of a business are slightly different than earlier with that.

**Raghuram Devarakonda:** Yes. So, we have also identified where the infrastructure will come. We have got a dedicated team for both sales and operations, including R&D. Inside our R&D, we have a carve out for CDMO opportunities. And those resources are all full time dedicated to this opportunity.

**Ranjit Cirumalla:** One question for Sankar sir. We have kind of a high capability in the phosphorous chemistry, and there is a lot of talk on the phosphorous chemistry for the new age businesses. So, are we kind of exploring those opportunities or it is still early to talk about those?

**S. Sankarasubramanian:** You're absolutely right. In fact, that will be the focus area for us. Currently, we leverage phosphoric acid for fertilizers production. But as part of the diversification, we will definitely look at phosphoric based other derivatives. We have some game plans in terms of using them for purified phosphoric acid, which has got wider applications besides fertilisers, into food sector as well as the battery chemicals. And also, it provides opportunity to produce specialty fertilizers like MAP, as well as purified DAP, which is required for Nano production as well. So, I think that will be the area sort of step out for the Nutrient business, besides what Raghu and Jayashree talked about on Specialty Chemicals. In the case of Nutrient, that will be the step out beyond the core fertilizer business. And we are in the initial stages. We will be able to share more as we move into the Rabi season, but definitely, we are looking at it.

**Ranjit Cirumalla:** That's quite helpful. So, everything put together, is it fair to assume that probably incremental 10% to 15% of the growth can accrue from these initiatives that we are taking? Or we're not in the near term next 1, 2 years, but we're definitely in 3 to 5 years' timeframe?

**Jayashree Satagopan:** Yes.

- Moderator:** The next question will be from the line of Falguni Dutta from Mansarovar Financials. Please go ahead.
- Falguni Dutta:** Sir, I just have 1 question, which is on Nano fertilizers, the urea or DAP. Going by the acceptance that you see, what percentage of our domestic demand, let's say, in 2 years from now can be taken over by the Nano variety of be it of urea or DAP?
- Jayashree Satagopan:** There has been a good amount of traction in the last couple of years in the Nano space. For Nano DAP, it's the first year of operations for us. Based on various inputs that we keep hearing, over the next 3 to 5 years, the expectation is about 20%, 25% will be substitution.
- Falguni Dutta:** I missed you. You said over in the next 3 to 5 years, about 25% of substitution can happen as regards DAP consumption, right?
- Jayashree Satagopan:** Yes.
- Falguni Dutta:** And the same would go for Nano urea?
- Jayashree Satagopan:** It's possible. But Nano urea, we haven't seen as much of results. The last 2 years, IFFCO has been marketing Nano urea. We haven't seen that level of traction; the DAP looks a little more promising. We have introduced the Nano DAP; there is work going on in our R&D center on other Nano products as well.
- Falguni Dutta:** And ma'am, one more question, which is on the MRP and subsidy for DAP. So, going by where they are currently, should we, I mean, see the margins to remain similar at Q1 levels? Or do we see any change there on going by the current subsidy and MRP for DAP and NPK?
- S. Sankarasubramanian:** Shall I take that?
- Jayashree Satagopan:** Yes, you can go ahead.
- S. Sankarasubramanian:** See, as far as DAP is concerned, we are trying to meet the market demand, especially wherever NPK supplies cannot be met. Ideally, we feel as an industry, we should go for more balanced nutrition, which is good for the farming community. So, our focus is more on NPKs. And we can see that improved traction in the 1st Quarter. If you see the consumption as well as the sale of NPKs, have gone up significantly, whereas DAP has come down more due to the function of availability.
- So, our endeavour will be to convert DAP into NPK. Having said that, the government is also seriously considering compensating the industry, wherever the switchover may take time from DAP to NPK. And that we need to meet the immediate requirement of farmers. We will try and meet the requirement, but the government is also looking to compensate additional cost,

whatever we incur. So, that should come in any time now. So, if that happens, that improves the viability of either DAP imports or DAP manufacturing, either of it.

**Moderator:** The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

**Bharat Sheth:** Just 1 question, which is, first of all, we have on the Nutrient business, you said that we have already taken approval for 1-million-ton additional capacity. So, looking at overall business, we are generating very good case as well. So, if we want to go with this 1 million along with the backward integration or only purely granulation part. If we are going for with backward integration, then how do we really see the way I mean, volatility, in past, we have seen again that kind of volatility affecting our Company?

**S. Sankarasubramanian:** See, we are already doing that backward integration. As you're all aware, we are putting phosphoric acid, sulfuric acid integrated facility at Kakinada. So, to that extent that will help in supporting the additional granulation. And also, the product mix makes a difference. The margins maybe a challenge for generic grades. But as a Company, we strongly believe in making a unique product offering to the farming community. And we have a wide range of unique products along with micro nutrients.

So, our new facility, as and when we decide, we will have certain unique grades, which will not have pricing pressure, which can be well received from the farmers, whose nutrient use efficiency would be better. So, we do expect that the additional granulation facility will definitely be a win-win for both farming community as well the Company in terms of the payback. Of course, backward integration will be useful. But in any commodity business, it will not be advisable to do 100% backward integration. These 2 commodity prices behave in highly volatile manner. So, we always would prefer to keep some portion of open input sources rather than creating our own investment. And we will also be prudent on our capital investment in creating this new capacity.

**Bharat Sheth:** Can you give some ballpark figure of that CAPEX that we may need to incur for the same?

**S. Sankarasubramanian:** Maybe too early to comment on, but I can definitely tell you, it will be far lower than the typical Greenfield project. Since it's going to be a Brownfield, which means the common infrastructure, tankages, other related infrastructure will not be required, it'll be more focused on the operating asset trying to produce the product. So, it will be far lower than that. And we always be capital light on these investments.

**Bharat Sheth:** And second on the Nano DAP, when we are talking of reaching, say, 25% of the requirement or demand in the next 3 years. So, what kind of a CAPEX that we may need to incur for the same?

**S. Sankarasubramanian:** For Nano, it's not a major investment. We have already invested in a state of the Art plant at Kakinada, which has been commissioned and we can improve the capacity in a batch mode. It will not be a significant investment. Here again, we have the existing infrastructure created and

already in place. So, we should be able to scale up the volumes in a shorter period of time, and it is not a very significant CAPEX.

So, on the replacement part of it, we have to wait and see because as Coromandel, we are very responsible in terms of promoting this product and we have to see as the phosphatic industry, we are the largest importer of DAP. Our effort would be to substitute this DAP import through Nano. So, our focus would be on those states where currently DAP is serviced through imports. And we have a feel at least 2 million tons should get replaced in at least 2, 3 years' timeframe. Coromandel and other players have also started getting into this product and we don't see any challenge in creating the capacities to meet such sort of a demand.

**Bharat Sheth:** And sir, when we reach, I mean, 25% kind of our business meeting from this Nano DAP, what kind of approximately that in rupee term turnover will be there sales that do you expect?

**S. Sankarasubramanian:** See, this replacement what we are talking about is at the industry level, not at the Company level. Currently, if you look at the Nano product or bottle it's 50% of the DAP price. If DAP is getting sold at Rs. 1,350, Nano DAP particle will be sold at Rs. 650. So, we can roughly say that turnover will be 50% of the turnover of DAP.

**Bharat Sheth:** And profitability?

**S. Sankarasubramanian:** Regarding the subsidy component, here, there is no subsidy component. So, to that extent you can say that 50% of the DAP MRP will be the value of Nano DAP.

**Bharat Sheth:** And approximately, if you can give some ballpark, I mean, profitability because here it will be in percentage term?

**S. Sankarasubramanian:** Yes, you can do the math, 2 million ton into 1,350. Roughly it should be in the range Rs. 1,000 crores, Rs. 1,500 crores at the industry level. But I need to get back to you on the right math.

**Bharat Sheth:** And profitability?

**S. Sankarasubramanian:** Profitability, it's too early to look into it. We have to see. Because this product being concept selling, it requires a lot of spending on the field level in terms of field promotion engagement. And initially, we are not looking at the profitability, it's more to facilitate the farmers to go in for an environmental friendly product and make them affordable, improve the use efficiency. It can have a decent margin and with reduced subsidy being not part of the sale price it'll be less working capital intensive as well. It will take some more quarters to play out before we start talking about margin on Nano DAP.

**Moderator:** The next question will be from the line of Vishnu Kumar A.S. from Avendus Spark. Please go ahead.



**Vishnu Kumar:** Sir, you spoke about the new 1 million ton, I mean, we are talking about some approvals. I mean, in terms of final investment decisions, what are the events that are contingent upon like on for us from here to when we are going to announce this project? And what is the time line from there to get this on the ground? And what will be the backward integration as an overall Company at that level?

**S. Sankarasubramanian:** What is your last question? Can you please repeat the last part? I'll answer that.

**Vishnu Kumar:** After everything put together, let's say, whenever we get this 1 million ton on the ground, at that level, what will be the Phos-Acid integration and sulfuric acid integration on that complete level, whenever we do to?

**S. Sankarasubramanian:** See, in terms of the investment decision, our internal project team is investing on phosphoric acid and sulfuric acid. So, currently, our plates are full. So, once we reach some certain level of project execution in the intermediate capacity, which we are creating in Kakinada, we may take investment decision at that time. And after we take final decision and take all approvals, it may take 18 months to create this new capacity. So, that's the timeline we have.

And in terms of the intermediate requirement, it's a function of the product mix what we are going in for in the new plant. As I mentioned in my earlier communications, we are looking at value-added products. And we can fairly say 60% to 70% of the expanded volumes we should be able to meet at our own source. And the new capacities what we create also always will have some provision to increase the production beyond the rated capacity. So, we have to wait and see. It's too early to do it. But fairly, 60%, 70% of backward integration will be there.

**Vishnu Kumar:** The final decision is this year, or we will have to wait for next year probably to hear more from you?

**S. Sankarasubramanian:** We don't want to pre-empt it. What I can say is we have these regulatory approvals in place. We will go through the process before we formally communicate.

**Vishnu Kumar:** And 1 final question, sir. As the new boss of the Company, I mean, you're a fairly well-run Company. So, what will be the top 2, 3 KRAs to probably take the Company to the next level that you are probably going to embark on?

**S. Sankarasubramanian:** It's not yet 1-day old. So, I don't want to come to the decision, which are the areas we'd work on. As you rightly said, it's a very well-managed Company and long-term strategies are already in place. Our focus would be to ensure that we sustain the value addition, what we do on core business and building the capacity and create a strong front end in the main business where we operate.

Besides that, the non-subsidy businesses like Crop Protection and Specialty Chemicals, we will have the focus going forward to ensure that our overall EBITDA margin improves. And also,

we talked about in the call, about our step outs that we are planning, in the phosphate-based value-added products. So, that will also be the area. We will be able to give more clarity probably after a quarter, but it will be the ongoing process of identifying the newer opportunity to ensure that we get better returns for all the stakeholders.

**Moderator:** Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

**Jayashree Satagopan:** So, thank you all for joining us and appreciate your interest and questions. In case you have any further clarifications, feel free to reach out to us. We will be happy to take that. Thank you.

**Moderator:** On behalf of Elara Securities Private Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.