“Coromandel International Limited
Q4 FY22 Post Results Conference Call”

April 29, 2022

MANAGEMENT: **MR. SAMEER GOEL - MANAGING DIRECTOR, COROMANDEL INTERNATIONAL LIMITED**
MS. JAYASHREE SATAGOPAN - CHIEF FINANCIAL OFFICER, COROMANDEL INTERNATIONAL LIMITED
MR. MAYUR GANGWAL - GM FINANCE, COROMANDEL INTERNATIONAL LIMITED

MODERATOR: **MR. HARMISH DESAI - BATLIVALA & KARANI SECURITIES INDIA PVT. LTD.**

Moderator: Ladies and gentlemen, good day and welcome to the Coromandel International Q4 FY22 post results conference call. Hosted by Batlivala & Karani Securities India Private 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 hand the conference over to Mr. Harmish Desai, from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Harmish Desai: Thank you. Good afternoon and welcome to the fourth Quarter and Full Year Earnings Call of Coromandel International Limited hosted by Batlivala and Karani Securities. From the management, we have Mr. Sameer Goel, Managing Director; Ms. Jayshree Satagopan, CFO; Mr. Mayur Gangwal, GM, Finance. I would like to thank the management for giving us the opportunity to host this call. We will begin the call with opening remarks from the management. Post which we will have a Q&A session. Thank you, and over to you, sir.

Sameer Goel: Thank you Harmish for organizing the conference call. Can you hear me?

Harmish Desai: Yes, sir. We can hear you.

Sameer Goel: Okay. We will give an overview of the business environment experienced during the quarter followed by the company's performance. And then we will have the Q&A session. Firstly, when we look at the global economy, the global economy experienced a swift recovery in 2021 with robust demand revival uptick investment and resumption in merchandise trade. The growth was supported by fiscal stimulus extended by the government, leading to a strong consumer demand.

As per the World Bank estimates, the economy is expected to grow by 5.5% in 2021. Last year, it had a growth of minus 3.4%. With the advanced economy is growing at 5% and the emerging and developing economy is growing by 6.3%. As the world stepped into the new year, the global economy recovery is facing significant headwinds amongst the new waves of COVID-19 infection, labor market challenges, supply chain disruption and rising inflationary pressures.

The war in Ukraine and economic sanctions on Russia have put global energy supplies at risk. Russia supplies around 10% of the world's energy including 17% of the natural gas and 12% of its oil. Further Russia and Ukraine which together account for 28% and 18% of wheat and corn global trades pose a significant risk on food security, especially in the low-and middle-income countries.

Going forward the Geopolitical uncertainty, COVID-19 flare up, rising commodity prices, fiscal stress and likely monetary tightening can impact the speed of economic recovery and the World Bank has forecasted that the world GDP to grow at a modest 4.4% in 2022. Coming now to the Indian economy. India has posted a strong recovery during the year and is estimated to grow by 8.9% in 2021-22 subsequent to a contraction of 7.3% in 2021. The recovery has been broad based as all constituents of aggregate demand, including private consumption having recuperated and surpassed their respective pre-pandemic level of 2019-20 by 1.8%.

India started its vaccination program from January 2021 and in the course of a year has administered more than 180 crore vaccination. With the vaccination program having covered the bulk of the population, the economic momentum is building up and as per the Reserve Bank of India's forecast, the economy is expected to grow at 7.2% in 2022-23. India is likely to remain one of the fastest growing large economy in the world.

Coming now to agriculture. During the year, India experienced a normal Southwest and Northeast monsoon which supported the higher Kharif and Rabi sowing.

As per the second advance estimate, food grade output is expected to grow by 2% to 316 million tons. Horticulture sector is also picking up in the last few years, and during the year, the production is estimated at 333 million tons similar to the level of last year. India's agricultural export crossed US 50 billion for the year 2021-22, a growth of 20% over last year. The major contribution coming from cereals, sugar, marine and cotton segments. Considering the 18% export growth registered in FY 2021 and logistic challenges in the form of higher freight rates, dana shortages encountered during the year. The trend is highly encouraging and signals competitiveness of Indian farm.

With changing Agri landscape, evolving consumer preference and digital accessibility, the Indian agriculture is swiftly getting transformed. The farm inputs segment contributes significantly towards promoting integrated crop management, improving soil health through balanced nutrition, developing technologically superior products, improving water efficiency through micro irrigation, offering farm mechanization and promoting sustainable farming practices.

Agri GVA expected to grow by 3.9% in FY21-22 vs 3.6% last year. The reservoir levels in the country remains at 128% of Long Period Average. With 3rd consecutive year of good monsoons agriculture continues to be a sweet spot in Indian economy. Coming now to the fertilizer industry performance, I hope I am still audible?

Harmish Desai: Yes, sir. You are audible.

Sameer Goel: Okay. Global supply shortage of key commodity continued in Q4 and resulted in higher prices and delay in receiving shipments. The Industry has witnessed sky rocketing prices of key raw materials with the Russia/ Ukraine war and emergence of covid wave in China. Shortage of containers continued through the quarter with rising prices and uncertainty in container availability. On the Agri Input side there has been an increase in demand with record production and high prize realization. For the quarter, DAP and complex industry primary sales volume was down by 26%. It was 28 lakh metric tons vis-a-vis 38 lakh metric tons last year.

Major raw material prices continued to remain high. Government had announced a special package for DAP and three generic grades for Rabi season and have supported the industry by ensuring timely disbursement of subsidy. • NBS rates for FY 22-23 are announced on 27 April 2022. Subsidy approved by Cabinet for the NBS Kharif-2022 (from 01.04.2022 to 30.09.2022) will be Rs. 60,939.23 Crores including support for indigenous fertilizer (SSP) through freight subsidy and additional support for indigenous manufacturing and imports of DAP. For the year, DAP and complex fertilizer industry primary sales volume was down by 15%. It was 186 lakh metric tons versus 219 lakh metric tons last year.

I will now hand over to Jayshree to talk both Coromandel performance.

J Satagopan: Thank you, Sameer and good afternoon everyone. I will now provide the update on the company financials. Coromandel recorded a consolidated total income of Rs.4,304 crore during the quarter and Rs.19,255 crore during the full year vis-a-vis the same quarter.

Sameer Goel: One minute please.

J Satagopan: Before going on to the financials. Let me also cover some of the business aspects. Coromandel displayed a resilient performance during the year, registering strong growth across the business segments. This was despite the uncertain business environment, impacted by the Covid-19 related interruptions, geo-political uncertainty, supply chain disruptions and firm raw material scenario.

Coromandel registered revenue growth of 50% during the quarter and 35% during the year, driven by both nutrient and crop protection business. Coromandel ensured that agri inputs are made available to the farmers in its key operating markets and promoted the use of balanced nutrition including organic fertilizer to help to rejuvenate the soil and farm productivity

Coming to the company's Nutrients segment performance. The nutrient and allied business segment revenue increased by 57% during the quarter and 37% during the full year. Company's thrust to provide specialized fertilizers and greener solutions to the farmers is gaining further momentum in the markets. We launched two new products in this segment during the year. And both the products have registered a good growth in SND and Organic segment.

On the sales front in Q4, DAP plus complex volumes were at 6 lakh tons slightly higher than last year, which was about 5.9 lakh metric tons. For the year-to-date DAP and complex volumes was at 33.2 lakh metric tons, which was 33.5 lakh metric tons during the previous year. Manufactured DAP and complex volume were higher by 6% during the quarter and 2% for the full year. Imported product volumes were lower during the year, it was lower by almost 28% during the quarter and by 19% for the full year.

Company's market share in Q4 was 22.1% and for the full year 17.9%. During the previous year for the corresponding period, the market share was 15.3% and 15.3% for the full year as well. SSP quarter four sales was at 1.6 lakh metric tons with a decline of about 11% last year. However, for the full year, the sale was at a record 7.56 lakh metric tons registering a growth of 13%. Our market share reduced from 15% to 12% during the quarter.

The commercial teams ensured timely availability of raw material to enable continuous production at all the manufacturing plants.

During the quarter our DAP and complex fertilizer plants operated at 73% capacity and at 83% capacity during the year. We produced 6.3 lakh metric tons of fertilizer during the quarter and for the full year it was 28.9 lakh metric tons. Phosphoric acid production continued to remain high during the quarter. Progress on our key capex projects is as per schedule. Moving on, the major capex for sulfuric acid plant has started and is progressing well.

To further enhance the SSP plants, Coromandel has upgraded granulation facilities at Udaipur and has also taken a new facility on lease at Ennore for manufacturing SSP.

Our technology teams are working on nano, liquid and fortified fertilizers to further enhance the productivity of the nutrients.

On the crop protection side, CPC business registered a growth of 11% in revenue terms for the quarter and 21% during the full year. This has been supported by good performance across all its segments exports, B2B domestic and formulation. The increase in raw material costs and the lag in cost and pricing have resulted in certain levels of stress in the margin.

During the period, the business received six new registrations, the highest ever in any single year. The business also received 10 me-too registrations, several endorsements including label expansion and has submitted dossier for novel combination products. The new products launched by the company this year have gained good traction in the market. The business has built-in a very rich product pipeline backed by firm R&D capabilities and is working to further strengthen its product offerings in the market.

On the manufacturing front, CPC plant operated at a capacity of around 70% for the full year vis-a-vis, a 63% during the previous year. Work is in progress on setting up new plants for manufacturing of herbicides at Sarigam and we are awaiting approval from the regulatory authorities to commence production. The retail stores operated by the company performed well during the quarter providing all-round agri solution including products, farm advisory and mechanization services. Retail business has improved its operational efficiencies leveraging technology to reach out to the farmers and 92% of the stores are currently profitable. We have also seen a good turnaround in the stores in Karnataka during the quarter.

In its digital transformation journey, Coromandel has taken significant steps in the last one year with the adoption of business intelligent dashboards, salesforce productivity tools and robotic process automation. This has improved the process efficiency and forecasting capabilities of the organization.

Healthy reservoir level and expectation of a normal monsoon augurs well for the upcoming Kharif season. Coromandel shall continue to work to fulfill the needs of the farming community through its innovative products and farming solutions.

I will now cover the financials and the results of the company.

Starting with turnover. Coromandel recorded a consolidated total income of Rs. 4,304 crore during the quarter and Rs.19,255 crore during the full year, vis-a-vis same quarter prior year where the turnover was Rs.2,872 crore for the quarter and Rs.14,257 crore for the full year. This represents a 50% revenue growth in the quarter and 35% for the full year.

Nutrients and allied businesses contributed to 87% share. The balance coming from Crop Protection business. The percentages are the same for the quarter.

Subsidy versus non-subsidy share of business stands at 82% and 18% during the quarter and for the full year 81% and 19%. Corresponding numbers for the previous year 74% and 26% for the fourth quarter and 78% and 22% for the full year.

And moving on to the profitability, consolidated EBITDA for the quarter was Rs.417 crore vis-a-vis Rs.262 crore of last year. EBITDA for the full year is Rs.2,196 crore vis-a-vis Rs. 2,023 crores of last year.

In terms of the subsidy and non-subsidy share, it stands at 59% and 41% during the quarter and 70% and 30% for the full year. Previous year, the ratios were 55% and 45% for the fourth quarter and 72% and 28% for the full year.

Net profit after tax for the quarter was Rs. 290 crore in comparison to Rs.156 crore for the corresponding quarter last year. For the full year, net profit after tax stood at Rs. 1,528 crore vis-a-vis Rs. 1,329 crore during the previous year.

On the subsidy front, during the quarter company received Rs. 2,618 crore towards subsidy receipts. The comparative figure for last year was Rs. 2,943 crore. For the full year company received a subsidy of Rs. 7,077 crore vis-a-vis Rs. 5,040 crore in the previous year. Subsidy outstanding as on 31st March '22 was at Rs. 294 crore vis-a-vis Rs. 590 crore in the previous year.

I will now cover the interest income. During this quarter, company earned net interest income, excluding the in the IndAS interest of Rs. 32 crore vis-a-vis interest income of Rs. 7 crore in the same quarter last year. For the full year, company earned a net interest income of Rs. 66 crore vis-a-vis Rs. 28 crore of interest cost in the previous year. The company's balance sheet continues to remain strong with zero debt. Company maintained its surplus funds in Board approved securities and these are earmarked for specific growth-related investments, which the company is currently pursuing.

On the forex front, we have seen that the rupee has been quite volatile in the last quarter, moving in a broad range of 72, to 76.9. Company continued to follow a very conservative approach in terms of hedging and managing its forex exposures and this has been managed quite well.

On the dividend front, the Company and its Board has approved an interim dividend of Rs. 6 In February, and this was paid out in March. The Board in its meeting held on 28 April, '22 has recommended a final dividend of Rs. 6 per share. With this, the total dividend for the year is Rs. 12 per share. It corresponds to the dividend of Rs. 12 per share declared in the previous year as well.

Thank you all for your interest in Coromandel and joining us on our call today. We will now open the session for question and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Okay. Thanks for the opportunity. So, the first question is on the margin --

Moderator: Sorry to interrupt you. Mr. Kumar, the audio is very low.

Vishnu Kumar: Yes. Hello, am I audible now? Hello?

J Satagopan: Yes

Vishnu Kumar: The first question is on the margin outlook, can you help us understand how you kind of look at margin say for the next six months or one year, given that the subsidy revisions have taken place now. Is there any change in outlook from what you thought previously?

J Satagopan: Good afternoon, Vishnu. We have seen that the government has announced the new NBS rates, which is also in line with the increase in raw material prices what we have seen in the industry. Currently, the outlook for raw material continues to be firm and the new subsidy rates announced by the government should help in sort of offsetting some of the increased costs. As far as Coromandel is concerned, we think the profit levels will be similar to what we have seen in the past. We are expecting close to Rs. 4,000, Rs. 4500 per metric ton in terms of EBITDA on the manufactured products.

The backward integration undertaken by the company, couple of years back, especially on the phosphoric acid plant has actually helped in the last year's performance, and we believe that it will continue to help us going forward as well. The value gap between bought out acid and manufactured acid would help us to retain the margins even as we go along. We are also looking at de-bottlenecking the PA plants both at Vizag, PAP 1 and PAP 2 to see how we can increase the capacity utilization and also move the PA production to close 1,350 tons per day. So, the value gap structure is going to be critical for us and we think that will actually play a very key role.

Apart from this, the flexibility that the manufacturing plants have now developed in processing various kinds of rock also helps us to take advantage the cost of manufacturing. So that as far as fertilizer is concerned.

On the crop protection, you would have seen this year has been witnessing high RM prices as well. However, some of the new products especially on the formulations that have been introduced had helped us to get a better margin on our domestic formulation. There are four more products that are planned the coming year, and those would be introduced in June,' 22. They are combination products as well as products that are coming out of our captive generics. And therefore, we believe this would help us in further strengthening the margins.

We did have a lag between the cost and the price which our teams are also trying to address, you would have seen that partly helping us in Q4 and we expect that momentum to continue. On the technical front, we are looking into three new molecules. So overall, the crop protection side also, we should see the margins on an upward trend.

Vishnu Kumar Yes, helpful. Just couple of follow-ups there. So, one, on the backward integration, we are roughly around 60%. So, what is the extent to which we can achieve and what is the limitation for us to not to get 100%? That's one. And second thing on the recent subsidy increase whatever that has happened, coupled with the MRP price increase, whatever we have taken. So based on current levels, do we have some headroom in our existing NPK grades for absorbing any further cost increase? These are two follow-ups.

J Satagopan: Okay. So as far as phosphoric acid is concerned, we used to import somewhere close to 5.5 to 6 lakhs tons of phosphoric acid until couple of years back. Currently, we are expecting this to be around 3.5 to 4 lakh tons. With the product mix that we have evaluated, this could further come down. The 10th evaporator that had been commissioned at Vizag has actually helped us to also concentrate and move the strong to Kakinada.

For us to get 100% captive, we may have to look into another PAP plant, and this also have considerations in terms of rock availability, environmental clearance related approvals so on and so forth. So, currently our strategy is to see how we minimize the import of PA by increasing the throughput in the existing facilities. When we had both PAP 1 and 2 coming in, the capacity of those was about 1100 to 1150 metric tons per day. We are gradually moving it to say 1,300 to 1,350 tons per day, which will sort of reduce the requirement from the 5.5 that we were speaking to say 3.5 to 4.

Even now we are using 100% of own acid at Vizag and Ennore. It's only for the Kakinada plant which is not a fully integrated plant, we will continue to have imported acid. So, unless we put up another PA plant, we will not be in a position to get to a 100% on our own. On the other hand, we have our JVs in Tunisia and South Africa where our operations teams are going there to further support and see how we can maximize the throughput both of these. In

Tunisia, we had three of our engineers. Now, the other Indian partner is also sending few more engineers. So that's the way we are trying to manage the processes. As far as the question in terms of how we will be able to manage the cost increases of raw materials, it also depends upon the grades and mix. We will maximise the production of certain grades that are going to be more profitable. The mix is going to play a key role and Coromandel will be working on it. Thank you.

Moderator: Mr. Kumar, may we request that you return to the question queue for follow-up questions. Ladies and gentlemen in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow-up question, we would request you to rejoin the question queue. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Yes, hi. Congratulations on a good set of number, and thanks for the opportunity. So, first question on the crop protection side. You filed for the full year, we have shown 20% plus revenue growth there and you mentioned in the opening remarks, there are new products launched there both on the formulation, as well as the combination side. So, just wanted your thoughts in terms of how should we look at this business from a two to three-year perspective in terms of growth?

Sameer Goel: So, I think firstly, there is ample scope for crop protection to grow. Even while we had a strong double-digit growth, there is opportunity to grow further. Because the base still has to increase, and we are doing several things on that. Of course, we need to ensure full raw material availability to ensure that the technical plants are operating. So that's one thing. And we will continue to grow both what is called, international markets, domestic B2B and also a lot of scope in the formulation business to grow. So that's where it is.

And the other strategies like Jayashree was saying is to go for the new generation products and the combination products and we have a huge pipeline of that which helps us with better margins and not only that they are of more effective use and adopted by the farmers. So, we see that business is continuing to do well, and we hope that the margins also will improve as and when we keep introducing new molecules. So that is going to be our strategy. We will also look at any other inorganic growth opportunities which may come along.

Ankur Periwal: Sure sir. And the earlier geographic distribution that we had talked about in the domestic market itself, is that expansion on the distribution network side largely done and we should be seeing the benefit of that panning ahead or it's still work in progress?

Sameer Goel: There are two things we are looking at business to grow. One is, we must still leverage a lot while we have done better. But there's still a lot of scope for the business to grow, particularly in our key markets of AP, Telangana and Karnataka, Maharashtra and MP. Now, one of the strategies which we have is to leverage the strength of our fertilizer distribution to ensure that we fill up whatever gaps are available and also to have a stronger agronomist demand creation structure on that. So, there is still lot of scope. At the same time, we have areas where because of the new molecules, including combinations which we are having is to address all the applications which the plant may require. So, we are bridging the gap. At some stage take paddy cultivation, we were having only 20% to 25% of the need of crop protection. We have moved this up to 60% to 70%. We are basically more centric towards insecticide and fungicide. Now, we are actually competing the entire segment so that is the progress. There is a lot of scope for our crop protection business to grow given our strength on the fertilizer side and also our retail outlets, especially in AP, TG and Karnataka.

Ankur Periwal: Sure, sir. That's helpful. And my last question on the capital allocation side. Now, on the balance sheet, we already have around Rs. 3000 crore, and we are generating incremental cashflows Rs. 2000 crore plus every year. You did mention that we will be de-bottlenecking some bit of our capacity there. So, any thoughts there in terms of how should one look at the capital allocation incrementally?

J Satagopan: So, Ankur, the way we are looking at capital allocation is to see how we can further strengthen the backward integration for fertilizer. A good amount of capex is being planned for it. We had last year approved the SAP 3 plant, which is about Rs. 400 crore, almost 90% of the work should get completed this year. We also looking into some de-bottlenecking as I was mentioning earlier on the PAP and also in some of our main plants. Apart from this, the normal capex, it would be there.

The main area where we are focusing currently is also to see how we can further strengthen on CPC with the new multipurpose plant, the business has come up with a proposal and we are also looking into further strengthening on the bio side. Now, there are opportunities on the specialty nutrients, especially on the liquid fertilizers. We had commissioned a liquid fertilizer plant. We are looking at further expansions there. These are all what we are planning internally where the capex will be around Rs. 700 to Rs.800 odd crore. Beyond this, we are also evaluating any good inorganic opportunities. So that's what we are looking into for use of surplus funds and capital allocation primarily is going to be for the high EBITDA businesses, which comprises of CPC, Bio and SND.

Ankur Periwal: Sure. That's encouraging. Just one clarification, Rs. 700 crore to Rs. 800 crore capex is over next year itself or it's over a period of time, one or two years?

J Satagopan: The coming year. This year.

Ankur Periwal: And if the broad breakup here will be out of Rs. 800 crore, Rs. 400 crore is going for the sulfuric acid plant and the balance will be for the other projects, which you mentioned?

J Satagopan: Exactly.

Ankur Periwal: Okay, that's helpful ma'am. Thank you and all the best.

J Satagopan: Thank you.

Sameer Goel: Thank you, Ankur.

Moderator: The next question is from the line of Tarang from Old Bridge Capital. Please go ahead.

Tarang Agrawal: Hello, ma'am. Hello, sir. Good afternoon and congratulations for the transformation that the balance sheet seen from about 200 crore in March '20 to now with 3000 crore of cash. Two questions from my side, actually three. I mean incrementally however once slices and dices, the conclusion that I get to be that the profitability on a per ton basis for the manufactured business has increased contribution per ton successively over financial years. Without getting into specific numbers, just wanted to, if you could probably give us a sense in terms of what has really driven this contribution in this year. If on a descending order, I mean there is obviously the spread between rock and acid. There are rock procurement deficiencies and maybe perhaps better pricing or some other reason that I may not be aware of. So, if you could just give us some sense on what has driven this? That's number one. Number two, if I look at your crop protection business, the business while on the top line has grown at about 20%. Profitability for obvious reasons has not moved up about 6%, 7%. I understand this business has three parts to it, there's the domestic formulation piece, the domestic technical piece and then does the export piece. So, if you could give us a sense on what went right and where were their margin pressures in this financial year. And last, in the phosphatics manufacturing piece, what proportion of your manufactured phosphatics volumes would be DAP? That's it from me. Thank you.

J Satagopan: Thank you. Let me take your first question in terms of what's driving the profitability. Obviously as you said backward integration is key. Our PAPs been very helpful. We are also looking into grade mix, flexibility of the plants to process various types of grades, smart sourcing, getting the raw materials at the right time, at the right place, ensuring the plants are not going through any shutdown, capacity utilization of the plants and the control on fixed costs has also been extremely good.

We have been taking selective pricing, the pull of the brands has been phenomenal. I think the grades, the agronomist structure has actually helped in terms of creating the awareness of our products. Finally, it's also about the mix management given the dynamic movement of raw material prices. How do we optimize through the right mix so that we maintain our profitability and enhance it over a period in time. I think these are broadly the major items one can look at in terms of how we have been managing and trying to improve our margins.

As far as your second question on CPC is concerned there has been a good growth over the last year, because in the previous year, we also had a bit of a challenge in the first quarter because of COVID our plants were not able to operate in full capacity. So, plant capacity utilization has been up compared to the previous year.

In the domestic formulation, we have seen an increase in our margin profile, whereas we have seen some amount of stress in our export markets, mainly on Mancozeb. As we mentioned earlier, looking into technical as well as formulation is going to be the key for us to enhance our margins in the Crop Protection business and we are currently working on a good pipeline of products.

The third one was on how much of the DAP do we manufacture. In the phosphatics, I would say about 7%, 8% would be a share for DAP. We can produce more if we do other grades of NPK vis-a-vis DAP given consumption of PA in DAP is going to be higher. Wherever we are able to get DAP at reasonable prices for imports, the Company has been following a strategy to manufacture as well as do imports to meet with the requirements in the market.

Tarang Agrawal: I mean is that number, was it 8%, you said?

J Satagopan: Yes. It's between 7%, 8%.

Tarang Agrawal: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.

Bharat Sheth: Hi, congratulations Sameer and Jayashree for excellent performance.

Sameer Goel: Hi, Bharat.

Bharat Sheth: Hello. The first question is on the sulfuric acid plant. So, when it is expected to commission and how much can this add to the contribution to the gross margin once it is commissioned?

Sameer Goel: So, we will probably have it by June of next year, if all goes as per plan. So, you can expect it to meet the kharif's requirement for next year. This is more of an intermediary, it helps in the times when the sulfuric acid prices are high. So, we will be reducing our dependence on imported sulfuric acid as compared to doing in-house manufacturing and it will give us the flexibility for us to look at and at that end of pricing flexibility to see whether we want to import acid.

Bharat Sheth: Okay. And is that fair understanding that it also is a part of us to increase the process heat capacity?

Sameer Goel: It's the other way around. If you have more phosphate capacity, you would need more sulfuric acid. So, that as an importer, depending on the price of sulfur or you own sulfuric acid or you can decide on imports. So that's the way it is, it just gives the flexibility.

Bharat Sheth: Okay. And --

Sameer Goel: On the logistics challenges which could happen as you increase your capacity of phosphate.

Bharat Sheth: Okay. And is there any plan to de-bottleneck or expand the capacity on the complex side, NPK?

Sameer Goel: So, we are already doing that. We are looking at our trains, looking at how we can make them more efficient. We have been quite successful at that. So, we continue to do this as part of a project at all our three plants and looking at how we can get a better throughput -- we have three trains in Vizag three trains in Kakinada and also one train in Ennore and we are looking at debottlenecking on that front. Obviously, a lot will also depend upon the price of raw materials, especially at Kakinada and how much we can import.

Bharat Sheth: Okay. Last two questions, what is our current mix of formulation and technical grade in CPC business and where do we see this next three-year time with the kind of new product registers and pipeline, and we are continuously introducing new product.

Sameer Goel: So, our technical plants actually supply both -- we do export from our technical plants for export market, but at the same time, the technical plants are also supply for making our formulation and the whole idea is to increase more and more of our formulated products using our own technical raw materials, including looking at combination prouctss. So that's how we are looking at it. Currently our capacity utilization is 70%. We are also looking at making some of the plants more fungible so that we can then look at making molecules which are making money and where we are more competitive. That how we are looking at it.

Bharat Sheth: Okay and in continuation to the second, what is the total contribution of other business-like plant growth, nutrient organic manure and retail in overall top line and what percentage of EBITDA it is operating and how do we see the growth in that business?

Sameer Goel: Okay. Coming to specialized nutrition, which includes organic, we are very happy we are growing continuously; we are having a very strong CAGR growth. We do believe that this business will continue to grow as the farmers get more adapted and with the help of our own sales and agronomists' team.. So, we are seeing this as the future of the business, and this includes getting into applications like drones. We have already launched what is called liquid fertilizer plant, which will give us both things, which can be used for sprays and other thing. We are increasing our manufactured volumes in specialized nutrition by upgrading our plants, because we want to capture the entire value chain on that count. So, we do see this as a future growth business and continue to do well and we have integrated the teams and we are expanding beyond our current targets. So, definitely, it's a business for the future.

You talked about retail. In retail, our main emphasis was on three things that have happened on retai. While we grow on the top line, our main focus is to continue to promote our own manufactured products across the retail chain. Also have what is called value addition from new categories which are there, but obviously look at products which are making margins. What we have done this year is to ensure that all stores are getting profitable. We have closed down some loss-making stores, and 90%+ of our stores are profitable, we aim to make it 100% before we look at further expansion. And last, the good news in retail is that with inventory management and credit from our suppliers, we are working on what's called a negative working capital. So that is going to be the story of retail.

Moderator: Thank you.

Sameer Goel: One thing which we are doing in retail is to see how we can get into more into services and charge value for them. So will not make it just product-oriented and advisory oriented but also look at the service model entity. Thank you.

Moderator: Thank you, Mr. Sheth. May we request that you return to the question queue for follow-up questions? Thank you. The next question is from the line of Tejas Sheth from Nippon India AMC. Please go ahead.

Tejas Sheth: Hi, good afternoon I have two questions. One on the crop protection side, what kind of acquisition are we really looking at and are we actively looking at any of the acquisitions and second question is on the export side, how big the approximate opportunity can be, over the next three to five years?

J Satagopan: So, well on the acquisition front, we have been looking at a few opportunities. For it to fructify it has to be complementary. So that effort is on, and we hope we should be able to come up with something in the coming year. On the export front, obviously there is a very good opportunity across the markets. Coromandel has a very balanced presence across the globe, whether it is South America or Africa or Asia, currently the primary molecule for us is Mancozeb. The crop protection team has identified few more molecules and they are coming up with a proposal to manufacture them. Hopefully those technicals along with some of the combinations and global registrations that the team has come up, should help us expand our presence in the global market. So, opportunities, there is quite high.

Tejas Sheth: Okay. Even on the export side, are we looking at contract manufacturing on the technical side or it will be purely filing our own registrations and selling it under our brand?

J Satagopan: Currently, our business model has been manufacturing technicals, holding registrations and selling. The current thought process has gone through a change, meaning that we are also open and in discussions for exploring some contract manufacturing opportunities. Having said that, it's a new line which Coromandel would be getting into, and obviously it takes a little bit of time because our current model has been purely linked to technical. So, this has to be a different segment within the crop protection businesses space.

Tejas Sheth: Thank you for answering.

J Satagopan: Thank you.

Moderator: Thank you. The next question is from the line of Rohan Gupta from Edelweiss Securities, please go ahead.

Rohan Gupta: Yes, hi, good afternoon and congratulations on such a strong set of value. Just couple of. First is on the recent government subsidies aid. So, we have seen that the cost -- input cost is likely to remain at the same level, what it was in the previous quarter. And if can also help us the current quarter of phosphoric acid rate which you have negotiated with and with the current subsidies rates revision which is effective from the current quarter. Reducing the prices in the market to the farmers or we can see on upside margin.

Sameer Goel: Yes, hi. I think the good thing the government has done with obviously inputs from the industry. They have taken the rate as per March what were prevalent in the international market. Now, if you have to guess how the raw material prices are going to move up, given the fact that there is war which is going on and the fact that obviously global commodity prices, including agriculture has done well, it is going to be anyone's guess. So, its like a crystal ball gaze but couple of things can enhance and soften prices. One is of course the war in Russia and Ukraine comes to a quick settlement. Secondly, we are working with the Government and telling them to use a diplomatic channel to get Iran back into business that will help prices of certain raw materials commodities. And third, a big third is not only fertilizer but also for crop protection, what sort of protectionist policies will they have after the season gets over.

As far as phosphoric acid rate is concerned, I believe the key players are still negotiating to come to a fix on the pricing. We, for one, we have diversified our sources. So, for us it's not a problem. We are covered. So that's how we are, and we will take it when then it comes.

Rohan Gupta: What will be effective prices for phosphatic acid for us for the quarter?

Sameer Goel We won't know about it till the prices are firmed up, which I hope with the subsidy getting announced it should be finalized soon.

Rohan Gupta: So, but we don't see that with the government subsidies taking care all the input price --

Sameer Goel: We have already spoken to you that obviously they want to also have a look at pricing. They have already taken inputs on prices prevailing as of March.

The good thing news is that the government has given the subsidy till the last day for which we have to compliment the government. And the second thing, whatever cost increases, if at all, I am sure the government will look into it. So it’s early, very early for us to comment.

Rohan Gupta: Okay. Sir. Second question is on this crop protection. Can you give the breakup of B2B business and Export and domestic formulation?

Sameer Goel: Yes, I think our export is nearly 45% and the rest is split between B2B and formulation.

Rohan Gupta : Sir, what would be the segment further between domestic and formulation, sir?

Sameer Goel: So, I have already told you export is 45%. The other is split between the two.

Rohan Gupta: Okay, thanks sir. Thank you.

Moderator: Thank you. The next question is from the line of Dhruv Muchhal from HDFC AMC. Please go ahead.

Dhruv Muchhal: Yes, thank you so much. Just to correct myself, you mentioned that the PAP capacity currently is about 1,000 tons per day, which is effectively is about 3.25 million ton and we are planning to increase it to 1,300 tons per day. Is that right?

J Satagopan: Yes. The current capacity is about 1,100 tons a day and we are looking at increase it to 1,300.

Dhruv Muchhal Noted. And any further details in terms of what would be the capex and by when do you see this expansion happening?

J Satagopan: This is mostly de-bottlenecking. So, it will not require any major capex. Definitely some amount of capex would be required. This has been factored in our business plan for the year. I think on an average could be above Rs. 10 crore Rs. 15 crore

Sameer Goel: A lot of this has been taken care. The throughput also depends on the raw materials.

Dhruv Muchhal: And by when does it happen. I mean is it already largely done or?

Sameer Goel: We hope to have it as soon as possible.

Dhruv Muchhal: Okay. So, for this full year largely, we should be running at this 1,300 tons per -- ton per day capacity?

Sameer Goel: We hope it to happen. A lot depends, we are closely monitoring that.

Dhruv Muchhal: Sorry for my lack of understanding. I am just trying to understand how does this operate I mean, does this capacity depend upon these kinds of crops and hence the expansion also happens, or it is, I mean it's a fixed capacity?

Sameer Goel: Crop mix ratio does play a role. Because you have to balance out.

Dhruv Muchhal: Okay. So, part of this increase is also driven by your expectation of better margins?

Sameer Goel: Sure.

Dhruv Muchhal: Okay. Got it, sir. Thank you so much. Thanks.

Moderator: Thank you. Next question is from the line of S. Ramesh from Nirmal Bang. Please go ahead.

S. Ramesh: Hello. Good evening and thank you very much. Congratulations on the results.

Moderator: I am sorry Mr. Ramesh but the audio is not clear from your line, please use the handset mode.

S. Ramesh: Can you hear me now?

Moderator: Yes. Better.

S. Ramesh: Yes. Thank you very much. The first thought is if you are looking at the phosphoric acid prices in the second half move between 1350 to $1530 and the subsidy fixed in October was perhaps building in the second quarter price plus some increase, so I would like to understand how you managed to achieve the kind of growth you have shown in the nutrient segment in the fourth quarter. To what extent is it based on the captive production of assets and to what extent is it based on the price increase you have taken? And secondly, what is the kind of volume growth we can expect for the kharif in both nutrients and crop protection, assuming that the monsoon is normal?

J Satagopan: Okay. Thanks, Ramesh for the question. We had earlier indicated that Q4, the reason for the margin expansion is capacity utilization of our PA plants and we were able to capture the value gap between the imported raw material, which is imported PA versus our own manufactured PA. Along with it, there's the cost controls that have happened and better capacity utilization.

Now, coming to where we are expecting both these businesses in the current quarter. We are expecting normal season, given the fact that the prediction is for a normal monsoon. The reservoir levels are good, soil moisture conditions are good. So, all of this would mean that we will continue to see good demand and our aim is obviously to see how we can maximize during the peak season. That is as far as fertilizer is concerned. Given the high prices, we are going to be very selective in terms of import of finished products in fertilizer. We are also trying to maximize the SSP production mainly because there is an increased demand from the farmers. Some of them are not able to afford fertilizer at these elevated prices though the government has given a high level of subsidy. So, we will also see a good growth in SSP.

On the Crop Protection front. Again, we are looking at pretty high double-digit growth, in the high teens. As we mentioned, capacity utilization of the technical plant is key and four new formulation products are getting launched in June. Last year, we launched six products, year before another four. So, I think the new products into the portfolio has actually filled the gap, and they are also margin accretive. It's going to be helpful in terms of not only the revenue growth, but also improving the margins in the crop protection business.

S. Ramesh: As a follow-up, can you give us the volume growth in the crop protection business for the fourth quarter. We have the top end, if we can get a split between volume growth and how much has come from increasing prices?

J Satagopan: I can come back to you on this. I don't have the numbers right away. But again, we can take it offline iff you don't mind.

Moderator: Thank you, Mr. Ramesh. May we request that you return to the question queue for follow-up questions? The next question is from the line of Abhijit Akella from Kotak Securities, please go ahead.

Abhijit Akella: Yes, good afternoon, Sameer Ji. Good afternoon, ma'am. Congratulations on a great quarter. And thank you so much for taking my questions. Just had a couple of clarifications regarding the phosphoric acid segment. So one is, just wanted to understand a little bit more clearly for myself, how much our annual requirement of acid it is, how much we are currently producing and where we expect to go to over the next foreseeable future?

J Satagopan: Okay. Abhijit our total requirements in Vizag and Ennore is fully met with the production in these facilities. The capacity in Vizag is about 4,10,000 tons and this will also mean that there is some excess acid that is available for shipment to Kakinada which we have been doing. Ennore has a capacity of about 60,000 tons to 70,000 tons of PA which primarily is used captive consumption. With two plants in Vizag and one in Ennore, the requirement for import this year to be anywhere between 3.5 lakh tons to 4 lakh tons. Again, the product mix will play a very important role, because there are certain products which can consume a very high level of PA vis-a-vis others. So, depending on that, the requirement for Kakinada could vary between 3.5 lakh tons to 4 lakh tons.

Abhijit Akella: Okay, understood. That's very clear. Thank you so much, ma'am. And the second question, I just had was on the value gap between imported acid and own manufactured acid. So, do you expect this to persist over a long period of time or would you see this as some kind of cyclical up move which could correct at some point in the future?

J Satagopan: There will always be a value gap between manufactured and imported acid, but the quantum will vary depending on the raw material prices. Currently PA prices are at very elevated levels, and we have also seen the rock prices going up. However, when you buy the rock and when you manufacture, the value gap is good.

When the PA prices settle down, the raw material, ie.rock prices also will come down. At that time, you will see the value gap coming down, so I think it's a function of PA as well as rock prices and also to some extent the sulfuric acid prices. Currently the PA gap is high. In a longer period, I would expect it to normalize.

Abhijit Akella: Okay. Sorry, just one last clarification on this. Would we expect phosphoric acid to remain relatively tight and supply compared to phosphate rock over the medium to longer term?

Sameer Goel: See, phosphate acid currently few suppliers are there unless new capacity comes up, which I am sure will come up. While rock sources are a lot more diverse, you need to then set up a phosphoric acid plant to use it. So, it's a lot more diverse.

One good thing is, thanks to our pilot plant, we have the ability to use various type of rocks and various type of acids.

Abhijit Akella: Got it. Very clear. Thank you so much, Sameer ji. Thank you, ma'am. Wish you all the best.

Sameer Goel: Thank you.

J Satagopan: Thank you.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Yes, hi, sir. So, my question is regarding if there is a further price increase in phos and ammonia so will government is going to give additional subsidy, or we are government will give us power to increase the price of NPK and PAs?

Sameer Goel: I think there will be, we can't say what the government will do. The government has been helpful if you see the subsidy prices. This has been fixed up till for Kharif season. So that's where they are. Now, of course a lot will depend on how the prices behave. But what the Government is looking from their side is to get long-term contracts with all manufacturers and suppliers so as to ensure availability. The key thing is to ensure availability of fertilizer during the current kharif season, and we will have to take how it comes. So, they are monitoring that closely.

Sumant Kumar: No, but if there will be a price increase in phosphoric acid. Are we going to increase the price?

Sameer Goel: The price will vary, it depends on things, it's not just price of phos acid, it's price of ammonia, price of sulfuric acid, a lot of other things. So, a lot of numbers of factors will play, so we can't say, just on one particular RM price what it's going to be and how it's going to be. It is also a question of demand and supply in the international markets.

Sumant Kumar: So, now government has restricted to increase the price in the past. If the price increases from here so we have seen in FY22, government has given additional subsidies apart from the all the prices have been fixed. So, do you think the government will give additional subsidy?

Sameer Goel: Government has looked at RM pricing, which is up till March. And there are other factors which will also play. How is the forex behaving, how are the things going? So, it's not just one factor.

Sumant Kumar: Okay. The next question is for the technical our Crop Protection export side, we have seen -- we are struggling with the new product, and we are still the higher sales of, Mancozeb newer product development and sales is becoming a challenging for Coromandel and there is a huge opportunity in the technical side. So, what are the challenges we have seen in R&D side, are we are trying to fix it and we are going to have more molecule available to the market?

J Satagopan: So, Sumant as we mentioned earlier, the business has identified a long list of off patented molecules. Then based on the technical feasibility, based on the scope for sale and commercialization, we have shortlisted the molecules, which can be taken up for technical manufacturing. So, the R&D team is very well equipped to work out the processes and ensure it is piloted and scaled up. Now, key for all of this is also going to be to backward integration. Just to do the technical without having proper N-1, N-2 levels may not help in long term. Mostly, I prefer it to be in our own plants rather than depending on some sources from other countries. So that process is going on.

We don't see any constraint on the R&D front, we don't see a constraint on the capital allocation, we don't see a change in terms of the ability of the manufacturing teams to scale up. I think the business case for some of these molecules has been worked out. And as we were mentioning just in couple of questions before, the proposal for multipurpose plant has been put up by the business for evaluation and once that is cleared, work will start, and we will have a new technicals coming up from the plant.

Moderator: Thank you, ladies and gentlemen, which was the last question for today. I now hand the conference over to the management for closing comments.

Sameer Goel: Yes, thanks everyone for attending. Firstly, as far as agriculture is concerned, the good thing is that demand continues to be good, both at the global level and also at the India level. And agriculture as an economy has done well. Coromandel is well placed to take advantage of that. So that's a positive.

Obviously, like most industries are also facing, it's an issue of on the higher raw material firstly is the availability and then the pricing. But I think number of steps, which we have taken in the past and also the steps that we are planning to take, including the current capex such is a step in this direction to ensure that firstly, we make fertilizer and Agri inputs are made available to the farmers.

We are also hoping that over years India will become like it's done for urea, at least on the NPK side. We would get some PLI scheme, the investments can happen so that we are less dependent or capture the value through manufacturing. So, these are testing times, but I think Coromandel as a company, we are quite resilient.

We have also started a journey of digital transformation where we hope to look at efficiencies and real-time data both to benefit the farmers but also look at how we can improve our efficiencies and also look at new opportunities for growth. Our balance sheets are strong enough. If there is any good opportunity, which will come our way, we will also look at it for inorganic growth. So, thank you very much for supporting Coromandel. Thanks.

J Satagopan: Thank you.

Sameer Goel: Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Batliwala and Karani Securities India Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.