



“Coromandel International Limited Q2 FY2022 Post Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Coromandel International Limited Q2 FY2022 post results conference call hosted by Antique Stock Broking 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. Himanshu Binani from Antique stock Broking Limited. Thank you and over to you, Sir!

Himanshu Binani: Thanks, Faizan. Good day everyone and on behalf of Antique Stock Broking, I would like to welcome all the participants on the Q2 FY2022 post results conference call of Coromandel International. From the management, we have Mr. Sameer Goel - Managing Director of the company, Ms. Jayashree Satagopan – the Chief Financial Officer of the company. Without any further delay, I would like to handover the call to Mr. Goel for his opening remarks post which we can open the floor for Q&A. Thank you and over to you Mr. Goel!

Sameer Goel: Good afternoon, everyone, and thanks, Himanshu for organizing the conference call. I will first give an overview of business environment experience during the quarter and followed by Jayashree will take through the company’s performance and we will then take up the Q&A.

After contraction in economy last year, India is expected to grow by 9.5% during the current fiscal year as per the IMF latest forecast. In-fact some of the experts are projecting it to be even higher. This growth is expected to be based on increased demand, higher infrastructure investments and containment of COVID after the second wave because of the vaccination and a good monsoon for the third consecutive year.

India is likely to be the fastest growing large economy as per the estimates of IMF. Agri continue to be a sweet spot, Agri GDP grew by 4.5% in Q1 vis-à-vis 3.5% last year Q1. The Southwest monsoon was near normal despite rains being erratic especially in July and August in parts of North and Central India. The reservoir levels in the country remains at 107% at long period averages. In the Southern and Western markets where we operate reservoir levels are well above the long period averages.

The crop acreages have marginally been higher than last year with the good increase seen across rice and pulse acreages. There was a marginal decline in cotton; however, the first advance estimates are showing that both rice, cotton and other crops have grown up, so this is the third consecutive year of good monsoons and as I said agriculture will continue to be a sweet spot.

Economic revival post COVID in this year has induced a surge in demand across all commodities which has caused a global supply imbalance across. Further, the reduced investments done on conventional fossil fuel have resulted in higher energy pricing, it has been witnessed in Europe. Shortages of containers continue through the quarter with rising prices and uncertainty in containers availability, a lot of them actually have been in China. However, on the agri input size,

there has been an increase in demand with record production and higher price realization, reduce supplies of imported finished goods and raw materials have led to a very high spike in raw material prices.

Coming to the fertilizer industry performance for the quarter, DAP and complex fertilizer industry primary sales volume was down by 22% at 56.5 lakhs metric tonne vis-à-vis 72.9 lakhs metric tonnes last year. Point of sales was down by only 12% over last year, 61.6 lakh metric tonnes versus 69.8 lakhs metric tonnes same period last year.

Major raw material prices continue to remain high. Phos Acid prices for product are yet to be finalized. With raw material prices ruling high, the government ruled over the subsidy under the NBS scheme for Rabi season, Government further announced a special package for DAP and three generic grades of NPK which are mainly sold in the DAP market and account for almost 80% of the generic NPK sales. For H1, DAP and complex industry primary sales volumes are down by 19%. Industry PoS sale have been down by 12% over last year, 101 lakh metric tonnes versus 115 lakh metric tonnes the same period previous year.

Coming now to Coromandel performance, Coromandel registered a healthy revenue growth of 34% during the quarter driven both by nutrient and crop protection business. Coromandel ensured that agri inputs was made available to the farmers in its major operating markets and promoted the use of balance nutrition including organic fertilizer to help to rejuvenate the soil and also helped in farm productivity.

Coming now to segment wise performance the nutrient and allied business segment revenue grew by 38% over the same period last year. The business has launched a new product GroShakti Plus a fortified NPK with EnFos technology, company's thrust towards providing specialized fertilizer and a greener solution to farmers has gained further momentum in the market. Company registered a good growth in both our specialized nutrition fertilizer and organic products.

On the sales front in Q2, DAP and complex volumes were at 11.2 lakh tonnes same as last year, manufactured DAP and complex volumes were slightly lower by 3%; however, this was made up by imports which was up by 18%. However, when we look at H1, the value of our import was nearly the same for NPK and DAP put together, last year was 2.28 lakhs metric tonnes and this year it has been 2.05.

Company market share in Q2 increased to 19.5% versus 15.2% in Q2 last year. The gain in market share demonstrates the company's commitment to the farm community ensuring timely availability of balance nutrition. Company maintained its POS market share at 20% for the quarter. The SSP business did very well. SSP Q2 sales was 2.26 lakh metric tonnes with the growth of 11% over last year. Market share improved to 18% from 16% last year for the same quarter.

The PoS share of SSP during this quarter was up by 44% to 2.42 lakh metric tonnes, vis-à-vis 1.67 lakh metric tonnes last year. Our main product GroPlus has gained further traction in the market and is now mainly almost one-third of the sales.

In H1, DAP and complex volumes are at 19 lakh metric tonnes versus 19.5 lakh metric tonnes last year, market share in H1 has improved to 18.9% from 15.8% in H1 last year. SSP H1 sales were 4.1 lakh metric tonnes with a growth of 24% over last year. Market share has improved to 16.1% versus 12.7% last year for the same period.

Sourcing team ensured timely availability of raw materials despite turbulent in the international markets to enable continuous production at the manufacturing plants. During the quarter, our DAP and complex plants operated at more than 100% capacity and produced 79.12 lakh metric tonnes of fertilizer. Sulfuric acid production also reached a new high during the quarter.

We have liquid fertilizer plant and the 10th evaporator was successfully completed and commissioned during the quarter. To further improve sourcing security of key raw materials and commitment to Atmanirbhar Bharath, the company has envisaged of setting up a new sulfuric acid plant at Vizag as part of backward integration. Project for SSP granulation capacity had two of our plants in Udaipur, Rajasthan, Nimrani and MP are progressing well. We are also looking at reviving some of the old SSP plants given the demand in the market. The technology team is working on liquid and fortified fertilizers to enhance productivity of the nutrients.

On the crop protection side, crop protection business registered a growth of 9% revenue during the quarter supported by good performance in export and B2B segments. The increase in raw material prices resulted in low margins during the quarter. The new product launched by the company in Q1 this year has found good traction in the market. The strategy of introducing new generation products is helping our farmers connect initiatives and improving farm productivity.

The business has built a rich product pipeline backed by strong R&D and is partnering with global innovators to further strengthen as product offering. On the manufacturing side, CPC plants operated with the increased capacity utilization of 77% during the quarter up from 73% in the same quarter last year. The business is setting up a new plant for manufacturing of herbicide side at Sarigam. The bio business has increased its bio extraction capacity by 50% at Thiyyagavalli plant in Tamil Nadu. The retail store continued to operate well during the quarter. The focus on providing all round agri solution including product farm advisory and mechanization services. Business has improved this operation efficiency and leverage technology to reach out to the farmers.

The company has embarked on a digitalization transformation journey and is working on several digital initiatives across the organization including digital marketing and customer connect. With healthy reservoir levels and soil moisture conditions, we expect good traction in the upcoming Rabi season. Farm productivity and farmer trust being an integral part of our model. Agronomics team is working closely with the farmers and we have set up nutriclinics in our major markets to

give advisory service to the farmers. Coromandel will continue to try and ensure timely availability of agri inputs supporting the needs for the farmer community including giving balance nutrition to the markets of North and Central.

Now, we will ask Jayashree talking about company's financial which will be followed by Q&A. Over to you!

Jayashree Satagopan: Thank you Sameer. Good afternoon, all. I will now provide updates on the company financial. For Q2 the turnover of the company was 6166 Crores. This is the consolidated total income vis-à-vis the same quarter prior year where the total income was 4620 Crores. This marks a growth of 33% overall. Nutrients and allied businesses contributed to 89% share and the remaining 11% coming from the Crop Protection business.

Subsidy and non-subsidy share of business stands at 84% and 16% during the quarter. In the previous year it was 79% and 21% respectively.

On the profitability front, EBITDA for the quarter was Rs.743 Crores as against Rs. 843 Crores last year. In terms of Subsidy-Non-Subsidy share, it stands at 74% and 26% during the quarter. Net profit after tax for the quarter was Rs.519 Crores in comparison to Rs. 589 Crores for the corresponding quarter last year. For the first half of the year, company recorded a consolidated total income of Rs.9,852 Crores vis-à-vis Rs.7,843 Crores in the last year. The net profit after tax was at Rs.857 Crores versus Rs.839 Crores in the prior year. As far as subsidy is concerned, during the quarter, the company received Rs. 1671 Crores towards subsidy received. Comparative figure last year was Rs.792 Crores.

Subsidy outstanding as on April 30, 2021, was at Rs.1698 Crores versus Rs.2,862 Crores during the previous year. Subsidy outstanding includes Rs.1251 Crores which has been claimed and pending with the government for disbursement.

As far as interest is concerned during the quarter, company earned a net interest income this is excluding the Ind-AS adjustment of Rs.11 Crores vis-à-vis in interest cost of Rs. 8 Crores during last year in the same quarter. Company's balance sheet continues to remain strong. Company has maintained its surplus funds in board approved security, and these are earmarked for specific growth-related investments and initiatives.

During the quarter, rupee remained in a broad range of 92 to 74-96 vis-à-vis dollar. Coromandel continue to follow a very conservative approach of hedging a forex exposure thereby well managing the foreign exchange portfolio.

Thank you all for your interest in Coromandel and joining us in the 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 Varshit Shah from Veto Capital. Please go ahead.
- Varshit Shah:** Thanks for the opportunity. First of all, I like to congratulate the management for pulling off very decent quarter both on absolute EBITDA because given the external environment I mean it could be tough to achieve this number that to deliver on volumes and largely sort of negated the impact of the raw material cost, so congratulations for the management on that. My first question is on backward integration I think Sameer eluded in his remarks regarding subsidiary capex and given the exponent environment I think some of short term perspective and backward interrogation or any focus on the cost side is sort low hanging fruit given the historically over the last four years to five years also we have been continuously doing some of the backward integration in to improve our margins, so can you elaborate on that initiative as Sameer was eluding to his opening remarks?
- Sameer Goel:** Varshit, thanks and I will get that. Thanks for your compliments, I think it is a very turbulent market. You have seen that we are getting into shortage situation globally, we talk about not just us but when you look at steel, gas everything is getting into short supply and of course there are reasons for that but definitely we had embarked upon backward integration quite some time back. PAP project in Vizag was towards backward integration. Recently even in Ranipet we actually introduced sulfuric acid which we are also getting imported or earlier from Vedanta, so that is again a step which really helped us and I will get Jayashree to answer other things. Go ahead Jayashree.
- Jayashree Satagopan:** Thank you Varshit. As a philosophy Coromandel has been looking into every opportunity where we can backward integrate and improve our self sufficiency as far as raw materials are concerned. Our PAP 2 which got commissioned couple of years back has been running very successfully. Typically, when there is a setup of sulfuric acid plant, we also look into putting of a sulfur burner. We had received approvals from the environmental standpoint, and we have been evaluating it for few months now, we also discussed about it in the last call, so currently we are internally approved setting up sulfuric acid plant. We already had two plants in Vizag, this will be the third plant that will come up and the team is currently working on getting the basic and the detailed engineering study done as well as working with the vendors for ordering the necessary equipment. Project will take approximately about 24 months to complete and this should help us in becoming little more self sufficient as far as our key raw materials are concerned.
- Varshit Shah:** That is really helpful and my second question is given that the current environment on the cost side I mean particularly your key inputs be it phosphoric rocks or gas etc., and they should remain elevated at least of quarter or two if not more, so given this kind of scenario and we have a very strong balance sheet, so my question is slightly more around one year horizon or beyond, will that help actually read out the weaker players out of the market at least and have higher market share all in the shorter run, your capital employed might get squeeze in the entire and eventually will come out stronger out of the cycle, do you anticipate because it is already visible

in the market share if I were to see, so do you see this kind of sustaining over the next two quarters as well?

Jayashree Satagopan: The raw material price appears to be one in upward trend and we believe that it could remain firm for the next quarter or so. Having said that as a company our philosophy is always been to look into all opportunities that are available to run our plant very efficiently, ensure material is available for running the plant on a continuous basis and also work closely with the farmers and channel partners to ensure timely availability of fertilizer and agri inputs to the market. We believe, competition is good because it will also help us to continuously look into areas for introspection and improvement. Having said that with a strong balance sheet and the right focus on all elements not just limited to cost but also looking into the real requirements ensuring that there is balance nutrition needs are met not only in our market but also looking into markets beyond, I think there is enough scope for Coromandel in the future years to come.

Sameer Goel: Just to add to what Jayashree has said definitely one of the acquisitions which was from Liberty was on single super phosphate. The good news is that the government is really promoting especially in markets which are dominated with DAP and SSP used to be the older fertilizer and a better fertilizer and especially for sulfur and another crops. So, we have enhanced the capacities we are reviving certain plants. Kota was revived. We are looking at Pali and we believe that we can consolidate and particularly players when I say who are not giving good quality to the farmers will be at a loss and here also like I said we have launched products which are value plus, so our GroPlus product has been well accepted by the farmers and now they are not calling it SSP, they are actually calling it GroPlus. Two of our plants because it requires granulation is already producing and as we speak the third plant has actually started their dispatches now, so we do expect consolidation to happen in the industry which was very much unorganized. Similarly, it gives us the opportunity to spend money and we are growing those markets into other business-like specialty nutrition, we have setup liquid fertilizer plant, we are looking at other new products in that and also organic to expand our business, so we will continue to look at these opportunities apart from crop protection. Thank you.

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

Sumanth Kumar: My question is regarding the Rabi season how is the demand outlook and number two, we know this is a very challenging scenario, so overall raw material prices is very volatile, so how are we passing on, what is the price increase across product segment?

Sameer Goel: Sumanth thanks for that question and thanks. Like I said Rabi likely to be good with good South West monsoon which has happened after being erratic at the start and North East monsoon has also started on time and the reservoir level peak out at least in our markets. One issue which has happened is and that is what government is asking for diversification because unlike the past some of the procurement has to be done so that the farmers get their money including through

FCI and other things but otherwise with the diversifications and now government is promoting as you saw in the latest announcements also because they want to do import subsidy on affordable oil they have also started on pulses and therefore money has been given for growing oil seeds and the number of oil seed companies have started growing and that will again help us because again APTG are major segments. Rabi will be good, the demand will continue to be good. There will be pressure on raw material prices and other businesses we have been able to pass on and we do have premium. Here of course the government has also given us the subsidy and has rolled it over including a package.

Sumanth Kumar: From here, what margin contraction we have seen in both segment, can we see the improvement or may be similar level of the previous year?

Jayashree Satagopan: Sumanth we will have to look at it on an annualized basis. There are going to be some quarters where you will see raw material prices are soft, raw material prices are higher, overall on annualized basis is what we normally look into, the last quarter we have seen RM prices being higher, current quarter also given some of the global trends we are seeing the prices being soft but we expect this to soften in Q4, so if you look at in an annualized basis I think we should be more or less okay again it also depends upon which grades, there have been changes in the mix compared to last year primarily to meet with some of the requirements that have come in, in specific states, so the mix also plays a role. I would think it is not going to be too far off but we should also recognize, last year was very different because last year there was a raw material prices were almost at its rock bottom, sulfuric acid was trading even in negative whereas it is different this year, so I would look at it on a longer period average and Coromandel would be in a comfortable position to maintain its margin I would say, given some of the backward integration that we have taken and cost levers that we are pulling in, of course one needs to wait and watch how the RM prices are going to trend, so will take it by the quarter for the next one or two quarters and once the RM prices settle I think it will give a much more clear visibility.

Moderator: Thank you. We will take next question from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Thanks for your time. My first question is on the price increase additional subsidy the government has given on NPK, NPK granular, does it consider with current phos acid, or some cushion is built for some expand, this has been increased for phos acid that is likely to come?

Jayashree Satagopan: Vishnu, this has been given almost of couple of weeks back. I think it considers last quarter phos acid prices and also to some extent what could be the PA prices for the quarter because the PA prices for this quarter is still not yet settled, so if anybody is gained, how it is going to actually get firmed up, if there is going to be a higher increase in the PA prices accordingly there will be discussions I guess with the DoF and the government but this point in time, there is some factoring of price for Q3 but mostly covering the increases that have already happened.

- Vishnu Kumar:** Rest of the grades which we sell which is not part of this, have you taken any price increases or any thoughts on that?
- Jayashree Satagopan:** We have taken some amount of price increases as much as is possible, at the same time we also recognize that we are in an industry where we have to make our agricultural products available to the farmers, so in the year when it is going to be tough, we will take a call to appropriately price it and not look at maximizing it, so Coromandel takes a very, very balanced view so that agri inputs are available to the farmers, we do not want to create too much of a spike and it is a very measured call that has been taken.
- Sameer Goel:** I think one good thing which will happen that a lot of people promoting right from the university to the agricultural scientists and to the government balanced nutrition which is required for particularly markets like North and West. That is something which is there and we will see more and more of balanced nutrition which is the strength of Coromandel and we are seeing a major traction on our Single Super Phosphate business plus the GroPlus business which is there and that is why which can be easily replace DAP and that again is being supported by the farmers and all the agriculture community.
- Vishnu Kumar:** The next question is from where we do, we see the capacity of our backward integration let us say phos acid, sulfuric acid or even additionally in SSP if you could give us where are the capacities today and what is that likely to change over the next two years and if capex is possible?
- Jayashree Satagopan:** You are talking about the capacities for backward integration, Vishnu?
- Vishnu Kumar:** Correct, so let us say our understanding is about 50% we have backward integrated on phos acid, what is that likely to go next two years and what does it for sulfuric acid now, what it will change to next two years and also for SSP if you could just tell us what is the capacity and where we will go next couple of years?
- Jayashree Satagopan:** Phos acid we have already undertaken our capacity expansion, which got completed couple of years back. There is some scope for operational efficiencies to kick in which we saw happening in the last quarter, so that can help us getting another 100 tonnes for day type of an additional capacity but that is only PA side. What is important on PA SSP how are JVs which are TIFERT and Foskor actually get more efficient so that we can keep the benefits of it. There is the team which has been deputed for Foskor to help them on the technical front as well as in TIFERT where not only our engineers but also engineers from GSSC are there, currently they have also got good set of people from GCT who also has an ownership in TIFERT to sort of support them in their technical expertise and running the plant more efficiently. So apart from our own backward integration JVs turnaround is equally important for us on the PA side. We do not envisage any further major investments at this point in time in our facilities for PA. If there are any strategic possibilities that come in future obviously Coromandel would be looking into it. Having said that on the Sulphuric acid front, we are setting up a facility which will be producing

closely 2500 tonnes per day, that is the new facility we are talking about, that would entail capital expenditure of close to 400 Crores which will be spread over a period of 18 months to 24 months. That is going to be a major capex for backward integration. This facility is also going to be coming up at Vizag. We already have our SAP1 and SAP2 there, so those two would be fully operational along with a new plant that could come in. For our SSP plants Ranipet had very old sulphuric acid plant which was not being used for many years that got revived a year and a half back and is fully functioning. We do not see a requirement for putting up additional sulphuric acid plant for any of our SSP plants at this point in time. There is acid that available that is being used they are not high consumption areas for us to look into a total backward integration. What would help the SSP plants is in terms of strategic tie ups for sulphuric as well as rocks which we source locally from RSML as well as we selectively import either out of Egypt or Jordan depending upon the grade of rocks that we can process. So, that is as far as the backward integration is concerned. The major one for you to look into our SAP-3 which will help us to become, I would not say fully self sufficient we will still have to we will still have to import that is why when I started earlier, I said the context is any time when we put up PA plant, we always have a sulphur burner along with it. It had taken some time for us to get all the environmental clearances and we are now going ahead with it we will still need to import, and we do have strategic contracts globally for import of sulphuric acid.

Sameer Goel:

On SSP manufacturing like we had said in the past we had shut couple of plants. We revived Kota of last year and continued its production now we are looking at a plant in Maharashtra which we need there, and we have another plant as soon as economic works out in UP which we look at. But the main thing which we are doing also is upgrading the granulation capacity one of the things in SSP is it used to be a basal dose application. But granulation does two things it also then allows it to go at different stages of the crop and most of our new products which we left are more on granulation. So, that is something which we are doing right away, and we will be increasing all the capacity as far as SSP is concerned including looking at efficiency.

Moderator:

Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal:

Congratulations for good performance and thanks for the opportunity. First question on the crop protection side, you mentioned exports and B2B sales picking up in this quarter versus the domestic one. So, your comment on how the domestic market is shaping up especially the new products that we have launched in the earlier year and secondly on the distribution expansion side, if you mentioned digital marketing led initiatives where in we are trying to expand our presence in North and West of India. So, how should one look at it from a medium-term perspective?

Sameer Goel:

You have two different questions; one is on the crop protection and on the domestic business.

Jayashree Satagopan: Ankur, our new product introduction in the last two three years has actually helped gain more traction and we are also seeing change in the overall portfolio for the domestic formulation business. In fact, this year in the first half we had introduced about six new products, and we have a couple of them lined up for the Rabi season as well. Now, with these new products we are seeing that 25% of the total formulation sales in India is coming out of the new products. In the last thirty months we have introduced close to about 14 products overall in domestic formulations this helped in changing the flavour of the business. Earlier it used to be very old generics. Today we have some combination, some co-marketing products as well as couple of 9(3) products so that is actually helping us to better position ourselves in the domestic market.

Sameer Goel: Your question was on digital marketing and also North and West. When I made the comment for North and West basically it was on the nutrition side where North, West, and Central are more of DAP markets unlike the South and East. Thanks to Coromandel which North and West are mainly DAP markets we have done well with our SSP markets and now the government is wanting to promote and even the farmers having a more balanced nutrition and therefore both are SSP including the new products which have launched and also NPK Fertilizers we promoting it more in the North and Central both through the institutional sales channel and also directly through the dealers and you will see more and more attraction towards that. It is more to balanced nutrition which will benefit the farmers farming conveniently out their crops district wise. Digital marketing we did was more in terms of when COVID happened we have Wonderland Function which the world largest digital marketing company and we have learnt very quickly on digital and lot of our campaigns even to farmers is through the digital media including having virtual conferences with the farmers and we have scientists at one end including our Agronomist team and we find that to be a very, very successful way of reaching out to the farming community interact because what happens in the digital marketing like we launched in specialised nutrition product to sugarcane farmers, range for sugarcane. We are able to get state like Maharashtra just two hundred sugarcane farmers and we could have a two ways interaction including a new launch. Similarly, we wanted to launch our products towards poly-houses and specially people who are growing flowers. So, we are able to get those farmers and have a very good exchange and we have seen that this leads to a very early adoption. We are using digital media in a big way given the fact with COVID rural penetration has really increased, internet penetration rural has now overtaken the urban market and not only that we also find farmers and all it is again a myth using smartphones and all. So, we are able to convey this very easily in fact I manage my farms in Haryana sitting in Hyderabad through digital marketing.

Jayashree Satagopan: If I were to just add on Sameer, one is on the digital side reaching out to our customers through the digital marketing the other one which is also happening is to look within the company in terms of the digital transformation journey which means at the touch of a button can we have the information accessible to all the stakeholders for them to look into and take decisions on a real time basis instead of a lag. So, that is a digital transformation journey that we have currently embarked on and as a phase-2 of this will also get into predictive analytics, using machine learning and artificial intelligent tools. So, this is going to be a couple of year's journey but very

well begun in the last three-four months we have been spending quite a lot of time. In terms of getting all the information from our main ERP system as single source of truth and enabling information to be available in the right mode on a real time basis to all stakeholders, be it manufacturing, be it sales, be it marketing, be the functions that is something which is being worked upon.

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

Moderator: Thank you. The next question is from the line of Deepak Chitroda from Phillip Capital. Please go ahead.

Deepak Chitroda: Thanks for the opportunity. My first question is about the RM pressure which we have seen over the past few months. As I understand especially for sulphate, ammonia but interestingly we have not seen price increase in case potash so far because it is basically as I understand is annual contract. Considering all this how do you think the MOP going forward we play out for us, is there any restriction which is being capped by the government so far for NPKs to increase the MOP or DAP going forward?

Jayashree Satagopan: Deepak, the prices for MOP as you said is also going to be set on an annual basis, we do expect that the prices would be at a higher end compared what it had got for the last year. As far as the raw material prices going up for DAP and certain grades of fertilizers which account for close to about 60% – 70% overall along with DAP the government has given a special subsidy package just to compensate for the additional increase that has happened in the raw material cost and for the other grade selectively depending upon the cost increases the companies have been taking some pricing actions. Again, as I mentioned earlier, we just need to be sensitive about the requirements of the farmers and be mindful of what type of price increases can actually be taken at a circumstance when the monsoon has been good, we are looking into another excellent Rabi season. The requirement for fertilizer and the demand is going to be higher. We will have to be sure that the fertilizers and the nutrients are made available to the farmers this is not a time to look at making additional profits, this is the time when companies will also stand up to see how we can support the needs of the country and our farmers. That is where I leave this at this point in time.

Sameer Goel: Just to add to what Jayashree has said, in organic business we are the pioneers, we have two products which is potash dried from molasses these are organic products and what we call K-ash, and this is available in abundance especially with sugar mills a lot of them are not currently producing this it is also waste disposal problems for that. We have worked with sugar mills and the good thing about the potash here is while the quantity of K is less but it is a very slow release potash which is more helpful for the crops and that we are actively promoting it requires some sort of concept work with the farmers and that business is growing very well in fact we are going to expand that beyond AP Telangana we are currently to other markets that we are working on

and government is also looking at promoting DAP to reduce the dependence on MOP which is again like you said is same product.

Deepak Chitroda: I was asking from availability point of view especially for MOP because that will restrict our production for MPKs going forward and in fact sales volume going forward. So, is there any challenge?

Sameer Goel: We have various grades, we have almost 14 grades some of them K dependent some of them are not K dependent. So, it is not really an issue there and government is going to compensate for any raw material pricing like they have done in the past we do not see that to be a challenge. I think the biggest issue which is there is to ensure that we end up also looking alternate usage and that is why we talked about, and we put up a proposal with the government which they are supporting, and they have brought it under the FCO is to look at how to promote organic potash which is potash for molasses that is something which we are looking at.

Deepak Chitroda: That is quite helpful. My second question is about slightly on a longer-term perspective about three to five years down the line. How do you see market share going forward considering all the competition in India where we have a very strong presence in South India? What will be our strategy to increase the market share if you look at from a slightly longer-term point of view?

Sameer Goel: Firstly, when you look at the fertilizer usage in India and here I presume you are talking about fertilizer and not crop protection or specialized fertilizer and organic. The usage is still very low. There are certain products especially when you talk about drive from urea because they are low priced which are actually used in excess then the requirement and it is counterproductive for the farmers especially in the markets of North, West and Central and same thing like I was saying happen when you excessive of DAP because this was done at the time when there was fertilizer being used at the time of the first green revolution. There is plenty of scope to grow. We are also looking across companies we are looking at earlier on all the fertilizer was meant for cereals and cereals actually there is excess production therefore the government even us we are looking at diversification. Now, when you look at it fruits and vegetables, it is a silent revolution and already in markets the areas which are being converted into fruits and vegetable, fruits and vegetable tonnage is more than cereals put together and that is something which has happened in the country for the benefit. Because again it is all about even providing a balanced nutrition to the human body and again there is a lot of scope and more scope for growing on organic and specialized nutrition apart from even use of basic fertilizer and that is where micronutrients and macronutrients along with the base NPK comes in we have products which are sulphur, we have zinc which is required with some of the secondary nutrients and when you need micronutrients like magnesium and other things again we have products for that and applications also will play a major role, so there is enough scope for us to grow. Similarly, earlier on pulses because it was a poor man's crop was not much of fertilizer was being used on that, now with the increase in MRP and the guarantee and to do import substitution farmers have started using fertilizer even the base fertilizer on pulses and with the support now given to the government on import

substitution on edible oil again fertilizer will be used. There is plenty of scope of every fertilizer to grow apart from crop protection and therefore India will require more and more capacity to come that is the way it is and obviously we are strong in our markets here the farmers are much more into crop diversifications and all which is for advantage and at the same time the irrigation facilities and all are getting improved, infrastructure is getting improved which allows farmers not to go with just one crop but two crops and three crops and applicators will become a major things so we are looking at drones to spray our fertilizers because it does enhance the usage and foliar spray when do foliar spray instead of basal dose which is through the roots or absorption is almost 70% again it benefits to the farmers and that is why we have launched liquid fertilizer also over this space.

- Moderator:** Thank you. We will take the next question from the line of Rohan Gupta from Edelweiss. Please go ahead.
- Rohan Gupta:** Good evening, couple of clarification. One is that what are the likely phos acid prices for Q3 negotiations?
- Jayashree Satagopan:** It is still being worked out Rohan. Prices are not settled for the quarter; we are expecting it to be completed very soon but at this point in time it is based on last quarter prices that inputs are happening once the new prices are settled then the differences will get adjusted for the current quarter shift.
- Rohan Gupta:** Can you give me some clarity on what is the rock phosphate price is we are importing right now?
- Jayashree Satagopan:** It all depends upon different sources and also the P₂O₅ content in each of these. We have multiple sources for importing the rock and depend on phase wise that we currently have.
- Rohan Gupta:** If you can share average pricing?
- Sameer Goel:** Again, it depends on the type of rock. What we have done is we have made our plans to use all type of rocks then we look at the rock mix and able to it. Technical team works very hard to ensure that we are able to use all types of rocks and that is the advantage of our plant. So, we would not be able to give an answer. Because again it is mix and the type of grade which we make or the product which we make.
- Rohan Gupta:** We have heard, and we are seeing that there is a quite a lot of shortage of DAP in the market and the companies are staying away importing DAP in the current scenario. In that case we should have seen a significant pickup in complex fertilizer consumption. How do you see this situation because the Rabi season is near the way now, how do you see that whether the farmers will be shifting from DAP to complex in the current scenario or there will be overall decrease in consumption of DAP in complex fertilizer out together?

- Sameer Goel:** We have already seen that even in the Kharif season while DAP figures actually came down and decline was much more, but complex figures did better. So, already we are seeing a shift and we already told you that single super phosphate has done very well, and these are more in markets which are DAP consumers. Now, the government is very clear in fact is also encouraging all companies who are into NPK manufacturing is to promote NPKs and SSPs so that it reduces the dependence on DAP that is what we are doing and we are aiding the government in their efforts and our Agronomists are working closely with the farmers in those areas to show them the benefits of NPK versus the DAP and especially all these NPK including SSP is very beneficial for certain type of crops and including the fact that it is much more easy on the soil as compared to DAP.
- Rohan Gupta:** SSP we were always looking like an outsourcing you mentioned that company is planning to put some SSP plant and planning to add capacity?
- Sameer Goel:** We are not outsourcing but some other company. We bought Liberty Phosphate, so we do not outsource.
- Rohan Gupta:** Earlier our thought process was that that SSP is always available on outsourcing from last two year to three years we have seen the SSP demand has been coming down, but this year once pick up in SSP demand so, SSP is always available on outsourcing and whenever and wherever available. I just wanted to understand that are we going to increase the SSP capacity that is a well decision or do you see that there is a long-term growth for SSP?
- Sameer Goel:** We will give you the figures but quite frankly Rohan we can have the discussion, it is not an outsourcing model it was there couple of years back in fact thanks to also us and the government. In fact, they actually said manufacturing company should be there to market these companies from product prominently and therefore even major companies who had good brand name but for outsourcing went out of the market like DCM Sriram. So, this has been the model as such and now the government is actually encouraging players who can give quality like us to expand the capacity to ensure that the farmers get the true benefits so that this unorganized sector is taken care of and like we mentioned earlier part of the call we had snow balled certain plants because they were not economical but now given the fact that we have value added products like Grow Plus which is a SSP plus zinc and Boro on and plus are the enhancer products which has been very well accepted by the farmers we are unbottling those plant and expanding those and also, we are expanding what is called the granulated capacity.
- Jayashree Satagopan:** Just to add to Sameer, Rohan the SSP as far as Coromandel is concerned, we have always been manufacturing, we have six plants, we have been our SSP this is powder, granulation and we also have our specialized products which is value added SSP and our Grow Plus. Our annual tonnages if you look at it in the last three-four years it is been in the range of 5.7 lakhs ton to last year we did almost close to 6.7 lakh metric tons of SSP. Of course, the industry has been having the practice of using external manufacturing sides to get their products branded and sell it those

practices have also now reduced to a very great extent. Thanks to the government also encouraging manufacturers to setup their own facilities and brand accordingly especially in this year with the DAP becoming more dearer and also the granulated SSP and Grow Plus has been doing extremely well. From our standpoint if you look at it in the first half of the year, we have done close to about 4 lakh tons of SSP. So, that is the context which Sameer was mentioning, and we have couple of our plants which have been mouth balled. We are looking into reviving those given the additional demand that we are seeing. We are also looking into putting up more of granulation plants as we mentioned in the past. The powder SSP there is a certain demand, but granulation is the future and more of value added and grow plus is where we are seeing as differentiators. We are also moving up the value chain as far as SSP is concerned and this will actually help meet the requirements of some of the Western and Northern markets whereas our NPK we continue to focus on our key markets in South, some parts of Maharashtra, MP, West Bengal, Odisha that has been our overall strategy as far as nutrient business is concerned.

Moderator: Thank you. Ladies and gentlemen, we will take one last question from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: Congratulations Sameer and Jayashree on difficult time. Sameer, taking to SSP post revival of these two facilities what will be our capacity and second thing as you rightly said that whether in high DAP price SSP consumption is improving, is that structural change that we are seeing, or it will be one time kind of?

Sameer Goel: I will answer the second question first. SSP was the oldest fertilizer of phosphate. In fact, our plant in Ranipet which is in Vellore District was the oldest fertilizer plant under EID Parry in Asia, if I do not say India way back in 1910. Unfortunately, when the expansion happened, and they are local mines because again it is a great import substitute because most of the raw material for SSP is available in the country and we have mines in Udaipur and all. Unfortunately, this became a very unorganized sector and lot of unscrupulous players got into it who have not given the farmers the right quantity of these. So, when Coromandel bought Liberty Phosphate and we expanded specially in North and West we found this to be a major challenge. In fact what we did was we actually had the farmers and the dealers, our technical team had quick test kit which could actually go to the farmers field or at the dealers shop to show what quantity of P is available in the SSP product and obviously when P is not available then the farmers when they apply fertilizer to their field they do not get the results and therefore they shift it to DAP, which we have now shown that SSP is not just giving P, but it also has other nutrients like calcium and sulphur which is actually very useful to the soil. On top of that what we said we do not want to be in generic business so we added zinc and boron which is required for certain type of crops like potato and other things in this market and zinc is also required in paddy and all because India is in deficit we added that as a value added and finally we launched a product called Grow Plus which is also an enhancer which actually has been very helpful to the farmers. In fact, I have used it in my own fields is a fantastic product which actually aids the crop formation. So, we do see as long as the government can ensure that quality is maintained by all the SSP units. SSP is

very easy substitute for DAP and also one of the things with SSP is it is much better for soil applications to do that, that is the way it is. Now, you wanted to know about capacity.

Jayashree Satagopan: Currently, we are looking at reviving one of the two facilities which we have not balled which is at Pali and Raibareili. The Pali unit we are looking at a revival this year that will add 10% to the current capacity of seven lakh tons. So, we should be in a position to do about another 70000 tons of SSP with this unit coming into operations and then next year we are considering looking at Raibareili as well. Raibareili has about 90000 tons of capacity, but we will also need to see what is the development work that is required in the nearby markets for it to sustain on a continuous basis.

Bharat Sheth: Just last question pertaining to this SSP, if one has to look at our manufactured EBITDA margin for phosphatic vis-à-vis SSP how do we can look into it?

Jayashree Satagopan: These are not comparable indeed.

Bharat Sheth: I know but some kind of difference if SSP is Re.1 and complex is said 3x?

Jayashree Satagopan: I would not look into it in terms of absolute margin in terms rupees, but I would look at it in terms of percentages. I would say with the operational efficiency that has been brought up with our SSP units and the value adds that have been worked upon. The margin percentages for both complex as well as SSP I would say is very similar.

Bharat Sheth: Last question on balance sheet, Jayashree have we received any subsidy during October and with rising price again do we see that there would be some kind of stress in our balance sheet which we are cash positive year end?

Sameer Goel: Just to come in I think the government has been very good to the industry last year which was long pending, and this is across urea and NPK and all they cleared most of the backlog about Rs.65000 Crores that is extra grant. They have been very prompt. Especially after the DBT system has been implemented they have been very prompting in paying all the subsidy and also on freights and other things. We have some old claims which we are talking with the government and hopefully that will also get cleared so, government has been very prompt in paying. The delay has hardly once we submit. The main thing here is again the product because earlier on it was on dispatch from the factory. Now it is on consumption by the farmers and therefore if your brands have a poly, you do not end up stuffing the inventory in the trade you will be able to get your subsidy quickly.

Bharat Sheth: Thanks, and all the best Sameer and Jayashree.

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

- Sameer Goel:** Thanks, everyone for this. These are turbulent time especially across all the industry you can see that given the high commodity prices which we have entered. But given the strength of Coromandel both in terms of backward integration, our grades to brands, our diverse portfolio and that we have Agri input company not dependent on one or two products we have the resilience to continue to work and with our outreach program which we have with Agronomist teams which work with the farmers we are able to work with them to ensure that their productivity and sustainability is sustained, and they are very quick to adopt also new products. So, we are quite hopeful for that given this raw material balance which is there we see this as an opportunity of ensuring that balance nutrition is promoted in the country and also as part of Atmanirbhar Bharat we are also quite hopeful that the government will see that if they can give the subsidy directly to the farmers so that he can have a choice to go for. So that is where we are.
- Jayashree Satagopan:** Thank you all for your continued interest in Coromandel. If there are any specific questions or clarifications feel free to reach out to us. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.