"Coromandel International Limited Q4 FY23 Earnings Conference Call"

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MODERATOR: **MR. HARMISH DESAI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the Coromandel International Limited Q4 FY23 Earnings Conference call hosted by PhillipCapital (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, please signal an operator by dialing '*' and 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 PhillipCapital (India) Private Limited. Thank you and over to you, Sir.

Harmish Desai: Thank you Dorwin. Good afternoon and welcome to the 4th Quarter and full Year FY23 Earnings Call of Coromandel International Limited hosted by PhillipCapital.

From the management Mrs. Jayashree Satagopan – Chief Financial Officer, Mr. Sankarasubramanian – Executive Director (Nutrient Business), Dr. Raghuram Devarakonda – Executive Director (CPC, Bio and Retail business) and Mr. Shanky Bhola – DGM Finance.

I would like to thank the management for giving us the opportunity 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, Ma'am.

Jayashree Satagopan: Good afternoon everyone and thanks Harmish for organizing the Conference Call.

I have with me Sankar and Raghu who will join me in responding to your queries.

Let me begin with giving an "Overview on the Agricultural Environment" followed by the "Company's Performance" and then we will have the Q&A session.

Overview on the Agricultural Environment:

As far as the Indian agriculture is concerned, the country witnessed above normal rainfall during the last season. Monsoon for this year is also expected to be normal as per IMD with a 96% forecast on rainfall. However, there are recent indications of El Nino for this year, Central and Northwestern regions may witness below normal rainfall.

Overall, with the reservoir levels at around 98% of last year and good soil moisture conditions, agricultural growth is expected to be stable.

Overview on the Fertilizer Industry:

The global supply of key commodities improved during the year and the industry continued to witness softening of prices of major raw materials. Domestically, the fertilizer demand has remained strong supported by good monsoon and favorable policy measures from the Government. Government of India during the year approved Nano urea and Nano DAP for the benefit of farmers in making the country self-reliant over the period of time.

For the quarter, the industry volume DAP and complex fertilizers primarily sales was up by 62% current year this is 46.4 lakh metric ton vis-a-vis 28.7 lakh metric ton last year with higher imported DAP sales.

DAP and complex fertilizer industry consumption indicated by Phos sales was marginally up by 2%.

Raw material prices continue to witness the downward trend. On a year-to-date basis DAP and complex fertilizer industry primary sales volume was up by 23% and the Phos sales volume was marginally down by 1%.

Company's Performance:

As far as Coromandel's performance is concerned during the Financial Year '22-23, Coromandel delivered a robust performance registering a strong growth in turnover and profitability with its diversified portfolio of nutrients, Crop Protection, bio products and retail business. A record volume sales in NPKs and high subsidy rates in the nutrients business primarily led to the increase in revenue during the year.

Crop Protection Business:

In the Crop Protection business, domestic formulation and B2B business grew during the year, which was partly offset with the headwind sales in the export markets.

Coromandel ensures that agri inputs are made available to the farmers in its key operating markets and promoted the use of balanced nutrition and integrated pest management to help rejuvenate the soil and farm productivity.

The Company's Nutrient Segment performance:

Nutrient and Allied business segment revenue increased by 33% during the quarter and 63% during the year. The Company's fertilizer products registered good growth during year both in terms of turnover and profitability.

On the sales front, the business registered sales volume of 6.25 lakh metric tons during the quarter, which is 5% higher than last year. For the full year DAP and complex volume was at 36.45 lakh metric tons vis-a-vis 33.22 lakh metric tons which is 10% above last year.

Manufactured and DAP complex volume was lower by 1% for the quarter and higher by 10% for the full year. The Company's market share in Q4 including NPK and DAP was at 13.5% and for the full year 15.4%. The market share for complex fertilizers grew during the full year to 26.7% vis-à-vis 26.3% last year.

As far as SSP is concerned, Q4 sales was at 1.9 lakh metric tons with the growth of 19% over the last year and on a full year basis SSP business clocked 8.1 lakh metric tons versus 7.5 lakh metric tons compared to last year. The market share went up to 14.9%, last year it was 14%.

Our commercial teams have continued to ensure timely availability of raw materials to enable continuous production and the manufacturing plants by staying abreast with the latest developments in the global markets.

During the quarter our DAP and complex fertilizer plants operated at good capacity levels and produced 6.46 lakh metric tons of fertilizers. On a full year basis plants operated over 90% of capacity and a record production of 32.91 lakh metric tons of fertilizers. Phos Acid production during the quarter was at 0.7 lakh metric tons and for the full year it was at 4.1 lakh metric tons.

During the year Coromandel strengthened its backward integration capabilities in the nutrient business by acquiring 45% shareholding in Rock Phosphate Mining Company in Senegal. Major capital expenditure projects like the sulfuric acid plant and the desalinization plants are progressing well as per the schedule.

The Company continued its focus on developing new products and during the year developed a new tech product Nano DAP, which tends to improve nutrient uptake, lower water consumption, minimize environmental losses. The company is setting up a plant in Andhra Pradesh and plans to launch the product in the second half of 2023.

With these initiatives we would continue to promote a balanced nutrition approach and support the farming community.

On the Crop Protection side:

The business registered a growth of 11% in revenue for the quarter and 5% on a year-to-date basis. Domestic formulation witnessed good growth with positive traction from the new product launches made during the year in the previous year. The cost lag effect and price-related challenges in Mancozeb and Profenofos impacted our export business. A new pre-emerging herbicide Clario 7.45 was launched during the quarter and with this a total of 8 new products have been introduced during the year.

The R&D and product registration teams are working closely on a rich pipeline of new and combination products to be launched in the coming year. The business is further activating some of its registrations in the global market through collaboration with its key B2B customers. A multipurpose plant at Ankleshwar for the manufacture of three new technicals have been commissioned and two products have been commercialized in the last quarter. The business has purchased 50 acres of additional land at Dahej for its Greenfield expansion.

On the CAPEX front:

The Company recently announced investment of 1,000 crores where it intends to invest in Crop Protection business primarily in building up new multipurpose plants and also plan to leverage its technical expertise and manufacturing infrastructure to foray into adjacencies like CDMO and Specialty Chemicals.

On the Bio products:

The business is working on other plant extracts to expand its product offerings. AzaMax an insecticide was launched in the market.

The **Retail stores** operated well during the quarter focusing on providing all around agri solutions including products, farm advisory and mechanization services. The business launched a new e-commerce platform and it is really good response from the end customers. Retail business has improved its operational efficiencies and has leveraged technology to reach out to farmers. In Q4 97% of the stores were profitable as they focus on high margin products and operated with the negative working capital level.

The Company continues to promote Ag-Tech solutions to farmers and have started piloting cold storage solutions through the retail network. It further plans to scale up the drone applications after successful completion of pilot test in its key operating markets.

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

Turnover:

The Company recorded a consolidated total income of Rs. 5,523 crores during the quarter and Rs. 29,799 crores during the full year vis-a-vis corresponding period where the total income was Rs. 4,304 cores for the quarter and Rs. 19,255 crores for the full year. This represents the growth of 28% for the quarter and 55% on the full year. The increase in revenues is attributable to higher raw material prices which has driven or higher MRP and high subsidy realization as far as the nutrient business is concerned.

Nutrients and Allied business contributed 89% share and the remaining 11% is from the Crop Protection business for the quarter and for the full year the ratio is at 91% and 9% respectively.

The subsidy and non-subsidy share of the business stands at 84% and 16% for the quarter and 87% and 13% for full year.

Profitability:

Consolidated EBITDA for the quarter was Rs. 403 crores against Rs. 380 crores last year and full year it was Rs. 2,926 crores against Rs. 2,150 crores in the last year.

In terms of subsidy, non-subsidy shares stands at 66% and 34% during the quarter and 75% and 25% for the full year. The previous year it was 59% and 41% during the quarter and 70% and 30% for the full year.

Net profit after tax for the quarter was Rs. 246 crores in comparison to Rs. 290 crores for the corresponding quarter last year and Rs. 2,013 crores for the full year against Rs. 1,528 crores last year.

Subsidy during the quarter:

The Company received a subsidy of Rs. 4,483 crores for full year subsidy received amounts to Rs. 12,477 crores. The previous year figures Rs. 7,737 crores for the full year. Subsidy outstanding as from 31st March 2023 was at Rs. 2,378 crores against Rs. 294 crores which was outstanding in the previous year.

Interest during the quarter:

The company earned the interest income this is excluding the IndAS adjustments of Rs. 3.8 crores vis-à-vis the net income of Rs. 32.7 crores the same quarter last year. For the full year net interest income earned is about Rs. 4.3 crores.

During the year the Company had elevated working capital requirements primarily due to the high raw material prices as well as the higher subsidy outstanding from the government which the Company managed through taking suppliers and buyers line of credit.

Coromandel maintained surplus funds of approximately Rs. 3,000 crores in Board approved securities and these are earmarked for specific growth-related investments apart from funding the capital expenditure program of the Company.

On a net basis, the Company ended the year with a surplus of about Rs. 3,111 crores including cash in hand.

Credit Rating:

The Company's balance sheet continues to be strong. During the quarter Company long term credit rating by CRISIL has been upgraded from CRISIL is AA+ to CRISIL AAA stable and the short-term debt rating continued to be at CRISIL A1+.

The Company’s long-term credit rating by India Ratings, a research of FITCH Group Company, continue to be in the AAA stable and short-term rating at in A1+.

FOREX:

During Q4 rupee traded in a broad range between 80.89 and 82.96. The Company continued to follow a prudent conservative approach of hedging the FOREX exposure which has immensely helped in limiting the impact of currency fluctuations.

Dividend:

The board in its meeting held on 15th May, 2023 has recommended a final dividend of Rs. 6 per share along with the interim dividend which was declared and paid earlier the total dividend for the year was Rs. 12 per share in line with the prior year.

As the Indian economy continues to progress well, healthy reservoir level, good soil moisture conditions and a forecast of a normal monsoon augers well for the Indian agriculture sector. As a leading Agri Solutions provider Coromandel will continue to promote integrated farm practices and bring prosperity to the farming community.

In terms of financial performance, it has been a great year and we expect the momentum to continue in the coming years.

Thank you for your interest in Coromandel and joining us in the Concall today.

With this, we can open the session for question and answers and we look forward to interaction. Thank you.

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

Prashant Biyani: Ma’am, we had announced investments in Crop Protection and specialty chemicals a few weeks back, any investment that we have frozen on the fertilizer side?

Jayashree Satagopan: What we shared with you Prashant is only part of the overall investment that we had for 2024 and 2025 specifically on Crop Protection and specialty chemicals which is 1,000 crores. We also have investment plans for fertilizer, specialty nutrients and the bio products for the Company. Overall, for 2024 we have capital projects of about 2,000 crores that have been identified. For fertilizers, we have plans to set up the Nano DAP facility, there is capacity expansions and debottlenecking that is happening in the plants at Vizag and Kakinada Kakinada. Apart from that, we are also looking at increasing the granulation capacity in our SSP plants.

Prashant Biyani: So, out of 2000 around 1,000 could be for fertilizers?

Jayashree Satagopan: I would say about Rs. 700 to Rs. 800 for fertilizer.

Prashant Biyani: By when can we set up the granulation facility?

Jayashree Satagopan: The granulation is for SSP - we have powder and we have granulated SSP. So, we are looking at increasing the capacity of granulated SSP. On the fertilizer front, we are working on several actions including use of data analytics, to see how we can improve the capacity for granulation within our existing facilities.

Prashant Biyani: And if we are trying to do it in house, would that expansion be of say more than 10% of the existing sites?

Jayashree Satagopan: It depends. Currently we are looking at it. There is some work that has already happened on Kakinada which includes a bit of debottlenecking and also using multiple raw material sources which can actually help in output increase. We are seeing some benefits flowing in FY23 and we expect it to accelerate during the year. We will continue to work on debottlenecking and increasing the capacity in house depending on the market conditions and as we have maintained earlier we will also look for opportunities to import. You may appreciate during the last year most of the DAP that we sold in the market had come through our imports, because we were able to then purposefully use the facility for manufacturing the other NPK grades. So, we will be looking into all these options to maximize our capacity utilization.

Prashant Biyani: And how are we placed on the channel inventory because the industry I believe is sitting on a higher side of the inventory so if you can just give an idea on our channel inventory position?

Sankarasubramanian S.: The channel inventory industry has got a huge amount of stocks of DAP as well as NPKs. Majority of the stocks were lying with importers who have contracted these volumes in the 4th Quarter. As Coromandel we focus more on manufacturing. Our imports are mainly to meet the demands as and when required. So, our channel inventory is one of the lowest and we continue to maintain that. So, we do not have any issue on the channel inventory.

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

Naushad Chaudhary: In terms of the cash deployment, I understood you explain your plan for FY24, but looking at the cash flow we have an existing surplus. Beyond FY24 what is the outlook, what are we planning and how are we planning to use this cash and which part of the business would attract more investment?

Jayashree Satagopan: As we had indicated in the past we are looking into opportunities to grow the business both organically and inorganically. For the current year, as I was mentioning there is about a 2,000 crore of capital expenditure that is being looked into, the cash outflow will be during the year with some spillover into next year. Having said that, we are also looking into further opportunities depending on the attractiveness, the synergies and what it could do to Coromandel in a medium-to-long term, that exercise is on. So, the intent is obviously to see how we deploy the fund into business for us to get a longer term sustainable profitable growth in Coromandel. So, the management is focused and working on that aspect.

Naushad Chaudhary: Can we get into a little bit granularity exactly which area we are looking into you have talked about CDMO in specialty opportunity, but if you can help us understand broadly in which kind of chemistry we must be targeting in which kind of end user industry we are looking at and how would it sync to our existing competencies?

Jayashree Satagopan: See some of these are very strategic in nature as you would appreciate. Last year we looked into a BMCC investment, and we were able to come and talk to you when we were more or less there. Similarly, there are multiple proposals that the Company is currently looking into. There are high growth opportunities like specialty chemicals and CDMO which we have already spoken, and some investment is committed from the Company. If there are interesting opportunities coming in these areas, we will be looking into it and I would request you to hold on unless we have something which we can specifically talk to you about.

Moderator: Thank you. The next question comes from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: My questions are on the debt levels in the Company and this year like you rightly pointed out because of increased government subsidies you were able to manage the creditors. The first question that I had is are these creditors interest bearing in any case or in any way or there is no interest cost in it and the second thing is given your large 2,000 crore CAPEX plan, do you expect that the borrowing levels will go up in the current year.

Jayashree Satagopan: The elevated working capital requirements were met through extended credit terms in some cases while the supplier has sort of accommodated in other cases where we have taken a loan through the bank and there is an interest component into it. As far as capital expenditure program of 2,000 crores is concerned, we intend to fund it internally through our existing resources. Over the last 5 years plus we have not resorted to any long-term borrowings for capital expenditure. I think there will be enough cash accruals that happens on a yearly basis that would be best deployed in these investments.

Moderator: Thank you. The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Just on the NBS rate that you have taken could you just help us understand what is the NP and NPK rates that you have taken and what is the impact in the first quarter sorry this quarter in this 4th Quarter how much impact you have taken?

Jayashree Satagopan: So, Vishnu we have made an estimate on the rate based on the falling raw material prices. As you know the RM prices have been coming down over the last few months and we expect the trend to continue. I do not currently have the rates right in front of me. These are best estimates that we have taken and based on which, the adjustment in books for the quarter has been done. I would also like to indicate that based on our interactions with the DOF we expect the subsidy rates to be moderated on 2 dates, from first of January and then from first of April. As there are two corrections that are likely to happen, it will have a double impact. One is in terms of the subsidy income itself, the other one is in terms of the channel inventories and obviously for the 1st of April there is a channel inventory impact that may come in. So, appropriately this has been considered and factored in. I do not have the exact rates in front of me for NPK, we can share it with you offline.

Vishnu Kumar: So, for both Jan and April both numbers have been already considered, so we should not expect anything in first quarter?

Jayashree Satagopan: As I said we have made a judgment based on what would be the best possible rates and I do not see a reason for any major variation to come in for the quarter.

Vishnu Kumar: Ma'am, on the 1,000-crore investment in the chemicals business where you could just help us understand timelines of plant commissioning what level of contracting are we there and very recently China has again started we understand from multiple companies that they have started dumping a lot of products does it impact at least some part, do we see some impact in our investment theses on this side?

Jayashree Satagopan: Again a very good question Vishnu. Out of the 1,000 crores the first and foremost what we wanted to do was to also purchase additional land for Crop Protection business. We had identified a 50 acre plot in Dahej. In a short time the business has procured the land and it is now ready, it has got registered.

Apart from this, there are three proposals that the business is working on. One is for multipurpose plants, especially for the fungicide which will be coming up at Ankleshwar. They have submitted the business proposal and it is in the final stages of approval internally. The second large multipurpose plant is planned to be set up in Dahej again in our existing facility that will also be on the fungicide front and the third one which is relating to herbicides is going to be set up in the newly acquired plot at Dahej.

The business has identified about 18 molecules which were off patent in the recent past, three of them will come out of Ankleshwar out of which two of them have already been commercialized in the last quarter. As the business case gets developed, we also look into the global trends in terms of pricing, capacities, existing new capacities that are coming up in China in India and accordingly it gets factored in the decision to invest. So, it goes through very thorough scrutiny before we put in our money in setting up these plants. Unlike in the past, the reason that we are doing a multipurpose plant which also gives flexibility so that we are not stuck with one product. For instance, the Mancozeb plant is only doing Mancozeb, whereas the MPP plant can do Azoxy, Picoxy and few other molecules. It is to give flexibility so that if there is a demand fluctuation or a price fluctuation, the business can accordingly tweak and produce. So, we feel quite comfortable with this approach. In terms of the project timeline, each of the projects as they start is expected to take between 18 to 24 months to get completed. The first set of proposal has come and it is almost in the final stages of approval. The others will come in during the year, get reviewed and approved.

Vishnu Kumar: Any percentage contracted I mean or currently completely open or any contracting is done as of now for the capacity?

Jayashree Satagopan: No, this is not for CDMO we are primarily technical plants for the registrations globally and in India. On the CDMO front there has been interest from some of our innovators. They have come and visited our plants and we are making a very humble start in terms of getting an NDA signed and possibly looking at one or two smaller lots which can be given to them for approval.

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

Tarang Agrawal: Two, three questions from my side one your manufactured volumes grew by about 10% this year. I think it has got to do with the debottlenecking that happened in Kakinada and Vizag, how should we see the manufactured volumes from here on, does the business have capacity to grow these volumes in the current year or two years to know that is one. Second for the Crop Protection business for FY23 if you could give us a sense on the split between export of technical, B2B domestic and B2C formulation, how are these in FY22 and the third the 2,000 crore of CAPEX that has being deployed my sense is about Rs. 1,000 crores of Spec-Chem, Rs. 700 to Rs. 800 crores of Fert and the balance Rs. 200 crore to 300 crores, so will of it be deployed in FY23 one and second in the other part which is the Rs. 200 crores to 300 crores of remaining figure what would that be in relation to?

Jayashree Satagopan: As far as the manufacturing volumes of fertilizer is concerned there are two-three components that goes into it. One is the mix. There are certain products if you manufacture the throughput could be higher compared to others. So, we optimize the mix. The second thing is the debottlenecking that happens in the plants and the third is the raw materials that we use which can also have an influence in the throughput. So, a combination of all of this we achieved closer to a 10% improvement in the manufactured volume last year. Going forward there is still lots that is happening at the plants. We expect a 6% to 10% improvement in the manufacturing volumes even in the coming year and that should be possible. As I said the Company consciously looked at importing DAP versus manufacturing, which has helped us in the last year. We are continuing to explore such options to see how we can manufacture products which can give us higher volume.

As far as CPC is concerned you were looking into the absolute numbers for domestic formulation to do an exports. During the current year our domestic formulation overall for this segment is roughly about Rs. 700 odd crores and the remaining coming from domestic B2B and exports. Both are in the similar range about Rs. 780 odd crores with domestic B2B and the balance coming from exports. As we mentioned in the commentaries earlier, we have seen a good growth in domestic formulation B2B, we have seen some growth exports where we faced headwinds mainly because of the prices of Mancozeb and similar molecules - issues in terms of more supply than demand and the impact from material prices.

The third point was regarding the CAPEX of about 2,000 odd crores. Rs. 1,000 crores goes into CPC mainly for the multipurpose plant using the existing infrastructure with required modifications for specialty chemicals and CDMO. We have a large chunk going into fertilizers and SSP and some amount that goes into bio products that is how the entire 2,000 crore is split into and we expect this cash outflow to happen over a period of couple of years as we place the orders as some of these projects are going to be 18 to 24 months in terms of time taken to complete the construction. At the same time from last year projects, like the SAP-3 and desalinization plant which will be commissioned in July or August this year you may see some cash outflow. So, all of these would be funded from our own internal accruals, and we are not expecting any borrowings. I hope this clarifies your questions.

Tarang Agrawal: Just one follow up what would be the current maintenance CAPEX for your current manufacturing footprint?

Jayashree Satagopan: You can take about Rs. 300 odd crores.

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

Bharat Sheth: Can you give little more color on these Nano DAP opportunity from two to three years perspective, how much CAPEX we are doing and availability of input whether again it is the same imported or it is a domestically available if you can give little more color?

Jayashree Satagopan: I think this is an interesting question as Sankar is on the call. I am going to request Sankar to give a color on Nano DAP.

Sankarasubramanian S.: These product we have just in the market we are distributing to the farmers to get their firsthand experience of this product. Our field trials indicate there is a possibility of 50% replacement of the current dosages in the various crops and the behavior of this product also varies from crop to crop, crop with higher foliage we have seen good response in some crops like Paddy and wheat the response has been relatively muted. So, at this point of time it is very difficult to see to what extent the demand would pick up because this needs to be adapted by the farmers. So, our focus would be for the next 6 months to try this product the farmers and take their inputs and make those corrections in the product and accordingly our capacity will be moderated depending on the market response. These investments are relatively small and it is faster to make so we do not anticipate any challenge if the demand really picks up.

Bharat Sheth: And it is input availability?

Sankarasubramanian S.: There are no challenges in raw materials. We have a dedicated process and we have no challenge in securing those raw material.

Bharat Sheth: And Jayashree one more question on this chemical side that we say that we will be going for industrial chemical, so can you give little more sense on that?

Jayashree Satagopan: Yes definitely I have Raghu with me and he can share some of these inputs and I can add subsequent to this comments.

Raghuram Devarakonda: Some of current products itself find used in specialty chemicals industry. So, that is our first phase so that we diversify our customer base and subsequently we plan to leverage our existing facility infrastructure, make similar products, similar chemistries-based products for different targeted facilities in the specialty chemicals space and finally as Jayashree mentioned as far as 1,000 crore investment we are also identifying molecules for which we will be making specific investments to cater to the specialty chemical space. So, these are the three broad phases in which we are looking at this opportunity, starting with our existing products itself as is being capable in specialty chemicals.

Bharat Sheth: But is it possible to give little more color which industry are we targeting I mean as a user based?

Raghuram Devarakonda: Yes for example paints and coatings they use some fungicide that is one example for you.

Bharat Sheth: Is there color on that CAPEX for this industrial chemical?

Jayashree Satagopan: So, the overall CAPEX is about 1,000 crores which includes multipurpose plants and some amount of CAPEX which may be required to do some infrastructural changes to cater to the specialty chemical industry. As Raghu mentioned, there are opportunities with the current intermediates that we are doing which could cater to multiple segments. So, that is the low hanging fruit that we want to first address. The business is also working on further opportunities in several segments in the specialty chemicals area. They will be presenting in the next couple of months a very detailed business plan which will include what does it require further in terms of investment. I think it will be better that we can come back to you in terms of the specifics on specialty chemicals probably in the next investor conference call or a little later once we are internally clear and reviewed the proposal for this much more in detail.

Bharat Sheth: Last question sir on CPC side see all supply chain headwinds are almost over so how do we now see the improvement in the profitability in this CPC business?

Raghuram Devarakonda: So, in this business one is as you rightly said on the supply chain side, but also it depends on the agro climatic conditions and the pest incidence there are several other external factors that we need to consider while address already question. So we have a window enough to track these trends in the market and we make sure that you know our top line, bottom line are adequately addressed. There is significant progress being made in the area of improving efficiencies in our operations so that we protect ourselves to a greater extent from the vagaries of external markets. I would say we are very well-placed because of the efficiency improvements and also our internal processes respond to the market trends. So, it is just not supply chain.

Moderator: Thank you. The next question is from the line of Vidit from IIFL Securities. Please go ahead.

Vidit: I just had the first question on the Nano DAP research that we are doing, do we think that how much of a volumes will be replaced by Nano DAP, are we going to push a product by replacing existing volumes, are we going to build upon what we are already selling in the market and secondly in terms of EBITDA per ton that we have guided towards 5 and half to 6,000 does Nano DAP also bring in the similar levels of margin or is it significantly different from what we are doing right now?

Jayashree Satagopan: So, on the margin front, I think we would be in a very similar range between last year and the coming year. I am going to once again request Sankar to comment on the Nano DAP the adoption what do we see now in the light of what has happened with Nano urea that has been introduced and some of the trials that we have taken in Nano DAP.

Sankarasubramanian S.: At the cost of reputation, I will say we need to wait for the market response. Right now we have got a product which is a full year application and we are targeting those states which has high import content of DAP basically this is going to have a substitute for DAP and adoption makes the difference. So, if there is a yearly adoption if they find the replacement of 50% as we see in our trial results and some of the city trials, we see that there would be a potential replacement of 50% which means the high imported DAP consuming states can find better traction for this Nano DAP and some farmers may take this as an add on as well because it also helps in improving the yield. So, if people are habituated to DAP application at the basal stage as a soil application this comes at a later stage. So, we are not sure at this point but we will see definitely whether it will be an add-on or a substitution. It depends on the results what they experience because it goes with the crop, agro climatic conditions, moisture in the soil and the timing of application and the combination they do it with other and the spraying practices. So, we need to wait and see it is too premature to comment whether this can be placed DAP immediately. We do see a potential in the long run at least in this period of 5 to 7 years 20% replacement seem to be a definite possibility, but these are all empirical data point we have, but we need to wait and see how the farmer adapts in the crop.

Vidit: Just out of the FY23 sales how much would be the imported DAP sales currently?

Sankarasubramanian S.: Coromandel we do predominantly imported DAP only close to 4 lakh tons.

Vidit: We did EBITDA per ton of roughly 6,500 odd tons this year so are we maintaining that guidance going forward just wanted to clarify that?

Jayashree Satagopan: Our EBITDA per ton would be in the range of about 5,500 you have to look at the full year basis and that is that is something that we would be in a position to follow up….

Moderator: Thank you. The next question is from the line of S. Ramesh from Nirmal Bang Equities Private Limited. Please go ahead.

S Ramesh: So I have the following questions. One is in the Crop Protection chemicals business what is the kind of volume growth you have done in domestic and exports in FY23 and how do you see the volume growth shaping up in domestic and export say in FY24?

Jayashree Satagopan: We did not have a volume growth in CPC. It has been more or less flat as I was mentioning there were lot of headwinds primarily in Mancozeb and Profenofos and therefore it was wiser on our part not to produce and sell it at a lower price. Going into next year again while we have our own internal budget, the call will be taken depending on how the market conditions come in as far as the largest molecule currently in our portfolio Mancozeb is concerned. We continue to enrich the portfolio and bring in new products which would help us in derisking the old molecules that we currently have.

S Ramesh: So, you are looking at your new investments in CDMO and specialty chemical and the active ingredients to start with, what is the timeline for these investments to start adding to your revenues and what are the kind of percentage margins you will expect compared to the current margins in the CPC business?

Jayashree Satagopan: The projects once it gets approved we are expecting anywhere between 18 to 24 months for completion because these are large plants. One of the three proposals is already in the final stages of approval the other two would come in the next 3 to 6 months' time. These projects, as they get completed in three years' time, we expect these to reach their peak capacity. We are expecting 2,000 to 3,000 crore of revenue from these investments to come in. The EBITDA margins should be in the range of 16% to 18% for the new molecules. Again, as I was mentioning a little while earlier, we are building in lot of flexibility in the plant with the capability to handle multi products so that if there is any challenge in terms of volume, pricing, margin for one of those we can swiftly shift to other molecules and therefore maintain a stable margin profile. So, that is the expectation as far as the CPC investments are concerned.

S Ramesh: So, if we are looking at talking to innovators those four contracts when do you expect to finalize contracts for the CDMO business in terms of timeline?

Jayashree Satagopan: I should say that this is a little long drawn process establishing connect, the customer is coming and visiting the facility, clearing it, signing up NDA, giving certain molecules for us to work out the initial Proto pack and send it to them for validation. At this point in time, with one of our customers, we are in the final stage of getting the NDA and the initial order. We have hired a business development manager for CDMO who is the pretty new in the system and over a period in time this team will start working with the innovators both in Europe as well as in Japan, have them visit, interact and work through it. So, I think in the next couple of years we should see some good traction in this area. At the same time if there are any other opportunities that comes in our way working with these innovators with our existing facilities per say that will also be explored.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP asset managers. Please go ahead.

Resham Jain: So I have two questions so first is a few years back we used to have this target of having a 50-50 split between subsidy and non-subsidy EBITDA, so we have not heard on that because subsidy business has been doing quite well, but going forward let us say three years, four years out how do you see the mix given that there is incrementally higher focus in the non-subsidy business?

Jayashree Satagopan: While we maintain that 50-50 has to come from subsidy and non-subsidy, the position always has been to look into each of these business on its own merits. As you also observed, the subsidy business has been doing pretty well and therefore we are seeing a benefit of higher EBITDA coming in from that business. On the CPC front, in the past we have not made as much as an investment either in terms of backward integration or setting up new multipurpose plans. So that is currently the focus we generate products can give us margins, but to a certain extent we need to enrich our portfolio which started happening in the last two, three years in terms of the product development team working on multiple molecules coming up with new combinations and let us help our domestic formulation business. However, if you have to look into the global business and export that we have we have to definitely enrich our portfolio and that is the reason for us to work on a long-term strategic plan, identify 18 odd recently of patented molecules 30 odd combinations which will suit the requirements of both global and Indian conditions. So, for that a certain amount of investment has been committed. The first step in terms of setting up a plant for Azoxy, Picoxy and Cypro has been done. Further investments will happen in the next one to two years. So, we will see an uptake there and also foray into specialty chemical CDMO which is in the right direction. Leave alone this, there is also a big focus on the specialty nutrient business, because we see that the future of fertilizer could be in liquid fertilizers, special grades of fertilizer, slow-release sort and so forth. The Nano DAP is also a step in that direction. This is non subsidy as Nano DAP picks up while it may be part of the nutrient business it also all augers well with the overall objective of the Company to focus on the non-subsidy products. Bio products is another interesting area while we have been focusing on Azadirachtin in the past, there is scope for us to do more in terms of other plant extracts and the business is actually working on them. You also have a couple of very interesting microbials which are in the good stage of development, tie-ups with the agricultural universities on research is also going to help us in some of these fronts. So, overall, I think there will be a good balance between subsidy and non-subsidy as we go forward. However, the businesses which we are doing and we will continue to do well and we will have our investments there too. We do not want to be constrained by the fact that we want to do a 50-50 odd subsidy and non-subsidy. I hope that clarifies.

Resham Jain: My second question is on organizational structure we made certain changes and now we have divisional CEOs rather than CEO at the Company level, so we have not operated in this kind of structure earlier, so if you can give or share any thoughts around this because the responsibility seems to be split and there is no one at the top from the CEO perspective?

Jayashree Satagopan: We have had both Sankar and Raghuram with us for sometime and they have been running their operations while we had an MD at the Company levvel. Both Sankar and Raghu comes with rich experience in their respective fields and we have at a corporate level Mr. Arun Alagappan who is overseeing Coromandel as a whole. This structure provides lot of nimbleness in terms of looking into the businesses per say, helping in quick decision making. Both the directors have been empowered to handle their respective areas. There is a monthly council where we work together with all the business to look at areas where there are best practices to adopt. Each of them have their own areas to focus on growth. As these are large businesses, each one has their own priorities and I think it is best to structure it in a way that can enable sharp focus, growth and explore opportunities to excel. As a Company, we find it very comfortable working through the structure.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Jayashree Satagopan for closing comments. Over to you, ma'am.

Jayashree Satagopan: Well**,** thank you all for your continued interest in Coromandel. I appreciate your time and your questions. If there are any further questions that we could respond to you please feel free to reach out to Shanky or to me. We will be happy to connect with you once again.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.