"Coromandel International Limited Q2 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Coromandel International Q2 FY2021 Earnings 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. Manish Mahawar from Antique Stock Broking Limited. Thank you and over to you, sir.

Manish Mahawar: Thanks, Faizan. On behalf of Antique Stock Broking, I would like to welcome all the participants on the call of Coromandel International. From the management, we have Mr. Sameer Goel, Managing Director; and Ms. Jayashree Satagopan, Chief Financial Officer on the call. Without further delay, I would like to hand over the call to Mr. Goel for opening remarks. Over to you Mr. Goel!

Sameer Goel: Thank you. Good afternoon everyone and thanks Manish for organizing this conference call. Firstly, I hope everyone is safe and keeping healthy, we are still in a pandemic and it will be very wise that we do keep all the social distancing, Keep ourselves safe. I will quickly give the overview of the business environment experience during the quarter including the COVID situation followed by company's performance and Q&A session.

During the first quarter of FY2021 the Indian economy was severely impacted due to COVID and registered a sharp decline of 22.8% in its GDP. Having said that agriculture was a bright spot it grew by impressive 3.4% backed by a bumper Rabi harvest and good monsoon during the Kharif season. The good news is that when you look at the economy lot of indicators are showing green shoots and many economic sectors are back to the pre-COVID level activities. As far as agriculture is concerned, the government and the world started looking at agriculture as essential thing, which has not only helped to grow the economy, but also in terms of feeding the millions of people. The government announced various stimulus packages, the Reserve Bank of India softened the interest rate to spurt the Indian economy. After the lockdown we have gradually opened and as I said it is good to see the revival of GST collection, power and fuel demand, increase in real estate deals, increase in manufacturing PMI, which are leading to improved sentiments. The rural economy continues to be a bright spot with two consecutive years of above normal rainfall, which has been unprecedented and there is a prediction of having a bumper harvest in kharif although rains which happened in the second half in September actually dampened some of the crops. The country has witnessed 9% above normal rainfall. The southern markets where we operate had 29% above rainfall, the reservoir levels are better than the 10 years average.

The sowing areas has been 6% increase over Last year for the country as a whole and 104% of the normal Kharif area.
The crop sowing area has been 6% higher than last year and 104% of normal Kharif season at all India level -- Cotton (106%), Rice (102%), Oilseeds (111%) and Pulses (108%). AP/TG crop sowing also crossed the normal area with 112% of the normal area for the Kharif

season with Rice (138%) and Cotton (126%) showing a major increase. and these are ones, which do consume a lot of agri inputs.

The government in the center and state continues to proactively support the agriculture activity through policy measures. The parliament recently passed three agriculture reform bills to liberalize the long-shackled agriculture market. These reforms will lead to much improved price discovery, better storage infrastructure and improve ability for the farmers to sell their produce to corporates instead of going through the mundi systems, if these reforms are implemented properly. Please do remember it is also a state subject. These reforms have the power to bring in structural and transformation changes in the Indian agriculture over the medium and long-term. Further the government has announced an increase of MSP upfront on the Rabi crops with its objective to provide minimum 50% returns on the cost of production to farmers. To ensure liquidity in the market the government has planned to increase the procurement of rice during the current marketing season to 50 million versus 42 million tons last year, this also to augment the food program as they have done free distribution for the migrant labors and other weaker sections to ensure that the food security is maintained, this is already initiated and is on track and close to around 13 million tons have already been procured.

COVID-19: Center and state governments have taken proactive approaches in dealing with the pandemic. Overall testing and medical infrastructures have been strengthened. With high testing there is a rapid increase in the number of positive cases getting reported. The early indication is also helping and ensuring timely medical care for those infected and further containment of the pandemic. Indian casualty rate is much below the global average. The recovery rate in the country has been on the positive trend and currently is at greater than 90%. Over the past one month the number of cases reported has come down in India, having its peak in end September early October. Further the government is gradually easing the lockdown in a phased manner keeping safety in mind and this is helping the economic recovery. However, we need to be cautious as we saw in Kerala after the Onam, that during the festive season the spike does not come back.

As far as the DBT and subsidy is concerned, the subsidy disbursement started on a good note in July; however, got into a challenging situation for the remaining part of the quarter with the reduction of subsidy allocation especially to Indigenous P&K companies, as the government prioritized wanted to give some more to the urea companies who are having a huge backlog.

The commission of agriculture cost and pricing has recommended that subsidy of around Rs.5000 per year should be transferred to all farmers in two installments of Rs.2500 each at the beginning of Kharif and Rabi. This is not new but being reiterated by CAPC. This will ensure that at least 82% of the farmers who are small, and marginal do get subsidized fertilizer; however, it will impact the farmers who have large holdings and especially on Urea side

As far as the fertilizer industry is concerned, phosphatic fertilizer saw increased volumes in Q2 driven by favorable weather and market condition. Given the monsoons our industry registered good growth during the quarter. NPK sales improved by 20% to 72.9 lakh tons, complex fertilizer sales increased by 11% led and DAP by 30%. Phosphoric acid prices for Q3 2020 have been finalized at $689 per ton, in Q2 the price was 625 per metric ton. The prices of other raw materials have also been seeing a gradual uptrend as the economy's pickup.

Coming to Crop Protection business, demand of crop protection chemicals continues to be good through the second quarter. Excessive rain in the later part of the quarter has impacted pest infestation and hence resulting sales. The industry through the technical task force formed by CCFI this is the Crop Clear Federation of India has represented to the government on the draft notification relating to the proposed ban of 27 molecules, it has submitted its detailed reply to the government within the timeline prescribed the industry is hopeful for a favorable resolution.

Coming to our company's performance, company as you know had a very good performance in Q2 2020 despite the unprecedented external environment posed by the COVID-19 pandemic and here I would like to really compliment the entire team working in the supply chain, the plants, and out in the market. it is a herculean task to ensure that agri inputs, which is so important for the farmers prosperity, reach to farmers on time. It is like getting drugs to the people, the team work overnight to get this done, we also adopted change the way we work including digital marketing As far as the fertilizer sales is concerned phosphatic volumes sales was at 19.5 lakh tonnes, which is a high growth of 15% over last year, manufactured product sales was 17.2 lakh tonnes vs last year of 16.4 lakh tonnes and imported product sales was 2.3 lakh tonnes here it was only 0.5 lakh tonnes last year. We saw a marginal decrease in our market share 16% from 17% last year. Consumption market share represented by POS sales was at 18%, last year it was at 20%. The share of unique grade stands at 38%, last year it was at 35%. SSP market registered a growth of 5% volume with the sales around 3.31 lakh tonnes last year it was 3.17 lakh tonnes and Q2 has been excellent for SSP, which got hampered in Q1 due to production. For Q2 phosphatic volumes are at 11.2 lakh tonnes with the advancement on demand in first quarter the business started with very low inventory, which resulted in softer sales for manufactured NPK in the second half. Manufactured product sales was at 9.5 lakh tonnes, last year it was 12 lakh tonnes, if you remember last year the season was starting late especially around August, September and imported product sales was 1.65 lakh tonnes as opposed to last year where it was miniscule at 0.18 lakh tonnes. SSP business registered a 4% sales volume growth for the quarter with the sales volume of 2.02 lakh tonnes last year it was 1.94 lakh tonnes. During the quarter the phosphatic fertilizer plant operated with 90% capacity versus 65% in Q1 due to the restrictions. The specialized nutrition and organic business and the retail also had a very strong growth and the business has been collaborating with the farm produce organization, the seed companies and agriculture industry to increase its reach and market development.

Coming to crop protection, crop protection business grew by 35% versus last year for the first half and 26% for the quarter. It registered a very strong growth in the domestic market both in the B2B and the B2C formulation business backed by good monsoon and we also scaled up our new product portfolio. The business registered very good growth in the selective export markets while the Bio business registered an impressive growth in the developed market. We were further strengthened by our new product launches and strategic tie-up with the global players and the launch of selective herbicide lottery and the co-marketing initiatives during the quarter. This will help the company to strengthen its offering in the herbicide category and balance our overall product portfolio. The CPC business continues to invest in R&D, product development and regulatory filing and has a very rich product pipeline and tends to introduce new molecules in the coming quarters. The product development initiative includes working on 9(3) registration and combination molecules both for domestic and international markets. The business has initiated center of excellence for new product development, which will help to fast track new product introduction.

While the COVID situation is normalizing the business has initiated its infrastructure development at these manufacturing plants. Focus on sales and channel excellence the business has strengthened its planning deployment, key account management, brandings like I said digital connect and farmer advisory in both the domestic and global markets.

Our retail stores operated throughout the lockdown with extended hours with all safety precautions and protocols to ensure safe operations and timely supply to agri inputs to farmers. Our stores provided advisory service to farmers through the digital medium to drive right inputs. Retail had a good quarter with improved product offering and continuous engagement with the farmers. The company has introduced more delivery mechanisms such as direct delivery to farms and on demand delivery of products to farmers this will help farmers to get the products of their choice and at the doorsteps. With healthy reservoir conditions and good moisture level we expect a very good Rabi season. Coromandel will strive to ensure availability and meet the market demand. Our focus will remain safety of the employees, safe operations, farmer connect initiatives, building brands, digital market, operating and supply chain efficiency. With that I hand over to Jayashree to take you through the company financials. Over to you Jayashree!

Jayashree Satagopan: Thank you Sameer. Good afternoon all. Let me briefly take you through the company's financials for the second quarter and first half of FY2021. In terms of turnover in the second quarter company recorded a consolidated total income of Rs.4,620 Crores against Rs.4,867 Crores in the last year with nutrients and allied businesses contributing to 86% and the remaining 14% coming from the crop protection business. Last year in Q2 the ratio was 90:10. In terms of subsidy and the non-subsidy breakup Q2 revenue share is 79:21 last year it was 84:16. For the first half the total income stands at Rs.7,843 Crores vis-à-vis 7,008 Crores during the last year. The nutrient and allied businesses contribute to 86% and the remaining 14% comes from the crop protection business. In first half last year nutrient was 89% and CPC 11%. In terms of subsidy, non-subsidy breakup H1 revenue share is 80:20 last year it was 82:18. From a profitability standpoint overall EBITDA for the quarter is Rs.845 Crores as against 713 Crores last year registering an increase of 19%. In terms of subsidy, non-subsidy breakup Q2 EBITDA share was at 74:26 last year it was 76:24. Consolidated net profit after tax for the quarter is Rs.589 Crores in comparison to Rs.504 Crores last year for the corresponding quarter there is an increase of about 17% on a year-on-year basis. During H1 EBITDA is Rs.1260 Crores this year vis-à-vis Rs.909 Crores during the last year, overall, this is an increase of about 39%. In terms of subsidy, non-subsidy breakup H1 EBITDA share is 76:24 last year it was 78:22. PAT for the first half is Rs.840 Crores this is in comparison to Rs.566 Crores during the last year.

Working capital, the company has generated healthy working capital and cash flow during the quarter and the first half of the year. Operating cash generation for the quarter as well as the first half has been good, in first half the number is Rs.2083 Crores last year it was 1699 Crores. Working capital overall has been managed well and it improved through the quarter with record collection and the company maintained optimal inventory level.

Inventory during September 2020 was 2160 Crores vis-à-vis 2533 Crores last year. Receivable as of September 20, 2020 was 1100 Crores vis-à-vis 1993 Crores in the previous year. Subsidy outstanding as on September 30, 2020 was high at Rs.2862 Crores it is higher by almost 1000 Crores vis-à-vis last year. Subsidy outstanding includes 2100 Crores claimed and pending with the department of fertilizer. Inventory stocks, which are pending PoS acknowledgement at the retailers' end is close to about 500 Crores. During the quarter the subsidy payment from the government was low and Coromandel has received Rs.792 Crores towards subsidy. Last year in Q2 we received 1230 Crores. Overall, during the first half of the year subsidy received from the government has been lower by almost 1000 Crores. The government allocation for subsidy has been higher for urea, which had a larger backlog and even within NPK the allocation was relatively higher for the imported players. The company has represented the matter with DOF and the regulatory bodies.

As far as the interest cost is concerned it has trended well during this year. The company had a mix of borrowings, the bank loans, seller's credits, commercial paper, etc. Bank borrowing at the end of September was about 145 Crores; the balance sheet continues to remain strong with a debt equity ratio at 0.03 at the end of September 2020. Company continued to maintain its deposits, which are earmarked for specific growth-related investment. Interest cost for the quarter was at Rs.17 Crores excluding the Ind-AS 116 related interest this was down from Rs.55 Crores last year. Interest cost for the first half was at 51 Crores, which is down from Rs.129 Crores during last year. The savings in interest cost is attributable to better business performance, working capital management and lower borrowing cost. As far as the forex is concerned during the quarter, we saw rupee trading in a range of 72.76 to a dollar to 75.51 to a dollar while it started on a low note, but it strengthened during the quarter. Coromandel effectively managed its exposure in line with the hedging strategy. Overall, it has been a good quarter and a good first half. We thank you once again for joining us and your continued interest in Coromandel. With this we can 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 Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: My question is relating to the cash, overall, the company is now cash surplus so how the company is going to utilize their surplus cash going forward, what are the capex plan and inorganic growth plan?

Jayashree Satagopan: As you see the company over the last couple of years has been generating cash positively. As I was mentioning about the business performance and more importantly it is due to the working capital management, which is being very tightly and nicely handled. Last year beginning we had very high inventory and with the increased demand and adequate planning inventory has been optimized. Similarly, lot of focus has gone in terms of receivables and collection, which also augurs well from a working capital standpoint. However, subsidy receivables from the government continue to be a concern, so with raw material prices slightly inching up the inventory losses will sort of get a little bit moderated. Having said that the company intends to carry out with activities in terms of putting up additional infrastructure, we had shared the capex plan for the year which is about 450 to 500 Crores part of it has got deferred frankly because of COVID-related concerns that we had during the initial part of the year. We also have plans in terms of debottlenecking at Kakinada and Vizag that has been taken up now, so the next two to three years we expect a capex of about an average 400 to 500 Crores. As you know all our capex expenditure including the PAP plant that was stood up in Vizag was funded out of our own funds so that is number one. The second thing like we alluded in the past Coromandel would be open for any interesting inorganic opportunities provided would be synergetic with our business model and comes with a right price. So those are strategic initiatives, we had drawn a five year long-term plan with clear indication in terms of which are going to be our businesses that will accelerate in growth and we will focus on that and we do believe the cash generation that the company is having will definitely aid us in our long-term growth plans. Thank you.

Sumant Kumar: With the Mancozeb particularly is under pressure post ban in Europe so what is our plan for our manufacturing other molecule for export market?

Jayashree Satagopan: Again, a good question Sumant. When we talk about the crop protection business earlier on and we continue to focus is to see how we derisk our main molecules, which is Mancozeb. Currently Coromandel does not have exports into Europe, therefore the ban in Europe is not going to impact Mancozeb sales per se. Mancozeb is a broad spectrum fungicide, which is a resistance breaker and at the cost at which it is being sold currently there are no other molecules, so we do not see a big threat in terms of sales of Mancozeb per se. Having said that continuously the business has been looking into getting new generation molecules into its manufacturing and sales, so as far as again our long-term strategic plan we have identified close to 30, 35 molecules, which have recently gone off patent or is likely to get off patent. The business is looking into a buy or a make depending on the synergies that can come in and therefore even our plants at Gujarat are looking at setting up multipurpose plants, which can aid manufacturing of the new generation molecules. As far as the local domestic sales is concerned, I am glad to announce that over the last couple of years the effort which has gone into research and development, regulatory trials, product development is yielding rich dividends. We are seeing an increase in terms of the percentage of revenue that is coming from our new products and during the first half the of the domestic formulation revenue almost 26% has come from our new products that were introduced in the last couple of years, so clearly there is a focus on introducing newer molecules, identified molecules are there, R&D work has been carried out, more importantly there is focus on bringing in combination molecules as well.

Over and above all of these we are also closely working with some of the Japanese innovators to get 9(3) molecules, which could be specifically for Indian requirement.

Moderator: Thank you. The next question is from the line of Sanjay Satpathy from Ampersand. Please go ahead.

Sanjay Satpathy: I do not know whether you have already covered this I just wanted to know why your manufacturer fertilizers volume declined so much during this quarter and you lost market share?

Jayashree Satagopan: As we mentioned during the initial briefing, for the first one-and-a-half months as we started the year due to COVID we had to go little slow in our manufacturing especially in our Vizag plant, Kakinada was fully up and running. Having said that this year the season started much earlier plus there was a demand from the dealers as well as the farmers because there is a lot of uncertainty due to COVID situation. So the first quarter of the year saw a huge demand and to that extent some of the sales, which typically happened in the second quarter had moved into the first quarter that is number one and we also started with lower inventories as we moved into the second quarter of the year,. As we move into the third and the fourth quarter and the situation relating to COVID normalizes we would be able to continue our manufacturing. As I was mentioning in the second quarter the manufacturing capacity utilization was almost at 90%, which contrasts with almost 65% in Q1 so that is the main reason if you are looking at it.

Sanjay Satpathy: If I can ask even October month, we realize that the volume also declined so when will we start seeing growth in terms of volume?

Sameer Goel: Sorry I am not sure why you are saying volume decline, overall volumes went up by 15% and the consumption volume actually went up by 30% it is just that the market also increased their volumes particularly related with imports of DAP, some of the impact we will actually see in the second half of the year for the industry.

Sanjay Satpathy: Thanks a lot Sir and hopefully second half we back to growth.

Sameer Goel: No, we have had a very good growth in the first half, second half will continue to do well, obviously for us the first thing is the safety of our plant, equipment and people that is the number one thing, so that is one and we have also have import shipments lined up in terms of meeting some of the excess demand, which will come.

Sanjay Satpathy: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Nitin Shakdher from Green Capital Single Family Office. Please go ahead.

Nitin Shakdher: My question is regarding the operational cash flow; I could not get that figure properly what is the operational cash flow after working capital that before the capex?

Jayashree Satagopan: The consolidated operating cash flow for September 30, 2020 before working capital changes is about 1194 Crores and after considering the working capital changes it comes to 2260 Crores.

Nitin Shakdher: Okay which is in comparison to I think around 2230 Crores earlier before right approximately?

Jayashree Satagopan: Yes, the comparison last year for cash generated from operations is 1866 Crores.

Nitin Shakdher: Okay great I just wanted to have this question. Thank you. All the best.

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

Bharat Seth: Congratulations Sameer and Jayashree on excellent performance. Sameer just to understand from the demand meeting from our own manufactured products since what we understand Kaleshwaram project is headed, so the cropping has also gone up showing in this first half around 25% whereas we are also running a low inventory vis-à-vis earlier year, so how do we really to cope up manufacturing product to meet the real demand which is there on the ground?

Sameer Goel: Bharat there are a couple of things you are saying. Firstly, let us talk about what is happening in APTG. Good thing there is a lot of changes firstly irrigation has done well this time the rains are also quite good and especially thanks to the Telangana government on their desilting of canals and tanks, the water retention also has been good although this time it broke all boundaries like you saw Hyderabad was also on the water. Kaleshwaram project will get new areas under irrigation. The other thing which the government and the farmers are trying to promote is also to look at other crops other than the traditional paddy and the cotton so they are promoting other things especially on the oilseed front and also on fruits and vegetables, which has a different pattern and also the income of the farmers will increase and this is where our specialized fertilizers and also our bio products and organic also is coming up although in a small way currently, this is why our specialized fertilizers, crop protection and all business is growing very fast. Now coming specifically to your point the first good thing is because of the demand of our products like I said our primary sales has increased by 15%, but the consumption increase has been as high as 30%, which shows the type of throughput and we are very happy to see that we are actually holding lower inventory. There is still scope to reduce the inventory because we need to get into a model of just in time instead of holding inventories. Now coming to our manufacturing, we do focus on NPKs and not on the generic DAP, so we were able to increase our sales of NPK grades and sorted to some imports on the DAP. The other thing is that we are also debottlenecking our plants, increasing the capacity in those plants and that is why despite COVID in Q2 of the year we are able to operate at a 90% capacity as opposed to 86% last year so that is something which is credit to the plants despite all the issues around COVID. We started the year with relatively lower inventory due to good Rabi season Last year also operated the plant carefully due to COVID situation. As Jayashree said we continued with some restrictions to manufacture at Kakinada and our plant team has done very well in terms of ensuring that not only we do not have incidents of COVID within the plant and whoever have added we have been able to isolate and cure them. In Kakinada for instance being a tier 3 or 4 town the medical facilities were not there and we created a full isolation ward and ICU ward, nor for Coromandel it is for people in the town, almost 165 critically ill patients have got cured in the same facility. So, for us safety of people and plant is more important than other things and like Jayashree said some of the capital items we have not started as the things are much more under control and we are now operating our plants.

Moderator: Thank you. The next question is from the line of Janakiraman from Franklin Templeton. Please go ahead.

Janakiraman: Two questions one is there has been some statements from the establishment about excessive use of fertilizer in AP, Telangana and recently I think one Telangana Minister has also gone and record indicating something similar to this, what is the true picture in terms of per acre fertilizer consumption and the NPK ratios things like that in your key districts in AP, TG?

Sameer Goel: So, it is a good question again, like you know the issue on fertilizer is more on excessive use of chemical specially Urea. In fact, in a conversation with Agriculture Minister of Telangana we reiterated our point of view that govt should educate farmers about balance nutrition and promote high N grade such as 28:28 rather than Urea. 28:28 will not only provide 28% N but also 28% P which is as essential as N for the soil and crop. There are evidences that balance nutrition result in better yield in comparison to Urea. Secondly, we are also promoting Organic Fertilizer which helps in soil rejuvenation which got depleted over many years due to less Carbon. We go to the retailer and dealer level and educate about benefits of balance nutrition.

Janakiraman: The other question was that you mentioned that you had a 15% primary growth and consumption growth is 30% can you explain this?

Sameer Goel: Primary growth is what we invoice to our dealers, but now with the DBT machine you also know what is actually consumed by the farmers and that is why inventory in the trade channel is at an all-time low, which is good it just shows that we are selling in the right consumption area through the right type of farmers and that growth has been 30%.

Janakiraman: Thanks a lot.

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

Ankur Periwal: Congrats for the good set of numbers. So two questions from my side, one on the fertilizer front, you did mention debottlenecking happening in your plants, which will also sort of help us to increase the manufactured volume given the low inventory that we are setting in broadly speaking the current monthly production run rate will continue for the next let us say quarter and two so that we can have ample inventory as well?

Jayashree Satagopan: Ankur as we had mentioned that COVID situation being in control and the safety at our plants being paramount importance if things go well like in Q2 we would like to maximize our production. We would also be taking our annual turnaround during end of this year because we must sort of skip it last year because of COVID coming and setting in, it is important that all our large plants go through their annual turnaround. Depending upon the size and complexity it could vary between two to four weeks for each plant and that is also planned part of the current year operation. Our debottlenecking at both Kakinada and Vizag has ability to increase capacity of about 150000 metric tonnes for which we have already initiated actions and the capex has been approved and work has been initiated at the plant.

Ankur Periwal: On the margin front as well how should one look at it because this quarter obviously the margin performance has been much stronger so any thoughts over there?

Jayashree Satagopan: Yes, I think that is again a good question as you see typically in fertilizer industry Kharif is a big season and our margin guidance has always been on a full year basis rather than looking at on a quarterly basis. Q2 typically the margins would be attractive because we also get lot of leverage in terms of operating efficiencies. We would see in the past as we have gone ahead with our backward integration our PAP2 plant has been fully operational the benefits in terms of values are suppose to started accruing so we do look in that our EBITDA margin per metric tonne should be 4000 plus as we go along and our endeavor would be obviously this is how we can maximize it.

Ankur Periwal: Just one clarification in your one of the earlier comments you mentioned on the crop protection side newer product contribution at 26% so if I got this right this is the revenue contribution coming from the newer product or out of the 35% growth in H1 26% growth is from newer products?

Jayashree Satagopan: No, this is overall if I were to look into the crop protection revenue 26% of the domestic formulation revenue is coming from the products that have been newly introduced, obviously the newly introduced products would also have better margin profile given some of those are our own manufacturing like if you see Astra, which is Pymetrozine, which is a combination molecule, just a couple of examples out there.

Ankur Periwal: Will you have the same numbers of last year as well that is the last one from my side?

Jayashree Satagopan: From a percentage standpoint I think it was maybe around 10% I can come back with specific, but there is a conscious effort and that is why we are seeing the increased volumes as well as the revenue picking up as this is the first year of Pymetrozine introduction for us so we would see that there is an uptick in the current year.

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

Deepak Chitroda: Congratulations on a good set of numbers. Madam I just have a two questions the first part we normally use especially now on the second part about the volumes for the second half what is your expectation now because we have already seen higher base of last year because we had a very good Rabi season last year so do you think that probably we will have probably around a high single digit growth in the H2?

Jayashree Satagopan: Yes, our endeavor is to see how we maximize our volume. As I was mentioning we are looking into not just a manufactured product but also selectively importing so both these actions are being taken. Apart from fertilizers this year there was lot of thrust that is happening on the other business units though fertilizer is still the largest for us crop protection has seen a very good growth, our bio business especially has seen a tremendous growth in the global markets, retail has been doing extremely well, demand for percentage of sales is what we measure for retail because that is a very important parameter for us to see that the stores are profitable, which is primarily specialty nutrients as well as crop protection, we are seeing a big jump over there, so overall if you look at it well there will be growth intend is to maximize, we are selectively importing both the DAP as well as some very basic generic grades which the market might require.

Deepak Chitroda: Madam just to add on that to the previous participant question if you talk about what has been the major contribution with the improvement in the margin in terms of I understand that the major contribution with improvement margin was on the complex fertilizer side, but if you can talk about in terms of particular grade I understand probably the large account it could be the unique grade products?

Jayashree Satagopan: So unique grades obviously offer us good margin, but with the total backward integration of phos acid facility at Vizag it is not a unique grade because the value that gets translated into all the products that are manufactured where our plants are fully integrated same as the case at Ennore, so some of the grades that we manufacture in these facilities though they maybe generic in nature currently contributes to a high margin percentage. If you also understand with our backward integration fully complete in Vizag there is also opportunity for us to transport phos acid into our Kakinada plant. All these plants have both unique and generic grades so wherever we can view these as if you see a margin uptick happen.

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

Abhijit Akella: Madam just regarding the phosphoric acid prices that you spoke about for 3Q it has been increased from $625 a tonne to 689 just to check whether the industry is considering taking any MRP increases for the Rabi season or will we have to kind of absorb this increase?

Jayashree Satagopan: Selectively there will definitely be increases Abhijit, we are seeing that happening in the past, already the DAP prices have gone up. Having said that some players had announced DAP price increase and then there is farming community, which is though the prices have gone up, but on select grades you will see that the industry will come up with a price increase. From our standpoint what we had done earlier on is with the benefits coming in from some of our backward integration we have gone ahead and announced a reduction in price so that, that also helps in some of our generic grades, which can be push to the newer market.

Sameer Goel: Abhijit we had also anticipated increases because we could see how the international market is playing out given the COVID situation, so we had brought the increase in our front to cover on high price.

Abhijit Akella: Just to follow up on that so by when will the prices be increased and by how much of an increase can we expect for DAP?

Jayashree Satagopan: Currently the industry is holding onto the prices, for us we do get the benefit of our own phos acid manufacturing so to some extent we have not as much impacted. My gut feel is probably another month or so we would see some increases coming in the DAP just before the Rabi season get started.

Sameer Goel: Since some of the importers having burned their fingers now because obviously, they were taking the opportunistic sales into account and then they will have a problem.

Abhijit Akella: My second question was just regarding the Vizag wage settlement, which has just happened so if you could point through any kind of cost increase, we should expect in the wage bill going forward?

Jayashree Satagopan: Nothing substantial this has been in line with the wage settlements in the past it has gone up quite well.

Sameer Goel: What we have with all our work force is the profitability link bonus and all our teams are working very good together. They have a productivity link bonus this includes lot of parameters including efficiency, safety. and that is really helping all our plants in terms of the workers participation in all our initiatives.

Abhijit Akella: Great. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Tejas Seth from Nippon AMC. Please go ahead.

Tejas Seth: Madam two questions, one on the crop protection side how we see a three to four-year perspective you mentioned that you are looking at a lot of molecules but how you see the ramp up coming up?

Jayashree Satagopan: Crop protection is one of our growth engines as we identified it in our long-term initiative plans towards that there are multiple levers that have been used one obviously is the manufacturing newer molecules, which are relatively new from a patent standpoint, which is just come off the patent or coming off the patent in the next few years, so that is just one aspect of it. The second thing is also to see how you can participate more effectively in select markets on full B2B or a B2C light. The third one is to continuously work on several product development initiatives that is where collaboration with innovators coming handy then it is obviously working on combination because that also helps to break the resistance in some of the molecules. So a multipronged approach has been taken, we are strengthening the team in all these areas, the channel, domestic and global partnerships for new product innovations and introductions, improving our infrastructure and manufacturing capabilities as well as looking into centers of excellence in terms of supply chain and manufacturing where you can get a lot more efficiencies, so overall if I were to look into a three to a five year horizon I would think that crop protection business would be in a very, very good spot.

Sameer Goel: Just to add that we are quite unique in a way and we are working on four areas, one is of course our international markets and given that we also have bio and we also sell it to the developed markets, there also we are researching a lot of things including application in terms of being given precise and concise pesticide and therefore we are unique in terms of having an integrated pest management system. The second one is domestic B2B, and there again we have gone for branded B2B so our material we are actually branding it and then giving it to other companies and the third one is in terms of our domestic formulation business and last is we are unique in the sense we have our retail outlets.

Tejas Seth: The next question on the subsidies you mentioned that the government is very, very slow for providing subsidies to the complex manufacturers how you see that ending up for this financial year?

Sameer Goel: There are two things here one is of course the government had got a certain budget for subsidy for this year, which was actually lower than the previous year budget thinking that at least from urea because of the various measures they have taken the consumption will actually come down and some participation was mentioning about the excessive use of urea across the market, but given the monsoon situation and other things that has not happened and therefore the backlog in fact has got bigger on the urea front. Urea players are suffering generally due to higher backlog, so the government decided to allocate some of the backlogs to the urea subsidy. As far as NPK is concerned we have represented to the government showing urgency that they need to pay NPK manufacturers as compared to importer. The good thing is fertilizer has been now put into A category instead of B category because it became a growth industry for the economy. There is a meeting on November 9, 2020, which we are hoping that the Finance Ministry will allocate more money to the fertilizer industry so that it can help in terms of investment. Many companies not us are suffering because of not having enough subsidy and the working capital having an issue for them. We do hope if budget increase does not happen the government go ahead with special banking arrangements like earlier where they give the loan for all the subsidy, which is due to them

Moderator: Thank you. Ladies and gentlemen due to time constraint we will take that as the last question. I would now like to hand the conference over to Mr. Manish Mahawar for closing comments.

Manish Mahawar: Thank you Faizan. On behalf of Antique Stock Broking I would like to thank the team of Coromandel International for providing us an opportunity to host the call. Mr. Goel, would you like to make any closing comment?

Sameer Goel: Like I said at the beginning we are very happy to see how agriculture has supported the Indian economy and how the rural demand is supporting again the Indian economy in these difficult times. It has also shown the true potential of agriculture, internet penetration now in the rural area is better than the urban area. The Government also has pumped in a lot of money in the rural area, which is also helping in terms of the economy. Coromandel being the largest agri input player they will poise to continue to take these trends. What we did not talk about in this conference is in spite the fact the people who are working from home we were able to reach out directly to the farmers by digital marketing. So that they have the right inputs for crops, and we have been working to see how farmers adopt to that situation and adopting the technology. We do continue to feel that this adoption of technology is very good. Joint venture with Yanmar, which is basically into combine harvesters and shows that farmers are going to adopt new technology. So, overall we are quite happy, Rabi is expected to be in similar lines as we watch how the northeast monsoon comes, good thing is reservoirs in the southern part of the country are quite full and the soil moisture level is also good, so you will continuously operate and continue to give superior products to the farmers. Thank you very much and thanks for the call.

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.