"Coromandel International Limited Q4 FY2021 Earnings Call

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Moderator: Ladies and gentlemen, good day and welcome to the Coromandel International Limited Q4 FY2021 Earnings conference call hosted by Axis Capital 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 telephone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Periwal from Axis Capital. Thank you, and over to you, Sir!

Ankur Periwal: Thank you, Steven. Good afternoon friends. Welcome to Coromandel International's Q4 FY2021 and for the financial year 2021 earnings conference call. The call as usual will be initiated with a brief management discussion on the quarterly as well as the full year performance followed by an interactive Q&A session. From the management team we have with us Mr. Sameer Goel, Managing Director, Ms. Jayashree Satagopan, EVP and Chief Financial Officer. Over to you Sameer, Sir for your initial remakes and then probably we can open the floor for Q&A.

Sameer Goel: Good afternoon everyone and thanks, Ankur for organizing the conference call. I hope everyone and their families are keeping safe in the unprecedented black swan event especially in this second wave. So, I will give you an overview of the business environment during the quarter and the year followed by company performance and we will have the Q&A. 2020-2021 has been a black swan event exemplified by the unprecedented disruption across the world to both economy, trade and health. IMF estimates puts the world output to have declined by 3.3% in 2020.

In India early on the contraction was projected to be close to over 10%, but now it is expected to contract by close 8%. This is partly got to do with the sound economic recovery boosted by increased public investments, vaccine rollout and surge in the overall domestic demand. Though the path of recovery has now been challenged with the emergence of second wave. Ramped up public health measures, and policy intervention lend support towards achieving stability in the coming months and we hope again to flatten the curve.

As far as we are concerned, agriculture sector has been a bright spot, not only that there is no longer considered to be some set of industry it is almost sunrise industry and is expected to grow by 3.4% during the year. India is expected to produce a record food grain over a bumper crop last year at 303 million tonnes and horticulture input of 325 million tonnes. There is also a great improvement in cereal exports. The government both at center and state were very supportive in continuation of the operation in rural India reform like the advancement of the PM Kissan disbursement, direct money transfer to the farmers, increase in the MGNREGA outlay, increase in the agriculture credits scheme, high procurement of MSP both Kharif and rabi season, all these are implemented to boost the agriculture economy.

It is 3 years now with the DBT rollout and the system has been fairly robust. During the year the government allocated and dispersed 65000 Crores towards clearance of all old and carry forward subsidy to the industry. Consequently the subsequent payment by the government was very high during Q4, which has helped the industry in reducing its outstanding and improving its cash flow. Further in the budget for FY2021 the government has allocated Rs.79500000 Crores versus Rs.71300000 Crores of last year.

Coming now to the fertilizer industry performance for the quarter DAP and complex fertilizers sales volume down by 10%, current year 38.3 lakhs metric tonnes versus 42.6 lakhs metric tonnes last year.

Industry PoS, which is a real indictor of consumption at farm level is higher by 15% over last year, which also shows the summer crop has been very favorable, so it is around 46.5 lakhs metric tonnes versus 40.4 lakhs metric tonnes previous year same quarter.

Complex sale volume for the quarter is at 26.6 lakhs metric tonnes versus 23.8 lakhs metric tonnes in the previous year. We have also seen major raw material prices continuing to increase. Prices for April-June, which Q1 FY2022 has seen a sharp increase and has got finalized at $998 per metric tonne compared to Q4 of $795 per metric tonne. The government has written to the some of the major suppliers to see what they can do on the pricing front.

For the year the DAP complex fertilizer industry volume was at 219 lakhs metric tonnes verus 200 lakhs metric tonnes for previous year registering a growth of 10% year-on-year. Complex volume for FY2021 is at 114.1 metric tonnes versus 97.3 lakhs metric tonnes over the previous year recording a 17% growth. DAP volume has been at 104 lakhs metric tonnes verus 102.7 lakhs metric tonnes recording the growth of 2%.

Coming now to Coromandel performance, Coromandel has registered a very strong performance for the year with its continuous emphasis on superior sales mix, farmer connect initiatives, increase operational efficiencies and also better working capital. We are focussing more on consumption than on sale and that has been restricted on all our activities.

Coming now to the company's nutritional segment business, the nutritional and allied business segment has had a subdue quarter as the company has launched and completed an annual turnaround of 6 plants in the last quarter and this was actually not planned that way, but was very helpful as we are able to complete most of the work before the second wave of pandemic has hit the country and that is very good in hindsight.

For the quarter, the volumes of the DAP complex sales were low by 15% to 5.9 lakh tonnes mainly because of the annual turnaround which we took. The company market share in Q4 was 15.3% versus 15.2% during last year. However for the PoS sale, which is the actual consumption was 20.1% for the quarter, last year it was 18.7%. The Single Super Phosphate quarter Q4 sale was at 1.8 lakhs metric tons with a growth of 67% over last year again the reflection of the fact that when the DAP prices move up the famers switch to SSP.

For the year, DAP and complex volume go up by 7% to 33.5 lakhs metric tonnes for manufacture DAP and complex volume was at 29.4 lakhs metric tonnes and imported DAP complex were 4.1 lakh metric tonnes. Company market share comes down very marginally at 15.3% from 15.7% same period last year, however, the company PoS market share is at 15.7% more or less at the same level of last year in fact the PoS sale has actually gone up by 18%. In the full year DAP and complex plants operated at 82% capacity recording a production of 28.4 lakhs metric tonne, which is 4.7% lower than the previous year.

Overall the production was impacted due to the partial lock down during COVID-19 in Q1 and the fact that we took 2 annual turnaround. On the manufacturing front DAP complex fertilizer operated at 82% for the utilization for the quarter where the company had advanced an annual turnaround activity in Vizag. The capacity utilization for full year was also the same at 82 while the capex projects were deferred during the initial half of the year due to COVID pandemic, project momentum was buildup in the second half of the year. A large evaporator plant is coming in Vizag to improve the availability of concentrated phosphoric acid, which are also used to transfer to our phosphoric acid requirement in Kakinada. A pilot liquid fertilizer plant has been set up at Vizag.

Our organic and specialty nutrition business have performed very well and has had a very strong double digit growth with the focus product and specific crop based nutritional approach. We had partnered with seeds, micro irrigation and farmer producer organizations has also strengthened our connects with the farmer. We have also setup nutria clinics in major markets to dispense the advisory to the farmers.

On the crop protection side, the crop protection and allied business has registered a sale growth of 24% during the year with the expansion of domestic formulation, domestic business to business sales and also exports. On the domestic B2B sales we are now labelling the products and suppling to our customers and that has helped us to really grow.

As far as the domestic formulation sales are concerned 25% of our sale is from our new products and co marketing products. The business margins had been healthy and improved with higher capacity utilization. The business continues to focus on new generation molecules and has been upgrading its products with special product introduction. During the year, the new products like I mentioned had contributed to close to 25% of the domestic formulation sales and also supported the growth of B2B segment. It has now built a rich product portfolio pipeline backed with strong R&D capabilities and strategic tie up with the global innovators to further strengthen its product offering.

R&D facilities at Secunderabad and Thyagavalli had been upgraded and so is the transfer of facilities in Ankleshwar The business has received a registration of 10 plus molecules during the year for domestic market and has got over 50 registrations for the international markets. We have also obtained approval for selling Mancozeb WDG for our markets and we are strengthening our teams in the market especially the export markets by putting resident people there who are the experts in that market.

Retail stores did a phenomenal job in this COVID situation and they followed all the safety protocols in fact they opened up much more earlier than the leader channel also so as to support the farming commentary by offering agriculture solution including products by the services.

Business has improved its operational efficiency and used digital technology to reach out to the farmer community. The company had its efforts to minimize the impact of COVID and ensure safety of its employees and also serve the community close by, the company is also encouraging family for vaccination to ensure maximum reach of vaccination and also minimizing any impact of COVID. We are working closely with the government and the local administration, lastly we set up a special COVID ward hospital at the Kakinada General Hospital.

This year we have already undertaken to set up 5 State Based oxygen producing units to be set up in 5 different hospitals across the country. With good reservoir levels and forecast for a normal monsoon we expect the Indian agriculture growth to continue in the coming kharif season while the raw material prices have risen in the last full year, the company will focus on further improving its operational efficiency, introducing new products and continue to support the farmers and improve its crop productivity and bring farm prosperity. Overall Coromandel has had its very strong performance during the year as it respectively negative

COVID induce uncertainty. The company has shown agility in prioritizing the health and safety ensuring safe of the plants and optimizing production to cater the need of the channel by selling based on consumption and not just marketing the product.

It has strengthening its marketing on initiatives, operating efficiency, product mix and also increasing farmers engagement with the digital footprint. As we enter into the New Year we see the emergence of the second wave of pandemic, Coromandel has reinforced the COVID protocols for helping the community. Most of our employees have taken the vaccination. Now, I will hand over to Ms. Jayashree to share the company financials after which we can follow with the Q&A.

Jayashree Satagopan: Thank you, Mr. Sameer. I hope you and your families are safe and keeping well in these testing times with the re-emergence of the COVID pandemic. Let me now provide you updates on the company financials.

Company recorded a consolidated total income of Rs 2,872 crore during the quarter vs. Rs.2,881 crs during the prior year. Nutrients and allied businesses contributed to 83% share and remaining 17% coming from Crop Protection business. (previous year it was 85% from Nutrient and allied businesses ,15% from Crop Protection). In terms of Subsidy – non subsidy share stands at 74% & 26% during the quarter. (Previous year it was 78% & 22%) Company's consolidated total income is Rs. 14,257 Cr vs Rs. 13,177 Cr same period last year and registered a growth of 8%. Nutrients and allied businesses contributed to 85% share and remaining 15% coming from Crop Protection business. Subsidy revenue is at 78% of the total revenue vs 80% previous year

As far as the profitability is concerned, the EBITDA for the quarter was Rs 260 Cr against Rs 391 Cr of last year. Share of Non-Subsidy Business EBITDA improved to 44% from 28% of prior year same quarter. Net profit after tax for the quarter was Rs.156 crores in comparison to Rs. 234 crores for the corresponding quarter last year. EBIDTA for the full year crossed Rs. 2,000 crs for the first time. It stood at 2,018 Crs vs 1,733 Crs of last year registering a good growth of 16% on y/y basis. Subsidy share of EBIDTA was at 72% for the year vs 75% of Previous year. Profit before tax was Rs. 1,786 crores against 1,379 crores of last year. Net profit after tax was Rs. 1,329 crores with a growth of 25% over LY of Rs. 1,065 crores

Subsidy outstanding as on March 31, 2021, was Rs.590 Crores vis-à-vis 2316 Crores during the previous year. Subsidy outstanding includes Rs.332 Crores relating to channel stock pending POS acknowledgment. During this quarter, the subsidy received from the government was Rs.2943 Crores. Comparative figure last year was Rs.100 Crores. Subsidy received during the full year was Rs.5041 Crores vis-à-vis Rs. 3,424 Crores during the prior year.

The focus on market collection through subsidy received and prudent management of inventory, the working capital position of the company improved all through the year. The company generated Rs.4124 Crores of net cash flow from operating activities. The company has become Debt free, balance sheet continues to remain strong. Company continue to maintain the deposits, which are year marked for specific growth related investment.

Good business performance, working capital management and lower borrowing costs resulted in lower interest. Net interest cost for the quarter was Rs.1 Crores vis-à-vis 34 Crores last year. Interest cost was about 65 Crores, which is down for Rs.198 Crores during the last year. During Q4, USD remained in a broad range between 72.28 to 73.78. During the year foreign exchange exposure has been managed quite well with the company following a prudent and conservative approach inline with the foreign strategy.

The board has recommended a final dividend of Rs.6 per share, which is 600% of the face valve of Rs.1 per share. The board had earlier in February 2021, approved payment of dividend of Rs.6 per share. With this, the total dividend for the year is Rs.12 per share that is 1200% on the face value of Rs.1 per share. In terms of the financial performance, it has been a great year overall. We thank you for your interest in Coromandel and joining us in the call today. We shall now open the session for question-and-answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Tarang from Old Bridge Capital. Please go ahead.

Tarang: Madam, good afternoon. Congratulations on a very good balance sheet that we saw. Just a coupe of questions from my side, in Q4 FY2021, we have seen a significant decline in your phosphatic manufacturing margins, what led to this, also with phos acid price now rising to about 1000 per tonne, how should we seed this given the impact to your profitability and what are the steps that you are taking to protect your margins?

Jayashree Satagopan: Thanks Tarang for the question. I hope you and your family are safe. As we have seen in Q4, the phosphatic volume dispatches has been lower. We had almost a lakh of metric tonnes less compared to the prior year inline with the company policy of not going too aggressive on pre-placement. This is something that we have been following over the last 3 year. We continue that approach. The second one is also the increase in the raw material prices that we have seen over the past 3 to 4 months and as I had mentioned we have taken the annual turnaround of the plant in Q4, which was a thought through action, we have advanced it and implemented it during earlier part of the year, the fertilizer units could not take their annual turnaround because of the COVID pandemic, so we had continued the operations all through and the original plan we were again to take it in April-May; however, we thought it could be better to take the annual turnaround advantage during a period when the consumption is lower, so that the plants will be fully ready, functional and we can produce more during the peak season, so these are some of the reasons where we would see that there is decile in the fertilizer margins. As we have indicated in the past for the phosphatic business we should look into the margins overall for the year. We could see some aberrations in the quarter, so overall for the year the company has performed well in terms of its margin. You are right, the phos acid prices had gone up and this quarter price has settled at about $998 per metric tonne, so the company had done few actions. We have procured material especially inventory in transit and at our plants in advance, anticipating higher price in the first quarter of FY2122, so we do have inventory that can take us say for a month, month-and-half as we move into this quarter. The second thing is we are also doing with preponement of ATA. At the Vizag plant phos acid plant one and the phos acid plant two, they are fully operational to see how we can maximize the production to ensure that the value gap is helping us in our cost. The third one that is also being done is auctioning around various parameters where we can get the cost down on the manufacturing area. We have indicated in the past that the company has and is working on manufacturing center of excellence, so there are several activities that are happening from it, the supply chain center of excellence that was undertaken by the fertilizer business a year and a half back is also leading in terms of cost of transportation, direct delivery is being made rather than sending it through rack points, holding at intermittent warehouses, so all these actions are being taken to see how we can conserve and continue to improve on our profitability in the fertilizer. Apart from this we are also looking into pricing at the appropriate time. Currently, whatever is being manufactured in that would continue to go in the earlier however a price revision is being contemplated and will be taken up. I hope this answers your question.

Sameer Goel: I think what is helping is the move which we took a couple of years back we have backward integrated especially on phos acid, now Vizag is self sufficient, and excess production with the running of both our pap 1 and pap 2 in Vizag is being sent to Kakinada. We are also putting up tenth evaporator to increase our capability to produce more concentrated phos acid for transportation into Kakinada. Having said this we are also looking at a strategy of producing from low grade acid block and therefore we have multiple source of that block, which had result in the efficiency to drive our cost down. Last what we are looking at diversifying our sources for acid. As a strategy we are promoting more of NPK as DAP needs more Acid to produce and especially that the prices going up we have seen NPK grown higher than DAP. We are also pushing our own grade, with brands GroSakthi and GroSmart and these have been very well accepted in the market and we are adding more micro nutrient for better performance to it, so our strategy will be to continue to have a balance, with the NPK grade and that is why we could continue to maintain and improve.

Tarang: Thank you for the detail answer. Just a followup, one if I got it correctly you have not yet taken any price hikes and you all are contemplating hikes, correct?

Sameer Goel: Yes, we have looked at some of the prices, which we have taken.

Tarang: And second are you witnessing in escalation in your phos requirement?

Sameer Goel: We have looked at diversifying our sources and we are using a different rock mix, which also helps us, this is what I have indicated and the plants are going to produce according to that.

Tarang: I have a couple of more questions, I will join back in the queue.

Sameer Goel: May be you can come back in the end. Thanks.

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

Bharat Sheth: Sameer and Jayashree, thanks for the opportunity. Again now coming to this crop protection side, this Q4 typically has a high bio-pesticide contribution despite that EBIT margin has declined, so is that any one of and how do we see crop protection from here the way we are introduction more and more new product as well as, so earlier we had an aspirations of hitting 2500 Crores kind of revenue by 2023, so if you can share some more colour.

Jayashree Satagopan: Thanks for your question Bharat Sheth. In crop protection, the growth during the quarter has been good. We were able to focus on the Indian market on the new products that have got introduced. we have got a good traction also with our B2B customers while the margins as well as the sales in the domestic market has been very encouraging whereas there has been bit of price pressure in the global markets, we have also seen in CPC that raw material price had gone up in the last couple of months, so the business has taken pricing decision and that is being effected during April and May this year, so that is the reason why you would see a little bit of a contraction in the margin. Last year, most part of the last year we have seen that RM prices were ruling quite favorable, however, in the last couple of months it has gone up, we are also seeing that the freight cost has been very high especially the container availability and shipping out to the global markets has been a little bit far cost addition having said that the business is definitely focusing on seeing how to improve its overall revenues across the global market as well as India. There are few things that are currently being worked out, the first and foremost in the global markets, as Sameer was mentioning we have recruited local who would know the business there and very ably work on the B2B side. The second one that we have also focused on for the global market is increase the registration and when I talk about registration it is also about some of the combination and formulations that can be shift to these markets that is a very good move that the business has taken up. We have also engaged a consultant who could help us in understanding and looking into the right molecules for some of the important markets. On the domestic front, the sales and channel front of excellence had made it of similarly a center of excellence on new product launches has also been kicked off. The business has taken and created Japan desk because working closely with the innovators is going to be extremely critical as we want to introduce more products, so that is a very recent development that has happened. On the manufacturing front apart from setting a plants, which can help a future growth it is also equally important that we get cost free position site, so we have taken an expert who is currently working with us on a key molecules looking into every opportunity to optimize the cost and we have found out that our cost position can be definitely include in this areas, so that is work that is happening across all the parameters are presence in global market, strengthening our tie ups and creating desks globally especially focused on Japan and also getting the new product launches done perfectly in the country as well as the neighboring markets plus the manufacturing site. This is over and above what we have spoken in the past and I am not touching on the R&D regulatory aspect and all, so we feel quite confident that this business will grow. It has taken a bit of a time and last year because of COVID we had to sure have in the beginning of the year some of our CPC plants operate at lower capacity or the plants were shutdown due to the lock down that has obviously been a 30 odd days between the 3 different plants and to that extent the revenues for the year has also got a bit curtailed.

Sameer Goel: Just to add to Bharat's question, Q4 we by 24% and in the term of full year the EBITDA has actually increased at 5% points to 17% reflecting the strong performance, we have alluded some of the issues in Q4 and overall it has been a phenomenal from last year we had the issue with the supplies, but overall on all parameters we have done very well. Also Bharat probably to understand on bio per se in terms of the Q4 and other things the bio business had done fairly well. We have grown both the top line by 28% very good traction we have seen in America and also the EBITDA is always higher, which is grown also and sensing us that the lower level EBITDA is 35% so overall crop protection this time has been a very normal growth like we have done for speciality impedance and for organic. Other businesses have done extremely well.

Bharat Sheth: Jayashree, to add one question, full year we registered our 16.6% EBIT margin, so can we expect that trajectory to improve from year one with always?

Sameer Goel: We will continue to work on the steps we are taking and we will continue to take further steps to improve efficiency and improve margins. We continue to expect this to continue to grow especially with the new generation molecules that we launch in.

Bharat Sheth: Last bookkeeping question, Jayashree, in Q4 our other expenses has gone up Q-o-Q as well as Y-o-Y, so is there any one of item is there?

Jayashree Satagopan: Yes, in Q4 as I was mentioning there is some amount of additional maintenance ATA related expenditure that has come in that is one we must stating.

Bharat Sheth: It is possible to quantify?

Jayashree Satagopan: Each of our large plants typically have between 8 Crores to 12 Crores when we do the annual turnaround.

Bharat Sheth: Thank you and all the best.

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

Sumant Kumar: Sir, my question is regarding working capital side, so it improved significantly in FY2021, so your trade receivables improved significantly from 48 days to 14 days, government subsidy days also improved by 64 to 15 days, so talking out overall working capital cycle what kind of working capital cycle that we expect in FY2020?

Jayashree Satagopan: Sumanth, I think this year FY2021 has been phenomenal year, the government subsidies are at the lowest because there the additional 65000 Crores that came in, which has actually helped the entire industry including Coromandel. The next year allocation also if the government is able to clear it at the pace at which they are doing we can expect depending on the season between 600 to 1000 Crores in terms of outstanding from the government I mean March has been very low that is number one. The second in terms of trade receivables give the fact that we had 2 years of consecutive good monsoons record crop harvest there was money that was available with the farmer added to it the government direct transfer prior to the season to procure seeds and all of those and the fear of COVID being there whether they will get enough material has also sort of in a way helped us in mobilizing and getting a market collections. I am talking this mainly on the fertilizer front in CPC we have a little more way to go that, so we have been taking to our sales and marketing team to see how we can maintain this momentum, we had to wait and watch. I would say FY2021 is a brilliant year. If I can maintain at this level I will really happy. There could slight increase because this is one time and we had such record collections both on the trade side as well as on the recovery front. At the same time, I would also looking to inventory, right we had very low inventory with us all through the year. Actually this year the company worked in some ways like FMCG company operating at low inventory levels almost all through the year. The raw material prices have been very soft for most part of the year, now as we enter to FY2122, we are seeing an innovated price for raw material, so to that extent we will see a high inventory holding in absolute value terms, the quantity may be the same, so there are some puts and takes, we would strive to maintain lower working capital days, but I guess there could be slightly higher number of days compared to the closing that we had.

Sameer Goel: Just to add Sumant, We have been in touch with the government and very happy across the industry that the government has been keeping up to its promises and allocated Rs. 65000 Crores for subsidy .

Sumant Kumar: So, government subsidy days can increase from 15 days to 30 to 40 days?

Sameer Goel: No, what govt is looking at clearing up all the backlog and the department has said in case there is further backlog they would seek supplementary grant of Rs. 8000 crs. which was dropped this year.

Sumant Kumar: Why the loans and advances has increased incidentally?

Jayashree Satagopan: I was not able to understand the question?

Sumant Kumar: The loans and advances have increased incidentally so what component is that?

Jayashree Satagopan: I will come back on this question?

Sumant Kumar: Taking over the capex, what are the capex plan we have for the fertilizer and agrochemical segment in this year?

Jayashree Satagopan: So, we have capex plan of about 500 Crores to 600 Crores for the coming year. Last year as you know with COVID several of our capex projects slightly pushed out because we did not want too many people coming into our factories during the pandemic season, so there is the carryover of last year and typically every year for regular maintenance capex we spend about 150 Crores to 200 Crores across our plants. Apart from this we have new projects, which includes the additional capacity for acid tanks, infrastructure, we are looking into new granulation facilities in our SSP plants, there are projects on automation and digital.

We are also looking into additional plants in CPC for the new products all these put together it is adding between 500 Crores to 600 Crores.

Sumant Kumar: Do we have a plan for phosphoric acid plant?

Jayashree Satagopan: No, we do not have, we have done 2 phosphoric acid plants. We are looking into increasing the production from the PA plant for which it is also important to see there is further opportunity to backward integrate on a sulfuric acid, so these are all ideas that we are working on is there an additional acid of 200 tonnes per day that we can get more what are certain actions we have do to secure it, but it is not putting up any additional plant on PA.

Sameer Goel: The projects deferred last year is going to get implemented this year including putting up evaporator in Vizag, which should come in July which shall help us move concentrated acid to Kakinada. So we can see that benefit in the second half.

Sumant Kumar: And the last question is what are the price increase you have had thought on that and the increase is from 795 to 995, are we going to take a price increase in the coming months for that also?

Sameer Goel: Like I and Jayashree had mentioned that we have procured material at old prices and also balancing through smart procurement of other Raw materials. Our Focus is on promoting NPK for balance nutrition instead of DAP to minimize the impact of price hike. We will take a call on price hike in sometime.

Sumant Kumar: Thank you.

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

Vishnu Kumar: Good afternoon and thanks. Sorry to circle back on the same question, we understand that couple of weeks ago the government had put out some kind of a restriction against staging prices, so if I is it right once on every new stocks as an industry we will be able to take whatever price hikes is required even if you say DAP has to go to Rs.3800 to 4000 per tonne would the industry be able to take it and similarly all indicates probably even Rs.5000 to 6000 per tonne difference will it increase to that extent?

Sameer Goel: Just to answer that question, what the government had indicated that whatever your stocks in the pipeline, which includes the channel and retail stocks continue to sell at the olde price and we are also doing the same thing. Once the new price gets established government may also look at subsidy because currently they have not made any changes in the subsidy. Like

I said as far as Coromandel is concerned we are into NPK and we are watching the price as per what grades we produce for the efficiency. Currently, Q1 for us is the non-season as such, but we would have to have a dialogue with the government to increase the price.

Vishnu Kumar: Got it, Sir.

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

Resham Jain: Thank you for the opportunity. I have slightly different question on this price increase is from the volume perspective, as we understand we have 40% to 50% import of complex fertilizer in India and obviously as you mentioned initially farmers may also in a way will move to some unique grade because the prices have gone up significantly, so in that case do you think that in this year from volume perspective we will be able to sell at least what we have sold last year because we have some advantage compared to the industry?

Sameer Goel: I think this is a good question, one is we are sitting on a lowest channel inventory, secondly there is a forecast of a normal monsoon, therefore I do not see any issue as far as we are concerned from a demand point of view as we talk about it, we have more concerned from a supply point of view given the COVID situation and first priority for us is the safety of our people and of the plant, but the good thing is we shall be able to tackle this. This year and last year the government had given certain restriction there then realized that is not workable for the continuous industrial development.

Resham Jain: Sir, just the second question is on SSP, which you highlighted I think in some of the quarter we did around 2 lakhs tonnes kind of volume, so if you can just highlight what is the capacity and you did mention about some capex being done in the granulation side in SSP, so what kind of capacity do we have in hand and what kind of growth are you look at in SSP?

Sameer Goel: So, first thing we had a good volume growth on SSP with 6.7 lakhs metric tonnes, next year we plan to do around 7.28 metric tonne. We also have couple of plants, which we can actually grow given the fact that we have not just selling SSP, we also have GroPlus, which is a value added product, which we sell and farmers are now asking for GroPlus not just SSP. So that is good thing is that we actively invested in what is called sulfuric acid plant in Ranipet we need some of the sulfuric acid and with the high price of sulfuric acid increased capacity shall help.

We are finding there is more demand for the branded SSP the reason is simple powder they mainly use as a basal application while we have granulated SSP. We are also investing in granulation capacity to increase our presence in value added products.

Resham Jain: Thank you, Sir for the detail answer and all the best.

Moderator: Thank you. The next question is from the line Tejas Sheth from Nippon India Asset Management. Please go ahead.

Tejas Sheth: Good afternoon, Sir. On the acid prices what is leading to this steep increase and how long you see lasting in?

Sameer Goel: No, this has happened in the past also. It is not over the year, I think the overall phos acid and all other agriculture commodity prices have gone up is last year. The year has been a very good agriculture season for all the 4 big consuming markets, so number one is that US did very well, China did very well and like you know India did very well, so all these markets did well despite the fact that there were the COVID issue, right that is one, second is also the emerging markets, which are not consuming more of fertilizer, which are intact for the few markets and that is again something, which has happened. Third because of the COVID a couple of plants including our JVs were not able to operate fully same will apply for ammonia for example because some of the plants have taken out to shut down and of course some of the capacities whether for Urea and ammonia are blocked in Iran because of the trade war which with US.. Now we do expect some softening of it to happen as now the major season of all these other markets are gone. So like it happens in the middle of quarter one of kharif season because the China will come in and there will be certain amount of softening which is happening. At the same time the government has written to supplier for them to actually look at fair pricing and availability of the material.

Tejas Sheth: And sir secondly the old cost inventory would suffice us to meet our karhif demand.

Sameer Goel: Kharif season is in July, August, September. So anyway for that it is still time we are looking at quarter one just now. So we look at selling more towards consumption.

Tejas Sheth: So in a way you will defer to fill in the trade closer to the Kharif.

Sameer Goel: No, we now again like I have really mentioned and this is the term which I do not like coming from an FMCG industry I do not like to fill up the trade we would rather sell to consumption and where the farmer wants it now the only thing which we sell better if it ages is wine or whiskey we are not into that business.

Tejas Sheth: Thank you very much.

Jayashree Satagopan: If I could just step in for a minute there was this question on the financial assets loans reflecting 1500 odd Crores the response to that is these are inter-corporate deposits it is nomenclature in the books comes as loans but these are the surplus ones being invested. Thanks you can take one last question if that is fine.

Moderator: Thank you. We take the last question from the line of Varshit Shah from Emkay Global. Please go ahead.

Varshit Shah: Wish good health to everyone at Coromandel family. Sir my question is that related to the inter-corporate deposit so are they do group companies at arms length interest rates or these are not related parties.

Jayashree Satagopan: None of this is to related parties these are all kept in banks and institutions externally.

Varshit Shah: So why does it come inter corporate deposit instead of investments I mean is there some accounting mandate compensation.

Jayashree Satagopan: Yes, because if it is a bank we call it as the investment, if it is going to be in say HDFC Limited for instance then the accounting nomenclature is this, but it is nothing to do with any of the group companies no related party transactions at all.

Varshit Shah: And my second question is on the capital allocation so I think we were sitting on a sufficient amount of cash to do even to take up any either inorganic opportunity or any organic large initiatives. So maybe where are on that in terms of probable pipeline building up or at least we should not expect anything in the near term.

Jayashree Satagopan: Yes, there are two ways to this Varshit. One as we mentioned earlier Coromandel is open about looking into inorganic opportunities as long as it is synergistic and it is complementing with our current businesses. So that is one and it is a good target it comes with a decent price and definitely be open to look into it and move ahead. The second one is in terms of our own organic growth here again as I was mentioning there are two things that we are looking at one is a CPC where we are looking into next two, three years what are all these molecules which are recently gone off patent where we can build up our technical manufacturing for which work is already started we are also looking into how to be backward integrate because there is no point in just giving the technical manufacturing if you are not backward integrated to n minus 1, n minus 2, because you are a long period of time you have to remain competitive. So there is quite a bit of work that is going on in that front on the CPC. As far as fertilizer is concerned like Sameer was mentioning it is about how we strengthen our infrastructure be it an evaporator putting up a new liquid fertilizer adding capacity at our wow for our plants for additional storage there is also projects that is going on in terms of internal infrastructure as I was mentioning there is a PAP that we can possibly take up our daily production but for which we will also have to look into additional grounds for our rock see how we can further backward integrate in terms of our sulfuric acid requirements so multiple things are being looked into at this juncture what we are also doing is given that it is about a couple of years since we did our LTS or a long-term strategy plan we are also revisiting it saying in the current context of what is happening should there be something more that we should look into now given the fact that we do have surplus with us how do we deploy it so a lot of these are being currently built into and hopefully we should find some very good avenues where we can deploy our funds meaningfully which can maximize the return to all our stakeholders.

Varshit Shah: Let me just talk about the ag tech what we are doing we have set up a separate one to ag tech.

Jayashree Satagopan: We are also doing in some ways is also to accelerate our innovation agenda when we did our earlier long-term strategic plan we said we will have to be invested in agtech as you know through our joint venture and we have been in a way into mechanization we have been looking into several startups how do we collaborate with them both in India and in other global destinations also working with several of the IITs where they nurture a lot of these young entrepreneurs who are into aptech startups so recently we have set up a team which should be actively looking into the aptech companies where we can support them see how we can provide them the canvas which Coromandel has to test try and scale up that will also help us to look into things from a newer kind of pressure perspective so that is another big focus area we are doing it, we are starting in a small way and this fund will keep increasing over a period in time to see how we can get the maximum out of learnings and new technologies that the young startups can come up with.

Varshit Shah: Sure just one last question is are you expecting your Q-o-Q margins, EBITDA per tonne to actually sort of cool down because of the raw material price inflation.

Jayashree Satagopan: Here again I would say that we should look at a full year on a quarter you may have aberrations depending on raw material prices demand so on and so forth but on an annual basis I think steadily we have been improving and there are several actions that the company is taking including the operational efficiencies different grades of rocks because of the type of flexibility we have built in branding comprising actions so on a full year basis I would think that we will continue to maintain our momentum hold on to where we are.

Varshit Shah: Sure that is helpful all the best and wish all of you a good health.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I now have the conference over to Mr. Ankur Periwal for closing comments.

Ankur Periwal: Thank you everyone for being there on this conference call and for their active participation. Sameer sir over to you, if you want to add any final remarks.

Sameer Goel: I think firstly to everyone we are in pandemic and particularly some of our investor friends are in metros like Bombay, Bangalore, and Delhi they need to really keep safe and also keep their family safe so we hope they are doing that. As far as we are concerned especially now our efforts are basically on the safety and security of our people and plants and also we are working with the government to see how we can help them to overcome with this pandemic. We have already started to put up five oxygen generating plants which we will be putting up in hospitals soon, this is not a core function but this is something which we are going to help out as part of our CSR initiatives. The good news is that agriculture like last year will continue to be a good one it will help to feed the nation it will also help to keep the economy going it will also help to build up the rural demand. This year the question would be in terms of not as much as the demand but as much as what we can supply the market. So again we are in a good position and we hope to continue with all our efforts what we have done in the past as we learn in the future including digital reach, working on automation of our plants, really using agtech in a big way. We will work and hope that the farmer's prosperity will increase. There was a question about imports of DAP one of the things we have presented to the government for Atmanirbhar Bharat on the NPK sector so that we are not dependent on the vagaries of importers. Thank you.

Jayashree Satagopan: One more comment from my end, I do understand that there are a few more questions and we have about 8, 10 people in the queue. While we are closing this session due to paucity of time kindly come to us with your questions, you can reach out to Sameer or me and we will be happy to respond to you. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Axis Capital Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.