

Coromandel International Limited
1Q FY '26 Post Results Conference Call
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Moderator:

Ladies and gentlemen, good day, and welcome to Coromandel International Limited 1Q FY '26 Post Results Conference Call. 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 star, then zero on your touch-tone phone.

I now hand the conference over to Mr. Manish Mahawar. Thank you, and over to you, sir.

Manish Mahawar:

Thank you, Bhavya. On behalf of Antique Stock Broking, warm welcome to all the participants on the 1QFY26 earnings call of Coromandel International. Today, we have Mr. Sankarasubramanian S., Managing Director and CEO; Dr. Raghuram Devarakonda, Executive Director, CPC, Bio Products & Retail; Mr. Deepak Natarajan, CFO, on the call.

I would like to hand over the call to Mr. Sankarasubramanian for opening remarks, post which we will open the floor for Q&A. Thank you. And over to you, Mr. Sankar.

S. Sankarasubramanian:

Thanks, Manish. Good afternoon, everyone. I'll give a brief on the overall business environment we experienced during the year, followed by company's performance, and thereafter, we can take your questions. On the agricultural scenario, after an early onset of Southwest monsoon in May, country as a whole received above normal rains during the first half of the Kharif season.

As on date, we have received 105% of the long period average rainfall. While regional variation exists, there has been good recovery, especially over the last fortnight, and overall agriculture scenario remains positive.

During the month of June, there has been some mismatch in the rainfall distribution, especially in the southern states, that has really caught on in the last 2 weeks. Reservoir capacities are also up from 38% last year to 61% up to last week with healthy levels across all regions. The South, which is a key market for Coromandel, 70% of the capacity has been reached in the current year as compared to 48% in last year, giving promising outlook for the crop sowing.

As a result, healthy crop acreage has happened so far, moving up by 4%. Coming specific to individual crops, rice has grown by 13% and coarse cereals by 14%. There has been a negative sowing in cotton and oil seeds. So overall, we have achieved 71 million hectares crop sowing as against the Normal Kharif sowing of 110 million hectares, which shows 70% of the sowing has already happened.

On the policy front, the government has provided strong support for farm income through increased minimum support prices for Kharif 2025, and direct income transfer schemes such as PM Kisan and Rythu Bharosa, Annadata Sukhibhava. All these are all progressing as planned by the govt.

Cabinet has recently approved Dhan-Dhaanya Krishi Yojana scheme to focus on improving incomes in 100 districts having low productivity, cropping intensity and credit disbursement through improvement in crop diversification, post-harvest storage, irrigation infra and credit access.

During the quarter, the government approved the continuation of the modified Interest Subvention Scheme. Under the scheme, apart from 1.5% of interest subvention provided to eligible lending institutions, farmers making prompt repayment of loans will be eligible for additional incentive, thereby reducing their interest rate on KCC loan to 4%.

Specific to fertilizer policy, government has been ensuring adequate availability of DAP and has been engaging with the various global players. Government delegation visited Saudi recently and secured long-term supply of close to 3.1 million tons for the next few years. This will be extremely useful as India imports close to 5 to 6 million tons of DAP.

Considering the importance of DAP requirement, the government has also came up with additional compensation for DAP beyond certain threshold levels, which was announced in the early part of Kharif and that is likely to continue for the second quarter as well.

On the industry performance, all key raw materials witnessed firmness in Q1. Processed phosphates like DAP continued to climb as absence of China and lesser supply from Russia has significantly tightened the market supplies for DAP. Shortfall in supply from China so far has been made up from sourcing DAP from rest of the world.

In line with the increase in global prices of DAP, and also India CFR price of DAP, Phos Acid price has also significantly gone up from \$1,153 in Q1 and has been concluded at \$1,258 for Q2.

Domestic phosphatic industry registered a strong quarter, driven by improved sentiment, improved consumption of fertilizers, which has gone up by 9% to 4.5 million tons. Early monsoon arrival, lower level of inventory and higher sowings contributed to this improved consumption trend.

NPK segment continued to grow well and constituted 65% share in the overall sales. The last year trend of increased demand for NPKs replacing DAP augurs well for India, especially considering the fact NPK provides a balanced nutrition much required for the crop as against deploying DAP. On the supply side, production and import of phosphatic were up by 5% to 9%. Production continued to remain healthy at 37 lakh tons for the quarter for DAP and NPK.

After a lot of efforts from industry as well as from the government, the import of DAP and NPKs has managed to move up in the last few weeks. And the first quarter witnessed 19 lakh tons as against last year's 17.6 lakh tons.

Overall, the consumption has gone up by 9% at the industry level, mainly driven by NP, NPKs, which has grown by 34% from 22 to 29 lakh tons, whereas DAP registered degrowth. This indicates the farmer preference for balanced nutrition and the choices they have made depending on the availability despite the fact that DAP pricing continues to remain low as against higher NPK pricing.

It's heartening to note that single superphosphate has witnessed robust growth of 25%, moving up from 9.8 to 12.2 lakh tons, and urea registering increase of 12% over the last year.

Potash consumption as primary sales have moved up, but imports came down considerably due to delay in price negotiation, which was subsequently settled at a very competitive pricing in comparison to China price, and that assures supply of potash in the coming months. While the import for the first quarter is lower at 71%, consumption moved up by 46% to 4.6 lakh tons.

Coming to agrochemicals, Globally, there has been a reduction in the channel inventory compared to last year. Pricing pressure on certain molecules has reduced compared to last year but still challenge persists in the current year as well.

However, favorable monsoon conditions in the domestic market really aided in widespread spraying coverage across the region, generating demand for crop protection. With the overall buoyancy in the marketplace, farmers have started resorting to high-end products like specialty fertilizers, Bio products, which has seen uptrend during this quarter.

Coming to company's performance during this quarter. Our performance has to be seen in the context of overall environment. Due to the early onset of monsoon, the increased crop sowings improved the demand for the agri inputs, whether it's fertilizer or specialties and organic. At company level, the performance across business segments has been quite healthy, mainly driven by operational excellence, procurement efficiencies and very effective marketing communication.

Our plants operated at full capacity of 8.4 lakh tons in Q1, registering 6% volume growth. We continue to operate our newly commissioned sulfuric acid plant at 100% plus capacity utilization, and our phosphoric acid volumes were also up by 23%.

A lot of digital analytics intervention, improving the uptime of our plants in both Vizag and Kakinada was really helpful in increasing the throughput efficiency, conversion cost reduction, and the company has been leveraging effectively digital tools to manage and maintain operational effectiveness in their plants.

The production of NPK and DAP moved up from 7.88 to 8.37 lakh tons, registering growth of 6%. Phosphoric acid moved up by 23% during this quarter with the resumption of Ennore plant also coming back on track.

As you all know, we announced backward integration projects of phos acid and sulfuric acid and the project is progressing well. And almost we have completed 70% of the project milestone in terms of machineries as well as civil construction. The plant is likely to be commissioned in Q4 of this current financial year.

The company's rock phosphate project at BMCC has significantly increased its throughput and has stabilized its operation and helping in meeting company's rock requirement. As you all know, the company is currently holding 53.8% stake in the Baobab Mining and Chemicals Corporation at Senegal. And yesterday, Board has approved increasing the stake by additional 17.7% to reach 71.5%.

Senegal is of extreme importance for the new plant, which is coming up at Kakinada, where we plan to use Senegal rock, meeting 40% of the new plant requirement. So we feel the improved operational efficiency at Senegal and increased throughput in the coming years will help us to secure at least captive rock sourcing close to 25% of our annual requirements.

Our granulation project that is expected to add 7.5 lakh tons of additional capacity is on track and is likely to be commissioned by end of FY26-27. To support this, company is setting up a bagging facility also, which will help in reducing operational costs and facilitate smooth movement of the goods.

During this quarter, as you all know, the Coromandel signed a long-term agreement with Maaden of Saudi Arabia, a leading fertilizer player, mainly to secure DAP shipments. We have also been contracting ammonia shipments for our operations at Kakinada.

On the marketing front, Coromandel achieved record primary sales volume of 11 lakh tons, marking a 31% growth, establishing itself as a leading marketer of phosphatic fertilizers in the country with an improved market share of close to 18% on the NPK segment.

Share of unique grades, which differentiates us from the rest of the players, stands at 34%, improved from last year level of 31%. We continue to expand in Central and Northern India, aligning with our strategy to diversify markets and prepare ourselves for the upcoming increase in capacity.

The POS consumption improved by 46% during this quarter to 7 lakh tons, reflecting improved farm level engagement activities and a favorable agri environment. The market share on the consumption basis has improved to 16% as compared to 12% of last year. With the better price realization on the Rabi produce, the market collections for the business has been quite robust. And also, we are happy to note that the government has been prompt in settling the subsidy dues as well. SSP business has recorded a volume growth of 20% to 1.9 lakh tons with special focus on differentiated products, which are unique to Coromandel, the share of which has reached 37%.

We've also been persisting with our drone spraying services under the brand of Gromor Drive. And in first quarter, we have covered 25,000 acres. The initiative has received highly encouraging response from the farming community, and we are planning to double the fleet size of drones by procuring them from Dhaksha, and we hope to reach at least 0.5 million acres of drone spraying in the current year. Coromandel is taking this initiative more to provide comprehensive solution to the farming community, at the same time helping in preserving and conserving the water as drone spraying can cut down water requirement by almost 90% and can be reduced to one-tenth of the total water otherwise required per acre.

Specialty Nutrient business as a company had a strong quarter, registering volume growth of 12%, while organic fertilizer volumes has improved by 29%. Our Nano DAP business has made a good progress, and we have been very, very systematic in creating awareness campaigns across India, carrying out a lot of field demos, presenting the research institutes' trial results to the farmers, generating the demand, and focusing on educating the farmers to adopt this product for

partial substitution of DAP, which is also not available in adequate volumes. Going forward, the business aims to broaden its portfolio from institutional partnerships and tap into export markets as well to enhance its market presence. The company is also looking at diversifying the product portfolio by looking at Nano NPKs as well. The company has also launched Nano Urea through its retail outlets during this quarter and continue to responsibly educate the farmers in appreciating the use efficiency of this technology.

During the quarter, Coromandel signed a definitive agreement to form a joint venture with Sakarni Plaster for the manufacture and sale of phospho gypsum based green building materials. This JV enables synergies in adjacent areas by converting its industrial byproduct gypsum into value-added construction material.

Crop Protection and Bio segments of the company delivered robust set of numbers in Q1, revenue growing up by 31% to Rs 725 crores and EBIT moved up by 77% to Rs 111 crores. In exports, we brought in differentiation in terms of our mancozeb margins, volumes, target markets and have received very good response in major consuming markets as the demand for the product has moved up due to its extension on maize crop. Domestic market benefited from the early monsoon arrival that resulted in growth across B2B and B2C segments.

Business introduced 10 new products during the quarter, including one in-licensing product. We continue to focus on increasing the share of new products. Overall, three insecticides, three herbicides, three Bio products and one PGR were launched, including one in-licensing and three 9(3) formulations.

On the in-licensing product, Nitenpyram is a globally acclaimed sucking pest insecticide in-licensed from one of our strategic partners. We'll continue to drive this business. We have also started focusing more intensely on the domestic formulation segments and expanded our geographies by significantly improving our presence in additional 40 territories and also increasing our field strength. All this will play in the next coming quarters in terms of increased share of our domestic formulation business.

On the Bio business, there has been a revival in demand for the biopesticides in the global markets, especially from U.S. and we continue to receive the orders from Europe. The business has been focusing on diversifying the portfolio beyond neem-based, and they are in the various stages of registering the new products like microbials. The business has created a separate marketing team, as it involves concept selling to educate the farming community to adopt the Bio products.

In July 2025, Coromandel received Competition Commission approval for the newly-acquired NACL and is awaiting SEBI clearance to launch open offer. Once we get the approval, we'll conclude the transaction of buying out the promoter stake and complete the acquisition formalities, including open offer. With improved liquidity and market sentiment, business is doing well and we will try and realize the synergy benefits envisaged earlier at the time of acquisition.

On the retail business, the business has reported strong performance in Q1 with growth in revenue and profitability across various segments. 73 new stores were opened during the quarter, and business is on track to increase the store count by adding 400 stores during the year.

The business is enhancing its customer outreach through strengthened e-commerce and digital platforms and will be the only player to make a door delivery of key agri input products besides providing spraying services.

With these initial remarks, I will hand over to Deepak to take you through the company's financial performance. Over to you, Deepak.

Deepak Natarajan:

Thank you, Sankar. Good afternoon, everyone. The company recorded a consolidated total income of INR7,126 crores during the quarter versus INR4,783 crores in Q1 of last year, registering a growth of 49%. The increase in revenues has been mainly on account of higher subsidy rates and volume growth across all our business segments. The subsidy share of the business stands at 83% during the quarter compared to 81% in the previous year same quarter.

In terms of profitability, the consolidated EBITDA for the quarter stands at INR782 crores against INR506 crores in the previous year, registering a growth of 55%. The increase in EBITDA is driven mainly by volume growth, higher subsidy rates and margin expansion in crop protection and all the other businesses.

Profitability share of subsidy business stands at 68% during the quarter.

In terms of subsidy, during the quarter, the company received INR1,300 crores towards subsidy claims from the government compared to INR987 crores in Q1 of last year. Government has been prompt in clearing the subsidy dues. As of today, we have received our subsidy claims until July first week. The subsidy outstanding as at quarter end June 30, was INR2,911 crores.

In terms of forex, during Q1, the rupee traded in the range of INR83.76 to INR86.91 to USD. Coromandel continues to follow a prudent and a conservative approach of hedging our forex exposure and that has immensely helped in limiting the impact of currency volatility.

Thank you for your interest in Coromandel. Looking forward to your interactions. 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.

Prashant Biyani:

Sir, congrats on great set of numbers and congrats on being elected the Co-Chairman of FAI. Sir, my first question is on the China specialty fertilizer ban. Do we have plans to start manufacturing specialty fertilizer in a big way in India and capture the market leadership here as well? And secondly, on rare earth minerals, sir, do we have any plans to enter the space of rare earth mineral extraction?

S. Sankarasubramanian:

Thank you. Very insightful question. Both are very, very relevant. We are equally concerned on the supply of raw materials for Specialty Nutrient business. We are evaluating opportunities of creating capacity for some of the key raw materials and as a fertilizer player, our ability to reuse

the by-products which are generated out of the process is quite helpful. We are evaluating the investment to create capacities for our captive consumption as well as it provides opportunity for us to export to Europe and various other NPK players globally. Also, it will meet the domestic demand of the rest of the players in the country.

On the rare earth minerals. We'll get back to you once we do evaluation. We are trying to focus ourselves mainly on the phosphate-based derivatives. We have not looked at extraction of rare earth minerals.

Prashant Biyani: Sure. Sir, your view on what could be the NBS subsidy for H2, not the number, but directionally, how it could be, because internationally, we are seeing raw material prices have been going up?

S. Sankarasubramanian: Logically, subsidy should go up.

Prashant Biyani: Right. And sir, on BMCC, what is the current output? And how much do we plan to scale it up to? Our earlier plans were to scale it up to 5 lakh tons, but do we plan to scale it further beyond 5 lakh tons, and by when?

S. Sankarasubramanian: If everything goes well this year, FY25-26, besides 2 to 3 months of rainy season when we don't operate, we should come closer to 300,000 tons to 400,000 tons per annum, which will be a remarkable achievement. Being the first year of capacity, we are reaching 100%. Hopefully, we should double it in the next 2 years. We can do this with not significant investment.

Moderator: The next question is from the line of Somaiah V from Avendus Spark.

Somaiah V.: Sir, the question is on the DAP market. This has been tight for some time now. So do we see, in the next 6 months or 9 months, any major supply that could come from global players by adding capacity or anything that could change in this market that could ease out a bit in terms of global supply, or the existing tightness can continue for some more time in your view?

S. Sankarasubramanian: See, China is major source for India in the last few years. It has completely dried up in the current year. So that is creating the demand-supply mismatch. But we are confident that from Middle East sources, increased volumes can come through and make up for the volume drop from China, and that should considerably ease the situation.

While there can be a timing mismatch going forward, with the capacity expansion happening in Middle East, we are reasonably confident we should not face any challenge on DAP availability going forward.

The companies are also creating capacities which will come up on stream in the next 2 years. With the stable policy and the reasonable market price and also the inclination of the farmers to make a switch from DAP to NPKs, this will get balanced out. Also globally, commodity prices are not going to go up for various reasons. And I don't see any reason why for India alone DAP price should go up. I have a strong view, if appetite for DAP for the forthcoming rabi seasons are met, DAP prices should soften from there on.

Somaiah V.: Got it, sir. Sir, second question is on the margin. So we earlier had guided -- I mean, in terms of our expectation around the manufactured margins of around INR5,000 per ton. Updated thoughts on that. That's the first part. Second, in the current quarter, the quarter gone by, Q1, I mean, what was the impact of sulfur, sulfuric acid prices directionally?

Because I think in Q4, you had alluded because sulfur prices being higher at close to \$300. So how did things change on a quarter-on-quarter basis and how things stand today? I mean, are we seeing sulfur market easing out a bit or still it continues to remain tight? That's the second part. Third part to the margin question itself, as you mentioned, phos acid prices have gone up. Does this warrant a price hike from our side to maintain margins what we are looking out for FY '26?

S. Sankarasubramanian: In respect of sulfur, sulfuric acid price, it continued to remain firm. Sulfuric acid is around \$120. And sulfur prices peaked to \$300 plus, and has started softening now. It has come down to \$275. So we do hope that sulfur prices have reached the peak and can only come down from here on. On the manufactured margin, our normative EBITDA per metric ton of INR5,000 will sustain during this year. That's our hope, and we'll strive to do that.

In terms of the phosphoric acid price change, it's in line with the global commodity prices, especially DAP increase. This may warrant some correction in certain NPK grades, because we should be aware of the fact that both phosphoric acid and potash has gone up during this quarter.

. Of course, price change on account of DAP, phosphoric acid, and imported DAP prices will be compensated in the form of subsidy. That's what we foresee at this point of time.

Somaiah V.: Just one small clarification, sir, regarding the sulfur, sulfuric acid impact in the quarter. Compared to Q4, it would have had a negative impact because prices have gone up. Just directionally, just want to understand?

S. Sankarasubramanian: Yes, it has impacted the value gap on captive phosphoric acid because we consume sulfur to produce sulfuric acid, which in turn is used for phosphoric acid, and imported sulfuric acid price has also gone up. To that extent, there has been a marginal reduction in the value addition. But with phosphoric acid going up, again, the value gap will widen further going into next quarter as well.

Our procurement efficiency of long-term contracts, some of the formulas are slightly different from spot purchases. We are fairly getting insulated. That's what I mentioned in my opening remarks on the procurement efficiency. So we have been managing it quite well.

Moderator: The next question is from the line of Puran Mangilal Tak from Oracle Capital Services.

Puran Mangilal Tak: So my question was on the -- like Coromandel is using different grade of phosphoric rock to produce phosphoric acid. So I just wanted to understand that does it impact the conversion rate of rock to acid? And what is the current conversion of rock to acid? And in the annual report also, like we are doing research on how to use that different grade of rock. So does -- like it has improved our conversion rate or conversion of rock to asset has improved over the 5 years? Just wanted to know that.

S. Sankarasubramanian: Good question. Coromandel is differentiated from the rest of the players in the industry mainly by focusing on sourcing rock from multiple sources. So at any point of time, we have 4, 5 grades of rocks and 4, 5 grades of acid we use in our plants, driven by the necessity because as our volumes going up, our demand for acid goes up. And that is where our pilot plant at Vizag comes handy in terms of trying out various blends of rock and different proportion and different P2O5 content.

The new plant, which is coming up in Kakinada is also being designed to handle low-grade rocks and the metallurgy of the machineries are accordingly tuned to handle low-grade rocks. Once we design it for low-grade rock, the higher grades can give better throughput. So this has been taken care of, and that's the core strength of Coromandel. At any point of time, we use more than 3 grades of rocks to produce without compromising on the output, without compromising on the quality.

Puran Mangilal Tak: And can you give us, like what is the current conversion rate. Like how much rock we require to produce acid, blended, just wanted directionally?

S. Sankarasubramanian: Roughly, you can take, around 3.5 tons to 3.75 tons of rock may be required per ton of acid, and that depends on the P2O5 content. Suppose if we use low grade, it may go to 4 tons, 4.25 tons. If we use high grade, it will come to 3.25 ton. On a blended basis, you can take this sort of number.

Puran Mangilal Tak: Okay. And my next question was on the -- like as Coromandel has the largest depot network among the peers. So just wanted to know that what is our depot in our value chain. And like as I have met the Gromor retailer, so he said that now Coromandel is shifting to direct delivery to farmers. So like conversion like from the last 5 years. So like is there any cost improvement or this cost savings from direct delivery to farmers?

S. Sankarasubramanian: I didn't understand the first part of it. Can you please repeat the first part of the question, initially?

Puran Mangilal Tak: So like Coromandel has the largest depot network overall in India?

S. Sankarasubramanian: Are you talking about retail network?

Puran Mangilal Tak: No. Depot.

S. Sankarasubramanian: On the door delivery, we started this initiative in the last 2 quarters. We have been doing it to ensure that the farmers get delivery of the products like an urban consumer. And we started on a pilot scale. It's picking up momentum. And it is aided by our e-commerce platform, which we created to deliver all the agri input products at the doorstep for the farmers.

We have piloted in a few districts. Working well. We'll be scaling up. And we also have our own MyGromor e-com platform, on which the farmers can place an order and the delivery can be made. This is picking up.

While it may not be value accretive in terms of the cost versus additional margin, but it provides customer lock-in for us. And we feel, as part of an agri solution to the farming community, we

should facilitate this. We will try to expand this to many markets, and we have seen the benefit of this as well.

Moderator: The next question is from the line of Naushad Chaudhary from Aditya Birla Mutual Funds.

Naushad Chaudhary: Congrats on a good set of numbers. A few questions and clarifications. First, as we are expanding in non-South market, can the volume growth also be attributed to channel filling as well?

S. Sankarasubramanian: Consumption also has grown well. While I agree with you, we've grown beyond South markets, we have done volumes in North markets, but they are all on a cash basis and collection has been good and the consumption also happened. Consumption share also has gone up during this quarter.

Naushad Chaudhary: And what is the goods return policy we follow?

S. Sankarasubramanian: In fertilizer, there's no concept of goods return. In crop protection, we have a framework. It's not very high. It's not very significant. We don't push volumes. We only place it to the extent of the demand. And for some key specialties, there are no returns. Wherever it is required, depending on the monsoon failure and genuine considerations, we do consider goods return.

That is restricted only to Crop Protection business. So we don't have to really worry about the first quarter, whether it's a push sale that has driven the volumes. They are all quality sales and will be backed by the consumption.

Naushad Chaudhary: Sure. Second, on the prices of sulfuric and phos acid both, and because we are backward integrated, ideally, it should have helped us in terms of the EBITDA per ton, right? Because these 2 prices have gone up, we are backward integrated and the finished product prices would get adjusted accordingly. So it should be good for us?

S. Sankarasubramanian: Yes and no.

Naushad Chaudhary: Okay. Can you elaborate on this? And are you in a position to quantify how much it would have helped?

S. Sankarasubramanian: These are volatile commodity prices, no one single factor can influence. It's multiple factors. How do you optimize your rock usage? How do you source ahead of time and how do you price your end products? It's completely dynamic. On a normative basis, we ensure that we get that average EBITDA of INR5,000 what we have been talking about. So sometimes it goes down marginally, sometimes it goes up. But on an annualized basis, this is what we aim for.

And also besides these cost factors, we also work on improving our productivity throughput. We have set up a digital excellence center in Vizag and follow Industry 4.0 practices. We have connected all the plants with sensors to track the performance and improve the uptime of machineries.

So these sort of efficiency and productivity improvement is always helping us to expand the margins. There are multiple factors we try to work on to mitigate the impact from high volatility in commodity prices.

Naushad Chaudhary: Sure. On the subsidy outstanding number, if I look at as a percentage of revenue, historically, it remains around 30%, 35% of the quarterly sales number versus this quarter, it looks around 41% despite very high base that quarter revenue. Is there anything to read or worry here on the subsidy side?

S. Sankarasubramanian: No, no. First quarter, the primary sale is higher and the consumption is low because the season starts in third, fourth week of May. So it's a function of channel inventory which is there at the end of the quarter. But once the consumption begins in July, we can see a significant reduction in the channel inventory.

Naushad Chaudhary: And last on the subsidy and non-subsidy EBITDA mix, if you can share?

S. Sankarasubramanian: I think it's around 65% to 67% share of subsidy business as against last year of 70%. There has been significant improvement in non-subsidy during this first quarter.

Moderator: The next question is from the line of Jayshree Bajaj from Trinetra Asset Managers.

Jayshree Bajaj: My question is like earlier, you have said that the regulatory approval of NACL acquisition will come in quarter 2 of this year. So is there any update? And we are planning for the capacity -- we are working on capacity expansion like Kakinada expansion and multiproduct plant, phosphoric, sulfuric acid plant, and this acquisition also. And the company is working on 0 net debt-to-equity ratio. So like in future, debt will be required in this FY '26?

S. Sankarasubramanian: Good question. In terms of the NACL, we have got the Competition Commission approval, and we are waiting for SEBI clearance. We hope we get this in Q2 and should be able to complete the transaction. This is as far as the NACL acquisition is concerned.

In terms of the project capex, we have committed quite a few capex and we've been implementing. Close to INR2,000 crores, we'll be spending. That will be dipping out of the surplus what we have generated over the period of time. And also, we are investing in the acquisition.

So at some stage, company may have to resort to long-term funding, especially considering the fact the interest rate on long-term funding is at the lowest level. As soon as we have the right investment decisions, we'll be more than keen to support this with the debt instrument, which provides necessary tax hedge as well.

Jayshree Bajaj: Okay, sir. And is there any strategic plan you are working on Crop Protection segment after acquisition of NACL?

S. Sankarasubramanian: Yes. As part of the strategy only we have acquired NACL. We are also looking to expand our product portfolio. We have been launching new products. Last year, we have done 10 products. This year, first quarter, we have launched 10 new products. Our aim would be to get more in-

license unique molecules, 9(3) registrations, and we have created a product pipeline. We are also trying to increase the branded formulation business in domestic market from the current levels. On a combined basis, we want to be a significant player in the formulation business as well. Our multipurpose plant capacity creation, what we have announced 2 quarters before, we are trying to evaluate the feasibility of looking at facilities in NACL before we commit in separate capex. Our aim would be to grow CPC business in the coming years and all our initiatives and investments will be towards that.

Moderator: The next question is from the line of Ankur from Axis.

Ankur: Congratulations on a good set of numbers. First question on the Crop Protection side. With NACL being under our fold as well effectively, what are your thoughts in terms of ramping up, whether it is in terms of the product portfolio that we have or it is the geographical network? And along with that, your thoughts on expansion into the other products on the Specialty Nutrient side or the water soluble fertilizer side?

S. Sankarasubramanian: On NACL, as I mentioned, we have a complementary set of active ingredients. Except for one molecule, rest of the products are different and they have a different customer tie-up. We operate in different geographies. So to that extent, we'll continue to improve the overall combined turnover in the global markets.

On the domestic side, again, they have very strong presence in the Northern market. We have significant presence pan-India. They have strong brands. We try to see how best we can leverage on a combined basis to increase the presence in the formulation market.

For capacity creation, we will try and put up a new plant only after exploring opportunities of leveraging the current facilities in both the companies. On the R&D front, we could synergize efficiency and technology. They have fluorination chemistry, which we can leverage effectively. We have some by-products coming out from our phosphate, which can be leveraged in future for developing fluorination chemistry-based agrochemicals and for other applications. So we have quite a few areas where we can work together and make the value. This is on agrochemicals.

On the Specialty Nutrients, we have doubled our sulfur capacity last year, commissioned the plant. We are also looking at expanding our water-soluble range by introducing new products. As I spoke some time back, to ensure raw material security, we may look at investing in some of the key raw materials required for manufacturing water soluble fertilisers, which not only provides raw material security for our products, but also create new opportunities to participate in the global market requirements.

On the Bio side, we are trying to expand the product portfolio to go beyond Neem-based biopesticides and introducing microbials. We are strengthening our field teams to increase the volume of sales within India and exports. We have ambitious growth plans on Specialty Nutrients and Bio products, and we are looking for partnerships in this area to bring in R&D to introduce new products.

On organic, we have increased our presence across various product ranges. We are also looking to put up a granulation facility for specialty granulations, which includes seaweed and other related specialty products. So we have concrete game plan to grow these 2 segments. We will see the results in the coming quarters.

Ankur: Sure, sir. Just one follow-up on that. So for all this expansion, the INR2,000 crores capex that we have envisaged for, let's say, this financial year, FY '26, this will be over and above this or a large part of this is already covered in this capex?

S. Sankarasubramanian: Sorry, can you please repeat initially, I missed out that point.

Ankur: Yes, no worries. So the expansion that we are looking at across these product areas, this will be an incremental capex, which will be over and above the INR2,000 crores capex that we had called out for. Would that be a right assumption?

S. Sankarasubramanian: Yes.

Ankur: Sure. And broadly, if you can quantify what sort of investments are we looking at here over a maybe 2-year, 3-year window? That is one. And secondly, we have also set up an MPP for the new age technicals at Dahej. So if you can put some more light over there?

S. Sankarasubramanian: Yes. The investment can be in the range of INR300 crores to INR500 crores across various product categories in these business segments. On Dahej facility, the sort of technicals we like to put up the facility will depend on the new product registrations which are coming through from the global markets.

It will be a multipurpose facility with fungibility on switching over from one active ingredient to another one. We are in the evaluation stage. We'll take a call once we firm up on the product portfolio.

Ankur: Great, sir. Just last one follow-up, if I may. You initially mentioned on the BMCC annual run rate, the rock which is getting supplied to India. I missed that number. If you can help the annual run rate that we are working at right now, the rock phosphate supply from BMCC for us?

S. Sankarasubramanian: This year, as I said, can be between 300,000 to 400,000, and our aim is to double in the next 2 years.

Moderator: The next question is from the line of Riju from Antique Stock Broking.

Riju: If I look at your numbers for this quarter, so there is a sharp jump in the depreciation. This was mainly on account of the BMCC acquisition that we have done in the March? Or any other component is there?

S. Sankarasubramanian: Good observation. This is due to consolidation of BMCC, which has become a subsidiary company, and this mainly relates to amortization of overburden expenditures, which follows the mines accounting. It gets amortized over the mine life. This gets classified under the depreciation.

- Riju:** So the INR120 crores kind of a run rate, so that is going to be there for the full year, or how we can look at this number?
- S. Sankarasubramanian:** Yes, it can be estimated around that level. Actually, we can say that on a consolidated basis. Only thing is, in the second quarter, when there is monsoon, there may be a marginal reduction in the production level. So to that extent, it can come down. Again, it will get normalized in Q3 and Q4.
- Riju:** Got it. And sir, if you could help us understanding the revenue run rate for BMCC, it will be very much helpful. Revenue run rate.
- S. Sankarasubramanian:** Revenue? For the quarter or full year, you are asking?
- Riju:** For the full year.
- S. Sankarasubramanian:** Depending on the volume, you can take around INR350 crores to INR400 crores.
- Riju:** Understood. Yes. And in terms of our subsidy business, so this quarter you have seen a sharp improvement in terms of overall EBITDA for the subsidy business. So how much that was driven by the inventory gain. So if you could give some light on that?
- S. Sankarasubramanian:** See, always as a company, ahead of the season, we stock up material and there will be some inventory gains definitely which flow into the quarter. First quarter always has this advantage of the lower raw material prices, especially when the prices go up.
- So that has flown into this quarter, but also you should appreciate the fact there's been increase in the fresh raw material purchases as well. So to that extent, the inventory gains have been offset by the increase in raw material prices of sulfur, sulfuric acid, phos acid, exchange rate. So many factors are at play. Very difficult to put a number separately, but I would say that average EBITDA remains where it is.
- Riju:** Understood. And sir, one last bookkeeping question, if you could clarify. In terms of our Crop Protection business, so how much was the domestic business and how much was the export?
- S. Sankarasubramanian:** Overall, company level?
- Riju:** And for the Crop Protection business.
- S. Sankarasubramanian:** Crop Protection, 40% is exports, 60% is domestic B2B and formulation.
- Moderator:** The next question is from the line of Ajit from Nirzar Enterprises.
- Ajit:** Sir, my first question is on geographical expansion, which we have mentioned in our annual report that we will be entering into -- or we have entered into central and northern states of India like U.P., Rajasthan, M.P. Sir, what is our strategy in these states? Considering the fact that we will have additional transportation cost, so how competitive we will be in terms of pricing? And do we have any plans to set up our plant anywhere in these states of India?

And my second question is on, sir, urea superphosphate. Sir, can this be served as replacement for conventional urea? And are there any plans to enter into urea manufacturing?

S. Sankarasubramanian: On the expansion to northern markets, as I've been telling in the past as well, we are coming up with additional capacity at Kakinada, close to 7,50,000 tons, and we are developing the seed markets in Central and Northern India to move these materials from Kakinada to markets like Rajasthan, M.P., U.P. And as you know, in the current policy framework, railway freight is reimbursed by the government. So to that extent, our MRP will be as competitive as any other players in that state. We don't have immediate plans to set up any facility in the North, but we do have SSP facilities in many of the northern states, and we have been doing business.

This movement of NPKs to these markets will be a portfolio expansion. We do sell Crop Protection, we sell Specialty Nutrients, we sell single super phosphate. With that, we are adding NPKs now.

And in terms of next question, you had one more query, if I remember right. Can you please repeat the last one?

Ajit: Urea phosphate product. Is it replaceable? And do we have plans to enter into urea manufacturing?

S. Sankarasubramanian: No, urea phosphate does not require that much of urea. We don't have any immediate plans to set up any urea manufacturing, which is quite capital intensive and there is less return. So we have no plans at this point of time. With regard to urea SSP, we can import urea what is required for manufacturing this. Requirements are not very high. We have set up the facility in Nimrani and now in Udaipur. We are looking to replicate this in Ennore as well. And the ratio of NP in this grade is 5:15, which is sort of lower version of DAP. We can call this a shorter DAP. 2, 2.5 bags of urea SSP can replace DAP, and that is how we have been educating the farmers about it.

And this product can be efficiently manufactured at a competitive cost and make it affordable for the farmers as well. And we can avoid import of DAP, which is not available as of now. This is our strategy behind this, and whatever urea required for this will be imported by us.

Moderator: The next question is from the line of Viraj from SiMPL.

Viraj: Yes. Most of my questions have been answered. Just 2. Somewhere earlier in the opening of the call, you said that the prices of DAP is even higher than some of the NPK products we sell in the marketplace. So in that perspective, if you look at our share of unique grades, one would think that you would have seen a much more higher offtake of those products in Q1 vis-a-vis what traditionally you would have sold.

So while we have seen an increase, one would think probably even more higher offtake. So just trying to understand, was supply a constraint on our side, which we couldn't maximize, or was there any other reason? That is one.

And second is something you just said to the previous participant on the urea manufacturing or even for, say, NPK. Now globally, if you can just give some perspective, are you seeing any major expansion happening in NPK, DAP or in urea space globally? And internally for us, if we were to look at manufacturing set up in either of the 2, say, hypothetically in North, what milestones or what parameters you will be looking for before deploying capital?

S. Sankarasubramanian: As far as global capacity creation is concerned, on phosphate side, global players are increasing capacity. A leading player in Morocco as well as Saudi, they are expanding capacities. And that to a great extent can absorb a sharp decline in export from China. So India stands to gain on that.

India is trying to be self-sufficient on urea. With many of the government-owned undertakings being revived, the volumes are fairly met. We do expect the import of urea to come down in the coming days. If consumption gets moderated, we should see a gradual reduction in urea imports.

Coming to specifics on capacity creation, in North or South, greenfield capacity creation is highly prohibitive in terms of cost and the return structure. And the first and foremost is the raw material security. So unless we have a clear visibility in terms of securing the base raw materials, it may be difficult to set up the facility.

And that too greenfield facility will have huge investments and challenges in securing raw materials. So at this point of time, the capacity creation can be through brownfield expansion or through inorganic. It can't be a greenfield. It's my understanding. But having said that, we need to see how the industry plays out.

As you all know, P&K overall industry volume is close to 20 to 24 million tons, 14 million tons is NPK and 10 million tons is DAP, and we are still net importer of DAP and NPK. So an opportunity exists in India to create capacities, but the policies need to be conducive, stable, providing reasonable returns, and the company should be able to secure raw materials. So if these challenges can be managed, then the capacity can come up.

Viraj: And on the unique grade offtake in Q1, given where the pricing dynamics played out between DAP and NPK?

S. Sankarasubramanian: DAP price is fixed at INR1,350/ bag. Other MRP is on the higher side. Actually, the Q1 is the initial sowing stage. The unique grades don't go in the initial stage. It's only urea, DAP, NP grades. Unique grades will go as top dressing at the time of flowering and then later during fruiting stage. So to that extent, you can see the increase in share of volume happening in Q2 and Q3. And our focus remains the same. We bring in differentiation. We add micronutrients. Grades like SSP plus Boron plus zinc plus SSP plus urea, our share of volumes in the first quarter has gone up significantly. So we are moving away from traditional SSP powder to value-added granulated products like this. We have been focusing on bringing the new products and the aim would be to come up with slow release, controlled release fertilizers, coated fertilizers. So these are all the areas we'll be working on in the future.

Moderator: The next question is from the line of S. Ramesh from Nirmal Bang Equities.

- S. Ramesh:** Congratulations on the results. Sir, if you can confirm the start-up date for the granulation plant, because you mentioned FY 27-28. When exactly would you be completing the granulation project?
- S. Sankarasubramanian:** I think '26, '27 fourth quarter, which means that calendar year '27 January, that quarter, we should commission the plant.
- S. Ramesh:** Okay. And secondly, in the results, when you look at the segment numbers, are we seeing BMCC at EBITDA positive in terms of the nutrient segment? And when do you see that happen?
- S. Sankarasubramanian:** It's already EBITDA positive in Q1.
- S. Ramesh:** Okay. And can you give us the volume growth for domestic formulations, exports and the biological pesticide?
- S. Sankarasubramanian:** In respect of formulation business, our volume growth is 33%. Exports is close to 20%.
- S. Ramesh:** And in Bio?
- S. Sankarasubramanian:** Both volume and value. Bio has doubled because of some early orders we secured from U.S. and European markets. So it's almost 100%, I would say.
- S. Ramesh:** Export you said is 20% in value terms?
- S. Sankarasubramanian:** Yes.
- S. Ramesh:** Okay. So where do we go from here in terms of the Crop Protection business segment, because there is a considerable improvement in the share of crop protection. So are you seeing this as a trend in the next 2, 3 years? And would that improve the overall blended EBITDA and return for the company?
- S. Sankarasubramanian:** Absolutely. This year is going to be extremely good for Crop Protection. The major share of profits are coming from Crop Protection, and we keep increasing our capacity. We keep introducing new molecules. We have systematically worked on bringing new products and all this will yield results in the coming years. The momentum what we are seeing this year will continue in the years to come.
- S. Ramesh:** Okay. Is it possible to give a timeline as to when you expect the NACL to turn around and become profitable?
- S. Sankarasubramanian:** NACL is in a window closure period. I don't want to comment at this point of time. Once they publish the results, you will see.
- Moderator:** The next question is from the line of Himanshu Binani from Anand Rathi.
- Himanshu Binani:** So sir, my question was largely on the NACL side basically. So in the past, you have talked about getting into the CRAMS side of the business in the CPC segment. And in NACL, what I

understand is that we do have a facility out there. So are we going to use that? Or we would be like using our own thing or we would be like doing an organic thing in this?

S. Sankarasubramanian: So we'll be leveraging the capacities, whether it is in Coromandel or NACL, They have the required expertise and the plants are designed for CRAMS. We will be definitely leveraging some of the objectives and synergy benefits we articulated at the time of acquisition as well.

Himanshu Binani: Yes. So by when we can expect the NACL integration to be done in Coromandel?

S. Sankarasubramanian: Right now, we are in the process of completing the open offer after SEBI approval, and then it becomes our subsidiary, and will run as a separate entity. That is the strategy at this point of time. What is going to happen in the future, we need to study. The main aim would be to ensure that whatever we have articulated at the time of acquisition, we deliver those numbers for NACL.

Moderator: Ladies and gentlemen, this was the last question. And I now hand the conference over to Mr. Sankarasubramanian for the closing comments. Thank you, and over to you, sir.

S. Sankarasubramanian: Thank you. Thank you, everyone, who participated in the call and their insightful questions. And definitely, some of the areas where you have identified, we'll definitely work on. And with your support and guidance, we'll definitely come up with good performance in the coming quarters.

Thank you, Manish, also for arranging this call.

Moderator: Thank you. On behalf of Coromandel International Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.