Coromandel International Limited

Q1FY27 Earnings Conference Call

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MODERATOR:	**MR. MANISH MAHAWAR – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Coromandel International Limited Q1 FY27 Earnings 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 the operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Manish Mahawar: Thank you, Shruti. On behalf of Antique Stock Broking, I'm pleased to host today's earnings call of Coromandel International. Today, we have Mr. Sankarasubramanian S, Managing Director and CEO; Mr. Deepak Natarajan, CFO, on the call.

Without further ado, I would like to hand over the call to Mr. Sankar for opening remarks. Post which we'll open the floor for Q&A. Thank you, and over to you, Mr. Sankar.

S. Sankarasubramanian: Good afternoon, everyone and thank you Manish for organising the call. I will begin with an overview of the business environment experienced during the quarter and provide an update on Coromandel's operational performance. Thereafter, I will request Deepak to take you through the financial performance.

On the agriculture side, India witnessed 23% of deficit rainfall on the long period average with most of the regions reporting lower rainfall. It has moderated fertilizer offtake as well in the current month.

June was one of the driest months, and we have seen some recovery in the last few days, especially in Gujarat and Central regions, and this deficit has moderated to 17%. All India reservoir levels stood at 34% of capacity versus 57% last year and Southern reservoirs have come down to 28% versus 65% last year.

On crop acreages, picture is slightly mixed. While there is a drop in pulses by 15%, oilseed by 6% and cotton by 6%, paddy acreages have come back to normal, aided by early monsoon in the paddy belt. With monsoon activity improving during July, sowing momentum has picked up, and we expect the acreages gap to narrow further over the coming weeks.

Overall, farmer sentiment remains relatively cautious, influenced by uncertainty around monsoon and variability in agri commodity and input prices. On the regulatory side, government is quite active with a lot of policy announcements during this quarter.

The government has approved national investment policy for urea, which could potentially facilitate 9 million to 10 million tons of additional domestic urea capacity over the next 8 years across 7 proposed projects.

In parallel, the announcement of INR37,500 crores coal and lignite gasification scheme is expected to support the development of domestic syngas-based feedstocks and progressively reduce India's dependence on imported ammonia and other energy input over the medium term.

The government has also initiated a pilot implementation of National Fertilizer sales framework, introducing QR code-enabled traceability across fertilizer transactions by integrating farmer, land and sales data. If scaled effectively, this initiative can be very transformative for the sector, enabling a shift from conventional distribution system to more transparent data-driven and nutrient stewardship-based farming systems.

The quarter was characterized by challenging operating environment for the phosphatic sector. Global prices of key raw materials, including phosphoric acid, ammonia and sulphur remained elevated, driven by continued geopolitical uncertainties and supply disruptions.

On the subsidy front, the government announced increase of about 10% in subsidy rates across Nitrogen, Phosphatic and Sulphur nutrients under the NBS regime. This rate has been announced without factoring the Middle East crisis situation. These rates do not fully compensate for the increase in global raw material costs, which happened subsequent to Middle East crisis.

The industry continues to engage closely with the Department of Fertilizers on the need for a review, and we remain hopeful of a positive outcome on this front. This sort of subdued subsidy rates, especially for NP/NPK fertilizers have impacted production and imports during the quarter, which were down by 21% and 38%, respectively.

On the demand side, consumption remained stable, especially farmers picking up lower MRP stocks in the first quarter and the industry maintained the same consumption sales volume of phosphatic fertilizer in the first quarter as compared to last year.

Globally, there has been some impact on shortage of raw materials and production cuts announced by major manufacturers due to Middle East conflict. This has led to lower availability of key raw materials like sulphur, acid and ammonia, resulting in surge in prices.

However, the fortunate point is that industry inventories remain comfortable despite lower production and imports. In fact, Urea and DAP stocks are reasonably comfortable and NPK stocks are also comfortable at this point of time to see through this kharif season. But it is very critical the industry continues to sustain production and imports in the next 2 months to ensure that the carryover inventory into rabi is augmented for the smooth completion of rabi season as well.

On the crop protection sector, domestic market was muted. It's the early part of the kharif season. Demand was impacted due to delay in crop sowings. However, the export markets have shown improvement, although the market remains cautious and is waiting for price stabilization.

There has been a shift in biological products globally as well as in India, and we continue to witness healthy growth driven by increased adoption of sustainable agricultural practices.

In this backdrop, very happy to note that Coromandel has reported a very resilient performance, especially fertilizer business delivered very strong numbers in spite of a lot of headwinds that prevailed during this quarter.

We have taken a conscious call to moderate production to 6.9 lakh tons compared to 8.4 lakh tons, roughly representing 72% of capacity utilization as the business prioritized inventory optimization amid volatile raw material markets. Phos acid production also got moderated to 1.2 lakh tons, more or less in line with last year.

Ideally, we should have grown with the commissioning of new plant, but due to higher sulphur prices, we have optimized the usage of sulphur and operated sulphuric acid plants at a moderate capacity to extend the availability of sulphur for a longer period.

Due to elevated sulphur prices during this quarter, the company took a conscious call to moderate phos acid production and ensure that the prices of sulphur reach a reasonable level to be competitive on sourcing. We also looked at various other options to secure sulphur both from domestic and global markets.

Fertilizer business margins were under pressure due to sudden spurt in key input raw materials like ammonia and sulphur. These prices were not factored in the subsidy rates announced by the government. The government has made note of this issue, and we hope we get the updated NBS rates for the kharif season, which should help to improve the viability for NP, NPK fertilizers.

As you are aware, phosphoric acid prices for Q2 has been settled at $1,700 as compared to $1,360 prevailed in Q1, reflecting a sharp increase in line with the increase in international price of DAP and other raw material inputs.

On the project front, Coromandel has commissioned the sulphuric acid plant and phos acid plant and operations have got stabilized. Sulphuric acid achieved the rated capacity and also generated power as envisaged. Phosphoric acid operations are getting stabilized, and we are embarking on the new technology implemented to ensure optimum utilization of rock.

Commissioning of these plants has happened at a very opportune time, and this has ensured that we continue to produce and make phosphate fertilisers available to farmers when industry is facing shortage of key raw materials. Happy to note that granulation project is progressing well - as planned, we are on track for commissioning this in Q4 of this year.

In terms of sales, these are all early part of the season. Volumes have been moderated by 9% to 10 lakh tons as compared to corresponding period last year. Despite this, the company has strengthened its market position, increasing the primary market share to 22% compared to 18% in the last year.

Consumption has been encouraging due to lower MRP stocks in the channel. The point of sales increased by 13% to 7.9 lakh tons, resulting in market share improving to 16%. SSP business continued its strong growth trajectory with volumes increasing by 19% - we have been focusing on differentiated products like GroPlus and Urea-SSP, which constituted more than 50% of the total SSP sales, highlighting the success of company's strategy to drive premiumization and improve product mix.

At our Senegal operations, the rock phosphate mining project produced over 1.1 lakh tons for this quarter, broadly in line with our plan. Building on the strength of this backward integration, the company is evaluating establishment of SSP facility at Senegal to cater to international markets and unlock additional value from its phosphate resources.

Specialty Nutrients and organic business delivered a strong performance in Q1, aided by higher offtake in organics and micronutrient segments. We are seeing increasing adoption of these products by farmers, particularly given their ability to improve soil health and help crops withstand stress conditions in an increasingly volatile climate.

The business strengthened its innovation pipeline with the launch of 3 new products across water-soluble and sulphur nutrition segments. As highlighted earlier, we are building manufacturing capability to support long-term growth and reduce dependence on external sourcing. Our strategic project of setting up T-MAP plant at Kakinada and seaweed granulation plant are progressing well and will enhance our ability to offer differentiated crop solutions.

The Crop Protection business delivered a record performance in Q1, driven by strong growth in exports and B2B sales despite softer demand environment in the domestic formulation segment. Revenue grew by 20% year-on-year to INR870 crores, while EBIT increased 44% to INR159 crores, reflecting improved product mix, traction for its key molecules and the ability to pass on higher raw material costs in the export market. Share of sales in the new products in the domestic B2C stands at 32% as compared to 23% last year. We have also introduced 3 new products during the current quarter. Operationally, the business continued to make steady progress on its strategic priorities.

Capacity expansion of key molecules is on track and is expected to be commissioned by September, strengthening our ability to support future growth. We are in the process of advancing our Fluoro chemistry capabilities and are establishing a launch facility to support product development and scale-up opportunities.

Further progress was made on our CDMO strategy through engagement with the leading global innovators, while long-term raw material security was enhanced through strategic sourcing and supply arrangements. Our innovation pipeline continues to strengthen with new product registrations, novel combinations and patent filing. We remain focused on bringing differentiated solutions to the market and plan to introduce several new products over the coming months.

We'll also be focusing on strengthening our market presence in Latin American markets to ensure that the market for our key molecules remain robust for the coming quarters. Our subsidiary, NACL Industries improved its performance and EBITDA has moved up by 9% to INR41 crores with margin improving to 11% from 8%. These are in line with what we envisaged at the time of acquisition. Lower export volumes and price pressure impacted export revenues and overall revenues were moderate at INR 383 crores. However, the business is strengthening its product portfolio and launched 3 new products during the quarter and is planning to accelerate new product introductions in the coming months. The company is closely engaging with MNC customers on development of AI and intermediates in its current facility.

The bioproducts business delivered a steady performance in Q1, supported by decent growth in domestic and export markets. The business is strengthening its innovation pipeline and developed 2 new products in the biostimulant and microbial category, specifically designed to address the requirements from the retail business. The white label products in the retail business, which it used to source from outside will be now manufactured by bio business, providing huge opportunity and complete capturing of value chain right from manufacturing to marketing these products through our own captive retail outlets. In addition, a number of products are progressing through various stages of development and regulatory approvals. Bio business will be one of the key focus areas for us to grow both in domestic and global markets. The company has invested in direct retailing of bioproducts by having their own trade team besides the retail outlets. The team is also actively exploring collaboration opportunities in adjacent segments such as feed additives while continue to build capabilities in plant extracts and microbial space.

The retail business delivered an outstanding performance in the current quarter, benefiting from strong farmer engagement, expanded store network and higher sale of fertilizers, specialty nutrients and organic products. Revenue of retail business increased by 85% year-on-year, reflecting improved scale, operating leverage and profitability across the network. 76% of the stores were profitable during the quarter compared to 61% in the corresponding period last year. The business deepened its reach through additional 22 new stores, taking the network to over 1,200 outlets. While also expanding its digital and omnichannel capabilities through e-commerce and farmer engagement initiatives.

The Nano business delivered stable performance with sales volume growing 2% year-on-year, supported by sustained demand for Nano DAP and a market leadership position with nearly 60% of market share. The business also initiated exports during the quarter and sees encouraging opportunities to expand its presence in international markets, supported by registrations secured in few markets. There has been a ban on some of these products from fertilizer companies in the state of UP and Maharashtra, which moderated the growth. In this current global crisis, it's pertinent to note that these alternate fertilizers can make a huge difference to the farming community and can save precious subsidy bill for the country. Industry has been representing to the state governments to address the issue.

Coromandel has been pursuing drone spraying services which continue to gain traction during the quarter, reflecting increasing farmer adoption of precision agriculture solutions. We are also evaluating introduction of higher capacity drones capable of fertilizer applications, which can significantly expand the addressable market and enhance the value proposition of our farm mechanization services.

Our drone subsidiary, Dhaksha, while pursuing the defense orders, has focused on agri-drone platform and has come up with the variants of agri-drones based on the inputs provided by the Coromandel agri team. It has applied for type certifications of new drones, which can improve the efficiency and increase the battery life of drones. The business has consolidated its operations in its new integrated facility and is actively pursuing growth opportunities across various verticals while continuing to expand its technology and product capabilities through collaborations.

Happy to share that Coromandel has achieved a significant sustainability milestone during the quarter with the receipt of Responsible Care Certification, reflecting our commitment to the highest standards of health, safety, environment and operational excellence.

We are also setting up a corporate research center IIT Chennai Research Park, which is focused on developing next-generation platform technologies in Nano, Biologicals and Advanced Chemistries, strengthening our innovation pipeline and supporting long-term growth.

Overall, we have delivered a resilient performance in a challenging operating environment marked by delayed monsoons, elevated raw material costs and pressure on fertilizer margins. The strength of our diversified portfolio, disciplined execution and strong growth across non-fertilizer business has helped us to offset the market headwinds witnessed in fertilizer business and enabled us to deliver a healthy performance during the quarter.

Now I request Deepak to cover the financial performance.

Deepak Natarajan: Thank you, Sankar. Good afternoon, everyone. During the quarter, company recorded a consolidated total income of INR8,215 crores as against INR7,126 crores in Q1 of last year, registering a growth of 15%. The increase in revenues has been mainly on account of higher realization in fertilizers, combined with growth in the non-subsidy business.

It's pertinent to note that last year's Q1 results does not include the NACL numbers as it became a subsidiary effective 8th August 2025 onwards. The revenue share from subsidy business stands at 77% during the quarter.

As far as profitability is concerned, consolidated EBITDA for the quarter was INR761 crores against INR782 crores last year, registering a degrowth of 3%. The decrease in EBITDA is mainly due to higher input cost on account of the ongoing West Asia crisis, and the input cost inflation has not been fully commensurate with the revision in the NBS rates. The EBITDA share of subsidy business stands at 48% during the quarter.

Net profit for the quarter was INR382 crores in comparison to INR502 crores last year. With regard to subsidy, during the quarter, the company received INR1,392 crores towards the subsidy claims compared to INR1,300 crores last year in Q1. Government has been prompt in clearing the subsidy dues. As of today, we have received our subsidy claims till the third week of June. Subsidy outstanding as on 30th June was about INR3,254 crores. We have received additional subsidy of INR568 crores in the month of July.

As far as forex is concerned, during Q1, the rupee traded in a wide range of 92.59 to 96.83. Coromandel continues to hedge its exposures on a conservative basis. Thank you for the continued interest. We look forward to these interactions. I will now hand it over to Manish.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: First question on the overall on-ground scenario. You mentioned a relatively lower utilization for us in this quarter and presumably, the imported fertilizer will also be lower, more importantly, Urea and DAP there. So is there any structural shift that you are seeing higher demand for NPKs there or there is some shortage of fertilizers on the ground? And how are you looking at the on-ground scenarios?

S. Sankarasubramanian: Ankur, there is no shortage per se. Sufficient stock of Urea and DAP is available in the market. In the early part of the season, farmers have picked up low MRP packs and hence, there was an advance purchase ahead of the season. But with the slowdown in the monsoon and the improved availability, there has been a slowdown in purchase as well. I think currently, the uptake is more to do with the monsoon than availability.

Ankur Periwal: Sure, sir. But given the subsidy -- there is no further revision in subsidy rates, Is the situation on the ground still comfortable from a Kharif demand-supply perspective?

S. Sankarasubramanian: The industry has taken some price change. At this point of time, this is the maximum the industry can do. Beyond this, this has to come through subsidy. That is what we have represented to government and hopefully, it should come through.

Ankur Periwal: Sure, sir. Second bit on the crop protection and the export side. Congratulations for a strong show there. Your thoughts on the bioproducts or the product registration for the formulation ones, both in the domestic and the export market. What could be the time lines that one can think of in terms of a revenue ramp-up here? And the second part of that question, on the Mancozeb capacity expansion, how is the demand pricing situation there as well?

S. Sankarasubramanian: In domestic formulation, our action has been initiated 2, 3 years before on new product introduction. We have been getting new 9(3) products, with 3 to 4 new products coming through every year. That trend will continue. We have lined up the product pipeline with a clear visibility for next 3 to 4 years.

On the export front, especially on Mancozeb, we have a broad-based sale of Mancozeb across various continents. We don't depend on one particular geography. Our presence in Latin America is fairly less at this point of time. Post completion of this project, we have planned to increase our volume in Latin American markets. We are trying to see how best we can come up with combination products and have physical presence on the ground through some collaborative support to ensure that there's a long-term demand for Mancozeb. At this point of time, we are quite comfortable on the offtake, but it will be important for us to build this portfolio for long term through combination products, and that is what we are working on.

Ankur Periwal: Sure, sir. That's helpful. And just one last bit, if I may. You did allude towards the CDMO opportunity for us. And earlier also, we had mentioned on the industrial chemical side. How do you look at it from a capital allocation perspective, given that will you prefer to expand into industrial chemicals, CDMO, etc., here, which we have been sort of talking for the last couple of years or there is scope for more getting backward integrated on the fertilizer side, whether it is BMCC or maybe possible further backward integration into PA and SA in India?

S. Sankarasubramanian: Well, these 2 are separate tracks. We'll continue to pursue this opportunity. With the commissioning of new PA-SA plant, 60% of the acid requirement are taken care and we are reasonably comfortable at this point in time. We'll continue to keep some options open for imported acid as well.

On the CDMO side, we are trying to do it in an organic way. It calls for a huge investment for various fluorination-based derivatives to be manufactured. Before we make that investment, we wanted to ensure that we have the proper product and customer specs are met. And hence, we are looking for launch plant, which we will be setting up in Ankleshwar. Currently, we are focusing on fluorination-based chemicals for our agrochemical use. Once we succeed there, then we'll look for other sectors as well to cater to. That's our game plan on CDMO right now. But we are also trying to look at various other intermediates.

Along with NACL, we are trying to see how best we can provide intermediate support to global MNCs instead of finished agrochemicals, which requires registration. It's a long gestation project. Intermediate does not require registration. So we are trying to see how best we can leverage our capacities to produce those intermediates. The discussions are underway. We are having a multipronged approach to introduce some new products under this category as well.

Moderator: The next question is from the line of Himani from ICICI Prudential.

Himani: I wanted to ask on the CPC business. So on the crop protection, the export -- just wanted to understand how much percentage of gains is coming from foreign currency, like - foreign currency gains?

S. Sankarasubramanian: I'm not able to hear you clearly. Can you please repeat the question?

Himani: Yes, sir. Am I audible?

S. Sankarasubramanian: Yes, now it's better.

Himani: Yes. Sorry. I just wanted to understand when our export business on the CPC side has done well, so how much percentage of gains is because of foreign currency gains?

S. Sankarasubramanian: See, we follow the netting principle. We have a net exposure. So to that extent, the overall margins -- the EBITDA what we reported, -not more than 5% to 6% of the overall Ebitda - can be attributable to foreign currency.

Himani: Okay. And just another question. So this is our NACL acquisition in last year, do we have any plans to increase our shareholding in the company?

S. Sankarasubramanian: I wish we can do that.

Himani: Okay, Thank you.

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

Somaiah: Sir, my first question is on the medium-term capex or capital allocation. Now that the PA plant and SA plant is commissioned and the granulation is also about to get commissioned. So what are the options that we have? So whether we will can add further NPK capacity from import substitution angle and land availability. So in terms of priorities, which will be the ones that we'll be evaluating closely? And when can we expect any plan for the next couple of years? That's my first question?

S. Sankarasubramanian: In Fertilizer, we are just completing the investments, and we want to ensure that we generate cash out of these investments. Meanwhile, we have this Middle East crisis, which is impacting in terms of margins. So we may not add any capacity immediately in fertilizer. Our game plan as of now, post commissioning of this new plant, will be going up to 4 million tons of fertilizers and 1 million tons of trading, predominantly DAP. So we have a fair visibility of 5 million tons at this point of time, plus 1 million tons of SSP plus organic plus urea and imported DAP. We have high visibility of 8 million to 9 million tons of nutrients. That I think will see us through for the next 2 years because we want to ensure that whatever money we have invested, we generate the cash, whether it is phos acid, sulphuric acid or finished fertilizers.

In terms of the land, we always been looking for additional land for the future growth opportunities. That investment can happen. And we have been working with Andhra Pradesh government for securing additional land for the future expansion. We are looking at other opportunities like MAP plant, which we are putting up in Kakinada for our specialty nutrient business. Besides that, we are also evaluating purified phos acid for battery chemicals. These projects are under evaluation. If we see commercial viability, we will explore those opportunities.

In Crop Protection business, we are just completing the capacity expansion. And here again, we wanted to focus on generating the cash -- we are also trying to see how best we can realize value out of any investment. We may not be adding capacities for active ingredients because we have spare capacities available in NACL. Hence, we will try and leverage the capacity between both the plants on the AI side. In Crop Protection business, the investment will be more towards marketing, brand building, channel network creation rather than focusing on any asset creation.

Besides this, we are expanding our Retail network, which doesn't cost us much in terms of the capex. It's more towards creation of network and providing additional supply chain capabilities.

Somaiah: Got it, sir. Sir, also on NACL, so this time, we have seen margin improvement in NACL. So we are more or less this is the intended level of margin or this is kind of -- we'll be stabilizing at this level or we see further scope for improvement in NACL margins?

And second, related to NACL, this time in our own crop protection, we had a very strong revenue growth. So you had alluded to exports. So what in terms of product portfolio or the difference that's leading to a decline in NACL versus a strong growth for us in our stand-alone business?

S. Sankarasubramanian: With the current product portfolio, I think we have reached a reasonable level of EBITDA. In fact, if you remember in the time of acquisition also, we talked about EBITDA, which has fallen to 3% - 4% in first stage will move to 7%- 8%, and then we'll move it to 10%-11%. Unless we introduce new products, which again will take 2-3 years time, sustaining this margin at this level is the best we can do for NACL. That's the reason they are looking at investing in intermediate capacity creation, CDMO opportunities. Those are other value chain creation we can do to improve EBITDA margins.

We continue to pursue efficiency improvement initiatives which can take extra 1% or 2% margin. But any significant improvement to align with coromandel will call for additional investments and new products to come in. It will be a little time consuming.

Somaiah: So the other part was on the revenue front, where stand-alone, we had a quite strong exports, but NACL, we had an impact there. So I just want to understand the difference, what's...

S. Sankarasubramanian: Sorry, I didn't get that second. Can you please repeat?

Somaiah: So in the stand-alone Crop Protection, we had a very strong revenue growth, which you alluded to the exports part. NACL had a decline. Just wanted to understand, I think in the comments, you also mentioned about NACL exports was a bit impacted. So just want to understand the region or molecules or what was causing the difference?

S. Sankarasubramanian: There has been some price moderation in their molecules, which they are selling it to global MNCs - that has moderated the revenue. In the case of Coromandel, our ability to pass on the input cost helped us to realize better pricing. That is why you see a top line growth in Coromandel whereas there has been a marginal reduction in NACL. It goes to the product mix between the 2 companies.

Somaiah: Sure, sir. Just one last thought on sulphur. I mean we were expecting at a point in time, sulphur can come at least come off slightly, but it's still continuing to hold your thoughts on this?

S. Sankarasubramanian: Sulphur is actually against our initial expectation - sulphur is holding high. I think sulphur is likely to remain high for some time, but it's not sustainable. If you recollect sulphur used to be a disposal issue for most of the oil companies but suddenly the price has gone up. There are structural shifts happening in terms of demand from EV batteries for nickel leaching leading to higher offtake from Indonesia and other countries. Still we feel that these are exorbitant levels. It should come down but it may take a while. So that is where as an Indian fertiliser sector, we decided to stay out at these price points as it doesn't make economic sense. We strongly believe the prices should soften. These are not sustainable.

Moderator: The next question is from the line of Vivek from DSP Mutual Funds.

Vivek: Sir, sorry, I joined the call a little late. I have just one question. You said that you're going to exploit the capacities you've added for the next 1 to 2 years. So have you given a capex target, sir, in terms of what you'll see for the next 1, 2 years in terms of rupees crores?

S. Sankarasubramanian: See, these things change. If there are opportunities, definitely, we do invest in capex. But at this point of time, we wanted to realize value of the investments what we have made. In fact, last 3 - 4 years, we have invested close to INR7,000 crores, both for organic and inorganic opportunities. It's very important for us to get the returns on those investments before we embark on further capex.

So I would put a normal sustainable capex of INR300 crores would be the number we'll look at. But having said that, if there are good opportunities and there are any reasonable return projects coming, we'll not be opposed to look at that.

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

Riju: Congrats for a decent set of numbers amid challenging environment. My question regarding the industry level shift. If I look at in terms of NPK at a farmer level prices that are much, much higher compared to last year, while if I look at the DAP prices at the farmer level, that is roughly at INR27,000 per ton. So how do you see the shift in terms of NPK to DAP again in this year? Or like how is the consumption level market share of DAP , NPK and overall non Urea consumption as of now?

S. Sankarasubramanian: No, the shift is not happening. But if it continues to remain like this for a long period of time and the subsidy is not corrected for NPK we can't correct MRPs beyond certain levels. Then this will have a challenge for farmers looking for cheaper alternative. DAP, which is a high P product is available at INR1,350 per bag, whereas low P product like 20:20 is going at INR2,100. It doesn't reflect the balanced nutrition need of the crop. I hope as and when the subsidy revision happens, it will bring some normalcy. Current artificial pricing of DAP price is also impacting at this point of time. I don't think the reverse shift will happen. It is also a function of availability - DAP is not available beyond certain volumes. And government also is encouraging farmers to look for alternates like SSP, organic fertilizers. I don't think the shift from NPK to DAP will happen, but higher price can lead to demand destruction. That is what we have been presenting to the government as well.

Riju: Understood. And sir, in terms of the BMCC, I think the ramp-up during the quarter was robust. So if you could highlight that thing as well. And also, if I look at in terms of the depreciation overall, depreciation overall this quarter was much, much higher on a sequential and on a Y-o-Y basis. So if you could help why that is the case?

And also adding to that, if you could give us a sense that due to the commissioning of sulphuric acid and phosphate capacities in 4Q, so how much additional depreciation that you have booked during this quarter?

S. Sankarasubramanian: For the consolidated numbers, this additional depreciation also includes the amortization of mining costs. As per the accounting standards, some of the mining costs relating to overburden needs to be grouped under depreciation. So the spike in depreciation, what you're seeing is not because of additional capex. Only on account of additional capex, the increase is around INR16 crores to INR18 crores, not more than that. The rest of them is only amortization expenses in mining operations. Plus when we do the consolidated financials, as per merger accounting, we have to amortize intangible assets close to INR21 crores. So this is a combination of PA-SA gap of INR16 crores and amortization of NACL intangible’s INR20 crores and rest is coming mainly from mining charge towards overburden.

Riju: Sorry, sir, how much was for the mining?

S. Sankarasubramanian: Mining will be INR30-odd crores.

Riju: In terms of overall mining capacity of mining activities and also how that -- how in terms of the overall improvement in the fertilizer business EBITDA. So if you could quantify that?

S. Sankarasubramanian: See, mining operations are to be seen in two contexts. One is what is the margin we capture in the overseas entity. That is only one aspect of it. Suppose if we have 0.5 million ton of rock phosphate produced there at a net EBITDA of even $30, 0.5 million tons, that's a minimum number we are talking about accruing year after year. That is the value what we capture in that company. But it also makes a difference once the rock gets converted into acid and the value gap in acid is captured. BMCC provides raw material security for our new project at Kakinada plus the value gap on phosphoric acid, which we accrue as compared to imported phos aid. It is more of a strategic investment to ensure supply security, capturing value on rock side as well as on the value on conversion to acid.

Riju: Understood. And sir, one last question in terms of the CP business. So if you could provide us the mix of exports and the domestic CP business, including the NACL numbers?

S. Sankarasubramanian: Can I ask my team to get back to you on the specifics how much breakup I will get back to you on this.

Riju: Sure, sir.

Moderator: The next question is from the line of Ranjit from IIFL.

Ranjit: Congratulations for a good set of numbers in a challenging environment. My first question is on your commentary that you shared that the fertilizers are now being sold through QR code. If you can shed more light on the dynamics that are playing out on ground or the government's policy, are these to be taken as a parts and pieces that may eventually lead to an ideal DBT implementation? That's my first question?

S. Sankarasubramanian: That’s my wish as well, if that happens -- actually, it's quite effective. I have witnessed myself the pilot operations in one of our retail stores. The QR code given by the farmer links to his farm holding and type of crop. Accordingly, dosage of Urea, DAP and NPKs is recommended and it is linked to the retailer. Retailer takes this QR code into his POS machine and accordingly deliver the bags what has been mentioned there. The farmer has to restrict the purchase to that many number of bags. So that does 2 things, more use of straight fertilizers like Urea and DAP is restricted that can bring about a huge savings for the government in terms of subsidy. It helps the farmer to ensure that the overuse of N is taken care of. It also takes away the arbitrage available to the channel because of urea demand. I think it's a win-win situation for all the stakeholders, and I wish this functions well. If it gets replicated all across, it can bring about some sanity and balance fertiliser usage and ultimately can lead to direct benefit transfer to the farmers.

Ranjit: Right, sir. A guidance of how much is this being implemented, it's on a pilot basis in which states or districts it's been started?

S. Sankarasubramanian: They are trying to do it in 10 to 12 states, 2, 3 districts in each state. I will get back to you in specifics, that is what my understanding. Of course, it has been picked up major district in

Telangana and one more district in Karnataka. That is where we have witnessed the process. But I'm very impressed with the way the system functions.

Ranjit: Sure, sir. The second question is just trying to understand the difference. So you do consol minus standalone, the EBITDA that we see in the remaining part has seen quite a bit of a jump. I understand that a part of it is due to NACL consolidation and some growth in the base business, but it's still not able to reconcile that figure. There is a gap of INR30 crores, INR30-odd crores. Is this attributable to BMCC profitability?

S. Sankarasubramanian: Yes, that's what I was telling. See, in the mining cost, it comes below EBITDA under depreciation. The previous caller also has been asking for the reason for spurt in depreciation number. That includes amortization of mining expenditure, which comes below the line. So to that extent, the BMCC increase in the consolidated financials is showing up in EBITDA. But after providing for this amortization, the net impact comes down. That is INR30-odd crores, which has got included.

Ranjit: Right, sir. Sir, one request from our side is that now the non-subsidy business is kind of gaining scale. And in yesterday's press release, we also started highlighting or at least mentioning the crop protection EBITDA. If you can also try and give a bit more KPIs on the non-subsidy front, the subsidy EBITDA and non-subsidy, at least to monitor them going forward would be helpful from our side, and that would help us to understand the company a little bit more in detail. That's the request from my side?

S. Sankarasubramanian: So we should do that definitely. We'll try and put those in there.

Moderator: The next question is from the line of Tarang from Old Bridge.

Tarang: So a couple of questions, one on Crop Protection and the other one on fertilizers. So first on fertilizer, stepping into Q1, from an industry vantage, the industry already had excess inventory, a sizable inventory. And you did call out that there was some element of prebuying because there were lower MRP package that were sort of available.

So in that context, the real impact of high-cost inventory would have probably impacted only the latter part of this quarter. So just wanted to understand, over and above the subsidy, what is the broad pricing trends, pricing actions that the industry has taken?

And number two, given that now the inventory that would be in the system would be fairly expensive and at least sowing seems to have caught up now, how should we look at Q2 on this business and for the fertilizer business? So that's on the fertilizer. And on crop protection, I'll probably ask after the first question's response?

S. Sankarasubramanian: You're right, actually. Whatever we could do in terms of the price increase has already happened in this year. Beyond this, it has to be supplemented with the subsidy correction. That's the exact reason why we are impressing upon the need to update the NBS rates for Kharif. We hope that Rabi revision will happen. The correction we are seeking is for the ongoing kharif season because we don't want to increase MRP beyond the current level.

Having said that, there has been correction in some of the global raw material prices. You know the urea having gone up to $900 has come down mow. Ammonia has started softening. And sulphur is only a matter of time before it comes off. The industry has been very cautious in building up inventories, and there has been a lack of supplies as well. Most of us have calibrated our purchases and production to avoid any carryover of high-cost inventories. Further price increase is not doable, it has to come from subsidy. Let's hope it happens.

Tarang: And how much has been the price increase, I mean, on a broad basis for this quarter?

S. Sankarasubramanian: 25% - 30%, across grades.

Tarang: 20 to 30% ? Is it ?

S. Sankarasubramanian: 25% - 30%

Tarang: Got it. Okay. On the Crop Protection business, your opening commentary, whether your commentary on domestic crop protection consumption or even on international markets for the broader market was slightly soft. But despite that, the stand-alone business has grown 20% -- just trying to understand what part of that business has really grown? Is it B2B technicals, B2C branded? Is it really your export technicals or your export B2C franchise?

So if you could give slightly granular sense on what part of this business really did well? Because what we understand is technical prices broadly have come off again, which is also sort of visible on NACL prices. And secondly, given how fertilizer prices have inched up globally, just wanted to understand what is the pattern? What is the demand pattern that's emerging from farmers, both in India as well as abroad for crop protection?

S. Sankarasubramanian: You're absolutely right. Global agri commodity prices are softening. It has not gone up. The farmers affordability has come down. Farmers are looking for cheaper alternatives and specialties are getting push back. And that is where some of molecules, active ingredients, what we are dealing with are gaining some traction. Fortunately, these molecules are not the ones which China is in. China has artificially kept active ingredients at low prices and intermediates at a higher level. There are certain markets which can take this sort of a price increase. This may sustain because of the nature of the molecules. The AI prices are better than what it was earlier.

Currently, we are focusing on B2B exports, but our aim is to see how best we can get into B2C. Right now, we are not having B2C presence. We are exploring opportunities to create specific brands and also combination products based on our AI's. That effort is underway for the long-term sustenance and demand for these molecules.

Moderator: The next question is from the line of Dhruv from HDFC AMC.

Dhruv: Sir, looking at the NPK production data for the industry, it seems it has come off significantly in 1Q, probably 4Q was also a bit lower and imports have also come down. Now is it fair to understand that the subsidy policy by the government will be key for this number to probably go up. Is that a fair way to think of this?

S. Sankarasubramanian: 100%. Otherwise, it doesn't make economic sense for the people to produce. Domestic capacities cannot afford to produce at the high input prices of sulphur and ammonia. So its critical for the subsidy rates to get revised if the production has to come through otherwise, it can have an impact in Q2 as well.

Dhruv: Got it, sure. And sir, secondly, given the market dynamics currently, are we seeing any change in the adoption of Nano DAP, Nano Urea probably more entrenched at least in the foiler application where it probably works well?

S. Sankarasubramanian: Ideally it should happen, but unfortunately, some of the state governments like UP and Maharashtra have banned these products that has put a hold on the demand for these products. Had it not been for this, definitely, the volumes would have picked up. We have seen a very good response. We strongly believe in these products. In fact, globally also, we have a good response. We started exporting nano products last quarter.

Coming quarters, we'll be focusing on how we improve our international business on nano products once the registration comes through. Our Nano DAP is working very well, and we are confident. We have been diligently promoting this across various geographies and the response has been pretty good.

Moderator: The next question is from the line of Prashant from Elara Capital.

Prashant: Sir, while in Q2, we will have benefit of higher production. And just wanted to get a sense of to maintain the same level of EBITDA per ton, supposedly, how much increase in subsidy would one seek?

S. Sankarasubramanian: Prashant, Let subsidy come and then we will derive the EBITDA per ton.

What we have been asking government is to give us what is due to us. Policy envisages 6 months average rates to be applied for NBS. In this global environment, no plant can sustain this sort of cost increase and try to achieve EBITDA. So what we are seeking help from the government is to provide the 6 months average, & rest can be taken as NP, NPKS pricing is not controlled.

Prashant: Yes, sir, that is what I was asking for. I mean, how much is due to the industry? And how much has the government not given yet?

S. Sankarasubramanian: It varies for the nutrients. In ‘N’ & ‘P’, significant correction is required. The 6-month average price that prevailed prior to April, and what we got under NBS has got no relevance.

Prashant: Right. And Sir, secondly, on this QR code-based selling of fertilizer. Sir, if this is applicable pan-India, then there could also be some rationalization in fertilizer sales whosoever are using it on an excess. Would that understanding be right?

S. Sankarasubramanian: Urea and DAP definitely. It is not happening on NP/NPK. Ideally, it should increase the demand for NP/NPK fertilisers.

Prashant: Okay. So for NPK consumption is not in excess, but for DAP, it is there is what you are trying to say?

S. Sankarasubramanian: Yes. There is overuse of N and P - both Urea and DAP may get curtailed.

Prashant: Right. And sir, as per your annual report and also from the data that you shared…

Moderator: Sorry to interrupt, Mr. Prashant. May we request you to join the question queue again for your follow-up question as there are other several participants waiting for their turn. You may go ahead, Prashant.

S. Sankarasubramanian : Prashant, Please go ahead.

Prashant: Yes. Sir, on the CP part, we are already running above capacity. If you can share some expansion plans, which you might have there? And on BMCC side, if you can repeat what you told in the opening remarks regarding the capex?

S. Sankarasubramanian: On the BMCC, currently, we are operating the plant closer to the target volumes of 5 lakh tons of rock phosphate production. That is going as per plan. Besides that, we wanted to invest in a single super phosphate facility, it doesn't cost much maybe $5 million to 6 million to create 100,000 - 150,000 tons of SSP.

But it provides a huge opportunity because we'll be using the reject rocks to process and produce SSP for the domestic market as well as for the export market. So it provides the value addition of rock phosphate in Senegal and also we can export to other countries from there.

Once we succeed in the smaller capacities, then we may look to expand the capacity so that we can capture the value in Senegal itself. So besides supplying rock to India, we can also look at capturing value there.

Moderator: The next question is from the line of Darshita Shah from DSP Asset Managers.

Darshita Shah: My first question was regarding the delay in the subsidy -- incremental subsidy announcement. We have been waiting to hear back on this since the last quarter. If you could just throw some light on what's causing the delay from the government's end?

S. Sankarasubramanian: Obviously, there is a pressure on overall subsidy bill across various product categories. Government gives cost pass through for Urea and with higher gas price, urea subsidy is going up. With the DAP being compensated fully, there is a reasonable amount of allocation happening for DAP as well. And hence, there is a pushback on NP and NPK. We have represented to the government.

Darshita Shah: Okay. Got it. Sir, secondly, with the incremental capacity coming in, in the fourth quarter of this year, how are we seeing -- what are we doing with respect to entering the new markets? We have spoken about it a little in the past, but if you could say -- if you could just share with us what are the key new markets that you're looking at? And any key markets where you feel that we may be able to gain incremental market share, maybe somewhere like Maharashtra or something on those fronts?

S. Sankarasubramanian: Capacity is 750,000 tonnes. We want to sell 50% of the volume through our own retail outlets. We are increasing our footprint in Maharashtra, Tamil Nadu and also increasing number of retail outlets in Andhra & Telangana. So in the current markets where we have significant presence, we will be maximizing our sales through our own retail outlet. For the balance 50% of around 3,50,000 – 4,00,000 tonnes, we have already started seeding the markets in UP, Rajasthan, MP, Chhattisgarh, so these markets can absorb the balance only. So I don't see any challenge in taking the additional volume.

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

Naushad Chaudhary: Just one clarification, sir. Based on our calculation, looking at the price hike industry has taken, still there is a substantial could be historic high requirement from the government in terms of fertilizer budget, which I think industry have not experienced any time in the past. And looking at the different commitments government has on the balance sheet side, could this be the year where everybody from farmer to companies and government, everybody has to take or take the share of the hit which the sector may face?

S. Sankarasubramanian: What we are seeking is in line with policy. We are not asking for any additional adhoc subsidy, which has been given to DAP or for urea to absorb the additional gas price. NP, NPK fertilizer is currently produced predominantly in India. What we are seeking is the average 6 months rate, which is defined under the policy.

Moderator: The next question is from the line of Nirav from Anvil Wealth.

Nirav: Two questions. So first on the capex part, like in last 5 years, we have invested close to around INR7,000 crores. So let's say, given the steady state and this capex, which we have generally invested towards the backward integration and the strategic part. So on a steady-state basis, how much of the EBITDA the returns could -- this capex could generate over the next 2, 3 years given the kind of ramp-up we are seeing in terms of the strategic investments as well as the backward integration projects?

S. Sankarasubramanian: Yes, I did talk about this some time back. Our average EBITDA, which used to be INR5,000 need to go up to INR6,500 per metric ton.

Nirav: Correct.

S. Sankarasubramanian: That is the improvement we are looking for as far as the nutrient business is concerned and rest of the capex towards acquisition is towards Senegal operations or towards new capacity creation in Crop Protection business. The way the margins are accruing to Crop Protection business, we see the payback of less than 3 years in some of these capex.

Nirav Jimudia: Correct. And I think we have also expanded the capacity on the bentonite sulphur side, where we have doubled our capacity, taking the total specialty nutrients capacity to close to around 88,000 tons. So if you can give us some sense in terms of how much the Specialty Nutrient business would have contributed in that INR3,100 crores of EBITDA, which we have generated in FY26?

S. Sankarasubramanian: We don't put out a separate number for specialties, but all we can say is we have been continuously growing the top line of Specialty Nutrient business by 25%-30% with EBITDA margin of 20% . Of course, the Sulphur expansion has not really helped due to the current situation, but these are temporary. Once things normalize, we should be able to utilize the capacity.

We are looking at MAP, which is again a strategic investment from raw material sourcing as well as for trading opportunities and it will come up after 1 year or so. Granulation of specialty nutrients and organic fertilizer helps us to diversify the product portfolio towards seaweed granulation, gypsum granulation and other micronutrient granulation. These products are gaining good traction from the farming community, and they are high-margin products and doesn't cost much. The specialty nutrient business is growing really well and with the stress on crops, definitely farmers will use water soluble grades in the drip irrigation system, and we hope to take advantage of this opportunity.

Nirav Jimudia: Clarification on the SSP side, like you mentioned in your opening remarks that now 50% of our volumes are specialty ones. So let's say, on a steady-state basis, what one should assume now in terms of per metric ton contribution from the SSP business?

S. Sankarasubramanian: INR 2,500 – INR 3,000

Moderator: The next question is from the line of Vipulkumar from Sumangal Investment.

Vipulkumar: Can you give some figures regarding Dhaksha, our drone company?

S. Sankarasubramanian: At this point of time, we are focusing more on agri drones, which has gained good traction. In fact, Coromandel itself has purchased close to 100 - 150 drones this quarter, and we are trying to expand the fleet to 500 drones during the year. So Dhaksha will be mainly catering to agri drones. Until we get the defense orders, we'll be focusing on agri verticals.

On defense orders, we are in the final stage - as and when it materializes, we should be able to scale up the volumes. There are humongous opportunities available in this sector. We'll continue to pursue them. We are trying to strengthen the supply chain and develop the complete ecosystem. We are working on it. It's still work in progress. It's too early for me to comment on the numbers.

Vipulkumar: But are they a big drag as far as EBITDA level is concerned or...

S. Sankarasubramanian: It's not very significant.

Vipulkumar: Okay, sir. And lastly, you said due to this backward integration, our EBITDA in NPK will move to INR6,500 -- so that is what I heard. Is that correct, sir?

S. Sankarasubramanian: Yes. That is what we have been telling - once we commercialize the plant in a steady state, we should generate that kind of number. But don't ask me this number for this quarter. It may not happen because of the spurt in input prices. In a normal situation, we should realize that sort of an EBITDA. But these are abnormal periods once the normalcy restores, we should realize that.

Vipulkumar: Yes, yes. all things being equal, it should reach there, right, sir?

S. Sankarasubramanian: Yes, absolutely.

Moderator: The next question is from the line of Sandeep Mukherjee from SKP Securities.

Sandeep Mukherjee: Sir, I wanted to know at what levels of sulphur -- I mean, what levels of pricing of sulphur do you think optimal backward integration kicks in? Just for understanding, sir?

S. Sankarasubramanian: Given the Phosphoric Acid price of $1,700, at least we want $800 of sulphur.

Moderator: Due to time constraints, that was the last question. I now hand the conference over to the management for the closing comments. Over to you, sir.

S. Sankarasubramanian: So thank you very much, and thanks for raising some insightful questions, and we strive to do our best and hope the situation improves and the offtake improves and we also improve on the subsidy realization from the government. Thank you for your interest in Coromandel. Thank you, Manish.

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.