

**Ref. No: 2023-24/115**

**February 06, 2024**

National Stock Exchange of India Limited  
Exchange Plaza, 5<sup>th</sup> Floor,  
Bandra-Kurla Complex,  
Bandra (E), Mumbai 400 051  
**Scrip Code: COROMANDEL**

BSE Limited,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai 400 001.  
**Scrip Code: 506395**

Dear Sir / Madam,

**Subject : Transcript of conference call held on January 31, 2024**

This is further to our letter dated January 25, 2024 on the subject.

In this regard, we write to inform that the transcript of the Conference Call held on January 31, 2024 has been uploaded on the website of the Company at <https://www.coromandel.biz/investors/investor-call-transcripts/> as required pursuant to Regulation 46(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We request you to take this record.

Thanking you,

Yours sincerely,  
For **Coromandel International Limited**

**B. Shanmugasundaram**  
**Company Secretary & Compliance Officer**



“Coromandel International Limited  
Q3 FY'24 Results Conference Call”  
January 31, 2024



**MANAGEMENT: DR. RAGHURAM DEVARAKONDA – EXECUTIVE  
DIRECTOR – COROMANDEL INTERNATIONAL LIMITED  
MRS. JAYASHREE SATAGOPAN – PRESIDENT,  
CORPORATE AND CHIEF FINANCIAL OFFICER –  
COROMANDEL INTERNATIONAL LIMITED**

**MODERATOR: MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Coromandel International Limited Q3 FY'24 Results Conference Call hosted by Axis Capital Limited.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankur Periwal. Thank you, and over to you, sir.

**Ankur Periwal:** Yes. Thank you, Ria, and good afternoon, friends. I'm pleased to welcome you all to Coromandel International Limited Q3 and 9 months ending FY'24 Post Results Earnings Call. On the management side, we have with us Dr. Raghuram Devarakonda, Executive Director; and Mrs. Jayashree Satagopan, President, Corporate and Chief Financial Officer. As usual, we'll start the call with a brief introduction from the management side, post which we'll open the call for Q&A session.

Over to you, Jayashree ma'am for your initial comments. Thanks.

**Jayashree Satagopan:** Good afternoon, everyone, and thank you Ankur for organizing the conference call today. Let me first give an overview of the business environment experienced during the quarter, and we can follow it up with the company's performance and the Q&A session.

As far as the global economic activity is concerned, we saw that it was affected by tight monetary policies and weak global trade growth. As per the World Bank's latest projections, global growth is set to edge down to 2.4% in 2024 vis-a-vis 2.6% in 2023. Recent conflict in the Middle East and disruptions in the Red Sea link has further heightened geopolitical risks and raised uncertainty in the commodity markets. Despite this, India has remained resilient, supported by robust domestic demand, strong public infrastructure investment and strengthening financial sector. World Bank has revised India's GDP growth to 6.4% for 2024 vis-a-vis 6.3% in 2023. During the quarter, tax collections remained buoyant, though the retail inflation rose to a 4-month high of 5.69% in December '23.

On the agriculture side, the country witnessed below normal northeast rainfall during the season. All India cumulative rainfall during October to December '23 was lower than normal by 8%. The overall crop sowing area remained around last year's levels, with acreage increase in wheat, coarse cereals and oil seeds, while there has been a decrease in pulses and paddy.

Among our key operating markets, crop sowing in Andhra Pradesh, Karnataka, and Maharashtra were impacted. All India reservoir levels stand at 95% of the long period average with Southern region at 70%.

**Fertilizer industry performance:** Agri input industry experienced a challenging quarter with external headwinds like below normal monsoons and lower crop sowing. The NBS rate for rabi

season underwent a steep downward revision, which coupled with the rising raw material prices further impacted the industry performance.

For the quarter, DAP and complex fertilizer, industry's primary sales volume was down by 17%. Current year, 58.6 lakh metric tons vis-à-vis 70.9 lakh metric tons in the last year. DAP and complex fertilizer industry's consumption, which is indicated by POS sales volume was also down by 9%. Current year, 67.1 lakh vis-a-vis 74 lakh metric tons in the previous year.

On a year-to-date basis, DAP and complex fertilizer industry's primary sales volume was at 190.8 lakh metric tons versus 190 lakh metric tons last year. DAP plus complex fertilizer industry's consumption indicated by POS sales volume was at 195.3 lakh metric tons vis-a-vis 177.6 lakh metric ton last year.

**Company's Nutrient segment performance:** The Nutrient and Allied businesses improved the market share during the quarter amidst drop in volumes. Lower volumes along with the low NBS rates and higher cost of raw material has impacted the business margin during the quarter.

On the sales front, the business registered sales volume of 9.38 lakh metric tons during the quarter, which is 11% lower than last year. On a year-to-date basis, sales volume was 29.5 lakh metric tons vis-a-vis 30.2 lakh metric tons last year, which is low by 2%. The company's market share in Q3 is 16% and on a year-to-date basis, 15.5%. Last year, it was 14.8% in Q3 and 15.9% on a year-to-date basis.

SSP Q3 volumes were at 1.43 lakh metric tons versus 2.16 lakh metric tons last year. And on a year-to-date basis, 5.35 lakh metric tons versus 6.19 lakh metric tons last year. Market share for Q3 is at 15% versus 16% last year. On a year-to-date basis, the market share is at 15.2% versus 14.8% last year.

During the quarter, our DAP and complex fertilizer plants operated at 96% capacity and produced 8.67 lakh metric tons. Last year, it was 9.3 lakh metric tons of fertilizers. Phos acid production during the quarter was similar to last year's level, which is 1.12 lakh metric ton.

During the quarter, the company's state-of-the-art 1,650 tons per day sulphuric acid plant got fully stabilized and is operating at optimum capacity. With this, Coromandel's sulphuric acid capacity has increased to 11 lakh tons from 6 lakh tons per annum earlier. This supports the requirements towards downstream processes involving phosphoric acid and phosphatic fertilizer production.

During the quarter, company inaugurated a Nano technology center at Coimbatore, which will further its research and development of Nano and Novel products in the agri input space. The company's in-house developed and patented Nano technology-based fertilizer, Nano DAP has received encouraging market response and the company is actively working with the farming community to create awareness and promote the Nano DAP.

Company had an unfortunate incident in December at Ennore fertilizer facility with an ammonia gas leakage. The company has taken necessary measures to ensure safety of the public in and around the complex. Currently, the plant is closed and the company is in the process of addressing the matter.

**On the Crop Protection** side, the Crop Protection business of the company reported a healthy volume growth of 21%, improving its performance in exports and domestic markets. While the global market conditions remained very challenging with elevated inventory, demand slowdown and declining commodity prices, the crop protection business has improved its customer base, activated dormant registrations, which has helped in growing the export sales. On the domestic formulation, the business has witnessed an upswing, both in volumes and margins.

Overall, the EBIT margins for the Crop Protection segment grew from 12.4% in Q3 FY'23 to 13.8% in Q3 this year. The business continued its engagement on the CDMO opportunities and has initiated marketing of specialty chemicals products from its current manufacturing facilities. Further, the business is strengthening its research and technology efforts to develop focused chemistries that cuts across both crop protection chemicals and specialty chemicals.

The bioproducts business of the company is acting on multiple process improvement initiatives, focusing on improving cost efficiencies and yield. Neem oil-based pesticide Azamax, and fungicide Adhiraj, launched in Q1 have generated excellent market acceptance and volumes. The business is conducting field trials for new bio solutions and plans to launch the products in subsequent quarters.

Our retail stores adopted crop specific product-focused approach and operated well during the quarter, despite the reduced crop acreage, enabling it to sustain and improve the earnings. Overall, 97% of the stores were profitable. In continuation to serve the farming community, the business is expanding its footprint in new markets by adding 50 stores by end of this year.

Company's subsidiary, Dhaksha, a differentiated drone start-up, has been receiving encouraging response from its customers in defense, agriculture and enterprise. It has a strong order book and is ramping up its production capacity. It has recently set up a new state-of-the-art manufacturing facility at Chennai. Coromandel is also actively promoting the usage of drones in agriculture through its Gromor Drive program and also through its vast retail network.

With that, let me take you through the company's financial performance.

**Turnover:** The company recorded a consolidated total income of Rs. 5,523 crores during the quarter and Rs. 18,294 crores for the 9 months ended 31st December. Corresponding period, revenue was Rs. 8,349 crores for the quarter and Rs. 24,276 crores for 9 months. The decrease in revenue is mainly on account of reduction in subsidy rates and lower volumes in the fertilizer business compared to the last year.

Nutrients and Allied businesses contributed to 89% and the remaining 11% comes from the Crop Protection business for the quarter. For the 9-month period, it was 90% and 10%, respectively.

Subsidy business share in revenue stands at 82% for the quarter and 84% for 9 months. In the last year, it was 88% for the quarter as well as for 9 months period.

**Profitability:** Consolidated EBITDA for the quarter was Rs. 358 crores against Rs. 781 crores last year. For the 9-month period, it was Rs. 2,126 crores against Rs. 2,523 crores in the previous year. The subsidy business share in EBITDA stands at 37% during the quarter and 74% for 9 months. The previous year, it was 74% for the quarter and 77% for 9 months.

Net profit after tax for the quarter was Rs. 228 crores in comparison to Rs. 527 crores for the corresponding quarter last year and Rs. 1,477 crores for 9 months against Rs. 1,766 crores last year.

**Subsidy:** During Q3, the company has received subsidy collection from the government to the tune of Rs. 721 crores. Last year, this amount was Rs. 3,992 crores. During the 9 months period, subsidy received was Rs. 7,333 crores, previous year it was Rs. 7,994 crores. Subsidy outstanding as on 31st December was at Rs. 2,405 crores.

**Interest:** During the quarter, company earned a net interest income, excluding the Ind AS lease interest of Rs. 20 crores vis-a-vis net interest expense of Rs. 8 crores in the previous year. For the 9-month period, interest income of Rs. 37 crores versus Rs. 1 crore in the previous year.

The company has maintained the surplus fund in Board-approved securities. And like in the past, these are earmarked for specific growth-related investments. The balance sheet of the company continues to be strong, and the company is currently focusing on tightly managing the working capital situation.

**Forex:** During Q3, the rupee traded in a tight range of Rs. 82.90 to Rs. 83.43. Continuing its conservative approach of hedging the Forex exposure, the company has benefited in terms of limiting the impact of currency fluctuations.

**New investments:** While the short-term business environment remains challenging, Coromandel will continue to invest in value creation opportunities. Towards this, the Board, in its meeting held yesterday, approved the company's plan to expand its backward integration capabilities by setting up a phosphoric and a sulphuric acid plant at its Kakinada Fertilizer Unit, subject to regulatory approvals. This will further improve the company's cost efficiencies, raw material security and can contribute towards the nation's Atmanirbhar Bharat vision.

As a leading agri solutions provider, Coromandel is committed to improve the availability of agri inputs, drive technology-focused solutions and sustainable agricultural practices.

We thank you for your interest in Coromandel and joining the call today, and we look forward to the interaction.

**Moderator:**

Thank you very much. First question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

**Sumant Kumar:** So can you talk about the non-urea fertilizer under price control and government trying to fix profit margin. Also, whatever the unreasonable profit made by the companies that they have to return, so can you discuss about that?

**Jayashree Satagopan:** Hi, Sumant, the government has issued an office memorandum in January, which gives the broad guidelines in terms of the reasonableness margin for all the fertilizer companies. As you know, even in the past, the government has been working with the fertilizer companies, all the NPK players, whether they manufacture or import, in terms of submission of cost data. Because it is a subsidized business, they have their own ways and means of looking into the cost and ensuring that the companies are able to supply fertilizer at a reasonable price to the farmers.

In the recent past, we have also seen that there have been some guidelines by the government in terms of maintaining MRP at certain levels. So they have come up with a guideline recently, which is not so different from the past in terms of the intent to supply fertilizer at a reasonable price to the farmers.

This circular effectively categorizes the companies into 3 segments. The segments are namely integrated manufacturers, manufacturers and importers. Each of them has been given a certain percentage of PBT that they can broadly look at as they work through their MRPs, their cost structures and their pricing. So integrated manufacturers will be able to get a 12% margin. Manufacturers who do not have backward integration facilities, but they do the granulation could get about 10%, and importers about 8%. So these are broad guidelines that they have given.

So I think if you look into most of the fertilizer companies, their performance, these are respectable margins. And there is clarity that's coming in from the government. They are also encouraging companies to look into backward integration so that there is more of self-sufficiency that could come in. That's the way one needs to look into this guideline.

**Sumant Kumar:** So we are not having any impact considering this 12% kind of PBT currently? Because historically, I have seen our EBITDA margin in the range of 14%, 15% also in the past?

**Jayashree Satagopan:** This is not at the EBITDA level, Sumant. It's at a PBT level.

**Sumant Kumar:** Okay, it's PBT level, yes, yes. So we'll not have an impact considering Rs. 5,000 EBITDA per ton you have guided in the past. So we'll not have any impact, considering 12% kind of margin?

**Jayashree Satagopan:** Yes, we will not have.

**Sumant Kumar:** Okay. And the second question is, phosphoric acid, can you guide us how much capacity we are going to increase and how much inventory loss in this quarter?

**Jayashree Satagopan:** We are looking at adding about 650 tons per day of PA capacity as and when we get all the approvals in place. As far as the inventory hit is concerned for the quarter, if I remember right, it is in the range of about Rs. 30 crores or so.

- Sumant Kumar:** And we are planning to have a backward integration when the 600 TPD, around 7 lakhs tons cumulatively, so almost we are going to have a backward-integrated company for NPK manufacturing plant?
- Jayashree Satagopan:** Yes, this will add close to 2 lakh tons of PA at Kakinada.
- Sumant Kumar:** Okay. Thank you so much
- Moderator:** Thank you. Next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.
- Arjun Khanna:** Just to clarify, with the latest guidelines, Coromandel will be treated as an integrated manufacturer, would that be the right understanding?
- Jayashree Satagopan:** Yes. As we have both granulation as well as phosphoric, sulphuric plants here, we would be an integrated manufacturer.
- Arjun Khanna:** Secondly, there is this evaluation methodology, which has stated that integrated manufacturers, manufacturers and importers of fertilizers will be considered as a separate segment. So essentially, we do import DAP. So would each SKU of import versus manufacturing be treated separately? Would we have to maintain 2 sets of accounts there?
- Jayashree Satagopan:** Even in the past, Arjun, when we used to submit cost reports to the government, we used to give it separately. All imports have to be shown separately, and we'll continue to show that. As we import DAP or any NPKs, in that case, the data used to be compiled and shared with the DoF on a stand-alone basis that will continue to happen. And for imported items, the margin guideline that has been suggested is 8%.
- Arjun Khanna:** Right. Sure. So that clarifies that. Secondly, if one looks at -- they have talked about the Board coming back with some sort of unreasonable profit for the previous year. Can you confirm on the call that we would have no impact from that aspect?
- Jayashree Satagopan:** This guideline is effective 1st of April 2023.
- Arjun Khanna:** Right. So you're saying the impact, if at all, you would know by the end of the year?
- Jayashree Satagopan:** Yes, we will be computing it by end of the year, but my initial assessment is it's not likely to have an impact for the current year.
- Arjun Khanna:** Sure. The last question I have is, in terms of our retail outlets, there is a net MRP minus dealer margin. Now Gromor, given it's a subsidiary, would it be subded in that 12% or that's considered separately as a dealer, so that impact would be plus?
- Jayashree Satagopan:** You're asking about the sales of fertilizer that happens through the retail outlet, right?
- Arjun Khanna:** Right. Right, which is owned by us, yes.



- Jayashree Satagopan:** Yes, it will be taken as a sale and the margin that we make on the sales will be considered as the overall margin for the company.
- Arjun Khanna:** Sure. So if you didn't have a retail, we could price it differently. Is that the right understanding?
- Jayashree Satagopan:** No, the retail also gets a similar treatment like a channel partner except that it is all done internally within the company and the so-called dealer margin stays within Coromandel.
- Arjun Khanna:** Just trying to understand scenarios, ma'am because this is on a percentage basis and not on an absolute basis. So if raw material prices fall substantially, essentially, it would impact profitability for the entire industry. Is that the right understanding?
- Jayashree Satagopan:** The way one should look at it is if the raw material prices are coming down dramatically, the expectation also is to pass on the benefit to the farmers, right? And the government also has a lever in terms of subsidy. So there are 3 aspects one needs to look into. There is raw material price, there is MRP, which the companies can work with and then there is subsidy element. So all these 3 have to be looked into as a wholesome. And on that, you work out your revenue, your margins, your margin percentage and, therefore, the profitability.
- Arjun Khanna:** Sure. Very well understood, ma'am. Just the final question is, if one looks at pricing in the market, one player is significantly more efficient. Essentially, that player's product would be priced lower than other players in the market. Would that be the right understanding?
- Jayashree Satagopan:** That is true for any company, any product, right, whoever is having a better process, whoever is most cost efficient, whoever is able to source much better, will have an advantage of pricing it far more competitively or trying to hold on to the price and then make more margins, so there is no difference for a fertilizer industry.
- Arjun Khanna:** But the latter part may not pan out because you are limited by peak margins.
- Jayashree Satagopan:** Yes. But the way government has given it's a 12% on the PBT, right?
- Arjun Khanna:** Right. You're saying that's more than enough to account for everything.
- Jayashree Satagopan:** I think so. So there are going to be efficiencies, but then the market dynamics sort of plays in. When the raw material prices actually shot up, the government had increased the subsidy to a great extent, while they had asked the companies to sort of maintain the MRP. In free-regime, MRP has to be determined and maintained by the industry players, so there have been interventions & oversight. Since the guideline has just now come in, we also need to go through a couple of cycles to understand how this will pan out.
- But I will not get too concerned about it because there is also a differentiation that has happened, and it is at an overall portfolio level. There could be certain products where you will be far more efficient. There are certain products where the throughput may be lower and, therefore, your margin profile could be different. So for manufactured segment, it's a pretty reasonable call at this point in time.

**Arjun Khanna:** Ma'am, just because if you look at the formula cost of sales, there's also this net interest and financing charges, expenses, which you are able to claim given that we are a net cash balance sheet, essentially, this component would be absent for us. So essentially, having large cash on balance sheet would be a detriment to a nutrition or a fertilizer player. Would that be a right understanding?

**Jayashree Satagopan:** One can interpret it that way. But the fact is, on a year-on-year basis, there has also been a good amount of investments that's happening in house. So the new capex that has been announced, the capex that has already happened is all through our own internal accrual. I don't think it's going to impact to a very great extent, considering the current situation. But if one were to theoretically look into it, the answer is, yes.

**Arjun Khanna:** Sure. Thank you very much and wishing you all the best.

**Jayashree Satagopan:** Thank you.

**Moderator:** Thank you. Next question is from the line of Vishnu Kumar from Avendus Spark. Please go ahead.

**Vishnu Kumar:** I'm following up on Arjun's question only, this guideline seems to actually lead an efficient company or a lower debt company or a cash-rich company, a little bit more on the lower end where it's inefficient, probably a company having higher debt to probably end up making at least, directionally, there is a possibility there. So will this guideline go with multiple iterations with the government before you finalize any conversations will further happen on this side? And that is one.

And secondly, you did mention that there is not much of a change, this is the previous policy and that was already enforced on this one. And why would the government come up at this point in time on this side? Why did they come specifically with further guideline process?

**Jayashree Satagopan:** Okay. Vishnu, your first question in terms of companies having cash versus debt. When you're having cash, it also comes because of the fact that you've been running the operations very efficiently and you can deploy it for multiple other purposes. Theoretically yes, but if you're going to be highly leveraged, you're also going to incur that cost. And with that, your margins are going to be lower. So what do you really want to see is the margin earning capacity with or without an interest cost.

The way the guidelines are, at this point in time and looking at how we have been running the operations, we don't see a risk. If you can do a comparative of several companies in the industry and how well the EBITDA per ton has turned out and, therefore, the margin percentage to see whether a higher debt will be helpful or not. My personal read and assessment, to us, it doesn't impact. The cash will be deployed on more purposeful areas. That's the way I look at it.

On your second question, as I was mentioning, even earlier, there's been a guideline in terms of how the fertilizer companies operate. What is the cost structure, what is reasonableness in terms

of the government looking into a fair price that has to be maintained for farmers, these have been there. And they have come up now clarifying a couple of things: One is clearly on the GST front because GST is only a pass-through as far as the companies are concerned. It cannot be included. So they have very clearly articulated the GST will not be a cost.

The second thing that they have included is also doing a differentiation between companies who are investing in the country, therefore, they are entitled to earn a better margin compared to companies who are just importing or having a certain level of manufacturing, so they've gone ahead clarifying their intent. They want to promote more of manufacturing in the country.

**Vishnu Kumar:**

Got it. Ma'am, earlier you were highlighting that if at all, let's say, at some point in time, we would be probably thinking about capacity expansion, the natural way would be to get all the backward integration done, get clarity on policy. And I mean, at least that's what we thought. So at least now from that side, your next phos acid announcement and some policy clarity, we probably have at least the base margins that we can earn. Does this mean that over the next, we should expect some kind of a capacity enhancement announcement or anything that you could help us understand on this side?

**Jayashree Satagopan:**

At this point in time, we want to first focus on the backward integration and getting our own supply security. At an appropriate time, definitely, we can look into further options. We also need to be cognizant of the fact that new technology like Nano has come in. While nano urea has not evoked much encouraging response, the Nano DAP that has been developed by Coromandel through its own in-house R&D center has been received well.

Our Nano plant in Kakinada has to come full stream, and we also want to wait and see how these new technology adoptions are happening. While it is not going to totally substitute, there could be a certain percentage of granulation that can be consumed through the nano fertilizers. Plus, it would take a couple of years for us to get this backward integration done and feel far more secure with our raw material. So both these factors will be considered appropriately, and we will look for capacity expansion.

But in the immediate future, as I had alluded in the past, we are looking at several debottlenecking options. And there is going to be investment that is going to be spent in the coming year for increasing some capacity within our existing plants further to what we have done. So those studies have been completed. So as we complete our business planning exercise, we'll be in a position to let you know what could be the additional or the upside in the existing plants through debottlenecking activity, one can further look at.

**Vishnu Kumar:**

If I may additionally on the CPC and other businesses: one, if we exclude fertilizer and CPC, the balance EBITDA on the all-other segments, SND and multiple other, we're generally seeing a material uptick versus last year, any color on that? In fact, our mathematical number suggests that we have grown very well on the ex-fertilizer, ex CPC and it's almost yielding a 25%, 30% margins now. Any color on that?

And also just on the CPC business, if you could talk about the external macro, and you did speak about some improvements and some new products coming up there? This will be helpful.

**Jayashree Satagopan:** Yes. So our other businesses have also been doing well, SND, organic, retail. Retail has done pretty well despite adverse monsoon conditions that we have seen in the Southern Peninsula. We have Dr. Raghuram in the call, who is leading retail bio and CPC, and I'd request him to sort of take this question and respond to you, Vishnu. Raghu, you there?

**Raghuram Devarakonda:** Yes, Jayashree. So just to briefly describe performance of CPC, bio and retail in that sequence. As Jayashree mentioned, the volumes have increased handsomely. However, the price erosions have been fairly steep. For those of you who have been tracking this industry, I think you'll be very familiar, the extent of erosion in prices have been upwards of 30%. So as a result, the top line hasn't grown much for CPC. But through efficiency improvements, product mix optimization, catering to profitable customer segments, we have been able to shore up the gross margins. So even the outstandings have come down from an overdue point of view.

So many of the business fundamentals are slowly, but surely coming into place. And looking ahead in the future, our new product pipeline is also looking good. But again, those of you who have been tracking this segment will understand that globally, the regulatory environment takes time to approve many of these new products. We have also forged partnerships with some of the Japanese innovators. So not only our generic formulations but also some patented molecule formulations are also in the pipeline.

So as I said, all of those are for the future, and it will take some time. There are CDMO discussions that are maturing well, this is another long lead item for the business. So the future is looking good. A lot of investments are going in on that front, including R&D and building some infrastructure. Even on the previous calls, I've mentioned that as and when many of these fructify, we'll have appropriate press releases at those points in time. For the moment, it will suffice to say that a lot of work is underway. A lot of heavy lifting is going on in the background so that the business is in a good shape and more robust going forward in the next couple of years.

In the meantime, as we announced a little while back, we are diversifying into specialty chemicals. Happy to state that some commercial transactions have happened during the quarter, so that beginning has happened. This is another step forward in the right direction for CPC business.

And in retail, primarily, we have been using our databases. We have got more than 3 million farmers in our databases, and we have done some data crunching, data mining to identify those who are repeat purchasers who have been loyal to us, and we are helping them improve their yields significantly and driving word-of-mouth. And the whole trick that has given us the results is to focus on the villages, focus on the key farmers from the databases. Help them improve through our advisory services, integrate products and services like drones, so that we provide that sort of an impact the farmer is looking for. And these people being quite influential in their respective villages, the word of mouth has helped us drive more footfalls into our retail stores.

The bio business, again, we have been pretty much a one-product company, azadirachtin. And we are the largest manufacturers of this molecule worldwide. So we are trying to reduce the dependence on azadirachtin and bringing up new products about which you should be hearing over the coming quarters. So these are the 3 main things that we have done in the respective businesses, namely diversification theme, data mining theme and staying focused on products and customers that are profitable. I hope that answered the question.

**Vishnu Kumar:** Actually, my question was more towards the segment profitability for 9 months. Actually, it looks like it has exceeded the CPC business itself. While we understand why CPC is down, but the segment is this ex fertilizer and ex CPC has done phenomenally well. As a suggestion, if we can -- in the presentation, we can show separately the EBITDA for these 3 as a breakup, it will actually be very helpful to track this going forward.

**Raghuram Devarakonda:** Maybe Jayashree, you may want to take that.

**Jayashree Satagopan:** Yes. So Vishnu, I'm not sure how you are coming with these numbers. We can take it off-line. And I take your point in terms of getting some more visibility to the other businesses, either through segmental or otherwise, we also want to get this story around, and we'll definitely address that.

**Vishnu Kumar:** Thank you.

**Moderator:** Thank you. Next question is from the line of Dheeresh K Pathak from Whiteoak Capital. Please go ahead.

**Dheeresh Pathak:** So just coming back to the notification again. So is it fair to say that this reasonableness of MRP, this was always there at 12% for all manufacturers in the past. Now it has been more fine-tuned 8, 10, 12 and made it at a portfolio level versus product level, but it was always there.

**Jayashree Satagopan:** Yes, there has been fine tuning, you're right, putting it at a portfolio level and also segmenting the companies as integrated manufacturers, manufacturers, and importers.

**Dheeresh Pathak:** Okay. And this 12% PBT margin, when the buildup happens to get to the reasonable MRP, is it going to be on actual basis or is it going to be on a normalized basis? So for example, interest cost, raw material cost, all the other cost when we build up, is it going to be on each company's individual actual cost report or on a normalized basis?

**Jayashree Satagopan:** It will be on actual.

**Dheeresh Pathak:** Then what does this 12% mean for a company, let's say, like yourself, if you're investing new capital into backward integration, what does this 12% mean from an ROI point of view?

**Jayashree Satagopan:** The capital investment has to be looked at it on a stand-alone basis. For instance, if you want to do a backward integration, you will look at what's going to be the ROI for the project, what is the IRR, what's the payback period so on and so forth. And overall, by doing that, if you're still able to make a 12% margin as an integrated player, it still augurs well. My decision to invest in

a backward integration is not only going to be guided by this. It has to be a separate ROI project for me.

**Dheeresh Pathak:** I'm not able to understand that because see 12%, we're talking about PBT margin. It does not give us a good understanding of what return is generated on the capital. So if you can triangulate the 12% PBT from a -- what does it mean from a return on capital point of view, right? Because if you have to spend too much on fixed assets, then PBT margin alone itself does not give you enough information, right? So what I'm trying to get to is, what 12% PBT margin, does it compensate enough for the capital that will go into backward integration?

**Jayashree Satagopan:** At this point in time, given the size of investments that has been happening in the industry, I don't think it will be a deterrent. But we can work out the return on capital employed as well. I personally do not see this 12% being a deterrent for further investments.

**Dheeresh Pathak:** One last question. The current margins on manufacturing is way below the normalized margin guidance of Rs. 5,000. So if the current subsidy regime continues and the current spot prices continue, it seems that margins are way below the normalized margins. So given that we have flexibility to get up to 12% PBT, the only reason we are not able to increase MRP is because this is an election period. Is that the only deterrent?

Because right now, an efficient player like yourself is earning way below the 12%, below your normalized guidance, and you're still not increasing MRP. So, apart from what I mentioned, is there any other reason that you're not able to get to a normalized margin?

**Jayashree Satagopan:** See, one must look into it as a cycle, not every year is going to be the same, not every quarter is going to be the same. We normally look into a full year basis. And if you still look at this year on a full year basis, we should be relatively okay. Last quarter has been tough. The NBS rates have been sharply corrected. Last year, in January, there was a downward revision. This year, with the raw material prices going up from August onwards, the industry is hoping and still representing with the government to see if there could be an upward revision in the NBS rate effective 1st of January. At this point in time, seems unlikely, but there has been representation.

We are also working through the FAI and along with our other industry counterparts to share with the government the way the raw material prices have moved, there needs to be an interim correction in the NBS rates. Having said that, the current MRPs that we have, given the monsoon conditions, the consumption has also not increased. So there is no point in increasing the MRP and not being able to sell.

There is a propensity of the farmer to pay and that is getting tested. So MRP increase may not help at this point in time. A revision of the subsidy will be very helpful. Representations are being made to the government. Hopefully, if it works, it's fine. Otherwise, we should hope for - the change is coming from 1st of April. And I would also encourage us to look into 1 or 2 periods in time when you will see these type of aberrations happening.

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

**Bharat Sheth:** I have 3 questions. First is, I mean, you clarified on this GST amount is a pass-through and will not be considered as a part, what about the subsidy part? I mean, whether it will be a pass-through or 12% will be calculated on the subsidy amount also?

**Jayashree Satagopan:** No, it's only for GST because GST is not your income, right? You're collecting and then you're remitting. Whereas subsidy when you look at it, you are not able to fully price the product and, therefore, the subsidy comes in from the government.

**Bharat Sheth:** Okay. Great. And how much capex have we planned for this phos acid plant, which is almost a 2.5 lakh ton per annum? And post that, how much still we need to have backward integration scope is there, either on phos acid or sulphuric acid? And how much are we getting rock phosphate from our one of the subsidiary or joint venture partner that we have formed in Africa?

**Jayashree Satagopan:** Okay. The phos acid plant that we are looking at is a 2 lakh ton capacity per annum, and we are looking at an integrated phos acid and sulphuric acid plant. When we did the Vizag expansion, we did the PAP-2 first. And then after a gap of 2 years, we did our SAP 3. Here, we are looking at putting both of them together, and we are waiting for a couple of approvals, which we are expecting in the next 2 to 3 months' time frame.

So it's a pretty large project having both the plants together. And after we complete implementation of these plants, there will still be requirement for import of phos acid. Because currently, we import somewhere close to 4- 4.5 lakh tons, again, depending on the grade mix. And after this plant comes in place, we will still have about 2 lakh tons or so, which we might have to import.

I was also mentioning a little while ago, we are looking at expanding the capacities through debottlenecking activities at Vizag and Kakinada and that might also require some more acid for granulation. So considering all of these even after the plant is in place, there will be requirements for imports. Yes, it will not totally do away with it. As far as the rock import is concerned, we have started getting the rock from Senegal, about close to about 1 lakh of tons has come from our mines there.

And very recently, we have been working with one another company to help set up a fixed processing plant, which will get operational in the next quarter and that should help to further stabilize and increase the throughput. So on a normal year basis, we could expect somewhere close to 2.5 lakh, 3 lakh tons and the intent is to see how we can increase it up to 5 lakh tons of rock.

**Bharat Sheth:** Okay. And last question on the CPC side that we were working on CDMO. What stage we are in this CDMO business?

- Jayashree Satagopan:** Yes. Just a little while ago, Dr. Raghu was mentioning about some of the progress there. So on CDMO, there are a couple of companies with whom the business is very closely working on and some tech packs have been shared. The response has been good. So it's progressing well. As you would also appreciate, CDMO is a long lead item, taking anywhere between 2 to 3 years, depending on the innovator with whom you're working and the complexity in the product. We can say that the response has been positive. The progress is going in the right direction at this point in time.
- Bharat Sheth:** Overall in ballpark number, capex on this SA & phos acid, what would be in your fair assessment?
- Jayashree Satagopan:** I think it will be in the closer to Rs. 1,000 crores.
- Bharat Sheth:** Okay, fair. Thank you very much and all the best ma'am.
- Jayashree Satagopan:** Thank you.
- Moderator:** Thank you. Next question is from the line of Gagan Thareja from ASK Investment Managers. Please go ahead.
- Gagan Thareja:** First question pertains to the policy margins that have been enumerated, I think, 10 and 12. In your assessment, what historically for yourself and at an industry level, what have been the margins that you've seen as being cyclically average in these 3 categories of trading and manufacturing with backward integration...
- Jayashree Satagopan:** I can hardly hear you.
- Gagan Thareja:** Yes. So my question was that while certain margin ceilings have been set or proposed in the document, what in your experience have been the cyclical average margins that Coromandel would have seen or, for that matter, at an industry level would have been historically prevalent? Just to get an assessment of where they lie or where we can peg them versus what's normal?
- Jayashree Satagopan:** I may not be able to answer you at an industry level, but if you look at the performance of the companies over the period in time, I don't think that companies have hit this level of PBT at all.
- Gagan Thareja:** Yes. So my assessment was even at an EBITDA level for this business specifically and not overall Coromandel in aggregation, margins will be closer to 9.5% to 10%. Is that a reasonable assumption?
- Jayashree Satagopan:** Yes.
- Gagan Thareja:** Okay. Right. And so from your perspective, this does not impact you in any way in your make versus trade or make versus buy sort of decision at all or in your capital allocation at all whatsoever?



**Jayashree Satagopan:** No, our policy has always been to see what we can do in terms of improving the cost efficiencies in our manufacturing. And wherever there are opportunities for us to look at imports, we do import. For instance, manufacturing DAP versus importing DAP, whichever is more profitable, that's a call we take. And in times when manufacturing of DAP is going to be loss-making, importing of DAP is going to be further loss-making, at the time, we may decide, whether we cut loss and do a DAP manufacturing.

So there is always going to be the cost economics of looking at ensuring that we have the potential to cut our loss if there is going to be a loss making situation or earn decent margins if there is going to be a situation in maximizing it between manufacturing and importing. At the same time, given the fact that we do manufacture multiple grades, there is also an option to import certain grade versus manufacturing because manufacturing of certain type or certain grades in certain plants can help us get a better margin. And this guideline is also talking at a portfolio level for all the grades that are getting manufactured, so there is a good amount of flexibility that's being built in.

**Gagan Thareja:** So on backward integration, you invested sizably. While you talk of individual projects, can you enumerate for us to what degree these projects increase your level of backward integration and in terms of cost savings or cost advantage or ROI, what does this yield for you?

**Jayashree Satagopan:** Any time when you're going to just import and granulate when the phos acid prices go up, the granulators don't make money. Then you backward integrate, you buy the rock and you do the phos acid here, there is a value capture. Similarly, when there is a sulphuric acid plant, there is a local feed of sulphuric acid and also there is power generation that comes from the burner. So that is another value capture.

**Gagan Thareja:** I was just looking to whether you can enumerate it for us, while we understand it at a qualitative level, some degree of enumeration would be helpful?

**Jayashree Satagopan:** So we look at it on an IRR basis. There is a threshold IRR for a company and there is a certain year of payback when you take up these backward integration projects. And as it is within these parameters, the investments are reviewed and taken up for approvals.

**Gagan Thareja:** So what is the payback that you generally look for?

**Jayashree Satagopan:** It varies from project to project. Some projects have a low payback. One commodity super cycle can make the payback in 2 years. Like how we had this Phos Acid prices shooting up a couple of years back, you make the investment, you get the return in a period of 2 to 3 years itself. Sometimes it can be all the way up to 5-7 years.

**Gagan Thareja:** And debottlenecking that you're proposing to do would give you what kind of additional capacity?

**Jayashree Satagopan:** The business is working on the numbers. We are going through the business plan cycle now. And probably in the next call, I'll be able to give you the clarity on it.

- Moderator:** The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** Just one question on the crop protection side. Your thoughts on both B2B as well as B2C growth and as well as how is the progress going at Dhaksha side?
- Jayashree Satagopan:** Thanks, Ankur. I'll request Raghu to speak on CPC and probably once he completes, I'll give you a flavor on Dhaksha.
- Raghuram Devarakonda:** Okay. As I shared a little while back, the headwinds have been quite strong as far as the price realizations are concerned and we are all aware of the monsoon that played out in India in patches and the reservoir levels what we have. So having said all of that, the new products and leveraging the data that we have and making those focused plans for specific districts and markets, targeting specific crops is helping us.
- So in Q3, we grew handsomely in volume terms, and I believe that will help us improve the market share as well because we have got more quantities of our products in the market, both in domestic as well as exports. So I think if we continue on the same path, we become more and more resilient as a company to weather the vagaries of the external environment.
- At the same time, internally, we have immensely improved our efficiencies for the technicals that we manufacture. So we have done a lot of work within the 4 walls of our factories to drive up efficiencies, achieve significant levels of cost reduction and, therefore, are able to withstand the competitive pressures in the marketplace.
- I think overall, the story has been good for Q3 as far as CPC is concerned on these fronts ie, volume, margin expansion at the gross margin level and also collections. Given the market conditions, collections are improving and exports and domestic trade are doing well for us at the moment.
- Jayashree Satagopan:** Thanks, Raghu. As far as Dhaksha is concerned, we've been doing pretty well. We've been working closely with multiple segments like agriculture, defense & enterprise. Happy to state that we have close to Rs. 300 crores of order book for Dhaksha at this point in time. This is panning across all the 3 segments I've mentioned. Apart from setting up new training centers where pilots would get trained, there is lot of emphasis from the government for promotion of drones in agriculture, especially through women self-help rules.
- They are looking at close to 15,000 drones over the next couple of years and Dhaksha is supplying to IFFCO and to Coromandel. And early next month, we understand that there is going to be a program from the government, promoting these drones for agriculture. Apart from this, the company has been participating in promoting drones for logistics and defense purposes, and that's where the large chunk of the order book is there currently.
- Enterprise is also a very interesting solution where they have received a couple of orders. So R&D work is going on. New manufacturing facility has been set up. From next month onwards, the line from the existing facility will be moved there. That should help them in terms of

continuously working on newer products and scaling up the manufacturing on the existing models they have.

**Ankur Periwal:** Thank you and that's helpful.

**Moderator:** Thank you. Next question is from the line of Tarang from Old Bridge Asset Management. Please go ahead.

**Tarang:** Ma'am, I had actually quite a few questions, but given the constraint, I'll probably request for 2. The first, I believe this might have been answered, but specifically coming to Q3, per ton manufacturing margins for the Nutrition business, given that our Q2 results were declared after the rabi subsidy announcement. And my sense is there was a provision that was taken in Q2. Considering all of that, what drove such as sharp reduction in the per ton margins?

**Jayashree Satagopan:** The impact of channel inventory had been taken in Q2 numbers. For the sales in Q3, the subsidy realization is very low as the steep correction has happened in the subsidy rates. Plus, as I was mentioning, the raw material prices, which came down quite well compared to last year started inching up from August onwards. So it's an effect of lower subsidy rates, MRP being held where it is and the raw material prices slightly going up in the context of a not so good season.

**Tarang:** Got it. Just following up on that. So have we, out of prudence, taken some hit for what we are anticipating in Q4 as well? Or we could see a similar sort of a rundown in Q4 as well?

**Jayashree Satagopan:** I'm not able to understand your question.

**Tarang:** Ma'am, my question is that given where the MRPs are today, the raw material prices and the subsidy that has already been announced, you would have some sense on the per unit profitability, should the volumes flow through in Q4. So given how Q3 has transpired for us as a part of prudence has Q4 hit also been taken? Or that's something that we'll see in the Q4 numbers?

**Jayashree Satagopan:** You can't take a hit for future in the current quarter. I haven't picked up any hit of next quarter.

**Tarang:** Okay. I was just double checking that. Great. Okay. Just last, I mean given what's happening in the crop chemical space, is there some amount of recalibration to the Rs. 1,000 crores, Rs. 1,200 crores outlay that you had announced?

**Jayashree Satagopan:** There's a lot of activities going on in the Crop Protection front. The current focus has been to see how we can maximize, improve the volumes, run the platform more efficiently. A lot of work has been happening on those fronts, which has actually helped the company get a very good volume growth in the context of what's happening globally, both in exports as well as the formulation.

Last 2 quarters, consistently, we have seen a volume growth that's happening. At the same time, when you look at the raw material, the intermediate prices, while they have been holding, the

prices of certain molecules have come down sharply because of the China factor. In several cases, we have seen the intermediate prices are higher than the final technical.

Therefore, we are pausing a bit before getting on to the molecules, which have been shortlisted on the multipurpose plants. And also, looking at what could be other processes that can be followed to get a far more compelling cost position. At the same time, there's been a lot of effort that's going on, on repurposing some of the assets for specialty chemicals. And work is also progressing well on the CDMO front. At the Dahej facility where we wanted to get the herbicide plant up and running, there's been some traction in terms of the basic infrastructure.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question of the day. I now hand the conference over to management for closing comments.

**Jayashree Satagopan:** So thank you all for your interest in Coromandel. Good set of questions during the day. If there are any further clarifications or questions that you may have, feel free to reach out to Anuj or me. We'll be happy to connect and interact with you. Thank you, again.

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