



**“Coromandel International Limited  
Q4 FY '24 Earnings Conference Call”  
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**MANAGEMENT: MRS. JAYASHREE SATAGOPAN – PRESIDENT,  
CORPORATE AND CHIEF FINANCIAL OFFICER –  
COROMANDEL INTERNATIONAL LIMITED  
MR. SANKARASUBRAMANIAN S. – EXECUTIVE  
DIRECTOR, NUTRIENT BUSINESS – COROMANDEL  
INTERNATIONAL LIMITED**

**MODERATOR: MR. HARMISH DESAI – PHILLIPCAPITAL INDIA  
PRIVATE LIMITED**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Coromandel International Q4 FY '24 Earnings Conference Call hosted by PhillipCapital India Private 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 Harmish Desai from PhillipCapital India Private Limited. Thank you, and over to you, sir.

**Harmish Desai:**

Thank you, Manuja. Good afternoon, and welcome to the Fourth Quarter and Full Year FY '24 Earnings Call of Coromandel International hosted by PhillipCapital. From the management, we have Ms. Jayashree Satagopan - President, Corporate and Chief Financial Officer; Mr. Sankarasubramanian - Executive Director, Nutrient Business.

I would like to thank the management for giving us the opportunity to host this call. We will begin the call with opening remarks from Jayashree ma'am, post which we'll have a Q&A session. Thank you, and over to you, ma'am.

**Jayashree Satagopan:**

Yes. Good morning, everyone, and thanks, Harmish, for organizing this conference call today. Let me give you a brief on the business environment experienced during the quarter, followed by the company's performance and then we will have the Q&A session. I'll try and keep the session short so that we spend more time on the Q&A session.

As far as the Indian agriculture is concerned, India experienced a challenging agri environment during the year. Agri GVA is expected to grow marginally by 0.7% and the second advanced estimates project slight reduction in food grain production during the year. India, as a whole, received a below normal monsoon, 94% of the long period average for the first time in 4 years. This led to lower crop sowing, especially in Coromandel's key markets and has also resulted in lower reservoir levels, further impacting the rabi plantings.

Coromandel's primary markets were severely impacted. Rayalaseema by 13%, North Interior Karnataka by 10%; Coastal Andhra by 3%, Vidarbha 2%, Bengal by 22% and Marathwada by 11%, which has also impacted the agri nutrients consumption in these regions.

On a positive note, the recent forecast by IMD and Skymet have estimated normal to above normal rainfall for kharif 2024, which bodes well for the upcoming agriculture season.

**Fertilizer industry performance:** Q4 was weak quarter for the industry as phosphatics point-of-sale consumption declined by 11%. On a full year basis, the consumption improved by 7%. Detailed volume breakup for the industry and the company are available in the investor presentation placed in the company's website. Lower NBS rates during the second half of the year were not commensurate to the raw material prices, and therefore, impacted the operational viability of the phosphatic players in the industry.

With the new subsidy rate announced for first half of FY '25, we expect the fertilizer margins to show improvement. Raw material prices have remained stable to soft during the quarter, and we expect a similar trend in the coming year.

**Speaking about the company's performance**, the NPK volumes were down by 6% in the fourth quarter of the year; and for full year, it was lower by 3%.

Company's market share (POS) in Q4 for NPK and DAP was 24%; and for the full year, it was at 15%. In comparison with last year, it was 25% in Q4 and 17% for the full year. The company's market share (POS) in Q4 for SSP was 17% and for full year was 15%. Last year, it was 16% in Q4 and 14% for the full year.

During the year, the plants operated close to 95% capacity. And further, the company is planning to debottleneck its granulation capacity in Kakinada and Vizag, adding up to 3.5 lakh tons. Company has just commenced work on the new phosphoric acid and sulphuric acid complex plants at Kakinada with an estimated capex of about Rs. 1,030 crores. These plants are expected to come up in couple of years' time.

Further, the company plans to introduce new Urea SSP product, which has recently been approved by the FCO and brought under NBS. This innovative product will provide sources of N added to the traditional SSP.

On the Ennore plant, the NGT has concluded the hearing and the matter is reserved for orders. we expect the orders to come in soon.

The commercial sales of Nano DAP started from the second half of the year and response from the market has been quite encouraging. We expect to receive approvals for commissioning the 1 Cr bottle capacity for Nano DAP plant at Kakinada very soon. Further to this, the Specialty Nutrients business also plans to double the sulphur production capacity during the year.

On the crop protection chemicals, our business has registered a strong 20% volume growth across the international and domestic markets despite the severe industry headwinds faced during the year. However, the margin pressure persists due to higher inventory in the global markets. The business focused on several WoW and I Care initiatives, which helped in strengthening its cost position to offset some of the pricing pressures in the market.

The business introduced 7 new products during the year and it is partnering with innovative companies to launch in-licensing products. The new products turnover index for the year was at 15%. During the quarter, CPC business introduced Prachand. This is a 9(3) formulation product from ISK.

Formulation business is strengthening its branding capabilities and customer reach. During the year, one of its biostimulant brand achieved Rs. 100 Cr mark. The business is planning to set up multipurpose plants for manufacture of 6 new technicals in the coming year.

Our retail stores improved the farm level outreach and operated well during the year. Overall, 97% of the stores were profitable despite the severe monsoon conditions in its key operating

markets. Retail business is further planning to foray into newer markets by opening 100 new stores in FY '25.

Drone-based spraying services by our retail stores and Gromor Drive initiative taken by the Specialty Nutrients team is progressing pretty well. Coromandel covered more than 25,000 acres during the year.

While Coromandel continues to focus and grow its core businesses, it has been carefully crafting its long-term strategic growth areas, and accordingly, focusing its efforts.

1. **Investment in drones:** Dhaksha, which is a newly acquired start-up company by Coromandel, is progressing well and has commissioned its new plant in Chennai. Dhaksha's order book stands at around Rs. 250 Cr, and the company plans to service the same in the first half of the year.
2. Efforts in CDMO is progressing well, and Coromandel is in advanced stages of discussion with three innovator companies. This being a two to three year journey, company expects additional traction to build up during the coming year.
3. Foray into specialty chemicals. The company has initiated a small plant at Nimrani to manufacture sodium silico fluorides apart from leveraging its CPC plant infrastructure and also has been acquiring new customers in this space.
4. Coromandel is looking at newer chemistries like fluorination chemistry for its Crop Protection and Specialty Chemicals business. It has identified nine molecules and the R&D team is in the process of finalizing the DOT. The company plans to leverage its unique advantage of having byproducts from its fertilizer business, which can be source for fluorination chemistries.
5. **Investment in AgTech:** Coromandel continues to evaluate its interest in AgTech companies and will be investing in them like in the past couple of years.

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

**Turnover:** The company recorded a consolidated income of Rs. 3,996 Cr during the quarter ended 31st March 2024 and Rs. 22,290 Cr for the full year vs. corresponding period of Rs. 5,523 Cr for the quarter and Rs. 29,799 Cr for the full year. It registered a degrowth of 28% for the quarter and 25% for the full year. The decrease in revenues has been mainly on account of lower subsidy rates and with lowered RM prices apart from some volume impact in fertilizer business and pricing in the Crop Protection.

Subsidy versus non-subsidy share of business stands at 78% and 22% during the quarter vis-à-vis 84% and 16% last year. For full year, it is 83% and 17% compared to 87% and 13% in the prior year.

**Profitability:** Consolidated EBITDA for the quarter was Rs. 273 Cr against Rs. 403 Cr last year. And for full year, it was Rs. 2,399 Cr vis-a-vis Rs. 2,926 Cr in the last year.

Subsidy versus non-subsidy share stands at 53% and 47% during the quarter vis-à-vis 66% and 34% in the last year. And for the full year, 72% and 28% vis-a-vis 75% and 25% in the last year.

**Subsidy:** During the quarter, company received Rs. 2,165 Cr towards subsidy claims compared to the last year of Rs. 4,483 Cr. For the full year, subsidy received is Rs. 9,198 Cr and the previous year it was Rs. 12,477 Cr. The government has been prompt in clearing the subsidy dues, and as of to date, we have received our subsidy claims till March third week. Subsidy outstanding as of 31st March 2024 was at Rs. 1,377 Cr vis-a-vis Rs. 2,378 Cr in the last year.

**Forex:** During Q4, rupee traded within a range of Rs. 82.64 to Rs. 83.71. Coromandel continues to follow a pretty conservative approach in terms of hedging and managing its forex exposure, which has immensely helped in limiting the impact of currency momentum.

**Dividend:** The Board has recommended a dividend of Rs. 6 per share for the financial year FY23-24.

With this, I thank you all for your interest in Coromandel and joining us on the call today and we look forward to the interactions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Somaiah V from Avendus Spark. Please go ahead.

**Somaiah V:** Ma'am, first question is on fertilizer margin. So we used to give guidance earlier around Rs. 5,000 to Rs. 5,500 EBITDA per ton. So I mean in the current context of subsidy rates, how do we see this for the next year?

**Jayashree Satagopan:** Yes. Thanks, Somaiah. In terms of margins for next year, we are expecting in the range of Rs. 4,500 to Rs. 5,000 per ton in terms of EBITDA. This considers the NBS rates that have been announced by the government, we expect an uptick of about Rs. 1,500 to Rs. 2,000 coming out of it.

And then there are obviously the initiatives that happen within the company in terms of smart sourcing, operational improvements, so on and so forth. So for full year, one could look into a range about Rs. 4,500 to Rs. 5,000. Obviously, the intent is to see how we can maximize this further.

**Somaiah V:** Understood, ma'am. And from an industry price increase, how do we see things because earlier there were -- I mean, in one of the calls earlier, we were saying it is also a function of demand. So how do we see demand or inventory that is there in the system? What is the scope for a price increase?

**Jayashree Satagopan:** Yes. I think that's a very good question, and I have Sankar, who would respond on this.

**S. Sankarasubramanian:** See, overall price is a function of global prices of input raw materials and commodity prices. We have seen some softness in the global DAP prices as well as, as you know, the phosphoric acid price for the quarter has also been negotiated at a lower level. So we need to wait and see how the commodity prices play out in the next 2, 3 months. If that warrants a correction, we will look at it. But as we see at this point of time, we should be able to manage with the announced subsidy and the MRP's, which should give us a decent margin.

**Somaiah V:** Understood. One final question. On the brownfield expansions on the fertilizer front, so now that we have announced backward integration projects we are doing, work in progress on Crop Protection. So how would we think about it? And when do we actually start planning for this and when we can expect anything on this front on the brownfield expansion?

**Jayashree Satagopan:** On the Crop Protection front, Somaiah, there are three things that are happening currently. As I was mentioning, there has been very strong industry headwinds. And therefore like many other companies we also took time to reevaluate certain molecules which were earlier short-listed for setting up the multipurpose plant.

Now that we are hearing by fourth quarter of this calendar year the situation is likely to improve based on the inputs that are coming from various quarters. With that and the newer chemistry that we are planning to look into, the business has shortlisted six molecules and the proposal for those MPPs are being put up now. We expect these molecules and the MPP work to be initiated during the year. These are all Brownfields which will come in Ankleshwar as well as in the site that has been picked up in Dahej. There it is a bit of a Greenfield.

The Dahej site is going to be mainly used for herbicide whereas Ankleshwar is being used for insecticides and maybe one or two fungicides. This is the overall game plan. The infrastructure related work at Dahej has already begun and therefore as the proposal gets approved for the MPP, they should be in a position to get started during the year. This has been also factored in the business plan and the capex for FY '25.

**Somaiah V:** My question was pertaining to the fertilizer segment, just want to understand on the Brownfield in fertilizer segment. So when will we take this up because given that we are already doing on crop protection and backward integration.

So when is this something -- I mean, we will consider doing this and also if you could just help us what are the current capacity and after debottlenecking where this capacity will be in the next couple of years?

**Jayashree Satagopan:** So currently the focus for fertilizer is to get the PA and SA plant. It is very important and critical for the business to get backward integration of our sources in place. So that's on track.

In January, we had announced for SA, PA. Happy to state that last Friday the Bhoomi Pooja for both the plants were done. And during the year the business is looking at debottlenecking the capacity which will add further 3.5 lakh tons to the existing capacity which means from the current 34.5 we are expecting another 3,-3.5 lakh tons to get added to the granulation capacity.

As we go along depending on the market situation clearly Coromandel will be looking into opportunities for further expansion. But at this point in time, this is what we are considering in our business plan.

**Somaiah V:** Helpful ma'am. Thank you. I will join back the queue.

**Moderator:** Thank you very much. The next question is from the line of Prashant Biyani from Elara Securities. Please go ahead.

- Prashant Biyani:** Yes. Thanks for the opportunity. Ma'am, what would be the plans for Dhaksha this year, some comments on enhancing its capabilities? What area are they working on in R&D and what could be the normal business margins as it scales up?
- Jayashree Satagopan:** Okay. So Prashant, Dhaksha is in a solid start at this point in time. We have set up a new state-of-the-art manufacturing facility at Sholavaram in Chennai which has capacity to manufacture about 400 drones per month for the agriculture drones and about 50 drones on the logistics or defense front. This gives a pretty good capacity for them to scale up.
- As I was also mentioning earlier during the call, we have an order book of Rs. 250 Cr and all of these we believe should get executed in the first half of the year. As we complete the execution and delivery of the logistic drones to the government, we expect some repeat orders to come, but one needs to wait and watch.
- We are also investing on work that's going on in the R&D side on multiple new type of drones and in the business plan Dhaksha has considered adequate funding for the R&D-related investments that are likely to go up. We think the days are going to be pretty exciting for the Dhaksha drones in terms of scale-up. Margin should be into mid to the high teens to begin with and as they improve on the localization and the operational efficiencies we should see some more improvement in the margins.
- Prashant Biyani:** Ma'am, one concern about drone industry is that there is a very high competitive intensity. So vis-a-vis its competitors how has Dhaksha placed better if you can highlight that?
- Jayashree Satagopan:** There is likely to be competition. However, it is early setup where the industry is very nascent. The opportunity for drones is huge whether you take agriculture as a space or you're looking at defense or logistics. So there is scope for many, many more players to come in.
- What is important is the company needs to be on top in terms of technology. They must be having a good position to manufacture and do timely delivery, the quality of the drone has to be good. I think from that perspective Coromandel with all its manufacturing experiences in terms of setting together the systems and processes is helping Dhaksha to stabilize and scale up.
- Prashant Biyani:** Right. Ma'am, on the phos acid and sulphuric acid production how much it was in 4Q and full year?
- Jayashree Satagopan:** One second. Do you want the production?
- Prashant Biyani:** Yes. Phos and sulphuric both.
- Jayashree Satagopan:** So we can put it up in our notes where Anuj will be able to give you these details offline.
- Prashant Biyani:** Sure. And ma'am, lastly on capex side how much are we investing this year?
- Jayashree Satagopan:** We have for FY '25 estimated between Rs. 1,200 Cr to Rs. 1,500 Cr overall in terms of capex investment. This is across the multiple businesses that we have.
- Prashant Biyani:** Right. Thank you ma'am. That's it from my side.

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

**Ankur Periwal:** Thanks for the opportunity. First question on the two other new businesses specialty Chemicals as well as the nano fertilizer side. If you could help share some outlook on the capex the revenue time lines and how should one look at these businesses. You did mention on the fluorination chemistries that we plan to expand into but will be helpful to get your comments on maybe new customers and how the discussion with clients is going on over there.

**Jayashree Satagopan:** Yes. So Ankur, I talked a little bit in terms of how we want to go on the specialty chemicals side. There are two aspects to it. one, leverage the CPC assets. For some of the intermediate molecules, we find customers who are not traditionally in agro chemical space. This will help us to diversify the customer base, looking to newer opportunities, and secure the customers so that as we scale up, we have a customer base to whom we can go to. That has already started, and last year, we have clocked close to Rs. 50 Cr in terms of sales to the speciality chemicals-based customers.

The second thing that we are doing is looking into opportunities where we have byproducts, which can become a base for new chemistries like fluorination, here is where the first plant that has come up. It's not a huge investment, but it's an investment in the right direction at Nimrani in one of our SSP plants, where we are using it for making sodium silico fluorides. Similarly, we are looking into opportunities in various other plants and this could become a feeder into spec chem.

In the next 2, 3 years, we expect this business to grow in size. They are coming up with their specific business plans at this point in time. During the year, we haven't factored any specific large investment for spec chem. As I was mentioning, there are 4 or 5 new molecules on spec chem, which is based on fluorination chemistry. As the DoTs gets finalized, they will come up with a business plan, and if required, we will add investment capex during the year.

It looks promising and interesting because we also have the unique advantage of getting this sourced from our existing businesses. Having said that, on the Nano DAP, this is a very interesting product and Sankar being on the call, I'm going to have him respond to the Nano DAP. Sankar?

**S. Sankarasubramanian:** Yes. The product is quite promising. We launched the Nano DAP in a commercial scale. Last year, we started at fag end of the season. And the farmer's response has been quite good. So we hope to expand the volumes next year in the Northern markets.

The facility for manufacturing Nano DAP is coming up in Kakinada. We are waiting for the regulatory approvals and we should be able to start the production sometime in June. We have geared up and there will be an exclusive profit center to manage this business, and we also hope to introduce varieties of Nano DAP as well as Nano urea.

We are in the final stage of getting approached on the government for Nano urea as well. As a product, will be a good alternative to the imported DAP being used especially in the Northern



markets out of imports. So we hope to see a 20% to 25% replacement happening over the next 3, 4 years and Coromandel is rightfully positioned to take advantage of this opportunity.

**Ankur Periwal:** That is helpful. Just a follow-up on that. Did I hear it right, you mentioned 20%, 25% utilization next year? This is on 1 Cr bottle capacity?

**S. Sankarasubramanian:** I talked about the replacement on the imports over a period of 3 to 4 years, we should be able to replace 20% to 25% of imports, which is modular in nature. We can keep adding depending on the needs, it doesn't take much time.

**Ankur Periwal:** Sure. And just your comment on the margin side for this business. How do you look at that part?

**S. Sankarasubramanian:** We will be good, but being a new business, requires a lot of concept selling. So we need to invest heavily in terms of educating the farmers to the extent the field engagement activities have been more. Margins are reasonable and it's healthy. That's all I can say at this point of time.

**Ankur Periwal:** Okay, sure. Ma'am, second bit on the medium-term thoughts on the business overall. If I go back in history, we always had a thought of increasing the non-subsidy EBITDA contribution significantly. The fertilizer business has performed exceedingly well in terms of backward integration and growth. What are your thoughts on that EBITDA mix let's say, 3, 4 years out, if you could highlight that?

**Jayashree Satagopan:** Yes, Ankur. See, each of the business have their own attractiveness and the growth trajectory. The intent, obviously, is to see how we can propel the growth for the non-subsidy businesses. And that's why you see that investments are happening in some of the newer chemistries, some of the relatively recently off patented molecules in the Crop Protection segment. We're also looking into getting into CDMO. And then there are adjacencies that set out like the drones and other assets.

So this is a conscious decision to look into other areas for growth. Having said that, each business based on their own ROIs and the opportunities, they will be given their own capital expansion, so on and so forth. So it's not at the cost of one business to another. All the core businesses will have their own opportunities to grow. Where we find it more attractive in terms of newer areas - - adjacencies or step-outs, the company will also be taking bold steps there.

**Ankur Periwal:** Sure ma'am, that's helpful. Thank you and all the best.

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

**Bharat Sheth:** Hi ma'am. Thanks for the opportunity and you have answered my question largely on all new initiative. But if you can give a little more color on the retail store strategy as well as the SND where how much is currently the total size? And how do we see the SND going along, which is once we were talking of a big potential? And last one is our acquisition, which we did from E.I.D - Parry earlier, how that business is playing out?

**Jayashree Satagopan:**

Okay. Thanks – Mr. Bharat, for your questions. As I have mentioned, the retail business has done extremely well during the last year. They continued to grow on their strength for the past two, three years. And despite tough monsoon conditions, across all the stores, we have seen excellent traction, focus and customer engagement activities.

Last year, I would say that we had somewhere close to Rs. 1,700 Cr of revenue from all our retail centers. We have about 750-odd stores. We're planning to expand by 55 stores in last year, an additional 50 stores in FY '25. That means that the overall number of stores will go about 850 or so. The expansion is going to be not only in AP/TG but also adjacent states, especially like Tamil Nadu.

The retail business not only is focusing on the products, which is our own as well as what we buy and trade from other agri-input companies, it is also focusing on services as a separate focus area. A lot of services in terms of crop advisory is given to the farmers where we do not charge. However, there are services like drone spraying; we are also looking into insurance for the retail business. All of these will become a bundle which will benefit the farmers overall. So we think retail business is set for a good growth and will continue to be an extremely value-added branding for Coromandel as such with the amount of Gromor branding that we have.

I think you were talking about the specialty nutrient business. Here again, the traction has been good. The first quarter of last year was very tough for the business. However, during the year, they have also registered a good volume growth. We continue to focus on key specific segments, whether it is sulphur or foliar. Nano DAP will also be part of the entire specialty nutrient business while we are internally tracking it as a separate focus area.

On the sulphur front, we are doubling the capacity so that we should be able to provide products for the sulphur segment because the country, as you know, is deficient on sulphur in many parts. So this is something that the business has taken up after a gap of a few years to consciously increase the capacity.

The business that we bought from E.I.D. Parry is bio. Bio has traditionally focused on Azadirachtin. Last two years, we have seen a very high increase in the cost of neem seeds. There have been excellent efforts in terms of cost efficiencies optimizing at the plant, the business has done well.

We have been able to take price increases with the customers. And having said that, two years of sustained price increase, we also expect that the customers will look for some reduction or opportunities in the coming year. With a high dependency on neem base, currently the business is looking into various opportunities for diversifying and growing the bioproduct portfolio.

One such activity is primarily in terms of looking at Marigold, which could be used for producing something called as lutein, which can go as a poultry feed. So this is a new area of diversification that bioproducts are looking at. We are also looking into certain biofertilizers like the mycorrhiza. There are a long list of new products, including microbials, which would get introduced during the year.

We believe that bioproducts per se could be a very attractive segment, not just focusing on neem, neem plus multi other areas. Again, bio is an evolving area, lot of traction, pretty attractive globally. Since we also do a lot of exports, I think in the next two to three years, they should further solidify and become a business of scale for us.

**Bharat Sheth:** If you can give with this always in three years, what kind of opportunity we are seeing, say, in all these three areas? And SND, what is the current size of the business?

**Jayashree Satagopan:** SND is about Rs. 600 Cr at this point in time. And as I was telling, retail would add another 100 stores during the year. I think qualitatively, all these businesses are expected to grow, grow at a healthy number, I would think about more than 10%, 15% is what one could look at in terms of growth in each of these businesses.

**Bharat Sheth:** And profitability, if you can give a little just color on broader number?

**Jayashree Satagopan:** Profitability from the existing bio businesses, we expect them also to improve over a period in time, because you're getting a healthy mix in terms of various other plant extracts and microbials. Nano DAP is a new concept. Sankar was earlier explaining to you all in terms of the margins, it's healthy, it's a new product, we have to work on a lot of customer advocacy, helping them to understand and then move into a Nano DAP from a traditional DAP.

When I look at it overall, I think it's all in the positive trend. While I may not be able to pinpoint and give you, it is a 0.5%, 1%, 2% improvement in the margins, directionally it's all going up in the right scale.

**Bharat Sheth:** And can I chip in one more question?

**Jayashree Satagopan:** Yes.

**Bharat Sheth:** What I mean, if I'm not mistaken, I heard that we are also launching urea plus SSP product. So if you can give some color on that?

**Jayashree Satagopan:** Sankar, do you want to touch on this, please?

**S. Sankarasubramanian:** See, this is a value-added product from the base SSP. SSP contains only P of 16%. We wanted to add Urea to it to have N also, 5%. So if you look at Urea SSP, it will have 1:2.5 ratio. It's sort of a replica of Diammonium Phosphate. So DAP has got a nutrient-content N&P in the same ratio of 1:2.5 between N&P.

So this has the same ratio, and we thought it makes a lot of sense and a lot of field trials have been carried out and proves that it can be a good alternative to DAP. And Coromandel has taken the initiative and got it included in the FCO and we have set up the facility at Nimrani. And it can be a good alternative for major crops like oilseeds, cotton.

We have just carried out the trials also. It's quite promising. It's the best alternative to imported DAP. Company also gets the N subsidy from the NBS rates for the Urea portion. So Coromandel has been bringing about innovation in SSP. They've added micronutrients to it. So as part of the

diversified product portfolio of SSP, we are trying to introduce this grade. So next year will be the first full year of operation for us.

**Bharat Sheth:** Okay, thank you and all the best.

**Moderator:** Thank you very much. The next question is from the line of Arjun Khanna from Kotak Mahindra Asset Management. Please go ahead.

**Arjun Khanna:** Sure. Thank you for taking my question. First question just on the Urea SSP. So if we look at the subsidy that we receive for DAP, essentially while you mentioned same ratio that has phosphorous almost 46%, this is significantly lower. So in terms of a sense, it will be a lower price. Is that what we are aiming for?

**S. Sankarasubramanian:** See, roughly this Urea SSP is one third or so of normal DAP, in terms of the nutrient contents. We also try to see whether we can price, but the benefits are higher here. So the pricing also will be generally based on the farmer acceptance at 1:2.5 of DAP, which is around Rs 1350-1450/bag. This goes around 500 rupees because it has got other nutrients other than NPK. SSP by nature contains nutrients like Sulphur, magnesium, calcium.

So the value addition is much more here. So right now we'll try to price it in a way so that it's attractive for the farmers. It will be very attractive for the farmers to try this.

**Arjun Khanna:** Sure. Very helpful. So just on this question itself, we talked of Nano Urea and we're using Urea SSP. So essentially are we looking at setting up a Urea facility or this would be bought out Urea which we would look to granulate or the production of Nano Urea?

**S. Sankarasubramanian:** The Nano Urea as well as Urea SSP requires very insignificant volume of Urea. So we are allowed to import Urea for manufacturing in NPKs and SSPs. We'll be importing Urea for this purpose. It doesn't call for setting up a separate Urea plant for this.

**Arjun Khanna:** Sure. So no major capex on the annual as of now on the Urea side, is that the right understanding?

**S. Sankarasubramanian:** Absolutely.

**Arjun Khanna:** Perfect Sir. The second question is, ma'am, on the cash on balance sheet. It seems to have increased further. We have in excess of Rs. 3,000-odd Cr of cash on balance sheet, investments, etcetera, all combined. How do you see this actually pan out going forward? You did mention capex, but we would have a cash flow generation. So what is our thought process on the cash that continues to grow on balance sheet?

**Jayashree Satagopan:** One obviously is to use our cash for all our capital expenditure programs. The second one is also to have capital for any further expansion, whether it is on the organic or inorganic. I was mentioning to you we have not factored in any capex as such for spec chem or CDMO because we are still working on the DOTs and the tech packs.

So as and when these get materialized, there will be additional capital expenditure required for these two businesses. We would also be open to look at inorganic opportunities, whether it is in

the bio space or in the chemical side. If it is attractive and it is synergistic to the business, that will require money and these existing cash should be used for it.

And fourthly, let's not forget the fact that some of our businesses are highly working capital intensive. While the government had given us all the subsidies last year, sometimes there could be situations where subsidy could take a little more time. For instance, end of the year, our receivables are slightly on the higher end compared to the past few years, mainly because of market conditions.

So we want to have kitty which will help us to fund through capex, new business opportunities that we are looking at, organic growth and also support in our working capital.

**Arjun Khanna:**

Fair enough, ma'am. The reason I ask this is in the context of the government circular in terms of profitability from fertilizers. So the cash on balance sheet works as a negative for us since it's on a PBT basis and the income on cash would actually decrease the margins -- pure margins we can earn from the fertilizer piece. Just wanted your comments on this.

**Jayashree Satagopan:**

Here we are representing to the government because the surplus is of a corporate and meant as a corpus for certain purposes. Each of the businesses have their own cash flow, working capital. We are awaiting some clarifications. Whatever guidelines that the government has, we believe through our representation will be looked into very fairly because it's not for a business. This is for multiple businesses and the corpus has been maintained for a period in time. If you look back three years back, we had some Rs. 3,500 Cr of cash with us, right? So that's the position the company will take.

**Moderator:**

The next question is from the line of S. Ramesh from Nirmal Bang Equities. Please go ahead.

**S. Ramesh:**

Sir, just to put the discussions on your growth plans, the Specialty Chemicals and investments in chemicals and perspective. So can you give us an idea in terms of when you expect this capex of Rs. 1,200 Cr to Rs. 1,500 Cr to be monetized in terms of revenue and profits? Would it be somewhere in the second half of FY '26? Or can we expect it from the beginning of FY '26? Or will it slip into FY '27?

**Jayashree Satagopan:**

Thanks Ramesh for your question. The capex that we have indicated now is for two major capex. One is our SA and PA plant which is likely to come up at Kakinada. The other one is for the MPPs for crop protection chemicals. SA and PA plant will take two years to get completed and hopefully in FY '26 end or early FY '27 is when those plants will be up and running. So those are planned backward integration projects where you will see the benefits flowing from FY 27.

On the MPPs, the business is in the process of setting up the proposals. It could take again 18 to 20 months' time in terms of setting up the facilities and therefore again you should look at a two-year window for looking at the benefits to come in. The rest of the capex for the year is mainly on account of the maintenance capex while there is a Nano DAP facility that will come up and get commissioned where most of the work is completed. We are just waiting for the government approvals to come in. Similarly, Sulphur is a small capacity addition. The rest are not very major. Two big items that have been considered are in these fronts. Hope that clarifies.

**S. Ramesh:**

Okay. So if you look at the Specialty Chemicals and the SNP revenue, on a background level calculation, your non-subsidized revenues of about Rs. 4,500 Cr, EBITDA of Rs. 600 Cr and if you net out the CPC you are in a non-subsidized business, comes to about Rs. 2,000 Cr, excluding the SNP piece. So if you look at this, excluding the CPC, whatever the non-subsidized business, what is the kind of growth you can expect in that?

And right now, I think your EBITDA margin is about 16% to work out. So is this margin going to be in this range, 16%? Or will you see the margins improve? And what are the top line growth you can expect in the non-subsidized business excluding Crop Protection?

**Jayashree Satagopan:**

As I was just mentioning some time back, Nano is one area which is non-subsidized. It's a new area. We expect a significant growth here. A lot of farmer advocacy is happening and will continue to happen. We don't have a big base for us to start, but the growth here is going to be pretty attractive. On the Speciality Nutrient segment where we have around Rs. 600 Cr of turnover - we are expecting a good amount of growth to come in, mainly on the sulfur side for which a new plant is also getting set up at Vizag.

tee. Nano's growth can be exponential. SND growth anywhere between 10% to 20%, CPC and Bio are also expected to grow. In all these businesses, we also expect the margin accretion to happen over a period of time.

**S. Ramesh:**

So just to put all this in perspective if you look at your nutrient business you're talking about 3 lakh to 3.5 lakh tons of expansion. So that will possibly the exit rate will go up by about 3 lakh, 3.5 lakh tons say by FY '25 end. And similarly you are getting some traction in terms of your specialty chemicals where you reported about Rs. 50 Cr that may see some growth. So all the other initiatives may take some time.

So can you give us some indication in terms of how your Senegal mining volume growth can support some operating leverage benefits for nutrient business in terms of both volumes as well as margins? And secondly, on the drones business so you're going to do about Rs. 250 Cr in the first half. If you can give us some indication in terms of the kind of potential revenue you can do in '26, '27 and the kind of EBITDA margins you can earn in that, that will be useful?

**Jayashree Satagopan:**

Okay. So on the nutrients, the first one you wanted to ask how our mining backward integration would help us. As you know, we have invested in BMCC a couple of years back. And last year the overall rock production in the mine had gone up considerably compared to previous year.

And in the coming years we are looking at somewhere close to 2.5 lakh to 3 lakh tons of rock to be mined and sent to Vizag for consumption. Senegal is a very important strategic initiative for us. As we are setting up our Kakinada plant for sulphuric acid, we will require more of rock and having our own backward integration in terms of rock will only help us both in terms of supply as well as negotiation with the other rock suppliers.

We expect the rock mining from Senegal to go up to 5 lakh tons. And Shankar and his team has been working closely with the Senegal operations there. Secondly, when you talk about specialty chemicals as I was mentioning it's a close start. We have about Rs. 50 Cr last year and with

various initiatives that we are looking at and also acquiring new customers we expect this to increase during the year.

And more importantly as the new fluorination-based chemistries for the molecules are firmed up and we start putting up exclusive plant, this will become a new stream of business of some size and scale for Coromandel. So that's the plan. And you were talking about Dhaksha. Dhaksha has the current order book which we expect to execute in the first half. The logistic drones orders as they get completed we can expect repeat orders coming from the government. The team is working on it.

Apart from it, a lot of efforts are going on the R&D side for various types of drones, not just the ones that we are currently doing. Since it is in the R&D stage we may not be able to come and discuss this openly, but a good amount of efforts are going into it. We have formed a steering committee to look into what are the opportunities, doing a stage-gate process to ensure that everything is on track and we're able to deliver on the R&D commitments timely. So this is a very new and interesting area, lot of processes are being put in place so that there is a good amount of management time that goes into ensuring that the investment in Dhaksha is actually helping in terms of scaling the business. Margin should be attractive as we go along.

**S Ramesh:** Thank you very much. I will join the queue. I wish you all the best.

**Jayashree Satagopan:** Thank you.

**Moderator:** Thank you very much. The next question is from the line of Rohan Gupta from Nuvama Wealth Management. Please go ahead.

**Rohan Gupta:** Yes. Hi ma'am, good afternoon. Ma'am on the margin, you are talking about still Rs. 4,500 to Rs. 5,000 per ton for the current year and we are quite confident about it. However, last two quarters have been sub-Rs. 2,000 kind of margins, that's what we understand.

So given the current Kharif season rates, subsidy rates are already out by the government and we do not see that any further revision in near term if that doesn't happen then do you think that this margin which you're talking about maybe difficult to achieve or you expect that in second half with the increased volume and also from the value added we can achieve these numbers?

**Jayashree Satagopan:** Good afternoon Rohan. As I was mentioning, there has been a revision in the NBS rate between various product category there. One could look at Rs. 1,500 to Rs. 2,000 increase in the overall subsidy. The current quarter and the past quarter has been pretty tight and as you all know this is mainly driven by two factors.

One is a lower NBS rates which is not commensurate to raw material prices. Secondly, the RM value that started cooling had shot up in between. However, we are seeing a trend for RM to be soft to stable as we go along into FY '25 plus the sulphuric acid plant which has got operational will also bring in more operational efficiencies and also savings in terms of power cost.

So all of these put together, that's why I gave a broad range which one should look at for EBITDA per ton as we get into FY '25. And as you know, there are lots of percentage. Things



could become favourable. When the raw material prices went up, the value capture was quite high in Coromandel. There is another one in terms of subsidy rate that the government is looking at when it comes to the second half. Third is the season per se. If it is good, farmers will need fertilizer, and we are also hoping with the elections getting over, there will be more flexibility in terms of pricing to the market. So all of these one should bear in mind as we look into the sales and margins for the coming year.

**Rohan Gupta:**

Ma'am, as far as the pricing in the market, even post election, I think that we have been closely monitoring that from last 2, 2.5 years since the prices have gone up. The government has been very sticky as far as the DAP pricing is concerned in the market. I mean, what gives us the confidence that there may be possibility and opportunity to tinker with the market prices as far as DAP or maybe even complex or constant? I mean the government has not only just looking and then monitoring it?

**Jayashree Satagopan:**

The government has been very supportive, giving high subsidies. And let's also think about it, how much subsidy that the government would want to continue to provide to the companies? They're also talking about direct transfers to farmers, which has been on the agenda for quite some time. We do not know how all of these are going to pan out. And therefore, somewhere there's a belief that there would be some amount of flexibility, which is given to the company rather than only relying on the subsidy element that the government will increase or decrease. So that's the broad thinking. Having said that, I would have Sankar to also share his perspective as he works closely with the industry and the ministry.

**S. Sankarasubramanian:**

See we will be responsible in fixing the right MRP, which we need to have for the level of investment and the cost what we incur. So to that extent, I think, government always supports the decision keeping the farmers' interest in mind. Well, margin accretion will happen more in terms of improved operational efficiencies, as Jayashree said. Sulphuric acid plant total benefit will flow in and we've also been working on improving our efficiencies and the backward value chain in Senegal also will add to the improved profitability. And also, we have to understand that, as a company, we focus more on the unique grades. In fact, last year, our unique grade volumes have grown up significantly and we'll continue to focus on those unique grades.

So our aim in terms of improving the EBITDA margins are not the increasing prices, but by improving our operational efficiencies, bringing the value-added products while the farmer reaps the benefit. In fact, we are looking at more of fortification as our plan for our generic grades. We'll add zinc & boron to it. And we have been fairly successful in SSP. We may repeat the story in fertilizer as well, and we have plans to do it. So our aim will be to focus on costs; improve operational efficiencies; product mix; our unique grades, which brings in value purpose to inform us so that it doesn't feel the impact of the price change.

And I think going forward also, we should be able to sustain the momentum because the international prices also are coming along, and our ability to smart purchase at the right time also helps us. That's what's differentiating Coromandel from others. Our procurement efficiency is one of the best and that also helps us to sustain with momentum even in the challenging environment.



**Rohan Gupta:**

Helpful, sir. And Sankar, sir, you also mentioned that over next maybe 2 to 4 years, you see that the Nano DAP can replace probably 20% to 25% of imported DAP in the current -- I mean, that's what the government is looking like. Sir, any idea or indication you can share that how -- what kind of market share we are looking in a Nano DAP?

So I think that the competition is going to definitely pick up in Nano categories. And what kind of sustainable margins? We still have no clarity that what kind of margins are there in Nano product categories across. So if you can just share that what kind of market share and what kind of margin one can expect from Nano DAP?

**S. Sankarasubramanian:**

See, this is a new product, new segment and we have got our own innovative product. It's unique in nature. We don't compare with others. And we have got very good response in the marketplace. So I would say what capacity we can do, rather than putting market share at this point of time, it is -- more players are welcome here. But our ability to connect with the farming community, ability to execute with the farmer and our brand loyalty will definitely help us to sustain the momentum that we have received in the last 6 weeks of introduction. It's very promising now. All I can say is we will try and keep on improving our capacity utilization, we'll try to add capacities. It will be very difficult to put any market share at this point of time because this market is just opening up now.

And also, this product is not only constrained to domestic market. We have huge opportunities to exports as well so we'll also be trying to see how best we can leverage on our global presence as well. So the potential is there as a replacement, but also in certain crops the farmer's behaviour is also as an add-on. Some of the crops where they don't use DAP, there they are trying to use this as they make it convenient for pulses or for green grams. So there's a lot of different experiences. It's for the farmers to decide and accept this product. So potentially that's what I can say. And the products also will evolve. There will be multiple grades which can come in. We have to wait and see. It's too early to make observations on the market share.

**Rohan Gupta:**

Sir, any indication on margins also? Gross margin?

**S. Sankarasubramanian:**

Margins are basically good, but we need to make a lot of investments on farmer connect programs and creating awareness and carrying out a lot of test and field trials. But definitely, I can say it is very healthy at this point of time. It's a non-subsidy business, and the margin are even better than the Specialty Nutrients margins what we make.

**Rohan Gupta:**

Okay, so that's very helpful. Thank you so much.

**S. Sankarasubramanian:**

Thank you.

**Moderator:**

Thank you very much. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Ms. Jayashree for closing comments. Thank you, and over to you, ma'am.

**Jayashree Satagopan:**

Yes. Thank you all for joining us today. I know that there were a few more in the queue. We'll be happy to take your questions. Feel free to reach out to Anuj or me for any clarifications. And we will also be soon setting up a meeting in Mumbai where we will come and meet up with

some of the investors and analysts. We'll be glad to interact further. Thank you once again for your interest in Coromandel and have a great day.

**Moderator:** On behalf of PhillipCapital India Private Limited, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.

**S. Sankarasubramanian:** Thank you.