Coromandel: Opportunities Unbound

Coromandel
FUTURE POSITIVE

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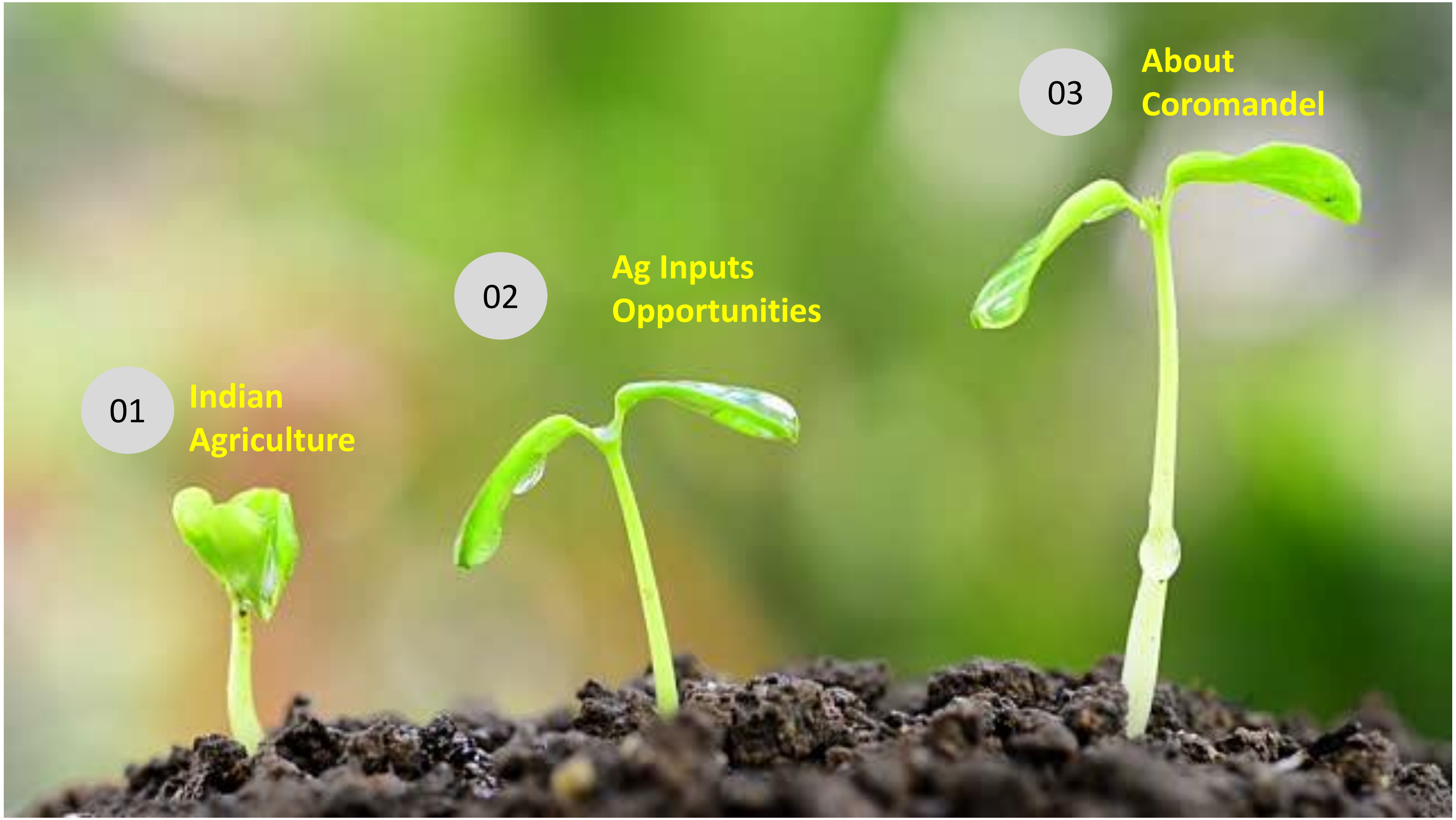

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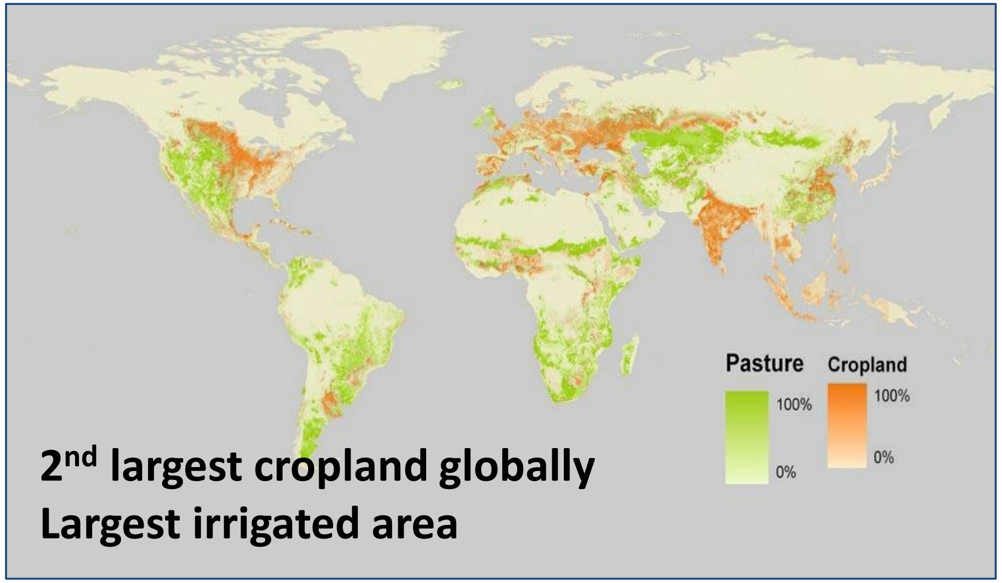
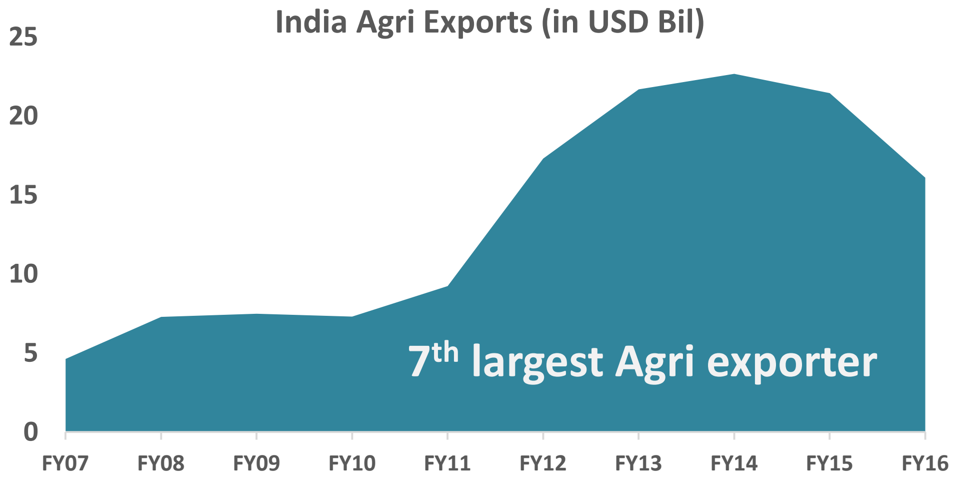
Indian Agriculture

Indian Agriculture

- Scale & Scope
- Growth Levers
- Agricultural Reforms

Indian Agriculture: The Global Giant





Source: APEDA

Crop	India Ranking	% Share
Pulses	1st	23%
Oilseeds	1st	11%
Cotton	1st	29%
F & V	2nd	11%
Sugarcane	2nd	20%
Cereals	3rd	11%

Source: FAOSTAT

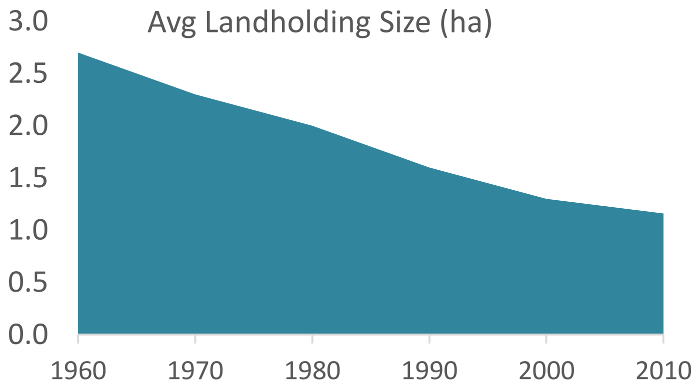
3rd largest Agriculture producer globally

Agriculture : Contribution to Indian Economy

- **16%** contribution to GDP
- **10%** of country exports
- **50%** of employment

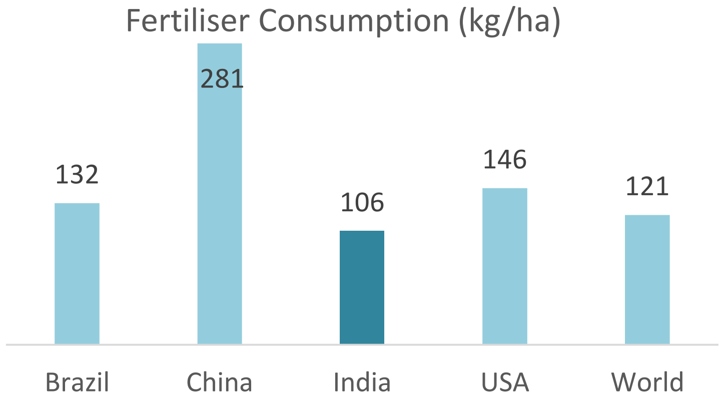
….But Productivity Gaps exist

Falling per capita land holding



Source: FAO

Low Nutrient Usage



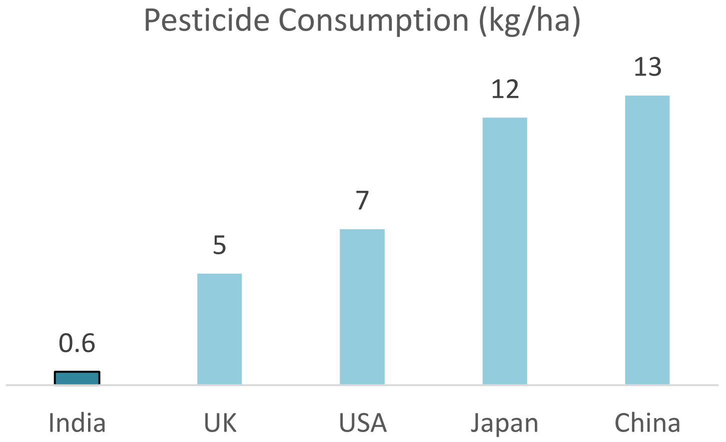
Source: FAO, IFA

Low Mechanization

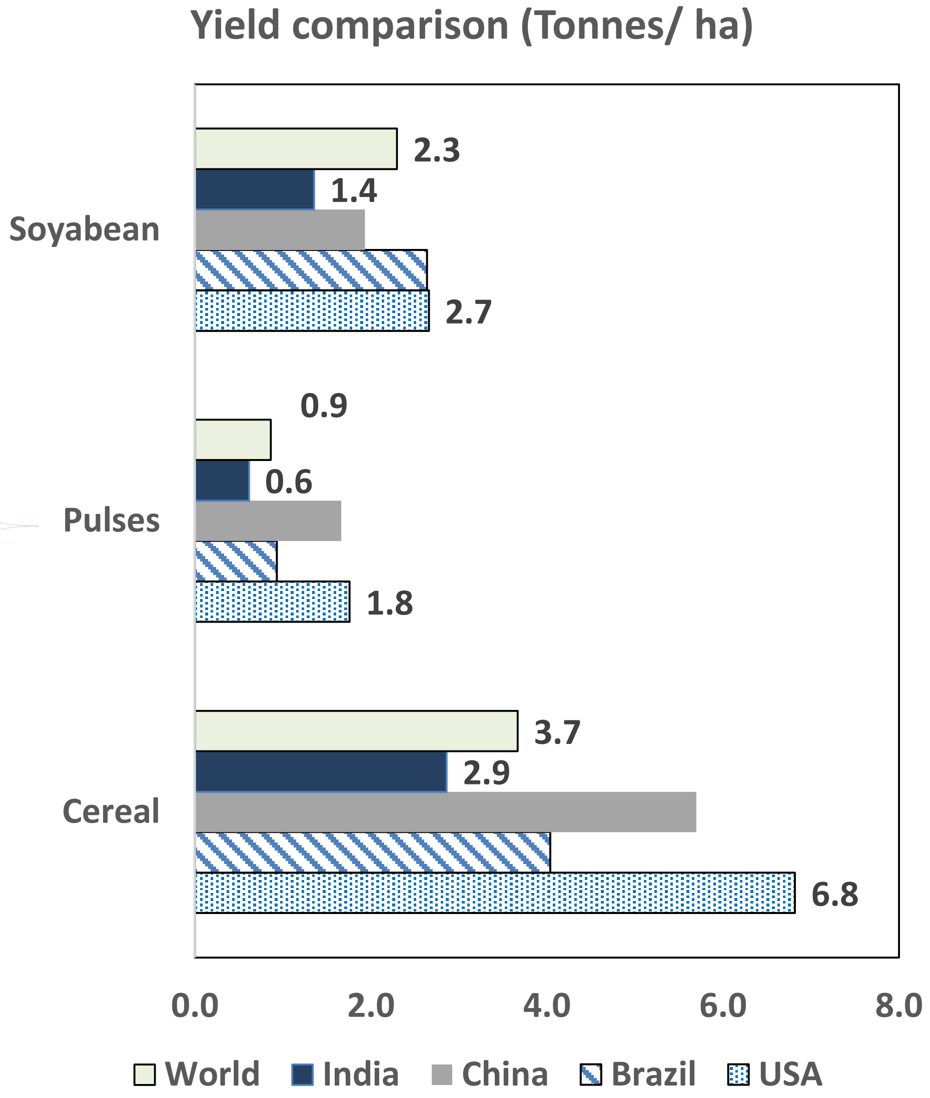
Country	Level of farm Mechanization
India	40%
Brazil	75%
USA	95%
West Eur	95%
Russia	80%
China	48%

Source: World Bank, FAO

Low Crop Protection consumption



Source: FICCI

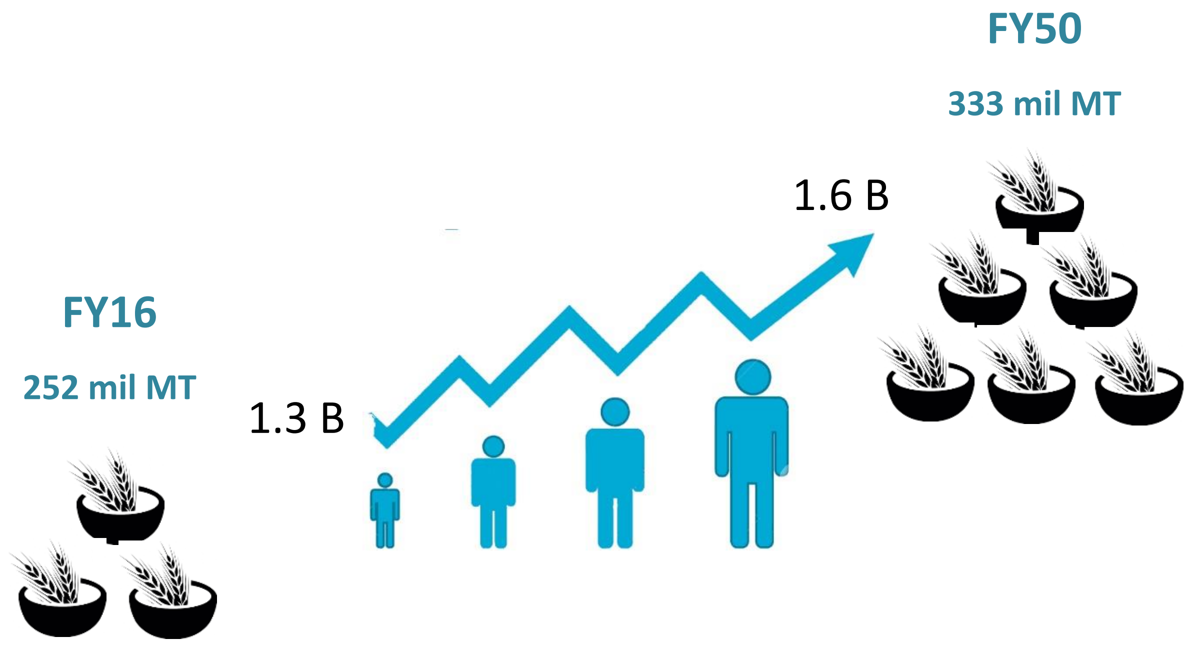


Source: FAO

Mega Growth Opportunities for bridging the productivity gaps

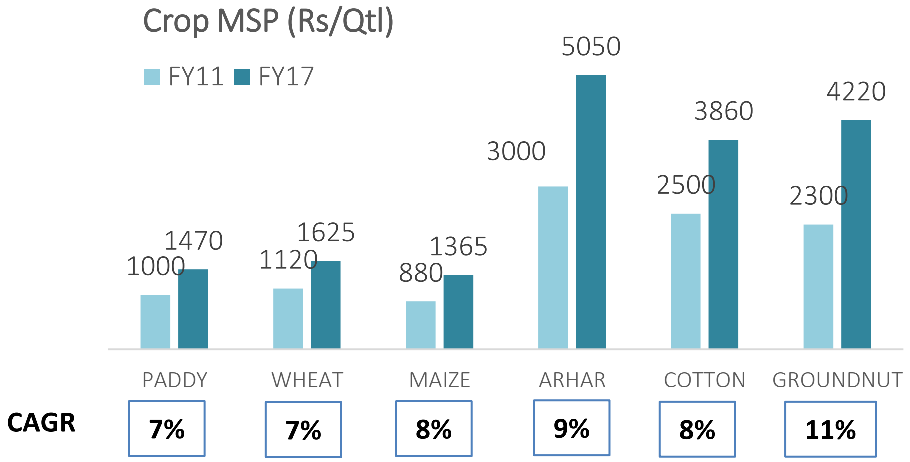
Agri Growth Levers

Food Security



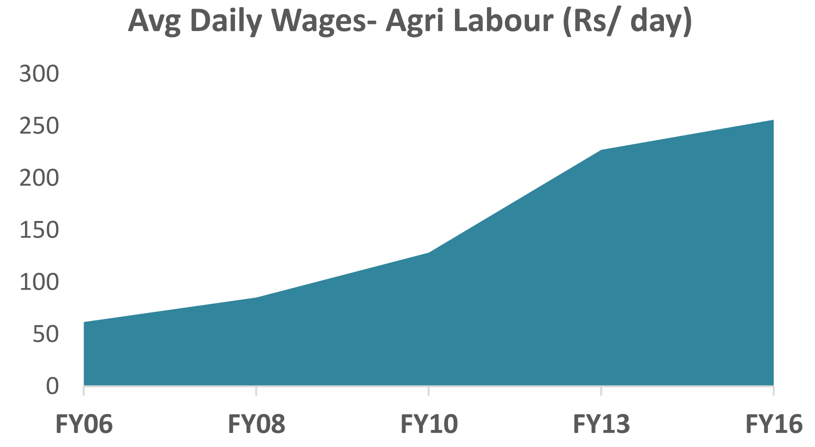
Annual food requirement in India to go up at 1% CAGR

Improved support price



Source: CACP

….Coupled with Rural Wage Growth

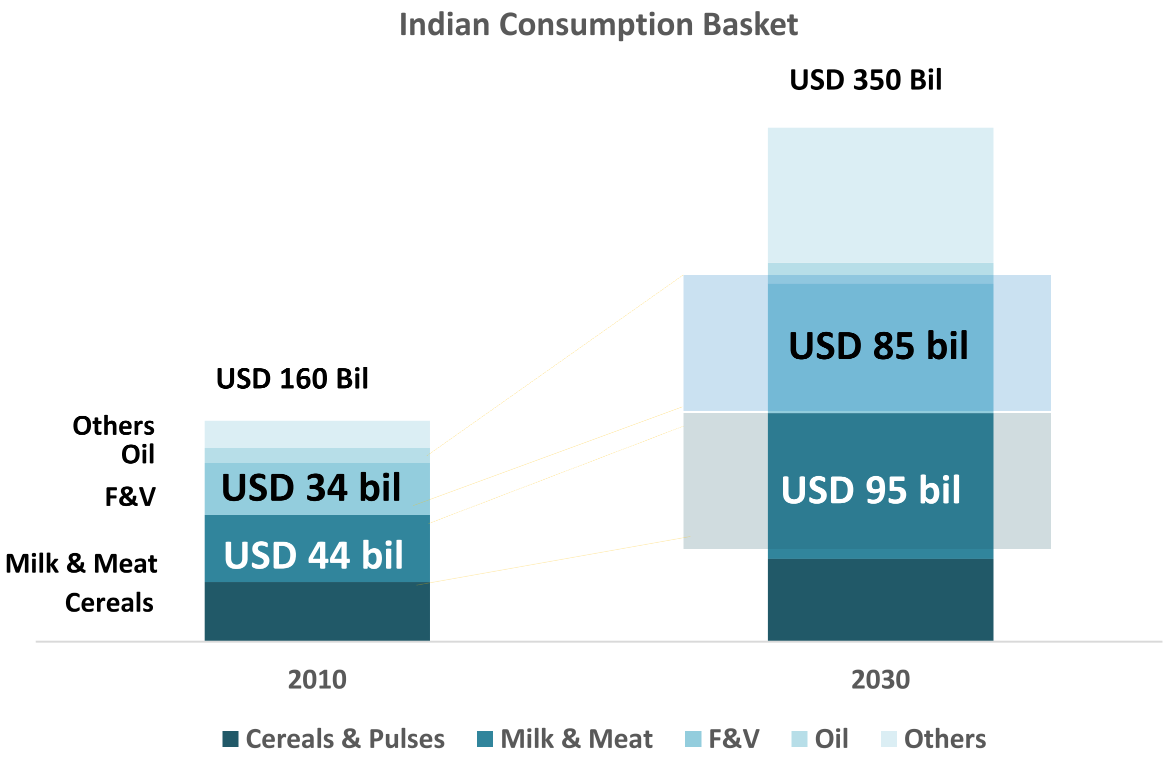


Source: Dept of Agri

Higher Disposable Income

Agri Growth Levers

Dietary Shifts

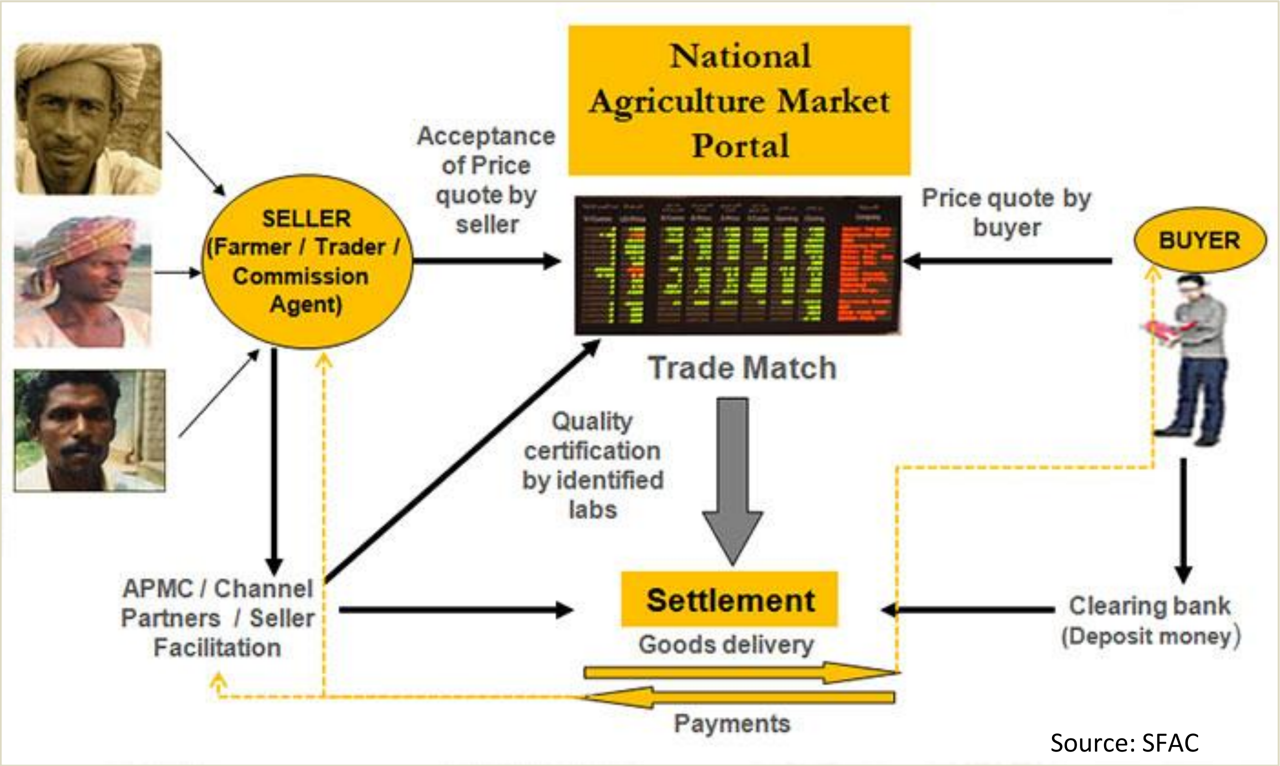


Source: CII Mckinsey

- Food consumption to more than double by 2030
- Consumption towards premium food

Digital India

Unified National Agriculture Market



Source: SFAC

- Efficient delivery mechanism- Ag Inputs & Output
- Towards Cashless agri credit

… along with Agriculture reforms

Doubling Farmer Income by 2022

Productivity Improvement		Water & Inputs			Integrated Farming	Improving Market Realization
Bio technology	Micro Irrigation	Minimizing crop losses: Crop Protection	Balancing nutrition	Increasing Irrigation Coverage	Allied Activities	E Procurement

More crop per drop: Bringing 69 million hectare area under Micro-Irrigation (8 mil currently)

Bringing additional area under irrigation coverage**: 8 mil ha (USD 13 bil investment)**

Connecting **550 agri yards** centrally

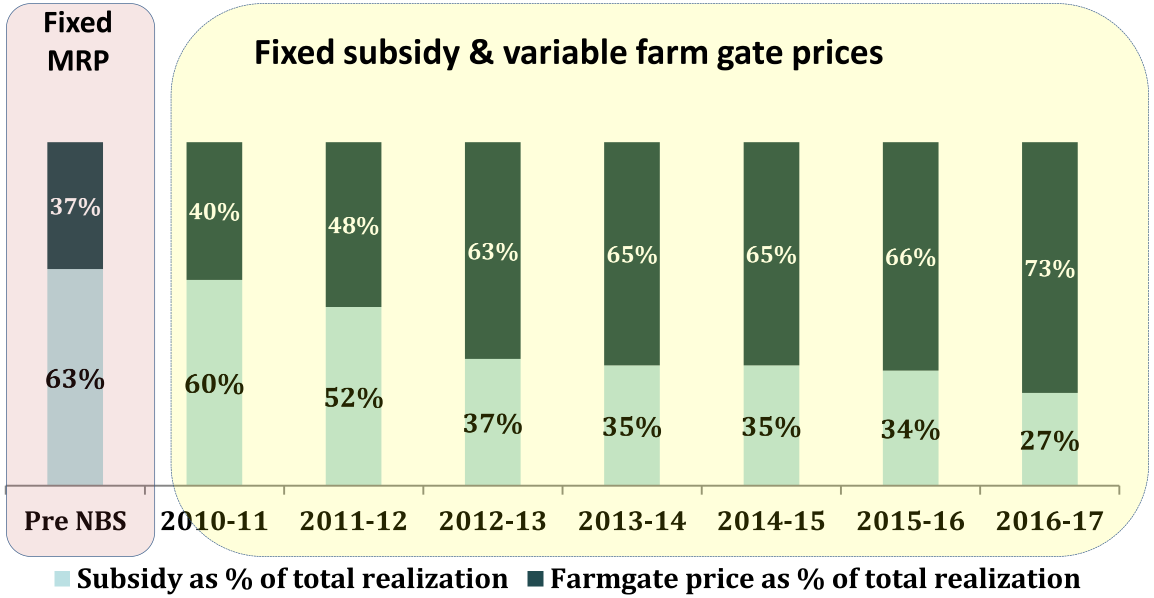
Developing **Agri infrastructure & storage** capabilities

& Positive Policy Measures

Nutrient Based Subsidy

…..Towards **deregulating** the Fertiliser industry

Fertiliser Prices



- Easing **working capital** pressure
- **Flexibility** to fix farm gate prices
- Shift from Commodity based to **Market driven**

Make in India

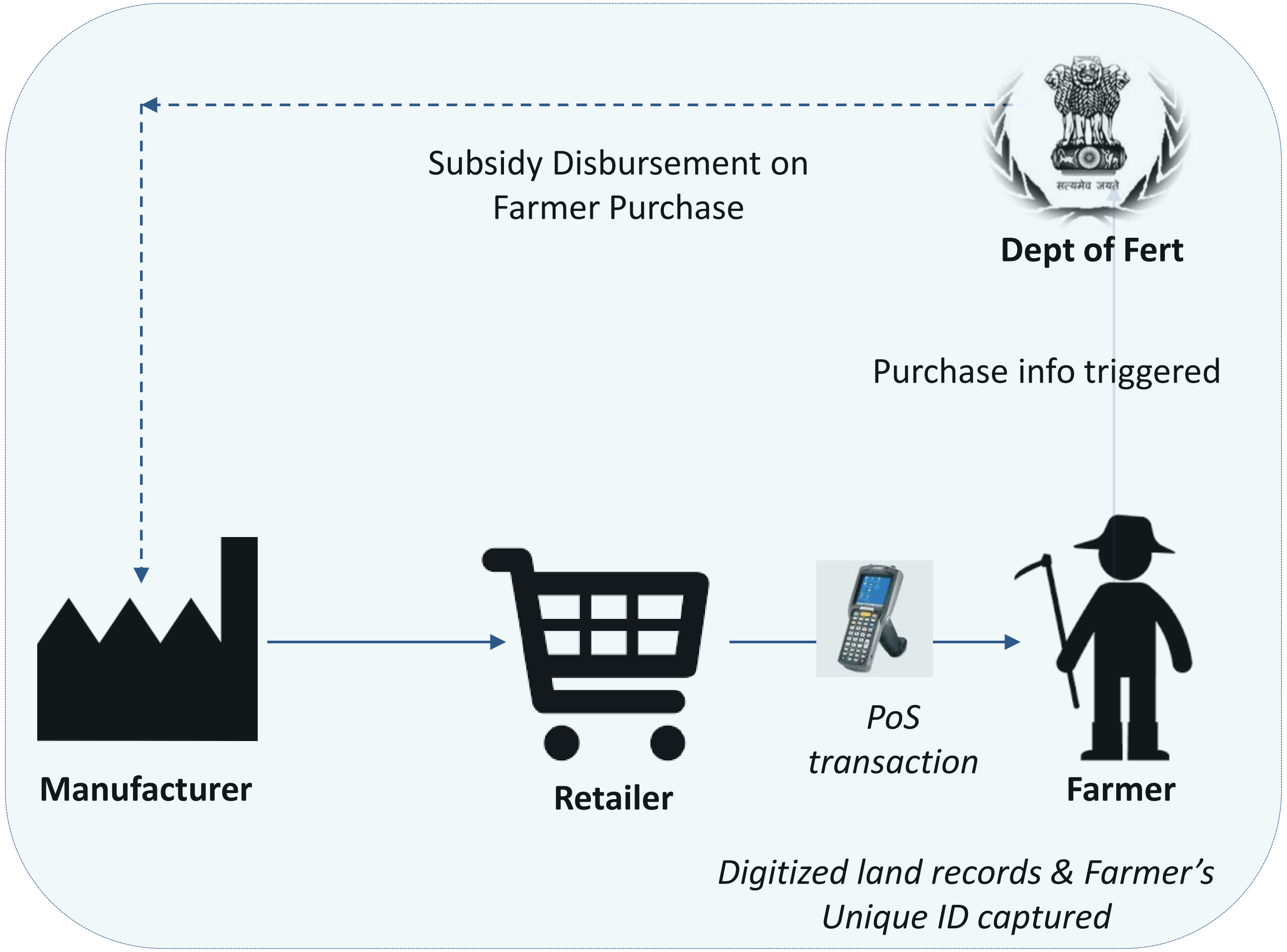
…..Thrust towards **Domestic Manufacturing**

Investment **Innovation** **Skill Devt** **Protect IP** **Best in Class**

- Promotes **infrastructure** development
- Supports **domestic** manufacturing
- R&D and **innovative** solutions

& Positive Policy Measures

<u>Direct Benefit Transfer</u> .....Towards **balancing Soil Health**



Pilot study under way

Product Flow **Subsidy Flow**

- Informed farmer purchases based on **Soil Health Status**
- Subsidy to manufacturer to be **paid on weekly basis**
- Lead to **digitization** & improved rural connect
- **Prevention** on fertiliser **leakage** & diversion

DBT to improve nutrient usage & promote balanced application: Boost for Phosphatics industry

…coupled with Rural Empowerment to boost Growth

Soil Health

- **140 million** soil health cards to be issued by 2017
- Budget allotment: **USD 84 mil**
- Organic thrust: Additional 0.5 mil ha coverage

Financial Inclusion

- Bank Account for each household: **250 million accounts**
- Crop **Insurance & Credit** access

Infrastructure Development

- **2000 Model Retail Outlets**- Agri inputs, Soil & Seed testing facilities
- Road development: **100 km/ day**
- **100% rural electrification** by 2018

Irrigation Coverage

- 89 Irrigation projects: Additional **8 mil hectare** coverage
- Long Term **Irrigation Fund**

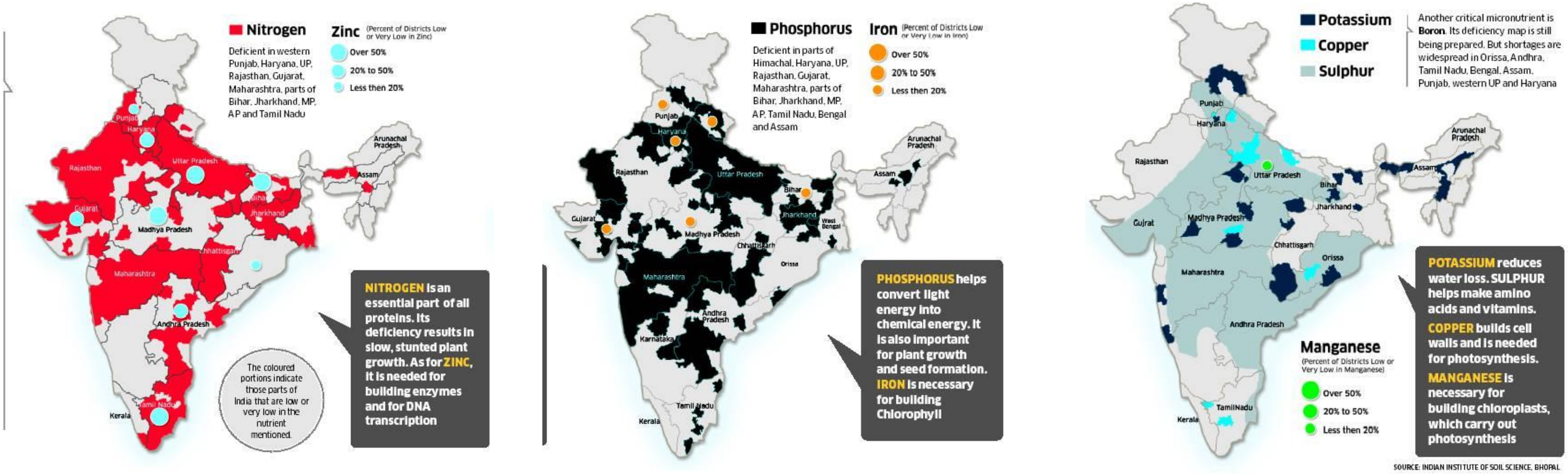
Ag Inputs Opportunities

- Ag Nutrients

- Crop Protection

Opportunities in Inputs space: Ag Nutrients

Nutrient Deficient India Soils



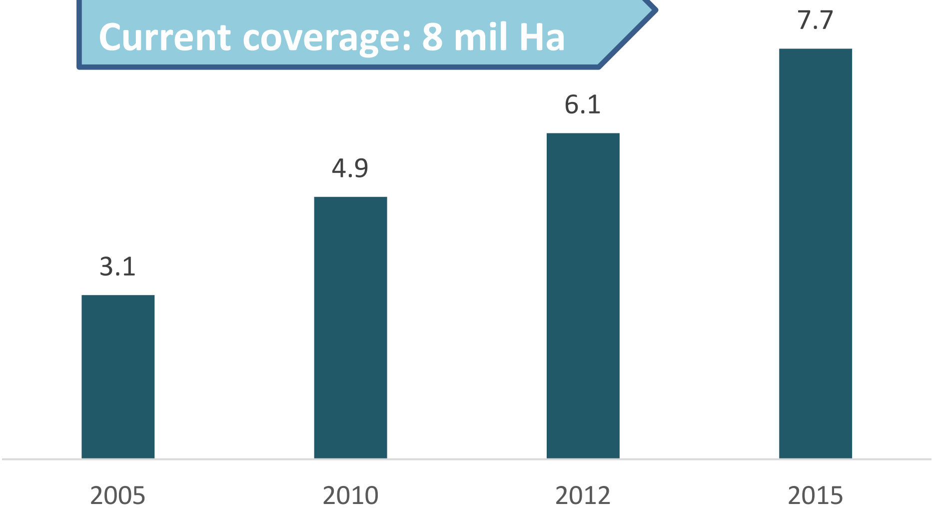
Source: IISS Bhopal

- **More than 50% of the districts deficient in essential plant nutrients- Opportunity for Balanced Nutrition**
- **Relatively untapped Secondary & Micro Nutrients segment**
- **Organic products to balance plant growth**

Opportunities in Inputs space: Micro Irrigation & Water Soluble Fertiliser

Area under Micro irrigation (mil ha)

Potential: 69 mil Ha
Current coverage: 8 mil Ha

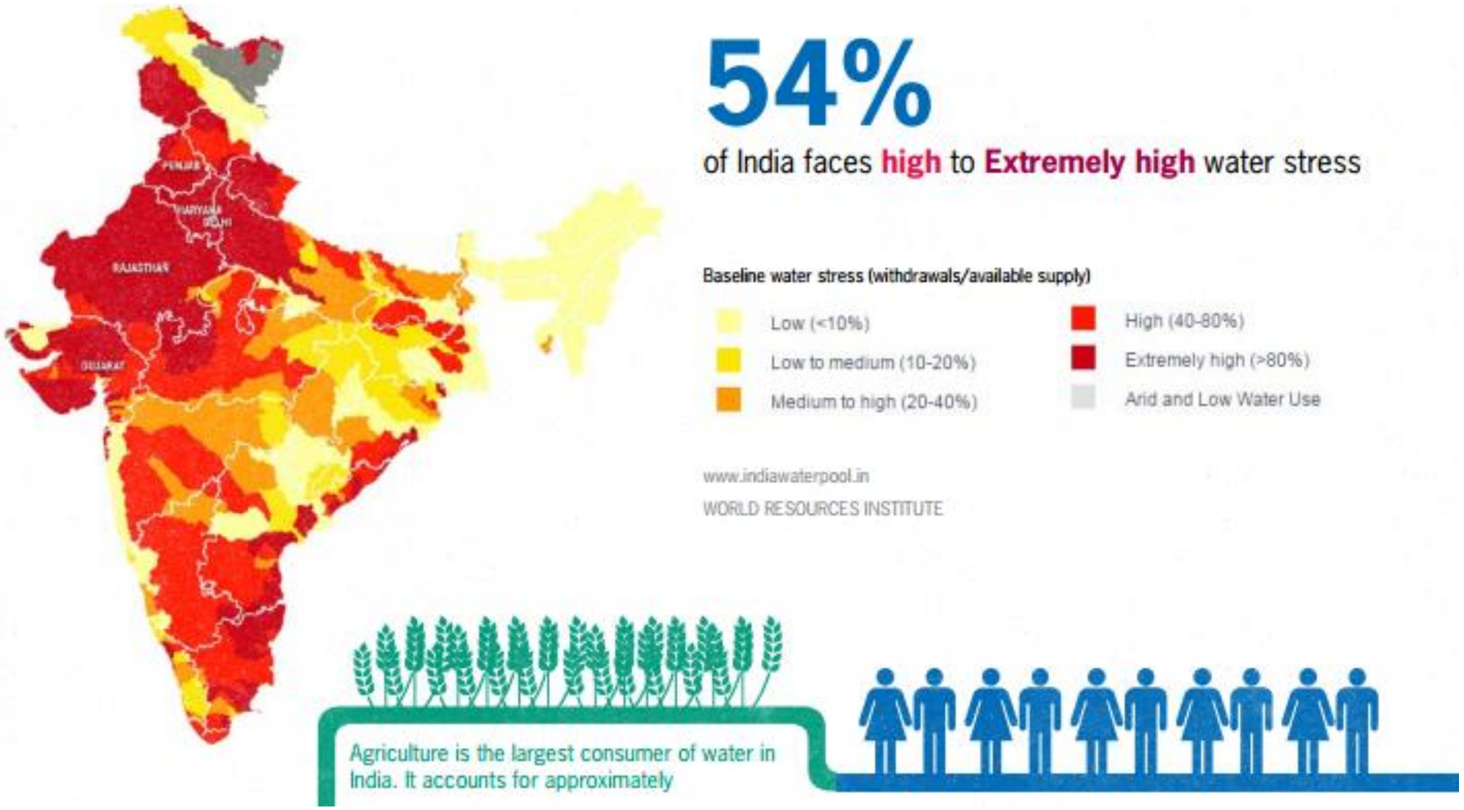


Benefits:

Increase in Water Use Efficiency: 50 – 90%

Productivity Increase: 40-50%

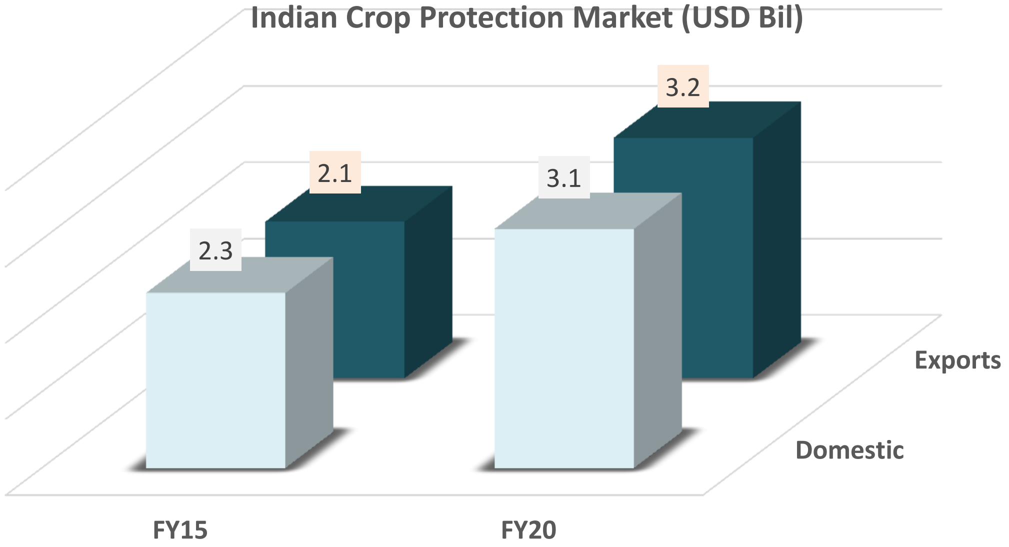
Increase in Farmer's income: 42%



- **Current Micro Irrigation coverage at 6% (US: 55%, Brazil: 52%, China: 10%)**
- **Scope to scale up consumption of Water soluble Fertilisers**

Source: Grant Thornton

Opportunities in Crop Protection space



- Exports segment to grow by 9% p.a.
- Domestic segment to grow by 7% p.a.

Increasing Pest Incidence

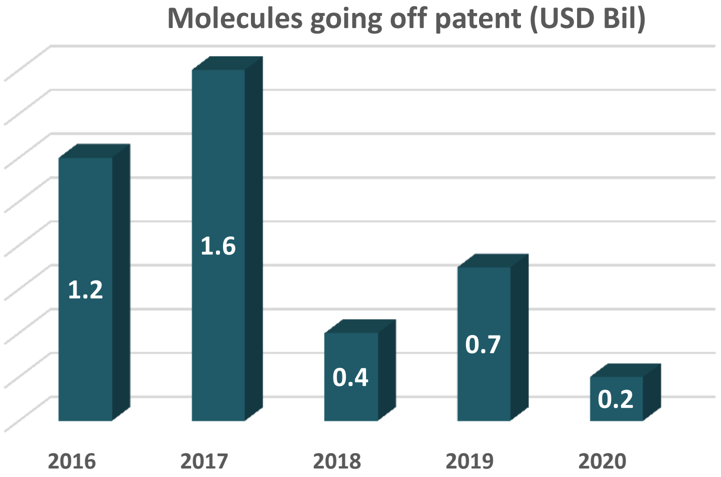
	1940		At Present	
	Total Pests	Serious Pests	Total Pests	Serious Pests
Rice	35	10	240	17
Wheat	20	2	100	19
Sugarcane	28	2	240	43
Ground Nut	10	4	100	12
Mustard	10	4	38	12
Pulses	35	6	250	34

Herbicide Opportunities

- **Increasing labour cost** to boost herbicide usage

  Global share: 47% **India share: 16%**
- **Easing in GM Crop norms**

Opportunities in Generic Space



Source: Tata Strategic Mgmt. Partner

Coromandel Introduction

- About Coromandel
- Business Segments
- Financials

About Coromandel

India's largest private sector **Phosphatic** Fertiliser company

5th largest Ag Chem Indian company

India's largest Single Super Phosphate (**SSP**) company

Coromandel's Manufacturing Presence

Pioneers & **market leaders** in **Specialty** Nutrients

No. 1 Organic Manure player in India

Largest Rural Retail Chain across India

Part of USD 4.5 bil Murugappa Group

About Coromandel

Key Facts :

- Turnover: **USD 1.8 bil** (FY15-16)
- Market Cap: **USD 1.2 bil** (Oct 2016)
- Strong credit rating: **'AA +'** (Stable outlook)' with CRISIL India
- Employees: **2800** & equal no. of contract employees
- **International Linkages**: FOSKOR, GCT, CANPOTEX, SQM, GETAX , QAFCO, ICL, Phoschem, OCP, YANMAR etc
- **International Market** Serviced: Latin America, Africa, China, South East Asia, Middle East

Strong **Brand Equity**

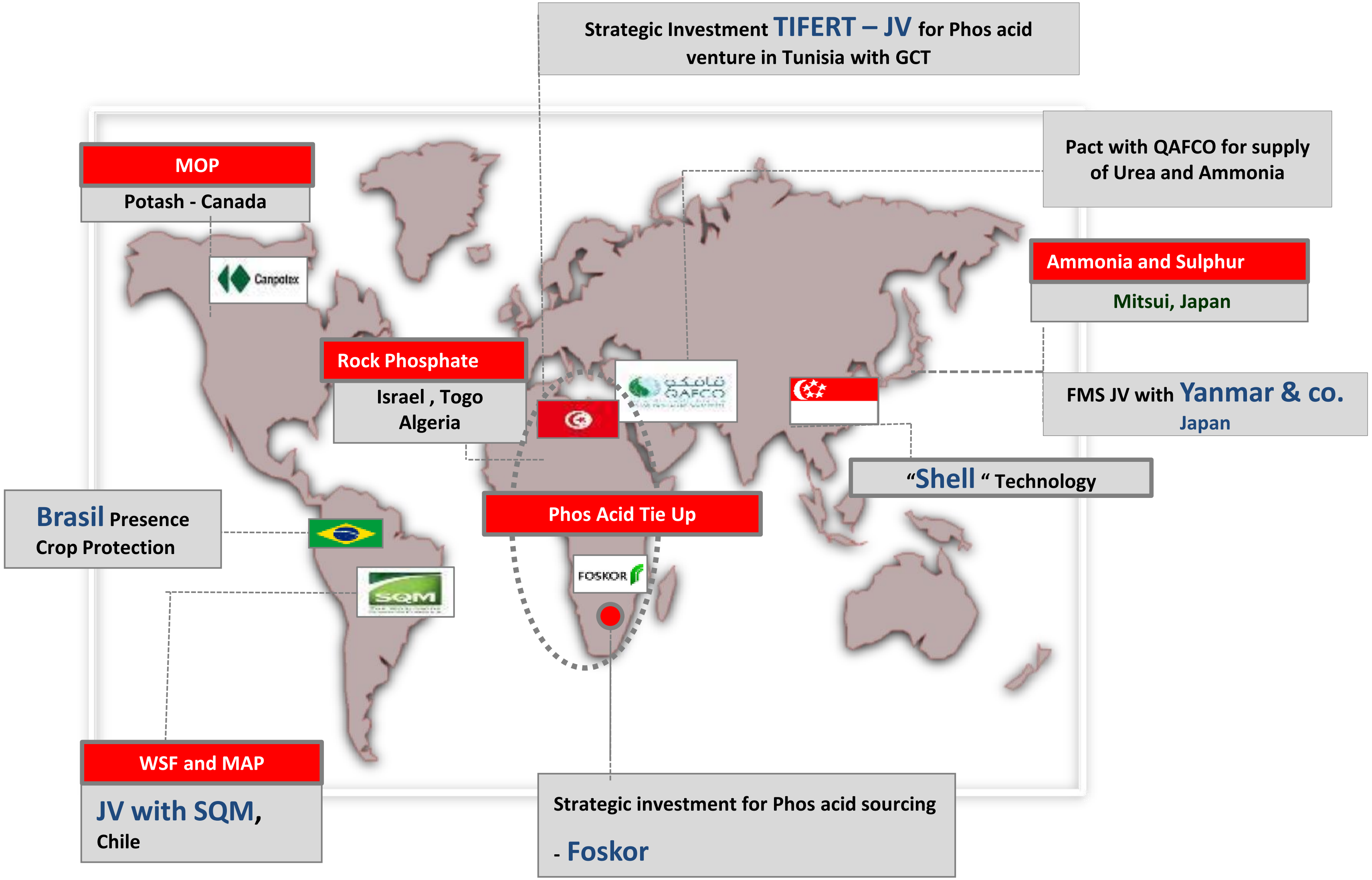
Cost effective production

Doing it **Responsibly**

Bringing **Prosperity**

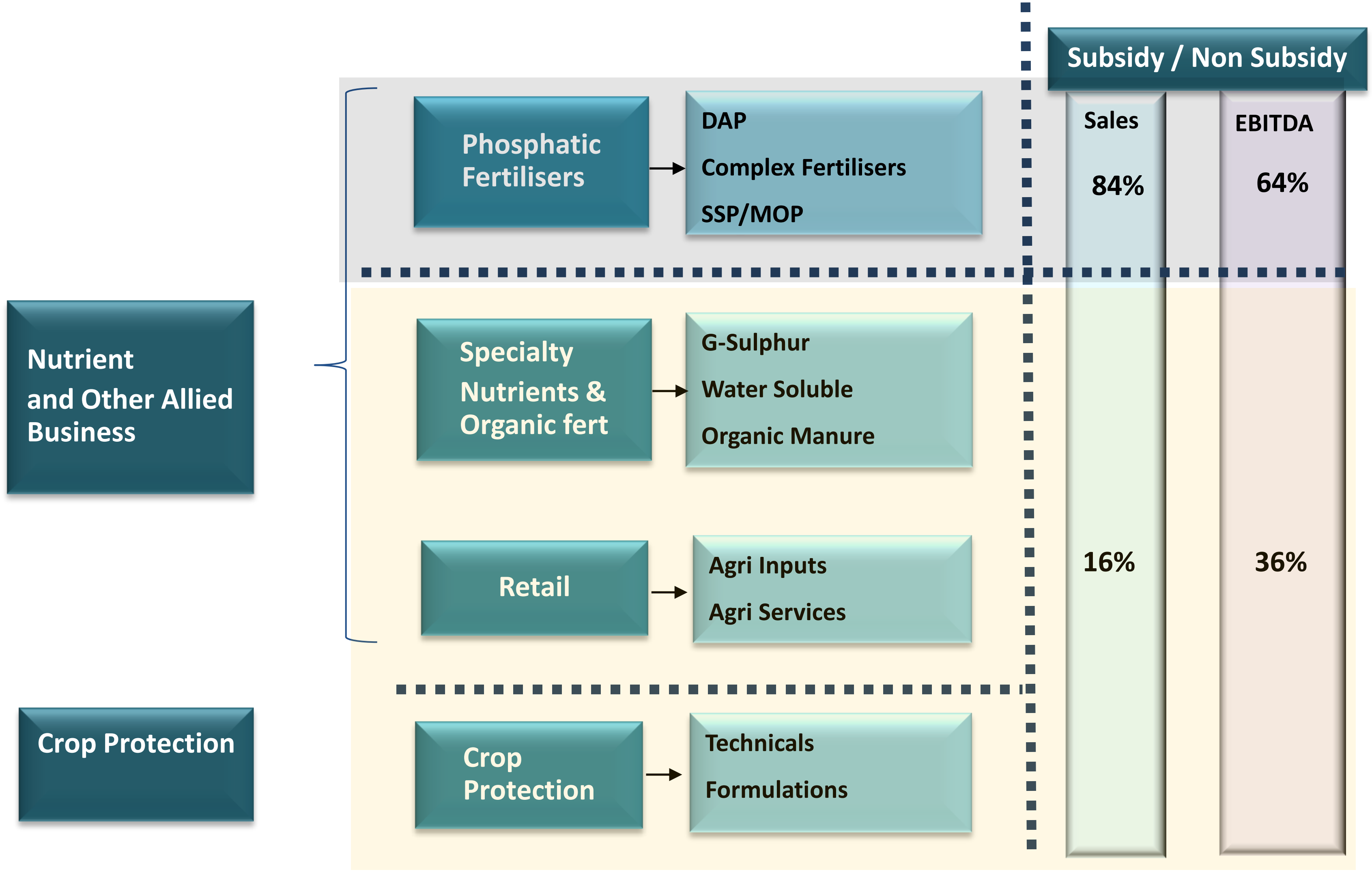
R&D Focus

Global Strategic Alliances



- Highly **diversified** sourcing
- Significant presence in **LatAm markets**
- **Technology** tie ups with global majors like **Shell**
- JV Partnership with global water soluble major, **SQM Chile**
- Farm Mechanization JV with **Yanmar, Japan**

Business Structure



Non subsidy EBITDA share has steadily improved from 23% in FY08-09 to 36% in FY15-16

Growth Journey

Towards New Growth Segments

- 2014 — Farm Mechanization- Yanmar JV
- 2013 — SSP- Liberty acquisition
- 2011 — Crop Protection- Sabero acquisition
- 2012 — Technology tie up- Shell
- 2010 — WSF JV with SQM
- 2008 — Entry into Retail
- 2006 — Specialty & Organic Business

New capacity addition: ~3 mil tons over last decade

New Businesses: CPC, SND, Organic

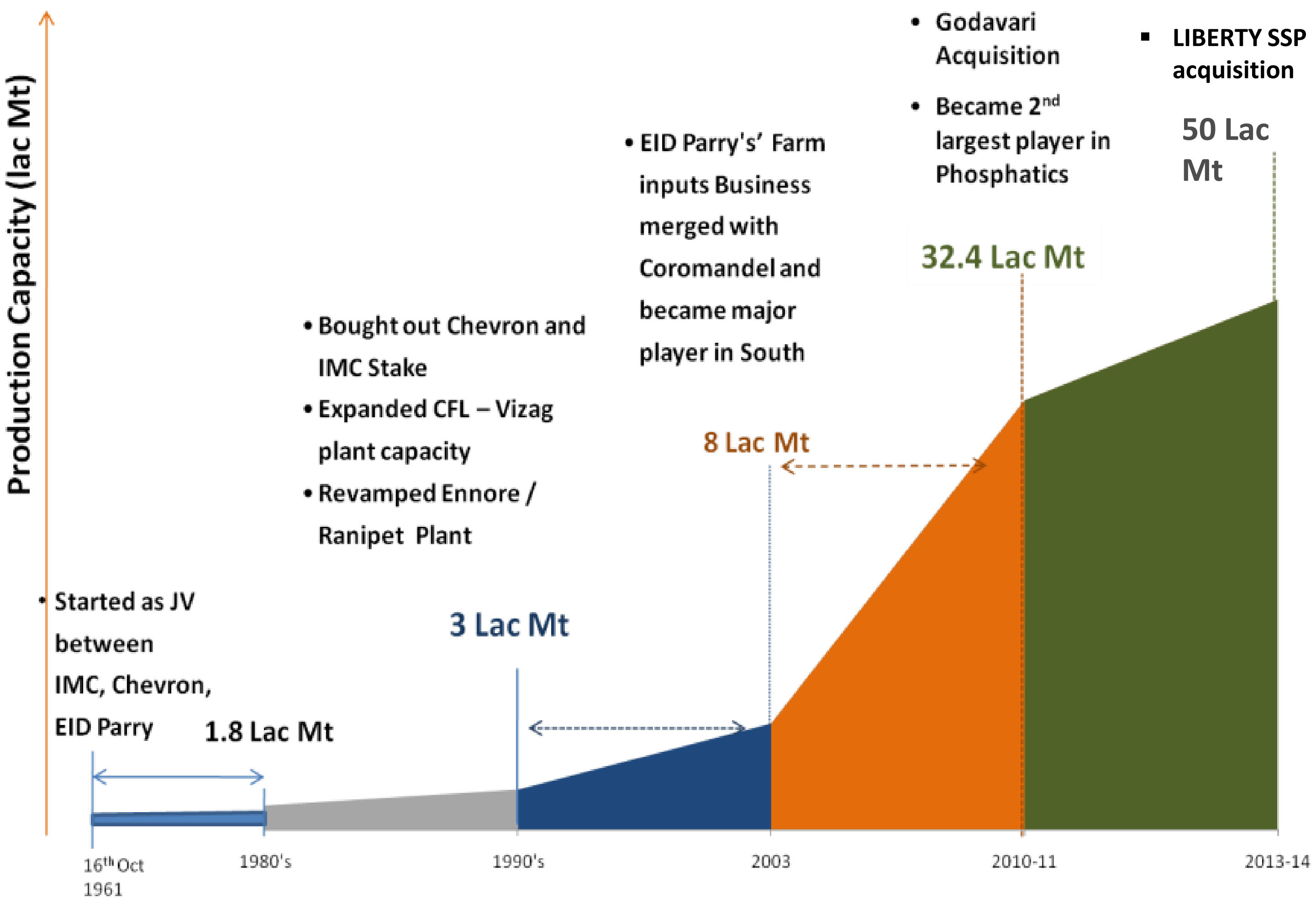
Expansion into Retail Channel: 800 stores

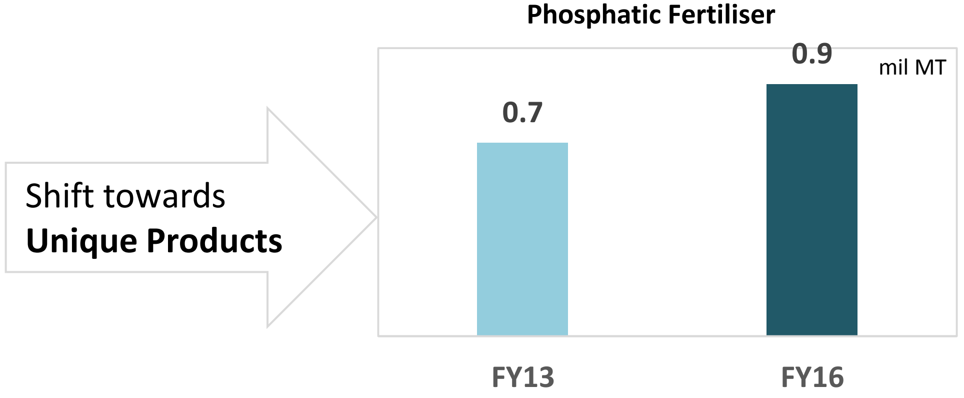
Strategic Partnership Yanmar, SQM, Foskor, Tifert

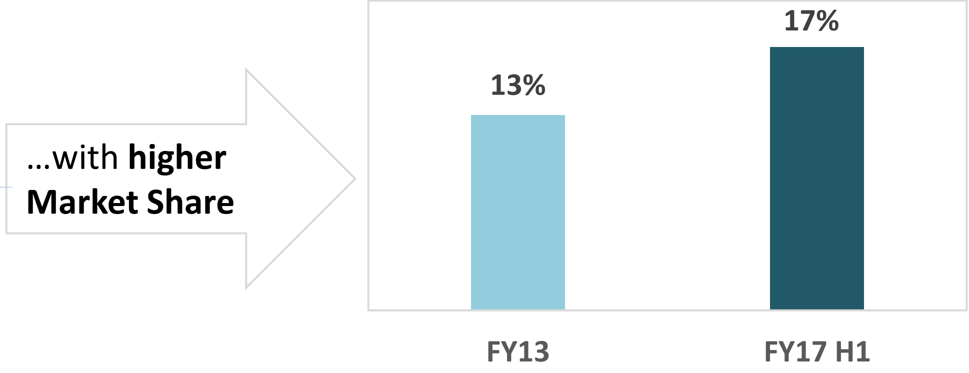
Technology Tie ups: Shell, IRRI

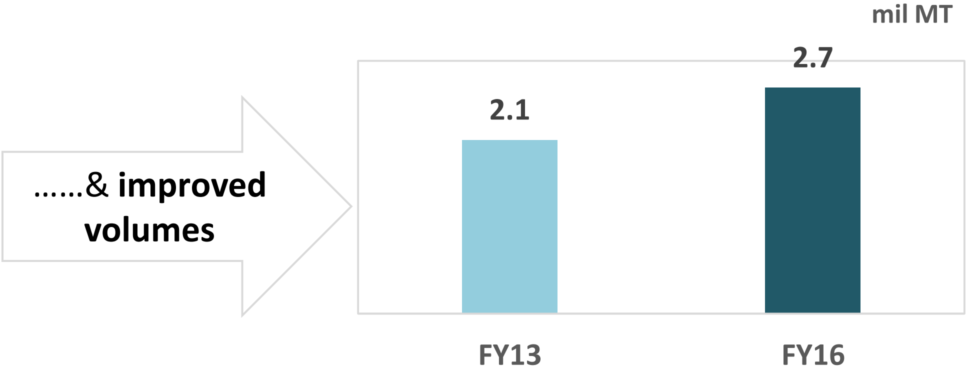
Business Segments

Coromandel Phosphatic Fertilisers









Coromandel Phosphatics: Manufacturing efficiency

- Strategically located Plants in highly irrigated southern Indian states and in heart of fertilizer consumption market – **low freight cost**
- Plant Facilities – **State of art** with good infrastructure support & robust systems
- Phosphate – **Lowest cost manufacturer** in India
- **Backward integration** into manufacturing the intermediate - phosphoric acid from rock
- Captive jetty at Vizag, Own storage tanks and pipeline for raw materials: Ammonia & molten sulphur (Vizag & Ennore) - **Lower handling** and associated costs
- **Captive power plants** at Vizag & Ennore

Coromandel Crop Protection

1990's	2006	2009	2010	2011	2015
Acquired pesticides unit of BPM	Acquisition of FICOM and setting up Jammu Unit I	Expansion to Latin America	Acquired Pasura Bio Tech – Jammu Unit II	Sabero Acquisition	Sabero Merger completed

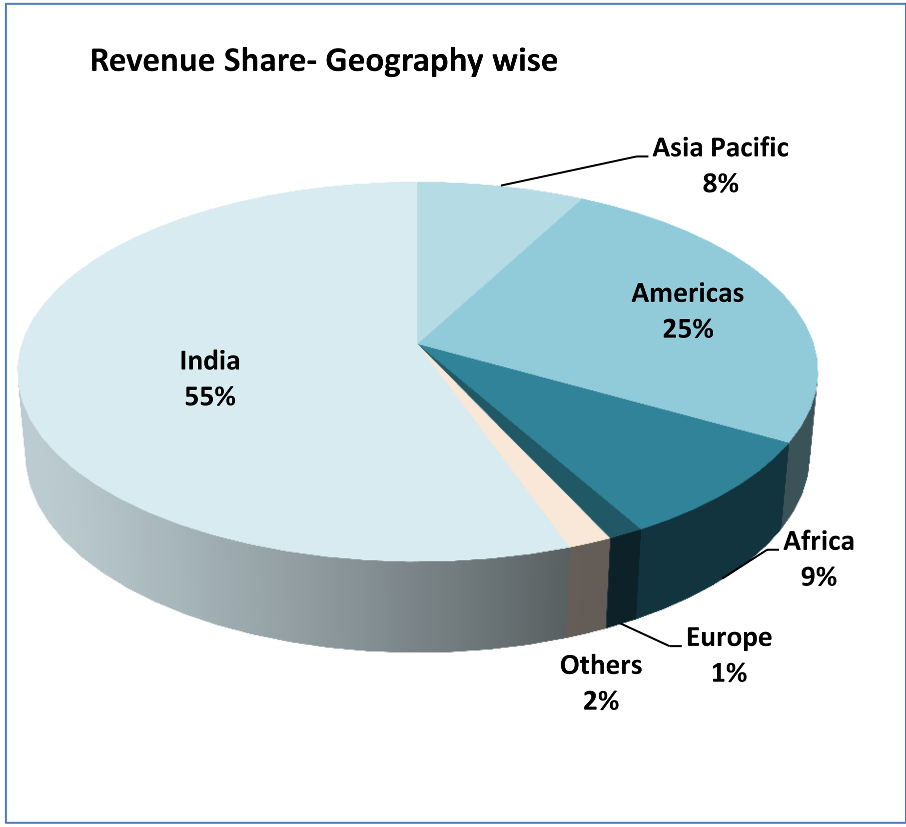
5th Largest Crop Protection Company in India: USD 200 mil

Technical Manufacturing Capacity **50,000+** MT/ annum

3rd Largest Mancozeb manufacturer globally

Robust **Environment Management** Systems: ~USD 10 mil investment in last 5 years

Coromandel Crop Protection : Exports



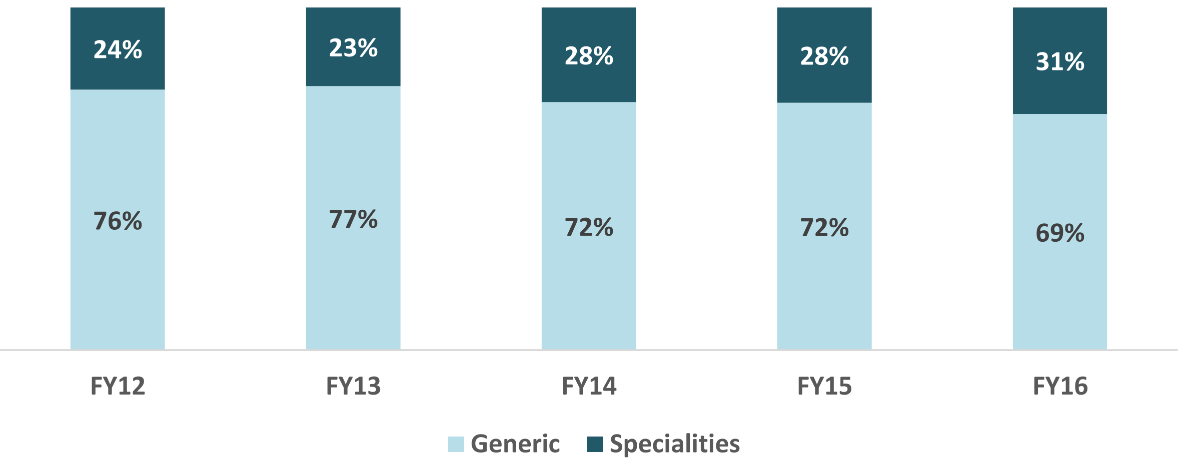
- **7 Subsidiaries** in key global geographies
- Presence across **71 countries**
- **~USD 100 mil** revenue from exports

- **Exports** share: **45%**
- **~700** global registrations
- B2B & B2C presence

Coromandel Crop Protection : Domestic Formulations

- Wide product portfolio **~60 brands**
- Customer reach thru **9000+ retailers**

Specialties Focus



Coromandel Focus Crops and Major States

Rice –Andhra, Telangana, Tamil Nadu, West Bengal, Punjab

Grapes –Maharashtra, Karnataka

Cotton – Punjab, Andhra, Karnataka, Gujarat

Chilli – Andhra, Madhya Pradesh

Soyabean – Madhya Pradesh, Maharashtra

Pulses- Madhya Pradesh, Uttar Pradesh, Maharashtra, Rajasthan

F & V – All India

Coromandel Crop Protection: Strong R & D

- Process Synthesis / Development
- Process Improvement
- Formulation Development
- Effluent treatability Study
- Pilot Plant (Scale up)
- Centralized R&D at Hyderabad

- **Strong product pipeline**
- **Focusing on molecules going off patent over next 5 years**

Plan to introduce 2-3 new products every year

Coromandel Crop Protection: Growth Strategy

- **Capacity augmentation of key molecule**
  - Mancozeb expansion at Dahej and Sarigam
- **Increase R&D focus**
  - Off Patent molecule synthesis and process improvements in existing range
- **Improving souring efficiency**
  - Generate market information through China office
- **Focus on Export Registrations to improve market penetration**
  - Expand business in LATAM, Africa and APAC by leveraging strong registration portfolio

Coromandel Retail

Farming Solutions

Products		Services
Ag Nutrients		Farm Mechanization
Crop Chem		Agri Insurance
Seeds	+	Credit
Vet Feed		Soil/ Petiole Testing
Farm Implements		Extension Activities

Convergence of

Products & Services:

One Stop Shop

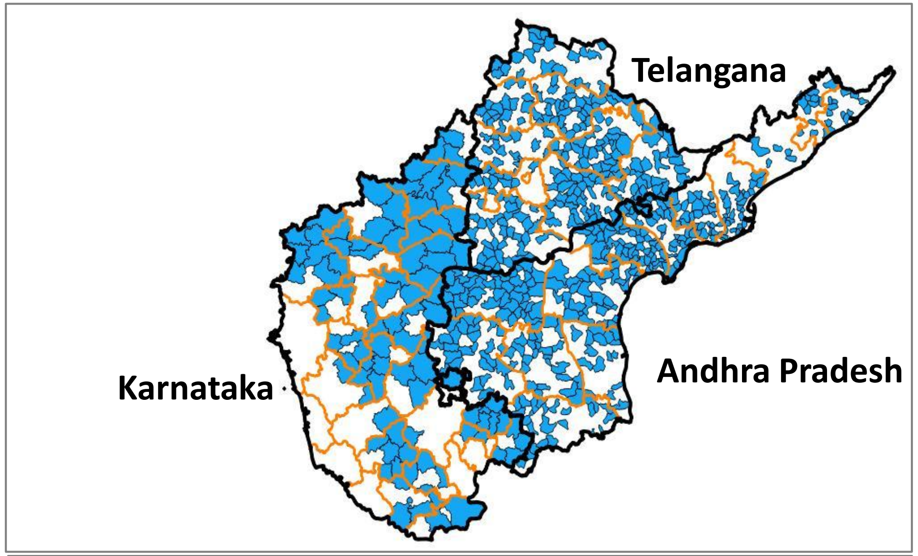
for Agriculture needs

70% turnover through **Captive** products

Non Fertiliser Focus: **~40%** of annual sales

'**Retailer of the Year**' award by CMO Asia

Customer Reach **2.6 million** farmers annually



Coromandel Retail: Improving Customer Value Proposition

- Complete Farming Solutions
- Trusted Place to Buy & Sell
- Assured Availability
- Market Operated Price
- Technical Advise to get economic returns
- Farm Mechanization scale up
- Digital Reach - Closer to door steps
- Farm Credit scale up

Existing

Planned

Quality, Trust & Farm Advice

Coromandel Specialty Nutrients

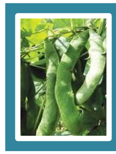
Product Solutions

- WSF
- Secondary Nutrients
- Micro Nutrients

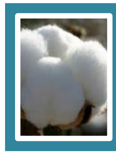
Strategic Shift

Crop Solutions

Cereals



Pulses



Cotton

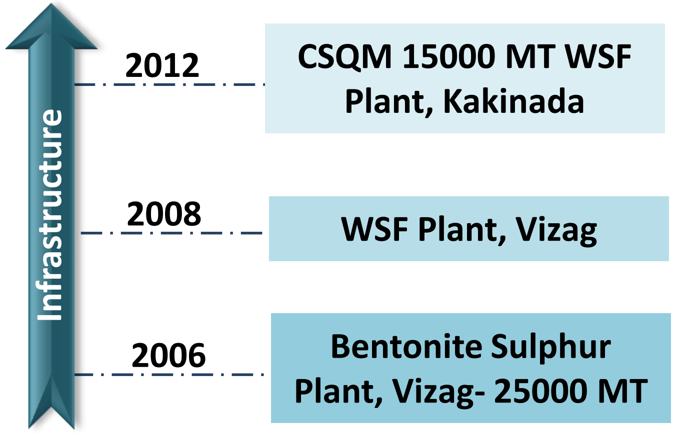
Horticulture

Crop based & soil based new product introduction to address farmer needs

Agronomist team to bring crop focus- Developing market based on total nutrition package

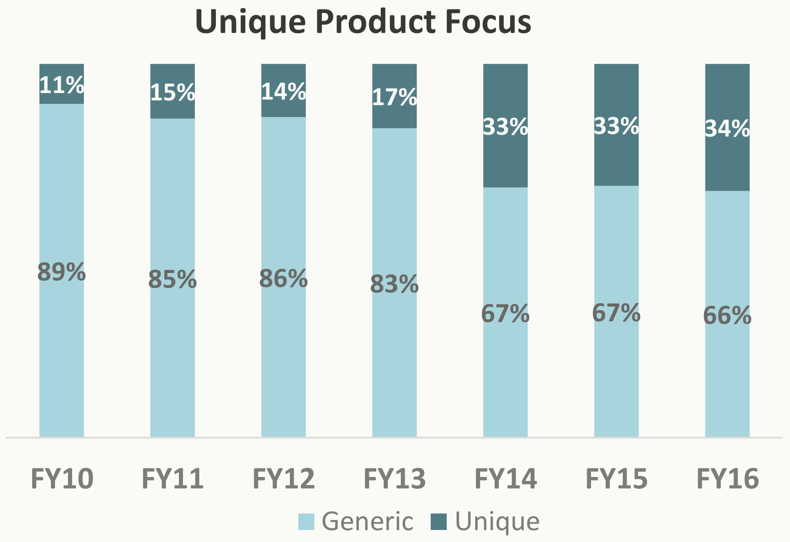
Coromandel Specialty Nutrients: Balancing Growth

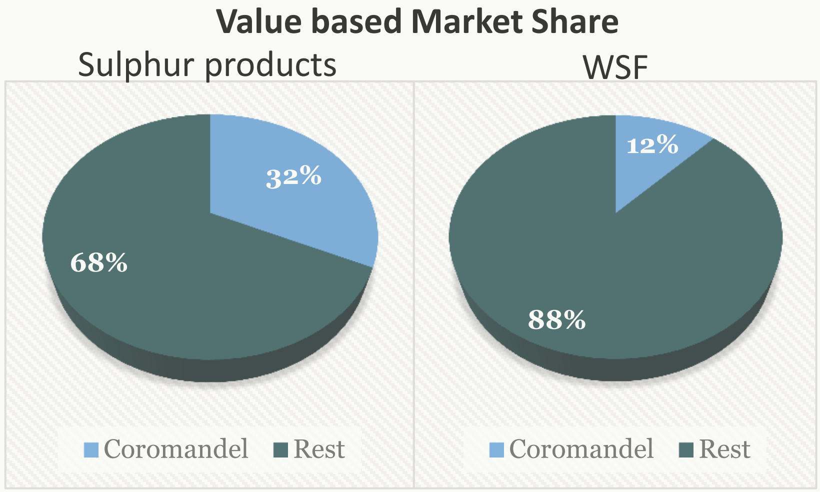
Manufacturing Capability



- 1st Bentonite Sulphur plant in India
- Exclusive manufacturers of WSF grades - Speedfol, Insta, Superia

Marketing Capability





Knowledge Capability

- Dedicated Agronomist Team
- SQM Crop Knowledge
- Agronomic & Process R&D

Coromandel Organic Manure: Enriching Soil Health

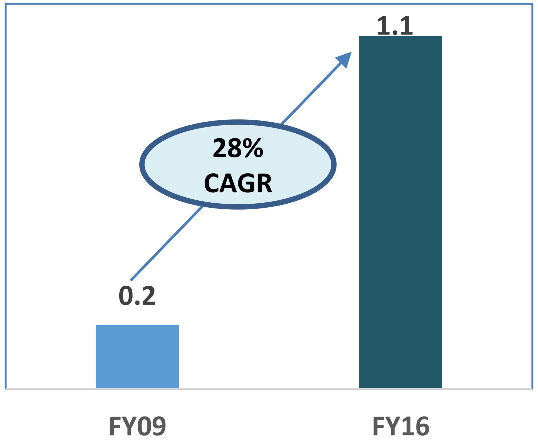
Product Portfolio

- **Organic fertilisers**
  - Bio/Microbial and Organic Fertiliser
    - N – Nrich (oil cake)
    - P – Phosgold (Compost + Rock P)
    - K – Kash (Molasses)
  - Bio compost (Soil Health Enabler)
    - City compost
    - Press Mud (By prod Sugarcane)
    - Oil Cakes

Growth Drivers

- Regulatory push from government- Market Development Assistance
- Push towards waste treatment & management
- Soil Health Focus- Sustainable Agriculture
- Consumption shift- Green Food

Coromandel Organic Vol (in Lakh MT)

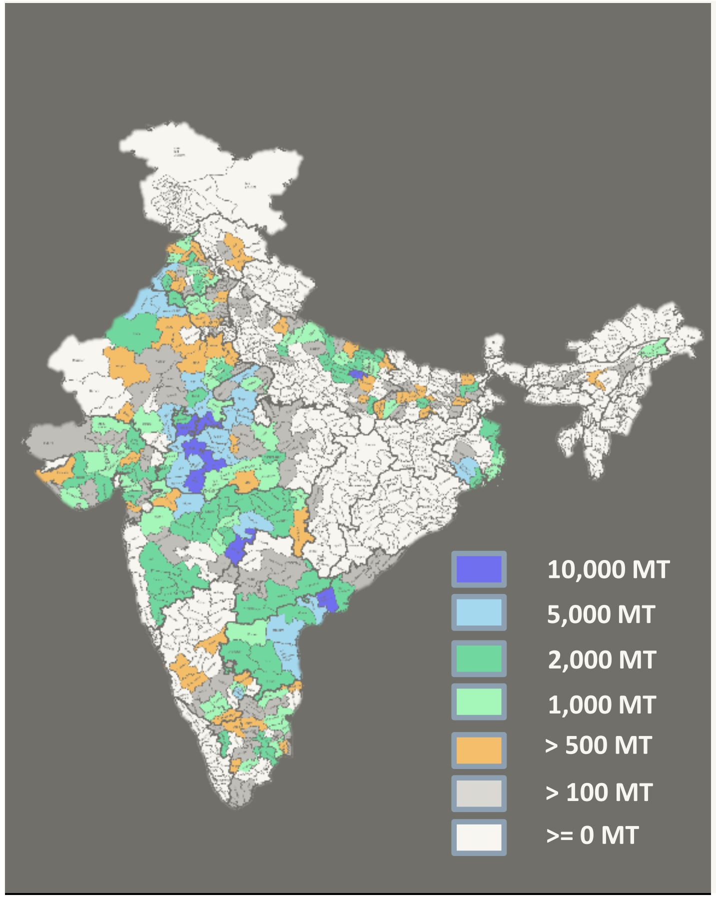


- **Pioneers** in Organic Fertilisers
- Market leaders **~30%** value share
- Efficient **sourcing** & distribution

Organic Farming has grown almost 7 fold in last 10 years - increasing demand for organic food products

Coromandel SSP

SSP Sales: Market Leaders **~14% market share**	Started **SSP manufacturing in 1906** from Ranipet Plant: 1st **Fertiliser Plant** in India



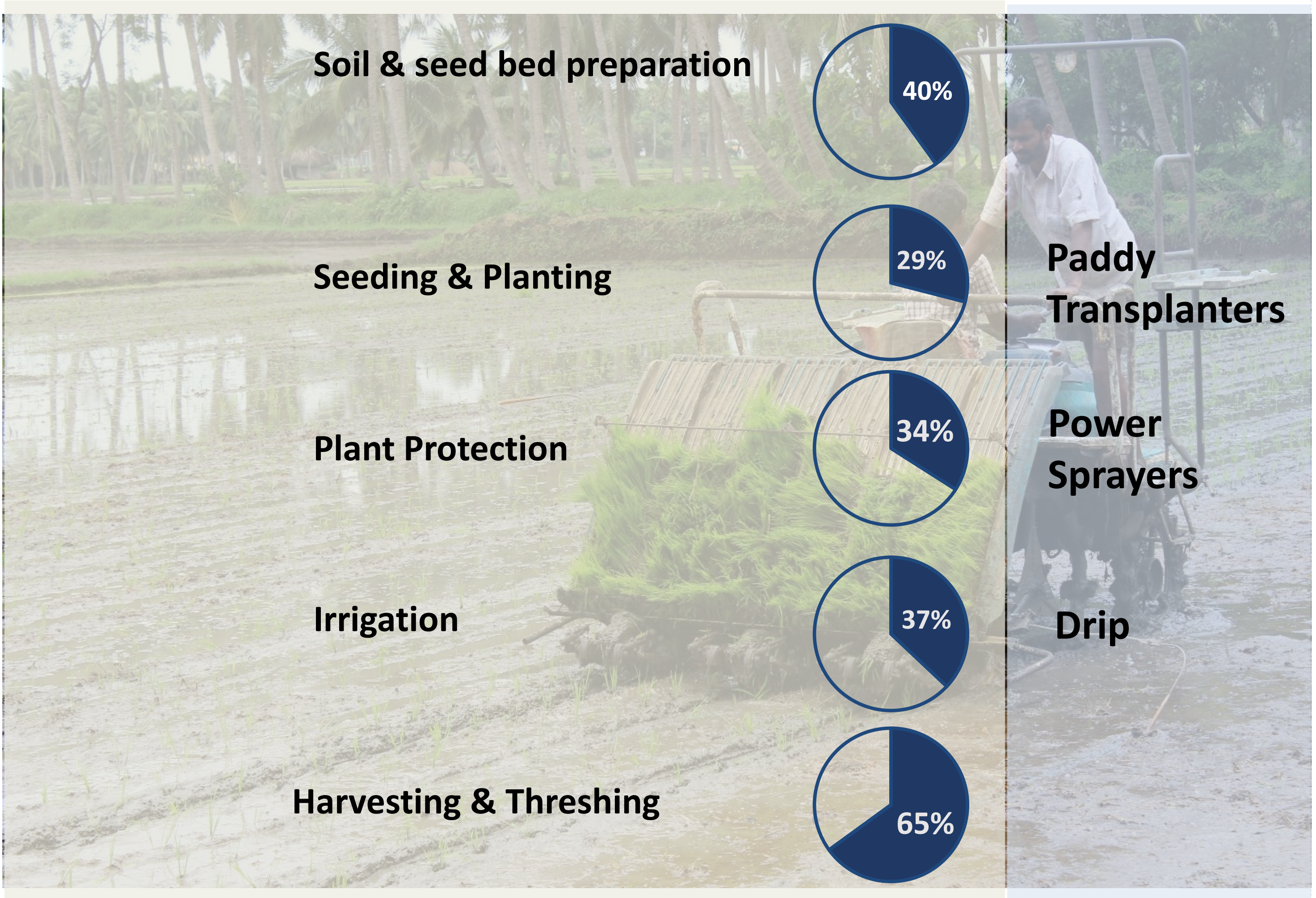
- Manufacturing capacity ~**1 mil MT**/ annum
- Presence across major SSP consuming crops- **Pulses & Oilseeds**
- Improving quality perception and positioning of the product:
  - **Quick Test Kits**
  - **Quality Certification**: ISO 9001, ISO 14001 & OHSAS 18001 Management
- Expanding product range – Granular, Fortified SSP

Expanded SSP presence thru **Liberty Phosphate acquisition** in 2013

Farm Mechanization: Eyeing the Future

Mechanization across Ag Value Chain

Coromandel's Presence



Source: Grand Thornton

- Market leadership in **TN, AP, Kerala** for Rice transplanters
- **Service centers** in AP, Telangana & Tamil Nadu
- **Synergistic approach** through Coromandel Retail operations
- **Indigenization** of spares
- Expanding portfolio to include **other Yanmar models** (Combine , Tractors, Harvesters)

Yanmar Coromandel Agrisolutions –JV between Coromandel, Yanmar & Mitsui

Coromandel Financials- P&L

In Rs Mio

Amount in Rs. Cr	FY2011	FY2012	FY2013	FY 2014	FY 2015	FY 2016*	H1 FY 2017*
Revenue - excl PY subsidy	74100	98550	89250	100182	113064	116338	56347
YoY (Growth)	19.7%	33.0%	-9.4%	12.2%	12.9%	2.9%	
EBITDA before PY Subsidy	8286	10084	6589	7702	8535	7668	4732
EBITDA %	11.2%	10.2%	7.4%	7.7%	7.5%	6.6%	8.4%
Previous Year Subsidy	2270	460	1090	350	0	0	0
EBITDA Reported	10556	10544	7679	8052	8535	7668	4732
Profit Before Tax	9857	9111	5567	5171	5920	5312	3300
Profit After Tax	6937	6388	4320	3565	4018	3574	2209
EPS (Rs.) -Basic	24.6	24.2	15.3	12.6	13.8	12.3	7.6
Debt / Total Capital (%)	44.4%	59.0%	63.0%	48.8%	51.0%	50.4%	49.5%
LT Debt / Total Capital (%)	9.6%	13.2%	25.2%	11.6%	5.5%	1.8%	1.3%

*As per new accounting standards Ind AS

Coromandel Financials- Balance Sheet

In Rs Mio

	FY2011	FY2012	FY2013	FY 2014	FY 2015	FY 2016*	H1 FY 2017*
Equity	19,567	24,160	23,027	23,066	22,020	26,340	27,124
Debt & Other Long Term liabilities	16,638	29,771	29,759	18,730	23,178	26,563	26,458
Deferred Tax Liability	815	674	1,876	1,890	1,875	1,679	1,652
Sources of Funds	**37,020**	**54,605**	**54,662**	**43,685**	**47,074**	**54,581**	**55,234**
Net Fixed Assets	11,429	18,225	22,763	18,085	14,261	13,612	13,420
Investments	1,705	1,494	1,596	3,416	3,520	4,769	4,773
Cash/ Deposits	9,605	9,847	5,345	4,722	3,176	6,545	7,354
Bonds	4,300	-	-	-	-	-	-
Inventory	15,138	19,217	14,775	17,529	22,592	23,458	21,816
Subsidy	9,690	16,259	13,755	11,123	17,894	23,671	18,938
Debtors	2,051	9,579	18,200	14,835	14,464	16,419	19,988
Other Current Assets	1,490	5,024	7,681	6,343	7,708	3,340	3,740
Current Liabilities	18,388	25,040	29,453	32,363	36,543	37,235	34,799
Net Current Assets	23,886	34,886	30,303	22,188	29,291	36,196	37,037
Application of Funds	**37,020**	**54,605**	**54,662**	**43,688**	**47,072**	**54,577**	**55,231**

*As per new accounting standards Ind AS

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