Coromandel
FUTURE POSITIVE

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Ref. No: 2022-23/51 **August 4, 2022**

National Stock Exchange of India Limited
Exchange Plaza, 5th 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(s),

Subject : Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of conference call with analysts and investors

In reference to our letter ref. no. 2022-23/044 dated July 22, 2022, intimating about conference call with analysts and investors, scheduled on July 28, 2022, we would like to inform pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, that transcript of the conference call held with analysts and investors on Thursday, July 28, 2022, has been uploaded on the Company's website at https://www.coromandel.biz/investors/investor-call-transcripts/

This is for your information and records.

Thanking you.

Yours sincerely,
For **Coromandel International Limited**

Rajesh Mukhija
Sr. Vice President - Legal & Company Secretary

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"Coromandel International Limited's Q1 FY'23 Earnings Conference Call"

Hosted by Phillip Capital

July 28, 2022

MANAGEMENT:	**MR. SAMEER GOEL – MANAGING DIRECTOR, COROMANDEL INTERNATIONAL LIMITED**
	MS. JAYASHREE SATAGOPAN – CHIEF FINANCIAL OFFICER, COROMANDEL INTERNATIONAL LIMITED
	MR. MAYUR GANGWAL – GENERAL MANAGER, FINANCE, COROMANDEL INTERNATIONAL LIMITED
MODERATOR:	**MR. HARMISH DESAI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Coromandel International Limited Q1 FY'23 Earning 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harmish Desai from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Harmish Desai: Thank you, Michelle. Good afternoon and welcome to the First Quarter FY'23 Earnings Call of Coromandel International Limited hosted by PhillipCapital.

From the management, we have Mr. Sameer Goel -- Managing Director; Ms. Jayashree Satagopan – CFO; Mr. Mayur Gangwal – GM, Finance.

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 the management, post which we will have a Q&A session. Thank you and over to you, sir.

Sameer Goel: Good afternoon, everyone, and thanks, Harmish for organizing the conference call. I'll first give an overview of the business environment experienced during the quarter, followed by company's performance and then we'll have the Q&A.

Firstly, to touch upon the global economy. The global economy as all of us know is experiencing a slowdown with 2022 growth estimate lowered to 2.9%, last year it was 5.7% on top of a COVID season. One of the reasons has been the tightening of monetary policy including interest rate hike and the strengthening of dollar against major currencies have resulted in driving inflation pressure across economies. Further, there has been impact of the protectionist policy by some of the countries causing supply chain disruption.

The agriculture continues to be perform well. The food price index remains at healthy levels. Of late, there have been slight softening in commodity prices from the peak levels.

Going forward, the geopolitical uncertainty also by the Ukraine war, partly COVID flare-ups and the steps taken by various governments, rising commodity prices, fiscal stress and monetary tightening can have an impact on the economic recovery. It is a VUCA world out there.

I think Indian economy has still done better. It is progressing well though the growth rates which have been slightly revised downwards. Q1 GST collection were buoyant at 4.5 lakh crores, up 37% year-on-year.

India started its vaccination program from Jan 2021 and has now administered more than 2 billion COVID vaccinations. With the vaccination program having covered the bulk of the population, the economic momentum is building up and India is likely to remain the fastest growing large economy in the world.

Major headwinds are around rupee depreciation, inflation around 7%, and of course the energy prices which needs to be closely watched.

Coming to Indian agriculture, as all of us know, the southwest monsoon is progressing well and is currently at 111% of the long period averages. There was initial shortfall and a rapid rain in the month of June which has actually impacted the sowing season and it got pushed outwards. However, there was a very strong recovery made in the month of July, especially in the markets in which we operate. The reservoir levels currently stand at 155% of long period average, last year it was around 143%.

One good news on the agriculture front is India is feeding the world and the agriculture exports is up by 18%, signaling resilience of the Indian agriculture.

The crop sowing as of 15th of July remains more or less at the last year levels with gains in pulses, cereals, oil seeds and cotton. However, there is a shortfall or a delay in planting of rice, which is the main crop for kharif. During the quarter, MSP of kharif 2023 was announced which had an increase of 5%. Currently, agriculture commodity prices across board remains favorable and are operating above the MSP levels, partly also got to do with the demand even coming from the export markets.

There's been increased thrust on the agtech side with industry and government working together to promote dissemination of technology in agriculture. These are areas like drones, mechanization, new tech fertilizer like nano, solar and coated release fertilizer and organic fertilizer including SSP is being promoted by the government.

We will have four consecutive years of good monsoons and with that agriculture continues to be a sweet spot in the Indian economy, especially in the markets in which we operate.

Coming to the fertilizer industry performance, Global supply shortage of key commodities continue in Q1 and have resulted in higher prices and delay in receiving shipments. The industry witnessed higher prices of key raw materials due to the supply disruption caused by Russian-Ukraine war and also emergence of COVID wave in China and the protectionist or regulatory policies being followed in China. However, in the last few weeks, we are seeing signs of cooling of some of the raw material prices. The government from its side has done well in terms of ensuring that raw material is made available, including having certain deals with Russia to ensure at least some of the critical raw material is made available to the farmers here and also having some long-term tie-ups with other nations to use their diplomacy.

For the quarter, DAP + complex fertilizer industry primary volumes were up by 23%. Currently, it is at 53.8 lakh MT versus 43.7 lakh MT last year. This is largely due to the higher Imports of DAP.

While the government has announced increase in subsidy, there was some delay in payments of NPK in Q1 which has impacted the cash flows of number of companies; however, urea subsidy has been paid on time.

Like I said, the NBS rates for '22-23 were announced on 27th April 2022. Subsidy approved by the cabinet for India's kharif season 2022 which is the period up to 30.9.2022 will be around Rs.60,939 crores including the support given to SSP through freight subsidy and additional scope for indigenous manufacturing and imports of DAP. This is quite unprecedented as per the requirement of the industry. While the full year subsidy budget has been over 2 lakh crore, the requirement could be 2.5 lakh crores.

Coming now to Coromandel’s performance, despite all these uncertainties in the international market, Coromandel has displayed a strong performance during the quarter, registering good growth across the business segments. I'll mention this is quite creditable given the uncertain business environment, the geopolitical uncertainty, supply chain disruptions and firm raw material pricing scenario.

We registered a revenue growth of 57% during the quarter, driven by both nutrition and crop protection business. This was due to also the higher subsidy which was available leading to the turnover growth and also in the non-subsidized business, we were able to pass-through the raw material prices cost.

Our main aim at Coromandel was that agriculture inputs are made available to the farmers in its key operating markets and also continue to promote balanced nutrition including organic fertilizer which helps to rejuvenate the soil and improves farm productivity.

Coming to segment performance, the nutrition and allied business segment revenue increased by 66% during the quarter. Company's thrust to provide specialty fertilizer and greener solution to farmers has gained momentum in the market and have registered a very good growth in both our specialty nutrition and organic products.

On the sales front, in Q1, DAP and complex volumes were at 7.3 lakh tons, slightly lower than last year, which was at 7.8 lakh MT. Manufactured DAP and complex volume were lower by 10% during the quarter since we had deferred some of the sales to Q2, mainly to be in sync with the delay in sowing season due to the delay in monsoon in the month of June. Imported product volumes was higher by 170% during the quarter.

Company market share in Q1 for DAP and complex was at 13.5%, previously it was at 17.8%, mainly got to do with the fact that the season has got delayed in our market. The lower market share also was due to the industry growth in DAP.

In the NPK or complex segment, our market share improved from 27% to 28%. Our single super phosphate in Q1 sales was 1.6 lakh MT versus 1.86 lakh MT last year.

Our primary market share was slightly down at 11.9% from 14.3% last year for the same quarter. We had some availability and production issues of the rock during the Q1.

Commercial and sourcing teams did very well to ensure timely availability of raw material to enable continuous production at our manufacturing plants. During the quarter, our DAP and complex fertilizer plants operated at 91% capacity and produced 7.9 lakh MT of fertilizer, up by 32%. This exudes well for the coming Q2's kharif season.

Our phosphoric acid production continues to remain high during the quarter, with a growth of 27% at 1.12 lakh tons.

Our key CAPEX projects are progressing as per plan. The work on the sulfuric acid plant is progressing well and the commissioning of the plant is expected in Q1 FY'23. This is part of our backward integration and to ensure that we have our own sources for raw materials.

Given the high demand for SSP, the company has enhanced SSP facilities, and we are very happy to say that we have restarted the Hospet plant in Karnataka and also the plant in Pali in Western Maharashtra.

We have also taken up production of Kothari plant and 10,000 MT was produced during Q1.

The merger of CSQM into Coromandel has been completed during this quarter. With this, the business of CSQM has been fully integrated with our specialty nutrition business and we are looking forward to building up both capacity and also having a common warehousing.

Our technology team is working on new tech products like customized fertilizer and nano to enhance the productivity of nutrients.

We are expanding our network of nutri clinics which are supporting the business in promoting balanced nutrition and market development initiatives.

For our specialty nutrition business, we have conducted drone trials for spraying application and the results have been very positive.

Coming now to the crop protection side, our crop protection business registered a modest growth of 5% in revenue for the quarter with good growth coming in from the domestic market. There was some tightening we had faced in the export markets. The increase in raw material costs and a lag in cost and pricing has impacted slightly the margins during the quarter.

We are very happy to announce that four new combination products have been launched in the quarter; three of these are insecticide and one is a fungicide. This is strengthening the company's portfolio towards newer and safer chemistry. The initial response has been very encouraging. The business has built a rich product pipeline backed with strong R&D capabilities and is partnering with global innovators to further strengthen its product offering.

On the manufacturing side, CPC plants operated at 60% during the quarter compared to 79% last year. We were utilizing some of the products which were produced in Q4 of last year.

Work has been initiated for building a new multi-product plant for manufacturing of fungicide at Ankleshwar during this quarter.

Like in our specialty nutrition, the company has successfully conducted spraying activities in the farmer fields with crop protection products and have finalized ten products for regulatory guidance.

Our retail network did extremely well during the quarter with focus on non-traditional crops and providing all-round agriculture solutions including products farm advisory and mechanization service. Business has improved its operational efficiency and has leveraged technology to reach out to the farmers.

We are very happy that with the help of technology and better negotiations, our retail business has a negative working capital.

Coromandel continues to invest strategically. During the quarter, we invested in a rock mine in Senegal which is Baobab Mining (BMCC). This will help to diversify rock sourcing and strengthen our backward linkage. These mines can meet one-third of Coromandel phosphatic rock requirements.

We have also started investing in agtech startups. The first one was Ecozen, which provides renewable energy based technological-led solutions for agriculture.

They have installed more than 50,000 irrigation pumps, 350 solar cold rooms till date in India and abroad.

We have also invested in a biotechnology start up called "String Bio" which basically uses ammonia and methane to develop fermentation based products targeting agriculture, animal, and human nutrition. They have developed several ready-to-market biostimulant products.

As we had mentioned last time, our digital transformation journey continues. We have made significant steps in the last one year with the adoption of business intelligence dashboards, salesforce productivity tools and robotic process automation in our manufacturing and our supply chain which has helped to improve processes, efficiency and forecasting capability within the organization.

We are witnessing adequate monsoon coverage and higher reservoir levels which augur well for not just kharif, but also for rabi in our key operating markets.

We are ensuring timely availability of agri inputs to the farming community through a vast dealer network and our retail network.

Coromandel with its diversified presence in agriculture value chain will continue to provide balanced nutrition and integrated pest management solution to maximize farm productivity.

I'll now hand over to Jayashree to talk about company financials. Over to you, Jayashree. Thank you.

J Satagopan: Thank you, Sameer. I will now proceed to provide an update on the company financials. As far as the turnover is concerned, the company recorded a consolidated total income of Rs.5,783 crores during the quarter vis-à-vis Rs.3,686 crores in the same quarter prior year. This registered a growth of 57% for this quarter.

Nutrients and Allied businesses contributed to 89% share, the remaining 11% comes from the crop protection business for the quarter.

Company's subsidy non-subsidy share of business stands at 83% and 17% during the quarter, previous year it was 76% and 24%.

Consolidated EBITDA for the quarter at Rs.687 crores against Rs.486 crores of last year.

Moderator: Ma'am, I would request you to again repeat what you said just now as your voice was breaking in the middle.

J Satagopan: On the profitability front, the consolidated EBITDA for the quarter was Rs.687 crores against Rs.486 crores in the last year.

In terms of subsidy, non-subsidy, the share stands at 78% and 22% during the quarter, during the previous year it was 75% and 25% respectively.

The net profit after tax for the quarter was Rs.499 crores. This is in comparison to Rs.338 crores for the corresponding quarter last year.

As regards subsidy, during the first quarter, company received Rs.136 crores towards subsidy receipts. The comparative figures of last year were Rs.493 crores. Subsidy outstanding as on 30th June 2022 was at Rs.2,731 crores versus Rs.1,149 crores during the previous year.

During the quarter, the company earned net interest income. This income excludes the Ind As adjustments of Rs.22 crores vis-à-vis the interest income of Rs.12 crores in the same quarter last year.

The company has maintained its surplus funds in board approved securities, and these have been earmarked for specific growth-related investments in both organic and inorganic. The company has taken short term borrowings of Rs. 1535 crores primarily to fund the working capital requirements.

On the foreign exchange front, as we have all seen, the rupee remained volatile and was in a very broad range of Rs 75.95 to Rs 78.96 to a dollar.

Coromandel continues to follow a conservative approach in line with the hedging policy that has been approved by the board and the FOREX exposures have been covered and the portfolio managed well.

The company has got a reaffirmation of the credit rating from CRISIL at AA+ during the quarter.

We thank you all for your interest in Coromandel and joining us in call today. We can now open the session for question-and-answers.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Tarang Agrawal from Old Bridge Capital. Please go ahead.

Tarang Agrawal: Three questions from me. One, would it be fair to presume that a material amount of your profitability this quarter could be attributed to your phos acid integration and your sourcing of rock phosphate? The second is if I can get a broad split of the inventory as on 30th June 2022 between finished goods and rock? And the last, what would be the inventory that may have been dispatched before the year-end and which was probably in channel at the end of April?

J Satagopan: Thanks, Tarang, for your questions. The margins for the quarter obviously have been contributed by the backward integration strategy of Coromandel with the PAP plant-I and II at Vizag being fully operational and currently the team is also working on additional debottlenecking if possible. While the backward integration has given us the fill in the margins, it is also to be noted that there are other areas where the company continues its focus like smart sourcing where the commercial team has looked into various sources of raw materials and ensured timely availability. I think the flexibility that the manufacturing teams have exhibited in processing different grades of rocks and acids have positively contributed to the margins. This is as far as fertilizer is concerned. While we covered a portion of the manufacturing and the commercial capabilities of the company, equally, we have seen that the logistics and the supply chain team over the last couple of years have managed on reducing the freight related costs. You would see that despite the increase in the freight rates that we have seen globally, we've been able to sort of manage it quite well. It's a combination of all these including tightening up on the fixed costs. All of those helped in Q1.

Sameer Goel: We are also aided by good performance in non-subsidy business. Specialty nutrition continues to do very well, organic, and also crop protection. So, all this is adding to the profitability of the company.

J Satagopan: I do not have immediately hang of the inventory value between FG and rock. The channel inventory numbers, I think we can give it to you offline.

Sameer Goel: But the position is much better than the past year, the channel inventory is there, and we are waiting for the season this year. That's going to help us.

Tarang Agrawal: Just a follow up. In crop protection, did we see volume growth in Q1 FY'23 versus Q1 FY'22?

J Satagopan: Amongst different molecules that we had, in a few of them we have seen a volume growth.

Sameer Goel: The businesses like domestic formulations and India B2B saw volume growth. There were some pricing pressure on the export market.

Moderator: The next question is from the line of Bharat Sheth from Quest Investment Advisors Private Limited. Please go ahead.

Bharat Sheth: Sameer, my first question is related to the change in the mix of the business. See, normally in Q1 DAP used to remain very high vis-à-vis complex, then last year and this year we have seen that DAP volume has been substantial, almost 50% of what was two years back. So, can you give little more color and is that also is helping us in improving our EBITDA per ton? And all the benefit of this backward integration that you spoke about, sulphuric, then phosphate, when that will start really playing out, and some color, what additional contribution per ton we can have?

Sameer Goel: I'll answer your first part on complex. As you know, we are a balanced nutrition provider. DAP is mainly high on phosphate and also on nitrogen which is in a way not required for the crop and mainly it's a product for the North and Central market. Even there, as part of our foray and also as part of government to reduce the dependence on imported DAP, they are promoting now single super phosphate. The government is also promoting SSP because most of its raw materials are available within the country. And that's the reason we have seen a spurt in the demand of single super phosphate. The surge in demand has been the pricing cap on DAP for which the government wants to ensure affordability to the farmers, and that's the reason why you see the Q1 sales of DAP going up while for us our season will begin now in Q2. In NPK, our market share has also improved.

J Satagopan: The second question is in terms of what would be the EBITDA per ton margin the guidance that you wanted to understand from us. I think it would be in the same range of Rs.4,000 to Rs.4,500 per MT at least for the current year, right, because there are several headwinds that the industry is facing, and the company is facing. We have seen the raw material prices have been very high and of late we are seeing some sort of a softening happening which is primarily for urea as well as sulphur. Phos acid is still high, ammonia is going even higher. So, there are quite a bit of headwinds at this point in time. Our backward integration will help to offset some of these. Having said that, Rs.4,000 to Rs.4,500 is something that we can definitely look at for the year and if there is any opportunity, the company will try to see how we can maximize and improve it further.

Bharat Sheth: Sorry, Jayashree, my question was I mean the backward integration, other process that is sulphuric acid and acquiring a rock phosphate mine, when that will start playing out and how much additional contribution can come from there?

J Satagopan: Now, on the sulphuric acid plant, it is going to be commissioned in next year around the first or second quarter. The plant has been progressing well. Work is going on full stream. As we had indicated earlier, the main purpose of setting up the sulphuric acid plant is to ensure supply security, because today we are importing, we can't have that high level of import of sulphuric acid into the country. Coromandel is a larger importer of sulphuric acid. Therefore, it is more of a supply chain security and once we have part of the acid coming from our own plant, it will also help us better in negotiation. So, that's the way I would look at sulphuric acid plant that is coming up in Vizag. On the BMCC mine, as I was mentioning in the last conference, we do take about three years for us to get the maximum throughput from the mine. We have started commercial production. We have received from them. There is good amount of work that is required to ensure there is scale up happening so that we can get the maximum out of it. The cost of mining also will be determined during this period. So, based on that, definitely, we will get a benefit. But more importantly, having our own source of getting rock will also help us to negotiate better with the other rock suppliers.

Moderator: The next question is from the line of Vidit from IIFL Securities. Please go ahead.

Vidit: My first question was on the EBITDA margins of the nutrient and allied business. So, there have been companies that have reported numbers who've made one-time benefits from inventory that is sold post-March and higher subsidies realization on that inventory. Would you be able to quantify what the number for Coromandel would be in this quarter and has that driven such a high performance in the business?

J Satagopan: In terms of the additional subsidy that comes in from the government on the opening inventory, this primarily happens when there is a point-of-sale or the final liquidation that happens from the retailers to the farmers. Moreover, during the quarter as we read out, the subsidy disbursement from the government has been very low. We received somewhere close to about Rs.136-odd crores of subsidy only during first quarter. And the revenue recognition principles are primarily based on when the sale happen, right. So, the sales for all of this happened last year. The subsidy was recognized based on last year rate. As and when the POS acknowledgement happens and more importantly the subsidy received from the government, then there could be a benefit that will come on account of the channel inventory. Partly it has come, partly it will come in Q2 if I were to respond to you.

Vidit: Just in this new MPP plant for which work has begun at Ankleshwar, what is the expected CAPEX, and can you just shed some light on over what phases and what is the revenue potential could possibly be?

J Satagopan: So, what we are doing in Ankleshwar is we are also repurposing some of our existing plants and this multi-purpose plant for three fungicides would be operational from the fourth quarter of this financial year. And for this year we are expecting between Rs.20 to Rs.40 crores of technical sales from this multi-purpose plant. The CAPEX is around Rs.25 crores at this point in time.

Vidit: This is for this year itself and are you expanding further in FY'24 as well?

J Satagopan: I've given you the revenue number for this year. As we go along on full year basis, the numbers are expected to be higher and there is also opportunity to formulate and sell in the domestic market. So, this is purely for the current financial year.

Moderator: The next question is from the line of Vishnu Kumar from Spark Capital. Please go ahead.

Vishnu Kumar: Wanted to understand firstly on the pricing that you mentioned on DAP and other NPKs which is causing distortion in the demand structure between DAP and NPK. Given this backdrop for the rest of kharif and let's say even for the rabi season, would we start switching more production towards these products or we'll continue to only be on NPK side because generally we have only 2%, 3% of DAPs which we manufacture?

Sameer Goel: Our focus will be on NPK because that's the demand which is there in the market. One of the things which we will be doing is to promote the low-P grades which the farmer wants. So, that's something which we will continue which are also attractive. Some of the grades which are High P, as and when the demand improves, we will be producing. The strategy will be towards NPK.

Vishnu Kumar: My second question is in the past you mentioned that if we want to consider further capacity expansion in the fertilizer business, we will probably keep looking for more sources internationally and probably backward integrate. Have you almost reached there in terms of what we want to achieve, and can we expect some kind of a further capacity expansion in the fertilizer? And also, if there is any large program that you have in the agrochemical, if you could help us understand, essentially because we have a substantial cash that we have built in, just trying to understand that in the next couple of years should we expect the large deployment in both the businesses?

J Satagopan: Vishnu, the focus currently is in terms of three things. One, completing the backward integration at Vizag. We've completed the PA. Now we have to get SA also completed timely. Second, we are looking at the investment in BMCC which is our mine in Senegal and getting the mines fully operationalized, because that is going to take some time. We are new into the mining business. We have a strong partner there. We will have to see how the mines are fully used up and we're able to get the rock supply as we have contemplated. Third, we have two JVs – TIFERT and Foskor. There is enough to be done at these two entities to ensure that they are fully operational. For some reason or the other, they have been facing some challenges either due to availability of raw material or some social unrest issues say for instance in Tunisia. The focus is to have our people there, help these JVs turn around. So, these are the top three priorities at this point in time for the fertilizer business. Having said that, there is some debottlenecking opportunities that have been identified which could definitely add to our capacity at both Kakinada and Vizag. I believe this can come all the way up to 2 to 4 lakh tons of finished goods. And more importantly, on the single super phosphate, we have seen an additional demand that has been coming in and there we have expanded our capacity, moved more into granulation. The new lease facility at Ennore is fully operational now. Finally, we have revived the plant which was shut down for almost five years. Production has commenced last month. We are also contemplating what needs to be done at our plant at Raebareli. So, the strategy is to see how we can provide more of single super phosphate with a lot of enhanced nutrition in it. Very recently, our R&D teams have also come up with a new variety of activity where it can combine base SSP with say for instance nitrogen which can be very helpful for the soil. So, that is also being contemplated. So, that's the plan as far as fertilizer is concerned. On the crop protection front, work on the MPP has been initiated as per our earlier plan, it should get completed in the fourth quarter of this year and will be fully operational. The business is also looking into another MPP which would be mostly for herbicide. We are currently working on the proposal. There, the investment could be Rs.200 to Rs.300 crores. So, that's something that we're working on. Apart from this there is also plans to see how we can expand our biopesticides. So, we are looking at not just seed but also fruits and also sourcing from different markets. So, there is likely to be capacity expansion and also some footprint expansion. So, these are the current areas that we are working on.

Sameer Goel: And also, to add to what Jayashree said, our specialty nutrition and also organic, the whole aim is to strategically instead of relying on grades which mainly comes from importing the products from China, we are looking at how we can get the full value from these products. So, those plans are already in place. We have also put up a liquid fertilizer pilot plant. Initial results are very good, and we'll be setting up some new technology products soon as and when the trials are completed. So, you watch this space.

Vishnu Kumar: If you could just give us the inventory gain if any this quarter?

J Satagopan: We can take it offline.

Moderator: The next question is from the line of Resham Jain from DSP Investment Maanagers. Please go ahead.

Resham Jain: Just two data points. One, you used to give these two numbers, claim pending to be acknowledged but pending claims, just these two data points.

J Satagopan: Acknowledged and pending claims?

Sameer Goel: We couldn't get the question properly.

Resham Jain: Just two data points. One is the claims pending to be acknowledged and another is acknowledged but pending to be received?

Sameer Goel: This is on the subsidy side?

Resham Jain: Yes, subsidy side.

J Satagopan: The receivable in the channel stock end of June was around Rs.2,000 crores because this is yet to be acknowledged. And then on the claims that we have made and pending with the government is about close to Rs.500 to 600 crores.

Resham Jain: Also, ma'am on the CAPEX side, what is the total planned CAPEX for this year FY'23?

J Satagopan: In FY'23, we are expecting close to about Rs.800 to Rs.900 crores.

Resham Jain: Is it possible to give a breakup between fertilizer and others?

J Satagopan: Fertilizer would be about Rs.600 to Rs.650 crores. This includes sulphuric acid plant, it includes the work that's happening, all the SSP plants and then the normal capital expenditure that happens on a year-on-year basis and then there is a CAPEX that is being planned for crop protection chemicals, this is about Rs.150 to 200-odd crores.

Resham Jain: As the other participant also was asking on the new capacity addition on the fertilizer space itself, because what we are seeing since last maybe four years the amount of cash generation versus the amount being deployed in the business and there has been a continuous cash generation which is in a way impacting our return ratios, so if you can just highlight because this year also the cash generation versus your CAPEX… you will still generate free cash flows and you already have a large amount of cash sitting on books, so if you can just explain what is the thought process on the capital allocation side?

J Satagopan: As I was responding to Vishnu Kumar, our current process is to strengthen what we have and until we have further sources for our fertilizer bulk business, I don't think it will make good economic sense to add capacity. At the same time, debottlenecking efforts are going on, it is not only for the granulated products, but this is also for our phos acid plant. As I mentioned that could release about two to four lakh tons of additional capacity, that is what is on the anvil at this point in time. Having said that, the future for fertilizer is also going to be in more novel products; it could be liquid fertilizer for instance or nano fertilizer or coated fertilizer. That is where our R&D team is currently focusing on. Last year, we had set up a liquid fertilizer plant in a small scale and we have had a couple of products that have been introduced out of it. We are currently undergoing testing for a few other products and as they get approved, we should be in a position to see how we can scale up some of these liquid fertilizer plants because these are going to be the future products as far as we can see it going. Having said that, on the crop protection, there are plans to set up couple more MPPs, and as we alluded in the past, we are also actively looking for any inorganic opportunities which would be complement to our business. We evaluated a couple of them, doesn't look very interesting. We are looking for opportunities in the bio space, not necessarily in bio pesticides, but overall as a bio product portfolio. So, these are some areas where we are looking at deployment of our capital. As we mentioned in the past, from a capital allocation, there would be a bias for our growth engines which would be the non-subsidy businesses, namely, crop protection, bio, specialty nutrients.

Moderator: The next question is from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella: One was I was hoping to hear your thoughts on the prospects of these nano products that are now hitting the markets. You alluded to it a brief while ago. The government seems to have very big plans for nano urea they're talking about potentially using 20 million tons of manufactured urea in India. Do you see these products getting a very large scale of adoption from the farming community, not just in urea but possibly even in DAP, and is this an opportunity or could it also be a threat for established large companies?

Sameer Goel: I think it's a very good question. It's early for nano and particularly what has been introduced in the market. Obviously, the trials are going on. It also requires selling to the farmers. On our side, we have developed through our research and development network, our own nano DAP, and this is as part of the registration process will be given to the government. Now it's getting evaluated there. The research which we have done in the universities now look promising. Particularly in areas where they just introduced a rational use of both urea and phosphates as such. We do not see this as any threat and this is not just nano, as Jayashree was alluding to, we are looking at coated fertilizers, we are looking at slow-release fertilizers which we have already done successfully in our business. The whole idea is to have more crop and profitable and this is what on liquid fertilizer also. Now, quite frankly and we have a full agro team which works with the farmers. The way it looks like is the farmers think it's only bulk fertilizer and mainly given through…and I will come to that separately, but maybe given through the roots which helps the plant. We have seen with our products and especially with the new products that we're launching that when you do a foliar spray and I am practicing in farm myself, the absorption is almost as compared to given in the roots as much as 70% to 80%. For example, just a case of point is in zinc, we used to give what is called zinc sulphate to the soil as a micronutrient and there the absorption, which is widely used in the industry, the absorption is only 5%. While our Novozin and our products, the absorption when we give the foliar application is almost 70-80, and that's what Jayashree was alluding to, is the new generation products which will help us to get the next level of green revolution, and this includes of course integrated form of practice. But what it requires is to change the concept of how the farmers look at things and there we are also working on application technology. And that's why we mentioned that we are looking at how we can use drones for both our crop protection and also specialty nutrition and the trials have been quite successful. We are going to scale it up and looking at even investments on that account. With our Yanmar products will be used, site transplanters, we are developing coated fertilizers which are biodegradable so that they can go into the rice transplanter which is the application to drive next to the roots. And again, the absorption is very, very high. So, that is something which the Indian agriculture or fertilizer has to move. And like I said is that we have the largest range of grades, we have now grades which is crop specific because it's like any human nutrition, each person doesn't require the same type, but the basic needs are there, but then it is the secondary and the micronutrients which will make all the difference. And that is something which we are working towards with the agro team. I mean, recently we are going to even get into urban gardening and specialized grades have been developed into that. And we have grades which are crop wise to help to get better productivity from crops. So, I hope that answers your question. We can also take it offline.

Abhijit Akella: The other one was just with regard to the investments in the couple of startups that we have made. I was just hoping to hear your thoughts on the opportunities you see for these fledgling companies and what excites you about their prospects?

Sameer Goel: So, the way we have done it is, we have set up our investment arm called Dare investment to basically look at startups, because it requires a totally different evaluation. We are very pleased to invest in two such start-up companies in the beginning. One of the companies which is Ecozen is into better energy providing and even use of what is called alternate because they basically use solar energy, which is actually available in the market here, develop what is called solar power cooling systems which are highly comfortable and they are both in India and can be exported also, very low-cost solution for the farmers, but technologically superior. Now this will definitely help in post-harvest which we have seen, and we are already looking at putting in our retail network to help the farmers, especially those who have perishable crops or even into flowers and other things. At the same time there's opportunity for these to be used in a neem collection, which we do from the forest, so that the shelf life of the product by the time it reaches the manufacturing plant is maintained. So, watch this space, these are technologically superior products. Same thing is this thing with string bio which are into fermentation technology, which is what we do with the bio products. And the good thing is they use ammonia and also methane to produce products for agriculture, but also for human and animal consumption. And some of these products are really superior. They have international tie-ups also. So, definitely on the agri space we are looking at how we can partner with them to help them to market their products. So, watch this space, there will be a few more which we will be doing.

Moderator: The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: First question on the crop protection side. so, you did mention that slightly lower realization on the export front, pulling down the overall revenue growth here. If you can broadly highlight, what could be the domestic growth? Where I'm coming from is we had done a good amount of new product launches and expanded the distribution network. So, is this just a quarterly phenomenon and probably because of the delayed rain or how should one look at it?

J Satagopan: Ankur, as far as the export is concerned, there were some pricing pressures on mancozeb. So, what we have done is two things. We said we will not be reducing our margins in selling in some markets. So, that has led to a reduction in volume in export market. Having said that, the domestic B2B has been robust and more importantly the formulation. The new products that we've been introducing in the last couple of years have actually helped gain a good amount of momentum into domestic market. This year also four new products have been launched and that is actually helping us in achieving the volumes in the domestic market. In the first quarter the new product introductions have happened only in June. We expect a good traction for it in the coming peak season. That should help pull up the volume growth for domestic formulation.

Ankur Periwal: So, from a full year perspective, our earlier thoughts of maybe a high teen sort of a growth here. Is that thought intact despite slightly slower?

J Satagopan: Yes, yes, that is intact. I should also tell you that as we have seen pressure in mancozeb pricing, this also happened because there was a cost increase in the raw materials, especially CS2 and EDA. We are seeing those prices cooling. The team has proactively worked with the customers globally and they've taken some pricing actions in the market. So, all of this should help as we go along. The new technical plants that are going to come up in Ankleshwar should also contribute additionally to the revenues during the year. And as estimated in terms of high teen growth holds good for CPC. I don't see a challenge there.

Sameer Goel: One of the things we are leveraging is also now is to leverage our distribution network in fertilizer and specialty nutrition to get gain for the traction for the crop protection business, especially in the domestic market.

Ankur Periwal: And which is where we are sort of guiding a strong growth there, aided by the distribution network?

Sameer Goel: Yes, absolutely. At the same time, we have placed people in export markets, and they are working with the customers and also crop wise solutions for these markets so that we reduce our dependence on the traded and create our own brands also. It takes some time but that's something which is there so that we are not dependent on customers who then can switch but created our brands in the export markets.

Ankur Periwal: Second, a bit on the fertilizer side. Where I'm coming from is your guidance of around 4,000 to 4,500 EBITDA on a per ton basis. So, two questions there. One, as I understand in the initial comments, we did highlight full benefit coming in this quarter on the phos acid side as well as some sourcing led benefits which were in this quarter. So, were these benefits especially in the sourcing side one-time in nature and hence we are still maintaining our earlier guidance of 4,000 to 4,500 because if I do my back-of-the-envelope working, our margins even if I adjust for the inventory gain is still much higher versus what we do last year on a year-on-year basis. So, just wanted your thoughts there.

J Satagopan: Yes, Ankur, you're right in a way. Given a lot of uncertainties in the way the RM prices are behaving, right, we're not too sure how the second half of the year is going to be. Added to it, the NBS rate that has been announced by the government is only for the kharif season. If there's any cooling in raw material prices, we will also see corresponding reduction in the NBS rate and subsidy realization. So, factoring in all of this for the full year, I think this 4,000 or 4,500 would be a good estimate. But as I mentioned earlier, the intent is to see how to grow it, and that's where all these measures in terms of backward integration, cost optimization, digitization, automation, everything comes into play. So, there could be definitely an upside, but at this point in time it is a cautious approach, because there are too many unknowns. We never expected raw material prices to go this crazy last year and it continues to be high except for a couple of commodities wherein we are saying that anything will happen. Still the Russia-Ukraine crisis going on, we don't know how the ammonia prices are going to be for the rest of the year and therefore, I think it is prudent to assume 4,500 at this point in time with definitely opportunities that could be there for further margin expansion.

Ankur Periwal: Just one clarification if I may. Sameer sir did highlight towards the nano fertilizers as well as the pilot that we are doing on the liquid fertilizer front. Just trying to understand from a timeline perspective, is it something that one should look forward to maybe in the next one, two years or it is more medium to longer term thought or investment opportunity there?

Sameer Goel: So, the liquid fertilizer plant is already over. We have introduced this product in the market and the traction is very good. And it's a multi-purpose plant, so even nano can be made there. The whole idea is that as we find traction, we will then scale it up on that count. So, when we talk about it, I think no. As far as the nano is concerned, we have filed the application and waiting for the approvals for that. But it's a different way of approving nano as compared to what it was.

Ankur Periwal: How much time does it take to set up a liquid fertilizer, so theoretically if you want to scale this up to a bigger plant?

Sameer Goel: We did the pilot and the technology team did very well in setting it up within nine months period. I think then it's a question of how much scale up we want to do. We will obviously do it in stages. So, it's not something which is very difficult. We know the technology and we have proven that we can produce very good products.

J Satagopan: The first pilot plant that we set up for liquid fertilizer took us about nine months or so and we plan to set up the future plants on a modular basis. So, as we get the new products approved, we don't see it as a challenge.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Sameer Goel: So, firstly, thanks everyone for joining in. Appreciate your interest into the VUCA world. But I think what is very helpful is that the monsoons have so far, and we still have to wait for the August month, but so far have been very good. This will also help the reservoir and also flow of water through the channel and also will help the rabi season. I think Coromandel is also with the government in meeting the requirement of the country to make fertilizer and agri input products available to the farmers in the crisis, which is happening, got to do with the war which is there. And there our procurement and our manufacturing team have done exceedingly well to make availability which is the key to the farmers. The good thing is with our diverse portfolio and also with crop-specific products, we are able to then manage on how to meet the demand and the needs of the farmers to promote balanced nutrition. And the investment which we have done in backward integration like we see is paying dividends to that extent so that we are not dependent.

And overall, I would like to compliment everyone in a crisis like we are in globally, I think India and the government across whether it's the center or the states have done exceedingly well not to have the type of food crisis which our neighbors are facing. So, just a compliment to everyone. I think as Indians we should feel very proud of it. It's now 75th year of Independence. All the very best. Thank you.

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