Dear Shareholders,

It is indeed an honour and privilege to share my thoughts with you. First, I would like to convey my sincere thanks and gratitude to Mr. A. Vellayan, under whose guidance and vision, Coromandel has become one of the leading farm solutions providers in India, growing in stature and earning respect from all stakeholders. It has been an eventful year for India, marked by implementation of some bold reforms and policy changes like Goods and Services Tax, Bank Recapitalization, Indian Bankruptcy Code, etc., that will set the reform tone in coming years. Overall, India’s GDP growth at 6.7 percent in FY18 reinstated it as the world’s fastest growing major economy. Today, the Indian economy is in a healthy shape with fiscal deficit at 3.5 percent levels, higher foreign exchange reserves and a marginal increase in inflation, signalling a positive outlook for 2018-19. During the year, India achieved its highest food grain output, with agri and allied sector growing at 3.4 percent. However, uncertainties in output price realization impacted the farmer’s income. Government has laid out an ambitious plan to double the farm income by 2022, and towards this intends to fix the minimum support price for crops at 1.5 times the cost of production. We, at Coromandel, are aligned with this vision to improve farmer prosperity and our initiatives are aimed at improving the quality of produce to realize higher returns in addition to the improved crop yields.

The fertiliser industry witnessed the phased roll out of Direct Benefit Transfer (DBT) scheme, that intends to bring traceability across the fertiliser value chain and promote balanced nutrient practices. Considering the mammoth scale and complexity involved in connecting more than 2,00,000 retailers, the industry, along with the Department of Fertilizers (DoF), effectively took up the challenge and executed its implementation well. Though certain technical and operational glitches exist in the system, DoF is addressing the same and this is expected to be sorted out soon. DBT signals a significant shift in operating philosophy for the industry, and we expect its scope to be enhanced further in coming years, placing higher thrust on efficient nutrient application based on the soil health condition.

With the implementation of GST from July 2017 onwards, Phosphatics fertiliser industry has been impacted by an inverted duty structure, wherein incidence of tax on some raw material is higher than the output, resulting in significant credit accumulation. Though the GST Fitment Committee has partially brought down the tax rates on Phosphoric acid (a key raw material
After DBT roll out and introducing neem coated Urea a year ago, Government has mandated the industry to market Urea in 45 kilogram (kg) bags instead of traditional 50 kg bags from 2018-19 onwards.

for manufacturing NPK fertiliser) from 18% to 12%, the existing structure continues to put a strain on the industry’s working capital. We expect few course corrections to happen in future that will lend support to domestic manufacturers as part of Government’s ‘Make in India’ initiative.

It was heartening to see that the Government is swiftly acting upon initiatives aimed towards improving the nutrient balance of Indian soils. After the DBT roll out and introducing neem coated Urea a year ago, Government has mandated the industry to market Urea in 45 kilogram (kg) bags instead of traditional 50 kg bags from 2018-19 onwards. Also, higher budgetary allocation towards NPK fertilisers signals a positive intent. However, price distortion between Urea and Phosphatics grades continues to influence the fertiliser consumption pattern leading to lopsided ‘N’ nutrient intake.

Coromandel has taken significant strides during the year towards enhancing farm prosperity by promoting healthy agricultural practices and providing quality farm solutions. Initiatives were mainly based around expanding crop-centric approach, soil security and quality consciousness among the farming community. Further, the benign commodity prices, stable exchange rate and comfortable raw material availability for a major part of the year supported the business growth. Our differentiated, value added offerings, continued to gain traction in the market, ably supported by the integrated nutrient marketing structure. To meet the changing business dynamics under DBT, we have strengthened our market presence by deploying additional manpower to improve the retailer connect.

Crop Protection business has shown growth across the domestic and export sectors, inspite of tight raw material supplies. Business is improving on its ‘Concept to Commercialization’ capabilities. Further, with the addition of Bio Pesticide operations post acquisition of the business from EID Parry, we expect to expand our market presence and product offerings in the Indian, North American and European markets.

On the Retail side, we have consolidated our operations in Andhra, Telangana and Karnataka and have set up five Custom Hiring Centres with support from State Government. These centres will provide farm mechanization services. Our continuous effort towards driving quality consciousness in the SSP segment resulted in significant policy change, mandating the marketers to print the name of the manufacturers on the bags thus ensuring subsidy eligibility only for the manufacturing unit from 2018-19 onwards.

On the environment side, we continue to expand our green belt coverage at all Plant locations and our commitment towards society remains firm. Considering future growth opportunities, the Company is strengthening its talent pipeline and has an ongoing training and development programme which spans leadership and functional management.

To the entire Coromandel team and its leadership, my most grateful thanks for their dedication, diligence and commitment towards achieving stretch goals at all times. My colleagues on the board have been a great source of inspiration, strength and guidance to the team and to me personally. My sincere thanks and appreciation to them. Mrs. Nirupama Rao stepped down from the board in May 2018. We thank her for her contribution and wish her well in all her future endeavours.

Looking ahead, we would like to continue our growth journey through strengthening the quality of customer engagement, enhancing safety and sustainability efforts and nurturing a progressive work culture, leading to happy and satisfied stakeholders. Being amongst the larger corporate houses with a focus on agriculture, Coromandel understands the responsibilities it carries towards empowering the farming community. We will continue to support and pioneer change to drive agricultural productivity and embrace technology to enhance farmer prosperity. I thank you for your undeterred trust and support in us towards this effort.

M M Murugappan
Chairman