



# “Coromandel International Limited Q4 FY2018 Earnings Conference Call”

April 25, 2018



**ANALYST: MR. ROHAN GUPTA – ANALYST, EDELWEISS SECURITIES**

**MANAGEMENT: MR. SAMEER GOEL – MANAGING DIRECTOR –  
COROMANDEL INTERNATIONAL LIMITED  
MR. JAYASHREE SATAGOPAN – EXECUTIVE VICE  
PRESIDENT & CHIEF FINANCIAL OFFICER –  
COROMANDEL INTERNATIONAL LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Coromandel International Limited Q4 FY2018 Earnings Conference Call hosted by Edelweiss Securities 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. Rohan Gupta from Edelweiss Securities. Thank you and over to you Sir!

**Rohan Gupta:** Thanks Sir. Good afternoon ladies and gentlemen on behalf of Edelweiss I welcome all the participants logged in for the conference call of Coromandel International. From the management we have Mr. Sameer Goel – MD of the Company and Ms. Jayashree Satagopan, who has just recently joined Coromandel as an EVP and CFO of the company. Good afternoon Mr. Goel and good afternoon Madam.

**Sameer Goel:** Good afternoon.

**Rohan Gupta:** Sir first of all thank you very much for giving us the opportunity for hosting this con call as always we will first request you, if you can just give us a brief about the quarterly results some industry scenario and how the industry changes are going to pan out going forward and then we can follow it up with the Q&A session. Thank you very much, over to you.

**Sameer Goel:** Good Afternoon everyone and Thanks Rohan for organizing this conference call. I will first give an overview of the business environment experienced during the year, followed by the company’s performance, Jayashree will take you through the financials and then we can take the Q&A.

During the year, especially during the Rabi season, South experience rainfall deficit of 11% as the Northeast monsoon had a failure. A few states like Telangana, Rayalaseema got rain, but it was highly erratic. On All-India basis, aggregate sowing across the two seasons have been marginally lower at 1% while the food grain output is expected to increase by 1% to a record 277 million tonnes. One good news is horticulture segment has also done well and its output is expected to be 305 million tonnes up by 1.3% over 2016-2017.

The data which we have for All India sowing (in lakhs hectares) for both Kharif and Rabi, wheat has seen a decline by –4% it is 299 lakh hectares, rice has seen a marginal increase at 401 lakh hectares, pulses has seen a increase of 1% at 305 lakh hectares, coarse grain which did well last year has seen a decline of –2% at 242 lakh hectares, oil seeds did see a major drop at 252 lakh hectares a –8% drop, sugarcane has seen an increase of 9% and cotton has actually seen a dramatic increase of 19%. All-in-all the All India sowing for the full year has been more or less at last year’s level with a marginal decline of –0.5%. When we look at All India production for the full year, wheat has seen a –1% decline at 97 million tonnes, rice has seen again an increase of 1%, pulses has gone up by 4% at 24 million tonnes and coarse grain has increased by 4% to 45 million tonnes. So overall food grain is expected to be 277 million tones, which is increase of 1%. Oil seeds has seen a decrease to 30 million tonnes which is a decrease of –4%, cotton has

gone up by 4% which is 34 million tonnes, and sugarcane again has seen an increase of 3% at 353 million tonnes

Central Statistics Office has projected agriculture and allied service to grow by 3% on a GVA basis for 2017-2018, (6.3% last year) driven by good food grain output and improved livestock performance. On the irrigation front, All India reservoirs have been down at 24% of the total storage capacity. In the same period, it was 29% last year. South has been quite bleak currently it is at 15% while last year also it was down at 11%. On the positive side, the weather forecasting agencies both IMD and Skymet have estimated normal monsoons for 2018, 97% of long period average by IMD and 100% by Skymet which bodes well for the ensuing kharif season. Region wise estimates point out to spread out monsoons with central region likely to receive above normal range and normal range in South and Northwest parts of India.

Post the budget announcement to provide 1.5 times the cost of production of crop, government is evaluating various options to support the agriculture prices. This includes market assurance schemes. The second option is to have price deficiency procurement scheme, and third option is to relate to private procurement and stockiest scheme. In our market, Government of Telangana has allocated Rs.12000 Crores for a scheme called Rythu Bandhu. In the budget for 2018-2019, Government has provided a grant of Rs.8000 per acre for the farmers towards investment support. As per this plan, 58 lakh cheques will be distributed in a week to cover 8.25 lakh cheques a day in the month of May. This is actually closest to what is called direct benefit transfer to the farmer.

On the subsidy side, NBS rate for 2018-2019 have been announced; as per the notification P and S rates are up by 27% and 22% respectively with N at almost last year level and K rate declining by 10%. At these rates, subsidy on DAP has moved up by 16% to Rs.10402 per metric tonne the increase of P rates are in line that the increase of raw material prices, depreciating rupee, and prevailing international DAP prices.

During March the government also released special banking arrangement up to Rs.7,000 Crores from nationalized banks to meet fertilizer claims from September 2017 to February 2018 for the NPK players. Under this, the rate of interest borne by the government is 6.84% per annum or actual rate of borrowing basis by fertilizer company, whichever is lower. Under SBA, Coromandel received Rs.617 Crores during March month. The direct benefit transfer has been rolled out across India in a fair manner between October 2017 and March 2018. Now all the states in India have been covered. Though the initial challenge with respect to technology, compliance, recording, and point of sale machine installation have delayed the implementation, there has been stabilization since; however we still have to wait for the impact of this in the ensuing Kharif season.

Going forward, we expect the industry sales to align to consumption from 2018 onwards, Coromandel has also transited into DBT regime with effectively reconciling the majority of opening stocks and pending stock acknowledgement across the states. In the changing business

scenario under DBT, Coromandel has moved closer to the customer by strengthening its field presence and deploying technology tools for effective communication with the channel partners.

Coming now to the industry side, fertilizer industry slowed down its sales during the quarter as it aligned the sales towards DBT in all the three segments of Urea, Phosphatic, & MOP and registered sales decline. For Q4, Phosphatics sales volumes were down by 11% to 37 lakh tonnes; however for the year, the industry sales were up by 3% to 175 lakh tonnes from 171 lakh tonnes a year ago.

Overall industry liquidation profile has improved slightly and channel inventories are much lower compared to the beginning of the year last year. As of March end, phosphatic stocks with the states are less by 9 lakh tonnes versus 12 lakh tonnes in March 2017.

During the year, industry operated at 83% capacity up from 79% last year, ample acid availability resulted in higher production partly substituting the imports which were down by 4% to 47 lakh tonnes.

If you look at the full year; for phosphatic, the production went up to 129 lakh metric tonnes up by 5%, imports actually went down by 4% to 47 lakh metric tonnes and sales were up by 175 lakh metric tonnes up by 3%. In case of urea, the production was down to 240 lakh metric tonnes, a decline of -1%, imports were up to 60 lakh metric tonnes up by 9% and overall sales also grew by 2% to 303 lakh metric tonnes.

Phos acid prices for Q1 FY2019 have been finalized at USD 730 metric tonnes which is up from USD 678 levels in Q4 accordingly government has increased the NBS rates of P nutrients by 27%. Industry has resorted to price increase and on an average DAP prices for the industry were up in the range of Rs.2000 to Rs.2500 metric tonnes equating to Rs.100 to Rs.125 per bag. Ammonia and sulphur prices have been showing a softening trend during the quarter.

Coming now to Coromandel fertilizer performance: Overall plants operated at 83% capacity up from 70% a year back in line with our Make in India strategy, manufacturing 28.7 lakh tonnes of phosphatic fertilizer. Plants annual maintenance shutdown was advanced to March and hence they operated at a lower 70% capacity utilization during Q4. Phos acid availability remains comfortable during the quarter and the year. We increased our captive acid production by 19% and improved flexibility by operating through new acid and rock sources.

Further our joint venture partner TIFERT operations are bringing to stabilize and during the quarter plant operated at the planned level. Our phos acid expansion plan project at Vizag is well on track and it is likely to be completed in Q2 of FY20 as per schedule.

So if you look at Coromandel on the full year, total plant capacity increased from 28.67 lakh metric tonnes, up from 24.13 lakh metric tonnes a growth of 19% and our phosphoric acid production also increased by 19% during the same period.

On the sales side, our phosphatic volumes have been up by 4% during Q4 to around 6 lakh tonnes compared to the industry decline of 3%. Cumulatively for the year, volumes are up by 11% to 27.67 lakh tonnes resulting in improved market share of 15.8% up from 14.6% a year ago. During the year, we imported only one DAP shipment contributing to 42,000 tonnes of sales. Overall liquidation is up during the year and that has resulted an improved market collections and lower channel inventory. We moderated our sales in Q4 in line with the liquidity opportunities and DBT needs. The good news is that unique grade continues to do well and during the quarter, its volumes were up by 24% with a grade share of 41% up by 7% from 34% last year. Cumulatively unique grade's volumes have improved by 27% with a grade share of 38% which was 33% last year. On the traded fertilizer, MOP and urea sales are more or less at last year's level. During the year MOP sales stood at 1.7 lakh tonnes versus 1.8 lakh tonnes of full year 2017. We had some issues regarding transportation and availability from the mines on MOP. Urea volumes are marginally up by 2% at 9.4 lakh tonnes.

On the crop protection side, during 2017 global crop protection market was bleak and the real growth is estimated to decline by 3% after inflation and foreign currency impacts are removed. Crop prices remained low, adversely affecting farmers' income and product inventories in some markets notably Brazil, remains high. On the regulatory side, industry continues to experience increased scrutiny - stricter regulation driven by growing environmental concerns, advancement of science and increasing regulator capabilities/ access to data. Further, strict environmental enforcements in China led to closure of technical facilities and consequent lower availability resulting in rise in cost of manufacturing. Coromandel crop protection business has had a good year on turnover basis in both domestic and export market registering a growth of 8% to Rs.1506 Crores by scaling up in new markets; however, falling prices of key molecules and nonavailability and increase of cost of raw materials affected margins and impacted business profitability. During the year business received 73 new registrations in key geographies in addition to opening up a subsidiary in Nigeria and also we have applied one in Mali. Further four new formulations were introduced in the domestic market.

On the manufacturing front, Mancozeb operation at Dahej were fully stabilized we are further augmenting Mancozeb capacity at Dahej during 2018-2019 which is likely to come in scheme by Q4 FY19.

During the quarter, we received share holders' approval for acquiring our bio-pesticide business which has been effective from April 1, 2018 and provides a synergistic fit to up pest management portfolio expanding in to biostimulants and microbial space. This will enable the company to gain entry into high growth bio-pesticide segment in the developed markets of America and Europe.

Retail business had a very good performance during the year backed by good rains in Andhra, Telangana and parts of Karnataka, improving its scale and customer connect initiative. The growth was primarily driven by strong performance in the non fertilizer segment, focused product and store approach and execution of demand generation enablers. Business expanded its coverage in western Maharashtra and currently it has opened eight stores during the year.

Business successfully partnered with the Andhra Government in opening up five custom hiring centers in East and West Godavari District for our farm mechanizations service.

Specialty nutrition business showed a very good growth in numbers during the year, business introduced two new products which has received positive feedback from the market. With this the business has extended its crop based approach to paddy, potato, pulses and other horticulture crops.

During the year single super phosphate industry continued to operate at low capacity, with high channel inventory and weaker monsoons in the Western and Central India impacting consumption. Overall industry volumes are down by 3%; however, Coromandel sales are up by 9% to 5.2 lakh tonnes making it the largest marketer in India, improving its market share to 13% from 11% last year. Further with the significant change in SSP policy regarding mandating marketers to print the name of manufacturers on the bags with eligibility of subsidy for SSP units itself, we expect organized players to benefit out of it.

Organic business volumes were up by 9% to 1.4 lakh tonnes in the city's compost segment, we continue to be the market leaders with a market share of 18%. During the year, business commenced biomining operations of City Compost at Vizag.

Overall it has been a very good year for the company where business has shown an all-round improvement in performance with the increase of sales and liquidation and operating at a higher capacity utilization resulting in improved operational efficiencies. With the forecast of normal monsoons in 2018 and the government focusing on improving farm realization, we expect the growth in economy to continue to grow this year. We are in track with the long-term strategic objectives.

I will now hand over to Jayashree to brief the financials.

**Jayashree Satagopan:**

Thank you Sameer and good afternoon everyone. In terms of turnover for the company in Q4 fiscal year 2017-2018, the company recorded a consolidated turnover of Rs.2371 Crores growing by 4% with nutrients and allied businesses contributing to 87% share and remaining 13% coming from the crop protection business. Comparative numbers for last year nutrients 87%, CPC 13%.

For the full year period, the consolidated turnover is Rs.10,990 Crores as against the last year's number of Rs. 10,195 Crores showing a year-on-year growth of 8%. Current year nutrients share is 86% and CPC is 14% same percentages in the last year.

In terms of subsidy, nonsubsidy breakup, Q4 revenue share is around 80:20; last year was 80:20 as well. For the full year, revenue share from subsidy business remains at 78% same as last year.

Overall EBITDA for the quarter is Rs.169 Crores against Rs.272 Crores of last year. The reduced profitability in Q4 can be attributed to increase in raw material prices in fertilizer and crop protection, some amount of rupee depreciation and one-time cost increase relating to port rental.

Cumulatively for the 12-month period, the EBITDA stands at Rs.1226 Crores vis-à-vis 982 Crores last year up by 25% year-on-year. In terms of subsidy, nonsubsidy breakup, Q4 EBITDA share was 70-30, last year the ratio was 74-26. Cumulatively EBITDA share from subsidy business stands at 68% vis-à-vis last year at 62%.

Consolidated PBIT for the quarter ended March 31, 2018 is Rs.146 Crores as against Rs.247 Crores last year. PBIT share before unallocable expenses from nutrients and allied business was 84% while the share of crop protection segment was 16%.

For full year, consolidated PBIT is Rs.1129 Crores vis-à-vis last year's 881 Crores up by 28%. For the first time, Coromandel has crossed Rs.1000 Crores on PBT for the year. PBT is up by 42% to Rs.1009 Crores that is from 712 Crores in the prior year.

Consolidated net profit after tax in the quarter is Rs.74 Crores. Cumulatively net profit after tax for the year is 664 Crores vis-à-vis 477 Crores in corresponding period last year.

Subsidy outstanding at the quarter end is Rs.2627 Crores. This is without considering the special banking arrangement of 617 Crores which we received during March 2018. Last year this number was in the similar range of 2557 Crores.

Overall, we have now received on account subsidy up to February 2018, as on March 31, 2018, 10% subsidy receivable stands close to 850 Crores. As regards working capital during the year the average working capital requirements remained comparatively lower than the prior year. Interest cost has come down by Rs.46 Crores during the year with improved liquidation resulting in lower receivable. Balance sheet continues to be strong with debt equity at 0.6.

Thank you once again for joining us in the call and we will open it up for question and answers.

- Moderator:** Sure thank you very much. We will now begin the question-and-answer session. We have the first question from the line of H.R. Gala from Finvest Advisors. Please go ahead.
- H.R. Gala:** Congratulations for good set of numbers for the full year. Sir can you just repeat the volume data which you gave for Q4 as well as full year.
- Sameer Goel:** Volume data of...
- H.R. Gala:** For the sales.
- Jayashree Satagopan:** Total phosphatic sales for Q4 5.97 lakh metric tonnes.
- H.R. Gala:** That will include DAP also.
- Jayashree Satagopan:** DAP and complex, complex is 5.01 lakh tons, DAP is 0.96. For the full year, complex 21.68, DAP 5.99 total of phosphatics at 27.67 lakh tons.
- H.R. Gala:** And trading.

- Jayashree Satagopan:** MOP 0.53 lakh tons for the quarter, full year is 1.72. Urea is 1.34 lakh tons for the quarter, full year 9.42. SSP 1.5 lakh tons for the quarter, full year is 5.20.
- H.R. Gala:** Now as you said in Q4 you mentioned three factors that affected the performance one is obviously increase in the raw material cost, depreciation of currency, which is the third factor you narrated?
- Jayashree Satagopan:** So the third one is we had port rental cost, which is more like a onetime cost. We are going through a negotiation for the lease rental, we have taken a provision in the books accordingly.
- H.R. Gala:** Okay so that is the reason why other expenditure has gone up?
- Jayashree Satagopan:** Right.
- H.R. Gala:** How much was the quantum?
- Jayashree Satagopan:** It is around 35 to 40 Crores.
- H.R. Gala:** So this will not recur in the next year?
- Jayashree Satagopan:** It will not recur in the next year.
- Sameer Goel:** We are negotiating this out.
- Jayashree Satagopan:** Still in the process of negotiation and agreement.
- H.R. Gala:** This lease rental is for what.
- Jayashree Satagopan:** It is for the port.
- H.R. Gala:** For the...
- Jayashree Satagopan:** Port.
- H.R. Gala:** And as far as capex plan is concerned we said that we are on track to install that phosphoric acid capacity.
- Sameer Goel:** Yes our phosphatic acid capacity expansion project is on track.
- H.R. Gala:** Okay that will be about 1 lakh tonnes right?
- Sameer Goel:** Yes.
- H.R. Gala:** And how much total capex we would have spent on that?
- Jayashree Satagopan:** The total capex expected on this project is close to about Rs 270 odd Crores- some of it is initially started they are all in CWIP at this point in time. The project is expected to get completed by Q2 of fiscal year 2019-20.
- H.R. Gala:** Okay Q2 of 2019-20.



- Jayashree Satagopan:** Yes.
- H.R. Gala:** Okay, so out of 270 Crores how much we would have spent in FY2018.
- Jayashree Satagopan:** Not much about Rs. 20, Rs. 30 Crores not more.
- H.R. Gala:** 20, 30 only so the majority will be spent in 19 and something in 20.
- Jayashree Satagopan:** Correct, see we have placed the orders for most of the critical equipments and we just had the Bhoomi Pooja for the plant as well.
- H.R. Gala:** What is the outlook for phos acid prices?
- Jayashree Satagopan:** Currently if you see, phos acid prices are around \$730 and we expect it to be stable. We only get to see about a quarter of visibility, we expect prices to be stable at this point in time.
- H.R. Gala:** Okay it will remain stable for the time being.
- Sameer Goel:** Yes, it depends on the supply and demand, but overall, we are expecting the supplies to ease up.
- H.R. Gala:** And looking to the subsidy rates which the government has announced, do you think we will have room to increase the market price in case the raw material cost increases?
- Jayashree Satagopan:** If you look at it, the industry had already taken the price up during end of January/ February. However, there was enough of prior stock available and the price increase has not been totally effective in the last quarter of fiscal year 2018. Apart from that, the government looked into the currency situation as well as the raw material prices, and there was an increase in subsidy rates. we expect all of these to pan out in the coming quarters.
- H.R. Gala:** And Madam the last question is that inverse duty problem which we had, is it getting resolved?
- Jayashree Satagopan:** See, we had the inverted duty structure for phos acid which was 18% and subsequently reduced to 12% now vis-à-vis the output that which was at 5%.
- H.R. Gala:** They already done?
- Jayashree Satagopan:** Yes they have reduced it, it is still not yet 5% so we are still going through the inverted duty structure.
- Sameer Goel:** The industry has made representation so that this can be brought down to 5%.
- H.R. Gala:** And as far as the subsidy-nonsubsidy is concerned how much was the EBITDA contribution from subsidy and nonsubsidy?
- Jayashree Satagopan:** For the whole year, cumulatively EBTIDA share from subsidy business was at 68%.
- H.R. Gala:** And 32 was non subsidy?
- Jayashree Satagopan:** Correct.

- H.R. Gala:** So how soon do you think we can get to 50/50?
- Sameer Goel:** That is part of a long-term vision. That is something which we are working towards, but obviously it would not be at the expense of fertilizer. We want to continue to grow both the businesses.
- H.R. Gala:** Absolutely right and Sir, do we look forward to measure increase in growth through this biopesticide which we acquired from EID Parry?
- Sameer Goel:** It is definitely a synergetic business; we will have synergies on both sides but the main thing is in the long-term it helps us to get our crop protection business into the developed markets of US, Canada, and Europe.
- H.R. Gala:** And how much was that revenue in FY2018?
- Jayashree Satagopan:** It was Rs. 142 Crores.
- H.R. Gala:** And having good EBTIDA margin?
- Jayashree Satagopan:** That EBITDA margins are higher than ours?
- H.R. Gala:** How much?
- Jayashree Satagopan:** That EBITDA margins is around 19% to 20%.
- H.R. Gala:** Oh, that is very good. Thank you very much Sir and wish you all the best.
- Moderator:** Thank you. We take the next question from the line of Sudarshana Padmanabhan from Sundaram Mutual Fund. Please go ahead.
- Sudarshana P:** Sir my question is around the crop protection part of the business, where the margin even on a quarter-on-quarter basis as well as on a year-on-year basis has come off, what I would like to understand is while you had alluded to the rising raw material prices and probably the inventory glut in Brazil and other regions, how do we see the margins going forward because there are lot of reports that talks about inventory yields in Brazil and things becoming better so do you think that the increase in raw material eventually can be passed on and how easy or difficult would that be to you Sir?
- Sameer Goel:** Brazil crop comes in April to March. What we have heard is that the inventories are actually coming down, we have to see how much it will pan out and so that is something which we are looking at. The second thing which we are planning to do is to look at certain strategic tie up on sourcing so that we can have confirmed orders for raw materials. In the long run, we definitely see this as an advantage because if China does not supply, India will pick up as a sourcing supply.

- Sudarshana P:** And in terms of sustainability of the margins, do you think we can go back to the earlier one or do you think it will still be the raw material prices will be a concern for you as we move to FY2019?
- Jayashree Satagopan:** See as we move along, we do think that the margins should ease back to the earlier levels that we had. Having said that, the next one or two quarters we still need to very closely monitor the China situation given the BlueSky Policy that they are having and the raw material shortages that the industry has been experiencing.
- Sameer Goel:** The good news is that we had a very good turnover growth both in our formulation domestic business and in the export business and that is something we will continue to grow. We are putting up integrated crop protection structure which will help us to reach out to the farmers like we have done for our nutritional business. So we are investing in people and resources. We are also getting people in crop protection which will help us in our tech transfer and other sources. We are emphasizing on good high quality resources, which will help us to get faster to the market with our new molecules.
- Sudarshana P:** Another question from my side if you can actually look in at your balance sheet, I am saying that the inventory has gone up as well as the payables has gone up, would my assumption be right that given the fact that both the phos acid prices are moving up as well as the raw material prices and the availability of raw material prices on the chemical side is a little sticky that we would probably have a higher amount of inventory at least with us to meet the demand in case we see a better year forth coming?
- Sameer Goel:** Firstly, what you got it right is the increase in inventory especially on phos acid was a deliberate strategy from us, we saw the rising trend happening and the lack of availability and therefore we build up the inventory. This will help us for the next season
- Sudarshana P:** Is it also build up on the crop protection side?
- Jayashree Satagopan:** Not much is happening on the crop protection side, the whole intent is to see how we can leverage our China Office more and enter into much more strategic tie-ups with the Chinese suppliers to ensure continuous supply and lock in the prices. So we could see some blips in terms of inventory but mostly it is going to be centered around the fertilizer where raw material as well as aligning our sales to the DBT scenario is concerned.
- Sudarshana P:** One final question from my side is historically you have been talking about this Rs.2500 per tonne with the increase in the input material from the phos acid side, I also agree that I understand that there has been some fall in ammonia prices net-net would we still believe that this 2500 per metric tonne we can achieve it higher as the utilization goes up and operating which plays out?
- Jayashree Satagopan:** Sorry would you mind repeating it.

- Sudarshana P:** This EBITDA per tonne historically we had talked about this EBITDA per tonne of about 2000 and 2500 on the fertilizer side, so now would the increase in the raw material prices especially talking about the phos acid prices, would we still believe that the operating leverage that we see in the price hikes that we are talking on the fertilizer side, we should be in a position to maintain the outlook or the profitability on the fertilizer side.
- Jayashree Satagopan:** Yes we do believe that sustainable margins would be in the range of 2250 to 2500. As we discussed earlier, while the raw material prices have gone up given that we have multiple sources of rock and leveraging our own phos acid plants plus the increased subsidy announced by the government, the industry taking a price increase, all of these should help us on an annual basis to maintain our margins around Rs.2200 to Rs.2500.
- Sameer Goel:** And our strategy continues to build up our unique grades.
- Sudarshana P:** Currently what will be split between unique grade and non unique grades.
- Sameer Goel:** We had mentioned that earlier, 38% is the unique grades sales. We want to take it up to over 50%.
- Sudarshana P:** Thanks a lot sir I will join back the queue.
- Moderator:** Thank you. The next question is from the line of Abhijit Akella from IIFL. Please go ahead.
- Abhijit Akella:** Good afternoon, thank you so much for taking my question. Just a clarification about the foreign exchange loss element that we spoke about on for the quarter, is it possible to quantify how much that was this quarter?
- Jayashree Satagopan:** It is in the range of Rs. 30, Rs. 32 Crores during the quarter, Abhijit if you look at last year corresponding period Q4 of fiscal year 2017, the rupee had appreciated close to about Rs.2.50 or something whereas this year when you look at it there is a depreciation of more than 1.3 so on a year-on-year basis you would see that comparable on a mark-to-mark basis there is a Forex impact that is coming into the books. Having said that, for the full year given the way we have been managing our foreign exchange exposures, taking forward covers and options, overall the company has made a net gain on Forex.
- Abhijit Akella:** And on the port expenses side is this kind of a backlog that has been cleared this Rs. 35, Rs. 40 Crores of provision that we have taken is it pertaining to prior years also or what exactly the nature of this?
- Jayashree Satagopan:** Typically when the lease agreements coming for renewal, it takes few years for it to get negotiated and agreed. So at this point in time, based on the estimate that we have and based on the discussions we have with the Port Trust authorities for the past years plus the current year we have taken a provision in the books. The negotiations are still on with the Port Trust authorities and depending on the outcome if there is any one timer, we will get to know but at this point in time we have taken the hit based on the estimates that we have.

- Abhijit Akella:** I understood Madam that is very helpful and one last thing and I will get back in queue. Just your outlook for... you will probably be paying off substantial debt going forward because of your free cash flow generation but what exactly are the uses of funds that you are looking at in terms of possible growth projects or anything else what are the allocation of proceeds that you are looking at?
- Jayashree Satagopan:** For the coming year this year, we have planned a capex of close to Rs. 500 Crores. On a normal year-on-year basis we have about Rs. 100 to Rs. 150 Crores of capex which is a maintenance capex. Apart from our normal maintenance capex, we also have the phos acid plant that is coming up which we discussed sometime back. We are also adding some capacity in our CPC plants, one at Dahej for Mancozeb and some new additions happening for the molecules that we are planning to commercialize during the year, so put together close to Rs. 500 Crores of capex is planned and as you know we also had the biopesticide acquisition of EID Parry, we had paid out the consideration for that in April as per the agreement and if there are any other opportunities that are rising during the year, the cash generation will be used for it appropriately.
- Abhijit Akella:** Great I understood. Thank you so much and I will get back in queue for anymore.
- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** Extraordinary expense in this quarter is around Rs. 40 Crores for port expenses and Rs. 20 Crores of Forex so around Rs. 60 Crores, have I understood it correctly Madam?
- Jayashree Satagopan:** Yes, you are right.
- Vipul Shah:** And what is our annual requirement of phosphoric acid and what is our captive capacity and once this expansion is completed where it will land our captive capacity for phos acid?
- Jayashree Satagopan:** The new phos acid is about a lakh tonnes.
- Sameer Goel:** Our Vizag plant will get fully integrated and same thing is for Ennore, so only we will have acid requirement for our Kakinada plant which is around 600,000.
- Vipul Shah:** Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Rahul Veera from Elara Capital. Please go ahead.
- Rahul Veera:** Just a small question Madam you mentioned that you are investing in a few new molecules as other than the Mancozeb, may we know the molecules Madam.
- Jayashree Satagopan:** At this point in time we may not be able to share with you the molecules' names but they are currently going through the pilot testing.
- Sameer Goel:** They are new generation molecules and we are also looking at combination molecules.

- Rahul Veera:** Any particular application like for the molecules like particular crop that you are targeting or anything?
- Jayashree Satagopan:** At this point in time Rahul we may not be able to share those details but definitely as we go along during the year we will be more than happy to share these inputs with you.
- Rahul Veera:** Right no problem Madam thank you so much.
- Moderator:** Thank you. The next question is from the line of Karishma Kothari from ICICI Prudential. Please go ahead.
- Karishma Kothari:** Hello Madam, Just two questions on the debt side we have seen substantial increase in the debt from the December level so any specific reason for that increase in the debt and where do we see the debt levels going ahead?
- Jayashree Satagopan:** During the quarter depending up on the collections and the subsidy claims, you will see the debt levels moving slightly up or down. We have also seen inventory levels have gone up. So the debt levels are a reflection of all of these. As we move onto the DBT regime and we start getting our subsidy collections from the government and also the GST refund primarily on the inverted duty which is close to about Rs. 330 odd Crores that should ease up working capital further and also our borrowing limits.
- Karishma Kothari:** And also Madam with that where do we see the next year interest cost actually going ahead because Q3 we had substantially lower level of interest and Q4 such high level of interest, so next year how do we see that?
- Jayashree Satagopan:** The working capital which is controllable within the business is primarily our receivables, payables and inventory management. Subsidy receivable is dependent on the government. With the DBT regime that is kicked in now, we will have to see how the government is going to be disbursing the subsidies, so that is going to be a substantial portion. Apart from that, the GST refund claim given the inverted duty structure we are in, we would be in a position to file a refunds we will have to see how quickly government will be able to refund those. So there are internal factors, and there are external factors that are slightly beyond our control. So based on these, currently our estimate is we must be around this year's number, one has to also take into consideration the interest rate that has been hardening across. If you look at US dollar interest rate; LIBOR has gone up substantially in the last one and a half years. We are also hearing from our own RBI that they are taking a hawkish view on the interest rates. Of course, the good news is we continue to optimize using different types of loans including using CPs, bill discounting to keep our interest cost low.
- Sameer Goel:** Also as the subsidy allocation for NPK has gone up by 34%, we do expect the government may end up paying the balance claims which are with them and they have started the process. So it depends on how the government pays on this.

- Karishma Kothari:** So Madam can I get the breakup of the debt in terms of how much is related to the subsidy how much is related to GST and what would be our working capital in long-term?
- Jayashree Satagopan:** See we have zero long-term debt. We have also shared with you that the total subsidy receivable from the government is about Rs. 2627 Crores and then the GST overall credit is close to about Rs. 500 Crores for the company out of which Rs. 350 Crores is a refund due from the government on account of the inverted duty structure.
- Karishma Kothari:** And Madam the same breakup for December quarter?
- Jayashree Satagopan:** I will have to pull out the numbers here. For December quarter, I do not have it right away with me we can take in offline, I can share with you the details.
- Karishma Kothari:** And Madam just last question that you had mentioned that Rs. 600 Crores subsidy has been received in the special banking arrangement so how are we suppose to look at, so the net subsidy receivable from the government would be Rs. 2000 Crores as of 31st March or is it Rs. 2600 Crores?
- Jayashree Satagopan:** It was Rs. 2600 Crores, before 617 Crores of special banking arrangement. This has been cleared by the government in April.
- Karishma Kothari:** Okay thank you Madam.
- Moderator:** Thank you. The next question is from the line of Amit Murarka from Deutsche Bank. Please go ahead.
- Amit Murarka:** Just on Mancozeb you mentioned you are expanding capacity can you just please tell by how much are you expanding it?
- Jayashree Satagopan:** The capacity expansion is about 10,000 tonnes.
- Amit Murarka:** So you are expanding by 10000 last March also?
- Sameer Goel:** We expanded to 12,000.
- Amit Murarka:** So currently what is the cap up till here?
- Jayashree Satagopan:** Our current capacity is about 35000 metric tonnes.
- Sameer Goel:** All put together.
- Amit Murarka:** And the Mancozeb would be what percentage of your crop protection business?
- Jayashree Satagopan:** It is close to about 50%.
- Amit Murarka:** And the capex of Rs. 500 Crores that you mentioned was only in FY2019 or it is over two years?
- Jayashree Satagopan:** This is only for FY2019.

- Amit Murarka:** And over two years what would the capex be broadly?
- Jayashree Satagopan:** Most of the projects as we are speaking are happening in the current year, so normally every year on an annual maintenance rate we use to have about Rs. 100 to Rs. 150 Crores. If we are going to have newer molecules or other additional projects which currently we do not have as much, I would expect 2019-20 also to be in the same range of Rs. 150 to Rs. 200 Crores.
- Amit Murarka:** And you said you have taken a price hike of Rs.2500 end of Jan, Feb, so what would have let us say for DAP what is the current market price MRP?
- Sameer Goel:** So the current market price for the companies is in the range of 24,000 metric tonnes per ton.
- Amit Murarka:** And what would broadly would have been the average realization in 4Q?
- Jayashree Satagopan:** Normally if you look at it, we are in the range of Rs 2300-2500 per metric tonne and for fertilizer, we will have to take a full year view rather than taking a quarter-by-quarter view.
- Amit Murarka:** No what the sense I am trying to get is since that the phos acid has gone up, so you are saying MRP currently is about 24,000 let us say for DAP so what is the average realization in 4Q?
- Jayashree Satagopan:** As I was mentioning between the quarters depending on the season you will see variation. The guidance that we have been providing is for the whole year, we should look at a Rs.2200 to Rs.2500 per metric tonne as margin and that is the range that we are currently in and we expect that to continue in the foreseeable future.
- Amit Murarka:** And last one is market inventory you said is just 9 lakh metric tonnes right?
- Sameer Goel:** That is right. Overall with the states.
- Amit Murarka:** This is for complex plus DAP both?
- Sameer Goel:** Yes
- Amit Murarka:** Okay thanks a lot that is all from my side.
- Moderator:** Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.
- Sumant Kumar:** EBITDA per tonne you talked about around 2200 to 2500 is only for the manufacturing fertilizer or including of...?
- Sameer Goel:** Yes, it is for manufacturing. As of now, we hardly do any imports.
- Sumant Kumar:** No, we are not including...you are not talking about the trading business here?
- Sameer Goel:** No, it is the manufactured products.
- Sumant Kumar:** And can you tell me what is the revenue of other allied business in FY2018?



- Jayashree Satagopan:** Sorry what is the allied business?
- Sumant Kumar:** Other allied business what you are giving in the annual report you are reporting fertilizer government subsidy and plant protection then you are giving other allied business also...?
- Jayashree Satagopan:** It will be in the range of about Rs. 600 odd Crores.
- Sumant Kumar:** In FY2017 it was Rs. 700 Crores so it has declined from Rs. 700 Crores to Rs. 600 Crores.
- Sameer Goel:** No.
- Jayashree Satagopan:** We will come back to you I think it is in the same range. The margin increase is also there.
- Sameer Goel:** 10% will be the turnover increase.
- Sumant Kumar:** Okay thank you so much.
- Moderator:** Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.
- Nitin Gosar:** Thanks for taking my question. Question was pertaining to the margin guidance again, I think this year you probably would have overshoot the margin guidance that you particularly gave but the upcoming year your guidance is between 2200 to 2500, the understanding was that you are taking lot of steps which should particularly gave you a chance to overshoot that guidance going forward but right now I think the guidance is still around 2200 to 2500 so the underlying impression is that the raw material inflation is the limiting sector.
- Sameer Goel:** Not really. We continue to improve our unique grade's sales and like we have always said that helps us to get better margin. Also with the expanded capacity of phos acid and also alternate rock strategy, we expect the margins to continue to remain better than market. Like we have said in the past, once the phos acid comes we will actually have much money and it will be another 500.
- Nitin Gosar:** And this phos acid capacity would be only applicable from Rabi season onwards?
- Sameer Goel:** No.
- Jayashree Satagopan:** Q2 of FY20.
- Nitin Gosar:** That is when the commissioning will happen but the real production would have already taken place for the Kharif season by then.
- Sameer Goel:** No, not really. Once we have the acid, we will use it for production.
- Nitin Gosar:** So keeping in mind this phos acid production and the unique grade direction which you talked about moving towards 50%, the margin guidance should only inch upward from 2000 to 2500 initial 2500 to 3000 range.

- Sameer Goel:** We have mentioned that earlier also what we expect.
- Nitin Gosar:** Perfect Sir thank you.
- Moderator:** Thank you. The next question is from the line of Aniruddh Joshi from ICICI Securities. Please go ahead.
- Aniruddh Joshi:** Hello Sir and Madam. Can you indicate the price hike that you mentioned in January so what was the price hike and in which products we have taken price hike and the quantum of the price hike so that is one question and secondly you also indicated that launching some combination products, so I guess the entire agrochem industry we are seeing most of the domestic players are looking at launching combination products and some are going ahead and getting registering for patents as well. So what is our strategy when do we see the launches whether it will be in Kharif season or we will have to wait for Rabi season. So can you throw some light on that?
- Sameer Goel:** On the pricing side, the industry has already taken a price increase in the end of Jan. DAP is in the range of Rs 23000-24000 per metric tonnes; earlier the prices were in the range of 20700 metric tonnes. As far as the combination molecules are concerned, we will let you know as the launches happen.
- Aniruddha Joshi:** Okay sir. So we cannot share anything right now.
- Jayashree Satagopan:** We are planning a few combination molecules and more importantly we are also looking into some of the molecules that have recently gone generic for our technical exports. So all of those have been planned out as part of our pipeline, so at this point in time we are constrained in terms of giving any further details but closer to the time of launch, we will definitely be sharing it.
- Aniruddha Joshi:** Okay sure, thanks.
- Moderator:** Thank you. The next question is from the line of Shekhar Singh from Excelsior Advisory. Please go ahead
- Shekhar Singh:** Just the point is now like, you mentioned your annual requirement for phos acid, can you just repeat it?
- Jayashree Satagopan:** 6 lakh tonnes.
- Shekhar Singh:** And how much are you say with your expanded capacity how much will be in-house production and how much will you be importing?
- Jayashree Satagopan:** In-house is close to 2.5.
- Shekhar Singh:** In-house is 2.5 lakhs?
- Jayashree Satagopan:** Yes.
- Shekhar Singh:** And for that you have a back-to-back tie-up with somebody?.

- Jayashree Satagopan:** So we have a total requirement of 8.5 lakh tones, 2.5 is our captive, 6 lakh tonnes is what we go and source from our strategic suppliers.
- Shekhar Singh:** And the price negotiation for that and that happens once a year or how does that happen?
- Jayashree Satagopan:** It happens on a quarterly basis.
- Sameer Goel:** Quarter-to-quarter basis sometimes it is fixed for two quarters.
- Shekhar Singh:** Okay. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Sonal Gandhi from UBS. Please go ahead
- Sonal Gandhi:** I just wanted some clarification if I look at EBIT margins for crop protection business, they are about 9% this quarter and then you have some line of items so if I exclude that what could be the sustainable crop protection margins because what you have given is for the entire year for the entire company on an overall basis but if I am just looking at crop protection how much would be attributable to this?
- Jayashree Satagopan:** So the one time rental that we spoke is not related to crop protection. So on a sustainable basis we are looking at a crop protection margin of about 15% to 16%.
- Sonal Gandhi:** And secondly a bit of clarification on phos acid so your total requirement of 8.5 lakh tonnes out of which 2.5 is in-house right now and 6 lakhs is imported and post this capacity augmentation new capacity addition, what would be the in-house production.
- Jayashree Satagopan:** It will go up by another lakh tonnes.
- Sameer Goel:** So out of three plants, two of them are integrated and in one plant we only import acid so that is how it is.
- Sonal Gandhi:** Another question again that is more clarification that I want, so you said that the market prices for DAP has gone up from 20000 to 24000 is that right?
- Jayashree Satagopan:** The prices have gone up by Rs.2000 to Rs.2500 per metric ton. It was earlier 20700 which has now gone to 24000;so the range of increase is around Rs.2000 to Rs.2500 per metric tonne.
- Sonal Gandhi:** This would roughly be about 7%, 8% that the prices have gone up and if I look at your DAP prices input prices so that has also gone up by 8%, so is that not really taking care of your raw material, there should not be any raw material headwinds at least for Q1 is what my understanding here so just wanted to understand it from you?
- Jayashree Satagopan:** Yes this should take care of all the increases that have already happened and we also carry some stock which is part of our inventory management. This, along with subsidy increases that have been already announced, should take care of the higher raw material prices that we have seen in the last quarter of 2017-2018.

- Sameer Goel:** The industry did carry some old price stocks which is now getting liquidated and therefore you will see the price affect coming in now.
- Jayashree Satagopan:** What one should also look into is how the currency behaves what are the other key raw material prices, if you see ammonia is softening, sulphur we are seeing some softening trends, whereas this outlook for phos acid is continuing to be stable. Overall if you look at the raw material prices, the way they have been behaving plus the market price increase that the industry has taken and the subsidy increase the government has announced, it should all pan out even for the coming quarter.
- Sonal Gandhi:** And what was the plant capacity utilization in Q4 I missed on that number?
- Sameer Goel:** The plant capacity utilization in Q4 was 70%. We undertook annual turnaround earlier.
- Sonal Gandhi:** And you had the plant shutdown for the whole of March or just few days.
- Sameer Goel:** It depends on various lines goes at various times so that is how we look at it.
- Sonal Gandhi:** Okay, thank you.
- Moderator:** Thank you. We will take that as the last question I would now like to hand the conference back to Mr. Rohan Gupta for closing comments.
- Rohan Gupta:** Thanks Rio. Sir just before we end just on the couple of things from my side on this Mancozeb prices where we are significantly dependent so has been there any pricing pressure on Mancozeb or it is just because of higher inventory and we have to take some inventory write down in our numbers.
- Jayashree Satagopan:** Rohan we do not have any inventory write down in our numbers.
- Rohan Gupta:** The margin pressure in Mancozeb is led by Mancozeb only in agrochemical business?
- Jayashree Satagopan:** It is primarily relating to the higher raw material prices what we have, given the China factor.
- Rohan Gupta:** So when are we looking, when you are looking for the strategic raw material supplier and this is also you are going to base in China only that some supplier you are looking from China for a long-term supply of raw material right?
- Jayashree Satagopan:** Absolutely.
- Rohan Gupta:** You are still not looking for your own manufacturing setup in India or sourcing it from India given that China we do not know that how long they will be able to supply us raw material?
- Jayashree Satagopan:** So these are all part of the sourcing strategy that the company is having. There are certain raw materials we continue to source from India, there are certain that we look into for import purposes. How to further optimize, how to tie-up strategically so that we do not see the sudden spurts coming in is something the team is working on currently.

- Rohan Gupta:** And this 15% to 16% margin in agro chemical business you are expecting that will be there in next year or continuously weakness as you have also mentioned the Q1, Q2 maybe weak in agrochemical so that 15%, 16% margin holding on that will be tough for the current year?
- Jayashree Satagopan:** We will have to wait and watch how the whole situation pans out. In a normal year we definitely expect 15%, 16% or a higher percentage in terms of EBITDA margin for the CPC business. In the next one or two quarters we will have to see how the raw material prices and availability is coming up. The Mancozeb quantity that can be lifted in the export markets also needs to be looked into. The good news is we have seen the molecule growing that is why we are also adding up additional capacity in our plant.
- Sameer Goel:** And the good news is that in the main market the inventories are coming down with the better crop season in Brazil
- Rohan Gupta:** In Brazil?
- Sameer Goel:** But we do not depend on a single geography. Our exports are much more diverse.
- Rohan Gupta:** Okay we are not just dependent on this?
- Sameer Goel:** But that is the main market so overall industry inventory is coming from this.
- Rohan Gupta:** You mentioned that phos acid current quarter prices are \$750 if I am not wrong right?
- Sameer Goel:** \$730.
- Rohan Gupta:** I think this is further increase of \$50 from what we have seen in Q4?
- Jayashree Satagopan:** \$678 in Q4 the current rate is about \$730.
- Rohan Gupta:** So this \$50 increase which has been there, will we be able to pass it on further because I think the subsidy rate which government has finalized that was a based on \$680 prices of phos acid, so the \$50 increase in the phos acid are we cover for that or it can put some pressure on margins?
- Jayashree Satagopan:** See we will have to look in to the three raw materials Rohan. While the phos acid prices have firmed up, we also have to see that the prices of ammonia and sulphur which are other key raw materials have been softening. So, when you look at it on an overall basis, the current raw material prices the increase in the subsidy announced by the government, the price correction that the industry has taken, all of this would be sufficient to manage our coming quarter. For the next quarter, we will have to still wait and watch if there is further reduction in the raw material prices.
- Rohan Gupta:** Madam we understand there is a paucity of time would you allow to take one last question from one client.
- Jayashree Satagopan:** Actually we have another meeting scheduled, we can take this question definitely offline. That would be a better option.

**Rohan Gupta:** Thanks Madam. Thank you for giving us your available time and giving us the opportunity for organizing this call. I thank both of you. I also thank to all the participants for joining in the conference call of Coromandel. Thanks everyone. Thank you very much.

**Sameer Goel:** Thank you. I am pleased with how we have done this year and we will continue to be on track to achieve our long-term strategy.

**Rohan Gupta:** Thank you Sir. Thank you very much.

**Jayashree Satagopan:** Thank you all.