



# “Coromandel International Limited Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Coromandel International Limited Earnings Call hosted by Nirmal Bang Equities 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 would now hand the conference over to Mr. S. Ramesh from Nirmal Bang Equities Private Limited. Thank you, and over to you Sir!

**S. Ramesh:** Thank you. Good afternoon ladies and Gentlemen. On behalf of Nirmal Bang Equities it gives me great pleasure to invite you all to the first quarter FY2022 conference call of Coromandel International Limited. We have with us Mr. Sameer Goel, Managing Director and Ms. Jayashree Satagopan - EVP & Chief Financial Officer to takes us through the highlights of the results and then take Q&A. We are wishing all of you the best of health and stay safe and let me hand over the proceeding to Mr. Sameer Goel.

**Sameer Goel:** Good afternoon everyone. I hope everyone is keeping safe and healthy. Thanks Ramesh for organizing the conference call. First I will give the overview of the business environment experience during the quarter followed by company’s performance and Q&A session.

After a GDP contraction by 7.3% last year, India’s economy is expecting a good recovery in FY22, boosted by increased public investment, vaccine rollout and a surge in domestic demand. Various rating agencies have indicated a sequential 9-10% GDP growth for India during the year. The agricultural sector remains to be a bright spot and its GVA grew by 3.6% during the past year. Overall India registered record food grains production at 305 million tonnes which was +3% over another bumper last year and also the horticulture output was 330 million tonnes again a bumper harvest last year. In FY2122 the global food price indices continues to remain firm driven by strong demand for cereals and vegetable oil, fall in inventory levels and there are rumors of some stock piling up by China. In India thanks to food gain procurement (wheat 43.3 million tonnes +11% over the last year) by the government, the cereal prices have remained stable.

During the quarter Indian agriculture export rose by 40% to \$8.9 billion and the country have broken into the top 10 countries for agriculture exports.

The southeast monsoon was erratic to start, but now has recovered well and in the last two three days has covered the entire nation and reduced the deficit to 1% of the long period average as of July 26, 2021, as we know June forecast have predicted this to be better than the long-term average. Our key markets have received very good rainfall, Telangana is over

74%, Andhra Pradesh 47%, Karnataka 23%, and the Maharashtra 33% and the reservoir levels particularly in South and West India remains well above the normal long-term period average. The crop sowing however is currently down at 9% but will catch up fast as the monsoons keep spreading and especially this will be good in our addressable market.

- DAP + Complex fertilizer industry's primary sales volume was down by 14%. (CY 43.7 LMT viz-a-viz 50.6 LMT PY). Industry PoS Sales was down by 13% over PY. (39.6 LMT viz-a-viz 45.5 LMT previous year same quarter.)
- Industry Complex primary sales volume for the quarter is at 25.1 LMT vs 24.4 LMT of previous year, increase of 3% year on year.
- Major raw material prices continue to firm up. Phos acid price for Jul-Sep (Q2 FY22) continued to increase and got finalized at \$1,160/MT, compared to Q1 price of USD 998/MT
- With the increase in Phos acid prices, the Government has increased the subsidy on Phosphorus under NBS Scheme effective 20<sup>th</sup> May 2021. With the subsidy increase, companies are holding to MRP on DAP to ensure lower fertiliser prices for the farmers.
- Due to increased demand, supply and logistics constrains RM prices such as Ammonia, Sulphur, MOP, Sulphuric Acid continue to increase.

Coming now to Coromandel performance, Coromandel had a strong all-round performance in the quarter FY2021 driven by strong turnover growth in crop protection business and sustained performance from nutrient and allied business. The company continues to work on its operational efficiency, cost initiative, superior product mix and new generation products for sustainable long-term performance. The performance was further supported by external factors like good monsoons in companies' key market and good reservoir level. Last year same period because of COVID one, the government had put certain restrictions in terms of production and especially in terms of manpower.

Coming to the sector-wise performance, the nutrition and allied business had a good quarter, nutritional segment revenue grew by 9%. Performance of the segment was helped by smart sourcing, economies of backward integration and cost efficiency during the quarter. New product launches by the fertilizer business GroShakti, GroSmart,- are GroPlus are doing well in the market and helping the farmers to improve farm productivity. We are also promoting balanced nutrition and especially our specialized grades as compared to generic grades like DAP. On the sales front, the DAP and complex volumes were at 7.8 lakh tonnes which are lower by 6% over the last period however manufactured DAP and complexes remain at the same level as last year. Imported product volumes are down by 84% there were some constraints in the right pricing and availability of fertilizer in the international markets. The market share in Q1 moved up to 17.8% versus 16.4% for Q1 of last year. SSP Q1 was 1.86 lakh metric tonnes which was a growth of 44% over last year, market share improved to 14% from 10% last year. Last year as you are also aware that we have some constraints in operating our SSP plants which was not the case this year. On the

manufacturing front, DAP and complex fertilizer plants operated at 73% capacity utilization. Part of the reason was the annual turnaround at Vizag during the first fortnight of the quarter also we have certain raw material constraints mainly from one of our main suppliers due to a fire in the plant but things have been restored by now. The debottling and operating efficiency for fertilizer production has reached high during the quarter. Capital projects initiated during last year has progressed well during the quarter. The tenth evaporator which is basically to convert the low acid to high acid, the liquid fertilizer plant and other infrastructure projects are near completion and shall be ready for Q2 for operation. The business has started work on increasing granules capacity at our two SSD plants also.

On the Crop protection side, the crop protection registered a very impressive growth of 49% in revenue in the quarter supported by strong performance by export and B2B market. Last year as we had mentioned there was issue in operating our plants due to the COVID restriction imposed by the government. Crop protectin continues to work on new product development and launched six advanced generation molecules across the category during the quarter for the ongoing Kharif seasons. New products include four insecticides one each of fungicide and herbicides. New product launches by the company will help strengthen its portfolio, the strategy of introducing new generation products is helping in our farmer connect initiatives and improving farm productivity. The business has built a rich product pipeline backed by strong R&D capabilities and is participating in global innovators to further strengthen its product offerings. On the manufacturing side CPC plants operated with increased capacity utilization of 79% versus the last year of 45%. Coromandel continues to promote green solutions through its organic fertilizer and biopesticide business, during the quarter the company expanded its Aza extraction capacity by 50%. Companies developing captive neem plantations for over 700 acres mainly to source Neem seed. Company is also promoting resource efficiency through mechanization, water soluble fertilizer and working on novel solutions like liquid fertilizer, application like tree injections etc. Continuing its sustainability journey, the company has released its first sustainability report as per the GRI standard.

The company continues to be serving the farming community during the lockdown through the extensive retail network even our dealers did very well to keep their shops open. The retail stores are functioning with all precautions amid COVID wave, strictly following safety protocols and continue to support the farming community by offering agricultural solutions including product, farm advisory and mechanization services. Business has improved its operational efficiency and has leveraged technology to reach out to the farming community. As you are aware during the quarter with the surge of COVID second wave the company gave utmost importance towards ensuring safety of people and running

off its ground safely, all major plants operations were with adequate safety measures and ensure continuity availability of products to the market. With the forecast of normal monsoons for third consecutive year and good reservoir levels we expect good traction in the ongoing Kharif season. Coromandel has varied product offerings focused on cost efficiency and innovation, the company will continue to work towards improving farm productivity and prosperity of the farmer.

Now I will hand it over to Jayashree for talking through the company financial which can be followed by Q&A.

**Jayashree Satagopan:** Thank you Sameer and I will now provide updates on the company financials. Turnover for the first quarter company recorded consolidated total income of Rs.3686 Crores during the first quarter vis-à-vis Rs.3224 Crores during the first quarter of last year. Nutrients and allied businesses contributed to 83% shares and the remaining 17% came from crop protection business. In terms of subsidy and non-subsidy shares it stands at 76% and 24% respectively during the quarter. Previous year it was 80% and 20%. As regards profitability the EBITDA for the quarter was at Rs.486 Crores as against Rs.415 Crores of the last year. In terms of subsidiary and non-subsidiary share it stands at 74% and 26% respectively during this quarter previous year first quarter it was 79% and 21% respectively. Net profit after tax to the quarter was at Rs.338 Crores in comparison to Rs.251 Crores for the corresponding quarter last year.

We had a subsidy outstanding of Rs.1149 Crores as on June 30, 2021, vis-à-vis Rs.2585 Crores during the previous year. Subsidy outstanding includes Rs.360 Crores which has been claimed and pending with the government for payments. During the quarter's subsidy received from the government was Rs.493 Crores comparative figure last year was Rs.513 Crores.

Good business performance, working capital management resulted in overall positive cash balance with the company. We had an interest income of Rs.11 Crores vis-à-vis interest cost of Rs.23 Crores last year. The balance sheet continues to remain strong. Company continues to maintain the deposits which are year mark for specific growth related investments. CRISIL limited has reaffirmed the rating of the company and revised the outlook from stable to positive. On the forex front during the first quarter, rupee was trading in a very broad range between 72.25 to 75.33. Coromandel has been following the board approval hedging strategy and dynamically covering its exposure and managing the portfolio well. In terms of the overall financial performance the company started on a strong note with a good performance in Q1. We thank you for your interest in Coromandel and for joining us in this call today. We will now open the session for question and answers.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Dinesh Bhargav from Max Insurance. Please go ahead.

**Dinesh Bhargav:** Congratulations Sameer for fantastic performance despite all the COVID crisis, my question is very simple how do you look at especially after May 20, 2021 government tapping the phos acid price and the raw material moving from 800 to 1000 to what you said 1160 now so what do you see our outlook for a current year and how will the company be able to protect specially in DAP that is question one and how do you see the raw material outlook constraints paning out over the next two quarter?

**Sameer Goel:** Thanks for that good question just on this firstly we are not DAP player. We are basically into balance nutrition, we do some manufacturing and import of DAP so this is our balanced nutritional strategy. On Phos Acid Prices we have done backward integration at our Vizag plant and we have had good output from the plant and able to shift Acid from Vizag to Kakinada. We have also invested in 10<sup>th</sup> Evaporator which will help in getting more concentrated acids, that is how we are managing price increase or cost increase. Our strategy continues to promote balanced nutritional and our specialized grades which are well accepted with the farmers as compared to generic brands like DAP and the government is also quite happy on how we are able to push balance nutrition. At the same time in some of the markets our single super phosphate is doing very well. This used to be a very good fertilizer so it is much more better when you compare it with DAP because obviously it has other nutrition. I think one of the positive side of COVID was that agriculture before regarded as a sunset industry has changed, a lot of investments have come into this area and this is across the world but also by our government. This not only helping to feed the nation in this COVID crisis but also sustaining the economies, also you have seen all including FMCG players who are more rural focused have done better than others who are more urban focused. Our game plan will be to continue to build on our specialized product and our engagement with the farmers for their productivity and prosperity and therefore we continue to see this to be very well. Good news is that like. Export of value-added products also need to come in but again that is a very positive sign for the Indian agriculture.

**Dinesh Bhargav:** Thank you.

**Moderator:** Thank you. The next question is from the line of Varshit Shah from Veto Capital. Please go ahead.

**Varshit Shah:** Hi thanks for the opportunity and Sameer and Jayashree congratulations on a great set of numbers. My first question is on the margins so if I were to see there is some improvement Y-o-Y but still given the RM cost pressure you have done a very fantastic job on the nutrient segment margin so just wanted to check how much incremental if I were to split if I

were to just roll out some qualitative number was the majority of the offset of RM pressure was done through cost related initiatives and backward integrated initiatives so that is the first question or there was a significant element of the product mix as well?

**Jayashree Satagopan:** As regards the clarification on margins there are three or four factors one needs to look into, first is obviously our sourcing strategy in terms of looking into multiple sources for importing our raw materials. The second one is the flexibility of our plants to process multiple rocks multiple acid that gives us a lot of operation efficiency. The third factor is running the plants at high utilization levels especially with PAP 1 and PAP 2 for the production. This quarter we have run the plant at high efficiency level, the capacity utilization has been good. There was also some benefit lastly in terms of the opening inventory coming in because that carryover has been there but it is a quite a modest one so these four factors have actually helped on the cost front in terms of managing the margin. Secondly, we will also look into on the market front. On the market side our agronomists continue to do a very good job in terms of advocating the right products which are required for the soil as well as the crop so the agronomic play in the sales and markets is becoming more and more evident. Secondly on the market side, we have also launched new products or new brands. We have spoken in the past about transforming from grades to brands so there are three or four brands that are actually having a good pull in the market for instance the GroPlus which is in the SSP, GroSmart, GroShakti which was launched in the last quarter I am just giving you a few examples so there is a demand pull for the brand which is also helping in terms of looking into a better realization. So, a combination of all of these plus with COVID we have gone ahead on the digital marketing so there is also the spend that has shifted from physical to digital therefore there is some savings that coming out of it all of those are sort of being worked into to ensure that margins have been stable. I hope this sort of clarifies.

**Varshit Shah:** Yes it really helps and my second question is on the subsidies front so we see continued increase in the raw material prices so now we have already seen one increase from the government on the subsidies front so as an industry what is a possible scenario going into Q2 or Q3 will the government further hike the subsidy or probably now the incremental pressure will be pass in the form of higher MRP?

**Jayashree Satagopan:** Again another good question, the government had increased the subsidy for seeds this happened on May 19, 2020, that all of us know. The subsidy for NKS where we have seen some increase in raw material prices, however, has not been effected so we are working with the government to see in order to promote balanced nutrition how the subsidy can be evenly distributed between NPK and S, so that is one part of the whole equation. The second thing is as the raw material prices go up there would also be some flexibility in terms of pricing in the market if the government is going to hold onto the current subsidiary

level. This is something which the industry is also considering. So, these two aspects should sort of help address the raw material price increase that is happening currently. We also believe probably after the Kharif season we should see some softening in the raw material prices for instance ammonia we had both a large suppliers into India getting on to ATA and one of the main suppliers also had a fire in their plant, their facility just started operation and therefore we think that these prices should eventually soften. Similarly there are trends which are coming across other raw materials while this increase has been quite steep over the last couple of quarters we expect a gradual come back on the raw material prices.

**Varshit Shah:** Sure if I could just squeeze in one more, so if I were to see your impressive improvement in the market share and whenever we have a scenario where the RM cost pressures actually increase and given that our relatively better ability to manage the cost front this helps us actually to improve market shares faster so while I understand as raw material cools off there will be some normalization in market share but net net you will be having a much higher market share than probably let us say a year ago is that assessment correct and that is from my side.

**Jayashree Satagopan:** Market share primarily depends on the volumes that are being supplied to the market right so overall currently we see that the invent level the channel is much lower compared to last year that is because of two good consecutive years of monsoon, record Kharif and Rabi. This year also the monsoon prediction is good we have seen that there has been good rainfall and reservoir levels in our key markets. The rest of the India is also catching up. With a low channel inventory and very high cost of procuring say for instance DAP or other NPKs from the global market the demand for fertilizer is going to be high and the supply is also going to be based on the capacities that are available in the plant for supplying to meet with a demand, so it is a question of a demand and supply equation. We think we will try and maximize the production at our plants and ensure that we are able to meet up with the requirements of the farmers in the ongoing Kharif season.

**Varshit Shah:** Sure madam and all the best.

**Moderator:** Thank you. The next question is from the line of Trilok from Aditya Birla Sun Life Insurance. Please go ahead.

**Trilok:** Thanks for the detailed answer on the margins from the previous question I just wanted to ask one point could you quantify the inventory gain, we had in this quarter?

**Jayashree Satagopan:** What would you like to know the inventory gain?

**Trilok:** That is correct.



**Jayashree Satagopan:** We will have to come back to you on this I do not have the numbers as such readily available but that is one portion of the entire game, we can take this offline.

**Trilok:** Sure I will connect. Thank you.

**Moderator:** Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal Financial Services. Please go ahead.

**Sumant Kumar:** My question is regarding the margin and overall we have seen ammonia price almost doubled from the March to July and phos acid also recently increased so how much price increase we have taken and how much margin is protected?

**Jayashree Satagopan:** The ammonia prices as of March was round \$375 and it has gone up to \$535 during April and May. June obviously was an average. It was mentioning with both the large suppliers of ammonia going on ATA and one of them impacted due to a fire incident at the factory. We have considered pricing not just of ammonia but also of other key raw materials like sulphuric acid and phos acid in our MRP calculation. While we have also taken the benefit of our backward integration and cost efficiencies while arriving at the overall pricing decision.

**Sumant Kumar:** So we have already increased the price or when we are going to increase?

**Jayashree Satagopan:** As I was mentioning the government had increased the subsidiary as on 20 May 2021 from Rs.10,000 to Rs.24,000 on DAC. The MRP were up to Rs.24,000 per metric tonne for DAP. However given the fact that the subsidiary increase was primarily on P and not on NK&S and as Coromandel is primarily an NPK player, we have taken necessary pricing action on some of our NPK grade. As I was mentioning earlier this is taking into account the raw material price increases and the subsidy increase that has come in, some of our cost efficiency including capacity utilization and backward integration. So, this has already taken place.

**Sumant Kumar:** So we are going to maintain our margin level what we have shown in the previous year?

**Jayashree Satagopan:** Our intent is to maintain our margin level. We have indicated that around Rs.4000 per metric tonne is what we are looking into, Rs.4000 to Rs.4250 so we think overall for the year we should be around those levels and we will have to look into the overall year and as we go along. It is also equally important to see how the raw material prices are going to be going forward. All these factors are there but we do believe that Rs.4000 to Rs.4250 per metric tonne is doable.

**Sumant Kumar:** My last question is regarding our overall utilization level and over the capex plan we have this year and overall long term strategy for the backward integration?

**Jayashree Satagopan:** Yes, the capex plan is intact. We have indicated this in our earlier call result. Currently, the evaporator, which is tenth evaporator coming up in Vizag, which will help us to concentrate the asset and send strong Acid into Kakinada for their operations. Similarly liquid fertilizer plant is coming up. We are also evaluating other opportunities for backward integration and this is obviously a very long term plan and there are discussions that have started in this front.

**Sumant Kumar:** Thank you so much.

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

**Ankur Periwal:** Good afternoon and congratulations for a good set of numbers. My first question on the crop protection side so we saw a very strong revenue ramp up on that side just wanted your thoughts what has been driving this growth? Where I am coming from is last two to three years we have been seeing steady product launches and is this the benefit of that or this is more distribution led expansion given that marketing would have opened their doors for other states and other geographies as well both in India as well international market?

**Jayashree Satagopan:** Thanks Ankur for your compliments. As far as the CPC is concerned there are three factors that actually have helped us during the quarter. The first and foremost is the capacity utilization in all our plants. As last year COVID struck us we had certain restrictions posed by the government in terms of operating these facilities multi shift so the capacity utilization in our CPC plants was about 45% compared to 79% currently. The higher production this year has also helped in better liquidation and shipment of our products. That is number one. Secondly export markets are being good. We have seen a good growth happening in exports as well as to our B2B customers in the country. The third factor is traction on new product introduction. Over the last couple of years, we have been looking into introducing new generation molecules and happy to note that this year there were six products that have been introduced by the company. One of them is 9/3 registration. A couple of them are co-marketed products and out of the six products, three of them are combination molecules. So this is also bringing in traction in terms of sales. However, the new products were introduced in the mid of June and we should see the momentum picking up as we go along into the season during Kharif and Rabi.

**Ankur Periwal:** Sure madam. That is helpful. From an overall balance sheet perspective now there are significant cash levels that we are generating given the quicker payment of subsidy as well

as the faster ramp up as well any expansion plans. You did mention couple of capex plans more on debottlenecking and backward integration on fertilizer, but any significant organic or inorganic opportunities you are evaluating on the overall business growth front?

**Jayashree Satagopan:** Well we do have a plans for capital expenditure both in fertilizer as well as CPC. Fertilizer on the complex primarily debottlenecking, some amount of backward integration, augmenting capacities of our tanks, putting up a liquid fertilizer plant. These are all in progress and we are also evaluating further backward integration opportunities. On the single super phosphate, interestingly couple of plants we are moving from powder into granulated products because that seems to be the future and there is good success in the granulated plants. So, this also calls for a good amount of investment. The third one on the crop protection front, we are looking into this year primarily lot in terms of strengthening the structural stability, enhancing the capacity primarily of some of our key products. The third one is also looking into a multipurpose plant. We are also evaluating for purchase of land for further expansion both in terms of technical as well as formulation. So, these are broadly the plans that we have. Already for our bio plant at Cuddalore we have invested and it is a very short six months type of capex program, which has actually helped in increasing the bio extraction capacity by 50% and we intent to look into this more carefully because the demand for bio products is quite high both domestically and in the international markets. Apart from all our internal organic growth opportunities we are also open to looking at inorganic opportunities as mentioned in the past synergistic to our business. It complements our business model so these are two important so that is something that we are open about. We are also looking into some sort of investment in the argi startup though there could be a small beginning. We think it is a very interesting space and focus area for future. So these are some of the broad areas we are looking into deployment of our capital trying to get the maximum benefit for all our stakeholders.

**Ankur Periwal:** Great madam. Just one clarification you did mention the evaporator to convert the low acid into high to be operational so will this be operational in Q2 and we will avail the full benefits starting this quarter Q2 FY2022 or it will be slightly later?

**Jayashree Satagopan:** It will be in Q2 of FY2022. It may take a month or so for stabilization, but what is this evaporator actually do. It actually helps in converting the weak acid into a strong acid thereby when we transfer it from Vizag to Kakinada, it becomes more efficient both from a supply chain standpoint and also from a consumption standpoint. While we put the thought as a plant now with the plant operating at full capacity or even in some days slightly higher than the rated capacity, we feel that there is a very good opportunity to for us to transport this acid for our operations in Kakinada thereby reducing the dependency on imports. Conversion into a strong acid will actually help as I was mentioning on the supply chain

front and also consuming this for products, which will require strong acid. So that is the main benefit of the tenth evaporator.

**Ankur Periwal:** Sure madam. I appreciate your reply. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Abhijit Akella from IIFL Securities. Please go ahead.

**Abhijit Akella:** Good afternoon madam. Thanks for taking my questions. First one just on the crop protection business wondering if it is possible to give us some granularity in terms of the export growth versus domestic growth this quarter and then also volume versus price if it is possible to share some broad pointers around that?

**Jayashree Satagopan:** Yes. Abhijit the export growth primarily in Mancozeb was around 60% odd both in America as well as the rest of the world. On the domestic front the growth has been primarily on the B2B segment where we have seen a very good traction again on Mancozeb as well as acephate as one of our products. Here again the growth has been in the range of 50% plus for Mancozeb. We also found that there is a pricing differential between different markets in the export as well as in India and given that we have opportunities to maximize our sale between the three markets, which is America and the rest of the world and India, the teams have done a good job in terms of allocating the products into the right market thereby ensuring that we are able to hold on to margins. Like fertilizers we have also seen a very high or sharp price increase in the raw materials in crop protection segment as well especially for Mancozeb two key raw materials EDA and CS2 has seen a high price increase during the last quarter. This has not been the case in the last couple of years. There have been some pricing actions that have been taken and allocation to the right market. This has sort of helped us to hold on to the margin.

**Abhijit Akella:** Madam on the pricing front is it fair to assume that may be out of this 50% revenue growth may 15 to 20 points might have come from pricing and the rest from volumes?

**Jayashree Satagopan:** No I will say a substantial portion of this will be volume driven because last year we did not have our plants in Gujarat operating at full capacity therefore we were constrained in terms of product availability for shipping to the export as well as the domestic markets. This year it is a good relief. Having said that there has been some amount of pricing that has happened. I would say that it has all happened towards the end of the quarter say for instance from June onwards so that is not a substantial portion of the variant.

**Abhijit Akella:** Got it and just one last thing on the fertilizer pricing front now the 19 May 2021 decision by the government did that already contemplate this kind of further increase in phosphoric acid

and ammonia prices or the industry needs to take corrective actions and if so what is the timeline one should expect? Should one expect that for 2Q the Kharif season the industry basically holds onto whatever prices there are and then corrections are taken ahead of Rabi itself?

**Sameer Goel:** So this again is a good question. As far as phos acid is concerned obviously currently there is a good demand for the end product of phos acid across the world, but we do expect certain amount of softening happening. We have heard about Brazil. Our strategy like Jayashree has said is simple, to maximize our own production and therefore the backward integration which you are talking for the plants and also getting the acid across to our Kakinada plant and that is something, which is doing very well and plant has stabilized. We can use different type of acids. We can also source different type of rock and do the conversion so that is why it is. Currently obviously the government is a bit concerned on the phos acid. They have I believe at their level, they have taken a stand at various industry levels with the various governments who are supplying raw materials to us. One of the things which we have said as part of Atmanirbhar Bharat is to look at the duty structure. Which are there for manufactures and that they are looking. Long term we are also looking for PLI for fertilizer. The whole idea is that we make like the government is doing for urea is to make NPK self sufficient so that is something which we have work to do and we are also looking at giving subsidy directly in the hands of the farmers so that they will have a choice on what material to buy and obviously companies like us with innovative products will benefit from this. So, I hope that covers your question.

**Abhijit Akella:** Yes. Thank you so much sir. Thank you madam. All the best.

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

**Bharat Sheth:** Congratulations on excellent performance in challenging times. One question on the phosphoric acid side with this converting plant becoming operational so how much of capacity utilization one can really look or how much additional phosphoric acid for the Kakinada will be met from Vizag plant that is one and second Sameer we can talk on midterm our whole reason for the agro CPC business including bio side also?

**Sameer Goel:** Thanks. On both your questions firstly very good questions so let me talk about each of the businesses. You talked about bio. Bio businesses after we have taken over from EID Parry finding very good traction. Our products are doing exceedingly well. In fact like I have mentioned that we have actually in a very short period of time increased our extraction capacity by 1.5 times. This help us to export and supply the domestic market more so that is one. We are also looking at converting not just from seeds but also from the fruit. One

challenge last year we have faced was availability of seeds, but this year has been better is This time with better movement despite COVID we are able to source and segment bio products. About midterm we are working with various agriculture universities firstly likely Jayashree said is on application so you know some of our applicators like the tree injection if you do in Canada is doing very in two of our trial markets and also we are looking at getting into microbials. We have products, which we are working with CNU and also looking at consumer friendly products on organic. If we go it is also part of our sustainable agenda and even as part of our supply chain like we have mentioned we now have 700 acres of neem plantation. Crop protection again like we said all the hard work which has been done and we are now into looking at a new generation molecules. We are having tie-ups with various companies, innovators and also R&D teams are generating, which we have also launched both for the domestic and the international market. The good things are that we also have our own retail business, which can help to promote these products. So, crop protection again and now we are looking at even new formulation, which can help us to supply the market. As far as the phosphoric acid is concerned again Kakinada it depends on what sort of grade we are manufacturing. Is it high P grade or it is a low P grade but the needs could be around 5 lakh tonnes. We are trying to maximize as much production and we are very happy so far and also look at alternative rocks and then like Jayashree said is to see we can transfer both the weak and the concentrated acid to meet at least minimum of 20% of the requirement what we have. I hope that answers your question.

**Bharat Sheth:** Crop protection what size in three to five years we are looking for and with our domestic and export business?

**Sameer Goel:** We do expect very high double digit growth coming from crop protection. Each year it can be different, but overall CAGR will be in that and we do expect actually the traction will be in both markets and also in our domestic market. There is a huge scope to grow in both the markets. Our strategy is also we have put up people in various markets and creating subsidiary so that we can also control what is called the end product and the registration. So that is the work which has been done on the export market side. The scope is huge and for quality players like us and now becoming innovators we will expect this growth to happen.

**Bharat Sheth:** Thank you and may I take one more question. With this Kaleshwaram Project and Polavaram both whenever they operate at full fledge how much additional area that we look for our key market?

**Sameer Goel:** So let me first start with the Kaleshwaram Project, which is the Telangana and that is not just Kaleshwaram Project, it is also all other good work that Telangana Government has done including desilting of canals and the tanks and the other micro irrigations projects which are there both on the Godavari and Krishna river. Since the state was formed the

agriculture output has gone up by 2.5 times. Five years ago we never used to talk about it, but then there is also what is called diversification, which is happening into fruits and vegetables, and other maize w but it is also coming up so there is a lot of diversification has happened. We have oil seeds in the Northern districts. We have chilies, which are coming up in various areas. As far as Polavaram is concerned, which is basically again on Godavari but it is connecting the Godavari Krishna River. The current Andhra Chief Minister is almost this project every 45 days and the whole idea is that once the canal is connected and it is operational fully the issue of having the secondary canals done for what is called the driest Rayalaseema area and there again likely for Telangana we do see an agriculture boom also coming especially in the Rayalaseema area of Andhra Pradesh where currently a lot of it is rain set. Of course one of the things to be done is to do more value added crops than just depending on paddy or cotton and other things, but obviously for us we are in a very fortunate position where both the state governments are very much focused on improving agriculture and the farmer sector.

**Bharat Sheth:** Thanks a lot and all the best Sameer and Jayashree.

**Moderator:** Thank you. The next question is from the line of Deepak Chitroda from Phillip Capital. Please go ahead.

**Deepak Chitroda:** Thanks for taking my question and congratulations on a good set of numbers. So I think most of my questions are answered but just to basically ask you slightly on a FY2022 outlook as a whole just want to understand madam how do you see the volume growth for the entire FY2022 considering we have already started kind of a delayed rainfall for three weeks? So do you think that extended probably the season of Kharif as well as we expect the extended Rabi will also take place so do you think that in growth of for more than 6% to 7% which we achieve last year can be sustainable for this year as well?

**Jayashree Satagopan:** The rainfall delay of one or two weeks should not matter in terms of the volume consumption. In our key market we have seen that the rainfall has not been delayed while you have seen in the Central and Northern market there has been a bit of a delay of two to three weeks time. That should not impact the consumption right because the reservoir levels are also good. The soil moisture conditions are good. The demand from the farmers is good. Channel inventory is low. So we do not see any volume contraction or volume not happening during the year. Sameer was saying it was more of a supply than demand issue.

**Deepak Chitroda:** Sure and my second question is again I think just some clarification in terms of the margin side? As you mentioned couple of reasons for sustaining a margin for the quarter but what do you think in terms if we do not see subsidy announcement or subsidy support by the government probably takes place towards the end of say October or November so by that

time the raw materials prices will keep on basically at this level so do we expect some MRP increase again for most of the grades?

**Jayashree Satagopan:** Deepak I sort of covered it in the earlier question. One is how the raw material prices are going to behave right. The second one is in terms of the subsidiary per se whether it is going to be only tea or it is going to be distributed between tea and KNS. The third element is the ability to pass on the prices in the market so we will have to work through it as the months go by or the weeks go by. That is way to look into this.

**Deepak Chitroda:** We had some inventory gain for the quarter so obviously we will not have particular gain going forward because we have seen some subsidiary increase and of course that has supported well for the quarter?

**Jayashree Satagopan:** Yes there has been an opening inventory gain which almost all the companies would have benefited. It often happens in the case where the raw materials prices are on the increase right so it will continue because we have seen this quarter also there is a price increase that has happened and as you were mentioning over the next couple of quarters the raw materials should get softened and other prices which is about Rs.998 last quarter has now gone to Rs.1150 right so the prices are on a higher trend at this point in time. One needs to wait and see.

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

**Vishnu Kumar:** Thanks for your time. My first question is generally on the volume growth for the company over the next couple of years what should probably be something that we should work on and how much as a company we are expecting the fertilizer volume growths to be at given the large irrigation projects that is also likely to come over the medium term?

**Jayashree Satagopan:** Vishnu again a very relevant question. We have talked about it in the past. Currently the company is looking into debottlenecking of operations both in Kakinada and Vizag so sort of increasing the existing capacity and as an interim measure we will also be selectively looking into strategically tying up imports and sale of finished goods including MPKs and DAP. So that is the game plan for the, I would say next one to two year timeframe. As I was mentioning we are also looking into some sort of a backward integration opportunities and how that scales up as well as tying up with the global players for continuous supply of raw materials. Depending on that any further expansion opportunities will also be looked into and we will also improve our own capacity utilization. Last year it was impacted with COVID. This year again we had wave two coming in however we were able to continue our production because we also took the ATA mostly March last year so it will be to continue



driving the capacity utilization do some debottlenecking, selective import of MPKs and DAP and at the same time looking for into strategic tie-ups for imports and sourcing of raw materials. I would also ask Sameer to add his inputs here.

**Sameer Goel:** The main thing like I said it is more the quality than the generic. We want to move away from generic into brand and we will continue to improve our share which we be benefit of the farmers, which is more balanced.

**Moderator:** Thank you. Ladies and gentleman that was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Sameer Goel:** Thanks a lot I think for everyone to attend this call being it is on a virtual mode so firstly to wish everyone, I hope everyone has got vaccinated. We should follow the protocol to ensure that the wave three does not come in, but as far as the good news is agriculture which we are part of lot of investments are happening both from the center and the state government and the focus is there. The new wave will be to improve the assets so that the farmer productivity and the sustainability will increase and we are very happy to be part of the picture and we are the largest agri input player. You will see more and more innovation coming from the company side. Thank you very much.

**Moderator:** Thank you. On behalf of Nirmal Bang Equities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.