

Dated: 23/07/2024



Growing Financial Fortress

- Coromandel is the largest phosphatic fertilizer company in India, holding a 16% market share. Notably, its market share exceeds 60% in Southern India, excluding DAP (Di-Ammonium Phosphate), which is its primary addressable market.
- Unlike DAP and MOP (Muriate of Potash), which are global commodities, unique grades of NPK (Nitrogen, Phosphorus, and Potassium) fertilizers face little to no competition and are highly profitable.
- Coromandel's strategic advantages include unique grades of fertilizers, long-term arrangements for sourcing raw materials coupled with its 45% stake in BMCC (a rock phosphate mine in Senegal), backward integration into manufacturing processes, strong brand equity, and direct connections with 3 mn farmers through retail outlets.
- The implementation of the DBT scheme has revolutionized the subsidy payment process.
 - ❑ The government now has real-time records of fertilizer sales to end customers through POS machines linked to Aadhaar.
 - ❑ This increased transparency and reduced administrative burden resulted in faster subsidy payments, with dues cleared in 14-28 days.
- Crop protection accounts for 10% of gross profit in FY24 and has not been the strongest segment for Coromandel. Two products – Mancozeb and Profenofos – contribute to 80% of its B2B revenues.
 - ❑ Coromandel is planning significant capital expenditure to revamp this segment. The company is developing 5 technical products for the B2B market and 5 formulations for the B2C segment, set to launch in FY25.
- There are significant value creation opportunities in CDMO, biofertilizers, nano DAP, and urea SSP besides investments in drone and robotic ventures.
- Over the past decade, Coromandel's profits have outpaced its balance sheet growth, driven by higher EBITDA per ton due to backward integration and reduced working capital needs from faster subsidy disbursements under DBT.
- Despite some re-rating in its Price-to-Earnings (P/E) ratio, Coromandel has not re-rated at all on the asset-light multiple. This is attributed to a significant improvement in Return on Invested Capital (RoIC) within the business.

Coromandel: Company Overview

- **Business Segments:** Coromandel operates in two main segments: Fertilizer and Crop Protection. In FY24, >90% of gross profits came from the fertilizer segment.
- **Complex Products Dominance:** Over 83% of total fertilizer sales come from more profitable complex products.
- **Market Leadership in Complex Fertilizers:** Coromandel holds a 16% all-India market share in complex fertilizers for FY24. Within this:
 - ❑ It commands a 27% market share in the highly profitable NPK segment.
 - ❑ In South India, its market share exceeds 60%.
- **Cost Efficiency and Product Mix:** Coromandel boasts a strong, unique product portfolio and is the lowest-cost producer of phosphatic fertilizers, thanks to backward integration to rock phosphate mines and phosphoric acid plants.
- **Robust Retail Network:** The company operates nearly 800 retail outlets, ensuring a direct connection with customers and enhancing market reach.
- **R&D Excellence:** Coromandel's robust R&D capabilities enable the creation of unique fertilizer grades tailored to specific crop and soil conditions, providing optimal solutions for customers.
- **Crop Protection Business Growth:** The Crop Protection segment is expected to see improved performance due to new product introductions and increased demand, leading to better margins and overall growth.
- **Strategic Diversification:** Coromandel is actively investing in new initiatives and business segments, such as Daksha, Ecozen, CDMO, Nano Urea, and DAP, Biostimulants, to diversify its offerings and drive sustainable revenue growth.
- **Future Developments in CDMO:** Incremental advancements in the CDMO sector are anticipated in FY25/26, with potential new partnerships on the horizon.

Business Segments	About the Business	Revenue Share (FY24 AE)	Gross Profit Share (FY24 AE)
Fertilizers (Manufactured)	Focused on complex products thereby maximizing profitability and minimizing dependence on subsidies.	83.4%	90.7%
Fertilizers (Traded)	Company trades in low margins products to ensure market presence and reach.	5.4%	0%
Crop Protection Chemicals	Strong presence in Mancozeb and Profenofos. Together they account for 80% of the B2B revenues. Growing focus on B2C business.	11.2%	9.3%

Products	Total Industry Volume (LMT)	Coromandel Volume (LMT)	Coromandel Market share
Urea	357.8	11.1	3.10%
DAP	108.1	5.10	4.63%
NPK	110.7	30.33	27.4%
Complex Fertilizers Total	218.8	35.43	16.2%

Source: Annual Reports, Ministry of Fertiliser, Axia Estimates

Fertilizer Industry Overview

- Fertilizers play a vital role in maintaining soil balance by replenishing essential nutrients that crops remove during harvest. This ensures healthy soil, leading to increased crop productivity and overall agricultural sustainability.
- To encourage use of fertilizer and shield farmers from price fluctuations, Indian government heavily subsidizes fertilizer production. This makes fertilizers more affordable for farmers, promoting agricultural growth.
- Urea was traditionally the most heavily subsidized fertilizer due to its widespread use. However, this led to overuse and soil imbalances. Recognizing this concern, the government is now promoting the use of complex fertilizers. These fertilizers provide a balanced blend of nutrients, promoting healthier soil and potentially reducing reliance on heavily subsidized Urea in the long run.

Fertilizer	Volume Mix	About	EBITDA/Ton
UREA	~62%	<ul style="list-style-type: none"> • Dominates ~60% of the market with up to 90% government subsidies. • Provides only nitrogen, lacking essential nutrients for balanced soil health. • Government-regulated pricing results in the lowest margins for producers. • Predominantly consumed in less affluent northern states. 	1,500-2,000
DAP	~19%	<ul style="list-style-type: none"> • Account for ~15% of the market, providing Nitrogen, Phosphorus, and Potassium. • Loosely regulated with pricing based on global market forces and lower subsidies. • More profitable than urea but influenced by global demand and supply. 	2,500-3,500
NPK	19%	<ul style="list-style-type: none"> • Custom blends for specific crops and soil needs, occupying ~17% of the market. • Growing faster than Urea or DAP with the lowest subsidy dependence. • Benefits for farmers: improved soil quality, productivity, and land longevity. • Benefits for companies: high margins, lower subsidy burden, and better working capital. • Market dynamics: Pricing loosely regulated, minimal import threats, and 30-35% of Complex Fertilizers in consumed in Southern States. 	4,000-6,000

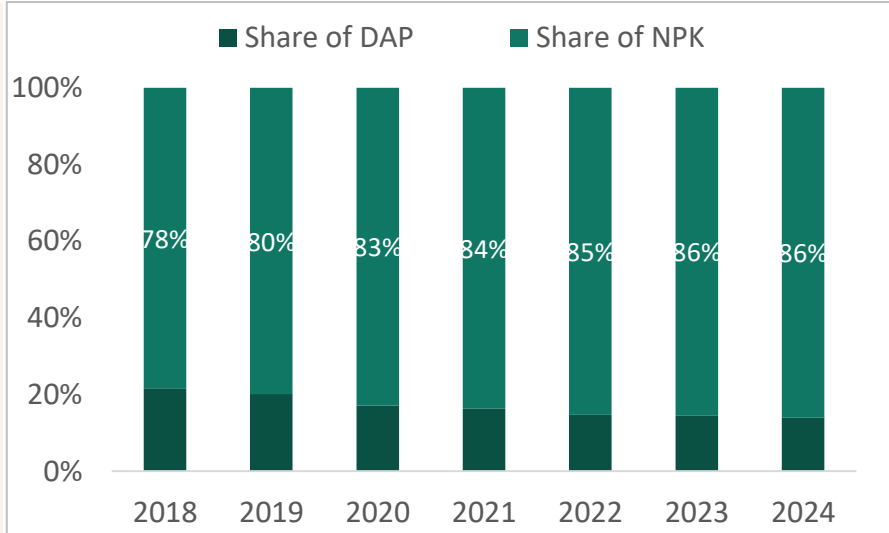
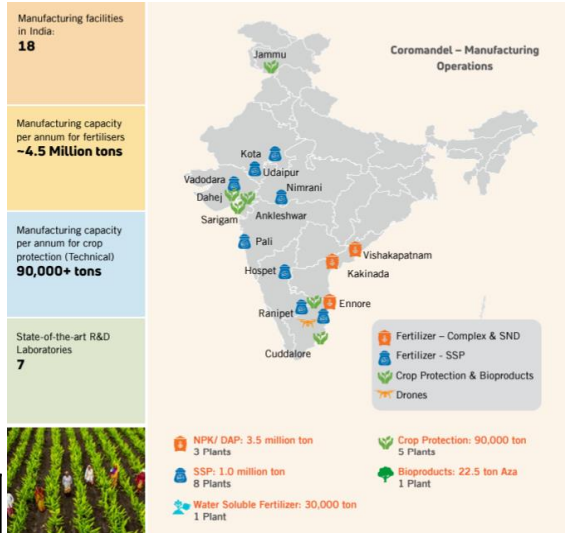
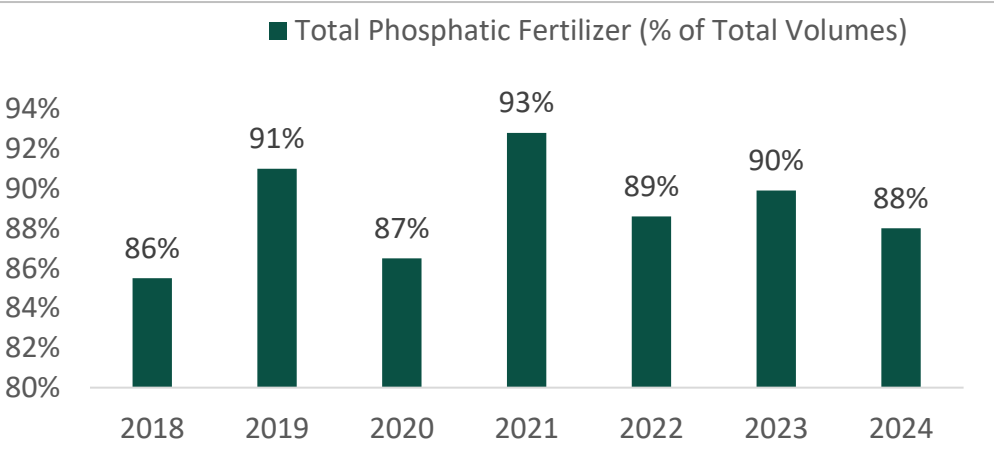
Source: Ministry of Fertiliser, Axia Estimates

Evolution of Fertilizer Industry

What has Changed	Situation Pre 2017	Situation Post 2017	Impact
Product mix (Government's initiative to push Complex Products)	<ul style="list-style-type: none"> In FY17, the total fertilizer subsidy was Rs 7 lakh crore, with Rs 5 lakh crore for urea and Rs 2 lakh crore for nutrient-based subsidies. This focus on urea increased its consumption, deteriorating soil quality and crop productivity. Yield moved from 2,078 kg/ha in 2010 to only 2,129 kg/ha in 2019. 	<ul style="list-style-type: none"> The government addressed the imbalance by promoting complex fertilizers like NPK and DAP, increasing subsidies under the NBS Scheme. By FY23, NBS accounted for 34% of total fertilizer subsidies, while urea remained dominant at 66%. This led to a yield improvement from 2,129 kg/ha in FY19 to 2,386 kg/ha in FY22. 	<ul style="list-style-type: none"> This benefited companies in the complex fertilizer space, as government promotion and company integration facilitated faster growth. Farmers saw better productivity, yield, acreage, and income. While companies enjoyed better margins and high-value products.
Government's initiative to shelve off import of Urea and promote new products	A large share of the Urea used to be imported and due to unattractiveness of the sector, innovation was low as well .	Almost 67% of Urea is now produced in India. Companies have also started producing different products such as Nano DAP/Nano Urea .	Government will be able to save a large Subsidy bill by cutting out Urea. Companies would be able to earn better margins because of the same.
Subsidy Payments	<ul style="list-style-type: none"> Subsidies were accounted for at the receiving point, initially at the factory and later at the depot level. The system required extensive administrative effort to record and track dispatches, leading to high operational costs. There was no visibility into final sales to consumers, making it hard to ensure the intended beneficiaries received the products. The lack of transparency and direct tracking allowed for corruption and misuse of funds, undermining subsidy distribution efficiency. The time-consuming reconciliation process caused significant delays in subsidy payments, resulting in debtor days exceeding six months. 	<p>Implementation of Direct Benefit Transfer (DBT):</p> <ul style="list-style-type: none"> Retailers are provided with POS machines and sales is recorded in real-time, secure, and accurate Aadhar-based end-user verification. The DBT system creates a digital trail that records beneficiary details, fertilizer quantity, and subsidy amounts, enhancing transparency. Subsidy payments are now made within 14-28 days of sale to the end consumer. <p>Future Plans under New DBT:</p> <ul style="list-style-type: none"> The government plans to move the subsidy base from consumption to production. This system, widely followed globally, provides subsidies directly based on crop needs. 	A faster payout scheme enables improved cash conversion cycle, better investment in productive assets, and higher returns on Invested Capital (ROIC)

Coromandel – Dominant Market Share In Southern India

- Coromandel has strategically prioritized the production of phosphatic fertilizers, particularly focusing on high-margin NPK variants to maximize profitability.
- While holding over 27% of the national market in the NPK segment, Coromandel boasts a commanding 60% market share in South India.
- Southern Indian states, being more affluent, account for 40-45% of the NPK fertilizers sold in the country.



Products	Total Industry Volume (LMT)	Coromandel Volume (LMT)	Coromandel Market share	Market share in South India (AE)
Urea	357.8	11.1	3.10%	-
DAP	108.1	5.1	4.63%	-
NPK	110.7	30.3	27.4%	60%
Complex Fertilizers	218.8	35.4	16.2%	40%

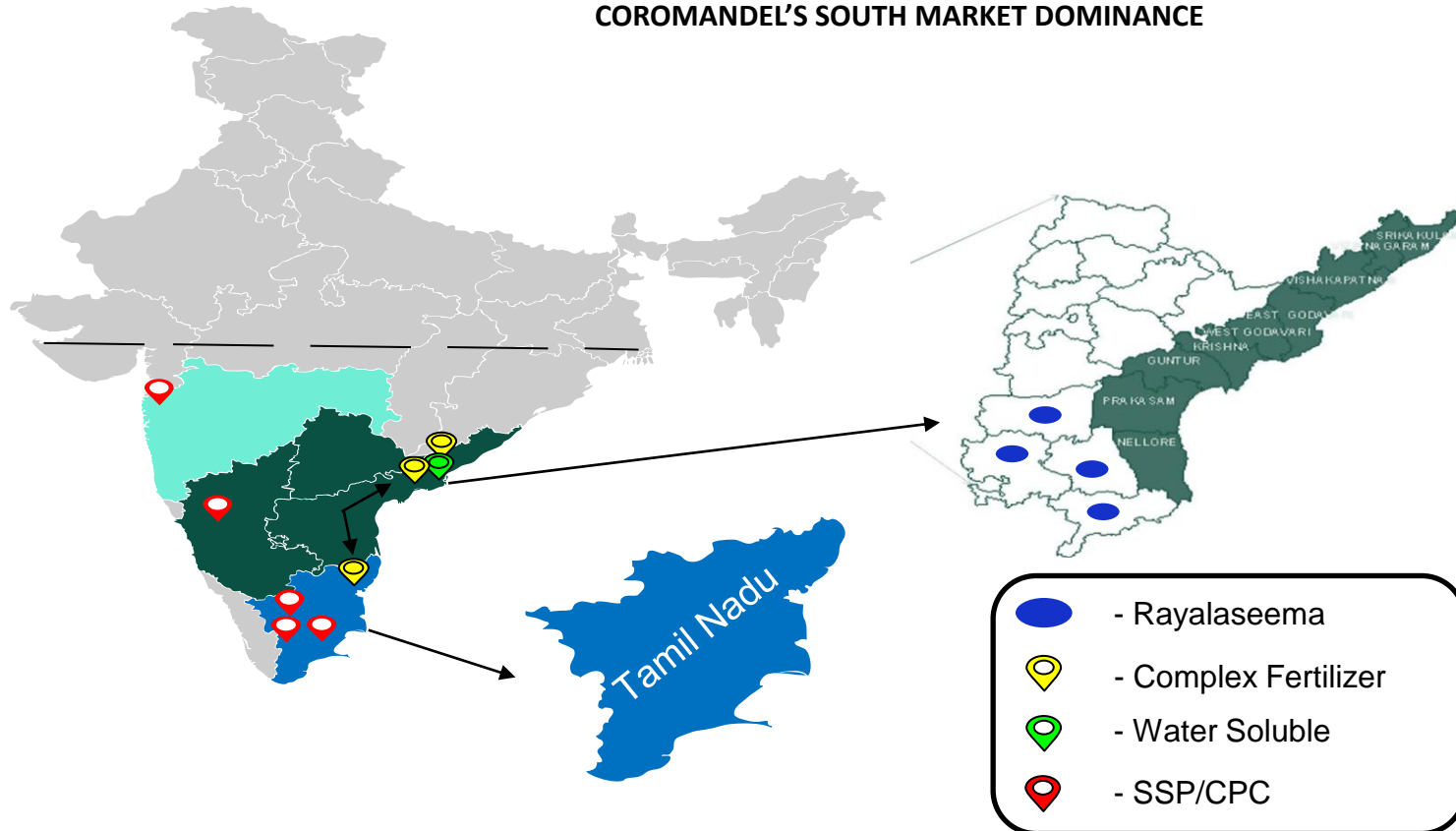
- Coromandel makes a variety of unique formulations of NPK. In many of these grades it is the only manufacturer - facing limited or no competition. As a result, it commands better pricing and margins.
- By dynamically adjusting production based on individual blend profitability, Coromandel can reduce the impact of subsidy fluctuations across its portfolio.
- NPK has the best cash conversion cycle as majority of the proceeds are collected from customers (farmers).

Source: Annual Reports, Ministry of Fertiliser, Axia Estimates

Freight Subsidy Helps Cast A Wider Net

- Just like cement logistic cost in fertilizer too is prohibitive. It's not financially viable to transport the product beyond 400-500kms. Interestingly, to improve availability government provides freight subsidies for primary (1400 km by rail and 500 km by road) and secondary transportation.
- Subsidy helps negate freight disadvantages thereby increasing market presence.
- Coromandel, with strategic plant locations near key markets such as Vizag and Kakinada, effectively leverages these subsidies to expand its reach in South India, including Andhra Pradesh, Telangana, Tamil Nadu, West Bengal, and Orissa.
- This policy support, along with Coromandel's diverse product range and strong brand presence, underpins its market leadership in the region.

COROMANDEL'S SOUTH MARKET DOMINANCE



Tapping The Most Lucrative Southern India's Fertilizer Market:-

- Well-developed agricultural infrastructure, irrigation access, and focus on cash crops boost demand for complex fertilizers.
- Farmers are more affluent and understand the benefits of advanced fertilizers like NPK for balanced nutrients and improved crop yields.
- Andhra Pradesh, Tamil Nadu, Karnataka, and Kerala accounts for 40-45% of India's NPK fertilizer consumption.
- Coromandel plants are well located. This coupled with freight subsidy helps it capture a dominant 60% share of NPK fertilizers in these markets.

Advantages created by Coromandel

Sourcing



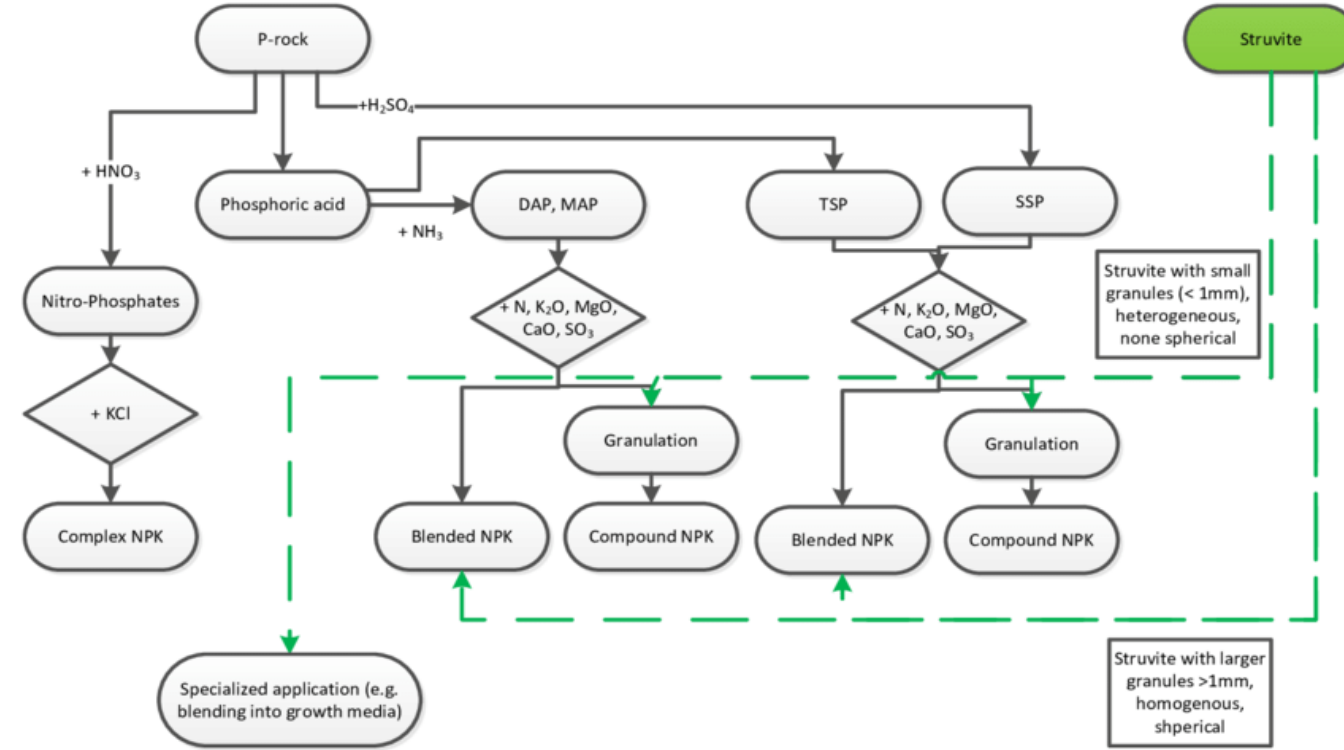
Production



Product mix &
Distribution



Phosphoric Fertiliser Manufacturing Process & Critical Raw Materials



The fertilizer manufacturing process is straightforward and accessible, but the **key differentiator** in the industry lies in sourcing. Companies that secure optimal raw material access gain a competitive edge.

Coromandel has effectively integrated backward or established long-term partnerships to ensure a reliable and competitively priced flow of raw materials giving it a significant competitive advantage:

- **Rock Phosphate:** Coromandel invested INR 1.5 billion to acquire a 45% stake in Baobab Mining and Chemicals Corporation (BMCC), securing a stable rock phosphate supply. The mine is expected to produce 2.5-3 LMT in FY25. At full capacity, BMCC can meet up to one-third of the Company's rock phosphate requirement. Long-term contracts cover the rest, as rock phosphate is not found in India.
- **Phosphoric Acid:** Phosphoric acid, largely imported due to limited domestic capacity, significantly impacts profitability. Coromandel began backward integration in 2009, initially covering 10% of its needs, increasing to 50% by FY 2024, and aiming for >70% following recent expansions.
- **Sulphuric Acid:** Crucial for phosphoric acid production, sulphuric acid faces price and availability volatility. Coromandel has backward integrated to cover 70% of its sulphuric acid requirements, ensuring supply and competitive pricing.
- **Ammonia:** Ammonia is abundantly available from various sources in India, removing sourcing risks for this product.

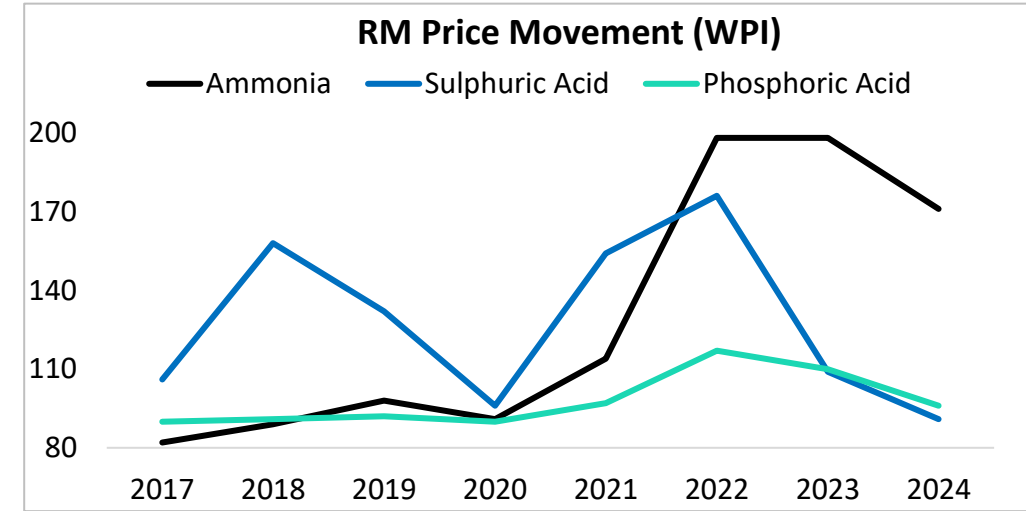
Key raw material requirements for manufacturing Phosphatic fertilizer include:

- **Rock Phosphate:** Essential for captive production of phosphoric acid.
- **Sulphur/Sulphuric Acid:** Needed for the captive production of phosphoric acid.
- **Ammonia:** Required for the production of phosphoric acid and other products.
- **Phosphoric Acid:** The most critical raw material in the chain, significantly impacting profitability.
- **Other Materials:** Smaller quantities of solvents, additives, and intermediates, which are readily available.

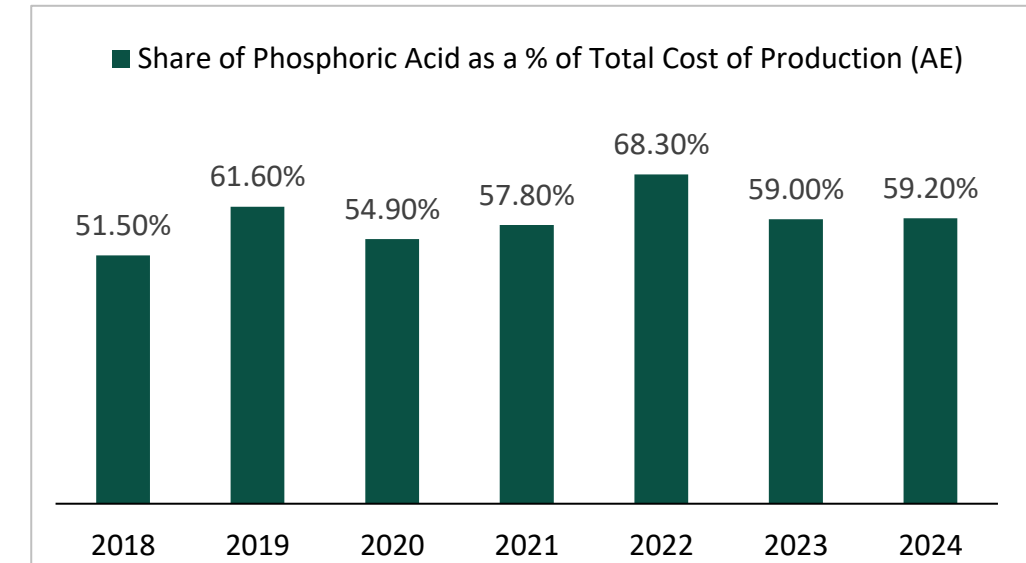
Strategic Importance of Backward Integration

- As the largest importer, India significantly impacts global phosphoric acid prices; even minor changes in demand can lead to substantial price fluctuations.
- Management highlights that backward integration of phosphoric acid and sulphuric acid is strategic as it ensures a consistent supply of raw materials at reasonable prices. Besides there are advantages related to power generation due to heat generated during the process which further reduces the cost of production.
- Phosphoric acid accounts for majority of the total production cost for Coromandel. Stabilizing its price and ensuring a consistent supply is crucial for sustainable production. The table below shows phosphoric acid's share and raw material mix in Coromandel's product portfolio.

RM Requirement - Per Ton of Current Mix	Conversion Ratio	Remarks
1 Ton of Current Product Mix for Coromandel	1	-
Phosphoric Acid	0.23	1 Ton of Current Product mix requires 0.23 Ton of Phosphoric Acid
Sulphuric Acid	1.62	1 Unit of Phosphoric Acid requires 1.62 Units of Sulphuric Acid.
Ammonia	0.2	1 Ton of Current Product mix requires 0.2 Ton of Ammonia
Conversion Cost	12%	Incremental cost of conversion (Other cost required)
Rock Phosphate to Phosphoric Acid Conversion Ratio	3.33	Rock phosphate is used to make Phosphoric Acid (3.3 Tons of Rock phosphate for 1 Ton of Phosphoric Acid)
Sulphur to Sulphuric Acid Conversion Ratio	3.0	Amount of Sulphur required for 1 Ton of Sulphuric Acid



Phosphoric Acid accounts for 60% of the total cost



Cost Advantage Of Backward Integration Into Phosphoric Acid

- Coromandel's focus on backward integration for key raw materials like phosphoric and sulfuric acid has paid off. This strategy has:
 - **Fortified EBITDA:** It has created a buffer against price volatility, **stabilizing EBITDA per ton** even during market fluctuations.
 - **Delivered Cost Savings:** Coromandel has achieved **significant cost reductions**, an estimated 15% on phosphoric acid in the past two years.
 - **Enhanced Profitability:** This translates to a cost advantage of around ₹2083 per ton (taking the median of the last 8 years) at their current 50% backward integration level.
- Looking ahead, Coromandel's increasing backward integration is expected to further **solidify their profitability**, allowing them to confidently project an EBITDA per ton on Total Volumes of around 4500+ for FY25 and Beyond.

Year	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
COP with 0% Backward Integration	13,289	13,671	14,424	18,755	15,623	17,142	36,099	47,911	29,053
COP with 50% Backward Integration	12,946	12,994	13,396	16,695	13,517	14,572	31,005	44,564	26,982
Difference (Incremental flow to margins)	342	678	1,028	2,060	2,106	2,569	5,093	3,347	2071
% Difference	2.6%	5.0%	7.1%	11.0%	13.5%	15.0%	14.1%	7.0%	7.1%

Source: Ministry of Fertilizers (Prices)

It's also financially prudent!

- New greenfield phosphoric acid plant is currently deemed financially unviable by industry experts, leading to reliance on imports for most fertilizer companies.
- However, Brownfield expansion still offers a reasonable payback period (4-5 years) and ROIC of 20%.
- Coromandel's strategic approach to backward integration through brownfield expansion of their existing phosphoric and sulfuric acid facilities at Kakinada and Vizag results in significant competitive advantage.

Strategic Advantages:

- **Security:** Brownfield expansion ensures a stable supply of phosphoric acid, mitigating risks associated with price volatility and potential shortages.
- **Forward Integration:** It allows forward integration into mining assets to further strengthen Coromandel's control over raw materials.

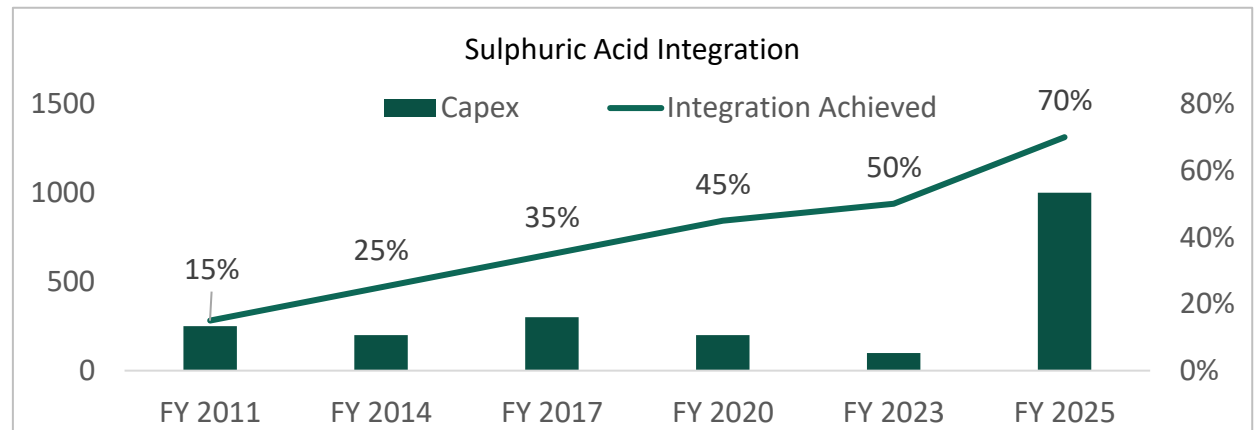
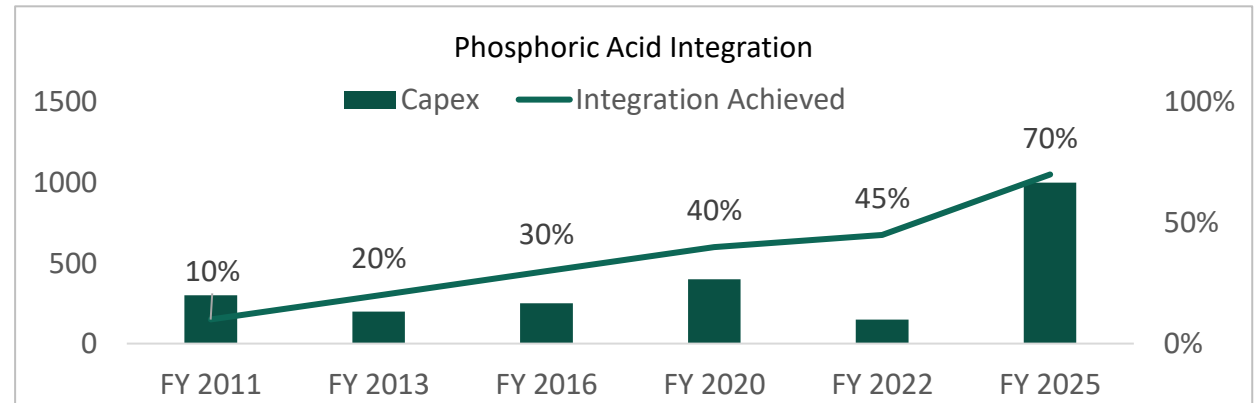
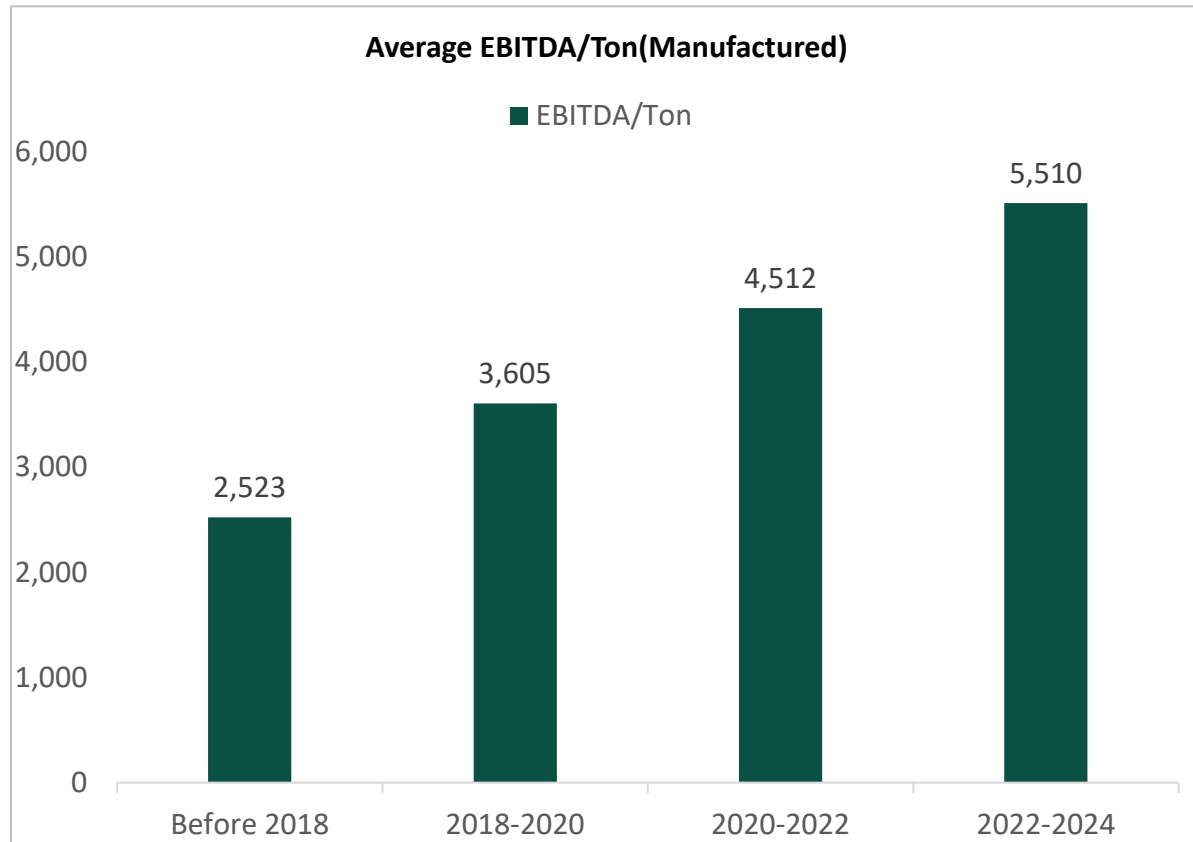
Integration benefits are clear. But Coromandel's brownfield expansion establishes company's prudent capital allocation policy and positions the company for sustained superior profitability in the phosphoric fertilizer market.

Particulars	Amount/Conversion
Current Capex	1000 Crores for both (Phosphoric and Sulphuric Acid)
Average Cost saving at the Current prices for 1 Ton of Phos Acid	\$200 (Rs. 16,000/Ton)
Absolute increase in Phos Capacity led by such Capex	200,000 Tons
Total Cost Savings (16,000*200,000)	320 Crores
Post Tax Payback period	4.2

Source: Annual Report, Axia Estimates

How do the Numbers Stack-Up?

- Backward Integration and EBITDA/Ton Increase. Management guidance suggests INR4500-5000 as a sustainable EBITDA/Ton for FY25.
 - The increase in backward integration has led to a sustainable increase in EBITDA/Ton, despite market volatility.
 - Median EBITDA/Ton was calculated for different periods of backward integration as seen in the chart below.
- Coromandel has cumulatively invested approximately 2300-2400 Crores in Phosphoric Acid and Sulphuric Acid taking the integration to ~50%. With the current investment of 1000 Crores, this is further expected to increase to 70% by the end of the current financial year.



Source: Annual Reports, Axia Estimates

Sustained Profitability with Volatility in Prices Subsidised

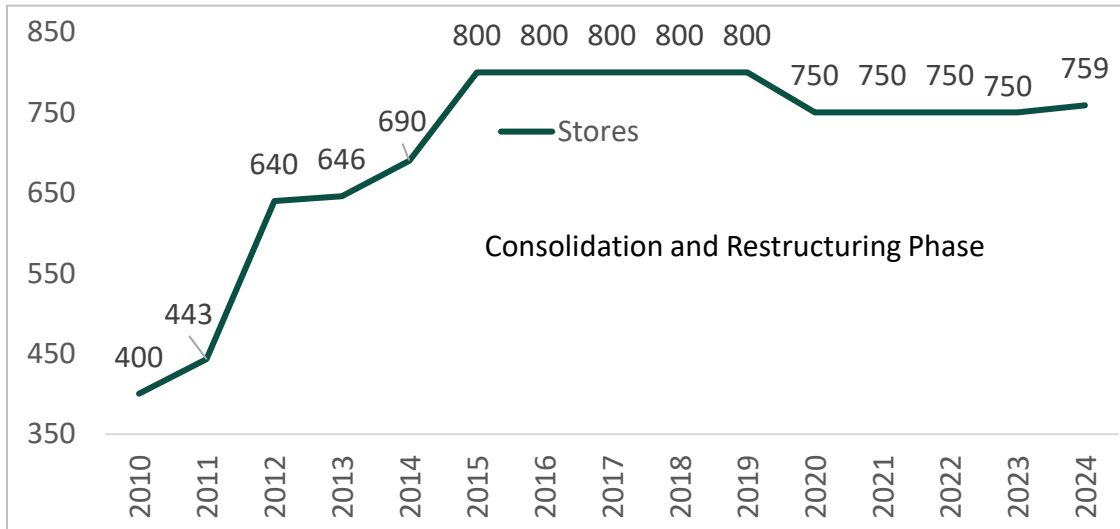
- In the adjoining table our workings for DAP for the last 4 years to establish the pass-through mechanism of RM prices to soften the impact on farmers:
 - ❑ Volatility caused by changes in raw material (RM) prices is largely cushioned by an increase in government subsidies.
 - ❑ This subsidy adjustment helps companies maintain stable EBITDA while ensuring that RM cost increases do not severely impact farmers.
 - ❑ Volatility caused by changes in raw material prices is cushioned by an increase/decrease in government subsidy.
 - ❑ Timing mismatch between raw material price volatility and subsidy changes can lead to fluctuations in profitability, as in FY2023, but gets adjusted over time.
 - ❑ During periods where profitability is impacted companies adjust their product mix to minimize negative impacts by optimizing the product mix.
- Coromandel, with its diverse portfolio of unique NPK grades, makes production decisions with agility, adapting its portfolio mix for optimal profitability at any given time.
- Coromandel strategically adjusts its production to manage profitability at the portfolio level:
 - ❑ Coromandel adjusts the NPK ratio (e.g., 20-20-0 vs. 20-20-20) based on the relative price changes of nitrogen, phosphorus, and potassium, ensuring the most cost-effective and profitable production strategy.
- This strategic flexibility in adjusting the product mix allows Coromandel to respond swiftly to market conditions and maintain profitability despite price volatility.

Particulars (INR)	FY21	FY22	FY23	FY24
Selling Price to Farmers (50 Kg)	~1200	~1200	~1350	~1350
Subsidy Per Bag (Calculated)	512	1429	2344	1380
Total Realised Price of DAP	1712	2629	3694	2730
Cost Per Kg in INR				
Nitrogen (18%)	29	37	43	51
Phosphoric Acid (46%)	50	89	112	81
Total RM Consumed Per Bag	1401	2379	2951	2318
Gross Profit /Bag	311	251	743	412
Gross Profit / Ton	6212	5014	14859	8239

Source: Ministry of Fertiliser, Axia Estimates

Coromandel's Retail Network: Another Strategic Advantage

- Coromandel has built a robust **direct-to-farmer distribution channel** through a network of strategically located retail stores mostly in South India which is its key addressable market.
 - Retail outlets expanded from 400 in FY10 to 759 in FY24. Coromandel is further expected to add 100 Outlets in FY25 and expand further at a similar pace beyond FY2025.
- Success attributed to consolidation exercise over 7-8 years, optimizing operations and driving profitability. Presently 97% of stores are profitable.
- Coromandel's retail network plays a crucial role in expanding beyond fertilizers, supporting growth in Crop Protection, CDMO (Contract Development and Manufacturing Organization), and Nano Fertilizers segments.



This network offers several key advantages:

- **Enhanced Customer Relationships:** The extensive presence in rural areas fosters strong relationships with farmers, enabling a better understanding of their needs and challenges.
- **Efficient Product Introduction & Promotion:** Deep market penetration allows for the effective launch and promotion of new fertilizers, crop protection solutions, and other offerings.
 - **Product Distribution:** Efficient delivery of existing and new products directly to farmers.
 - **Market Adoption:** Strong customer relationships and market presence drive product adoption and sales.
 - **Sustainable Practices Promotion:** The network allows Coromandel to promote advanced agricultural solutions and encourage sustainable farming practices.



Crop Protection Chemicals/CDMO/Nano Fertilizers - Next Levers of Growth

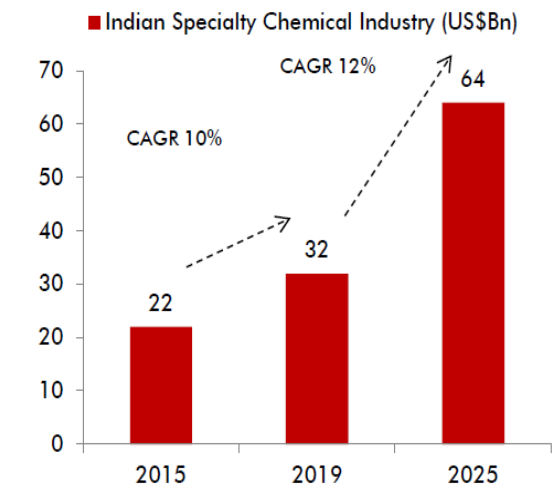
MARKET OPPORTUNITY

- India is becoming a hub for specialty chemicals manufacturing due to rising domestic demand and export opportunities.
- The market expansion is backed by substantial investments in infrastructure, research, and development.
- Global chemical innovators are diversifying their supply chains to mitigate risks associated with over-reliance on China.
- Shifting production volumes to other regions, including India, offers competitive advantages in labour, utility costs, and regulatory support.

COROMANDEL's CPC BUSINESS

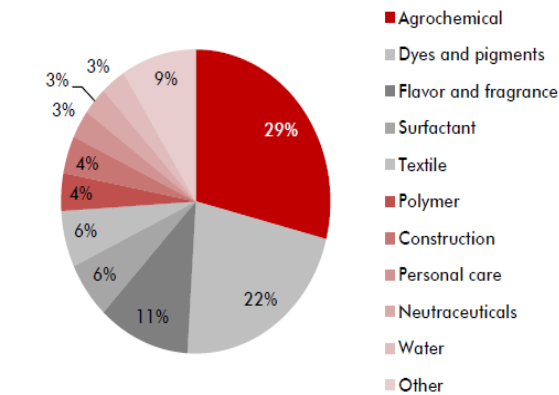
- Coromandel under CPC has a presence in the Technical (RM) and Formulation (FG) grade products with customers across Exports/Business/Direct Consumers.
- However, they are highly reliant and market leaders in a select few products such as Mancozeb and Profenofos etc which account for 80% of their B2B revenues.
- Coromandel has introduced 10 new products (5 Patented and 5 Generics) in FY25 to diversify its revenue base and support growth.
- These products are selected on the back of growing global demand and abundant availability of RM in India thereby reducing China risk.
- Within different geographies the company is aiming to:
 - Domestic- Inlicensing Partnerships with Large Brand and Focus more on the Herbicide side.
 - Technicals - Manufacturing of Off-Patented Molecules
 - Exports- Move towards B2C Channels.
- Growth should be led by both formulations and technical. Formulations would be India-focused and retailed through its distribution network while technical will cater to both domestic and export markets.
- The retail footprint acts as a strong push channel for Coromandel to push its CPC products directly to the end consumer.

Exhibit 50: Specialty chemicals in India is expected to grow at 12%



Source: Industry, FICCI, Ambit Capital research

Exhibit 51: Indian chemicals industry skewed towards agrochemicals and dyes & pigments



Source: FICCI, Ambit Capital research

Crop Protection Chemicals

- ❑ Coromandel's Growth in the Crop Protection Sector has registered muted growth, with revenues doubling over the past eight years, indicating a single-digit Compound Annual Growth Rate (CAGR).
- ❑ In FY2024, Coromandel, like the rest of the market, faced challenges due to weak demand and pricing pressures.
 - ❑ Export Market: Demand is expected to remain weak in the export market due to dumping by China, driven by overcapacity and weak demand.
 - ❑ Domestic Market: Domestic demand is expected to improve due to favorable monsoon conditions and a recovery in crop volumes.
- ❑ Overall, while the export market faces challenges, the domestic market shows signs of recovery.

CPC Segment	Revenue(FY-24)	Remarks
Domestic B2B	755	<ul style="list-style-type: none"> ➤ The company's Technical B2B Segment operates with three technical and two formulation facilities, focusing on key products such as Mancozeb, Profenofos, Phenthoate, Malathion, and Acephate. <ul style="list-style-type: none"> ❑ Mancozeb and Profenofos are particularly significant, as they account for 80% of the segment's export revenue. ❑ Coromandel is the second-largest producer of Mancozeb globally ➤ B2B segment contributes 66% of Crop Protection Chemical (CPC) turnover.
Exports B2B	1,102	
Total B2B	1,857	
B2C	950	<ul style="list-style-type: none"> ➤ The Formulation Segment encompasses a diverse range of products and services: <ul style="list-style-type: none"> ❑ Domestic Formulations: Standard formulations for the local market. ❑ In-Licensed Products: Products obtained through licensing agreements, including those from ISK. ❑ Innovative Bio-Fertilizers: New and advanced bio-fertilizer solutions. ❑ Neem-Coated Bio-Fertilizers: Eco-friendly fertilizers with neem coatings. ❑ Generic Products: Standard chemical products for crop protection. ➤ Retail Network: The segment operates around 850 retail stores, offering a broad array of products including insecticides, herbicides, and fungicides for comprehensive crop protection.
Total CPC	2,807	

Source: CIL Annual Report

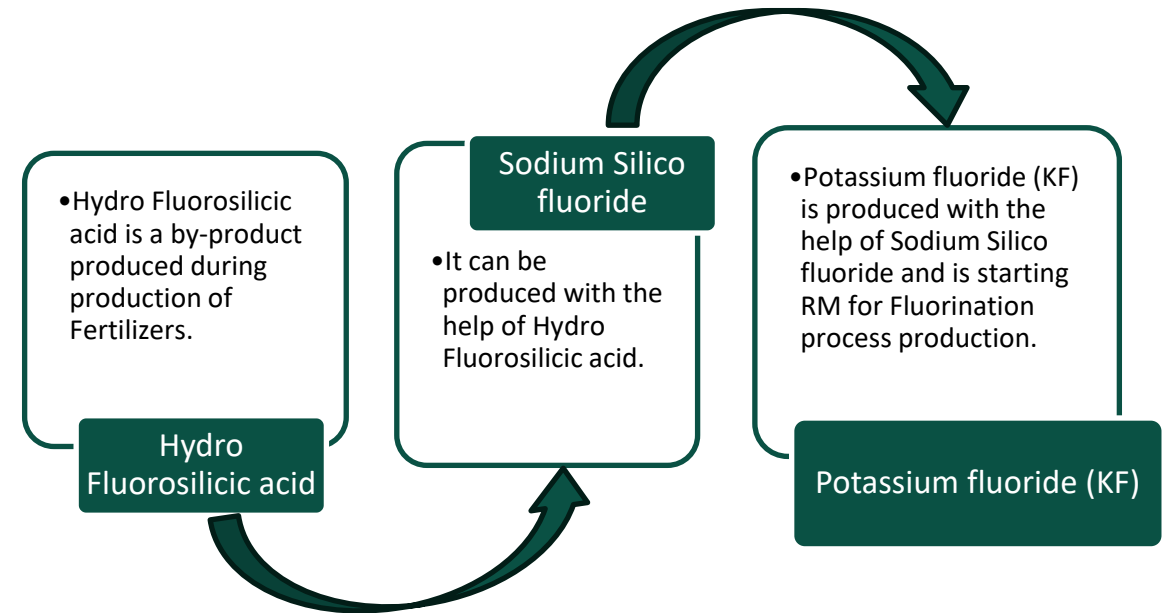
Segment	Growth driver/ Outlook
<p style="text-align: center;">CPC <i>B2B Technical products</i></p>	<p>Reducing Dependence on Old Molecules: Developing new technicals to diversify the portfolio.</p> <ul style="list-style-type: none"> ❑ Identified 11 new molecules with completed Draft of Technologies (DOTs) and optimized processes. ❑ Six molecules are progressing well. ❑ Focus on newly off-patent chemicals to drive volume growth and mitigate the impact of expiring patents. ❑ Plans to introduce four new "9(3)" products within two years. <p>Operational Efficiency and Integration: Pursuing backward integration for key sub-components to improve:</p> <ul style="list-style-type: none"> ❑ Predictability: Less reliance on external suppliers enhances control over production planning. ❑ Risk Reduction: Minimizes disruptions in the supply chain. <p>Maintaining Market Responsiveness:</p> <ul style="list-style-type: none"> ❑ Adapting to changing market dynamics, such as pausing Azoxy production due to China's aggressive pricing. ❑ Continuous evaluation and adaptation based on market conditions, as recommended by the Boston Consulting Group (BCG). <p>Overall, Coromandel's strategy for its technical B2B segment focuses on proactive diversification through new product development, maintaining operational efficiency, and being responsive to market changes. This approach positions the company for sustainable growth in the competitive technical products market.</p>
<p style="text-align: center;"><i>B2C Formulation products</i></p>	<ul style="list-style-type: none"> ➤ Coromandel generates approximately ₹600 crores from its domestic formulation business through trade channels, with an additional ₹350 crores from retail sales as of FY2024. ➤ The company aims to enhance its domestic formulation capabilities by expanding into higher-margin differentiated and combination products and exploring new cannabis-based formulations. ➤ Coromandel is concentrating on domestic market, targeting new opportunities in underserved regions like Eastern India. ➤ In May 2024, the company announced the introduction of 10 new crop protection chemical products annually, including domestic formulations, an in-licensed product from ISK "Prachand", 3 innovative bio-fertilizers, 1 neem-coated bio-fertilizer, 5 generic products. ➤ Management anticipates the formulation business will grow at a rate of 10-15%, reflecting the company's commitment to capturing market opportunities and expanding its product portfolio.

CDMO – Notable Progress Made to Tap On This Opportunity

- **China + 1 Strategy:** Under the China + 1 strategy, innovator companies are now looking to diversify their supply sources away from a single supplier in China, with India emerging as a viable alternative.
- Over the years, Coromandel has established its capabilities in chemistries like Dithiocarbamates, Organophosphates, Triazoles, Strobilurins involving chemical processes like Chlorination, Bromination, Nitration, Hydrogenation, Hydrolysis, Condensation, Acetalization, Esterification at large commercial scale, helping it to make a mark in the Agchem space.
- As part of its capability extension initiative in adjacent areas, Coromandel International Limited (CIL) is venturing into contract manufacturing, making significant strides in securing commercial orders and expanding its presence in this promising sector. Coromandel began its CDMO journey about a year ago when a customer requested its involvement.
- The company has initiated activities with leading global innovator companies to support them on novel molecule and intermediate manufacturing. The discussions have progressed well and can be a growth engine for Coromandel in future years. CIL is actively engaged in discussions multiple partners:
 - ❑ **Japanese Innovator:** The company has completed the technical package for this customer and moved into the five-pack stage, with commercial orders anticipated within 24 months. Significant progress has been made, bringing them closer to finalizing a preliminary product.
 - ❑ **European Innovator:** Another customer has visited the facility, signed an NDA, and provided a technical package for costing. Discussions are focused on the cost-related details of an existing product, with the partner interested in understanding the manufacturing costs. Further clarity will be provided once the company announces the establishment of a new facility.
 - ❑ Additionally, Coromandel is in advanced talks with three other innovators in the chemicals, specialty chemicals, and pharmaceutical sectors.
- **Strategic Developments:** Over the past year, Coromandel has:
 - ❑ Hired business development professionals and a manufacturing head with extensive experience in agricultural chemicals and CDMO companies.
 - ❑ Committed to investing over ₹1000 crores in building infrastructure, including the Coromandel Nanotechnology Center in Coimbatore and Chennai.
 - ❑ Promoted STEM education to attract and retain talent for CDMO contracts.
- **Future Outlook:** Coromandel plans to focus on producing patented and generic products for its partners. The establishment of a new facility will provide further clarity and enhance manufacturing capabilities, reinforcing the company's commitment to aggressive expansion in the CDMO space.
- **Long-term Vision:** The company anticipates significant scale-up in FY26, with foundational work being laid in FY25. This includes technology sharing and strategic partnerships to meet customer requirements, positioning Coromandel for sustainable growth in the competitive technical products market.

CIL's Fluorination Technologies Expansion:

- CIL, a company with expertise in Bromination, Hydrogenation, and Chlorination, is exploring the potential of fluorination technologies.
- Fluorination technology can serve various sectors including Contract Development and Manufacturing Organization (CDMO), Specialty Chemicals, and Pharmaceuticals.
- CIL's backward integration strategy eliminates the need for investing in fluorspar mines or external purchases for fluorination processes.
- The company produces hydro fluorosilicic acid, which can be converted into potassium fluoride (KF) for fluorination.

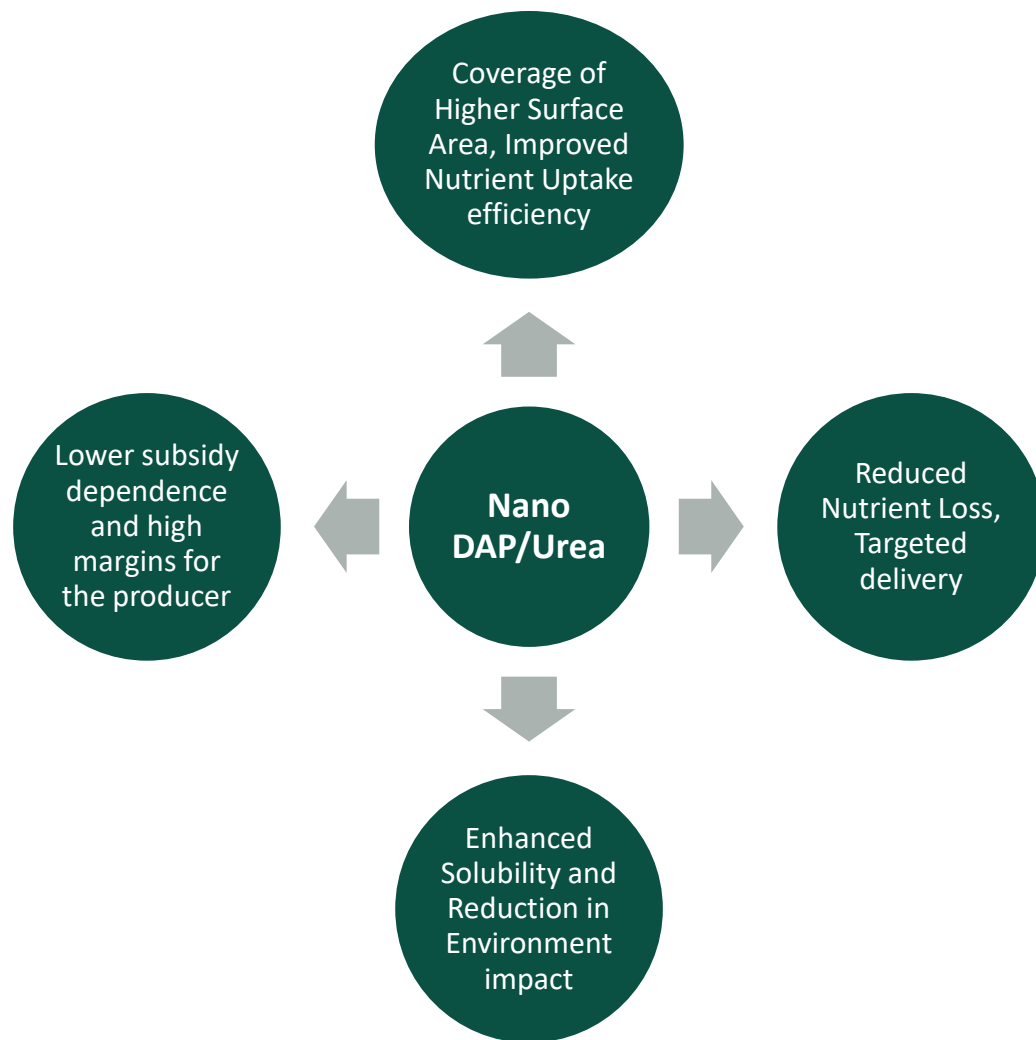


Other Initiatives

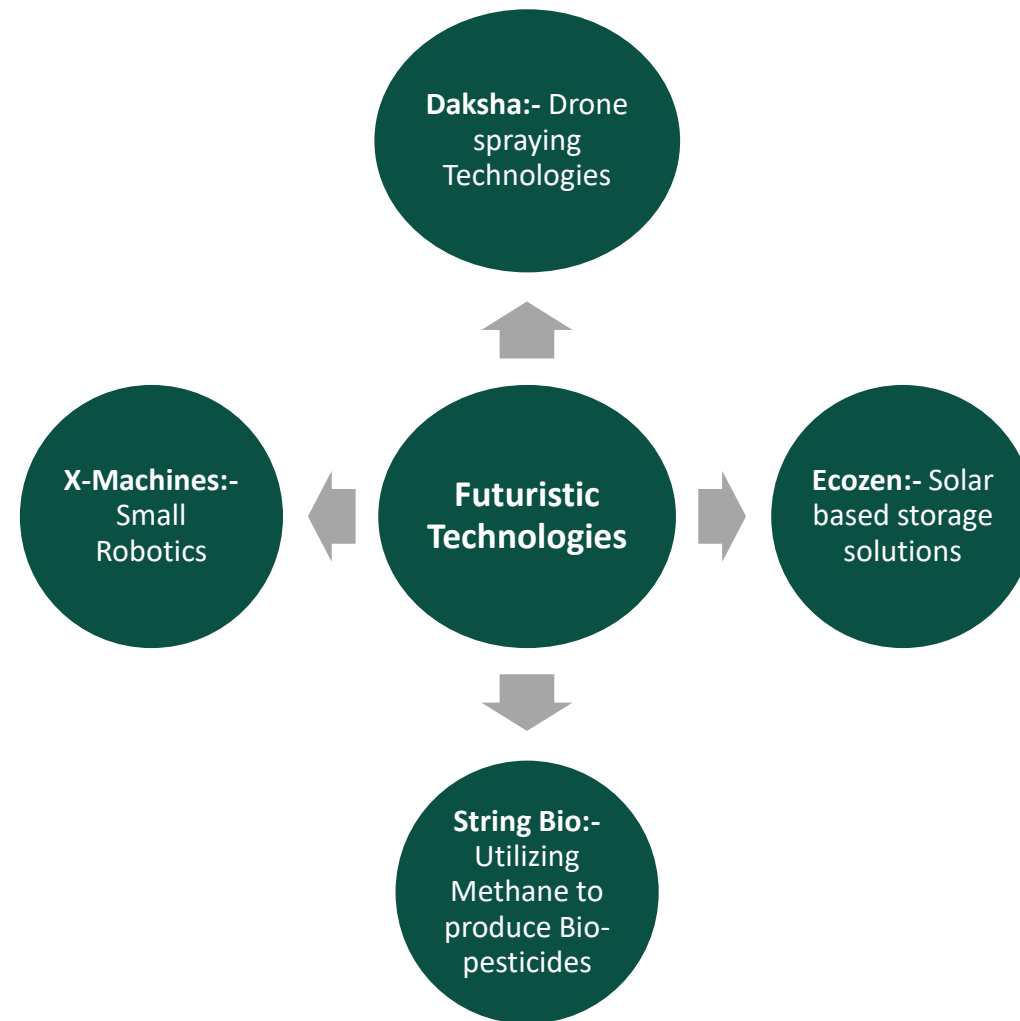
- **Been working on the Bio Fertilizer side with Nano Urea/Nano DAP:** These are liquid based Bio fertilizers which can be used in coherence with the Traditional Fertilizers thereby enhancing Crop productivity and Usage Efficiency. While in the initial stages Coromandel has developed and got approval for Nano DAP (which is under implementation) while Nano Urea is close to being rolled out.
- **Bio stimulants:** The management did talk about Bio stimulant as another large and fast-growing opportunity. These substances when applied to plants enhances their nutrient uptake and increase quality of the Crop. They believe this could in a few years become a 10,000 Crores market.
- **Strategic Investments in Startup's and Innovative/Futuristic technologies:** Coromandel has invested in Daksha, Ecozen, Stringbio and X-Machines which gives them access to Biotechnology, Drone Technologies, Robotics and Solar based storage solutions. While small in size they act as ancillary to Coromandel's business model and allows them to be at the forefront of adopting such technologies or innovating with them as and when the scale-up happens in case it ever does.

Opportunities created by New Initiatives

➤ Expansion onto new type of products like Nano DAP/Urea



➤ Investment in new-age start-ups to be ahead of the curve



What differentiates Coromandel?

What Differentiates Coromandel?

Fully Integrated

Coromandel remains fully integrated from Backward integration of RM's to Forward Integration through Retail Stores.

End Customer Ownership

Presence in the deeper areas of states through Retail stores allows for customer interaction and trust building thereby driving stickiness.

Superior Product Mix with ability to change mix as per profitability

Highest share of Complex products drives sustainable EBITDA irrespective of the volatility in prices.

Presence in Crop/Knowledge/Income Rich regions

The Southern region is known to be better as an agricultural economy and hence that remains an advantage.

Diversified Business Operations

Business has exposure to CPC's business, expanding into CDMO/Nano Product and Upcoming technologies as well does provide a positive outlook.

Financials & Valuation

Fertilizer Business – Structural Improvement In Profitability and Cash Flow Generation

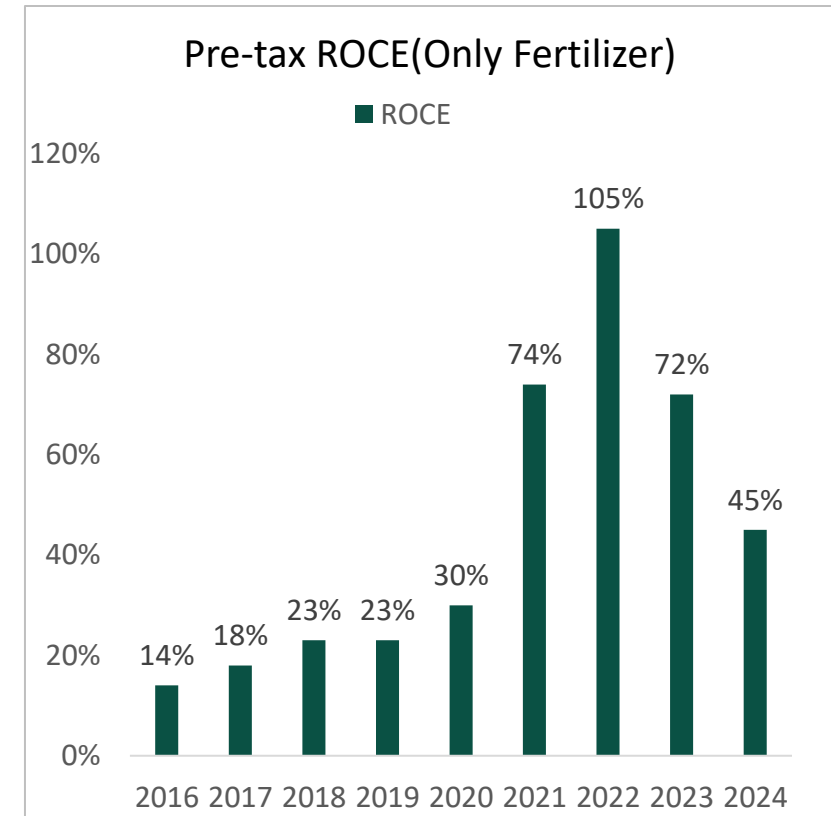
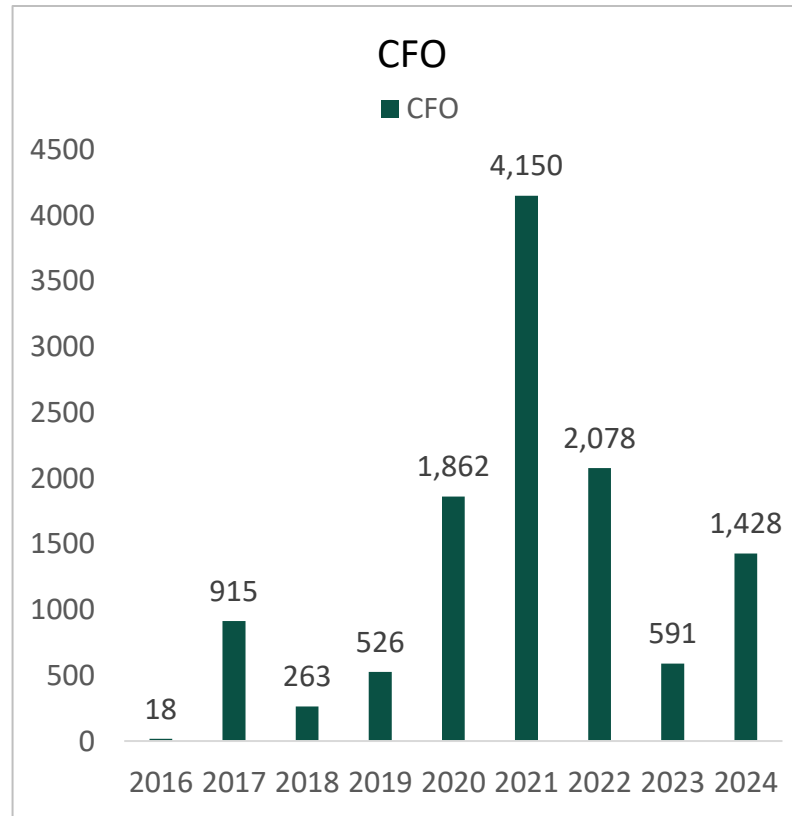
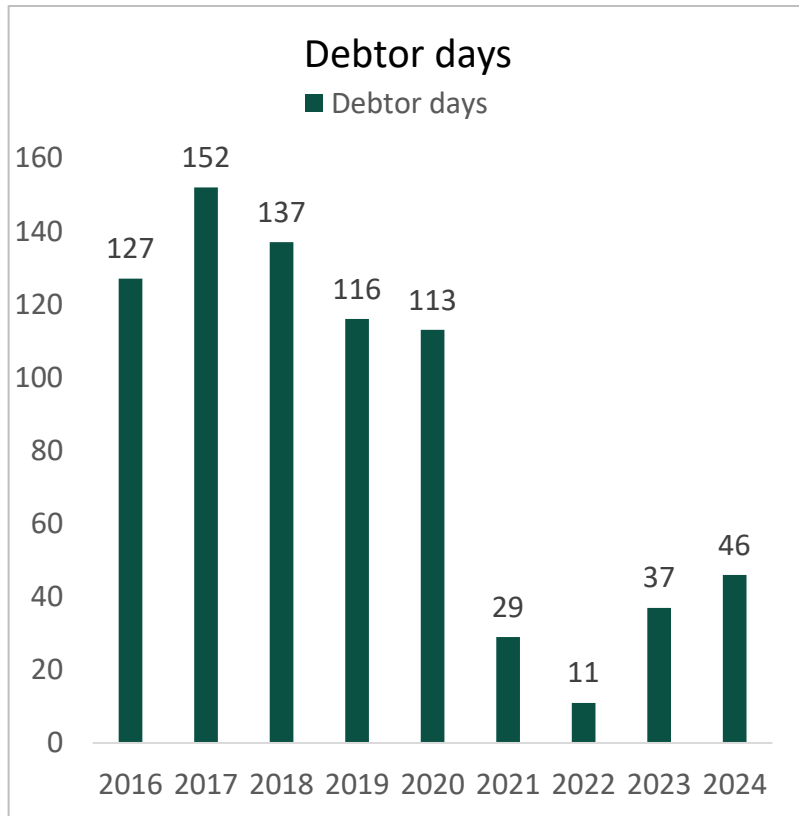
- We expect Coromandel to maintain strong profitability per ton (>₹4,500) due to several strategic advantages:
 - **Market Leadership:** Coromandel holds a dominant market share in NPK fertilizers, particularly in the southern region.
 - **Cost Efficiency:** Backward integration in Phosphoric acid and Sulphuric acid production secures low-cost raw materials.
 - **Sustainable Growth:** Management's initiatives are expanding market opportunities while solidifying the core fertilizer business, despite historical government dependence and volatility.
- These factors, particularly the ongoing backward integration, are reflected in:
 - **Rising Gross Profit per Ton:** This translates directly to improved EBITDA per ton.
 - **Enhanced ROCE:** Continued backward integration strengthens profitability and returns on capital employed.
- Coromandel's strategic investments and volume growth position it for sustained profitability and strong growth rates (CAGR) in profitability metrics.

Particulars	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25 AE	Mar-26 AE	Mar-27 AE
Phosphatic Volumes Manufactured (Lakh Ton)	27.2	27.6	30.7	29.4	29.9	32.5	32.1	35.3	37.1	39
Total Product Volumes (Lakh Ton)(NPK/DAP + SSP) Manufactured	32.4	33.3	36.4	36.1	37.5	40.5	38.7	42.5	44.7	46.9
Gross Profit/Ton (Estimate) (Manufactured Only)	9,036	10,043	9,823	10,804	11,046	13,231	13,086	13,086	13,444	13,785
EBITDA/Ton (Estimate) (Manufactured only)	3,131	3,545	4,140	4,668	4,729	6,399	5388	5734	6648	7271
EBITDA/Ton (Reported on Total Volumes)	2311	2511	3464	3482	3762	4356	3861	4218	4952	5484

Source: Annual Reports, Axia Estimates

DBT System Streamlines Subsidies, Boosts Financials

- Real-time recording and reconciliation of final sales on the POS system under DBT has improved transparency resulting in a faster subsidy disbursement cycle.
- **Improved government policies, product mix, and backward integration boosted financial performance.** This is evident in better debtor days, CFO conversion, and ROCE, leading to increased financial strength and potential re-rating.

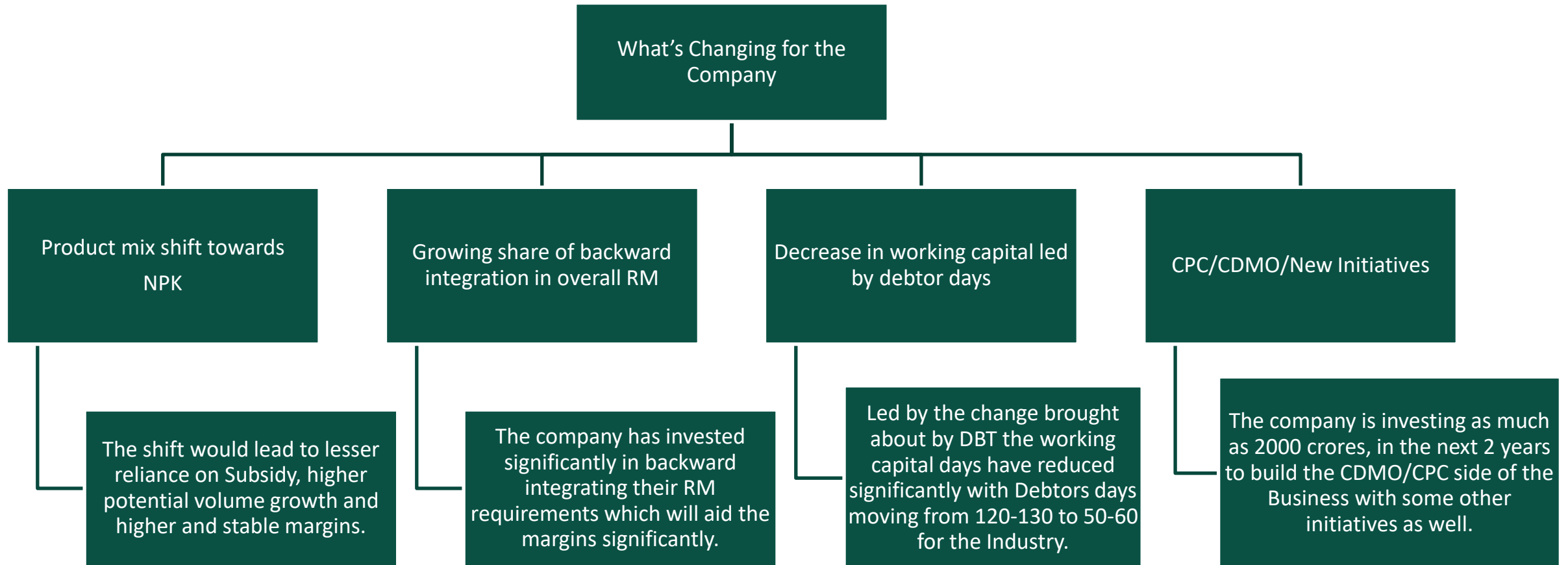


Source: Annual Reports, Ministry of Fertiliser, Axia Estimates

Note: The variation in Debtor days could be on the back of timing issues than anything else, the government continues to disburse the subsidies on time.

Why look at Coromandel now?

- Coromandel has undergone significant transformations recently, both from business and policy perspectives. These changes have enabled the company to transition from a policy-reliant, volatile entity to a more independent, sustainable, value-added, and diversified business. The momentum of these transformations has accelerated in 2024 and is expected to yield substantial benefits within a few years. We anticipate that these ongoing changes will enhance growth, improve and sustain margins, reduce government dependency, strengthen the balance sheet—a longstanding challenge for the industry—and increase the share of value-added products and services. Consequently, this should lead to a re-rating and outperformance in the market.



- **Fertilizer Business:** Volume growth in the fertilizer segment is cyclical and will depend on rainfall patterns. However, we expect profitability to remain strong due to the company's backward integration initiatives, though some volatility may occur due to changes in subsidies and raw material prices.
- **CPC Business:** With significant capital allocation to this segment, we anticipate secular growth with relatively stable profitability. Management projects a 15% CAGR in CPC, driven by new product introductions and improved demand, sustaining 30% gross margins.
- **Strong and Improving RoIC:** Strong earnings growth is expected, primarily driven by improved profitability in both the fertilizer and CPC businesses.
 - ❑ Coromandel's EBITDA has grown at an 11% CAGR over the last decade, with capital investment increasing from approximately ₹3700 Crores in 2014 to ₹5200 Crores in 2024, indicating a significant rise in ROIC.
 - ❑ Improvement is largely due to increased profitability from backward integration and lower receivables under DBT, both of which are believed to be sustainable.
- **Valuation:** Despite some re-rating in its Price-to-Earnings (P/E) ratio, Coromandel has not re-rated at all on the asset-light multiple. This is attributed to a significant improvement in Return on Invested Capital (RoIC) within the business.

Particulars	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25 AE	Mar-26 AE	Mar-27 AE
Total Gross Profit (Cr.)	3562	3885	4081	4494	4894	6155	5578	6369	7249	8077
Total EBITDA (Cr.)	1345	1443	1731	1984	2150	2926	2374	2853	3445	3957
PAT (Cr.)	780	720	1065	1329	1528	2013	1644	1971	2418	2841
RoIC (Overall)	26%	25%	27%	34%	45%	58%	41%	45%	46%	47%
Asset Light Multiple	-	-	-	-	-	-	-	28	22.4	17.9

Assumption / Expectations	Risks
Backward Integration, led by increasing volumes on the phosphatic fertilisers end should allow Cash flows and ROCE's to be high.	Changes in DBT, Payment timelines, subsidy, price control etc. unfavourable to the company and the industry could impact our thesis materially.
Higher presence in the low subsidy and low-price control reliant product segments (NPK/DAP) should restrict the receivables and regulatory overhang.	Failure in effective execution and adoption of CPC Business, CDMO and New initiatives (Nano DAP/Urea) could impact our thesis on the potential valuation re rating and then the current valuations might not look too attractive.
The 800+ retail stores and expanding should allow the company to roll out new products into the market more efficiently and at a much faster pace.	Volume Growth on the fertilizer side not following through.
Nano DAP/Nano Urea could be a game changer in terms of potential sales volumes, payback period and product quality including lower subsidy reliance, it however does remain at early stages of adoption.	Significant Volatility in Raw Material prices.
Crop protection is a much stable and higher margin business. Expected to grow at 15% without any regulatory intervention or participation in the Business. India should here see strong incremental demand coming in.	Removing Branding from DAP and turning It into a Common named product for all companies takes away the branding differentiation.
CDMO remains a large opportunity as well. Given they are investing a large amount into the same, ongoing talks to multiple players might be close of closure.	CDMO requires time to scale up, so if new clients fail to come the returns on CDMO money will be extremely poor,
The Business is moving towards becoming a more predictable and a sustainable business with reducing Governmental exposure. With the new initiatives and sustained higher ROIC's and a strong management pedigree, valuation rerating could be in the offing.	-

Thank you

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Annexure

MARKET LEADING PRODUCTS



Fertiliser:

As India's largest private phosphatic sector, Coromandel commands a market share of 15 % based on consumption in the NPK (Nitrogen, Phosphorus, and Potassium) and DAP (Diammonium Phosphate) segment.

Coromandel has a strong market presence with an annual production capability of approximately 45 million tons of complex fertiliser and Single Super Phosphate (SSP). Additionally, the company's distinctive products in NPKs account for ~38% of its sales volumes.



Specialty Nutrients:

Coromandel stands out as a leading player in the specialty nutrient market, especially in the domains of water-soluble fertilizers and the sulphur category. With annual sales of ~2.4 lakh tons, Coromandel is the largest marketer of organic fertilisers in India.



Crop Protection:

Coromandel is a leading Indian Agrochemical Player with presence in India as well as has sizeable global sales.

Its products are marketed to 80+ countries and reach of over 50000 retail points in India.



Bio Products:

Largest neem based Azadirachtin manufacturer globally

Significant presence in the US, Canada, and Europe

OUR NEW PRODUCTS LAUNCHES IN FY24

Coromandel is proud to introduce its latest range of innovative agricultural solutions, designed to meet the evolving needs of modern farming practices. This diverse lineup features a variety of cutting-edge products, each meticulously crafted to enhance crop productivity, improve yield quality, and promote sustainable agricultural practices.

SND (Specialty Nutrient Division)



Nano DAP

Composition:
2% N, 5% P2O5

Feature:
Gromor Nano DAP is a nano fertilizer developed in-house with an advanced Natural Polymer Crosslinking technology. 60-80% of nano particles in the product measure less than 50nm, making it highly efficient.



AcuMist Boron

Composition:
Boron Ethanolamine 10%

Feature:
Acumist Boron is a novel product with 10% Boron in Ethanolamine formulation. It is a liquid micronutrient for foliar application. It has a stable formulation ensuring equal nutrient spread.



Biocharm

Composition:
Microorganisms for Nitrogen, Phosphorous, Potassium

Feature:
Biocharm promotes plant growth by ensuring the availability of essential nutrients. by fixing atmospheric nitrogen, hydrolyzing insoluble phosphorus, and mobilizing potassium.



NCake

Composition:
Rich source of Organic carbon containing pure neem de-oiled cake.

Feature:
Anti-nematodes and bio pesticidal effect of Neem. Performs the dual action of fertilizer & repellent.

CPC (Crop Protection Chemicals)



Prachand

Composition:
Cyclaniliprole 10% DC

Feature:
Launched in collaboration with ISK, Japan, Prachand utilizes advanced Japanese technology to safeguard paddy crops from destructive pests such as stem borers and leaf folders.



Symatic

Composition:
Halosulfuron Methyl 75% WDG

Feature:
Symatic is a selective post-emergence herbicide providing outstanding control of Cyperus rotundus at low doses due to its strong residual action.



Gaintop

Composition:
Copper Oxychloride 50% WP

Feature:
Gaintop offers broad spectrum control against fungal and bacterial diseases with its powerful copper formula.



Marlett Xtra

Composition:
Mancozeb 75% WG

Feature:
Marlett Xtra is a broad spectrum contact fungicide enriched with nutrients (Mn & Zn) for better crop health.

Bio (Biological Products)



Adhiraj

Composition:
Neem oil-based EC containing Azadirachtin 0.03%

Feature:
Adhiraj is a neem oil-based insecticide with multiple modes of action effective against Cotton Aphids & Boll worm.



Dinocron

Composition:
Dinotefuran 20% SG

Feature:
Dinocron is an insecticide effective against BPH, whiteflies, Jassids, Aphids, and Thrips with quick plant uptake due to its systemic and translaminar action.



Sten

Composition:
Glufosinate Ammonium 13.5% SL

Feature:
Sten is a broad-spectrum, non-selective contact herbicide effective against weeds emerging after crop planting.



Pyramox

Composition:
Pyrifoxifen 10% EC

Feature:
Pyramox is an insecticide controlling whiteflies and aphids effectively.



Canemax

Composition:
Micronutrient mixture (Zn, Fe, B, Cu, Mg, Mn)

Feature:
Canemax is a micronutrient mixture specially recommended for luxurious growth & yield of sugarcane crop.