Paradeep Phosphates Ltd

30th September 2024

Initiating Coverage

Sector	**Ratings**
Fertilizer	BUY
Current Price	**Target**
Rs. 83	Rs. 105
Potential upside	**Holding**
26%	12 months

Stock Information	
Sensex/Nifty	84,300/25,811
Bloomberg	PARADEEP:IN
Equity shares (Cr)	81.48
52-wk High/Low (Rs)	98.4/58.7
Face value (Rs)	10
M-Cap (Rs Cr)	6,746
2-wk Avg Volume (Qty)	22,40,440

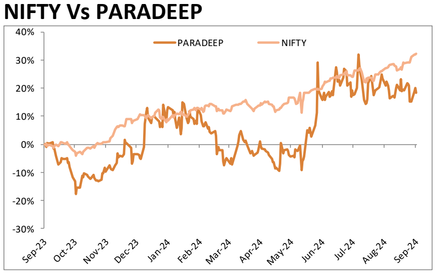
Shareholding pattern %

Particulars	Dec-23	Mar-24	Jun-24
Promoters	56.1	56.1	56.1
DII	22.0	24.6	26.8
FII	5.1	1.6	1.9
Public	16.8	17.7	15.2

Financial Summary (Rs. crs.)

Summary P&L	FY24	FY25E	FY26E
Revenue	11,575	13,755	19,442
EBITDA	648	1,279	1,711
EBITDA %	5.6	9.3	8.8
EBIT	437	978	1,360
EBIT %	3.8	7.1	7.0
PAT	100	570	852
PAT %	0.9	4.1	4.4
P/E	68	12	8
P/B	2	2	1
EV/EBITDA	16	8	6

NIFTY Vs PARADEEP



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Paradeep Phosphates Limited (PPL) is India's second largest private sector company in phosphatic fertilizers. Its primary products include a variety of phosphatic fertilizers, such as Di-Ammonium Phosphate (DAP) and several grades of NPK (Nitrogen, Phosphorus, Potassium), as well as Urea. PPL operates two major manufacturing facilities: one in Paradeep, Odisha, with a capacity of 1.8 Mn MT, and another in Zuarinagar, Goa, with a capacity of 1.2 Mn MT.

We initiate coverage on PARADEEP with a BUY rating and a Target price of Rs 105 based on 10x P/E multiple on FY26E EPS implying an upside of 26%. We estimate the company to grow its revenue / EBITDA / PAT at grow at a CAGR of 30% / 60% / 192% from FY24-FY26E. Our positive outlook on the company is supported by the following rationale: a) Capacity expansion to ~3.7 Mn MT from 3 Mn MT post-merger with Mangalore Chemicals and Fertilizers Ltd to enhance operations, b) Substantial land assets of 2,280 acre in Paradeep complemented by a captive berth, c) Strong relationship with promoters ensuring stable and consistent raw material sourcing, d) Backward integration enabling better resilience on supply chain and improve profitability, e) Diverse product portfolio across multiple grades of NPK, DAP, Urea, and Zypmite tailored to meet different soil requirements across the country

Capacity expansion to ~3.7 Mn MT from 3 Mn MT post-merger with Mangalore Chemicals and Fertilizers Ltd to enhance operations: PPL's manufacturing facilities are situated in Paradeep, Odisha (1.8 Mn MT) and Zuarinagar, Goa (1.2 Mn MT) giving a total production capacity of 3 Mn MT of which 2.6 Mn MT is for phosphates and 0.4 Mn MT for urea. The management is optimistic about completing the merger with Mangalore Chemicals and Fertilizers Ltd (MCFL) by April 2025, which is expected to boost installed capacity to approximately ~3.7 Mn MT. The enhanced capacities following the merger will create synergies and boost the company’s operational scale and is expected to start contributing from FY26. Currently, PPL holds a market share of ~11-12% in the phosphate business, and the post-merger growth will further strengthen its market position.

Substantial land assets of 2,280 acre in Paradeep complemented by a captive berth: PPL owns land of 2,280 acre at Paradeep site of which it is currently utilizing 1/3rd and 2/3rd is still available for further expansion. The company enjoys a competitive advantage with a captive berth at the nearby Paradeep port and a 3.4 km conveyor pipeline, resulting in zero inbound logistics costs. Additionally, the Goa plant is located near Mormugao Port and benefits from its strategic position and includes a captive power plant which enhances operational efficiency. Both facilities are equipped with railway sidings close to the bagging and production areas streamlining outbound logistics. The Goa plant's proximity to key states like Maharashtra, Karnataka, Madhya Pradesh, Andhra Pradesh, Uttar Pradesh, Telangana, and Chhattisgarh which cover about 46% of the nation’s phosphate consumption allows efficient supply to major markets and reinforcing industry presence. PPL's strategic location near ports boosts logistical efficiency, enabling the company to serve markets across India effectively.

Investors are advised to refer disclosures made at the end of the research report.

Diverse product portfolio across multiple grades of NPK, DAP, Urea, and Zypmite tailored to meet different soil requirements across the country: PPL's core offerings include a variety of phosphatic fertilizers such as Di-Ammonium Phosphate (DAP), multiple grades of NPK (Nitrogen, Phosphorus, Potassium), Zypmite, and Urea, all designed to meet the diverse nutritional needs of crops and improve soil fertility. PPL also serves as a key industrial supplier of phospho gypsum, sulfuric acid, and hydrofluorosilicic acid, which support various industrial applications and complement its fertilizer business. Committed to its growth ambitions and to supporting agriculture in India, PPL focuses on producing fertilizers tailored to the specific needs of farmers. PPL is also focusing on expanding its product line with offerings such as nano DAP and nano urea. In Q1 FY25, the company sold 50,000 bottles of nano urea and aims to sell a total of 500,000 bottles by the end of FY25. Additionally, PPL introduced a new product, Triple Super Phosphate (TSP), selling approximately 27,000 MT in Q1 FY25, with plans to reach around 100,000 MT for the remainder of the year. The company continually innovates new products, optimally utilizes its production capacity, and enhances efficiency through strategic backward integration.

Strong relationship with promoters ensuring stable and consistent raw material sourcing: PPL is promoted by Zuari Maroc Phosphates Pvt. Ltd. (ZMPPL), a joint venture between Zuari Agro Chemicals Limited (ZACL) and the OCP Group S.A. ZACL is a leading fertilizer player in India, while the OCP Group, based in Morocco, is one of the largest phosphatic companies globally controlling over 70% of known phosphate reserves. Given India's scarcity of raw materials like Rock Phosphates, Phosphoric Acid, and Ammonia, the country relies heavily on imports. This limited availability has prompted many companies to establish agreements with foreign entities for raw material supply. PPL has secured a long-term supply agreement with one of its promoters OCP Group for Phosphate Rock ensuring a stable and consistent supply. The company also fosters strong relationships with its raw material suppliers, which enhances its supply chain reliability and efficiency. By strategically partnering with these suppliers, PPL not only secures essential resources but also promotes sustainable practices within its supply chain.

Backward integration enabling better resilience on supply chain and improve profitability: One of the key factor in PPL's success is its focus on backward integration, which enhances supply chain resilience and improves profitability. The Paradeep unit is integrated with phosphoric acid production, while the Goa unit focuses on ammonia. In 2023-24, PPL increased its captive phosphoric acid capacity by 67%, from 0.3 to 0.5 Mn MT, to support rising finished goods production at Paradeep. Concurrently, the company is enhancing its sulfuric acid production capacity from 1.39 to approximately 2 Mn MT. This backward integration mitigates operational volatility and enables significant cost efficiencies, allowing PPL to stabilize its supply chain and maintain healthier margins. By producing essential raw materials like phosphoric and sulfuric acid in-house, PPL can effectively manage fluctuating prices, which significantly impact its cost of sales. This strategic approach not only helps the company navigate price changes but also sustains competitive margins in the fertilizer market.

Key Risks: a) Frequent changes in government fertilizer policy affect sales and subsidy realization, **b)** Volatility in raw material prices impact pricing and profitability, **c)** Low rainfall can hinder crop production, subsequently reducing fertilizer demand.

PPL's capacity expansion and market share growth in the fertilizer sector

PPL has successfully expanded its capacity from 1.2 Mn MT in FY21 to 3 Mn MT in FY24, achieved through a combination of organic and inorganic growth, including the acquisition of ZACL's Goa plant. The company's manufacturing facilities are located in Paradeep, Odisha (1.8 Mn MT) and Zuarinagar, Goa (1.2 Mn MT), resulting in a total production capacity of 3 Mn MT, with 2.6 Mn MT dedicated to phosphates and 0.4 Mn MT to urea.

PPL's management is optimistic about completing the merger with MCFL by April 2025, which is expected to increase installed capacity to approximately 3.7 Mn MT. The enhanced capacities following the merger will create synergies and boost the company's operational scale and is expected to start contributing from FY26. Currently, PPL holds a market share of ~11-12% in the phosphate sector, and the post-merger growth will further strengthen its market position.

The Paradeep plant features four fungible DAP/NPK production lines and is renowned for producing high-quality DAP and its flagship product, NPK-20 (20:20:0:13). Meanwhile, the Goa plant not only produces urea but also unique NPK grades for key markets in western and southern India, notably being the only facility in the country to produce NPK 19:19:19. During 2023-24, PPL produced six unique grades of NPK in addition to its core products, including DAP, N20, N10, N12, N19, and N28.

Exhibit 01: Key products and targeted markets

Manufacturing Units	Location	Area in acres	Installed Capacity	Target Market	Key Products	ISO Certification	Backward Integration	Advantages
	Paradeep, Odisha	2280	NPK / DAP 1.8 MMTPA	East, Central and South of India	DAP, NPK-20, N-12, N-10, N-14	• 9001 • 14001 • 45001 • 50001 • 17025	Phosphoric Acid	Inbound logistics via a 3.4 km pipeline from the port Green power generated from sulphuric acid production
	Zuarinagar, Goa	260	NPK / DAP 0.8 MMTPA, Urea - 0.4 MMTPA	West, Central and South of India	NPK-10, N-12, N-14, N-19, N-28, Urea N-19 is unique to the Goa plant in India	• 45001 • 14001	Ammonia	Centrally located in agriculturally developed markets with high phosphate consumption

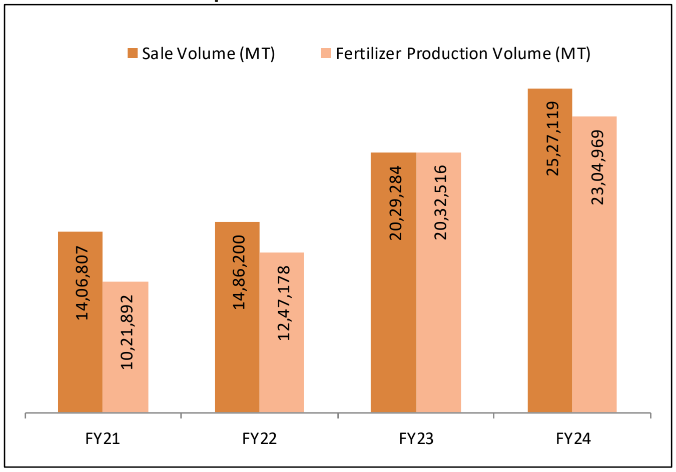
Source: Company, Systematix PCG Research

Exhibit 02: Key growth drivers going ahead

Source: Company, Systematix PCG Research

In 2023-24, PPL achieved a production volume of 2.3 Mn MT, marking a 13% year-on-year increase. Sales volumes also rose significantly, reaching 2.5 Mn MT an impressive 25% increase compared to the previous year. The company's product mix has increasingly favored value-added NPK fertilizers over DAP. The year-on-year increases in production and sales volumes of 13% and 25%, respectively, contributed to a larger market share for PPL. NPK fertilizers accounted for approximately 50% of total sales volumes, highlighting the company's capability to produce and market a diverse range of NPK grades tailored to specific soil and crop conditions across India.

Exhibit 03: Sales and production volumes of fertilizer



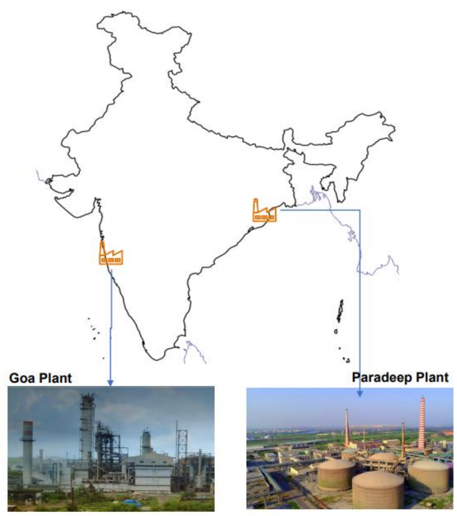
Source: Company, Systematix PCG Research

Driving agricultural growth through backward integration and operational excellence

PPL owns 2,280 acres of land at its Paradeep site, utilizing one-third of this area while leaving two-thirds available for future expansion. The company benefits from a competitive advantage due to its captive berth at the nearby Paradeep port and a 3.4 km conveyor pipeline, which result in zero inbound logistics costs. Additionally, the Goa plant is strategically located near Mormugao Port and includes a captive power plant that enhances operational efficiency. Both facilities feature railway sidings close to production and bagging areas, streamlining outbound logistics.

The Goa plant’s proximity to key states such as Maharashtra, Karnataka, Madhya Pradesh, Andhra Pradesh, Uttar Pradesh, Telangana, and Chhattisgarh—covering about 46% of India’s phosphate consumption—enables efficient supply to major markets and reinforces PPL’s industry presence. This strategic positioning near ports improves logistical efficiency, allowing PPL to serve markets across India effectively.

Exhibit 04: Plant locations



Location	Paradeep, Odisha	Zuarinagar, Goa
Area (Acres)	2,282	260
Target Market	East, Central and South	West, Central and South
Key Fertilizer Products	DAP, NPK-20, N-12, N-10, N-14	NPK-10, N-12, N-14, N-19, N-28, DAP, Urea
Installed fertilizer Capacity (MMTPA)	NPK / DAP: 1.8	NPK / DAP: 0.8 Urea: 0.4
Strategic Position	• Backward integration of phosphoric acid • Captive berth at Paradeep port • Land available for future expansion	• Backward integration of ammonia • Diversified product portfolio • Access to developed markets

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Source: Company, Systematix PCG Research

A key factor in PPL's success is its focus on backward integration, which strengthens supply chain resilience and enhances profitability. The Paradeep unit integrates phosphoric acid production, while the Goa unit specializes in ammonia. In the 2023-24 fiscal year, PPL increased its captive phosphoric acid capacity by 67%, from 0.3 to 0.5 Mn MT, to support rising finished goods production at Paradeep. Concurrently, the company is expanding its sulfuric acid production capacity from 1.39 Mn MT to approximately 2 Mn MT. This backward integration mitigates operational volatility, improves cost efficiencies, and stabilizes the supply chain, allowing PPL to maintain healthier margins despite fluctuating raw material prices.

PPL also secures a stable source of critical raw materials through long-term contracts, reducing the risks associated with supply chain disruptions and price volatility. By producing essential raw materials like phosphoric and sulfuric acid in-house, the company effectively manages costs and sustains competitive margins in the fertilizer market.

To enhance operational efficiency, PPL implements just-in-time procurement strategies and optimizes production, distribution, and inventory management processes. These initiatives streamline operations, reduce costs, and improve responsiveness to market demands, ensuring the company's sustained competitiveness and profitability in the industry.

Diverse product offerings, R&D, and distribution network driving agricultural innovation and sustainability

PPL's core offerings include a diverse range of phosphatic fertilizers, such as Di-Ammonium Phosphate (DAP), various grades of NPK (Nitrogen, Phosphorus, Potassium), Zypmite, and Urea, all designed to meet the nutritional needs of crops and enhance soil fertility. The company also serves as a key supplier of phospho-gypsum, sulfuric acid, and hydrofluorosilicic acid, supporting industrial applications that complement its fertilizer business. The company ensures operational flexibility through extensive storage facilities for both raw materials and finished goods. This capability helps meet customer demands promptly and maintains supply chain resilience.

There has been a notable shift in preference from traditional fertilizers like urea and DAP toward NPK fertilizers, reflecting a growing focus on balanced nutrient management to improve crop yields and soil health. The rapid growth of NPK products highlights a broader trend towards more efficient and sustainable agricultural practices.

Exhibit 05: Core and newly launched products

Source: Company, Systematix PCG Research

Research and development is viewed as a key driver of future growth, with a focus on enhancing agricultural productivity and ensuring environmental sustainability. PPL actively engages in the development of value-added fertilizers, contributing to its intellectual capital and product diversification. The company has undertaken lab-scale trials for a new low-nutrient content NPK (12:11:18) formulation, yielding promising results. Additionally, PPL is developing SSP-Urea Fertilizer and Zincated DAP Fertilizer to enhance micronutrient content, addressing crop-specific needs and supporting sustainable agriculture.

At the forefront of innovation, PPL invests in domestic R&D, developing Biogenic Nano Urea and Nano DAP while introducing new NPK variants to enhance its product offerings for the agricultural sector. The Goa plant is particularly noted for producing unique NPK grades, such as NPK 19:19:19, which is exclusively manufactured in India.

In an effort to expand its product line, PPL is introducing innovative offerings like nano DAP and nano urea. In Q1 FY25, the company sold 50,000 bottles of nano urea and aims to reach a total of 500,000 bottles by the end of FY25. Additionally, PPL launched Triple Super Phosphate (TSP), selling approximately 27,000 MT in Q1 FY25 with plans to achieve around 100,000 MT for the remainder of the year. The company continually innovates, optimally utilizes its production capacity, and enhances efficiency through strategic backward integration.

Exhibit 06: Expanding scope of nano urea

Source: Company, Systematix PCG Research

PPL manufactures and distributes a range of complex fertilizers, complemented by micronutrients like Zypmite. With over five decades of trust, its brands like Jai Kisaan and Navratna resonate deeply with Indian farmers, symbolizing the company’s commitment to agricultural excellence.

To boost sales density and enter new markets, PPL cultivates its dealer and retailer network. By nurturing relationships with channel partners, the company effectively addresses the growing demand for its products.

PPL's strategically located manufacturing facilities near the Paradeep and Goa ports enhance logistical efficiency, allowing the company to effectively serve markets across India. With an extensive distribution network of over 5,000 dealers, PPL sells finished fertilizers under well-established brand names, reaching more than 9 Mn farmers across 15 states and significantly contributing to the country’s agricultural prosperity. This network includes over 75,000 retail points, ensuring strong regional coverage and localized engagement, while its infrastructure of more than 345 stock points secures product availability and facilitates timely delivery.

Exhibit 07: Widely spread distribution network

Market Presence	PPL
States Covered	15
Regional Marketing Offices	22
Stock Points	345
No. of Dealers	5,000+
No. of Retailers	75,000+
Farmers Covered	9+ Mn

Source: Company, Systematix PCG Research

In line with its growth ambitions, PPL is committed to producing fertilizers that cater to the specific needs of farmers. The company consistently innovates while optimizing production capacity and enhancing efficiencies through backward integration. Dedicated to supporting agriculture in India, PPL focuses on creating tailored fertilizer solutions for farmers.

PPL and MCFL Merger: Strategic consolidation and growth prospects

On February 7th, 2024, the Board of Directors of PPL approved the composite scheme of arrangement for the merger with Mangalore Chemicals and Fertilizers Ltd (MCFL), marking a strategic move that will create one of the largest integrated private sector fertilizer firms in India, with a total manufacturing capacity of approximately 3.7 Mn MT. This merger is expected to enhance market reach and production capacity, positioning the combined entity as the largest private fertilizer company in the country by installed capacity. It will facilitate entry into new markets, particularly in southern India, while delivering cost synergies. The combined entity is set to benefit from economies of scale, optimize product mix, enhance distribution reach, and improve supply chain capabilities, leveraging each other's strengths. This strategic move aims to unlock significant value and drive sustainable growth for shareholders, employees, and partners.

Regulatory approvals for the merger are currently underway. Company is working with SEBI and soon shall be able to submit all the required documents post observations issued. CCI and lenders approvals have been received and as soon as company gets SEBI approval it will apply to NCLT. In this case company will need 2 NCLT approvals one in Odisha and one in Bangalore. By April 2025 the management expects to complete the merger.

The merger ratio for the consolidation of MCFL and PPL is set at 187 equity shares of PPL for every 100 equity shares of MCFL. Investors can acquire PPL shares through this merger by purchasing shares of the target company MCFL. Based on current prices and the merger ratio investors could potentially realize a gain of approximately 19% on PPL shares solely from the merger by buying MCFL shares. This upside is in addition to any gains projected from our target price.

The key risk associated with this situation is the possibility of the merger failing, which could leave investors holding MCFL shares. However, management remains confident that the merger will be successfully completed by April 2025.

Valuation

Paradeep Phosphates is India's second largest phosphate based fertilizer player. The company stands to benefit from the notable shift in preference from traditional fertilizers like urea and DAP toward NPK fertilizers.

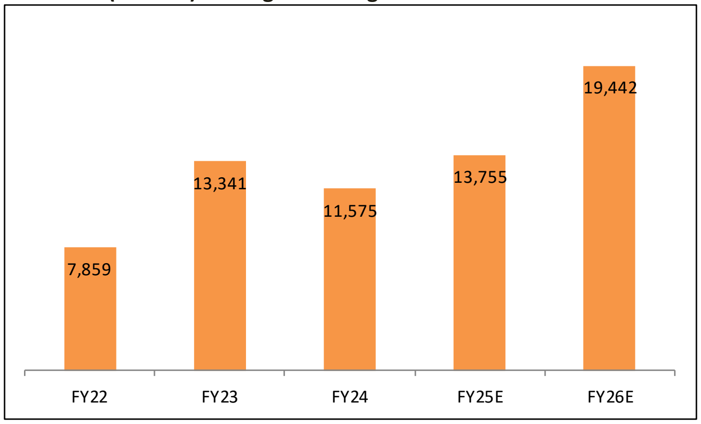
With upcoming expansion in capacity and synergies from the merger, strong backward integration, a focus on innovative products, and robust support from its promoters, PPL is well-positioned for growth in the future. Management expects the merger with MCFL to get completed by April 2025. Post which the capacity will go upto 3.7 Mn MT which will enable PPL become more competitive within the industry. FY23 was an aberration year for the company which affected its profits and we expect that going ahead government support for the sector will be stable. These factors are expected to drive revenue growth at a CAGR of 30%, EBITDA at a CAGR of 62%, and PAT at a CAGR of 192% from FY24 to FY26E. Therefore, we initiate coverage on Paradeep with a target price of Rs 105, based on 10x P/E multiple on FY26E EPS, resulting in a 26% upside.

Financial Analysis

Revenue growth driven by strong capacity expansion and post-merger synergies

We project Paradeep to achieve a revenue growth rate of 30% CAGR from FY24 to FY26E, reaching Rs 19,442 cr, which will include the consolidation of MCFL. This growth is expected to be fueled by the additional capacities resulting from the merger, along with synergies and enhanced backward integration. Additionally, we expect the government to provide strong support to the fertilizer industry which will bolster the company's long-term growth prospects.

Exhibit 08 (In Rs Cr): Strong revenue growth at a CAGR of 30% from FY24-FY26E

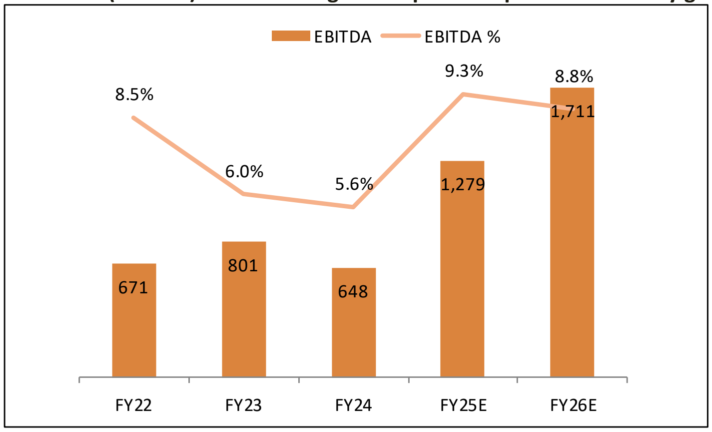


Source: Company, Systematix PCG Research

EBITDA and EBITDA margins to expand led by backward integration

Paradeep's EBITDA faced a setback in FY24 due to an increase in costs of approximately Rs 350 cr resulting from a government circular that mandated price revision retrospectively from January instead of April. We anticipate this impact to be a one-time occurrence and we project the company's EBITDA to grow at a CAGR of 62% from FY24 to FY26E to Rs 1,711 cr. The company's backward integration in phosphoric and sulfuric acids, coupled with robust support from its promoter OCP group for rock phosphate supplies will enhance its competitive edge and improve EBITDA per ton. Management has indicated a target of maintaining a sustainable EBITDA per ton in the range of Rs 4,500 to Rs 5,000.

Exhibit 09 (In Rs Cr): EBITDA margin to expand coupled with healthy growth in EBITDA

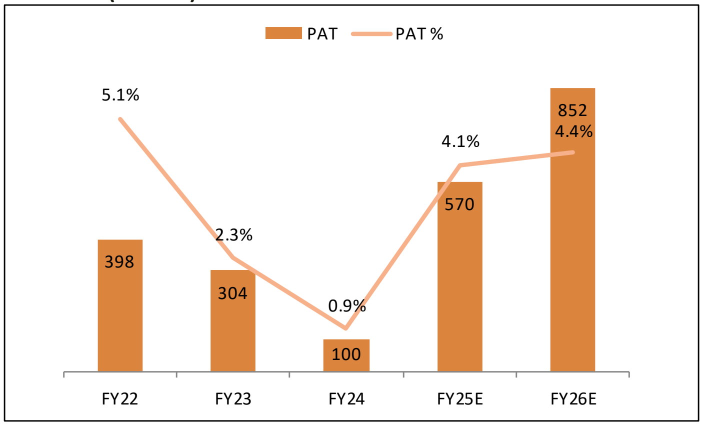


Source: Company, Systematix PCG Research

PAT is expected to grow at a CAGR of 192% from FY24-FY26E

We expect PAT to grow at a CAGR of 192% from FY24 to FY26E to Rs 852 cr partly due to the low base effect from FY24. As capacities expand the company will benefit from economies of scale, facilitating improved growth. Additionally the synergies realized after the merger will positively impact the bottom line.

Exhibit 10 (In Rs Cr): PAT CAGR of 192% from FY24-FY26E



Source: Company, Systematix PCG Research

About the company

Incorporated in 1981 as a joint venture between the Government of India (GoI) and the Republic of Nauru (RN) for a phosphatic fertilizer manufacturing unit in Paradeep, PPL became a public sector enterprise (PSU) following the divestment of RN's stake in 1993. In 2002, the GoI decided to sell nearly 80% of its stake to Zuari Maroc Phosphates Pvt. Ltd. (ZMPPL), a joint venture between Zuari Agro Chemicals Limited (ZACL) and Morocco's OCP Group S.A., one of the world's largest phosphatic companies with over 70% of known phosphate reserves and revenues exceeding USD 10 billion in FY 22.

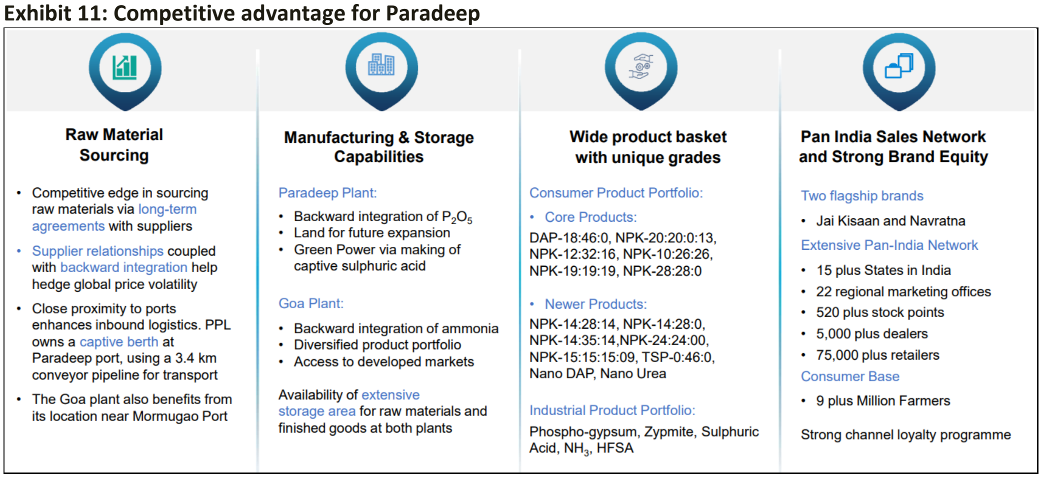
Paradeep Phosphates Limited (PPL) is a prominent player in India’s private sector phosphatic fertilizers market. With a total production capacity of 3 Mn MT of which 2.6 Mn MT is dedicated to phosphates and 0.4 Mn MT to urea. PPL offers a diverse range of phosphatic fertilizers. The company operates six flexible production trains, enabling it to manufacture various products, including DAP, N-10, N-12, N-14, N-19, N-20, and N-28. Additionally, PPL is a key supplier of industrial products such as gypsum, zypmite, hydrofluorosilicic acid (HFSA), sulfuric acid, and ammonia.

PPL's manufacturing facilities are located in Paradeep, Odisha (1.8 Mn MT) and Zuarinagar, Goa (1.2 Mn MT). The company sources its raw materials globally through long-term contracts and markets its finished fertilizers under the established brands “Jai Kisaan” and “Navratna” to over 8 Mn farmers across 16 states in India.

In May 2022, PPL completed its Rs 1,500 cr initial public offering (IPO) during which the GoI divested its remaining stake. Part of the proceeds was used to acquire the 1.2 Mn MT fertilizer plant in Goa in June 2022. Post-IPO, ZMPPL holds a 56.10% stake in PPL.

The promoters have now announced the merger between Paradeep Phosphates Limited (PPL) and Mangalore Chemicals and Fertilizers Ltd (MCFL) which once finalized will enhance their market presence and production capacity. This strategic consolidation will position them as the largest private fertilizer company in India based on installed production capacity. Additionally the merger will facilitate entry into new markets particularly in the southern region, while unlocking cost synergies.

Exhibit 11: Competitive advantage for Paradeep



Source: Company, Systematix PCG Research

Key Managerial Personnel and Senior Managerial Personnel

Name	Designation
Mr. Saroj Kumar Poddar	Chairman
Mr. N. Suresh Krishnan	Managing Director & CEO
Mr. Bijoy Kumar Biswal	Chief Financial Officer
Mr. Rajeev Nambiar	Chief Operating Officer
Mr. Harshdeep Singh	Chief Commercial Officer
Mr. Raj Kumar Gupta	Chief Procurement Officer
Mr. Palanisamy Velusamy	CMO & Unit Head, Paradeep
Mr. Nilesh Dessai	CMO & Unit Head, Goa
Mr. Rajneesh Bhardwaj	Chief Human Resources Officer
Mr. V. Vinay	Chief Sustainability Officer
Mr. Sachin Patil	Company Secretary & Compliance Officer

Source: Company, Systematix PCG Research

Industry Overview

As India's population continues to grow, the demand for food grains and agricultural products is expected to rise, necessitating higher agricultural output. This increase in agricultural activity drives a greater need for fertilizers, which are essential for enhancing crop yields. To address this, the Indian government has implemented several favorable policies and subsidies aimed at bolstering the fertilizer industry, setting ambitious goals to enhance domestic production and reduce reliance on imports.

In the 2023-24 crop year, India's total food grain production was estimated at 309 Mn tons, according to the Ministry of Agriculture and Farmers' Welfare's second advance estimates. The government revised its kharif food grain production estimate upward to 154.1 Mn tons, from an earlier projection of 148.5 Mn tons, while Rabi production is projected at 155.1 Mn tons. Additionally, farm exports have significantly contributed to the economy, totaling USD 48.82 billion in 2023-24, as reported by the Department of Commerce.

The global fertilizer market is poised for substantial growth, with its size estimated at USD 384.37 billion in 2024 and projected to reach USD 543.20 billion by 2030, reflecting a CAGR of 5.93% during this period. This growth is driven by rising urbanization, diminishing agricultural land, and increasing food production demands. Europe, as the second-largest fertilizer market, is experiencing growth supported by modern agricultural practices and regulatory support for sustainable farming. The Asia-Pacific region, with its vast agricultural base and rapid industrialization, is emerging as the fastest-growing market for fertilizers. China, the world's largest producer and exporter, accounts for 25% of global production, while India, as the second-largest consumer, underscores the robust demand in this region. In 2023-24, India's consumption of major fertilizers reached 64 Mn tons, highlighting their critical role in sustaining agricultural productivity.

Balanced fertilization is essential for improving agricultural productivity in India, which ranks first globally in fertilizer consumption per hectare of agricultural land. However, yields for major crops like rice, wheat, and pulses remain below potential due to fragmented landholdings, imbalanced fertilizer use, and limited adoption of advanced technologies.

To tackle these challenges, the Indian government is promoting technological advancements to enhance agricultural productivity and farmer incomes. Key initiatives include digital agriculture platforms like the National Agriculture Market (e-NAM), digital registries, and improved public infrastructure to ensure widespread IT access, alongside a strong agricultural research system comprising 102 ICAR institutes and 73 agricultural universities.

The Indian fertilizer market is projected to reach approximately USD 39.54 billion by 2030, growing at a CAGR of 5.22% from 2024 to 2030. The market size was recorded at USD 27.70 billion in 2023, indicating significant potential for expansion. Larger fertilizer companies benefit from long-term agreements with raw material suppliers, backward integration, extensive distribution networks, and strong brand recognition among farmers. In contrast, smaller players often lack these advantages and rely heavily on imported raw materials.

During 2023-24, urea production reached 31.41 Mn tons reflecting a 10.2% increase compared to the previous year, while NP/NPK complex fertilizer production rose by 2.8% to 9.55 Mn tons. Conversely, DAP production declined by 1.2% to 4.29 Mn tons, and SSP production fell by 21.0% to 4.46 Mn tons. Imports of urea, DAP, and NP/NPKs also decreased, while MOP imports increased by 53.8% to 2.87 Mn tons.

Total fertilizer sales reached approximately 64.70 Mn tons in 2023-24, up from 63.84 Mn tons in 2022-23. Urea sales increased by 0.2% to 35.78 Mn tons, DAP sales rose by 3.8% to 10.81 Mn tons, MOP sales grew by 0.8% to 1.64 Mn tons, and NP/NPK sales surged by 9.9% to 11.07 Mn tons, despite a 9.4% decline in SSP sales.

Notably, the NPK segment experienced significant growth of around 10%, while DAP sales saw a year-on-year increase of approximately 4%. These growth rates for both NPK and DAP are vital for maintaining balanced soil nutrition and bode well for phosphatic fertilizer companies in India.

Financial Summary

Income Statement (Rs Crs)	FY22	FY23	FY24	FY25E	FY26E
Revenue from Operations	7,859	13,341	11,575	13,755	19,442
Expenses	7,188	12,540	10,927	12,476	17,731
EBITDA	**671**	**801**	**648**	**1,279**	**1,711**
Depreciation and Amortisation	90	175	211	301	350
EBIT	**581**	**626**	**437**	**978**	**1,360**
Other income	39	91	69	83	97
Interest Cost	86	291	366	300	322
PBT before exceptional items	**534**	**426**	**140**	**760**	**1,136**
Excep. Items	0	0	0	0	0
Share of Profit/ (Loss) from JV's	1	1	1	1	1
Tax expense	137	122	41	190	284
PAT including minority interest	**398**	**304**	**100**	**570**	**852**
Attriutable to minority interest	0	0	0	0	0
Net Profit attributable to owners	**398**	**304**	**100**	**570**	**852**

Balance Sheet (Rs crs)	FY22	FY23	FY24	FY25E	FY26E
PP&E, CWIP incl Right of use Assets	1,596	3,509	3,743	4,142	4,491
Goodwill, Other Intangibles & Equity accounted investment	4	63	63	63	63
Other non current Assets incl income tax assets	1,195	70	98	98	98
Total Non Current Assets	**2,795**	**3,642**	**3,904**	**4,303**	**4,652**
Inventories	2,293	2,238	1,831	1,857	2,435
Cash & Cash equivalents incl bank balances	598	110	118	81	145
Receivables	902	3,690	2,720	2,638	3,196
Investments, Other current assets incl financial assets	1,340	978	1,088	1,088	1,088
Total Current Assets	**5,133**	**7,015**	**5,757**	**5,664**	**6,864**
Total Assets	**7,928**	**10,657**	**9,661**	**9,966**	**11,516**
Share capital	575	814	815	815	815
Net worth	**2,225**	**3,505**	**3,564**	**4,094**	**4,906**
Long term borrowings	528	612	677	798	973
Lease liablities & Other financial liabilities	3	18	17	17	17
Provisions & Deferred tax liabilities (net)	119	132	177	177	177
Total Non Current Liablities	**650**	**761**	**871**	**992**	**1,168**
Short term borrowings	2,426	4,019	3,318	3,318	3,318
Trade Payables	2,273	1,912	1,488	1,143	1,705
Other Financial Liablities incl lease liablities	78	241	227	227	227
Other current liablities incl Provisions & current tax liabilities	276	219	193	193	193
Total Current Liablities	**5,053**	**6,391**	**5,226**	**4,880**	**5,443**
Total Equity and Liablities	**7,928**	**10,657**	**9,661**	**9,966**	**11,516**

Cash Flow Statement (Rs crs)	FY22	FY23	FY24	FY25E	FY26E
CF before working capital changes	733	827	661	1,362	1,809
Changes in working capital	-691	-3,066	834	-289	-574
Cash from operations	42	-2,239	1,495	1,074	1,234
Direct taxes paid	-86	-137	-58	-190	-284
Net cash from operations	**-44**	**-2,377**	**1,437**	**883**	**950**
Net cash from investing activities	**-1,099**	**-419**	**-367**	**-700**	**-700**
Net cash from financing activities	**1,589**	**2,301**	**-1,022**	**-220**	**-187**
Net change	446	-495	48	-37	63
Opening cash	92	538	43	91	54
Closing Cash	**538**	**43**	**91**	**54**	**118**

Basic Ratios (Rs.)	FY22	FY23	FY24	FY25E	FY26E
EPS	6.9	3.9	1.2	7.0	10.5
Growth (%)		-44%	-69%	474%	49%
Book Value Per Share	38.7	43.0	43.7	50.2	60.2
Growth (%)		11%	2%	15%	20%
Valuation Ratios					
P/E (x)	12.0	21.2	67.9	11.8	7.9
P/CEPS (x)	-108.6	-2.8	4.7	7.6	7.1
P/BV (x)	2.1	1.9	1.9	1.6	1.4
EV/Sales (x)	0.9	0.8	0.9	0.8	0.6
EV/EBITDA (x)	10.6	14.1	16.4	8.4	6.4
Profitablity Ratio (%)					
ROE (%)	17.9%	8.7%	2.8%	13.9%	17.4%
ROA (%)	5.0%	2.9%	1.0%	5.7%	7.4%
ROCE (%)	20.2%	14.7%	9.9%	19.2%	22.4%
Margin (%)					
EBITDA	8.5%	6.0%	5.6%	9.3%	8.8%
PBT	6.8%	3.2%	1.2%	5.5%	5.8%
PAT	5.1%	2.3%	0.9%	4.1%	4.4%
Leverage Ratios					
Interest Coverage Ratio (x)	6.8	2.1	1.2	3.3	4.2
Net D/E (x)	1.1	1.3	1.1	1.0	0.8
Net Debt / EBITDA (x)	3.5	5.6	6.0	3.2	2.4
Financial Leverage (x)	3.6	3.0	2.7	2.4	2.3
Liquidity Ratios					
Current Ratio	1.0	1.1	1.1	1.2	1.3
Quick Ratio	0.6	0.7	0.8	0.8	0.8
Cash Ratio	0.1	0.0	0.0	0.0	0.0
Working Capital					
Trade Receivable Days	48	63	101	70	60
Inventory Days	93	78	83	65	60
Trade Payable Days	47	36	34	40	42
Growth Ratio (%)					
Sales		69.8%	-13.2%	18.8%	41.3%
Expenses		74.5%	-12.9%	14.2%	42.1%
EBITDA		19.4%	-19.1%	97.4%	33.7%
Interest Cost		240.5%	25.7%	-17.9%	7.1%
PBT		-20.3%	-67.1%	442.1%	49.5%
PAT		-23.7%	-67.2%	470.9%	49.4%
Cash EPS		3727.0%	-160.4%	-38.5%	7.6%

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