

# IPO Report

“SUBSCRIBE” to

**Paradeep Phosphates Ltd.**

Attractively priced



# IPO Report

## Salient features of the IPO:

- Fertilizer company **Paradeep Phosphates Ltd.** (PPL), is coming up with an IPO to raise around Rs. 1,500cr, which opens on 17<sup>th</sup> May and closes on 19<sup>th</sup> May 2022. The price band is Rs. 39 - 42 per share.
- The Government of India as one of the promoter entities, is fully offloading its stake (19.55%) in the company.
- The IPO is a combination of fresh issue and OFS portion. The company will not receive any proceeds from the OFS portion. Of the fresh issue net proceeds, Rs. 520cr will be used to partially fund the acquisition of Goa facility and another Rs. 300cr will be utilized for repayment/prepayment of the borrowings availed by the company.

## Key competitive strengths:

- Well-positioned to capture the favorable Indian fertilizer sector dynamics supported by conducive government regulations
- Second-largest manufacturer of phosphatic fertilizers in India
- Driving raw material efficiency through backward integration of facilities and effective sourcing
- Secure and certified manufacturing facility & infrastructure and unutilized land available for expansion
- Strategic location of the manufacturing facility and sizeable material storage, handling and port facilities
- Established brand name backed by an extensive sales and distribution network
- Strong parentage, experienced management team and prominent shareholders

## Risk and concerns:

- Dependence of business on seasonal fluctuations and climatic variations
- Unfavorable government policies and regulations
- Delay in receiving the subsidy payments from the government
- Unfavorable sales-mix
- Unfavorable fertilizer prices and cost of production
- Competition

## Below are the key highlights of the company:

- Mainly on account of higher crop intensity, rising per capita food consumption & dietary changes, per capita rise in income, ease of credit availability and high subsidy support from the government, the demand of fertilizer in India is estimated to grow by 2.9-3.1% CAGR over FY22-26 to reach 66mn tonnes by FY26. Moreover, the government is focusing on improving the soil fertility which will result in higher usage of phosphatic and complex fertilizers. Phosphatic fertilizer is the fastest growing segment in the domestic fertilizer sector and is anticipated to grow at 4.2-4.4% CAGR over FY22-26 as compared to a growth of 1.8-2.2% CAGR of urea.
- The government has decontrolled the retail prices for phosphatic fertilizers. As per the Nutrient based Subsidy Policy (NBS), the subsidies on phosphatic fertilizers is fixed at the nutrient level and producers have the freedom to fix retail prices. Private fertilizer manufacturers like PPL largely sell phosphatic and complex fertilizers, which come under the NBS scheme and thus are not as regulated as urea thereby allowing it to innovate on the products and fix prices based on market dynamics.
- Incorporated in 1981, PPL is promoted by a JV company between the Zuari Agro Chemicals Ltd. and OCP Group S.A. Pre-issue, this JV company held 80.45% stake, which will reduce to 56.10% post-IPO. The Government of India holds the rest (i.e. 19.55% in the company) and will fully offload its stake from this IPO.

Recommendation	SUBSCRIBE
Price band	Rs. 39 - 42 per share
Face value	Rs. 10
Shares for fresh issue	23.905 - 25.744cr shares
Shares for OFS	11.851cr shares
Fresh issue size	Rs. 1,004cr
OFS issue size	Rs. 462.2 - 497.7cr
Total issue size	35.756 - 37.594cr shares (Rs. 1,466.2 - 1,501.7cr)
Bidding date	17 <sup>th</sup> May - 19 <sup>th</sup> May 2022
MCAP at higher price band	Rs. 3,421cr
Enterprise value	Rs. 3,535cr
Book running lead manager	Axis Capital Ltd., ICICI Securities Ltd., JM Financial Ltd. and SBI Capital Markets Ltd.
Registrar	Link Intime India Pvt. Ltd.
Sector	Fertilizers
Promoters	Zuari Maroc Phosphates Pvt. Ltd., Zuari Agro Chemicals Ltd., OCP S.A and The President of India, acting through the Department of Fertilizers, Ministry of Chemicals and Fertilizers, Government of India

## Issue breakup

Category	Percent of issue (%)	Number of shares
QIB portion	50%	17.878 - 18.797cr shares
Non institutional portion	15%	5.363 - 5.639cr shares
Retail portion	35%	12.514 - 13.158cr shares

## Indicative IPO process time line

Finalization of basis of allotment	24 <sup>th</sup> May 2022
Unblocking of ASBA account	25 <sup>th</sup> May 2022
Credit to demat accounts	26 <sup>th</sup> May 2022
Commencement of trading	27 <sup>th</sup> May 2022

## Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	100.00%	56.10%
Public	0.00%	43.90%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Retail application money at higher cut-off price per lot

Number of shares per lot	350
Application money	Rs. 14,700 per lot

## Analyst

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## Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return (%)				FY21 total operating revenue (Rs. cr)	FY21 EBITDA (Rs. cr)	FY21 PAT (Rs. cr)	FY21 gross margin	FY21 EBITDA margin	FY21 PAT margin
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<b>Paradeep Phosphates Ltd.</b>	<b>10</b>	<b>42</b>	<b>3,421</b>	<b>3,535</b>					<b>5,165</b>	<b>542</b>	<b>294</b>	<b>25.0%</b>	<b>10.5%</b>	<b>5.7%</b>
Coromandel International Ltd.	1	882	25,892	25,172	5.3%	10.5%	10.2%	13.2%	14,214	2,016	1,329	31.8%	14.2%	9.4%
Chambal Fertilisers and Chemicals Ltd.	10	391	16,278	18,517	-9.6%	6.7%	20.1%	62.0%	12,719	2,443	1,655	42.3%	19.2%	13.0%
National Fertilizers Ltd.	10	45	2,217	3,958	-22.2%	-14.9%	-17.8%	-33.2%	11,906	917	237	46.7%	7.7%	2.0%
Rashtriya Chemicals and Fertilizers Ltd.	10	82	4,529	4,872	-17.5%	1.9%	2.8%	-2.9%	8,281	701	375	56.1%	8.5%	4.5%
Gujarat State Fertilizers & Chemicals Ltd.	2	145	5,772	5,559	-13.9%	12.8%	12.0%	28.4%	7,634	571	450	36.1%	7.5%	5.9%
Deepak Fertilisers And Petrochemicals Corporation Ltd.	10	534	6,441	8,043	-14.8%	-2.0%	38.5%	91.5%	5,809	955	400	34.5%	16.4%	6.9%
Gujarat Narmada Valley Fertilizers & Chemicals Ltd.	10	619	9,617	8,097	-20.5%	20.6%	45.4%	70.5%	5,129	1,002	697	54.6%	19.5%	13.6%
Zuari Agro Chemicals Ltd.	10	161	676	1,515	-11.8%	9.2%	35.7%	63.8%	4,573	236	(157)	32.0%	5.2%	-3.4%
The Fertilisers And Chemicals Travancore Ltd.	10	113	7,341	5,689	-17.1%	-11.6%	-4.9%	-11.3%	3,259	540	352	45.1%	16.6%	10.8%
Mangalore Chemicals & Fertilizers Ltd.	10	94	1,111	1,516	-11.7%	22.3%	38.2%	0.8%	2,144	200	67	36.1%	9.3%	3.1%
Nagarjuna Fertilizers and Chemicals Ltd.	1	13	776	2,271	-11.2%	-4.7%	36.5%	55.0%	1,575	(107)	(615)	52.2%	-6.8%	-39.1%
Madras Fertilizers Ltd.	10	43	699	1,995	-12.6%	21.4%	47.8%	42.1%	1,533	134	3	39.9%	8.8%	0.2%
Southern Petrochemical Industries Corporation Ltd.	10	63	1,273	1,268	-20.0%	12.0%	20.6%	42.2%	1,527	70	74	46.6%	4.6%	4.9%
<b>Average</b>												<b>42.6%</b>	<b>10.0%</b>	<b>2.4%</b>

Company name	3Y top-line growth (CAGR)	3Y EBITDA growth (CAGR)	3Y PAT growth (CAGR)	3Y average EBITDA margin	3Y average PAT margin	3Y capital employed growth (CAGR)	3Y CFO growth (CAGR)	3Y average working capital cycle (Days)	3Y average fixed asset turnover (x)	3Y average total asset turnover (x)	3Y average RoE	3Y average RoIC
Coromandel International Ltd.	3.7%	18.2%	35.8%	12.8%	7.6%	20.8%	180.8%	55.6	7.3	1.4	24.0%	26.7%
Chambal Fertilisers and Chemicals Ltd.	11.8%	42.1%	67.4%	15.6%	9.6%	3.5%		127.6	1.7	0.9	28.9%	16.4%
National Fertilizers Ltd.	-2.1%	-4.8%	-10.2%	7.5%	1.0%	-2.3%		174.9	2.9	1.1	5.0%	8.5%
Rashtriya Chemicals and Fertilizers Ltd.	-3.5%	33.9%	68.0%	6.1%	2.7%	-8.2%		138.3	3.7	1.0	7.4%	7.4%
Gujarat State Fertilizers & Chemicals Ltd.	-5.2%	-12.6%	-4.5%	6.8%	4.4%	11.8%	87.5%	117.3	2.7	0.8	4.4%	5.8%
Deepak Fertilisers And Petrochemicals Corporation Ltd.	-7.2%	44.2%	137.9%	11.1%	3.3%	12.1%	-2.4%	25.2	1.5	0.8	7.4%	7.5%
Gujarat Narmada Valley Fertilizers & Chemicals Ltd.	-6.7%	7.4%	-3.6%	14.9%	12.0%	-3.6%	63.9%	88.7	1.4	0.7	12.0%	8.0%
Zuari Agro Chemicals Ltd.	-24.9%	-13.4%	-26.2%	1.5%	-7.7%	-48.6%		76.6	3.2	0.8		
The Fertilisers And Chemicals Travancore Ltd.	29.1%	900.4%	47.1%	9.0%	18.1%			62.5	8.4	1.0		
Mangalore Chemicals & Fertilizers Ltd.	-16.5%	3.1%	42.8%	7.7%	2.2%	-27.7%		134.6	4.0	1.0	9.8%	15.2%
Nagarjuna Fertilizers and Chemicals Ltd.	-9.9%	-10.2%	12.5%	-6.7%	-30.3%		-21.5%	(46.7)	0.7	0.5		
Madras Fertilizers Ltd.	-1.9%			2.8%	-5.9%	19.8%		42.4	7.4	1.1	13.1%	-1.5%
Southern Petrochemical Industries Corporation Ltd.	-23.2%		8.5%	-2.6%	3.5%	-1.7%	123.2%	(291.7)	5.6	1.1	15.6%	
<b>Average</b>	<b>-4.3%</b>	<b>91.7%</b>	<b>31.3%</b>	<b>6.6%</b>	<b>1.6%</b>	<b>-2.2%</b>	<b>71.9%</b>	<b>54.3</b>	<b>3.9</b>	<b>0.9</b>	<b>12.8%</b>	<b>10.4%</b>

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield
Coromandel International Ltd.	45.3	175.5	18.0	0.0	6.8	1.6	25.8%	37.8%	19.5	5.0	1.8	12.5	1.8	5.1%
Chambal Fertilisers and Chemicals Ltd.	39.8	126.1	3.0	0.6	1.9	1.2	31.5%	27.6%	9.8	3.1	1.5	7.6	1.3	10.2%
National Fertilizers Ltd.	4.8	43.6	0.0	0.8	2.7	1.4	11.1%	11.8%	9.4	1.0	0.3	4.3	0.2	10.7%
Rashtriya Chemicals and Fertilizers Ltd.	6.8	60.4	4.0	0.6	3.2	1.1	11.3%	14.9%	12.1	1.4	0.6	6.9	0.5	8.3%
Gujarat State Fertilizers & Chemicals Ltd.	11.3	231.9	1.2	0.0	2.6	0.7	4.9%	4.0%	12.8	0.6	0.7	9.7	0.8	7.8%
Deepak Fertilisers And Petrochemicals Corporation Ltd.	33.2	224.1	2.2	0.8	1.4	0.8	14.8%	16.8%	16.1	2.4	1.4	8.4	1.1	6.2%
Gujarat Narmada Valley Fertilizers & Chemicals Ltd.	44.8	390.4	5.0	0.0	1.3	0.6	11.5%	12.4%	13.8	1.6	1.6	8.1	1.9	7.2%
Zuari Agro Chemicals Ltd.	(37.4)	46.6	0.6	7.4	3.0	0.9				3.4	0.3	6.4	0.1	
The Fertilisers And Chemicals Travancore Ltd.	5.4	(2.7)	0.0	(0.1)	9.6	1.0			20.9		1.7	10.5	2.3	4.8%
Mangalore Chemicals & Fertilizers Ltd.	5.7	51.2	0.5	1.3	3.2	1.1	11.0%	37.9%	16.6	1.8	0.7	7.6	0.5	6.0%
Nagarjuna Fertilizers and Chemicals Ltd.	(10.3)	(8.1)	0.0	(3.3)	0.7	0.6					1.4		0.5	
Madras Fertilizers Ltd.	0.2	(43.2)	0.0	(2.0)	7.4	1.3					1.3	14.8	0.5	
Southern Petrochemical Industries Corporation Ltd.	3.6	25.3	0.0	0.2	2.8	0.9	14.4%	9.6%	17.2	2.5	0.8	18.0	0.8	5.8%
<b>Average</b>			<b>2.7</b>	<b>0.5</b>	<b>3.6</b>	<b>1.0</b>	<b>15.1%</b>	<b>19.2%</b>	<b>14.8</b>	<b>2.3</b>	<b>1.1</b>	<b>9.6</b>	<b>0.9</b>	<b>7.2%</b>

Note: Financial data as of FY21 with IPO adjustments; Source: Choice Broking Research

### Key highlights of the company (Contd...):

- PPL has a diverse product portfolio and is primarily engaged in the manufacturing, distribution, trading and sales of a variety of complex fertilizers such as DAP, three grades of NPK (NPK-10, NPK-12 and NP-20), MOP (Muriate of Potash), Zypmite, and of by-products like phospho-gypsum. Its fertilizers cater to nearly all types of crops and are marketed under the brand names like “Jai Kisaan-Navratna” and “Navratna”. These brands are well known in the eastern part of India. The company also distributes ammonia and sulphuric acid for industrial consumption in and around the State of Odisha.
- Among the private fertilizer manufacturers focusing on the non-urea segment, PPL is the second largest in terms of capacity of phosphatic fertilizer (DAP and NPK complexes), as of 31<sup>st</sup> Mar. 2022 (Source: RHP). It has an annual granulation capacity of 1.5mn tonnes for DAP and NPK; an annual installed capacity 1.3mn tonnes and 0.3mn tonnes for sulphuric and phosphoric acid, respectively. Currently, the company is the second largest backward integrated fertilizer manufacturer in the private sector with phosphoric acid capacity in India.
- Its primary raw materials include phosphate rock, phosphoric acid, ammonia, sulphur and MOP. PPL produces some of the phosphoric & sulphuric acid requirements (around 40% of the requirement is met from captive production) while the other raw materials are being sourced from suppliers. The company has long term agreements that provide long-term raw material security with stronger purchasing power, thereby maintaining a competitive cost structure to achieve sustainable growth and profitability.
- PPL’s manufacturing facility is strategically located near the Paradeep port, where it owns a captive berth with 14meter draft for loading & unloading of solid and liquid cargo. It also has a closed conveyor belt (3.4km long), cross-country pipeline (3.1km long) and a railway siding. These direct connections between the manufacturing facility and the Paradeep port provides the company with a supply of raw materials at a relatively low transportation cost.
- PPL has established an extensive sales & distribution network. The company distributes its products across 14 states in India through various private and institutional channels. It has set up a network of 11 regional marketing offices and 468 stock points in 14 states across India. Its network has 4,529 dealers and over 60,257 retailers catering to 0.5cr estimated farmers in India.
- To further expand its product portfolio and to access the high fertilizer demand markets of Maharashtra and Karnataka, the company has entered into a business transfer agreement with one of the promoter group entities for the purchase of a fertilizer plant in Goa (Goa facility) for a consideration of Rs. 2,052.3cr. Currently, the Goa facility is loss making. Subsequent to the acquisition, PPL’s fertilizer production capacity is likely to expand by 1.2mn tonnes. Additionally, the company will get access to the urea products and business. Post-acquisition of the Goa facility, PPL will become the 8<sup>th</sup> largest bulk fertilizers manufacturing company and 4<sup>th</sup> largest private bulk fertilizers manufacturer in India. From the IPO net proceeds, PPL will be utilizing Rs. 520cr to partially fund the acquisition of the Goa facility.
- Over FY19-21, PPL reported a decent growth in the business with almost stable profitability. Mainly on the back of higher trading business in FY21, PPL reported an 8.9% CAGR rise in the top-line to Rs. 5,164.7cr in FY21. Total operating expenditure increased in-line to the top-line, thereby leading to a 10.8% CAGR rise in consolidated EBITDA to Rs. 542.2cr in FY21. EBITDA margin expanded by 37bps during the period to 10.5% in FY21. Lower finance cost and effective tax rate, led to a 18.5% CAGR rise in reported PAT to Rs. 223.3cr in FY21. PAT margin expanded by 68bps to 4.3% in FY21.
- Except FY19, the company reported a positive cash flow from operations over FY19-21. Average operating cash flow in the last two fiscal stood at Rs. 1,385cr. Financial liabilities declined by 35.8% CAGR with debt-to-equity ratio improving from 2.2x in FY19 to 0.7x in FY21. The company has paid dividend in FY19 and FY20 with average payout of 33%.

**Peer comparison and valuation:** At higher price band of Rs. 42, PPL is demanding an FY21 EV/Sales multiple of 0.7x, which is at significant discount to the peer average of 1.1x. Considering the above observations, we assign a “**SUBSCRIBE**” rating for the issue.

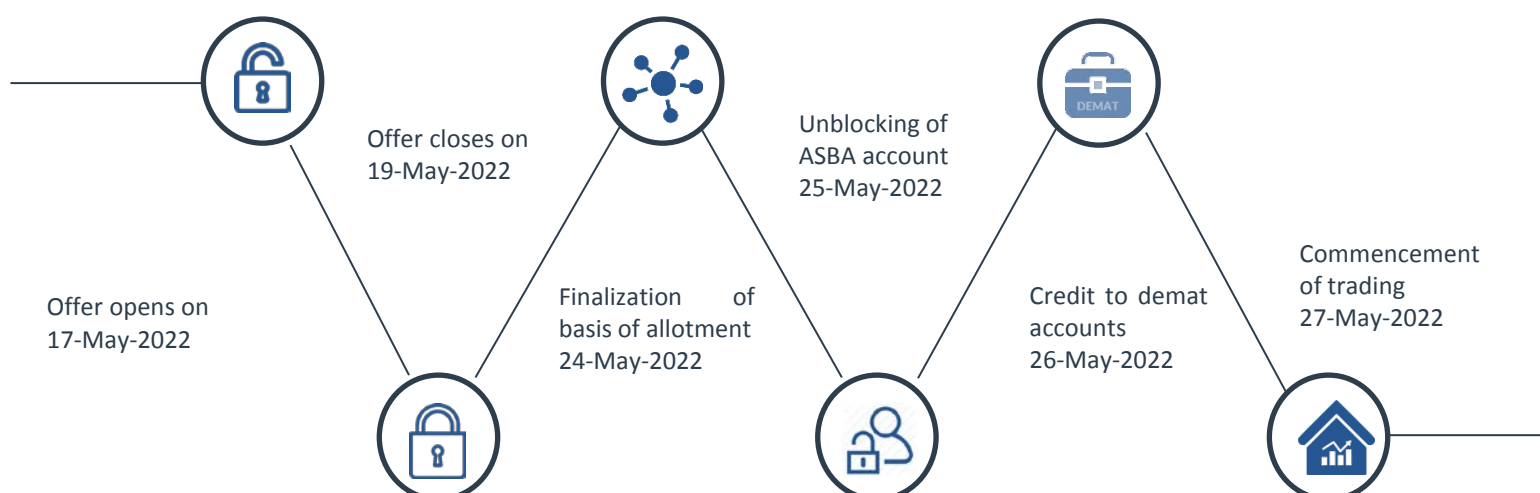
## About the issue:

- PPL is coming up with an IPO with 35.756 - 37.594cr shares (fresh issue: 23.905 - 25.744cr shares; OFS shares: 11.851cr shares) in offering. This offer represents around 43.90% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 1,466.2 - 1,501.7cr.
- The issue will open on 17<sup>th</sup> May 2022 and close on 19<sup>th</sup> May 2022.
- The issue is through book building process with a price band of Rs. 39 - 42 per share.
- The Government of India, as one of the promoter entities is fully offloading its stake (19.55%) in the company.
- The IPO is a combination of fresh issue and OFS portion. The company will not receive any proceeds from the OFS portion. Of the fresh issue net proceeds, Rs. 520cr will be used to partially fund the acquisition of Goa facility and another Rs. 300cr will be utilized for repayment/prepayment of the borrowings availed by the company.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter currently holds 100.00% stake in the company and post-IPO this will come down to 56.10%. Public holding will increase from current nil to 43.90%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	100.00%	56.10%
Public	0.00%	43.90%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Financial performance:

**Performance over FY19-21:** Over FY19-21, PPL reported a decent growth in the business with almost stable profitability. Mainly on the back of higher trading business in FY21, PPL reported an 8.9% CAGR rise in the top-line to Rs. 5,164.7cr in FY21.

Total operating expenditure increased in-line to the top-line, thereby leading to a 10.8% CAGR rise in consolidated EBITDA to Rs. 542.2cr in FY21. EBITDA margin expanded by 37bps during the period to 10.5% in FY21. Net cost of raw materials, as a percent of top-line increased from 71.7% in FY19 to 75% in FY21. While other expenses as a percent of top-line declined by 333bps.

With commissioning of few capacities, depreciation charge increased by 9% CAGR. Lower financial liabilities in FY21 led to a 16.4% CAGR decline in the finance cost. This coupled with lower effective tax rate, reported PAT increased by 18.5% CAGR to Rs. 223.3cr in FY21. PAT margin expanded by 68bps to 4.3% in FY21.

Except FY19, the company reported a positive cash flow from operations over FY19-21. Average operating cash flow in the last two fiscal stood at Rs. 1,385cr. Financial liabilities declined by 35.8% CAGR with debt-to-equity ratio improving from 2.2x in FY19 to 0.7x in FY21. The company has paid dividend in FY19 and FY20 with average payout of 33%.

Consolidated financial snapshot (Rs. cr)	FY19	FY20	FY21	9M FY22	CAGR over FY19-21	Y-o-Y (Annual)
Sale of products	3,008.8	2,838.6	3,715.3	3,015.9	11.1%	30.9%
Subsidy from the Government of India on fertilizers	1,347.6	1,352.9	1,445.4	2,941.6	3.6%	6.8%
Other operating revenues	1.5	1.4	4.1	2.5	64.3%	198.6%
Revenue from operations	4,357.9	4,192.9	5,164.7	5,960.0	8.9%	23.2%
Gross profit	1,233.6	1,248.7	1,293.6	1,256.6	2.4%	3.6%
EBITDA	441.5	459.7	542.2	578.7	10.8%	17.9%
Reported PAT	159.0	193.2	223.3	362.8	18.5%	15.6%
Restated reported EPS	2.0	2.4	2.7	4.5	18.5%	15.6%
Cash flow from operating activities	(920.4)	1,269.7	1,501.1	135.5		18.2%
NOPLAT	289.8	318.4	367.9	384.4	12.7%	15.6%
FCF		290.7	103.7			
RoIC (%)	16.2%	17.4%	17.6%	15.4%	135 bps	19 bps
Revenue growth rate (%)		-3.8%	23.2%			
Gross profit growth rate (%)		1.2%	3.6%			
Gross profit margin (%)	28.3%	29.8%	25.0%	21.1%	(326) bps	(474) bps
EBITDA growth rate (%)		4.1%	17.9%			
EBITDA margin (%)	10.1%	11.0%	10.5%	9.7%	37 bps	(47) bps
EBIT growth rate (%)		4.3%	18.5%			
EBIT margin (%)	8.5%	9.2%	8.9%	8.6%	36 bps	(35) bps
Restated reported PAT growth rate (%)		21.6%	15.6%			
Restated reported PAT margin (%)	3.6%	4.6%	4.3%	6.1%	68 bps	(29) bps
Inventory days	166.1	155.0	93.2	84.0	-25.1%	-39.8%
Debtor days	196.2	195.5	116.8	83.9	-22.8%	-40.3%
Payable days	(82.7)	(93.9)	(82.3)	(128.7)	-0.2%	-12.3%
Cash conversion cycle	279.6	256.6	127.7	39.2	-32.4%	-50.2%
Fixed asset turnover ratio (x)	3.4	3.1	3.6	3.8	2.4%	16.1%
Total asset turnover ratio (x)	0.8	0.8	1.2	0.8	22.8%	39.5%
Current ratio (x)	1.1	1.1	1.3	1.2	6.4%	11.6%
Quick ratio (x)	0.8	0.8	0.9	0.9	8.2%	10.5%
Total debt (Rs.)	3,232.2	2,359.0	1,333.7	2,345.7	-35.8%	-43.5%
Net debt (Rs.)	3,212.1	2,353.2	1,118.5	1,612.6	-41.0%	-52.5%
Debt to equity (x)	2.2	1.5	0.7	1.1	-42.1%	-50.4%
Net debt to EBITDA (x)	7.3	5.1	2.1	2.8	-46.8%	-59.7%
RoE (%)	10.7%	12.0%	12.2%	16.6%	150 bps	17 bps
RoA (%)	2.8%	3.9%	5.0%	5.0%	222 bps	119 bps
RoCE (%)	20.7%	20.8%	24.0%	23.1%	330 bps	321 bps

Source: Choice Equity Broking



### Competitive strengths:

- Well-positioned to capture the favorable Indian fertilizer sector dynamics supported by conducive government regulations
- Second largest manufacturer of phosphatic fertilizers in India
- Driving raw material efficiency through backward integration of facilities and effective sourcing
- Secure and certified manufacturing facility & infrastructure and unutilized land available for expansion
- Strategic location of the manufacturing facility and sizeable material storage, handling and port facilities
- Established brand name backed by an extensive sales and distribution network
- Strong parentage, experienced management team and prominent shareholders

### Business strategy:

- Improve the leadership position by enhancing production capabilities and having a more diversified product portfolio
- Continue to improve cost efficiency and productivity
- Increase geographical reach in eastern and western India and expand distribution channels
- Improve market leadership through investment in brand building and other campaigns
- Continue to attract, retain and develop human capital
- Selectively pursue inorganic growth opportunities



### Risk and concerns:

- Dependence of business on seasonal fluctuations and climatic variations
- Unfavorable government policies and regulations
- Delay in receiving the subsidy payments from the government
- Unfavorable sales-mix
- Unfavorable fertilizer prices and cost of production
- Competition

## Financial statements:

## Consolidated profit and loss statement (Rs. cr)

	FY19	FY20	FY21	9M FY22	CAGR over FY19 - 21	Annual growth over FY20
<b>Revenue from operations</b>	<b>4,357.9</b>	<b>4,192.9</b>	<b>5,164.7</b>	<b>5,960.0</b>	<b>8.9%</b>	<b>23.2%</b>
Cost of raw materials consumed	(2,847.6)	(2,210.1)	(2,265.1)	(3,795.1)	-10.8%	2.5%
Purchase of traded goods	(839.1)	(475.4)	(1,380.2)	(1,042.4)	28.3%	190.3%
Changes in inventories of finished goods, stock-in-trade and work in progress	562.4	(258.6)	(225.8)	134.2		-12.7%
<b>Gross profit</b>	<b>1,233.6</b>	<b>1,248.7</b>	<b>1,293.6</b>	<b>1,256.6</b>	<b>2.4%</b>	<b>3.6%</b>
Employee benefits expense	(130.6)	(131.9)	(139.2)	(100.4)	3.2%	5.5%
Other expenses	(661.5)	(657.1)	(612.1)	(577.5)	-3.8%	-6.8%
<b>EBITDA</b>	<b>441.5</b>	<b>459.7</b>	<b>542.2</b>	<b>578.7</b>	<b>10.8%</b>	<b>17.9%</b>
Depreciation and amortization expense	(70.1)	(72.5)	(83.3)	(67.1)	9.0%	15.0%
<b>EBIT</b>	<b>371.4</b>	<b>387.3</b>	<b>458.9</b>	<b>511.6</b>	<b>11.2%</b>	<b>18.5%</b>
Finance costs	(159.3)	(191.8)	(111.4)	(43.1)	-16.4%	-41.9%
Other income	39.3	34.9	19.2	13.7	-30.1%	-45.0%
Share of profit/ (loss) from associates	(0.1)	(0.8)	(0.2)	0.6	47.2%	-76.4%
<b>PBT</b>	<b>251.4</b>	<b>229.6</b>	<b>366.5</b>	<b>482.9</b>	<b>20.7%</b>	<b>59.7%</b>
Tax expenses	(92.4)	(36.3)	(143.2)	(120.1)	24.5%	294.1%
<b>Reported PAT</b>	<b>159.0</b>	<b>193.2</b>	<b>223.3</b>	<b>362.8</b>	<b>18.5%</b>	<b>15.6%</b>

## Consolidated balance sheet statement (Rs. cr)

	FY19	FY20	FY21	9M FY22	CAGR over FY19 - 21	Annual growth over FY20
Equity share capital	575.5	575.5	575.5	575.5	0.0%	0.0%
Other equity	907.3	1,028.1	1,252.1	1,613.3	17.5%	21.8%
Non current borrowings	288.1	218.9	189.5	636.5	-18.9%	-13.4%
Other non current financial liabilities	0.9	0.2	0.1	0.1	-67.1%	-33.1%
Non current provisions	19.4	27.1	19.8	26.4	0.9%	-27.0%
Net deferred tax liabilities	26.4	21.9	93.0	92.7	87.7%	325.3%
Current borrowings	2,834.9	2,079.1	1,061.7	1,604.4	-38.8%	-48.9%
Other current financial liabilities	108.2	60.9	82.5	104.8	-12.7%	35.4%
Trade payables	707.9	806.1	939.5	2,241.2	15.2%	16.5%
Current provisions	67.6	75.6	83.0	74.7	10.8%	9.7%
Current tax liabilities	3.5	13.8	0.2	59.3	-74.5%	-98.4%
Other current liabilities	87.9	103.2	126.4	157.5	19.9%	22.5%
<b>Total liabilities</b>	<b>5,627.7</b>	<b>5,010.3</b>	<b>4,423.2</b>	<b>7,186.3</b>	<b>-11.3%</b>	<b>-11.7%</b>
Property, plant and equipment	1,023.4	1,212.7	1,225.1	1,267.8	9.4%	1.0%
Intangible assets	1.0	1.4	1.1	0.9	7.6%	-18.6%
Capital work-in-progress	254.8	149.0	220.1	283.7	-7.1%	47.6%
Equity accounted investment		3.1	2.8	2.8		-10.8%
Other non current income tax assets	21.2	21.5	12.5	12.5	-23.3%	-42.0%
Other non current assets	11.9	17.4	23.2	426.8	39.6%	33.4%
Inventories	1,421.8	1,078.5	899.1	1,463.8	-20.5%	-16.6%
Trade receivables	2,342.1	2,148.9	1,155.6	1,851.3	-29.8%	-46.2%
Current investments			122.0	650.2		
Cash and cash equivalents	20.1	5.8	93.2	82.9	115.3%	1501.9%
Other current financial assets	126.4	143.7	195.9	306.5	24.5%	36.4%
Other current assets	404.6	228.1	472.4	836.8	8.0%	107.1%
Assets classified as held for sale	0.2	0.2	0.2	0.2	0.8%	-1.2%
<b>Total assets</b>	<b>5,627.7</b>	<b>5,010.3</b>	<b>4,423.2</b>	<b>7,186.3</b>	<b>-11.3%</b>	<b>-11.7%</b>

Source: Choice Equity Broking



## Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)						
	FY19	FY20	FY21	9M FY22	CAGR over FY19 - 21	Annual growth over FY20
Cash flow before working capital changes	421.2	520.6	585.7	620.9	17.9%	12.5%
Working capital changes	(1,305.2)	778.1	992.5	(424.4)		27.6%
<b>Cash flow from operating activities</b>	<b>(920.4)</b>	<b>1,269.7</b>	<b>1,501.1</b>	<b>135.5</b>		<b>18.2%</b>
Purchase and construction of property, plant and equipment	(126.2)	(139.0)	(168.8)	(568.7)	15.6%	21.4%
<b>Cash flow from investing activities</b>	<b>(103.2)</b>	<b>(143.2)</b>	<b>(289.3)</b>	<b>(1,153.7)</b>	<b>67.5%</b>	<b>102.1%</b>
<b>Cash flow from financing activities</b>	<b>1,018.4</b>	<b>(1,141.2)</b>	<b>(1,124.4)</b>	<b>952.0</b>		<b>-1.5%</b>
<b>Net cash flow</b>	<b>(5.2)</b>	<b>(14.7)</b>	<b>87.4</b>	<b>(66.2)</b>		
Opening balance of cash	23.9	18.7	4.1	91.5	-58.7%	-78.2%
<b>Closing balance of cash</b>	<b>18.7</b>	<b>4.1</b>	<b>91.5</b>	<b>25.3</b>	<b>121.0%</b>	<b>2140.0%</b>

Consolidated financial ratios				
Particulars (Rs. mn)	FY19	FY20	FY21	9M FY22
Revenue growth rate (%)		-3.8%	23.2%	
Gross profit growth rate (%)		1.2%	3.6%	
Gross profit margin (%)	28.3%	29.8%	25.0%	21.1%
EBITDA growth rate (%)		4.1%	17.9%	
EBITDA margin (%)	10.1%	11.0%	10.5%	9.7%
EBIT growth rate (%)		4.3%	18.5%	
EBIT margin (%)	8.5%	9.2%	8.9%	8.6%
Restated reported PAT growth rate (%)		21.6%	15.6%	
Restated reported PAT margin (%)	3.6%	4.6%	4.3%	6.1%
Turnover ratios				
Inventories turnover ratio (x)	3.1	3.4	5.2	4.1
Trade receivable turnover ratio (x)	1.9	1.9	3.1	3.2
Accounts payable turnover ratio (x)	6.2	5.5	5.9	2.7
Fixed asset turnover ratio (x)	3.4	3.1	3.6	3.8
Total asset turnover ratio (x)	0.8	0.8	1.2	0.8
Return ratios				
RoE (%)	10.7%	12.0%	12.2%	16.6%
RoA (%)	2.8%	3.9%	5.0%	5.0%
RoCE (%)	20.7%	20.8%	24.0%	23.1%
Per share data				
Restated adjusted EPS (Rs.)	2.0	2.4	2.7	4.5
DPS (Rs.)	0.7	0.7	0.0	0.0
BVPS (Rs.)	18.2	19.7	22.4	26.9
Operating cash flow per share (Rs.)	(11.3)	15.6	18.4	1.7
Free cash flow per share (Rs.)		3.6	1.3	
Dividend payout ratio	36.2%	29.8%	0.0%	0.0%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

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
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