

Price: 149

Recommendation: Buy

Industry: Fertilizers

Sector: Commodities

Report Date: 28-Apr-2025

Paradeep Phosphates Limited is a leading fertilizer manufacturer in India, specializing in value-added NPK fertilizers and DAP. With innovative products like nano-fertilizers and Triple Super Phosphate, the company drives sustainable farming solutions. Strategic investments, backward integration, and energy optimization bolster growth, ensuring operational excellence and profitability for the future.

Sales		Profit & Loss		Profitability Matrix	
Current Year	12569 Cr	Operating Profit(Year)	1057 Cr	Operating Profit Margin	8.41 %
Previous Year	13341 Cr	Operating Profit(Quarter)	336 Cr	EBITDA Margin	5.89 %
Current Quarter	4105 Cr	PAT (Year)	115 Cr	Net Profit Margin	1.00 %
Previous Quarter	3844 Cr	PAT (Quarter)	159 Cr	EPS	5.07
Revenue (QYoY)	2595 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	29.5	Sales Growth	-3.14 %	Sales Growth	6.79 %
PEG Ratio	-4.72	PAT Growth	-63.38 %	Sales Growth QYoY	58.19 %
EV/EBITDA	13.8	EPS Growth	315.57 %	PAT Growth	-29.96 %
P/B	3.21	Dividend Yield	0.35	PAT Growth QYoY	45.87 %
Capital Allocation		Holdings		Leverage	
RoE	3.26 %	Promoter	56.0 %	Debt/Equity	1.16
RoA	1.13 %	FII	7.17 %	Debt	4346 Cr
RoCE	6.73 %	DII	24.4 %	Market Cap	12161 Cr
RoIC	5.15 %	Public	12.3 %	Enterprise value	15965 Cr
		No of Shares	81.5 Cr	Cash Equivalents	542 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Paradeep Phosphates Limited showcased robust performance in Q3 FY25, driven by strategic initiatives and operational excellence. The company emphasized its focus on value-added NPK fertilizers, producing seven unique grades alongside DAP to cater to diverse farmer needs. Production rose 25% YoY to 675,808 metric tons, while sales surged 47% YoY to 870,586 metric tons. The newly launched Triple Super Phosphate and Biogenic nano-fertilizers demonstrated strong market traction, with nano-fertilizer sales exceeding 1.4 million bottles and Zypmite production reaching an all-time high of 36,000 metric tons. Backward integration efforts, including sulfuric acid capacity expansion from 1.3 million tons to 2 million tons per annum, remain on track for completion by Q3 FY26, supporting phosphatic acid integration and cost efficiency. Additionally, energy optimization initiatives at the Goa plant are expected to yield significant savings.

The company is actively pursuing diversification and scaling opportunities. A Rs. 4,000 crore capex commitment in Odisha includes Rs. 3,000 crore for fertilizer operations and Rs. 1,000 crore for green ammonia and merchant-grade phosphoric acid projects. Paradeep Phosphates is also exploring investments in Morocco post-merger with MCFL, which is expected to be effective from April 2024, pending regulatory approvals. The merger is anticipated to enhance distribution reach and operational synergies. Nano-fertilizers, particularly Nano DAP, are gaining traction, with flexible production capacity of 2.5 million bottles and plans for further expansion. The company projects a 25%-30% growth in nano-fertilizer sales next year, reflecting its commitment to innovation and sustainable practices.

Looking ahead, Paradeep Phosphates aims to optimize its fertilizer mix, manage raw material price fluctuations, and leverage backward integration for margin improvement. The sulfuric acid and phosphoric acid projects are expected to deliver significant cost benefits by FY27, with EBITDA margins potentially rising to Rs. 5,500 per metric ton. The company targets annual sales volumes of 3 million tons, supported by enhanced capacity utilization and expanded distribution networks in North India and Karnataka. Efforts to promote balanced nutrition through NPK fertilizers are yielding positive results, with farmer adoption increasing due to better crop outcomes.

Overall, Paradeep Phosphates is well-positioned for sustained growth, backed by strong fundamentals, strategic investments, and innovative product offerings. The company's focus on backward integration, energy efficiency, and diversification aligns with its vision to drive operational excellence and profitability. Favorable market conditions, government support, and robust demand further reinforce its growth trajectory, ensuring a positive outlook for FY25 and beyond.

PARADEEP Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
R C F	7698.83	30.26	4.20%	5.33%	-7.85%	1.61%	615.06%
G S F C	7595.00	13.99	4.55%	6.79%	40.16%	-55.12%	13.44%
Coromandel Inter	66275.54	40.49	18.89%	-6.70%	26.92%	-22.94%	122.66%
F A C T	48012.70	574.54	29.39%	-34.46%	-13.48%	-28.51%	-73.61%
Natl.Fertilizer	4231.29	16.43	5.58%	33.38%	-22.79%	279.54%	-69.64%

Aspect	Commentary
Revenue	Revenue declined YoY by 3.14%, reflecting challenges in market conditions. However, QoQ growth of 6.79% and QYoY growth of 58.19% indicate recovery and strong quarterly performance driven by increased sales volumes and product diversification.
Profit & Loss	Operating profit margin stands at 8.41%, showcasing efficiency despite a YoY PAT decline of 63.38%. Quarterly PAT growth of 45.87% highlights improved profitability, supported by strategic initiatives and cost optimization.
Profitability Matrix	Net profit margin of 1.00% indicates room for improvement. EBITDA margin of 5.89% reflects operational efficiency. EPS growth of 315.57% YoY signals strong earnings recovery, driven by innovative product offerings and cost controls.
Valuation Matrix	Trailing P/E of 29.5 suggests moderate valuation relative to peers. EV/EBITDA of 13.8 indicates operational efficiency. PEG ratio of -4.72 highlights growth challenges, while dividend yield of 0.35% offers limited income potential.
Growth (YoY)	Sales growth declined by 3.14% YoY, reflecting market pressures. PAT growth dropped significantly by 63.38%, indicating profitability challenges. EPS growth of 315.57% YoY showcases recovery in earnings despite overall growth hurdles.
Growth (QoQ)	QoQ sales growth of 6.79% and PAT decline of 29.96% reflect mixed performance. QYoY sales growth of 58.19% and PAT growth of 45.87% highlight strong quarterly recovery, driven by increased production and innovative product launches.
Capital Allocation	RoE of 3.26% and RoA of 1.13% indicate modest returns on equity and assets. RoCE of 6.73% reflects efficient capital utilization. Rs. 4,000 crore capex commitment underscores focus on growth and diversification.
Holdings	Promoter holding of 56% ensures strong control. FII at 7.17% and DII at 24.4% reflect institutional confidence. Public holding of 12.3% indicates limited retail participation. Cash equivalents of Rs. 542 crore provide liquidity support.
Leverage	Debt/Equity ratio of 1.16 reflects moderate leverage. Total debt of Rs. 4,346 crore highlights reliance on borrowings for growth. Enterprise value of Rs. 15,965 crore underscores market confidence in operational and strategic initiatives.

Analyst viewpoint: Paradeep Phosphates Limited demonstrates strong potential for growth in the short to mid-term, supported by robust quarterly performance and strategic initiatives. The company reported a QoQ revenue growth of 6.79% and an impressive QYoY growth of 58.19%, driven by increased production volumes and innovative product launches such as nano-fertilizers and Triple Super Phosphate. EPS growth of 315.57% YoY underscores earnings recovery, while backward integration efforts and energy optimization initiatives are expected to enhance cost efficiency and margins. The Rs. 4,000 crore capex commitment, including investments in green ammonia and phosphoric acid projects, reflects the company's focus on diversification and scaling opportunities. Additionally, the merger with MCFL is anticipated to strengthen distribution networks and operational synergies, further bolstering growth prospects.

While Paradeep Phosphates is well-positioned for sustained growth, supported by favorable market conditions and government backing, the company's net profit margin of 1.00% highlights room for improvement in profitability. Nonetheless, with strategic investments, innovative product offerings, and strong quarterly recovery metrics, the company is poised to capitalize on emerging opportunities in the fertilizer sector. We remain bullish on Paradeep Phosphates Limited, considering its operational excellence, commitment to sustainability, and ability to navigate market challenges effectively.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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