PL Capital
PRABHUDAS LILLADHER
INSTITUTIONAL EQUITIES

INITIATING COVERAGE
March 2026

Paradeep Phosphates (PARADEEP IN)

Nurturing the roots

Rating: ACCUMULATE | CMP: Rs106 | TP: Rs120

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March 23, 2026

Key Data	PRAO.BO | PARADEEP IN
BSE Code	543530
NSE Code	PARADEEP
52-W High / Low	INR 234 / INR 95
Face Value	10
Sensex / Nifty	72,696 / 22,513
Market Cap	INR 110 bn / $ 1,173 mn
Shares Outstanding	1038.17 mn
3M Avg. Daily Value	INR 720.41 mn
3M Avg. Daily Value	INR 749.45 mn

Shareholding Pattern (%)	
Promoters	57.70
FIIs	11.43
MF	13.12
DII	0.14
Public & Others	17.62
Promoter's Pledge	12.51

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(9.6)	(34.2)	(38.8)	11.5
Relative	3.6	(22.6)	(30.9)	18.0

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (INR mn)	169,587	217,182	221,521	225,738
EBITDA (INR mn)	15,510	20,254	22,936	25,584
Margin (%)	*9.1*	*9.3*	*10.4*	*11.3*
PAT (INR mn)	6,621	9,266	10,976	12,408
EV (INR mn)	148,102	156,448	157,405	156,136
Total Debt (INR mn)	50,974	54,000	55,000	54,000
C&C Eq. (INR mn)	9,345	4,024	4,067	4,336
EPS (INR)	6.4	8.9	10.6	12.0
Gr. (%)	*160.6*	*39.9*	*18.5*	*13.0*
DPS (INR)	0.6	0.5	0.6	0.7
Yield (%)	*0.5*	*0.5*	*0.6*	*0.7*
RoE (%)	*11.3*	*13.7*	*14.1*	*13.9*
RoCE (%)	*12.3*	*14.6*	*14.9*	*15.0*
EV/Sales (x)	0.9	0.7	0.7	0.7
EV/EBITDA (x)	9.5	7.7	6.9	6.1
PE (x)	16.6	11.9	10.0	8.9
P/BV (x)	1.9	1.6	1.4	1.2

Nurturing the roots

Quick Pointers

- PPL aims to achieve full backward integrate by FY29
- MCFL merger to strengthen presence in southern markets

We initiate coverage on PPL with 'Accumulate' rating and TP of INR120, based on 10x FY28E EPS. PPL is positioning itself to capitalize on the import substitution opportunity in India's chemicals sector, through backward integration, product mix optimization, and capacity expansion. It is expanding phosphoric and sulfuric acid capacity (+57% and +100%, respectively) and targets to achieve full backward integration by FY29. Further, it is shifting its portfolio toward high-value complex fertilizers, thus reducing reliance on DAP. PPL is expanding its fertilizer capacity to reach ~5.0mmtpa by early FY29. Also, the MCFL merger will strengthen PPL's presence in South India.

While elevated raw material prices may exert near-term margin pressure, we believe the company's integrated operations, expanding scale and merger synergies will drive sustained earnings growth over the medium term. We estimate revenue/EBITDA/PAT CAGR of ~10%/18%/23% over FY25–28E, driven by capacity additions, product mix improvement and integration benefits. At CMP, PPL trades at ~9x FY28E EPS and ~6x FY28E EV/EBITDA. Initiate coverage with 'Accumulate'.

Integrated operations to support margin: Backward integration will improve PPL's margin profile by reducing exposure to volatile imported intermediates. Significant expansion of sulfuric and phosphoric acid capacity is underway (to ~3mmtpa (+57%) and 1mmtpa (+100%), respectively, by early FY29). With corresponding captive acid spreads at ~$29/t and ~$145/t vs. imports, the integration will reduce costs and import dependence and enhance margin visibility.

Product mix inching toward high-value fertilizers: By moving toward high-value complex fertilizers, PPL is reducing reliance on DAP and expanding its NPK portfolio. After declining from ~28% in FY24 to ~17% in FY25, DAP share is expected to fall further by FY28 with increased focus on trading DAP, while NPK share is projected to increase to ~58% from ~49% in FY25.

MCFL merger to strengthen geographical presence: Post merger, PPL's granulation capacity rose ~23% to ~3.7mmtpa. It plans to add ~1.3mmtpa (1.0mmtpa greenfield + ~0.3mmtpa via debottlenecking) by early FY29. The merger provides strong access to southern markets, where MCFL has deep distribution and brand recall. This will increase penetration of higher value NPK grades and market share.

Import substitution to aid capacity ramp-up: India's reliance on imports for phosphatic nutrients (~49% of DAP, 16% in NPK), underscores import-substitution opportunity. With likely ramp-up in utilization and volumes post-expansion, PPL will be able to capture the domestic supply gap in phosphatic and complex fertilizers and scale market share to ~16% from ~12% through import substitution.

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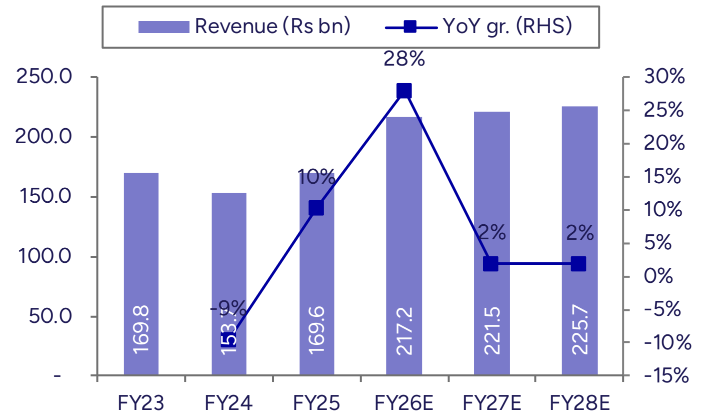
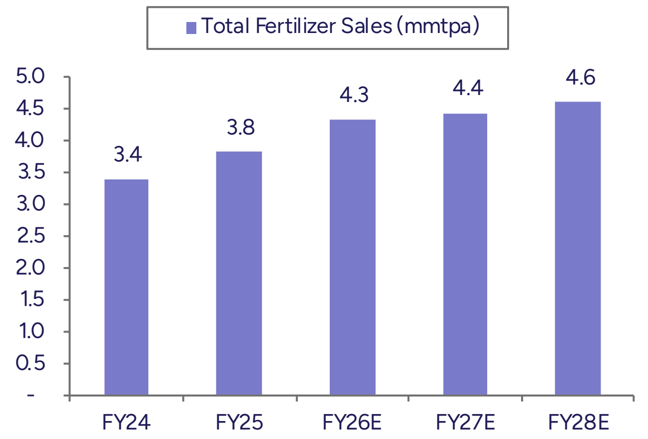
Story in Charts

Exhibit 1: Revenue to grow at 10% CAGR over FY25-28E



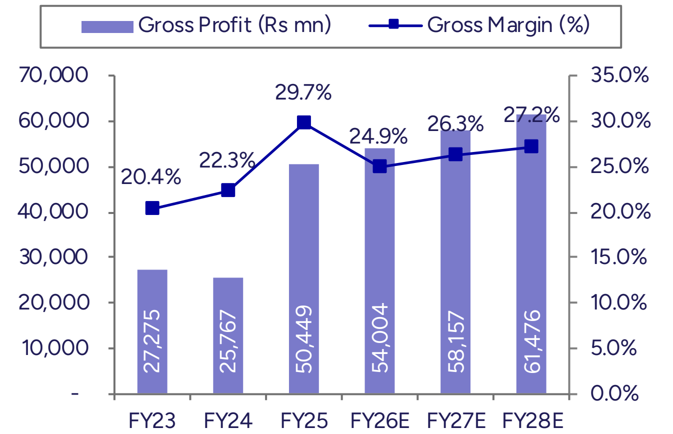
Source: Company, PL

Exhibit 2: Total fertilizer sales to reach 4.6mmtpa in FY28E



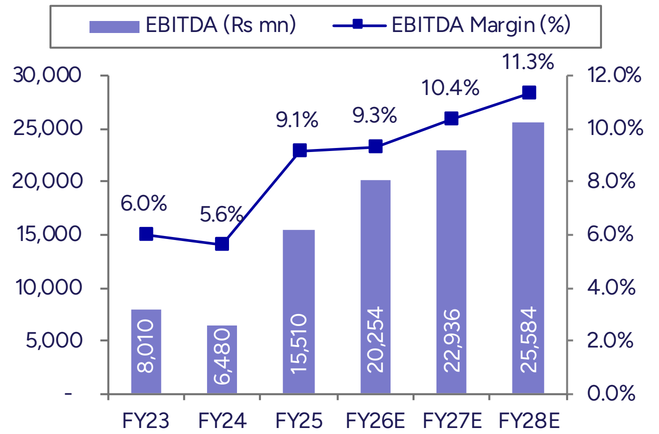
Source: Company, PL

Exhibit 3: Gross profit to reach 27.2% in FY28E



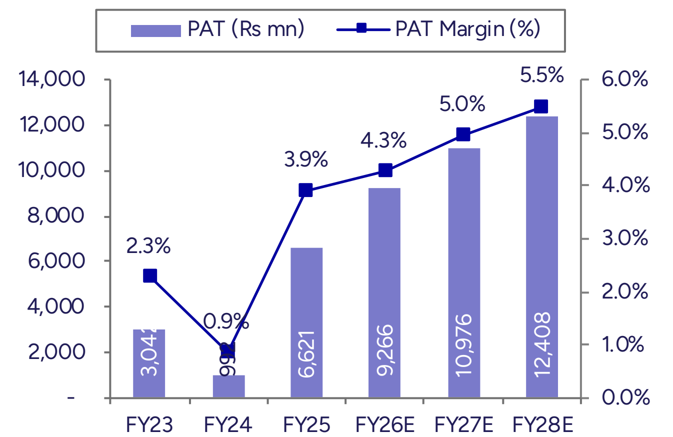
Source: Company, PL

Exhibit 4: EBITDAM to improve by ~220bps over FY25-28E



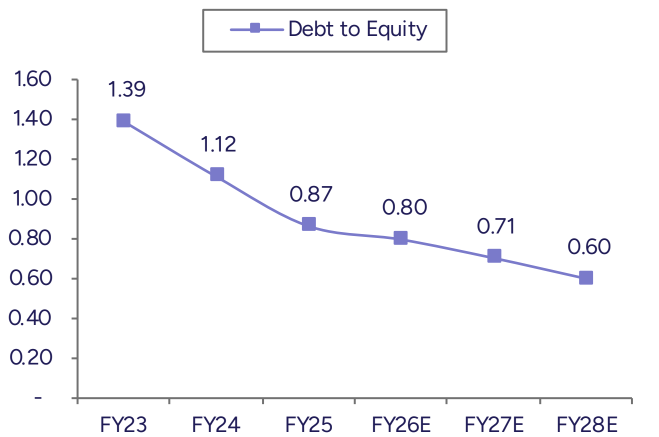
Source: Company, PL

Exhibit 5: PAT to grow at 23% CAGR over FY25-28E



Source: Company, PL

Exhibit 6: Debt/ Equity to reach 0.6 by FY28E



Source: Company, PL

Company Overview

PPL: An established private player in phosphatic fertilizers

Paradeep Phosphates Ltd (PPL) is India's second-largest private sector phosphatic fertilizer company. It was incorporated in 1981 as a joint venture between the Government of India (GoI) and the Republic of Nauru. PPL became a public sector entity in 1993. In 2002, GoI divested nearly 80% of its stake to Zuari Maroc Phosphates Pvt Ltd (ZMPPL), a joint venture between Dr. K K Birla's Zuari Group and Morocco's OCP Group. Following its IPO in May'22, PPL transitioned into a private company, with GoI selling its residual 19.55% stake, and ZMPPL becoming the majority owner with current 50.2% stake.

PPL is engaged in manufacturing, trading, distribution and sales of a variety of fertilizers:

The company started trading MOP, DAP, TSP largely from FY25 onwards

- Diammonium phosphate (DAP)
- Nitrogen, phosphorus and potassium (NPK): NPK-10, NPK-12, NPK-19, NPK-20, etc.
- Urea
- New products: nano DAP, nano urea, plant nutrition products, ammonium bicarbonate
- Industrial products: zypmite, phosphogypsum, hydrofluorosilicic acid, etc.

The company is also engaged in the trading of muriate of potash (MOP), ammonia, specialty plant nutrients and city compost. Over the years, PPL has evolved from manufacturing a single product to diversified phosphatic fertilizers. Its key brand names are 'Jai Kisaan – Navratna' and 'Navratna'.

Manufacturing plants

Total granulation capacity to reach 1mmtpa by FY29

PPL operates manufacturing facilities at Paradeep (Odisha), Zuarinagar (Goa) and Mangaluru (Karnataka). The company acquired Zuari Agro Chemicals' Goa fertilizer plant in Jun'22, for transaction value of $280mn. Further, in Q2FY26, PPL completed its merger with Mangalore Chemicals & Fertilizers Ltd (MCFL).

Exhibit 7: Manufacturing spread across 3 facilities

Manufacturing unit	Area (acre)	Target markets	Key products	Backward integration	Advantages
Paradeep, Odisha	2,280 (only 1/3rd of land is occupied)	East, central and south India	DAP, NPK-20, NPK-12, NPK-10, NPK-14	Phosphoric acid (500ktpa), sulfuric acid (1.9mtpa)	1. Inbound logistics via 3.4km pipeline from Paradeep port 2. Green power generated from sulfuric acid production 3. Land available for future expansion
Zuarinagar, Goa	260	West, central and south India	NPK-10, NPK-12, NPK-14, NPK-19, NPK-28, urea NPK-19 is unique to Goa plant in India	Ammonia (290ktpa)	Centrally located in agriculturally developed markets with high phosphate consumption
Mangaluru, Karnataka	200	South India	Urea, NPK-20	Sulfuric acid (33ktpa) Ammonia (290ktpa)	Proximity to port serves key southern states

Source: Company, PL

Exhibit 8: Total granulation capacity for DAP/NPK to reach 50,00,000mtpa by FY29E (mtpa)

PPL Granulation Capacity	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E
DAP & NPK							
Paradeep	18,00,000	18,00,000	18,00,000	18,00,000	19,00,000	21,00,000	31,00,000
Zuarinagar, Goa	8,00,000	8,00,000	8,00,000	8,00,000	8,00,000	8,00,000	8,00,000
Mangaluru				3,00,000	3,00,000	3,00,000	3,00,000
Total	**26,00,000**	**26,00,000**	**26,00,000**	**29,00,000**	**30,00,000**	**32,00,000**	**42,00,000**
Urea							
Paradeep							
Zuarinagar, Goa	4,00,000	4,00,000	4,00,000	4,00,000	4,00,000	4,00,000	4,00,000
Mangaluru				4,00,000	4,00,000	4,00,000	4,00,000
Total	**4,00,000**	**4,00,000**	**4,00,000**	**8,00,000**	**8,00,000**	**8,00,000**	**8,00,000**
Total fertilizer capacity	**30,00,000**	**30,00,000**	**30,00,000**	**37,00,000**	**38,00,000**	**40,00,000**	**50,00,000**

Source: Company, PL

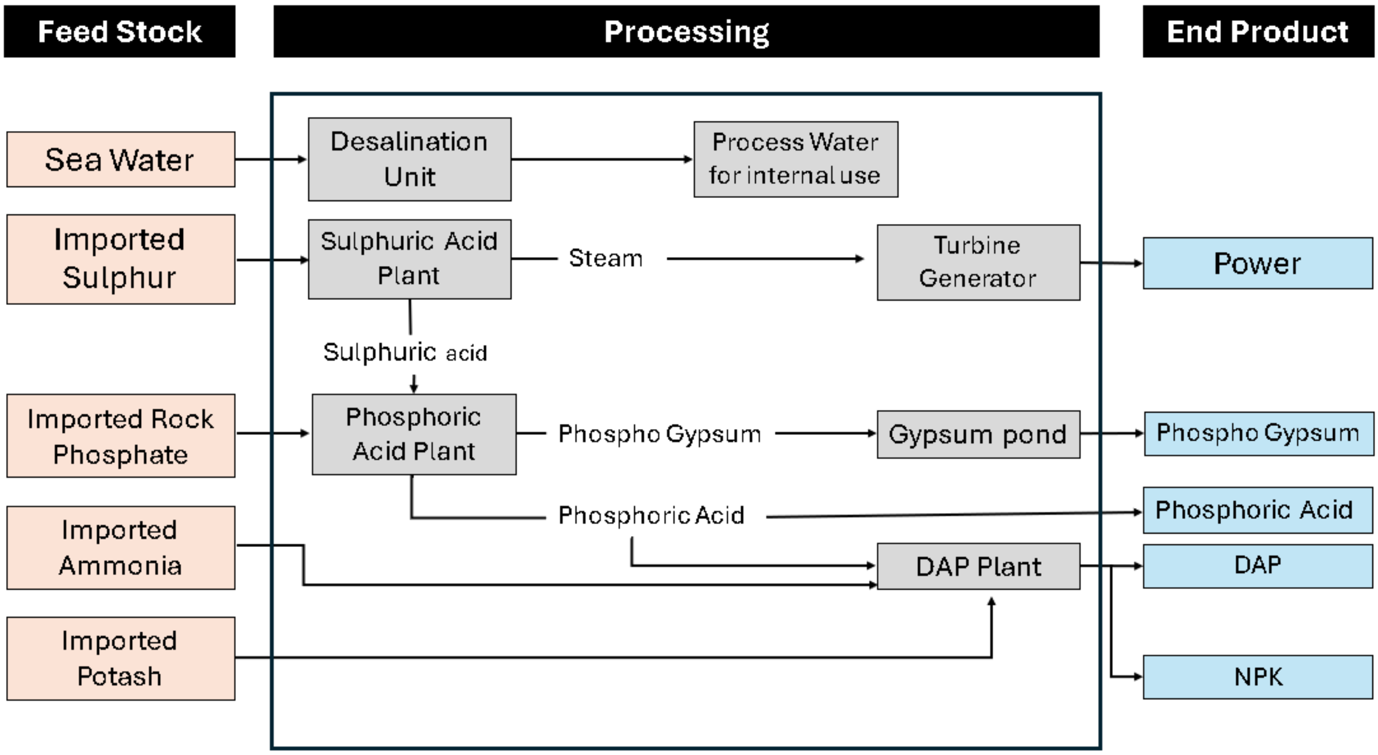
Manufacturing process

First, sulfur is processed to manufacture sulfuric acid, which is subsequently reacted with rock phosphate to produce phosphoric acid. The resulting phosphoric acid is then combined with ammonia to manufacture DAP and NPK fertilizers.

Phosphoric acid is the one of the most expensive raw materials required for manufacturing fertilizers

In terms of raw material consumption, 0.3t of sulfur is required for every ton of sulfuric acid output. About 3.3t of rock phosphate and 3-3.5t of sulfuric acid are required for 1t of phosphoric acid. 1t of DAP requires 0.47t of phosphoric acid and 0.23t of ammonia. NPK-20, which is PPL's most important NPK grade, requires ~0.21t of phosphoric acid and 0.25t of ammonia per 1t of output.

Exhibit 9: Fertilizer production at PPL



Source: Company, PL

Raw material sourcing and integration

OCP is custodian of 70% of the world's rock phosphate reserves

Phosphatic fertilizer production is raw material intensive, and PPL benefits from strategic sourcing arrangements for phosphate rock and phosphoric acid, including linkages through its Moroccan partner. Further, port-based infrastructure at Paradeep enhances supply chain efficiency and reduces freight costs. While the business remains exposed to global raw material price volatility, integrated phosphoric acid capacity provides partial insulation and operational flexibility.

Exhibit 10: Strategic sourcing agreements in place for key RMs

Key RMs	Sourced from
Phosphate rock	OCP Group
Ammonia	Middle East
Phosphoric acid	OCP Group for Goa and Mangaluru facilities
Sulfur	Manufacturers and traders in the Middle East
MOP	Imported
RLNG	GAIL

Source: Company, PL

Exhibit 11: Storage facility at all manufacturing locations

Storage (mt)	Paradeep	Goa	Mangaluru
Phosphate rock	1,20,000	0	0
Phosphoric acid	50,000	37,500	21000
Sulfuric acid	55,000	5,000	20000
Sulfur	55,000	0	3000
MOP	35,000	14,000	0
Ammonia	40,000	8,000	11500
Urea		30,000	30000
NPK	60,000	5,000	8000

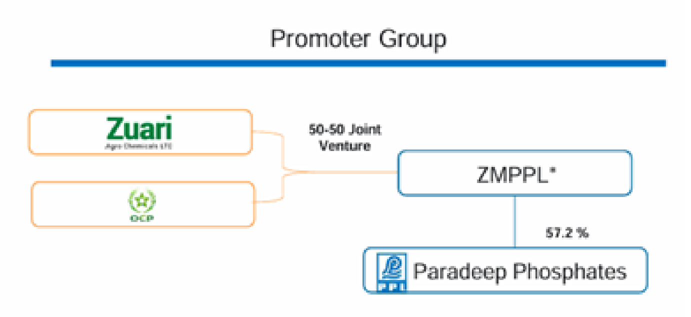
Source: Company, PL

PPL also has well-developed raw material and finished goods storage infrastructure across its manufacturing locations. The company maintains dedicated storage facilities for key raw materials such as phosphate rock, phosphoric acid, ammonia and sulfur. For finished goods, PPL operates on-site warehouses, regional stock points, and an extensive dealer-linked storage network, enabling smooth dispatch, effective inventory management, and timely supply across peak agricultural seasons.

Shareholding pattern

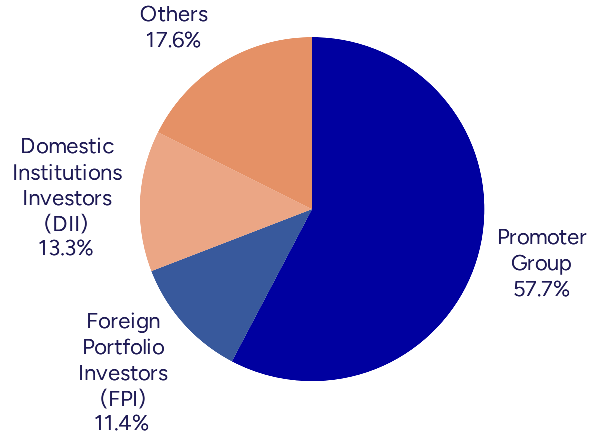
ZMPPL, a joint venture between Dr. K K Birla's Zuari Group and Morocco's OCP Group, is the majority owner with 50.2% stake. OCP Group is the custodian of 70% of world's phosphate reserves. PPL has a long-term contract with OCP for phosphate, providing strong raw material security and an edge over other fertilizer players.

Exhibit 12: ZMPPL holds 50.2 % in PPL



Source: Company, PL

Exhibit 13: DII share at 13.3%



Source: Company, PL

Exhibit 14: Management team

Name	Position
N Suresh Krishnan	Managing Director and CEO
Rajeev Nambiar	President & Chief Operating Officer
Harshdeep Singh	President & Chief Commercial Officer
Bijoy Kumar Biswal	Chief Financial Officer
Alok Saxena	Head – Corporate Finance and Investor Relations

Source: Company, PL

Distribution network and market reach

PPL has a pan-India distribution network, with deep penetration in eastern, central and western India, and expanding presence in southern markets following the MCFL merger. It does not have any presence in Northeast and North India. It operates through an extensive dealer and retailer network, supported by agronomy services, soil testing initiatives, and farmer outreach programs.

Exhibit 15: Extensive market presence

Market presence (nos.)	
States covered	18
Regional marketing offices	25
Stock points	604
Dealers	6,800
Retailers	1,00,000
Farmers covered (mn)	12

Source: Company, PL

Investment Thesis

Integrated operations to support margin

To structurally lower its cost base and enhance margin resilience, PPL is accelerating backward integration across key intermediates, namely sulfuric acid and phosphoric acid, to fully integrate its manufacturing process.

For every 1t phosphoric acid capacity ~3t sulfuric acid capacity is required to be fully integrated operations

In Q2FY26, the company announced an INR3.6bn capacity expansion plan, to add 1mmtpa of DAP/NPK granulation capacity. In parallel, PPL will expand its captive phosphoric acid capacity from 0.5mmtpa to 1mmtpa and total sulfuric acid capacity from 2mmtpa to 3mmtpa, across Paradeep and Mangaluru facilities, by early FY29. These expansions are strategically calibrated to ensure that, upon commissioning, majority of the company's intermediate acid requirements will be met in-house, thereby improving cost efficiency, reducing import dependence, and enhancing margin visibility.

Exhibit 16: Sulfuric acid capacity to be increased from 2mmtpa to 3mmtpa by FY29

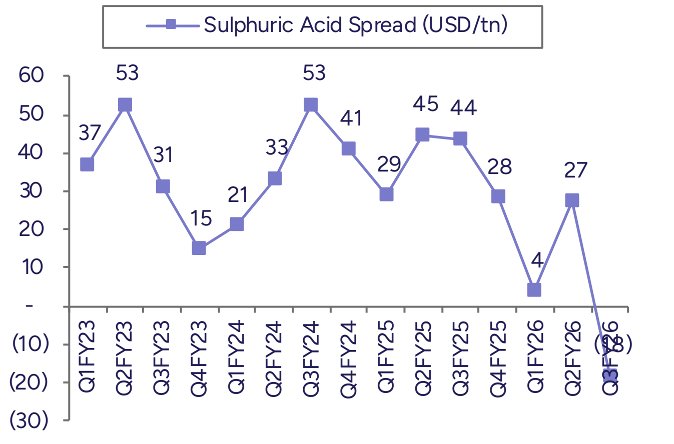
Sulfuric acid capacity (mtpa)	FY24	FY25	FY26E	FY27E	FY28E	FY29E
Paradeep	13,90,000	13,90,000	19,00,000	19,00,000	19,00,000	29,00,000
Mangaluru	-	-	30,000	1,30,000	1,30,000	1,30,000
Total	**13,90,000**	**13,90,000**	**19,30,000**	**20,30,000**	**20,30,000**	**30,30,000**

Source: Company, PL

Backward integration will reduce exposure to volatile input costs across the fertilizer production value chain. Sulfuric acid prices are highly sensitive to sulfur feedstock availability, logistics constraints, and global demand–supply imbalances, often resulting in sharp cost inflation during periods of tight supply and, consequently, margin volatility.

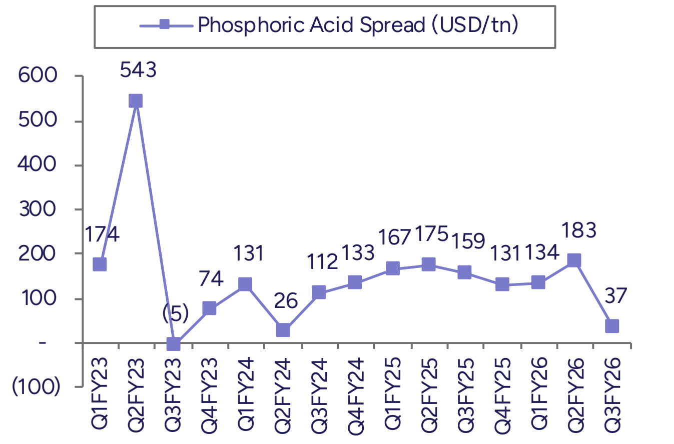
With the commissioning of additional ~1mmtpa of captive sulfuric acid capacity by FY29, PPL will meaningfully reduce its dependence on external suppliers and effectively convert a variable, market-linked input cost into a largely fixed, captive cost. This backward integration will insulate the company from spot price spikes, enhance visibility on phosphoric acid production costs, and improve overall margin predictability. On average, sulfuric acid spreads of up to ~$29/t (calculated) exist between captive and imports, further augmented by benefits from captive power generation, reinforcing the structural cost advantage.

Exhibit 17: Avg sulfuric acid spreads vs. imports at ~$29/t



Source: Company, PL

Exhibit 18: Avg phosphoric acid spreads vs. imports at ~$145/t



Source: Company, PL

Exhibit 19: **Phosphoric acid capacity to be expanded from 0.5mmtpa to 1mmtpa by FY29E**

Phosphoric acid capacity (mtpa)	FY24	FY25	FY26E	FY27E	FY28E	FY29E
Paradeep	5,00,000	5,00,000	5,00,000	7,00,000	7,00,000	10,00,000
Total	**5,00,000**	**5,00,000**	**5,00,000**	**7,00,000**	**7,00,000**	**10,00,000**

Source: Company, PL

Phosphoric acid is the most expensive intermediate in DAP and NPK production, with average price of ~$1,200/t. Its pricing is highly sensitive to phosphate rock costs as well as fluctuations in sulfuric acid input prices, exposing fertilizer producers to significant margin volatility. PPL's plan to expand phosphoric acid capacity to 1mmtpa, including the ongoing 0.2mmtpa expansion at Paradeep, will lead to self-sufficiency and reduce reliance on the volatile merchant market.

Captive phosphoric acid production also provides greater operational flexibility, enabling better scheduling across the value chain and shortening lead times from raw materials to finished fertilizers. On average, phosphoric acid spreads of ~$145/t (calculated) exist between captive and imports, enabling PPL to secure volumes at costs closer to cash-conversion economics and thereby enhance margins across downstream DAP and NPK products.

During peak demand periods, merchant acid availability often tightens, forcing fertilizer producers to either pay spot premiums or curtail production. With its expanded acid complexes, PPL will be able to operate granulation plants at higher and more stable utilization levels, with a significantly lower risk of input shortages, thereby improving operating leverage. This advantage is particularly critical given the company's growth ambitions, including ~57% increase in sulfuric acid capacity and ~100% increase in phosphoric acid capacity by FY29, relative to current levels.

Product mix inching toward high-value fertilizers

PPL is undergoing a structural transition from a largely commodity-oriented phosphatic fertilizer player to a diversified higher value complex fertilizer manufacturer, with increasing emphasis on NPK grades as well as newer products. This strategic shift is supported by flexible granulation assets, backward integration into key intermediates, and a widening distribution footprint, positioning PPL to benefit from India's gradual move toward balanced, crop-specific fertilization.

Structural shift away from DAP

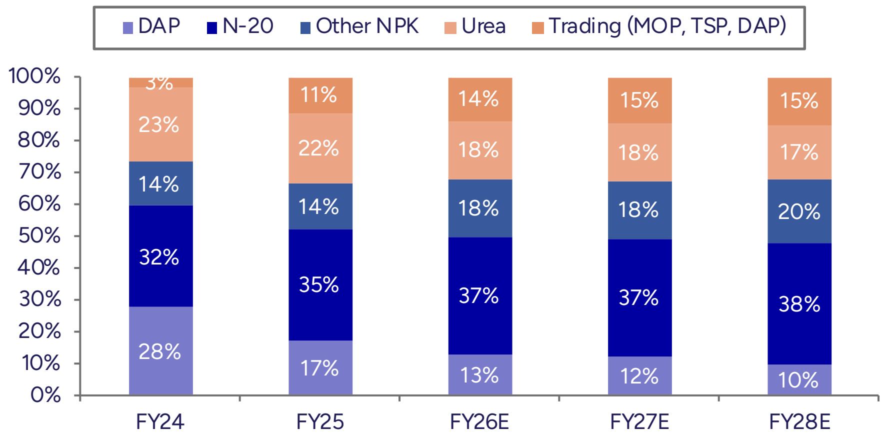
Historically, Indian phosphatic fertilizer market has been dominated by DAP, a product with limited pricing power and margins largely dictated by subsidy policies and global raw-material cycles. PPL has consciously reduced its dependence on DAP by expanding its complex fertilizer (NPK) portfolio, where realization is higher than DAP, considering phosphoric acid is captively manufactured. NPK demand is driven by agronomic suitability, rather than just subsidy arbitrage. Additionally, NPK requires less phosphoric acid compared to DAP.

DAP contribution to volume reduced to 17% in FY25, from ~28% in FY24, while contribution of NPK-20 and other grades of NPK increased from 46% to 49%; traded products' contribution, which include MOP, TSP and some DAP, also increased from 3% to 11%. We expect DAP contribution to fall further by FY28 and NPK contribution to increase to 58%.

PPL is expected to increase its DAP sales through trading. It sources DAP from its promoter, OCP. Trading EBITDA/t for DAP is INR1,500-2,000.

Complex fertilizers ensure balanced nutrient application (N, P, K and S) and are increasingly preferred for yield improvement and soil health, particularly in cash crops, horticulture, and plantation crops. This demand shift is gradual, but structural, creating a long-term opportunity for manufacturers with formulation capability and product breadth.

Exhibit 20: NPK's share to reach 58% in FY28E



Source: Company, PL

Exhibit 21: Total fertilizer sales volume for PPL to reach 4.6mmt in FY28E

Fertilizer sales volumes (mtpa)	FY24	FY25	FY26E	FY27E	FY28E
DAP	9,35,589	6,60,685	5,56,565	5,43,756	4,48,630
N-20	10,85,175	13,33,773	16,03,415	16,41,686	17,49,957
Other NPK	4,72,642	5,40,602	7,80,040	7,98,658	9,21,030
Total phosphatic fertilizer sales	**24,93,406**	**25,35,060**	**29,40,020**	**29,84,100**	**31,19,616**
Urea	7,89,618	8,53,532	8,00,000	8,00,000	8,00,000
Total fertilizer sales through manufacturing	**32,83,024**	**33,88,592**	**37,40,020**	**37,84,100**	**39,19,616**
Trading (MOP, TSP, DAP)	1,16,403	4,30,690	5,93,535	6,52,889	6,85,533
Total fertilizer sales	**33,99,427**	**38,19,282**	**43,33,555**	**44,36,989**	**46,05,149**

Source: Company, PL

Expanding portfolio of high-value NPK grades

PPL manufactures one of the **widest ranges of NPK grades in India**, supported by multiple granulation lines at Paradeep, Goa and Mangaluru. Unlike bulk DAP, these products are differentiated by nutrient ratios and crop suitability, allowing better margin stability.

Exhibit 22: Key NPK grades manufactured by PPL

Category	Major grades
Balanced complexes	NPK 19:19:19, NPK 15:15:15
High-phosphate grades	NPK 12:32:16, NPK 10:26:26
Sulfur-rich grades	NPK(S) 20:20:0:13
High-nutrient blends	NPK 28:28:0, NPK 14:28:14

Source: Company, PL

Among these, NPK 19:19:19 is particularly significant as it is a high-realization, balanced fertilizer with relatively limited domestic supply. It is currently manufactured at PPL's Goa facility. PPL is among the few large-scale producers of this grade, providing it with a competitive advantage in regions focused on horticulture and cash crops.

Entry into specialty and nano fertilizers

PPL has forayed into specialty fertilizers, including nano DAP and nano urea, which have a materially higher value per unit compared to bulk fertilizers. Nano fertilizers improve nutrient-use efficiency, reduce application quantities, and align well with government and agronomic focus on sustainable agriculture.

Though a small contributor to volume, nano and specialty products serve 2 strategic purposes:

- **Margin accretion**, given superior realization per unit
- **Brand and technology positioning**, enabling PPL to participate in the next phase of fertilizer innovation rather than remaining a bulk commodity supplier.

Over time, this segment can evolve into a meaningful profit contributor, even with modest volumes.

PPL also sells industrial products like phosphogypsum, sulfuric acid, ammonia, HFSA, ABC, SNF and zypmite.

Exhibit 23: Product portfolio includes various grades of NPKs

Source: Company, PL

MCFL merger to strengthen geographic presence

PPL's strategy of scaling up capacity through organic expansion, acquisition of Zuari Agro Chemicals in FY23, and merger with MCFL, represents a decisive shift in its growth trajectory and competitive positioning. With annual phosphatic fertilizer consumption of nearly 20mmtpa and limited incremental domestic additions, inorganic growth is one of the most effective routes to gain market share.

PPL plans to increase its capacity by almost 1.3mmtpa by early FY29. This expansion includes 1mmtpa of greenfield expansion along with ~0.3mmtpa of brownfield debottlenecking of capacity at Paradeep.

In contrast, other major phosphatic players together are expected to add a total granulation capacity of ~1.5mmtpa.

Exhibit 24: New capacity addition by Indian phosphatic players (mtpa)

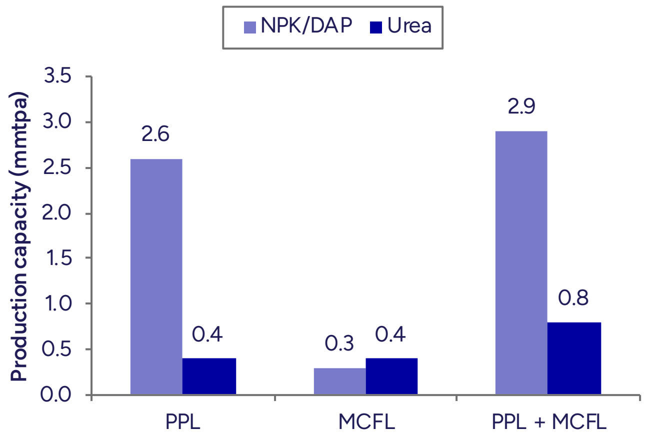
Granulation capacity: DAP/NPK	FY26E	FY27E	FY28E
Coromandel International Ltd	36,00,000	43,50,000	43,50,000
RCF	-	-	4,38,000
IFFCO	43,35,400	-	-
Gujarat State Fertilizers & Chemicals Ltd	5,42,000	-	-
Indorama India Pvt Ltd	9,30,750	-	-
Madhya Bharat Agro Products	2,40,000	6,60,000	9,90,000
PPL	3,70,000	3,80,000	40,00,000

Source: Industry, PL

Merger with MCFL led to 23% increase in the granulation capacity

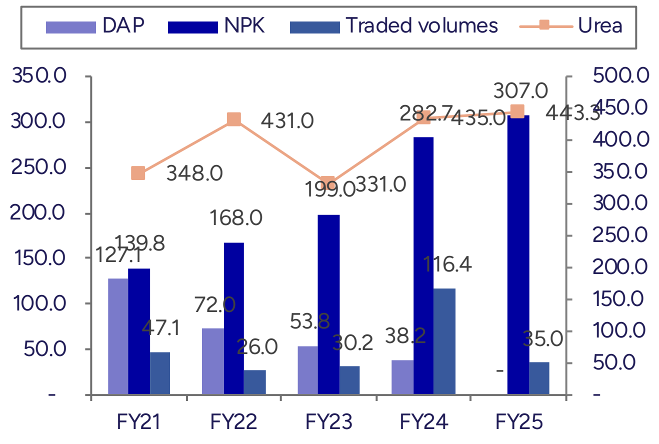
Pre-merger with MCFL, PPL's total granulation capacity reached 3mmtpa across its Paradeep and Goa facilities. Post-merger, total granulation capacity increased to 3.7mmtpa, which also includes 8mmtpa of urea manufacturing capacity across Goa and Mangaluru. Total sales volumes are expected to increase by ~23% for the combined at the current granulation capacity.

Exhibit 25: Granulation capacity at 3.7mmtpa post-merger



Source: Company, PL

Exhibit 26: MCFL total volumes at 785kt in FY25 (kt)

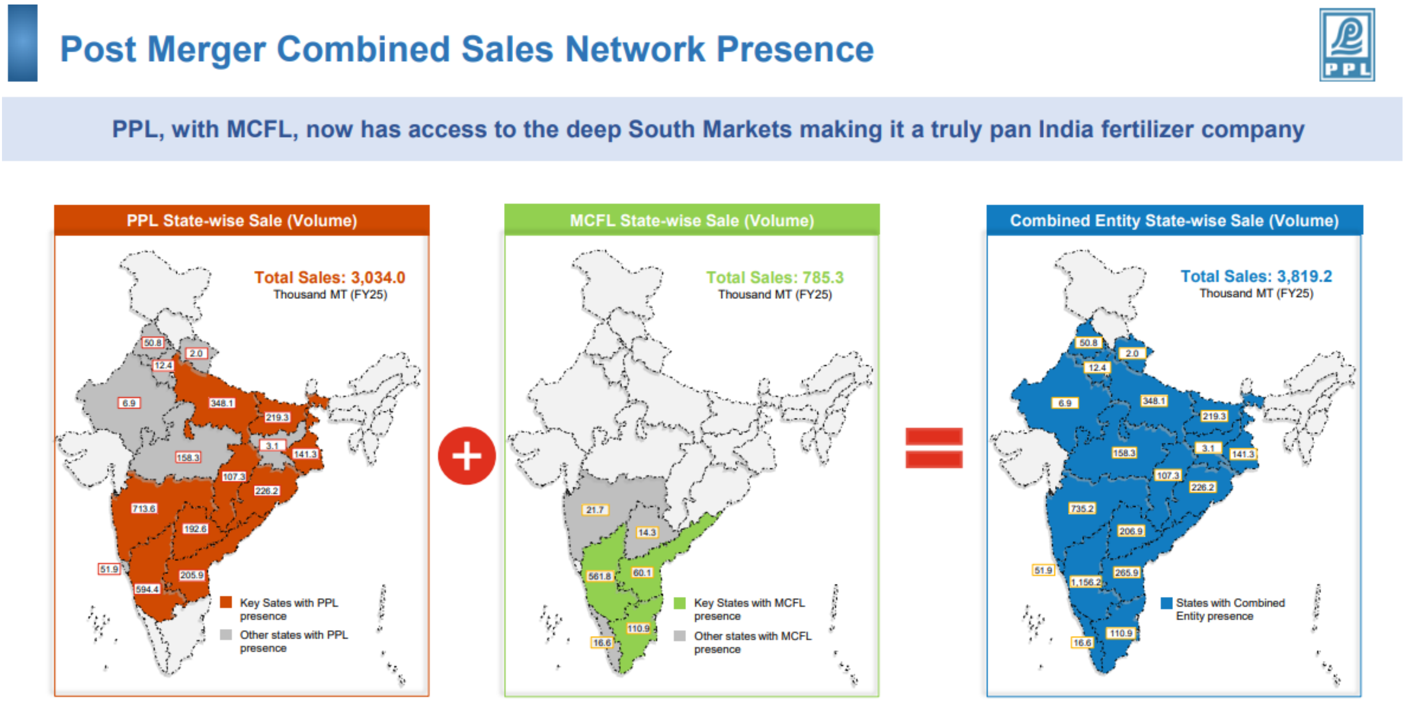


Source: Company, PL

MCFL has strong, long-standing presence in South India, with a deeply entrenched distribution network in Karnataka, Tamil Nadu, Andhra Pradesh, Telangana and Kerala. It also has well-established dealer relationships, farmer connect programs and brand recall (especially for complex fertilizers).

The merger will significantly enhance PPL's access to MCFL's southern markets. This expanded reach will allow the combined entity to push specialized and customized NPK grades that are better suited to region-specific crops and soil conditions, thereby improving product penetration and strengthening overall market share. MCFL has only NPK-20 in its portfolio as its plant doesn't have a potash handling system, while PPL has 8-9 grades of NPKs.

Exhibit 27: Access across southern markets to improve going ahead



Source: Company, PL

The merger also creates meaningful economies of scale across procurement and operations. Higher consolidated volumes will to some extent improve bargaining power for key raw materials, logistics, and services, while rationalization of fixed costs across manufacturing, marketing, and administrative functions should support a structurally lower cost base. These efficiencies are expected to enhance competitiveness, particularly in a price-sensitive fertilizer market.

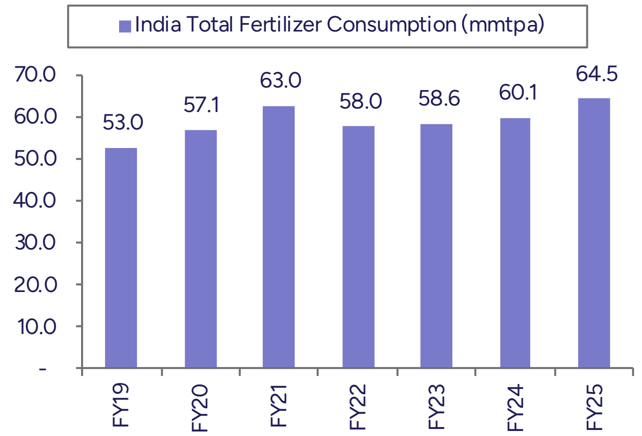
MCFL has total 200acres of land. Availability of land for further expansion and shared infrastructure post-merger provide a strong platform for future growth and enable the company to scale up production efficiently and, where economically viable, pursue deeper integration in select intermediates, thus improving supply security and long-term cost competitiveness.

Import substitution to aid capacity ramp-up

Fertilizers play a vital role in improving agricultural production. Balanced use of fertilizers can increase crop yields by 30–50%, enabling more output from the same area. Higher nutrient efficiency supports multiple cropping, raising annual food production per unit area by 20–25%. Together, these gains are critical to meet population-driven food demand growth of 1–1.5% p.a. without increasing cultivated area.

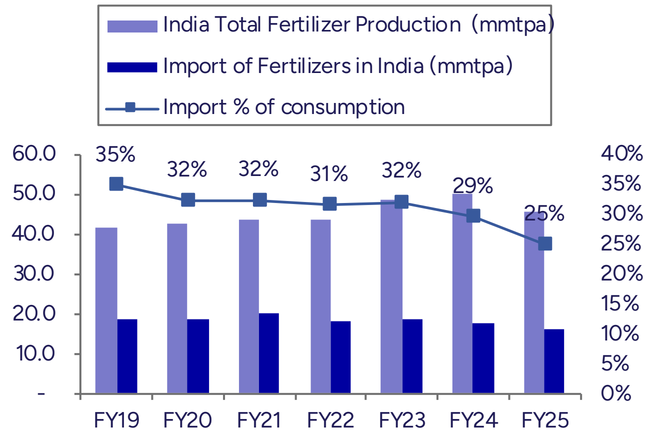
India is the second-largest consumer and third-largest producer of finished fertilizers in the world. Though domestic production of fertilizers is growing, India still largely depends on imports to meet its needs, especially for phosphatic fertilizers. In FY25, 25% of total fertilizer requirement was met through imports.

Exhibit 28: India's fertilizer consumption at 64.5mmtpa



Source: Industry, PL

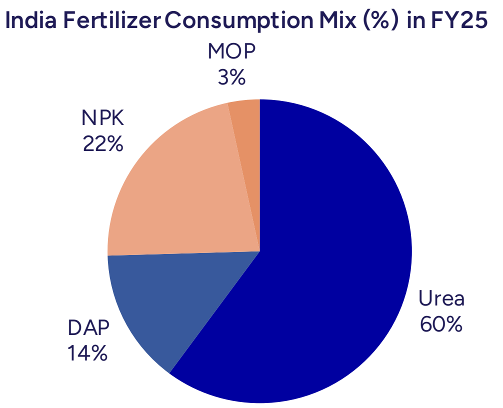
Exhibit 29: India's fertilizer imports as % of consumption decline to 25%



Source: Industry, PL

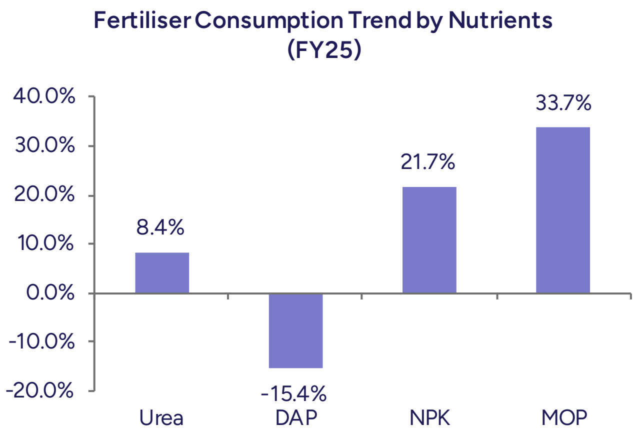
In FY25, total consumption of fertilizers in India was ~64.5mmt, with indigenous production of 45.7mmt and imports at 16mmt. Fertilizer imports have been decreasing over the years led by the government initiatives launched to support indigenous fertilizer manufacturing, especially of urea.

Exhibit 30: Urea share remains dominant due to low price



Source: Industry, PL

Exhibit 31: NPK consumption grows by 21.7% in FY25 in India



Source: Industry, PL

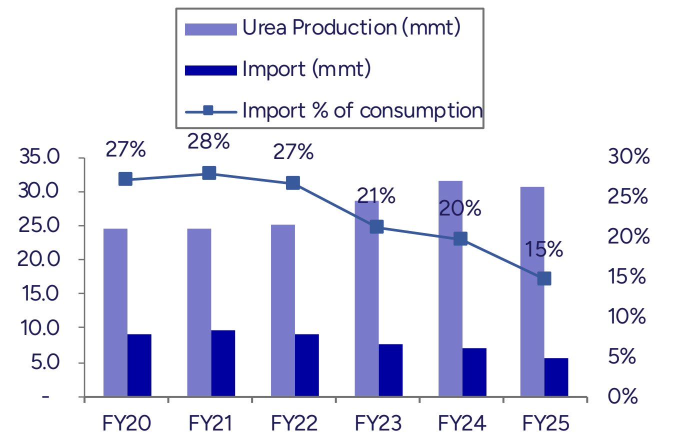
Urea continues to dominate India's fertilizer consumption mix at ~60% in FY25, though demand is increasingly shifting toward balanced and complex fertilizers. While urea volumes grew at a modest ~8.4% YoY, nutrient trends show strong expansion in NPK (+21.7% YoY) and MOP (+33.7% YoY). This shift has come at the cost of DAP consumption, which declined 15.4% YoY, indicating shift toward multi-nutrient complexes, rather than single-nutrient phosphatic fertilizers, which is beneficial for PPL.

India is fully dependent on imports for MOP as India lacks its own potassium reserves

These data show structural transition in India's fertilizer landscape from volume-led urea, prolonged overuse of which has led to soil nutrient imbalance in several regions, to nutrient efficiency-driven growth in NPK and potassic fertilizers, aligned with the policy push for balanced fertilization and long-term soil health.

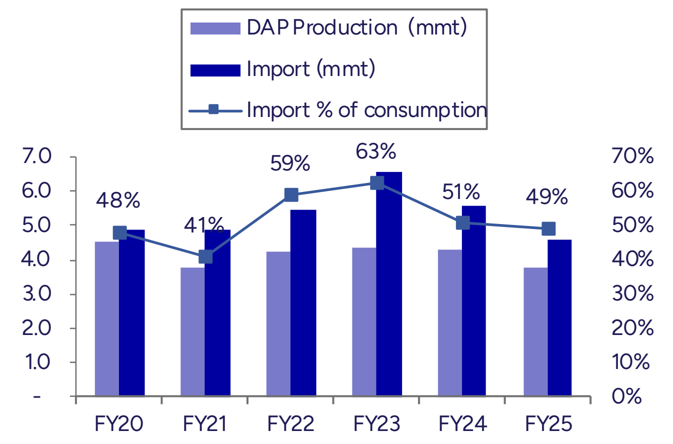
Indigenous production accounts for ~85% of urea, 84% of NPK, and 51% of DAP consumption. However, in case of MOP, India completely relies on imports. Further, 90% of raw materials for fertilizers production such as gas, phosphoric acid, ammonia, and rock phosphate, are imported.

Exhibit 32: Urea imports as % of consumption declines to 15%



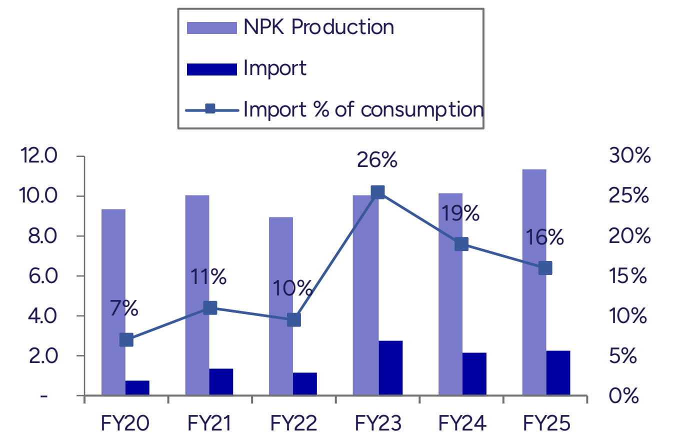
Source: Industry, PL

Exhibit 33: 49% of DAP consumed imported in FY25



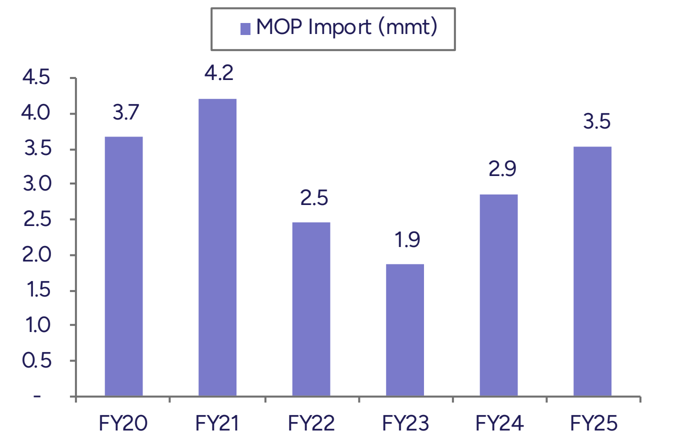
Source: Industry, PL

Exhibit 34: NPK production on uptrend in India



Source: Industry, PL

Exhibit 35: 100% of MOP requirement met through imports



Source: Industry, PL

PPL's total installed fertilizer capacity of 3.7mmtpa across its Paradeep, Goa and Mangaluru facilities, is operating at near-full utilization, reflecting demand for phosphatic and complex fertilizers. The company is expanding its fertilizer capacity, to reach 5.0mmtpa by early FY29.

We believe PPL is well positioned to ramp up utilization and volumes as the expansion is aligned with the persistent structural gap between domestic demand and supply of phosphatic and complex fertilizers. The management aims to expand PPL's market share to 16% by FY29, from current 12%.

Financials and Valuation

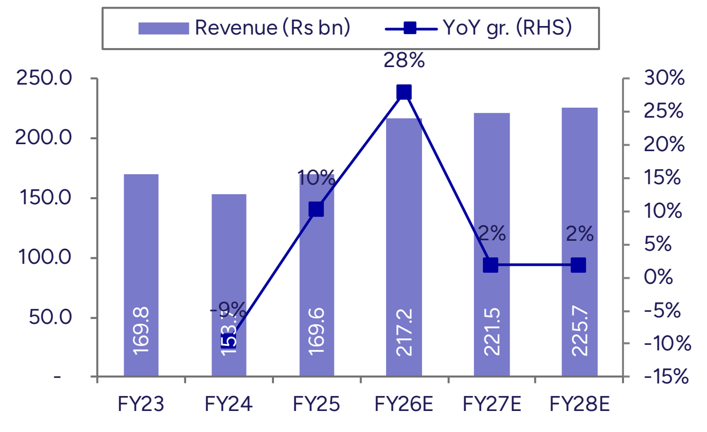
Revenue to clock ~10% CAGR FY25-28E

We expect sales to grow at a CAGR of ~10% over FY25–28E, reaching ~INR225.7bn by FY28E. The expected sharp 28% revenue growth in FY26 is largely attributable to inorganic expansion following the merger with MCFL, which significantly expanded the company's scale, product portfolio, and geographic footprint. We expect total volume to reach ~4.3mmtpa in FY26, which also includes trading volume of ~0.6mmtpa. For FY27E and FY28E, we expect volume to reach 4.4mmtpa and 4.6mmtpa, respectively.

Excluding the one-off benefit of the merger, revenue growth is expected to moderate to ~2% over FY27–28E, as granulation capacity is likely to remain largely stable during this period. Incremental growth will be supported by a modest brownfield expansion of ~0.3mmtpa at the Paradeep facility, which offers limited but steady volume upside.

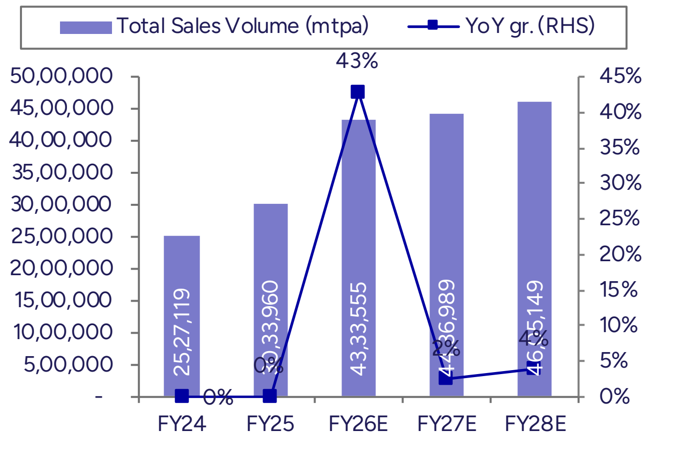
Given that the manufacturing assets are already operating at near-full utilization, additional revenue growth over FY27–28E is expected to be driven by higher trading volumes and improved product mix where the focus will be on increasing NPK volume and decreasing DAP share, rather than large capacity additions. Overall, while near-term growth normalizes post-merger, the expanded scale and stable capacity base should support steady revenue progression over the medium term for PPL.

Exhibit 36: Revenue to reach at INR225.7bn by FY28E



Source: Company, PL

Exhibit 37: Total volume to reach 4.6mmtpa by FY28E



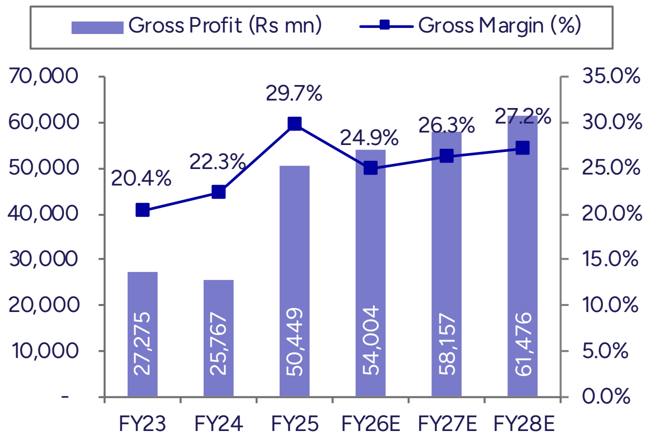
Source: Company, PL

We expect gross margins to improve by ~330bps over FY26–28E led by backward integration, even as key raw material prices remain highly volatile. Sharp movements in raw material prices have historically led to significant QoQ margin swings for the company. Gross margins declined from 31.6% in Q1FY26 to 23.3% in Q3FY26, mainly due to a sharp increase in prices of a few critical raw materials. However, in the near term, margins may remain volatile.

The company is undertaking projects to expand phosphoric and sulfuric acid capacity and targets to achieve full backward integration by FY29. Captive production of these acids is expected to reduce dependence on imports, lower exposure to global price spikes, and cut freight and supply-chain risks, leading to better cost control and stability.

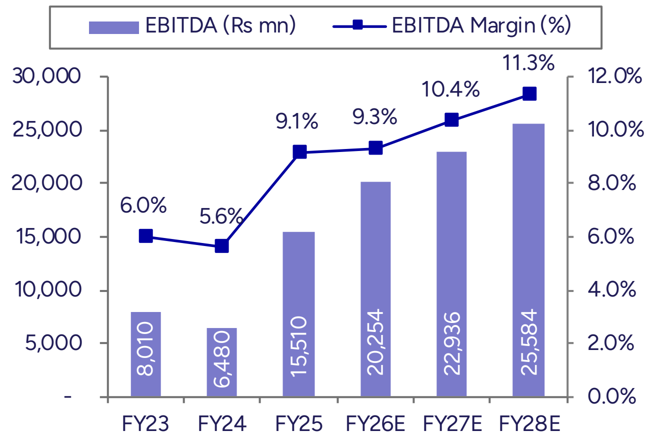
Backward integration into phosphoric acid is expected to provide an incremental spread benefit of ~$145/t, while that into sulfuric acid could add up to ~$29/t. The management believes these initiatives could result in incremental benefit of ~INR3.5bn in FY27E, driven by cost savings and better visibility on input costs.

Exhibit 38: **Gross margin to reach 27% by FY28E**



Source: Company, PL

Exhibit 39: **EBITDAM to reach 11.3% by FY28E**



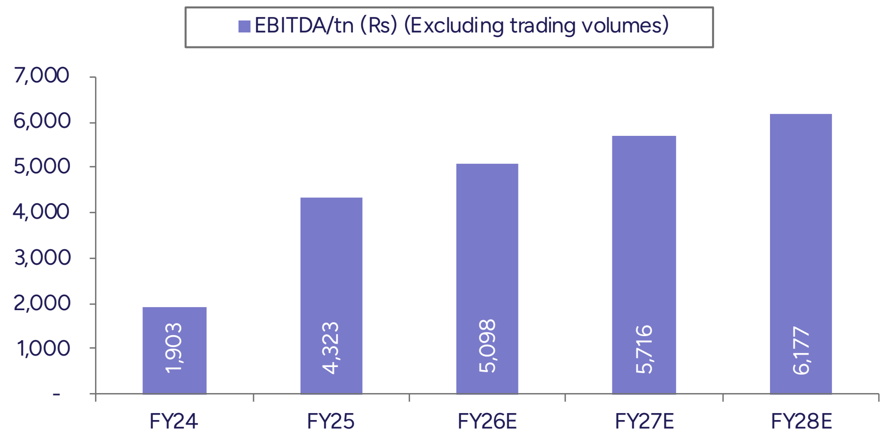
Source: Company, PL

We expect EBITDA margin to improve over FY26–28E, driven by operating leverage as revenue scales up, while fixed costs remain largely under control. With no major capacity additions planned until early FY29, incremental volumes, including higher trading volumes, are expected to flow through at better contribution margins.

Employee costs and other operating expenses are expected to grow at a slower pace, allowing operating leverage to kick in. Together with the expected improvement in gross margins from backward integration, this should translate into ~220bps expansion in EBITDA margin over FY25–28E, assuming there is no sharp increase in fixed costs.

The margin expansion, coupled with higher incremental volumes, is expected to drive EBITDA/t to Rs 6,177/t by FY28E, up from Rs 4,323/t in FY25.

Exhibit 40 **EBITDA/t to reach INR6,177 by FY28E**



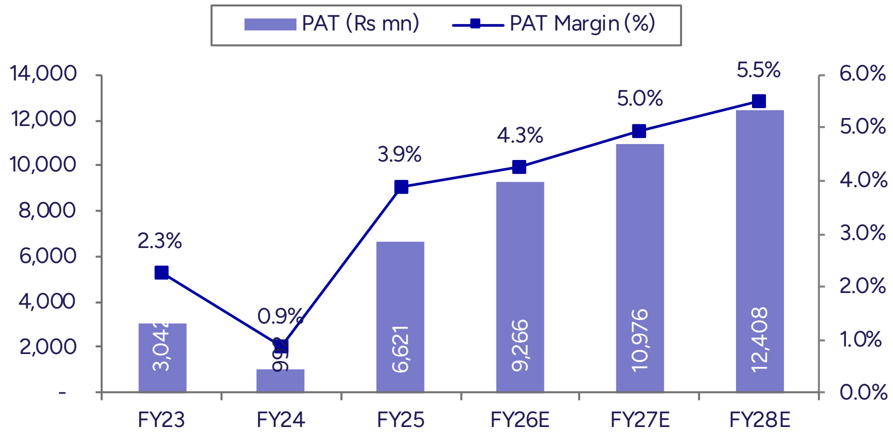
Source: Company, PL

PAT to clock ~23% CAGR over FY25-28E

We expect PAT to grow at a CAGR of ~23% over FY25–28E. Total net debt of the company is expected to be INR54bn in FY28E, and we expect interest cost to increase modestly over FY25-28E, which will translate into higher PAT growth compared to revenue and EBITDA.

As a result, we expect PAT margin to expand by ~160bps over FY25–28E, supporting strong bottom-line growth.

Exhibit 41: PAT to grow at ~23% CAGR over FY25-28E



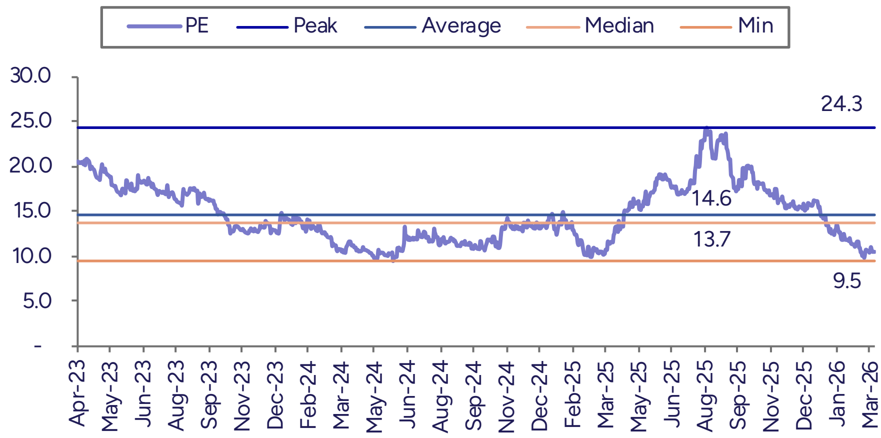
Source: Company, PL

Valuation and Outlook

At CMP, PPL is trading at 9x FY28E EPS and ~6x FY28E EV/EBITDA. The company is expected to face near-term margin headwinds owing to elevated raw material prices, which are likely to constrain profitability in the short run. However, we believe these pressures are cyclical in nature and do not impair PPL's long-term structural earnings potential. Synergies arising from the MCFL merger should additionally support geographic diversification and optimize logistics and distribution efficiencies.

We expect PPL to deliver revenue/EBITDA/PAT CAGR of ~10%/18%/23% over FY25–28E, driven by modest volume growth through brownfield expansions and trading, alongside margin expansion led by progressive backward integration. Considering the near-term margin pressure but strong medium-term earnings visibility, we initiate coverage on PPL with 'Accumulate' rating and TP of INR120, based on 10x FY28E EPS.

Exhibit 42: One year forward Price / Earnings



Source: Company, PL

Exhibit 43: Peer comparison

Companies	Revenue (INR bn)				EBITDA (INR bn)				EPS (Rs)			
	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Paradeep Phosphates Ltd.	169.6	217.2	221.5	225.7	15.5	20.3	22.9	25.6	6.4	8.9	10.6	12.0
Coromandel International Ltd.	240.9	306.7	332.5	364.6	26.3	32.4	39.5	46.4	58.4	76.0	94.7	112.4

Source: Company, PL

Exhibit 44: Peer comparison

Company	MCap (INR bn)	P/E (X)			EV/EBITDA (X)		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Paradeep Phosphates Ltd.	110.2	11.9	10.0	8.9	7.9	7.0	6.2
Coromandel International Ltd.	544.0	24.3	19.5	16.4	16.1	13.2	11.2

Source:

Key risks

Geopolitical Risk: Impact of the US–Israel–Iran conflict

Escalation of the US–Israel–Iran conflict poses a near-term cost risk for PPL due to its reliance on imported inputs such as phosphoric acid, ammonia, and rock phosphate from the Middle East. Disruptions in shipping routes have increased freight rates by 35–45%, raising the landed cost of raw materials. Concurrently, higher global energy prices are inflating ammonia costs, exerting pressure on margins.

Erratic monsoon

Demand for fertilizer products is highly dependent on monsoon. A deficit monsoon can lead to lower crop production and adversely impact PPL's sales. Deficit in rainfall also leads to lower reservoir levels, which further impacts crop production.

Delay in subsidy payments

Although the government has been proactively reimbursing the industry with timely subsidy payments over the last few years, any abnormal increase in key raw material price has a direct bearing on subsidy payable, thereby resulting in a stretched working capital scenario for the whole industry.

Volatility in raw material prices

Phosphoric acid, sulfuric acid, and rock phosphate are the key raw materials for the production of phosphatic fertilizers. As India imports majority of fertilizer raw materials, adverse fluctuations in their prices can pose a risk to the industry in form of increased/delayed subsidy payments from the government.

Regulatory risks

Any negative regulatory announcement could dampen the industry's growth prospects.

Adverse currency movement

Since most raw materials are imported, any sharp INR movement could affect the company's earnings prospects.

Financials

Income Statement (INR mn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**169,587**	**217,182**	**221,521**	**225,738**
YoY gr. (%)	*10.3*	*28.1*	*2.0*	*1.9*
Cost of Goods Sold	119,138	163,179	163,364	164,262
Gross Profit	50,449	54,004	58,157	61,476
Margin (%)	*29.7*	*24.9*	*26.3*	*27.2*
Employee Cost	3,206	3,345	3,544	3,612
Other Expenses	31,733	30,406	31,677	32,281
EBITDA	**15,510**	**20,254**	**22,936**	**25,584**
YoY gr. (%)	*51.5*	*30.6*	*13.2*	*11.5*
Margin (%)	*9.1*	*9.3*	*10.4*	*11.3*
Depreciation and Amortization	3,443	3,875	4,737	5,598
EBIT	**12,067**	**16,378**	**18,199**	**19,986**
Margin (%)	*7.1*	*7.5*	*8.2*	*8.9*
Net Interest	4,432	5,022	5,115	5,022
Other Income	1,480	1,412	1,551	1,580
Profit Before Tax	**9,116**	**12,355**	**14,635**	**16,544**
Margin (%)	*5.4*	*5.7*	*6.6*	*7.3*
Total Tax	2,487	3,089	3,659	4,136
Effective tax rate (%)	*27.3*	*25.0*	*25.0*	*25.0*
Profit after tax	**6,629**	**9,266**	**10,976**	**12,408**
Minority interest	(7)	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**6,621**	**9,266**	**10,976**	**12,408**
YoY gr. (%)	*160.6*	*39.9*	*18.5*	*13.0*
Margin (%)	*3.9*	*4.3*	*5.0*	*5.5*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**6,621**	**9,266**	**10,976**	**12,408**
YoY gr. (%)	*160.6*	*39.9*	*18.5*	*13.0*
Margin (%)	*3.9*	*4.3*	*5.0*	*5.5*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,621	9,266	10,976	12,408
Equity Shares O/s (m)	**1,037**	**1,037**	**1,037**	**1,037**
EPS (INR)	**6.4**	**8.9**	**10.6**	**12.0**

Source: Company, PL

Balance Sheet Abstract (INR mn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	**57,971**	**66,213**	**81,061**	**95,914**
Tangibles	57,971	66,213	81,061	95,914
Intangibles	-	-	-	-
Acc: Dep / Amortization	**(8,325)**	**(12,201)**	**(16,937)**	**(22,535)**
Tangibles	(8,325)	(12,201)	(16,937)	(22,535)
Intangibles	-	-	-	-
Net fixed assets	**49,646**	**54,013**	**64,124**	**73,379**
Tangibles	49,646	54,013	64,124	73,379
Intangibles	-	-	-	-
Capital Work In Progress	6,446	8,204	8,356	8,503
Goodwill	1,391	1,391	1,391	1,391
Non-Current Investments	37	37	37	37
Net Deferred tax assets	(3,197)	(3,197)	(3,197)	(3,197)
Other Non-Current Assets	2,217	1,691	1,708	1,725
Current Assets				
Investments	2,691	2,691	2,691	2,691
Inventories	25,563	33,530	33,568	33,752
Trade receivables	30,619	39,212	39,996	40,757
Cash & Bank Balance	10,363	5,042	5,085	5,354
Other Current Assets	7,764	9,773	9,968	10,158
Total Assets	**142,627**	**163,836**	**175,341**	**186,325**
Equity				
Equity Share Capital	8,152	8,152	8,152	8,152
Other Equity	50,601	59,311	69,629	81,293
Total Networth	**58,753**	**67,464**	**77,781**	**89,445**
Non-Current Liabilities				
Long Term borrowings	8,871	9,000	10,000	10,000
Provisions	397	434	443	451
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	42,103	45,000	45,000	44,000
Trade payables	22,930	31,295	31,330	31,502
Other current liabilities	6,366	7,425	7,568	7,707
Total Equity & Liabilities	**142,627**	**163,836**	**175,341**	**186,325**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	9,109	12,355	14,635	16,544
Add. Depreciation	3,443	3,875	4,737	5,598
Add. Interest	4,432	5,022	5,115	5,022
Less Financial Other Income	1,480	1,412	1,551	1,580
Add. Other	-	-	-	-
Op. profit before WC changes	16,983	21,252	24,486	27,164
Net Changes-WC	(3,856)	(10,932)	(1,011)	(993)
Direct tax	(2,487)	(3,089)	(3,659)	(4,136)
Net cash from Op. activities	**10,640**	**7,231**	**19,816**	**22,036**
Capital expenditures	(4,800)	(10,000)	(15,000)	(15,000)
Interest / Dividend Income	-	-	-	-
Others	(6,039)	-	-	-
Net Cash from Invt. activities	**(10,839)**	**(10,000)**	**(15,000)**	**(15,000)**
Issue of share cap. / premium	-	-	-	-
Debt changes	8,924	2,897	-	(1,000)
Dividend paid	-	-	-	-
Interest paid	(585)	(556)	(659)	(744)
Others	(2,496)	(4,893)	(4,115)	(5,022)
Net cash from Fin. activities	**5,843**	**(2,552)**	**(4,774)**	**(6,766)**
Net change in cash	**5,644**	**(5,321)**	**43**	**269**
Free Cash Flow	5,840	(2,769)	4,816	7,036

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenues	**34,940**	**45,035**	**68,722**	**57,487**
YoY gr. (%)	*55.8*	*42.7*	*48.8*	*15.2*
Raw Material Expenses	25,118	30,793	52,613	44,090
Gross Profit	9,823	14,242	16,109	13,397
Margin (%)	*28.1*	*31.6*	*23.4*	*23.3*
EBITDA	**3,471**	**5,807**	**6,566**	**4,725**
YoY gr. (%)	-	-	-	-
Margin (%)	*9.9*	*12.9*	*9.6*	*8.2*
Depreciation / Depletion	631	860	896	1,018
EBIT	**2,839**	**4,947**	**5,671**	**3,707**
Margin (%)	*8.1*	*11.0*	*8.3*	*6.4*
Net Interest	1,031	1,044	1,403	1,270
Other Income	421	341	417	310
Profit before Tax	**2,230**	**4,244**	**4,685**	**2,334**
Margin (%)	*6.4*	*9.4*	*6.8*	*4.1*
Total Tax	629	1,071	1,266	513
Effective tax rate (%)	*28.2*	*25.2*	*27.0*	*22.0*
Profit after tax	**1,600**	**3,173**	**3,419**	**1,820**
Minority interest	-	(1)	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**1,600**	**3,172**	**3,419**	**770**
YoY gr. (%)	*(23.6)*	*98.2*	*7.8*	*(77.5)*
Margin (%)	*4.6*	*7.0*	*5.0*	*1.3*
Extra Ord. Income / (Exp)	-	-	-	1,051
Reported PAT	**1,600**	**3,172**	**3,419**	**1,821**
YoY gr. (%)	*(23.6)*	*98.2*	*7.8*	*(46.8)*
Margin (%)	*4.6*	*7.0*	*5.0*	*3.2*
Other Comprehensive Income	(27)	(1)	(7)	(8)
Total Comprehensive Income	**1,573**	**3,171**	**3,413**	**1,813**
Avg. Shares O/s (m)	1,037	1,037	1,037	1,037
EPS (INR)	**1.5**	**3.1**	**3.3**	**1.8**

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share (INR)				
EPS	6.4	8.9	10.6	12.0
CEPS	9.7	12.7	15.2	17.4
BVPS	56.7	65.1	75.0	86.3
FCF	5.6	(2.7)	4.6	6.8
DPS	0.6	0.5	0.6	0.7
Return Ratio (%)				
RoCE	12.3	14.6	14.9	15.0
ROIC	9.4	11.7	11.4	11.5
RoE	11.3	13.7	14.1	13.9
Balance Sheet				
Net Debt : Equity (x)	0.6	0.7	0.6	0.5
Net Working Capital (Days)	95	88	89	90
Valuation (x)				
PER	16.6	11.8	10.0	8.8
P/B	1.8	1.6	1.4	1.2
P/CEPS	10.9	8.3	7.0	6.1
EV/EBITDA	9.5	7.7	6.8	6.1
EV/Sales	0.8	0.7	0.7	0.6
Dividend Yield (%)	0.5	0.5	0.5	0.6
FCFF Yield (%)	5.3	(2.6)	4.3	6.3
PEG Ratio	0.1	0.2	0.5	0.6

Source: Company, PL

Notes

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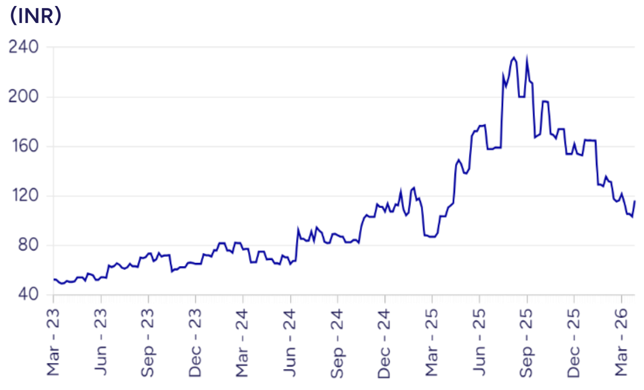
Price Chart



Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	P.I. Industries	Hold	3196	3151
2	PCBL Chemical	Hold	302	300

PL's Recommendation Nomenclature (Absolute Performance)

BUY : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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