

Fertilizer companies set to shine

Expect the performance of Agrochemicals and Fertilizer companies: to continue to diverge in Q3. Fertilizer companies are set to post healthy earnings growth, driven by volume growth in the Urea business and sizeable cost savings in phosphoric acid manufacturing for complex fertilizer manufacturers. Domestic agrochemicals companies may post volume growth in high single-digit but lower than earlier expectations. Lower-than-expected volume growth may be due to pest-free crops (thus, paring demand for sprays), clear climatic conditions in some pockets (pruning demand for fungicides), a 15-day delay in the season and high sales return from *Kharif*.

Fertilizers – Backward integration to drive cost savings: Complex fertilizer companies are expected to report healthy EBITDA growth, given higher backward integration benefits – ~USD 110/tonne (to USD 1,060/tonne) rise in contracted Phosphoric acid price in India. Expect mid-to-high single-digit volume growth in complex fertilizer volumes for Coromandel International (CRIN IN, CMP: INR 1,951, TP: INR 2,041, Buy) and Paradeep Phosphates (PARADEEP IN, CMP: INR 114, TP: INR 129, Buy).

Urea manufacturers such as Chambal Fertilisers (CHMB IN, CMP: INR 506, TP: INR 516, Reduce) are expected to post healthy growth in urea volumes, while traded fertilizer business may witness a volume dip.

Agrochemicals – Multiple factors dragging down demand growth: Domestic agrochemical companies are on weak footing – Q3 demand growth has been lower-than-expected. Multiple factors such as relatively pest-free crops, clear weather in some pockets, a 15-day delay in the season and sales return from the *Kharif* season have contracted demand growth and dampened sentiment. We expect high single-digit volume growth for domestic agrochemical companies.

Increase in DAP subsidy to primarily benefit PARADEEP: The Cabinet has approved one-time special package of INR 38.5bn for DAP for entire CY25. The government has increased DAP subsidy by INR 3,500/tonne, over and above regular nutrient-based subsidy (NBS) subsidy. Additional subsidy should help all the players – Importers (CHMB), standalone manufacturers (Deepak Fertilizer) and backward integrated manufacturers (CRIN and PARADEEP), but the biggest beneficiary will be PARADEEP.

This is because: (a) for importers such as CHMB, importing DAP and selling in India continue to be unviable due to high price internationally. (b) For standalone manufacturers, DAP manufacturing is a loss-making proposition due to a surge in raw material price. (c) Within backward integrated manufacturers, CRIN mainly focuses on NPK manufacturing. Hence, the biggest beneficiary within the listed space is likely to be PARADEEP.

Prefer fertilizer companies over agrochemicals: In both the short- and long-term, we prefer CRIN and PARADEEP given that import replacement of volume and profits are set to play out for both these stocks.

Within Agri-inputs, we prefer fertilizers over agrochemicals. We have a Buy on CRIN and PARADEEP.

Price performance

(%)	3M	6M	12M
NIFTY	(6.2)	0.3	11.6
Nifty Midcap	(3.7)	4.0	25.3
Nifty Smallcap	(1.3)	3.1	25.6
PI Industries	(21.4)	(1.0)	6.7
UPL	(14.5)	(6.3)	(10.7)
Sumitomo Chemicals	(4.9)	5.0	31.6
Bayer CropScience	(14.7)	(13.9)	2.7
Dhanuka Agritech	(10.1)	(14.6)	28.2
Rallis India	(7.8)	(2.9)	14.9
Insecticides India	(23.4)	(0.3)	2.2
Coromandel International	13.0	24.3	58.6
Chambal Fertilisers	(7.5)	(0.4)	33.2
Paradeep Phosphates	27.5	36.7	48.8

Source: Bloomberg

Company	Revenue (INR mn)		
	FY25E	FY26E	FY27E
PI Industries	82,325	93,716	108,317
UPL	447,034	495,507	541,114
Sumitomo Chemicals	31,629	36,609	40,194
Bayer CropScience	53,584	57,870	62,500
Dhanuka Agritech	20,372	23,256	26,077
Rallis India	29,406	33,509	-
Insecticides India	22,613	25,327	-
Coromandel International	233,969	246,280	260,779
Chambal Fertilisers	167,147	172,509	178,724
Paradeep Phosphates	109,243	174,117	175,240

Company	Adj. PAT (INR mn)		
	FY25E	FY26E	FY27E
PI Industries	18,615	21,515	25,058
UPL	14,290	28,572	37,101
Sumitomo Chemicals	5,341	6,306	7,006
Bayer CropScience	5,898	7,697	8,849
Dhanuka Agritech	2,870	3,494	3,970
Rallis India	2,013	2,666	-
Insecticides India	1,467	1,767	-
Coromandel International	19,210	21,510	27,471
Chambal Fertilisers	16,823	19,433	22,195
Paradeep Phosphates	4,247	7,681	8,745

Note: *pricing as on 2 January 2025

Source: Elara Securities Estimate

Prashant Biyani

Fertilizers & Agricultural Chemicals,
Hotels, Sugar
+91 22 6164 8581
prashant.biyani@elaracapital.com

Associates
Yashi Jain



Peer financials

	Revenue (INR mn)					EBITDA (INR mn)					Adjusted net profit (INR mn)				
	Q3FY25E	Q2FY25	Q3FY24	QoQ (%)	YoY (%)	Q3FY25E	Q2FY25	Q3FY24	QoQ (%)	YoY (%)	Q3FY25E	Q2FY25	Q3FY24	QoQ (%)	YoY (%)
PI Industries	19,437	22,210	18,975	(12.5)	2.4	5,906	6,534	5,536	(9.6)	6.7	4,648	5,327	4,472	(12.7)	3.9
UPL	111,723	110,900	98,870	0.7	13.0	18,172	13,520	930	34.4	1,854.0	711	(4,350)	(12,000)	-	-
Sumitomo Chemicals	6,095	9,714	5,404	(37.3)	12.8	1,992	2,422	659	(17.8)	202.0	1,611	1,908	549	(15.6)	193.2
Bayer CropScience	10,504	17,376	9,549	(39.5)	10.0	1,394	1,838	1,279	(24.2)	9.0	1,091	1,363	931	(19.9)	17.2
Dhanuka Agritech	4,395	6,543	4,032	(32.8)	9.0	742	1,596	622	(53.5)	19.4	539	1,175	454	(54.2)	18.8
Rallis India	5,299	9,280	5,980	(42.9)	(11.4)	676	1,660	620	(59.3)	9.0	289	980	240	(70.5)	20.4
Insecticides India	3,830	6,272	3,579	(38.9)	7.0	308	899	260	(65.8)	18.3	174	616	123	(71.8)	41.8
Coromandel International	62,612	74,328	54,642	(15.8)	14.6	6,347	9,748	3,579	(34.9)	77.3	4,228	6,641	2,310	(36.3)	83.0
Chambal Fertilisers	44,662	43,462	43,486	2.8	2.7	8,504	7,902	6,285	7.6	35.3	5,657	5,364	4,594	5.5	23.1
Paradeep Phosphates	32,936	38,438	25,950	(14.3)	26.9	3,740	4,254	2,825	(12.1)	32.4	1,783	2,275	1,089	(21.6)	63.7

Peer valuations

Company	Ticker	Rating	Mcap (USD mn)	CMP (INR)	Target (INR)	Upside/Downside (%)	EV/EBITDA (x)			ROE (x)		
							FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
PI Industries	PI IN	Accumulate	566	3734	4977	33	21.8	18.4	15.4	18.3	17.8	17.5
UPL	UPLL IN	Accumulate	437	509	597	17	5.3	3.8	3.6	5.0	9.7	12.0
Sumitomo Chemicals	SUMICHEM IN	Accumulate	268	537	600	12	40.9	22.6	31.8	20.3	23.4	24.5
Bayer CropScience	BYRCS IN	Accumulate	251	5579	6443	15	32.3	24.8	21.6	20.4	25.0	26.1
Dhanuka Agritech	DAGRI IN	Accumulate	64	1428	1821	28	16.3	13.7	11.7	19.8	20.6	20.0
Rallis India	RALI IN	Accumulate	59	304	380	25	14.6	11.3	-	10.4	12.5	-
Insecticides India	INST IN	Accumulate	20	681	593	(13)	9.1	7.3	-	13.9	14.4	-
Coromandel International	CRIN IN	Buy	575	1951	2041	5	19.7	17.6	13.7	17.6	17.0	17.9
Chambal Fertilisers	CHMB IN	Reduce	203	506	516	2	8.1	7.3	5.6	20.7	20.1	18.5
Paradeep Phosphates	PARADEEP IN	Buy	93	114	129	13	11.5	9.5	8.8	11.1	11.7	11.5

Note: Pricing as on 2 January 2025; Rating and TP as per last published report; Source: Company, Elara Securities Estimate

Exhibit 1: Wheat acreage area in 2024-25 up 2% YoY

Crop sowing as on 30 December 2024 (mn Ha)	2024-25	2023-24	YoY (%)
Wheat	31.97	31.30	2.15
Rice	1.44	1.36	5.58
Pulses	13.61	13.61	0.06
<i>Gram</i>	9.40	9.32	0.87
<i>Lentil</i>	1.74	1.78	(1.86)
<i>Fieldpea</i>	0.89	0.90	(0.45)
<i>Kulthi</i>	0.31	0.34	(8.48)
<i>Urdbean</i>	0.42	0.48	(11.90)
<i>Moongbean</i>	0.09	0.09	(1.15)
<i>Lathyrus</i>	0.31	0.33	(6.02)
<i>Other pulses</i>	0.45	0.37	18.98
Shri anna and coarse cereals	4.86	4.78	1.61
<i>Jowar</i>	2.22	2.25	(1.24)
<i>Bajra</i>	0.01	0.01	(14.29)
<i>Ragi</i>	0.05	0.06	(15.52)
<i>Small millets</i>	0.02	0.00	-
<i>Maize</i>	1.89	1.75	7.99
<i>Barley</i>	0.66	0.70	(5.56)
Oilseeds	9.62	10.14	(5.15)
<i>Rapeseed & Mustard</i>	8.85	9.37	(5.58)
<i>Groundnut</i>	0.33	0.33	0.30
<i>Safflower</i>	0.06	0.07	(3.03)
<i>Sunflower</i>	0.06	0.03	78.79
<i>Sesamum</i>	0.01	0.03	(48.00)
<i>Linseed</i>	0.27	0.28	(5.63)
<i>Other oilseeds</i>	0.03	0.03	15.38
TOTAL	61.5	61.2	0.5

Source: Ministry of Agriculture & Farmers Welfare, Elara Securities Research

Exhibit 2: Rabi potato – Area sown in 2024-25 down 40% YoY

Crop (mn ha)	Normal area sown (average of 2019-20 to 2023-24)	Target area for 2024-25	Total area sown in 2024-25	Area sown in 2023-24	Increase/decrease in 2024-25 over 2023-24
Kharif onion	0.33	0.38	0.38	0.29	0.10
Late Kharif onion	0.19	0.17	0.21	0.17	0.04
Kharif potato	0.06	0.04	0.04	0.04	(0.00)
Rabi potato	2.15	1.97	1.35	2.29	(0.93)
Kharif tomato	0.25	0.29	0.28	0.27	0.01

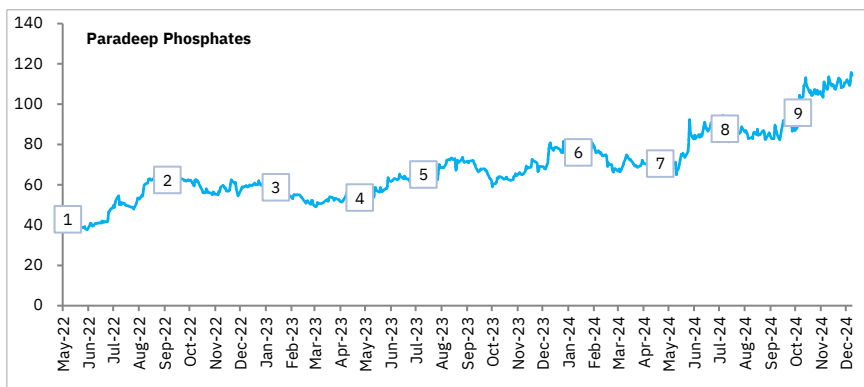
Source: Crop Weather Watch Group Meeting, Elara Securities Research

Exhibit 3: Sales of SSP up 63% YoY in Rabi 2024

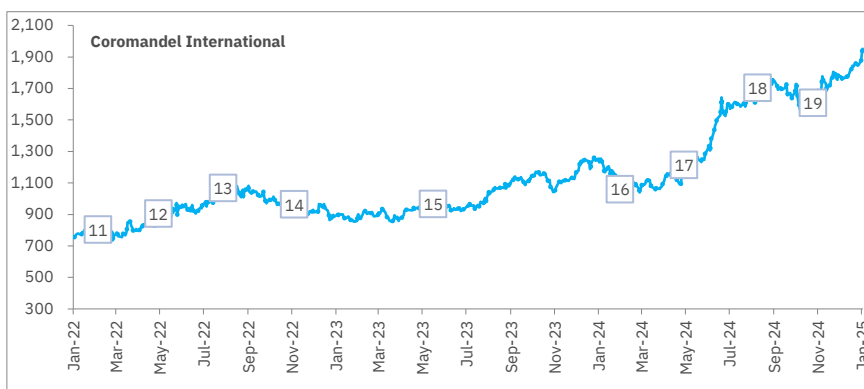
Product (mn MT)	As on 16 Dec 2024 (for Rabi season)		As on 18 Dec 2023 (for Rabi season)	
	Sales	Closing stock	Sales	Closing stock
Urea	2.44	5.73	2.39	6.05
DAP	0.61	0.92	0.53	1.30
MOP	0.13	0.85	0.10	0.66
NPK	0.72	2.37	0.61	3.23
SSP	0.30	1.79	0.18	1.43
Total	4.20	11.66	3.81	12.67

Source: Crop Weather Watch Group Meeting, Elara Securities Research

Coverage History



	Date	Rating	Target Price	Closing Price
3	7-Feb-2023	Buy	INR 75	INR 58
4	19-May-2023	Buy	INR 71	INR 43
5	4-Aug-2023	Accumulate	INR 71	INR 65
6	7-Feb-2024	Accumulate	INR 84	INR 76
7	16-May-2024	Accumulate	INR 78	INR 70
8	2-Aug-2024	Buy	INR 112	INR 88
9	29-Oct-2024	Buy	INR 129	INR 95



	Date	Rating	Target Price	Closing Price
15	16-May-2023	Buy	INR 1,387	INR 962
16	31-Jan-2024	Buy	INR 1,345	INR 1,050
17	29-Apr-2024	Accumulate	INR 1,345	INR 1,204
18	9-Aug-2024	Accumulate	INR 1,904	INR 1,694
19	25-Oct-2024	Buy	INR 2,041	INR 1,600

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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India Elara Securities (India) Private Limited One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500	Europe Elara Capital Plc. 6th Floor, The Grove, 248A Marylebone Road, London, NW1 6JZ, United Kingdom Tel : +44 20 7486 9733	USA Elara Securities Inc. 230 Park Avenue, Suite 2415, New York, NY 10169, USA Tel: +1 212 430 5870 Fax: +1 212 208 2501	Asia / Pacific Elara Capital (Asia) Pte.Ltd. One Marina Boulevard, Level 20, Singapore 018989 Tel : +65 6978 4047
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Managing Director

Harendra Kumar | harendra.kumar@elaracapital.com | +91 22 6164 8571

Head of Research

Dr Bino Pathiparampil | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team

India

Hitesh Danak - hitesh.danak@elaracapital.com - +91 22 6164 8543
Ashok Agarwal - ashok.agarwal@elaracapital.com - +91 22 6164 8558

India, APAC & Australia

Sudhanshu Rajpal - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508
Joshua Saldanha - joshua.saldanha@elaracapital.com - +91 22 6164 8541
Shraddha Shrikhande - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567

India & UK

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544

India & US

Karan Rathod - karan.rathod@elaracapital.com - +91 22 6164 8570

Corporate Access, Conference & Events

Anita Nazareth - anita.nazareth@elaracapital.com - +91 22 6164 8520
Tina D'souza - tina.dsouza@elaracapital.com - +91 22 6164 8595

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Elara Securities (India) Private Limited

Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500
 CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH000000933
 Member of BSE Limited and National Stock Exchange of India Limited | SEBI REGN. NO.: INZ 000 238236
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 Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509
 Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509