

Retail Equity Research

National Fertilizer Ltd

Fertilizers

CMP Rs. 111

Rating: Overweight

NSE CODE: NFL BSE CODE: 523630

The financial performance shows significant volatility across the reported quarters. Sales peaked in Dec-23 at ₹7,584.27 million, growing by 34% from the previous quarter, before declining sharply by 30% in Mar-24. The downward trend continued into Sep-24, with a 14% drop, signaling potential challenges in sustaining revenue momentum.

Expenses followed a similar trajectory, with a notable decrease of 41% in Mar-24, indicating possible cost optimization or reduced operational scale. Operating Profit rebounded dramatically in Dec-23 to ₹318.50 million, a 683% growth, before stabilizing in Sep-24 with a 14% increase. However, the erratic pattern in Profit before tax, which plummeted to a loss in Jun-24, raises concerns about consistent profitability.

Net profit displayed a remarkable recovery with a 158% growth in Dec-23, yet the significant negative swing in Jun-24 (-2490%) underscores underlying operational or market challenges.

Company Data

Market Cap (cr)	Rs.	5,494.49	
Enterprise Value (cr)	Rs.	8,350.45	
Outstanding Shares (cr)		49.06	
52 week high	Rs.	170.00	
52 week low	Rs.	82.70	
1m average volume (lacs)		27.17	
Face value	Rs.	10.00	
	FY22	FY23	FY24
Sales	15857.09	29586.6	23555.87
Growth(%)	33%	87%	-20%
EBITDA	413.21	1272.37	812.4
EBITDA Margin(%)	2.6%	4.3%	3.4%
PAT	-95.12	458.33	150.05
Growth(%)	-140%	582%	-67%
EPS	-1.9	9.3	3.1
P/E	-27.4	7.8	28.6
P/B	1.3	1.4	1.7
EV/EBITDA	13.9	5.9	10.3
ROE(%)	-5%	18.0%	6%
ROCE(%)	1%	14.1%	6.8%
ROIC(%)	3%	11.0%	6.2%
D/E	1.53	1.57	1.60

Revenue Volatility: The company experienced a robust growth in sales from FY22 to FY23 (87%), followed by a significant decline in FY24 (-20%). This volatility highlights potential market or operational challenges that need addressing to ensure stable revenue streams.

Profitability Trends: EBITDA grew substantially in FY23 (207.8% increase), reflecting improved operational efficiency. However, a drop in FY24 led to reduced EBITDA margins (3.4%), suggesting pressures on profitability. PAT followed a similar trend, with a remarkable increase in FY23 but a sharp decline in FY24 (-67%).

Financial Ratios and Leverage: Despite improved profitability in FY23, key ratios like ROE and ROCE dropped in FY24, signaling reduced efficiency in utilizing equity and capital. The rising D/E ratio from 1.53 in FY22 to 1.60 in FY24 indicates increasing leverage, which could heighten financial risk if not managed effectively.

Key Highlights

Market Leadership: National Fertilizers Limited (NFL) holds a dominant position in the Indian fertilizer industry as the largest urea producer among Central Public Sector Enterprises (CPSEs) and the second-largest urea player in India. The company commands a 12% share in the country's total urea production, solidifying its significant market presence.

Diverse Business Segments: NFL's operations span two major segments:

Fertilizers: This segment accounted for 91% of revenue in H1 FY25. The company produces neem-coated urea, solid and liquid bio-fertilizers, and bentonite sulphur under the "Kisan" brand. Despite a 21% revenue decline in FY24 due to decreased manufacturing volume and price realization, the traded volume of agro-inputs such as non-urea fertilizers and certified seeds increased by 24% YoY.

Chemicals and Other Products: Contributing 9% of revenue in H1 FY25, NFL manufactures industrial products like nitric acid, ammonium nitrate, sodium nitrate, and nitrite. The company also produces certified seeds, with notable increases in nitric acid and ammonium nitrate sales in FY24.

Extensive Marketing Network: NFL boasts a robust marketing infrastructure, with a central office in NOIDA, four zonal offices, 35 area offices, and a network of 4,000 distributors across 21 states and 3 Union territories. The company operates ten soil testing laboratories, analyzing approximately 40,000 soil samples annually for macro and micronutrients, enhancing its outreach to farmers.

Manufacturing Capabilities: NFL's production capabilities are extensive:

Urea Plants: Five gas-based plants in Punjab, Haryana, and Madhya Pradesh have a combined capacity of 32.33 LMT, with an impressive 114% utilization rate in FY24.

Bio-Fertilizer and Bentonite Sulphur Plants: Located in Vijaipur, MP, and Panipat, Haryana, these plants produce 1,400 MTPA and 25,000 MTPA, respectively.

Industrial Chemicals: Manufacturing units in Nangal, Punjab, produce significant quantities of nitric acid, ammonium nitrate, sodium nitrate, and nitrite.

Expansion Initiatives: NFL is expanding its footprint with an agrochemicals plant in Bathinda and doubling the capacity of its bio-fertilizer plant in Vijaipur. The company has also partnered with IFFCO to develop a Nano Urea plant at its Nangal unit, with a daily production capacity of 1.5 lakh 500-ml bottles, expected to commence by April 2025.

R&D Innovations: NFL's R&D efforts focus on improving processes and creating value-added products. It is conducting trials for sulfur-coated urea and setting up a Urea Gold plant to enhance nitrogen efficiency. The company is also exploring Nano DAP production, with ongoing laboratory trials to ensure compliance with regulatory standards.

Financial Performance and Debt Reduction: NFL has successfully reduced its total debt from Rs. 3,172 Cr in FY22 to Rs. 1,411 Cr in Q2 FY25, reflecting its improved financial health. This debt reduction aligns with the company's strategic financial management and operational efficiency enhancements.

Offer for Sale by GOI: The Government of India holds a 74.71% stake in NFL. Although a plan to dilute a 20% stake was announced in April 2021, specific timelines for the offer for sale have not been disclosed, indicating potential future developments in the company's ownership structure.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	5,659.64	7,584.27	5,284.24	5,091.78	4,390.36
Growth(%)	12%	34%	-30%	-4%	-14%
Expenses	5,714.29	7,265.77	4,902.42	4,982.55	4,265.42
Operating Profit	-54.65	318.50	381.82	109.23	124.94
Growth(%)	-372%	683%	20%	-71%	14%
Other Income	57.56	24.89	52.21	50.50	36.75
Depreciation	90.43	92.42	91.72	91.20	92.83
Interest	39.31	49.86	73.91	89.81	59.95
Profit before tax	-126.83	201.11	268.40	-21.28	8.91
Tax	-39.73	50.21	60.72	-12.59	-3.16
Net profit	-87.10	150.90	207.68	-8.69	12.07
Growth(%)	39%	158%	27%	-2490%	172%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	13,135.36	11,905.66	15,857.09	29,586.60	23,555.87
Growth(%)	6%	-9%	33%	87%	-20%
Expenses	12,283.03	11,001.48	15,469.49	28,509.25	22,928.22
Operating Profit	852.33	904.18	387.60	1,077.35	627.65
Growth(%)	-16%	6%	-57%	178%	-42%
Other Income	-331.45	33.34	25.61	195.02	184.75
Depreciation	374.43	312.27	334.55	352.84	361.68
Interest	409.21	294.34	137.16	307.53	276.89
Profit before tax	-262.76	330.91	-58.50	612.00	173.83
Tax	-81.70	93.83	36.62	153.67	23.78
Net profit	-181.06	237.08	-95.12	458.33	150.05
Growth(%)	-162%	231%	-140%	582%	-67%

Balance Sheet

(Rs Cr)

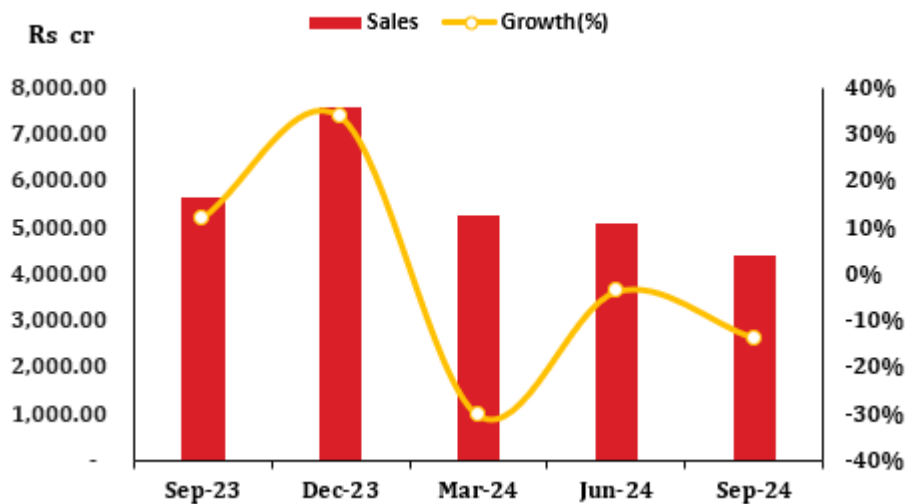
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	490.58	490.58	490.58	490.58	490.58
Reserves	1,411.66	1,649.61	1,589.13	2,051.07	2,063.69
Borrowings	8,102.61	1,891.73	3,172.30	3,992.99	4,090.73
Other Liabilities	4,560.53	4,382.10	5,243.53	6,001.51	4,563.29
Total	14,565.38	8,414.02	10,495.54	12,536.15	11,208.29
Net Block	3,725.58	3,615.07	4,229.54	3,968.68	3,830.92
Capital Work in Progress	656.30	862.43	138.49	177.66	241.87
Investments	322.86	416.40	257.02	259.30	344.66
Other Assets	9,860.64	3,520.12	5,870.49	8,130.51	6,790.84
Total	14,565.38	8,414.02	10,495.54	12,536.15	11,208.29

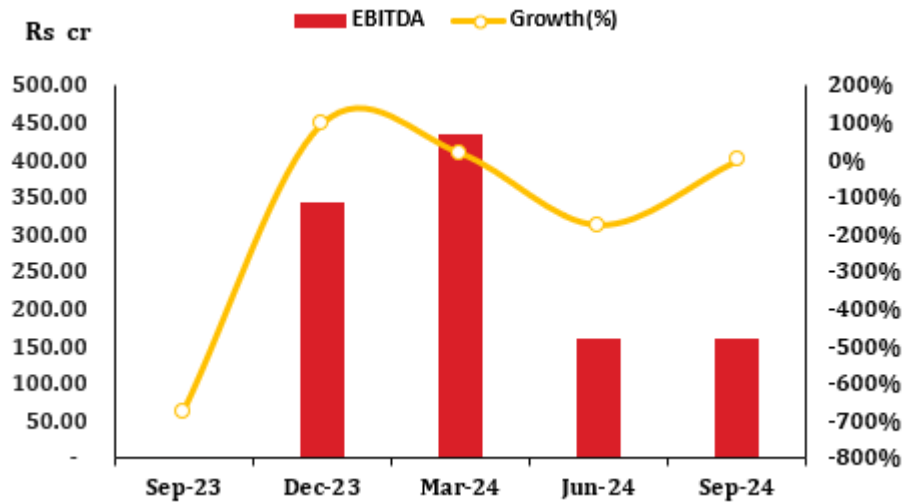
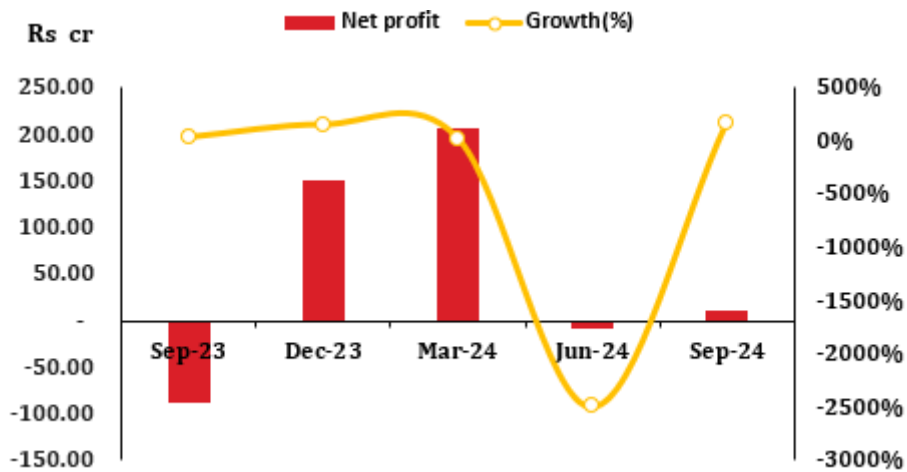
Cash Flow

(Rs Cr)

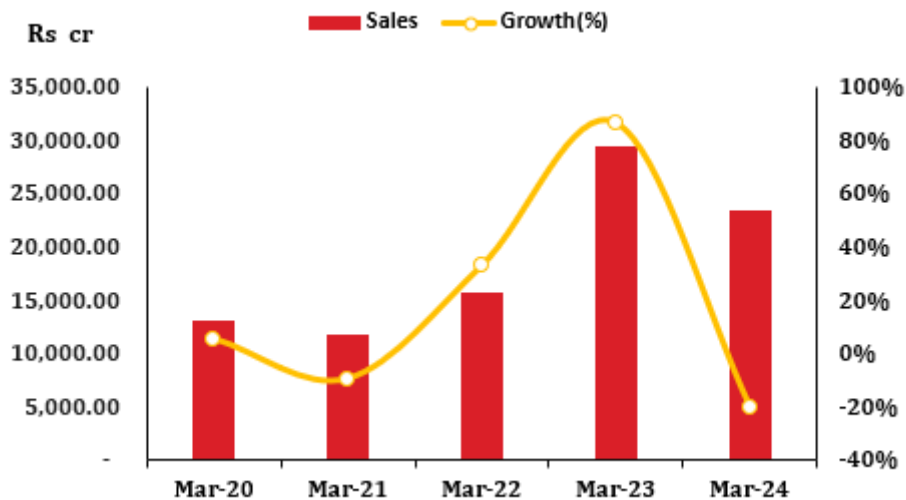
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	-319.19	7021.25	-1029.24	-333.16	668.06
Cash from Investing Activity	-809.74	-496.68	-129.3	-205.71	-334.4
Cash from Financing Activity	1131.86	-6504.77	1144.94	525.89	-317.51
Net Cash Flow	2.93	19.8	-13.6	-12.98	16.15

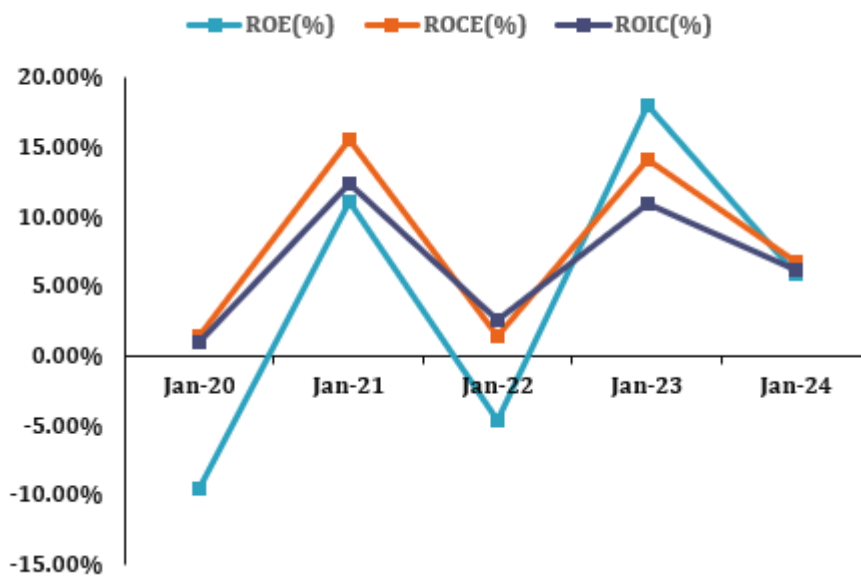
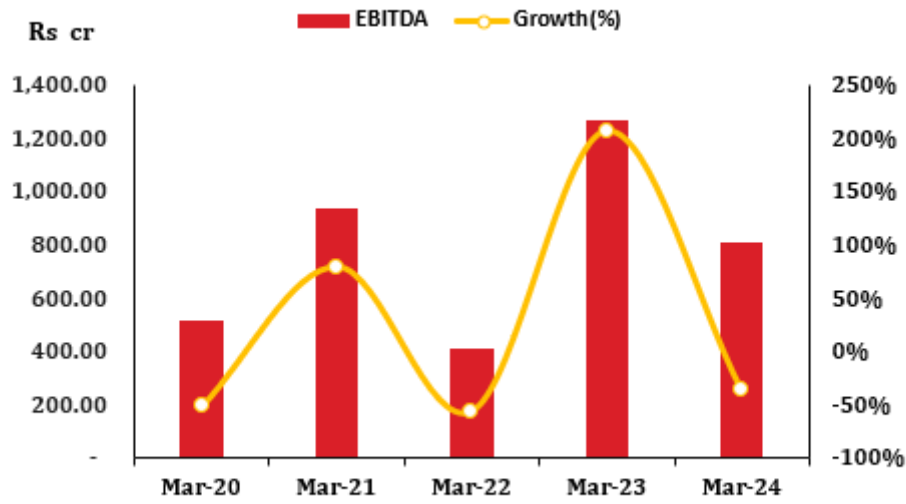
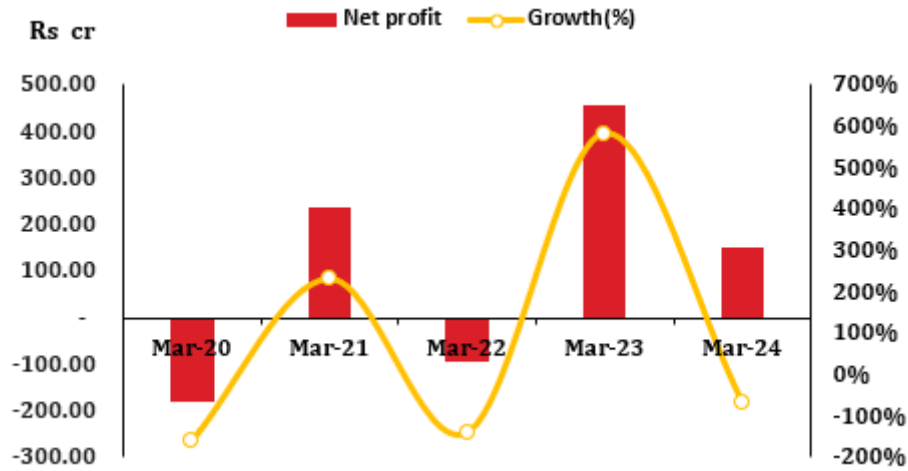
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	4.26	0.88	1.53	1.57	1.60
Debt/Assets	0.56	0.22	0.30	0.32	0.36
Debt/Ebitda	15.56	2.02	7.68	3.14	5.04
Debt/Capital Ratio	81%	47%	60%	61%	62%
Cash flow/Debt	-0.04	3.71	-0.32	-0.08	0.16
Interest coverage ratio	0.36	2.12	0.57	2.99	1.63
Sales Change	6%	-9%	33%	87%	-20%
Ebit Change	-81%	327%	-87%	1069%	-51%
Operating Leverage	-2.78	-0.65	-1.72	2.06	2.05
Financial Leverage	7.66	3.93	5.05	4.93	4.39

Efficiency ratios

Receivable days	215	81	65	51	63
Receivable turnover	1.70	4.52	5.65	7.18	5.83
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	10	25	7	9	13
Net Fixed assets turnover	3.53	3.29	3.75	7.46	6.15
Sales/capital employed	1.31	2.95	3.02	4.53	3.54
Total Asset Turnover	0.90	1.41	1.51	2.36	2.10

Profitability ratios

Ebitda	520.88	937.52	413.21	1272.37	812.4
Ebitda margin	4%	8%	3%	4%	3%
Gross Profit	2667.02	2673.99	2266.85	3167.87	2701.6
Gross Profit Margin	20%	22%	14%	11%	11%
EBIT	146.45	625.25	78.66	919.53	450.72
EBIT Margin	1%	5%	0%	3%	2%
ROE	-10%	11%	-5%	18%	6%
Net profit margin	-1%	2%	-1%	2%	1%
EPS	-3.69	4.83	-1.94	9.34	3.06
DU Pont ROE	-10%	11%	-5%	18%	6%
Net Profit Margin	-1%	2%	-1%	2%	1%
Sales/Total assets	0.90	1.41	1.51	2.36	2.10
Financial Leverage	7.66	3.93	5.05	4.93	4.39
DU PONT ROA	-1%	3%	-1%	4%	1%
Net Profit Margin	-1%	2%	-1%	2%	1%
Sales/Total assets	0.90	1.41	1.51	2.36	2.10

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	6%	18%	0%	9%	4%
EBIT Margin	1%	5%	0%	3%	2%
Sales/cap employed	1.31	2.95	3.02	4.53	3.54
NOPAT	100.91	447.96	127.90	688.64	389.06
Capital employed	10004.85	4031.92	5252.01	6534.64	6645
ROIC	1%	11%	2%	11%	6%

Valuation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Price/Earnings	-4.97	11.20	-27.36	7.76	28.64
Price/Book	0.47	1.24	1.25	1.40	1.68
Marketcap	900.25	2,654.15	2,602.63	3,554.40	4,297.66
Enterprise Value	8,980.66	4,503.66	5,746.11	7,530.91	8,350.45
EV/EBITDA	17.24	4.80	13.91	5.92	10.28

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