

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

Paradeep Phosphates Limited

17th May, 2022



Paradeep Phosphates
Limited





Date: 17-May-2022

Details of the Issue

Price Band	₹ 39 - ₹42
Issue Size	₹ 1501.7 Cr
Face Value	₹ 10
Bid Lot	350
Listing on	BSE, NSE
Post Issue Mcap.	Rs. 6633 Cr
Investment Range	Rs.13,650 - 14,700

Important Indicative Dates (2022)

Opening	17-May
Closing	19-May
Basis of Allotment	24-May
Refund Initiation	25-May
Credit to Demat	26-May
Listing Date	27-May

Lead Managers

Axis Capital
ICICI Securities
JM Financial
SBI Capital Market Ltd

No of shares

Fresh Issue of Shares	239,047,619
Offer for Sales	118,507,493
Total No of Shares	357,554,761

Offer Details

Offer Size	Rs.1501.7 Cr.
Fresh Issue	Rs. 1004 Cr (66.8%)
OFS	Rs 497.7 Cr (33.2%)

Type	No of Shares (Mn)	% of Issue
QIB	178	50%
NIB	53	15%
Retail	125	35%
Total	357	100%

Type	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	8469	55.6%	8469	41.7%
Promoter Group	1313	8.6%	1313	6.4%
Public	5439	35.7%	10513	51.8%
Total	15,222	100%	20,296	100%

Source: RHP data, GEPL Research

Company Profile

The Company was incorporated in 1981. Zuari Maroc Phosphates Private Limited ("ZMPPL"), a joint venture of Zuari Agro Chemicals Limited ("ZACL") and OCP Group S.A. ("OCP"), currently holds 80.45% of the equity share capital of the Company, with the balance being held by the Government of India.

Business Highlights & Products

The Company is second largest private sector manufacturer of non-urea fertilizers in India and the second largest private sector manufacturer in terms of Di-Ammonium Phosphate ("DAP") volume sales for the nine months ended December 31, 2021. they are primarily engaged in manufacturing, trading, distribution and sales of a variety of complex fertilizers such as DAP, three grades of Nitrogen-Phosphorus-Potassium ("NPK") (namely NPK-10, NPK-12 and NP-20), Zypmite, Phospho-gypsum and Hydroflorosilicic Acid ("HFSA"). It also engaged in the trading, distribution and sales of Muriate of Potash ("MOP"), Ammonia, Speciality Plant Nutrients ("SPN") and City compost. Its fertilizers are marketed under some of the key brand names in the market 'Jai Kisaan - Navratna' and 'Navratna'.

Manufacturing Facilities

Company's manufacturing facility are located in Paradeep, Odisha and includes a DAP and NPK production facility, a Sulphuric acid production plant and a Phosphoric acid production plant. It utilize Sulphuric and Phosphoric acids for manufacturing DAP and NPK. there integrated business model has been critical to success and a differentiating factor from competitors.

Production Capacities

As of March 31, 2022, (i) the total annual granulation capacity of DAP and NPK production plant was approximately 1.50 million MT; (ii) The total annual installed capacity of Sulphuric acid production plant was approximately 1.30 million MT; and (iii) The total annual installed capacity of Phosphoric acid production plant was 0.30 million MT, in addition, the plant has three operational concentrators to concentrate weak Phosphoric acid into strong Phosphoric acid. Company also have facilities to store raw material in Paradeep, Odisha and at any point of time, They can store 120,000 MT of Phosphate rock, 65,000 MT of Phosphoric acid solution, 55,000 MT of sulphur, 45,000 MT of Sulphuric acid, 40,000 MT of liquid ammonia and 35,000 MT of MOP.

Utilization of IPO Proceeds

The Net Proceeds are proposed to be utilized in accordance as follows: Part-financing the acquisition of the Goa Facility (Rs 520Cr), Repayment/prepayment of certain of borrowings (Rs 300 Cr) and general corporate reserves.

Board of Directors

It board of directors include **Saroj Kumar Podda** is the Chairman, Non-Executive Director and one of the Promoters of the company. Mr Narayanan Suresh Krishnan is the Managing director and executive director of company. Non-Executive directors include Mr Ujjwal kumar, Soual Mohamed, Karim lotfi senhadji and Kiran Dhingra.

Key Strengths of the Company

- Well-positioned to capture favorable Indian fertilizer industry dynamics supported by conducive government regulation.
- Second largest private sector manufacturer of Phosphatic fertilizers in India with a focus on the non-urea segment, in terms of phosphatic fertilizer
- Driving raw material efficiency through backward integration of facilities and effective sourcing
- Secure and certified manufacturing facility and infrastructure and unutilised land available for expansion



Key Strategies Implemented by Company

- Improve 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

Financial Snapshot

Particulars	As of 31 Dec -21	2021	2020	2019
Equity Share Capital	575.4	575.4	575.4	575.4
Reserves	1613.3	1252	1028	907
Net worth as stated	2188	1827.5	1603.5	1482.7
Revenue from Operations	5973.6	5183.9	4227.7	4397.2
Profit Before Tax	482	366.5	229.5	251.3
Net Profit for the period	362.7	223.2	193.2	158.9
Net Profit (%) as stated	6.1%	4.3%	4.6%	3.6%
EPS (₹)	6.30	3.88	3.36	2.76

Valuations and Recommendation:

- Paradeep Phosphates Ltd.'s annualized earnings comes at Rs 482 Cr which bring a earnings multiple of 18.3 (x) on its PAT
- Paradeep Phosphates has shown Coromandel international, Chambal fertilizers and Deepak fertilizers as its listed peers. They are currently trading at a P/E range of 16-19x (as of May 06, 2022).
- The IPO is fully priced compared with peers
- We Assign “SUBSCRIBE” rating to the issue.

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Notes

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