



## KHAITAN CHEMICALS AND FERTILIZERS LIMITED

*DAP shortage, higher NBS to  
drive profitability*

September 25, 2025



# Khaitan Chemicals & Fertilizers Ltd

## DAP shortage, higher NBS to drive profitability

**CMP** : ₹127

**Stock data (as on Sept 24, 2025)**

Bloomberg Ticker	: KCF IN
NSE Code	: KHAICHEM
52 Week H/L (₹)	: 136/43
Market Cap (₹bn /USD mn)	: 12/141
Outstanding Shares (mn)	: 97
Free Float (%)	: 27
ADTV – 3M (USD mn)	: 0.6
Div Yield (%)	: 0

**Price Performance**

	1M	6M	1Y
Absolute (%)	21	169	60

**Shareholding Pattern (%)**

Promoter	Dec-24	Mar-25	Jun-26
Promoter	72.5	72.5	72.5
FII	0.1	0.2	0.5
DII	0.0	0.0	0.0
Others	27.4	27.4	27.0

**Financial Summary**

(₹mn)	FY23	FY24	FY25
Revenues	8,878	5,358	7,202
YoY growth (%)	8	-40	34
EBITDA	779	-302	231
Margin (%)	8.8	-5.6	3.2
PAT	374	-705	14
PAT growth (%)	-47	-267	-102
EPS	3.9	-7.3	0.1
Debt/Equity (x)	0.8	1.4	1.4
RoE (%)	13.7	(27.4)	0.6
RoCE (%)	11.2	(7.4)	(0.2)

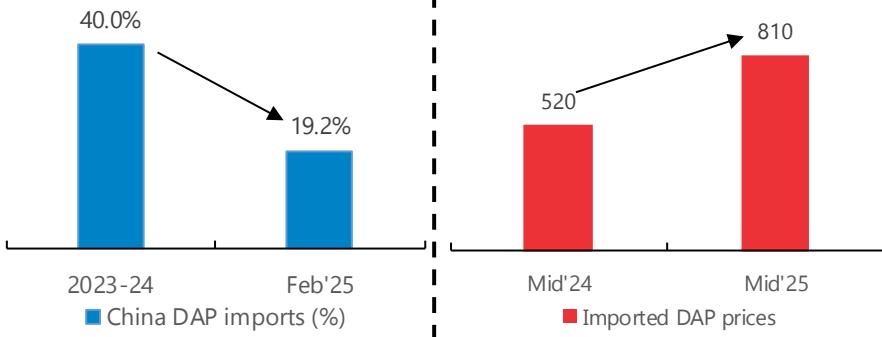
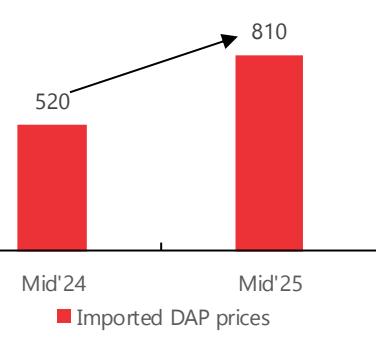
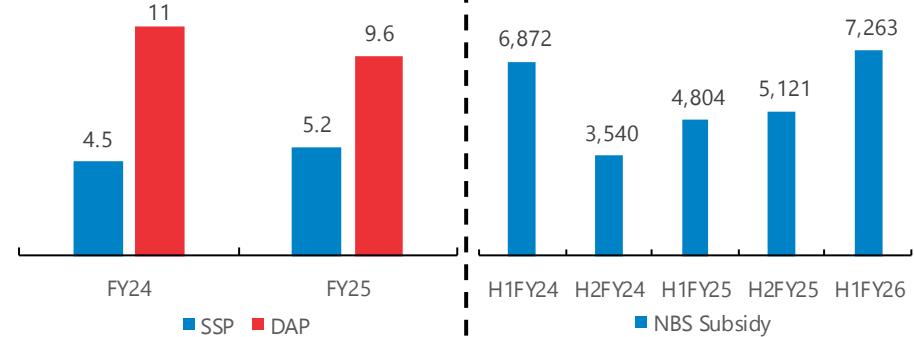
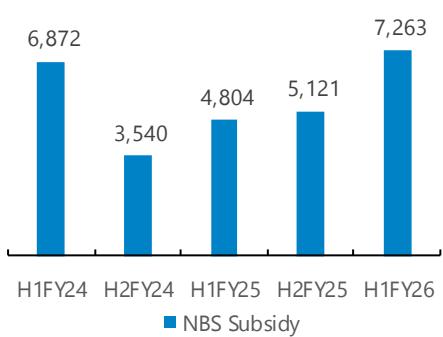
**Khaitan Chemicals & Fertilizers Ltd (KCFL)** is a leading manufacturer of Single Super Phosphate (SSP) – widely used low-priced fertilizer. KCFL enjoys strong presence in the Central and Western regions of India supported by robust manufacturing capacity, established brands, and wide distribution network. Also, it has received NBS which is a major revenue contributor.

Notably, the industry has been witnessing compressed profitability over recent years due to the government's cap on NBS allocation. However, the government increased the NBS rate to ₹7,263/MT in 1HFY26 vis-à-vis ₹3,540/MT in 2HFY24 (2x the growth). As a result, there could be a boost in revenues for SSP manufacturers in FY26 YoY. We foresee the upward revision in NBS to extend into FY26-27, thereby sustaining strong revenue growth momentum for manufacturers.

The fertilizer market in India is currently facing shortages of Urea and Di-ammonium phosphate (DAP) due to China-led demand-supply disruption. With SSP perceived as a cost-effective substitute, we believe demand is likely to accelerate, benefitting high-capacity players like Coromandel along with KCFL.

Overall, we expect robust revenue growth led by increased SSP volumes and higher NBS support. Considering the current NBS rate, we estimate KCFL to register ₹10.7bn/₹0.9bn in revenue/PAT by FY27E at ~14% EBITDA margin.

We view KCFL as a well-positioned player with a potential for re-rating underpinned by improving SSP demand dynamics and high rate of NBS. While the stock has risen ~60% over past 1 year, asserting the ongoing industry trends, there is scope for the stock price to further improve, given the enduring DAP concerns.

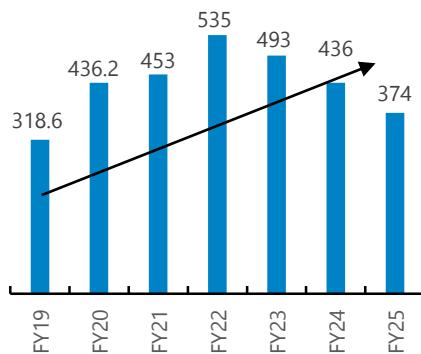
**DAP import constraints & higher NBS rates have paved way for SSP – better substitute**
**China - Restricting DAP imports (%)**

**Increasing DAP prices (₹)**

**Rising SSP consumption (MMTPA)**

**Upper trend of NBS rate (₹/MT)**


Source: Industry Data; Share India Research



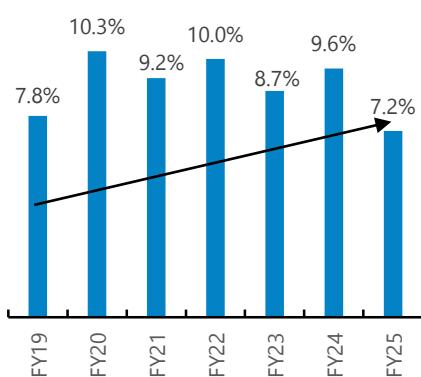
## Key Highlights

### KCFL's SSP production (MMT)



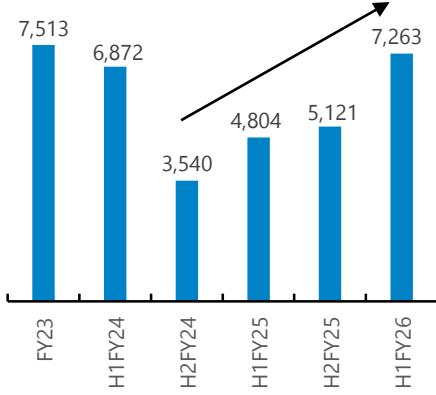
Source: Company; Share India Research

### KCFL's SSP indicative market share (%)



Source: Company; Share India Research

### NBS rate (₹/MT) – 2x growth over FY24-FY26



**One of the largest SSP manufacturers (~88% of FY25 revenues):** KCFL is one of India's largest manufacturers of Single Super Phosphate (SSP) fertilizer with a total production capacity of 11,13,500 MT as of FY25. The company primarily functions and operates in the Central and Western markets of India (~60%+ total SSP market in India). KCFL has produced 3,73,870 MT of SSP fertilizer inferring ~34% capacity utilization for FY25.

Additionally, the company manufactures chemicals (primarily Sulphuric acid) and specialty chemicals which contributed ~12% of total revenues in FY25. It has chemicals production capacity of 2,70,600 MT as of FY25. KCFL has produced 1,98,048 MT of chemicals & specialty chemicals in FY25 (capacity utilization of ~73%). Sulphuric acid is one of the key raw materials along with rock phosphate.

**Strong market share:** KCFL commands ~9.6/7.2% volume market share of SSP in India as of FY24/FY25 (4,35,810 MT in FY24 and 3,73,870 MT in FY25), in our view. While the production supply has increased in the SSP industry with new entrants, KCFL continues to hold a strong volume market share, indicating the company's dominant positioning. The company commands a strong market share in its core Madhya Pradesh market. While further market share gains may be limited considering the supply glut situation due to the entry of new players, KCFL seems to be well-placed to maintain its market share led by strong a brand value for its products.

**Beneficiary of NBS:** The Government of India offers Nutrient-Based Subsidy (NBS) on certain fertilizers crucial for soil enrichment and improved yield. It provides subsidies on Phosphatic and Potassic (P&K) fertilizers based on the nutrient content of the fertilizer. This policy leads to: (1) availability of crucial fertilizers to farmers at affordable rate, and (2) higher agricultural yield/productivity.

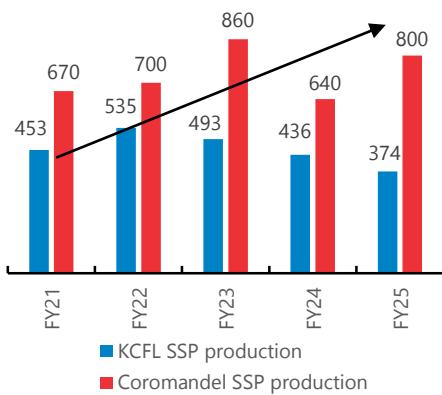
KCFL is one of the major beneficiaries of the NBS policy offered by the Government of India. We believe the subsidy rate may increase in subsequent periods which may lead to higher revenue growth and resultantly higher profitability.

### Status of subsidy PMT basis (₹/MT)

Nutrients	Apr'25- Sept'25	Oct'24- Mar'25	Apr'24- Sept'24	Oct'23- Mar'24	Apr'23- Sept'23	Jan'23- Mar'23	Oct'22- Dec'22
"N"	43.0	43.0	47.0	47.0	76.5	99.3	98.0
"P"	43.1	30.8	28.7	20.8	41.0	49.9	66.9
"K"	2.4	2.4	2.4	2.4	15.9	25.7	23.7
"S"	2.6	1.8	1.9	1.9	2.8	2.8	6.1
<b>Subsidy amount</b>							
SSP	7,263	5121	4,804	3,540	6,872	7,513	7,513
% change	41.8	6.6	35.7	-48.5	-8.5	-	-

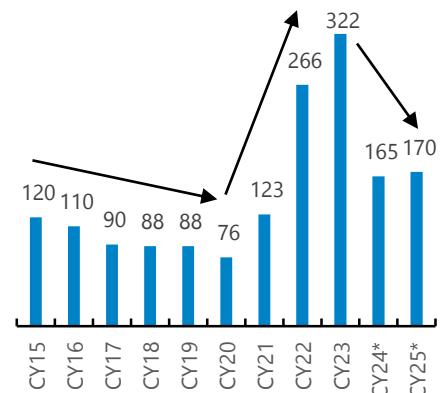
Source: Industry data; Share India Research

## SSP industry in India – Biggest 2 players (MMT)



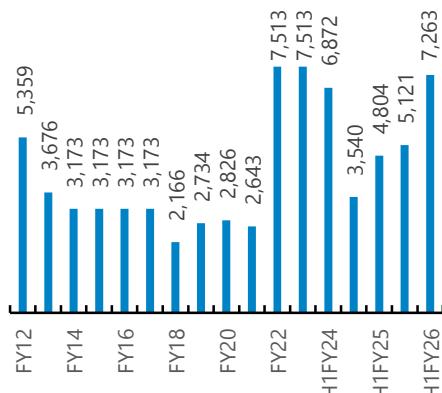
Source: Company; Share India Research

## Highly volatile rock phosphate price trend (\$/MT)



Source: Industry Data; Share India Research

## NBS rate (₹/MT) – Long-term chart



Source: Industry Data; Share India Research

**SSP – on a steady growth path:** SSP is perceived to be amongst the most vital add-ons required for crops to yield better productivity. Its prominence is underlined by long-standing usability (commercially used chemical fertilizer in India). Indian SSP industry is expected to grow at a steady 4.2% CAGR by FY28. We believe strong capacity addition, and the government's push on increasing awareness amongst farmers may lead to accelerated growth in SSP over medium-term.

**Increasing production:** Given the inflating cost of DAP, the government is increasing its thrust on the usage of SSP fertilizers by farmers. This push augers well for the industry; reflected by the improved SSP supply in recent past. SSP production in India has increased to 5.2MMT registering 4.0% CAGR since FY19 (4.1MMT). It has grown 14.4% YoY; possibly led by relatively better monsoon and increased capacity addition in the industry.

**Subsidy offsetting for volatility in key raw material prices:** SSP is constituted by the reaction between sulphuric acid and rock phosphate. In India, rock phosphate reserves are present in Jharkhand, Rajasthan, Madhya Pradesh, Uttar Pradesh and Uttarakhand. However, due to its scarce availability as against the demand for SSP, has led India to import rock phosphate. Currently, India is estimated to have ~90% dependency on foreign sources for rock phosphate. Additionally, imports contribute ~60%, 25% and 15% of Di-ammonium phosphate (DAP), urea and NPK fertilizers.

Domestic prices of fertilizers are greatly impacted by the volatility of international prices. Sharp rise in fertilizer prices are considered to be responsible for the impeding growth of India's agriculture sector. As a result, the government introduced the subsidy scheme to regulate prices. We believe, subsidy revision is closely tied to international price fluctuation of key raw materials.

### Shortage of DAP - China supply - Abundance to Absence

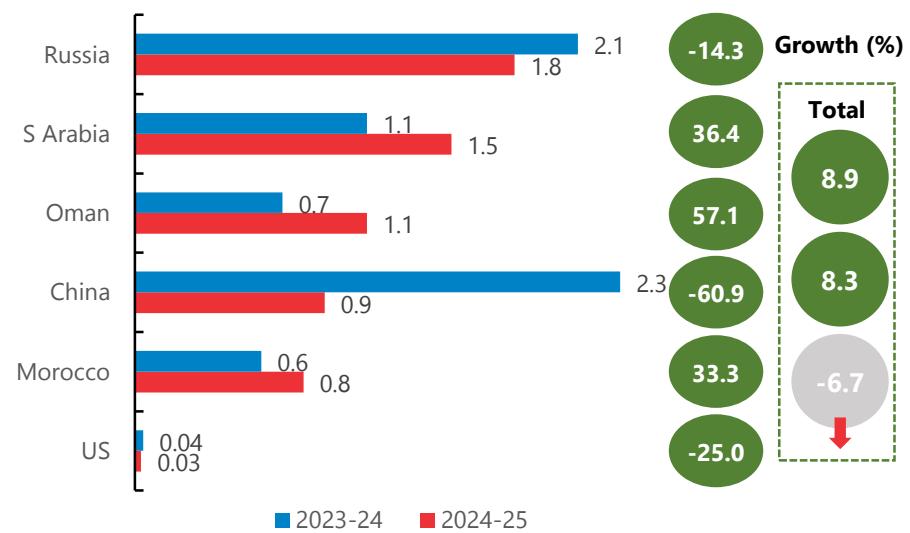
**DAP – crucial fertilizer:** DAP is one the most crucial fertilizers required in the Indian agricultural fields. China has been India's largest fertilizer supplier in recent past years.

**Scarce imports from China:** With high dependence on China fertilizers, smooth supply holds key for the wellness of Indian farmers. However, imports from China have become scarce following its strategy to curb fertilizer exports. As a result, fertilizer prices in India have become highly volatile, particularly DAP.

India's DAP consumption stands at ~10-11MMT per annum with imports comprising ~60% of its total DAP requirements. This high import dependency surfaced materially due to scarcity of fertilizer imports.

**Imports from Saudi Arabia increases:** While India aims to control the scarcity with incremental supply from other major suppliers – Russia, Saudi Arabia, Jordan, and Chile – the prices are likely to remain highly volatile in near-term. Imports from Saudi Arabia is set to increase from current 1.9MMT to 3.1MMT by FY30.

## China – major fertilizer exporter; Russia, Saudi Arabia moving ahead (US\$ bn)



Source: Industry data; Share India Research

## SSP – a better alternative

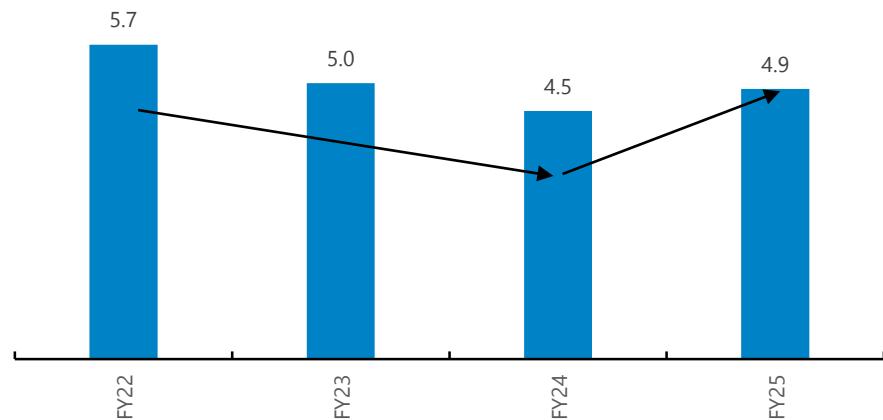
**SSP seems a preferred choice along with DAP over long-term due to its cost efficient, simpler manufacturing process, lower carbon footprint and energy consumption.**

SSP is emerging as a major alternative to DAP as it offers similar traits. SSP and DAP both are major source of Phosphorus; essential for soil while farming – SSP: Phosphorus (16%) + Sulphur (11%) + Calcium (21%), DAP: Phosphorus (46%) + Nitrogen (18%). Typically, one requires thrice the SSP content to replace the DAP requirement due to its relatively lower quantity of phosphorus but offers other (Sulphur and Calcium) requirements. Additionally, it is cost effective with added advantages (~price of 3 bags of SSP < 1 bag of DAP).

Given these advantages, SSP has emerged as a better alternative to the ongoing DAP shortage in India. It seems to be a preferred choice along with DAP over long-term due to its cost efficient, simpler manufacturing process, lower carbon footprint and energy consumption.

India has already developed SSP infrastructure and the only hurdle remains dependency on raw material imports. While China may reinitiate fertilizer supply to India, we believe, DAP shortage substitution may take time; thereby high SSP demand benefitting manufacturers.

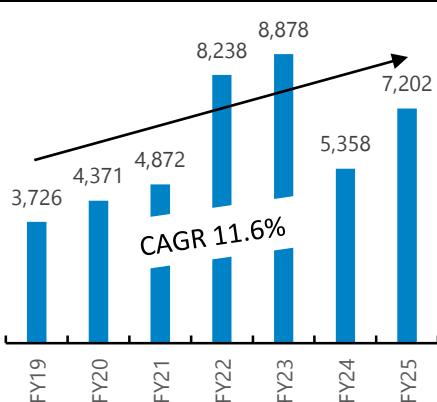
## Rising SSP consumption in India POS (MMT)



Source: Industry data; Share India Research

## Financial Analysis

### Strong revenue growth (₹mn)



Source: Company; Share India Research

**KCFL's revenue growth is directly proportional to NBS rates. With a reversal seen in NBS rates since 1HFY25, we expect the revenue growth momentum to sustain over FY26/FY27.**

**Strong revenue growth momentum to sustain:** KCFL's sales witnessed a dip in FY24 primarily due to reduction in NBS rates and weaker monsoon season. However, increase in NBS rates and better monsoon led to strong revenue growth in FY25 YoY. We foresee robust revenue growth momentum YoY to accentuate over FY26/FY27 on higher NBS rates and better monsoon predictions.

**EBITDA margins turning positive:** KCFL's EBITDA (₹230mn) turned positive in FY25 as against EBITDA losses in FY24 led by a reduction in raw material prices and higher revenue growth. We reckon stability in raw material prices (primarily rock phosphate) may aid in higher gross margin.

**Higher NBS rates drive revenue growth:** We notice KCFL's revenue growth is directly proportional to NBS rates. Historically, increase in NBS rates has led to relatively higher revenue growth YoY. With a reversal seen in NBS rates since 1HFY25, we expect the revenue growth momentum to sustain over FY26/FY27.

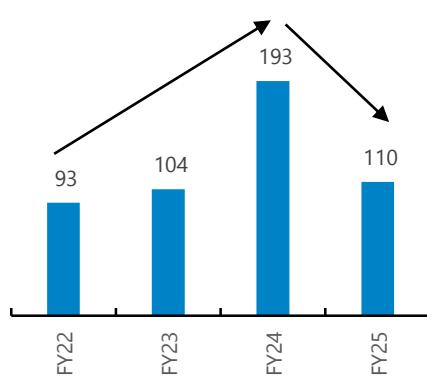
### Financial snapshot

₹mn	FY23	FY24	FY25
Revenue	8,878	5,358	7,202
EBITDA	779	-302	231
Margins (%)	8.8	-	3.2
PAT	421	-705	14
EPS	3.9	-7.3	0.1

Source: Company, Share India Research

**Reduction in inventory days:** Post a sharp rise in inventory days to 256 days in FY24, KCFL's inventory days reverted to normalized range ~150-160 days (FY25: 156 days) in FY25. It has lowered the working capital days for KCFL. We see the trend improving in FY26/FY27.

### Reducing inventory levels (Days)



Source: Company; Share India Research

## Scenario Analysis

**With strong SSP production capacity, KCFL seems to be well-positioned to capitalize on the growing SSP production trend in India.**

Considering a deviation of -/+8/10% in realization/tonne for FY26E and FY27E, respectively, we derive a fluctuation of 11/13% in earnings for FY27E. Variations in production volumes and change in SSP subsidy could lead to earnings fluctuation.

Given the rising demand for SSP and being considered a better alternate to DAP, supported by buoyant NBS rates, we believe there is a strong probability of base/bull case playing out until FY27, over bear case.

Case ₹mn	FY25	Bull		Base		Bear	
		FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
<b>Revenue</b>	7,202	9,688	11,742	9,040	10,772	8,392	9,803
<b>EBITDA</b>	231	1,359	1,666	1,249	1,502	1,139	1,338
<b>PAT</b>	14	685	971	618	863	551	755
<b>SSP - Realisation (₹/tonne)</b>	14,407	17,855	18,549	16,532	16,863	15,210	15,177

Source: Company, Share India Research

**Outlook:** With strong SSP production capacity, KCFL seems to be well-positioned to capitalize on the growing SSP production trend in India. We believe, higher NBS rates could inflate the revenues over FY26/FY27. Additionally, a thrust on high value-added chemicals may lead to margin expansion over the medium-term.

**We expect the company to deliver revenue/PAT of ₹10bn/₹0.9bn by FY27E (revenue/PAT CAGR: 22%/685%) at ~14% EBITDA margin led by higher SSP volumes, higher NBS support and thrust on high-value added chemicals. If the upward revision of NBS rate extends into rest of FY26, we foresee scope for incremental growth.**

**Income Statement (Consolidated)**

Y/e 31 Mar (₹mn)	FY21	FY22	FY23	FY24	FY25
<b>Revenue</b>	<b>4,872</b>	<b>8,238</b>	<b>8,878</b>	<b>5,358</b>	<b>7,202</b>
% Change YoY	11.4	69.1	7.8	(39.6)	34.4
Operating profit	598	1,216	779	-302	231
<b>EBITDA margins (%)</b>	<b>12.3</b>	<b>14.8</b>	<b>8.8</b>	<b>(5.6)</b>	<b>3.2</b>
% Change YoY	29.7	103.4	(35.9)	-	-
Depreciation	82	73	91	115	106
EBIT	516	1,143	689	(417)	124
<b>EBIT margins (%)</b>	<b>10.6</b>	<b>13.9</b>	<b>7.8</b>	<b>(7.8)</b>	<b>1.7</b>
Interest expense	135	126	193	317	298
Other income	6	13	15	15	9
<b>Profit before tax</b>	<b>386</b>	<b>1,029</b>	<b>510</b>	<b>(719)</b>	<b>(165)</b>
Taxes	137	227	137	(14)	(179)
<b>Effective tax rate (%)</b>	<b>36</b>	<b>22</b>	<b>27</b>	<b>-</b>	<b>-</b>
Share of associates	-	-	-	-	-
<b>Net profit</b>	<b>249</b>	<b>795</b>	<b>421</b>	<b>(705)</b>	<b>14</b>
% Change YoY	63	220	-47	-	-
<b>EPS (₹)</b>	<b>2.6</b>	<b>8.3</b>	<b>3.9</b>	<b>(7.3)</b>	<b>0.1</b>

Source: Company; Share India Research

**Cash Flow Statement (Consolidated)**

Y/e 31 Mar (₹mn)	FY21	FY22	FY23	FY24	FY25
Profit before Tax	386	1,029	510	(719)	(165)
Non-cash items	72	(344)	(664)	696	385
(Inc)/Dec in WC	309	(699)	(624)	(481)	217
Direct Taxes Paid	(77)	284	(103)	(50)	4
<b>CF from Oper. Activity</b>	<b>843</b>	<b>270</b>	<b>(881)</b>	<b>(554)</b>	<b>441</b>
(Inc)/Dec in FA	(52)	(135)	(196)	(119)	(48)
Free Cash Flow	791	135	(871)	(573)	385
(Pur)/Sale of Invest.	(9)	(69)	(34)	126	(125)
Other Income	6	6	9	11	7
<b>CF from Inv. Activity</b>	<b>(56)</b>	<b>(198)</b>	<b>(222)</b>	<b>18</b>	<b>(166)</b>
Change in Net worth	0	0	0	0	0
Inc/(Dec) in Debt	(603)	571	855	879	37
Misc. Inv.	(185)	(174)	(222)	(344)	(312)
<b>CF from Fin. Activity</b>	<b>(788)</b>	<b>397</b>	<b>633</b>	<b>535</b>	<b>(275)</b>
Inc./Dec in Cash	0	468	-470	-1	0
<b>Opening Cash Balance</b>	<b>4</b>	<b>3</b>	<b>472</b>	<b>2</b>	<b>1</b>
Closing Cash Balance	3	472	2	1	1

Source: Company; Share India Research

**Balance Sheet (Consolidated)**

Y/e 31 Mar (₹mn)	FY21	FY22	FY23	FY24	FY25
<b>Sources of Funds</b>					
Equity capital	97	97	97	97	97
Reserves	1,645	2,426	2,841	2,108	2,129
<b>Net worth</b>	<b>1,742</b>	<b>2,523</b>	<b>2,938</b>	<b>2,205</b>	<b>2,226</b>
Debt	196	128	298	219	356
Other LT Liabilities	166	125	112	111	23
Minority Interest	0	0	0	0	0
<b>Total liabilities</b>	<b>2,104</b>	<b>2,775</b>	<b>3,348</b>	<b>2,535</b>	<b>2,605</b>
<b>Application of Funds</b>					
<b>Fixed Asset</b>	<b>995</b>	<b>1,016</b>	<b>1,294</b>	<b>1,323</b>	<b>1,272</b>
Other Assets	45	53	35	19	11
Investments	17	177	131	77	165
<b>Net Working Capital</b>	<b>985</b>	<b>930</b>	<b>1,724</b>	<b>1,079</b>	<b>995</b>
Current assets	2,423	3,862	5,446	4,775	4,585
Cash & equivalents	62	600	164	37	162
Current liabilities	1,439	2,932	3,723	3,696	3,590
<b>Total Assets</b>	<b>2,104</b>	<b>2,775</b>	<b>3,348</b>	<b>2,535</b>	<b>2,605</b>

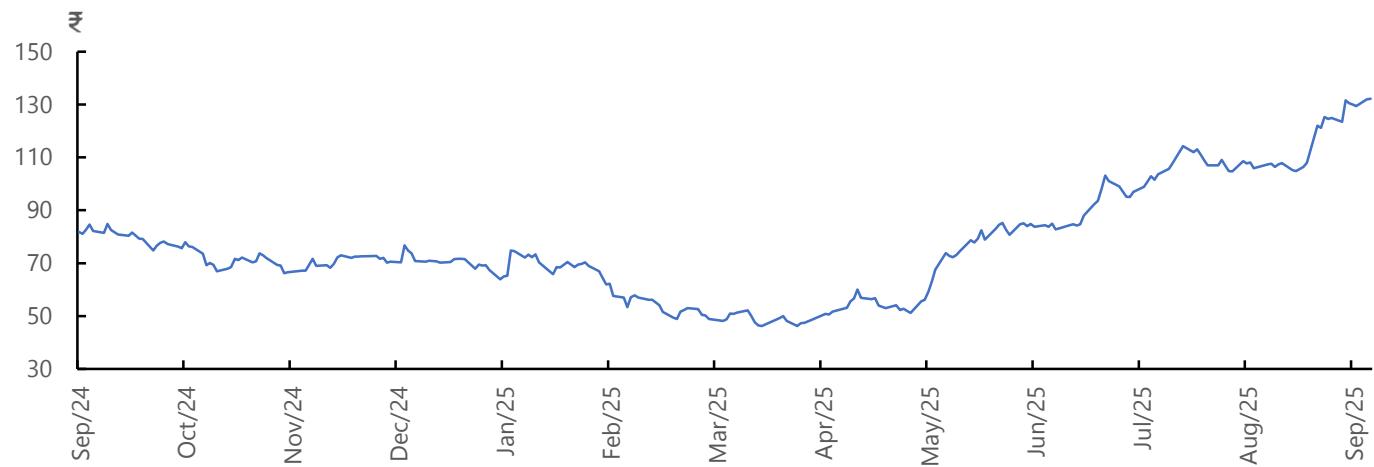
Source: Company; Share India Research

**Ratio Analysis**

Y/e 31 Mar	FY21	FY22	FY23	FY24	FY25
<b>Basic (₹)</b>					
EPS	2.6	8.3	3.9	(7.3)	0.1
Book value per share					
Valuation ratios (x)	18.0	26.0	30.3	22.7	23.0
P/E	49.5	15.4	33.0	(17.5)	880.4
P/B	7.1	4.9	4.2	5.6	5.5
EV/EBITDA	20.7	10.2	15.9	(41.0)	53.6
<b>Profitability Ratio (%)</b>					
RoIC	12.6	27.8	11.2	(7.4)	(0.2)
RoE	15.2	37.6	13.7	(27.4)	0.6
RoCE	6.2	11.5	9.1	8.4	7.2
<b>Liquidity ratios</b>					
Debtor (days)	32.7	16.8	26.8	33.3	36.6
Inventory (days)	84.0	92.7	103.6	192.7	109.8
Creditor (days)	47.5	43.8	48.6	35.6	21.3
Net working Capital (days)	69	66	82	190	125
Asset Turnover (x)	4.9	8.1	6.9	4.1	5.7

Source: Company; Share India Research

## Price Chart – 1Y



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