



## IPO Note

# Balaji Phosphates Limited

Recommendation: **AVOID!**

### Company Background -

- **Incorporation:** Balaji Phosphates Limited was originally incorporated on April 04, 1996. The registered office is located at Indore, Madhya Pradesh.
- **Business Activity:** The company is engaged in the manufacture and supply of Single Super Phosphate (SSP) in powder and granulated forms, NPK Granulated and Mixed Fertilizers and Zinc Sulphate.
- **Revenue Stream:** The company generates majority of the revenue from sale of Single Super Phosphate and weighbridge.
- **Human Resource:** The company has 40 permanent employees as on Aug 31, 2024.

### Objects of the Issue -

- To meet Capital expenditure towards establishing a warehouse at subsidiaries factory premise & upgradation of existing facilities
- To meet the working capital requirements
- General Corporate Purposes

### Promoters Name -

Alok Gupta and Mohit Airen

### Rationale for recommendation -

- ✓ The PE ratio of 16.78 times post annualized basis makes it slightly aggressively priced.
- ✓ The company's bottom line and profitability margins have seen a slight dip in FY24.
- ✓ The company had negative CFO for FY23, FY24 and Aug-24.
- ✓ There is high concentration for suppliers.
- ✓ The company's business operations are highly concentrated in Madhya Pradesh.
- ✓ The company is underutilizing their capacity.
- ✓ The industry is high fragmented and competitive.
- ✓ The management is not satisfactory.

### IPO Details

Opening Date	Feb 28, 2025
Closing Date	Mar 04, 2025
Allotment Date	Mar 05, 2025
Listing Date	Mar 07, 2025
Stock Exchange	NSE SME
Lot Size	2,000 Shares
Issue Price Per Share	₹66 to ₹70
Issue Size	50.11 Cr.
Fresh Issue	41.58 Cr.
Offer for Sale	8.53 Cr.
Application Amt	₹ 1,40,000 (2,000 shares)

### INDUSTRY - Fertilizers

Avg. P/E ratio as per RHP - 53.90

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Aug-24
Revenue	12,365.34	14,454.24	15,154.63	5,337.06
EBITDA	792.34	1,167.21	1,209.71	572.55
Net Profit	319.07	608.77	604.04	414.64
RoCE	22.03%	28.93%	26.72%	14.09%*
ROE	13.96%	21.02%	17.26%	11.47%*
P/E	39.11	20.47	20.65	16.78*

\*Annualized

### Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100.00%	69.90%

### Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	3.39	4.17
BVPS	39.25	36.38
P/E	20.65	16.78
P/BV	1.78	1.92
Mkt Cap (In Cr)	124.86	166.44

\*Annualized

### Lead Managers -

**Arihant Capital Markets Limited**

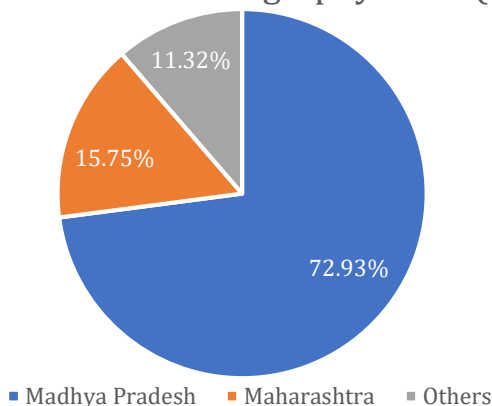
### Registrar -

**Skyline Financial Services Private Limited**

**Business Overview -**

Balaji Phosphates Limited is engaged in the manufacture and supply of Single Super Phosphate (SSP) in powder and granulated forms, NPK Granulated and Mixed Fertilizers and Zinc Sulphate, all conforming to the standards of Fertilizer Control Order of India. They sell under the brand names “RATNAM” and “BPPL” to retailers, wholesalers and state-owned cooperatives with farmers. The products cater to farmers in Madhya Pradesh, Chhattisgarh, Maharashtra, Telangana, and Andhra Pradesh.

Revenue Bifurcation Geography-Wise (Aug-24)

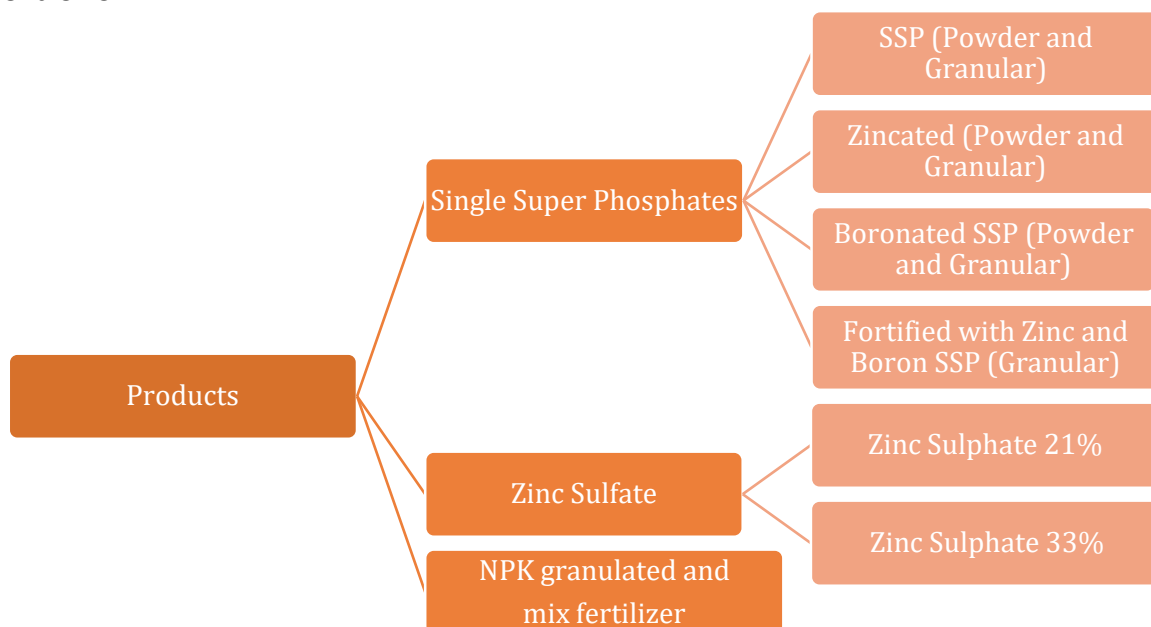


**Subsidiary:** Jyoti Weighing Systems Pvt. Ltd., (JWSPL) manufactures weighbridges up to a capacity of 633MT. The weighbridges are of two types: PIT less (Surface Mounted) and PIT type (Ground Level).

**Manufacturing Unit:** The unit is located in Madhya Pradesh spanning approximately 12,600 square meters. The installed capacities for manufacture of 1,20,000 MT per annum of Single Super Phosphate, 3,300 MT per annum of Zinc Sulphate and 49,500 MT per annum of NPK Granulated & Mix. The capacity utilization for SSP remained at 52.33%, zinc sulphate remained at 83.52% and NPK granulated & mix remained at 0.072% as of Aug-24.



**Product Portfolio -**



Particulars	FY 2022		FY 2023		FY 2024		Aug-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
SSP	8,416.23	68.06%	10,893.25	75.36%	11,626.42	76.72%	4,335.67	81.24%
NPK	134.57	1.09%	77.62	0.54%	20.57	0.14%	17.14	0.32%
Zinc Sulphate	260.44	2.11%	59.27	0.41%	165.36	1.09%	85.89	1.61%
Zinc Ash	22.76	0.18%	162.50	1.124%	-	-	-	-
Dap, Potash, Urea, Gypsum	96.10	0.78%	-	-	6.04	0.04%	-	-
Freight Income	-	-	0.20	0.001%	-	-	-	-
Scrap Sale	0.03	0.0002%	-	-	-	-	-	-
Service Income	-	-	-	-	-	-	11.35	0.21%
Rock Phosphate	-	-	-	-	-	-	15.35	0.29%
Weighbridge & their Parts	3,204.98	25.92%	2,997.72	20.74%	3,036.30	20.04%	782.29	14.66%
Repair & Maintenance	230.23	1.86%	263.69	1.82%	299.93	1.98%	89.38	1.67%
<b>Total</b>	<b>12,365.34</b>	<b>100%</b>	<b>14,454.25</b>	<b>1.00</b>	<b>15,154.62</b>	<b>100%</b>	<b>5,337.07</b>	<b>100%</b>

### Competition -

- Market Competition:** The industry is competitive where the key factors of competition primarily comprise of product quality, price and availability.
- Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- Barriers to entry:** Low barriers to entry.
- Threat of Substitutes:** High threat of substitutes.
- Bargaining Power of Buyers:** The bargaining power is high with the customers.
- Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

### Business Strategies -

- The company intends to focus on increasing its operational capacity utilization and improve manufacturing process.
- The company intends to invest in new advanced technologies and replace outdated equipment with more durable and efficient alternatives, such as upgrading scrubber, chimney, and feed hopper assembly line from metal based materials to FRP grade fibre material.
- The company intends to invest in an EOT crane and building warehouse.

### Risk Factors -

The business is subject to climatic conditions and is cyclical in nature as it is sensitive to weather conditions such as drought, floods, cyclones and natural disasters, as well as events such as pest infestations. The revenues recorded during planting and harvesting seasons are lower compared to revenues recorded during the periods following such seasons.

The company is highly dependent on top 10 suppliers for their products which constituted 79.83%, 90.63% and 87.93% in FY22, FY23 and FY24 respectively.

The company has 6 cases against it and the group companies have 5 cases against it amounting to Rs. 23.89 lakhs.

The promoter/ directors has 2 cases against them amounting to Rs. 168.23 lakhs.

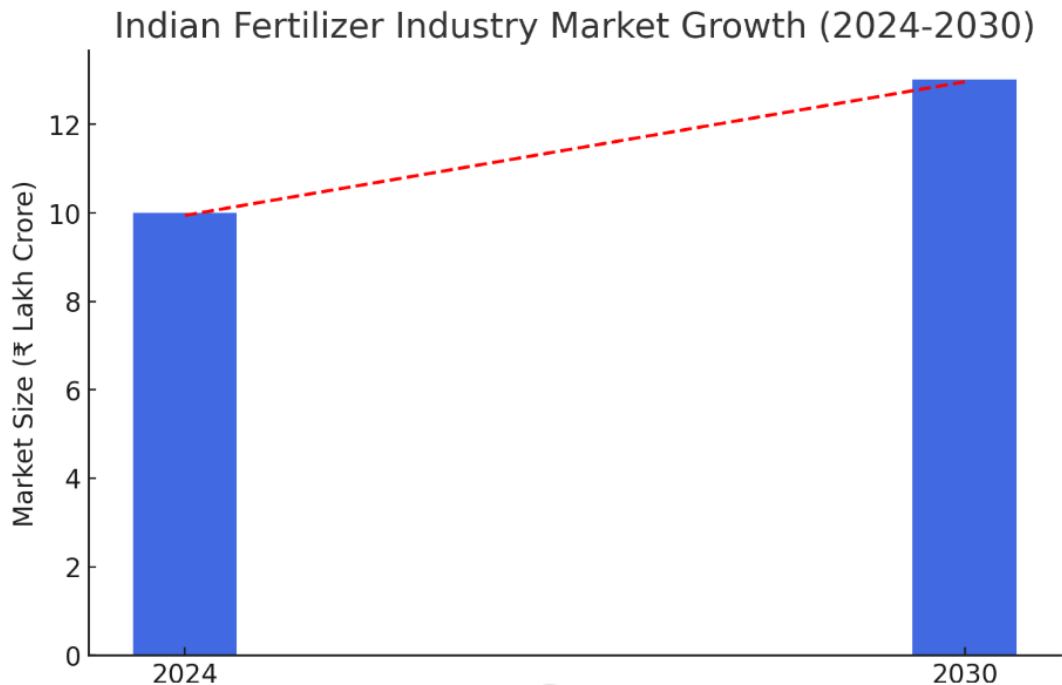
The company had negative cash flow from operations in FY23, FY24 and Aug-24.

The company has contingent liabilities of Rs. 26.47 lakhs as of Aug-24.

## INDUSTRY OVERVIEW -

### Indian Fertilizer Industry -

The Indian fertilizer industry plays a crucial role in supporting the agricultural sector, as India is one of the largest consumers of fertilizers globally. The market size of the Indian fertilizer industry is estimated at around **₹10-12 lakh crore** and is expected to grow at a **CAGR of 4-5%** from 2024 to 2030. The industry is driven by increasing food demand, government subsidies, and improved farming techniques.



The key fertilizers used in India include Urea, Di-Ammonium Phosphate (DAP), Muriate of Potash (MOP), and NPK fertilizers. India is highly dependent on imports for raw materials like phosphate and potash, making domestic production and self-sufficiency a priority.

The Government of India (GoI) has introduced various initiatives such as:

- Nutrient-Based Subsidy (NBS) Scheme – To promote balanced fertilizer use.
- Neem-Coated Urea Policy – To reduce urea diversion and increase efficiency.
- Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) – Provides direct income support to farmers.
- Self-Reliant India (Atmanirbhar Bharat) in Fertilizers – Focus on reducing import dependency.

The road ahead involves sustainable practices such as nano fertilizers, organic fertilizers, and digitization in distribution. The industry is also moving toward customized fertilizers to improve efficiency and reduce environmental impact.

### Indian Agriculture Industry -

India's agriculture sector contributes about **18-20% to GDP** and employs nearly **40% of the workforce**. The market size is expected to grow at a **CAGR of 4-6%** over the next decade, driven by rising food demand, mechanization, and exports.

The government is promoting modernization through:

- PM-KISAN and Kisan Credit Card (KCC) – Financial support for farmers.
- PM Fasal Bima Yojana – Crop insurance scheme.
- National Mission for Sustainable Agriculture (NMSA) – Promotes climate-resilient farming.

The future outlook focuses on precision farming, agri-tech innovations, and better irrigation infrastructure to ensure long-term growth and sustainability.

**Key Management -**

<b>Key Management Persons Name -</b>	<b>Mohit Airen</b>
<b>Age</b>	47
<b>Designation and No. of years of experience</b>	Promoter and Managing Director, 20+ years of experience
<b>Qualification</b>	B. Com, MBA degree and Microsoft Certified Professional.
<b>Other Directorships</b>	Chatak Agro (India) Pvt. Ltd., Divyajyoti Agritech Pvt. Ltd., Jyoti Weighing Systems Pvt. Ltd. etc.

<b>Key Management Persons Name -</b>	<b>Alok Gupta</b>
<b>Age</b>	48
<b>Designation and No. of years of experience</b>	Promoter and Executive Director, 20+ years of experience
<b>Qualification</b>	Bachelor's in Commerce
<b>Other Directorships</b>	Chatak Agro (India) Pvt. Ltd., Divyajyoti Agritech Pvt. Ltd., Jyoti Weighing Systems Pvt. Ltd. etc.

<b>Key Management Persons Name -</b>	<b>Sunil Kumar Talwar</b>
<b>Age</b>	70
<b>Designation and No. of years of experience</b>	Promoter and Executive Director
<b>Qualification</b>	Education certificates not traceable.
<b>Other Directorships</b>	-

- The overall management of the company is not satisfactory.
- The promoter and management have good experience in the industry.
- Aashi Neema, Nupur Lodwal and Sweena Gangwani are Non-Executive Independent Directors of the Company. They have an average experience of 5+ years and all of them are company secretary.
- Ravindra Chourishi (CFO), aged 61 years, has completed M. Com and has 37+ years of experience.
- Deepika Singh (CS) has 5+ years of experience.

## FINANCIAL SNAPSHOT

## Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Aug-24
Revenue from Operations	12,365.34	14,454.24	15,154.63	5,337.06
Other Income	46.38	9.89	13.39	147.60
<b>Total Income</b>	<b>12,411.72</b>	<b>14,464.13</b>	<b>15,168.02</b>	<b>5,484.66</b>
<b>Expenses</b>				
Cost of Material Consumed	9,749.09	11,054.10	10,770.14	2,872.55
Purchases of stock-in-trade	38.65	-	106.34	-
Change in Inventories of Stock In Trade	-628.07	-936.50	-18.56	647.66
Employee Benefit Expenses	651.43	715.90	776.09	335.08
Finance Cost	284.42	265.12	301.78	141.57
Depreciation and Amortization Expense	98.21	84.41	84.73	36.42
Other expenses	1,761.90	2,453.53	2,310.91	909.22
<b>Total Expenses</b>	<b>11,955.63</b>	<b>13,636.56</b>	<b>14,331.43</b>	<b>4,942.50</b>
<b>EBITDA</b>	<b>792.34</b>	<b>1,167.21</b>	<b>1,209.71</b>	<b>572.55</b>
<b>EBITDA Margin</b>	<b>6.41%</b>	<b>8.08%</b>	<b>7.98%</b>	<b>10.73%</b>
<b>Profit/(Loss) before tax</b>	<b>456.09</b>	<b>827.57</b>	<b>836.59</b>	<b>542.16</b>
<b>Tax Expense</b>				
Current tax	129.24	222.43	237.74	132.77
Deferred Tax	7.78	-3.63	-5.19	-5.25
<b>Total Tax</b>	<b>137.02</b>	<b>218.80</b>	<b>232.55</b>	<b>127.52</b>
<b>Profit/(Loss) for the year</b>	<b>319.07</b>	<b>608.77</b>	<b>604.04</b>	<b>414.64</b>
<b>Net Profit Margin</b>	<b>2.58%</b>	<b>4.21%</b>	<b>3.99%</b>	<b>7.77%</b>

## Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Aug-24
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	594.57	891.86	1,783.71	1,783.71
Other Equity	1,691.72	2,004.58	1,716.53	2,131.19
<b>Total Shareholder's Fund</b>	<b>2,286.29</b>	<b>2,896.44</b>	<b>3,500.24</b>	<b>3,914.90</b>
Minority Interest	0.06	0.06	0.08	0.08
<b>Total Equity</b>	<b>2,286.35</b>	<b>2,896.50</b>	<b>3,500.32</b>	<b>3,914.98</b>
<b>NON-CURRENT LIABILITIES</b>				
Financial Liabilities				
Borrowings	839.74	825.39	693.72	632.74
Deferred Tax liability	21.09	18.03	12.76	7.51
Provisions	3.05	2.36	3.13	3.21
<b>Total Non-current liabilities</b>	<b>863.88</b>	<b>845.78</b>	<b>709.61</b>	<b>643.46</b>
<b>CURRENT LIABILITIES</b>				
Financial Liabilities				
Borrowings	1,147.76	1,806.10	2,628.38	2,924.80
Trade Payables				
(i) Total outstanding dues of MSME	47.45	62.24	66.05	291.75
(ii) Total outstanding dues of creditors other than MSME	1,800.64	1,882.63	912.11	794.68
Other Financial Liabilities	81.31	68.85	101.43	88.73
Other Current Liabilities	1,901.78	1,895.89	541.20	524.86
Provisions	1.13	14.15	176.12	1.89
Current Tax Liabilities (Net)	105.14	210.57	213.12	342.88
<b>Total Current liabilities</b>	<b>5,085.21</b>	<b>5,940.43</b>	<b>4,638.41</b>	<b>4,969.59</b>

Particulars	FY 22	FY 23	FY 24	Aug-24
<b>Total Liabilities</b>	<b>5,949.09</b>	<b>6,786.21</b>	<b>5,348.02</b>	<b>5,613.05</b>
<b>Total Equity and Liabilities</b>	<b>8,235.44</b>	<b>9,682.71</b>	<b>8,848.34</b>	<b>9,528.03</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, Plant and Equipment	693.57	620.21	622.95	630.48
Goodwill	539.18	539.18	539.18	539.18
Other Non- current Assets	-	-	37.80	-
<b>Total Non-Current assets</b>	<b>1,232.75</b>	<b>1,159.39</b>	<b>1,199.93</b>	<b>1,169.66</b>
<b>CURRENT ASSETS</b>				
Inventories	2,365.41	4,206.71	3,147.76	2,833.83
Financial Assets				
Trade Receivables	3,085.83	2,999.51	3,105.16	4,511.30
Cash & Cash equivalents	263.89	269.14	222.40	230.57
Loans	-	-	643.32	199.48
Other financials assets	214.85	230.05	230.52	210.55
Other Current Assets	1,072.70	817.91	299.26	372.64
<b>Total Current assets</b>	<b>7,002.68</b>	<b>8,523.32</b>	<b>7,648.42</b>	<b>8,358.37</b>
<b>Total Assets</b>	<b>8,235.43</b>	<b>9,682.71</b>	<b>8,848.35</b>	<b>9,528.03</b>

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Aug-24
Net Cash Flow from Operating Activities	339.24	-362.69	-348.11	-41.75
Net Cash Flow from Investing Activities	-37.89	-10.93	-87.46	-43.95
Net Cash Flow from Financing Activities	-269.15	378.87	388.83	93.87

**Key Ratios**

<u>Per Share Data</u>	FY 22	FY 23	FY 24	FY 25*	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	1.79	3.42	3.39	4.17	EV/EBITDA	5.06	4.51	5.46	2.43
BV per share	38.45	48.72	39.25	36.38	Market Cap / Sales	0.34	0.29	0.41	1.30
<u>Operating Ratios</u>					P/E	39.11	20.47	20.65	16.78
EBITDA Margins	6.41%	8.08%	7.98%	10.73%	Price to Book Value	1.82	1.44	1.78	1.92
PAT Margins	2.58%	4.21%	3.99%	7.77%	<u>Solvency Ratios</u>				
Inventory days	70.01	106.52	76.02	83.45	Debt / Equity	0.87	0.91	0.95	0.39
Debtor days	91.34	75.95	74.99	92.90	Current Ratio	1.38	1.43	1.65	1.65
Creditor days	71.74	5.98	36.40	42.17	Quick Ratio	0.91	0.73	0.97	0.97
<u>Return Ratios</u>					Asset Turnover	1.50	1.49	1.71	1.44
RoCE	22.03%	28.93%	26.72%	14.09%	Interest Coverage Ratio	2.44	4.08	3.73	3.79
RoE	13.96%	21.02%	17.26%	11.47%					

\*Annualized

**INTERPRETATION -**

- The top line has increased over the years. It increased by 16.89% in FY23 and in FY24 it increased by 4.85% which was due to increase in sales volume.
- The net profit remained slightly inconsistent over the years. It saw an increase by 90.80% in FY23 and it decreased by 0.78% in FY24.
- The EBITDA and PAT margin has seen a slight dip in FY24.
- There is negative cash flow from operations for FY23, FY24 and Aug-24.

**PEER ANALYSIS –**

Particulars	Balaji Phosphates Limited			Coromandel International Limited			Paradeep Phosphate Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	2.58%	4.21%	3.99%	7.94%	6.76%	7.37%	5.04%	2.26%	0.86%
EBITDA Margin	6.41%	8.08%	7.98%	11.93%	10.31%	11.68%	9.00%	6.64%	6.16%
RoCE	22.03%	28.93%	26.72%	31.17%	34.50%	23.79%	21.59%	16.82%	11.43%
ROE	13.96%	21.02%	17.26%	24.04%	25.46%	17.38%	17.91%	8.68%	2.80%
EPS (INR)	1.79	3.42	3.39	52.09	68.52	55.81	23.49	42.07	41.00
P/E	39.11	20.47	20.65	15.30	12.83	19.26	-	1.20	1.62

Particulars	Balaji Phosphates Limited			Rama Phosphate Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	2.58%	4.21%	3.99%	7.9%	4.7%	-5.1%
EBITDA Margin	6.41%	8.08%	7.98%	13.1%	8.4%	-3.2%
RoCE	22.03%	28.93%	26.72%	37.8%	20.0%	-7.6%
ROE	13.96%	21.02%	17.26%	26.0%	13.2%	-8.8%
EPS (INR)	1.79	3.42	3.39	9.91	7.72	-8.79
P/E	39.11	20.47	20.65	-	11.31	-

- The company is not comparable to its peers on an apple-to-apple basis as all these mentioned peers have other business verticals as well apart from fertilizers.
- The market cap of the company is less compared to its peers.
- The cash conversion cycle of the company is better than Rama Phosphate.
- The PE ratio of the company is worse than its peers.

**LEAD MANAGER TRACK RECORD –**

The lead manager to the issue is **Arihant Capital Markets Limited**.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

**Arihant Capital Markets Limited –**

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	RBZ Jewellers Limited	100.00	100.00	Dec 27, 2023	169.25
2.	Organic Recycling Systems Limited	50.00	200.00	Oct 06, 2023	286.00

The company has handled 2 mandates in the last three years (including current year).

\*CMP for the above-mentioned companies is taken as of 27<sup>th</sup> Feb 2025.

As per the offer document, the above-mentioned mandates have opened at a premium on the listing day.



## Recommendation -

Balaji Phosphates Limited has been in the industry since 1996 and has vast experience in the industry.

The P/E on a post-IPO annualized basis is around 16.78 times which makes it slightly aggressively priced.

The company's management is not satisfactory and the board would benefit from greater diversity among its independent directors, as the current composition consists solely of Company Secretaries.

The company's top line has remained consistent over the years. The bottom line and profitability margins have seen a slight dip in FY24. The company had negative cash flow from operations for FY23, FY24 and Aug-24. Overall, the financials of the company looks slightly unsustainable and this business is highly seasonal.

The company has high concentration for suppliers and loss of any may have an adverse impact. Also, the company is under utilizing its capacity for manufacturing SSP (which is their major revenue generating product) and also it is highly concentrated in Madhya Pradesh.

The company operates in a very highly fragmented and competitive industry which has slow growth and has they have no unique business strategies for growth.

Thus, investors can **AVOID** this IPO.

### Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.

The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

### WEBSITE:

[www.tiareconsilium.com](http://www.tiareconsilium.com)

### OUR APP AVAILABLE ON:



### CONNECT WITH US ON :

