INVasset Corporate Insights

Mangalore Chemicals & Fertilizers Limited

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India's Best Performing and Most Customer Centric PMS

Mangalore Chemicals & Fertilizers Limited (MCF) is a west-coast agri-inputs manufacturer strategically anchored in Mangalore, Karnataka, and part of the Adventz ecosystem through Zuari Fertilisers & Chemicals. Its coastal footprint—situated opposite the Mangalore Port—supports efficient raw-material logistics and distribution into core southern markets, reinforcing long-standing farmer connect under the Mangala brand.

MCF's production base comprises reassessed installed capacities of 3.8 lakh metric tonnes (LMT) of urea and 2.85 LMT of phosphatic/complex fertilizers. The configuration enables a balanced portfolio: regulated urea anchored to domestic crop cycles and market-linked phosphatics where the company manufactures NP 20:20 and opportunistically trades DAP/MOP in response to demand and price signals.
Complementary businesses include ammonium bicarbonate, specialty agri-inputs, micronutrients, and plant protection chemicals, further enhancing its value proposition to the farming ecosystem.

Distribution remains deeply regional with deliberate density across the south. Karnataka is the principal market, complemented by Tamil Nadu, Maharashtra, Andhra Pradesh, Telangana, and Kerala—an allocation that has historically allowed focused channel execution and crop-specific product placement. The current territory mix attributes roughly three-fourths of volumes to Karnataka, underscoring MCF's franchise strength in the state and its adjacency to the plant.

Operationally, FY26 has opened on a firm note. In Q1 FY26 (quarter ended June 30, 2025), MCF delivered 1.98 LMT of total sales volumes (+4% year-on-year), with urea production of 1.22 LMT and healthy throughput in NP 20:20. Revenue from operations rose to ₹862 crore (+6% YoY), EBITDA improved to ₹118 crore, and profit after tax increased 41% YoY to ₹62 crore. These figures translated into an EPS of ₹5.2 for the quarter.

The performance reflects healthy per-ton profitability, with urea delivering ~₹6,000/ton EBITDA and NP 20:20 around ~₹3,200/ton. Management commentary indicates Q2 FY26 is expected to broadly sustain these levels, though margins could be influenced by lower gas prices impacting subsidy realizations in urea and firming phosphoric acid prices in phosphatics.

Balance-sheet discipline is visible in the latest snapshot. As of June 30, 2025, net worth stood at ₹1,126 crore, supported by steady retained earnings. Long-term debt moderated to ₹209 crore, while short-term surplus of ₹170 crore tempered net working borrowings. Receivables were well managed: market debtors at ₹165 crore and subsidy receivables at ₹292 crore, with management also noting fresh subsidy inflows in July 2025 that further cushioned liquidity. Over the five years from FY21 to FY25, revenue expanded from ~₹2,144 crore to ~₹3,332 crore while profitability improved on the back of operating efficiency and portfolio mix.

For investors, the thesis rests on execution through this transition: delivering margin stability in urea, protecting spreads in phosphatics as input prices evolve, and capturing merger-led scale benefits once the NCLT process concludes. MCF stands at an inflection point—transforming from a strong regional player into a national-scale integrated fertilizer major, aligned with India's food security priorities and agricultural growth trajectory.

Stock Data	
CMP (23-08-2025)	Rs. 315.00
52 Week High/Low	Rs.373 /Rs.121
Face Value (in Rs.)	Rs.10
Market Cap (In Crs)	Rs. 3731 Cr
Enterprise Value (In Crs)	Rs.4340 Cr
NSE	MANGCHEFER
BSE	530011
Bloomberg	MCF:1N
Sector	Fertilizers

Shareholding Pattern (in %)		
	Jun 24	Jun 25
Promoter	60.63%	60.63%
FII	1.45%	3.1%
DII	4.66%	6.47%
Public	32.37%	28.93%

Price Performance (In%)			
(%)	1M	6M	1Yr
Nifty 50	-0.96%	6.53%	-1.99%
Mangalore Chem	-12.97%	108.9%	139.2%

Key Ratios	
Debt to Equity	2.49
Net Profit Margin	22.48%
Capital Adequacy	28.71%
Provision Coverage	13.74%
Liquidity Coverage	178.76%
Price to Earnings	28.5
Industry PE	23

Macro Tailwinds: Structural Levers Driving Growth

1. Favorable Agricultural Backdrop
India's agriculture is witnessing a structural upswing driven by strong monsoon dynamics and resilient food demand. The early arrival of the southwest monsoon in FY26—two weeks ahead of schedule—combined with excess rainfall has elevated reservoir levels across the country. This has translated into a 6% increase in kharif sowing, pointing towards another record foodgrain harvest. Higher water availability not only supports paddy cultivation in Karnataka and Andhra Pradesh, but also extends to cash crops such as sugarcane, cotton, and maize across Tamil Nadu and Maharashtra. Fertilizer consumption naturally rises in tandem with acreage expansion and multiple cropping cycles.

2. Policy Support for Nutrient Balance
Government policy is pivoting strongly toward balanced fertilization as India tackles soil health challenges. Historically, DAP was overused in large pockets of the country, leading to imbalanced nutrient application and diminishing returns to farmers. Recognizing this, the government has actively promoted NP and NPK grades, with subsidies aligned under the Nutrient Based Subsidy (NBS) scheme. The result has been a visible substitution: industry-wide NP/NPK sales surged over 30% in the latest quarter, even as DAP volumes fell. This structural shift supports players like MCF, whose phosphatic operations are centered on NP 20:20 and which plans to expand into NPK blends through a new 6,00,000 tpa facility. Additionally, reforms in subsidy disbursement—ranging from direct benefit transfers to improved timelines of government releases—have eased liquidity cycles for fertilizer companies.

3. Long-Term Supply Security
Fertilizer security is no longer just a corporate issue—it has become a strategic national priority. India depends heavily on imports for phosphatic raw materials, especially phosphoric acid and DAP, and disruptions from China in recent years highlighted this vulnerability. In response, India secured long-term supply contracts with Saudi Arabia's Ma'aden, committing to 3.1 million tonnes of DAP annually for five years starting FY26, with options to extend. Smaller but important agreements with Morocco have further diversified supply. These tie-ups significantly reduce the risk of sudden supply shocks, price spikes, or political pressures impacting availability. For MCF, located directly opposite Mangalore Port, this visibility translates into efficient procurement and smoother raw material planning, critical for NP 20:20 and future NPK production.

4. Consolidation and Scale Synergies
The impending merger of MCF with Paradeep Phosphates Limited (PPL) is one of the most significant consolidation events in India's fertilizer industry. The merged entity will become one of the largest integrated private-sector players, with diversified operations across nitrogenous and phosphatic fertilizers, multi-location plants, and pan-India distribution. Scale in fertilizers matters immensely: it improves bargaining power with global suppliers of ammonia, phosphoric acid, and potash; reduces logistics and freight costs; and enhances working capital efficiency through pooled subsidy receivables. For MCF, which has traditionally been a strong regional player, the merger opens up a national footprint, while PPL gains access to MCF's entrenched southern distribution network.

5. Energy Efficiency and Sustainability Initiatives
Fertilizer manufacturing is energy-intensive, particularly urea, where gas cost accounts for the bulk of production expense. MCF has undertaken a sulphuric-acid project that will recycle waste steam to the ammonia-urea plant, reducing urea's specific energy consumption by about 0.25 Gcal per ton. This integration, scheduled to coincide with the ammonia-urea plant shutdown in late 2025, will deliver permanent cost savings and improve compliance with new government energy norms expected post-November 2025. Beyond cost, such projects strengthen sustainability credentials. The company has also invested in rooftop solar capacity, which has cumulatively generated over 1 million kWh since commissioning. In an era where both investors and policymakers scrutinize environmental performance, these initiatives provide a structural edge.

6. Rising Farmer Incomes and Rural Demand
Agriculture is at the core of India's rural economy, and rising farmer incomes are structurally boosting fertilizer demand. Higher minimum support prices (MSPs) for key crops, better procurement by the Food Corporation of India, and expanding access to rural credit are improving the purchasing power of farmers. Beyond cereals, there is a growing shift toward high-value horticulture, cash crops, and multiple cropping cycles—all of which require more nutrient application per acre. States like Karnataka, Tamil Nadu, and Maharashtra, where MCF has deep penetration, are witnessing higher adoption of complex fertilizers that balance nutrient supply and improve yields. Unlike the cyclical swings in rural discretionary spending, fertilizer purchases are considered essential investments by farmers—every additional acre cultivated translates into incremental fertilizer demand.

Financial Analysis

Capital Expenditure and Growth Investments

MCF is in the middle of an important investment cycle aimed at improving efficiency and diversifying its product portfolio. A major near-term project is the sulphuric-acid steam integration, expected to reduce urea's specific energy consumption by about 0.25 Gcal per ton. This project will be hooked up during the November–December 2025 shutdown and is expected to provide a structural cushion against tighter urea energy norms.

The company is also actively evaluating a greenfield 600,000 TPA NPK plant. Inquiries have already been floated, and a board proposal is likely within the next couple of months. If approved, execution would take roughly two years. Parallelly, management is exploring a phosphoric acid facility to secure raw material, although land acquisition remains the gating factor.

Beyond organic investments, MCF has announced the acquisition of Zuari Agro Chemicals' 200,000 TPA SSP plant at Mahad for ₹72.75 crore. This move is expected to expand its product basket and improve margins, strengthening its foothold in southern markets.

Earnings and Profitability

MCF delivered a solid Q1 FY26 performance. Sales volumes rose 4% to 1.98 LMT, revenue increased 6% to ₹862 crore, and EBITDA came in at ₹118 crore (+6% YoY). PBT grew 22% to ₹83 crore, and PAT surged 41% to ₹62 crore, aided by a switch to the new corporate tax regime. EPS for the quarter was ₹5.2 versus ₹3.7 last year.

Segment-wise, urea revenue fell slightly to ₹494 crore due to subsidy-linked pricing, while non-urea revenue jumped 21% to ₹368 crore, supported by higher NP 20:20 sales. Unit economics remain robust, with EBITDA of around ₹6,000 per ton for urea and ₹3,200 per ton for NP, translating into a blended margin of ~₹5,500 per ton. Margins are expected to stay firm in Q2, but management has flagged potential compression in H2 when the new energy norms kick in and phosphoric acid prices trend upward.

Over the longer term, MCF has scaled consistently: revenues grew from ₹2,144 crore in FY21 to ₹3,332 crore in FY25, with PAT rising from ₹57 crore to ₹144 crore over the same period.

Return on Equity (ROE) and Shareholder Returns

MCF's ROE has steadily improved alongside earnings growth. Based on FY25 PAT of ₹144 crore and average equity of about ₹1,025 crore, ROE stands at ~14%. On an annualized Q1 FY26 PAT of ₹248 crore, ROE could trend above 20%, though this run-rate is subject to normalization of spreads and the impact of new norms in the second half.

Shareholder returns have been consistent through dividends. The company declared a ₹1.50 per share dividend for FY25, in line with payouts in FY23 and FY24, building a track record of stable cash distribution. With rising profitability, MCF has the headroom to increase payouts in the medium term, though part of future cash flows may be allocated to large projects such as the NPK plant.

Working Capital Management

One of the standout positives has been the significant improvement in working capital. As of June 2025, total receivables had fallen to ₹457 crore from ₹663 crore a year earlier. Dealer receivables dropped to ₹165 crore from ₹197 crore, while subsidy receivables fell sharply to ₹292 crore from ₹466 crore. An additional ₹195 crore subsidy inflow in July 2025 further strengthened liquidity.

Receivable days have improved meaningfully. FY25 saw ~62 days of receivables, whereas Q1 FY26's run-rate suggests ~48 days, indicating faster cash realization. On the funding side, short-term debt declined to ₹349 crore, partly offset by ₹170 crore surplus, leading to net short-term debt of just ₹179 crore versus ₹486 crore last year. Long-term debt fell to ₹209 crore from ₹303 crore YoY, supported by strong internal accruals.

This balance sheet deleveraging, combined with normalized subsidy inflows, is improving cash generation and lowering the cost of capital, positioning MCF for a more sustainable growth cycle.

Industry Positioning and Strategic Outlook

MCF's strength lies not only in its balance sheet and earnings but also in its strategic positioning within India's fertilizer sector. Its port-side plant at Mangalore gives it a natural logistics advantage: imported raw materials like phosphoric acid, ammonia, and potash can be landed and processed with lower inland transport costs than peers. This cost edge is reinforced by a deeply entrenched distribution network in southern India, where Karnataka alone accounts for nearly 77% of volumes. Such regional dominance ensures consistent placement during peak sowing seasons and supports higher operating leverage.

The company also benefits from shifts in farmer behavior. Indian farmers are increasingly moving away from single-nutrient fertilizers such as DAP towards more balanced NP/NPK blends, which align well with MCF's focus on NP 20:20 and its plans to diversify into NPK. This structural demand trend is expected to persist, supported by government policy promoting balanced fertilization to improve soil health.

Peer Comparison

Company	CMP (₹)	Market Cap (₹ Cr)	P/E (TTM)	ROCE	ROE (%)
Mangalore Chem.	**316.75**	**3,794.46**	**23.27**	**15.36%**	**14.91**
Chambal Fert.	541.55	20,413.25	12.41	26.76%	19.78
Paradeep Phosph.	179.95	15,890.15	18.36	13.72%	14.14
R C F	153.20	7999.49	29.83	7.50%	5.12
F A C T	996.00	59207.09	795.26	8.65%	1.61

Mangalore Chemicals, though the smallest among peers with a market cap of just ~₹3,750 crore, shows a far more balanced profile. With an ROE of 14.9% and sales growth of 9.7%, it outperforms larger PSU peers like FACT and RCF, which deliver weaker returns despite higher valuations. While Chambal Fertilisers leads in profitability with a 19.8% ROE, and Paradeep Phosphates trades at a lower P/E of 18x, Mangalore's 23x multiple reflects investor confidence in its improving fundamentals. Positioned as a mid-cap challenger, MCF combines efficiency and growth, highlighting its potential to close the gap with bigger incumbents as it scales up.

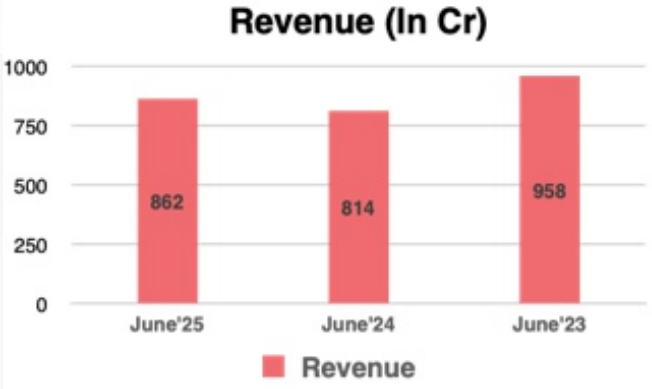
Investment Rationale

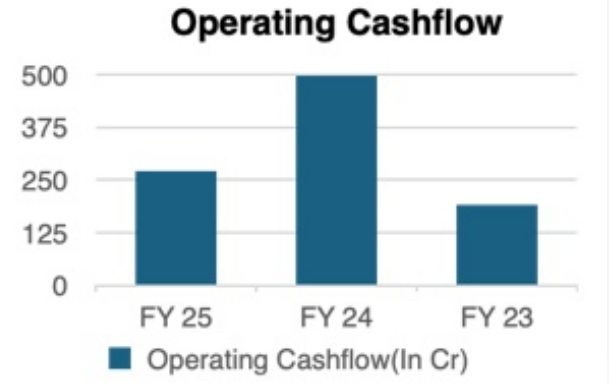
1. Strong Operating Performance and Consistent Growth
MCF has built a track record of steady performance despite industry volatility, with Q1 FY26 showing 6% revenue growth to ₹862 crore, EBITDA of ₹118 crore, and a 41% surge in PAT to ₹62 crore. Over FY21–FY25, revenues grew at a 12% CAGR and PAT at over 20% CAGR, supported by stable volumes and strong brand equity in southern India. This consistency highlights the company's ability to compound earnings through cycles, offering investors visibility on sustainable growth.

2. Strategic Merger with Paradeep Phosphates
The impending merger with Paradeep Phosphates is a transformative milestone that will create one of India's largest integrated private fertilizer players. For MCF, the tie-up offers backward integration in phosphatics, national reach beyond its southern stronghold, and procurement and working-capital synergies. With NCLT approvals in the final stage, the merger is poised to deliver scale benefits, stronger profitability, and potential re-rating of the business.

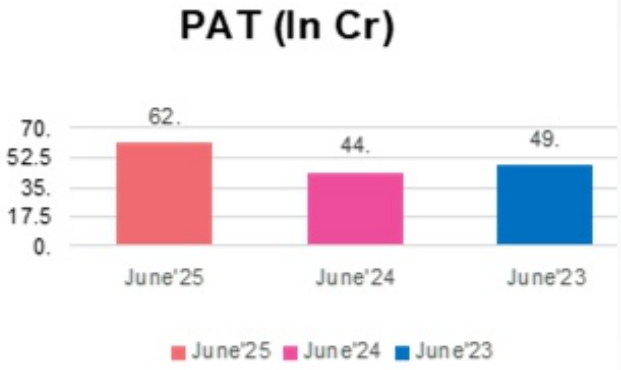
3. Efficiency Gains from Sulphuric Acid Integration
MCF's sulphuric acid project will recycle 15–16 TPH of waste steam into its ammonia-urea complex, cutting energy consumption by about 0.25 Gcal per ton. This will soften the impact of new urea energy norms due post-November 2025 while structurally improving cost competitiveness. By executing this integration during the planned Nov–Dec shutdown, the company ensures minimal disruption while delivering a permanent margin lever in the regulated urea segment.

4. Expansion into High-Growth Phosphatic Fertilizers
With farmers shifting from DAP to balanced NP/NPK usage, MCF is preparing to invest in a 600,000 TPA NPK plant, with board approval expected soon and commissioning targeted within two years. The project will diversify earnings away from urea, strengthen product positioning, and capture structural demand for balanced fertilization. Backward integration through a potential phosphoric acid unit is also being explored, which would further enhance supply security and margin stability.

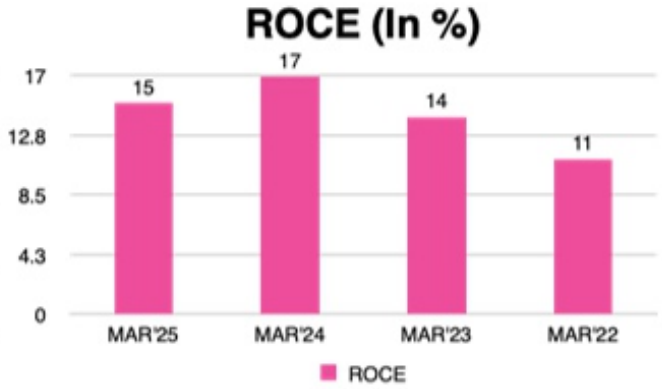

Revenue (In Cr)
1000
750
500
250
0
862
814
958
June'25
June'24
June'23
Revenue


Operating Cashflow
500
375
250
125
0
FY 25
FY 24
FY 23
Operating Cashflow(In Cr)

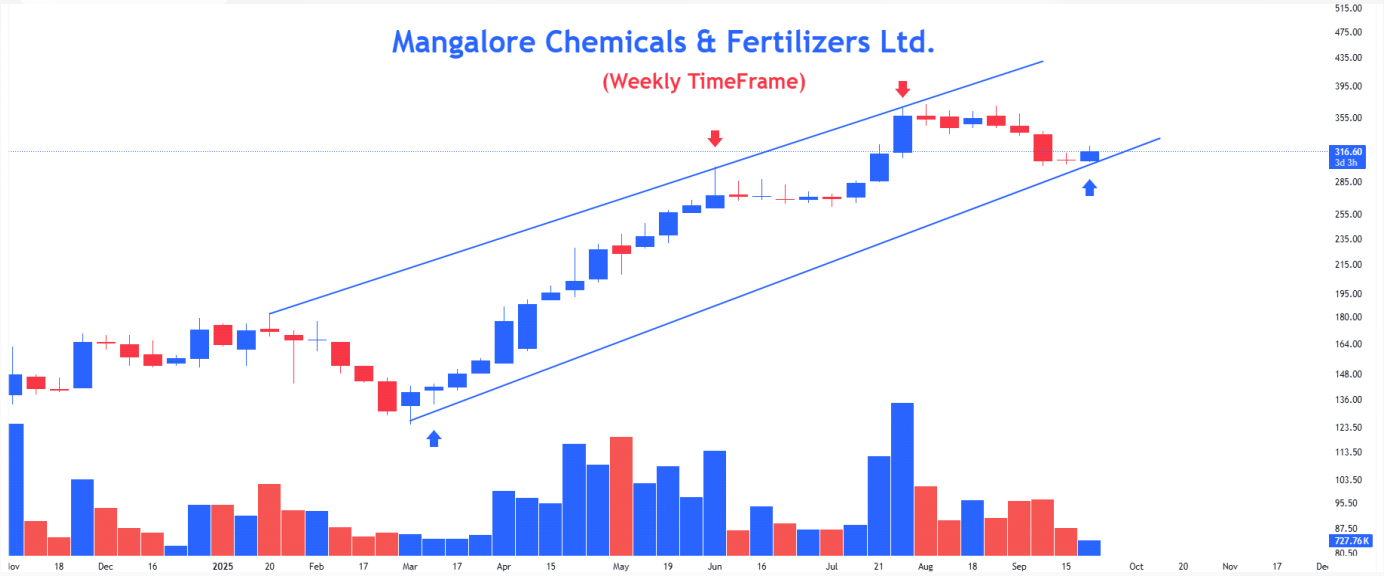

EPS
6.00
4.50
3.00
1.50
5.20
3.71
4.16
JUN'25
JUN'24
JUN'23
EPS


PAT (In Cr)
70.
52.5
35.
17.5
0.
62.
44.
49.
June'25
June'24
June'23
June'25 June'24 June'23


CAGR (In %)
18
13.5
9
4.5
0
17
4
18
5
5 Years
3 Years
Profit
Sales


ROCE (In %)
17
12.8
8.5
4.3
0
15
17
14
11
MAR'25
MAR'24
MAR'23
MAR'22
ROCE

Technical Outlook



The weekly chart for Mangalore Chemicals & Fertilizers Ltd. highlights a steady uptrend within a rising channel. Over the past several months, the stock has consistently moved higher, respecting the lower trendline on the downside and testing the upper boundary around ₹390 on the upside. This well-defined price action reflects strong trending behavior.

In recent weeks, the stock witnessed a corrective phase after hitting the upper channel, but importantly, it has found support near the ₹300–310 zone, aligning closely with the channel's lower boundary. This area has begun to attract buying interest, indicating that investors are stepping in to protect the trend and maintain the broader bullish structure.

The price currently trades near ₹316, stabilizing after the pullback. If this support continues to hold, the stock could resume its upward momentum and retest the higher end of the channel. Any near-term dips into the ₹300 region are likely to invite accumulation, with the ₹300–310 band now acting as a strong base for the ongoing trend.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	310.25	312.44
10	311.50	315.30
20	328.11	322.93
50	331.64	320.46
100	297.11	294.04
200	230.86	250.04

Pivot Levels : FIBONACCI		
R1 321.91	Pivot 315.42	S1 308.92
R2 325.92		S2 304.91
R3 332.42		S3 298.42

	Daily	Weekly
Relative Strength Index (RSI)	43.36	62.62

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