

## El Niño 2026: the agriculture and fertiliser thesis, and the trade that survives it

Everyone is suddenly long the El Niño trade, and the story sounds tidy: the Pacific warms, harvests shrink, crop prices jump, farmers earn more and buy more fertiliser, a war squeezes fertiliser supply on top, and you walk away with a fat multi year bull market. We pulled the chain apart link by link, and the honest answer is that the big version does not really hold. The weather links are small, they cut both ways across crops, they are regional not global, and a public forecast has already priced most of it in. The one genuinely strong force here, the fertiliser squeeze, has almost nothing to do with rain. It is a Strait of Hormuz story, and it is already cooling off. What is left is narrower, and in India it is an equity trade rather than a commodity one. That is what part two is for.



Exhibit 1. Probability weighting of outcomes for the broad commodity thesis. These are subjective estimates, not a model forecast.

### Part one • The macro thesis, tested

Does a 2026 El Niño really support a durable bull market in farm goods and fertiliser?

#### 1. The thesis as a chain

This is a chain, and chains snap at the weakest link, so every step has to hold or the whole trade falls over. Exhibit 2 lays the chain out with our score on each step. Green means the link mostly holds, amber means it works only in parts or only for some crops, and red means it is weak or, worse, points the wrong way.

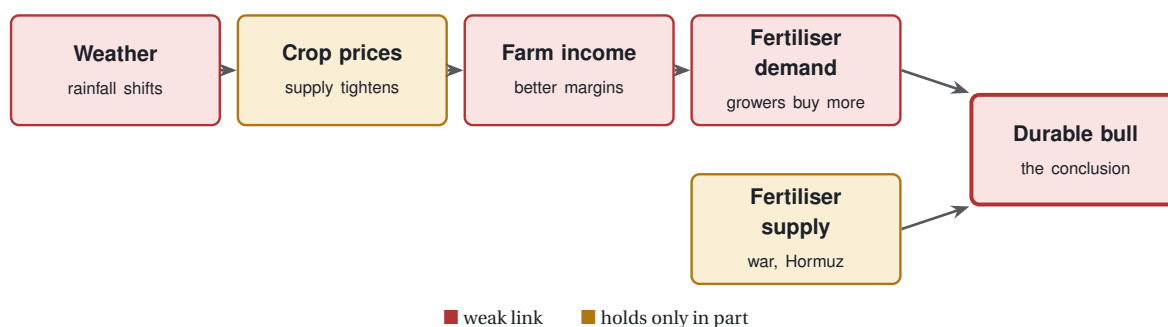


Exhibit 2. The thesis chain, colour coded by how well each link holds. The bull case needs both the demand path along the top and the war driven supply box at the bottom, and that demand path runs straight through the weakest links in the whole argument. The scorecard below gives the claim and verdict for each link.

| Link    | Claim                                                                 | Verdict |
|---------|-----------------------------------------------------------------------|---------|
| A to B  | El Niño disrupts the global harvest enough to move prices materially. | Weak    |
| B to C  | A smaller harvest reliably raises crop prices.                        | Partly  |
| C, D, E | Higher crop prices draw farmers into buying more fertiliser.          | Weak    |
| F       | A separate, war driven squeeze tightens fertiliser supply.            | Partly  |
| G       | The two forces combine into a durable, multi year bull market.        | Weak    |

The shape of this is not great for the bulls. The one link that is genuinely strong, the fertiliser squeeze, has nothing to do with weather, and the two links the weather story leans on are exactly the weak ones. The rest of part one walks through each verdict in turn.

## 2. The Pacific: state, not yet event

El Niño is just a patch of unusually warm water across the middle and eastern tropical Pacific. When that water heats up, the trade winds go slack and the main belt of tropical rain slides east, which shuffles rainfall around across India, Southeast Asia, Australia and bits of Africa and South America. La Niña is the cold version, and when it is neither one the forecasters call it neutral.

**The bit the loud takes skip over: it has not actually happened yet.** As of late May 2026 the Pacific is sitting neutral, and the US Climate Prediction Center only has an El Niño *Watch* up, which means conditions look favourable, not that the thing is here. The agencies expect it to show up over the northern summer, maybe a strong one later in the year. So the trade is a bet on a forecast, not on something that has already turned up.

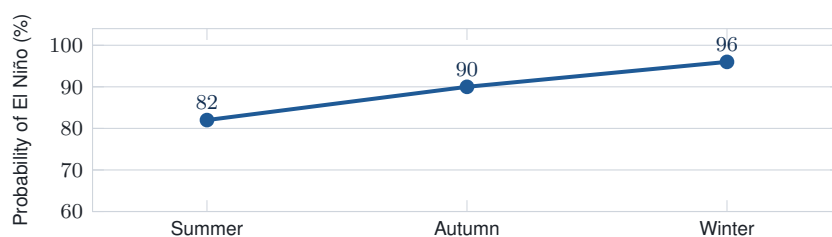


Exhibit 3. Forecast probability of El Niño conditions by season: about 82 per cent for the summer window, rising to near certainty by winter. The status today remains neutral, and a strong event is roughly a one in three outcome rather than the base case. Source: US Climate Prediction Center and IMD, May 2026.

### 2.1 The supplied sea surface temperature chart

Exhibit 4 is the chart you sent. Each line is the sea surface temperature anomaly, just the gap from normal, for one of the Niño regions. Above the zero line means warmer than usual water and leans El Niño; below the line leans La Niña.

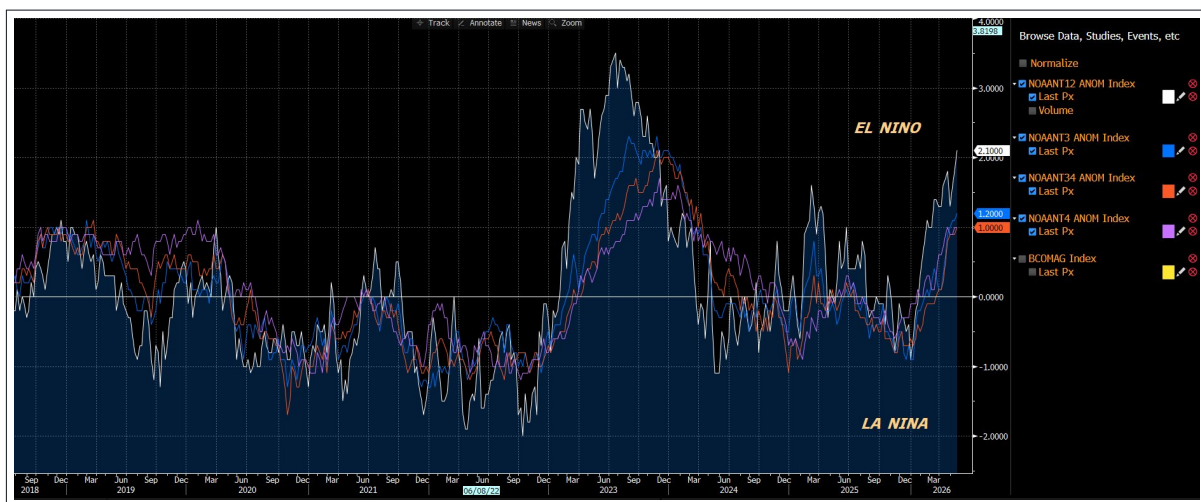


Exhibit 4. Niño region sea surface temperature anomalies (supplied; Bloomberg). The white line is the Niño 1+2 region nearest South America; the remaining lines are the central and eastern regions (Niño 3, 3.4 and 4). Note the steep rise at the right edge into spring 2026, with the white line near +2.1°C while the central regions sit closer to +1.0°C.

Two things here actually matter. First, the line that has jumped the most is the white one, the region nearest South America, while the central regions stay calmer. When the warmth sits in the east like this, the event usually does less harm to the Indian monsoon than the other flavour, where the heat piles up in the central Pacific. That pattern can still drift as the event grows, so we do not lean on it too hard. Second, the oceans are warm pretty much everywhere right now, so part of that headline number is just the warming backdrop and not the El Niño signal itself, which is exactly why the US service now puts out a version that strips the background out.

### 3. The India monsoon, and one image to treat with caution

On 29 May the India Meteorological Department trimmed its 2026 monsoon call to 90 per cent of the long run average, down from 92 in April. That is below normal, with a 60 per cent chance of an outright deficient year, but it is a shortfall, not a washout. The Department blamed the developing El Niño, and flagged that the Indian Ocean Dipole, a second lever that sometimes softens an El Niño, is likely to stay neutral. Worth noting too: the same event treats India very differently from Argentina and southern Brazil, where it often dumps extra rain.

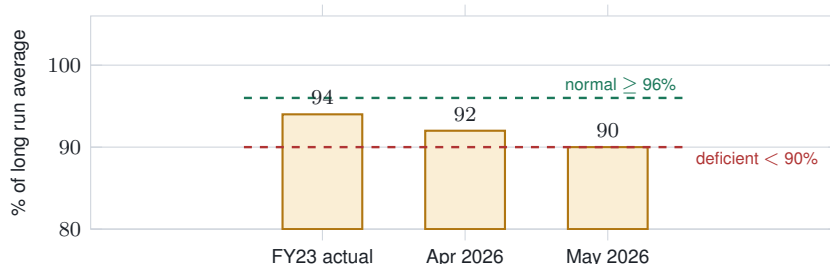


Exhibit 5. IMD monsoon forecasts. A 90 per cent monsoon is roughly a one tenth shortfall: below normal, but not a collapse. Source: IMD, April and May 2026.

**A quick flag on one of the images.** The four panel graphic with the monthly numbers (June minus 13.3 per cent down to September minus 23.9) is not an IMD product. The Department's own June figure is roughly minus 8 per cent. That graphic is a lot scarier than the official source, so we treated it as low quality and did not lean on it.

### 4. Following the money, link by link

#### 4.1 The effect on the harvest is smaller than assumed

This is the foundation of the whole trade, so it deserves the hardest look. The peer reviewed data suggests the worldwide hit to the big four crops is small, and it cuts both ways. Soybeans actually tend to do a bit better in an El Niño year, and corn and wheat barely moves on average.

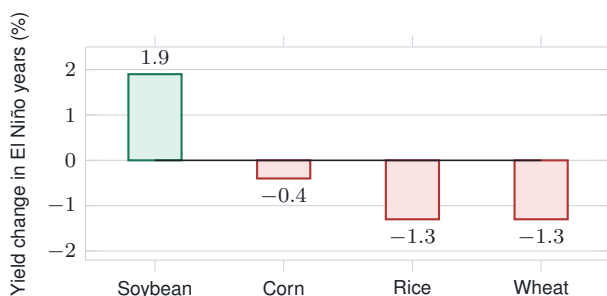


Exhibit 6a. Average global yield change.

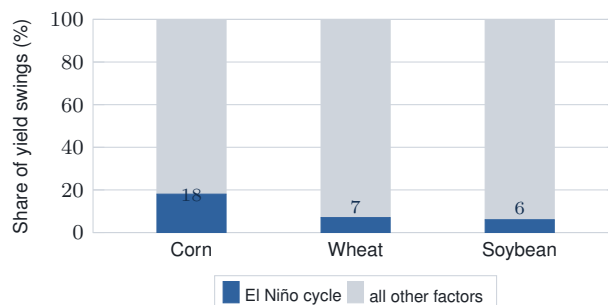


Exhibit 6b. Share of yield variance explained.

Sources: Iizumi et al. (2014) and a 2022 crop forecasting study for the yield estimates, with the most cited study placing the soybean gain higher still, near +2 to +5 per cent; Anderson et al. (2019) for the variance shares. For corn, the El Niño cycle explains under a fifth of the year to year swing in world yields, and less for wheat and soybeans.

The real story is regional, not global, and the pieces partly cancel out. India, Southeast Asia and bits of southern Africa dry out, and rice is the crop that most reliably feels it. But the United States, the biggest corn and soybean exporter, usually gets a calm, well watered Corn Belt summer in an El Niño; its nasty drought years, 1988 and 2012, were the opposite phase. So a developing El Niño is, if anything, mildly bearish for US grain, which is the reverse of what the thesis wants. Tree crops like cocoa and palm lag, so a 2026 event would bite hardest in 2027.

#### 4.2 A smaller harvest raises prices only when stocks are thin

A price is set at the margin, and for a storable crop the margin is inventory. When the warehouses are full, a poor harvest just draws the buffer down and the price barely moves; it is only when stocks are already thin that a shortfall has nowhere to hide and the price jumps. So the question is never the size of one harvest on its own, it is the size of the harvest set against the cushion sitting behind it.

**Where the buffers stand, per the May 2026 USDA report.** Corn is the tight one: world ending stocks are the lowest since 2013 to 2014, and the US is sitting on only about 12 per cent of a year's use. Wheat is

tightening too, but mostly because of drought on the US Plains, which is a current dry spell, not the coming El Niño. Soybeans are comfy and US output is climbing, which fits the finding that El Niño actually helps the crop. So the price that is most twitchy is corn, and corn is exactly where El Niño does not do its damage.

Across the research, an El Niño does not lift crop prices across the board. Sugar and vegetable oils get a fairly clear push, and rice tightens, but wheat has tended to drift lower in El Niño years, and coffee is a genuine coin toss. The effect is real for a narrow tropical basket and weak for the broad complex. And because the forecast is public, a lot of any move is already in the price before you even put the trade on.

#### 4.3 The demand link is the weakest, and partly works in reverse

This is the softest part of the chain. When fertiliser gets pricey next to what crops fetch, farmers just use less of it, which caps the price instead of holding it up. A weak monsoon can also shrink planted area in rain fed zones, so less goes on the ground anyway. And in the biggest fertiliser market on earth, the link is broken on purpose.



Exhibit 7. India fixes the farm gate urea price. A bag that costs roughly Rs 4,000 is sold to the farmer for about Rs 266.5, and the government absorbs the gap. Source: Indian Department of Fertilisers.

In India, which imports more urea than anyone, the high price signal the thesis is counting on never reaches the farmer. The farmer keeps paying the same fixed price, and the Centre covers the gap up to the producer, so a global price spike does not change how much fertiliser gets bought; it just changes the size of the subsidy line in the Budget. That kills the commodity demand link. But the same wiring is exactly what protects producers, because their realised price is set by policy rather than by the world market, and that is where the real trade lives, as part two argues.

#### 4.4 The 2026 price action is a supply shock, and it is already reversing

The big 2026 move starts in the Strait of Hormuz, not in the rain gauge. The US and Israel struck Iran on 28 February 2026, and within days Iran called the strait closed. Roughly a third of the world's seaborne fertiliser normally goes through Hormuz, and Gulf producers ship about a quarter of urea exports, so the global benchmark price spiked.

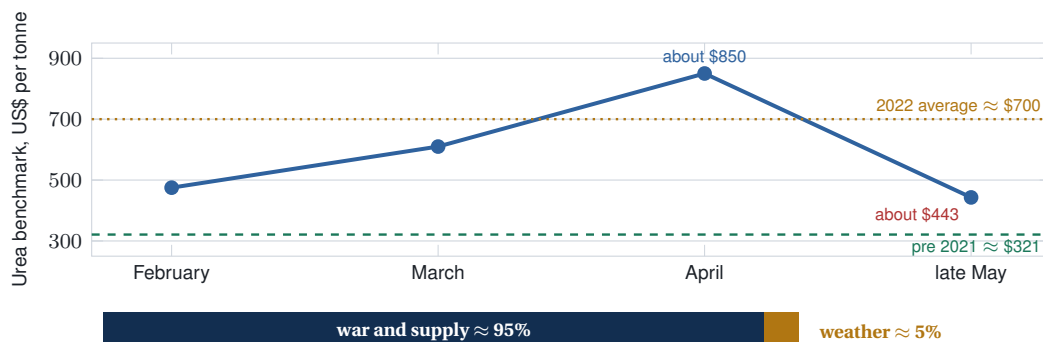


Exhibit 8. The global urea benchmark ran toward 2022 levels in April and had fallen back below the year's opening level by late May. The lower bar attributes the move: it is almost entirely the Hormuz shock, with the weather a minor contributor. Levels are approximate because benchmarks differ by region.

Sources: World Bank, TradingEconomics, DTN.

The medium term picture is the opposite of scarcity. New urea and potash capacity is going up across Asia, the Middle East and Canada, so the World Bank expects phosphate and potash prices to fall in 2027, and China can cap the upside any time it decides to ship. A multi year shortage is hard to square with that pipeline. The one caveat is that this is a war, and wars do not run on schedule: Iran reportedly fired on shipping again on 28 May, even as a settlement was supposedly close, so this leg carries real two way risk, the kind driven by headlines rather than harvests.

## 5. The historical record

History is the cleanest test, and it does not flatter the broad version of the thesis. The narrow tropical basket, sugar, rice and sometimes cocoa and palm, has often rallied; the broad grain and fertiliser complex frequently has not, and in two of the strongest events it actually fell.

| Event        | Strength    | Outcome for prices                                                                                                       | vs thesis   |
|--------------|-------------|--------------------------------------------------------------------------------------------------------------------------|-------------|
| 1982 to 1983 | Very strong | Droughts in Australia, Indonesia and India, yet farm prices did not durably rise.                                        | Fail        |
| 1997 to 1998 | Very strong | Large weather impacts, but grain prices fell as the Asian crisis depressed demand.                                       | Fail        |
| 2009 to 2010 | Moderate    | Indian deficit; sugar rose to multi decade highs while grains stayed quiet.                                              | Sugar only  |
| 2015 to 2016 | Very strong | Cocoa and sugar rose on drought; corn, wheat and soy stayed cheap on record stocks.                                      | Softs only  |
| 2023 to 2024 | Strong      | Rice rose on India's export ban and sugar firmed; cocoa set records (largely disease), while grains and fertiliser fell. | Mostly fail |

These are not clean experiments, each one was tangled up with whatever else the economy was doing, but the direction is pretty consistent. Betting the broad farm and fertiliser complex on a strong El Niño has a lousy hit rate. Only the narrow tropical slice has reliably paid.

## 6. Verdict on part one

So the broad commodity thesis is weak. The weather links are small, mixed, regional and mostly priced in; the one strong force is the Hormuz supply shock, which is not weather and is already unwinding on the benchmark. What is actually defensible is narrow: a tactical play in the tropical softs, and some event risk around Hormuz for as long as the strait stays contested.

There is one spot, though, where the El Niño impulse actually turns into money, and it is specific to India. Because Indian farm prices are set by the government, not the market, a weak monsoon never lands in crop prices. It lands in the fertiliser subsidy bill and the policy around it, and that is what holds up domestic producer margins no matter where the global commodity price settles. That is the trade that survives, and it is an equity one. Part two digs into it.

### Bridge • From a weak macro trade to one position worth holding

Where the skeptical macro read and the equity case agree: this is a policy and supply story, not a weather one.

The two views do not actually fight each other. Part one says the broad commodity trade is weak and the fertiliser benchmark is already rolling over. On the global benchmark, urea has done a full round trip, as Exhibit 8 shows, spiking toward 2022 levels in April and dropping back under where it started the year by late May. The India delivered cost lagged that benchmark, because domestic urea output got cut by about a quarter in March on gas shortages, so imported cargoes cleared high, near \$935 to \$959 a tonne into the spring. The way things are heading now is down.

And the lasting support for Indian producers was never that import price anyway. It is the policy response a weak monsoon sets off, and that holds margins up whether the global benchmark sits at \$850 or \$443. So this is a policy and supply trade dressed up in equities, with a clear shelf life, not a weather trade in commodities. The rest of the note works out which producers express it best, and where the position could break.

### Part two • The Indian fertiliser long trade

Seven listed producers, screened on our own fair value and quality work.

## 7. The setup, and why India is different

|                                   |                                           |                                  |                                        |
|-----------------------------------|-------------------------------------------|----------------------------------|----------------------------------------|
| <b>82%</b>                        | <b>+22%</b>                               | <b>~36%</b>                      | <b>+61%</b>                            |
| El Niño onset probability by July | FY27 fertiliser subsidy growth (estimate) | average upside to our fair value | widest upside to fair value in the set |

The global El Niño playbook is simple: buy ag commodities, because supply tightens. In India that playbook just does not translate, because domestic farm prices are walled off from world markets by a whole stack of policy levers.

| Policy lever                    | How it delinks the market                                    |
|---------------------------------|--------------------------------------------------------------|
| <b>Minimum support prices</b>   | The government sets floor prices for more than twenty crops. |
| <b>Export bans and quotas</b>   | Used frequently on rice, wheat, sugar and onions.            |
| <b>Stock holding limits</b>     | Caps on traders to discourage hoarding.                      |
| <b>Buffer stocks (FCI)</b>      | Large scale procurement and release operations.              |
| <b>Import duties and quotas</b> | Tariff walls around protected crops.                         |
| <b>NBS subsidy regime</b>       | Sets fertiliser farm gate prices independently of cost.      |

So the El Niño rupee does not flow into crop prices, which are fixed. It flows into input demand, routed through the fertiliser subsidy. When the monsoon is weak, the Centre leans harder on yield support to make up for it, which in practice means higher nutrient subsidy rates announced before the Kharif season, priority gas for the urea plants (now about 90 per cent, up from 70), fixed farm gate prices held in place, more buffer stock buying, and faster subsidy payouts to producers.

### 7.1 The Hormuz overlay

On top of the monsoon, the Iran conflict and the Hormuz mess have tightened global fertiliser supply. Crisil reckons gas shortages cut India's domestic urea output by about 25 per cent in March 2026, imported urea prices roughly doubled into the spring, and sulphur, a key DAP input, jumped about 50 per cent. The Middle East is roughly 40 per cent of global nitrogen exports and 20 per cent of phosphate exports, so even after a ceasefire we think prices stay high through 2026. For Indian producers the effect is threefold: imported competition is priced out, their gas gets prioritised, and their subsidy entitlement swells to cover the cost gap.

## 8. The thesis chain, from macro to micro

The macro and policy pieces all link up into one chain, each step standing on its own, and they all point at the same place: fertiliser producers as the cleanest way to play this in equities.



Exhibit 9. The chain is conjunctive, so every link must hold. The most fragile link is the policy response: if subsidy disbursal lags or cost passthrough is denied, producer margins compress. Sources: NOAA, IMD, Skymet, PIB India, Crisil, ICRA.

### The catalyst stack.

|                           |                                                                                                             |
|---------------------------|-------------------------------------------------------------------------------------------------------------|
| <b>Hormuz disruption</b>  | Urea imports near double the prior level; sulphur tight.                                                    |
| <b>Gas allocation</b>     | Government priority to fertiliser plants at about 90 per cent, up from 70 per cent.                         |
| <b>Subsidy visibility</b> | Retail prices fixed (DAP about Rs 1,350 per bag, urea about Rs 242 per bag), so the gap is a known subsidy. |
| <b>Buffer stocks</b>      | Urea and DAP buffers held above year ago levels.                                                            |

## 9. Historical validation: the FY16 analogue and the subsidy path

The closest precedent is FY16, right after the strong 2015 El Niño and back to back drought years. ICRA says fertiliser industry volumes still grew about 7 per cent, to 58.2 million tonnes, even with the weak monsoon, because subsidy support, more domestic urea output and channel demand more than made up for the rainfall miss. The catch is the bit that tells you the shelf life: the very next season, Q1 FY17, industry sales dropped about 33 per cent year on year as the channel cleared its inventory. So the trade pays best from the moment subsidy hikes get announced through the Kharif season itself, and you should not just sit in it forever.

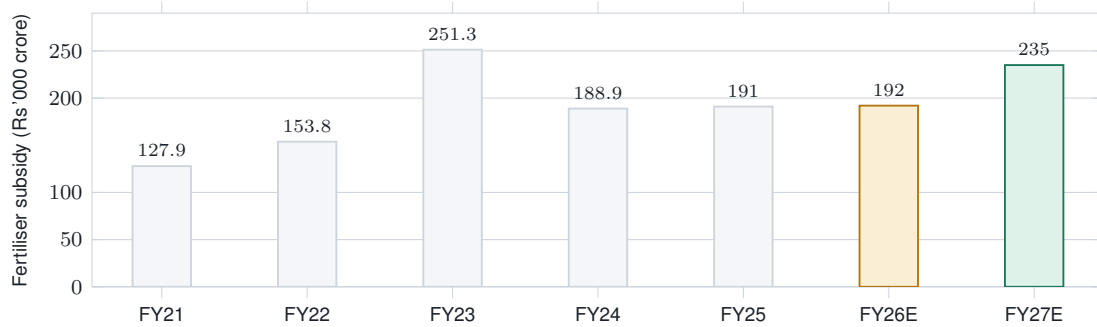


Exhibit 10. India fertiliser subsidy, actuals to FY25 with FY26 and FY27 estimates. Crisil projects FY27 near Rs 2.35 lakh crore, about 22 per cent above FY26, on the Hormuz fallout. The Budget line has historically been set below the eventual outturn, with overruns in FY22 and FY23, and the variance favours producers because subsidy gaps are eventually plugged. Sources: India Budget documents, Crisil, ICRA.

## 10. The universe: our valuation and quality screen

We ran seven listed Indian fertiliser producers through our own fair value work plus a quick quality overlay. Fair value here is a blend: a discounted cash flow on normalised mid cycle margins, sense checked against a peer multiple and against where the street sits. All seven trade below our fair value, with upside running from about +16 per cent to about +61 per cent. We grade conviction on a mix of that upside, returns on capital, the balance sheet, and how exposed each name is to the subsidy and gas catalysts. On that read Coromandel, Chambal, Paradeep and RCF are our higher conviction names; Chambal comes with a value trap asterisk after a hard drawdown and shrinking revenue, so we size it carefully.

| Stock           | Last  | Mkt cap | Fair val. | Upside | Conv. | P/E   | ROIC  | D/E  | 1Y     |
|-----------------|-------|---------|-----------|--------|-------|-------|-------|------|--------|
| Coromandel Intl | 1,754 | 51,723  | 2,031     | +15.8% | High  | 26.4x | 14.1% | 0.05 | −9.7%  |
| Chambal Fert.   | 478   | 18,773  | 624       | +30.4% | High  | 9.6x  | 19.5% | 0.01 | −35.3% |
| GNFC            | 507   | 7,415   | 757       | +49.3% | Med   | 9.2x  | 9.2%  | 0.00 | +0.2%  |
| GSFC            | 163   | 6,515   | 263       | +61.2% | Med   | 9.7x  | 5.6%  | 0.00 | −5.8%  |
| Deepak Fert.    | 1,448 | 17,812  | 1,841     | +27.1% | Low   | 24.1x | 8.5%  | 0.56 | −0.4%  |
| RCF             | 133   | 7,095   | 176       | +32.7% | High  | 16.6x | 7.8%  | 0.34 | −3.6%  |
| Paradeep Phos.  | 127   | 13,055  | 175       | +37.8% | High  | 13.2x | 12.2% | 0.12 | −9.8%  |

Last and fair value in rupees per share; market cap in Rs crore; ROIC and 1Y return trailing twelve months; D/E is long term debt to equity. Conviction is our own grade. Figures from licensed market data and company filings, as of 30 May 2026.

### 10.1 Upside to fair value

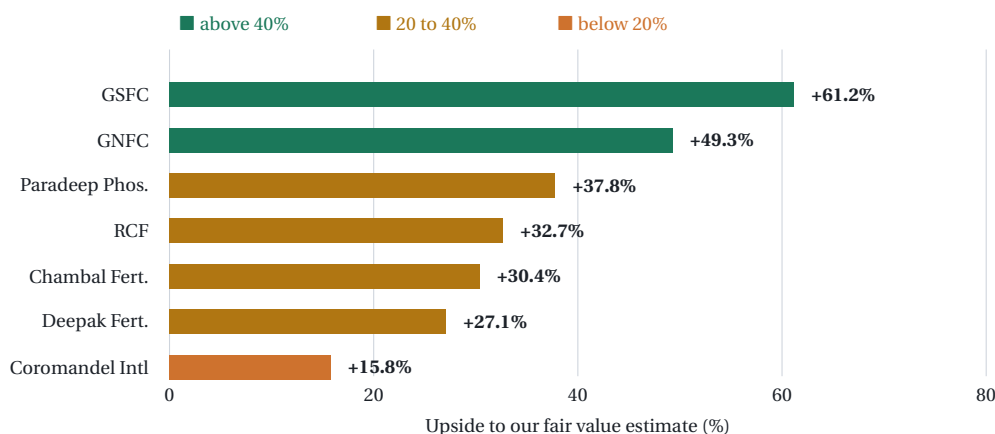


Exhibit 11. Sorted by upside to our fair value. GSFC and GNFC screen cheapest on the gap to fair value, though both score lower on quality. Paradeep and RCF, our higher conviction satellites, sit in the mid band. Coromandel, the largest and highest quality name, carries the most modest upside.

### 10.2 Quality against value

The synthesis is a quality versus value map. The prize quadrant is high upside combined with high quality, top right; the danger quadrant is high upside with weak quality, bottom right, where value traps live.

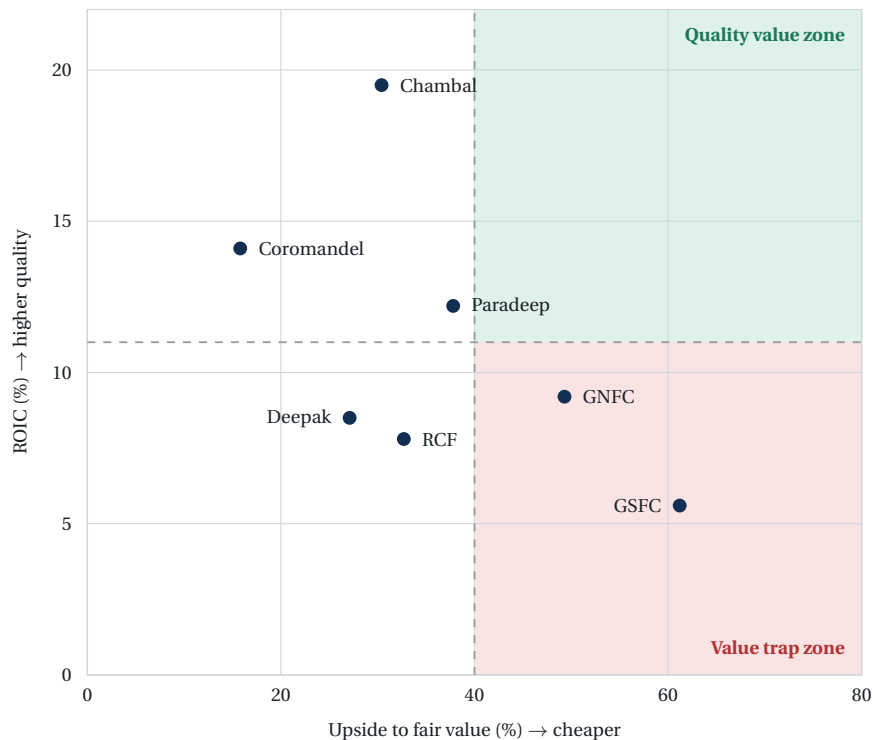


Exhibit 12. The prize quadrant, deep value with high returns on capital, is empty today: the market is not paying us to own both at once. Chambal, Coromandel and Paradeep cluster upper left on quality with moderate upside; GSFC and GNFC sit lower right, cheap on the gap to fair value but weaker on returns, the zone that needs care. That is the case for a barbell rather than a single bet.

## 11. The verdict: a barbell, not a blanket long

Our valuation and quality work points at a shape, not a single hero name. A blanket long on fertilisers is not the trade; a barbell is. At one end you want a high quality anchor you can just sit in, which is Coromandel, dull but sturdy. At the other end you want the deep value asymmetry, which is Chambal, with the value trap caveat keeping the size honest. Around those, the higher conviction satellites are Paradeep and RCF, and GNFC is the more tactical catch up on the widest discount we would actually hold. Two names we would skip on different grounds: Deepak, on the heaviest leverage in the set and a full multiple, and FACT, on a frankly silly valuation. We have left the sizing to you, that part depends on your own book and risk appetite, not ours.

## 12. Stock notes

**Coromandel International, the anchor.** Coromandel is the boring one, and that is the compliment. It has the strongest competitive position in the group, three year revenue growth near 28 per cent that sits in the top decile, and the cleanest story of the seven. The catch is that cash conversion lags the reported growth, the multiple at about 26 times is already full, and the upside to our number is the slimmest in the set. So this is ballast: you hold it while the cheaper, twitchier names do the re rating.

**Chambal Fertilisers, the value bet.** On the fundamentals Chambal is the best value name here: ROIC near 19.5 per cent and basically no long term debt, all on a single digit multiple. The reason it is cheap, though, is not a mystery, revenue has shrunk over three years and the stock is down about 35 per cent on the year, so some of that discount is earned rather than a gift. That is the whole value trap worry, and it is exactly why we keep the size sensible instead of backing up the truck.

**Paradeep Phosphates, the favourite satellite.** Paradeep is the cleanest way to play the phosphate side. It is a DAP pure play, a direct winner from a higher DAP subsidy, and it has grown revenue faster than anyone else in the set over three years. Leverage is light at 0.12, and the recent sell off just makes the entry better. Of the satellites, this is the one we like most.

**RCF, the policy satellite.** RCF is the state owned urea play, and it gets the priority gas, so the policy tailwind lands right on it. The debt at 0.34 is on the higher side here, but on a cost plus subsidy model that is more manageable than it looks. It is also smaller, which cuts both ways: more volatile, but more torque if the trade works.

**GNFC, the tactical one.** GNFC carries the widest discount of any name we would actually hold, and it is effectively debt free. It is not a pure fertiliser play, the chemicals arm adds some optionality, and it quietly held its ground over the past year while peers fell, which hints the multiple compression has run its course. The thing keeping it tactical rather than core is unremarkable returns on capital. Cheap and optional, but not really a compounder.

### 13. What can break the trade

| # | Risk                                             | Effect                                                                  | Mitigation                                                               |
|---|--------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------------------------------|
| 1 | <b>Severe monsoon failure (below 85% LPA)</b>    | Demand destruction at the farm gate outweighs the subsidy benefit.      | Watch the IMD June update; trim if rainfall falls further.               |
| 2 | <b>Hormuz situation eases</b>                    | Supply normalises, import prices fall, the subsidy uplift unwinds.      | The trade has a natural shelf life; monitor gas and sulphur spot prices. |
| 3 | <b>Subsidy disbursal lag</b>                     | Working capital pressure even with margin protection.                   | Tilt to strong balance sheets (Chambal, GNFC).                           |
| 4 | <b>Policy shift against chemical fertilisers</b> | A push toward organic or bio inputs caps the long term market.          | Favour producers diversifying into specialty chemicals.                  |
| 5 | <b>Channel inventory build up</b>                | The FY16 to FY17 pattern: a strong year followed by a sharp sales drop. | Finite window; exit after the Kharif harvest.                            |
| 6 | <b>Value trap risk (Chambal)</b>                 | Three years of shrinking revenue mean part of the discount is earned.   | Size Chambal smaller than its headline upside would suggest.             |
| 7 | <b>Currency and gas price spike</b>              | A weaker rupee raises import costs.                                     | The subsidy auto adjusts, so the risk is timing rather than level.       |

**The asymmetry.** Add it up and our fair value points to a weighted average upside near 36 per cent across the seven, if the work is right. The downside in a bad scenario, a monsoon under 85 per cent of normal plus a subsidy that pays out late, looks like 20 to 25 per cent on the FY15 analogue. So the risk reward is roughly 1.4 to 1, with some free optionality on top if Hormuz tightens again or a strong El Niño pushes the subsidy past what anyone expects.

#### Triggers and timing.

- **Confirmed:** NOAA's June ENSO update firms up the onset odds; Hormuz supply stays tight through the second quarter.
- **Watch:** IMD's 1 June update nudging rainfall lower; the Centre setting FY27 NBS rates above budget; Kharif sowing and district level offtake.
- **Exit:** the monsoon recovering from August on; a channel destocking pattern showing up after Kharif.

### 14. Glossary

*Fair value:* our estimate of intrinsic per share value, from a discounted cash flow on normalised margins, cross checked against a peer multiple and the spread of sell side estimates. *Upside to fair value:* the percentage gap from the current price to that estimate. *Conviction:* our own grade, combining upside, returns on capital, balance sheet strength and catalyst exposure. *ROIC:* return on invested capital, net operating profit after tax over invested capital; a measure of capital efficiency. *LT D/E:* long term debt to equity, a leverage measure. *NBS:* India's Nutrient Based Subsidy framework for non urea fertilisers, set per kilogram of nutrient. *MRP:* the government set ceiling retail price for a fertiliser.

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