



## Could India's Growth Send This Canadian Stock Soaring?

### Description

It's no secret that the economy of India is on fire. Outpacing China with a frothy 7.7% growth rate, it's rapidly on pace to become a global economic powerhouse. In fact, India's growth numbers are so strong that the Asian Development Bank is predicting it will be the fastest-growing major economy through 2020.

That could be great news for one of Canada's leading fertilizer companies. **Nutrien Ltd.** ([TSX:NTR](#))([NYSE:NTR](#)) is the world's largest producer of potash and the second-largest producer of nitrogen-based fertilizers. The company also just happens to do a tonne of business with India. With a massive and growing need for potash, India's agricultural economy could reward Nutrien handsomely in the years ahead.

### An agricultural powerhouse

To understand why India's growth could be such a boon for Nutrien, we need to understand India's economy. Unlike most developed countries, India's economy is still heavily agricultural, with farming-related activities making up 17.32% of its GDP. This means that there is strong demand for fertilizers in the country.

Potash — Nutrien's main staple — is a particularly hot commodity. It is a major plant nutrient that's crucial for healthy soil. It has been used as a fertilizer since ancient times and continues to be indispensable to farmers to this day. In India, the compound is used as a soil amendment for the nation's vast and growing farmlands. As Canada is the world's largest producer of potash, India's demand makes for a vast export market — mostly being served by Nutrien.

### A potential dividend play

A vast market for its main product is one argument for buying Nutrien. Its relatively high dividend yield is another. Nutrien currently pays [a quarterly dividend of \\$0.40 for a yield of around 3%](#), putting it ahead of the TSX pack in terms of dividends. As demand from India (and other emerging economies) picks up, management could increase the dividend, leading to an even higher yield.

To be sure, Nutrien has some risk factors. The company's trailing P/E ratio of 319.63 is not likely to make value investors salivate (although the forward P/E ratio of 23.40 is within the normal range). The company has a relatively high share price [compared to its projected future cash flow value](#). The stock is also seeing relatively high volatility, which may not make it the most appropriate for defensive investors.

These factors are worth considering for anyone thinking about investing in Nutrien.

One thing is certain, however:

Long-term economic trends appear to be on the company's side. Demand for potash and nitrogen-based fertilizers will provide steady business for the company, fueled by the aggressive growth observed in countries like India and China. This fact accounts for the high future earnings that analysts are anticipating, with the majority giving the stock a "buy" rating according to *The Wall Street Journal*.

As a company doing business with the world's fastest-growing economies, Nutrien will be one to watch in the years ahead.

## CATEGORY

1. Investing

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