

CPC-SM continues strong momentum

**CMP: INR 521**

**Rating: Buy**

**Target Price: INR 675**

**Stock Info**

BSE	500085
NSE	CHAMBLFERT
Bloomberg	CHMB:IN
Sector	Fertilizer
Face Value (INR)	10
Equity Capital (INR Mn)	4,010
Mkt Cap (INR Bn)	212
52w H/L (INR)	742/443
Avg Yearly Volume (in 000')	2,295

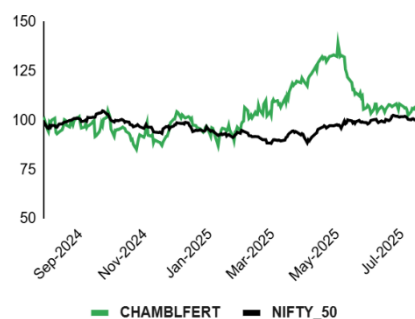
**Shareholding Pattern %**

(As on June, 2025)

Promoters	60.50
FIIIs	17.11
DIIIs	6.57
Public & Others	15.83

Stock Performance (%)	1m	6m	12m
Chambal Fertilizers	-5.16	7.11	1.56
NIFTY	-3.15	5.89	-1.10

**Chambal Fertilizer vs Nifty 50**



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Revenue during the quarter stood at INR ~57 bn up 15.5% YoY vs. INR 49.3 bn in Q1FY25 and up 132.7% QoQ vs. INR 24.5 bn in Q4FY25. EBITDA remained flattish at INR 7.6 bn against INR 7.5 bn in Q1FY25. EBITDA Margin contracted by ~190bps YoY to 13.4% in Q1FY26 from 15.2% in Q1FY25. PAT stood at INR 5.5 bn in Q1FY26, up 22.4% YoY vs. INR 4.48 bn in Q1FY25. Urea production volumes were subdued at 0.85mn MT, compared to 0.9 mn MT in corresponding quarter last year due to planned shutdown for ~25 days. Sales volumes came in at 0.8 mn MT vs 0.9 mn MT YoY.

**Rapidly Expanding Crop Protection Chemicals (CPC-SM) Business**

The stable performance in Q1 FY26 was underpinned by stable core urea business and significant traction in non-urea segments. Urea production during the quarter was marginally lower YoY due to a temporary plant shutdown, which has since been resolved. Complementing the core business, the phosphatic and potassic (P&K) fertiliser segment posted a notable 70% YoY growth, reaching 0.4 MT, attributable to strategic procurement initiatives and a supportive subsidy framework. The crop protection chemicals (CPC) and specialty nutrients (SN) business sustained its momentum with a 32% YoY growth driven by successful new launches and channel expansion. The introduction of 13 new CPC products has broadened the portfolio to 73 offerings, positioning Chambal as a multi-product player catering to diverse farmer needs..

**Strategic Initiatives for Future Growth: TAN Project and JV Expansion**

Chambal's major capex focus is currently on the Technical Ammonium Nitrate (TAN) project, with cumulative expenditure of INR9.18 billion as of June 2025 and commercial operations guided to commence by mid-January 2026. Management expects initial EBITDA/ton from the project in the INR35,000–37,000 range, with Rajasthan government incentives (RIPS) supporting project viability at around INR220 million per annum for 10 years. The company is also progressing capacity expansions at the IMACID JV and plans phased capex in phosphatic and sulphuric acid capacities (USD 160–175 million in aggregate), which will provide backward integration and margin insulation over the medium term. The total capex for FY26 is estimated to be ~INR 12 Bn, primarily funded through internal accruals.

**Foray into seeds unlocks additional avenue for growth**

Seed business is emerging as a potential growth area, with initial sales reaching INR60 million and Rabi ambitions set to be an order of magnitude higher. As Chambal enters the INR 500 billion organized seed market, management has prioritized research-driven and hybrid varieties through white-label alliances with top producers. This will not only leverage existing agri-input relationships but enable cross-selling across channels.

**Outlook and Valuation:**

Management sees ample room for value creation through enhanced product mix, digital engagement, and scaling up non-subsidy businesses such as crop protection, specialty nutrients, and seeds. Healthy balance sheet, with net cash of INR16 billion, provides significant optionality for growth as and when definitive opportunities are identified. The CPC business continues to be a key growth segment, with the company boasting a diverse portfolio of 73 unique products and targeting a 23% revenue growth. The trading portfolio is expected to expand, particularly in NPK fertilizers, potentially doubling its volume. The company is poised to emerge as a key player in the TAN industry and a possible Nitric Acid Value Chain in next 3-5 years. **We value the company at 8.5x EV/EBITDA on FY27E EBITDA of INR 32.8 bn for a target price of INR 675 per share with a Buy rating.**

**Financial Performance:**

Summary (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	1,79,664	1,66,462	1,85,728	2,13,074	2,40,093
EBIDTA	20,433	24,835	28,082	32,766	37,958
Net Profit	12,758	18,346	19,463	22,861	26,621
Diluted EPS	30.84	41.17	46.76	54.93	63.96
P/E (x)	22.50	16.86	14.84	12.63	10.85
EV/EBIDTA (x)	14.11	11.19	10.22	8.65	7.34
P/BV (x)	2.76	2.30	1.64	1.38	1.17
RoE (%)	17.8%	20.7%	18.6%	17.1%	16.8%
Debt/Equity (x)	0.16	0.01	0.01	0.01	0.01

Source: Arihant Research, Company Filings

Particulars (Consolidated) (INR Mn)	Quarter Ended			Change	
	Q1FY26	Q4FY25	Q1FY25	% QoQ	% YoY
<b>Revenue from Operations</b>	<b>56,976</b>	<b>24,487</b>	<b>49,332</b>	<b>132.7%</b>	<b>15.5%</b>
Other Income	433	553	512	-21.6%	-15.3%
<b>Total Income</b>	<b>57,409</b>	<b>25,040</b>	<b>49,844</b>	<b>129.3%</b>	<b>15.2%</b>
Expenses					
Cost of Materials Consumed	15,045	12,919	17,540	16.5%	-14.2%
Purchases of Stock-in-Trade	22,842	10,079	9,736	126.6%	134.6%
Changes in Inventories of Finished Goods, Stock-in-Trade, and Work-in-Progress	-905	-11,039	1,653	-91.8%	-154.8%
Employee Benefits Expense	616	616	560	0.0%	10.1%
Finance Costs	24	0	402	NA	-94.0%
Depreciation and Amortization Expenses	845	816	822	3.5%	2.7%
Other Expenses	11,769	10,279	12,324	14.5%	-4.5%
Total Expenses	50,235	23,670	43,037	112.2%	16.7%
<b>EBITDA</b>	<b>7,610</b>	<b>1,634</b>	<b>7,520</b>	<b>365.8%</b>	<b>1.2%</b>
<b>EBITDA Margins (%)</b>	<b>13.4%</b>	<b>6.7%</b>	<b>15.2%</b>	668.5	-188.8
Profit Before JV & Tax	7,174	1,370	6,807	423.6%	5.4%
Share of JV	361	307	351	17.6%	2.8%
<b>Profit Before Tax</b>	<b>7,535</b>	<b>1,677</b>	<b>7,159</b>	<b>349.3%</b>	<b>5.3%</b>
Current Tax	2,277	407	1,355	459.0%	68.1%
Deferred Tax	-231	-33	1,321	594.9%	-117.5%
Total Tax Expense	2,046	374	2,675	447.0%	-23.5%
<b>Profit for the Period</b>	<b>5,489</b>	<b>1,303</b>	<b>4,483</b>	<b>321.2%</b>	<b>22.4%</b>
<b>PAT Margins (%)</b>	<b>9.6%</b>	<b>5.3%</b>	<b>9.1%</b>	431.22	54.59
EPS (Dilluted)	13.7	3.25	11.19		

Source: Arihant Research, Company Filings

**Q1FY26 Concall Highlights****Operational Highlights Urea Segment**

- Q1FY26 urea production volume at 854,000 MT vs. 903,000 MT YoY.
- Urea sales volume at 841,000 MT vs. 887,000 MT YoY.
- Lower urea production is attributed to a temporary breakdown at the second plant which has since normalized.
- Energy norms revised by the government resulted in minor negative impact (low double-digit per quarter). The effect is already included in Q1 numbers.
- Company continues to operate well below statutory energy norms and expects to maintain the efficiency gap via ongoing efficiency projects through FY27.
- P&K Fertilizers (DAP, MOP, NPK, TSP)
- Q1 sales volume surged to 421,000 MT vs. 241,000 MT in Q1FY25 with ~70% growth.
- Growth driven by proactive and strategic sourcing as well as supportive subsidy regime.
- Trade inventory stood at 160,000 MT for NPK (POS inventory) and total inventory including all P&K fertilizers at 260,000 MT as on June 30, 2025.
- The company is well-stocked ahead of the Rabi season.

**Crop Protection Chemicals & Specialty Nutrients Business**

- Revenue for Q1FY26 at INR 4.52 bn, up 32% YoY.
- Contribution for CPC-SN was INR 1.02 bn, up INR 210 mn YoY.
- Launched 13 new CPC products during the quarter; total portfolio now at 73 SKUs.
- Revenue contributions from CPC-SN, biologicals, and seeds are currently in a similar range.
- Management reiterated confidence in achieving the revised INR 15 bn revenue target for FY26 for CPC & SN.

**Biologicals Business**

- 80% volume growth QoQ; Q1FY26 revenue at INR 290 mn (vs. INR 160 mn in Q4FY25).
- Introduction of new products planned: biological fungicide (Kharif '25) and nematocide (Rabi '25).

**Seed Business**

- Commercial launch successfully initiated maize and bajra contributing INR 60 mn in sales and INR 20 mn in contribution.
- The agri-seed market is pegged at INR 500 bn, with company initially adopting the white-label approach via alliances with top domestic manufacturers.

**Ammonia & Joint Venture**

- Ammonia sales at 23,000 MT for the quarter.
- IMACID JV produced 126,000 MT this quarter (130,000 MT YoY).

**Key Projects and Capital Allocation****TAN Project**

- Capex spends stood at INR 9.18 bn by end-June 2025 and project on track.
- Commercial production commences mid-January 2026; trial runs start late November/early December 2025.
- Full-year revenue potential (in a ramped-up quarter) estimated at 55,000-56,000 MT × INR 35,000–INR 40,000/MT.
- Project cost (hard cost) at INR 11.00 bn; state incentive under Rajasthan's RIPS expected to provide 2% annual payback for 10 years, cumulatively 20% of hard cost.
- EBITDA/MT at launch expected to exceed INR 10,000 with netback realization of INR 35,000–37,000/MT.

**Phosphorus Plant Expansion**

- Split into \$40–45 mn for the first phase; \$120–130 mn for the sulphuric acid plant phase (capacity ~3,200 TPD, targeting >1 mn MT/year).

**Strategic Capex**

- Company expects INR 2.50 bn in routine/replacement capex for FY26.

**Policy, Industry, and Regulatory Commentary****Subsidy & Pricing Framework**

- Urea prices are formula-based; margins are expected to remain stable for the rest of the year.
- DAP and TSP remain under price control; NPKs are not. Additional government reimbursement of INR 1,000/MT above cost for DAP & DSP.
- Recent energy norm change came after a 7-year gap, with such revisions subject to variable government timelines and sunset clauses in policy documents.
- Expansion continues both in the core fertilizer channel and selective expansion into specialist CPC channels.

**Strategic Partnerships & R&D**

- In partnership with TERI, the company inaugurated a crop protection laboratory for developing five new biological products under a Center of Excellence framework.

**Plant Operations & Other Notable Items****Plant Shutdowns and Inventory**

- Gadepan-2 was offline for 24–25 days in May 2025 due to breakdown; plant-wise production: Gadepan-1 (290,000 MT), Gadepan-2 (215,000 MT), Gadepan-3 (350,000 MT).
- Estimated loss of contribution of INR 160-170 mn with aggregate production loss of 55,000 MT.

**Market Demand**

- The domestic market for Urea is back in deficit, driven by increased acreage and higher demand post early monsoon. Industry channel inventories are very low supporting a robust volume outlook for Q2/Q3.
- TAN market supply-demand expected to remain tight, with positive commentary on Indian coal and infrastructure-related demand growth out to 2033.
- Management flagged that further urea capacity creation will require policy intervention and clarity from the government, given current unviability of greenfields.

## Financial Statements

Profit & Loss Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenues</b>	<b>2,77,728</b>	<b>1,79,664</b>	<b>1,66,462</b>	<b>1,85,728</b>	<b>2,13,074</b>	<b>2,40,093</b>
Raw Material	1,97,043	1,09,023	93,161	1,03,758	1,18,821	1,33,168
<b>Gross Profit</b>	<b>80,685</b>	<b>70,642</b>	<b>73,301</b>	<b>81,970</b>	<b>94,253</b>	<b>1,06,924</b>
<b>Gross Profit Margin %</b>	<b>29.1%</b>	<b>39.3%</b>	<b>44.0%</b>	<b>44.1%</b>	<b>44.2%</b>	<b>44.5%</b>
Employee Costs	1,910	2,208	2,332	2,601	2,861	3,147
Operating & Other Expenses	60,582	48,001	46,134	51,288	58,626	65,820
<b>EBITDA</b>	<b>18,194</b>	<b>20,433</b>	<b>24,835</b>	<b>28,082</b>	<b>32,766</b>	<b>37,958</b>
<b>EBITDA Margin %</b>	<b>6.6%</b>	<b>11.4%</b>	<b>14.9%</b>	<b>15.1%</b>	<b>15.4%</b>	<b>15.8%</b>
Depreciation	3,083	3,128	3,302	4,241	4,709	5,197
Other Income	1,678	2,491	2,151	2,229	2,557	2,881
<b>EBIT</b>	<b>16,788</b>	<b>19,796</b>	<b>23,684</b>	<b>26,070</b>	<b>30,614</b>	<b>35,642</b>
Finance Cost	3,200	1,731	484	61	64	67
Exceptional Items	0	0	0	0	0	0
PBT	14,163	18,870	24,517	26,009	30,551	35,575
Income Tax	3,825	6,112	8,024	6,547	7,690	8,954
<b>PAT</b>	<b>10,338</b>	<b>12,758</b>	<b>18,346</b>	<b>19,463</b>	<b>22,861</b>	<b>26,621</b>
<b>PAT Margin %</b>	<b>3.7%</b>	<b>7.1%</b>	<b>11.0%</b>	<b>10.5%</b>	<b>10.7%</b>	<b>11.1%</b>

Balance Sheet (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Assets</b>						
Total Non-Current Assets	71,313	74,198	77,847	88,682	95,314	1,01,975
Trade Receivables	17,605	1,916	3,679	4,071	4,670	5,262
Cash & Bank Balance	369	1,099	1,078	2,779	6,478	11,217
Other Current Assets	4,937	4,621	2,257	4,937	4,937	4,937
Total Non-Current Assets	<b>71,313</b>	<b>74,198</b>	<b>77,847</b>	<b>88,682</b>	<b>95,314</b>	<b>1,01,975</b>
<b>Total Assets</b>	<b>1,27,701</b>	<b>1,15,090</b>	<b>1,14,067</b>	<b>1,41,124</b>	<b>1,64,927</b>	<b>1,92,481</b>
<b>Equity And Liabilities</b>						
Equity Share Capital	4,162	4,007	4,007	4,162	4,162	4,162
Other Equity	66,519	68,729	83,274	1,18,438	1,41,299	1,67,919
<b>Total Equity</b>	<b>70,529</b>	<b>72,581</b>	<b>87,120</b>	<b>1,22,448</b>	<b>1,45,309</b>	<b>1,71,929</b>
Borrowings	18,204	11,442	823	864	908	953
<b>Total Non-Current Liabilities</b>	<b>25,650</b>	<b>22,143</b>	<b>15,206</b>	<b>8,310</b>	<b>8,354</b>	<b>8,399</b>
Trade Payables	12,115	7,938	6,303	6,106	7,005	7,893
<b>Total Current Liabilities</b>	<b>31,521</b>	<b>20,366</b>	<b>11,741</b>	<b>10,366</b>	<b>11,265</b>	<b>12,153</b>
<b>Total Liabilities</b>	<b>57,172</b>	<b>42,509</b>	<b>26,947</b>	<b>18,676</b>	<b>19,618</b>	<b>20,552</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,27,701</b>	<b>1,15,090</b>	<b>1,14,067</b>	<b>1,41,124</b>	<b>1,64,927</b>	<b>1,92,481</b>

Source: Arihant Research, Company Filings

## Financial Statements

Cash Flow (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	10,338	12,758	16,493	19,463	22,861	26,621
<b>Operating Profit before WC Changes</b>	<b>20,291</b>	<b>18,247</b>	<b>21,333</b>	<b>21,536</b>	<b>25,076</b>	<b>29,004</b>
Operating Profit after WC Changes	34,400	31,611	12,756	20,202	16,916	19,391
Tax Paid	1,012	3,215	3,860	-7,075	0	0
<b>Cash Flow from Operating Accivities</b>	<b>35,134</b>	<b>34,758</b>	<b>17,606</b>	<b>12,205</b>	<b>16,916</b>	<b>19,391</b>
<b>Cash Flow from Investing Activities</b>	<b>-18,088</b>	<b>-3,594</b>	<b>6,797</b>	<b>-24,372</b>	<b>-8,784</b>	<b>-8,977</b>
<b>Cash Flow from Financing Activities</b>	<b>-22,011</b>	<b>-30,412</b>	<b>-23,369</b>	<b>15,898</b>	<b>-20</b>	<b>-21</b>
Net Change in Cash & Cash Equivalents	-4,965	752	1,034	3,731	8,112	10,393
Opening Cash & Cash Equivalents	5,541	576	1,329	2,363	6,094	14,207
<b>Closing Cash &amp; Cash Equivalents</b>	<b>576</b>	<b>1,329</b>	<b>2,363</b>	<b>6,094</b>	<b>14,206</b>	<b>24,599</b>

Key Ratios	FY23	FY24	FY25	FY26E	FY27E	FY28E
Per Share (INR)						
EPS	24.8	30.7	39.6	46.8	54.9	64.0
EPS (Adj)	24.8	30.7	44.1	46.8	54.9	64.0
BVPS	169.5	174.4	209.3	294.2	349.1	413.1
Valuation (x)						
P/E	19.4	15.7	12.2	10.3	8.8	7.5
P/BV	2.8	2.8	2.3	1.6	1.4	1.2
EV/EBITDA	17.7	14.5	11.1	10.1	8.4	7.0
Return Ratios (%)						
Gross Margin	29.1%	39.3%	44.0%	44.1%	44.2%	44.5%
EBITDA Margin	6.6%	11.4%	14.9%	15.1%	15.4%	15.8%
PAT Margin	3.7%	7.1%	11.0%	10.5%	10.7%	11.1%
NOPAT Margin	4.4%	7.4%	10.6%	10.5%	10.8%	11.1%
ROE	15.4%	17.8%	20.7%	18.6%	17.1%	16.8%
ROCE	18.9%	22.9%	27.5%	24.7%	22.7%	22.3%
Leverage Ratio (%)						
Total D/E	0.26	0.16	0.01	0.01	0.01	0.01
Turnover Ratios						
Asset Turnover	2.13	1.48	1.45	1.46	1.39	1.34
Receivable Days	23	4	8	8	8	8
Inventory Days	18	25	40	35	45	55
Payable Days	16	16	14	12	12	12

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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