

Growth Trajectory in CPC-SM and Strategic Investments

CMP: INR 632

Rating: Buy

Target Price: INR 799

Stock Info

| | |
|-----------------------------|------------|
| BSE | 500085 |
| NSE | CHAMBLFERT |
| Bloomberg | CHMB:IN |
| Sector | Fertilizer |
| Face Value (INR) | 10 |
| Equity Capital (INR Mn) | 4,007 |
| Mkt Cap (INR Bn) | 276 |
| 52w H/L (INR) | 742/334 |
| Avg Yearly Volume (in 000') | 3,236 |

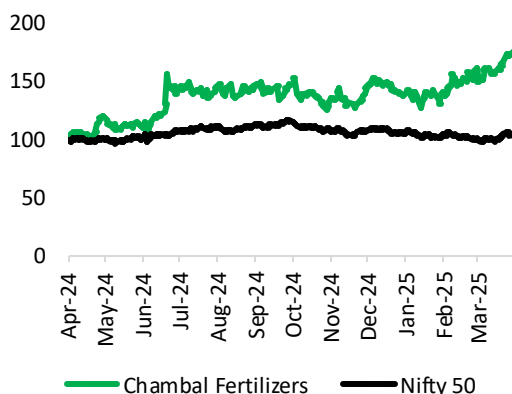
Shareholding Pattern %

(As on Mar, 2025)

| | |
|-----------------|-------|
| Promoters | 60.40 |
| FIIIs | 20.18 |
| DIIIs | 4.59 |
| Public & Others | 14.83 |

| Stock Performance (%) | 1m | 6m | 12m |
|-----------------------|------|-------|-------|
| Chambal Fertilizers | 8.83 | 14.25 | 74.99 |
| NIFTY | 4.32 | -8.83 | 4.71 |

Chambal Fertilizer vs Nifty 50



Chambal Fertilizers and Chemicals Limited (CFCL) posted Net Profits of INR 1,303 Mn in Q4FY25, down by 75.6% QoQ/up 32.4% YoY. EBITDA increased to INR 1,634 Mn down by 79% QoQ/1.9% YoY while margins contracted to 6.7% in Q4FY25, by 914 bps QoQ/ up by 37 bps YoY. For FY25, Urea production volumes were strong at 34.61 lakh MT, compared to 33.83 lakh MT in FY24. The company is operating at 99% of its urea capacity. Urea sales for FY25 amounted to 34.71 lakh MT, up from 32.56 lakh MT in the FY24. The gas price for the Q4 was ~\$15.55 LCV.

Rapidly Expanding Crop Protection Chemicals (CPC-SM) Business

The CPC-SM business has emerged as a significant growth driver for the company. In Q4FY25, CPC-SM revenues surged to INR 390 Mn from INR 150 Mn in the Q4FY24, with contribution increasing by INR 70 Mn to INR 150 Mn. For FY25, this segment's revenues reached INR 9,260 Mn, up from INR 7,600 Mn with a total contribution of INR 2,470 Mn, up from INR 1,750 Mn. The company has achieved a CAGR of 25% in this business and is optimistic about maintaining this momentum. During FY25, 12 new CPC products, primarily weedicides, were introduced, expanding the portfolio to 64 distinct chemistries covering fungicides, weedicides, and insecticides. An additional 18 new products are planned for introduction in Kharif and Rabi seasons. This aggressive product pipeline and market penetration highlight the strategic focus on this higher-margin segment.

Strategic Initiatives for Future Growth: TAN Project and JV Expansion

The Technical Ammonium Nitrate project is progressing as per timelines, with tentative approvals in place and ~INR 6,500 Mn spent to date. The commercial operation or production date for the TAN plant is anticipated around Jan 2026, with revenue contributions expected from Q3 or Q4 of FY26. The TAN plant has a capacity of 240,000 ton, and the product currently sells for between INR 35,000 to INR 40,000 per ton, indicating substantial revenue potential upon commissioning and ramp-up. Furthermore, the company's JV in Morocco (IMACID) is performing well with higher production and better margins and is increasing its phosphoric acid capacity from ~0.5 Mn MT to 0.7 Mn MT, expected to be available by 2027. These expansions will diversify revenue streams and enhance raw material security. The total capex for FY26 is estimated to be ~INR 12,000 Mn, primarily funded through internal accruals.

Innovating in Agri-Solutions

A significant development is the agreement with The Energy and Resources Institute (TERI) for research on advanced and sustainable agricultural solutions. This collaboration has led to the successful launch of 'Uttam Tanam,' a bio-nanophosphorus liquid fertilizer, with Chambal holding exclusive global commercial rights for products developed under this partnership over the next 5 years.

Outlook and Valuation:

The company plans a significant capital expenditure of around 12,000 Mn, including a 9,000 Mn investment in a Technical Ammonium Nitrate project set to commence commercial operations in January 2026. The CPC business continues to be a key growth segment, with the company boasting a diverse portfolio of 64 unique products and targeting a 23% revenue growth. The trading portfolio is expected to expand, particularly in NPK fertilizers, potentially doubling its volume. CFCL's EBITDA Margins are back to their long-term average levels and can see further improvement in the subsequent quarters as demand will rise for Kharif crops. 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. CFCL is a well-managed company with a strong track record profitability with a healthy balance sheet.

We value the company at 8.5x EV/EBITDA on FY28E EBITDA of INR 37.95 bn for a target price of INR 799 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 |
| EBITDA | 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/EBITDA (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

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| Particulars (Consolidated) (INR Mn) | Quarter Ended | | | Change | |
|--|---------------|---------------|---------------|---------------|--------------|
| | Q4FY25 | Q3FY25 | Q4FY24 | % QoQ | % YoY |
| Revenue from Operations | 24,487 | 49,181 | 26,430 | -50.2% | -7.4% |
| Other Income | 553 | 646 | 629 | -14.5% | -12.2% |
| Total Income | 25,040 | 49,827 | 27,060 | -49.7% | -7.5% |
| Expenses | | | | | |
| Cost of Materials Consumed | 12,919 | 15,967 | 13,503 | -19.1% | -4.3% |
| Purchases of Stock-in-Trade | 10,079 | 7,512 | 4,496 | 34.2% | 124.2% |
| Changes in Inventories of Finished Goods, Stock-in-Trade, and Work-in-Progress | -11,039 | 5,950 | -3,883 | -285.5% | 184.3% |
| Employee Benefits Expense | 616 | 579 | 572 | 6.4% | 7.7% |
| Finance Costs | 0 | 69 | 360 | -100.0% | -100.0% |
| Depreciation and Amortization Expenses | 816 | 830 | 781 | -1.7% | 4.5% |
| Other Expenses | 10,279 | 11,393 | 10,077 | -9.8% | 2.0% |
| Total Expenses | 23,670 | 42,301 | 25,906 | -44.0% | -8.6% |
| EBITDA | 1,634 | 7,779 | 1,665 | -79.0% | -1.9% |
| EBITDA Margins (%) | 6.7% | 15.8% | 6.3% | -914.66 | 37.16 |
| Profit Before JV & Tax | 1,370 | 7,526 | 1,154 | -81.8% | 18.8% |
| Share of JV | 307 | 299 | 105 | 2.6% | 193.0% |
| Profit Before Tax | 1,677 | 7,825 | 1,259 | -78.6% | 33.3% |
| Current Tax | 407 | 1,563 | 92 | -73.9% | 340.8% |
| Deferred Tax | -33 | 918 | 198 | -103.6% | -116.8% |
| Total Tax Expense | 374 | 2,481 | 291 | -84.9% | 28.7% |
| Profit for the Period | 1,303 | 5,344 | 968 | -75.6% | 34.6% |
| PAT Margins (%) | 5.3% | 10.9% | 3.7% | -554.45 | 165.95 |
| EPS (Dilluted) | 3.25 | 13.34 | 7.79 | | |

Q4FY25 Concall Highlights

Key Highlights

- Strong performance in Crop protection segment.
- Achieved a CAGR of 25% in the CPC business and aims to maintain this momentum.
- 12 new CPC products, primarily for wheat and rice, were introduced during FY25. The current CPC product portfolio includes 64 distinct chemistries covering fungicides, weedicides, and insecticides.
- Working on 18 new products scheduled for introduction in the Kharif and Rabi seasons.
- A new liquid fertilizer designed to enhance phosphorus availability in crops has been successfully launched.
- The TAN project is progressing on schedule, with statutory approvals in place and ~6,500 Mn spent to date. Commercial operation or production is expected in Jan 2026, with revenues anticipated by the Q3 or Q4FY26. The plant is expected to ramp up to at least 80-90% capacity.
- The TAN project has a capacity of 240,000 tons.
- For FY26, out of a total capex of ~INR 12,500 Mn, ~INR 9,000 Mn is allocated to the TAM project, and INR 3,000 Mn is for routine capital expenditure and will be funded from internal accrual.
- The JV is performing well with higher production and better margins. It is increasing its phosphoric acid capacity from ~0.5 Mn MT to 0.7 Mn MT, expected to be available by 2027. The JV produced ~0.525 MnT and sold ~0.435 MnT in FY25, up from 0.435 MnT production and 0.38 MnT sales in FY24.
- They successfully launched Uttam Tanam, a bio-nanophosphorus liquid fertilizer.
- New products developed will have jointly owned IP rights with TERI, with Chambal holding exclusive global commercial rights for products developed over the next 5 years.
- The company sourced adequate volumes of NPK fertilizers for the Kharif season and is in active discussions with global suppliers for year-round supply.
- The company expects to potentially double or increase its NPK portfolio by 150% in FY26.
- The company traded ~0.55 MnT in FY25, primarily MOP, DAP, TSP, and NPKs.
- The government has made suitable adjustments to a cost-plus mode for DAP imports. Chambal has contracted ~0.130 MnT to date, including TSP.
- Low profitability in the complex fertilizer segment in Q4 was attributed to minimal sales during Q4. The increase in segment assets for complex fertilizers from INR 8,250 Mn (Dec 2024) to INR 16,010 Mn is due to a tactical build-up of purchased stock, which will show benefits in Kharif sales.
- The strategy focuses on partnerships and alliances to introduce better chemistries and widen offerings.

Financial Statements

| Profit & Loss Statement (INR Mn) | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenues | 2,77,728 | 1,79,664 | 1,66,462 | 1,85,728 | 2,13,074 | 2,40,093 |
| Raw Material | 1,97,043 | 1,09,023 | 93,161 | 1,03,758 | 1,18,821 | 1,33,168 |
| Gross Profit | 80,685 | 70,642 | 73,301 | 81,970 | 94,253 | 1,06,924 |
| Gross Profit Margin % | 29.1% | 39.3% | 44.0% | 44.1% | 44.2% | 44.5% |
| 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 |
| EBITDA | 18,194 | 20,433 | 24,835 | 28,082 | 32,766 | 37,958 |
| EBITDA Margin % | 6.6% | 11.4% | 14.9% | 15.1% | 15.4% | 15.8% |
| 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 |
| EBIT | 16,788 | 19,796 | 23,684 | 26,070 | 30,614 | 35,642 |
| 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 |
| PAT | 10,338 | 12,758 | 18,346 | 19,463 | 22,861 | 26,621 |
| PAT Margin % | 3.7% | 7.1% | 11.0% | 10.5% | 10.7% | 11.1% |

| Balance Sheet (INR Mn) | FY23 | FY24 | FY25 | FY26E | FY27E | FY28E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Assets | | | | | | |
| 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 | 71,313 | 74,198 | 77,847 | 88,682 | 95,314 | 1,01,975 |
| Total Assets | 1,27,701 | 1,15,090 | 1,14,067 | 1,41,124 | 1,64,927 | 1,92,481 |
| Equity And Liabilities | | | | | | |
| 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 |
| Total Equity | 70,529 | 72,581 | 87,120 | 1,22,448 | 1,45,309 | 1,71,929 |
| Borrowings | 18,204 | 11,442 | 823 | 864 | 908 | 953 |
| Total Non-Current Liabilities | 25,650 | 22,143 | 15,206 | 8,310 | 8,354 | 8,399 |
| Trade Payables | 12,115 | 7,938 | 6,303 | 6,106 | 7,005 | 7,893 |
| Total Current Liabilities | 31,521 | 20,366 | 11,741 | 10,366 | 11,265 | 12,153 |
| Total Liabilities | 57,172 | 42,509 | 26,947 | 18,676 | 19,618 | 20,552 |
| Total Equity & Liabilities | 1,27,701 | 1,15,090 | 1,14,067 | 1,41,124 | 1,64,927 | 1,92,481 |

Source: Arian 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 |
| Operating Profit before WC Changes | 20,291 | 18,247 | 21,333 | 21,536 | 25,076 | 29,004 |
| 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 |
| Cash Flow from Operating Activities | 35,134 | 34,758 | 17,606 | 12,205 | 16,916 | 19,391 |
| Cash Flow from Investing Activities | -18,088 | -3,594 | 6,797 | -24,372 | -8,784 | -8,977 |
| Cash Flow from Financing Activities | -22,011 | -30,412 | -23,369 | 15,898 | -20 | -21 |
| 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 |
| Closing Cash & Cash Equivalents | 576 | 1,329 | 2,363 | 6,094 | 14,206 | 24,599 |

| 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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