

CMP: INR 484

Rating: BUY

Target Price: INR 594

Stock Info

BSE	500085
NSE	CHAMBLFERT
Bloomberg	CHMB:IN
Sector	Fertilizer
Face Value (INR)	10
Equity Capital (INR Mn)	4,162
Mkt Cap (INR Bn)	193
52w H/L (INR)	575/300
Avg Yearly Volume (in 000')	3,311

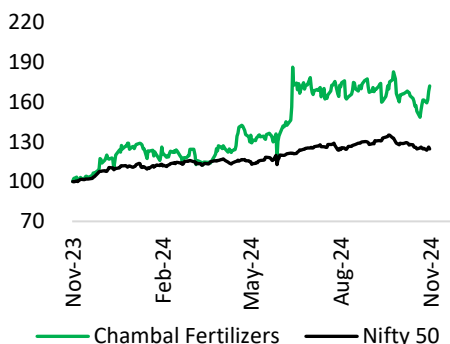
Shareholding Pattern %

(As on Sept, 2024)

Promoters	60.40
FII's	15.35
DII's	6.87
Public & Others	17.38

Stock Performance (%)	1m	6m	12m
Chambal Fertilizers	-2.7%	19.2%	60.6%
NIFTY	-3.5%	8.3%	24.2%

Chambal Fertilizer and Chemical vs Nifty



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Improving Margins, Chances of further improvement in subsequent quarters

Chambal Fertilizers and Chemicals Limited (CFCL) posted Net Profits of INR 5,364 mn in Q2FY25, increasing by up 19.6% QoQ/up 40.8% YoY. EBITDA increased to INR 7,902 mn growing by 5.1% QoQ/ up 28.5% YoY while margins expanded to 18.2% in Q2FY25, up 294 bps QoQ / up 676 bps YoY. The Company's Urea Productions & Sales also increased over last year from 9.08 lakh MT / 8.38 lakh MT in Q2FY24 against 9.34 lakh MT / 9.65 lakh MT in Q2FY25. The lower prices of natural gas led to better margins for the company as the prices of Ammonia, Natural Gas and other key inputs over the previous quarter were lower during Q2FY25.

Improving Margins with Volumes expected ahead

Improved margins over last year to continue in subsequent quarters

The Revenue for Q2FY25 decreased by 11.9% QoQ/ down 19.3% YoY to INR 43.5 bn, EBITDA increased by 5.1% QoQ/up 28.5% YoY to INR 7.9 bn and PAT increased by 19.6% QoQ/40.8% YoY to INR 5.36 bn. EBITDA Margins improved to 18.2% for Q2FY25 against 15.2% in Q1FY25 and 11.4% in Q2FY24, as the gas prices stabilized at lower levels of USD 1.67 mmbtu.

Prices of Natural Gas, Fertilizers and other Agro-chemicals have stabilized

Prices of natural gas have come down over previous quarters, helping Chambal Fertilizers post their healthy margins. Urea Production stood at 9.34 lakh MT increasing against Q2FY24's 9.08 lakh MT while sales increased over last year to 9.65 lakh MT in Q2FY25 against 8.38 lakh MT in Q2FY24. During the quarter, the DAP sales fell to 0.05 lakh MT against 2.04 lakh MT in Q2FY24. NPK sales as well fell substantially to 0.06 lakh MT against 1.15 lakh Mt in Q2FY24 while MoP sales followed downtrend to 0.61 lakh MT against 0.78 lakh MT in Q2FY24.

Strategic Capex Plan for Technical Ammonium Nitrate (TAN) Plant

The strategic capex of a TAN plant with a capacity of approximately 2,40,000 MTPA and Weak Nitric Acid of 2,10,000 MTPA awarded to L&T is on track to be commercialized by October 2025. The Company has spent around INR 3.88 bn till Sept 2024 for the Capex, with 37% of the work completed of the Project. Management is also exploring long term opportunity with the TAN expansion for setting up a Nitric Acid Value Chain which is expected to grow 8-10% CAGR during FY22-30 period.

Outlook and Valuation:

The 3 Plants at Gadepan are operating at optimum efficiency with inventories of 22-23% of adequate inventory levels. The ongoing Kharif season is generally seen going good as per most of the domestic Ag-chem companies. CFCL's EBITDA Margins came better with the Urea demand across the domestic markets. 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. The Company is focusing on the CPC – SN business as well, with Hybrid and Research variety seeds in the Management's focus areas. CFCL is a well-managed company with a strong track record of profitability with a healthy balance sheet. **We value the company at 8x EV/EBITDA on FY27E EBITDA of Rs 32.41 bn for a target price of INR 594 per share with a BUY rating (earlier HOLD rating with TP of INR 562 at 9x FY27E EBITDA).**

Financial Performance:

Summary (Rs Mn)	FY24	FY25E	FY26E	FY27E
Net Sales	1,79,664	1,91,429	2,16,851	2,44,063
EBIDTA	20,433	25,329	28,737	32,412
Net Profit	11,953	15,361	17,904	20,621
Diluted EPS	30.84	36.91	43.02	49.54
P/E (x)	15.63	13.06	11.21	9.73
EV/EBIDTA (x)	9.96	8.28	7.23	6.56
P/BV (x)	2.76	2.07	1.81	1.59
RoE (%)	16.7%	18.1%	17.2%	17.4%
Debt/Equity (x)	0.16	0.12	0.11	0.11

Particulars (Consolidated)	Quarter Ended			Change	
Quarterly Financials - (INR Cr)	Q2FY25	Q1FY25	Q2FY24	% QoQ	% YoY
Revenue from Operations	4,346	4,933	5,386	-11.9%	-19.3%
Other Income	44	51	82	-13.9%	-46.1%
Total Income	4,390	4,984	5,467	-11.9%	-19.7%
Expenses					
Cost of Materials Consumed	1,792	1,754	1,680	2.2%	6.7%
Purchases of Stock-in-Trade	694	974	234	-28.8%	196.1%
Changes in Inventories of Finished Goods, Stock-in-Trade, and Work-in-Progress	-201	165	1,503	-221.7%	-113.4%
Employee Benefits Expense	58	56	53	3.3%	8.5%
Finance Costs	1	40	46	-96.8%	-97.2%
Depreciation and Amortization Expenses	83	82	78	1.2%	6.1%
Other Expenses	1,214	1,232	1,300	-1.5%	-6.6%
Total Expenses	3,641	4,304	4,895	-15.4%	-25.6%
EBITDA	790	752	615	5.1%	28.5%
EBITDA Margins (%)	18.2%	15.2%	11.4%	294bps	676bps
Profit Before JV & Tax	750	681	573	10.1%	30.9%
Share of JV	36	-35	9	-202.3%	318.3%
Profit Before Tax	786	716	581	9.7%	35.2%
Total Tax Expense	249	268	200	-6.8%	24.5%
Profit for the Period	536	448	381	19.6%	40.8%
PAT Margins (%)	12.3%	9.1%	7.1%	325bps	527bps
EPS (Dilluted)	13.38	11.19	9.15	19.5%	46.2%

Concall Highlights – Q2FY25**Management Guidance:**

- The Management said that they don't see any negative scenario in the macro markets which will impact their business, and guided of maintaining current margins levels for the H2FY25.
- The Company is going to focus on the Hybrid and Research Variety fields for Seeds business in the next few quarters to complete their agri-inputs products for farmers.

Key Highlights:

- Revenues came at INR 43,462 mn (down 11.9% QoQ / down 19.3% YoY) against our estimates of INR 54,270 mn.
- EBITDA for Q2FY25 stood at INR 7,902 mn (up 5.1% QoQ/ up 28.5% YoY) against our estimates of INR 8,580 mn.
- EBITDA Margins expanded by 294 bps QoQ / 676 bps YoY to 18.2% against our estimates of 15.8%.
- Q2FY25 Net Profits reported was INR 5,364 mn up 19.6% QoQ / up 40.8% YoY, against our estimates of INR 5,235 mn.

Concall Highlights (*Continued*)**Key Highlights:**

- The Company is setting up TAN capacity of 2,40,000 tonnes per year, which includes the feed stock of Weak Nitric Acid of capacity 2,10,000 tonnes. The Management says that these kind of Projects take 2-5-3 years of time, and things are on schedule for this Project.
- The Company has spent INR 3.88 bn as of Sept 2024 on the Project, and said that 37% of the work has been completed.
- The Gas Prices have been around USD 16.7-17 for the Q2FY25.
- The Energy efficiency of the Company led to the Company benefit INR 400 mn for Q2FY25.
- The Management explained that they have a range of 62 products for the Crop Protection chemicals, including Herbicides, insecticides, etc.
- The Company's production volume stood at 9.34 lakh tonnes and the Sales stood at 9.65 lakh tonnes.
- The Gadepan 1 & Gadepan 2 plant combined production stood at 5.71 lakh tonnes and Gadepan 3 plant production volume was 3.62 lakh tonnes for Q2FY25.
- The Company received INR 47.13 bn of subsidies for Q2FY25.
- The Crop Protection Chemicals & Speciality Nutrients revenue stood at INR 2.89 bn for the quarter against INR 2.45 bn for Q2FY24, growing by 18% YoY.
- The Company introduced 2 new products in the CPC business, which are primarily Fungicides.
- In the Speciality Nutrient Portfolio, Nano-Bio phosphorus by the name Uttam Pranaam was introduced. The Company sold 2.2 lakh bottles in the H1FY25, of which 1.2 lakh bottles were sold during the Q2FY25.

Financial Statements

Profit & Loss Statement (INR, Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	2,77,728	1,79,664	1,91,429	2,16,851	2,44,063
Raw Material	1,97,043	1,09,023	1,18,686	1,33,363	1,50,099
Gross Profit	80,685	70,642	72,743	83,488	93,964
Gross Profit Margin %	29.1%	39.3%	38.0%	38.5%	38.5%
Employee Costs	1,910	2,208	2,428	2,706	2,977
Operating & Other Expenses	60,582	48,001	44,986	52,044	58,575
EBITDA	18,194	20,433	25,329	28,737	32,412
EBITDA Margin %	6.6%	11.4%	13.2%	13.3%	13.3%
Depreciation	3,083	3,128	3,816	3,956	4,064
Other Income	1,678	2,491	766	867	976
EBIT	16,788	19,796	22,278	25,649	29,324
Finance Cost	3,200	1,731	1,751	1,723	1,767
Exceptional Items	-	-	-	-	-
PBT	13,588	18,065	20,527	23,926	27,557
Income Tax	3,825	6,112	5,167	6,022	6,936
PAT	9,763	11,953	15,361	17,904	20,621
PAT Margin %	3.5%	6.7%	8.0%	8.3%	8.4%

Balance Sheet (INR, Mn)	FY23	FY24	FY25E	FY26E	FY27E
Assets					
Total Non-Current Assets	71,313	74,198	79,395	75,439	73,927
Trade Receivables	17,605	1,916	15,734	20,794	30,090
Cash & Bank Balance	369	1,099	2,985	5,498	1,145
Other Current Assets	4,937	4,621	4,937	4,937	4,937
Total Non-Current Assets	71,313	74,198	79,395	75,439	73,927
Total Assets	1,27,701	1,15,090	1,43,283	1,52,814	1,69,655
Equity And Liabilities					
Equity Share Capital	4,162	4,007	4,162	4,162	4,162
Other Equity	66,519	68,729	93,114	1,06,542	1,22,007
Total Equity	70,529	72,581	97,124	1,10,552	1,26,018
Borrowings	18,204	11,442	12,014	12,615	13,246
Total Non-Current Liabilities	25,650	22,143	19,460	20,061	20,692
Trade Payables	12,115	7,938	9,440	5,941	6,687
Total Current Liabilities	31,521	20,366	26,699	22,201	22,946
Total Liabilities	57,172	42,509	46,159	42,262	43,638
Total Equity & Liabilities	1,27,701	1,15,090	1,43,283	1,52,814	1,69,655

Source: Company, Arianth Capital Research

Financial Statements

Cash Flow (INR, Mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	14,163	18,870	20,527	23,926	27,557
Operating Profit before WC Changes	20,285	22,940	24,888	28,303	31,967
Operating Profit after WC Changes	35,107	36,713	5,331	22,731	12,630
Tax Paid	- 2,715	- 3,446	- 5,167	- 6,022	- 6,936
Cash Flow from Operating Activities	32,393	33,268	165	16,709	5,694
Cash Flow from Investing Activities	- 18,732	- 3,825	- 9,104	- 2,423	976
Cash Flow from Financing Activities	- 18,620	- 28,714	10,826	- 11,774	- 11,024
Net Change in Cash & Cash Equivalents	- 4,959	729	1,887	2,513	- 4,354
Opening Cash & Cash Equivalents	5,320	369	1,099	2,985	5,498
Closing Cash & Cash Equivalents	369	1,099	2,985	5,498	1,145

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Per Share (INR)					
EPS	23.5	28.7	36.9	43.0	49.5
EPS (Adj)	23.5	28.7	36.9	43.0	49.5
BVPS	169.5	174.4	233.4	265.6	302.8
Valuation (x)					
P/E	20.5	16.8	13.1	11.2	9.7
P/BV	2.8	2.8	2.1	1.8	1.6
EV/EBITDA	6.83	7.48			
Return Ratios (%)					
Gross Margin	29.1%	39.3%	38.0%	38.5%	38.5%
EBITDA Margin	6.6%	11.4%	13.2%	13.3%	13.3%
PAT Margin	3.5%	6.7%	8.0%	8.3%	8.4%
NOPAT Margin	4.3%	7.3%	8.7%	8.9%	9.0%
ROE	14.5%	16.7%	18.1%	17.2%	17.4%
ROCE	18.9%	22.9%	23.1%	22.1%	22.3%
Leverage Ratio (%)					
Total D/E	0.26	0.16	0.12	0.11	0.11
Turnover Ratios					
Asset Turnover	2.13	1.48	1.50	1.51	1.59
Receivable Days	23	25	30	35	45
Inventory Days	18	25	32	35	45
Payable Days	16	21	18	10	10

Source: Company, Arianth Capital Research

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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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