

## Retail Equity Research

# Chambal Fertilisers & Chemicals Ltd

## Fertilizers

CMP Rs. ₹ 481

Rating: Overweight

**NSE CODE: CHAMBLFERT BSE CODE: BSE: 500085**

Chambal Fertilisers & Chemicals Ltd demonstrated a volatile financial trajectory across the last five quarters. Sales declined sequentially in three quarters before a sharp 87% rebound in June '24, only to drop 12% in September '24. Operating profit mirrored this trend, showing a significant 352% surge in June '24, followed by modest 5% growth in September '24.

Notably, net profit saw substantial growth of 78% in June '24 and 16% in September '24, driven by robust cost management and reduced interest expenses, falling drastically to ₹1.27 crore in the latest quarter. Despite these fluctuations, the company's strategic cost controls and focus on improving operational efficiency have yielded consistent profitability.

Looking ahead, sustained growth will depend on stabilizing revenue streams and capitalizing on cost efficiencies. The market should watch for potential impacts of external factors on sales and further initiatives in optimizing expenses for consistent profit margins.

### Company Data

Market Cap (cr)	Rs.	20,126.80
Enterprise Value (cr)	Rs.	15,444.98
Outstanding Shares (cr)		40.07
52 week high	Rs.	575.00
52 week low	Rs.	331.00
1m average volume (lacs)		12.34
Face value	Rs.	10.00

	FY22	FY23	FY24
Sales	16068.83	27772.81	17966.41
Growth(%)	26%	73%	-35%
EBITDA	2639.52	2044.64	2372.83
EBITDA Margin(%)	16.4%	7.4%	13.2%
PAT	1,565.98	1,034.22	1,275.80
Growth(%)	-5%	-34%	23%
EPS	37.6	24.8	31.8
P/E	11.2	10.6	10.7
P/B	2.7	1.6	1.9
EV/EBITDA	8.1	7.0	6.5
ROE(%)	24%	14.6%	18%
ROCE(%)	22%	16.7%	22.5%
ROIC(%)	16%	15.7%	20.7%
D/E	0.68	0.48	0.26

**Financial Performance:** Chambal Fertilisers & Chemicals Ltd showed strong financial growth in Q2 FY '25, with standalone EBITDA up 20% YoY to ₹834 crore and PAT rising 34% YoY to ₹500 crore. Consolidated PAT increased 41% YoY to ₹536 crore. For H1 FY '25, EBITDA grew 20% YoY to ₹1,776 crore, and PAT rose 25% YoY to ₹1,053 crore, reflecting solid profitability.

**Operational and Product Highlights:** The company's Urea units operated at full capacity, producing 9.34 lakh MT, with sales rising to 9.65 lakh MT. The Crop Protection Chemicals (CPC) and Specialty Nutrients (SN) segments saw an 18% YoY revenue increase to ₹289 crore. New product launches, including fungicides and 'Uttam Pranaam,' have expanded its portfolio and market reach.

**Strategic Initiatives and Market Insights:** Chambal Fertilisers is enhancing its CPC offerings through partnerships, now with 62 products. Focus on biologicals and precision farming, such as water-soluble fertilizers, aligns with market trends. Despite challenges like low P&K fertilizer volumes and weather impacts, the company maintained strong cash sales, supported by energy efficiency improvements and strategic Capex in the TAN project.

## Key Highlights

**Business Overview:** Chambal Fertilisers & Chemicals Ltd is primarily engaged in the production of Urea, which forms the core of its operations. The company also markets a variety of other fertilizers, including Di-Ammonium Phosphate (DAP), Muriate of Potash (MOP), NPK fertilizers, Specialty Plant Nutrients, and Crop Protection Chemicals. Additionally, it has a Joint Venture in Morocco for the manufacture of Phosphoric Acid, strengthening its portfolio in the fertilizers sector.

**Market Share:** The company holds a significant position in the Indian Urea market, contributing approximately 13% of the total Urea production in the country. This highlights its crucial role in meeting the agricultural demands of the nation.

**Segment Revenue Breakdown:** In FY23, the Fertilizers segment accounted for a substantial 97% of the total revenue, while Crop Protection and Specialty Nutrients contributed the remaining 3%. The revenue split between Manufacturing and Trading saw Manufacturing contributing 60% in FY23, a decline from 68% in FY22, with Trading revenue increasing to 40% from 32% in the previous year.

**Crop Protection Revenue Distribution:** In the first nine months of FY24, the Crop Protection segment exhibited diverse revenue contributions: Specialty Nutrients (31%), Fungicides (12%), Weedicides (27%), and Insecticides (30%). This diversification underscores the company's strategy to cater to various agricultural needs.

**Distribution Network:** Chambal Fertilisers has an extensive distribution network, serving farmers across 10 states. It is a leading supplier in Rajasthan, Madhya Pradesh, Punjab, and Haryana. The company operates through 20 regional offices, supported by 4,200 dealers and 60,000 retailers, ensuring robust market penetration.

**Manufacturing Capacity:** The company operates three manufacturing plants located in Kota, Rajasthan, with a combined capacity of approximately 3.4 million tons, achieving a high utilization rate of 98% in FY23. This indicates the operational efficiency and capacity to meet high demand.

**Expansion Plans:** Chambal Fertilisers is set to expand its manufacturing capabilities by establishing a new plant for Technical Ammonium Nitrate with a capacity of 240,000 MTPA, along with a Weak Nitric Acid plant of 210,000 MTPA. The total project cost is INR 1,645 crore, with completion expected by October 2025. This expansion will further bolster its production capabilities and market presence.

**Share Buyback and Future Outlook:** In January 2024, the company announced a buyback of 1.55 crore equity shares at INR 450 per share, amounting to INR 700 crore. Looking ahead, the Crop Protection segment is poised for growth, with plans to launch a new biological product and double its product pipeline in collaboration with R&D organizations. The company targets a revenue of INR 1,750 crore from this segment by FY27, indicating its strategic focus on innovation and market expansion.

**Quarterly Financial Consolidated**

**Profit and loss account**

**(Rs Cr)**

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	5,385.52	4,348.57	2,643.04	4,933.23	4,346.18
Growth(%)	-4%	-19%	-39%	87%	-12%
Expenses	4,770.51	3,720.10	2,476.54	4,181.21	3,556.02
Operating Profit	615.01	628.47	166.50	752.02	790.16
Growth(%)	-3%	2%	-74%	352%	5%
Other Income	90.35	151.30	73.42	86.28	79.99
Depreciation	78.44	79.11	78.08	82.24	83.26
Interest	45.77	36.47	35.99	40.21	1.27
Profit before tax	581.15	664.19	125.85	715.85	785.62
Tax	200.19	204.79	29.06	267.53	249.26
Net profit	380.97	459.41	96.78	448.36	536.37
Growth(%)	11%	17%	-375%	78%	16%

**Financial Consolidated**

**Profit & Loss**

**(Rs Cr)**

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	12,205.95	12,719.01	16,068.83	27,772.81	17,966.41
Growth(%)	21%	4%	26%	73%	-35%
Expenses	10,280.64	10,249.34	13,803.69	25,950.66	15,919.40
Operating Profit	1,925.31	2,469.67	2,265.14	1,822.15	2,047.01
Growth(%)	60%	28%	-8%	-20%	12%
Other Income	192.41	469.96	374.38	222.49	325.82
Depreciation	286.86	289.22	299.74	308.29	312.79
Interest	503.86	290.88	108.88	320.02	173.06
Profit before tax	1,327.00	2,359.53	2,230.90	1,416.33	1,886.98
Tax	101.44	611.94	664.84	382.54	611.23
Net profit	1,226.19	1,654.76	1,565.98	1,034.22	1,275.80
Growth(%)	108%	35%	-5%	-34%	23%

**Balance Sheet**

**(Rs Cr)**

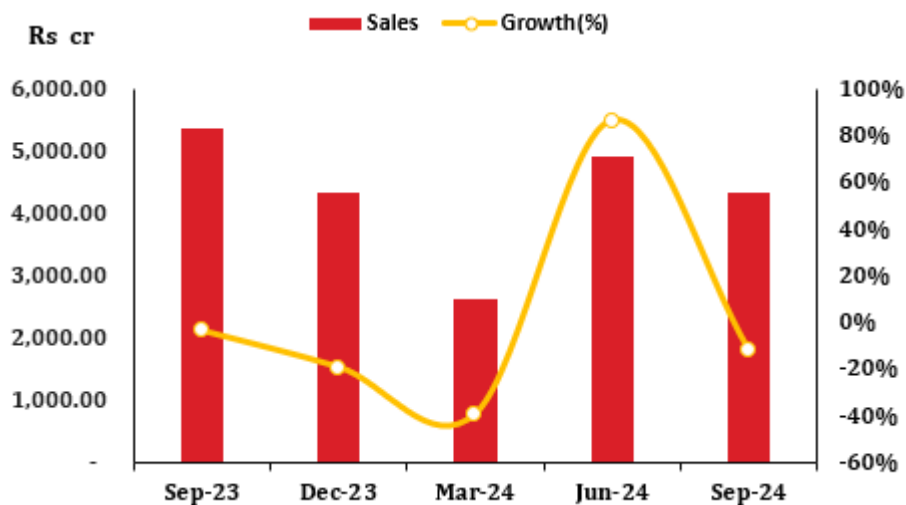
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	416.21	416.21	416.21	416.21	400.65
Reserves	3,123.09	4,832.58	5,983.37	6,651.90	6,872.90
Borrowings	10,112.94	3,936.16	4,336.86	3,358.40	1,873.93
Other Liabilities	880.43	1,061.74	2,552.56	2,343.56	2,361.49
<b>Total</b>	<b>14,532.67</b>	<b>10,246.69</b>	<b>13,289.00</b>	<b>12,770.07</b>	<b>11,508.97</b>
Net Block	6,701.03	6,479.84	6,357.67	6,262.39	6,422.64
Capital Work in Progress	84.99	160.79	156.90	102.62	183.86
Investments	217.16	298.33	559.19	2,377.09	2,431.34
Other Assets	7,529.49	3,307.73	6,215.24	4,027.97	2,471.13
<b>Total</b>	<b>14,532.67</b>	<b>10,246.69</b>	<b>13,289.00</b>	<b>12,770.07</b>	<b>11,508.97</b>

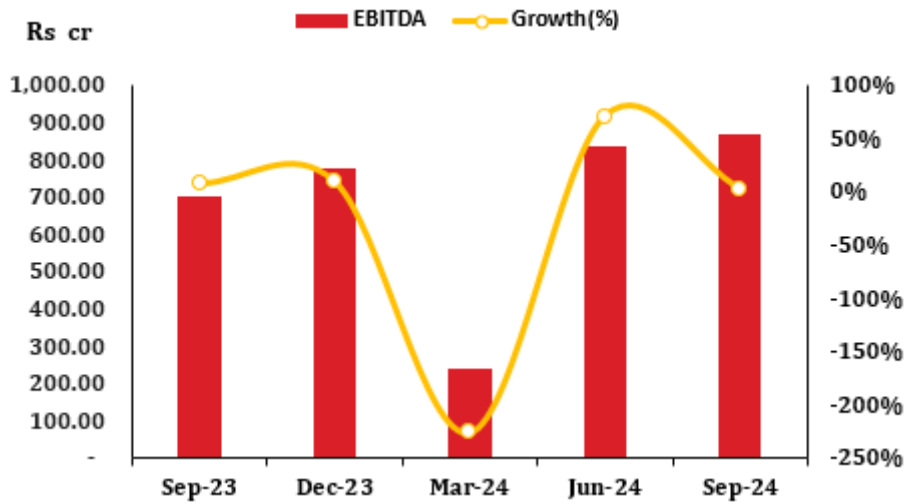
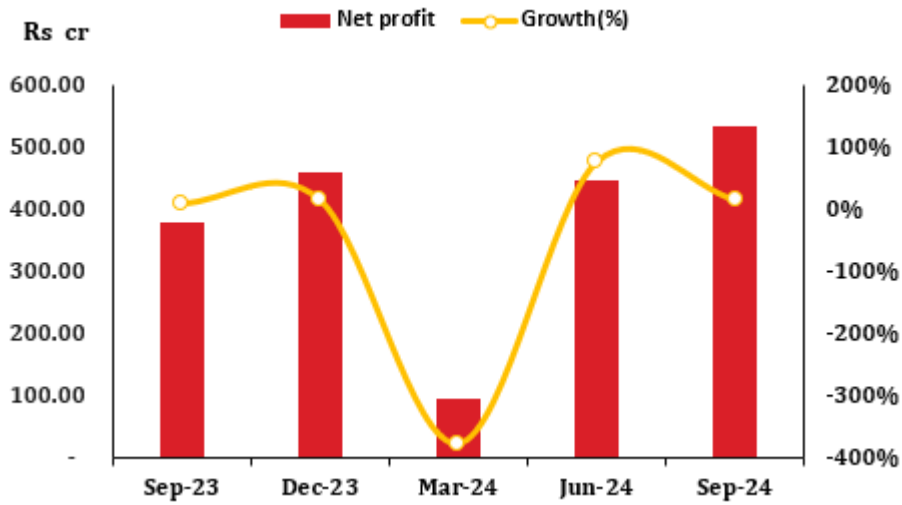
**Cash Flow**

**(Rs Cr)**

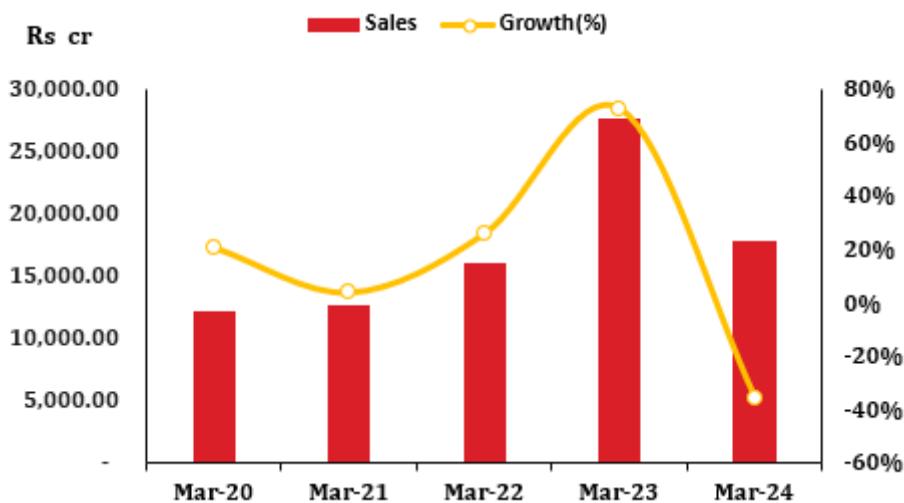
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	827.09	6943.55	-24.23	3239.26	3326.75
Cash from Investing Activity	-462.31	-194.92	-118.87	-1872.36	-382.41
Cash from Financing Activity	-283.19	-6006.85	-212.79	-1861.99	-2871.41
Net Cash Flow	81.59	741.78	-355.89	-495.09	72.93

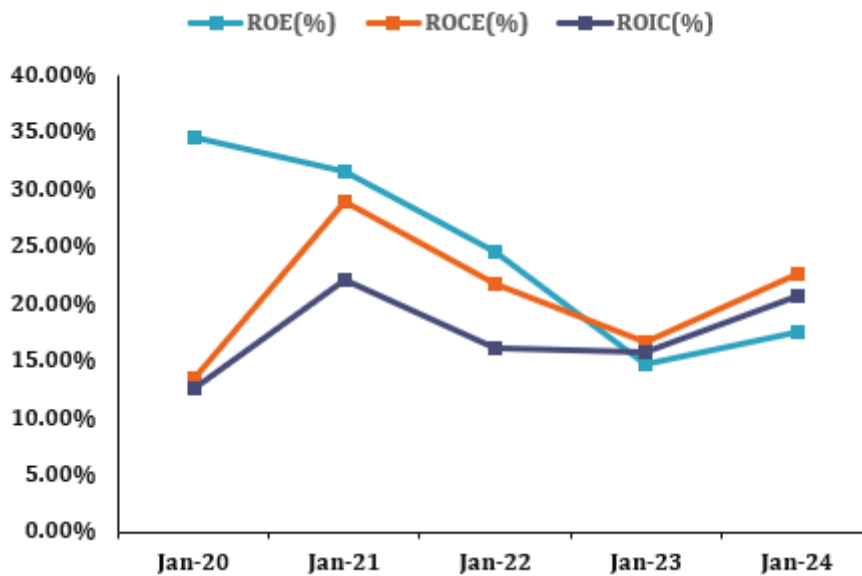
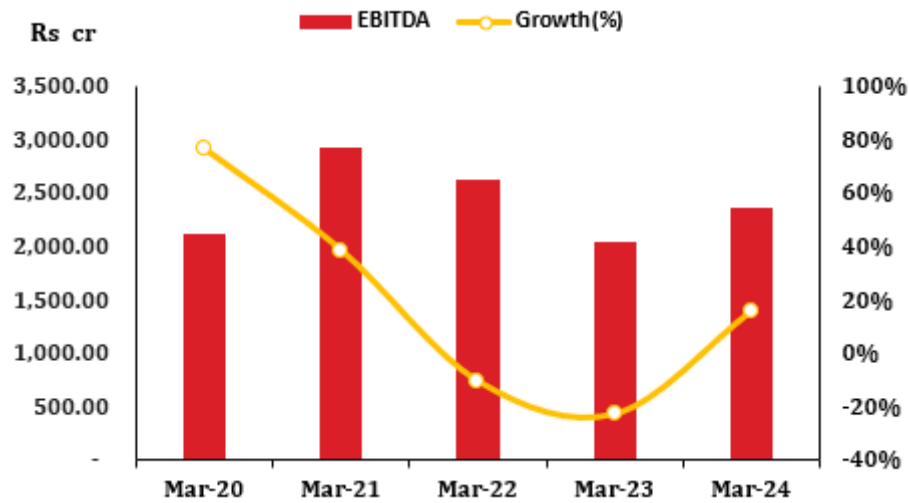
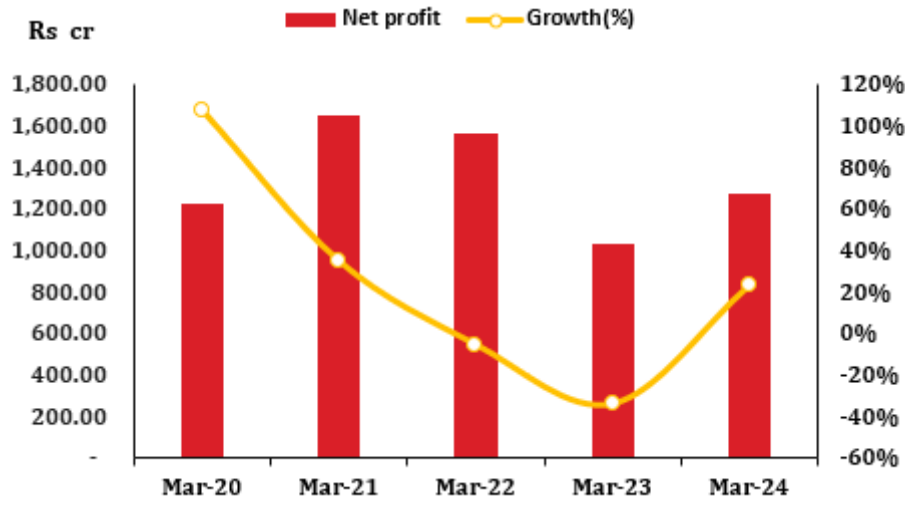
**Key Metrics: Quarterly**





**Key Metrics: Yearly**





**Key Ratio:**

<b>Leverage Ratios</b>	<b>Mar-20</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Mar-24</b>
D/E	2.86	0.75	0.68	0.48	0.26
Debt/Assets	0.70	0.38	0.33	0.26	0.16
Debt/Ebitda	4.78	1.34	1.64	1.64	0.79
Debt/Capital Ratio	74%	43%	40%	32%	20%
Cash flow/Debt	0.08	1.76	-0.01	0.96	1.78
Interest coverage ratio	3.63	9.11	21.49	5.43	11.90
Sales Change	21%	4%	26%	73%	-35%
Ebit Change	70%	45%	-12%	-26%	19%
Operating Leverage	2.89	6.73	-0.31	-0.27	-0.35
Financial Leverage	4.11	1.95	2.08	1.81	1.58

**Efficiency ratios**

Receivable days	166	34	49	23	4
Receivable turnover	2.19	10.83	7.47	15.78	93.79
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	9	13	4	19	13
Net Fixed assets turnover	1.82	1.96	2.53	4.43	2.80
Sales/capital employed	0.89	1.38	1.50	2.66	1.96
Total Asset Turnover	0.84	1.24	1.21	2.17	1.56

**Profitability ratios**

Ebitda	2117.72	2939.63	2639.52	2044.64	2372.83
Ebitda margin	17%	23%	16%	7%	13%
Gross Profit	3008.13	3532.21	3211.03	2961.07	3154.49
Gross Profit Margin	25%	28%	20%	11%	18%
EBIT	1830.86	2650.41	2339.78	1736.35	2060.04
EBIT Margin	15%	21%	15%	6%	11%
ROE	35%	32%	24%	15%	18%
Net profit margin	10%	13%	10%	4%	7%
EPS	29.46	39.76	37.63	24.85	31.84
DU Pont ROE	35%	32%	24%	15%	18%
Net Profit Margin	10%	13%	10%	4%	7%
Sales/Total assets	0.84	1.24	1.21	2.17	1.56
Financial Leverage	4.11	1.95	2.08	1.81	1.58
DU PONT ROA	8%	16%	12%	8%	11%
Net Profit Margin	10%	13%	10%	4%	7%
Sales/Total assets	0.84	1.24	1.21	2.17	1.56

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	12%	18%	13%	14%	17%
EBIT Margin	15%	21%	15%	6%	11%
Sales/cap employed	0.89	1.38	1.50	2.66	1.96
NOPAT	1690.90	1963.03	1642.49	1267.38	1392.75
Capital employed	13652.24	9184.95	10736.44	10426.51	9147.48
ROIC	12%	21%	15%	12%	15%

Valuation Ratios					
Price/Earnings	3.68	5.76	11.22	10.63	10.74
Price/Book	1.28	1.82	2.75	1.56	1.88
Marketcap	4,513.69	9,533.06	17,567.80	10,991.84	13,703.94
Enterprise Value	14,459.10	12,561.82	21,350.52	14,292.61	15,444.98
EV/EBITDA	6.83	4.27	8.09	6.99	6.51



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