

**Price:** 687

**Recommendation:** Buy

**Industry:** Fertilizers

**Sector:** Commodities

**Report Date:** 21-Apr-2025

Chambal Fertilisers and Chemicals Limited has shown strong performance, with a 16% EBITDA growth to Rs. 843 crore and a 25% rise in profit after tax to Rs. 505 crore. The company is expanding its market presence through strategic initiatives, including a partnership with TERI for sustainable agriculture solutions. Future plans include entering the hybrid seeds market and expanding phosphoric acid capacity. Despite challenges in DAP trading, Chambal remains focused on innovation and sustainability.

Sales		Profit & Loss		Profitability Matrix	
Current Year	16841 Cr	Operating Profit(Year)	2488 Cr	Operating Profit Margin	14.8 %
Previous Year	27773 Cr	Operating Profit(Quarter)	778 Cr	EBITDA Margin	13.91 %
Current Quarter	4918 Cr	PAT (Year)	1273 Cr	Net Profit Margin	7.08 %
Previous Quarter	4346 Cr	PAT (Quarter)	504 Cr	EPS	41.0
Revenue (QYoY)	4349 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	16.8	Sales Growth	-11.0 %	Sales Growth	13.16 %
PEG Ratio	1.20	PAT Growth	22.4 %	Sales Growth QYoY	13.08 %
EV/EBITDA	9.66	EPS Growth	23.49 %	PAT Growth	0.8 %
P/B	3.40	Dividend Yield	1.09	PAT Growth QYoY	24.75 %
Capital Allocation		Holdings		Leverage	
RoE	18.2 %	Promoter	60.4 %	Debt/Equity	0.00
RoA	10.7 %	FII	20.2 %	Debt	18.7 Cr
RoCE	21.3 %	DII	4.59 %	Market Cap	27539 Cr
RoIC	19.2 %	Public	14.8 %	Enterprise value	27500 Cr
		No of Shares	40.1 Cr	Cash Equivalents	57.9 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

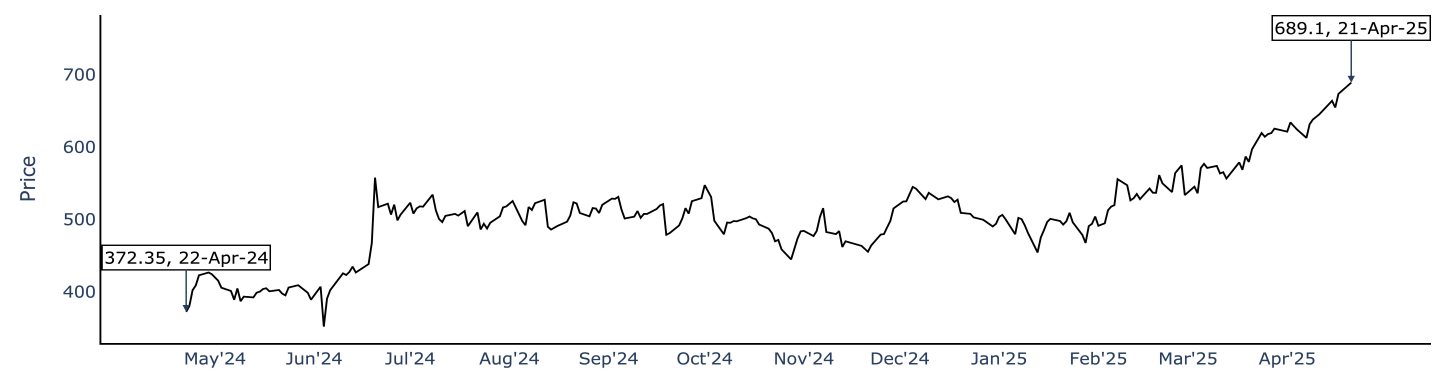
Chambal Fertilisers and Chemicals Limited has demonstrated robust performance in the recent quarter, achieving a standalone EBITDA of Rs. 843 crore, marking a 16% growth from the previous year. The profit after tax also saw a significant increase of 25%, reaching Rs. 505 crore. The company's consolidated performance was equally impressive, with a PAT of Rs. 534 crore, reflecting a 16% growth. The urea production remained stable at 9.18 lakh metric tons, while sales increased to 9.88 lakh metric tons. The timely receipt of Rs. 3,350 crore in subsidies further bolstered the financial results. The Crop Protection Chemicals (CPC) and Specialty Nutrients (SN) segments showed encouraging growth, with revenues rising by 26% year-on-year to Rs. 255 crore, and contributions increasing by 39% to Rs. 68 crore.

The company is actively pursuing new initiatives and business strategies to enhance its market position. A notable development is the collaboration with TERI to establish the CFCL-TERI Centre for Excellence for Advanced and Sustainable Agriculture Solutions. This partnership aims to address food security challenges and promote sustainability through bio-based agricultural solutions. The introduction of new weedicides and the expansion of the CPC product portfolio across 13 states with 64 offerings highlight the company's commitment to innovation. Additionally, the focus on biologicals, with plans to introduce a biological fungicide and nematicide, underscores the shift towards green and sustainable technologies.

Looking ahead, Chambal Fertilisers is poised for future growth and scaling. The company plans to enter the hybrid and research variety seeds market, with sales expected to commence in the next financial year. The IMACID joint venture's phosphoric acid expansion project, increasing capacity from 5 lakh metric tons to 7 lakh metric tons, is a strategic move to strengthen the non-urea product portfolio. The Technical Ammonium Nitrate project is progressing well, with statutory approvals in place and equipment deliveries underway. The company anticipates starting the plant in January 2026, with a cumulative expenditure of Rs. 541 crore as of January 2025.

While the company's strategies and initiatives are promising, there are areas for improvement. The DAP trading business is currently a zero-sum game, indicating potential challenges in profitability. The expansion into the TAN market may lead to an oversupply situation in the near term, necessitating careful market analysis and strategic planning. The focus on energy efficiency and cost structure improvements is commendable, but external factors such as gas costs and import prices remain beyond the company's control. Overall, Chambal Fertilisers is well-positioned for growth, with a strong emphasis on innovation, sustainability, and strategic partnerships.

CHAMBLFERT Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
R C F	7861.51	30.94	4.20%	5.33%	-7.85%	1.61%	615.06%
G S F C	7783.71	14.31	4.55%	6.79%	40.16%	-55.12%	13.44%
Coromandel Inter	64506.46	39.41	18.89%	-6.70%	26.92%	-22.94%	122.66%
F A C T	50246.00	601.17	29.39%	-34.46%	-13.48%	-28.51%	-73.61%
Natl.Fertilizer	4416.09	17.19	5.58%	33.38%	-22.79%	279.54%	-69.64%

Aspect	Commentary
Revenue	The company experienced a decline in annual sales, but quarterly sales showed improvement, indicating potential recovery. The revenue growth in the current quarter compared to the previous quarter suggests positive momentum in sales performance.
Profit & Loss	Operating profit and PAT have increased, reflecting efficient cost management and improved profitability. The quarterly figures show a strong performance, indicating effective operational strategies and financial health.
Profitability Matrix	The company maintains healthy margins, with operating and net profit margins indicating strong profitability. The EPS suggests good earnings performance, supporting investor confidence and potential for future growth.
Valuation Matrix	The valuation metrics indicate a reasonable market valuation with a moderate P/E ratio. The PEG ratio suggests growth potential, while EV/EBITDA and P/B ratios reflect a balanced valuation approach.
Growth (YoY)	Year-over-year growth shows a decline in sales but a significant increase in PAT and EPS, highlighting improved profitability despite revenue challenges. Dividend yield remains modest, indicating stable returns to shareholders.
Growth (QoQ)	Quarter-over-quarter growth is positive, with sales and PAT showing improvement. The QYoY growth in PAT is particularly strong, suggesting effective strategies in place to enhance profitability and market position.
Capital Allocation	The company demonstrates efficient capital allocation with strong returns on equity, assets, and capital employed. The return on invested capital indicates effective use of resources to generate value for shareholders.
Holdings	The promoter holding is substantial, indicating strong control and confidence in the company. Institutional holdings are significant, reflecting investor interest and trust in the company's growth prospects and management.
Leverage	The company maintains a low debt level with a zero debt-to-equity ratio, indicating financial stability and low leverage risk. The market cap and enterprise value suggest a strong market position and potential for future growth.

**Analyst viewpoint:** Chambal Fertilisers and Chemicals Limited presents a compelling investment opportunity in the short to mid-term, underscored by robust quarterly growth metrics. The company has demonstrated a commendable 13.16% rise in sales quarter-on-quarter and a significant 24.75% increase in profit after tax, signaling a strong upward trajectory in operational performance. The strategic capital allocation is evident, with notable returns on equity and capital employed standing at a healthy 18.2% and 21.3%, respectively. Such figures highlight the company's adept resource utilization and financial health. In terms of valuation, the moderate P/E ratio of 16.8 coupled with a PEG ratio of 1.20 alludes to growth prospects, while a solid EV/EBITDA ratio reflects its attractive market standing. The company's focus on innovation with new product introductions and expansion into the hybrid seeds market anticipates further market penetration and revenue diversification.

Despite these strengths, it is important to acknowledge potential challenges such as those in the DAP trading segment which might impact profitability margins in the near term. Nonetheless, the company's strategy of leveraging sustainable practices and expanding its product portfolio through ventures like the phosphoric acid capacity augmentation, positions it favorably amongst peers. Holding strong control with over 60% promoter holding and significant institutional investor backing, Chambal Fertilisers is well-poised to continue its growth trajectory. As we advance, focusing on mitigating external cost pressures, particularly in energy, while capitalizing on sustainability initiatives, will be critical to sustaining this growth momentum.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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