

February 9, 2023

Q3FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	360		410	
Sales (Rs. m)	2,32,788	2,31,533	1,88,320	1,92,085
% Chng.	23.6	20.5		
EBITDA (Rs. m)	24,102	23,343	21,247	22,488
% Chng.	13.4	3.8		
EPS (Rs.)	36.3	39.7	37.6	41.0
% Chng.	(3.3)	(3.1)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	1,60,688	2,99,361	2,32,788	2,31,533
EBITDA (Rs. m)	22,622	23,090	24,102	23,343
Margin (%)	14.1	7.7	10.4	10.1
PAT (Rs. m)	15,660	12,929	15,114	16,544
EPS (Rs.)	37.6	31.1	36.3	39.7
Gr. (%)	18.9	(17.4)	16.9	9.5
DPS (Rs.)	7.5	8.0	8.5	9.0
Yield (%)	2.5	2.7	2.9	3.0
RoE (%)	26.9	19.0	19.7	19.1
RoCE (%)	19.7	17.6	18.2	17.6
EV/Sales (x)	1.0	0.6	0.7	0.6
EV/EBITDA (x)	7.1	8.4	6.7	6.4
PE (x)	7.9	9.6	8.2	7.5
P/BV (x)	1.9	1.7	1.5	1.3

Key Data

CHMB.BO | CHMB IN

52-W High / Low	Rs.516 / Rs.261
Sensex / Nifty	60,806 / 17,893
Market Cap	Rs.124bn / \$ 1,497m
Shares Outstanding	416m
3M Avg. Daily Value	Rs.639.34m

Shareholding Pattern (%)

Promoter's	60.56
Foreign	8.75
Domestic Institution	13.40
Public & Others	17.28
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.6)	(10.1)	(26.6)
Relative	(5.7)	(13.0)	(29.4)

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Margin pressure to subside led by RM price correction

Quick Pointers:

- Subsidy receipts in 3QFY23 and 9MFY23 stood at Rs96.2bn/Rs156.9bn up 218%/132% YoY.
- TAN project deferred by almost a year; likely to come up by 1HFY26.

We trim our FY23/24/25E EPS estimates by 2%/3%/3% citing a) volatile raw material (RM) cost scenario b) inability to fully pass on inflated cost and c) expectation of reduced NBS subsidy (Nutrient based subsidy) announcement from government. In Q3, Chambal Fertilizers (CHMB) reported decent set of numbers with Revenue/ EBITDA/PAT growth of 75%/15%/-1% YoY. Revenues were in-line with estimates, however margins were lower due to a) high cost inventory; b) adverse forex and c) inadequate subsidy in Phosphatic (P&K) fertilizers. Going forward, we expect healthy subsidy disbursal from the Govt. to continue (9M'23 subsidy receipts of Rs156.9bn; Rs28.9bn in January'23) resulting in improved working capital and lower interest burden.

Given delay in Technical Ammonium Nitrate (TAN) project by almost a year (likely to be commissioned in 1HFY26) and limited growth visibility in the existing business, we cut our target multiple from 10x to 9x (5 year high/low average 1 year forward 15x/3x/7x). Maintain 'BUY' with revised TP of Rs360 based on 9XFY25 EPS (earlier Rs410 based on 10XFY25 EPS).

- Growth in marketing volume (+78%YoY), offset by flat urea volume (-2%YoY):** CHMB posted solid growth in overall fertilizer volumes up 72% YoY to 1.39mn mt (Urea and P&K sales volume were at -2%/+72% YoY to 0.87/0.52mn mt respectively) and agrochemical revenues up 184% YoY to Rs1.9bn, resulting in an overall revenue growth of 75% YoY to Rs82.9bn. Margins were largely impacted (down 420bps YoY to 8.1%) due to a) high cost inventory; b) adverse forex and c) inadequate subsidy in P&K fertilizers. EBITDA came it at Rs6.7bn, up 15% YoY. Going forward, CHMB remains hopeful on reversal of Rs2.4bn one-offs provisions taken in 1HFY23 pertaining to government recognizing subsidy payable amount, lower than the specified NBS policy on closing inventory of March'22. The company has also revised its TAN expansion plans in 1HFY23 having total capital outlay of Rs16.45bn (Rs11.7bn earlier) to build 0.24mn mt (0.22 mn mt earlier) and is expected to be commissioned in next 34 months.
- Robust subsidy receipts during 3QFY23; likely to continue in 4Q:** Subsidy receipts during 3QFY23 and 9MFY23 stood at Rs96.2bn/Rs156.9bn up 218%/132% YoY. Subsidy payment was slower from the Govt. during 1HFY23 (Rs60.7bn up 60% YoY; not sufficient enough to compensate for the entire inflated RM cost), however it expedited in 3QFY23 primarily led by - inflated RM cost and stretched working capital for the company and fertilizer industry. Additionally, CHMB received Rs28.9bn of subsidy in January'23. Going forward, we expect healthy subsidy payments from the Govt in 2HFY23 which will result in huge release of working capital, thereby leading to savings in interest cost.

Exhibit 1: 3QFY23 result highlights

Y/e March (Rs mn)	Q3FY23	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
Revenues	82,962	47,433	74.9	85,868	(3.4)	2,41,741	1,27,615	89.4
Raw material	59,768	30,031	99.0	63,119	(5.3)	1,74,956	79,088	121.2
Staff costs	479	449	6.5	499	(4.1)	1,421	1,362	4.4
Others	16,015	11,126	43.9	17,805	(10.0)	48,285	28,158	71.5
Total expenditure	76,262	41,606	83.3	81,423	(6.3)	2,24,662	1,08,607	106.9
EBITDA	6,700	5,827	15.0	4,445	50.7	17,079	19,008	(10.1)
Depreciation	781	762	2.5	782	(0.2)	2,324	2,247	3.4
EBIT	5,919	5,066	16.9	3,663	61.6	14,755	16,761	(12.0)
Interest	1,201	241	397.6	850	41.3	2,531	794	218.9
Other income	229	189	21.0	888	(74.3)	1,265	437	189.4
Profit Before Tax	4,947	5,013	(1.3)	3,702	33.6	13,489	16,404	(17.8)
Less: Provision for Tax	1,706	1,754	(2.7)	1,300	31.2	4,701	5,752	(18.3)
Less: Minority Interest	(1)	1	NA	(1)	NA	(3)	(0)	NA
Add: Exceptional items (net of tax)	0	0	NA	0	NA	0	0	NA
Add: Share of Profit JV	(2)	1,093	NA	340	NA	611	2,570	NA
Reported Profit	3,240	4,351	(25.5)	2,743	18.1	9,401	13,223	(28.9)
Adjusted Profit	3,241	3,259	(0.6)	2,402	35.0	8,787	10,652	(17.5)
No. of Diluted shares outstanding (mn)	416.2	416.2		416.2		416.2	416.2	
Adjusted Diluted EPS	7.8	7.8		5.8		21.1	25.6	
As % of net revenues								
Raw material	72.0	63.3		73.5		72.4	62.0	
Staff expenses	0.6	0.9		0.6		0.6	1.1	
Other expenses	19.3	23.5		20.7		20.0	22.1	
EBITDA	8.1	12.3		5.2		7.1	14.9	
Reported net profit	3.9	9.2		3.2		3.9	10.4	

Source: Company, PL

Exhibit 2: Robust volume growth in Non-Urea segment; Urea volumes down 2% YoY

Particulars	Q3FY23	Q3FY22	YoY gr.	Q2FY23	QoQ gr.	9MFY23	9MFY22	YoY gr.
Urea								
Urea- Volumes ('000 tonnes)	878	898	-2.2%	1,009	-13.0%	2676	2620	2.1%
Urea- Revenue (Rs Mn)	44,140	30,860	43.0%	54,240	-18.6%	135700	78480	72.9%
Non-Urea								
DAP+NPK- Volumes ('000 tonnes)	483	249	94.0%	393	22.9%	1,287	830	55.1%
MOP- Volumes ('000 tonnes)	34	52	-34.6%	45	-24.4%	134	100	34.0%
Total Non-Urea Volumes ('000 tonnes)	517	301	71.8%	438	18.0%	1,421	930	52.8%
Non-Urea- Revenue (Rs Mn)	38,820	16,570	134.3%	31,630	22.7%	1,06,040	49,140	115.8%

Source: Company, PL

Exhibit 3: Subsidy receipts have been robust during 3Q'23; while early indications of momentum to continue in 4Q'23

Particulars	Q3FY23	Q3FY22	YoY gr.	Q2FY23	QoQ gr.	9MFY23	9MFY22	YoY gr.
Subsidy Receipts- Rs Mn	96,240	30,240	218.3%	41,550	131.6%	1,56,960	67,620	132.1%
Subsidy Outstanding- Rs Mn	44,380	30,770	44.2%	79,010	-43.8%	1,78,240	81,420	118.9%
Market Debtors- Rs Mn	1,370	1,280	7.0%	2,510	-45.4%	6,160	5,840	5.5%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	1,60,688	2,99,361	2,32,788	2,31,533
YoY gr. (%)	26.3	86.3	(22.2)	(0.5)
Cost of Goods Sold	96,033	1,93,174	1,43,194	1,43,509
Gross Profit	64,655	1,06,187	89,594	88,024
Margin (%)	40.2	35.5	38.5	38.0
Employee Cost	1,807	4,065	4,268	4,482
Other Expenses	40,227	79,031	61,223	60,199
EBITDA	22,622	23,090	24,102	23,343
YoY gr. (%)	(8.2)	2.1	4.4	(3.1)
Margin (%)	14.1	7.7	10.4	10.1
Depreciation and Amortization	2,997	3,175	3,019	3,095
EBIT	19,625	19,915	21,083	20,248
Margin (%)	12.2	6.7	9.1	8.7
Net Interest	1,059	3,159	1,968	1,139
Other Income	680	1,530	1,607	1,687
Profit Before Tax	19,245	18,286	20,722	20,797
Margin (%)	12.0	6.1	8.9	9.0
Total Tax	6,648	6,217	7,045	5,407
Effective tax rate (%)	34.5	34.0	34.0	26.0
Profit after tax	12,597	12,068	13,676	15,389
Minority interest	(1)	(1)	(1)	(1)
Share Profit from Associate	3,064	861	1,439	1,155
Adjusted PAT	15,660	12,929	15,114	16,544
YoY gr. (%)	18.9	(17.4)	16.9	9.5
Margin (%)	9.7	4.3	6.5	7.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	15,660	12,929	15,114	16,544
YoY gr. (%)	(5.4)	(17.4)	16.9	9.5
Margin (%)	9.7	4.3	6.5	7.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15,660	12,929	15,114	16,544
Equity Shares O/s (m)	416	416	416	416
EPS (Rs)	37.6	31.1	36.3	39.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	81,058	83,058	85,058	87,058
Tangibles	75,443	77,443	79,443	81,443
Intangibles	5,615	5,615	5,615	5,615
Acc: Dep / Amortization	11,882	15,058	18,076	21,171
Tangibles	11,882	15,058	18,076	21,171
Intangibles	-	-	-	-
Net fixed assets	69,176	68,000	66,981	65,887
Tangibles	63,561	62,386	61,367	60,272
Intangibles	5,615	5,615	5,615	5,615
Capital Work In Progress	1,566	1,566	1,566	1,566
Goodwill	-	-	-	-
Non-Current Investments	0	0	0	0
Net Deferred tax assets	(6,031)	(6,031)	(6,031)	(6,031)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	31,232	63,509	43,154	43,249
Trade receivables	21,513	42,649	31,889	31,717
Cash & Bank Balance	5,541	(22,608)	(6,618)	(1,335)
Other Current Assets	3,859	4,245	4,670	5,137
Total Assets	1,32,890	1,57,364	1,41,645	1,46,223
Equity				
Equity Share Capital	4,162	4,162	4,162	4,162
Other Equity	59,834	67,740	76,994	87,701
Total Networth	63,996	71,902	81,156	91,864
Non-Current Liabilities				
Long Term borrowings	24,712	16,762	8,812	2,437
Provisions	495	520	546	573
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	18,519	30,276	22,870	22,815
Trade payables	14,998	27,521	17,654	17,693
Other current liabilities	4,274	4,488	4,712	4,948
Total Equity & Liabilities	1,32,890	1,57,364	1,41,645	1,46,223

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	22,309	18,286	20,722	20,797
Add. Depreciation	2,997	3,175	3,019	3,095
Add. Interest	1,037	3,159	1,968	1,139
Less Financial Other Income	680	1,530	1,607	1,687
Add. Other	(2,382)	(1,499)	(1,575)	(1,654)
Op. profit before WC changes	23,961	23,121	24,134	23,376
Net Changes-WC	(20,773)	(41,063)	21,048	(115)
Direct tax	(3,430)	(6,217)	(7,045)	(5,407)
Net cash from Op. activities	(243)	(24,159)	38,137	17,854
Capital expenditures	(1,635)	(2,000)	(2,000)	(2,000)
Interest / Dividend Income	-	-	-	-
Others	444	1,530	1,607	1,687
Net Cash from Inv. activities	(1,191)	(470)	(394)	(313)
Issue of share cap. / premium	-	(860)	(1,438)	(1,155)
Debt changes	2,606	648	(17,325)	(7,568)
Dividend paid	(3,743)	(4,162)	(4,422)	(4,682)
Interest paid	-	-	-	-
Others	(991)	(1)	(1)	(1)
Net cash from Fin. activities	(2,128)	(4,375)	(23,186)	(13,406)
Net change in cash	(3,562)	(29,004)	14,558	4,134
Free Cash Flow	(1,878)	(26,159)	36,137	15,854

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	37.6	31.1	36.3	39.7
CEPS	44.8	38.7	43.6	47.2
BVPS	153.8	172.8	195.0	220.7
FCF	(4.5)	(62.9)	86.8	38.1
DPS	7.5	8.0	8.5	9.0
Return Ratio(%)				
RoCE	19.7	17.6	18.2	17.6
ROIC	13.7	9.7	11.4	12.9
RoE	26.9	19.0	19.7	19.1
Balance Sheet				
Net Debt : Equity (x)	0.6	1.0	0.5	0.3
Net Working Capital (Days)	86	96	90	90
Valuation(x)				
PER	7.9	9.6	8.2	7.5
P/B	1.9	1.7	1.5	1.3
P/CEPS	6.6	7.7	6.8	6.3
EV/EBITDA	7.1	8.4	6.7	6.4
EV/Sales	1.0	0.6	0.7	0.6
Dividend Yield (%)	2.5	2.7	2.9	3.0

Source: Company Data, PL Research

Quarterly Financials (Rs m)

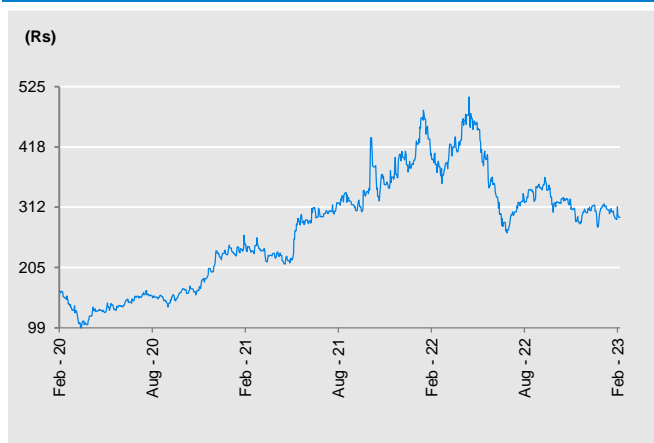
Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	33,074	72,912	85,868	82,962
YoY gr. (%)	101.6	106.0	91.7	74.9
Raw Material Expenses	16,946	52,069	63,119	59,768
Gross Profit	16,128	20,843	22,749	23,194
Margin (%)	48.8	28.6	26.5	28.0
EBITDA	3,614	5,934	4,445	6,700
YoY gr. (%)	8.2	2.1	(39.7)	15.0
Margin (%)	10.9	8.1	5.2	8.1
Depreciation / Depletion	751	761	782	781
EBIT	2,864	5,173	3,663	5,919
Margin (%)	8.7	7.1	4.3	7.1
Net Interest	266	481	850	1,201
Other Income	243	148	888	229
Profit before Tax	2,841	4,840	3,702	4,947
Margin (%)	8.6	6.6	4.3	6.0
Total Tax	897	1,695	1,300	1,706
Effective tax rate (%)	31.6	35.0	35.1	34.5
Profit after Tax	1,945	3,145	2,402	3,241
Minority interest	2	(1)	(1)	(1)
Share Profit from Associates	493	272	340	(2)
Adjusted PAT	1,945	3,145	2,402	3,241
YoY gr. (%)	16.0	0.2	(43.5)	(0.6)
Margin (%)	5.9	4.3	2.8	3.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,436	3,418	2,743	3,240
YoY gr. (%)	(206.9)	(10.4)	(45.8)	(25.5)
Margin (%)	7.4	4.7	3.2	3.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,436	3,418	2,743	3,240
Avg. Shares O/s (m)	416	416	416	416
EPS (Rs)	4.7	7.6	5.8	7.8

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jan-23	BUY	410	317
2	06-Nov-22	BUY	410	308
3	12-Oct-22	BUY	480	320

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	5,630	4,493
2	Chambal Fertilizers & Chemicals	BUY	410	317
3	Coromandel International	BUY	1,350	905
4	Dhanuka Agritech	BUY	940	700
5	Godrej Agrovet	Accumulate	570	472
6	Insecticides India	Hold	700	715
7	P.I. Industries	BUY	4,350	3,328
8	Rallis India	Hold	240	224
9	Sharda Cropchem	BUY	660	507
10	Sumitomo Chemical India	BUY	590	434
11	UPL	BUY	1,070	757

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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