

May 30, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		BUY	
Target Price	300		360	
Sales (Rs. m)	2,06,827	2,04,254	2,32,788	2,31,533
% Chng.	(11.2)	(11.8)		
EBITDA (Rs. m)	21,882	22,856	24,102	23,343
% Chng.	(9.2)	(2.1)		
EPS (Rs.)	31.1	33.6	36.3	39.7
% Chng.	(14.3)	(15.4)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,60,688	2,77,728	2,06,827	2,04,254
EBITDA (Rs. m)	22,622	18,194	21,882	22,856
Margin (%)	14.1	6.6	10.6	11.2
PAT (Rs. m)	15,660	10,334	12,951	13,992
EPS (Rs.)	37.6	24.8	31.1	33.6
Gr. (%)	18.9	(34.0)	25.3	8.0
DPS (Rs.)	7.5	8.5	8.5	9.0
Yield (%)	2.6	3.0	3.0	3.1
RoE (%)	26.9	15.3	17.3	16.9
RoCE (%)	19.7	14.3	17.5	17.6
EV/Sales (x)	1.0	0.5	0.6	0.6
EV/EBITDA (x)	6.9	7.3	5.8	5.4
PE (x)	7.6	11.5	9.2	8.5
P/BV (x)	1.9	1.7	1.5	1.4

Key Data

CHMB.BO | CHMB IN

52-W High / Low	Rs.371 / Rs.248
Sensex / Nifty	62,846 / 18,599
Market Cap	Rs.119bn / \$ 1,440m
Shares Outstanding	416m
3M Avg. Daily Value	Rs.391.27m

Shareholding Pattern (%)

Promoter's	60.56
Foreign	9.04
Domestic Institution	13.27
Public & Others	17.12
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.1	(6.7)	(18.4)
Relative	(2.7)	(7.0)	(28.7)

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FY23 an aberration impacted by lower subsidy

Quick Pointers:

- 4QFY23/FY23 subsidy receipts at Rs55.2bn/Rs212.2bn, up 50%/103% YoY.
- Inventory provision of ~Rs2bn in 4Q and ~Rs4.5bn in FY23 impacted profitability.

We trim our FY24/25E EPS estimates by 14%/15% each and downgrade our rating to 'HOLD' from 'BUY' with revised TP of Rs300 (based on 9XFY25 EPS) (Rs360 earlier) citing a) flat volume growth and lower margin visibility from Non-urea traded business; b) expectations of another round of NBS subsidy reduction from Govt. in 2HFY24, amid a falling RM cost scenario; and c) limited growth visibility in urea business. Chambal Fertilizers (CHMB) reported disappointing results with Revenue/EBITDA/PAT growth of 9%/-70%/-50% YoY lower than our and consensus estimates. Despite revenues up 9% YoY to Rs35.9bn, margins were severely impacted led by provisions of ~Rs2.0bn of high cost inventory in 4Q'23 (for FY23 provisions of ~Rs4.5bn).

Going forward, management alluded that most provisions for high cost inventory are largely behind, however they remained cautious on further cut in subsidy rates during 2HFY24. Further, robust subsidy disbursement from Govt. in FY23 coupled with falling RM cost scenario will likely keep working capital at comfortable levels along with healthy balance sheet. However, lack of earnings growth visibility in core business and delayed capacity expansion in TAN business (3QFY26) may keep stock performance under check. Downgrade to 'HOLD'.

- Growth in marketing volumes (+135%YoY) & urea volumes (+10%YoY) offset by lower subsidy:** CHMB posted healthy growth in overall fertilizer volumes up 17% YoY to 0.87mn mt (Urea and NPK sales volumes were up 10%/135% YoY respectively to 0.16/0.10mn mt). Agrochemical revenues were up 52% YoY to Rs7.2bn in FY23. However downward revision of Nutrient based subsidy rates (NBS) for 4Q'23 (applicable from 1st January'23 to 31st March'23) and 1H'24 (applicable for 1st April to 30th September'23) has resulted in inventory provisions of ~Rs2bn (~Rs300mn for 4Q and Rs1.7bn for 1HFY24) impacting margins (for FY23 provisions of ~Rs4.5bn). Further, lower operating performance coupled with negative contribution from its JV (IMACID) of Rs36mn in 4Q'23, as against a profit of Rs493mn last year, has led to overall miss.
- Robust subsidy receipts during 4Q'23:** Subsidy receipts during 4QFY23 and FY23 stood at Rs55.2bn/Rs212.2bn up 50%/103% YoY. Subsidy payments have significantly improved from end of Q3 onwards.
- Capex plans of ~Rs8-9bn in FY24E:** CHMB has revised its TAN expansion plans during 1HFY23 with a capital outlay of Rs16.45bn (Rs11.7bn earlier) to build 0.24 mn mt (0.22 mn mt earlier) and is expected to be commissioned by Q3FY26. The project is expected to be funded equally through debt and equity. Company has so far spent Rs1bn during FY23 and has guided to spend Rs5bn in FY24. Management also alluded that they would spend an additional capex of ~Rs3-4bn for further enhancing their energy efficiency in Urea plants FY24.

Exhibit 1: 4QFY23 result highlights

Y/e March (Rs mn)	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY22	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenues	35,987	33,074	8.8	82,962	(56.6)	2,77,728	1,60,688	72.8
Raw material	22,087	16,946	30.3	59,768	(63.0)	1,97,043	96,033	105.2
Staff costs	489	445	9.9	479	2.1	1,910	1,807	5.7
Others	12,296	12,069	1.9	16,015	(23.2)	60,582	40,227	50.6
Total expenditure	34,872	29,459	18.4	76,262	(54.3)	2,59,535	1,38,066	88.0
EBITDA	1,114	3,614	(69.2)	6,700	(83.4)	18,194	22,622	(19.6)
Depreciation	759	751	1.2	781	(2.8)	3,083	2,997	2.9
EBIT	355	2,864	(87.6)	5,919	(94.0)	15,111	19,625	(23.0)
Interest	669	266	151.9	1,201	(44.3)	3,200	1,059	202.1
Other income	413	243	70.0	229	80.7	1,678	680	146.7
Profit Before Tax	99	2,841	(96.5)	4,947	(98.0)	13,588	19,245	(29.4)
Less: Provision for Tax	(876)	897	(197.7)	1,706	(151.3)	3,825	6,648	(42.5)
Less: Minority Interest	(1)	2	NA	(1)	NA	4	1	
Add: Exceptional items (net of tax)	0	0	NA	0	NA	0	0	
Add: Share of Profit JV	(36)	493	NA	(2)	NA	575	3,064	
Reported Profit	941	2,436	(61.4)	3,240	(71.0)	10,334	15,660	(34.0)
Adjusted Profit	975	1,945	(49.8)	3,241	(69.9)	10,334	15,660	(34.0)
No. of Diluted shares outstanding (mn)	416.2	416.2		416.2		416.2	416.2	
Adjusted Diluted EPS	2.3	4.7		7.8		24.8	37.6	
As % of net revenues								
Raw material	61.4	51.2		72.0		70.9	59.8	
Staff expenses	1.4	1.3		0.6		0.7	1.1	
Other expenses	34.2	36.5		19.3		21.8	25.0	
EBITDA	3.1	10.9		8.1		6.6	14.1	
Reported net profit	2.6	7.4		3.9		3.7	9.7	

Source: Company, PL

Exhibit 2: Robust volume growth in Non-Urea segment; Urea volumes up 10% YoY

Particulars	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY22	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Urea								
Urea- Volumes ('000 tonnes)	764	694	10.1%	878	-13.0%	3,440	3,314	3.8%
Urea- Revenue (Rs Mn)	31,190	30,780	1.3%	44,140	-29.3%	1,66,890	1,09,260	52.7%
Non-Urea								
DAP+NPK- Volumes ('000 tonnes)	46	14	228.6%	483	-90.5%	1,333	844	57.9%
MOP- Volumes ('000 tonnes)	55	29	89.7%	34	61.8%	189	129	46.5%
Total Non-Urea Volumes ('000 tonnes)	101	43	134.9%	517	-80.5%	1,522	973	56.4%
Non-Urea- Revenue (Rs Mn)	4,800	2,290	109.6%	38,820	-87.6%	1,10,840	51,430	115.5%

Source: Company, PL

Exhibit 3: Subsidy receipts have been robust during 4Q'23; momentum to continue in FY24

Particulars	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY22	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Subsidy Receipts- Rs Mn	55,230	36,720	50.4%	96,240	-42.6%	2,12,190	1,04,340	103.4%
Subsidy Outstanding- Rs Mn	16,400	21,020	-22.0%	44,380	-63.0%	16,400	21,020	-22.0%
Market Debtors- Rs Mn	1,200	490	144.9%	1,370	-12.4%	1,200	490	144.9%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	1,60,688	2,77,728	2,06,827	2,04,254
YoY gr. (%)	26.3	72.8	(25.5)	(1.2)
Cost of Goods Sold	96,033	1,97,043	1,29,372	1,26,186
Gross Profit	64,655	80,685	77,455	78,068
Margin (%)	40.2	29.1	37.4	38.2
Employee Cost	1,807	1,910	2,006	2,106
Other Expenses	40,227	60,582	53,568	53,106
EBITDA	22,622	18,194	21,882	22,856
YoY gr. (%)	(8.2)	(19.6)	20.3	4.5
Margin (%)	14.1	6.6	10.6	11.2
Depreciation and Amortization	2,997	3,083	3,252	3,480
EBIT	19,625	15,111	18,629	19,376
Margin (%)	12.2	5.4	9.0	9.5
Net Interest	1,059	3,200	1,533	1,031
Other Income	680	1,678	1,761	1,850
Profit Before Tax	19,245	13,588	18,858	20,194
Margin (%)	12.0	4.9	9.1	9.9
Total Tax	6,648	3,825	6,412	6,866
Effective tax rate (%)	34.5	28.2	34.0	34.0
Profit after tax	12,597	9,763	12,446	13,328
Minority interest	(1)	(4)	(4)	(4)
Share Profit from Associate	3,064	575	509	668
Adjusted PAT	15,660	10,334	12,951	13,992
YoY gr. (%)	18.9	(34.0)	25.3	8.0
Margin (%)	9.7	3.7	6.3	6.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	15,660	10,334	12,951	13,992
YoY gr. (%)	(5.4)	(34.0)	25.3	8.0
Margin (%)	9.7	3.7	6.3	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	15,660	10,334	12,951	13,992
Equity Shares O/s (m)	416	416	416	416
EPS (Rs)	37.6	24.8	31.1	33.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	81,058	83,009	91,009	97,009
Tangibles	75,443	77,587	85,587	91,587
Intangibles	5,615	5,421	5,421	5,421
Acc: Dep / Amortization	11,882	14,965	18,218	21,698
Tangibles	11,882	14,965	18,218	21,698
Intangibles	-	-	-	-
Net fixed assets	69,176	68,044	72,791	75,311
Tangibles	63,561	62,622	67,370	69,889
Intangibles	5,615	5,421	5,421	5,421
Capital Work In Progress	1,566	1,016	1,016	1,016
Goodwill	-	-	-	-
Non-Current Investments	0	0	0	0
Net Deferred tax assets	(6,031)	(7,043)	(7,043)	(7,043)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	18,373	18,373	18,373
Inventories	31,232	13,738	10,633	10,371
Trade receivables	21,513	17,605	14,166	16,788
Cash & Bank Balance	5,541	576	3,705	1,540
Other Current Assets	3,859	8,346	9,181	10,099
Total Assets	1,32,890	1,27,701	1,29,868	1,33,501
Equity				
Equity Share Capital	4,162	4,162	4,162	4,162
Other Equity	59,834	66,519	74,543	83,188
Total Networkth	63,996	70,681	78,705	87,351
Non-Current Liabilities				
Long Term borrowings	24,712	18,204	10,254	3,879
Provisions	495	551	578	607
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	18,519	15,149	20,268	19,879
Trade payables	14,998	12,115	8,861	10,371
Other current liabilities	4,274	4,110	4,315	4,531
Total Equity & Liabilities	1,32,890	1,27,701	1,29,868	1,33,501

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	22,309	14,163	18,858	20,194
Add. Depreciation	2,997	3,083	3,252	3,480
Add. Interest	1,037	3,209	1,533	1,031
Less Financial Other Income	680	1,678	1,761	1,850
Add. Other	(2,382)	(170)	(1,726)	(1,813)
Op. profit before WC changes	23,961	20,285	21,917	22,892
Net Changes-WC	(20,773)	14,823	2,660	(1,552)
Direct tax	(3,430)	(2,715)	(6,412)	(6,866)
Net cash from Op. activities	(243)	32,393	18,165	14,474
Capital expenditures	(1,635)	(1,942)	(8,000)	(6,000)
Interest / Dividend Income	-	-	-	-
Others	444	(16,789)	1,761	1,850
Net Cash from Inv. activities	(1,191)	(18,732)	(6,239)	(4,150)
Issue of share cap. / premium	-	-	(505)	(664)
Debt changes	2,606	(12,352)	(4,364)	(7,795)
Dividend paid	(3,743)	(3,121)	(4,422)	(4,682)
Interest paid	-	-	-	-
Others	(991)	(3,147)	(4)	(4)
Net cash from Fin. activities	(2,128)	(18,620)	(9,295)	(13,146)
Net change in cash	(3,562)	(4,959)	2,632	(2,822)
Free Cash Flow	(1,878)	30,450	10,165	8,474

Source: Company Data, PL Research

Key Financial Metrics

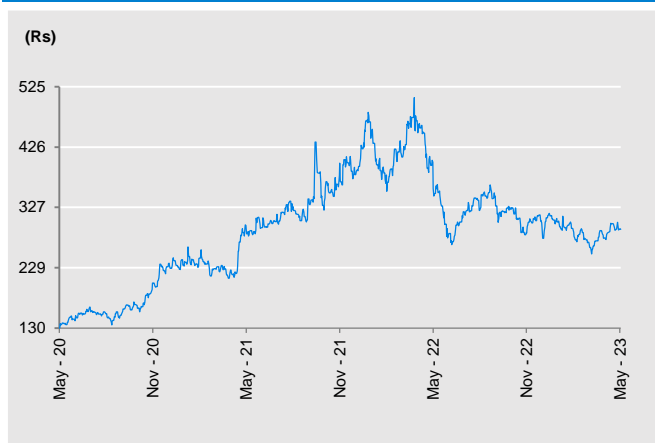
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	37.6	24.8	31.1	33.6
CEPS	44.8	32.2	38.9	42.0
BVPS	153.8	169.8	189.1	209.9
FCF	(4.5)	73.2	24.4	20.4
DPS	7.5	8.5	8.5	9.0
Return Ratio(%)				
RoCE	19.7	14.3	17.5	17.6
ROIC	13.7	12.5	14.5	14.2
RoE	26.9	15.3	17.3	16.9
Balance Sheet				
Net Debt : Equity (x)	0.6	0.2	0.1	0.0
Net Working Capital (Days)	86	25	28	30
Valuation(x)				
PER	7.6	11.5	9.2	8.5
P/B	1.9	1.7	1.5	1.4
P/CEPS	6.4	8.9	7.3	6.8
EV/EBITDA	6.9	7.3	5.8	5.4
EV/Sales	1.0	0.5	0.6	0.6
Dividend Yield (%)	2.6	3.0	3.0	3.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	72,912	85,868	82,962	35,987
YoY gr. (%)	106.0	91.7	74.9	8.8
Raw Material Expenses	52,069	63,119	59,768	22,087
Gross Profit	20,843	22,749	23,194	13,900
Margin (%)	28.6	26.5	28.0	38.6
EBITDA	5,934	4,445	6,700	1,114
YoY gr. (%)	2.1	(39.7)	15.0	(69.2)
Margin (%)	8.1	5.2	8.1	3.1
Depreciation / Depletion	761	782	781	759
EBIT	5,173	3,663	5,919	355
Margin (%)	7.1	4.3	7.1	1.0
Net Interest	481	850	1,201	669
Other Income	148	888	229	413
Profit before Tax	4,840	3,702	4,947	99
Margin (%)	6.6	4.3	6.0	0.3
Total Tax	1,695	1,300	1,706	(876)
Effective tax rate (%)	35.0	35.1	34.5	(881.2)
Profit after Tax	3,145	2,402	3,241	975
Minority interest	(1)	(1)	(1)	(1)
Share Profit from Associates	272	340	(2)	(36)
Adjusted PAT	3,145	2,402	3,241	975
YoY gr. (%)	0.2	(43.5)	(0.6)	(49.8)
Margin (%)	4.3	2.8	3.9	2.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,418	2,743	3,240	941
YoY gr. (%)	(10.4)	(45.8)	(25.5)	(61.4)
Margin (%)	4.7	3.2	3.9	2.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,418	2,743	3,240	941
Avg. Shares O/s (m)	416	416	416	416
EPS (Rs)	7.6	5.8	7.8	2.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	BUY	360	279
2	09-Feb-23	BUY	360	297
3	05-Jan-23	BUY	410	317
4	06-Nov-22	BUY	410	308
5	12-Oct-22	BUY	480	320

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bayer Cropscience	Accumulate	4,720	4,118
2	Chambal Fertilizers & Chemicals	BUY	360	279
3	Coromandel International	BUY	1,310	962
4	Dhanuka Agritech	BUY	950	720
5	Godrej Agrovet	Hold	420	423
6	Insecticides India	Accumulate	700	491
7	P.I. Industries	BUY	4,560	3,274
8	Rallis India	Hold	200	191
9	Sharda Cropchem	BUY	640	497
10	Sumitomo Chemical India	BUY	550	386
11	UPL	BUY	850	715

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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