

August 8, 2023

Q1FY24 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	300		300	
Sales (Rs. m)	2,06,827	2,04,254	2,06,827	2,04,254
% Chng.	-	-	-	-
EBITDA (Rs. m)	21,882	22,856	21,882	22,856
% Chng.	-	-	-	-
EPS (Rs.)	31.1	33.6	31.1	33.6
% Chng.	-	-	-	-

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 (%)	2.7	3.1	3.1	3.3
RoE (%)	26.9	15.3	17.3	16.9
RoCE (%)	19.7	14.3	17.5	17.6
EV/Sales (x)	0.9	0.5	0.6	0.6
EV/EBITDA (x)	6.7	7.1	5.6	5.2
PE (x)	7.3	11.1	8.8	8.2
P/BV (x)	1.8	1.6	1.5	1.3

Key Data

CHMB.BO | CHMB IN

52-W High / Low	Rs.368 / Rs.248
Sensex / Nifty	65,847 / 19,571
Market Cap	Rs.114bn/ \$ 1,382m
Shares Outstanding	416m
3M Avg. Daily Value	Rs.427.91m

Shareholding Pattern (%)

Promoter's	60.56
Foreign	9.64
Domestic Institution	11.98
Public & Others	17.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.3	(7.1)	(16.7)
Relative	(0.6)	(14.4)	(25.5)

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Chambal Fertilizers & Chemicals (CHMB IN)

Rating: HOLD | CMP: Rs275 | TP: Rs300

In-line quarterly performance

Quick Pointers:

- 1QFY24 subsidy receipts at Rs29.5bn, up 54% YoY
- TAN project on track; likely to come up by 3QFY26

Chambal Fertilizers (CHMB) reported decent performance with Revenue/EBITDA/PAT growth of -23%/+7%/+6% YoY and were in line with our and consensus estimates. Decline in revenues was largely on the back of a) decline in RM cost resulting into lower subsidy income from the Govt. and b) lower sales volumes in Non-urea traded fertilizers (down 29% YoY). Gross margins improved by 630bps YoY to 34.9% primarily led by lower RM cost, while higher employee cost and other expenses up 40bps/290bps YoY respectively has restricted EBITDA margins improvement to 320bps YoY to 11.3% (PLe 9.8%). PAT was up 6% YoY to Rs3.3bn.

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. till YTFY24 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. Maintain 'HOLD' with unchanged TP of Rs300 based on 9XFY25 EPS.

- Overall fertilizer sales volumes declined by 5% YoY (+9% YoY growth in Urea being offset by 29% YoY decline in Non-urea traded volumes):** During 1QFY24, Overall sales volumes stood at 1.19mn mt down 5% YoY largely led by 9% YoY growth in urea volumes to 0.86mn mt being offset by 29% YoY decline in Non-urea traded volumes to 0.33mn mt. Crop protection and Specialty Nutrients segment posted revenue growth of 17% YoY to Rs3.0bn. Gross Margins improved by 630bps YoY to 34.9% primarily led by lower RM cost, while higher employee cost and other expenses up 40bps/290bps YoY has restricted EBITDA margins improvement to 320bps YoY to 11.3% (PLe 9.8%). PAT was up 6% YoY to Rs3.3bn.
- Robust subsidy receipts during 1Q'24:** Subsidy receipts during 1QFY24 stood at Rs29.48bn up 54% YoY. Further, management highlighted that subsidy disbursements from government has been robust in July'23 as well which in turn has resulted into negligible short term borrowings for them till July'23 end and expects this momentum to continue for rest of FY24.
- 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.

- New product launches drive the show in Crop protection & Specialty Nutrients:** CPC & SN portfolio continued to perform well and registered 17% growth during 1QFY24. Company has launched 5 new products during 1QFY24 (2- weedicides, 1-Herbicide, 1-Fungicide and 1-Insecticide). Management alluded for double digit growth in the segment going forward.

Exhibit 1: 1QFY24 result highlights

Y/e March (Rs mn)	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ g.r (%)	FY24E	FY23	YoY gr. (%)
Revenues	55,893	72,912	(23.3)	35,987	55.3	2,06,827	2,77,728	(25.5)
Raw material	36,359	52,069	(30.2)	22,087	64.6	1,29,372	1,97,043	(34.3)
Staff costs	540	443	21.7	489	10.4	2,006	1,910	5.0
Others	12,661	14,466	(12.5)	12,296	3.0	53,568	60,582	(11.6)
Total expenditure	49,560	66,978	(26.0)	34,872	42.1	1,84,946	2,59,535	(28.7)
EBITDA	6,333	5,934	6.7	1,114	468.3	21,882	18,194	20.3
Depreciation	772	761	1.4	759	1.6	3,252	3,083	5.5
EBIT	5,562	5,173	7.5	355	1,465.7	18,629	15,111	23.3
Interest	548	481	14.0	669	(18.0)	1,533	3,200	(52.1)
Other income	89	148	(39.4)	413	(78.4)	1,761	1,678	5.0
Profit Before Tax	5,103	4,840	5.4	99	5,033.4	18,858	13,588	38.8
Less: Provision for Tax	1,772	1,695	4.5	-876	(302.3)	6,412	3,825	67.6
Less: Minority Interest	0	-1	NA	-1	NA	4	4	
Add: Exceptional items (net of tax)	0	0	NA	0	NA	0	0	
Add: Share of Profit JV	55	272	NA	-36	NA	509	575	
Reported Profit	3,386	3,418	(1.0)	941	259.8	12,951	10,334	25.3
Adjusted Profit	3,331	3,145	5.9	975	241.5	12,951	10,334	25.3
No. of Diluted shares outstanding (mn)	416.2	416.2		416.2		416.2	416.2	
Adjusted Diluted EPS	8.0	7.6		2.3		31.1	24.8	
As % of net revenues								
Raw material	65.1	71.4		61.4		62.6	70.9	
Staff expenses	1.0	0.6		1.4		1.0	0.7	
Other expenses	22.7	19.8		34.2		25.9	21.8	
EBITDA	11.3	8.1		3.1		10.6	6.6	
Reported net profit	6.1	4.7		2.6		6.3	3.7	

Source: Company, PL

Exhibit 2: Overall volumes down 5% YoY led by 29% YoY decline in Non-urea traded volumes

Particulars	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ g.r (%)	FY23	FY22	YoY gr. (%)
Urea								
Urea- Volumes ('000 tonnes)	859	789	8.9	764	12.4	3,440	3,314	3.8
Urea- Revenue (Rs Mn)	33,880	37,320	(9.2)	31,190	8.6	1,66,890	1,09,260	52.7
Non-Urea								
DAP+NPK- Volumes ('000 tonnes)	311	411	(24.3)	46	576.1	1,333	844	57.9
MOP- Volumes ('000 tonnes)	21	55	(61.8)	55	(61.8)	189	129	46.5
Total Non-Urea Volumes ('000 tonnes)	332	466	(28.8)	101	228.7	1,522	973	56.4
Non-Urea- Revenue (Rs Mn)	22,010	35,590	(38.2)	4,800	358.5	1,10,840	51,430	115.5

Source: Company, PL

**Exhibit 3: Subsidy receipts have been robust during 1Q'24; momentum likely to continue in FY24**

Particulars	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ g.r (%)	FY23	FY22	YoY gr. (%)
Subsidy Receipts- Rs Mn	29,480	19,170	53.8	55,230	(46.6)	2,12,190	1,04,340	103.4
Subsidy Outstanding- Rs Mn	25,780	54,850	(53.0)	16,400	57.2	16,400	21,020	(22.0)
Market Debtors- Rs Mn	4,840	2,280	112.3	1,200	303.3	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	7.3	11.1	8.8	8.2
P/B	1.8	1.6	1.5	1.3
P/CEPS	6.1	8.5	7.1	6.6
EV/EBITDA	6.7	7.1	5.6	5.2
EV/Sales	0.9	0.5	0.6	0.6
Dividend Yield (%)	2.7	3.1	3.1	3.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

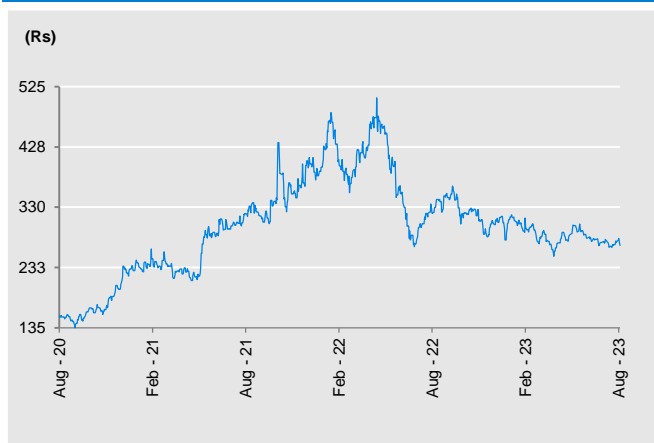
Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	85,868	82,962	35,987	55,893
YoY gr. (%)	91.7	74.9	8.8	(23.3)
Raw Material Expenses	63,119	59,768	22,087	36,359
Gross Profit	22,749	23,194	13,900	19,534
Margin (%)	26.5	28.0	38.6	34.9
EBITDA	4,445	6,700	1,114	6,333
YoY gr. (%)	(39.7)	15.0	(69.2)	6.7
Margin (%)	5.2	8.1	3.1	11.3
Depreciation / Depletion	782	781	759	772
EBIT	3,663	5,919	355	5,562
Margin (%)	4.3	7.1	1.0	10.0
Net Interest	850	1,201	669	548
Other Income	888	229	413	89
Profit before Tax	3,702	4,947	99	5,103
Margin (%)	4.3	6.0	0.3	9.1
Total Tax	1,300	1,706	(876)	1,772
Effective tax rate (%)	35.1	34.5	(881.2)	34.7
Profit after Tax	2,402	3,241	975	3,331
Minority interest	(1)	(1)	(1)	-
Share Profit from Associates	340	(2)	(36)	55
Adjusted PAT	2,402	3,241	975	3,331
YoY gr. (%)	(43.5)	(0.6)	(49.8)	5.9
Margin (%)	2.8	3.9	2.7	6.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,743	3,240	941	3,386
YoY gr. (%)	(45.8)	(25.5)	(61.4)	(1.0)
Margin (%)	3.2	3.9	2.6	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,743	3,240	941	3,386
Avg. Shares O/s (m)	416	416	416	416
EPS (Rs)	5.8	7.8	2.3	8.0

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Hold	300	273
2	30-May-23	Hold	300	286
3	11-Apr-23	BUY	360	279
4	09-Feb-23	BUY	360	297
5	05-Jan-23	BUY	410	317
6	06-Nov-22	BUY	410	308
7	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	4,593
2	Chambal Fertilizers & Chemicals	Hold	300	273
3	Coromandel International	BUY	1,330	980
4	Dhanuka Agritech	BUY	950	746
5	Godrej Agrovet	Hold	420	464
6	Insecticides India	Accumulate	550	448
7	P.I. Industries	BUY	4,560	3,857
8	Rallis India	Reduce	180	221
9	Sharda Cropchem	Accumulate	540	481
10	Sumitomo Chemical India	BUY	500	413
11	UPL	Hold	650	625

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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