ArihantCapital
Generating Wealth

Q1FY27 Result Update
31st July 2026

Chambal Fertilisers & Chemicals Ltd.

A lower-quantity, higher-quality quarter

CMP: INR 440

Rating: BUY

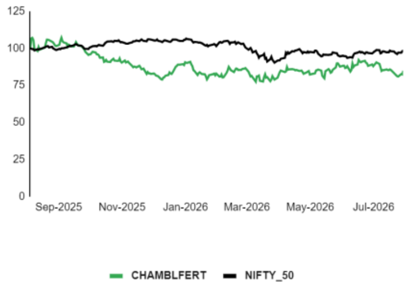
Target Price: INR 549

Stock Info	
BSE	500085
NSE	CHAMBLFERT
Sector	Fertiliser
Face Value (INR)	10
Equity Capital (INR Cr)	4,010
Mkt Cap (INR Mn)	176,230
52w H/L (INR)	581 / 400
Avg Yearly Vol (in 000')	1071

Shareholding Pattern % *(As on July, 2026)*	
Promoters	61.34
Public & Others	38.66

Stock Performance (%)	**1m**	**6m**	**12m**
CHAMBLFERT	-8.00	+1.95	-17.52
Nifty	0.86	-2.81	-1.37

CHAMBLFERT Vs Nifty 50



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Chambal delivered a margin-led Q1FY27: topline fell ~12% YoY on plant shutdowns and a delayed monsoon, but profitability expanded sharply, validating the diversification thesis. Standalone revenue was ~INR 50.0 bn (-12% YoY), while EBITDA rose 12% to INR 8.51 bn and PAT rose 10% to INR 7.03 bn, with EBITDA margin up ~350 bps to 17%. The revenue softness was largely mechanical – bunched shutdowns at Gadepan-I, an extended Gadepan-II shutdown, and delayed kharif sowing. The defining event of the quarter was the approval of the National Investment Policy for Urea 2026, reopening the path to a potential fourth Gadepan urea plant, alongside continued TAN commissioning progress.

Investment Rationale

Urea – Volumes Dented by Shutdowns, Profitability Resilient

Own-manufactured (urea) revenue was INR 28,600 mn vs INR 31,090 mn, down 8% YoY on lower production and sales, with segment EBIT of ~INR 4,320 mn holding up despite the outages. Management attributed margin resilience to Gadepan-III being the predominant contributor in the mix, a favourable currency movement that flows directly into G-III margins, and higher-margin surplus ammonia sales. Quarterly sales split was G1 ~96,000 t, G2 ~1.85 lakh ton and G3 ~3.29 lakh ton; the provisional pooled gas price (NCV) was $17.25/mmbtu. The key policy overhang persists: the existing G-III policy (NIP 2012) expires in December, and treatment thereafter is under active discussion with the government – management stressed the plant is only ~8 years into a 15-year depreciation schedule, arguing against being folded into an older, less favourable group.

Complex Fertilisers – Soft Placement, EBIT Surges on Low-Cost Inventory

Complex fertiliser revenue was INR 17,370 mn, down ~18% YoY, reflecting a deliberately measured placement in a delayed-sowing season, while segment EBIT jumped ~67% YoY to ~INR 2,390 mn (versus a small loss in Q4FY26). The margin uplift came from advance purchases of phosphatic/potassic material taken from January onwards, ahead of the kharif price spike; management guided this benefit will normalise as price-averaging works through, though it expects to hold a certain margin floor. Chambal had tied up ~8.5–9 lakh tons of material and introduced a new Ammonium Sulphate grade to broaden its balanced-nutrition portfolio. NBS remains the swing factor: kharif rates were raised ~10% but set before the global cost spike, so they under-recover current input costs; management expects an interim NPK subsidy revision by October, with DAP now effectively cost-absorbed like urea.

CPC / Specialty Nutrients / Seeds – Demand Deferred, Margins Improve

The segment posted revenue of ~INR 4,300 mn vs INR 4,580 mn, down 6% YoY on deferred farmer purchases, but EBIT grew 13% YoY to ~INR 1,080 mn with margins improving to ~25% on a richer product mix. The company launched 7 new CPC products across herbicides, fungicides and insecticides, added 2 new maize and bajra seed varieties, and expanded biologicals with a new biostimulant, "Uttam Aris Gold." The biologicals pipeline continues to be anchored by TERI: Chambal established the CFCL-TERI Centre of Excellence for Advanced and Sustainable Agriculture Solutions, with a dedicated lab now operational and products expected to launch from FY28/29, including a potential export angle. Farmer-engagement scale-up continued via the Seed-to-Harvest program (1,400+ meetings, 500 demos, 38,000+ soil samples analysed).

Outlook and Valuation

Q1FY27 was a soft-topline but strong-margin quarter, with diversification progressing on multiple fronts: TAN's WNA/ANS production has started (not yet in P&L pending full commissioning) with HDAN nearing completion and margins ahead of budget; IMACID resumed in July after a sulphur-driven halt, with OCP capacity expansion due by Apr-Jun 2027; and the key catalyst, a fourth urea plant under NUP 2026 (~INR 100,000 mn capex, ~INR 12,000/ton EBITDA, 2030 commissioning, bids by mid-October), offers strong synergies via a four-plant Gadepan complex despite a dilutive ROE versus NUP 2012. The balance sheet remains healthy (INR 24,800 mn subsidy received, ~INR 2,000 mn net borrowing), and near-term volumes and Q2 outlook are improving. **We retain our BUY rating with INR 549 target (7x EV/EBITDA on FY28E EBITDA of INR 32.2 bn), with upside skewed toward TAN ramp-up and the fourth-plant decision.**

Summary (In Mn)	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Net Sales	179,664	166,462	207,937	213,074	240,093
EBIDTA	20,433	24,835	26,785	27,657	32,209
Net Profit	12,758	16,493	19,534	19,038	22,319
Diluted EPS	30.8	41.2	46.9	45.7	53.6
P/E (x)	22.5	16.9	14.8	15.2	12.9
EV/EBIDTA (x)	14.1	11.2	10.7	10.4	8.9
P/BV (x)	2.8	2.3	1.6	1.4	1.2
RoE (%)	17.8%	20.7%	18.6%	14.4%	14.6%
Debt/Equity (x)	0.16	0.01	0.01	0.01	0.01

Source: Company, Arihant Capital Research

Q1FY27 Financials

Consolidated (INR Mn)	Q1FY27	Q1FY26	% YoY	Q4FY26	% QoQ
Net Sales	**50,270**	**56,976**	**-11.8%**	**27,850**	**80.5%**
COGS	29,787	36,982	-19.5%	14,630	**103.6%**
Gross Margin	**20,484**	**19,994**	**2.4%**	**13,220**	**54.9%**
GM (%)	***40.7%***	***35.1%***	***565bps***	***47.5%***	-672bps
Employee Benefits Expense	702	616	13.9%	660	6.4%
Other Expenses	11,275	11,769	-4.2%	10,010	12.6%
EBITDA	**8,507**	**7,610**	**11.8%**	**2,551**	**233.5%**
EBITDA Margins (%)	***16.9%***	***13.4%***	***357bps***	***9.2%***	776bps
Depreciation	891	845	5.4%	901	-1.1%
Finance Costs	168	24	590.1%	26	552.5%
Other Income	269	433	-37.8%	288	-6.5%
Profit Before JV & Tax	**7,718**	**7,174**	**7.6%**	**1,912**	**303.7%**
Share of JV	-251	361	-169.5%	238	-205.3%
Profit Before Tax	**7,467**	**7,535**	**-0.9%**	**2,150**	**247.2%**
Total Tax Expense	2,231	2,046	9.0%	458	387.2%
Profit for the Period	**5,236**	**5,489**	**-4.6%**	**1,692**	**209.4%**
PAT Margins (%)	***10.4%***	***9.6%***	*78bps*	***6.1%***	434bps

Segmental Revenue (INR mn)	Q1FY27	Q1FY26	% YoY	Q4FY26	% QoQ
Own Manufactured Fertilisers	*28,600*	*31,085*	*-8%*	*24,316*	18%
Complex Fertilisers	*17,367*	*21,309*	*-18%*	*3,230*	438%
CPC and SN	*4,304*	*4,582*	*-6%*	*305*	1312%
Total Revenue	**50,270**	**56,976**	**-12%**	**27,850**	**81%**
Segmental EBIT (INR mn)					
Own Manufactured Fertilisers	*4,318*	*4,613*	*-6%*	*1,903*	127%
Complex Fertilisers	*2,387*	*1,429*	*67%*	*- 115*	-2174%
CPC and SN	*53*	*961*	*-94%*	*1,084*	-95%
EBIT	**6,758**	**7,003**	**-4%**	**2,872**	**135%**
Segmental Margin (%)					
Own Manufactured Fertilisers	*15%*	*15%*	*26bps*	*8%*	727bps
Complex Fertilisers	*14%*	*7%*	*704bps*	*-4%*	1731bps
CPC and SN	*1%*	*21%*	*-1975bps*	*355%*	-35413bps
EBIT margin %	**13%**	**12%**	**115bps**	**10%**	**313bps**

Source: Arihant Research, Company Filings

Q1FY27 Earnings Call Highlights

Management sounded incrementally positive as monsoon has caught up sharply in July after a weak start, with urea and DAP offtake already running at healthy daily rates; Q2 is expected to be better than earlier anticipated. The key medium-term catalyst remains board/government approval of the ~100,000 mn 4th urea plant under the new National Investment Policy 2026, with financial bids due mid-October and a possible FID thereafter.

Financial Performance

Revenue fell ~12% YoY to INR 50,000, but EBITDA rose 12% to INR 8510 mn as margins expanded ~350bps to 17%, and PAT grew 10% to INR 7,030 mn. Net cash position stood at roughly INR 2,000 mn (net borrowing), with subsidy receipts of ~INR 24,800 mn broadly in line with last year.

Segment Performance

Urea revenue declined 8% to INR 28,600 mn on plant shutdowns, though profitability held up well; complex fertilisers revenue fell 18% to INR 17,370 mn but segment EBIT jumped 67% to INR 2390 mn on advance low-cost NPK/DAP inventory purchases. Crop protection/specialty/seeds revenue dipped 6% to INR 4300 mn, yet EBIT rose 13% to INR 1080 mn with margins near 25%, aided by better product mix despite delayed sowing.

New Urea Plant / NIP 2026

Management confirmed the application window is already open, technical bids are in hand, and financial bids are expected by mid-October, after which board approval could follow; commissioning is targeted around FY30-31. Returns are seen as somewhat dilutive versus the earlier 2012 policy, but management argues scale benefits (fourth plant at the same site, among the largest in Asia after Qatar) and synergies in raw material sourcing and distribution justify the investment; EBITDA/ton was pegged at roughly INR 12,000 at current gas/urea economics.

Technical Ammonium Nitrate (TAN) Project

Production of weak nitric acid and ammonium nitrate solution has commenced, with high-density ammonium nitrate nearing commissioning; the JV partner faced a temporary shutdown due to sulphur shortages/high prices but resumed operations in July. Management expects utilisation to ramp meaningfully from Q3 FY27 as marketing infrastructure (warehouses, product mix) is completed by December.

Phosphatic/NPK Supply & Subsidy

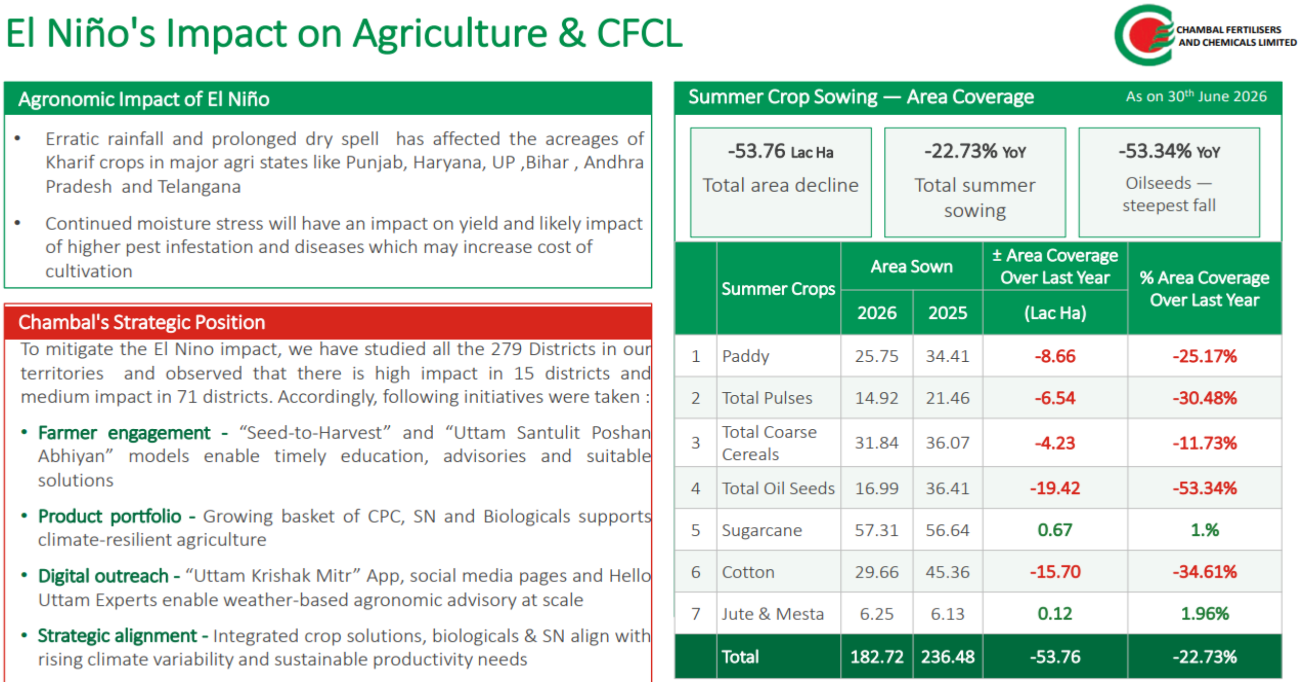
NPK subsidy rates for the rabi season remain undecided, with management attributing the delay to government caution around fiscal cost, monsoon progress, and inventory levels; DAP/urea subsidies are seen as largely protected via cost-plus mechanisms. Global phosphate supply from Morocco was disrupted mid-quarter by sulfur shortages but has since normalised, while India's DAP/NPK sourcing this year leaned heavily on Russian material.

Capital Allocation

Management reiterated its dividend policy (~25% payout) will continue unchanged, while buybacks remain off the table given the pipeline of CapEx opportunities (fourth urea plant, TAN ramp-up, potential phosphate JV). No decision yet on a standalone Indian phosphate granulation plant, as evaluations show domestic project costs are comparable to or higher than JV routes abroad (e.g., existing MRC JV in Morocco).

Other

An overseas phosphate JV (beyond the existing MRC tie-up) is under discussion, with some progress made; further updates are expected as talks mature. On tank/TAN business risk from new entrants (e.g., reports of Reliance evaluating entry), management struck a neutral tone, noting India remains structurally short and current realizations are running ahead of budget.



El Niño's Impact on Agriculture & CFCL

CHAMBAL FERTILISERS AND CHEMICALS LIMITED

Agronomic Impact of El Niño

- Erratic rainfall and prolonged dry spell has affected the acreages of Kharif crops in major agri states like Punjab, Haryana, UP ,Bihar , Andhra Pradesh and Telangana
- Continued moisture stress will have an impact on yield and likely impact of higher pest infestation and diseases which may increase cost of cultivation

Chambal's Strategic Position

To mitigate the El Nino impact, we have studied all the 279 Districts in our territories and observed that there is high impact in 15 districts and medium impact in 71 districts. Accordingly, following initiatives were taken :

- **Farmer engagement -** "Seed-to-Harvest" and "Uttam Santulit Poshan Abhiyan" models enable timely education, advisories and suitable solutions
- **Product portfolio -** Growing basket of CPC, SN and Biologicals supports climate-resilient agriculture
- **Digital outreach -** "Uttam Krishak Mitr" App, social media pages and Hello Uttam Experts enable weather-based agronomic advisory at scale
- **Strategic alignment -** Integrated crop solutions, biologicals & SN align with rising climate variability and sustainable productivity needs

Summer Crop Sowing — Area Coverage

As on 30th June 2026

-53.76 Lac Ha
Total area decline

-22.73% YoY
Total summer sowing

-53.34% YoY
Oilseeds — steepest fall

	Summer Crops	Area Sown		± Area Coverage Over Last Year	% Area Coverage Over Last Year
		2026	2025	(Lac Ha)	
1	Paddy	25.75	34.41	-8.66	-25.17%
2	Total Pulses	14.92	21.46	-6.54	-30.48%
3	Total Coarse Cereals	31.84	36.07	-4.23	-11.73%
4	Total Oil Seeds	16.99	36.41	-19.42	-53.34%
5	Sugarcane	57.31	56.64	0.67	1.%
6	Cotton	29.66	45.36	-15.70	-34.61%
7	Jute & Mesta	6.25	6.13	0.12	1.96%
	Total	182.72	236.48	-53.76	-22.73%

Source: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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