

CMP: INR 465

Rating: Buy

Target Price: INR 670

Stock Info

BSE	500085
NSE	CHAMBLFERT
Bloomberg	CHMB:IN
Sector	Fertilizer
Face Value (INR)	10
Equity Capital (INR Mn)	4,010
Mkt Cap (INR Bn)	186
52w H/L (INR)	742/410
Avg Yearly Volume (in 000')	1753

Shareholding Pattern %

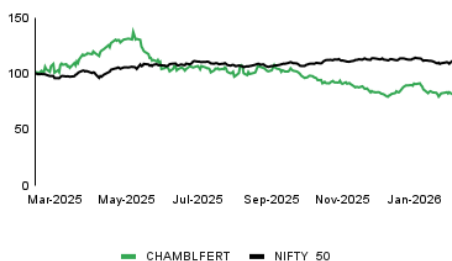
(As on Sept, 2025)

Promoters	60.80
FII's	15.70
DII's	4.66
Public & Others	18.80

Stock Performance (%)

	1m	6m	12m
Chambal Fertilizers	7.43	-12.61	-11.39
NIFTY	0.63	5.99	12.62

Chambal Fertilizer vs Nifty 50



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Chambal Fertilisers delivered a steady Q3FY26 with strong topline momentum (20% YoY revenue growth), resilient urea profitability and robust traction in complex fertilisers and value-added CPC/specialty nutrients, despite higher gas costs and subsidy working-capital frictions. With TAN commissioning due by April 2026, ongoing phosphatic backward-integration via Indo Maroc Phosphore (IMACID), and a deep biologicals pipeline (via TERI and in-licensing), Chambal is structurally repositioning from a largely urea-led model to a more diversified, higher-margin agri-solutions platform, though near-term earnings will remain sensitive to G3 post-tax policy, NBS outcomes and the evolving DAP/NPK price-subsidy construct.

Investment Rationales

Urea Stable Amid Gas Pressures, Complexes Volumes Surge

Chambal Fertilisers' core fertiliser segment underpinned a steady Q3FY26, with urea delivering stable volumes and profitability amid elevated gas costs, while complex fertilisers (DAP/NPK/TSP) posted strong 81% YoY revenue growth to INR 18.50 bn on 38% higher sales of 0.3 mn tons, though EBIT margins moderated to ~1.4% reflecting input inflation (sulphur, phosphoric acid) outpacing limited pricing flexibility. Urea sales volumes were largely flat at 0.98 mn tons in Q3 (9MFY26: 2.73 mn tons) with revenue at INR 37.08 bn and EBIT margins of ~17.3% (9MFY26: ~16.3%), supported by Gadepan plants operating 2-6% ahead of GKL norms despite a minor Q3 outage; management expects Rabi tailwinds to persist but flags risks from G3 post-tax policy recalibration and constrained DAP/NPK affordability as input costs (phosphoric acid >USD 720/ton) squeeze margins, with NBS likely to continue MRP controls for DAP while allowing NPK pricing freedom.

Rapid Expansion in Crop Protection and Specialty Nutrients

Chambal Fertilisers' CPC/specialty nutrients (SN), seeds and biologicals segment continued its robust trajectory in Q3FY26, with revenue up 33% YoY to INR 3.40 bn and EBIT margins at a healthy ~22.8%, reflecting scale benefits, richer product mix and deeper farmer penetration. Biologicals were a standout, with 9MFY26 volumes up 31% YoY and revenue up ~58% YoY, led by "Uttam Pranam" (bio nano phosphorus) delivering ~250% YoY volume/revenue growth and driving Chambal's biologicals market share to ~6%; the segment's pipeline remains strong, with 12 new CPC products and one SN product slated for FY27 launches, bolstered by a TERI partnership (joint IP, exclusive global commercialisation rights) yielding 8-9 biologicals (fungicides, nematicides) from FY27-28, alongside seed scaling in wheat/mustard/pearl millet and inbound partner interest.

Outlook and Valuation:

Chambal Fertilisers remains committed to diversification beyond urea, with the TAN project (capex INR 16.45 bn) nearing mechanical completion (92% EPC done) by April 2026, targeting 75-80%+ utilisation in FY27 and pursuing both vertical (value-chain forward) and horizontal expansions as a core focus area. IMACID JV enhancements include P2O5 capacity up from 0.5 mn TPA to 0.7 mn TPA (Dec 2026) and sulphuric acid capacity increase (FY27), bolstering phosphatic integration. Management commentary underscores a stable Rabi backdrop, expects NBS continuity and a G3 post-tax recalibration precedent based on net fixed assets/RO NW, while guiding for CPC/biologicals/seed momentum (6% biologicals share, TERI pipeline) and potential overseas phosphatic investments amid active discussions. Overall, the portfolio is poised for steady urea cash flows, complex fertiliser leverage and value-added margin accretion, with FY27 offering visibility subject to input pricing and policy resolution. **We remain upbeat about the growth momentum in non-subsidy segments driving margin led growth and value the company at 7x EV/EBITDA on FY28E EBITDA of INR 40 bn for a target price of INR 670 per share with a Buy rating.**

Financial Performance:

Summary (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	179,664	166,462	207,539	236,193	260,900
EBIDTA	20,433	24,835	28,530	33,041	39,771
Net Profit	12,758	18,346	19,994	23,274	28,165
Diluted EPS	30.8	41.2	48.0	55.9	67.7
P/E (x)	22.5	16.9	14.4	12.4	10.3
EV/EBIDTA (x)	14.1	11.2	10.1	8.6	7.0
P/BV (x)	2.8	2.3	1.6	1.4	1.2
RoE (%)	17.8%	20.7%	19.0%	17.3%	17.6%
Debt/Equity (x)	0.16	0.01	0.01	0.01	0.01

Source: Arihant Research, Company Filings

Consolidated (INR Mn)	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ
Net Sales	58,983	49,181	19.9%	64,128	-8.0%
COGS	38,031	29,429	29.2%	43,290	-12.1%
Gross Margin	20,952	19,751	6.1%	20,838	0.5%
GM (%)	35.5%	40.2%	-464bps	32.5%	303bps
Employee Benefits Expense	953	579	64.6%	645	47.8%
Other Expenses	11,792	11,393	3.5%	11,776	0.1%
EBITDA	8,207	7,779	5.5%	8,417	-2.5%
EBITDA Margins (%)	13.9%	15.8%	-190bps	13.1%	79bps
Depreciation	878	830	5.7%	866	1.3%
Finance Costs	9	69	-86.7%	9	3.4%
Other Income	141	646	-78.2%	406	-65.3%
Profit Before JV & Tax	7,462	7,526	-0.9%	7,948	-6.1%
Share of JV	219	299	-26.9%	470	-53.4%
Profit Before Tax	7,680	7,825	-1.9%	8,418	-8.8%
Total Tax Expense	1,817	2,481	-26.8%	1,930	-5.9%
Profit for the Period	5,864	5,344	9.7%	6,488	-9.6%
PAT Margins (%)	9.9%	10.9%	-92bps	10.1%	-17bps
Segmental Revenue (INR mn)					
	Q3FY26	Q3FY25	% YoY	Q2FY26	% QoQ
<i>Own Manufactured Fertilisers</i>	37,081	36,416	2%	33,174	12%
<i>Complex Fertilisers</i>	18,501	10,216	81%	27,213	-32%
<i>CPC and SN</i>	3,401	2,549	33%	3,741	-9%
Total Revenue	58,983	49,181	20%	64,128	-8%
Segmental EBIT (INR mn)					
<i>Own Manufactured Fertilisers</i>	6,408	6,322	1%	5,526	16%
<i>Complex Fertilisers</i>	258	135	91%	1,242	-79%
<i>CPC and SN</i>	774	597	30%	1,043	-26%
EBIT	7,440	7,054	5%	7,811	-5%
Segmental Margin (%)					
<i>Own Manufactured Fertilisers</i>	17%	17%	-8bps	17%	62bps
<i>Complex Fertilisers</i>	1%	1%	7bps	5%	-317bps
<i>CPC and SN</i>	23%	23%	-69bps	28%	-512bps
EBIT margin %	13%	14%	-173bps	12%	43bps

Source: Arihant Research, Company Filings

Q3FY26 Concall Highlights**Segmental Performance****Urea (Core)**

- Q3FY26 urea revenue at INR 37.08 bn (INR 3,708 crore), broadly flat YoY; urea sales volumes stable at 0.983 mn tons vs 0.988 mn tons YoY.
- Q3 urea EBIT margin robust at ~17.28%; 9MFY26 urea EBIT margin at ~16.3%, highlighting stability despite gas cost pressures.
- 9MFY26 urea revenue around INR 101.34 bn (INR 10,134 crore) with sales volumes ~2.73 mn tons.
- Gas cost for the quarter at ~USD 14.6/MMBtu (NCV basis), elevated but fully covered under pooling and urea subsidy framework.
- Plant performance Q3 (production): Gadepan 1 – 0.284 mn tons; Gadepan 2 – 0.269 mn tons; Gadepan 3 – 0.351 mn tons (total 0.904 mn tons), with energy consumption 4–6% better than norms for G1/G2 and 2–3% for G3.
- Outages: only a minor stripper leak at G1 (3 days) in Q3; G2 will undergo a planned 30–35 day shutdown from 20 Feb (Q4), impacting near-term volumes.

Complex Fertilisers (DAP/NPK/TSP)

- Q3 complex fertiliser revenue at ~INR 18.50 bn (INR 1,850 crore), +81% YoY; volumes at 0.294 mn tons vs 0.213 mn tons YoY, reflecting strong seasonal demand and tight industry supply.
- Q3 EBIT margin modest at ~1.4%, dilutive vs urea but improved YoY due to better operating leverage; 9MFY26 EBIT margin moderated to 4.4% from 6.87% as raw-material inflation (sulphur, phosphoric acid) outpaced price increases.
- 9MFY26 complex fertiliser revenue at ~INR 67.02 bn (INR 6,702 crore), +180% YoY; volumes at 1.17 mn tons, driven by DAP, TSP and NPK.
- NPKs benefited from DAP tightness in the last 12 months, but management acknowledges affordability/tipping-point risks if NPK prices are hiked further to pass through input cost spikes.
- DAP economics: domestic production profitability under pressure as sulphur and phosphoric acid prices spike (sulphur elevated, phosphoric acid contracts trending up from ~USD 650–670 to >USD 720/ton), while MRP and DAP subsidy are tightly controlled; NPK economics even tighter given lack of DAP-like policy support.

CPC, Specialty Nutrients and Seeds

- Q3FY26 CPC/specialty nutrients/seed revenue at ~INR 3.40 bn (INR 340 crore), +33% YoY; EBIT margin a healthy ~22.8%.
- 9MFY26 segment revenue at ~INR 11.72 bn (INR 1,172 crore) vs INR 8.87 bn (INR 887 crore) YoY; EBIT margin improved to ~23.69%.
- Nine-month contribution from CPC/specialty/biologicals up ~30% YoY, reflecting scale benefits and richer mix.

Biologicals, R&D Tie-ups and Seeds

- Biologicals portfolio remains a key growth driver: 9MFY26 biologicals volumes up 31% YoY; revenue up ~58% YoY.
- “Uttam Pranam” (bio nano phosphorus) seeing strong adoption with volumes and revenue up ~250% YoY, validating farmer acceptance and product efficacy.
- Chambal now has ~6% share of the biologicals market in India, providing a differentiated, regulatory-light growth vector.
- TERI partnership: Chambal and TERI have operationalised a dedicated centre of excellence lab to co-develop advanced sustainable agri solutions (biological fungicides, nematicides etc.); IP is jointly owned, with Chambal holding exclusive global commercialization rights.
- 8–9 products in the biologicals pipeline (fungicides, nematicides and other categories) targeted for FY27–FY28 launches, with potential export opportunities once efficacy is proven.
- Seeds: company has launched research wheat varieties and tested smaller volumes in mustard, pearl millet and wheat; early response is encouraging and scaling is planned, with inbound interest from potential partners for stakes/tie-ups in the seed business.

Subsidy, Receivables and Balance Sheet

- Q3FY26 subsidy receipts at ~INR 53.88 bn (INR 5,388 crore) vs INR 33.49 bn (INR 3,349 crore) YoY; 9MFY26 subsidy receipts ~INR 102.28 bn vs INR 103.53 bn YoY.
- As of 31 Dec 2025, total receivables ~INR 23.46 bn (INR 2,346 crore), comprising
- Market receivables: INR 3.67 bn (INR 367 crore).
- Subsidy receivables: INR 19.79 bn (INR 1,979 crore).
- Union Budget FY27 allocation to fertiliser subsidy at ~INR 1.71 tn (INR 1.71 lakh crore) provides comfort on sector liquidity and policy continuity.
- Net cash and liquid investments at ~INR 8.0 bn (INR 800 crore) as of Q3, despite ongoing TAN capex and higher working capital in phosphatics.

Financial Statements

Profit & Loss Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	2,77,728	179,664	166,462	207,539	236,193	260,900
Raw Material	1,97,043	109,023	93,161	124,523	141,480	153,279
Gross Profit	80,685	70,642	73,301	83,015	94,713	107,621
Gross Profit Margin %	29.1%	39.3%	44.0%	40.0%	40.1%	41.3%
Employee Costs	1,910	2,208	2,332	2,601	2,861	3,147
Operating & Other Expenses	60,582	48,001	46,134	51,885	58,812	64,703
EBITDA	18,194	20,433	24,835	28,530	33,041	39,771
EBITDA Margin %	6.6%	11.4%	14.9%	13.7%	14.0%	15.2%
Depreciation	3,083	3,128	3,302	4,241	4,709	5,197
Other Income	1,678	2,491	2,151	2,490	2,834	3,131
EBIT	16,788	19,796	23,684	26,780	31,166	37,705
Finance Cost	3,200	1,731	484	61	64	67
Exceptional Items	0	0	0	0	0	0
PBT	14,163	18,870	24,517	26,719	31,103	37,638
Income Tax	3,825	6,112	8,024	6,725	7,829	9,473
PAT	10,338	12,758	18,346	19,994	23,274	28,165
PAT Margin %	3.7%	7.1%	11.0%	9.6%	9.9%	10.8%

Balance Sheet (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Assets						
Total Non-Current Assets	71,313	74,198	77,847	88,682	95,314	101,975
Trade Receivables	17,605	1,916	3,679	4,549	5,177	5,718
Cash & Bank Balance	369	1,099	1,078	2,176	5,724	11,025
Other Current Assets	4,937	4,621	2,257	4,937	4,937	4,937
Total Non-Current Assets	71,313	74,198	77,847	88,682	95,314	101,975
Total Assets	1,27,701	115,090	114,067	142,372	166,631	195,654
Equity And Liabilities						
Equity Share Capital	4,162	4,007	4,007	4,162	4,162	4,162
Other Equity	66,519	68,729	83,274	118,969	142,243	170,407
Total Equity	70,529	72,581	87,120	122,979	146,253	174,418
Borrowings	18,204	11,442	823	864	908	953
Total Non-Current Liabilities	25,650	22,143	15,206	8,310	8,354	8,399
Trade Payables	12,115	7,938	6,303	6,823	7,765	8,578
Total Current Liabilities	31,521	20,366	11,741	11,083	12,025	12,837
Total Liabilities	57,172	42,509	26,947	19,393	20,378	21,236
Total Equity & Liabilities	1,27,701	115,090	114,067	142,372	166,631	195,654

Source: Arian Research, Company Filings

Financial Statements

Cash Flow (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	10,338	12,758	16,493	19,994	23,274	28,165
Operating Profit before WC Changes	20,291	18,247	21,333	21,805	25,212	30,298
Operating Profit after WC Changes	34,400	31,611	12,756	18,618	16,307	20,375
Tax Paid	1,012	3,215	3,860	-7,075	0	0
Cash Flow from Operating Activities	35,134	34,758	17,606	10,622	16,307	20,375
Cash Flow from Investing Activities	-18,088	-3,594	6,797	-24,110	-8,507	-8,727
Cash Flow from Financing Activities	-22,011	-30,412	-23,369	15,898	-20	-21
Net Change in Cash & Cash Equivalents	-4,965	752	1,034	2,410	7,780	11,626
Opening Cash & Cash Equivalents	5,541	576	1,329	2,363	4,773	12,554
Closing Cash & Cash Equivalents	576	1,329	2,363	4,773	12,553	24,180

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E	FY27E
Per Share (INR)						
EPS	24.8	30.7	39.6	48.0	55.9	67.7
EPS (Adj)	24.8	30.7	44.1	48.0	55.9	67.7
BVPS	169.5	174.4	209.3	295.5	351.4	419.1
Valuation (x)						
P/E	19.4	15.7	12.2	10.0	8.6	7.1
P/BV	2.8	2.8	2.3	1.6	1.4	1.2
EV/EBITDA	17.7	10.0	7.4	6.6	5.5	4.3
Return Ratios (%)						
Gross Margin	29.1%	39.3%	44.0%	40.0%	40.1%	41.3%
EBITDA Margin	6.6%	11.4%	14.9%	13.7%	14.0%	15.2%
PAT Margin	3.7%	7.1%	11.0%	9.6%	9.9%	10.8%
NOPAT Margin	4.4%	7.4%	10.6%	9.7%	9.9%	10.8%
ROE	15.4%	17.8%	20.7%	19.0%	17.3%	17.6%
ROCE	18.9%	22.9%	27.5%	25.3%	23.0%	23.4%
Leverage Ratio (%)						
Total D/E	0.26	0.16	0.01	0.01	0.01	0.01
Turnover Ratios						
Asset Turnover	2.13	1.48	1.45	1.62	1.53	1.44
Receivable Days	23	4	8	8	8	8
Inventory Days	18	25	40	35	45	55
Payable Days	16	16	14	12	12	12

Source: Arihant Research, Company Filings

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Stock Rating Scale

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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