Systematix

Institutional Equities

Chambal Fertilisers and Chemicals Ltd

03 August 2026

Urea Annuity Intact; TAN Ramp-Up Holds the Key

INITIATING COVERAGE

Sector: Chemical	**Rating: HOLD**
CMP: Rs 455	**Target Price: Rs 500**

Stock Info

Sensex/Nifty	78,095 / 24,774
Bloomberg	CHMB IN
Equity shares (mn)	401
52-wk High/Low	Rs 581/400
Face value	Rs 10
M-Cap	Rs 182bn/ USD 1.91bn

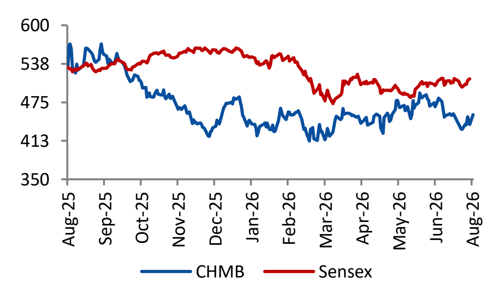
Financial Snapshot (Rs mn)

Y/E Mar	FY26	FY27E	FY28E
Gross sales	207.9	223.9	246.4
EBITDA	26.8	31.9	33.6
PAT (adj.)	19.5	20.7	21.9
EPS (adj.) (Rs)	48.8	51.7	54.6
PE (x)	9.3	8.8	8.3
P/B (x)	1.8	1.8	2.0
EV/EBITDA (x)	7.0	5.6	5.2
RoE (%)	18.8	20.7	24.0
RoCE (%)	19.2	27.0	30.9
D/E (x)	0.0	(0.0)	(0.1)
OPM (%)	12.9	14.3	13.6
Dividend per sh (Rs)	3.0	4.0	4.0
Dividend payout (%)	6.2	7.7	7.3

Shareholding pattern (%)

	Jun'26	Mar'26	Dec'25
Promoter	61.3	61.3	60.9
–Pledged	-	-	-
FII	14.9	15.1	15.7
DII	5.4	5.4	4.7
Others	18.4	18.3	18.9

Stock Performance (1-year)



Harmish Desai
harmishdesai@systematixgroup.in
+91 22 6704 8028

Ritik Gupta
ritikgupta@systematixgroup.in
+91 22 6704 8098

Raj Lakhani
rajlakhani@systematixgroup.in
+91 22 6704 8036

We initiate coverage on Chambal Fertilisers and Chemicals Limited (CHMB IN) with a HOLD rating and a target price of Rs 500 (5.6x FY28E EBITDA). CHMB is India's largest private-sector urea manufacturer, operating ~3.46 mn MT of urea capacity across its three plants located at Gadepan (Kota, Rajasthan), complemented by a fast-growing portfolio of traded fertilisers, crop-protection chemicals, specialty nutrients, biologicals and seeds and a one-third interest stake in Morocco's IMACID phosphoric acid JV. FY26 was another strong operating year, with standalone revenue rising 24.9% YoY to Rs 207,937mn and PAT at 18.4% YoY to Rs 19,534mn, although EBITDA margin moderated as the sales mix shifted toward lower-margin traded complex fertilisers. The commissioning of the Rs 16.45bn Technical Ammonium Nitrate (TAN) facility marks CHMB's entry into India's structurally undersupplied explosives-grade nitrate market. Though positive, its financial impact would be felt gradually, as it represents <5% of the existing revenue base.

TAN is strategically compelling, but earnings accretion will take time: The 2,40,000 MTPA TAN facility monetises surplus ammonia and creates a meaningful non-subsidy industrial revenue stream. At full utilization, we estimate revenue potential of Rs 9–Rs10bn, with EBITDA margin materially higher than the fertiliser trading business. However, TAN represents <5% of CHMB's FY26 revenue, and management expects utilisation to reach 80–90% only by end FY27. Consequently, while FY27 earnings will bear the full burden of depreciation and start-up costs, revenue contribution would be partial, with meaningful earnings accretion likely only from FY28E. In our view, TAN's strategic value lies more in diversifying the earnings base than in materially lifting near-term profitability.

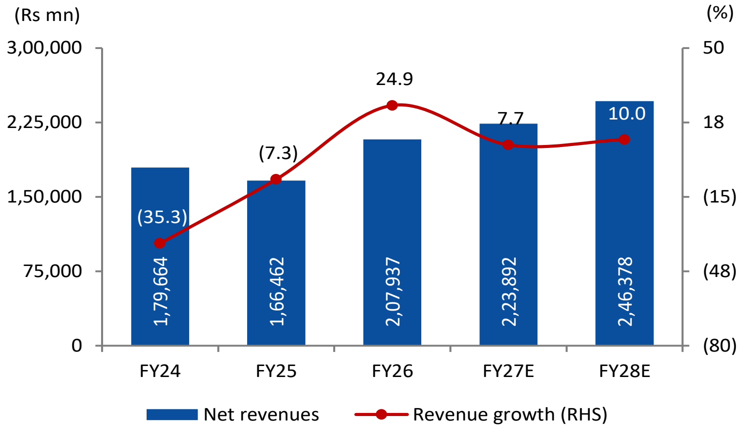
Urea Business: A Regulated Annuity Anchored at Gadepan - CHMB is India's largest private sector urea producer, operating three plants at a single integrated complex at Gadepan (Rajasthan) with combined capacity of ~3.4 mn MT p.a., accounting for ~10-11% of domestic output; Gadepan-III (commissioned 2019 under NIP-2012) ranks among the most efficient urea plants globally. With MRP administered and natural gas largely a pass-through under pooling, profitability hinges on energy-norm outperformance, reliability, and IPP-linked production beyond reassessed capacity — levers CHMB has consistently exercised (~3% energy efficiency gain in FY25). The business generates stable, high-visibility cash flows (FY25 RoE ~21%, near debt-free balance sheet), while the 'Uttam' network of ~4,765 dealers and 76,000+ retailers across 14 states doubles as the distribution chassis for the higher-margin marketed portfolio. We view urea as a mature cash annuity with bounded growth, funding CHMB's diversification into TAN.

Valuation and view: We value CHMB at Rs500/share, based on 5.6x FY28E EBITDA, reflecting the stability of its regulated urea franchise and TAN optionality. We retain our HOLD rating as the risk-reward remains balanced rather than compelling. TAN's near-term earnings contribution is modest, while FY27E will absorb commissioning-related depreciation and interest during the utilisation ramp-up. Core urea earnings remain stable but offer limited upside under the NBS regime, while crop protection, specialty nutrients and biologicals remain too small to materially alter the earnings trajectory. Margins may remain under pressure from the expanding traded fertiliser mix and TAN start-up costs. Policy and raw-material risks remain key overhangs.

Contents

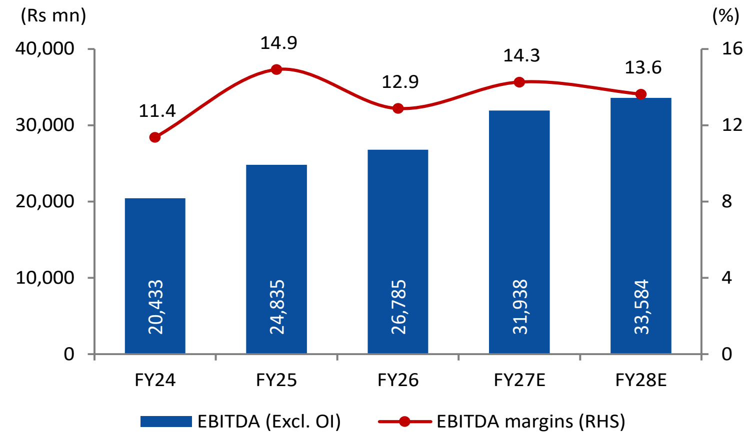
Story in Charts

Exhibit 1: ~9% revenue CAGR over FY26–FY28E



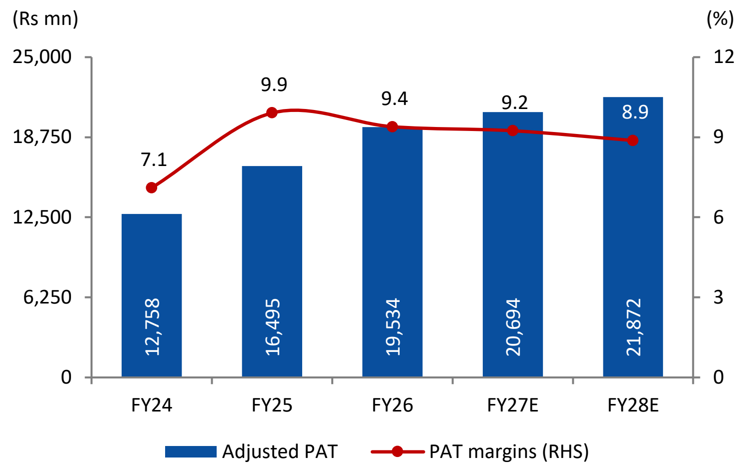
Source: Company, Systematix Research

Exhibit 2: Healthy EBITDA margins



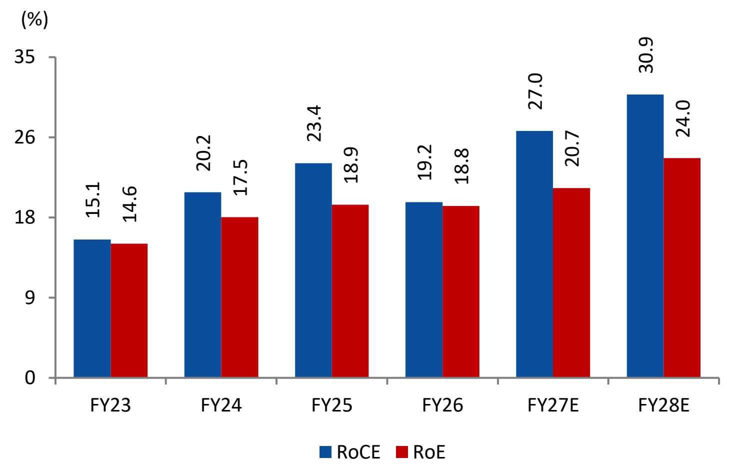
Source: Company, Systematix Research

Exhibit 3: PAT growth to accelerate



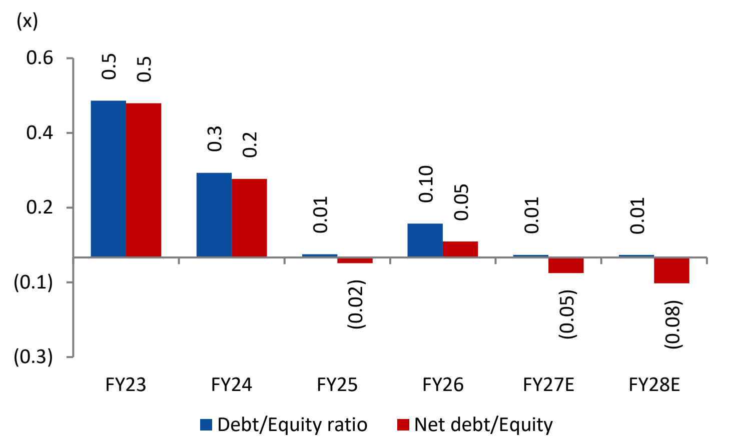
Source: Company, Systematix Research

Exhibit 4: Sustained improvement in return metrics through FY28E



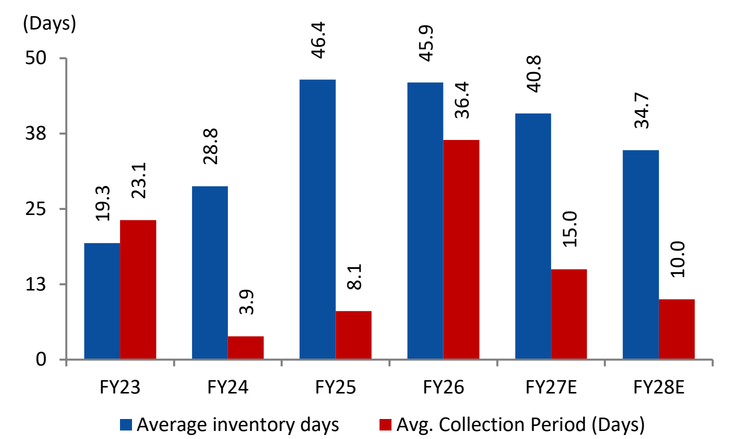
Source: Company, Systematix Research

Exhibit 5: Deleveraging trend; net cash from FY27E



Source: Company, Systematix Research

Exhibit 6: Healthy working capital profile through FY28E



Source: Company, Systematix Research

Investment thesis

The TAN project: CHMB's first step beyond the subsidy perimeter

What has been built

The project comprises a 240,000 MTPA (2.4 lakh MTPA) Technical Ammonium Nitrate (TAN) plant, integrated with a 210,000 MTPA weak nitric acid (WNA) unit at its existing Gadepan, Rajasthan, complex. The project was developed at an outlay of Rs 16,450mn, executed under an EPC contract with Larsen & Toubro (contract value revised to ~Rs 9,927mn). The strategic logic is site-driven - Gadepan produces ~1.3 MTPA of ammonia, with the surplus ammonia, which was historically sold to merchants, now being upgraded on-site — ammonia is oxidised to WNA, which is further neutralised with more ammonia to get ammonium nitrate solution (ANS) and prilled into High Density Ammonium Nitrate (HDAN), an explosives grade product used in bulk and packaged explosives for mining, quarrying and infrastructure construction. Integration eliminates the volatility merchant-ammonia realisations and captures the full nitrogen-upgrading margin.

Exhibit 7: Timeline - delivered, with slippage worth remembering

Milestone	Date / status
Project announced; L&T EPC awarded	April 2023
Original commissioning target	October 2025
First revised target (per contract amendment)	19 January 2026
Progress during 3QFY26	Engineering 99.9% / procurement 99.8% / construction 88.0%; overall 92.65%; Rs 11,830mn of Rs 16,450mn spent
Second revised target	30 April 2026
WNA and ANS (melt) production commenced	15 May 2026
Prilled HDAN production targeted	31 May 2026 (The target was not yet achieved)
Utilisation ramp guidance (earlier stated)	80–90% of capacity through/by end-FY27

Source: Company, Systematix Research

The nearly seven-month delay from the original October 2025 target is not thesis-changing, reflecting the complexity of commissioning an integrated WNA-ANS-HDAN facility. However, it reinforces our conservative ramp-up assumptions, given the earlier optimistic timelines.

Market: structurally short, but not uncontested

The Indian TAN demand, primarily driven by Coal India's production push, iron ore and limestone mining, and the national infrastructure build-out, has persistently outpaced domestic supply. The gap is met by imports (including those from Russia and Indonesia), with import substitution enjoying the policy tailwind and explosive makers valuing domestic, rail-connected, consistent-quality supplies. From a competitive perspective, CHMB is the new entrant, with incumbent players like Deepak Fertilisers (through Deepak Mining Solutions) having an established customer base and its own new Gopalpur capacity, as imports set the marginal price. Customer qualification cycles in explosives are measured in quarters, not weeks. The cost advantage of integrated site ammonia underwriting helps generate healthy unit margins.

Industry context: policy-administered core, tightening global nutrient chains

Urea - A policy-driven earnings stream

India's urea industry remains one of the most tightly regulated fertiliser markets globally. Farmgate MRP is administratively fixed far below the production cost, with the gap bridged by government subsidies. As natural gas, a substantial cost is a pass through, producer economics rest on volumes and efficiency versus normative energy benchmarks. For an operator like CHMB whose Gadepan III complex houses one of India's newest and most energy-efficient urea plants, this framework provides a stable profit stream. The trade-off is that returns remain largely determined by policy. Any reset in subsidy benchmarks, changes in gas pooling, or shift toward direct benefit transfer (DBT) to farmers could redistribute economics in ways outside of management control. Meanwhile, initiatives such as nano/liquid urea and natural farming represent long-term demand variables rather than near-term earnings risks.

P&K – exposed to global supply chains

India imports essentially all its MOP requirements and a substantial portion of its DAP requirements or raw materials such as phosphoric acid and ammonia. Consequently, domestic profitability remains highly sensitive to Chinese export policies, Middle Eastern ammonia flows and shipping disruptions in the Red Sea and Strait of Hormuz —risks management explicitly flagged during its FY26 earnings call. Under the NBS regime, tight DAP availability and firm global prices compress traded margins, whenever subsidy rates lag landed on raw material costs. Conversely, CHMB's one-third share in IMACID and long-standing OCP relationship provide it secure access to phosphoric-acid during periods of tight supply. The doubling of complex-fertiliser revenue in FY26 underscores the strength of CHMB's distribution network and its ability to gain share when product availability improves. However, the gap between NBS and the landed cost of imported fertilisers would determine profitability in this business.

Explosives/TAN – favourable structural demand

The demand for TAN is supported by India's expanding mining and infrastructure sectors. Coal India's ambition to reach one billion tonnes of annual coal production, rising open-cast mining intensity, and sustained investments in road, rail and irrigation, underpin high-single to low-double-digit growth outlook. While the new domestic capacity additions by CHMB, Deepak Nitrite are slated to narrow the dependence on imports, but not in the near term. Regulatory overlay (ammonium nitrate licensing under the AN Rules, storage and transport controls) raises entry barriers and favours large, compliant producers, in our view.

FY26 in review – Robust earnings despite adverse mix

CHMB reported FY26 results on 14 May 2026, followed by its earnings call on 15 May 2026. Standalone revenue rose 24.9% YoY to Rs 207.94bn, driven by a sharp expansion in the traded complex fertiliser sales and continued growth in the CPC-SN portfolio. Standalone PAT grew 17.7% YoY to Rs 19.50bn, with consolidated PAT up ~18% to Rs 19.53bn. EBITDA at Rs 26.79bn fell ~5.6% YoY to generate 12.9% margin compared with 17.1% in FY25. The rapid expansion of the structurally lower-margin traded P&K business diluted consolidated margins, while the core urea business remained operationally stable. The company reported EPS of ~Rs 48.8 (consolidated 4Q EPS was Rs 4.23).

Key operational and strategic updates through FY26 and into 1QFY27

- **TAN commissioning achieved:** While the WNA production commenced on 15 May 2026, as scheduled, management indicated that ANS and prilled HDAN would commence in due course— the company's single largest diversification since Gadepan III.
- **Launched 17 new CPC-SN products in FY26:** the company recorded biologicals revenue at +57% on +30% volume growth; introduced hybrid seeds from 1QFY26 — the non-subsidy agri portfolio is compounding well ahead of its base business.
- **Complex-fertiliser revenue roughly doubled YoY in 4QFY26** amid tight domestic DAP availability; management flagged Strait of Hormuz geopolitics as the key supply-chain monitorable for phosphoric acid and ammonia.
- **IMACID (Morocco) delivered a strong year** on volumes and margins, supporting consolidated PAT of Rs 19.53bn marginally ahead of standalone PAT of Rs 19.50bn in FY26.
- **Promoter group purchased shares in the open market** in May 2026 (holding rises to 61.25% from 60.85% in Dec 2025).
- **Board is scheduled to meet on 30 July 2026** to approve 1QFY27 results —first quarter would include TAN revenue and the first read on expansion.

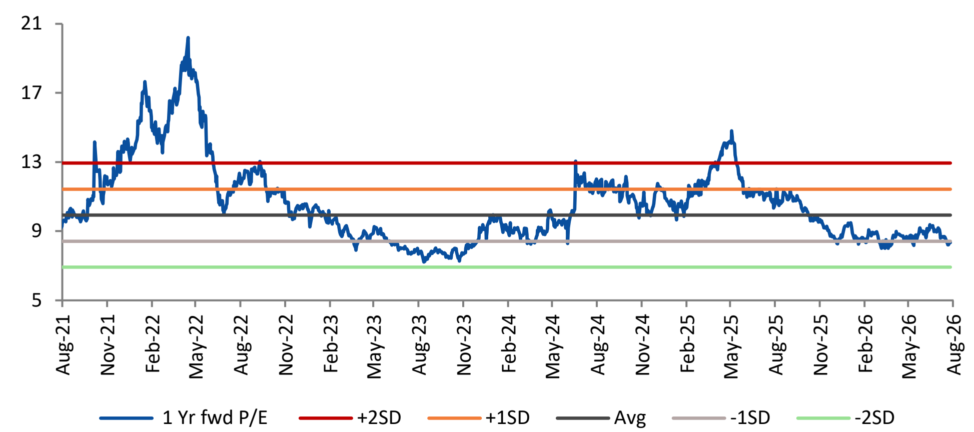
Valuation - Initiating with a HOLD and target price of Rs 500

We value CHMB at 5.6x FY28E EBITDA to arrive at a target price of Rs 500 total expected return 9–10%, including a ~1.5% dividend yield), supporting our HOLD rating.

The key question is what multiple businesses comprising a regulated urea annuity with an emerging industrial growth option deserves. Historically, CHMB has traded within a 8–10x one-year forward P/E band. The core urea business commands bond-like earnings stability but limited growth premium, while the market has episodically paid the top of the band when a meaningful growth driver was approaching commercialization, Gadepan III previously and TAN now.

We have set our target multiple in the upper-middle band of this historical range, reflecting a) sustainable ~20% RoE, supported by a surplus-cash balance sheet, b) the expected margin/ROCE accretion from the TAN project in FY28E, c) the compounding of the CPC-SN/biologicals franchise and d) prudent capital allocation and disciplined execution by management. However, we have withheld a re-rating premium, as our EPS forecast is still high-single-digit, TAN is yet to be commissioned and earnings remain exposed to subsidy/geopolitical risks, which are outside management control.

Exhibit 8: Currently trading at 9x one-year forward P/E



Source: Company, Systematix Research

Key risks to our rating (both directions)

A HOLD carries broadly symmetric risks - the downside items below could pull the fair value toward our bear case, while the upside triggers outlined in our investment view — most notably, a faster, well-priced TAN scale or a favourable shift in urea policy— could make our 8.6x target look conservative.

- **TAN execution and market entry:** The ramp-up to 80–90% utilisation is guidance. The project has already been delayed by about seven 7 months from its original commissioning target of October 2025, while customer qualification against the incumbent (Deepak) and imported supply may necessitate introductory pricing below our assumption of Rs ~40,000/MT.
- **Subsidy and policy risk:** Urea economics are entirely policy driven; delays in subsidy disbursement could inflate working capital and interest costs, while NBS rates that fail to keep pace with the landed DAP and ammonia costs could compress margins in the traded book that drove growth in FY26.
- **Geopolitics and input chains:** Management has flagged Strait of Hormuz as a key risk to phosphoric acid and ammonia imports. Any escalation could disrupt P&K availability and compress trading spreads. While higher domestic gas is largely pass-through, supply disruptions could affect production volumes.
- **Ammonium nitrate regulation:** TAN is a controlled substance under the AN rule; Tighter regulations governing storage, transportation or end-use could increase costs or constrain addressable demand.
- **Monsoon demand:** A weak monsoon could suppress both urea offtake beyond the assured base and the discretionary CPC-SN portfolio.
- **Single-site concentration:** All the company's manufacturing assets — urea, ammonia and now TAN — are located at one Gadepan complex. A significant operational disruption, while having a low probability, could have a huge bearing on the company's profitability.

Monitorables

- **Granularity in quarterly TAN disclosures:** Quarterly updates on volumes, realisations and EBITDA, together with announcement of long-term offtake with major explosive manufacturers.
- **Subsidy economics:** NBS rate revisions relative to landed DAP and phosphoric-acid costs; along with trends in subsidy receivable days.
- **Policy and operating efficiency:** Progress on energy efficiency metrics and any developments relating to urea policy, including benchmark revisions or a new investment policy.
- **Global raw-material indicators:** IMACID performance, Morocco phosphoric-acid pricing and geopolitical developments affecting the Strait of Hormuz and global fertiliser supply chains.

1QFY27 Result Review

Chambal Fertilisers reported a resilient 1QFY27 performance, with EBITDA rising 12% YoY to Rs 8.51bn and EBITDA margin expanding 360bps YoY to 16.9%, despite a 12% YoY revenue declining to Rs 50.27bn due to planned and extended urea plant shutdowns. Urea profitability improved on higher G3 contribution, favorable currency movement and surplus ammonia sales, while complex fertilisers and CPC, specialty nutrients and seeds delivered strong EBIT growth on better product mix and lower-cost inventory. The TAN project is progressing well, with WNA and ANS production underway and HDAN nearing commissioning, while management expects high utilization as demand improves from 3QFY27. The company is also evaluating a fourth urea plant under NIP 2026, with potential CapEx of Rs 90–100bn and commissioning targeted by FY30–31, subject to approval. Management sees significant brownfield synergies at Gadepan that could improve project returns. Near-term demand is improving with monsoon recovery and stronger sowing, supporting a healthy 2QFY27 outlook, though elevated working capital, delayed NPK subsidy revision and potential temporary TAN oversupply remain key monitorables. Overall, TAN ramp-up, strong non-urea profitability and the potential fourth urea plant provide multiple growth levers.

Revenue declined 12% YoY to Rs 50.27bn, while EBITDA grew 12% YoY to Rs 8.51bn, with margin expanding 360bps YoY to 16.9%. PAT declined 5% YoY to Rs 5.24bn, impacted by lower JV IMACID contribution. Urea revenue declined 8% YoY to Rs 28.6bn due to lower production and sales, although profitability improved. Complex fertiliser EBIT rose 67% YoY to Rs 2.39bn, while CPC, specialty nutrients and seeds EBIT increased 13% YoY to Rs 1.08bn, with margins improving to ~25%. TAN commissioning is progressing, while the fourth urea plant under NIP 2026 could entail Rs 90–100bn CapEx.

Management remains positive on the fourth urea plant under NIP 2026, with technical bids received and financial bids expected by mid-October 2026. The Rs 90–100bn project is targeted for commissioning by FY30–31, subject to government approval. The brownfield expansion at Gadepan could provide significant synergies through shared infrastructure, lower fixed costs, manpower efficiencies, procurement benefits and improved operating efficiency, potentially enhancing returns beyond the indicative policy framework.

TAN execution is progressing well, with WNA and ANS production underway and HDAN nearing commissioning. Management has received encouraging customer response for ammonium nitrate melt and expects high utilization during FY27, with demand improving from 3QFY27, driven by infrastructure, mining, coal and blasting applications. While upcoming domestic capacity additions could cause temporary oversupply, the market is expected to turn structurally short over the longer term.

Management expects fertilizer demand to improve in 2QFY27 as monsoon activity and sowing recover, with July farmer sales showing strong momentum. Complex fertiliser margins may moderate as lower-cost inventory is replaced, though a healthy margin profile is expected. Management remains engaged with the government on NPK subsidy revision and expects potential action by October. Despite significant upcoming CapEx, the company intends to maintain its ~25% dividend payout and prioritize surplus cash toward attractive growth opportunities across the urea, TAN and phosphatic value chains.

Exhibit 9: Quarterly snapshot

(Rs mn)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	QoQ (%)	YoY (%)
Net Sales	**43,462**	**49,181**	**24,487**	**56,976**	**64,128**	**58,983**	**27,850**	**50,270**	80.5	(11.8)
RM costs	22,844	29,429	11,959	36,982	43,290	38,031	14,630	29,787	103.6	(19.5)
% of sales	52.6	59.8	48.8	64.9	67.5	64.5	52.5	59.3		
Employee Expenses	578	579	616	616	645	953	660	702	6.4	13.9
% of sales	1.3	1.2	2.5	1.1	1.0	1.6	2.4	1.4		
Other Expenses	12,138	11,393	10,279	11,769	11,776	11,792	10,010	11,275	12.6	(4.2)
% of sales	27.9	23.2	42.0	20.7	18.4	20.0	35.9	22.4		
EBITDA	**7,902**	**7,779**	**1,634**	**7,610**	**8,417**	**8,207**	**2,551**	**8,507**	233.5	11.8
EBITDA Margin (%)	18.2	15.8	6.7	13.4	13.1	13.9	9.2	16.9		
Other Income	441	646	553	433	406	141	288	269	(6.5)	(37.8)
% of sales	928.8	1,609.3	1,080.3	1,234.4	1,249.7	397.2	606.9	661.2		
Depreciation	833	830	816	845	866	878	901	891	(1.1)	5.4
Finance cost	13	69	-	24	9	9	26	168	552.5	590
Exceptional Item	-	-	-	-	-	-	-	-		
PBT	**7,497**	**7,526**	**1,370**	**7,174**	**7,948**	**7,462**	**1,912**	**7,718**	303.7	7.6
% of sales	94.9	96.7	83.9	94.3	94.4	90.9	75.0	90.7		
Taxes	2,493	2,481	374	2,046	1,930	1,817	458	2,231	387.2	9.0
Tax rate (%)	33.2	33.0	27.3	28.5	24.3	24.3	24.0	28.9		
PAT (Before MI/JV share)	5,004	5,045	996	5,128	6,018	5,645	1,454	5,487		
Share of MI/JV share	359	300	308	362	470	219	238	(251)		
PAT (Reported)	5,364	5,344	1,304	5,490	6,488	5,864	1,692	5,236	209.4	(4.6)
PAT (adj)	**5,364**	**5,344**	**1,304**	**5,490**	**6,488**	**5,864**	**1,692**	**5,236**	209.4	(4.6)
Net profit margin (%)	12.3	10.9	5.3	9.6	10.1	9.9	6.1	10.4		
EPS	13.4	13.3	3.3	13.7	16.2	14.6	4.2	13.1	209.4	(4.6)

Source: Company, Systematix Research

Key takeaways from the 1QFY27

- **Urea:** Urea revenue declined 8% YoY to Rs 28.6bn due to lower production and sales following a bunching of shutdowns at Plant 1 and an extended shutdown at Plant 2. However, urea profitability improved, primarily driven by a higher contribution from G3 production, favorable currency movement and some surplus ammonia sales at better margins. G1, G2 and G3 sales stood at ~96k tonnes, 185k tonnes and 329k tonnes, respectively. Management indicated that the maximum plant run rate is ~0.95–1.0mtpa, making it difficult to fully utilize the 1.27mt G3 capacity before the current policy period ends.
- **NIP 2026:** Management remains positive on the potential fourth urea plant under the National Investment Policy (NIP) 2026 and believes Chambal is a strong contender. The application window is already open, although the company will need to formally approach the government and subsequently obtain Board approval before committing to the project. Technical bids for the project have been received, while financial bids are expected by mid-October 2026 after technical equalization. The proposed project could entail CapEx of ~Rs 90–100bn and is targeted for commissioning by FY30–31, subject to government approval and the effective contract start date.
- **Gadepan:** Management acknowledged that the ROI profile under NIP 2026 is structurally more diluted compared with the earlier policy. However, the company believes significant benefits can arise from establishing the fourth plant at the existing Gadepan site, including lower fixed costs, manpower efficiencies, shared infrastructure, optimization of operating costs, procurement synergies and cross-selling through its extensive dealer network. With four plants at a single location, Chambal could become one of the largest urea manufacturing complexes in India and potentially among the largest in Asia. Management expects EBITDA of ~Rs 12,000/tonne under the current policy framework, while actual returns could improve through lower project cost, better plant efficiency, energy savings and favorable gas prices.
- **Project Cost:** Management highlighted that achieving an attractive return on the new urea plant will depend heavily on controlling project cost. Key levers include the contracting model, EPC/LSTK structure, timing of equipment placement, tax structure, project execution timeline, financing structure and interest during construction. Management remains confident in its ability to optimize project cost, supported by Chambal's track record in project execution and the brownfield nature of the expansion. Efficiency gains and savings achieved through lower capital cost or better plant operations are not subject to the 16% indicative ROE ceiling; the 12–16% range is more of an indicative framework under the policy.
- **NIP Allocation:** The company expects significant competition for the limited capacity allocation under NIP 2026, with both brownfield and greenfield applicants likely to participate. However, management believes Chambal has a strong position given its existing infrastructure and execution readiness. The requirement to provide a sizeable bank guarantee and complete the project within a stipulated five-year period could act as an entry barrier. Limited availability of qualified technology suppliers and potential booking of vendors by early movers could further favor companies that move quickly.

- **Complex Fertilizers:** Complex fertilizer revenue increased to Rs 17.37bn, while segment EBIT rose 67% YoY to ~Rs 2.39bn. The strong profitability was primarily driven by advance inventory purchases made at lower prices during the off-season, enabling the company to place products at attractive margins despite delayed sowing. Management expects margins to moderate as the lower-cost inventory gets progressively replaced with higher-cost material, although it expects to retain a healthy margin profile. Around 0.85mt of complex fertilizer volumes had already been tied up with vendors against the company's ~1mt annual volume target.

- **NPK Subsidy:** The government has not yet revised NPK subsidy rates despite elevated raw material costs, particularly sulfur and phosphatic intermediates. Management believes the delay could eventually lead to demand destruction if higher input costs are fully passed on to farmers. The industry continues to engage with the government, with management expecting some action potentially by October. The company remains relatively better positioned due to proactive inventory planning and has already secured ~0.85–0.9mt of material, providing comfort on availability during the upcoming season.

- **Monsoon:** The delayed southwest monsoon and subdued sowing affected fertilizer demand during June, with summer crop sowing ~23% below YoY levels at the end of June. However, monsoon activity strengthened materially during July and sowing has broadly caught up with last year's levels. Management is seeing a strong pickup in fertilizer demand, with July farmer sales of ~380k tonnes of urea and ~92–93k tonnes of complex fertilizers. The company expects 2QFY27 to progress well, supported by improving sowing, channel liquidation and subsequent replenishment demand for fertilizers, specialty nutrients and crop protection products.

- **Crop Protection:** Crop protection chemicals, specialty nutrients and seeds revenue declined 6% YoY to ~Rs 4.3bn due to deferred farmer purchases amid delayed sowing. However, segment EBIT grew 13% YoY to Rs 1.08bn, with margins improving to ~25%, supported by a favorable product mix. The company launched seven new products across herbicides, fungicides and insecticides and continues to expand its specialty portfolio.

- **TAN Project:** The Technical Ammonium Nitrate (TAN) project has progressed well, with weak nitric acid and ammonium nitrate solution production underway and HDAN nearing commissioning. Management indicated that the market response to ammonium nitrate melt has been encouraging, with customers accepting the product based on quality, delivery schedules and pricing. The company has already commenced commercial sales, although these are currently being capitalized against project cost and are not yet recognized in the P&L until the project is fully commissioned.

- **TAN Utilization:** Management remains confident about achieving a high utilization rate for the TAN project during FY27, despite the current lean season. The company started ammonium nitrate melt production in mid-June and has seen a positive response from customers. Demand is expected to improve from 3QFY27, beginning around October, supported by infrastructure, mining, coal and blasting applications. With WNA, nitric acid, ammonium nitrate melt and HDAN coming together, management expects the product mix to be optimized toward the most profitable combination.

- **TAN Demand:** Management acknowledged that upcoming domestic capacity additions could temporarily create a balanced or slightly oversupplied TAN market for up to a year. However, long-term demand is expected to remain robust, driven by infrastructure development, road and bridge construction, mining, coal and blasting requirements. Management expects the Indian market to turn structurally short again as demand growth outpaces supply additions. Chambal believes its cost structure and product mix should support healthy capacity utilization even during a temporary oversupply phase. The TAN project is progressing toward full commissioning and could become a meaningful growth driver as utilization ramps up.

- **Phosphatic JV:** Chambal has evaluated setting up a fully integrated phosphatic granulation plant in India but found that the overall project economics are less attractive compared with an overseas JV. The key disadvantage in India is the high cost of outside-battery-limit infrastructure, including land development, port facilities, rock storage, ammonia storage, potash handling and other logistics infrastructure. Management indicated that the total project cost in India could be higher than an overseas JV after factoring in contingencies.

- **Morocco JV:** The company's existing JV partner MRC is expanding phosphoric acid capacity from 0.5mtpa to 0.7mtpa, expected to be operational around April–June 2027. Management believes the additional capacity could create opportunities beyond supplying the Indian market, including value-added phosphatic products. Chambal is also evaluating another overseas JV focused on supplying finished or granulated phosphatic fertilizers to India, where the company could participate both as a producer and marketer.

- **Phosphatic Supply:** North African phosphatic producers faced temporary production disruptions due to sulfur shortages and sharply elevated sulfur prices. While ammonia availability is relatively manageable through alternative sources, sulfur remains critical for phosphoric acid production. Supply from North America has reportedly improved availability, allowing production to resume. Management continues to view North Africa as a key global source of phosphatic fertilizers, although the Indian market is also seeing supply from Russia and other regions.

- **Capital Allocation:** Despite the potential large CapEx for the fourth urea plant, management expects to maintain its existing dividend policy, with approximately 25% of profits earmarked for dividend distribution. However, buybacks are unlikely in the near term as the company now has greater visibility on potential growth projects, including the fourth urea plant and other opportunities across the chemical and phosphatic value chain. Management's preference is to deploy surplus cash toward attractive growth opportunities.

Company overview

Chambal Fertilisers (CHMB IN) is India's largest private sector producer of urea. The company's asset base is concentrated at a single, deeply integrated site at Gadepan, district Kota, Rajasthan. The company operates three urea trains (Gadepan I, II and III — the last was commissioned in 2019 under the New Investment Policy) of world-class scale, with ~3.46 MTPA of aggregate urea capacity and ~1.3 MTPA of ammonia capacity, with a recently added TAN/WNA complex. Beyond manufacturing urea, CHMB markets Diammonium Phosphate (DAP), Muriate of Potash (MOP) and Nitrogen, Phosphorus, and Potassium (NPK) fertilisers, specialty plant nutrients, crop-protection chemicals, biologicals and hybrid seeds (since FY26) through its Uttam-branded distribution network across northern and central India. The company holds a one-third interest in IMACID (Morocco), a phosphoric-acid joint venture (JV) with Office Chérifien des Phosphates (OCP) and Tata Chemicals that provides upstream linkage for its P&K business.

Exhibit 10: Business architecture

Platform	Model	FY26 status
Urea (manufactured)	Regulated cost-plus economics under urea policy; gas cost pass-through; returns on volumes + energy efficiency vs norms	Plants at/above capacity; benchmark energy efficiency; stable profit pool
Traded P&K (DAP/MOP/NPK)	Imports and markets under Nutrient Based Subsidy (NBS); thin spreads, working-capital heavy	Complex-fertiliser revenue almost doubled YoY during 4QFY26; primary driver of +25% revenue in FY26; margin-dilutive
CPC, specialty nutrients and biologicals	Branded, non-subsidised agri-inputs sold through own distribution; in-licensing + biologicals portfolio	17 new products launched in FY26; biologicals revenue at +57% on +30% volumes; seeds entry from 1QFY26
TAN / industrial chemicals	240,000 MTPA TAN + 210,000 MTPA WNA at Gadepan; Rs 16,450 mn capex; serves mining/infra explosives	Commissioning from May 2026: WNA/ANS 15 May, prilled HDAN targeted 31 May; ramp through FY27
IMACID JV (Morocco, ~33%)	Phosphoric-acid manufacturer with OCP and Tata Chemicals; equity-accounted	Strong FY25–FY26 contribution on volumes and margins; upstream hedge for P&K

Source: Company, Systematix Research

Exhibit 11: Management Details

Name	Designation	Education / Qualification	Role / Experience
Mr. Saroj Kumar Poddar	Chairman	Gold medallist in B.Com (Hons) from Calcutta University	Leads the Board and has extensive experience across multiple business sectors, including joint ventures with leading international corporations.
Mr. Shyam Sunder Bhartia	Co-Chairman	Fellow member of the Institute of Cost and Works Accountants of India	Leading industrialist with extensive experience across pharmaceuticals, specialty chemicals, food, oil & gas, exploration & production, aerospace and information technology.
Mr. Chandra Shekhar Nopany	Non-Executive Director	Chartered Accountant; Master of Science in Industrial Administration from Carnegie Mellon University, Pittsburgh, U.S.A.	Has extensive experience with sugar, shipping, textiles and fertilisers.
Mr. Abhay Bajal	Managing Director	Bachelor of Engineering (Mechanical) from Delhi College of Engineering; PGDM from IIM Kolkata	Has over four decades of industry experience and has held various leadership positions across the fertiliser business.
Mr. Anuj Jain	Chief Financial Officer	ICAI; Associate Member ICSI; B. Com (Hons.), Meerut University (1982).	Has over 40 years of experience in finance, accounts, internal audit and secretarial functions, with extensive experience in treasury and financial reporting.

Source: Company, Systematix Research

FINANCIAL

Profit & Loss Statement

YE: Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Net revenues	**1,79,664**	**1,66,462**	**2,07,937**	**2,23,892**	**2,46,378**
Revenue growth (%)	(35.3)	(7.3)	24.9	7.7	10.0
- Op. expenses	1,59,231	1,41,627	1,81,152	1,91,953	2,12,794
EBITDA (Excl. OI)	**20,433**	**24,835**	**26,785**	**31,938**	**33,584**
EBITDA margins (%)	11.4	14.9	12.9	14.3	13.6
- Interest expenses	1,731	484	68	93	79
- Depreciation	3,128	3,302	3,490	4,079	4,217
+ Other income	2,491	2,151	1,269	2,893	3,184
- Tax	6,112	8,023	6,251	10,731	11,365
Effective tax rate (%)	21	27	20	25	25
Reported PAT	12,758	16,495	19,534	20,694	21,872
+/- Extraordinary items	-	-	850	-	-
+/- Minority interest	-	-	-	-	-
Adjusted PAT	**12,758**	**16,495**	**19,534**	**20,694**	**21,872**
PAT margins (%)	7.1	9.9	9.4	9.2	8.9
EPS (Rs/share)	30.7	41.2	48.8	51.7	54.6

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	4,007	4,007	4,007	4,007	4,007
Reserves & Surplus	68,729	83,274	1,00,073	95,878	87,206
Networth	**72,736**	**87,280**	**1,04,080**	**99,884**	**91,213**
Minority interest	(155)	(160)	(181)	(181)	(181)
Total debt	18,536	823	10,544	776	660
Def. tax liab. (net)	10,258	14,118	13,130	13,130	13,130
Capital employed	**1,01,528**	**1,02,200**	**1,28,000**	**1,14,037**	**1,05,249**
Net fixed assets	64,195	62,181	61,020	111	111
Investments	4,991	5,440	5,773	5,773	5,773
Net working capital	6,524	15,399	34,186	19,100	9,510
Cash and bank balance	1,099	1,078	3,079	5,507	7,812
Capital deployed	**1,01,528**	**1,02,200**	**1,28,000**	**1,14,037**	**1,05,249**
Net debt	(2,116)	(9,823)	(64)	(9,765)	(12,186)
WC (days)	7	30	56	31	13
DE (x)	0.3	0.0	0.1	0.0	0.0

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
PAT	**12,758**	**16,495**	**19,534**	**20,694**	**21,872**
Non-CASH items	3,128	3,302	3,490	4,079	4,217
Cash profit	15,886	19,797	23,024	24,773	26,089
Incr/(Decr) in WC	16,506	(3,692)	(19,901)	(12,807)	(9,875)
Operating cash flow	**32,392**	**16,105**	**3,122**	**11,967**	**16,214**
Capex	(2,364)	(8,570)	(10,964)	(3,000)	(3,000)
Free cash flow	**30,028**	**7,534**	**(7,842)**	**8,967**	**13,214**
Dividend	(1,202)	(2,003)	(1,202)	(1,603)	(1,603)
Equity raised	(156)	-	-	-	-
Debt raised	(14,817)	(17,712)	9,721	(9,768)	(116)
investments	(543)	10,591	2,916	-	-
Misc. items	(17,799)	2,633	(391)	2,337	(9,190)
Net cash flow	(4,489)	1,043	3,202	(67)	2,304
Opening CASH	5,818	1,329	2,372	5,574	5,507
Closing cash	**1,329**	**2,372**	**5,574**	**5,507**	**7,812**

Source: Company, Systematix Research

Ratios

YE: Mar	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	14.8	11.1	9.3	8.8	8.3
P/B (x)	2.5	2.1	1.8	1.8	2.0
EV/EBITDA (x)	9.8	7.3	7.0	5.6	5.2
RoE (%)	17.5	18.9	18.8	20.7	24.0
RoCE (%)	20.2	23.4	19.2	27.0	30.9
OPM	12.8	16.2	13.5	15.6	14.9
EBIT margin	11.0	14.2	11.8	13.7	13.2
PBT margin	10.1	13.9	11.8	13.7	13.2
NPM	7.1	9.9	9.4	9.2	8.9

Source: Company, Systematix Research

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Dhananjay Sinha:

Systematix Shares and Stocks (India) Limited:
Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in
Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in
Details of Email id grievance redressal cell : grievance@systematixgroup.in
Details of Registration : CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 12034600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840