

Chambal Fertilisers & Chemicals Ltd

Chambal Fertilisers and Chemicals Limited (CHMB) offers urea and diammonium Phosphate (DAP). The Company's segments include Fertilisers and other Agri-inputs segment. Two years ago, CHMB guided for increasing its focus on core agri-inputs and selling its non-core businesses. It sold the textile division, part of the IT segment, and has entered into an agreement to sell the shipping business. The leaner entity will have core RoCE of ~11% in FY19E vs. 5% in FY15. CHMB is installing a new urea facility of 1.3mTPA (capex ~USD 0.9bn, on-stream in FY20). Chambal's outstanding subsidy declined from ₹2130Cr at FY17-end to ₹1430Cr at end-Q1FY18 – a reduction of ~₹700Cr. The release in subsidy had an almost immediate and proportionate impact on the company's working capital debt, which reduced from ₹3010Cr at FY17-end to ₹2300Cr at end-Q1FY18. Gadepan-3 plant achieved 67% completion by 25th Jul'17, which provides comfort with respect to its timely execution. The company has spent more than ₹2200Cr on the project (as at end-Q1FY18) with mainly the construction work left to be done (engineering and procurement largely completed). Chambal has already tied-up gas supply of 2.2mmscmd (with GAIL and IOC) for the plant and has made arrangements to ensure water availability during the non-rainy period (Oct-Jun). Q1FY18 Lower farmgate prices, a drop in channel inventory and a normal monsoon will support volumes in FY18. In the long term, better farm income and improved irrigation facilities will drive growth. CHMB has a RoCE 12.46% and is trading at a valuation P/E of 16.75x of FY17 earnings. Hence **BUY**.

BUY

CMP ₹141

Stock Info

Sector	Fertilisers
Market Cap (₹ cr)	5,889
Beta	1.2
52 Week High / Low	146.25/53.7
Avg. Daily Volume	131,731
Face Value (₹)	10
BSE Sensex	31,196
Nifty	9,722
Reuters Code	CHMB.NS
Bloomberg Code	CHMB:IN

Shareholding Pattern (%)

Promoters	57.7
MF / Banks / Indian Fls	12.7
FII / NRIs / OCBs	7.2
Indian Public / Others	22.2

Abs. (%)	3m	1yr	3yr
Sensex	3.5	12.0	20.8
Chambal Fert.	23.7	107.9	135.0

Vaibhav Agrawal

022 – 3935 7800 Ext: 6808

vaibhav.agrawal@angelbroking.com

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

DISCLAIMER

Angel Broking Private Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Private Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Pvt. Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Pvt. Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Pvt. Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Disclosure of Interest Statement	Chambal Fertiliser
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
		Reduce (-5% to -15%)	Sell (< -15)