

May 18, 2009

Rating	Accumulate
Price	Rs48
Target Price	Rs60
Implied Upside	25.0%
Sensex	12,173

(Prices as on May 15, 2009)

Trading Data

Market Cap. (Rs bn)	19.9
Shares o/s (m)	416.2
Free Float	50.4%
3M Avg. Daily Vol ('000)	1,605.4
3M Avg. Daily Value (Rs m)	70.5

Major Shareholders

Promoters	49.6%
Foreign	4.2%
Domestic Inst.	13.1%
Public & Others	33.1%

Stock Performance

(%)	1M	6M	12M
Absolute	6.6	32.6	(39.7)
Relative	(3.9)	(3.6)	(9.5)

Price Performance (RIC: CHMB.BO, BB: CHMB IN)



Source: Bloomberg

■ **Standalone Q4FY09 results:** Chambal Fertilisers and Chemicals' (Chambal's) Q4FY09 net sales grew by 43.4% YoY to Rs8,708m (our expectation was Rs7,773m), on the back of higher trading sales and other income. Chambal's adjusted PAT grew by 107.9% to Rs593m (Our expectation was Rs618m).

■ **Q4FY09 highlights:** Net sales of urea business grew by mere 8.8% to Rs4,853m since Chambal had shut down Gadepan-1 plant for 36 days during the quarter due to hook-up activities for de-bottlenecking of plant. Trading sales have grown by 831% to Rs1,535m (Our expectation was Rs1,175m). Company has added three ships in H1FY09, which resulted in a YoY growth of 61.7% in the shipping business revenue to Rs1,211m in Q4FY09.

EBIT margins of all the segments were as per our expectation, except trading business. During the quarter, the company has changed the accounting treatment for interest to trading creditors by charging into operating cost instead of finance cost as earlier. Hence, Chambal has charged full year interest in Q4FY09 that resulted in lower finance cost and loss in trading business during the quarter.

■ **Balance sheet position:** Chambal holds a fertiliser bond of Rs3,671.5m as on March 31, 2009. The company has booked MTM losses of Rs281m in Q4FY09. Chambal has consolidated gross debt of about Rs20,000m and cash of Rs7,000m as on the balance sheet date.

■ **Valuation:** Chambal's 90% of the urea business is on cost plus 12% post tax ROE (i.e. fixed earning) basis and shipping business is on time contract till FY10. Hence, we believe that a downward pressure on earnings would be less. We expect PAT to grow at two year's CAGR (FY09-11E) of 9.5%. While on the basis of historical rolling band chart of last ten years, Chambal has traded in the range of 4x-16x. We maintain our 'Accumulate' rating on the stock, on the basis of 9x at FY10E earnings.

Key financials (Y/e March)	FY08	FY09	FY10E	FY11E
Revenues (Rs m)	32,840	56,688	39,494	41,131
Growth (%)		72.6	(30.3)	4.1
EBITDA (Rs m)	5,515	7,539	8,028	8,423
PAT (Rs m)	1,352	2,454	2,786	3,220
EPS (Rs)	3.2	5.9	6.7	7.7
Growth (%)		81.5	13.5	15.6
Net DPS (Rs)	1.8	1.8	1.8	1.8

Source: Company Data; PL Research

Profitability & valuation	FY08	FY09	FY10E	FY11E
EBITDA margin (%)	16.8	13.3	20.3	20.5
RoE (%)	13.0	19.8	19.9	19.9
RoCE (%)	6.8	10.2	9.9	10.5
EV / sales (x)	1.1	0.7	1.0	0.8
EV / EBITDA (x)	6.7	5.3	5.0	4.0
PE (x)	14.7	8.1	7.1	6.2
P / BV (x)	1.7	1.5	1.3	1.1
Net dividend yield (%)	3.8	3.8	3.8	3.8

Source: Company Data; PL Research

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Q4FY09 Result Overview

(Rs m)

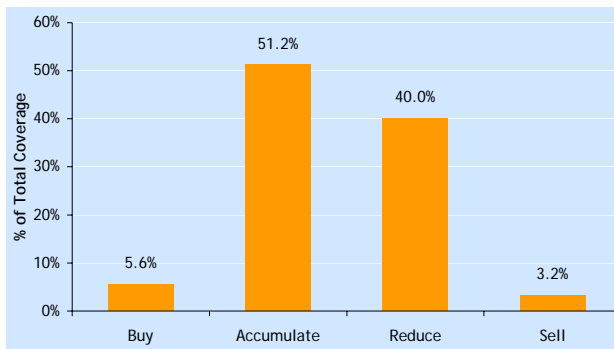
Y/e March	Q4FY09	Q4FY08	YoY gr. (%)	Q3FY09	FY09	FY08	YoY gr. (%)
Segment Revenue							
Own Manufactured Fertilizers	4,853	4,460	8.8	6,634	23,859	19,044	25.3
Traded Goods	1,535	165	831.0	3,739	15,360	3,405	351.1
Others	1,108	699	58.6	872	3,795	2,683	41.4
Shipping	1,211	749	61.7	1,307	4,136	2,407	71.8
Net Sales	8,708	6,072	43.4	12,553	47,150	27,540	71.2
Segment Results (EBIT)							
Own Manufactured Fertilizers	688	586	17.5	948	3,624	2,899	25.0
<i>Margin (%)</i>	<i>14.2</i>	<i>13.1</i>		<i>14.3</i>	<i>15.2</i>	<i>15.2</i>	
Traded Goods	(239)	(8)	NA	(26)	(453)	240	NA
<i>Margin (%)</i>	<i>(15.6)</i>	<i>(5.1)</i>		<i>(0.7)</i>	<i>(3.0)</i>	<i>7.0</i>	
Others	(25)	(15)	65.6	(39)	(86)	(50)	71.6
<i>Margin (%)</i>	<i>(2.3)</i>	<i>(2.2)</i>		<i>(4.5)</i>	<i>(2.3)</i>	<i>(1.9)</i>	
Shipping	312	125	148.7	339	1,053	300	251.5
<i>Margin (%)</i>	<i>25.8</i>	<i>16.7</i>		<i>25.9</i>	<i>25.5</i>	<i>12.4</i>	
Total	736	687	7.0	1,221	4,138	3,388	22.1
<i>Margin (%)</i>	<i>8.4</i>	<i>11.3</i>		<i>9.7</i>	<i>8.8</i>	<i>12.3</i>	
Less: Unallocated Income/ Expenses	(87)	188	NA	(148)	(453)	327	NA
Less: Interest Expense	171	209	(18.0)	367	1,225	919	33.4
PBT	651	291	124.0	1,003	3,366	2,143	57.1
<i>Margin (%)</i>	<i>7.5</i>	<i>4.8</i>		<i>8.0</i>	<i>7.1</i>	<i>7.8</i>	
Less: Tax	58	6	958.2	303	875	643	36.2
<i>As % of PBT</i>	<i>8.9</i>	<i>1.9</i>		<i>30.2</i>	<i>26.0</i>	<i>30.0</i>	
Adjusted PAT	593	285	107.9	700	2,491	1,500	66.0
Less: Ex-Od Items incl. forex Loss/ (Gain)	(246)	91	NA	(53)	185	(538)	NA
Reported PAT	839	194	332.8	753	2,306	2,038	13.1

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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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