

EQUITY RESEARCH | CONSUMER & INDUSTRIAL CONGLOMERATE | NGX: CHELLARAM

Chellarams Plc — FY2026 Financial Statements Analysis

Year Ended 31 March 2026 | Group & Standalone Review

DSU Research Desk | Source: Chellarams Plc FY2026 Audited Financial Statements

Chellarams Plc returned to Group-level profitability in FY2026, recording a **PBT of ₦657.5m** versus a loss of ₦2.57bn in FY2025. However, the recovery is largely non-operational: driven by a **₦907.5m FX gain reversal** and a **₦713.5m investment property reclassification gain**. The standalone parent company actually **deteriorated** — recording a net loss of ₦172.9m in FY2026 versus a profit of ₦63.8m in FY2025. Liquidity remains under structural pressure with net current liabilities of ₦8.86bn at Group level and cash balances falling sharply year-on-year.

₦25.98bn

GROUP REVENUE

+12.5% YoY

₦657.5m

GROUP PBT

Swing from -₦2.57bn

₦281.9m

GROUP PAT

Swing from -₦2.58bn

28 kobo

GROUP BASIC EPS

P/E ~47x at ₦13.20

₦2.60bn

GROSS PROFIT

+65% YoY

₦2.58bn

TOTAL EQUITY (GROUP)

+12% YoY

₦4.9bn

GROUP BORROWINGS

Down from ₦7.1bn

Nil

DIVIDEND

0% Yield

1. HEADLINE PERFORMANCE — GROUP VS. STANDALONE COMPANY

Metric	Group FY2026	Group FY2025	Change	Company FY2026	Company FY2025	Change
Revenue	₦25.98bn	₦23.10bn	+12.5%	₦9.86bn	₦9.04bn	+9%
Gross Profit	₦2.60bn	₦1.58bn	+65%	—	—	—
Profit/(Loss) Before Tax	₦657.5m	(₦2.57bn)	Swing	(₦44.7m)	Small profit	Deteriorated
Profit/(Loss) After Tax	₦281.9m	(₦2.58bn)	Swing	(₦172.9m)	₦63.8m	-371%
Total Equity	₦2.58bn	₦2.30bn	+12%	—	—	—
Basic EPS	28 kobo	—	P/E ~47x	(23.92 kobo)	Profit	Loss — N/M

Company = standalone parent entity. Source: Chellarams Plc FY2026 Audited Financial Statements.

Key Distinction: The Group's swing to profitability was driven almost entirely by subsidiaries and non-recurring items — not the parent trading business. Chellarams Plc standalone recorded a larger net loss in FY2026 than FY2025.

2. WHAT DROVE THE GROUP TURNAROUND?

Driver	FY2026	FY2025	Swing	Nature
Net FX Gain/(Loss)	+₹907.5m	(₹2.08bn)	+₹2.99bn	Non-recurring / market-driven
Investment Property Reclassification	+₹713.5m	Nil	+₹713.5m	One-off accounting reclassification
Dynamic Industries PBT	+₹153m	(₹545m)	+₹698m	Genuine operational improvement
UTAS PBT	+₹117m	~₹88m	+₹29m	Operational improvement (+33%)
Finance Costs	(₹948.4m)	(₹916.8m)	-₹31.6m	Rose slightly despite debt reduction
Industrial Chemicals Segment	(₹835m) PBT	—	—	Largest revenue line — loss-making

The Group's earnings recovery rests on two non-recurring pillars. The FX swing alone (+₹2.99bn) exceeds the entire Group PBT. Stripping out FX gains and reclassification income, underlying operating performance is only marginally improved, with the parent trading business still in loss.

3. BALANCE SHEET ANALYSIS

Balance Sheet Item	Group FY2026	FY2025	Assessment
Total Assets	~₹23bn	—	Highly leveraged structure (D/E: 6.28x)
Total Equity (Group)	₹2.58bn	₹2.30bn	+12% improvement
Revenue Reserve (Group)	(₹9.31bn)	—	Still deeply negative — no dividend possible
Net Current Liabilities (Group)	₹8.86bn	—	Persistent working-capital strain
Net Current Liabilities (Company)	₹3.42bn	—	Parent liquidity under pressure
Group Borrowings	₹4.9bn	₹7.1bn	-31% reduction — positive trend
Non-Controlling Interest	(₹1.65bn)	—	Negative — accumulated subsidiary losses
Chellarams DMK Accum. Losses	₹5.7bn	—	vs. ₹8.8m share capital — deeply insolvent
Inventory (Group)	₹3.42bn	—	14% of assets — zero obsolescence provision

Structural Concern: Net current liabilities of ₹8.86bn signal a persistent working-capital deficit. Revenue reserve remains deeply negative at ₹9.31bn. The 6.28x debt-to-adjusted-capital ratio makes this a high-risk balance sheet. No dividend is possible in the near term.

4. CASH FLOW ANALYSIS

Cash Flow Item	FY2026	FY2025	Change	Comment
Operating Cash Flow (Group)	₹14.29bn	₹11.94bn	+19.7%	Positive; aided by payables build
Investing Activities (Group)	(₹11.34bn)	—	—	Dominated by ₹11.23bn property reclassification
Financing Activities (Group)	(₹3.21bn)	—	—	₹3.5bn repayments less ₹3.62bn new draws
Cash — Group (Year End)	₹235m	₹490m	-52%	Cash fell despite positive operating flow
Cash — Company (Year End)	₹36m	₹282m	-87%	Critically low parent cash balance

Investing outflows are largely non-cash — the PPE-to-investment-property reclassification of ₹11.23bn. True capital expenditure is minimal.

Cash Warning: Despite positive operating cash flow, cash balances fell sharply — Group ₹490m to ₹235m; Company ₹282m to ₹36m. The parent's ₹36m year-end cash against ₹3.42bn current liabilities is critically low. Gross borrowing continued even as management emphasised "deleveraging."

5. SEGMENT ANALYSIS

Segment / Entity	Revenue	PBT	Assessment
Machinery	₦6.1bn	₦1.08bn	Most profitable segment
Industrial Chemicals	₦9.86bn	(₦835m)	Largest revenue — loss-making
Dynamic Industries (Sub.)	—	₦153m	Swung from -₦545m loss — key turnaround driver
UTAS (Sub.)	—	₦117m	+33% profit growth
Chellarams DMK (Sub.)	—	Deeply loss-making	Accumulated losses ₦5.7bn vs. ₦8.8m capital
Geographic	100% Lagos-based		Single-region concentration risk

Industrial Chemicals — Chellarams' largest revenue line — posted a segment loss of ₦835m. This is a fundamental structural concern: the company's highest-revenue business is destroying value. Resolution of this segment's losses is critical for any sustainable recovery.

6. AUDIT OBSERVATIONS & VALUATION

AUDIT RISK FLAGS

Inventory Provisioning Gap: Chellarams carries ₦3.42bn of inventory (14% of total assets) with **zero obsolescence provision**. The auditors explicitly flagged volatility in consumable sales and market competition as risks of overstatement. A nil provision in this business environment is difficult to justify and could mask future write-downs.

ECL/Trade Receivables: Impairment judgement is macro-assumption dependent. The parent's cash-constrained position and challenging segment dynamics make receivables quality a monitoring priority.

The auditors issued an unqualified opinion with clean internal controls attestation — positives in isolation. However, the inventory provisioning gap and reliance on non-recurring gains for headline profitability are material for investment and credit assessment purposes.

VALUATION METRICS

Metric	Value	Assessment
Reference Share Price	₦13.20	NGX last close
Group Basic EPS	28 kobo	Group-level; parent is loss-making
P/E Ratio (Group)	~47x	Expensive relative to earnings quality
Group Net Assets Per Share	357 kobo (₦3.57)	P/B ~3.7x — significant premium to book
Company EPS	(23.92 kobo)	Parent entity in net loss — P/E not meaningful
Dividend Yield	0%	No dividend declared or foreseeable

P/E of ~47x reflects Group earnings inclusive of non-recurring FX and reclassification gains. Core P/E is significantly higher or not meaningful.

DSU RESEARCH — OFFICIAL RECOMMENDATION

SELL
Chellarams Plc | NGX: CHELLARAM | Reference Price: ₦13.20

The Group's FY2026 swing to profitability is largely non-recurring — driven by a ₦907.5m FX gain reversal and a ₦713.5m investment property reclassification, not sustainable trading improvement. The standalone parent company deteriorated, recording a net loss of ₦172.9m versus a ₦63.8m profit in FY2025. The Industrial Chemicals segment — the group's largest revenue line — remains loss-making. Liquidity is under structural strain: net current liabilities of ₦8.86bn, cash balances falling sharply, and a deeply negative revenue reserve of ₦9.31bn precluding any dividend. At ~47x P/E on inflated earnings and 3.7x P/B on a thin equity base, the valuation does not reflect the underlying risk profile. Once the market re-rates toward core earnings power — stripping out one-off gains — there is meaningful downside. **SELL. Reduce or exit positions at current levels.**

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