

**Tata Chemicals Ltd**  
**CMP Rs - 364**

**BUY**  
**Target Rs -445**

Industry : Fertilizers

**Investment rationale**

**Issuance of fertilizer bonds**

The government has announced an issuance of Fertilizer bonds of worth Rs 3890 crore as compensation towards fertilizer subsidy during the FY08. The Company is eligible for the bonds of worth Rs 182 crores. Fertilizer business contributes 60% to its total revenue. It has a 0.87 million tonne per annum (mtpa) capacity of urea and 1.2 mtpa capacity of phosphatic fertilisers

<b>BSE Code</b>	<b>500770</b>
<b>Bloomberg Market Cap (Rs)</b>	<b>TATACHEM 8120.35</b>
<b>Company P/E *</b>	<b>17.1</b>
<b>P/BV</b>	<b>3.16</b>
<b>52 Week H/L Face Value (Rs)</b>	<b>374.55/187.05 10</b>
<b>Sensex</b>	<b>19966</b>
<b>S&amp;P Nifty</b>	<b>5976</b>

\* Based on TTM earnings

**Change in policy**

The subsidy towards distribution cost has increased & quarterly system of subsidy is now done on monthly basis results in higher and quicker receipts of subsidy payments from the government.

**Rising Soda ash Prices**

The company is benefiting from the rising soda ash prices. The global soda ash prices are rising on the back of shortage in supply of soda ash. The Soda Ash prices are up by nearly 40%. The company is one of the world's leading synthetic soda ash makers with a total combined capacity in excess of 3 mtpa and commands an 8% global market share.

as on sep 30 2007

<b>Shareholders</b>	<b>% Holding</b>
Promoters	31.55
Institutions & MF	30.75
FII's & Foreign Banks	6.02
Public & Others	31.68

**Investments in Tata Group Companies**

TCL holds equity stakes in most of the group companies such as Tata Motors, TCS, Tata Tea and Tata Steel, among others. The appreciation in share price of Tata Group companies advanced the valuation of Tata Chemicals share.

**Diversification**

- The company is setting up a 30-kilolitres-per-day (klpd) sweet sorghum-based ethanol facility at Nanded in Maharashtra. This facility is being set up as a prototype, which, if works well, can be expanded to 100 klpd in future
- The Company has formed a 50:50 Joint venture company 'Khet-Se Agri produce India' with Total Produce of Ireland, to foray into wholesaling agricultural commodities.

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**Future outlook**

The 40% rise in soda ash price, announcement of Fertilizer bonds, diversification plan & investment in group companies augur well for the appreciation in the stock price of Tata chemicals Ltd.

## Financials

(Rs Crores)	1H FY08	1H FY07	FY07
Total Income	2,938.68	2,886.41	5,965.08
<i>% Growth</i>	<i>1.81</i>		
Operating profit	538.58	498.51	993.64
<i>% Growth</i>	<i>8.04</i>		
Net profit	345.6	274.14	508.04
<i>% Growth</i>	<i>26.07</i>		
Equity	215.16	215.16	215.16
EPS(Rs)	13.09	11.95	20.93
OPM	18.81%	17.77%	17.12%
NPM	11.76%	9.50%	8.52%
RoNW			19.48%
RoCE			19.26%

## Technically speaking



**Buy TATA CHEMICALS LTD (CMP 364) for the target of 445 levels, support at 340 & 325 levels.**

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