



<b>Report Date</b>	August 5, 2008.
<b>Company Name</b>	<b>BASF India Ltd</b>
<b>Recommendation</b>	<b>BUY</b>

<b>CMP – Rs. 281.05</b>	<b>Target Price – Rs. 350</b>	<b>Mkt. Cap. Rs. 792.3 crore</b>
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### **Investment Rationale**

- BASF India, the chemical major and 52.69% subsidiary of BASF AG, has put up an excellent performance for Q1 FY 2009. Net Sales registered an impressive growth of 61.4% to Rs.380.82 crore mainly on back of 134.2% growth in agricultural products business to Rs.175.9 crore. Other business also registered good growth. OPM% improved to 15.1% (14.2%) Though there were higher trading purchases, decline in all other heads of expenditure improved margins. Higher sales, better margins aided by higher other income led to 83.9% spurt in PBT to Rs.56.60 crore. PAT was up by 84.4% to Rs.36.65 crore.
- BASF has a diversified product portfolio and is present in following business segments – Agricultural products and nutrition (27 % of Net Sales), Performance products (52.3% of Net Sales), Plastics and fibres (16.1% of Net Sales), Chemicals (3.5% of Net Sales). Within these segments, company offers products imported from BASF group companies as well as those produced locally.
- Agricultural products business include agrochemicals like insecticides, herbicides, weedicides, fungicides and specialities. Agrochem industry is witnessing good growth on back of thrust given to agriculture by the government and greater emphasis on improving agricultural productivity. Company is set to take advantage of growth opportunities thru new product introductions and new marketing initiatives undertaken to generate demand at farmer level. Nutrition business has product range that include vitamins for human and animal nutrition, aroma chemicals and ingredients for cosmetic industry. Changing consumer lifestyle, greater purchasing power are driving the growth of this business.
- Performance product business comprise of performance chemicals and functional polymers. Performance chemicals business catering to wide spectrum of industries like textile, leather, plastics and coatings etc is set on a growth path due to good growth prospects of the user industry. New opportunities have opened up in Home textiles, technical textiles and textiles with performance finish. Functional polymer business – dispersion chemicals caters to paper, construction, paints and adhesives. With thrust on infrastructure development and growth in real estate, construction and paint industry are set to sustain growth. Demand for paper chemical is improving with paper mills expanding their capacities and introducing new products
- Plastic business comprise of Styropor (used for packaging and insulation) and performance polymers (engineering plastics). During FY08, company undertook project to revamp the Styropor plant for expanding its capacity from 20 Kt to 30Kt p.a. and also upgraded the process. Upgraded facility was commissioned in February 2008. With a view to cater to increasing demand from automobile industry, BASF is planning to set up compounding plant for engineering plastics with a capacity of 9000 tpa, expected to go on stream by second half of 2009. Capex incurred is estimated at Euro 2.9 mio (Rs.17.2 crore) and will be financed by internal accruals and borrowings. This plant will also cater to needs of electrical as well as electronics industry.
- BASF plans to expand its presence in Indian chemical sector too.
- The Parent company's open offer to acquire 22.31% equity stake of the company at a price of Rs 274 per Equity Share has been revised to Rs.300 per share. This will increase the Parent company's stake in BASF India to 75%, which will give it more freedom to invest and expand its business in India.

## Valuation

- BASF India will maintain a strong performance in its major segments and will continue to derive support from its parent company. At CMP, stock is trading at 7.9 times FY 2009 expected EPS of Rs. 35.7 and 6.6 times FY 2010 expected EPS of Rs.42.8 In view of bright prospects, we recommend to “Buy” the share at CMP with long term.

## **Financial Summary**

**Rs. Crore**

	<b>FY 2009</b>	<b>FY 2008</b>	<b>%</b>	<b>FY 2008</b>
	<b>Q1</b>		<b>change</b>	<b>12 months</b>
Net Sales	380.82	236.01	<b>61.4%</b>	907.20
Total Expenses	323.43	202.60	<b>59.6%</b>	804.01
EBITDA	57.39	33.41	<b>71.8%</b>	103.19
<b>EBITDA (%)</b>	<b>15.1%</b>	<b>14.2%</b>		<b>11.4%</b>
Interest Expenses / (Income)	0.21	0.22	<b>-4.5%</b>	1.28
Depreciation	3.50	3.25	<b>7.7%</b>	13.60
Other Income	2.92	0.84	<b>247.6%</b>	4.69
P.B.T.	56.60	30.78	<b>83.9%</b>	93.00
Net Profit	36.65	19.87	<b>84.4%</b>	59.37
Equity Capital (Rs 10/-)	28.19	28.19		28.19
EPS for the period (Rs)	13.00	7.05	<b>84.4%</b>	21.06

## Disclosures

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August 6, 2008