

BOC India Ltd.

Market Cap (Rs. Cr) **652.76**

52 Week-H/L(Rs) **223.4 - 89.05**

CMP Rs. **133.00**

Target Price Rs. **160/195**

Bloomberg **IOL@IN**

Reuters

BOC.BO

BSE **523457**

NSE

BOC

Investment Arguments

A 54% subsidiary of the \$6 Bn BOC Group Plc of UK, which in turn was acquired by German giant Linde, is a domestic leader in industrial gases segment. The company earns its major revenue (almost 70%) from the steel sector, while fertiliser, refinery, pharmaceutical automobiles, chemical and food processing industry contribute the balance 30%.

Strong capex growth in the domestic steel sector has provided huge revenue potential for the Project Engg. Division (under which the company installs Air Separation Units - ASU at client sites). With the steel industry projecting an annual consumption levels of 55 - 60MT by 2012 as against 38 MT last year, BOC stands to have a major advantage from this demand growth. The division is constructing a 1800 tpd Air Separation Unit for JSW steel, at Bellary which will be commissioned by 2008. This will boost the revenue of company significantly from 2008 onwards.

After global acquisition by Linde, the combined entity BOC-Linde emerging out to be a global leader in the gas market, would also come as an advantage to the indian firm in terms of technology and market growth. With the open offer by German company Linde AG, to pick up stake in the parent company BOC UK Plc, the law of the land (as per SEBI guidelines) is expected to trigger an open offer for minority shareholder in the domestic market as well. Linde is expected to have a minimum offer of 20% for the indian shareholders. The open offer expectations will act as a cushion, but we are bullish on long term prospectus of the company.

The current poor performance of the company is due to a major breakdown in 1290 tpd Air separation unit at Jamshedpur, leading to revenue loss. This unit may require a planned shut down also, so results for March'07 will be poor, but this offers an opportunity to buy stock at lower levels.

At current market price of Rs.132, the stock is current trading around 10 times its FY07 earnings and less than 7 times earnings for March'08. So at current price, it offers opportunity for short as well as long term investors. Plus the safety net is - A likely open offer from Linde [SEBI mandated] at prices not below Rs 170/- **BUY**

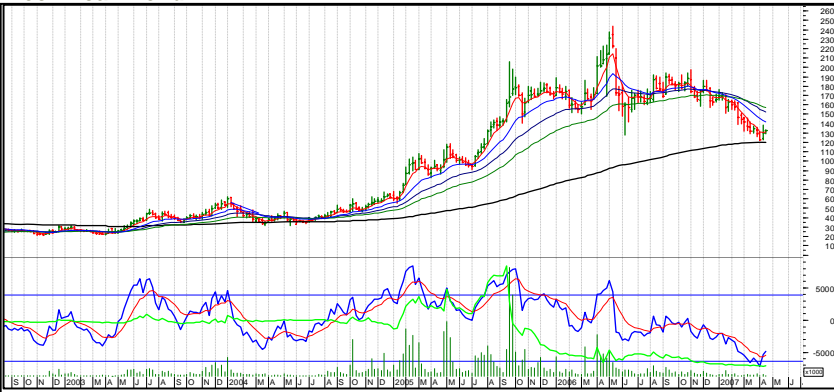
Financials for the year ended (in Rs. Crores)

Latest result update (in Rs. Crores)

	Mar 06	Mar 07 E	Mar 08 E
Gross Sales	560.93	575.00	660.00
EBIDTA	152.71	124.20	171.60
Interest	6.04	8.50	11
Depreciation	24.80	26.50	31
PAT	78.00	64.40	96.5
EPS (in Rs)	15.60	13.12	19.66
CEPS (in Rs)	20.95	18.52	25.98
Book Value (in Rs)	60.00	70.00	86
Face Value (in Rs)	10.00	10.00	10
Dividend (%)	30%	30%	40%
Deividend Yeild (%)	2.3%	2.3%	3.0%
Net Worth	300.00	352.00	430
Debt	108.00	119.00	120
Equity Capital	49.08	49.08	49.08
P.E. (x)	8.5	10.1	0.0
NPM %	13.91	11.20	14.62
EBIDTA Margin %	27.22	21.6%	26
RoCE %	37.4%	26.4%	31.2%

PARTICULARS	12/2006 (9 Month)	12/2005 (9 Month)	% change
Total Income	357.83	365.24	-2.0%
PBIDT	61.01	64.49	-5.4%
Net Profit	44.11	63.43	-30.5%
Equity	49.08	49.08	0%
EPS	8.99	12.92	-30.4%

Technical Trend:-



After touching a high of Rs 244 in Dec'06, the stock corrected sharply post poor results, following a breakdown in big Air separation unit at Jamshedpur.

Only last week, stock price took support around Rs 122-123, which happens to be 200 MA for the stock price.

Now the stock is looking for a reversal in trend, but even if it shows a pull back; it can touch Rs 160 easily and if a real reversal happens then it can not only touch Rs195 but in long term can cross this level also.

BUY around current price.

Shareholding Pattern

