PINC RESEARCH

# TATA CHEMICALS LTD.

Event Update

Sector Fertilisers & Chemicals | CMP Rs 323

## STOCK DATA

| | |
|---|---|
| Market Capitalisation | Rs76bn |
| Book Value per share | Rs106 |
| Eq Shares O/S (F.V. Rs.10) | 234mn |
| Median Vol. (12 mths) | 544,576 (BSE+NSE) |
| 52 Week High / Low | Rs431/200 |
| BSE Scrip Code | 500770 |
| NSE Scrip Code | TATACHEM |
| Bloomberg Code | TTCH.IN |
| Reuters Code | TTCH.BO |

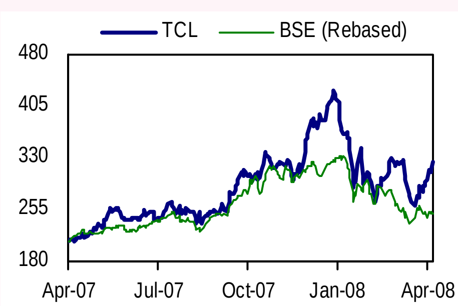
## SHAREHOLDING PATTERN (%)

| Qtr. Ended | Jun-07 | Sep-07 | Dec-07 |
|---|---|---|---|
| Promoters | 31.6 | 31.6 | 29.9 |
| Banks/FIs/MFs | 30.3 | 30.8 | 31.0 |
| FIIs/NRIs/OCBs | 6.2 | 6.0 | 8.9 |
| PCBs | 5.0 | 5.3 | 5.5 |
| Indian public | 26.9 | 26.3 | 24.7 |
| Eq Shares.(mn) | 215 | 215 | 227 |

## STOCK PERFORMANCE (%)

| | 1M | 3M | 12M |
|---|---|---|---|
| Absolute | (0.3) | (12.7) | 53.9 |
| Relative | 1.2 | 14.5 | 29.3 |

## STOCK PRICE PERFORMANCE




Tata Chemicals Ltd (TCL) is a leading manufacturer of inorganic chemicals & fertilisers. Soda ash and its compounds, edible salt and cement constitute the inorganic chemical division which is located at Mithapur, Gujarat. TCL manufactures urea and phosphatic fertilisers at Babrala and Haldia respectively.

Inorganic chemicals account for 38% of the total revenues and 60% of PBIT of the company on a standalone basis, with the balance being accounted by fertilisers. Post acquisition of BMG, their share has moved up to 54% and 66% respectively . However, the fertiliser division's revenues and profitability continues to be plagued by fertiliser policy, non-availability of raw materials and delayed disbursal of subsidy.

In March'08, TCL acquired 100% stake in US based *General Chemicals Industrial Products* (GCIP) for USD1bn. GCIP has 75% stake in *General Chemicals (Soda Ash) Partners* (GCSAP), a natural soda ash manufacturer with manufacturing facility (capacity-2.6mn mtpa) at Green River Basin, Wyoming, USA.

## KEY POINTS

- In CY07, GCSAP sold 2.5 mn mt of soda ash and reported revenue of USD375mn.
- Its EBITDA is expected to be ~20%, as cost of manufacturing natural soda ash is substantially less than synthetic soda ash.
- To fund this acquistion, TCL has raised a 6.3 year ECB loan of USD500mn and 6 month bridge loan of USD350mn. The latter would be transferred to GCIP, upon appropriate refinancing .
- At current operational efficiency and soda ash realisation ( USD150/ mt), GCIP is expected to generate post tax cashflows of Rs2.2bn annually and thereby discharge the above debt ( USD350mn) in 8 years.

## KEY FINANCIALS (CONSOLIDATED) (Rs Mn)

| Yr Ended (March) | Net Sales | YoY Gr (%) | Op Profits | Op Marg (%) | Net Profits | Eq Capital |
|---|---|---|---|---|---|---|
| 2005 | 30,081 | - | 5,155 | 17.1 | 3,406 | 2,152 |
| 2006 | 40,344 | 34.1 | 7,565 | 18.8 | 4,283 | 2,152 |
| 2007 | 58,096 | 44.0 | 10,105 | 17.4 | 5,080 | 2,152 |
| 2008E | 63,404 | 9.1 | 10,812 | 17.1 | 5,381 | 2,436 |
| 2009E | 72,749 | 14.7 | 13,128 | 18.0 | 7,122 | 2,436 |

## KEY RATIOS

| Yr Ended (March) | EPS (Rs.) | ROCE (%) | RONW (%) | P/E (x) | EV/Sales (x) | EV/EBDIT (x) |
|---|---|---|---|---|---|---|
| 2005 | 14.0 | 13.2 | 17.0 | 23.1 | 2.4 | 11.7 |
| 2006 | 17.6 | 18.0 | 20.3 | 18.4 | 2.1 | 9.7 |
| 2007 | 20.9 | 20.0 | 21.2 | 15.5 | 1.4 | 7.5 |
| 2008E | 22.1 | 19.2 | 17.5 | 14.6 | 1.4 | 7.3 |
| 2009E | 29.2 | 22.5 | 18.8 | 11.0 | 1.2 | 5.8 |

Analyst - Ashwani Agarwalla | ashwania@pinc.co.in | Tel: +91-22-6618 6482

## Background of Acquisition

Tata Chemicals Ltd (TCL) has acquired 100% stake in General Chemicals Industrial Products (GCIP) for USD1bn (Rs40bn) which has 75% stake in General Chemicals (soda ash) Partners (GCSAP), a natural soda ash manufacturer. The balance 25% stake is held by a US based glass container manufacturer.

With this acquisition, TCL has become the second largest manufacturer of soda ash globally and its capacity has increased to 5.5 mntpa from 2.9 mn mtpa.

TCL manufactures synthetic soda ash at Mithapur (capacity-0.9mn mtpa) and Europe (capacity-1.2mn mtpa) while natural soda ash is produced in Kenya (capacity-0.7 mn mtpa).

*GCIP registered a revenue of USD375mn on sales of 2.5 mn mt of soda ash...*

GCSAP has a natural soda ash manufacturing facility (capacity-2.6 mn mtpa) at Green River Basin, Wyoming, USA. In CY07, it produced 2.5mn mt (capacity utilization of ~98%) of soda ash and registered revenue of USD375mn. Due to staid demand in USA and surplus production, soda ash is exported through American Natural Soda Ash Corporation (ANSAC) to Latin America, Asia and Europe. Most of these sales are through annual contracts which are usually renewed in January. Realization of soda ash was ~USD150/ mt (ex-mine) in CY07, and is likely to improve as the contracts have been renewed in Jan 08'. Though its EBIDTA margin are ~20% at present, there is huge scope for improvement as the same is highly sensitive to realistion due to its manufacturing cost being lower than that of synthetic soda ash.

### Rationale for acquisition

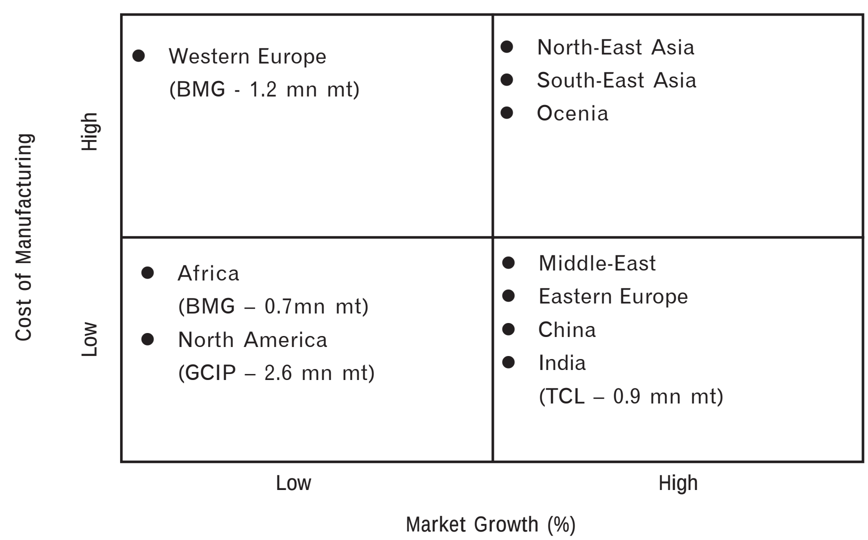
With the acquisition of GCIP, TCL becomes the second largest soda ash manufacturer in the world, with the premier position being enjoyed by Solvay, a Europen chemical comglomerate with a capacity of 8.2mn mtpa. The industry globally is slowly consolidating with the top three players accounting for 40% of the global production of 44mnt( CY07).

*Geographic and process diversifaction provide cushion in terms of regional slowdown and adverse commodity cycles ...*

TCL thus has not only established its foothold across continents, but also has gained access to the high growth East Asian and Latin American markets. This global diversification in production and marketing would derisk TCL business model and insulate it from regional slowdowns.

Post this acquistion, contribution of natural soda ash in the total soda ash prodcution has increased to 60%, from 24%. As natural soda ash is less susceptible to downward movement in commodity price cycle on account of the key raw material i.e *Trona* (chief raw material) being naturally mined, the same is expected to impart stability and

**Soda Ash Global Market Structure**



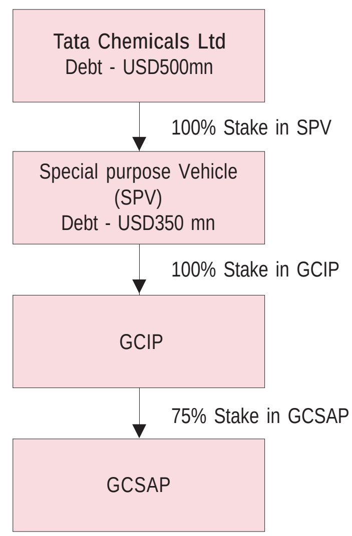

*Source: PINC Research & Company*

predictability in operating margins for TCL and afford it a long term competitive advantage.

**Structure of the deal**

GCIP has been acquired on debt and cash free basis. It is financed by a 6.3 year ECB of USD500mn at LIBOR+1.35bps and 6 month bridge loan of USD350mn at LIBOR+75bps. (Bridge loan has been taken by TCL). After 6 months the bridge loan will be replaced by long term loan which will be borrowed by special purpose vehicle (SPV) floated for acquiring GCIP. We assume that this loan would be serviced by the cashflows of GCIP without recourse to TCL.

**Acquisition Structure**




*Source: PINC Research*

**Earlier acquisition of BMG**

TCL had acquired BMG (UK based soda ash manufacturer) in FY06 with capacity of 1.2mn mtpa & 0.35 mtpa of synthetic soda ash and natural soda ash respectively. TCL had paid cash consideration of Rs8bn, acquired debt of Rs8bn and unfunded pension liability of Rs3.5bn (Total EV of Rs19.5bn). In FY07, BMG had posted sales of Rs16.8bn and registered net profit of Rs630mn and for the period 9MFY08, sales was Rs12.5bn and it suffered a loss (before tax) of Rs110mn.

*Upward movement of soda ash cycle resulted in increase in capital cost from RS12k/mt to Rs21k/mt ...*

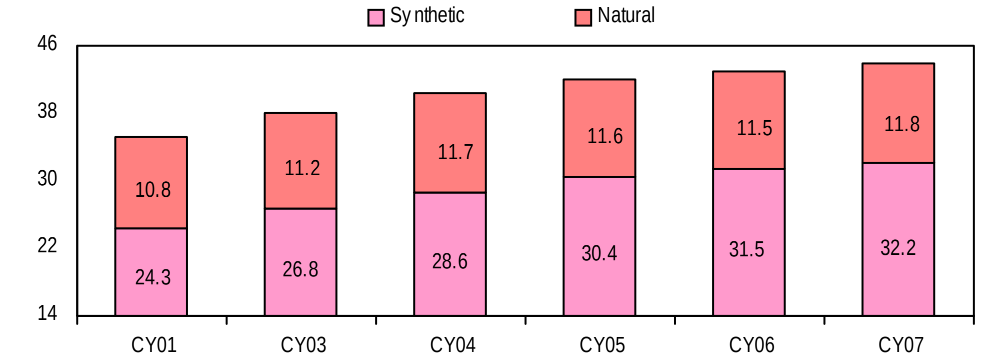
While at time of acquisition of BMG, soda ash prices were ~USD150 and TCL paid a capital cost of ~Rs12k/mt of soda ash. Currently, soda ash prices have doubled from FY06 levels to USD300/mt and consequently, the capital cost escalated to Rs21k/mt of soda ash.

**Global Soda Ash Market**

In CY07, the global capacity for soda ash is expected to be ~53mn mt and the production is likely to be ~44mn mt. Soda ash plants typically operate at 80%-85% capacity utilisation levels. China and USA together control 60% of the global capacity, China is the biggest producer with a capacity of ~17mn mtpa followed by US at 15 mn mtpa.

Soda ash can be manufactured by processing natural resources or it can also be manufactured synthetically. Natural soda ash is produced by processing & refining the naturally occurring trona found in US, Africa and Canada. Simple, low capital intensive process and proximity to source of raw materials result in a lower cost of production for natural soda ash. Globally, natural soda ash contributes ~27% of the total soda ash production while the rest is contributed by the synthetic process.

**World Soda Ash Production (mn mt)**

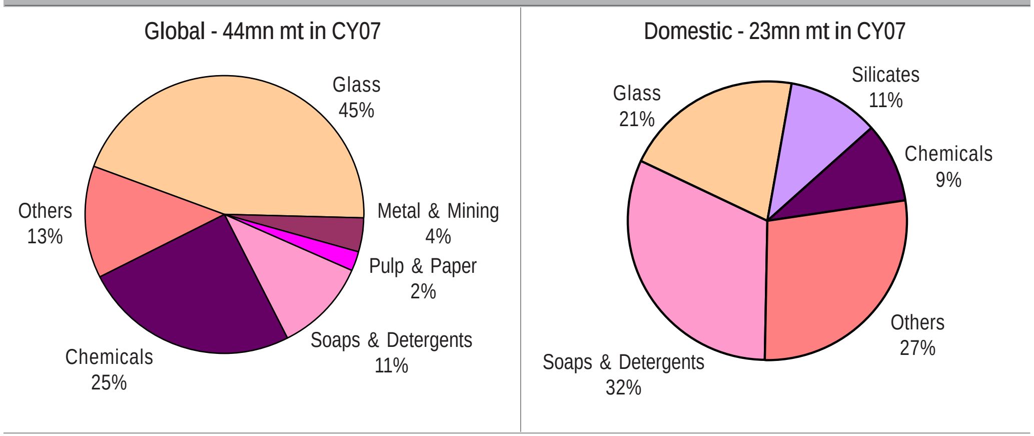



*Source: Crisinfac & PINC Research*

## Consumers

Glass industry consumes ~45% of the global production; chemical and glass industries are the other big consumers accounting for 25% and 11% of consumption respectively.

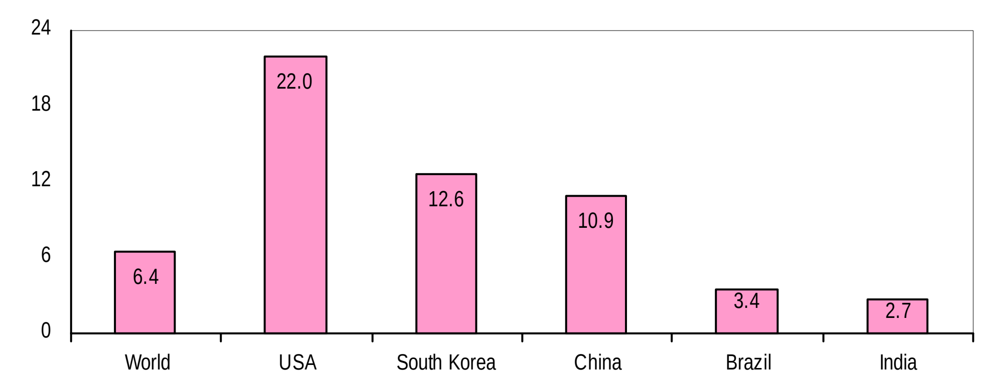
**Soda Ash consumption**




*Source: Crisinfac & PINC Research*

The demand for soda ash has been fanned by the construction activity and automobile manufacturing, which themselves are cruising on bouyant economic activity. Economies in Asia and Latin America has witnessed upsurge in activity in the last 5 years, and this has resulted in increased demand of soda ash. The low demand in USA is compensated by the existence of a huge export market in emerging economies of Latin America and Asia.

**Per Capita Soda Ash Consumption (Kg)**




*Source: Trona Patch Times*

## Global Soda Ash Scenario

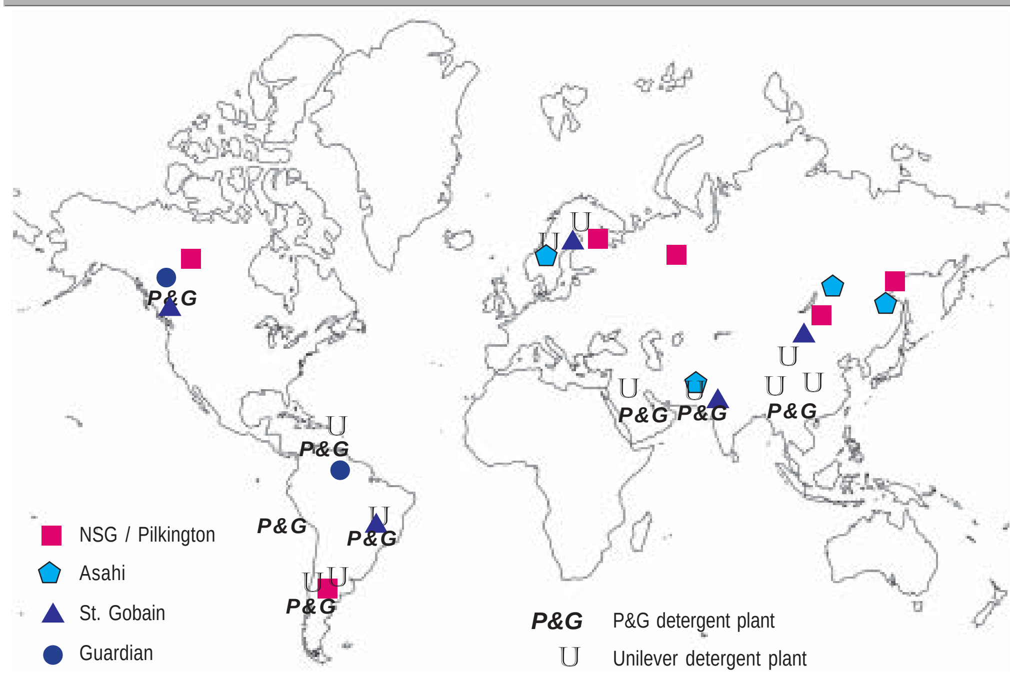
*Urbanisation, indutrialisation and economic growth in the hugely populated countries of SE Asia will keep the demand for soda ash firm...*

Hugely populated China and India have been the demand drivers of soda ash in South East Asia. Increased economic activity, rapid industrialisation and urbanisation resulted in a surge in automobile manufacturing and construction activity which accelerated the demand for soda ash. China and India have tremendous growth potential due to its large population and onset of urbanisation. China has evolved from a rural economy to industrial economy and to meet its demand of soda ash, it set up capacities and became the largest soda ash producer in CY03. Further, dislocation of plants in China and US due to environmental concerns have kept the prices firm in the region.

India continues to be an agriculture driven economy and ~65% of the population still lives in rural areas. Real Estate and construction boom started in India ~5years back and is mostly limited to Tier 1 cities which houses just ~10% of total Indian population. Urbanisation, industrialisation and development in rural areas will further lead to higher construction activities and demand for automobiles which will keep the demand for soda ash firm . High freight cost makes imports from surplus sources unviable.

Sustainance of industrial economy and for transition of rural economy to advance economy will involve substantial construction and infrastructure development which will keep the demand of soda ash intact in the region.

**Key Locations of Soda Ash Consumers**




*Source: PINC Research & Company*

### Impact of acquisition

At the end of Q3FY08, TCL had a debt of Rs14bn and the networth is expected to be ~USD35bn by end of FY08. It has taken a debt of USD500mn in its books for the acquisition, as a result post acquisition the total debt will increase to ~Rs34bn.

At an interest cost of 5%, the additional debt will raise the interest burden by Rs1bn/yr. With the current operating cashflows (post tax) of ~Rs10bn and capex plans of ~Rs20bn for next 5 years (Khet Se & biofuel -Rs7.5bn each, Babrala-Rs1.5bn, Mithapur-Rs3bn), TCL is expected to repay the debt in 5 years.

**Debt Repayment Period of GCIP (Rs bn)**

| | |
|---|---|
| Current operating cashflows/yr (post-tax) | 2.2 |
| Time Period (years) | 8 |
| Total cashflows for 8 Years | 17.8 |
| Principal Amount | 14.0 |
| Total Interest to be paid | 3.2 |

*With the current cashlows, GCIP will be able to repay the debt in 8 years...*

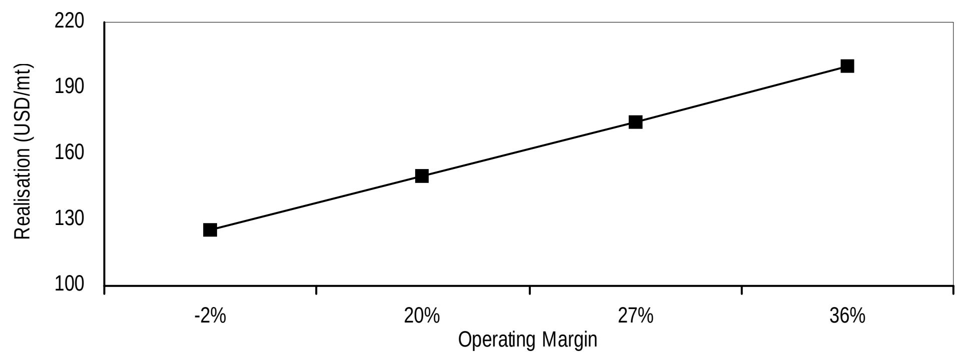
Additional debt of USD350mn will be taken by the SPV which will be financed by the cashflows of GCIP. With an EBITDA of ~Rs2.8bn and post-tax operating cashflow of Rs2.3bn, the debt is likely to be repaid in 8 years.

## Outlook

The GCIP plant is operating at ~98% capacity, and hence to improve profitability it will have to improve efficiency or expand its capacity. Firm soda ash prices will help in efficient repayment of debt and improved performance. However, any negative change in the price cycle will impact the profitability and liquidity and hamper debt servicing.

The demand for soda ash is likely to remain intact following rapid urbanization, increased construction and automobile manufacturing. Renewals of annual contract will improve the realizations by 15%- 20% from current level of USD150/mt. Due to low raw material and manufacturing cost, profit margins of natural soda ash has high sensitivity to realisation as depicted in the chart below.

**Sensitivity of Operating Margin to Realisation of GCIP**




*Source: PINC Research*

*Renewals of annual contracts at higher rate, stabilisation of production at Magadi will improve the performance...*

High coal and coke prices and strong monsoons impacted profitability at Mithapur in the second and third quarter of FY08. However, the realisations are likely to surge in FY09 as the annual contracts are renewed in April. Consequently, we can expect improvement of operating margins at Mithapur from Q1FY09.

BMG had incurred losses in Q3FY08 due to high fuel cost, disruption of operations and loan prepayment penalty. The sales contracts of BMG are renewed annually in January. The contracts of CY08 has been renewed in Jan 08' and the realisations are expected to increase by 15-20%. The additional capacity at Magadi has also stabilised and is operating at 75% capacity utilisation. Consequently, we expect margins to improve substantially at Magadi in FY09.

**Segmental Operating Profit Margin**

| Business Segments | Capacity Mn mtpa | Current Operating Margin (%) | Industry Operaing Margin (%) |
|---|---|---|---|
| **Chlor-Alkali** | | | |
| -Mithapur | 0.9 | ~20 | 25 |
| -Brunner Mond | 1.9 | ~15 | 18-20 |
| (Europe) | 1.2 | 10-12 | 12-15 |
| (Magadi) | 0.7 | ~20 | 25-30 |
| GCIP | 2.6 | ~20 | ~30 |

*Source: PINC Research*

## Concerns

1. Increase in prices or shortage of raw material will impact margins.

2. Unplanned plant shutdowns may hamper revenue and hence profitability.

| Financial Results for the quarter & nine months ended 31 December 2007 (Standalone) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Particulars (Rs Mn) | Quarter Ended | | | Nine Months Ended | | | Year Ended |
| | 31/12/07 | 31/12/06 | Gr % | 31/12/07 | 31/12/06 | Gr % | 31/03/07 |
| **Net Sales** | **12,240** | **13,073** | **(6.4)** | **31,448** | **31,879** | **(1.4)** | **39,910** |
| **Total Expenditure** | **10,195** | **11,308** | (9.8) | **25,712** | **26,689** | (3.7) | **33,043** |
| (Inc)/dec in stock in trade | 623 | 2,523 | - | 1,252 | 1,510 | - | 82 |
| Consumption of raw material | 4,572 | 3,890 | (19.0) | 11,979 | 11,834 | (0.8) | 16,093 |
| Staff cost | 392 | 382 | 2.5 | 1,211 | 1,072 | 13.0 | 1,490 |
| Cost of traded goods | 899 | 1,534 | (41.4) | 2,410 | 3,642 | (33.8) | 3,905 |
| Stores, Spare Parts & Consumed | 478 | 532 | (10.0) | 1,292 | 1,370 | (5.7) | 1,807 |
| Power and Fuel | 1,608 | 1,021 | 57.5 | 3,245 | 2,958 | 9.7 | 3,922 |
| Freight & Forwarding Charges | 746 | 752 | (0.7) | 2,048 | 2,075 | (1.3) | 2,743 |
| Other expenditure | 877 | 675 | 30.0 | 2,275 | 2,228 | 2.1 | 3,002 |
| **Operating profit** | **2,046** | **1,765** | **15.9** | **5,736** | **5,191** | **10.5** | **6,867** |
| Other Income | 125 | 323 | (61.4) | 689 | 851 | (19.1) | 943 |
| **PBDIT** | **2,171** | **2,089** | **3.9** | **6,425** | **6,042** | **6.3** | **7,810** |
| Interest | 39 | 42 | (6.7) | 53 | 81 | (34.8) | 48 |
| Depreciation | 373 | 392 | (4.9) | 1,107 | 1,122 | (1.3) | 1,504 |
| **PBT & extra-ordinary items** | **1,759** | **1,655** | 6.3 | **5,265** | **4,839** | 8.8 | **6,259** |
| Provision for current tax | 537 | 478 | | 1,709 | 1,440 | | 1,846 |
| Provision for deferred tax | - | 1 | | 33 | 34 | | 51 |
| Fringe benefits | 13 | 9 | | - | - | | - |
| **Extraordinary items** | **(46)** | **-** | | **(369)** | **(132)** | | **(80)** |
| **Net Profit** | **1,255** | **1,167** | **7.6** | **3,892** | **3,498** | **11.3** | **4,442** |
| Equity Capital (F.V. Rs 10) | 2,310 | 2,152 | | 2,310 | 2,152 | | 2,152 |
| Diluted equity | 2,435 | 2,435 | | 2,435 | 2,435 | | 2,435 |
| Reserves (excl. rev. res.) | - | - | | - | - | | 21,777 |
| EPS for the period (Rs) | 5.4 | 5.4 | | 16.8 | 16.3 | | 20.6 |
| Diluted EPS (Rs) | 5.2 | 4.8 | | 16.0 | 14.4 | | 18.2 |
| Book Value (Rs) | - | - | | - | - | | 99.4 |
| **OPM (%)** | **16.7** | **13.5** | | **18.2** | **16.3** | | **17.2** |
| NPM (%) | 10.3 | 8.9 | | 12.4 | 11.0 | | 11.1 |
| **Expenditure (% of Net Sales)** | | | | | | | |
| Raw materials (incl. stock adj.) | 42.4 | 49.1 | | 42.1 | 41.9 | | 40.5 |
| Staff cost | 3.2 | 2.9 | | 3.9 | 3.4 | | 3.7 |
| Cost of traded goods | 7.3 | 11.7 | | 7.7 | 11.4 | | 9.8 |
| Stores, Spare Parts & Consumed | 3.9 | 4.1 | | 4.1 | 4.3 | | 4.5 |
| Power and Fuel | 13.1 | 7.8 | | 10.3 | 9.3 | | 9.8 |
| Freight & Forwarding Charges | 6.1 | 5.8 | | 6.5 | 6.5 | | 6.9 |
| Other expenses | 7.2 | 5.2 | | 7.2 | 7.0 | | 7.5 |

| Financial Results for the quarter & nine months ended 31 December 2007 (Consolidated) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Particulars (Rs Mn) | Quarter Ended | | | Nine Months Ended | | | Year Ended |
| | 31/12/07 | 31/12/06 | Gr % | 31/12/07 | 31/12/06 | Gr % | 31/03/07 |
| **Net Sales** | **17,001** | **17,804** | **(4.5)** | **45,628** | **45,663** | **(0.1)** | **58,096** |
| **Total Expenditure** | **14,411** | **15,130** | **(4.8)** | **37,651** | **38,248** | **(1.6)** | **47,991** |
| (Inc)/dec in stock in trade | 525 | 2,533 | | 1,015 | 1,607 | | 215 |
| Consumption of raw material | 5,415 | 4,656 | (17.4) | 14,630 | 14,226 | (1.2) | 19,320 |
| Staff cost | 1,124 | 1,017 | 10.5 | 3,179 | 2,812 | 13.0 | 3,480 |
| Cost of traded goods | 918 | 1,578 | (41.8) | 2,441 | 3,774 | (35.3) | 4,071 |
| Stores, Spare Parts & Consumed | 558 | 729 | (23.5) | 1,651 | 1,879 | (12.1) | 2,445 |
| Power and Fuel | 2,889 | 1,970 | 46.6 | 6,488 | 5,715 | 13.5 | 7,640 |
| Freight & Forwarding Charges | 1,338 | 1,168 | 14.6 | 3,776 | 3,426 | 10.2 | 4,602 |
| Other expenditure | 1,643 | 1,480 | 11.0 | 4,472 | 4,810 | (7.0) | 6,217 |
| **Operating profit** | **2,591** | **2,674** | **(3.1)** | **7,977** | **7,415** | **7.6** | **10,105** |
| Other Income | 125 | 133 | (5.8) | 690 | 973 | (29.1) | 996 |
| **PBDIT** | **2,716** | **2,807** | **(3.2)** | **8,667** | **8,388** | **3.3** | **11,101** |
| Interest | 446 | 214 | 108.9 | 974 | 589 | 65.3 | 962 |
| Depreciation | 793 | 711 | 11.4 | 2,345 | 1,999 | 17.3 | 2,739 |
| **PBT & extra-ordinary items** | **1,478** | **1,882** | **(21.5)** | **5,348** | **5,800** | **(7.8)** | **7,400** |
| Provision for current tax | 461 | 563 | | 1,718 | 1,618 | | 2,297 |
| Provision for deferred tax | - | - | | - | - | | 53 |
| Fringe benefits | 13 | 9 | | 33 | 34 | | 51 |
| **Extraordinary items** | **93** | **(248)** | | **(770)** | **(132)** | | **(81)** |
| **Net Profit** | **911** | **1,559** | **(41.6)** | **4,367** | **4,280** | **2.0** | **5,080** |
| Equity Capital (F.V. Rs 10) | 2,310 | 2,152 | | 2,310 | 2,152 | | 2,152 |
| Diluted equity | 2,435 | 2,435 | | 2,435 | 2,435 | | 2,435 |
| Reserves (excl. rev. res.) | - | - | | - | - | | 23,567 |
| EPS for the period (Rs) | 3.9 | 7.2 | | 18.9 | 19.9 | | 23.6 |
| Diluted EPS (Rs) | 3.7 | 6.4 | | 17.9 | 17.6 | | 20.9 |
| Book Value (Rs) | - | - | | - | - | | 119.5 |
| **OPM (%)** | **15.2** | **15.0** | | **17.5** | **16.2** | | **17.4** |
| NPM (%) | 5.4 | 8.8 | | 9.6 | 9.4 | | 8.7 |
| **Expenditure (% of Net Sales)** | | | | | | | |
| Raw materials (incl. stock adj.) | 34.9 | 40.4 | | 34.3 | 34.7 | | 33.6 |
| Staff cost | 6.6 | 5.7 | | 7.0 | 6.2 | | 6.0 |
| Cost of traded goods | 5.4 | 8.9 | | 5.4 | 8.3 | | 7.0 |
| Stores, Spare Parts & Consumed | 3.3 | 4.1 | | 3.6 | 4.1 | | 4.2 |
| Power and Fuel | 17.0 | 11.1 | | 14.2 | 12.5 | | 13.1 |
| Freight & Forwarding Charges | 7.9 | 6.6 | | 8.3 | 7.5 | | 7.9 |
| Other expenses | 9.7 | 8.3 | | 9.8 | 10.5 | | 10.7 |

## Segmentwise results for the quarter & nine months ended 31 December 2007 (Consolidated)

| Particulars (Rs Mn) | Quarter Ended | | | Nine Months Ended | | | Year Ended |
|---|---|---|---|---|---|---|---|
| | 31/12/07 | 31/12/06 | Gr % | 31/12/07 | 31/12/06 | Gr % | 31/03/07 |
| **Segment Revenue** | | | | | | | |
| Inorganic Chemicals | 8,400 | 7,909 | 6.2 | 23,374 | 23,551 | (0.8) | 31,513 |
| Fertilisers | 8,601 | 9,895 | (13.1) | 22,254 | 22,112 | 0.6 | 26,583 |
| **Total** | **17,001** | **17,804** | **(4.5)** | **45,628** | **45,663** | **(0.1)** | **58,096** |
| Less: Inter-segment sales | - | - | - | - | - | - | - |
| **Net Sales** | **17,001** | **17,804** | **(4.5)** | **45,628** | **45,663** | **(0.1)** | **58,096** |
| **PBIT** | | | | | | | |
| Inorganic Chemicals | 1,029 | 1,420 | (27.5) | 3,084 | 3,937 | (21.7) | 5,323 |
| Fertilisers | 995 | 771 | 29.0 | 3,189 | 2,165 | 47.3 | 2,728 |
| **Total** | **2,024** | **2,191** | **(7.6)** | **6,273** | **6,102** | **2.8** | **8,050** |
| Less: Interest | 446 | 214 | 108.9 | 974 | 589 | 65.3 | 824 |
| Less: Other Unallocable | 193 | (153) | (226.2) | (819) | (420) | 95.2 | (255) |
| **PBT** | **1,385** | **2,130** | **(35.0)** | **6,118** | **5,933** | **3.1** | **7,481** |
| **Capital Employed** | | | | | | | |
| Inorganic Chemicals | 24,330 | 25,952 | (6.2) | 24,330 | 25,952 | (6.2) | 27,031 |
| Fertilisers | 9,022 | 15,705 | (42.6) | 9,022 | 15,705 | (42.6) | 16,832 |
| Unallocable | 18,006 | 8,925 | 101.7 | 18,006 | 8,925 | 101.7 | 3,620 |
| **Total** | **51,358** | **50,582** | **1.5** | **51,358** | **50,582** | **1.5** | **47,484** |
| **ROCE (%)** | | | | | | | |
| Inorganic Chemicals | 16.9 | 21.9 | | 16.9 | 20.2 | | 19.7 |
| Fertilisers | 44.1 | 19.6 | | 47.1 | 18.4 | | 16.2 |
| **Total** | **15.8** | **17.3** | | **16.3** | **16.1** | | **17.0** |
| **PBIT Marg (%)** | | | | | | | |
| Inorganic Chemicals | 12.3 | 18.0 | | 13.2 | 16.7 | | 16.9 |
| Fertilisers | 11.6 | 7.8 | | 14.3 | 9.8 | | 10.3 |
| **Total** | **11.9** | **12.3** | | **13.7** | **13.4** | | **13.9** |
| **Sales Mix (%)** | | | | | | | |
| Chemicals | 49.4 | 44.4 | | 51.2 | 51.6 | | 54.2 |
| Bulk Fertilisers | 50.6 | 55.6 | | 48.8 | 48.4 | | 45.8 |
| **PBIT Mix (%)** | | | | | | | |
| Chemicals | 50.8 | 64.8 | | 49.2 | 64.5 | | 66.1 |
| Bulk Fertilizers | 49.2 | 35.2 | | 50.8 | 35.5 | | 33.9 |

Year Ended March (Figures in Rs mn)

| Income Statement | 2005 | 2006 | 2007 | 2008E | 2009E |
|---|---|---|---|---|---|
| **Revenues** | **30,081** | **40,344** | **58,096** | **63,404** | **72,749** |
| *Growth (%)* | - | *34.1* | *44.0* | *9.1* | *14.7* |
| **Total Expenditure** | **24,926** | **32,779** | **47,991** | **52,592** | **59,620** |
| **Operating Profit** | **5,155** | **7,565** | **10,105** | **10,812** | **13,128** |
| *Growth (%)* | - | *46.7* | *33.6* | *7.0* | *21.4* |
| Interest & dividend income | 1,017 | 1,003 | 996 | 1,193 | 1,732 |
| **EBIDT** | **6,173** | **8,568** | **11,101** | **12,004** | **14,861** |
| (-) Interest | 246 | 482 | 962 | 1,048 | 931 |
| (-) Depreciation | 1,377 | 1,840 | 2,739 | 2,890 | 3,253 |
| **PBT & extraordinary items** | **4,550** | **6,246** | **7,400** | **8,067** | **10,677** |
| (-) Tax provision | 1,124 | 1,723 | 2,401 | 2,686 | 3,556 |
| **Net Profits** | **3,406** | **4,283** | **5,080** | **5,381** | **7,122** |
| Fully diluted Eq. sh. O/s (mn no) | 244 | 244 | 244 | 244 | 244 |
| Book Value (Rs) | 82 | 91 | 106 | 146 | 164 |
| Basic EPS (Rs) | 15.8 | 19.9 | 23.6 | 25.0 | 33.1 |
| **Diluted EPS (Rs)** | 14.0 | 17.6 | 20.9 | 22.1 | 29.2 |

| Balance Sheet | 2005 | 2006 | 2007 | 2008E | 2009E |
|---|---|---|---|---|---|
| *Equity Share Capital* | 2,152 | 2,152 | 2,152 | 2,436 | 2,436 |
| *Reserves & Surplus* | 17,827 | 20,042 | 23,567 | 33,164 | 37,573 |
| **Net worth** | **19,978** | **22,194** | **25,718** | **35,600** | **40,009** |
| Total Debt | 13,242 | 18,277 | 18,642 | 13,600 | 13,000 |
| Deferred Tax liability | 3,534 | 3,230 | 2,912 | 2,912 | 2,912 |
| Deferred Capital Grants | - | 239 | 211 | 211 | 211 |
| **Capital Employed** | **36,754** | **43,939** | **47,484** | **52,324** | **56,132** |
| Fixed Assets | 15,624 | 27,794 | 30,561 | 30,171 | 29,918 |
| Net current assets | 11,726 | 2,588 | 926 | 6,155 | 10,216 |
| Investments | 9,387 | 5,475 | 7,753 | 7,753 | 7,753 |
| Deferred Tax Assets | - | 936 | 576 | 576 | 576 |
| Misc exp. | 17 | 70 | 37 | 37 | 37 |
| **Total Assets** | **36,754** | **43,939** | **47,484** | **52,324** | **56,132** |

Year Ended March (Figures in Rs mn)

| Cash Flow Statement | 2005 | 2006 | 2007 | 2008E | 2009E |
|---|---|---|---|---|---|
| **PBT & extraordinary items** | **4,550** | **6,246** | **7,400** | **8,067** | **10,677** |
| Depreciation | 1,377 | 1,840 | 2,739 | 2,890 | 3,253 |
| Interest & dividend inc. | (318) | (536) | (920) | (1,193) | (1,732) |
| Interest paid | 246 | 312 | 944 | 1,048 | 931 |
| Misc Exp W/off | (287) | (219) | (480) | - | - |
| Tax paid | 42 | (875) | (2,144) | (2,686) | (3,556) |
| (Inc/Dec in working capital | 493 | (5,121) | 1,612 | (5,306) | (3,986) |
| **Cash from operations** | **6,103** | **1,648** | **9,151** | **2,819** | **5,587** |
| Net capital expenditure | (692) | (1,893) | (5,204) | (2,500) | (3,000) |
| Net investments (incl sub.) | (2,727) | (5,887) | (2,255) | - | - |
| Interest & dividend recd | 415 | 703 | 923 | 1,193 | 1,732 |
| **Cash from investing activities** | **(3,004)** | **(7,077)** | **(6,536)** | **(1,307)** | **(1,268)** |
| Issue of eq. shares | - | - | - | - | - |
| Preference Shares Repaid | - | - | - | - | - |
| Change in debt | 5,448 | 1,004 | 369 | 1,651 | (600) |
| Dividend paid | (1,338) | (1,589) | (1,716) | (2,191) | (2,713) |
| Interest paid | (419) | (557) | (953) | (1,048) | (931) |
| **Cash from financing activities** | **3,691** | **(1,142)** | **(2,300)** | **(1,588)** | **(4,244)** |
| **Inc/Dec. in cash** | **6,790** | **(6,571)** | **316** | **(76)** | **75** |

| Key Ratios | 2005 | 2006 | 2007 | 2008E | 2009E |
|---|---|---|---|---|---|
| EBIDT (%) | 20.5 | 21.2 | 19.1 | 18.9 | 20.4 |
| ROACE (%) | 13.2 | 18.0 | 20.0 | 19.2 | 22.5 |
| ROANW (%) | 17.0 | 20.3 | 21.2 | 17.5 | 18.8 |
| Sales/Total Assets (x) | 0.8 | 0.9 | 1.3 | 1.2 | 1.3 |
| Debt:Equity (x) | 0.7 | 0.8 | 0.7 | 0.4 | 0.3 |
| Current Ratio (x) | 2.5 | 1.2 | 1.0 | 1.3 | 1.5 |
| Debtors (days) | 50.8 | 66.1 | 58.3 | 68.4 | 71.8 |
| Inventory (days) | 70.6 | 76.7 | 47.6 | 47.4 | 43.8 |
| Net working capital (days) | 135.2 | 22.3 | 5.6 | 34.9 | 50.6 |
| EV/Sales (x) | 2.4 | 2.1 | 1.4 | 1.4 | 1.2 |
| EV/EBIDT (x) | 11.7 | 9.7 | 7.5 | 7.3 | 5.8 |
| P/E (x) | 23.1 | 18.4 | 15.5 | 14.6 | 11.0 |
| P/BV (x) | 3.9 | 3.5 | 3.1 | 2.2 | 2.0 |

## Equity Desk

R. Baskar Babu - Head - Equity Broking
*baskarb@pinc.co.in* *91-22-66186465*

Gealgeo V. Alankara - Head - Institutional Sales
*alankara@pinc.co.in* *91-22-66186466*

Sachin Kasera - Co-Head - Domestic Equities
*sachink@pinc.co.in* *91-22-66186464*

Sailav Kaji - Head - Derivatives & Strategist
*sailavk@pinc.co.in* *91-22-66186344*

## Research

Sameer Ranade - Capital Goods / Utilities
*sameerr@pinc.co.in* *91-22-66186381*

Sujit Jain - Real Estate / Construction
*sujitj@pinc.co.in* *91-22-66186379*

Amol Rao - Hospitality / Pipes / Packaging
*amolr@pinc.co.in* *91-22-66186378*

Nirav Shah - Sugar / Textiles
*niravs@pinc.co.in* *91-22-66186383*

Rishabh Bagaria - Auto / Auto Ancilliary
*rishabhb@pinc.co.in* *91-22-66186391*

Ruchir Desai - Technology
*ruchird@pinc.co.in* *91-22-66186372*

Syed Sagheer - Logistics / Light Engineering
*syeds@pinc.co.in* *91-22-66186390*

Chandana Jha - Banking / Financial Services
*chandanaj@pinc.co.in* *91-22-66186398*

Rahhul Aggarwal - Metals
*rahhula@pinc.co.in* *91-22-66186388*

Dipti Solanki - Media
*diptis@pinc.co.in* *91-22-66186392*

Faisal Memon - Associate - Metals
*faisalm@pinc.co.in* *91-22-66186389*

Ashwani Agarwalla - Associate- Agro Products /Fertilizers
*ashwania@pinc.co.in* *91-22-66186482*

Abhishek Gangwani -Associate - Electronics / Hardware
*abhishekg@pinc.co.in* *91-22-66186385*

Naveen Trivedi - Associate - Speciality Chemicals
*naveent@pinc.co.in* *91-22-66186384*

Abhinav Bhandari - Associate - Real Estate / Construction
*abhinavb@pinc.co.in* *91-22-66186371*

Anand Rajgarhia - Associate - Shipping / Logistics
*anandr@pinc.co.in* *91-22-66186377*

## Sales:

Anil Chaurasia
*91-22-66186483*

*Alok Doshi*
*91-22-66186484*

*Sapna Mehta*
*91-22-66186485*

*Sundeep Bhat*
*91-22-66186486*

## Dealing:

Chandrakant Ware / Shivkumar R / Ashok Savla
*idealing1@bloomberg.net* *91-22-66186326*

Raju Bhavsar / Manoj Parmar / H Prajapati / Pratiksha
*idealing1@bloomberg.net* *91-22-66186323*

## Directors

Gaurang Gandhi
*gaurangg@pinc.co.in* *91-22-66186400*

Hemang Gandhi
hemangg@pinc.co.in 91-22-66186400

Ketan Gandhi
*ketang@pinc.co.in* *91-22-66186400*

Rakesh Bhatia - Head Compliance
*rakeshb@pinc.co.in* *91-22-66186400*

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1216, Maker Chambers V, Nariman Point, Mumbai - 400 021; Tel.: 91-22-66186633/6400 Fax : 91-22-22049195