

BUZZING

STOCK

# Tata Chemicals Ltd.

CMP – Rs.230

**Analyst**

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**Key Stock Data**

Sensex	13157
Nifty	3799
Sector	Chemicals & Fertilizers
Bloomberg	TTCH@IN
Reuters	TTCH.BO
No. of shares (m)	215
Market Cap (Rs m)	48,685
Market Cap (US\$ m)	108.6
52-week H/L	Rs.280/183

**Shareholding Pattern (%)**

Promoters	28.62
Mutual Funds	30.74
FII's	2.81
Corporate Bodies	8.30
Pubic & Others	29.53

**Overview** – Tata Chemicals Ltd. is leading manufacturer of inorganic chemicals, fertilizers and food additives in India. It is the third largest producer of soda ash and sodium bicarbonate in the world. Apart from it, it enjoys leadership in Indian edible salt market while being the most efficient manufacturer of urea fertilizer in the country. The chemical products find their uses in a plethora of industry like glass, detergents, paper, textiles, agriculture, pharmaceuticals, food, paints etc.

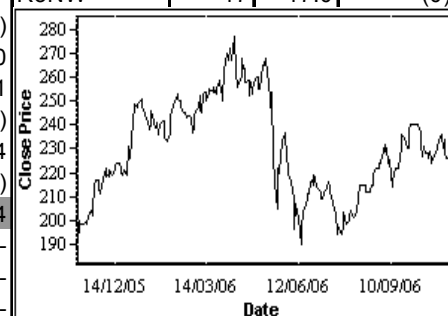
**Diversified Manufacturing** – The Mithapur plant located in Gujarat has got an installed capacity of 875,000TPA of soda ash that is 34% of the India's capacity. Its salt plant at the same premises has a capacity of over 2 million tonnes of solar salt, which is a base raw material for most of the chemicals produced by company. The Babrala fertilizers facility in UP, North India houses an installed capacity of 8,64,600TPA. It also has got a 1,520TPD ammonia plant. The phosphatic fertilizer complex at Haldia is the only manufacturing unit of DAP (Di Ammonium Phosphate)/ NPK (Sodium, Phosphorus and Potassium) in West Bengal with production volumes more than 1.2 million TPA.

**Positive Outlook** – Tata Chemicals has garnered a market share of 38.8% for soda ash on domestic front although the production volumes were hit due to heavy rains and flooding in the state of Gujarat. The modernization and expansion of Mithapur plant is on progress which will lead to enhancing efficiencies and increasing capacities across all products. The food additives business is going strong with a market share of 47% aided by new ad campaign for Tata salt brand. On the other side, pertaining to delayed healthy monsoon, sales of nitrogenous and phosphatic fertilizers have improved.

**Valuation** – The Q2FY07 sales were up by 13%YoY at Rs.11.66bn. The operating profit at Rs.1.97bn showed a drop of 200 bps in the margin. The PAT went up by 25% at Rs.1.57bn aided by strong other income. The stock is currently trading at 8x the annualized Q2FY07 EPS of Rs.29.

## Financial Snapshot

Tata Chemicals Ltd.						Rs.m		Ratios (%)		
	2Q FY07	2Q FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
Net Sales	11260	9965	13	35175	30081	17	Debt -Equity	1	0.5	29
Other Income	682	357	91	818	1017	(20)	PBIDTM	19	20.0	(6)
Total Income	11942	10322	16	35992	31099	16	PBDTM	18	19.1	(6)
Total Expenditure	9334	8115	15	29401	24947	18	RoCE	16	15.8	0
PBIDT	2608	2207	18	6591	6152	7	RoNW	17	17.0	(0)
Interest	32	36	(11)	93	246	(62)				
PBDT	2577	2171	19	6498	5906	10				
Depreciation	365	344	6	1389	1377	1				
Tax	621	558	11	1523	1621	(6)				
Reported Profit After Tax	1577	1259	25	3530	3406	4				
Extra -ordinary Items	0	(6)	(100)	(33)	(13)	(149)				
Adj. Profit After Extra-ordinary item	1577	1265	25	3563	3419	4				
No. of shares (m)	215	215	-	215	215	-				
EPS (annualised.) (Rs.)	29.3	23.4	-	16.4	15.8	-				
P/E	7.9	9.8	-	14.0	14.6	-				



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