

March 25, 2013

**TATA CHEMICALS LTD.**

BSE Code: 500770 NSE Code: TATACHEM Reuters Code: TTCH.NS Bloomberg Code: TTCH:IN

Tata Chemicals Limited (TATACHEM) is a global company with interests in businesses that focus on LIFE: Living, Industry and Farm Essentials and is engaged in four segments: Inorganic Chemicals, fertilizers segment and other traded products. During FY12, its production of soda ash at Mithapur was 690,181 metric tons and its production of ordinary portland cement (OPC) cement was 435,809 metric tons and sales was 427,990 metric tons. The Crop Nutrition business consists of nitrogenous fertilizers, including urea, which is manufactured at Babrala Plant and phosphatic fertilizers, such as di-ammonium phosphate (DAP), are manufactured at the Haldia plant.

### Investor's Rationale

**Registered a 9.9% YoY rise in top-line on higher segmental revenue** - TATACHEM, the second largest producer of soda ash in the world, posted a growth of 9.9% YoY in its consolidated net sales at ₹41.7 bn in Q3FY'13 mainly on account of significant growth in segmental front. The company reported a 15.5% YoY growth in its inorganic chemicals segment revenue at ₹19.3 bn, followed by 6.6% YoY rise in revenue from fertilisers business segment to ₹18.4 bn. Besides, other agri inputs business segment posted a growth of 2.3% YoY to ₹4.3 bn during the quarter.

**Bottom-line remained flat on higher financial expenses** - The company reported a flat 0.1% YoY increase in net profit at ₹2.2 bn, primarily led by a foreign exchange loss of ₹0.5 bn during the quarter compared to a loss of ₹0.07 bn in the same period a year ago. Moreover, depreciation and interest cost grew by 12.2% and 6.6% YoY to ₹1.4 bn and ₹1.2 bn, respectively. However, a huge rise in other income by 241.9% YoY to ₹1.5 bn helped in turning the bottom-line positive.

**EBITDA margin contracted 187bps YoY on higher operating expenses** - EBITDA of the company fell 4.0% YoY to ₹5.4 bn during the quarter, mainly on account of rise in inventory (as a percentage of sales) by 758bps to 7.0%. Moreover, power and fuel expenses as well as other expenses grew 86bps and 50bps YoY to 10.9% and 14.2% in Q3FY'13 from 10.0% and 13.7% in Q3FY'12, respectively. Consequently, EBITDA margin fell massively by 187bps YoY to 12.8% against 14.6%.

**Recent updates** – TATACHEM's board has recently approved amalgamation of Homefield International (HIPL), (Mauritius) with the company. HIPL is a wholly owned subsidiary of the company with its registered office in Mauritius. The appointed date of the scheme is 01 April 2013.

### Market Data

CMP (₹)	316.9
Target Price	348
Stop Loss	302
Duration	Short-term
52-week High-Low (₹)	381.5/299.0
Rise from 52WL (%)	6.0
Correction from 52WH (%)	16.9
Beta	0.7
1 year Average Volume (mn)	0.4
Stock Return (%)	3M- (6.7) 6M- (1.0) 1Y- (8.7)
Market Cap (₹bn)	80.7
Book Value (₹)	196.9

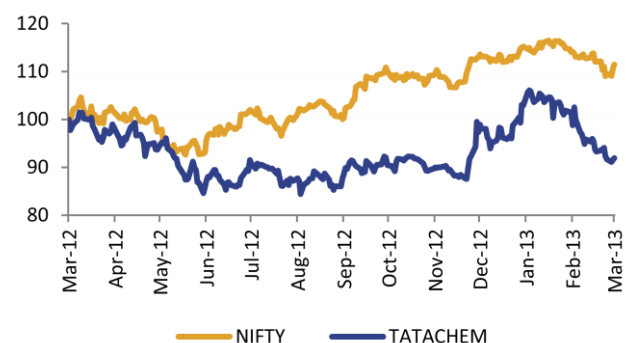
### Shareholding Pattern

	Dec'12	Sep'12	Chg
Promoters (%)	31.06	31.06	-
FII (%)	17.24	15.86	1.38
DII (%)	26.94	28.53	(1.59)
Public & Others (%)	24.76	24.55	0.21

### Quarterly Performance (Consolidated)

(₹bn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	41.7	37.9	41.7	9.9	0.1
Op. exp	36.6	32.5	35.4	12.5	3.5
EBITDA	5.4	5.6	6.61	(4.0)	(18.9)
OPM (%)	12.8	14.6	15.8	(187bps)	(299bps)
Net profit	2.2	2.2	2.6	0.1	(12.7)
NPM (%)	5.2	5.8	6.1	(65bps)	(90bps)
EPS (₹)	8.8	8.8	10.1	0.2	(12.7)

### One Year Price Chart





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