



TATA

TATA CHEMICALS LIMITED

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Industry Overview

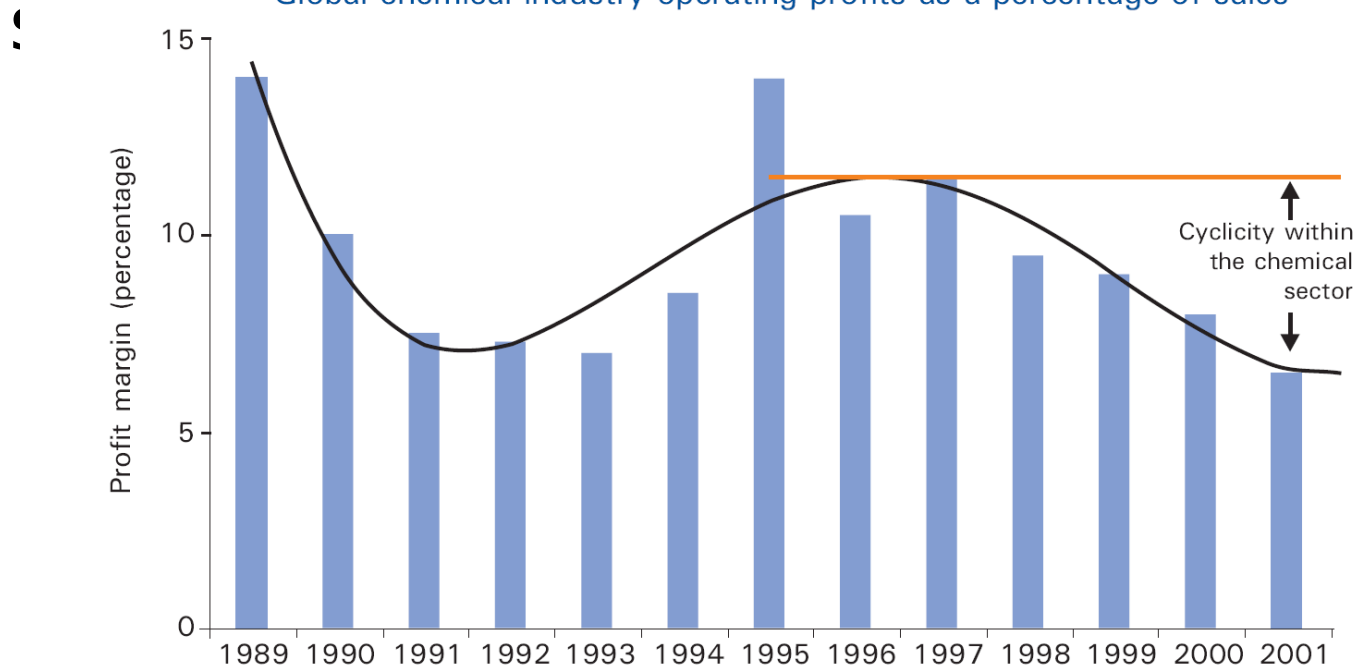
Classification of the industry

Segment	Characteristics	Constituent Industries
Basic	<ul style="list-style-type: none"> • High volume, low-added • Limited product differentiation • High entry barrier 	<ul style="list-style-type: none"> • Petrochemicals • Fertilizers • Inorganic chemicals • Other industrial chemicals
Specialty	<ul style="list-style-type: none"> • High product differentiation and value addition • Smaller production units • Low capital investments 	<ul style="list-style-type: none"> • Adhesive sealants • Catalysts • Industrial gases • Plastic additives
Knowledge	<ul style="list-style-type: none"> • Differentiated chemical and biological substances • High investments in R&D and marketing 	<ul style="list-style-type: none"> • Agrochemicals • Pharmaceuticals • Biotechnology

Industry Overview

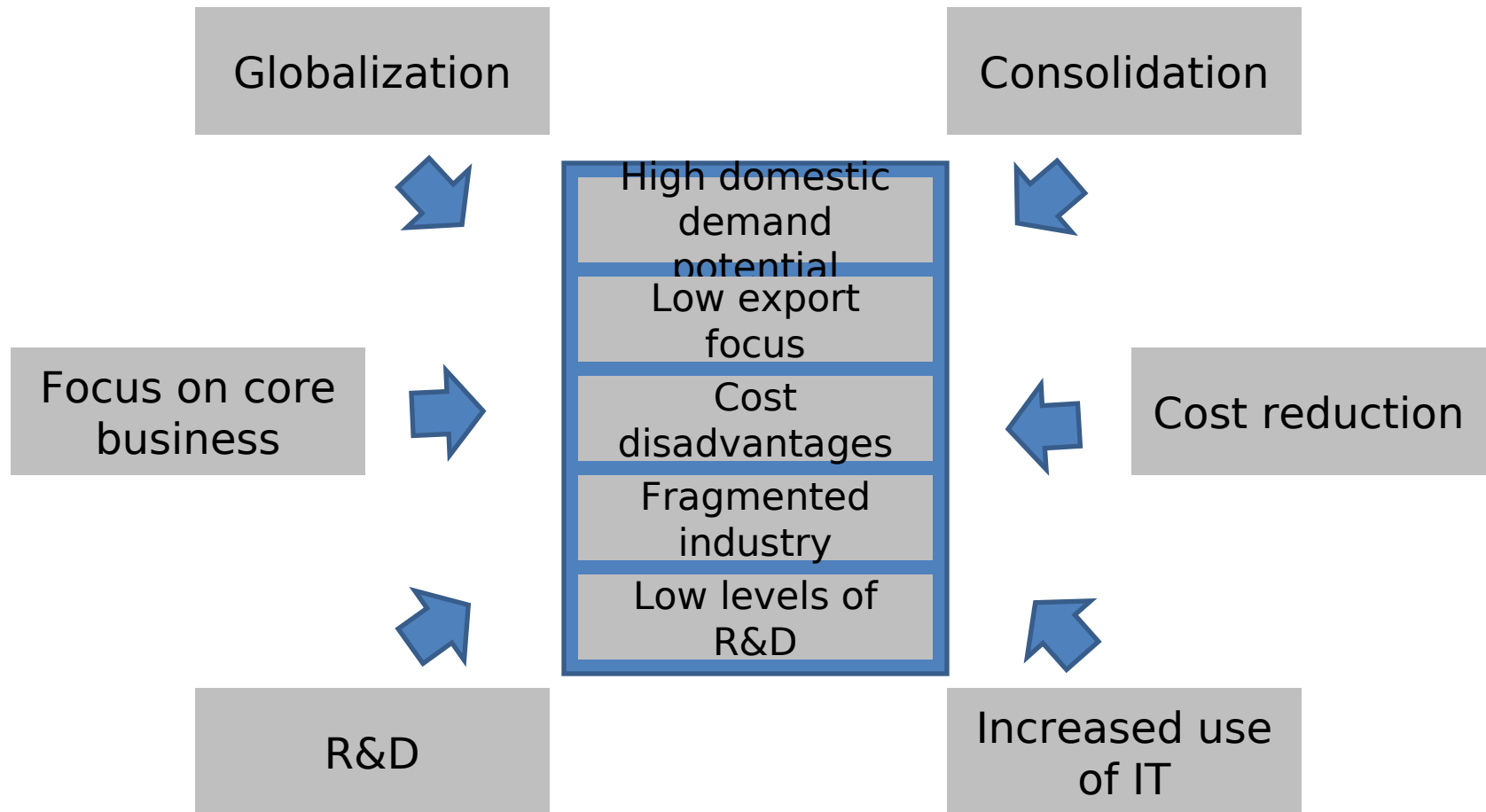
- Business Cyclicality
 - Cyclical industry and is driven largely by the business cycles of end customer

Global chemical industry operating profits as a percentage of sales



Industry Overview

Indian Chemical Industry Characteristics



Industry Overview

Indian Chemical Industry Potential

- Fertilizer consumption in India among the highest in the world
- Fertilizer usage per acre of arable land is less than all the major agricultural nations
- Industry expected to grow by 6% over the next 5 years

Company Overview

- Established in 1939 (Mithapur – Gujarat)
- TCL is a global company with interests in Chemicals, Crop nutrition and consumer products
- World's second largest producer of soda ash (5.5 mt)
- World's third largest producer of Sodium Bicarbonate
- Leader in Indian edible salt market (44% market share)
- Most efficient manufacturer of urea in the country
 - 12% market share among private players

Company Overview

- Brunner Mond
- Magadi Soda
- Khet-Se
- General Chemical Industrial Products



Company Overview

- Set up TCL Innovation Centre in 2004
 - To develop world-class R&D capability in nanotechnology and biotechnology
- Developing expertise in bio fuel space
 - 30KL/day pilot plant in Maharashtra
 - Field research in biodiesel production
 - Agreement inked with Temasek Life Sciences Lab, Singapore

Product Portfolio

Chemicals	<ul style="list-style-type: none">• Soda Ash• Sodium Bicarbonate• Caustic Soda• Chlorine-based products• Bromine-based products• Gypsum• Phosphoric & Sulphuric Acid
Cement	<ul style="list-style-type: none">• Tata Shudh
Fertilizers	<ul style="list-style-type: none">• Tata Paras Urea, DAP, NPK, SSP
Consumer Products	<ul style="list-style-type: none">• Salt: Tata Salt, I-Shakti, Tata Salt Life• Cooking Soda: Tata Samundar
New Business	<ul style="list-style-type: none">• Bio Fuel• Fresh Produce

News that impact Tata Chemicals

- The natural gas production in KG Basin at present is low, but is set to surge to about 80 MMSCMD in a year's time
- Only when the production is ramped up will the benefit of increased natural gas availability turn the fertilizer companies more profitable
- Currently, the key beneficiary amongst listed companies is Tata Chemicals, which has increased its Urea capacity by 2 lakh tonne

Financials

Balance Sheet

	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09
Total Share Capital	215.16	215.16	215.16	234.00	235.23
Reserves	1,782.68	1,952.54	2,177.68	3,337.62	3,624.07
Net worth	1,997.84	2,167.70	2,392.84	3,571.68	3,859.30
Total debt	1,324.22	1,454.49	1,041.77	2,345.28	3,676.10
Investments	938.74	713.74	1,350.28	3,741.40	4,473.73
Total CA, Loans & Advances	1,983.01	2,484.31	1,916.59	2,288.22	3,711.02
Total Assets	3,322.06	3,622.19	3,434.61	5,916.96	7,535.40

Financials

Income Statement

	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09
Sales turnover	3,097.91	3,638.23	4,107.08	4,207.13	8,537.21
Other Income	125.83	99.45	161.95	641.6	-42.46
Total Income	3,067.42	3,689.74	4,100.45	4,703.99	8,416.43
Total Expenses	2,444.35	3,000.15	3,285.58	3,375.33	7,453.88
PBDIT	623.07	689.59	814.87	1,328.66	962.55
Reported Net Profit	340.55	353.03	444.21	949.18	452.05
Earning Per Share (Rs)	15.83	16.41	20.64	40.56	19.22

Financials

Cash Flow Statement

	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09
Net Profit Before Tax	455.00	515.56	633.84	1157.1	660.27
Net Cash From Operating Activities	610.32	246.3	680.02	478.81	575.77
Cash from Investing Activities	-310.11	-876.69	-15.93	-1796.98	-729.18
Cash from Financing Activities	378.77	-75.22	-615.67	1499.29	487.91
Net increase In Cash and Cash	678.98	-705.61	48.42	181.12	334.5

Financial Analysis

Key Financial Ratios

	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09
Dividend per share	6.5	7	8	9	9
Operating profit margin(%)	16.67	16.84	16.54	17.02	12.01
Gross profit margin (%)	17.93	18.57	18.54	13.33	10.06
Net profit margin (%)	11.11	9.74	10.84	22.77	5.32
ROCE (%)	13.28	15.75	18.98	11.3	12.94
RONW (%)	17.05	16.29	18.56	26.57	11.71
Current Ratio (%)	1.14	1.38	1.11	0.62	0.66
Debt Equity Ratio	0.66	0.67	0.44	0.66	0.95
Interest Coverage ratio	14.98	15.5	15.26	31.58	6.71

Financial Analysis

Return on Equity (Net Income / Shareholder's Equity)

	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09
Net Income	340.55	353.03	444.21	949.18	452.05
Net Worth	1,997.84	2,167.70	2,392.84	3,571.68	3,859.30
ROE	17.05%	16.29%	18.56%	26.58%	11.71%

Return on Equity (Adjusted)

	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09
Net Income (Adjusted)	319.4	353.42	428.48	564.83	525.63
Net Worth	1,997.84	2,167.70	2,392.84	3,571.68	3,859.30
ROE (Adjusted)	15.99%	16.30%	17.91%	15.81%	13.62%

All figures are in Rs. Crores

Financial Analysis

Earnings per share (PAT / No. of shares)

	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09
PAT	340.55	353.03	444.21	949.18	452.05
No. of Shares (in lakhs)	2,151.03	2,151.03	2,151.89	2,339.94	2,351.69
EPS	15.83	16.41	20.64	40.56	19.22

EPS (Adjusted)

	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09
PAT (Adjusted)	319.4	353.42	428.48	564.83	525.63
No. of Shares (in lakhs)	2,151.03	2,151.03	2,151.89	2,339.94	2,351.69
EPS (Adjusted)	14.84	16.43	19.91	24.13	22.35

All figures are in Rs. Crores

Financial Analysis

Calculation for price of stock

	Mar '05	Mar '06	Mar '07	Mar '08	Mar '09
PAT	340.55	353.03	444.21	949.18	452.05
EPS	15.83	16.41	20.64	40.56	19.22
Dividend	6.5	7	8	9	9
ROE	17.05%	16.29%	18.56%	26.58%	11.71%
Retention ratio (b)	0.589	0.573	0.612	0.778	0.531
g = b * ROE	10.0%	9.3%	11.3%	20.6%	6.2%

Projections

Growth g for Mar '10

11.53%

Dividend '10 (D1)

10.03

Financial Analysis

Expected returns

Risk Free Rate (Rf)	6.00%
Market Rate (Rm)	18.00%
Beta of Stock (β)	0.8646

$$\text{Expected Return (K)} = R_f + \beta (R_m - R_f)$$

Expected Return (K)	16%
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Stock Price

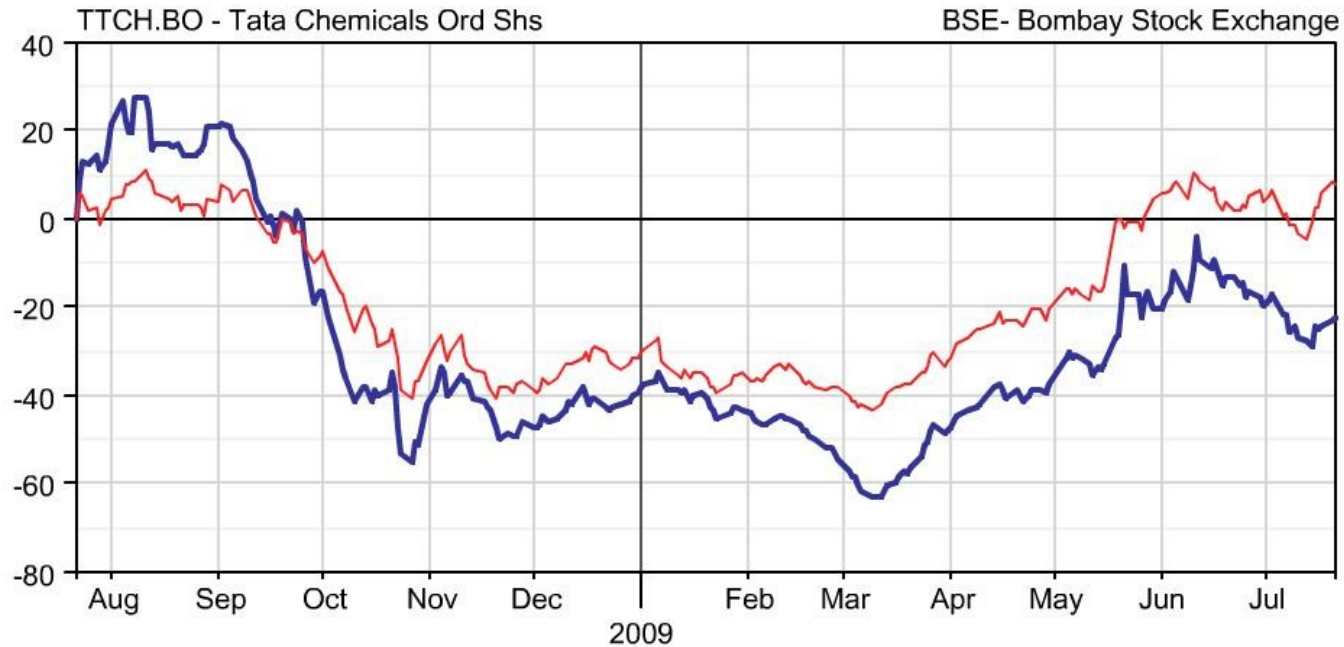
Dividend (D1)	10.03
Growth (g)	11.53%
Expected Return (K)	16%

$$\text{Stock Price (P1)} = \text{Dividend(D1)} / [\text{Expected Return(K)} - \text{Growth (g)}]$$

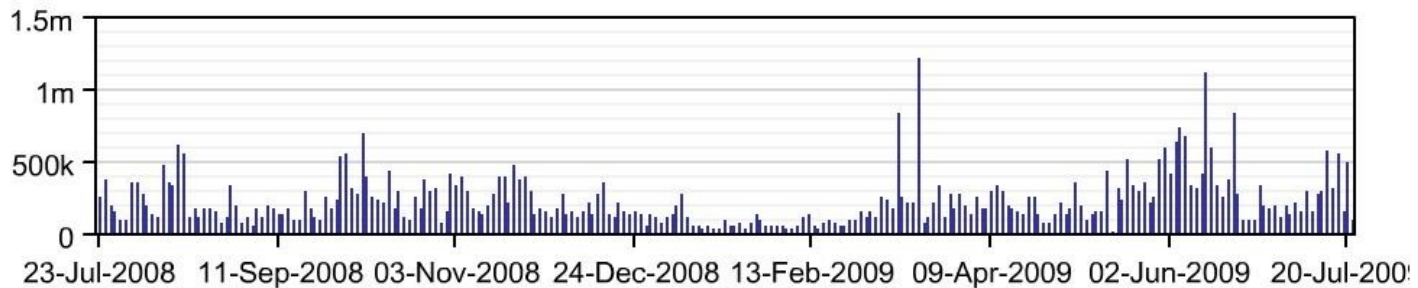
Stock Price (P1)	207.29	Stock Price (22 nd July)	211.55
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Share Price Performance

Percentage Value



Volume



Daily Prices: 21-Jul-2008 - 22-Jul-2009

Reuters Investor