

Tata Chemicals Ltd

Tata Chemicals is a global chemicals company serving the needs of industry, consumers and the agricultural sector. The Company manufactures inorganic chemicals, consumer products, crop protection and agriculture inputs, and nutritional solutions. The company has always performed well and maintained consistency with a compounded annual profit growth of 25.2% for 5 years ended FY2019.

The soda ash and soda bicarb are cash-cow products for the company. Tata Chemical is coming up with capacity expansion for soda ash, soda bicarb and cement business, which is expected to get entirely commissioned by the end of FY22. TCL ventured into the silica, nutraceutical business with a capex of ~`500 crore. Apart from this, strong growth visibility from cathode active material and Tata Chemical's position in the entire chemistry would put the company in a favourable position in the long run. These factors if run successfully, can bring down the valuations further which is already lower when compared to peers.

On the financial health front, the company is bringing down its debt dependence year after year. AT the end of FY19, debt-equity ratio came down to 0.5x from 1.3x in FY14. Currently, the stock trades at 15.5x of its earnings and delivers 11% RoE. The company also pays dividend of ~30% on an average. With concrete business and attractive returns, we recommend BUY on the stock.

BUY
CMP ₹736

Stock Info

Sector	Chemicals
Market Cap (₹ cr)	18,750
Beta	0.7
52 Week High / Low	780/543
Avg. Daily Volume	2,23,031
Face Value (₹)	10
BSE Sensex	40,789
Nifty	11,980
Reuters Code	TTCH.BO
Bloomberg Code	TTCH IN

Shareholding Pattern (%)

Promoters	31.1
MF / Banks / Indian FIs	38.4
FII / NRIs / OCBs	9.8
Indian Public / Others	20.8

Abs. (%)	3m	1yr	3yr
Sensex	1.2	11.5	43.4
TATACHEM	15.7	12.0	31.5

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Disclosure of Interest Statement

Tata Chemicals

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)