

- ❑ BASF India Ltd is the flagship company of BASF SE in India. BASF SE is a German multinational chemical company and one of the largest chemical producer in the world with presence in more than 80 countries.
- ❑ The company reported good set of numbers for the quarter under review revenue from operations improved by 15.5% year-on-year to ₹2395 crores on a reported basis. The company reported healthy revenue growth mainly led by agricultural solutions, nutrition & care and petrochemicals & intermediates.
- ❑ On profitability front, the EBITDA from operations for the quarter improved by 107.3% year-on-year at ₹158 crores with an operating margin of 6.6%. Net gain on exceptional item of ₹423 crores was reported during the quarter, due to sale of construction chemicals business, divestiture of optical brightening agents business and impairment of certain assets at Dahej plant. The company achieved the reported PAT of ₹411 crores.
- ❑ Segment wise Agricultural solutions constituting 21.03% of the revenue grew by 26.2% YoY, Nutrition & Care constituting 25.72% of the revenue grew by 66.1% YoY, and Chemicals segment constituting 18.93% of the revenue grew by 42.2% YoY.
- ❑ BASF is achieving strong sales growth due to change in business model from agency to merchandise & expanding production capacity. Focus on margins, digitisation of cost savings & improved efficiency are reaping favourable results for the company.
- ❑ We continue to remain positive on BASF due to its business model, diversified products offerings, strong promoter group, improving balance sheet and benefits arising from the company's strong business reorganization (acquisition of BASF performance polyamides, divestiture of optical brightening agents & divestiture construction chemicals business). The Q2-FY21 results are above our expectations, we maintain our **BUY** rating on the stock with a revised target price of **₹1915 per share**.

Standalone Financials:

(In ₹ mn)	Q2-FY21	Q2-FY20	Chg	6M-FY21	6M-FY20	Chg
Net Sales	23,958	20,743	15.5%	41,655	36,881	12.9%
Operating Expense	22,381	19,983	12.0%	39,926	35,303	13.1%
EBITDA	1,577	761	107.3%	1,729	1,578	9.6%
Other Income	26	63	-58.3%	46	117	-60.9%
Depreciation	430	456	-5.7%	858	911	-5.9%
EBIT	1,173	367	219.4%	917	785	16.9%
Interest	86	226	-62.2%	208	468	-55.6%
PBT	1,088	141	672.4%	710	316	124.2%
Tax	1,214	8	15264.6%	1,127	38	2835.7%
Exceptional Items	4,233	(118)		4,226	(264)	
PAT	4,107	15	27280.7%	3,809	14	26910.6%
Minority /Other Adj.	-	-		-	89	
Consolidated PAT	4,107	15	27280.7%	3,809	103	3594.0%

Margins	Q2-FY21	Q2-FY20	Chg BPS	6M-FY21	6M-FY20	Chg BPS
Operating Margin %	6.6%	3.7%	292	4.2%	4.3%	-13
Net Margin %	17.1%	0.1%	1707	9.1%	0.0%	910

Standalone Financials:

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Net Sales	60,257	75,511	84,323	92,755
Operating Expense	58,762	72,785	80,440	88,021
EBITDA	1,495	2,725	3,882	4,734
Other Income	1,089	847	946	1,040
Depreciation	1,471	1,801	1,729	2,092
EBIT	1,113	1,772	3,099	3,683
Interest	1,655	1,400	434	469
Misc. items	1,261	(325)	4,236	-
PBT	719	47	6,901	3,214
Tax	(99)	(139)	1,587	739
Minority Interest	-	-	-	-
PAT	817	185	5,314	2,475

Margins	FY-19	FY-20	FY-21E	FY-22E
Sales Growth %	7.9%	25.3%	11.7%	10.0%
Operating Margin %	2.5%	3.6%	4.6%	5.1%
Net Margin %	1.4%	0.2%	6.3%	2.7%

(In ₹ mn)	FY-19	FY-20	FY-21E	FY-22E
Liabilities				
Equity Share Capital	458	465	465	465
Reserves & Surplus	13,671	13,395	18,709	21,184
Total Shareholder's Funds	14,129	13,860	19,174	21,649
Minority Interest	-	-	-	-
Long-Term Liabilities	3,034	1,471	-	-
Other Long-term Liabilities	808	1,871	1,871	1,871
Deferred Tax Liability	(639)	(879)	(879)	(879)
Short-term Liabilities	20,779	28,687	26,936	29,630
Total	38,111	45,010	47,103	52,271
Assets				
Net Fixed Assets	9,992	9,639	7,271	8,399
Long-Term L&A	1,926	1,893	1,893	1,893
Non Current Investments	-	-	-	-
Other Non-Current Assets	7	5	5	5
Current Asset	26,186	33,474	37,934	41,975
Total	38,111	45,010	47,103	52,271

Key Ratios	FY-19	FY-20	FY-21E	FY-22E
EPS (₹)	18.9	4.3	122.8	57.2
P/E (x)	88.1	389.1	13.6	29.1
P/B (x)	5.1	5.2	3.8	3.3
ROE	5.8%	1.3%	27.7%	11.4%

Source: Company, Anand Rathi Research

Key Risks:

- Changing environment rules & regulations.
- Rupee depreciation.
- Geopolitical tension.

Rating and Target Price history:

BASF's rating history & price chart



BASF's rating details

Date	Rating	Target Price (₹)	Share Price (₹)
24-08-2020	Buy	1867	1613
16-12-2020	Buy	1915	1664

Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 16 December 2020 close.

Source: Bloomberg, Anand Rathi Research

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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