

# Tata Chemicals

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	TTCH IN
Equity Shares (m)	255
M.Cap.(INRb)/(USDb)	280.1 / 3.4
52-Week Range (INR)	1350 / 933
1, 6, 12 Rel. Per (%)	0/-4/-10
12M Avg Val (INR M)	1853

## Financials & Valuations (INR b)

Y/E Mar	2024	2025E	2026E
Sales	154.2	159.2	169.6
EBITDA	28.5	27.5	32.3
PAT	9.2	8.9	12.9
EBITDA (%)	18.5	17.2	19.0
EPS (INR)	36.1	34.9	50.4
EPS Gr. (%)	(60.5)	(3.5)	44.6
BV/Sh. (INR)	873	893	927

## Ratios

Net D/E	0.2	0.2	0.1
RoE (%)	4.4	4.0	5.5
RoCE (%)	4.0	5.2	6.4

## Valuations

P/E (x)	30.4	31.5	21.8
EV/EBITDA (x)	11.7	11.8	9.7
Div Yield (%)	1.4	1.4	1.5
FCF Yield (%)	3.4	5.7	6.9

## Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	38.0	38.0	38.0
DII	20.0	20.5	19.8
FII	13.8	14.1	14.6
Others	28.2	27.5	27.6

**CMP: INR1,100 TP: INR980 (-11%) Neutral**

## Operating performance hit by subdued soda ash prices

### Operating performance misses our expectations

- Tata Chemicals (TTCH)'s 4QFY24 consolidated EBITDA declined 54% YoY, primarily due to a subdued operating performance across geographies with India/US/UK/Kenya reporting 26%/68%/72%/57% decline YoY.
- We broadly maintain our FY25/FY26 EBITDA estimates and **reiterate our Neutral rating with an SoTP-based TP of INR980.**

### Adverse demand-supply scenario hurts soda ash prices

- TTCH reported overall revenue of INR34.8b (est. INR35.4b) in 4QFY24, down 21% YoY, due to lower realization YoY across regions. This led to an EBITDA margin contraction of 920bp YoY to 12.7% (est. 15.8%); while EBITDA stood at INR4.4b (est. INR5.6b), down 54% YoY. Adjusted net loss after tax was ~INR1b (est. adj. PAT of ~INR2.2b) vs. adjusted PAT of INR7.1b in 4QFY23.
- Factoring in the exceptional loss of INR9.63b due to the write down (one-time non-cash charge) of assets with respect to the UK (Lostock plant), the reported net loss stood at ~INR8.3b. The write-off was made on account of unfavorable market conditions, reduced demand for Soda Ash in Europe and the persistently low pricing outlook within the region.
- The Basic Chemistry Products business declined 21% YoY to INR30.1b. Operating loss for 4QFY24 stood at ~INR6.8b vs. EBIT of ~INR8.7b in 4QFY23. Specialty Products business declined 20% YoY to INR4.7b. Operating loss for 4QFY24 stood at ~INR390m vs. operating loss of ~INR930m in 4QFY23.
- For India, the standalone/TCNA/TCEHL/TCAHL/Rallis revenue declined 16%/21%/22%/30%/17% YoY to INR10.9b/INR13.1b/ INR5.5b/INR1.5b/INR4.4b. EBITDA margins for India Standalone/TCNA/TCEHL/TCAHL contracted 2.3pp/16.4pp/20.4pp/17pp YoY to 17.6%/11.2%/11.4%/26.7%, while for Rallis EBITDA margin stood at ~1.6% (vs. operating loss in 4QFY23).
- For FY24, TTCH's revenue/EBITDA/Adj. PAT declined 8%/26%/51% to INR154.2b/INR28.5b/INR9.2b.
- Gross/Net debt stood at ~INR55.6b/INR43.0b as of Mar'24 (vs. ~INR63b/INR39b as of Mar'23).

### Highlights from the management commentary

- **Demand-Supply scenario:** Global demand is stable; however, the market remains cautious due to the ongoing geopolitical challenges, weak demand scenario in China, high interest rates, and a situation of oversupply (mostly in the EU market; ranging ~1.0-1.2MMT).
- **India business:** The new 230KTPA soda ash capacity will be commissioned in May'24, and is expected to reach the optimum capacity in ~90 days. TTCH has planned a 10-day shutdown in the Mithapur plant in 1QFY25. However, it is building on inventory so that the customers/orders do not get affected.
- **TCNA:** Management is expecting the US business to deliver healthy production and realization numbers going forward. It anticipates a positive development in 4QFY25, as the rest of the quarters are bound by contracts.

- Capex: The next phase of expansion of INR20b (includes increasing soda ash/Bicarb/Silica capacities by 30%/40%/5x) will be completed between FY25 and FY28. This includes the ongoing soda ash expansion of 300KTPA in Kenya and 400KTPA in the US, which is likely to be completed over the next couple of years.

#### Valuation and view

- There are certain short-term challenges in the soda ash demand-supply dynamics owing to weak demand in Western Europe, that result in suppliers (majorly from Turkey) exporting soda ash beyond Europe (impacting global prices adversely). However, the situation is expected to balance out in the medium term with the emergence of new applications, such as solar glass and lithium-ion batteries.
- We broadly maintain our FY25/FY26 EBITDA estimates and **reiterate our Neutral rating with an SoTP-based TP of INR980.**

#### Consolidated - Quarterly Earnings Model

(INR m)

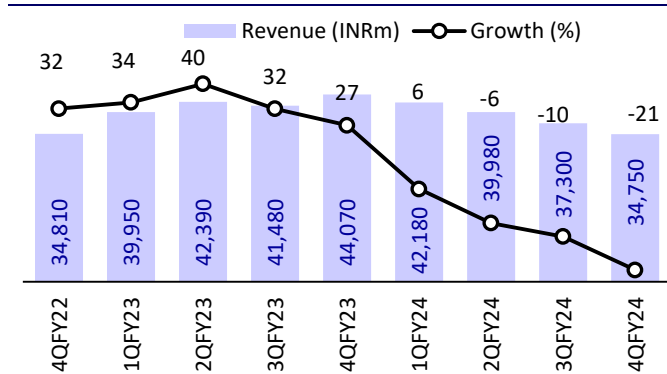
Y/E March	FY23				FY24				FY23	FY24	FY24E 4Q	Var. %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Net Sales</b>	<b>39,950</b>	<b>42,390</b>	<b>41,480</b>	<b>44,070</b>	<b>42,180</b>	<b>39,980</b>	<b>37,300</b>	<b>34,750</b>	<b>1,67,890</b>	<b>1,54,210</b>	<b>35,426</b>	<b>-2</b>
YoY Change (%)	34.2	40.2	32.0	26.6	5.6	-5.7	-10.1	-21.1	33.0	-8.1	-14.6	
Total Expenditure	29,800	33,190	32,260	34,420	31,750	31,790	31,880	30,320	1,29,670	1,25,740	29,841	
<b>EBITDA</b>	<b>10,150</b>	<b>9,200</b>	<b>9,220</b>	<b>9,650</b>	<b>10,430</b>	<b>8,190</b>	<b>5,420</b>	<b>4,430</b>	<b>38,220</b>	<b>28,470</b>	<b>5,585</b>	<b>-21</b>
Margins (%)	25.4	21.7	22.2	21.9	24.7	20.5	14.5	12.7	22.8	18.5	15.8	
Depreciation	2,130	2,180	2,270	2,340	2,290	2,340	2,460	2,710	8,920	9,800	2,500	
Interest	800	860	1,070	1,330	1,230	1,450	1,320	1,300	4,060	5,300	1,200	
Other Income	460	600	370	750	490	850	380	1,140	2,180	2,860	745	
<b>PBT before EO expense</b>	<b>7,680</b>	<b>6,760</b>	<b>6,250</b>	<b>6,730</b>	<b>7,400</b>	<b>5,250</b>	<b>2,020</b>	<b>1,560</b>	<b>27,420</b>	<b>16,230</b>	<b>2,631</b>	
Extra-Ord expense	40	50	70	20	-90	-1,020	0	9,630	180	8,520	0	
<b>PBT</b>	<b>7,640</b>	<b>6,710</b>	<b>6,180</b>	<b>6,710</b>	<b>7,490</b>	<b>6,270</b>	<b>2,020</b>	<b>-8,070</b>	<b>27,240</b>	<b>7,710</b>	<b>2,631</b>	
Tax	1,560	380	1,020	-80	1,710	1,200	680	220	2,880	3,810	645	
Rate (%)	20.4	5.7	16.5	-1.2	22.8	19.1	33.7	-2.7	10.6	49.4	24.5	
MI & Profit/Loss of Asso. Cos.	190	50	1,250	-300	550	790	-240	-20	1,190	1,080	-190	
<b>Reported PAT</b>	<b>5,890</b>	<b>6,280</b>	<b>3,910</b>	<b>7,090</b>	<b>5,230</b>	<b>4,280</b>	<b>1,580</b>	<b>-8,270</b>	<b>23,170</b>	<b>2,820</b>	<b>2,176</b>	
<b>Adj PAT</b>	<b>5,920</b>	<b>6,318</b>	<b>3,963</b>	<b>7,105</b>	<b>5,163</b>	<b>3,515</b>	<b>1,580</b>	<b>-1,048</b>	<b>23,305</b>	<b>9,210</b>	<b>2,176</b>	<b>NA</b>
YoY Change (%)	105.6	198.3	31.7	53.5	-12.8	-44.4	-60.1	-114.7	84.4	-60.5	-45.1	
Margins (%)	14.8	14.9	9.6	16.1	12.2	8.8	4.2	-3.0	13.9	6.0	6.1	

#### Key Performance Indicators

Y/E March	FY23				FY24				FY23	FY24
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Consolidated</b>										
<b>Sales Volume (000'MT)</b>										
North America	568	561	610	608	535	545	529	626	<b>2,347</b>	<b>2,235</b>
Europe	181	183	162	158	153	156	156	144	<b>684</b>	<b>609</b>
Africa	83	73	69	63	55	61	64	64	<b>288</b>	<b>244</b>
<b>EBITDA/MT</b>										
North America (USD)	62.9	47.1	65.0	91.3	108.2	70.9	32.9	28.3	<b>67.0</b>	<b>58.9</b>
Europe (GBP)	51.0	83.5	93.9	144.2	72.7	71.6	35.5	42.6	<b>91.4</b>	<b>55.8</b>
Africa (USD)	185.5	230.0	218.6	175.5	141.6	101.2	105.2	73.4	<b>202.5</b>	<b>104.1</b>
<b>Cost Break-up</b>										
RM Cost (% of sales)	19.9	23.0	15.7	19.5	16.8	20.5	18.7	13.7	<b>19.6</b>	<b>17.5</b>
Staff Cost (% of sales)	10.2	9.4	10.4	10.4	10.9	11.4	12.6	13.8	<b>10.1</b>	<b>12.1</b>
Power and Fuel Cost (% of sales)	15.5	17.3	21.7	16.7	16.2	16.3	18.9	18.2	<b>17.8</b>	<b>17.3</b>
Freight and Distribution Cost (% of sales)	12.9	12.5	13.4	13.3	12.5	13.1	14.9	19.0	<b>13.0</b>	<b>14.7</b>
Other Cost (% of sales)	16.1	16.2	16.6	18.2	18.9	18.3	20.4	22.5	<b>16.8</b>	<b>19.9</b>
Gross Margins (%)	80.1	77.0	84.3	80.5	83.2	79.5	81.3	86.3	<b>80.4</b>	<b>82.5</b>
EBITDA Margins (%)	25.4	21.7	22.2	21.9	24.7	20.5	14.5	12.7	<b>22.8</b>	<b>18.5</b>
EBIT Margins (%)	20.1	16.6	16.8	16.6	19.3	14.6	7.9	4.9	<b>17.5</b>	<b>12.1</b>

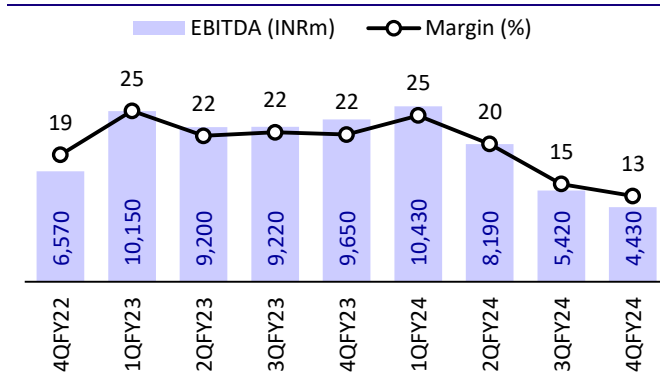
## Key exhibits

Exhibit 1: Consolidated revenue trend



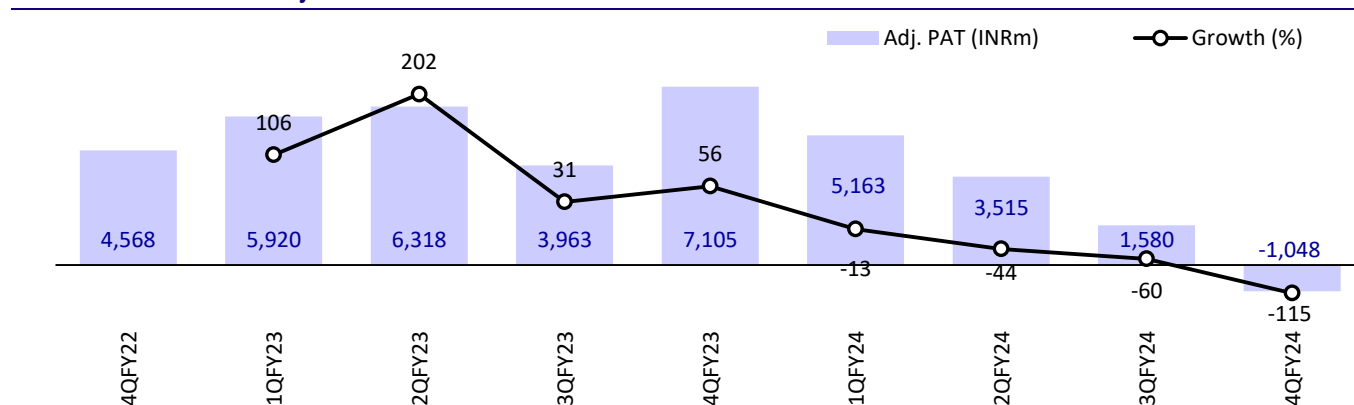
Sources: Company reports, MOFSL

Exhibit 2: Consolidated EBITDA trend



Sources: Company reports, MOFSL

Exhibit 3: Consolidated adjusted PAT trend



Sources: Company reports, MOFSL

Exhibit 4: Consolidated segmental revenue

INR m	4QFY23	3QFY24	4QFY24	%YoY	%QoQ
<b>Revenue</b>					
Basic Chemistry products	38,220	31,010	30,050	-21%	-3%
Specialty products	5,890	6,290	4,710	-20%	-25%
Less: Inter-segment revenue	70	10	30		
Add: Unallocated	30	10	20		
<b>Total revenue</b>	<b>44,070</b>	<b>37,300</b>	<b>34,750</b>	<b>-21%</b>	<b>-7%</b>

Exhibit 5: Consolidated segmental EBIT

INR m	4QFY23	3QFY24	4QFY24	%YoY	%QoQ
<b>EBIT</b>					
Basic Chemistry products	8,760	3,260	-6,820	-178%	-309%
Margin	22.9%	10.5%	-22.7%		
Specialty products	-930	170	-390	-58%	-329%
Margin	-15.8%	2.7%	-8.3%		
<b>Total EBIT</b>	<b>7,830</b>	<b>3,430</b>	<b>-7,210</b>	<b>-192%</b>	<b>-310%</b>
Less: Finance Cost	1,330	1,320	1,300		
Less: Unallocated (income)/expense	-230	90	-440		
<b>PBT</b>	<b>6,730</b>	<b>2,020</b>	<b>-8,070</b>	<b>-220%</b>	<b>-500%</b>

Sources: Company reports, MOFSL

**Exhibit 6: Standalone operational performance trend**

INR m	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	%YoY	%QoQ
Soda Ash sales volume ('000MT)	176	169	154	156	166	155	161	168	157	-5	-7
Sodium Bicarbonate sales volume ('000MT)	29	30	28	29	33	29	30	32	34	3	6
Salt sales volume ('000MT)	325	330	303	333	340	312	338	324	371	9	15
Realization - Basic Chemistry Products (INR/MT)	19,736	21,815	23,443	22,606	22,931	21,835	19,282	20,248	18,772	-18	-7
Net sales	11,150	12,250	11,850	12,180	13,020	11,350	10,660	10,930	10,900	-16	0
EBITDA	2,770	3,980	2,940	2,840	2,590	2,890	1,880	2,060	1,920	-26	-7
EBITDA (%)	24.8%	32.5%	24.8%	23.3%	19.9%	25.5%	17.6%	18.8%	17.6%	-228	-123
PBT	3,100	4,950	2,770	2,440	2,490	4,060	2,730	1,400	1,970	-21	41
PAT	2,680	3,810	2,430	1,900	2,130	3,280	1,595	1,150	2,170	2	89

Sources: Company reports, MOFSL

**Exhibit 7: Performance trend in the North American operations**

INR m	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	%YoY	%QoQ
Soda Ash utilization (%)	96%	92%	88%	96%	96%	84%	86%	83%	99%	283	1,528
Sales volume ('000MT)	615	568	561	610	608	535	545	529	626	3	18
Realization (INR/MT)	17,756	19,701	21,016	21,689	27,138	27,738	24,330	23,819	20,879	-23	-12
Realization (USD/MT)	239	255	263	264	330	337	295	286	252	-24	-12
EBITDA/MT (USD)	60	63	47	65	91	108	71	33	28	-69	-14
Net sales	10,920	11,190	11,790	13,230	16,500	14,840	13,260	12,600	13,070	-21	4
EBITDA	2,750	2,760	2,110	3,260	4,570	4,760	3,190	1,450	1,470	-68	1
EBITDA (%)	25.2%	24.7%	17.9%	24.6%	27.7%	32.1%	24.1%	11.5%	11.2%	-1,645	-26
PAT	1,740	1,410	820	1,600	2,900	2,920	1,390	110	150	-95	36

Sources: Company reports, MOFSL

**Exhibit 8: Performance trend in the European operations**

INR m	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	%YoY	%QoQ
Soda Ash volume ('000MT)	71	65	69	63	60	57	55	50	46	-23	-8
Sodium Bicarbonate volume ('000MT)	30	28	30	24	23	24	24	23	23	0	0
Salt ('000MT)	91	88	84	75	75	72	77	83	75	0	-10
Total sales volume ('000MT)	192	181	183	162	158	153	156	156	144	-9	-8
Realization (INR/MT)	30,000	29,337	35,574	45,617	44,747	42,484	38,974	38,077	38,403	-14	1
Realization (GBP/MT)	294	276	383	462	453	418	382	370	374	-17	1
EBITDA/MT (GBP)	21	51	83	94	144	73	72	36	43	-70	20
Net sales	5,760	5,310	6,510	7,390	7,070	6,500	6,080	5,940	5,530	-22	-7
EBITDA	410	980	1,420	1,500	2,250	1,130	1,140	570	630	-72	11
EBITDA (%)	7.1%	18.5%	21.8%	20.3%	31.8%	17.4%	18.8%	9.6%	11.4%	-2,043	180
PAT	-120	490	990	870	2,000	400	330	-240	-780	-139	225

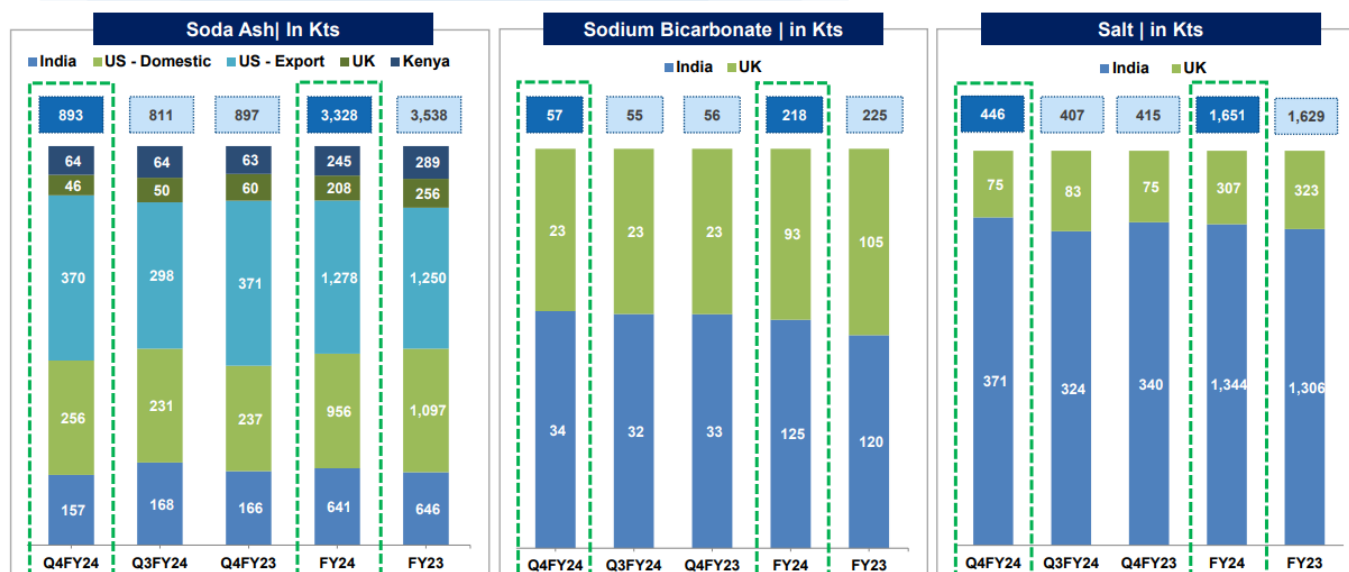
Sources: Company reports, MOFSL

**Exhibit 9: Performance trend in African operations**

INR m	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	%YoY	%QoQ
Soda ash utilization (%)	80%	95%	83%	79%	72%	63%	70%	73%	73%	114	-
Sales volume ('000MT)	75	83	73	69	63	55	61	64	64	2	0
Realization (INR/MT)	22,800	29,639	34,384	34,928	33,016	31,818	25,574	25,469	22,813	-31	-10
Realization (USD/MT)	307	383	431	425	401	387	310	306	275	-31	-10
EBITDA/MT (USD)	108	185	230	219	176	142	101	105	73	-58	-30
Net sales	1,710	2,460	2,510	2,410	2,080	1,750	1,560	1,630	1,460	-30	-10
EBITDA	600	1,190	1,340	1,240	910	640	510	560	390	-57	-30
EBITDA (%)	35.1%	48.4%	53.4%	51.5%	43.8%	36.6%	32.7%	34.4%	26.7%	-1,704	-764
PAT	510	1,110	1,540	1,070	780	410	350	230	340	-56	48

Sources: Company reports, MOFSL

Exhibit 10: Volume trends across geographies



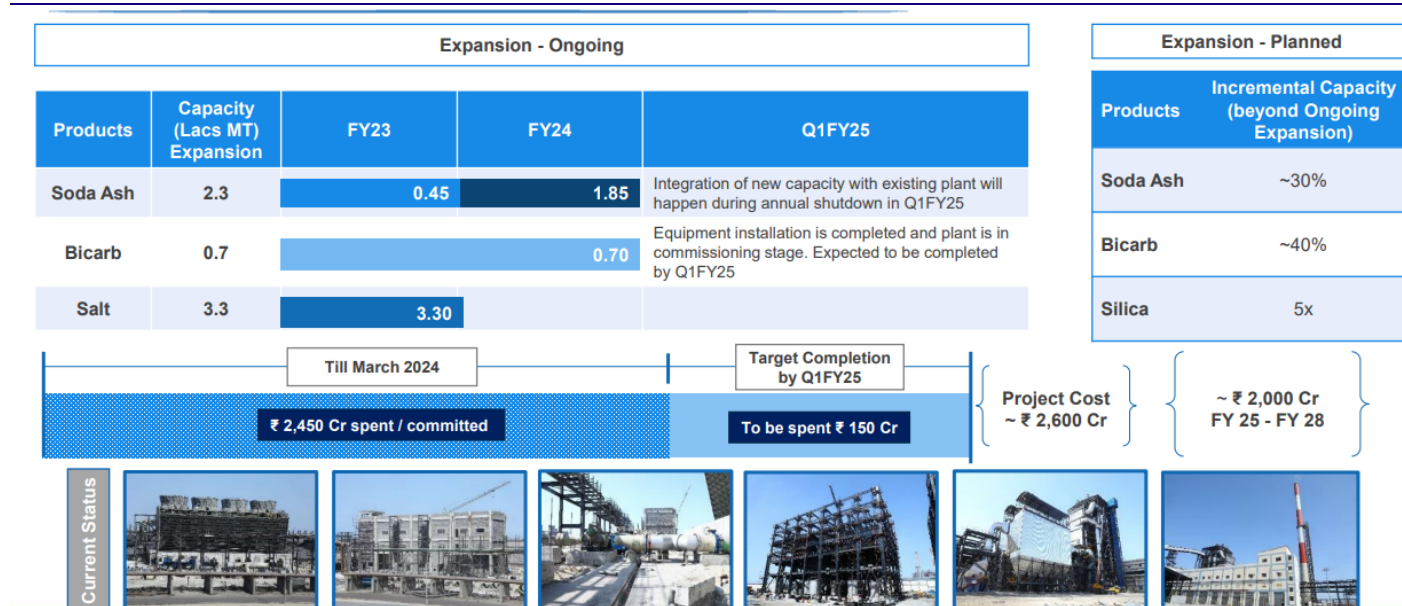
Sources: Company, MOFSL

Exhibit 11: Strategic priorities of TTCH

	<b>India</b>	<ul style="list-style-type: none"> <li>Deliver consistent performance through customer engagement</li> <li>Deliver capacity expansions - Soda Ash, Bicarb &amp; Salt</li> </ul>
	<b>Rallis</b>	<ul style="list-style-type: none"> <li>Extend Portfolio offerings: New product introductions, plug portfolio gaps</li> <li>Investment in marketing, manufacturing, and digitization capabilities to build differentiation</li> </ul>
	<b>USA</b>	<ul style="list-style-type: none"> <li>Maximize volumes through customer engagement</li> <li>Focus on cost management</li> <li>Generate cash and deleverage</li> </ul>
	<b>UK</b>	<ul style="list-style-type: none"> <li>Ensure operations are in line with market dynamics</li> <li>Focus on value added products like pharma salt and premium grade bicarb</li> </ul>
	<b>Kenya</b>	<ul style="list-style-type: none"> <li>Sustain volume delivery to customers through customer engagement</li> <li>Continuous cost focus</li> </ul>

Sources: Company, MOFSL



**Exhibit 12: Expansion plan on track**

Sources: Company reports, MOFSL

**Highlights from the management commentary****India**

- India demand for FY24 remained muted, however, demand in 4QFY24 witnessed recovery led by traction in detergent and chemical sectors.
- Flat and solar glass sectors had mixed demand, while container glass demand remained steady.
- Demand in India has increased to 4.56MMT from 4.0MMT last year. This increase is majorly because of the increasing imports (0.5MMT)
- This quarter, the company ramped down the production of soda ash due to utility shortage. However, TTCH increased the production of salt.
- The 230KTPA soda ash capacity will be commissioned in May'24 and will reach full/optimum capacity in ~90 days. The major capex in India has been completed
- TTCH has planned a 10-day shutdown in the Mithapur plant in 1QFY25. However, It is building on inventory so that the customers/orders do not get impacted during the shutdown
- In Rallis, while domestic demand was positive, weak international demand hit revenue growth. Profitability for the company improved through pricing and cost management

**TCNA**

- Flat glass demand in the US also continues to be weak, mostly due to weak demand for beer.
- However, management is expecting the US business to deliver healthy production and realization numbers going forward
- The US business has already shipped one shipment to the EU and China each in 4QFY24.
- Domestic business for 9MFY25 is majorly contracted. Within exports, 1QFY25 is 100% contracted, while 2Q is 18% contracted. Hence, the overall quarterly run rate is expected to be the same in FY25.

- EBITDA for domestic sales is stable (down only ~USD40/MT). The major decline has been on export sales with a fall of USD90-100/MT QoQ
- Export realization has dropped across markets i.e. down USD120/MT, thus hampering the margins. Domestic realization is down only USD2/MT YoY and USD7/MT QoQ
- Management expects a positive development in 4QFY25 as rest of the quarters are bound by contracts.

#### TCEHL

- The European soda ash market remained under pressure due to muted demand and margin pressure, leading to a one-time non-cash charge of INR9.63b in the UK.
- This impairment was done as a part of annual process of checking impairment (once in a year). Most of the impairment is done for plants and machinery.
- The impairment is only related to soda ash plant in Lostock (the plant is operational as usual). All other plants are also performing very well.
- There has been a compression in contribution margins of USD30-40/MT in the UK, and this will continue to be under pressure
- The EU demand recovery remains a key driver for global demand-supply scenario. The supply from Turkey, which used to be sold in the EU, is declining due to lower demand in the EU. Hence, Turkey is exporting to other countries
- The major impact from the geopolitical crises is that EU has lost access to cheap natural gas. Energy being the most important part for all industry, has hit demand.

#### China – Soda Ash demand

- Global demand is stable; however, market remains cautious due to ongoing geopolitical headwinds, pressure from Chinese real estate market, and high interest rates, and situation of oversupply.
- China's soda ash demand grew ~15% YoY in Jan/Feb'24. It remained a net importer in 4QFY24
- However, export volumes from China remains at similar levels as the domestic demand is for natural soda ash and not synthetic soda ash, which is forcing synthetic manufacturers in China to export. China majorly manufactures synthetic soda ash.
- The commentary from China and the numbers reported from there is not matching, as the demand scenario looks good while numbers are weak.

#### Outlook

- Global demand is stable; however, market remains cautious due to ongoing geopolitical challenges, pressure from Chinese real estate market, high interest rates and situation of oversupply.
- Management expects the sustainability trend to drive the demand for newer applications like solar glass and lithium, which will fuel growth for soda ash.
- The company expects to witness additional volumes coming in from 2QFY25 as most of the capacity is getting commissioned in 1QFY25 (May'24).

### Capex

- The company will continue to expand in regions where it is competitive. Ongoing soda ash expansion of 300KTPA in Kenya, and 400KTPA in the US will happen over the next couple of years
- Next phase of expansion of INR20b will be done between FY25 and FY28. This includes increasing soda ash capacity further by 30%; Bicarb by 40%; and Silica by 5x.
- Major spending of capex will occur in middle periods i.e. 2HFY26-2HFY27 (the Bell curve pattern)

### Demand – Supply scenario

- There is an oversupply situation in soda ash in the range of 1.0-1.2MMT, mostly in the EU market.
- There is not much pressure at the moment but any pressure can come from Chinese market. The Chinese prices have bottomed out now at ~1,900-1,950/MT Yuan
- The demand-supply balancing needs to start from the EU. Better demand from the EU can improve the demand-supply scenario.

### Other Highlights

- Going forward, the company is not seeing any increase in interest rate (it has peaked) and soda ash prices have bottomed out
- TTCH will continue to focus is on timely execution of expansion projects and efficient cost management
- NCD issued will be used to refinance overseas debt by raising funds in India (as USD appreciates vs. INR). The repayment will be faster as the majority of the capex is completed. Debt repayment being on track, the company has already completed prepayment of USD15m in the US in 4Q and USD110m in FY24.

### Valuation and view

- There are certain short-term challenges in the soda ash demand-supply dynamics owing to weak demand in Western Europe, that result in suppliers (majorly from Turkey) exporting soda ash beyond Europe (impacting global prices adversely). However, the situation is expected to balance out in the medium term with the emergence of new applications, such as solar glass and lithium-ion batteries.
- We broadly maintain our FY25/FY26 EBITDA estimates and **reiterate our Neutral rating with an SoTP-based TP of INR980.**



**Exhibit 13: Valuation methodology**

Business	Methodology	Metrics	FY26	Multiple (x)	EV/Mcap (INR m)
<b>Commodity (INR m)</b>					
Inorganic Chemical India (Soda Ash and others) (Including manufacture of Salt)	EV/EBITDA (x)	EBITDA	12,671	8	1,06,435
Tata Chemicals North America	EV/EBITDA (x)	EBITDA	9,786	8	78,285
Tata Chemicals Europe and Tata Chemicals Africa	EV/EBITDA (x)	EBITDA	5,606	6	33,637
<b>Sub Total</b>					<b>2,18,356</b>
<b>Specialty and Consumer (INR m)</b>					
Rallis India (Tata Chemicals holds 50% stake) (INR m)	20% discount to Current Mcap	Attributable Mcap	52,234	0.8	20,894
<b>Total EV (INR m)</b>					<b>2,39,250</b>
Less: Debt (INR m)					35,461
Less: Minority Interest (INR m)					8,730
Less: Pension liability (INR m)					11,980
Add: Cash and liquid investment (INR m)					13,010
Add: Value of quoted investment (INR m)		Mcap	67,173	0.8	53,738
<b>Target m-cap (INR m)</b>					<b>2,49,828</b>
Outstanding share (m)					255
<b>Target price (INR)</b>					<b>980</b>

Source: MOFSL

**Exhibit 14: Changes to our earnings estimates**

Earnings Change (INR m)	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	1,54,786	1,65,278	1,59,198	1,69,623	3%	3%
EBITDA	28,594	32,336	27,456	32,251	-4%	0%
Adj. PAT	9,739	13,109	8,886	12,851	-9%	-2%
EPS	38	51	35	50	-9%	-2%

Source: MOFSL

## Financials and valuations

### Consolidated - Income Statement

(INRb)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Total Income from Operations</b>	<b>103.5</b>	<b>102.7</b>	<b>103.4</b>	<b>103.6</b>	<b>102.0</b>	<b>126.2</b>	<b>167.9</b>	<b>154.2</b>	<b>159.2</b>	<b>169.6</b>
Change (%)	-32.0	-0.7	0.7	0.2	-1.5	23.7	33.0	-8.1	3.2	6.5
Raw Materials	20.7	17.6	20.0	19.7	24.0	26.4	32.8	27.0	30.2	31.9
Employees Cost	12.6	12.7	13.2	13.8	14.0	15.4	16.9	18.6	19.9	20.9
Power, Oil & Fuel	11.6	12.7	14.8	14.5	14.4	21.1	29.9	26.7	25.5	26.8
Freight & forwarding charges	15.3	15.8	16.1	15.5	14.6	18.1	21.8	22.7	23.9	25.1
Other Expenses	22.2	22.0	21.5	20.6	20.1	22.2	28.2	30.7	32.2	32.7
<b>Total Expenditure</b>	<b>82.5</b>	<b>80.8</b>	<b>85.6</b>	<b>84.1</b>	<b>87.0</b>	<b>103.2</b>	<b>129.7</b>	<b>125.7</b>	<b>131.7</b>	<b>137.4</b>
% of Sales	79.8	78.7	82.8	81.2	85.3	81.7	77.2	81.5	82.8	81.0
<b>EBITDA</b>	<b>20.9</b>	<b>21.9</b>	<b>17.8</b>	<b>19.5</b>	<b>15.0</b>	<b>23.0</b>	<b>38.2</b>	<b>28.5</b>	<b>27.5</b>	<b>32.3</b>
Margin (%)	20.2	21.3	17.2	18.8	14.7	18.3	22.8	18.5	17.2	19.0
Depreciation	5.1	5.2	5.7	6.7	7.6	8.1	8.9	9.8	10.6	11.3
<b>EBIT</b>	<b>15.8</b>	<b>16.7</b>	<b>12.1</b>	<b>12.8</b>	<b>7.4</b>	<b>15.0</b>	<b>29.3</b>	<b>18.7</b>	<b>16.9</b>	<b>20.9</b>
Int. and Finance Charges	3.0	3.3	3.5	3.4	3.7	3.0	4.1	5.3	4.4	3.1
Other Income	1.7	1.6	4.1	3.1	2.3	2.6	2.2	2.9	2.2	2.4
<b>PBT bef. EO Exp.</b>	<b>14.5</b>	<b>15.1</b>	<b>12.7</b>	<b>12.5</b>	<b>6.1</b>	<b>14.5</b>	<b>27.4</b>	<b>16.2</b>	<b>14.7</b>	<b>20.2</b>
EO Items	0.0	0.6	0.7	0.0	0.0	-0.3	-0.2	-8.5	0.0	0.0
<b>PBT after EO Exp.</b>	<b>14.5</b>	<b>15.7</b>	<b>13.4</b>	<b>12.5</b>	<b>6.1</b>	<b>14.3</b>	<b>27.2</b>	<b>7.7</b>	<b>14.7</b>	<b>20.2</b>
Total Tax	3.5	0.6	2.7	2.2	2.0	2.7	2.9	3.8	3.6	4.9
Tax Rate (%)	23.8	3.8	20.5	17.5	32.5	18.7	10.6	49.4	24.5	24.5
MI & Profit/Loss of Asso. Cos.	2.3	2.2	1.3	2.3	1.5	-0.8	1.2	1.1	2.2	2.4
<b>Reported PAT - Continuing Ops.</b>	<b>8.8</b>	<b>12.9</b>	<b>9.3</b>	<b>8.1</b>	<b>2.6</b>	<b>12.4</b>	<b>23.2</b>	<b>2.8</b>	<b>8.9</b>	<b>12.9</b>
<b>Adjusted PAT - Continuing Ops.</b>	<b>8.8</b>	<b>12.3</b>	<b>8.6</b>	<b>8.1</b>	<b>2.6</b>	<b>12.6</b>	<b>23.4</b>	<b>11.3</b>	<b>8.9</b>	<b>12.9</b>
Change (%)	26.3	39.4	-29.7	-6.4	-68.2	392.9	84.8	-51.4	-21.6	44.6
Margin (%)	8.5	11.9	8.3	7.8	2.5	10.0	13.9	7.4	5.6	7.6
Reported PAT - Discontinuing Ops.	1.1	11.4	2.2	62.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reported PAT</b>	<b>9.9</b>	<b>24.3</b>	<b>11.6</b>	<b>70.1</b>	<b>2.6</b>	<b>12.4</b>	<b>23.2</b>	<b>2.8</b>	<b>8.9</b>	<b>12.9</b>
<b>Adjusted PAT</b>	<b>9.9</b>	<b>23.7</b>	<b>10.9</b>	<b>70.1</b>	<b>2.6</b>	<b>12.7</b>	<b>23.4</b>	<b>11.3</b>	<b>8.9</b>	<b>12.9</b>

### Consolidated - Balance Sheet

(INRb)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.6
Total Reserves	76.5	108.5	120.9	126.4	140.4	180.0	194.7	219.9	224.9	233.7
<b>Net Worth</b>	<b>79.1</b>	<b>111.0</b>	<b>123.4</b>	<b>129.0</b>	<b>142.9</b>	<b>182.5</b>	<b>197.2</b>	<b>222.4</b>	<b>227.5</b>	<b>236.2</b>
Minority Interest	26.2	27.2	29.1	7.6	8.5	9.0	9.2	8.7	8.7	8.7
Total Loans	70.5	64.2	61.4	77.0	69.3	70.3	63.0	55.6	46.9	35.5
Lease liability	0.0	0.0	0.0	1.9	1.9	1.4	1.4	3.9	3.9	3.9
Deferred Tax Liabilities	12.4	11.9	13.0	14.4	15.7	20.4	19.4	23.8	23.8	23.8
<b>Capital Employed</b>	<b>188.2</b>	<b>214.3</b>	<b>227.0</b>	<b>229.9</b>	<b>238.4</b>	<b>283.5</b>	<b>290.1</b>	<b>314.4</b>	<b>310.8</b>	<b>308.1</b>
Gross Block	120.0	126.1	138.1	161.5	168.2	183.5	201.6	218.7	241.9	251.0
Less: Accum. Deprn.	10.6	15.8	21.5	28.1	35.7	43.8	52.7	62.5	73.1	84.4
<b>Net Fixed Assets</b>	<b>109.4</b>	<b>110.3</b>	<b>116.6</b>	<b>133.3</b>	<b>132.4</b>	<b>139.7</b>	<b>148.9</b>	<b>156.2</b>	<b>168.8</b>	<b>166.5</b>
Goodwill on Consolidation	17.0	17.3	18.6	19.5	19.2	19.7	21.6	21.9	21.9	21.9
Capital WIP	3.3	4.1	7.7	8.4	10.9	16.7	24.1	22.2	7.0	4.9
Current Investments	2.2	0.9	22.5	16.0	15.6	13.3	12.7	6.2	6.2	6.2
<b>Total Investments</b>	<b>27.9</b>	<b>28.7</b>	<b>56.4</b>	<b>43.1</b>	<b>58.7</b>	<b>77.4</b>	<b>75.4</b>	<b>98.2</b>	<b>98.2</b>	<b>98.2</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>78.5</b>	<b>98.4</b>	<b>69.6</b>	<b>72.6</b>	<b>62.1</b>	<b>84.9</b>	<b>80.9</b>	<b>69.1</b>	<b>70.8</b>	<b>75.8</b>
Inventory	13.9	14.6	17.3	18.7	16.9	22.9	25.3	25.2	24.0	25.3
Account Receivables	20.9	13.1	14.5	15.8	14.0	19.3	26.3	19.0	21.8	23.2
Cash and Bank Balance	16.6	44.8	19.5	20.8	14.1	13.1	6.7	6.5	5.8	6.9
Loans and Advances	27.0	25.9	18.3	17.3	17.2	29.6	22.7	18.4	19.1	20.4
<b>Curr. Liability &amp; Prov.</b>	<b>47.9</b>	<b>44.5</b>	<b>42.1</b>	<b>47.0</b>	<b>45.0</b>	<b>54.9</b>	<b>60.7</b>	<b>53.1</b>	<b>55.9</b>	<b>59.3</b>
Account Payables	13.2	14.8	14.8	16.3	16.8	24.4	26.0	23.7	24.0	25.3
Other Current Liabilities	14.1	10.9	9.5	11.4	8.5	13.9	16.7	12.5	14.3	15.3
Provisions	20.6	18.8	17.8	19.3	19.6	16.5	18.1	17.0	17.5	18.7
<b>Net Current Assets</b>	<b>30.5</b>	<b>53.9</b>	<b>27.6</b>	<b>25.6</b>	<b>17.1</b>	<b>30.1</b>	<b>20.2</b>	<b>15.9</b>	<b>14.9</b>	<b>16.5</b>
Misc Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Appl. of Funds</b>	<b>188.2</b>	<b>214.3</b>	<b>227.0</b>	<b>229.9</b>	<b>238.4</b>	<b>283.5</b>	<b>290.1</b>	<b>314.4</b>	<b>310.8</b>	<b>308.1</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>										
<b>EPS</b>	<b>34.5</b>	<b>48.8</b>	<b>34.5</b>	<b>31.7</b>	<b>10.1</b>	<b>49.3</b>	<b>91.5</b>	<b>36.1</b>	<b>34.9</b>	<b>50.4</b>
Cash EPS	54.6	69.1	56.8	57.8	39.9	81.0	126.5	74.6	76.4	94.9
BV/Share	310.3	435.7	484.3	506.1	560.8	716.3	773.9	872.8	892.7	927.1
DPS	11.0	22.0	12.5	11.0	10.0	12.5	17.5	15.0	15.0	16.0
Payout (%)	39.2	53.4	42.0	42.7	122.3	31.7	19.2	135.5	43.0	31.7
<b>Valuation (x)</b>										
P/E	31.8	22.5	31.9	34.7	109.2	22.3	12.0	30.4	31.5	21.8
Cash P/E	20.1	15.9	19.3	19.0	27.6	13.6	8.7	14.7	14.4	11.6
P/BV	3.5	2.5	2.3	2.2	2.0	1.5	1.4	1.3	1.2	1.2
EV/Sales	3.5	3.2	3.2	3.2	3.2	2.6	2.0	2.2	2.0	1.8
EV/EBITDA	17.1	14.9	18.5	16.8	21.9	14.4	8.7	11.7	11.8	9.7
Dividend Yield (%)	1.0	2.0	1.1	1.0	0.9	1.1	1.6	1.4	1.4	1.5
FCF per share	113.3	76.9	19.7	-16.3	45.0	-29.7	9.5	37.7	62.2	75.9
<b>Return Ratios (%)</b>										
RoE	11.9	13.1	7.5	6.4	1.9	7.7	12.3	4.4	4.0	5.5
RoCE	8.6	10.9	7.2	6.7	3.1	6.1	11.0	4.0	5.2	6.4
Core RoCE	10.8	15.6	11.2	10.5	5.1	10.2	17.7	6.7	9.1	11.3
RoIC	8.1	11.6	6.9	7.0	3.2	7.4	14.5	5.1	6.6	7.9
<b>Working Capital Ratios</b>										
Fixed Asset Turnover (x)	0.9	0.8	0.7	0.6	0.6	0.7	0.8	0.7	0.7	0.7
Asset Turnover (x)	0.5	0.5	0.5	0.5	0.4	0.4	0.6	0.5	0.5	0.6
Inventory (Days)	244	304	315	347	257	317	282	341	290	290
Debtor (Days)	74	46	51	56	50	56	57	45	50	50
Creditor (Days)	232	307	269	302	256	338	289	320	290	290
<b>Leverage Ratio (x)</b>										
Current Ratio	1.6	2.2	1.7	1.5	1.4	1.5	1.3	1.3	1.3	1.3
Interest Cover Ratio	5.3	5.1	3.4	3.8	2.0	4.9	7.2	3.5	3.9	6.8
Net Debt/Equity	0.7	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.1

### Consolidated - Cash Flow Statement

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	16.5	15.1	17.3	12.5	6.1	14.5	27.4	16.2	14.7	20.2
Depreciation	5.5	5.2	5.7	6.7	7.6	8.1	8.9	9.8	10.6	11.3
Interest & Finance Charges	4.6	1.7	3.7	0.3	1.3	0.5	1.9	2.4	2.1	0.7
Direct Taxes Paid	-4.5	-0.6	-4.8	-2.2	-2.0	-2.7	-4.1	-3.8	-3.6	-4.9
(Inc)/Dec in WC	12.1	4.8	-2.1	0.5	7.3	-6.1	-6.8	8.4	0.4	-0.6
<b>CF from Operations</b>	<b>34.3</b>	<b>26.1</b>	<b>19.7</b>	<b>17.8</b>	<b>20.4</b>	<b>14.3</b>	<b>27.4</b>	<b>33.1</b>	<b>24.3</b>	<b>26.7</b>
Others	1.0	0.6	-3.9	0.0	0.0	-0.3	2.4	-7.9	-0.4	-0.4
<b>CF from Operating incl EO</b>	<b>35.3</b>	<b>26.7</b>	<b>15.8</b>	<b>17.8</b>	<b>20.4</b>	<b>14.1</b>	<b>29.7</b>	<b>25.2</b>	<b>23.9</b>	<b>26.3</b>
(Inc)/Dec in FA	-6.4	-7.1	-10.8	-22.0	-8.9	-21.6	-27.3	-15.6	-8.0	-7.0
<b>Free Cash Flow</b>	<b>28.9</b>	<b>19.6</b>	<b>5.0</b>	<b>-4.2</b>	<b>11.5</b>	<b>-7.6</b>	<b>2.4</b>	<b>9.6</b>	<b>15.9</b>	<b>19.3</b>
(Pur)/Sale of Investments	-2.1	-0.8	-19.7	13.4	-15.6	-18.7	2.0	-22.8	0.0	0.0
Others	0.6	1.6	10.9	-15.1	13.2	31.9	11.1	32.3	2.2	2.4
<b>CF from Investments</b>	<b>-7.9</b>	<b>-6.3</b>	<b>-19.6</b>	<b>-23.7</b>	<b>-11.3</b>	<b>-8.4</b>	<b>-14.3</b>	<b>-6.1</b>	<b>-5.8</b>	<b>-4.6</b>
Issue of Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inc/(Dec) in Debt	-14.1	-6.3	-5.7	12.6	-7.7	0.9	-7.3	-7.3	-8.7	-11.5
Interest Paid	-4.5	-3.3	-2.9	-3.4	-3.7	-3.0	-4.1	-5.3	-4.4	-3.1
Dividend Paid	-3.1	-6.9	-6.7	-3.4	-3.1	-3.9	-4.5	-3.8	-3.8	-4.1
Others	-1.8	24.2	-6.2	1.4	-1.3	-0.7	-6.1	-2.8	-1.8	-2.0
<b>CF from Fin. Activity</b>	<b>-23.4</b>	<b>7.7</b>	<b>-21.5</b>	<b>7.2</b>	<b>-15.8</b>	<b>-6.7</b>	<b>-21.9</b>	<b>-19.3</b>	<b>-18.7</b>	<b>-20.7</b>
<b>Inc/Dec of Cash</b>	<b>4.0</b>	<b>28.2</b>	<b>-25.3</b>	<b>1.3</b>	<b>-6.7</b>	<b>-1.0</b>	<b>-6.5</b>	<b>-0.2</b>	<b>-0.6</b>	<b>1.0</b>
Opening Balance	12.7	16.6	44.8	19.5	20.8	14.1	13.1	6.7	6.4	5.8
<b>Closing Balance</b>	<b>16.6</b>	<b>44.8</b>	<b>19.5</b>	<b>20.8</b>	<b>14.1</b>	<b>13.1</b>	<b>6.7</b>	<b>6.4</b>	<b>5.8</b>	<b>6.9</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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