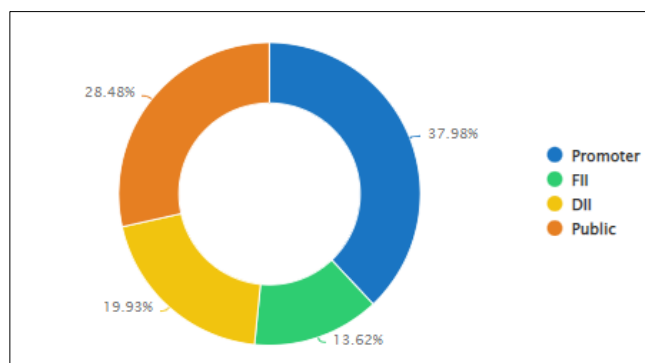


June 2022

## VALUE PARAMETERS

Face Value (Rs.)	10.0
Mrk.Cap (Rs. in Cr)	23,313
52-Week High/Low	1158/696
EPS (TTM)	49.4
P/E Ratio (TTM)	18.4
Book Value per share (Rs)	716
Industry P/E	23.1
P/B Ratio (calc at CMP)	1.31
Dividend Yield (%)	1.33
Enterprise value (Rs in Cr)	29,027

## SHAREHOLDING PATTERN



## FINANCIAL PERFORMANCE

Consolidated	FY22	FY23E	FY24E
Sales (Rs. Cr)	12,622.12	15,580	16,535
Growth	23.7	23	6.1
EBITDA	2304.63	2693.2	2960
EBITDA margin	18.25	17.3	17.9
PAT (Rs. Cr)	1268.7	1290	1420
EPS (Rs)	49.35	50.9	55
RoE	7.78	6.9	7.2
RoCE	8.54	6.3	7.0
P/E (x)	20	18.5	17
EV/EBITDA	12.7	10.6	9.3

**Our Recommendation:** Global demand for Soda Ash has been very strong with all plants across the industry are running at 95% utilization. The closure of Chinese plant of 1MT of soda ash will benefit Tata Chemicals for 18 months. The company's planned Capex of Rs 2000 in FY23 will give production tailwind. Improvement in the soda ash pricing bodes well for future growth. Given the present scenario of high demand and favorable pricing and strong operating performance in 4QFY22, we recommend BUY in price range Rs. 850-900 with target price Rs 1090 (upside 24%) based on 20x FY24 EPS.

## Investment Rationale:

**About Company:** Tata chemicals, incorporated in 1944, is an Indian global company that deals in chemicals, crop protection and specialty chemistry products. The company operates through 2 verticals- Basic Chemistry and Specialty chemistry. The company is the market leader in India's branded iodised salt segment, 3rd largest in soda ash manufacturing and is the 6th largest producer of sodium bicarbonate in the world. Basic chemical forms 75% of overall revenue while the rest comes from specialty products. The company has R&D center in pune and has operations in Europe, North America and Africa.

**Q4FY22 Results:** Company reported better performance led by good performance from North America and India.

- Consolidated Revenue showed a significant increase of 32.03% YoY basis to Rs 3481 crore compared to Rs 2636 crore in the year ago quarter, led by higher growth in basic chemical segments.
- On a sequential basis, revenue was up by 10.8% from Rs 3142 crore recorded in the previous quarter (2021-12).
- EBITDA was up 133% YoY to 657.4 crore. EBITDA margin increased 816 bps YoY to 18.9% due to operating leverage
- Adjusted PAT was at 438 crores versus 11.8 crore in Q4FY21 due to lower
- taxes of 8% versus 64% in Q4FY21.
- EPS rose to Rs 17.20 in Q4FY22 from Rs 0.46 in Q4FY21.

## Key Highlights

- The company is expanding its silica plant by 5x from the current 10,000 mtpa as the demand is increasing in Tire and Food segment.
- Natural soda ash capacity can be commissioned in next 2-3 years.
- Silica business continues to gain traction for its rubber and food grade silica products with new customers added.
- The management believes that with increase in the solar panel and lithium carbonate segment, the soda Ash and the sodium Bicarbonate businesses can be the key material beneficiaries.
- The management aims to incur a similar level of capex in FY23, with an additional INR20b being deployed under Phase II of the expansion.
- Demand for Soda Ash could stay higher over the next 18 months. No additional capacities will come up from China and recently Soda Ash plant with capacity of 1MT was shut down in China. Natural Soda Ash capacity is expected to be commissioned over the next 24-36 months in Mongolia.
- Net debt for the quarter was at Rs 4233 crore vs Rs 4120 crore as on December 2021.

## Key Risks:

- Rise in crude prices with a fall in price of soda ash globally can affect the EBITDA of the company.
- Regulatory and safety Risks.

## Financials and Valuations

### Q4FY22 Financial Summary, consolidated (Rs. Cr)

Y/E March	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)
Net Revenues	3,480.67	2,636.21	32.03%	3,141.58	10.79%
EBITDA	657.37	282.72	132.52%	545.14	20.59%
Adjusted PAT	438.00	11.70	3643.59%	310.33	41.14%
Adjusted EPS (INR)	17.2	0.46	3639.13%	12.18	41.22%

Adjusted PAT in Q4FY22 was at 438 crore vs 11.7 crore in Q4FY21, led by lower taxes (8% vs. 64% in Q4FY21).

### Income Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
<b>Net Revenues</b>	<b>10,345.36</b>	<b>10,336.72</b>	<b>10,356.75</b>	<b>10,199.80</b>	<b>12,622.12</b>
Expenditure	8,154.67	8,556.26	8,407.58	8,699.16	10,317.49
<b>EBITDA</b>	<b>2,190.69</b>	<b>1,780.46</b>	<b>1,949.17</b>	<b>1,500.64</b>	<b>2,304.63</b>
EBITDA Margin (%)	21%	17%	19%	15%	18%
Depreciation	518.46	568.50	666.47	759.32	806.12
<b>EBIT</b>	<b>1,672.23</b>	<b>1,211.96</b>	<b>1,282.70</b>	<b>741.32</b>	<b>1,498.51</b>
Other Income	159.46	409.46	311.12	234.42	255.98
Interest	325.58	353.70	341.91	367.37	302.84
Exceptional items	64.34	70.33	0.00	0.00	-11.04
<b>PBT</b>	<b>1,570.45</b>	<b>1,338.05</b>	<b>1,251.91</b>	<b>608.37</b>	<b>1,440.61</b>
Tax	60.13	274.44	219.65	197.77	266.48
MI and Profit/Loss of associate cos.	220.2	131.7	225.7	154.2	-78.5
<b>Reported PAT – Continuing operations</b>	<b>1290.6</b>	<b>931.9</b>	<b>806.6</b>	<b>256.4</b>	<b>1252.6</b>
<b>Adjusted PAT – Continuing operations</b>	<b>1226.3</b>	<b>861.5</b>	<b>806.6</b>	<b>256.4</b>	<b>1263.7</b>
Reported PAT – Discontinuing Ops	1142.5	224.0	6199.7	0	50
<b>Reported PAT</b>	<b>2433.1</b>	<b>1155.9</b>	<b>7006.3</b>	<b>256.4</b>	<b>1257.6</b>
<b>Adjusted PAT</b>	<b>2368.7</b>	<b>1085.6</b>	<b>7006.3</b>	<b>256.4</b>	<b>1268.7</b>
<b>EPS</b>	<b>95.48</b>	<b>45.36</b>	<b>274.95</b>	<b>10.06</b>	<b>49.35</b>

### Cash Flow Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
PBT	1,507	1,730	1,252	608	1,452
Depreciation	518	571	667	759	806
Interest & Finance Charges	166	365	31	133	47
Direct Taxes Paid	-60	-485	-220	-198	-267
(Inc.)/Dec. in WC	480	-214	51	734	-605
<b>CF from Operations</b>	<b>2,610</b>	<b>1,968</b>	<b>1,780</b>	<b>2,037</b>	<b>1,433</b>
Others	64	-387	0	0	-11
<b>CF from Operations incl. EO</b>	<b>2,675</b>	<b>1,581</b>	<b>1,780</b>	<b>2,037</b>	<b>1,422</b>
(Inc.)/Dec. in FA	-714	-1,080	-2,196	-890	-2,164
<b>Free Cash Flow</b>	<b>1,960</b>	<b>502</b>	<b>-416</b>	<b>1,148</b>	<b>-742</b>
(Pur.)/Sale of Investments	-75	-1,971	1,336	-1,565	-1,866
Others	160	1,092	-1,509	1,324	3,194
<b>CF from Investments</b>	<b>-630</b>	<b>-1,958</b>	<b>-2,368</b>	<b>-1,130</b>	<b>-836</b>
Inc./(Dec.) in Debt	-630	-571	1,263	-769	92
Interest Paid	-326	-294	-342	-367	-303
Dividend Paid	-690	-673	-345	-313	-392
Others	2,419	-616	140	-126	-84
<b>CF from Financing Activity</b>	<b>774</b>	<b>-2,154</b>	<b>715</b>	<b>-1,576</b>	<b>-687</b>
Inc./Dec. in Cash	2,818	-2,531	127	-669	-101
Opening Balance	1,665	4,483	1,952	2,080	1,411
Closing Balance	4,483	1,952	2,080	1,411	1,310

## Balance Sheet, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	255	255	255	255	255
Share Warrants	0	0	0	0	0
Reserves & Surplus	10,847	12,086	12,643	14,035	17,998
<b>Total Shareholder's Fund</b>	<b>11,102</b>	<b>12,341</b>	<b>12,898</b>	<b>14,290</b>	<b>18,253</b>
L.T. Borrowings	5,394	4,769	3,473	5,199	3,725
Deferred tax liability	1171	1261	1423	1572	2036
L.T. Trade pay	0	0	0	0	0
Other long term LIAB.	96	130	438	362	549
L.T. Provisions	1,675	1,504	1,654	1,598	1,279
<b>Non-Current Liabilities</b>	<b>8336</b>	<b>7664</b>	<b>6988</b>	<b>8731</b>	<b>7589</b>
S.T. Borrowings	140	352	1,913	278	3,077
S.T Trade pay	1479	1475	1631	1683	2445
Other S.T. Liab.	1,748	1,704	3,008	1,983	1,203
S.T. Provisions	337	417	473	520	371
<b>Current Liabilities</b>	<b>3,704</b>	<b>3,948</b>	<b>7,025</b>	<b>4,464</b>	<b>7,096</b>
Minority Interest	2717	2915	764	853	905
<b>Total Equity &amp; Liability</b>	<b>25,858</b>	<b>26,869</b>	<b>27,673</b>	<b>28,337</b>	<b>33,843</b>
Fixed assets	13168	14298	16169	16300	17443
L.T. Investments	2,777	3,390	2,705	4,307	6,411
L.T. Loans & Adv.	756	992	909	975	55
Other L.T. Assets	118	91	91	109	1,189
<b>Non-Current Assets</b>	<b>16,819</b>	<b>18,771</b>	<b>19,874</b>	<b>21,691</b>	<b>25,098</b>
S.T. Investments	92	2,252	1,601	1,563	1,325
Inventories	1,462	1,726	1,869	1,687	2,294
Sundry Debtors	1,308	1,453	1,580	1,397	1,933
Cash & Bank	4,483	1,952	2,080	1,411	1,310
Others	1,695	716	669	588	1,883
<b>Current Assets</b>	<b>9,040</b>	<b>8,099</b>	<b>7,799</b>	<b>6,646</b>	<b>8,745</b>
Misc. Exp. not W/O	0	0	0	0	0
<b>Total Assets</b>	<b>25,858</b>	<b>26,869</b>	<b>27,673</b>	<b>28,337</b>	<b>33,843</b>

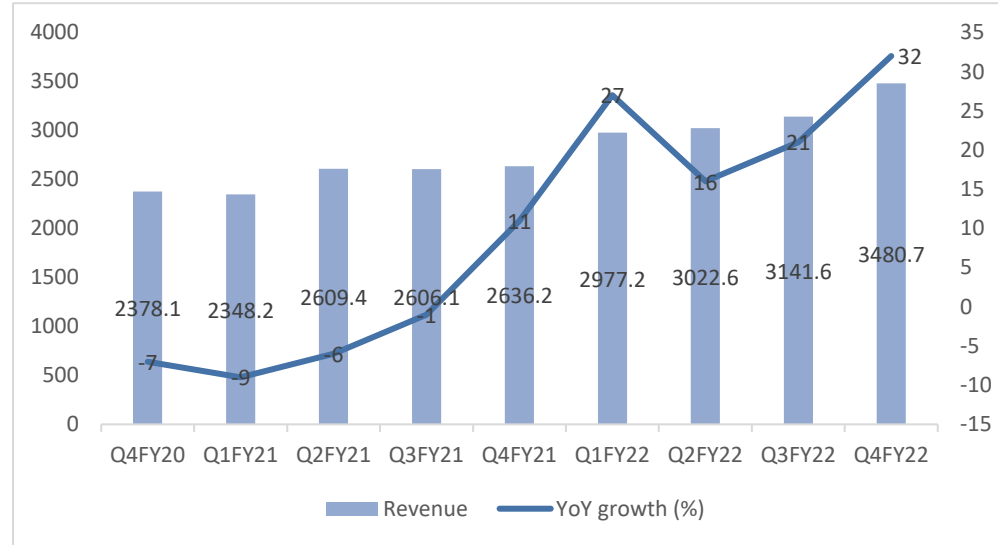
## Key Ratios

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Per Share Data (Rs)</b>					
EPS	95.5	45.37	275.02	10.06	49.35
BV/Share	435.77	484.42	506.26	560.92	716
DPS	22	12.5	11	10	12.5
Dividend Payout (%)	23.04	27.55	4	99.37	25%
<b>Valuation Ratios</b>					
P/E	7.09	12.95	0.81	74.65	20
P/BV	1.55	1.21	0.44	1.34	1.30
EV/EBITDA	4.6	7.44	1.33	14.1	12.7
<b>Return Ratios (%)</b>					
ROE	27.91%	10.99%	57.06%	3.02%	7.78
ROCE	22.16%	11.22%	39.72%	4.71%	8.54
<b>Leverage Ratio (x)</b>					
Current Ratio	2.44	2.05	1.11	1.49	1.23
Interest Cover Ratio	10.37	5.4	22.58	2.66	6.56
Net Debt/Equity	0.55	0.5	0.58	0.47	0.38
Quick Ratio	2.05	1.61	0.84	1.11	0.91

**Chemical revenues – Geographical bifurcation (Rs Crore)**

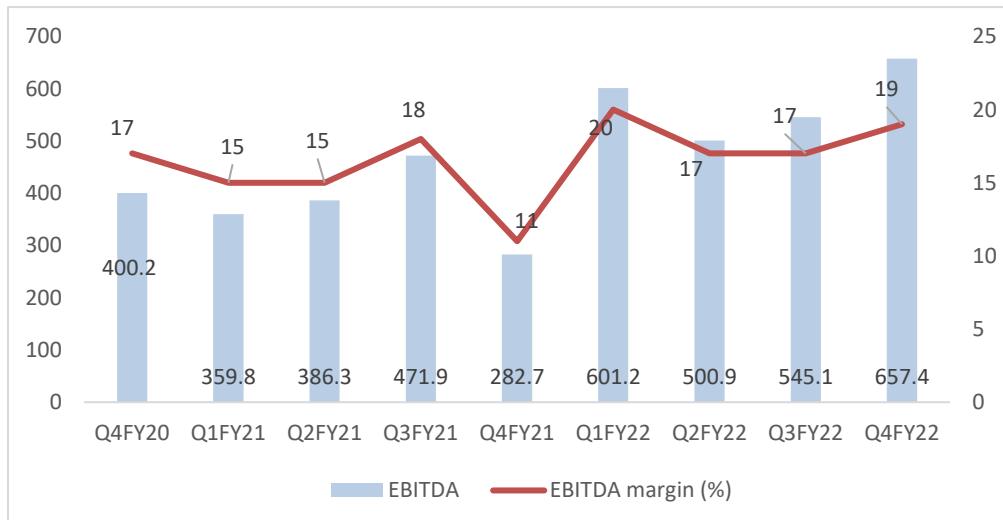
Geography	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
India	637	700	764	806	795	812	874	1,063
TCA - North America	619	711	742	807	837	867	891	1,092
TCE - Europe	316	337	374	383	407	416	551	576
TCM - Magadi	100	91	107	115	134	140	132	171

**Consolidated revenue trend**



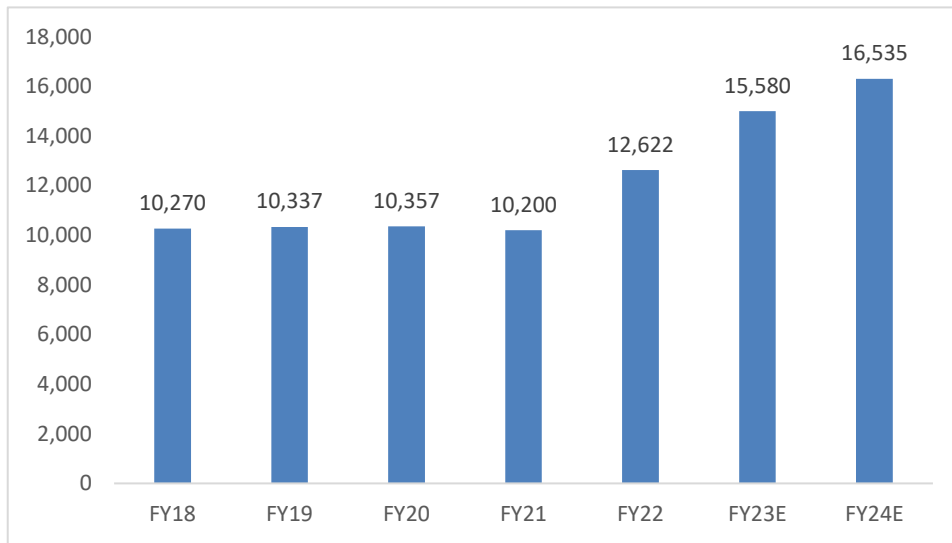
Revenue growth of 32% YoY to 3480.7 crore due to higher growth in the basic chemical segment in four units in Q4FY22.

**Consolidated EBITDA and Margin**



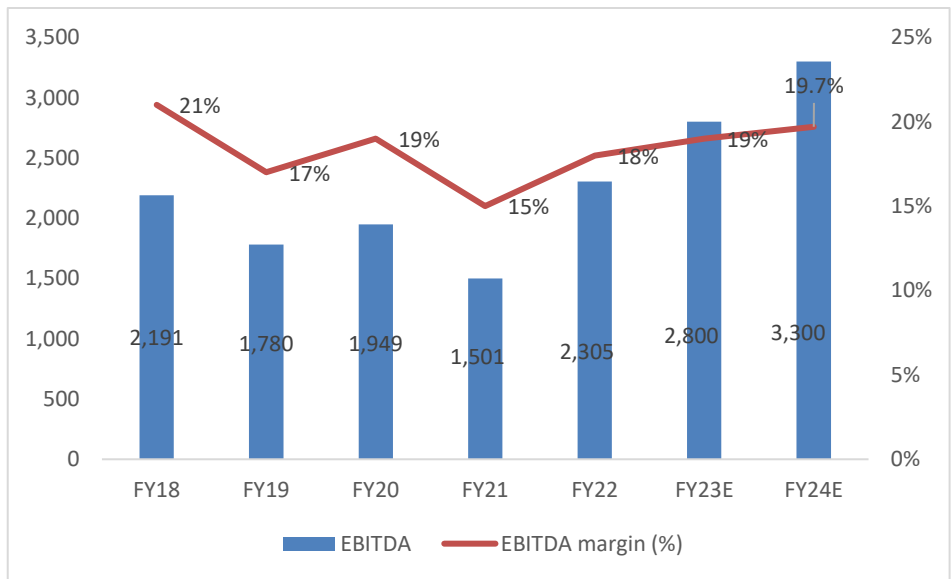
EBITDA margin increased 816 bps YoY to 18.9% led by operating leverage

Revenue Trend YoY basis (Cr)



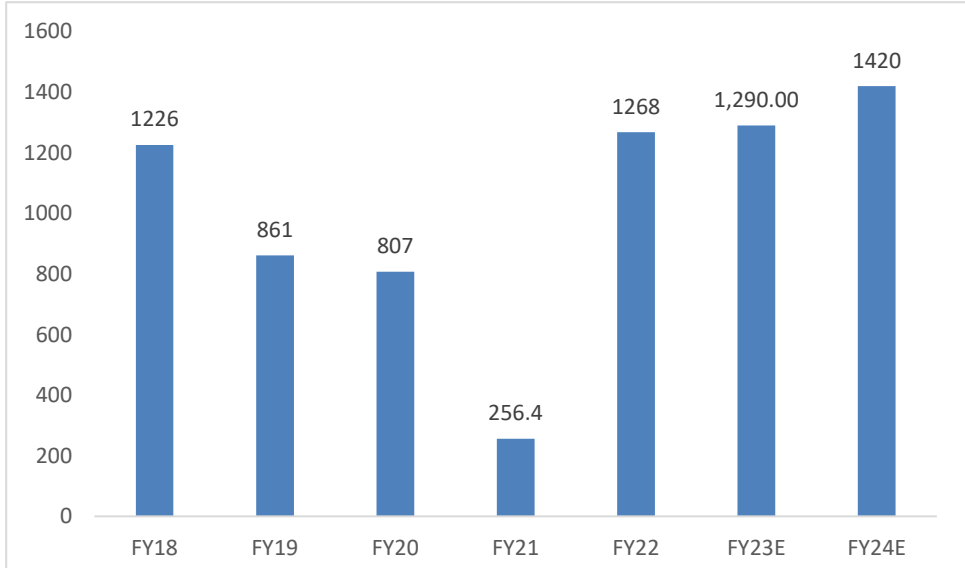
Improvement in soda ash pricing and revival in export demand for North America will drive revenue higher.

EBITDA (Cr) & EBITDA margin (%)



EBITDA could see 5% increase in FY23, but will marginally increase in FY24.

Adj. PAT growth trend



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