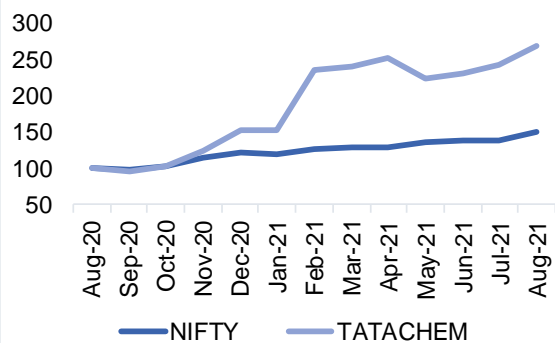


Key Data

NIFTY/SENSEX	17711.30
BSE Code	500770
NSE Symbol	TATACHEM
Bloomberg Code	TTCH:IN
Industry	Chemicals
Market Cap(^ Crore)	22586.69
Equity Capital(^ Crore)	25.48
Face Value(₹)	10
Total Debt (Mar-21) (₹ Crore)	9112.76
Cash (Mar-21) (^ Crore)	689.34
52 week High/Low	891.90/273.45

Shareholding Pattern

Particulars	Q1FY22 (%)
Promoters	38.0
FII's	13.0
MFs/Insti	19.7
Public	24.9
Others	4.4

Relative Price Chart


Prominence on more customer-centric digitalisation across the globe, setting up a factory to make lithium-ion cells and good demand from Soda ash user Industries to boost the prospectus of TATA CHEMICALS Limited.....

..... is a Science-led chemistry solutions company and, with US\$ 106 billion turnover (as on March 31, 2020), the Tata Group operates in more than 100 countries across six continents. The company is having the largest saltworks in Asia, and is the 6th largest sodium bicarbonate manufacturer in the world and also the third-largest Soda Ash producer in the world. The company also has a strong position in the crop protection business through its subsidiary company Rallis India Ltd. Recently the company has entered into a joint venture with Singapore's Temasek Life Sciences Laboratory (Joil) to develop jatropa seedlings to enable bio fuels capability.

According to FICCI, the Indian Chemical Industry has a structural and locational advantage to rapidly grow from its current size of US\$ 178 billion to US\$ 300 billion over next 5 to 7 years. The sector is expected to grow more than 9% over the next 5 years with exports growing faster than the domestic market. With the strong growth in end-user industries, emerging markets like China and India are expected to grow faster in the specialty chemicals industry. In this context the TATA CHEMICALS is a global major in soda ash and sodium bicarbonate (market position of 3rd and 6th respectively) with manufacturing facilities in India, US, UK and Kenya which will qualify for the one of the beneficiaries at global level.

The Company has a plan to set up a factory to make lithium-ion cells, as it seeks to capitalise on the emerging electric vehicle industry in India. The company is also focusing on digitalisation to become a more customer-centric, service oriented and data-driven organization which will enable to create more resource-efficient, safer and smart factories alongside modernising day-to-day business activities and data analytics platform & will lift the company's prospectus.

Strong rally in prices of Soda ash coupled with steady volumes across geographies to drive the topline revenue growth:

- Tata Chemicals Limited posted strong revenue in Q1FY22 (up by 26.80%YoY) and this was mainly supported by robust growth led by soda ash volumes in US and India. EBITDA & Margin in Q1FY22 boosted by 20% against Rs. 360 crores YoY on the back of strong sales performance and pricing. PAT rose to Rs. 268 crores (up by 362% Q1FY22).
- Speciality product segment and chemistry products segment Q1FY22 revenue increased by 256% & 30% respectively, on the back of increasing volumes across products portfolio.
- The revenue from operations decreased from Rs. 10,357 crores in FY 2019-20 to Rs.10,200 crore for FY 2020-21 on a consolidated basis. This was mainly on account of the impact on soda ash business due to drop in the global demand during the first quarter of FY 2020-21. FY 2020-21 has been a challenging year which tested the Company's intrinsic strength in the face of the global Covid-19 pandemic. However, demand revival is anticipated across all units in FY 2021-22, which will allow to improve the financial performance.

Key Ratios	FY21A	FY22E	FY23E
Revenue Growth (%)	-1.52%	15.56%	12.88%
EBITDA Margin (%)	14.71%	27.88%	31.94%
RoE (%)	2.71%	9.88%	13.36%
RoCE (%)	3.11%	9.02%	10.34%
BV per share (₹)	594.25	627.39	679.91
Net Debt/Equity (x)	0.64	0.73	0.87

Key Financials Summary (Consolidated)

YE March (in Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Revenue	10336.72	10356.75	10199.8	11787.144	13304.739
Growth %		0.19%	-1.52%	15.56%	12.88%
EBIDTA	1780.46	1949.17	1500.64	3286.35	4249.20
Growth%		9.48%	-23.01%	119.00%	29.30%
Adjusted PAT	993.28	1032.26	410.60	1578.75	2313.86
Growth %		3.92%	-60.22%	284.50%	46.56%
Adjusted EPS	38.98	40.51	16.11	61.96	90.80
Growth %		3.92%	-60.22%	284.50%	46.56%

Profitability & Valuation

YE March (in Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Adjust.EPS	38.98	40.51	16.11	61.96	90.80
P/E (x)	23.25	22.38	56.25	14.63	9.98
ROE	6.51%	7.56%	2.71%	9.88%	13.36%
D/E Ratio (x)	0.66	0.78	0.64	0.73	0.87
Asset Turnover Ratio	0.38	0.37	0.36	0.37	0.36
P/B (x)	1.51	1.69	1.53	1.44	1.33
Book value per share	598.69	535.95	594.25	627.39	679.91
EBITDA Margin (%)	17.22%	18.82%	14.71%	27.88%	31.94%
NPM (%)	9.61%	9.97%	4.03%	13.39%	17.39%
EV/EBITDA (x)	11.91	7.42	18.37	10.36	8.65

Variance Analysis

Particulars (Rs Cr)	Q1FY22	Q4FY21	QoQ (%)	Q1FY21	YoY (%)
Revenue From Operations	2977.24	2636	12.9%	2348.16	26.8%
Material Expenses	633.42	614.76	3.0%	517.15	22.5%
Employee Expenses	375.34	355.05	5.7%	336.73	11.5%
Power & Fuel	397.57	438.41	-9.3%	284.98	39.5%
Freight & Forwarding charges	423.79	415.81	1.9%	313.43	35.2%
Other Expenses	545.89	529.46	3.1%	536.11	1.8%
EBITDA	601.23	282.51	112.8%	359.76	67.1%
Depreciation	197.45	191.55	3.1%	189.91	4.0%
EBIT	403.78	90.96	343.9%	169.85	137.7%
Other Income	54.29	64.51	-15.8%	58.66	-7.4%
Interest Cost	81.21	85.03	-4.5%	117.86	-31.1%
PBT	376.86	70.44	435.0%	110.65	240.6%
Tax	85.26	51.11	66.8%	35.79	138.2%
Share in profit of Joint Venture	50.73	9.72	421.9%	-0.71	-7245.1%
PAT	291.6	19.33	1408.5%	74.86	289.5%
EPS	11.3	0.46	2356.5%	0.52	2073.1%

Source: Company, SSL Research Centre

Outlook & Valuation

TATA CHEMICALS has well positioned to deliver robust performance in the area of performance materials, nutrition sciences and agri sciences with accelerating the transformation of the company accompanied by the benefit from focussing more on customer-centric digitalisation across the globe, setting up a factory to make lithium-ion cells and good demand from Soda ash user Industries. The domestic chemical industry is expected to grow faster on the back of strong growth in end-user industries which will boost the volume growth of the company. Soaring soda ash prices at global markets and increasing demand for soda ash for manufacturing glass products, better margins from India and North America businesses and focus on utilization of cash flows for further margin improvement, expectations of increasing volume from the last FY21 to pre-pandemic levels will lead to improving the business environment steadily in medium to long run. Considering the above-mentioned factors, we remain bullish on TATACHEMICALS with 23x FY22E adjust. EPS and arrive at a target price of 1114.

Key Con-call Highlights

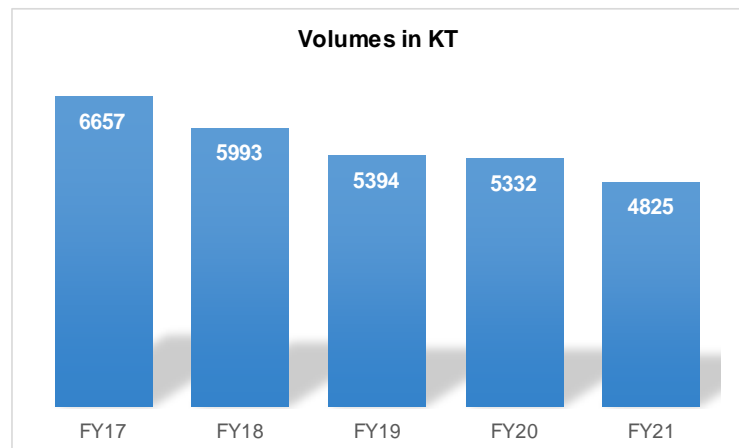
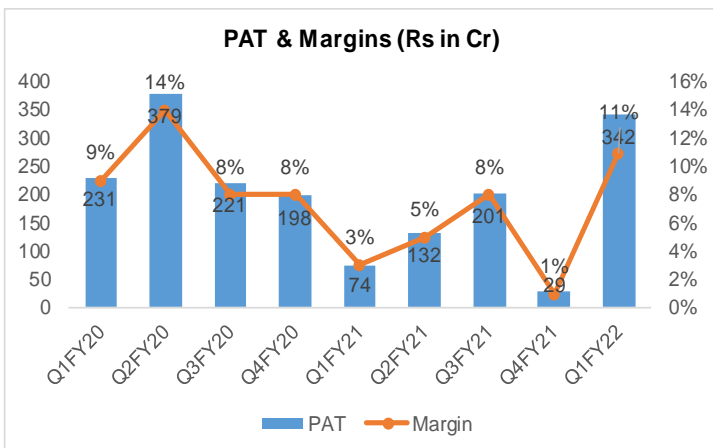
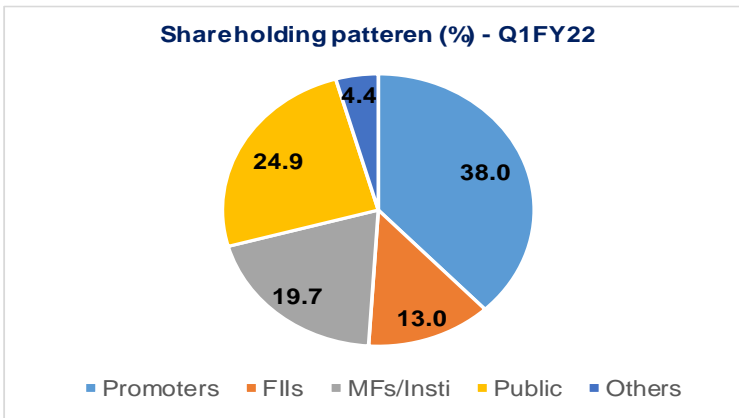
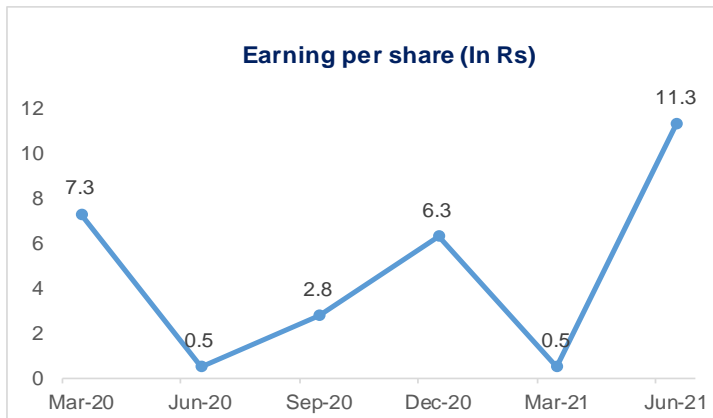
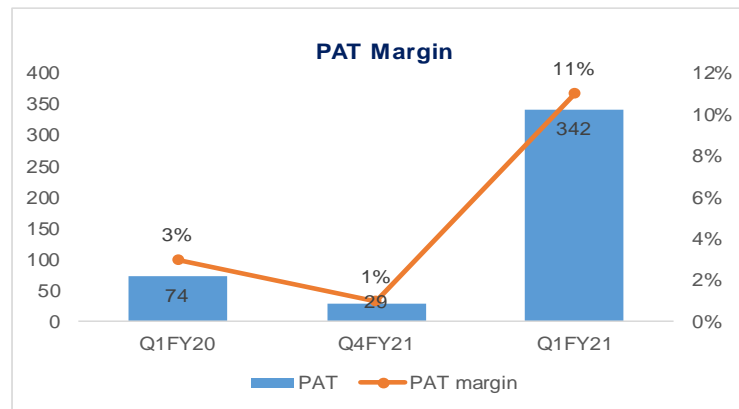
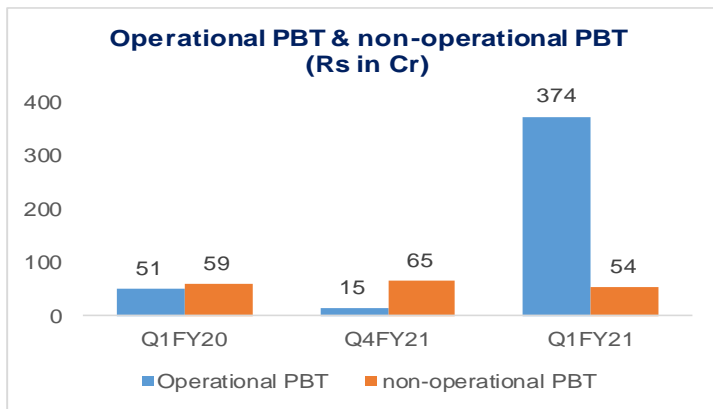
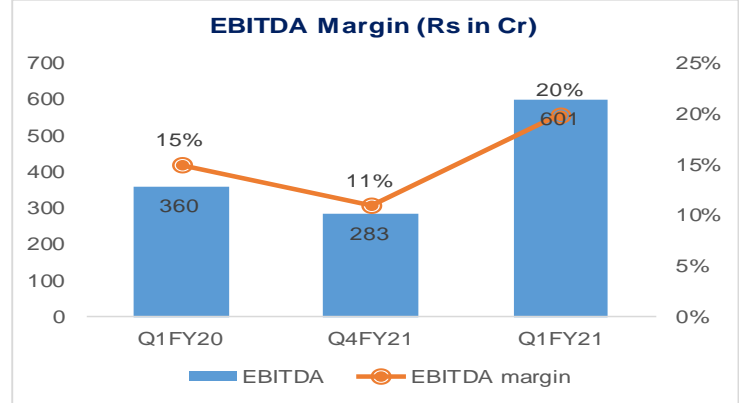
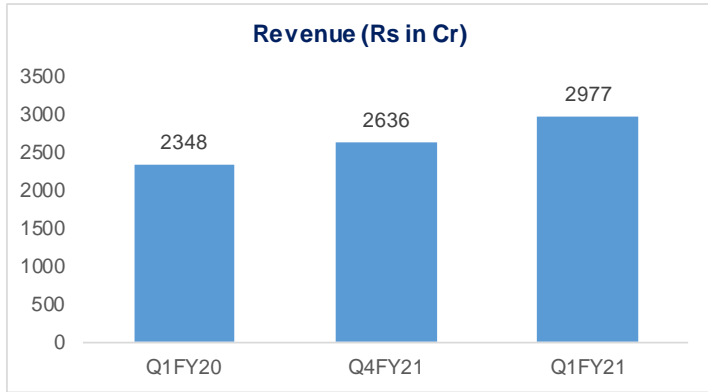
Business Performance

- The company witnessed strong demand across all geographies.
- Reported financial performance in Q1FY22 was much better as compared to previous year.
- The volumes have improved substantially, especially in soda ash, and across all product categories.
- Company has scheduled capex investment of around Rs 2,700 crores in India. This investment will increase the capacity of Soda Ash by approx. 20 percent and salt capacity would also grow up by about 30 percent.
- Soda ash volumes back to pre-pandemic levels and stood at 898 KTS in Q1FY22 as compared to 624 KTS.
- India and North America have done outstanding performance in terms of volumes.
- India operations had good traction across product portfolio as compared to June 2020.

Financial Highlights

- Overall margins were improved on account of increased volumes partially impacted due to higher energy and input cost.
- Revenue from India operations stood at ₹770 crore and the EBIT was up by 47 percent at ₹ 234 crores
- Revenue from specialty chemical segment in the quarter increased to Rs 57 crores, up by 256 percent. On back of increasing volumes across product portfolio.
- Reported revenue growth of 26.8% YoY to ₹ 2977.2 crore, led by higher growth in the basic chemical segment across four units
- Gross margins expanded 330 bps YoY to ~78.1% while EBITDA margin improved 490 bps YoY to 20.2 due to operating leverage
- PAT & margins were increased to Rs 342 crores, up by around 360 percent as compared to same quarter last year.

Financial Snapshot



Source: Company, SSL Research Centre

Profit & loss A/c (Consolidated)					
YEMarch (INR. Cr)	FY19	FY20	FY21	FY22E	FY23E
Revenues	10336.72	10356.75	10199.80	11787.14	13304.74
Growth %	0.00	0.00	-0.02	0.16	0.13
Total Operating Revenue	10336.72	10356.75	10199.80	11787.14	13304.74
Growth %	0.00	0.00	-0.02	0.16	0.13
Less:					
Raw Material Consumed	2001.99	1968.40	2396.92	2340.00	2240.00
Employee Cost	1318.49	1375.37	1399.74	1445.93	1493.65
Other Expenses	5235.78	5063.81	4902.50	4714.86	5321.90
Total Operating Expenditure	8556.26	8407.58	8699.16	8500.79	9055.54
EBIDTA	1780.46	1949.17	1500.64	3286.35	4249.20
Growth %		0.09	-0.23	1.19	0.29
Less: Depreciation	568.50	666.47	759.32	926.80	1095.66
EBIT	1211.96	1282.70	741.32	2359.55	3153.53
Growth %		0.06	-0.42	2.18	0.34
Interest Paid	353.70	341.91	367.37	404.20	511.20
Non-operating Income	409.46	311.12	234.42	300.00	250.00
Exceptional Items	169.54	-3.85	0.00	0.00	0.00
Profit Before tax	1437.26	1248.06	608.37	2255.35	2892.33
Tax	274.44	219.65	197.77	676.61	578.47
Net Profit before Minority	1162.82	1028.41	410.60	1578.75	2313.86
Minority Interest					
Net Profit	1162.82	1028.41	410.60	1578.75	2313.86
Adjusted PAT	993.28	1032.26	410.60	1578.75	2313.86
Reported Diluted EPS Rs	45.63	40.36	17.12	58.53	70.36
Growth %		-0.12	-0.58	2.42	0.20
Adjusted EPS Rs	38.98	40.51	16.11	61.96	90.80
Growth %		-0.12	-0.58	2.42	0.20

Cash flow statement (Consolidated)

YE March (INR. Cr)	FY19	FY20	FY21	FY22E	FY23E
Profit before Tax	1437.26	1248.06	633.99	2161.52	2602.72
Depreciation	571.39	666.47	759.32	629.51	734.01
Interest Income	-85.31	-59.81	-56.25	-300.00	-250.00
Dividend Income	-24.09	-27.31	-20.12	80.00	80.00
Finance Cost	365.28	341.91	367.37	400.59	501.56
Others	16.04	72.57	126.01	0.00	0.00
Operating Profit Before WC changes	2280.57	2241.89	1810.32	2971.62	3668.29
(consumption)/releases of WC	-214.37	-314.01	323.31	-2632.80	-574.42
Cash Generated from operations	2066.20	1927.88	2133.63	2066.20	2066.20
Taxes Paid	484.91	147.79	96.33	-432.30	-520.54
Net Cash Flow from operating activities	1581.29	1780.09	2037.30	1581.29	1581.29
Capex	-1082.30	-1199.42	-1241.93	-1291.61	-1343.27
Sales/(purchase) of Investments & assets	-2085.50	819.94	-91.73	-100.68	-110.74
Interest Received	85.55	60.13	55.22	300.00	250.00
Dividend Received	82.52	100.83	46.66	-80.00	-80.00
Others	1041.54	-2149.71	101.47	0.00	0.00
Net Cash Flow from Investing Activities	-1958.19	-2368.23	-1130.31	-1172.28	-1284.01
Increase/(decrease) in Debt	-576.15	735.11	-379.82	1804.14	3244.24
Issue of Equity	0.00	0.00	0.00	0.00	0.00
Dividend Paid	-672.51	-382.37	-280.36	-672.51	-672.51
Finance cost	-293.85	-308.96	-345.87	-400.59	-501.56
Others	-169.32	-173.04	-449.60	0.00	0.00
Net Cash from Financing Activities	-1711.83	-129.26	-1455.65	-673.24	-1759.58
Net Change In Cash	-2088.73	-717.40	-548.66	-551.63	661.17
Cash at the Start of the Year (Op. Bal.)	3945.93	1888.38	1254.26	689.34	137.71
Misc	31.18	83.28	-16.26	0.00	0.00
Cash at the End of the Year (Cl. Bal.)	1888.38	1254.26	689.34	137.71	798.88

Balance Sheet (Consolidated)					
YE March (INR. Cr)	FY19	FY20	FY21	FY22E	FY23E
Liabilities					
Equity Capital	254.82	254.82	254.82	254.82	254.82
Share application money pending allotment	0.00	0.00	0.00	0.00	0.00
Reserves & Surplus	12086.45	12642.84	14035.15	14982.40	16370.72
Equity	12341.27	12897.66	14289.97	15237.22	16625.54
Preference Share Capital	0.00	0.00	0.00	0.00	0.00
Net Worth	12341.27	12897.66	14289.97	15237.22	16625.54
Minority Interest	2914.67	759.50	852.60	750.00	700.00
Non current liabilities					
Total Long Term Debt	4830.99	3812.89	5434.85	7867.79	10817.79
Net Deferred tax liability/(Asset)	1297.18	1437.94	1572.11	500.00	484.00
Other non current liabilities	1572.17	1751.59	1724.31	1810.53	1882.95
Total Non-current liabilities	7700.34	7002.42	8731.27	10178.32	13184.74
Current Liabilities & Provisions					
Trade Payables	1475.33	1630.92	1682.87	1776.14	2004.82
Short term Debt	1704.34	3071.65	1982.85	3229.35	3645.13
Provisions	280.33	276.90	365.13	322.94	364.51
Other Current Liabilities	488.64	2108.88	432.51	423.34	423.19
Total Current Liabilities & Provisions	3948.64	7088.35	4463.36	5751.77	6437.66
Total equity & liabilities	26904.92	27747.93	28337.20	31917.31	36947.93
Assets					
Gross Block	5941.98	7285.05	7933.61	9755.83	11533.31
Less: Depreciation	1648.57	2163.00	2560.71	3487.51	4583.18
Net Block	4293.41	5122.05	5372.90	6268.32	6950.13
Capital WIP	735.84	787.80	1034.71	1615.00	2100.87
Non Current Investments	897.77	791.55	1006.75	1157.76	1331.43
Other non-current Assets	12879.59	13188.48	14277.13	15419.30	16961.23
Total non current Assets	18806.61	19889.88	21691.49	24460.38	27343.66
Current Assets					
Current Investments	2252.34	1601.02	1563.49	1766.76	2595.57
Inventories	1725.58	1869.16	1686.56	1937.61	2187.08
Trade Receivables	1452.50	1579.92	1396.99	1614.68	1822.57
Cash and Bank Balance	1888.38	1254.26	689.34	137.71	798.88
Loans and Advances	1.33	0.23	0.17	0.17	0.17
Other Current Assets	2666.56	2807.72	1998.50	2137.71	2998.88
Total Current Assets	8098.31	7858.05	6645.71	7456.93	9604.27
Total Assets	26904.92	27747.93	28337.20	31917.31	36947.93

Key Ratios (Consolidated)					
YE March (INR. Cr)	FY19	FY20	FY21	FY22E	FY23E
Key Operating Ratios					
EBITDA Margin (%)	17.22%	18.82%	14.71%	27.88%	31.94%
Tax / PBT (%)	21.65%	17.55%	32.51%	30.00%	20.00%
Net Profit Margin (%)	9.61%	9.97%	4.03%	13.39%	17.39%
RoE (%)	6.51%	7.56%	2.71%	9.88%	13.36%
RoCE (%)	5.28%	6.21%	3.11%	9.02%	10.34%
Current Ratio (x)	2.05	1.11	1.49	1.30	1.49
Book Value Per Share (INR.)	598.69	535.95	594.25	627.39	679.91
Financial Leverage Ratios					
Net Debt/ Equity (x)	0.66	0.78	0.64	0.73	0.87
Interest Coverage (x)	3.43	3.75	2.02	5.84	6.17
Growth Indicators					
Revenue Growth (%)	-0.08%	0.19%	-1.52%	15.56%	12.88%
EBITDA Growth (%)		9.48%	-23.01%	119.00%	29.30%
Net Profit Growth (%)		4%	-60%	284%	47%
Diluted EPS Growth (%)		-12%	-58%	242%	20%
Turnover Ratios					
Debtors Days	51.29	55.68	49.99	50.00	50.00
Creditors Days	52.10	57.48	60.22	55.00	55.00
Inventory Days	60.93	65.87	60.35	60.00	60.00

Investment Rating Matrix

Ratings	Expected Return
Buy	>15%
Accumulate	10% to 15%
Hold	0% to 15%
Sell	<-15%

SSL Research Centre aims to deliver objective views and recommendations. The recommendations are based on 12-month performance horizon, unless otherwise specified. The SSL investment rating matrix are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to Buy or downgraded to a Hold, Reduce and Sell.

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