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Retail Equity Research

Tata Chemicals Limited

HOLD

Sector: Chemicals

29th May, 2025

Key Changes	Target ▲	Rating ▲	Earnings ▼		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	TTCH:IN	81,633	TATACHEM	500770	12 Months

Target	**Rs. 984**
CMP	**Rs. 891**
Return	**+10%**

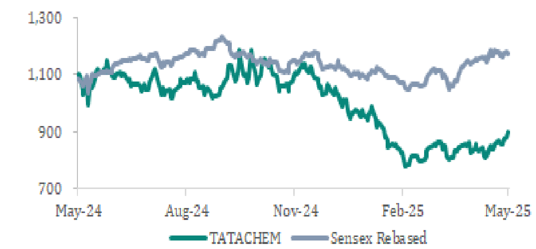
Data as of: 29-05-2025

Company Data	
Market Cap (Rs.cr)	22,704
52 Week High — Low (Rs.)	1,245 - 756
Enterprise Value (Rs. cr)	29,161
Outstanding Shares (cr)	25.5
Free Float (%)	61.2
Dividend Yield (%)	1.2
6m average volume (cr)	0.1
Beta	1.2
Face value (Rs.)	10.0

Shareholding (%)	Q2FY25	Q3FY25	Q4FY25
Promoters	38.0	38.0	38.0
FII's	13.6	13.6	13.3
MFs/Institutions	20.3	21.7	22.0
Public	26.2	24.6	24.8
Others	1.9	2.1	1.9
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	12.3%	-18.7%	-18.5%
Absolute Sensex	9.3%	1.6%	8.2%
Relative Return	3.0%	-20.4%	-26.7%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Sales	14,887	15,685	16,774
Growth (%)	*-3.5*	*5.4*	*6.9*
EBITDA	1,953	2,250	2,709
EBITDA Margin (%)	*13.1*	*14.3*	*16.2*
PAT Adjusted	327	530	895
Growth (%)	-71.4	62.2	68.7
Adjusted EPS	12.8	20.8	35.1
Growth (%)	*-71.4*	*62.2*	*68.7*
P/E	67.4	43.0	25.5
P/B	1.0	1.0	1.0
EV/EBITDA	14.7	13.2	11.2
ROE (%)	*1.5*	*2.4*	*4.0*
D/E	0.3	0.3	0.3

Near-term headwinds; recovery ahead

Tata Chemicals Ltd (TCL) is the world's third-largest producer of soda ash, with manufacturing plants in Asia, Europe, Africa and North America. It also has a strong focus on the consumer, agri and specialty businesses.

- Tata Chemicals' share price correction has made its valuation more appealing. Therefore, we have upgraded our rating on the stock to 'HOLD'.
- TCL's consolidated revenue increased a marginal 1.0% YoY to Rs. 3,509cr in Q4FY25, as an increase in sales volume in certain markets, such as India and Kenya, was offset by a decline in the US and the UK and lower realisations.
- Revenue from the basic chemistry product division rose 1.1% YoY to Rs. 3,037cr, while revenue from the speciality products business increased a modest 0.2% YoY to Rs. 472cr.
- TCL's EBITDA declined 26.2% YoY to Rs. 327cr, with margin shrinking 340bps YoY to 9.3%, primarily due to lower realisations.
- Consequently, the reported loss after tax stood at Rs. 67cr, driven by a surge in interest expenses.

Outlook & Valuation

TCL faces short-term challenges, including sluggish demand in the US and Europe and decreasing export prices in the US market, as well as downward pressure on margins due to declining soda ash prices. However, the company is well-positioned for growth, driven by its strategic emphasis on speciality products and capacity expansion plans. A recovery in volumes and margins is anticipated in the next fiscal year, led by the Indian and Kenyan markets. The UK business is expected to show signs of improvement from the second quarter, driven by its new pharmaceutical salt business. Additionally, the implementation of cost-saving measures is likely to support margin improvement. Therefore, **we upgrade our rating on the stock to HOLD with a rolled forward price of Rs. 984, based on 28x FY27E adjusted EPS.**

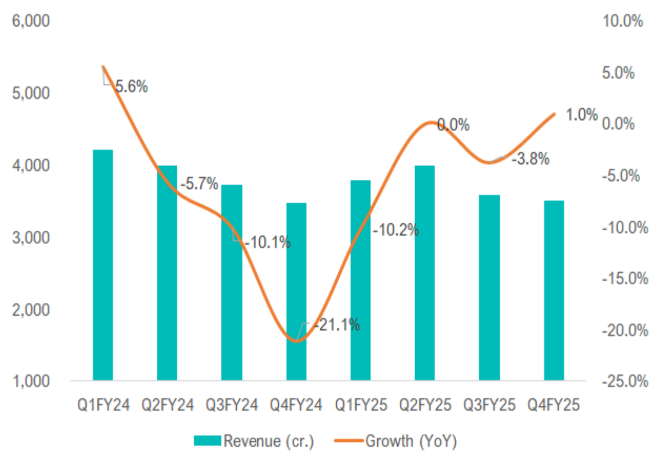
Quarterly Financials Consol.

Rs.cr	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Sales	3,509	3,475	*1.0*	3,590	*-2.3*	14,887	15,421	*-3.5*
EBITDA	327	443	*-26.2*	434	*-24.7*	1,953	2,847	*-31.4*
Margin (%)	*9.3*	*12.7*	*-340bps*	*12.1*	*-280bps*	*13.1*	*18.5*	*-540bps*
EBIT	34	172	*-80.2*	154	*-77.9*	830	1,867	*-55.5*
PBT	-92	-796	*88.4*	-4	*n.m.*	521	830	*-37.2*
Rep. PAT	-67	-818	*91.8*	-21	*-219.0*	354	449	*-21.2*
Adj PAT	-19	136	*n.m.*	17	*n.m.*	327	1,143	*-71.4*
Adj. EPS (Rs)	-0.7	5.3	*n.m.*	0.7	*n.m.*	12.8	44.9	*-71.4*

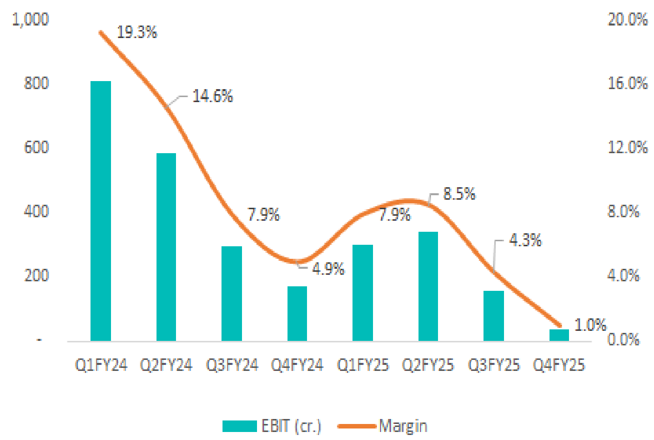
Key concall highlights

- For the next few quarters, the US market is expected to remain subdued in terms of pricing. Also, due to ongoing pressure on the export side, significant margin improvement in the US is not anticipated in the near term.
- The Indian market is expected to continue its growth trajectory, driven by strong growth in the glass and other segments. It is expected to grow 5-6% in FY26, with the Indian economy and demand remaining steady for the next couple of years.
- TCL's sustenance capital expenditure is expected to range from Rs. 550cr to Rs. 600cr. Additionally, it plans to invest about Rs. 18cr to increase capacity at its prebiotics plant.
- In Q4FY25, revenue from India improved, driven by increased volumes, partly offset by lower soda ash and bicarbonate prices. On the other hand, US market experienced decline in both volumes and prices.
- Quarterly sales volume of FOS surged to 817 million tons. In FY25, the company fully commissioned 230,000 tons of soda ash and 140,000 tons of bicarbonate capacity in Mithapur.

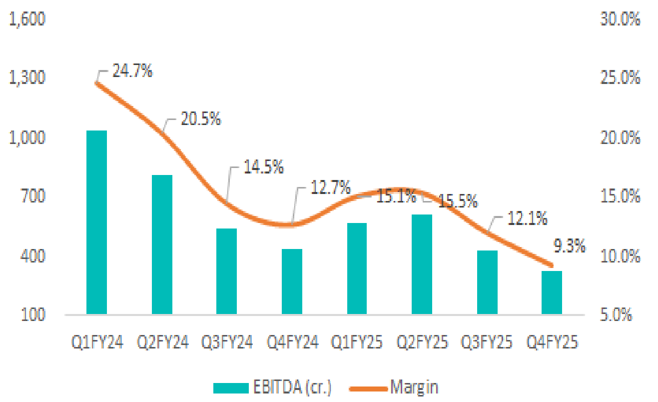
Revenue



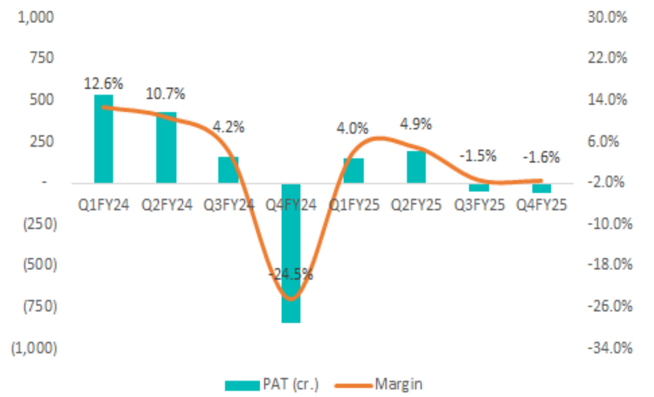
EBIT



EBITDA



PAT



Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	**FY26E**	**FY27E**	**FY26E**	**FY27E**	**FY26E**	**FY27E**
Revenue	16,557	-	15,685	16,774	*-5.3*	-
EBITDA	3,030	-	2,250	2,709	*-25.7*	-
Margins (%)	*18.3*	-	*14.3*	*16.2*	*-400bps*	-
Adj. PAT	1,248	-	530	895	*-57.5*	-
EPS	48.9	-	20.8	35.1	*-57.5*	-

Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	**16,789**	**15,421**	**14,887**	**15,685**	**16,774**
% change	*33.0*	*-8.1*	*-3.5*	*5.4*	*6.9*
EBITDA	**3,822**	**2,847**	**1,953**	**2,250**	**2,709**
% change	*65.8*	*-25.5*	*-31.4*	*15.2*	*20.4*
Depreciation	892	980	1,123	1,192	1,199
EBIT	**2,930**	**1,867**	**830**	**1,059**	**1,510**
Interest	406	530	563	572	599
Other Income	216	-507	254	781	1,226
PBT	**2,740**	**830**	**521**	**1,267**	**2,137**
% change	*64.4*	*-69.7*	*-37.2*	*143.2*	*68.7*
Tax	288	381	167	394	664
Tax Rate (%)	*10.5*	*45.9*	*32.1*	*31.1*	*31.1*
Reported PAT	**2,452**	**449**	**354**	**873**	**1,473**
PAT att. to common shareholder	**2,317**	**268**	**235**	**530**	**895**
Adj.*	18	875	92	-	-
Adj. PAT	**2,335**	**1,143**	**327**	**530**	**895**
% change	*86.3*	*-51.0*	*-71.4*	*62.2*	*68.7*
No. of shares (cr)	25.5	25.5	25.5	25.5	25.5
Adj EPS (Rs.)	**91.7**	**44.9**	**12.8**	**20.8**	**35.1**
% change	*86.3*	*-51.0*	*-71.4*	*62.2*	*68.7*
DPS (Rs.)	17.5	15.0	11.0	12.0	12.0

Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	665	645	615	679	716
Accts. Receivable	2,627	1,900	1,900	2,008	2,164
Inventories	2,532	2,524	2,558	2,699	2,889
Other Cur. Assets	2,340	1,298	1,647	1,698	1,794
Investments	6,230	9,176	8,389	9,160	10,880
Gross Fixed Assets	**10,539**	**12,706**	**14,658**	**15,521**	**16,443**
Net Fixed Assets	6,569	7,262	8,794	8,276	7,546
CWIP	2,351	2,165	1,879	1,898	1,917
Intangible Assets	10,530	10,599	10,790	10,960	11,394
Def. Tax -Net	144	45	30	-	-
Other Assets	1,096	1,142	1,178	1,158	1,147
Total Assets	**35,084**	**36,756**	**37,780**	**38,536**	**40,448**
Current Liabilities	4,361	3,889	4,001	4,174	4,412
Provisions	1,454	1,465	1,363	1,295	1,230
Debt Funds	6,083	5,064	6,304	6,369	6,511
Other Liabilities	2,544	3,224	3,611	3,628	4,058
Equity Capital	255	255	255	255	255
Res. & Surplus	19,466	21,986	21,339	21,564	22,153
Shareholder Funds	**19,721**	**22,241**	**21,594**	**21,819**	**22,408**
Minority Interest	921	873	907	1,250	1,829
Total Liabilities	**35,084**	**36,756**	**37,780**	**38,536**	**40,448**
BVPS	**774**	**873**	**848**	**857**	**880**

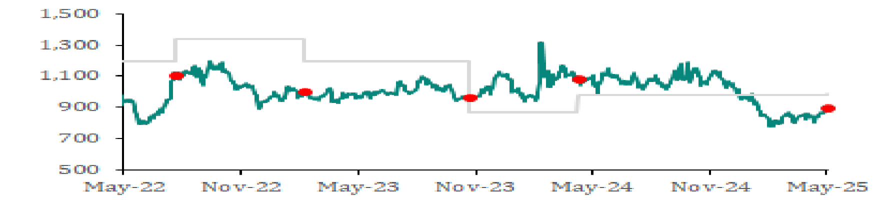
Cashflow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	**3,344**	**1,429**	**1,477**	**2,065**	**2,673**
Non-cash adj.	306	1,255	458	556	547
Other adjustments					
Changes in W.C	-679	332	-174	-111	-161
C.F. Operation	**2,971**	**3,016**	**1,761**	**2,510**	**3,059**
Capital exp.	-1,544	-1,823	-1,952	-863	-923
Change in inv.	112	703	-139	-812	-1,805
Other invest.CF	246	510	410	-	-
C.F - Investment	**-1,186**	**-610**	**-1,681**	**-1,674**	**-2,727**
Issue of equity	-	-	-	-	-
Issue/repay debt	-1,314	-1,271	945	65	142
Dividends paid	-319	-447	-382	-305	-306
Other finance.CF	-443	-776	-534	-532	-130
C.F - Finance	**-2,076**	**-2,494**	**29**	**-772**	**-294**
Chg. in cash	-291	-88	109	64	37
Closing Cash	**665**	**645**	**615**	**679**	**716**

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	22.8	18.5	13.1	14.3	16.2
EBIT margin (%)	17.5	12.1	5.6	6.8	9.0
Net profit mgn.(%)	13.8	1.7	1.6	3.4	5.3
ROE (%)	11.8	5.1	1.5	2.4	4.0
ROCE (%)	11.0	6.6	2.9	3.6	4.9
W.C & Liquidity					
Receivables (days)	57.1	45.0	46.6	46.7	47.1
Inventory (days)	281.5	341.1	324.4	324.9	325.2
Payables (days)	288.7	320.1	318.3	318.6	318.9
Current ratio (x)	1.7	1.1	1.1	1.1	1.1
Quick ratio (x)	0.9	0.5	0.5	0.6	0.6
Turnover &Leverage					
Gross asset T.O (x)	1.7	1.3	1.1	1.0	1.0
Total asset T.O (x)	0.5	0.4	0.4	0.4	0.4
Int. covge. ratio (x)	7.2	3.5	1.5	1.8	2.5
Adj. debt/equity (x)	0.3	0.2	0.3	0.3	0.3
Valuation					
EV/Sales (x)	1.9	2.1	1.9	1.9	1.8
EV/EBITDA (x)	8.1	11.5	14.7	13.2	11.2
P/E (x)	10.6	24.1	67.4	43.0	25.5
P/BV (x)	1.3	1.2	1.0	1.0	1.0

Recommendation Summary - (last 3 years)



Dates	Rating	Target
11-May-21	HOLD	735
11-Aug-21	BUY	987
05-May-22	BUY	1,196
17-Aug-22	BUY	1,340
06-Mar-23	HOLD	1,197
17-Nov-23	SELL	868
06-May-24	SELL	979
29-May-25	HOLD	984

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition: Upgrade No Change Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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