

CMP: Rs 307
Rating : Not Rated

AGM Highlights (07th July 2020)

Highlights from Chairman's Speech

Stock Info

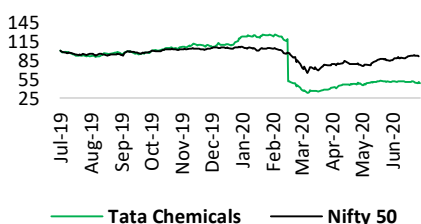
BSE	500770
NSE	TATACHEM
Bloomberg	TTCH.IN
Reuters	TTCH.BO
Sector	Commodity Chemicals
Face Value (Rs)	10
Equity Capital (Rs mn)	2547
Mkt Cap (Rs mn)	78185
52w H/L (Rs)	340 / 197
Avg Yearly Volume (in 000')	1198.6

Shareholding Pattern %

(As on March, 2020)

Promoters	34.59
FII	9.30
DII	34.17
Public & Others	21.94

TATA CHEMICALS Vs Nifty



- FY19-20 has been year of opportunity and challenge. In view of US China trade war Brexit concerns, region specific crisis in Asia & Africa and the outbreak of COVID 19 Global Economy is expected to contract sharply by 3% in 2020.
- Forecast for Indian Economy growth for 2020-2021 has slashed from 5.8% to 1.9%.
- The Company's basic chemistry product segment has delivered a strong performance despite mixed business environment and strong initial demand which papered off as effect of excess international volume at start of pandemic were felt.
- The Company continued to focus on its key products within operational constraints and maintained its leadership.
- The specialty product business comprises of 4 verticals which is Agri sciences, Material sciences, Nutritional sciences and Energy sciences.
- The Company's Agri business through subsidiary Raillis India Limited holds leadership position in Acephate, Metribuzin. This Business has strong distribution network over 13 million farmer connect and 4000 distributors.
- Nutritional science business offers nature inspired and science backed solutions ingredient and formulation solutions catering to human and animal health under the brand Tata NQ.
- Nutritional sciences business delivered strong performance, wherein revenue increased by 59% YOY in FY20. Under Material Sciences, Company launched new silica grades for diverse application segment for customer and strengthen channel partners in India.
- Revenue from operation from consolidated business was flat at Rs 10,357 cr for FY20. EBIDTA stood at Rs 1949 for FY20 with an increase of 9%YoY. PBT was Rs 1248 cr down by 14%YoY in FY20. PAT was Rs 1028 cr down by 12% YoY in FY20.
- Profit After Tax from continuing and discontinuing operation on consolidated basis stood at Rs 7,228 cr which includes an exceptional item of tax gain of Rs 6168 cr relating to discontinued operation from the demerger of Tata Consumer products business.
- On the standalone basis Revenue from operations stood at Rs 2,920 cr in FY20 down by 6% YoY. EBIDTA stood at Rs 718 cr. up by 5% YoY. Profit before tax stood at Rs 834 cr. down by 3% YoY in FY20. Profit After tax was Rs 672 cr. up by 7%YoY in FY20.

Peer Group Comparison (as on FY20)

in mn	GHCL	GUJALKALI	TATACHEM
Revenue	33051	27246	103567
EBITDA	7279	5777	19491
EBITDAM (%)	22.0	21.2	18.8
ADJ PAT	3996	3321	8782
PATM (%)	12.0	12.2	8.5
EPS (Rs)	42	45	35
PE(x)	3.7	7.3	8.9
ROE(%)	18.5	7.2	6.8
D/E(x)	0.5	0.0	0.4

Financial Highlights

in mn.	FY19	FY20	FY21E	FY22E
Revenue	128107	103567	107066	117221
EBITDA	20765	19491	20009	22484
EBITDAM (%)	16.2	18.8	18.7	19.2
AdJ PAT	10856	8782	8224	9996
PATM (%)	8.5	8.5	7.7	8.5
EPS	43	35	32	39
PE(x)	7.2	8.9	9.5	7.8

Source: Arihant Research, Company Filings, Bloomberg Consensus

AGM Highlights continued:

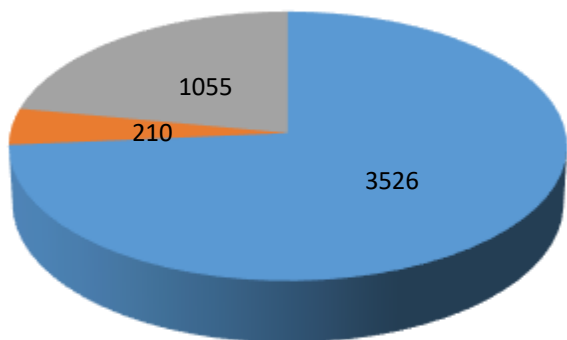
- Company has its presence in 4 continents. In India operations of Company was impacted due to lockdown but company ensured recovery and was on track.
- Since salt is a daily essential product, Company's plant at Mithapur continued to manufacture salt. Company produces 3,08,000 tonnes of salt the production was up by 25% YoY in FY20. Sales volume was also higher by 42% YoY in FY20.
- Production of Soda Ash and Sodium Bicarbonate also recovered and sales volume were 70% and 80% respectively of volumes that were registered in the same period previous year.
- Company's Mambattu Plant was shut as per government directions and started operations in May 2020 with limited operation, however it will not have much impact on the financials.
- Export market witnessed slowdown in part in US due to Covid.
- Company intend to increase the production volume of its subsidiaries to maintain the market share.
- Profit after Tax from continuing and discontinuing operation on standalone basis stood at Rs 6840 Cr in FY20 including tax gain of Rs 6168 cr due to demerger of Tata Consumer products Limited.
- Company declared a dividend of Rs 11 per share.

Highlights from Question & Answer section

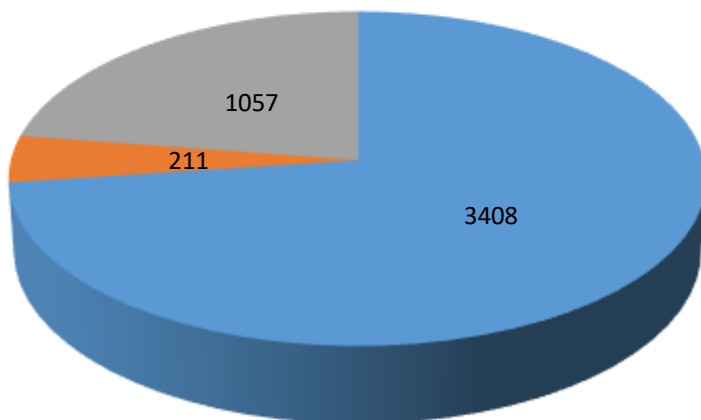
- Company is either exploring new areas or going for expansion in all four verticals ie Performance materials, Nutrition science, Agri sciences and Energy sciences
- Company intends to grow speciality chemical business while maintaining leadership in traditional business of basic chemistry products.
- Company is trying to keep margin intact but due to lower capacity utilization margins are expected to come under pressure.
- Starting of Dholera plant target date depends on demand from auto sector clients.
- Soda ash capacity utilization is 70 to 80% .Biotech plant started production in Q4FY20 after receiving all statutory approval.
- Silica unit to generate revenue of around Rs 200-400 crore in next 5 to 6 years.
- Capex for FY21 will be Rs 1300 crore and will be funded through internal accruals.
- Consolidated sales likely to decline by 15% YoY in Q1FY21.
- Uk Subsidiary performance likely to be better once Biocarbonate plant is ready.
- Research &Development expenses stood at Rs 34 crore for the Company and Rs 30 crore in Rallis India Limited.
- Battery business will take longer time to recover due to slowdown in auto sector.
- 123 patents filed by the Company and 29 patents filed by Rallis India Limited.
- The unit situated at Magadi is smaller but it is important for the Company, as it has substantial market share in container glass.
- Mambattu Plant current capacity utilization is 20-25%.

Sales Volumes of Major Products

Sales Volumes YTD as on March 2019 (in KTS)



Sales Volumes YTD as on March 2020 (in KTS)



■ Soda Ash ■ Sodium Bicarbonate ■ Edible Salt

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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