

Tata Chemicals Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1,300.00	CARE AA+; Stable	Reaffirmed
Short Term Bank Facilities	2,000.00	CARE A1+	Reaffirmed
Non-Convertible Debentures (NCD)	1,700.00 (Reduced from 2,000.00)	CARE AA+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities and NCD issue of Tata Chemicals Limited (TCL) continue to derive significant strength from its strong business profile marked by TCL's leadership position in the global soda ash industry, geographical diversification with presence in India, North America, Europe and Africa, diversified product profile divided into basic chemistry products and specialty products segments, two-third of its capacity being natural soda ash translating into cost-effective production. The ratings also derive comfort from TCL's strong financial flexibility and re-financing capability given strong parentage of the Tata Group, healthy financial risk profile characterised by healthy debt coverage indicators and liquidity.

The ratings also factor in the flattish performance with total operating income (TOI) recording de-growth of around 8.8% in FY24 (refers to the period April 1 to March 31) with subdued market demand in key regions and de-growth of around 10% YoY in Q1FY25, due to subdued operating performance across geographies. Operating margins also declined to 18.54% in FY24 and to 15.15% in Q1FY25 led by fall in sales realisations as compared to a year ago. The above strengths are tempered by the inherent risks associated with soda ash business, as the end-user industries are dependent on economic growth, susceptibility to price volatility in soda ash, foreign exchange fluctuations, and competition from imports.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustainability of revenue growth and improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin to 22% on a sustained basis.
- Consolidated net debt/PBILDT below 1.50x on a sustained basis.

Negative factors

- Large debt-funded capex/ acquisition, if any, undertaken by the company thereby deteriorating the consolidated net debt /PBILDT beyond 3.0x on a sustained basis.
- Substantial decline in profitability or substantial increase in debt leading to deterioration in interest cover below 5.0x on a sustained basis.

Analytical approach: Consolidated

For arriving at the ratings, CARE Ratings Limited (CARE Ratings) has considered the consolidated financial statements of TCL. TCL has various subsidiaries, associates and joint ventures. These companies are fully consolidated due to strong operational and financial linkages, fungible cash flows and support provided by TCL to its various subsidiaries/associates/joint ventures among others. The list of companies that are consolidated with TCL to arrive at the ratings are given in **Annexure-6** below.

Outlook: Stable

The stable outlook reflects the sustenance of the company's healthy operating and financial risk profile in-spite of weak demand on the back of its leadership position and absence of any large debt-funded capex or acquisition plans in the medium term.

Detailed description of key rating drivers:

Key strengths

Established presence in global soda ash industry

TCL is the world's third-largest producer of soda ash, with annual soda ash capacity of 4.3 million metric tonne (MMT), about two-third of which is natural soda ash capacity leading to efficient operations in terms of lower operating costs. Soda ash operations consist of natural soda ash (low-cost) plants in North America and Kenya, and a synthetic soda ash plant at Mithapur,

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Gujarat among others. TCL's products are utilised by some of the world's largest manufacturers of glass, detergents and other industrial products. The manufacturing facilities are spread over the four continents, viz, Asia, Europe, Africa and North America. Furthermore, the ongoing soda ash capacity expansion in Inner Mongolia, may lead to a temporary surplus, but long-term demand from glass and electric vehicles is expected to remain promising. As a result, TCL is actively investing in capacity improvement through debottlenecking and salt enhancement projects to meet future demand. Their current soda ash capacity stands at 4.3 million tonnes, with plans to expand it to 5.3 million tonnes.

Geographically-diversified operations with presence in both basic and specialty chemicals

TCL's business is well diversified with its leadership position across various products and diverse geographical presence across four continents, Asia, America, Europe and Africa. TCL's revenue in FY24, on a consolidated basis, from basic chemistry products contributed about 82% (PY: 81%), while specialty products contributed 18% (PY: 19%). Apart from soda ash, TCL is also the fifth-largest producer of sodium bicarbonate in the world, and one of the leading agri-services and crop-protection chemical companies in India (through Rallis India Limited, one of India's leading crop protection companies in which TCL owned 55.04% as on March 31, 2024.)

Stable income coupled with decline in operating margins

The company's TOI declined by 8.8% in FY24 due to pricing pressure across all regions and lower volumes and declined by 10% YoY in Q1FY25 due to subdued operating performance across geographies, though demand was stable in all geographies except Europe. In Q3FY24, the company faced challenges in the US, with lower volumes due to plant shutdowns and rail car shortages. The slowdown in certain sectors, especially lithium, coincided with increased Turkish exports to Asian and South Asian markets. The PBILDT margin also declined to 18.54% in FY24 (compared to 22.93% in the previous year) and further to 15.15% in Q1FY25 (compared to 24.73% in Q1FY24). This was influenced by significant reductions in soda ash prices in FY24 and subdued demand due to increased Turkish exports. Additionally, capacity expansion in Inner Mongolia impacted the operating margins in FY24. In Q1FY25, the margins moderated on YoY basis due to subdued operating performance across geographies, overall demand for soda ash was stable during the Q1FY25 quarter on account of robust demand for flat glass, container glass and solar glass globally, while Europe experienced muted demand.

Healthy overall financial risk profile

Being one of the strategically important and larger companies of the Tata group, TCL derives strong financial flexibility and re-financing ability. The Tata group is one of India's oldest and largest business groups with more than 100 operating companies in several business segments such as communications and information technology, steel, automobiles, energy, consumer products, among others.

TCL continued to have comfortable financial profile marked by overall gearing improving marginally in FY24 to 0.25x (PY: 0.32x). The debt coverage indicators such as total debt/PBILDT and total debt/gross cash accruals continued to remain comfortable though moderated marginally in FY24 to 2.05x from 1.69x and to 2.34x from 2.01x, respectively, due to dip in operating performance. Going forward, its capital structure and debt coverage indicators are expected to remain comfortable as the capex requirements are expected to be largely met through internal accruals.

Liquidity: Strong

TCL (Consolidated)

TCL's liquidity profile, on a consolidated basis, continues to remain strong as evinced by cash and bank balances and unencumbered current investments (in mutual funds) to the tune of ₹1,250 crore as on March 31, 2024. TCL has repayment obligations to the tune of around ₹2300 crore in FY25 at the consolidated level. The existing cash and liquid investments, cash accruals for FY25 along-with recent NCD issue of ₹1700 crore in August 2024 are expected to be more than adequate to meet its opex, capex and debt servicing requirements for FY25.

Key weakness

Inherent risks associated with soda ash business

The soda ash industry experienced a slowdown in demand across various regions due to factors affecting both demand and supply, resulting in a significant price correction. In FY24, in Europe, the container and flat glass sectors were notably impacted leading to continued pressure on the soda ash market. Additionally, a slowdown in sectors such as lithium, crucial for EV batteries, posed further challenges. Concurrently, Turkish producers had increased their exports to Asian markets, particularly India, China, and Southeast Asia, creating a surplus supply. Also, there was incremental supply coming from Inner Mongolia leading to higher supplies. Within India also, demand for soda ash has remained muted due to slower than expected increase in demand from solar glass segment. It led to moderation in operating profitability of TCL in FY24 & Q1FY25.

Environment, social, and governance (ESG) risks

- TCL is committed to reduce carbon footprint as per the science-based target initiatives (SBTi) guidelines by 30% by 2030.
- It is investing in green chemistry to ensure circularity of feedstock, low energy intensity and zero solid waste to landfill.
- Waste management practices involve 100% recycling of plastic waste as per the extended producer responsibility for plastic waste management (EPR PWM), use of 100% fly ash and safe disposal of waste across locations.
- The company is undertaking efforts to improve its socio-economic standards, which includes creating livelihood opportunities, targeting health and wellbeing and encouraging education.
- It has developed a supplier sustainability code and has established process for vendor selection. About 92% of the domestic critical supplies by value (48 out of total 52 critical suppliers) has been assessed and audited by a third party for sustainable sourcing.
- Governance structure is characterised by 56% of its board comprising independent directors, dedicated investor grievance redressal system and extensive disclosures.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Chemicals & petrochemicals	Commodity chemicals

TCL, established in 1939, is a part of the Tata group. TCL's business segments include basic chemistry products, salt-making facility and specialty products (Post demerger of its consumer product business with appointed date of April 01, 2019). TCL is currently the third-largest producer of soda ash in the world with presence across the globe. TCL has total annual soda ash capacity of 4.3 million tonne (MT), two-third of which is natural soda ash capacity. It is also the fifth-largest manufacturer of sodium bicarbonate in the world. TCL is a pioneer and the leading vacuum-evaporated iodised salt producer in India. It also has an established market presence in the agri science and crop protection business through its subsidiary, Rallis India Limited.

Brief Financials (₹ crore) (Consolidated)	FY23 (A)	FY24 (A)	Q1FY25(UA)
Total operating income	16,789	15,421	3,789
PBILDT	3,850	2,859	574
PAT	2,434	435	190
Overall gearing (times)	0.32	0.25	NA
Interest coverage (times)	9.48	5.39	4.32

A: Audited; UA: Unaudited; NA: Not Available; Note: The above results are the latest available results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1300.00	CARE AA+; Stable
NCD	INE092A08071	20-Aug-2024	7.81%	20-Aug-2027	1700.00	CARE AA+; Stable
Non-fund-based - ST-BG/LC		-	-	-	2000.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	1300.00	CARE AA+; Stable	1)CARE AA+; Stable (25-Jun-24)	1)CARE AA+; Stable (09-Oct-23)	1)CARE AA+; Stable (19-Jul-22)	1)CARE AA+; Stable (13-Oct-21) 2)CARE AA+; Stable (06-Jul-21)
2	Non-fund-based - ST-BG/LC	ST	2000.00	CARE A1+	1)CARE A1+ (25-Jun-24)	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (19-Jul-22)	1)CARE A1+ (13-Oct-21) 2)CARE A1+ (06-Jul-21)
3	Debentures-Non Convertible Debentures	LT	1700.00	CARE AA+; Stable	1)CARE AA+; Stable (25-Jun-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non-convertible debentures	Simple
2	Fund-based - LT-Cash credit	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated as on March 31, 2024

Sr. No.	Name of the subsidiary	Extent of Consolidation	Rationale for consolidation
1	Rallis India Limited	Full	Significant operational and financial linkages
2	Tata Chemicals International Pte. Limited ('TCIPL')	Full	Significant operational and financial linkages
3	Ncourage Social Enterprise Foundation	Full	Significant operational and financial linkages
4	Valley Holdings Inc.	Full	Significant operational and financial linkages
5	Tata Chemicals North America Inc.('TCNA')	Full	Significant operational and financial linkages
6	Tata Chemicals (Soda Ash) Partners ('TCSAP')	Full	Significant operational and financial linkages
7	TCSAP Holdings	Full	Significant operational and financial linkages
8	TCSAP LLC	Full	Significant operational and financial linkages
9	Homefield Pvt UK Limited	Full	Significant operational and financial linkages
10	TCE Group Limited	Full	Significant operational and financial linkages
11	TC Africa Holdings Limited	Full	Significant operational and financial linkages
12	Natrium Holdings Limited	Full	Significant operational and financial linkages
13	Tata Chemicals Europe Limited	Full	Significant operational and financial linkages
14	Winnington CHP Limited	Full	Significant operational and financial linkages
15	Brunner Mond Group Limited	Full	Significant operational and financial linkages
16	Tata Chemicals Magadi Limited	Full	Significant operational and financial linkages
17	Northwich Resource Management Limited	Full	Significant operational and financial linkages
18	Gusiute Holdings (UK) Limited	Full	Significant operational and financial linkages
19	British Salt Limited	Full	Significant operational and financial linkages
20	Cheshire Salt Holdings Limited	Full	Significant operational and financial linkages
21	Cheshire Salt Limited	Full	Significant operational and financial linkages
22	Brinefield Storage Limited	Full	Significant operational and financial linkages
23	Cheshire Cavity Storage two Limited	Full	Significant operational and financial linkages
24	New Cheshire Salt Works Limited	Full	Significant operational and financial linkages
25	Tata Chemicals (South Africa) Proprietary Limited	Full	Significant operational and financial linkages
26	Magadi Railway Company Limited	Full	Significant operational and financial linkages
27	Alcad	Full	Significant operational and financial linkages
28	Indo Maroc Phosphore S. A	Proportionate	Significant operational and financial linkages
29	Tata Industries Ltd.	Proportionate	Significant operational and financial linkages
30	The Block Salt Company Limited	Proportionate	Significant operational and financial linkages
31	JOil (S) Pte. Ltd and its subsidiaries	Proportionate	Significant operational and financial linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Ranjan Sharma Senior Director CARE Ratings Limited Phone: +91-22-6754 3453 E-mail: ranjan.sharma@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Hardik Manharbhai Shah Director CARE Ratings Limited Phone: +91-22-6754 3591 E-mail: hardik.shah@careedge.in
	Arti Roy Associate Director CARE Ratings Limited Phone: +91-22-6754 3657 E-mail: arti.roy@careedge.in

About us:

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