**Operator:** Good evening, ladies and gentlemen, and welcome to the Q1 FY25 earnings conference call of Tata Chemicals Limited.

Please note that this conference is being recorded. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. We have with us today Mr. Mukundan, Managing Director and CEO, and Nandakumar Thirumalai, Chief Financial Officer of Tata Chemicals Limited.

Before we begin, I would like to mention that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. I now invite Mr. Mukundan to begin the proceedings of the call. Over to you, sir.

**Management:** Thank you, Saurabh. Good evening and welcome everyone to our Q1 earnings call. I will start the discussion with a brief overview of the industry, then we will move on to our operational highlights across businesses and geographies. Before I begin, I just wanted to say that this quarter we made a significant accounting change, which Nandakumar will explain at the end of my overall presentation, in terms of the segment change to align that with the way we are running the business.

The two segments, which were Basic Chemistry and Specialty Chemistry products, we have now renamed as Living Essentials and Industrial Essentials. The Farm Essential business particularly comprises Rallis and also Morocco, which is reported as a JV income below the line. In terms of Living Essentials, it mainly comprises products like salt, bicarbonate, and prebiotic OS, and everything which goes into feed, food, and pharma. The industrial essentials segment is mainly around soda ash, silica, and industrial chemicals, which include things like bromine, chlorine, and caustic, in addition to soda ash and silica.

So let me start now by highlighting the demand scenario across geographies for each of these three segments. In Living Essentials, mainly the food, feed, and pharma segments, the core products which are salt, bicarbonate, and prebiotics continue to have stable demand, continuing to grow, supported by premiumization migration in this segment. Also, prebiotics is expected to grow faster due to rising health and wellness consumption.

In Industrial Essentials, which is mainly soda ash, the near-term outlook is challenging due to global oversupply, especially coming out of China, and also elevated raw material and freight costs caused by the geopolitical tensions in the Middle East. Despite these cost pressures, the market was adequately supplied. There have been no major market demand disruptions except for Iranian cargo. While global soda ash growth is subdued, it has not gone down despite all the other macroeconomic challenges. The long-term fundamentals remain positive, mainly due to the focus on renewables as well as electrification.

India continues to demonstrate stronger demand momentum. In terms of the global market, China and the US remain mostly flat. Demand in LATAM has strengthened, especially supported by rising lithium carbonate production. Exports to Argentina and Chile increased by 53% and 32%

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respectively. The Southeast Asian market saw demand decline marginally; however, this is also a place where there is maximum pricing pressure coming from Chinese exports.

In terms of Farm Essentials, the Indian farm sector outlook remains moderately positive, supported by improved irrigation technology. There is, of course, the focus by the team on monsoon variability, potential El Niño conditions, and higher input costs. But we do remain positive in terms of the outcome during the year despite certain pressures on the overall system. This is especially driven by higher commodity prices, which will ensure that farmers take the full crop and hence use crop protection products to get those products to market.

In terms of the supply scenario, bicarbonate saw additional supply coming in from competition, but overall the supply scenario remains balanced. For industrial soda ash, the markets are more than adequately supplied. Chinese inventory reached an all-time high of 1.73 million tons and Chinese producers continue to operate at high utilization rates. Export volumes from China remained elevated with no significant supply containments. Market rebalancing will be mainly driven by supply rationalization, which we are closely watching.

In terms of the pricing environment, this demand-supply environment, especially in soda ash in the industrial segment, continues to compress margins. Chinese soda ash export prices are in the range of $160-180 FOB, translating to $170-190 CIF in Southeast Asia, which remains the most challenging market for us. In our view, global pricing is expected to remain subdued given elevated inventory levels. However, several domestic markets will continue to have steady pricing on the back of steady demand.

Now I will move to operational highlights. Despite the challenging environment in one segment of our business—the industrial essentials—the company delivered a resilient performance due to higher sales and production volumes across segments, more especially in Living Essentials and the Farm segment, as well as strong operating efficiencies and disciplined cost management.

Revenue from operations on a consolidated basis was up 14%. EBITDA margin was down by about 100 crores compared to the previous year despite sharply lower realizations. Net debt was 5,692 crores, lower than the previous quarter on account of the monetization of assets. Standalone was a very strong performance. Revenue was up 10%, EBITDA was up 35%, and profit after tax from continuing operations was up 12% compared to Q1 of last year.

In terms of unit-wise performance, standalone has done well on both higher volumes and stronger realizations with higher fixed cost control. We also capitalized some projects, which led to higher depreciation. Domestic demand has remained steady across all products. However, input costs have increased due to the Middle East conflict.

The US had higher revenue in the previous year due to higher volumes, partially offset by slightly lower pricing during this quarter. EBITDA was impacted due to lower realizations and higher fixed costs, which were fixed in US dollar terms but higher in rupee terms due to the exchange rate impact. Demand remained stable, and markets were well supplied, especially in most export markets like Southeast Asia.

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The UK had higher revenue than the previous year due to higher volumes. There was lower pricing in some product market segments. EBITDA was impacted due to higher variable costs on account of the Middle East crisis, which was mainly due to higher gas prices. In Kenya, higher volumes were partially offset by lower prices, especially in the Southeast Asian market. Fixed costs were under control. In Singapore, the integration plan is going well, and Rallis saw overall revenue growth due to higher volumes and higher pricing. EBITDA growth was primarily driven by better volumes in crop protection and optimization of fixed costs.

With this, I hand back to you for the Q&A session.

**Operator:** Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and then one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use headsets while asking a question and to limit their questions to two per participant. You can rejoin the queue for further questions. Ladies and gentlemen, please stand by while the question queue is assembled.

The first question comes from the line of Saurabh Jain from HSBC. Please go ahead.

**Saurabh Jain – HSBC:** Hi, thank you for the opportunity. My first question is relating to the reclassification. Can you please give us more details? What are the objectives that you wish to meet by changing this classification? Are there any measured targets or outcomes that you expect because of this reclassification which may reflect on the P&L?

**Management:** I think the main objective here is to make sure that we can continue to focus on reshaping the portfolio towards non-cyclical products. These are also the products which are sustainability-led. There is a lot of application focus in these products, and customer resiliency and stickiness are very high, with less volatility in pricing. We are fundamentally focused on making sure our portfolio moves in that direction.

Our capital allocation will be done on that basis. We are also building deeper customer engagement here because the sales, marketing, and operational teams are all geared around following similar processes. If you look at food, feed, and pharma, the regulatory environment under which they operate is very different from the industrial segment, which is why we have carved it out. We know the farm sector is run in a separate subsidiary anyway. This effectively brings focus into each business to build its own capability over a period of time. This will also show itself in terms of capital allocation. We are already seeing part of it, but this would be more sharply seen going forward, especially with investments being focused on Living Essentials and Farm Essentials.

**Management:** To add to what Mr. Mukundan said on that segment, earlier we had one basic chemistry segment having everything in terms of soda ash, salt, and bicarbonate. We have had investor feedback over the last few years suggesting a different segment for non-cyclical components. This segment would give investors and analysts a better view of the company and what the revenue toward non-cyclical segments specifically is. Earlier, there was one big segment where you were unable to make out what was driving growth. Now we can look at the component of each segment. This is an attempt based on investor feedback given so far.

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**Saurabh Jain – HSBC:** Is there an added cost involved here when you try to restructure your sales and marketing teams or other processes, and can you possibly quantify it? Can you also quantify any realizable benefits or synergies because of this restructuring?

**Management:** In fact, this was already the way we were running the company. So the segmentation reflects how the company is structured. The benefits are greater administrative control and greater ownership of outcomes, especially from the customer side. In terms of financial and operational benefits, we will effectively have one view of bicarbonate and one view of higher grades of salt. It will become very easy to look at a global view of a specific product rather than a geography view. This is to drive one solution for every customer. Many of our customers are present in multiple geographies in the food, pharma, and industrial areas. They want a single point of accountability, which is how we are structured. The financial reporting is now structured on that basis. But we will still be showing specific geography-wise data to all the analysts so they get that view as well.

**Saurabh Jain – HSBC:** Sure.

**Management:** While the split is happening in India, where there is a split of standalone revenue into Living and Industrial, the US essentially falls fully into Industrial and the UK falls fully into Living. This has already happened because, in the UK, we have shut down the industrial businesses 100% because they were unsustainable. This is a reflection of how we are looking at the market. Singapore is folding into Living Essentials more or less.

**Saurabh Jain – HSBC:** The UK would be in Living because they have salt and bicarbonate, right?

**Management:** Yes, that is correct.

**Saurabh Jain – HSBC:** Understood. When I look at your capex plan, it shows a skew toward your Living Essentials segment. Going forward, from a long-term return point of view, are you focusing more on the Living Essentials side to deploy capital and less on Industrial Essentials? Or is it only for the next 2-3 years, after which you might need incremental capex on the industrial side as well?

**Management:** Very clearly, our objective is to move away from cyclical business. The highest cyclicality is in soda ash. It is not that we want to reduce our operational strength today; it will remain because when the cycle turns, it is one of the biggest profit drivers. But within the industrial segment, our focus will be on silica, which is also slightly more non-cyclical. We will focus our capital more towards driving growth in food, feed, and pharma and specific segments within the industrial business. We want to de-commodify our portfolio as much as we can because that is the strategic direction we have been undertaking for the last few years.

**Saurabh Jain – HSBC:** Any timelines on your silica plant expansion for the 50,000 tons? I see the timeline is missing in the presentation.

**Management:** Yes, if you look at the salt plant in India, that should be operational by the end of this year. It should start supplying the market by the first quarter of the next financial year. The 210,000-ton plant in South India will have a 24-month execution time. A similar execution timeline applies to the 50,000-ton silica plant as well. So they will become operational in early 2028.

**Saurabh Jain – HSBC:** Understood. If I may ask one more question—

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**Management:** Sorry to interrupt, but we request participants to limit themselves to two questions.

**Saurabh Jain – HSBC:** Thank you.

**Operator:** The next question comes from the line of Sumant Kumar with Motilal Oswal. Please go ahead.

**Sumant Kumar – Motilal Oswal:** My question is for the India business. We have seen a significant improvement in operating levels. Apart from the reasons mentioned in the initial commentary, has the freight cost increased overall because of the conflict, and is salt business volume higher? Is my understanding correct?

**Management:** The main driver of this India growth has been the volume increase across all products. There is also higher realization in soda ash because of the foreign exchange shift. We had taken a pricing adjustment because soda ash is linked to import parity price.

**Sumant Kumar – Motilal Oswal:** Did freight costs also play a role?

**Management:** The freight and covering costs did increase during the quarter, but they were more or less passed on to the customer.

**Sumant Kumar – Motilal Oswal:** How is the revision for contracts in India, and how is the next contract and export market looking for us?

**Management:** India has taken a price increase of about 2,000 rupees per ton, which is a spot price. But the contracts are quarterly agreed and we deal with the customers on that basis.

**Sumant Kumar – Motilal Oswal:** The US saw significant deterioration. How is the scenario for exports? Due to tariffs and the overall export market being unremunerative, domestic is also subdued. Is the realization going to reach better levels or will it take time?

**Management:** In the US, the biggest impact on margins is on the export front. Especially the export volumes we were sending to Southeast Asia; they are just at break-even levels. That is likely to remain so through the year. Unless some capacity rationalization happens in China, it is unlikely to see an uplift.

**Operator:** Thank you. The next question comes from the line of Ankur Periwal with Axis Capital. Please go ahead.

**Ankur Periwal – Axis Capital:** Hi sir, thanks for the opportunity. Continuing with geographic performance, especially in the US, last quarter we rationalized some volume because Southeast Asia was not as profitable. We are seeing good volume growth now, but your comment on Southeast Asia pricing being lower suggests pain. Are we still supplying at lower margins or was it a tactical call? Same question on Kenya; good volume growth but the margin is not there.

**Management:** In Kenya, the fundamental pressure has been due to pricing and increased costs. Kenya had a high impact from the war, directly related to oil prices. When oil goes from $70 to $100, that reflects in their pricing, leading to margin compression. We will try to pass that increase to customers as much as contracts allow, but it is a tough spot. As spot prices come down, Kenya

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will adjust. They have hedge cover until October, but we have to see what happens beyond that if the conflict drags on.

In terms of the US, while input prices are more or less under control, they have done well on the back of higher exports to LATAM and Northeast Asian markets. There were some exports to Southeast Asia, but like most US players, we have more or less vacated those markets.

**Ankur Periwal – Axis Capital:** Given the Chinese inventory is higher, that pain may continue. Is the domestic part of the US doing okay?

**Management:** Domestic US is stable. While there is no major volume growth, pricing levels are more or less stable with small shifts. The main cost pressure in the US is on logistics and transportation. We are engaged with customers to pass it on, but that remains a customer-by-customer open item.

**Ankur Periwal – Axis Capital:** Just lastly, on the UK business profitability and the ramp-up in the salt business, the margins don't suggest a ramp-up yet. Your thoughts?

**Management:** The UK had two big one-off events adding up to about 2.4 million pounds. One was a loss on sales which is likely to come back by the October quarter because we go through a cycle. Second, there was a one-off issue related to prior period assessments. Overall, our expectation is the UK should be EBITDA positive and tending toward PBT break-even.

**Ankur Periwal – Axis Capital:** Break-even for the full year?

**Management:** Yes, break-even for the full year, starting from next quarter onwards because the one-off reasons are not expected to repeat.

**Operator:** Thank you. The next question comes from the line of Abhijit Akela with Kotak Securities. Please go ahead.

**Abhijit Akela – Kotak Securities:** Good evening. My question is on the India business. We are seeing soda ash volume down about 12% sequentially and bicarbonate volume down 19% sequentially. What were the reasons for that? Despite this, you have seen sharp margin expansion with EBITDA margins at 28%. Is this a temporary benefit from low-cost coal inventory? Are these margins sustainable?

**Management:** Regarding the inventory benefits, there are two elements. We optimized the plant to deliver higher volumes of salt to the market, which led to certain throttling of soda ash production at the production level; it had nothing to do with market demand. In terms of bicarbonate, some contracts were realigned. We had to forego some tendered contracts during the quarter because of pricing issues, which we hope to get back during the year.

Regarding inventory gains, there is certainly a gain in coal which will impact costs in the next quarter. As the past inventory of coal goes out, the fresh inventory is coming in at elevated pricing due to higher freight costs. We will let this play out to see if we can get better pricing from customers. While volumes may remain steady, there could be marginal pressure driven by the cost side.

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**Abhijit Akela – Kotak Securities:** What would the sustainable margin range be for the India business? Also, you mentioned reduction in debt because of monetization of assets. Could you help us understand what assets were monetized and their value?

**Management:** We sold some land in Q1 and we sold most of the shares the company was holding, which contributed to the debt coming down. In terms of sustainable margins for India, it would be somewhere around 18% if you refer to PBT margins—approximately 30-33%.

**Operator:** Thank you. The next question comes from the line of Rohit Nagaraj with 361 Capital. Please go ahead.

**Rohit Nagaraj – 361 Capital:** Thanks for the opportunity. On the annual report regarding research and development, we stated things about the battery recycling process and indigenous sodium-ion battery technology. Can you throw more color on that? Where are we in commercialization?

**Management:** On the battery side, we have made the first battery pack and it is undergoing testing. We are redefining the strategy for sodium-ion batteries specifically for energy storage applications. It is not an appropriate solution for mobility; it will remain for energy storage in renewable power and data centers. We are currently proving the product and piloting it, which should take the better part of this year.

After that, we will come back with specific plans to enter the market. We remain very positive about it, especially since soda ash is a cathode active material. It has been patented and we will look to commercialize it after piloting. Regarding the cathode active recycling business, we are working to set this up in Mithapur. No major capex is needed. The initial volume is small because few vehicles are over 8 years old, but this will be built on OEM tie-ups.

**Rohit Nagaraj – 361 Capital:** Just one clarification: for one MWh of sodium-ion battery, how much soda ash is required?

**Management:** We will come back with the specific number. For lithium batteries, you need two parts soda ash for every part of lithium carbonate. For sodium-ion, we will provide the specifics once piloting is over.

**Operator:** Thank you. The next question comes from the line of Abhinav Mandopara with Equitas Investments. Please go ahead.

**Abhinav Mandopara – Equitas Investments:** Regarding the pricing impact quarter-on-quarter, we are seeing rationalization in Europe and India. How have soda ash prices changed, and do we still see dumping from China given their additional capacity?

**Management:** The threat from China is for our market as well as the export markets. Since we have manufacturing facilities in India, we will work with regulatory authorities to ensure the domestic industry remains healthy. In terms of pricing, the big impact has been due to foreign exchange movements. The Indian market has seen about a 2,000 rupee price increase. Some contracts have got it, some are still on old prices. We believe we are close to the bottom. We don't see pricing in China dropping below $160-170 FOB. Most Chinese manufacturers are currently losing money on a cash basis.

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**Operator:** The next question comes from the line of Mihir Zaveri from unlistedindia.com. Please go ahead.

**Mihir Zaveri – unlistedindia.com:** Thank you. We have seen the price of soda ash coming down because of excess capacity in China. Is a similar trend expected in bicarbonate?

**Management:** Every market will have a very different reaction. In the UK and Singapore, we sell to premium markets where customers must clear the plant before we supply. These are not technical products, so we don't see a big impact there. Within India, competitive intensity increased in the short term because a competitor brought in capacity, which will get absorbed by market growth. We haven't seen a big shift in bicarbonate as such, though China's surplus can impact the technical grade.

**Mihir Zaveri – unlistedindia.com:** What is the exact reduction in debt?

**Management:** 1,200 crores compared to March.

**Operator:** Thank you. The next follow-up is from Abhinav Mandopara with Equitas Investments. Please go ahead.

**Abhinav Mandopara – Equitas Investments:** Regarding the cost of raw materials, how are we seeing the trend?

**Management:** In the US, there is no impact on input raw materials except for logistics, which we are passing on to customers. In the UK, there will be impact from time to time. We believe gas prices will revert to normal at some point. In Kenya, our contracts are clear until October. Beyond that, if oil prices remain high, they will be impacted. In India, the biggest impact in coal is the logistics cost of importing from Indonesia. If the conflict continues beyond October or November, we will have an impact on limestone because domestic production cannot cope; we would have to bring in fresh consignments from the Middle East, which at today's freight rates are extremely high.

**Operator:** Thank you. The next question comes from the line of Arjun Khanna with Kotak Mutual Funds. Please go ahead.

**Arjun Khanna – Kotak Mutual Funds:** Back to sodium-ion, the annual report mentioned a drone flight test. Drones seem unlikely to adopt sodium-ion compared to other segments. Why use it for a drone test, and what is the kilowatt-hour density?

**Management:** This was just to prove the product in an extreme application. For customer specifications, it will be more suitable for static applications. We will not be selling it for mobility or drones. We have gone through several tests on static and proving flights. We believe the competitive positioning is right for stationary applications.

**Arjun Khanna – Kotak Mutual Funds:** Any metrics on energy density or number of cycles?

**Management:** It is currently undergoing testing and we don't want to give a number until testing is complete. Our pilot units meet the minimum requirements for stationary applications.

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**Arjun Khanna – Kotak Mutual Funds:** Regarding capex, how much are we spending in FY27? What is the plan for liquidating non-core assets?

**Management:** Our annualized capex will be around the depreciation numbers. We try not to exceed it. We have some non-core land available in the country and we are looking at monetizing part of that from Q2 onwards. We will look at what else we can monetize as required.

**Arjun Khanna – Kotak Mutual Funds:** What is the consolidated depreciation for FY25?

**Management:** About 1,200 crores.

**Operator:** Thank you. The next question comes from the line of Saurabh Jain with HDFC. Please go ahead.

**Saurabh Jain – HDFC:** Regarding the sodium-ion battery, is it a complete battery solution developed indigenously? Which part will you scale?

**Management:** We are producing full units including the Battery Management System (BMS) for testing by power companies and data centers. We will certainly be doing the chemicals and cathode active material. Whether we get into full prismatic or cylindrical cells, we will decide as the plan unfolds. We are focused on piloting with as many customers as possible.

**Saurabh Jain – HDFC:** When can we expect more details?

**Management:** We expect piloting to finish in about 6-9 months to understand customer responsiveness. After that, we will come back to you. In about a year, we should have initial customer offers. A full-scale plant would come about 2 years after that.

**Operator:** Thank you. The next question comes from Abhijit Akela with Kotak Securities. Please go ahead.

**Abhijit Akela – Kotak Securities:** A few quick data questions. Staff cost this quarter includes a 45 crore reversal, so should it have been 45 crores higher? Can you share the US volume breakdown between domestic and exports? And on the Morocco JV, IMACID, the income seems negative. Is that due to sulfur prices?

**Management:** IMACID did not produce during the quarter because of high sulfur prices. They have just begun operations this quarter. That business is under pressure but they will be profitable for the year. We took a call not to run the unit in Q1. Regarding employee cost, the normal run rate should be 43 crores higher; that was a one-off. For the US export-domestic split, we will provide that next quarter.

**Abhijit Akela – Kotak Securities:** Is the current employee cost of 590 crores largely a rupee depreciation impact?

**Management:** It is largely rupee depreciation. Also, Q1 is usually a high number because we pay out variable pay during this period.

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**Operator:** Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the call over to Mr. Mukundan for closing comments.

**Management:** Thank you all for joining the conference call. As discussed, the operating environment remains dynamic with ongoing uncertainties. There is a price challenge as well as a cost challenge. In our fertilizer business, almost 50% of revenue is rural. Despite these headwinds, our segments continue to demonstrate resilience supported by execution and customer engagement.

Our revised segment results will highlight which parts of the business are stable and non-seasonal. On behalf of the management, I would like to thank our customers and partners for their trust. We look forward to speaking with you again in Q2 FY25.

**Operator:** Thank you. On behalf of Tata Chemicals Limited, that concludes this conference. You may now disconnect your lines.

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