TATA

June 11, 2021

The General Manager
Corporate Relations Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001
Scrip Code: **500770**

The Manager
Listing Department
National Stock Exchange of India Limited
Exchange Plaza
Bandra-Kurla Complex, Bandra (E)
Mumbai – 400 051
Symbol: **TATACHEM**

Dear Sir/Madam,

Sub.: Affirmation of Credit Rating by Moody's Investors Service

Re.: Intimation under Regulation 30(6) read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Company has a Long Term Corporate Family Rating – Foreign Currency of Ba1/Stable from Moody's Investors Service.

This is to inform that Moody's Investor Service has, on June 11, 2021, affirmed the Ba1 Corporate Family Rating (Outlook: Stable). The document published by Moody's Investor Service is enclosed herewith.

This is for your information and records.

Thanking you.

Yours faithfully,
For Tata Chemicals Limited

Rajiv Chandan
General Counsel & Company Secretary

Encl.: as above

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Tata Chemicals' Ba1 rating; outlook stable

11 Jun 2021

Singapore, June 11, 2021 -- Moody's Investors Service has affirmed the Ba1 corporate family rating (CFR) of Tata Chemicals Limited (TCL). The rating outlook remains stable.

"The rating affirmation reflects the likely recovery in TCL's consolidated revenue and profitability from the trough during the pandemic fallout in the fiscal year ending March 2021. We expect the recovery to sustain over the upcoming 12 to 18 months, strengthening TCL's debt/EBITDA leverage to comfortably below 4.5x and EBITA margin towards 20%," says Kaustubh Chaubal a Moody's Vice President and Senior Credit Officer.

The stable outlook reflects Moody's view that TCL will sustain revenue growth across all its businesses, while maintaining its leading position in the global soda ash industry. In addition, the stable outlook continues to reflect Moody's expectation that TCL will retain its measured approach to growth and that it will prudently deploy its cash surplus in new EBITDA-accretive investments.

RATINGS RATIONALE

TCL's business profile is diversified across products and geographies. Basic chemical products (soda ash, sodium bicarbonate and salt) comprise 75% of the company's consolidated revenue, while specialty products, such as agricultural chemicals, account the balance quarter. Through its various subsidiaries, TCL has manufacturing operations across India, the US, the UK and Kenya.

The company's leading market position across its various operating businesses is an underlying strength: TCL is the world's third-largest soda ash producer and sixth-largest sodium bicarbonate producer globally. The company commands a strong market position in agricultural chemicals in India and its pure-dried vacuum salt products attract a 50% share in the UK.

Moody's estimates GDP for the G-20 countries will expand by 6.1% in 2021 after a contraction of 3.2% in 2020. Business conditions are slowly improving with the pick-up in world economic growth following vaccination rollout progress across countries and output climbing close to pre-pandemic levels. As to India, Moody's estimates that the impact from the severity of the second wave of COVID cases will likely be contained in the current quarter and the country's real inflation-adjusted GDP will expand by 9.6% in fiscal 2022.

Underlying demand for TCL's key product, soda ash, will remain strong, supported by demand from end-user segments such as the recovering automobiles and construction sectors. Meanwhile, tightening environmental regulations in China, one of the world's leading soda ash producers, and rising global freight rates will likely keep a supply shortage globally of soda ash that will push up the product's price. Besides, green applications of soda ash -- such as in the manufacture of solar panels and lithium-ion phosphate batteries for electric cars -- will keep demand for the product strong. And, with no major new capacity expansions likely until 2023, soda ash prices will likely stay firm.

Almost 65% of TCL's global soda ash capacity of 4.1 million tons per annum (mtpa; 2.45 mtpa in the US and 0.35 mtpa in Kenya) is processed naturally (trona-based), where manufacturing costs are substantially lower than the synthetic manufacturing process. Such competitive costs are key to TCL's strong consolidated EBITDA margin of 18%-24% over the past five years.

TCL's wholly owned subsidiary, Tata Chemicals North America (TCNA) will continue to benefit from several structural advantages. These include the cost competitiveness of its trona-based natural soda ash production in Wyoming, its long-term customer relations in the US and its membership of the American Natural Soda Ash Corp (ANSAC) that assists in the global distribution of its production. The company is currently serving its notice period that ends on 31 December 2022, when TCNA will exit ANSAC.

TCL's Ba1 CFR continues to reflect the company's leading position in the global soda ash markets and its competitive cost structure. This underpins its sustained strong profitability, which will lead to better leverage and coverage metrics. TCL's very good liquidity is also an underlying strength.

On balance, TCL's Ba1 rating also reflects its relatively small scale when compared with that of its global chemical industry peers, as well as its exposure to the inherent cyclicality in end-user markets. The Ba1 CFR continues to incorporate a one-notch uplift given Moody's expectation of timely, ongoing and extraordinary support from its parent, Tata Sons Ltd., should the need arise.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

TCL's rating has also considered ESG factors. While the company's trona-based soda ash production poses an environmental advantage as compared to the synthetic process, the underground mining of trona reserves and subsequent processing into sodium carbonate expose the company to environmental risk.

Ownership and control are key to Moody's assessment of governance risk, with concentrated ownership having either a positive or negative influence on corporate performance. Whereas concentrated ownership and control can raise potential conflicts of interest and/or related-party transactions that are not aligned with creditor interests, TCL's concentrated ownership with Tata Sons and other Tata Group companies has benefited the company and its creditors. TCL is 37.98% owned by the Tata Group. Consequently, Moody's views governance risk as moderate with no overall impact on TCL's ratings.

LIQUIDITY

TCL has very good liquidity. Cash and cash equivalents of $410 million as of March 2021 and Moody's estimated cash flow from operations of $320 million over the 18 months until September 2022 should cover TCL's capital expenditure (capex) and debt servicing needs.

Intra-year working capital volatility will cause TCL to continue relying on working capital facilities to tide over temporary mismatches. However, the company relies on multi-year revolving credit facilities only at its UK and Singapore subsidiaries, and on 364-day working capital facilities in India. Nevertheless, large balance sheet liquidity provides a significant buffer. More importantly, thanks to its association with the Tata brand, TCL also continues to have long-standing relationships with Indian and multinational banks.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade is unlikely over the next 12 to 18 months given the company's relatively smaller scale relative to its similar rated industry peers. That said, over a longer term, upward rating momentum could build if TCL sustains an improvement in all its operations. The use of its surplus cash towards investments in EBITDA-accretive businesses that can enhance its scale and business mix will be key for an investment-grade rating.

Specific financial metrics that Moody's would look for a higher rating include Moody's adjusted debt/EBITDA leverage below 2.5x, retained cash flow/adjusted debt of at least 25%, and positive free cash flow generation; all on a sustained basis.

The CFR could experience downgrade pressure if a deterioration in global soda ash markets causes TCL's consolidated EBITDA margin to drop below 18% on a sustained basis. Other leading indicators for a lower rating include adjusted debt/EBITDA leverage in excess of 4.5x, adjusted EBITDA/interest coverage less than 4.0x or retained cash flows/adjusted debt falling below 15%; all on a sustained basis.

Any revision to Moody's assumptions of support from Tata Sons could also prompt a review of the one-notch uplift to TCL's Ba1 CFR.

The principal methodology used in these ratings was Chemical Industry published in March 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1152388 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Tata Chemicals Limited (TCL) is the flagship chemical company of the Tata Group -- India's leading conglomerate -- which owns 37.98% of the company. TCL is the world's third-largest producer of soda ash (sodium carbonate), with an overall capacity of 4.1 million tons per annum (mtpa). TCL is also the world's sixth-largest producer of sodium bicarbonate for industrial, technical and food applications globally, with manufacturing across its plants in India, the US, the UK and Kenya. Through its 50.5% owned subsidiary, Rallis Limited, TCL is one of India's leading agricultural chemical company and produces herbicides and fungicides.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1263068 .

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