TATA CHEMICALS LIMITED

“On the growth path”

7-8th August 2006

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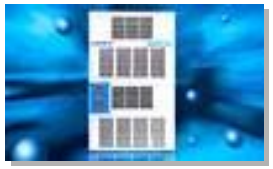
India - Economic overview

India–poised for strong economic growth...

- World's 4th largest economy (PPP), GDP FY07 : 7.6% (Est.)
- Net FII investment in FY06 crossed US$9.9 bn (14% up PY)
- Consumptions accounts for 64% of GDP
- Rapidly growing middle class of about 200mn people with significant spending power
- Infrastructure investments to grow at 15% CAGR
- Favourable demographics








The Tata group - overview



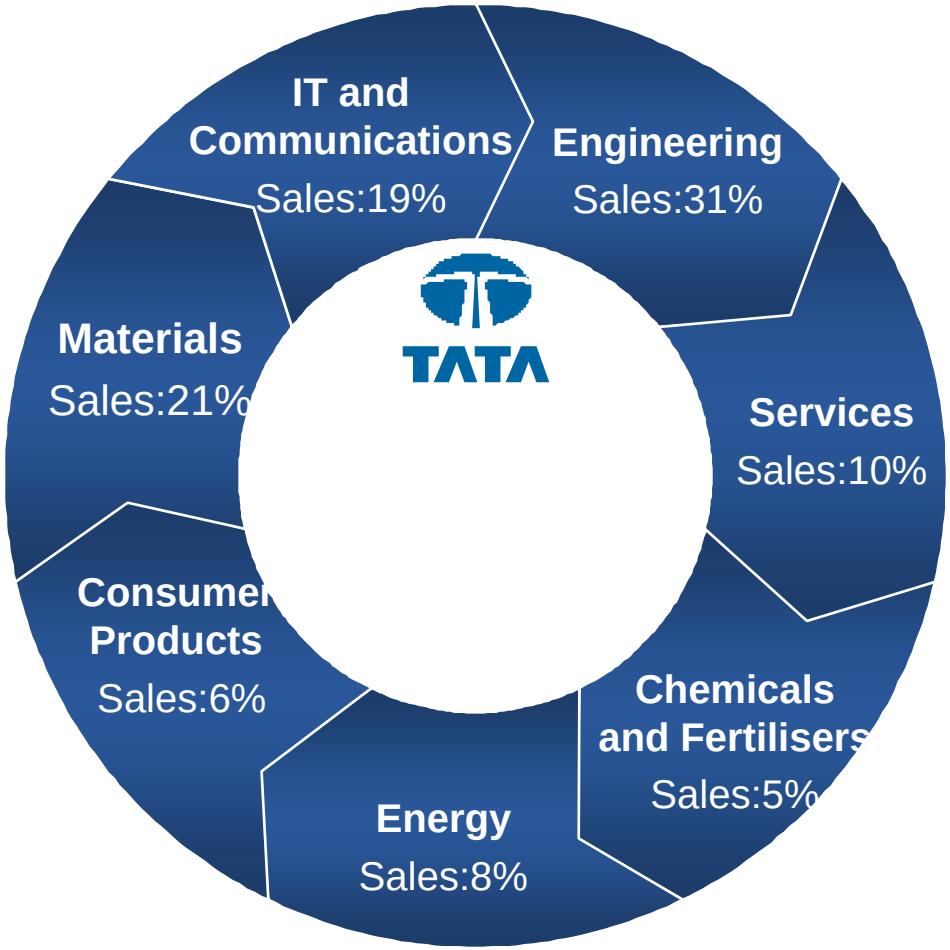


Tata Group – India's largest and the most respected business group

Market cap[1]: US$49bn

Revenues[2]: US$22bn

PAT[2]: US$2 billion



Notes

1 Market cap (approx.) as on March 31, 2006

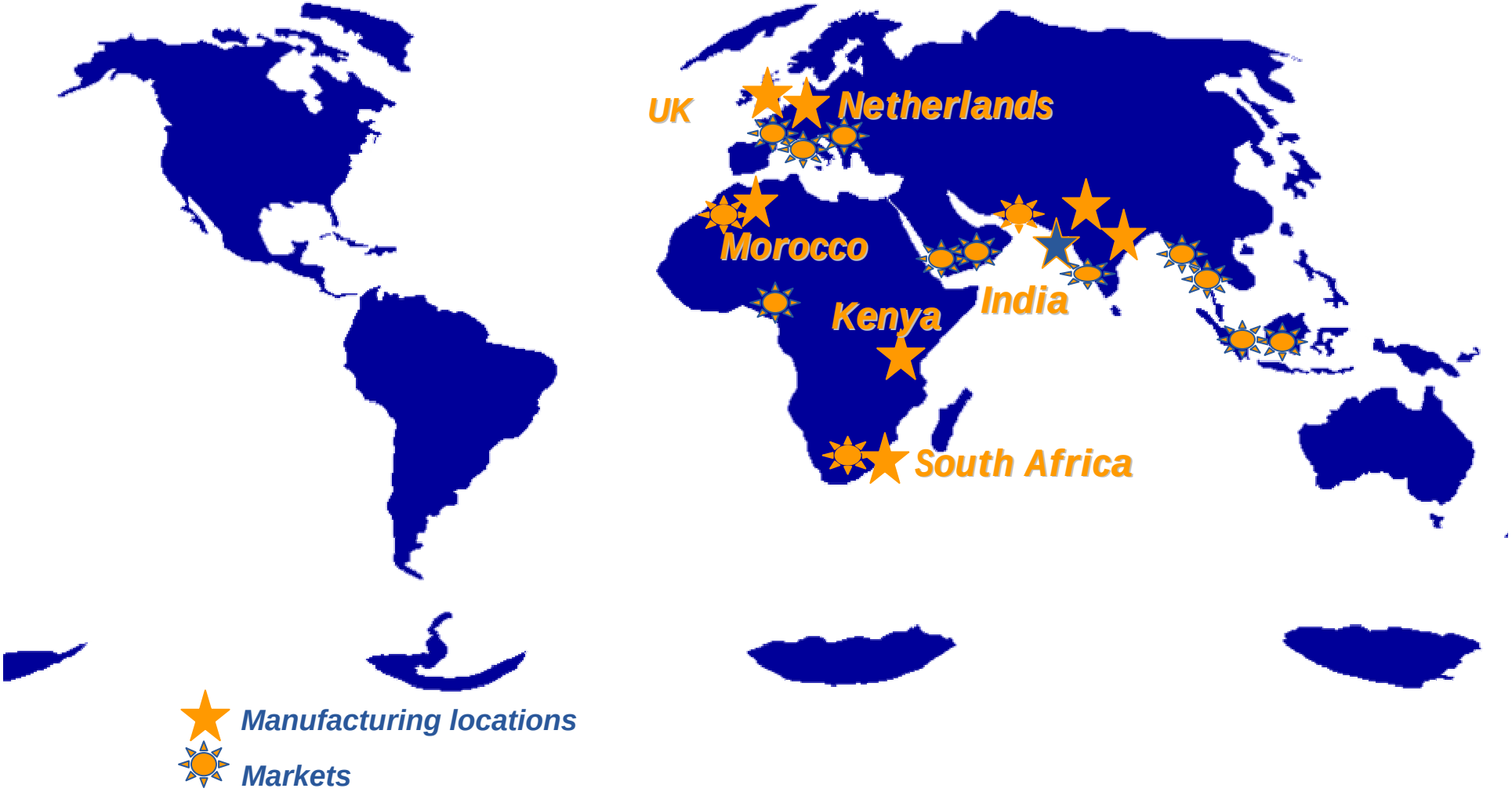
2 F.Y. 2006 data

Tata Chemicals Business overview

Tata Chemicals is…

- *The 3rd largest soda ash manufacturer in the world*
- *The #1 soda ash player in India*
- *A market leader in edible salt market, largest STPP player in the country*
- *The most energy efficient urea fertiliser manufacturer in India and amongst the most efficient globally*
- *1/3rd stake holder in IMACID, Morroco – assured supply of key inputs*
- *A true partner of the farmer with a presence in all 3 agri inputs categories as well as an expanding number of Tata Kisan Sansars*

FY 2006 - Global Footprints



At a glance

- **Listing:** Stock Exchange, Mumbai (BSE) and National Stock Exchange (NSE)
- **Ticker:** TTCH IN
- **Founded:** 1939
- **Market Capitalization** US$ 915mm
- **Revenue[3] (US$mm):** 795
- **EBITDA[3] (US$mm):** 131
- **EBITDA Margin[3]:** 17%
- **Employees:** 3,500
- **Ownership:**

Sponsor Group	28.6 %
Institutional Investors	42.4 %
Indian Public	29.0 %

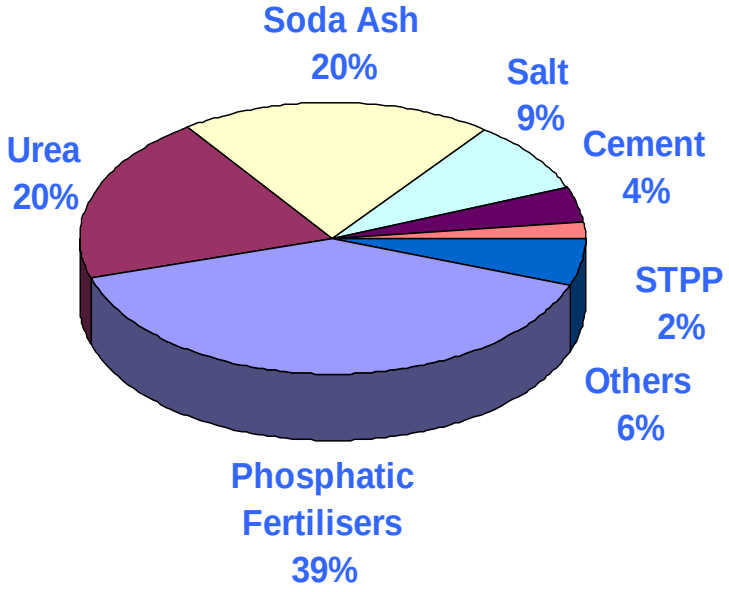
Note:

1: Market data per Telerate as on July 28, 2006,

2: INR/USD Conversion rate of 46.68

3: F.Y 2006 data, INR/USD Conversion rate of 44.27

Sales break-up – FY2006



Tata Chemicals, yesterday

- Localised operations, No 13 in Soda Ash capacity
- Asset heavy
- High exposure to single customer segment – detergents
- Integrated domestic facilities & access to raw materials
- Two main revenue streams
- Products – Commodities, useful but uninteresting
- Fertilisers – few variants

Today ……..

- Significant player – Soda Ash - 3rd globally
- Turned threat to opportunity – Natural Soda Ash at Kenya – lowest cost producer
- Diversified customer base – glass, specialty chemicals
- Facilities strategically located – high growth regions
- Future business platforms – knowledge based, nucleus of scientific talent
- Branded products, international businesses
- Wider portfolio in fertilisers, agricultural / food processing sectors at inflection point

Facilities in India

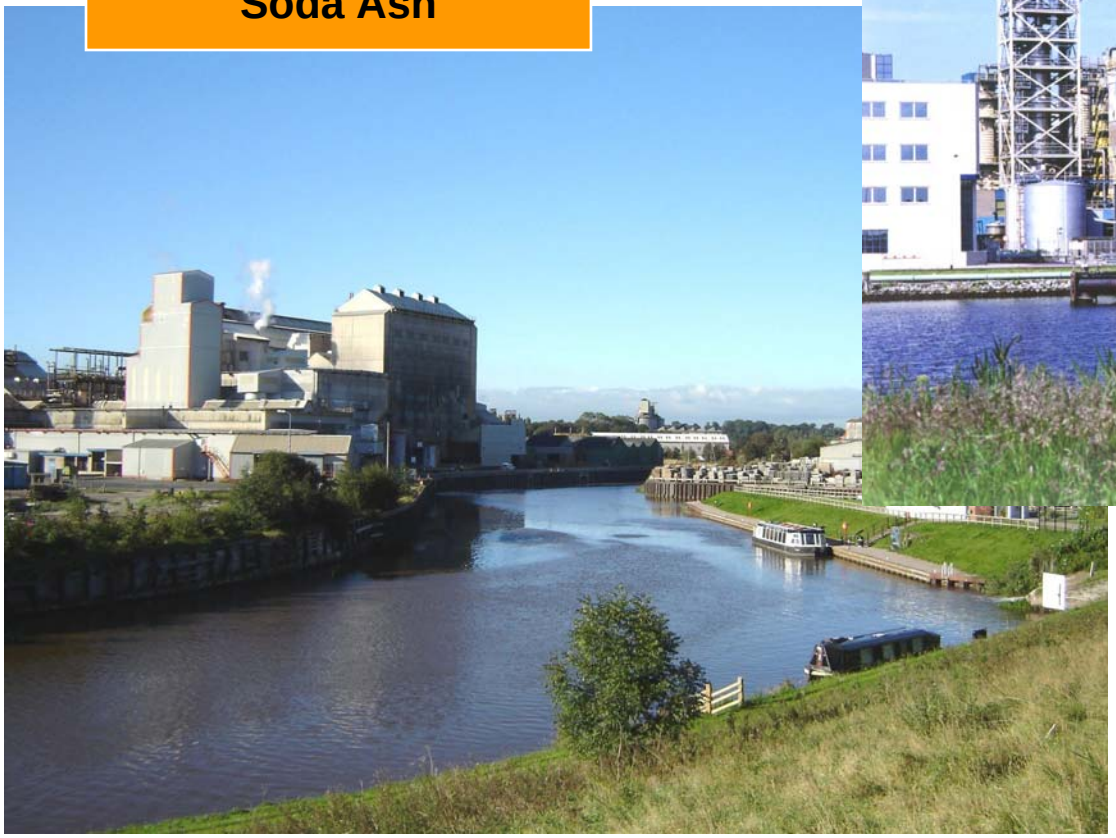
Mithapur – Soda Ash, Cement, Salt

Haldia – DAP, NPK

Babrala - Urea

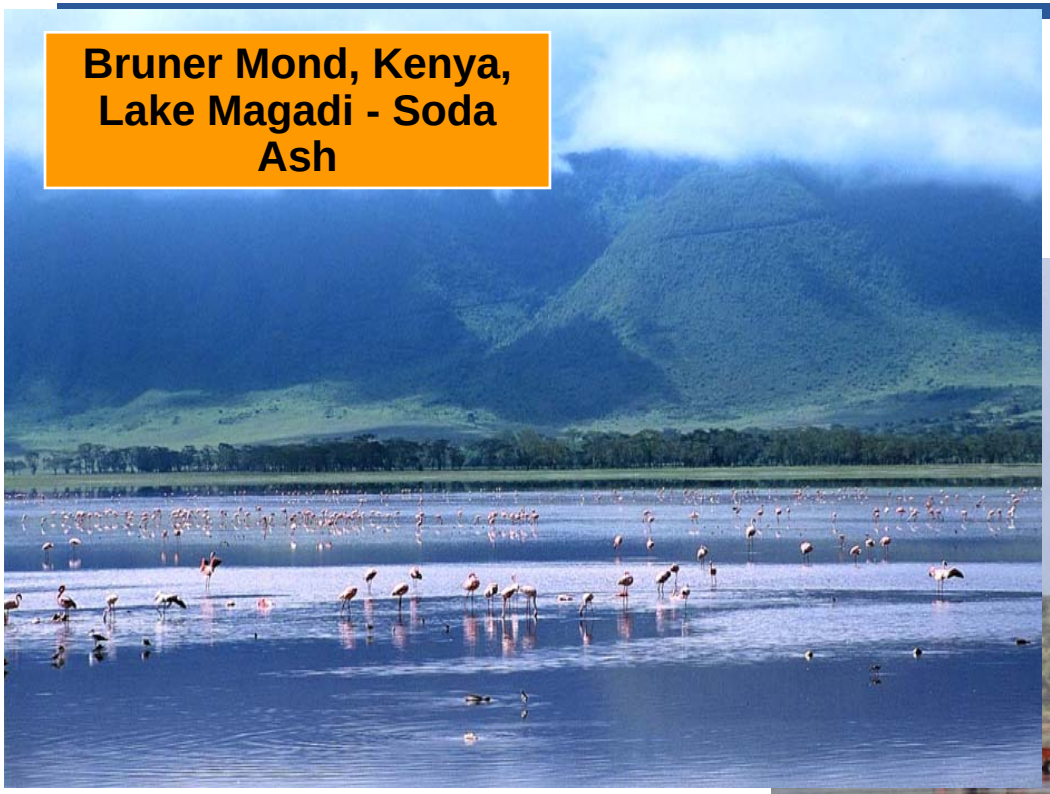
Beyond Boundaries, Brunner Mond …

Bruner Mond, UK – Soda Ash



Bruner Mond, Netherlands – Soda Ash, Bicarb

Beyond Boundaries, Brunner Mond



Beyond Boundaries, IMACID, Morocco

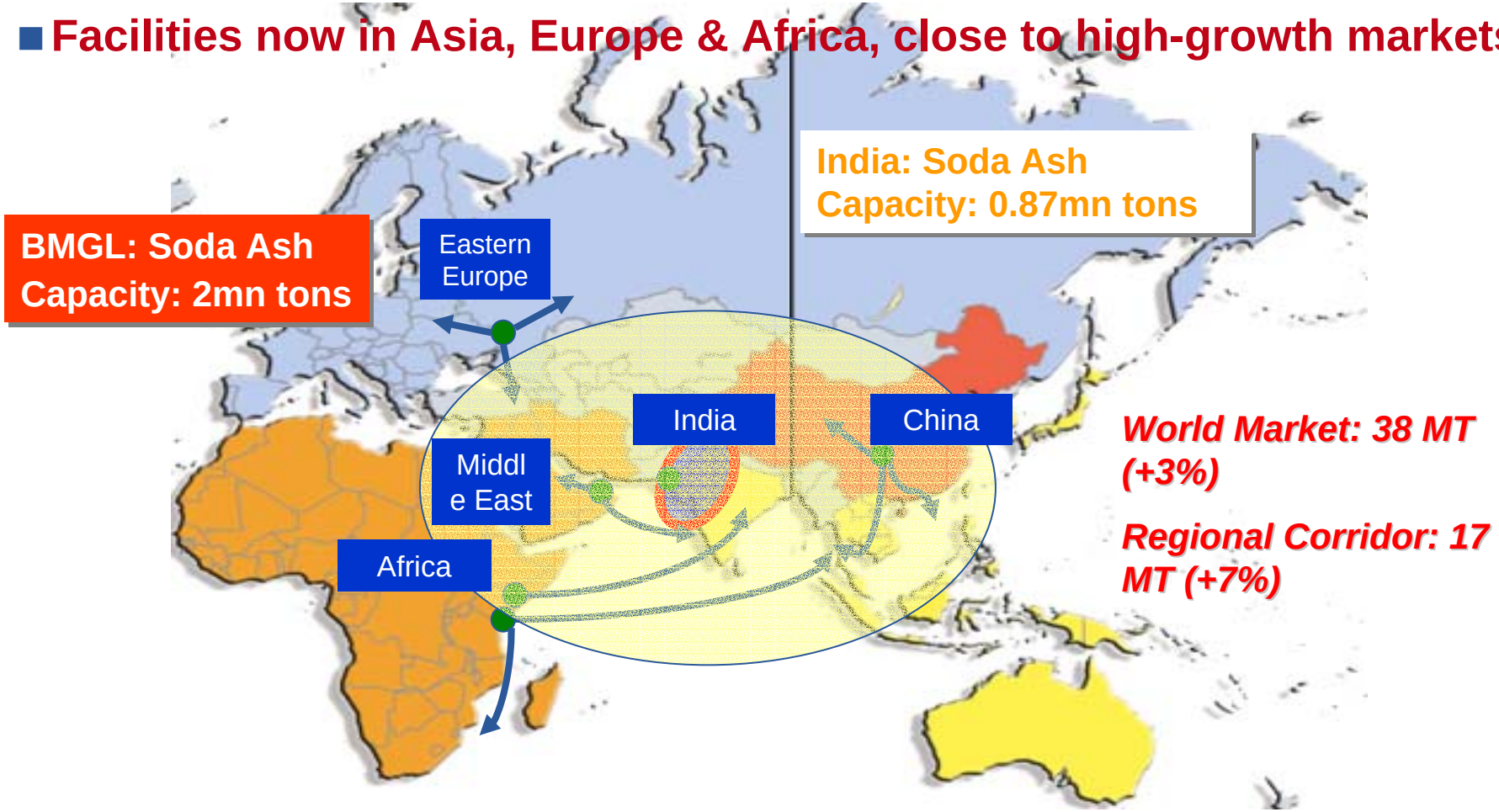
Phosphoric acid plant

Sulphuric acid plant

Storage tanks

Geographic diversification of revenue and capacity

- **Before Brunner Mond, soda ash capacity 0.87mn tons in India**
- **Facilities now in Asia, Europe & Africa, close to high-growth markets**

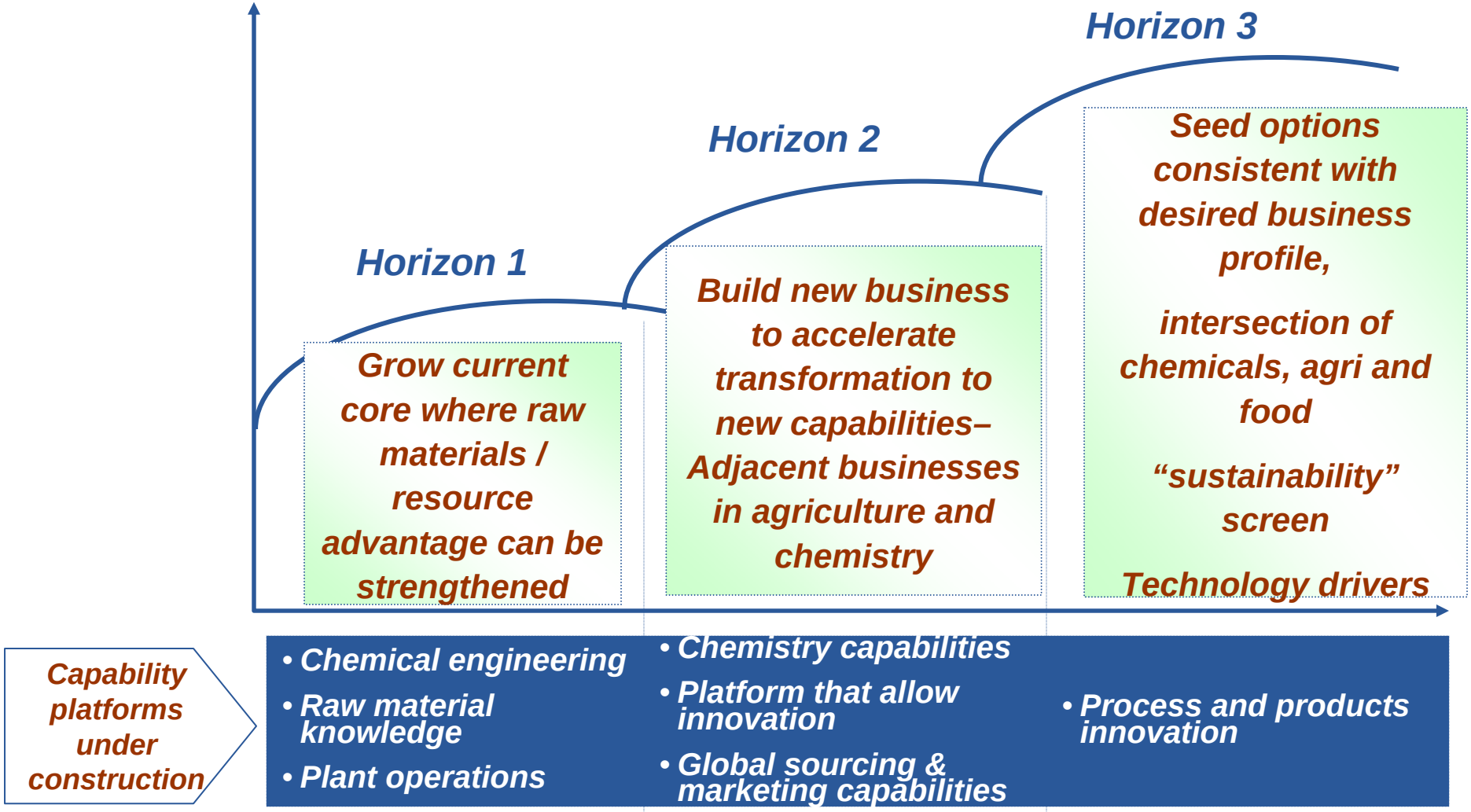


Diversified business portfolio

Revenues: US$794mm EBIT : US$117mm EBIT margins : 14.8%	Chemicals & Food Additives	Fertilisers
	 	 
Revenues EBIT EBIT margins	▪ US$299.7mm ▪ US$ 72.6mm ▪ 24%	▪ US$494.9mm ▪ US$ 45.3mm ▪ 9.2%
Key products	Soda Ash – Mkt share 33% Salt – Mkt share 40% Sodium Bi-carbonate	Urea – Market share 4% Diammonium Phosphate NPK
End markets	Glass, detergents	Agriculture

Note[1]: Indicates share of revenues. All revenue and EBIT numbers for the year ended FY2006

Strategic Direction - a balanced approach to growth.



Road Ahead ….

Chemicals

- Doubling Magadi
- Building Global Bicarb business
- Modernisation of Mithapur
  - Increase Soda ash, cement & Salt capacities

Fertilisers

- Debottlenecking Barbala
- Explore cheaper locations for gas
- Innovation – new crop specific higher value fertilisers

Company Wide

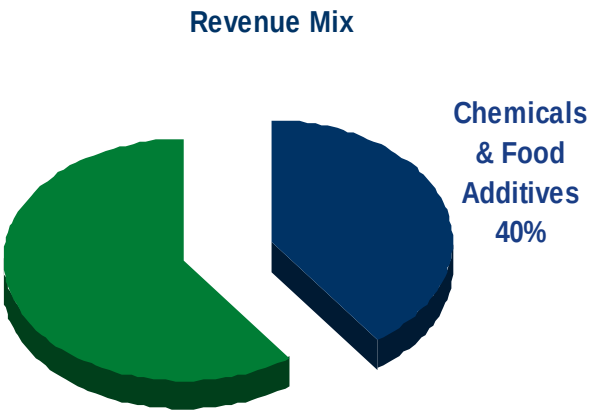
- Securitising Inputs
- Acquisition Thrust
- 2nd round of cost optimisation - with Mckinsey
- Develop R&D facility (Innovation Centre)

Turnover - USD 2 billion by FY09,

1/3rd from International Businesses

Business segments

Chemicals - soda ash



Global soda ash industry

The global demand supply situation favours producers with capacity utilisation of over 90%

- Global demand at 47 million mt, China - 21% of demand
  - To grow at 4%pa led by glass
- Synthetic production dominates – 73%
- Cost structure increasing
  - High natural gas, coal, coke prices & freight rates
- Prices increasing after seven years of weak prices

Source: British Sulphur Consultants

India- sector dynamics

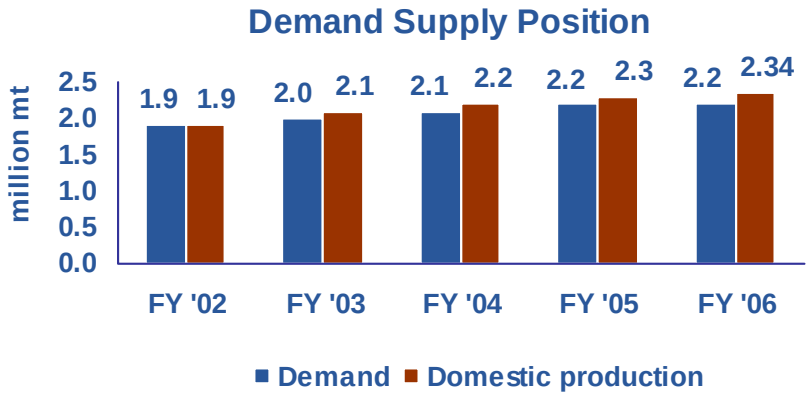
Tata Chemicals is a dominant player with 32.8% market share

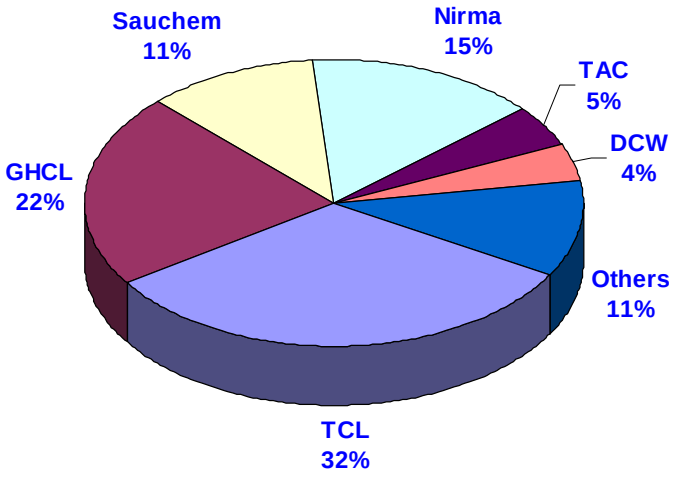
- **Domestic demand 2.2 million mt growing at 4-5%**

- **Demand driven primarily by the float glass segment**

- **Synthetic soda ash accounts for 100% of production in the country**

- **Capacity utilisation at all-time high**





Overview of Brunner Mond Group

Brunner Mond – a transformational acquisition

Major step towards becoming a truly globally competitive company

BMGL – 2nd largest producer in Europe ~1500 customers

Gives access to larger Asian and European markets

Total Soda Ash production capacity ~2.0 million tons with three plants

Capacity expansion to increase supply of dense ash to 1.5 million tons,

TCL combined turnover to go up ~40%

Resultant synergies will enhance Tata Chemicals' profitability

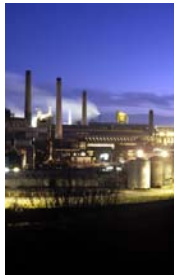
Facilities within reach of major markets

Facilities and transportation terminal strategically located to give access to major markets in Europe, Middle East, and South East Asia

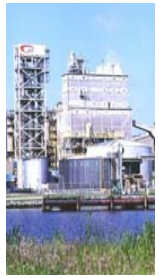
Europe – 1.3mn tons

Soda ash capacity 2.0 mn tons

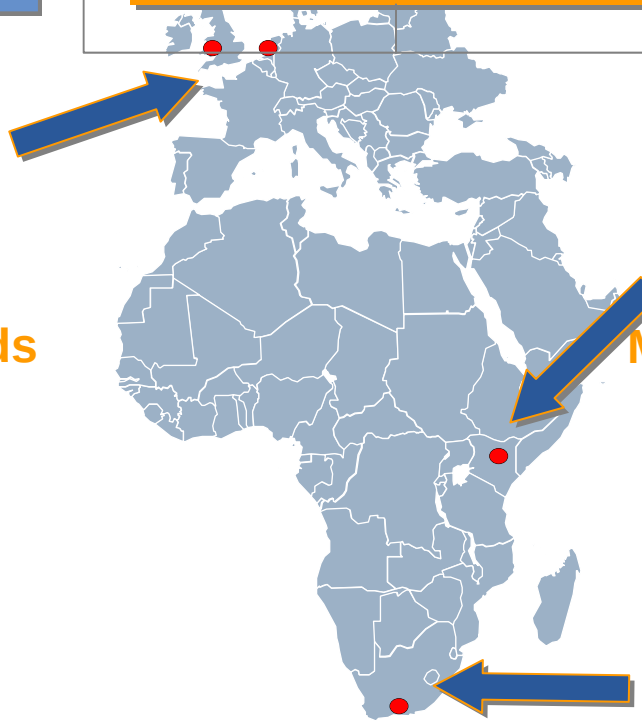
Africa – 0.685mn tons



UK



Netherlands



Magadi, Kenya

Terminal at South Africa

Competitive advantages of Magadi Soda Ash

- **Magadi has unique competitive advantages**
  - **Close to key growth markets e.g. Middle East and Asia**
  - ✓ **Self-replenishing proven trona reserve - life of 100 years**
  - ✓ **Lower royalty fee**
  - ✓ **Duration - Lease extended for 30 years – upto 2053**
  - ✓ **Area – 227,000 acres**
- **Significant cost savings for producing natural soda ash**
  - **The use of trona makes Magadi Soda Ash lowest cost producer in the world**

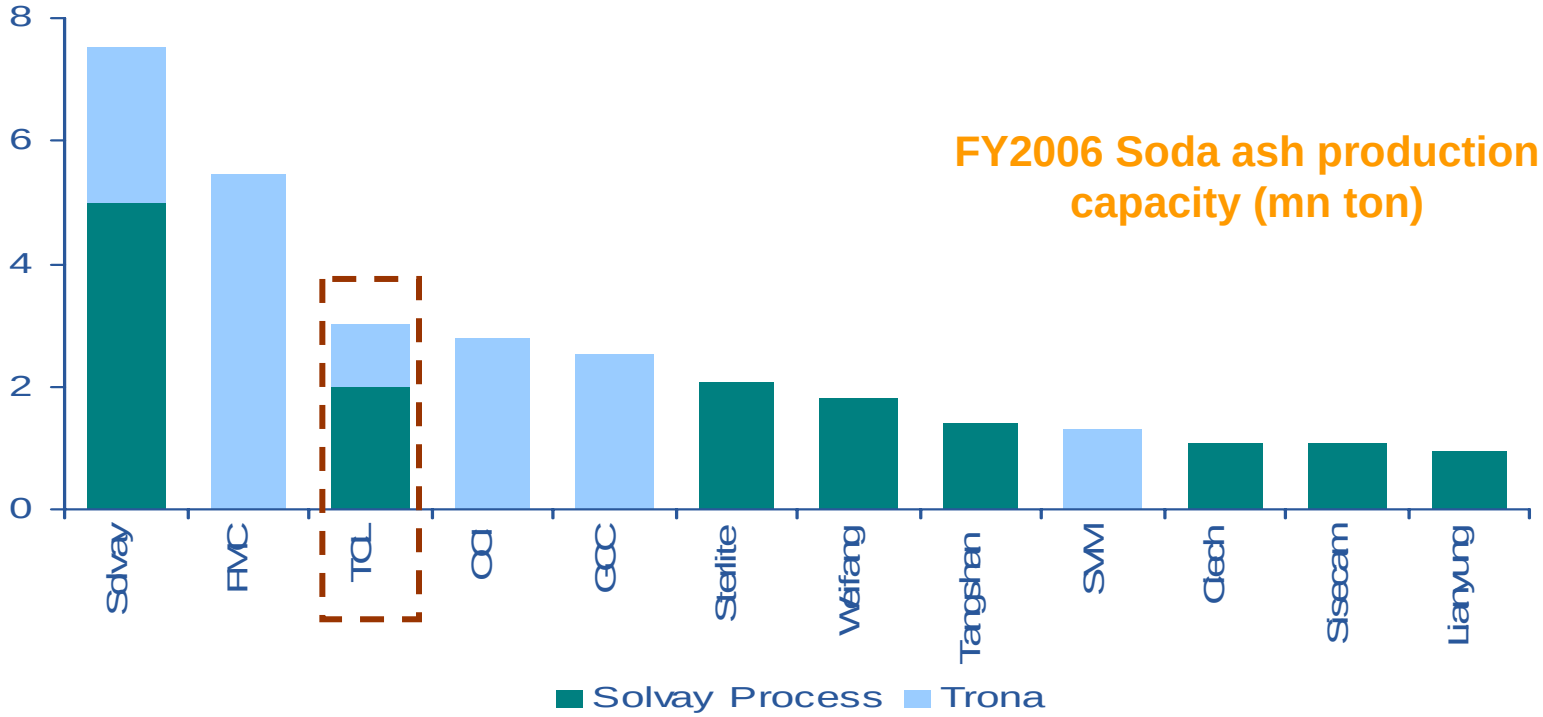
Cost of natural soda ash ~ 50% of synthetic soda ash

Significant value accompanied with Magadi Soda Ash

Before acquisition	After acquisition
TCL uses Solvay process - synthetic soda ash	**Access to natural soda ash & synthetic**
Sources key raw materials from nearby quarries and captive salt works	**Diversification includes captive trona reserve at Magadi - assured supply until 2053**
Production cost affected by the market price of inputs & availibility	**Trona reserve captive, proven reserves of 184 mn tons – self replenishing**
Limited scope of vertical integration	**Vertical integration possible along value chain**
Capex requirement USD 750 per ton	**Minimal capex USD 200 -250 per ton**

The third largest global producer of soda ash

- **TCL moves from number 13 globally to 3rd position, maintains cost leadership, capacity from 0.87 mn tons to 3 mn tons**
- **Better pricing power**



TCL Standalone Markets

ASIA	EUROPE	MIDDLE EAST & AFRICA
India Bangladesh Sri Lanka Indonesia Thailand		Oman UAE

TCL-BMGL Combined Markets

ASIA

India
Bangladesh
Sri Lanka
Indonesia
Thailand
Pakistan
Philippines
Vietnam
Malaysia

EUROPE

UK
Netherlands
Germany
France
Belgium
Sweden
Ireland
Norway
Denmark

MIDDLE EAST & AFRICA

Oman
UAE
Kenya
South Africa
Nigeria
Saudi Arabia
Morocco

Working with leading brands

Gujarat Glass

Building a Global Sodium Bicarbonate Business

TCL Business

- *Strong domestic focus*
- *Simple grade portfolio*
- *Very low fixed costs*
- *Pricing comparable with Soda Ash*
- *Sales predominantly via distributors*
- *Sales to consumer sector*

BM Business

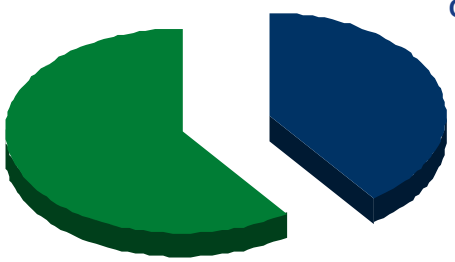
- *Global sales reach*
- *Complex & extensive grade portfolio*
- *Low variable, high fixed costs*
- *Pricing to add value to Soda Ash*
- *Sales balanced direct & via agents / distributors*

Existing businesses not competing, market and pricing approaches different

Inorganic Chemicals

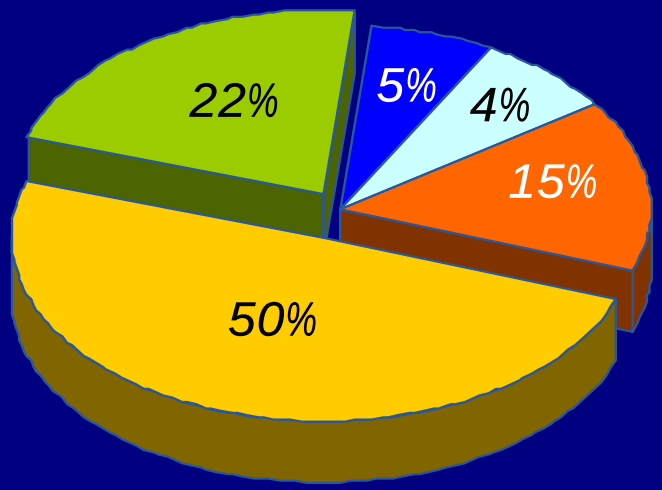
Food additives

Revenue Mix



Food additives

- ***Market leader - 40% share in India***
- ***Increased thrust on salt exports –Middle East***



Most Trusted Food brand in India, 3rd year in a row

Tata's positioning in the domestic salt industry

Tata Salt - largest salt brand in India, 40% market share

'Tata Salt' - pioneer in branded salt market

- **High brand equity and premium perception**
- **"Superbrand" ranked # 1 food brand by Economic Times[1]**
- **Nationwide distribution - over 40 million consumers**
- **Integrated operations at Chemical site - Embedded competitive advantage**
- **Business with social objective – first Iodised Salt (goitre), now Fortified (iron deficiency)**

Note[1]: Indiia's largest selling busines daily

Source: Industry, ORG MARG

Fertiliser segment

Revenue Mix

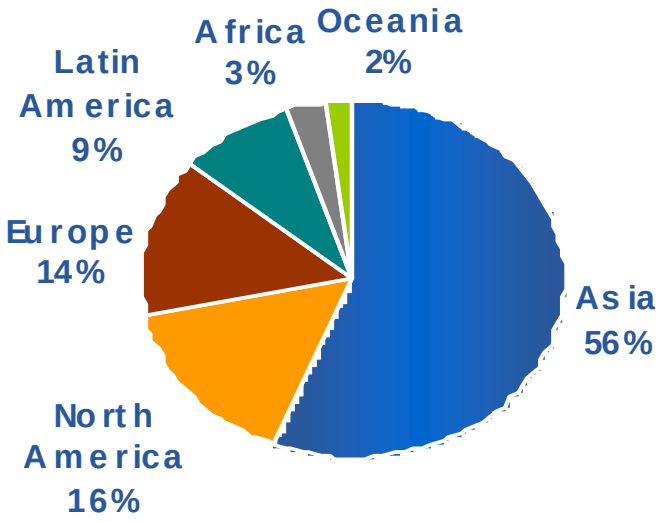
Fertilisers 60%

Global Fertiliser industry

A large and mature market, growing fastest in developing countries

- **2005 sales ~ US$70 billion**
- **Consumption ~ 144mm tonnes (2002/2003)**
- **Consumption growth 3-4% pa, Expected growth 2% over next 5 years**
- **Leading markets - China (26%), US (15%) and India (13%),**

Fertiliser Consumption Forecast

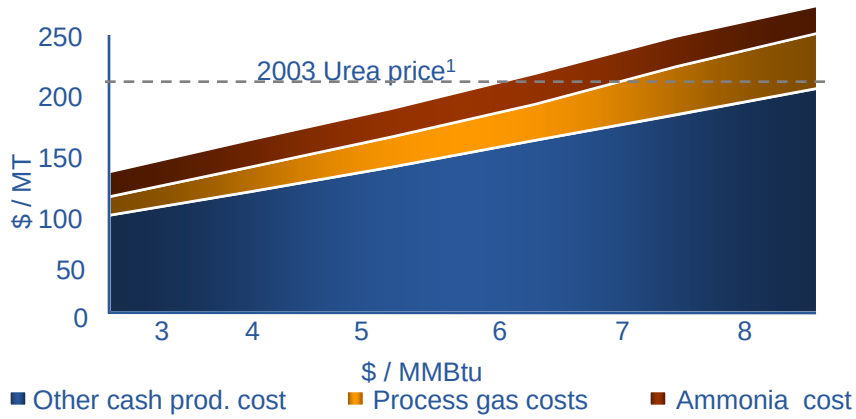


…..Nitrogenous fertiliser dominates consumption

Source: British Sulphur Consultants

Natural gas is the major cost driver for nitrogen…

Cost structure for urea



Note:
1 Urea price: NOLA granular fob. Cost structure: Production cash cost FOB NOLA barge Source: Blue Johnson & Associates.

Natural Gas (NG) - key factor determining Urea prices

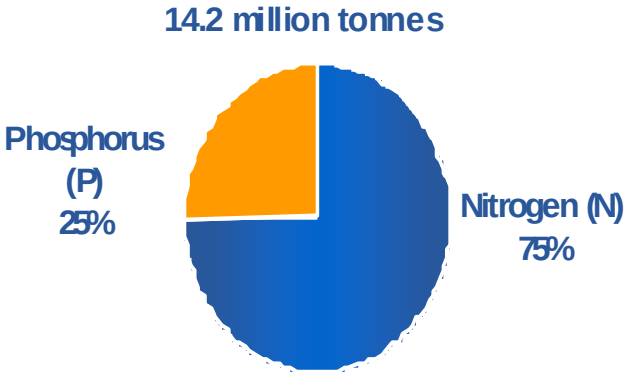
Ammonia prices create a floor for Urea

The Indian Fertiliser sector

Third largest producer and consumer of Fertilisers

- Agriculture main driver, Installed capacity 20 million MT
- Plants use variety of feedstock, varying capacity, technology and vintage
- Consumption skewed towards nitrogenous fertiliser
- Urea constitutes 85% of nitrogenous fertiliser consumption and 58% of total consumption
- Sector emerging from highly protected to more liberalized and efficiency encouraging

Fertiliser production



Domestic policy

Urea policy perspective

Prices determined by Government –

- Feed stock price a pass through
- Equal playing field for efficient and non efficient manufacturers
- 50/75% distribution restricted to core command areas

Constraints

- Disallowed from manufacturing over installed capacity
- De-bottlenecking of Babrala pending Government approval

Phosphatic Policy perspective

- Feedstock prices based on average international prices
- Price announcements often delayed by Government

Constraints

- Delays in settlement of raw material prices
- Sourcing agreement with IMACID, ensure undisturbed operations; pricing continues to pose challenges

Tata Chemicals' Fertiliser business

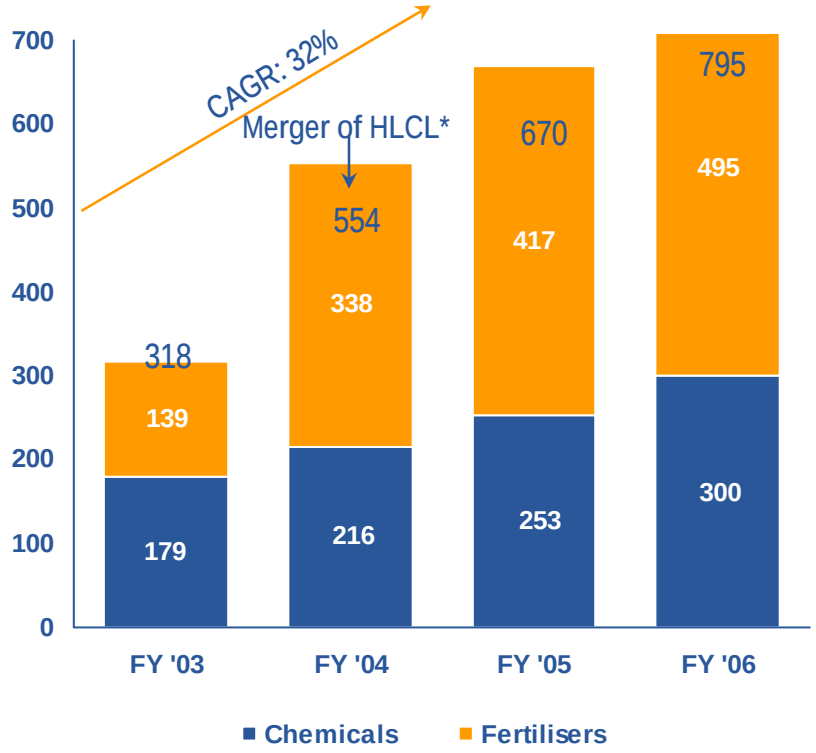
Source of stable revenues in a pre-dominantly government-controlled environment

- **Leading player in urea and phosphatic fertiliser segments**
- **Dual feedstock Babrala facility - most efficient in India**
- **Strategic stake in IMACID, Morocco ensures continuous availability of phosphoric acid**
- **Presence in high consumption north and east regions**
- **Expanding retails network also offer one-stop resource shop to farmers for agricultural solutions**

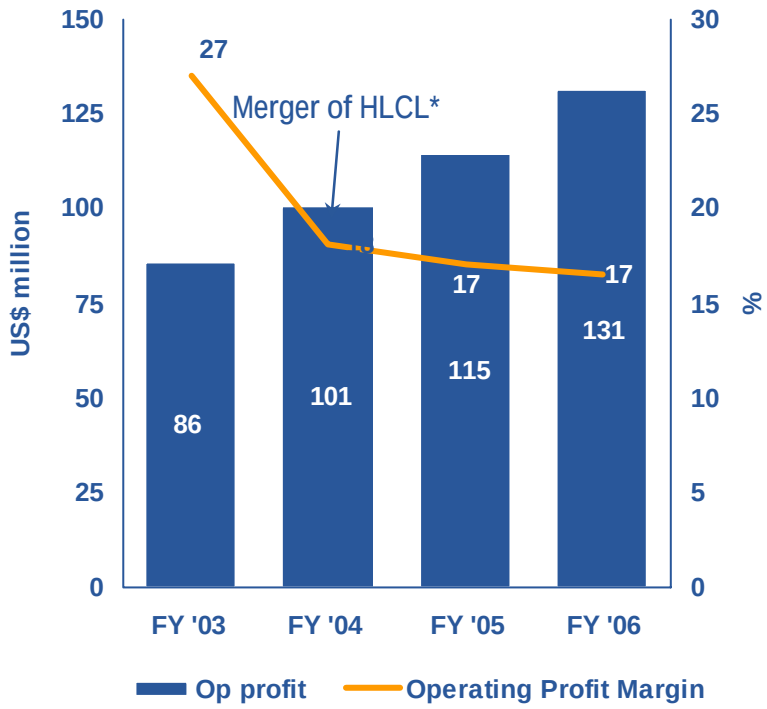
Financial overview

Growing revenue & operating profit

Revenue Growth



Operating Profit Growth & Margin

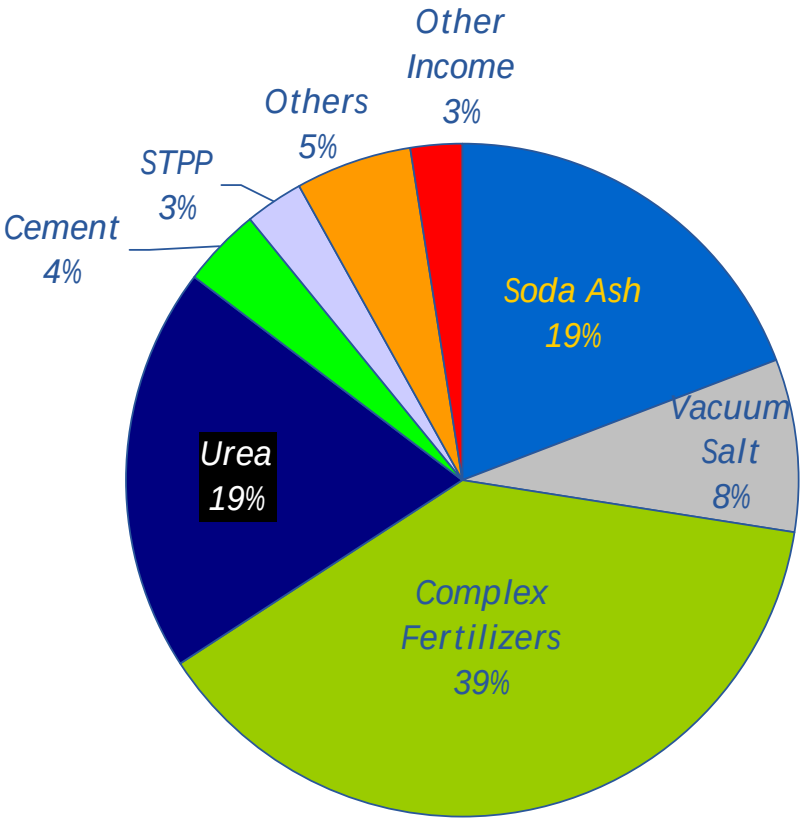


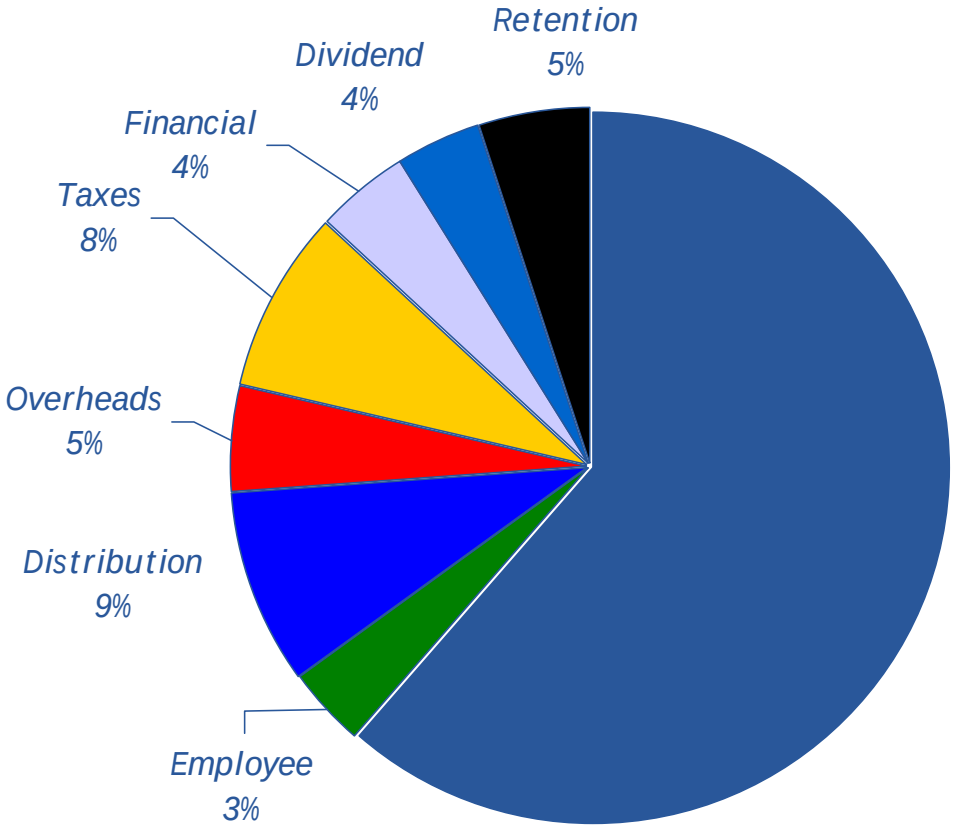
* Hind Lever Chemicals Ltd

Note 1: Decline in operating margins post FY04 due to high input costs incurred by erstwhile HLCL's phosphate business and higher trading activity

Decline in operating margins due to increased prices of raw materials and higher trading activity

Distribution of Earnings – FY 2006

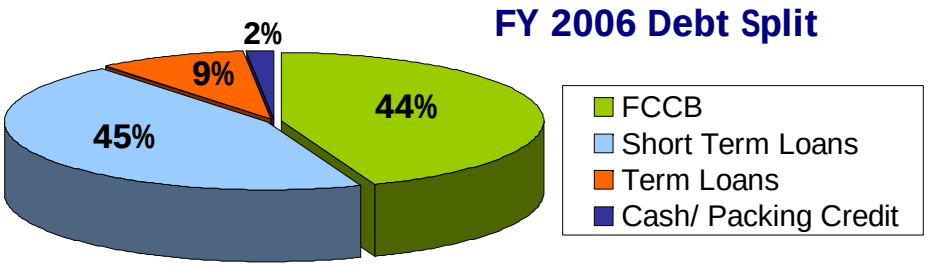


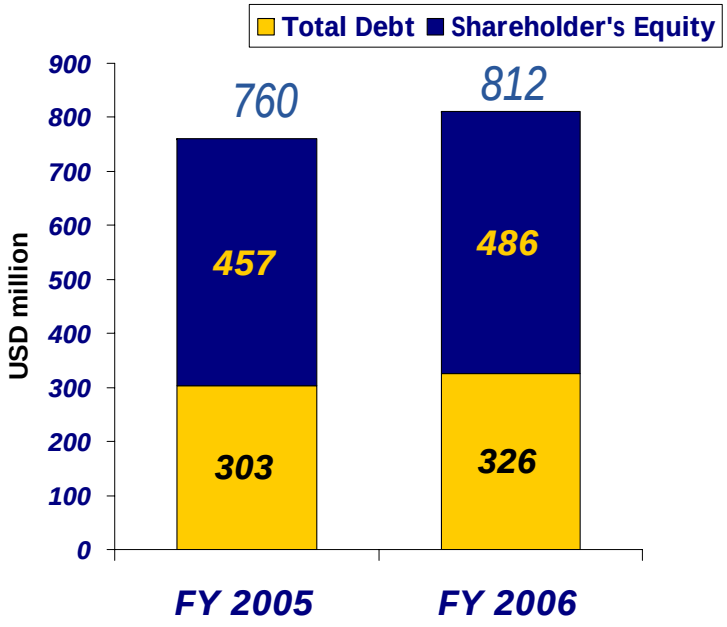


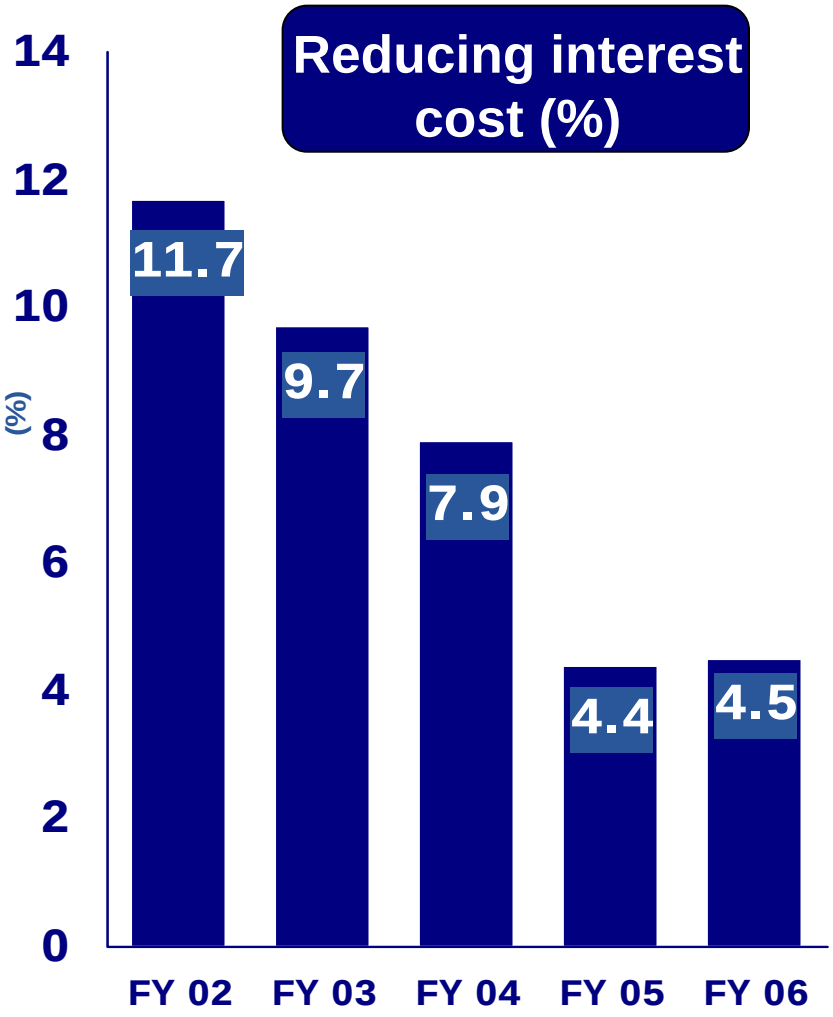
Rupee earned

Rupee deployed

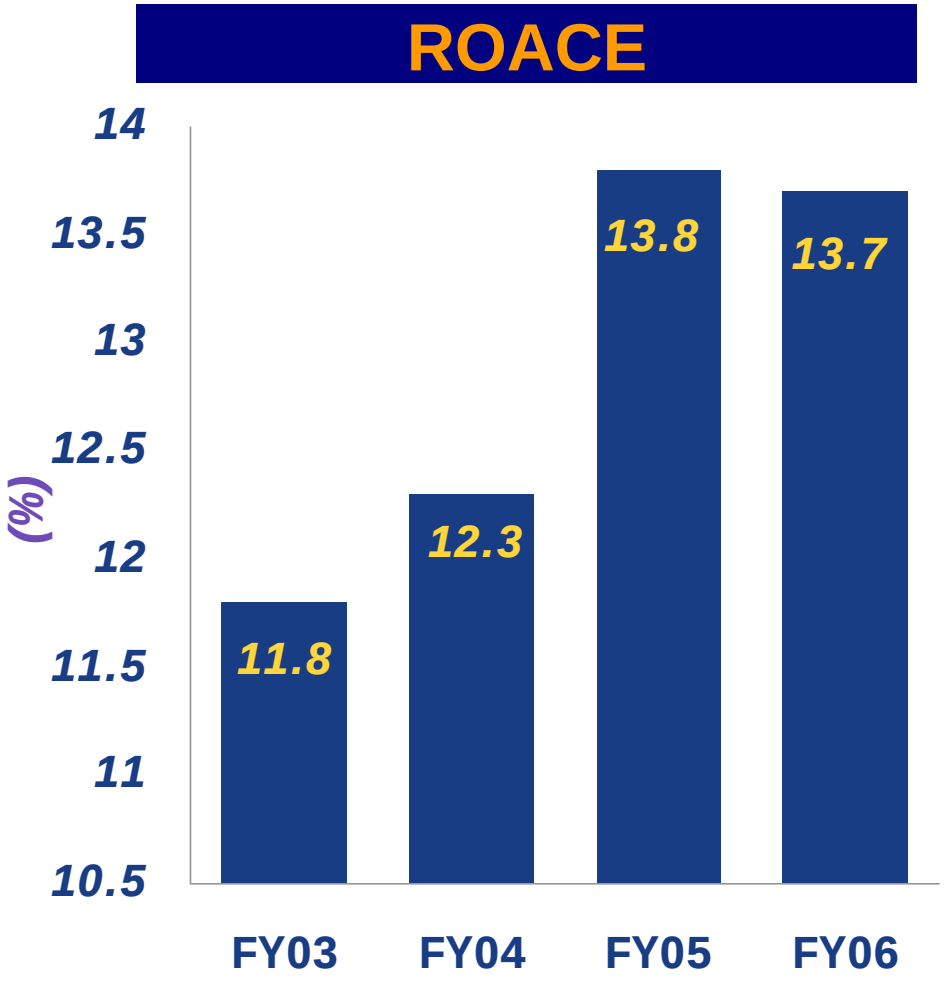
Debt-Equity Perspective

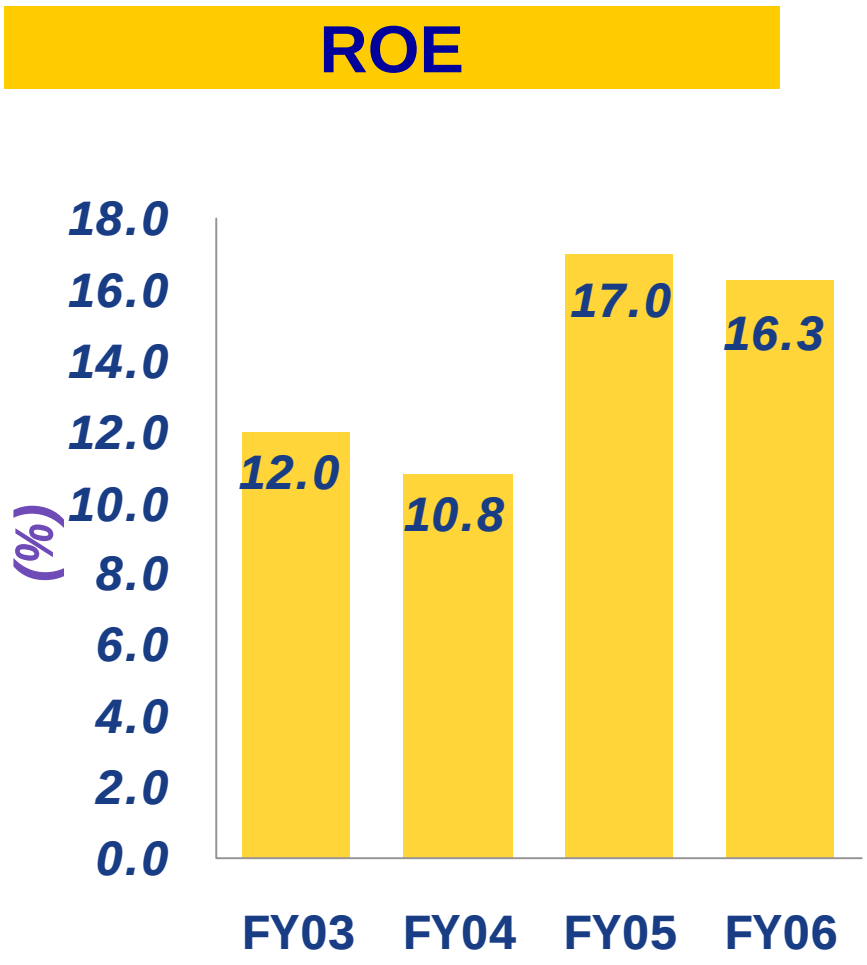




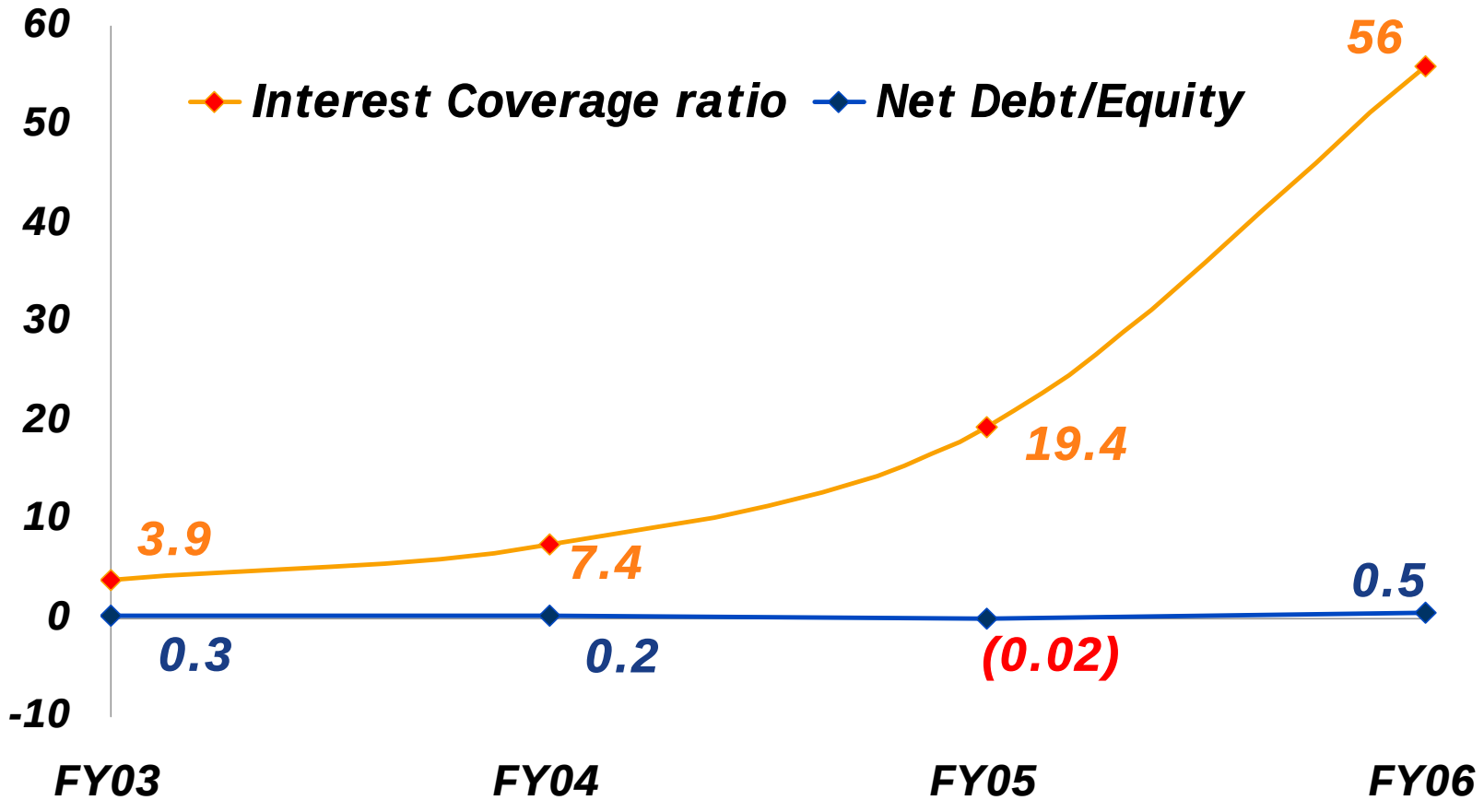


Financial ratios

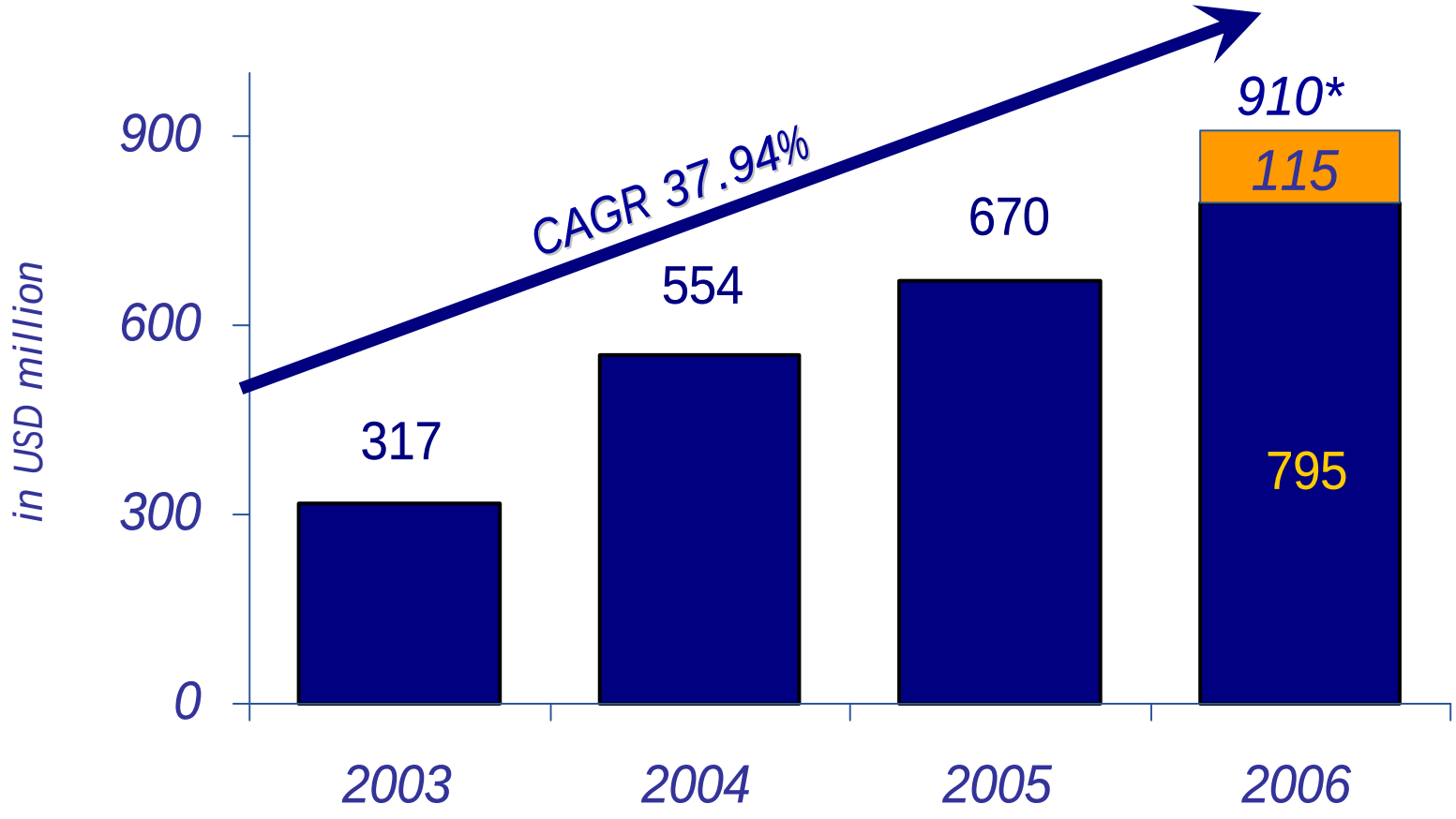




Credit Ratios



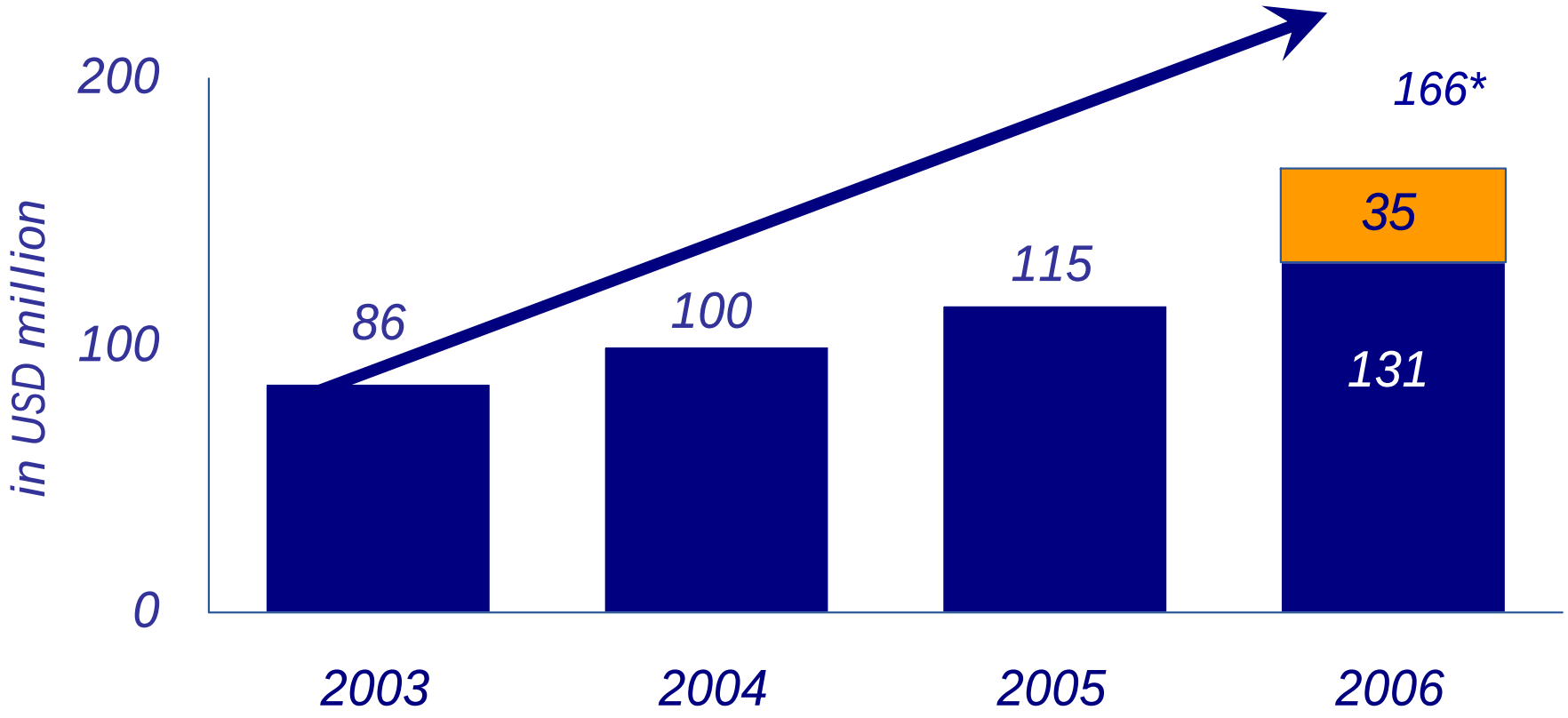
Financials – Revenue growth



Consolidated financials include BMGL's Q4 results and IMACID's performance over 11 months

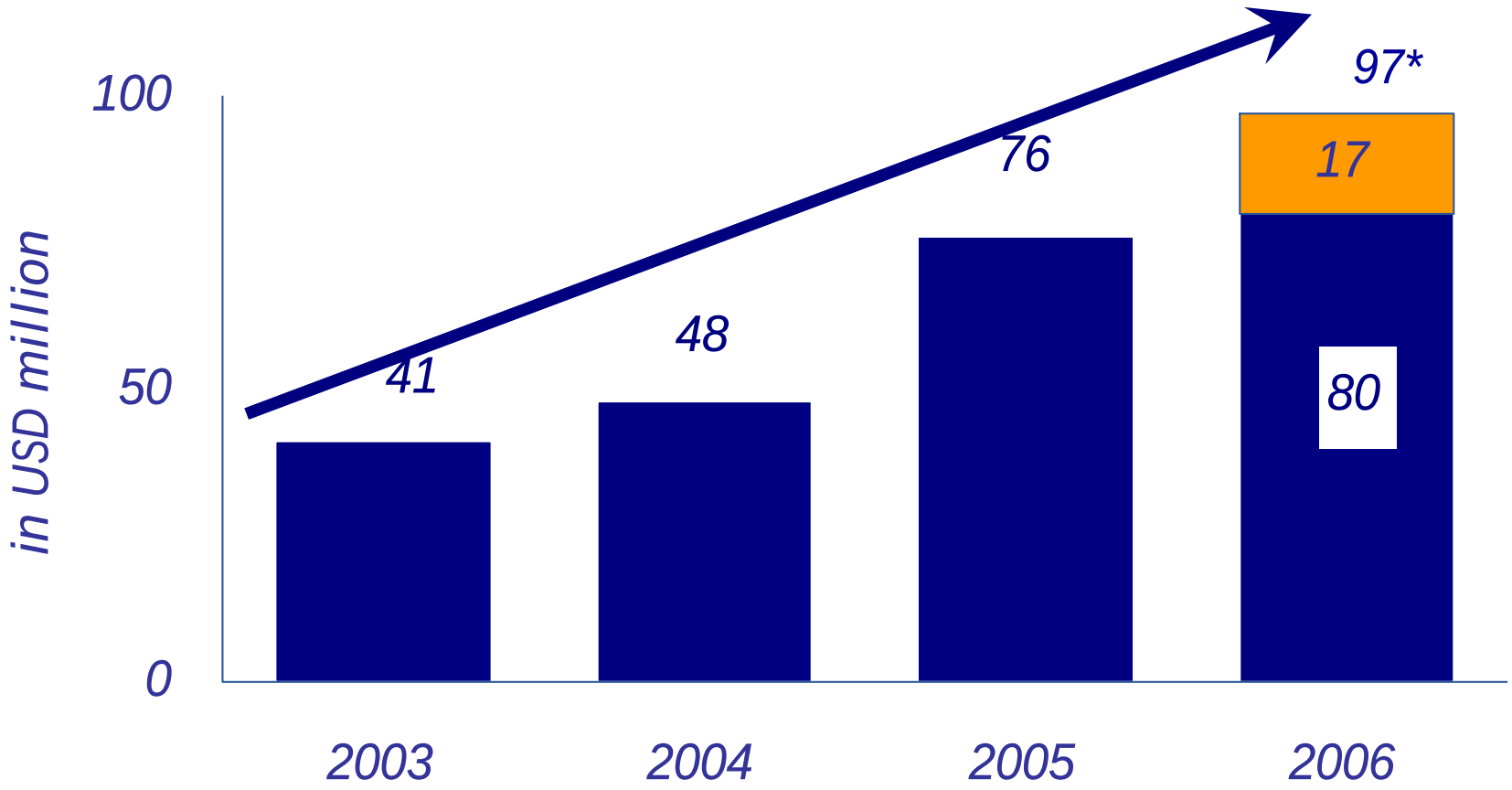
**** Post consolidation***

Financials – EBIDTA



* Post consolidation

Profit After Tax



BMGL staff costs are net of write back of USD 7 million crore of pension liabilities in an overseas subsidiary, consequent to actuarial valuation. According to Indian GAAP this amount has to be included in the P&L. Profits are hence higher by same amount.

** Post consolidation*

FY2006 consolidated financials

TCL consolidated income statement (USD mn)	TCL	IMACID	BMGL (Jan to Mar 06)	Consolidated
Sales	795	54	81	910
Operating expenses	-663	-40	-65	-744
EBITDA	131	14	17	166
Depreciation & amortization	-31	-6	-5	-42
EBIT	100	8	12	125
Net interest expense	-2	-1	-3	-6
Other income/expense	18	-	2	18
Exceptional items	-1	-	-	-1
Income before inc. taxes	115	7	12	136
Income tax expense	-36	0	-3	-39
Net Income	80	7	9	97
Net Worth[1]				497
Debt				410
Cash & cash equivalent				149

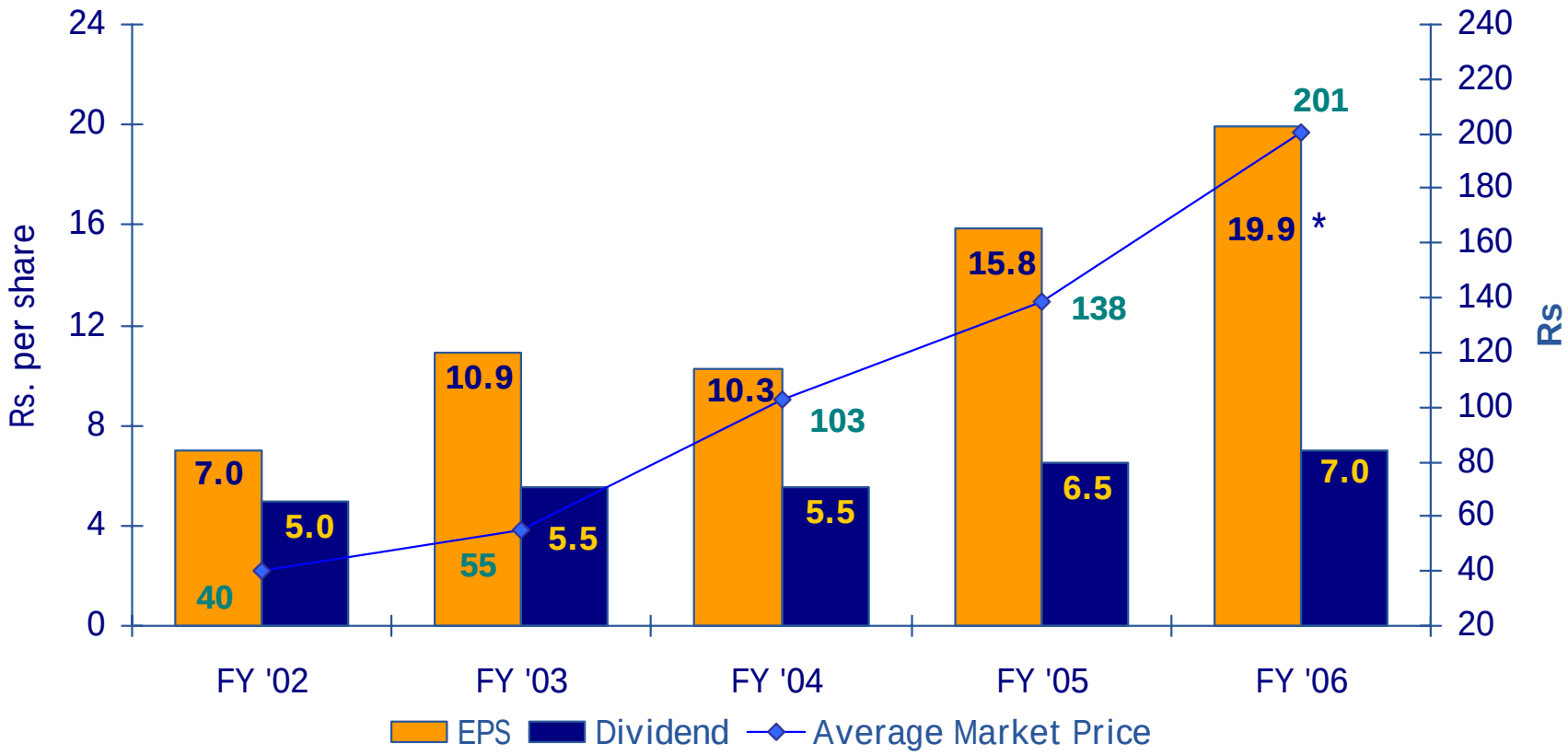
[1] After reducing provision of USD 58.7 mn for the deficit in BMG's pension liability)

Financial ratios

FY05	Category		Unit	FY06 *
17%	**Profitability**	EBITDA Margin	%	18%
11%		Net Profit Margin	%	11%
15.8	**Shareholder Returns**	Earnings per share	Rupees	19.9
93		Networth per Share	Rupees	103
17%		Return on Equity	%	19%
5%		Dividend Yield	%	3%
1.5		Market to Book Value	Times	2.0
115	**Cash Generation**	EBITDA	USD Million	131
0.7	**Stability**	Debt : Equity	Times	0.8
19.4		Interest Coverage	Times	22.1
1.9	**Activity**	Fixed Asset Turnover	Times	2.2
49		Avg Debtors Velocity	No of Days	60
64		Avg Inventory Turnover	No of Days	65
59		Cash cycle	No of Days	72

** Post consolidation*

Shareholder Returns

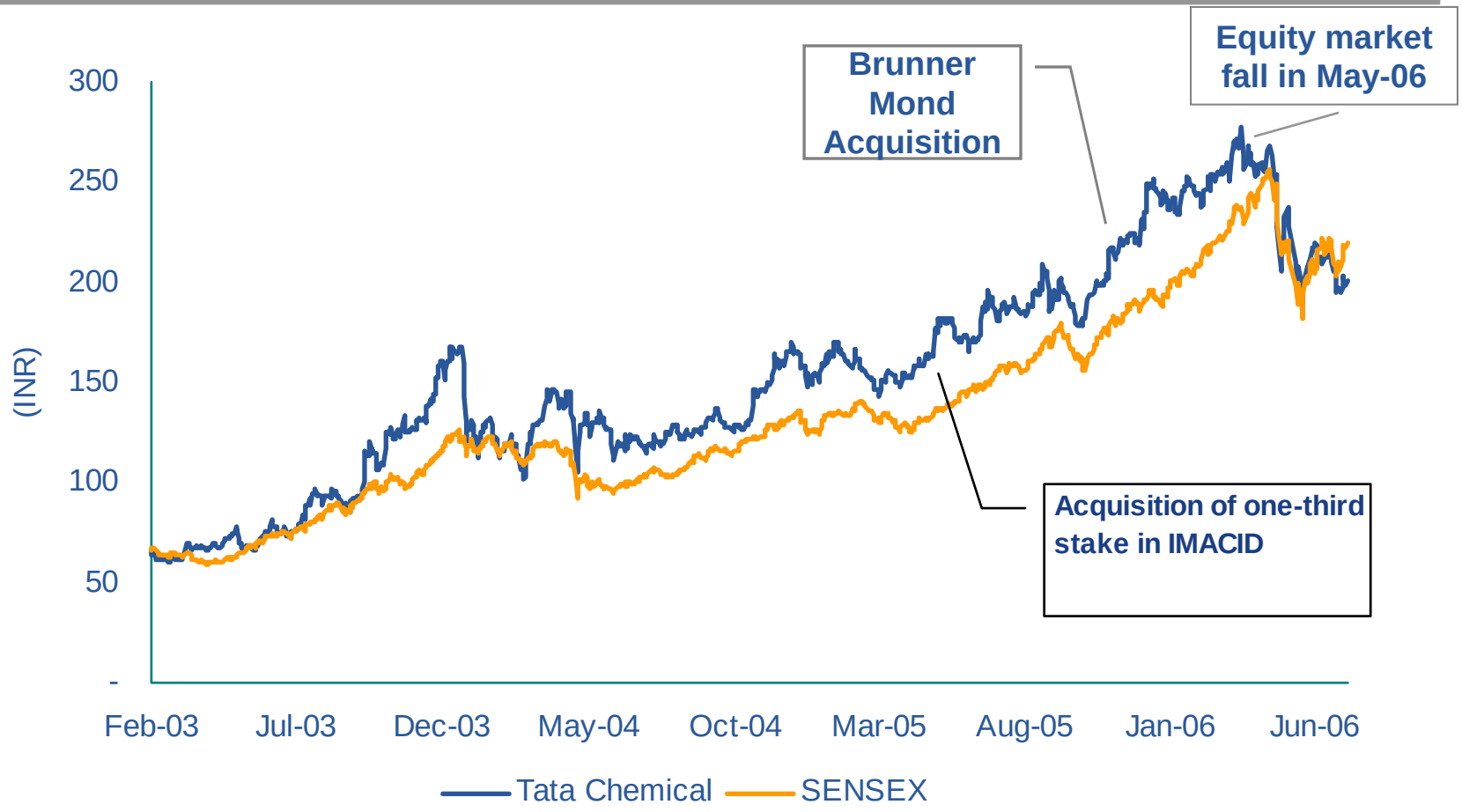


**** Post consolidation (Standalone EPS : Rs. 16.41)***

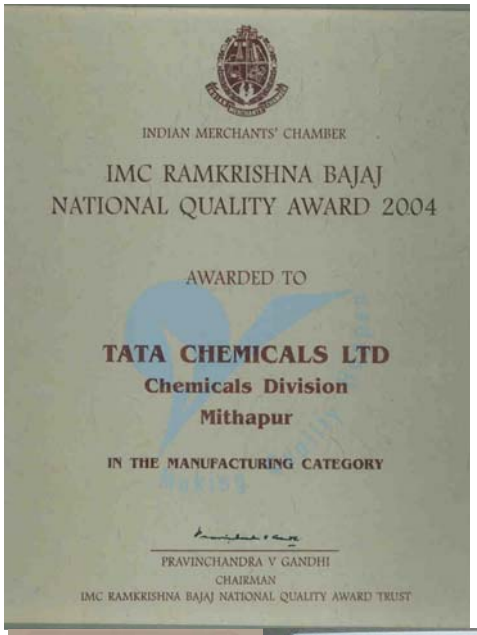
Consistent and healthy dividend payout

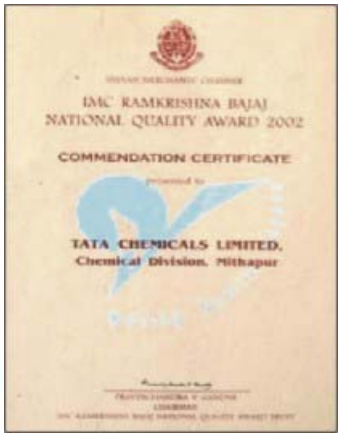
Share price performance

Tata Chemicals' stock has outperformed the BSE SENSEX



Recent Recognition & Awards





Thank you