Management Discussion

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
Thank you, Sapnali. Good evening everyone and welcome to our Q2 FY '27 and H1 FY '27 earnings call. It's a pleasure to connect with all of you during this festive season, and I would like to start by wishing you and your families a very happy and prosperous Diwali. I begin with brief overview of industry landscape followed by key operational business highlights across our markets and geographies during the quarter and first half of the year. We're starting with the customer end, which is demand scenario across various segments and geographies.

In the living essential, which is mainly bicarbonate, salt, and FOS, the demand outlook remains supported by premiumization increasing consumption across food, feed, and pharma and beverage applications. Salt and bicarbonate are expected to provide- continue to provide stable growth, while prebiotics offers attractive long-term opportunities driven by increasing customer focus on gut health and wellness. In terms of industry essentials, which is mainly soda ash and also silica, the near and near to medium-term outlook for global soda ash industry continues to remain challenging.

Market conditions are characterized by persistent oversupply, subdued industrial demand, especially in China, and intense competition across export markets. Significant capacity additions in China over the last two years, coupled with slower than expected demand recovery in end-use sectors, have continued to pressure global soda ash prices and producer margins. The ongoing conflict in Middle East, including disruptions impacting regional shipping routes and energy markets, have increased freight volatility and supply chain risk.

While large-scale demand destruction has not materialized- in fact, in some parts of the world, the demand is robust- customers remain cautious in procurement decisions amid macroeconomic uncertainties. China remains the key determinant of global market dynamics. High operating rates, continued export, and competitive pricing from Chinese producers continue to influence global soda ash prices. And trade flows. This is coupled with weak domestic demand from China's real estate and construction sectors, resulting in additional export volumes entering the international market.

Amidst all this, India continues to outperform most global markets. Demand growth remains healthy, supported by strong activity right across segments. Capacity expansion by solar glass manufacturers, continued infrastructure investment are expected to continue to provide above-average global demand growth. Southeast Asia remains highly competitive. While the region is growing, it remains competitive, especially from Chinese exports who continue to gain market share in that region. In terms of Farm Essentials, uneven rainfall, delayed sowing affected demand during parts of the quarter.

Although [Foreign Speech] rate subsequently recovered, the broader agriculture outlook remains cautious, supported by crop coverage, improving irrigation policy support, technology adoption and resilient rural demand. However weather volatility, crop price movements and elevated input cost continue to weigh and remain a near-term risk. In terms of supply scenario, broadly, Mainland China continues to be the driver of supplies, including in the bicarbonate, which saw increased supply on account of new capacity. Global soda ash market, as has already been highlighted, is beset with high Chinese capacity growth and inventory levels.

Export volumes from China remain elevated. By the end of September, producer inventory had reached nearly 1.89 million metric tons. Inner Mongolia Berun's Phase 1, 5 million ton, underwent maintenance outages in October. This capacity is expected to full operating rates at the end of the

month. Meanwhile, Qinghai Salt Lake, Salt Lake-based soda ash producer, will reduce operating rates end of October. The magnitude and duration of these impacts remain uncertain. In addition, Jinjing Technology, parent company of Shandong Haitian, also announced that they will close the soda ash and bicarb operational lines.

Recent announcement by US producer to reduce production at Wyoming by 1.5 million tonnes and exit uneconomic export volume underscores the severity of current market conditions. This remains one of the key concerns, that is persistent low export realization and the structural demand-supply imbalance causing- which are facing the global soda ash industry. Within India, DGTR has recommended quantity restrictions on soda ash imports for two years after concluding that imports have surged and are causing serious injury to domestic industry.

Imports had increased by 89% in FY '20 and remained at elevated levels and driven by global oversupply and capacity additions in export countries and diversion of export volumes to India. The pricing environment thus remained under pressure for soda ash. The Indian domestic pricing softened towards the later part of the year following improved import availability and increased domestic supply. US export pricing remains under pressure. Looking ahead, pricing is expected to be range-bound, and as market participants continue to contend with elevated inventory levels, any sustained improvement in prices is likely to depend on combination of supply rationalization and strong demand growth in the applications and in the geographies.

Now I will turn to the operational highlights and TCL performance in Q2 and H1. The company delivered a relatively resilient operating performance in a very challenging global environment. Higher sales production volume, improved operating efficiencies, and cost management helped mitigate impact of continued pressure on soda ash prices. The elevated input and energy logistic costs weighed on the results. Despite a resilient operating standalone performance, our consolidated results were sharply impacted by natural gas costs increases in U.K.

The prolonged Middle East conflict continued to drive input costs both in CO2 as well as in freight and logistics. These were additionally weighed down by temporary suspension of Kenya operation on the consolidated performance. Standalone highlights: revenue from operations stood at Rs 13,003 crore, up 8% compared to Q2 FY '26. EBITDA at Rs 292 crores was up 22% compared to Q2 FY '26. Our profit after tax was down 31% at Rs 122 crores. The- in terms of consolidated highlights, the revenue from operations was also up at Rs 4,177 crores by 8%, driven by higher volumes both in India and U.S.

EBITDA at Rs 381 crore compared to Rs 537 crore was lower mainly due to lower realisation in overseas subsidiaries, especially US exports to Southeast Asia markets, higher energy and logistic costs in U.K., and suspension of operations in Kenya. The loss after tax at Rs 50 crore compared to profit after primarily due to lower realisation, higher energy costs, and reduced other income and lower JV income. Net debt without leases stood at Rs 6,127 crore. Likewise, in standalone, H1, the revenue was up 9% at Rs 2,584 crores.

EBITDA at Rs 656 crore was up 29% from H1 of '26, and profit after tax was down 4% at Rs 465 crore compared to H1 at Rs 526 crore. In terms of consolidated highlights of H1, the revenue from operations at Rs 8,432 crore was up 11% compared to previous year H1. EBITDA at Rs 936 crore as compared to Rs 1,186 crore was lower, mainly due to lower realization in overseas subsidiaries and higher cost incurred in logistics and energy. Profit after tax before exceptional NCI at Rs 10 crore compared to Rs 535 crore for H1 '26, thus impacting the profit after tax.

Unit-wise highlights, India performed, as I highlighted, better, mainly due to higher volume of salt,

FOS, silica. Higher depreciation due to capitalization of projects increased the finance cost. However, in India, the overall demand picture remains stable. And positive, pressured with oversupply and steady import pressure. In US, during the quarter, TCNA was declared the successful bidder for Chapter 11 bankruptcy proceedings of Searles Valley Minerals, and this led to acquisition of customer contracts representing 500,000 tonnes to be serviced over two years.

On business performance, higher revenue compared to previous year due to higher volumes. Mainly due to various contracts which we had acquired during the year, was partly offset by lower pricing during the quarter in export market. U.K., the lower revenue compared to previous year is due to lower realization in salt, and the variable cost increased sharply in U.K. due to increase in gas cost. Supply chain also resulted in lower realization of sales, especially to Middle East markets. As highlighted, Kenya operations remained suspended during the quarter.

Singapore sales performance was in line with expectation. Rallis' monsoon shortfall and delayed sowing affected agrochemical demand during the year. Kharif acreage recovered as the season progressed. Against this backdrop, Rallis delivered resilient performance aided by growth in crop care and soil health. Profitability, however, remained under pressure due to input cost inflation and unfavorable operating conditions. In conclusion, operating environment continues to be challenging. These are characterized by geopolitical uncertainties, evolving trade flows, and continued oversupply.

We continue to focus on disciplined execution, operational reliability, and strong customer partnership to ensure resilience. Near-term market conditions are expected to remain range-bound, especially due to the impact of capacity addition in China and sustained export activity. The demand is going to be supported by several segments including solar glass, lithium, food, pharma applications. The US producer announcement reinforces our view the industry is entering a phase where cost competitiveness, operational excellence, and capital discipline will be the key differentiator.

In this environment, our priorities remain clear: strengthening cost competitiveness, enhancing supply chain resilience, driving operational excellence, optimizing working capital, and maintaining disciplined capital allocation. We remain focused on protecting cash flows, preserving balance sheet strength, and ensuring financial flexibility amidst this uncertainty. We continue to advance our strategy of increasing contribution of non-cyclical specialty and value-added business reducing earnings volatility and strengthening quality and resilience of portfolio.

Our investments, especially in the living essentials coupled with innovation and sustainability-led solution, will support long-term value creation. Company's performance continues to reflect strategic direction outlined under LIFE framework with sharper focus on application-oriented businesses through a balanced approach of strengthening core business while expanding non-cyclical segments, we are building a more resilient enterprise. With this, I close my comment and hand it back to the moderator to open the Q&A.

Thank you.

Questions & Answers

Operator
Thank you, sir. We will now begin with the question-and-answer session. [Operator Instructions] We have the first question from the line of Saurabh Jain from HSBC. Please go ahead.

Saurabh Jain - Analyst, HSBC Securities
Yeah, hi, thank you for the opportunity. My first question is, can you give us more details around what's happening in the Kenya operations? You mentioned that the operations continue to remain suspended. But then trying to take a mid to long-term point of view, it seems to be entangled into political issues. So what is the way out now? Because you also approached the court and seems that the court has kind of, not, looking to look into this matter. So what are the future course of action?

What are the possible solutions? And what is your outlook on the Kenya business?

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
So I think, it's a fair question in terms of the risk facing the company. Kenya operations, as you know, are fairly resilient and have, it's a debt-free operation and continue- the unit has continued to generate a positive margin even in this challenging environment. It's unfortunate that the operations were suspended post, notice from the Ministry of Mining. We are engaging both administratively with the ministry and the officials, also through the legal mechanism, because we also have to protect our legal rights.

We do believe that we have strong legal rights with our lease, which is extended right up to 2053, and these are inalienable rights. In addition to that, the mining licenses are a layer on top because the mining law itself came much later, and we have, we have on hand approved mining licenses for which fees have been paid but not issued. So effectively, I think the discussions are ongoing with the technical committee. We have given them certain options in terms of how to engage with the progress.

In parallel, the legal process did not end. The court actually directed us to go to a special court, which is the Economy and the Environment and Land Court, where these matters are decided. And we have placed our matter in to them. They have notified the other participants and the court will be hearing during the course of November, the proceedings, and we'll wait for those proceedings in parallel. After that, of course, there is a long way of- in terms of the judicial as well as administrative remedies.

But fair to say that we remain committed to Kenya, we remain committed to the business, and we will do whatever is right the way we run our businesses in a very ethical and sustainable

Saurabh Jain - Analyst, HSBC Securities
Sure, that is helpful. But then whatever the news and the media was reflecting and highlighting, you think it is possible that if the, political leaders come to a decision and choice that we would kind of seek for the operations to end? So despite Tata Chemicals owning these mining licenses, can- are they in a position to kind of direct Tata Chemicals? And then can it be a result that Tata Chemicals has to shut shop the operations and then kind of close the business in Kenya?

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
I think for that, sort of, there are multiple remedies. We have not actually- we are in the process and the legal teams will evaluate. And fundamentally, I think that these- this operation is covered under U.K.-Kenya bilateral investment treaty because this is a U.K. investment into Kenya, and that BIT actually protects the investment. So we have not we are yet to determine what is the next course of action. We are going through the legal process, and, the, if you ask me what is the ultimate, I mean, at the end of the day, every business has a right to seek compensation in courts beyond Kenya.

But right now we are in the courts of Kenya to seek justice.

Saurabh Jain - Analyst, HSBC Securities
Okay. Are you also looking to make any other kind of, business diversification into Kenya or investments to kind of showcase that you remain committed to the development of Kenya? Any sort of that plans, if you can highlight?

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
No, I think as a group Tata is very much invested in Kenya, and also Tata Chemicals, we have highlighted how we are, we were in the midst of our expansion to doubling the capacity. We were also in the midst of adding bicarbonate unit there and also getting a partner to set up container glass because we ourselves are in the business, it has to be done with someone who is in that business. So all these have been highlighted to them. It is part of the submission we have made.

Saurabh Jain - Analyst, HSBC Securities
Okay, understood. So any outlook in terms of for how long you would believe that these operations will take, the minimum to start operations, like a quarter or two quarters, inside of that comment?

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
I would not like to comment, but as a long-term investor in any country, we are ready for ensuring that we do everything in ethical and sustainable manner.

Saurabh Jain - Analyst, HSBC Securities
Okay, thank you. My second question is on the US business. You were a successful bidder for CLS and you kind of got, some contracts which are existing with the CLS. But what is the mid to long-term benefit of kind of making these kind of bids? Is it only acquiring certain portion of revenues in any ways, given the realizations that we see It will be very difficult to make profits on these contracts, in my understanding. Correct me if I'm wrong here. But then, is it also- does it also have to do anything with taking midterm or long-term benefits that also come to you along with this acquisition?

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
So, to be fair, I think Searles Valley Mineral, had an operation in California. They have very strong position within the state of California and adjoining, country of Mexico. I think we get the benefit of being able to service customers, before in geographical proximity, which obviously enables us to also have much greater control on logistic costs, which is one of the issues which is impacting the business today in terms of netbacks. The main issue has been the increase in cost of diesel as well as the increase in the cost of the shipping freight and also non-availability of shipping logistic connections from time to time because most shipping industry is now impacted by the long routes they need to take to avoid various conflict zones.

So this being overland sales, most of them are positive for the company and we hope to serve the customers well enough to continue to have their, continued flow of the orders from them for a long term.

Saurabh Jain - Analyst, HSBC Securities
So any binding commitments you have with these customers for these contracts? So once these ends, would there be a kind of an automatic order that coming- will come back to you?

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
No, these are over two years, as has been mentioned, and beyond that, I think we'll have to go

through renewal process. Hopefully we are able to renew them and hopefully we continue to serve those customers well enough. Not just serve those customers, also pick up some additional customers.

Saurabh Jain - Analyst, HSBC Securities
Okay, sure. Thank you so much. All the best and I'll join back. Thank you.

Operator
Thank you. We have the next question from the line of Abhijit Akella from Kotak Securities. Please go ahead.

Abhijit Akella - Analyst, Kotak Securities
Good evening. Thank you so much for taking my questions. The first one was on the Living Essentials segment. So we see that the segment EBIT at the consolidated level is significantly below the segment EBIT at the standalone level, implying that the subsidiaries do seem to have made an EBIT loss. Is this primarily the U.K. Salt operations? If so, is this because of the energy cost and other cost escalations there, and what's the outlook for that?

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
Yeah, I think it's mainly the U.K. operation, and mainly on account of the, I would say bicarbonate and salt put together. The impact on salt is mainly coming in from, I would say, the higher gas and energy cost. In terms of bicarbonate, it also is coming in from the higher cost of getting the feedstock soda ash into the business. Addition to the energy cost. So I think that has fed into it. As the energy costs moderate and as logistic costs moderate, these would come back to the normal levels.

And these have been very recent spike in the quarter two, where some of these costs escalated very, very sharply.

Abhijit Akella - Analyst, Kotak Securities
Understood. Okay. And then on the US operations, just wanted to get your thoughts on Number one, the Searles Valley contract, what sort of contribution margins could we aspire to for at least the next couple of years that we've contracted? And how will this be accounted for, the payment that you're making? Will that be netted off against the revenues or is it going to be amortized as an intangible over its lifetime?

Nandakumar Tirumalai - Chief Financial Officer, Tata Chemicals Limited
Yeah, so Abhijit, hi Nandu [Foreign Speech] so on that accounting treatment for this, it's amortized intangible treatment [Foreign Speech] what we paid them $22 million is over intangible over five years time as a moderation part and on the pricing part it is, it's much more than the export option we

Abhijit Akella - Analyst, Kotak Securities
Thank you. And

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
Yeah, sure. Nandu has said because these are logistically closer to us, that's why the whole benefit of being in California and parts countries surrounding us, they are more logistically much more efficient and that plays into your netbacks at the plant level.

Abhijit Akella - Analyst, Kotak Securities
Understood. And one last thing from- so just on the US operations, one more thing please. The announcement by one of your US peers to shut down and downsize. Do you see a broader trend around this across other producers in the US? Is this something that maybe we may also have to consider at least in parts of our capacity?

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
So in terms of exports to Southeast Asia, as I said, they are fairly unremunerative. We are in the last leg of servicing whatever was left over. Most of them would have been done. And we also don't intend- we have taken this intent not to serve Southeast Asian market much, much before, much ahead of everybody else. And we were only having residual contracts. So there's no change in our strategy because we had, we had come to the conclusion much ahead. And we would continue to focus on what we call, the Western world, which is North and South America.

And also markets which continue to give positive netbacks post-contribution. And there are parts of Asia which do that, but large parts of Asia don't do that.

Abhijit Akella - Analyst, Kotak Securities
All right. And just the final quick thing from me. The cash flow statement shows the proceeds from sale of non-current investments of about Rs 796 crores. What exactly is this pertaining to and what line of the balance sheet does it relate to? And the second one is just what is your capex budget for this year and next year now?

Nandakumar Tirumalai - Chief Financial Officer, Tata Chemicals Limited
On the first part, I think we last time we spoke in the last Q1 call also. This is a sale of investments we hope we hold in group companies. So we sold some of those shares in, in July, and that came to us, and we again used it again, pay off debt in US and U.K.. So it's part of our, I mean, like a strategy to bring down debt. So that's all the shares we are holding in the group companies. If you look at, we hold around Rs 8,000 crores of shares, which at market value in the in the group company so something again caught sold in July.

Abhijit Akella - Analyst, Kotak Securities
Yeah. Got it, thank you. With that the capex budget please for this year next year.

Nandakumar Tirumalai - Chief Financial Officer, Tata Chemicals Limited
Around thousand crores budget for the current year.

Abhijit Akella - Analyst, Kotak Securities
Customers capex.

Nandakumar Tirumalai - Chief Financial Officer, Tata Chemicals Limited
Next year around same, change too much.

Abhijit Akella - Analyst, Kotak Securities
I'm sorry the there are growth projects all. Thank you so much and all the best.

Operator
Thank you. [Operator Instructions] We have the next question from the line of Karthik Chawla. An individual investor. Please go ahead.

Unidentified Participant - Individual Investor, Individual Investor
Hi, so I have a question regarding the monetization plan which you just mentioned, that you already sold some of the holdings you have in the group companies, and regarding monetization of the stake held by the company Tata Sons as well, because I'm not seeing any value, like the share performance and the performance has been not up to the mark, so it would be better to reward the shareholders by just getting the value and knocking out.

Nandakumar Tirumalai - Chief Financial Officer, Tata Chemicals Limited
So what we sold is the listed shares, in the last quarter.

Unidentified Participant - Individual Investor, Individual Investor
No, I understand that, but the quantum of that is very small. If you see, like all the beta you have earned over the last five years, that pales in comparison to the prospective value you would get out of selling the stake in Tata Sons because, Tata Trusts have already given an offer to SP Group. So even on those terms, you would make a lot of money, and it would be a good way to remunerate the shareholders because again, the share- it's at five-year lows, and even, here it lost in this quarter.

So it's not really good.

Nandakumar Tirumalai - Chief Financial Officer, Tata Chemicals Limited
So we can't comment on that as of now.

Operator
Thank you very much, ladies and gentlemen. We will take that as the last question, and with that, we conclude the question-and-answer session. I now hand the conference back to the management for their closing comments. Thank you, and over to you, sir.

R. Mukundan - Managing Director and Chief Executive Officer, Tata Chemicals Limited
Thank you for joining us today and for your continued interest in our company. As discussed during the call, the operating environment continues to be shaped by geopolitical uncertainties, evolving trade dynamics, and inflationary pressures, especially in the area of soda ash. The market remains oversupplied. While these factors create near-term challenges, we remain confident of underlying strength of our business. Our focus continues to be on operational excellence, disciplined cost management, customer centricity, and prudent capital allocation to navigate this cycle and create long-term value.

Thank you once again for joining the call. Wish you and your families happy and prosperous Diwali. We look forward to speaking to you again when we announce Q3 FY '27 results. Thank you.

Operator
Thank you, members of the management. On behalf of Tata Chemicals Limited, we conclude this conference. [Operator Closing Remarks]