

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↑ |
| Rating change   | ↔ |

**CMP: INR163      TP: INR180 (+10%)      Neutral**

## Revenue in line; marginal beat on earnings driven by lower costs

| Bloomberg             | TATA IN       |
|-----------------------|---------------|
| Equity Shares (m)     | 12484         |
| M.Cap.(INRb)/(USD\$b) | 2035.6 / 24.3 |
| 52-Week Range (INR)   | 185 / 114     |
| 1, 6, 12 Rel. Per (%) | -10/6/6       |
| 12M Avg Val (INR M)   | 6601          |
| Free float (%)        | 66.8          |

### Financials & Valuations (INR b)

| Y/E MARCH         | 2024  | 2025E | 2026E |
|-------------------|-------|-------|-------|
| Sales             | 2,292 | 2,387 | 2,601 |
| EBITDA            | 223   | 338   | 403   |
| Adj. PAT          | 34    | 123   | 171   |
| EBITDA Margin (%) | 9.7   | 14.2  | 15.5  |
| Adj. EPS (INR)    | 2.7   | 9.9   | 13.7  |
| EPS Gr. (%)       | -61.8 | 263.9 | 39.4  |
| BV/Sh. (INR)      | 69    | 74    | 81    |

### Ratios

|            |       |      |      |
|------------|-------|------|------|
| Net D:E    | 0.9   | 0.8  | 0.8  |
| RoE (%)    | 3.6   | 13.8 | 17.7 |
| RoCE (%)   | 7.3   | 13.5 | 16.2 |
| Payout (%) | 133.0 | 50.8 | 51.0 |

### Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 60.2 | 16.6 | 11.9 |
| P/BV (x)       | 2.4  | 2.2  | 2.0  |
| EV/EBITDA(x)   | 12.6 | 8.3  | 6.9  |
| Div. Yield (%) | 2.2  | 3.1  | 4.3  |
| FCF Yield (%)  | 1.0  | 5.8  | 7.8  |

### Shareholding pattern (%)

| As On    | Jun-24 | Mar-24 | Jun-23 |
|----------|--------|--------|--------|
| Promoter | 33.2   | 33.2   | 33.9   |
| DII      | 23.5   | 23.7   | 21.1   |
| FII      | 20.3   | 20.3   | 21.0   |
| Others   | 23.0   | 22.9   | 24.0   |

FII Includes depository receipts

### Standalone performance

- Tata Steel (TATA)'s revenue stood at INR330b (-7% YoY/-10% QoQ), largely in line with our estimate of INR340. Lower volumes and weak realization led to the QoQ decline. ASP stood at INR66,720/t (-10% YoY/-1% QoQ) vs. our estimate of INR68,815/t.
- EBITDA was INR68b (+2% YoY/-16% QoQ), marginally better than our estimate of INR66b, thanks to lower input costs.
- EBITDA/t came in at INR13,711/t (-2% YoY/-8% QoQ) vs. our estimate of INR13,416/t.
- APAT stood at INR36b (-23% YoY/-24% QoQ), in line with our estimate.
- Steel production stood at 5.01mt (+4% YoY/-4% QoQ). Deliveries stood at 4.94mt (+3% YoY/-9% QoQ), led by a 4% rise in domestic deliveries.

### Consolidated performance

- Sales volume stood at 7.39mt (+3% YoY/-7% QoQ), 5% below our estimate.
- Revenue came in at INR548b (-8% YoY/-7% QoQ), 6% below our estimate of INR580b. The decline in revenue was attributed to lower volume QoQ.
- Blended ASP stood at INR74,116/t (-10% YoY/+1% QoQ), as expected.
- EBITDA stood at INR67b (+29% YoY/+1% QoQ) vs. our estimate of INR60b, on account of lower than expected costs.
- EBITDA/t was INR9,059/t vs. our estimate of INR7,639/t.
- APAT came in at INR13b (+112% YoY/+9% QoQ) vs. our estimate of INR11b, which was mainly driven by better operating performance.

### European operations

- Consolidated crude steel production stood at 2.37mt (+32% YoY/+11% QoQ), and sales came in at 2.15mt (+8% YoY/+1% QoQ) during the quarter.
- Revenue stood at INR209b (-2% YoY/+1% QoQ) vs. our estimate of INR226b. The miss on revenue was due to lower than expected volume and NSR.
- ASP stood at USD1,171/t (-10% YoY/+1% QoQ) vs. our estimate of USD1,234/t for 1QFY25.
- EBITDA loss declined to INR5b, in line with our estimates. EBITDA loss per ton stood at USD28/t in 1QFY25 vs. USD38/t in 4QFY24.

### Highlights from the management commentary

- TATA expects the NSR for domestic operations to decline INR1,500/t in 2QFY25 sequentially.
- The ASP for the UK operation will remain flat QoQ, whereas the Netherlands could see GBP60/t QoQ reduction during 2QFY25.
- Coal costs (on a consumption basis) for India operations are likely to be USD15/t lower QoQ, and in the Netherlands, the coal costs are anticipated to decline USD26/t QoQ in 2QFY25.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- In terms of iron ore, the UK could experience USD7/t QoQ decline, while the Netherlands could see about USD10/t QoQ increase in 2QFY25.
- Management guided that Sep'24 will be the last month of operating losses for UK business. From 2HFY25 onwards, the UK business is most likely to report breakeven or marginal operating profit.

#### Valuation and view

- The India business has posted a decent performance, and domestic demand is expected to continue its momentum, while TATA's European operating losses have been reducing. Management guided its UK operations to start reporting positive EBITDA from 3QFY25, turning the overall Europe operation EBITDA positive. This would be mainly due to better volumes and muted input costs.
- TATA has laid out the road map to scale domestic operations further, under the Phase-III expansion and will take the total capacity to 40mt.
- **While there are near term challenges related to high imports and lower realizations, the long term outlook remains strong. We have largely retained our estimates for FY25 and FY26. TATA is trading at 7x FY26E EV/EBITDA and 2.0x FY26E P/B. Reiterate Neutral with an SOTP-based TP of INR180.**

#### Standalone quarterly performance (INR b)

| Y/E March                   | FY24          |               |               |               | FY25E         |               |               |               | FY24          | FY25E         | FY25E         | vs Est     |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------|
|                             | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2QE           | 3QE           | 4QE           |               |               |               |            |
| Sales Vol (kt)              | 4,790         | 4,820         | 4,880         | 5,420         | 4,940         | 5,254         | 5,368         | 5,608         | 19,910        | 21,170        | 4,934         | 0          |
| Change (YoY %)              | 17.7          | -1.8          | 6.3           | 5.2           | 3.1           | 9.0           | 10.0          | 3.5           | 8.4           | 6.3           |               |            |
| Change (QoQ %)              | -7.0          | 0.6           | 1.2           | 11.1          | -8.9          | 6.4           | 2.2           | 4.5           |               |               |               |            |
| ASP (INR/t)                 | 74,083        | 70,924        | 71,069        | 67,592        | 66,720        | 65,825        | 71,810        | 78,250        | 70,812        | 70,843        | 68,815        | -3         |
| Abs Change (QoQ)            | 203           | -3,159        | 146           | -3,478        | -872          | -895          | 5,985         | 6,440         | -7,002        | 31            |               |            |
| Change (YoY %)              | -16.9         | 0.5           | -3.9          | -8.5          | -9.9          | -7.2          | 1.0           | 15.8          | -9.0          | 0.0           |               |            |
| <b>Net Sales</b>            | <b>355</b>    | <b>342</b>    | <b>347</b>    | <b>366</b>    | <b>330</b>    | <b>346</b>    | <b>385</b>    | <b>439</b>    | <b>1,410</b>  | <b>1,500</b>  | <b>340</b>    | <b>-3</b>  |
| Change (YoY %)              | -2.2          | -1.3          | 2.2           | -3.7          | -7.1          | 1.2           | 11.1          | 19.8          | -1.3          | 6.4           |               |            |
| Change (QoQ %)              | -6.7          | -3.7          | 1.5           | 5.6           | -10.0         | 4.9           | 11.5          | 13.8          |               |               |               |            |
| Total Expenditure           | 288           | 273           | 264           | 286           | 262           | 272           | 300           | 344           | 1,112         | 1,178         |               |            |
| As a % of net sales         | 81.2          | 79.9          | 76.2          | 78.0          | 79.4          | 78.7          | 77.9          | 78.3          | 78.8          | 78.5          |               |            |
| <b>EBITDA</b>               | <b>67</b>     | <b>69</b>     | <b>82</b>     | <b>80</b>     | <b>68</b>     | <b>74</b>     | <b>85</b>     | <b>95</b>     | <b>298</b>    | <b>322</b>    | <b>66</b>     | <b>2</b>   |
| Change (YoY %)              | -32.0         | 47.2          | 60.6          | -7.0          | 1.6           | 7.1           | 3.4           | 18.4          | 5.5           | 7.9           |               |            |
| Change (QoQ %)              | -22.9         | 3.0           | 20.1          | -2.5          | -15.8         | 8.6           | 15.9          | 11.7          |               |               |               |            |
| (% of Net Sales)            | 18.8          | 20.1          | 23.8          | 22.0          | 20.6          | 21.3          | 22.1          | 21.7          | 21.2          | 21.5          |               |            |
| <b>EBITDA(INR/t)</b>        | <b>13,924</b> | <b>14,248</b> | <b>16,905</b> | <b>14,846</b> | <b>13,711</b> | <b>14,004</b> | <b>15,890</b> | <b>16,988</b> | <b>14,984</b> | <b>15,205</b> | <b>13,416</b> | <b>2.2</b> |
| Interest                    | 10            | 11            | 11            | 9             | 9             | 11            | 12            | 9             | 42            | 41            |               |            |
| Depreciation                | 15            | 15            | 15            | 15            | 15            | 17            | 18            | 14            | 60            | 63            |               |            |
| Other Income                | 15            | 8             | 3             | 5             | 4             | 8             | 9             | 11            | 31            | 32            |               |            |
| <b>PBT (before EO Inc.)</b> | <b>56</b>     | <b>51</b>     | <b>60</b>     | <b>61</b>     | <b>47</b>     | <b>54</b>     | <b>64</b>     | <b>84</b>     | <b>228</b>    | <b>250</b>    |               |            |
| EO Income(exp)              | 0             | -130          | 0             | -6            | -2            |               |               | 2             | -136          |               |               |            |
| <b>PBT (after EO Inc.)</b>  | <b>56</b>     | <b>-79</b>    | <b>60</b>     | <b>54</b>     | <b>45</b>     | <b>54</b>     | <b>64</b>     | <b>87</b>     | <b>92</b>     | <b>250</b>    |               |            |
| Current Tax                 | 12            | 8             | 17            | 13            | 11            | 13            | 16            | 17            | 50            | 57            |               |            |
| Current Tax Rate%           | 21            | -10           | 28            | 23            | 24            | 24            | 25            | 20            | 54            | 23            |               |            |
| Deferred Tax                | -2            | -2            | -3            | 1             | 1             | 1             | 1             | 2             | -6            | 5             |               |            |
| Total Tax                   | 10            | 6             | 14            | 14            | 11            | 14            | 17            | 20            | 44            | 62            |               |            |
| % Tax                       | 18.1          | -7.7          | 22.7          | 25.2          | 25.4          | 26.0          | 27.2          | 22.5          | 47.6          | 25.0          |               |            |
| <b>Reported PAT</b>         | <b>46</b>     | <b>-85</b>    | <b>47</b>     | <b>41</b>     | <b>33</b>     | <b>40</b>     | <b>47</b>     | <b>67</b>     | <b>48</b>     | <b>187</b>    | <b>36</b>     | <b>-8</b>  |
| <b>Adjusted PAT</b>         | <b>46</b>     | <b>45</b>     | <b>46</b>     | <b>47</b>     | <b>36</b>     | <b>40</b>     | <b>47</b>     | <b>65</b>     | <b>184</b>    | <b>187</b>    | <b>36</b>     | <b>-1</b>  |
| Change (YoY %)              | -22.7         | 100.5         | 95.8          | -3.7          | -23.0         | -10.5         | 0.5           | 38.0          | 19.3          | 1.5           |               |            |
| Change (QoQ %)              | -5.0          | -3.2          | 3.7           | 1.1           | -24.0         | 12.4          | 16.4          | 38.8          |               |               |               |            |

Source: MOFSL, Company

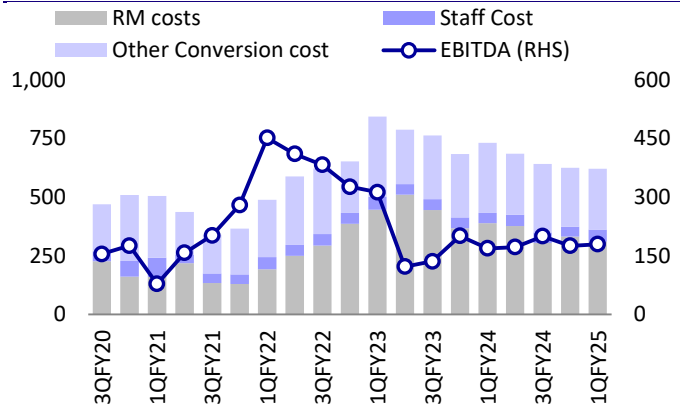
**Consolidated quarterly performance (INR b)**

| Y/E March                                 | FY24         |              |              |              | FY25E        |              |               |               | FY24         | FY25E         | FY25E<br>1QE | vs Est<br>(%) |
|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|---------------|--------------|---------------|
|   | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2QE          | 3QE           | 4QE           |              |               |              |               |
| Sales (k tons)                            | 7,200        | 7,070        | 7,150        | 7,980        | 7,390        | 7,641        | 7,756         | 7,933         | 29,390       | 30,720        | 7,799        | -5            |
| Change (YoY %)                            | 8.6          | -2.2         |              | 2.6          | 2.6          | 8.1          | 8.5           | -0.6          | 2.1          | 4.5           |              |               |
| Avg Realization (INR/t)                   | 82,625       | 78,758       | 77,359       | 73,543       | 74,116       | 70,304       | 76,777        | 89,107        | 77,976       |               | 74,406       | 0             |
| <b>Net Sales</b>                          | <b>595</b>   | <b>557</b>   | <b>553</b>   | <b>587</b>   | <b>548</b>   | <b>537</b>   | <b>595</b>    | <b>707</b>    | <b>2,292</b> | <b>2,387</b>  | <b>580</b>   | <b>-6</b>     |
| Change (YoY %)                            | -6.2         | -7.0         | -3.1         | -6.8         | -7.9         | -3.5         | 7.7           | 20.5          | -5.8         | 4.2           |              |               |
| Change (QoQ %)                            | -5.5         | -6.4         | -0.7         | 6.1          | -6.7         | -1.9         | 10.8          | 18.7          |              |               |              |               |
| <b>EBITDA</b>                             | <b>52</b>    | <b>43</b>    | <b>63</b>    | <b>66</b>    | <b>67</b>    | <b>70</b>    | <b>90</b>     | <b>111</b>    | <b>223</b>   | <b>338</b>    | <b>60</b>    | <b>12</b>     |
| Change (YoY %)                            | -65.4        | -29.6        | 54.7         | -8.6         | 29.4         | 64.9         | 43.6          | 67.8          | -30.9        | 51.5          |              |               |
| Change (QoQ %)                            | -28.3        | -17.5        | 46.8         | 5.4          | 1.4          | 5.2          | 27.8          | 23.1          |              |               |              |               |
| (% of Net Sales)                          | 8.7          | 7.7          | 11.3         | 11.2         | 12.2         | 13.1         | 15.1          | 15.7          | 9.7          | 14.2          |              |               |
| <b>EBITDA (INR/t)</b>                     | <b>7,186</b> | <b>6,037</b> | <b>8,760</b> | <b>8,271</b> | <b>9,059</b> | <b>9,213</b> | <b>11,600</b> | <b>13,959</b> | <b>7,590</b> | <b>11,004</b> | <b>7,639</b> | <b>19</b>     |
| Interest                                  | 18           | 20           | 19           | 18           | 18           | 16           | 18            | 23            | 75           | 75            | 17           |               |
| Depreciation                              | 24           | 25           | 24           | 26           | 25           | 26           | 28            | 23            | 99           | 102           | 26           |               |
| Other Income                              | 12           | 2            | 2            | 2            | 3            | 4            | 5             | 7             | 18           | 19            | 5            |               |
| <b>PBT (before EO Inc.)</b>               | <b>21</b>    | <b>1</b>     | <b>22</b>    | <b>24</b>    | <b>26</b>    | <b>32</b>    | <b>49</b>     | <b>72</b>     | <b>67</b>    | <b>180</b>    | <b>21</b>    |               |
| EO Income(exp)                            | 0            | -69          | -3           | -6           | -4           |              |               |               | -78          |               |              |               |
| <b>PBT (after EO Inc.)</b>                | <b>21</b>    | <b>-68</b>   | <b>19</b>    | <b>18</b>    | <b>23</b>    | <b>32</b>    | <b>49</b>     | <b>72</b>     | <b>-11</b>   | <b>180</b>    | <b>21</b>    |               |
| Current Tax                               | 10           | 11           | 18           | 14           | 6            | 13           | 16            | 22            | 53           | 57            |              |               |
| Deferred Tax                              | 3            | -13          | -4           | -1           | 9            | 1            | 1             | -6            | -15          | 5             |              |               |
| Total Tax                                 | 13           | -2           | 14           | 13           | 15           | 14           | 17            | 16            | 38           | 62            | 11           |               |
| % Tax                                     | 63.0         | NA           | 64.2         | 53.0         | 55.2         | 42.9         | 35.2          | 22.0          | 55.9         | 34.3          | 53.1         |               |
| <b>PAT before MI and Sh. of associate</b> | <b>8</b>     | <b>-66</b>   | <b>4</b>     | <b>5</b>     | <b>8</b>     | <b>18</b>    | <b>32</b>     | <b>56</b>     | <b>-49</b>   | <b>118</b>    | <b>10</b>    |               |
| Minority Interests                        | -1           | -3           | 0            | -1           | 0            |              |               |               | -5           |               |              |               |
| Share of asso. PAT                        | -3           | 1            | 1            | 0            | 1            | 1            | 1             | 1             | -1           | 5             | 1            |               |
| <b>Adj. PAT (after MI &amp; asso)</b>     | <b>6</b>     | <b>7</b>     | <b>8</b>     | <b>12</b>    | <b>13</b>    | <b>20</b>    | <b>33</b>     | <b>57</b>     | <b>34</b>    | <b>123</b>    | <b>11</b>    | <b>18</b>     |
| Change (YoY %)                            | -92.0        | -54.2        | LP           | -28.8        | 112.3        | 179.3        | 289.3         | 374.6         | -61.0        | 263.9         |              |               |
| Change (QoQ %)                            | -63.4        | 13.2         | 20.6         | 42.3         | 9.3          | 48.9         | 68.1          | 73.5          |              |               |              |               |

Source: MOFSL, Company

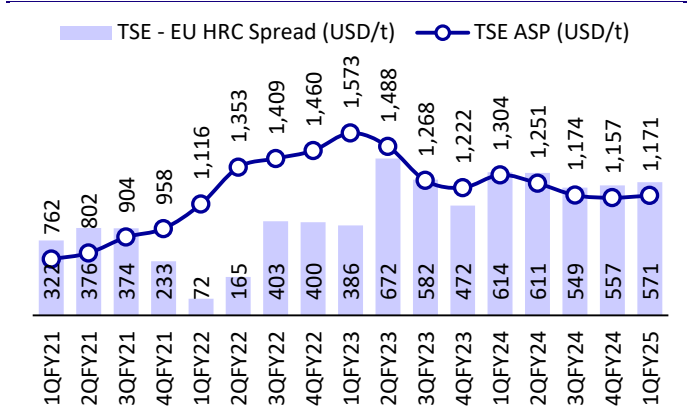
Story in charts

Exhibit 1: India EBITDA (USD/t) dipped QoQ on muted ASP



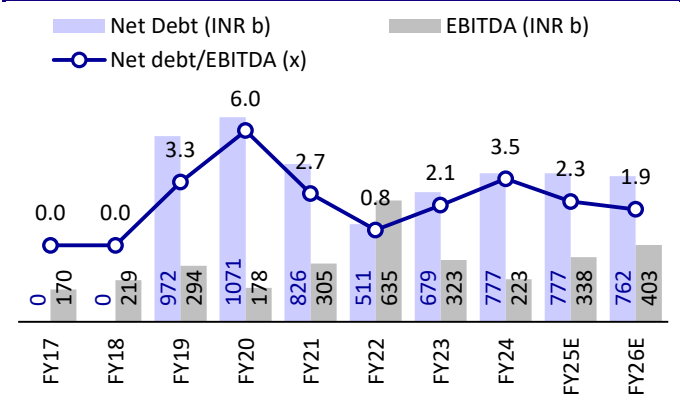
Source: MOFSL, Company

Exhibit 2: TSE spreads stood flat QoQ



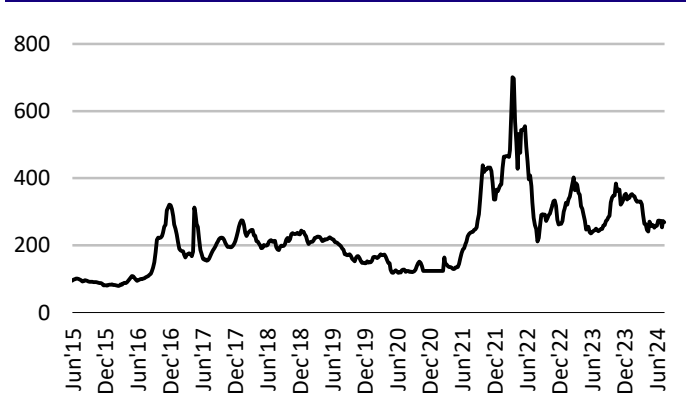
Source: MOFSL, Company

Exhibit 3: Net debt/EBITDA expected to come down



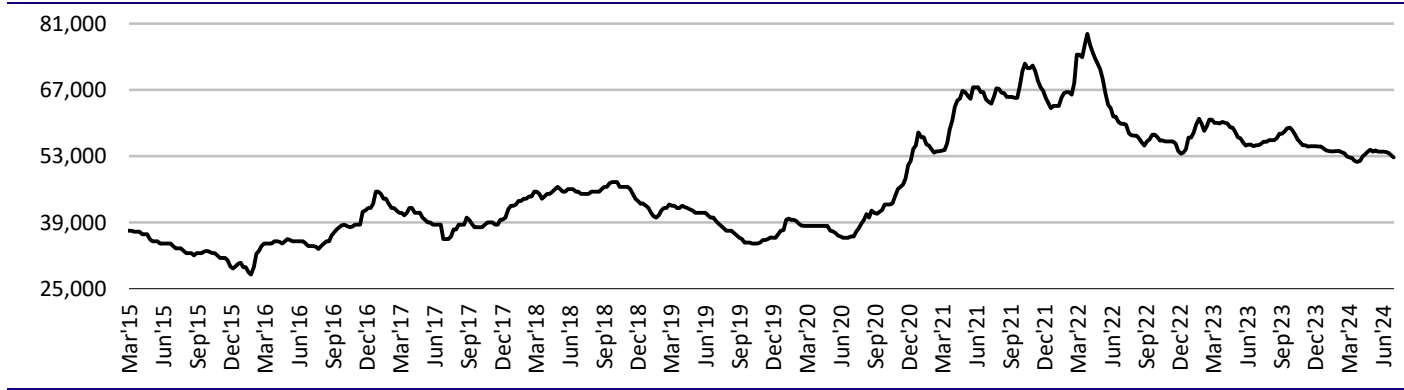
Source: MOFSL, Company

Exhibit 4: Coking coal price (USD/t) remained range bound

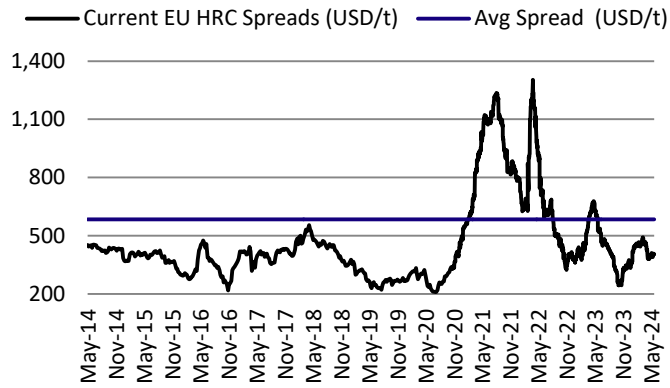


Source: MOFSL, SteelMint

Exhibit 5: Domestic HRC price (INR/t) has remained subdued since Nov'23, and is currently at around INR53,000/t

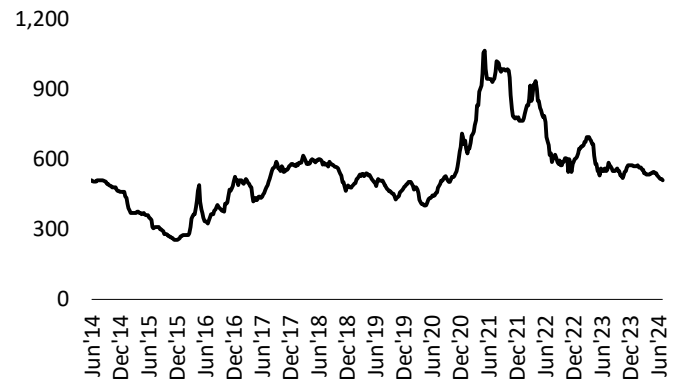


**Exhibit 6: Steel spreads are below its LTA**



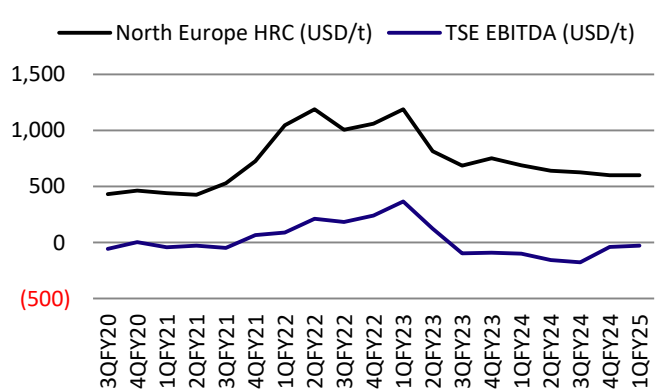
Source: MOFSL, SteelMint, Bloomberg

**Exhibit 7: China's domestic HRC prices (USD/t)**



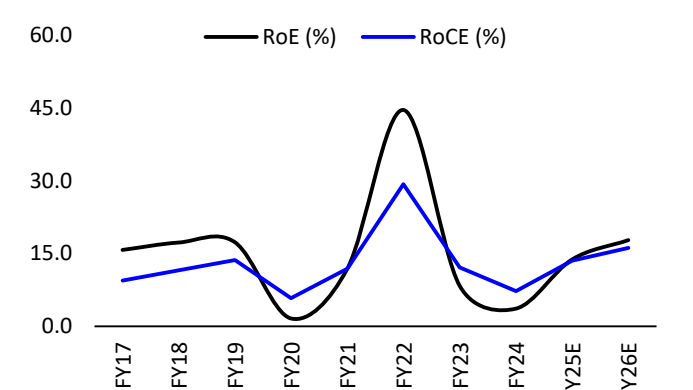
Source: MOFSL, SteelMint

**Exhibit 8: TSE's EBITDA/t linked to steel price movement**



Source: MOFSL, Company, SteelMint

**Exhibit 9: Return ratios to improve from FY25E onwards**



Source: MOFSL, Company



## Highlights from the management commentary

### Management guidance

- Management guided that the realizations (ASP) for domestic operations is expected to decline by INR1500/t in 2QFY25 v/s 1QFY25
- ASP for the UK operation to remain flat QoQ, whereas the Netherlands could see GBP60/t QoQ reduction during 2QFY25.
- Coal costs (on a consumption basis) for India operations are likely to be USD15/t lower QoQ, and in the Netherlands, the coal costs are anticipated to decline USD26/t QoQ in 2QFY25.
- In terms of iron ore, UK could see USD7/t QoQ decline, while Netherlands about USD10/t QoQ increase in 2QFY25.
- Management guided that the Sep'24 will be the last month of operating losses for the UK business.

### TATA – European operations

- TATA is in close talks with the Union in relation to the support for the affected employees based on the enhanced support package.
- TATA is supporting affected employees and is providing multiple training and community support schemes during the transition of operations in the UK.
- A voluntary redundancy aspiration process was launched on July 11 and will close on August 7.
- A transition Board has been formed under the previous UK government, funded by GBP80m from the UK government and GBP20mn from the company, to help employees who are moving out of Port Talbot to make them more employable.
- Grand funding preposition is in continuity with newly elected UK government.
- The UK government is focused to revive the UK steel industry and therefore further exploring more investment opportunity in the similar funding line with the company Tata steel in the downstream or DRI space.
- Out of the two BF's 5&6 in the UK, one BF closed during Jul'24 and another one scheduled in Sep'24, while company had already closed the coke ovens.
- Out of the USD1.25b grant funding agreement, the UK govt. will contribute USD0.5b and the rest USD0.75b will be funded by Tata steel in the course of next four years.
- In the Netherlands, the company is working on transitioning to green steel, subject to government support and necessary approvals.
- TATA aims to achieve a 35-40% reduction in CO2 by 2030 in Phase 1 of its de-carbonization project in Netherlands.

**Indian operations**

- In 2004, the Odisha government passed an Act in which the state will collect/ charge additional cess of 15% based on IBM prices on mineral mined within the state, which got quashed by high-court and Odisha government moved to Supreme Court of India.
- The Supreme Court recently, passed this act over absence of any limitation in the central passed act (MMDR act). Since 2004, company had treated this as contingent liabilities; however, there is no pending payment demand from the Odisha government.
- Management is looking into the matter and it will take time to get further clarity.
- Management seeks Central government intervention as any possible limitation can be only brought through amending in MMDR act and management will likely to discuss this with central government
- Management suggested that, in case the order is to be seen in retrospective than company would see the payment tenure before commenting.
- This new regime will lead to cost increase and result in irregular pricing in every mined state. Management further guided that any input price rise will have to pass on further in the supply chain causing the industry competitiveness.

**Capex**

- After the announced ongoing expansion, TATA is likely to undertake NINL (Neelachal Ispat Nigam Ltd) expansion from 1MTPA to 5MTPA and capacity expansion at Meramandali along with certain downstream opportunity. This expansion will ensure TATA to maintain its market share going forward.
- Simultaneously, TATA would also undertake Phase-III expansion at TSK which will increase the total capacity to 13mt.
- TATA incurred capex of INR37.8b during 1QFY25 primarily on the Kalinganagar expansion and the Electric Arc Furnace (EAF) in Ludhiana and guided to spend ~INR160b in FY25, mainly for the completion of Kalinganagar capacity and ~25% would be directed to UK decarbonizing.
- A major portion of the TSK's capex was earmarked for CRM complex of around INR60b, and with all the upcoming capex facilities having focus on HR or rolling, the overall outflow is expected to be lower.
- TATA's first priority is to complete the Kalinganagar expansion; after that it will carry the EAF project in Ludhiana. Afterwards, TATA plans to complete the restructuring in Tata Steel UK and start capex for the EAF project.

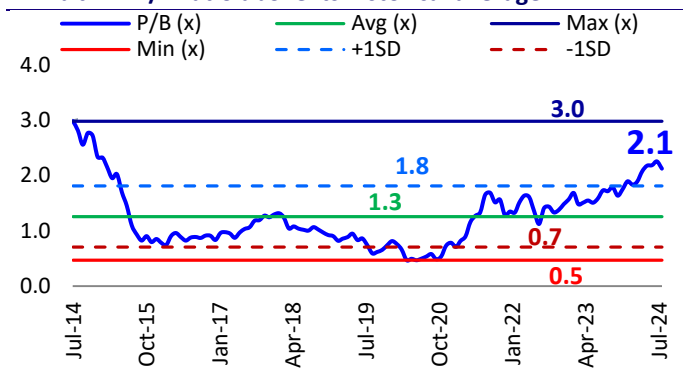
**Debt**

- Debt mounted during the quarter was mainly a working capital debt of India and the UK.
- Net debt for the UK and the Netherlands stood at GBP600-800m each, which is majorly a working capital debt.
- Management believes the Netherlands will able to bring down its debt through it internal cash flows going forward, while the UK business debt will be taken care by the India business as the priority is to make the UK business operational.

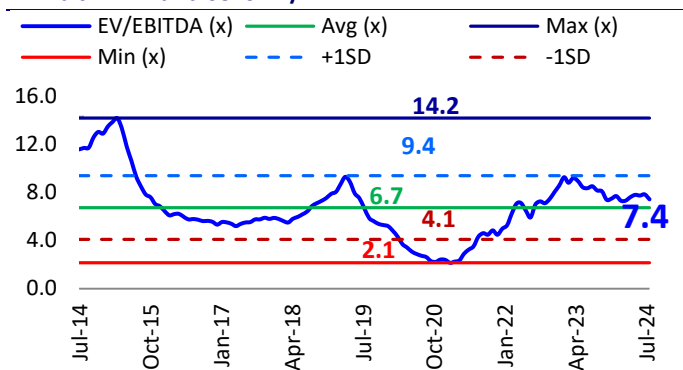
**Exhibit 10: Changes to our estimates and key financials**

| Key Assumptions             | UoM   | FY25E  |        |            | FY26E  |        |            |
|-----------------------------|-------|--------|--------|------------|--------|--------|------------|
|                             |       | New    | Old    | Change (%) | New    | Old    | Change (%) |
| <b>Standalone</b>           |       |        |        |            |        |        |            |
| Volumes                     | mt    | 21.2   | 21.2   | 0.0        | 23.3   | 23.3   | 0.0        |
| ASP                         | INR/t | 70,843 | 75,843 | -6.6       | 74,718 | 76,718 | -2.6       |
| Revenue                     | INR b | 1,500  | 1,606  | -6.6       | 1,738  | 1,785  | -2.6       |
| EBITDA                      | INR/t | 15,205 | 15,740 | -3.4       | 16,101 | 16,077 | 0.2        |
| EBITDA                      | INR b | 322    | 333    | -3.4       | 375    | 374    | 0.1        |
| <b>Europe</b>               |       |        |        |            |        |        |            |
| Volumes                     | mt    | 7.9    | 7.9    | 0.0        | 7.4    | 7.4    | 0.0        |
| ASP                         | INR/t | 1,258  | 1,293  | -2.7       | 1,278  | 1,328  | -3.8       |
| Revenue                     | INR b | 828    | 851    | -2.7       | 798    | 843    | -5.3       |
| EBITDA                      | USD/t | 15     | 14     | 6.3        | 36     | 35     | 2.5        |
| EBITDA                      | INR b | 10     | 9      | 6.3        | 23     | 22     | 0.9        |
| <b>Consolidated (INR b)</b> |       |        |        |            |        |        |            |
| Revenue                     | INR b | 2,387  | 2,516  | -5.1       | 2,601  | 2,694  | -3.4       |
| EBITDA                      | "     | 338    | 336    | 0.7        | 403    | 396    | 1.7        |
| APAT                        | "     | 123    | 119    | 3.3        | 171    | 166    | 3.1        |

Source: MOFSL

**Exhibit 11: P/B ratio above its historical average...**

Source: MOFSL, Company data

**Exhibit 12: ... and so is EV/EBITDA**

Source: MOFSL, Company data

**Exhibit 13: TATA (INR b) looks fairly valued at CMP**

| Y/E March                 | UoM           | 2026E        |
|---------------------------|---------------|--------------|
| <b>Standalone</b>         |               |              |
| Sales                     | mt            | 23.3         |
| EBITDA                    | INR/t         | 16,101       |
| EBITDA                    | INR b         | 375          |
| Target multiple           | x             | 7.0          |
| <b>Target EV</b>          | <b>INR b</b>  | <b>2,809</b> |
| <b>Europe</b>             |               |              |
| Sales                     | mt            | 7.4          |
| EBITDA                    | INR/t         | 3,062        |
| EBITDA                    | INR b         | 23           |
| Target multiple           | x             | 7.0          |
| <b>Target EV</b>          | <b>INR b</b>  | <b>159</b>   |
| <b>Other Subsidiaries</b> |               |              |
| EBITDA - India subs       | INR b         | 6            |
| Target EBITDA multiple    | x             | 4.0          |
| <b>Target EV</b>          | <b>INR b</b>  | <b>23</b>    |
| <b>Target EV</b>          | <b>INR b</b>  | <b>2,991</b> |
| Net Debt (d)              | INR b         | 762          |
| <b>Total equity value</b> | <b>INR b</b>  | <b>2,229</b> |
| <b>No of shares o/s</b>   | <b>b</b>      | <b>12.5</b>  |
| <b>Target Price</b>       | <b>INR/sh</b> | <b>180</b>   |

Source: MOFSL



## Financials and valuations

| Income Statement (Consolidated)            |              |              |              |              |              |              |              |              |              | (INR b)      |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March                                  | FY17         | FY18         | FY19         | FY20         | FY21         | FY22         | FY23         | FY24         | FY25E        | FY26E        |
| <b>Net Sales</b>                           | <b>1,123</b> | <b>1,322</b> | <b>1,577</b> | <b>1,490</b> | <b>1,563</b> | <b>2,440</b> | <b>2,434</b> | <b>2,292</b> | <b>2,387</b> | <b>2,601</b> |
| Change (%)                                 | 10.1         | 17.7         | 19.3         | -5.5         | 4.9          | 56.1         | -0.2         | -5.8         | 4.2          | 9.0          |
| <b>EBITDA</b>                              | <b>170</b>   | <b>219</b>   | <b>294</b>   | <b>178</b>   | <b>305</b>   | <b>635</b>   | <b>323</b>   | <b>223</b>   | <b>338</b>   | <b>403</b>   |
| % of Net Sales                             | 15.1         | 16.6         | 18.6         | 12.0         | 19.5         | 26.0         | 13.3         | 9.7          | 14.2         | 15.5         |
| Deprn. & Amortization                      | 57           | 60           | 73           | 87           | 92           | 91           | 93           | 99           | 102          | 104          |
| <b>EBIT</b>                                | <b>113</b>   | <b>159</b>   | <b>220</b>   | <b>91</b>    | <b>213</b>   | <b>544</b>   | <b>230</b>   | <b>124</b>   | <b>236</b>   | <b>299</b>   |
| Finance cost                               | 51           | 55           | 77           | 76           | 76           | 55           | 63           | 75           | 75           | 78           |
| Other income                               | 5            | 9            | 14           | 18           | 9            | 8            | 10           | 18           | 19           | 21           |
| <b>PBT before EO</b>                       | <b>68</b>    | <b>113</b>   | <b>158</b>   | <b>34</b>    | <b>146</b>   | <b>497</b>   | <b>177</b>   | <b>67</b>    | <b>180</b>   | <b>242</b>   |
| EO income                                  | -43          | 96           | -1           | -49          | -10          | -1           | 1            | -78          | 0            | 0            |
| <b>PBT after EO</b>                        | <b>25</b>    | <b>209</b>   | <b>157</b>   | <b>-16</b>   | <b>135</b>   | <b>496</b>   | <b>178</b>   | <b>-11</b>   | <b>180</b>   | <b>242</b>   |
| Tax  | 28           | 34           | 67           | -26          | 57           | 85           | 102          | 38           | 62           | 76           |
| Rate (%)                                   | 113          | 16           | 43           | 163          | 42           | 17           | 57           | NA           | 34           | 31           |
| <b>PAT (Before MI &amp; asso.)</b>         | <b>-3</b>    | <b>175</b>   | <b>90</b>    | <b>10</b>    | <b>79</b>    | <b>411</b>   | <b>77</b>    | <b>-49</b>   | <b>118</b>   | <b>166</b>   |
| Minority interest P/L                      | 1            | 43           | -11          | -4           | 7            | 16           | -7           | -5           | 0            | 0            |
| Share of asso. PAT                         | 0            | 2            | 2            | 2            | 3            | 6            | 4            | -1           | 5            | 5            |
| <b>Reported PAT (After MI &amp; asso.)</b> | <b>-4</b>    | <b>134</b>   | <b>103</b>   | <b>16</b>    | <b>75</b>    | <b>402</b>   | <b>88</b>    | <b>-44</b>   | <b>123</b>   | <b>171</b>   |
| Div. on Pref. /Hybrid Sec.                 | 3            | 3            | 3            | 3            | 3            | 0            | 0            | 0            | 0            | 0            |
| <b>Adjusted PAT</b>                        | <b>37</b>    | <b>80</b>    | <b>101</b>   | <b>10</b>    | <b>83</b>    | <b>402</b>   | <b>86</b>    | <b>34</b>    | <b>123</b>   | <b>171</b>   |
| Change (%)                                 | -275.3       | 116.3        | 27.3         | -89.8        | 697.0        | 386.8        | -78.5        | -61.0        | 263.9        | 39.4         |

| Balance Sheet (Consolidated)       |              |              |              |              |              |              |              |              |              | (INR b)      |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March                          | FY17         | FY18         | FY19         | FY20         | FY21         | FY22         | FY23         | FY24         | FY25E        | FY26E        |
| Share Capital                      | 10           | 11           | 11           | 11           | 12           | 12           | 12           | 12           | 12           | 12           |
| Reserves                           | 346          | 575          | 655          | 702          | 723          | 1,132        | 1,019        | 908          | 968          | 1,052        |
| <b>Net Worth</b>                   | <b>355</b>   | <b>586</b>   | <b>667</b>   | <b>713</b>   | <b>735</b>   | <b>1,144</b> | <b>1,031</b> | <b>920</b>   | <b>981</b>   | <b>1,065</b> |
| Minority Interest                  | 16           | 9            | 24           | 26           | 33           | 27           | 21           | 4            | 4            | 4            |
| Total Loans                        | 851          | 942          | 1,031        | 1,186        | 956          | 756          | 849          | 871          | 881          | 891          |
| Deferred Tax Liability             | 91           | 95           | 115          | 78           | 75           | 93           | 115          | 89           | 94           | 100          |
| <b>Capital Employed</b>            | <b>1,313</b> | <b>1,632</b> | <b>1,836</b> | <b>2,003</b> | <b>1,798</b> | <b>2,020</b> | <b>2,016</b> | <b>1,884</b> | <b>1,959</b> | <b>2,059</b> |
| Gross Block                        | 1,266        | 1,399        | 1,730        | 1,955        | 2,120        | 2,159        | 2,382        | 2,243        | 2,635        | 2,885        |
| Less: Accum. Deprn.                | 380          | 479          | 526          | 652          | 806          | 869          | 972          | 932          | 1,035        | 1,139        |
| <b>Net Fixed Assets</b>            | <b>885</b>   | <b>920</b>   | <b>1,204</b> | <b>1,305</b> | <b>1,314</b> | <b>1,290</b> | <b>1,410</b> | <b>1,431</b> | <b>1,601</b> | <b>1,746</b> |
| Capital WIP                        | 158          | 166          | 186          | 195          | 190          | 220          | 312          | 344          | 231          | 141          |
| Investments                        | 68           | 30           | 32           | 29           | 35           | 58           | 48           | 55           | 55           | 55           |
| Goodwill on consolidation          | 35           | 41           | 40           | 41           | 43           | 43           | 56           | 57           | 57           | 57           |
| <b>Curr. Assets</b>                | <b>578</b>   | <b>929</b>   | <b>863</b>   | <b>921</b>   | <b>855</b>   | <b>1,213</b> | <b>1,028</b> | <b>806</b>   | <b>839</b>   | <b>916</b>   |
| Inventory                          | 248          | 283          | 317          | 311          | 333          | 488          | 544          | 492          | 512          | 558          |
| Account Receivables                | 116          | 124          | 118          | 79           | 95           | 122          | 83           | 63           | 65           | 71           |
| Cash & liquid investment           | 106          | 228          | 59           | 115          | 130          | 244          | 170          | 94           | 104          | 129          |
| Others                             | 109          | 294          | 370          | 417          | 297          | 358          | 231          | 158          | 158          | 158          |
| <b>Curr. Liability &amp; Prov.</b> | <b>411</b>   | <b>455</b>   | <b>490</b>   | <b>487</b>   | <b>639</b>   | <b>805</b>   | <b>838</b>   | <b>809</b>   | <b>824</b>   | <b>857</b>   |
| Account Payables                   | 186          | 204          | 217          | 214          | 260          | 368          | 378          | 354          | 369          | 402          |
| Provisions & Others                | 225          | 251          | 273          | 273          | 380          | 437          | 460          | 455          | 455          | 455          |
| <b>Net Current Assets</b>          | <b>168</b>   | <b>475</b>   | <b>373</b>   | <b>434</b>   | <b>216</b>   | <b>408</b>   | <b>189</b>   | <b>-3</b>    | <b>15</b>    | <b>59</b>    |
| <b>Appl. of Funds</b>              | <b>1,313</b> | <b>1,632</b> | <b>1,836</b> | <b>2,003</b> | <b>1,798</b> | <b>2,020</b> | <b>2,016</b> | <b>1,884</b> | <b>1,959</b> | <b>2,059</b> |

## Financials and valuations

### Ratios (Consolidated)

| Y/E March                     | FY17       | FY18       | FY19       | FY20       | FY21       | FY22        | FY23       | FY24       | FY25E      | FY26E       |
|-------------------------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|-------------|
| <b>Basic (INR)</b>            |            |            |            |            |            |             |            |            |            |             |
| <b>EPS</b>                    | <b>3.8</b> | <b>7.0</b> | <b>8.9</b> | <b>0.9</b> | <b>6.9</b> | <b>33.0</b> | <b>7.1</b> | <b>2.7</b> | <b>9.9</b> | <b>13.7</b> |
| Cash EPS                      | 9.6        | 12.2       | 15.3       | 8.5        | 14.6       | 40.4        | 14.7       | 10.6       | 18.1       | 22.1        |
| BV/Share (ex-goodwill)        | 33.0       | 47.6       | 54.7       | 58.7       | 57.7       | 90.2        | 79.8       | 69.2       | 74.0       | 80.8        |
| DPS                           | 0.8        | 0.8        | 1.0        | 1.0        | 2.5        | 5.1         | 3.6        | 3.6        | 5.0        | 7.0         |
| Payout (%)                    | 25.2       | 11.6       | 11.3       | 110.4      | 36.2       | 15.5        | 50.8       | 133.0      | 50.8       | 51.0        |
| <b>Valuation (x)</b>          |            |            |            |            |            |             |            |            |            |             |
| P/E                           | 43.0       | 23.5       | 18.4       | 180.0      | 23.6       | 4.9         | 23.0       | 60.2       | 16.6       | 11.9        |
| Cash P/E                      | 16.9       | 13.4       | 10.7       | 19.2       | 11.2       | 4.0         | 11.1       | 15.3       | 9.0        | 7.4         |
| P/BV                          | 4.9        | 3.4        | 3.0        | 2.8        | 2.8        | 1.8         | 2.0        | 2.4        | 2.2        | 2.0         |
| EV/Sales                      | 2.1        | 2.0        | 1.8        | 2.0        | 1.8        | 1.0         | 1.1        | 1.2        | 1.2        | 1.1         |
| EV/EBITDA                     | 13.7       | 11.8       | 9.7        | 16.5       | 9.1        | 3.9         | 8.3        | 12.6       | 8.3        | 6.9         |
| Dividend Yield (%)            | 0.5        | 0.5        | 0.6        | 0.6        | 1.5        | 3.1         | 2.2        | 2.2        | 3.1        | 4.3         |
| <b>Return Ratios (%)</b>      |            |            |            |            |            |             |            |            |            |             |
| EBITDA Margins (%)            | 15.1       | 16.6       | 18.6       | 12.0       | 19.5       | 26.0        | 13.3       | 9.7        | 14.2       | 15.5        |
| Net Profit Margins (%)        | 3.3        | 6.0        | 6.4        | 0.7        | 5.3        | 16.5        | 3.6        | 1.5        | 5.1        | 6.6         |
| RoE                           | 15.7       | 17.2       | 17.3       | 1.6        | 11.9       | 44.6        | 8.3        | 3.6        | 13.8       | 17.7        |
| RoCE (pre-tax)                | 9.4        | 11.6       | 13.7       | 5.8        | 11.8       | 29.2        | 12.1       | 7.3        | 13.5       | 16.2        |
| RoIC (pre-tax)                | 13.3       | 14.6       | 15.9       | 5.7        | 13.7       | 37.0        | 15.4       | 8.6        | 15.9       | 18.1        |
| <b>Working Capital Ratios</b> |            |            |            |            |            |             |            |            |            |             |
| Fixed Asset Turnover (x)      | 1.3        | 1.4        | 1.3        | 1.1        | 1.2        | 1.9         | 1.7        | 1.6        | 1.5        | 1.5         |
| Asset Turnover (x)            | 0.9        | 0.8        | 0.9        | 0.7        | 0.9        | 1.2         | 1.2        | 1.2        | 1.2        | 1.3         |
| Debtor (Days)                 | 38         | 34         | 27         | 19         | 22         | 18          | 12         | 10         | 10         | 10          |
| Inventory (Days)              | 81         | 78         | 73         | 76         | 78         | 73          | 82         | 78         | 78         | 78          |
| Payables (Days)               | 60         | 56         | 50         | 52         | 61         | 55          | 57         | 56         | 56         | 56          |
| Working Capital T/O (Days)    | 58         | 56         | 50         | 43         | 39         | 36          | 37         | 32         | 32         | 32          |
| <b>Leverage Ratio (x)</b>     |            |            |            |            |            |             |            |            |            |             |
| Current Ratio                 | 1.4        | 2.0        | 1.8        | 1.9        | 1.3        | 1.5         | 1.2        | 1.0        | 1.0        | 1.1         |
| Interest Cover Ratio          | 2.2        | 2.9        | 2.9        | 1.2        | 2.8        | 10.0        | 3.6        | 1.7        | 3.1        | 3.9         |
| Net Debt/Equity               | 2.3        | 1.3        | 1.6        | 1.6        | 1.2        | 0.5         | 0.7        | 0.9        | 0.8        | 0.8         |

### Cash Flow Statement (Consolidated)

| Y/E March                                   | FY17       | FY18        | FY19        | FY20        | FY21        | FY22        | FY23        | FY24        | FY25E       | FY26E       |
|---|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>(INR b)</b>                              |            |             |             |             |             |             |             |             |             |             |
| <b>EBITDA</b>                               | <b>170</b> | <b>219</b>  | <b>294</b>  | <b>178</b>  | <b>305</b>  | <b>635</b>  | <b>323</b>  | <b>223</b>  | <b>338</b>  | <b>403</b>  |
| Reconciliation income (loss)                | 6          | -17         | -15         | 3           | -20         | 24          | -14         | -1          | 0           | 0           |
| (Inc)/Dec in Wkg. Cap.                      | -49        | -93         | 26          | 42          | 165         | -96         | -37         | 34          | -8          | -19         |
| Tax Paid                                    | -18        | -29         | -51         | -21         | -7          | -119        | -55         | -53         | -57         | -70         |
| Other operating activities                  | 0          | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 5           | 5           |
| <b>CF from Op. Activity</b>                 | <b>108</b> | <b>80</b>   | <b>253</b>  | <b>202</b>  | <b>443</b>  | <b>444</b>  | <b>217</b>  | <b>203</b>  | <b>278</b>  | <b>320</b>  |
| (Inc)/Dec in FA + CWIP                      | -77        | -75         | -91         | -104        | -70         | -105        | -141        | -182        | -160        | -160        |
| <b>Free Cash Flow to Firm</b>               | <b>31</b>  | <b>5</b>    | <b>162</b>  | <b>98</b>   | <b>373</b>  | <b>339</b>  | <b>75</b>   | <b>21</b>   | <b>118</b>  | <b>160</b>  |
| (Pur)/Sale of Non-cur. Invest.              | 4          | -9          | 4           | 4           | 4           | -6          | 0           | 5           | 0           | 0           |
| Acquisition in subsidiaries                 | -11        | -2          | -351        | -41         | 1           | 12          | -104        | 1           | 0           | 0           |
| Int. & Dividend Income                      | 2          | 4           | 3           | 4           | 5           | 3           | 6           | 7           | 19          | 21          |
| Others                                      | -9         | -38         | 135         | -9          | -33         | -12         | 53          | 27          | 0           | 0           |
| <b>CF from Inv. Activity</b>                | <b>-91</b> | <b>-120</b> | <b>-299</b> | <b>-145</b> | <b>-93</b>  | <b>-109</b> | <b>-187</b> | <b>-143</b> | <b>-141</b> | <b>-139</b> |
| Equity raised/(repaid)                      | 7          | 91          | 0           | 2           | 32          | 3           | 0           | -2          | 0           | 0           |
| Debt raised/(repaid)                        | 27         | 41          | 82          | 76          | -321        | -160        | 54          | 16          | 10          | 10          |
| Dividend (incl. tax)                        | -9         | -12         | -14         | -18         | -12         | -30         | -63         | -44         | -62         | -87         |
| Interest & equiv. paid                      | -50        | -54         | -74         | -77         | -71         | -47         | -61         | -81         | -75         | -78         |
| <b>CF from Fin. Activity</b>                | <b>-26</b> | <b>66</b>   | <b>-7</b>   | <b>-17</b>  | <b>-371</b> | <b>-234</b> | <b>-70</b>  | <b>-111</b> | <b>-127</b> | <b>-155</b> |
| <b>(Inc)/Dec in Cash</b>                    | <b>-8</b>  | <b>26</b>   | <b>-52</b>  | <b>39</b>   | <b>-21</b>  | <b>101</b>  | <b>-40</b>  | <b>-50</b>  | <b>10</b>   | <b>25</b>   |
| Add: opening balance                        | 61         | 49          | 82          | 33          | 77          | 55          | 156         | 121         | 71          | 80          |
| Forex Adj.                                  | 4          | -7          | -3          | 5           | -1          | 0           | 5           | 0           | 0           | 0           |
| Closing cash balance                        | 49         | 82          | 33          | 77          | 55          | 156         | 121         | 71          | 80          | 106         |
| Bank Balance                                | 57         | 147         | 26          | 38          | 75          | 88          | 49          | 23          | 23          | 23          |
| <b>Closing balance (incl. Bank balance)</b> | <b>106</b> | <b>228</b>  | <b>59</b>   | <b>115</b>  | <b>130</b>  | <b>244</b>  | <b>170</b>  | <b>94</b>   | <b>104</b>  | <b>129</b>  |

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| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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