

TATA Steel

BSE SENSEX

84,779

S&P CNX

25,966

TATA STEEL

Stock Info

Bloomberg	TATA IN
Equity Shares (m)	12484
M.Cap.(INRb)/(USDb)	2205.4 / 25
52-Week Range (INR)	178 / 123
1, 6, 12 Rel. Per (%)	0/19/14
12M Avg Val (INR M)	4797
Free float (%)	66.8

Financials Snapshot (INR b)

Y/E MARCH	2026E	2027E	2028E
Sales	2,339	2,508	2,629
EBITDA	358	434	468
Adj. PAT	115	178	195
EBITDA Margin (%)	15.3	17.3	17.8
Adj. EPS (INR)	9.2	14.2	15.6
BV/Sh. (INR)	80.2	92.5	106.1

Ratios

Net D:E	0.9	0.7	0.5
RoE (%)	12.1	16.5	15.7
RoCE (%)	13.0	15.5	15.6
Payout (%)	21.6	14.0	12.8

Valuations

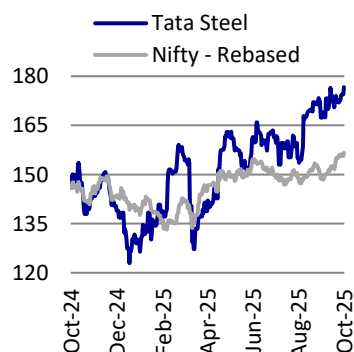
P/E (x)	19.1	12.4	11.3
P/BV (x)	2.2	1.9	1.7
EV/EBITDA(x)	8.5	6.8	6.1
Div. Yield (%)	1.1	1.1	1.1

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	33.2	33.2	33.2
DII	27.1	26.3	22.9
FII	17.8	17.7	19.9
Others	21.9	22.8	24.0

FII Includes depository receipts

Stock Performance (1-year)


CMP: INR177
TP:INR210 (+19%)
Upgrade to Buy

Strong domestic outlook; Europe's breakeven to drive consolidated earnings

Capacity expansion to drive earnings amid demand upswing

- Tata Steel (TATA) is aggressively expanding its capacity in India to capitalize on rising domestic demand, targeting an increase from 26.5mtpa in FY25 to 40mtpa by FY30.
- The company has commissioned a 5mtpa integrated capacity at Kalinganagar, increasing the plant's total capacity to 8mtpa (INR270b investment), with phase-III expansion targeting 13mtpa. Other key projects include scaling NINL from 1mtpa to 4.5mtpa, a 0.75mtpa electric arc furnace (EAF) at Ludhiana by FY27, and expanding Meramandali from 5.6mtpa to 8.2mtpa.
- In Europe, TATA is transitioning to green steelmaking, converting Port Talbot (UK) to a 3mtpa EAF and exploring a gas-based DRI + EAF route at IJmuiden (Netherlands), subject to policy clarity.

India's steel demand and safeguard duty to support domestic prices

- India's steel demand is projected to grow ~8-10% over FY26-27, backed by a robust demand environment, policy support, and ongoing recovery in industry fundamentals.
- To protect against rising imports, the Indian government has proposed a 12% safeguard duty on flat steel products, which could support domestic prices.
- Currently, market sentiment for 2HFY26 points to a gradual price recovery, muted costs (especially coking coal prices), and demand tailwinds.

Breakeven for European operations – TSUK breakeven on track; TSN cost restructuring to drive profitability

- TATA's European operations are moving toward breakeven amid restructuring and cost optimization. EBITDA losses have narrowed from USD76/t in 2QFY25 to USD8/t EBITDA gain in 1QFY26, aided by lower energy costs and improved efficiency.
- With the UK BF shutdown and the Netherlands ramp-up, Europe's EBITDA is expected to improve further. We expect it to rise from USD8/t in 1QFY26 to USD70/t by FY28, which should also support consolidated EBITDA/t increasing to INR13,000/t by FY28E (vs. INR8,376/t in FY25).

Valuation and view: Upgrade to BUY

- TATA is one of the largest players in India's steel sector and is set to benefit from improving steel price realizations, operating efficiencies, and the strong domestic demand outlook. The implementation of the safeguard duty is expected to help domestic operations achieve better realization.

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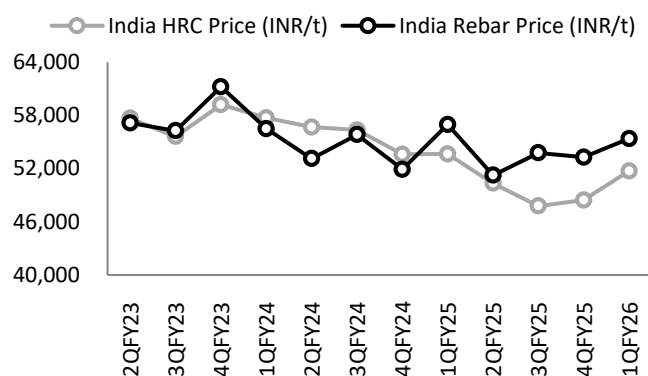
Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- While near-term challenges persist due to global uncertainty around tariff escalations, the long-term outlook for TATA remains strong. The Indian business is expected to continue its strong performance, and an improvement in the European business performance is likely to support overall earnings.
- TATA is expected to generate a strong OCF of INR957b, which will help fund the ongoing/planned expansion of INR160b annually without leveraging the balance sheet. Net debt stood at INR848b as of 1QFY26, which includes cash of INR141b. This translates into net debt/EBITDA of 3.21x as of Jun'25.
- **At CMP, TATA is trading at 6.8x EV/EBITDA and 1.9x FY27E P/B. We upgrade the stock from Neutral to BUY with an SOTP-based TP of INR210 per share on Sep'27 estimate.**

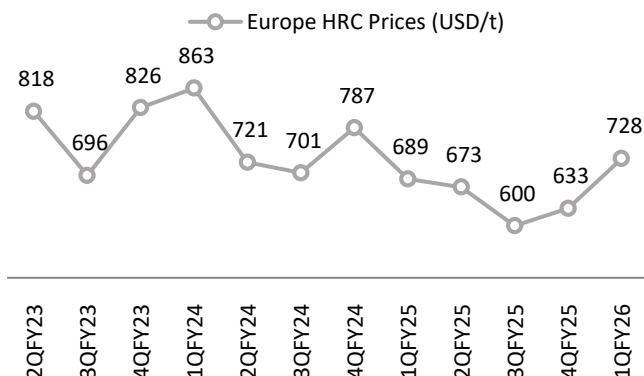
Story in charts

Exhibit 1: Domestic HRC/Rebar prices (INR/t)



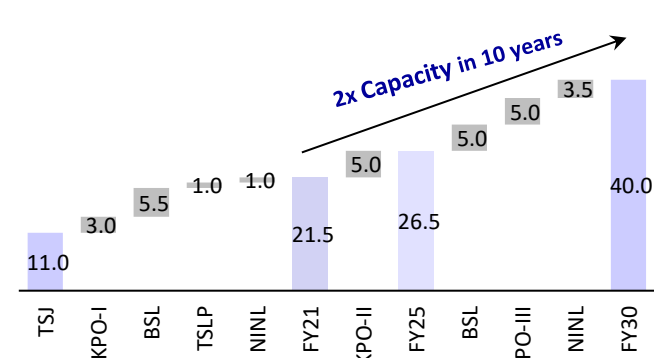
Source: MOFSL, BigMint

Exhibit 2: Europe HRC prices (USD/t)



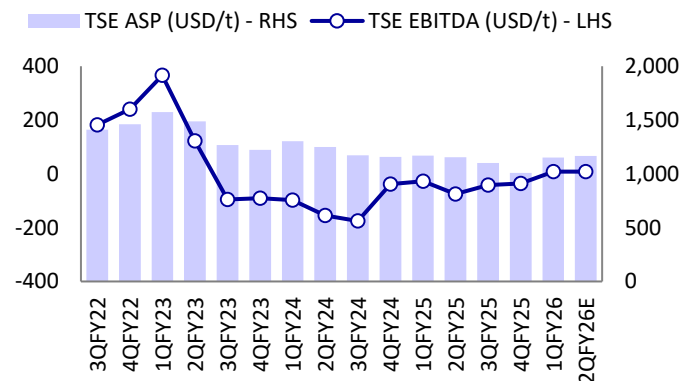
Source: MOFSL, BigMint

Exhibit 3: TATA scaling to capitalize on growth opportunity



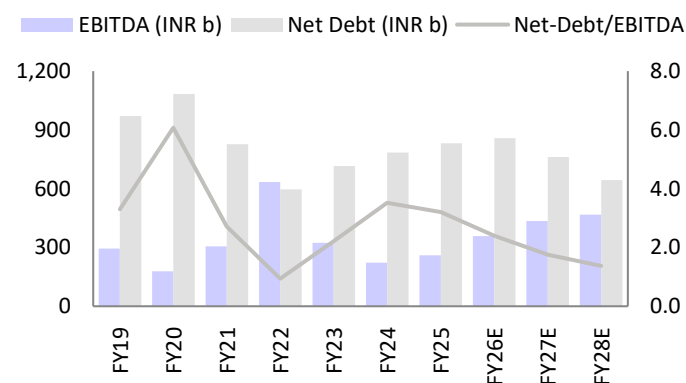
Source: MOFSL, BigMint

Exhibit 4: TATA Europe's EBITDA steadily improving



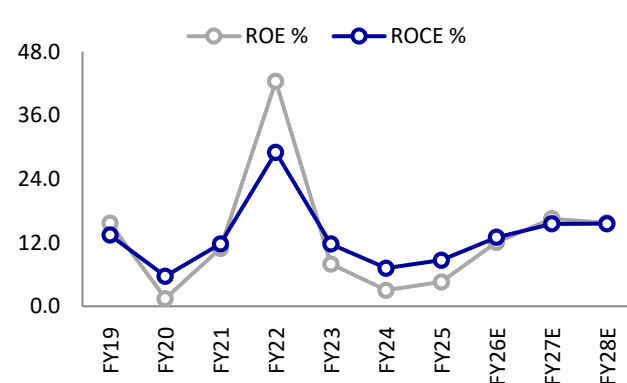
Source: MOFSL, BigMint

Exhibit 5: Net debt-to-EBITDA ratio expected to reduce



Source: MOFSL, Company

Exhibit 6: ROE/ROCE expected to improve

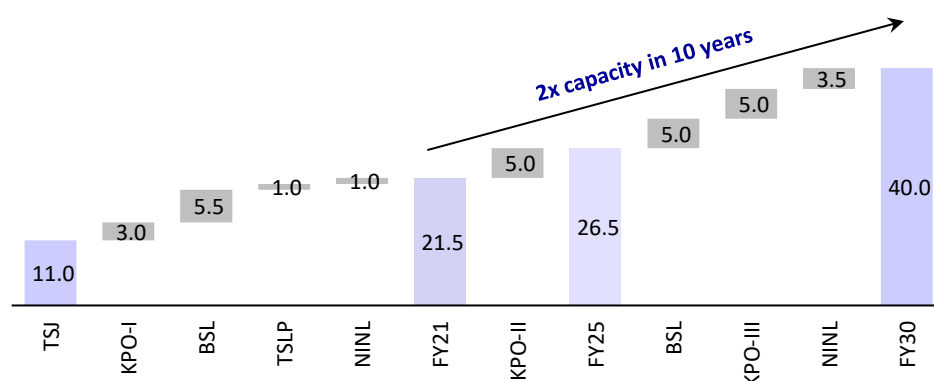


Source: MOFSL, Company

Capacity expansion to drive earnings amid demand upswing

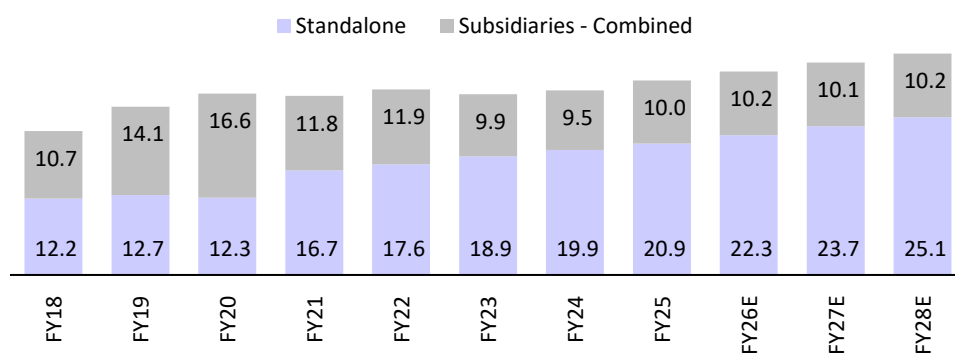
- India's steel output clocked ~6% CAGR over the past five years (vs. 5.3% CAGR over the past 15 years), significantly outpacing global steel manufacturing countries (World/China crude steel output has been largely flat). To meet growing domestic demand and remain self-reliant, the government has targeted 300mt of crude steel capacity by FY31. We expect India's steel consumption to sustain at ~7% CAGR over FY25-27, driven by capacity expansion and robust demand.
- TATA is strategically executing capacity expansion to capitalize on India's robust steel demand. The company targets to reach 40mtpa by FY30 (vs. 26.6mtpa in FY25), with an annual capex commitment of ~INR160b. TATA commissioned 5mtpa integrated capacity at Kalinganagar in FY25, backed by an investment of INR270b. Capacity ramp-up is currently underway, and management aims to add another 5mtpa, bringing the total Kalinganagar capacity to 13mtpa.
- **Other key expansions include scaling Neelachal Ispat Nigam Ltd (NINL) from 1mtpa to 4.5mtpa and commissioning a 0.75mtpa scrap-based EAF in Ludhiana by FY27.**
- **Neelachal Ispat Nigam Ltd (NINL):** The expansion process is at an advanced stage, with engineering and environmental clearances in progress. Public hearings for environmental clearance have been completed, and final approval is expected in Nov'25. Once all approvals and front-end work are completed, management will approach the Board for the final investment decision (FID), following which execution is expected to take 3-3.5 years.
- **Ludhiana Plant:** The commissioning is expected within the next 12 months and will add 0.75mtpa EAF capacity focused on high-margin retail products, catering to customers within a 300km radius.

Exhibit 7: TATA scaling up in India to capitalize on the growth opportunity



Source: Company

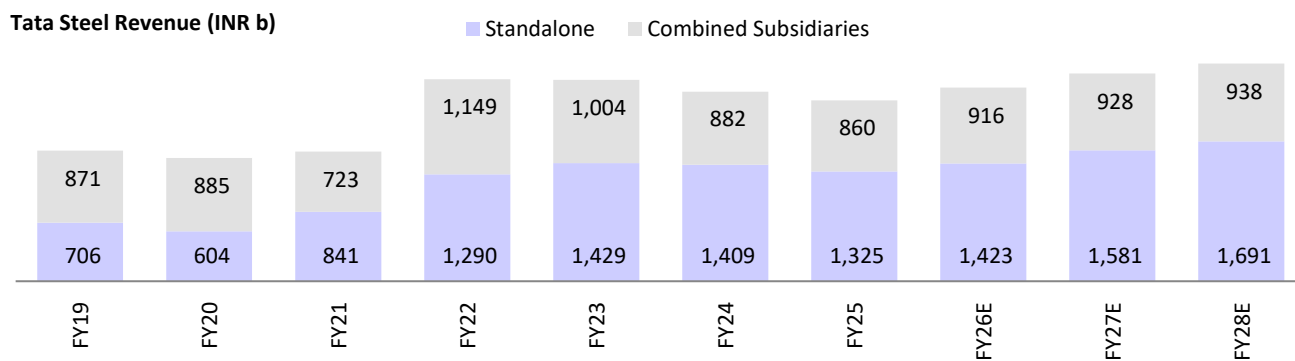
Exhibit 8: Shipment (mt) to hit 35mt by FY28E



Source: MOFSL, Company

- **TATA is actively restructuring its European operations to advance decarbonization efforts and improve competitiveness.**
- In the Netherlands, a major decarbonization plan is underway with support from the Dutch government. The project is currently in the engineering and capital cost estimation phase. A letter of intent will be presented to parliament, and following the elections/formation of a new government, binding agreements will be negotiated.
- In the UK, construction has commenced on a 3mtpa EAF project at Port Talbot, aimed at achieving significant cost and carbon reductions (increased local scrap use, lower energy costs, and improved competitiveness post-transition).

Exhibit 9: Robust domestic volume to drive overall consolidated revenue to INR2,629b by FY28E

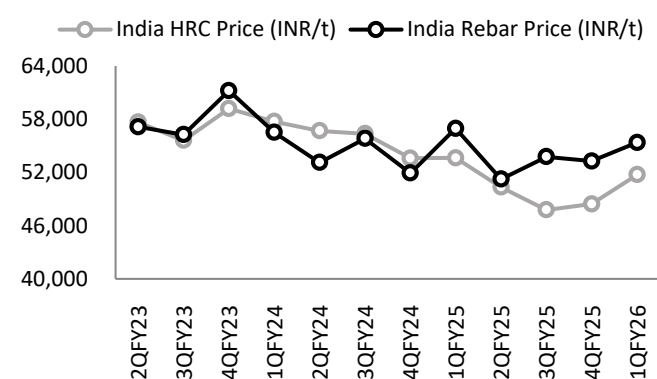


Source: MOFSL, Company

Safeguard duty and China's production cut to support steel prices

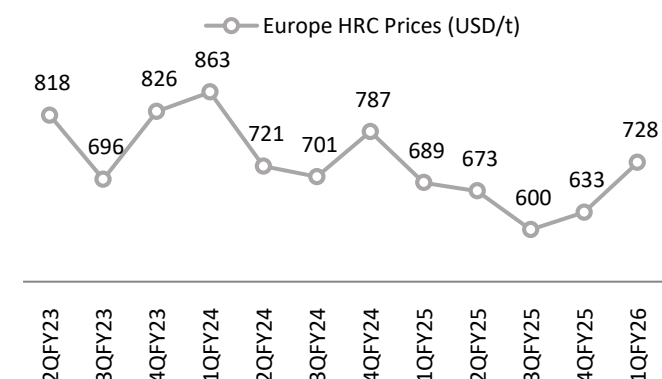
- According to the Joint Plant Committee (JPC), India's crude steel production stood at 81.8mt (12% YoY) in 1HFY26, driven by incremental capacities, a decline in cheaper imports, and higher exports to the MEA/EU regions. In 1HFY26, steel imports in India declined 29% YoY to 3mt, driven by a 12% safeguard duty and stricter BIS regulations. Meanwhile, exports rose 23% YoY to 2.3mt as exports to the EU/MEA increased.
- Subdued demand in China led to a global steel oversupply, with the country's steel exports rising to ~25% (~111mt) of global exports in CY24 vs ~14% (~53mt) in CY20. Several countries across geographies have imposed trade barriers on China to curb cheaper steel imports. Consequently, we expect global prices to improve as China's exports and production reduce.

Exhibit 10: Domestic HRC/Rebar prices (INR/t)



Source: MOFSL, BigMint

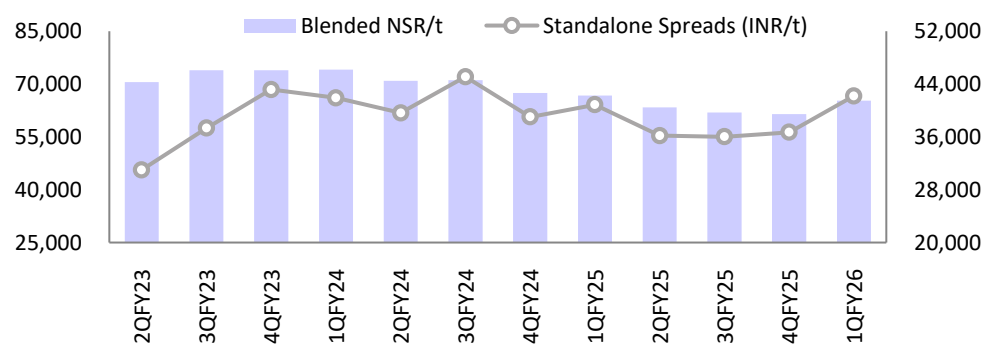
Exhibit 11: Europe HRC prices (USD/t)



Source: MOFSL, BigMint

- Domestic HRC prices stood at INR49,500/t in 2QFY26, while China's landed steel prices in India are currently at a 15% premium to domestic steel prices due to the 12% safeguard duty. Therefore, we expect domestic steel prices to improve, supported by the safeguard duty and the end of the monsoon season. TATA is well-positioned to benefit from India's strong domestic growth story through its ongoing capacity expansion and product diversification strategies. Currently, market sentiment for 2HFY26 indicates a gradual price recovery, muted costs (especially coking coal prices), and demand tailwinds.

Exhibit 12: Better NSR to improve steel spreads as costs have largely bottomed out

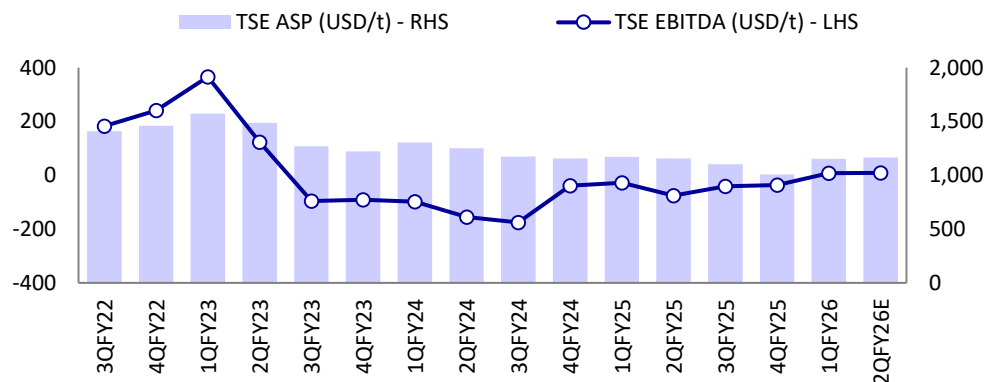


Source: MOFSL, Company

Breakeven for European operations – TSUK breakeven on track; TSN cost restructuring to drive profitability

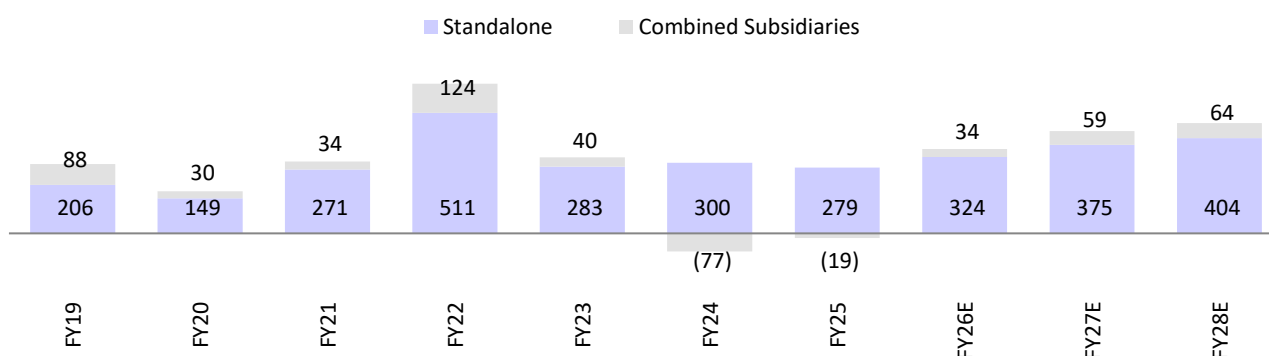
- TATA Europe's operations in the UK and the Netherlands have faced persistent financial challenges due to high energy/operational costs, unfavorable demand, and the obligation to reduce carbon emissions.
- Its operations are making visible progress toward breakeven, with recent quarters showing a narrowing of losses, particularly in the UK, and the capacity ramp-up underway in the Netherlands.
- The INR115b cost transformation initiatives across three locations (India, UK, and Netherlands) remain on track, with the UK operations expected to achieve breakeven by 4QFY26. The total cost savings target stands at INR115b, of which INR44b (INR15b in FY25 and INR29b in 1QFY26) has already been realized. Of the INR29b savings in 1QFY26, India accounted for INR11b, the Netherlands for INR14b, and the UK for INR4b.
- The overall operating loss of USD76/t in 2QFY25 turned positive to USD8/t in 1QFY26, with further improvements expected due to cost optimization, lower energy prices, and the impact of the legacy BF shutdown in the UK.
- Management expects EBITDA losses from UK operations to further reduce in the coming quarters, supported by capacity ramp-up in the Netherlands and lower fixed costs, which should boost the overall EBITDA of its Europe operations to USD70/t and Consol. EBITDA/t to INR13,000/t by FY28E (vs. INR8,376/t in FY25).

Exhibit 13: TATA Europe's EBITDA steadily improving to breakeven

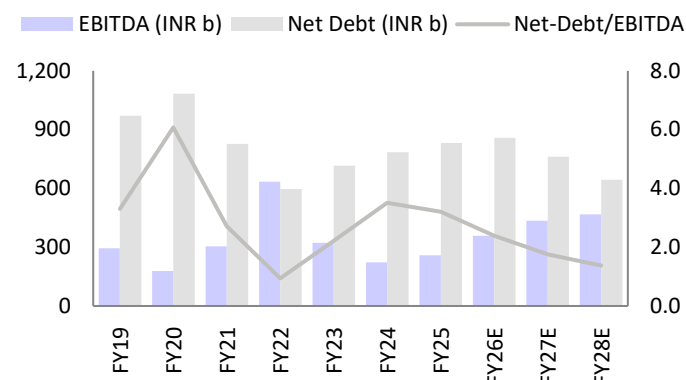


Source: MOFSL, Company

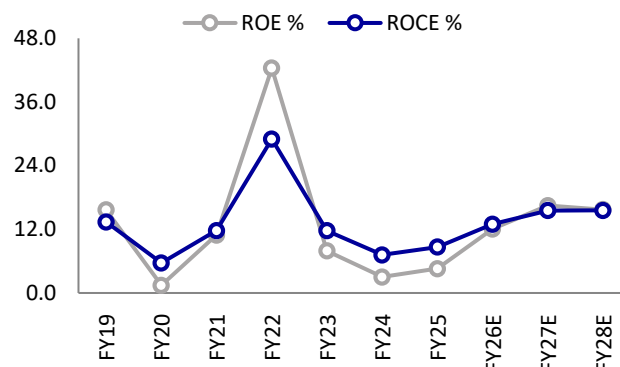
Exhibit 14: Incremental EBITDA (INR b) from the Europe business to drive overall consol. EBITDA (INR b)



Source: MOFSL, Company

Exhibit 15: Net debt-to-EBITDA ratio expected to reduce


Source: MOFSL, Company

Exhibit 16: ROE/ROCE expected to improve


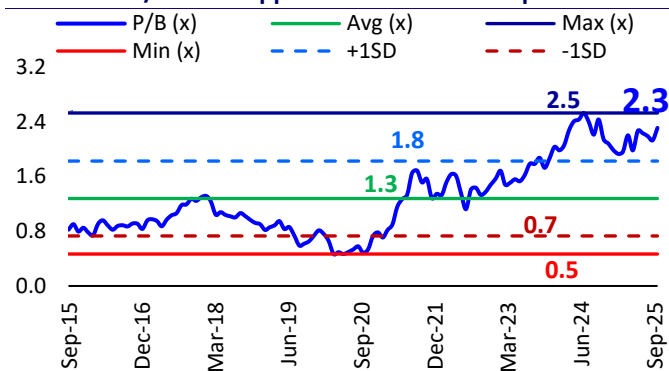
Source: MOFSL, Company

Exhibit 17: Financial Summary

		FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Standalone										
Volume	mt	12.3	16.7	17.6	18.9	19.9	20.9	22.3	23.7	25.1
Realisation	INR/t	49,047	50,488	73,212	75,736	70,785	63,284	63,941	66,736	67,313
EBITDA/t	INR/t	12,061	16,277	29,013	14,982	15,062	13,307	14,562	15,854	16,076
Revenue	INR b	604	841	1,290	1,429	1,409	1,325	1,423	1,581	1,691
EBITDA	INR b	149	271	511	283	300	279	324	375	404
PAT	INR b	85	164	332	153	191	149	166	199	215
Subsidiaries										
Revenue	INR b	816	863	1,149	1,004	883	860	916	928	938
EBITDA	INR b	28	76	124	40	(77)	(19)	34	59	64
Europe*										
Volume	mt	9.3	8.8	9.0	8.5	8.1	8.8	9.0	8.9	9.0
Realisation	USD/t	853	859	1,339	1,377	1,231	1,106	1,107	1,115	1,127
EBITDA/t	USD/t	(10)	(6)	181	68	(113)	(45)	33	64	70
Revenue	INR b	559	561	900	903	781	764	816	829	840
EBITDA	INR b	(7)	(6)	122	46	(76)	(33)	26	50	55
Consolidated										
Volume	mt	28.9	28.5	29.5	28.8	29.4	31.0	32.4	33.8	35.3
Realisation	INR/t	51,583	54,885	82,642	84,527	77,976	70,589	72,176	74,193	74,550
EBITDA/t	INR/t	6,173	10,699	21,507	11,219	7,590	8,376	11,061	12,848	13,260
Revenue	INR b	1,490	1,565	2,440	2,434	2,292	2,185	2,339	2,508	2,629
EBITDA	INR b	178	305	635	323	223	259	358	434	468
Adj. PAT	INR b	10	83	403	86	30	42	115	178	195
Adj. EPS	INR	0.9	6.9	33.0	7.1	2.4	3.4	9.2	14.2	15.6

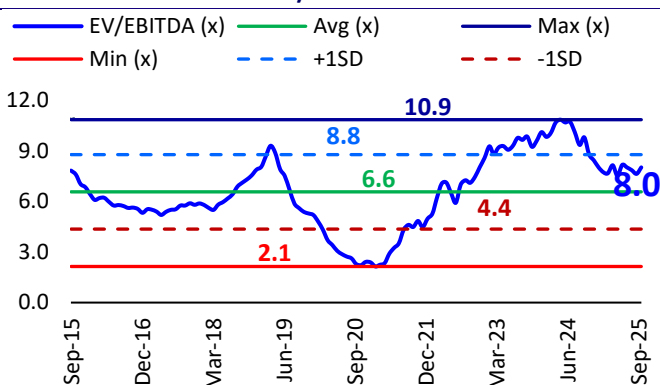
Note - * Europe operations excluding intersegment and other non-operating income

Exhibit 18: P/B ratio slipped from its historical peak...



Source: MOFSL, Company data

Exhibit 19: ...and so has EV/EBITDA



Source: MOFSL, Company data

Exhibit 20: Valuation summary

Y/E March	UoM	Sep'27E
Standalone		
Sales	mt	24.4
EBITDA	INR/t	15,968
EBITDA	INR b	390
Target multiple	x	7.5
Target EV	INR b	2,922
Europe		
Sales	mt	8.9
EBITDA	INR/t	5,921
EBITDA	INR b	53
Target multiple	x	6.0
Target EV	INR b	318
Other Subsidiaries		
EBITDA - India subs	INR b	8
Target EBITDA multiple	x	4.0
Target EV	INR b	34
Target EV	INR b	3,274
Net Debt (d)	INR b	703
Total equity value	INR b	2,571
No of shares o/s	b	12.47
Target Price	INR/sh	210

Source: MOFSL

Financials and valuations

Income Statement (Consolidated)								(INR b)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	1,564.8	2,439.6	2,433.5	2,291.7	2,185.4	2,338.6	2,508.5	2,629.3
Change (%)	5.0	55.9	(0.2)	(5.8)	(4.6)	7.0	7.3	4.8
EBITDA	305.0	634.9	323.0	223.1	259.3	358.4	434.4	467.7
% of Net Sales	19.5	26.0	13.3	9.7	11.9	15.3	17.3	17.8
Depn. & Amortization	92.3	91.0	93.4	98.8	104.2	107.7	112.1	119.0
EBIT	212.7	543.9	229.6	124.2	155.1	250.7	322.2	348.7
Finance cost	76.1	54.6	63.0	75.1	73.4	74.0	76.7	78.5
Other income	9.0	7.8	10.4	18.1	15.4	16.4	17.6	18.4
PBT before EO	145.6	497.1	177.0	67.3	97.1	193.0	263.1	288.6
EO income	(10.4)	(1.3)	1.1	(78.1)	(14.9)	(1.3)	-	-
Share of asso.	3.3	6.5	4.2	(0.6)	1.9	0.8	-	-
PBT after EO	138.4	502.3	182.4	(11.5)	84.1	192.5	263.1	288.6
Tax	56.5	84.8	101.6	37.6	52.4	78.3	85.5	93.8
Rate (%)	40.8	16.9	55.7	(328.0)	62.3	40.7	32.5	32.5
PAT (Before MI & asso.)	81.9	417.5	80.8	(49.1)	31.7	114.2	177.6	194.8
Minority interest P/L	7.0	16.0	(6.9)	(4.7)	(2.5)	(0.7)	-	-
Reported PAT (After MI & asso.)	74.9	401.5	87.6	(44.4)	34.2	114.9	177.6	194.8
Adjusted PAT	82.6	402.9	86.5	29.7	42.0	115.4	177.6	194.8
Change (%)	694.9	387.8	(78.5)	(65.7)	41.4	174.9	53.9	9.7

Balance Sheet (Consolidated)								(INR b)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	12.0	12.2	12.2	12.5	12.5	12.5	12.5	12.5
Reserves	730.4	1,132.2	1,018.6	907.9	899.2	988.4	1,141.1	1,310.9
Net Worth	742.4	1,144.4	1,030.8	920.4	911.7	1,000.9	1,153.5	1,323.4
Minority Interest	32.7	26.6	20.9	4.0	1.8	1.8	1.8	1.8
Total Loans	885.0	755.6	848.9	870.8	948.0	973.9	983.4	993.6
Deferred Tax Liability	92.4	123.3	141.2	129.9	144.3	130.0	130.0	130.0
Capital Employed	1,752.5	2,049.9	2,041.8	1,925.1	2,005.8	2,106.6	2,268.8	2,448.8
Other Liabilities	154.6	149.7	141.8	134.8	141.3	135.0	135.0	135.0
Total Liabilities	1,907.1	2,199.6	2,183.6	2,059.9	2,147.2	2,241.6	2,403.8	2,583.8
Gross Block	1,925.0	1,909.5	2,021.4	2,166.9	2,287.9	2,447.9	2,607.9	2,767.9
Less: Accum. Deprn.	735.0	747.8	834.4	931.5	1,035.7	1,143.4	1,255.5	1,374.6
Net Fixed Assets	1,190.0	1,161.7	1,187.0	1,235.4	1,252.2	1,304.4	1,352.3	1,393.3
Capital WIP	181.3	212.3	303.1	333.7	406.0	406.0	406.0	406.0
Goodwill & Others	176.5	179.4	288.3	262.6	267.2	267.5	267.5	267.5
Investments	34.6	58.3	47.8	55.3	57.5	55.0	55.0	55.0
Other Assets	270.3	317.3	187.4	141.8	127.2	145.8	145.8	145.8
Curr. Assets	602.1	925.6	866.7	705.5	683.9	727.9	855.4	1,010.6
Inventory	332.8	488.2	544.2	491.6	445.9	481.6	499.8	522.2
Account Receivables	95.4	122.5	82.6	62.6	52.6	62.0	66.4	70.4
Cash & liquid investment	57.8	159.0	133.6	86.8	116.5	116.4	221.1	350.0
Others	116.1	155.9	106.4	64.5	68.9	68.0	68.0	68.0
Curr. Liability & Prov.	547.7	654.9	696.6	674.4	646.8	665.0	678.2	694.4
Account Payables	259.7	367.6	378.3	302.3	293.1	347.8	361.0	377.2
Provisions & Others	288.1	287.2	318.3	372.1	353.6	317.2	317.2	317.2
Net Current Assets	54.4	270.7	170.1	31.1	37.1	62.9	177.2	316.2
Appl. of Funds	1,907.1	2,199.6	2,183.6	2,059.9	2,147.2	2,241.6	2,403.8	2,583.8

Financials and valuations

Ratios (Consolidated)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	6.9	33.0	7.1	2.4	3.4	9.2	14.2	15.6
Cash EPS	14.6	40.4	14.7	10.3	11.7	17.9	23.2	25.2
BVPS	62.0	93.7	84.4	73.8	73.1	80.2	92.5	106.1
DPS	2.5	5.1	3.6	3.6	3.6	2.0	2.0	2.0
Payout (%)	36.3	15.5	50.9	151.4	107.0	21.6	14.0	12.8
Valuation (x)								
P/E	7.0	3.7	15.1	53.2	45.8	19.1	12.4	11.3
Cash P/E	3.3	3.0	7.3	12.3	13.2	9.9	7.6	7.0
P/BV	0.8	1.3	1.3	1.7	2.1	2.2	1.9	1.7
EV/Sales	0.9	0.9	0.8	1.0	1.3	1.3	1.2	1.1
EV/EBITDA	4.6	3.3	6.3	10.6	10.6	8.5	6.8	6.1
Dividend Yield (%)	5.2	4.2	3.4	2.8	2.3	1.1	1.1	1.1
Return Ratios (%)								
RoE	10.9	42.4	8.0	3.0	4.6	12.1	16.5	15.7
RoCE (pre-tax)	11.8	29.0	11.7	7.2	8.7	13.0	15.5	15.6
RoIC (pre-tax)	9.6	27.4	8.7	2.8	7.8	12.0	14.6	14.1
Working Capital Ratios								
Debtor (Days)	21	20	15	11	9	10	10	10
Inventory (Days)	91	98	96	90	86	90	90	90
Payables (Days)	69	63	65	60	56	65	65	65
Leverage Ratio (x)								
Net Debt/EBITDA	2.7	0.9	2.2	3.5	3.2	2.4	1.8	1.4
Net Debt/Equity	1.1	0.5	0.7	0.9	0.9	0.9	0.7	0.5

E: MOFSL Estimates

Cash Flow Statement (Consolidated)

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA	305.0	634.9	323.0	223.1	259.3	358.4	434.4	467.7
(Inc)/Dec in Wkg. Cap.	164.9	(96.2)	(37.1)	33.8	22.1	(25.9)	(9.5)	(10.2)
Tax Paid	(7.0)	(119.0)	(55.2)	(53.2)	(26.2)	(78.3)	(85.5)	(93.8)
Other operating activities	(19.6)	24.1	(13.9)	(0.7)	(20.0)	(0.5)	-	-
CF from Op. Activity	443.3	443.8	216.8	203.0	235.1	253.6	339.4	363.7
(Inc)/Dec in FA + CWIP	(65.3)	(99.5)	(138.1)	(177.3)	(144.1)	(160.3)	(160.0)	(160.0)
Free Cash Flow to Firm	377.9	344.3	78.7	25.7	91.1	93.3	179.4	203.7
(Pur)/Sale of Non-cur. Invest.	(36.3)	(23.0)	48.6	31.7	1.6	(16.1)	0.0	(0.0)
Acquisition in subsidiaries	0.9	11.5	(104.0)	1.2	0.2	-	-	-
Int. & Dividend Income	5.0	3.2	5.7	6.7	5.4	16.4	17.6	18.4
Others	2.5	(1.0)	1.1	(4.8)	(4.9)	-	-	-
CF from Inv. Activity	(93.2)	(108.8)	(186.8)	(142.5)	(141.7)	(160.0)	(142.4)	(141.6)
Equity raised/(repaid)	32.4	3.3	0.0	(1.6)	(0.3)	-	-	-
Debt raised/(repaid)	(321.1)	(159.8)	54.3	16.3	56.4	25.9	9.5	10.2
Dividend (incl. tax)	(11.5)	(30.2)	(62.9)	(44.3)	(44.9)	(74.0)	(76.7)	(78.5)
Interest & equiv. paid	(70.7)	(47.3)	(61.2)	(81.4)	(81.2)	(24.9)	(24.9)	(24.9)
Other Financing activities	-	-	-	-	-	(20.6)	-	-
CF from Fin. Activity	(370.9)	(234.0)	(69.8)	(111.0)	(70.0)	(93.7)	(92.2)	(93.2)
(Inc)/Dec in Cash	(20.9)	101.0	(39.8)	(50.5)	23.4	(0.1)	104.8	128.9
Add: opening balance	77.3	55.3	156.1	121.3	70.8	96.0	95.9	200.7
Forex Adj.	(1.1)	(0.2)	5.0	(0.0)	1.9	-	-	-
Closing cash balance	55.3	156.0	121.3	70.8	96.0	95.9	200.7	329.6
Bank Balance	2.5	2.9	12.3	16.0	20.4	20.4	20.4	20.4
Closing balance (incl. Bank balance)	57.8	159.0	133.6	86.8	116.5	116.4	221.1	350.0

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