

## Beat driven by Indian ops; UK losses to narrow

Tata steel reported consol. EBITDA of INR55bn, significantly higher than JMfe of INR48bn driven by strong performance in the Indian operations. India business witnessed a decline in realisations leading to a fall in EBITDA/t by INR0.8k/t to INR13.5k/t. Europe losses widened to USD75/t in 2Q as against USD28/t in 1Q. The company reported profit of INR2.8bn during 2Q. Net debt increased by INR66bn to INR888bn during 2Q primarily on count of higher capex at INR48bn.

Key takeaways from the call are – 1) Expected coking coal price movement in 3Q (a) India: (-) USD20/t (b) Netherlands: (-) USD 10/t coking coal and iron ore respectively 2) Expected net realisation movement in 3Q: (a) India (-) INR 2k/t 3) the company endeavors to cut UK losses by embarking on cost initiatives to the tune of GBP100/t fixed cost reduction 4) Kalinganagar phased commissioning started with additional 1.1mn tons volume expected in FY25E 5) Management endeavour is to make transition to EAF in the UK within 4 years. The commissioning of the phased expansion of 5mtpa at Kalinganagar remains on track with the blast furnace commissioned recently. Indian operations spread continue to remain healthy while UK losses have peaked in our view. Maintain BUY.

- India operations continue to perform well:** Tata Steel reported consol. EBITDA of INR55bn (-20% QoQ) driven by widening losses in European operations. India business EBITDA/ton came in lower by INR745/t QoQ due to lower realizations. In the quarter Corus continued to make losses with an EBITDA/ton of (-) USD75/t vs (-) USD28/t last quarter. Consol.PAT for the quarter stood at INR38.5bn vs INR38.2bn in 1Q. Net debt in the quarter stood at INR888bn due to high capex of INR48bn.
- Europe losses widened in 2Q:** TSE reported an EBITDA loss of USD160mn vs loss of USD60mn in 1Q. EBITDA/t for TSE stood at (-)USD75/t in 2Q vs (-) USD28/t in 1Q mainly due poor performance in UK which was partially offset by Netherland operations. UK EBITDA came in at (-) INR15bn vs (-) INR9bn in 1Q mainly due to lower volumes. Netherlands EBITDA declined QoQ by 46% to INR2bn driven by lower realisation. The company closed down its blast furnace#4 and #5 in UK as it transitions to EAF route of operations.
- Corus losses peaked; cost initiatives to yield results hereon:** The company guided for coking coal prices in 3Q to be(-) ~USD20/t and in Netherlands prices of coking coal/iron ore is likely to be down USD10/t respectively. The company also emphasized on its cost takeout initiatives where in it will reduce its cost in the UK by GBP100/t by 4Q as a result of the discontinuation of blast furnace at Port Talbot and will breakeven by June 2025. Capex for FY25 - FY26 expected to be light compared to the FY24-FY25. Currently 40% grant comes from UK govt quarterly and is currently engaged in discussions with Netherland government for decarbonisation capex.

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	175
Upside/(Downside)	13.7%
Previous Price Target	190
Change	-8.0%

### Key Data – TATA IN

Current Market Price	INR154
Market cap (bn)	INR1,917.8/US\$22.7
Free Float	66%
Shares in issue (mn)	12,474.4
Diluted share (mn)	12,474.4
3-mon avg daily val (mn)	INR7,196.2/US\$85.3
52-week range	185/118
Sensex/Nifty	79,512/24,211
INR/US\$	84.4

### Price Performance

%	1M	6M	12M
Absolute	-7.9	-8.3	28.7
Relative*	-6.4	-15.7	4.0

\* To the BSE Sensex

### Financial Summary

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	24,56,402	24,33,527	22,91,708	22,98,401	24,75,278
Sales Growth (%)	57.0	-0.9	-5.8	0.3	7.7
EBITDA	6,51,710	3,23,002	2,23,059	2,80,583	3,76,292
EBITDA Margin (%)	26.5	13.3	9.7	12.2	15.2
Adjusted Net Profit	4,19,690	86,471	33,766	57,045	1,49,174
Diluted EPS (INR)	34.4	7.1	2.7	4.6	12.0
Diluted EPS Growth (%)	391.8	-79.4	-61.8	68.9	161.5
ROIC (%)	29.5	5.7	3.2	4.0	9.3
ROE (%)	44.7	8.0	3.5	6.1	15.0
P/E (x)	4.5	21.7	56.9	33.7	12.9
P/B (x)	1.6	1.8	2.1	2.0	1.8
EV/EBITDA (x)	3.8	8.3	12.3	9.9	7.3
Dividend Yield (%)	3.5	2.9	2.3	1.9	1.9

Source: Company data, JM Financial. Note: Valuations as of 06/Nov/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Quarterly performance (consolidated)							(INR mn)
Y/E March (INR mn)	2QFY25	2QFY25E	Var%	2QFY24	YoY %	1QFY25	QoQ %
Net Sales	539,047	539,492	-0.1	556,819	-3.2	547,714	-1.6
<b>EBITDA</b>	<b>55,220</b>	<b>48,097</b>	<b>14.8</b>	<b>41,470</b>	<b>33.2</b>	<b>69,500</b>	<b>-20.5</b>
PAT- Reported	9,179	3,118	194.4	-61,962		9,596	
PAT- Adjusted	2,805	3,118	-10.0	5,818	-51.8	15,730	-82.2
EPS (INR)	0.2	0.2		0.5		1.3	
Key monitorables (INR bn)							
Net Debt	888	0		770		822	

Source: Company, JM Financial

Exhibit 2. Quarterly performance (standalone)							(INR mn)
Y/E March (INR mn)	2QFY25	2QFY25E	Var%	2QFY24	YoY %	1QFY25	QoQ %
<b>Net Sales</b>	<b>323,995</b>	<b>327,522</b>	<b>-1.1</b>	<b>341,852</b>	<b>-5.2</b>	<b>329,597</b>	<b>-1.7</b>
Volumes (mtons)	5.1	5.1	0.2	4.8	6.0	4.9	3.4
Realization (Rs/ton)	63,404	64,220	-1.3	70,924	-10.6	66,720	-5.0
Raw material cost	138,076	127,474	8.3	144,570	-4.5	133,029	3.8
RM cost/t	27,021	24,995	8.1	29,994	-9.9	26,929	0.3
Change in stock	1,066	0		5,705		-5,403	
Change in stock/t	209	0		1,184		-1,094	
<b>Gross profit</b>	<b>184,853</b>	<b>200,047</b>	<b>-7.6</b>	<b>191,577</b>	<b>-3.5</b>	<b>201,970</b>	<b>-8.5</b>
Gross margin (%)	57.1	61.1		56.0		61.3	
Gross margin/t	36,175	39,225		39,746		40,885	
Staff cost	19,401	21,420	-9.4	18,635	4.1	21,251	-8.7
Staff cost/t	3,797	4,200		3,866		4,302	
Other cost	96,562	117,300	-17.7	107,632	-10.3	110,399	-12.5
Other cost/t	18,897	23,000		22,330		22,348	
Total expenditure	255,105	266,194	-4.2	276,542	-7.8	259,276	-1.6
<b>EBITDA</b>	<b>68,890</b>	<b>61,327</b>	<b>12.3</b>	<b>65,310</b>	<b>5.5</b>	<b>70,320</b>	<b>-2.0</b>
EBITDA (%)	21.3	18.7		19.1		21.3	
Blended EBITDA/ton	13,481	12,025	12.1	13,550	-0.5	14,235	-5.3
Other income	8,515	4,000		8,240		3,724	
Depreciation	15,564	15,500	0.4	14,655		15,216	
EBIT	61,841	49,827	24.1	58,895	5.0	58,828	5.1
Interest	11,329	10,500	7.9	11,374		9,248	
PBT	50,512	39,327	28.4	47,521	6.3	49,581	1.9
Tax	11,949	9,832		6,095		11,338	
Eff. Tax rate (%)	23.7	25.0		12.8		22.9	
XO items	-2,654	0		-126,561		-4,953	
<b>PAT- Reported</b>	<b>35,910</b>	<b>29,496</b>	<b>21.7</b>	<b>-85,136</b>	<b>-142.2</b>	<b>33,290</b>	<b>7.9</b>
<b>PAT- Adjusted</b>	<b>38,564</b>	<b>29,496</b>	<b>30.7</b>	<b>41,426</b>	<b>-6.9</b>	<b>38,243</b>	<b>0.8</b>
EPS (INR)	3.2	2.4		3.4		3.1	

Source: Company, JM Financial

Exhibit 3. Quarterly performance – TSE							(USD mn)
(US\$ mn)	2QFY25	2QFY25E	% Var	2QFY24	YoY %	1QFY25	QoQ %
<b>Net Sales</b>	<b>2,272</b>	<b>2,350</b>	<b>-3.3</b>	<b>2,280</b>	<b>-0.3</b>	<b>2,347</b>	<b>-3.2</b>
Deliveries (mn tons)	2.1	2.2		1.8	18%	2.2	-1%
Realisations (US\$/ton)	1,067	1,064	0.3	1,259	-15.3	1,092	-2.3
<b>EBITDA</b>	<b>-160</b>	<b>-158</b>	<b>1.6</b>	<b>-304</b>		<b>-60</b>	<b>168.1</b>
EBITDA/ton (US\$/ton)	-75	-71		-168		-28	
	2,272	2,350	-3.3	2,280	-0.3	2,347	-3.2

Source: Company, JM Financial

Exhibit 4. Quarterly Performance – TSE UK						(INR mn)
Particulars (INR mn)	2QFY25	2QFY24	YoY %	1QFY25	QoQ %	
<b>Deliveries (in mn tons)</b>	<b>0.63</b>	<b>0.73</b>	<b>-13.7%</b>	<b>0.68</b>	<b>-7.4%</b>	
<b>Revenue</b>	65,150	72,880	-10.6%	68,100	-4.3%	
Revenue/ton (in INR/Ton)	103,413	99,836		100,147		
<b>EBITDA</b>	(15,890)	(13,670)	-	(9,550)	66.4%	
EBITDA/ton (in INR/Ton)	(25,239)	(18,801)		(14,076)		

Source: Company, JM Financial

Exhibit 5. Quarterly Performance – TSE Netherlands						(INR mn)
Particulars (INR mn)	2QFY25	2QFY24	YoY %	1QFY25	QoQ %	
<b>Deliveries (in mn tons)</b>	<b>1.50</b>	<b>1.23</b>	<b>22.0%</b>	<b>1.47</b>	<b>2.0%</b>	
<b>Revenue</b>	141,010	129,610	8.8%	141,670	-0.5%	
Revenue/ton (in INR/Ton)	94,007	105,374		96,374		
<b>EBITDA</b>	2,430	(11,440)	-121.2%	4,530	-46.4%	
EBITDA/ton (in INR/Ton)	1,622	(9,296)		3,082		

Source: Company, JM Financial

**Exhibit 6. TATA steel – Key assumptions and estimates**

Particulars	FY25E	FY26E
Tata Steel Consolidated		
Net sales (INR bn)	2,298	2,475
EBITDA (INR bn)	281	376
EPS (INR)	4.6	12.0
Tata Steel India (incl BSL)		
Net sales (INR bn)	1,394	1,544
Sales volume (mn ton)	21.5	23.0
Blended realisation ('000 INR/ton)	64.9	67.3
EBITDA (INR bn)	299	323
EBITDA/t ('000 INR)	13.9	14.1
Tata Steel Europe		
Net sales (US\$ mn)	8,245	8,500
Sales volume (mn tons)	8.5	8.5
EBITDA (USD mn)	(422)	422
EBITDA/t (USD/t)	(50)	50

Source: JM Financial

**Exhibit 7. Tata Steel – SOTP valuation**

Companies	FY26E	(INR mn) Multiple
<b>EBITDA</b>		
India business (incl. Bhushan Steel & Tata longs)	322,651	8.0
TSE	34,150	7.5
Others	14,983	6.0
<b>Total EV</b>	<b>2,927,227</b>	
Total Net debt	815,244	
<b>Target mcap</b>	<b>2,111,983</b>	
No. of shares	12,474	
<b>Value INR/share</b>	<b>170</b>	
Investments (INR/share)	4	
<b>Target Price (INR/share)</b>	<b>175</b>	

Source: JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Net Sales	24,56,402	24,33,527	22,91,708	22,98,401	24,75,278	
Sales Growth	57.0%	-0.9%	-5.8%	0.3%	7.7%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>24,56,402</b>	<b>24,33,527</b>	<b>22,91,708</b>	<b>22,98,401</b>	<b>24,75,278</b>	
Cost of Goods Sold/Op. Exp	8,34,787	13,26,704	12,38,240	11,20,413	4,66,617	
Personnel Cost	2,32,641	1,78,065	1,86,216	1,99,394	2,05,661	
Other Expenses	7,37,264	6,05,756	6,44,192	6,98,011	14,26,708	
<b>EBITDA</b>	<b>6,51,710</b>	<b>3,23,002</b>	<b>2,23,059</b>	<b>2,80,583</b>	<b>3,76,292</b>	
EBITDA Margin	26.5%	13.3%	9.7%	12.2%	15.2%	
EBITDA Growth	113.6%	-50.4%	-30.9%	25.8%	34.1%	
Depn. & Amort.	91,009	93,352	98,822	1,06,590	1,17,011	
EBIT	5,60,701	2,29,650	1,24,237	1,73,993	2,59,281	
Other Income	7,849	10,375	18,089	9,539	18,080	
Finance Cost	54,622	62,987	75,076	52,418	52,349	
PBT before Excep. & Forex	5,13,928	1,77,037	67,250	1,31,114	2,25,011	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	5,13,928	1,77,037	67,250	1,31,114	2,25,011	
Taxes	84,776	1,01,598	37,626	78,708	80,315	
Extraordinary Inc./Loss(-)	-1,341	1,133	-78,141	0	0	
Assoc. Profit/Min. Int.(-)	9,462	-11,032	-4,142	-4,639	-4,478	
Reported Net Profit	4,18,350	87,604	-44,374	57,045	1,49,174	
<b>Adjusted Net Profit</b>	<b>4,19,690</b>	<b>86,471</b>	<b>33,766</b>	<b>57,045</b>	<b>1,49,174</b>	
Net Margin	17.1%	3.6%	1.5%	2.5%	6.0%	
Diluted Share Cap. (mn)	12,212.1	12,212.4	12,474.4	12,474.4	12,474.4	
<b>Diluted EPS (INR)</b>	<b>34.4</b>	<b>7.1</b>	<b>2.7</b>	<b>4.6</b>	<b>12.0</b>	
Diluted EPS Growth	391.8%	-79.4%	-61.8%	68.9%	161.5%	
Total Dividend + Tax	78,514	54,213	44,950	37,458	37,458	
Dividend Per Share (INR)	5.3	4.4	3.6	3.0	3.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Fund	11,44,430	10,30,821	9,20,358	9,39,944	10,51,660	
Share Capital	12,212	12,212	12,474	12,474	12,474	
Reserves & Surplus	11,32,218	10,18,609	9,07,883	9,27,470	10,39,186	
Preference Share Capital	0	0	0	0	0	
Minority Interest	26,554	20,931	3,970	2,605	1,403	
Total Loans	8,02,386	9,07,043	9,19,830	9,40,831	10,01,833	
Def. Tax Liab. / Assets (-)	1,58,977	1,72,095	1,63,585	1,63,585	1,63,585	
<b>Total - Equity &amp; Liab.</b>	<b>21,32,347</b>	<b>21,30,890</b>	<b>20,07,742</b>	<b>20,46,966</b>	<b>22,18,481</b>	
Net Fixed Assets	15,53,334	17,78,345	18,31,699	18,95,109	19,48,097	
Gross Fixed Assets	21,58,522	23,81,707	25,21,510	25,77,254	26,77,254	
Intangible Assets	43,112	56,017	57,453	57,453	57,453	
Less: Depn. & Amort.	8,68,756	9,71,509	10,90,820	11,97,410	13,14,421	
Capital WIP	2,20,456	3,12,130	3,43,555	4,57,812	5,27,812	
Investments	1,31,399	84,103	62,576	62,576	62,576	
Current Assets	11,69,724	10,17,770	8,39,960	8,21,035	9,92,791	
Inventories	4,88,244	5,44,153	4,91,575	4,93,011	5,30,951	
Sundry Debtors	1,22,464	82,572	62,635	62,818	67,653	
Cash & Bank Balances	1,58,989	1,33,573	86,777	65,652	1,79,276	
Loans & Advances	4,00,026	2,57,471	1,98,973	1,99,554	2,14,911	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	7,22,109	7,49,327	7,26,493	7,31,754	7,84,983	
Current Liabilities	6,46,164	6,62,742	6,34,462	6,36,315	6,85,283	
Provisions & Others	75,945	86,586	92,031	95,439	99,700	
Net Current Assets	4,47,615	2,68,442	1,13,468	89,281	2,07,808	
<b>Total - Assets</b>	<b>21,32,347</b>	<b>21,30,890</b>	<b>20,07,742</b>	<b>20,46,966</b>	<b>22,18,481</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Profit before Tax	5,04,466	1,88,069	71,392	1,35,753	2,29,490	
Depn. & Amort.	91,009	93,352	98,822	1,06,590	1,17,011	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	-1,41,913	1,53,756	33,837	3,061	-4,903	
Others	-18,151	1,133	-78,141	0	0	
Taxes Paid	-84,776	-1,01,598	-37,626	-78,708	-80,315	
<b>Operating Cash Flow</b>	<b>3,50,635</b>	<b>3,34,712</b>	<b>88,285</b>	<b>1,66,697</b>	<b>2,61,283</b>	
Capex	-1,42,274	-1,37,000	-1,82,066	-1,70,000	-1,70,000	
Free Cash Flow	2,08,361	1,97,712	-93,781	-3,303	91,283	
Inc (-) / Dec in Investments	-24,579	47,295	21,527	0	0	
Others	52,057	-5,623	57,621	-1,365	-1,203	
<b>Investing Cash Flow</b>	<b>-1,14,796</b>	<b>-95,328</b>	<b>-1,02,917</b>	<b>-1,71,365</b>	<b>-1,71,203</b>	
Inc / Dec (-) in Capital	-1,200	-1,200	-1,198	-1,198	-1,197	
Dividend + Tax thereon	-78,514	-54,213	-44,950	-37,458	-37,458	
Inc / Dec (-) in Loans	-90,379	1,04,658	12,787	21,001	61,002	
Others	35,422	-3,14,046	1,199	1,198	1,197	
<b>Financing Cash Flow</b>	<b>-1,34,671</b>	<b>-2,64,801</b>	<b>-32,162</b>	<b>-16,457</b>	<b>23,544</b>	
<b>Inc / Dec (-) in Cash</b>	<b>1,01,167</b>	<b>-25,417</b>	<b>-46,795</b>	<b>-21,125</b>	<b>1,13,624</b>	
Opening Cash Balance	57,822	1,58,989	1,33,573	86,777	65,652	
Closing Cash Balance	1,58,989	1,33,573	86,777	65,652	1,79,276	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24A	FY25E	FY26E
Net Margin		17.1%	3.6%	1.5%	2.5%	6.0%
Asset Turnover (x)		1.4	1.2	1.2	1.2	1.3
Leverage Factor (x)		1.9	1.8	1.9	2.0	2.0
RoE		44.7%	8.0%	3.5%	6.1%	15.0%

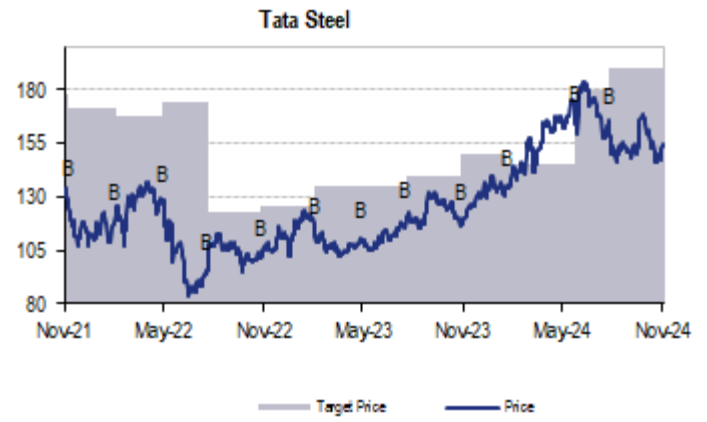
Key Ratios		FY22A	FY23A	FY24A	FY25E	FY26E
BV/Share (INR)		93.7	84.4	73.8	75.3	84.3
ROIC		29.5%	5.7%	3.2%	4.0%	9.3%
ROE		44.7%	8.0%	3.5%	6.1%	15.0%
Net Debt/Equity (x)		0.5	0.7	0.9	0.9	0.8
P/E (x)		4.5	21.7	56.9	33.7	12.9
P/B (x)		1.6	1.8	2.1	2.0	1.8
EV/EBITDA (x)		3.8	8.3	12.3	9.9	7.3
EV/Sales (x)		1.0	1.1	1.2	1.2	1.1
Debtor days		18	12	10	10	10
Inventory days		73	82	78	78	78
Creditor days		131	115	112	115	119

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Jun-20	Buy	40	
14-Aug-20	Buy	46	14.5
23-Oct-20	Buy	50	9.2
14-Nov-20	Buy	56	11.0
10-Feb-21	Buy	79	41.4
8-Apr-21	Buy	116	47.8
6-May-21	Buy	142	22.4
13-Aug-21	Buy	178	25.4
12-Nov-21	Buy	172	-3.7
7-Feb-22	Buy	168	-2.0
4-May-22	Buy	174	3.5
26-Jul-22	Buy	123	-29.3
1-Nov-22	Buy	125	1.9
7-Feb-23	Buy	135	7.7
3-May-23	Buy	135	0.0
25-Jul-23	Buy	140	3.7
2-Nov-23	Buy	150	7.1
25-Jan-24	Buy	145	-3.0
30-May-24	Buy	180	23.8
1-Aug-24	Buy	190	5.8

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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