

Tata Steel | BUY

Netherland re-organization to trim down 'controllable' costs

We attended the investor call of Tata Steel, hosted by Mr. Koushik Chatterjee (ED & CFO). The key takeaways from the call are a) company announced a major re-organization program for Netherland operations to target 'controllable' cost savings (yields / product mix / repair & maintenance / employee costs – 40% of total costs) to the tune of EUR500mn for FY26 b) plans to downsize its workforce by 1,600 on a base of 9k employees for the Ijmuiden plant - to lead to employee cost savings of ~EUR160mn in FY26 and ~EUR50mn in FY27 (included in overall cost savings of EUR500mn) c) company expects minimal impact of 25% tariffs on steel imports by the US with exposure for different regions at i) India: no direct sales exposure ii) UK: total exposure of about 88k tons out of 3mn tons and iii) Netherland: downstream subsidiaries in US send ~670k tons p.a. out of the 6.8mn tons - effectively modest exposure. Company's aspirations for UK operations to breakeven by 2QFY26 remains on track given a significant portion of the GBP100/t cost takeout initiative has been achieved in 3Q. Following the tri-partite discussions (Tata Steel, Dutch govt. and EU) for the subsidy package for Netherland, company expects to come out with a joint letter of intent in the next few months followed by detailed negotiations. Tata Steel Europe is on course to deliver ~USD(-48)/t EBITDA/t vs JMFe FY26 / FY27E EBITDA/t of ~USD10 / USD22 per ton – no changes to estimates for now. Maintain BUY.

- **Major transformation program to bring in EUR500mn of 'controllable' cost savings:** Company announced a major transformation program for Netherland operations aimed at maximizing production efficiency, lowering fixed costs and optimizing product mix. This program will focus on reducing 'controllable' cost which includes yields, product mix, repairs & maintenance as well as employee costs (makes up about 40% of the total cost). Through this, company plans to save costs to the tune of EUR500mn in FY26 – can potentially lead to EBITDA/t expansion by ~USD60/t. Company also announced downsizing its workforce for the same by 1,600 on a base of 9k employees – to lead to cost savings of ~EUR160mn in FY26 and ~EUR50mn in FY27.
- **Minimal direct exposure from US tariffs:** Company expects minimal impact of 25% tariffs on steel imports imposed by the US with exposure for different regions at 1) India: no direct sales exposure to US markets; indirect exposure at less than 0.01% of India deliveries 2) UK: total exposure of about 88k tons out of 3mn tons portfolio spread across packaging, tubes and automotive – insignificant in the overall context 3) Netherland: downstream subsidiaries in US send ~670k tons p.a. out of the 6.8mn tons spread across packaging, engineering, automotive and plating – effectively modest exposure. Overall, company believes US tariffs on steel will have negligible impact on its operations.
- **Cost initiatives to yield results here-on; projects on track:** Company expects UK operations to breakeven by 2QFY26 given a significant portion of the GBP100/t cost takeout initiative has been achieved in 3Q. In the UK, company also signed contracts with the suppliers for a cutting-edge pickling line for a key component of steel making. For its Netherland operations, company wants to ensure that all its downstream businesses remain competitive and does not plan to get out of any segment. Following the tripartite discussions (Tata Steel, Dutch govt. and EU) for the subsidy package for Netherland, company plans to come out with a joint letter of intent in the next few months followed by detailed negotiations.



Ashutosh Somani

ashutosh.somani@jmfl.com | Tel: (91 22) 66303083

Anirudh Nagpal

anirudh.Nagpal@jmfl.com | Tel: (91 22) 66303263

Rajvi Panchmatia

rajvi.panchmatia@jmfl.com | Tel: (91 22) 66303018

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.comCompliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.comGrievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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