BUY Tata Steel

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Metals & Mining | Company Update | **November 23, 2026** | **CMP (Rs): 163 | TP (Rs): 210**

TATA's Rs323bn acquisition of a 52.6% controlling stake in APAT secures a 7.5mt downstream platform but carries a demanding 25x EV/EBITDA valuation and a 3-3.5Y path to EPS accretion. The transaction pushes TATA's pro forma net debt to Rs1.2trn (net debt/EBITDA: ~2.5x) and yields implied target price of Rs180 (10% upside vs CMP) on Rs461bn FY28E EBITDA. Meanwhile, APAT retains Rs100bn in net debt (with Rs180bn capitalized over 12M) while targeting an EBITDA ramp up from ~Rs21bn to Rs40bn, leaving its valuation multiple-dependent (29.7% upside at 20x vs 8.1% downside at 15x on CMP).

TATA to acquire up to 52.6% stake in APAT at a substantial valuation

TATA has agreed to acquire the 26.6% promoter stake in APAT for a consideration of Rs155bn and will make an open offer for an additional 26% stake, involving a potential outlay of Rs168bn. Assuming full acceptance, TATA's holding could increase to 52.6%.

The price of strategic control

TATA's acquisition of up to 52.6% in APAT marks a decisive shift toward downstream value addition, providing immediate access to a 7.5mt tubes and color-coated platform, with a roadmap to 15.5mt by 2035. However, the valuation remains demanding at ~25x EV/EBITDA, particularly against Management's admission of near-term EPS dilution and an estimated 3-3.5 years to accretion. APAT's EBITDA is expected to increase from ~Rs21bn to Rs40bn, with the longer-term ambition of Rs100bn at 15.5mt, supported by incremental EBITDA of Rs6,000-8,000/t from capacity additions and improved product mix. Funding and leverage remain key monitorables: APAT is expected to retain ~Rs100bn of net debt, while the remaining Rs180bn is proposed to be capitalized over 12 months; TATA's pro forma net debt is likely to rise to Rs1.2trn, with Management guiding to 2.5x net debt/EBITDA and a gradual reduction to 2.2-2.3x. While the acquisition strengthens TATA's downstream presence and offers a more stable earnings mix, the premium valuation, undefined equity-infusion terms, and execution dependence temper the near-term investment case. We view the transaction as strategically positive albeit financially demanding; value creation will depend on APAT delivering the targeted EBITDA ramp-up, with EPS accretion and deleveraging remaining the key proof points.

Assessing the risk-reward profile following the TATA-APAT integration

Evaluating the mechanics, TATA's total implied payout of Rs323bn for a 52.6% controlling stake in APAT is funded via a complex architecture: an initial cash outflow of Rs42.6bn, an assumption of Rs146.7bn in acquisition debt, and Rs133bn attributed to the dilution of control in its transferred Tube and Coated businesses (valued at Rs280bn). While this consolidates an incremental Rs23.8bn in FY28E EBITDA for Tata (bringing total consolidated EBITDA to Rs461bn) and yields derived value of Rs180 (offering a modest +10.3% against the CMP), the transaction significantly inflates net debt to Rs1.2trn. Conversely, APAT absorbs Rs100bn in new debt to fund the acquisition, pushing its valuation sensitivity to rely heavily on multiple expansion, trading at 15x EV/EBITDA; this offers 8.1% downside vs its CMP of Rs1,670, and 29.7% upside at 20x EV/EBITDA.

Target Price – 12M	Sep-27
Change in TP (%)	**-**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	28.8

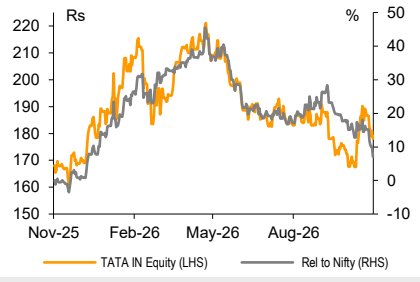
Stock Data	**TATA IN**
52-week High (Rs)	224
52-week Low (Rs)	160
Shares outstanding (mn)	12,483.5
Market-cap (Rs bn)	2,038
Market-cap (USD mn)	21,934
Net-debt, FY27E (Rs mn)	824,430.3
ADTV-3M (mn shares)	27.6
ADTV-3M (Rs mn)	4,950.5
ADTV-3M (USD mn)	53.3
Free float (%)	66.8
Nifty-50	25,349.7
INR/USD	92.9

Shareholding,Sep-26	
Promoters (%)	33.0
FPIs/MFs (%)	17.7/28.0

Price Performance

(%)	1M	3M	12M
Absolute	(2.6)	(10.8)	(2.8)
Rel. to Nifty	(13.2)	(14.7)	(0.1)

1-Year share price trend (Rs)



Tata Steel: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	2,185,425	2,321,399	2,716,949	2,662,107	2,629,318
EBITDA	258,020	348,480	452,854	437,598	494,015
Adj. PAT	25,998	122,620	172,281	164,342	197,961
Adj. EPS (Rs)	2.1	9.8	13.8	13.2	15.9
EBITDA margin (%)	11.8	15.0	16.7	16.4	18.8
EBITDA growth (%)	10.3	35.1	30.0	(3.4)	12.9
Adj. EPS growth (%)	(24.4)	371.8	40.5	(4.6)	20.5
RoE (%)	2.8	12.7	16.1	14.0	15.5
RoIC (%)	2.7	11.0	13.0	12.1	13.7
P/E (x)	116.8	18.1	11.8	12.4	10.3
EV/EBITDA (x)	11.9	8.8	6.8	7.0	6.2
P/B (x)	2.2	2.0	1.8	1.7	1.5
FCFF yield (%)	2.6	6.7	4.6	6.5	6.6

Source: Company, Emkay Research

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Exhibit 1: Understanding the whole transaction

Understanding the transaction	
APAT closing Mcap (Rs bn)	580.0
Promoter's stake	26.4%
TATA's acquisition of promoter's stake (Rs bn)	155.0
TATA's mandatory open offer	26.0%
TATA's mandatory open offer value (Rs bn)	167.6
Tata's total payout for 52.4% stake in APAT (Rs bn)	**322.6**
Tata's sale of Tube + Color coated business to APAT value (Rs bn)	**280.0**
TATA's total cash outflow (Rs bn)	42.6
+ Tata's share in APAT's debt for the Rs280bn acquisition (assuming APAT will fund the acquisition through all debt) (Rs bn)	146.7
+ Tata's loss of control to its Tubes + Color coating business by 47.6% (100%-52.4%) @ Rs280bn valuation (Rs bn)	133.3
Effective cost of transaction for TATA (Rs bn)	**322.6**

Source: Company, Emkay Research

Exhibit 2: TATA and APAT – Operational details of the business

FY26 numbers	TATA	APAT
Sales volume (kt)	1,700.0	3,491.0
Revenue (Rs mn)	110,880.0	230,790.0
EBITDA (Rs mn)	11,290.3	18,018.2
Realization/t (Rs)	65,223.5	66,110.0
EBITDA/t (Rs)	5,376.3	5,161.3

Source: Company, Emkay Research

Exhibit 3: TATA – Post-transaction implied valuation

Post transaction implication (Rs bn)	
Net debt on the balance sheet (assuming Rs250bn of APAT)	1,160.0
TATA's EBITDA for FY28E	437.6
APAT's EBITDA assuming 15% growth	23.8
TATA's Total Implied EBITDA for FY28E	**461.4**
Valuation (EV/EBITDA)	
TATA's consol EBITDA @ 7x	3,063.2
APAT's EBITDA @ 15x	357.4
Total Implied EV	**3,420.6**
Less: Net Debt and Minority	1,178.0
TATA's Equity Value	**2,242.7**
Tata Steel value/sh	179.7
Upside/(Downside) to CMP @ 163	**10.3%**

Source: Company, Emkay Research

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Exhibit 4: APAT – Post-transaction implied valuation

Post transaction implication for APAT	
Estimated Net debt on the balance sheet	100.0
APAT's FY26 EBITDA	18.0
APAT's FY28E EBITDA assuming 15% growth	23.8
Additional EBITDA from TATA's Tube + Coated business	11.2
Total Consol EBITDA for APAT	**35.1**
Valuation Sensitivity (EV/EBITDA)	
@ 15x EV/EBITDA	525.9
@ 20x EV/EBITDA	701.2
@ 25x EV/EBITDA	876.5
Implied Equity Value Sensitivity assuming debt of Rs100bn	
@ 15x EV/EBITDA	425.9
@ 20x EV/EBITDA	601.2
@ 25x EV/EBITDA	776.5
Implied Share Price Sensitivity (Rs/sh)	
@ 15x EV/EBITDA	1,534.3
@ 20x EV/EBITDA	2,165.8
@ 25x EV/EBITDA	2,797.3
Upside/(Downside) vs CMP @ 1,670/sh	
@ 15x EV/EBITDA	-8.1%
@ 20x EV/EBITDA	29.7%
@ 25x EV/EBITDA	67.5%

Source: Company, Emkay Research

Exhibit 5: Implied multiple for TATA's tubes and color-coated business transaction is @ ~25x EV/EBITDA



Source: Company, Emkay Research

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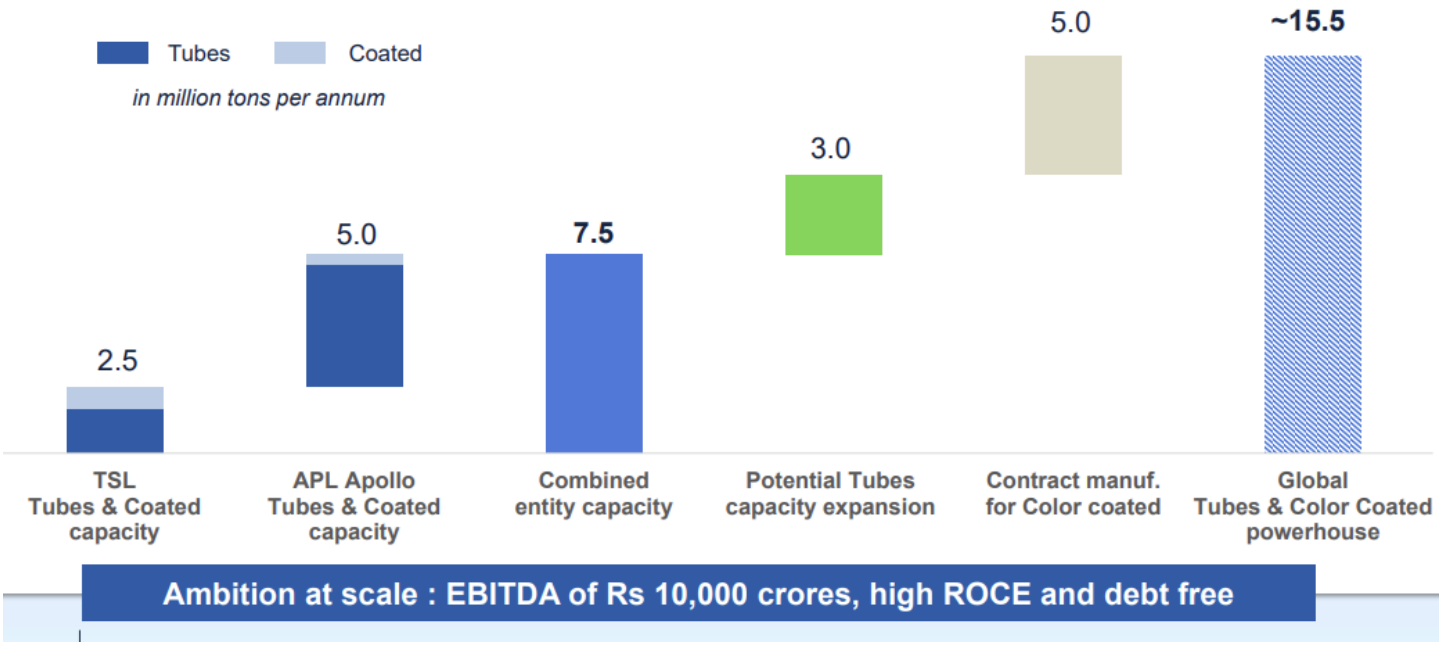
Exhibit 6: Target to increase the capacity from the current 7.5mt to 15.5mt by 2035



Source: Company, Emkay Research

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Tata Steel / APL Apollo Tubes – Call takeaways

The transaction

- Three parts: 1) a business transfer agreement, under which TATA's Khopoli tubes unit (ex-Bhushan) and 100% of Tata Steel Colors (erstwhile BlueScope JV) go to APAT, valued independently at ~Rs280bn; 2) a share purchase for about 26.6% of the promoter stake in APAT, in tranches; 3) a mandatory 26% open offer.
- Tranche 1 (~10%) was bought via block trade. Tranche 2 follows CCI/regulatory approvals. Tranche 3 comes after the open offer closes and is described as more of an optionality.
- Sequence: File for antitrust clearance soon, followed by business transfer, open offer, and tranche 2, then followed by tranche 3. Management gave no firm open offer date. The Rs280bn is payable only on asset transfer – "a couple of months" out, not today.
- APAT shareholder approval is needed because the deal is material and a related-party transaction. TATA cannot vote, though other shareholders can.
- Promoter Sanjay Gupta's group signs an exclusive MoU for contract manufacturing of color-coated steel. Details, capex, and non-compete are deferred until it becomes a definitive agreement.

Strategic rationale

- Tata Steel targets to move downstream, reduce upstream cyclicality, and maintains its 50mt ambition. It said the deal gives it a pan-India B2C pipe franchise "overnight" that would take years to build organically.
- Combined platform: about 7.5mt capacity, with a path to achieve 15.5mt. This includes a 3mt tubes expansion (about 1.5mt already underway) and color coated (CC) growing from 3mt to 8mt via contract manufacturing.
- Complementarity: APAT is strong in structural tubes, GP, and round pipes and has a wide range of innovative products. Tata Steel brings precision and large-diameter tubes, Tiscon, and a steady supply of hot-rolled coil.
- The 2.5mt capacity transferring delivers about 2.1mt of volume. APAT's own capacity is ~5mt with output of ~3.5mt, so utilization is around 70-75%.

Financing, balance sheet, and cash flow

- APL Apollo: steady-state net debt of ~Rs100bn (net debt/EBITDA: ~2.5x). The remaining ~Rs180bn will be equitized/capitalized in tranches over ~12 months after closing. The instrument has not yet been finalized and will come after the open offer, with terms said to be fair to minority shareholders.
- Tata Steel's consolidated net debt: ~Rs910bn in 2H, ~Rs1.2trn pro forma with APAT. Management said net debt/EBITDA stays at ~2.5x pro forma and should trend to 2.2-2.3x. 2H was inflated owing to working capital (especially in the Netherlands) and should improve by Mar-27. Capex outside NINL will be reviewed, and free cash flow will be used for deleveraging.
- Accounting: after closing, assets are fair-valued and any residual will go toward goodwill or reserves. Tax implications of the sale were deferred to a separate discussion.

Earnings, accretion, and targets

- EBITDA: APL's EBITDA of ~Rs21bn is expected to rise to ~Rs40bn. APL's EBITDA per ton has ranged at Rs4,000-7,000, and Tata targets Rs7,000-8,000/t through a better mix.
- Long-term vision: ~Rs100bn EBITDA at 15.5mt by 2035. Each of the two expansion legs (3mt tubes and 5mt color-coated) is expected to add ~Rs6,000/t of incremental EBITDA.

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- EPS: Management accepts near-term dilution and expects the deal to turn EPS-accretive in 3-3.5 years, once the higher-margin color-coated volume comes in, net of conversion charges.
- Management disclosed that its own tube business was earning ~6% return; hence the decision to hive it off.
- Tata India's EBITDA of ~Rs14,000-15,000/t is to be defended post-2030 through cost takeout, mix, and downstream growth, even as costs of iron ore and coking coal rise.
- Management stressed that downstream earnings are more stable and less volatile than upstream, so EBITDA alone understates the benefit.

Operations and synergies

- Steel supply: Tata Steel will supply hot-rolled coil to lift APL's utilization, but at market rate, arm's-length prices. Apollo will keep buying from other mills where freight is more viable (Rs3,000-4,000/t tonne is a freight burden when shipping from eastern India).
- Utilization: downstream, 85-90% is considered optimal, not 100%.
- Contract manufacturing: already a familiar model for Tata Steel (~50% of tubes, >1mt of Tiscon, ~50% of wire, and 100% of Agrico).
- Product mix concerns: an analyst flagged large-diameter pipes and the ~50% of Apollo's mix that is low-margin (~Rs2,000/t). Management said portfolio review and rationalization will come over the next 2-3 months.
- Brands: Apollo has 8-10 brands. Brand architecture, rebranding to Tata, and distribution overlaps will be decided over coming months, using the Bhushan and BlueScope playbook.
- Management: Sanjay Gupta's role is open. Tata says it values his engagement and he will be associated with the facilities he builds. The management team build-out is still to be decided.

Regulatory and risk points

- CCI: combined share of the tubes and pipes market is 25-30% in a fragmented market. Tata says its structural presence is much smaller than Apollo's and it sees no customer-dependence issue.
- Timing and execution: the deal depends on multiple approvals, so timelines are uncertain. The equitization instrument, price, and timing are undefined, creating uncertainty for minority shareholders. Also, Tata's capital call for the equity infusion has not been precisely measured.
- Open offer outcome: this will determine the final shareholding and structure, and Management said it will decide on equitization after it closes.

What to watch out for

1. CCI filing and approval timeline
2. Open offer pricing, timing, and acceptance
3. Instrument and price for the ~Rs180bn equitization
4. Definitive agreement terms with Sanjay Gupta's group (capex, non-compete, volumes)
5. Early signs of the 3-3.5Y EPS accretion path

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Tata Steel: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**2,185,425**	**2,321,399**	**2,716,949**	**2,662,107**	**2,629,318**
Revenue growth (%)	(4.6)	6.2	17.0	(2.0)	(1.2)
EBITDA	**258,020**	**348,480**	**452,854**	**437,598**	**494,015**
EBITDA growth (%)	10.3	35.1	30.0	(3.4)	12.9
Depreciation & Amortization	104,213	119,545	134,688	142,002	149,582
EBIT	**153,807**	**228,935**	**318,167**	**295,596**	**344,433**
EBIT growth (%)	13.8	48.8	39.0	(7.1)	16.5
Other operating income	-	-	-	-	-
Other income	10,370	9,062	7,953	13,251	12,532
Financial expense	73,410	71,671	73,980	74,072	74,165
PBT	**90,767**	**166,327**	**252,140**	**234,774**	**282,801**
Extraordinary items	(8,546)	(10,325)	32	0	0
Taxes	69,144	48,311	82,944	70,432	84,840
Minority interest	2,467	920	1,001	0	0
Income from JV/Associates	1,908	3,685	2,084	0	0
Reported PAT	**17,452**	**112,295**	**172,313**	**164,342**	**197,961**
PAT growth (%)	0	543.5	53.4	(4.6)	20.5
Adjusted PAT	**25,998**	**122,620**	**172,281**	**164,342**	**197,961**
Diluted EPS (Rs)	**2.1**	**9.8**	**13.8**	**13.2**	**15.9**
Diluted EPS growth (%)	(24.4)	371.8	40.5	(4.6)	20.5
DPS (Rs)	**3.6**	**3.6**	**5.4**	**5.3**	**6.3**
Dividend payout (%)	**257.3**	**40.0**	**39.0**	**40.0**	**40.0**
EBITDA margin (%)	11.8	15.0	16.7	16.4	18.8
EBIT margin (%)	7.0	9.9	11.7	11.1	13.1
Effective tax rate (%)	76.2	29.0	32.9	30.0	30.0
NOPLAT (pre-IndAS)	**36,640**	**162,439**	**213,503**	**206,917**	**241,103**
Shares outstanding (mn)	12,484	12,478	12,478	12,478	12,478

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	12,474	12,474	12,474	12,474	12,474
Reserves & Surplus	899,222	1,009,202	1,109,964	1,208,569	1,327,345
Net worth	**911,696**	**1,021,677**	**1,122,438**	**1,221,043**	**1,339,820**
Minority interests	1,832	16,128	15,127	15,127	15,127
Non-current liab. & prov.	104,939	105,928	105,928	105,928	105,928
Total debt	**948,011**	**923,817**	**923,817**	**923,817**	**923,817**
Total liabilities & equity	**2,107,816**	**2,219,920**	**2,319,681**	**2,418,286**	**2,537,063**
Net tangible fixed assets	1,252,152	1,498,782	1,556,245	1,606,547	1,663,848
Net intangible assets	186,314	209,437	209,437	209,437	209,437
Net ROU assets	80,880	100,727	100,727	100,727	100,727
Capital WIP	406,019	275,103	275,103	275,103	275,103
Goodwill	-	-	-	-	-
Investments [JV/Associates]	145,306	155,896	155,896	155,896	155,896
Cash & equivalents	**116,470**	**100,575**	**99,387**	**159,251**	**207,921**
Current assets (ex-cash)	567,446	624,626	676,130	664,561	657,643
Current Liab. & Prov.	646,770	745,226	751,241	751,233	731,511
NWC (ex-cash)	**(79,325)**	**(120,600)**	**(75,111)**	**(86,673)**	**(73,868)**
Total assets	**2,107,816**	**2,219,920**	**2,321,682**	**2,420,287**	**2,539,064**
Net debt	831,541	823,242	824,430	764,566	715,896
Capital employed	2,107,816	2,219,920	2,319,681	2,418,286	2,537,063
Invested capital	**1,359,141**	**1,587,619**	**1,690,570**	**1,729,311**	**1,799,418**
BVPS (Rs)	73.0	81.9	90.0	97.9	107.4
Net Debt/Equity (x)	0.9	0.8	0.7	0.6	0.5
Net Debt/EBITDA (x)	3.2	2.4	1.8	1.7	1.4
Interest coverage (x)	2.2	3.3	4.4	4.2	4.8
RoCE (%)	**9.0**	**12.5**	**16.2**	**14.6**	**16.1**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	84,129	159,687	251,880	234,774	282,801
Others (non-cash items)	(12,090)	350	0	0	0
Taxes paid	(26,242)	(45,966)	(82,944)	(70,432)	(84,840)
Change in NWC	22,070	54,423	(45,489)	11,561	(12,805)
Operating cash flow	**235,118**	**350,645**	**332,115**	**391,978**	**408,902**
Capital expenditure	(156,705)	(145,591)	(192,150)	(192,304)	(206,884)
Acquisition of business	(3,928)	(2,547)	0	0	0
Interest & dividend income	5,357	10,572	0	0	0
Investing cash flow	**(141,727)**	**(149,053)**	**(192,150)**	**(192,304)**	**(206,884)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	53,250	(91,054)	0	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(81,192)	(80,656)	(73,980)	(74,072)	(74,165)
Dividend paid (incl tax)	(44,899)	(44,899)	(67,174)	(65,737)	(79,184)
Others	4,691	2,737	0	0	0
Financing cash flow	**(68,150)**	**(213,871)**	**(141,154)**	**(139,809)**	**(153,349)**
Net chg in Cash	25,241	(12,280)	(1,189)	59,865	48,669
OCF	235,118	350,645	332,115	391,978	408,902
Adj. OCF (w/o NWC chg.)	213,048	296,222	377,604	380,416	421,707
FCFF	78,413	205,054	139,965	199,674	202,018
FCFE	10,360	143,955	65,986	125,602	127,854
OCF/EBITDA (%)	91.1	100.6	73.3	89.6	82.8
FCFE/PAT (%)	59.4	128.2	38.3	76.4	64.6
FCFF/NOPLAT (%)	**214.0**	**126.2**	**65.6**	**96.5**	**83.8**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	116.8	18.1	11.8	12.4	10.3
EV/CE(x)	1.6	1.6	1.5	1.4	1.3
P/B (x)	2.2	2.0	1.8	1.7	1.5
EV/Sales (x)	1.4	1.3	1.1	1.2	1.2
EV/EBITDA (x)	11.9	8.8	6.8	7.0	6.2
EV/EBIT(x)	19.9	13.4	9.6	10.4	8.9
EV/IC (x)	2.3	1.9	1.8	1.8	1.7
FCFF yield (%)	2.6	6.7	4.6	6.5	6.6
FCFE yield (%)	0.5	7.1	3.2	6.2	6.3
Dividend yield (%)	2.2	2.2	3.3	3.2	3.9
DuPont-RoE split					
Net profit margin (%)	1.2	5.3	6.3	6.2	7.5
Total asset turnover (x)	1.1	1.1	1.3	1.2	1.1
Assets/Equity (x)	2.2	2.1	2.0	1.9	1.9
RoE (%)	**2.8**	**12.7**	**16.1**	**14.0**	**15.5**
DuPont-RoIC					
NOPLAT margin (%)	1.7	7.0	7.9	7.8	9.2
IC turnover (x)	1.6	1.6	1.7	1.6	1.5
RoIC (%)	**2.7**	**11.0**	**13.0**	**12.1**	**13.7**
Operating metrics					
Core NWC days	(13.2)	(19.0)	(10.1)	(11.9)	(10.3)
Total NWC days	**(13.2)**	**(19.0)**	**(10.1)**	**(11.9)**	**(10.3)**
Fixed asset turnover	0.9	0.8	0.9	0.8	0.8
Opex-to-revenue (%)	88.2	85.0	83.3	83.6	81.2

Source: Company, Emkay Research

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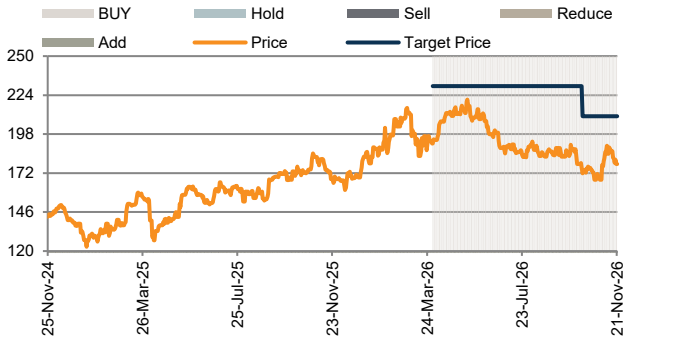
RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
22-Nov-26	178	210	Buy	Akhilesh Kumar
07-Nov-26	186	210	Buy	Akhilesh Kumar
08-Oct-26	172	210	Buy	Akhilesh Kumar
24-Sep-26	188	230	Buy	Akhilesh Kumar
26-Aug-26	188	230	Buy	Akhilesh Kumar
31-Jul-26	190	230	Buy	Akhilesh Kumar
07-Jul-26	190	230	Buy	Akhilesh Kumar
16-Jun-26	196	230	Buy	Akhilesh Kumar
29-May-26	208	230	Buy	Akhilesh Kumar
17-May-26	217	230	Buy	Akhilesh Kumar
08-Apr-26	204	230	Buy	Akhilesh Kumar
31-Mar-26	192	230	Buy	Akhilesh Kumar

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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