

Estimate change 

TP change

Rating change 

Bloomberg	TATA IN
Equity Shares (m)	12484
M.Cap.(INRb)/(USDb)	1605.7 / 18.6
52-Week Range (INR)	185 / 123
1, 6, 12 Rel. Per (%)	-4/-13/-11
12M Avg Val (INR M)	7427
Free float (%)	66.8

### Financials & Valuations (INR b)

Y/E MARCH	2025E	2026E	2027E
Sales	2,197	2,469	2,620
EBITDA	264	361	439
Adj. PAT	42	139	200
EBITDA Margin (%)	12.0	14.6	16.7
Adj. EPS (INR)	3.4	11.2	16.0
EPS Gr. (%)	24.4	231.9	43.6
BV/Sh. (INR)	67	71	80

### Ratios

Net D:E	1.0	1.0	0.8
RoE (%)	4.9	16.1	21.1
RoCE (%)	9.7	14.9	18.1
Payout (%)	148.5	62.6	43.6

### Valuations

P/E (x)	38.3	11.5	8.0
P/BV (x)	1.9	1.8	1.6
EV/EBITDA(x)	9.3	6.9	5.6
Div. Yield (%)	3.9	5.4	5.4
FCF Yield (%)	3.7	7.4	11.8

### Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	33.2	33.2	33.7
DII	23.7	22.9	23.3
FII	19.0	19.9	20.7
Others	24.1	24.0	22.3

FII Includes depository receipts

**CMP: INR129**

**TP: INR140 (+9%)**

**Neutral**

## Healthy beat on EBITDA driven by lower costs; EU losses decline

### Standalone performance

- Tata Steel (TATA)'s 3QFY25 revenue came in line at INR328b, -5% YoY (+1% QoQ), primarily due to a weak ASP, which dipped 13% YoY and 2% QoQ to INR61,929/t. The QoQ performance was largely supported by a healthy sales volume of 5.3mt (+8% YoY and 4% QoQ) during the quarter.
- Crude steel production stood at 5.69mt (+6% YoY/+8% QoQ) and finish steel production was at 5.41mt (+5% YoY/+7% QoQ) in 3QFY25.
- EBITDA stood at INR75b (YoY/QoQ: -9%/+13%) and was better than our estimate of INR62b. EBITDA/t came in at INR14,179/t (YoY/QoQ: -16%/+10%), against our estimate of INR11,570/t during the quarter. The beat was primarily led by lower-than-expected costs. Other expenses for the quarter included a write-back of INR14b towards a provision for claims no longer required.
- TATA posted an APAT of INR40b, -13% YoY (+13% QoQ) vs. our est. of INR32b.

### European operations

- Consolidated steel deliveries stood at 2.1mt (+8% YoY/-1% QoQ), in line with our estimate. TATA Europe reported an in-line revenue of INR195b (+2% YoY/-2% QoQ) for the quarter. Healthy volume growth was offset by weak ASP, which stood at USD1117/t (-5% YoY and -4% QoQ) during the quarter.
- The operating loss has reduced to INR7.4b (vs. our estimated loss of INR10.6b) in 3QFY25 against INR29b in 3QFY24 and INR13b in 2QFY25.
- EBITDA loss per ton declined to USD42/t in 3QFY25 from USD76/t in 2QFY25 (vs. our estimated loss of USD60/t), primarily because of lower operating costs in the UK (closure of BFs) and lower energy costs in the Netherlands.

### Consolidated performance

- Consol. revenue came in at INR537b (-3% YoY/flat QoQ), in line with our estimate. This was primarily led by a healthy sales volume of 7.7mt (+8% YoY/+3% QoQ), which was offset by a muted ASP of INR69,493/t (-10% YoY/-3% QoQ) during the quarter.
- Adjusted EBITDA (ex-forex movement loss of INR12b) stood at INR72b (+25% YoY/+30% QoQ) against our estimate of INR45b, translating into an EBITDA/t of INR9,268/t (+15% YoY and +26% QoQ) during the quarter.
- The company reported an APAT of INR7.4b against our estimate of INR1.9b.
- For 9MFY25, revenue declined 5% YoY to INR1623b, while EBITDA grew 28% YoY to INR194b and APAT was at INR25b up by 42% YoY.
- Net debt declined to INR858b in 3Q vs. INR888b in 2QFY25, translating into a net debt-to-EBITDA of 3.34x as of 3QFY25.

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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.

### Highlights from the management commentary

- For the India business, management guided NSR to be flat QoQ in 4QFY25. Any safeguard duties announcement will support pricing in the near term.
- For the Netherlands/UK, management foresees an NSR decline of GBP60/t QoQ in 4QFY25 over the renewal of annual contracts.
- Coking coal costs (on a consumption basis) for India operations are likely to be USD10/t lower QoQ in 4QFY25. For the Netherlands operations, coking coal may see a fall of USD20/t QoQ, whereas iron ore might be lower by USD3-4/t QoQ.
- Operating losses for the UK operations were lower in 3QFY25, and considering the current pricing/demand environment, management expects the UK business to break even in the coming quarters.
- NINL achieved all operational targets and is running at full capacity. The EBITDA margin improved to 20% in 3QFY25 from 13% in 2QFY25, supported by the rise in volumes and cost efficiency measures that reduced conversion costs by INR3,000/t.

### Valuation and view

- The India business posted a decent performance, driven by lower costs. Domestic demand is expected to improve in 4Q, with rising govt. spending and construction activities. The management expects EBITDA losses from UK operations to further reduce in coming quarters, along with capacity ramp-up in the Netherlands and lower fixed costs, which should boost the overall EBITDA performance of its European operations.
- Though there are near-term challenges related to high imports and lower realizations, the long-term outlook remains strong for TATA. While the India business is expected to continue its strong performance, improving performance in the European business would support overall earnings.
- We have marginally reduced our revenue/EBITDA estimates by 4%/5% for both FY25/26 and PAT by 5%/10% for FY26/FY27. TATA is trading at 5.6x FY27E EV/EBITDA and 1.6x FY27E P/B. **We reiterate our Neutral rating with a revised SOTP-based TP of INR140.**

**Standalone quarterly performance (INR b)**

Y/E March	FY24				FY25				FY24	FY25E	FY25E vs Est 3QE (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
<b>Sales Vol (kt)</b>	<b>4,790</b>	<b>4,820</b>	<b>4,880</b>	<b>5,420</b>	<b>4,940</b>	<b>5,110</b>	<b>5,290</b>	<b>5,624</b>	<b>19,910</b>	<b>20,964</b>	<b>5,344</b>	<b>(1.0)</b>
Change (YoY %)	17.7	-1.8	6.3	5.2	3.1	6.0	8.4	3.8	8.4	5.3		
Change (QoQ %)	-7.0	0.6	1.2	11.1	-8.9	3.4	3.5	6.3				
<b>ASP (INR/t)</b>	<b>74,083</b>	<b>70,924</b>	<b>71,069</b>	<b>67,592</b>	<b>66,720</b>	<b>63,404</b>	<b>61,929</b>	<b>63,049</b>	<b>70,812</b>	<b>63,718</b>	<b>60,959</b>	<b>1.6</b>
Abs Change (QoQ)	203	-3,159	146	-3,478	-872	-3,316	-1,475	1,120	-7,002	-7,094		
Change (YoY %)	-16.9	0.5	-3.9	-8.5	-9.9	-10.6	-12.9	-6.7	-9.0	-10.0		
<b>Net Sales</b>	<b>354.9</b>	<b>341.9</b>	<b>346.8</b>	<b>366.3</b>	<b>329.6</b>	<b>324.0</b>	<b>327.6</b>	<b>354.6</b>	<b>1,409.9</b>	<b>1,335.8</b>	<b>325.7</b>	<b>0.6</b>
Change (YoY %)	-2.2	-1.3	2.2	-3.7	-7.1	-5.2	-5.5	-3.2	-1.3	-5.3		
Change (QoQ %)	-6.7	-3.7	1.5	5.6	-10.0	-1.7	1.1	8.2				
Total Expenditure	<b>288.2</b>	<b>273.2</b>	<b>264.3</b>	<b>285.9</b>	<b>261.9</b>	<b>257.9</b>	<b>252.6</b>	<b>280.6</b>	<b>1,111.5</b>	<b>1,052.9</b>		
As a % of net sales	81.2	79.9	76.2	78.0	79.4	79.6	77.1	79.1	78.8	78.8		
<b>EBITDA</b>	<b>66.7</b>	<b>68.7</b>	<b>82.5</b>	<b>80.5</b>	<b>67.7</b>	<b>66.1</b>	<b>75.0</b>	<b>74.0</b>	<b>298.3</b>	<b>282.9</b>	<b>61.8</b>	<b>21.3</b>
Change (YoY %)	-32.0	47.2	60.6	-7.0	1.6	-3.8	-9.1	-8.0	5.5	-5.2		
Change (QoQ %)	-22.9	3.0	20.1	-2.5	-15.8	-2.4	13.5	-1.3				
(% of Net Sales)	18.8	20.1	23.8	22.0	20.6	20.4	22.9	20.9	21.2	21.2		
<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>12,935</b>	<b>14,179</b>	<b>13,163</b>	<b>14,984</b>	<b>13,493</b>	<b>11,571</b>	<b>22.5</b>
Interest	10.4	11.4	10.6	9.4	9.2	11.3	10.8	11.8	41.8	43.2		
Depreciation	14.7	14.7	15.1	15.3	15.2	15.6	15.6	15.1	59.7	61.5		
Other Income	14.9	8.2	3.3	4.8	3.7	8.5	4.6	6.9	31.2	23.7		
<b>PBT (before EO Inc.)</b>	<b>56.5</b>	<b>50.9</b>	<b>60.1</b>	<b>60.6</b>	<b>47.0</b>	<b>47.7</b>	<b>53.2</b>	<b>54.0</b>	<b>228.1</b>	<b>201.9</b>		
EO Income(exp)	-0.1	-129.9	0.1	-6.4	-2.4	0.1	-1.5		-136.4	-3.7		
<b>PBT (after EO Inc.)</b>	<b>56.4</b>	<b>-79.0</b>	<b>60.2</b>	<b>54.2</b>	<b>44.6</b>	<b>47.9</b>	<b>51.7</b>	<b>54.0</b>	<b>91.7</b>	<b>198.2</b>	<b>43.1</b>	<b>20.0</b>
Current Tax	12.0	8.2	16.7	12.7	10.8	11.1	3.8	20.8	49.5	46.4		
Current Tax Rate%	21.3	-10.4	27.7	23.4	24.3	23.1	7.3	38.4	54.0	23.4		
Deferred Tax	-1.8	-2.1	-3.0	1.0	0.5	0.9	9.2	-7.1	-5.9	3.4		
Total Tax	10.2	6.1	13.7	13.7	11.3	11.9	13.0	13.6	43.6	49.9		
% Tax	18.1	-7.7	22.7	25.2	25.4	25.0	25.0	25.2	47.6	25.2		
<b>Reported PAT</b>	<b>46.2</b>	<b>-85.1</b>	<b>46.5</b>	<b>40.5</b>	<b>33.3</b>	<b>35.9</b>	<b>38.8</b>	<b>40.4</b>	<b>48.1</b>	<b>148.4</b>		
<b>Adjusted PAT</b>	<b>46.3</b>	<b>44.8</b>	<b>46.4</b>	<b>46.9</b>	<b>35.7</b>	<b>35.8</b>	<b>40.2</b>	<b>40.4</b>	<b>184.4</b>	<b>152.1</b>	<b>32.3</b>	<b>24.4</b>
Change (YoY %)	-22.7	100.5	95.8	-3.7	-23.0	-20.1	-13.3	-13.9	19.3	-17.6		
Change (QoQ %)	-5.0	-3.2	3.7	1.1	-24.0	0.3	12.5	0.3				

Source: MOFSL, Company

## Consolidated quarterly performance (INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25E vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				3QE (%)
<b>Sales (k tons)</b>	<b>7,200</b>	<b>7,070</b>	<b>7,150</b>	<b>7,980</b>	<b>7,390</b>	<b>7,520</b>	<b>7,720</b>	<b>8,134</b>	<b>29,400</b>	<b>30,764</b>	<b>7,754</b>	<b>(0.4)</b>
Change (YoY %)	8.6	-2.2		2.6	2.6	6.4	8.0	1.9	2.1	4.6		
<b>Avg Realization (INR/t)</b>	<b>82,625</b>	<b>78,758</b>	<b>77,359</b>	<b>73,543</b>	<b>74,116</b>	<b>71,682</b>	<b>69,493</b>	<b>70,523</b>	<b>77,949</b>	<b>71,411</b>	<b>67,407</b>	<b>3.1</b>
<b>Net Sales</b>	<b>594.9</b>	<b>556.8</b>	<b>553.1</b>	<b>586.9</b>	<b>547.7</b>	<b>539.0</b>	<b>536.5</b>	<b>573.6</b>	<b>2,291.7</b>	<b>2,196.9</b>	<b>522.7</b>	<b>2.6</b>
Change (YoY %)	-6.2	-7.0	-3.1	-6.8	-7.9	-3.2	-3.0	-2.3	-5.8	-4.1		
Change (QoQ %)	-5.5	-6.4	-0.7	6.1	-6.7	-1.6	-0.5	6.9				
<b>EBITDA</b>	<b>51.7</b>	<b>42.7</b>	<b>57.4</b>	<b>66.0</b>	<b>66.9</b>	<b>55.2</b>	<b>71.5</b>	<b>70.3</b>	<b>223.1</b>	<b>264.1</b>		
Change (YoY %)	-65.4	-29.6	41.9	-8.6	29.4	29.4	24.6	6.6	-30.9	18.4		
Change (QoQ %)	-28.3	-17.5	34.5	15.0	1.4	-17.5	29.6	-1.7				
(% of Net Sales)	8.7	7.7	10.4	11.2	12.2	10.2	13.3	12.3	9.7	12.0		
<b>EBITDA (INR/t)</b>	<b>7,186</b>	<b>6,037</b>	<b>8,031</b>	<b>8,271</b>	<b>9,059</b>	<b>7,343</b>	<b>9,268</b>	<b>8,648</b>	<b>7,587</b>	<b>8,583</b>		
Interest	18.3	19.6	18.8	18.4	17.8	19.7	18.0	19.8	75.1	75.3		
Depreciation	24.1	24.8	24.2	25.7	25.4	26.0	25.7	23.6	98.8	100.6		
Other Income	11.8	2.3	2.3	1.8	2.6	6.0	2.2	4.8	18.1	15.6		
<b>PBT (before EO Inc.)</b>	<b>21.1</b>	<b>0.6</b>	<b>16.7</b>	<b>23.7</b>	<b>26.4</b>	<b>15.5</b>	<b>30.0</b>	<b>31.8</b>	<b>67.3</b>	<b>103.7</b>		
EO Income(exp)	0.1	-69.0	1.9	-5.9	-3.6	6.4	-13.8		-78.1	-11.0		
<b>PBT (after EO Inc.)</b>	<b>21.3</b>	<b>-68.4</b>	<b>18.5</b>	<b>17.7</b>	<b>22.8</b>	<b>21.9</b>	<b>16.3</b>	<b>31.8</b>	<b>-10.9</b>	<b>92.8</b>	<b>5.1</b>	<b>NA</b>
Current Tax	10.3	11.0	18.1	13.5	5.7	11.4	4.5	33.2	52.9	54.9		
Deferred Tax	3.0	-13.3	-4.0	-1.0	8.9	2.6	9.2	-17.3	-15.3	3.4		
Total Tax	13.3	-2.3	14.1	12.5	14.6	14.1	13.8	15.9	37.6	58.3		
% Tax	63.0	NA	84.3	53.0	55.2	90.5	45.8	50.1	55.9	56.2		
<b>PAT before MI and Sh. of associate</b>	<b>8.0</b>	<b>-66.1</b>	<b>4.5</b>	<b>5.2</b>	<b>8.3</b>	<b>7.8</b>	<b>2.5</b>	<b>15.9</b>	<b>-48.5</b>	<b>34.4</b>		
Minority Interests	-1.1	-3.1	0.1	-0.6	-0.4	-0.7	-0.3		-4.7	-1.5		
Share of Asso. PAT	-2.7	1.0	0.7	0.4	0.9	-0.3	0.5	1.1	-0.6	2.2		
<b>Reported PAT (After MI &amp; asso.)</b>	<b>6.3</b>	<b>-62.0</b>	<b>5.1</b>	<b>6.1</b>	<b>9.6</b>	<b>8.3</b>	<b>3.3</b>	<b>16.9</b>	<b>-44.4</b>	<b>38.1</b>		
<b>Adj. PAT (after MI &amp; asso)</b>	<b>6.2</b>	<b>7.0</b>	<b>4.4</b>	<b>12.1</b>	<b>13.2</b>	<b>4.5</b>	<b>7.4</b>	<b>16.9</b>	<b>33.8</b>	<b>42.0</b>	<b>1.9</b>	<b>NA</b>
Change (YoY %)	-92.0	-54.2	LP	-28.8	112.3	-35.8	68.8	40.2	-61.0	24.4		
Change (QoQ %)	-63.4	13.2	-37.6	175.1	9.3	-65.8	64.1	128.6				

Source: MOFSL, Company

Story in charts

Exhibit 1: India EBITDA (USD/t) improved QoQ

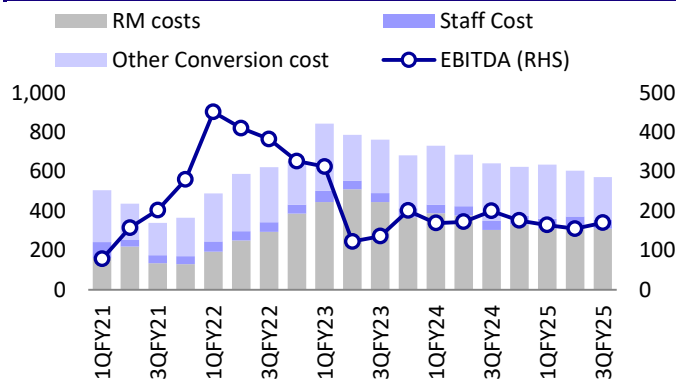


Exhibit 2: Coking coal price (USD/t) remained soft

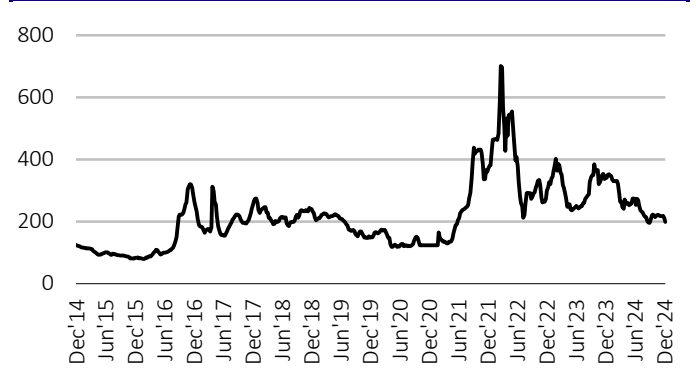
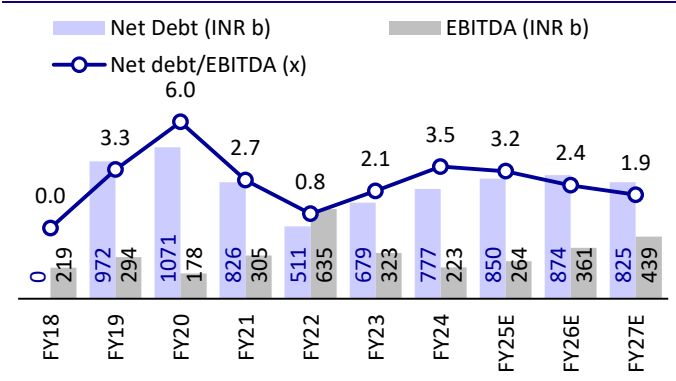
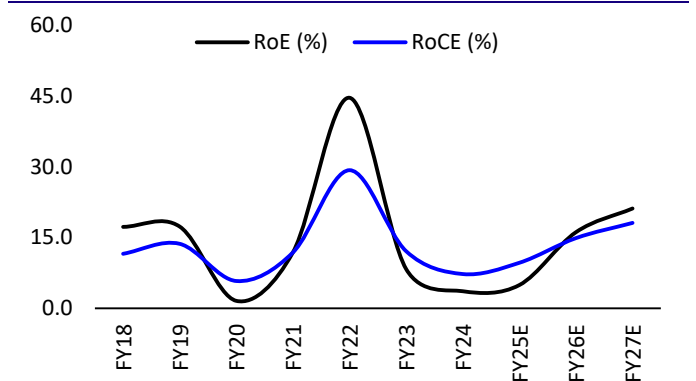


Exhibit 3: Net debt-to-EBITDA ratio expected to come down



Source: MOFSL, Company

Exhibit 4: ROE/ROCE likely to improve



Source: MOFSL, SteelMint

Exhibit 5: Domestic HRC price (INR/t) weakened to INR47,000/t

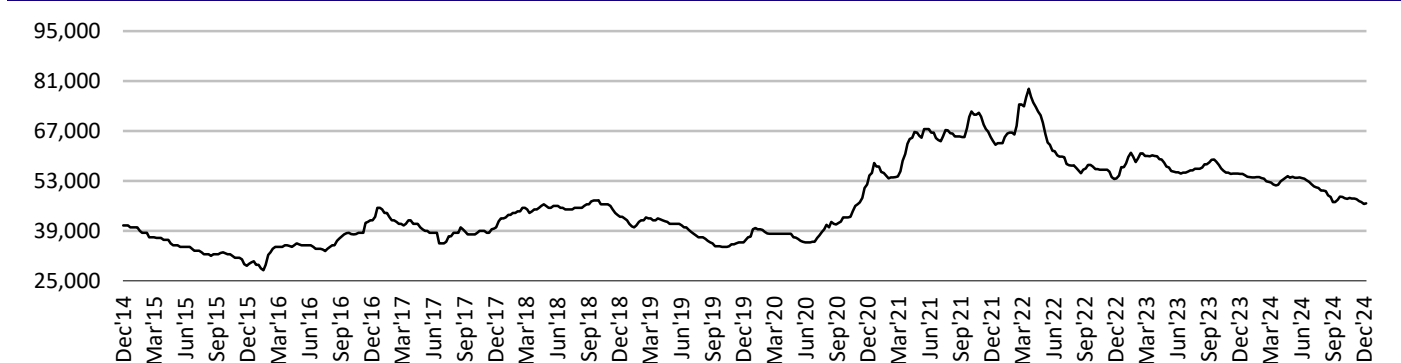
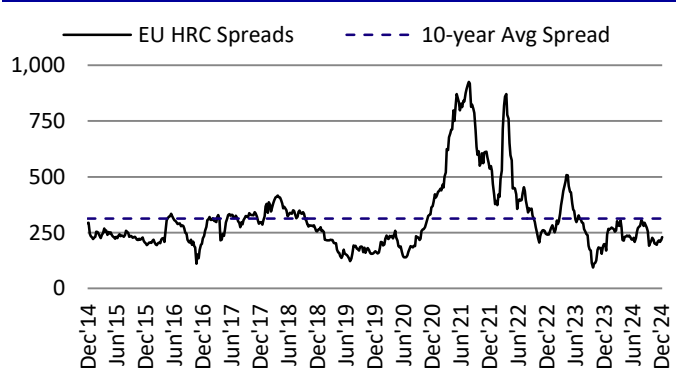
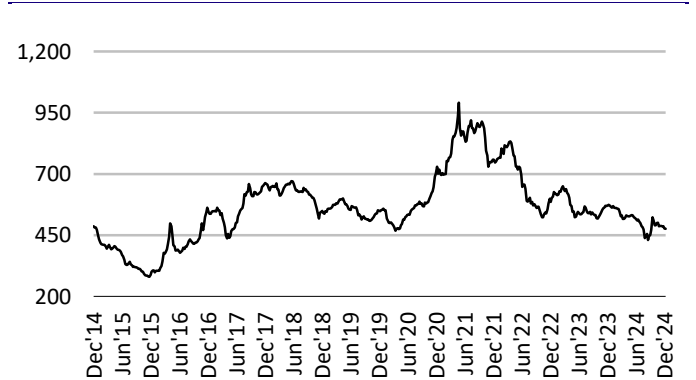


Exhibit 6: Steel spreads below the LTA



Source: MOFSL, SteelMint, Bloomberg

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



Source: MOFSL, SteelMint



## Highlights from the management commentary

### Management guidance

- For the India business, management guided NSR to be flat QoQ in 4QFY25. Any safeguard duties announcement will support pricing in the near term.
- For the Netherlands/UK, management foresees an NSR decline of GBP60/t QoQ in 4QFY25 over the renewal of annual contracts.
- Coking coal costs (on a consumption basis) for India operations are likely to be USD10/t lower QoQ in 4QFY25. For the Netherlands operations, coking coal may see a fall of USD20/t QoQ, whereas iron ore might be lower by USD3-4/t QoQ.

### TATA – European operations

- Operating losses for the UK operations were lower in 3QFY25, and considering the current pricing/demand environment, management expects the UK business to break even in the coming quarters.
- TSUK transformation efforts progressing well and closed BF/coke oven, leading to efficiency and fixed cost reduction of GBP80/t QoQ in 3QFY25. Workforce reductions continued, with 1,900 employees left since Mar'24.
- Netherland spreads hit multi-year lows to ~EUR170/t, adversely impacting TSUN's profitability. As a result, management is keen to undertake a restructuring plan for TSN by reducing people and fixed costs.
- TSN is focused on a gas-based production with hydrogen to be an add-on in the future based on cost dynamics, unlike other European peers that are committed to hydrogen.
- Management is expecting a final investment decision (FID) for TSN in the next 4-5 months, contingent on business viability, government support, and market conditions. (shutting down of coke plants will commence from 2029)

### Indian operations

- Automotive and special products saw strong demand and Tata Tiscon sales grew +20% YoY.
- NINL achieved all operational targets and is running at full capacity. The EBITDA margin improved from 13% in Q2FY25 to 20% in Q3FY25, supported by a rise in volumes and cost efficiency measures that reduced conversion costs by INR3,000/t.
- The NINL ECs process for expansion investment is underway.
- Tata Steel is expanding its production capacities in Kalinganagar, Neelachal, and other sites, and is moving closer to ports. This proximity is expected to help the company in reducing transportation costs.
- Growth projects in India – 1) Kalinganagar is about to get completed now 2) Ludhiana steel plant of 0.8mtpa should be done by 2026. 3) NINL expansion 4) Kalinganagar, and Meramandali plants.

### Capex and Debt

- Investments in cold rolling mill expansion and an electric arc furnace-based plant in Ludhiana are progressing well.

- Tata Steel has 500-600mt of iron ore reserves available beyond, which are being sourced from acquisitions (Neelachal, Bhushan, Usha Martin, and Gandhalpada) and the costs vary based on the premiums paid.
- Management cautiously evaluates future auctions (Jharkhand, Odisha, and potentially Chhattisgarh) while ensuring cost-effectiveness.
- Tata Steel is focused on deleveraging, aiming for a net debt-to-EBITDA of around 2.75x, and intends to prioritize growth without excessively increasing debt.

#### Other Highlights

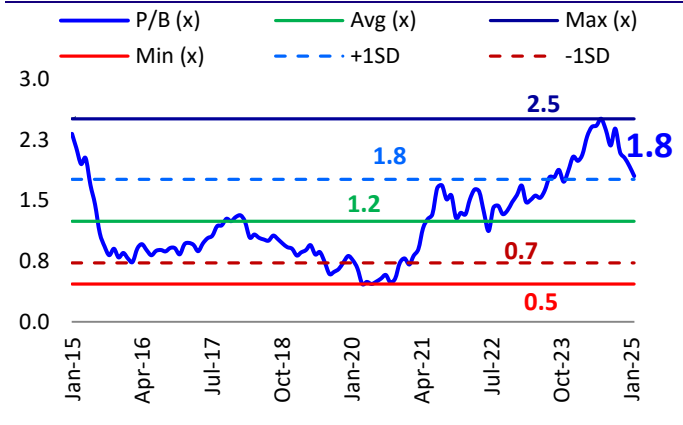
- Steel prices remained weak globally, particularly in China, where prices hovered around USD480/t despite stimulus efforts.
- Chinese steel exports surged to ~111mt (highest ever recorded).
- Steel demand remained weak across Europe, with high imports affecting the European steel market.
- In India, steel demand continued to grow but faced pressure from cheap imports.
- The DGTR initiated investigations on safeguard duties, while global trade measures like anti-dumping duties were implemented.

#### Exhibit 8: Changes to our estimates and key financials

Key Assumptions	UoM	FY25E			FY26E			FY27E		
		New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
<b>Standalone</b>										
Volumes	mt	21.0	21.2	-1.2	23.3	23.3	0.0	24.7	24.7	0.0
ASP	INR/t	63,718	63,718	0.0	71,218	74,218	-4.0	73,218	75,718	-3.3
Revenue	INR b	1,336	1,352	-1.2	1,657	1,726	-4.0	1,806	1,867	-3.3
EBITDA	INR/t	13,493	12,813	5.3	14,833	15,301	-3.1	16,771	16,718	0.3
EBITDA	INR b	283	272	4.0	345	356	-3.1	414	412	0.3
<b>Europe</b>										
Volumes	mt	8.6	8.6	-0.9	7.6	7.6	-1.0	7.4	7.4	-1.1
ASP	USD/t	1,147	1,162	-1.3	1,213	1,213	0.0	1,233	1,233	0.0
Revenue	INR b	817	836	-2.2	773	781	-1.0	771	779	-1.1
EBITDA	USD/t	-38	-31	25.2	38	37	0.1	43	43	-0.4
EBITDA	INR b	-27	-22	24.1	24	24	-0.9	27	27	-1.5
<b>Consolidated (INR b)</b>										
Revenue	INR b	2,197	2,216	-0.8	2,469	2,573	-4.0	2,620	2,743	-4.5
EBITDA	"	264	253	4.3	361	374	-3.5	439	461	-5.0
APAT	"	42	48	-11.9	139	148	-5.8	200	222	-9.7

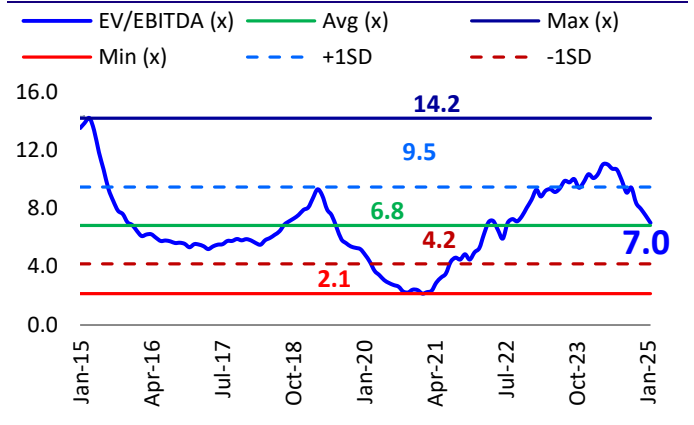
Source: MOFSL

**Exhibit 9: P/B ratio slipped from its historical peak...**



Source: MOFSL, Company data

**Exhibit 10: ... and so is EV/EBITDA**



Source: MOFSL, Company data

**Exhibit 11: TATA (INR b) looks fairly valued at CMP**

Y/E March	UoM	FY27E
<b>Standalone</b>		
Sales	mt	24.7
EBITDA	INR/t	16,771
EBITDA	INR b	414
Target multiple	x	6.0
<b>Target EV</b>	<b>INR b</b>	<b>2,482</b>
<b>Europe</b>		
Sales	mt	7
EBITDA	INR/t	3,660
EBITDA	INR b	27
Target multiple	x	5.0
<b>Target EV</b>	<b>INR b</b>	<b>135</b>
<b>Other Subsidiaries</b>		
EBITDA - India subs	INR b	-2
Target EBITDA multiple	x	4
<b>Target EV</b>	<b>INR b</b>	<b>-8</b>
<b>Target EV</b>	<b>INR b</b>	<b>2,608</b>
Net Debt (d)	INR b	825
<b>Total equity value</b>	<b>INR b</b>	<b>1,783</b>
<b>No of shares o/s</b>	<b>b</b>	<b>12.5</b>
<b>Target Price</b>	<b>INR/sh</b>	<b>140</b>

Source: MOFSL



## Financials and valuations

Income Statement (Consolidated)										(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</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>2,197</b>	<b>2,469</b>	<b>2,620</b>
Change (%)	17.7	19.3	-5.5	4.9	56.1	-0.2	-5.8	-4.1	12.4	6.1
<b>EBITDA</b>	<b>219</b>	<b>294</b>	<b>178</b>	<b>305</b>	<b>635</b>	<b>323</b>	<b>223</b>	<b>264</b>	<b>361</b>	<b>439</b>
% of Net Sales	16.6	18.6	12.0	19.5	26.0	13.3	9.7	12.0	14.6	16.7
Deprn. & Amortization	60	73	87	92	91	93	99	101	102	102
<b>EBIT</b>	<b>159</b>	<b>220</b>	<b>91</b>	<b>213</b>	<b>544</b>	<b>230</b>	<b>124</b>	<b>163</b>	<b>259</b>	<b>336</b>
Finance cost	55	77	76	76	55	63	75	75	75	75
Other income	9	14	18	9	8	10	18	16	20	21
<b>PBT before EO</b>	<b>113</b>	<b>158</b>	<b>34</b>	<b>146</b>	<b>497</b>	<b>177</b>	<b>67</b>	<b>104</b>	<b>203</b>	<b>282</b>
EO income	96	-1	-49	-10	-1	1	-78	-11	0	0
<b>PBT after EO</b>	<b>209</b>	<b>157</b>	<b>-16</b>	<b>135</b>	<b>496</b>	<b>178</b>	<b>-11</b>	<b>93</b>	<b>203</b>	<b>282</b>
Tax	34	67	-26	57	85	102	38	58	69	87
Rate (%)	16	43	163	42	17	57	NA	63	34	31
<b>PAT (Before MI &amp; asso.)</b>	<b>175</b>	<b>90</b>	<b>10</b>	<b>79</b>	<b>411</b>	<b>77</b>	<b>-49</b>	<b>34</b>	<b>134</b>	<b>195</b>
Minority interest P/L	43	-11	-4	7	16	-7	-5	-1	0	0
Share of asso. PAT	2	2	2	3	6	4	-1	2	5	5
<b>Reported PAT (After MI &amp; asso.)</b>	<b>134</b>	<b>103</b>	<b>16</b>	<b>75</b>	<b>402</b>	<b>88</b>	<b>-44</b>	<b>38</b>	<b>139</b>	<b>200</b>
Div. on Pref. /Hybrid Sec.	3	3	3	3	0	0	0	0	0	0
<b>Adjusted PAT</b>	<b>80</b>	<b>101</b>	<b>10</b>	<b>83</b>	<b>402</b>	<b>86</b>	<b>34</b>	<b>42</b>	<b>139</b>	<b>200</b>
Change (%)	116.3	27.3	-89.8	697.0	386.8	-78.5	-61.0	24.4	231.9	43.6

Balance Sheet (Consolidated)										(INR b)
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	11	11	11	12	12	12	12	12	12	12
Reserves	575	655	702	723	1,132	1,019	908	884	936	1,049
<b>Net Worth</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>896</b>	<b>948</b>	<b>1,061</b>
Minority Interest	9	24	26	33	27	21	4	3	3	3
Total Loans	942	1,031	1,186	956	756	849	871	881	891	901
Deferred Tax Liability	95	115	78	75	93	115	89	92	98	104
<b>Capital Employed</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>1,872</b>	<b>1,939</b>	<b>2,069</b>
Gross Block	1,399	1,730	1,955	2,120	2,159	2,382	2,243	2,635	2,885	3,135
Less: Accum. Deprn.	479	526	652	806	869	972	932	1,033	1,135	1,237
<b>Net Fixed Assets</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>1,602</b>	<b>1,750</b>	<b>1,898</b>
Capital WIP	166	186	195	190	220	312	344	231	141	51
Investments	30	32	29	35	58	48	55	55	55	55
Goodwill on consolidation	41	40	41	43	43	56	57	57	57	57
<b>Curr. Assets</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>720</b>	<b>772</b>	<b>867</b>
Inventory	283	317	311	333	488	544	492	471	530	562
Account Receivables	124	118	79	95	122	83	63	60	67	72
Cash & liquid investment	228	59	115	130	244	170	94	31	17	75
Others	294	370	417	297	358	231	158	158	158	158
<b>Curr. Liability &amp; Prov.</b>	<b>455</b>	<b>490</b>	<b>487</b>	<b>639</b>	<b>805</b>	<b>838</b>	<b>809</b>	<b>794</b>	<b>837</b>	<b>860</b>
Account Payables	204	217	214	260	368	378	354	340	382	405
Provisions & Others	251	273	273	380	437	460	455	455	455	455
<b>Net Current Assets</b>	<b>475</b>	<b>373</b>	<b>434</b>	<b>216</b>	<b>408</b>	<b>189</b>	<b>-3</b>	<b>-75</b>	<b>-65</b>	<b>7</b>
<b>Appl. of Funds</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>1,872</b>	<b>1,939</b>	<b>2,069</b>

## Financials and valuations

### Ratios (Consolidated)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>										
<b>EPS</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>3.4</b>	<b>11.2</b>	<b>16.0</b>
Cash EPS	12.2	15.3	8.5	14.6	40.4	14.7	10.6	11.4	19.4	24.3
BV/Share (ex-goodwill)	47.6	54.7	58.7	57.7	90.2	79.8	69.2	67.2	71.4	80.5
DPS	0.8	1.0	1.0	2.5	5.1	3.6	3.6	5.0	7.0	7.0
Payout (%)	11.6	11.3	110.4	36.2	15.5	50.8	133.0	148.5	62.6	43.6
<b>Valuation (x)</b>										
P/E	21.7	17.1	166.7	21.9	4.6	21.3	47.6	38.3	11.5	8.0
Cash P/E	12.4	9.9	17.7	10.3	3.7	10.3	12.1	11.3	6.7	5.3
P/BV	3.2	2.8	2.6	2.6	1.7	1.9	1.9	1.9	1.8	1.6
EV/Sales	1.8	1.7	1.9	1.7	1.0	1.0	1.0	1.1	1.0	0.9
EV/EBITDA	11.2	9.2	15.7	8.6	3.7	7.8	10.7	9.3	6.9	5.6
Dividend Yield (%)	0.5	0.7	0.7	1.7	3.4	2.4	2.8	3.9	5.4	5.4
<b>Return Ratios (%)</b>										
EBITDA Margins (%)	16.6	18.6	12.0	19.5	26.0	13.3	9.7	12.0	14.6	16.7
Net Profit Margins (%)	6.0	6.4	0.7	5.3	16.5	3.6	1.5	1.9	5.6	7.6
RoE	17.2	17.3	1.6	11.9	44.6	8.3	3.6	4.9	16.1	21.1
RoCE (pre-tax)	11.6	13.7	5.8	11.8	29.2	12.1	7.3	9.7	14.9	18.1
RoIC (pre-tax)	14.6	15.9	5.7	13.7	37.0	15.4	8.6	11.1	15.8	18.6
<b>Working Capital Ratios</b>										
Fixed Asset Turnover (x)	1.4	1.3	1.1	1.2	1.9	1.7	1.6	1.4	1.4	1.4
Asset Turnover (x)	0.8	0.9	0.7	0.9	1.2	1.2	1.2	1.2	1.3	1.3
Debtor (Days)	34	27	19	22	18	12	10	10	10	10
Inventory (Days)	78	73	76	78	73	82	78	78	78	78
Payables (Days)	56	50	52	61	55	57	56	56	56	56
Working Capital T/O (Days)	56	50	43	39	36	37	32	32	32	32
<b>Leverage Ratio (x)</b>										
Current Ratio	2.0	1.8	1.9	1.3	1.5	1.2	1.0	0.9	0.9	1.0
Interest Cover Ratio	2.9	2.9	1.2	2.8	10.0	3.6	1.7	2.2	3.4	4.5
Net Debt/Equity	1.3	1.6	1.6	1.2	0.5	0.7	0.9	1.0	1.0	0.8

### Cash Flow Statement (Consolidated)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>(INR b)</b>										
<b>EBITDA</b>	<b>219</b>	<b>294</b>	<b>178</b>	<b>305</b>	<b>635</b>	<b>323</b>	<b>223</b>	<b>264</b>	<b>361</b>	<b>439</b>
Reconciliation income (loss)	-17	-15	3	-20	24	-14	-1	0	0	0
(Inc)/Dec in Wkg. Cap.	-93	26	42	165	-96	-37	34	8	-24	-13
Tax Paid	-29	-51	-21	-7	-119	-55	-53	-55	-63	-80
Other operating activities	0	0	0	0	0	0	0	2	5	5
<b>CF from Op. Activity</b>	<b>80</b>	<b>253</b>	<b>202</b>	<b>443</b>	<b>444</b>	<b>217</b>	<b>203</b>	<b>220</b>	<b>279</b>	<b>350</b>
(Inc)/Dec in FA + CWIP	-75	-91	-104	-70	-105	-141	-182	-160	-160	-160
<b>Free Cash Flow to Firm</b>	<b>5</b>	<b>162</b>	<b>98</b>	<b>373</b>	<b>339</b>	<b>75</b>	<b>21</b>	<b>60</b>	<b>119</b>	<b>190</b>
(Pur)/Sale of Non-cur. Invest.	-9	4	4	4	-6	0	5	0	0	0
Acquisition in subsidiaries	-2	-351	-41	1	12	-104	1	-11	0	0
Int. & Dividend Income	4	3	4	5	3	6	7	16	20	21
Others	-38	135	-9	-33	-12	53	27	0	0	0
<b>CF from Inv. Activity</b>	<b>-120</b>	<b>-299</b>	<b>-145</b>	<b>-93</b>	<b>-109</b>	<b>-187</b>	<b>-143</b>	<b>-155</b>	<b>-140</b>	<b>-139</b>
Equity raised/(repaid)	91	0	2	32	3	0	-2	0	0	0
Debt raised/(repaid)	41	82	76	-321	-160	54	16	10	10	10
Dividend (incl. tax)	-12	-14	-18	-12	-30	-63	-44	-62	-87	-87
Interest & equiv. paid	-54	-74	-77	-71	-47	-61	-81	-75	-75	-75
<b>CF from Fin. Activity</b>	<b>66</b>	<b>-7</b>	<b>-17</b>	<b>-371</b>	<b>-234</b>	<b>-70</b>	<b>-111</b>	<b>-128</b>	<b>-153</b>	<b>-153</b>
<b>(Inc)/Dec in Cash</b>	<b>26</b>	<b>-52</b>	<b>39</b>	<b>-21</b>	<b>101</b>	<b>-40</b>	<b>-50</b>	<b>-63</b>	<b>-14</b>	<b>59</b>
Add: opening balance	49	82	33	77	55	156	121	71	7	-7
Forex Adj.	-7	-3	5	-1	0	5	0	0	0	0
Closing cash balance	82	33	77	55	156	121	71	7	-7	52
Bank Balance	147	26	38	75	88	49	23	23	23	23
<b>Closing balance (incl. Bank balance)</b>	<b>228</b>	<b>59</b>	<b>115</b>	<b>130</b>	<b>244</b>	<b>170</b>	<b>94</b>	<b>31</b>	<b>17</b>	<b>75</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

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