

Tata Steel Limited

HOLD

Sector: Metals & Mining

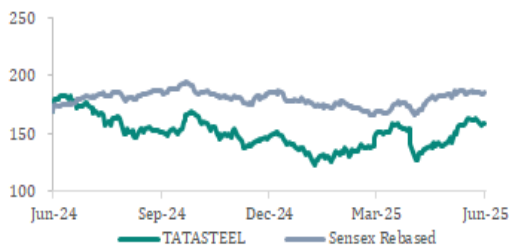
23rd June, 2025

Key Changes	Target ▲	Rating ●	Earnings ▼	Target	Rs. 167		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 152
Large Cap	TATA:IN	81,897	TATASTEEL	500470	12 Months	Return	+10%

Data as of: 23-06-2025

Company Data			
Market Cap (Rs.cr)	190,310		
52 Week High — Low (Rs.)	181 - 123		
Enterprise Value (Rs. cr)	275,456		
Outstanding Shares (cr)	1,248.4		
Free Float (%)	66.1		
Dividend Yield (%)	4.7		
6m average volume (cr)	3.6		
Beta	1.4		
Face value (Rs.)	1.0		
Shareholding (%)	Q2FY25	Q3FY25	Q4FY25
Promoters	33.2	33.2	33.2
FII's	20.0	19.0	18.8
MFs/Institutions	22.8	23.7	24.7
Public	21.9	22.0	21.3
Others	2.1	2.1	2.0
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	4.8%	6.2%	-8.4%
Absolute Sensex	10.6%	0.6%	9.5%
Relative Return	-5.8%	5.7%	-17.9%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Sales	218,543	235,879	256,494
Growth (%)	-4.6	7.9	8.7
EBITDA	25,298	36,443	41,167
EBITDA Margin (%)	11.6	15.5	16.1
Adj. PAT	4,275	12,514	16,037
Growth (%)	26.6	192.7	28.1
Adj. EPS	3.4	10.0	12.8
Growth (%)	26.4	192.7	28.1
P/E	45.1	15.7	12.3
P/B	2.1	2.0	1.8
EV/EBITDA	10.8	7.6	6.7
ROE (%)	3.5	12.7	14.6
D/E	1.0	0.9	0.8

Lower realisation dents topline; outlook cautious

Tata Steel operates in more than 26 countries, with key operations in India, the Netherlands and the UK. The leading global steel manufacturer serves customers in the automotive, construction, engineering, energy and power sectors.

- Consolidated revenue decreased 4.2% YoY to Rs. 56,218cr in Q4FY25, as lower realisations in all geographies offset the benefits of increased volumes.
- Revenue from India declined 5.9% YoY to Rs. 34,399cr and revenue from Europe decreased 2.6% YoY to Rs. 19,311cr.
- Consolidated production decreased 5.9% YoY to 7.45 mn tonne in Q4FY25, whereas deliveries increased 4.4% YoY to 8.33 mn tonne, driven by the higher deliveries in India and the Netherlands and partly offset by a decline at the UK.
- EBITDA edged lower by 0.6% YoY to Rs. 6,559cr and EBITDA margin expanded 50bps YoY to 11.7% as fixed cost declined due to the closure of blast furnaces in the UK and lower coking coal price across the region.
- Reported profit after tax (PAT) increased 116.5% YoY to Rs. 1,201cr in Q4FY25 due to higher other income (+162% YoY) and lower tax expenses (-20.4% YoY).

Outlook & Valuation

Tata Steel recorded a disappointing quarter on a YoY basis owing to lower price realisation across regions. However, profitability increased on account of cost optimisation measures and higher other income. Other helpful factors were the company's strong liquidity, strategic investments, cost-competitive measures launched across all regions, the upgradation of IT infrastructure to improve corporate expenses and the rationalisation of downstream operations are expected to drive future growth. Additionally, with relation to the US-UK trade deal, steel and aluminium tariffs on the goods of UK origin have now been eliminated, and this is expected to support the company's performance. Therefore, **we reiterate our HOLD rating on the stock, with a rolled-forward target price of Rs. 167 based on the SOTP valuation.**

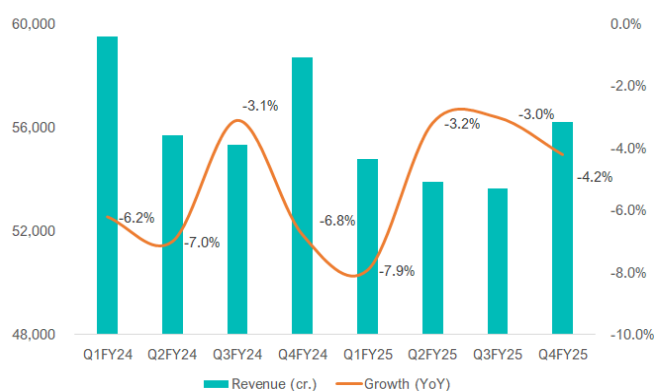
Quarterly Financials Consol.

Rs.cr	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Sales	56,218	58,687	-4.2	53,648	4.8	218,543	229,171	-4.6
EBITDA	6,559	6,601	-0.6	5,903	11.1	25,298	22,306	13.4
Margin (%)	11.7	11.2	50bps	11.0	70bps	11.6	9.7	190bps
EBIT	3,839	4,033	-4.8	3,334	15.1	14,877	12,424	19.7
PBT	2,200	1,809	21.6	1,672	31.6	8,413	-1,147	n.m.
Rep. PAT	1,201	555	116.5	295	306.4	3,174	-4,910	n.m.
Adj PAT	1,689	1,206	40.1	453	273.1	4,275	3,377	26.6
Adj. EPS (Rs)	1.4	1.0	39.8	0.4	274.7	3.4	2.7	26.4

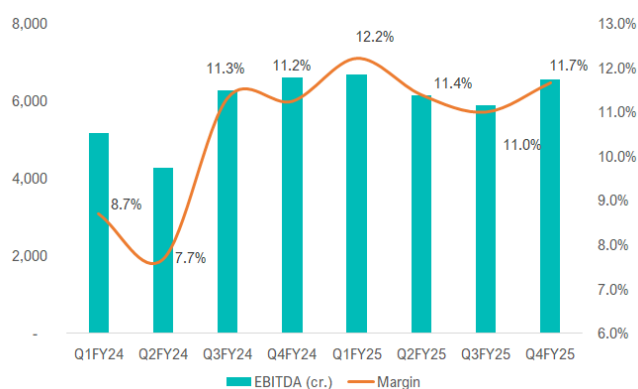
Key concall highlights

- The company's capex is expected to be Rs 15,000cr, largely allocated for raw materials, completion of the Kalinganagar project and downstream expansions.
- The company invested Rs. 3,220cr as capital expenditure during the quarter and Rs. 15,671cr for the full year, indicating significant investments in growth initiatives and asset expansion.
- By the end of Q4FY25, net debt stood at Rs. 82,579cr, declining from Rs. 88,870cr in Q2FY25.
- The company achieved its highest crude steel production of 21.7 mn tonne and deliveries of 20.9 mn tonne in FY25.
- The company's branded products, including Tata Tiscon, Tata Astrum and Tata Steelium, achieved record sales. Tata Tiscon's sales grew 19% YoY to 2.4 mn tonne.
- The company is expanding production capacity by ramping up a 5 million tonne per annum (MTPA) blast furnace and through a phased commissioning of a 2.2 MTPA cold rolling mill complex at Kalinganagar.

Revenue



EBITDA



SOTP Valuation

Particulars	Basis	Multiple	Year	Value (Rs. cr)	Value/share (Rs.)
India	EV/EBITDA	7.5x	FY27E	257,700	206
Europe	EV/EBITDA	4.5x	FY27E	19,566	16
Others	EV/EBITDA	5.0x	FY27E	11,170	9
Enterprise Value				288,436	231
Net Debt				-79,822	-64
Minority Interest				-183	0
Equity Value				208,431	167

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)
	FY26E	FY27E	FY26E	FY27E	
Revenue	246,114	-	235,879	256,494	-4.2
EBITDA	39,255	-	36,443	41,167	-7.2
Margins (%)	16.0	-	15.5	16.1	-50bps
Adj. PAT	14,858	-	12,514	16,037	-15.8
EPS	11.9	-	10.0	12.8	-16.0



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	243,353	229,171	218,543	235,879	256,494
% change	-0.2	-5.8	-4.6	7.9	8.7
EBITDA	32,300	22,306	25,298	36,443	41,167
% change	-49.1	-30.9	13.4	44.1	13.0
Depreciation	9,335	9,882	10,421	10,728	11,258
EBIT	22,965	12,424	14,877	25,715	29,909
Interest	6,299	7,508	7,341	7,184	7,033
Other Income	1,037	1,809	1,541	1,772	2,037
PBT	18,235	-1,147	8,413	21,245	27,225
% change	-63.7	n.m.	n.m.	152.5	28.1
Tax	10,160	3,763	5,239	8,604	11,026
Tax Rate (%)	55.7	-328.0	62.3	40.5	40.5
Reported PAT	8,075	-4,910	3,174	12,641	16,199
PAT att. to common shareholders	8,760	-4,437	3,421	12,514	16,037
Adj.*	-113	7,814	855	-	-
Adj. PAT	8,647	3,377	4,275	12,514	16,037
% change	-78.5	-61.0	26.6	192.7	28.1
No. of shares (cr)	1222.2	1248.4	1250.8	1250.8	1250.8
Adj EPS (Rs.)	7.1	2.7	3.4	10.0	12.8
% change	-78.5	-61.8	26.4	192.7	28.1
DPS (Rs.)	3.6	3.6	3.6	3.7	3.8

Cashflow

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	17,411	4,973	13,595	23,369	27,457
Non-cash adj.	8,304	9,762	5,141	8,343	6,246
Other adjustments					
Changes in W.C	-4,031	5,566	4,776	-2,614	-3,507
C.F. Operation	21,683	20,301	23,512	29,098	30,195
Capital exp.	-13,815	-17,731	-15,157	-15,238	-16,569
Change in inv.	-5,515	2,816	-301	-500	-500
Other invest.CF	650	664	1,285	-	-
C.F - Investment	-18,680	-14,251	-14,173	-15,738	-17,069
Issue of equity	1	-	-	-	-
Issue/repay debt	6,543	2,370	6,296	-800	-800
Dividends paid	-6,293	-4,429	-4,490	-4,503	-4,593
Other finance.CF	-7,232	-9,038	-8,809	-7,184	-7,033
C.F - Finance	-6,981	-11,097	-7,002	-12,487	-12,426
Chg. in cash	-3,977	-5,048	2,337	874	700
Closing Cash	13,357	8,678	11,647	12,521	13,220

Balance Sheet

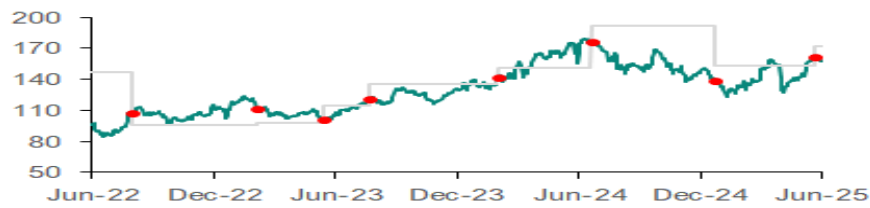
Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	13,357	8,678	11,647	12,521	13,220
Accts. Receivable	8,257	6,264	5,260	6,487	7,695
Inventories	54,415	49,158	44,590	46,834	51,907
Other Cur. Assets	10,636	6,449	6,895	7,545	8,254
Investments	4,780	5,526	5,751	6,251	6,751
Gross Fixed Assets	217,439	231,254	246,410	261,648	278,217
Net Fixed Assets	118,697	123,538	125,215	127,637	130,796
CWIP	30,308	33,370	40,602	41,820	43,075
Intangible Assets	28,830	26,262	26,719	27,431	28,162
Def. Tax -Net	6,995	8,865	7,761	10,289	12,109
Other Assets	11,746	5,314	4,955	5,113	5,279
Total Assets	288,022	273,424	279,395	291,927	307,247
Current Liabilities	69,659	67,437	64,677	63,651	64,559
Provisions	4,776	5,424	5,807	5,981	6,160
Debt Funds	80,953	84,035	91,469	90,669	89,869
Other Liabilities	27,458	24,095	26,090	32,135	35,563
Equity Capital	1,221	1,247	1,247	1,247	1,247
Res. & Surplus	101,861	90,788	89,922	97,934	109,377
Shareholder Funds	103,082	92,036	91,170	99,181	110,625
Minority Interest	2,093	397	183	310	472
Total Liabilities	288,022	273,424	279,395	291,927	307,247
BVPS	84	74	73	79	88

Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	13.3	9.7	11.6	15.5	16.1
EBIT margin (%)	9.4	5.4	6.8	10.9	11.7
Net profit mgn.(%)	3.6	-1.9	1.6	5.3	6.3
ROE (%)	7.8	-5.3	3.5	12.7	14.6
ROCE (%)	12.3	7.0	8.1	13.5	14.9
W.C & Liquidity					
Receivables (days)	12.4	10.0	8.8	10.0	11.0
Inventory (days)	175.4	176.1	171.3	173.4	178.9
Payables (days)	121.9	108.3	112.6	111.7	113.5
Current ratio (x)	0.9	0.7	0.8	0.9	0.9
Quick ratio (x)	0.3	0.2	0.2	0.2	0.2
Turnover & Leverage					
Gross asset T.O (x)	1.4	1.0	0.9	0.9	1.0
Total asset T.O (x)	0.8	0.8	0.8	0.8	0.9
Int. covge. ratio (x)	3.6	1.7	2.0	3.6	4.3
Adj. debt/equity (x)	0.8	0.9	1.0	0.9	0.8
Valuation					
EV/Sales (x)	0.8	1.2	1.2	1.2	1.1
EV/EBITDA (x)	6.1	12.1	10.8	7.6	6.7
P/E (x)	14.8	57.6	45.1	15.7	12.3
P/B (x)	1.2	2.1	2.1	2.0	1.8



Recommendation Summary - (last 3 years)



Dates	Rating	Target
05-Aug-22	REDUCE	96
09-Feb-23	REDUCE	98
19-May-23	HOLD	115
28-Jul-23	BUY	135
05-Feb-24	HOLD	151
25-Jun-24	HOLD	192
27-Dec-24	HOLD	153
23-Jun-25	HOLD	167

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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