

Estimate change 

TP change 

Rating change 

**CMP: INR134**

**TP: INR130 (-3%)**

**Neutral**

## Earnings beat led by Indian operations; Europe struggles

Domestic ASP to reduce by INR1,000/t, while coal cost to rise by USD10/t in 4QE

Bloomberg	TATA IN
Equity Shares (m)	12212
M.Cap.(INRb)/(USDb)	1644.8 / 19.8
52-Week Range (INR)	142 / 102
1, 6, 12 Rel. Per (%)	0/4/-9
12M Avg Val (INR M)	4543
Free float (%)	66.3

### Financials & Valuations (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	2,339	2,599	2,756
EBITDA	232	338	374
Adj. PAT	49	132	157
EBITDA Margin (%)	9.9	13.0	13.6
Adj. EPS (INR)	4.0	10.8	12.9
EPS Gr. (%)	-43.6	171.5	19.0
BV/Sh. (INR)	74	80	86

### Ratios

Net D:E	0.9	0.8	0.8
RoE (%)	5.2	14.0	15.5
RoCE (%)	7.9	13.3	14.4
Payout (%)	87.7	46.1	54.3

### Valuations

P/E (x)	33.6	12.4	10.4
P/BV (x)	1.8	1.7	1.6
EV/EBITDA(x)	10.6	7.2	6.5
Div. Yield (%)	2.6	3.7	5.2
FCF Yield (%)	-1.9	6.8	9.2

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	33.7	33.9	33.9
DII	23.3	22.4	19.8
FII	20.7	21.0	22.6
Others	22.3	24.0	23.7

FII Includes depository receipts

### Standalone performance

- Tata Steel (TATA)'s revenue increased 2% YoY to INR347b, which was in line with our estimate of INR343b. Standalone ASP was down by INR2,851/t YoY to INR71,069/t (INR437/t above our estimate of INR70,633/t).
- EBITDA jumped 61% YoY to INR82b, which was above our estimate of INR69b; EBITDA/t improved by INR5,716/t YoY to INR16,905/t, which was INR2,725/t above our estimate of INR14,180/t.
- The beat was due to the movement in inventory value of chrome ore, which primarily drove the decline in raw material (input) costs.
- APAT surged 96% YoY to INR46b, 19% above our estimate of INR39b.
- Standalone production stood at 5.1mt (up 8% YoY), and TATA posted the best ever 3Q sales at 4.9mt (up 6% YoY), in line with our estimate.
- Domestic crude steel production (including all domestic subsidiaries) was up 6% YoY at 5.3mt.

### Consolidated performance:

- TATA's revenue declined 3% YoY to INR553b, which was 10% below our estimates of INR614b. The reduction in revenue was attributed to lower blended ASP, which stood at INR 77,359/t (down by INR2,478/t YoY and by INR5,190/t from our estimate of INR82,549/t).
- EBITDA jumped 55% YoY at INR63b (25% above our estimate of INR50b), primarily due to a beat on earnings driven by the India business. EBITDA/t stood at INR8,760/t, above our estimate of INR6,743/t.
- APAT for 3QFY24 stood at INR8.5b, which was above our estimate of INR6b.
- Production stood at 7.6mt (flat YoY), and sales stood at 7.15mt (flat YoY), which were in line with our estimates.
- The European operation continued to drag the performance. It posted an operating loss of INR29b (in line with our estimate). Operating loss per tonne for the European operation stood at USD175, which was weaker than our estimate of USD165/t. The miss was led by lower production due to the ongoing relining at one of the BFs in the Netherlands, production shortfalls arising from end-of-life assets in the UK, and subdued demand in the EU.
- Gross debt declined INR15b QoQ to INR882b (from INR897b in 2QFY24), and net debt stood at INR774b with a liquidity position of ~INR233b. Net debt-to-EBITDA exceeded FY19 levels and came in at 3.23x; the net debt-to-equity stood at 0.78x during the quarter.

### Highlights from the management commentary

- On a standalone basis, the coking coal cost in 3QFY24 rose USD4/t QoQ and it is expected to increase further by USD10/t in 4QFY24.
- Standalone realizations are expected to decrease by INR1,000/t in 4QFY24.
- ASP for the Netherlands is expected to be lower by GBP14/t; however, as the UK ASP moves in tandem with the EU spot prices, the same is likely to increase by GBP40/t in 4QFY24.

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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.

- BF#6 at the Netherlands is anticipated to come on stream by the end of Jan'24, and it is expected to produce 6.5-6.9mt in FY25.
- TSK will add an incremental 0.7mt of volumes in FY25, and the benefit from incremental volumes after full ramp-up will accrue in FY26E.
- Both BFs in the UK will be shut down in a phased manner by 2HCY24E. The downstream facility will continue to operate though.

### Valuation and view

- The India business has posted a decent performance, and domestic demand momentum is expected to continue. Though TATA reported substantial losses in its European operations in 9MFY24, the management has guided higher realizations and better volumes as BF#6 comes on stream.
- TATA has already laid out a road map to scale domestic operations further under the Phase-III expansion, which will eventually help the company reach 40mt of capacity.
- TATA has guided for higher coal costs across most of the geographies due to higher coal prices in the last few months. However, the use of blended coal would help the company limit the cost increase.
- We have largely retained our estimates for FY25 and FY26 to factor in the current macro-economic scenario and transition to EAF in its UK facility.
- **TATA is trading at 6.5x FY26E EV/EBITDA and 1.6x FY26E P/B. We believe the stock is adequately priced in, and hence, we reiterate our Neutral rating with an SOTP-based TP of INR130.**

### Standalone quarterly performance (INR b)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E vs Est	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Sales Vol (kt)	4,070	4,910	4,590	4,796	4,790	4,820	4,880	5,210	18,366	19,700		
Change (YoY %)	2.0	11.1	8.0	-3.5	17.7	-1.8	6.3	8.6	4.2	7.3		
Change (QoQ %)	-18.1	20.6	-6.5	4.5	-0.1	0.6	1.2	6.8				
ASP (INR/t)	89,172	70,556	73,920	79,333	74,083	70,924	71,069	70,113	77,814	71,514		
Abs Change (QoQ)	15,367	-18,617	3,365	5,413	-5,250	-3,159	146	-956	4,631	-6,301		
Change (YoY %)	28.5	-4.6	-1.7	7.5	-16.9	0.5	-3.9	-11.6	6.3	-8.1		
<b>Net Sales</b>	<b>363</b>	<b>346</b>	<b>339</b>	<b>380</b>	<b>355</b>	<b>342</b>	<b>347</b>	<b>365</b>	<b>1,429</b>	<b>1,409</b>	<b>343</b>	<b>1</b>
Change (YoY %)	31.0	6.0	6.1	3.7	-2.2	-1.3	2.2	-4.0	10.8	-1.4		
Change (QoQ %)	-1.1	-4.5	-2.1	12.1	-6.7	-3.7	1.5	5.3				
Total Expenditure	265	300	288	294	288	273	264	287	1,146	1,113		
<b>EBITDA</b>	<b>98</b>	<b>47</b>	<b>51</b>	<b>87</b>	<b>67</b>	<b>69</b>	<b>82</b>	<b>78</b>	<b>283</b>	<b>296</b>	<b>69</b>	<b>20</b>
Change (YoY %)	-26.2	-65.3	-57.8	-29.3	-32.0	47.2	60.6	-9.8	-44.7	4.7		
Change (QoQ %)	-19.8	-52.5	10.1	68.5	-22.9	3.0	20.1	-5.3				
(% of Net Sales)	27.0	13.5	15.1	22.7	18.8	20.1	23.8	21.4	19.8	21.0		
<b>EBITDA(INR/t)</b>	<b>24,113</b>	<b>9,503</b>	<b>11,189</b>	<b>18,047</b>	<b>13,924</b>	<b>14,248</b>	<b>16,905</b>	<b>14,988</b>	<b>15,393</b>	<b>15,023</b>		
Interest	8	10	11	11	10	11	11	12	40	44		
Depreciation	15	14	15	15	15	15	15	16	60	60		
Other Income	5	8	7	5	15	8	3	3	25	30		
<b>PBT (before EO Inc.)</b>	<b>80</b>	<b>30</b>	<b>32</b>	<b>65</b>	<b>56</b>	<b>51</b>	<b>60</b>	<b>54</b>	<b>209</b>	<b>221</b>		
EO Income(exp)	-1	0	0	-7	0	-130	0		-8	-130		
<b>PBT (after EO Inc.)</b>	<b>80</b>	<b>30</b>	<b>32</b>	<b>58</b>	<b>56</b>	<b>-79</b>	<b>60</b>	<b>54</b>	<b>201</b>	<b>91</b>		
Current Tax	18	7	9	15	12	8	17	13	49	50		
Deferred Tax	2	1	-1	2	-2	-2	-3		5	-7		
Total Tax	21	8	9	17	10	6	14	13	54	43		
% Tax	25.7	26.7	26.9	28.6	18.1	-7.7	22.7	25.0	26.9	47.5		
<b>Reported PAT</b>	<b>59</b>	<b>22</b>	<b>24</b>	<b>42</b>	<b>46</b>	<b>-85</b>	<b>47</b>	<b>40</b>	<b>147</b>	<b>48</b>		
<b>Adjusted PAT</b>	<b>60</b>	<b>22</b>	<b>24</b>	<b>49</b>	<b>46</b>	<b>45</b>	<b>46</b>	<b>40</b>	<b>155</b>	<b>178</b>	<b>39</b>	<b>19</b>
Change (YoY %)	-30.6	-74.7	-69.9	-38.5	-22.7	100.5	95.8	-17.2	-53.5	15.0		
Change (QoQ %)	-24.3	-62.7	6.1	105.5	-5.0	-3.2	3.7	-13.1				

The financials have been restated which includes subsidiaries financials which have now been amalgamated

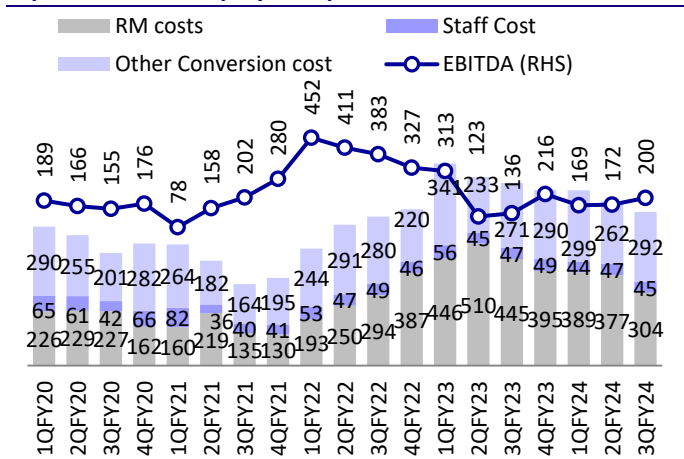
**Consolidated quarterly performance (INR b)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24E vs Est (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Sales (k tons)	6,630	7,230	7,150	7,780	7,200	7,070	7,150	7,770	28,790	29,190		
Change (YoY %)	-6.8	-2.2	2.0	-2.9	8.6	-2.2	-0.1	-4.3	1.4			
Avg Realization (INR/t)	95,671	82,818	79,837	80,927	82,625	78,758	77,359	81,582	84,527	80,121		
<b>Net Sales</b>	<b>634</b>	<b>599</b>	<b>571</b>	<b>630</b>	<b>595</b>	<b>557</b>	<b>553</b>	<b>634</b>	<b>2,434</b>	<b>2,339</b>	<b>614</b>	<b>-10</b>
Change (YoY %)	18.6	-0.9	-6.1	-9.1	-6.2	-7.0	-3.1	0.7	-0.2	-3.9		
Change (QoQ %)	-8.4	-5.6	-4.7	10.3	-5.5	-6.4	-0.7	14.6				
<b>EBITDA</b>	<b>150</b>	<b>61</b>	<b>40</b>	<b>72</b>	<b>52</b>	<b>43</b>	<b>63</b>	<b>75</b>	<b>323</b>	<b>232</b>	<b>50</b>	<b>25</b>
Change (YoY %)	-7.1	-63.2	-74.5	-52.0	-65.4	-29.6	54.7	3.4	-49.1	-28.3		
Change (QoQ %)	-0.4	-59.5	-33.2	78.3	-28.3	-17.5	46.8	19.1				
(% of Net Sales)	23.6	10.1	7.1	11.5	8.7	7.7	11.3	11.8	13.3	9.9		
<b>EBITDA (INR/t)</b>	<b>22,584</b>	<b>8,382</b>	<b>5,661</b>	<b>9,279</b>	<b>7,186</b>	<b>6,037</b>	<b>8,760</b>	<b>9,605</b>	<b>11,219</b>	<b>7,937</b>	<b>6,743</b>	<b>30</b>
Interest	12	15	18	18	18	20	19	19	63	76		
Depreciation	22	23	24	24	24	25	24	25	93	98		
Other Income	3	3	3	2	12	2	2	4	10	20		
<b>PBT (before EO Inc.)</b>	<b>118</b>	<b>25</b>	<b>2</b>	<b>32</b>	<b>21</b>	<b>1</b>	<b>22</b>	<b>35</b>	<b>177</b>	<b>78</b>		
EO Income(exp)	0	0	2	0	0	-69	-3		1	-72		
<b>PBT (after EO Inc.)</b>	<b>117</b>	<b>25</b>	<b>3</b>	<b>32</b>	<b>21</b>	<b>-68</b>	<b>19</b>	<b>35</b>	<b>178</b>	<b>6</b>		
Total Tax	42	13	29	18	13	-2	14	11	102	36		
% Tax	35.6	51.9	NA	54.6	63.0	NA	64.2	31.5	57.4	46.0		
<b>PAT before MI and Sh. of associate</b>	<b>76</b>	<b>12</b>	<b>-26</b>	<b>15</b>	<b>8</b>	<b>-66</b>	<b>4</b>	<b>24</b>	<b>77</b>	<b>-30</b>		
Minority Interests	-1	-2	-3	-1	-1	-3	0		-7	-4		
Share of asso. PAT	2	1	1	1	-3	1	1	3	4	2		
<b>Reported PAT (After MI &amp; asso.)</b>	<b>78</b>	<b>15</b>	<b>-22</b>	<b>17</b>	<b>6</b>	<b>-62</b>	<b>5</b>	<b>27</b>	<b>88</b>	<b>-23</b>		
<b>Adj. PAT (after MI &amp; asso)</b>	<b>78</b>	<b>15</b>	<b>-24</b>	<b>17</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>27</b>	<b>86</b>	<b>49</b>	<b>6</b>	<b>47</b>
Change (YoY %)	-14.1	-86.5	PL	-83.1	-92.0	-54.2	LP	59.6	-78.5	-43.6		
Change (QoQ %)	-22.2	-80.3	PL	LP	-63.4	13.2	20.6	219.0				

Source: MOFSL, Company

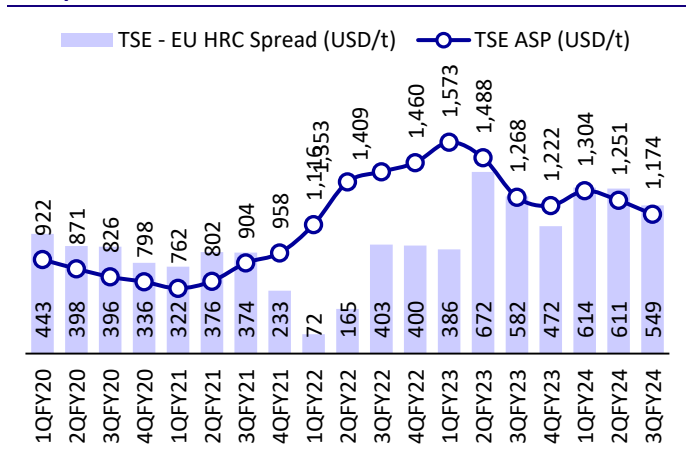
**Story in charts**

**Exhibit 1: India EBITDA (USD/t) improved QoQ, led by lower input costs and employee expenses**



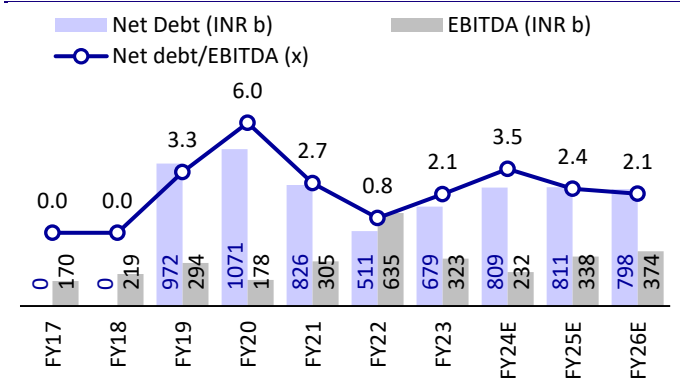
Source: MOFSL, Company

**Exhibit 2: TSE spreads narrowed QoQ; TSE spreads lagged HRC prices**



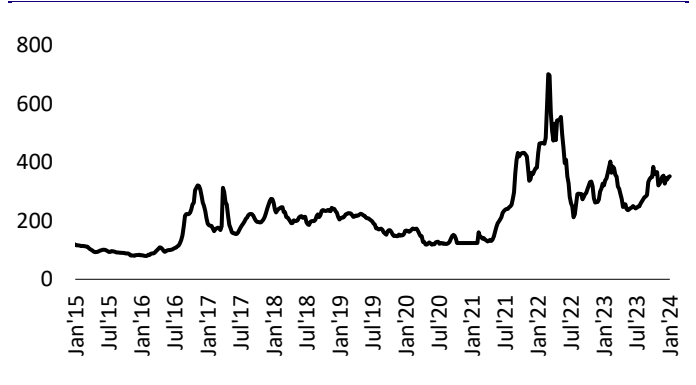
Source: MOFSL, Company

**Exhibit 3: Net debt/EBITDA is expected to come down below the threshold limit of 2.5x by the end of FY25**



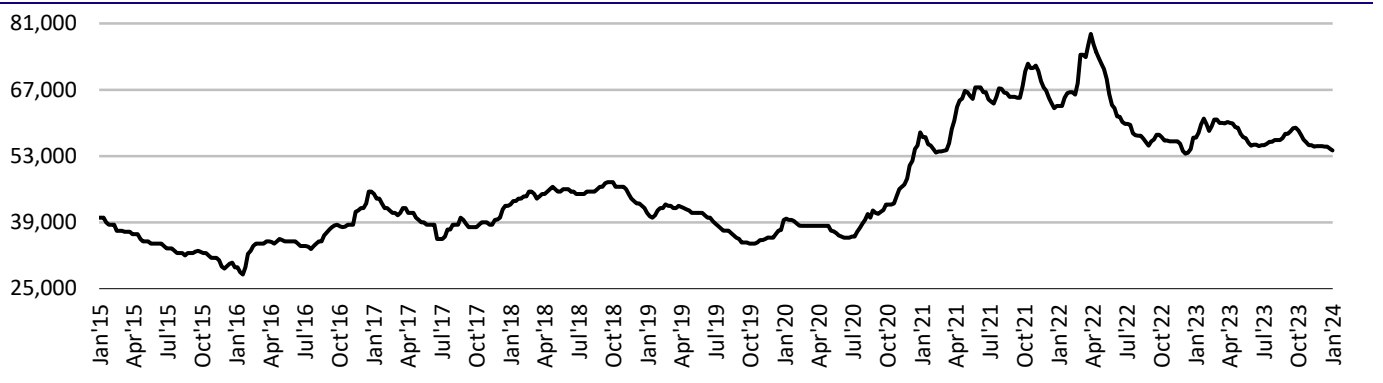
Source: MOFSL, Company

**Exhibit 4: Coking coal price (USD/t), which had increased, has now cooled-off by over 3% in one week to ~USD340/t**

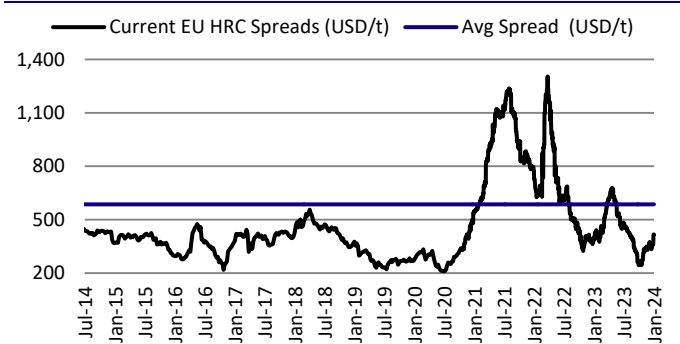


Source: MOFSL, SteelMint

**Exhibit 5: Domestic HRC price (INR/t) remained subdued since Nov'23, and is currently at around INR54,000/t**

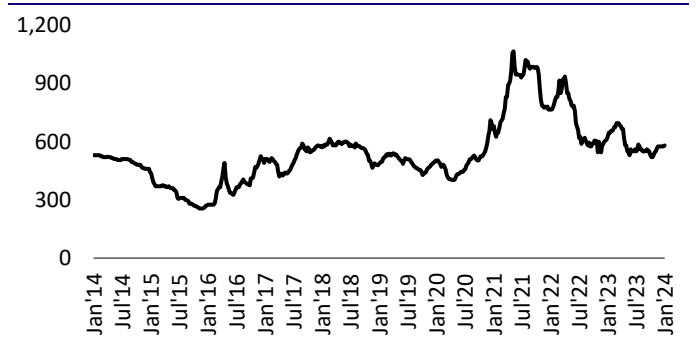


**Exhibit 6: Steel spreads are below its LTA**



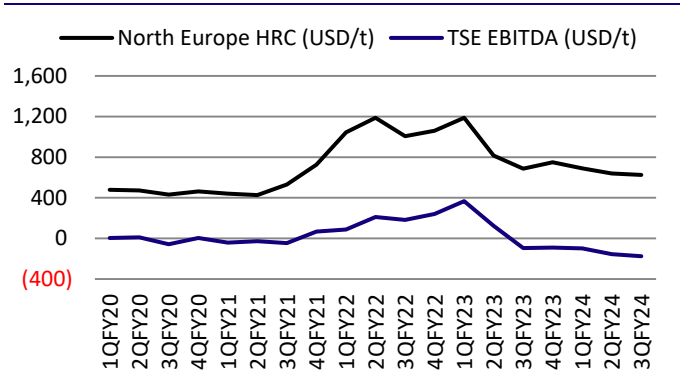
Source: MOFSL, SteelMint, Bloomberg

**Exhibit 7: China's domestic HRC prices (USD/t): Indian steel prices mimic Chinese HRC price movement**



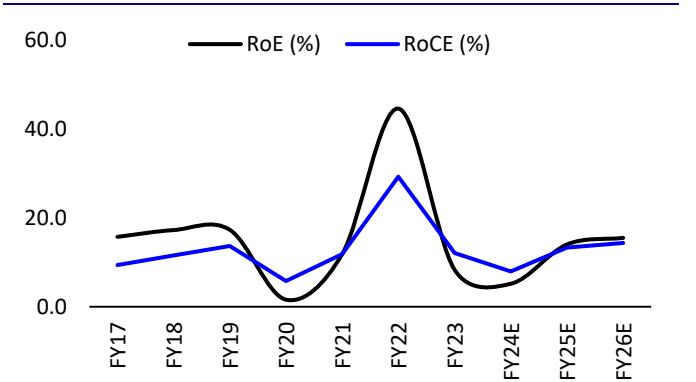
Source: MOFSL, SteelMint

**Exhibit 8: TSE's EBITDA/t is linked to steel price movement**



Source: MOFSL, Company, SteelMint

**Exhibit 9: Return ratios to improve from FY25E onwards**



Source: MOFSL, Company



## Highlights from the management commentary

### Management guidance for 4QFY24 and FY24

- Realizations (ASP) for domestic operations in 4QFY24 are expected to be lower by INR1,000/t and coal cost, which increased by ~USD4/t in 3QFY24, is expected to increase further by USD10/t for domestic operations
- Management expects the sectors like transportation, industrial construction, railways, and infrastructure to drive steel demand in India.
- ASP for the Netherlands is likely to be lower by GBP14/t (USD18/t) in 4QFY24 due to the long-term contracts, and annual contracts entered at lower rates in 3QFY24. Coking coal consumption cost in the Netherlands is expected to increase by USD18/t in 4QFY24
- As the UK business is linked to changes in spot prices, the 4QFY24 ASP for the UK business is anticipated to increase by GBP40/t (USD51/t), and coal cost is expected to increase by USD11/t.
- TATA uses a linear blend of coal and as the spreads between premium HCC and the blend increases, it is beneficial for TATA. Usually on a consumption basis, blended coal for TATA is ~USD50-60/t lower than the premium HCC.
- The Netherlands is expected to produce ~6.5-6.9mt in FY25.

### Kalinganagar expansion

- Phased commissioning of 5mt Kalinganagar (TSK) facility has already commenced.
- The BF at Kalinganagar is one of the largest in India at 5,870 Cu.mts.
- The second caster has already started production, which gives TATA an additional volume opportunity.
- TATA expects BF completion by 4QFY24
- TSK is expected to add 0.7mt of additional domestic volumes in FY25 and the complete ramp-up is expected in FY26.
- Post-completion of the TSK capacity expansion, employee cost per tonne is expected to reduce from this facility.

### The Netherlands

- ASP for 3QFY24 was ~GBP50-60 lower on sequential basis (~USD65-75/t).
- The delay in commissioning of BF#6 affected the volumes, cost and the product mix in 3QFY24.
- The BF#6 furnace lining has started and is expected to start operations by the end of Jan '24.
- The Netherlands is expected to add 0.1mt of incremental volumes in 4QFY24, and it is anticipated to produce ~6.5-6.9mt in FY25.
- The Netherlands is expected to generate EBITDA in FY25, driven by lower energy expense and coal cost.
- The overhang of high-cost inventory at the Netherlands is over.

### TATA UK facility

- ASP for 3QFY24 was ~GBP15 lower on a sequential basis (~USD17-19/t).
- The operations were hit by production shortfalls arising from the end-of-life assets in the UK.

- The two BF's and coke ovens in the UK are expected to close in a phased manner, with the first BF likely to close in 1HCY24 and the second in 2HCY24.
- The CAPL line too is expected to shut down by Mar'25.
- Shutting down of BF in a phased manner is expected to cut the losses arising from the UK in FY25.
- The engineering and design work for the new EAF facility has already begun and advance discussions are currently going on with the national grid for power supply.
- Around 2,800 jobs would be impacted with ~2,500 jobs getting impacted over the next 18 months. TATA will endeavor to maximize voluntary redundancies and has committed GBP130m towards comprehensive support packages in excess of GBP100m funding, which is set up by the UK and Welsh government.
- The downstream facilities would continue to operate and TATA would primarily procure steel from the Netherlands or India. As long as the steel is procured from within the organization, it will help mitigate the pricing risk.
- Post-completion of the EAF facility, the UK operations will be beneficial from the implementation of CBAM in Europe.
- The cost curve difference between BF and EAF is ~GBP150-175/t.

#### Capex

- Post-completion of TSK, TATA is planning to expand NCL capacity from 1mt to 5mt and also is planning to undertake capacity expansion at Meramandali.
- Simultaneously, TATA would also undertake Phase-III expansion at TSK which will increase the total capacity to 13mt.
- As NINL capacity expansion will be for long steel products, it will be at a lower cost (on a per tonne basis) vs. Kalinganagar expansion.
- Similarly, Meramandali expansion too would be at a lower cost vs. Kalinganagar expansion; however, for Phase II of Meramandali, which will take the total capacity to 10mt, additional land needs to be procured.
- TATA is also setting up a rolling mill at Jamshedpur.
- A major portion of the TSK capex was earmarked for CRM complex of around INR60b, and with all the upcoming capex facilities having focus on HR or rolling, the overall outflow is expected to be lower.
- As the Netherlands' BF#6 relining will be completed in FY24, TATA will only incur sustenance capex for the Netherlands for FY25E.
- TATA incurred INR47b as capex in 3QFY24 and INR134b in 9MFY24.

#### Domestic operations and demand

- TATA utilizes around 20% of captive coal and the rest is procured either from outside or imported.
- The amalgamation of all the subsidiaries with TATA is almost completed with NCLT sanction awaited for 'The Indian Steel & Wire Products Ltd.' and 'TRF Ltd'.
- Increase in inventory value of chrome ore during the quarter was only an accounting adjustment with no impact on the financials as the classification was as per accounting standards.
- Domestic steel demand is robust and is expected to increase by 10-12% in FY24.
- TATA is expected to capitalize on the domestic growth opportunity as additional capacities come on stream.

**Debt**

- Gross debt declined INR15b QoQ to INR882b (vs. INR897b in 2QFY24), while net debt stood at INR774b with liquidity position of ~INR233b.
- There was a release of working capital on a consolidated level, which was absorbed by the losses in the European operations.

**Exhibit 10: Changes to our assumptions and key financials**

Key Assumptions	UoM	FY24E			FY25E			FY26E		
		New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
<b>Standalone</b>										
Volumes	mt	19.7	19.7	0.0	21.1	21.1	0.0	23.3	23.3	0.0
ASP	INR/t	71,514	70,503	1.4	75,070	74,590	0.6	74,695	74,715	0.0
Revenue	INR b	1,409	1,389	1.4	1,580	1,570	0.6	1,738	1,738	0.0
EBITDA	INR/t	15,023	14,000	7.3	16,678	16,956	-1.6	14,993	15,390	-2.6
EBITDA	INR b	296	276	7.3	351	357	-1.6	349	358	-2.6
<b>Europe</b>										
Volumes	mt	7.9	8.0	-1.9	8.0	8.0	0.0	7.5	7.5	0.0
ASP	INR/t	1,230	1,279	-3.8	1,311	1,310	0.1	1,326	1,325	0.1
Revenue	INR b	806	854	-5.6	875	874	0.1	856	856	0.1
EBITDA	USD/t	-140	-125	NA	-8	-8	NA	29	28	2.3
EBITDA	INR b	-92	-84	NA	-5	-6	NA	19	18	2.3
<b>Consolidated (INR b)</b>										
Revenue	INR b	2,339	2,388	-2.1	2,599	2,621	-0.8	2,756	2,777	-0.8
EBITDA	"	232	221	4.9	338	344	-1.8	374	375	-0.2
APAT	"	49	55	-11.1	132	133	-0.7	157	154	2.1

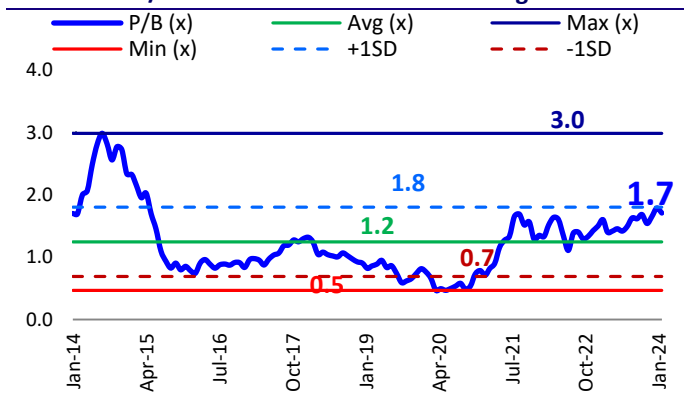
Source: MOFSL

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

Y/E March	UoM	2026E
<b>Standalone</b>		
Sales	mt	23.3
EBITDA	INR/t	14,993
EBITDA	INR b	349
Target multiple	x	6.5
<b>Target EV</b>	<b>INR b</b>	<b>2,267</b>
<b>Europe</b>		
Sales	mt	7.5
EBITDA	INR/t	2,477
EBITDA	INR b	19
Target multiple	x	5.5
<b>Target EV</b>	<b>INR b</b>	<b>102</b>
<b>Other Subsidiaries</b>		
EBITDA - India subs	INR b	6
Target EBITDA multiple	x	4.0
<b>Target EV</b>	<b>INR b</b>	<b>25</b>
<b>Target EV</b>	<b>INR b</b>	<b>2,394</b>
Net Debt (d)	INR b	798
<b>Total equity value</b>	<b>INR b</b>	<b>1,596</b>
<b>No of shares o/s</b>	<b>b</b>	<b>12.2</b>
<b>Target Price</b>	<b>INR/sh</b>	<b>130</b>

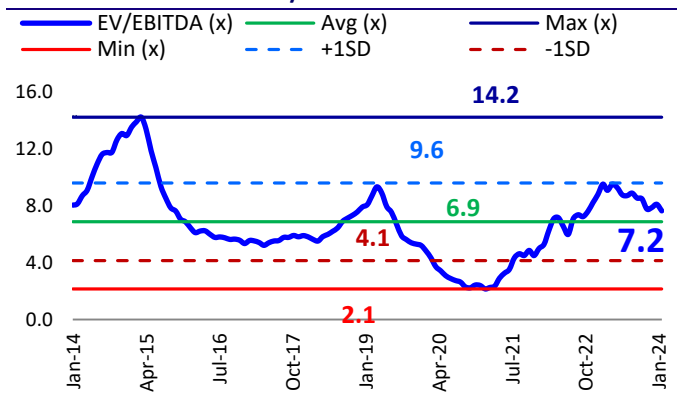
Source: MOFSL

Exhibit 12: P/B ratio above its historical average...



Source: MOFSL, Company data

Exhibit 13: ... and so is EV/EBITDA



Source: MOFSL, Company data

Exhibit 14: Comparative valuations of global steel companies

Company	M-Cap USD mn	P/E (x)		EV/EBITDA (x)		P/B (x)		RoE (%)		
		CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24	
<b>India</b>										
Tata*	19,791	18.9	33.6	7.2	10.6	1.7	1.8	8.3	5.2	
JSW*	24,001	55.5	18.8	13.8	8.7	3.0	2.7	5.3	15.1	
JSP*	8,792	19.7	14.9	7.9	8.5	1.9	1.7	9.9	11.8	
SAIL*	5,918	25.6	46.6	9.9	9.4	0.9	0.9	3.5	1.9	
<b>Japan</b>										
JFE	9,965	8.8	7.3	7.2	6.0	0.6	0.6	7.4	8.7	
Nippon Steel	22,451	5.0	7.6	5.3	6.1	0.8	0.7	17.3	10.3	
Kobe Steel	5,312	12.4	6.5	8.5	5.4	0.9	0.8	7.5	11.7	
<b>Korea</b>										
POSCO	25,353	13.2	11.4	5.6	5.3	0.6	0.6	4.7	5.1	
Hyundai Steel	3,380	6.3	6.4	5.0	4.5	0.2	0.2	3.7	3.6	
<b>US</b>										
Nucor	42,439	9.7	13.8	6.0	7.8	2.1	1.8	21.7	13.6	
US Steel	10,788	11.4	16.8	6.0	6.6	1.0	1.0	9.6	5.8	
Steel Dynamics	18,858	7.9	11.4	5.4	7.6	2.1	1.9	28.1	17.4	
<b>Europe</b>										
AM	23,543	6.9	6.2	3.9	4.0	0.4	0.4	6.7	7.0	
SSAB	7,328	6.1	9.8	3.0	4.3	1.1	1.0	18.4	11.2	
TKA	3,881	21.7	7.6	0.3	0.3	0.3	0.3	0.7	4.0	
VOE	5,410	5.0	9.9	2.9	4.1	0.6	0.6	13.8	6.5	
<b>China</b>										
Baosteel	18,764	12.2	10.3	5.1	4.6	0.7	0.6	5.4	6.4	

Source: MOFSL, Company. (\*) denotes MOFSL estimates



## Financials and valuations

Income Statement (Consolidated)										(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>1,123</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>2,339</b>	<b>2,599</b>	<b>2,756</b>
Change (%)	10.1	17.7	19.3	-5.5	4.9	56.1	-0.2	-3.9	11.1	6.0
<b>EBITDA</b>	<b>170</b>	<b>219</b>	<b>294</b>	<b>178</b>	<b>305</b>	<b>635</b>	<b>323</b>	<b>232</b>	<b>338</b>	<b>374</b>
% of Net Sales	15.1	16.6	18.6	12.0	19.5	26.0	13.3	9.9	13.0	13.6
Deprn. & Amortization	57	60	73	87	92	91	93	98	107	112
<b>EBIT</b>	<b>113</b>	<b>159</b>	<b>220</b>	<b>91</b>	<b>213</b>	<b>544</b>	<b>230</b>	<b>134</b>	<b>231</b>	<b>262</b>
Finance cost	51	55	77	76	76	55	63	76	79	79
Other income	5	9	14	18	9	8	10	20	25	27
<b>PBT before EO</b>	<b>68</b>	<b>113</b>	<b>158</b>	<b>34</b>	<b>146</b>	<b>497</b>	<b>177</b>	<b>78</b>	<b>177</b>	<b>210</b>
EO income	-43	96	-1	-49	-10	-1	1	-72	0	0
<b>PBT after EO</b>	<b>25</b>	<b>209</b>	<b>157</b>	<b>-16</b>	<b>135</b>	<b>496</b>	<b>178</b>	<b>6</b>	<b>177</b>	<b>210</b>
Tax	28	34	67	-26	57	85	102	36	50	58
Rate (%)	113	16	43	163	42	17	57	596	28	28
<b>PAT (Before MI &amp; asso.)</b>	<b>-3</b>	<b>175</b>	<b>90</b>	<b>10</b>	<b>79</b>	<b>411</b>	<b>77</b>	<b>-30</b>	<b>127</b>	<b>152</b>
Minority interest P/L	1	43	-11	-4	7	16	-7	-4	0	0
Share of asso. PAT	0	2	2	2	3	6	4	2	5	6
<b>Reported PAT (After MI &amp; asso.)</b>	<b>-4</b>	<b>134</b>	<b>103</b>	<b>16</b>	<b>75</b>	<b>402</b>	<b>88</b>	<b>-23</b>	<b>132</b>	<b>157</b>
Div. on Pref. /Hybrid Sec.	3	3	3	3	3	0	0	0	0	0
<b>Adjusted PAT</b>	<b>37</b>	<b>80</b>	<b>101</b>	<b>10</b>	<b>83</b>	<b>402</b>	<b>86</b>	<b>49</b>	<b>132</b>	<b>157</b>
Change (%)	-275.3	116.3	27.3	-89.8	697.0	386.8	-78.5	-43.6	171.5	19.0

Balance Sheet (Consolidated)										(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	10	11	11	11	12	12	12	12	12	12
Reserves	346	575	655	702	723	1,132	1,019	952	1,024	1,096
<b>Net Worth</b>	<b>355</b>	<b>586</b>	<b>667</b>	<b>713</b>	<b>735</b>	<b>1,144</b>	<b>1,031</b>	<b>965</b>	<b>1,036</b>	<b>1,108</b>
Minority Interest	16	9	24	26	33	27	21	17	17	17
Total Loans	851	942	1,031	1,186	956	756	849	829	839	849
Deferred Tax Liability	91	95	115	78	75	93	115	108	113	119
<b>Capital Employed</b>	<b>1,313</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>1,918</b>	<b>2,005</b>	<b>2,092</b>
Gross Block	1,266	1,399	1,730	1,955	2,120	2,159	2,382	2,639	2,911	3,161
Less: Accum. Deprn.	380	479	526	652	806	869	972	1,069	1,177	1,289
<b>Net Fixed Assets</b>	<b>885</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>1,570</b>	<b>1,734</b>	<b>1,873</b>
Capital WIP	158	166	186	195	190	220	312	215	103	13
Investments	68	30	32	29	35	58	48	48	48	48
Goodwill on consolidation	35	41	40	41	43	43	56	56	56	56
<b>Curr. Assets</b>	<b>578</b>	<b>929</b>	<b>863</b>	<b>921</b>	<b>855</b>	<b>1,213</b>	<b>1,028</b>	<b>854</b>	<b>928</b>	<b>992</b>
Inventory	248	283	317	311	333	488	544	523	581	616
Account Receivables	116	124	118	79	95	122	83	79	88	93
Cash & liquid investment	106	228	59	115	130	244	170	20	28	51
Others	109	294	370	417	297	358	231	231	231	231
<b>Curr. Liability &amp; Prov.</b>	<b>411</b>	<b>455</b>	<b>490</b>	<b>487</b>	<b>639</b>	<b>805</b>	<b>838</b>	<b>824</b>	<b>864</b>	<b>888</b>
Account Payables	186	204	217	214	260	368	378	364	404	428
Provisions & Others	225	251	273	273	380	437	460	460	460	460
<b>Net Current Assets</b>	<b>168</b>	<b>475</b>	<b>373</b>	<b>434</b>	<b>216</b>	<b>408</b>	<b>189</b>	<b>30</b>	<b>64</b>	<b>103</b>
<b>Appl. of Funds</b>	<b>1,313</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>1,918</b>	<b>2,005</b>	<b>2,092</b>

## Financials and valuations

### Ratios (Consolidated)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>										
<b>EPS</b>	<b>3.8</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>4.0</b>	<b>10.8</b>	<b>12.9</b>
Cash EPS	9.6	12.2	15.3	8.5	14.6	40.4	14.7	12.0	19.6	22.0
BV/Share (ex-goodwill)	33.0	47.6	54.7	58.7	57.7	90.2	79.8	74.4	80.2	86.1
DPS	0.8	0.8	1.0	1.0	2.5	5.1	3.6	3.5	5.0	7.0
Payout (%)	25.2	11.6	11.3	110.4	36.2	15.5	50.8	87.7	46.1	54.3
<b>Valuation (x)</b>										
P/E	35.3	19.3	15.1	147.9	19.4	4.1	18.9	33.6	12.4	10.4
Cash P/E	13.9	11.0	8.8	15.7	9.2	3.3	9.1	11.2	6.8	6.1
P/BV	4.1	2.8	2.4	2.3	2.3	1.5	1.7	1.8	1.7	1.6
EV/Sales	1.8	1.7	1.6	1.7	1.6	0.9	1.0	1.0	0.9	0.9
EV/EBITDA	12.0	10.3	8.5	14.6	8.0	3.4	7.2	10.6	7.2	6.5
Dividend Yield (%)	0.6	0.6	0.7	0.7	1.9	3.8	2.7	2.6	3.7	5.2
<b>Return Ratios (%)</b>										
EBITDA Margins (%)	15.1	16.6	18.6	12.0	19.5	26.0	13.3	9.9	13.0	13.6
Net Profit Margins (%)	3.3	6.0	6.4	0.7	5.3	16.5	3.6	2.1	5.1	5.7
RoE	15.7	17.2	17.3	1.6	11.9	44.6	8.3	5.2	14.0	15.5
RoCE (pre-tax)	9.4	11.6	13.7	5.8	11.8	29.2	12.1	7.9	13.3	14.4
RoIC (pre-tax)	13.3	14.6	15.9	5.7	13.7	37.0	15.4	8.6	13.3	13.8
<b>Working Capital Ratios</b>										
Fixed Asset Turnover (x)	1.3	1.4	1.3	1.1	1.2	1.9	1.7	1.5	1.5	1.5
Asset Turnover (x)	0.9	0.8	0.9	0.7	0.9	1.2	1.2	1.2	1.3	1.3
Debtor (Days)	38	34	27	19	22	18	12	12	12	12
Inventory (Days)	81	78	73	76	78	73	82	82	82	82
Payables (Days)	60	56	50	52	61	55	57	57	57	57
Working Capital T/O (Days)	58	56	50	43	39	36	37	37	37	37
<b>Leverage Ratio (x)</b>										
Current Ratio	1.4	2.0	1.8	1.9	1.3	1.5	1.2	1.0	1.1	1.1
Interest Cover Ratio	2.2	2.9	2.9	1.2	2.8	10.0	3.6	1.8	2.9	3.3
Net Debt/Equity	2.3	1.3	1.6	1.6	1.2	0.5	0.7	0.9	0.8	0.8

### Cash Flow Statement (Consolidated)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>(INR b)</b>										
<b>EBITDA</b>	<b>170</b>	<b>219</b>	<b>294</b>	<b>178</b>	<b>305</b>	<b>635</b>	<b>323</b>	<b>232</b>	<b>338</b>	<b>374</b>
Reconciliation income (loss)	6	-17	-15	3	-20	24	-14	0	0	0
(Inc)/Dec in Wkg. Cap.	-49	-93	26	42	165	-96	-37	10	-27	-16
Tax Paid	-18	-29	-51	-21	-7	-119	-55	-43	-45	-53
Other operating activities	0	0	0	0	0	0	0	-70	5	6
<b>CF from Op. Activity</b>	<b>108</b>	<b>80</b>	<b>253</b>	<b>202</b>	<b>443</b>	<b>444</b>	<b>217</b>	<b>129</b>	<b>272</b>	<b>310</b>
(Inc)/Dec in FA + CWIP	-77	-75	-91	-104	-70	-105	-141	-160	-160	-160
<b>Free Cash Flow to Firm</b>	<b>31</b>	<b>5</b>	<b>162</b>	<b>98</b>	<b>373</b>	<b>339</b>	<b>75</b>	<b>-31</b>	<b>112</b>	<b>150</b>
(Pur)/Sale of Non-cur. Invest.	4	-9	4	4	4	-6	0	0	0	0
Acquisition in subsidiaries	-11	-2	-351	-41	1	12	-104	0	0	0
Int. & Dividend Income	2	4	3	4	5	3	6	20	25	27
Others	-9	-38	135	-9	-33	-12	53	0	0	0
<b>CF from Inv. Activity</b>	<b>-91</b>	<b>-120</b>	<b>-299</b>	<b>-145</b>	<b>-93</b>	<b>-109</b>	<b>-187</b>	<b>-140</b>	<b>-135</b>	<b>-133</b>
Equity raised/(repaid)	7	91	0	2	32	3	0	0	0	0
Debt raised/(repaid)	27	41	82	76	-321	-160	54	-20	10	10
Dividend (incl. tax)	-9	-12	-14	-18	-12	-30	-63	-43	-61	-85
Interest & equiv. paid	-50	-54	-74	-77	-71	-47	-61	-76	-79	-79
<b>CF from Fin. Activity</b>	<b>-26</b>	<b>66</b>	<b>-7</b>	<b>-17</b>	<b>-371</b>	<b>-234</b>	<b>-70</b>	<b>-138</b>	<b>-130</b>	<b>-154</b>
<b>(Inc)/Dec in Cash</b>	<b>-8</b>	<b>26</b>	<b>-52</b>	<b>39</b>	<b>-21</b>	<b>101</b>	<b>-40</b>	<b>-150</b>	<b>8</b>	<b>23</b>
Add: opening balance	61	49	82	33	77	55	156	121	-28	-21
Forex Adj.	4	-7	-3	5	-1	0	5	0	0	0
Closing cash balance	49	82	33	77	55	156	121	-28	-21	2
Bank Balance	57	147	26	38	75	88	49	49	49	49
<b>Closing balance (incl. Bank balance)</b>	<b>106</b>	<b>228</b>	<b>59</b>	<b>115</b>	<b>130</b>	<b>244</b>	<b>170</b>	<b>20</b>	<b>28</b>	<b>51</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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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