

May 5, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	BUY		BUY	
Target Price	1,705		1,745	
Sales (Rs. m)	2,243,074	2,191,221	2,237,011	2,201,081
% Chng.	0.3	(0.4)		
EBITDA (Rs. m)	441,159	424,312	437,795	426,260
% Chng.	0.8	(0.5)		
EPS (Rs.)	179.0	170.0	175.9	171.4
% Chng.	1.8	(0.8)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. bn)	1,563	2,439	2,243	2,191
EBITDA (Rs. bn)	305	635	441	424
Margin (%)	19.5	26.0	19.7	19.4
PAT (Rs. bn)	85	368	217	206
EPS (Rs.)	71.3	303.7	179.0	170.0
Gr. (%)	358.5	326.2	(41.0)	(5.0)
DPS (Rs.)	25.0	49.0	38.4	48.1
Yield (%)	2.0	3.9	3.0	3.8
RoE (%)	11.5	40.3	18.7	15.6
RoCE (%)	12.1	32.1	18.9	17.1
EV/Sales (x)	1.4	0.8	0.9	0.9
EV/EBITDA (x)	7.4	3.2	4.7	4.6
PE (x)	17.7	4.2	7.0	7.4
P/BV (x)	2.0	1.4	1.2	1.1

Key Data

TISC.BO | TATA IN

52-W High / Low	Rs.1,535 / Rs.1,043
Sensex / Nifty	55,669 / 16,678
Market Cap	Rs.1,540bn/ \$ 20,155m
Shares Outstanding	1,221m
3M Avg. Daily Value	Rs.11222.76m

Shareholding Pattern (%)

Promoter's	33.92
Foreign	21.36
Domestic Institution	18.11
Public & Others	26.61
Promoter Pledge (Rs bn)	7.50

Stock Performance (%)

	1M	6M	12M
Absolute	(6.0)	(4.9)	18.6
Relative	0.1	2.1	3.8

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Earnings and B/S on strong trajectory

Quick Pointers:

- Realisations in India would be higher by Rs8,000-8,500 QoQ; €60/t in Europe
- Coking coal costs would be higher by US\$100/€50-60/t QoQ in India/Europe
- Net debt fell by 19% QoQ to Rs510bn on back of strong earnings

TATA steel (TATA) reported Q4FY22 EBITDA below our estimates by 13% at Rs158.9bn (down 5.4% QoQ/+6% YoY). The miss was primarily due to lower than expected margins in India operations and one-time provision of Rs13.4bn in Tata steel mining, the mining subsidiary. While Tata steel Europe (TSE) delivered strong beat of 47% on back of higher prices.

Continued relaxation of policies for real-estate sector and front loading of infrastructure spending reflects visible pressure on Chinese authorities to stimulate economic activity given the meaningful slowdown witnessed over last couple of quarters and reemergence of covid-19. While, concerns on oversupply resulting from contraction in demand were addressed by commensurate curbs on production by authorities. Unlike past, this limited the intensity of Chinese mills to dump steel in exports markets. Amid low competitive intensity of Chinese mills and constrained steel supplies from Russia and Ukraine, abnormal coking coal prices at US\$520/t would remain pressure point for earnings of steel companies. Notwithstanding that, margins of Indian steel mills are significantly better than historical levels on back of elevated spreads. Underpinned by solid B/S, sound earnings outlook (with FY23e margins lower by 23% over Q4FY22) and attractive valuations, we reiterate BUY with TP of Rs1,705, EV/EBITDA of 5.7x FY23e.

- India operations impacted by higher costs:** Volumes grew 17% QoQ at 5.0mnt (PLe:5.0mnt). Realisations fell 2%/Rs1,550 QoQ to Rs72,930 (PLe:72,480). Due to higher than estimated rise in RM and employee cost, Cost increased 5.5% QoQ/Rs2,565 to Rs49,190/t (PLe:Rs47,017). Impacted by higher costs, EBITDA/t came below our estimates at Rs24,615 (PLe:Rs26,360) with a fall of 14% QoQ.
- Strong show in TSE:** TSE's EBITDA increased 47% QoQ to US\$578mn, above our estimate of US\$472mn. EBITDA/t expanded by 32.5% QoQ to US\$240 (PLe:US\$200) on back of steeper increase in realisations. Impacted by forex losses of 7.2bn and one-time provision of Rs13.4bn, EBITDA came below our estimate at Rs150.3bn (PLe:Rs172.6bn). Aided by deferred tax credit and lower interest cost, PAT grew 3% QoQ to Rs100bn (PLe:Rs106bn).
- Key takeaways of con-call: 1)** On target to double India operation's capacity to 40mnt by 2030 through organic route **2)** Capex guidance of Rs120bn for FY23e (Spent Rs105bn in FY22) **3)** Building inventory of slabs ahead of relining of BF-6 in Netherlands, scheduled for Q4FY23. This will result in release of working capital in Q4FY23 with the liquidation of slab inventory **4)** 75-80% of energy cost in TSE hedged for Q1FY23 against 75% in Q4 **5)** Buys 2.0-2.3mnt of carbon credits/year in Netherlands. The high costs of these credits are already factored in TSE's margins **6)** Sells 60-70%/40% of Netherlands/UK volumes on contracted prices

Exhibit 1: Q4FY22 Result Overview (Rs m)

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Net Sales	6,93,235	5,00,284	38.6	6,07,831	24,38,656	15,34,061	59.0
Raw Material	2,76,302	1,50,233	83.9	2,01,258	8,35,664	5,50,329	51.8
<i>% of Net Sales</i>	<i>39.9</i>	<i>30.0</i>		<i>33.1</i>	<i>34.3</i>	<i>35.9</i>	
Staff Costs	60,562	53,912	12.3	56,834	2,32,641	1,96,485	18.4
<i>% of Net Sales</i>	<i>8.7</i>	<i>10.8</i>		<i>9.4</i>	<i>9.5</i>	<i>12.8</i>	
Other Expenses	2,06,075	1,54,299	33.6	1,90,802	7,35,451	4,83,561	52.1
<i>% of Net Sales</i>	<i>29.7</i>	<i>30.8</i>		<i>31.4</i>	<i>30.2</i>	<i>31.5</i>	
Total Expenditure	5,42,939	3,58,443	51.5	4,48,894	18,03,756	12,30,375	46.6
EBITDA	1,50,296	1,41,841	6.0	1,58,937	6,34,900	3,03,686	109.1
<i>Margin (%)</i>	<i>21.7</i>	<i>28.4</i>		<i>26.1</i>	<i>26.0</i>	<i>19.8</i>	
Depreciation	22,434	23,924	(6.2)	22,441	91,009	91,059	(0.1)
Other income	2,922	2,722	7.4	596	7,849	9,046	(13.2)
EBIT	1,30,784	1,20,639	8.4	1,37,092	5,51,740	2,21,673	148.9
Interest	10,985	18,663	(41.1)	15,325	54,622	75,908	(28.0)
PBT	1,19,799	1,01,976	17.5	1,21,767	4,97,118	1,45,765	241.0
Extraordinary income/(expense)	(2,743)	(9,911)	-	(1,934)	(1,341)	(10,433)	-
PBT (After EO)	1,17,056	92,065	27.1	1,19,833	4,95,777	1,35,332	-
Tax	20,299	21,950	(7.5)	25,674	84,776	56,616	-
<i>% PBT</i>	<i>17.3</i>	<i>23.8</i>		<i>21.4</i>	<i>17.1</i>	<i>41.8</i>	
Reported PAT	96,758	70,115	38.0	94,159	4,11,002	78,717	422.1
Minority interest	789	5,178	-	255	15,954	6,850	-
Share of profit/(loss) of associates	1,594	1,504	5.9	1,823	6,492	3,273	98.3
Net Profit attributable to shareholders	97,562	66,442	-	95,727	4,01,539	75,140	434.4
Adjusted Net Profit attributable to shareholders	1,00,305	76,353	31.4	97,661	4,02,880	85,572	370.8

Source: Company, PL

Exhibit 2: Key Operating Metrics

Subsidiary performance	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Revenue (mn USD)							
Indian Operations	4,875	3,752	29.9	4,264	17,304	11,365	52.3
Europe Operations	3,507	2,367	48.2	3,037	12,071	7,568	59.5
Adjusted EBITDA (mn USD)							
Indian Operations	1,626	1,604	1.4	1,623	6,864	3,684	86.3
Europe Operations	578	164	253.0	392	1,629	(79)	-
Operating Metrics-India							
Sales Volume (mnt)	5.0	4.5	10.5	4.2	17.6	16.7	5.7
Realisation per tonne (USD/t)	981	834	17.6	1,004	982	682	44.0
EBITDA per tonne (USD/t)	327	356	(8.2)	382	389	221	76.2
Operating Metrics-Europe							
Sales Volume (mnt)	2.4	2.5	(2.8)	2.2	9.0	8.8	2.3
Realisation per tonne (USD/t)	1,461	958	52.5	1,406	1,337	857	56.0
EBITDA per tonne (USD/t)	241	66	263.3	182	180	(9)	-

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	1,562,942	2,438,628	2,243,074	2,191,221
YoY gr. (%)	4.9	56.0	(8.0)	(2.3)
Cost of Goods Sold	569,402	865,806	864,920	848,116
Gross Profit	993,540	1,572,822	1,378,155	1,343,105
Margin (%)	63.6	64.5	61.4	61.3
Employee Cost	199,088	270,564	270,287	265,036
Other Expenses	(17,657)	-	-	-
EBITDA	305,043	634,865	441,159	424,312
YoY gr. (%)	75.8	108.1	(30.5)	(3.8)
Margin (%)	19.5	26.0	19.7	19.4
Depreciation and Amortization	92,336	91,009	102,437	108,212
EBIT	212,706	543,856	338,722	316,101
Margin (%)	13.6	22.3	15.1	14.4
Net Interest	76,067	54,622	50,801	42,801
Other Income	8,956	7,866	8,253	8,677
Profit Before Tax	135,164	497,101	296,174	281,977
Margin (%)	8.6	20.4	13.2	12.9
Total Tax	56,539	119,218	74,787	71,509
Effective tax rate (%)	41.8	24.0	25.3	25.4
Profit after tax	78,624	377,882	221,387	210,468
Minority interest	6,996	15,954	7,500	7,500
Share Profit from Associate	3,273	6,492	3,000	3,000
Adjusted PAT	85,334	367,828	216,887	205,968
YoY gr. (%)	379.6	331.0	(41.0)	(5.0)
Margin (%)	5.5	15.1	9.7	9.4
Extra Ord. Income / (Exp)	(10,432)	-	-	-
Reported PAT	74,902	367,828	216,887	205,968
YoY gr. (%)	381.2	391.1	(41.0)	(5.0)
Margin (%)	4.8	15.1	9.7	9.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	74,902	367,828	216,887	205,968
Equity Shares O/s (m)	1,198	1,211	1,211	1,211
EPS (Rs)	71.3	303.7	179.0	170.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	2,119,884	2,176,064	2,364,564	2,432,064
Tangibles	2,119,884	2,176,064	2,364,564	2,432,064
Intangibles	-	-	-	-
Acc: Dep / Amortization	805,579	896,587	999,024	1,107,236
Tangibles	805,579	896,587	999,024	1,107,236
Intangibles	-	-	-	-
Net fixed assets	1,314,305	1,279,476	1,365,540	1,324,828
Tangibles	1,314,305	1,279,476	1,365,540	1,324,828
Intangibles	-	-	-	-
Capital Work In Progress	196,730	245,980	308,480	370,980
Goodwill	43,447	43,447	43,447	43,447
Non-Current Investments	41,772	49,819	52,819	55,819
Net Deferred tax assets	(76,634)	(84,616)	(91,270)	(97,823)
Other Non-Current Assets	240,719	275,146	275,146	275,146
Current Assets				
Investments	72,189	72,189	72,189	72,189
Inventories	332,764	488,394	473,197	462,258
Trade receivables	95,398	122,464	147,490	144,080
Cash & Bank Balance	57,822	102,334	(32,303)	(2,713)
Other Current Assets	23,106	36,606	41,606	46,606
Total Assets	2,454,872	2,765,546	2,797,727	2,843,237
Equity				
Equity Share Capital	11,976	12,113	12,113	12,113
Other Equity	730,412	1,068,822	1,226,334	1,385,734
Total Networkth	742,388	1,080,935	1,238,447	1,397,847
Non-Current Liabilities				
Long Term borrowings	885,014	685,014	585,014	485,014
Provisions	46,919	46,919	46,919	46,919
Other non current liabilities	101,754	86,754	71,754	56,754
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	259,675	368,930	363,196	355,226
Other current liabilities	288,070	342,007	323,255	318,283
Total Equity & Liabilities	2,454,872	2,765,546	2,797,727	2,843,237

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	138,437	497,101	296,174	281,977
Add. Depreciation	92,336	91,009	102,437	108,212
Add. Interest	76,067	54,622	50,801	42,801
Less Financial Other Income	8,956	7,866	8,253	8,677
Add. Other	(21,444)	(4,087)	(4,474)	(4,898)
Op. profit before WC changes	285,397	638,644	444,938	428,092
Net Changes-WC	164,913	(97,058)	(54,740)	(19,074)
Direct tax	(7,043)	(111,037)	(68,134)	(64,956)
Net cash from Op. activities	443,267	430,550	322,064	344,062
Capital expenditures	(63,429)	(105,430)	(251,000)	(130,000)
Interest / Dividend Income	4,012	4,087	4,474	4,898
Others	(36,049)	-	-	-
Net Cash from Inv. activities	(95,467)	(101,343)	(246,526)	(125,102)
Issue of share cap. / premium	32,390	8,435	-	-
Debt changes	(306,606)	(200,000)	(100,000)	(100,000)
Dividend paid	(11,505)	(29,966)	(59,374)	(46,568)
Interest paid	(68,037)	(54,622)	(50,801)	(42,801)
Others	(17,349)	(8,541)	-	-
Net cash from Fin. activities	(371,107)	(284,694)	(210,175)	(189,369)
Net change in cash	(23,307)	44,513	(134,637)	29,590
Free Cash Flow	373,481	325,120	192,064	214,062

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	5,33,718	6,03,871	6,07,831	6,93,235
YoY gr. (%)	119.7	62.5	44.9	38.6
Raw Material Expenses	1,67,521	1,90,584	2,01,258	2,76,302
Gross Profit	3,66,198	4,13,287	4,06,574	4,16,933
Margin (%)	68.6	68.4	66.9	60.1
EBITDA	1,61,106	1,64,561	1,58,937	1,50,296
YoY gr. (%)	3,087.0	169.3	66.1	6.0
Margin (%)	30.2	27.3	26.1	21.7
Depreciation / Depletion	23,245	22,889	22,441	22,434
EBIT	1,37,860	1,41,673	1,36,496	1,27,862
Margin (%)	25.8	23.5	22.5	18.4
Net Interest	18,114	10,198	15,325	10,985
Other Income	1,622	2,709	596	2,922
Profit before Tax	1,19,545	1,39,343	1,19,833	1,17,056
Margin (%)	22.4	23.1	19.7	16.9
Total Tax	23,084	15,719	25,674	20,299
Effective tax rate (%)	19.3	11.3	21.4	17.3
Profit after Tax	96,461	1,23,624	94,159	96,758
Minority interest	8,614	6,296	255	789
Share Profit from Associates	1,223	1,853	1,823	1,594
Adjusted PAT	90,893	1,14,022	97,661	1,06,103
YoY gr. (%)	(305.1)	658.6	153.6	39.0
Margin (%)	17.0	18.9	16.1	15.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	89,069	1,19,181	95,727	97,562
YoY gr. (%)	(303.6)	670.8	158.9	46.8
Margin (%)	16.7	19.7	15.7	14.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	89,069	1,19,181	95,727	97,562
Avg. Shares O/s (m)	971	971	971	971
EPS (Rs)	93.6	117.4	100.6	109.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	71.3	303.7	179.0	170.0
CEPS	148.4	378.8	263.6	259.4
BVPS	619.9	892.4	1,022.4	1,154.0
FCF	311.9	268.4	158.6	176.7
DPS	25.0	49.0	38.4	48.1
Return Ratio(%)				
RoCE	12.1	32.1	18.9	17.1
ROIC	7.6	27.2	14.4	13.2
RoE	11.5	40.3	18.7	15.6
Balance Sheet				
Net Debt : Equity (x)	1.0	0.5	0.4	0.3
Net Working Capital (Days)	39	36	42	42
Valuation(x)				
PER	17.7	4.2	7.0	7.4
P/B	2.0	1.4	1.2	1.1
P/CEPS	148.4	378.8	263.6	259.4
EV/EBITDA	7.4	3.2	4.7	4.6
EV/Sales	1.4	0.8	0.9	0.9
Dividend Yield (%)	2.0	3.9	3.0	3.8

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Rev. Indian Op. (US\$ m)	8,739	13,054	11,576	11,068
Rev. Corus (US\$ m)	7,568	12,071	12,350	12,125
Rev. South East (US\$ m)	1,292	1,610	1,040	1,063
EBITDA-India (US\$ m)	2,932	5,496	3,585	3,417
EBITDA-Corus (US\$ m)	(79)	1,629	950	873
EBITDA-South East (US\$ m)	74	115	56	54
Volume (mt)-India	12	13	13	13
Real./ Tonne- India (Rs)	42,353	61,538	54,541	51,512
EBITDA/Tonne- India (Rs)	17,612	31,930	21,108	20,122
SalesVol.-Corus (mt)	9	9	10	10
Real./Tonne-Corus (US\$)	857	1,337	1,300	1,250
EBITDA/Tonne-Corus (US\$)	(9)	180	100	90
Sales Vol.-South East (mt)	2	2	2	2
Real./Tonne-SEAN (US\$)	585	700	650	625
EBITDA/Tonne-SEAN (US\$)	33	50	35	32

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-22	BUY	1,745	1,371
2	08-Feb-22	BUY	1,745	1,183
3	11-Jan-22	BUY	1,842	1,169
4	15-Nov-21	BUY	1,835	1,287
5	07-Oct-21	BUY	1,850	1,289
6	15-Aug-21	BUY	1,950	1,462
7	08-Jul-21	Accumulate	1,400	1,190
8	07-Jul-21	Accumulate	1,400	1,167
9	07-May-21	Accumulate	1,330	1,101

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,300	2,057
2	Ambuja Cement	Hold	400	383
3	Coal India	Accumulate	220	195
4	Dalmia Bharat	Accumulate	1,806	1,593
5	Heidelberg Cement India	Reduce	200	202
6	Hindalco Industries	Hold	673	582
7	Hindustan Zinc	Reduce	322	338
8	Jindal Steel & Power	BUY	615	564
9	JK Lakshmi Cement	Hold	560	453
10	JSW Steel	Accumulate	835	757
11	NMDC	Accumulate	198	175
12	Shree Cement	Hold	25,687	24,743
13	Steel Authority of India	Accumulate	128	111
14	Tata Steel	BUY	1,745	1,371
15	The Ramco Cements	Hold	831	810
16	Ultratech Cement	Accumulate	7,180	6,630

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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