Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

May 31, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	**ACCUMULATE**		**ACCUMULATE**	
Target Price	**172**		**170**	
Sales (Rs. m)	2,515	2,869	2,643	2,974
% Chng.	*(4.8)*	*(3.6)*		
EBITDA (Rs. m)	364	472	371	464
% Chng.	*(2.0)*	*1.8*		
EPS (Rs.)	12.4	18.8	13.3	18.6
% Chng.	*(7.1)*	*0.7*		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	2,434	2,292	2,515	2,869
EBITDA (Rs. bn)	323	223	364	472
Margin (%)	*13.3*	*9.7*	*14.5*	*16.5*
PAT (Rs. bn)	87	30	155	234
EPS (Rs.)	7.1	2.4	12.4	18.8
Gr. (%)	*(78.4)*	*(66.4)*	*417.5*	*51.4*
DPS (Rs.)	3.6	2.9	3.9	3.9
Yield (%)	*2.2*	*1.8*	*2.4*	*2.4*
RoE (%)	*8.0*	*3.1*	*15.8*	*20.7*
RoCE (%)	*12.6*	*7.0*	*14.7*	*19.2*
EV/Sales (x)	1.1	1.2	1.1	0.9
EV/EBITDA (x)	8.1	12.4	7.7	5.7
PE (x)	23.0	68.6	13.3	8.7
P/BV (x)	1.9	2.2	2.0	1.7

Key Data	TISC.BO | TATA IN
52-W High / Low	Rs.178 / Rs.106
Sensex / Nifty	73,886 / 22,489
Market Cap	Rs.2,049bn/ $ 24,596m
Shares Outstanding	12,483m
3M Avg. Daily Value	Rs.9484.58m

Shareholding Pattern (%)

Promoter's	33.19
Foreign	20.28
Domestic Institution	23.66
Public & Others	22.87
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.5)	28.3	53.3
Relative	0.3	16.4	30.7

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Tata Steel (TATA IN)

Rating: ACCUMULATE | CMP: Rs164 | TP: Rs172

TSUK green transition on track

Quick Pointers:

- Kalinganagar (KPO-II) blast furnace (BF) to be commissioned by Sep'24, expect incremental 1.7mt volumes in FY25
- BF#5 at TSUK to be closed by end of Jun'24 and BF#4 by Sep'24; equipment ordering for 3mtpa EAF likely by Sep'24

Tata Steel's (TATA) 4Q consolidated operating performance was better than PLe on account of stronger Indian ops (TSI) aided by lower other expenses. Tata Steel Europe (TSE) EBITDA loss narrowed significantly from USD178/t to USD69/t even after considering one-time benefit of carbon credits at UK ops. In 1QFY25, TSN is expected to become EBITDA positive on improving realizations, while TSUK is expected to become EBITDA positive from 3QFY25 post closure of furnaces. KPO-II expansion is progressing well with incremental 1.7mt volumes expected in FY25, while TSE volumes will be flattish. TSUK green transition is on track and post closure of heavy end assets by Sep'24, substrate imports from TSI/TSN shall aid TSUK business. Key parameters to watch are a) progress on closure of TSUK BFs and b) ramp-up of KPO-II blast furnace, which shall drive FY26E volume growth.

We tweak FY25E/26E EBITDA estimates by -2%/2% considering better TSE profitability aided by TSN's volume recovery and EBITDA neutral TSUK. We expect EBITDA CAGR of 46% over FY24-26E. At CMP, the stock is trading at 7.7x/5.7x EV of FY25E/FY26E EBITDA. We maintain 'Accumulate' rating with revised TP of Rs172 (earlier Rs170) valuing at 6x EV of Mar'26E TSI EBITDA.

- **Revenue aided by strong volume growth:** Std. revenue grew 6% QoQ to Rs366bn (-4% YoY; PLe Rs374bn) as average realization declined 5% QoQ to Rs67,592/t (PLe Rs69k/t). Sales volume grew 11% QoQ at 5.4mt (+5% YoY) in the seasonally strong quarter. Auto segment sales volumes grew 6% YoY, Branded Products and Retail segment grew 1% YoY, while Industrial declined 5% YoY. Export volumes grew 53% YoY to 0.49mt (9% of volumes). Cons revenue grew 6% QoQ to Rs587bn (PLe Rs604bn).
- **TSI EBITDA aided by lower other expenses:** TSI EBITDA declined 2% QoQ to Rs80.5bn (-7% YoY; beats PLe Rs75.7bn) on lower other expenses and higher operating leverage. EBITDA/t declined 12% QoQ to Rs14,846 (-12% YoY; PLe Rs13,988).
- **Sharp improvement in TSE EBITDA:** Cons EBITDA grew 5% QoQ to Rs66bn (-9% YoY; PLe Rs62bn). TSE EBITDA loss narrowed substantially QoQ to USD69/t from USD178/t. At TSN, volumes grew 10% QoQ to 1.43mt (-3% YoY) on completion of BF#6 relining in early Feb'24, which was offset by weaker realization and higher costs. TSUK benefited from higher volumes, which was offset by lower realization and higher material expenses. TSUK sales volume improved 8% QoQ to 0.7m (-9% YoY).

Exhibit 1: Q4FY24 Consolidated Result Overview

Y/e March (Rs bn)	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	**586.9**	**629.6**	***(6.8)***	**553.1**	***6.1***	**2,291.7**	**2,433.5**	***(5.8)***
Raw Material	260.9	286.6	*(9.0)*	224.5	*16.2*	1,019.2	1,132.4	*(10.0)*
% of Net Sales	*44.5*	*45.5*		*40.6*		*44.5*	*46.5*	
Staff Costs	61.4	58.0	*6.0*	65.3	*(5.9)*	245.1	224.2	*9.3*
% of Net Sales	*10.5*	*9.2*		*11.8*		*10.7*	*9.2*	
Other Expenses	198.6	212.9	*(6.7)*	200.7	*(1.1)*	804.4	753.9	*6.7*
% of Net Sales	*33.8*	*33.8*		*36.3*		*35.1*	*31.0*	
Total Expenditure	520.9	557.4	*(6.6)*	490.5	*6.2*	2,069	2,111	*(2.0)*
EBITDA	**66.0**	**72.2**	***(8.6)***	**62.6**	***5.4***	**223.1**	**323.0**	***(30.9)***
Margin (%)	*11.2*	*11.5*		*11.3*		*9.7*	*13.3*	
Depreciation	25.7	23.8	*7.8*	24.2	*6.0*	98.8	93.4	*5.9*
Other income	1.8	1.7	*3.8*	2.3	*(22.8)*	18.1	10.4	*74.4*
EBIT	**42.1**	**50.1**	***(15.9)***	**40.7**	***3.4***	**142.3**	**240.0**	***(40.7)***
Interest	18.4	17.9	*2.7*	18.8	*(2.0)*	75.1	63.0	*19.2*
PBT	**23.7**	**32.1**	***(26.3)***	**21.9**	***8.1***	**67.3**	**177.0**	***(62.0)***
Extraordinary income/(expense)	(5.9)	0.1	*NA*	(3.3)	*NA*	(78.1)	1.3	*NA*
PBT (After EO)	**17.7**	**32.2**	***(45)***	**18.5**	***(4.5)***	**(10.9)**	**178.3**	*NA*
Tax	12.5	17.5	*(29)*	14.1	*(10.8)*	37.6	101.6	*(63.0)*
% PBT	*70.8*	*54.4*		*75.8*		*-345.5*	*57.0*	
Reported PAT	**5.2**	**14.7**	***(65)***	**4.5**	***NA***	**(48.5)**	**76.7**	***NA***
Minority interest	(0.6)	(1.39)	*NA*	0.09	*(749)*	(4.72)	(6.85)	*NA*
Share of profit/(loss) of associates	0.4	1.0	*(61.6)*	0.7	*NA*	(0.6)	4.2	*NA*
Net Profit attributable to shareholders	**6.1**	**17.0**	***(64)***	**5.1**	***NA***	**(44.4)**	**87.7**	*NA*
Adjusted Net Profit attributable to shareholders	**7.9**	**17.0**	***(53.8)***	**5.9**	***32.1***	**24.8**	**100.5**	***(75.3)***

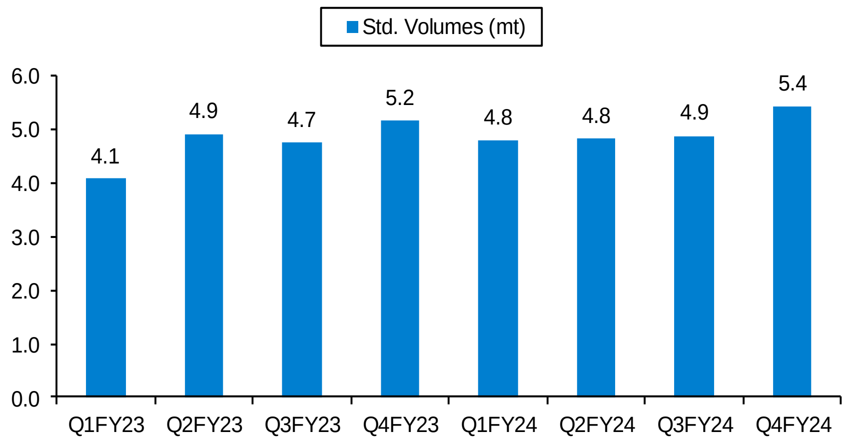
Source: Company, PL

Exhibit 2: Operating Performance

Y/e March	4QFY24	4QFY23	YoY gr. (%)	3QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Indian Operations								
Volume (mt)	5.4	5.2	*5.2*	4.9	*11.1*	19.9	18.9	*5.5*
Revenue (Rs bn)	366.3	380.5	*(3.7)*	346.8	*5.6*	1,401.9	1,386.4	*1.1*
EBITDA (Rs bn)	80.5	86.6	*(7.0)*	82.5	*(2.5)*	297.8	280.2	*6.3*
Realization (Rs/t)	67,592	73,880	*(8.5)*	71,069	*(4.9)*	70,414	73,472	*(4.2)*
EBITDA (Rs/t)	14,846	16,806	*(11.7)*	16,905	*(12.2)*	14,956	14,852	*0.7*
Europe operations (TSUK +TSN)								
Volume (mt)	2.1	2.2	*(1.9)*	1.9	*9.3*	7.9	8.2	*(3.7)*
Revenue (USD mn)	2,494	2,679	*(6.9)*	2,308	*8.1*	9,858	11,253	*(12.4)*
EBITDA (USD mn)	(82)	(199.5)	*NA*	(344.8)	*NA*	(923)	612	*NA*
Realization/t (USD)	1,176	1,240	*(5.1)*	1,190	*(1.1)*	1,254	1,379	*(9.1)*
EBITDA/t (USD)	(39)	(92)	*NA*	(178)	*NA*	(117)	75	*NA*

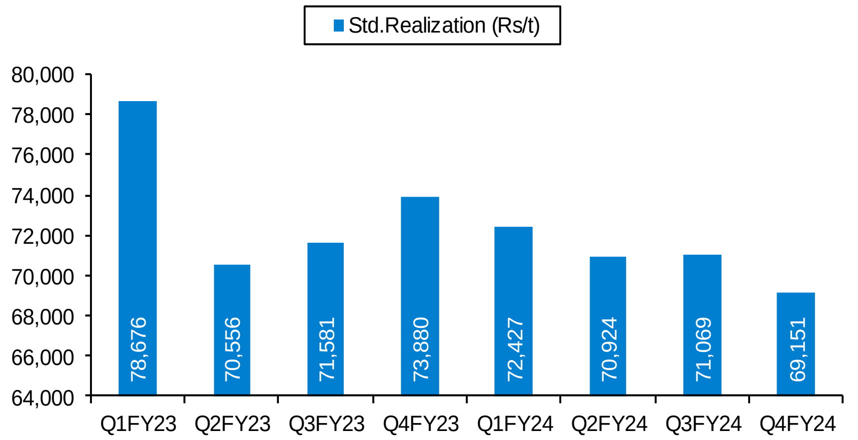
Source: Company, PL

Exhibit 3: TSI volumes increased 11% QoQ



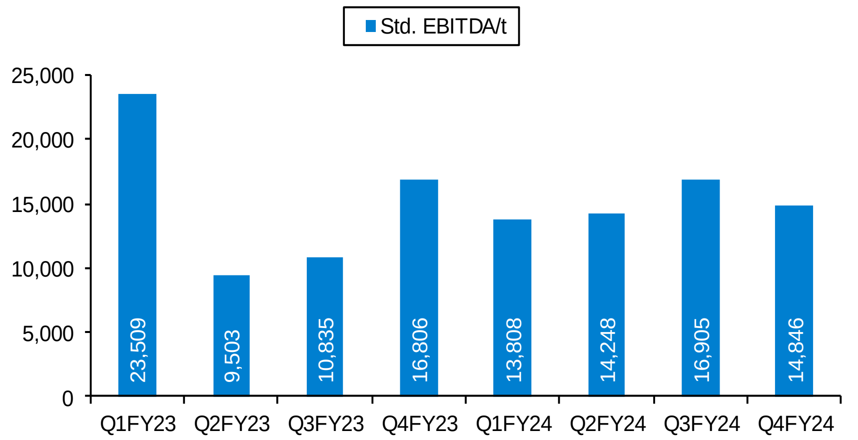
Source: Company, PL

Exhibit 4: TSI realization declined 5% QoQ on weak steel pricing



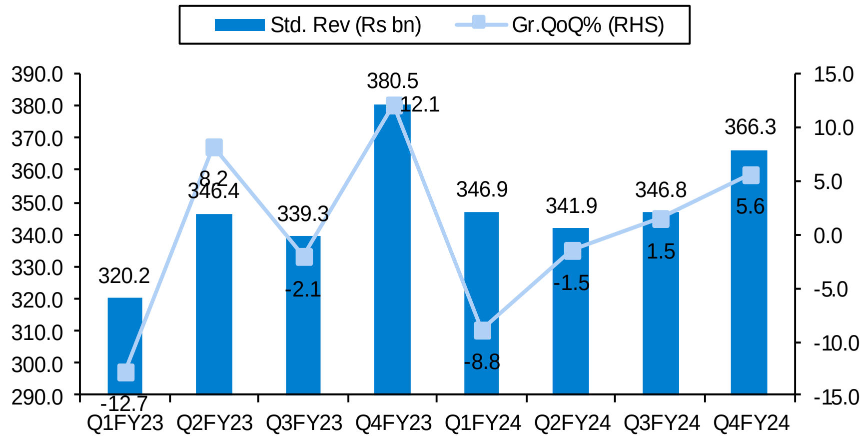
Source: Company, PL

Exhibit 5: TSI EBITDA/t declined 12% QoQ on higher RM costs



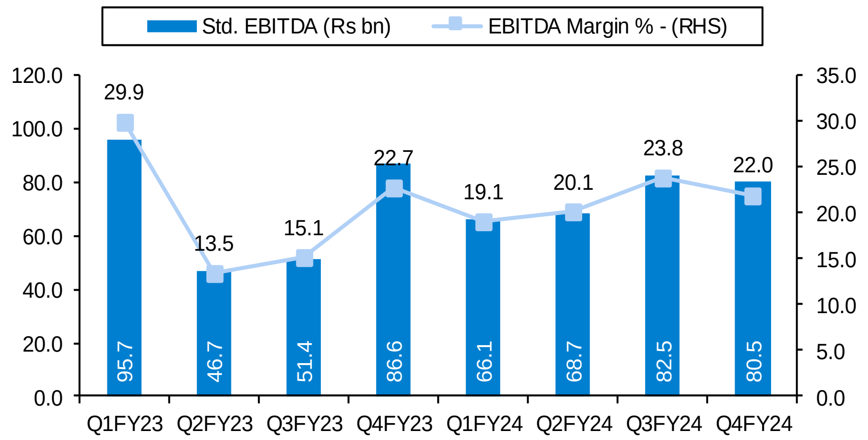
Source: Company, PL

Exhibit 6: Std. revenue increased 6% QoQ led by volume growth



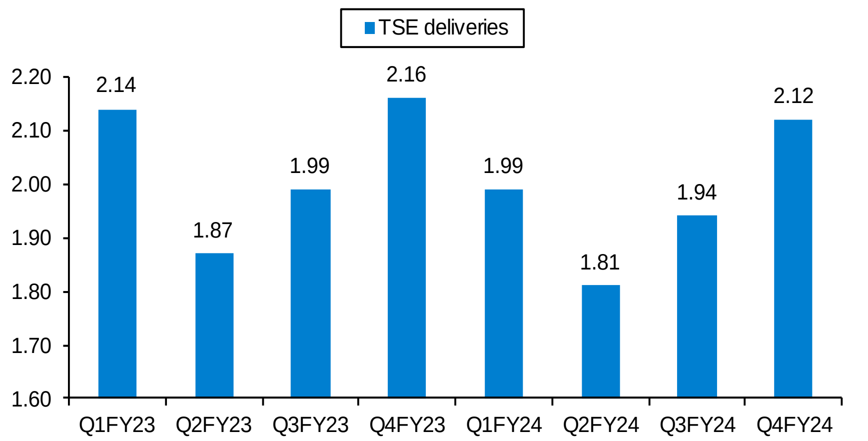
Source: Company, PL

Exhibit 7: Margins declined on higher coking coal costs and weak NSR



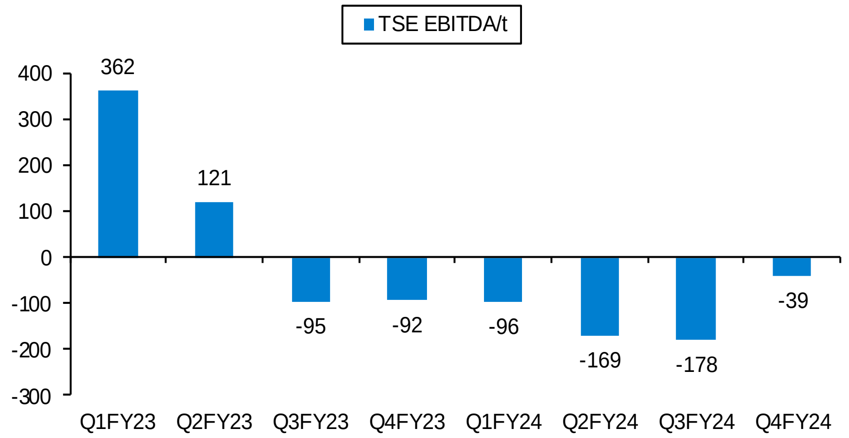
Source: Company, PL

Exhibit 8: TSE volumes improved 9% QoQ post BF#6 relining at TSN



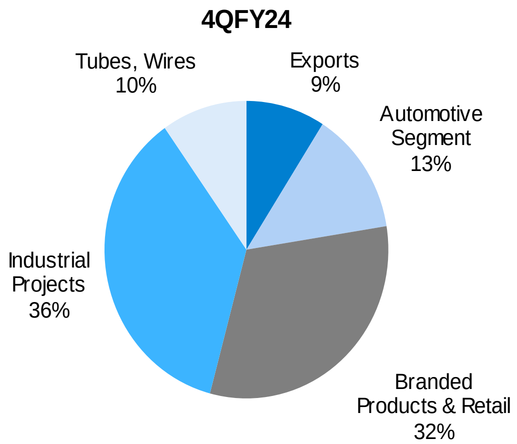
Source: Company, PL

Exhibit 9: TSE EBITDA loss narrowed QoQ (USD/t)



Source: Company, PL without considering one-time benefit of USD30/t*

Exhibit 10: TSI Volume (5.43mt) break up among business verticals



Source: Company, PL

Exhibit 11: Valuation Summary

Figures in Rs bn	EV/EBITDA (Mar-26E)	EBITDA (Rs bn)	Value (Rs bn)
Indian operations	6.0	392	2,354
Other domestic operations	6.0	9	52
Tata steel Europe	5.0	65	327
South East Asean operations	5.0	6	29
Total EV			**2,763**
Debt			791
Cash			98
Net debt			693
Shareholder's value			**2,069**
Value per share			**172**

Source: PL

Conference Call Highlights:

- FY25E Capex is expected to be Rs160bn of which 75% is to be spent at TSI. ~Rs55bn is expected to spent on KPO II.
- FY25 Cons. volumes to increase by ~1.4mt. Production from KPO-II to contribute ~1.7mt in FY25 while planned relining of Jamshedpur BF#G will cut volumes by ~0.5mt.
- KPO-II blast furnace to get commissioned in Sep'24.
- In 2HFY25, 0.6mt and 1.1mt of substrate (HRC/ slabs) will be shipped from TSN and TSI respectively to TSUK. In FY26, ~2.7-2.8mt of substrate would be transported to TSUK. The slabs will be transferred at market prices.
- 1QFY25 TSI NSR is expected to increase by Rs 300-350/t; while TSN NSR to increase by GBP 90/t. TSUK is expected to have flat realization.
- 1Q coking coal consumption cost at TSI to decrease by USD10/t while for TSN, it would increase by USD 24/t due to high cost inventory. Iron ore cost at TSN to increase by USD 10/t.
- 4Q TSUK EBITDA had a one-time benefit of carbon credits worth GBP 51mn.
- TSN and TSUK shall be EBITDA positive by 1QFY25 and 3QFY25 respectively.
- Blended cost of debt on std. and cons basis is 8.5% and 7% respectively.
- TSI envisages to set up EAFs in Northern and Southern India due to easier availability of scrap post Ludhiana commissioning.
- TATA surrendered the Sukinda mine due to regulatory changes.
- TATA to infuse USD2.11bn in TSHP through equity which would be largely used to refinance foreign currency borrowings.
- TATA submitted its decarburization proposal to the Netherlands government for its first BF in the first phase and initiated discussions for regulatory and financial support.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	**2,434**	**2,292**	**2,515**	**2,869**
YoY gr. (%)	*(0.2)*	*(5.8)*	*9.7*	*14.1*
Cost of Goods Sold	1,132	1,019	990	1,086
Gross Profit	1,301	1,273	1,525	1,783
Margin (%)	*53.5*	*55.5*	*60.6*	*62.2*
Employee Cost	224	245	242	256
Other Expenses	754	804	919	1,055
EBITDA	**323**	**223**	**364**	**472**
YoY gr. (%)	*(49.1)*	*(30.9)*	*63.1*	*29.8*
Margin (%)	*13.3*	*9.7*	*14.5*	*16.5*
Depreciation and Amortization	93	99	102	108
EBIT	**230**	**124**	**262**	**365**
Margin (%)	*9.4*	*5.4*	*10.4*	*12.7*
Net Interest	63	75	79	73
Other Income	10	18	21	21
Profit Before Tax	**178**	**(11)**	**203**	**313**
Margin (%)	*7.3*	*(0.5)*	*8.1*	*10.9*
Total Tax	102	38	60	89
Effective tax rate (%)	*57.0*	*(345.5)*	*29.3*	*28.4*
Profit after tax	**77**	**(49)**	**144**	**224**
Minority interest	(7)	(5)	(8)	(7)
Share Profit from Associate	4	(1)	4	4
Adjusted PAT	**87**	**30**	**155**	**234**
YoY gr. (%)	*(78.4)*	*(65.7)*	*417.5*	*51.4*
Margin (%)	*3.6*	*1.3*	*6.1*	*8.2*
Extra Ord. Income / (Exp)	0	(74)	-	-
Reported PAT	**88**	**(44)**	**155**	**234**
YoY gr. (%)	*(78.2)*	*(150.7)*	*(448.3)*	*51.4*
Margin (%)	*3.6*	*(1.9)*	*6.1*	*8.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	88	(44)	155	234
Equity Shares O/s (m)	**12**	**12**	**12**	**12**
EPS (Rs)	**7.1**	**2.4**	**12.4**	**18.8**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	**2,382**	**2,501**	**2,610**	**2,775**
Tangibles	2,382	2,501	2,610	2,775
Intangibles	-	-	-	-
Acc: Dep / Amortization	**972**	**1,070**	**1,173**	**1,280**
Tangibles	972	1,070	1,173	1,280
Intangibles	-	-	-	-
Net fixed assets	**1,410**	**1,431**	**1,437**	**1,494**
Tangibles	1,410	1,431	1,437	1,494
Intangibles	-	-	-	-
Capital Work In Progress	326	353	408	408
Goodwill	56	57	57	57
Non-Current Investments	58	75	78	82
Net Deferred tax assets	(115)	(89)	(91)	(94)
Other Non-Current Assets	138	72	72	72
Current Assets				
Investments	36	7	7	7
Inventories	544	492	531	605
Trade receivables	83	63	138	157
Cash & Bank Balance	134	87	28	61
Other Current Assets	49	43	48	53
Total Assets	**2,880**	**2,734**	**2,860**	**3,054**
Equity				
Equity Share Capital	12	12	12	12
Other Equity	1,019	908	1,026	1,211
Total Networth	**1,031**	**920**	**1,038**	**1,223**
Non-Current Liabilities				
Long Term borrowings	780	816	796	736
Provisions	48	54	54	54
Other non current liabilities	133	111	96	81
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	378	354	393	445
Other current liabilities	329	330	339	374
Total Equity & Liabilities	**2,880**	**2,734**	**2,860**	**3,054**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	182	(11)	203	313
Add. Depreciation	93	99	102	108
Add. Interest	63	75	79	73
Less Financial Other Income	10	18	21	21
Add. Other	(30)	60	(5)	(5)
Op. profit before WC changes	309	222	380	488
Net Changes-WC	(37)	34	(87)	(27)
Direct tax	(55)	(53)	(57)	(86)
Net cash from Op. activities	**217**	**203**	**236**	**375**
Capital expenditures	(242)	(176)	(163)	(165)
Interest / Dividend Income	6	7	5	5
Others	118	54	-	-
Net Cash from Invt. activities	**(118)**	**(116)**	**(159)**	**(160)**
Issue of share cap. / premium	0	-	-	-
Debt changes	54	12	(20)	(60)
Dividend paid	(63)	(44)	(37)	(49)
Interest paid	(61)	(81)	(79)	(73)
Others	0	2	-	-
Net cash from Fin. activities	**(70)**	**(111)**	**(136)**	**(182)**
Net change in cash	**29**	**(24)**	**(59)**	**33**
Free Cash Flow	75	21	72	210

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	7.1	2.4	12.4	18.8
CEPS	14.8	10.3	20.6	27.4
BVPS	84.4	73.8	83.2	98.1
FCF	6.2	1.7	5.8	16.8
DPS	3.6	2.9	3.9	3.9
Return Ratio(%)				
RoCE	12.6	7.0	14.7	19.2
ROIC	6.0	33.0	10.6	14.3
RoE	8.0	3.1	15.8	20.7
Balance Sheet				
Net Debt : Equity (x)	0.6	0.8	0.7	0.5
Net Working Capital (Days)	37	32	40	40
Valuation(x)				
PER	23.0	68.6	13.3	8.7
P/B	1.9	2.2	2.0	1.7
P/CEPS	14.8	10.3	20.6	27.4
EV/EBITDA	8.1	12.4	7.7	5.7
EV/Sales	1.1	1.2	1.1	0.9
Dividend Yield (%)	2.2	1.8	2.4	2.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	**595**	**557**	**553**	**587**
YoY gr. (%)	*(6.2)*	*(7.0)*	*(3.1)*	*(6.8)*
Raw Material Expenses	275	259	224	261
Gross Profit	320	298	329	326
Margin (%)	*53.8*	*53.5*	*59.4*	*55.5*
EBITDA	**52**	**43**	**63**	**66**
YoY gr. (%)	*(65.4)*	*(29.6)*	*54.7*	*(8.6)*
Margin (%)	*8.7*	*7.7*	*11.3*	*11.2*
Depreciation / Depletion	24	25	24	26
EBIT	**28**	**18**	**38**	**40**
Margin (%)	*4.6*	*3.2*	*6.9*	*6.9*
Net Interest	18	20	19	18
Other Income	12	2	2	2
Profit before Tax	**21**	**(68)**	**19**	**18**
Margin (%)	*3.6*	*(12.3)*	*3.4*	*3.0*
Total Tax	13	(2)	14	13
Effective tax rate (%)	*62.6*	*3.3*	*75.8*	*70.8*
Profit after Tax	**8**	**(66)**	**4**	**5**
Minority interest	(1)	(3)	-	(1)
Share Profit from Associates	(3)	1	1	-
Adjusted PAT	**6**	**5**	**6**	**8**
YoY gr. (%)	*(91.9)*	*(69.0)*	*(161.8)*	*(53.8)*
Margin (%)	*1.1*	*0.8*	*1.1*	*1.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**6**	**(62)**	**5**	**6**
YoY gr. (%)	*(91.8)*	*(509.1)*	*(123.2)*	*(64.1)*
Margin (%)	*1.1*	*(11.1)*	*0.9*	*1.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**6**	**(62)**	**5**	**6**
Avg. Shares O/s (m)	12	12	-	-
EPS (Rs)	**0.5**	**0.4**	**-**	**-**

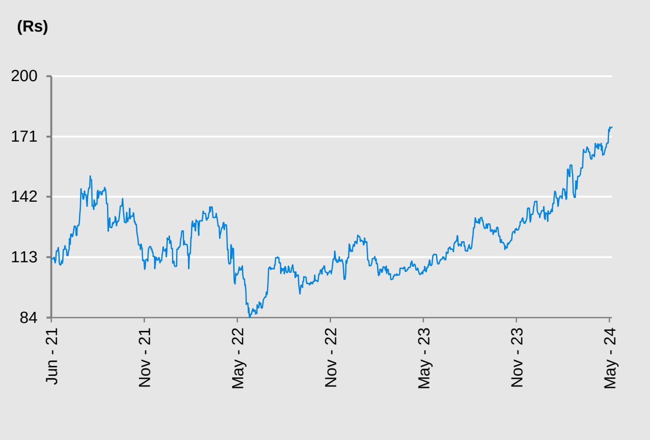
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Rev. Indian Op. (USD mn)	17,864	17,027	17,582	19,356
Rev.TSE (USD mn)	11,253	9,858	10,250	11,875
Rev. South East (USD mn)	726	715	935	1,063
EBITDA-India (USD mn)	3,534	3,603	4,155	4,555
EBITDA-TSE (USD mn)	612	(923)	246	760
EBITDA-South East (USD mn)	42	33	43	68
Sales volume India (mt)	19	20	22	24
Real./t - India (Rs)	75,736	70,812	68,543	69,130
EBITDA/t- India (Rs)	14,982	14,984	16,197	16,269
Sales volume TSE (mt)	8	8	8	10
Real./t-TSE (USD)	1,377	1,254	1,250	1,250
EBITDA/Tonne-TSE (USD)	75	(117)	30	80
Sales volume South East (mt)	1	1	2	2
Real./Tonne-SEAN (USD)	600	550	550	625
EBITDA/Tonne-SEAN (USD)	35	25	25	40

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	Accumulate	170	165
2	26-Jan-24	Accumulate	137	134
3	05-Jan-24	Accumulate	140	134
4	02-Nov-23	BUY	138	118
5	07-Oct-23	BUY	144	126
6	18-Sep-23	BUY	144	132
7	28-Aug-23	BUY	137	117

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,509	2,580
2	Ambuja Cement	Accumulate	683	622
3	Dalmia Bharat	Accumulate	2,077	1,806
4	Hindalco Industries	BUY	779	673
5	Jindal Stainless	Hold	712	680
6	Jindal Steel & Power	Accumulate	987	939
7	JSW Steel	Accumulate	980	902
8	National Aluminium Co.	Sell	141	183
9	NMDC	Accumulate	253	241
10	Nuvoco Vistas Corporation	Accumulate	384	335
11	Shree Cement	BUY	29,225	25,820
12	Steel Authority of India	Sell	127	174
13	Tata Steel	Accumulate	170	165
14	Ultratech Cement	BUY	11,608	9,964

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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