

August 2, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	175		186	
Sales (Rs. bn)	2,507	2,903	2,516	2,914
% Chng.	(0.4)	(0.4)		
EBITDA (Rs. bn)	353	480	366	498
% Chng.	(3.3)	(3.6)		
EPS (Rs.)	11.6	18.9	12.5	20.3
% Chng.	(7.8)	(6.8)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	2,434	2,292	2,507	2,903
EBITDA (Rs. bn)	323	223	353	480
Margin (%)	13.3	9.7	14.1	16.5
PAT (Rs. bn)	87	30	144	236
EPS (Rs.)	7.1	2.4	11.6	18.9
Gr. (%)	(78.4)	(66.4)	382.9	63.7
DPS (Rs.)	3.6	2.9	3.9	3.9
Yield (%)	2.2	1.8	2.4	2.4
RoE (%)	8.0	3.1	14.8	21.1
RoCE (%)	12.6	7.0	14.0	19.5
EV/Sales (x)	1.1	1.2	1.1	0.9
EV/EBITDA (x)	8.1	12.4	7.9	5.7
PE (x)	22.9	68.1	14.1	8.6
P/BV (x)	1.9	2.2	2.0	1.7

Key Data

TISC.BO | TATA IN

52-W High / Low	Rs.185 / Rs.114
Sensex / Nifty	81,868 / 25,011
Market Cap	Rs.2,036bn/ \$ 24,312m
Shares Outstanding	12,483m
3M Avg. Daily Value	Rs.8190.65m

Shareholding Pattern (%)

Promoter's	33.19
Foreign	20.32
Domestic Institution	23.52
Public & Others	22.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.3)	21.0	32.4
Relative	(9.1)	5.9	7.4

Tushar Chaudhari

tusharchaudhari@plindia.com | 91-22-663222391

In-line TSI performance; TSE improving QoQ

Quick Pointers:

- Blast furnace (BF) #4 at TSUK to be closed by the end of Sep'24; capital spending for 3mtpa electric arc furnace (EAF) likely by Jun'25
- Kalinganagar (KPO-II) BF to be commissioned by Sep'24

Tata Steel's (TATA) Q1FY25 cons. operating performance was better than PLe on account of sequential improvement at Tata Steel Europe (TSE) operations. TSE EBITDA loss narrowed further to USD28/t as Tata Steel Netherlands (TSN) delivered EBITDA profit of USD37/t on volume ramp-up post relining. TSUK is expected to become EBITDA positive from Q3FY25 post closure of BF #4 in Sep'24. KPO-II expansion at India (TSI) is progressing well with incremental 1.7mt volumes expected in FY25. For the next phase of capacity expansion in India, work has started at Ludhiana 1mtpa EAF and NINL 4mtpa expansion. Key parameters to watch are a) progress on negotiations at TSN/TSUK for green transition and b) ramp-up of KPO-II BF, which shall drive FY26E volume growth. We cut FY25E/26E EBITDA estimates by 3%-4% considering weak steel pricing. We expect EBITDA CAGR of 47% over FY24-26E on the back of KPO volume ramp-up and TSE turnaround. At CMP, the stock is trading at 7.9x/5.6x EV of FY25E/FY26E EBITDA. We maintain 'Accumulate' rating with revised TP of Rs175 (earlier Rs186) valuing at 6x EV of Mar'26E TSI EBITDA.

- TSI revenue de-growth due to weak pricing:** TSI sales volume grew 3% YoY to 4.94mt (-9% QoQ) in a quarter affected by elections. Average realization declined 1% QoQ to Rs66,720/t (-8% YoY; lower than PLe Rs68,200/t) resulting in revenue de-growth of 10% QoQ to Rs329bn (lower than PLe Rs337bn). Auto segment sales volumes grew 9% YoY, branded products and retail segment grew 6% YoY, while industrial declined 5% YoY. Export volumes de-grew 24% YoY to 0.19mt (~4% of volumes).
- TSI EBITDA affected by lower operating leverage:** EBITDA grew just 2% YoY to Rs67.7bn (tad lower than PLe of Rs69bn; -16% QoQ) despite lower RM costs. RM cost declined 8% QoQ to Rs25,835/t, while other expenses grew 8% QoQ to Rs22,872/t on lower operating leverage. Staff costs increased 26% YoY to Rs4,302/t. Resultantly, EBITDA declined 8% QoQ to Rs13,711/t Vs PLe of Rs13,946/t.
- Improvement in TSE performance:** TSE EBITDA loss further narrowed to USD28/t from loss of USD39/t QoQ and USD96/t YoY. Avg. realization declined 1% QoQ to USD1,170/t, while sales volumes increased 1% QoQ to 2.15mt on better volumes from TSN. TSN sales volumes grew 3% QoQ aided by higher production post relining of BF #6, while NSR declined 1% QoQ to GBP915/t due to falling steel prices. TSN reported EBITDA profit of GBP29/t (from loss of GBP20/t) despite higher RM costs. TSUK volumes declined 1% QoQ to 0.68mt. EBITDA loss was at GBP134/t.

Exhibit 1: Q1FY25 Consolidated Result Overview

Y/e March (Rs bn)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	547.7	594.9	(7.9)	586.9	(6.7)	2,291.7	2,433.5	(5.8)
Raw Material	224.2	274.8	(18.4)	260.9	(14.1)	1,019.2	1,132.4	(10.0)
<i>% of Net Sales</i>	<i>40.9</i>	<i>46.2</i>		<i>44.5</i>		<i>44.5</i>	<i>46.5</i>	
Staff Costs	64.7	59.3	9.1	61.4	5.3	245.1	224.2	9.3
<i>% of Net Sales</i>	<i>11.8</i>	<i>10.0</i>		<i>10.5</i>		<i>10.7</i>	<i>9.2</i>	
Other Expenses	191.9	209.2	(8.3)	198.6	(3.4)	804.4	753.9	6.7
<i>% of Net Sales</i>	<i>35.0</i>	<i>35.2</i>		<i>33.8</i>		<i>35.1</i>	<i>31.0</i>	
Total Expenditure	480.8	543.2	(11.5)	520.9	(7.7)	2,069	2,111	(2.0)
EBITDA	66.9	51.7	29.4	66.0	1.4	223.1	323.0	(30.9)
<i>Margin (%)</i>	<i>12.2</i>	<i>8.7</i>		<i>11.2</i>		<i>9.7</i>	<i>13.3</i>	
Depreciation	25.4	24.1	5.1	25.7	(1.3)	98.8	93.4	5.9
Other income	2.6	11.8	(77.9)	1.8	47.8	18.1	10.4	74.4
EBIT	44.2	39.4	12.2	42.1	5.0	142.3	240.0	(40.7)
Interest	17.8	18.3	(2.7)	18.4	(3.6)	75.1	63.0	19.2
PBT	26.4	21.1	25.0	23.7	11.7	67.3	177.0	(62.0)
Extraordinary income/(expense)	(3.6)	0.1	NA	(5.9)	NA	(78.1)	1.3	NA
PBT (After EO)	22.8	21.3	7	17.7	28.9	(10.9)	178.3	NA
Tax	14.6	13.3	10	12.5	16.3	37.6	101.6	(63.0)
<i>% PBT</i>	<i>63.8</i>	<i>62.6</i>		<i>70.8</i>		<i>-345.5</i>	<i>57.0</i>	
Reported PAT	8.3	8.0	4	5.2	NA	(48.5)	76.7	NA
Minority interest	(0.4)	(1.09)	NA	(0.57)	(28)	(4.72)	(6.85)	NA
Share of profit/(loss) of associates	0.9	(2.7)	(134.1)	0.4	NA	(0.6)	4.2	NA
Net Profit attributable to shareholders	9.6	6.3	51	6.1	NA	(44.4)	87.7	NA
Adjusted Net Profit attributable to shareholders	10.9	6.3	73.2	7.9	38.7	24.8	100.5	(75.3)

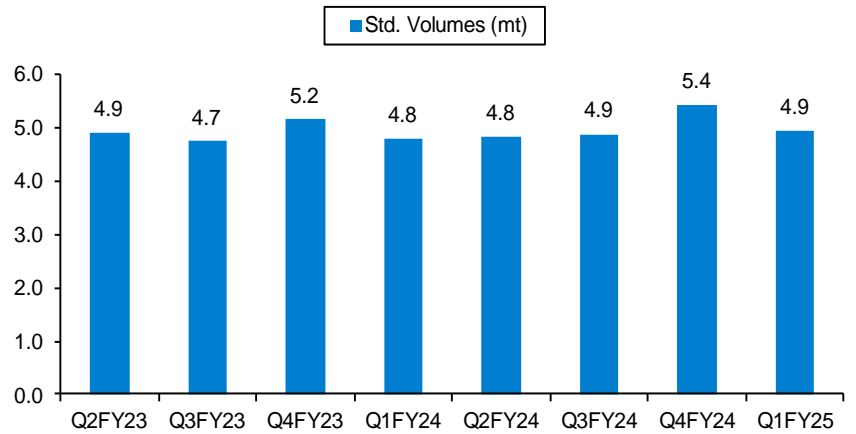
Source: Company, PL

Exhibit 2: Operating Performance

Y/e March	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Indian Operations								
Volume (mt)	4.9	4.8	3.1	5.4	(8.9)	19.9	18.9	5.5
Revenue (Rs bn)	329.6	346.9	(5.0)	366.3	(10.0)	1,401.9	1,386.4	1.1
EBITDA (Rs bn)	67.7	66.1	2.4	80.5	(15.8)	297.8	280.2	6.3
Realization (Rs/t)	66,720	72,427	(7.9)	67,592	(1.3)	70,414	73,472	(4.2)
EBITDA (Rs/t)	13,711	13,808	(0.7)	14,846	(7.6)	14,956	14,852	0.7
Europe operations (TSUK +TSN)								
Volume (mt)	2.2	2.0	8.0	2.1	1.4	7.9	8.2	(3.7)
Revenue (USD mn)	2,515	2,595	(3.1)	2,494	0.8	9,858	11,253	(12.4)
EBITDA (USD mn)	(60)	(190.9)	NA	(82.4)	NA	(923)	612	NA
Realization/t (USD)	1,170	1,304	(10.3)	1,176	(0.6)	1,254	1,379	(9.1)
EBITDA/t (USD)	(28)	(96)	NA	(39)	NA	(117)	75	NA

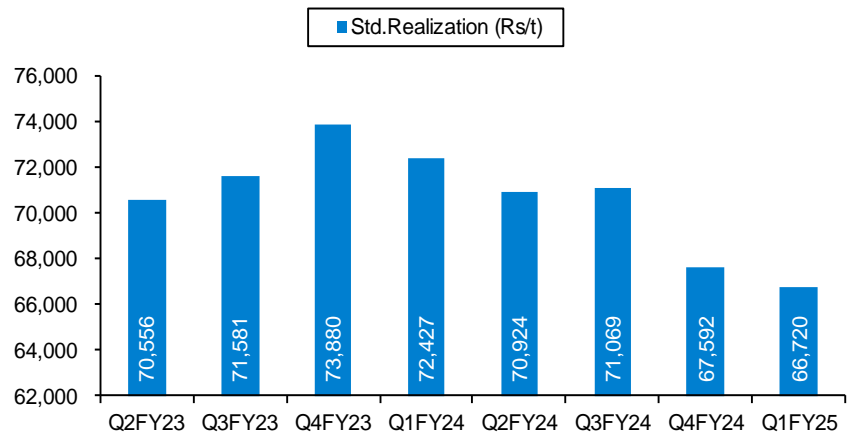
Source: Company, PL

Exhibit 3: TSI volumes declined 9% QoQ in a quarter affected by elections



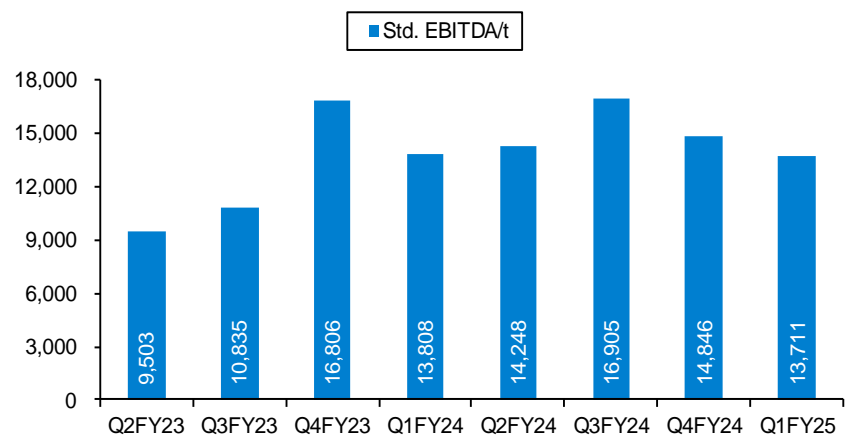
Source: Company, PL

Exhibit 4: TSI realization declined 1% QoQ on falling steel prices



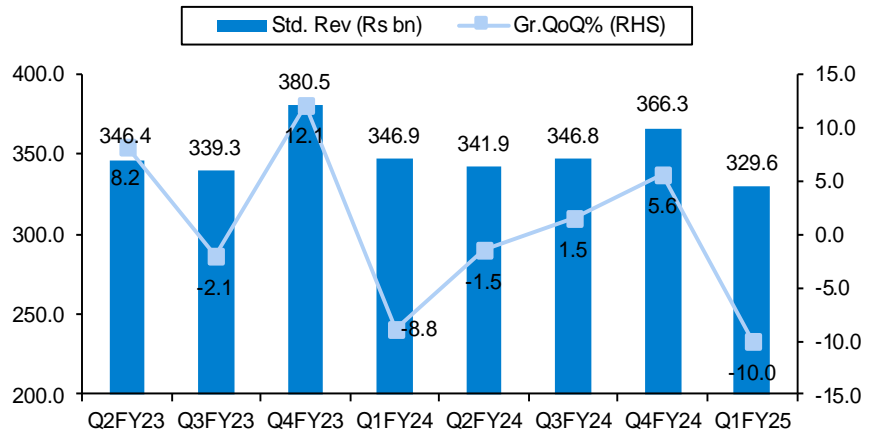
Source: Company, PL

Exhibit 5: TSI EBITDA/t declined 7.6% QoQ on higher RM costs



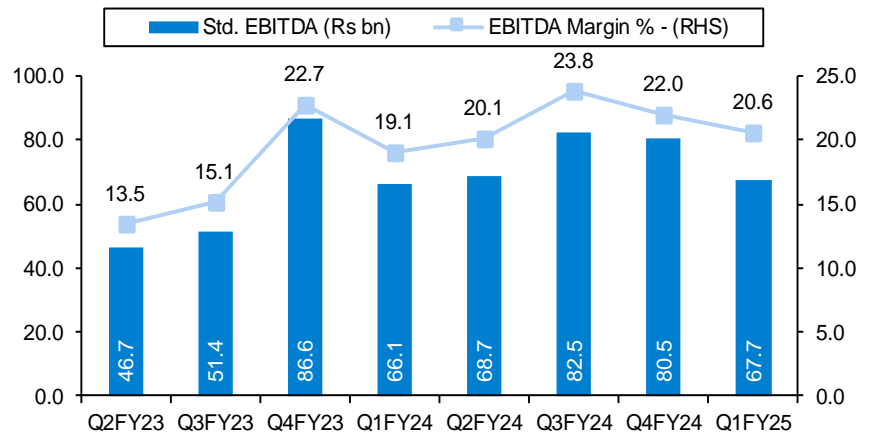
Source: Company, PL

Exhibit 6: Std. revenue declined sharp 10% QoQ due to muted volume growth



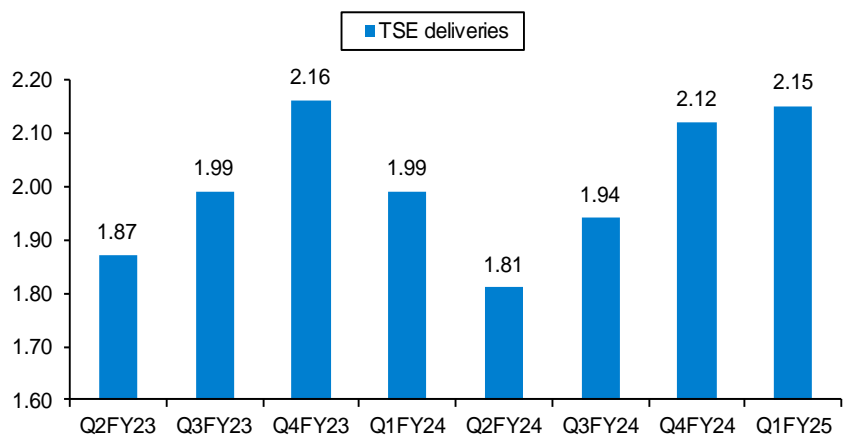
Source: Company, PL

Exhibit 7: EBITDA margins declined on lower operating leverage



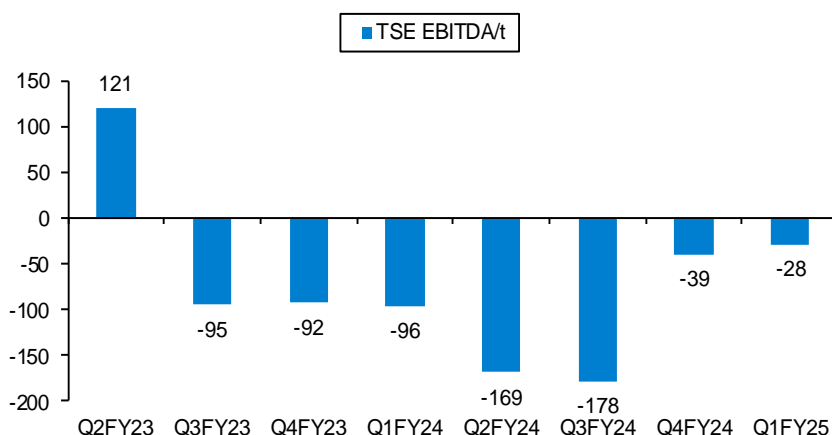
Source: Company, PL

Exhibit 8: Slight uptick in TSE volumes QoQ



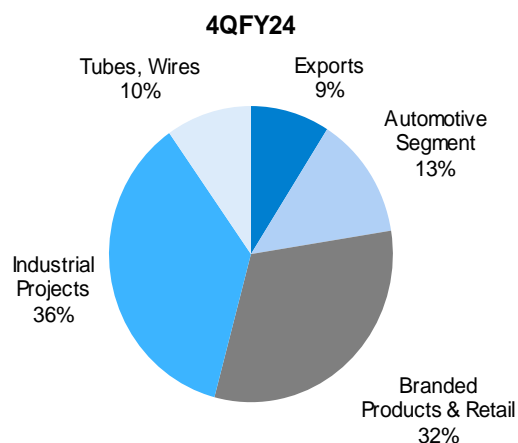
Source: Company, PL

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



Source: Company, PL

Exhibit 10: TSI volume (4.94mt) 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	407	2,442
Other domestic operations	6.0	9	52
Tata steel Europe	5.0	57	286
South East Asean operations	5.0	7	37
Total EV			2,817
Debt			811
Cash			105
Net debt			705
Shareholder's value			2,111
Value per share			175

Source: PL

Conference Call Highlights:

- Capex for Q1FY25 was Rs37.7bn, primarily for Kalinganagar and initial capex for Ludhiana 1mtpa EAF.
- TSI has received sanctions for the amalgamation of both Angul Energy and Bhubaneswar Power Ltd.
- Post closure of BF #5 of TSUK, BF #4 is expected to close by Sep'24.
- For Q2FY25, NSR for TSI is expected to decline by Rs1,500/t, for TSUK to remain flat, whereas for TSN to decrease by GBP60/t.
- Coking coal consumption cost in Q2FY25 is expected to decline by USD15/USD26/t for TSI/TSN. Iron ore cost for TSUK is expected to decline by USD7/t, whereas for TSN, it is expected to decline by USD17/t in Q2FY25.
- Annealing line of the 2.2mtpa cold rolling mill complex at KPO-II is expected to be completed by the end of Q2FY25, and the galvanizing line by the end of FY25. CR mill is operating at a run rate of 60kt/month.
- Sukinda mine is still operational; the surrender process will be completed in the next 6-8 months.
- TSN became EBITDA positive in Q1FY25, and TSUK is expected to become EBITDA positive by Q3FY25, post closure of BF#4.
- The new Labour Government at UK is willing to offer incremental grant to company if TSUK builds more downstream assets to support employment and improving position of domestic steel industry.
- Debt for TSUK and TSN stands at GBP600-800mn each. TSN would generate cashflows to become debt-free over the next 18 months.
- Production ramp-up of BF #6 in TSN resulted in quarterly production of 1.69mt.
- The EAF plant at Ludhiana is expected to be completed by the end of FY26 and ramped up in FY27E.
- G-BF in Jamshedpur is expected to come online by Q4FY25. The Usha Martin facility will also aid in ramping up volumes in H2FY25.

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	2,434	2,292	2,507	2,903
YoY gr. (%)	(0.2)	(5.8)	9.4	15.8
Cost of Goods Sold	1,132	1,019	1,003	1,098
Gross Profit	1,301	1,273	1,505	1,805
Margin (%)	53.5	55.5	60.0	62.2
Employee Cost	224	245	268	301
Other Expenses	754	804	883	1,023
EBITDA	323	223	353	480
YoY gr. (%)	(49.1)	(30.9)	58.5	35.9
Margin (%)	13.3	9.7	14.1	16.5
Depreciation and Amortization	93	99	103	109
EBIT	230	124	250	372
Margin (%)	9.4	5.4	10.0	12.8
Net Interest	63	75	80	75
Other Income	10	18	21	22
Profit Before Tax	178	(11)	188	319
Margin (%)	7.3	(0.5)	7.5	11.0
Total Tax	102	38	58	93
Effective tax rate (%)	57.0	(345.5)	30.6	29.1
Profit after tax	77	(49)	131	226
Minority interest	(7)	(5)	(8)	(7)
Share Profit from Associate	4	(1)	4	4
Adjusted PAT	87	30	144	236
YoY gr. (%)	(78.4)	(65.7)	382.9	63.7
Margin (%)	3.6	1.3	5.8	8.1
Extra Ord. Income / (Exp)	0	(74)	(2)	-
Reported PAT	88	(44)	142	236
YoY gr. (%)	(78.2)	(150.7)	(419.4)	66.6
Margin (%)	3.6	(1.9)	5.7	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	88	(44)	142	236
Equity Shares O/s (bn)	12	12	12	12
EPS (Rs)	7.1	2.4	11.6	18.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	2,382	2,522	2,630	2,795
Tangibles	2,382	2,522	2,630	2,795
Intangibles	-	-	-	-
Acc: Dep / Amortization	972	1,091	1,194	1,302
Tangibles	972	1,091	1,194	1,302
Intangibles	-	-	-	-
Net fixed assets	1,410	1,431	1,436	1,493
Tangibles	1,410	1,431	1,436	1,493
Intangibles	-	-	-	-
Capital Work In Progress	326	354	409	409
Goodwill	56	57	57	57
Non-Current Investments	58	75	78	82
Net Deferred tax assets	(115)	(89)	(91)	(95)
Other Non-Current Assets	138	71	71	71
Current Assets				
Investments	36	7	7	7
Inventories	544	492	529	612
Trade receivables	83	63	137	159
Cash & Bank Balance	134	87	34	69
Other Current Assets	49	43	48	53
Total Assets	2,880	2,734	2,863	3,069
Equity				
Equity Share Capital	12	12	12	12
Other Equity	1,019	908	1,013	1,200
Total Networkth	1,031	920	1,025	1,213
Non-Current Liabilities				
Long Term borrowings	780	816	816	756
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	392	450
Other current liabilities	329	330	335	375
Total Equity & Liabilities	2,880	2,734	2,863	3,069

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	182	(11)	192	319
Add. Depreciation	93	99	103	109
Add. Interest	63	75	80	75
Less Financial Other Income	10	18	21	22
Add. Other	(30)	60	(9)	(6)
Op. profit before WC changes	309	222	365	496
Net Changes-WC	(37)	34	(89)	(28)
Direct tax	(55)	(53)	(55)	(90)
Net cash from Op. activities	217	203	221	378
Capital expenditures	(242)	(176)	(163)	(165)
Interest / Dividend Income	6	7	6	6
Others	50	27	-	-
Net Cash from Inv. activities	(187)	(143)	(158)	(159)
Issue of share cap. / premium	0	-	-	-
Debt changes	54	12	-	(60)
Dividend paid	(63)	(44)	(37)	(49)
Interest paid	(61)	(81)	(80)	(75)
Others	0	2	-	-
Net cash from Fin. activities	(70)	(111)	(117)	(183)
Net change in cash	(40)	(50)	(53)	35
Free Cash Flow	75	21	58	213

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	7.1	2.4	11.6	18.9
CEPS	14.8	10.3	19.8	27.6
BVPS	84.4	73.8	82.2	97.2
FCF	6.2	1.7	4.6	17.1
DPS	3.6	2.9	3.9	3.9
Return Ratio(%)				
RoCE	12.6	7.0	14.0	19.5
ROIC	6.0	33.0	9.9	14.4
RoE	8.0	3.1	14.8	21.1
Balance Sheet				
Net Debt : Equity (x)	0.6	0.8	0.8	0.6
Net Working Capital (Days)	37	32	40	40
Valuation(x)				
PER	22.9	68.1	14.1	8.6
P/B	1.9	2.2	2.0	1.7
P/CEPS	14.8	10.3	19.8	27.6
EV/EBITDA	8.1	12.4	7.9	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 bn)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	557	553	587	548
YoY gr. (%)	(7.0)	(3.1)	(6.8)	(7.9)
Raw Material Expenses	259	224	261	224
Gross Profit	298	329	326	323
Margin (%)	53.5	59.4	55.5	59.1
EBITDA	43	63	66	67
YoY gr. (%)	(29.6)	54.7	(8.6)	29.4
Margin (%)	7.7	11.3	11.2	12.2
Depreciation / Depletion	25	24	26	25
EBIT	18	38	40	42
Margin (%)	3.2	6.9	6.9	7.6
Net Interest	20	19	18	18
Other Income	2	2	2	3
Profit before Tax	(68)	19	18	23
Margin (%)	(12.3)	3.4	3.0	4.2
Total Tax	(2)	14	13	15
Effective tax rate (%)	3.3	75.8	70.8	63.8
Profit after Tax	(66)	4	5	8
Minority interest	(3)	-	(1)	-
Share Profit from Associates	1	1	-	1
Adjusted PAT	5	6	8	11
YoY gr. (%)	(69.0)	(161.8)	(53.8)	73.2
Margin (%)	0.8	1.1	1.3	2.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(62)	5	6	10
YoY gr. (%)	(509.1)	(123.2)	(64.1)	51.4
Margin (%)	(11.1)	0.9	1.0	1.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(62)	5	6	10
Avg. Shares O/s (bn)	12	-	-	-
EPS (Rs)	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	17,488	19,756
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	4,056	4,725
EBITDA-TSE (USD mn)	612	(923)	205	665
EBITDA-South East (USD mn)	42	33	60	85
Sales volume India (mt)	19	20	22	24
Real./t - India (Rs)	75,736	70,812	68,175	69,809
EBITDA/t- India (Rs)	14,982	14,984	15,813	16,695
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)	25	70
Sales volume South East (mt)	1	1	2	2
Real./Tonne-SEAN (USD)	600	550	550	625
EBITDA/Tonne-SEAN (USD)	35	25	35	50

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	Accumulate	186	175
2	31-May-24	Accumulate	172	164
3	12-Apr-24	Accumulate	170	165
4	26-Jan-24	Accumulate	137	134
5	05-Jan-24	Accumulate	140	134
6	02-Nov-23	BUY	138	118
7	07-Oct-23	BUY	144	126
8	18-Sep-23	BUY	144	132
9	28-Aug-23	BUY	137	117

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,707	2,591
2	Ambuja Cement	Accumulate	701	686
3	Dalmia Bharat	Accumulate	2,067	1,817
4	Hindalco Industries	BUY	796	698
5	Jindal Stainless	Reduce	712	827
6	Jindal Steel & Power	Hold	978	972
7	JSW Steel	Accumulate	1,022	890
8	National Aluminium Co.	Sell	142	199
9	NMDC	Accumulate	276	252
10	Nuvoco Vistas Corporation	Accumulate	388	373
11	Shree Cement	Accumulate	29,225	27,417
12	Steel Authority of India	Sell	134	156
13	Tata Steel	Accumulate	186	175
14	Ultratech Cement	Accumulate	11,848	11,275

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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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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