

January 29, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	145		141	
Sales (Rs. bn)	2,699	2,953	2,688	2,942
% Chng.	0.4	0.4		
EBITDA (Rs. bn)	393	449	399	456
% Chng.	(1.6)	(1.6)		
EPS (Rs.)	12.7	16.3	13.6	17.9
% Chng.	(6.6)	(8.8)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	2,292	2,280	2,699	2,953
EBITDA (Rs. bn)	223	237	393	449
Margin (%)	9.7	10.4	14.5	15.2
PAT (Rs. bn)	30	40	158	204
EPS (Rs.)	2.4	3.2	12.7	16.3
Gr. (%)	(66.4)	33.1	298.3	28.7
DPS (Rs.)	2.9	3.9	3.9	4.3
Yield (%)	2.3	3.0	3.0	3.3
RoE (%)	3.1	4.3	16.1	18.2
RoCE (%)	7.0	7.7	15.7	17.4
EV/Sales (x)	1.0	1.1	0.9	0.8
EV/EBITDA (x)	10.4	10.1	6.1	5.2
PE (x)	53.7	40.4	10.1	7.9
P/BV (x)	1.7	1.7	1.5	1.3

Key Data

TISC.BO | TATA IN

52-W High / Low	Rs.185 / Rs.123
Sensex / Nifty	75,901 / 22,957
Market Cap	Rs.1,606bn / \$ 18,556m
Shares Outstanding	12,484m
3M Avg. Daily Value	Rs.4837.53m

Shareholding Pattern (%)

Promoter's	33.19
Foreign	19.04
Domestic Institution	23.70
Public & Others	24.07
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(7.4)	(20.9)	(3.8)
Relative	(4.0)	(15.2)	(10.4)

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In-line TSI; TSUK breakeven by Jul'25

Quick Pointers:

- Management expects NSR to remain flat QoQ in Q4FY25 for India ops (TSI), while for TSUK and TSN, it is expected to decline by GBP60/t.
- TSUK breakeven is envisaged by Q2FY26 due to weak market conditions (from end FY25).

Tata Steel (TATA) delivered largely inline cons operating performance led by strong TSI. TSI volumes grew 8.4% YoY aided by improving domestic demand while NSR declined 2.5% QoQ amidst falling HRC prices. Higher export volumes during Q3 negated sharp fall in steel prices to certain extent. Soft coking coal prices and provision write back in other expenses (worth Rs14.1bn) boosted reported EBITDA during the quarter. With commissioning of annealing line and ramp up of blast furnace, product mix is expected to improve going forward. Management expects TSI NSR to remain flattish for Q4FY25 as global HRC pricing is expected to remain weak till Chinese exports momentum continues. TSE performance has improved QoQ despite falling steel prices on account of higher TSN volumes and fixed cost reduction at TSUK; however TSUK breakeven is expected by Q2FY26 only. The ongoing fixed cost reduction program at TSUK (targeting cost reduction of GBP 100-150/t) and planned restructuring activities at TSN, will further support performance in the next few quarters.

Going forward, TATA will focus on: a) ramping up of KPO-II site, b) capex for 0.85mtpa Ludhiana EAF, 3mtpa TSUK EAF, rationalization activities at TSN and Jamshedpur BF relining, c) getting environmental clearance for 4mtpa NINL expansion. We cut FY26E/27E EBITDA estimates by ~2% each considering delays in TSUK breakeven. We expect EBITDA CAGR of 26% over FY24-27E on the back of KPO volume ramp-up and TSE turnaround. At CMP, the stock is trading at 6.1x/5.2x EV of FY26E/FY27E EBITDA. We maintain 'Accumulate' rating with revised TP of Rs145 (earlier Rs141) valuing at 6x EV of Sep'26E TSI EBITDA.

- TSI revenue supported by better NSR aided by higher exports:** TSI sales volume grew 8.4% YoY to 5.3mt (+4% QoQ). Average realization declined 2.5% QoQ at Rs61,929/t (-13% YoY; PLe Rs61,028/t) resulting revenue growth of 1% QoQ to Rs327bn (PLe Rs323bn). Export volumes doubled QoQ to 0.47mt (~9% of volumes).
- EBITDA boosted by provision write back in other expenses:** Tata Steel India (TSI) EBITDA declined 26% YoY to Rs60.8bn (-2% QoQ; PLe of Rs59bn) on better than expected NSR. RM cost per ton declined 5% QoQ to Rs25,914/t while other expenses increased 3% QoQ to Rs20,810/t (excluding one-time write off amount of Rs14.2bn provided for certain claims earlier). Staff costs decreased 3% QoQ to Rs3,697/t. Resultant, adjusted EBITDA/t declined 5% QoQ to Rs11,508/t (PLe of Rs11,055). Cons. EBITDA declined 28% YoY to Rs45bn (-27% QoQ; PLe Rs46bn) despite decent India operating performance.

- **TSUK breakeven delayed due to weak steel pricing:** TSE EBITDA loss was further narrowed this quarter to USD41/t (from -75 in Q2). Tata Steel Netherlands' (TSN) sales volumes grew 2% QoQ (excl. volumes to TSUK, deliveries were up 7% QoQ) while NSR declined 4% QoQ to GBP 833/t due to falling steel prices. TSN EBITDA/t declined to GBP0/t from GBP15/t QoQ on account of higher emission costs and lower NSR. TSUK volumes declined 10% QoQ to 0.57mt on subdued demand dynamics. EBITDA loss per ton declined from GBP232/t QoQ to GBP 119/t. Although TSUK was expected to breakeven by end FY25 earlier, with deteriorated steel demand and pricing globally, mgmt. expects it to achieve breakeven by July'26.

Q3FY25 Conference Call Highlights:

- TSI produced 0.56mt from the new Blast Furnace at Kalinganagar in Q3FY25. #BF2 is currently operating at 8500t per day and ramp up of capacity is progressing well.
- During the quarter, the continuous annealing line of cold rolling mill at Kalinganagar was commissioned.
- India's NSR for Q4FY25 is expected to remain flat unless supported by Govt measures to reduce cheap imports. TSUK prices are expected to drop by GBP60/t, with a similar decline for TSN, though lower than Q3 due to annual contracts.
- TSI/TSN coking coal costs are expected to decline QoQ by USD10/20 per ton. TSN's iron ore consumption cost is likely to reduce by USD3-4/t in Q4FY25.
- TATA has started receiving the equipment delivery for ongoing 0.85mt EAF expansion and civil works has commenced.
- TSUK have placed equipment orders for 3mtpa Arc Furnace and targeting to commence civil construction in July.
- During Q3FY25, fixed cost/t at TSUK has decreased by GBP80/t QoQ which helped improving performance. TSUK is expected to breakeven in the next few quarters mostly by July 2026 with the help of ongoing cost cutting program.
- TSN produced 1.75mt of hot metal in Q3FY25, running at 7mtpa of hot metal production rate.
- At TSI, RM cost declined due to decline in the coking coal consumption cost and also the inventory build of 156kt in Q3FY25. Total costs have improved by ~Rs2,700/t, helping to more than offset the drop in realization of ~Rs1,500/t.
- NINL's EBITDA margin improved to ~20% from ~13% in Q2FY25 led by 17% rise in volume and Rs3,000/t reduction in conversion costs.
- TATA has ~500-600mt of iron ore reserves at newly acquired sites (NINL, Bhushan etc.) which will be available to TATA beyond 2030.
- Gross debt stands at ~EUR500mn for TSN and GBP700-800mn for TSUK.
- In FY26 mgmt. will focus on the KPO expansion completion (~Rs 30 bn), along with 0.85mtpa Ludhiana and getting approvals for NINL expansion.

Exhibit 1: Q3FY25 Consolidated Result Overview

Y/e March (Rs bn)	3QFY25	3QFY24	YoY gr. (%)	3QFY25E	% Var.	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	536.5	553.1	(3.0)	546.1	(1.8)	539.0	(0.5)	1,623.2	1,704.8	(4.8)
Raw Material	239.3	224.5	6.6	238.7	0.3	239.4	(0.1)	703.0	758.2	(7.3)
% of Net Sales	44.6	40.6		43.7		44.4		43.3	44.5	
Staff Costs	60.7	65.3	(7.0)	63.2	(3.9)	63.3	(4.0)	188.7	183.7	2.7
% of Net Sales	11.3	11.8		11.6		11.7		11.6	10.8	
Other Expenses	191.5	200.7	(4.6)	198.0	(3.3)	178.9	7.0	562.4	605.8	(7.2)
% of Net Sales	35.7	36.3		36.3		33.2		34.6	35.5	
Total Expenditure	491.6	490.5	0.2	499.8	(1.6)	481.6	2.1	1,454	1,548	(6.1)
EBITDA	44.9	62.6	(28.3)	46.3	(3.0)	57.4	(21.8)	169.3	157.1	7.8
Margin (%)	8.4	11.3		8.5		10.7		10.4	9.2	
Depreciation	25.7	24.2	6.1	26.8	(4.1)	26.0	(1.1)	77.0	73.1	5.3
Other income	2.2	2.3	(3.0)	2.0	10.9	6.0	(63.1)	10.8	16.3	(33.9)
EBIT	21.4	40.7	(47.4)	21.5	(0.5)	37.4	(42.8)	103.0	100.2	2.8
Interest	18.0	18.8	(4.1)	20.1	(10.2)	19.7	(8.5)	55.5	56.7	(2.0)
PBT	3.4	21.9	(84.5)	1.4	136.9	17.7	(80.9)	47.5	43.6	9.0
Extraordinary income/(expense)	12.9	(3.3)	NA	-	NA	4.2	NA	13.5	(72.2)	(118.7)
PBT (After EO)	16.3	18.5	(12)	1.4	1,038	21.9	(25.8)	61.0	(28.6)	NA
Tax	13.8	14.1	(2)	7.5	83	14.1	(2.1)	42.4	25.1	69.1
% PBT	84.7	75.8		525.8		64.2		69.5	-87.7	
Reported PAT	2.5	4.5	(45)	(6.1)	(141)	7.8	NA	18.6	(53.7)	NA
Minority interest	(0.3)	0.09	NA	(0.3)	(5)	(0.75)	(58)	(1.47)	(4.15)	(64.6)
Share of profit/(loss) of associates	0.5	0.7	(36.0)	0.7	(36.6)	(0.3)	NA	1.1	(0.9)	(220.0)
Net Profit attributable to shareholders	3.3	5.1	(36)	(5.0)	NA	8.3	(60.8)	21.2	(50.5)	NA
Adjusted Net Profit attributable to shareholders	1.3	5.9	(78.1)	(5.0)	NA	6.8	(81.0)	19.0	17.0	12.2

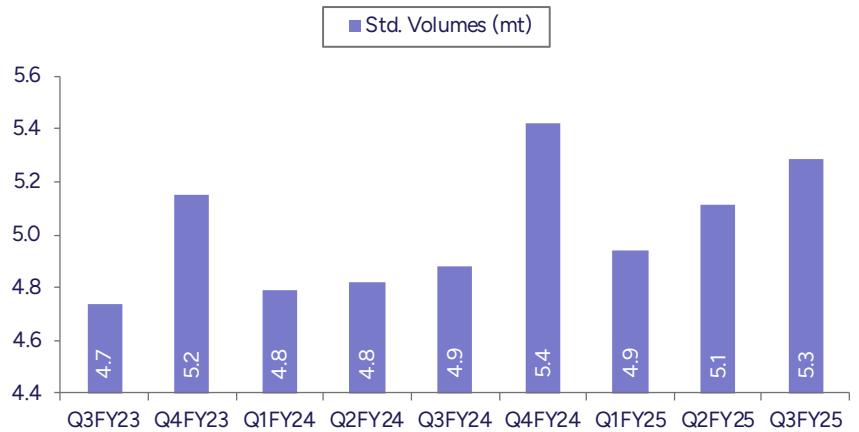
Source: Company, PL

Exhibit 2: Operating Performance

Y/e March	3QFY25	3QFY24	YoY gr. (%)	3QFY25E	% Var.	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Indian Operations										
Volume (mt)	5.3	4.9	8.4	5.3	-	5.1	3.5	15.3	14.5	5.9
Revenue (Rs bn)	327.6	346.8	(5.5)	322.8	1.5	324.0	1.1	981.2	1,035.6	(5.3)
EBITDA (Rs bn)	60.9	82.5	(26.2)	58.5	4.1	62.1	(2.0)	190.7	217.3	(12.2)
Realization (Rs/t)	61,929	71,069	(12.9)	61,028	1.5	63,404	(2.3)	63,963	71,470	(10.5)
EBITDA (Rs/t)	11,508	16,905	(31.9)	11,055	4.1	12,152	(5.3)	12,432	14,997	(17.1)
Europe operations (TSUK +TSN)										
Volume (mt)	2.1	1.9	8.2	2.1	(0.8)	2.1	(1.4)	6.4	5.7	11.1
Revenue (USD mn)	2,313	2,308	0.2	2,298	0.6	2,461	(6.0)	7,288	7,364	(1.0)
EBITDA (USD mn)	(87)	(344.8)	NA	(128)	(31.8)	(160.5)	NA	(308)	(841)	NA
Realization/t (USD)	1,101	1,190	(7.4)	1,085	1.5	1,155	(4.7)	1,142	1,283	(11.0)
EBITDA/t (USD)	(41)	(178)	NA	(60)	(31.3)	(75)	NA	(48)	(146)	NA

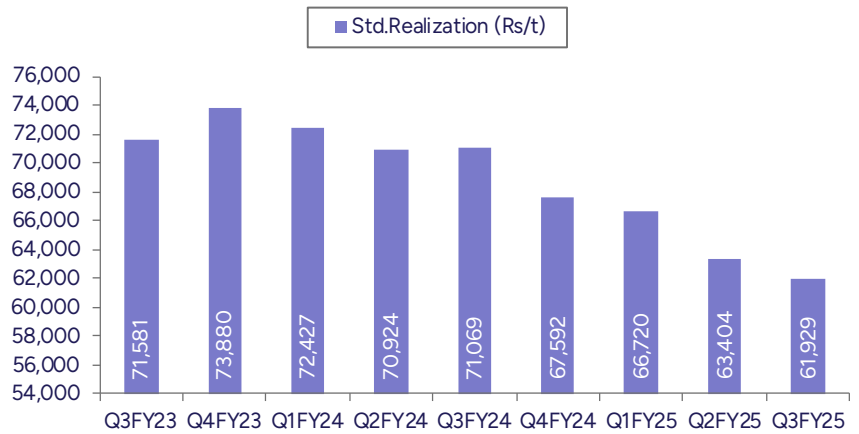
Source: Company, PL

Exhibit 3: TSI volumes grew 8.4% YoY led by better domestic demand



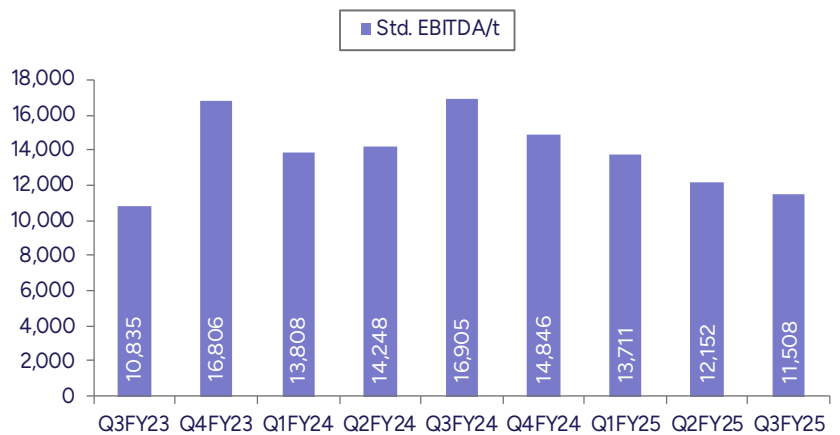
Source: Company, PL

Exhibit 4: TSI realization declined 2.5% QoQ on falling HRC prices



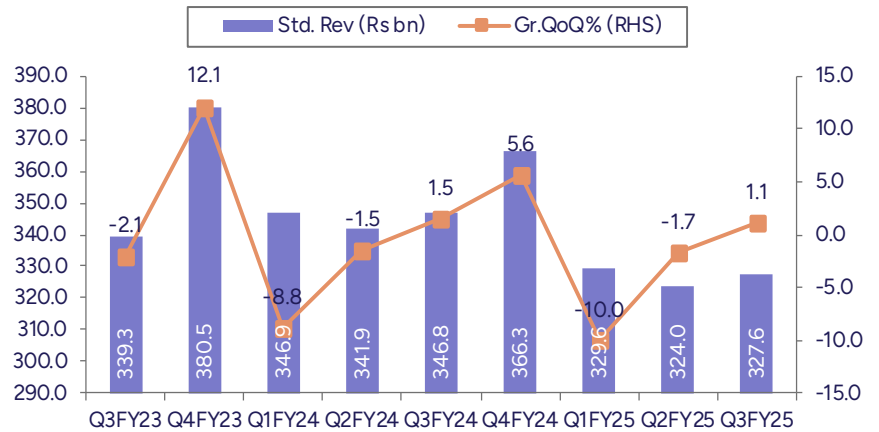
Source: Company, PL

Exhibit 5: TSI adjusted EBITDA/t declined 32% QoQ on weak Steel NSR



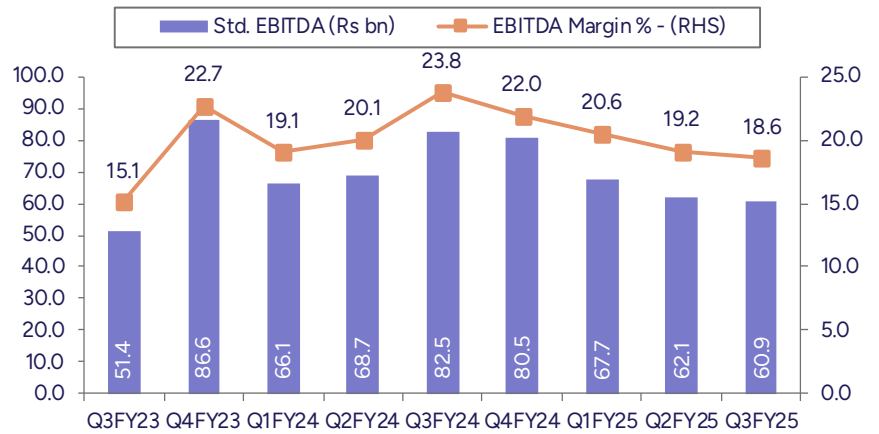
Source: Company, PL

Exhibit 6: Std revenue declined 5.5% YoY due to weak NSR



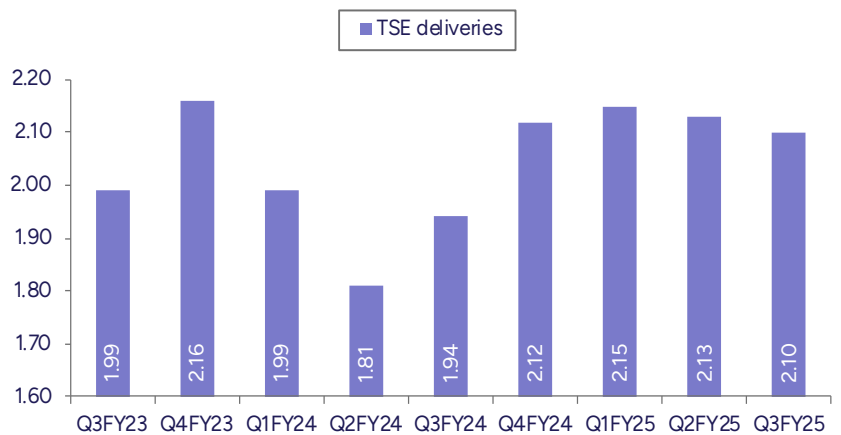
Source: Company, PL

Exhibit 7: Margins continued to decline on weak NSR despite fall in RM costs



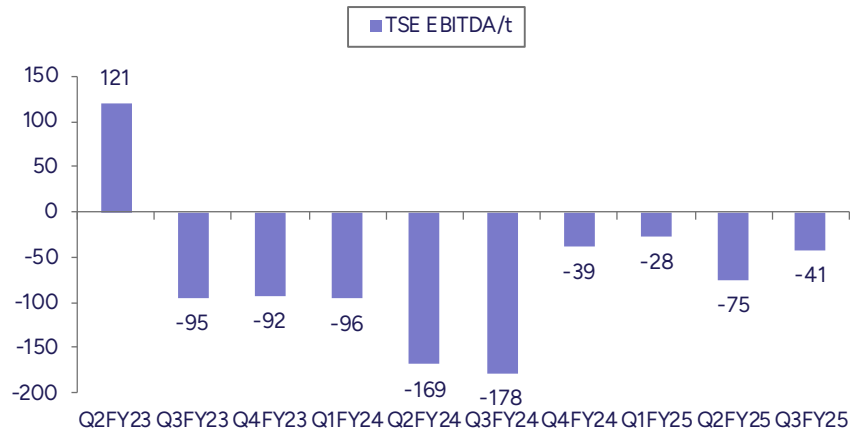
Source: Company, PL

Exhibit 8: TSE volumes grew 8% YoY aided by Netherlands performance



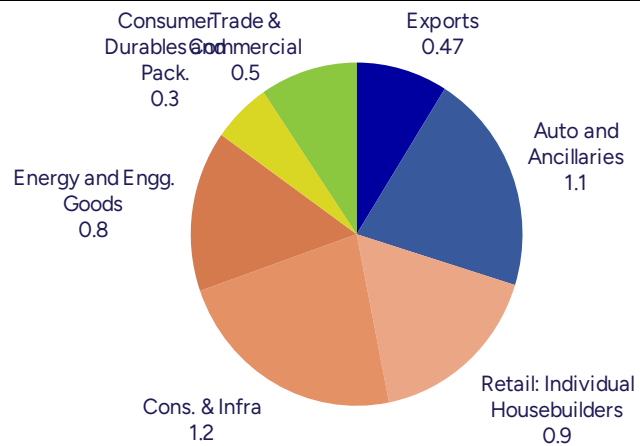
Source: Company, PL

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



Source: Company, PL

Exhibit 10: TSI volume (5.29mt) breakup among different sectors



Source: Company, PL

Exhibit 11: Valuation Summary

Figures in Rs bn	EV/EBITDA (Sep-26E)	EBITDA (Rs bn)	Value (Rs bn)
Indian operations	6.0	385	2,308
Other domestic operations	6.0	13	78
Tata steel Europe	6.0	17	104
South East Asean operations	5.0	6	32
Total EV			2,522
Debt			861
Cash			79
Net debt			782
Shareholder's value			1,740
Value per share			145

Source: PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	2,292	2,280	2,699	2,953
YoY gr. (%)	(5.8)	(0.5)	18.4	9.4
Cost of Goods Sold	1,019	951	1,061	1,139
Gross Profit	1,273	1,329	1,637	1,814
Margin (%)	55.5	58.3	60.7	61.4
Employee Cost	245	254	287	312
Other Expenses	804	837	958	1,054
EBITDA	223	237	393	449
YoY gr. (%)	(30.9)	6.4	65.3	14.3
Margin (%)	9.7	10.4	14.5	15.2
Depreciation and Amortization	99	103	108	114
EBIT	124	134	285	335
Margin (%)	5.4	5.9	10.6	11.3
Net Interest	75	76	74	68
Other Income	18	12	22	22
Profit Before Tax	(11)	84	233	290
Margin (%)	(0.5)	3.7	8.6	9.8
Total Tax	38	41	81	93
Effective tax rate (%)	(345.5)	48.4	34.8	32.2
Profit after tax	(49)	43	152	196
Minority interest	(5)	(2)	(4)	(5)
Share Profit from Associate	(1)	2	3	3
Adjusted PAT	30	40	158	204
YoY gr. (%)	(65.7)	33.1	298.3	28.7
Margin (%)	1.3	1.7	5.9	6.9
Extra Ord. Income / (Exp)	(74)	7	-	-
Reported PAT	(44)	47	158	204
YoY gr. (%)	(150.7)	(205.2)	239.0	28.7
Margin (%)	(1.9)	2.0	5.9	6.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(44)	47	158	204
Equity Shares O/s (bn)	12	12	12	12
EPS (Rs)	2.4	3.2	12.7	16.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	2,522	2,605	2,745	2,902
Tangibles	2,522	2,605	2,745	2,902
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,091	1,194	1,301	1,415
Tangibles	1,091	1,194	1,301	1,415
Intangibles	-	-	-	-
Net fixed assets	1,431	1,411	1,444	1,487
Tangibles	1,431	1,411	1,444	1,487
Intangibles	-	-	-	-
Capital Work In Progress	354	429	429	429
Goodwill	57	57	57	57
Non-Current Investments	75	76	79	82
Net Deferred tax assets	(89)	(91)	(93)	(97)
Other Non-Current Assets	71	71	71	71
Current Assets				
Investments	7	7	7	7
Inventories	492	450	569	623
Trade receivables	63	94	148	162
Cash & Bank Balance	87	39	20	43
Other Current Assets	43	48	53	58
Total Assets	2,734	2,738	2,934	3,076
Equity				
Equity Share Capital	12	12	12	12
Other Equity	908	918	1,027	1,182
Total Network	920	930	1,040	1,195
Non-Current Liabilities				
Long Term borrowings	816	836	836	776
Provisions	54	54	54	54
Other non current liabilities	111	96	81	66
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	354	360	421	458
Other current liabilities	330	313	354	380
Total Equity & Liabilities	2,734	2,738	2,934	3,076

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	(11)	71	233	290
Add. Depreciation	99	103	108	114
Add. Interest	75	76	74	68
Less Financial Other Income	18	12	22	22
Add. Other	60	8	(6)	(7)
Op. profit before WC changes	222	257	408	464
Net Changes-WC	34	(21)	(92)	(25)
Direct tax	(53)	(39)	(78)	(90)
Net cash from Op. activities	203	198	238	349
Capital expenditures	(176)	(158)	(140)	(157)
Interest / Dividend Income	7	6	6	7
Others	27	-	-	-
Net Cash from Invst. activities	(143)	(153)	(134)	(150)
Issue of share cap. / premium	-	-	-	-
Debt changes	12	20	-	(60)
Dividend paid	(44)	(37)	(49)	(49)
Interest paid	(81)	(76)	(74)	(68)
Others	2	-	-	-
Net cash from Fin. activities	(111)	(93)	(122)	(177)
Net change in cash	(50)	(48)	(19)	23
Free Cash Flow	21	39	97	192

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	2.4	3.2	12.7	16.3
CEPS	10.3	11.4	21.3	25.4
BVPS	73.8	74.6	83.4	95.8
FCF	1.7	3.1	7.8	15.4
DPS	2.9	3.9	3.9	4.3
Return Ratio(%)				
RoCE	7.0	7.7	15.7	17.4
ROIC	33.0	4.1	10.4	12.1
RoE	3.1	4.3	16.1	18.2
Balance Sheet				
Net Debt : Equity (x)	0.8	0.8	0.8	0.6
Net Working Capital (Days)	32	29	40	40
Valuation(x)				
PER	53.7	40.4	10.1	7.9
P/B	1.7	1.7	1.5	1.3
P/CEPS	10.3	11.4	21.3	25.4
EV/EBITDA	10.4	10.1	6.1	5.2
EV/Sales	1.0	1.1	0.9	0.8
Dividend Yield (%)	2.3	3.0	3.0	3.3

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	587	548	539	536
YoY gr. (%)	(6.8)	(7.9)	(3.2)	(3.0)
Raw Material Expenses	261	224	239	239
Gross Profit	326	323	300	297
Margin (%)	55.5	59.1	55.6	55.4
EBITDA	66	67	57	45
YoY gr. (%)	(8.6)	29.4	34.5	(28.3)
Margin (%)	11.2	12.2	10.7	8.4
Depreciation / Depletion	26	25	26	26
EBIT	40	42	31	19
Margin (%)	6.9	7.6	5.8	3.6
Net Interest	18	18	20	18
Other Income	2	3	6	2
Profit before Tax	18	23	22	16
Margin (%)	3.0	4.2	4.1	3.0
Total Tax	13	15	14	14
Effective tax rate (%)	70.8	63.8	64.2	84.7
Profit after Tax	5	8	8	2
Minority interest	(1)	-	(1)	-
Share Profit from Associates	-	1	-	-
Adjusted PAT	8	11	7	1
YoY gr. (%)	(53.8)	73.2	44.6	(78.1)
Margin (%)	1.3	2.0	1.3	0.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	6	10	8	3
YoY gr. (%)	(64.1)	51.4	(113.5)	(36.4)
Margin (%)	1.0	1.8	1.5	0.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6	10	8	3
Avg. Shares O/s (bn)	12	12	12	12
EPS (Rs)	0.6	0.9	0.6	0.1

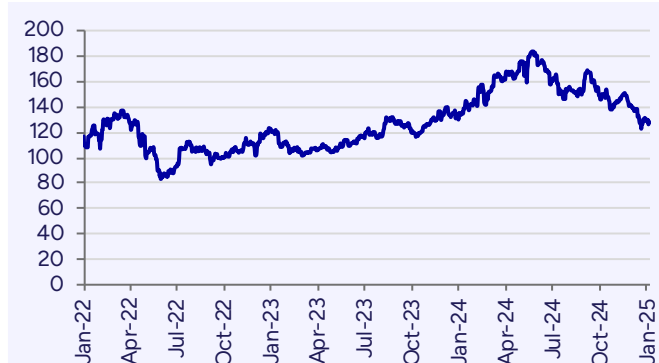
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales volume India (mt)	20	22	24	25
Real./t - India (Rs)	70,812	64,374	66,536	67,987
EBITDA/t- India (Rs)	14,984	12,442	15,042	16,003
Sales volume TSE (mt)	8	9	10	10
Real./t-TSE (USD)	1,254	1,000	1,100	1,200
EBITDA/Tonne-TSE (USD)	(117)	(35)	10	30

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Accumulate	141	130
2	08-Nov-24	Accumulate	161	151
3	07-Oct-24	Accumulate	181	167
4	02-Aug-24	Accumulate	175	163
5	07-Jul-24	Accumulate	186	175
6	31-May-24	Accumulate	172	164
7	12-Apr-24	Accumulate	170	165

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,251	2,008
2	Ambuja Cement	BUY	707	538
3	Dalmia Bharat	Accumulate	1,988	1,799
4	Hindalco Industries	BUY	682	589
5	Jindal Stainless	Accumulate	739	636
6	Jindal Steel & Power	Accumulate	997	932
7	JSW Steel	Hold	919	932
8	National Aluminium Co.	Reduce	211	199
9	NMDC	Accumulate	80	65
10	Nuvoco Vistas Corporation	Hold	339	353
11	Shree Cement	Hold	24,838	26,027
12	Steel Authority of India	Reduce	110	108
13	Tata Steel	Accumulate	141	130
14	Ultratech Cement	Accumulate	12,350	11,421

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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