BOBCAPS
TRUST | INNOVATION | EXCELLENCE

**BUY**
**TP: Rs 234 | ▲ 23%**

**TATA STEEL** | Metals & Mining | 31 July 2026

# Revenue beat expectations on better India & EU realisation

- **Revenue grew by 14.5%YoY, on volumes growth in India and pricing growth across India and Europe. EBITDA growth was 24.7%YoY**
- **Demand outlook is positive and expect prices to improve post monsoon. Elevated imports remain a concern on domestic pricing**
- **Raise to BUY from HOLD on correction in stock. Considering positive outlook on demand and rollover, raise TP to Rs234 from Rs223**


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**Revenue above expectations:** Tata Steel reported revenue at Rs604bn, (+14.5%YoY, -3.6%QoQ) — 1.8% above our estimates. EBITDA came at Rs92bn (+24.7%YoY, -5.7%QoQ) and was 9.8% below estimates. India EBITDA/t was Rs17,762 for the quarter — higher by 18.5%YoY. The outperformance came primarily on the back of higher-than-expected realization in India and Europe.

**Volumes performance:** Standalone volumes came at 5.2mnt — higher by 8.8%YoY.This is in line with the domestic demand growth of 8% YoY. Volumes declined by 16.5% QoQ, due to maintenance shutdown at Kalinganagar & Meramandali plant. Europe volumes came at 1.9mnt; lower by 10.5%YoY, on account of lower UK demand & operational disruptions at Netherland. In Q2 management expects India volumes to improve from Q1, UK to normalise by Q3/Q4, and Netherlands to see Q2 improvement subject to DSP restart approval.

**Domestic pricing:** India realisations increased by 9.5%YoY and 15.1%QoQ to Rs70,507/t. Spot HRC prices are around Rs58,000/t. Prices have shown moderation in July vs Q1FY27 average due to elevated level of imports & seasonality. Management expects pricing in India to be Rs1,500 lower on QoQ in Q2FY27. We expect pricing to improve post monsoon period supported by healthy domestic demand.

**Outlook:** Europe-duty measures, with tariff on imports and carbon cost, will keep Europe prices stable going forward. It aims for the India capacity ramp-up from the current 27mnt to 40mnt over long term, through brownfield expansions.

**Raise to BUY from HOLD; revise TP upwards:** On recent correction in stock; we raise to BUY from HOLD. Considering positive outlook on demand and rollover, raise TP to Rs234 from Rs223 on SoTP basis - India at 7.0x & Europe at 5.5x June.28E EBITDA.

## Key changes

| Target | Rating |
|---|---|
| ▲ | ▲ |

| | |
|---|---|
| Ticker/Price | TATA IN/Rs 190 |
| Market cap | US$ 24.9bn |
| Free float | 67% |
| 3M ADV | US$ 60.0mn |
| 52wk high/low | Rs 224/Rs 153 |
| Promoter/FPI/DII | 33%/19%/27% |

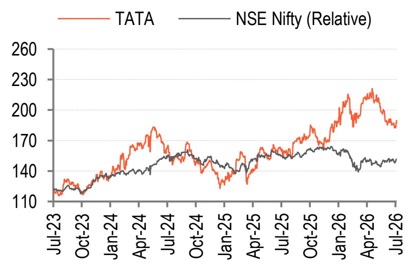
Source: NSE | Price as of 31 Jul 2026

## Key financials

| Y/E 31 Mar | FY26A | FY27E | FY28E |
|---|---|---|---|
| Total revenue (Rs bn) | 2,321 | 2,543 | 2,776 |
| EBITDA (Rs bn) | 344 | 456 | 521 |
| Adj. net profit (Rs bn) | 118 | 186 | 217 |
| Adj. EPS (Rs) | 9.5 | 13.9 | 17.4 |
| Adj. ROAE (%) | 12.2 | 17.1 | 17.5 |
| Adj. P/E (x) | 20.0 | 13.6 | 10.9 |
| EV/EBITDA (x) | 9.1 | 6.8 | 5.9 |
| Adj. EPS growth (%) | 176.6 | 57.5 | 16.3 |

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance




Source: NSE

### Fig 1 – Quarterly performance

| (Rs mn) | Q1FY27 | Q4FY26 | QoQ (%) | Q1FY26 | YoY (%) |
|---|---|---|---|---|---|
| **Revenue** | **604,118** | **626,873** | **(3.6)** | **527,441** | **14.5** |
| **EBITDA** | **92,643** | **98,287** | **(5.7)** | **74,275** | **24.7** |
| EBITDA margin (%) | 15.34 | 15.7 | (34bps) | 14.1 | 125bps |
| Depreciation | 36,397 | 32,684 | 11.4 | 27,443 | 32.6 |
| Interest | 17,705 | 17,924 | (1.2) | 18,524 | (4.4) |
| Other income | 2,327 | 2,485 | (6.4) | 2,887 | (19.4) |
| PBT | 40,869 | 50,164 | (18.5) | 31,195 | 31.0 |
| Tax | 14,523 | 18,454 | (21.3) | 10,597 | 37.0 |
| Reported PAT | 23,184 | 29,257 | (20.8) | 20,777 | 11.6 |
| Exceptional item | (3,455) | (3,401) | - | (1,321) | - |
| **Adjusted PAT** | **26,638** | **32,658** | **(18.4)** | **22,098** | **20.5** |
| Adj. PATM (%) | 4.4 | 5.2 | (80bps) | 4.2 | 22bps |
| **Adjusted EPS (Rs)** | **2.14** | **2.62** | **(18.4)** | **1.77** | **20.5** |
| Reported EPS (Rs) | 1.86 | 2.35 | (20.8) | 1.67 | 11.6 |

Source: Company

### Fig 2 – Q1FY27 Actual v/s estimates

| Particulars | Q1 Actual | Estimates | VAR (%) |
|---|---|---|---|
| Revenue (Rs mn) | 604,118 | 593,319 | 1.8 |
| EBITDA (Rs mn) | 92,643 | 102,711 | (9.8) |
| EBITDA margin (%) | 15.3 | 17.3 | (198bps) |
| PAT (Rs mn) | 26,638 | 33,612 | (20.7) |
| EPS (Rs) | 2.1 | 2.7 | (20.7) |

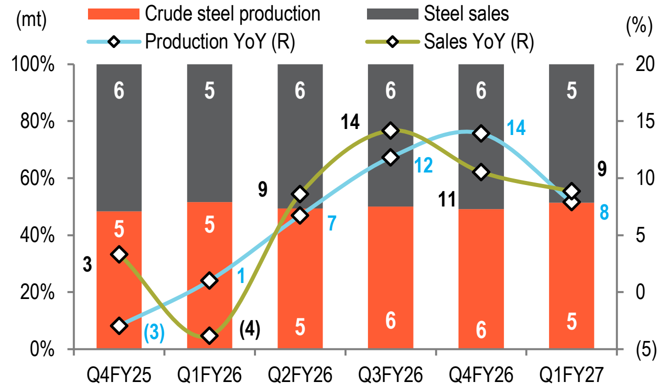
Source: Company

### Fig 3 – Business parameters

| | Q1FY27 | Q4FY26 | QoQ (%) | Q1FY26 | YoY (%) |
|---|---|---|---|---|---|
| **Standalone business** | | | | | |
| Sales volumes (mn t) | 5.17 | 6.2 | (16.5) | 4.8 | 8.8 |
| Realization (Rs/t) | 70,507 | 61,254 | 15.1 | 64,419 | 9.5 |
| **EBITDA (Rs/t)** | **17,762** | **15,303** | **16.1** | **14,988** | **18.5** |
| **Europe business** | | | | | |
| Sales volumes (mn t) | 1.9 | 2.2 | (15.3) | 2.1 | (10.5) |
| Realization (USD/t) | 1,240 | 1,141 | 8.7 | 1,147 | 8.1 |
| **EBITDA (USD/t)** | **1.9** | **1.7** | **13.0** | **8.0** | **(76.6)** |

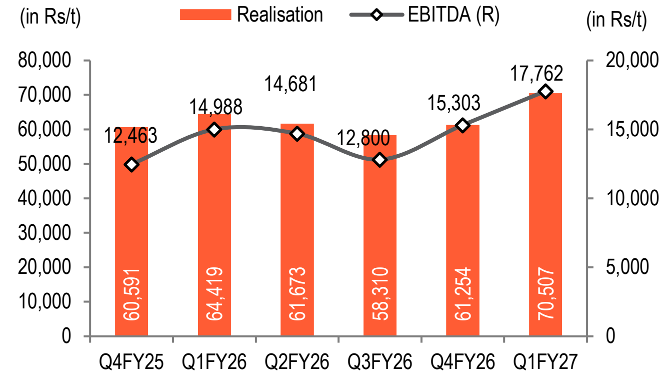
Source: Company

### Fig 4 – India Production & sales trend



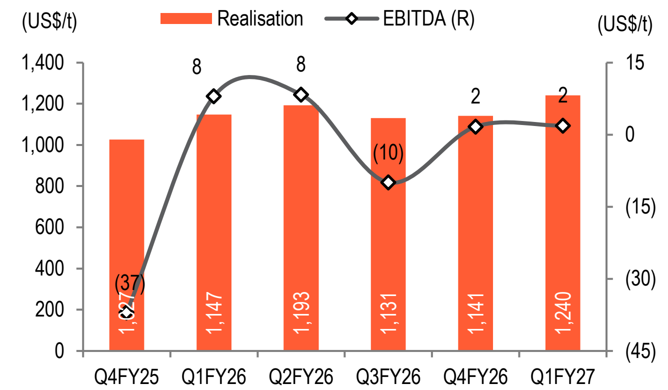

Source: Company

### Fig 5 – India Realisation & EBITDA trend



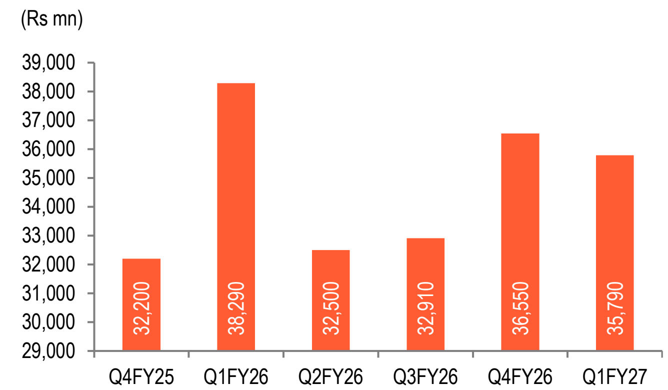

Source: Company

### Fig 6 – Europe Realisation & EBITDA trend



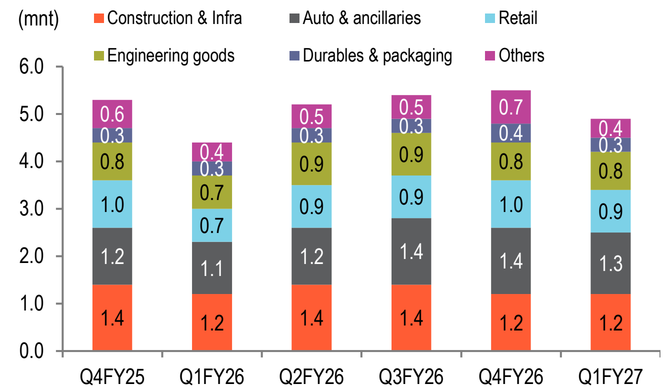

Source: Company

### Fig 7 – Quarterly Capex



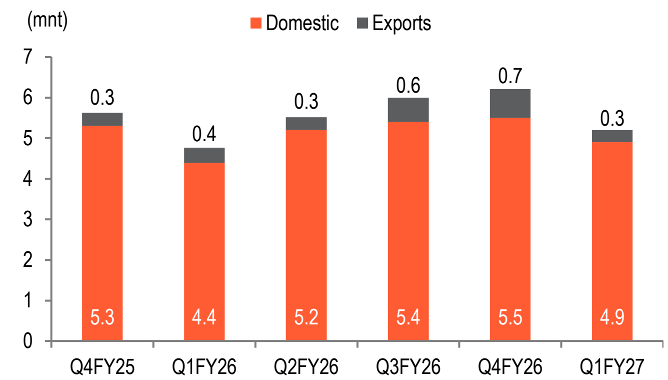

Source: Company

### Fig 8 – Portfolio mix(%)




Source: Company

### Fig 9 – Geography mix(%)




Source: Company

## Call Highlights

- **Volumes:** Tata Steel's India volumes grew 8.8% — in line with domestic steel demand of 8%YoY in Q1FY27. Europe volumes were down due to subdued UK demand and operational issues at Netherland.

- **Industry demand/environment:** Domestic steel consumption grew by 8%YoY to 42mnt in Q1FY27. Finished steel imports increased by 49%YoY and 10%QoQ to 2.1mnt in Q1FY27.

- **Pricing:** Management commented that prices have been corrected and broadly July prices are lower than Q1 average prices. Management indicated that India NSR improved by Rs5,990/t QoQ in Q1FY27, broadly in line with prior guidance. For Q2FY27, management expects India NSR to decline by around Rs1,500/t QoQ, mainly due to weaker long product prices during monsoon, while flat products are holding relatively better due to strong auto demand.

- **Input costs:** Coking coal consumption cost is expected to rise modestly in Q2. Management indicated Q2 coking coal consumption cost for India will be about US$5/t higher QoQ.

    - **Iron ore:** Management expects captive iron ore availability to moderate to 50% post-2030, with newer mines scaling from 5mnt currently to 30-35mnt over the next few years. However, management emphasized that mine bidding will remain economics-driven, as high premiums of 120-140% could dilute upstream value and make merchant purchases or imports viable.

- **Europe and UK performance:** UK EBITDA loss narrowed to Rs27mn from GBP48mn QoQ, led by GBP91/t higher realizations, partly offset by GBP54/t cost increase. Management expects NSR to rise further by GBP70-80/t in Q2FY27, with breakeven targeted in H2FY27. Netherlands remained weak, with DSP shutdown impacting volumes and fixed-cost absorption. EBITDA was muted at EUR4mn despite EUR87/t higher revenue, as costs rose EUR118/t on lower volumes and higher raw material costs. DSP trial restart should support Q2, though regulatory uncertainty and higher coking coal costs may limit spread expansion. Netherlands NSR is expected to improve by ~EUR10/t QoQ.

- **Capex and capacity projects:** The company incurred a capex of Rs36bn in Q1FY27 and guided for a capex of Rs200bn in FY27E. Management targets raising the India capacity from the current 27mntpa to 40mnt, over long term, through brownfield expansions. The 0.75mnt EAF at Ludhiana (commissioned in Mar'26) is being ramped up. The Board approved 4.8mnt expansion at NINL at a capex of Rs338.7bn, taking NINL capacity to 6.2mnt in Phase 1. The project timeline is 48 months. Tata Steel is also progressing on downstream expansions including tinplate, HR pickling and galvanizing line, tubes, wires and EAF-based capacity.

- **Net debt:** Reported net debt increased to Rs841bn on June 26 from Rs801bn in Mar'26. Net D/E stood at 0.8x.

## Valuation Methodology

We are positive on demand environment. The India business is well positioned to benefit from the ongoing growth cycle, while the Europe business will likely gain from an improved pricing environment.

Numbers are revised upwards primarily on realization growth.

- Volumes – No changes in volumes for FY27E, FY28E and FY29E
- Pricing (India) – Estimate growth of 3.5% vs earlier 3.0% for FY27E; growth kept unchanged at 3.0% for FY28E and 2.5% for FY29E.
- USD-INR assumption was revised to Rs 97.0 vs the earlier Rs95 for FY27E & FY28E.

**Fig 10 – Revision in Estimates**

| (Rs mn) | Actual | New | | | Old | | | Change (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY26A | FY27E | FY28E | FY29E | FY27E | FY28E | FY29E | FY27E | FY28E | FY29E |
| Revenue | 2,321,399 | 2,543,440 | 2,776,400 | 2,966,641 | 2,535,956 | 2,768,113 | 2,957,552 | 0.3 | 0.3 | 0.3 |
| EBITDA | 343,524 | 456,015 | 520,544 | 569,140 | 448,530 | 512,256 | 560,051 | 1.7 | 1.6 | 1.6 |
| EBITDA % margin | 14.8 | 17.9 | 18.7 | 19.2 | 17.7 | 18.5 | 18.9 | | | |
| PAT | 118,263 | 186,263 | 216,705 | 244,621 | 181,217 | 213,747 | 242,456 | 2.8 | 1.4 | 0.9 |
| EPS (Rs) | 9.5 | 14.9 | 17.4 | 19.6 | 14.5 | 17.1 | 19 | 2.8 | 1.4 | 0.9 |

Source: Company, BOBCAPS Research

**Fig 11 – Key assumptions**

| | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **India** | | | | | |
| Sales volumes (mn t) | 20.9 | 22.5 | 24.4 | 26.3 | 28.1 |
| Realisation (Rs/t) | 62,495 | 61,235 | 63,378 | 65,280 | 66,912 |
| **Growth YoY (%)** | | | | | |
| Volumes | 5.2 | 7.6 | 8.5 | 7.5 | 7.0 |
| Realisation | (10.6) | (2.0) | 3.5 | 3.0 | 2.5 |
| EBITDA/t (Rs) | 13,307 | 14,413 | 17,247 | 17,768 | 17,829 |
| **Europe** | | | | | |
| EBITDA/t (USD) | (46.0) | 2.0 | 24.7 | 43.6 | 56.1 |
| USD-INR | 87.0 | 90.0 | 97.0 | 97.0 | 97.0 |

Source: Company, BOBCAPS Research

## EV/EBITDA-based Valuation Rationale

We raise to BUY from HOLD with recent correction in stock. Considering positive outlook on demand and rollover to June 2028, raise TP to Rs234 from Rs223 on SoTP basis - India at 7.0x & Europe at 5.5x June.28E EBITDA. Europe is valued at a lower multiple to account for the market purchases of inputs – iron ore and captive coal vs India which has captive mines.

**Fig 12 – Valuation summary**

| Particulars | June.28E EBITDA (Rs mn) | Multiple (x) | EV (Rs mn) | Value (Rs/share) |
|---|---|---|---|---|
| Tata Steel Standalone | 475,526 | 7.0 | 3,328,683 | 267 |
| India Long products | 9,965 | 7.0 | 69,758 | 6 |
| Europe | 34,611 | 5.5 | 190,359 | 15 |
| Thailand | 12,590 | 5.0 | 62,952 | 5 |
| **Total EV** | **532,693** | | | **293** |
| Less- Net debt | | | 748,989 | 60 |
| Value of Investments | | | 18,521 | 1 |
| **Target price (Rs)** | | | | **234** |

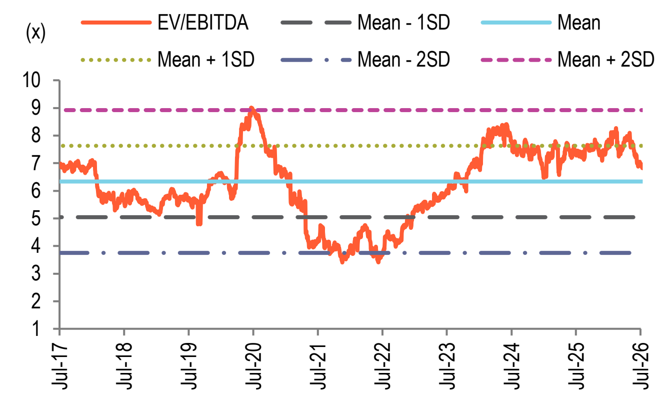
Source: Company, BOBCAPS Research

## Key Risks

- **Capex on new projects to risk leverage ratio, delay in debt repayments**

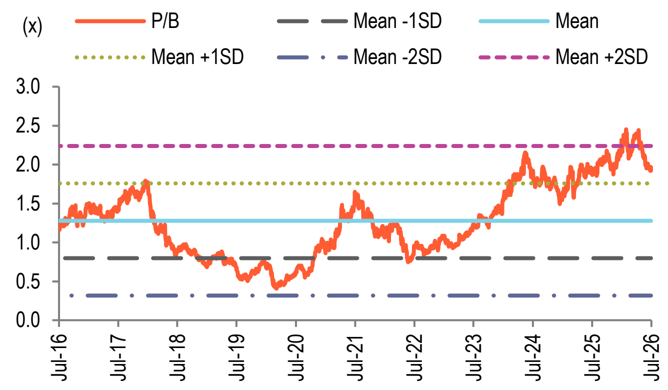
  The company plans on taking the India capacity from 26mnt to 40mnt in the coming years, through brownfield option. Current Net D/E stands at 0.8x. Operation cashflows will likely get impacted in amid a weak demand environment, which will probably increase working capital and short-term debt. This will have an impact on the leverage ratios.

**Fig 13 – EV/EBITDA 1YF**




Source: Bloomberg

**Fig 14 – P/B 1YF**




Source: Bloomberg

## Financials

### Income Statement

| Y/E 31 Mar (Rs bn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **Total revenue** | **2,185** | **2,321** | **2,543** | **2,776** | **2,967** |
| EBITDA | 253 | 344 | 456 | 521 | 569 |
| Depreciation | (104) | (120) | (129) | (152) | (166) |
| EBIT | 164 | 238 | 341 | 383 | 418 |
| Net interest inc./(exp.) | (73) | (72) | (65) | (62) | (55) |
| Other inc./(exp.) | 15 | 14 | 14 | 15 | 15 |
| Exceptional items | (9) | (10) | 0 | 0 | 0 |
| EBT | 82 | 156 | 276 | 321 | 363 |
| Income taxes | (52) | (51) | (90) | (105) | (118) |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | 2 | 4 | 0 | 0 | 0 |
| **Reported net profit** | **34** | **108** | **186** | **217** | **245** |
| Adjustments | 9 | 10 | 0 | 0 | 0 |
| **Adjusted net profit** | **43** | **118** | **186** | **217** | **245** |

### Balance Sheet

| Y/E 31 Mar (Rs bn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Accounts payables | 293 | 345 | 344 | 375 | 401 |
| Other current liabilities | 325 | 352 | 352 | 352 | 352 |
| Provisions | 39 | 60 | 60 | 60 | 60 |
| Debt funds | 890 | 850 | 870 | 770 | 650 |
| Other liabilities | 334 | 368 | 368 | 368 | 368 |
| Equity capital | 12 | 12 | 12 | 12 | 12 |
| Reserves & surplus | 899 | 1,009 | 1,142 | 1,303 | 1,488 |
| Shareholders' fund | 914 | 1,038 | 1,171 | 1,332 | 1,517 |
| **Total liab. and equities** | **2,794** | **3,013** | **3,165** | **3,257** | **3,348** |
| Cash and cash eq. | 116 | 101 | 118 | 129 | 162 |
| Accounts receivables | 53 | 49 | 62 | 67 | 72 |
| Inventories | 446 | 472 | 523 | 571 | 610 |
| Other current assets | 64 | 93 | 93 | 93 | 93 |
| Investments | 58 | 61 | 61 | 61 | 61 |
| Net fixed assets | 1,252 | 1,499 | 1,570 | 1,598 | 1,612 |
| CWIP | 406 | 275 | 275 | 275 | 275 |
| Intangible assets | 197 | 225 | 225 | 225 | 225 |
| Deferred tax assets, net | 0 | 0 | 0 | 0 | 0 |
| Other assets | 254 | 288 | 288 | 288 | 288 |
| **Total assets** | **2,794** | **3,013** | **3,165** | **3,257** | **3,348** |

### Cash Flows

| Y/E 31 Mar (Rs bn) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **Cash flow from operations** | **246** | **356** | **316** | **408** | **448** |
| Capital expenditures | (196) | (262) | (200) | (180) | (180) |
| Change in investments | 1 | (9) | 0 | 0 | 0 |
| Other investing cash flows | 15 | (15) | 0 | 0 | 0 |
| **Cash flow from investing** | **(180)** | **(287)** | **(200)** | **(180)** | **(180)** |
| Equities issued/Others | 0 | 0 | 0 | 0 | 0 |
| Debt raised/repaid | 74 | (40) | 20 | (100) | (120) |
| Interest expenses | (73) | (72) | (65) | (62) | (55) |
| Dividends paid | 45 | 50 | 53 | 56 | 59 |
| Other financing cash flows | (82) | (23) | (106) | (112) | (119) |
| **Cash flow from financing** | **(37)** | **(85)** | **(98)** | **(218)** | **(234)** |
| **Chg in cash & cash eq.** | **30** | **(16)** | **18** | **11** | **33** |
| **Closing cash & cash eq.** | **116** | **101** | **118** | **129** | **162** |

### Per Share

| Y/E 31 Mar (Rs) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Reported EPS | 2.7 | 8.7 | 14.9 | 17.4 | 19.6 |
| Adjusted EPS | 3.4 | 9.5 | 13.9 | 17.4 | 19.6 |
| Dividend per share | 3.6 | 4.0 | 4.3 | 4.5 | 4.8 |
| Book value per share | 73.1 | 81.9 | 92.6 | 105.5 | 120.3 |

### Valuations Ratios

| Y/E 31 Mar (x) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| EV/Sales | 1.4 | 1.3 | 1.2 | 1.1 | 1.0 |
| EV/EBITDA | 12.3 | 9.1 | 6.8 | 5.9 | 5.1 |
| Adjusted P/E | 55.3 | 20.0 | 13.6 | 10.9 | 9.7 |
| P/BV | 2.6 | 2.3 | 2.0 | 1.8 | 1.6 |

### DuPont Analysis

| Y/E 31 Mar (%) | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Tax burden (Net profit/PBT) | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 |
| Interest burden (PBT/EBIT) | 0.6 | 0.7 | 0.8 | 0.8 | 0.9 |
| EBIT margin (EBIT/Revenue) | 7.5 | 10.3 | 13.4 | 13.8 | 14.1 |
| Asset turnover (Rev./Avg TA) | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 |
| Leverage (Avg TA/Avg Equity) | 3.0 | 3.0 | 2.8 | 2.6 | 2.3 |
| Adjusted ROAE | 4.7 | 12.2 | 17.1 | 17.5 | 17.4 |

### Ratio Analysis

| Y/E 31 Mar | FY25A | FY26A | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| **YoY growth (%)** | | | | | |
| Revenue | (4.6) | 6.2 | 10.4 | 9.2 | 6.9 |
| EBITDA | 13.4 | 35.8 | 32.7 | 14.2 | 9.3 |
| Adjusted EPS | 26.6 | 176.6 | 57.5 | 16.3 | 12.9 |
| **Profitability & Return ratios (%)** | | | | | |
| EBITDA margin | 11.6 | 14.8 | 17.9 | 18.7 | 19.2 |
| EBIT margin | 7.5 | 10.3 | 13.4 | 13.8 | 14.1 |
| Adjusted profit margin | 2.0 | 5.1 | 7.3 | 7.8 | 8.2 |
| Adjusted ROAE | 4.7 | 12.2 | 17.1 | 17.5 | 17.4 |
| ROCE | 7.8 | 10.8 | 14.6 | 15.7 | 16.7 |
| **Working capital days (days)** | | | | | |
| Receivables | 9 | 8 | 9 | 9 | 9 |
| Inventory | 75 | 75 | 75 | 75 | 75 |
| Payables | 55 | 64 | 60 | 61 | 61 |
| **Ratios (x)** | | | | | |
| Gross asset turnover | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 |
| Current ratio | 0.8 | 0.7 | 0.8 | 0.9 | 0.9 |
| Net interest coverage ratio | (2.2) | (3.3) | (5.2) | (6.2) | (7.6) |
| Adjusted debt/equity | 0.8 | 0.7 | 0.6 | 0.5 | 0.3 |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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**BUY** – Expected return >+15%

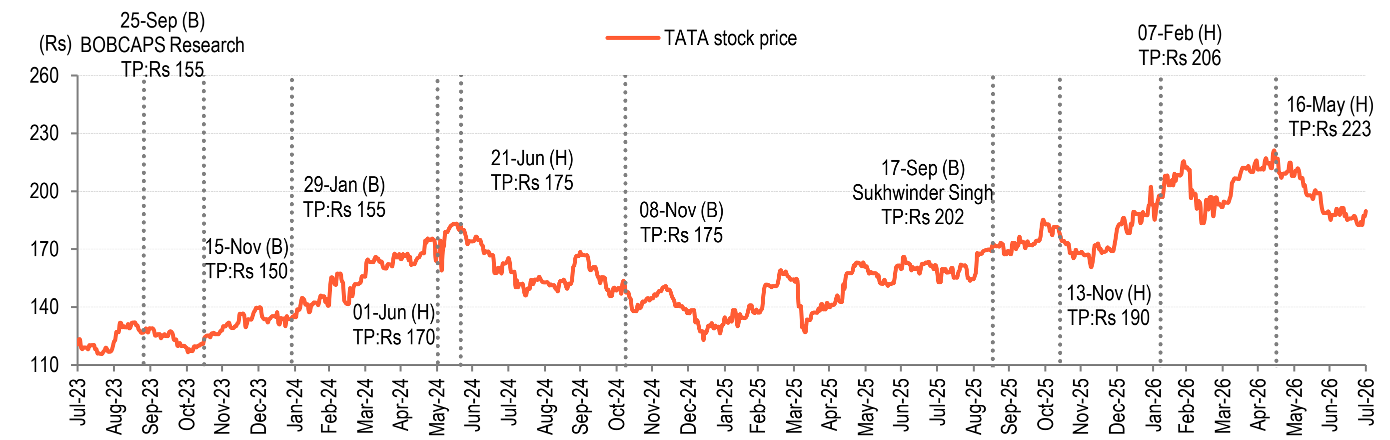
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

**Ratings and Target Price (3-year history): TATA STEEL (TATA IN)**




B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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