

HOLD

TP: Rs 190 | ▲ 8%

TATA STEEL

| Metals & Mining

| 13 November 2025

Better-than-expected performance on India volume growth

- Reported improved performance on the back of India volume growth of 8.6%YoY and lower input raw material cost
- Outlook positive in terms of sustainability of India volume growth and cost saving benefits across geographies
- Reduce rating to HOLD from BUY and TP to Rs190 from Rs202, based on SOTP basis - India at 7.0x & Europe at 5.5x; its Sept 27 EBITDA

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Results above expectations on improved volume growth: Revenue came at Rs582bn, (+8.8%YoY, +10.4%QoQ), and was 5% above our estimates. EBITDA came at Rs89bn (+44.9%YoY, +19.8%QoQ), and was 16% above our estimates. EBITDA/t was Rs14,681 for the quarter

Volumes performance: Volumes came at 5.6mnt, higher by 8.6%YoY aided by the ramp-up in India Kalinganagar project volumes. This was in line with domestic demand growth of 9% YoY. Volumes increased QoQ by 16.8%. Europe volumes came at 2.1mnt, lower by 0.9%YoY on account of lower UK volumes.

Domestic pricing outlook: Realisation decreased by 1.6%YoY and 4.3%QoQ. The QoQ decline was despite the safeguard duty, as imports spiked QoQ by 36%, owing to tariff imposed by various countries. Management expects prices to be lower by Rs1,500/tonne in Q3FY26 vs Q2FY26.

Outlook: Management remains positive on the demand environment. However, pricing dynamic will continue to be driven by China imports into India. Expect pricing to remain subdued in near term. On costs, it expects coking coal cost to be higher by USD6/t in Q3 vs Q2FY26. Ramp-up in India asset is likely to deliver increment volumes in Q3 vs Q2FY26. Europe-duty measures imposed on imports will benefit Tata Steel in terms of improved price stability. This will be offset to some extent by weak UK demand dynamics. Cost levers continue from target cost-saving programme of Rs115bn in FY26 across India and Europe. Management targets increasing India capacity from the current 26mntpa to 40mnt over long term through brownfield expansions. Initial focus will be on expansion at Neelanchal Ispat (NINL). We maintain 5%CAGR volume growth over FY25-FY28E.

Reduce rating to HOLD and reduce TP: Due to delay in Europe profitability, we reduce rating to HOLD from BUY and TP to Rs190 from Rs202, based on SoTP basis - India at 7.0x & Europe at 5.5x its Sept 27 EBITDA.

Key changes

Target	Rating
▼	▼

Ticker/Price	TATA IN/Rs 177
Market cap	US\$ 24.9bn
Free float	1%
3M ADV	US\$ 48.9mn
52wk high/low	Rs 187/Rs 123
Promoter/FPI/DII	0%/0%/0%

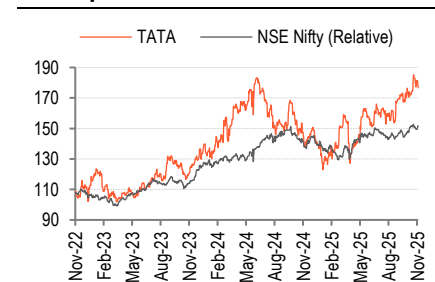
Source: NSE | Price as of 13 Nov 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs bn)	2,185	2,390	2,515
EBITDA (Rs bn)	253	376	444
Adj. net profit (Rs bn)	43	127	170
Adj. EPS (Rs)	3.4	10.2	13.9
Consensus EPS (Rs)	2.7	9.7	13.3
Adj. ROAE (%)	4.7	13.4	16.2
Adj. P/E (x)	51.5	17.4	12.7
EV/EBITDA (x)	11.7	7.9	6.5
Adj. EPS growth (%)	26.6	197.0	34.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YOY (%)	H1FY26	H1FY25	YOY (%)
Revenue	582,160	527,441	10.4	534,897	8.8	1,109,601	1,079,021	2.8
EBITDA	88,965	74,275	19.8	61,413	44.9	163,241	128,357	27.2
EBITDA margin (%)	15.28	14.08		11.48		14.71	11.90	
Depreciation	28,930	27,443	5.4	25,967	11.4	56,373	51,322	9.8
Interest	17,750	18,524	(4.2)	19,714	(10.0)	36,274	37,481	(3.2)
Other income	3,636	2,887	25.9	5,986	(39.3)	6,522	8,585	(24.0)
PBT	45,921	31,195	47.2	21,717	111.5	77,116	48,140	60.2
Tax	10,394	10,597	(1.9)	14,055	(26.0)	20,991	28,637	(26.7)
Reported PAT	31,018	20,777	49.3	8,335	272.2	51,794	17,931	188.9
Exceptional item	(4,204)	(1,321)		181		(5,525)	(3,398)	
Adjusted PAT	35,222	22,098	59.4	8,154	332.0	57,320	21,329	168.7
Adj. PATM (%)	6.05	4.19		1.52		5.17	1.98	
EPS (Rs)	2.82	1.77	59.4	0.65	332.0	4.59	1.71	168.7

Source: Company

Fig 2 – Q2FY26 Actual v/s estimates

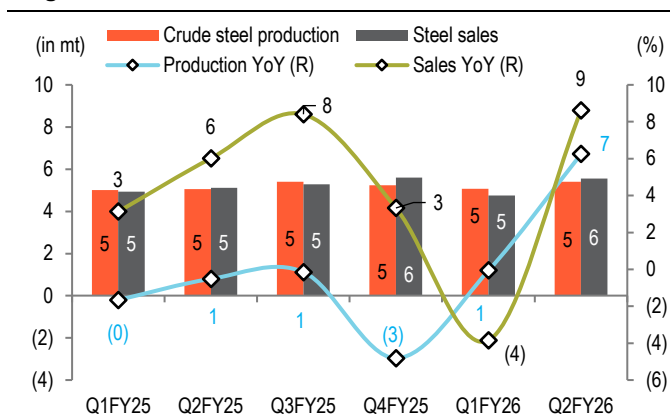
Particulars	Q2 Actual	Q2 FY26E	VAR (%)
Revenue (Rs mn)	582,160	554,234	5.0
EBITDA (Rs mn)	88,965	76,989	15.6
EBITDA margin (%)	15.3	13.9	-
PAT (Rs mn)	31,018	28,266	9.7
EPS (Rs)	2.5	2.3	9.7

Source: Company

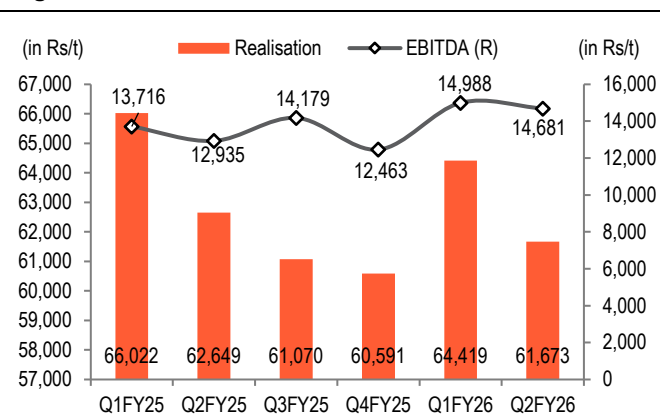
Fig 3 – Business parameters

	Q2FY26	Q1FY26	QoQ (%)	Q2FY25	YoY (%)	H1FY26	H1FY25	YoY (%)
India business								
Sales volumes (mn t)	5.6	4.8	16.8	5.1	8.6	10.3	10.1	2.3
Realization (Rs/t)	61,673	64,419	(4.3)	62,649	(1.6)	63,046	64,335	(2.0)
EBITDA (Rs/t)	14,681	14,988	(2.0)	12,935	13.5	14,835	13,326	11.3
Europe business								
Sales volumes (mn t)	2.1	2.1	0.5	2.1	(0.9)	4.2	4.3	(1.6)
Realization (USD/t)	1,193	1,147	4.0	1,155	3.3	1,170	1,163	0.6
EBITDA (USD/t)	8.3	8.0	4.4	(75)		8	(52)	

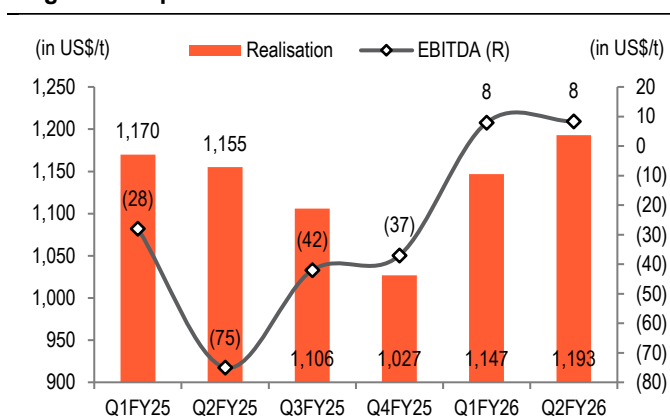
Source: Company

Fig 4 – India Production & sales trend

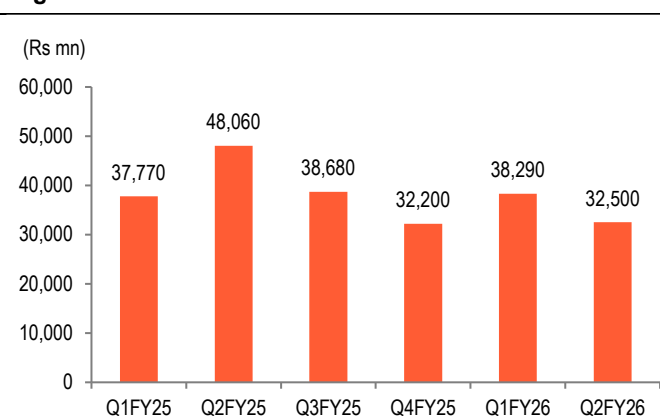
Source: Company

Fig 5 – India Realisation & EBITDA trend

Source: Company

Fig 6 – Europe Realisation & EBITDA trend

Source: Company

Fig 7 – CAPEX

Source: Company

Call Highlights

- **Volumes:** Domestic industry demand was 9%YoY for Q2FY26. Tata Steel India volume growth of 8.6% was in line with industry growth. Management attributed it to ramp up in Kalinganagar 5mnt project. Among end user segments – Housing and construction contributed to improved demand. Management expects volume performance to continue with incremental volume of 1.5mnt for full year FY26E. Thus, we expect improved volume growth in H2FY26.
- **Pricing:** Prices declined QoQ despite strong demand. This is due to the increase in imports despite safeguard duty. Management expects pricing to be subdued in Q3 – lower by Rs1,500/t vs Q2FY26.
- **Cost guidance:** The company expects India coking coal cost to be higher by USD6/t vs Q2FY26 and expects Netherland coking coal cost to be lower by Euro5-10/t due to presence of large inventory. Of the Rs115bn cost saving target across geographies for FY26, India business has a target for Rs40bn through reduction in conversion cost. Till H1FY26, the company has delivered cost saving of Rs55bn.
- **Europe and UK performance:** Management expects Europe pricing to stabilise with restriction on imports. This will benefit Netherland. For UK, this would be negative. Therefore, it would require UK government support and without support, it would be difficult to break even by Q4FY26E as expected earlier.
- **Capex and capacity projects:** The company incurred a capex of Rs32bn in Q2 and Rs70bn in H1FY26. Management targets increasing India capacity from current 26mntpa to 40mnt over long term through brownfield expansions. Initial focus will be on expansion at Neelanchal Ispat (NINL) from 1.0mnt to 6.0mnt in Ph-I and then to 10mnt in Ph-II.
- **Net debt:** Consolidated net debt increased to Rs870bn on Sept' 25 from net debt of Rs825bn on Mar'25. Net D/E stood at 0.9x.

Valuation Methodology

Management has maintained a positive outlook on demand. India business is well positioned to benefit from the growth cycle. Netherland business will likely see improved demand and pricing environment post duties on imports. In India, the next phase of expansion would start in Neelanchal Ispat Nigam (NINL). With a strong India business and recovery in Europe profitability, we expect the performance to improve in the overseas portfolio as well.

We estimate 4.7% CAGR volumes growth over the FY25-FY28E period, benefitting from a ramp-up in Kalinganagar 5.0mnt project, which will be adding 1.5-2.0mnt incremental in FY26. This will be supported by cost saving across geographies.

We change our estimates downwards due to delay in profitability in Europe business.

Fig 8 – Change in estimates (New v/s old)

(Rs mn)	Actual	New				Old			Change (%)		
	FY25A	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	
Revenue	2,185,425	2,389,533	2,514,993	2,601,911	2,393,020	2,518,692	2,605,778	(0.1)	(0.1)	(0.1)	
EBITDA	252,985	375,940	443,738	471,212	392,212	468,553	498,135	(4.1)	(5.3)	(5.4)	
EBITDA % margin	11.6	15.7	17.6	18.1	16.4	18.6	19.1				
PAT	42,752	126,991	170,486	192,409	138,056	187,360	210,717	(8.0)	(9.0)	(8.7)	
EPS (Rs)	3	10	14	15	11	15	17	(8.0)	(9.0)	(8.7)	

Source: Company, BOBCAPS Research

Due to delay in Europe profitability, we reduce rating to HOLD from BUY and TP to Rs190 from Rs202 based on SoTP basis - India at 7.0x & Europe at 5.5x its Sept 27 EBITDA.

Fig 9 – Valuation summary

Particulars	EBITDA (Rs mn)	Multiple (x)	EV (Rs mn)	Value (Rs/share)
Tata Steel Standalone	404,324	7.0	2,830,266	227
India Long products	8,781	6.5	57,077	5
Europe	34,506	5.5	189,786	15
Thailand	9,864	5.0	49,318	4
Total EV	457,475			251
Less- Net debt			773,168	62
Value of Investments			17,786	1
Target price (Rs)				190

Source: Company, BOBCAPS Research

Key Risks

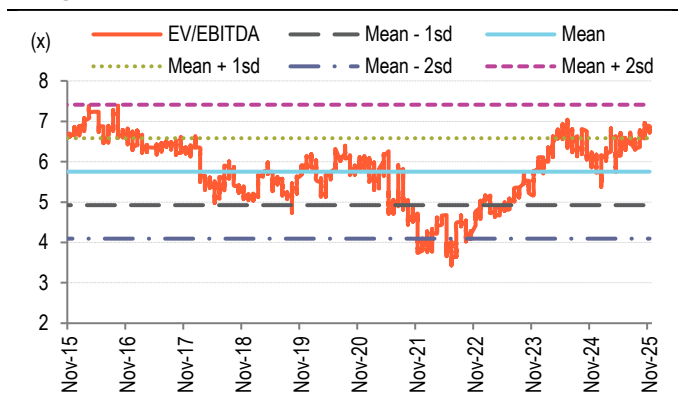
- **UK portfolio may take time to achieve profitability and thus, can impact overall Europe profitability:**

Tata Steel has indicated that under the current demand environment and import restriction by EU, it would be difficult for UK operations to achieve EBITDA breakeven by FY26-end as guided earlier. This can risk postpone growth and profitability profile for its overseas operations to some extent.

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

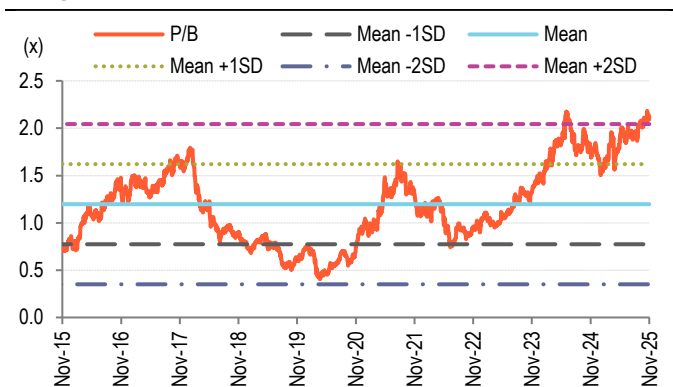
The company has plans to take India capacity from 26mnt to 40mnt in the coming years through brownfield option. Thus, it will have to make a reasonable choice between balance sheet deleveraging and the ongoing aggressive capex. Current Net D/E stands at 0.9x. In an environment of weak demand, operation cashflows will likely be impacted, which will likely increase working capital and short-term debt. This will have an impact on the leverage ratios.

Fig 10 – EV/EBITDA 2YF



Source: Bloomberg

Fig 11 – P/B 1YF



Source: Bloomberg

Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	2,292	2,185	2,390	2,515	2,602
EBITDA	223	253	376	444	471
Depreciation	(99)	(104)	(128)	(138)	(145)
EBIT	142	164	263	322	343
Net interest inc./(exp.)	(75)	(73)	(76)	(71)	(60)
Other inc./(exp.)	18	15	16	16	16
Exceptional items	(78)	(9)	0	0	0
EBT	(11)	82	187	251	283
Income taxes	(38)	(52)	(60)	(80)	(91)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(1)	2	0	0	0
Reported net profit	(44)	34	127	170	192
Adjustments	78	9	0	0	0
Adjusted net profit	34	43	127	170	192

Balance Sheet

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	354	293	323	340	352
Other current liabilities	292	325	325	325	325
Provisions	38	39	39	39	39
Debt funds	816	890	850	750	630
Other liabilities	310	334	334	334	334
Equity capital	12	12	12	12	12
Reserves & surplus	908	899	978	1,098	1,236
Shareholders' fund	924	914	992	1,112	1,250
Total liab. and equities	2,734	2,794	2,863	2,899	2,929
Cash and cash eq.	87	116	113	128	153
Accounts receivables	63	53	58	61	63
Inventories	492	446	491	517	535
Other current assets	57	64	64	64	64
Investments	55	58	58	58	58
Net fixed assets	1,235	1,252	1,274	1,266	1,251
CWIP	334	406	406	406	406
Intangible assets	195	197	197	197	197
Deferred tax assets, net	0	0	0	0	0
Other assets	264	254	254	254	254
Total assets	2,734	2,794	2,863	2,899	2,929

Cash Flows

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	183	246	311	368	389
Capital expenditures	(151)	(196)	(150)	(130)	(130)
Change in investments	22	1	0	0	0
Other investing cash flows	46	15	0	0	0
Cash flow from investing	(84)	(180)	(150)	(130)	(130)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	36	74	(40)	(100)	(120)
Interest expenses	(75)	(73)	(76)	(71)	(60)
Dividends paid	45	45	48	51	54
Other financing cash flows	(152)	(82)	(96)	(102)	(109)
Cash flow from financing	(146)	(37)	(164)	(222)	(234)
Chg in cash & cash eq.	(47)	30	(4)	15	25
Closing cash & cash eq.	87	116	113	128	153

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	(3.6)	2.7	10.2	13.7	15.4
Adjusted EPS	2.7	3.4	10.2	13.9	15.4
Dividend per share	3.6	3.6	3.9	4.1	4.4
Book value per share	73.8	73.1	79.4	89.0	100.1

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.3	1.4	1.2	1.1	1.1
EV/EBITDA	12.9	11.7	7.9	6.5	5.8
Adjusted P/E	65.3	51.5	17.4	12.7	11.5
P/BV	2.4	2.4	2.2	2.0	1.8

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	50.2	47.1	68.0	68.0	68.0
Interest burden (PBT/EBIT)	47.3	55.3	70.9	77.9	82.5
EBIT margin (EBIT/Revenue)	6.2	7.5	11.0	12.8	13.2
Asset turnover (Rev./Avg TA)	81.0	78.4	84.5	87.3	89.3
Leverage (Avg TA/Avg Equity)	2.9	3.0	3.0	2.7	2.5
Adjusted ROAE	3.5	4.7	13.4	16.2	16.3

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(5.9)	(4.6)	10.2	5.3	3.5
EBITDA	(30.9)	13.4	48.6	18.0	6.2
Adjusted EPS	(61.8)	26.6	197.0	34.3	12.9

Profitability & Return ratios (%)

EBITDA margin	9.7	11.6	15.7	17.6	18.1
EBIT margin	6.2	7.5	11.0	12.8	13.2
Adjusted profit margin	1.5	2.0	5.3	6.8	7.4
Adjusted ROAE	3.5	4.7	13.4	16.2	16.3
ROCE	6.7	7.8	12.2	14.7	15.5

Working capital days (days)

Receivables	10	9	9	9	9
Inventory	79	75	75	75	75
Payables	63	55	59	60	60

Ratios (x)

Gross asset turnover	0.8	0.8	0.8	0.9	0.9
Current ratio	0.7	0.8	0.8	0.9	0.9
Net interest coverage ratio	(1.9)	(2.2)	(3.4)	(4.5)	(5.7)
Adjusted debt/equity	0.8	0.8	0.7	0.6	0.4

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

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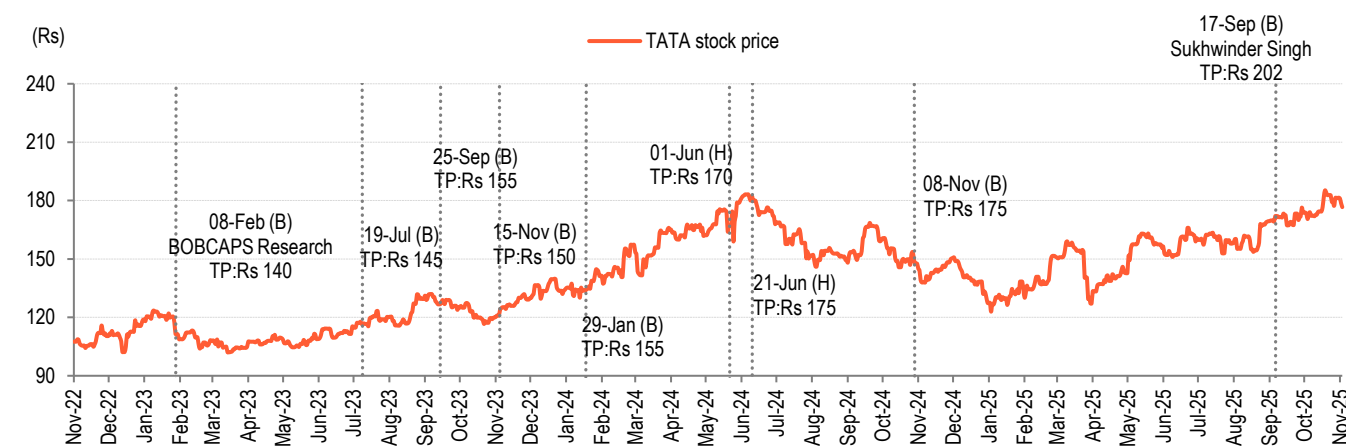
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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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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