

HOLD**TP: Rs 206 | ▲ 5%****TATA STEEL**

| Metals & Mining

| 07 February 2026

Revenue performance driven by strong India volume growth

- Revenue & EBITDA grew by 6.4%YoY and 38.9%YoY respect. driven by India volume gr of 14.2% & cost savings offset by price decline
- Outlook positive given the price improvements in India since Dec'25 and EU policy measures to restrict import
- Based on 9MFY26, we maintain HOLD and raise TP to Rs206 from Rs190, based on India at 7.0x & Europe at 5.5x; its Dec' 27 EBITDA

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Results below expectations on pricing decline: Revenue came at Rs566bn, (+6.4%YoY, -2.7%QoQ), and was 4% below our estimates. EBITDA came at Rs81bn (+38.9%YoY, -7.8%QoQ) and was 6% below estimates. EBITDA/t was Rs12,800 for the quarter; lower by 9.7%YoY. Underperformance was primarily due to a higher-than-expected decline in realisation. Volume growth was better at 14.2% vs expected 10%YoY growth.

Volumes performance: Standalone volumes came at 6.1mnt; higher by 14.2%YoY on strong demand from auto and construction segments. Volume growth was higher vs domestic demand growth of 4.6% YoY. Volumes grew 8.8% QoQ. Europe volumes came at 1.9mnt; lower by 8.1%YoY on account of lower UK & Netherland volumes that were impacted by subdued demand.

Domestic pricing outlook: Realisation decreased by 4.5%YoY and 5.5%QoQ. Prices have improved by Rs3,000-3,500/t since the end of Dec'25. Management is positive on pricing and expects the price improvement to sustain in Q4, on the back of a seasonally strong construction period.

Outlook: Management expects prices to be higher by Rs2,000/tonne in Q4FY26 vs Q3FY26. This will likely be partially offset by coking coal cost hike. On the cost front, coking coal cost likely to be higher by USD15/t QoQ in Q4. Europe-duty measures, with tariff on imports and carbon cost, will likely keep Europe prices positive. Management targets ramping up the India capacity from the current 26mntpa to 40mnt over long term, through brownfield expansions.

Maintain HOLD; revise TP: Due to improved pricing outlook in India and Europe, we maintain our HOLD rating and raise TP to Rs206 from Rs190, on SoTP basis - India at 7.0x & Europe at 5.5x its Dec'27 EBITDA.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	TATA IN/Rs 197
Market cap	US\$ 27.1bn
Free float	1%
3M ADV	US\$ 53.6mn
52wk high/low	Rs 203/Rs 125
Promoter/FPI/DII	0%/0%/0%

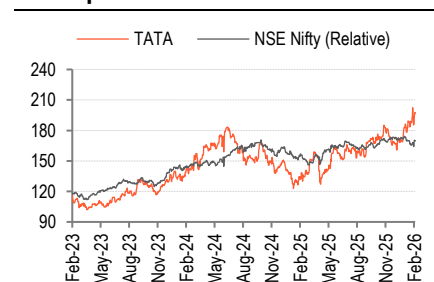
Source: NSE | Price as of 6 Feb 2026

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs bn)	2,185	2,338	2,528
EBITDA (Rs bn)	253	341	445
Adj. net profit (Rs bn)	43	115	178
Adj. EPS (Rs)	3.4	9.2	13.9
Consensus EPS (Rs)	2.7	9.8	13.7
Adj. ROAE (%)	4.7	12.2	17.0
Adj. P/E (x)	57.5	21.3	14.2
EV/EBITDA (x)	12.7	9.4	7.1
Adj. EPS growth (%)	26.6	169.7	54.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Revenue	566,461	582,160	(2.7)	532,313	6.4	1,676,062	1,611,334	4.0
EBITDA	81,997	88,965	(7.8)	59,035	38.9	245,238	187,392	30.9
EBITDA margin (%)	14.48	15.28		11.09		14.63	11.63	
Depreciation	30,488	28,930	5.4	25,692	18.7	86,861	77,014	12.8
Interest	17,473	17,750	(1.6)	18,041	(3.1)	53,747	55,522	(3.2)
Other income	5,011	3,636	37.8	2,210	126.7	11,533	10,795	6.8
PBT	39,047	45,921	(15.0)	17,512	123.0	116,163	65,652	76.9
Tax	11,384	10,394	9.5	13,765	(17.3)	32,375	42,403	(23.6)
Reported PAT	26,887	31,018	(13.3)	3,266	723.1	78,681	21,197	271.2
Exceptional item	-1,399	-4,204		-1,262	(10.8)	(6,924)	(4,660)	(48.6)
Adjusted PAT	28,286	35,222	(19.7)	4,528	524.6	85,605	25,857	231.1
Adj. PATM (%)	4.99	6.05		0.85		5.11	1.60	
EPS (Rs)	2.27	2.82	(19.7)	0.36	524.6	6.86	2.07	231.1

Source: Company

Fig 2 – Q3FY26 Actual v/s estimates

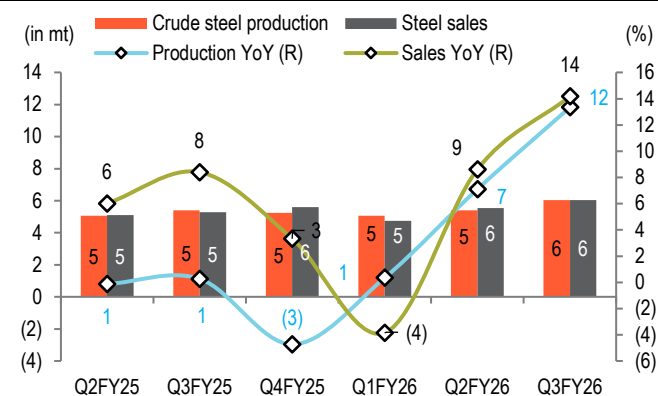
Particulars	Q3 Actual	Estimates	VAR(%)
Revenue (Rs mn)	566,461	590,475	(4.1)
EBITDA (Rs mn)	81,997	87,489	(6.3)
EBITDA margin (%)	14.5	14.8	-
PAT (Rs mn)	26,887	32,105	(16.3)
EPS (Rs)	2.2	2.6	(16.3)

Source: Company

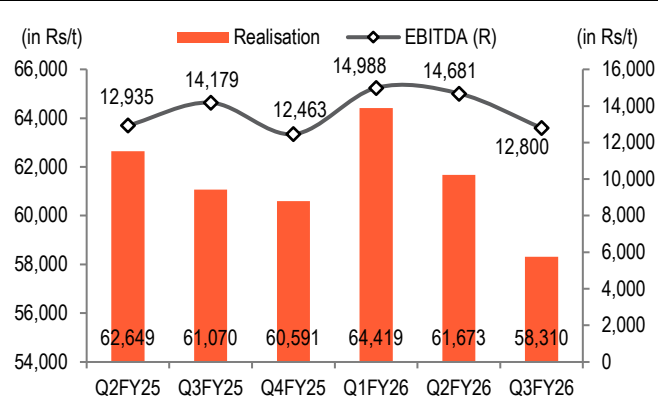
Fig 3 – Business parameters

	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	9MFY26	9MFY25	YoY (%)
Standalone business								
Sales volumes (mn t)	6.04	5.6	8.8	5.3	14.2	16.3	15.3	6.5
Realization (Rs/t)	58,310	61,673	(5.5)	61,070	(4.5)	61,467	63,247	(2.8)
EBITDA (Rs/t)	12,800	14,681	(12.8)	14,179	(9.7)	14,157	13,610	4.0
Europe business								
Sales volumes (mn t)	1.92	2.1	(9.0)	2.1	(8.1)	6.1	6.4	(3.8)
Realization (USD/t)	1,131	1,193	(5.2)	1,106	2.2	1,157	1,144	1.2
EBITDA (USD/t)	(10)	8	(219.6)	(42)		2	(48)	104.4

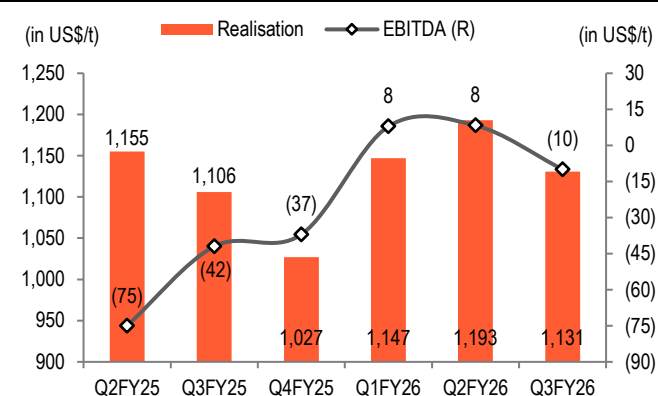
Source: Company

Fig 4 – India Production & sales trend

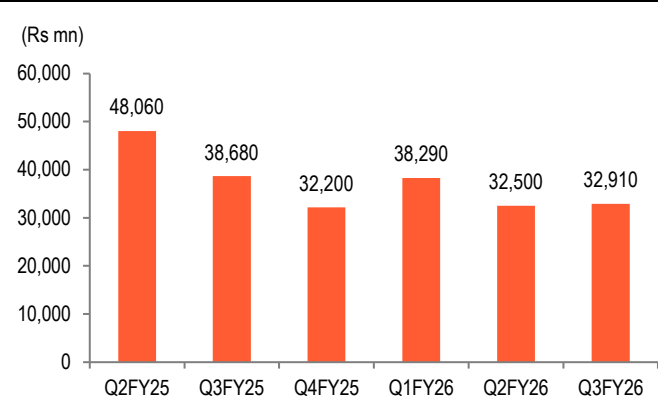
Source: Company

Fig 5 – India Realisation & EBITDA trend

Source: Company

Fig 6 – Europe Realisation & EBITDA trend

Source: Company

Fig 7 – CAPEX

Source: Company

Call Highlights

- **Volumes:** Tata Steel volume growth of 14.2% was much better vs domestic steel demand of 4.6%YoY in Q3FY26. Among the end-user segments – auto volumes grew by 27.3%YoY and construction volumes by 16.7%YoY. Management expects volume performance to be better in Q4FY26 vs Q3FY26.
- **Industry environment:** Safeguard duty was imposed in Dec'25 for a 3 year period.- with 12% in the 1st year, 11.5% in the 2nd year while 11.0% in the 3rd. During the quarter, domestic steel consumption rose by 4.6%YoY to 40.7mnt and crude steel production went up 10.0%YoY to 42.5mnt. Steel imports fell by 42.4%YoY and 35.9%QoQ. 9M consumption increased by 7%YoY.
- **Pricing:** Prices fell 5.5%QoQ, due to the overall industry weakness. Management expects pricing to be higher by Rs2,000/t QoQ in Q4FY26.
- **Cost guidance:** The company expects India coking coal cost to be higher by USD15/t vs Q2FY26. Of the Rs115bn cost saving target across geographies for FY26, India business has a Rs40bn target to achieve through the reduction in conversion cost, supply chain efficiency, purchase of stores, spares. Till 9MFY26, the company delivered a cost saving of Rs86bn, combined from all geographies.
- **Europe and UK performance:** Management expects Europe pricing to improve with protective policy measures with reduction in import quotas and carbon cost on producers. This will likely keep imports lower. Management expects steel prices in Europe to see an uptick, with a potential 10% rise in 2026. For UK, demand is weak and hence, would require support from the UK government
- **Capex and capacity projects:** The company incurred a capex of Rs32bn in Q3 and Rs103bn in 9MFY26. Management targets raising the India capacity from the current 26mntpa to 40mnt over long term, through brownfield expansions. In Dec'25, the Board gave approval for a 4.8mnt expansion in Neelanchal Ispat (NINL). The 0.75mnt EAF at Ludhiana is likely to be commissioned by H1FY27.
- **Net debt:** Consolidated net debt decreased to Rs818bn in Dec'25 from a net debt of Rs870bn in Sept'25. Net debt was Rs825bn on Mar'25. Net D/E stood at 0.8x.

Valuation Methodology

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

We change our estimates based on 9M performance in terms of volumes and steel prices:

Key changes in assumptions:

- Volumes – Estimate of 6.6% India volumes growth vs the earlier 6.6% in FY26; 8.0% vs the earlier 4.0% for FY27E; 7.0% growth vs the earlier 3.5% for FY28E.
- Pricing (India) – Estimate price decline of 0.5% vs the earlier positive 1.8% in FY26E; price revised to 3.0% vs the earlier 2.0% in FY27E and revised to 3.0% vs the earlier 1.0% for FY28E.
- USD-INR assumption revised to Rs89.0 vs Rs90.0 for FY26E; revised to Rs91.0 vs the earlier Rs90.0 for FY27E and revised to Rs91.0 vs the earlier Rs90.0 for FY28E.

Fig 8 – Revision in Estimates

Rs mn	Actual	New			Old			Change (%)		
	FY25A	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	2,185,425	2,337,548	2,527,737	2,729,576	2,389,533	2,514,993	2,601,911	(2.2)	0.5	4.9
EBITDA	252,985	341,438	445,091	499,707	375,940	443,738	471,212	(9.2)	0.3	6.0
EBITDA % margin	11.6	14.6	17.6	18.3	15.7	17.6	18.1			
PAT	42,752	115,314	177,538	200,908	126,991	170,486	192,409	(9.2)	4.1	4.4
EPS (Rs)	3	9.2	14.2	16.1	10.2	13.7	15.4	(9.2)	4.1	4.4

Source: Company, BOBCAPS Research

Fig 9 – Key assumptions

	FY24	FY25	FY26E	FY27E	FY28E
India					
Sales volumes (mn t)	19.9	20.9	22.3	24.1	25.8
Realization (Rs/t)	69,913	62,495	62,183	64,048	65,970
% growth yoy					
Volumes	9.3	5.2	6.6	8.0	7.0
Realization	(0.1)	(10.6)	(0.5)	3.0	3.0
EBITDA/t (Rs)	14,984	13,307	14,601	16,517	17,000
Europe					
EBITDA/t (USD)	(172.8)	(45.9)	4.2	41.8	53.3
USD-INR	85.0	87.0	89.0	91.0	91.0

Source: Company, BOBCAPS Research

EV/EBITDA-based Valuation Rationale

Due to improved pricing outlook in India and Europe, we maintain our HOLD rating and revise TP to Rs206 from Rs190 on SoTP basis - India at 7.0x & Europe at 5.5x its Dec'27 EBITDA. Europe is valued at lower multiple to account for market purchases of inputs – iron ore and captive coal vs India which has captive mines.

Fig 10 – Valuation summary

Particulars	Dec.27E EBITDA (Rs mn)	Multiple (x)	EV (Rs mn)	Value (Rs/share)
Tata Steel Standalone	428,446	7.0	2,999,122	240
India Long products	8,961	6.5	58,248	5
Europe	37,894	5.5	208,416	17
Thailand	10,752	5.0	53,760	4
Total EV	486,053			266
Less- Net debt			773,168	62
Value of Investments			17,786	1
Target price (Rs)				206

Source: Company, BOBCAPS Research

Key Risks

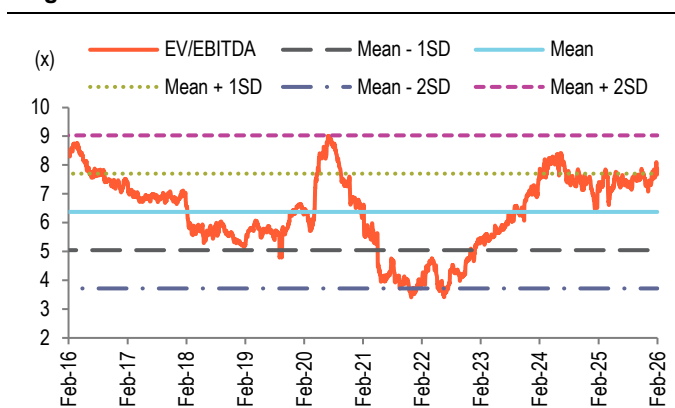
- UK portfolio may take time to achieve profitability and thus, can impact overall Europe profitability:

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

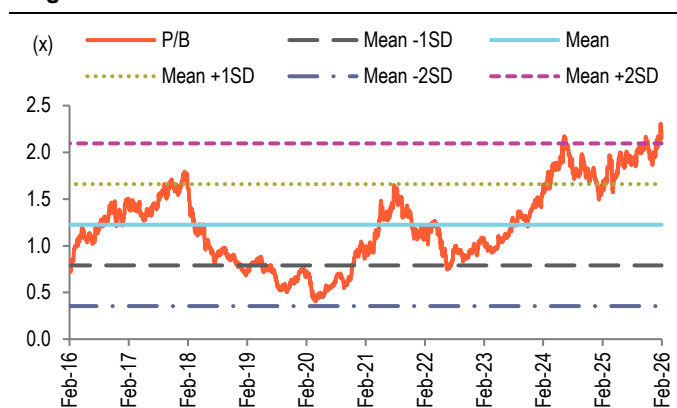
The company has plans to take India capacity from 26mnt to 40mnt in the coming years through brownfield option. Thus, it will have to make a reasonable choice between balance sheet deleveraging and the ongoing aggressive capex. Current Net D/E stands at 0.8x. In an environment of weak demand, operation 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 11 – EV/EBITDA 1YF



Source: Bloomberg

Fig 12 – 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	2,338	2,528	2,730
EBITDA	223	253	341	445	500
Depreciation	(99)	(104)	(116)	(129)	(162)
EBIT	142	164	241	332	354
Net interest inc./(exp.)	(75)	(73)	(71)	(71)	(58)
Other inc./(exp.)	18	15	16	16	16
Exceptional items	(78)	(9)	0	0	0
EBT	(11)	82	170	261	295
Income taxes	(38)	(52)	(54)	(84)	(95)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(1)	2	0	0	0
Reported net profit	(44)	34	115	178	201
Adjustments	78	9	0	0	0
Adjusted net profit	34	43	115	178	201

Balance Sheet

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	354	293	316	342	369
Other current liabilities	292	325	325	325	325
Provisions	38	39	39	39	39
Debt funds	816	890	850	750	610
Other liabilities	310	334	334	334	334
Equity capital	12	12	12	12	12
Reserves & surplus	908	899	967	1,093	1,240
Shareholders' fund	924	914	981	1,107	1,254
Total liab. and equities	2,734	2,794	2,844	2,896	2,930
Cash and cash eq.	87	116	94	101	121
Accounts receivables	63	53	57	61	66
Inventories	492	446	481	520	561
Other current assets	57	64	64	64	64
Investments	55	58	58	58	58
Net fixed assets	1,235	1,252	1,286	1,287	1,255
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	2,844	2,896	2,930

Cash Flows

Y/E 31 Mar (Rs bn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	183	246	287	360	402
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)	(140)
Interest expenses	(75)	(73)	(71)	(71)	(58)
Dividends paid	45	45	48	51	54
Other financing cash flows	(152)	(82)	(96)	(102)	(109)
Cash flow from financing	(146)	(37)	(159)	(222)	(252)
Chg in cash & cash eq.	(47)	30	(23)	7	20
Closing cash & cash eq.	87	116	94	101	121

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	(3.6)	2.7	9.2	14.2	16.1
Adjusted EPS	2.7	3.4	9.2	13.9	16.1
Dividend per share	3.6	3.6	3.9	4.1	4.4
Book value per share	73.8	73.1	78.5	88.6	100.4

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	1.4	1.5	1.4	1.2	1.1
EV/EBITDA	14.0	12.7	9.4	7.1	6.1
Adjusted P/E	72.8	57.5	21.3	14.2	12.2
P/BV	2.7	2.7	2.5	2.2	2.0

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	70.4	78.6	83.5
EBIT margin (EBIT/Revenue)	6.2	7.5	10.3	13.1	13.0
Asset turnover (Rev./Avg TA)	81.0	78.4	82.9	88.1	93.7
Leverage (Avg TA/Avg Equity)	2.9	3.0	3.0	2.8	2.5
Adjusted ROAE	3.5	4.7	12.2	17.0	17.0

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(5.9)	(4.6)	7.8	8.1	8.0
EBITDA	(30.9)	13.4	35.0	30.4	12.3
Adjusted EPS	(61.8)	26.6	169.7	54.0	13.2
Profitability & Return ratios (%)					
EBITDA margin	9.7	11.6	14.6	17.6	18.3
EBIT margin	6.2	7.5	10.3	13.1	13.0
Adjusted profit margin	1.5	2.0	4.9	7.0	7.4
Adjusted ROAE	3.5	4.7	12.2	17.0	17.0
ROCE	6.7	7.8	11.2	15.3	16.1
Working capital days (days)					
Receivables	10	9	9	9	9
Inventory	79	75	75	75	75
Payables	63	55	58	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	0.8	0.9
Net interest coverage ratio	(1.9)	(2.2)	(3.4)	(4.7)	(6.1)
Adjusted debt/equity	0.8	0.8	0.8	0.6	0.4

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

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BUY – Expected return >+15%

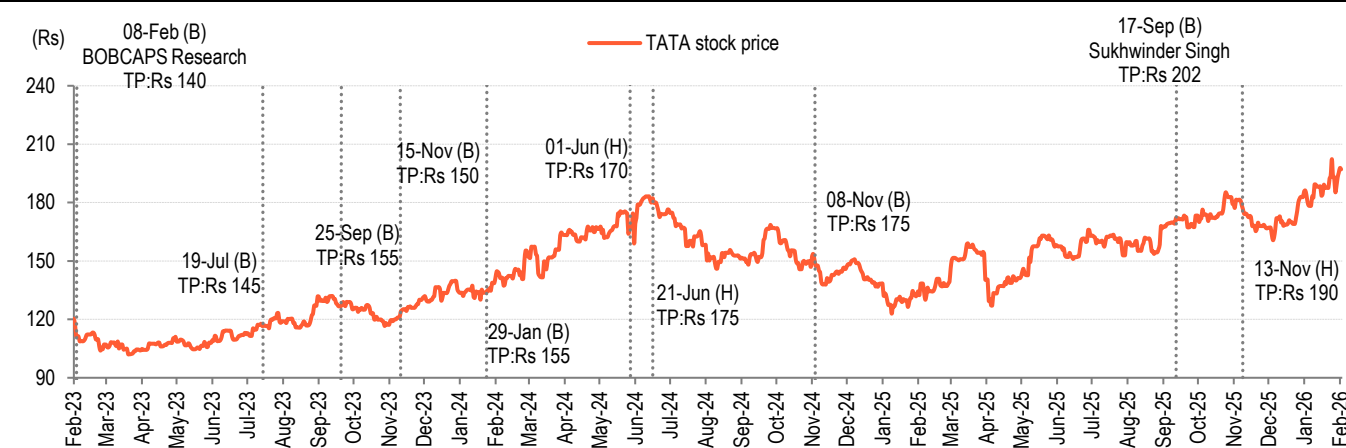
HOLD – Expected return from -6% to +15%

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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