

HOLD
 TP: Rs 223 | ▲ 3%

TATA STEEL

| Metals & Mining

| 16 May 2026

Results beat expectations on better volumes, cost saving

- Revenue grew by 12.5%YoY, on volumes and pricing growth in India. EBITDA growth was 49.8%YoY, driven by cost savings
- Outlook positive, given the improved pricing environment across geographies sustained demand
- Maintain HOLD. Considering FY26 performance, raise TP to Rs223 from Rs206, based on India at 7.0x & Europe at 5.5x; Mar.28E EBITDA

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Results above expectations: Tata Steel reported revenue at Rs626bn, (+12.5%YoY, +10.7%QoQ) — 1% above our estimates. EBITDA came at Rs81bn (+49.8%YoY, +19.9%QoQ) and was 8% above estimates. India EBITDA/t was Rs15,303 for the quarter — higher by 22.8%YoY. The outperformance came primarily on the back of higher-than-expected volumes and lower cost.

Volumes performance: Standalone volumes came at 6.2mnt — higher by 10.5%YoY — aided by the ramp-up in Kalinganagar asset. This is inline with the domestic demand growth of 11.0% YoY. Volumes grew 2.5% QoQ. Europe volumes came at 2.2mnt; lower by 1.8%YoY, on account of lower UK & Netherland volumes that were impacted by subdued demand.

Domestic pricing: India realisations increased by 1.1%YoY and 5.0%QoQ to Rs61,254/t. Spot HRC prices are higher than Q4 average. Management is positive on the India pricing and expects that to be higher QoQ by Rs6,000/t for Q1FY27.

Outlook: Europe-duty measures, with tariff on imports and carbon cost, will likely keep Europe prices positive. Management guided for 2mnt higher volumes for FY27E vs FY26. It Aims for the India capacity ramp-up from the current 27mnt to 40mnt over long term, through brownfield expansions.

Maintain HOLD; revise TP: We maintain HOLD. Considering the performance in FY26, and rollover to Mar.28E EBITDA - raise TP to Rs223 from 206 on SoTP basis - India at 7.0x & Europe at 5.5x Mar.28E EBITDA.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	TATA IN/Rs 217
Market cap	US\$ 28.7bn
Free float	67%
3M ADV	US\$ 67.2mn
52wk high/low	Rs 224/Rs 150
Promoter/FPI/DII	33%/18%/27%

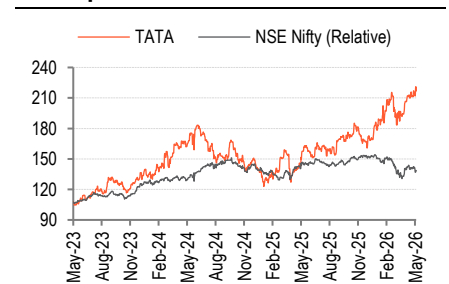
Source: NSE | Price as of 15 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs bn)	2,321	2,536	2,768
EBITDA (Rs bn)	344	449	512
Adj. net profit (Rs bn)	118	181	214
Adj. EPS (Rs)	9.5	13.9	17.1
Consensus EPS (Rs)	9.5	14.4	16.5
Adj. ROAE (%)	12.2	16.7	17.4
Adj. P/E (x)	22.9	15.6	12.7
EV/EBITDA (x)	10.1	7.7	6.6
Adj. EPS growth (%)	176.6	53.2	18.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

(Rs mn)	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)	FY26	FY25	YoY (%)
Revenue	626,873	566,461	10.7	557,070	12.5	2,302,935	2,168,404	6.2
EBITDA	98,287	81,997	19.9	65,592	49.8	343,524	252,985	35.8
EBITDA margin (%)	15.68	14.5	120bps	11.8	390bps	14.9	11.7	325bps
Depreciation	32,684	30,488	7.2	27,200	20.2	119,545	104,213	14.7
Interest	17,924	17,473	2.6	17,888	0.2	71,671	73,410	(2.4)
Other income	2,485	5,011	(50.4)	4,610	(46.1)	14,018	15,405	(9.0)
PBT	50,164	39,047	28.5	25,115	99.7	166,327	90,767	83.2
Tax	18,454	11,384	62.1	9,988	84.8	50,829	52,391	(3.0)
Reported PAT	29,257	26,887	8.8	13,008	124.9	107,939	34,205	215.6
Exceptional item	(3,401)	(1,399)	NA	(3,886)	12.5	(10,325)	(8,546)	(20.8)
Adjusted PAT	32,658	28,286	15.5	16,894	93.3	118,263	42,752	176.6
Adj. PATM (%)	5.2	5.0	22bps	3.0	218bps	5.1	2.0	316bps
EPS (Rs)	2.62	2.27	15.5	1.35	93.3	9.48	3.43	176.6

Source: Company

Fig 2 – Q4FY26 Actual v/s estimates

Particulars	Q4 Actual	Estimates	VAR(%)
Revenue (Rs mn)	626,873	622,605	0.7
EBITDA (Rs mn)	98,287	90,710	8.4
EBITDA margin (%)	15.7	14.6	111bps
PAT (Rs mn)	32,658	35,368	(7.7)
EPS (Rs)	2.6	2.8	(7.7)

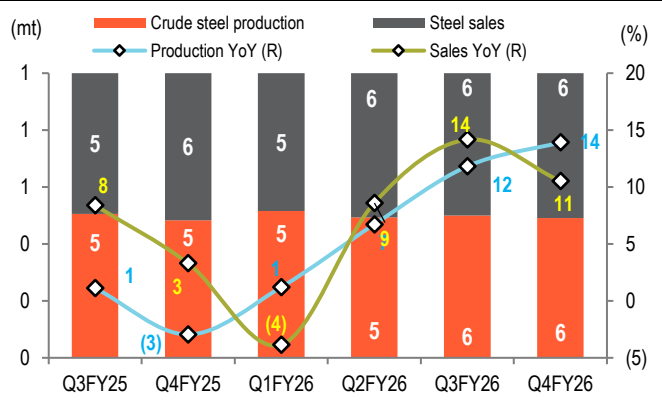
Source: Company

Fig 3 – Business parameters

	Q4FY26	Q3FY26	QoQ (%)	Q4FY25	YoY (%)	FY26	FY25	YoY (%)
Standalone business								
Sales volumes (mn t)	6.2	6.0	2.5	5.6	10.5	22.5	20.9	7.6
Realization (Rs/t)	61,254	58,310	5.0	60,591	1.1	61,235	62,495	(2.0)
EBITDA (Rs/t)	15,303	12,800	19.6	12,463	22.8	14,413	13,307	8.3
Europe business								
Sales volumes (mn t)	2.2	1.9	15.6	2.3	(1.8)	8.4	8.6	(3.2)
Realization (USD/t)	1,141	1,131	0.9	1,027	11.1	1,153	1,115	3.4
EBITDA (USD/t)	2	(10)	NA	(37)	NA	2	(46)	NA

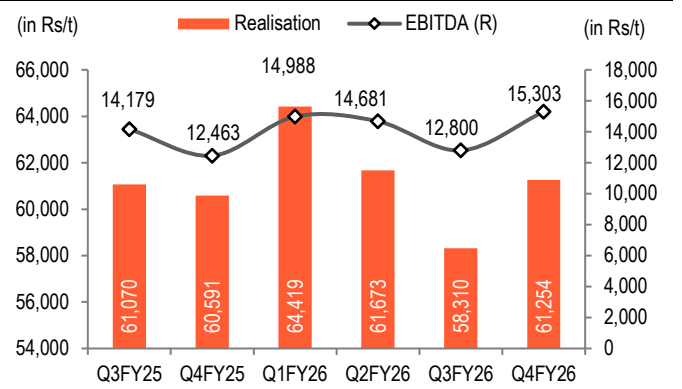
Source: Company

Fig 4 – India Production & sales trend



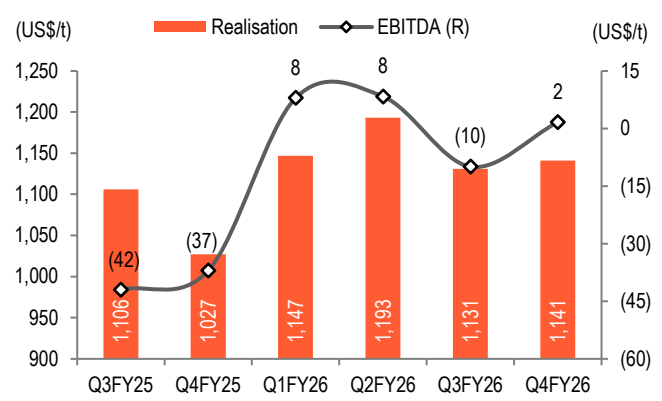
Source: Company

Fig 5 – India Realisation & EBITDA trend



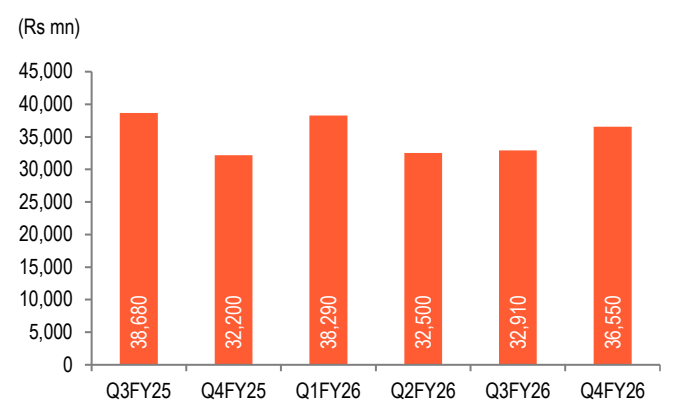
Source: Company

Fig 6 – Europe Realisation & EBITDA trend



Source: Company

Fig 7 – Quarterly Capex



Source: Company

Other Highlights

- **Volumes:** Tata Steel's volumes grew 10.5% — in line with domestic steel demand of 11.0%YoY in Q4FY26. Volumes growth in FY26 was 7.6%YoY. Management expects a 7-9% of industry growth for FY27E and has guided for incremental volumes of 2mnt in FY27 vs FY26.
- **Industry demand/environment:** Domestic steel consumption grew by 11.0%YoY to 44.6mnt in Q4FY26; and by 8.0%YoY to 164.2mnt in FY26. Steel imports fell by 6.0%YoY to 2.2mnt in Q4FY26. Imports decreased by 22%YoY to 8.2mnt in FY26.
- **Pricing:** Domestic prices have went up by more than Rs5,000/t since Dec'25 and current spot prices are higher than Q4 average. Management is positive on the India pricing and expects India price to be higher QoQ by Rs6,000/t for Q1FY27. Coking coal is likely to be higher QoQ by USD15/t for Q1FY27 & Iron ore cost will likely be higher QoQ by USD5/t for Q1FY27. Sales realisation benefits should cover the hike in coking coal cost in the near term.
- **Cost savings:** Tata Steel achieved cost savings of Rs108bn in FY26 with 36% in India. Targets savings of Rs71bn in FY27E.
- **Europe and UK performance:** Europe pricing is expected to remain positive with protective policy measures, with the reduction in import quotas and carbon cost on producers. UK plans to increase duty from 25% to 50% to promote local steel — hence positive for the company. Tata Steel Netherland has received notices for noncompliance of emission norms at IJmuiden plant and the environmental agency has indicated an early closure of coke and gas plants (input for steel operations), which likely could lead to increase in costs.
- **Capex and capacity projects:** The company incurred a capex of Rs36bn in Q4 and Rs140bn in FY26. 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 was commissioned in Mar'26.
- **Net debt:** Reported net debt decreased to Rs801bn in Mar'26 from a net debt of Rs825bn in Sept'25. Net debt was Rs818bn in Dec'25. Net D/E stood at 0.7x.

Valuation Methodology

We maintain a positive outlook on demand. 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 to account for the improved FY26 performance. Thus, growth trajectory remains intact.

- Volumes – Estimate growth 8.5% vs the earlier 8.0% for FY27E; 7.5% growth vs the earlier 7.0% for FY28E. Introduce FY29 with growth of 7.0%
- Pricing (India) – Estimate price growth to remain unchanged at 3.0% for both FY27E & FY28E. Introduce FY29 growth estimated at 2.5%.
- USD-INR assumption was revised to Rs 95.0 vs the earlier Rs91, for FY27E & FY28E.

Fig 8 – Revision in Estimates

Rs mn	Actual	New			Old			Change (%)		
	FY26A	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	2,321,399	2,535,956	2,768,113	2,957,552	2,527,737	2,729,576	-	0.3	1.4	-
EBITDA	343,524	448,530	512,256	560,051	445,091	499,707	-	0.8	2.5	-
EBITDA % margin	14.8	17.7	18.5	18.9	17.6	18.3	-			-
PAT	118,263	181,217	213,747	242,456	177,538	200,908	-	2.1	6.4	-
EPS (Rs)	9.5	14.5	17.1	19.4	14.2	16.1	-	2.1	6.4	-

Source: Company, BOBCAPS Research

Fig 9 – 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	63,072	64,964	66,589
Growth YoY (%)					
Volumes	5.2	7.6	8.5	7.5	7.0
Realisation	(10.6)	(2.0)	3.0	3.0	2.5
EBITDA/t (Rs)	13,307	14,413	16,940	17,453	17,506
Europe					
EBITDA/t (USD)	(46.0)	2.0	24.7	43.6	56.1
USD-INR	87.0	90.0	95.0	95.0	95.0

Source: Company, BOBCAPS Research

EV/EBITDA-based Valuation Rationale

We maintain HOLD, considering FY26 performance and rollover to Mar.28E EBITDA. We raise our TP to Rs223 from 206 on SoTP basis — India at 7.0x & Europe at 5.5x on Mar.28 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 10 – Valuation summary

Particulars	Mar.28E EBITDA (Rs mn)	Multiple (x)	EV (Rs mn)	Value (Rs/share)
Tata Steel Standalone	458,639	7.0	3,210,475	257
India Long products	9,777	7.0	68,440	5
Europe	32,199	5.5	177,097	14
Thailand	11,641	5.0	58,203	5
Total EV	512,256			282
Less- Net debt			748,989	60
Value of Investments			18,521	1
Target price (Rs)				223

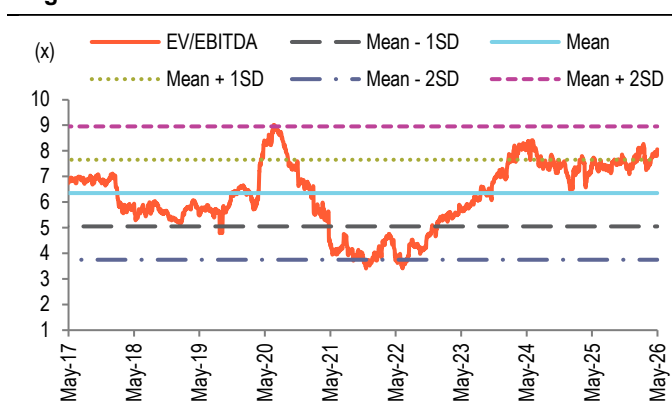
Source: Company, BOBCAPS Research

Key Risks

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

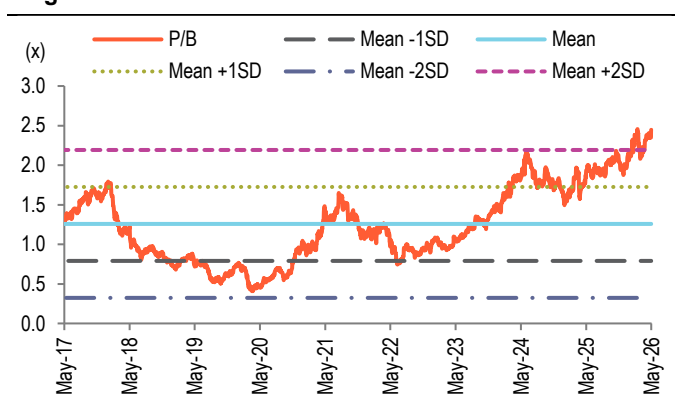
The company plans on taking the India capacity from 26mnt to 40mnt in the coming years, through brownfield option. Current Net D/E stands at 0.7x. Operation cashflows will likely get impacted in amid a weak demand environment, which will probably increase working capital and short-term debt. This will have an impact on the leverage ratios.

Fig 11 – EV/EBITDA 1YF



Source: Bloomberg

Fig 12 – 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	2,536	2,768	2,958
EBITDA	253	344	449	512	560
Depreciation	(104)	(120)	(129)	(151)	(166)
EBIT	164	238	334	376	409
Net interest inc./(exp.)	(73)	(72)	(65)	(59)	(49)
Other inc./(exp.)	15	14	14	15	15
Exceptional items	(9)	(10)	0	0	0
EBT	82	156	269	317	360
Income taxes	(52)	(51)	(88)	(103)	(117)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	2	4	0	0	0
Reported net profit	34	108	181	214	242
Adjustments	9	10	0	0	0
Adjusted net profit	43	118	181	214	242

Balance Sheet

Y/E 31 Mar (Rs bn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	293	345	343	374	400
Other current liabilities	325	352	352	352	352
Provisions	39	60	60	60	60
Debt funds	890	850	870	740	580
Other liabilities	334	368	368	368	368
Equity capital	12	12	12	12	12
Reserves & surplus	899	1,009	1,137	1,295	1,478
Shareholders' fund	914	1,038	1,166	1,324	1,507
Total liab. and equities	2,794	3,013	3,158	3,217	3,266
Cash and cash eq.	116	101	114	120	142
Accounts receivables	53	49	62	67	72
Inventories	446	472	521	569	608
Other current assets	64	93	93	93	93
Investments	58	61	61	61	61
Net fixed assets	1,252	1,499	1,570	1,569	1,553
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	3,158	3,217	3,266

Cash Flows

Y/E 31 Mar (Rs bn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	246	356	312	402	440
Capital expenditures	(196)	(262)	(200)	(150)	(150)
Change in investments	1	(9)	0	0	0
Other investing cash flows	15	(15)	0	0	0
Cash flow from investing	(180)	(287)	(200)	(150)	(150)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	74	(40)	20	(130)	(160)
Interest expenses	(73)	(72)	(65)	(59)	(49)
Dividends paid	45	50	53	56	59
Other financing cash flows	(82)	(23)	(106)	(112)	(119)
Cash flow from financing	(37)	(85)	(98)	(245)	(269)
Chg in cash & cash eq.	30	(16)	13	6	21
Closing cash & cash eq.	116	101	114	120	142

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	2.7	8.7	14.5	17.1	19.4
Adjusted EPS	3.4	9.5	13.9	17.1	19.4
Dividend per share	3.6	4.0	4.3	4.5	4.8
Book value per share	73.1	81.9	92.2	104.8	119.5

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	1.6	1.5	1.4	1.2	1.1
EV/EBITDA	13.6	10.1	7.7	6.6	5.8
Adjusted P/E	63.3	22.9	15.6	12.7	11.2
P/BV	3.0	2.6	2.4	2.1	1.8

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	13.2	13.6	13.8
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	16.7	17.4	17.3

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	(4.6)	6.2	10.1	9.2	6.8
EBITDA	13.4	35.8	30.6	14.2	9.3
Adjusted EPS	26.6	176.6	53.2	18.0	13.4
Profitability & Return ratios (%)					
EBITDA margin	11.6	14.8	17.7	18.5	18.9
EBIT margin	7.5	10.3	13.2	13.6	13.8
Adjusted profit margin	2.0	5.1	7.1	7.7	8.2
Adjusted ROAE	4.7	12.2	16.7	17.4	17.3
ROCE	7.8	10.8	14.3	15.6	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)	(5.1)	(6.4)	(8.3)
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%

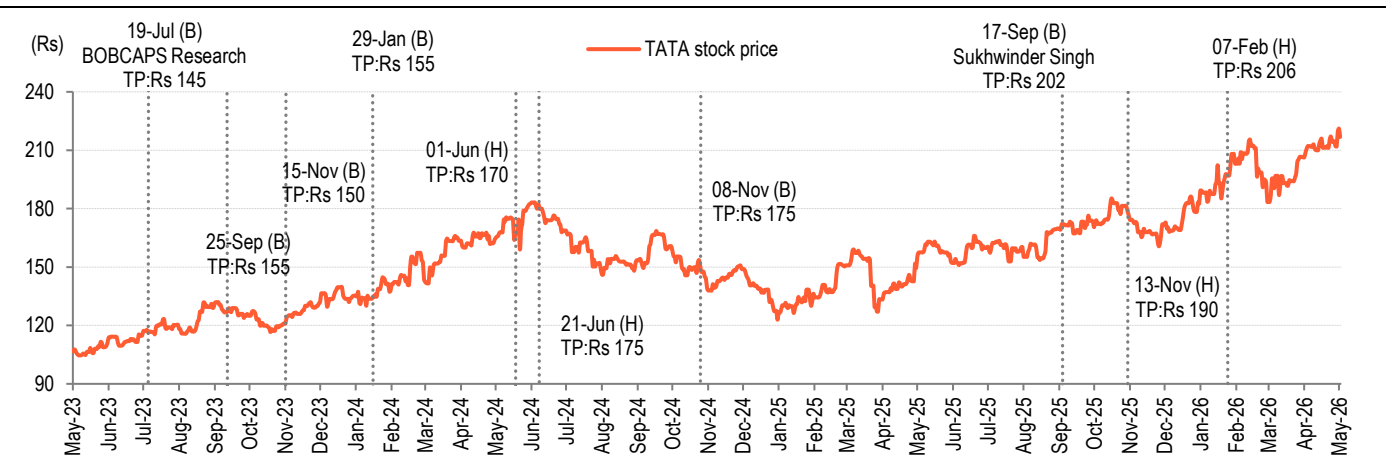
HOLD – Expected return from -6% to +15%

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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