

Retail Equity Research

Tata Steel Ltd

Steel

CMP Rs. ₹ 137
Rating: Overweight
NSE CODE: TATASTEEL BSE CODE: 500470

The company's financial performance exhibited volatility throughout the year, with fluctuating sales and profit trends. Sales peaked at ₹58,687.31 Cr in Mar-24 but gradually declined to ₹53,648.30 Cr by Dec-24, reflecting subdued demand. Operating profit followed a similar pattern, reaching ₹6,694.47 Cr in Jun-24 before tapering off to ₹5,903.49 Cr in Dec-24.

Notably, net profit growth was highly erratic, surging by 1307% in Dec-23 before stabilizing in the subsequent quarters. However, a sharp decline of 155% in Dec-24 suggests margin pressures and higher tax burdens. The impact of fluctuating other income and rising interest costs further strained profitability. Looking ahead, strategic cost optimization and revenue diversification will be crucial to restoring growth momentum. Investors should closely monitor expense management and demand recovery to gauge future earnings stability.

Company Data

Market Cap (cr)	Rs.	1,70,649.81	
Enterprise Value (cr)	Rs.	2,72,959.75	
Outstanding Shares (cr)		1,248.35	
52 week high	Rs.	185.00	
52 week low	Rs.	123.00	
1m average volume (lacs)		304.00	
Face value	Rs.	1.00	
	FY22	FY23	FY24
Sales	243959.17	243352.69	229170.78
Growth(%)	56%	0%	-6%
EBITDA	64789.94	33869.02	16242.69
EBITDA Margin(%)	26.6%	13.9%	7.1%
PAT	40,153.93	8,760.40	-4,437.44
Growth(%)	436%	-78%	-151%
EPS	32.9	7.2	-3.6
P/E	4.0	14.6	-43.8
P/B	1.4	1.2	2.1
EV/EBITDA	3.4	5.9	16.8
ROE(%)	35%	8.5%	-5%
ROCE(%)	29%	13.1%	3.6%
ROIC(%)	26%	6.1%	15.7%
D/E	0.66	0.82	0.95

Market Challenges and Domestic Growth: The global steel market faces pressure from subdued economic activity, inflation, and high Chinese exports, prompting India's antidumping investigations. Despite this, Tata Steel India increased crude steel production by 5% YoY to 5.3 million tons, with domestic deliveries growing 6%. Strong demand in automotive and construction segments, particularly for high-end products, supported the company's performance.

Strategic Expansions and Cost Efficiency: Tata Steel has commissioned a 5 MTPA blast furnace at Kalinaganagar, along with a 6 MTPA pellet plant to improve efficiency. In the UK, it has decommissioned blast furnaces at Port Talbot, shifting to green steelmaking with a £1.25 billion investment. Cost optimizations, including lower coking coal consumption and conversion costs, have improved EBITDA margins, particularly in India.

Financial Strength and Future Outlook: The company reported H1FY24 revenues of ₹1,08,676 crores, with a 12% EBITDA margin, improving 300 bps YoY. Capital expenditure reached ₹8,585 crores, mainly for Indian expansion projects. Despite global uncertainties, Tata Steel maintains strong liquidity of ₹26,000 crores, with net debt at ₹88,817 crores.

Key Highlights

Integrated Steel Operations & Expansion Plans: Tata Steel Ltd., established in 1907, is Asia's first integrated private steel company with operations spanning the entire steel manufacturing value chain. The company aims to increase its domestic steelmaking capacity to 30 MnTPA by 2025, reinforcing its leadership position in the industry.

Diverse Product Portfolio: The company offers a broad range of steel products, including flat products (hot-rolled coils, cold-rolled coils, galvanized steel) and long products (wire rods, rebar, ferro alloys, tubes, bearings, and wires). These products cater to key industries such as automotive, construction, consumer goods, energy, and material handling.

Market Leadership & Growth: Tata Steel has strengthened its market presence, increasing its market share in the Alloy Wire Rod segment to 20% in FY21 from 12% in FY20. In the automotive sector, the company holds a 15% domestic market share, with a leading 38% share in the commercial vehicle segment.

Robust Production & Distribution Network: The company produced ~839,000 tonnes of Direct Reduced Iron (DRI), ~684,000 tonnes of crude steel, and ~672,000 tonnes of rolled products in FY22. Its strong distribution network includes over 250 distributors and 20,400 dealers, covering nearly 95% of India's districts.

Manufacturing Capabilities & Vertical Integration: Tata Steel owns and operates steel plants in Jamshedpur (Jharkhand) and Keonjhar (Odisha). It has a crude steel capacity of 1 MnTPA, a DRI capacity of 1 MnTPA, and captive power generation of 160 MW. The company is vertically integrated, with upstream and downstream facilities, including iron ore mines, electric arc furnaces, blast furnaces, and a sponge iron kiln.

Strategic Investments & Amalgamations

Tata Steel is investing in a 2.2 MTPA CRM complex and a 6 MTPA pellet plant, featuring India's widest cold rolling mill.

In November 2023, the NCLT approved the amalgamation of Tata Steel Long Products Ltd. (TSLP) into Tata Steel, with a share exchange ratio of 67:10.

The company is also merging S&T Mining Co. Ltd. to streamline its operations.

UK Joint Venture & Decarbonization Efforts: Tata Steel and the UK government are investing £1.25 billion to transition to Electric Arc Furnace (EAF) steelmaking at the Port Talbot site. The project, expected to be completed in 36 months, will help eliminate cash losses in UK operations and support decarbonization.

Capital Expenditure & Financial Adjustments: The company invested Rs. 8,650 crores in Capex during H1FY24, focusing on the 5 MTPA expansion at Kalanganagar and a 0.75 MTPA EAF project in Punjab. An impairment charge of Rs. 12,560 crores (standalone) and Rs. 2,746 crores (consolidated) was recorded in Q2FY24 due to the UK restructuring and EAF transition.

Quarterly Financial Consolidated

Profit and loss account

(Rs Cr)

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	55,311.88	58,687.31	54,771.39	53,904.71	53,648.30
Growth(%)	-1%	6%	-7%	-2%	0%
Expenses	49,048.31	52,086.68	48,076.92	47,788.92	47,744.81
Operating Profit	6,263.57	6,600.63	6,694.47	6,115.79	5,903.49
Growth(%)	47%	5%	1%	-9%	-3%
Other Income	-32.84	-381.56	-5.51	616.68	141.82
Depreciation	2,422.04	2,567.95	2,535.43	2,596.74	2,569.19
Interest	1,880.78	1,842.25	1,776.71	1,971.40	1,804.09
Profit before tax	1,927.91	1,808.87	2,376.82	2,164.33	1,672.03
Tax	1,405.77	1,254.31	1,458.25	1,405.49	1,376.54
Net profit	513.37	611.48	959.61	833.45	326.64
Growth(%)	1307%	16%	36%	-15%	-155%

Financial Consolidated

Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	1,39,816.65	1,56,294.18	2,43,959.17	2,43,352.69	2,29,170.78
Growth(%)	-11%	12%	56%	0%	-6%
Expenses	1,22,353.59	1,25,789.92	1,80,469.22	2,11,052.53	2,06,922.86
Operating Profit	17,463.06	30,504.26	63,489.95	32,300.16	22,247.92
Growth(%)	-40%	75%	108%	-49%	-31%
Other Income	-2,883.63	179.78	1,299.99	1,568.86	-6,005.23
Depreciation	8,440.73	9,233.64	9,100.87	9,335.20	9,882.16
Interest	7,533.46	7,606.71	5,462.20	6,298.70	7,507.57
Profit before tax	-1,394.76	13,843.69	50,226.87	18,235.12	-1,147.04
Tax	-2,568.41	5,653.90	8,477.55	10,159.77	3,762.57
Net profit	1,556.54	7,490.22	40,153.93	8,760.40	-4,437.44
Growth(%)	-85%	381%	436%	-78%	-151%

Balance Sheet

(Rs Cr)

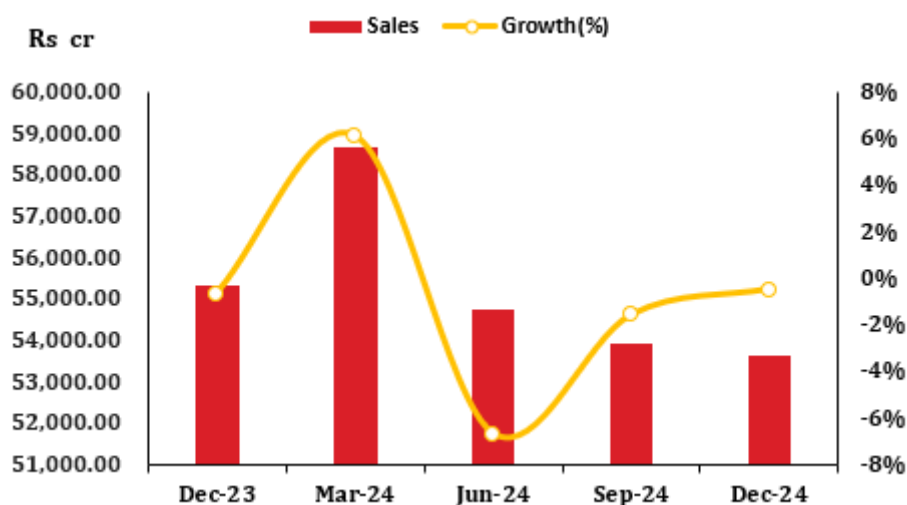
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	1,144.95	1,197.61	1,221.21	1,221.24	1,247.44
Reserves	72,431.35	73,041.16	1,13,221.83	1,01,860.86	90,788.32
Borrowings	1,16,328.20	88,501.41	75,561.35	84,893.05	87,082.12
Other Liabilities	59,244.62	81,169.01	92,417.28	97,420.63	90,194.54
Total	2,49,149.12	2,43,909.19	2,82,421.67	2,85,395.78	2,69,312.42
Net Block	1,34,550.66	1,35,775.18	1,33,287.83	1,46,621.46	1,48,814.38
Capital Work in Progress	19,496.83	19,007.40	22,045.55	31,213.02	34,355.53
Investments	6,285.18	10,681.93	13,139.85	8,410.31	6,257.57
Other Assets	88,816.45	78,444.68	1,13,948.44	99,150.99	79,884.94
Total	2,49,149.12	2,43,909.19	2,82,421.67	2,85,395.78	2,69,312.42

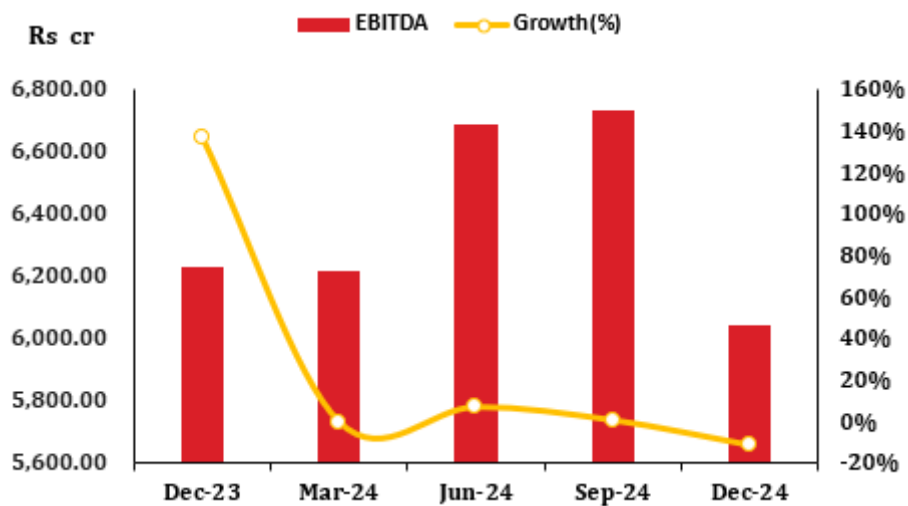
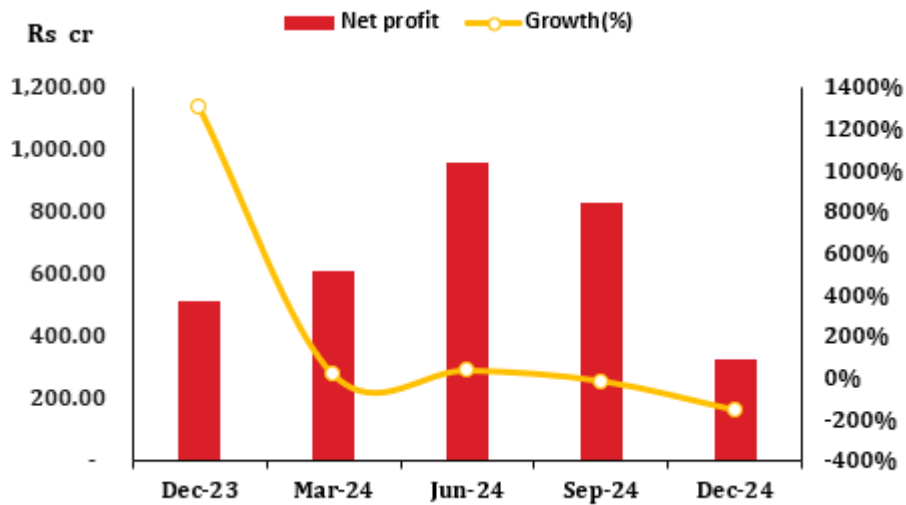
Cash Flow

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	20168.72	44326.68	44380.99	21683.08	20300.67
Cash from Investing Activity	-14012.1	-9437.27	-10905	-18179.5	-14252.7
Cash from Financing Activity	-1694.62	-37089.7	-23401.1	-6980.69	-11097
Net Cash Flow	4462.04	-2200.26	10074.88	-3477.06	-5049.06

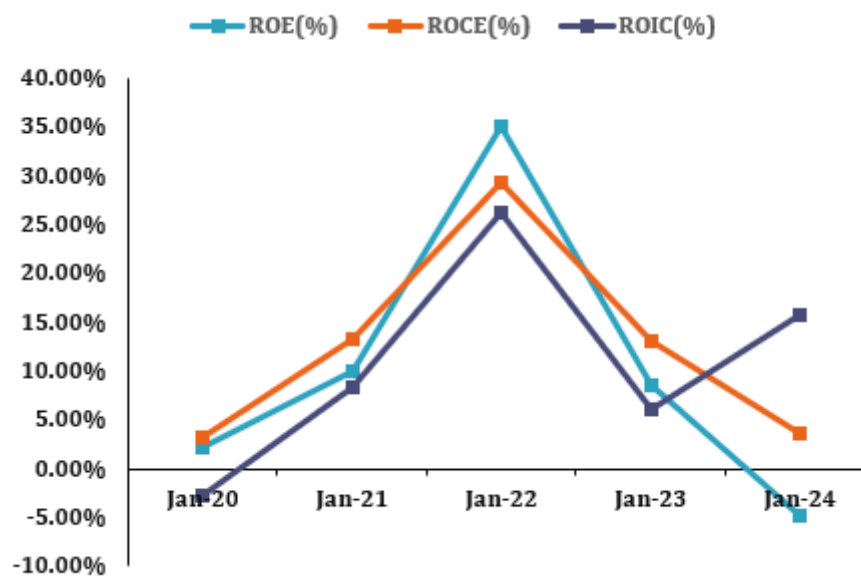
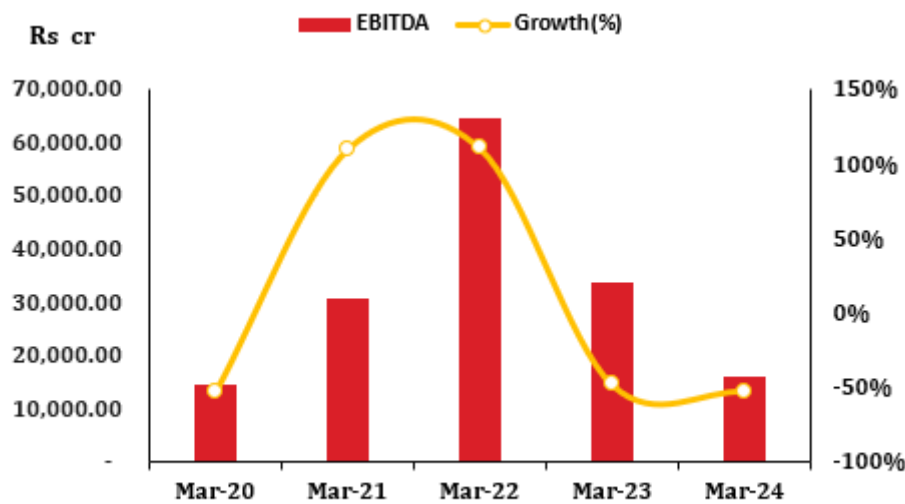
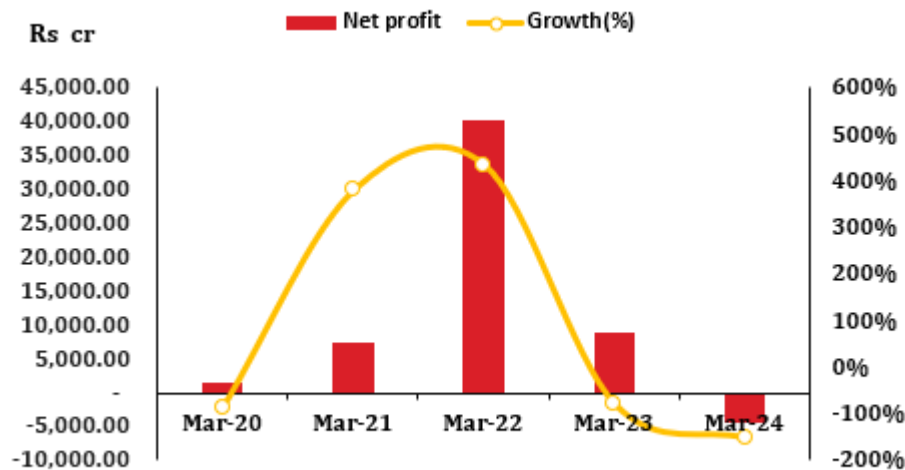
Key Metrics: Quarterly





Key Metrics: Yearly





Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	1.58	1.19	0.66	0.82	0.95
Debt/Assets	0.47	0.36	0.27	0.30	0.32
Debt/Ebitda	7.98	2.88	1.17	2.51	5.36
Debt/Capital Ratio	61%	54%	40%	45%	49%
Cash flow/Debt	0.17	0.50	0.59	0.26	0.23
Interest coverage ratio	0.81	2.82	10.20	3.90	0.85
Sales Change	-11%	12%	56%	0%	-6%
Ebit Change	-74%	249%	160%	-56%	-74%
Operating Leverage	3.57	6.34	1.93	197.61	5.34
Financial Leverage	3.39	3.29	2.47	2.77	2.93

Efficiency ratios					
Receivable days	21	22	18	12	10
Receivable turnover	17.73	16.38	19.92	29.47	36.59
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	4	4	4	4	4
Net Fixed assets turnover	1.04	1.15	1.83	1.66	1.54
Sales/capital employed	0.74	0.96	1.28	1.29	1.28
Total Asset Turnover	0.56	0.64	0.86	0.85	0.85

Profitability ratios					
Ebitda	14579.43	30684.04	64789.94	33869.02	16242.69
Ebitda margin	10%	20%	27%	14%	7%
Gross Profit	55789.29	72820.63	123618.08	87442.65	82920.09
Gross Profit Margin	40%	47%	51%	36%	36%
EBIT	6138.7	21450.4	55689.07	24533.82	6360.53
EBIT Margin	4%	14%	23%	10%	3%
ROE	2%	10%	35%	8%	-5%
Net profit margin	1%	5%	16%	4%	-2%
EPS	1.38	6.26	32.88	7.17	-3.55
DU Pont ROE	2%	10%	35%	8%	-5%
Net Profit Margin	1%	5%	16%	4%	-2%
Sales/Total assets	0.56	0.64	0.86	0.85	0.85
Financial Leverage	3.39	3.29	2.47	2.77	2.93
DU PONT ROA	1%	3%	14%	3%	-2%
Net Profit Margin	1%	5%	16%	4%	-2%
Sales/Total assets	0.56	0.64	0.86	0.85	0.85

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	7%	12%	30%	9%	6%
EBIT Margin	4%	14%	23%	10%	3%
Sales/cap employed	0.74	0.96	1.28	1.29	1.28
NOPAT	-5165.54	12689.84	46289.58	10864.70	27224.61
Capital employed	189904.5	162740.18	190004.39	187975.15	179117.88
ROIC	-3%	8%	24%	6%	15%

Valuation Ratios					
Price/Earnings	19.51	12.97	3.98	14.58	-43.84
Price/Book	0.41	1.31	1.40	1.24	2.11
Marketcap	30,370.17	97,151.14	1,59,648.34	1,27,714.68	1,94,555.35
Enterprise Value	1,38,643.65	1,79,870.37	2,19,310.76	1,99,250.47	2,72,959.75
EV/EBITDA	9.51	5.86	3.38	5.88	16.81

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