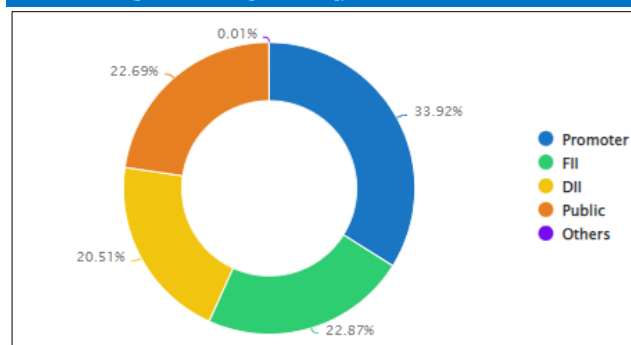


July 2022

VALUE PARAMETERS

Face Value (Rs.)	10.0
Mrk.Cap (Rs. in Cr)	110,046
52-Week High/Low	1535/827
EPS (TTM)	329
P/E Ratio (TTM)	2.78
Book Value per share (Rs)	937
Industry P/E	4.43
P/B Ratio (calc at CMP)	0.97
Dividend Yield (%)	5.67
Enterprise value (Rs in Cr)	169,708

SHAREHOLDING PATTERN



FINANCIAL PERFORMANCE

Consolidated	FY22	FY23E	FY24E
Sales (Rs. Cr)	2,43,959.17	2,54,137	2,46,385
Growth	55%	4%	-3%
EBITDA	63,490	52,994	45,530
EBITDA margin	26%	20.85	18.47
PAT (Rs. Cr)	41,749	30,532	24,400
EPS (Rs)	328.80	253	202.5
RoE	44.03%	22%	15.5
RoCE	32.67%	20%	15.4
P/E (x)	3.97	5	6.2
EV/EBITDA	3.31	4	4.5

Our Recommendation: Despite volatility in steel prices over last quarters, business segment reported good growth over volume sales. The company reported operationally strong quarter with sales 69,324 Cr. Indian market has been robust led by government spending on infrastructure and revival in auto production. Steel prices are expected to be strong ahead that could help reduce debt. Company would expand its mining capacity to 60-65 MTPA by 2030. Neelachal expansion will help the company to grow its footprints driving the growth, we recommend BUY in price range Rs. 850-900 with target price Rs 1080 (upside 23%).

Investment Rationale:

About Company: Tata steel Ltd is Asia's first integrated private steel company. The company with an annual steel capacity of 34 million tonnes is world's most geographically diversified steel producers. Tata steel is one of the few companies that is involved in fully integrated mining to manufacturing and marketing of finished products. The company has raw material operations spread across India and Canada and has a strong global presence. The company serves various market segments, including construction, automotive, general engineering, industrial, and agriculture.

Q4FY22 Results: The Company posted a strong financial performance in Q4FY22.

- Consolidated Revenue for the Tata Steel Ltd. showed an increase of 38.57% YoY basis to Rs 69324 crore compared to Rs 50028 crore in the year ago quarter.
- On a sequential basis, revenue was up by 14.05% from Rs 60783 crore recorded in the previous quarter (2021-12).
- PAT increased by 46.84% to Rs 9756 Cr as compared to Rs 6,644.2 Cr registered in the corresponding quarter of the previous fiscal year.

Business outlook FY23: Global steel demand to remain stable in CY22 driven by stimulus measures focused on infrastructure projects especially in World ex-China. Steel demand in India will be robust due to government push on infrastructure spending and gradual revival in auto production. Steel demand in Europe will be above pre-covid levels. Steel prices in Asian will remain range bound as COVID-restriction in China will contain demand.

Key Highlights

- Standalone operations reported adjusted EBITDA/tonne of 23690/tonne. European operations reported EBITDA/tonne of US\$ 241/tonne. EBITDA/tonne stood at US\$ 66/tonne and US\$ 182/tonne in Q3FY22.
- Debt repayment of Rs. 15,232 crores in the last 12 months, Net debt to EBITDA at 0.8x.
- The company has recommended a dividend of 51 per equity share and 12.75 per partly paid equity share.
- The company is going to set-up its first EAF-based scrap recycling facility in North India.
- TATA plans to raise its India capacity to 40MT by FY30 from 21MT.
- The management believes that steel demand will go up in near term as disruptor in the past (China) will no longer be adding 50-60MT to its capacity annually.
- For Q1FY23E, for Indian operations blended steel realisations are expected to be higher around 8000- 8500/tonne.
- For Q1FY23E, European operations, blended realisations are expected to increase by €60/tonne QoQ.
- Capex guidance for FY23E is 12000 crores.

Key Risks:

- Steep decline in steel prices.
- Tata Steel has a large debt portfolio and is exposed to volatility in financial markets which can impact the access to and cost of capital.

Financials and Valuations

Q4FY22 Financial Summary snapshot, consolidated (Rs. Cr)

Y/E March	Q4FY22	Q4FY21	YoY chng (%)	Q3FY22	QoQ chng (%)
Net Revenues	69,324	50,028	38.57%	60,783	14.05%
Total Expenses	54,294	35,844	51.47%	44,889	20.95%
Reported EBITDA	15,030	14,184	5.96%	15,894	-5.44%
Adjusted EBITDA	15,891	13,933	14.05%	15,890	0.01%
Adj. EBITDA margin (%)	22.9	27.9	-17.92%	26.10	-12.26%
PAT	9,756.2	6,644.2	46.84%	9,572.7	1.92%
Adjusted EPS(INR)	79.89	55.48	44.00%	78.39	1.91%

Income Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Net Revenues	1,24,109.69	1,57,668.99	1,48,971.71	1,56,477.40	2,43,959.17
Expenditure	1,02,676.50	1,28,285.65	1,31,144.14	1,25,973.14	1,80,469.22
EBIDTA	21,433	29,383	17,828	30,504	63,490
<i>EBITDA Margin (%)</i>	<i>17.27%</i>	<i>18.64%</i>	<i>11.97%</i>	<i>19.49%</i>	<i>26%</i>
Depreciation	5,742	7,342	8,708	9,234	9,101
EBIT	15,691	22,042	9,120	21,271	54,389
Other Income	881.1	1420.58	1821.99	895.6	784.89
Interest	5,454.74	7,660.10	7,580.72	7,606.71	5,462.20
Exceptional items	9,599.12	-120.97	-4,929.58	-1,043.16	-134.06
PBT	20,716.97	15,681.02	-1,568.41	13,516.35	49,577.71
Tax	3392.33	6718.43	-2552.9	5653.9	8477.55
PAT	17,324.64	8,962.59	984.49	7,862.45	41,100.16
Net Profit	17,523.68	8,873.63	984.49	7,862.45	41,100.16
Min Int.	-4,328.48	1,120.00	384.08	-699.57	-1,595.39
Shares associates	239.12	224.70	187.97	327.34	649.16
Consolidated Net Profit	13,434.32	10,218.33	1,556.54	7,490.22	40,153.93
EPS	117.34	89.25	13.59	62.54	328.80

Cash Flow Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
PBT	21168	15807	-1380	13844	50227
Adj. For Exp.	-981	12033	19459	14696	15674
Other Adj.	-9276	2591	4196	16491	-9618
CF After WC	10911	30431	22275	45031	56283
Tax	-2888	-5094	-2106	-704	-11902
CF from Op. Activity (a)	8023	25337	20169	44327	44381
CF from Inv. Activity (b)	-12,026	-29,211	-14530	-9323	-10881
CF from Fin. Activity (c)	6640	-673	-1,695	-37,090	-23,401
Net Change (a+b+c)	2638	-4548	3944	-2,086	10,099
Opening cash	4850	7784	3270	7,732	5,532
Others	295	34	518	-114	-24
Closing Cash Balance	7784	3270	7732	5,532	15,607

Balance Sheet, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	3420	3420	3420	1973	1221
Share Warrants	0	0	0	4	0
Reserves & Surplus	57,451	65,505	70,156	72,262	1,13,222
Total Shareholder's Fund	60,871	68,925	73,576	74,239	1,14,443
L.T. Borrowings	72,789	80,343	94,105	65,698	44,764
Deferred tax liability	9534	11651	7991	7663	9302
L.T. Trade pay	88	261	388	523	990
Other long term Liab.	1,988	1,495	1,008	13,458	11,440
L.T. Provisions	6,855	6,700	7,833	8,192	8,240
Non-Current Liabilities	91254	100450	111325	95534	74736
S.T. Borrowings	15,885	10,802	19,184	9,492	21,187
S.T Trade pay	20414	21717	21381	25967	36765
Other S.T. Liab.	17,199	26,509	18,681	26,091	28,327
S.T. Provisions	2163	2006	2415	9317	4309
Current Liabilities	55,661	61,034	61,661	70,867	90,588
Minority Interest	937	2364	2587	3270	2655
Total Equity & Liability	2,08,722	2,32,773	2,49,149	2,43,909	2,82,422
Fixed assets	112719	143083	154047	154783	155333
L.T. Investments	2,991	3,213	2,853	3,463	4,615
L.T. Loans & Adv.	23856	25114	32895	24795	29166
Other L.T. Assets	1,279	2,372	621	656	750
Non-Current Assets	1,40,845	1,73,782	1,90,416	1,83,697	1,89,864
S.T. Investments	14,909	2,525	3,432	7,219	8,524
Inventories	28,331	31,656	31,069	33,276	48,824
Sundry Debtors	12,416	11,811	7,885	9,540	12,246
Cash & Bank	7,938	3,341	8,055	5,782	15,899
Others	4,284	9,658	8,293	4,395	7,062
Current Assets	67,878	58,991	58,734	60,212	92,555
Misc. Exp. not W/O	0	0	0	0	0
Total Assets	2,08,722	2,32,773	2,49,149	2,43,909	2,82,422

Key Ratios

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
Per Share Data (Rs)					
EPS	117.36	89.26	13.60	62.55	328.86
BV/Share	510.51	581.53	624.37	610.92	929.94
DPS	10	13	10	25	51
Dividend Payout (%)	8.52	14.56	73.54	39.97	15.51
Valuation Ratios					
P/E	4.86	5.83	19.84	12.98	3.97
P/BV	1.12	0.9	0.43	1.33	1.41
EV/EBITDA	4.69	5.08	9.45	5.67	3.31
Return Ratios (%)					
ROE	38.42%	14.20%	1.43%	10.87%	44.03%
ROCE	19.39%	14.47%	3.34%	12.26%	32.67%
Leverage Ratio (x)					
Current Ratio	1.22	0.97	0.95	0.85	1.02
Interest Cover Ratio	4.8	3.01	0.79	2.78	10.08
Net Debt/Equity	1.52	1.46	1.58	1.09	0.61
Quick Ratio	0.71	0.45	0.45	0.38	0.48

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Disclosure:

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