

Retail Equity Research

Tata Steel Limited

Sector: Metals & Mining

BUY

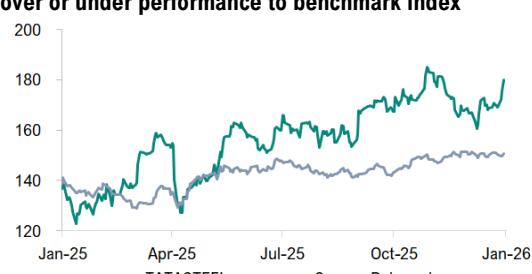
02nd January, 2026

Key Changes		Target	Rating	Earnings	Target	Rs. 205
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP
Large Cap	TATA:IN	85,762	TATASTEEL	500470	12 Months	Return +12%

Data as of: 02-Jan-2026, 17:00 hrs

Company Data			
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	33.2	33.2	33.2
FII's	18.8	17.7	17.8
MFs/Institutions	24.7	26.3	27.1
Public	21.3	20.3	19.4
Others	2.0	2.5	2.5
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	9.1%	12.1%	32.2%
Absolute Sensex	5.9%	2.8%	8.6%
Relative Return	3.2%	9.3%	23.6%

*over or under performance to benchmark index



Y.E March (Rs. cr)	FY25A	FY26E	FY27E
Sales	218,543	237,489	253,933
Growth (%)	-4.6	8.7	6.9
EBITDA	25,298	34,911	40,883
EBITDA Margin (%)	11.6	14.7	16.1
Adj. PAT	4,275	12,528	16,691
Growth (%)	26.6	193.0	33.2
Adj. EPS	3.4	10.0	13.4
Growth (%)	26.4	193.0	33.2
P/E	45.1	16.8	12.6
P/B	2.1	2.1	1.9
EV/EBITDA	10.8	8.4	7.1
ROE (%)	3.5	12.3	15.2
D/E	1.0	0.9	0.8

Policy Shield in Play: Safeguard Duty Boost for the Sector

Tata Steel operates in 26 countries, with key operations in India, Netherlands and United Kingdom. The leading global steel manufacturer serves the automotive, construction, engineering, energy and power sectors.

- In Q2FY26, consolidated revenue grew 8.9% YoY to Rs. 58,689cr, driven by higher deliveries in India and the Netherlands.
- Tata Steel India revenue rose 7.0% YoY to Rs. 34,680cr, driven by higher deliveries from the Kalinganagar ramp-up and stronger domestic demand despite softer realisation.
- The recent implementation of a three-year safeguard duty on select steel products, starting at 12%, aimed at curbing cheap imports is expected to provide significant support to domestic steel prices and enhance Tata Steel's realisations.
- EBITDA grew 44.9% YoY to Rs. 8,897cr, while margin expanded 380bps to 15.2% on account of strong top-line performance and company-wide cost transformation benefits of Rs. 2,561cr.
- Reported PAT increased 319.5% YoY to Rs. 3,183cr owing to higher revenue and cost reduction measures.

Outlook & Valuation

Tata Steel delivered a strong performance, driven by higher deliveries in India and the Netherlands. Margins and profitability saw a significant improvement owing to cost reduction measures. The Indian business is expected to remain supportive, with volumes likely to improve owing to the ramp-up of the Kalinganagar facility. Meanwhile, the Netherlands business is well-positioned to capitalise on the European Union steel policy, which is expected to aid the overall performance. The proposed divestment of the ferro alloys plant and the acquisition of the remaining 50% stake in Tata BlueScope Steel Private Limited are in line with the company's long-term growth strategy. Additionally, the implementation of safeguard duties is expected to shield domestic operations from import pressures, thereby reinforcing Tata Steel's competitive position and supporting its growth momentum. Therefore, we upgrade our rating on the stock to BUY, with a revised target price of Rs. 205 based on the SOTP valuation.

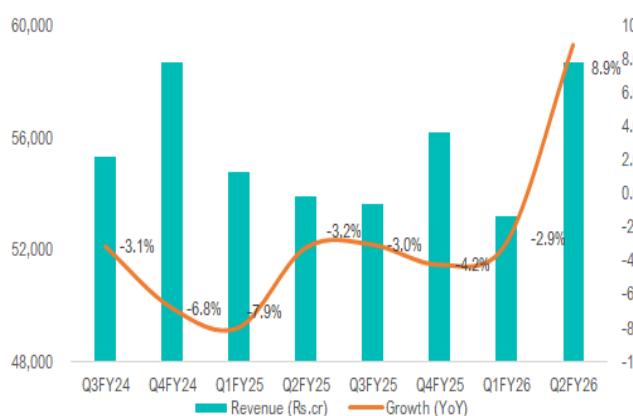
Quarterly Financials Consolidated

Rs.cr	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	H1FY26	H1FY25	YoY (%)
Sales	58,689	53,905	8.9	53,178	10.4	111,867	108,676	2.9
EBITDA	8,897	6,141	44.9	7,428	19.8	16,324	12,836	27.2
Margin (%)	15.2	11.4	380bps	14.0	120bps	14.6	11.8	280bps
EBIT	6,004	3,545	69.4	4,683	28.2	10,687	7,704	38.7
PBT	4,222	2,164	95.1	3,067	37.7	7,290	4,541	60.5
Rep. PAT	3,183	759	319.5	2,007	58.6	5,190	1,677	209.4
Adj. PAT	3,522	815	332.0	2,210	59.4	5,732	2,133	168.7
Adj. EPS (Rs)	2.8	0.7	332.0	1.8	59.4	4.6	1.7	168.7

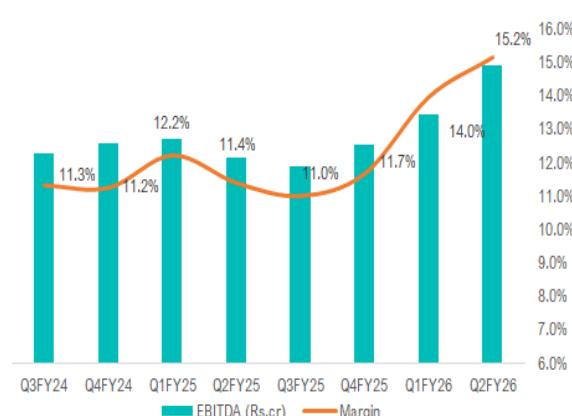
Key concall & other highlights

- Indian business is expected to see a volume increase of 0.5 MT in Q3FY26 compared with Q2FY26, driven by the ramp-up of the Kalinganagar facility.
- The company incurred a capital expenditure (capex) of Rs. 7,000cr in the first half of FY26. The company does not expect any material capex in the immediate period for decarbonisation initiatives in the Netherlands. The company is prioritising and optimising its capex, indicating a prudent approach to capital allocation.
- The company aims to maintain a net-debt-to-EBITDA ratio between 2.75x and 3.0x.
- Tata Steel has signed a non-binding MoU with Lloyds Metals & Energy to explore greenfield steelmaking and iron ore mining opportunities in Gadchiroli, Maharashtra, reinforcing its raw material security and low-carbon growth agenda. Additionally, the agreement to acquire a 50.01% stake in Brahmani River Pellets strengthens Tata Steel's pelletization capacity and upstream integration, supporting cost efficiency and sustainability in its steel value chain.

Revenue



EBITDA



SOTP Valuation

Particulars	Basis	Multiple	Year	Value (Rs. cr)	Value/share (Rs.)
India	EV/EBITDA	8.8x	FY27E	307,955	247
UK and Netherlands	EV/EBITDA	5.5x	FY27E	26,049	21
Others	EV/EBITDA	5.5x	FY27E	7,208	6
Enterprise Value				341,212	273
Net Debt				-84,287	-68
Minority Interest				-985	-1
Equity Value				255,940	205

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	235,879	256,494	237,489	253,933	0.7	-1.0
EBITDA	36,443	41,167	34,911	40,883	-4.2	-0.7
Margins (%)	15.5	16.1	14.7	16.1	-80bps	0bps
Adj. PAT	12,514	16,037	12,528	16,691	0.1	4.1
Adj. EPS	10.0	12.8	10.0	13.4	0.3	4.3

Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	243,353	229,171	218,543	237,489	253,933
% change	-0.2	-5.8	-4.6	8.7	6.9
EBITDA	32,300	22,306	25,298	34,911	40,883
% change	-49.1	-30.9	13.4	38.0	17.1
Depreciation	9,335	9,882	10,421	10,915	11,062
EBIT	22,965	12,424	14,877	23,996	29,821
Interest	6,299	7,508	7,341	7,264	7,112
Other Income	1,037	1,809	1,541	1,772	2,215
PBT	18,235	-1,147	8,413	18,190	25,353
% change	-63.7	-106.3	-833.4	116.2	39.4
Tax	10,160	3,763	5,239	6,094	8,493
Tax Rate (%)	55.7	-328.0	62.3	33.5	33.5
Reported PAT	8,075	-4,910	3,174	12,096	16,859
PAT att. to common sharehold-	8,760	-4,437	3,421	11,975	16,691
Adj.*	-113	7,814	855	553	-
Adj. PAT	8,647	3,377	4,275	12,528	16,691
% change	-78.5	-61.0	26.6	193.0	33.2
No. of shares (cr)	1222.2	1248.4	1250.8	1248.4	1248.4
Adj EPS (Rs.)	7.1	2.7	3.4	10.0	13.4
% change	-78.5	-61.8	26.4	193.0	33.2
DPS (Rs.)	3.6	3.6	3.6	3.7	3.7

Balance Sheet

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	13,357	8,678	11,647	7,677	9,537
Accts. Receivable	8,257	6,264	5,260	5,937	6,602
Inventories	54,415	49,158	44,590	46,692	49,003
Other Cur. Assets	10,636	6,449	6,895	8,993	11,910
Investments	4,780	5,526	5,751	6,251	6,751
Gross Fixed Assets	217,439	231,254	244,252	259,593	275,998
Net Fixed Assets	118,697	123,538	125,215	127,554	130,611
CWIP	30,308	33,370	40,602	41,820	43,075
Intangible Assets	28,830	26,262	26,719	27,431	28,162
Def. Tax -Net	6,995	8,865	7,761	8,403	10,206
Other Assets	11,746	5,314	4,955	5,113	5,412
Total Assets	288,022	273,424	279,395	285,872	301,270
Current Liabilities	69,659	67,437	64,677	64,157	64,020
Provisions	4,776	5,424	5,807	5,981	6,160
Debt Funds	80,953	84,035	91,469	90,669	89,869
Other Liabilities	27,458	24,095	26,090	26,110	29,991
Equity Capital	1,221	1,247	1,247	1,247	1,247
Res. & Surplus	101,861	90,788	89,922	97,403	109,510
Shareholder Funds	103,082	92,036	91,170	98,651	110,758
Minority Interest	2,093	397	183	304	473
Total Liabilities	288,022	273,424	279,395	285,872	301,270
BVPS	84	74	73	79	89

Cashflow

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	17,411	4,973	13,595	23,011	27,922
Non-cash adj.	8,304	9,762	5,141	2,917	4,400
Other adjustments	-	-	-	-	-
Changes in W.C	-4,031	5,566	4,776	-1,499	-1,060
C.F. Operation	21,683	20,301	23,512	24,430	31,261
Capital exp.	-13,815	-17,731	-15,157	-15,342	-16,404
Change in inv.	-5,515	2,816	-301	-500	-500
Other invest.CF	650	664	1,285	-	-
C.F - Investment	-18,680	-14,251	-14,173	-15,842	-16,904
Issue of equity	1	-	-	-	-
Issue/repay debt	6,543	2,370	6,296	-800	-800
Dividends paid	-6,293	-4,429	-4,490	-4,494	-4,584
Other finance.CF	-7,232	-9,038	-8,809	-7,264	-7,112
C.F - Finance	-6,981	-11,097	-7,002	-12,558	-12,496
Chg. in cash	-3,977	-5,048	2,337	-3,970	1,861
Closing Cash	13,357	8,678	11,647	7,677	9,537

Ratios

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	13.3	9.7	11.6	14.7	16.1
EBIT margin (%)	9.4	5.4	6.8	10.1	11.7
Net profit mgn. (%)	3.6	-1.9	1.6	5.0	6.6
ROE (%)	7.8	-5.3	3.5	12.3	15.2
ROCE (%)	12.3	7.0	8.1	12.7	14.8
W.C & Liquidity					
Receivables (days)	12.4	10.0	8.8	9.1	9.5
Inventory (days)	175.4	176.1	171.3	170.5	169.7
Payables (days)	121.9	108.3	112.6	111.7	112.6
Current ratio (x)	0.9	0.7	0.8	0.8	0.9
Quick ratio (x)	0.3	0.2	0.2	0.2	0.2
Turnover & Leverage					
Gross asset T.O (x)	1.4	1.0	0.9	0.9	0.9
Total asset T.O (x)	0.8	0.8	0.8	0.8	0.9
Int. covge. ratio (x)	3.6	1.7	2.0	3.3	4.2
Adj. debt/equity (x)	0.8	0.9	1.0	0.9	0.8
Valuation					
EV/Sales (x)	0.8	1.2	1.2	1.2	1.1
EV/EBITDA (x)	6.1	12.1	10.8	8.4	7.1
P/E (x)	14.8	57.6	45.1	16.8	12.6
P/B (x)	1.2	2.1	2.1	2.1	1.9



Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:  Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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