



CMP: ₹1260-1310

BUY

TP: ₹1897

Upside: 48%

- Tata Steel is India's second-largest private sector steel company. Established in 1907, it now boasts of 19.6mtpa of finished steel capacity in India.
- TSE's NSR jump has lagged spot prices, as ~60% of volumes entail a six-monthly re-pricing. Management indicated a EUR200/t jump in NSR at TSE in 2Q, as contracts have reset at higher pricing. This should continue inching up if such steel prices sustain.
- Combined with strength in India operations due to elevated steel prices, this drives 22%/15% upgrade to the FY22/23ii consolidated EBITDA.
- Post a largely stable debt in 1Q, strong profitability combined with minimal further increase in working capital needs should drive strong deleveraging in FY22.
- Tata Steel's standalone EBITDA at Rs102.1bn (+11% QoQ) was largely in line with estimates. Standalone EBITDA/t expanded to a decade high of Rs35,570, aided by price hikes.
- Domestic steel prices are at 20% discount to landed cost of imports which offers room for further prices hikes going forward, if demand is strong.

### Financial Summary

Consolidated (`mn)	Revenue	EBITDA Margin (%)	EPS	EPS growth (%)	P/E (x)	RoE (%)
FY22E	2,323,093	29.1	342.1	380.1	4.3	44.9
FY23E	1,986,739	23.3	210.7	(38.4)	6.9	21.0



Disclaimer:

## Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

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