

## Tata Steel

### Performance Highlights

Standalone (₹ cr)	3QFY13(S)	3QFY12(S)	% chg (yoy)	2QFY13(S)	% chg (qoq)
Net revenue	9,370	8,305	12.8	9,151	2.4
EBITDA	2,526	2,553	(1.1)	2,516	0.4
Margin (%)	27.0	30.7	(379)bp	27.5	(54)bp
Adj. PAT	1,046	1,421	(26.4)	1,341	(22.0)

Source: Company, Angel Research

**Higher input costs dent standalone results:** Tata Steel's Indian operations posted a net sales growth of 12.8% yoy to ₹9,370cr led by higher volumes. However EBITDA fell by 1.1% yoy to ₹2,526cr and EBITDA margin slipped 379bp yoy due to higher costs of raw material, power and staff costs. Interest and depreciation charges increased by 152.0% and 50.1% yoy to ₹509cr and ₹434cr, and as a result the company's standalone PAT fell by 26.4% yoy to ₹1,046cr.

Consolidated (₹ cr)	3QFY13(C)	3QFY12(C)	% chg (yoy)	2QFY13(C)	% chg (qoq)
Net revenue	32,107	33,103	(3.0)	34,133	(5.9)
EBITDA	2,239	1,717	30.4	2,310	(3.1)
Margin (%)	7.0	5.2	179bp	7	21bp
Adj. PAT	(743)	(603)	-	(407)	-

**Disappointing consolidated results:** The company's consolidated net sales fell by 3.0% yoy to ₹32,107cr due to weak financial performance from Tata Steel Europe (TSE) where volumes declined by 9.9% yoy to 3.0mn tonne; EBITDA/tonne was US\$(26) for TSE. The interest cost in the quarter increased by 46.0% yoy to ₹1,032cr and depreciation increased by 25.7% yoy to ₹1,463cr. Hence, the company reported an adjusted net loss of ₹743cr at the consolidated level.

**Outlook and valuation:** Despite weak 3QFY2013 results, we maintain our positive stance on Tata Steel owing to its buoyant business outlook, driven by a) higher sales volume in FY2014-15 on the back of 2.9mn tonne brownfield expansion project in Jamshedpur, b) raw-material projects at Mozambique and Canada and c) restructuring initiatives at TSE. **We maintain our Buy rating on the stock with a revised SOTP target price of ₹443.**

#### Key financials (Consolidated)

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
Net sales	118,753	132,900	142,732	146,575
% chg	16.0	11.9	7.4	2.7
Reported PAT	8,983	5,390	698	3,371
% chg	-	(40.0)	(87.1)	383.3
Adj. EPS (₹)	61.9	20.9	7.2	34.7
EBITDA margin (%)	14.1	9.3	7.4	9.9
P/E (x)	6.1	18.0	52.4	10.8
P/BV (x)	1.0	0.8	0.8	0.8
RoE (%)	30.8	13.7	1.6	7.5
RoCE (%)	14.6	9.3	5.7	9.7
EV/Sales (x)	0.6	0.5	0.6	0.5
EV/EBITDA (x)	4.2	5.8	7.5	5.6

Source: Company, Angel Research

## BUY

CMP	₹376
Target Price	₹443

Investment Period	12 months
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Stock Info	
Sector	Steel
Market Cap (₹ cr)	36,532
Net Debt (₹ cr)	57,981
Beta	1.3
52 Week High / Low	501/348
Avg. Daily Volume	739,982
Face Value (₹)	10
BSE Sensex	19,608
Nifty	5,933
Reuters Code	TISC.BO
Bloomberg Code	TATA@IN

Shareholding Pattern (%)	
Promoters	31.4
MF / Banks / Indian Fls	28.0
FII / NRIs / OCBs	16.8
Indian Public / Others	23.9

Abs. (%)	3m	1yr	3yr
Sensex	5.3	10.3	21.4
Tata Steel	(2.6)	(22.5)	(29.6)

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**Exhibit 1: 3QFY2013 performance (Standalone)**

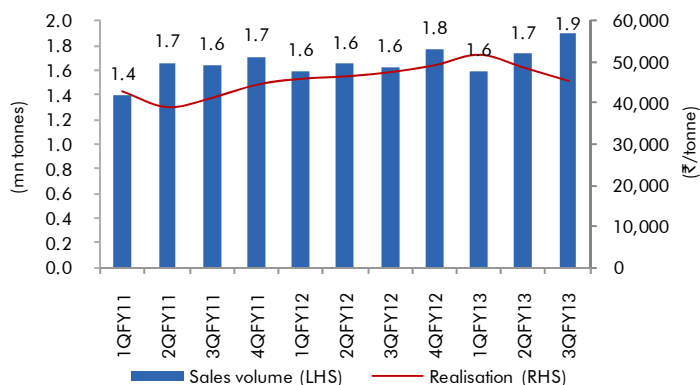
Standalone (₹ cr)	3QFY13	3QFY12	yoy %	2QFY13	qoq %	9MFY13	9MFY12	yoy %
<b>Net Sales</b>	<b>9,370</b>	<b>8,305</b>	<b>12.8</b>	<b>9,151</b>	<b>2.4</b>	<b>27,429</b>	<b>24,307</b>	<b>12.8</b>
- Consumption of Raw Material	2,431	2,138	13.7	2,380	2.2	6,813	5,604	21.6
(% of Net Sales)	25.9	25.7		26.0		24.8	23.1	
- Power & Fuel	624	452	38.1	588	6.3	1,488	1,343	10.8
(% of Net Sales)	6.7	5.4		6.4		5.4	5.5	
- Staff Costs	884	733	20.6	830	6.5	2,573	2,111	21.9
(% of Net Sales)	9.4	8.8		9.1		9.4	8.7	
Freight & Handling	563	444	26.9	516	9.1	1,015	1,240	(18.1)
(% of Net Sales)	6.0	5.3		5.6		3.7	5.1	
- Other expenses	2,342	1,984	18.0	2,321	0.9	6,899	5,651	22.1
(% of Net Sales)	25.0	23.9		25.4		25.2	23.2	
Total Expenditure	6,844	5,751	19.0	6,634	3.2	18,788	15,949	17.8
<b>Operating Profit</b>	<b>2,526</b>	<b>2,553</b>	<b>(1.1)</b>	<b>2,516</b>	<b>0.4</b>	<b>7,822</b>	<b>8,357</b>	<b>(6.4)</b>
OPM (%)	27.0	30.7		27.5		28.5	34.4	
Interest	509	202	152.0	454	12.1	1,417	664	113.4
Depreciation	434	289	50.1	391	10.9	1,180	861	37.0
Other Income	36	51	(29.9)	240	(85.1)	427	697	(38.7)
Exceptional Items	-	-		10		10	-	-
<b>Profit before Tax</b>	<b>1,619</b>	<b>2,113</b>	<b>(23.4)</b>	<b>1,920</b>	<b>(15.7)</b>	<b>5,662</b>	<b>7,528</b>	<b>(24.8)</b>
(% of Net Sales)	17.3	25.4		21.0		20.6	31.0	
Tax	573	692	(17.3)	569	0.5	1,908	2,393	(20.3)
(% of PBT)	35.4	32.7		29.7		33.7	31.8	
<b>Net income</b>	<b>1,046</b>	<b>1,421</b>	<b>(26.4)</b>	<b>1,351</b>	<b>(22.5)</b>	<b>3,753</b>	<b>5,136</b>	<b>(26.9)</b>
<b>Adjusted net income</b>	<b>1,046</b>	<b>1,421</b>	<b>(26.4)</b>	<b>1,341</b>	<b>(22.0)</b>	<b>3,743</b>	<b>4,625</b>	<b>(19.1)</b>

Source: Company, Angel Research

**Result highlights - Standalone**
**Net sales increase by 12.8% yoy**

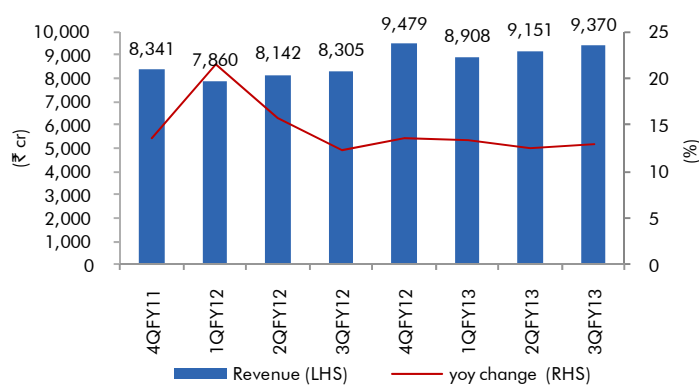
Tata Steel's Indian operations posted a net sales growth of 12.8% yoy to ₹9,370cr, mainly due to increase in volumes, although the same was partially offset by decline in realizations. Volumes increased by 16.6% yoy to 1.9mn tonne. Net steel realizations declined by 4.4% yoy to ₹45,314/tonne

**Exhibit 2: Standalone realization down 4.4% yoy**



Source: Company, Angel Research

**Exhibit 3: Standalone top-line grew by 12.8% yoy**



Source: Company, Angel Research

### Higher costs pull down EBITDA

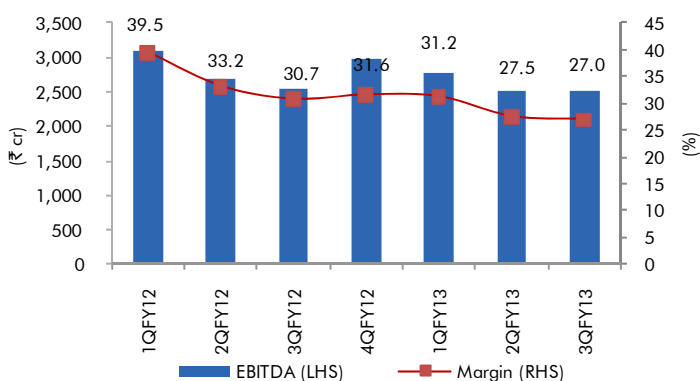
Tata Steel's India operations' EBITDA fell by 1.1% yoy to ₹2,526cr and EBITDA margin slipped 379bp yoy due to rising costs of raw material and power, and increase in staff costs. The EBITDA/tonne decreased by 15.2% yoy to ₹13,366. The other income for the quarter declined by 29.9% yoy to ₹36cr. However, interest and depreciation charges increased by 152.0% and 50.1% yoy to ₹509cr and ₹434cr, respectively due to capitalization of 2.9mn tonne brownfield expansion at Jamshedpur. As a result the company's standalone PAT fell by 26.4% yoy to ₹1,046cr.

**Exhibit 4: Quarterly performance trend (Tata Steel India)**

(US\$ mn)	1QFY12	2QFY12	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13
Deliveries (mn tonne)	1.6	1.6	1.6	1.8	1.6	1.7	1.9
EBITDA (US\$/tonne)	433	364	312	331	332	292	243

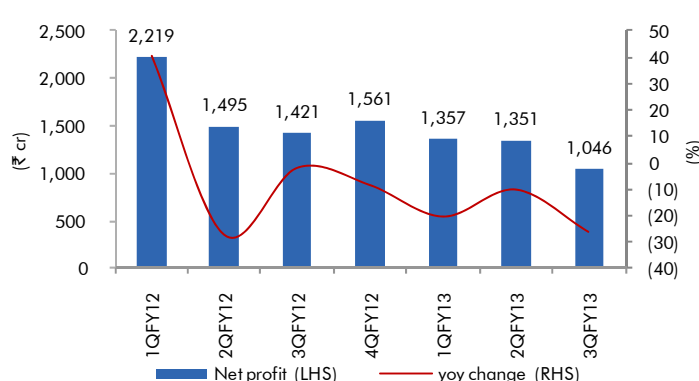
Source: Company, Angel Research

**Exhibit 5: Standalone EBITDA margin stood at 27.0%**



Source: Company, Angel Research

**Exhibit 6: Standalone net profit dipped by 26.4% yoy**



Source: Company, Angel Research

**Exhibit 7: 3QFY2013 performance (Consolidated)**

Consolidated (₹ cr)	3QFY13	3QFY12	yoy %	2QFY13	qoq %	9MFY13	9MFY12	yoy %
<b>Net Sales</b>	<b>32,107</b>	<b>33,103</b>	<b>(3.0)</b>	<b>34,133</b>	<b>(5.9)</b>	<b>100,061</b>	<b>98,901</b>	<b>1.2</b>
- Consumption of Raw Material	13,921	17,512	(20.5)	16,497	(15.6)	45,468	48,626	(6.5)
(% of Net Sales)	43.4	52.9		48.3		45.4	49.2	
- Power & Fuel	1,443	1,251	15.3	1,405	2.7	4,238	3,641	16.4
(% of Net Sales)	4.5	3.8		4.1		4.2	3.7	
- Staff Costs	4,737	4,294	10.3	4,539	4.4	14,059	12,506	12.4
(% of Net Sales)	14.8	13.0		13.3		14.1	12.6	
Freight & Handling	1,872	1,721	8.8	1,795	4.3	5,403	4,999	8.1
(% of Net Sales)	5.8	5.2		5.3		5.4	5.1	
- Other expenses	7,895	6,609	19.5	7,586	4.1	22,940	20,238	13.4
(% of Net Sales)	24.6	20.0		22.2		22.9	20.5	
Total Expenditure	29,868	31,386	(4.8)	31,823	(6.1)	92,108	90,010	2.3
<b>Operating Profit</b>	<b>2,239</b>	<b>1,717</b>	<b>30.4</b>	<b>2,310</b>	<b>(3.1)</b>	<b>7,952</b>	<b>8,890</b>	<b>(10.6)</b>
OPM (%)	7.0	5.2		6.8		7.9	9.0	
Interest	1,032	707	46.0	972	6.2	2,973	2,160	37.6
Depreciation	1,463	1,164	25.7	1,335	9.6	4,106	3,424	19.9
Other Income	56	138	(59.6)	202	(72.3)	547	4,141	(86.8)
Exceptional Items	20	-	-	(43)	-	23	3,737	-
<b>Profit before Tax</b>	<b>(220)</b>	<b>(15)</b>	<b>1,335.9</b>	<b>247</b>	<b>(188.9)</b>	<b>1,443</b>	<b>7,447</b>	<b>(80.6)</b>
(% of Net Sales)	(0.7)	(0.0)		0.7		1.4	7.5	
Tax	569	672	(15.4)	661	(14.0)	2,130	2,702	(21.2)
(% of PBT)	-	-		267.0		147.6	36.3	26.3
<b>Profit after Tax</b>	<b>(789)</b>	<b>(687)</b>	<b>14.7</b>	<b>(364)</b>	<b>116.7</b>	<b>(685)</b>	<b>4,745</b>	<b>-</b>
Share of profit	18	21	(14.8)	22	(19.4)	80	68	-
Minority interest	8	64	(87.5)	28	(71.0)	75	143	(47.6)
<b>Net Income</b>	<b>(763)</b>	<b>(603)</b>	<b>26.6</b>	<b>(364)</b>	<b>109.7</b>	<b>(529)</b>	<b>4,956</b>	<b>-</b>
(% of Net Sales)	-	-		-		-	5.0	
<b>Adjusted net income</b>	<b>(743)</b>	<b>(603)</b>	<b>23.3</b>	<b>(407)</b>	<b>82.8</b>	<b>(552)</b>	<b>1,219</b>	<b>-</b>

Source: Company, Angel Research

**Exhibit 8: Consolidated – 3QFY2013 Actual vs Angel estimates**

(₹ cr)	Actual	Estimate	Variation (%)
Net sales	32,107	38,228	(16.0)
EBITDA	2,239	3,058	(26.8)
EBITDA margin (%)	7.0	8.0	(103)bp
Adj. net income	(743)	683	-

Source: Company, Angel Research

## Result highlights - Consolidated

### Net sales falls 3.0% yoy

The company's consolidated net sales fell by 3.0% yoy to ₹32,107cr due to weak financial performance from Tata Steel Europe (TSE). TSE's volumes declined by 9.9% yoy to 3.0mn tonne. It reported an EBITDA/tonne of US\$(26) compared to US\$(44) in 3QFY2012, due to higher costs for the European operations.

### Exhibit 9: Quarterly performance trend (Tata Steel Europe)

(US\$ mn)	1QFY12	2QFY12	3QFY12	4QFY12	1QFY13	2QFY13	3QFY13
Steel deliveries (mn tonne)	3.5	3.5	3.4	3.6	3.2	3.4	3.0
EBITDA (US \$/tonne)	78	28	(44)	8	36	(2)	(26)

Source: Company, Angel Research

### Higher interest and depreciation costs led to a net loss

Interest costs for the quarter increased by 46.0% yoy to ₹1,032cr and depreciation increased by 25.7% yoy to ₹1,463cr. Other income also was lower by 59.6% yoy to ₹56cr. Hence, the company reported an adjusted net loss of ₹743cr at the consolidated level.

## Investment arguments

### Brownfield expansion to aid growth

Tata Steel has completed its 2.9mn-tonne expansion program at the Jamshedpur plant. The product mix constitutes 2.5mn tonne of hot rolled coil (HRC) and 0.3mn tonne of slabs. We expect this expansion to contribute ~₹2,500cr per annum to the company's consolidated EBITDA once the new plant reaches optimum capacity utilization during FY2014-15.

### Higher integration levels for TSE to boost earnings

Tata Steel is in the process of developing a coking coal mine in Mozambique and an iron ore mine in Canada to enhance integration levels of TSE. The total capex remaining for the Mozambique project is US\$100mn–150mn, while the Canadian project will involve capex of CAD350mn. We expect these backward integration projects at Mozambique and Canada to boost TSE's earnings beginning FY2014.

### Odisha project could provide further upsides in the long term

Tata Steel is setting up a 6mn-tonne integrated steel plant (including cold rolling mill) in two phases of 3mn tonne each for a capex of ₹34,500cr. Phase 1 of the 3mn-tonne plant is expected to be completed by CY2014. This project is expected to have high returns on invested capital as it would be backed by captive iron ore.

## Outlook and valuation

We continue to maintain our positive stance on Tata Steel owing to its buoyant business outlook, driven by a) higher sales volume in FY2014-15 on the back of 2.9mn tonne brownfield expansion project in Jamshedpur, b) raw-material projects at Mozambique and Canada and c) restructuring initiatives at TSE. **We maintain our Buy rating on the stock with a revised SOTP target price of ₹443.**

### Exhibit 10: SOTP valuation

	FY2014E EBITDA (₹ cr)	Multiple (x)	(₹ cr)
Tata Steel India	12,675	4.0	50,702
CWIP		1.0	31,208*
TSE	1,450	3.0	4,350
Other Asian operations	375	3.0	1,125
<b>Total EV</b>			<b>87,384</b>
Debt			50,537
Cash			2,489
Investments			3,720
Market cap			43,056
<b>Target price (₹)</b>			<b>443</b>

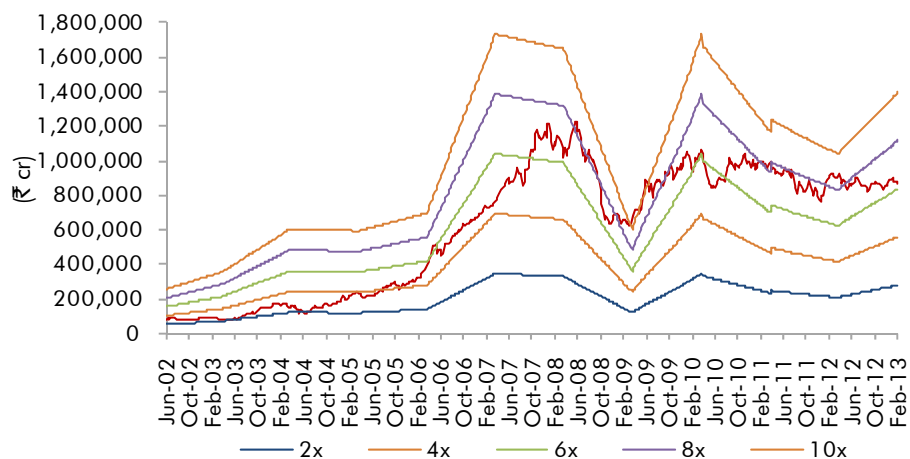
Source: Angel Research, Note: \* stands for Book value

**Exhibit 11: EPS – Angel forecast vs consensus**

Year (₹)	Angel forecast	Bloomberg consensus	Variation (%)
FY2013E	7.2	9.9	(27.5)
FY2014E	34.7	44.1	(21.3)

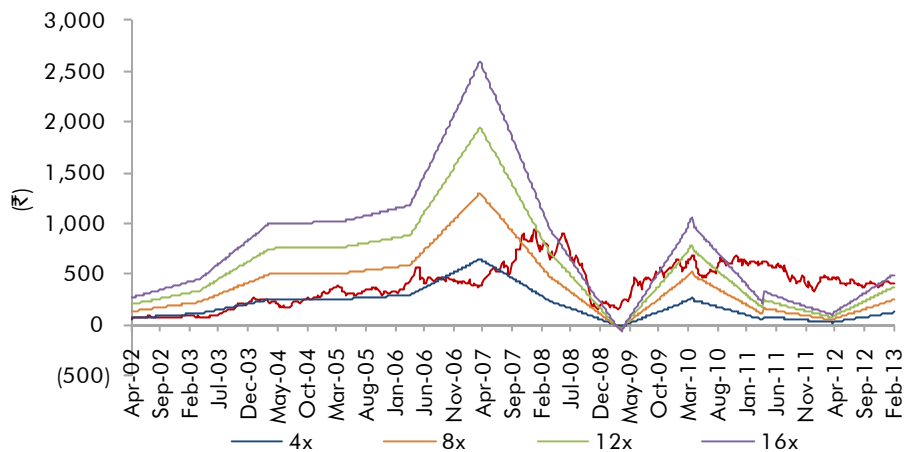
Source: Bloomberg, Angel Research

**Exhibit 12: EV/EBITDA**



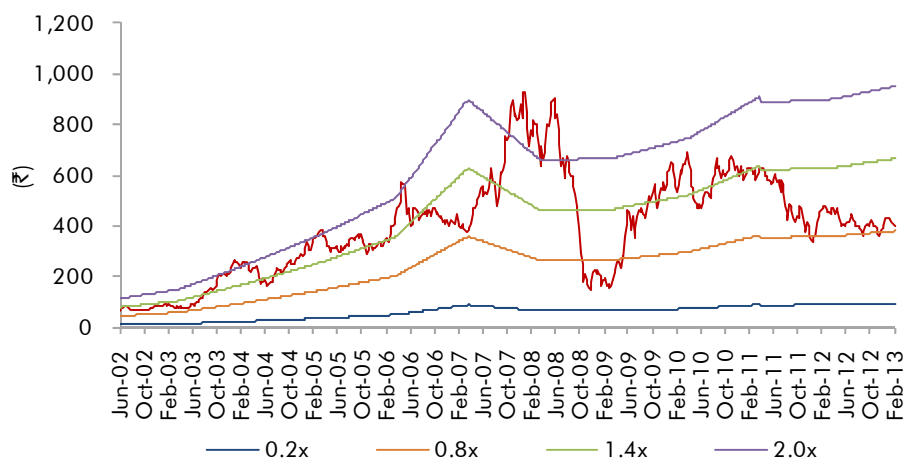
Source: Bloomberg, Angel Research

**Exhibit 13: P/E**



Source: Bloomberg, Angel Research

**Exhibit 14: P/BV**



Source: Bloomberg, Angel Research

**Exhibit 15: Recommendation summary**

Companies	CMP (₹)	Target price (₹)	Reco.	Mcap (₹ cr)	Upside (%)	P/E (x)		P/BV (x)		EV/EBITDA (x)		RoE (%)		RoCE (%)	
						FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E	FY13E	FY14E
SAIL	79	-	Neutral	32,507	-	12.1	9.3	0.8	0.7	8.3	6.4	6.6	8.2	5.9	7.4
<b>Tata Steel</b>	<b>376</b>	<b>443</b>	<b>Buy</b>	<b>36,532</b>	<b>18</b>	<b>52.4</b>	<b>10.8</b>	<b>0.8</b>	<b>0.8</b>	<b>7.5</b>	<b>5.6</b>	<b>1.6</b>	<b>7.5</b>	<b>5.7</b>	<b>9.7</b>
JSW Steel	793	-	Neutral	17,714	-	9.6	8.8	1.0	0.9	5.2	4.7	10.7	10.7	9.6	10.4

Source: Company, Angel Research

### Company background:

Incorporated in 1907, Tata Steel is the world's tenth largest steel company and the world's second most geographically diversified steel producer with major operations in India and Europe. During April 2007, the company acquired Corus (now Tata Steel Europe), the second largest steel producer in Europe, for a consideration of US\$12bn. Its India operations' capacity stands at 9.7mn tonne, while its European operations' capacity stands at 16.0mn tonne.



**Profit & Loss Statement (Consolidated)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Total operating income</b>	<b>147,329</b>	<b>102,393</b>	<b>118,753</b>	<b>132,900</b>	<b>142,732</b>	<b>146,575</b>
% chg	12.4	(30.5)	16.0	11.9	7.4	2.7
<b>Total expenditure</b>	<b>129,202</b>	<b>94,350</b>	<b>102,006</b>	<b>120,483</b>	<b>132,221</b>	<b>132,075</b>
Net raw materials	74,914	44,752	53,283	65,745	59,947	61,562
Other mfg costs	11,982	9,601	10,404	11,575	12,846	13,192
Personnel	17,975	16,463	15,840	17,229	21,410	21,986
Other	24,331	23,535	22,479	25,934	38,018	35,335
<b>EBITDA</b>	<b>18,128</b>	<b>8,043</b>	<b>16,747</b>	<b>12,417</b>	<b>10,511</b>	<b>14,500</b>
% chg	4.5	(55.6)	108.2	(25.9)	(15.3)	38.0
(% of Net sales)	12.3	7.9	14.1	9.3	7.4	9.9
Depreciation	4,265	4,492	4,415	4,517	5,531	5,447
<b>EBIT</b>	<b>13,862</b>	<b>3,551</b>	<b>12,332</b>	<b>7,900</b>	<b>4,980</b>	<b>9,054</b>
% chg	5.0	(74.4)	247.3	(35.9)	(37.0)	81.8
(% of Net sales)	9.4	3.5	10.4	5.9	3.5	6.2
Interest charges	3,290	3,022	3,956	4,250	4,153	5,559
Other income	266	1,186	680	1,573	928	1,319
(% of PBT)	2.5	69.2	7.5	30.1	52.9	27.4
Share in profit of asso.	-	-	-	-	-	-
<b>Recurring PBT</b>	<b>10,838</b>	<b>1,715</b>	<b>9,056</b>	<b>5,223</b>	<b>1,755</b>	<b>4,814</b>
% chg	8.0	(84.2)	428.1	(42.3)	(66.4)	174.3
Extra. Inc/(Expense)	(4,095)	(1,684)	3,046	3,362	-	-
<b>PBT (reported)</b>	<b>6,743</b>	<b>31</b>	<b>12,102</b>	<b>8,585</b>	<b>1,755</b>	<b>4,814</b>
Tax	1,894	2,152	3,246	3,636	1,053	1,444
(% of PBT)	28.1	6,941.4	26.8	42.4	60.0	30.0
<b>PAT (reported)</b>	<b>4,849</b>	<b>(2,121)</b>	<b>8,856</b>	<b>4,949</b>	<b>702</b>	<b>3,370</b>
Add: Earnings of asso.	61	127	66	268	134	154
Less: Minority interest	41	(15)	60	173	139	152
Extra. Expense/(Inc.)	-	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>4,951</b>	<b>(2,009)</b>	<b>8,983</b>	<b>5,390</b>	<b>975</b>	<b>3,676</b>
<b>ADJ. PAT</b>	<b>7,496</b>	<b>(1,822)</b>	<b>5,937</b>	<b>2,028</b>	<b>698</b>	<b>3,371</b>
% chg	(5.3)	(124.3)	(425.9)	(65.8)	(65.6)	383.3
(% of Net sales)	5.1	(1.8)	5.0	1.5	0.5	2.3
<b>Basic EPS (₹)</b>	<b>66.1</b>	<b>(24.9)</b>	<b>99.0</b>	<b>55.5</b>	<b>7.2</b>	<b>34.7</b>
<b>Fully Diluted EPS (₹)</b>	<b>59.0</b>	<b>(25.0)</b>	<b>92.9</b>	<b>55.5</b>	<b>7.2</b>	<b>34.7</b>
% chg	(63.7)	(142.3)	(472.2)	(40.2)	(87.1)	383.3
<b>Adj. EPS (₹)</b>	<b>89.3</b>	<b>(20.5)</b>	<b>61.9</b>	<b>20.9</b>	<b>7.2</b>	<b>34.7</b>

**Balance Sheet (Consolidated)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>SOURCES OF FUNDS</b>						
Equity share capital	730	887	959	2,355	2,355	2,355
Reserves & surplus	26,984	21,927	34,605	42,050	42,741	45,684
<b>Shareholders' funds</b>	<b>27,714</b>	<b>22,814</b>	<b>35,564</b>	<b>43,021</b>	<b>43,713</b>	<b>46,655</b>
Share warrants	17	17	17	40	40	40
Hybrid perpetual securities	-	-	1,500	2,275	2,275	2,275
Minority interest	895	884	889	1,091	1,230	1,382
<b>Total loans</b>	<b>59,901</b>	<b>53,307</b>	<b>53,045</b>	<b>49,937</b>	<b>49,437</b>	<b>50,537</b>
Deferred tax liability	1,709	1,654	2,188	2,504	2,504	2,504
Other liabilities	1,042	964	5,431	5,523	5,523	5,523
<b>Total liabilities</b>	<b>91,279</b>	<b>79,641</b>	<b>98,634</b>	<b>104,391</b>	<b>104,721</b>	<b>108,916</b>
<b>APPLICATION OF FUNDS</b>						
Gross block	99,459	97,289	113,986	108,041	114,041	121,041
Less: Acc. depreciation	63,083	60,764	61,592	66,109	71,640	77,087
<b>Net Block</b>	<b>36,376</b>	<b>36,525</b>	<b>36,568</b>	<b>41,932</b>	<b>42,401</b>	<b>43,954</b>
Capital work-in-progress	8,930	9,271	15,625	20,208	27,208	31,208
Goodwill	15,365	14,542	15,298	17,355	17,355	17,355
Investments	6,411	5,418	7,847	4,021	4,021	4,021
<b>Current assets</b>	<b>53,871</b>	<b>43,868</b>	<b>53,330</b>	<b>55,180</b>	<b>48,170</b>	<b>48,239</b>
Cash	6,148	6,788	10,859	10,802	2,822	2,489
Loans & advances	13,016	6,761	3,547	3,869	3,869	3,869
Other	34,707	30,319	38,867	40,476	41,447	41,849
<b>Current liabilities</b>	<b>30,251</b>	<b>29,983</b>	<b>36,854</b>	<b>42,849</b>	<b>42,978</b>	<b>44,406</b>
<b>Net current assets</b>	<b>23,620</b>	<b>13,885</b>	<b>16,476</b>	<b>12,331</b>	<b>5,192</b>	<b>3,833</b>
Mis. exp. not written off	577	-	-	-	-	-
<b>Total assets</b>	<b>91,279</b>	<b>79,641</b>	<b>98,634</b>	<b>104,391</b>	<b>104,721</b>	<b>108,916</b>

**Cash flow statement (Consolidated)**

Y/E March (₹ cr)	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
Profit before tax	6,743	31	12,102	8,585	1,755	4,814
Depreciation	4,265	4,492	4,415	4,517	5,531	5,447
Change in WC	6,910	8,443	(7,769)	262	(841)	1,026
Less: Other income	266	1,186	680	1,573	928	1,319
Direct taxes paid	(1,894)	(2,463)	(3,235)	(3,652)	(1,053)	(1,444)
<b>Cash flow from operations</b>	<b>16,290</b>	<b>11,688</b>	<b>6,192</b>	<b>11,284</b>	<b>6,320</b>	<b>11,162</b>
(Inc.)/ Dec. in fixed assets	(3,263)	(198,882)	(9,336)	(9,664)	(13,000)	(11,000)
(Inc.)/ Dec. in investments	(3,044)	194,182	1,752	7,571	-	-
(Inc.)/ Dec. in loans and adv.	-	-	-	-	-	-
Other income	(266)	(1,186)	(680)	(1,573)	(928)	(1,319)
<b>Cash flow from investing</b>	<b>(6,573)</b>	<b>(5,886)</b>	<b>(8,264)</b>	<b>(3,666)</b>	<b>(13,928)</b>	<b>(12,319)</b>
Issue of equity	-	2,446	4,557	1,396	-	-
Inc./ (Dec.) in loans	6,308	(6,261)	5,309	(4,722)	(500)	1,100
Dividend paid	(1,495)	(1,321)	(714)	(1,164)	(144)	(582)
Others	-	-	(3,179)	(3,814)	273	307
<b>Cash flow from financing</b>	<b>4,813</b>	<b>(5,135)</b>	<b>5,973</b>	<b>(8,304)</b>	<b>(372)</b>	<b>825</b>
Inc./ (Dec.) in cash	14,530	667	3,902	(687)	(7,980)	(333)
<b>Opening cash bal.</b>	<b>4,029</b>	<b>6,148</b>	<b>6,770</b>	<b>10,806</b>	<b>10,753</b>	<b>2,822</b>
<b>Closing cash bal.</b>	<b>6,148</b>	<b>6,815</b>	<b>10,671</b>	<b>10,753</b>	<b>2,822</b>	<b>2,489</b>

**Key ratios**

Y/E March	FY2009	FY2010	FY2011	FY2012	FY2013E	FY2014E
<b>Valuation ratio (x)</b>						
P/E (on FDEPS)	6.4	-	6.1	18.0	52.4	10.8
P/CEPS	3.4	13.4	2.7	3.7	5.9	4.1
P/BV	1.1	1.5	1.0	0.8	0.8	0.8
P/BV (excluding goodwill)	2.6	4.0	1.8	1.4	1.4	1.2
Dividend yield (%)	4.7	-	3.4	2.0	0.4	1.6
EV/Sales	0.5	0.7	0.6	0.5	0.6	0.5
EV/EBITDA	4.4	9.3	4.2	5.8	7.5	5.6
EV/Total assets	0.9	0.9	0.7	0.7	0.8	0.7
<b>Per share data (₹)</b>						
EPS (Basic)	66.1	-	99.0	55.5	7.2	34.7
Adjusted EPS (fully diluted)	89.3	-	61.9	20.9	7.2	34.7
Cash EPS	109.8	28.0	139.7	102.0	64.1	90.8
DPS	17.8	-	12.9	7.7	1.5	6.0
Book value	330.2	257.3	370.9	442.9	450.0	480.3
Book value (excluding goodwill)	147.1	93.3	211.4	264.2	271.3	301.6
<b>DuPont analysis</b>						
EBIT margin	9.4	3.5	10.4	5.9	3.5	6.2
Tax retention ratio (%)	71.9	-	73.2	57.6	40.0	70.0
Asset turnover (x)	2.4	1.2	1.5	1.7	1.5	1.4
RoIC (Post-tax)	16.1	-	11.8	5.8	2.1	6.2
Cost of debt (post tax)	4.6	-	6.5	6.0	3.9	8.2
Leverage (x)	1.9	2.0	1.2	0.9	1.1	1.0
Operating RoE	38.4	-	18.0	5.6	0.2	4.2
<b>Returns (%)</b>						
RoCE (Pre-tax)	15.4	5.5	14.6	9.3	5.7	9.7
Angel RoIC (pre-tax)	33.9	22.9	37.6	13.6	27.1	33.5
RoE	16.0	-	30.8	13.7	2.2	8.1
<b>Turnover ratios (x)</b>						
Asset turnover (gross block)	1.5	1.0	1.1	1.2	1.3	1.2
Inventory (days)	53	66	73	69	69	69
Receivables (days)	32	41	45	40	40	40
Payables (days)	26	77	56	56	56	56
WC cycle (days)	52	44	20	10	5	5
<b>Solvency ratios (x)</b>						
Net debt to equity	1.9	2.0	1.2	0.9	1.1	1.0
Net debt to EBITDA	3.0	5.8	2.5	3.2	4.4	3.3
Interest coverage	4.2	1.2	3.1	1.9	1.2	1.6

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### Disclosure of Interest Statement

### Tata Steel

1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors.

### Ratings (Returns) :

Buy (&gt; 15%)

Reduce (-5% to -15%)

Accumulate (5% to 15%)

Sell (&lt; -15%)

Neutral (-5 to 5%)