

# Tata Steel | BUY

## Strengthening India ops through scale and integration

Tata Steel's recent announcement of its strategic roadmap reflects a decisive pivot toward scale, integration and decarbonisation, with three themes shaping the medium-term outlook. The company is first accelerating volume expansion and downstream build-out through the 4.8 MTPA Phase-1 ramp-up at NINL, a move that strengthens the long-products franchise at attractive cost economics because 1) NINL's structurally low-cost base (captive iron ore mines) enhances consolidated profitability, 2) long products deepen presence in construction and retail solutions, and 3) the segment helps rebalance a portfolio historically dominated by flat steel. Parallel downstream initiatives - including the 2.5 MTPA thin slab caster at Meramandali and India's first 0.7 MTPA HR pickling & galvanizing line at Tarapur further lift value-added exposure and Western India competitiveness. The second pillar is mining integration and a Western India strategic shift, anchored by the MoU with Lloyds Metals that provides 1) access to Gadchiroli's emerging ore hub, 2) development of slurry logistics and pellet capabilities, and 3) optionality to build a phased 6 MTPA greenfield steel plant, a development likely influenced by the expiry of Tata Steel's legacy iron ore mines in 2030. This is reinforced by the acquisition of 50.01% in Thriveni Pellets for ~INR6.4bn (payback period of ~1 year given savings potential of ~INR600mn per month), securing critical pellet supply and offering meaningful cost optimisation. The third pillar is low-carbon technology leadership, with the ~1 MTPA HIsarna demonstration plant delivering advantage through 1) coke-free lower-emission smelting, 2) flexible ore usage, and 3) proprietary global IP. While capex clarity and European performance remain key monitorables, disciplined execution positions Tata Steel's India operations for resilient growth despite a challenging pricing environment. **Maintain BUY.**

- **Volume expansion and downstream build-out:** Tata Steel's capacity expansion is anchored by the Board's approval for a 4.8 MTPA Phase-1 ramp-up at NINL, marking a major push into long products where demand visibility is strong and margins robust. This expansion matters because 1) NINL's structurally low-cost base enhances consolidated profitability, 2) long products strengthen Tata Steel's position in construction and retail solutions, and 3) the segment helps rebalance a portfolio historically dominated by flat steel. In parallel, the company has initiated design and regulatory work for a 2.5 MTPA thin slab caster at Meramandali, aimed at scaling higher-margin flat steel volumes, particularly for auto and appliance applications. The 0.7 MTPA HR pickling & galvanizing line at Tarapur - India's first of its kind - adds further downstream depth and improves Western India competitiveness, supporting a shift toward more stable, value-added EBITDA.
- **Mining integration and western India strategic shift:** Tata Steel's MoU with Lloyds Metals marks a structural pivot toward an integrated Western India presence by enabling 1) access to mining concessions in the emerging Gadchiroli ore hub, 2) development of slurry logistics and pellet infrastructure, and 3) evaluation of a phased 6 MTPA greenfield steel plant in Maharashtra. This MoU appears to be timed against a backdrop where Tata Steel's legacy mines are set to expire by 2030, potentially necessitating new supply arrangements as capacity expands. This strategic push also reduces logistical dependence on eastern mines and builds a competitive ore-to-steel corridor in a region long dominated by other players. Complementing this move, Tata Steel's acquisition of 50.01% in Thriveni Pellets secures majority control over a 4 MTPA pellet plant and a 212 km slurry pipeline - assets crucial for both cost optimisation and decarbonisation. By strengthening pellet security and regional integration, Tata Steel enhances its long-term cost position and lays the groundwork for sustained market share gains in Western India.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	215
Upside/(Downside)	29.4%
Previous Price Target	215
Change	0 %

### Key Data – TATA IN

Current Market Price	INR166
Market cap (bn)	INR2,077.1/US\$23.0
Free Float	66%
Shares in issue (mn)	12,474.4
Diluted share (mn)	12,474.4
3-mon avg daily val (mn)	INR4,325.9/US\$47.9
52-week range	187/123
Sensex/Nifty	84,818/25,899
INR/US\$	90.4

### Price Performance

%	1M	6M	12M
Absolute	-8.1	6.4	10.5
Relative*	-9.1	3.5	6.2

\* To the BSE Sensex

### Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,291,708	2,185,425	2,309,182	2,478,052	2,601,319
Sales Growth (%)	-5.8	-4.6	5.7	7.3	5.0
EBITDA	223,059	252,985	349,257	398,558	430,821
EBITDA Margin (%)	9.7	11.6	15.1	16.1	16.6
Adjusted Net Profit	33,766	43,752	122,813	170,705	198,776
Diluted EPS (INR)	2.7	3.5	9.8	13.7	15.9
Diluted EPS Growth (%)	-61.8	29.6	180.7	39.0	16.4
ROIC (%)	3.2	3.7	9.3	11.4	12.2
ROE (%)	3.5	4.8	12.9	16.0	16.4
P/E (x)	59.8	46.2	16.5	11.8	10.2
P/B (x)	2.2	2.2	2.0	1.8	1.6
EV/EBITDA (x)	12.8	11.5	8.3	7.2	6.5
Dividend Yield (%)	2.2	2.2	1.9	1.9	1.9

Source: Company data, JM Financial. Note: Valuations as of 11/Dec/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Low-carbon technology to provide competitive advantage:** The decision to begin engineering and regulatory processes for a ~1 MTPA Hlsarna demonstration plant is a major step in Tata Steel's decarbonisation roadmap, driven by 1) lower emissions through coke elimination, 2) the ability to use lower-grade ore and steel slag, and 3) proprietary global IP that provides long-term competitive advantage. From a financial standpoint, the broader strategy strengthens earnings visibility through higher volumes, a richer downstream product mix, and improved raw-material security. However, greater clarity on the magnitude and phasing of capex, given the simultaneous launch of multiple large initiatives. Key risks include execution complexity, slower deleveraging, and persistent challenges in the European operations remain a key monitorable. Nevertheless, with disciplined capital planning and milestone delivery, India operations of Tata Steel is for a strong growth amidst a challenging price environment.

### Key Conference Call takeaways:

- **NINL expansion:**
  - Engineering work is in advanced stages with EC expected over the next few weeks.
  - Project to have 2 rebar mill (1mn tons each), 1 wire rod mill and 1 coil mill (0.5mn tons) – aimed at enhancing the long capacity.
  - Further approvals are expected by Mar'26 post which it will take 3-4 years to for project completion.
  - NINL expansion will be fed by captive mines leading to similar profitability as Jamshedpur and Kalinganagar plants. Iron ore reserves in the region are estimated to be ~150mn tons with possibility of more reserves being explored.
  - Blast furnace at NINL will have the same configuration as Kalinganagar plant – so engineering work will be much faster.
- **MoU with Lloyds Metals:**
  - The discussions for the MoU with Lloyds started on the back of Thriveni Pellet plant given its proximity to the Kalinganagar plant and the availability of slurry pipeline.
  - Tata acquired pellet plant at book value with a cost savings potential of INR60mn per month – quick payback period of ~1 year.
  - The 6 mtpa greenfield plant under discussion will be a Tata Steel project – might be in 2 phases of 3mn tons each. Company is yet to decide whether the capex for this will be incurred through debt or internal accruals.
  - Iron ore availability in the proximity to the 6 mtpa steel plant will be a key factor in deciding the future of this plant.
- **Hlsarna 1mtpa plant:**
  - The low-carbon technology Hlsarna plant of 1mtpa in Jamshedpur is expected to be built with a low capex requirement given the no need for a coke oven plant or a sinter plant. Capex for the 1mtpa plant is expected to be ~INR25-30bn.
  - At steady state, this plant is expected to provide cost savings of ~INR3k/t for hot metal.
- Meramandali expansion (2.5mn tons thin slab caster) is expected to have a quicker completion timeline given it is a downstream project – totally focused on flat products.

**Exhibit 1. Tata Steel- Key assumptions and estimates**

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Tata Steel Consolidated					
Net sales (INR bn)	2,292	2,185	2,309	2,478	2,601
EBITDA (INR bn)	223	253	349	399	431
EPS (INR)	2.7	3.5	9.8	13.7	15.9
Tata Steel India (incl BSL)					
Net sales (INR bn)	1,410	1,325	1,487	1,619	1,695
Sales volume (mn ton)	19.9	20.9	22.5	24.4	25.5
Blended realisation ('000 INR/ton)	70.7	63.3	66.2	66.3	66.4
EBITDA (INR bn)	298	279	337	372	389
EBITDA/t ('000 INR)	15.0	13.3	15.0	15.2	15.3
Tata Steel Europe					
Net sales (US\$ mn)	9,386	9,035	9,309	9,504	10,010
Sales volume (mn tons)	8.1	8.7	8.7	8.8	9.1
EBITDA (USD mn)	(917)	(394)	73	180	322
EBITDA/t (USD/t)	(117)	(45)	8	20	35

Source: JM Financial

**Exhibit 2. Tata Steel – SOTP valuation****(INR mn)**

Companies	FY28E	Multiple
<b>EBITDA</b>		
India business (incl. Bhushan Steel & Tata longs)	3,89,398	8.0
TSE	28,670	7.5
Others	17,913	6.0
<b>Total EV</b>	<b>34,37,690</b>	
Total Net debt	7,95,426	
<b>Target mcap</b>	<b>26,42,264</b>	
No. of shares	12,474	
<b>Value INR/share</b>	<b>213</b>	
Investments (INR/share)	4	
<b>Target Price (INR/share)</b>	<b>215</b>	

Source: JM Financial

Exhibit 3. Tata: 1yr forward PE valuation



Source: Bloomberg, JM Financial

Exhibit 4. Tata: 1yr forward EV/EBITDA valuation



Source: Bloomberg, JM Financial

## Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,291,708	2,185,425	2,309,182	2,478,052	2,601,319
Sales Growth	-5.8%	-4.6%	5.7%	7.3%	5.0%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>2,291,708</b>	<b>2,185,425</b>	<b>2,309,182</b>	<b>2,478,052</b>	<b>2,601,319</b>
Cost of Goods Sold/Op. Exp	1,238,240	1,159,583	545,946	561,688	580,836
Personnel Cost	186,216	207,991	224,610	220,560	229,122
Other Expenses	644,192	564,867	1,189,370	1,297,246	1,360,539
<b>EBITDA</b>	<b>223,059</b>	<b>252,985</b>	<b>349,257</b>	<b>398,558</b>	<b>430,821</b>
EBITDA Margin	9.7%	11.6%	15.1%	16.1%	16.6%
EBITDA Growth	-30.9%	13.4%	38.1%	14.1%	8.1%
Depn. & Amort.	98,822	104,213	106,016	104,002	105,722
EBIT	124,237	148,771	243,241	294,555	325,099
Other Income	18,089	15,405	19,925	26,947	28,702
Finance Cost	75,076	73,410	89,256	89,286	89,316
PBT before Excep. & Forex	67,250	90,767	173,911	232,216	264,485
Excep. & Forex Inc/Loss(-)	0	0	0	0	0
PBT	67,250	90,767	173,911	232,216	264,485
Taxes	37,626	52,391	55,592	65,962	69,900
Extraordinary Inc./Loss(-)	-78,141	-8,546	0	0	0
Assoc. Profit/Min. Int.(-)	-4,142	-5,375	-4,495	-4,451	-4,191
Reported Net Profit	-44,374	35,205	122,813	170,705	198,776
<b>Adjusted Net Profit</b>	<b>33,766</b>	<b>43,752</b>	<b>122,813</b>	<b>170,705</b>	<b>198,776</b>
Net Margin	1.5%	2.0%	5.3%	6.9%	7.6%
Diluted Share Cap. (mn)	12,474.4	12,474.4	12,474.4	12,474.4	12,474.4
<b>Diluted EPS (INR)</b>	<b>2.7</b>	<b>3.5</b>	<b>9.8</b>	<b>13.7</b>	<b>15.9</b>
Diluted EPS Growth	-61.8%	29.6%	180.7%	39.0%	16.4%
Total Dividend + Tax	44,950	44,950	37,458	37,458	37,458
Dividend Per Share (INR)	3.6	3.6	3.0	3.0	3.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	920,358	911,696	997,052	1,130,299	1,291,617
Share Capital	12,474	12,474	12,474	12,474	12,474
Reserves & Surplus	907,883	899,222	984,577	1,117,825	1,279,142
Preference Share Capital	0	0	0	0	0
Minority Interest	3,970	1,832	-756	-3,298	-5,581
Total Loans	919,830	1,003,278	1,053,278	1,073,278	1,088,278
Def. Tax Liab. / Assets (-)	163,585	178,568	178,568	178,568	178,568
<b>Total - Equity &amp; Liab.</b>	<b>2,007,742</b>	<b>2,095,374</b>	<b>2,228,142</b>	<b>2,378,847</b>	<b>2,552,882</b>
Net Fixed Assets	1,831,699	1,925,364	1,969,348	2,025,345	2,089,623
Gross Fixed Assets	2,521,510	2,653,143	2,733,143	2,783,143	2,843,143
Intangible Assets	57,453	59,585	59,585	59,585	59,585
Less: Depn. & Amort.	1,090,820	1,203,587	1,309,604	1,413,606	1,519,329
Capital WIP	343,555	416,224	486,224	596,224	706,224
Investments	62,576	61,941	61,941	61,941	74,329
Current Assets	839,960	806,643	933,868	1,079,843	1,230,726
Inventories	491,575	445,899	489,996	557,379	620,211
Sundry Debtors	62,635	52,601	55,579	59,644	65,741
Cash & Bank Balances	86,777	116,470	185,765	232,442	288,425
Loans & Advances	198,973	191,673	202,527	230,378	256,348
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	726,493	698,574	737,014	788,282	841,796
Current Liabilities	634,462	601,626	635,695	682,183	730,440
Provisions & Others	92,031	96,948	101,319	106,098	111,356
Net Current Assets	113,468	108,069	196,854	291,561	388,930
<b>Total - Assets</b>	<b>2,007,742</b>	<b>2,095,374</b>	<b>2,228,142</b>	<b>2,378,847</b>	<b>2,552,882</b>

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	71,392	96,142	178,406	236,667	268,676
Depn. & Amort.	98,822	104,213	106,016	104,002	105,722
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	33,837	35,091	-19,489	-48,031	-41,386
Others	-78,141	-8,546	0	0	0
Taxes Paid	-37,626	-52,391	-55,592	-65,962	-69,900
<b>Operating Cash Flow</b>	<b>88,285</b>	<b>174,510</b>	<b>209,341</b>	<b>226,677</b>	<b>263,113</b>
Capex	-182,066	-204,301	-150,000	-160,000	-170,000
Free Cash Flow	-93,781	-29,791	59,341	66,677	93,113
Inc (-) / Dec in Investments	21,527	635	0	0	-12,388
Others	57,621	20,350	-2,587	-2,542	-2,283
<b>Investing Cash Flow</b>	<b>-102,917</b>	<b>-183,316</b>	<b>-152,587</b>	<b>-162,542</b>	<b>-184,671</b>
Inc / Dec (-) in Capital	-1,198	-1,198	-1,197	-1,197	-1,197
Dividend + Tax thereon	-44,950	-44,950	-37,458	-37,458	-37,458
Inc / Dec (-) in Loans	12,787	83,449	50,000	20,000	15,000
Others	1,199	1,198	1,197	1,197	1,197
<b>Financing Cash Flow</b>	<b>-32,162</b>	<b>38,499</b>	<b>12,542</b>	<b>-17,458</b>	<b>-22,458</b>
Inc / Dec (-) in Cash	<b>-46,795</b>	<b>29,693</b>	<b>69,296</b>	<b>46,676</b>	<b>55,984</b>
Opening Cash Balance	133,573	86,777	116,470	185,765	232,442
Closing Cash Balance	86,777	116,470	185,765	232,442	288,425

Source: Company, JM Financial

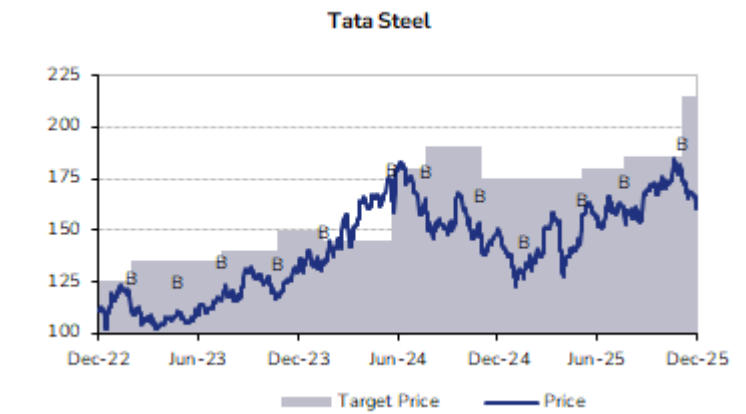
Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	1.5%	2.0%	5.3%	6.9%	7.6%
Asset Turnover (x)	1.2	1.2	1.2	1.2	1.1
Leverage Factor (x)	1.9	2.1	2.1	2.0	1.9
RoE	3.5%	4.8%	12.9%	16.0%	16.4%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	73.8	73.1	79.9	90.6	103.5
ROIC	3.2%	3.7%	9.3%	11.4%	12.2%
ROE	3.5%	4.8%	12.9%	16.0%	16.4%
Net Debt/Equity (x)	0.9	1.0	0.9	0.7	0.6
P/E (x)	59.8	46.2	16.5	11.8	10.2
P/B (x)	2.2	2.2	2.0	1.8	1.6
EV/EBITDA (x)	12.8	11.5	8.3	7.2	6.5
EV/Sales (x)	1.2	1.3	1.2	1.2	1.1
Debtor days	10	9	9	9	9
Inventory days	78	74	77	82	87
Creditor days	112	114	118	120	123

Source: Company, JM Financial

## History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
8-Apr-21	Buy	116	
6-May-21	Buy	142	22.4
13-Aug-21	Buy	178	25.4
12-Nov-21	Buy	172	-3.7
7-Feb-22	Buy	168	-2.0
4-May-22	Buy	174	3.5
26-Jul-22	Buy	123	-29.3
1-Nov-22	Buy	125	1.9
7-Feb-23	Buy	135	7.7
3-May-23	Buy	135	0.0
25-Jul-23	Buy	140	3.7
2-Nov-23	Buy	150	7.1
25-Jan-24	Buy	145	-3.0
30-May-24	Buy	180	23.8
1-Aug-24	Buy	190	5.8
7-Nov-24	Buy	175	-8.2
28-Jan-25	Buy	175	0.0
13-May-25	Buy	180	3.2
31-Jul-25	Buy	185	2.9
13-Nov-25	Buy	215	16.1

## Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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