

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↑ |
| Rating change   | ↔ |

|                       |               |
|-----------------------|---------------|
| Bloomberg             | TATA IN       |
| Equity Shares (m)     | 12484         |
| M.Cap.(INRb)/(USDb)   | 1971.7 / 22.5 |
| 52-Week Range (INR)   | 170 / 123     |
| 1, 6, 12 Rel. Per (%) | 2/12/-4       |
| 12M Avg Val (INR M)   | 5703          |
| Free float (%)        | 66.8          |

## Financials & Valuations (INR b)

| Y/E MARCH         | 2025  | 2026E | 2027E |
|-------------------|-------|-------|-------|
| Sales             | 2,185 | 2,310 | 2,542 |
| EBITDA            | 259   | 342   | 397   |
| Adj. PAT          | 42    | 108   | 162   |
| EBITDA Margin (%) | 11.9  | 14.8  | 15.6  |
| Adj. EPS (INR)    | 3.4   | 8.7   | 13.0  |
| EPS Gr. (%)       | 41.5  | 157.3 | 50.0  |
| BV/Sh. (INR)      | 68    | 70    | 76    |

## Ratios

|            |       |      |      |
|------------|-------|------|------|
| Net D:E    | 1.0   | 1.0  | 0.9  |
| RoE (%)    | 4.9   | 12.5 | 17.8 |
| RoCE (%)   | 9.0   | 12.9 | 15.3 |
| Payout (%) | 136.7 | 80.9 | 53.9 |

## Valuations

|                |      |      |      |
|----------------|------|------|------|
| P/E (x)        | 46.7 | 18.2 | 12.1 |
| P/BV (x)       | 2.3  | 2.2  | 2.1  |
| EV/EBITDA(x)   | 10.8 | 8.3  | 7.1  |
| Div. Yield (%) | 2.9  | 4.5  | 4.5  |
| FCF Yield (%)  | 4.4  | 5.6  | 7.6  |

## Shareholding pattern (%)

| As On    | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 33.2   | 33.2   | 33.2   |
| DII      | 26.3   | 24.7   | 23.5   |
| FII      | 17.7   | 18.8   | 20.3   |
| Others   | 22.8   | 23.4   | 23.0   |

FII Includes depository receipts

**CMP: INR158 TP: INR165 (+4%) Neutral**

## EBITDA above estimates as Europe's performance improves; lower tax outgo drives sharp APAT beat

### Standalone performance largely as anticipated

- Revenue stood at INR310b (fell 6% YoY and 10% QoQ), in line with our estimates. The decline was largely driven by muted volumes during 1Q.
- Steel production stood at 5.07mt (+1% YoY and -3% QoQ), while deliveries were in line with our estimates at 4.75mt, declining 4% YoY and 15% QoQ. Production and deliveries were affected by maintenance shutdown in the Jamshedpur and NINL plants.
- ASP strongly rebounded to INR65,293/t in 1QFY26, rising 6% QoQ, but remained 2% lower YoY during the quarter. EBITDA in 1QFY26 stood at INR71.2b (+5% YoY and +2% QoQ), in line with our est., translating into an EBITDA/t of INR14,988/t (+9% YoY and +20% QoQ).
- APAT for the quarter stood at INR37b (+5% YoY and +1% QoQ), against our estimate of INR34b, led by a lower tax outgo and better operating profit.

### European operations report EBITDA improvement

- Consol. steel deliveries stood at 2.1mt (-2% YoY and -12% QoQ), in line with our estimates during the quarter.
- Revenue stood at INR207b (-1% YoY and flat QoQ), 8% above our estimates.
- EBITDA turned positive during the quarter at INR1.45b (our est. INR0.62b), against an EBITDA loss of INR5b in 1QFY25 and INR7.5b in 4QFY25.
- EBITDA/t stood at USD8/t in 1QFY26, against an EBITDA/t loss of USD28/t in 1QFY25 and USD38/t in 4QFY25.

### Consolidated performance — Lower tax outgo drives sharp APAT beat

- Revenue stood at INR532b (-3% YoY and -5% QoQ) and was 6% above our estimate. The decline was mainly due to muted volumes during the quarter.
- Sales volume stood at 7.12mt (-4% YoY and -15% QoQ), which was offset by a better ASP of INR74,688/t (+1% YoY and +11% QoQ) in 1QFY26.
- Adjusted EBITDA stood at INR74.3b (+11% YoY and +13% QoQ) against our estimate of INR69.6b, translating into an EBITDA/t of INR10,432 (+15% YoY and +32% QoQ) in 1QFY26.
- APAT for the quarter stood at INR21.3b (+62% YoY and +26% QoQ), against our estimate of INR15.8b, on account of a lower tax outgo.
- Net debt stood at INR848b as of 1QFY26, which includes cash of INR141b. This translates into net debt/EBITDA of 3.21x as of Jun'25.

### Highlights from the management commentary

- Despite the drop in 1Q volumes due to maintenance shutdown, TATA has maintained its ~1.5mt incremental volume guidance for India in FY26. This would be mainly driven by production ramp-up at Kalinganagar.

- Management guided India NSR to be INR2,000/t lower in 2QFY26 compared to 1Q, due to seasonal weakness and domestic supply pressure.
- Coking coal consumption cost is projected to reduce by USD10/t in both India and the Netherlands during Q2 FY26. Iron ore cost in the Netherlands is expected to be lower by USD7-8/t in 2QFY26.
- Total cost savings target of INR115b will be achieved in 12-18 months, of which INR44b (INR15b in FY25 and INR29b in 1QFY26) has already been realized as of 1QFY26.

#### **Valuation and view – Long-term outlook remains strong for TATA**

- Overall, 1QFY26 posted a decent performance, primarily driven by EBITDA improvement at the European division. The Indian business continues to post healthy performance as anticipated, led by healthy NSR, which offset the muted volume caused by maintenance shutdown at the NINL and Jamshedpur capacities.
- EBITDA improvement in Europe operations is expected to continue steadily in the coming quarters on account of its cost-restructuring measures. The capacity ramp-up in the Netherlands and lower fixed costs should also support the overall EBITDA performance going forward.
- Though there are near-term uncertainties related to price volatility due to trade tension and recent correction in steel prices, the long-term outlook remains strong for TATA. We largely maintain our FY26/FY27 estimates, owing to decent performance during the quarter. **At CMP, TATA is trading at 7x FY27E EV/EBITDA and 2.1x FY27E P/B. We reiterate our Neutral rating with a revised SOTP-based TP of INR165 per share.**

### Standalone quarterly performance (INR b)

| Y/E March                   | FY25   |        |        |        | FY26E  |        |        |        | FY25    | FY26E   | FY26   | Vs Est |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|--------|--------|
|                             | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2QE    | 3QE    | 4QE    |         |         | 1QE    | (%)    |
| <b>Sales Vol (kt)</b>       | 4,940  | 5,110  | 5,290  | 5,600  | 4,750  | 5,417  | 5,925  | 6,517  | 20,940  | 22,608  | 4,718  | 0.7    |
| Change (YoY %)              | 3.1    | 6.0    | 8.4    | 3.3    | -3.8   | 6.0    | 12.0   | 16.4   | 5.2     | 8.0     |        |        |
| <b>ASP (INR/t)</b>          | 66,720 | 63,404 | 61,929 | 61,427 | 65,293 | 62,056 | 63,282 | 64,181 | 63,284  | 63,670  | 63,882 | 2.2    |
| Change (YoY %)              | -9.9   | -10.6  | -12.9  | -9.1   | -2.1   | -2.1   | 2.2    | 4.5    | -10.6   | 0.6     |        |        |
| <b>Net Sales</b>            | 329.6  | 324.0  | 327.6  | 344.0  | 310.1  | 336.1  | 374.9  | 418.3  | 1,325.2 | 1,439.5 | 301.4  | 2.9    |
| Change (YoY %)              | -7.1   | -5.2   | -5.5   | -6.1   | -5.9   | 3.7    | 14.4   | 21.6   | -6.0    | 8.6     |        |        |
| Change (QoQ %)              | -10.0  | -1.7   | 1.1    | 5.0    | -9.8   | 8.4    | 11.5   | 11.6   |         |         |        |        |
| <b>Total Expenditure</b>    | 261.9  | 257.9  | 252.6  | 274.2  | 238.9  | 262.6  | 287.3  | 315.7  | 1,046.5 | 1,104.5 |        |        |
| As a % of net sales         | 79.4   | 79.6   | 77.1   | 79.7   | 77.0   | 78.1   | 76.6   | 75.5   | 79.0    | 76.7    |        |        |
| <b>EBITDA</b>               | 67.7   | 66.1   | 75.0   | 69.8   | 71.2   | 73.6   | 87.6   | 102.6  | 278.7   | 335.0   | 68.0   | 4.7    |
| Change (YoY %)              | 1.6    | -3.8   | -9.1   | -13.3  | 5.1    | 11.3   | 16.8   | 47.0   | -6.6    | 20.2    |        |        |
| Change (QoQ %)              | -15.8  | -2.4   | 13.5   | -6.9   | 2.0    | 3.3    | 19.1   | 17.0   |         |         |        |        |
| (% of Net Sales)            | 20.6   | 20.4   | 22.9   | 20.3   | 23.0   | 21.9   | 23.4   | 24.5   | 21.0    | 23.3    |        |        |
| <b>EBITDA(INR/t)</b>        | 13,711 | 12,935 | 14,179 | 12,463 | 14,988 | 13,583 | 14,790 | 15,738 | 13,307  | 14,816  | 14,413 | 4.0    |
| Interest                    | 9.2    | 11.3   | 10.8   | 11.0   | 12.7   | 10.8   | 10.8   | 10.9   | 42.4    | 45.2    |        |        |
| Depreciation                | 15.2   | 15.6   | 15.6   | 16.2   | 16.3   | 17.4   | 17.4   | 18.6   | 62.5    | 69.7    |        |        |
| Other Income                | 3.7    | 8.5    | 4.6    | 5.6    | 5.6    | 7.4    | 7.4    | 7.8    | 22.5    | 28.1    |        |        |
| <b>PBT (before EO Inc.)</b> | 47.0   | 47.7   | 53.2   | 48.3   | 47.8   | 52.8   | 66.8   | 80.8   | 196.2   | 248.2   |        |        |
| EO Income(exp)              | -2.4   | 0.1    | -1.5   | -5.3   | -2.2   |        |        |        | -9.0    | -2.2    |        |        |
| <b>PBT (after EO Inc.)</b>  | 44.6   | 47.9   | 51.7   | 42.9   | 45.6   | 52.8   | 66.8   | 80.8   | 187.2   | 246.0   | 47.3   | (3.7)  |
| Total Tax                   | 11.3   | 11.9   | 13.0   | 11.2   | 10.3   | 14.8   | 18.7   | 25.7   | 47.5    | 69.5    |        |        |
| % Tax                       | 25.4   | 25.0   | 25.0   | 26.2   | 22.7   | 28.0   | 28.0   | 31.8   | 25.4    | 28.2    |        |        |
| <b>Reported PAT</b>         | 33.3   | 35.9   | 38.8   | 31.7   | 35.2   | 38.0   | 48.1   | 55.1   | 139.7   | 176.5   |        |        |
| <b>Adjusted PAT</b>         | 35.7   | 35.8   | 40.2   | 37.0   | 37.4   | 38.0   | 48.1   | 55.1   | 148.7   | 178.7   | 34.1   | 9.9    |
| Change (YoY %)              | -23.0  | -20.1  | -13.3  | -21.1  | 5.0    | 6.3    | 19.6   | 48.9   | -19.4   | 20.2    |        |        |
| Change (QoQ %)              | -24.0  | 0.3    | 12.5   | -8.0   | 1.1    | 1.6    | 26.6   | 14.6   |         |         |        |        |

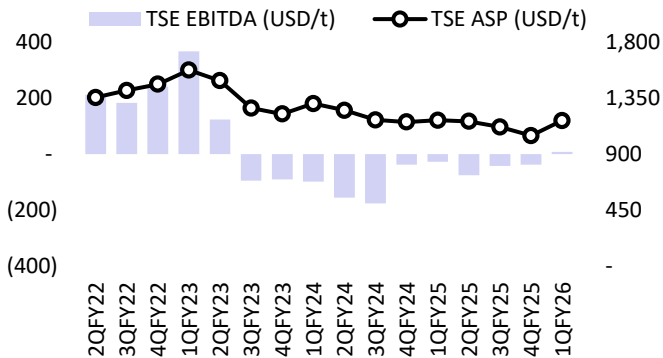
### Consolidated quarterly performance (INR b)

| Y/E March                                  | FY25   |        |        |        | FY26E  |        |        |        | FY25    | FY26E   | FY26   | vs Est |
|--|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|--------|--------|
|  | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2QE    | 3QE    | 4QE    |         |         | 1QE    | (%)    |
| <b>Sales (k tons)</b>                      | 7,390  | 7,520  | 7,720  | 8,330  | 7,120  | 8,052  | 8,832  | 9,255  | 30,960  | 33,258  | 7,143  | (0.3)  |
| Change (YoY %)                             | 2.6    | 6.4    | 8.0    | 4.4    | -3.7   | 7.1    | 14.4   | 11.1   | 5.3     | 7.4     |        |        |
| <b>Avg Realization (INR/t)</b>             | 74,116 | 71,682 | 69,493 | 67,489 | 74,688 | 66,549 | 67,897 | 69,415 | 70,589  | 69,447  | 70,087 | 6.6    |
| <b>Net Sales</b>                           | 547.7  | 539.0  | 536.5  | 562.2  | 531.8  | 535.8  | 599.7  | 642.4  | 2,185.4 | 2,309.7 | 500.6  | 6.2    |
| Change (YoY %)                             | -7.9   | -3.2   | -3.0   | -4.2   | -2.9   | -0.6   | 11.8   | 14.3   | -4.6    | 5.7     |        |        |
| Change (QoQ %)                             | -6.7   | -1.6   | -0.5   | 4.8    | -5.4   | 0.8    | 11.9   | 7.1    |         |         |        |        |
| <b>EBITDA</b>                              | 66.9   | 55.2   | 71.5   | 65.6   | 74.3   | 68.0   | 89.9   | 110.1  | 259.3   | 342.4   | 69.6   | 6.7    |
| Change (YoY %)                             | 29.4   | 29.4   | 24.6   | -0.6   | 11.0   | 23.2   | 25.7   | 67.9   | 19.0    | 32.0    |        |        |
| Change (QoQ %)                             | 1.4    | -17.5  | 29.6   | -8.3   | 13.2   | -8.4   | 32.2   | 22.4   |         |         |        |        |
| <b>EBITDA (INR/t)</b>                      | 9,059  | 7,343  | 9,268  | 7,874  | 10,432 | 8,450  | 10,184 | 11,898 | 8,376   | 10,294  | 9,746  | 7.0    |
| Interest                                   | 17.8   | 19.7   | 18.0   | 17.9   | 18.5   | 18.9   | 19.3   | 20.6   | 73.4    | 77.3    |        |        |
| Depreciation                               | 25.4   | 26.0   | 25.7   | 27.2   | 27.4   | 26.5   | 27.2   | 27.6   | 104.2   | 108.8   |        |        |
| Other Income                               | 2.6    | 6.0    | 2.2    | 4.6    | 2.9    | 5.0    | 5.1    | 5.5    | 15.4    | 18.5    |        |        |
| <b>PBT (before EO Inc.)</b>                | 26.4   | 15.5   | 30.0   | 25.1   | 31.2   | 27.6   | 48.5   | 67.4   | 97.1    | 174.7   |        |        |
| EO Income(exp)                             | -3.6   | 6.4    | -13.8  | -3.9   | -1.3   |        |        |        | -14.9   | -1.3    |        |        |
| <b>PBT (after EO Inc.)</b>                 | 22.8   | 21.9   | 16.3   | 21.2   | 29.9   | 27.6   | 48.5   | 67.4   | 82.2    | 173.4   |        |        |
| Total Tax                                  | 14.6   | 14.1   | 13.8   | 10.0   | 10.6   | 11.6   | 18.9   | 29.4   | 52.4    | 70.6    |        |        |
| % Tax                                      | 55.2   | 90.5   | 45.8   | 39.8   | 34.0   | 42.0   | 39.0   | 43.7   | 54.0    | 40.4    |        |        |
| <b>PAT before MI and associate</b>         | 8.3    | 7.8    | 2.5    | 11.2   | 19.3   | 16.0   | 29.6   | 37.9   | 29.8    | 102.8   |        |        |
| Minority Interests                         | -0.4   | -0.7   | -0.3   | -1.0   | -0.7   |        |        | 0.7    | -2.5    |         |        |        |
| Share of asso. PAT                         | 0.9    | -0.3   | 0.5    | 0.8    | 0.8    | 1.2    | 1.2    | 1.5    | 1.9     | 4.6     |        |        |
| <b>Reported PAT (After MI &amp; asso.)</b> | 9.6    | 8.3    | 3.3    | 13.0   | 20.8   | 17.2   | 30.8   | 38.7   | 34.2    | 107.5   |        |        |
| <b>Adj. PAT (after MI &amp; asso.)</b>     | 13.2   | 4.5    | 7.4    | 16.9   | 21.3   | 17.2   | 30.8   | 38.7   | 42.0    | 108.0   | 15.8   | 34.7   |
| Change (YoY %)                             | 112.3  | -35.8  | 68.8   | 40.1   | 61.7   | 281.0  | 315.8  | 129.3  | 41.5    | 157.3   |        |        |
| Change (QoQ %)                             | 9.3    | -65.8  | 64.1   | 128.3  | 26.1   | -19.3  | 79.1   | 25.9   |         |         |        |        |

Source: MOFSL, Company

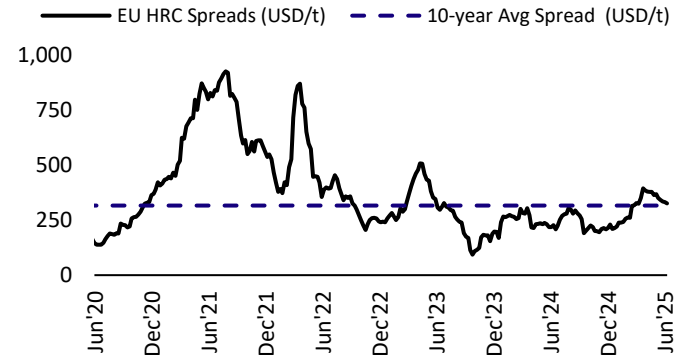
## Story in charts

**Exhibit 1: TSE's EBITDA turned positive to USD8/t**



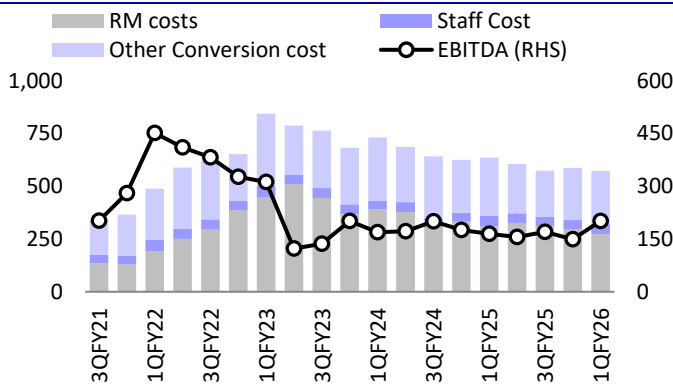
Source: MOFSL, Company

**Exhibit 2: EU HRC spreads started improving**



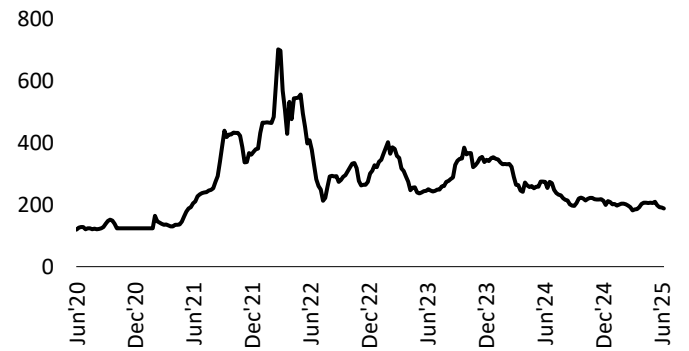
Source: MOFSL, SteelMint

**Exhibit 3: India's EBITDA improved to USD200/t**



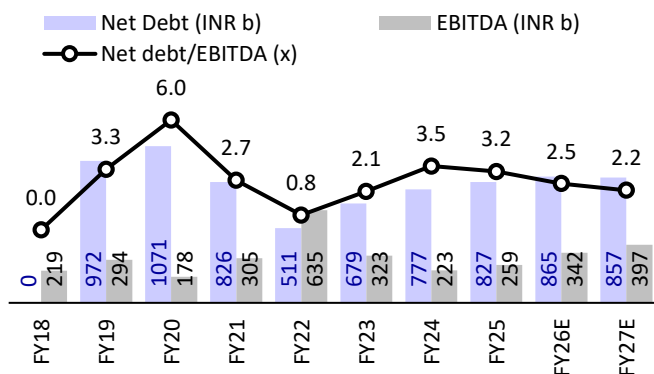
Source: MOFSL, SteelMint, Bloomberg

**Exhibit 4: Coking coal price (USD/t) remained soft**



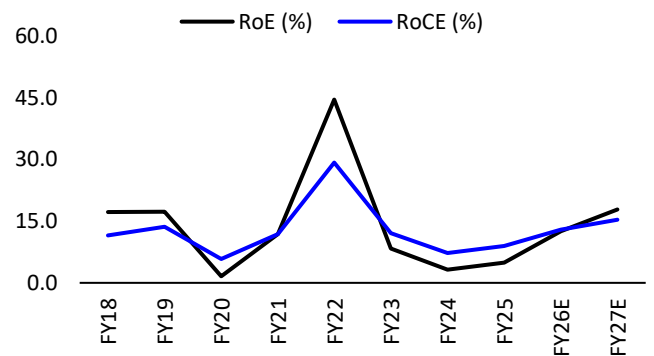
Source: MOFSL, SteelMint

**Exhibit 5: Net debt-to-EBITDA ratio expected to come down**



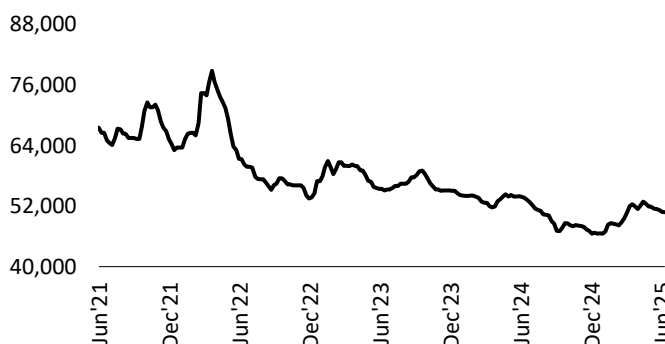
Source: MOFSL, Company

**Exhibit 6: ROE/ROCE expected to improve**



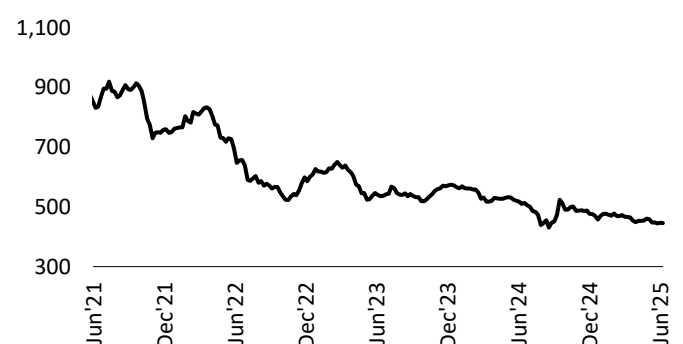
Source: MOFSL, SteelMint

**Exhibit 7: India's domestic HRC prices (INR/t)**



Source: MOFSL, SteelMint, Bloomberg

**Exhibit 8: China's domestic HRC prices (USD/t)**



Source: MOFSL, SteelMint



## Highlights from the management commentary

### Management guidance

- Despite the drop in 1Q volumes due to maintenance shutdown, TATA has maintained its ~1.5mt incremental volume guidance for India in FY26, to be mainly driven by production ramp-up at Kalinganagar.
- Management guided India NSR to be INR2,000/t lower in 2QFY26 compared to 1Q, due to seasonal weakness and domestic supply pressure.
- Coking coal consumption cost is projected to reduce by USD10/t in both India and Netherlands during Q2 FY26. Whereas the iron ore cost in Netherlands is expected to be lower by USD7-8/t in 2QFY26, aiding margins further.
- TATA achieved INR29b of cost savings in 1QFY26, in which India operations saw INR11b of cost saving, INR14b in Netherlands, and INR4b in UK operations.
- Total cost savings target of INR115b will be achieved in 12-18 months, of which INR44b (INR15b in FY25 and INR29b in 1QFY26) is already realized till now.
- Conversion costs of India operation declined INR7b QoQ, driven by a reduction in power & fuel cost, lower maintenance, and efficiency gains under the cost saving program.

### TATA – European operations

- TATA Netherlands is actively engaging with the Dutch government for funding support towards de-carbonization and emission reduction initiatives.
- Netherlands cost saving of INR14b was mainly driven by improved sales mix and procurement efficiencies. UK cost saving of INR4b was led by lower maintenance, lease, and operating charges.
- UK EAF plant will help the company to process existing local scrap (UK the biggest scrap supplier) rather than importing iron ore and coking coal as earlier.
- The US duty on Dutch-origin steel (25–50%) caused an USD14m EBITDA impact in 1QFY25, though a partial cost sharing was agreed with customers.
- EU-CBAM is expected to rollout from Jan'26 and will favor domestic producers like TATA-Netherlands, with long-term competitiveness.
- UK operation challenges - 1) US tariffs impacting shipment and 2) liberalized import quota and contracted demand (15% decline in auto demand).
- The UK government is reviewing safeguard quotas and policy revisions are expected to improve pricing dynamics in the coming months.

### Indian operations

- Tata Steel is expanding its Kalinganagar facility, with all major steelmaking units (vessels, caster, annealing, and galvanizing lines) expected to be operational in FY26E.
- In 1QFY26, NINL reported an EBITDA of INR2.2b, with an EBITDA margin of 24% vs 23% in 4QFY25. The BF at NINL was shut for maintenance in Apr'25 has resumed normal operating levels.
- The proposed expansion of NINL is in advanced stages of planning, and the company is seeking to complete all the approvals and engineering work before pursuing the Board's approval (Final Investment Decision- Oct'25) to enable faster execution.

- The 0.75mtpa EAF plant in Ludhiana is under construction and expected to be commissioned within 2 years.
- The Ludhiana EAF plant will target the high-margin retail rebar market within 300km range (expects to save INR2,000-3,000/t in logistics costs), helping TATA to achieve better NSR, despite higher EAF production costs. This capacity will source scrap locally via scrap processing facility in Rohtak.
- A 0.5mtpa Combi Mill in Jamshedpur is also being set up to convert surplus billets into long steel products, enabling value addition.

#### **Other Highlights**

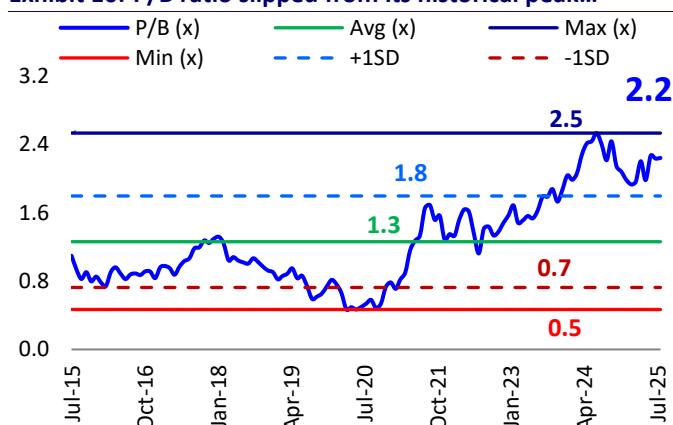
- Geopolitical tensions, US policies, and China's macroeconomic situation are driving steel trade flow volatility. Steel prices in China increased ~USD35-40/t in early July due to policy announcements, but the impact on global prices is yet to fully materialize.
- Steel prices in India rose in Apr'25, led by safeguard measures, but softened in Jun-Jul'25 due to lower Chinese exports prices. Due to lower domestic export prices, more Indian steel is being sold domestically leading to additional price pressure in the domestic market.
- Domestic demand is expected to improve post-monsoon with construction activity and the festival season, supported by a good monsoon forecast.
- The company spent INR38.29b as capex in 1QFY26, primarily for Indian growth projects (e.g., Kalinganagar, Ludhiana EAF).
- TATA has completed the residual acquisition of NINL in Jul'25, making it a 100% wholly owned subsidiary.

**Exhibit 9: Changes to our estimates and key financials**

| Key Assumptions      | UoM   | FY26E  |        |            | FY27E  |        |            |
|----------------------|-------|--------|--------|------------|--------|--------|------------|
|                      |       | New    | Old    | Change (%) | New    | Old    | Change (%) |
| Standalone           |       |        |        |            |        |        |            |
| Volumes              | mt    | 22.6   | 22.6   | 0.0        | 23.9   | 23.9   | 0.0        |
| ASP                  | INR/t | 63,670 | 63,670 | 0.0        | 66,920 | 66,920 | 0.0        |
| Revenue              | INR b | 1,439  | 1,439  | 0.0        | 1,602  | 1,602  | 0.0        |
| EBITDA               | INR/t | 14,816 | 14,816 | 0.0        | 15,935 | 15,935 | 0.0        |
| EBITDA               | INR b | 335    | 335    | 0.0        | 381    | 381    | 0.0        |
| Europe               |       |        |        |            |        |        |            |
| Volumes              | mt    | 9.0    | 9.0    | 0.0        | 8.8    | 8.8    | 0.0        |
| ASP                  | USD/t | 1,120  | 1,120  | 0.0        | 1,205  | 1,205  | 0.0        |
| Revenue              | INR b | 835    | 835    | 0.0        | 897    | 897    | 0.0        |
| EBITDA               | USD/t | 27     | 27     | 0.0        | 24     | 24     | 0.0        |
| EBITDA               | INR b | 20     | 20     | 0.0        | 18     | 18     | 0.0        |
| Consolidated (INR b) |       |        |        |            |        |        |            |
| Revenue              | INR b | 2,310  | 2,310  | 0.0        | 2,542  | 2,542  | 0.0        |
| EBITDA               | "     | 342    | 342    | 0.0        | 397    | 397    | 0.0        |
| APAT                 | "     | 108    | 109    | -0.9       | 162    | 162    | 0.0        |

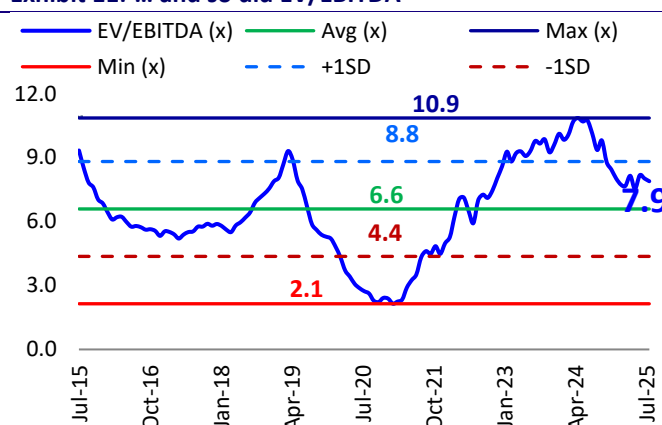
Source: MOFSL

**Exhibit 10: P/B ratio slipped from its historical peak...**



Source: MOFSL, Company data

**Exhibit 11: ... and so did EV/EBITDA**



Source: MOFSL, Company data

**Exhibit 12: TATA (INR b) looks fairly valued at CMP**

| Y/E March                 | UoM           | FY27E        |
|---------------------------|---------------|--------------|
| <b>Standalone</b>         |               |              |
| Sales                     | mt            | 23.9         |
| EBITDA                    | INR/t         | 15,935       |
| EBITDA                    | INR b         | 381          |
| Target multiple           | x             | 7.0          |
| <b>Target EV</b>          | <b>INR b</b>  | <b>2,670</b> |
| <b>Europe</b>             |               |              |
| Sales                     | mt            | 7.0          |
| EBITDA                    | INR/t         | 2,043        |
| EBITDA                    | INR b         | 14           |
| Target multiple           | x             | 5.0          |
| <b>Target EV</b>          | <b>INR b</b>  | <b>72</b>    |
| <b>Other Subsidiaries</b> |               |              |
| EBITDA - India subs       | INR b         | 2            |
| Target EBITDA multiple    | x             | 4.0          |
| <b>Target EV</b>          | <b>INR b</b>  | <b>6</b>     |
| <b>Target EV</b>          | <b>INR b</b>  | <b>2,748</b> |
| Net Debt (d)              | INR b         | 857          |
| <b>Total equity value</b> | <b>INR b</b>  | <b>1,891</b> |
| <b>No of shares o/s</b>   | <b>b</b>      | <b>12.5</b>  |
| <b>Target Price</b>       | <b>INR/sh</b> | <b>165</b>   |

Source: MOFSL

## Financials and valuations

| Income Statement (Consolidated)    |              |              |              |              |              |              |              |              | (INR b)      |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March                          | FY18         | FY19         | FY20         | FY21         | FY22         | FY23         | FY24         | FY25         | FY26E        | FY27E        |
| <b>Net Sales</b>                   | <b>1,322</b> | <b>1,577</b> | <b>1,490</b> | <b>1,563</b> | <b>2,440</b> | <b>2,434</b> | <b>2,292</b> | <b>2,185</b> | <b>2,310</b> | <b>2,542</b> |
| Change (%)                         | 17.7         | 19.3         | (5.5)        | 4.9          | 56.1         | (0.2)        | (5.8)        | (4.6)        | 5.7          | 10.1         |
| <b>EBITDA</b>                      | <b>219</b>   | <b>294</b>   | <b>178</b>   | <b>305</b>   | <b>635</b>   | <b>323</b>   | <b>223</b>   | <b>259</b>   | <b>342</b>   | <b>397</b>   |
| % of Net Sales                     | 16.6         | 18.6         | 12.0         | 19.5         | 26.0         | 13.3         | 9.7          | 11.9         | 14.8         | 15.6         |
| Depn. & Amortization               | 60           | 73           | 87           | 92           | 91           | 93           | 99           | 104          | 109          | 109          |
| <b>EBIT</b>                        | <b>159</b>   | <b>220</b>   | <b>91</b>    | <b>213</b>   | <b>544</b>   | <b>230</b>   | <b>124</b>   | <b>155</b>   | <b>234</b>   | <b>289</b>   |
| Finance cost                       | 55           | 77           | 76           | 76           | 55           | 63           | 75           | 73           | 77           | 75           |
| Other income                       | 9            | 14           | 18           | 9            | 8            | 10           | 18           | 15           | 18           | 20           |
| <b>PBT before EO</b>               | <b>113</b>   | <b>158</b>   | <b>34</b>    | <b>146</b>   | <b>497</b>   | <b>177</b>   | <b>67</b>    | <b>97</b>    | <b>175</b>   | <b>234</b>   |
| EO income                          | 96           | (1)          | (49)         | (10)         | (1)          | 1            | (78)         | (15)         | (1)          | -            |
| <b>PBT after EO</b>                | <b>209</b>   | <b>157</b>   | <b>(16)</b>  | <b>135</b>   | <b>496</b>   | <b>178</b>   | <b>(11)</b>  | <b>82</b>    | <b>173</b>   | <b>234</b>   |
| Tax                                | 34           | 67           | (26)         | 57           | 85           | 102          | 38           | 52           | 71           | 77           |
| Rate (%)                           | 16.3         | 42.8         | 162.8        | 41.8         | 17.1         | 57.0         | NA           | 63.7         | 40.7         | 32.8         |
| <b>PAT (Before MI &amp; asso.)</b> | <b>175</b>   | <b>90</b>    | <b>10</b>    | <b>79</b>    | <b>411</b>   | <b>77</b>    | <b>(49)</b>  | <b>30</b>    | <b>103</b>   | <b>157</b>   |
| Minority interest P/L              | 43           | (11)         | (4)          | 7            | 16           | (7)          | (5)          | (2)          | -            | -            |
| Share of asso. PAT                 | 2            | 2            | 2            | 3            | 6            | 4            | (1)          | 2            | 5            | 5            |
| <b>RPAT (After MI &amp; asso.)</b> | <b>134</b>   | <b>103</b>   | <b>16</b>    | <b>75</b>    | <b>402</b>   | <b>88</b>    | <b>(44)</b>  | <b>34</b>    | <b>107</b>   | <b>162</b>   |
| Div. on Pref. /Hybrid Sec.         | 3            | 3            | 3            | 3            | 0            | -            | -            | -            | -            | -            |
| <b>Adjusted PAT</b>                | <b>80</b>    | <b>101</b>   | <b>10</b>    | <b>83</b>    | <b>402</b>   | <b>86</b>    | <b>30</b>    | <b>42</b>    | <b>108</b>   | <b>162</b>   |
| Change (%)                         | 116.3        | 27.3         | (89.8)       | 697.0        | 386.8        | (78.5)       | (65.7)       | 41.5         | 157.3        | 50.0         |

| Balance Sheet (Consolidated)       |              |              |              |              |              |              |              |              | (INR b)      |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Y/E March                          | FY18         | FY19         | FY20         | FY21         | FY22         | FY23         | FY24         | FY25         | FY26E        | FY27E        |
| Share Capital                      | 11           | 11           | 11           | 12           | 12           | 12           | 12           | 12           | 12           | 12           |
| Reserves                           | 575          | 655          | 702          | 723          | 1,132        | 1,019        | 908          | 899          | 919          | 994          |
| <b>Net Worth</b>                   | <b>586</b>   | <b>667</b>   | <b>713</b>   | <b>735</b>   | <b>1,144</b> | <b>1,031</b> | <b>920</b>   | <b>912</b>   | <b>932</b>   | <b>1,006</b> |
| Minority Interest                  | 9            | 24           | 26           | 33           | 27           | 21           | 4            | 2            | 2            | 2            |
| Total Loans                        | 942          | 1,031        | 1,186        | 956          | 756          | 849          | 871          | 948          | 958          | 968          |
| Deferred Tax Liability             | 95           | 115          | 78           | 75           | 93           | 115          | 89           | 105          | 110          | 116          |
| <b>Capital Employed</b>            | <b>1,632</b> | <b>1,836</b> | <b>2,003</b> | <b>1,798</b> | <b>2,020</b> | <b>2,016</b> | <b>1,884</b> | <b>1,966</b> | <b>2,002</b> | <b>2,092</b> |
| Gross Block                        | 1,399        | 1,730        | 1,955        | 2,120        | 2,159        | 2,382        | 2,243        | 2,369        | 2,736        | 2,986        |
| Less: Accum. Depn.                 | 479          | 526          | 652          | 806          | 869          | 972          | 932          | 1,036        | 1,145        | 1,254        |
| <b>Net Fixed Assets</b>            | <b>920</b>   | <b>1,204</b> | <b>1,305</b> | <b>1,314</b> | <b>1,290</b> | <b>1,410</b> | <b>1,431</b> | <b>1,450</b> | <b>1,591</b> | <b>1,732</b> |
| Capital WIP                        | 166          | 186          | 195          | 190          | 220          | 312          | 344          | 416          | 326          | 236          |
| Investments                        | 30           | 32           | 29           | 35           | 58           | 48           | 55           | 58           | 58           | 58           |
| Goodwill on consolidation          | 41           | 40           | 41           | 43           | 43           | 56           | 57           | 60           | 60           | 60           |
| <b>Curr. Assets</b>                | <b>929</b>   | <b>863</b>   | <b>921</b>   | <b>855</b>   | <b>1,213</b> | <b>1,028</b> | <b>806</b>   | <b>772</b>   | <b>772</b>   | <b>843</b>   |
| Inventory                          | 283          | 317          | 311          | 333          | 488          | 544          | 492          | 446          | 471          | 519          |
| Account Receivables                | 124          | 118          | 79           | 95           | 122          | 83           | 63           | 53           | 56           | 61           |
| Cash & liquid investment           | 228          | 59           | 115          | 130          | 244          | 170          | 94           | 121          | 93           | 111          |
| Others                             | 294          | 370          | 417          | 297          | 358          | 231          | 158          | 152          | 152          | 152          |
| <b>Curr. Liability &amp; Prov.</b> | <b>455</b>   | <b>490</b>   | <b>487</b>   | <b>639</b>   | <b>805</b>   | <b>838</b>   | <b>809</b>   | <b>788</b>   | <b>805</b>   | <b>836</b>   |
| Account Payables                   | 204          | 217          | 214          | 260          | 368          | 378          | 354          | 293          | 310          | 341          |
| Provisions & Others                | 251          | 273          | 273          | 380          | 437          | 460          | 455          | 495          | 495          | 495          |
| <b>Net Current Assets</b>          | <b>475</b>   | <b>373</b>   | <b>434</b>   | <b>216</b>   | <b>408</b>   | <b>189</b>   | <b>(3)</b>   | <b>(16)</b>  | <b>(32)</b>  | <b>7</b>     |
| <b>Appl. of Funds</b>              | <b>1,632</b> | <b>1,836</b> | <b>2,003</b> | <b>1,798</b> | <b>2,020</b> | <b>2,016</b> | <b>1,884</b> | <b>1,966</b> | <b>2,002</b> | <b>2,092</b> |

**Ratios (Consolidated)**

| Y/E March                     | FY18       | FY19       | FY20       | FY21       | FY22        | FY23       | FY24       | FY25       | FY26E      | FY27E       |
|-------------------------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|-------------|
| <b>Basic (INR)</b>            |            |            |            |            |             |            |            |            |            |             |
| <b>EPS</b>                    | <b>7.0</b> | <b>8.9</b> | <b>0.9</b> | <b>6.9</b> | <b>33.0</b> | <b>7.1</b> | <b>2.4</b> | <b>3.4</b> | <b>8.7</b> | <b>13.0</b> |
| Cash EPS                      | 12.2       | 15.3       | 8.5        | 14.6       | 40.4        | 14.7       | 10.3       | 11.7       | 17.4       | 21.7        |
| BV/Share (ex-goodwill)        | 47.6       | 54.7       | 58.7       | 57.7       | 90.2        | 79.8       | 69.2       | 68.3       | 69.9       | 75.9        |
| DPS                           | 0.8        | 1.0        | 1.0        | 2.5        | 5.1         | 3.6        | 3.6        | 4.6        | 7.0        | 7.0         |
| Payout (%)                    | 11.6       | 11.3       | 110.4      | 36.2       | 15.5        | 50.8       | 151.3      | 136.7      | 80.9       | 53.9        |
| <b>Valuation (x)</b>          |            |            |            |            |             |            |            |            |            |             |
| P/E                           | 22.6       | 17.8       | 173.6      | 22.8       | 4.8         | 22.2       | 66.1       | 46.7       | 18.2       | 12.1        |
| Cash P/E                      | 12.9       | 10.3       | 18.5       | 10.8       | 3.9         | 10.7       | 15.3       | 13.4       | 9.1        | 7.2         |
| P/BV                          | 3.3        | 2.9        | 2.7        | 2.7        | 1.7         | 2.0        | 2.3        | 2.3        | 2.2        | 2.1         |
| EV/Sales                      | 1.9        | 1.8        | 1.9        | 1.7        | 1.0         | 1.1        | 1.2        | 1.3        | 1.2        | 1.1         |
| EV/EBITDA                     | 11.5       | 9.4        | 16.1       | 8.9        | 3.8         | 8.0        | 12.3       | 10.8       | 8.3        | 7.1         |
| Dividend Yield (%)            | 0.5        | 0.6        | 0.6        | 1.6        | 3.2         | 2.3        | 2.3        | 2.9        | 4.5        | 4.5         |
| <b>Return Ratios (%)</b>      |            |            |            |            |             |            |            |            |            |             |
| EBITDA Margins (%)            | 16.6       | 18.6       | 12.0       | 19.5       | 26.0        | 13.3       | 9.7        | 11.9       | 14.8       | 15.6        |
| Net Profit Margins (%)        | 6.0        | 6.4        | 0.7        | 5.3        | 16.5        | 3.6        | 1.3        | 1.9        | 4.7        | 6.4         |
| RoE                           | 17.2       | 17.3       | 1.6        | 11.9       | 44.6        | 8.3        | 3.2        | 4.9        | 12.5       | 17.8        |
| RoCE (pre-tax)                | 11.6       | 13.7       | 5.8        | 11.8       | 29.2        | 12.1       | 7.3        | 9.0        | 12.9       | 15.3        |
| RoIC (pre-tax)                | 14.6       | 15.9       | 5.7        | 13.7       | 37.0        | 15.4       | 8.6        | 11.2       | 16.1       | 18.0        |
| <b>Working Capital Ratios</b> |            |            |            |            |             |            |            |            |            |             |
| Fixed Asset Turnover (x)      | 1.4        | 1.3        | 1.1        | 1.2        | 1.9         | 1.7        | 1.6        | 1.5        | 1.5        | 1.5         |
| Asset Turnover (x)            | 0.8        | 0.9        | 0.7        | 0.9        | 1.2         | 1.2        | 1.2        | 1.1        | 1.2        | 1.2         |
| Debtor (Days)                 | 34         | 27         | 19         | 22         | 18          | 12         | 10         | 9          | 9          | 9           |
| Inventory (Days)              | 78         | 73         | 76         | 78         | 73          | 82         | 78         | 74         | 74         | 74          |
| Payables (Days)               | 56         | 50         | 52         | 61         | 55          | 57         | 56         | 49         | 49         | 49          |
| Working Capital T/O (Days)    | 56         | 50         | 43         | 39         | 36          | 37         | 32         | 34         | 34         | 34          |
| <b>Leverage Ratio (x)</b>     |            |            |            |            |             |            |            |            |            |             |
| Current Ratio                 | 2.0        | 1.8        | 1.9        | 1.3        | 1.5         | 1.2        | 1.0        | 1.0        | 1.0        | 1.0         |
| Interest Cover Ratio          | 2.9        | 2.9        | 1.2        | 2.8        | 10.0        | 3.6        | 1.7        | 2.1        | 3.0        | 3.8         |
| Net Debt/Equity               | 1.3        | 1.6        | 1.6        | 1.2        | 0.5         | 0.7        | 0.9        | 1.0        | 1.0        | 0.9         |

**Cash Flow Statement (Consolidated)**

(InR b)

| Y/E March                                   | FY18         | FY19         | FY20         | FY21         | FY22         | FY23         | FY24         | FY25         | FY26E        | FY27E        |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| EBITDA                                      | 219          | 294          | 178          | 305          | 635          | 323          | 223          | 259          | 342          | 397          |
| Reconciliation income (loss)                | (17)         | (15)         | 3            | (20)         | 24           | (14)         | (1)          | (20)         | -            | -            |
| (Inc)/Dec in Wkg. Cap.                      | (93)         | 26           | 42           | 165          | (96)         | (37)         | 34           | 22           | (12)         | (22)         |
| Tax Paid                                    | (29)         | (51)         | (21)         | (7)          | (119)        | (55)         | (53)         | (26)         | (66)         | (71)         |
| Other operating activities                  | -            | -            | -            | -            | -            | -            | -            | -            | 5            | 5            |
| <b>CF from Op. Activity</b>                 | <b>80</b>    | <b>253</b>   | <b>202</b>   | <b>443</b>   | <b>444</b>   | <b>217</b>   | <b>203</b>   | <b>235</b>   | <b>270</b>   | <b>310</b>   |
| (Inc)/Dec in FA + CWIP                      | (75)         | (91)         | (104)        | (70)         | (105)        | (141)        | (182)        | (149)        | (160)        | (160)        |
| <b>Free Cash Flow to Firm</b>               | <b>5</b>     | <b>162</b>   | <b>98</b>    | <b>373</b>   | <b>339</b>   | <b>75</b>    | <b>21</b>    | <b>86</b>    | <b>110</b>   | <b>150</b>   |
| (Pur)/Sale of Non-cur. Invest.              | (9)          | 4            | 4            | 4            | (6)          | 0            | 5            | 1            | -            | -            |
| Acquisition in subsidiaries                 | (2)          | (351)        | (41)         | 1            | 12           | (104)        | 1            | 0            | (1)          | -            |
| Int. & Dividend Income                      | 4            | 3            | 4            | 5            | 3            | 6            | 7            | 5            | 18           | 20           |
| Others                                      | (38)         | 135          | (9)          | (33)         | (12)         | 53           | 27           | 0            | -            | -            |
| <b>CF from Inv. Activity</b>                | <b>(120)</b> | <b>(299)</b> | <b>(145)</b> | <b>(93)</b>  | <b>(109)</b> | <b>(187)</b> | <b>(143)</b> | <b>(142)</b> | <b>(143)</b> | <b>(140)</b> |
| Equity raised/(repaid)                      | 91           | (0)          | 2            | 32           | 3            | 0            | (2)          | -            | -            | -            |
| Debt raised/(repaid)                        | 41           | 82           | 76           | (321)        | (160)        | 54           | 16           | 56           | 10           | 10           |
| Dividend (incl. tax)                        | (12)         | (14)         | (18)         | (12)         | (30)         | (63)         | (44)         | (45)         | (87)         | (87)         |
| Interest & equiv. paid                      | (54)         | (74)         | (77)         | (71)         | (47)         | (61)         | (81)         | (81)         | (77)         | (75)         |
| <b>CF from Fin. Activity</b>                | <b>66</b>    | <b>(7)</b>   | <b>(17)</b>  | <b>(371)</b> | <b>(234)</b> | <b>(70)</b>  | <b>(111)</b> | <b>(70)</b>  | <b>(155)</b> | <b>(153)</b> |
| <b>(Inc)/Dec in Cash</b>                    | <b>26</b>    | <b>(52)</b>  | <b>39</b>    | <b>(21)</b>  | <b>101</b>   | <b>(40)</b>  | <b>(50)</b>  | <b>23</b>    | <b>(28)</b>  | <b>18</b>    |
| Add: opening balance                        | 49           | 82           | 33           | 77           | 55           | 156          | 121          | 71           | 96           | 68           |
| Forex Adj.                                  | (7)          | (3)          | 5            | (1)          | (0)          | 5            | (0)          | 2            | -            | -            |
| Closing cash balance                        | 82           | 33           | 77           | 55           | 156          | 121          | 71           | 96           | 68           | 86           |
| Bank Balance                                | 147          | 26           | 38           | 75           | 88           | 49           | 23           | 25           | 25           | 25           |
| <b>Closing balance (incl. Bank balance)</b> | <b>228</b>   | <b>59</b>    | <b>115</b>   | <b>130</b>   | <b>244</b>   | <b>170</b>   | <b>94</b>    | <b>121</b>   | <b>93</b>    | <b>111</b>   |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

## NOTES

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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