ADD (Maintain)

CMP: INR 166 Target Price: INR 188 (INR 196) ▲ 13%

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12 December 2025

India | Equity Research | Company Update

Tata Steel

Metals & Mining

Roadmap to 40mntpa; watchful of cash-flow management and balance sheet health

Tata Steel has announced to increase its Indian steelmaking capacity by ~50% (~13mntpa split between ~7mntpa in existing plants and 6mntpa in potential MoU) and downstream capacity by 3.2mntpa by CY30-31. While it is a welcome move as the company was constantly losing market share to peers due to slower rate of capacity additions in India, the real challenge could be to manage the balance sheet health as these expansions have the potential to inflate its debt meaningfully. We expect capex of INR 450-500bn (ex-LMEL MoU) in next 3-4 years. The expansion is largely positive and we expect the plants to come up by FY29, a period when we expect demand-supply to be favourable. Maintain **ADD** with a revised TP of INR 188 (based on 7.0x FY28E EV/EBITDA).

Aggressive capex – an attempt to improve market share

Tata Steel's substantial capex plans include: 1) 4.8mntpa long steel plant at NINL; 2) 2.5mntpa flat downstream capacity in Bhushan Steel (also includes ~1mntpa+ upstream capacity); 3) 0.7mt galvanising line through BlueScope in Tarapur, Maharashtra; 4) Tata Steel will also partner with LMEL to explore the possibility of setting up a 6mntpa greenfield plant in two phases (3+3) in Maharashtra; 5) Tata has acquired 50.01% stake in Thriveni Pellets in Odisha (4mt pellet plant) for INR 6.4bn (remaining with Lloyds) and 6) 1mntpa pilot plant based on technology of using low grade ore (already running in Netherlands in small scale). We believe most of these capacities could start contributing from FY29, by when India may see higher demand vs. steel capacity, and thus, Tata Steel's new capacity timings could be favourable from profitability point of view.

Watchful of capex management and balance sheet health

Tata Steel's net debt stood at INR 870bn as of end-H1FY26 with net debt/ EBITDA of 2.96x which we believe is already on the higher side. NINL/Bhushan/Jamshedpur/Tarapur combined capex could be INR 450-500bn. Maharashtra greenfield may cost another INR 600bn (Tata`s share could be lower depending on stake). Also, Netherland BF translation capex may start FY27 onwards, resulting in higher debt, exposing the company to financial risk. Maintaining balance sheet health would be a key monitorable, going forward.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	22,00,831	23,36,148	24,77,553	25,76,364
EBITDA	2,68,390	3,31,706	3,83,914	4,27,241
EBITDA Margin (%)	12.2	14.2	15.5	16.6
Net Profit	74,988	1,02,045	1,40,617	1,67,859
EPS (INR)	6.0	8.2	11.3	13.5
EPS % Chg YoY	117.6	43.5	38.2	19.5
P/E (x)	29.4	20.5	14.8	12.4
EV/EBITDA (x)	10.3	8.2	6.9	6.1
RoCE (%)	8.5	10.5	12.5	13.9
RoE (%)	8.2	10.3	13.9	15.0

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Market Data

Market Cap (INR)	2,077bn
Market Cap (USD)	22,991mn
Bloomberg Code	TATA IN
Reuters Code	TISC.BO
52-week Range (INR)	187 /123
Free Float (%)	66.0
ADTV-3M (mn) (USD)	47.9

Price Performance (%)	3m	6m	12m
Absolute	(1.8)	6.4	10.5
Relative to Sensex	(5.8)	3.6	6.4

ESG Score	2024	2025	Change
ESG score	**69.0**	**69.3**	**0.3**
Environment	54.2	52.7	(1.5)
Social	71.2	71.2	0.0
Governance	81.4	83.3	1.9

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

14-11-2025: Q2FY26 results review
01-08-2025: Re-initiating Coverage

Roadmap to 40mntpa

Tata Steel India's current steelmaking capacity stands at 26mntpa; 0.75mntpa EAF furnace is under construction. Its current multi-location capex programme will lead to ~50% increase in steelmaking capacities, while downstream is expected to increase by 3.2mn tonnes. This is part of the previously announced 40mntpa capacity roadmap by CY30-31. Additionally, Tata Steel is working on the third phase of 5mntpa expansion in Kalinganagar (in Odisha). However, we expect moderate growth in next two years as a major portion of the capacities will start contributing FY29 onwards only.

Exhibit 1: Details of capacities announced

Particulars	Capacity	Capex (INRN bn)
NINL long steel plant	4.8	Similar to greenfield
Bhushan Steel - Thin Slab caster and rolling	2.5	NA
HR Galvanizing line at Tarapur, Maharashtra	0.7	NA
Pilot plant based on low grade iron ore in Jamshedpur	1.0	25-30
Acquiring 50.01% stake in Thriveni Pellets	4.0	6.4
Signed MoU with Lloyds metals to foe steel plant in Maharashtra	6.0	Nascent stage
Upstream (Includes 1+ in Bhushan)	**~13.0**	
Downstream	**3.2**	

Source: Company data, I-Sec research

NINL to add 4.8mntpa at relatively higher capex intensity

Management indicated that NINL long products expansion will take off from FY27 as engineering works are in advanced stages and the company expects to get EC within a month's time. The project may entail capex similar to a greenfield plant (ex of land cost) as the existing structure lacks the necessary infra and the company may go for infra/logistics to support the 10mntpa capacity. In phase I, NINL will build 2mntpa of rebar mill, one wire rod mill and one coil mill (0.5mntpa). The company is targeting retail and high-end wire rod for automotives which combined with captive iron ore (140mn tonnes reserve mine) will fetch profitability similar to Kalinganagar plant. The plant is expected to commission in 3-4 years.

Tata is planning entry in western India through Lloyds MoU

Tata Steel and Lloyds Metals MoU outline plans to jointly develop 6mntpa steel plant (potentially 3+3mntpa) in next 5-6 years. The discussion is at a nascent stage, and thus, the company refrained from sharing details. However, it will be a flat steel greenfield plant (not acquiring LMEL's existing or under construction 3mntpa plant). The capex for this plant will be dependent on iron ore availability for the plant. Tata Steel may also help LMEL with its existing under-construction 3mntpa steel plant. Both the companies will be discussing the possibilities over the next one month before finalising the deal, and therefore, the capex of this plant is unlikely to start before FY28.

Acquiring majority stake in Thriveni Pellets to entail huge cost savings

Tata Steel is acquiring 50.01% (majority) stake in Thriveni Pellets Private Limited (TPPL) for a consideration of INR 6.4bn, making it a joint venture with Lloyds Metals & Energy (49.99% stake). Management indicated that the deal is happening at the book value. TPPL operates 4mntpa pellet plant along with 4.7mntpa beneficiation plant and 218km slurry pipeline from Tata Steel's iron ore mines which will help it secure the RM. Tata Steel management expects this deal to save costs to the tune of INR 600mn a month, thus, the payback is just one year.

HIsarna technology – a potential game changer?

Tata Steel is investing INR 25-30bn to set up a 1mntpa pilot plant based on HIsarna technology (100% IP with Tata Steel) which promises to utilise low-grade iron ore and coking coal (no need for coke oven or pellet plant) to produce steel. The company is already running a small plant having 60Kte capacity in the Netherlands. If successful, this may be a game changer and Tata Steel may opt for more capacities based on HIsarna. Low capex requirement implies better RoCE and this technology emits 20% less carbon vs. BF manufacturing route.

Watchful of capex management and balance sheet health

Tata Steel's net debt stood at INR 870bn at the end of H1FY26 with net debt/ EBITDA of 2.96x which we believe is already on the higher side. Its current capex plans are expected to entail ~INR 450-500bn for the projects planned under Tata Steel standalone businesses and a further ~INR 600bn for the planned JV with LMEL. Assuming 50.01% contribution, still the total capex could be ~INR 750-800bn in India over the next 5-7 years. Also, Netherland BF translation capex may also start from FY27 (phase I for 3mntpa gas based DRI – EAF could cost USD 2.5bn; expecting 30-35% of government grants). The bottom line is, Tata Steel is embarking on a very high capex spree at a time when steel margins are depressed, thus, exposing the company to financial risk. Maintaining balance sheet health could be a key monitorable.

Outlook: Constructive on India; eyes on debt management

Tata Steel is now focusing on capacity expansion in India and cost rationalisation in Europe to improve its financial performance. Indian capacities are expected to be extended to 40mmte from 26mnte currently, potentially in next 5-6 years. Netherlands' operations have the potential to earn better-than-historical EBITDA as the EU prepares for Carbon Boarded Adjustment Mechanism (CBAM). Proper implementation of the same could be a key monitorable. We do not expect UK's operations to be profitable in near-to-medium term. Given the capex announcement, we raise capex for FY27/28E by 15-20%. Consequently, our TP has been revised downwards to INR 188 (from INR 196), keeping the multiple intact at 7.0x FY28E EV/EBITDA. Maintain **ADD**.

Key risks

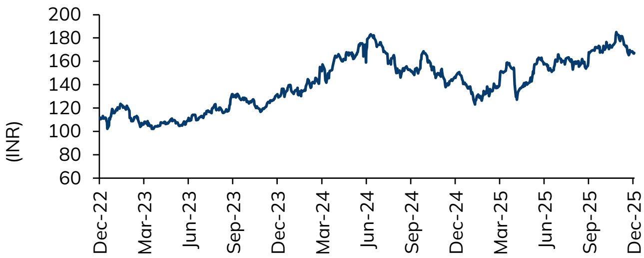
- Weaker-than-expected steel demand.
- Delays in Europe's cost translation plans.

Exhibit 2: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	33.2	33.2	33.2
Institutional investors	42.3	44.8	43.3
MFs and others	12.0	14.6	14.4
FIs/Banks	0.5	0.1	0.4
Insurance	11.1	11.8	10.8
FIIs	18.8	18.3	17.8
Others	24.5	22.0	23.5

Source: Bloomberg, I-Sec research

Exhibit 3: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**22,00,831**	**23,36,148**	**24,77,553**	**25,76,364**
Operating Expenses	9,82,434	10,15,400	10,35,792	10,77,249
EBITDA	**2,68,390**	**3,31,706**	**3,83,914**	**4,27,241**
EBITDA Margin (%)	12.2	14.2	15.5	16.6
Depreciation & Amortization	1,04,213	1,17,513	1,24,409	1,32,105
EBIT	1,64,177	2,14,193	2,59,505	2,95,136
Interest expenditure	-	-	-	-
Other Non-operating Income	15,405	13,916	14,514	15,140
Recurring PBT	**1,06,172**	**1,58,024**	**2,08,965**	**2,49,790**
Profit / (Loss) from Associates	**1,908**	**(500)**	**(500)**	**(500)**
Less: Taxes	35,560	56,713	68,958	82,431
PAT	70,613	1,01,311	1,40,007	1,67,359
Less: Minority Interest	2,467	1,234	1,110	999
Extraordinaries (Net)	(8,546)	(5,525)	-	-
Net Income (Reported)	**66,442**	**96,519**	**1,40,617**	**1,67,859**
Net Income (Adjusted)	**74,988**	**1,02,045**	**1,40,617**	**1,67,859**

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	6,79,489	6,78,024	7,03,313	7,36,615
of which cash & cash eqv.	1,16,470	1,02,015	90,468	96,027
Total Current Liabilities & Provisions	5,99,616	6,68,733	7,23,647	7,62,034
Net Current Assets	**79,873**	**9,291**	**(20,334)**	**(25,419)**
Investments	61,941	61,941	61,941	61,941
Net Fixed Assets	12,52,152	13,57,950	13,95,948	14,31,251
ROU Assets	-	-	-	-
Capital Work-in-Progress	4,06,019	3,24,815	3,34,815	3,59,815
Total Intangible Assets	1,86,314	1,86,314	1,86,314	1,86,314
Other assets	575	580	586	592
Deferred Tax Assets	39,362	39,362	39,362	39,362
Total Assets	**21,94,333**	**21,71,020**	**22,00,276**	**22,63,099**
Liabilities				
Borrowings	**9,46,838**	**8,76,062**	**8,13,174**	**7,56,084**
Deferred Tax Liability	**1,44,302**	**1,44,302**	**1,44,302**	**1,44,302**
provisions	58,065	52,259	47,033	42,329
other Liabilities	1,31,600	1,32,601	1,33,601	1,34,601
Equity Share Capital	12,474	12,474	12,474	12,474
Reserves & Surplus	8,99,222	9,51,582	10,48,039	11,71,739
Total Net Worth	**9,11,696**	**9,64,056**	**10,60,514**	**11,84,213**
Minority Interest	1,832	1,740	1,653	1,570
Total Liabilities	**21,94,333**	**21,71,020**	**22,00,276**	**22,63,099**

Source Company data, I-Sec research

Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**2,29,651**	**3,11,035**	**3,31,445**	**3,58,291**
Working Capital Changes	(26,165)	27,652	1,975	(1,660)
Capital Commitments	(1,90,725)	(1,42,107)	(1,72,408)	(1,92,408)
Free Cashflow	**38,925**	**1,68,928**	**1,59,037**	**1,65,884**
Other investing cashflow	**2,418**	**(6)**	**(6)**	**(6)**
Cashflow from Investing Activities	(1,88,308)	(1,42,112)	(1,72,413)	(1,92,413)
Issue of Share Capital	(23,915)	1,142	1,023	(43,243)
Interest Cost	(73,410)	(70,085)	(65,054)	(60,487)
Inc (Dec) in Borrowings	1,36,757	(69,775)	(61,889)	(56,090)
Dividend paid	(52,991)	(44,159)	(44,159)	-
Others	1,908	(500)	(500)	(500)
Cash flow from Financing Activities	(11,650)	(1,83,377)	(1,70,579)	(1,60,319)
Chg. in Cash & Bank balance	**29,693**	**(14,455)**	**(11,548)**	**5,559**
Closing cash & balance	1,16,470	1,02,015	90,468	96,027

Source Company data, I-Sec research

Exhibit 7: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	5.7	8.1	11.2	13.4
Adjusted EPS (Diluted)	6.0	8.2	11.3	13.5
Cash EPS	14.4	17.6	21.2	24.0
Dividend per share (DPS)	3.6	3.0	3.0	-
Book Value per share (BV)	73.1	77.3	85.0	94.9
Dividend Payout (%)	63.6	36.9	26.7	-
Growth (%)				
Net Sales	(4.7)	6.1	6.1	4.0
EBITDA	11.3	23.6	15.7	11.3
EPS (INR)	117.6	43.5	38.2	19.5
Valuation Ratios (x)				
P/E	29.4	20.5	14.8	12.4
P/CEPS	11.6	9.5	7.8	6.9
P/BV	2.3	2.2	2.0	1.8
EV / EBITDA	10.3	8.2	6.9	6.1
P / Sales	0.9	0.9	0.8	0.8
Dividend Yield (%)	0.0	0.0	0.0	-
Operating Ratios				
Gross Profit Margins (%)	56.8	57.7	57.3	58.4
EBITDA Margins (%)	12.2	14.2	15.5	16.6
Effective Tax Rate (%)	33.5	35.9	33.0	33.0
Net Profit Margins (%)	3.2	4.3	5.7	6.5
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.8	0.7	0.6	0.5
Net Debt / EBITDA (x)	2.9	2.1	1.7	1.4
Profitability Ratios				
RoCE (%)	8.5	10.5	12.5	13.9
RoE (%)	8.2	10.3	13.9	15.0
RoIC (%)	6.3	7.3	9.3	10.3
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	70	72	74	73
Receivables Days	8	9	10	9
Payables Days	46	51	53	52

Source Company data, I-Sec research

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