

August 1, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	177		171	
Sales (Rs. m)	2,563	2,798	2,563	2,798
% Chng.	-	-		
EBITDA (Rs. m)	349	445	354	445
% Chng.	(1.4)	-		
EPS (Rs.)	9.8	16.0	10.3	16.2
% Chng.	(5.1)	(1.2)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. bn)	2,292	2,185	2,563	2,798
EBITDA (Rs. bn)	223	253	349	445
Margin (%)	9.7	11.6	13.6	15.9
PAT (Rs. bn)	30	37	122	199
EPS (Rs.)	2.4	3.0	9.8	16.0
Gr. (%)	(66.4)	24.9	226.4	63.9
DPS (Rs.)	2.9	3.6	4.0	4.4
Yield (%)	1.9	2.3	2.5	2.8
RoE (%)	3.1	4.1	12.8	18.8
RoCE (%)	7.0	8.4	13.1	17.2
EV/Sales (x)	1.2	1.3	1.1	0.9
EV/EBITDA (x)	12.1	10.8	7.8	5.8
PE (x)	66.0	52.8	16.2	9.9
P/BV (x)	2.1	2.2	2.0	1.7

Key Data

TISC.BO | TATA IN

52-W High / Low	Rs.170 / Rs.123
Sensex / Nifty	81,186 / 24,768
Market Cap	Rs.1,972bn / \$ 22,509m
Shares Outstanding	12,484m
3M Avg. Daily Value	Rs.4444.55m

Shareholding Pattern (%)

Promoter's	33.19
Foreign	17.72
Domestic Institution	26.25
Public & Others	22.84
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.1)	17.3	(4.5)
Relative	1.8	12.0	(3.8)

Tushar Chaudhari

tusharchaudhari@plindia.com | 91-22-663222391

Satyam Kesarwani

satyamkesarwani@plindia.com | 91-22-66322218

Strong quarter; now all eyes on H2FY26

Quick Pointers:

- TSI NSR expected to decline by ~Rs2,000/t in Q2. TSUK breakeven may be delayed to Q4FY26 due to uncertain EU market conditions.
- EC and pre-engineering work for planned 4.5mtpa expansion at NINL is at an advanced stage; post which it would go for board approval by Q3FY26.

Tata Steel (TATA) reported strong operating performance in Q1FY26 aided by higher pricing in India and improved TSE performance. TSI EBITDA grew 5% YoY despite 4% decline in volumes as higher steel prices supported blended NSR. TSE delivered better operating performance supported by narrowing of TSUK losses and improvement in TSN EBITDA/t on higher pricing. Going forward, monsoon led pricing weakness at TSI is expected to impact Q2, while TSE performance would be relatively stable aided by lower RM prices. Although TSUK breakeven may be delayed due to weak EU market conditions worsened by ongoing tariff uncertainties, mgmt.'s Rs115bn cost transformation initiatives are expected to aid FY26 EBITDA (achieved Rs29bn in Q1). Key variables to watch out for in H2FY26 are: demand improvement and extension and/ or increase of safeguard duty.

Over FY25-27E, TATA would focus on a) ramping up of KPO-II, b) Board approval for NINL expansion by Q3, c) completion of 0.75mtpa Ludhiana EAF and 0.5mtpa combi mill in Jamshedpur, and d) TSUK breakeven. We cut our FY26E EBITDA estimates by 1.5% on lower TSE EBITDA assumptions from USD 30 to USD24/t. We expect EBITDA CAGR of 33% over FY25-27E on the back of KPO volume ramp-up, expected domestic pricing recovery and TSE turnaround. At CMP, the stock is trading at 7.8x/5.8x EV of FY26/27E EBITDA. We maintain 'Accumulate' rating with revised TP of Rs177 (earlier Rs171) valuing at 6.5x EV of Mar'27E TSI EBITDA.

- **Strong pricing negated weak volume impact:** TSI sales volume declined 4% YoY to 4.75mt (~15% QoQ; PLe 4.75mt) affected by maintenance shutdown undertaken for Jamshedpur G furnace relining (to resume production in Aug'25) and NINL. Average realization improved 6.3% QoQ at Rs65,293/t (~2% YoY; PLe Rs63,884/t) on higher steel prices post Mar'25. Revenue declined 6% YoY to Rs310bn. Export volumes improved 12% QoQ to 0.37mt (~8% of volumes). In domestic, share of hi-end products in Auto sales was at peak at 25%. RM costs declined due to lower coking coal consumption cost and reduced coke purchase upon commissioning of coke plant at KPO in Jan'25. Other expenses increased 0.6% YoY mostly on higher repair & maintenance cost.
- **TSE EBITDA/t turns marginally positive, but UK remains in losses:** TSUK EBITDA loss declined QoQ to GBP68/t (loss of GBP126 in Q4FY25) on lower purchase of substrate. Volumes declined 6% QoQ to 0.6mt while NSR improved 3% QoQ to GBP889/t. Other expenses continue to decline on lower maintenance & bulk gas costs. Tata Steel Netherlands' (TSN) sales volumes de-grew 14% QoQ to 1.5mt while NSR improved 10% QoQ to GBP853/t due to higher steel prices. TSN EBITDA/t improved to GBP 36/t from GBP7/t QoQ on inventory built up during Q1 as production grew 4% QoQ to 1.7mt.

Q1FY26 Conference Call Highlights:

- TATA accomplished cost savings of Rs29bn in Q1 through its cost transformation journey undertaken in FY25, with contributions of Rs11bn from TSI, Rs14bn from TSN, and Rs4bn from TSUK.
- TATA incurred capex of Rs38.29bn in Q1 primarily in India. The board has approved doubling the capacity of the tinplate business and developing the captive coking coal mine facility.
- Q1 production was affected due to maintenance shutdown undertaken at NINL in April and Jamshedpur G BF relining. NINL's production has been normalised, while G BF is expected to be back in production in the coming days.
- NINL delivered EBITDA of Rs2.2bn with a 100bps QoQ margin improvement to 24%. EC and Engineering activities for planned expansion at NINL from 1 to 4.5mtpa is at an advanced stage. The Final Investment Document will be presented to the board by Oct–Nov, followed by ~3–3.5 years for project completion.
- Tata *Aashiyana* recorded a GV of Rs13.5bn in Q1. TATA targets Rs50bn annualised GV in FY26 from Tata Tiscon.
- The EU and UK are being impacted by rising steel imports and US tariffs on the UK. European steel capacity utilisation stands at 66%.
- The Continuous Galvanizing Line (CGL) products are currently in the approval stage, with the first coil produced in June 2025.
- KPO-II ramp up will happen over next 18 months to reach peak capacity utilization while 0.75mtpa Ludhiana EAF and 0.5mtpa Combi mill at Jamshedpur would aid volume growth till FY28E.
- The Netherlands is currently in the pre-election phase, and TSN's decarbonization plan, which has received parliamentary backing, falls under the normal course of business. Following the formation of the new government, its approval will be required before issuing the LOI, after which TSN will begin negotiations with the newly formed administration.
- Kalinganagar's FY26 exit rate is expected to peak for HSM at 6-6.5mt. The CRM is ramping up well, already approved by Auto OEMs, which will enhance the overall mix.
- Jamshedpur's H furnace relining is scheduled for FY27 which might impact FY27 volume growth.
- **Guidance for Q2 vs Q1:** TSI NSR expected to be lower by ~Rs2,000/t. Coking coal costs to decline by USD10/t across all geographies, while iron ore is expected to be lower by USD7-8/t for TSN.

Exhibit 1: Q1FY26 Consolidated Result Overview

Y/e March (Rs bn)	1QFY26	1QFY25	YoY gr. (%)	1QFY26E	% Var.	4QFY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Net Sales	531.8	547.7	(2.9)	506.5	5.0	562.2	(5.4)	2,563.1	2,185.4	17.3
Raw Material	205.8	224.2	(8.2)	202.6	1.6	247.0	(16.7)	1,019.0	950.0	7.3
% of Net Sales	38.7	40.9		40.0		43.9		39.8	43.5	
Staff Costs	66.0	64.7	2.0	61.8	6.7	60.2	9.6	275.4	248.9	10.7
% of Net Sales	12.4	11.8		12.2		10.7		10.7	11.4	
Other Expenses	185.7	191.9	(3.2)	171.9	8.1	189.3	(1.9)	919.5	733.5	25.4
% of Net Sales	34.9	35.0		33.9		33.7		35.9	33.6	
Total Expenditure	457.5	480.8	(4.8)	436.4	4.8	496.6	(7.9)	2,214	1,932	14.6
EBITDA	74.3	66.9	11.0	70.1	5.9	65.6	13.2	349.2	253.0	38.0
Margin (%)	14.0	12.2		13.8		11.7		13.6	11.6	
Depreciation	27.4	25.4	8.2	28.0	(1.8)	27.2	0.9	108.9	104.2	4.5
Other income	2.9	2.6	11.1	4.0	(27.5)	4.6	(37.4)	12.3	15.4	(20.1)
EBIT	49.7	44.2	12.5	46.2	7.7	43.0	15.6	252.6	164.2	53.8
Interest	18.5	17.8	4.3	20.3	(8.7)	17.9	3.6	76.6	73.4	4.3
PBT	31.2	26.4	18.1	25.9	20.5	25.1	24.2	176.0	90.8	93.9
Extraordinary income/(expense)	(1.3)	(3.6)	NA	-	NA	(3.9)	NA	(1.3)	(8.5)	(84.5)
PBT (After EO)	29.9	22.8	31	25.9	15	21.2	40.7	174.7	82.2	112.4
Tax	10.6	14.6	(27)	9.6	11	10.0	6.1	57.1	52.4	9.0
% PBT	35.5	63.8		37.0		47.0		32.7	63.7	
Reported PAT	19.3	8.3	133	16.3	18	11.2	71.5	117.6	29.8	293.9
Minority interest	(0.7)	(0.41)	NA	(0.2)	321	(1.00)	(30)	(1.20)	(2.47)	NA
Share of profit/(loss) of associates	0.8	0.9	(13.8)	0.9	(14.7)	0.8	NA	2.1	1.9	10.0
Net Profit attributable to shareholders	20.8	9.6	117	17.4	NA	13.0	59.7	120.9	34.2	253.2
Adjusted Net Profit attributable to shareholders	21.6	10.9	98.6	17.4	NA	15.1	43.6	121.7	37.3	226.4

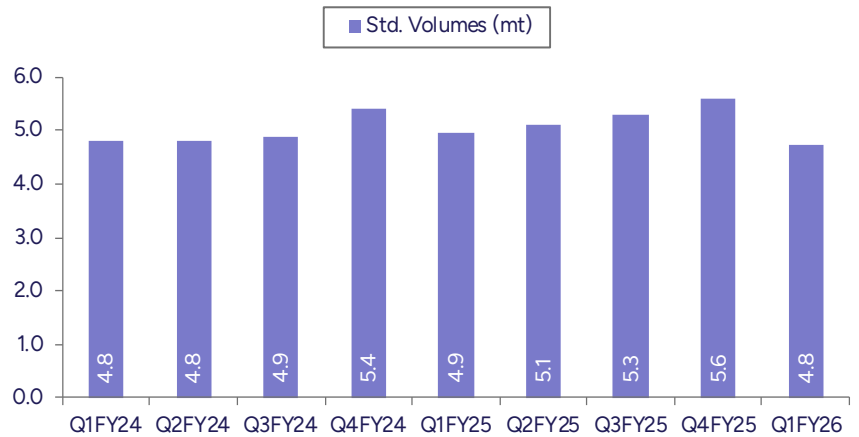
Source: Company, PL

Exhibit 2: Operating Performance

Y/e March	1QFY26	1QFY25	YoY gr. (%)	1QFY26E	% Var.	4QFY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Indian Operations										
Volume (mt)	4.8	4.9	(3.8)	4.8	-	5.6	(15.2)	23.1	20.9	10.2
Revenue (Rs bn)	310.1	329.6	(5.9)	303.4	2.2	344.0	(9.8)	1,325.2	1,325.2	(0.0)
EBITDA (Rs bn)	71.2	67.7	5.1	68.7	3.7	69.8	2.0	312.8	260.5	20.1
Realization (Rs/t)	65,293	66,720	(2.1)	63,884	2.2	61,427	6.3	63,532	63,285	0.4
EBITDA (Rs/t)	14,988	13,711	9.3	14,453	3.7	12,463	20.3	13,553	12,440	8.9
Europe operations (TSUK +TSN)										
Volume (mt)	2.1	2.1	(0.9)	2.1	-	2.4	(12.1)	9.5	8.8	8.3
Revenue (USD mn)	2,421	2,494	(2.9)	2,308	4.9	2,398	0.9	10,925	9,686	12.8
EBITDA (USD mn)	17	(82.4)	NA	12	39.4	(86.6)	NA	228	(395)	NA
Realization/t (USD)	1,153	1,176	(2.0)	1,099	4.9	1,003	14.9	1,150	1,104	4.1
EBITDA/t (USD)	8	(39)	NA	6	39.4	(36)	NA	24	(45)	NA

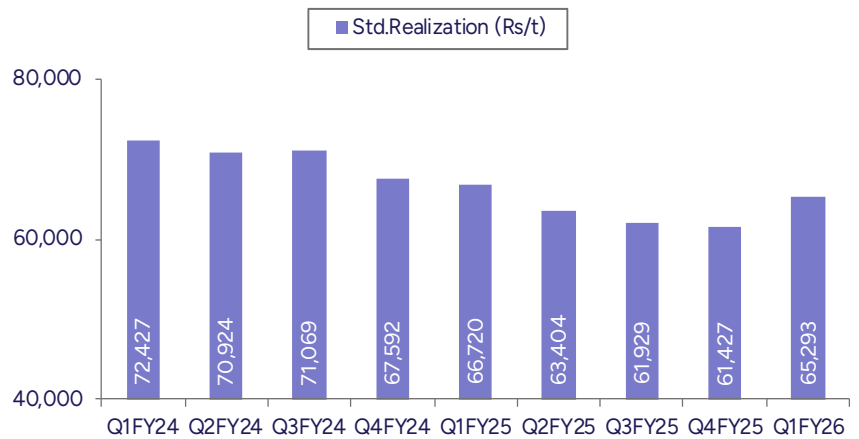
Source: Company, PL

Exhibit 3: TSI vol. declined ~4% YoY due to shutdown at Jamshedpur and NINL



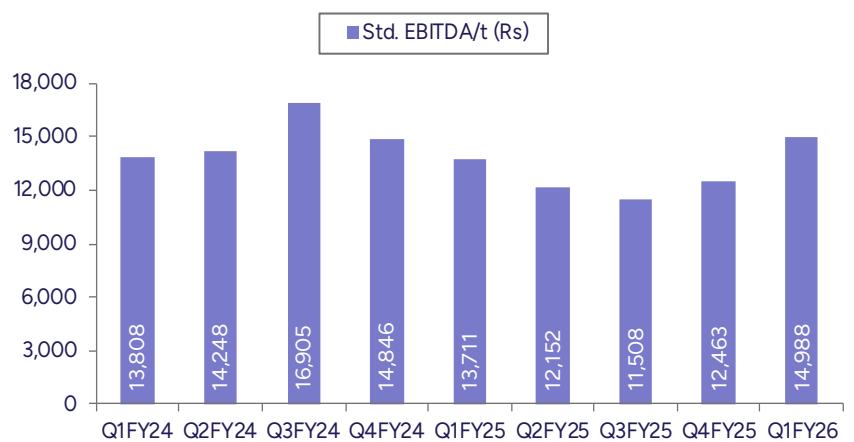
Source: Company, PL

Exhibit 4: TSI realization improved 6% QoQ on higher steel prices post Mar'25



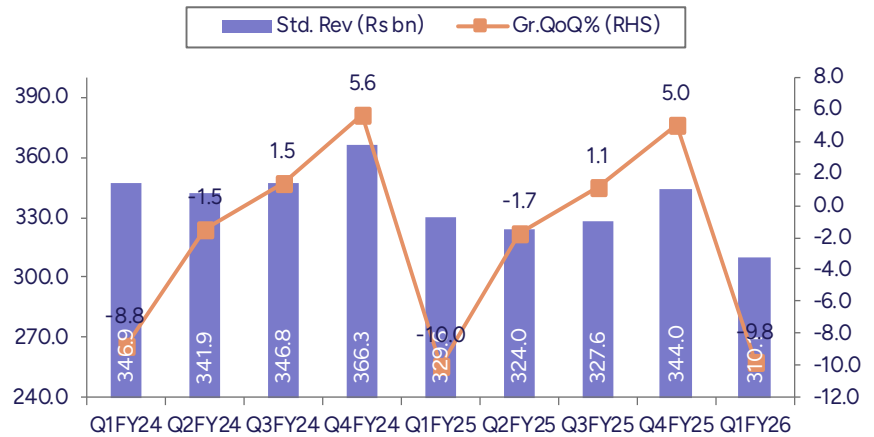
Source: Company, PL

Exhibit 5: TSI EBITDA/t jumped 20% QoQ on broad based cost decline



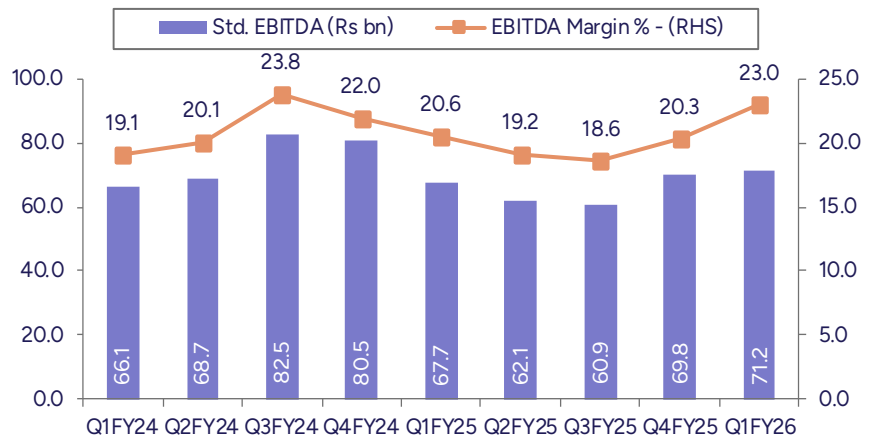
Source: Company, PL

Exhibit 6: Std. rev declined on lower volumes partly offset by better realizations



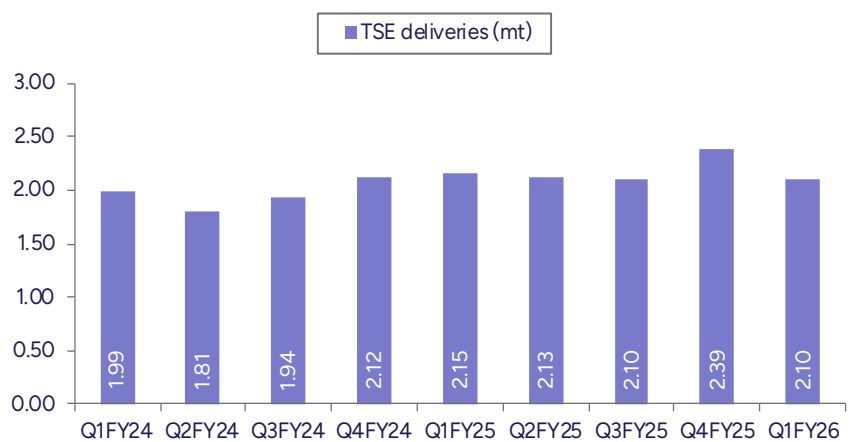
Source: Company, PL

Exhibit 7: Margins improved on better steel pricing and lower costs



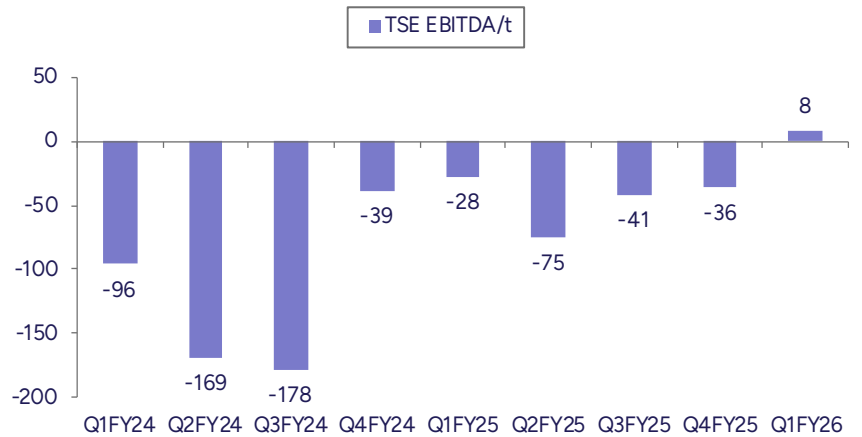
Source: Company, PL

Exhibit 8: TSE volumes dropped 2.3% YoY due to subdued demand



Source: Company, PL

Exhibit 9: TSE EBITDA positive on better TSN performance (USD/t)



Source: Company, PL

Exhibit 10: Valuation Summary

Figures in Rs bn	EV/EBITDA (Mar-27E)	EBITDA (Rs bn)	Value (Rs bn)
Indian operations	6.5	372	2,417
Other domestic operations	6.0	13	80
Tata steel Europe	6.0	53	317
South East Asean operations	5.0	7	33
Total EV			2,847
Debt			888
Cash			249
Net debt			639
Shareholder's value			2,208
Value per share			177

Source: PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	2,292	2,185	2,563	2,798
YoY gr. (%)	(5.8)	(4.6)	17.3	9.2
Cost of Goods Sold	1,019	950	1,019	1,071
Gross Profit	1,273	1,235	1,544	1,728
Margin (%)	55.5	56.5	60.2	61.7
Employee Cost	245	249	275	293
Other Expenses	804	734	920	990
EBITDA	223	253	349	445
YoY gr. (%)	(30.9)	13.4	38.0	27.3
Margin (%)	9.7	11.6	13.6	15.9
Depreciation and Amortization	99	104	109	114
EBIT	124	149	240	331
Margin (%)	5.4	6.8	9.4	11.8
Net Interest	75	73	77	72
Other Income	18	15	12	14
Profit Before Tax	(11)	82	175	272
Margin (%)	(0.5)	3.8	6.8	9.7
Total Tax	38	52	57	75
Effective tax rate (%)	(345.5)	63.7	32.7	27.6
Profit after tax	(49)	30	118	197
Minority interest	(5)	(2)	(1)	-
Share Profit from Associate	(1)	2	2	2
Adjusted PAT	30	37	122	199
YoY gr. (%)	(65.7)	24.9	226.4	63.9
Margin (%)	1.3	1.7	4.8	7.1
Extra Ord. Income / (Exp)	(74)	(3)	(1)	-
Reported PAT	(44)	34	121	199
YoY gr. (%)	(150.7)	(177.1)	253.3	65.1
Margin (%)	(1.9)	1.6	4.7	7.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(44)	34	121	199
Equity Shares O/s (m)	12	12	12	12
EPS (Rs)	2.4	3.0	9.8	16.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	2,522	2,653	2,757	2,888
Tangibles	2,522	2,653	2,757	2,888
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,091	1,204	1,313	1,426
Tangibles	1,091	1,204	1,313	1,426
Intangibles	-	-	-	-
Net fixed assets	1,431	1,450	1,444	1,462
Tangibles	1,431	1,450	1,444	1,462
Intangibles	-	-	-	-
Capital Work In Progress	354	425	470	470
Goodwill	57	60	60	60
Non-Current Investments	75	75	77	80
Net Deferred tax assets	(89)	(105)	(107)	(109)
Other Non-Current Assets	71	61	61	61
Current Assets				
Investments	7	4	4	4
Inventories	492	446	541	590
Trade receivables	63	53	70	77
Cash & Bank Balance	87	116	139	213
Other Current Assets	43	46	46	46
Total Assets	2,734	2,794	2,969	3,119
Equity				
Equity Share Capital	12	12	12	12
Other Equity	908	899	975	1,125
Total Network	920	912	988	1,137
Non-Current Liabilities				
Long Term borrowings	816	890	890	830
Provisions	54	58	58	58
Other non current liabilities	111	117	117	117
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	354	342	399	432
Other current liabilities	330	315	357	381
Total Equity & Liabilities	2,734	2,794	2,969	3,119

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	(11)	84	176	272
Add. Depreciation	99	104	109	114
Add. Interest	75	73	77	72
Less Financial Other Income	18	15	12	14
Add. Other	60	(22)	(6)	(7)
Op. profit before WC changes	222	239	355	451
Net Changes-WC	34	22	(14)	2
Direct tax	(53)	(26)	(55)	(72)
Net cash from Op. activities	203	235	286	381
Capital expenditures	(176)	(144)	(149)	(132)
Interest / Dividend Income	7	5	6	7
Others	27	(3)	-	-
Net Cash from Invt. activities	(143)	(142)	(142)	(125)
Issue of share cap. / premium	-	-	-	-
Debt changes	12	53	-	(60)
Dividend paid	(44)	(45)	(45)	(50)
Interest paid	(81)	(81)	(77)	(72)
Others	2	3	-	-
Net cash from Fin. activities	(111)	(70)	(122)	(182)
Net change in cash	(50)	23	23	74
Free Cash Flow	21	78	138	249

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	2.4	3.0	9.8	16.0
CEPS	10.3	11.3	18.5	25.1
BVPS	73.8	73.1	79.2	91.2
FCF	1.7	6.3	11.1	20.0
DPS	2.9	3.6	4.0	4.4
Return Ratio(%)				
RoCE	7.0	8.4	13.1	17.2
ROIC	33.0	3.3	9.5	14.1
RoE	3.1	4.1	12.8	18.8
Balance Sheet				
Net Debt : Equity (x)	0.8	0.8	0.8	0.5
Net Working Capital (Days)	32	26	30	31
Valuation(x)				
PER	66.0	52.8	16.2	9.9
P/B	2.1	2.2	2.0	1.7
P/CEPS	10.3	11.3	18.5	25.1
EV/EBITDA	12.1	10.8	7.8	5.8
EV/Sales	1.2	1.3	1.1	0.9
Dividend Yield (%)	1.9	2.3	2.5	2.8

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	539	536	562	532
YoY gr. (%)	(3.2)	(3.0)	(4.2)	(2.9)
Raw Material Expenses	239	239	247	206
Gross Profit	300	297	315	326
Margin (%)	55.6	55.4	56.1	61.3
EBITDA	57	45	66	74
YoY gr. (%)	34.5	(28.3)	(0.6)	11.0
Margin (%)	10.7	8.4	11.7	14.0
Depreciation / Depletion	26	26	27	27
EBIT	31	19	38	47
Margin (%)	5.8	3.6	6.8	8.8
Net Interest	20	18	18	19
Other Income	6	2	5	3
Profit before Tax	22	16	21	30
Margin (%)	4.1	3.0	3.8	5.6
Total Tax	14	14	10	11
Effective tax rate (%)	64.2	84.7	47.0	35.5
Profit after Tax	8	2	11	19
Minority interest	(1)	-	(1)	(1)
Share Profit from Associates	-	-	1	1
Adjusted PAT	7	1	15	22
YoY gr. (%)	44.6	(78.1)	91.9	98.6
Margin (%)	1.3	0.2	2.7	4.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	8	3	13	21
YoY gr. (%)	(113.5)	(36.4)	112.7	116.5
Margin (%)	1.5	0.6	2.3	3.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8	3	13	21
Avg. Shares O/s (bn)	12	12	12	12
EPS (Rs)	0.6	0.1	1.2	1.7

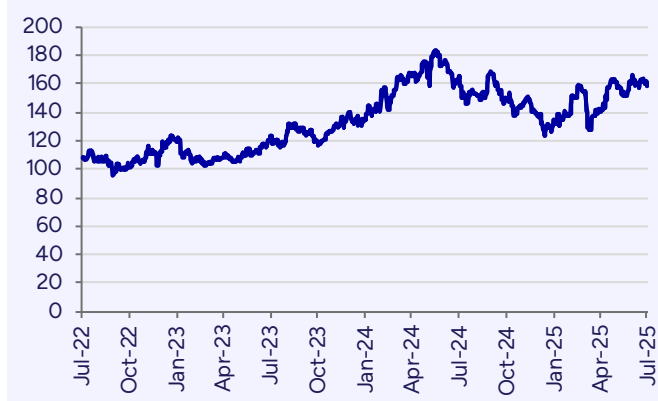
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales volume India (mt)	20	21	23	25
Real./t - India (Rs)	70,812	61,808	63,532	64,337
EBITDA/t- India (Rs)	14,984	12,997	13,553	14,933
Sales volume TSE (mt)	8	9	10	10
Real./t-TSE (USD)	1,254	1,104	1,150	1,170
EBITDA/Tonne-TSE (USD)	(117)	(45)	24	60

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-25	Accumulate	171	162
2	14-May-25	BUY	176	149
3	23-Apr-25	BUY	173	138
4	08-Apr-25	Accumulate	142	129
5	29-Jan-25	Accumulate	145	129
6	09-Jan-25	Accumulate	141	130
7	08-Nov-24	Accumulate	161	151
8	07-Oct-24	Accumulate	181	167
9	02-Aug-24	Accumulate	175	163

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,543	1,890
2	Adani Port & SEZ	BUY	1,777	1,453
3	Ambuja Cement	BUY	690	592
4	Dalmia Bharat	Accumulate	2,395	2,270
5	Hindalco Industries	Accumulate	738	692
6	Jindal Stainless	Hold	678	675
7	Jindal Steel & Power	Accumulate	1,008	954
8	JSW Infrastructure	Accumulate	344	322
9	JSW Steel	Hold	1,068	1,034
10	National Aluminium Co.	BUY	218	189
11	NMDC	Accumulate	73	68
12	Nuvoco Vistas Corporation	Accumulate	422	390
13	Shree Cement	Reduce	29,516	31,170
14	Steel Authority of India	Hold	133	126
15	Tata Steel	Accumulate	171	162
16	Ultratech Cement	Accumulate	13,634	12,561

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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