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|--------------------------|---------|
| Bloomberg Code | TATA IN |
| No of share O/S (in Cr.) | 120.41 |
| Market Cap (Rs. In Cr.) | 51,168 |
| Face Value | 10.00 |
| Dividend Yield | 2.42 |
| 52 Wk High/Low | 506/251 |

Key Highlights:

Tata Steel reported net revenues of Rs. 24,289 Cr in Q1FY21 which was lower by 32.4% and 28.1% on a YoY and QoQ basis, respectively. This was primarily due to lower deliveries, weak realisation and an adverse mix. Steel consumption declined by 55% QoQ and 56% YoY Q1FY21 as economic activities declined sharply in April and May 2020, due to a complete nationwide lockdown. Raw material cost declined to Rs. 10,401 Cr aided by lower production and a decline in raw material cost in India. Other expenses declined by 30% on a QoQ basis mainly due to lower operating levels, reduced fixed cost, gain on sales of emission rights and other cost saving initiatives, partly offset by unfavourable FX impact. EBITDA stood at Rs. 506 Cr, which declined mainly on account of lower revenue and lower realisation. The company reported a before tax loss of Rs. 3,338 Cr, which includes exceptional gains of Rs. 31.2 Cr on the sale and liquidation of subsidiaries and joint ventures within the European operations.

Performance Highlights:

During the quarter, production declined to 5.14 mn tons in Q1FY21 as against 7.37 mn tons in Q4FY20. Deliveries declined to 4.93 mn tons as against 6.5 mn tons in Q4FY20. Production and deliveries were majorly impacted by lower demands due to nationwide lockdown in the months of April and May. Tata Steel Europe reported a negative EBITDA during Q1FY21 of Rs. 626 Cr as against an earnings of Rs. 65 Cr in the previous quarter. Excess supply in European steel markets led to an adverse product mix and a fall in revenue and profitability, partly offset by cost management and wage support from European and UK Government. The company continues to engage with European and UK Governments to seek short and long-term support. The steel production for Europe stood at 2.15 mn tons and deliveries stood at 1.98 mn tons, which were mainly impacted due to lower steel demand in the automotive sector and the impact of COVID-19.

| | |
|---------------|--------|
| Shareholding | |
| Promoters | 34.41 |
| Institutional | 41.85 |
| Public | 23.74 |
| Total | 100.00 |



Con-call Highlights:

- The company, during the quarter, has increased its liquidity buffer and extended its debt maturity profile by raising long term debt of Rs. 5,935 Cr.
- In the case of Bhushan Steel's merger, the process is ongoing with the next hearing to be held in the end of August. The process is likely to be completed in the current fiscal year.
- The company has provided capex guidance for FY21 at around Rs. 5,000 Cr. The capex in the current quarter was high at Rs. 1,852 Cr on account of spends on previous commitments . Further, the company plans to curtail its capex and will revisit capex plans in H2FY21 or when business resumes to normalcy.
- The demand from various segments is improving in the current quarter. The auto segment has seen an improvement on a weekly basis with a pick up in demand from commercial vehicles (tractors) and 2 wheelers.

Valuation:

Tata Steel is currently trading at a FY22 forwarded EV/EBITDA of 6.6X.

Financial Summary

The company recorded a decline in net revenues due to lower deliveries, weak realisation and adverse mix.

Raw Material Cost declined due to lower production and a decline in the cost of raw materials in India.

Operating expenses declined by 25.8% YoY and 30% QoQ on account of lower operating levels, reduced fixed cost, gain on sales of emission rights and other cost saving initiatives.

| Figures are in Rs Cr | Q1FY21 | Q1FY20 | YoY (%) | Q4FY20 | QoQ (%) | FY19 | FY20 | YoY (%) |
|--|--------------|-------------|---------|-------------|---------|-------------|----------------|---------|
| Net Sales | 24,289 | 35,947 | -32.4 | 33,770 | -28.1 | 1,57,669 | 1,39,817 | -11.3 |
| Raw Material Cost | 10,401 | 13,762 | -24.4 | 11,755 | -11.5 | 60,780 | 57,475 | |
| RM Cost to Sales (%) | 42.8 | 38.3 | | 34.8 | | 38.5 | 41.1 | |
| Employee Cost | 4,546 | 4,899 | -7.2 | 4,735 | -4.0 | 18,759 | 18,534 | -1.2 |
| Employee Cost to Sales (%) | 18.7 | 13.6 | | 14.0 | | 11.9 | 13.3 | |
| Operating Expenses | 8,837 | 11,909 | -25.8 | 12,633 | -30.0 | 48,746 | 46,345 | -4.9 |
| OPEX to Sales (%) | 36.4 | 33.1 | | 37.4 | | 30.9 | 33.1 | |
| EBITDA | 506 | 5,377 | -90.6 | 4,647 | -89.1 | 29,383 | 17,463 | -40.6 |
| EBITDA Margin (%) | 2.1 | 15.0 | | 13.8 | | 18.6 | 12.5 | |
| Depreciation | 2,111 | 2,071 | 1.9 | 2,224 | -5.1 | 7,342 | 8,441 | 15.0 |
| Interest | 1,998 | 1,806 | 10.6 | 1,925 | 3.8 | 7,660 | 7,533 | -1.7 |
| Other Income | 193 | 251 | -23.3 | 1,316 | -85.4 | 1,421 | 1,843 | 29.8 |
| Other Income to Sales (%) | 0.8 | 0.7 | | 3.9 | | 0.9 | 1.3 | |
| Exceptional Income / Expenses | 58 | 16 | | -3,406 | | -121 | -3,752 | |
| Profit Before Tax | -3,338 | 1,819 | -283.5 | -1,592 | 109.6 | 15,906 | -232 | -101.5 |
| Tax Rate (%) | 38.1 | 61.8 | | 22.4 | | 42.2 | 1,108.4 | |
| Profit After Tax (continuing operations) | -4,609 | 695 | -763.0 | -1,236 | 272.9 | 9,187 | 2,337 | -74.6 |
| PAT Margin (%) | -19.0 | 1.9 | | -3.7 | | 5.8 | 1.7 | |
| Adjusted EPS | -40 | 6 | -763.0 | -11 | 272.9 | 80 | 20 | -74.6 |
| Shareholder's Funds | | | | 73,576 | | 68,925 | 73,576 | 6.7 |
| BV per share | | | | 642.6 | | 602.0 | 642.6 | 6.7 |
| Net Debt | | | | 1,01,803 | | 85,279 | 1,01,803 | 19.4 |
| Net Debt to Equity | | | | 1.4 | | 1.2 | 1.4 | |
| Net Debt to EBITDA | | | | 21.5 | | 2.9 | 5.8 | |
| Working Capital Cycle | | | | | | | | |
| CAPEX | | | | | | 9,091 | 10,398 | 14.4 |
| RoE | | | | -1.7 | | 13.3 | 3.2 | |
| RoCE | | | | 1.4 | | 14.3 | 5.1 | |
| P/E | -10.3 | 68.0 | | -38.2 | | 5.1 | 20.2 | |
| P/B | | | | 0.6 | | 0.7 | 0.6 | |
| EV/EBITDA | | | | 31.4 | | 4.5 | 8.5 | |

1 year forwarded valuation band chart

1 year forwarded EV/EBITDA band chart



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