

TATA Steel Ltd.**₹550*****We Only do it Right...!!!* Accumulate**

Oct 19, 2018

Company Background

Tata Steel Ltd was incorporated in the year 1907 with the name Tata Iron & Steel Company Ltd. It is one of the world's largest steel companies with a production capacity of approximately 27.5 million tonnes per annum (MnTPA) as on 31 March 2017. It's operations are in India, Europe & South East Asia. It has manufacturing units in 26 countries & commercial presence in over 50 countries. TATA Steel is the second largest steel producer in Europe with a crude steel production capacity of over 12.1 MTPA. Company & its subsidiaries, are engaged in the manufacture and sale of steel products in India & internationally. It offers hot and cold rolled coils and sheets, galvanized sheets, tubes, wire rods, construction rebars and bearings. Company also involves in prospecting, discovering, mining iron ore, coal, ferro alloys, other minerals; designing and manufacturing plants and equipment for steel, oil and natural gas, energy and power, mining, railways, ports, aviation, and space industries; and agricultural implements. Tata Steel's operations are grouped under six Strategic Business Units include Bearings Division, Ferro Alloys & Minerals Division, Agrico Division, Tata Growth Shop, Tubes Division and Wire Division.

Key Highlights

- ➔ During the FY18, it planned to expand its capacity of Odisha plant by 5 MTPA to 8 MTPA, after this expansion India's operations will produce 18 MTPA with a project cost of ₹ 23,500 crore and it will be operated within 48 months.
- ➔ During the year, Company announced that it is the first steel company to enter into a long-term tariff contract (LTTC) with Indian Railways.
- ➔ Tata Steel announced that it has signed a Memorandum of Understanding during the year with Germany's Thyssenkrupp AG to create a leading European steel enterprise by combining the both steel businesses of the two companies in Europe and the steel mill services of the Thyssenkrupp group. Both the companies have the skate 50:50.
- ➔ During the Q3FY18, Board of Directors of Tata Steel at its meeting approved the next phase of expansion of capacity at Kalinganagar, Odisha plant by 5 million tons per annum from 3 MTPA to 8 MTPA.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	4,30,886.0	5,36,754.2	6,12,830.3
Rev. growth (%)	(12.51)	24.57	14.17
EBITDA (INR mn)	63,536.7	1,15,870.3	1,31,763.3
Net profit (INR mn)	9,556.5	34,445.5	41,695.5
Shares outstanding (mn)	971.4	971.4	1,146.1
EPS (INR)	9.8	35.5	36.4
EPS growth (%)	(84.79)	260.37	2.59
P/E (x)	30.93	12.97	15.69
RONW (%)	2.26	8.43	11.76
ROCE (%)	5.17	10.43	14.38

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: TISC.BO
Bloomberg	: TATAIN
NSE	: TATASTEEL
BSE	: 500470

Market Data

52 Wk Range (₹)	: 493/747
Shares in Issue (mn)	: 1,146.1
Market. Cap (bn)	: 623.62
BSE 2 Wk Avg Vol	: 582000

Share Holding Pattern (%)

Promoters Holding	: 33.12
Public & Others	: 18.92
Corporate Holding	: 01.18
Foreign Institution	: 17.42
Institutions	: 29.15
Govt Holding	: 00.21

Investment Theme

India's finished steel consumption grew at a CAGR of 5.69% during FY08-18 to reach 90.68 MT. India's crude steel and finished steel production increased to 102.34 MT and 104.98 MT in FY18, respectively. India is expected to overtake Japan to become the world's second largest steel producer soon. The National Steel Policy 2017, has envisaged 300 million tonnes of production capacity by 2030. During the year, TATA Steel launched 133 products, of which 23 new products in Europe during the year. These launches include major developments for the automotive, construction, engineering and packaging markets. During the FY18, capacity utilisation at Tata Steel Kalinganagar unit reached higher levels over the previous year. There was a successful development of 110 new products as against the plan of 101 new products.

Give the best...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Net Sales	3,82,686.7	4,79,930.2	25.4	5,96,168.2	24.2
Other Income	3,911.6	4,144.6	6.0	7,636.6	84.3
Change in Stocks	(707.5)	13,296.5	(1,979.4)	(5,453.6)	(141.0)
Fuel Charges	1,06,915.5	1,33,779.6	25.1	1,75,248.4	31.0
Employee Exp.	43,198.9	46,051.3	6.6	48,288.5	4.9
Indirect Taxes	44,287.7	52,679.4	18.9	9,025.5	(82.9)
Other Exp.	1,27,952.0	1,48,990.7	16.4	2,34,025.5	57.1
Operating Exp.	3,22,354.1	3,81,501.0	18.3	4,66,587.9	22.3
Operating Profit	63,536.7	1,15,870.3	82.4	1,31,763.3	13.7
Total Interest	18,480.5	26,885.5	45.5	28,106.2	4.5
Gross Profit	45,056.2	88,984.8	97.5	1,03,657.1	16.5
Net Dep.	29,622.8	35,415.5	19.6	37,274.6	5.2
Total Taxation	5,876.9	19,123.8	225.4	24,687.0	29.1
Net Profit/Loss	9,556.5	34,445.5	260.4	41,695.5	21.0

4 Years Balance Sheet

(₹ mn)

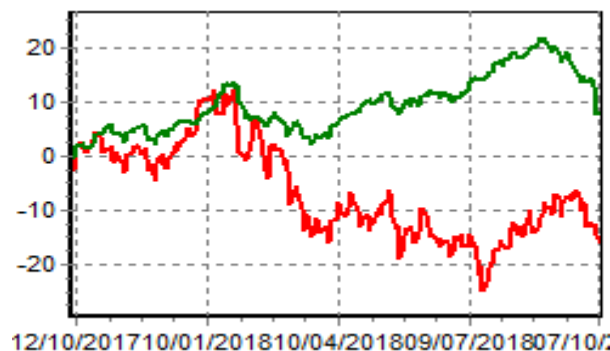
Balance Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS	10,11,421.2	8,56,881.8	8,58,880.7	9,68,047.6
Equity Share capital	9,714.1	9,714.1	9,714.1	11,461.2
Equity Application Money	0.0	0.0	0.1	0.2
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	6,56,924.8	4,56,659.7	4,86,875.9	6,03,687.0
Secured Loans	22,326.4	23,603.7	24,350.3	25,288.6
Unsecured Loans	3,22,455.9	3,66,904.3	3,37,940.3	3,27,610.6
USES OF FUNDS	10,11,421.2	8,56,881.8	8,58,880.7	9,68,047.6
Gross Block	4,25,833.8	5,58,084.3	8,18,233.8	8,46,815.8
Less : Revaluation Reserves	12.5	374.6	386.1	386.1
Less : Accumulated Depreciation	1,73,336.1	56,825.8	92,176.2	1,29,138.9
Net Block	2,52,485.2	5,00,883.9	7,25,671.5	7,17,290.8
Capital Work in Progress	2,30,366.7	2,82,058.8	61,639.6	56,732.7
Investments	5,31,643.2	1,17,854.2	1,36,657.1	2,42,769.3
Current Assets	1,09,944.8	1,06,282.5	1,48,005.9	2,00,035.4
Less : Current Liabilities	1,24,711.1	1,38,155.8	1,94,660.7	2,20,504.9
Total Net Current Assets	(14,766.3)	(31,873.3)	(46,654.8)	(20,469.5)
Misc. Expenses not writtenoff	11,692.4	(12,041.8)	(18,432.7)	(28,275.7)
NOTE				
Book Value of Unquoted Investments	5,20,888.7	76,943.4	1,36,657.1	2,42,769.3
Market Value of Quoted Investments	1,15,289.7	47,457.9	0.0	0.0
Contingent Liabilities	79,776.2	2,10,855.6	2,21,653.1	2,40,838.2
Dividend (%)	80.0	80.0	100.0	100.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 17	Dec 17	Mar 18	Jun 18
Net Sales	1,39,103.6	1,53,099.4	1,59,029.6	1,61,543.2
Cost Of Sales	1,08,723.3	1,20,831.2	1,30,790.2	1,16,621.6
Operating Profit	30,380.3	32,268.2	28,239.4	44,921.6
Other Income	5,600.5	4,680.2	5,978.4	7,571.7
Adjusted PBDIT	35,980.8	36,948.4	34,217.8	52,493.3
Financial Expenses	7,091.6	6,701.8	7,311.4	6,834.4
Depreciation	9,124.2	9,138.6	9,347.7	9,866.7
Other Write Offs	0.0	0.0	0.0	60.5
Adjusted PBT	19,765.0	21,108.0	17,558.7	35,731.7
Tax Charges	6,824.2	7,727.1	7,249.4	12,550.2
Reported Profit	12,940.8	13,380.9	10,309.3	23,181.5
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	12,940.8	13,380.9	10,309.3	23,181.5

52 Week Index Relative Percentage Appreciation



TATA Steel vs SENSEX

Risks Associated

- ➔ The Indian Steel Industry continues to grapple with uncertainties pertaining to the availability and consistent supplies of raw materials such as coal & iron ore still remain a challenge, with recent closure of mines in Goa adding to the woes of the industry.
- ➔ Company operates leased mines, Non-renewal of mining leases may result in the Company having to purchase minerals at higher prices from the open market, impacting its profitability.
- ➔ The steel industry is liable to high proportion of fixed costs and volatility in the prices of raw materials and energy. Disruptions in the supply of raw materials could adversely affect the company's profitability.
- ➔ Higher amount of debt on the balance sheet may leads to adverse impact on the Company's ability to raise finance at lower rates. Fluctuation in foreign exchange rates due to volatility in financial markets may impact it's debt servicing.

Scope of Growth

- ➔ Government of India's focus on infrastructure and restarting road projects is aiding the boost in demand for steel. Also, further likely acceleration in rural economy and infrastructure is expected to lead to growth in demand for steel.
- ➔ During the year, it successfully completed the acquisition of Bhushan Steel Ltd. This acquisition will allow company to make optimum utilisation of the facilities at Bhushan Steel. This will help TATA Steel to supplement its existing facilities and will also provide the opportunity to scale-up operations at a faster pace in India.
- ➔ Total new products it launched during the year 133 Nos. as compare to the previous year, it higher by 177% from 48 Nos. Total of which 23 products were launched from Europe and rest 110 products were from TATA Steel Kalinganagar unit.

In a Nutshell

TATA Steel is one of the world's largest steel companies with a steel production capacity of approximately 27.5 MTPA. Its operations are in India, Europe & South East Asia. It has manufacturing units in 26 countries & commercial presence in over 50 countries. It offers hot and cold rolled coils and sheets, galvanized sheets, tubes, wire rods, construction rebars and bearings. Sales improved by 13.6% to ₹ 6,05,190 million on account of ramp up of operations at TATA Steel Kalinganagar unit & increase the Ferro Chrome business. PAT up by 21.04% to ₹ 41,695.5 million for FY18. Revenue from new products improved by 2.7% to 19,870 million, during the year company developed 133 new products in India and Europe markets. During the year, the consumption of Raw Material increased primarily due to increased operations at TSK & higher cost of imported coal. Finance cost improved by 4.53% to ₹ 28,106.2 million. Investment in subsidiary, JVs & Associates had improve by 7.88% to ₹ 36,660 million for FY18. During the year, The Board of Directors at its meeting approved the next phase of expansion of capacity at Kalinganagar, Odisha plant to 8 MTPA. The project will cost the company ₹ 23,500 crore and will be completed within 48 months. During the year, TATA Steel successfully acquired the Bhushan Steel Ltd. Company will give a total consideration of 35,200 crore for settlement of debt of Bhushan Steel Ltd. Company and Thyssenkrupp AG signed a MoU to create a Joint venture by combining the Tata Steel and Thyssenkrupp AG. The steps taken during the year like acquisition, ramp up of production and creating of JV in European market will help the market growth.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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