

# Tata Steel (TATA)

Metals &amp; Mining

**SELL**

CMP(₹): 177

Fair Value(₹): 145

 Sector View: **Cautious**

NIFTY-50: 25,879

November 13, 2025

## In-line quarter; growth pipeline running thin

TATA's 2QFY26 operating performance came in line with our estimates in India and Europe. Subdued prices and an uptick in coal costs should keep margins under pressure in the near term. TATA is yet to announce the next phase of capacity addition in India, implying muted growth after the ongoing ramp-up of KPO-II. Losses in the UK operations are likely to continue, given deteriorating market conditions, resulting in earnings downgrades. We trim our earnings and revise the FV to Rs145 (from Rs135) on rollover. Maintain SELL on the unattractive risk-reward.

### 2QFY26 earnings: In-line operating performance

TATA's 2QFY26 consolidated adjusted EBITDA was marginally ahead of our estimates at Rs87.6 bn. India's performance was in line, with a minor beat/miss at the Dutch/UK operations. Non-European subsidiaries led to bulk of the beat.

- ▶ India: In-line EBITDA was at Rs80.1 bn (+30% yoy, +12.9% qoq) or Rs14,431/ton. Realizations/costs fell 4.3%/4.6% qoq, leading to a qoq margin decline. Sales volumes increased to 5.55 mn tons (+8.6% yoy, +17% qoq).
- ▶ Europe: Margins were flat qoq. EBITDA gain of US\$8/ton (flat qoq) was slightly ahead of our estimates (KIE: +US\$6/ton) on better margins in the Netherlands, partially offset by higher losses in the UK on elevated maintenance and repair costs. Volumes, at 2.11 mn tons, were stable qoq (-0.9% yoy).

### Margin recovery pushed toward the latter part of 2HFY26E

Domestic/China HRC prices remain under pressure and are 6%/3% below 2QFY26 averages. Domestic HRC prices are consequently now 7-8% below import parity levels, assuming continued safeguard duty, which is a tail risk event, given notification delays by the government. On a qoq basis in 3QFY26, TATA expects (1) a coal cost increase of ~US\$6/ton in India, (2) a coal cost reduction of €5-10/ton in TSN, (3) India realizations to decline ~Rs1,500/ton, (4) a margin compression in TSN on weaker prices and (5) continued losses in the UK. A combination of lower spot prices and marginally higher costs suggests sequentially lower margins in 3QFY26E. We estimate the standalone EBITDA at Rs14,782/14,707 per ton in FY2026/27E versus Rs14,431 per ton in 2QFY26.

### TSUK: Uncertainty on breakeven timelines

Elevated import quota levels relative to the declining demand in the UK have led to higher imports and lower realizations. TATA has withdrawn its guidance on timelines for EBITDA breakeven, which is now contingent on policy support for the UK steel industry. The company is engaged with the government for quota system revision and is hopeful of policy support to curb imports. TATA is marginally behind the cost reduction guidance at TSN due to delayed employee restructuring timelines. We estimate TSE EBITDA of US\$10/33 per ton in FY2026/27E (+US\$8/ton in 2QFY26) on the clouded TSUK breakeven timeline.

### Revise Fair Value to Rs145 (Rs135 earlier); maintain SELL

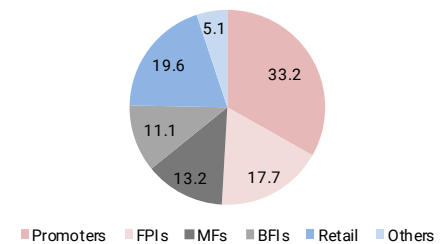
We decrease EBITDA estimates by 7.4%/2.9%/1.5% for FY2026/27/28E on soft near-term India margins and weaker earnings outlook of TSUK. Our Fair Value is revised to Rs145 (from Rs135) as we roll over to September 2027E EBITDA. Maintain SELL, as we find the risk-reward unfavorable at 7.3X EV/EBITDA FY2027E, given a thin growth pipeline, a downside risk to India margins after expiry of a captive mine in FY2030 and challenging market conditions in Europe.

### Company data and valuation summary

#### Stock data

CMP(Rs)/FV(Rs)/Rating	177/145/SELL
52-week range (Rs) (high-low)	187-123
Mcap (bn) (Rs/US\$)	2,205/24.9
ADTV-3M (mn) (Rs/US\$)	4,374/49.3

#### Shareholding pattern (%)



Price performance (%)	1M	3M	12M
Absolute	2	10	27
Rel. to Nifty	(0)	5	17
Rel. to MSCI India	(1)	5	18

Forecasts/Valuations	2026E	2027E	2028E
EPS (Rs)	9.7	12.8	14.9
EPS growth (%)	403.3	31.1	16.7
P/E (X)	18.2	13.9	11.9
P/B (X)	2.2	2.0	1.8
EV/EBITDA (X)	8.3	7.2	6.7
RoE (%)	12.8	15.3	16.0
Div. yield (%)	1.9	2.3	2.5
Sales (Rs bn)	2,373	2,571	2,676
EBITDA (Rs bn)	354	401	426
Net profits (Rs bn)	122	159	186

Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of November 13, 2025

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## 2QFY26: Marginal beat led by non-European subsidiaries

### Exhibit 1: Interim results of TATA (consolidated), March fiscal year-ends (Rs mn)

	2QFY26	2QFY26E	2QFY25	1QFY26	(% chg.)			1HFY26	1HFY25	(% chg)	2026E	2025	(% chg)
					2QFY26E	yoy	qoq						
<b>Net sales</b>	<b>586,893</b>	<b>547,832</b>	<b>539,047</b>	<b>531,781</b>	<b>7.1</b>	<b>8.9</b>	<b>10.4</b>	<b>1,118,674</b>	<b>1,086,761</b>	<b>2.9</b>	<b>2,373,159</b>	<b>2,185,425</b>	<b>8.6</b>
<b>Expenditure</b>	<b>(499,318)</b>	<b>(462,376)</b>	<b>(489,129)</b>	<b>(457,746)</b>	<b>8.0</b>	<b>2.1</b>	<b>9.1</b>	<b>(957,063)</b>	<b>(968,619)</b>	<b>(1.2)</b>	<b>(2,018,947)</b>	<b>(1,951,045)</b>	<b>3.5</b>
Consumption of raw materials	(234,469)	(222,104)	(246,897)	(219,765)	5.6	(5.0)	6.7	(454,235)	(496,827)	(8.6)	(1,031,614)	(950,973)	8.5
(Increase)/ decrease in stock	(9,791)	14,127	7,466	13,979				4,187	33,167		—	967	
Staff Cost	(63,491)	(66,688)	(63,266)	(65,986)	(4.8)	0.4	(3.8)	(129,477)	(127,935)	1.2	(270,270)	(248,890)	8.6
Other Expenditure	(191,566)	(187,711)	(186,433)	(185,974)	2.1	2.8	3.0	(377,539)	(377,023)	0.1	(717,063)	(752,148)	(4.7)
<b>EBITDA</b>	<b>87,575</b>	<b>85,456</b>	<b>49,918</b>	<b>74,035</b>	<b>2.5</b>	<b>75.4</b>	<b>18.3</b>	<b>161,611</b>	<b>118,142</b>	<b>36.8</b>	<b>354,211</b>	<b>234,381</b>	<b>51.1</b>
Other income	3,636	3,464	5,986	2,887	4.9	(39.3)	25.9	6,522	8,585	(24.0)	13,644	15,405	(11.4)
Interest	(17,750)	(18,524)	(19,714)	(18,524)	(4.2)	(10.0)	(4.2)	(36,274)	(37,481)	(3.2)	(77,234)	(73,410)	5.2
Depreciation	(28,930)	(26,071)	(25,967)	(27,443)	11.0	11.4	5.4	(56,373)	(51,322)	9.8	(112,285)	(104,213)	7.7
<b>Pretax profits</b>	<b>44,531</b>	<b>44,325</b>	<b>10,222</b>	<b>30,955</b>	<b>0.5</b>	<b>336</b>	<b>43.9</b>	<b>75,486</b>	<b>37,925</b>	<b>99</b>	<b>178,336</b>	<b>72,163</b>	<b>147</b>
Extraordinaries	(2,814)	—	11,676	(1,081)				(3,895)	6,817		—	10,058	
Deferred tax	1,681	(14,304)	(2,635)	(1,832)				(151)	(11,510)		—	(16,831)	
Current tax	(12,075)	—	(11,420)	(8,766)				(20,841)	(17,128)		(61,174)	(35,560)	
<b>Net income</b>	<b>31,323</b>	<b>30,021</b>	<b>7,843</b>	<b>19,276</b>	<b>4.3</b>	<b>299</b>	<b>62.5</b>	<b>50,600</b>	<b>16,104</b>	<b>214</b>	<b>117,161</b>	<b>29,830</b>	<b>293</b>
Minority interest	(813)	—	746	703				(110)	1,157		2,467	2,467	
Share of profit from associates	508	—	(255)	797				1,305	670		1,908	1,908	
<b>PAT after minority interest</b>	<b>31,018</b>	<b>30,021</b>	<b>8,334</b>	<b>20,777</b>	<b>3.3</b>	<b>272</b>	<b>49.3</b>	<b>51,794</b>	<b>17,931</b>	<b>189</b>	<b>121,536</b>	<b>34,205</b>	<b>255</b>
<b>Adjusted PAT</b>	<b>33,832</b>	<b>30,021</b>	<b>(3,341)</b>	<b>21,858</b>	<b>12.7</b>		<b>54.8</b>	<b>55,690</b>	<b>11,114</b>	<b>401</b>	<b>121,536</b>	<b>24,148</b>	<b>403</b>
<b>Adjusted EPS (Rs)</b>	<b>2.7</b>	<b>2.4</b>	<b>(0.3)</b>	<b>1.8</b>				<b>4.5</b>	<b>0.9</b>		<b>9.7</b>	<b>1.9</b>	
<b>Ratios</b>													
EBITDA margin (%)	14.9	15.6	9.3	13.9				14.4	10.9		14.9	10.7	
ETR (%)	23.3	32.3	137.5	34.2				27.8	75.5		34.3	72.6	

Source: Company, Kotak Institutional Equities estimates

## 2QFY26: In-line standalone EBITDA; margins/volumes on expected lines

### Exhibit 2: Interim results of TATA (standalone), March fiscal year-ends (Rs mn)

	2QFY26	2QFY26E	2QFY25	1QFY26	(% chg.)			1HFY26	1HFY25	(% chg)	2026E	2025	(% chg)
					2QFY26E	yoy	qoq						
<b>Net sales</b>	<b>346,795</b>	<b>347,239</b>	<b>323,995</b>	<b>310,144</b>	<b>(0.1)</b>	<b>7.0</b>	<b>11.8</b>	<b>656,939</b>	<b>653,574</b>	<b>0.5</b>	<b>1,451,403</b>	<b>1,325,167</b>	<b>9.5</b>
<b>Expenditure</b>	<b>(266,704)</b>	<b>(267,050)</b>	<b>(262,592)</b>	<b>(239,189)</b>	<b>(0.1)</b>	<b>1.6</b>	<b>11.5</b>	<b>(505,893)</b>	<b>(524,382)</b>	<b>(3.5)</b>	<b>(1,119,703)</b>	<b>(1,046,512)</b>	<b>7.0</b>
Consumption of raw materials	(129,611)	(126,613)	(138,076)	(118,218)	2.4	(6.1)	9.6	(247,829)	(271,122)	(8.6)	(607,159)	(539,144)	12.6
Stock adjustment	(5,594)	—	(1,066)	8,513				2,919	4,294		—	(3,307)	
Employee costs	(19,959)	(19,963)	(19,401)	(19,963)	(0.0)	2.9	(0.0)	(39,922)	(40,789)	(2.1)	(83,537)	(80,101)	4.3
Other Expenditure	(111,540)	(120,474)	(104,049)	(109,521)	(7.4)	7.2	1.8	(221,062)	(216,764)	2.0	(374,084)	(372,708)	0.4
<b>EBITDA</b>	<b>80,091</b>	<b>80,189</b>	<b>61,403</b>	<b>70,954</b>	<b>(0.1)</b>	<b>30.4</b>	<b>12.9</b>	<b>151,046</b>	<b>129,192</b>	<b>16.9</b>	<b>331,700</b>	<b>278,655</b>	<b>19.0</b>
Other income	6,101	5,551	8,515	5,551	9.9	(28.3)	9.9	11,652	12,259	(5.0)	20,644	22,469	(8.1)
Interest	(12,371)	(12,711)	(11,329)	(12,711)	(2.7)	9.2	(2.7)	(25,082)	(20,576)	21.9	(49,602)	(42,384)	17.0
Depreciation	(17,183)	(16,266)	(15,564)	(16,266)	5.6	10.4	5.6	(33,449)	(30,801)	8.6	(69,429)	(62,532)	11.0
<b>Pretax profits</b>	<b>56,639</b>	<b>56,763</b>	<b>43,025</b>	<b>47,528</b>	<b>(0.2)</b>	<b>31.6</b>	<b>19.2</b>	<b>104,167</b>	<b>90,074</b>	<b>15.6</b>	<b>233,312</b>	<b>196,209</b>	<b>18.9</b>
Extraordinaries	(2,605)	—	4,833	(1,951)				(4,556)	2,438		—	(9,020)	
Tax	(13,432)	(14,304)	(11,949)	(10,345)	(6.1)	12.4	29.8	(23,778)	(23,292)	2.1	(58,725)	(47,491)	23.7
<b>Net income</b>	<b>40,601</b>	<b>42,459</b>	<b>35,910</b>	<b>35,233</b>	<b>(4.4)</b>	<b>13.1</b>	<b>15.2</b>	<b>75,834</b>	<b>69,219</b>	<b>9.6</b>	<b>174,588</b>	<b>139,697</b>	<b>25.0</b>
<b>Adjusted net income</b>	<b>40,601</b>	<b>42,459</b>	<b>35,910</b>	<b>35,233</b>	<b>(4.4)</b>	<b>13.1</b>	<b>15.2</b>	<b>75,834</b>	<b>69,219</b>	<b>9.6</b>	<b>174,588</b>	<b>139,697</b>	<b>25.0</b>
EPS (Rs)	3.5	3.4	2.5	3.0				6.6	5.5		14.0	11.7	
<b>Ratios</b>													
EBITDA margin (%)	23.1	23.1	19.0	22.9				23.0	19.8		22.9	23.0	
ETR (%)	24.9	25.2	25.0	22.7				23.9	25.2		25.2	24.2	
<b>Per ton analysis (Rs/ton)</b>													
Realizations	62,486	62,386	63,404	65,293	0.2	(1.4)	(4.3)	63,780	65,032	(1.9)	64,679	63,284	2.2
Cost	48,055	47,979	51,388	50,356	0.2	(6.5)	(4.6)	49,116	52,177	(5.9)	49,898	49,977	(0.2)
EBITDA	14,431	14,407	12,016	14,938	0.2	20.1	(3.4)	14,665	12,855	14.1	14,782	13,307	11.1
Steel sales (mn tons)	5.55	5.57	5.11	4.75	(0.3)	8.6	16.8	10.30	10.05	2.5	22.44	20.94	7.2

Source: Company, Kotak Institutional Equities estimates

## Tata Steel Europe: Improved TSN margins offset by continued losses in TSUK led to flat qoq margins

Exhibit 3: Tata Steel Europe's EBITDA/ton quarterly trends, March fiscal year-ends, 2QFY24-26E, FY2025-28E (US\$/ton)

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	2QFY26E	% change			FY2025	FY2026E	FY2027E	FY2028E
											yoy	qoq					
<b>Tata Steel Europe</b>																	
Deliveries (mn tons)	1.96	1.94	2.12	2.15	2.13	2.09	2.38	2.10	2.11	2.10	0.5%	-0.9%	0.5%	8.75	8.65	8.65	8.75
Turnover (US\$ mn)	2,448	2,309	2,494	2,515	2,462	2,313	2,399	2,420	2,479	2,368	4.7%	0.7%	2.4%	9,014	9,413	9,629	9,872
Adjusted EBITDA (US\$ mn)	(304)	(345)	(82)	(60)	(163)	(87)	(87)	17	17	12	NM	NM	NM	(392)	82	285	410
Realizations (US\$/ton)	1,249	1,190	1,176	1,170	1,156	1,106	1,008	1,153	1,175	1,128	4.2%	1.7%	1.9%	1,030	1,088	1,113	1,128
Adjusted EBITDA (US\$/ton)	(155)	(178)	(39)	(28)	(76)	(42)	(36)	8	8	6	NM	NM	NM	(45)	10	33	47
<b>Tata Steel Europe (Rs mn)</b>																	
Revenues	202,490	192,170	207,080	209,770	206,300	195,320	207,700	207,150	216,460	206,762	4.7%	4.9%	4.5%	762,623	824,591	861,830	903,284
EBITDA	(25,120)	(28,720)	(6,840)	(5,030)	(13,620)	(7,360)	(7,500)	1,420	1,510	1,037	NM	NM	NM	(33,200)	7,203	25,538	37,530
<b>Tata Steel UK</b>																	
Deliveries (mn tons)	0.73	0.64	0.69	0.68	0.63	0.56	0.63	0.60	0.57	0.56	1.8%	-9.5%	-5.0%	2.50	2.40	2.40	2.40
EBITDA (Rs mn)	(13,670)	(16,570)	(3,880)	(9,550)	(15,880)	(7,350)	(8,740)	(4,700)	(7,650)	(7,390)	NM	NM	NM	(41,520)	(25,000)	(10,000)	(5,000)
EBITDA/ton (US\$/ton)	(226)	(311)	(68)	(168)	(301)	(155)	(160)	(92)	(154)	(151)	NM	NM	NM	(196)	(119)	(47)	(23)
<b>Tata Steel Netherlands</b>																	
Deliveries (mn tons)	1.23	1.30	1.43	1.47	1.50	1.53	1.75	1.50	1.54	1.54	0.0%	2.7%	2.7%	6.25	6.25	6.25	6.25
EBITDA (Rs mn)	(11,450)	(12,150)	(2,960)	4,520	2,260	(10)	1,240	6,120	9,160	8,427	8.7%	NM	NM	8,010	32,203	35,538	42,530
EBITDA/ton (US\$/ton)	(113)	(112)	(25)	37	18	(0)	8	48	68	63	8.7%	NM	NM	15	59	64	74

Source: Company, Kotak Institutional Equities estimates

### Key takeaways from the earnings call

#### ► India business

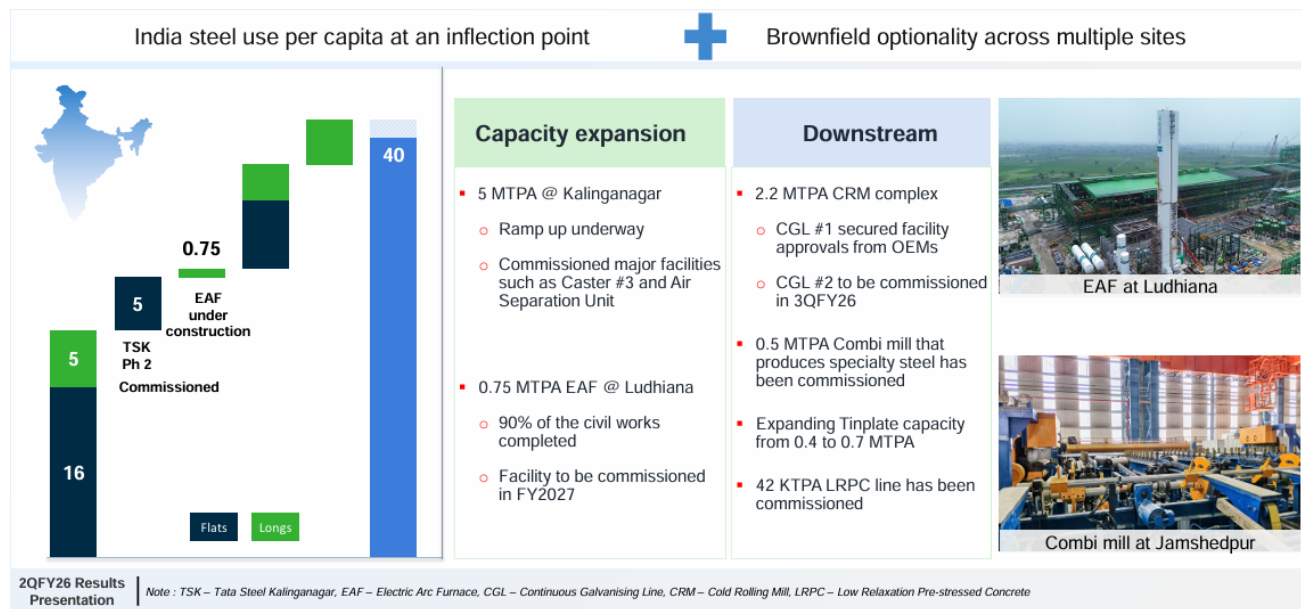
- **Prices.** Management expects realizations to be ~Rs1,500/ton lower qoq in 3QFY26.
  - a) These expectations are based on limited improvement in December 2025 prices from spot levels.
  - b) The company awaits a decision on the extension of safeguard duties. Industry investments are under the threat of cheap imports in the absence of safeguard duties.
- **Capacity/Volumes.** Sales volumes during 2QFY26 stood at 5.55 mn tons (+8.6% yoy, +17% qoq) and were robust on the ramp-up in Kalinganagar.
  - a) Additional 0.5 mn tons volumes are expected in 3QFY26 on further Kalinganagar Phase 2 ramp-up.
  - b) NINL expansion to be in phases from the current 1 mtpa to 5/10 mtpa. It is working on obtaining multiple clearances, including EC/FC. Following all approvals, the proposal would be taken to the Board.
  - c) TATA expects a 3- to 4-year timeline for the completion of the NINL phase 1 expansion after Board approvals.
  - d) Additional expansion optionality for the company includes (1) the phased expansion of Kalinganagar to 13/16 mtpa (versus 8 mtpa currently), (2) the phased expansion of Meramandali to 6.5/10 mtpa (versus 5 mtpa currently), for which some land needs to be acquired and (3) debottlenecking projects in the Gamharia/Meramandali plants.
  - e) Additional volumes in FY2027 from 0.75 mtpa EAF in Ludhiana.
- **Costs:** Management expects coking coal costs to increase by ~US\$6/ton qoq in 3QFY26.
  - a) The company is on track for Rs115 bn of consolidated cost savings in FY2026 yoy. Of this, Rs54.5 bn has been realized, as of 1HFY26.
- **Captive mines.** Majority of TATA's captive iron ore mines will expire by end-FY2030 and will be put under auction. The company will still possess ~500-600 mn tons of iron ore reserves from auctions/existing mines, which will not expire in FY2030.
- TATA is also engaged with merchant miners such as OMC and NMDC for long-term iron ore contracts.
  - TATA will go through the journey of becoming less captive in iron ore (similar to coal, where the captive coal proportion reduced to 20% from ~70% earlier) from FY2031.

- The company will bid for captive iron ore mines, where the premiums make commercial sense. Imports of higher quality ore are also an option to mitigate the loss of captive iron ore mines.
- ▶ **EAF.** Ludhiana EAF to be operational in FY2027 and add 0.75 mtpa capacity. CoP to be ~US\$100/ton higher versus BF/BOF-based steel production. Margins to be in the range of ~Rs5,000-7,000/ton.
  - Largest cost components in EAF are scrap/power costs at ~70%/15% of total costs. Scrap sourcing optimization is key for margin optimization for EAF.
  - Capex requirements are much lower for EAF-based expansion, given the absence of several components (such as sinter plant and coke ovens) and much lower land acquisition requirements.
  - Emission intensity for Ludhiana EAF to be a mere ~0.2-0.3 tCO<sub>2</sub>/tcs versus ~1.6 3 tCO<sub>2</sub>/tcs for TSN, which is one of the world's lowest emission intensity BF/BOF capacities.
- ▶ **Europe division**
  - **Costs.** Coking coal costs to be lower by ~€5-10/ton for TSN qoq in 3QFY26.
    - a) There are certain delays on employee restructuring timelines in the Netherlands as discussions are still ongoing. TATA expects this to be a timing difference from a cost savings perspective.
  - **Realizations.** The Netherlands NSR to be lower by ~€30/ton qoq in 3QFY26. This may lead to some qoq margin compression.
  - No improvement in the UK NSR is expected until the quota system issue is resolved through policy support to curb imports.
    - a) **Netherlands (TSN).** TATA signed a non-binding Joint Letter of Intent (JLoI) in September 2025 with the Government of the Netherlands and the province of North Holland on integrated health measures and a decarbonization project.
    - b) The JLoI sets out the aims and objectives of parties for Phase-1 of transition to low carbon steel production and to improve environment around the Ijmuiden site. Total support up to ~€2 bn is outlined for phase-1 of the transition to green steel at TSN.
    - c) Total capex amount is not yet decided. The company expects a more detailed binding LoI to be signed with the government in FY2027, with commencement of the project after FY2027.
    - d) The phase-2 transition to green steel in TSN is out of the scope of current non-binding JLoI. The company expects progress on steel policy support in the coming years for Phase-2 capex to become self-sustaining.
    - e) Policy developments (under the EU Steel Plan 2.0) in Europe should ensure that steel quotas are reduced by 50%, with import duties on volumes beyond finalized quotas. TATA has started seeing positive realization discussions with its customers for next year on the back of policy support.
    - f) The company expects the full effect of these policy developments to result in lower imports to Europe by 4QFY26. The new policy should also include melt and pour conditions (possibly from June 2026 after the consultation period), further reducing imports.
    - g) TSN is working toward increasing scrap in its mix from the current ~18-19% to reduce emission intensity and mitigate the impact of lower carbon allowances.
    - h) TATA is also exploring fuel source fungibility for new planned EAFs in Europe.
  - **United Kingdom (TSUK).** TSUK remains vulnerable as import quotas across grades are much higher versus consumption/demand, making the UK a target for cheap imported steel.
    - a) First EAF plant supplies at Port Talbot are expected to be delivered in early 2026, with EAF manufacturing activities progressing according to schedule.
    - b) The company is working with the Government/Trade Regulatory Authority (TRA) to highlight the policy disparity that places the UK steel industry at a structural disadvantage.

- c) TATA is on track to reduce costs according to plans in TSUK. However, EBITDA breakeven is now contingent on policy support from the UK government (earlier guidance of breakeven by 4QFY26).
- d) Consultations on CBAM in the UK are yet to begin. They are scheduled a year after the EU CBAM process. The UK remains behind the curve on these initiatives.
- e) The company remains hopeful of a reduction in quotas in CY2026; CY2027/28 could be too late for the industry.
- ▶ **Net debt.** TATA's net debt increased by Rs22 bn on a sequential basis and stood at Rs870 bn in 2QFY26 (Rs848 bn in 1QFY26).
- ▶ **Capex.** Capex for 2QFY26 stood at Rs32.5 bn (Rs38.3 bn in 1QFY26). Guidance for FY2026 capex is maintained at Rs150 bn, primarily for India operations (~75% of consolidated capex).
  - TATA expects to commission second galvanizing lines in CRM complex (2.2 mtpa) in 3QFY26 (earlier 2QFY26).
  - Construction for EAF in Ludhiana (0.75 mtpa) is in progress with 90% civil work completed. Expected commissioning by FY2027.
  - Caster 3 in Kalinganagar (5 mtpa) expansion was commissioned in 2QFY26.
  - The company is expanding its tinplate capacity from 0.4 to 0.7 mtpa.
- ▶ Performance in the Thailand subsidiary was exceptional on the back of increased demand for high-quality steel after the recent natural disaster.
- ▶ **Ferro alloy plant sale.** TATA has signed an Asset Transfer Agreement in November 2025 with Indian Metals & Ferro Alloys Ltd (IMFA) for the sale of its Ferro Alloy Plant at Jajpur, Odisha.
  - The sale is expected to be completed within the next three months for a base consideration of Rs6.1 bn, provided the receipt of requisite approvals.
  - The sale is in line with the surrender of the Sukinda mine, where underground mining (and associated high capex) was not value accretive. Changes in MDPA further made mining at Sukinda unattractive.
- ▶ **BlueScope Steel Asia Holding (BSAH).** TATA has executed the share purchase agreement with BSAH for the acquisition of a balance 50% stake in Tata BlueScope Steel Private Ltd (TBSPL, JV of TATA) in November 2025 for a consideration of Rs11 bn, making TBSPL a wholly owned subsidiary of the company. The transaction is subject to requisite regulatory approvals.
- ▶ **Exceptional items.** Exceptional items for the quarter include (1) employee separation compensation expenses of Rs1.5 bn, (2) a Rs0.84 bn provision for demand and claims, (3) Rs1.7 bn provision for impairment of non-current assets, (4) a Rs137 mn loss on sale of subsidiaries and non-current assets and (5) Rs10.4 mn loss on current investments through FVTPL.

## TATA plans to scale Indian capacity to 40 mtpa in the medium term

Exhibit 4: Details of capacity addition, as of 1HFY26 (mn tons)

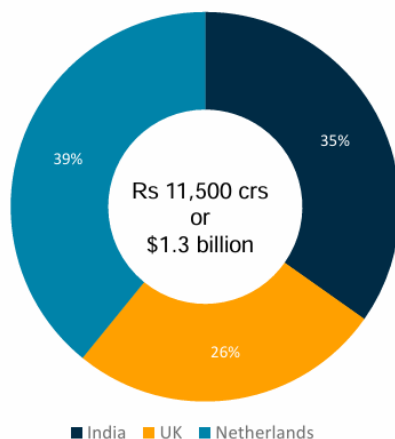


Source: Company, Kotak Institutional Equities estimates

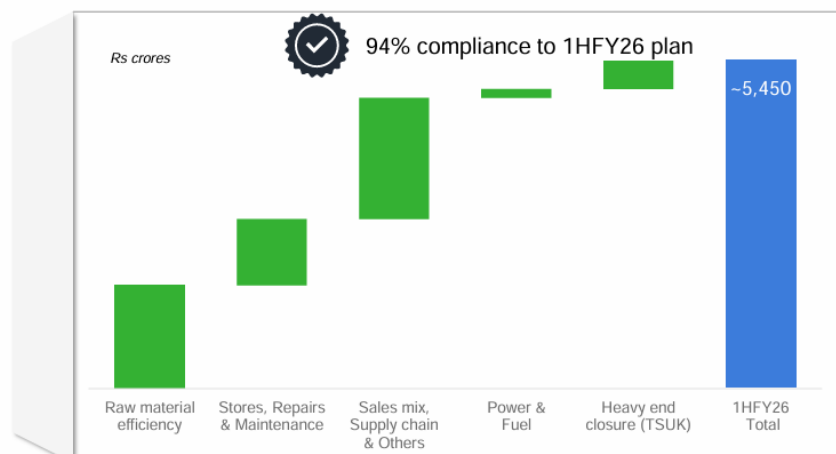
## TATA plans to reduce costs by a cumulative Rs115 bn across geographies in FY2026E from FY2025 levels

Exhibit 5: Breakup of cost take-outs by region, 2QFY26

### Targeted cost transformation program across geographies



### Progressing as per plan delivering an improvement of ~ Rs 5,450 crores for the half year



2QFY26 Results Presentation | Note : USD INR = 85.68, \* Improvement in costs is computed vs. average FY2025 baseline

Source: Company, Kotak Institutional Equities estimates

## 2QFY26: Margins declined on lower realizations, partially offset by lower costs

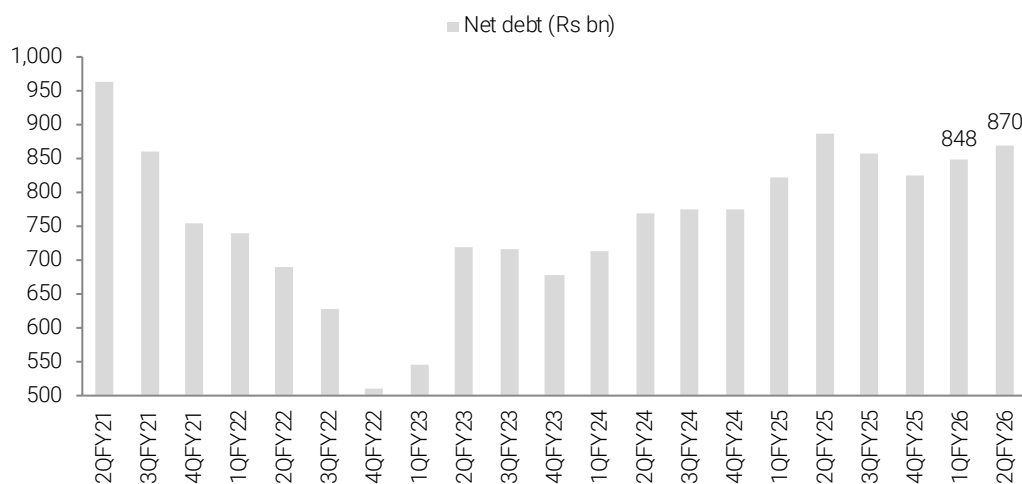
Exhibit 6: TATA's standalone, quarterly analysis of cost-structure and profitability, March fiscal year-ends, 2QFY24-26 (Rs/ton)

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
<b>Tata Steel India (Rs/ton)</b>									
<b>Realization (Rs/ ton)</b>	<b>70,950</b>	<b>71,077</b>	<b>67,420</b>	<b>66,716</b>	<b>63,404</b>	<b>61,929</b>	<b>61,427</b>	<b>65,293</b>	<b>62,486</b>
Raw material cost	31,332	25,969	28,399	25,847	27,229	25,914	24,739	23,096	24,361
Employee cost	3,906	3,861	3,640	4,330	3,797	3,697	3,527	4,203	3,596
Other expenditure	22,351	24,273	20,501	22,817	20,362	21,001	20,683	23,057	20,097
<b>Total Cost</b>	<b>57,588</b>	<b>54,103</b>	<b>52,541</b>	<b>52,994</b>	<b>51,388</b>	<b>50,612</b>	<b>48,949</b>	<b>50,356</b>	<b>48,055</b>
<b>EBITDA (Rs/ton)</b>	<b>13,362</b>	<b>16,974</b>	<b>14,879</b>	<b>13,723</b>	<b>12,016</b>	<b>11,317</b>	<b>12,477</b>	<b>14,938</b>	<b>14,431</b>
<b>Tata Steel (US\$/ton)</b>									
<b>Realization (US\$/ ton)</b>	<b>70,950</b>	<b>71,077</b>	<b>67,420</b>	<b>66,716</b>	<b>63,404</b>	<b>61,929</b>	<b>61,427</b>	<b>65,293</b>	<b>62,486</b>
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Source: Company, Kotak Institutional Equities estimates

## TATA's net debt increased by Rs22 bn qoq in 2QFY26

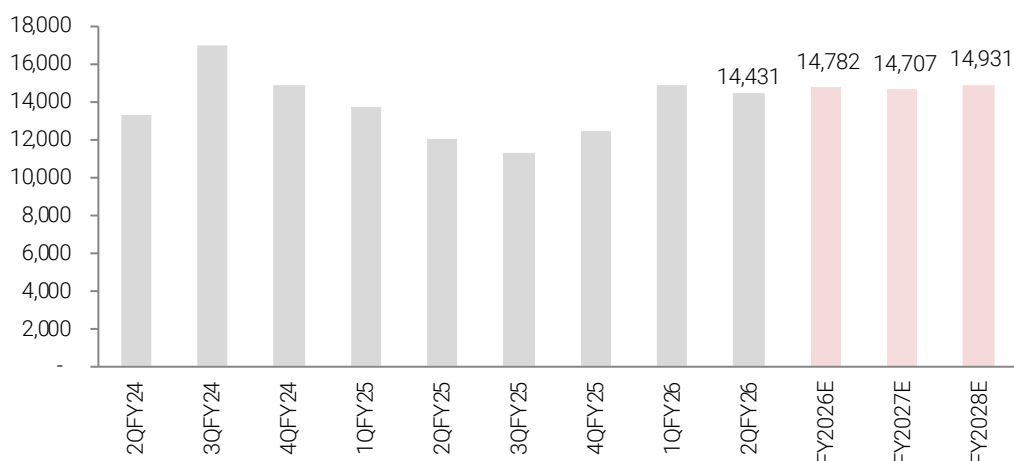
Exhibit 7: TATA's quarterly net debt trend, March fiscal year-ends, 2QFY21-26 (Rs bn)



Source: Company, Kotak Institutional Equities estimates

### India margins declined sequentially in 2QFY26 on lower realizations

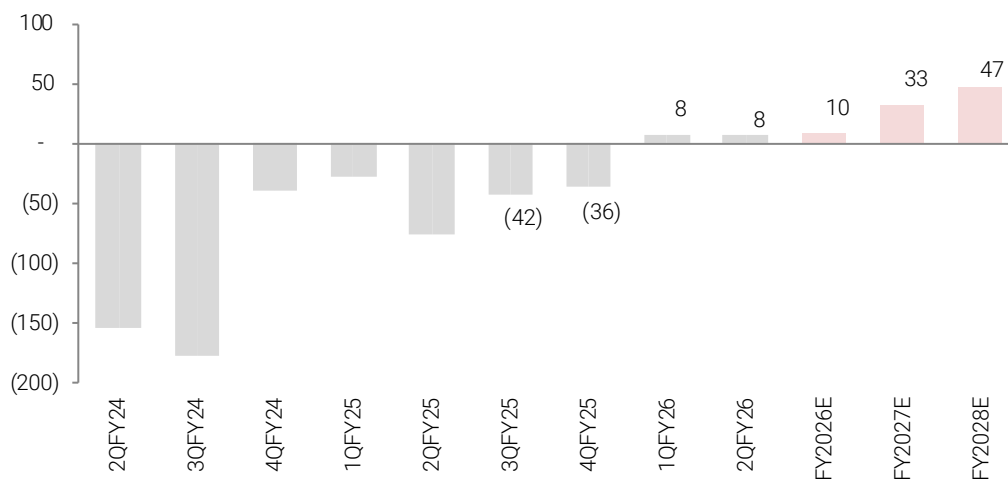
Exhibit 8: TATA's India EBITDA/ton, March fiscal year-ends, 2QFY24-26, FY2026-28E (Rs/ton)



Source: Company, Kotak Institutional Equities estimates

### We expect European margins to stage only a gradual improvement

Exhibit 9: Tata Steel Europe's EBITDA/ton, March fiscal year-ends, 2QFY24-26, FY2026-28E (US\$/ton)

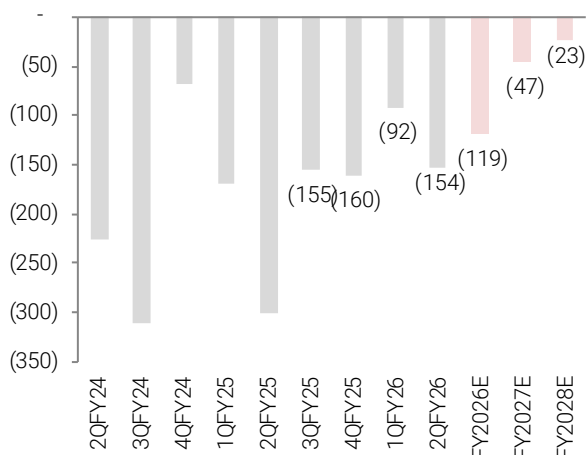


Source: Company, Kotak Institutional Equities estimates



### TSUK: Losses widened qoq in 2QFY26

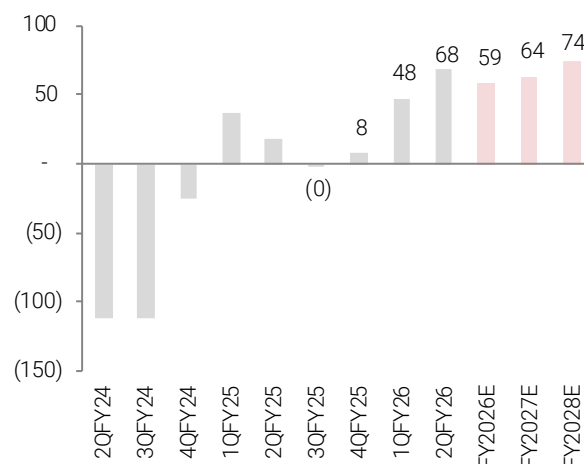
Exhibit 10: Tata Steel UK's EBITDA/ton, March fiscal year-ends, 2QFY24-26, FY2026-28E (US\$/ton)



Source: Company, Kotak Institutional Equities estimates

### TSN: Margins improved qoq in 2QFY26

Exhibit 11: Tata Steel Netherlands' EBITDA/ton, March fiscal year-ends, 2QFY24-26, FY2026-28E (US\$/ton)



Source: Company, Kotak Institutional Equities estimates

### Leverage should remain manageable over FY2026-28E

Exhibit 12: TATA's consolidated leverage details, March fiscal year-ends, 2020-28E (Rs bn, X)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
EBITDA (Rs bn)	178	305	658	323	223	234	354	401	426
Net debt (Rs bn)	1,048	806	560	678	775	823	808	751	716
Capex (Rs bn)	100	70	105	141	182	157	150	148	204
Free Cash Flows (Rs bn)	30	309	295	20	(54)	3	57	109	90
Net debt/ EBITDA (X)	5.9	2.6	0.9	2.1	3.5	3.5	2.3	1.9	1.7
Net debt/ Equity (X)	1.5	1.1	0.5	0.7	0.8	0.9	0.8	0.7	0.6

Source: Company, Kotak Institutional Equities estimates

### We expect European operations to stage only gradual recovery over FY2026-28E

Exhibit 13: TATA-key assumptions, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
<b>Tata Steel (Standalone)</b>									
Average HRC price (US\$/ton)	495	545	900	711	605	527	500	525	525
Crude steel capacity (mn tons)	18.6	18.6	18.6	18.6	20.5	25.5	25.5	26.3	26.3
Volume (mn tons)	16.5	16.7	17.6	18.9	19.9	20.9	22.4	24.4	24.9
EBITDA/ton (US\$/ton)	127	219	389	186	182	157	169	164	163
EBITDA/ton (Rs/ton)	10,427	16,278	29,002	14,998	15,062	13,307	14,782	14,707	14,931
EBITDA/ton (US\$/ton)	127	219	389	186	182	157	169	164	163
<b>Europe</b>									
Volume (mn tons)	9.3	8.8	9.1	8.2	8.1	8.8	8.7	8.7	8.8
EBITDA/ton (US\$/ton)	(12)	(12)	178	71	(173)	(45)	10	33	47

Source: Company, Kotak Institutional Equities estimates

**Tata Steel: Revised estimates versus previous estimates**
**Exhibit 14: TATA—changes in estimates, March fiscal year-ends, 2026-28E**

		Revised estimates			Previous estimates			Change (%)		
		2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Earnings (consolidated)	Units									
Net sales	Rs mn	2,373,159	2,570,536	2,676,276	2,369,372	2,551,264	2,644,740	0.2	0.8	1.2
EBITDA	Rs mn	354,211	400,557	425,798	382,600	412,716	432,181	(7.4)	(2.9)	(1.5)
Adj. PAT	Rs mn	121,536	159,368	185,929	144,006	168,036	185,605	(16)	(5.2)	0.2
EPS	Rs/share	9.7	12.8	14.9	11.5	13.5	14.9	(16)	(5.2)	0.2
Volumes										
India (standalone)	mn tons	22.4	24.4	24.9	22.4	24.4	24.9	—	—	—
Europe	mn tons	8.7	8.7	8.8	8.7	8.7	8.8	—	—	—
Pricing										
HRC prices - China	US\$/ton	500	525	525	500	525	525	—	—	—
INR	Rs/US\$	87.6	89.5	91.5	86.1	88.0	90.0	1.8	1.7	1.7
Tata Steel standalone										
Net sales	Rs mn	1,451,403	1,606,524	1,668,690	1,459,218	1,602,787	1,664,876	(0.5)	0.2	0.2
EBITDA	Rs mn	331,700	359,431	372,385	344,097	362,692	375,676	(3.6)	(0.9)	(0.9)
EBITDA/ton	Rs/ton	14,782	14,707	14,931	15,334	14,840	15,063	(3.6)	(0.9)	(0.9)
Tata Steel Europe										
Net sales	US\$ mn	9,413	9,629	9,872	9,456	9,629	9,741	(0.5)	—	1.3
EBITDA	US\$ mn	82	285	410	307	429	490	(73)	(34)	(16)
EBITDA/ton	US\$/ton	10	33	47	35	50	56	(73)	(34)	(16)

Source: Company, Kotak Institutional Equities estimates

**We revise our Fair Value to Rs145 (earlier Rs135) on rollover to September 2027E**
**Exhibit 15: TATA—valuation, September 2027E basis**

	EBITDA (Rs bn)	Multiple (X)	Enterprise value (Rs bn)	Net debt (Rs bn)	Equity Value (Rs bn)	Equity Value (Rs/share)
India	376		2,384			
- Steel	271	7.5	2,032			
- Captive Iron ore (multiple derived from DCF)	105	3.4	352			
Europe	32	5.0	158			
<b>Total Enterprise Value</b>	<b>407</b>	<b>6.2</b>	<b>2,542</b>	<b>737</b>	<b>1,805</b>	<b>145</b>
<b>Arrived market capitalization</b>					<b>1,805</b>	<b>145</b>
<b>Fair Value (Rs)</b>						<b>145</b>

Source: Company, Kotak Institutional Equities estimates

## Tata Steel's financials

Exhibit 16: Tata Steel (consolidated) –profit model, balance sheet and cash-flow model, March fiscal year-ends, 2020-28E (Rs mn)

	2020	2021	2022	2023	2,024	2,025	2026E	2027E	2028E
<b>Profit model (Rs mn)</b>									
Net sales	1,489,717	1,564,774	2,439,592	2,433,527	2,291,708	2,185,425	2,373,159	2,570,536	2,676,276
<b>EBITDA</b>	<b>178,276</b>	<b>305,043</b>	<b>657,640</b>	<b>323,002</b>	<b>223,059</b>	<b>234,381</b>	<b>354,211</b>	<b>400,557</b>	<b>425,798</b>
Other income	18,220	8,956	7,849	10,375	18,089	15,405	13,644	9,348	8,986
Interest	(75,807)	(76,067)	(54,622)	(62,987)	(75,076)	(73,410)	(77,234)	(65,703)	(56,918)
Depreciation	(87,077)	(92,336)	(91,009)	(93,352)	(98,822)	(104,213)	(112,285)	(121,395)	(123,504)
<b>Profit before tax</b>	<b>33,612</b>	<b>145,595</b>	<b>519,858</b>	<b>177,037</b>	<b>67,250</b>	<b>72,163</b>	<b>178,336</b>	<b>222,807</b>	<b>254,362</b>
Extraordinaries	(49,296)	(10,432)	(24,081)	1,133	(78,141)	10,058	—	—	—
Taxes	25,529	(56,539)	(84,776)	(101,598)	(37,626)	(52,391)	(61,174)	(67,814)	(72,809)
<b>Profit after tax</b>	<b>9,845</b>	<b>78,625</b>	<b>411,002</b>	<b>76,572</b>	<b>(48,516)</b>	<b>29,830</b>	<b>117,161</b>	<b>154,993</b>	<b>181,553</b>
Minority interest	3,841	(6,996)	(15,954)	6,851	4,722	2,467	2,467	2,467	2,467
Share in profit/(loss) of associates	1,880	3,273	6,492	4,181	(580)	1,908	1,908	1,908	1,908
<b>Reported net income</b>	<b>15,565</b>	<b>74,902</b>	<b>401,539</b>	<b>87,604</b>	<b>(44,374)</b>	<b>34,205</b>	<b>121,536</b>	<b>159,368</b>	<b>185,929</b>
<b>Adjusted net income</b>	<b>64,861</b>	<b>85,334</b>	<b>425,620</b>	<b>86,471</b>	<b>33,766</b>	<b>24,148</b>	<b>121,536</b>	<b>159,368</b>	<b>185,929</b>
<b>Fully diluted EPS (Rs)</b>	<b>5.7</b>	<b>7.1</b>	<b>34.8</b>	<b>7.1</b>	<b>2.7</b>	<b>1.9</b>	<b>9.7</b>	<b>12.8</b>	<b>14.9</b>
<b>Balance sheet (Rs mn)</b>									
Equity	713,013	734,638	1,144,430	1,030,821	920,358	911,696	990,695	1,098,268	1,228,418
Deferred tax liability	92,614	92,414	123,258	141,156	129,923	144,302	144,302	144,302	144,302
Total Borrowings	1,186,032	943,472	805,342	847,970	869,589	943,488	903,488	863,488	823,488
Current liabilities	423,244	429,929	546,268	639,445	630,213	602,966	634,912	661,950	676,435
Minority interest	25,866	32,697	26,554	20,931	3,970	1,832	(636)	(3,103)	(5,570)
<b>Total liabilities</b>	<b>2,504,195</b>	<b>2,454,872</b>	<b>2,854,456</b>	<b>2,880,217</b>	<b>2,734,235</b>	<b>2,793,948</b>	<b>2,862,426</b>	<b>2,954,570</b>	<b>3,056,738</b>
Net fixed assets	1,280,538	1,190,035	1,161,665	1,186,967	1,235,381	1,252,152	1,529,779	1,501,817	1,477,797
Capital work in progress	194,968	181,287	212,276	303,079	333,702	406,019	166,019	221,019	326,019
Goodwill	64,969	81,994	96,016	196,073	186,757	186,314	186,314	186,314	186,314
Investments	62,852	106,819	131,399	84,103	62,576	61,941	63,849	65,757	67,665
Deferred tax assets	12,703	15,780	30,239	26,260	41,111	39,362	39,362	39,362	39,362
Cash	80,547	57,822	159,882	133,573	86,777	116,470	91,259	108,492	103,148
Other current assets	444,227	472,109	680,440	696,782	611,393	563,019	617,173	663,137	687,761
<b>Total assets</b>	<b>2,504,195</b>	<b>2,454,872</b>	<b>2,854,456</b>	<b>2,880,217</b>	<b>2,734,235</b>	<b>2,793,948</b>	<b>2,862,426</b>	<b>2,954,570</b>	<b>3,056,738</b>
Net debt	1,048,416	805,712	560,216	678,097	775,500	822,592	807,803	750,570	715,914
<b>Free cash flow (Rs mn)</b>									
Operating cash flow excl. working capital	88,585	214,301	496,109	198,349	94,418	137,213	229,446	276,387	305,057
Working capital changes	41,962	164,913	(96,177)	(37,065)	33,837	22,070	(22,207)	(18,927)	(10,139)
Capital expenditure	(100,123)	(69,786)	(105,222)	(141,425)	(182,066)	(156,705)	(149,913)	(148,433)	(204,483)
<b>Free cash flow</b>	<b>30,424</b>	<b>309,429</b>	<b>294,710</b>	<b>19,859</b>	<b>(53,811)</b>	<b>2,578</b>	<b>57,327</b>	<b>109,028</b>	<b>90,435</b>
<b>Ratios</b>									
P/E (X)	31.2	24.8	5.1	25.0	65.3	91.3	18.1	13.8	11.9
EV/EBITDA (X) - ex investments	17.2	9.5	4.1	8.7	13.2	12.8	8.4	7.3	6.8
P/B (X)	2.8	2.9	1.9	2.1	2.4	2.4	2.2	2.0	1.8
FCF Yield (%)	(0.5)	14.6	13.6	0.9	(2.4)	0.1	2.6	4.9	4.1
Net debt/EBITDA (X)	6.0	2.6	0.9	2.1	3.5	3.5	2.3	1.9	1.7
RoAE (%)	9.4	11.8	45.3	8.0	3.5	2.6	12.8	15.3	16.0
<b>RoACE (%)</b>	<b>4.7</b>	<b>9.4</b>	<b>21.7</b>	<b>8.9</b>	<b>5.9</b>	<b>6.3</b>	<b>10.4</b>	<b>11.2</b>	<b>11.4</b>

Source: Company, Kotak Institutional Equities estimates

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Sumangal Nevatia, Siddharth Mehrotra, Keshav Kumar."

## Ratings and other definitions/identifiers

### Definitions of ratings

**BUY.** We expect this stock to deliver more than 15% returns over the next 12 months.

**ADD.** We expect this stock to deliver 5-15% returns over the next 12 months.

**REDUCE.** We expect this stock to deliver -5+5% returns over the next 12 months.

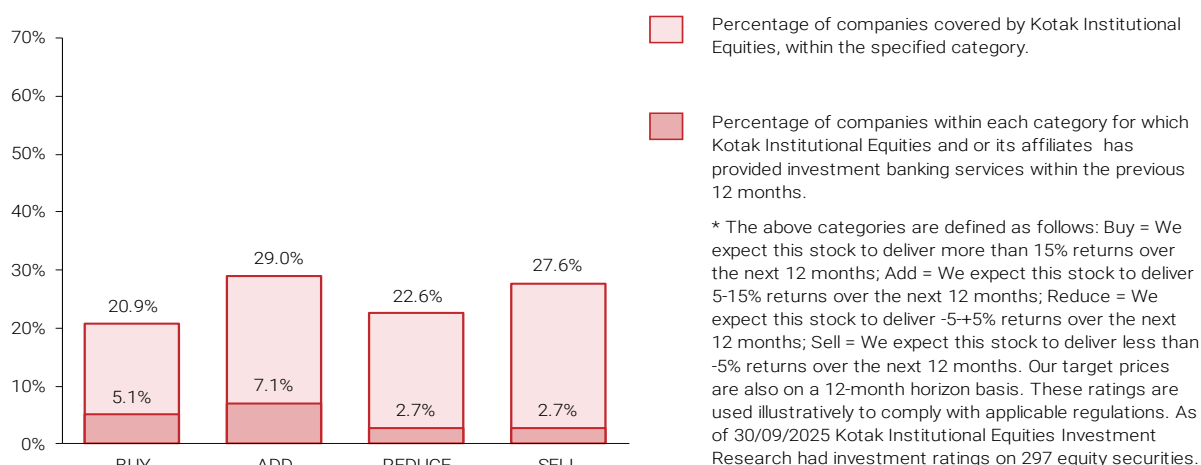
**SELL.** We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

### Distribution of ratings/investment banking relationships

Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of September 30, 2025

### Coverage view

The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: **Attractive, Neutral, Cautious.**

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