

Tata Steel Limited

9.02.2019

Buy
CMP – 469
Sensex – 36,546
Nifty -10,944

Stock details

Sector	Iron & Steel
Market Cap.(Rs Cr)	56,540
Beta	1.18
52 Week High/Low	720/442
Face Value (Rs)	10

Share holding pattern (%)

Promoters	33.12%
MF / Banks / DII	29.02%
FII	15.06%
Indian Public / Others	22.80%

Price Performance

	3M	6M	12M
Nifty	3.39%	-4.60%	5.59%
Tata Steel	-18.10%	-19.75%	-29.92%



Results in line with estimates

Tata Steel with its global presence in the steel Industry across 5 continents, has been recognized as one of the largest steel manufacturers and suppliers of steel products. Tata Steel reported revenue growth of 23% YOY to 41,431 crores and net profit of 1753 crores, up by 53% YOY. Quarterly deliveries rose by 7% to 6.99 million tonnes and India deliveries now contribute to 55.6% of group deliveries. Profit growth was inflated by a one time charge that weighed on the company's profit in the same quarter last year. Quarterly results remained flattish but moving forward we expect better price realisations and we recommend to **BUY** to the stock.

Result Update-Q3FY19

Performance of the business:

- EBITDA up by 17% YOY at 6,773 crores
- EBITDA margin fell marginally by 90 basis points to 16.4%.
- Gross debt has declined by 9,083 crores
- Crude steel production grew by 34% YOY to 4.38 million tons out of which 1.04 million tonnes is contributed by recently acquired bhushan steel
- Deliveries stood at 3.89 million tonnes and accounts for more than 55% of consolidated volumes.
- Automotive segment sales increased by 24% YOY while industrial products segment sales increased by 29%

Key Developments

- Kalinganagar 5MTPA phase 2 expansion is on track
- Tata steel- BSL long term financing completed and integration is underway to realize identified synergies
- Usha Martin steel acquisition is expected to close in upcoming quarter

Business Outlook

- Domestic steel demand to witness modest recovery as liquidity situation is improving however stressed government finances weighs on outlook
- India steel prices are expected to recover with better domestic demand in fourth quarter and improving pricing sentiments in regional markets

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