

Tata Steel Limited

26-04-2019

CMP	545
SENSEX	39,067
NIFTY	11,745
DECISION ON STOCK	Buy

STOCK DETAILS

Sector	Iron and Steel
Market cap. (Rs. Cr)	62,451
Beta	0.98
52 Week High/Low	647/442
Face Value (Rs.)	10

SHAREHOLDING PATTERN (%)

Promoters	33.12%
MF / Banks / DII	29.05%
FPI	15.08%
Public / Others	22.75%

PRICE PERFORMANCE

	3M	6M	12M
NIFTY	9.19%	16.07%	9.68%
TATA STEEL	14.64%	-7.29%	-14.6%



Result Update—Q4FY2019

India's largest private sector steel producer, Tata steel posted solid quarterly results with 26% YOY revenue growth to 42,424 crore from 33,705 crore for the quarter. Consolidated adjusted EBITDA increased by 33% YOY to 7814 crores as compared to 5857 crores in Q4FY18. However consolidated PAT fell due to an unexceptional gain of 11,376 crore in Q4FY18 due to restructuring of UK pension scheme. Rebound in regional steel prices has begun and moving forward we expect improved realisations and we recommend to BUY the stock

KEY HIGHLIGHTS

1. Crude steel production grew by 35% YOY to 16.81 mn tons in FY19 for Indian operations with the acquisition of Tata steel BSL as well as ramp up at Kalinganagar unit.
2. Sales volumes also jumped by 33% YOY to 16.26 mn tons in FY19 for Indian operations.
3. Indian operations continued to gain market share in chosen segments. Industrial products and project segment sales grew by 42% YOY, Branded products, Retail & Solutions segment sales grew by 30% YOY, Automotive segment sales increased by 21% YOY.

FINANCIALS

1. Highest ever consolidated EBITDA with record growth of 55% YOY to 30,734 crores for the financial year.
2. 27% YOY increase in revenues to Rs 1,57,669 crores for the financial year.
3. In the fourth quarter, consolidated debt was further reduced by 8,781 crores .
4. India's revenue from operations increased by 47% YOY to 88,987 crores driven by higher volumes and better realisations.
5. India's adjusted EBITDA for the year increased by 56% YOY to Rs 23,883 crores.

BUSINESS OUTLOOK

1. International iron ore prices surged after Vale's dam collapsed and prices are expected to remain elevated in near term.
2. Steel prices are expected to pick-up with better domestic demand and improving price sentiments in regional markets.
3. Coking coal prices firmed up with restocking demand post Chinese new year and various supply disruptive incidents in China.

KEY DEVELOPMENTS

1. Company is working closely with European commission on seeking approvals for our planned European steel JV with ThyssenKrupp.
2. Company recently completed acquisition of the 1 MTPA steel business of Usha Martin for a cash consideration of 4094 crores.
3. Tata steel Kalinganagar phase II expansion is progressing well and is expected to be completed by 2022.

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