

# **Shubh Nivesh**



CMP: ₹ 217

Target: ₹ 270 (24%)

Target Period: 6-12 months

BUY

May 18, 2026

## Poised for robust growth amidst structural tailwinds

**About the stock:** Tata Steel (TSL), part of the TATA group, is one of the world's most geographically diversified steel producers with operations across regions.

- Annual Crude Steel Production Capacity: India- 27.4 million ton (MT), Netherland- 7 MT, UK- 3.2 MT (upcoming), and Thailand- 1.7 MT.

### Investment Rationale

- India: Strategic expansions to capitalise on rising domestic steel demand:** Tata Steel, a century-old steel major, is targeting ~40 MTPA capacity by 2030 to cater to rising domestic steel demand, supported by government's vision to increase India's crude steel capacity to 300 MT and per capita steel consumption to 160 kg by FY31. To leverage this, it is undertaking multiple expansion projects, including the recently commissioned 0.75 MTPA EAF facility at Ludhiana, taking India crude steel capacity to 27.4 MTPA. Key upcoming projects include: 1) 4.8 MTPA expansion at Neelachal, expected by 2029, 2) 2.5 MTPA finished steel expansion at Meramandali, 3) a strategic partnership with Lloyds Metals & Energy to develop an iron ore hub in Gadchiroli along with a 6 MTPA greenfield steel plant in Maharashtra. Accordingly, we expect India sales volumes to register a 7% CAGR over FY26-28E, reaching ~26 MT by FY28E.
- Europe- EAF transition strategy to drive long-term profitability:** TSL is restructuring its European operations with focus on improving profitability and reducing carbon intensity. In UK, it is implementing a 3.2 MTPA Electric Arc Furnace (EAF) project, targeted for commissioning by 2027, backed by a £500 million government grant under £1.25 billion capex. Meanwhile, in Netherlands, one blast furnace is planned to be replaced with a DRI + EAF configuration by 2030, supported by up to €2 billion funding from Dutch government under Phase-1 decarbonisation initiatives.
- Firm steel prices and cost optimisation initiatives to support earnings growth:** TSL reported a sharp QoQ EBITDA improvement of ~₹2,585/ton in its India operations (standalone) during Q4FY26, driven by safeguard duty-led increase in domestic steel prices, with NSR improving by ~₹3,272/ton, partly offset by higher coking coal cost. Going ahead, it expects further realisation gains of ~₹6,000/ton (the highest among steel players) in Q1FY27 aided by firmed steel prices, although elevated coking coal (up ~\$15/ton), energy, and freight costs may partially offset these benefits. Nevertheless, TSL is targeting region-wide cost savings of ~₹7,100 crore in FY27. Consequently, India EBITDA/ton is expected at ~₹19.4k/20k for FY27E/FY28E (vs earlier estimates of ~₹16.3k/17.3k). Additionally, CBAM implementation and import quota restrictions are likely to support profitability across Netherlands and UK operations. Overall, consolidated EBITDA is expected to deliver a 25% CAGR over FY26-28E.

### Rating and Target Price

- With firm steel prices, favourable demand tailwind, and ongoing capacity expansion, TSL's Indian operation remain well positioned to deliver healthy near-term profitability gains. Moreover, EU import-control measures are expected to support profitability across European operation. Accordingly, we maintain our **BUY** rating on Tata Steel with SOTP-based revised target price of **₹270** (7.5x/4x EV/EBITDA to India/Europe business on FY28E).

### Key Financial Summary

Key Financials	FY22	FY23	FY24	FY25	FY26P	5 year CAGR (FY21-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Net Sales	2,43,959	2,43,353	2,27,296	2,16,840	2,30,293	8.1%	2,70,649	2,92,293	12.7%
EBITDA	63,490	32,300	22,306	25,298	34,352	2.4%	48,042	53,598	24.9%
EBITDA Margins (%)	26.0	13.3	9.8	11.7	14.9		17.8	18.3	
Net Profit	40,154	8,760	(4,437)	3,421	10,794	7.6%	20,715	24,567	50.9%
EPS (₹/share)	32.9	7.2	(3.6)	2.7	8.7		16.6	19.7	
P/E	6.6	30.3	(61.0)	79.1	25.1		13.1	11.0	
RoNW (%)	35.2	8.5	33.0	4.1	11.2		17.7	18.1	
RoCE (%)	25.4	10.8	6.2	7.2	10.2		15.2	16.4	

Source: Company, ICICI Direct Research

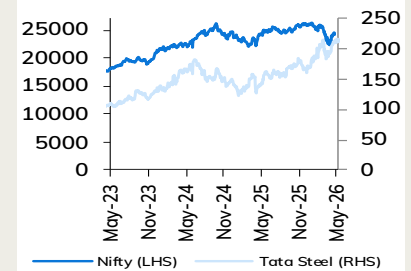
### Particulars

Particulars	₹ crore
Market capitalisation	2,70,694
Total Debt (FY26P)	84,956
Cash & Investment (FY26P)	11,061
EV (₹ crore)	3,44,590
52 week H/L (₹)	224 / 150
Equity capital (₹ crore)	1,247
Face value (₹)	1.0

### Shareholding pattern

	June-25	Sept-25	Dec-25	Mar-26
Promoter	33.2	33.2	33.2	33.2
FII	17.2	17.3	17.5	18.6
DII	26.1	26.9	27.0	26.7
Other	23.5	22.6	22.3	21.6

### Price Chart



### Recent event & key risks

- Posted healthy Q4FY26 results. Net Sales Realization at Indian operation is expected to increase by ~₹6,000/ton in Q1FY27.
- Key Risk: (i) sharp decline in domestic steel realization impacting performance. (ii) high capex intensity at Indian and Europe operation could increase leverage on B/S in interim period.

### Research Analyst

Shashank Kanodia, CFA  
shashank.kanodia@icicisecurities.com

Manisha Kesari  
manisha.kesari@icicisecurities.com

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
Third Floor, Brillanto House,  
Road No 13, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal  
Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Jeetu Jawrani Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

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