

## TATA STEEL (TATA) – BUY

### February Month Pick

Current Market Price (CMP)

**Rs636**

Target Price

**Rs.800**

**Our fair value of Rs800 offers upside of 25.78% from current market price.**

### Rationale:

- Netherlands divestment called off, a setback but no impact on base case.
- Strong spot steel spreads, suggest upside risk to earnings & deleveraging pace.
- The recent 15% correction more than fairly captures the weak sentiments.
- Spot margins are at record high levels on record high steel prices.
- We value India-6.5x & Europe-4x Sep 2022E EBITDA & arrive at a fair value of Rs800. (Earnings Before Interest, Tax, Depreciation and Amortization).

### Company update:

#### **Positives:**

- We estimate standalone EBITDA/ton of Rs19,000 in 3QFY21E (+97% yoy, +47% qoq).
- UK steel spreads have increased by US\$110/ton qoq in 3QFY21E.
- Europe cash burn to reduce with strong spreads, TATA to keep trying for an exit.
- Leverage ratios will improve with recovery in EBITDA aided by capacity ramp-ups.

#### **Negatives:**

- SSAB withdraws its interest for acquiring TATA's Netherlands business.

[Click here](#)

For detailed report dated 31<sup>st</sup> January 2021. Note: CMP & valuation may differ due to difference in dates



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Holding Period: 12 Months / Disclaimer: <http://bit.ly/2n5AxIE>