

Ratings Monitor

One Report – to monitor stocks and identify triggers to re-evaluate ratings

TATA STEEL (TATA)

Current Market Price	Potential Returns	Fair Value (FV)
Rs.106	22.6%	Rs.130

Date: 8th March, 2023

Previous Rating: **REDUCE**

Current Rating: **BUY**

Change: **Upgrade**

Ratings Rationale

- Domestic steel margins have bottomed out & should recover to mid-cycle levels.
- Multiple upcoming growth and margin accretion projects should further aid earnings.
- Weakness in Europe is likely to continue in the near term but the worse is behind.
- The ramp-up of 10 lakh tonnes NINL steel plant would aid in volumes growth in FY24E.
- We expect TATA's standalone margins to recover to +14,000/ton in FY24/25E.
- A potential closure or divestment of the UK business provides upside risks.
- The stock trades at attractive 5x EV/EBITDA FY25E (ex-CWIP) vs our target at 6.4x.

Valuation

We increase our Fair Value to Rs130 and upgrade to BUY.

Read Full Report

Note: The performance horizon is 12 months unless specified.

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