



TATA STEEL LTD

TP: 250 | Upside: 20% | BUY

Iron & Steel

19th Feb, 2026

Market Cap - ₹ 2,60,943 Cr.	Current Price - ₹ 209	High / Low - ₹ 211 / 124	Dividend Yield - 1.72 %
EPS - ₹ 7.34	Promoter holding - 33.2 %	ROE - 3.89 %	ROCE - 8.83 %

Key Sensitivities & External Factors

➤ Import Duties & Domestic Protection (India)

- The Government of India has introduced a three-year tariff on select steel imports to reduce the inflow of cheaper foreign steel and protect domestic manufacturers.
- Rising imports, particularly from Asian countries, had been putting pressure on domestic steel prices and margins.
- India continues to be one of the fastest-growing steel-consuming markets globally.
- This measure improves Tata Steel's pricing power in the domestic market and strengthens margins in its most profitable geography.
- The policy also supports the company's long-term expansion plans, including the ramp-up of Kalinganagar capacity.
- Overall, this acts as a positive structural tailwind for Tata Steel's Indian operations.

➤ Global Market Volatility & Supply Chain Realignment

- Global steel markets are facing overcapacity, slowing construction demand, and geopolitical trade disruptions.
- European steel operations continue to face margin pressure due to weak demand and higher operating costs.
- The shift toward localized and resilient supply chains benefits domestic-focused producers like Tata Steel India.
- This situation encourages Tata Steel to allocate more capital toward high-growth Indian markets instead of Europe.
- The overall impact is mixed globally but relatively favorable for Tata Steel's India-centric strategy.

➤ Expansion & Acquisition Strategy

- Tata Steel acquired a majority stake in Thriveni Pellets for ₹636 crore to strengthen raw material integration.
- The company is expanding capacity at its subsidiary Neelachal Ispat Nigam Limited to enhance production capabilities.
- Capacity expansion at Kalinganagar is aimed at meeting growing domestic demand.
- These initiatives improve cost control, reduce dependency on external suppliers, and support long-term margin growth. Overall, the expansion strategy is expected to be margin accretive and strategically beneficial.

➤ Antitrust Allegations (Early 2026)

- The Competition Commission of India reportedly found Tata Steel, JSW Steel, and Steel Authority of India Limited in breach of competition laws over alleged price-fixing and production restrictions.
- The case may result in financial penalties and increased regulatory
- .However, Tata Steel's strong fundamentals may help cushion the long-term impact. The issue currently represents a regulatory risk rather than a structural business threat.

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➤ Decarbonization & Sustainability Pressure

- Tata Steel's European operations, particularly in the Netherlands, are facing climate protests and pressure to accelerate decarbonization.
- The company is investing heavily in hydrogen injection, electric arc furnaces, carbon capture, and green steel technologies. In India, more than 90% of production comes from ResponsibleSteel certified sites.
- While decarbonization requires high capital expenditure and may increase short-term costs, it strengthens Tata Steel's long-term ESG positioning.
- The impact is cost pressure in Europe but competitive advantage creation in India.

Industry Overview

Global Steel Industry

The global steel market was valued at approximately USD 1.47 trillion in 2024 and is projected to grow at a compound annual growth rate of about 4.6% through 2030. However, actual steel demand growth globally remains modest at around 1–1.5% annually, reflecting slower economic expansion in advanced economies.

Global Challenges

Persistent overcapacity, particularly in China, continues to exert downward pressure on global steel prices and margins. Trade protectionism is rising worldwide, with many countries implementing tariffs and safeguard measures to protect domestic industries. At the same time, steelmakers are facing increasing pressure to decarbonize production, leading to heavy investments in green technologies such as hydrogen-based steelmaking and electric arc furnaces.

Top Global Players

Major global steel companies include ArcelorMittal, POSCO, Baoshan Iron & Steel, Nippon Steel, and Nucor, all of which are investing significantly in technology upgrades and low-carbon production pathways.

Overall Global Outlook

Globally, the steel industry is navigating slow demand growth, structural overcapacity, price volatility, and rising sustainability pressures, while gradually transitioning toward greener and more technologically advanced production systems.



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Indian Steel Industry

India remains the second-largest steel producer globally after China and contributes around 2% to national GDP. Steel demand in India is projected to grow by about 8–8.5% in FY2026, significantly higher than global averages, driven mainly by infrastructure, construction, railways, defense, and renewable energy projects.

Production & Capacity Expansion

India's crude steel capacity increased from 142.3 million tonnes (MT) in 2019–20 to about 179.5 MT in 2023–24, reflecting strong expansion momentum. Domestic steel consumption also rose sharply from 100.17 MT to 136.29 MT during the same period, indicating healthy demand growth. Under the National Steel Policy 2017, the industry aims to achieve 300 MT of steelmaking capacity by 2030–31, and additional capacity of around 5 MT is expected to be added in the current fiscal year according to ICRA.

Import Pressure & Market Dynamics

Despite rising domestic production, India became a net importer of steel in 2024–25 for the first time in nine years, with imports increasing by nearly 20% year-on-year. The influx of cheaper foreign steel has created pricing pressure and temporary surplus conditions in the domestic market. As a result, industry participants have sought safeguard duties and anti-dumping measures to protect local producers and stabilize prices.

Government Support & Policy Initiatives

The Production Linked Incentive Scheme for Specialty Steel is expected to boost specialty steel production capacity to 42 MT by 2026–27. Continued public capital expenditure on infrastructure and manufacturing is expected to sustain strong steel demand over the medium term. Government initiatives are therefore playing a crucial role in maintaining sectoral momentum despite global volatility.

Overall Domestic Outlook




India's steel sector remains structurally strong and demand-driven, though short-term price pressures persist due to rising imports and ongoing capacity additions.



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Business Overview

Tata Steel Limited is an Indian multinational steel company headquartered in Mumbai and is part of the Tata Group. Formerly known as Tata Iron and Steel Company Limited (TISCO), it was established on 26 August 1907 in Jamshedpur and became the first integrated private sector steel company in India.

Today, Tata Steel is one of the world's leading integrated steel producers, with operations across India, Europe, and Southeast Asia. The company manufactures a diverse portfolio of steel products catering to automotive, construction, engineering, packaging, railways, defense, and infrastructure sectors. Over more than a century, it has evolved from a domestic steel producer into a globally recognized multinational corporation with strong capabilities across the entire steel value chain.



Core Business: Integrated Steel Manufacturing

Tata Steel's primary revenue comes from producing and selling steel across a broad range of product categories. The business is fully vertically integrated from mining to manufacturing and final product sales which enhances cost control and supply security.

Key product segments:

Flat Steel Products – sheets, coils used in automotive, appliances, packaging

Long Steel Products – rebars, rods, sections for construction and infrastructure.

Value-added Steel – high-strength and specialty steels for specific industries.

Steel By-products & By-product Sales – slag, scrap, industrial minerals.

According to integrated reporting, the steel value chain accounts for the vast majority of revenue (92%), showing its dominance in Tata Steel's business model.

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Upstream & Raw Material Integration

Unlike pure fabrication businesses, Tata Steel owns and operates its own mining assets for iron ore, coal, and limestone ensuring input supply security and cost advantages. Surplus raw materials and ferro-alloys contribute additional revenue.

Why this matters:

- Reduces dependence on volatile commodity markets.
- Improves margins through backward integration.
- Enables export of raw material by-products.

Downstream & Value-Added Services

Tata Steel does not only sell raw steel it also earns from services and enhanced offerings:

- **Value-Added Solutions:** Coating, processing, and customized steel solutions tailored for automotive, engineering and consumer applications.
- **Technical Support & Consulting:** Engineering support, product optimization and technical assistance bundled with product sales.
- **E-commerce & Digital Sales Platforms:** Platforms such as Tata Steel eShop and Tata Steel Aashiyana enable direct selling to smaller customers and retail segments, expanding market reach.

Geographic Diversification & Exports

Tata Steel sells products across 50+ countries, not just in India giving it resilience against regional slowdowns. Exported products include hot-rolled, cold-rolled and coated steel.

Geographical strengths:

- Operations and plants in Europe, Southeast Asia, and India.
- A diversified revenue pool reduces risk tied to any one market.

Industry Focus & Long-Term Contracts

Tata Steel predominantly serves industries with long-term demand drivers:

- **Construction & Infrastructure** – demand for long steel and structural products.
- **Automotive & Engineering** – high-strength and advanced steel for vehicles.
- **Capital Goods & Shipbuilding** – special steel for machinery and industrial use.

Large supply contracts and long-term customer relationships contribute recurring revenue and production stability.

R&D, Sustainability & Innovation

Tata Steel invests in:

Advanced materials (e.g., high-strength, low-carbon steels).


Green steelmaking technologies targeting reduced emissions.

Sustainable energy integration like solar and renewables (to cut energy cost & carbon footprint).

These efforts future-proof the business and create competitive differentiation.

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Company Financials

Financials & Valuations (INR b)

Y/E MARCH	2026E	2027E	2028E
Sales	2,316	2,619	2,704
EBITDA	345	436	471
Adj. PAT	117	179	197
EBITDA Margin (%)	14.9	16.7	17.4
Adj. EPS (INR)	9.4	14.3	15.8
BV/Sh. (INR)	80.3	92.6	106.4
Ratios			
Net D:E	0.8	0.7	0.5
RoE (%)	12.2	16.6	15.9
RoCE (%)	11.9	15.3	15.4
Payout (%)	21.4	14	12.7
Valuations			
P/E (x)	21	13.7	12.5
P/BV (x)	2.5	2.1	1.9
EV/EBITDA(x)	9.6	7.4	6.6
Div. Yield (%)	1	1	1

Income Statement (Consolidated)

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	1,565	2,440	2,434	2,292	2,185	2,316	2,619	2,704
Change (%)	5.0	55.9	(0.2)	(5.8)	(4.6)	6.0	13.1	3.3
EBITDA	305	635	323	223	259	345	436	471
% of Net Sales	19.5	26.0	13.3	9.7	11.9	14.9	16.7	17.4
Deprn. & Amortization	92	91	93	99	104	117	116	123
EBIT	213	544	230	124	155	228	320	348
Finance cost	76	55	63	75	73	72	77	79
Other income	9	8	10	18	15	16	16	17
PBT before EO	146	497	177	67	97	173	259	286
EO income	(10)	(1)	1	(78)	(15)	(7)	-	-
Share of asso.	3	6	4	(1)	2	2	-	-
PBT after EO	138	502	182	(11)	84	169	259	286
Tax	57	85	102	38	52	54	80	89
Rate (%)	40.8	16.9	55.7	(328.0)	62.3	32.0	31.0	31.0
PAT (Before MI & asso.)	82	417	81	(49)	32	115	179	197
Minority interest P/L	7	16	(7)	(5)	(2)	1	-	-
Reported PAT (After MI & asso.)	75	402	88	(44)	34	114	179	197
Adjusted PAT	83	403	86	30	42	117	179	197
Change (%)	694.9	387.8	(78.5)	(65.7)	41.4	178.4	53.0	10.2

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Balance Sheet (Consolidated)

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	12	12	12	12	12	12	12	12
Reserves	730	1,132	1,019	908	899	989	1,143	1,315
Net Worth	742	1,144	1,031	920	912	1,001	1,155	1,327
Minority Interest	33	27	21	4	2	2	2	2
Total Loans	885	756	849	871	948	973	988	1,002
Deferred Tax Liability	92	123	141	130	144	130	130	130
Capital Employed	1,753	2,050	2,042	1,925	2,006	2,106	2,275	2,461
Other Liabilities	155	150	142	135	141	135	135	135
Total Liabilities	1,907	2,200	2,184	2,060	2,147	2,241	2,410	2,596
Gross Block	1,925	1,909	2,021	2,167	2,288	2,448	2,608	2,768
Less: Accum. Deprn.	735	748	834	931	1,036	1,153	1,269	1,392
Net Fixed Assets	1,190	1,162	1,187	1,235	1,252	1,295	1,339	1,376
Capital WIP	181	212	303	334	406	406	406	406
Goodwill & Others	177	179	288	263	267	268	268	268
Investments	35	58	48	55	58	55	55	55
Other Assets	270	317	187	142	127	146	146	146
Curr. Assets	602	926	867	705	684	736	884	1,057
Inventory	333	488	544	492	446	480	512	544
Account Receivables	95	122	83	63	53	62	68	73
Cash & liquid investment	58	159	134	87	116	126	236	371
Others	116	156	106	64	69	68	68	68
Curr. Liability & Prov.	548	655	697	674	647	664	687	710
Account Payables	260	368	378	302	293	347	370	393
Provisions & Others	288	287	318	372	354	317	317	317
Net Current Assets	54	271	170	31	37	72	197	346
Appl. of Funds	1,907	2,200	2,184	2,060	2,147	2,241	2,410	2,596

Ratios (Consolidated)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	6.9	33.0	7.1	2.4	3.4	9.4	14.3	15.8
Cash EPS	14.6	40.4	14.7	10.3	11.7	18.7	23.6	25.7
Payout (%)	36.3	15.5	50.9	151.4	107.0	21.4	14.0	12.7
Valuation (x)								
P/E	7.0	3.7	15.1	53.2	45.8	21.0	13.7	12.5
Cash P/E	3.3	3.0	7.3	12.3	13.2	10.5	8.3	7.7
P/BV	0.8	1.3	1.3	1.7	2.1	2.5	2.1	1.9
EV/Sales	0.9	0.9	0.8	1.0	1.3	1.4	1.2	1.1
EV/EBITDA	4.6	3.3	6.3	10.6	10.6	9.6	7.4	6.6
Dividend Yield (%)	5.2	4.2	3.4	2.8	2.3	1.0	1.0	1.0
Return Ratios (%)								
RoE	10.9	42.4	8.0	3.0	4.6	12.2	16.6	15.9
RoCE (pre-tax)	11.8	29.0	11.7	7.2	8.7	11.9	15.3	15.4
RoIC (pre-tax)	9.6	27.4	8.7	2.8	7.8	12.5	14.7	14.2
Leverage Ratio (x)								
Net Debt/EBITDA	2.7	0.9	2.2	3.5	3.2	2.5	1.7	1.3
Net Debt/Equity	1.1	0.5	0.7	0.9	0.9	0.8	0.7	0.5

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Cash Flow Statement (Consolidated)

(INR b)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
EBITDA	305	635	323	223	259	345	436	471
(Inc)/Dec in Wkg. Cap.	165	(96)	(37)	34	22	(25)	(15)	(14)
Tax Paid	(7)	(119)	(55)	(53)	(26)	(54)	(80)	(89)
Other operating activities	(20)	24	(14)	(1)	(20)	(5)	-	-
CF from Op. Activity	443	444	217	203	235	262	341	368
(Inc)/Dec in FA + CWIP	(65)	(100)	(138)	(177)	(144)	(160)	(160)	(160)
Free Cash Flow to Firm	378	344	79	26	91	101	181	208
(Pur)/Sale of Non-cur. Invest.	(36)	(23)	49	32	2	(16)	(0)	0
Acquisition in subsidiaries	1	12	(104)	1	0	-	-	-
Int. & Dividend Income	5	3	6	7	5	16	16	17
Others	2	(1)	1	(5)	(5)	-	-	-
CF from Inv. Activity	(93)	(109)	(187)	(143)	(142)	(160)	(144)	(143)
Equity raised/(repaid)	32	3	0	(2)	(0)	-	-	-
Debt raised/(repaid)	(321)	(160)	54	16	56	25	15	14
Dividend (incl. tax)	(12)	(30)	(63)	(44)	(45)	(72)	(77)	(79)
Interest & equiv. paid	(71)	(47)	(61)	(81)	(81)	(25)	(25)	(25)
Other Financing activities	-	-	-	-	-	(21)	-	-
CF from Fin. Activity	(371)	(234)	(70)	(111)	(70)	(92)	(87)	(90)
(Inc)/Dec in Cash	(21)	101	(40)	(50)	23	10	110	135
Add: opening balance	77	55	156	121	71	96	106	216
Forex Adj.	(1)	(0)	5	(0)	2	-	-	-
Closing cash balance	55	156	121	71	96	106	216	351
Bank Balance	3	3	12	16	20	20	20	20
Closing balance (incl. Bank balance)	58	159	134	87	116	126	236	371

In summary:

- Net Worth grows steadily from INR 1,001 b (FY26E) to INR 1,327 b (FY28E), showing stronger equity.
 - Net Sales increase from INR 2,316 b to INR 2,704 b, signaling steady revenue growth.
 - EBITDA rises from INR 345 b to INR 471 b with improving margins (14.9% to 17.4%).
 - PAT almost doubles from INR 115 b to INR 197 b, reflecting strong profit growth.
 - Free Cash Flow improves to INR 208 b by FY28E, supporting investment and debt repayment.
 - EPS rises, while P/E ratio drops from 18.7x to 12.7x, making valuation more attractive.
 - Leverage declines from 2.5x to 1.3x, reducing financial risk.
 - ROE stays high above 30%, indicating strong returns for shareholders.
- Bottom line: The company shows solid revenue and profit growth, improved cash flow, and healthier financials with lower risk and better valuation.

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Key Strengths

Integrated Operations

- Tata Steel operates across the entire steel value chain—from iron ore and coal mining to steel production, processing, and downstream products. This backward and forward integration ensures cost efficiency, raw material security, and supply chain control.

Strong Domestic Market Presence

- India is the largest contributor to Tata Steel's revenue. Its established plants in Jamshedpur, Kalinganagar, and other locations give it a dominant position in the domestic steel market, supported by strong brand recognition in both retail and industrial segments.

Diversified Product Portfolio

- The company produces flat and long steel products, specialty and high-strength steel, automotive-grade steel, and branded products like Tata Tiscon. This diversification reduces dependency on a single segment and allows penetration into high-margin sectors.

Global Operations and Reach

- Tata Steel has a strong international presence, especially in Europe, enabling access to premium markets and advanced steel applications. This geographic diversification provides revenue stability against regional market volatility.

Technological Capability

- Adoption of Industry 4.0 technologies, digital twins, automation, and AI-enabled production optimization enhances operational efficiency, product quality, and energy savings. The company is also investing in green steel and decarbonization technologies.

Strong Brand and Reputation

- Tata Steel benefits from the credibility of the Tata Group and its century-long legacy in steel manufacturing. It is perceived as a reliable supplier with high-quality standards.

Sustainability Leadership

- Over 90% of Indian operations are ResponsibleSteel™ certified. Tata Steel is investing in low-carbon technologies, ESG initiatives, and sustainable production, strengthening its position as an environmentally responsible producer.

Financial Stability

- Consistent revenue growth, strong cash flows from Indian operations, and prudent capital allocation support expansion projects, acquisitions, and investment in technology, ensuring long-term competitiveness.

Strategic Acquisitions & Expansion

- Tata Steel has expanded via acquisitions such as Thriveni Pellets and by increasing capacity at Kalinganagar and Neelachal Ispat Nigam, strengthening both production capabilities and raw material security.

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Peer Comparison

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1	JSW Steel	1251.2	39.14	305975.2	0.22	2410	218.4	45991	11.15	8.11
2	Tata Steel	209.03	26.67	260943.2	1.72	2730.37	697.08	57002.4	6.25	8.83
3	Jindal Steel	1221.8	43.75	124634.4	0.16	188.58	-78.79	13026.63	10.86	10.67
4	SAIL	159.21	21.71	65762.09	1	374.03	189.16	27371.42	11.77	6.76
5	Jindal Stain.	758.3	21.15	62515.74	0.4	827.78	30.02	10517.55	6.16	18.16
6	Sarda Energy	510.7	17.16	17996.11	0.29	189.88	-7.28	1275.99	-3.27	15.27
7	NMDC Steel	39.75	10.20	11649.16	0	-243.97	67.8	3007.69	41.9	-12.97
	Median: 13 Co.	133.94	21.15	11649.16	0.22	86.85	30.02	1353.35	9.82	8.83

Key Risks

Import Competition and Price Pressure

- Rising imports of cheap steel, particularly from Asian markets, create short-term pricing pressure and can affect margins in India, even amid strong domestic demand.

Global Market Volatility

- European operations face demand fluctuations, weak margins, and cost pressures due to energy prices, inflation, and geopolitical factors

Regulatory & Antitrust Risks

- Alleged anti-competitive practices, price-fixing, or production restrictions could lead to penalties or regulatory scrutiny in India or other jurisdictions.

Raw Material Price Volatility

- Fluctuations in iron ore, coking coal, and other raw material costs can impact profitability, particularly in operations dependent on imports.

Decarbonization and ESG Compliance Costs

- Investments in hydrogen-based steelmaking, electric arc furnaces, carbon capture, and other green technologies require high capital expenditure, especially in Europe, which may pressure short-term earnings.

Geopolitical & Trade Risks

- Tariffs, anti-dumping duties, and geopolitical tensions can disrupt supply chains, exports, or imports in both domestic and international markets.

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Valuation and Outlook

- Tata Steel is positioned for steady growth with improving operational performance and strong cash flow generation. The company's focus on cost optimization, capacity expansions, and value-added products is expected to drive margin improvement over the medium term.
- Management targets enhanced profitability supported by efficient capital allocation and resilient demand across key markets. This, combined with deleveraging efforts, strengthens the balance sheet and reduces financial risk.
- Tata Steel's valuation reflects a reasonable entry point given its robust fundamentals and strategic initiatives to capture growth in steel demand and sustainability trends.
- Considering these factors, Tata Steel offers a compelling opportunity with an **OUTPERFORM/BUY** stance at current levels, supported by improving margins, solid cash flows, and a strong market position in the steel industry.

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