

PICK OF THE WEEK

7th March, 2026

Tata Steel Ltd

BUY

Sector: Steel

CMP

199

Target Price

219

Upside

10%

CMP as on 06th March 2026 | Time horizon: 6-9 Months

Why Tata Steel Ltd

- **Seasonally Strong Demand ahead**
- **Aggressive Cost Transformation**
- **Disciplined Capital Allocation**
- **CBAM + Safeguards Structurally Supportive for TSN**

About the Company

Tata Steel Group is one of the world's largest steel companies with a steel production capacity of ~35 mtpa. According to the World Steel Association (WSA), the group ranked 10th globally in terms of crude steel production (31 mtpa) in 2024. Established in India as Asia's first integrated private steel company in 1907, the group has a presence across the entire value chain of steel manufacturing, including producing and distributing finished products as well as mining & processing iron ore and coal for steel production.

Investment Rational

A. Indian steel expansion visibility improves

- Tata Steel's Indian operations' volumes will be higher YoY in FY27, led by the absence of BF relining along with the start of the 0.75 EAF plant at Ludhiana in H1FY27. In the interim leading to FY30, downstream capex on Kalinganagar CRM complex and Jamshedpur Combi mill, alongside capacity additions in tubes and high-end wires, will enrich the product mix. Meaningful upstream growth will resume post FY29 with the commissioning of 4.8 MTPA NINL expansion (EC expected shortly), followed by the Meramandali expansion and Maharashtra greenfield plants. Net Debt-to-EBITDA during expansion will be maintained at ~3.0x (at 2.6x now).

B. TSN Policy Reset (CBAM + safeguards) Structurally Supportive; benefits will be phased out

- TSN Q3 EBITDA stood at €55 Mn (€39/t), down 39% QoQ as lower sales volumes (1.4 MT) and a 50% US tariff on high-margin exports were only partially offset by €21/t in cost improvements. Although Q4 realizations may dip by ~€30/t due to packaging contract renewals and shifting product mix, the outlook remains positive with 60–65% of volumes linked to spot prices. Management anticipates a phased €70–100/t price uplift through CY26, fueled by CBAM and potential Jun'26 tariff hikes that are expected to raise the marginal cost of imports and strengthen regional spread.

C. UK Remains Policy-dependent; Transition to EAF Ongoing

- UK EBITDA losses held flat at £63 Mn as substantial cumulative cost reductions of £400-500 Mn over recent years (including Rs 570 Cr this quarter) helped mitigate weak demand and cheap imports. Achieving EBITDA breakeven remains contingent on a £75–100/t spread expansion and urgent government recalibration of import quotas. Despite these headwinds, the 3 MTPA EAF transition remains on track to eliminate long-term structural cost disadvantages.

Outlook & Valuation

- On a consolidated basis, Tata Steel's EBITDA will be better in Q4FY26 QoQ, with volumes increasing by almost 0.5 MT QoQ. Higher steel prices in India will offset higher coking coal consumption cost which will drive higher spreads in Q4FY26. Capex sequencing will remain aligned to balance sheet strength, preserving flexibility through the cycle. Also, Cost transformation continues to anchor earnings despite macro volatility. Tata Steel is currently trading at 6.8x 12MF consensus EV/EBITDA vs. LT average of 6.7x.

Analyst Insights

We recommend a **BUY** with a target price of Rs 219/share, implying an upside of ~10% from the CMP.

Research Analysts

Aditya Welekar

Sr. Research Analyst

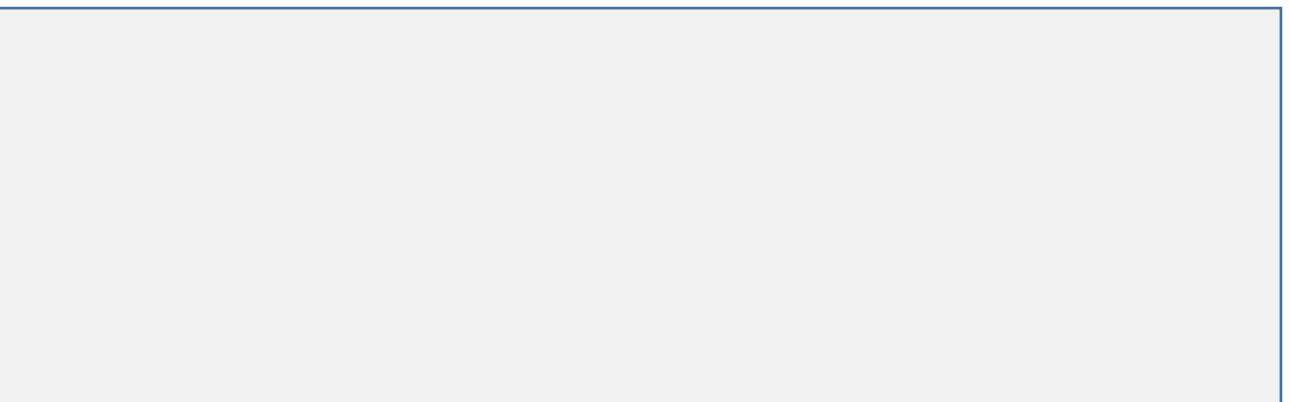
aditya.welekar@axissecurities.in

Financial Summary

	FY25	FY26E	FY27E
Net Sales (Rs Cr)	2,18,543	2,33,609	2,74,774
EBITDA (Rs Cr)	25,298	34,532	40,979
Net Profit (Rs Cr)	3,421	11,473	15,269
EPS (Rs)	2.7	9.2	12.2
PER (x)	73.0x	21.6x	16.3x
P/BV (x)	2.7x	2.5x	2.3x
EV/EBITDA (x)	12.9x	9.4x	7.9x
RoE (%)	5%	12%	15%

Market Data

No. of Shares	1248.3 Cr
Market Cap (Rs Cr)	2,48,160
52-week High	216
52-week Low	125
PER(x)	21.9
BSE Code	500470
NSE Code	TATASTEEL



Axis Direct is a brand under which Axis Securities Limited offers its retail broking and investment services. Investments in the securities market are subject to market risks. Read all the related documents carefully before investing. This information is only for consumption by the client and such material should not be redistributed. [Disclaimer](#)