

Strong Operational Performance in Tough Quarter

Est. Vs. Actual for Q2FY26: Revenue – **BEAT**; Adj EBITDA – **BEAT**; Adj PAT – **BEAT**

Change in Estimates post Q2FY26:

FY26E/FY27E: Revenue 1%/2%; EBITDA: -10%/2%, PAT: -18%/2%

Recommendation Rationale

- Indian operations EBITDA** grew by 25%/16% YoY/QoQ, led by higher sales volume at 5.6 MT (up 9%/17% YoY/QoQ) as the KPO-II ramps up towards its rated capacity of 5 mtpa and completion of the relining of the BF-G. Adj. EBITDA/t in India stood at Rs 14,863/t, up 13% YoY (down 2% QoQ, 2% miss vs our estimate). The miss was led by a 10% QoQ rise in RM costs on higher production and higher purchases of rebars from NINL.
- Netherlands EBITDA/t expands but UK drags down overall Europe EBITDA/t** to \$8/t flat QoQ (vs. loss of \$75/t in Q2FY25). **Netherlands EBITDA/t** improved to €58/t, up from €16/42/t YoY/QoQ, driven by cost savings (Rs 1,059 Cr taken out through cost transformation program) and lower employee expenses. **UK EBITDA/t** losses expanded to a loss of £112/t (from a loss of £68/t QoQ) due to higher other expenses compounded by lower sales volume as demand outlook remained weak in the UK. **EBITDA breakeven in the UK by Q4FY26 looks improbable amidst the weak UK market without government support.**
- Cost and efficiency program showing traction:** Out of the cost reduction target of Rs 11,500 Cr for FY26, the company achieved 94% compliance and achieved Rs 5,450 Cr of cost savings in H1FY26. In Q2FY26, total cost savings under the cost transformation program stood at ~Rs 2,561 Cr, with India achieving its target with cost savings of Rs 1,036 Cr, the Netherlands at Rs 1,059 Cr, and the balance in the UK.

Sector Outlook: Cautious

Company Outlook & Guidance: Superior cost control amidst adverse macro led to an all-round beat in Q2FY26. Post the KPO-II ramp up to the rated capacity of 5 mtpa by the end of FY26, volume growth will be driven by 0.75 MTPA of EAF at Ludhiana by FY27 and 0.5 MT from the combi mill at Jamshedpur, along with some volumes from debottlenecking at Gamharia and Meramandali plant. NINL from 1.1 to 5 mtpa is the only next big expansion that is lined up for approval. It is currently at an advanced stage of engineering completion, and EC is still awaited in the next few months. Capex will be announced post-board approval, and it will have a 3.0-3.5-year execution time period. Until then, the volume growth will be slightly muted post FY26; however, the downstream product mix will improve.

Current Valuation: SoTP using 1Y Fwd EV/EBITDA for India, Europe, and Others at 7.5x (from 7.0x), 4.0x, 5.0x on Sep'27 EBITDA (from Mar'27).

Current TP: Rs 195/share (Previous TP: Rs 170/share)

Recommendation: We recommend a HOLD to BUY rating on the stock

Financial Performance: Tata Steel reported a strong set of consensus-beating numbers. Consolidated revenue stood at Rs 58,689 Cr, up 9%/10% YoY/QoQ (5% beat vs consensus), led by higher sales volumes. Consolidated EBITDA stood at Rs 8,968 Cr, up 62%/20% YoY/QoQ, led by higher operating leverage on higher volume, partly offset by lower sales realisations. India EBITDA/t stood at Rs 14,863/t, down 2% QoQ (but up 13% YoY) due to higher RM on higher production and purchases of rebars from NINL. Europe EBITDA/t at \$8/t flat QoQ from loss of \$75/t in Q2FY26. Net debt stood at Rs 86,000 Cr, slightly up by 3% QoQ.

Outlook: Rich valuation multiple and slightly muted volume growth visibility post KPO-II vs. peers limits the potential upside of our target price from the CMP. We raise our valuation multiple in India from 7.0x to 7.5x, citing focus on cost control and support to steel prices from the 12% steel safeguard duty on Imports (downside to steel prices could be limited). We slightly raise our FY27 EBITDA post strong Q2FY26 numbers and introduce our FY28 estimates.

Valuation & Recommendation: We use SoTP and ascribe a 1-year Fwd EV/EBITDA multiple of 7.5x (from 7.0x), 5.0x, and 4.0x to India standalone, other operations, and Europe, respectively, on Sep'27 EBITDA (roll forward from Mar'27) to arrive at our Sep'26 forward TP of Rs 195/share (from Rs 170). The TP implies a 10% upside from the CMP. Hence, **we retain our BUY rating on the stock.**

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Net Sales	58,689	10%	9%	55,822	5%
Adj EBITDA	8,968	20%	62%	8,488	6%
Adj EBITDA/t	11,343	8%	54%	10,874	4%
Underlying Net Profit	3,522	59%	332%	2,848	24%
Underlying EPS (Rs)	2.8	59%	332%	2.28	24%

Source: Company, Axis Securities.

(CMP as of 13th November, 2025)

CMP (Rs)	177
Upside /Downside (%)	10%
High/Low (Rs)	187/123
Market cap (Cr)	2,20,457
Avg. daily vol. (6m) Shrs.	26,431,567
No. of shares (Cr)	1,248

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	33.2	33.2	33.2
FII	18.3	17.2	17.3
Mutual Funds / UTI	12.0	13.3	14.4
Financial Institutions	0.1	0.1	0.1
Others	36.4	36.3	35.1

Financial & Valuations

Y/E Mar (Rs Cr)	FY26E	FY27E	FY28E
Net Sales	2,29,560	2,49,370	2,59,140
EBITDA	33,347	39,280	44,027
Net Profit	10,703	14,203	16,960
EPS (Rs.)	8.6	11.4	13.6
PER (x)	20.6x	15.5x	13.0x
P/BV (x)	2.3x	2.1x	1.8x
EV/EBITDA (x)	8.9x	7.4x	6.4x
ROE (%)	11%	14%	15%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	1%	2%
EBITDA	-10%	2%
PAT (Attrib)	-18%	2%

Relative Performance



Source: Ace Equity, Axis Securities

Results Gallery

[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)
[Q2FY25](#)

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Key Concall Highlights

- **The cost transformation program is progressing as per plan:** The cost takeout program (FY25: Rs 6,600 Cr), targeting Rs 11,500 Cr in FY26 by focusing on controllable costs across geographies, is progressing with 94% compliance, delivering an improvement of Rs 5,450 Cr in H1FY26 (Q2FY26: Rs 2,561 Cr). Cost take-out targets are of Rs 4,000/3,000/4,500 Cr at India, UK, and the Netherlands, respectively. Its focus is to improve the operational KPIs, leading to cost reduction along with product mix optimisation (downstream capex) to improve its EBITDA/t across cycles.
- **Spreads in Q3FY26: In India, spreads are likely to contract** as NSR could be ~Rs 1,500/t lower QoQ in Q3FY26, and coking coal consumption cost will be higher by \$6/t QoQ in Q3FY26. However, it could get partly offset by 0.5 MT higher volume guidance QoQ in Q3FY26 because of the KPO-II expansion. **At TSN, margins could come under pressure** as the NSRs could be €30/t lower QoQ, which could get partly offset by lower coking coal consumption costs, which could come down by ~€5-10/t, largely because TSN has more old stock in the system. Also at TSN, the company will benefit from lower electricity costs in Q3FY26. Q4FY26 will be much better for TSN as the impact of protectionist policies will help steel prices. **In the UK, the current steel prices are lower** (than the historical average due to weak demand and could remain flat QoQ in Q3FY26).
- **Europe's protectionist measures and CBAM implementation:** The recent European Union (EU) action to tighten trade protection, i.e., reducing steel import quotas by 50% and imposing a 50% tariff on volumes exceeding quotas, will positively impact Tata Steel Netherlands (TSN). This move is expected to support European steel prices and improve TSN's performance from Q4FY26 onwards. **The UK's market, in contrast, remains vulnerable:** In contrast, the UK steel market is vulnerable to steel imports because its current import quotas are higher than domestic consumption, as the UK has not implemented a protectionist policy similar to the EU. The weak market has led to a widening of the EBITDA/t losses at UK. The company is actively seeking UK government support for policy intervention to address the disparity and make the market sustainable. **Management sounded cautious, stating that the earlier guidance of achieving EBITDA breakeven by Q4FY26 in the UK will be difficult without government support.**
- **Marginal Jump in Net debt in Q2FY26:** In H1FY26, OCF after interest, tax, and working capital stood at Rs 10,000 Cr. Of this, total capex spent stood at Rs 7,000 Cr and dividend paid for FY25 at Rs 4,490 Cr. The net debt rose by 3% QoQ at Rs 87,040 Cr as it also included cash utilized for the dividend paid for FY25 of Rs 4,490 Cr. The consolidated net debt to EBITDA currently stands at about 3.0x.
- **Sale of ferrochrome unit:** As a strategic realignment following the planned surrender of the Sukinda Mining lease, the company is optimizing its ferrochrome processing footprint. It has signed an Asset Transfer Agreement with Indian Metals & Ferro Alloys Ltd. (IMFA) for the sale of its Ferro Alloy Plant at Jajpur, Odisha, for a base consideration of Rs 610 Cr. The transaction is expected to close within 3 months, subject to regulatory and stakeholder approvals
- **Share purchase agreement with BlueScope Steel:** To grow the value-added portfolio in India, the company executed a share purchase agreement with BlueScope Steel, Australia, to acquire the balance 50% in Tata BlueScope Private Limited.
- **Status of capacity expansion projects:** The 5 mtpa BF at Kalinganagar - Ramp up to rated capacity will be by the end of FY26. The Total Kalinganagar plant is operating at 7 mtpa capacity and will scale up to 8 mtpa. 0.75 mtpa EAF at Ludhiana is scheduled for completion in FY27. Work on engineering on the next phase of expansion at NINL is at an advanced stage, and EC is expected in a few months (slightly delayed as compared to previous guidance). Once EC is achieved, the company will get the FID (final investment decision) and will go to the board (earlier guidance was by Oct-Nov'25). NINL capex announcement is expected post-board approval, with a completion timeline of 3-3.5 years post that. The EAF project in the UK is progressing as per plan, with the award of key OEM contracts, receipt of planning permissions, and construction already started from 14th July 2025.
- **Future Capacity expansion projects:** In terms of capacity addition sequence, after the Kalinganagar 5 mtpa Phase-II expansion, the next project in line will be the 0.75 mtpa Ludhiana EAF plant, followed by the Neelachal (NINL) expansion from 1.1 to 5 mtpa, followed by Kalinganagar from 8 to 13 mtpa, and then the Meramandali Bhushan steel plant from 5 to 6.5 mtpa. It will be in that order.
- **In Sep'25, Tata Steel signed a Non-binding Joint Letter of Intent (JLoI) between Tata Steel Nederland (TSN), the Government of the Netherlands, and the Province of North-Holland,** laying the groundwork for the integrated Decarbonisation and Health Measures Project at TSN. The first phase aims to shut down BF-7 and Coke and Gas Plant 2, replacing them with a new DRI plant and EAF to cut annual CO₂ emissions by 5.4 Mta. The agreement is contingent upon resolving policy issues, securing permits, and negotiating a final "tailor-made agreement," with the Dutch government intending to support up to €2 bn. **The major capex for this project is not expected in the next couple of years.** The tailor-made agreement and the Final Investment Decision (FID) are expected sometime next year, but major site spends will only commence after a lengthy permitting process is completed. **The company's immediate focus is on the NINL expansion.**

Key Risks to Our Estimates and TP

- A decrease in HRC prices in China could lead to declining prices worldwide.
- Higher coking coal costs than our assumptions.

Change in Estimates

	New			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	2,29,560	2,49,370	2,59,140	2,27,809	2,44,752	NA	1%	2%	NM
EBITDA	33,347	39,280	44,027	36,975	38,660	NA	-10%	2%	NM
PAT reported (Attrib)	10,703	14,203	16,960	13,061	13,866	MA	-18%	2%	NM

Source: Company, Axis Securities

Tata Steel Q2FY26 Results Review

		Q2FY25 Actual	Q1FY26 Actual	Q2FY26 Axis Est	Q2FY26 Consensus	Q2FY26 Actual	YoY %	QoQ %	vs Axis Est %	vs Consensus %
Total Revenue from Operations	Rs Cr	53,905	53,178	55,822	55,886	58,689	9%	10%	5%	5%
EBITDA	Rs Cr	6,141	7,428	8,488	8,270	8,897	45%	20%	5%	8%
Adj EBITDA	Rs Cr	5,522	7,456	8,488	8,270	8,968	62%	20%	6%	8%
Adj EBITDA per tonne	Rs/tonne	7,345	10,470	10,874		11,343	54%	8%	4%	NA
EBITDA margin (%)	%	11.4%	14.0%	15.2%	14.8%	15.2%				
Underlying Attrib PAT	Rs Cr	815	2,210	2,848		3,522	332%	59%	24%	NA
Reported PAT (Attrib)	Rs Cr	833	2,078	2,848	2,847	3,102	272%	49%	9%	9%
Underlying Diluted EPS (Rs)	Rs/sh	0.65	1.77	2.28		2.82	332%	59%	24%	NA
Reported Diluted EPS (Rs)	Rs/sh	0.67	1.67	2.28		2.49	272%	49%	9%	NA
Net Debt	Rs Cr	88,817	84,835			87,040	-2%	3%	NA	NA

Source: Company, Axis Securities

Segmental EBITDA		Q2FY25 Actual	Q1FY26 Actual	Q2FY26 Actual	YoY (%)
Tata Steel India	Rs Cr	6,734	7,263	8,394	25%
NINL	Rs Cr	178	224	260	46%
Other Indian operations	Rs Cr	120	79	127	6%
Tata Steel Europe	Rs Cr	(1,344)	144	151	NA
Other trade-related operations	Rs Cr	1,034	71	37	-96%
SE Asian operations	Rs Cr	(32)	156	330	NA
Rest of the world	Rs Cr	(128)	(287)	18	NA
Total	Rs Cr	6,563	7,649	9,317	42%
Less: intersegment eliminations	Rs Cr	339	169	212	-38%
Total segment EBITDA	Rs Cr	6,224	7,480	9,106	46%
Adjustment	Rs Cr	(83)	(52)	(209)	NA
Total calculated EBITDA	Rs Cr	6,141	7,428	8,897	45%

Source: Company, Axis Securities

		Q2FY25	Q1FY26	Q2FY26	Q2FY26	YoY (%)	QoQ (%)	vs Axis Est
Consolidated Production	Mnt	7.69	7.33		7.73	1%	5%	
Tata Steel India	Mnt	5.11	4.75		5.55	9%	17%	
Tata Steel Europe	Mnt	2.13	2.10		2.11	-1%	0%	
Consolidated Delivery Volumes	Mnt	7.52	7.12		7.91	5%	11%	
Adj EBITDA per tonne Europe	Rs/t	-6,311	686	2,722	718	NA	5%	-74%
Adj EBITDA per tonne Europe	\$/t	-75	8	31	8	NA	2%	-74%
Adj EBITDA per tonne India	Rs/t	13,131	15,240	15,185	14,863	13%	-2%	-2%
Adj EBITDA per tonne Consolidated	Rs/t	7,345	10,470	10,874	11,343	54%	8%	4%

Source: Company, Axis Securities

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Total Operating Income	2,18,543	2,29,560	2,49,370	2,59,140
Total Expenditure	1,93,244	1,96,213	2,10,090	2,15,113
EBITDA	25,298	33,347	39,280	44,027
Depreciation and Amortization	10,421	11,000	11,595	12,189
EBIT	14,877	22,346	27,686	31,838
Other Income	1,541	1,571	1,728	1,901
Share Of P/L Of Associates (Net of Tax)	191	200	210	221
Less: Interest & Fin Chg.	7,341	7,652	7,774	7,868
Less: Exceptional Items	855	-	-	-
Profit before tax	8,413	16,466	21,851	26,092
Provision for Tax	5,239	5,763	7,648	9,132
Reported PAT	3,174	10,703	14,203	16,960
Minority Interest	(247)	-	-	-
Attributable PAT	3,421	10,703	14,203	16,960
EPS (Rs/sh) Basic	2.7	8.6	11.4	13.6
DPS (Rs/sh)	3.6	3.6	3.6	3.6

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Net Block	1,25,215	1,26,965	1,28,120	1,28,681
Other Tangible assets	8,088	8,088	8,088	8,088
CWIP + ITUD + Other Intangible Assets	53,275	55,525	57,775	60,025
Goodwill	5,959	5,959	5,959	5,959
Investments	6,194	6,355	6,524	6,702
Inventories	44,590	46,838	50,880	52,873
Trade Receivables	5,260	5,525	6,002	6,237
Cash / Bank balance	9,605	11,479	16,670	26,211
Retirement Benefit Assets	15	15	16	16
Misc. Assets	21,194	22,025	22,897	23,810
Total assets	2,79,395	2,88,773	3,02,930	3,18,602
Equity capital	1,247	1,247	1,247	1,247
Hybrid Perpetual Securities/ Share warrants	-	-	-	-
Reserves	89,922	96,134	1,05,846	1,18,315
Minority Interests	183	183	183	183
Total Borrowings	88,964	88,964	88,964	88,964
Def tax Liabilities	14,430	14,430	14,430	14,430
Retirement Benefit Obligations	3,427	3,598	3,778	3,967
Provisions	9,695	10,180	10,689	11,223
Trade Payables	29,314	30,792	33,449	34,760
Other Liabilities and Provision	42,212	43,245	44,344	45,512
Capital employed	2,79,395	2,88,773	3,02,930	3,18,602

Source: Company, Axis Securities

Cash Flow
(Rs Cr)

Y/E March	FY25A	FY26E	FY27E	FY28E
Profit before tax	8,413	16,466	21,851	26,092
Depreciation	10,421	11,000	11,595	12,189
Interest Expenses	7,341	7,652	7,774	7,868
Non-operating / EO item	(2,246)	(195)	(205)	(215)
Change in W/C	2,207	(153)	(920)	87
Income Tax	(2,624)	(5,763)	(7,648)	(9,132)
Operating Cash Flow	23,512	29,007	32,446	36,888
Capital Expenditure	(15,671)	(15,000)	(15,000)	(15,000)
Free Cash Flow	7,841	14,007	17,446	21,888
Other Investments	1,498	(161)	(169)	(178)
Investing Cash Flow	(14,173)	(15,161)	(15,169)	(15,178)
Proceeds from the issue of Equity shares	-	-	-	-
Proceeds / (Repayment) of Borrowings	5,325	-	-	-
Finance cost paid	(8,119)	(7,652)	(7,774)	(7,868)
Dividend paid	(4,490)	(4,491)	(4,491)	(4,491)
Other Financing activities	282	171	180	189
Financing Cash Flow	(7,002)	(11,972)	(12,085)	(12,170)
Change in Cash	2,337	1,874	5,192	9,540
Opening Cash	7,081	9,605	11,479	16,670
Closing Cash	9,605	11,479	16,670	26,211

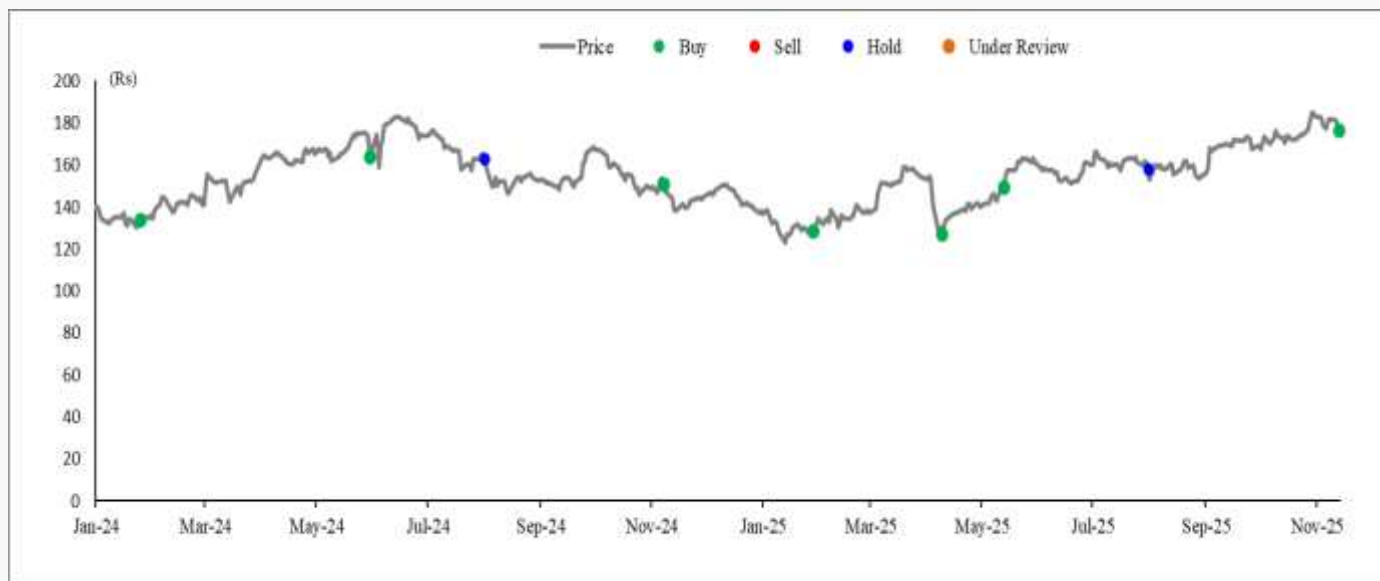
Source: Company, Axis Securities

Ratio Analysis
(%)

Y/E March	FY25A	FY26E	FY27E	FY28E
Operational Ratios				
Sales growth (% YoY)	-5%	5%	9%	4%
EBITDA growth (% YoY)	13%	32%	18%	12%
Op. profit growth (% YoY)	20%	50%	24%	15%
Net Profit growth (% YoY)	-177%	213%	33%	19%
EBITDA Margin %	12%	15%	16%	17%
Net profit Margin %	2%	5%	6%	7%
EBITDA/t (Rs/tonne)	0%	0%	0%	0%
Tax Rate %	62%	35%	35%	35%
Efficiency Ratios				
Total Asset turnover (x)	0.79	0.81	0.84	0.83
Sales/Gross block (x)	0.98	0.97	1.00	0.99
Sales/Net block(x)	1.76	1.82	1.96	2.02
Working capital/Sales (x)	0.09	0.09	0.09	0.09
Valuation Ratios				
PER (x)	64.4x	20.6x	15.5x	13.0x
P/BV (x)	2.4x	2.3x	2.1x	1.8x
EV/Ebitda (x)	11.8x	8.9x	7.4x	6.4x
EV/Sales (x)	1.4x	1.3x	1.2x	1.1x
Dividend Yield (%)	2.1%	2.1%	2.1%	2.1%
Return Ratios				
ROE	0.05	0.11	0.14	0.15
ROCE	0.08	0.11	0.13	0.15
ROIC	0.03	0.08	0.10	0.11
Leverage Ratios				
Debt/equity (x)	1.04	0.97	0.89	0.79
Net debt/ Equity (x)	0.90	0.86	0.74	0.58
Net debt/Ebitda (x)	3.21	2.42	1.92	1.50
Interest Coverage ratio (x)	3.45	4.36	5.05	5.60

Source: Company, Axis Securities

Tata Steel Price Chart and Recommendation History



Source: Axis Securities Research

Date	Reco	TP	Research
18-Sep-23	BUY	145	Company Update
03-Nov-23	BUY	135	Result Update
29-Jan-24	BUY	150	Result Update
31-May-24	BUY	187	Result Update
02-Aug-24	HOLD	175	Result Update
08-Nov-24	BUY	175	Result Update
29-Jan-25	BUY	155	Result Update
11-Apr-25	BUY	150	Result Update
14-May-25	BUY	170	Result Update
01-Aug-25	HOLD	170	Result Update
14-Nov-25	BUY	195	Result Update

Source: Axis Securities

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