



Tata Steel

STOCK INFO. BLOOMBERG
BSE SENSEX: 13,802 TATA IN
REUTERS CODE
S&P CNX: 4,137 TISC.BO

27 June 2008

Buy

Rs727

Previous Recommendation: Buy

| | |
|-----------------------|----------|
| Equity Shares (m) | 822.4 |
| 52-Week Range | 970/466 |
| 1,6,12 Rel. Perf. (%) | -1/13/43 |
| M.Cap. (Rs b) | 597.7 |
| M.Cap. (US\$ b) | 14.0 |

| YEAR | NET SALES | PAT | EPS | EPS | P/E | P/BV | ROE | ROCE | EV/ | EV/ |
|-------|-----------|---------|-------|------------|------|------|------|------|-------|--------|
| END | (RS M) | (RS M) | (RS) | GROWTH (%) | (X) | (X) | (%) | (%) | SALES | EBITDA |
| 3/07A | 251,197 | 42,786 | 70.2 | 3.1 | 10.3 | 2.9 | 27.9 | 31.8 | 1.7 | 5.6 |
| 3/08A | 1,315,359 | 70,335 | 85.5 | 21.8 | 8.5 | 1.7 | 20.5 | 18.7 | 0.7 | 5.2 |
| 3/09E | 1,690,213 | 104,221 | 126.7 | 48.2 | 5.7 | 1.4 | 24.2 | 20.4 | 0.6 | 4.3 |
| 3/10E | 1,727,860 | 118,647 | 144.3 | 13.8 | 5.0 | 1.1 | 22.4 | 20.2 | 0.5 | 3.7 |

- Tata Steel consolidated 4QFY08 adjusted PAT increased 107% YoY to Rs21.8b v/s estimate of Rs20.8b. Reported PAT of Rs12.7b includes extra-ordinary expenses totaling Rs11.4b. US\$100m of provisions towards pension fund on account of increase in mortality age and US\$100m towards derivative losses. EBITDA (adjusted for EO items) increased 33% QoQ to Rs52.3b v/s our estimate of Rs45.3b and margins expanded 210bp to 14.5%.
- Net sales increased 15.2% YoY to Rs57.4b driven by saleable steel realization growth of 11.4% YoY to Rs39,157/ton. EBITDA increased 26.2% YoY to Rs24b in-line with our estimate.
- The earnings outlook for Indian operations has improved further after removal of export duty on flat rolled products and recent statement by the Steel minister that government will not intervene if steel price hikes are justified by cost increases. We expect Corus to deliver EBITDA of US\$2.4b during FY09 despite cost increase of Euro230/ton and under recovery of costs on annual contracts due to strong prevailing spot prices of steel products and performance improvement of US\$600m. EPS will grow 48% YoY to Rs127 in FY09. Stock trades at P/E of 5.7x FY09E and EV/EBITDA of 4.3x FY09E. We re-iterate **Buy**.

QUARTERLY PERFORMANCE

(RS MILLION)

| Y/E MARCH | FY07 | | | | FY08 | | | | FY07 | FY08 |
|-----------------------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Standalone Financials | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | |
| Sales (000 tons) | 1,115 | 1,184 | 1,234 | 1,261 | 1,041 | 1,218 | 1,244 | 1,279 | 4,794 | 4,782 |
| Change (YoY %) | 27.4 | 0.4 | 11.5 | 0.4 | -6.6 | 2.9 | 0.7 | 1.5 | 8.5 | -0.3 |
| Realization (Rs per ton) | 31,133 | 31,656 | 32,236 | 35,135 | 36,665 | 35,280 | 35,201 | 39,157 | 32,599 | 36,598 |
| Change (YoY %) | -10.1 | 6.0 | 8.5 | 21.8 | 17.8 | 11.4 | 9.2 | 11.4 | 6.9 | 12.3 |
| Net Sales | 39,159 | 41,858 | 44,700 | 49,804 | 41,976 | 47,851 | 49,739 | 57,367 | 175,520 | 196,933 |
| Change (YoY %) | 13.0 | 8.3 | 21.4 | 20.6 | 7.2 | 14.3 | 11.3 | 15.2 | 15.9 | 12.2 |
| EBITDA | 15,813 | 17,048 | 17,836 | 19,035 | 16,992 | 20,254 | 20,966 | 24,023 | 69,733 | 82,235 |
| Change (YoY %) | -0.4 | 3.2 | 28.2 | 46.3 | 7.5 | 18.8 | 17.5 | 26.2 | 17.6 | 17.9 |
| (% of Net Sales) | 40.4 | 40.7 | 39.9 | 38.2 | 40.5 | 42.3 | 42.2 | 41.9 | 39.7 | 41.8 |
| EBITDA(Rs/tss) | 12,790 | 13,159 | 13,322 | 13,901 | 15,110 | 15,138 | 14,941 | 16,323 | 13,387 | 15,481 |
| Interest | 293 | 478 | 520 | 448 | 800 | 2,022 | 3,627 | 2,339 | 1,739 | 8,787 |
| Depreciation | 1,951 | 1,957 | 1,991 | 2,294 | 2,112 | 2,050 | 2,092 | 2,092 | 8,193 | 8,346 |
| Other Income | 779 | 1,772 | 987 | 798 | 1,461 | 943 | 670 | 275 | 4,337 | 3,350 |
| PBT (before EO Inc.) | 14,348 | 16,386 | 16,313 | 17,091 | 15,541 | 17,126 | 15,918 | 19,868 | 64,138 | 68,452 |
| EO Income(exp) | -184 | -443 | -493 | -401 | 3,484 | 340 | -171 | -1,442 | -1,521 | 2,211 |
| PBT (after EO Inc.) | 14,164 | 15,943 | 15,820 | 16,690 | 19,025 | 17,466 | 15,747 | 18,426 | 62,617 | 70,664 |
| Total Tax | 4,630 | 4,928 | 5,183 | 5,655 | 6,804 | 5,558 | 5,061 | 6,371 | 20,395 | 23,793 |
| % Tax | 32.7 | 30.9 | 32.8 | 33.9 | 35.8 | 31.8 | 32.1 | 34.6 | 32.6 | 33.7 |
| Reported PAT | 9,534 | 11,015 | 10,638 | 11,035 | 12,221 | 11,908 | 10,686 | 12,055 | 42,222 | 46,870 |
| Adjusted PAT | 9,658 | 11,321 | 10,969 | 11,300 | 9,983 | 11,676 | 10,802 | 12,999 | 43,247 | 45,404 |
| Change (YoY %) | 2.3 | 6.3 | 41.9 | 48.6 | 3.4 | 3.1 | -1.5 | 15.0 | 22.1 | 5.0 |
| Consolidated Financials | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | |
| Net Sales | 57,641 | 60,083 | 59,712 | 74,697 | 311,546 | 324,249 | 318,985 | 360,579 | 251,197 | 1,315,359 |
| EBITDA | 17,414 | 18,504 | 18,905 | 19,679 | 49,043 | 47,227 | 39,428 | 52,313 | 74,502 | 188,011 |
| Adjusted PAT | 10,128 | 11,233 | 10,889 | 10,533 | 20,227 | 15,220 | 13,112 | 21,776 | 42,782 | 70,335 |

E: MOST Estimates: tss=ton of steel sales; Exchange rate assumed GBP=1.98 USD, USD=40.4 INR;

SUBSIDIARIES PERFORMANCE

| | TATA STANDALONE | | | CORUS | | | NATSTEEL ASIA | | | THAILAND | | |
|-------------------------|-----------------|-------|-----|--------|--------|-----|---------------|-------|-------|----------|-------|-----|
| | FY07 | FY08 | % | FY07 | FY08 | % | FY07 | FY08 | % | FY07 | FY08 | % |
| Turnover (US\$m) | 4,494 | 5,005 | 11 | 20,919 | 23,935 | 14 | 1,100 | 1,915 | 74 | 646 | 1,020 | 58 |
| Volumes (m tons) | 4.8 | 4.8 | 0 | 21.6 | 23.1 | 7 | 2.2 | 2.5 | 13 | 1.1 | 1.4 | 28 |
| Realizations (US\$/ton) | 938 | 1,047 | 12 | 971 | 1,037 | 7 | 498 | 769 | 55 | 577 | 713 | 24 |
| EBITDA (US\$m) | 1,851 | 2,139 | 16 | 1,553 | 2,190 | 41 | 49 | 57 | 16 | 72 | 126 | 75 |
| EBITDA (%) | 41.2 | 42.7 | 1.5 | 7.4 | 9.1 | 1.7 | 4.5 | 3.0 | (1.5) | 11.1 | 12.4 | 1.2 |

Source: Company

Consolidated FY08 PAT increased 64%

Tata Steel consolidated FY08 revenues increased 5x YoY post Corus acquisition, achieving deliveries of ~32m ton during the year. Adjusted PAT increased 64.4% YoY to Rs70.3b v/s estimate of Rs~68b. Reported PAT of Rs123b includes extra-ordinary income of Rs53.2b. EBITDA increased 18% YoY to Rs188b, while margins declined from 29.7% to 14.3% due to consolidation of low margin business of Corus, which is not strictly comparable.

Standalone FY08 results: In line; earning outlook positive

Net sales increased 12% YoY to Rs197b driven by blended realization growth of 12.3% YoY to Rs36,598/ton despite marginally lower volumes of 4.782m tons. Record saleable production of 1.54 m ton at its Cold Rolling Mill and 3.27m ton at its Hot strip mill improved the product mix.

EBITDA increased 18% YoY to Rs 82b, while margins improved 210bp YoY on account of higher prices. EBITDA per ton posted impressive growth of 16% YoY to Rs15,481/ton due to higher realization and better operational efficiencies on account of lower specific energy consumption of 6.66 Gcal/ton (v/s 6.72 in FY07) and power consumption of 388 kwh/ton (v/s 400 in FY07). During the year, 270 projects were implemented which resulted in savings of US\$49.75m. Reported PAT of Rs46.9b included extra-ordinary income of Rs2.2b. Adjusted PAT increased 5% YoY to Rs45b dragged by higher interest costs on account of Corus acquisition.

The standalone operations will have a volume growth of 22% in FY09 to 5.9m ton due to commissioning of new blast furnace. The outlook for steel prices has improved in

domestic market after removal of export duty on flat rolled products and recent statement by the steel minister that government will not intervene if steel price hikes are justified by cost increases. Non-integrated players like Ispat Industries are exposed to steep cost increases, which will justify higher price increases in domestic markets and drive the margins of Tata Steel's Indian operations on account of upstream integration into mining of raw materials.

Corus FY08 results; US\$600m performance improvements in FY09

Net sales increased 14.4% YoY to ~US\$24b driven by volume growth of 7.1% to 23.1mtons and blended realization growth of 7% YoY to US\$1,037/ton due to strong pricing environment.

EBITDA increased 41% YoY to US\$2.2b, while margins improved 200bp YoY on account of higher prices and operational efficiencies. EBITDA per ton posted impressive growth of 32% YoY to US\$95/ton. Performance improvement initiatives contributed US\$576m in FY08 up from US\$376m in FY07 which is further expected to increase above US\$600m in FY09.

The initiatives for FY09 include debottlenecking at Ijmuiden and Port Talbot improving their capacities by 0.5m ton each. Restructuring at the Scunthorpe long product plant will increase the capacity further from 4.2m ton to 4.5m ton. We expect Corus to deliver EBITDA of US\$2.4b during FY09 despite cost increase of Euro230/ton and under recovery of costs on annual contracts due to strong prevailing prices of steel products and performance improvement.

Thailand FY08 results shine on higher realizations

Net sales increased 58% YoY to ~US\$1b driven by volume growth of 27% to 1.43m ton and blended realization growth of 23.8% YoY to US\$713/ton due to strong pricing environment and launch of new products altering its product mix. Reduction in project sales contract tenure from 18 months to 12 months to capture higher price realizations further boosted revenues.

EBITDA increased 75% YoY to US\$126m, while margins improved 100bp YoY on account of higher realizations. EBITDA per ton posted impressive growth of 37.5% YoY to US\$88/ton. Increasing hot charging from 66% to 80% helped improve productivity, contributing significantly to the margins.

NatSteel FY08 results disappoint

Net sales increased 74% YoY to ~US\$1.9b driven by volume growth of 13% to 2.49m tons and blended realization growth of 54% YoY to US\$769/ton. EBITDA increased 16% YoY to US\$57m while margins declined 100bp to 3% due to increased cost pressures.

Raw material security

Ownership of raw materials continues to be the prime focus of the group with the company owning raw material assets – coal, iron ore and limestone mines through joint ventures or completely, across geographies in countries such as Australia, Oman and Mozambique. The various initiatives taken for backward integration and the progress on the projects is discussed below.

✍ **1.94b ton coal reserves will be operational by 2010:** Tata Steel has a 35% stake in JV with Riversdale Mining Ltd. in 25,000 hectares Benga and Tete Tenement in Moatize region. The inferred coal resource is ~1.94b ton in Benga Tenement and the company has an off-take agreement for 40% of coking coal on commercial terms. Production at the mines is expected to commence from 2010.

✍ **75% stake in 750m ton iron ore reserves at Mt. Nimba:** The company has a 75% stake in JV with State owned company Sodemi for exploring & developing Mt Nimba iron ore mine. The estimated reserve is > 750m ton of Itabirite Iron ore. Issue of exploration license to SODEMI is being considered by the Ministry. The project envisages exploration & mine development at Nimba.

✍ **250m ton of limestone reserves at Al-bahja group:** Tata Steel entered into 70:30 JV with Al Bahja Group by participating in its existing mining company, Al RimalMining LLC. The scope of the JV is mining of metallurgical grade limestone from Uyun mine in Salalah, in Southern Oman. The estimated resource is greater than ~250m tons.

2.9mtpa expansion at Jamshedpur on schedule; equipments ordered

The Jamshedpur project envisages a capacity increase of 2.34mtpa of HRC and 0.5mtpa of Slab. The project includes upgradation of the existing blast furnaces and setting up of a pelletization Plant of 6mtpa capacity. Contracts for all major equipments have already been signed. The 1st strand will commence in October 2010. The project is on schedule.

6 mtpa greenfield project at Orissa; SMS, blast furnace ordered

The 6mtpa integrated steel making project in Orissa is to be completed in two phases of 3mtpa each. Orders for Steel Melting Shop, Blast Furnace, Sinter Plant and Coke Plant have already been placed. Structural drawings for over 22,000t have been released for fabrication. Orders for Hot Strip Mill, Raw Material Handling System, Water System, Oxygen Plant (on BOO basis) are in advanced stages of negotiation. Mines plan, Rapid EIA, Forest De-reservation proposal, pre-feasibility study, topography survey of proposed lease have been completed.

Thailand -0.5 mtpa Mini Blast Furnace

Tata Steel Thailand is undertaking a 0.5mtpa mini blast furnace project which is expected to be complete by September 2009. Contract for machinery supply and contractor employment have already been signed. The project is entitled to tax incentives from Board of Investments, Thailand.

Valuations attractive

We expect Corus to deliver EBITDA of US\$2.4b during FY09 despite cost increase of Euro230/ton and under recovery of costs on annual contracts due to strong prevailing spot prices of steel products and performance improvement of US\$600m. The outlook for Indian

operations has improved further after removal of export duty on flat rolled products and recent statement by the Steel minister that government will not intervene if steel price hikes are justified by cost increases. Non-integrated players like Ispat Industries are exposed to steep cost increases, which will justify higher price increases in domestic markets and drive the margins of Tata Steel's Indian operations on account of upstream integration into mining of raw materials.

We expect EPS to grow 48% YoY to Rs127 in FY09. Stock trades at P/E of 5.7x FY09E and EV/EBITDA of 4.3x FY09E. We maintain our positive outlook on the stock and reiterate **Buy**.

STOCK PERFORMANCE OF 25% CAGR OVER SIX YEARS – A CONSERVATIVE EXPECTATION

| | UNIT | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | CAGR % FY08-13 |
|--------------------------------|----------|--------|--------|--------|--------|--------|--------|--------|-------------------|
| Indian Steel Operations | | | | | | | | | |
| EBITDA | US\$m | 1,726 | 2,036 | 2,864 | 3,048 | 3,153 | 5,100 | 5,525 | 18.1 |
| | m tons | 4.8 | 4.8 | 5.9 | 6.8 | 7.3 | 12.0 | 13.0 | 18.1 |
| | US\$/ton | 360 | 426 | 485 | 448 | 430 | 425 | 425 | |
| Target multiple | x | 7.0 | 7.0 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | |
| Target EV | US\$m | 12,082 | 14,249 | 18,617 | 19,815 | 20,495 | 33,150 | 35,913 | |
| Corus | | | | | | | | | |
| EBITDA | US\$m | | 2,163 | 2,365 | 2,412 | 2,461 | 2,510 | 2,560 | 2.8 |
| | m tons | | 20.6 | 21.5 | 21.9 | 22.4 | 22.8 | 23.3 | |
| | US\$/ton | | 105 | 110 | 110 | 110 | 110 | 110 | |
| Target multiple | x | | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | |
| Target EV | US\$m | | 10,815 | 11,825 | 12,062 | 12,303 | 12,549 | 12,800 | |
| FAMD & Others | | | | | | | | | |
| EBITDA | US\$m | 138 | 203 | 203 | 203 | 234 | 269 | 309 | 7.2 |
| Target multiple | x | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | |
| Target EV | US\$m | 963 | 1,422 | 1,422 | 1,421 | 1,635 | 1,880 | 2,162 | |
| Combined Entity | | | | | | | | | |
| EV | US\$m | 13,045 | 26,486 | 31,864 | 33,298 | 34,433 | 47,579 | 50,874 | 11.5 |
| Net Debt | US\$m | | 9252 | 8248 | 6300 | 5300 | 4300 | 3300 | |
| Residual Mkt Cap. | US\$m | 13,045 | 17,233 | 23,616 | 26,998 | 29,133 | 43,279 | 47,574 | |
| No. of Shares | m | | | 822 | 822 | 822 | 822 | 822 | |
| Target Price | US\$ | | | 29 | 33 | 35 | 53 | 58 | |
| Target Price | INR | | | 1,160 | 1,326 | 1,431 | 2,126 | 2,337 | 25 |
| CMP | INR | | | 726.8 | 726.8 | 726.8 | 726.8 | 726.8 | |
| Upside (w.r.t. CMP) | % | | | 60 | 82 | 97 | 193 | 222 | |

Source: Company/Motilal Oswal Securities

Tata Steel: an investment profile

Company description

Tata Steel (TATA), lowest cost producer, after acquisition of Corus (which is several times its size) has become the sixth largest steel maker globally. The combined entity (Tata-Corus) currently has its business spread over Europe (37%), UK (22%), Asia (24%), North America (8%) and Rest of the World (9%). Tata-Corus (26mtpa) now has 17% raw material security and plans to increase it to 50-60%. The production will increase to 34mtpa through brown-field expansions at Jamshedpur and green-field projects in Orissa.

Key investment arguments

- ☞ Tata Steel is leveraging the low cost advantage in India to feed the finishing mills of its global subsidiaries. The brown-field expansion at Jamshedpur to raise capacity to 10mtpa by 2010 and the green-field project in Orissa will raise total capacity from 5mtpa currently to 13mtpa by 2010 in India.
- ☞ Tata Steel is focusing to expand the thin margins of Corus through reworking of product pricing, procurement policies, asset sweating and further improvement in operating efficiencies. Corus now has a focused promoter.

COMPARATIVE VALUATIONS

| | | TATA STEEL | SAIL | JSW STEEL |
|---------------|-------|------------|------|-----------|
| P/E (x) | FY08A | 8.5 | 7.8 | 11.6 |
| | FY09E | 5.7 | 7.2 | 9.7 |
| P/BV (x) | FY08A | 1.7 | 2.9 | 2.4 |
| | FY09E | 1.4 | 2.2 | 1.9 |
| EV/Sales (x) | FY08A | 0.7 | 1.4 | 2.0 |
| | FY09E | 0.6 | 1.1 | 1.4 |
| EV/EBITDA (x) | FY08A | 5.2 | 4.3 | 7.2 |
| | FY09E | 4.3 | 3.9 | 5.9 |

SHAREHOLDING PATTERN (%)

| | MAR-08 | DEC-07 | MAR-07 |
|---------------|--------|--------|--------|
| Promoter | 34.0 | 33.8 | 30.5 |
| Domestic Inst | 21.8 | 20.0 | 21.8 |
| Foreign | 19.5 | 20.6 | 17.4 |
| Others | 24.8 | 25.7 | 30.2 |

Key investment risks

- ☞ Earnings of Tata Steel now have high leverage to steel prices while Corus remains exposed to raw material price risk.

Recent developments

- ☞ Plans to form an international company for consolidating its raw material assets that are spread across the world which could eventually be used to raise funds for future acquisitions.

Valuation and view

- ☞ The stock trades at attractive valuations of 4.3x FY09E EV/EBITDA, 5.7x FY09E P/E.

Sector view

- ☞ Strongly growing global demand for steel, rising industry consolidation (ex-China) leading to greater production discipline, declining exports of steel from China due to rising costs of metallic's and trade friction with the Western world and shortage of metallic' is keeping steel prices high. We prefer companies that will deliver stronger volume growth, reduce operating costs and have the security of raw material supply.

EPS: MOST FORECAST VS CONSENSUS (RS)

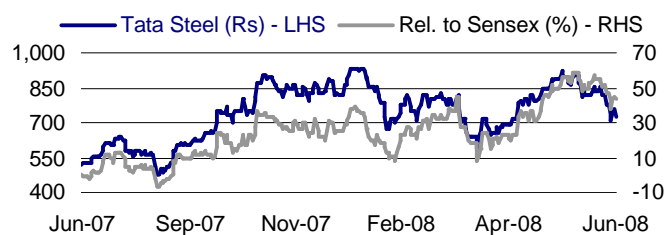
| | MOST FORECAST | CONSENSUS FORECAST | VARIATION (%) |
|------|---------------|--------------------|---------------|
| FY09 | 126.7 | 110.1 | 15.1 |
| FY10 | 144.3 | 120.2 | 20.1 |

TARGET PRICE AND RECOMMENDATION

| CURRENT PRICE (RS) | *TARGET PRICE (RS) | UPSIDE (%) | RECO. |
|--------------------|--------------------|------------|-------|
| 727 | 922 | 27 | Buy |

* Based on 5x FY09E EV/EBITDA

STOCK PERFORMANCE (1 YEAR)



| INCOME STATEMENT (CONSOLIDATED) | | (RS MILLION) | | | |
|---------------------------------|----------------|------------------|------------------|------------------|--|
| Y/E MARCH | 2007 | 2008 | 2009E | 2010E | |
| Net Sales | 251,197 | 1,315,359 | 1,690,213 | 1,727,860 | |
| Change (%) | 24.1 | 423.6 | 28.5 | 2.2 | |
| Total Expenses | 176,695 | 1,127,348 | 1,467,970 | 1,494,176 | |
| EBITDA | 74,502 | 188,011 | 222,243 | 233,684 | |
| % of Net Sales | 29.7 | 14.3 | 13.1 | 13.5 | |
| Deprn. & Amortization | 10,110 | 41,370 | 44,094 | 44,297 | |
| EBIT | 64,392 | 146,642 | 178,149 | 189,387 | |
| Net Interest | 4,112 | 41,838 | 30,739 | 23,956 | |
| Other income | 4,381 | 5,742 | 3,080 | 4,050 | |
| PBT before EO | 64,660 | 110,546 | 150,490 | 169,481 | |
| EO income | -1,521 | 53,164 | -2,262 | -2,262 | |
| PBT after EO | 63,139 | 163,711 | 148,228 | 167,219 | |
| Current tax | 21,629 | 27,929 | 30,855 | 42,130 | |
| Deferred tax | -155 | 10,447 | 16,561 | 9,870 | |
| Tax | 21,474 | 40,493 | 47,416 | 52,001 | |
| Rate (%) | 34.0 | 36.6 | 32.0 | 31.1 | |
| Reported PAT | 41,665 | 123,218 | 100,812 | 115,218 | |
| Minority interests | 675 | 1,399 | 800 | 800 | |
| Share of asso. PAT | 792 | 1,682 | 2,670 | 2,670 | |
| Attributable PAT | 41,782 | 123,500 | 102,682 | 117,088 | |
| Adjusted PAT | 42,786 | 70,335 | 104,221 | 118,647 | |
| Change (%) | 13.5 | 64.4 | 48.2 | 13.8 | |

| BALANCE SHEET | | (RS MILLION) | | | |
|------------------------------------|----------------|----------------|----------------|----------------|--|
| Y/E MARCH | 2007 | 2008 | 2009E | 2010E | |
| Share Capital | 5,807 | 8,224 | 8,224 | 8,224 | |
| Reserves | 140,584 | 335,561 | 422,849 | 521,342 | |
| Net Worth | 146,390 | 343,785 | 431,073 | 529,566 | |
| Minority Interest | 1,911 | 3,560 | 4,360 | 5,160 | |
| Total Loans | 30,899 | 410,422 | 394,424 | 346,428 | |
| Deferred Tax Liability | 23,513 | 28,423 | 45,446 | 55,779 | |
| Capital Employed | 202,714 | 786,190 | 875,302 | 936,933 | |
| Gross Block | 172,447 | 706,970 | 780,968 | 854,966 | |
| Less: Accum. Deprn. | 82,110 | 123,619 | 167,713 | 212,010 | |
| Net Fixed Assets | 90,337 | 583,352 | 613,255 | 642,956 | |
| Capital WIP | 28,574 | 13,574 | 13,574 | 13,574 | |
| Investments | 40,160 | 52,239 | 52,239 | 52,239 | |
| Curr. Assets | 93,959 | 464,037 | 590,604 | 628,699 | |
| Inventory | 24,229 | 226,688 | 286,465 | 290,520 | |
| Account Receivables | 13,768 | 180,869 | 225,008 | 226,225 | |
| Cash and Bank Balance | 33,391 | 26,929 | 41,065 | 70,644 | |
| Others | 22,571 | 29,552 | 38,065 | 41,309 | |
| Curr. Liability & Prov. | 50,316 | 327,012 | 394,370 | 400,534 | |
| Account Payables | 34,175 | 245,730 | 310,322 | 315,432 | |
| Provisions & Others | 16,142 | 81,281 | 84,048 | 85,103 | |
| Net Current Assets | 43,642 | 137,025 | 196,233 | 228,164 | |
| Appl. of Funds | 202,714 | 786,190 | 875,302 | 936,933 | |

E: MOSt Estimates

| RATIOS | | | | | |
|-------------------------------|-------------|-------------|--------------|--------------|--|
| Y/E MARCH | 2007 | 2008 | 2009E | 2010E | |
| Basic (Rs) | | | | | |
| EPS | 70.2 | 85.5 | 126.7 | 144.3 | |
| Cash EPS | 89.2 | 200.1 | 176.2 | 194.0 | |
| BV/Share | 252.1 | 418.0 | 524.2 | 643.9 | |
| DPS | 16.3 | 16.0 | 16.0 | 16.0 | |
| Payout (%) | 25.8 | 21.9 | 14.8 | 13.0 | |
| Valuation (x) | | | | | |
| P/E | 10.3 | 8.5 | 5.7 | 5.0 | |
| Cash P/E | 8.2 | 3.6 | 4.1 | 3.7 | |
| P/BV | 2.9 | 1.7 | 1.4 | 1.1 | |
| EV/Sales | 1.7 | 0.7 | 0.6 | 0.5 | |
| EV/EBITDA | 5.6 | 5.2 | 4.3 | 3.7 | |
| Dividend Yield (%) | 2.2 | 2.2 | 2.2 | 2.2 | |
| Return Ratios (%) | | | | | |
| EBITDA Margins (%) | 29.7 | 14.3 | 13.1 | 13.5 | |
| Net Profit Margins (%) | 17.0 | 5.3 | 6.2 | 6.9 | |
| RoE | 27.9 | 20.5 | 24.2 | 22.4 | |
| RoCE | 31.8 | 18.7 | 20.4 | 20.2 | |
| RoIC | 42.2 | 13.4 | 15.8 | 16.3 | |
| Working Capital Ratios | | | | | |
| Fixed Asset Turnover (x) | 1.5 | 1.9 | 2.2 | 2.0 | |
| Asset Turnover (x) | 1.2 | 1.7 | 1.9 | 1.8 | |
| Debtor (Days) | 20.0 | 50.2 | 48.6 | 47.8 | |
| Inventory (Days) | 9.6 | 17.2 | 16.9 | 16.8 | |
| Working Capital Turnover (C) | 4.1 | 8.4 | 9.2 | 9.1 | |
| Growth (%) | | | | | |
| Sales | 24.1 | 423.6 | 28.5 | 2.2 | |
| EBITDA | 17.5 | 152.4 | 18.2 | 5.1 | |
| PAT | 13.5 | 64.4 | 48.2 | 13.8 | |

| Leverage Ratio (x) | | | | | |
|----------------------|------|-----|-----|-----|--|
| Current Ratio | 1.9 | 1.4 | 1.5 | 1.6 | |
| Interest Cover Ratio | 15.7 | 3.5 | 5.8 | 7.9 | |
| Debt/Equity | 0.0 | 1.1 | 0.8 | 0.5 | |

E: MOSt Estimates

| CASHFLOW STATEMENT | | (RS MILLION) | | | |
|------------------------------|----------------|-----------------|----------------|----------------|--|
| Y/E MARCH | 2007 | 2008 | 2009E | 2010E | |
| Pre-tax Profit | 63,139 | 163,711 | 148,228 | 167,219 | |
| Depreciation | 10,110 | 41,370 | 44,094 | 44,297 | |
| (Inc)/Dec in Wkg. Cap. | -2,613 | -99,846 | -45,071 | -2,352 | |
| Tax Paid | -21,629 | -27,929 | -30,855 | -42,130 | |
| Other operating activities | | | | | |
| CF from Op. Activity | 49,007 | 77,305 | 116,396 | 167,034 | |
| (Inc)/Dec in FA + CWIP | -20,000 | -519,524 | -73,998 | -73,998 | |
| (Pur)/Sale of Investments | -5,371 | -12,079 | | | |
| Others | | | | | |
| CF from Inv. Activity | -25,371 | -531,602 | -73,998 | -73,998 | |
| Equity raised/(repaid) | 270 | 104,611 | | | |
| Chg in minorities | 675 | 1,649 | 800 | 800 | |
| Debt raised/(repaid) | -2,875 | 379,523 | -15,998 | -47,995 | |
| Dividend (incl. tax) | -11,043 | -15,395 | -15,424 | -15,424 | |
| Other financing activities | 14,961 | -22,553 | 2,361 | -838 | |
| CF from Fin. Activity | 1,988 | 447,834 | -28,262 | -63,457 | |
| (Inc)/Dec in Cash | 25,624 | -6,463 | 14,136 | 29,579 | |
| Add: opening Balance | 7,768 | 33,391 | 26,929 | 41,065 | |
| Closing Balance | 33,391 | 26,929 | 41,065 | 70,644 | |

N O T E S



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Disclosure of Interest Statement

Tata Steel

- | | |
|---|-----|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | Yes |
| 3. Broking relationship with company covered | No |
| 4. Investment Banking relationship with company covered | No |

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