



**Tata Steel**

BSE SENSEX 18,301	S&P CNX 5,482	<b>Rs641</b>	<b>Buy</b>
Bloomberg Equity Shares (m)	TATA IN 971.4		
52-Week Range (Rs)	737/449		
1,6,12 Rel. Perf. (%)	6/23/4		
M.Cap. (Rs b)	622.7		
M.Cap. (US\$ b)	13.7		

Consolidated

- Tata Steel's 3QFY11 consolidated adjusted PAT declined 33% QoQ to Rs8.8b, lower than our estimate of Rs12.5b. Reported PAT of Rs10b included gains of Rs1.2b due to reversal of provisioning on account of Teesside mothballing.
- Tata Steel India's (TSI) EBITDA increased 7% QoQ to Rs28.2b. EBITDA per ton increased 14% QoQ to US\$362. Margin expansion was higher than our estimate due to higher than expected realization (up 5% QoQ to Rs41,274/ton) and slower increase in raw material and staff costs.
- Subsidiaries' sales volumes declined 13% QoQ to 3.6m tons, while Tata Steel Europe's (TSE) deliveries declined 2% QoQ to 3.47m tons due to seasonal factors. Realization for TSE increased 3% QoQ to US\$1,153/ton due to better product mix and carbon credits of GBP35m, while prices were lower.
- EBITDA per ton for all the subsidiaries together declined by US\$17 to US\$37, in line with our expectations. Interest cost increased due to US\$600m increase in working capital at TSE.

**Margin expansion and volume growth to drive earnings; upgrading FY12E EPS by 10%; Buy**

- Steel demand scenario is improving gradually at TSE and strong prices will result in margin improvement in 4QFY11. Raw material costs are likely to remain flat at TSI in 4QFY11 while demand and pricing environment remains robust.
- Though we have cut our FY11E EPS by 3% to Rs72.5, we have upgraded our FY12E EPS by 10% to Rs82.8 to factor in stronger steel prices. The outlook for Indian business remains robust due to lean cost structure and stronger steel prices pushed by shortage of raw materials. We expect gradual expansion of margins at TSE due to investment in improving operating efficiencies. We expect RoIC for the group to improve due to growth in high margin businesses.
- The stock is trading at an EV of 5.6x FY12E EBITDA and at 7.7x FY12E EPS. We believe Tata Steel is well placed due to raw material integration and superior product positioning. It is our top pick in the metals space. Re-iterate **Buy**.

**QUARTERLY PERFORMANCE (STANDALONE)**

Y/E MARCH	(RS MILLION)									
	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales ('000 tons)	1,418	1,457	1,596	1,698	1,399	1,660	1,641	1,748	6,169	6,448
Avg Realization (Rs/tss)	36,717	35,652	36,534	39,649	42,871	39,139	41,274	44,052	37,225	41,824
<b>Net Sales</b>	<b>56,156</b>	<b>56,921</b>	<b>63,749</b>	<b>73,394</b>	<b>65,515</b>	<b>71,068</b>	<b>73,974</b>	<b>83,194</b>	<b>250,220</b>	<b>293,750</b>
Change (YoY %)	-8.9	-16.9	32.8	12.9	16.7	24.9	16.0	13.4	2.9	17.4
<b>EBITDA</b>	<b>17,422</b>	<b>19,222</b>	<b>23,106</b>	<b>29,770</b>	<b>29,165</b>	<b>26,290</b>	<b>28,205</b>	<b>37,305</b>	<b>89,521</b>	<b>120,965</b>
(% of Net Sales)	31.0	33.8	36.2	40.6	44.5	37.0	38.1	44.8	35.8	41.2
<b>EBITDA(US\$/tss)</b>	<b>249</b>	<b>262</b>	<b>294</b>	<b>363</b>	<b>428</b>	<b>318</b>	<b>362</b>	<b>455</b>	<b>295</b>	<b>391</b>
Interest	3,422	3,920	4,157	3,585	3,277	3,425	3,354	3,421	15,084	13,477
Depreciation	2,532	2,564	2,622	3,115	2,802	2,815	2,864	2,950	10,832	11,430
Other Income	463	761	936	1,378	484	327	113	689	3,538	1,613
<b>PBT (before EO Inc.)</b>	<b>11,932</b>	<b>13,499</b>	<b>17,263</b>	<b>24,449</b>	<b>23,570</b>	<b>20,378</b>	<b>22,100</b>	<b>31,623</b>	<b>67,143</b>	<b>97,671</b>
EO Income(exp)			163	4,837		7,001			5,000	7,001
<b>PBT (after EO Inc.)</b>	<b>11,932</b>	<b>13,499</b>	<b>17,426</b>	<b>29,286</b>	<b>23,570</b>	<b>27,378</b>	<b>22,100</b>	<b>31,623</b>	<b>72,143</b>	<b>104,672</b>
Total Tax	4,034	4,470	5,508	7,663	7,776	6,726	6,966	7,769	21,675	29,237
% Tax	33.8	33.1	31.6	26.2	33.0	24.6	31.5	24.6	30.0	27.9
<b>Reported PAT</b>	<b>7,898</b>	<b>9,029</b>	<b>11,918</b>	<b>21,623</b>	<b>15,794</b>	<b>20,652</b>	<b>15,135</b>	<b>23,854</b>	<b>50,468</b>	<b>75,435</b>
<b>Adjusted PAT</b>	<b>7,898</b>	<b>9,029</b>	<b>11,755</b>	<b>16,786</b>	<b>15,794</b>	<b>13,651</b>	<b>15,135</b>	<b>23,854</b>	<b>45,468</b>	<b>68,434</b>
Change (YoY %)	-55.9	-57.7	98.2	145.5	100.0	51.2	28.8	42.1	-12.6	50.5
<b>Consolidated Financials</b>										
<b>Net Sales</b>	<b>232,923</b>	<b>253,950</b>	<b>262,020</b>	<b>275,038</b>	<b>271,948</b>	<b>286,462</b>	<b>290,895</b>	<b>351,192</b>	<b>1,023,931</b>	<b>1,200,496</b>
<b>EBITDA</b>	<b>-299</b>	<b>3,718</b>	<b>31,043</b>	<b>45,964</b>	<b>44,326</b>	<b>36,723</b>	<b>34,246</b>	<b>55,170</b>	<b>80,427</b>	<b>170,465</b>
<b>Reported PAT</b>	<b>-22,385</b>	<b>-27,198</b>	<b>4,323</b>	<b>24,052</b>	<b>17,902</b>	<b>19,683</b>	<b>9,489</b>	<b>28,644</b>	<b>-21,208</b>	<b>75,719</b>
<b>Adjusted PAT</b>	<b>-19,899</b>	<b>-17,959</b>	<b>6,521</b>	<b>23,083</b>	<b>18,851</b>	<b>13,104</b>	<b>8,807</b>	<b>28,764</b>	<b>-8,255</b>	<b>69,526</b>

E: MOSL Estimates; tss=ton of steel sales

**Better than expected performance at TSI**

- Tata Steel's 3QFY11 consolidated adjusted PAT declined 33% QoQ to Rs8.8b, lower than our estimate of Rs12.5b. Reported PAT of Rs10b included gains of Rs1.2b due to reversal of provisioning on account of Teesside (TCP) mothballing.
- Consolidated EBITDA increased 10.3% YoY to Rs34.2b, higher than our estimate of Rs32.2b, led by strong operating performance at Tata Steel India (TSI). However, higher interest cost on account of increase in working capital in Tata Steel Europe (TSE), lower other income (on account of losses due to fire at Ijmuiden plant) and higher tax rate dragged the bottomline.
- Consolidated net debt increased US\$1.2b QoQ due to US\$600m increase in working capital at TSE and US\$300m towards US\$1b capex at TSI.

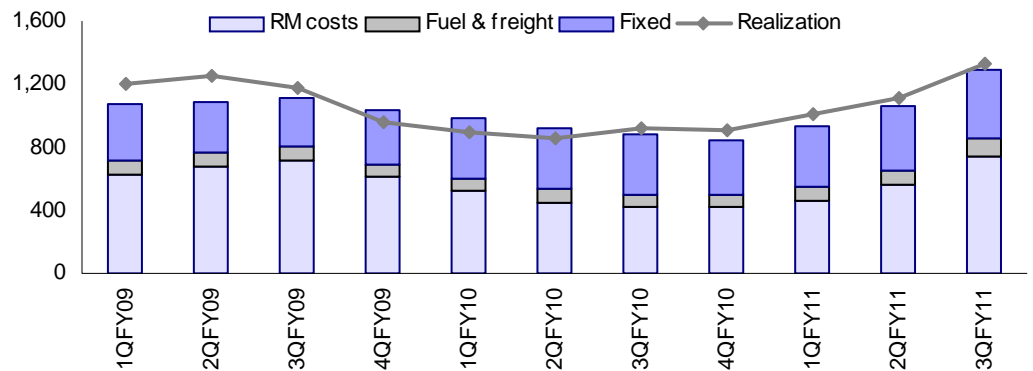
**TSI: EBITDA per ton at US\$362, higher than our estimate of US\$333 due to slower increase in raw material cost**

- Net sales grew 4% QoQ to Rs74b due to 5% QoQ increase in average realization (to Rs41,274/ton v/s our estimate of Rs40,353/ton) and 1% QoQ decline in volumes to 1.64m tons (v/s our estimate of 1.67m tons).
- Realization increased 6% QoQ to Rs29,150/ton for long products and declined 1% QoQ to Rs35,300/ton for flat products. Revenue from other products increased 20% QoQ to Rs14.3b.
- EBITDA increased 7% QoQ (22% YoY) to Rs28.2b. EBITDA per ton increased 14% QoQ to US\$362 (Rs16,240). Margin expansion was higher than we had estimated due to higher than expected realization and slower increase in raw material and staff costs.
- Management has guided US\$190/ton cost of coking coal for domestic operations in FY11. Staff cost has fallen 12% QoQ to Rs6b, as the company had made provisions of Rs1b in 2QFY11.
- Adjusted PAT increased 11% QoQ to Rs15.1b (up 29% YoY; our estimate was Rs15.7b).

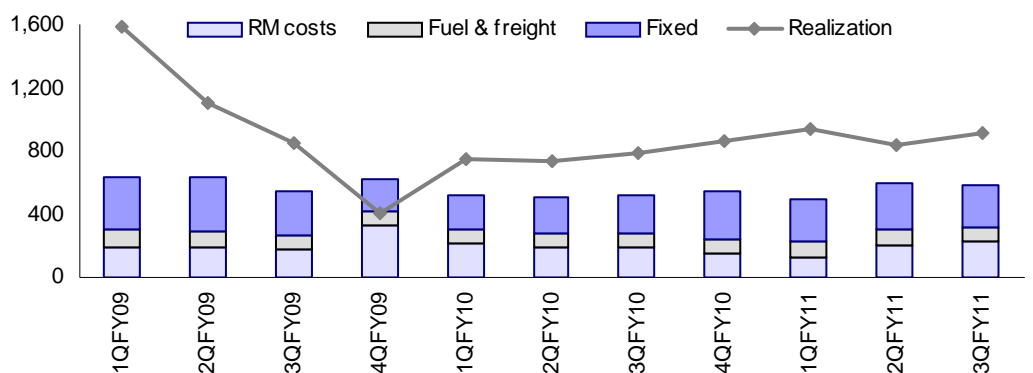
**TSE and other subsidiaries: Margins in-line; bottomline dragged by higher interest cost and asset impairment**

- Subsidiaries' sales volumes declined 13% QoQ to 3.6m tons, while TSE deliveries declined 2% QoQ to 3.47m tons due to seasonal factors.
- Realization for TSE increased 3% QoQ to US\$1,153/ton due to better product mix and carbon credits of GBP35m, while prices were lower.
- EBITDA per ton for all the subsidiaries together declined by US\$17 to US\$37, which was in line with our expectation.
- EBITDA for all subsidiaries was also in-line at Rs6b, while TSE EBITDA was Rs4b and South East Asia EBITDA loss was Rs160m.
- Interest cost increased due to US\$600m increase in working capital at TSE.
- Expenses of GBP20m on account of fire at Ijmuiden were treated as asset impairment and accounted in other income.
- Provisions of GBP70m towards mothballing of TCP made earlier were reversed and accounted as extraordinary income.

**TSE and other subsidiaries have higher fixed and RM costs (US\$/ton)**



**TSI has a lean cost structure (US\$/ton)**

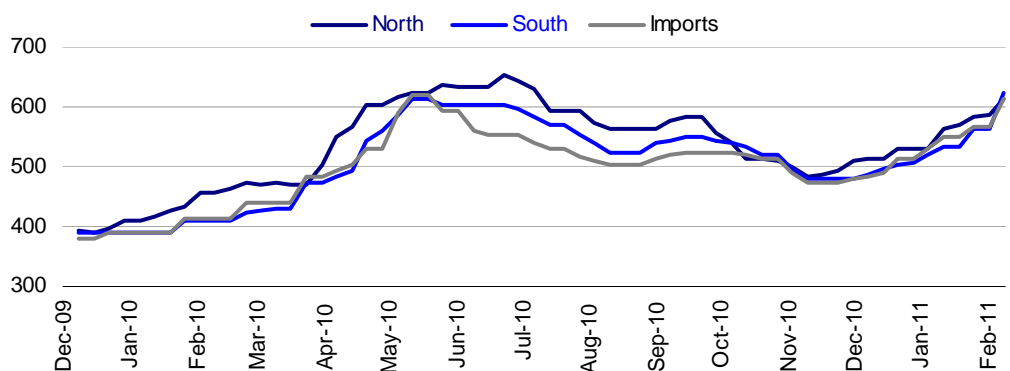


Source: Company/MOSL

**Expect strong 4QFY11 for TSI and margin improvement at TSE**

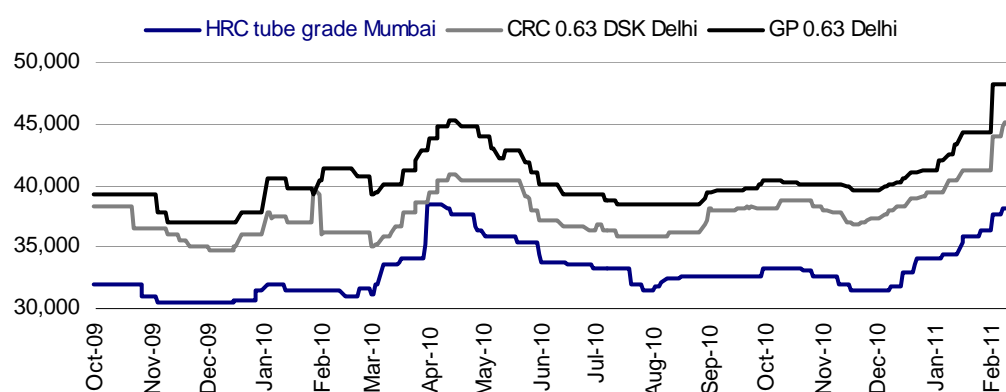
- Steel prices have moved up 30-45% across the world since early December due to raw material cost push and end of de-stocking. Steel demand scenario is improving gradually at TSE and strong prices will result in margin expansion for TSE. We expect EBITDA per ton of US\$80 at TSE and other subsidiaries.
- In India, both demand and pricing environment remain robust. Raw material costs are expected to remain flat at TSI for 4QFY11. Domestic steel producers raised steel prices in early January and February to maintain margins and bridge the increasing gap between global and domestic steel prices. We expect strong growth in earnings for TSI.

**Hot rolled coil prices in Europe (Euro/ton)**



Source: Company/MOSL

## Indian Steel flat prices (Rs/ton)



Source: Company/MOSL

### Margin expansion and volume growth to drive earnings; upgrading FY12E EPS by 10%; Buy

- Though we have cut our FY11E EPS by 3% to Rs72.5, we have upgraded our FY12E EPS by 10% to Rs82.8 to factor in stronger steel prices.
- The outlook for Indian business remains robust due to lean cost structure and stronger steel prices pushed by shortage of raw materials. We expect gradual expansion of margins at TSE due to investment in improving operating efficiencies.
- Iron ore production from DSO project in Canada is expected to start in 1QFY13. Riversdale too will start coking coal production in 2HFY12.
- We expect RoIC for the group to improve due to growth in high margin businesses. Interest costs will rise in the interim due to higher working capital requirement and rising interest rates. However, strong cash flows from Indian business will aid deleveraging.
- The stock is trading at an EV of 5.6x FY12E EBITDA and at 7.7x FY12E EPS. We believe Tata Steel is well placed due to raw material integration and superior product positioning. It is our top pick in the metals space. Re-iterate **Buy**.

#### QUARTERLY (TATA STEEL EUROPE)

Y/E MARCH	FY10				FY11				(RS MILLION)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY10	FY11E
Sales (000 tons)	3,300	3,920	3,759	3,900	3,710	3,530	3,470	4,000	14,879	14,710
Change (YoY %)	-47.6	-31.2	-12.6	14.7	12.4	-9.9	-7.7	2.6	-24.5	-1.1
Realization (US\$ per ton)	945	884	955	976	1,046	1,121	1,153	1,165	938	1,120
Change (QoQ %)	-10.4	-6.5	8.1	2.1	7.2	7.1	2.9	1.0	-22.4	19.4
<b>Net Sales</b>	<b>152,280</b>	<b>167,680</b>	<b>167,550</b>	<b>174,736</b>	<b>177,110</b>	<b>183,874</b>	<b>179,400</b>	<b>211,523</b>	<b>662,246</b>	<b>751,907</b>
Change (QoQ %)	-14.7	10.1	-0.1	4.3	1.4	3.8	-2.4	17.9	-39.6	13.5
<b>EBITDA</b>	<b>-18,530</b>	<b>-18,020</b>	<b>6,606</b>	<b>16,808</b>	<b>13,630</b>	<b>8,852</b>	<b>3,950</b>	<b>14,576</b>	<b>-13,136</b>	<b>41,008</b>
As % of Net Sales	-12.2	-10.7	3.9	9.6	7.7	4.8	2.2	6.9	-2.0	5.5
<b>EBITDA(US\$/tss)</b>	<b>-115</b>	<b>-95</b>	<b>38</b>	<b>94</b>	<b>81</b>	<b>54</b>	<b>25</b>	<b>80</b>	<b>-19</b>	<b>59</b>
Teesside loss (US\$m)	50	170							220	
adj. EBITDA (USD/ton)	-100	-52	38	94	81	54	25	80	-4	61

E: MOSL Estimates

## QUARTERLY PERFORMANCE (CONSOLIDATED)

(RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (k tons)	5,443	6,222	6,212	6,500	5,900	5,820	5,280	6,651	24,377	23,651
Change (YoY %)	-36.6	-22.2	3.2	9.6	8.4	-6.5	-15.0	2.3	-1.3	-3.0
Realization (Rs per ton)	42,793	40,815	42,180	42,313	46,093	49,220	55,094	52,803	42,004	50,759
Change (YoY %)	-15.5	-26.1	-23.5	-5.0	7.7	20.6	30.6	24.8	-29.6	20.8
<b>Net Sales</b>	<b>232,923</b>	<b>253,950</b>	<b>262,020</b>	<b>275,038</b>	<b>271,948</b>	<b>286,462</b>	<b>290,895</b>	<b>351,192</b>	<b>1,023,931</b>	<b>1,200,496</b>
Change (YoY %)	-46.5	-42.5	-21.1	4.1	16.8	12.8	11.0	27.7	-30.5	17.2
<b>EBITDA</b>	<b>-299</b>	<b>3,718</b>	<b>31,043</b>	<b>45,964</b>	<b>44,326</b>	<b>36,723</b>	<b>34,246</b>	<b>55,170</b>	<b>80,427</b>	<b>170,465</b>
Change (YoY %)	-100.4	-95.5	8.6	11,826	-	887.7	10.3	20	-2.0	35.1
(% of Net Sales)	-0.1	1.5	11.8	16.7	16.3	12.8	11.8	15.7	7.9	14.2
<b>EBITDA(US\$/tss)</b>	<b>-1</b>	<b>12</b>	<b>107</b>	<b>154</b>	<b>165</b>	<b>136</b>	<b>145</b>	<b>183</b>	<b>70</b>	<b>158</b>
Interest	8,819	7,172	7,630	6,600	5,976	6,637	7,432	7,690	30,221	27,735
Depreciation	10,890	11,535	11,547	10,946	10,439	10,781	11,264	11,403	44,917	43,887
Other Income	2,039	179	2,399	2,241	595	1,143	-1,043	1,534	6,859	2,228
<b>PBT (before EO Inc.)</b>	<b>-17,968</b>	<b>-14,810</b>	<b>14,265</b>	<b>30,660</b>	<b>28,505</b>	<b>20,448</b>	<b>14,506</b>	<b>37,611</b>	<b>12,147</b>	<b>101,071</b>
EO Income(exp)	-2,188	-9,113	-1,794	1,258	-599	6,685	1,223		-11,837	7,309
<b>PBT (after EO Inc.)</b>	<b>-20,156</b>	<b>-23,923</b>	<b>12,471</b>	<b>31,918</b>	<b>27,907</b>	<b>27,133</b>	<b>15,729</b>	<b>37,611</b>	<b>310</b>	<b>108,380</b>
Total Tax	2,229	3,275	8,148	7,866	10,005	7,450	6,240	8,967	21,518	32,661
% Tax	-12.4	-22.1	57.1	25.7	35.1	36.4	43.0	23.8	177.1	32.3
<b>Reported PAT</b>	<b>-22,385</b>	<b>-27,198</b>	<b>4,323</b>	<b>24,052</b>	<b>17,902</b>	<b>19,683</b>	<b>9,489</b>	<b>28,644</b>	<b>-21,208</b>	<b>75,719</b>
<b>Adjusted PAT</b>	<b>-19,899</b>	<b>-17,959</b>	<b>6,521</b>	<b>23,083</b>	<b>18,851</b>	<b>13,104</b>	<b>8,807</b>	<b>28,764</b>	<b>-8,255</b>	<b>69,526</b>
Change (YoY %)	-146.7	-134.9	-33.3	-274.1	-	-173.0	35.1	24.6	-109.1	-942.2

E: MOSL Estimates: tss=ton of steel sales

## QUARTERLY PERFORMANCE (TSE &amp; OTHER SUBSIDIARIES)

(RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Sales (000 tons)	4,025	4,765	4,616	4,802	4,501	4,160	3,639	4,902	18,208	17,202
Change (YoY %)	-45.8	-29.7	-6.7	16.0	11.8	-12.7	-21.2	2.1	-21.8	-5.5
Realization (US\$ per ton)	900	854	921	914	1,005	1,114	1,329	1,204	895	1,155
Change (QoQ %)	-6.9	-5.0	7.8	-0.7	9.9	10.8	19.3	-9.4	-22.0	29.0
<b>Net Sales</b>	<b>176,768</b>	<b>197,029</b>	<b>198,271</b>	<b>201,643</b>	<b>206,433</b>	<b>215,394</b>	<b>216,921</b>	<b>267,998</b>	<b>773,711</b>	<b>906,746</b>
Change YoY (%)	-52.7	-47.2	-30.2	1.3	16.8	9.3	9.4	32.9	-37.1	17.2
<b>EBITDA</b>	<b>-17,721</b>	<b>-15,504</b>	<b>7,937</b>	<b>16,194</b>	<b>15,161</b>	<b>10,433</b>	<b>6,041</b>	<b>17,864</b>	<b>-9,094</b>	<b>49,500</b>
Change (YoY %)	-144.7	-130.6	-42.5	-214.7	-185.6	-167.3	-23.9	10.3	-110.1	-644.3
As % of Net Sales	-10.0	-7.9	4.0	8.0	7.3	4.8	2.8	6.7	-1.2	5.5
<b>EBITDA (USD/ton)</b>	<b>-90</b>	<b>-67</b>	<b>37</b>	<b>73</b>	<b>74</b>	<b>54</b>	<b>37</b>	<b>80</b>	<b>-11</b>	<b>63</b>
Interest	5,397	3,252	3,473	3,014	2,699	3,212	4,078	4,269	15,137	14,258
Depreciation	8,358	8,972	8,925	7,831	7,637	7,966	8,400	8,453	34,086	32,458
Other Income	1,576	-581	1,464	863	110	816	-1,156	845	3,321	615
<b>PBT (after EO Inc.)</b>	<b>-32,088</b>	<b>-37,422</b>	<b>-4,955</b>	<b>2,632</b>	<b>4,337</b>	<b>-246</b>	<b>-6,371</b>	<b>5,988</b>	<b>-71,833</b>	<b>3,708</b>
Total Tax	-1,805	-1,195	2,640	203	2,229	724	-725	1,198	-157	3,424
% Tax	5.6	3.2	-53.3	7.7	51.4	-294.7	11.4	20.0	0.2	92.4
<b>Reported PAT</b>	<b>-30,284</b>	<b>-36,227</b>	<b>-7,595</b>	<b>2,429</b>	<b>2,108</b>	<b>-969</b>	<b>-5,646</b>	<b>4,790</b>	<b>-71,822</b>	<b>284</b>
Minority Interests	-212	174	148	43	65	-103	-380	43	152	-375
<b>Adjusted PAT</b>	<b>-28,096</b>	<b>-27,114</b>	<b>-5,638</b>	<b>6,009</b>	<b>2,707</b>	<b>-653</b>	<b>-6,869</b>	<b>4,790</b>	<b>-54,876</b>	<b>-25</b>
Change (YoY %)	-215.8	-191.4	-265.9	-130.4	-109.6	-97.6	21.8	-20.3	-246.0	-95.6

E: MOSL Estimates

## Tata Steel: an investment profile

### Company description

Tata Steel (TATA), the lowest cost producer in India, has become the sixth largest steel maker globally after the acquisition of Corus (which is several times its size). The combined entity (Tata- Corus) currently has its business spread over Europe, UK, Asia, North America and Rest of the World. Tata-Corus (27mtpa) now has ~22% raw material security and plans to increase it to 50-60%. Production will increase to 34mtpa through brownfield expansions at Jamshedpur and greenfield projects in Orissa.

### Key investment arguments

- Tata Steel India's volumes will increase 5% in FY12, followed by larger increase of 24% to 8.5m tons in FY13 due to expansion of capacity by 3mtpa to 10mtpa by December 2011.
- Overseas investment in raw material assets, Riversdale and New Millennium Capital, will start generating cash flows in the next few quarters with start of coking coal and iron ore production, respectively. These investments are worth US\$2b-2.5b at current market prices.
- Tata Steel is focusing to expand TSE's thin margins through reworking of product pricing, procurement policies, asset sweating and further improvement in operating efficiencies.

### Key investment risks

- Tata Steel's earnings are highly leveraged to steel prices and Corus' earnings, while demand scenario remains challenging in European markets.

### Recent developments

- Tata Steel raised Rs34.8b through follow-on public offer in January by issuing 57m shares at Rs610 per share.

### Valuation and view

- The stock trades at an EV of 5.6x FY12E EBITDA. Maintain **Buy**.

### Sector view

- Steel prices have moved up 30-45% across the world since early December due to raw material cost push, end of de-stocking and supply correction. Demand is likely to pick up over the next couple of months, as buyers return to the market post winter vacations in the western world. A strong steel price scenario is expected for 4-5 months. However, raw material prices are also expected to rise on various issues such as natural calamities. Indian steel demand is likely to grow 10-12% over FY10-12 due to the planned infrastructure investment by the government and a rebound of capex. WSA expects Indian steel demand to grow at 13.6% in 2011. We remain positive on domestic integrated steel companies.

### Comparative valuations

		Tata Steel	SAIL	JSW Steel
P/E (x)	FY11E	8.8	13.1	13.7
	FY12E	7.7	11.6	8.1
P/BV (x)	FY11E	3.2	1.8	1.3
	FY12E	2.3	1.6	1.0
EV/Sales (x)	FY11E	0.9	1.5	1.5
	FY12E	0.7	1.5	1.0
EV/EBITDA (x)	FY11E	6.2	7.6	8.3
	FY12E	5.6	9.7	5.1

### Shareholding Pattern (%)

	Dec-10	Sep-10	Dec-09
Promoter	32.5	32.5	31.3
Domestic Inst	26.2	26.2	24.8
Foreign	17.4	17.0	19.7
Others	23.9	24.3	24.2

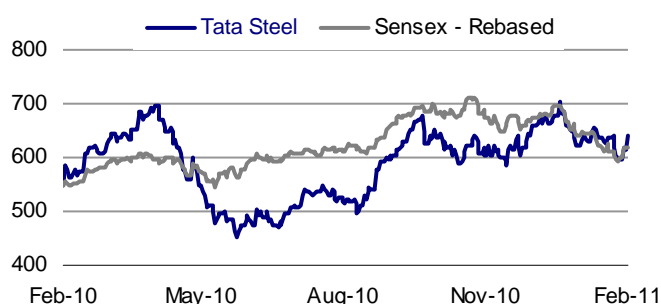
### EPS: MOSL forecast v/s consensus (Rs)

	MOSL forecast	Consensus forecast	Variation (%)
FY11	72.5	67.4	7.4
FY12	82.8	76.9	7.8

### Target Price and Recommendation

Current Price (Rs)	Target Price (Rs)	Upside (%)	Reco.
641	1,017	58.7	Buy

### Stock performance (1 year)





## Financials and Valuation

INCOME STATEMENT (CONSOLIDATED)		(RS MILLION)			
Y/E MARCH	2010	2011E	2012E	2013E	
<b>Net Sales</b>	<b>1,023,931</b>	<b>1,200,496</b>	<b>1,350,225</b>	<b>1,415,670</b>	
Change (%)	-30.5	17.2	12.5	4.8	
<b>EBITDA</b>	<b>80,427</b>	<b>170,465</b>	<b>177,624</b>	<b>208,205</b>	
% of Net Sales	7.9	14.2	13.2	14.7	
Depn. & Amortization	44,917	43,887	45,845	50,767	
<b>EBIT</b>	<b>35,509</b>	<b>126,577</b>	<b>131,779</b>	<b>157,438</b>	
Net Interest	30,221	27,735	30,579	32,667	
Other income	6,859	2,228	4,339	4,465	
<b>PBT before EO</b>	<b>12,147</b>	<b>101,071</b>	<b>105,539</b>	<b>129,235</b>	
EO income	-11,837	7,309			
<b>PBT after EO</b>	<b>310</b>	<b>108,380</b>	<b>105,539</b>	<b>129,235</b>	
Tax	21,518	32,661	25,705	30,704	
Rate (%)	6,941	30.1	24.4	23.8	
<b>Reported PAT</b>	<b>-21,208</b>	<b>75,719</b>	<b>79,834</b>	<b>98,532</b>	
Minority interests	152	-375	35	165	
Share of asso. PAT	1,269	742	667	694	
<b>Attributable PAT</b>	<b>-20,092</b>	<b>76,836</b>	<b>80,465</b>	<b>99,061</b>	
<b>Adjusted PAT</b>	<b>-8,255</b>	<b>69,526</b>	<b>80,465</b>	<b>99,061</b>	
Change (%)	-109.1	-n/a-	15.7	23.1	

BALANCE SHEET (CONSOLIDATED)		(RS MILLION)			
Y/E MARCH	2010	2011E	2012E	2013E	
Share Capital	8,867	9,587	9,707	9,707	
Reserves	221,516	330,423	404,749	491,308	
<b>Net Worth</b>	<b>230,383</b>	<b>340,011</b>	<b>414,457</b>	<b>501,015</b>	
Minority Interest	8,841	8,466	8,501	8,666	
Total Loans	531,004	559,835	524,008	515,276	
Deferred Tax Liability	16,541	14,742	12,943	11,144	
<b>Capital Employed</b>	<b>786,768</b>	<b>923,053</b>	<b>959,909</b>	<b>1,036,101</b>	
Gross Block	976,290	1,001,290	1,031,290	1,205,010	
Less: Accum. Depm.	608,126	652,013	697,859	748,626	
<b>Net Fixed Assets</b>	<b>368,164</b>	<b>349,276</b>	<b>333,431</b>	<b>456,384</b>	
Capital WIP	89,795	140,746	174,919	43,346	
Investments	34,890	34,890	34,890	34,890	
Goodwill on consolidation	145,418	145,418	145,418	145,418	
<b>Curr. Assets</b>	<b>457,965</b>	<b>545,510</b>	<b>594,892</b>	<b>710,533</b>	
Inventory	186,866	224,073	233,659	255,475	
Account Receivables	116,240	143,736	147,558	160,989	
Cash and Bank Balance	87,166	110,006	145,981	242,824	
Others	67,694	67,694	67,694	51,245	
<b>Curr. Liability &amp; Prov.</b>	<b>309,464</b>	<b>292,787</b>	<b>323,642</b>	<b>354,470</b>	
Account Payables	233,886	235,945	264,896	292,641	
Provisions & Others	75,578	56,842	58,745	61,830	
<b>Net Current Assets</b>	<b>148,501</b>	<b>252,723</b>	<b>271,250</b>	<b>356,063</b>	
<b>Appl. of Funds</b>	<b>786,768</b>	<b>923,053</b>	<b>959,909</b>	<b>1,036,101</b>	

E: MOSL Estimates

RATIOS (CONSOLIDATED)				
Y/E MARCH	2010	2011E	2012E	2013E
<b>Basic (Rs)</b>				
<b>EPS</b>	<b>(9.3)</b>	<b>72.5</b>	<b>82.8</b>	<b>102.0</b>
Cash EPS	26.7	124.7	129.4	153.7
BV/Share	95.7	202.8	277.0	366.1
DPS	8.0	9.0	10.0	11.0
Payout (%)	(106.4)	14.5	14.1	12.6
<b>Valuation (x)</b>				
P/E	(68.9)	8.8	7.7	6.3
Cash P/E	24.0	5.1	5.0	4.2
P/BV	6.7	3.2	2.3	1.8
EV/Sales	1.0	0.9	0.7	0.6
EV/EBITDA	12.6	6.2	5.6	4.3
Dividend Yield (%)	1.2	1.4	1.6	1.7
<b>Return Ratios (%)</b>				
RoE	(9.7)	35.7	29.9	27.9
RoCE	4.5	13.7	13.7	15.2
RoIC	-na-	18.0	21.7	21.1
<b>Working Capital Ratios</b>				
Fixed Asset Turnover (x)	1.0	1.2	1.3	1.2
Asset Turnover (x)	1.3	1.3	1.4	1.4
Debtor (Days)	41.4	43.7	39.9	41.5
Inventory (Days)	67	68	63	66
A/c Payables (Days)	83.4	71.7	71.6	75.5
Working Capital Turnover (Da)	22	43	34	29
<b>Leverage Ratio (x)</b>				
Current Ratio	1.5	1.9	1.8	2.0
Interest Cover Ratio	1.2	4.6	4.3	4.8
Debt/Equity	5.2	2.3	1.4	0.8

CASHFLOW STATEMENT (CONSOLIDATED)				
	2010	2011E	2012E	2013E
EBITDA	80,427	170,465	177,624	208,205
Non cash exp. (income)	2,404			
(Inc)/Dec in Wkg. Cap.	46,465	-62,644	15,544	-7,503
Tax Paid	-24,586	-32,661	-25,705	-30,704
XO (employee separation)				
<b>CF from Op. Activity</b>	<b>104,710</b>	<b>75,159</b>	<b>167,463</b>	<b>169,999</b>
(Inc)/Dec in FA + CWIP	-69,496	-75,951	-64,173	-42,147
(Pur)/Sale of Investments	8,398			
Acquisition in subsidiaries	-3,538			
Int. & Divident Income	3,054	2,228	4,339	4,465
Other investing activities		-15,051	771	18,428
<b>CF from Inv. Activity</b>	<b>-61,584</b>	<b>-88,774</b>	<b>-59,063</b>	<b>-19,254</b>
Equity raised/(repaid)	24,465	45,462	5,346	
Debt raised/(repaid)	-29,944	28,831	-35,827	-8,732
Dividend (incl. tax)	-13,209	-10,103	-11,365	-12,502
Interest paid	-32,662	-27,735	-30,579	-32,667
<b>CF from Fin. Activity</b>	<b>-51,350</b>	<b>36,455</b>	<b>-72,426</b>	<b>-53,901</b>
<b>(Inc)/Dec in Cash</b>	<b>-8,224</b>	<b>22,841</b>	<b>35,975</b>	<b>96,843</b>
Add: opening Balance	95,390	87,166	110,006	145,981
<b>Closing Balance</b>	<b>87,166</b>	<b>110,006</b>	<b>145,981</b>	<b>242,824</b>



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**Disclosure of Interest Statement**

**Tata Steel**

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|---------------------------------------------------------|-----|
| 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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