

# Tata Steel

BSE SENSEX 18,045  
S&P CNX 5,412

CMP: Rs573

TP: Rs834

Buy

	TATA IN	YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GR. (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
Bloomberg Equity Shares (m)	971.4	3/10A	1,023,931	-8,255	-9.3	-n/a-	-61.6	6.0	-9.7	4.5	0.9	11.8
52-Week Range (Rs)	714/449	3/11A	1,187,531	52,589	54.8	-n/a-	10.4	2.7	25.9	10.8	0.9	6.8
1,6,12 Rel. Perf. (%)	-1/0/0	3/12E	1,364,869	64,554	66.5	21.2	8.6	2.1	24.1	10.6	0.8	6.5
M.Cap. (Rs b)	556.2	3/13E	1,473,445	81,852	84.3	26.8	6.8	1.7	24.3	12.2	0.7	5.3
M.Cap. (US\$ b)	12.3											

Consolidated

- Tata Steel's 4QFY11 adj. consolidated PAT increased 34% QoQ to Rs11.8b, below our estimate of Rs20.1b. Reported consolidated PAT of Rs41.5b included a non-recurring net gain of Rs28.7b (Rs25b gain due to TCP sales, US\$133m write back of TCP mothballing and a fire at the Ijmuiden pickling line and GBP90m Scunthorpe restructuring expenses).
- Though the performance of TSE was in-line with expectation with EBITDA per ton of US\$53/t, QoQ margin expansion for Indian business was much below estimates due to rise in operating costs on account of wages, freight and other operating expenses.
- The Indian operation's steel EBITDA increased 6.7% QoQ to Rs28.4b and EBITDA/ton increased by 3% QoQ to US\$372/t (v/s our est. of US\$447/t). Staff costs increased to Rs7.6b (v/s our est. of Rs6.2b) due to year-end provisioning for pension etc., which amounted to Rs1.3b. Freight cost and other operating costs also rose.
- We expect TSE margins to expand in 1QFY12 due to the lag effect of higher steel prices in 4QFY11, while the high cost (US\$330/t) coking coal will affect TSE in 2QFY12.
- Restructuring at TSE (long products) is expected to result in recurring annual value creation of GBP250m, including cost savings of GBP130m.
- We are cutting FY12 and FY13 EPS by 20% and 17% to Rs66.5 and Rs84.3 respectively to factor in higher-than-expected operating costs. We are positive about the stock as Tata Steel is set to deliver growth in the high margin Indian business and expand TSE margins through restructuring, product mix improvement and greater focus on customer services. The stock trades at EV/EBITDA of 6.5x FY12E and 5.3x FY13E. Maintain **Buy**.

## Quarterly Performance (Standalone)

Y/E March	FY10				FY11				FY10	FY11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales ('000 tons)	1,418	1,457	1,596	1,698	1,399	1,660	1,641	1,714	6,169	6,414
Avg Realization (Rs/tss)	36,717	35,652	36,534	39,649	42,871	39,139	41,274	44,302	37,225	41,879
<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>83,408</b>	<b>250,220</b>	<b>293,964</b>
Change (YoY %)	-8.9	-16.9	32.8	12.9	16.7	24.9	16.0	13.6	2.9	17.5
<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>30,669</b>	<b>89,521</b>	<b>114,329</b>
(% of Net Sales)	31.0	33.8	36.2	40.6	44.5	37.0	38.1	36.8	35.8	38.9
<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>372</b>	<b>295</b>	<b>371</b>
Interest	3,422	3,920	4,157	3,585	3,277	3,425	3,354	2,949	15,084	13,005
Depreciation	2,532	2,564	2,622	3,115	2,802	2,815	2,864	2,982	10,832	11,462
Other Income	463	761	936	1,378	484	327	113	-17	3,538	907
<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>24,721</b>	<b>67,143</b>	<b>90,769</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>24,721</b>	<b>72,143</b>	<b>97,769</b>
Total Tax	4,034	4,470	5,508	7,663	7,776	6,726	6,966	7,644	21,675	29,112
% Tax	33.8	33.1	31.6	26.2	33.0	24.6	31.5	30.9	30.0	29.8
<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>17,077</b>	<b>50,468</b>	<b>68,658</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>17,077</b>	<b>45,468</b>	<b>61,657</b>
Change (YoY %)	-55.9	-57.7	98.2	145.5	100.0	51.2	28.8	1.7	-12.6	35.6
<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>338,227</b>	<b>1,023,931</b>	<b>1,187,531</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>38,731</b>	<b>80,427</b>	<b>154,026</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>41,486</b>	<b>-21,208</b>	<b>88,560</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>11,827</b>	<b>-8,255</b>	<b>52,589</b>

E: MOSL Estimates; tss=ton of steel sales

Tata Steel's 4QFY11 adjusted consolidated PAT increased 34% QoQ to Rs11.8b, which was below our estimate of Rs20.1b. Reported consolidated PAT of Rs41.5b included a non-recurring net gain of Rs28.7b (Rs25b gain due to TCP sales, US\$133m write back of TCP mothballing and a fire at the Ijmuiden pickling line and GBP90m Scunthorpe restructuring expenses).

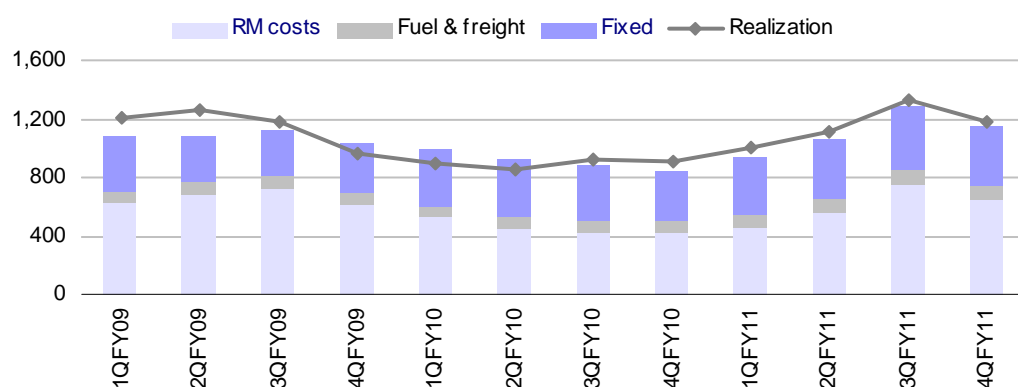
### Indian business' (TSI) operating costs higher than expected, realization in line

- Net sales increased 13% QoQ to Rs83.4b driven by 4% higher volumes and 7% higher average realization, which was as we expected. Long product volumes increased 5.5% QoQ to 763k tons and realization increased 14% QoQ to Rs33,260/t. Flat product volumes increased 3.5% QoQ to 949k tons and realization increased 6% QoQ to Rs37,407/t.
- EBITDA increased 9% QoQ to Rs30.7b (against our estimate of Rs35.9b) due to lower margins in the steel segment brought on by higher costs, and profit at the ferro alloy (FAMD) division was better than expected.
- Steel EBITDA increased 6.7% QoQ to Rs28.4b. EBITDA per ton increased by 3% QoQ to US\$372/t (against our estimate of US\$447/t). Staff costs increased to Rs7.6b (against our estimate of Rs6.2b) due to year end provisioning for expenses such as pension, which amounted to Rs1.3b. Freight and other operating costs also rose. Raw material costs were on expected lines.

### Subsidiaries: Tata Steel Europe (TSE) reports EBITDA per ton of US\$53

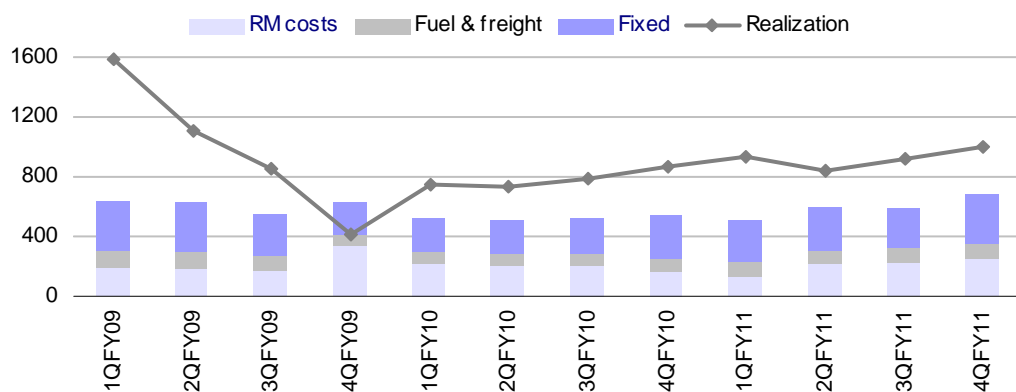
- Net sales of all the subsidiaries rose 17% QoQ to Rs255b, driven by volume growth of 33% to 4.8mt. Realization declined 11% QoQ to US\$1,184/t due to the product mix. TSE sales increased 19% QoQ to 4.13mt due to de-stocking and blended realization increased 3% QoQ to US\$1,192/t. Deliveries at the South East Asia operations increased 4.1x to 696k tons.
- EBITDA per ton on a blended basis, was sequentially flat at US\$37/t (against our estimate of US\$46/t). EBITDA per ton was US\$53 and US\$27 for TSE and South East Asia operations respectively. Reported EBITDA of US\$350m for TSE included a US\$133m write back of TCP mothballing and a fire at the Ijmuiden pickling line.
- Subsidiaries dragged the consolidated bottom line by Rs4.3b.

### TSE: De-stocking benefited volumes; lag in higher prices will bring benefits in 1QFY12 (US\$/ton)...



Source: Company/MOSL

### ...TSI benefited from strong prices, but costs increased (US\$/ton)



Source: Company/MOSL

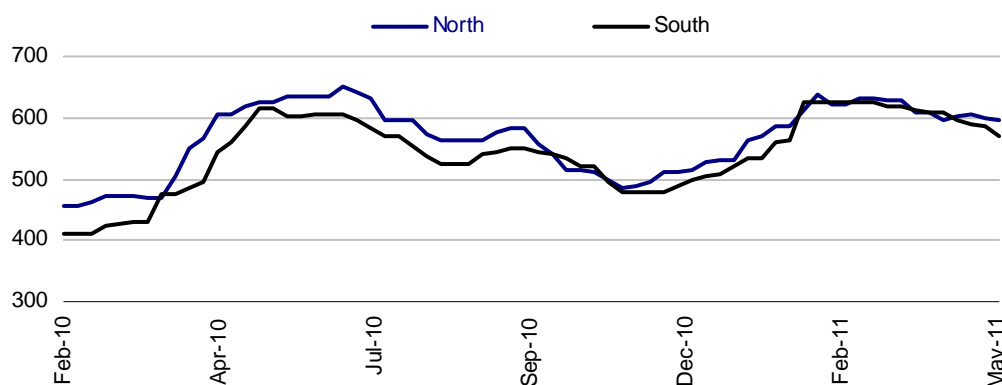
### Expect strong 1QFY12 for TSE; work starts on Orissa project

- Steel demand at Europe is weak and there is downward pressure on prices.
- TSE is undertaking a GBP400m capex program, which will result in GBP250m of expansion in recurring EBITDA. Of this, GBP130m will be due to cost savings.
- We expect TSE's margins to expand in 1QFY12 due to a lag effect of higher steel prices in 4QFY11. However, the high cost (US\$330/t) of coking coal will affect TSE only in 2QFY12.
- TSE Pension Fund surpluses increased from GBP259m at end of FY10 to GBP347m at the end of FY11.
- TSI has started work on its greenfield 6mtpa integrated steel project in Orissa at an estimated capex of US\$7.8b.
- Annual capex is expected to be US\$2.2b for the group, which includes US\$650m at TSE.
- Consolidated gross debt increased from US\$11.9b at the end of FY10 to US\$13.6b at the end of FY11. Net debt as of 31 March 2011 was US\$10.5b.

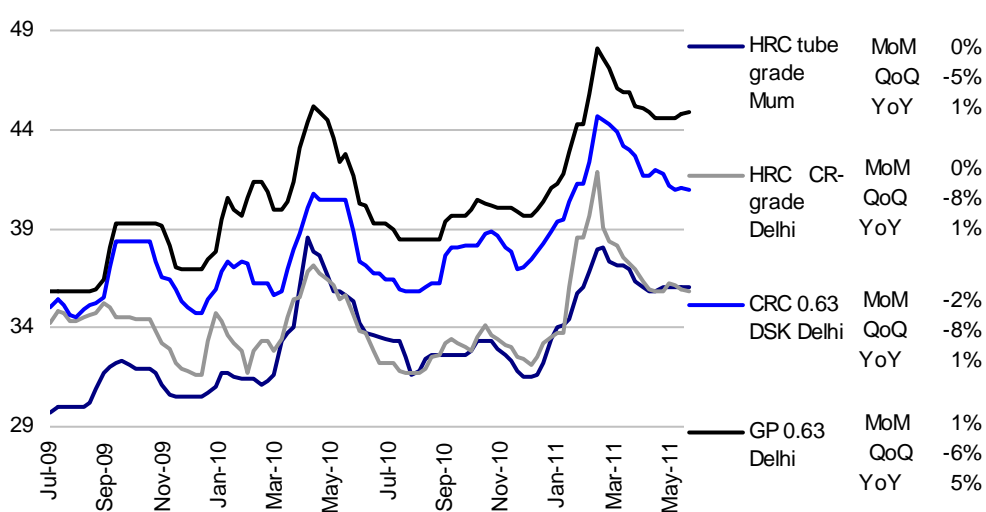
### Significant savings at TSE due to restructuring and investment; cutting EPS estimates 17% to factor in high costs; Buy

- TSE's restructuring (long products) is expected to result in recurring annual value creation of GBP250m, including cost savings of GBP130m. TSE's performance was in line with our expectations, with EBITDA per ton of US\$53/t. However, sequential margin expansion for the Indian business was below our estimate due to a rise in operating costs brought about by wages, freight and other operating expenses.
- We are cutting our FY12 and FY13 EPS by 20% and 17% to Rs66.5 and Rs84.3 respectively to factor in higher-than-expected operating costs.
- We are positive on the stock as Tata Steel is set to deliver growth in the high margin Indian business and expand TSE's margins through restructuring, a product mix improvement and sharper focus on customer services. The stock trades at EV/EBITDA of 6.5x FY12E and 5.3x FY13E. Maintain **Buy**.

## Hot rolled coil prices in Europe (euro/ton)



## Indian steel flat prices (Rs/ton)



Source: Company/MOSL

## Quarterly Performance (Tata Steel Europe)

Y/E March	(Rs Million)				(Rs Million)				FY10	FY11
	FY10	FY10	FY10	FY10	FY11	FY11	FY11	FY11		
Sales (000 tons)	3,300	3,920	3,759	3,900	3,710	3,530	3,470	4,130	14,879	14,840
Change (YoY %)	-47.6	-31.2	-12.6	14.7	12.4	-9.9	-7.7	5.9	-24.5	-0.3
Realization (US\$ per ton)	945	884	955	976	1,046	1,121	1,153	1,192	938	1,122
Change (QoQ %)	-10.4	-6.5	8.1	2.1	7.2	7.1	2.9	3.4	-22.4	19.7
<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>219,537</b>	<b>662,246</b>	<b>759,921</b>
Change (QoQ %)	-14.7	10.1	-0.1	4.3	1.4	3.8	-2.4	22.4	-39.6	14.7
<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>9,675</b>	<b>-13,136</b>	<b>36,107</b>
As % of Net Sales	-12.2	-10.7	3.9	9.6	7.7	4.8	2.2	4.4	-2.0	4.8
<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>53</b>	<b>-19</b>	<b>52</b>
Teesside loss (US\$ m)	50	170							220	
adj. EBITDA (USD/ton)	-100	-52	38	94	81	54	25	53	-4	53

Quarterly Performance (Consolidated)									(Rs Million)	
Y/E March	FY10				FY11				FY10	FY11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales (k tons)	5,443	6,222	6,212	6,500	5,900	5,820	5,280	6,540	24,377	23,540
Change (YoY %)	-36.6	-22.2	3.2	9.6	8.4	-6.5	-15.0	0.6	-1.3	-3.4
Realization (Rs per ton)	42,793	40,815	42,180	42,313	46,093	49,220	55,094	51,717	42,004	50,447
Change (YoY %)	-15.5	-26.1	-23.5	-5.0	7.7	20.6	30.6	22.2	-29.6	20.1
<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>338,227</b>	<b>1,023,931</b>	<b>1,187,531</b>
Change (YoY %)	-46.5	-42.5	-21.1	4.1	16.8	12.8	11.0	23.0	-30.5	16.0
<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>38,731</b>	<b>80,427</b>	<b>154,026</b>
Change (YoY %)	-100.4	-95.5	8.6	11,826	-	887.7	10.3	-15.7	-2.0	27.7
(% of Net Sales)	-0.1	1.5	11.8	16.7	16.3	12.8	11.8	11.5	7.9	13.0
<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>133</b>	<b>70</b>	<b>143</b>
Interest	8,819	7,172	7,630	6,600	5,976	6,637	7,432	7,655	30,221	27,700
Depreciation	10,890	11,535	11,547	10,946	10,439	10,781	11,264	11,664	44,917	44,148
Other Income	2,039	179	2,399	2,241	595	1,143	-1,043	2,116	6,859	2,810
<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>21,528</b>	<b>12,147</b>	<b>84,988</b>
EO Income(exp)	-2,188	-9,113	-1,794	1,258	-599	6,685	1,223	28,723	-11,837	36,032
<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>50,251</b>	<b>310</b>	<b>121,020</b>
Total Tax	2,229	3,275	8,148	7,866	10,005	7,450	6,240	8,764	21,518	32,459
% Tax	-12.4	-22.1	57.1	25.7	35.1	36.4	43.0	40.7	177.1	38.2
<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>41,486</b>	<b>-21,208</b>	<b>88,560</b>
Minority Interests	-212	174	148	43	65	-103	-380	1,021	152	603
Share of asso. PAT	86	300	551	331	416	3	161	84	1,269	664
<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>11,827</b>	<b>-8,255</b>	<b>52,589</b>
Change (YoY %)	-146.7	-134.9	-33.3	-274.1	-	-173.0	35.1	-48.8	-109.1	-737.1

E: MOSL Estimates: tss=ton of steel sales

Quarterly Performance (TSE & Other Subsidiaries)									(Rs Million)	
Y/E March	FY10				FY11				FY10	FY11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales (000 tons)	4,025	4,765	4,616	4,802	4,501	4,160	3,639	4,826	18,208	17,126
Change (YoY %)	-45.8	-29.7	-6.7	16.0	11.8	-12.7	-21.2	0.5	-21.8	-5.9
Realization (US\$ per ton)	900	854	921	914	1,005	1,114	1,329	1,184	895	1,144
Change (QoQ %)	-6.9	-5.0	7.8	-0.7	9.9	10.8	19.3	-10.9	-22.0	27.7
<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>254,819</b>	<b>773,711</b>	<b>893,568</b>
Change YoY (%)	-52.7	-47.2	-30.2	1.3	16.8	9.3	9.4	26.4	-37.1	15.5
<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>8,062</b>	<b>-9,094</b>	<b>39,698</b>
Change (YoY %)	-144.7	-130.6	-42.5	-214.7	-185.6	-167.3	-23.9	-50.2	-110.1	-536.5
As % of Net Sales	-10.0	-7.9	4.0	8.0	7.3	4.8	2.8	3.2	-1.2	4.4
<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>37</b>	<b>-11</b>	<b>51</b>
Interest	5,397	3,252	3,473	3,014	2,699	3,212	4,078	4,706	15,137	14,696
Depreciation	8,358	8,972	8,925	7,831	7,637	7,966	8,400	8,682	34,086	32,686
Other Income	1,576	-581	1,464	863	110	816	-1,156	2,133	3,321	1,903
<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>25,530</b>	<b>-71,833</b>	<b>23,250</b>
Total Tax	-1,805	-1,195	2,640	203	2,229	724	-725	1,121	-157	3,347
% Tax	5.6	3.2	-53.3	7.7	51.4	-294.7	11.4	4.4	0.2	14.4
<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>24,409</b>	<b>-71,822</b>	<b>19,903</b>
Minority Interests	-212	174	148	43	65	-103	-380	1,021	152	603
<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>-4,313</b>	<b>-54,876</b>	<b>-9,128</b>
Change (YoY %)	-215.8	-191.4	-265.9	-130.4	-109.6	-97.6	21.8	-171.8	-246.0	1,541.2

## Tata Steel: an investment profile

### Company description

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

### Key investment arguments

- Tata Steel's India volumes will increase 5% in FY12 followed by a larger increase of 33% YoY to 8.9mt in FY13 due to capacity expansion by 3mtpa to 10mtpa by December 2011.
- Overseas investment in raw material assets, Riversdale and New Millennium Capital will generate cash flow over the next few quarters when they produce coking coal and iron ore respectively. These investments are worth US\$2b-2.5b at current market prices.
- Tata Steel is focusing on expansion of the thin margins of TSE by reworking product pricing, procurement policies, asset sweating and improvement in operating efficiency.

### Comparative valuations

		Tata Steel	SAIL	JSW Steel
P/E (x)	FY12E	8.6	14.0	9.1
	FY13E	6.8	14.6	7.5
P/BV (x)	FY12E	2.1	1.5	1.1
	FY13E	1.7	1.4	1.0
EV/Sales (x)	FY12E	0.8	1.4	1.1
	FY13E	0.7	1.5	1.0
EV/EBITDA (x)	FY12E	6.5	9.0	6.1
	FY13E	5.3	9.8	5.1

### Shareholding pattern (%)

	Mar-11	Dec-10	Mar-10
Promoter	30.6	32.5	31.3
Domestic Inst	26.0	26.2	23.9
Foreign	20.0	17.4	21.3
Others	23.4	23.9	23.5

### Key investment risks

- Tata Steel's earnings have high leverage to steel prices and to Corus' earnings, as the demand scenario remains challenging in Europe.

### Recent developments

- TSE proposed a restructuring program for its long products division at Scunthorpe citing market weakness and will invest GBP400m over five years to improve efficiencies.

### Valuation and view

- The stock trades at EV/EBITDA of 6.5x FY12E and 5.3x FY13E. Maintain **Buy**.

### Sector view

- Over the past two months the steel pricing environment weakened all over the world due to demand uncertainty, led by political crises and inflation in developing countries, and natural calamities in developed countries. Steel prices recently started consolidating, as raw material prices are firm. Apparent world steel use is likely to increase 5.9% to 1,359mt in 2011 according to WSA. Indian steel demand is expected to grow 12-14% over 2010-12 due to the government's planned infrastructure investment and strong domestic consumption. Domestic production capacity is likely to increase by ~20mtpa over 18 months, which will put pressure on margins.

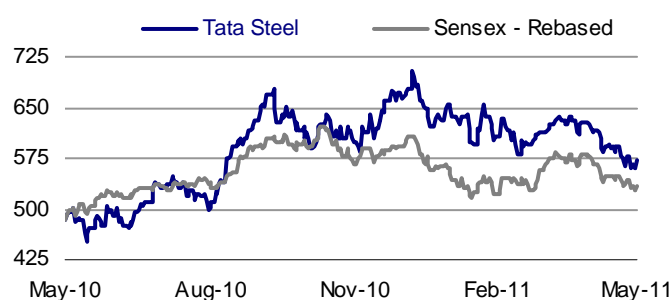
### EPS: MOSL forecast v/s consensus (Rs)

	MOSL forecast	Consensus forecast	Variation (%)
FY12	66.5	74.7	-11.0
FY13	84.3	93.2	-9.6

### Target price and recommendation

Current Price (Rs)	Target Price (Rs)	Upside (%)	Reco.
573	834	45.6	Buy

### Stock performance (1 year)



## Financials and Valuation

Income Statement (Consolidated)		(Rs Million)			
Y/E March	2010	2011	2012E	2013E	
<b>Net Sales</b>	<b>1,023,931</b>	<b>1,187,531</b>	<b>1,364,869</b>	<b>1,473,445</b>	
Change (%)	-30.5	16.0	14.9	8.0	
Total Expenses	943,505	1,033,505	1,203,812	1,280,590	
<b>EBITDA</b>	<b>80,427</b>	<b>154,026</b>	<b>161,057</b>	<b>192,856</b>	
% of Net Sales	7.9	13.0	11.8	13.1	
Depn. & Amortization	44,917	44,148	44,468	50,815	
<b>EBIT</b>	<b>35,509</b>	<b>109,878</b>	<b>116,589</b>	<b>142,040</b>	
Net Interest	30,221	27,700	31,026	33,250	
Other income	6,859	2,810	4,824	4,847	
<b>PBT before EO</b>	<b>12,147</b>	<b>84,988</b>	<b>90,387</b>	<b>113,637</b>	
EO income	-11,837	36,032			
<b>PBT after EO</b>	<b>310</b>	<b>121,020</b>	<b>90,387</b>	<b>113,637</b>	
Tax	21,518	32,459	26,174	32,022	
Rate (%)	6,941	26.8	29.0	28.2	
<b>Reported PAT</b>	<b>-21,208</b>	<b>88,560</b>	<b>64,213</b>	<b>81,616</b>	
Minority interests	152	603	3	121	
Share of asso. PAT	1,269	664	344	358	
<b>Attributable PAT</b>	<b>-20,092</b>	<b>88,621</b>	<b>64,554</b>	<b>81,852</b>	
<b>Adjusted PAT</b>	<b>-8,255</b>	<b>52,589</b>	<b>64,554</b>	<b>81,852</b>	
Change (%)	-109.1	-n/a-	22.8	26.8	

Balance Sheet (Consolidated)		(Rs Million)			
Y/E March	2010	2011	2012E	2013E	
Share Capital	8,867	9,587	9,707	9,707	
Reserves	221,516	346,226	410,944	480,295	
<b>Net Worth</b>	<b>230,383</b>	<b>355,814</b>	<b>420,652</b>	<b>490,002</b>	
Minority Interest	8,841	8,889	8,892	9,013	
Total Loans	531,004	621,843	646,016	637,285	
Deferred Tax Liability	16,541	28,920	27,121	25,322	
<b>Capital Employed</b>	<b>786,768</b>	<b>1,015,466</b>	<b>1,102,681</b>	<b>1,161,622</b>	
Gross Block	976,290	1,035,462	1,078,354	1,266,375	
Less: Accum. Depm.	608,126	652,274	696,742	747,558	
<b>Net Fixed Assets</b>	<b>368,164</b>	<b>383,188</b>	<b>381,611</b>	<b>518,817</b>	
Capital WIP	89,795	140,746	174,919	43,346	
Investments	34,890	59,186	79,186	119,186	
Goodwill on consolidation	145,418	152,982	152,982	152,982	
<b>Curr. Assets</b>	<b>457,965</b>	<b>616,974</b>	<b>636,566</b>	<b>690,001</b>	
Inventory	186,866	240,552	236,212	264,820	
Account Receivables	116,240	148,163	149,193	165,754	
Cash and Bank Balance	87,166	128,214	151,116	175,831	
Others	67,694	100,045	100,045	83,597	
<b>Curr. Liability &amp; Prov.</b>	<b>309,464</b>	<b>337,610</b>	<b>322,583</b>	<b>362,710</b>	
Account Payables	233,886	266,711	267,781	303,736	
Provisions & Others	75,578	70,899	54,802	58,975	
<b>Net Current Assets</b>	<b>148,501</b>	<b>279,364</b>	<b>313,983</b>	<b>327,291</b>	
<b>Appl. of Funds</b>	<b>786,768</b>	<b>1,015,466</b>	<b>1,102,681</b>	<b>1,161,622</b>	

E: MOSL Estimates

Ratios (Consolidated)					
Y/E March	2010	2011	2012E	2013E	
<b>Basic (Rs)</b>					
<b>EPS</b>	<b>(9.3)</b>	<b>54.8</b>	<b>66.5</b>	<b>84.3</b>	
Cash EPS	26.7	138.3	111.9	136.3	
BV/Share	95.7	211.4	275.5	346.9	
DPS	8.0	9.0	10.0	11.0	
Payout (%)	(106.4)	19.2	17.6	15.3	
<b>Valuation (₹)</b>					
P/E	(61.6)	10.4	8.6	6.8	
Cash P/E	21.4	4.1	5.1	4.2	
P/BV	6.0	2.7	2.1	1.7	
EV/Sales	0.9	0.9	0.8	0.7	
EV/EBITDA	11.8	6.8	6.5	5.3	
Dividend Yield (%)	1.4	1.6	1.7	1.9	
<b>Return Ratios (%)</b>					
RoE	(9.7)	25.9	24.1	24.3	
RoCE	4.5	10.8	10.6	12.2	
RoIC	-na-	15.0	15.2	15.2	
<b>Working Capital Ratios</b>					
Fixed Asset Turnover (x)	1.0	1.1	1.3	1.2	
Asset Turnover (x)	1.3	1.2	1.2	1.3	
Dektor (Days)	41.4	45.5	39.9	41.1	
Inventory (Days)	67	74	63	66	
A/c Payables (Days)	83.4	82.0	71.6	75.2	
Working Capital T/O (Days)	22	46	44	38	
<b>Leverage Ratio (₹)</b>					
Current Ratio	1.5	1.8	2.0	1.9	
Interest Cover Ratio	1.2	4.0	3.8	4.3	
Debt/Equity	5.2	2.4	1.8	1.4	

Cash Flow Statement (Consolidated)		(Rs Million)			
	2010	2011	2012E	2013E	
EBITDA	80,427	154,026	161,057	192,856	
Non cash exp. (income)	2,404				
(Inc)/Dec in Wkg. Cap.	46,465	-52,784	4,381	-9,214	
Tax Paid	-24,586	-32,459	-26,174	-32,022	
<b>CF from Op. Activity</b>	<b>104,710</b>	<b>68,783</b>	<b>139,264</b>	<b>151,620</b>	
(Inc)/Dec in FA + CWIP	-69,498	-110,124	-77,064	-56,448	
(Pur)/Sale of Investments	8,398				
Int. & Divident Income	3,054	2,810	4,824	4,847	
Other investing activities		-18,920	-31,249	-20,820	
<b>CF from Inv. Activity</b>	<b>-61,584</b>	<b>-126,234</b>	<b>-103,490</b>	<b>-72,421</b>	
Equity raised/(repaid)	24,465	45,462	5,346		
Debt raised/(repaid)	-29,944	90,840	24,173	-8,732	
Dividend (incl. tax)	-13,209	-10,103	-11,365	-12,502	
Interest paid	-32,662	-27,700	-31,026	-33,250	
<b>CF from Fin. Activity</b>	<b>-51,350</b>	<b>98,499</b>	<b>-12,872</b>	<b>-54,483</b>	
<b>(Inc)/Dec in Cash</b>	<b>-8,224</b>	<b>41,048</b>	<b>22,902</b>	<b>24,716</b>	
Add: opening Balance	95,390	87,166	128,214	151,116	
<b>Closing Balance</b>	<b>87,166</b>	<b>128,214</b>	<b>151,116</b>	<b>175,831</b>	



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**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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