

August 17, 2020



**Current Price:** ₹ 418.45

### STOCK DATA

BSE Code	500470
NSE Symbol	TATASTEEL
Reuters	TISC.BO
Bloomberg	TATA IN

### VALUE PARAMETERS

52 W H/L(Rs)	505.95/250.90
Mkt. Cap.(Rs Cr)	47137.98
Latest Equity(Subscribed)	1126.49
Latest Reserve (cons.)	70156.35
Latest EPS (cons.) -Unit Curr.	0.00
Latest P/E Ratio -cons	0.00
Latest Bookvalue (cons.) -Unit Curr.	632.79
Latest P/BV - cons	0.66
Dividend Yield -%	2.43
Face Value	10

### SHARE HOLDING PATTERN (%)

Description as on	% of Holding 30/06/2020
Foreign	13.43
Institutions	29.79
Govt Holding	0.22
Non Promoter Corp. Hold.	0.65
Promoters	34.41
Public & Others	21.49

### Financial Results

Particulars	In Cr.		
	Qtr Ending Jun. 20	Qtr Ending Jun. 19	Var. (%)
Net Sales	24288.51	35947.11	-32
OPM (%)	2	15	
OP	505.51	5376.9	-91
Other Income	192.58	251.1	-23
PBDIT	698.09	5628	-88
Interest	1998.27	1806.43	11
PBDT	-1300.18	3821.57	PL
Depreciation	2110.82	2070.78	2
PBT before EO	-3411	1750.79	PL
EO	-58.36	-16.00	265
PBT after EO	-3352.64	1766.79	PL
Tax	1271.53	1123.82	13
PAT	-4624.17	642.97	PL
Minority Interest	-235.57	-4.47	999
Share of profit / (loss) of associates	15.00	52.22	-71
PAT	-4373.6	699.66	PL
EPS (Rs)*	-ve	6.21	

#### Tata Steel Ltd. reported operating margins fell 1290 bps to 2.1% but Current operating level is around 95%, misses' estimates

Tata steel consolidated net sales fell 32% to Rs 24288.51 crore in Q1FY21 compared to Q1FY20. Consolidated steel production fell 28.1%YoY to 5.14 million tonne (mt) while deliveries fell 22.2% YoY to 4.93 mt.

The company operating margins fell 1290 bps to 2.1%. As a result operating profits decreased 91% to Rs 505.51 crore. Other income decreased 23% to Rs 192.58 crore. Interest cost was up 11% to Rs 1998.27 crore. Depreciation rose 2% to Rs 2110.82 crore.

PBT before EO reported loss of Rs 3411 crore compared to profit of Rs 1750.79 crore. The company had net EO income of Rs 58.36 crore during Q1FY'21 compared net EO income of Rs 16 crore in Q1FY'20. PBT after EO was loss of Rs 3352.64 crore compared to profit of Rs 1766.79 crore.

Tax expense rose 13% to Rs 1271.53 crore owing to which the company's net profit reported was loss of Rs 4624.17 compared to profit of Rs 642.97. Considering MI and share of profit and loss of Associate bottomline of the company reported loss of Rs 4373.6 crore compared to profit of Rs 699.66 crore.

Tata Steel's operating level has recovered to 90% by end June 2020 and has since then increased further to 95%, catering to both domestic and export customers. With the improvement in the domestic market, Tata Steel has been reducing its exports ratio. The price outlook in both export and domestic market continues to improve on month on month basis and the current quarter demand has been much better than a typically slow monsoon quarter in the past.

## Management Comment

**Mr. T V Narendran, CEO & Managing Director:** "During the quarter, we recalibrated our operations and our sales across geographies in line with underlying regulatory and market conditions. While this had an adverse impact on our volumes and our margins, we were successful in mitigating the impact as we pivoted the business towards export markets and successfully generated free cashflows despite adverse market conditions.

Economic activity is gradually recovering. In India, we have ramped-up our capacity utilizations to 90% levels with total sales in June exceeding FY20 average monthly sales. We are further ramping up capacity utilization and increasing domestic sales which will lead to an improvement in our margins in coming quarters. In Europe, spreads are at unsustainably low levels but are expected to improve going forward. We are also engaged with respective governments in UK and Netherlands for their support.

While the risk of further COVID-19 outbreaks remains, we are cautiously optimistic that the worst is behind us. We continued to remain extremely focused on cashflows and liquidity management through this crisis."

**Mr. Koushik Chatterjee, Executive Director and CFO:** "Tata Steel responded very swiftly to the pandemic in April and despite the national lock down in India, the company remained focus on its cash flow management to generate a free cash flow quarter and maintained its net debt at the March 2020 level. This was achieved through cross functional co-ordination and cash war room initiatives covering fixed cost reduction, working capital management through better inventory management, focus on debtors, working with suppliers and other initiatives. This enabled the company to generate free cash flow of Rs.700 crores post capex and other obligations. Even in a challenging quarter the company has generated a 14% EBIDTA margin at standalone level and a positive EBIDTA at consolidated level.

Tata Steel Europe performance was affected by lower deliveries and sharp decline in European spreads to an unsustainably low level. As a result, our consolidated adjusted EBITDA dropped to Rs.1,038 crores.

During the quarter, we raised Rs.5,935 crore of long term debt and further extended our maturity profile. Given the heightened economic uncertainty, we have ramped up our liquidity buffer to Rs.20,144 crores which we will deploy to deleverage as business conditions normalize. The company will continue to focus on manage for free cash flows for the rest of the year with structural interventions on cost take out, working capital and lower capex as guided earlier."

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