
TATA STEEL

Comprehensive Analysis

A Detailed Overview of Operations, Financials, and Industry Insights

GROUP -3

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Google Colab Link

<https://colab.research.google.com/drive/1c3V8SwDH1tSxUVCg8GaMQPJxBIsIm7Dg?usp=sharing>

Company Overview

- Founded in 1907, Tata Steel is part of the Tata Group, one of India's largest conglomerates.
- Global operations with over 30 million tonnes annual production capacity.
- Pioneer in sustainable steelmaking with a focus on carbon neutrality by 2045.
- FY 2022-23 consolidated revenue: ₹243,352.69 crore.
- Tata Steel is committed to reducing CO2 emissions by 25% by 2025.

Products and Services

- Flat Products: HR and CR coils form 40% of Tata Steel's total sales, used in automotive and construction sectors.
- Long Products: Rebars and structural steel make up 35% of total revenue, used in infrastructure.
- Specialty Products: Wire rods, pipes, and high-strength steel account for 25% of Tata Steel's sales.
- Geographic Revenue Breakdown (FY 2022-23):
 - India: ₹150,000 crore
 - Europe: ₹70,000 crore
 - Southeast Asia: ₹23,000 crore

Financial Performance

- FY 2022-23 saw a decline in overall profit margins due to lower steel prices globally.
- Revenue grew by 5% in domestic steel consumption.
- Debt Management: Net debt reduced by 10%, improving the debt-to-equity ratio to 0.48.
- FY 2023-24 Outlook: Anticipates moderate revenue growth, driven by European market recovery and Indian demand.

Revenue Sources

- Geographic Breakdown: India accounted for 62%, Europe 28%, and Southeast Asia 10%.
- Product Segment Breakdown: Flat products lead with 40%, followed by long products (35%) and specialty products (25%).
- Additional revenue from automotive, infrastructure, and consumer goods industries.

Competitors

- **ArcelorMittal:** ArcelorMittal is the world's leading integrated steel and mining company, with a presence in more than 60 countries and steel-making operations in 18 countries. ion.
- **JSW Steel:** JSW Steel, a flagship company of the JSW Group, is one of India's leading integrated steel manufacturers, with a global production capacity of 29.7 million tonnes per annum as of 2023.
- **Nippon Steel:** Nippon Steel, Japan's largest steel producer, is a global leader in steel manufacturing, known for its advanced technology and commitment to sustainability.

Suppliers, and Stakeholders

- Suppliers:
 - Sources raw materials like coal and iron ore from captive mines and third-party suppliers.
- Stakeholders:
 - Employees: Over 78,000 globally.
 - Customers: Automotive, construction, and engineering sectors.
 - Regulatory Bodies: Ensures compliance with environmental and safety regulations.

Board of Directors



Mr Natarajan Chandrasekaran
Chairman, Non-Executive



Mr Noel Naval Tata
Vice-Chairman, Non-Executive



Mr Koushik Chatterjee
Executive Director and Chief Financial
Officer



Mr. T. V. Narendran
CEO & Managing Director, Tata Steel
Limited

- Additionally, there are independent directors who are professionals with industry knowledge and mastery of governance.

Shareholding Pattern

- Shareholding pattern in Tata Steel represents diversified ownership and is important to understand its market positioning and the impact of its stakeholders.
- Actually, Tata Sons Private Ltd forms an integrated holding company of the Tata Group and retains a significant 33.19% promoter stake in Tata Steel that goes a long way in providing strategic control and stability to the organization.
- The institutional shareholding includes Foreign Institutional Investors (FIIs) at around 10.62% and Mutual Funds at about 19.95%, giving an indication of strong support from the domestic and international investor fraternity.
- Furthermore, other domestic institutions hold around 12.23% shares, which clearly depicts widespread institutional confidence in the company's future performance.

Insights from the industry report

- India's steel industry is a pride to the country, had a strong growth rate with an intense focus on sustainability and innovation.
- According to industry insights from IBEF, India has emerged as the second-largest steel producer globally following the growing infrastructure requirements and the impact of urbanization and government initiatives like 'Make in India' and the National Steel Policy 2017.
- The policy places an aim to increase the steel production capacity in India to 300 million tons by 2030, which matches the Indian company's Tata Steel expansion plans.
- Strong emphasis is also given on sustainability and Tata Steel finds its place as a forerunner in the implementation of green technologies in steelmaking.

Summary Of Calculations

	Year	FCFF	FCFE
0	2025	-699679028386.238281	-716551009334.143066
1	2026	-779971622521.102783	-800640583481.113647
2	2027	-843697000503.026367	-868818048015.311890
3	2028	-891406819152.567139	-921748087631.449585
4	2029	-917531026779.173096	-953993179616.463745

Cost of Capital

- **Beta**= 0.80408
- **Cost of equity**=14.296 %
- **Cost of debt**=8.52%
- **Market Value Equity**=-4931167294230.085
- **Market Value of Debt**=1629311903407.3096
- **WACC**= 18.1976%

Terminal value growth rate

- Return on Equity (ROE): 363%
- Reinvestment Rate: 78%
- Growth Rate: 284%
- Estimated Growth Rate: 142 % (Relative valuation)

DCF Valuation

Market Value of capital: -3979246823059.883

Relative Valuation

Industry Average EV/EBITDA: 11.533333333333333

EBITDA: 162488900000.0

Enterprise Value based on EV/EBITDA: 1874038646666.6667

Thank You
