FIRST LIGHT

02 August 2024

RESEARCH

BOB ECONOMICS RESEARCH | BONDS WRAP

Fortnightly review

BOB ECONOMICS RESEARCH | CURRENCY UPDATE

Fortnightly forex review

ITC | TARGET: Rs 575 | +16% | BUY

1QFY25 earnings review

AMBUJA CEMENTS | TARGET: Rs 667 | +0% | HOLD

Weak present but promising future; retain HOLD

DABUR INDIA | TARGET: Rs 762 | +18% | BUY

Rural recovery, potential upside from intense/extended winters

ACC | TARGET: Rs 2,569 | +3% | HOLD

1Q below expectations, but leaves room for improvement

TATA STEEL | TARGET: Rs 175 | +7% | HOLD

Project delivery and transition to support earnings growth

SUMMARY

INDIA ECONOMICS: BONDS WRAP

Global yields softened further in Jul'24. US 10Y yield declined sharply. Fed kept rates on hold and dovish commentary by Fed Chair signaled rate cut likelihood as early as Sep'24. This was supported by softer PCE price index which came in line with expectations. On the domestic front, India's 10Y yield eased. Notably, RBI has recently restricted foreign ownership access towards 10&14Y securities, with more demand shifting towards the securities leading up to 10 years. Going forward, the 10Y yield is expected to trade in the range of 6.85%-6.95% in Aug'24, with risk evenly balanced. The attention will turn towards the upcoming monetary policy meeting to provide more guidance on inflation outlook.

Click here **for the full report.**

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INDIA ECONOMICS: CURRENCY UPDATE

INR depreciated by 0.4% in Jul'24 to currently trade at 83.73/$, close to its lifetime low of 83.74/$. This was despite weakening US$. The factors that impacted Rupee include: rise in average international oil prices in Jul'24 compared with Jun'24, and increased dollar demand by gold importers after the budget announcement. However, the decline was not as steep as it was in case of other currencies, mainly due to steady FPI inflows. While inflows into equity were impacted by increase/rationalisation of capital gain taxes, debt inflows held ground.

Click here for the full report.

ITC

- Hotels and Agri segments drove sales with subdued performances in FMCG and cigarettes
- Margins improved in FMCG Others & Cigarettes and Hotels as Agribusiness and Paper continued to face cost pressures
- We assume coverage. Retain BUY with TP of Rs 575. Expect gradual recovery in key segments as consumption improves

Click here for the full report.

AMBUJA CEMENTS

- Volume-driven revenue growth as realisation weakens by 6.5% YoY owing to weak demand in key markets
- Cost structure pulls EBITDA lower at 15% and EBITDA/t stabilising at Rs 695 indicates operating cost stress
- We value ACEM's consolidated business at 13x 1-year forward and increase our TP to Rs 667. Retain HOLD

Click here for the full report.

DABUR INDIA

- 1QFY25 underlying result was broadly in line with consensus with in-line sales but 1% lower EBITDA and EPS
- Rural focused reinvestments restricted EBITDA, but we expect quick rewards in the form of acceleration in rural sales with recovery
- Exposure to elastic categories, strong distribution evident in above-average rural performance. Trends to improve further – Retain BUY

Click here for the full report.

ACC

- Q1FY25 revenue stayed flat YoY as 8.5% uptick in volume was offset by realisation drop of 8.3%
- External purchases and inflated raw material dragged EBITDA margin by 170bps YoY to 13.1% and EBITDA/t to below Rs 700
- Retain HOLD as we continue to value ACC at 10x 1-year forward EV/EBITDA, and forecast FY27 EBITDA margin at ~16.5%

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TATA STEEL

- Q1 results confirmed a rebound in Netherlands for recovery from losses in Europe and stable profitability in India operations
- TATA is gearing to deliver India expansion in H2, progressing on TSUK transition and has initiated discussions on TSN transition
- Retain HOLD on TATA with TP of Rs 175, structural resolution of China's surplus capacity is a key upside trigger for the sector

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BONDS WRAP

01 August 2024

Fortnightly review

Jahnavi Prabhakar
Economist

Global yields softened further in Jul'24. US 10Y yield declined sharply. Fed kept rates on hold and dovish commentary by Fed Chair signaled rate cut likelihood as early as Sep'24. This was supported by softer PCE price index which came in line with expectations. On the domestic front, India's 10Y yield eased. Notably, RBI has recently restricted foreign ownership access towards 10&14Y securities, with more demand shifting towards the securities leading up to 10 years. Going forward, the 10Y yield is expected to trade in the range of 6.85%-6.95% in Aug'24, with risk evenly balanced. The attention will turn towards the upcoming monetary policy meeting to provide more guidance on inflation outlook.

Movement in global yields in Jul'24:

- There was significant variation in movement in global yields in Jul'24 across global economies. While 10Y yield in China fell by 6bps, yields in US and UK was down by 37bps and 20bps respectively.

Table 1. 10Y yield movement globally

Countries	10Y sovereign yield, 28 June 2024	10Y sovereign yield, 31 July 2024	Change in bps (MoM)
Japan	1.06	1.06	0
China	2.21	2.15	-6
India	**7.01**	**6.93**	**-8**
Indonesia	7.07	6.90	-17
UK	4.17	3.97	-20
Korea	3.26	3.06	-20
Germany	2.50	2.30	-20
Singapore	3.20	2.87	-33
US	**4.40**	**4.03**	**-37**

Source: Bloomberg, Bank of Baroda Research

- US 10Y yields ended lower by 37bps in Jul'24. US PCE price index which is Fed's preferred gauge of inflation eased to 2.5% in Jun'24 from 2.6% in May'24. Inflation in gasoline and other energy goods was down by 3.5% in Jul'24 (3.4% in May'24). Moreover, prices of transportation services was down for the 3rd straight month to 2.5% from 2.6% in May'24. Core PCE inflation (exl food and energy components) remained steady at 2.6% injun'24. The JOLTS report showed that there were 8.18mn job openings in Jun'24 from 8.23mn in May'24.

CURRENCY UPDATE

01 August 2024

Fortnightly forex review

Sonal Badhan
Economist

INR depreciated by 0.4% in Jul'24 to currently trade at 83.73/$, close to its lifetime low of 83.74/$. This was despite weakening US$. The factors that impacted Rupee include: rise in average international oil prices in Jul'24 compared with Jun'24, and increased dollar demand by gold importers after the budget announcement. However, the decline was not as steep as it was in case of other currencies, mainly due to steady FPI inflows. While inflows into equity were impacted by increase/rationalisation of capital gain taxes, debt inflows held ground.

As a result, INR traded in the range of 83.45-83.74/$. In the next fortnight, we expect pressure on INR to remain, in the wake of increased dollar demand, and renewed volatility in international oil prices. However, weakness in US$ and softer global yields may help cushion the downward bias. We expect INR to trade in the range of 83.70-83.85/$.

Movement in global currencies in Jul'24

In Jul'24, major global currencies appreciated against the dollar. The movement in global currencies was led by weakness in dollar. DXY index, measuring the dollar's value against a basket of currencies was 1.7% lower in Jul'24, reversing the 1.1% gain it made last month. Much of the weakness was noted in the first fortnight of Jul'24 when it fell by 1.6%, compared with 0.2% decline noted in the second fortnight. However downward pressure on US$ has regained momentum towards the end of the month, following Fed's recent policy statement and tracking other major macro data points. Fed Chair Powell in his statement clarified that there exists a possibility of rate cut in Sep'24, in the wake of "moderation in job gains" and "some progress" made towards achieving the inflation objective (2% mark). The PCE price index (Fed's preferred gauge of inflation) eased to 2.5% in Jun'24 from 2.6% in May'24. The JOLTS report showed that there were 8.18mn job openings in Jun'24, compared with 8.23mn in May'24. Further retail sales data suggests moderation in consumer spending, as sales came in flat (0% MoM), following 0.3% increase in May'24. Tracking these signs of slowdown in US economy, as per CME Fed WatchTool, majority of the investors are now expecting 3 rate cuts by Fed this year (25bps each). Amongst major economies, JPY made most significant gains. It fell the most towards the end of the month, when BoJ announced a more than expected rate hike of 15bps, taking the overnight call rate to 0.25% from 0-0.1% earlier. This helped lift pressure off JPY.

BUY
TP: Rs 575 | ⮝ 16%

ITC | Consumer Staples | 02 August 2024

1QFY25 earnings review

- **Hotels and Agri segments drove sales with subdued performances in FMCG and cigarettes**
- **Margins improved in FMCG Others & Cigarettes and Hotels as Agribusiness and Paper continued to face cost pressures**
- **We assume coverage. Retain BUY with TP of Rs 575. Expect gradual recovery in key segments as consumption improves**

Lokesh Gusain
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Cigarette volumes likely helped by pre budget stocking: Cigarette segment sales increased 7% on premiumisation and volume gains from illicit trade, while +6% growth in the Others segment was broad based with the three sub segments Staples, Personal Care and Homecare driving sales likely on distribution gains. Hotels were up 11% on new additions. Agri Business segment revenues rose 22% driven by value added agri products, leaf tobacco and wheat. Paper revenues declined 7% with increased competition from lower-priced Chinese supplies as demand conditions remained weak.

Broad-based cost pressures: Cigarette margins improved as leaf tobacco inflation was offset by mix, savings and pricing. FMCG margins improved 25bps as commodities remained stable. However, there is a sequential increase in sugar, potato, choco cream and edible oil. In Agribusiness, sales growth was restricted by stock limits on wheat and restrictions on exports. Inflation in leaf tobacco and other agri commodities, ocean freight, and supply chain disruptions impacted margins.

Our view: In our view, ITC's growth will gather pace as the demand environment improves and strategic initiatives taken by the company yield results. The cigarettes business likely benefited from pre-budget buying but the FMCG others and hotels segments have both registered a healthy performance although inflation might limit results. Given reasonable earnings visibility in the Cigarette, FMCG and Hotels businesses, we maintain BUY on ITC. Our SOTP-based TP stands revised to Rs 575 (change in estimates and increase in peer multiples).

ITC 1QFY25 result summary				Reported vs (%)	
(Rs mn)	Q1FY24	Q1FY25	YoY (%)	BOBCAPS	Cons.
Sales	171,645	184,573	8	(15)	4
EBITDA	66,701	67,484	1	(14)	(3)
EBITDA margin (%)	38.9	36.6	(230bps)	36bps	(262bps)
Adj. EPS (Rs)	4.12	4.08	(1)	(12)	(2)

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ITC IN/Rs 494
Market cap	US$ 73.6bn
Free float	71%
3M ADV	US$ 92.3mn
52wk high/low	Rs 511/Rs 399
Promoter/FPI/DII	0%/43%/57%

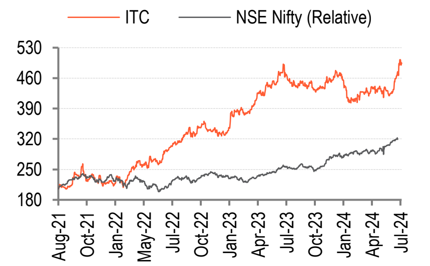
Source: NSE | Price as of 1 Aug 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs mn)	708,810	777,298	911,468
EBITDA (Rs mn)	262,544	296,755	323,418
Adj. net profit (Rs mn)	207,589	223,552	242,298
Adj. EPS (Rs)	16.4	17.6	19.1
Consensus EPS (Rs)	15.8	17.8	18.8
Adj. ROAE (%)	27.7	28.5	29.4
Adj. P/E (x)	30.0	28.0	25.8
EV/EBITDA (x)	23.5	20.8	19.0
Adj. EPS growth (%)	6.5	7.3	8.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 667 | ⮝ 0%

AMBUJA CEMENTS | Cement | 02 August 2024

Weak present but promising future; retain HOLD

- **Volume-driven revenue growth as realisation weakens by 6.5% YoY owing to weak demand in key markets**
- **Cost structure pulls EBITDA lower at 15% and EBITDA/t stabilising at Rs 695 indicates operating cost stress**
- **We value ACEM's consolidated business at 13x 1-year forward and increase our TP to Rs 667. Retain HOLD**

Milind Raginwar
research@bobcaps.in

Weak revenue growth due to dent in realisations: ACEM reported Q1FY25 (standalone) revenue decline of 4.5%/5.5% YoY/QoQ to Rs 45.1bn due to weak realisations as volume grew 2.2% YoY (-2.1% QoQ) to 9.3mn tonnes. Realisation weakened by 6.5%/3.5% YoY/QoQ to Rs 4,856/t. Consolidated revenue grew 9%/12% YoY/QoQ to Rs 88.9bn net of master supply agreement (MSA) sales, as volumes increased 17% YoY/QoQ to 16.6mt. Blended cement formed 86% of total trade volumes and premium product share was 24% (200bps QoQ).

Operating performance puts pressure on EBITDA margin: Operating cost stayed flat YoY/QoQ to Rs 4,161/t. Though energy cost fell 24% YoY (+4.7% QoQ) to Rs 978/t as kiln fuel cost declined 17% YoY to Rs 1.73/kcal (from Rs 2.08/kcal in Q1FY25), the spurt in raw material cost (including clinker purchases) by a strong 50% YoY offset all the other benefits. Logistics cost also rose by 4.8%/0.6% YoY/QoQ to Rs 1,095/t. Effectively, EBITDA margin stood at 14.3%, down 570bps YoY (240bps QoQ). EBITDA/t fell (33.4%/17.3% YoY/QoQ) to Rs 695.

Capacity expansion on track: With the acquisition of Penna Cement, ACEM's operating cement capacity will reach ~89mn tonnes (mnt) by FY25-end. ACEM is on course to commission the 4mnt clinkerisation unit at Bhatapara (Chhattisgarh) and associated grinding unit at Sankrail and Farakka in West Bengal and Sindri in Jharkhand by FY25-end. In our view, ACEM's capacity expansion road map till FY28 is well defined.

Maintain HOLD: We reduce our EBITDA estimates for FY25/FY26 earnings by 2%/6% to factor in slower volume growth in FY25 and increased competitive pressure in FY26. However, our FY25/FY26 PAT estimates are revised upwards by 6%/flat due to better tax benefits. We introduce FY27 estimates with revenue/EBITDA/PAT CAGR of 7%/10%/10% over FY24-FY27. We value ACEM's consolidated business by assigning EV/EBITDA of 13x 1-year forward earnings and raise our TP to Rs 667 from Rs 580. Our TP implies a replacement cost of Rs 13bn/mnt – ~2x premium to the industry. We retain HOLD.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	ACEM IN/Rs 664
Market cap	US$ 15.7bn
Free float	37%
3M ADV	US$ 31.1mn
52wk high/low	Rs 707/Rs 404
Promoter/FPI/DII	63%/11%/17%

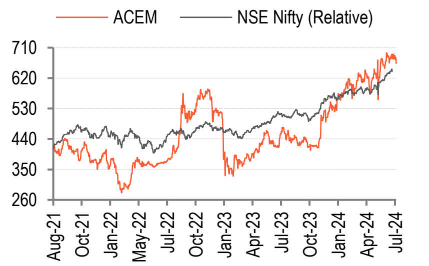
Source: NSE | Price as of 1 Aug 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	3,31,596	4,12,950	4,67,014
EBITDA (Rs mn)	75,793	79,021	95,552
Adj. net profit (Rs mn)	39,203	38,597	46,182
Adj. EPS (Rs)	18.7	17.6	21.0
Consensus EPS (Rs)	18.7	16.8	23.0
Adj. ROAE (%)	11.2	9.3	10.0
Adj. P/E (x)	35.4	37.8	31.6
EV/EBITDA (x)	15.9	14.7	15.2
Adj. EPS growth (%)	60.3	(6.3)	19.7

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 762 | ⮝ 18%

DABUR INDIA | Consumer Staples | 02 August 2024

Rural recovery, potential upside from intense/extended winters

- **1QFY25 underlying result was broadly in line with consensus with in-line sales but 1% lower EBITDA and EPS**
- **Rural focused reinvestments restricted EBITDA, but we expect quick rewards in the form of acceleration in rural sales with recovery**
- **Exposure to elastic categories, strong distribution evident in above-average rural performance. Trends to improve further – Retain BUY**

Lokesh Gusain
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Broadly in-line result, with rural pickup despite heatwave: Dabur reported 8% underlying EPS growth on 7% sales growth and 24bps EBITDA margin expansion. Compared to Bloomberg consensus, sales were in line, with EBITDA and EPS both 1% lower. Rural volumes grew 7% on our estimates vs 6% in 4QFY24.

Preparing for rural recovery and weather: Volume trends improved through the Jun'24 quarter and continued to improve in Jul'24. During 1QFY25, Dabur launched newer, affordable and rural-specific packs across categories backed by increased communication. We expect sales growth trends to accelerate through FY25. La Niña is synonymous with cooler and wetter weather leading to harsher/extended winter, which bodes well for Dabur's winter-centric (Chyawanprash) and higher margin portfolio. We forecast 8% sales growth in 1HFY25 vs 14% in 2HFY25.

Urban stable to slow: Urban trends remain slow to stable with growth in modern trade and eCom offset by weakness in general trade. This partly reflects Dabur's efforts to increase exposure to direct distribution, which is also margin accretive.

Our view: Dabur is our top pick in FMCG given its 45+% rural sales exposure, growing rural distribution, and a relatively elastic portfolio enabling faster response to recovery. The prospect of La Niña is a potential upside scenario in terms of sales growth and margin expansion due to the margin-accretive profile of its winter-centric portfolio. We value Dabur at 63x 12M to Jun'26 EPS using P/E relative to the NIFTY 50 index. We raise TP to Rs 762 from Rs 742 due to earnings revisions.

1QFY25 result summary				Reported vs (%)	
(Rs mn)	Q1FY24	Q1FY25	YoY (%)	BoB	Cons
Sales	31,305	33,491	7	(4)	0
EBITDA	6,047	6,550	8	(4)	(1)
EBITDA margin (%)	19.3	19.6	24bps	4bps	(22bps)
Adj. EPS (Rs)	2.62	2.82	8	(1)	(1)

Source: BOBCAPS Research, Bloomberg, Company

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	DABUR IN/Rs 644
Market cap	US$ 13.6bn
Free float	33%
3M ADV	US$ 29.2mn
52wk high/low	Rs 662/Rs 489
Promoter/FPI/DII	66%/17%/17%

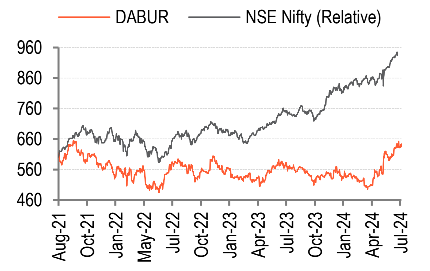
Source: NSE | Price as of 1 Aug 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	124,040	137,654	152,833
EBITDA (Rs mn)	24,002	27,263	31,321
Adj. net profit (Rs mn)	18,427	20,648	23,529
Adj. EPS (Rs)	10.4	11.7	13.3
Consensus EPS (Rs)	11.4	13.9	13.9
Adj. ROAE (%)	18.7	19.0	19.5
Adj. P/E (x)	61.9	55.2	48.5
EV/EBITDA (x)	47.5	41.8	36.4
Adj. EPS growth (%)	7.9	12.1	13.9

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
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HOLD
TP: Rs 2,569 | ⮝ 3%

ACC | Cement | 01 August 2024

1Q below expectations, but leaves room for improvement

- **Q1FY25 revenue stayed flat YoY as 8.5% uptick in volume was offset by realisation drop of 8.3%**
- **External purchases and inflated raw material dragged EBITDA margin by 170bps YoY to 13.1% and EBITDA/t to below Rs 700**
- **Retain HOLD as we continue to value ACC at 10x 1-year forward EV/EBITDA, and forecast FY27 EBITDA margin at ~16.5%**

Milind Raginwar
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Revenue stays flat as realisations moderate: ACC reported flat revenue YoY (-4.5% QoQ) in Q1FY25 at ~Rs 51bn, backed by volume growth of 8.5% YoY (-1.9% QoQ) to 10.2mn tonnes supported by increase in premium products and improvement in efficiency parameters. Realisations fell 8%/3% YoY/QoQ to Rs 4,757/t. Revenue from ACC's ready-mix concrete (RMC) segment dropped 9.3% YoY (+3.5% QoQ) to Rs 3.3bn, with EBTI gain of Rs 230mn.

Inflated raw material cost a drag on EBITDA margin: Operating cost increased ~6% YoY (flat QoQ) to Rs 4,391/t owing to inflated raw material consumption. Energy costs (adjusted for inventory) rose by 13.8% YoY (+2.45% QoQ) to Rs 1,730/t and was offset by logistics costs decline of 13.6% YoY (+1.27% QoQ) to Rs 1,075/t aided by supply agreements with ACEM. Other expenditure fell 16.0%/17.0% YoY/QoQ to Rs 46.72bn. Effectively, EBITDA/t fell to Rs 664 from Rs 818 YoY (Rs 805 in Q4FY24), and operating margin dropped to 13.1%, down 170bps YoY.

Capacity expansion on track: Clinker expansion at Maratha (Maharashtra) will be operational by Q2FY26. Additionally, grinding unit expansion of 1.6mt at Sindri (Jharkhand) and 2.4mt at Salai Banwa (Uttar Pradesh) are expected to be commissioned by Q4FY25/Q1FY26. The expansion is on track, with no change in the timelines.

Maintain HOLD due to limited upside: Factoring in ACC's Q1FY25 below-par performance despite master supply agreement (MSA)-led synergies and focus on cost savings, we lower our FY25 EBITDA forecasts by ~2%. With limited capacity available in FY26 and intense competitive pressure, we have lowered our FY26 EBITDA estimate by ~6%. However, we raise our EPS estimates, factoring in better tax incidence following the capex. We introduce FY27 estimates with EBITDA/PAT three-year CAGR of 7%/9% due to limited capacity headroom though we factor in higher cost savings. We continue to value ACC at 10x EV/EBITDA 1-year forward earnings and reduce our TP to Rs 2,569 (from Rs 2,657). This implies a replacement cost of Rs 9.2bn/mt – a 30% premium to the industry average. However, the stock offers limited upside, hence, we retain our HOLD rating.

Key changes

Target	Rating
▼	◄►

Ticker/Price	ACC IN/Rs 2,488
Market cap	US$ 5.6bn
Free float	43%
3M ADV	US$ 16.3mn
52wk high/low	Rs 2,844/Rs 1,803
Promoter/FPI/DII	57%/12%/19%

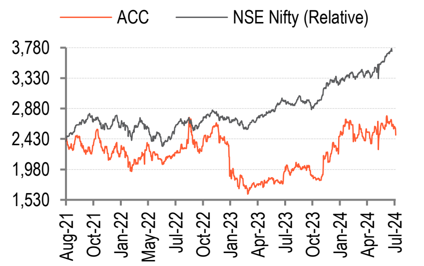
Source: NSE | Price as of 1 Aug 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	1,95,710	2,14,983	2,26,294
EBITDA (Rs mn)	30,576	35,737	38,227
Adj. net profit (Rs mn)	21,242	23,841	25,811
Adj. EPS (Rs)	113.0	126.8	137.3
Consensus EPS (Rs)	113.0	111.0	141.1
Adj. ROAE (%)	14.0	14.9	14.3
Adj. P/E (x)	22.0	19.6	18.1
EV/EBITDA (x)	14.5	11.8	9.9
Adj. EPS growth (%)	143.0	12.2	8.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

HOLD
TP: Rs 175 | ⮝ 7%

TATA STEEL | Metals & Mining | 02 August 2024

Project delivery and transition to support earnings growth

- **Q1 results confirmed a rebound in Netherlands for recovery from losses in Europe and stable profitability in India operations**
- **TATA is gearing to deliver India expansion in H2, progressing on TSUK transition and has initiated discussions on TSN transition**
- **Retain HOLD on TATA with TP of Rs 175, structural resolution of China's surplus capacity is a key upside trigger for the sector**

Kirtan Mehta, CFA
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In-line India and Europe operations in Q1: While EBITDA was 9%/12% ahead of Bloomberg consensus and our forecasts, both India and Europe operations were broadly in line with our forecasts and the difference was due to consolidation and other operations. India operations pullback was due to softer demand during the election period. Europe operations losses remained stable as improvement in TSN offset widening losses in TSUK.

Contingent liabilities: TATA highlighted its Rs 184bn contingent liabilities related to erstwhile demand on royalty from the state. While the Supreme Court has clarified that the MMDRA Act does not limit the state's right to levy, it has reserved judgement for its applicability. We will need to watch for steps taken by the central government to resolve this issue to limit the tax burden on industry.

UK transition on track: TSUK has been progressing with closures as per the plan. The new UK government remains supportive of transition to EAF to improve sustainability of the UK steel industry. It is engaging with TSUK to analyse feasibility of expanding scope of downstream operations in UK.

India projects on track: TATA maintained the start-up of the TSK-2 blast furnace by Sep, which could add 1.4mt of volumes in H2FY25 and operate at close to full 5mtpa capacity in FY26. TATA plans to start up an annealing line in Aug and a galvanising line later this year at its 2.2mtpa CRM complex.

Return to growth: We believe earnings bottomed out in FY24. On a weaker base of FY24, we build in a 24% EBITDA CAGR for TATA over FY24-FY27E. We look for ~50% recovery in FY25 as TATA arrests losses in Europe and another ~25% growth in FY26 on the back of the ramp-up of TSK-2.

Maintain HOLD: We broadly maintain our forecasts and TP of Rs 175. With a ~40% run-up since the lows in Nov'23, we believe risk-reward has turned unfavourable. The stock has been trading close to 1 standard deviation above historical mean/median valuation over the past 10 years.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	TATA IN/Rs 163
Market cap	US$ 23.9bn
Free float	67%
3M ADV	US$ 94.3mn
52wk high/low	Rs 185/Rs 115
Promoter/FPI/DII	33%/20%/24%

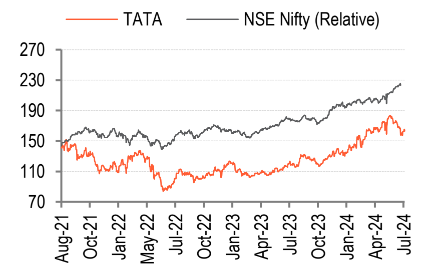
Source: NSE | Price as of 1 Aug 2024

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs bn)	2,273	2,304	2,545
EBITDA (Rs bn)	223	333	422
Adj. net profit (Rs bn)	(44)	122	188
Adj. EPS (Rs)	(3.6)	9.9	15.3
Consensus EPS (Rs)	(3.6)	10.3	14.4
Adj. ROAE (%)	(4.5)	12.8	17.9
Adj. P/E (x)	(45.1)	16.4	10.6
EV/EBITDA (x)	11.6	8.2	6.6
Adj. EPS growth (%)	(150.4)	(374.4)	54.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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