



TATA STEEL LIMITED

Concall Date: 12 November 2021



Revenue: ₹60,282.8 cr (▲ 54.8%) Net Profit: ₹12,547.7 cr (▲ 653.6%)

FINANCIAL HIGHLIGHTS

PARTICULARS	Q2 FY22 (₹ cr)	Q2 FY21 (₹ cr)	Change % YoY
Revenue from Operations	60,283	38,940	▲ 54.8%
EBITDA	16,618	6,319	▲ 163%
Net Profit	12,548	1,665	▲ 653.6%
Adjusted EBITDA/ton	₹24,112 (Q2 FY22)		₹6,972 (Q2 FY21)
Free Cash Flow	₹3,322 cr (Q2)		
Net Debt to EBITDA*	1.21x (Q2)		
Net Debt to Equity	0.79x (Q2)		

*trailing twelve months basis

- The **revenue** from operations expanded by 12.9% on a sequential basis.
- **Other expenses** during the quarter increased primarily at Tata Steel **standalone** on account of higher royalty, rates & taxes, at Tata Steel **Europe** with higher energy cost along with adverse forex impact at overseas entities.
- In Q2 FY22, the company did a **forex revaluation** of ₹1,192 crore on account of the adverse movement of forex due to external and internal debt as compared to a gain of ₹293 crore in Q1 FY22.
- In H1 FY22, **gross debt** declined to ₹78,163 crore with repayments of ₹11,424 crore. **Net debt** declined to ₹68,860 crore.
- In Q2 FY22, there was an increase in **working capital** of ₹3,889 crore and **dividend payment** of ₹3,020 crore.
- The **group liquidity position** remained strong at ~₹20,000 crore including ~₹9,300 crore as cash and cash equivalents.

BUSINESS HIGHLIGHTS

- In Q2 FY22, in its **Indian operations** (including Tata Steel standalone and Tata Steel Long Products Ltd), **crude steel production** increased by 2.2% QoQ and 3.1% YoY to 4.73 million tons (MT).
- Overall deliveries of **Indian operations** increased by 11% on a sequential basis to 4.58 MT and declined by 9.3% YoY basis.
- **Tata Steel Standalone** (figures restated to reflect Tata Steel BSL Ltd merger into Tata Steel) registered quarterly **adjusted EBITDA** of ₹13,574 crore in Q2 FY22, expanded by 4% on a sequential basis and grew 2.3x on a YoY basis.

- **Net realisations** for the quarter for **Tata Steel standalone** increased by ₹3,400/ton QoQ as compared to the earlier guidance of ₹3,000/ton.
- **Revenue/ton** in Q2 FY22 for **Tata Steel standalone** was ₹73,700, up by ₹4,550 on a sequential basis.
- **Raw material cost/ton** for **Tata Steel standalone** increased by ₹3,600 on a sequential basis.
- **Tata Steel BSL Ltd revenue** increased by 6% on a sequential basis, driven by higher prices partially offset by product mix impact.
- The company had launched 53 **new products** in India for customers across segments of automobile, industrial, branded products and retails.

EUROPE

- **Revenue** increased by 11% on a sequential basis and 50% YoY to £2,108 million in Q2 FY22.
- **EBITDA** improved by 2.2x QoQ to £328 million which translated to an EBITDA per ton of £153.
- During the quarter, **sales volume** declined by 8% due to seasonal impact as well as slowdown in automotive steel sales amidst semiconductor shortage.
- On a quarterly basis, **energy costs** accounted for €30-€40 million, management expects it to reach ~£80-£100 million, going forward.

UPDATES

- The company had **divested** its 100% stake in **NatSteel Holdings Pte. Ltd. Singapore**, during the quarter. It realised a gain of ₹720 crore through this deal.
- The **merger** of Tata Steel BSL Limited with Tata Steel Limited was approved by the honourable National Company Law Tribunal (NCLT), Mumbai bench; the **appointed date** for the merger was 1st April, 2019.
- 6 million ton per annum (MTPA) **pellet plant**, would be commissioned in Q2 FY23.
- It won an **iron ore mine** in **Gandhalpada a Greenfield mine**, with lower alumina ore content of 2.2%, ensuring its raw material security of 350 million ton.
- The company's **steel recycling plant** had produced ~60,000 tons. New recycling plant would be set up in the Western and Southern region of India.

CAPEX

- In H1 FY22, the company had spent **capex** of ₹4,202 crore.
- Total spending towards **Kalinganagar project** was ₹7,850 crore.

FUTURE OUTLOOK

- The **realisations** in India would improve by ₹2,500/ton in Q3 FY22 in comparison to Q2 FY22.
- It expects the **prices** in Netherlands to be better by €50 and in United Kingdom by £45 in Q3 FY22, as compared to Q2 FY22.

- In Europe, **coal cost** would be higher by €55-€56 and **iron ore cost** would be lower by €30 in Q3 FY22 v/s Q2 FY22.
- The company targets to bring its **net debt** to **EBIDTA** at 2x and **interest coverage ratio** at 4x.
- Its **return on invested capital** would be ~15%, going forward.
- The company expects to win new contracts in Q4 FY22 from **European** business.

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