

## Tata Steel : Very Good Issue, Invest for Long Term with Portfolio Pick IPO Note: Fundamentally strong and good management with Global Presence Rating\*\*\*

### Issue details

FPO Opening Date	19/11/10
IPO Closing Date	21/12/10
Issue Size	Rs.3385.80 - 3477 Cr
Issue Price	Rs.594 - Rs.610

### Valuations & Recommendation

Being the world's 6<sup>th</sup> largest steel producer, Tata Steel is advantageously placed in the sector. It has presence in over 50 countries with manufacturing units in 26 countries. Tata Steel had posted a net profit of Rs 2,065.13 crore for the quarter ended September 30, 2010 as compared to Rs 902.94 crore for the quarter ended September 30, 2009, up by a 128.71%. Its total income stood at Rs.7839.42 crore against Rs.5768.16 crore for the year ago period, up by 35.90%. On Consolidated basis, net profit stood at Rs 1978.81 crore for the quarter ended September 30, 2010 as compared to net loss of Rs 2707.25 crore for the corresponding quarter of the previous year.

**Tata Steel's TTM EPS works out to Rs.77. At the upper price band of Rs.610, P/E is 8.03 times. Its nearest rival SAIL and JSW Steel are trading at a P/E of 11.89 and 10.78 on their TTM EPS. Looking to its domestic and global presence and expansion with almost 5% discount to market price make FPO attractive. We strongly recommend to subscribe in this issue for the portfolio pick. It can also be bought from the secondary market at current price for good gain over long term.**

### Highlights

- ◆ Tata Steel is the world's 6th largest steel company with an existing annual crude steel production capacity of 30 Million Tonnes Per Annum
- ◆ It has a balanced global presence in over 50 developed European and fast growing Asian markets, with manufacturing units in 26 countries.
- ◆ The Company's operations are primarily focused in India, Europe and other countries in Asia Pacific.
- ◆ Rs.1800 crore of the issue proceeds will be used for Jamshedpur unit
- ◆ After the FPO, its promoter holding will fall by 2.4% taking it to 30.08%.
- ◆ Its TTM EPS is Rs.77 and P/E Ratio just above 8.0

### Company Introduction

#### Company Profile

Established in 1907, Tata Steel, the flagship company of the Tata group is the first integrated steel plant in Asia and is now the world's second most geographically diversified steel producer and a Fortune 500 Company. Backed by 100 glorious years of experience in steel making, Tata Steel is the world's 6th largest steel company with an existing annual crude steel production capacity of 30 Million Tonnes Per Annum (MTPA). Tata Steel has a balanced global presence in over 50 developed European and fast growing Asian markets, with manufacturing units in 26 countries.

#### Operations

TATA STEEL has a presence across the entire value chain of steel



[www.tatasteel.com](http://www.tatasteel.com)

manufacturing, including producing and distributing finished products as well as mining and processing iron ore and coal for its steel production. The Company's operations are primarily focused in India, Europe and other countries in Asia Pacific.

In Financial Year 2010, the Company's operations in Europe and India represented 62.9% and 28.8%, respectively, of its total steel production.

After the follow-on public offer (FPO) of Tata Steel, its promoter holding share will fall by 2.4% taking it to 30.08%.

### FPO & Issue Proceed

The century old, one of the world's largest steel producers is coming out with an FPO of 57,000,000 equity shares in the price band of Rs 594- 610. The issue opens on 19-01-11 and closes on 21-01-11. The issue constitutes 5.94% of the post issue paid up capital of Rs 959cr.

Rs.1800 crore of the issue proceeds will be used for Jamshedpur unit and Rs 1,000 crore for repay debt. The company aims to raise around Rs 3,385.8-3,477 crore through the issue at a price band of Rs 594-610 a share.

### Risk

The steel industry is highly cyclical and a decrease in steel prices may have an adverse effect on the Company's results of operations.

Europe is the Company's largest market, and its current business and future growth could be adversely affected if economic conditions in Europe deteriorate.

The Company operates a global business and its financial condition and results of operations are affected by the local conditions in or affecting countries where it operates.

### Financial Summary Rs. In crore

Particulars	092010(03)	062010(03)	2010(12)
Sales	28090.91	27010.06	104229.83
OPM (%)	15.66	16.3	9.31
Net Profit	1978.81	1825.26	-2120.84
EPS (Rs)	22.04	20.59	-23.18

Consolidated figure

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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