

## Rationale:

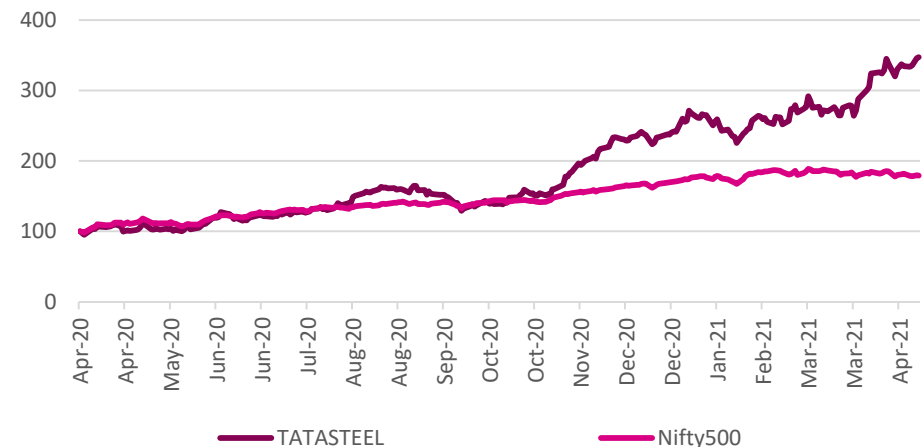
- Tata Steel established in India as Asia's first integrated private steel company in 1907, Tata Steel is the oldest and still most profitable steel manufacturer in India due to access to captive raw material. It controls close to 20.6mn tpa capacity in India through owned and subsidiary companies, and 14mn tonnes in Europe. The Indian mill is backed by captive iron-ore and coking-coal mines, which fulfil 100% and 30% of its requirements, respectively.
- Tata Steel's domestic capacities jumped 50% on its Bhushan Steel (5.6mn tpa) and Usha Martin acquisitions (1mn tpa), which will not only help it strengthen its position in eastern India, but also help it to consolidate its market leadership in value-added products, especially in the auto segment. Both plants are in eastern India, which is closer to Tata's existing plants, which will drive synergies. Both plants also have provisions to enhance capacities, which should take care of future growth.
- As part of the enterprise deleveraging plan, Tata Steel has completed reduction of net debt by 1,86,090mn in 9MFY21. During Q3FY21, the company reduced leverage by 1,03,250mn. Also the company received 60000mn on account of export advances (forward sale of export volumes), which aided the net debt reduction in Q3FY21.
- Over the last couple of years, Tata has partially or fully exited loss-making or low-margin businesses and aggressively renewed its interest in the growing domestic business. Company expects the synergies of acquiring BSL and USM to be Rs 80,000-90,000mn each over 24-36 months. It expects most of the benefits to come from raw-material integration (BSL receives a part of its raw materials from Tata Steel and USM has its own iron-ore mine) and sales and marketing harmony. Tata's consolidated profitability and its return ratios are set for a meaningful jump, as these facilities replace loss-making international ventures.
- We remain positive on the stock with strong recovery in India market post pandemic, deleveraging efforts and cautious capital allocation. Therefore, we initiate our coverage with **BUY** rating on the stock with a target price of **₹1,094** using SOTP valuation.

52 Week Low / High	262/ 954
Avg. Daily Volume (3M) ('000)	22,535
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	1,145/ 10,42,670
Shareholding (Promoters/Institutional/Others)	34.4% / 43.9% / 21.7%

(In ₹ mn)	FY-20	FY-21E	FY-22E	CY-23E
Revenue	13,98,165	14,42,216	14,02,920	15,35,100
EBITDA	1,74,630	1,92,869	2,62,920	2,91,560
PAT	23,924	39,132	85,159	1,09,471
EPS (₹)	20.41	34.18	74.38	95.61
P/E	45.3	27.1	12.4	9.7
P/B	1.5	1.4	1.3	1.2
ROE	3.1%	4.9%	9.8%	11.4%

Source: Company, Estimates. Note: Prices are as on 23-Apr-21

## Price Performance (Apr'20=100)



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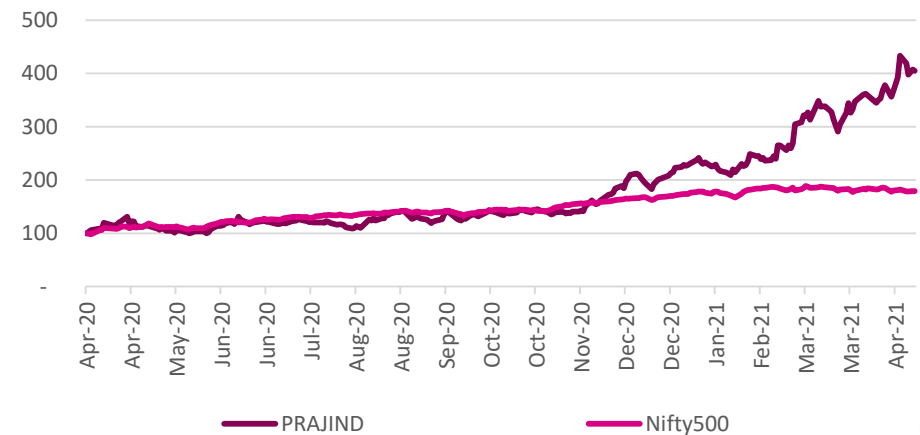
- Incorporated in November 1985, Praj is promoted by Mr Pramod Chaudhari and associates. Praj has been an undisputed market leader in the domestic ethanol plant installation and equipment business and the domestic breweries installation segment. The market position is also supported by its global presence in more than 70 countries and across five continents.
- Company has 3-business segments: (a) Bioenergy business (involves process design, engineering, fabrication, and commissioning of ethanol plants), accounted for 66% of consolidated revenue in 9MFY21); b) HiPurity Systems, accounted for 16% of consolidated revenue; c) Engineering business accounted for 18% this segment has three sub-divisions water & waste water treatment, critical process engineering, and brewery plants and equipment. In addition, the company has a diversified geographical presence with exports contributing 30-40% to the revenue over the five fiscals through 2020.
- Praj has a satisfactory order pipeline worth ₹16,650 million as of 31 December, 2020 across the three business segments assure medium-term revenue visibility. With continuing improving demand and support from recent government policies, 52% of order from the total order book came from bioenergy segment. Hipurity and Engineering segments also contributed 11% and 37% respectively to the order inflow in 9MFY21 showing healthy diversity. Moreover, it has a strong financial risk profile, characterized by robust internal accruals, negligible debt, and healthy debt protection indicators. The company's liquidity position remains comfortable with cash and equivalents of ₹4,000 million as of December 31, 2020.
- Further, successful commercialization of demonstration second-generation ethanol plant and order-execution for upcoming plants in India will benefit the business profile. Additionally, new collaborations such as Gevo Inc, USA (for Sustainable Aviation Fuel), Sekab E-Technology AB, Sweden (producing biofuels using forest residue feedstock) and increased Government focus for Compressed Bio Gas (CBG) are expected to be the growth drivers over the medium to long term. Additionally with the recent order bagged by the company from Godavari Biorefineries Ltd (GBL) and HPCL will further boost the company financials.
- Praj has an established position in the domestic distillery and brewery installation business. Additionally, with its leadership in biofuel technology and with the continuous improving order pipeline Praj will continue to get benefit from the upcoming opportunities in bio-mobility as well as in the bio-CNG.
- We initiate our coverage on the company with a **BUY** rating and a target price of **₹270 per share**.

52 Week Low / High	53 / 242
Avg. Daily Volume (3M) ('000)	3,197,150
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	183 / 40,127
Shareholding (Promoters/Institutional/Others)	32.9% / 28.4% / 38.7%

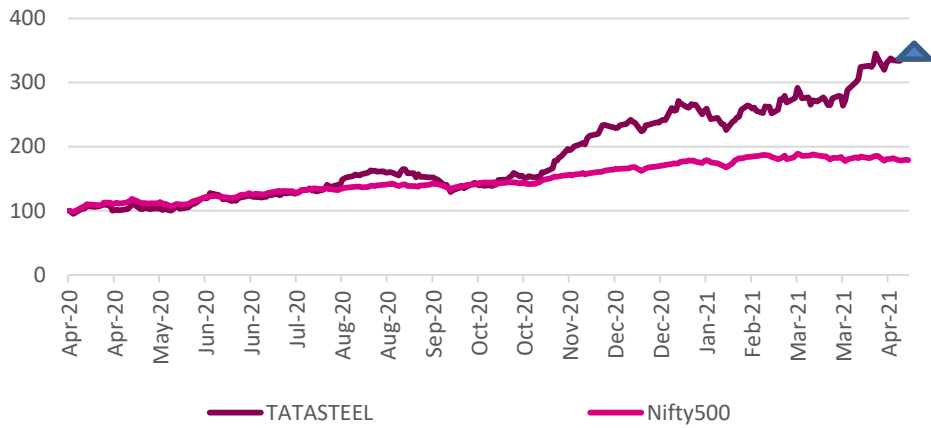
(In ₹ mn)	FY-20	FY-21E	FY-22E	FY-23E
Revenue	11,024	11,282	14,820	19,314
PAT	704	634	1,037	1,545
EPS (₹)	3.8	3.5	5.6	8.4
P/E	57.0	63.1	42.1	29.7
P/B	5.6	5.3	4.9	4.4
ROE	9.8%	8.5%	12.8%	17.0%

Source: Company, Estimates. Note: Prices are as on 23-Apr-21

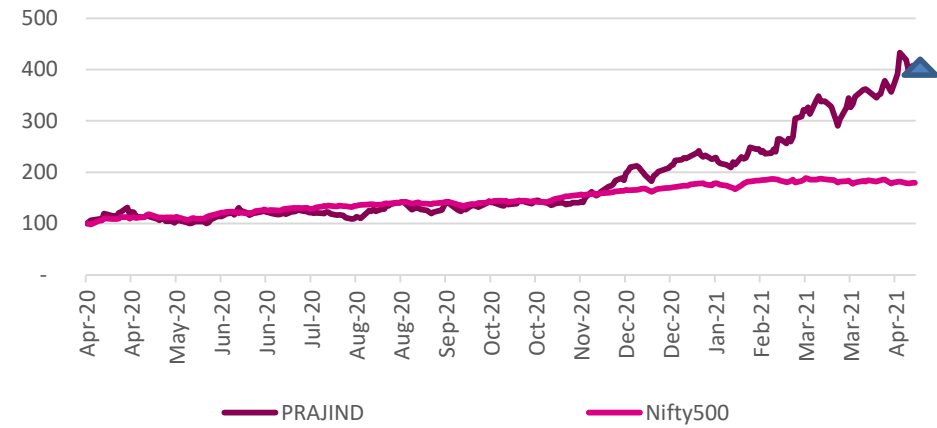
## Price Performance (Apr'20=100)



### TATASTEEL rating history & price chart



### PRAJIND rating history & price chart



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