Business Standard

Tata Steel regains Rs 1 trillion m-cap; stock hits over 12-year high

In the past one week, the stock has rallied 16 per cent, against 2.2 per cent rise in the S&P BSE Sensex

SI Reporter | Mumbai April 01, 2021 Last Updated at 11:19 IST

Tata Steel regained market capitalisation (market-cap) of Rs 1 trillion in Thursday's intra-day trade after the stock hit its highest level since June 2008, on healthy operational performance and expectation of improvement in the company's outlook. In the past one week, the stock has rallied 16 per cent, against 2.2 per cent rise in the S&P BSE Sensex.

Tata Steel's market-cap hit Rs 1-trillion (Rs 100,053 crore) after the stock hit a high of Rs 836.15, up 3 per cent on the BSE in intra-day trade today. At 11:17 am, the scrip was trading 2.6 per cent higher at Rs 833 with the market-cap of Rs 99,682 crore, BSE data showed.

Moody's, on Wednesday, revised the outlook on Tata Steel Ltd from "negative" to "stable" on the company's solid recovery in operations in the third quarter of current fiscal year (FY21). The global rating agency affirmed the company's Ba2 corporate family rating (CFR). The company will sustain the improvement over 12-18 months, enabling its consolidated financial metrics to recover to levels more appropriate for its Ba2 CFR, it said.

"The rating action also reflects the company's proactive financial management amid the [Covid-19]

pandemic. It has publicly stated target of reducing gross debt by at least $1 billion each year and prioritising deleveraging over capital expenditure," said Kaustubh Chaubal, Vice President and Senior Credit Officer at Moody's.

In the past six months, the stock has zoomed 130 per cent, as compared to 28 per cent rise in the S&P BSE Sensex. The recovery in the global and Indian economy has led to sharp improvement in steel demand in India. The investments in infrastructure and recent policy developments, to drive economic growth, should drive steel demand in India.

"After a sharp drop in April-June quarter (Q1FY21), the domestic steel industry has reported sharp rebound in margins in the September 2020 (Q2FY21) and December 2020 (Q3FY21) quarter, benefiting from improving demand and realizations on the one hand and softer coking coal costs on the other hand. Margins of steel companies are expected to show further expansion in the March quarter of FY21 driven by healthy export order and higher realizations," CARE Ratings said in recent steel sector update.

Higher international prices could drive exports higher in the near-term as domestic players may look to clear their inventories with FY21 coming to an end. Besides, correction in steel prices in the domestic market and premium offers in the international market has made exports more attractive, the rating agency added.