

# Tata Steel Ltd. 'BBB' Ratings Affirmed; Outlook Stable

December 24, 2025

## Rating Action Overview

- Tata Steel Ltd.'s recently announced growth projects will further delay deleveraging and result in credit metrics that will remain weaker than our previous expectations.
- That said, higher volumes and cost-reduction initiatives will likely bolster the India-based steelmaker's earnings. We expect the company to fund its capital expenditure largely through operating cash flow.
- On Dec. 24, 2025, S&P Global Ratings affirmed its issuer credit ratings on Tata Steel and [ABJA Investment Co. Pte. Ltd.](#) at 'BBB'. At the same time, we affirmed the issue-level rating on the senior unsecured notes that ABJA issued at 'BBB'.
- The stable outlook reflects our expectation that the company's credit metrics will recover over the next 12-18 months, backed by higher output in India and lower losses in the U.K.

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## Rating Action Rationale

**The ratings affirmation reflects our view that higher volumes and cost-reduction initiatives can balance the effects of recently announced growth projects on Tata Steel's leverage metrics.** Tata Steel's willingness to leverage up its balance sheet to pursue growth opportunities deviates from our earlier expectation that it would prioritize debt reduction over expansion. This will test the resilience of the company's credit metrics through the steel price cycle.

**Sizable growth investments will keep Tata Steel's debt elevated.** The steelmaker's planned expansion at Neelachal Ispat Nigam Ltd. (NINL) and the addition of downstream capacity will likely increase annual capital expenditure (capex) by Indian rupee (INR) 100 billion-INR200 billion over the next few years. In our view, this high level of spending will result in negative discretionary cash flow and delay deleveraging. Consequently, we expect Tata Steel's adjusted debt to increase to INR1,100 billion in fiscal 2028 (ending March 31)--about INR350 billion higher than our previous forecast.

On Dec. 10, 2025, Tata Steel announced a 4.8 million ton (mt) capacity expansion at NINL. We estimate a project of this scale will require a capital outlay of INR400 billion-INR450 billion over

three to four years. In addition, the company plans to add rolling, pickling, and galvanizing lines at various sites across India to increase its share of value-added products.

**Lower steel prices will weigh on Tata Steel's fiscal 2026 earnings.** Domestic hot rolled coil prices have corrected by more than 10% from highs of INR52,500 per ton in May 2025 because of tepid demand and a supply glut. Significant capacity additions by domestic peers over the past few quarters have created a temporary surplus. This coincided with an extended monsoon, which has slowed construction activity.

The demand-supply imbalance will likely persist for a few months until construction activity gains momentum. As a result, we have lowered our fiscal 2026 EBITDA estimate for Tata Steel by 10%-15%. We now forecast the company's ratio of funds from operations (FFO) to debt to be 21%, down from our previous estimate of 26%.

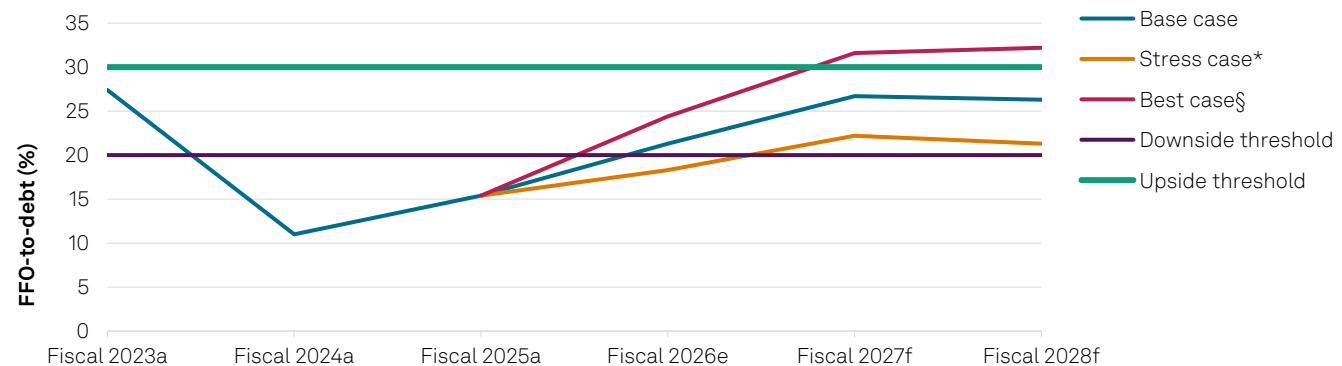
**Earnings growth from higher volumes and cost efficiencies key to support the credit metrics beyond fiscal 2026.** A ramp-up at the Kalinganagar facility in India would add about 2.5 mt to total output in fiscal 2027. New downstream facilities, including a cold-rolling mill and annealing line will improve both product mix and EBITDA per ton.

In addition to this, we anticipate INR30 billion-INR35 billion in savings through the curtailment of losses in the U.K. business and optimized iron ore pellet sourcing from a recently acquired entity. This translates into an incremental EBITDA per ton of INR1,000 at the consolidated level.

We now forecast Tata Steel's EBITDA will increase 30% to INR410 billion in fiscal 2027, compared with our estimate of INR319 billion for fiscal 2026. In our view, this earnings growth will lift the company's ratio of FFO to debt to 26%-27%. The ratio could approach 20% if there is a slow ramp-up at the Kalinganagar facility or a delayed turnaround of U.K. operations and this could further weigh on the rating. The company's ratio of FFO to debt has been below 20% for the past two years due to industry headwinds and losses in Europe.

#### **Tata Steel's credit metrics are sensitive to EBITDA per ton**

FFO-to-debt ratio at different EBITDA per ton levels



\*EBITDA per ton lower than our base case by 10%. §EBITDA per ton higher than our base case by 10%. a--Actual. e--Estimate. f--Forecast. Source: S&P Global Ratings.

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**NINL capex will expand Tata Steel's presence into long products.** The proposed expansion at NINL will double Tata Steel's long product output to 10 mt by fiscal year 2030. Long products are typically more profitable and less cyclical than flat products. NINL also has its own iron ore mines, which will lower production costs and improve EBITDA per ton. Once the expansion is fully

operational and ramped up, it could add INR75 billion to Tata Steel's consolidated EBITDA, based on current market prices.

## Outlook

The stable outlook on Tata Steel reflects our expectation that the company's credit metrics will recover over the next 12-18 months, backed by higher output volumes in India and lower losses in the U.K. We expect the company to fund recently announced growth projects largely through operating cash flow. The ratio of FFO to debt will likely improve to comfortably above 20%.

### Downside scenario

We may lower our rating if Tata Steel's profitability and cash flow deteriorate beyond our expectations, such that the ratio of FFO to debt fails to improve comfortably above 20% on a sustained basis at mid cycle prices. This could materialize in the event of (1) a delay in capacity ramp-up at the Kalinganagar facility due to sluggish demand; or (2) continued operating losses in the U.K.

### Upside scenario

An upgrade would be contingent on the Tata group's creditworthiness and the sovereign rating on India not being a constraint on the rating on Tata Steel.

An upgrade would also require Tata Steel to demonstrate a track record of operating at lower leverage through the steel price cycle and growth capex. A sustained FFO-to-debt ratio of comfortably above 30% would indicate such a scenario. This would cushion the company from industry downcycles and increasing growth ambitions.

## Company Description

Tata Steel is one of the larger steel producers globally, with an annual crude steel capacity of close to 35 mt. Of this, 26.6 mt was based in India and 8.7 mt overseas, with 7 mt in Europe and 1.7 mt in Thailand. The company is adding another 3.2 mt capacity in Europe by transitioning to an electric arc furnace in Port Talbot, U.K.

Tata Steel is part of the Tata group, which owns about 33% of the company.

## Our Base-Case Scenario

### Assumptions

- India's real GDP to grow 6.7% in fiscal 2026, 7.0% in fiscal 2027, and 6.8% in fiscal 2028, supporting annual steel demand increase of 8%-10%.
- Sales volumes of about 32.5 million ton in fiscal 2026. India to account for 22.5 million ton. Volumes to increase further to about 35.5 million ton in fiscal 2027 as Kalinganagar phase 2 ramps up.
- Domestic steel prices to remain under pressure during the rest of fiscal 2026. This is mainly due to sluggish demand and supply glut.

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- Capex of INR150 billion in fiscal year 2026, mainly for Kalinganagar phase 2 expansion. Capex to step up sharply in subsequent fiscal years toward the NINL expansion and replacement of blast furnaces in the U.K. with an electric arc furnace.
- No outsized shareholder distributions or acquisitions over the next 12-24 months.

## Key metrics

### Tata Steel Ltd.--Forecast summary

Period ending	Mar-31-2022	Mar-31-2023	Mar-31-2024	Mar-31-2025	Mar-31-2026	Mar-31-2027	Mar-31-2028
(Bil. INR)	2021a	2022a	2023a	2024a	2025e	2026f	2027f
Revenue	2,440	2,434	2,292	2,185	2,200	2,410	2,405
EBITDA	644	339	238	262	319	412	443
Funds from operations (FFO)	477	220	97	144	200	265	284
Capital expenditure (capex)	103	139	176	146	145	275	365
Debt	649	801	886	934	938	992	1,082
Cash and short-term investments (reported)	244	170	94	121	120	120	120
<b>Adjusted ratios</b>							
Debt/EBITDA (x)	1.0	2.4	3.7	3.6	2.9	2.4	2.4
FFO/debt (%)	73.4	27.4	11.0	15.4	21.3	26.7	26.3
EBITDA margin (%)	26.4	13.9	10.4	12.0	14.5	17.1	18.4

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. INR--Indian rupee.

## Liquidity

We assess Tata Steel's liquidity as adequate. Liquidity sources will likely be more than 1.2x liquidity uses on a consolidated basis over the 12 months ending Sept. 30, 2026.

Tata Steel has good on-balance-sheet liquidity to cover near-term debt maturities. In addition, the company has committed working capital lines of €550 million in the Netherlands and £400 million in the U.K. It also has undrawn sanctioned term loans of INR20 billion as of Sept. 30, 2025.

Tata Steel has strong financial flexibility as an Indian blue-chip company. The company has good access to capital markets and strong banking relationships in India. This reflects its association with the Tata group. We believe support from the group will be forthcoming if needed, which will reinforce Tata Steel's liquidity position.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none"> <li>• Cash and cash equivalents of INR86 billion as of Sept. 30, 2025.</li> <li>• FFO of about INR250 billion that we estimate for the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>• Debt maturities of INR237 billion over the next 12 months.</li> <li>• Working capital outflow that we estimate at about INR16 billion for the next 12 months.</li> </ul>

- Unutilized working capital limits of about INR100 billion available beyond 12 months.
- Undrawn sanctioned term loans of INR10 billion as of Sept. 30, 2025.
- Minimum capex of INR100 billion during this period.

## Issue Ratings--Subordination Risk Analysis

### Capital structure

As of March 31, 2025, Tata Steel had about INR889.7 billion of debt. Of this, about INR33.5 billion was secured.

Tata Steel accounted for about INR596.8 billion of the total debt on a stand-alone basis. ABJA accounted for about INR85.5 billion of U.S. dollar bonds, which are due in January 2028.

### Analytical conclusions

We rate the outstanding foreign-currency bonds totaling about US\$1 billion that ABJA issued 'BBB'. This is the same as the long-term issuer credit rating on ABJA.

We treat ABJA as a core subsidiary of Tata Steel and equalize the ratings on ABJA with those on Tata Steel. We rate the issuances the same as the issuer credit ratings. This is because we believe bondholders are subject to limited subordination, given the small proportion of secured debt in the company's capital structure.

## Rating Component Scores

#### Rating Component Scores

Component	
Foreign currency issuer credit rating	BBB/Stable/--
Local currency issuer credit rating	BBB/Stable/--
Business risk	Satisfactory
Country risk	Moderately high risk
Industry risk	Moderately high risk
Competitive position	Satisfactory
Financial risk	Aggressive
Cash flow/leverage	Aggressive
Anchor	bb
<b>Modifiers</b>	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Neutral
Comparable rating analysis	Neutral
Stand-alone credit profile	bb

## Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments](#), Jan. 20, 2016
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 20, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 20, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating](#), Oct. 1, 2010

## Ratings List

Tata Steel Ltd. 'BBB' Ratings Affirmed; Outlook Stable

Ratings List

Ratings Affirmed

ABJA Investment Co. Pte. Ltd.

Tata Steel Ltd.

Issuer Credit Rating	BBB/Stable/--
Foreign Currency	BBB/Stable/--
ABJA Investment Co. Pte. Ltd.	
Senior Unsecured	BBB

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