

# Why Tata Steel wants a helping hand in the UK

The Indian steelmaker's aim to turn around its UK operations faces challenges from the external environment



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Port Talbot, Tata Steel's primary steelmaking site in South Wales, is busy. The blast furnace — the last of its legacy steelmaking assets — went cold on September 30, 2024. A year on, the site is humming with activity as Tata Steel UK prepares for its next chapter: A shift to low-carbon steel produced through an electric arc furnace (EAF).

The £1.25 billion transition — part-funded by about £500 million from the UK government — is slated for completion towards the end of 2027. Until primary steelmaking resumes, Tata Steel is servicing customers with imported slabs sourced from multiple geographies — a complex operational landscape.

What was once a 2.5-3 mt plant running on a flow of iron ore, coal, fluxes, oxygen and power has given way to a system in which the substrate (slabs) arrive from India, the Netherlands, Europe and South East Asia — each destined for a specific downstream line. The result: an intricate supply chain that demands rigorous tagging, tracking and routing.

Layered onto this complexity is the drag from

softer steel prices, led by cheap imports, compressing conversion margins — and messing up the maths.

The management had set a target that the transition in the UK would be cost-neutral, giving way to an operationally stable and profitable business model once the 3.2 mt EAF was pressed into action. But Tata Steel UK's Ebitda (earnings before interest, taxes, depreciation, and amortisation) breakeven — expected in Q2FY26 — now largely rests on policy support from the UK government.

## How the numbers stack up

Roughly a year ago, Tata Steel set a Q2FY26 breakeven target for its UK operations. But the Ebitda losses widened quarter-on-quarter (Q-o-Q) to ₹765 crore from ₹471 crore in the previous quarter. Year-on-Year (Y-o-Y), however, the losses halved from ₹1,587 crore in Q1FY25.

Responding to a question during an interview with *Business Standard* after the company's results, T V Narendran, managing director and chief executive officer, said that losses were expected to narrow further in Q3-Q4. But the turnaround may take a bit longer.

"The actions we've taken — cost takeout and efficiency improvements — are on track, but market conditions are much worse than expected," he said.

Tata Steel UK saved around £200 million in costs last year and is on course to making a similar cut this year.

The total fixed cost is about £1 billion a year — about 40 per cent has been pared back through people-related cuts, contract restructurings and reductions in administrative spending, Koushik Chatterjee, executive director and chief financial officer, told *Business Standard*.

"Without the restructuring, including the shutdown of the heavy-end, and under the current trade conditions, we would have had a much more negative impact on profitability. A large part of this has been structurally reduced," he said.

This is part of a cost-cutting target of ₹11,500 crore across regions: India, the UK, and the Netherlands (Tata Steel Netherlands or TSN), by FY27. But the measures have been blunted by the UK steel industry's broader challenges.

## Policy support plea

The UK steel industry faces a peculiar challenge:

## Financial metrics

Tata Steel (consolidated figures in ₹ crore)

	Net worth	Total debt	Net sales	PBITD	PAT
FY20	73,576	1,16,328	1,39,817	14,579	1,557
FY21	73,932	88,501	1,56,294	30,684	7,490
FY22	1,13,546	75,561	2,43,959	64,790	40,154
FY23	1,02,369	84,893	2,43,353	33,869	8,760
FY24	90,426	87,082	2,29,171	16,243	-4,437
FY25	89,699	94,801	2,18,543	26,175	3,421
HIFY26	94,947	95,643	1,11,867	16,554	5,179

PBITD: Profit before interest, depreciation, and tax  
Source: Capitaline Compiled by BS Research Bureau

import quotas in several product categories exceed total domestic consumption, leaving the market unusually exposed to low-cost imports even as protectionist barriers rise elsewhere. Weaker economic conditions have further softened demand, deepening the sector's difficulties.

During the earnings call, Chatterjee told analysts that demand in the UK has shrunk due to a weak economy, resulting in a decline in domestic prices by more than £150 per tonne since January 2024.

"In the UK, demand for flat products has declined by 33 per cent since 2018, but the quotas have increased by 20 per cent. In 2025 year-to-date (YTD), UK imports are up 7 per cent Y-o-Y, and this has continued to impact prices as well as spot spreads," Chatterjee said.

The company believes there's an urgent need for the UK to reset its import quotas and introduce a trade policy to mirror the EU's quota framework, while excluding UK-EU trade flows from restrictions.

Narendran said in the interview cited above: "We're urging the UK government to take action similar to Europe's and revise quotas. If that happens, the turnaround could be faster. For now, our internal measures alone aren't enough to achieve positive Ebitda under current market conditions."

## Challenging journey

Tata Steel's UK operations have been largely on a troubled trajectory, demanding substantial support since its £6.2 billion acquisition of Corus in 2007.

In January 2024, the company disclosed that it had put in £6.8 billion in the UK since the buyout towards improving steelmaking operations and processing sites, covering financial losses, pension restructuring costs, and providing additional capital support to service Tata Steel UK's share of debt.

The move to EAF aims to put operations on a footing where it makes money even at mid-cycle, or the lower end of mid-cycle, conditions. But without policy support from the UK government, the transition phase may be challenging.

"We expect the UK business to remain loss-making for the next two years, even though the

losses will gradually narrow with the ongoing restructuring," Amit Lahoti, senior research analyst—institutional equities at Emkay Global said.

With an annual employee cost of ₹4,000-5,000 crore, a breakeven is unlikely without substantial policy support and a stronger price delta versus the Netherlands, he added.

## Prolonged slide

Structural problems have dogged the steel industry in the UK for years. According to a research publication from the House of Commons Library, steel output fell sharply by 49 per cent in 2021, 30 per cent in 2022, 14 per cent in 2023 and 17 per cent in 2024.

This is attributed to factors such as supply chain disruptions caused by the Covid-19 pandemic, Russia's invasion of Ukraine, the subsequent energy crisis, record inflation, a slump in demand for steel and historically high imports.

As the EU rolls out new tariffs, quotas and CBAM (Carbon Border Adjustment Mechanism) next year, imports are set to get costlier and steel prices in Europe are expected to move towards levels in the United States — typically \$100 a tonne higher.

For the UK, domestic policy support becomes even more critical.

As CBAM alters the competitiveness of non-EU suppliers, ICRA vice president Sumit Jhunjunwala said, exporters are likely to divert volumes away from Europe. "The UK—already experiencing elevated import inflows—could become a natural spill-over market if its tariff framework is not tightened," he said.

A broader wave of steel protectionism has edged up worldwide amid global overcapacity and a surge in Chinese exports.

## Stronger Europe

Yet, analysts believe that the worst may be over for the European operations.

Alok Deora—metals, logistics and infrastructure analyst, institutional equities at Motilal Oswal Financial Services, pointed out that Tata Steel's European operations were dragging consolidated margins. "But the EAF should stop the bleed. The Netherlands operations and support from the Dutch government for decarbonisation should come through."

From a medium to long-term perspective, Europe should contribute significantly to Tata Steel's consolidated margins, he added.

In September 2025, TSN signed an agreement with the Dutch government for 2 billion euros in state support for the first phase of its plans to cut emissions at its IJmuiden plant — the company's main steelmaking hub in the Netherlands.

Over the next five years, 6 mt of Tata Steel's 10 mt European capacity will shift to green steel in a structurally higher-priced market, a move that could lift the company's earnings — even as the UK turnaround hinges on policy support.

**THE COMPANY BELIEVES THERE'S AN URGENT NEED FOR THE UK TO RESET ITS IMPORT QUOTAS AND INTRODUCE A TRADE POLICY TO MIRROR THE EU'S QUOTA FRAMEWORK, WHILE EXCLUDING UK-EU TRADE FLOWS FROM RESTRICTIONS**