RESULT UPDATE

JINDAL STEEL & POWER

Upbeat on volume-led growth

India Equity Research| Metals and Mining

Jindal Steel & Power's (JSPL) consolidated Q4FY17 EBITDA at INR15.5bn (up 73% YoY) surpassed consensus primarily on better performance of overseas subsidiaries. We believe, EBITDA CAGR of 32% over FY17-19E will be led by volume ramp up at domestic and international operations despite power PLF remaining at 35% on an average. In our view, JSPL is better placed compared to peers in maintaining its EBITDA margin due to high margin niche products such as plates and rails in its portfolio. However, taking cognizance of the delay in commissioning of the blast furnace at Angul, we revise FY18E EBITDA down 9%, while maintaining FY19E EBITDA. Maintain 'BUY' with revised TP of INR155 (earlier INR160), implying an exit multiple of 6x.

Robust subsidiaries fuel EBITDA beat

JSPL's consolidated EBITDA jumped 73% YoY to INR15.5bn primarily due to improved performance of subsidiaries: 1) selective power sales and operating cost efficiencies helped Jindal Power's (JPL) EBITDA catapult 181% YoY to INR3.8bn despite flat sales; 2) Jindal Shadeed's EBITDA grew 88% YoY to USD32mn (EBITDA/t at USD82 compared to USD36 in Q4FY16); and 3) mining subsidiaries posted positive EBITDA on production ramp up amidst better realisation YoY. We expect the performance to sustain post rebar mill ramp up at Oman and continued volume growth at mining subsidiaries.

Capacity ramp up to drive FY19 growth

We estimate FY19 EBITDA margin to improve to ~23% due to: 1) operating leverage benefits at standalone operations pursuant to ramp up of Angul blast furnace; 2) EBITDA/t improvement at Oman operations due to ramp up of rebar mill; and 3) capacity ramp up at international mining operations. Consequently, we estimate free cash flow generation of INR21bn over the next 2 years (including sale of 1,000MW power plant to JSW Energy.

Outlook and valuations: Upbeat on growth prospects; retain 'BUY'

We believe, volume-led growth on all fronts will generate free cash flow equivalent to 20% of current market cap over the next 2 years. While we trim FY18E EBITDA 9% owing to slight delay in commissioning of the blast furnace, we broadly maintain FY19E EBITDA . We maintain **'BUY/SO'** with revised TP of INR 155 (earlier INR 160).

Financials **(INR mn)**

Year to March	Q4FY17	Q4FY16	*% Chg*	Q3FY17	*% Chg*	FY17	FY18E	FY19E
Net revenues	62,905	48,722	*29.1*	54,079	*16.3*	233,012	298,774	350,056
EBITDA	15,521	8,982	*72.8*	12,990	*19.5*	46,580	65,661	82,040
Adjusted Profit	(4,977)	(6,514)	*NA*	(3,902)	*NA*	(21,706)	(4,742)	9,827
Adjusted Diluted EPS	(5.4)	(7.1)	*NA*	(4.3)	*NA*	(23.7)	(5.2)	10.7
Diluted P/E (x)						(4.7)	(21.4)	10.3
EV/EBITDA (x)						12.0	8.1	5.6
ROAE (%)						(7.0)	(1.7)	3.0

EDELWEISS 4D RATINGS

Absolute Rating	**BUY**
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA *(R: JNSP.BO, B: JSP IN)*

CMP	: INR 111
Target Price	: INR 155
52-week range (INR)	: 135 / 58
Share in issue (mn)	: 915.0
M cap (INR bn/USD mn)	: 102 / 1,526
Avg. Daily Vol.BSE/NSE('000)	: 14,039.3

SHARE HOLDING PATTERN (%)

	Current	**Q2FY17**	**Q1FY17**
Promoters *	61.9	61.9	61.9
MF's, FI's & BK's	4.3	1.8	1.8
FII's	15.2	17.6	18.2
Others	18.5	18.7	18.1

** Promoters pledged shares (% of share in issue) : NIL*

PRICE PERFORMANCE (%)

	Stock	**Nifty**	**EW Metals and Mining Index**
1 month	(3.4)	2.9	0.3
3 months	(7.2)	5.0	(6.6)
12 months	82.4	21.4	49.3

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Overseas subsidaries clock stellar EBITDA

Consolidated EBITDA jumped 217% YoY to INR2.6bn owing to Jindal Shadeed's improved performance. Jindal Shadeed's EBITDA grew 88% YoY to USD32mn primarily due to higher realisation and progressive ramp up of rebar mill. We expect superior performance in FY18 due to better product mix and EBITDA/t to range between USD80/t and USD90/t over the next two years.

Coal production at Australia and Mozambique is ramping up with EBITDA at AUD30.1mn and USD4.9mn, respectively, for Q4FY17. Going ahead, we expect capacity ramp at both operations to drive growth.

Table 1: EBITDA of overseas subsidiaries jumped 217% YoY (INR mn)

	Q4FY17	Q4FY16	*% Chg*	Q3FY17	*% Chg*
Revenue	13,475	7,087	90.1	10,349	30.2
EBITDA	2,566	810	216.8	2,159	18.8
EBITDA margin	19.0	11.4		20.9	

Source: Company data, Edelweiss research

JPL: EBITDA growth on better realisation

JPL's realisation jumped 24% YoY (flat QoQ) to INR4.0/unit. The company benefitted from selective sale (at higher realisation) of merchant power from its 1,000MW unit. Further, fuel cost also fell to INR2.24/unit (down 14% YoY) due to various cost efficiency measures and lower coal cost.

Table 2: Power division's performance improved on lower cost

	Q417	Q416	*% change*	Q317	*% change*
Sales (Mn units)	2,336	2,358	*(0.9)*	2,356	*(0.8)*
Realisation/unit (INR)	4.0	3.2	*24.3*	3.9	*1.9*
Operating cost/unit (INR)	2.2	2.6	*(14.1)*	2.5	*(12.1)*
EBITDA/unit (INR)	1.8	0.6	*NA*	1.4	*27.6*

Source: Company data, Edelweiss research

Domestic steel division: Record pellet sales and exports

JSPL's domestic division delivered a much improved performance with higher sales volume of pellets (up 2.7x YoY), though steel volume was lower YoY. The company has embarked on a strategy of maximising capacity utilisation of existing assets, which has yielded good returns in recent quarters.

Table 3: Pellet volumes jumped 2.7x YoY

(Tonnes)	Q417	Q416	*% change*	Q317	*% change*
Production volumes					
Steel	910,000	970,000	*(6.2)*	840,000	*8.3*
Pellets	1,700,000	1,027,811	*65.4*	1,690,000	*0.6*
Sales volumes					
Steel	920,000	1,010,000	*(8.9)*	840,000	*9.5*
Pellets	770,000	289,917	*NA*	710,000	*8.5*

Source: Company data, Edelweiss research

The company benefitted from YoY increase in longs prices and product mix refinement towards more structural steel, plates and rails in the portfolio. Consequently, blended EBITDA/t rose 18% YoY to INR5,273. Implied steel EBITDA jumped 78% YoY to INR9,092/t. We believe, ramp up of Angul blast furnace will deliver operating leverage benefits in ensuing quarters and sustain domestic EBITDA/t at INR 8,000-9,000.

Table 4: Blended EBITDA/t grew 18% YoY **(INR/t)**

	Q417	Q416	*% change*	Q317	*% change*
Average realisations	41,824	30,616	*36.6*	40,559	*3.1*
Total expenditure	36,551	26,148	*39.8*	35,835	*2.0*
EBITDA	5,273	4,468	*18.0*	4,724	*11.6*

Source: Company data, Edelweiss research

Q4FY17 Conference call: Key highlights

Overall

- Management mentioned that Q4FY17 results reaffirm the recovery in JSPL's performance. The company generated highest-ever quarterly and annual turnover in Q4FY17 and FY17, respectively. Further, it was an all-round recovery and not confined to a specific segment. All divisions remained EBITDA positive in Q4FY17.
- Working capital management continues to be an important source of cash for the company. In FY17, working capital declined substantially and almost INR13bn working capital was unlocked.
- Management stated that pursuant to commissioning of the Angul blast furnace, the company's steel capacity would expand to 9.5-10mn tonnes. They are targeting capacity utilization of 80-85% by FY19E.
- Management estimates India's steel consumption growth at 6% and 7% for CY17 and CY18, respectively, aided by government's thrust on infrastructure spending and increasing steel intensity in projects.

Standalone

- EBITDA surged 34% YoY to INR9.1bn, primarily supported by better blended realisations on account of product refinement, i.e., sales of value-added products such as rails and plates.
- Q4FY17 steel EBITDA stood at ~ INR10,000/t versus INR8,100/t in Q3FY17.
- Pellet sales jumped 33% YoY to hit the highest-ever level of 1.7mn tonnes. Management mentioned they would continue to operate the pellet plant at high capacity as the export market is witnessing good traction.
- Steel exports, in value terms, spiked 195% YoY. Management mentioned the company's value-added products are witnessing good volume traction particularly in the Middle East, Europe, Mexico and the US.
- Management expects Indian sales to grow 50% YoY in FY18, aided by ramp up at the new blast furnace.

Power

- JSPL benefitted from selective selling of power, which resulted in much higher realisation of INR4.02/unit. However, there was one-off gain of INR0.5bn due to 'Change in law' provision for one of the PPAs in Tamil Nadu.
- Management mentioned that operating cost, at INR2.24/unit, is sustainable owing to improved grades from Coal India, credit on lower grade (INR57mn in Q4FY17) and increased supplies from linkages.
- Management stated that almost 1,200MW of capacity is tied through linkages.

Overseas subsidiaries

- EBITDA/t of Jindal Shadeed increased 90% YoY to ~USD100/t compared to USD65/t in Q3FY17. Management mentioned that the company is already the leader in Oman's rebar market. They stated that ramp up of rebar mill capacity would further augment EBITDA at Oman.
- Coal mining at Mozambique was at an exit rate of 170kt per month in Q4FY17. This is expected to go up to 250kt per month in next 3-4 months.
- Coal mining at Australia stood at 80kt per month in Q4FY17. This is expected to increase in ensuing quarters as JSPL is working with the authorities for expediting the approvals or commencing production at the second mine.

Commissioning of new blast furnace

- Management mentioned that the new blast furnace at Angul is now ready for commissioning and would shortly commence commercial production.
- Associated facilities, such as, coke oven batteries and sinter plant have already been commissioned.

Q3FY17 Conference call: Key highlights

Overall

- All divisions were EBITDA positive in Q3FY17.
- Working capital management has been an important source of cash for the company. In 9mFY17, almost INR7.3bn working capital has been unlocked. Further, the working capital has come down by 50% compared to 2 years ago.
- Results include USD21mn forex loss in Australian operations.

Standalone operations

- EBITDA was up 83% YoY owing to a series of efforts taken by the management such as ramping up capacity, product refinement such as selling more rails, structural and plates rather than plain vanilla products and cost efficiencies across all parameters.
- Outlook for Q4FY17 is expected to be stable as Q3FY17.
- Steel EBITDA was at INR8,100/t during Q3FY17 compared to INR6,500/t in Q2FY17.
- Standalone debt fell to INR5.4bn as 5/25 arrangement became active. However, management guided for interest expenses at standalone operations to be similar to previous quarters.

Power division

- Management expressed hope that power demand will increase further as old power plants (more than 40 years old) are closed down in accordance with the government's recent directive.
- The company benefitted from selective selling of power, thus resulting in a much higher realisation of INR3.94/unit. Further, it has implemented various cost saving measures resulting in dip in fuel cost.
- Management is hopeful that UP PPA will be awarded in the summer as the new government assumes charge.
- Currently, 810MW of capacity is tied up. Management expects PPA for another 325MW to come up shortly resulting in rise in utilisation of power units. Contracted rates for various PPAs vary between INR3.0/unit and INR4.29/unit.
- Management expressed confidence that current high level of JPL's EBITDA is sustainable and the company should further benefit if upcoming PPAs are awarded to the company.

Overseas subsidiaries

- EBITDA/t at Jindal Shadeed increased to USD65/t compared to USD45/t in Q2FY17 and USD23/t in Q3FY16.
- Coal mining at Mozambique is expected to hit an exit rate of 2mtpa by end FY17.
- Coal mined at Mozambique is of various grades: 24% (high grade thermal), 10-12% (medium grade coal) and 30% (coking coal).

Debt and capital expenditure

- Consolidated debt is broadly constant at INR460bn.
- Capital expenditure in 9mFY17 was INR1bn. The company maintained capex guidance of INR2.2bn in FY17. However, FY18 capex is expected to be slightly lower at INR1.5bn.
- Management reiterated that priority is to reduce working capital up to the maximum extent possible.

Other updates

- With commissioning of blast furnace at Angul, the total capacity of domestic operations is likely to go up to 6.5mt.
- Sales volume target for FY17, FY18 and FY19 is likely to be 4.0-4.2mt, 6mt and 6.5mt, respectively.
- COP/t at domestic operations is likely to fall by INR2,000/t in ensuing quarters as capacity ramps up.
- The company has bagged 2mt linkages from Coal India, of which 1.3mttones is for captive power plant, while balance 0.7mt is for DRI.

Financial snapshot (INR mn)

Year to March	Q4FY17	Q4FY16	% change	Q3FY17	% change	FY17	FY18E	FY19E
Net revenues	62,905	48,722	*29.1*	54,079	*16.3*	233,012	298,774	350,056
Dec/(inc) in stock	1,812	4,349	*(58.3)*	1,080	*67.7*	-	-	-
Raw material costs	20,840	14,464	*44.1*	16,825	*23.9*	55,429	94,729	109,096
Stores & Spares	-	-		3,923	*(100.0)*	15,406	15,775	19,838
Staff costs	2,256	2,254	*0.1*	2,388	*(5.5)*	9,136	9,380	9,548
Other expenses	21,381	18,558	*15.2*	6,322	*238.2*	106,462	113,229	129,534
Total expenditure	47,384	39,740	*19.2*	41,089	*15.3*	186,432	233,113	268,016
EBITDA	15,521	8,982	*72.8*	12,990	*19.5*	46,580	65,661	82,040
Depreciation	10,059	12,324	*(18.4)*	10,274	*(2.1)*	39,490	40,741	42,975
EBIT	5,462	(3,342)	*(263.4)*	2,715	*101.1*	7,090	24,920	39,065
Other income	90	1,074	*(91.6)*	3	*2,803.2*	100	1,091	4,079
Interest	8,642	8,532	*1.3*	8,353	*3.5*	33,896	32,802	31,374
Add: Exceptional items	2,534	1,126	*125.0*	(222)	*(1,239.4)*	(3,723)	-	-
Profit before tax	(556)	(9,674)	*NA*	(5,856)	*NA*	(30,429)	(6,790)	11,770
Provision for taxes	428	(3,301)	*(113.0)*	(1,306)	*(132.7)*	(5,027)	(1,460)	2,530
Minority interest	(505)	(587)	*NA*	(458)	*NA*	(561)	(561)	(561)
Associate profit share	(16)	15	*NA*	18	*NA*	27	27	27
Reported net profit	(495)	(5,772)	*NA*	(4,074)	*NA*	(24,814)	(4,742)	9,827
Adjusted Profit	(4,977)	(6,514)	*NA*	(3,902)	*NA*	(21,706)	(4,742)	9,827
Diluted shares (mn)	915	915		915		915	915	915
Adjusted Diluted EPS	(5.4)	(7.1)	*NA*	(4.3)	*NA*	(23.7)	(5.2)	10.7
Diluted P/E (x)	-	-		-		(4.7)	(21.4)	10.3
EV/EBITDA (x)	-	-		-		12.0	8.1	5.6
ROAE (%)	-	-		-		(7.0)	(1.7)	3.0
Raw material	36.0	38.6		33.1		23.8	31.7	31.2
Employee cost	3.6	4.6		4.4		3.9	3.1	2.7
Stores & Spares	-	-		7.3		6.6	5.3	5.7
Power & fuel	-	-		18.3		-	-	-
Other expenditure	34.0	38.1		11.7		45.7	37.9	37.0
EBITDA	24.7	18.4		24.0		20.0	22.0	23.4
Adjusted net profit	(7.9)	(13.4)		(7.2)		(9.3)	(1.6)	2.8
Tax rate	(76.9)	34.1		22.3		16.5	21.5	21.5

Change in Estimates

	FY18E			FY19E			
	New	Old	*% change*	New	Old	*% change*	Comments
Net Revenue	298,774	309,747	*(3.5)*	350,056	343,018	*2.1*	Estimates revised due to delay in commissioning of blast furnace and higher depreciation.
EBITDA	65,661	72,224	*(9.1)*	82,040	81,958	*0.1*	
EBITDA Margin	*22.0*	*23.3*		*23.4*	*23.9*		
Adjusted PAT	(4,742)	(29)	*NA*	9,827	11,378	*(13.6)*	
Net Profit Margin	*(1.8)*	*(0.2)*		*2.6*	*3.2*		
Capex	15,000	10,000	*50.0*	10,000	8,000	*25.0*	

Company Description

JSPL operates the largest coal-based sponge iron plant in the world and has an installed capacity of 3 MTPA (million tonnes per annum) of steel at Raigarh in Chhattisgarh. Also, it has set up a 0.6 MTPA wire rod mill and a 1 MTPA capacity bar mill at Patratu, Jharkhand, a medium and light structural mill at Raigarh, Chhattisgarh and a 2.5 MTPA steel melting shop and a plate mill to produce up to 5m wide plates at Angul, Odisha.

The company manufactures long products in its state-of-the-art rail and universal beam mill (RUBM). JSPL is also a pioneer in manufacturing large-sized H-beams and columns for the infrastructure and construction sectors.

The company is commissioning a 3.2mtpa blast furnace at Angul that will take its domestic steel capacity to 8.5mtpa by FY19E.

JPL's 2,400MW power plant is fully capitalized, however, operating at a low PLF due to lack of PPAs

The company's international mining operations are being ramped up and expected to contribute to deliver positive EBITDA in the forecast period.

Investment Theme

JSPL's growth for the next 3 years is likely to be driven by volume ramp up at the new 3.2mtpa furnace at Angul. International mining operations are also expected to deliver positive EBITDA due to high coal prices. Low PLF at JPL, however, continues to remain a cause of concern. At CMP, the stock is trading at 5.6x FY19E EBITDA, which is at discount to other major domestic and global peers.

Key Risks

Delay in commissioning of Blast furnace at Angul

Volume ramp up at Angul being lower than expectations

Sharp decline in steel prices

Continued low utilisation at JPL

Financial Statements

Key Assumptions

Year to March	FY16	FY17	FY18E	FY19E
Macro				
GDP(Y-o-Y %)	7.2	6.5	7.1	7.7
Inflation (Avg)	4.9	4.8	5.0	5.2
Repo rate (exit rate)	6.8	6.0	5.8	5.8
USD/INR (Avg)	65.0	67.5	67.0	67.0
Sector				
HRC price-India(INR k/t)	29	34	35	34
Hard coking coal (USD/t)	85	172	169	135
Soft coking coal (USD/t)	72	145	143	114
India steel demand (%)	5	6	6	6
Company				
Steel	3.4	3.4	5.0	6.8
Pellets	1.0	2.9	3.0	3.1
Powers sales (mu)	1,350.0	-	-	-
Steel	35,132	37,831	38,347	37,762
Pellets	3,975	4,399	4,523	4,355
Power	4.1	4.1	4.1	4.1
Powers sales (mu)	8,735	8,442	11,992	8,282
Realisations (INR/u)	3.46	3.69	3.77	3.69
DRI volume (mt)	1.1	1.3	1.3	1.3
DRI realisation (INR/t)	21,909	29,586	36,009	35,137
Coal volume (mt)	0.8	1.0	3.0	3.0
Coal realisation(INR/t)	4,830	4,191	4,020	3,886
Iron Ore	3,677	3,787	3,901	4,018
Coking Coal	5,525	11,588	11,306	9,045
Employee Cost - INR mn	5,373	5,316	4,653	4,747
Fuel Cost	16,572	16,601	22,658	14,989
O & M Cost	7,078	5,190	7,361	5,802
Avg. Interest rate (%)	7.1	7.3	7.3	7.3
Depreciation rate (%)	4.3	5.0	5.0	5.0
Tax rate (%)	25.3	16.5	21.5	21.5
Net borrowings (INR mn)	462,620	453,170	427,050	348,487
Capex (INR mn)	242,018	25,000	15,000	10,000
Debtor days	31	25	22	20
Inventory days	184	177	120	105
Payable days	99	138	112	112
Cash conversion cycle	116	63	29	13

Income statement (INR mn)

Year to March	FY16	FY17	FY18E	FY19E
Net revenue	184,122	233,012	298,774	350,056
Materials costs	80,457	70,835	110,504	128,934
Employee costs	12,450	9,136	9,380	9,548
Total SG&A expenses	56,387	106,462	113,229	129,534
Total operating expenses	149,294	186,432	233,113	268,016
EBITDA	34,828	46,580	65,661	82,040
Depreciation	28,194	39,490	40,741	42,975
EBIT	6,634	7,090	24,920	39,065
Add: Other income	1,776.4	99.9	1,091.38	4,078.62
Less: Interest Expense	32,801	33,896	32,802	31,374
Add: Exceptional items	(2,358)	(3,723)	-	-
Profit Before Tax	(26,749)	(30,429)	(6,790)	11,770
Less: Provision for Tax	(6,763)	(5,027)	(1,460)	2,530
Less: Minority Interest	(980)	(561)	(561)	(561)
Associate profit share	(14)	27	27	27
Reported Profit	(19,020)	(24,814)	(4,742)	9,827
Exceptional Items	(1,762)	(3,108)	-	-
Adjusted Profit	(17,258)	(21,706)	(4,742)	9,827
Shares o /s (mn)	915	915	915	915
Adjusted Basic EPS	(18.9)	(23.7)	(5.2)	10.7
Diluted shares o/s (mn)	915	915	915	915
Adjusted Diluted EPS	(18.9)	(23.7)	(5.2)	10.7
Adjusted Cash EPS	12.0	19.4	39.3	57.7

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	81.1	80.0	78.0	76.6
EBITDA margins	18.9	20.0	22.0	23.4
Net Profit margins	(9.9)	(9.6)	(1.8)	2.6

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	(5.1)	26.6	28.2	17.2
EBITDA	(36.2)	33.7	41.0	24.9
Adjusted Profit	(429.2)	25.8	(78.2)	(307.2)
EPS	(429.2)	25.8	(78.2)	(307.2)

Balance sheet				(INR mn)
As on 31st March	**FY16**	**FY17**	**FY18E**	**FY19E**
Share capital	915	915	915	915
Reserves & Surplus	323,446	299,590	294,848	304,675
Shareholders' funds	324,361	300,505	295,763	305,590
Minority Interest	8,998	6,467	5,906	5,345
Short term borrowings	105,285	131,959	131,959	131,959
Long term borrowings	363,539	325,983	306,951	286,951
Total Borrowings	468,824	457,942	438,910	418,910
Long Term Liabilities	2,892	9,807	9,807	9,807
Def. Tax Liability (net)	60,518	48,310	48,310	48,310
Sources of funds	**865,594**	**823,032**	**798,696**	**787,962**
Gross Block	758,768	808,031	858,031	886,031
Net Block	612,122	621,895	631,154	616,179
Capital work in progress	118,266	97,162	62,162	37,047
Intangible Assets	38,588	37,430	37,430	37,430
Total Fixed Assets	768,976	756,486	730,745	690,655
Non current investments	35,638	20,156	20,156	20,156
Cash and Equivalents	6,204	4,772	11,860	70,423
Inventories	32,541	35,993	36,536	37,838
Sundry Debtors	14,292	17,166	18,372	20,929
Loans & Advances	742	3,874	3,874	3,874
Other Current Assets	67,846	62,255	62,255	62,255
Current Assets (ex cash)	115,421	119,289	121,038	124,896
Trade payable	23,177	30,287	37,720	41,629
Other Current Liab	37,468	47,384	47,384	47,384
Total Current Liab	60,645	77,671	85,104	89,014
Net Curr Assets-ex cash	54,776	41,617	35,934	35,883
Uses of funds	**865,594**	**823,032**	**798,696**	**787,962**
BVPS (INR)	354.5	328.5	323.3	334.0

Free cash flow				(INR mn)
Year to March	**FY16**	**FY17**	**FY18E**	**FY19E**
Reported Profit	(19,020)	(24,814)	(4,742)	9,827
Add: Depreciation	28,194	39,490	40,741	42,975
Interest (Net of Tax)	24,508	28,296	25,749	21,021
Others	7,327	5,012	6,464	9,765
Less: Changes in WC	(22,545)	(44,011)	(5,683)	(52)
Operating cash flow	63,554	91,995	73,895	83,640
Less: Capex	242,018	25,000	15,000	10,000
Free Cash Flow	**(178,464)**	**66,995**	**58,895**	**73,640**

Cash flow metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating cash flow	63,554	91,995	73,895	83,640
Investing cash flow	(242,788)	(9,491)	(14,973)	26,297
Financing cash flow	14,092	(47,577)	(51,835)	(51,374)
Net cash Flow	(165,143)	34,927	7,088	58,563
Capex	(242,018)	(25,000)	(15,000)	(10,000)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	(6.6)	(7.0)	(1.7)	3.0
ROACE (%)	1.1	0.9	3.5	5.9
Inventory Days	184	177	120	105
Debtors Days	31	25	22	20
Payable Days	99	138	112	112
Cash Conversion Cycle	116	63	29	13
Current Ratio	2.0	1.6	1.6	2.2
Gross Debt/EBITDA	13.5	9.8	6.7	5.1
Gross Debt/Equity	1.4	1.5	1.5	1.3
Adjusted Debt/Equity	1.4	1.5	1.5	1.3
Net Debt/Equity	1.4	1.5	1.4	1.1
Interest Coverage Ratio	0.2	0.2	0.8	1.2

Operating ratios

Year to March	FY16	FY17	FY18E	FY19E
Total Asset Turnover	0.2	0.3	0.4	0.4
Fixed Asset Turnover	0.3	0.4	0.4	0.5
Equity Turnover	0.7	0.7	1.0	1.1

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	(18.9)	(23.7)	(5.2)	10.7
Y-o-Y growth (%)	*(429.2)*	*25.8*	*(78.2)*	*(307.2)*
Adjusted Cash EPS (INR)	12.0	19.4	39.3	57.7
Diluted P/E (x)	(5.9)	(4.7)	(21.4)	10.3
P/B (x)	0.3	0.3	0.3	0.3
EV / Sales (x)	3.1	2.4	1.8	1.3
EV / EBITDA (x)	16.5	12.0	8.1	5.6

Peer comparison valuation

	Market cap	Diluted P/E (X)		EV / EBITDA (X)		ROAE (%)	
Name	(USD mn)	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Jindal Steel & Power	1,526	(21.4)	10.3	8.1	5.6	(1.7)	3.0
JSW Steel	7,214	11.8	7.7	6.2	4.7	16.9	21.7
Steel Authority of India	3,783	-	-	8.7	5.1	(1.2)	3.4
Tata Steel	7,344	11.5	8.3	6.8	5.6	11.2	13.9
Median	-	5.7	8.0	7.5	5.3	5.0	8.7
AVERAGE	-	0.5	6.6	7.5	5.2	6.3	10.5

Source: Edelweiss research

Additional Data

Directors Data

Naveen Jindal	Chairman	Ratan Jindal	Director
R V Shahi	Director	Arun K Purwar	Director
Haigreve Khaitan	Director	Hardip Singh wirk	Director
Arun Kumar	Additional Director	Shallu Jindal	Director
Ravi Uppal	Managing Director & CEO	Sudershan Kumar Garg	Independent Director
Dinesh Kumar Saraogi	Wholetime director	Rajiv Sharma	Nominee (IDBI)
Smt. Savitri Jindal	Chairperson Emeritus	Chandan Roy	Independent Director

Auditors - S S Kothari Mehta & Co

**as per last annual report*

Holding – Top 10

	Perc. Holding		Perc. Holding
HSBC	4.15	Valiant Mauritius Partners	4.14
HSBC Pooled Investment Fnd	2.29	HSBC Global Inv Mauritius	1.58
Dimensional Fund Advisors LP	1.52	Vanguard Group	1.31
L&T Investment Management Ltd	0.76	HSBC Investments Hong Kong Ltd	0.54
IDFC Mutual Fund	0.50	Birla Sun Life Asset Management	0.48

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
06 Sep 2016	Hsbc Global Investment Funds Indian Equity	Buy	7120000	82.50
06 Sep 2016	Hsbc Global Investment Fu Nds Mauritius Ltd	Sell	7120000	82.50

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
19 May 2017	SARIKA JHUNJHNUWALA	Buy	50000.00
19 Apr 2017	RAVI UPPAL	Buy	30000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Coal India	BUY	SO	M	Hindalco Industries	BUY	SO	M
Hindustan Zinc	BUY	SO	L	Jindal Steel & Power	BUY	SO	M
JSW Steel	REDUCE	SP	H	NMDC	HOLD	SP	M
Steel Authority of India	REDUCE	SU	M	Tata Steel	BUY	SO	M
Vedanta	BUY	SO	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Date: 2017.05.24 21:10:24 +05'30'

Coverage group(s) of stocks by primary analyst(s): Metals and Mining

Coal India, Hindalco Industries, Hindustan Zinc, Jindal Steel & Power, JSW Steel, NMDC, Steel Authority of India, Tata Steel, Vedanta

Recent Research

Date	Company	Title	Price (INR)	Recos
16-May-17	**Tata Steel**	Steel the thunder!; *Result Update*	457	Buy
15-May-17	**Vedanta**	Strong EBITDA growth; *Result Update*	241	Buy
12-May-17	**Metals & Mining**	Anti-dumping duty: Marginally positive; *EdelFlash*		

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

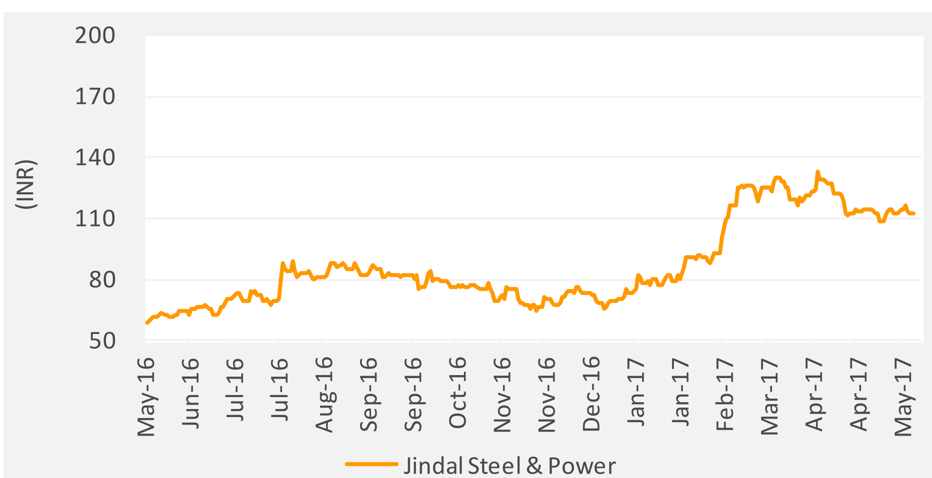
	Buy	Hold	Reduce	Total
Rating Distribution* * 1stocks under review	161	67	11	240

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	156	62	11

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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