RESULT UPDATE

JINDAL STEEL & POWER

Steady quarter, but regulatory uncertainties ahead

India Equity Research| Metals and Mining

Jindal Steel & Power's (JSPL) consolidated Q1FY18 EBITDA at INR13.5bn (up 32% YoY) was marginally ahead of consensus due to Jindal Power (JPL; EBITDA up 157% YoY to INR4.8bn) and Oman operations (EBITDA/t at ~USD90). We believe, additional steel volumes from Angul (~1.5mt) will be primary enabler for the company to turnaround by Q4FY18 despite power PLF remaining at 40% on an average. However, we believe, Supreme Court's (SC) ruling on JSPL is likely to be an overhang on the stock. Taking cognizance of Q1FY18 results, we revise up FY18/FY19E EBITDA 2%/5%. On unchanged multiples, the value comes to INR176/share. However, adjusting for potential adverse impact (~INR21/share) of SC ruling (refer, *Jindal Steel & Power - Regulatory risk, although core business stays in place; company update; Buy*), we maintain our TP of INR155 and 'BUY'.

EBITDA beat owing to Oman operations and JPL's performance

Consolidated EBITDA jumped 32% YoY to INR13.5bn primarily due to improved performance of subsidiaries: 1) higher PLF and operating cost efficiencies boosted JPL's EBITDA 157% YoY to INR4.8bn; and 2) Oman operations' EBITDA jumped 88% YoY to USD32mn (EBITDA/t at ~USD90) due to ramp up of rebar mill. However, mining operations in Australia posted a muted performance due to the contractor's insolvency. But, management expects normalcy from July.

Angul ramp up expected to be primary growth driver

We expect EBITDA margin to improve to ~24% by FY19E due to additional 1.5mt steel volume from Angul plant. This will also enable JSPL utilise its downstream capacity at Angul and Patratu, resulting in EBITDA margin improvement. Additionally, owing to the benign steel price outlook and rebar mill ramp up, we estimate EBITDA/t to sustain at USD70-90, which is likely to further propel earnings.

Outlook and valuations: Regulatory issues persist; maintain 'BUY'

We are optimistic on the long-term growth prospects of the company. However, the SC's recent ruling is likely to be an overhang on the stock and we await better clarity on the case. Adjusting for the potential adverse impact (~INR21/share) of SC ruling, we keep our target price of INR155 unchanged. We maintain **'BUY/SO'**.

Financials **(INR mn)**

Year to March	Q1FY18	Q1FY17	% Chg	Q4FY17	% Chg	FY17	FY18E	FY19E
Net revenues	56,687	46,866	21.0	62,905	(9.9)	233,012	308,443	357,182
EBITDA	13,527	10,228	32.3	15,521	(12.8)	46,580	67,119	86,415
Adjusted Profit	(3,871)	(5,135)	NA	(4,977)	NA	(21,706)	(3,623)	13,265
Adjusted Diluted EPS	(4.2)	(5.6)	NA	(5.4)	NA	(23.7)	(4.0)	14.5
Diluted P/E (x)						NA	NA	9.4
EV/EBITDA (x)						12.5	8.3	5.5
ROAE (%)						(7.0)	(1.4)	4.1

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 136
Target Price	: INR 155
52-week range (INR)	: 159 / 62
Share in issue (mn)	: 915.0
M cap (INR bn/USD mn)	: 124 / 1,949
Avg. Daily Vol.BSE/NSE('000)	: 13,333.6

SHARE HOLDING PATTERN (%)

	Current	Q4FY17	Q3FY17
Promoters *	61.9	61.9	61.9
MF's, FI's & BK's	5.2	4.3	1.8
FII's	13.7	15.2	17.6
Others	19.2	18.5	18.7

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

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Metals and Mining Index
1 month	2.9	2.5	9.9
3 months	19.5	6.3	18.4
12 months	65.3	14.2	32.6

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JPL posted impressive EBITDA growth

Consolidated EBITDA jumped 32% YoY to INR13.5bn owing to improved performance at JPL. PLF was up at 43% (primarily driven by 1,000MW plant) resulting in unit sales growing 47% YoY (36.4% QoQ) at 3,186MU. Additionally, operating cost continued to decline, coming at INR 2.1/unit due to operating efficiencies despite higher e-auction prices. As a result, JPL's EBITDA/unit was up 75% YoY.

Table 1: JPL—EBITDA/unit up 75% YoY

	Q1FY18	Q1FY17	*% change*	Q4FY17	*% change*
Sales (Mn units)	3,186	2,171	*46.8*	2,336	*36.4*
Realisation/unit (INR)	3.7	3.3	*10.1*	4.0	*(8.3)*
Operating cost/unit (INR)	2.1	2.4	*(14.3)*	2.2	*(6.9)*
EBITDA/unit (INR)	1.6	0.9	*75.2*	1.8	*(10.2)*

Source: Company, Edelweiss research

Rebar mill commissioning helps maintain EBITDA at Oman

Oman operations continued to clock robust performance. Despite being a lean quarter in terms of production, EBITDA at USD32mn was at same level as Q4FY17. EBITDA/t was steady at ~USD90. Going forward, we believe, capacity ramp up at rebar mill will further improve margin at Oman.

Domestic steel division: Steady performance

The company's domestic division delivered a steady performance YoY. Steel EBITDA came at INR9,300/t against INR8,400/t in Q1FY17. Steel shipments increased 4% YoY to 0.81mt. Pellet sales declined due to higher captive usage. Going ahead, JSPL expects operating environment to remain relatively benign due to higher international prices and stable domestic demand.

Table 2: Steel sales volumes grew 4% YoY

(Tonnes)	Q1FY18	Q1FY17	*% change*	Q4FY17	*% change*
Production Volume					
Steel	900,000	840,000	*7.1*	910,000	*(1.1)*
Pellets	1,690,000	1,560,000	*8.3*	1,700,000	*(0.6)*
Sales Volume					
Steel	810,000	780,000	*3.8*	920,000	*(12.0)*
Pellets	610,000	700,000	*(12.9)*	770,000	*(20.8)*

Source: Company, Edelweiss research

Q1FY18 conference call: Key highlights

Macro

- Management mentioned that Q1FY18 results reaffirm recovery in JSPL's performance. The company is optimistic on better demand, improved prices and better management of raw materials.
- Steel consumption growth in China has been above expectations and coupled with low imports, it has contributed to the better working environment for steel.
- Primary steel producers are taking advantage of steel consumption growth (4.5% in Q1FY18), reduced imports and higher exports.

Update on Angul

- New blast furnace was dedicated to nation in May. However, it has achieved a run rate of 5,000tonnes of production per day on August 7.
- Management expects the blast furnace to hit production rate of 8,000tonnes per day by Q3 and 10,000tonnes per day by Q4.
- Management expects Basic Oxygen Furnace (BOF) to be commissioned by Q4FY18.
- Total volume from Angul plant is expected at 3mt for FY18 with bulk of production in H2FY18.
- Management expects cost at Angul to fall post production of steel through the BOF route.

SC ruling

- Management mentioned that it has a strong ground against any claims by Odisha government as far as the Tensa mine is concerned. It also added that JSPL was the only company that contested the production number and hence SC will hear it separately.
- On the potential impact on JSPL from the likely penalty imposed on Sarda mines, management mentioned that Sarda was just a vendor and hence any such liability will be borne by Sarda without any recourse to JSPL.

Standalone

- EBITDA was up 13% YoY to INR7.5bn, primarily supported by better realisation.
- Q1FY18 steel EBITDA stood at ~INR 9,300/t versus INR8,400/t a year ago.
- Pellet sales were down 13% YoY despite production rising as captive consumption jumped. Management is optimistic that higher iron ore prices are likely to result in better realisation and export opportunities for pellets going ahead.
- Management reiterated guidance for sales volume from domestic operations to grow 50% during the year to close at 5.4-5.6mt in FY18.

Power

- JPL increased its generation, concentrating on bilateral agreements and merchant sales from the 1,000MW plant. As a result, overall PLF was at 43%.
- JSPL benefitted from selective selling of power, which resulted in much better realisation of INR3.68/unit and better cost control resulting in power cost of just INR2.04/unit, lowest level since Q2FY15.
- Management mentioned that it will be participating in the linkage auction as and when it is opened under SHAKTI for players with no PPAs and coal mines.
- Management expressed confidence of the potential of JPL in earnings generation and mentioned that the company is working towards ensuring that PLF improves hereon.

Overseas subsidiaries

- EBITDA of Jindal Shadeed was at the similar level as Q4FY17 at USD32mn. Management mentioned that despite Q1FY18 being a traditionally lean quarter in terms of production, volume was up at 340,000tonnes.
- Outlook in Oman is promising with JSPL being the preferred supplier.
- Rebar mill has already commenced production and management expects rebar sales volume to be almost 1.7mt in FY18.
- Operations at Australian coal were disrupted from May owing to the contractor becoming insolvent. However, management expects normal operations to commence from September.
- Management is hopeful of Mozambique doubling its production to 250kt/month from current level of 140kt/month.

Debt and capex

- Consolidated debt stands at INR455bn, of which INR800mn has been taken in Q1FY18 to fund the working capital requirements at Angul.
- Capital expenditure for FY18/FY19 is likely to be INR16bn/INR 13bn.
- Debt repayment at the consolidated level in FY18 is likely to be INR18.75bn.
- JSPL expects to generate enough EBITDA to fulfill its capex and debt repayment requirements.
- The company is looking to expand its pellets capacity by 15% by incremental improvement in the same plant. The payback period for such an investment is expected to be 3 months.

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.

Financial snapshot (INR mn)

Year to March	Q1FY18	Q1FY17	*% change*	Q4FY17	*% change*	FY17	FY18E	FY19E
Net revenues	56,687	46,866	*21.0*	62,905	*(9.9)*	233,012	308,443	357,182
Dec/(inc) in stock	(2,291)	(902)	*NA*	1,812	*NA*	-	-	-
Raw material costs	19,335	13,852	*39.6*	20,840	*(7.2)*	55,429	95,836	115,681
Stores & Spares	-	3,740	*(100.0)*	-		15,406	15,775	13,532
Staff costs	2,320	2,269	*2.3*	2,256	*2.8*	9,136	11,766	11,843
Other expenses	22,491	6,179	*264.0*	21,381	*5.2*	106,462	117,947	129,710
Total expenditure	43,160	36,638	*17.8*	47,384	*(8.9)*	186,432	241,324	270,767
EBITDA	13,527	10,228	*32.3*	15,521	*(12.8)*	46,580	67,119	86,415
Depreciation	9,622	9,171	*4.9*	10,059	*(4.3)*	39,490	40,741	42,975
EBIT	3,905	1,057	*269.4*	5,462	*(28.5)*	7,090	26,377	43,440
Other income	-	-		90	*(100.0)*	100	1,133	4,119
Interest	9,006	8,529	*5.6*	8,642	*4.2*	33,896	32,875	31,411
Add: Exceptional items	-	(6,333)	*(100.0)*	2,534	*(100.0)*	(3,723)	-	-
Profit before tax	(5,101)	(13,805)	*NA*	(556)	*NA*	(30,429)	(5,364)	16,149
Provision for taxes	(887)	(1,410)	*NA*	428	*NA*	(5,027)	(1,153)	3,472
Minority interest	(334)	(1,560)	*NA*	(505)	*NA*	(561)	(561)	(561)
Associate profit share	10	14	*(31.7)*	(16)	*(159.1)*	27	27	27
Reported net profit	(3,871)	(10,822)	*NA*	(495)	*NA*	(24,814)	(3,623)	13,265
Adjusted Profit	(3,871)	(5,135)	*NA*	(4,977)	*NA*	(21,706)	(3,623)	13,265
Diluted shares (mn)	915	915		915		915	915	915
Adjusted Diluted EPS	(4.2)	(5.6)	*NA*	(5.4)	*NA*	(23.7)	(4.0)	14.5
Diluted P/E (x)						(5.7)	(34.3)	9.4
EV/EBITDA (x)						12.5	8.3	5.5
ROAE (%)						(7.0)	(1.4)	4.1
As a % of Revenue								
Raw material	30.1	27.6		36.0		23.8	31.1	32.4
Employee cost	4.1	4.8		3.6		3.9	3.8	3.3
Stores & Spares	-	8.0		-		6.6	5.1	3.8
Power & fuel	-	22.9		-		-	-	-
Other expenditure	39.7	13.2		34.0		45.7	38.2	36.3
EBITDA	23.9	21.8		24.7		20.0	21.8	24.2
Adjusted net profit	(6.8)	(11.0)		(7.9)		(9.3)	(1.2)	3.7
Tax rate	17.4	10.2		(76.9)		16.5	21.5	21.5

Change in Estimates

	FY18E			FY19E			
	New	Old	*% change*	New	Old	*% change*	Comments
Net Revenue	308,443	298,774	*3.2*	357,182	350,056	*2.0*	Estimates changed for Oman division and JPL taking cognizance of Q1FY18 performance and outlook
EBITDA	67,118	65,661	*2.2*	86,415	82,040	*5.3*	
EBITDA Margin	*21.8*	*22.0*		*24.2*	*23.4*		
Adjusted PAT	(3,623)	(4,742)	*(23.6)*	13,265	9,827	*35.0*	
Net Profit Margin	*(1.4)*	*(1.8)*		*3.6*	*2.6*		
Capex	16,000	15,000	*6.7*	13,000	10,000	*30.0*	

Company Description

JSPL operates the largest coal-based sponge iron plant in the world and has an installed capacity of 3mtpa of steel at Raigarh in Chhattisgarh. Also, it has set up a 0.6mtpa wire rod mill and a 1mtpa capacity bar mill at Patratu, Jharkhand, a medium and light structural mill at Raigarh, Chhattisgarh and a 2.5mtpa 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 capitalised; however, operating at a low PLF due to lack of PPAs. The company's international mining operations are being ramped up and expected 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 5.5x 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	4.5	4.0	4.5
Repo rate (exit rate)	6.8	6.3	5.8	5.8
USD/INR (Avg)	65.0	67.5	66.0	66.0
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	37,774	37,239
Pellets	3,975	4,399	4,455	4,290
Power	4.1	4.1	4.1	4.1
Powers sales (mu)	8,735	8,442	13,717	8,282
Realisations (INR/u)	3.46	3.69	3.62	3.69
DRI volume (mt)	1.1	1.3	1.3	1.3
DRI realisation (INR/t)	21,909	30,261	46,324	45,392
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	11,138	8,910
Employee Cost - INR mn	5,373	5,316	5,394	5,503
Fuel Cost	16,572	16,601	26,267	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	428,125	347,523
Capex (INR mn)	242,018	25,000	16,000	13,000
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	308,443	357,182
Materials costs	80,457	70,835	111,611	129,214
Employee costs	12,450	9,136	11,766	11,843
Total SG&A expenses	56,387	106,462	117,947	129,710
Total operating expenses	149,294	186,432	241,324	270,767
EBITDA	34,828	46,580	67,119	86,415
Depreciation	28,194	39,490	40,741	42,975
EBIT	6,634	7,090	26,377	43,440
Add: Other income	1,776.4	99.9	1,133.43	4,119.00
Less: Interest Expense	32,801	33,896	32,875	31,411
Add: Exceptional items	(2,358)	(3,723)	-	-
Profit Before Tax	(26,749)	(30,429)	(5,364)	16,149
Less: Provision for Tax	(6,763)	(5,027)	(1,153)	3,472
Less: Minority Interest	(980)	(561)	(561)	(561)
Associate profit share	(14)	27	27	27
Reported Profit	(19,020)	(24,814)	(3,623)	13,265
Exceptional Items	(1,762)	(3,108)	-	-
Adjusted Profit	(17,258)	(21,706)	(3,623)	13,265
Shares o /s (mn)	915	915	915	915
Adjusted Basic EPS	(18.9)	(23.7)	(4.0)	14.5
Diluted shares o/s (mn)	915	915	915	915
Adjusted Diluted EPS	(18.9)	(23.7)	(4.0)	14.5
Adjusted Cash EPS	12.0	19.4	40.6	61.5

Common size metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating expenses	81.1	80.0	78.2	75.8
EBITDA margins	18.9	20.0	21.8	24.2
Net Profit margins	(9.9)	(9.6)	(1.3)	3.6

Growth ratios (%)

Year to March	FY16	FY17	FY18E	FY19E
Revenues	(5.1)	26.6	32.4	15.8
EBITDA	(36.2)	33.7	44.1	28.8
Adjusted Profit	(429.2)	25.8	(83.3)	(466.1)
EPS	(429.2)	25.8	(83.3)	(466.1)

Balance sheet				(INR mn)
As on 31st March	**FY16**	**FY17**	**FY18E**	**FY19E**
Share capital	915	915	915	915
Reserves & Surplus	323,446	299,590	295,967	309,232
Shareholders' funds	324,361	300,505	296,882	310,147
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	308,951	285,951
Total Borrowings	468,824	457,942	440,910	417,910
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**	**801,815**	**791,519**
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	63,162	40,047
Intangible Assets	38,588	37,430	37,430	37,430
Total Fixed Assets	768,976	756,486	731,745	693,655
Non current investments	35,638	20,156	20,156	20,156
Cash and Equivalents	6,204	4,772	12,784	70,386
Inventories	32,541	35,993	37,264	37,272
Sundry Debtors	14,292	17,166	19,522	20,579
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	122,916	123,981
Trade payable	23,177	30,287	38,401	41,120
Other Current Liab	37,468	47,384	47,384	47,384
Total Current Liab	60,645	77,671	85,786	88,504
Net Curr Assets-ex cash	54,776	41,617	37,130	35,476
Uses of funds	**865,594**	**823,032**	**801,815**	**791,519**
BVPS (INR)	354.5	328.5	324.5	339.0

Free cash flow				(INR mn)
Year to March	**FY16**	**FY17**	**FY18E**	**FY19E**
Reported Profit	(19,020)	(24,814)	(3,623)	13,265
Add: Depreciation	28,194	39,490	40,741	42,975
Interest (Net of Tax)	24,508	28,296	25,807	21,045
Others	7,327	5,012	6,480	9,778
Less: Changes in WC	(22,545)	(44,011)	(4,487)	(1,653)
Operating cash flow	63,554	91,995	73,893	88,716
Less: Capex	242,018	25,000	16,000	13,000
Free Cash Flow	**(178,464)**	**66,995**	**57,893**	**75,716**

Cash flow metrics

Year to March	FY16	FY17	FY18E	FY19E
Operating cash flow	63,554	91,995	73,893	88,716
Investing cash flow	(242,788)	(9,491)	(15,973)	23,297
Financing cash flow	14,092	(47,577)	(49,908)	(54,411)
Net cash Flow	(165,143)	34,927	8,012	57,602
Capex	(242,018)	(25,000)	(16,000)	(13,000)

Profitability and efficiency ratios

Year to March	FY16	FY17	FY18E	FY19E
ROAE (%)	(6.6)	(7.0)	(1.4)	4.1
ROACE (%)	1.1	0.9	3.6	6.4
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	6.6	4.8
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	1.4

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	0.5	0.5
Equity Turnover	0.7	0.7	1.0	1.2

Valuation parameters

Year to March	FY16	FY17	FY18E	FY19E
Adj. Diluted EPS (INR)	(18.9)	(23.7)	(4.0)	14.5
Y-o-Y growth (%)	*(429.2)*	*25.8*	*(83.3)*	*(466.1)*
Adjusted Cash EPS (INR)	12.0	19.4	40.6	61.5
Diluted P/E (x)	(7.2)	(5.7)	(34.3)	9.4
P/B (x)	0.4	0.4	0.4	0.4
EV / Sales (x)	3.2	2.5	1.8	1.3
EV / EBITDA (x)	17.1	12.5	8.3	5.5

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	1,949	NA	9.4	8.3	5.5	(1.4)	4.1
JSW Steel	8,726	14.4	9.4	7.0	5.4	16.9	21.7
Steel Authority of India	3,975	NA	15.4	15.0	8.5	(1.7)	4.5
Tata Steel	9,205	12.0	10.2	6.8	5.8	13.2	13.9
Median	-	13.2	9.8	7.6	5.7	5.9	9.2
AVERAGE	-	13.2	11.1	9.3	6.3	6.8	11.1

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	3.75	Valiant Mauritius Partners	2.49
HSBC Pooled Investment Fnd	2.03	Dimensional Fund Advisors LP	1.52
HSBC Global Inv Mauritius	1.34	Vanguard Group	1.23
L&T Investment Management Ltd	0.91	IDFC Mutual Fund	0.57
Canara HSBC Oriental Bank of Com	0.55	HSBC Investments Hong Kong Ltd	0.54

**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: 2017.08.09 19:06:38 +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
07-Aug-17	**Tata Steel**	Extends impressive performance; *Result Update*	600	Buy
07-Aug-17	**Hindalco Industries**	Novelis Q1FY18: Sustained outperformance; *Company Update*	228	Buy
03-Aug-17	**Jindal Steel and Power**	Regulatory risk, although core business stays in place; *Company Update*	142	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

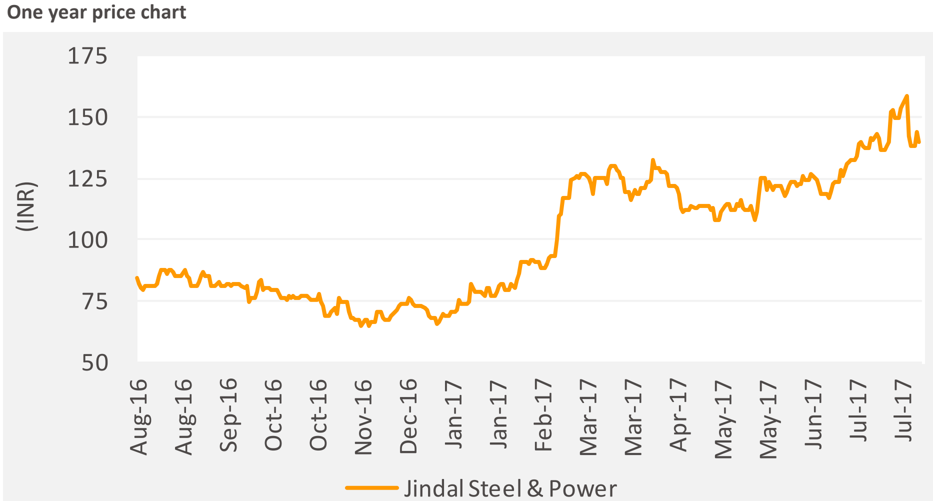
	Buy	Hold	Reduce	Total
Rating Distribution* * 1stocks under review	161	67	11	240

	> 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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