

Jindal Steel and Power

BSE SENSEX	S&P CNX
39,110	11,738
Bloomberg	JSP IN
Equity Shares (m)	973
M.Cap.(INRb)/(USDb)	147.2 / 2.1
52-Week Range (INR)	251 / 123
1, 6, 12 Rel. Per (%)	-15/-22/-50
12M Avg Val (INR M)	2066
Free float (%)	41.3

Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	393.7	395.4	404.1
EBITDA	84.1	79.2	87.0
PAT	3.2	-12.1	-0.9
EPS (INR)	11.5	-12.5	-0.9
Gr. (%)	-236.0	-208.1	-92.8
BV/Sh (INR)	335.0	321.6	320.7
RoE (%)	3.6	-3.8	-0.3
RoCE (%)	5.3	4.7	5.9
P/E (x)	13.2	-12.2	-169.6
P/BV (x)	0.5	0.5	0.5

Estimate change

TP change

Rating change



CMP: INR152

TP: INR217(+43%)

Buy

Subsidiary performance and exceptions drag 4Q

Steel business ramping up, power outlook improving; Reiterate Buy

- 4QFY19 consolidated EBITDA at INR18.5b (-11% QoQ) came in 12% below our estimate due to (1) higher coal costs for Jindal Power, (2) low margins at Oman Steel, and (3) shutdown at Wongawalli mine. Interest cost increased 11% QoQ to INR11.6b on rising interest rates and LC discounting. Cash PAT (pre-tax and MI) declined 35% QoQ to INR6.8b (v/s. our estimate of INR10.6b).
- Non-cash exceptions drag reported performance:** JSP incurred write-offs of INR17.3b related to (1) additional coal penalty (INR13.5b), (2) electricity duty dispute (INR3.1b), and (3) PGP plant at Barbil (INR0.7b). We, however, note that these charges are pertaining to previous years and are non-cash in nature. JSP has also impaired INR12.9b of assets given the Wongawalli mine shutdown.
- Standalone steel sales rose 24% QoQ (+20% YoY) to 1.51mt, but EBITDA/t declined 20% QoQ to INR9,931 due to lower spreads.
- For FY19, EBITDA increased ~30% YoY to INR84.1b, led by ~26% growth in steel sales (India + Oman). Cash PAT (pre-tax and MI) increased ~60% YoY.

Ramp-up in operations to facilitate FCF generation/debt reduction; Maintain Buy

- Angul continues to ramp up, highlighted by JSP's 4Q exit run-rate of >6mtpa. We expect Indian steel volumes to rise 22% YoY to 6.2mt, helping to offset any weakness in steel prices.
- Outlook for the power business is improving. JSP is L1 in 515MW of bids and is well placed in the upcoming 3,000MW tender by Gujarat, given its proximity to coal mines.
- Net debt (excl. acceptances) has reduced ~INR34b YoY. With major capex now behind, FCF generation should continue and aid debt reduction (~INR48b in next two-years). The stock trades attractively at 10% FY20 FCF yield. We have cut consol. EBITDA estimate by 10%/12% for FY20/FY21E to INR79b/INR87b on lower margins in Oman and higher power cost in JPL. We value the stock at INR217/sh. based on SOTP (Exhibit 15). Re-iterate **Buy**.

Quarterly Performance (Consolidated) – INR m

Y/E March	FY18				FY19				FY18	FY19	vs Est (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	59,096	61,234	69,926	85,988	96,654	99,823	95,656	101,590	276,244	393,721	97,767	4
Change (YoY %)	26.9	31.2	29.3	36.7	63.6	63.0	36.8	18.1	31.4	42.5	13.7	
EBITDA	13,527	13,734	16,065	21,365	22,766	22,074	20,769	18,447	64,691	84,056	21,030	-12
Change (YoY %)	37.5	61.9	25.8	37.7	68.3	60.7	29.3	-13.7	38.8	29.9	-1.6	
Interest	9,006	9,268	9,670	10,714	9,729	10,858	10,424	11,631	38,657	42,642	10,478	11
Depreciation	9,622	9,977	9,632	9,599	10,399	10,314	10,357	10,867	38,830	41,938	10,738	1
Other Income	0	14	10	5	0	9	148	0	29	157	9	
PBT (before EO item)	-5,101	-5,496	-3,227	1,057	2,637	911	136	-4,051	-12,767	-367	-178	2,175
Extra-ordinary Income	0	-1,497	0	-4,376	0	2,555	0	-30,204	-5,874	-27,650	0	
PBT (after EO item)	-5,101	-6,994	-3,227	-3,319	2,637	3,466	136	-34,255	-18,641	-28,017	-178	19,141
Total Tax	-887	-1,999	-457	944	1,538	674	1,008	-7,122	-2,398	-3,902	702	
Reported PAT	-4,214	-4,995	-2,770	-4,264	1,099	2,792	-872	-27,133	-16,243	-24,115	-880	2,983
MI - Loss/(Profit)	-334	-497	-67	-1,166	-709	-645	-614	-5,676	-2,064	-7,644	-654	
Adjusted PAT	-3,871	-2,982	-2,660	1,295	1,808	882	-258	746	-8,218	3,178	-200	-473
Change (YoY %)	-15.2	-60.0	-34.7	-142.8	-146.7	-129.6	-90.3	-42.4	-57.0	-138.7	-115.4	

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Conference call takeaways

- **Indian steel operations:**
 - Value added portfolio currently accounts for ~62% of its product portfolio.
 - The company expects INR1,500-2,000 cost savings led by ramp-up at Angul and other operational initiatives.
 - Product mix is improving with higher share of rail and structural business. This would lead to ~INR1,000 improvement in NSR.
- **Steel demand:** Company expects Indian steel demand to grow at 6.5-7% in FY20. Growth in global steel demand is expected at 1.3%.
- **Steel prices:** JSPL expects domestic prices to improve as global iron ore prices rise due to supply issues at Vale and improvement in domestic liquidity conditions, post elections.
- **Exceptional items:** The company incurred exceptional charges of INR17.3b pertaining to
 - INR12.7b write-off on account of penalty paid for the captive coal mine cancelled in 2014 by the Supreme Court order.
 - NR3.1b of disputed electricity duty and other exemption provided by Chhattisgarh state.
 - INR0.7b of write-off related to Producer Gas plant at Barbil.
 - INR0.8b related to write-off of coal levy linked to the Power business.
- **Australia mines:** Wongawilli coal mine has been put under care & maintenance in 4QFY19. JSP has carried out an impairment of AUD250m (INR12.6b) for the same. The remaining value of its Australian mine assets is ~AUD500m. The company noted that no covenant breach has taken place for its loans at Australian mines; current debt in Australia mines is USD400m. The company is confident of getting approval to restart operations at its Russel Vale mines.
- **Deleverage:** JSP has deleveraged ~INR40b through its operating cash flows in FY19 and hopes to deleverage another ~INR50b in FY20.
- **Divestment:** JSP aims to generate cash proceeds through divestment in (1) Botswana of ~USD150-200m, (2) Iron ore mine in Africa of USD100m, and (3) part sale of its business in Oman at USD200-300m. The company hopes to reduce its debt by INR30b through asset divestments.
- **Capital expenditure:** Capex for FY19 was ~INR10.9b. Cash capex though was lower at ~INR4.6b.
- **Power:** Outlook for Power has been improving on the back of government initiatives and higher coal availability. Generation for JPL has ramped up to 1,700MW v/s 1,400MW. Besides, JSP is L1 for 515MW in the recent 2,500MW pilot scheme tender. The company expects the government to float another tender for procurement of 2,500MW of power. JSP stated that it is keen to participate in Gujarat government's 3,000MW tender; it seeks to provide 1,700MW for the same.
- **Angul:** It is currently operating at 10ktpd run-rate and cost of production of steel at Angul is now lower than its Raigarh unit. The company's Angul unit realized INR800/t of efficiency gains in 4QFY19. Ramp-up at Angul and operational initiatives are expected to result in INR2,500-3,000/t savings at the plant. The company has currently halted its operations for the CGP-DRI plant as it prefers production through the BF route.

Standalone: Lower realizations offset increase in volumes

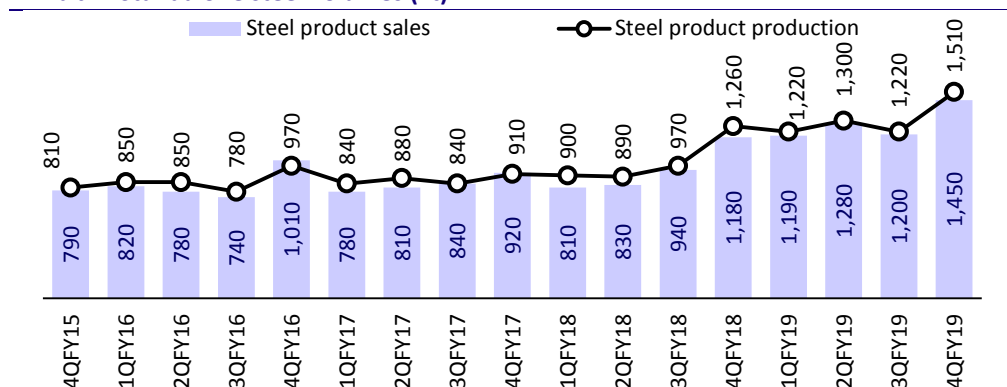
Exhibit 1: Quarterly Performance (standalone)

Y/E March	FY18								FY19				FY18		FY19	
	FY18				FY19				FY19				FY18		FY19	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY18	FY19	FY18	FY19
Net Sales	36,146	36,678	42,721	57,516	67,339	68,488	67,309	74,024	173,061	277,160						
NSR (INR/t)	40,859	39,009	40,358	44,666	52,054	49,170	52,949	47,509								
Change (YoY %)	15.7	17.3	21.4	41.0	86.3	86.7	57.6	28.7	25.0	60.2						
EBITDA	7,495	7,837	9,211	15,188	16,451	14,521	14,801	14,399	39,731	60,172						
As % of Net Sales	20.7	21.4	21.6	26.4	24.4	21.2	22.0	19.5	23.0	21.7						
Interest	5,323	5,783	5,942	6,864	6,054	6,758	6,351	9,795	23,912	28,958						
Depreciation	4,806	4,958	4,650	4,683	5,767	5,825	5,722	5,779	19,097	23,092						
Other Income	0	0	0	0	0	0	145	0	0	145						
PBT (before EO item)	-2,634	-2,903	-1,382	3,641	4,630	1,938	2,873	-1,174	-3,278	8,266						
Extra-ordinary Income	0	-1,497	0	-1,943	0	2,555	0	-16,538	-3,440	-13,984						
PBT (after EO item)	-2,634	-4,400	-1,382	1,698	4,630	4,492	2,873	-17,713	-6,718	-5,718						
Total Tax	-857	-1,848	-644	247	1,307	666	1,107	-6,149	-3,102	-3,069						
% Tax	32.5	42.0	46.6	14.6	28.2	14.8	38.5	34.7	46.2	53.7						
Reported PAT	-1,777	-2,552	-737	1,451	3,323	3,827	1,766	-11,564	-3,616	-2,649						

Source: MOFSL

Strong growth in volumes as new capacity ramps up

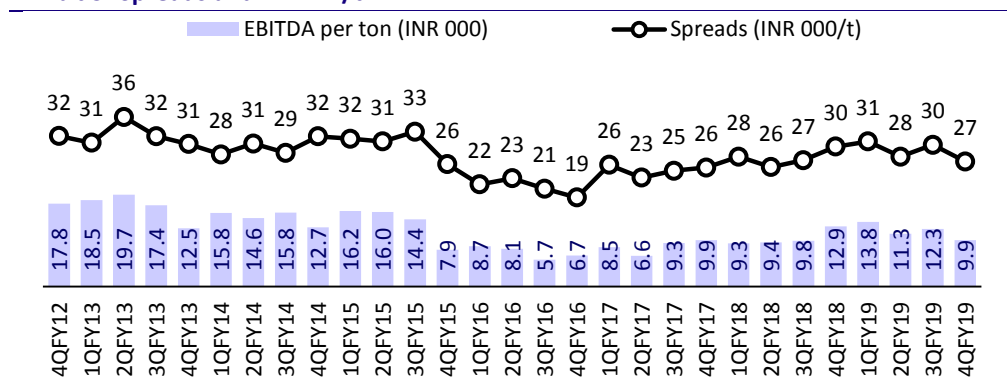
Exhibit 2: Standalone steel volumes (kt)



Source: MOFSL

Spreads declined due to drop in steel realizations

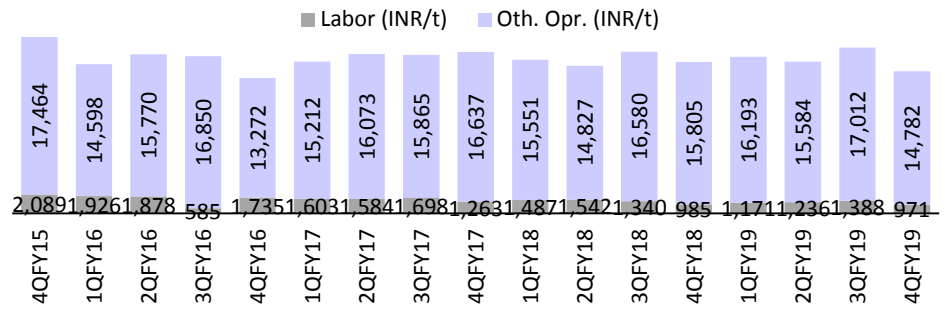
Exhibit 3: Spreads and EBITDA/t



Source: MOFSL

Operating leverage benefit as volumes grow

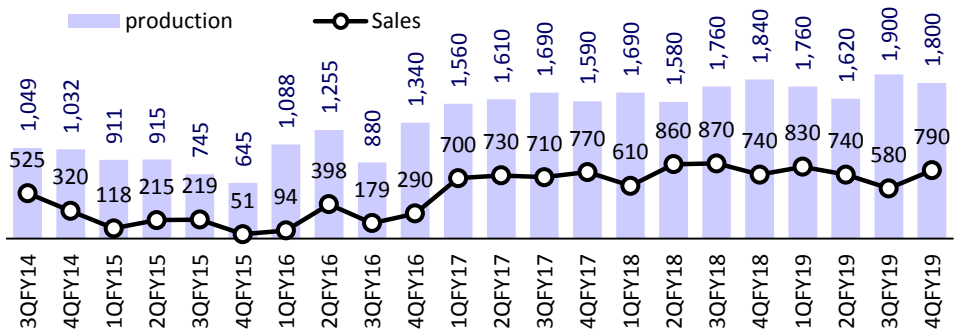
Exhibit 4: Operating cost



Source: MOFSL

Pellet sales too have increased.

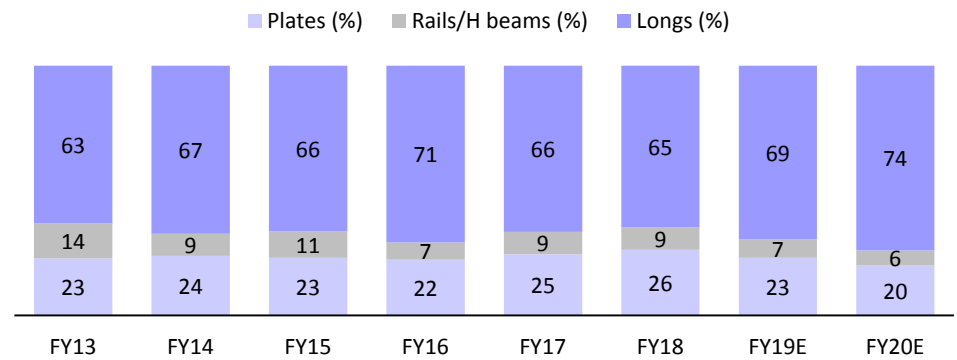
Exhibit 5: Pellet volumes (kt)



Source: MOFSL

Longs dominate steel product mix

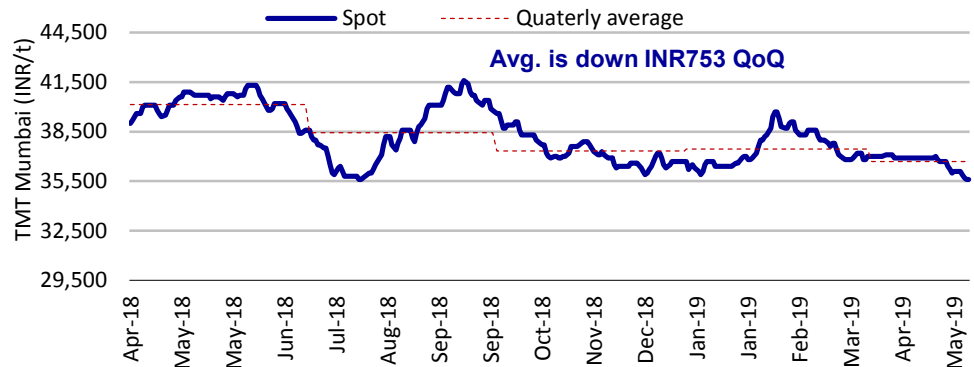
Exhibit 6: Product mix



Source: MOFSL

Longs product prices have corrected

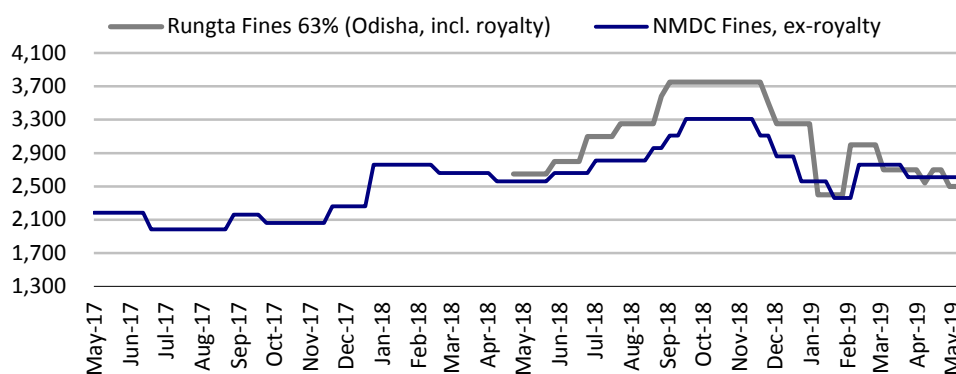
Exhibit 7: Long product prices



Source: MOFSL

Domestic iron ore prices have lowered

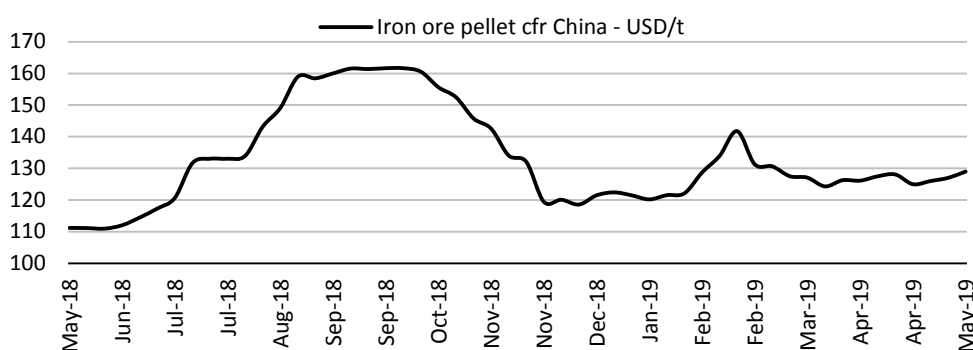
Exhibit 8: Domestic iron ore fines' prices



Source: MOFSL

Pellet prices have been firm

Exhibit 9: Iron ore pellet (China CFR) – USD/t



Source: MOFSL

Exhibit 10: Quarterly Performance (Subsidiaries and associates)

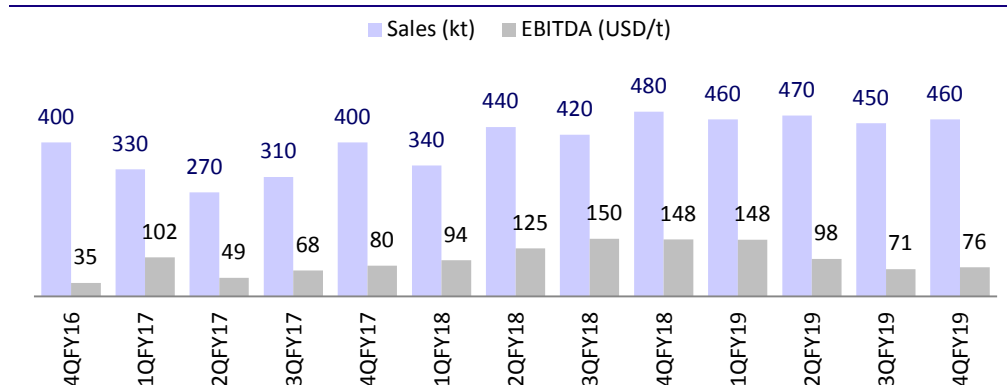
Y/E March	FY18								FY19				vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY18	FY19	4QE		
Sales volume (kt)													
Oman HBI									-476				
Oman Steel	340	440	420	480	460	470	450	430	1,680	1,810	430	0	
Net Sales	22,951	24,556	27,204	28,472	29,315	31,335	28,347	27,566	103,183	116,562	30,068	-8	
Change (YoY %)	49.8	59.5	44.0	28.8	27.7	27.6	4.2	-3.2	43.9	13.0	5.6		
EBITDA	6,032	5,897	6,854	6,178	6,315	7,553	5,968	4,048	24,961	23,884	6,765	-40	
Change (YoY %)	85.7	85.8	39.1	-3.3	4.7	28.1	-12.9	-34.5	40.7	-4.3	9.5		
As % of Net Sales	26.3	24.0	25.2	21.7	21.5	24.1	21.1	14.7	24.2	20.5	22.5		
Jindal Power	4,680	3,450	3,560	2,650	3,140	3,020	2,730	2,670	14,340	11,560	4,077	-35	
Oman Steel	2,096	3,630	4,190	4,757	4,556	3,229	2,192	2,468	14,673	12,445	3,687	-33	
Others	-744	-1,183	-895	-1,229	-1,381	1,304	1,046	-1,090	-4,052	-121	-999	9	
Interest	3,683	3,485	3,728	3,850	3,676	4,100	4,073	1,836	14,745	13,684	3,736	-51	
Depreciation	4,816	5,019	4,982	4,917	4,633	4,489	4,635	5,089	19,734	18,845	4,960	3	
Other Income	0	14	10	5	0	9	3	0	29	12	9	-100	
PBT (before EO item)	-2,467	-2,593	-1,845	-2,584	-1,993	-1,027	-2,737	-2,877	-9,489	-8,633	-1,922	50	
Extra-ordinary Income	0	0	0	-2,433	0	0	0	-13,666	-2,433	-13,666	0		
PBT (after EO item)	-2,467	-2,593	-1,845	-5,018	-1,993	-1,027	-2,737	-16,542	-11,923	-22,299	-1,922	761	
Total Tax	-30	-151	188	697	230	8	-98	-973	704	-833	353		
% Tax	1.2	5.8	-10.2	-13.9	-11.6	-0.8	3.6	5.9	-5.9	3.7	-18.4		
Reported PAT	-2,437	-2,443	-2,033	-5,714	-2,224	-1,035	-2,639	-15,569	-12,626	-21,466	-2,275	584	

Source: MOFSL

- **Oman:** Steel sales increased 2% QoQ (-4% YoY) to 460kt. EBITDA per ton remained subdued at USD76/t (+7% QoQ) on lower steel prices.

Oman steel was impacted by lower realizations

Exhibit 11: Oman steel



Source: MOFSL

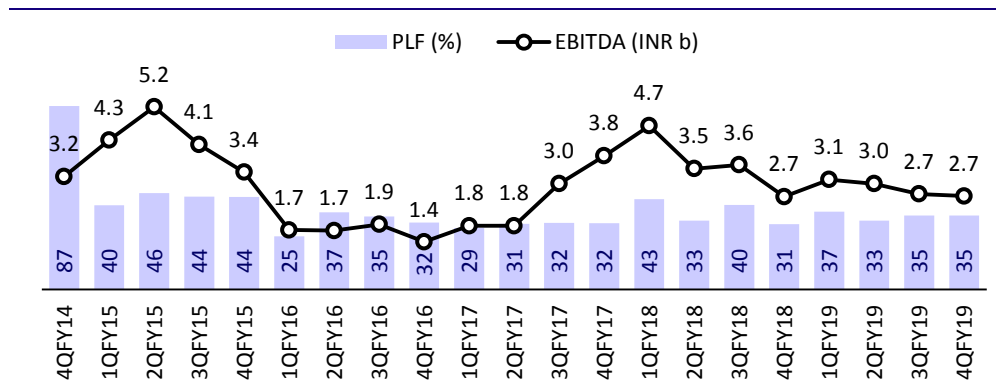
- **Jindal Power (JPL):** PLF was stable QoQ at 35%. EBITDA declined ~2% QoQ to INR2.7b on the back of higher coal costs through e-auction.

Exhibit 12: Quarterly Performance (Jindal Power)

Y/E March	INR million											
	FY18				FY19				FY18	FY19E	vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Capacity	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	0
PLF	43%	33%	40%	31%	37%	33%	35%	35%	37%	35%	40%	
Gross generation (MU)	3,186	2,427	2,982	2,310	2,751	2,427	2,609	2,609	10,905	10,396	2,935	-11
Est. Power sales (MU)	2,931	2,233	2,743	2,125	2,482	2,190	2,354	2,400	10,033	9,426	2,647	-9
Net Sales	10,790	8,780	11,720	9,520	8,680	9,110	10,040	9,990	40,810	36,064	10,315	-3
(INR/kwh)	3.68	3.93	4.27	4.48	3.50	4.16	4.27	4.16	4.07	3.83	3.90	6.8
EBITDA	4,680	3,450	3,560	2,650	3,140	3,020	2,730	2,670	14,340	9,804	4,077	-35
(INR/kwh)	1.6	1.5	1.3	1.2	1.3	1.4	1.2	1.1	1.4	1.0	1.5	-27.8
Reported PAT	-320	-1,760	-1,730	-2,720	-1,340	-1,530	-1,600	130	-7,330	-12,310	-1,506	-109

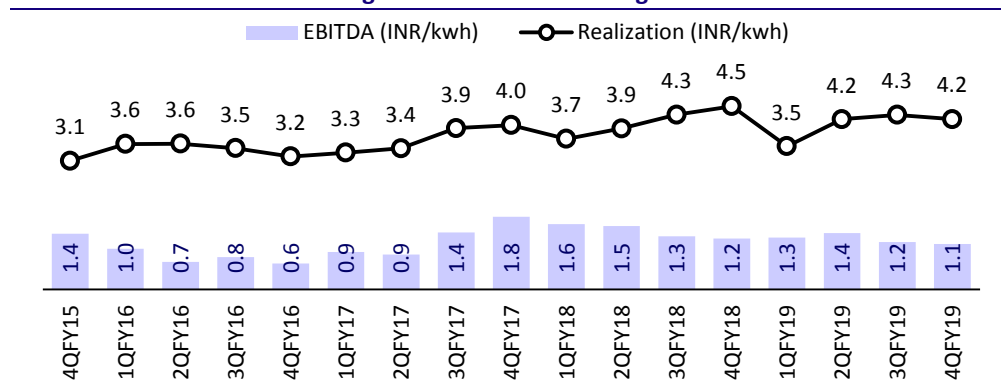
Source: MOFSL

Exhibit 13: Jindal Power – EBITDA and PLF



Source: MOFSL

Exhibit 14: Jindal Power – average rates and EBITDA margins



Source: MOFSL

Exhibit 15: Sum of the parts valuations

Y/E March	INR million						
	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Steel Business							
A. EBITDA	37,618	27,810	36,133	50,351	74,252	64,585	66,423
B. Target EV/EBITDA(x)			6.0	6.0	6.0	6.0	6.0
C. EV (AxB)			216,795	302,107	445,509	387,507	398,535
Jindal Power (JPL)							
D. PV of JPL's FCF			235,369	191,121	201,501	210,645	215,056
Consolidated							
EBITDA	54,598	34,410	46,613	64,691	84,056	79,166	87,043
E. Enterprise Value (C+D)			452,164	493,228	647,011	598,152	613,591
F. Net Debt	443,617	463,928	461,427	438,319	404,306	386,952	355,874
Equity Value (E-F+G*(1-H%))						211,200	257,717
Target price (INR/share)						217	265

Source: MOFSL

Exhibit 16: Key operating and financial parameters

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Net sales	201,592	183,709	210,194	276,244	393,721	395,385	404,088
Steel business (incl. CPP)	169,312	153,559	179,004	235,434	357,657	350,321	356,678
Standalone	140,994	127,126	138,481	173,061	277,160	286,054	294,692
Steel sales (kt)	2,930	3,350	3,350	3,760	5,120	6,228	6,353
Pellet sales (kt)	604	962	2,910	3,080	2,940	2,690	0
Oman	31,243	26,439	30,810	47,765	67,942	64,268	64,910
HBI (kt) production	1,420	1,509	1,330	1,670	1,710	1,796	0
Steel (kt) sales	534	1,050	1,330	1,670	1,710	1,796	0
Wollongong (GNM)	466	1,065	2,039	1,672	2,153	0	0
Coking coal (kt)	171	304	240	400	400	0	0
Others	-3,391	-1,072	7,674	12,936	10,403	0	-2,925
Jindal power	32,280	30,150	31,190	40,810	36,064	45,064	47,410
PLF (%)	40	29	31	37	35	43	44
Sales (Mkwh)	8,969	8,730	8,442	10,033	9,426	11,573	13,033
EBITDA	54,598	34,410	46,613	64,691	84,056	79,166	87,043
Steel business (incl. CPP)	37,618	27,810	36,133	50,351	74,252	64,585	66,423
(a) Standalone	37,057	24,392	28,877	39,731	60,172	59,150	60,333
EBITDA/t of steel	12,646	7,281	8,620	10,567	11,752	9,497	9,497
(b) Global Venture	561	3,419	7,255	10,621	14,080	5,435	6,090
1. Oman	7,235	4,057	6,741	14,673	13,184	9,495	9,590
EBITDA/t	5,096	3,864	5,068	8,786	7,710	5,288	
2. Wollongong (GNM)	-2,794	-196	1,141	835	1,145	-1,260	-1,260
EBITDA/t of coal		-644					
3. Others	-3,879	-442	-627	-4,887	-249	-2,800	-2,240
Jindal power	16,980	6,600	10,480	14,340	9,804	14,581	20,621
EBITDA (INR/kwh)	1.9	0.8	1.2	1.4	1.0	1.3	1.6
Depn. & Amortization	27,328	28,194	39,490	38,830	41,938	42,920	43,312
EBIT	27,270	6,216	7,122	25,861	42,118	36,246	43,732
Net Interest	25,837	32,808	34,240	38,657	42,642	44,421	40,630
Other income	2,256	2,200	411	29	157	30	0
PBT before EO	3,689	-24,391	-26,706	-12,767	-367	-8,145	3,102
EO income	-19,116	-2,358	-3,723	-5,874	-27,650	0	0
Tax	-882	-6,763	-5,027	-2,398	-3,902	4,117	4,005
Reported PAT	-14,546	-19,987	-25,402	-16,243	-24,115	-12,261	-904

Source: MOFSL

Exhibit 17: Metals valuation

	Rating	CMP (INR)	MCAP (USD M)	EPS			P/E (x)		EV/EBITDA (x)		P/B(x)	
				FY18	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Steel												
Tata Steel	Neutral	474	6,539	69.5	88.6	78.6	5.3	6.0	5.2	5.7	0.9	0.8
JSW Steel	Buy	277	9,511	23.4	30.6	21.2	9.1	13.1	6.6	7.8	2.1	1.9
JSPL	Buy	152	1,977	-8.5	11.5	-12.5	13.2	-12.2	6.6	6.8	0.5	0.5
SAIL	Neutral	51	2,988	0.3	5.0	6.1	10.2	8.4	7.2	6.2	0.5	0.5
Non-Ferrous												
Hindalco	Buy	198	5,806	18.9	24.7	22.9	8.0	8.6	5.3	5.8	1.1	1.0
Nalco	Buy	50	1,833	5.1	8.8	5.7	5.7	8.7	2.5	4.3	0.9	1.0
Vendanta	Sell	166	7,013	20.4	18.1	16.6	9.2	10.0	5.8	4.6	1.0	1.0
Rain Ind.	Buy	108	517	23.7	20.4	11.7	5.3	9.2	5.1	6.9	0.8	0.8
Mining												
Coal India	Buy	240	21,568	19.2	27.4	29.0	8.8	8.3	4.0	4.1	7.2	6.6
Hindustan Zinc	Neutral	251	15,085	21.1	18.8	21.6	13.3	11.6	8.4	6.9	3.2	2.7
NMDC	Buy	95	5,341	13.1	15.4	10.7	6.2	8.8	3.4	5.0	1.1	1.1

*Represents CY

Source: MOFSL, Company

Financials and Valuations

Income Statement (Consolidated)						(INR Million)	
Y/E March	2015	2016	2017	2018	2019	2020E	2021
Net sales	201,592	183,709	210,194	276,244	393,721	395,385	404,088
Change (%)	4.5	-8.9	14.4	31.4	42.5	0.4	2.2
Total Expenses	146,994	149,299	163,581	211,553	309,666	316,220	317,044
EBITDA	54,598	34,410	46,613	64,691	84,056	79,166	87,043
% of Net Sales	27.1	18.7	22.2	23.4	21.3	20.0	21.5
Deprn. & Amortization	27,328	28,194	39,490	38,830	41,938	42,920	43,312
EBIT	27,270	6,216	7,122	25,861	42,118	36,246	43,732
Net Interest	25,837	32,808	34,240	38,657	42,642	44,421	40,630
Other income	2,256	2,200	411	29	157	30	
PBT before EO	3,689	-24,391	-26,706	-12,767	-367	-8,145	3,102
EO income	-19,116	-2,358	-3,723	-5,874	-27,650	0	0
PBT after EO	-15,428	-26,750	-30,429	-18,641	-28,017	-8,145	3,102
Tax	-882	-6,763	-5,027	-2,398	-3,902	4,117	4,005
Rate (%)	5.7	25.3	16.5	12.9	13.9	-50.5	129.1
Reported PAT	-14,546	-19,987	-25,402	-16,243	-24,115	-12,261	-904
Minority interests	-1,738	-980	-2,524	-2,064	-7,644	-120	-31
Preference dividend		0	0	0	0	0	0
Share of Associates	26	-14	27	87	0	0	0
Adjusted PAT	6,335	-16,662	-19,128	-8,218	3,178	-12,141	-873
Change (%)	-66.8	-363.0	14.8	-57.0	NM	-208.6	-92.8
Balance Sheet (Consolidated)						(INR Million)	
Y/E March	2015	2016	2017	2018	2019	2020E	2021
Share Capital	915	915	915	968	968	973	973
Reserves	209,506	180,556	299,590	302,878	323,309	311,856	310,983
Net Worth	210,421	181,471	300,505	303,846	324,276	312,828	311,955
Minority Interest	8,573	8,003	6,467	4,403	-3,011	-3,131	-3,161
Total Loans	455,007	470,132	466,571	443,104	408,590	388,590	378,590
Deferred Tax Liability	20,185	13,477	53,586	50,284	53,643	53,643	53,648
Capital Employed	694,185	673,082	827,129	801,638	783,498	751,930	741,032
Gross Block	612,235	627,116	783,127	846,580	900,003	925,003	935,003
Less: Accum. Deprn.	151,286	178,233	129,476	168,002	209,940	252,860	296,171
Net Fixed Assets	460,949	448,883	653,651	678,578	690,063	672,143	638,831
Capital WIP	90,728	118,266	97,162	49,775	40,272	25,272	25,272
Goodwill & Revaluation	5,485	5,485	5,670	5,922	6,164	6,164	6,164
Investments	17,852	3,577	3,677	1,458	1,452	1,452	1,452
Curr. Assets	180,353	159,182	145,820	156,572	157,902	158,444	181,692
Inventory	48,487	32,360	35,993	49,596	65,095	66,078	67,532
Account Receivables	16,907	14,292	17,166	18,261	30,292	32,497	33,213
Cash and Bank Balance	11,391	6,204	5,144	4,786	4,284	1,638	22,716
Loans & advances and others	103,568	106,326	87,517	83,930	58,231	58,231	58,231
Curr. Liability & Prov.	61,181	62,310	78,850	90,667	112,355	111,545	112,379
Account Payables	38,391	42,186	22,221	28,434	38,724	37,914	38,748
Provisions & Others	22,790	20,124	56,629	62,233	73,631	73,631	73,631
Net Current Assets	119,172	96,872	66,970	65,905	45,548	46,899	69,313
Appl. of Funds	694,185	673,082	827,129	801,638	783,498	751,930	741,032

E: MOSL Estimates

Financials and Valuations

Ratios (Consolidated)							
Y/E March	2015	2016	2017	2018	2019	2020E	2021
Basic (INR)							
EPS	6.9	(18.2)	(20.9)	(8.5)	11.5	(12.5)	(0.9)
Cash EPS	14.0	9.0	15.4	23.3	18.4	31.5	43.6
BV/Share	230.0	198.4	328.4	313.9	335.0	321.6	320.7
DPS	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	27.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	22.0	(8.4)	(7.3)	(17.9)	13.2	(12.2)	(169.6)
Cash P/E	10.9	16.9	9.9	6.5	8.3	4.8	3.5
P/BV	0.7	0.8	0.5	0.5	0.5	0.5	0.5
EV/Sales	2.9	3.3	2.9	2.1	1.4	1.4	1.2
EV/EBITDA	10.7	17.5	12.9	9.0	6.6	6.8	5.8
Dividend Yield (%)	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Return Ratios (%)							
EBITDA Margins (%)	27.1	18.7	22.2	23.4	21.3	20.0	21.5
Net Profit Margins (%)	3.1	(9.1)	(9.1)	(3.0)	2.8	(3.1)	(0.2)
RoE	2.9	(8.5)	(7.9)	(2.6)	3.6	(3.8)	(0.3)
RoCE (pre-tax)	4.5	1.2	1.0	3.2	5.3	4.7	5.9
RoIC (pre-tax)	5.5	1.1	1.1	3.6	5.7	5.0	6.2
Working Capital Ratios							
Fixed Asset Turnover (x)	0.4	0.3	0.3	0.4	0.5	0.6	0.6
Asset Turnover (x)	0.3	0.3	0.3	0.3	0.5	0.4	0.4
Inventory (Days)	87.8	64.3	62.5	65.5	60.3	61.0	61.0
Debtor (Days)	30.6	28.4	29.8	24.1	28.1	30.0	30.0
Payable (Days)	69.5	83.8	38.6	37.6	35.9	35.0	35.0
Work.Cap.Turnover (Days)	53.5	49.4	29.4	22.1	10.5	20.0	20.0
Leverage Ratio (x)							
Current Ratio	2.9	2.6	1.8	1.7	1.4	1.4	1.6
Interest Cover Ratio	1.1	0.2	0.2	0.7	1.0	0.8	1.1
Debt/Equity	2.1	2.6	1.5	1.4	1.2	1.2	1.1

Cash Flow Statement (Consolidated) (INR Million)

Y/E March	2015	2016	2017	2018	2019	2020E	2021
EBITDA	54,598	34,410	46,613	64,691	84,056	79,166	87,043
(Inc)/Dec in Wkg. Cap.	-18,154	11,762	7,190	-9,267	19,856	-3,998	-1,335
Tax Paid	-3,393	-170	450	-553	3,902	-4,117	-4,000
CF from Op. Activity	11,451	41,422	69,072	71,825	79,633	71,744	81,708
(Inc)/Dec in FA + CWIP	-50,964	-39,500	-24,975	-25,767	-10,000	-10,000	-10,000
(Pur)/Sale of Investments	-13,430	15,904	5,164	12,299			
Acquisition in subsidiaries	367	1,052			0	0	0
Loans and advances	0	-1,337	-934	-2,376			
Int. & Dividend Income	1,003	2,292	754	1,533	157	30	0
Other investing activities	-2,341	1,699	1,511	-533	-27,650		
CF from Inv. Activity	-65,365	-19,889	-18,481	-14,845	-37,493	-9,970	-10,000
Equity raised/(repaid)	5	0	0	13,883			
Debt raised/(repaid)	90,704	9,230	-10,256	-24,391	0	-20,000	-10,000
Dividend (incl. tax)	-1,448	-8	0	15	0	0	0
Interest paid	-34,381	-35,941	-41,396	-46,845	-42,642	-44,421	-40,630
Other financing	271	0					
CF from Fin. Activity	55,151	-26,719	-51,651	-57,338	-42,642	-64,421	-50,630
(Inc)/Dec in Cash	1,238	-5,187	-1,060	-358	-502	-2,646	21,078
Add: opening Balance	10,153	11,391	6,204	5,144	4,786	4,284	1,638
Closing Balance	11,391	6,204	5,144	4,786	4,284	1,638	22,716

E: MOSL Estimates

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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
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* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.