

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	TATA IN
Equity Shares (m)	1,145
M.Cap.(INRb)/(USD)	370.5 / 4.8
52-Week Range (INR)	515 / 251
1, 6, 12 Rel. Per (%)	3/-15/-24
12M Avg Val (INR M)	5696

Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	1,398	1,234	1,455
EBITDA	175	132	226
Adj. PAT	10.4	-34.2	47.6
EBITDA Margin (%)	12.5	10.7	15.5
Cons. Adj. EPS (INR)	9.1	-29.8	41.6
EPS Gr. (%)	-89.8	-429.4	-239.3
BV/Sh. (INR)	587	546	575

Ratios

Net D:E	1.6	1.7	1.6
RoE (%)	1.6	-5.3	7.4
RoCE (%)	5.8	2.8	7.5
Payout (%)	89.3	-27.1	19.5

Valuations

P/E (x)	36.0	-10.9	7.8
P/BV (x)	0.6	0.6	0.6
EV/EBITDA(x)	8.3	10.9	6.3
Div. Yield (%)	3.1	3.1	3.1
FCF Yield (%)	26.2	24.6	24.4

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	34.4	33.1	33.1
DII	29.9	29.5	29.2
FII	12.4	15.3	14.6
Others	23.3	22.1	23.1

FII Includes depository receipts

CMP: INR327 TP: INR328 Neutral

A challenging year ahead

Adverse volume mix to impact near-term margin

- Tata Steel's (TATA) 4Q EBITDA rose 28% QoQ to INR46.5b and surprised positively led by improved performance in Europe and Bhushan.
- Near term earnings outlook is weak due to lower domestic demand necessitating higher exports which adversely impacts EBITDA. Moreover, leverage remains discomfoting at 8x of FY21 EBITDA. Given the challenges in Europe, we cut our FY21/22 EBITDA estimates marginally and maintain our **Neutral** rating on the stock.

Tata Steel BSL and Europe drives beat

Consol. EBITDA increased 28% QoQ (-43% YoY) to INR46.5b (our estimate: INR40.4b) in 4QFY20 due to improved profitability in Tata Steel BSL and Europe. Consolidated sales volumes stood at 6.5mt, down 11%/14% QoQ/YoY. Other income was substantially higher at INR13.2b (2.7x YoY, 14.x QoQ), due to one-off gains. Consol. PAT loss stood at INR13.3b vs loss of INR11.9b in 3QFY20, however, adj of exceptional item related to impairment of non-current assets, Adj PAT stood at INR13.8b (our est loss of INR3.5b).

- **Standalone:** Reported EBITDA declined 3% QoQ to INR36.5b (-27% YoY), in-line with our estimate. On adjusted basis, EBITDA was up 10% QoQ as 3QFY20 had a one-time cost reversal of INR4.8b. EBITDA/t stood at INR12,538, up 14% QoQ (-9% YoY) (our est.: 11,353/t) due to 10% QoQ higher realisation (INR48,837/t, +4% higher than our est.). Sales volumes declined ~15% QoQ/19% YoY to 2.91mt (our est: 3.08mt). Adj. PAT stood at INR13.2b, down 9% QoQ (-47% YoY). On a reported basis, however there was a PAT loss of INR4.4b due to impairment of INR20b on investments in subsidiaries/affiliates.
- **Tata Steel Europe (TSE):** Tata Steel Europe reported EBITDA of INR650m (-96% YoY) vs loss of INR9.6b in 3QFY20 (Our est.: EBITDA loss of INR3.4b). Volume declined 7% YoY to 2.39mt (+2% QoQ) and EBITDA/t stood at USD4/t. Improvement in EBITDA was due to better spreads led by lower raw material costs.
- **Tata Steel BSL:** Tata Steel BSL reported EBITDA of INR7.7b (est: INR4.5b), up 170% QoQ (flat YoY). EBITDA/t improved to INR7,908/t (+260% QoQ, +15% YoY) led by 9% QoQ higher realisation (INR43,609/t).
- FY20 OCF/ FCF stood lower at INR202b/ INR97.8b vs INR253b/ 162b in FY19 respectively.
- Net-debt rose by INR99b YoY to INR1,071b vs INR972b in FY19 (flat QoQ).
- Capex (excl. acquisition) stood at INR104b in FY20.
- FY20 Rev/EBITDA/Adj. PAT stood at INR1,398b/ 175b/ 13b, down 11%/ 40%/ 87% YoY respectively

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Management commentary

- Steel demand in India is improving in rural market and areas not hit by COVID. Demand from Govt projects is improving, however, demand from auto segment is likely to improve only in 2HFY21.
- Tata Steel guides for achieving flattish (YoY) sales volumes in FY21 (12.3mt in FY20). Currently, it is operating at ~80% capacity utilization.
- Debt-maturities for FY21/FY22 stands lower at ~USD250m each.
- FY21 capex is curtailed to INR40-50b with 50:50 split between India and Europe business (FY20 Capex: INR104b). Most of the capex would be on safety and sustenance projects.
- Domestic realisations have declined by just INR500/t during 1QFY21, however, adverse mix due to higher exports (50% of volumes) would lower blended realisation by INR4,000-5,000/t QoQ in 1QFY21.

Valuation and view

- While volumes and margins would be impacted in FY21 due to weak domestic demand and adverse sales mix, we expect them to recover to normal levels in FY22.
- Tata Steel Europe however is expected to remain a drag on overall profitability with EBITDA loss expected in FY21 and PAT loss in FY22.
- Despite curtailing growth capex, we expect net-debt/ EBITDA to remain high at 8.1x in FY21 and 4.7x in FY22.
- Maintain Neutral with a TP of INR328/sh (based on SOTP).

Quarterly Performance (Consolidated)

Y/E March	FY19				FY20				FY19	FY20	INR million	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE	vs Est (%)	
Net Sales	378.3	435.4	412.2	424.2	359.5	345.8	355.2	337.7	1,576.7	1,398.2	306.5	10
Change (YoY %)	28	34.1	23.2	17.4	-5	-20.6	-13.8	-20.4	19.8	-11.3	-27.8	-27
EBITDA	64.7	89.2	67.2	75.1	53.8	38.2	36.2	46.5	293.8	174.6	40.4	15
Change (YoY %)	30	88.9	18	15.6	-16.9	-57.2	-46.2	-38.2	34.2	-40.6	-46.2	-17
(% of Net Sales)	17.1	20.5	16.3	17.7	15	11	10.2	13.8	18.6	12.5	13.2	4
EBITDA(USD/tss)	148	172	133	142	122	83	70	100	148	93	102	-2
Interest	16.7	21.5	19.4	19.4	18.1	18.7	19.3	19.3	76.6	75.3	18.8	2
Depreciation	18.1	19.1	19.3	18.8	20.8	21.3	20.2	22.2	73.4	84.4	20.1	10
Other Income	3.5	3.5	2.1	4.9	2.5	1.8	0.9	13.2	14.2	18.4	1.4	852
PBT (before EO Inc.)	33.4	52.1	30.7	41.8	17.4	0.0	-2.4	18.1	158.0	33.3	2.9	536
EO Income(exp)	-3.5	1.6	0.3	0.1	0.2	-0.3	-3.3	-34.1	-1.2	-37.5	3.5	-1,084
PBT (after EO Inc.)	29.9	53.7	31.0	42.0	17.5	-0.3	-5.7	-15.9	156.8	-4.2	6.3	-352
Total Tax	11.0	23.3	14.0	19.0	11.2	-40.5	6.2	-2.6	67.2	-25.7	4.8	-155
% Tax	33.1	44.6	45.6	45.4	64.6	-88,428	-263	-14.5	42.5	-77.1	169	-109
Reported PAT	18.9	30.4	17.0	23.0	6.3	40.2	-11.9	-13.3	89.6	21.5	1.5	-989
Adj. PAT (after MI & asso)	23.0	34.4	22.5	24.2	6.8	-0.5	-7.0	13.8	101.4	10.4	-0.4	-3,550

*Note: Sum of quarterly Adj. PAT does not match with full year due to pref. dividend accounted in full year

Exhibit 1: Quarterly Performance (Standalone)

INR million

Y/E March	FY19				FY20				FY19	FY20	4QE	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	164.1	179.0	171.7	191.3	160.9	148.7	152.6	142.1	706.1	604.4	145.1	-2
EBITDA	51	60	45	49	40	35	38	36	206	149	35	4
(% of Net Sales)	30.9	33.5	26.5	25.9	24.6	23.4	24.8	25.7	29.1	24.6	24.1	6
Spreads	40,783	40,013	41,283	34,610	37,790	33,938	28,374	37,298	38,964	34,124	33,534	11
Conv. Cost	23,706	21,130	25,981	20,834	24,631	22,235	17,354	24,760	22,783	22,058	22,180	12
EBITDA(INR/tss)	17,077	18,882	15,302	13,776	13,159	11,703	11,020	12,538	16,180	12,066	11,353	10
EBITDA(USD/tss)	255	269	212	196	189	166	155	176	232	171	159	10
Interest	6.8	8.0	6.8	6.5	7.2	7.2	7.8	8.0	28.2	30.3	7.5	7
Depreciation	9.9	9.2	9.4	9.5	9.7	9.7	9.8	10.0	38.0	39.2	9.8	3
Other Income	5.1	7.8	5.9	5.4	1.8	1.0	0.5	0.7	24.1	4.0	0.8	-8
PBT (before EO Inc.)	39.1	50.4	35.1	38.8	24.4	18.9	20.7	19.1	163.4	83.1	18.5	3
EO Income(exp)	-3.3	-0.3	2.6	-0.1	-0.4	0.0	3.5	-20.1	-1.1	-17.0	0.0	
PBT (after EO Inc.)	35.7	50.2	37.7	38.7	24.0	18.9	24.1	-1.0	162.3	66.1	18.5	-105
Total Tax	12.6	17.5	13.2	13.7	8.6	-19.5	6.1	3.4	56.9	-1.3	4.8	-29
% Tax	35.1	34.8	34.9	35.6	36	-103.2	25.3	-356.5	35.1	-2	26	
Reported PAT	23.2	32.7	24.6	24.9	15.4	38.4	18.0	-4.4	105.3	67.4	13.7	-132
Adjusted PAT	26.5	33.0	22.0	25.0	15.8	14.1	14.5	13.2	106.5	57.6	13.7	-4

Source: MOFSL, Company

Operational Table

Y/E March	FY19				FY20				FY19	FY20	4QE	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Sales ('000 tons)	2,970	3,175	2,973	3,590	3,007	2,972	3,428	2,910	12,708	12,317	3,085	-6
Change (YoY %)	8	3.1	-9.9	18.5	1.2	-6.4	15.3	-18.9			-14	35
Change (QoQ %)	-2	6.9	-6.4	20.8	-16.2	-1.2	15.3	-15.1			-10	51
Realization (INR/tss)	55,237	56,376	57,766	53,286	53,513	50,038	44,522	48,837	55,562	49,067	47,022	4
Change (YoY %)	17.1	22.1	22.2	-0.8	-3.1	-11.2	-22.9	-8.3			-12	
Change (QoQ %)	2.8	2.1	2.5	-7.8	0.4	-6.5	-11	9.7			6	
EBITDA(INR/Ton)	17,077	18,882	15,302	13,776	13,159	11,703	11,020	12,538	16,180	12,066	11,353	10
Change (YoY %)	58.3	72.3	9.1	-13.2	-22.9	-38	-28	-9			-18	
Change (QoQ %)	7.6	10.6	-19	-10	-4.5	-11.1	-5.8	13.8			3	

Exhibit 2: Quarterly Performance (TSE & Other subsidiaries)

INR million

Y/E March	FY19				FY20				FY19	FY20
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales (000 tons)	3,580	4,245	4,017	3,930	3,333	3,558	3,882	3,590	15,772	14,363
Europe	2,450	2,270	2,350	2,570	2,260	2,290	2,350	2,390	9,640	9,290
SEA	590	650	570							
Bhushan	80	1,140	917	1,140	860	1,040	1,260	980	3,277	4,140
Sponge Iron					93	118	162	140		513
Change (YoY %)	16.2	25.9	23.2	15.6	-6.9	-16.2	-3.4	-8.7	20.3	-8.9
Avg. NSR (USD/t)	895	862	831	841	857	787	733	765	790	783
Europe (USD/t)	1,002	1,001	936	915	922	871	826	798	962	
SEA (USD/t)	660	651	658							
Bhushan (INR/t)		51,421	53,315	48,399	50,381	43,795	39,985	43,609	56,075	43,959
Sponge Iron (INR/t)					75,806	65,914	61,686	72,021		68,039
Net Sales	214.3	256.4	240.5	232.9	198.6	197.1	202.6	195.6	870.6	793.8
Change YoY (%)	29.2	40.6	34.7	17.3	-7.3	-23.1	-15.8	-16	20	-8.8
EBITDA	14.0	29.2	21.7	25.7	14.2	3.4	-1.6	10.0	88.2	26.0
As % of Net Sales	6.5	11.4	9.0	11.0	7.2	1.7	-0.8	5.1	10.1	3.3
Europe	16.7	11.1	9.5	17.0	0.6	1.6	-9.6	0.7	54.1	-6.6
SEA	1.1	1.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bhushan	0.7	11.7	10.1	7.9	7.9	5.3	2.8	7.8	30.3	23.7
Sponge Iron	0.0	0.0	0.0	0.0	0.6	-0.4	0.4	1.3	0.0	1.8
Other India	2.7	3.2	2.6	2.9	2.0	1.6	2.2	3.0	11.3	8.8
Others	-7.2	2.1	-0.6	-2.0	3.2	-4.7	2.6	-2.8	-7.5	-1.7
Interest	9.9	13.5	12.6	12.8	10.8	11.5	11.5	11.2	48.4	45.0
Depreciation	8.2	9.8	9.9	9.3	11.2	11.6	10.4	12.2	35.4	45.2
Other Income	-1.6	-4.2	-3.7	-0.5	0.7	0.8	0.4	12.4	-9.8	14.4
PBT (after EO Inc.)	-5.8	3.6	-6.7	3.3	-6.5	-19.2	-29.8	-15.0	-5.5	-70.3
Total Tax	-1.5	5.8	0.8	5.2	2.6	-21.0	0.1	-6.0	10.2	-24.4
% Tax	26.1	162.7	-12.4	158.5	-40	109.6	-0.3	40.4	-187.5	34.6
Reported PAT	-4.3	-2.2	-7.5	-1.9	-9.1	1.8	-29.9	-8.9	-15.7	-46.0
Minority Interests	-0.2	-4.8	-5.3	-0.8	-0.1	-1.0	-1.4	-1.4	-11.0	-3.9
Adj. PAT (after MI & asso)	-3.6	1.4	0.6	-0.8	-9.0	3.4	-21.6	7.4	-2.4	-19.7
Change (YoY %)	-186.3	-148.1	-226.8	NA	153.9	134	NA	NA	-135.1	NA

Source: MOFSL, Company



Highlights of management commentary

Operational Highlights

- Lock-down in Mar-end impacted sales volumes resulting in piling up of finished goods inventories.
- Operated at ~50% utilisation in Apr-20 and post that raised utilisation to 80%. Expect to raise capacity utilization to 100% in Jul-20.
- Share of exports to remain ~50% in 1QFY21 and ~30% in 2QFY21.
- Target to achieve flattish volumes in FY21 (12.3mt in FY20) on the back of carried forward inventories, assuming no 2nd lock-down, though, production would be lower YoY.
- Domestic realisations have declined by just INR500/t during 1QFY21, however, adverse mix due to higher exports (~50% of volumes) would lower blended realisation by INR4,000-5,000/t QoQ in 1QFY21.
- Tata Steel Europe is operating at ~70% utilisation.

Financial Highlights

- Company has raised additional funds in Mar-end to build contingency cash reserves. As a result, gross-debt increased by ~INR6.5b, however, reported net-debt maintained at Dec'19 level (INR1,050b).
- Debt-maturities for FY21/FY22 stands lower at ~USD250m each.

- Europe reported positive EBITDA (USD4/t) (vs loss of USD57/t in 3QFY20) on the back of lower raw material costs (GBP80/t) offset by lower realisations. Raw material cost were lower due to lag effect of lower iron ore and coking coal prices.
- Capex spend during 4QFY20 was INR26.4b, of which Tata Steel India (TSI) capex stood at INR16.1b incl. INR7.6b on Kalinganagar expansion.
- Company generated OCF of INRINR53.2b in 4QFY20 aided by Working Capital release of INR6.5b. Net-cash generation during the quarter stood at INR4.7b.
- Company has liquidity of INR177b at Mar-end (incl. undrawn lines of INR62b).
- Of the impairment charge taken, INR22b was related to investments in Europe, INR6.7b towards assets in Canada and INR1.5b towards assets in India.
- TSE has recorded reduction in employee cost to the tune of GBP60m in last 6 months. TSE has seen benefits of GBP370m from ongoing transformation programme.

Other Highlights:

- Steel Demand is improving in some segments in which Tata Steel operates. While, demand is improving in rural market and Govt projects, auto demand is likely to improve only in 2HFY21.
- In Europe, steel demand has been adversely affected; while automotive sector continues to struggle, demand from packaging is strong.
- Negotiations with Auto customers for pricing contracts are not yet concluded.
- Tata Steel highlighted that cash conservation remains key focus for the company and it has curtailed capex sharply.
- FY21 capex is curtailed to INR40-50b with 50:50 split between India and Europe business (FY20 Capex: INR104b). Most of the capex would be on safety and sustenance projects.
- Tata Steel would prioritise Pellet plant capex in Kalinganagar (KPO) which will aim aid in cost reduction followed by CRM complex and Blast furnace.
- TSE does not need to incur carbon credit expenditure at ~70% capacity utilisation in FY21.
- Next hearing on Tata Steel BSL's merger with Tata Steel is scheduled in July.
- In Europe, UK and Netherland government have declared direct income support for low income employee's upto £2500 per month subject to various conditions. Company has asked respective governments for financial support owing to difficult time Europe business is facing. Netherland is providing wage reimbursement upto 80% provided no retrenchment whereas UK consultation is going on over more on long term support like long term loans, reduction in power cost and other statutory payments.
- Tata steel Europe is facing workers union resentment on transformation programme that involves job cuts. Currently management is engaged over discussion with union for common solution.
- Tata Steel has won 3 Chrome ore mines in auction including Sukinda. Earlier, the Ferro Alloys division contributed EBITDA of ~INR8-10b, however, due to higher premium in auctions, EBITDA is expected to decline in FY21 and it expects to reach back same level in 2 years. No large capex is needed for its Ferro Alloy division for next 3-4 years until company decides to switch over to Underground mining.

Valuation and view

A play on steel prices: With Tata Steel further deferring capex for Tata Steel Kalinganagar (KPO), Tata Steel does not provide volume growth in near future. With COVID-19 denting domestic demand and Tata Steel's high exposure to Auto Industry at India and Europe business (~10% of India volumes), we expect volumes to decline ~3% YoY in FY21 and rise 7% YoY in FY22 implying a CAGR of only 2% over FY20-22. However, strong integrated domestic operations allow Tata Steel to reap benefits from higher prices, thereby, making it a play on steel prices.

Tata Steel Europe to remain a drag on overall profitability in FY21: With weak demand outlook for European Steel, outlook for TSE remains challenging. Steel spreads are likely to remain under pressure in Europe due to lower steel prices and higher iron ore prices. As a result, we expect Tata Steel Europe to post EBITDA loss in FY21 and PAT loss in FY22.

Net-Debt to remain elevated, however, low maturities in FY21-22 provides comfort: Tata Steel's net-debt has increased by INR358b over FY18-20 to INR1,071b due to acquisitions and high capex. With weak profitability outlook in near-term, we expect Tata Steel net-debt to remain elevated, however, capex curtailment amid weak cashflows would keep the overall debt levels in control. Tata Steel's net-debt to EBITDA is expected to reach 8.1x in FY21 (6.1 in FY20), however, low maturities of US\$500m in FY21-22 provides comfort.

Valuation: Stock trades at 6.3x FY22 EV/EBITDA which we believe is factoring in the concerns on profitability and high leverage for the company. We therefore rate it **Neutral**. We value TATA on SOTP based on 6.5x FY22E EV/EBITDA multiple to Indian operations and 5.0x FY22E EV/EBITDA to Europe operations to arrive at a target price of INR328/sh.

Exhibit 3: SOTP Valuation

Y/E March	2018	2019	2020	2021E	2022E
India					
EBITDA per ton (USD)	201	232	171	133	174
EBITDA per ton (INR)	12,976	16,180	12,066	9,403	12,264
Sales (m tons)	12.2	12.7	12.3	11.9	12.7
EBITDA-India	1,57,790	2,05,629	1,48,616	1,12,343	1,56,341
Target EBITDA multiple					6.5
EV (India) - (a)					10,16,218
INR/share					888
Subsidiaries					
EBITDA - India subs	28,298	34,068	32,659	36,279	45,787
Target EBITDA multiple					6.5
EBITDA - Europe	37,920	54,136	-6,644	-16,453	24,006
Target EBITDA multiple					5.0
EV (TSE) - (b)					4,17,644
INR/share					365
Target EV (c=a+b)					14,33,862
Net Debt (d)	7,13,229	9,72,250	10,71,164	10,65,479	10,58,823
INR/share	623	849	936	931	925
Total equity value (c-d)					3,75,040
Target Price (INR /share)					328

Financials and Valuations

Income Statement (Consolidated)						(INR M)
Y/E March	2017	2018	2019	2020	2021E	2022E
Net Sales	11,22,994	13,21,558	15,76,688	13,98,167	12,34,332	14,55,005
Change (%)	10.1	17.7	19.3	-11.3	-11.7	17.9
EBITDA	1,70,078	2,18,905	2,93,833	1,74,631	1,32,168	2,26,134
% of Net Sales	15.1	16.6	18.6	12.5	10.7	15.5
Deprn. & Amortization	56,729	59,617	73,418	84,407	85,836	86,001
EBIT	1,13,349	1,59,289	2,20,415	90,224	46,332	1,40,133
Finance cost	50,722	55,018	76,601	75,335	76,555	75,024
Other income	5,275	9,095	14,206	18,435	6,639	6,809
PBT before EO	67,902	1,13,365	1,58,020	33,324	-23,584	71,919
EO income	-43,242	95,991	-1,210	-37,521		
PBT after EO	24,660	2,09,357	1,56,810	-4,196	-23,584	71,919
Tax	27,780	34,054	67,184	-25,684	11,604	23,118
Rate (%)	112.7	16.3	42.8	612.0	-49.2	32.1
Reported PAT	-3,120	1,75,303	89,626	21,488	-35,188	48,800
Minority interest P/L	722	43,285	-10,962	-3,884	-1,200	-1,200
Share of asso. PAT	77	1,741	2,247	1,880	2,482	252
PAT (After MI & asso.)	-3,766	1,33,759	1,02,835	27,251	-31,506	50,252
Div. on Pref. /Hybrid Sec.	2,661	2,671	2,654	2,658	2,658	2,658
Adjusted PAT	36,815	79,619	1,01,390	10,373	-34,164	47,594
Change (%)	-275.3	116.3	27.3	-89.8	-429.4	-239.3

Balance Sheet (Consolidated)						(INR M)
Y/E March	2017	2018	2019	2020	2021E	2022E
Share Capital	9,702	11,450	11,449	11,450	11,450	11,450
Reserves	3,45,741	5,74,507	6,55,051	7,01,564	6,53,695	6,87,584
Net Worth	3,55,443	5,85,956	6,66,501	7,13,013	6,65,144	6,99,034
Minority Interest	16,017	9,365	23,645	25,866	24,666	23,466
Total Loans	8,50,709	9,41,697	10,30,912	11,86,030	11,86,030	11,86,030
Deferred Tax Liability	91,091	94,689	1,15,170	78,479	78,925	79,814
Capital Employed	13,13,260	16,31,708	18,36,228	20,03,388	19,54,765	19,88,344
Gross Block	12,65,617	13,99,263	17,30,400	19,15,315	19,76,488	20,66,661
Less: Accum. Deprn.	3,80,498	4,79,209	5,25,947	6,10,354	6,96,190	7,82,190
Net Fixed Assets	8,85,118	9,20,054	12,04,453	13,04,961	12,80,298	12,84,471
Capital WIP	1,57,841	1,66,144	1,86,412	1,94,968	1,83,795	1,78,622
Investments	67,840	29,905	32,133	28,533	31,015	31,267
Goodwill on consolidation	34,947	40,995	39,966	40,545	40,545	40,545
Curr. Assets	5,78,376	9,29,472	8,63,431	9,21,051	8,80,729	9,48,802
Inventory	2,48,038	2,83,310	3,16,561	3,10,687	2,73,920	3,22,891
Account Receivables	1,15,868	1,24,155	1,18,110	78,849	69,610	82,054
Cash & liquid investment	1,05,942	2,28,468	58,662	1,14,866	1,20,551	1,27,207
Others	1,08,528	2,93,538	3,70,097	4,16,649	4,16,649	4,16,649
Curr. Liability & Prov.	4,10,863	4,54,862	4,90,167	4,86,672	4,61,618	4,95,363
Account Payables	1,85,745	2,04,138	2,17,170	2,13,809	1,88,755	2,22,500
Provisions & Others	2,25,118	2,50,724	2,72,998	2,72,863	2,72,863	2,72,863
Net Current Assets	1,67,513	4,74,610	3,73,263	4,34,380	4,19,111	4,53,439
Appl. of Funds	13,13,260	16,31,708	18,36,228	20,03,388	19,54,765	19,88,344

Financials and Valuations

Ratios (Consolidated)

Y/E March	2017	2018	2019	2020	2021E	2022E
Basic (INR)						
EPS	37.9	69.5	88.6	9.1	-29.8	41.6
Cash EPS	96.4	121.6	152.7	82.8	45.1	116.7
BV/Share (ex goodwill)	330.3	476.0	547.2	587.3	545.5	575.1
DPS	8.0	8.0	10.0	10.0	10.0	10.0
Payout (%)	25.2	11.6	9.1	89.3	-27.1	19.5
Valuation (x)						
P/E	8.6	4.7	3.7	36.0	-10.9	7.8
Cash P/E	3.4	2.7	2.1	3.9	7.2	2.8
P/BV	1.0	0.7	0.6	0.6	0.6	0.6
EV/Sales	0.9	0.8	0.9	1.0	1.2	1.0
EV/EBITDA	6.2	5.0	4.6	8.3	10.9	6.3
Dividend Yield (%)	2.5	2.5	3.1	3.1	3.1	3.1
Return Ratios (%)						
EBITDA Margins (%)	15.1	16.6	18.6	12.5	10.7	15.5
Net Profit Margins (%)	3.3	6.0	6.4	0.7	-2.8	3.3
RoE	15.7	17.2	17.3	1.6	-5.3	7.4
RoCE (pre-tax)	9.4	11.6	13.7	5.8	2.8	7.5
RoIC (pre-tax)	13.3	14.6	15.9	5.6	2.8	8.6
Working Capital Ratios						
Fixed Asset Turnover (x)	1.3	1.4	1.3	1.1	1.0	1.1
Asset Turnover (x)	0.9	0.8	0.9	0.7	0.6	0.7
Debtor (Days)	38	34	27	21	21	21
Inventory (Days)	81	78	73	81	81	81
Payables (Days)	60	56	50	56	56	56
Working Capital T/O (Days)	58	56	50	46	46	46
Leverage Ratio (x)						
Current Ratio	1.4	2.0	1.8	1.9	1.9	1.9
Interest Cover Ratio	2.2	2.9	2.9	1.2	0.6	1.9
Net Debt/Equity	2.3	1.3	1.6	1.6	1.7	1.6

E: MOST Estimates

Cash Flow Statement (Consolidated)

Y/E March	2017	2018	2019	2020	2021E	2022E
(INR M)						
EBITDA	1,70,078	2,18,905	2,93,833	1,74,631	1,32,168	2,26,134
Reconciliation income (loss)	5,736	-17,034	-15,437	6,154		
(Inc)/Dec in Wkg. Cap.	-48,907	-43,468	25,905	41,962	20,953	-27,671
Tax Paid	-18,427	-28,882	-50,942	-21,059	-11,158	-22,229
CF from Op. Activity	1,08,481	1,29,521	2,53,360	2,01,687	1,41,963	1,76,234
(Inc)/Dec in FA + CWIP	-77,156	-74,785	-90,910	-1,03,980	-50,000	-85,000
Free Cash Flow to Firm	31,324	54,736	1,62,450	97,707	91,963	91,234
(Pur)/Sale of Non-cur. Invest.	3,552	-9,366	4,392	4,451		
Acquisition in subsidiaries	-10,814	-2,208	-3,51,036	-40,542		
Int. & Divident Income	754	3,219	3,422	3,811	6,639	6,809
others	-1,450	9,745	17,694	7,723		
CF from Inv. Activity	-85,113	-73,394	-4,16,438	-1,28,537	-43,361	-78,191
Equity raised/(repaid)	6,519	90,872	-60	1,875		
Debt raised/(repaid)	27,041	41,454	81,745	76,181		
Dividend (incl. tax)	-9,498	-11,800	-14,239	-18,152	-13,705	-13,705
Interest & equiv. paid	-49,986	-54,127	-74,173	-76,850	-79,212	-77,681
CF from Fin. Activity	-25,924	66,399	-6,727	-16,946	-92,917	-91,386
(Inc)/Dec in Cash	-2,557	1,22,526	-1,69,806	56,204	5,685	6,657
Add: opening Balance	1,08,499	1,05,942	2,28,468	58,662	1,14,866	1,20,551
Closing Balance	1,05,942	2,28,468	58,662	1,14,866	1,20,551	1,27,207

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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