

**ESTIMATE CHANGE**
**TP change**
**Rating change**


Bloomberg	SAIL IN
Equity Shares (m)	4,130
M.Cap.(INRb)/(USDb)	157.2 / 2.2
52-Week Range (INR)	52 / 20
1, 6, 12 Rel. Per (%)	-6/14/8
12M Avg Val (INR M)	1205
Free float (%)	25.0

**Financials & Valuations (INR b)**

Y/E MARCH	2020	2021E	2022E
Sales	616.6	629.7	694.3
EBITDA	57.1	83.3	98.5
Adj. PAT	-1.9	14.4	23.5
EBITDA Margin (%)	9.3	13.2	14.2
Cons. Adj. EPS (INR)	-0.5	3.5	5.7
EPS Gr. (%)	NA	NA	64.0
BV/Sh. (INR)	100.5	103.5	108.7

**Ratios**

Net D:E	1.3	1.2	1.0
RoE (%)	-0.5	3.4	5.4
RoCE (%)	3.3	5.4	6.8

**Valuations**

P/E (x)			
P/BV (x)	-80.7	10.9	6.7
EV/EBITDA(x)	0.4	0.4	0.3
FCF Yield (%)	12.1	7.8	6.3

**Shareholding pattern (%)**

As On	Jun-20	Mar-20	Jun-19
Promoter	75.0	75.0	75.0
DII	14.2	14.6	15.4
FII	2.8	2.9	3.9
Others	8.0	7.5	5.7

FII Includes depository receipts

**CMP: INR38**
**TP: INR42 (+10%)**
**Neutral**
**EBITDA seen to be improving, but leverage to remain high**
**Net debt/EBITDA remains discomfoting at 5x**

- SAIL's 1QFY21 result was weak, as expected, with EBITDA loss of ~INR4.0b posted due to weak domestic demand and prices. The outlook, however, has improved, with both demand and pricing recovering in the quarter.
- We expect better volumes and pricing to drive a 30% CAGR in EBITDA over FY20–22E. Net debt, however, is expected to remain elevated at INR467b in FY22, implying 5x net debt/EBITDA. The stock also trades at 6.3x EV/EBITDA, implying limited upside. Thus, we maintain **Neutral**, with TP of INR42.

**Negative operating leverage leads to EBITDA loss**

- Standalone revenue declined 44% QoQ to INR90.7b (our estimate: INR93.7b) in 1QFY21 on 40% QoQ (32% YoY) decline in volumes to 2.2mt (in-line). This was weighed by weak domestic demand due to country-wide lockdown in 1QFY21. Share of exports stood at ~24% of total volumes.
- Derived realization declined 6% QoQ to INR40,534/t (our estimate: INR42,194/t) on lower steel prices and an adverse product mix.
- SAIL's high fixed cost structure impacted margins adversely as negative operating leverage inflated fixed cost (such as employee cost) by ~INR2,100/t and other expenses by ~INR2,000/t.
- Lower realization, coupled with negative operating leverage, led to per ton EBITDA loss of ~INR1,801 (est.: -524/t) v/s gains of INR5,218/t in 4QFY20.
- As a result, SAIL reported EBITDA loss of INR4.0b v/s EBITDA of INR19.5b in 4QFY20 (our estimate: INR1.2b loss).
- The company reported PBT loss of INR19.9b (our estimate: INR18.2b) and PAT loss of INR12.7b (v/s adj. PAT of INR2.9b in 4QFY20).

**Volumes improving on market share gains; NSR higher by 3000+/t QoQ**

- SAIL registered sales of 1.58mt in Jul'20 (+50% YoY) and 1.43mt in Aug'20 (up 35% YoY). This resulted in decline of ~25% in finished steel inventory levels to 1.23mt at Aug-end v/s 1.65mt in Jun'20.
- Avg NSR stood at INR35,400/t in 1QFY21, lower by INR3,000/t QoQ. Average NSR for 2QFY21 is expected to be higher by ~INR3,000/t QoQ.
- SAIL guided for improvement in longs steel prices, led by demand improvement post the monsoons.
- In 2QFY21, raw material cost is likely to benefit from decline in coking coal prices. Coking coal prices, which stood at INR12,500/t in Jun'20, declined to INR10,800/t in Aug'20. Higher operating leverage should reduce the impact of fixed cost on a per ton basis.
- SAIL expects to sell 16.0mt of steel in FY21, targeting exports of 2.4mt. Over Apr–Aug, it had already exported 1.0mt.
- SAIL's gross debt stood at INR544b at 1QFY21-end; however, it declined to INR498b at Aug-end owing to improved sales and liquidation of inventory.
- SAIL has sold 500kt of iron ore from its mines thus far in 2QFY21 (100kt in 1QFY21).

**Valuation and view**

- We expect sales volumes to improve marginally by 1% in FY21, after factoring 10% volume growth for the remaining 9MFY21. We expect SAIL to post ~8% volume growth to 15.6mt in FY22, implying a 4.5% CAGR over FY20–22.
- With improved pricing, lower coking coal costs, and better operating leverage, we expect SAIL to record EBITDA/t in excess of INR6,000/t in 2QFY21. We expect volume recovery and pricing in 2HFY21 to be supported by demand recovery in Infra and Construction post the monsoons.
- Despite an expected reduction in net debt by INR69b to INR465b over FY20–22E, net debt/EBITDA would stay elevated at ~6x in FY21 and 5x in FY22. This remains a key concern as it makes the company vulnerable in the event of a downcycle in steel prices.
- We value the stock at 6.5x FY22E EV/EBITDA at INR42/sh. Maintain **Neutral**.

**Quarterly Performance (Standalone) – INR m**

Y/E March	FY20				FY21E				FY20	FY21	FY21E vs Est	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Sales (m tons)	3.2	3.1	4.1	3.7	2.2	4.4	4.0	3.8	14.2	14.4	2.2	1
Change (YoY %)	-0.7	-9.4	26.4	-9.4	-31.1	38.8	-3.0	2.0	0.8	1.1	-31.7	
Realization (INR per ton)	45,614	44,878	40,443	43,194	40,534	43,534	45,034	44,534	43,328	43,747	42,194	-4
Change (YoY %)	-6.2	-6.7	-17.3	-3.6	-11.1	-3.0	11.4	3.1	-8.7	1.0	-7.5	
<b>Net Sales</b>	<b>1,48,200</b>	<b>1,41,274</b>	<b>1,65,413</b>	<b>1,61,718</b>	<b>90,675</b>	<b>1,90,244</b>	<b>1,78,664</b>	<b>1,70,070</b>	<b>6,16,606</b>	<b>6,29,653</b>	<b>93,670</b>	-3
Change (%)	-6.8	-15.5	4.5	-12.6	-38.8	34.7	8.0	5.2	-7.9	2.1	-36.8	
NSR to RM Spread (INR/t)	24,841	24,712	18,495	26,930	22,562	25,380	27,015	26,642	23,538	25,728	23,002	
<b>EBITDA</b>	<b>15,819</b>	<b>11,597</b>	<b>9,976</b>	<b>19,538</b>	<b>-4,028</b>	<b>28,670</b>	<b>31,546</b>	<b>26,924</b>	<b>56,930</b>	<b>83,112</b>	<b>-1,163</b>	246
EBITDA per ton (INR)	4,869	3,684	2,439	5,218	-1,801	6,561	7,952	7,050	4,000	5,774	-524	244
Interest	7,884	9,404	8,494	9,086	8,863	9,325	8,799	8,592	34,868	35,579	9,086	
Depreciation	8,725	9,011	9,263	10,552	9,733	9,926	10,117	10,160	37,551	39,936	9,655	
Other Income	1,828	1,587	1,866	4,570	2,777	1,587	1,866	1,866	9,852	8,097	1,708	
<b>PBT (before EO Inc.)</b>	<b>1,039</b>	<b>-5,230</b>	<b>-5,914</b>	<b>4,469</b>	<b>-19,847</b>	<b>11,006</b>	<b>14,497</b>	<b>10,038</b>	<b>-5,636</b>	<b>15,694</b>	<b>-18,196</b>	9
EO Income(exp)				37,342					37,342			
<b>PBT (after EO Inc.)</b>	<b>1,039</b>	<b>-5,230</b>	<b>-5,914</b>	<b>41,812</b>	<b>-19,847</b>	<b>11,006</b>	<b>14,497</b>	<b>10,038</b>	<b>31,707</b>	<b>15,694</b>	<b>-18,196</b>	9
Total Tax	351	-1,802	-1,618	14,560	-7,144	3,082	4,059	2,811	11,491	2,808	-5,095	
% Tax	33.8	34.5	27.4	34.8	36.0	28.0	28.0	28.0	36.2	17.9	28.0	
<b>Reported PAT</b>	<b>688</b>	<b>-3,428</b>	<b>-4,296</b>	<b>27,252</b>	<b>-12,703</b>	<b>7,924</b>	<b>10,438</b>	<b>7,227</b>	<b>20,216</b>	<b>12,887</b>	<b>-13,101</b>	-3
<b>Adjusted PAT</b>	<b>688</b>	<b>-3,428</b>	<b>-4,296</b>	<b>2,913</b>	<b>-12,703</b>	<b>7,924</b>	<b>10,438</b>	<b>7,227</b>	<b>-4,123</b>	<b>12,887</b>	<b>-13,101</b>	-3
Change (YoY %)	-90.5	-159.5	-168.0	-42.2	-1,945.2	-331.1	-343.0	148.1	-116.9	-412.5		

**Exhibit 1: Quarterly per ton trend**

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21
<b>Avg. Rev. (INR/ton)</b>	<b>48,631</b>	<b>48,109</b>	<b>48,921</b>	<b>44,788</b>	<b>45,614</b>	<b>43,515</b>	<b>40,443</b>	<b>43,194</b>	<b>40,534</b>
<b>Volumes (m tons)</b>									
Sales	3.3	3.5	3.2	4.1	3.2	3.1	4.1	3.7	2.2
Prodn. (net of interplant transfer)	3.4	3.4	3.6	3.9	3.4	3.3	3.7	4.0	2.3
<b>Expenditure (INR m)</b>									
Inc(-)/Dec in stock & captive cons.	-12,793	426	-21,273	6,474	-13,786	-10,341	19,396	-5,767	-3,395
Consumption of Raw Materials	77,031	75,009	83,810	87,060	81,277	73,822	70,372	66,658	43,599
Staff cost	22,229	21,602	21,397	23,075	20,461	19,591	20,244	27,518	19,929
Others	36,861	39,319	36,860	47,357	36,084	35,182	46,000	42,750	24,307
<b>EBITDA</b>	<b>25,764</b>	<b>23,650</b>	<b>25,782</b>	<b>22,145</b>	<b>15,819</b>	<b>11,597</b>	<b>9,976</b>	<b>19,538</b>	<b>-4,028</b>
<b>Costs per ton of production (INR)</b>									
Inc(-)/Dec in stock & captive cons.	-3,733	127	-5,888	1,647	-4,015	-3,087	5,303	-1,444	-1,490
Consumption of Raw Materials	22,478	22,391	23,197	22,147	23,669	22,042	19,240	16,689	19,139
Staff cost	6,486	6,448	5,922	5,870	5,959	5,849	5,535	6,890	8,749
Others	10,756	11,737	10,202	12,047	10,508	10,505	12,577	10,704	10,670
<b>Gross Margins per ton of sales</b>	<b>28,993</b>	<b>26,401</b>	<b>29,602</b>	<b>22,151</b>	<b>24,841</b>	<b>23,349</b>	<b>18,495</b>	<b>26,930</b>	<b>22,562</b>
<b>Conversion cost per ton of prodn.</b>	<b>17,242</b>	<b>18,185</b>	<b>16,124</b>	<b>17,917</b>	<b>16,467</b>	<b>16,354</b>	<b>18,111</b>	<b>17,593</b>	<b>19,419</b>
<b>EBITDA per ton of sales</b>	<b>7,877</b>	<b>6,806</b>	<b>7,965</b>	<b>5,359</b>	<b>4,869</b>	<b>3,684</b>	<b>2,439</b>	<b>5,218</b>	<b>-1,801</b>

Source: MOFSL, Company



## Conference call highlights

- COVID-19 impacted the dispatch of steel in Apr'20 due to the absence of domestic demand. However, volumes saw an uptick over Jul–Aug on improving domestic steel demand, higher exports, and market share gains at the expense of secondary steel producers. As a result, SAIL's finished steel inventory, which stood at 1.65mt in Jun'20, declined to 1.23mt at Aug-end.
- In 1QFY21, SAIL sold 2.2mt of steel, of which exports stood at 0.5mt. Sales in Jun'20 stood at INR1.28mt. SAIL registered sales of 1.58mt in Jul'20 (+50% YoY) and 1.43mt in Aug'20 (up 35% YoY).
- Avg NSR in 1QFY21 stood at INR35,400/t, lower by INR3,000/t QoQ. NSR for flats stood at ~INR35,000/t, whereas longs NSR stood at INR42,150 (incl. rails). Longs NSR excl. rails stood much lower at INR30,300/t due to a higher proportion of semis.
- Post hikes of INR2,500/t in Aug, NSR stood at INR37,600/t. This is expected to increase further in Sep, led by hikes of INR1,000–1,200/t across product ranges in the month. Average NSR for 2QFY21 is expected to be higher by ~INR3,000/t.
- SAIL guided for improvement in longs steel prices, led by demand improvement post the monsoons.
- In 2QFY21, raw material cost is likely to benefit from decline in coking coal prices. Coking coal prices, which stood at INR12,500/t in Jun'20, declined to INR10,800/t in Aug'20. Higher operating leverage should reduce the impact of fixed cost on a per ton basis.
- SAIL expects to sell 16.0mt of steel in FY21, targeting exports of 2.4mt. Over Apr–Aug, it had already exported 1.0mt.
- SAIL maintained its capex guidance for FY21 at INR40.0b.
- SAIL's gross debt stood at INR544b at 1QFY21-end; however, it declined to INR498b at Aug-end owing to improved sales and liquidation of inventory. Receivables from the Railways remain in excess of INR50b (INR55b at FY20-end). SAIL expects receivables from the Railways to remain elevated due to budgetary constraints at the latter's end; however, if the need arises, SAIL would realize the receivables through the factoring of invoices.
- SAIL has sold 500kt of iron ore from its mines thus far in 2QFY21 (100kt in 1QFY21). It still awaits clearances from the state govts of Odisha, Chhattisgarh, and Jharkhand for the sale of 42mt of sub-grade iron ore lying in its iron ore mines.

## Valuation and view

- We expect sales volumes to improve marginally by 1% in FY21, after factoring 10% volume growth for the remaining 9MFY21. We expect SAIL to post ~8% volume growth to 15.6mt in FY22, implying a 4.5% CAGR over FY20–22.
- With improved pricing, lower coking coal costs, and better operating leverage, we expect SAIL to record EBITDA/t in excess of INR6,000/t in 2QFY21. We expect volume recovery and pricing in 2HFY21 to be supported by demand recovery in Infra and Construction post the monsoons.
- Despite an expected reduction in net debt by INR69b to INR465b over FY20–22E, net debt/EBITDA would stay elevated at ~6x in FY21 and 5x in FY22. This remains a key concern as it makes the company vulnerable in the event of a downcycle in steel prices.
- We value the stock at 6.5x FY22E EV/EBITDA at INR42/sh. Maintain **Neutral**.

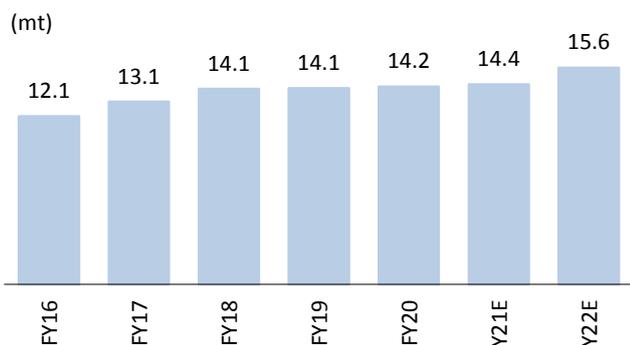
### Exhibit 2: Target price calculation

YEAR	2017	2018	2019	2020	2021E	2022E
Sales (m tons)	13.1	14.1	14.1	14.2	14.4	15.6
EBITDA (INR per ton)	51	3,705	6,916	4,012	5,786	6,314
EBITDA	671	52,176	97,615	57,097	83,279	98,507
Target EV/EBITDA(x)						6.5
Target EV						6,40,295
less: Net Debt (INR m)	4,10,168	4,50,632	4,48,823	5,33,576	4,94,842	4,64,794
Equity value						1,75,501
Target price (INR/sh.)						<b>42</b>

Source: MOFSL, Company

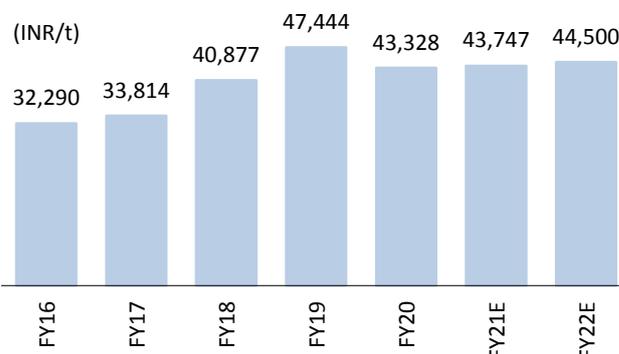
Story in charts

Exhibit 3: Volumes to grow at ~4.5% CAGR over FY20–22E



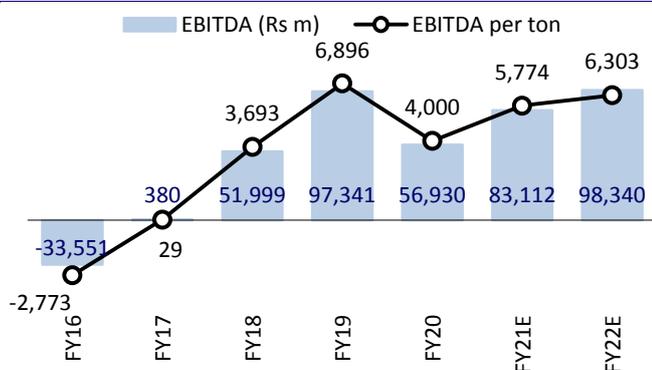
Source: Company, MOFSL

Exhibit 4: Realization seen improving in FY22



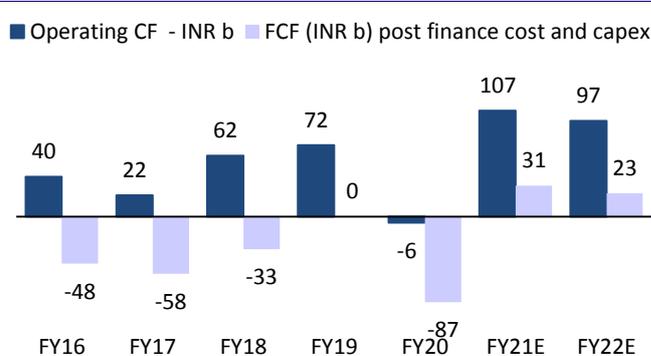
Source: Company, MOFSL

Exhibit 5: EBITDA to grow at ~32% CAGR over FY20–22E



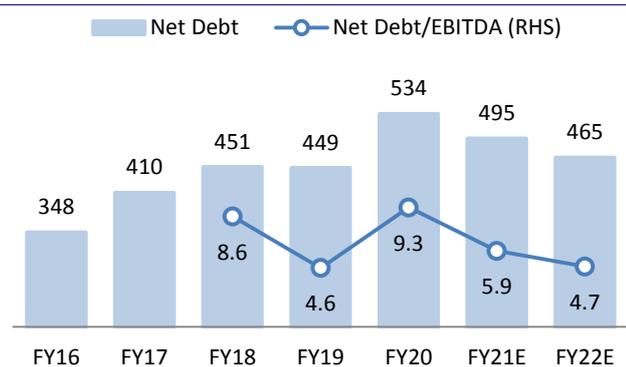
Source: Company, MOFSL

Exhibit 6: Expect higher operating cashflows over FY21–22E



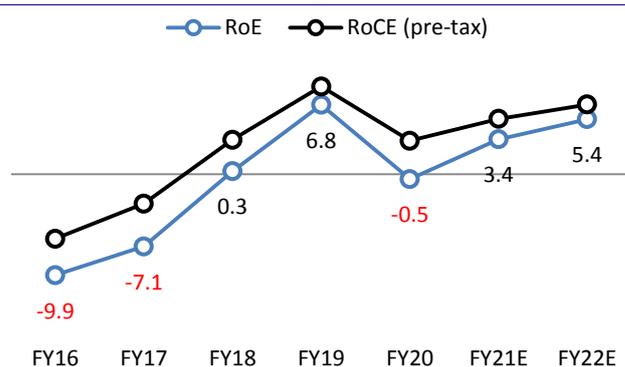
Source: Company, MOFSL

Exhibit 7: Net-debt to decline, but leverage remains high in FY21E



Source: Company, MOFSL

Exhibit 8: Returns ratios to improve over FY21–22E



Source: Company, MOFSL

## Financials and valuations

Income Statement (Consolidated)							(INR m)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	
<b>Net Sales</b>	<b>3,90,984</b>	<b>4,45,018</b>	<b>5,75,600</b>	<b>6,69,736</b>	<b>6,16,642</b>	<b>6,29,689</b>	<b>6,94,273</b>	
Change (%)		13.8	29.3	16.4	-7.9	2.1	10.3	
<b>EBIDTA</b>	<b>-29,025</b>	<b>671</b>	<b>52,176</b>	<b>97,615</b>	<b>57,097</b>	<b>83,279</b>	<b>98,507</b>	
Change (%)	-159.2	-102.3	7,677	87	-42	45.9	18.3	
EBITDA per ton (INR)	-2,399	51	3,705	6,916	4,012	5,786	6,314	
Depreciation	24,044	26,816	30,660	33,853	37,557	39,943	41,797	
<b>EBIT</b>	<b>-53,069</b>	<b>-26,145</b>	<b>21,516</b>	<b>63,762</b>	<b>19,540</b>	<b>43,337</b>	<b>56,710</b>	
Interest	23,005	25,278	28,228	31,549	34,868	35,579	33,292	
Other income	5,290	4,495	4,152	4,945	9,058	7,303	6,608	
<b>PBT before EO</b>	<b>-70,784</b>	<b>-46,929</b>	<b>-2,559</b>	<b>37,158</b>	<b>-6,270</b>	<b>15,060</b>	<b>30,025</b>	
Extraordinary Item		-2,167	-5,556	-3,894	37,342			
<b>PBT</b>	<b>-70,784</b>	<b>-49,096</b>	<b>-8,115</b>	<b>33,264</b>	<b>31,073</b>	<b>15,060</b>	<b>30,025</b>	
Total Tax	-29,377	-19,595	-2,452	12,005	11,809	2,643	8,420	
Effective Rate (%)	41.5	39.9	30.2	36.1	38.0	17.5	28.0	
<b>Reported PAT</b>	<b>-41,406</b>	<b>-29,501</b>	<b>-5,663</b>	<b>21,258</b>	<b>19,264</b>	<b>12,418</b>	<b>21,606</b>	
Change (%)	-291.9	-28.8	-80.8	-475.4	-9.4	-35.5	74.0	
Share of Asso/JV	-359	1,939	2,849	2,229	1,943	1,943	1,943	
Minority Interest								
<b>Adjusted PAT</b>	<b>-41,765</b>	<b>-26,259</b>	<b>1,063</b>	<b>25,976</b>	<b>-1,944</b>	<b>14,361</b>	<b>23,549</b>	
Change (%)	-293.5	-37.1	-104.0	2,344	-107	-838.8	64.0	

Balance Sheet (Consolidated)							(INR m)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E	
<b>Sources of Funds</b>								
Share Capital	41,305	41,305	41,305	41,305	41,305	41,305	41,305	
Reserves and Surplus	3,60,209	3,29,117	3,28,161	3,55,156	3,73,797	3,86,215	4,07,820	
Share holders fund	<b>4,01,514</b>	<b>3,70,423</b>	<b>3,69,467</b>	<b>3,96,462</b>	<b>4,15,102</b>	<b>4,27,520</b>	<b>4,49,125</b>	
Loans	3,51,414	4,13,957	4,54,087	4,51,700	5,38,026	5,38,026	4,88,026	
Deferred Tax Liability	-16,698	-38,488	-41,620	-28,668	-20,222	-23,976	-21,075	
Minority Interest		0	0	0	0	0	0	
<b>Capital Employed</b>	<b>7,36,230</b>	<b>7,45,892</b>	<b>7,81,934</b>	<b>8,19,494</b>	<b>9,32,907</b>	<b>9,41,569</b>	<b>9,16,076</b>	
<b>Application of Funds</b>								
Gross Fixed Assets	7,74,222	8,41,918	9,55,829	10,17,173	11,31,328	11,91,328	12,51,328	
Less: Depreciation	3,14,793	3,38,915	3,69,575	4,03,428	4,40,985	4,80,928	5,22,725	
<b>Net Fixed Assets</b>	<b>4,59,428</b>	<b>5,03,003</b>	<b>5,86,254</b>	<b>6,13,745</b>	<b>6,90,343</b>	<b>7,10,400</b>	<b>7,28,603</b>	
Capital WIP	2,49,272	2,32,754	1,83,954	1,60,136	87,533	67,533	47,533	
Investments	22,790	24,755	26,289	29,748	32,404	32,404	32,404	
<b>Curr. Assets</b>								
Inventory	1,47,082	1,57,361	1,70,243	1,95,103	2,38,363	2,24,273	2,37,765	
Sundry Debtors	31,514	29,347	38,710	44,975	88,447	77,633	66,574	
Cash & Bank Balances	3,456	3,788	3,456	2,877	4,450	43,184	23,232	
Other assets	77,630	81,395	98,731	98,091	1,00,356	1,00,356	1,00,356	
Loans and Advances	5,151	5,263	5,154	6,180	7,150	7,601	8,502	
<b>Current Liabilities</b>								
Sundry Creditors	39,904	52,258	75,330	72,321	63,331	69,007	76,085	
Other Current Liabilities	1,60,970	1,74,303	1,92,655	1,92,930	1,88,087	1,88,087	1,88,087	
Provisions	59,221	65,213	62,871	66,110	64,731	64,731	64,731	
<b>Net Current Assets</b>	<b>4,739</b>	<b>-14,620</b>	<b>-14,563</b>	<b>15,865</b>	<b>1,22,617</b>	<b>1,31,223</b>	<b>1,07,527</b>	
<b>Application of Funds</b>	<b>7,36,230</b>	<b>7,45,892</b>	<b>7,81,934</b>	<b>8,19,494</b>	<b>9,32,897</b>	<b>9,41,560</b>	<b>9,16,067</b>	

## Financials and valuations

### Ratios

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>-10.1</b>	<b>-6.4</b>	<b>0.3</b>	<b>6.3</b>	<b>-0.5</b>	<b>3.5</b>	<b>5.7</b>
Cash EPS	-4.2	-0.6	6.1	13.3	13.8	12.7	15.3
Book Value per Share	97.2	89.7	89.4	96.0	100.5	103.5	108.7
Dividend Per Share							
<b>Valuation (x)</b>							
P/E	-3.8	-6.0	147.7	6.0	-80.7	10.9	6.7
Cash PE	-9.0	-58.5	6.3	2.8	2.8	3.0	2.5
EV/EBITDA	-17.4	845.3	11.6	6.2	12.1	7.8	6.3
EV/Sales	1.3	1.3	1.1	0.9	1.1	1.0	0.9
EV( USD/Ton)	1,018	1,052	1,052	1,047	1,183	1,105	972
Price to Book Value	0.4	0.4	0.4	0.4	0.4	0.4	0.3
<b>Profitability Ratios (%)</b>							
EBITDA Margin	-7.4	0.2	9.1	14.6	9.3	13.2	14.2
RoE	-9.9	-7.1	0.3	6.8	-0.5	3.4	5.4
RoCE (pre-tax)	-6.3	-2.9	3.4	8.6	3.3	5.4	6.8
RoIC (pre-tax)	-11.7	-5.3	4.1	10.7	2.7	5.4	7.0
<b>Turnover Ratios</b>							
Debtors (Days)	29	24	25	25	52	45	35
Inventory (Days)	137	129	108	106	141	130	125
Creditors (Days)	35	43	53	46	41	40	40
Asset Turnover (x)	0.5	0.6	0.7	0.8	0.7	0.7	0.8
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.9	1.1	1.2	1.1	1.3	1.2	1.0

### Cash Flow Statement

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
<b>(INR m)</b>							
<b>EBITDA</b>	<b>-29,025</b>	<b>671</b>	<b>52,176</b>	<b>97,615</b>	<b>57,097</b>	<b>83,279</b>	<b>98,507</b>
(Inc)/Dec in WC	57,506	17,457	11,183	-26,646	-1,06,582	30,581	4,644
Direct Taxes Paid	3,060	125	-1,371	22	-935	-6,849	-6,419
Other Items	8,886	3,348	-353	1,161	44,249		
<b>CF from Oper. Activity</b>	<b>40,428</b>	<b>21,601</b>	<b>61,635</b>	<b>72,152</b>	<b>-6,171</b>	<b>1,07,011</b>	<b>96,732</b>
(Inc)/Dec in FA & CWIP	-64,930	-54,267	-66,045	-38,805	-43,813	-40,000	-40,000
<b>Free Cash Flows to Firm</b>	<b>-24,502</b>	<b>-32,666</b>	<b>-4,410</b>	<b>33,347</b>	<b>-49,984</b>	<b>67,011</b>	<b>56,732</b>
Interest and Dividend	-1,864	-38	116	1,301	1,464	7,303	6,608
(Pur)/Sale of Invest.	-1,373	16	1,267	265	62		
<b>CF from Inv. Activity</b>	<b>-68,167</b>	<b>-54,290</b>	<b>-64,662</b>	<b>-37,239</b>	<b>-42,287</b>	<b>-32,697</b>	<b>-33,392</b>
Issue of Shares							
Inc / (Dec) in Debt	31,675	58,300	31,210	-2,387	89,074		-50,000
Interest Paid	-23,005	-25,278	-28,515	-33,104	-36,538	-35,579	-33,292
Dividends Paid	-1,243				-2,505		
<b>CF from Finan. Activity</b>	<b>7,427</b>	<b>33,021</b>	<b>2,694</b>	<b>-35,491</b>	<b>50,032</b>	<b>-35,579</b>	<b>-83,292</b>
<b>Inc / ( Dec) in Cash</b>	<b>-20,312</b>	<b>333</b>	<b>-333</b>	<b>-579</b>	<b>1,573</b>	<b>38,734</b>	<b>-19,953</b>
Add: Opening Balance	23,768	3,456	3,788	3,456	2,877	4,450	43,184
<b>Closing Balance</b>	<b>3,456</b>	<b>3,788</b>	<b>3,456</b>	<b>2,877</b>	<b>4,450</b>	<b>43,184</b>	<b>23,232</b>

NOTES

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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOFSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com).CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

\* MOFSL 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.