

Estimate change



TP change



Rating change



Bloomberg	JSTL IN
Equity Shares (m)	2,417
M.Cap.(INRb)/(USD\$)	776 / 10.7
52-Week Range (INR)	327 / 133
1, 6, 12 Rel. Per (%)	12/73/40
12M Avg Val (INR M)	2346

## Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	726.1	700.8	908.7
EBITDA	111.6	152.4	214.2
Adj. PAT	21.7	47.0	78.4
EBITDA Margin (%)	15.4	21.7	23.6
Adj. EPS (INR)*	9.0	19.6	32.7
EPS Gr. (%)	-71.6	116.9	66.8
BV/Sh. (INR)	152.5	169.8	200.3

## Ratios

Net D:E	1.7	1.5	1.3
RoE (%)	6.1	12.2	17.7
RoCE (%)	4.5	6.4	9.0
Payout (%)	55.1	10.2	6.1

## Valuations

P/E (x)	35.6	16.4	9.9
P/BV (x)	2.1	1.9	1.6
EV/EBITDA(x)	12.7	9.2	6.5
Div. Yield (%)	1.3	0.6	0.6
FCF Yield (%)	6.1	7.6	12.9

\*Cons.

## Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	44.1	43.1	42.4
DII	6.4	5.4	4.3
FII	13.9	16.0	18.4
Others	35.7	35.5	34.9

FII Includes depository receipts

**CMP: INR321**
**TP: INR372 (+16%)**
**Buy**

## Impressive performance on all fronts

### Near term earnings outlook strong, raise EPS and TP

- JSW Steel (JSTL)'s 2QFY21 results were impressive as consol EBITDA grew 85% YoY to INR42.5b, beating our estimates by 24%. The beat was led by lower costs, leading to standalone EBITDA/t of INR10,136 (est. INR8,754).
- We expect 3QFY21 margins to be even stronger as higher steel prices (HRC price currently is INR4,000/t higher than 2Q) and upward revision in fixed-price contracts should lead to higher realization. We raise our FY21E/FY22E EBITDA by 25%/5% to factor in higher realization. Maintain **Buy**.

### Consol EBITDA up 85% YoY led by strong steel spreads

- JSTL's consol. EBITDA was up 85% YoY (+212% QoQ) to INR42.5b (v/s est. INR34.3b) on higher volumes and spreads. Adj PAT was also significantly higher at INR14.9b (v/s INR0.8b in 2QFY20 and est. INR10.0b). The beat was led by lower-than-expected costs in standalone operations.
- Standalone (S/A) EBITDA grew 79% YoY (and 192% QoQ) led by ~14% YoY volume growth to 4.12mt (est. 4.0mt) and higher steel spreads.
- Realization grew 11% QoQ (-3% YoY) to INR40,769/t (v/s est. INR40,392/t) on higher steel prices during the quarter. Spreads were higher by 23%/13% QoQ/YoY at INR21,119/t (and 7% above est.), driving beat on EBITDA/t.
- EBITDA/t rose 57% YoY (98% QoQ) to INR10,136/t (v/s est. INR8,754/t).
- EBITDA for subsidiaries (adj. for one-time net gains of INR1.6b in overseas subsidiaries) stood at INR0.8b (v/s loss of INR0.9b in 1QFY21) on improved performance in JSW Coated. EBITDA for JSW Coated improved 88% YoY to INR2.9b, led by 42% growth in volumes (0.61mt). However, loss in JSTL's three key overseas subsidiaries remained high at INR2.1b (v/s loss of INR2.4b in 1QFY21 and INR3.5b in 2QFY20).
- Reported net debt declined INR16b QoQ to INR529b, implying net debt/EBITDA of 4.73x (v/s 5.74x at 1QFY21-end).
- 1HFY21 revenue / EBITDA / adj. PAT declined 17%/6%/16% YoY to INR308b/INR55.9b/INR9.3b. Our 2HFY21 implied revenue / EBITDA / adj. PAT is up 10%/86%/256% YoY at INR393b/INR96.4b/INR37.7b, factoring in avg. EBITDA/t of ~INR11,900/t.
- While OCF was up just 3% YoY at INR56.9b in 1HFY21, FCF was much higher at INR17.9b (v/s INR0.6b in 1HFY20) on account of lower cash capex of INR39b (v/s INR54b in 1HFY20).

### Highlights from management commentary

- The company took price hikes of INR2,000/t in Oct'20, which has been absorbed by the market. Spot prices were higher by ~10% v/s 2QFY21 average prices.
- Half-yearly and quarterly pricing contracts should see upward revision.
- Sales guidance of ~15mt has been maintained for FY21 (6.8mt in 1HFY21), implying an ask rate of 4.1mt/qtr. We factor in volumes of ~14.8mt in FY21.
- Costs are likely to remain flattish in 3QFY21.

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- The Bhushan Power and Steel (BPSL) case is listed for final hearing in the Supreme Court on 3rd Nov 2020. Post the outcome, JSTL is prepared to pay the required amount and acquire the asset.
- NCLT has approved JSW Coated's (wholly-owned subsidiary) bid of INR15b for the acquisition of the 1.0mtpa plant of Asian Color Coated Ispat Ltd (ACCIL). However, the company awaits a written order from NCLT. Post the ongoing expansion and ACCIL acquisition, JSW Coated's capacity would increase to 4.6mtpa from current levels of 1.7mtpa.

#### Valuation and view – strong project pipeline to drive growth

- We like JSTL given its strong project pipeline and cost reduction initiatives. On the domestic front, we expect the company to deliver above-industry volume growth in FY22E, driven by expansion. Any turnaround in its loss-making overseas operations could provide a further upside.
- We expect JSTL's margins to remain strong on the back of higher steel prices, the commissioning of cost-saving projects and a better product mix. Higher margins should also keep debt in check.
- Despite high planned capex, we expect net debt to decline by INR20b to INR620b over FY20-22E. Deleveraging should accelerate post FY22 as the capex phase gets over and invested projects start generating cash flows. However, the BPSL acquisition may add debt of INR30b (assuming 30% equity in a 50:50 JV).
- We value JSTL at 7.0x FY22E EV/EBITDA to arrive at TP of INR372/sh. **Buy.**

#### Quarterly performance (consolidated) – INR m

Y/E March	FY20				FY21E				FY20	FY21E		vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		2QE		
<b>Net Sales</b>	<b>1,98,120</b>	<b>1,71,060</b>	<b>1,78,050</b>	<b>1,78,870</b>	<b>1,17,820</b>	<b>1,90,360</b>	<b>1,98,581</b>	<b>1,93,993</b>	<b>7,26,100</b>	<b>7,00,754</b>	<b>1,88,978</b>	1
Change (YoY %)	-3.4	-20.6	-12.4	-20.0	-40.5	11.3	11.5	8.5	-14.3	-3.5	10.5	
<b>EBITDA</b>	<b>37,160</b>	<b>22,650</b>	<b>22,010</b>	<b>29,750</b>	<b>13,410</b>	<b>42,530</b>	<b>51,218</b>	<b>45,203</b>	<b>1,11,570</b>	<b>1,52,361</b>	<b>34,339</b>	24
Change (YoY %)	-27.2	-53.8	-51.1	-33.0	-63.9	87.8	132.7	51.9	-41.1	36.6	51.6	
EBITDA (INR per ton)	9,909	6,292	5,462	8,041	4,806	10,323	12,951	11,550	7,399	10,310	8,616	20
<b>EBITDA (USD per ton)</b>	<b>142</b>	<b>89</b>	<b>77</b>	<b>111</b>	<b>64</b>	<b>139</b>	<b>174</b>	<b>155</b>	<b>104</b>	<b>138</b>	<b>116</b>	
Interest	10,420	11,270	10,600	10,360	10,160	9,590	9,546	9,502	42,650	38,797	10,253	-6
Depreciation	10,260	10,570	10,550	11,080	10,470	11,490	11,490	12,490	42,460	45,940	10,557	9
Other Income	1,410	1,560	1,270	1,220	1,320	1,520	1,468	1,404	5,460	5,712	1,285	18
<b>PBT (before EO Item)</b>	<b>17,890</b>	<b>2,370</b>	<b>2,130</b>	<b>9,530</b>	<b>-5,900</b>	<b>22,970</b>	<b>31,650</b>	<b>24,616</b>	<b>31,920</b>	<b>73,336</b>	<b>14,814</b>	55
EO Items		26,160	2,500	<b>-8,050</b>		1,610			20,610	1,610		
<b>PBT (after EO Item)</b>	<b>17,890</b>	<b>28,530</b>	<b>4,630</b>	<b>1,480</b>	<b>-5,900</b>	<b>24,580</b>	<b>31,650</b>	<b>24,616</b>	<b>52,530</b>	<b>74,946</b>	<b>14,814</b>	66
Total Tax	7,620	3,020	2,490	-690	-610	9,100	10,496	8,170	12,440	27,156	4,796	90
% Tax	42.6	10.6	53.8	-46.6	10.3	37.0	33.2	33.2	23.7	36.2	32.4	
<b>Reported PAT</b>	<b>10,270</b>	<b>25,510</b>	<b>2,140</b>	<b>2,170</b>	<b>-5,290</b>	<b>15,480</b>	<b>21,154</b>	<b>16,446</b>	<b>40,090</b>	<b>47,790</b>	<b>10,018</b>	55
MI (Profit)/Loss	200	240	240	430	210	-20	215	209	1,110	614	280	
Share of P/(L) of Ass.	-190	-150	-270	-290	-530	470	-155	-126	-900	-341	-310	
<b>Adjusted PAT</b>	<b>10,280</b>	<b>809</b>	<b>234</b>	<b>10,360</b>	<b>-5,610</b>	<b>14,916</b>	<b>21,214</b>	<b>16,529</b>	<b>21,683</b>	<b>47,049</b>	<b>9,988</b>	49
Change (YoY %)	-56.6	-96.2	-98.6	-32.0	-154.6	1,744	8,953	60	-72	117	1,134.7	



## Conference call takeaways

### Commentary on demand and pricing

- Domestic steel demand has recovered during the quarter, with Sep'20 demand down just 5% YoY.
- The company took price hikes of INR2,000/t in Oct'20, which has been absorbed by the market. Post the hike, domestic prices are trading at par with import prices.
- Strong steel demand in China has led to a demand-supply gap in the country, leading to higher prices. While prices might see some correction, they are likely to remain range-bound.
- Half-yearly and quarterly pricing contracts should see upward revision in Oct'20. ~20% of JSW's sales are generated through fixed pricing contracts.
- Domestic steel inventory remains at healthy levels, with 1.84mt decline seen in 1HFY21.

### 2QFY21 insights

- The company operated at 86% capacity utilization in 2QFY21 v/s 66% utilization in 1QFY21 (85% in 2QFY20).
- It achieved production of 3.85mt, flat YoY. Production growth was constrained by the lower availability of iron ore from Odisha and Chhattisgarh.
- Steel sales volumes rose 16% YoY to 4.12mt on the back of strong rebound in domestic volumes.
- Domestic sales improved 22% YoY to 3.0mt. The share of exports declined to 28% v/s 57% in 1QFY21.
- Automotive steel sales increased by 33% YoY to 0.39mt (~9% of volumes), despite overall decline in domestic automotive production by 7%.
- Lower coking coal cost (USD20–25/t) offset higher iron ore prices during the quarter.
- Net sales realizations improved by INR3,900 QoQ on price hikes and a better product mix.
- The company also benefitted from lower natural gas and coal prices, resulting in lower power and fuel cost.

### Subsidiaries' performances

- EBITDA for JSW Coated improved 88% YoY to INR2.9b, led by 42% growth in volumes (0.61mt). It recorded EBITDA/t of INR4,721 (+33% YoY).
- Indian subsidiaries (incl. JSW Coated) contributed INR2.9b EBITDA (v/s INR1.7b QoQ).
- Key overseas subsidiaries reported EBITDA loss (adj. of one-off gains of INR1.6b) of INR2.1b (v/s INR2.4b QoQ).

### Guidance

- The company expects raw material costs to remain flattish in 3QFY21.
- NSR is guided to improve in 3QFY21 as spot steel prices are ~10% higher than 2QFY21.
- The company is confident of achieving its sales guidance of ~15.0mt in FY21; however, production may be marginally lower than 16.0mt.

- In 1HFY21, the company achieved production and sales of 6.9mt and 6.8mt, respectively.

#### **Update on iron ore mines**

- The company met ~27% of its iron ore requirements from its captive mines.
- The company operationalized all four mines in Odisha in Jul'20 post the finalization of MDOs and transporters. The mines have commenced supplies to Dolvi and Salem.
- The company is confident of producing ~80% of the last two years' average production (~21mt) over the 12 months starting from Jul'20.
- The management carved out short- and long-term plans to optimize cost from the Odisha mines. This is because currently iron ore from its Odisha mines is costlier than the market due to a ~105% premium on the mines. As a part of its short-term measures, the company is looking to reduce a) port charges, b) transportation cost from mines to railway sidings, and c) mining cost. The company plans to set up a slurry pipeline from the mines to the port to reduce logistics cost.
- The company has operationalized seven out of eight mines in Karnataka, and expects to operationalize the eighth mine in 3QFY21. It expects ~7mt production from these mines.

#### **Capex and project update**

- With better availability of labor at project sites, it is confident of commissioning its Dolvi capacity by Mar'21.
- The 1.2mtpa wire-rod mill at Vijayanagar was commissioned in 2QFY21 and is under a trial-run.
- The 8mtpa pellet plant is expected to be commissioned in 3QFY21.
- In 1HF21, the company spent INR39.0b, against planned capex of INR90b for FY21.
- The CRM1 complex capacity expansion at Vijayanagar to 1.80MTPA from 0.85MTPA is expected to be commissioned in 2HFY21.
- Similarly, downstream modernization cum capacity enhancement projects at Vasind and Tarapur and the color coating line at Kalmeshwar are expected to be commissioned in 2HFY21.

#### **Liquidity position**

- The company has paid upfront fees of INR12.9b toward mines in Odisha, which would get offset the premiums payable on iron ore extraction. It has also paid INR8.17b in registration fees, stamp charges, and other costs toward leases; the same has been capitalized as intangible assets.
- Reported net debt decreased by INR16b in 2QFY21 to INR529b (INR545b at 1QFY21-end), aided by better profitability and a favorable forex impact.
- Revenue acceptances stood at USD1,098m and capital acceptances at USD441m.
- Net debt/EBITDA stood at 4.73x at end-2QFY21 (v/s 5.74x at 1QFY21).
- The company had liquidity of INR76.6b at end-2QFY21.

**Update on BPSL and Asian Color Coated acquisitions**

- The BPSL matter is listed for final hearing on 3<sup>rd</sup> Nov 2020.
- Management has informed that the BPSL transaction would not be consolidated with standalone operations and would be accounted for under 'Equity Method'.
- JSW Coated's resolution plan for Asian Color Coated Ispat Ltd was accepted by NCLT on 19<sup>th</sup> Oct. The company awaits a written order from NCLT for the same. JSW Coated would acquire the 1.0mtpa plant for a consideration of ~INR15b. Post the acquisition of ACCIL (1mt) and completion of ongoing projects (1.9), JSW Coated's capacity would increase to 4.6mtpa from current levels of 1.7mtpa.

**Quarterly performance (standalone)****(INR m)**

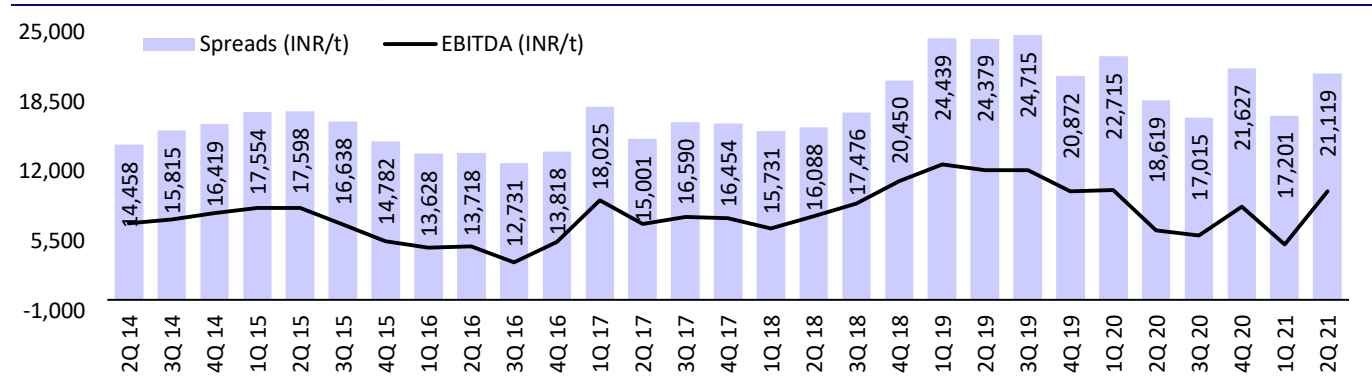
Y/E March (Standalone)	FY20				FY21				FY20	FY21E	vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
<b>Net Sales</b>	<b>1,76,980</b>	<b>1,50,540</b>	<b>1,55,170</b>	<b>1,52,770</b>	<b>1,02,930</b>	<b>1,67,970</b>	<b>1,75,072</b>	<b>1,70,129</b>	<b>6,35,460</b>	<b>6,16,101</b>	<b>1,60,976</b>	4
<b>EBITDA</b>	<b>38,320</b>	<b>23,300</b>	<b>24,170</b>	<b>32,200</b>	<b>14,290</b>	<b>41,760</b>	<b>49,999</b>	<b>43,629</b>	<b>1,17,990</b>	<b>1,49,678</b>	<b>34,887</b>	20
Margin (%)	21.7	15.5	15.6	21.1	13.9	24.9	28.6	25.6	18.6	24.3	21.7	
Spreads	22,715	18,619	17,015	21,627	17,201	21,119	24,189	23,049	19,947	21,712	19,765	7
Conv. cost	12,496	12,147	11,017	12,924	12,079	10,983	11,546	11,901	12,123	11,584	11,011	0
EBITDA (INR/T)	10,219	6,472	5,998	8,703	5,122	10,136	12,643	11,148	7,824	10,128	8,754	16
<b>EBITDA (USD/T)</b>	<b>147</b>	<b>92</b>	<b>84</b>	<b>120</b>	<b>68</b>	<b>136</b>	<b>170</b>	<b>150</b>	<b>110</b>	<b>136</b>	<b>118</b>	15
Interest	10,050	10,750	9,880	9,540	9,330	8,850	8,806	8,762	40,220	35,747	9,423	-6
Depreciation	8,260	8,740	8,930	9,290	8,670	9,240	9,240	10,240	35,220	37,390	8,757	6
Other Income	1,590	1,880	1,350	1,460	1,540	1,510	1,600	1,550	6,280	6,200	1,500	1
<b>PBT (before EO Item)</b>	<b>21,600</b>	<b>5,690</b>	<b>6,710</b>	<b>14,830</b>	<b>-2,170</b>	<b>25,180</b>	<b>33,554</b>	<b>26,177</b>	<b>48,830</b>	<b>82,740</b>	<b>18,207</b>	38
EO Items		26,160	2,500	-13,090					15,570			
<b>PBT (after EO Item)</b>	<b>21,600</b>	<b>31,850</b>	<b>9,210</b>	<b>1,740</b>	<b>-2,170</b>	<b>25,180</b>	<b>33,554</b>	<b>26,177</b>	<b>64,400</b>	<b>82,740</b>	<b>18,207</b>	38
Total Tax	7,210	2,680	2,300	1,260	-710	8,260	10,972	8,560	13,450	27,082	5,644	
% Tax	33.4	8.4	25.0	72.4	32.7	32.8	32.7	32.7	20.9	32.7	31.0	
<b>Reported PAT</b>	<b>14,390</b>	<b>29,170</b>	<b>6,910</b>	<b>480</b>	<b>-1,460</b>	<b>16,920</b>	<b>22,582</b>	<b>17,617</b>	<b>50,950</b>	<b>55,659</b>	<b>12,563</b>	35
Pref. Dividend												
<b>Adjusted PAT</b>	<b>14,390</b>	<b>4,440</b>	<b>5,177</b>	<b>13,570</b>	<b>-1,460</b>	<b>16,920</b>	<b>22,582</b>	<b>17,617</b>	<b>37,578</b>	<b>55,659</b>	<b>12,563</b>	35
Change (YoY %)	-80	-73	-22	-110	-80	281	336	30	-54	48	183	

Source: Company, MOFSL

**Exhibit 1: Operational performance (standalone)**

	FY20				FY21E				FY20	FY21	vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
<b>Production ('000 tons)</b>	4,240	3,840	4,020	3,970	2,960	3,850	4,122	4,122	16,070	15,055	3,850	
Change (YoY %)	3.2	-8.1	-5.0	-4.8	-30.2	0.3	2.5	3.8	28.0	-4.8	2.6	
Change (QoQ %)	1.7	-9.4	4.7	-1.2	-25.4	30.1	7.1		-3.7	-6.3	33.1	
<b>Sales ('000 tons)</b>	3,750	3,600	4,030	3,700	2,790	4,120	3,955	3,914	15,080	14,778	3,985	3
Change (YoY %)	-2.1	-9.1	9.5	-13.8	-25.6	14.4	-1.9	5.8	24.8	0.0	10.7	
Change (QoQ %)	-12.6	-4.0	11.9	-8.2	-24.6	47.7	-4.0	-1.0	-4.3	-2.0	42.8	
<b>Realization (INR/ton)</b>	47,195	41,817	38,504	41,289	36,892	40,769	44,269	43,470	42,139	41,689	40,392	1
Change (YoY %)	-5.3	-16.0	-23.0	-10.1	-21.8	-2.5	15.0	5.3	38.7	17.8	-3.4	
Change (QoQ %)	2.8	-11.4	-7.9	7.2	-10.6	10.5	8.6	-1.8	-13.6	-1.1	9.5	
<b>EBITDA (INR/Ton)</b>	10,219	6,472	5,998	8,703	5,122	10,136	12,643	11,148	7,824	10,128	8,754	16
Change (YoY %)	-19.0	-46.5	-50.3	-14.0	-49.9	56.6	110.8	28.1	65.2	28.7	35.3	
Change (QoQ %)	1.0	-36.7	-7.3	45.1	-41.1	97.9	24.7	-11.8	-33.0	29.4	70.9	

Source: MOFSL, Company

**Exhibit 2: JSW Steel EBITDA and spreads**

Source: MOFSL, Company

**Exhibit 3: Quarterly performance (subsidiaries)**

Y/E March	FY20				FY21E				FY20	FY21E	INR m vs Est (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
Net Sales	21,140	20,520	22,880	26,100	14,890	22,390	23,509	23,864	90,640	84,654	28,002	-20
<b>EBITDA</b>	<b>-1,160</b>	<b>-650</b>	<b>-2,160</b>	<b>-2,450</b>	<b>-880</b>	<b>770</b>	<b>1,219</b>	<b>1,574</b>	<b>-6,420</b>	<b>2,684</b>	<b>-548</b>	-241
JSW coated	1,720	1,530	1,340	910	280	2,880	1,976	2,075	5,500	7,211	1,183	144
US Mills	139	-788	-897	-718	-855	-979	-372	-372	-2,264	-2,578	-740	32
Acero	-2,512	-2,224	-1,794	-1,463	-941	-783	-372	-372	-7,992	-2,467	-740	6
Aferpi	-328	-540	-784	-870	-578	-360	-513	-256	-2,522	-1,707	-750	-52
others	-179	1,372	-25	-309	1,213	12	500	500	858	2,225	500	-98
<b>PAT</b>	<b>-4,110</b>	<b>-3,631</b>	<b>-4,943</b>	<b>-3,210</b>	<b>-4,150</b>	<b>-2,004</b>	<b>-1,367</b>	<b>-1,088</b>	<b>-15,894</b>	<b>-8,610</b>	<b>-2,575</b>	-22

Source: MOFSL, Company

**Exhibit 4: Target price calculations -**

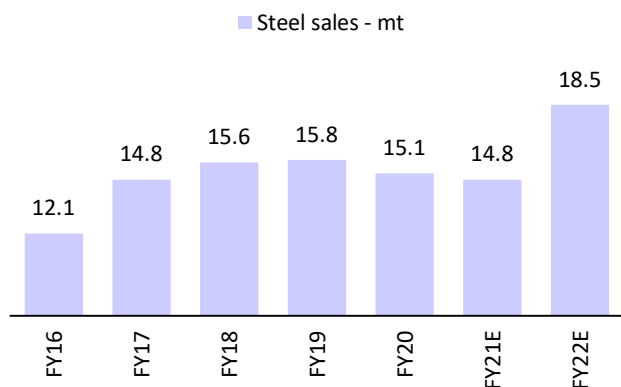
Y/E March	INR m		
	2020	2021E	2022E
A. S/A volumes	15.1	14.8	18.5
B. EBITDA per ton	7,824	10,128	10,964
C. S/A EBITDA (AxB)	1,17,990	1,49,678	2,02,826
D. Sub. EBITDA	-6,420	2,684	11,372
E. Cons. EBITDA (C+D)	1,11,570	1,52,361	2,14,197
F. Target EV/EBITDA (x)			7.0
G. Target EV (FxG)			15,01,523
less: Net Debt (INR m)	6,39,300	6,29,638	6,19,734
Add: Non-current investments (at Book value)			9,740
Equity value			8,91,530
No. of shares			2,400
<b>Equity value /sh.</b>			<b>372</b>

Source: MOFSL



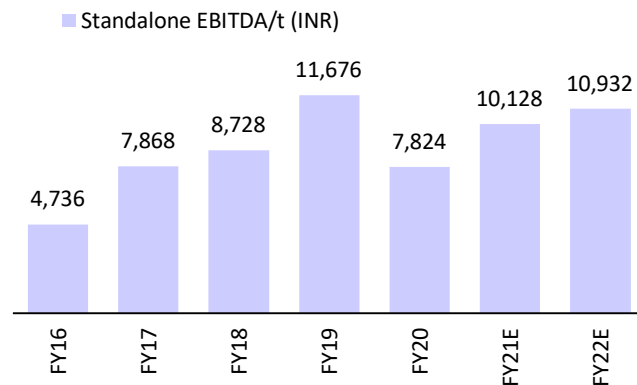
## Story in Charts

**Exhibit 5: ~25% YoY volume growth in FY22E...**



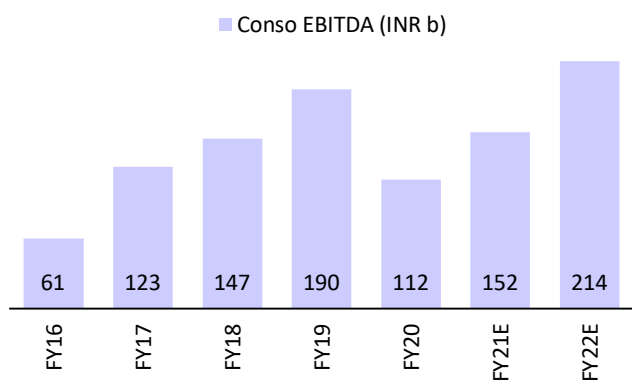
Source: Company, MOSL

**Exhibit 6: ...coupled with strong EBITDA margins should drive...**



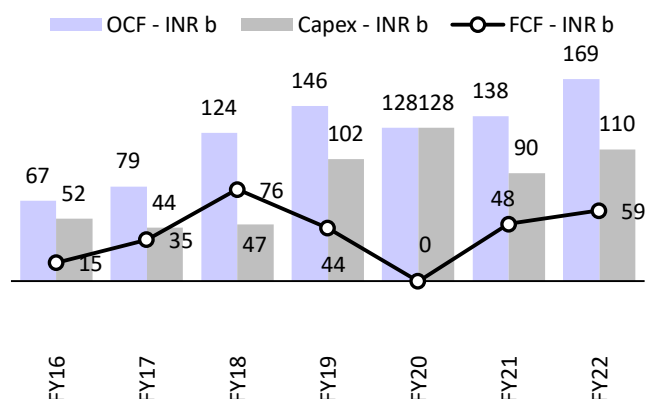
Source: Company, MOSL

**Exhibit 7: ~39% CAGR in conso. EBITDA to INR211b and...**



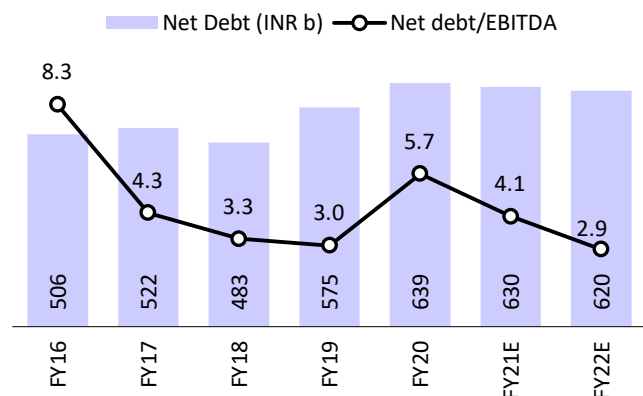
Source: Company, MOSL

**Exhibit 8: ...result in higher FCF generation and...**



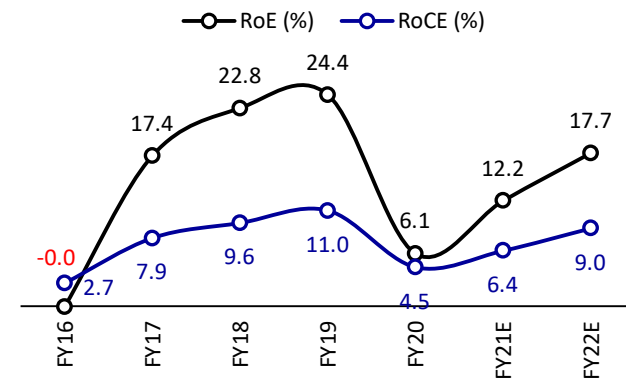
Source: Company, MOSL

**Exhibit 9: decline in net leverage to 2.9x in FY22E**



Source: Company, MOSL

**Exhibit 10: Return ratios should improve over FY21-22E**



Source: Company, MOSL

## Financials and valuations

Income statement (consolidated)						(INR b)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
<b>Net sales</b>	<b>418.79</b>	<b>556.05</b>	<b>700.87</b>	<b>847.57</b>	<b>726.10</b>	<b>700.75</b>	<b>908.70</b>
Change (%)	-20.90	32.80	26.00	20.90	-14.30	-3.50	29.70
Total Expenses	358.06	433.45	554.01	658.05	614.53	548.39	694.50
<b>EBITDA</b>	<b>60.73</b>	<b>122.60</b>	<b>146.86</b>	<b>189.52</b>	<b>111.57</b>	<b>152.36</b>	<b>214.20</b>
% of Net Sales	14.5	22.0	21.0	22.4	15.4	21.7	23.6
Depn. & Amortization	31.88	35.15	33.87	40.41	42.46	45.94	53.51
<b>EBIT</b>	<b>28.85</b>	<b>87.44</b>	<b>112.99</b>	<b>149.11</b>	<b>69.11</b>	<b>106.42</b>	<b>160.69</b>
Net Interest	33.03	37.68	37.01	39.17	42.65	38.80	49.92
Other income	1.68	1.52	1.67	2.04	5.46	5.71	5.77
<b>PBT before EO</b>	<b>-2.49</b>	<b>51.28</b>	<b>77.65</b>	<b>111.98</b>	<b>31.92</b>	<b>73.34</b>	<b>116.54</b>
EO income	-21.25	0.00	5.73	0.00	20.61	1.61	0.00
<b>PBT after EO</b>	<b>-23.75</b>	<b>51.28</b>	<b>83.38</b>	<b>111.98</b>	<b>52.53</b>	<b>74.95</b>	<b>116.54</b>
Tax	-15.24	16.74	22.67	36.44	12.44	27.16	38.37
Rate (%)	64.2	32.6	27.2	32.5	23.7	36.2	32.9
<b>Reported PAT</b>	<b>-8.51</b>	<b>34.54</b>	<b>60.71</b>	<b>75.54</b>	<b>40.09</b>	<b>47.79</b>	<b>78.17</b>
Minority interests	0.95	0.06	0.99	1.15	1.11	0.61	0.61
Share of Associates	0.14	1.19	0.42	-0.30	-0.90	-0.34	-0.34
Preference dividend	0.28	0.00	0.00	0.00	0.00	0.00	0.00
<b>Adj. PAT (after MI &amp; Asso)</b>	<b>-0.08</b>	<b>35.80</b>	<b>57.95</b>	<b>76.39</b>	<b>21.68</b>	<b>47.04</b>	<b>78.44</b>
Change (%)	-101	-42,485	62	32	-72	117	67

Balance sheet						(INR b)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	2.42	2.40	2.41	2.40	2.40	2.40	2.40
Reserves	185.03	224.07	277.57	345.55	363.59	404.97	478.34
<b>Net Worth</b>	<b>187.45</b>	<b>226.47</b>	<b>279.98</b>	<b>347.95</b>	<b>365.99</b>	<b>407.37</b>	<b>480.74</b>
Minority Interest	0.07	-2.46	-4.64	-4.50	-5.75	-5.75	-5.75
Total Loans	513.04	540.20	496.47	589.56	759.35	759.35	759.35
Deferred Tax Liability	39.12	29.90	25.56	37.77	16.77	28.94	44.00
<b>Capital Employed</b>	<b>739.68</b>	<b>794.11</b>	<b>797.37</b>	<b>970.78</b>	<b>1,136.36</b>	<b>1,189.91</b>	<b>1,278.34</b>
Gross Block	789.58	663.83	688.17	775.92	810.94	890.94	1,140.94
Less: Accum. Deprn.	226.24	76.53	109.69	149.48	191.00	236.94	290.45
<b>Net Fixed Assets</b>	<b>563.34</b>	<b>587.30</b>	<b>578.48</b>	<b>626.44</b>	<b>619.94</b>	<b>654.00</b>	<b>850.49</b>
Capital WIP	69.04	43.63	59.50	118.89	271.91	281.91	141.91
Investments	6.18	10.66	11.57	18.12	12.57	12.57	12.57
<b>Curr. Assets</b>	<b>207.73</b>	<b>238.46</b>	<b>270.15</b>	<b>384.52</b>	<b>413.78</b>	<b>420.78</b>	<b>476.08</b>
Inventory	84.03	113.95	125.94	145.48	138.64	136.87	169.17
Account Receivables	28.02	41.49	47.04	71.60	45.05	44.16	57.26
Cash and Bank Balance	7.34	17.85	13.75	62.69	120.05	129.71	139.62
Others	88.34	65.17	83.42	104.75	110.04	110.04	110.04
<b>Curr. Liability &amp; Prov.</b>	<b>106.61</b>	<b>85.94</b>	<b>122.33</b>	<b>177.19</b>	<b>181.84</b>	<b>179.36</b>	<b>202.71</b>
Account Payables	37.13	38.46	69.11	59.31	81.20	78.72	102.07
Provisions & Others	69.49	47.48	53.22	117.88	100.64	100.64	100.64
<b>Net Current Assets</b>	<b>101.12</b>	<b>152.52</b>	<b>147.82</b>	<b>207.33</b>	<b>231.94</b>	<b>241.43</b>	<b>273.37</b>
<b>Appl. of Funds</b>	<b>739.68</b>	<b>794.11</b>	<b>797.37</b>	<b>970.78</b>	<b>1,136.36</b>	<b>1,189.91</b>	<b>1,278.34</b>

E: MOFSL Estimates



## Financials and valuations

Ratios							
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)							
EPS		14.9	24	31.8	9	19.6	32.7
Cash EPS	9.7	29	39.2	48.3	34.4	39.1	54.9
BV/Share	77.5	94.4	116.2	145	152.5	169.8	200.3
DPS	1.1	0.8	2.3	3.3	4.1	2	2
Payout (%)		6.1	11.3	12.2	55.1	10.2	6.1
Valuation (x)							
P/E			13.4	10.1	35.6	16.4	9.9
Cash P/E			8.2	6.7	9.4	8.2	5.9
P/BV			2.8	2.2	2.1	1.9	1.6
EV/Sales			1.8	1.6	1.9	2	1.5
EV/EBITDA			8.6	7.1	12.7	9.2	6.5
Dividend Yield (%)			0.7	1	1.3	0.6	0.6
EV/ton			1,250	1,224	1,321	1,273	1,004
Return Ratios (%)							
RoE		17.4	22.8	24.4	6.1	12.2	17.7
RoCE (pre-tax)	2.7	7.9	9.6	11.3	4.5	6.4	9
RoIC (pre-tax)	3	8.5	10.6	13.5	6	9.5	12.3
Working Capital Ratios							
Fixed Asset Turnover (x)	0.5	0.8	1	1.1	0.9	0.8	0.8
Asset Turnover (x)	0.6	0.7	0.9	0.9	0.6	0.6	0.7
Debtor (Days)	24	27	24	31	23	23	23
Inventory (Days)	73	75	66	63	70	68	65
Creditors(Days)	32	25	36	26	41	41	41
Working Capital (Days)	65	77	54	68	52	50	47
Leverage Ratio (x)							
Current Ratio	1.9	2.8	2.2	2.2	2.3	2.3	2.3
Interest Cover Ratio	0.9	2.3	3.1	3.8	1.6	2.7	3.2
Debt/Equity	2.7	2.3	1.7	1.5	1.7	1.5	1.3

Cash flow statement (consolidated)						(INR b)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
EBITDA	60.73	122.60	146.86	189.52	111.57	152.36	214.20
Non cash exp. (income)	2.17	-2.66	2.34	-1.08	11.44	0.00	0.00
(Inc)/Dec in Wkg. Cap.	6.19	-38.69	-11.01	-15.81	16.39	0.18	-22.04
Tax Paid	-2.06	-2.37	-14.40	-26.30	-11.55	-14.99	-23.31
<b>CF from Op. Activity</b>	<b>67.04</b>	<b>78.88</b>	<b>123.79</b>	<b>146.33</b>	<b>127.85</b>	<b>137.55</b>	<b>168.85</b>
(Inc)/Dec in FA + CWIP	-51.79	-44.35	-47.36	-102.06	-128.10	-90.00	-110.00
(Pur)/sale of Invest.	0.00	-2.94	0.09	2.51	0.85	0.00	0.00
Acquisition in subs.	0.00	-1.47	-3.61	-14.27	1.00	0.00	0.00
Int. & Dividend Income	0.63	1.18	1.26	1.58	5.13	5.71	5.77
Others	0.04	0.45	0.60	-2.24	-74.74	0.00	0.00
<b>CF from Inv. Activity</b>	<b>-51.12</b>	<b>-47.13</b>	<b>-49.02</b>	<b>-114.48</b>	<b>-195.86</b>	<b>-84.29</b>	<b>-104.23</b>
Equity raised/(repaid)	0.00	0.02	-0.27	-1.53	0.06	0.00	0.00
Debt raised/(repaid)	3.78	10.75	-39.92	66.54	110.75	0.00	0.00
Dividend (incl. tax)	-3.54	-2.18	-6.55	-9.33	-11.95	-4.80	-4.80
Interest paid	-28.00	-35.69	-35.11	-38.15	-46.97	-38.80	-49.92
Other financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>CF from Fin. Activity</b>	<b>-27.75</b>	<b>-27.10</b>	<b>-81.85</b>	<b>17.53</b>	<b>51.89</b>	<b>-43.60</b>	<b>-54.71</b>
<b>(Inc)/Dec in Cash</b>	<b>-11.84</b>	<b>4.65</b>	<b>-7.08</b>	<b>49.38</b>	<b>-16.12</b>	<b>9.66</b>	<b>9.90</b>
Add: opening Balance	19.14	7.34	17.85	13.75	62.69	120.05	129.71
Regrouping etc	0.04	5.86	2.98	-0.44	73.48	0.00	0.00
<b>Closing Balance</b>	<b>7.34</b>	<b>17.85</b>	<b>13.75</b>	<b>62.69</b>	<b>120.05</b>	<b>129.71</b>	<b>139.62</b>

NOTES

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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

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