

Non-recurring items hit earnings; Maintain Buy

Kirloskar Ferrous (KFIL) delivered another subdued performance in Q1 due to continued pressure in gross margins and increased other expenses (due to non-recurring items) negating strong volume growth. We remain positive on KFIL's prospects as it features i) increasing share of high-margin casting business which has spare capacity, ii) cost efficiencies from upcoming low-payback projects albeit slightly delayed, iii) an enviable track record of converting cash profits to cash flows (5Y/10Y AOCF/CP ratio of 1x/0.9x) and iv) strong balance sheet with low D/E of 0.1x. We expect strong earnings growth during FY18-20E driven by castings volume CAGR of 20%. Valuations remain undemanding with attractive cash flow yield of 14.5% & EV/EBITDA of 4.7x on FY20E. Maintain Buy with revised TP of Rs140.

- **Volume performance remains strong:** Net sales stood at Rs4.85bn, up 45% YoY and was led by strong volume growth in the castings segment at 31% YoY to ~23700 tonne (highest ever on quarterly basis) led by robust demand, increased market share and sales to new customers. Pig iron sales increased to ~85kt, up 29% YoY while realisations improved to Rs30838/t, up 13.4% YoY and 4.6% QoQ.
- **EBITDA subdued as gross profit/t remain muted and non-recurring items continue to play spoilsport:** EBITDA was below our expectations at Rs346mn, up 1.8% QoQ. This was on account of subdued gross margins at 35.7% and sharp increase in other expenses to Rs1.16bn, up 7% QoQ. Increase in other expenses was led by higher purchase of power from grid due to stoppage of captive power plant as well as increase in power price from the grid by Rs0.2/unit. There was an additional impact of ~Rs59mn due to adverse forex translation losses in Q1. Coke/coking coal/iron ore costs continued to remain high in Q1 and kept pressure on spreads resulting in gross profit/t of Rs15900/t (vs Rs15000/t in Q4).
- **Earnings revised lower led by lower gross margins & delay in coke oven project:** In our detailed interaction with the management post KFIL's AGM (detailed takeaways on Page 2), the management stressed upon their focus on cost savings projects but indicated that coke oven & CPP project is expected to commission in Q3FY20 (vs Q1FY20 earlier) due to delay in ordering for capex optimisation. KFIL's gross margins have remained under pressure in last 3-4 quarters and we expect the same to improve in due course but have revised our forward estimates on the same lower. We revise our EBITDA/PAT estimates downwards to Rs2.0bn/Rs0.9bn for FY19E and Rs2.8bn/Rs1.3bn for FY20E led mainly by lower gross margins, higher power costs and delay in coke oven & CPP cost benefits in FY20E.
- **Valuation and risks – maintain Buy:** We expect KFIL to deliver strong earnings growth during FY18-20E, led by volume CAGR of 15% in the castings business coupled with cost efficiencies and operating leverage leading to higher margins and strong improvement in return ratios. We see scope for re-rating and value KFIL using our conservative five-year AOCF/EV yield methodology to arrive at a revised TP of Rs140. Maintain Buy. Key risks are lower volumes and raw material volatility.

Y/E Mar (Rs mn)	Q1FY19	Q1FY18	YoY(%)	Q4FY18	QoQ(%)	Q1FY19E	Var(%)
Net sales	4,852	3,340	45.3	4,696	3.3	4,821	0.6
Total RM consumed	3,121	2,111	47.8	3,050	2.3	3009	3.7
Gross Margins - %	35.7	36.8		35.0		37.6	
Employee costs	222	184	20.7	217	2.2	230	(3.7)
Other expenses	1,164	884	31.7	1,089	6.9	1039	12.0
EBITDA	346	161	114.5	340	1.8	543	(36.3)
EBITDA margin (%)	7.1	4.8	230 bps	7.2	(11)bps	11.3	(414)bps
Depreciation	128	125	2.3	127	0.9	130	(1.5)
Finance costs	38	31	23.0	30	25.4	30	26.7
PBT	184	15	NM	217	(15.3)	388	(52.6)
Tax	79	3	NM	68	17.0	116	(31.9)
PAT	105	12	750	149	(29.9)	272	(61.5)

Source: Company, Centrum Research; NM-Not Meaningful

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Adj. EPS (Rs)	RoE (%)	RoCE (%)	PE (x)	EV/EBITDA (x)
FY16	11,139	(18.4)	1,509	13.6	578	17.4	4.2	12.2	11.0	12.5	5.5
FY17	11,327	1.7	1,722	15.2	878	51.9	6.4	16.3	13.1	11.7	6.6
FY18	16,806	48.4	1,098	6.5	380	(56.7)	2.8	6.5	6.0	33.8	12.3
FY19E	19,849	18.1	1,973	9.9	888	133.8	6.5	14.2	12.3	12.6	6.4
FY20E	20,018	0.9	2,773	13.9	1,312	47.7	9.6	18.7	15.1	8.5	4.7

Source: Company, Centrum Research Estimates

In the interest of timeliness, this document is not edited

Centrum Equity Research is available on Bloomberg, Thomson Reuters and FactSet

Target Price	Rs140	Key Data	
CMP*	Rs81.5	Bloomberg Code	KKF IN
Upside	71.8%	Curr Shares O/S (mn)	137.3
Previous Target	Rs155	Diluted Shares O/S(mn)	137.3
Previous Rating	Buy	Mkt Cap (Rsbn/USDmn)	11.2/162.8
Price Performance (%)*		52 Wk H / L (Rs)	121.9/72
	1M	6M	1Yr
		5 Year H / L (Rs)	121.9/15
KKF IN	(9.5)	(16.7)	(12.3)
NIFTY	5.5	2.3	12.8
		Daily Vol. (3M NSE Avg.)	93768

*as on 27 July 2018; Source: Bloomberg, Centrum Research

Shareholding pattern (%)*

	Jun-18	Mar-18	Dec-17	Sep-17
Promoter	59.6	59.6	59.6	59.6
FII's	0.6	0.6	0.1	0.6
Dom. Inst.	8.3	6.2	4.0	2.6
Public & Others	31.6	33.6	36.3	37.2

Source: BSE, *as on 27 July 2018

Operational metrics

(tonne)	Q1FY19	Q1FY18	YoY(%)	Q4FY18	QoQ(%)
Sales Volumes (tonne)					
Pig Iron	85,313	66,186	28.9	86,863	(1.8)
Castings	23,716	18,139	30.7	22,947	3.4
Sales Value (Rs mn)					
Pig Iron	2631	1799	46.2	2562	2.7
Castings	2139	1451	47.4	2017	6.0
Realisations (Rs/t)					
Pig Iron	30,838	27,187	13.4	29,496	4.6
Castings	90,180	79,982	12.7	87,894	2.6

Source: Company, Centrum Research

Earnings Revision

Particulars (Rs mn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	19,849	18,637	6.5	20,018	18,788	6.5
EBITDA	1,973	2,283	(13.6)	2,773	3,423	(19.0)
EBITDA Margin (%)	9.9	12.3		13.9	18.2	
PAT	888	1,068	(16.9)	1,312	1,785	(26.5)

Source: Centrum Research Estimates

Abhisar Jain, CFA, abhisar.jain@centrum.co.in, 91 22 4215 9928
Sahil Sanghvi, sahil.sanghvi@centrum.co.in, 91 22 4215 9203

Management Interaction Takeaways

We met up with the management of Kirloskar Ferrous post the AGM and had a detailed interaction with the MD and CFO. The key takeaways are below:

- Promoters and management see very strong demand visibility for castings from its customer segments led by i) favorable competitive positioning of KFIL on account of low product development cycle time, ii) strong customer relationships and capacity approvals, iii) reliable quality and consistent supplies, iv) first mover advantage in developing products for Euro VI compliant vehicles and v) large investments by the auto & tractor OEM's in building capacities.
- KFIL has identified four key focus areas where it is currently investing for future growth:-
 - 1. Capacity Enhancement**
 - KFIL is looking to increase its castings capacity from 130ktpa to 160ktpa by FY21 through addition of new line at Hospet. Management also indicated plans to increase this further to 200ktpa in due course. The capacity increase is driven by strong demand visibility from customers and need for contracting certain quantities for big clients like Diamler, VECV, Hino Motors.
 - Pig iron capacity is expected to be increased from 390ktpa to 425ktpa once BF2 goes for major relining in late FY20.
 - Machined castings demand is steadily increasing and KFIL is looking to make consistent investments (Rs200-250mn annually) in the same
 - 2. Cost Saving Projects**
 - Coke oven of 200ktpa coupled with associated 20 MW waste heat CPP is being set-up for saving costs as company incurs very high cost on both of these critical inputs. The project is likely to be commissioned in Q3FY20 at a cost of Rs2.2bn and has seen a delay of 6 months vs the earlier timeline due to delay in ordering for capex optimisation.
 - Railway siding project at Hospet plant is expected to be commissioned soon and would result in reduced freight costs
 - KFIL would Participate in upcoming iron ore auctions in Karnataka – 8 mines with 10 mtpa capacity likely to be auctioned in next few months and this would not be capex intensive due to revenue sharing auction
 - 3. Green Energy**
 - Set-up of 10 MW solar power plant at Solapur completed and expected to meet 50% of power requirement for the Solapur plant
 - 4. Technology Upgradation**
 - Set-up of bell less top and PCI for MBF1 – expected to improve productivity, reduce coke rate and lead to longer refractory life. Commissioning in H2FY20
 - Installation of 3D printing machine at Hospet to reduce new product development cycle time – Benefits likely to be seen by FY19-end as installation already done
- The total capex for the above initiatives is likely to be approx. Rs5bn to be spent over next 3 years
- **Update on Operations & Financials**
 - Volumes in castings have been picking up consistently and current monthly run-rate is approx. 9000 tonne
 - Raw material costs have seen relentless increase and landed cost of coke stood at US\$390/t and iron ore lumps stood at Rs4900/t in Q1FY19 (vs Rs4300/t in FY18)
 - Pig iron price increase has not been enough to cover the RM cost inflation and full benefit of price increase is expected to be visible in Q2FY19
 - Coke sourcing is done through imports (60% share) and through third party conversion of coking coal into coke (40% share).

- FY18 EBITDA was largely from castings with virtually no contribution from pig iron
- Machined castings share stood at 10% in FY18 and this is expected to pick up albeit slowly
- Working capital has been reduced through very attractive financing arrangement
- Restart of two CPP's (associated with pig iron capacities) has been delayed impacting power cost negatively in last two quarters. One CPP restarted in Q1 and other is expected to restart in Q2
- **Reasons for low margins in last two quarters**
 - Consistent rupee depreciation has led to forex losses (Approx. Rs59mn booked in Q1 in other expenses)
 - Power cost has been increased by the grid in Karnataka by 20paise/unit
 - Lag impact in pass through of higher RM cost
- **Outlook & Guidance**
 - Targeting to produce 380kt pig iron and 110kt castings in FY19.
 - Castings demand visibility is extremely strong and company expects to deliver 20% volume CAGR over next few years
 - RM costs continue to keep pig iron business profitability negligible and could improve based on market dynamics and favorable demand-supply situation
 - Higher castings share should help improve gross margins

Exhibit 1: Sensitivity Analysis

1% Chg	EBITDA		PAT	
	FY19E	FY20E	FY19E	FY20E
Castings				
Volume	2.0	1.5	2.9	2.0
Realisations	3.1	2.4	4.5	3.1

Source: Company, Centrum Research Estimates

Exhibit 2: 1 year forward EV/EBITDA chart

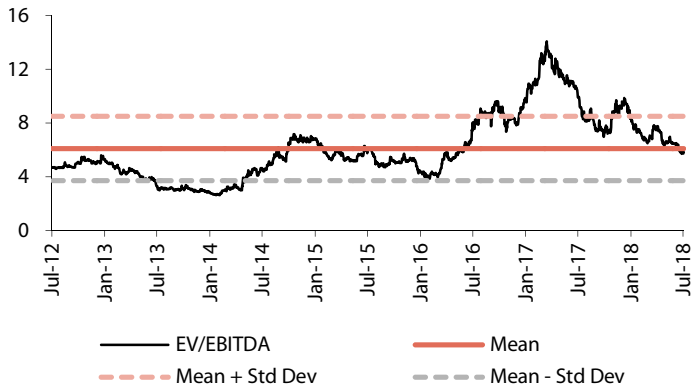
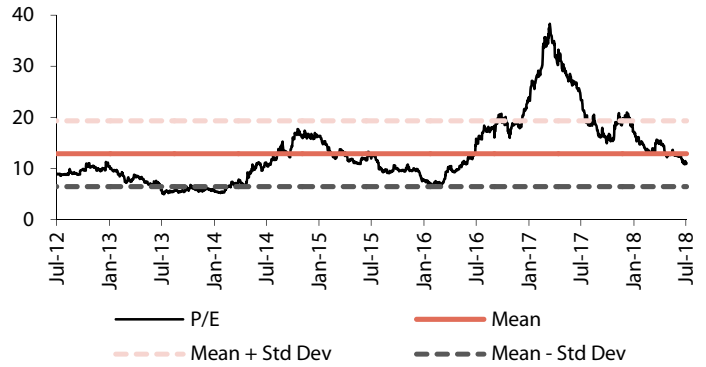


Exhibit 3: 1 year forward P/E chart



Source: Bloomberg, Centrum Research Estimates

Source: Bloomberg, Centrum Research Estimates

Exhibit 4: Peer comparison – Historical Financials

Company	Net Sales (Rs mn)			EBITDA (Rs mn)			PAT (Rs mn)			EBITDA Margin %			PAT Margin %		
	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
Kirloskar Ferrous	11,139	11,327	16,806	1,509	1,722	1,098	578	878	380	13.6	15.2	6.5	5.2	7.8	2.3
Nelcast	5,607	5,746	7,445	643	640	716	319	340	383	11.5	11.1	9.6	5.7	5.9	5.1
Jayaswal Neco Industries	26,326	25,162	34,774	2,628	2,800	3,075	(936)	(4,593)	(4,914)	10.0	11.1	8.8	(3.6)	(18.3)	(14.1)
Alicon Castalloy	7,489	7,728	10,135	769	868	1,082	222	262	387	10.3	11.2	10.7	3.0	3.4	3.8
Precision Camshafts	4,381	4,430	4,079	1,192	1,006	766	549	609	348	27.2	22.7	18.8	12.5	13.7	8.5

Company	CAGR 16-18 (%)			ROE %			Div Yield %			P/E (x)			EV/EBITDA (x)		
	Revenue	EBITDA	PAT	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18	FY16	FY17	FY18
Kirloskar Ferrous	22.8	(14.7)	(18.9)	12.2	16.3	6.5	2.4	2.3	1.3	12.5	11.7	33.8	5.5	6.6	12.3
Nelcast	15.2	5.5	9.6	10.9	10.7	11.0	1.4	1.5		8.8	13.4	13.3	5.0	7.5	7.7
Jayaswal Neco Industries	14.9	8.2	129.1	(4.3)	(24.4)	(35.3)	0.0	0.0	0.0	(8.7)	(1.1)	(1.0)	17.8	15.5	12.7
Alicon Castalloy	16.3	18.6	32.0	16.3	16.4	18.1	1.3	0.9		10.5	14.7	12.0	5.3	6.7	6.0
Precision Camshafts	(3.5)	(19.8)	(20.4)	14.7	11.5	6.2	0.7	1.1		20.7	24.1	40.1		11.8	18.3

Source: Bloomberg, Centrum Research; NM – Not Meaningful

Quarterly financials, operating metrics and key performance indicators

Exhibit 5: Quarterly financials

Particulars (Rs mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
Net Sales (incl. op. income)	2,898	2,241	3,201	3,340	4,005	4,770	4,696	4,852
Cost of Raw Materials consumed	1,455	1,029	2,023	2,111	2,607	3,280	3,050	3,121
Staff Cost	187	179	173	184	193	213	217	222
Other Operational expenses	767	693	769	884	913	967	1,089	1,164
Operating Profit (Core EBITDA)	489	341	236	161	291	310	340	346
Depreciation	118	117	104	125	113	131	127	128
EBIT	371	223	132	36	178	179	213	218
Interest	24	26	22	31	28	28	30	38
Other Revenue/Income	4	3	14	10	5	5	34	4
Other Exceptional Items	0	0	0	0	0	0	0	0
Profit Before Tax	351	201	123	15	156	156	217	184
Tax	125	30	(9)	3	47	46	68	79
<i>Tax rate (%)</i>	<i>35.5</i>	<i>15.1</i>	<i>(7.5)</i>	<i>20.6</i>	<i>30.2</i>	<i>29.6</i>	<i>31.2</i>	<i>43.1</i>
Profit After Tax	226	170	133	12	109	110	149	105
Growth (%)								
<i>Net Sales</i>	<i>(2.1)</i>	<i>(16.3)</i>	<i>29.4</i>	<i>11.4</i>	<i>38.2</i>	<i>112.8</i>	<i>46.7</i>	<i>45.3</i>
<i>EBITDA</i>	<i>11.6</i>	<i>1.5</i>	<i>(35.7)</i>	<i>(76.2)</i>	<i>(40.5)</i>	<i>(9.0)</i>	<i>43.7</i>	<i>114.5</i>
<i>PAT</i>	<i>24.1</i>	<i>41.3</i>	<i>2.1</i>	<i>(96.7)</i>	<i>(51.9)</i>	<i>(35.6)</i>	<i>12.5</i>	<i>750.4</i>
Margin (%)								
<i>EBITDA</i>	<i>16.9</i>	<i>15.2</i>	<i>7.4</i>	<i>4.8</i>	<i>7.3</i>	<i>6.5</i>	<i>7.2</i>	<i>7.1</i>
<i>EBIT</i>	<i>12.8</i>	<i>10.0</i>	<i>4.1</i>	<i>1.1</i>	<i>4.5</i>	<i>3.8</i>	<i>4.5</i>	<i>4.5</i>
<i>PAT</i>	<i>7.8</i>	<i>7.6</i>	<i>4.1</i>	<i>0.4</i>	<i>2.7</i>	<i>2.3</i>	<i>3.2</i>	<i>2.2</i>
Sales Volumes (tonne)								
Pig Iron Merchant	69,414	39,355	72,307	66,186	72,605	80,650	86,863	85,313
Castings	17,448	14,992	16,450	18,139	20,438	21,398	22,947	23,716
Net Sales (Rs mn)								
Pig Iron Merchant	1,464	1,000	1,810	1,799	1,985	2,179	2,562	2,631
Castings	1,375	1,170	1,310	1,451	1,732	1,803	2,017	2,139
Others	60	70	80	87	287	788	117	83
Realisations (Rs/t)								
Pig Iron Merchant	21,087	25,410	25,032	27,187	27,333	27,012	29,496	30,838
Castings	78,777	78,042	79,635	79,982	84,754	84,260	87,894	90,180

Source: Centrum Research

Exhibit 6: Key Performance Indicators/Assumptions

	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue (Rs mn)							
Pig Iron	7,174	8,437	6,231	5,889	8,525	9,859	9,198
Castings	4,600	4,745	4,607	5,191	7,003	9,240	10,320
Sales Volumes (kt)							
Pig Iron	2,75,692	3,18,023	2,89,485	2,53,495	3,06,304	3,23,250	3,28,500
Castings	60,396	57,257	56,661	65,892	82,922	1,05,000	1,20,000
Net Sales Realisations (Rs/t)							
Pig Iron	26,021	26,528	21,525	23,231	27,830	30,500	28,000
Castings	76,170	82,864	81,303	78,786	84,452	88,000	86,000
Gross Profit (Rs/t)							
Pig Iron	5,023	6,846	6,369	6,713	3,404	3,738	3,778
Castings	49,251	56,543	59,502	57,186	56,884	59,272	59,317
KFIL - Total	12,971	14,428	15,067	17,093	14,801	17,354	18,638

Source: Company, Centrum Research Estimates

Financials

Exhibit 7: Income Statement

Y/E Mar(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Revenues	11,139	11,327	16,806	19,849	20,018
Materials cost	5,924	5,867	11,045	12,417	11,659
% of revenues	53.2	51.8	65.7	62.6	58.2
Employee cost	709	735	807	903	1,012
% of revenues	6.4	6.5	4.8	4.6	5.1
Others	2,997	3,002	3,857	4,556	4,574
% of revenues	26.9	26.5	22.9	23.0	22.9
EBITDA	1,509	1,722	1,098	1,973	2,773
EBITDA margin (%)	13.6	15.2	6.5	9.9	13.9
Depreciation & Amortisation	444	459	495	520	649
EBIT	1,066	1,263	602	1,453	2,124
Interest expenses	235	105	110	187	234
PBT from operations	831	1,158	493	1,266	1,889
Other income	22	53	52	40	40
Exceptional items	0	0	0	0	0
PBT	853	1,211	544	1,306	1,929
Taxes	275	333	164	418	617
Effective tax rate (%)	32.2	27.5	30.2	32.0	32.0
Reported PAT	578	878	380	888	1,312
Adjusted PAT	578	878	380	888	1,312

Source: Centrum Research Estimates

Exhibit 8: Key Ratios

Y/E Mar	FY16	FY17	FY18	FY19E	FY20E
Growth Ratio (%)					
Revenue	(18.4)	1.7	48.4	18.1	0.9
EBITDA	1.3	14.1	(36.3)	79.7	40.6
Adjusted PAT	17.4	51.9	(56.7)	133.8	47.7
Margin Ratios (%)					
EBITDA	13.6	15.2	6.5	9.9	13.9
PBT from operations	7.5	10.2	2.9	6.4	9.4
Adjusted PAT	5.2	7.8	2.3	4.5	6.6
Return Ratios (%)					
ROE	12.2	16.3	6.5	14.2	18.7
ROCE	11.0	13.1	6.0	12.3	15.1
ROIC	10.9	12.8	5.6	12.1	15.1
Turnover Ratios (days)					
Gross block turnover ratio (x)	1.2	1.2	1.7	1.9	1.6
Debtors	46	68	63	58	58
Inventory	30	39	47	40	40
Creditors	45	53	78	65	65
Cash conversion cycle	31	54	33	33	33
Solvency Ratio (x)					
Net debt-equity	0.2	0.2	0.1	0.2	0.3
Debt-equity	0.2	0.2	0.1	0.2	0.3
Interest coverage ratio	0.2	0.1	0.2	0.1	0.1
Gross debt/EBITDA	0.7	0.6	0.7	0.8	0.8
Current Ratio	1.0	1.2	1.1	1.0	1.0
Per share Ratios (Rs)					
Adjusted EPS	4.2	6.4	2.8	6.5	9.6
BVPS	35.8	42.4	43.1	47.7	54.5
CEPS	7.4	9.7	6.4	10.3	14.3
DPS	1.2	1.8	1.3	1.6	2.4
Dividend payout %	29.7	27.4	45.2	25.0	25.0
Valuation (x)*					
P/E (adjusted)	12.5	11.7	33.8	12.6	8.5
P/BV	1.5	1.8	2.2	1.7	1.5
EV/EBITDA	5.5	6.6	12.3	6.4	4.7
Dividend yield %	2.4	2.3	1.3	2.0	2.9
5 Yr Avg AOCF/EV yield %	9.1	7.6	7.2	7.9	8.6

Source: Centrum Research Estimates

Exhibit 9: Balance Sheet

Y/E Mar(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	687	687	687	687	687
Reserves & surplus	4,234	5,139	5,238	5,867	6,795
Shareholders' fund	4,920	5,826	5,925	6,553	7,482
Total Debt	1,082	1,111	724	1,624	2,124
Def tax liab. (net)	789	805	826	826	826
Total Liabilities	6,792	7,742	7,475	9,004	10,432
Gross Block	9,303	9,852	10,027	10,827	13,527
Less: Acc. Depreciation	3,801	4,110	4,419	4,939	5,588
Net Block	5,502	5,742	5,608	5,888	7,939
Capital WIP	81	189	733	1,533	833
Net Fixed Assets	5,583	5,930	6,341	7,421	8,772
Investments	0	0	0	0	0
Inventories	930	1,219	2,172	2,175	2,194
Sundry debtors	1,394	2,102	2,909	3,154	3,181
Cash	60	123	52	117	182
Loans & Advances	591	478	495	598	603
Other assets	8	3	13	13	13
Total Current Asset	2,983	3,925	5,641	6,058	6,174
Trade payables	1,368	1,635	3,578	3,535	3,565
Other current Liab.	337	424	858	816	823
Provisions	69	54	71	125	126
Net Current Assets	1,209	1,811	1,134	1,582	1,660
Total Assets	6,792	7,742	7,475	9,004	10,432

Source: Centrum Research Estimates

Exhibit 10: Cash Flow

Y/E Mar(Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Operating profit bef working capital changes	1,520	1,732	1,130	1,973	2,773
Changes in working capital	(178)	(742)	305	(383)	(12)
Cash flow from operations	1,161	746	1,286	1,172	2,143
Adj. OCF (OCF - Interest)	926	640	1,176	985	1,909
Net Capex	(335)	(737)	(583)	(1,600)	(2,000)
Adj. FCF	591	(96)	592	(615)	(91)
Cash flow from investments	(324)	(701)	(574)	(1,600)	(2,000)
Cash flow from financing	(891)	24	(786)	494	(78)
Net change in cash	(53)	69	(75)	65	65

Source: Centrum Research Estimates

Appendix A

Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1% or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or differed herein in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor 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.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. Centrum and affiliates have not received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for service in respect of public offerings, corporate finance, debt restructuring, investment banking or other advisory services in a merger/acquisition or some other sort of specific transaction.

As per the declarations given by them, Mr. Abhisar Jain & Mr. Sahil Sanghvi, research analyst and and/or any of their family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by them, they are not received any compensation from the above companies in the preceding twelve months. They do not hold any shares by them or through their relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance.

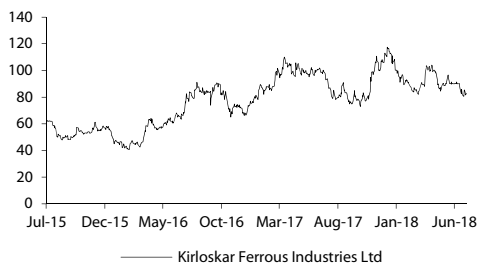
While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from doing so.

Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances.

This report is not directed to, 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 or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

Kirloskar Ferrous price chart



Source: Bloomberg, Centrum Research

Disclosure of Interest Statement

1	Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL, SEBI registered Portfolio Manager and an AMFI registered Mutual Fund Distributor.
2	Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.
3	Registration status of CBL:	CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001469)

		Kirloskar Ferrous
4	Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest	No
5	Whether Research analyst or relatives have actual / beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No
6	Whether the research analyst or his relatives has any other material conflict of interest	No
7	Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received	No
8	Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report	No
9	Whether Research Analysts has served as an officer, director or employee of the subject company	No
10	Whether the Research Analyst has been engaged in market making activity of the subject company.	No
11	Whether it or its associates have managed or co-managed public offering of securities for the subject company in the past twelve months;	No
12	Whether it or its associates have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No
13	Whether it or its associates have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;	No

Rating Criteria

Rating	Market cap < Rs20bn	Market cap > Rs20bn but < 100bn	Market cap > Rs100bn
Buy	Upside > 20%	Upside > 15%	Upside > 10%
Hold	Upside between -20% to +20%	Upside between -15% to +15%	Upside between -10% to +10%
Sell	Downside > 20%	Downside > 15%	Downside > 10%

Member (NSE and BSE)

Regn No.:

CAPITAL MARKET SEBI REGN. NO.: BSE: INB011454239
 CAPITAL MARKET SEBI REGN. NO.: NSE: INB231454233
 DERIVATIVES SEBI REGN. NO.: NSE: INF231454233
 (TRADING & CLEARING MEMBER)
 CURRENCY DERIVATIVES: MCX-SX INE261454230
 CURRENCY DERIVATIVES: NSE (TM & SCM) – NSE 231454233

Depository Participant (DP)

CDSL DP ID: 120 – 12200
 SEBI REGD NO. : CDSL : IN-DP-CDSL-661-2012

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

Research Analyst

SEBI Registration No. INH000001469

Mutual Fund Distributor

AMFI REGN No. ARN- 147569

Website: www.centrum.co.in

Investor Grievance Email ID: investor.grievances@centrum.co.in

Compliance Officer Details:

Ashok D Kadambi
 (022) 4215 9937; Email ID: compliance@centrum.co.in

Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)

Registered Office Address	Corporate Office & Correspondence Address
Bombay Mutual Building , 2nd Floor, Dr. D. N. Road, Fort, Mumbai - 400 001	Centrum House 6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E), Mumbai 400 098. Tel: (022) 4215 9000 Fax: +91 22 4215 9344