

## Resolutions passed; good times ahead, upgrade to Buy

We upgrade Tata Sponge (TSIL) to Buy with a revised TP of Rs1220 as we expect strong operational performance to be maintained led by better pricing, solid volumes and tight control on conversion costs leading to further improvement in spreads. TSIL has received a much needed relief by getting its related party resolutions passed in the re-voting which would help maintain status-quo in running of operations in the most efficient manner. Clarity on capex towards the build-up of new steel complex is still elusive but strong cash rich balance sheet provides comfort. Valuations remain attractive at 2.9x FY20E EV/EBITDA making risk-reward favorable.

- **Resolutions on related party transactions approved in re-voting:** TSIL had put its three resolutions on related party transactions for re-voting in Aug'18 as the resolutions had earlier failed to get passed in the voting done at the time of AGM in July'18. These resolutions were related to i) sourcing of iron ore from Tata Steel's mines and sales of surplus power to Tata Steel at arm's length basis, ii) purchase of coal through group's global trading and distribution company and iii) sale of sponge iron in exports market through Tata International. While the resolutions failed to get passed in AGM for the first time in the history of the company, the same resolutions passed with 99.8% majority in re-voting now as TSIL gave much more clarity on the benefits for the company through the transactions.
- **No disruptions for TSIL in the interim period:** TSIL didn't face any operational disruption in the interim period (~ 2 months) when it didn't have the approval for its related party resolutions as the company had enough feedstock in inventory for maintaining normal operations. Management mentioned that TSIL bought few shipments of iron ore from open market in the interim while for coal they had enough material in inventory. Also, TSIL decided to take its annual maintenance shutdowns during Q2 to balance its yearly production. Management reiterated confidence in meeting its full year production guidance of 425kt of sponge iron with strong volumes in H2FY19.
- **Earnings revised upwards led by higher spreads:** Sponge iron prices have improved materially in last few weeks in domestic market led by better demand expectation post monsoons, increase in cost of imported scrap due to weak rupee and increase in cost of other alternate semi-finished products like pig iron and pressure from higher RM prices (coal & iron ore). With TSIL's supplies of RM being supported by procurement through Tata Steel's mines and global supply chains, the spreads in sponge iron business for TSIL has improved led by higher sponge iron prices. TSIL management has recently indicated that they have also applied for environment clearance for further production to the tune of 30-40ktpa (vs existing EC of 425ktpa) from existing kilns and expect to receive the clearance before FY19-end but we maintain our volume estimates at 421kt/425kt for FY19E/20E. We increase our realization estimates by 13%/8% for FY19E/20E and also increase our iron ore and coal costs. Our EBITDA estimates are revised upwards by 18%/12% and PAT estimates are revised upwards by 15%/9% for FY19E/20E.
- **Valuation and risks – Upgrade to Buy:** We remain positive on TSIL due to better visibility of volume growth and sustenance of spread. We continue to value the company at 5x FY20E EV/EBITDA and value the surplus cash at 75% as this cash is expected to be deployed as CWIP for the steel plant over next few years. We revise our TP higher to Rs1220 led by higher earnings and upgrade to buy. Key downside risks are fall in sponge iron prices and higher coal costs.

Target Price	Rs1,220	Key Data	
CMP*	Rs982	Bloomberg Code	TTSP IN
Upside	24.3%	Curr Shares O/S (mn)	15.4
Previous Target	Rs1,135	Diluted Shares O/S(mn)	15.4
Previous Rating	Buy	Mkt Cap (Rsbn/USDmn)	15.1/208.5
<b>Price Performance (%)*</b>		52 Wk H / L (Rs)	1249/805
	<b>1M 6M 1Yr</b>	5 Year H / L (Rs)	1249/217.9
TTSP IN	11.5 (0.9) 5.8	Daily Vol. (3M NSE Avg.)	181421
Nifty	(0.8) 11.6 12.8		

\*as on 17 September 2018; Source: Bloomberg, Centrum Research

### Shareholding pattern (%)\*

	Jun-18	Mar-18	Dec-17	Sep-17
Promoter	54.5	54.5	54.5	54.5
Flls	8.5	8.7	8.4	7.0
Dom. Inst.	0.9	0.9	0.9	0.8
Public & Others	36.2	35.9	36.2	37.7

Source: BSE, \*as on 17 September 2018

### Earnings Revision

Particulars (Rs mn)	FY19E			FY20E		
	New	Old	Chg (%)	New	Old	Chg (%)
Sales	9,764	8,712	12.1	9,013	8,376	7.6
EBITDA	2,276	1,931	17.8	2,144	1,923	11.5
EBITDA Margin (%)	23.3	22.2	114 bps	23.8	23.0	83 bps
PAT	1,820	1,589	14.5	1,804	1,656	8.9

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

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	EPS	RoE (%)	RoCE (%)	PE (x)	EV/EBITDA(x)
FY16	5,735	(27.4)	240	4.2	319	(65.3)	20.7	3.9	4.2	22.7	4.3
FY17	5,573	(2.8)	616	11.1	588	84.1	38.2	7.0	6.8	15.7	5.4
FY18	8,002	43.6	1,827	22.8	1,409	139.7	91.5	15.2	14.2	10.0	4.7
FY19E	9,764	22.0	2,276	23.3	1,820	29.2	118.2	17.0	15.7	8.3	3.6
FY20E	9,013	(7.7)	2,144	23.8	1,804	(0.9)	117.1	14.6	13.7	8.4	2.9

Source: Company, Centrum Research Estimates; All ratios based on average mcap for year

In the interest of timeliness, this document is not edited

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

## Resolutions passed with strong majority

TSIL had put its three resolutions on related party transactions for re-voting on 7<sup>th</sup> August 2018 as the resolutions had earlier failed to get passed in the voting done at the time of AGM. These resolutions were related to i) sourcing of iron ore from Tata Steel's mines and sales of surplus power to Tata Steel at arm's length basis, ii) purchase of coal through group's global trading and distribution company and iii) sale of sponge iron in exports market through Tata International. While the resolutions failed to get passed in AGM for the first time in the history of the company, the same resolutions passed with 99.8% majority in re-voting now as TSIL gave much more clarity on the benefits for the company through the transactions. According to the results declared on 17<sup>th</sup> September, all the three resolutions got passed with powerful majority.

Following are the details of the resolutions and their voting results:-

### Exhibit 1: Details of resolutions and voting results

	Resolution 1	Resolution 2	Resolution 3
Type of Resolution	Ordinary	Ordinary	Ordinary
Description of Resolution	Approval of Material Related party transaction with Tata Steel Ltd.	Approval of Material Related party transaction with Tata International Singapore PTE Ltd.	Approval of Material Related party transaction with Tata International Ltd.
Details	Purchase of Iron ore from Tata Steel Ltd. and sale of excess power to Tata Steel Ltd.	Purchase of Coal from Tata International Singapore PTE Ltd.	Exporting Sponge Iron through Tata International Ltd.
Value of the transaction declared	Purchase of Iron ore : Rs 3.5 bn Sale of power: Rs 0.7 bn	Purchase of coal: Rs 4.5 bn	Sale of Sponge Iron: Rs 3 bn
Period for which approval sought	FY2019 & FY2020	FY2019 & FY2020	FY2019 & FY2020
Period for which this transaction took place historically	Purchase of Iron ore from Tata Steel Ltd: 30 years	6 years	> 15 years
Total number of votes casted through postal ballot and e-voting	11,96,700	11,95,896	11,96,297
Votes casted in favor of the resolution (%)	99.9%	99.8%	99.8%

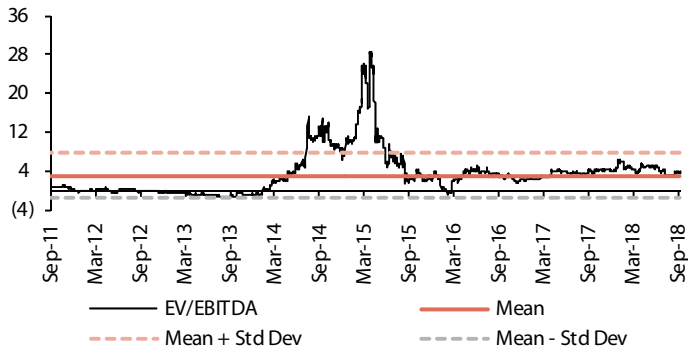
Source: Company, Centrum Research

### Exhibit 2: Sensitivity Analysis (FY19E)

Sensitivity to key variables	% change	% impact on EBITDA	% impact on EPS
Sales volume	1	3.6	2.8
Realization	1	4.0	3.2
Iron ore cost increase	1	(1.0)	(0.8)

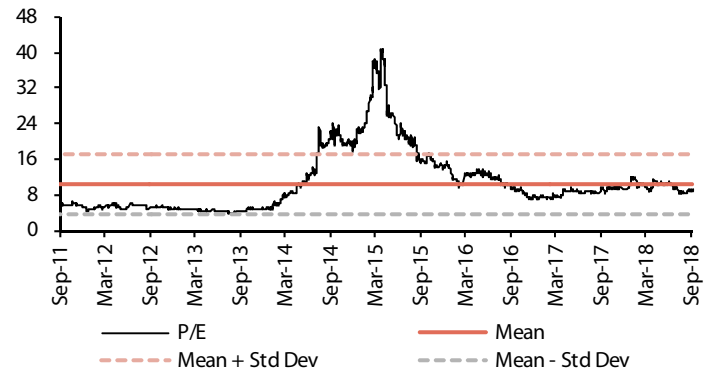
Source: Company, Centrum Research Estimates

### Exhibit 3: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

### Exhibit 4: 1 year forward P/E chart



Source: Bloomberg, Company, Centrum Research Estimates

### Exhibit 5: Valuations

(Rsmn)	Mar'20E
EBITDA	2,144
Justified EV/EBITDA (x)	5.0
EV	10,720
Net Cash	9,509
Add: Net Cash (@75%)	7,132
Add: Coal block investment (@50%)	900
Fair Value Mkt Cap	18,752
No. of Shares (mn)	15.4
<b>Fair value/share (Rs)</b>	<b>1220</b>

Source: Company, Centrum Research Estimates

## Quarterly financials, operating metrics and key performance indicators

### Exhibit 6: Quarterly Financials

Particulars (Rs mn)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
<b>Net Sales</b>	<b>1,380</b>	<b>1,435</b>	<b>1,672</b>	<b>1,750</b>	<b>1,672</b>	<b>2,145</b>	<b>2,435</b>	<b>2,609</b>
Other operating income	7	1	0	0	0	0	0	0
<b>Total Income</b>	<b>1,387</b>	<b>1,435</b>	<b>1,672</b>	<b>1,750</b>	<b>1,672</b>	<b>2,145</b>	<b>2,435</b>	<b>2,609</b>
(Accretion)/Decretion of stock	48	-4	85	-209	62	78	22	-34
Cost of Raw Materials consumed	897	962	1,025	1,263	1,010	1,292	1,441	1,744
Staff Cost	97	150	114	98	106	101	113	102
Other Operational expenses	175	220	189	212	150	193	244	196
<b>Operating Profit (Core EBITDA)</b>	<b>169</b>	<b>108</b>	<b>258</b>	<b>386</b>	<b>344</b>	<b>481</b>	<b>616</b>	<b>603</b>
Depreciation	33	32	32	32	31	31	30	29
<b>EBIT</b>	<b>137</b>	<b>75</b>	<b>226</b>	<b>354</b>	<b>313</b>	<b>450</b>	<b>586</b>	<b>574</b>
Interest	6	9	5	5	1	23	3	3
Other Revenue/Income	93	86	96	103	95	117	117	119
Other Exceptional Items	0	0	0	0	0	0	0	0
<b>Profit Before Tax</b>	<b>224</b>	<b>153</b>	<b>318</b>	<b>452</b>	<b>407</b>	<b>543</b>	<b>700</b>	<b>690</b>
Tax	63	43	106	147	131	183	233	234
Tax rate (%)	28.2	28.1	33.2	32.4	32.1	33.8	33.3	34.0
<b>Profit After Tax</b>	<b>161</b>	<b>110</b>	<b>212</b>	<b>306</b>	<b>276</b>	<b>360</b>	<b>467</b>	<b>456</b>
<b>Growth (%)</b>								
Net Sales	(8.4)	3.4	19.1	62.6	21.1	49.5	45.7	56.1
EBITDA	1,265.3	362.2	75.1	373.6	103.2	346.7	138.8	75.1
Adj. PAT	182.2	109.4	65.4	190.3	71.9	228.2	120.2	65.0
<b>Margin (%)</b>								
EBITDA	12.2	7.5	15.4	22.1	20.6	22.4	25.3	23.1
EBIT	9.9	5.2	13.5	20.2	18.7	21.0	24.1	22.0
PAT (reported bef minority interest)	11.6	7.6	12.7	17.5	16.5	16.8	19.2	17.5
<b>Key Drivers</b>								
Sponge Iron Sales (kt)	108.5	97.9	101.9	98.5	92.0	115.0	108.0	115.0
Net Sales realizations - Sponge Iron (Rs/t)	11,500	13,470	15,152	16,282	16,895	17,330	21,263	21,384
EBITDA/t (Rs)	1,560	1,100	2,530	3,919	3,739	4,183	5,703	5,239

Source: Company, Centrum Research

### Exhibit 7: Key Performance Indicators

	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>Sponge Iron</b>						
Sales Volumes (kt)	363	388	393	414	421	425
YoY %	(3.3)	6.9	1.3	5.3	1.8	1.0
Net Realizations (Rs/t)	19,805	15,046	14,345	18,011	22,000	20,000
YoY%	3.5	(24.0)	(4.7)	25.6	22.1	(9.1)
<b>Power</b>						
Sales Volumes (mn units)	121	113	132	144	137	139
YoY %	(13.8)	(6.7)	16.8	9.1	(4.7)	1.1
Realizations (Rs/unit)	3.8	4.2	3.8	3.8	3.7	3.7
YoY%	19.5	11.2	(10.5)	1.5	(3.9)	0.0

Source: Company, Centrum Research Estimates

## Financials

### Exhibit 8: Income Statement

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
<b>Revenues</b>	<b>5,735</b>	<b>5,573</b>	<b>8,002</b>	<b>9,764</b>	<b>9,013</b>
Materials cost	4,269	3,729	4,958	6,187	5,514
% of revenues	74.4	66.9	62.0	63.4	61.2
Employee cost	340	463	418	460	506
% of revenues	5.9	8.3	5.2	4.7	5.6
Others	887	764	798	842	850
% of revenues	15.5	13.7	10.0	8.6	9.4
<b>EBITDA</b>	<b>240</b>	<b>616</b>	<b>1,827</b>	<b>2,276</b>	<b>2,144</b>
EBITDA margin (%)	4.2	11.1	22.8	23.3	23.8
Depreciation & Amortisation	129	128	123	119	127
<b>EBIT</b>	<b>111</b>	<b>489</b>	<b>1,704</b>	<b>2,157</b>	<b>2,017</b>
Interest expenses	54	24	32	25	25
<b>PBT from operations</b>	<b>57</b>	<b>464</b>	<b>1,671</b>	<b>2,132</b>	<b>1,992</b>
Other income	377	371	431	585	701
<b>PBT</b>	<b>434</b>	<b>835</b>	<b>2,102</b>	<b>2,717</b>	<b>2,693</b>
Taxes	115	247	693	897	889
Effective tax rate (%)	26.4	29.6	33.0	33.0	33.0
<b>Adjusted PAT</b>	<b>319</b>	<b>588</b>	<b>1,409</b>	<b>1,820</b>	<b>1,804</b>

Source: Company, Centrum Research Estimates

### Exhibit 9: Key Ratios

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
<b>Growth Ratio (%)</b>					
Revenue	(27.4)	(2.8)	43.6	22.0	(7.7)
EBITDA	(75.9)	157.3	196.4	24.6	(5.8)
Adjusted PAT	(65.3)	84.1	139.7	29.2	(0.9)
<b>Margin Ratios (%)</b>					
EBITDA	4.2	11.1	22.8	23.3	23.8
PBT from operations	1.0	8.3	20.9	21.8	22.1
Adjusted PAT	5.6	10.5	17.6	18.6	20.0
<b>Return Ratios (%)</b>					
ROE	3.9	7.0	15.2	17.0	14.6
ROCE	4.2	6.8	14.2	15.7	13.7
ROIC	3.6	11.7	25.1	30.9	29.9
<b>Turnover Ratios (days)</b>					
Gross block turnover ratio (x)	3.6	3.3	4.6	5.3	4.6
Debtors	19	23	27	25	25
Inventory	21	32	38	35	35
Creditors	26	34	31	30	30
Cash conversion cycle	13	21	35	30	30
<b>Solvency Ratio (x)</b>					
Net debt-equity	(0.8)	(0.7)	(0.6)	(0.6)	(0.7)
Debt-equity	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio	0.5	0.0	0.0	0.0	0.0
Gross debt/EBITDA	0.0	0.0	0.0	0.0	0.0
Current Ratio	4.6	4.5	3.6	3.6	4.6
<b>Per share Ratios (Rs)</b>					
Adjusted EPS	20.7	38.2	91.5	118.2	117.1
BVPS	536.4	561.6	640.6	747.1	852.6
CEPS	29.1	46.5	99.5	125.9	125.3
DPS	10.0	11.0	20.0	10.0	10.0
Dividend payout %	48.2	28.8	21.9	8.5	8.5
<b>Valuation (x)*</b>					
P/E (adjusted)	22.7	15.7	10.0	8.3	8.4
P/BV	0.9	1.1	1.4	1.3	1.2
EV/EBITDA	4.3	5.4	4.7	3.6	2.9
Dividend yield %	2.1	1.8	2.2	1.0	1.0
5 Yr Avg AOCF/EV yield %	58.2	15.5	4.5	5.7	12.4

Source: Company, Centrum Research Estimates; \* All ratios based on average mcap for year

### Exhibit 10: Balance Sheet

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	154	154	154	154	154
Reserves & surplus	8,106	8,495	9,711	11,351	12,976
Shareholders' fund	8,260	8,649	9,865	11,505	13,130
Def tax liab. (net)	217	191	180	180	180
<b>Total Liabilities</b>	<b>8,478</b>	<b>8,840</b>	<b>10,045</b>	<b>11,685</b>	<b>13,311</b>
Gross Block	1,686	1,722	1,782	1,902	2,022
Less: Acc. Depreciation	49	175	292	411	537
Net Block	1,637	1,547	1,490	1,491	1,485
Capital WIP	92	56	58	88	118
Net Fixed Assets	1,730	1,603	1,548	1,579	1,603
Investments	2,854	2,634	1,997	1,997	1,997
Inventories	324	491	841	936	864
Sundry debtors	294	358	588	669	617
Cash	2,521	3,068	4,216	5,728	7,512
Loans & Advances	2,113	2,232	2,790	3,371	3,111
Other assets	39	73	163	80	74
Total Current Asset	5,291	6,222	8,598	10,784	12,179
Trade payables	407	525	669	803	741
Other current Liab.	424	488	798	856	790
Provisions	565	606	631	1,017	938
Net Current Assets	3,895	4,603	6,500	8,109	9,710
<b>Total Assets</b>	<b>8,478</b>	<b>8,840</b>	<b>10,045</b>	<b>11,685</b>	<b>13,311</b>

Source: Company, Centrum Research Estimates

### Exhibit 11: Cash Flow

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Operating profit bef WC	257	631	1,852	2,276	2,144
Changes in working capital	638	(252)	(947)	(97)	183
<b>Cash flow from operations</b>	<b>771</b>	<b>195</b>	<b>411</b>	<b>1,282</b>	<b>1,438</b>
Adj. OCF (OCF - Interest)	717	170	378	1,257	1,413
Net Capex	172	38	68	150	150
Adj. FCF	545	132	310	1,107	1,263
<b>Cash flow from investments</b>	<b>(584)</b>	<b>536</b>	<b>(2,131)</b>	<b>435</b>	<b>551</b>
<b>Cash flow from financing</b>	<b>(183)</b>	<b>(185)</b>	<b>(202)</b>	<b>(205)</b>	<b>(205)</b>
<b>Net change in cash</b>	<b>3</b>	<b>546</b>	<b>(1,922)</b>	<b>1,512</b>	<b>1,784</b>

Source: Company, 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 research, analyst and and/or any of his 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 him, he has not received any compensation from the above companies in the preceding twelve months. He does not hold any shares by him or through his 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.

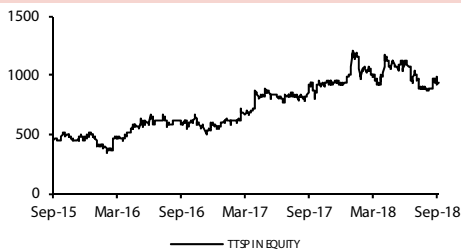
While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from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

### Tata Sponge 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 and a SEBI registered Portfolio Manager.
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)

		Tata Sponge
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

### 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

#### Website: www.centrum.co.in

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

#### Compliance Officer Details:

Kavita Ravichandran

(022) 4215 9842; 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