

# Jindal Stainless Hisar

Refer to important disclosures at the end of this report

## Value unlocking under the anvil; Maintain Buy

**CMP: Rs 103**  
as of (November 8, 2020)

**TP: Rs 159 (▲)**  
12 months

**Rating: BUY (■)**

**Upside: 53.7 %**

- With the merger with JSL likely, we expect value unlocking for JSHL minority shareholders. Outstanding ICD (incl. unpaid interest of Rs2.07bn) at Rs11.07bn and the value of 32.02% stake in JSL (on FD basis) at Rs9.8bn together is c.68% of M.Cap of JSL (on FD basis).
- With the subsidiaries' business recovering to beyond pre-Covid-19 levels, we believe that the valuation of JSHL is very attractive and could be unlocked as soon as the contours of the business reorganization are released by management.
- Operationally, the results are better than our estimates with all-round beat on dispatches and EBITDA, especially subsidiary performance. Improvement in product mix also contributed to higher EBITDA. Net debt increased marginally due to higher W/Cap though.
- We now factor in better profitability from subsidiaries given the turnaround in the current quarter to pre-Covid-19 levels. Ex-JSL stake at a 30% HoldCo discount, JSHL is trading at 3.3x our FY22E EBITDA. Ex-ICD to JSL, JSHL is trading at 2.3x our FY22 estimate. Maintain Buy with an OW stance in EAP.

- Subsidiaries make a strong comeback:** Steelway returned stellar EBITDA of Rs240mn in the quarter (highest in the last eight quarters), while the Lifestyle business also turned around with a seven-quarter high EBITDA of Rs160mn. Both the subsidiaries put together reported Rs400mn EBITDA vs. Rs280mn a year ago. We note that pent-up demand for steel will ensure a strong H2 for the company. However, we expect the Lifestyle business to pick up growth as the hollow ware business is directly linked to increased urbanization. In addition, return of orders from Indian Railways should boost FY21/22E EBITDA.
- Expansion of value-added production capacity:** The company is likely to commission a 14ktpa precision stainless strips facility in Q1FY22 which should help boost EBITDA. This expansion will entail a capex of Rs1.9bn with a 2.5-year payback. We are not building in any increase in EBITDA from this expansion in our valuation currently.
- Outlook and valuation:** Demand recovery across segments has been very strong. Stainless steel consumption in the retail segment has increased sharply over the past few years. We expect orders from Indian Railways to increase and compliment demand from autos and hollow wares. The imposition of CVD should help the domestic stainless steel sector and aid margin recovery. The value of ICD to JSL - along with unpaid interest - and 32% equity stake in JSL itself constitute 68% of the market cap of JSHL. Further, strong performance of the subsidiaries is an icing on the cake. We believe that ex-value of equity stake in JSL and ICD, the business is available at 2.3x our FY22E EV/EBITDA. Reiterate Buy with a revised TP of Rs159 (Rs112 earlier). Key risk is lower commodity prices.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Metals & Mining \(Page 10\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	1,02,889	93,790	90,701	1,20,325	1,24,165
EBITDA	10,387	9,352	9,518	11,011	11,370
EBITDA Margin (%)	10.1	10.0	10.5	9.2	9.2
APAT	3,625	3,807	3,312	4,025	4,302
EPS (Rs)	15.4	16.1	14.0	17.1	18.2
EPS (% chg)	(35.1)	5.0	(13.0)	21.5	6.9
ROE (%)	21.8	18.5	13.6	14.4	13.5
P/E (x)	6.7	6.4	7.4	6.1	5.7
EV/EBITDA (x)	4.4	4.8	4.7	3.9	3.5
P/BV (x)	1.3	1.1	0.9	0.8	0.7

Source: Company, Emkay Research



### Change in Estimates

EPS Chg FY21E/FY22E (%)	94/31
Target Price change (%)	42.0
Target Period (Months)	12
Previous Reco	BUY

### Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	14.0	17.1
Consensus	7.2	12.4
Mean Consensus TP (12M)	Rs 112	

### Stock Details

Bloomberg Code	JSHL IN
Face Value (Rs)	2
Shares outstanding (mn)	236
52 Week H/L	110 / 30
M Cap (Rs bn/USD bn)	24 / 0.33
Daily Avg Volume (nos.)	6,35,452
Daily Avg Turnover (US\$ mn)	0.8

### Shareholding Pattern Sep '20

Promoters	57.7%
FIIs	20.5%
DIIIs	4.0%
Public and Others	17.9%

### Price Performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	20	27	142	46
<b>Rel. to Nifty</b>	14	16	83	43

### Relative price chart



Source: Bloomberg

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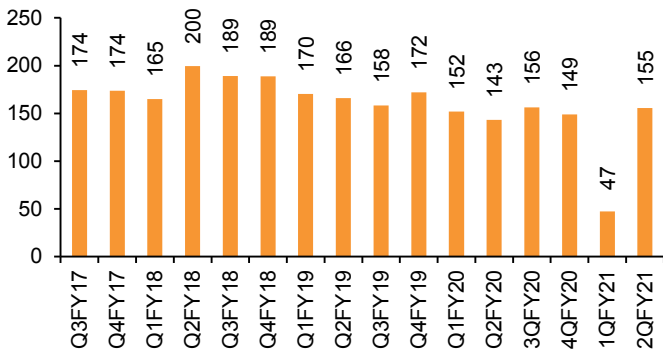
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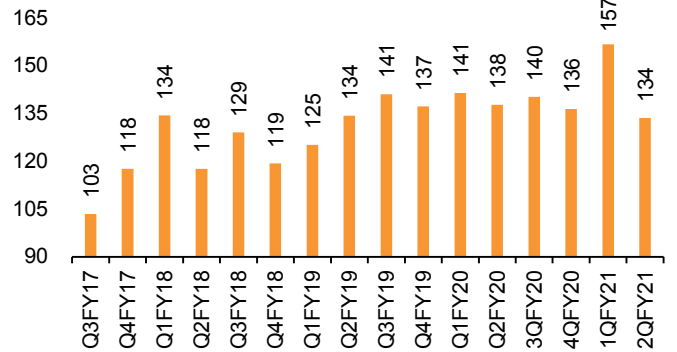
# Story in Charts

**Exhibit 1: Shipments (kt) back to pre-Covid-19 levels**



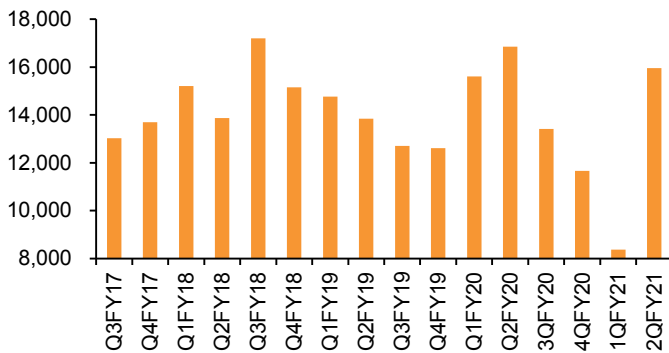
Source: Company, Emkay Research

**Exhibit 2: ASP (Rs/t) back to normal levels due to shift back to S200**



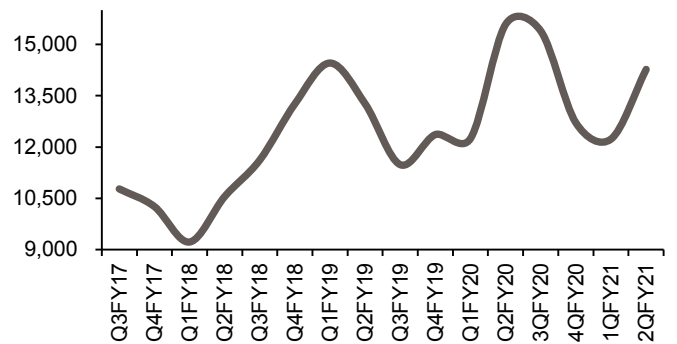
Source: Company, Emkay Research

**Exhibit 3: EBITDA/t back above Rs15,000/t**



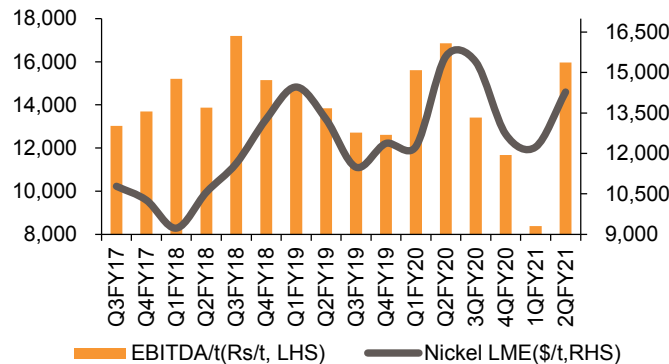
Source: Company, Emkay Research

**Exhibit 4: Nickel LME prices (\$/t) showing upward trend**



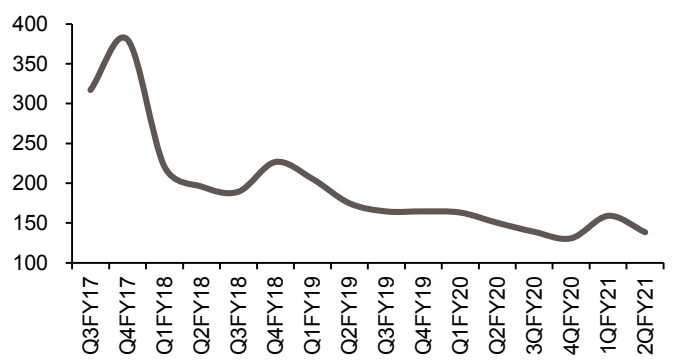
Source: Bloomberg, Emkay Research

**Exhibit 5: EBITDA/t vs. Nickel LME prices**



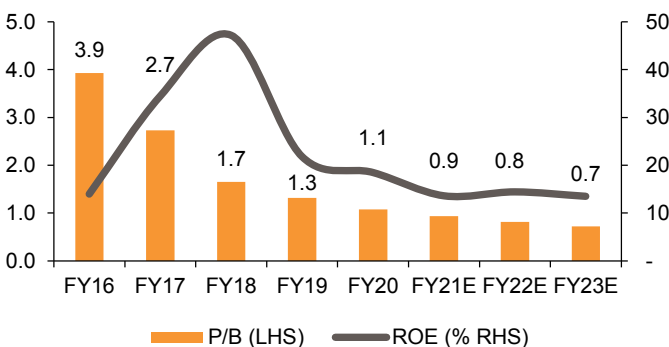
Source: Bloomberg, Company, Emkay Research

**Exhibit 6: China Ore import prices China (\$/t)**



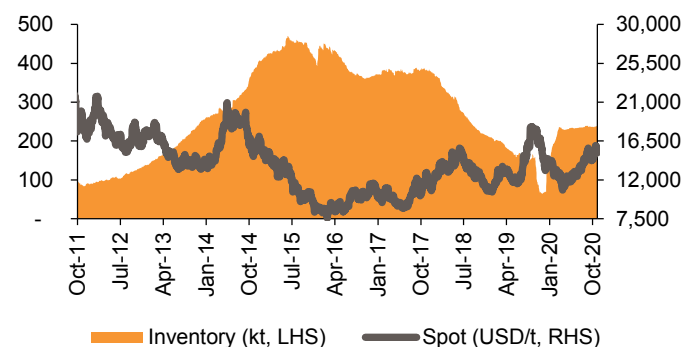
Source: Bloomberg, Emkay Research

**Exhibit 7: We are building in ROE recovery, upside remains**



Source: Emkay Research

**Exhibit 8: Nickel Inventory is showing continues improvement**



Source: Bloomberg, Emkay Research

**Exhibit 9: Actual vs. Estimates (Q2FY21)**

Particulars	UoM	Actual	Estimates		% Variation		Comments
			Emkay	Consensus	Emkay	Consensus	
Revenue	Rs mn	22,985	25,383	25,383	-9%	-9%	Higher due to better than est. volumes
EBITDA	Rs mn	2,913	2,032	2,032	43%	43%	Higher volumes lead to fixed-cost optimization
EBITDA Margin	(%)	13%	8%	8%	467 bps	467 bps	
PAT	Rs mn	1,686	716	716	135%	136%	EBITDA beat lead to PAT beat

Source: Company, Bloomberg, Emkay Research

**Exhibit 10: Standalone Quarterly Financials (Rs mn)**

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	abs YoY	YoY%	abs QoQ	QoQ%	H1FY20	H1FY21	% change
<b>Net Sales</b>	<b>19,707</b>	<b>21,914</b>	<b>20,303</b>	<b>7,429</b>	<b>20,764</b>	<b>1,057</b>	<b>5%</b>	<b>13,336</b>	<b>180%</b>	<b>41,180</b>	<b>28,193</b>	<b>-32%</b>
Expenditure												
Total RM	11,954	13,038	13,154	3,769	14,420	2,466	21%	10,651	283%	26,936	18,188	-32%
Stock Adj.	506	1,137	-428	821	-694	-1,199	NA	-1,515	NA	-724	128	NA
Purchase of FG	0	665	1,128	458	68	68		-390	-85%	0	526	
Employee Exp	442	459	441	318	442	0	0%	124	39%	880	761	-14%
Power Exp	1,833	1,877	1,836	625	1,638	-195	-11%	1,013	162%	3,903	2,263	-42%
Other expenses	2,559	2,640	2,436	1,040	2,409	-151	-6%	1,369	132%	5,402	3,449	-36%
<b>Total Expenditure</b>	<b>17,294</b>	<b>19,817</b>	<b>18,566</b>	<b>7,032</b>	<b>18,283</b>	<b>989</b>	<b>6%</b>	<b>11,252</b>	<b>160%</b>	<b>36,396</b>	<b>25,315</b>	<b>-30%</b>
<b>EBITDA</b>	<b>2,413</b>	<b>2,097</b>	<b>1,737</b>	<b>397</b>	<b>2,481</b>	<b>68</b>	<b>3%</b>	<b>2,084</b>	<b>525%</b>	<b>4,784</b>	<b>2,878</b>	<b>-40%</b>
Depreciation	683	692	699	657	683	1	0%	26	4%	1,340	1,340	0%
EBIT	1,730	1,405	1,038	-260	1,798	68	4%	2,058	NA	3,444	1,538	-55%
Interest	763	791	682	682	645	-117	-15%	-37	-5%	1,563	1,328	-15%
Other income	257	259	212	233	238	-19	-7%	5	2%	508	471	-7%
<b>PBT before EO</b>	<b>1,225</b>	<b>873</b>	<b>568</b>	<b>-710</b>	<b>1,390</b>	<b>166</b>	<b>14%</b>	<b>2,100</b>	<b>NA</b>	<b>2,388</b>	<b>681</b>	<b>-71%</b>
EO Item	-42	-86	54	-54	-100	-58	139%	-45	83%	-155	-154	0%
<b>PBT after EO</b>	<b>1,266</b>	<b>959</b>	<b>514</b>	<b>-655</b>	<b>1,490</b>	<b>224</b>	<b>18%</b>	<b>2,145</b>	<b>NA</b>	<b>2,543</b>	<b>835</b>	<b>-67%</b>
Tax	444	356	-424	-158	377	-66	-15%	536	NA	880	219	-75%
<b>PAT</b>	<b>822</b>	<b>603</b>	<b>938</b>	<b>-497</b>	<b>1,113</b>	<b>290</b>	<b>35%</b>	<b>1,610</b>	<b>NA</b>	<b>1,662</b>	<b>615</b>	<b>-63%</b>

Source: Company, Emkay Research

**Exhibit 11: Standalone Margins**

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY	QoQ	H1FY20	H1FY21	change
EBITDA	12.2%	9.6%	8.6%	5.3%	11.9%	-30 bps	660 bps	11.6%	10.2%	-141 bps
EBIT	8.8%	6.4%	5.1%	-3.5%	8.7%	-12 bps	NA	8.4%	5.5%	-291 bps
PBT	6.4%	4.4%	2.5%	-8.8%	7.2%	75 bps	NA	6.2%	3.0%	-321 bps
PAT	4.2%	2.8%	4.6%	-6.7%	5.4%	119 bps	NA	4.0%	2.2%	-185 bps

Source: Company, Emkay Research

**Exhibit 12: Consolidated Quarterly Financials (Rs mn)**

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	abs Yoy	YoY%	abs QoQ	QoQ%	H1FY20	H1FY21	% yoy
<b>Net Sales</b>	<b>22,765</b>	<b>24,841</b>	<b>22,461</b>	<b>8,524</b>	<b>22,985</b>	<b>220</b>	<b>1%</b>	<b>14,461</b>	<b>170%</b>	<b>46,488</b>	<b>31,509</b>	<b>-32%</b>
<b>Expenditure</b>												
Total RM	14,269	14,407	14,791	4,333	15,647	1,377	10%	11,314	261%	30,655	19,980	-35%
Stock Adj.	426	1,855	-618	924	-796	-1,222	NA	-1,720	NA	-721	128	NA
Purchase of FG	169	850	1,271	589	275	106	63%	-314	-53%	363	865	138%
Employee Exp	569	590	566	404	565	-3	-1%	161	40%	1,136	970	-15%
Power Expense	1,851	1,895	1,852	634	1,660	-191	-10%	1,027	162%	3,937	2,294	-42%
Other expenses	2,799	2,924	2,775	1,212	2,720	-79	-3%	1,508	124%	5,911	3,932	-33%
<b>Total Expenditure</b>	<b>20,084</b>	<b>22,521</b>	<b>20,636</b>	<b>8,096</b>	<b>20,072</b>	<b>-12</b>	<b>0%</b>	<b>11,976</b>	<b>148%</b>	<b>41,281</b>	<b>28,168</b>	<b>-32%</b>
<b>EBITDA</b>	<b>2,681</b>	<b>2,320</b>	<b>1,824</b>	<b>428</b>	<b>2,913</b>	<b>232</b>	<b>9%</b>	<b>2,485</b>	<b>581%</b>	<b>5,207</b>	<b>3,341</b>	<b>-36%</b>
Depreciation	738	744	764	725	739	1	0%	14	2%	1,438	1,463	2%
EBIT	1,943	1,576	1,061	-297	2,174	231	12%	2,471	NA	3,769	1,877	-50%
Interest	849	820	706	728	687	-162	-19%	-40	-6%	1,701	1,415	-17%
Other income	270	277	519	250	305	35	13%	55	22%	533	554	4%
<b>PBT before EO</b>	<b>1,364</b>	<b>1,033</b>	<b>873</b>	<b>-775</b>	<b>1,791</b>	<b>428</b>	<b>31%</b>	<b>2,566</b>	<b>NA</b>	<b>2,601</b>	<b>1,017</b>	<b>-61%</b>
EO Item	-42	-88	41	-56	-103	-61	146%	-48	85%	-154	-159	3%
<b>PBT after EO</b>	<b>1,406</b>	<b>1,121</b>	<b>832</b>	<b>-719</b>	<b>1,895</b>	<b>489</b>	<b>35%</b>	<b>2,614</b>	<b>NA</b>	<b>2,755</b>	<b>1,176</b>	<b>-57%</b>
Tax	490	409	-404	-183	478	-12	-2%	660	NA	953	295	-69%
<b>PAT ex MI/JV</b>	<b>916</b>	<b>711</b>	<b>1,236</b>	<b>-536</b>	<b>1,417</b>	<b>501</b>	<b>55%</b>	<b>1,953</b>	<b>NA</b>	<b>1,802</b>	<b>881</b>	<b>-51%</b>
Share in JV/Asso	135	109	-152	-403	269	135	100%	672	NA	302	-133	-144%
<b>PAT</b>	<b>1,051</b>	<b>820</b>	<b>1,084</b>	<b>-939</b>	<b>1,686</b>	<b>635</b>	<b>60%</b>	<b>2,625</b>	<b>NA</b>	<b>2,104</b>	<b>747</b>	<b>-64%</b>

Source: Company, Emkay Research

**Exhibit 13: Consolidated Margins**

	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	YoY	QoQ	H1FY20	H1FY21	change
EBITDA	11.8%	9.3%	8.1%	5.0%	12.7%	90 bps	765 bps	11.2%	10.6%	-60 bps
EBIT	8.5%	6.3%	4.7%	-3.5%	9.5%	92 bps	NA	8.1%	6.0%	-215 bps
PBT	6.2%	4.5%	3.7%	-8.4%	8.2%	207 bps	NA	5.9%	3.7%	-219 bps
PAT	4.6%	3.3%	4.8%	-11.0%	7.3%	272 bps	NA	4.5%	2.4%	-215 bps

Source: Company, Emkay Research

## Highlights of Conference Call

- **Demand:** Demand has returned to pre-Covid-19 levels with focus on the retail sector and metro rail orders. Capacity utilization is close to peak. The sales mix in Q2 returned to its normal range with S200/300/400 at 45%/39%/16% compared to 31%/49%/30% in Q1.
- **Specialty division:** As there is a limited scope of volume growth at the Hisar plant, management has decided to improve revenue and profitability of the plant by increasing the share of the specialty division products. It has started investments for increasing the capacity of prevision strip products from 14ktpa to 28ktpa. The total outlay on the new plant shall be Rs1.9bn with a payback of 2.5 years. We await more details on the payback period. The additional precision strips capacity will not result in additional volumes, but will replace the existing commoditized business partly.
- **Countervailing duty (CVD):** The Government of India has levied CVD on imports from Indonesia or routed through Indonesia. The provisional duty stands at 22-24% and is valid for four months up to Jan-21. After the final order, the final duty will be levied for a period of five years. The duty is being levied on both cold-rolled coil and hot-rolled coil. The company expects the final order to come in Q4FY21. This should help control subsidized imports which have been directed from China.
- **Guidance:** Management had previously guided FY21 EBITDA in the range of Rs.12,500/t to Rs13,500/t, taking into account the low profitability in Q1FY21. However, given the strong comeback in Q2, both in terms of demand and margins, it has raised FY21 guidance to close to Rs15,000/t.
- **Consolidation with JSL:** Management has appointed a committee of board members, in line with a similar decision taken by the board of group company, Jindal Stainless Limited (JSL) to explore the options of merger between the two companies and advise accordingly. More details of this should be available at the end of Q3.
- **Capex and debt:** The company has a maintenance capex of around Rs0.75bn to Rs1bn annually, evenly spread between H1 and H2. Net debt on a consolidated basis increased to Rs23.1bn from Rs21.6bn in Mar-20, driven by: 1) addition of debt on account of the addition of moratorium interest to the debt; and 2) increase in debt due to increased business activity as dispatches increased.
- **Raw materials:** RM cost is likely to remain stable going forward though concerns on spike in the Ferro Chrome prices remain due to possible levy of export tax on Chrome ore in South Africa, the largest exporter of chrome ore globally.
- **Subsidiaries:** The robust performance of JSHL in this quarter was marked by a strong comeback of the subsidiaries businesses. The subsidiaries put together delivered best performance in the last seven quarters in terms of EBITDA with Steelway clocking a two-year high EBITDA performance. For JSL Lifestyle, the festive season augurs well. With strong traction from the hollowware segment, the Lifestyle division is expected to perform well over the next several quarters. The recent performance of the Lifestyle operations has been impacted by lesser orders from the Indian Railways, which is likely to improve in some time. This should further enhance subsidiary EBITDA.

**Exhibit 14: Key estimates and changes in assumptions**

	UoM	FY21E			FY22E			FY23E		
		Old	New	% change	Old	New	%change	Old	New	%change
Sales volume	kt	547	523	-4%	618	640	4%	633	672	6%
ASP ('000)	Rs/t	151	135	-11%	155	155	0%	151	151	0%
Revenue	Rs bn	98.7	90.7	-8%	114	120	5%	116	124	7%
EBITDA	Rs bn	8.6	9.5	11%	11	11	5%	11	11	3%
PAT	Rs bn	1.7	3.3	94%	3	4	31%	3	4	21%
EPS	per/share	7.23	14.04	94%	12.42	16.21	31%	14.37	17.38	21%

Source: Emkay Research

**Exhibit 15: Valuation**

	UoM	Mar-22E
Consolidated EBITDA	Rs Mn	11,011
Target EBITDA multiple	x	4.5
Enterprise Value	Rs Mn	49,549
Net Debt	Rs Mn	18,876
Implied Equity Value of JSHL (a)	Rs Mn	30,673
No of shares in JSL (on FD basis)	mn	526
CMP (JSL)	Rs/Share	58.40
Market Cap of JSL (on FD basis)	Rs Mn	30,689
32.02% stake of JSL in JSHL	Rs Mn	9,827
Holding Company Discount	%	30%
Implied Value of holding in JSL (b)	Rs Mn	6,879
JSHL+32.02% JSL stake (a+b)	Rs Mn	37,552
No. of shares (in mn)	mn	236
<b>Target</b>	<b>Rs/Share</b>	<b>159</b>

Source: Emkay Research

**Exhibit 16: Peer Comparison**

	M.Cap USD mn	P/E			EV/EBITDA (x)			PB (x)			ROE (x)		
		CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23
JSHL*	329	7.4	6.1	5.7	4.7	3.9	3.5	0.9	0.8	0.7	13.6	14.4	13.5
JSL*	384	NA	23.0	12.3	6.7	4.8	4.2	1.1	1.0	0.9	-2.4	4.6	8.0
Acerinox	2,312	32.8	11.8	9.2	8.8	6.5	5.6	1.1	1.1	1.1	3.4	8.0	11.3
Outokumpu	1,128	NA	18.0	8.4	10.3	5.9	4.5	0.4	0.4	0.4	-4.4	2.1	4.2
APERAM	2,500	18.0	10.6	9.7	8.8	5.5	4.8	0.9	0.9	0.9	4.9	7.6	10.0

Source: Bloomberg, Emkay Research Note (\*): denotes Emkay Research

**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>1,02,889</b>	<b>93,790</b>	<b>90,701</b>	<b>1,20,325</b>	<b>1,24,165</b>
<b>Expenditure</b>	<b>92,501</b>	<b>84,438</b>	<b>81,183</b>	<b>1,09,314</b>	<b>1,12,796</b>
<b>EBITDA</b>	<b>10,387</b>	<b>9,352</b>	<b>9,518</b>	<b>11,011</b>	<b>11,370</b>
Depreciation	2,893	2,946	2,912	3,308	3,435
<b>EBIT</b>	<b>7,494</b>	<b>6,406</b>	<b>6,605</b>	<b>7,703</b>	<b>7,935</b>
Other Income	1,021	1,329	1,058	900	900
Interest expenses	3,671	3,228	2,863	2,835	2,653
<b>PBT</b>	<b>4,844</b>	<b>4,507</b>	<b>4,801</b>	<b>5,768</b>	<b>6,182</b>
Tax	1,736	959	1,589	1,843	1,980
Extraordinary Items	337	201	0	(200)	(200)
Minority Int./Income from Assoc.	517	259	100	100	100
<b>Reported Net Income</b>	<b>3,962</b>	<b>4,008</b>	<b>3,312</b>	<b>3,825</b>	<b>4,102</b>
<b>Adjusted PAT</b>	<b>3,625</b>	<b>3,807</b>	<b>3,312</b>	<b>4,025</b>	<b>4,302</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	472	472	472	472	472
Reserves & surplus	18,056	22,238	25,550	29,375	33,477
<b>Net worth</b>	<b>18,528</b>	<b>22,710</b>	<b>26,022</b>	<b>29,847</b>	<b>33,949</b>
<b>Minority Interest</b>	<b>475</b>	<b>248</b>	<b>348</b>	<b>448</b>	<b>548</b>
<b>Loan Funds</b>	<b>21,976</b>	<b>20,680</b>	<b>21,277</b>	<b>20,027</b>	<b>18,777</b>
Net deferred tax liability	828	377	376	376	376
<b>Total Liabilities</b>	<b>41,806</b>	<b>44,016</b>	<b>48,024</b>	<b>50,699</b>	<b>53,650</b>
<b>Net block</b>	<b>21,902</b>	<b>21,083</b>	<b>20,199</b>	<b>20,356</b>	<b>19,424</b>
<b>Investment</b>	<b>15,355</b>	<b>15,780</b>	<b>16,230</b>	<b>16,680</b>	<b>17,130</b>
<b>Current Assets</b>	<b>26,770</b>	<b>27,907</b>	<b>30,979</b>	<b>41,813</b>	<b>43,092</b>
Cash & bank balance	261	338	733	1,152	3,450
Other Current Assets	2,669	4,219	4,718	4,718	4,718
<b>Current liabilities &amp; Provision</b>	<b>23,144</b>	<b>21,823</b>	<b>21,703</b>	<b>31,719</b>	<b>30,814</b>
<b>Net current assets</b>	<b>3,626</b>	<b>6,084</b>	<b>9,276</b>	<b>10,094</b>	<b>12,278</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>41,806</b>	<b>44,016</b>	<b>48,024</b>	<b>50,699</b>	<b>53,650</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>4,160</b>	<b>3,379</b>	<b>3,742</b>	<b>4,668</b>	<b>5,082</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	3,029	(2,832)	(2,798)	(399)	114
<b>Operating Cashflow</b>	<b>12,017</b>	<b>5,761</b>	<b>5,131</b>	<b>8,569</b>	<b>9,304</b>
Capital expenditure	(2,156)	(2,272)	(3,278)	(4,715)	(3,752)
<b>Free Cash Flow</b>	<b>9,861</b>	<b>3,489</b>	<b>1,852</b>	<b>3,854</b>	<b>5,552</b>
Investments	161	(166)	(350)	(350)	(350)
Other Investing Cash Flow	0	0	0	0	0
<b>Investing Cashflow</b>	<b>(974)</b>	<b>(1,110)</b>	<b>(2,570)</b>	<b>(4,165)</b>	<b>(3,202)</b>
Equity Capital Raised	(180)	175	0	0	0
Loans Taken / (Repaid)	(7,243)	(1,295)	597	(1,250)	(1,250)
Dividend paid (incl tax)	0	0	0	0	0
Other Financing Cash Flow	160	(227)	100	100	100
<b>Financing Cashflow</b>	<b>(10,934)</b>	<b>(4,575)</b>	<b>(2,166)</b>	<b>(3,985)</b>	<b>(3,803)</b>
<b>Net chg in cash</b>	<b>110</b>	<b>77</b>	<b>395</b>	<b>419</b>	<b>2,299</b>
Opening cash position	152	261	338	733	1,152
<b>Closing cash position</b>	<b>261</b>	<b>338</b>	<b>733</b>	<b>1,152</b>	<b>3,450</b>

Source: Company, Emkay Research

**Key Ratios**

<b>Profitability (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EBITDA Margin	10.1	10.0	10.5	9.2	9.2
EBIT Margin	7.3	6.8	7.3	6.4	6.4
Effective Tax Rate	35.8	21.3	33.1	32.0	32.0
Net Margin	3.0	3.8	3.5	3.3	3.4
ROCE	19.6	18.0	16.7	17.4	16.9
ROE	21.8	18.5	13.6	14.4	13.5
RoIC	27.5	24.6	23.8	26.5	27.6

<b>Per Share Data (Rs)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
EPS	15.4	16.1	14.0	17.1	18.2
CEPS	27.6	28.6	26.4	31.1	32.8
BVPS	78.5	96.3	110.3	126.5	143.9
DPS	0.0	0.0	0.0	0.0	0.0

<b>Valuations (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
PER	6.7	6.4	7.4	6.1	5.7
P/CEPS	3.7	3.6	3.9	3.3	3.2
P/BV	1.3	1.1	0.9	0.8	0.7
EV / Sales	0.4	0.5	0.5	0.4	0.3
EV / EBITDA	4.4	4.8	4.7	3.9	3.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

<b>Gearing Ratio (x)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Net Debt/ Equity	1.2	0.9	0.8	0.6	0.5
Net Debt/EBIDTA	2.1	2.2	2.2	1.7	1.3
Working Cap Cycle (days)	11.9	22.4	34.4	27.1	26.0

<b>Growth (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Revenue	(0.7)	(8.8)	(3.3)	32.7	3.2
EBITDA	(15.6)	(10.0)	1.8	15.7	3.3
EBIT	(20.8)	(14.5)	3.1	16.6	3.0
PAT	(31.5)	1.2	(17.4)	15.5	7.2

<b>Quarterly (Rs mn)</b>	<b>Q2FY20</b>	<b>Q3FY20</b>	<b>Q4FY20</b>	<b>Q1FY21</b>	<b>Q2FY21</b>
Revenue	22,765	24,841	22,461	8,524	22,985
EBITDA	2,681	2,320	1,824	428	2,913
<b>EBITDA Margin (%)</b>	<b>11.8</b>	<b>9.3</b>	<b>8.1</b>	<b>5.0</b>	<b>12.7</b>
PAT	1,051	820	1,084	(939)	1,686
<b>EPS (Rs)</b>	<b>4.5</b>	<b>3.5</b>	<b>4.6</b>	<b>(4.0)</b>	<b>7.1</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Sep-19</b>	<b>Dec-19</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>
Promoters	57.7	57.7	57.7	57.7	57.7
FIs	20.6	20.6	20.6	20.6	20.5
DIs	4.3	4.4	5.4	5.1	4.0
Public and Others	17.5	17.4	16.3	16.7	17.9

Source: Capitaline

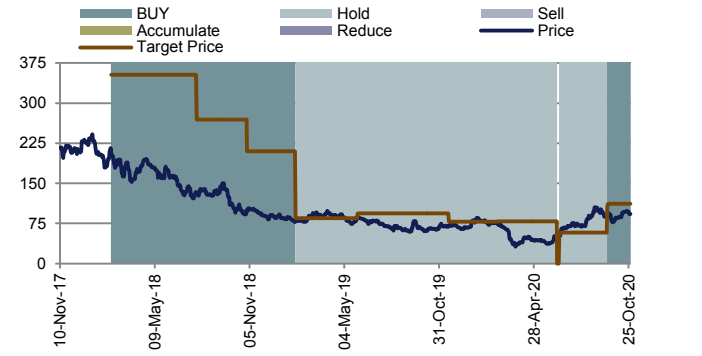


## RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
10-Oct-20	87	112	12m	Buy	Vishal Chandak
16-Sep-20	94	112	12m	Buy	Vishal Chandak
14-Sep-20	90	109	12m	Buy	Vishal Chandak
15-Jun-20	52	58	12m	Hold	Vishal Chandak
11-Jun-20	50	-	12m	NA	Vishal Chandak
18-Feb-20	76	79	12m	Hold	Vishal Chandak
18-Nov-19	71	78	12m	Hold	Vishal Chandak
29-May-19	85	94	12m	Hold	Vishal Chandak
31-Jan-19	78	85	12m	Hold	Vishal Chandak
31-Oct-18	98	210	12m	Buy	Goutam Chakraborty
27-Jul-18	131	269	12m	Buy	Goutam Chakraborty
08-May-18	180	353	12m	Buy	Goutam Chakraborty
26-Apr-18	186	353	12m	Buy	Goutam Chakraborty
01-Mar-18	194	353	12m	Buy	Goutam Chakraborty
15-Feb-18	207	353	12m	Buy	Goutam Chakraborty
09-Nov-17	217	331	12m	Buy	Goutam Chakraborty

Source: Company, Emkay Research

## RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Metals & Mining



### Analyst: Vishal Chandak

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#### Sector

Metals and Mining

#### Analyst bio

Vishal Chandak is a CA and MBA (Finance). He brings in over 16 years of experience, including seven years in the corporate side, with balance being on both the buy side and sell side. Currently, his team tracks 12 stocks in the Metals and Mining space.

### EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
<b>Metals &amp; Mining</b>	<b>2.30</b>	<b>2.30</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>
Coal India	0.38	0.39	3%	1	16.88
Hindalco	0.41	0.43	5%	2	18.66
Hindustan Zinc	0.08	0.08	0%	0	3.55
Jindal Stainless	0.00	0.02	NA	2	0.88
Jindal Stainless Hisar	0.00	0.02	NA	2	0.95
JSW Steel	0.49	0.44	-10%	-5	19.00
MOIL	0.00	0.00	NA	0	0.00
National Aluminium Co	0.04	0.00	-100%	-4	0.00
NMDC	0.12	0.13	3%	0	5.54
SAIL	0.06	0.06	1%	0	2.59
Tata Steel	0.47	0.47	1%	1	20.47
Vedanta	0.26	0.26	3%	1	11.44
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.04</b>

Source: Emkay Research

\* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

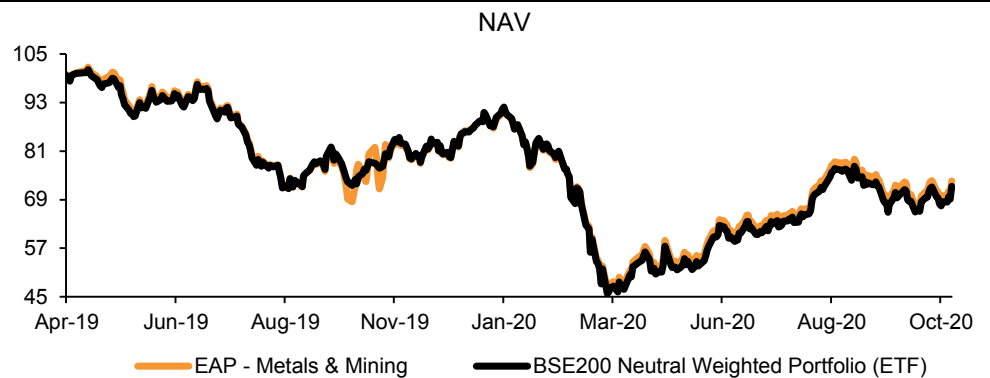
### Sector portfolio NAV

	Base					Latest
	1-Apr-19	6-Feb-20	7-May-20	6-Aug-20	6-Oct-20	5-Nov-20
EAP - Metals & Mining	100.0	83.3	53.8	71.4	73.0	73.6
BSE200 Neutral Weighted Portfolio (ETF)	100.0	83.6	52.3	69.9	71.1	72.3

\*Performance measurement base date 1<sup>st</sup> April 2019

Source: Emkay Research

### NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	Over 15%
<b>HOLD</b>	Between -5% to 15%
<b>SELL</b>	Below -5%

Completed Date: 09 Nov 2020 10:11:32 (SGT)

Dissemination Date: 09 Nov 2020 10:12:32 (SGT)

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