

Estimate change



TP change



Rating change



	TATA IN
Bloomberg Equity Shares (m)	1,145
M.Cap.(INRb)/(USD\$b)	555.7 / 7.2
52-Week Range (INR)	506 / 251
1, 6, 12 Rel. Per (%)	25/40/14
12M Avg Val (INR M)	6130

### Financials & Valuations (INR b)

Y/E MARCH	2020	2021E	2022E
Sales	1,398	1,373	1,508
EBITDA	175	219	247
Adj. PAT	10.4	24.7	66.1
EBITDA Margin (%)	12.5	15.9	16.4
Cons. Adj. EPS (INR)	9.1	21.5	57.7
EPS Gr. (%)	-89.8	137.8	167.9
BV/Sh. (INR)	587	598	643

### Ratios

Net D:E	1.6	1.4	1.3
RoE (%)	1.6	3.6	9.3
RoCE (%)	5.8	6.9	8.1
Payout (%)	89.3	37.6	14.0

### Valuations

P/E (x)	54.3	22.8	8.5
P/BV (x)	0.8	0.8	0.8
EV/EBITDA(x)	9.4	7.0	6.1
Div. Yield (%)	2.0	2.0	2.0
FCF Yield (%)	17.3	31.8	19.6

### Shareholding pattern (%)

As On	Sep-20	Jun-20	Sep-19
Promoter	34.4	34.4	33.1
DII	30.1	30.0	30.2
FII	11.5	11.8	13.7
Others	24.0	23.7	23.0

FII Includes depository receipts

**CMP: INR487**
**TP: INR456 (-6%)**
**Neutral**

## Deleveraging a key positive

### Netherlands divestment on the cards

- Tata Steel (TATA) has seen strong recovery in profitability, led by higher steel prices. Consolidated EBITDA rose 60% YoY to INR61.1b in 2QFY21 (the highest in the last six quarters), and we estimate 3QFY21 to be even stronger at INR71.6b (+98% YoY). Furthermore, net debt fell INR83b QoQ to INR988b (the lowest in the last six quarters), led by working capital release of INR103b.
- The potential divestment of the company's profitable Netherlands operations to SSAB could lead to further deleveraging. However, its continually loss-making UK operations would remain an overhang on the stock.
- We raise our FY21/FY22E EBITDA estimates by 38%/9%, factoring in higher steel prices and spreads. Maintain **Neutral**.

### Working capital release leads to net debt reduction of INR83b in 1HFY21

Consol. reported EBITDA jumped 60% YoY (11x QoQ) to INR61.1b in 2QFY21, led by significant improvement in India operations. Adjusted EBITDA (after eliminating the impact of forex movement on investments) was also up 35% YoY to INR54.2b (est. INR48.2b). Consol. sales volumes increased 13% YoY to 7.4mt. Consol. adj PAT stood at INR15.0b v/s loss of INR0.5b in 2QFY20.

- **Standalone:** EBITDA rose 2.7x QoQ to INR46.2b (8% above est.) on higher volumes (+70% QoQ). Owing to a 3% QoQ improvement in realization (to INR45,577/t) and lower costs (due to operating leverage), EBITDA/t rose 117% QoQ to INR12,882 (in-line with our estimate). Adj. PAT stood at INR22.1b, +55% YoY (v/s loss of INR3.8b in 1QFY21).
- **Tata Steel Europe (TSE):** EBITDA loss declined to INR4.6b v/s loss of INR6.2b in 1Q. Per ton EBITDA loss stood at USD27/t (est. USD35/t), lower v/s USD44/t loss reported in 1Q. Volumes rose 10% QoQ to 2.13mt.
- **Tata Steel BSL:** EBITDA rose 6.4x QoQ to INR 11.1b (est. INR8.4b) on account of higher volumes (1.28mt; +84% QoQ) and realization (INR43,120/t; +11% QoQ). EBITDA/t increased 3x QoQ to INR8,643/t.
- Consolidated 1HFY21 OCF/FCF was higher at INR162b/INR129b (v/s INR61b/INR11b in 1HFY20), led by working capital release of INR103b and lower capex. Net debt thus declined INR83b to INR988b in 1HFY21.
- Consolidated 1HFY21 rev/EBITDA was down 13%/28% YoY to INR614b/INR66b. Adj. loss stood at INR29.3b v/s profit of INR6.2b in 1HFY20.

### Management guides for further improvement in profitability

- Management has guided for an INR4,000–5,000/t QoQ increase in India realization on the back of price hikes and a better product mix. Coking coal cost, on the other hand, is guided to decline by USD10/t QoQ.

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- TSE has initiated the process of separating Tata Steel Netherlands (TSN) and Tata Steel UK (TSUK). It has initiated talks with SSAB Sweden for the potential divestment of TSN. However, it would continue to own and operate the loss-making TSUK and seeks the support of the UK government for the same. TSE has long-term debt of EUR1.7b.
- Under normal business conditions (spread of ~USD250/t), TSN generates annual EBITDA of ~USD500m. TSUK, on the other hand, is a loss-making enterprise.
- TSE's EBITDA included carbon credit cost of USD58m (~USD27/t) in 2QFY21. Steel spreads in Europe have improved significantly, with the full benefit of the same expected to be realized in 4QFY21.

#### Valuation and view

- The outlook for Indian operations has improved significantly, led by better domestic demand and prices. While EBITDA growth should be strong in 2H, we expect expansion in working capital and capex to limit FCF growth.
- We expect TSE's EBITDA to turn positive in 2HFY21. While the potential sale of the company's profitable Netherlands operations could lower debt, retention of the loss-making UK business would remain an overhang on the stock.
- With TATA already on track to meet its debt reduction plan of USD1.0b for FY21, concerns on leverage are abating. We expect net debt to decline by INR126b (INR109/sh) to INR946b over FY20–22E.
- At CMP, the stock trades at 6.1x FY22E EV/EBITDA. Maintain Neutral, with TP of INR456/sh based on FY22E EV/EBITDA of 6x for Indian operations and 5x for Europe.

#### Quarterly Performance (Consolidated)

Y/E March	INR m											
	FY20				FY21E				FY20	FY21E	vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
<b>Net Sales</b>	<b>3,59,471</b>	<b>3,45,792</b>	<b>3,55,204</b>	<b>3,37,700</b>	<b>2,42,885</b>	<b>3,71,540</b>	<b>3,64,307</b>	<b>3,90,594</b>	<b>13,98,167</b>	<b>13,73,267</b>	<b>3,44,433</b>	8
Change (YoY %)	-5.0	-20.6	-13.8	-20.4	-32.4	7.4	2.6	15.7	-11.3	-1.8	-0.4	
<b>EBITDA</b>	<b>53,769</b>	<b>38,196</b>	<b>36,197</b>	<b>46,469</b>	<b>5,055</b>	<b>61,108</b>	<b>71,562</b>	<b>76,423</b>	<b>1,74,631</b>	<b>2,18,601</b>	<b>48,187</b>	27
Change (YoY %)	-16.9	-57.2	-46.2	-38.2	-90.6	60.0	97.7	64.5	-40.6	25.2	26.2	129
(% of Net Sales)	15.0	11.0	10.2	13.8	2.1	16.4	19.6	19.6	12.5	15.9	14.0	
<b>EBITDA(USD/tss)</b>	<b>122</b>	<b>83</b>	<b>70</b>	<b>100</b>	<b>14</b>	<b>122</b>	<b>144</b>	<b>146</b>	<b>93</b>	<b>121</b>	<b>94</b>	29
Interest	18,064	18,714	19,306	19,251	19,983	19,402	18,550	18,940	75,335	76,621	19,819	-2
Depreciation	20,828	21,272	20,187	22,241	21,108	22,611	22,939	23,053	84,407	90,098	21,055	7
Other Income	2,511	1,836	929	13,159	1,926	2,221	2,234	2,419	18,435	8,335	1,583	40
<b>PBT (before EO Inc.)</b>	<b>17,387</b>	<b>46</b>	<b>-2,366</b>	<b>18,136</b>	<b>-34,110</b>	<b>21,315</b>	<b>32,307</b>	<b>36,850</b>	<b>33,324</b>	<b>60,218</b>	<b>8,896</b>	140
EO Income(exp)	160	-336	-3,286	-34,059	584	432			-37,521	923		
<b>PBT (after EO Inc.)</b>	<b>17,547</b>	<b>-290</b>	<b>-5,652</b>	<b>-15,923</b>	<b>-33,526</b>	<b>21,747</b>	<b>32,307</b>	<b>36,850</b>	<b>-4,196</b>	<b>61,141</b>	<b>8,896</b>	144
Total Tax	11,238	-40,500	6,210	-2,633	12,715	6,129	7,725	9,051	-25,684	36,927	350	
% Tax	64.6	-88,428	-263	-14.5	-37.3	28.8	23.9	24.6	-77.1	61	3.9	
<b>Reported PAT</b>	<b>6,309</b>	<b>40,210</b>	<b>-11,863</b>	<b>-13,290</b>	<b>-46,242</b>	<b>15,619</b>	<b>24,582</b>	<b>27,799</b>	<b>21,488</b>	<b>24,214</b>	<b>8,545</b>	83
<b>Adj. PAT (after MI &amp; asso)</b>	<b>6,771</b>	<b>-537</b>	<b>-7,005</b>	<b>13,802</b>	<b>-44,320</b>	<b>15,031</b>	<b>25,757</b>	<b>28,309</b>	<b>10,373</b>	<b>24,668</b>	<b>10,965</b>	37

\*Note: Sum of quarterly Adj. PAT does not match with full year due to pref. dividend accounted in full year

## Quarterly Performance (Standalone)

Y/E March	INR m											
	FY20				FY21E				FY20	FY21E	vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
<b>Net Sales</b>	<b>1,60,913</b>	<b>1,48,712</b>	<b>1,52,620</b>	<b>1,42,114</b>	<b>93,388</b>	<b>1,63,620</b>	<b>1,60,367</b>	<b>1,74,173</b>	<b>6,04,360</b>	<b>5,91,548</b>	<b>1,59,294</b>	3
<b>EBITDA</b>	<b>39,569</b>	<b>34,782</b>	<b>37,778</b>	<b>36,487</b>	<b>12,510</b>	<b>46,247</b>	<b>52,620</b>	<b>55,780</b>	<b>1,48,616</b>	<b>1,67,157</b>	<b>42,736</b>	8
(% of Net Sales)	24.6	23.4	24.8	25.7	13.4	28.3	32.8	32.0	24.6	28.3	26.8	5
Spreads	37,790	33,938	28,374	37,298	32,181	31,167	37,694	38,507	34,124	35,069	34,760	-10
Conv. Cost	24,631	22,235	17,354	24,760	26,241	18,285	21,250	22,101	22,058	21,475	21,955	-17
EBITDA(INR/tss)	13,159	11,703	11,020	12,538	5,940	12,882	16,444	16,406	12,066	13,594	12,805	1
EBITDA(USD/tss)	189	166	155	176	78	173	222	222	171	182	172	1
Interest	7,231	7,200	7,839	8,040	9,083	8,557	8,557	7,958	30,310	33,947	8,811	-3
Depreciation	9,677	9,703	9,799	10,023	9,693	10,060	10,060	10,040	39,201	39,985	9,674	4
Other Income	1,778	1,035	515	714	1,212	1,862	1,200	1,226	4,041	5,500	869	114
<b>PBT (before EO Inc.)</b>	<b>24,439</b>	<b>18,914</b>	<b>20,655</b>	<b>19,138</b>	<b>-5,054</b>	<b>29,492</b>	<b>35,202</b>	<b>39,008</b>	<b>83,146</b>	<b>98,724</b>	<b>25,121</b>	17
EO Income(exp)	-408	-26	3,492	-20,095	20,589	-92			-17,036	20,497		
<b>PBT (after EO Inc.)</b>	<b>24,032</b>	<b>18,888</b>	<b>24,147</b>	<b>-957</b>	<b>15,535</b>	<b>29,400</b>	<b>35,202</b>	<b>39,008</b>	<b>66,110</b>	<b>1,19,221</b>	<b>25,121</b>	17
Total Tax	8,642	-19,490	6,109	3,411	3,602	7,351	8,955	9,616	-1,328	29,525	6,029	22
% Tax	36.0	-103.2	25.3	-356.5	23.2	25.0	25.4	24.7	-2.0	24.8	24.0	
<b>Reported PAT</b>	<b>15,390</b>	<b>38,378</b>	<b>18,038</b>	<b>-4,368</b>	<b>11,933</b>	<b>22,049</b>	<b>26,247</b>	<b>29,391</b>	<b>67,438</b>	<b>89,696</b>	<b>19,092</b>	15
<b>Adjusted PAT</b>	<b>15,797</b>	<b>14,074</b>	<b>14,546</b>	<b>13,227</b>	<b>-3,882</b>	<b>22,140</b>	<b>26,247</b>	<b>29,391</b>	<b>57,644</b>	<b>69,199</b>	<b>19,092</b>	16

Source: MOFSL, Company

## Operational Table

Y/E March	INR m											
	FY20				FY21E				FY20	FY21	vs Est	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			2QE	(%)
<b>Sales ('000 tons)</b>	3,007	2,972	3,428	2,910	2,106	3,590	3,200	3,400	12,317	12,009	3,338	8
Change (YoY %)	1.2	-6.4	15.3	-18.9	-30.0	20.8	-6.7	16.8				
Change (QoQ %)	-16.2	-1.2	15.3	-15.1	-27.6	70.5	-10.9	6.3				
<b>Realization (INR/tss)</b>	53,513	50,038	44,522	48,837	44,344	45,577	50,115	51,227	49,067	47,567	47,729	-5
Change (YoY %)	-3.1	-11.2	-22.9	-8.3	-17.1	-8.9	12.6	4.9				
Change (QoQ %)	0.4	-6.5	-11.0	9.7	-9.2	2.8	10.0	2.2				
<b>EBITDA(INR/Ton)</b>	13,159	11,703	11,020	12,538	5,940	12,882	16,444	16,406	12,066	11,677	12,805	1
Change (YoY %)	-22.9	-38.0	-28.0	-9.0	-54.9	10.1	49.2	30.8				
Change (QoQ %)	-4.5	-11.1	-5.8	13.8	-52.6	116.9	27.6	-0.2				

## Exhibit 1: Quarterly Performance (TSE &amp; Other subsidiaries)

Y/E March	INR m									
	FY20				FY21E				FY20	FY21
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Sales (000 tons)</b>	<b>3,333</b>	<b>3,558</b>	<b>3,882</b>	<b>3,590</b>	<b>2,754</b>	<b>3,403</b>	<b>3,511</b>	<b>3,691</b>	<b>14,363</b>	<b>13,359</b>
Europe	2,260	2,290	2,350	2,390	1,940	2,130	2,162	2,268	9,290	8,500
SEA										
Bhushan	860	1,040	1,260	980	694	1,280	1,050	1,100	4,140	4,124
Sponge Iron	93	118	162	140	120	180	162	178	513	640
Change (YoY %)	-6.9	-16.2	-3.4	-8.7	-17.4	-4.4	-9.5	2.8	-8.9	-7.0
<b>Avg. NSR (USD/t)</b>	<b>857</b>	<b>787</b>	<b>733</b>	<b>765</b>	<b>715</b>	<b>836</b>	<b>785</b>	<b>792</b>	<b>783</b>	<b>829</b>
Europe (USD/t)	922	871	826	798	762	792	812	812		
SEA (USD/t)										
Bhushan (INR/t)	50,381	43,795	39,985	43,609	38,862	43,120	47,063	47,823	43,959	44,662
Sponge Iron (INR/t)	75,806	65,914	61,686	72,021	54,425	59,425	60,425	61,425	68,039	61,115
<b>Net Sales</b>	<b>1,98,558</b>	<b>1,97,080</b>	<b>2,02,584</b>	<b>1,95,585</b>	<b>1,49,497</b>	<b>2,11,862</b>	<b>2,03,939</b>	<b>2,16,421</b>	<b>7,93,807</b>	<b>7,81,719</b>
Change YoY (%)	-7.3	-23.1	-15.8	-16.0	-24.7	7.5	0.7	10.7	-8.8	-1.5
<b>EBITDA</b>	<b>14,200</b>	<b>3,413</b>	<b>-1,581</b>	<b>9,982</b>	<b>-7,455</b>	<b>19,314</b>	<b>18,943</b>	<b>20,644</b>	<b>26,015</b>	<b>51,445</b>
As % of Net Sales	7.2	1.7	-0.8	5.1	-5.0	9.1	9.3	9.5	3.3	6.6
Europe	620	1,647	-9,560	650	-6,259	-4,620	4,230	5,491	-6,644	-1,157
SEA										
Bhushan	7,850	5,265	2,838	7,750	1,501	11,063	11,733	12,414	23,703	36,711
Sponge Iron	550	-401	365	1,321	146	1,940	972	1,069	1,835	4,128
Other India	1,988	1,604	2,186	3,022	420	2,581	2,007	1,669	8,799	6,677
Others	3,192	-4,702	2,591	-2,760	-3,263	8,350			-1,678	5,068
Interest	10,833	11,514	11,467	11,211	10,899	10,592	10,592	10,592	45,025	42,674
Depreciation	11,152	11,568	10,388	12,219	11,415	12,938	12,899	12,860	45,206	50,112
Other Income	733	801	415	12,446	714	1,353	1,034	1,193	14,394	2,835
<b>PBT (after EO Inc.)</b>	<b>-6,484</b>	<b>-19,178</b>	<b>-29,800</b>	<b>-14,966</b>	<b>-49,061</b>	<b>-2,431</b>	<b>-3,514</b>	<b>-1,615</b>	<b>-70,306</b>	<b>-58,080</b>
Total Tax	2,597	-21,010	101	-6,044	9,113	84	-1,230	-565	-24,356	7,402
% Tax	-40.0	109.6	-0.3	40.4	-18.6	-3.5	35.0	35.0	34.6	-12.7
<b>Reported PAT</b>	<b>-9,081</b>	<b>1,832</b>	<b>-29,901</b>	<b>-8,922</b>	<b>-58,174</b>	<b>-2,515</b>	<b>-2,284</b>	<b>-1,050</b>	<b>-45,950</b>	<b>-65,482</b>
Minority Interests	-100	-1,013	-1,367	-1,405	-2,356	891	-732	80	-3,884	-2,117
<b>Adj. PAT (after MI &amp; asso)</b>	<b>-9,027</b>	<b>3,379</b>	<b>-21,551</b>	<b>7,375</b>	<b>-35,663</b>	<b>-3,103</b>	<b>-1,109</b>	<b>-540</b>	<b>-19,702</b>	<b>-41,874</b>
Change (YoY %)	153.9	134.0	-3,999.2	-992.0	295.1	-191.8	-94.9	-107.3	710.0	112.5

Source: MOFSL, Company



## Highlights from management commentary

### Operational highlights and outlook

- India domestic steel demand recovered to ~96% of average FY20 consumption in Sep'20. However, demand recovery was higher in flats steel owing to demand revival from the Auto segment.
- Domestic demand recovery, coupled with higher exports (1.2mt v/s 0.64mt in 2QFY20), resulted in a rise in Tata Steel India's sales volumes by 22% YoY to 5.05mt. Crude steel production increased 2% YoY to 4.59mt.
- Automotive steel demand picked up in 2QFY21 and continues to rise in 3QFY21 on strong demand driven by the festive season. Tata Steel's volumes to auto customers rose ~12% YoY to 0.47mt.
- Domestic steel inventories have declined to normal levels, which bodes well for domestic prices.
- Management guided for a QoQ improvement of INR4,000–5,000/t in realization in 3QFY21, led by price hikes and an improved product mix.
- A steel price increase on the back of demand recovery and higher China steel prices have improved EU spot spreads.
- While TSE's EBITDA is expected to improve in 3QFY21, the full impact of higher spot spreads is expected to flow in only in 4QFY21.

- Export volumes in India operations were down ~19% QoQ to 1.2mt. The share of export volumes declined to 24% v/s 50% in 1QFY21 (~15% in 2QFY20).
- Auto volumes increased 12% YoY to 0.47mt in 2QFY21.

### Other financial highlights

- Tata Steel BSL (TSBSL) reported EBITDA of INR11.1b v/s INR1.5b in 1QFY21. Sales volumes increased +84% QoQ / 23% YoY to 1.28mt. Domestic volumes stood at 0.86mt (+150% QoQ / 11% YoY). Realization improved 11% QoQ (INR4,260/t) to INR43,120/t on higher steel prices and a better product mix. EBITDA/t came in at INR8,643/t (v/s INR2,190/t in 1QFY21).
- Tata Steel Long Product (TSLP) on Oct 13 reported strong margins for 2QFY21, which resulted in EBITDA of INR1.8b v/s loss of INR74m in 1QFY21.
- Europe EBITDA included carbon credit cost of USD58m (USD27/t).
- Management informed that Europe operations saw no cash support from Tata Steel India despite a challenging environment.
- Consolidated FCF generation stood at INR78.3b in 2Q.
- Capex stood at INR13.6b in 2Q and was largely incurred on maintenance and safety projects. Capex stood at INR32b in 1HFY21.
- Net debt declined by INR82b QoQ (INR83b in 1HFY21) to INR988b. The company repaid gross debt of INR45.5b in 2QFY21. Net debt came in below FY19 levels.
- Debt maturities for FY21/FY22E stood lower at ~USD250m for each year.

### Strategy on Europe

- Tata Steel is in talks with SSAB Sweden regarding the potential acquisition of its Netherlands operations (capacity of 7.0mt). It may take 6–9 months to close the deal, if finalized. The company does not expect any regulatory issues during the transaction.
- However, it would continue to own and operate the UK business (~3mt capacity) and is in talks with the UK govt. to make the business self-sustainable.
- TSE has debt of ~EUR1.7b (excl. working capital debt), and the proceeds of the divestment (if any) would be used to reduce this debt.
- Tata Steel Netherlands generates average EBITDA of ~USD450–500m (capacity 7mt) in a normal year, while UK operations incur EBITDA loss (capacity ~3mt).

### Valuation and view

**Play on steel prices:** With TATA further deferring capex for the Kalinganagar (KPO) expansion, standalone volumes are expected to remain flat over FY20–22E. However, robust integrated domestic operations allow TATA to reap the benefits of higher prices, thereby making it a play on steel prices.

**Europe outlook improving, but UK operations remain challenging:** With improved spreads in Europe, the outlook for Europe steel has improved. However, a second wave of COVID-19 could deter the demand outlook. While TATA has plans in place to divest its Netherlands operations, its continually loss-making UK operations remain an overhang on the stock.

**Decline in net debt a positive:** TATA reduced its net debt by INR83b to INR988b in 1HFY21, the lowest since FY19. We expect net debt to decline by INR126b (INR109/sh) to INR946b over FY20–22E. Moreover, low maturities of USD500m over FY21–22E also provide comfort on near-term debt repayments.

**Valuation:** The stock trades at 6.1x FY22E EV/EBITDA, which we believe factors in an improved earnings outlook. We therefore rate it **Neutral**, with TP of INR456/sh. We value Tata Steel on an SOTP basis on FY22E EV/EBITDA of 6.0x for India operations and 5.0x for Europe operations.

### Exhibit 2: SOTP valuation

Y/E March	2018	2019	2020	2021E	2022E
<b>India</b>					
EBITDA per ton (USD)	201	232	171	182	187
EBITDA per ton (INR)	12,976	16,180	12,066	13,594	13,990
Sales (m tons)	12.2	12.7	12.3	12.3	12.8
EBITDA-India	1,57,790	2,05,629	1,48,616	1,67,157	1,79,068
Target EBITDA multiple					6.0
<b>EV (India) - (a)</b>					<b>10,74,406</b>
INR/share					938
<b>Subsidiaries</b>					
EBITDA - India subs	28,298	34,068	32,659	52,602	54,448
Target EBITDA multiple					6.0
EBITDA - Europe	37,920	54,136	-6,644	-1,157	13,264
Target EBITDA multiple					5.0
<b>EV (Subsidiaries) - (b)</b>					<b>3,93,012</b>
INR/share					343
<b>Target EV (c=a+b)</b>					<b>14,67,418</b>
Net Debt (d)	7,13,229	9,72,250	10,71,166	9,76,478	9,45,576
INR/share	623	849	936	853	826
<b>Total equity value (c-d)</b>					<b>5,21,842</b>
<b>Target Price (INR /share)</b>					<b>456</b>

**Exhibit 3: Change in Estimates**

INR m	Revised		Old		Change (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
<b>Standalone</b>						
Volumes - mt	12.30	12.80	12.19	12.80	0.8	0.0
Realisation - INR/t	48,109	49,478	47,694	49,778	0.9	-0.6
EBITDA - INR/t	13,594	13,990	11,943	13,569	13.8	3.1
EBITDA	1,67,157	1,79,068	1,45,635	1,73,683	14.8	3.1
<b>BSL</b>						
Volumes	4.12	4.50	3.99	4.50	3.3	0.0
Realisation - INR/t	44,662	45,770	42,042	44,050	6.2	3.9
EBITDA - INR/t	8,906	9,197	6,364	8,652	39.9	6.3
EBITDA	36,729	41,385	25,419	38,933	44.5	6.3
<b>Europe</b>						
Volumes - mt	8.50	9.30	8.50	9.30	0.0	0.0
EBITDA - USD/t	-2	19	-28	2	NM	928
EBITDA - INR m	-1,157	13,264	-17,957	1,290	NM	928
<b>Consolidated</b>						
Revenue	13,73,267	15,07,769	13,06,870	14,50,838	5.1	3.9
EBITDA	2,18,601	2,46,780	1,58,155	2,25,737	38.2	9.3
PAT	24,668	66,084	-6,991	56,183	NM	17.6
Target Price (INR/sh)		456		381		19.7

Source: MOSL

## Financials and valuations

Income Statement (Consolidated)						(INR m)
Y/E March	2017	2018	2019	2020	2021E	2022E
<b>Net Sales</b>	<b>11,22,994</b>	<b>13,21,558</b>	<b>15,76,688</b>	<b>13,98,167</b>	<b>13,73,267</b>	<b>15,07,769</b>
Change (%)	10.1	17.7	19.3	-11.3	-1.8	9.8
<b>EBITDA</b>	<b>1,70,078</b>	<b>2,18,905</b>	<b>2,93,833</b>	<b>1,74,631</b>	<b>2,18,601</b>	<b>2,46,780</b>
% of Net Sales	15.1	16.6	18.6	12.5	15.9	16.4
Deprn. & Amortization	56,729	59,617	73,418	84,407	90,098	90,247
<b>EBIT</b>	<b>1,13,349</b>	<b>1,59,289</b>	<b>2,20,415</b>	<b>90,224</b>	<b>1,28,504</b>	<b>1,56,533</b>
Finance cost	50,722	55,018	76,601	75,335	76,621	71,946
Other income	5,275	9,095	14,206	18,435	8,335	8,590
<b>PBT before EO</b>	<b>67,902</b>	<b>1,13,365</b>	<b>1,58,020</b>	<b>33,324</b>	<b>60,218</b>	<b>93,178</b>
EO income	-43,242	95,991	-1,210	-37,521	923	
<b>PBT after EO</b>	<b>24,660</b>	<b>2,09,357</b>	<b>1,56,810</b>	<b>-4,196</b>	<b>61,141</b>	<b>93,178</b>
Tax	27,780	34,054	67,184	-25,684	36,927	25,746
Rate (%)	112.7	16.3	42.8	612.0	60	27.6
<b>Reported PAT</b>	<b>-3,120</b>	<b>1,75,303</b>	<b>89,626</b>	<b>21,488</b>	<b>24,214</b>	<b>67,431</b>
Minority interest P/L	722	43,285	-10,962	-3,884	-2,117	-1,059
Share of asso. PAT	77	1,741	2,247	1,880	1,917	252
<b>PAT (After MI &amp; asso.)</b>	<b>-3,766</b>	<b>1,33,759</b>	<b>1,02,835</b>	<b>27,251</b>	<b>28,249</b>	<b>68,742</b>
Div. on Pref. /Hybrid Sec.	2,661	2,671	2,654	2,658	2,658	2,658
<b>Adjusted PAT</b>	<b>36,815</b>	<b>79,619</b>	<b>1,01,390</b>	<b>10,373</b>	<b>24,668</b>	<b>66,084</b>
Change (%)	-275.3	116.3	27.3	-89.8	137.8	167.9

Balance Sheet (Consolidated)						(INR m)
Y/E March	2017	2018	2019	2020	2021E	2022E
Share Capital	9,702	11,450	11,449	11,450	11,450	11,450
Reserves	3,45,741	5,74,507	6,55,051	7,01,564	7,13,450	7,65,829
<b>Net Worth</b>	<b>3,55,443</b>	<b>5,85,956</b>	<b>6,66,501</b>	<b>7,13,013</b>	<b>7,24,899</b>	<b>7,77,278</b>
Minority Interest	16,017	9,365	23,645	25,866	23,749	22,690
Total Loans	8,50,709	9,41,697	10,30,912	11,86,032	11,86,032	11,86,032
Deferred Tax Liability	91,091	94,689	1,15,170	78,479	89,439	92,464
<b>Capital Employed</b>	<b>13,13,260</b>	<b>16,31,708</b>	<b>18,36,228</b>	<b>20,03,390</b>	<b>20,24,119</b>	<b>20,78,464</b>
Gross Block	12,65,617	13,99,263	17,30,400	19,15,315	19,76,488	20,66,661
Less: Accum. Deprn.	3,80,498	4,79,209	5,25,947	6,10,354	7,00,451	7,90,698
<b>Net Fixed Assets</b>	<b>8,85,118</b>	<b>9,20,054</b>	<b>12,04,453</b>	<b>13,04,961</b>	<b>12,76,037</b>	<b>12,75,963</b>
Capital WIP	1,57,841	1,66,144	1,86,412	1,94,968	1,88,795	1,88,622
Investments	67,840	29,905	32,133	28,533	30,450	30,702
Goodwill on consolidation	34,947	40,995	39,966	40,545	40,545	40,545
<b>Curr. Assets</b>	<b>5,78,376</b>	<b>9,29,472</b>	<b>8,63,431</b>	<b>9,21,051</b>	<b>9,71,153</b>	<b>10,46,062</b>
Inventory	2,48,038	2,83,310	3,16,561	3,10,687	2,82,178	3,09,816
Account Receivables	1,15,868	1,24,155	1,18,110	78,849	82,772	99,141
Cash & liquid investment	1,05,942	2,28,468	58,662	1,14,866	2,09,554	2,40,456
Others	1,08,528	2,93,538	3,70,097	4,16,649	3,96,649	3,96,649
<b>Curr. Liability &amp; Prov.</b>	<b>4,10,863</b>	<b>4,54,862</b>	<b>4,90,167</b>	<b>4,86,670</b>	<b>4,82,862</b>	<b>5,03,430</b>
Account Payables	1,85,745	2,04,138	2,17,170	2,13,809	2,10,001	2,30,569
Provisions & Others	2,25,118	2,50,724	2,72,998	2,72,861	2,72,861	2,72,861
<b>Net Current Assets</b>	<b>1,67,513</b>	<b>4,74,610</b>	<b>3,73,263</b>	<b>4,34,382</b>	<b>4,88,291</b>	<b>5,42,632</b>
<b>Appl. of Funds</b>	<b>13,13,260</b>	<b>16,31,708</b>	<b>18,36,228</b>	<b>20,03,390</b>	<b>20,24,119</b>	<b>20,78,464</b>



## Financials and valuations

### Ratios (Consolidated)

Y/E March	2017	2018	2019	2020	2021E	2022E
<b>Basic (INR)</b>						
<b>EPS</b>	<b>37.9</b>	<b>69.5</b>	<b>88.6</b>	<b>9.1</b>	<b>21.5</b>	<b>57.7</b>
Cash EPS	96.4	121.6	152.7	82.8	100.2	136.5
BV/Share (ex-goodwill)	330.3	476.0	547.2	587.3	597.7	643.5
DPS	8.0	8.0	10.0	10.0	10.0	10.0
Payout (%)	25.2	11.6	9.1	89.3	37.6	14.0
<b>Valuation (x)</b>						
P/E				54.3	22.8	8.5
Cash P/E				5.9	4.9	3.6
P/BV				0.8	0.8	0.8
EV/Sales				1.2	1.1	1.0
EV/EBITDA				9.4	7.0	6.1
Dividend Yield (%)				2.0	2.0	2.0
<b>Return Ratios (%)</b>						
EBITDA Margins (%)	15.1	16.6	18.6	12.5	15.9	16.4
Net Profit Margins (%)	3.3	6.0	6.4	0.7	1.8	4.4
RoE	15.7	17.2	17.3	1.6	3.6	9.3
RoCE (pre-tax)	9.4	11.6	13.7	5.8	6.9	8.1
RoIC (pre-tax)	13.3	14.6	15.9	5.6	7.9	9.7
<b>Working Capital Ratios</b>						
Fixed Asset Turnover (x)	1.3	1.4	1.3	1.1	1.1	1.2
Asset Turnover (x)	0.9	0.8	0.9	0.7	0.7	0.7
Debtor (Days)	38	34	27	21	22	24
Inventory (Days)	81	78	73	81	75	75
Payables (Days)	60	56	50	56	56	56
Working Capital T/O (Days)	58	56	50	46	41	43
<b>Leverage Ratio (x)</b>						
Current Ratio	1.4	2.0	1.8	1.9	2.0	2.1
Interest Cover Ratio	2.2	2.9	2.9	1.2	1.7	2.2
Net Debt/Equity	2.3	1.3	1.6	1.6	1.4	1.3

E: MOST Estimates

### Cash Flow Statement (Consolidated)

Y/E March	2017	2018	2019	2020	2021E	2022E
<b>(INR m)</b>						
<b>EBITDA</b>	<b>1,70,078</b>	<b>2,18,905</b>	<b>2,93,833</b>	<b>1,74,631</b>	<b>2,18,601</b>	<b>2,46,780</b>
Reconciliation income (loss)	5,736	-17,034	-15,437	6,154		
(Inc)/Dec in Wkg. Cap.	-48,907	-43,468	25,905	41,962	41,702	-23,438
Tax Paid	-18,427	-28,882	-50,942	-21,059	-25,966	-22,721
<b>CF from Op. Activity</b>	<b>1,08,481</b>	<b>1,29,521</b>	<b>2,53,360</b>	<b>2,01,687</b>	<b>2,34,337</b>	<b>2,00,621</b>
(Inc)/Dec in FA + CWIP	-77,156	-74,785	-90,910	-1,03,980	-55,000	-90,000
<b>Free Cash Flow to Firm</b>	<b>31,324</b>	<b>54,736</b>	<b>1,62,450</b>	<b>97,707</b>	<b>1,79,337</b>	<b>1,10,621</b>
(Pur)/Sale of Non-cur. Invest.	3,552	-9,366	4,392	4,451		
Acquisition in subsidiaries	-10,814	-2,208	-3,51,036	-40,542		
Int. & Dividend Income	754	3,219	3,422	3,811	8,335	8,590
others	-1,450	9,745	17,694	7,723		
<b>CF from Inv. Activity</b>	<b>-85,113</b>	<b>-73,394</b>	<b>-4,16,438</b>	<b>-1,28,537</b>	<b>-46,665</b>	<b>-81,410</b>
Equity raised/(repaid)	6,519	90,872	-60	1,875		
Debt raised/(repaid)	27,041	41,454	81,745	76,181		
Dividend (incl. tax)	-9,498	-11,800	-14,239	-18,152	-13,705	-13,705
Interest & equiv. paid	-49,986	-54,127	-74,173	-76,850	-79,279	-74,604
<b>CF from Fin. Activity</b>	<b>-25,924</b>	<b>66,399</b>	<b>-6,727</b>	<b>-16,946</b>	<b>-92,984</b>	<b>-88,309</b>
<b>(Inc)/Dec in Cash</b>	<b>-2,557</b>	<b>1,22,526</b>	<b>-1,69,806</b>	<b>56,204</b>	<b>94,689</b>	<b>30,902</b>
Add: opening Balance	1,08,499	1,05,942	2,28,468	58,662	1,14,866	2,09,554
<b>Closing Balance</b>	<b>1,05,942</b>	<b>2,28,468</b>	<b>58,662</b>	<b>1,14,866</b>	<b>2,09,554</b>	<b>2,40,456</b>

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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