

Estimate change	➡➡
TP change	➡➡
Rating change	➡➡

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Bloomberg	SAIL IN
Equity Shares (m)	4,130
M.Cap.(INRb)/(USD\$b)	582.6 / 7.9
52-Week Range (INR)	151 / 33
1, 6, 12 Rel. Per (%)	12/110/233
12M Avg Val (INR M)	5371
Free float (%)	35.0

#### Financials & Valuations (INR b)

Y/E MARCH	2021	2022E	2023E
Sales	691.1	935.2	904.5
EBITDA	127.4	255.5	186.3
Adj. PAT	54.1	152.9	103.0
EBITDA Margin (%)	18.4	27.3	20.6
Cons. Adj. EPS (INR)	13.1	37.0	24.9
EPS Gr. (%)	na	182.9	-32.6
BV/Sh. (INR)	109.9	136.5	153.9

#### Ratios

Net D:E	0.8	0.5	0.3
RoE (%)	12.4	30.0	17.2
RoCE (%)	10.7	25.6	16.8

#### Valuations

P/E (x)	10.8	3.8	5.7
P/BV (x)	1.3	1.0	0.9
EV/EBITDA(x)	7.4	3.3	4.3
FCF Yield (%)	34.2	26.2	15.9

#### Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	65.0	65.0	75.0
DII	15.6	16.7	14.2
FII	5.0	4.3	2.8
Others	14.4	14.0	8.0

FII Includes depository receipts

**CMP: INR141 TP: INR175 (+24%)**

**Buy**

### Biggest beneficiary of improved pricing

#### Deleveraging to continue

- SAIL continues to reap the benefits of higher steel prices as it recorded its highest ever quarterly EBITDA of INR65.3b (+7% QoQ), despite volumes declining by 24% QoQ. EBITDA/t was the highest ever at INR19,728/t.
- Net debt declined further to INR311b (v/s INR367b in Mar'21). We expect SAIL to further reduce its debt by INR44b to INR267b at the end of FY22.
- We broadly maintain our FY22E/FY23E estimate. We expect the dividend payout to be strong at INR10/share in FY22E (~7% yield), based on an expected 25% payout ratio. We reiterate our **Buy** rating.

#### Higher realization boosts EBITDA by 7% QoQ despite a volume decline

- Sales/EBITDA/adjusted PAT came in line with our estimate (-11%/+7%/+8% QoQ) at INR206.4b/INR65.6b/INR38.5b on higher realization, but was offset by lower volumes. Adjusting for the wage revision settlement of INR2.85b for FY21, adjusted EBITDA stood at INR68.5b, up 1% v/s our estimate.
- Sales volume declined by 24% QoQ to 3.33mt and was 2% below our estimate. The decline was much higher compared to its peers due to the spread of COVID-19 in plants and a maintenance shutdown at one of the plants. Crude steel production was lower by 17% QoQ to 3.77mt.
- Blended realization rose 16% QoQ to INR62,045/t (est. INR58,866/t) on the back of higher steel prices and better product mix.
- The increase in realization was partly offset by lower operating leverage. As a result, EBITDA/t rose 39% QoQ to INR19,728/t (in line). Adjusting for the wage revision provision impact in 1QFY22/4QFY21 (INR2.8b/INR11.9b), EBITDA/t stood at INR20,585, up 23% QoQ.
- Finance cost fell 7% QoQ to INR5b due to debt repayments.
- Gross/net debt fell by INR50.6b/INR57.7b QoQ to INR326.1b/INR311.4b.

#### Debt reduction key focus, capacity expansion likely from FY24 onwards

- The management lowered its steel sales volumes guidance to 16.5mt from its earlier guidance of 18.3mt. We have factored in sales of 16mt in FY22.
- It expects marginally better steel prices in 2Q over 1QFY22 levels. The sharp rise in coking coal prices is likely to result in higher costs in 1QFY22.
- A wage revision settlement is likely to be finalized in 2QFY22.
- It further reduced gross debt by INR20b in Jul'21 to INR306b. The company guided for net debt of ~INR200b by FY22-end (earlier guided for INR250b).
- The company is working on finalizing the new leg of expansion to increase its total capacity to 50mt. In Phase I, it is looking to expand capacity by 12-14mt in Bokaro, IISCO, and Rourkela steel plants. Meaningful capex on expansion would likely start from FY24 onwards. The management said it would like to repay most of its long-term debt before embarking on its expansion plans and finance the new phase of expansion at a 1:1 debt-to-equity ratio.

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**Valuation and view**

- We expect EBITDA to grow at 21% CAGR over FY21-23E to INR186b, led by 8% volume CAGR to 17.5mt.
- We estimate a net debt reduction of INR157b (INR38/share) over FY21-23E to INR210b (INR50/share) on the back of higher operating cash flows.
- We value the stock at 5x FY23E EV/EBITDA at INR175/share, implying a target P/B of 1.1x (v/s its historical average of 0.7x). At the CMP, the stock is trading at 3.3x FY22E EV/EBITDA. We reiterate our **Buy** rating.

**Standalone quarterly performance – INR b**

Y/E March	FY21				FY22				FY21	FY22E	FY22E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Sales (mt)	2.2	4.2	4.1	4.4	3.3	4.0	4.3	4.4	14.9	16.0	3.4	-2
Change (YoY %)	-31.1	33.6	1.4	16.2	48.7	-4.9	3.7	0.5	5.0	7.1	51.9	
Realization (INR/t)	40,534	40,237	47,813	53,531	62,045	59,233	57,047	56,372	46,255	58,448	58,866	5
Change (YoY %)	-11.1	-10.3	18.2	23.9	53.1	47.2	19.3	5.3	6.8	26.4	45.2	
<b>Net Sales</b>	<b>90.7</b>	<b>169.2</b>	<b>198.3</b>	<b>232.9</b>	<b>206.4</b>	<b>236.9</b>	<b>245.3</b>	<b>246.5</b>	<b>691.1</b>	<b>935.2</b>	<b>200.0</b>	3
Change (%)	-38.8	19.8	19.9	44.0	127.7	40.0	23.7	5.9	12.1	35.3	120.6	
NSR to RM Spread (INR/t)	22,562	19,483	29,694	37,119	45,342	38,027	35,102	33,507	27,913	37,526	41,970	
<b>EBITDA</b>	<b>-4.0</b>	<b>19.0</b>	<b>50.8</b>	<b>61.5</b>	<b>65.6</b>	<b>68.9</b>	<b>63.2</b>	<b>57.6</b>	<b>127.3</b>	<b>255.3</b>	<b>67.6</b>	-3
EBITDA/t (INR)	-1,801	4,518	12,241	14,145	19,728	17,228	14,691	13,164	8,519	15,955	19,898	-1
Interest	8.9	7.2	6.7	5.4	5.0	4.5	4.2	4.5	28.2	18.3	5.4	
Depreciation	9.7	9.9	9.8	11.6	10.3	10.4	10.6	10.7	41.0	42.0	11.6	
Other Income	2.8	2.0	2.2	3.2	1.1	2.2	2.2	2.2	10.1	7.6	2.2	
<b>PBT (before EO Inc.)</b>	<b>-19.8</b>	<b>3.9</b>	<b>36.4</b>	<b>47.7</b>	<b>51.4</b>	<b>56.1</b>	<b>50.5</b>	<b>44.5</b>	<b>68.2</b>	<b>202.6</b>	<b>52.7</b>	-2
EO Income (exp.)		2.2	0.0	-1.7					0.6			
<b>PBT (after EO Inc.)</b>	<b>-19.8</b>	<b>6.1</b>	<b>36.4</b>	<b>46.1</b>	<b>51.4</b>	<b>56.1</b>	<b>50.5</b>	<b>44.5</b>	<b>68.8</b>	<b>202.6</b>	<b>52.7</b>	-2
Total Tax	-7.1	2.2	23.6	11.6	12.9	14.2	12.8	11.3	30.3	51.1	13.7	
Tax (%)	36.0	35.6	64.8	25.3	25.2	25.3	25.3	25.3	44.0	25.2	26.0	
<b>Reported PAT</b>	<b>-12.7</b>	<b>3.9</b>	<b>12.8</b>	<b>34.4</b>	<b>38.5</b>	<b>41.9</b>	<b>37.7</b>	<b>33.3</b>	<b>38.5</b>	<b>151.4</b>	<b>39.0</b>	-1
<b>Adjusted PAT</b>	<b>-12.7</b>	<b>2.5</b>	<b>25.7</b>	<b>35.7</b>	<b>38.5</b>	<b>41.9</b>	<b>37.7</b>	<b>33.3</b>	<b>51.2</b>	<b>151.4</b>	<b>39.0</b>	-1
Change (YoY %)	-1,945.2	-172.9	-698.7	1,124.9	na	1,576.0	46.8	-6.8	na	195.7	-407.0	

**Quarterly per tonne trend**

	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	QoQ (%)	YoY (%)
<b>Average revenue (INR/t)</b>	<b>43,515</b>	<b>40,443</b>	<b>43,194</b>	<b>40,534</b>	<b>40,237</b>	<b>47,813</b>	<b>53,531</b>	<b>62,045</b>	16	53
<b>Costs/t of sales (INR)</b>										
Inc. (-)/Dec. in stock and captive cons.	-3,285	4,742	-1,540	-1,518	7,029	2,433	1,477	-2,375	-261	56
Consumption of Raw Materials	23,451	17,206	17,804	19,490	13,725	15,686	14,935	19,078	28	-2
Staff cost	6,223	4,950	7,350	8,909	4,847	5,650	9,358	8,324	-11	-7
Others	14,805	11,106	14,362	15,453	10,117	11,804	13,616	17,289	27	12
<b>Gross Margin/t of sales</b>	<b>23,349</b>	<b>18,495</b>	<b>26,930</b>	<b>22,562</b>	<b>19,483</b>	<b>29,694</b>	<b>37,119</b>	<b>45,342</b>	<b>22</b>	<b>101</b>
<b>Conversion cost/t of sales</b>	<b>21,028</b>	<b>16,056</b>	<b>21,712</b>	<b>24,362</b>	<b>14,964</b>	<b>17,454</b>	<b>22,974</b>	<b>25,614</b>	<b>11</b>	<b>5</b>
<b>EBITDA/t of sales</b>	<b>3,684</b>	<b>2,439</b>	<b>5,218</b>	<b>-1,801</b>	<b>4,518</b>	<b>12,241</b>	<b>14,145</b>	<b>19,728</b>	<b>39</b>	<b>-1196</b>

**Highlights from the management interaction****Operational highlights and outlook**

- During 1QFY21, SAIL's steel sales volumes declined by 24% QoQ to 3.32mt on account of the COVID-19 spread in plants and a 23-day shut down for repairs in ISP. Exports contributed 11% of total sales.
- Hot metal/crude steel/saleable steel production declined by 17%/17%/15% QoQ to 4.14mt/3.77mt/3.77mt.
- During 1QFY21, the company sold 0.86mt of iron for INR4.5b, implying a realization of INR5,233/t of iron ore. This contributed INR1,350/t to steel realization. We estimate EBITDA of INR1.9b from iron ore sales v/s INR3.6b in 4QFY21.

- **Volume guidance lowered:** The company lowered its steel sales volumes guidance to 16.5mt from its earlier guidance of 18.3mt. It didn't guide on iron ore sales due to delays in approvals for iron ore sales from mines in Jharkhand. It had guided at iron ore sales of 13.5mt in FY22.

#### Pricing trend and outlook

- SAIL's average blended realization improved by 16% QoQ to INR62,045/t in 1QFY22. Average per tonne realization for flats/longs stood at INR59,565/INR50,120 (+12%/12% QoQ) in 1QFY22.
- **Pricing in 2Q remains at par with 1QFY22:** The management said pricing declined marginally in Jul'21. However, indicative Aug'21 realization suggests marginally higher pricing compared to 1QFY22.
- Receivables stood flat QoQ at INR71b. The management said it has realized part of the receivables for Railways in 1QFY22.

#### Costs and wage revision settlement

- Coal consumption cost was higher by ~30% QoQ in 1QFY22. With coking cost higher by ~USD100/t over the last four months, coal consumption is likely to increase further in 2QFY22, leading to a rise in costs. To mitigate the cost impact, the company is increasing usage of soft coking coal in the blend, lower its coke use rate, and increase PCI coal injection to 110kg/tcs from ~70kg/tcs currently.
- The company further provisioned INR2.85b towards a wage revision settlement in FY21. The negotiations are still on and are expected to conclude in Sep'21.
- Assuming there is no further increase in the wage revision amount, employee costs are likely to remain at FY21 levels.
- The management said the wage revision is applicable from 1<sup>st</sup> Apr'20 and it would not consider any liability for any period prior to that. However, there is no assurance that it would not be made applicable from 1<sup>st</sup> Apr'17.

#### Targets a debt reduction of ~INR170b (45%) in FY22

- During 1QFY22, the company reduced its net debt by INR57b (~15%) to INR311.1b. Gross debt fell by ~INR50.6b QoQ to INR326.1b. The cash balance stood at INR15b at the end of 1QFY22.
- It further reduced gross debt by INR20b in Jul'21. Excluding lease liabilities, gross debt stood at INR28.2b at the end of Jul'21.
- The company targets to pare debt below INR200b by the end of FY22.
- TTM net debt-to-EBITDA stood at 1.6x, whereas net debt-to-equity stood at 0.69x (v/s 1.36x at the end of FY20).

#### Capex plans

- Capex stood at INR7.5b in 1QFY22.
- **Capex guidance:** As per the government's directive, SAIL is required to spend INR80b on capex in FY22. However, the management expects capex spends to remain ~INR60b in FY22.

#### New phase of expansion under consideration

- The management said it is planning to start a new phase of modernization and expansion from FY24 onwards. It aims to increase its steel-making capacity to 50mtpa, in line with the National Steel Policy.
- SAIL is planning to expand in two phases. In Phase I, it is looking to expand capacity by 12-14mt in Bokaro, IISCO, and Rourkela steel plants. It has already completed land surveys in Rourkela and at the Bokaro steel plant, and has land parcels available to support a brownfield expansion.

- The management said it would take 15-18 months to finalize its expansion plan. Thus, the expansion would likely start from FY24 onwards.
- It aims to repay as much debt as possible before embarking on its expansion plans and finance the new phase of expansion at a 1:1 debt-to-equity ratio.
- Taking cues from previous expansion, the management informed that It would not embark on all expansion projects at one go, but would pursue it in a manner that there is a sufficient time gap between two large payments.

### Valuation and view

- **Volume growth to take care of higher fixed cost:** While employee cost has risen by ~20% in FY21 on account of wage revisions, we expect the impact to be absorbed by volume growth and higher realization.
- **Around 21% EBITDA CAGR over FY21-23E:** Despite factoring in a conservative realization (~15% discount to spot) in FY23E, we estimate 21% EBITDA CAGR over FY21-23E to INR186b.
- **Net leverage to decline sharply:** We estimate a net debt reduction of INR157b (INR38/share) to INR210b (INR51/share) over FY21-23E on the back of higher operating cash flows. With a significant debt reduction and higher earnings, net debt/EBITDA should decline to ~1.1x by Mar'23E.
- **Valuation remains comfortable:** At the CMP, the stock is trading at a reasonable 4.3x FY23E EV/EBITDA and 0.9x P/B. We value the stock at 5x FY23E EV/EBITDA at INR175/share, implying a target P/B of 1.1x. We reiterate our **Buy** rating.

#### Exhibit 1: Target price calculation

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E
Sales (mt)	14.1	14.1	14.2	14.9	16.0	17.5
EBITDA (INR per tonne)	3,705	6,916	4,012	8,526	15,966	10,644
EBITDA (INR b)	52.2	97.6	57.1	127.4	255.5	186.3
Target EV/EBITDA(x)						5.0
Target EV (INR b)						931.4
Less: Net Debt (INR b)	450.6	448.8	533.6	366.3	266.3	209.6
Equity value (INR b)						721.7
<b>Target price (INR/share)</b>						<b>175</b>

Source: MOFSL, Company

### Spot steel prices are implying a significant upside

- SAIL's earnings sensitivity to prices is the highest among Steel companies. Every INR1,000/t of higher steel prices improves SAIL's FY23E EBITDA/EPS by 9%/13%. At the same time, valuations have risen by 14%.
- If we assume spot steel prices to sustain in FY23E, it would imply an upside of 34% to our Base Case EBITDA and a 49% upside to our valuation of INR175/share.

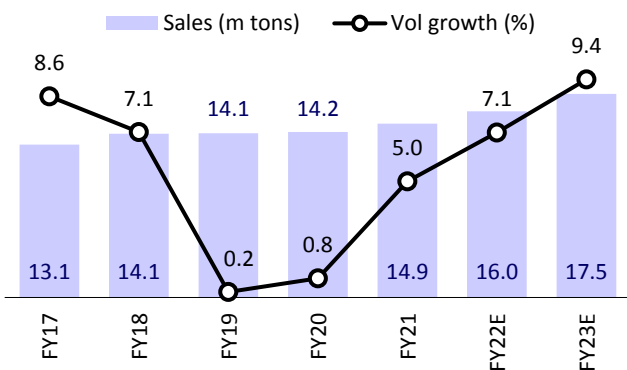
#### Exhibit 2: SAIL's earnings are highly sensitivity to a change in realization

	Base Case		+INR1,000/t		Bull Case - spot	
	FY22E	FY23E	FY23E	Change (%)	FY23E	change (%)
INR b						
Revenue	935.2	904.5	922.0	2	1,000.8	11
EBITDA	255.5	186.3	203.8	9	249.5	34
PAT	152.9	103.0	116.6	13	151.6	47
Net debt	266.3	209.6	197.9	-6	175.0	-17
Volume (mt)	16.0	17.5	17.5	0	17.5	0
Realization/t	58,448	51,686	52,686	2	57,186	11
EBITDA/t	15,955	10,635	11,635	9	14,248	34
TP (5x EV/EBITDA)		175	199	14	260	49

Source: MOSL

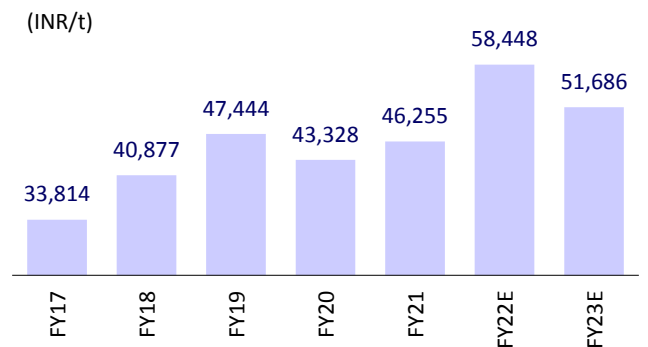
Story in charts

Exhibit 3: Volumes to grow by ~8% CAGR over FY21-23E



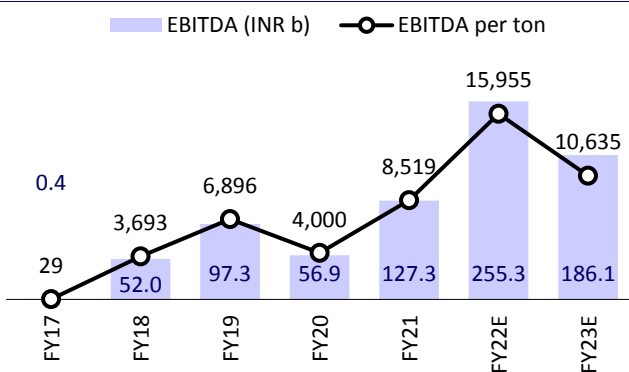
Source: Company, MOFSL

Exhibit 4: Realization to remain strong over FY22-23E



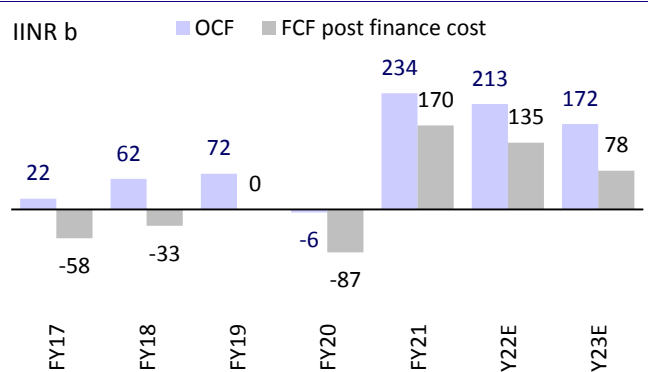
Source: Company, MOFSL

Exhibit 5: EBITDA to grow by ~21% CAGR over FY21-23E



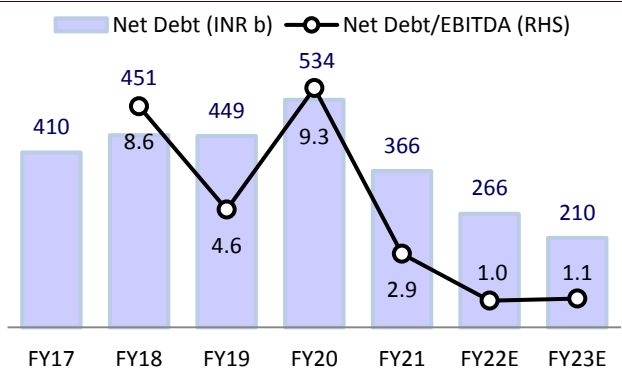
Source: Company, MOFSL

Exhibit 6: Cash flows to remain high over FY22-23E



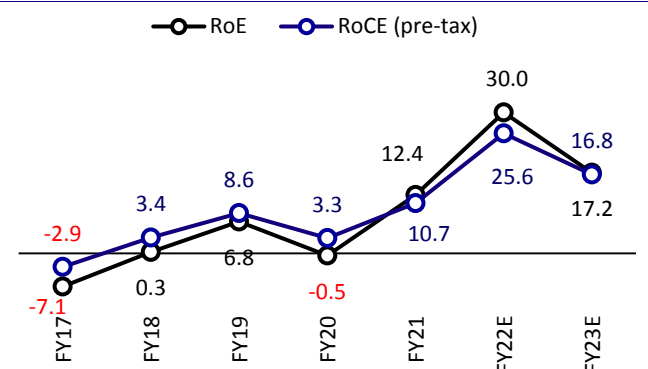
Source: Company, MOFSL

Exhibit 7: Net debt to decline; leverage to fall to 1x



Source: Company, MOFSL

Exhibit 8: Returns ratios to remain high over FY22-23E



Source: Company, MOFSL

## Financials and valuations

Income Statement (Consolidated)							(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Net Sales</b>	<b>445.0</b>	<b>575.6</b>	<b>669.7</b>	<b>616.6</b>	<b>691.1</b>	<b>935.2</b>	<b>904.5</b>
Change (%)	13.8	29.3	16.4	-7.9	12.1	35.3	-3.3
<b>EBITDA</b>	<b>0.7</b>	<b>52.2</b>	<b>97.6</b>	<b>57.1</b>	<b>127.4</b>	<b>255.5</b>	<b>186.3</b>
Change (%)	-102.3	7,677.0	87.1	-41.5	123.1	100.5	-27.1
EBITDA per tonne (INR)	51	3,705	6,916	4,012	8,526	15,966	10,644
Depreciation	26.8	30.7	33.9	37.6	41.0	42.0	42.8
<b>EBIT</b>	<b>-26.1</b>	<b>21.5</b>	<b>63.8</b>	<b>19.5</b>	<b>86.4</b>	<b>213.4</b>	<b>143.5</b>
Interest	25.3	28.2	31.5	34.9	28.2	18.3	14.4
Other income	4.5	4.2	4.9	9.1	8.6	6.8	7.5
<b>PBT before EO</b>	<b>-46.9</b>	<b>-2.6</b>	<b>37.2</b>	<b>-6.3</b>	<b>66.8</b>	<b>201.9</b>	<b>136.6</b>
Extraordinary Item	-2.2	-5.6	-3.9	37.3	0.6	0.0	0.0
<b>PBT</b>	<b>-49.1</b>	<b>-8.1</b>	<b>33.3</b>	<b>31.1</b>	<b>67.4</b>	<b>201.9</b>	<b>136.6</b>
Total Tax	-19.6	-2.5	12.0	11.8	30.6	51.0	35.5
Effective Rate (%)	39.9	30.2	36.1	38.0	45.4	25.2	26.0
<b>Reported PAT</b>	<b>-29.5</b>	<b>-5.7</b>	<b>21.3</b>	<b>19.3</b>	<b>36.8</b>	<b>150.9</b>	<b>101.1</b>
Change (%)	-28.8	-80.8	-475.4	-9.4	91.1	310.1	-33.0
Share of Associates/JV	1.9	2.8	2.2	1.9	4.7	1.9	1.9
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>-26.3</b>	<b>1.1</b>	<b>26.0</b>	<b>-1.9</b>	<b>54.1</b>	<b>152.9</b>	<b>103.0</b>
Change (%)	-37.1	-104.0	2344.1	-107.5	-2880.6	182.9	-32.6

Balance Sheet (Consolidated)							(INR b)
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Sources of Funds</b>							
Share Capital	41.3	41.3	41.3	41.3	41.3	41.3	41.3
Reserves and Surplus	329.1	328.2	355.2	373.8	412.8	522.4	594.6
<b>Shareholders' funds</b>	<b>370.4</b>	<b>369.5</b>	<b>396.5</b>	<b>415.1</b>	<b>454.1</b>	<b>563.7</b>	<b>635.9</b>
Loans	414.0	454.1	451.7	538.0	374.3	274.3	224.3
Deferred Tax Liability	-38.5	-41.6	-28.7	-20.2	13.3	41.6	56.6
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Capital Employed</b>	<b>745.9</b>	<b>781.9</b>	<b>819.5</b>	<b>932.9</b>	<b>841.7</b>	<b>879.6</b>	<b>916.7</b>
<b>Application of Funds</b>							
Gross Fixed Assets	841.9	955.8	1,017.2	1,131.3	1,158.2	1,240.7	1,320.7
Less: Depreciation	338.9	369.6	403.4	441.0	482.0	524.0	566.8
<b>Net Fixed Assets</b>	<b>503.0</b>	<b>586.3</b>	<b>613.7</b>	<b>690.3</b>	<b>676.2</b>	<b>716.7</b>	<b>753.9</b>
Capital WIP	232.8	184.0	160.1	87.5	88.8	66.3	66.3
Investments	24.8	26.3	29.7	32.4	34.4	34.4	34.4
<b>Curr. Assets</b>							
Inventory	157.4	170.2	195.1	238.4	195.7	230.6	223.0
Sundry Debtors	29.3	38.7	45.0	88.4	71.5	89.7	86.7
Cash and Bank Balances	3.8	3.5	2.9	4.5	8.0	8.0	14.6
Other assets	81.4	98.7	98.1	100.4	109.8	109.8	109.8
Loans and Advances	5.3	5.2	6.2	7.1	8.1	8.1	8.1
<b>Current Liabilities</b>							
Sundry Creditors	52.3	75.3	72.3	63.3	70.2	115.3	111.5
Other Current Liabilities	174.3	192.7	192.9	188.1	214.8	202.8	202.8
Provisions	65.2	62.9	66.1	64.7	65.8	65.8	65.8
<b>Net Current Assets</b>	<b>-14.6</b>	<b>-14.6</b>	<b>15.9</b>	<b>122.6</b>	<b>42.3</b>	<b>62.2</b>	<b>62.1</b>
<b>Application of Funds</b>	<b>745.9</b>	<b>781.9</b>	<b>819.5</b>	<b>932.9</b>	<b>841.7</b>	<b>879.6</b>	<b>916.7</b>

## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>-6.4</b>	<b>0.3</b>	<b>6.3</b>	<b>-0.5</b>	<b>13.1</b>	<b>37.0</b>	<b>24.9</b>
Cash EPS	-0.6	6.1	13.3	13.8	18.8	46.7	34.8
Book Value per Share	89.7	89.4	96.0	100.5	109.9	136.5	153.9
Dividend Per Share			0.5	0.0	2.8	10.0	7.0
<b>Valuation (x)</b>							
P/E			22.4	-299.6	10.8	3.8	5.7
Cash PE			10.6	10.2	7.5	3.0	4.0
EV/EBITDA			10.6	19.5	7.4	3.3	4.3
EV/Sales			1.5	1.8	1.4	0.9	0.9
Price-to-Book Value			1.5	1.4	1.3	1.0	0.9
<b>Profitability Ratios (%)</b>							
EBITDA Margin	0.2	9.1	14.6	9.3	18.4	27.3	20.6
RoE	-7.1	0.3	6.8	9.3	12.4	30.0	17.2
RoCE (pre-tax)	-2.9	3.4	8.6	9.3	10.7	25.6	16.8
RoIC (pre-tax)	-5.3	4.1	10.7	9.3	11.4	28.8	18.3
<b>Turnover Ratios</b>							
Debtors (Days)	24.1	24.5	24.5	9.3	37.8	35.0	35.0
Inventory (Days)	129.1	108.0	106.3	9.3	103.4	90.0	90.0
Creditors (Days)	42.9	52.5	46.1	9.3	45.4	45.0	45.0
Asset Turnover (x)	0.6	0.7	0.8	0.7	0.8	1.1	1.0
<b>Leverage Ratio</b>							
Debt/Equity (x)	1.1	1.2	1.1	1.3	0.8	0.5	0.3

### Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>EBITDA</b>	<b>0.7</b>	<b>52.2</b>	<b>97.6</b>	<b>57.1</b>	<b>127.4</b>	<b>255.5</b>	<b>186.3</b>
(Inc.)/Dec. in WC	17.5	11.2	-26.6	-106.6	100.6	-19.9	6.7
Direct Taxes Paid	0.1	-1.4	0.0	-0.9	-0.3	-22.7	-20.6
Other Items	3.3	-0.4	1.2	44.2	6.5	0.0	0.0
<b>CF from Oper. Activity</b>	<b>21.6</b>	<b>61.6</b>	<b>72.2</b>	<b>-6.2</b>	<b>234.3</b>	<b>212.9</b>	<b>172.4</b>
(Inc.)/Dec. in FA and CWIP	-54.3	-66.0	-38.8	-43.8	-35.3	-60.0	-80.0
<b>Free Cash Flows to Firm</b>	<b>-32.7</b>	<b>-4.4</b>	<b>33.3</b>	<b>-50.0</b>	<b>199.0</b>	<b>152.9</b>	<b>92.4</b>
Interest and Dividend	0.0	0.1	1.3	1.5	1.3	6.8	7.5
(Pur.)/Sale of Invest.	0.0	1.3	0.3	0.1	0.1	0.0	0.0
<b>CF from Inv. Activity</b>	<b>-54.3</b>	<b>-64.7</b>	<b>-37.2</b>	<b>-42.3</b>	<b>-33.9</b>	<b>-53.2</b>	<b>-72.5</b>
Issue of Shares							
Inc./Dec. in Debt	58.3	31.2	-2.4	89.1	-163.3	-100.0	-50.0
Interest Paid	-25.3	-28.5	-33.1	-36.5	-29.4	-18.3	-14.4
Dividends Paid	0.0	0.0	0.0	-2.5	-4.1	-41.3	-28.9
<b>CF from Finan. Activity</b>	<b>33.0</b>	<b>2.7</b>	<b>-35.5</b>	<b>50.0</b>	<b>-196.9</b>	<b>-159.6</b>	<b>-93.3</b>
<b>Inc./Dec. in Cash</b>	<b>0.3</b>	<b>-0.3</b>	<b>-0.6</b>	<b>1.6</b>	<b>3.5</b>	<b>0.1</b>	<b>6.6</b>
Add: Opening Balance	3.5	3.8	3.5	2.9	4.5	8.0	8.0
<b>Closing Balance</b>	<b>3.8</b>	<b>3.5</b>	<b>2.9</b>	<b>4.5</b>	<b>8.0</b>	<b>8.0</b>	<b>14.6</b>

NOTES



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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