




Estimate change 
TP change 
Rating change 

CMP: INR1261

TP: INR1440 (+14%)

Neutral

Result in line, Europe beats our estimates

Other subsidiaries offset beat in TSE

Bloomberg	TATA IN
Equity Shares (m)	1,198
M.Cap.(INRb)/(USDb)	1540.3 / 20.2
52-Week Range (INR)	1535 / 1044
1, 6, 12 Rel. Per (%)	2/2/3
12M Avg Val (INR M)	14463
Free float (%)	66.1

Financials & Valuations (INR b)

Y/E Mar	2022	2023E	2024E
Net Sales	2,440	2,650	2,446
EBITDA	635	484	458
PAT	402	249	221
EPS (INR)	329.5	203.6	181.3
Gr. (%)	377.4	-38.2	-11.0
BV/Sh (INR)	902	1,046	1,167
RoE (%)	44.6	20.9	16.4
RoCE (%)	29.2	19.7	17.8
P/E (x)	3.8	6.2	7.0
P/BV (x)	1.4	1.2	1.1
EV/EBITDA (x)	3.2	4.3	4.4

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	33.9	33.9	34.4
DII	20.5	18.2	25.4
FII	22.9	21.4	18.6
Others	22.7	26.5	21.6

FII Includes depository receipts

- On a standalone basis, revenue/EBITDA/APAT grew 73%/33%/40% YoY to INR367b/INR122b/INR79b in 4QFY22. Revenue and EBITDA were broadly in line, while APAT was 9% above our estimate, led by a marginal 4% beat on EBITDA, lower-than-estimated finance cost, as well as higher other income.
- On a consolidated basis, TATA reported a revenue/EBITDA/APAT of INR693b/INR150b/INR100b in 4QFY22, up 39%/6%/31% YoY.
- The consolidated result was in line as other segments and forex adjustments offset the beat in its European result. One-time provisioning of INR13.4b (INR5.4b towards inventory write-off and INR8b towards shortfall in meeting its mining dispatch target after the acquisition of mines) was made in other subsidiaries.
- TSE's (Tata Steel Europe) earnings were a surprise, with an EBITDA/t of USD241 (est. USD178), even though ASP was in line. TSE continues to ride the steel price boom in Europe after the ban on steel exports from Russia and unavailability of steel from Ukraine.

The company embarks on long-term capex

- TATA plans to raise its India capacity to 40MT by FY30 from 21MT at present (including Neelachal Ispat, or NINL). Capacity of 5MT will be commissioning in FY24 as part of TSK-II. For the balance, it has the option to expand either at Jamshedpur (to 16MT from 10MT), Kalinganagar (to 16MT from 8MT), Angul (to 10MT from 5MT), or at NINL (to 10MT from 1MT).
- The company is setting up 0.75MT EAF plant at Rohtak, Haryana, which will source scrap locally and sell TMT in the vicinity. If successful, similar setups will be established in West and South India.
- For its European operations, the management has not discussed the roadmap to transition to green steel, while its competitors have allocated a capex of USD4-5b over the next decade. The management is still evaluating options, given the recent shortage of natural gas in Europe and non-availability and techno-economic feasibility of hydrogen in blast furnaces.

Highlights from the management commentary

- The management said it will be able to maintain India EBITDA margin at similar levels in 1QFY23. While coking coal costs will rise by USD100/t in India, it will be offset by an INR8,000-8,500/t hike in ASP.
- In Europe, coking coal prices will rise by EUR50-60/t. The hike in ASP will be ~EUR60/t. Thus, margin in Europe will also remain stable.
- The company will commission a 0.75MT scrap-based EAF in North India soon. If successful, this model will be replicated in North, West, and South India.
- Growth capex target for FY23 is INR120b, which can overshoot if cash flows are strong.
- The company will not focus on growth capex over the next decade.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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- The management believes that steel demand and prices will remain strong over the next several years as the disruptor in the past (China) will no longer be adding 50-60MT to its capacity annually and it may not export significantly higher quantities to disrupt steel prices globally.
- These are the key reasons why the management has, in our view, embarked on a significant capacity growth journey in India, other than the fact that the country is among the fastest growing steel markets and per capita consumption of steel is far below the global average.

Valuation and view

- We are cautious on steel demand in India at current steel prices. With the onset of the monsoon over the next two months, steel prices are set for a correction. However, strong cash flow for TATA will support any downside from current levels.
- The stock trades at 4.3x/4.4x our FY23/FY24 EV/EBITDA estimate. On a P/B basis, the stock is quoting 1.2x/1.1x our FY23/FY24 estimate. We maintain our **Neutral** rating with a revised SoTP based TP of INR1,440 share (from INR1,500 earlier).

Standalone quarterly performance (INR b)

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Steel Sales ('000t)	2,106	4,870	3,345	3,305	3,990	4,420	4,250	4,970	13,626	17,630	4,960	0
Avg. Seg. Realn. (INR/tss)	44,344	44,355	53,709	64,153	69,413	73,937	75,210	73,805	51,451	73,183	73,189	1
Change (QoQ)	-4,493	11	9,354	10,444	5,260	4,524	1,273	-1,405	2,384	21,731	-2	
Net Sales	93.4	216.0	179.7	212.0	277.0	326.8	319.6	366.8	701.1	1,290.2	363.0	1
Change (YoY %)	-42.0	45.3	17.7	49.2	196.6	51.3	77.9	73.0			71.2	
Change (QoQ %)	-34.3	131.3	-16.8	18.0	30.6	18.0	-2.2	14.8			13.6	
EBITDA	12.5	57.2	67.0	91.9	133.0	134.3	121.7	122.3	228.7	511.3	117.2	4
Change (YoY %)	-68.4	64.6	77.4	151.8	962.9	134.6	81.6	33.2			27.6	
Change (QoQ %)	-65.7	357.6	17.1	37.1	44.7	1.0	-9.4	0.5	53.9	123.6	-3.7	
(% of Net Sales)	13.4	26.5	37.3	43.3	48.0	41.1	38.1	33.4	32.6	39.6	32.3	
Spreads	32,181	28,026	40,337	51,228	55,181	55,428	53,240	44,685	37,453	53,517	45,972	-3
Conv. Cost	26,241	16,271	20,302	23,429	21,854	25,044	24,609	20,069	20,538	22,896	22,341	-10
EBITDA (INR/tss)	5,940	11,754	20,035	27,800	33,327	30,385	28,631	24,616	16,916	30,621	23,631	4
EBITDA (USD/tss)	78	158	271	381	452	411	383	327	228	411	314	4
Interest	9.1	12.2	8.0	8.3	7.7	7.3	6.4	6.5	37.6	27.9	9.2	-30
Depreciation	9.7	13.8	9.7	10.4	13.7	13.5	13.6	13.8	43.6	54.6	13.8	0
Other income	1.2	2.2	1.4	1.9	2.8	3.8	2.8	5.1	6.7	14.5	2.2	130
PBT (after EO Inc.)	15.5	33.4	48.5	84.6	115.9	116.0	102.6	106.4	181.9	440.9	96.4	10
Total Tax	3.6	8.0	12.3	18.6	28.1	28.9	25.8	28.0	42.5	110.8	24.1	16
Tax (%)	23.2	23.9	25.4	22.0	24.2	24.9	25.1	26.3	23.4	25.1	25.0	
Reported PAT	11.9	25.4	36.1	65.9	87.8	87.1	76.8	78.4	139.4	330.1	72.3	8
Adjusted PAT	-3.9	25.5	38.4	56.4	86.3	88.4	78.6	79.2	111.7	332.5	72.3	9
Change (YoY %)	-124.6	81.0	164.1	326.7	-2,322.1	246.9	104.8	40.2			28.1	
Change (QoQ %)	-129.4	-756.2	50.7	47.0	52.9	2.5	-11.0	0.7			-8.0	

Source: MOFSL, Company

Consolidated quarterly performance (INR b)

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net sales	254.7	389.4	419.0	499.8	534.9	604.0	607.8	693.2	1,562.9	2,440	691.6	0
Change (YoY %)	-29.1	12.6	18.0	48.0	110.0	55.1	45.1	38.7	4.9	56.1	38.4	
Change (QoQ %)	-24.6	52.9	7.6	19.3	7.0	12.9	0.6	14.1			13.8	
EBITDA	5.4	62.1	95.7	141.8	161.1	164.6	158.9	150.3	305.0	635	160.1	-6
Change (YoY %)	-90.0	62.7	164.3	205.2	2,886.8	164.9	66.1	6.0	71.1	108.1	12.9	
Change (QoQ %)	-88.4	1,051.8	54.0	48.2	13.6	2.1	-3.4	-5.4			0.7	
(As a percentage of net sales)	2.1	16.0	22.8	28.4	30.1	27.2	26.1	21.7	19.5	26.0	23.1	
EBITDA (USD/tss)	15	105	182	248	307	301	303	249	155	299	262	-5
Interest	20.1	19.5	17.9	18.7	18.1	10.2	15.3	11.0	76.1	54.6	27.2	-60
Depreciation	21.7	23.3	23.4	23.9	23.2	22.9	22.4	22.4	92.3	91.0	15.6	44
Other income	1.9	2.2	2.2	2.7	1.6	2.7	0.6	2.9	9.0	7.8	10.7	-73
PBT (before EO Inc.)	-34.5	21.6	56.6	102.0	121.4	134.2	121.8	119.8	145.6	497	128.0	-6
EO income/(exp.)	0.6	0.4	-1.5	-9.9	-1.8	5.2	-1.9	-2.7	-10.4	-1.3	0.0	
PBT (after EO Inc.)	-34.0	22.0	55.0	92.1	119.5	139.3	119.8	117.1	135.2	496	128.0	-9
Total Tax	12.7	6.1	15.8	21.9	23.1	15.7	25.7	20.3	56.5	84.8	32.0	
Tax (%)	-36.7	28.2	28.0	21.5	19.0	11.7	21.1	16.9	39	17.1	25.0	
Reported PAT	-46.6	15.9	39.2	70.1	96.5	123.6	94.2	96.8	78.6	411	96.0	1
Adj. PAT (after MI and asso.)	-44.7	15.2	38.5	76.4	90.9	114.0	97.7	100.3	82.7	402	90.3	11
Change (YoY %)	NA	NA	NA	453.2	NA	650.9	153.6	31.4	697.0	386.8	18.3	
Change (QoQ %)	NA	NA	153.6	98.3	19.0	25.4	-14.3	2.7			-7.5	

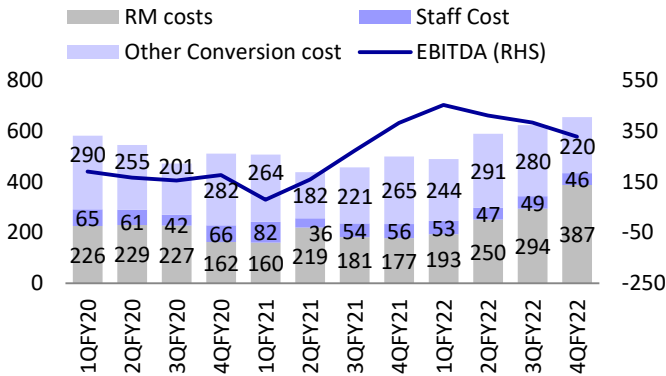
TSE's quarterly performance (USD)

Y/E March	FY21				FY22				FY21	FY22	FY22E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Production (MT)	2.14	2.15	2.59	2.66	2.73	2.56	2.57	2.31	9.54	10.17	2.33	-1
Sales (MT)	1.94	2.26	2.11	2.47	2.36	2.14	2.16	2.40	8.78	9.06	2.36	2
NSR (USD/t)	762	802	904	958	1,116	1,353	1,409	1,460	860	1,329	1,433	2
EBITDA(USD/t)	-43	-27	-46	66	88	211	182	241	-12	1,329	178	35

Source: MOFSL, Company

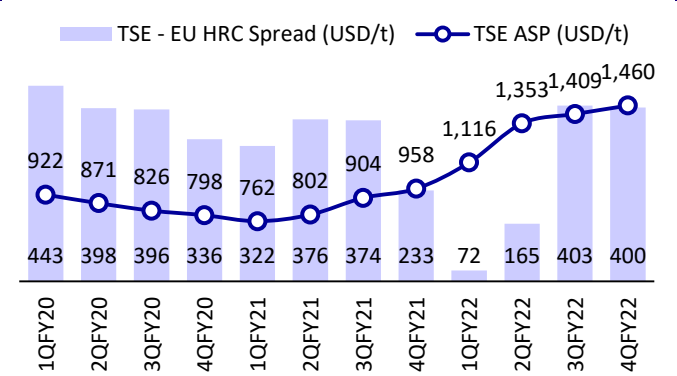
Story in charts

Exhibit 1: India EBITDA continues to slide



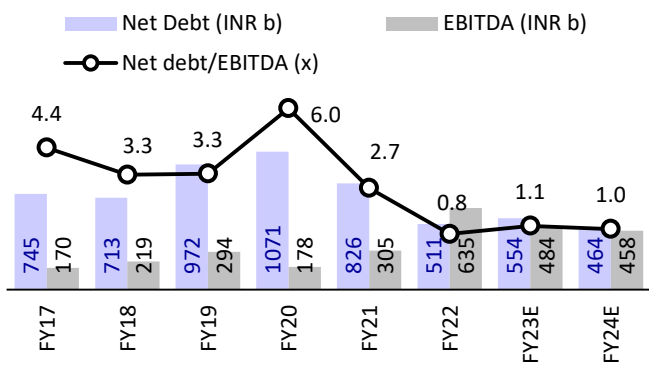
Source: MOFSL, Company

Exhibit 2: TSE spreads riding the steel demand wave



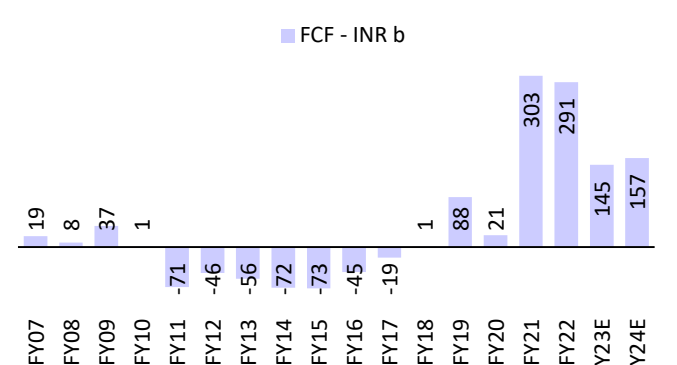
Source: MOFSL, Company

Exhibit 3: Leverage at 0.8x remains comfortable



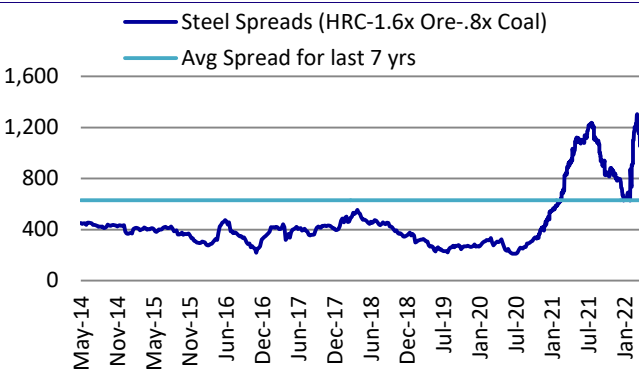
Source: MOFSL, Company

Exhibit 4: FCF generation to stay positive in FY23 and FY24



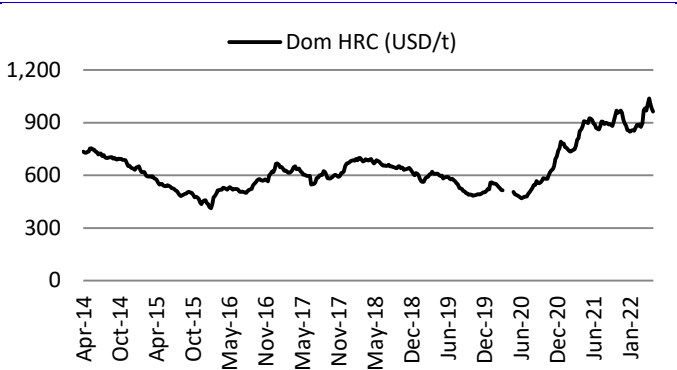
Source: MOFSL, Company

Exhibit 5: Steel spreads in the EU are significantly higher than its historical averages

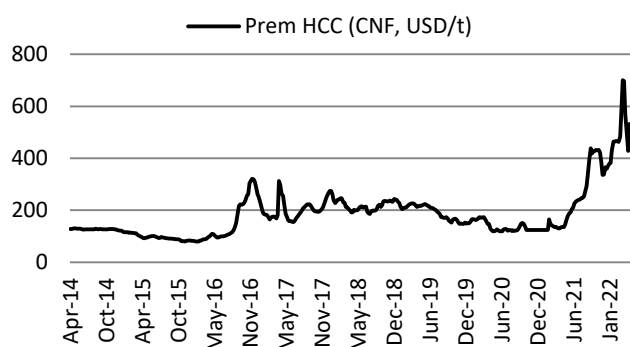


Source: MOFSL, Company

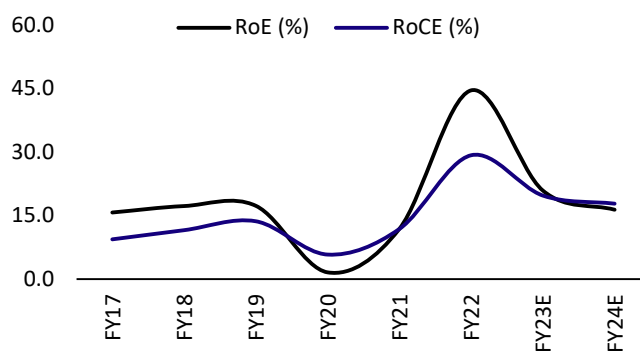
Exhibit 6: Domestic steel prices have started to correct from its peak



Source: MOFSL, Company

Exhibit 7: However, coal prices continue to remain elevated

Source: MOFSL, Company

Exhibit 8: Expect return ratios to contract in the near future

Source: MOFSL, Company



Highlights from the management commentary

NINL acquisition

- The management is confident that the transaction to acquire 93.71% stake in NINL will be closed in 1QFY23. The site is next to its Kalinganagar plant and gives it access to 6,000 acres, thus, offering it the option to raise its capacity to 25MT from 9MT at present (post expansion, including KPO).
- NINL's current capacity stands at 1MT. The management is looking to start a blast furnace within the next three months. Its FY23 monthly exit run-rate should be 80-100kt.

Guidance for 1Q/FY23

- The management has guided at a 0.5MT rise in FY23 volumes, which will mostly be achieved through debottlenecking. This implies a sale of 18.8MT, including 0.5MT from NINL. The India business should achieve a volume of 19.3MT.
- Capex is guided at INR120b, but may be revised upward during the course of the fiscal.
- ASP in India is expected to be higher by INR8,000-8,500/t QoQ in 1QFY23, while coking coal prices should be higher by USD100/t QoQ. The price hikes effectively negate the hike in input cost and leads to stability in profitability.
- Coal cost for TSE will increase by EUR50-60/t in 1QFY23. ASP should rise by EUR60/t, leading to a stable margin, unless iron ore prices move up.
- In TSNL, 60-70% of volumes are locked into long-term contracts. In TSUK, ~40% of volumes are locked into long-term contracts, while the same for in India stands at 20-30%. Hence, ASP in the European business always lags the spot market.
- Around 75-80% of energy costs in Europe are currently hedged v/s 90% in 4QFY22.

Coking coal and energy costs

- 4Q22 was impacted by higher coking coal costs to the tune of USD50/EUR50 per tonne in its India/European operations.
- Rising thermal coal prices in South Africa has impacted DRI production at TSLP and TSBSL, although production has so far been uninterrupted as availability of thermal coal is not a constraint.

EAF-based expansion

- The company will set-up its first EAF-based scrap recycling facility in North India (Rohtak, Haryana). If successful, the company will replicate his model in North, West, and South India. It will continue to remain an iron ore/blast furnace-based steel manufacturer in East India.
- These EAF units will source scrap locally and sell it in the local market to reduce its logistics and carbon footprint.
- In this expansion, the company will partner with other players, who can infuse capital, while TATA will control the installation of the plant, the choice of equipment, layout, commissioning, operations, quality control, and marketing. While TATA will avoid capex on this expansion, it will effectively control the entire operations from the drawing board stage. This will be a retail store kind of format. If successful, the same design, drawing, and format will be replicated elsewhere.

Transition to Green steel (in Europe)

- The company has two different approaches for its operations in the Netherlands and the UK to achieve its carbon reduction targets.
- In the Netherlands, it plans to shift to gas from coal and then to hydrogen in a step-wise manner. The recent disruption and unavailability of gas from Russia has led to a wait and watch approach. The management stated that the cash flows generated from these assets currently will be used to fund its green transition later on.
- In the UK, the management is focusing on scrap recycling as the country is a net exporter of scrap.
- CO₂ shortfall at current production levels (*over free allowances*) in the Netherlands is 1.5-2MT, which needs to be purchased from the market. The current cost of CO₂ is ~EUR80/t. A similar gap would exist in the UK too. Total CO₂ shortfall in FY23 will be 2-4MT in Europe.
- One of its smaller blast furnace in Europe is due for relining in CY23 (end of FY23). The second and the larger blast furnace will be due subsequently. The management has not taken any decision on the relining of the big blast furnace as of now. For the smaller blast furnace, it has started building slab stock, so that downstream mills and sales are not impacted when the same is shut for relining. This will lead to buildup in working capital at TSE in FY23. The same will be released from 1QFY24 onwards as the slabs are exhausted.

Capital allocation/debt

- The company's shareholder return framework is a balancing act between deleveraging, return to shareholders, and growth capex.
- The management has reiterated its target of reducing net debt by at least USD1b. It also reiterated its dividend payout policy of up to 50%.

Capacity expansion/M&A

- TATA is targeting to achieve a capacity of 40MT by CY30, for which there are multiple options at NINL (to 10MT from 1MT), Kalinganagar (to 16MT from 8MT), and Angul (to 10MT from 5MT). Its EAFs units will provide flexibility.

- Mining capacity is targeted at 60-65MT, from 30-35MT at present, to support its current expansion. This will only be sufficient for captive consumption, and merchant sales, if any, will be limited to iron ore fines only.
- The Kalinganagar pellet plant will have a significant cost impact. A PLTCM of 2MT will be commissioned from FY24 onwards.
- There are significant organic growth opportunities at its current sites (including greenfield EAF). It prefers organic growth over M&A at present as it can be paced on the basis of available cash flows and is a lot cheaper as compared to M&A. TATA has an adequate land bank to pursue its ambition of raising its India capacity to 40MT over the next eight years and hence, there is no pressing need to opt for another M&A. The management will continue to evaluate M&A opportunities.

Exhibit 9: Change in assumptions and key financials

Key assumptions	FY23E			FY24E		
	Old	Revised	Change (%)	Old	Revised	Change (%)
Standalone						
Volumes (MT)	18.0	18.0	0.0	18.9	18.9	0.0
Realization (INR/t)	75,350	71,833	-4.7	67,900	61,033	-10.1
EBITDA (INR/t)	21,372	19,916	-6.8	19,094	18,775	-1.7
EBITDA (INR b)	385	359	-6.8	361	355	-1.7
Europe						
Volumes (MT)	9.0	9.0	0.0	9.5	9.5	0.0
EBITDA (USD/t)	93	157	69	72	94	31
EBITDA (INR b)	64	107	67	53	68	28
Consolidated (INR b)						
Revenue	2,537	2,650	4.4	2,338	2,446	4.6
EBITDA	482	484	0.5	470	458	-2.7
PAT	238	249	4.3	230	221	-3.7
Net debt	549	554	0.9	393	464	18.0

Source: MOFSL

Valuation and view

- Steel prices have started to correct in India, two months ahead of a seasonal downturn. Demand in India is expected to take a breather with the onset of the monsoon. While we have reduced our FY23 standalone EBITDA by 7%, we have simultaneously upgraded TSE's EBITDA by 67%. This has led to a marginal change in our consolidated estimate for FY23.
- TSE has benefitted from the current supply shortage of steel in Europe. Steel prices in Europe are at their highest globally (even higher than the US). This is likely to last over the next 12 months, unless a meaningful supply reset occurs and EC raises quotas for the rest of the countries to reduce the shortage of steel in Europe. Consequently, TSE should continue to report record high profitability and build a war chest needed to transition towards green steel in a few years time.
- Over the next 10 years, TATA will need to spend at least USD14b (INR1t) over and above its maintenance capex in India and TSE. While this implies an annual average outflow of INR150-160b, including maintenance, this excludes capex needed in Europe for transitioning towards green steel.
- While current steel prices are buoyant and will support such outflows, we are near the peak of the steel cycle and the Chinese economy is slowing down.

Unless there is a big round of stimulus in China, we expect steel prices in Asia to cool off, which will reduce the cash flow available for growth capex or may result in re-leveraging of TATA's Balance Sheet in the future.

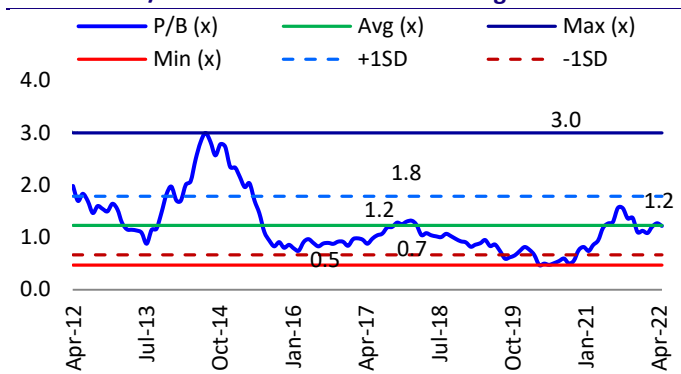
- Coking coal is still trading over USD500/t, despite the La Nina phenomenon ebbing in Australia. As long as steel prices remain above the cycle averages, so will coking coal prices, thus, denying steelmakers significantly higher margins than the cycle average. Cash flows from higher steel prices will ultimately go to coking coal producers.
- We are cautious on steel demand in India at current steel prices. With the onset of the monsoon over the next two months, steel prices are set for a correction. However, strong cash flow for TATA will support any downside from current levels.
- The stock trades at 4.3x/4.4x our FY23/FY24 EV/EBITDA estimate. On a P/B basis, the stock is quoting 1.2x/1.1x our FY23/FY24 estimate. We maintain our Neutral rating with a revised SoTP based TP of INR1,440 share (from INR1,500 earlier).

Exhibit 10: Valuation (INR m)

Y/E March	FY23E
Standalone	
EBITDA/t (USD)	263
EBITDA/t (INR)	19,916
Sales (MT)	18.0
EBITDA	359.2
Target multiple	5.0
EV (Standalone) (INR b) - (a)	1,796
Subsidiaries	
EBITDA – India subsidiaries	19
Target multiple	5.0
EBITDA – Europe	107
Target multiple	4.0
EV (subsidiaries) - (b)	519
Target EV (c=a+b)	2,315
Net debt (d)	554
Total equity value (c-d)	1,761
Shares outstanding (b)	1.22
TP (INR/share)	1,440

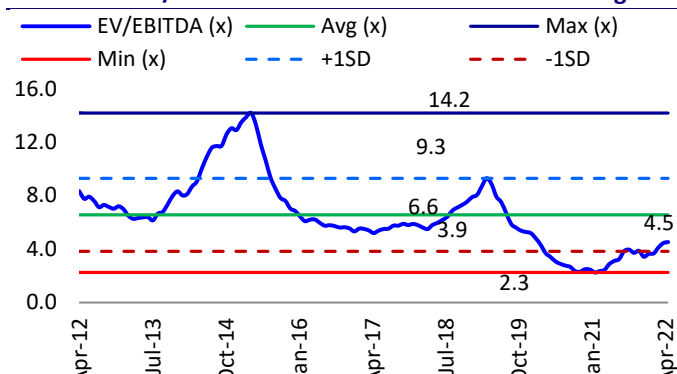
Source: MOFSL

Exhibit 11: P/B ratio is at its historical average



Source: MOFSL

Exhibit 12: EV/EBITDA is lower than its historical average



Source: MOFSL

Exhibit 13: Comparable valuation of global Steel companies

Company	M-cap USD m	P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
		CY21/ FY22	CY22/ FY23	CY23/ FY24	CY21/ FY22	CY22/ FY23	CY23/ FY24	CY21/ FY22	CY22/ FY23	CY23/ FY24	CY21/ FY22	CY22/ FY23	CY23/ FY24
India													
TATA*	20,206	3.8	6.2	7.0	3.2	4.3	4.4	1.4	1.2	1.1	44.6	20.9	16.4
JSW*	22,564	7.6	8.4	8.8	6.1	6.1	5.8	2.6	2.1	1.8	39.9	27.4	21.7
JSP*	6,963	5.7	6.8	4.8	3.5	3.5	2.5	1.3	1.1	0.9	25.6	17.4	20.7
SAIL*	5,140	3.7	4.7	4.3	3.2	3.9	3.5	0.7	0.7	0.6	21.4	15.0	14.9
Japan													
JFE	7,583	3.4	5.2	6.1	4.8	6.2	6.2	0.5	0.5	0.4	15.5	9.1	8.0
Nippon Steel	15,234	3.7	5.9	6.4	4.6	6.0	6.0	0.6	0.6	0.5	18.1	9.9	8.9
Kobe Steel	1,746	4.0	5.2	4.6	5.1	5.7	5.2	0.3	0.3	0.3	7.2	5.2	5.2
Korea													
POSCO	20,195	4.8	5.0	5.3	3.1	2.9	2.8	0.4	0.4	0.4	9.8	8.7	7.8
Hyundai Steel	4,613	3.8	4.3	4.4	3.9	3.8	3.7	0.3	0.3	0.3	8.0	6.7	6.1
US													
Nucor	39,812	6.1	12.8	13.7	4.0	6.8	7.3	2.1	1.7	1.5	34.7	15.6	12.6
US Steel	7,545	2.7	7.6	7.1	1.5	2.6	2.4	0.7	0.6	0.6	28.3	9.0	8.4
Steel Dynamics	16,080	4.5	8.2	11.5	2.8	3.9	4.5	1.7	1.4	1.2	46.3	18.6	12.5
Europe													
AM	26,776	2.5	4.4	4.7	1.8	2.7	2.8	0.5	0.4	0.3	18.6	9.6	8.0
SSAB	5,841	3.3	7.3	10.8	1.6	3.1	4.0	0.7	0.7	0.7	22.7	9.3	6.0
TKA	4,790	4.3	5.7	6.1	0.4	0.4	0.3	0.4	0.4	0.3	8.4	5.9	5.8
VOE	4,549	4.2	5.2	7.0	3.1	3.0	3.3	0.7	0.6	0.6	16.3	11.8	8.9
China													
Baosteel	21,768	5.8	5.6	6.1	3.3	3.0	2.6	0.7	0.6	0.6	11.8	11.4	15.1

Source: MOFSL, Company. (*) denotes MOFSL estimates

Financials and valuations

Consolidated Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	1,123	1,322	1,577	1,490	1,563	2,440	2,650	2,446
Change (%)	10.1	17.7	19.3	-5.5	4.9	56.1	8.6	-7.7
EBITDA	170	219	294	178	305	635	484	458
As a percentage of Net Sales	15.1	16.6	18.6	12.0	19.5	26.0	18.3	18.7
Deprn. and Amortization	57	60	73	87	92	91	97	103
EBIT	113	159	220	91	213	544	388	355
Finance cost	51	55	77	76	76	55	51	45
Other income	5	9	14	18	9	8	6	6
PBT before EO	68	113	158	34	146	497	342	316
EO income	-43	96	-1	-49	-10	-1.3	0	0
PBT after EO	25	209	157	-16	135	496	342	316
Tax	28	34	67	-26	57	85	94	95
Rate (%)	113	16	43	163	42	17	27	30
Reported PAT	-3	175	90	10	79	411	248	221
Minority interest P/L	1	43	-11	-4	7	16	2	2
Share of asso. PAT	0	2	2	2	3	6	5	5
PAT (After MI and asso.)	-4	134	103	16	75	402	251	224
Div. on Pref. /Hybrid Sec.	3	3	3	3	3	0	3	3
Adjusted PAT	37	80	101	10	83	402	249	221
Change (%)	-275.3	116.3	27.3	-89.8	697.0	386.8	-38.2	-11.0

Consolidated Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Share Capital	10	11	11	11	12	12	12	12
Reserves	346	575	655	702	723	1,132	1,308	1,456
Net Worth	355	586	667	713	735	1,144	1,320	1,468
Minority Interest	16	9	24	26	33	27	29	31
Total Loans	851	942	1,031	1,186	956	756	586	506
Deferred Tax Liability	91	95	115	78	75	93	85	85
Capital Employed	1,313	1,632	1,836	2,003	1,798	2,020	2,019	2,090
Gross Block	1,266	1,399	1,730	1,918	2,020	2,086	2,178	2,449
Less: Accum. Deprn.	380	479	526	613	705	796	893	996
Net Fixed Assets	885	920	1,204	1,305	1,314	1,290	1,285	1,453
Capital WIP	158	166	186	195	190	220	286	188
Investments	68	30	32	29	35	58	184	189
Goodwill on consolidation	35	41	40	41	43	43	43	43
Curr. Assets	578	929	863	921	855	1,213	1,072	1,022
Inventory	248	283	317	311	333	488	545	503
Account Receivables	116	124	118	79	95	122	138	121
Cash and liquid investment	106	228	59	115	130	244	31	42
Others	109	294	370	417	297	358	358	358
Curr. Liability and Prov.	411	455	490	487	639	805	851	805
Account Payables	186	204	217	214	260	368	414	369
Provisions and Others	225	251	273	273	380	437	437	437
Net Current Assets	168	475	373	434	216	408	221	217
Appl. of Funds	1,313	1,632	1,836	2,003	1,798	2,020	2,019	2,090

Financials and valuations

Consolidated Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)								
EPS	37.9	69.5	88.6	9.1	69.0	329.5	203.6	181.3
Cash EPS	96.4	121.6	152.7	85.1	146.1	404.1	282.9	265.3
BV/Share (excl. goodwill)	330.3	476.0	547.2	587.3	577.1	901.8	1,045.6	1,167.0
DPS	8	8	10	10	25	51.0	50.0	50.0
Payout (%)	25.2	11.6	11.3	110.4	36.2	15.5	24.6	27.6
Valuation (x)								
P/E	33.2	18.1	14.2	139.2	18.3	3.8	6.2	7.0
Cash P/E	13.1	10.4	8.3	14.8	8.6	3.1	4.5	4.8
P/BV	3.8	2.7	2.3	2.1	2.2	1.4	1.2	1.1
EV/Sales	1.8	1.6	1.5	1.7	1.5	0.8	0.8	0.8
EV/EBITDA	11.6	9.9	8.2	14.1	7.7	3.2	4.3	4.4
Dividend Yield (%)	0.6	0.6	0.8	0.8	2.0	4.0	4.0	4.0
Return Ratios (%)								
EBITDA Margin (%)	15.1	16.6	18.6	12.0	19.5	26.0	18.3	18.7
Net Profit Margin (%)	3.3	6.0	6.4	0.7	5.3	16.5	9.4	9.1
RoE	15.7	17.2	17.3	1.6	11.9	44.6	20.9	16.4
RoCE (pre-tax)	9.4	11.6	13.7	5.8	11.8	29.2	19.7	17.8
RoIC (pre-tax)	13.3	14.6	15.9	5.7	13.7	37.0	25.7	22.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.3	1.4	1.3	1.1	1.2	1.9	2.1	1.7
Asset Turnover (x)	0.9	0.8	0.9	0.7	0.9	1.2	1.3	1.2
Debtor (Days)	37.7	34.3	27.3	19.3	22.3	18	19	18
Inventory (Days)	80.6	78.2	73.3	76.1	77.7	73	75	75
Payables (Days)	60.4	56.4	50.3	52.4	60.6	55	57	55
Working Capital T/O (Days)	57.9	56.2	50.4	43.1	39.3	36	37	38
Leverage Ratio (x)								
Current Ratio	1.4	2.0	1.8	1.9	1.3	1.5	1.3	1.3
Interest Coverage Ratio	2.2	2.9	2.9	1.2	2.8	10.0	7.6	7.9
Net Debt/Equity ratio	2.3	1.3	1.6	1.6	1.2	0.5	0.4	0.3

Consolidated Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
EBITDA	170	219	294	178	305	635	484	458
Reconciliation income (loss)	6	-17	-15	3	-20	24	0	0
(Inc.)/Dec. in Wkg. Cap.	-49	-43	26	42	165	-96	-26	14
Tax Paid	-18	-29	-51	-21	-7	-119	-102	-95
CF from Op. Activity	108	130	253	202	443	444	356	377
(Inc.)/Dec. in FA + CWIP	-77	-75	-91	-104	-70	-105	-157	-172
Free Cash Flow to the Firm	31	55	162	98	373	339	199	205
(Pur.)/Sale of Non-cur. Invest.	4	-9	4	4	4	-7	-121	0
Acquisition in subsidiaries	-11	-2	-351	-41	1	12	0	0
Int. and Dividend Income	2	4	3	4	5	3	6	6
Others	-3	9	18	8	3	2	0	0
CF from Inv. Activity	-85	-73	-416	-129	-57	-96	-272	-166
Equity raised/(repaid)	7	91	0	2	32	3	0	0
Debt raised/(repaid)	27	41	82	76	-321	-160	-170	-80
Dividend (incl. tax)	-9	-12	-14	-18	-12	-30	-73	-73
Interest and equiv. paid	-50	-54	-74	-77	-71	-47	-54	-47
CF from Fin. Activity	-26	66	-7	-17	-371	-234	-297	-201
(Inc.)/Dec. in Cash	-3	123	-170	56	15	114	-213	10
Add: Opening Balance	108	106	228	59	115	130	244	31
Closing Balance	106	228	59	115	130	244	31	42

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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* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.