

Estimate change



TP change



Rating change

CMP: INR111

TP: INR115 (+3%)

Neutral

Weak performance; Europe continues to struggle

	TATA IN
Bloomberg Equity Shares (m)	12212
M.Cap.(INRb)/(USD\$b)	1362.1 / 16.5
52-Week Range (INR)	139 / 83
1, 6, 12 Rel. Per (%)	-3/2/-9
12M Avg Val (INR M)	8318
Free float (%)	66.1

Financials & Valuations (INR b)

Y/E MARCH	2023E	2024E	2025E
Sales	2,409	2,416	2,626
EBITDA	333	411	508
Adj. PAT	106	193	219
EBITDA Margin (%)	13.8	17.0	19.4
Adj. EPS (INR)	8.7	15.8	17.9
EPS Gr. (%)	-73.6	82.3	13.2
BV/Sh. (INR)	94	105	118

Ratios

Net D:E	0.6	0.4	0.3
RoE (%)	9.4	15.9	16.1
RoCE (%)	12.6	15.7	18.6
Payout (%)	57.6	31.6	27.9

Valuations

P/E (x)	12.8	7.0	6.2
P/BV (x)	1.2	1.1	0.9
EV/EBITDA(x)	6.1	4.6	3.5
Div. Yield (%)	4.5	4.5	4.5
FCF Yield (%)	3.0	16.6	15.2

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	33.9	33.9	33.9
DII	19.7	18.3	18.2
FII	22.7	21.5	21.4
Others	23.7	26.2	26.5

FII Includes depository receipts

- TATA reported a weak financial performance in 3QFY23, missing our estimates. It was affected by lower realizations, higher input costs, higher interest expenses and depreciation, and higher freight and handling charges.
- TATA's standalone revenue was down 5% YoY/6% QoQ at INR305b, in line with our estimate of INR292b.
- Standalone EBITDA was down 57% YoY and up 7% QoQ at INR52b (15% miss). ASP declined by INR8,837/t YoY. EBITDA/t was down 61% YoY at INR11,241/t, missing our estimate by INR2,643/t.
- APAT was down 66% YoY and up 1% QoQ at INR27b (26% miss), due to lower EBITDA and higher interest expenses and depreciation.
- Tata Steel Europe (TSE) missed our estimates significantly. TSE posted an operating loss of INR15.6b, as ASP declined by USD219/t QoQ and USD141/t YoY, along with a corresponding hike of USD/136t YoY in the overall costs.
- TATA's consolidated revenue was down 6% YoY/5% QoQ at INR571b, an 11% miss on our estimate of INR643b. EBITDA declined 75% YoY and 33% QoQ to INR40b, missing our estimate by 59%.
- Consolidated EBITDA/t was down 75% YoY and 32% QoQ at INR5,661. TATA posted a loss of INR24b against our estimate of a INR43b profit, due to higher deferred tax (INR21.5b mainly relating to BSPS with Tata Steel UK) and margin compression at TSE.
- Gross debt was stable QoQ at INR876b (INR875b in 2QFY23) and net debt stood at INR717b. Net debt/EBITDA stood at 1.76x.

Europe to face headwinds; India demand resilient

- European operations, especially Britain, are expected to face headwinds owing to recessionary pressures in Europe, an overhang from BSPS, increasing coking coal consumption costs and assets nearing their end of usage life.
- A majority of steel contracts will be repriced in Europe, which may reduce revenue for TSE as the price reset will be lower compared to last year. If input costs do not correct to a similar extent, there could be a significant compression in margins going forward.
- Coking coal prices have shot up again in the last few weeks to USD365/t from the recent low of USD250/t. The price increase will be reflected in 1QFY24 results, adding pressure on margins.
- Domestic ASP, however, is more reflective of the spot international market (compared to TSE, which has a lag in ASP vs spot prices). 4Q is a strong quarter in India and we expect steel prices to pick up, driving margin improvement.
- Demand from the automobile and oil & gas sectors is also expected to improve, which will further boost TATA's margins.

Valuation and view

- During the quarter, the company witnessed the full impact of the correction in steel prices, which touched a low in Nov/Dec'22.
- The entire reduction in steel ASP was reflected in the reduction in EBITDA/t as the benefit of lower coking coal consumption costs was offset by high other costs and high freight and handling expenses.

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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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- 4Q is a seasonally strong quarter owing to higher construction activities, no impediments from monsoon and supportive weather. The recent Union Budget also gave an impetus to the steel sector by increasing the budgetary allocation to the infrastructure and construction sectors, which will also drive steel demand in India.
- Domestic steel prices have started to recover from their recent lows and realizations are expected to be INR1,500/t more than the 3QFY23 average. However, realizations in Europe are expected to witness headwinds over the next few quarters.
- We believe rising coking coal costs, higher interest rates, an overhang from BSPPS, assets nearing their end of usage life, and inflationary pressures across Europe are key concerns that will keep the performance subdued in Europe.
- Further, TATA may not achieve its deleveraging target for FY23, which could also prevent outperformance of the stock in the near term.
- The stock is trading at 1.1x FY24E P/B, with 16% RoE expectations, which we believe is pricing in the downside as well. The stock is available at 6.1x/4.6x FY23E/FY24E EV/EBITDA, which looks optimally priced at mid-cycle valuations. We trim our FY24 EBITDA estimate by 5%, factoring in cost pressures and the macro-economic scenario in Europe.
- We reiterate our Neutral rating on the stock and lower our SoTP-based TP to INR 115 (v/s INR123 previously).

Standalone quarterly performance (INR b)

Y/E March	FY22				FY23E				FY22	FY23E	FY23E	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	(%)
Sales Vol (kt)	3,990	4,420	4,250	4,970	3,886	4,760	4,590	4,684	17,630	17,920	4,420	4
Change (YoY %)	89.5	-9.2	-5.3	10.4	-2.6	7.7	8.0	-5.8	10.4	1.6	4.0	
Change (QoQ %)	-11.3	10.8	-3.8	16.9	-21.8	22.5	-3.6	2.0			-7	
ASP (INR/t)	69,413	73,937	75,210	73,805	82,401	67,742	66,373	68,350	73,183	70,729	66,082	0
Change (YoY %)	56.5	66.7	88.0	56.6	18.7	-8.4	-11.7	-7.4	66.7	-3.4	-12.1	
Net Sales	277	327	320	367	320	322	305	320	1,290	1,267	292	4
Change (YoY %)	196.6	51.3	77.9	73.0	15.6	-1.3	-4.7	-12.7	84.0	-1.8	-8.6	
Change (QoQ %)	30.6	18.0	-2.2	14.8	-12.7	0.7	-5.5	5.1			-9.4	
Total Expenditure	144	193	198	244	225	274	253	257	779	1,008	231	9
As a % of net sales	52.0	58.9	61.9	66.6	70.1	85.0	83.1	80.1	60.4	79.5	79.2	
EBITDA	133.0	134.3	121.7	122.3	95.7	48.4	51.6	63.6	511.3	259.3	60.8	-15
Change (YoY %)	962.9	134.6	81.6	33.2	-28.0	-63.9	-57.6	-48.0	123.6	-49.3	-50.1	
Change (QoQ %)	44.7	1.0	-9.4	0.5	-21.8	-49.4	6.5	23.3			25.4	
(% of Net Sales)	48.0	41.1	38.1	33.4	29.9	15.0	16.9	19.9	39.6	20.5	20.8	
EBITDA(INR/t)	33,327	30,385	28,631	24,616	24,622	10,177	11,241	13,066	30,621	14,472	13,884	
EBITDA(USD/t)	452	411	383	327	319	131	137	156	411	181	169	
Change (QoQ %)	61.2	-9.1	-6.8	-14.6	-2.3	-58.9	4.1	14.4			28.6	
Change (YoY %)	191.8	133.2	389.1	107.2	57.9	-53.1	-69.7	-61.9	113.0	-56.0	-62.6	
Interest	8	7	6	6	7	10	11	8	28	36	5	
Depreciation	14	14	14	14	13	13	14	14	55	54	14	
Other Income	3	4	3	5	7	10	9	8	15	35	6	
PBT (before EO Inc.)	114	117	104	107	82	36	36	50	443	205	48	-25
EO Income(exp)	2	-1	-2	-1	-1		0		-2	-1	-1	
PBT (after EO Inc.)	116	116	103	106	82	36	36	50	441	204	47	-23
Total Tax	28	29	26	28	21	9	9	12	111	51	12	
% Tax	24.2	24.9	25.1	26.3	25.3	24.8	25.2	24.5	25.1	25.0	24.5	
Reported PAT	88	87	77	78	61	27	27	38	330	153	36	-24
Adjusted PAT	86	88	79	79	62	27	27	38	332	154	37	-26
Change (YoY %)	-2,322.1	246.9	104.8	40.2	-28.5	-69.7	-65.5	-51.9	197.7	-53.8	-53.5	
Change (QoQ %)	52.9	2.5	-11.0	0.7	-22.1	-56.6	1.4	40.3			36.6	

Source: MOFSL, Company

Consolidated quarterly performance (INR b)

Y/E March	FY22				FY23E				FY22	FY23E	FY23E	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	535	604	608	693	634	599	571	605	2,440	2,409	643	-11
Change (YoY %)	110.0	55.1	45.1	38.6	18.6	-0.9	-6.1	-12.7	56.1	-1.3	5.7	
Change (QoQ %)	7.0	12.9	0.6	14.0	-8.4	-5.6	-4.7	6.0			7.3	
EBITDA	161	165	159	150	150	61	40	82	635	333	99	-59
Change (YoY %)	2,886.8	164.9	66.1	6.0	-7.1	-63.2	-74.5	-45.2	108.1	-47.5	-37.5	
Change (QoQ %)	13.6	2.1	-3.4	-5.4	-0.4	-59.5	-33.2	103.3			63.9	
(% of Net Sales)	30.1	27.2	26.1	21.7	23.6	10.1	7.1	13.6	26.0	13.8	15.5	
EBITDA(USD/t)	307	301	303	249	293	108	69	131	283	146	159	-57
Interest	18	10	15	11	12	15	18	14	55	59	13	
Depreciation	23	23	22	22	22	23	24	24	91	93	24	
Other Income	2	3	1	3	3	3	3	3	8	12	2	
PBT (before EO Inc.)	121	134	122	120	118	25	2	48	497	193	64	-97
EO Income(exp)	-2	5	-2	-3	0	0	2		-1	1	-1	
PBT (after EO Inc.)	120	139	120	117	117	25	3	48	496	194	63	-95
Total Tax	23	16	26	20	42	13	29	12	85	96	22	
% Tax	19.0	11.7	21.1	16.9	35.6	51.9	NA	25.0	17.1	49.8	34.5	
Reported PAT	96	124	94	97	76	12	-26	36	411	98	41	-162
Minority Interests	9	6	0	1	-1	-2	-3	1	16	-5	1	
Share of asso. PAT	1	2	2	2	2	1	1	1	6	4	1	
Adj. PAT (after MI & asso)	91	114	98	100	78	15	-24	37	402	106	43	-156
Change (YoY %)	NA	650.9	153.6	31.4	-14.1	-86.5	PL	LP	386.8	-73.6	-56.1	
Change (QoQ %)	19.0	25.4	-14.3	2.7	-22.2	-80.3	PL	LP			179.8	

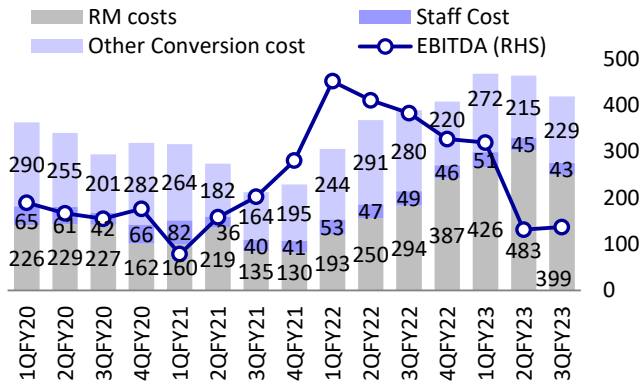
Source: MOFSL, Company

TSE's quarterly performance (USD)

Y/E March	FY22				FY23E				FY22	FY23E	FY22E	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Production (000 tons)	2,730	2,560	2,570	2,310	2,440	2,400	2,240	2,188	10,170	9,268	2,188	2
Sales (000 tons)	2,360	2,140	2,160	2,400	2,140	1,870	1,990	2,250	9,060	8,250	2,250	-12
Avg. NSR (USD per ton)	1,116	1,353	1,409	1,460	1,573	1,488	1,268	1,200	1,309	1,375	1,400	
EBITDA(USD/t)	88	211	182	241	366	123	-95	29	180	103	115	

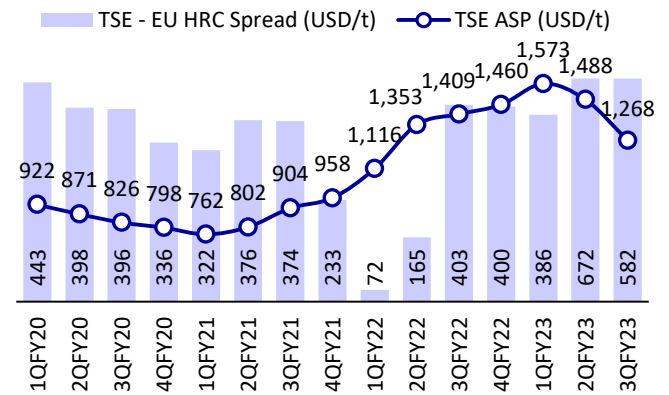
Story in charts

Exhibit 1: India EBITDA up QoQ, led by lower RM costs due to lower coking coal consumption costs



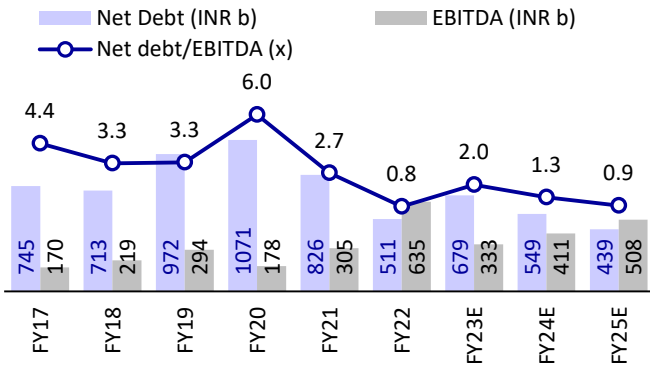
Source: MOFSL, Company

Exhibit 2: TSE spreads compressed in 3QFY23 but likely to improve in 4QFY23



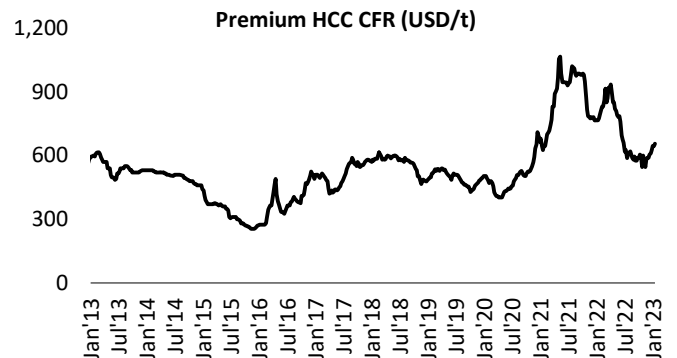
Source: MOFSL, Company

Exhibit 3: Net debt/EBITDA should come down post FY24E



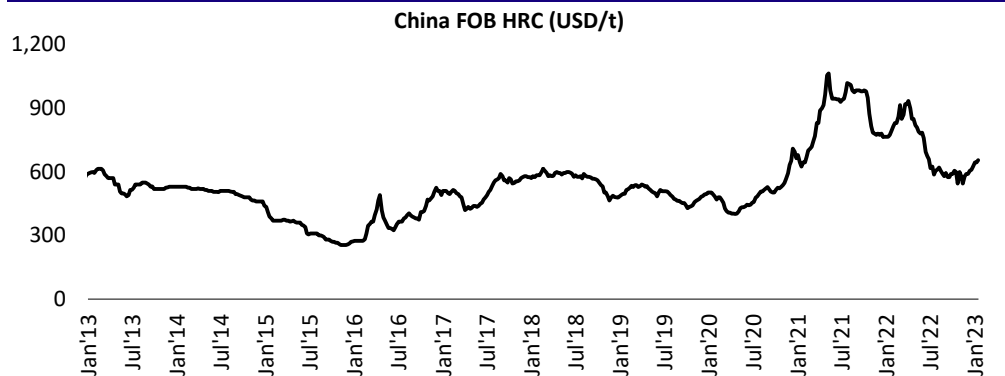
Source: MOFSL, Company

Exhibit 4: Coking coal price (USD/t) has started to move up in 4QFY23 and is currently above USD365/t



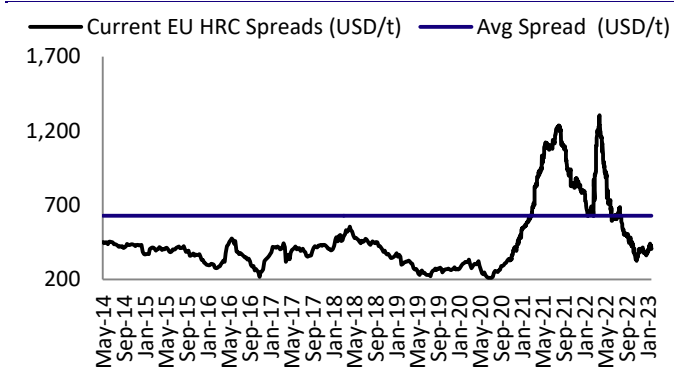
Source: MOFSL

Exhibit 5: Steel prices have witnessed improvement in 4QFY23



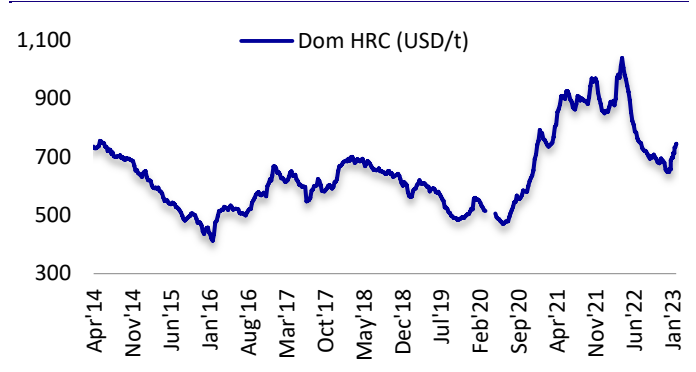
Source: MOFSL

Exhibit 6: Steel spreads in the EU eased from a high of Apr'22; now below long-term average



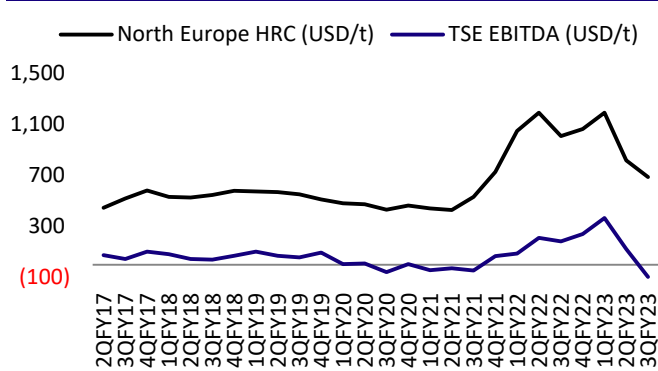
Source: MOFSL, Company

Exhibit 7: Domestic HRC prices have increased in last few weeks in line with international prices



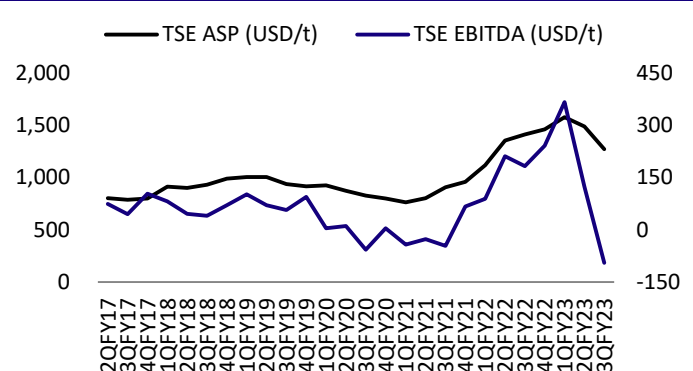
Source: MOFSL, Company

Exhibit 8: TSE EBITDA/t is linked to steel price only



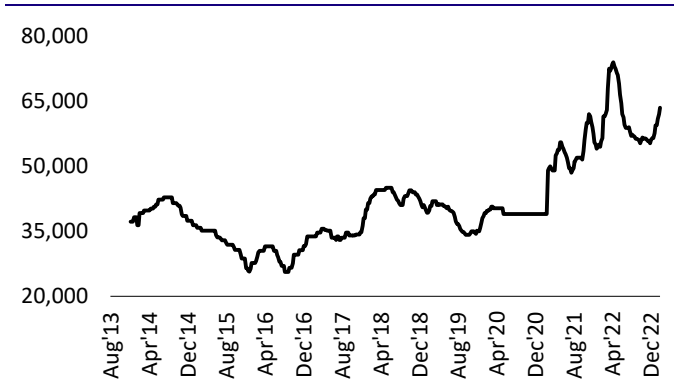
Source: MOFSL, Company

Exhibit 9: TSE's EBITDA follows ASP with a lag



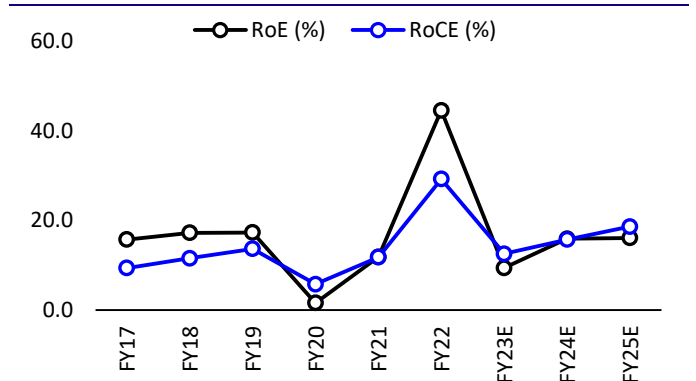
Source: MOFSL, Company

Exhibit 10: Domestic TMT prices (INR/t) have been more resilient than HRC prices



Source: MOFSL, Company

Exhibit 11: Return ratios to normalize from FY24E onwards



Source: MOFSL, Company



Highlights from the management commentary

Management guidance for 4QFY23 and FY24

- 4Q realization for India should be higher by INR1,500/t.
- Input costs on the consumption basis should be lower by USD100/t in TSE and average realizations should be lower by USD70/t, which should help improve the margins in 4Q.
- Netherlands will be EBITDA positive; however, British operations will be under pressure and will continue to face headwinds in the near term.
- One of the BoFs at Netherlands will go for a scheduled shutdown in 4QFY23 for ~120 days.
- Once the CRM and galvanize plant is commissioned at Kalinganagar by 3QFY24, the company's market share in the Auto sector for CRC products is expected to increase from the current 30%-35%.
- NINL is expected to produce 1mt by FY24E.
- 0.5mt of incremental volumes are expected on consolidated levels in 4QFY23.
- Coking coal is expected to be in the range of USD250-350/t in FY24.
- Energy costs for European operations had spiked to 40% of revenue, which have now cooled off and are expected to be in the range of 10-20%.

Pension in TSE

- BSPS (British Steel Pension Scheme) was a ~GBP9b scheme, of which about 60% has been de-risked and liabilities has been insured.
- Remaining 40% of the liability should be de-risked by 1HFY24E.
- This is expected to have similar elevated levels of non-cash deferred tax expenses over the next few quarters.
- The offset for the same will be available in Tata Steel UK unit.

Debt

- Gross debt was stable QoQ at INR876b (INR875b in 2QFY23) and net debt stood at INR717b. Net debt/EBITDA stood at 1.76x.
- Once inventory at Netherlands reduces, a major working capital release should happen over the next 2-3 months, which will be reflected in 1QFY24.
- However, the company may not achieve its annual deleveraging target of USD1b for FY23.

Capex

- All the projects are progressing as per the timelines.
- The phased commissioning of the pellet plant has begun. The pellet plant at Kalinganagar is expected to start commercial production from 1HFY24E, which will reduce the merchant dependency of pellets for TATA and help in cost saving.
- CRM, which will add incremental value to the product mix, is expected to commence operations from 3QFY24.
- Caster at Kalinganagar should commence production from the middle of FY24.
- BoF at Kalinganagar will be operational from FY25 onward.

NINL expansion:

- NINL's production run rate will be 1mt by end-FY23, though volume gains will be visible in FY24.
- TATA paid a premium for 2,500 acres of land bank and iron ore reserves at NINL.
- In the long run, TATA plans to ramp up the capacity to 4-5mt.

Doubling the capacity in India by 2030

- TATA is on its way to doubling its crude steel production in India from 21mt to 40mt by 2030.
- Flat product portfolio from 16mt to 27mt and longs from 5mt to 13mt.
- Iron ore mining is expected to reach 60-65mt from the current capacity of 30mt.
- Downstream is also expected to witness the doubling of capacity: Tubes expected to reach 2mt (current 1mt), Wires to 1mt (current 0.45mt), Tinplate to 1mt (current 0.38mt) and DI pipes to 1mt (current 0.2mt).

Domestic demand

- Domestic demand remains resilient.
- Demand for auto grade steel and the oil and gas sector will support demand growth in India.
- The government's thrust seen in the union budget should also help maintain demand at elevated levels, especially in the infrastructure sector.
- In the long run, demand from downstream products is expected to be robust.
- Auto contracts, which are spot price elastic, are expected to witness robust demand, as the supply to auto companies is done on the approval basis, which creates high entry barriers for competitors.

Annual Contracts

- The annual contracts, which are expected to be reset, are expected to be ~USD850/t.
- These contracts will be higher than the current spot prices.

Exhibit 12: Changes to our assumptions and key financials

Key Assumptions	FY23E	FY23E			FY24E		
		Revised	Old	Change (%)	Revised	Old	Change (%)
Standalone							
Volumes	mt	17.9	17.6	2.0	19.2	18.6	3.4
ASP	INR/t	70,729	70,777	-0.1	67,135	64,819	3.6
Revenue	INR b	1,267	1,244	1.9	1,290	1,205	7.1
EBITDA	INR/t	14,472	16,053	-9.8	17,275	18,581	-7.0
EBITDA	INR b	259	282	-8.1	332	345	-3.9
Europe							
Volumes	mt	8.3	8.5	-3.1	8.7	8.9	-2.9
ASP	INR/t	1,375	1,436	-4.3	1,206	1,188	1.6
Revenue	INR b	908	978	-7.2	883	896	-1.4
EBITDA	USD/t	103	168	-38.7	57	63	-9.5
EBITDA	INR b	68	115	-40.6	42	47	-12.1
Consolidated (INR b)							
Revenue	INR b	2,409	2,503	-3.8	2,416	2,353	2.7
EBITDA	"	333	402	-17.1	411	432	-4.9
PAT	"	106	180	-41.2	193	205	-5.8

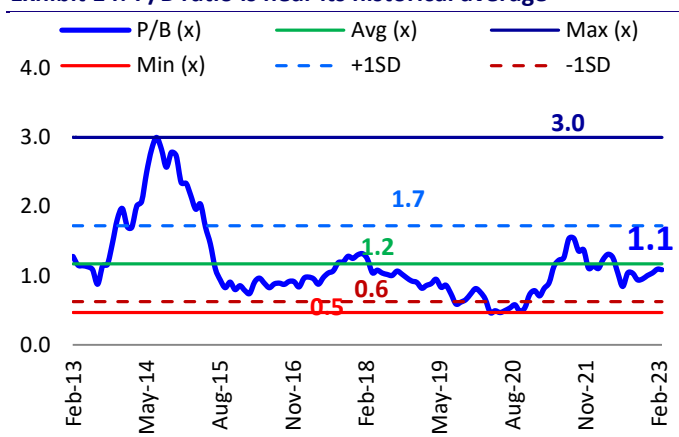
Source: MOFSL

Exhibit 13: Tata Steel (INR b) looks fairly valued at CMP

Y/E March	UoM	2024E
Standalone		
Sales	mt	19.2
EBITDA	INR/t	17,275
EBITDA	INR b	331.8
Target multiple	x	5.0
Target EV	INR b	1,659
Europe		
Sales	mt	8.7
EBITDA	USD/t	41,561
EBITDA	INR/t	4,792
EBITDA/t	USD/t	57
EBITDA	INR b	42
Target multiple	x	3.0
Target EV	INR b	125
Other Subsidiaries		
EBITDA - India subs	INR b	38
Target EBITDA multiple	x	4.0
Target EV	INR b	150
Target EV	INR b	1,934
Net Debt (d)	INR b	549
Total equity value	INR b	1,385
No of shares o/s	b	12.21
Target Price	INR/sh	115

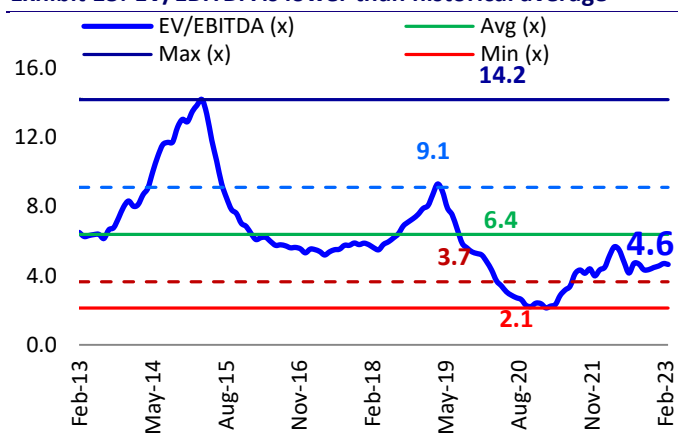
Source: MOSL

Exhibit 14: P/B ratio is near its historical average



Source: MOFSL

Exhibit 15: EV/EBITDA is lower than historical average



Source: MOFSL

Exhibit 16: Comparable valuation of global Steel companies

Company	M-Cap USD mn	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*	17,959	3.4	12.8	7.0	2.9	6.1	4.6	1.2	1.2	1.1	44.6	9.4	15.9
JSW*	21,600	8.0	57.9	8.9	5.8	12.2	6.0	2.6	2.6	2.1	37.5	4.5	26.1
JSP*	7,257	6.6	12.4	8.4	4.3	5.9	4.5	1.6	1.5	1.3	25.9	12.3	16.1
SAIL*	4,334	2.8	18.5	6.8	2.4	7.4	4.5	0.6	0.6	0.6	24.3	3.4	8.8
Japan													
JFE	7,971	3.6	6.0	6.9	4.9	5.8	6.4	0.5	0.5	0.4	15.5	8.1	6.6
Nippon Steel	19,824	4.8	4.3	6.7	5.2	4.4	5.4	0.8	0.6	0.6	18.1	17.5	9.6
Kobe Steel	2,102	4.8	5.6	6.1	5.3	6.2	5.4	0.3	0.3	0.3	7.2	5.9	5.4
Korea													
POSCO	20,822	5.9	7.0	6.0	3.7	4.0	3.6	0.5	0.4	0.4	8.3	6.4	7.3
Hyundai Steel	3,687	3.2	4.9	4.1	3.9	4.3	3.7	0.2	0.2	0.2	7.6	4.8	5.4
US													
Nucor	45,326	6.2	13.6	16.9	4.2	7.9	9.3	2.4	2.1	2.0	43.5	15.6	11.1
US Steel	6,848	3.1	13.2	16.8	1.9	4.9	4.7	0.7	0.8	0.6	26.2	5.9	4.8
Steel Dynamics	22,096	5.7	10.2	15.6	4.1	6.7	8.8	2.8	2.2	1.8	51.9	23.0	11.9
Europe													
AM	27,469	3.0	9.1	6.8	2.4	4.6	4.0	0.5	0.5	0.4	18.9	5.7	7.1
SSAB	7,056	3.4	9.2	12.6	1.9	4.3	5.4	0.8	1.0	1.0	26.0	11.3	8.2
TKA	5,049	4.9	14.6	8.7	0.6	0.7	0.7	0.4	0.3	0.3	8.4	2.9	4.0
VOE	6,072	5.2	6.0	10.9	3.7	3.3	4.4	0.9	0.7	0.7	16.7	12.8	6.4
China													
Baosteel	20,186	8.8	7.5	7.1	5.1	4.4	3.8	0.7	0.7	0.6	7.2	8.0	8.0

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

Financials and valuations

Income Statement (Consolidated)							(INR b)		
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	1,123	1,322	1,577	1,490	1,563	2,440	2,409	2,416	2,626
Change (%)	10.1	17.7	19.3	-5.5	4.9	56.1	-1.3	0.3	8.7
EBITDA	170	219	294	178	305	635	333	411	508
% of Net Sales	15.1	16.6	18.6	12.0	19.5	26.0	13.8	17.0	19.4
Deprn. & Amortization	57	60	73	87	92	91	93	100	112
EBIT	113	159	220	91	213	544	240	311	396
Finance cost	51	55	77	76	76	55	59	46	47
Other income	5	9	14	18	9	8	12	12	12
PBT before EO	68	113	158	34	146	497	193	276	361
EO income	-43	96	-1	-49	-10	-1	1	0	0
PBT after EO	25	209	157	-16	135	496	194	276	361
Tax	28	34	67	-26	57	85	96	85	143
Rate (%)	113	16	43	163	42	17	50	31	40
Reported PAT	-3	175	90	10	79	411	98	191	218
Minority interest P/L	1	43	-11	-4	7	16	-5	4	1
Share of asso. PAT	0	2	2	2	3	6	4	6	2
PAT (After MI & asso.)	-4	134	103	16	75	402	107	193	219
Div. on Pref. /Hybrid Sec.	3	3	3	3	3	0	0	0	0
Adjusted PAT	37	80	101	10	83	402	106	193	219
Change (%)	-275.3	116.3	27.3	-89.8	697.0	386.8	-73.6	82.3	13.2

Balance Sheet (Consolidated)							(INR b)		
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Share Capital	10	11	11	11	12	12	12	12	12
Reserves	346	575	655	702	723	1,132	1,178	1,311	1,469
Net Worth	355	586	667	713	735	1,144	1,190	1,323	1,481
Minority Interest	16	9	24	26	33	27	22	26	27
Total Loans	851	942	1,031	1,186	956	756	706	646	586
Deferred Tax Liability	91	95	115	78	75	93	133	135	181
Capital Employed	1,313	1,632	1,836	2,003	1,798	2,020	2,050	2,129	2,273
Gross Block	1,266	1,399	1,730	1,918	2,020	2,086	2,178	2,436	2,713
Less: Accum. Deprn.	380	479	526	613	705	796	890	989	1,102
Net Fixed Assets	885	920	1,204	1,305	1,314	1,290	1,289	1,446	1,611
Capital WIP	158	166	186	195	190	220	244	168	70
Investments	68	30	32	29	35	58	164	170	172
Goodwill on consolidation	35	41	40	41	43	43	43	43	43
Curr. Assets	578	929	863	921	855	1,213	1,110	1,103	1,210
Inventory	248	283	317	311	333	488	594	529	575
Account Receivables	116	124	118	79	95	122	132	119	129
Cash & liquid investment	106	228	59	115	130	244	27	97	147
Others	109	294	370	417	297	358	358	358	358
Curr. Liability & Prov.	411	455	490	487	639	805	800	801	833
Account Payables	186	204	217	214	260	368	363	364	396
Provisions & Others	225	251	273	273	380	437	437	437	437
Net Current Assets	168	475	373	434	216	408	310	302	377
Appl. of Funds	1,313	1,632	1,836	2,003	1,798	2,020	2,050	2,129	2,273

Financials and valuations

Ratios (Consolidated)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)									
EPS	3.8	7.0	8.9	0.9	6.9	33.0	8.7	15.8	17.9
Cash EPS	9.6	12.2	15.3	8.5	14.6	40.4	16.3	24.0	27.1
BV/Share (ex goodwill)	33.0	47.6	54.7	58.7	57.7	90.2	94.0	104.8	117.7
DPS	0.8	0.8	1.0	1.0	2.5	5.1	5.0	5.0	5.0
Payout (%)	25.2	11.6	11.3	110.4	36.2	15.5	57.6	31.6	27.9
Valuation (x)									
P/E	29.4	16.0	12.6	123.0	16.1	3.4	12.8	7.0	6.2
Cash P/E	11.6	9.2	7.3	13.1	7.6	2.8	6.8	4.6	4.1
P/BV	3.4	2.3	2.0	1.9	1.9	1.2	1.2	1.1	0.9
EV/Sales	1.6	1.5	1.4	1.6	1.4	0.8	0.8	0.8	0.7
EV/EBITDA	10.7	9.1	7.7	13.2	7.1	2.9	6.1	4.6	3.5
Dividend Yield (%)	0.7	0.7	0.9	0.9	2.2	4.6	4.5	4.5	4.5
Return Ratios (%)									
EBITDA Margins (%)	15.1	16.6	18.6	12.0	19.5	26.0	13.8	17.0	19.4
Net Profit Margins (%)	3.3	6.0	6.4	0.7	5.3	16.5	4.4	8.0	8.3
RoE	15.7	17.2	17.3	1.6	11.9	44.6	9.4	15.9	16.1
RoCE (pre-tax)	9.4	11.6	13.7	5.8	11.8	29.2	12.6	15.7	18.6
RoIC (pre-tax)	13.3	14.6	15.9	5.7	13.7	37.0	15.4	18.8	22.1
Working Capital Ratios									
Fixed Asset Turnover (x)	1.3	1.4	1.3	1.1	1.2	1.9	1.9	1.7	1.6
Asset Turnover (x)	0.9	0.8	0.9	0.7	0.9	1.2	1.2	1.1	1.2
Debtor (Days)	38	34.3	27.3	19.3	22.3	18	20	18	18
Inventory (Days)	81	78.2	73.3	76.1	77.7	73	90	80	80
Payables (Days)	60	56.4	50.3	52.4	60.6	55	55	55	55
Working Capital T/O (Days)	58	56.2	50.4	43.1	39.3	36	55	43	43
Leverage Ratio (x)									
Current Ratio	1.4	2.0	1.8	1.9	1.3	1.5	1.4	1.4	1.5
Interest Cover Ratio	2.2	2.9	2.9	1.2	2.8	10.0	4.1	6.7	8.4
Net Debt/Equity	2.3	1.3	1.6	1.6	1.2	0.5	0.6	0.4	0.3

Cash Flow Statement (Consolidated)

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA	170	219	294	178	305	635	333	411	508
Reconciliation income (loss)	6	-17	-15	3	-20	24	0	0	0
(Inc)/Dec in Wkg. Cap.	-49	-43	26	42	165	-96	-120	78	-25
Tax Paid	-18	-29	-51	-21	-7	-119	-56	-83	-97
CF from Op. Activity	108	130	253	202	443	444	157	406	386
(Inc)/Dec in FA + CWIP	-77	-75	-91	-104	-70	-105	-116	-181	-180
Free Cash Flow to Firm	31	55	162	98	373	339	41	226	206
(Pur)/Sale of Non-cur. Invest.	4	-9	4	4	4	-7	-101	0	0
Acquisition in subsidiaries	-11	-2	-351	-41	1	12	1	0	0
Int. & Divident Income	2	4	3	4	5	3	12	12	12
Others	-3	9	18	8	3	2	0	0	0
CF from Inv. Activity	-85	-73	-416	-129	-57	-96	-205	-169	-168
Equity raised/(repaid)	7	91	0	2	32	3	0	0	0
Debt raised/(repaid)	27	41	82	76	-321	-160	-50	-60	-60
Dividend (incl. tax)	-9	-12	-14	-18	-12	-30	-61	-61	-61
Interest & equiv. paid	-50	-54	-74	-77	-71	-47	-59	-46	-47
CF from Fin. Activity	-26	66	-7	-17	-371	-234	-170	-167	-168
(Inc)/Dec in Cash	-3	123	-170	56	15	114	-218	70	50
Add: opening Balance	108	106	228	59	115	130	244	27	97
Closing Balance	106	228	59	115	130	244	27	97	147

NOTES

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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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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