

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

CMP: INR82

TP: INR80 (-2%)

Neutral

Revenue in line; marginal miss on EBITDA

| | SAIL IN |
|-----------------------|-------------|
| Bloomberg | |
| Equity Shares (m) | 4130 |
| M.Cap.(INRb)/(USDb) | 338.8 / 4.1 |
| 52-Week Range (INR) | 94 / 64 |
| 1, 6, 12 Rel. Per (%) | -3/-1/-3 |
| 12M Avg Val (INR M) | 1807 |
| Free float (%) | 35.0 |

Financials & Valuations (INR b)

| Y/E MARCH | 2023 | 2024E | 2025E |
|----------------------|-------|-------|-------|
| Sales | 1,044 | 1,055 | 1,063 |
| EBITDA | 80 | 113 | 113 |
| APAT | 20 | 39 | 42 |
| EBITDA Margin (%) | 8 | 11 | 11 |
| Cons. Adj. EPS (INR) | 5 | 10 | 10 |
| EPS Gr. (%) | -84 | 97 | 8 |
| BV/Sh. (INR) | 133 | 141 | 149 |

Ratios

| | | | |
|------------|-----|-----|-----|
| Net D:E | 0.6 | 0.4 | 0.3 |
| RoE (%) | 4 | 7 | 7 |
| RoCE (%) | 5 | 8 | 8 |
| Payout (%) | 31 | 16 | 15 |

Valuations

| | | | |
|----------------|-------|------|------|
| P/E (x) | 16.9 | 8.6 | 8.0 |
| P/BV (x) | 0.6 | 0.6 | 0.5 |
| EV/EBITDA(x) | 8.0 | 5.1 | 4.8 |
| Div. Yield (%) | 0.0 | 0.0 | 0.0 |
| FCF Yield (%) | -26.0 | 23.4 | 12.6 |

Shareholding pattern (%)

| As On | Mar-23 | Dec-22 | Mar-22 |
|----------|--------|--------|--------|
| Promoter | 65.0 | 65.0 | 65.0 |
| DII | 12.4 | 10.7 | 10.2 |
| FII | 4.7 | 4.3 | 4.6 |
| Others | 17.9 | 19.9 | 20.2 |

FII Includes depository receipts

Domestic demand continues to remain robust

- Revenue was down 5% YoY at INR291b in 4QFY23, and was in line with our estimate of INR292b.
- ASP for the quarter stood at INR62,245/t (down 5% YoY) against our estimate of INR 64,908/t.
- EBITDA was down 33% YoY at INR29b (11% miss), driven by higher coal prices, volatility in steel prices, higher royalty payment, volatility in forex, and higher employee cost, which adversely impacted the margins. EBITDA/t stood at INR6,226/t.
- APAT for the quarter was down 52% at INR10.7b and was 19% below our estimate of INR13b, primarily due to lower realizations, higher input cost, and higher depreciation, partially offset by lower interest expense and higher 'other income'.
- SAIL continued its volume momentum and crude steel production was up 8% YoY at 4.95mt. Sales volume was marginally flat YoY at 4.7mt (in line).
- All the plants continue to perform well and all the integrated plants were EBIT positive.
- The Bhilai plant posted a strong revenue at INR91b (up 7% YoY), whereas Rourkela and Bokaro performed better on a QoQ basis and posted a revenue of INR68b and INR69b.
- For FY23, SAIL posted the highest ever revenue, crossing the INR1tr. mark at INR1,044b (up 1% YoY). EBITDA stood INR80b (down 62% YoY) and APAT stood at INR17b.
- SAIL posted the best ever crude steel production (up 2%) and sales at 18.3mt and 16.2mt.

Highlights from the management commentary

- Management expects to clock sales of 18.7mt (15% increase) in FY24, driven by high demand from the infrastructure sector.
- Coal cost, which was around INR25,500/t in 4QFY23, is expected to increase to INR28,000/t in 1QFY24.
- Benefits from reduction in coking coal cost is expected to accrue from Jun'23 onwards.
- NSR in 1QFY24 has declined INR2,000/t for flats as well as longs and is near 3QFY23 levels.
- Share of VAP stands at 52.7%, and is expected to increase as the contribution from semis reduce going forward.
- Capex of INR65b is earmarked for FY24 and INR50-55b for FY25
- SAIL has set a target to achieve 35mt of crude steel production by FY31-32. To support this growth ambition, the company has allocated a capex of INR1tr. This investment will be utilized for both debottlenecking and growth capex over the next seven to eight years.
- The management expects robust demand in India with no off-take issues.

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- SAIL expects robust demand in India and projects a sales volume growth of 15% YoY to over 18mt in FY24E.
- As SAIL caters to the domestic market, risk arising from international market has little impact on the volumes of the company.
- However, Indian steel prices mimic the movement in international steel prices and considering the recent price correction and volatility in raw material prices, we have increased our volume estimate by 9% and trimmed our EBITDA/t estimate by 7%.
- SAIL trades at an EV/EBITDA of 5.1x for FY23E/FY24E. We believe the stock is fully priced in, given that there is no headroom for incremental volume growth until the company substantially reduces its input cost.
- We largely retain our EBITDA estimates for FY24 and reiterate a **Neutral** stance on the stock with an unchanged TP of INR80, valuing the stock at 5x FY24 EV/EBITDA.
- While net debt increased almost 2x in FY23, it is expected to remain below D/E of 1:1 (current D/E 0.6:1).
- **Key downside risks to our target price** are a substantial increase in coking coal prices and slowdown in Indian economy.

Standalone quarterly performance (INR b)

| Y/E March | FY22 | | | | FY23 | | | | FY22 | FY23 | FY23 4QE | vs Est (%) |
|-----------------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Sales (mt) | 3.3 | 4.3 | 3.8 | 4.7 | 3.2 | 4.2 | 4.2 | 4.7 | 16.2 | 16.2 | 4.5 | 4 |
| ASP (INR/t) | 62,045 | 62,680 | 65,745 | 65,311 | 76,184 | 62,343 | 60,327 | 62,245 | 64,045 | 64,494 | 64,908 | -4 |
| Net Sales | 206 | 268 | 252 | 308 | 240 | 262 | 250 | 291 | 1,035 | 1,044 | 292 | 0 |
| Change (YoY %) | 127.7 | 58.5 | 27.3 | 32.1 | 16.4 | -2.2 | -0.8 | -5.3 | 49.7 | 0.9 | -5.0 | |
| Change (QoQ %) | -11.4 | 30.0 | -5.9 | 21.8 | -21.9 | 9.2 | -4.6 | 16.3 | | | 16.6 | |
| EBITDA | 66 | 70 | 34 | 44 | 23 | 7 | 21 | 29 | 213 | 80 | 33 | -11 |
| Change (YoY %) | NA | 269.2 | -32.8 | -29.3 | -64.9 | -89.6 | -39.1 | -33.0 | 67.7 | -62.4 | -24.5 | |
| Change (QoQ %) | 6.7 | 6.9 | -51.4 | 27.6 | -47.1 | -68.2 | 183.5 | 40.3 | | | 58.2 | |
| EBITDA/t (INR/t) | 19,728 | 16,395 | 8,881 | 9,237 | 7,295 | 1,740 | 5,003 | 6,226 | 13,209 | 4,955 | 7,302 | |
| Interest | 5 | 4 | 3 | 4 | 4 | 5 | 6 | 5 | 17 | 20 | 5 | |
| Depreciation | 10 | 11 | 10 | 11 | 12 | 12 | 12 | 14 | 43 | 50 | 11 | |
| Other Income | 1 | 2 | 2 | 3 | 3 | 4 | 1 | 5 | 9 | 14 | 1 | |
| PBT (before EO Inc.) | 51 | 58 | 23 | 30 | 10 | -5 | 3 | 15 | 162 | 24 | 18 | |
| EO Income(exp) | 0 | 0 | -4 | 0 | 0 | 0 | 3 | 0 | -4 | 3 | 0 | |
| PBT (after EO Inc.) | 51 | 58 | 19 | 30 | 10 | -5 | 6 | 15 | 159 | 26 | 18 | -16 |
| Total Tax | 13 | 14 | 5 | 8 | 3 | -1 | 2 | 4 | 40 | 7 | 4 | |
| Reported PAT | 39 | 43 | 14 | 23 | 8 | -4 | 5 | 10 | 119 | 19 | 13 | |
| Adjusted PAT | 39 | 43 | 17 | 22 | 8 | -4 | 2 | 11 | 121 | 17 | 13 | -19 |
| Change (YoY %) | NA | 1,621.4 | -33.3 | -37.0 | -79.8 | -109.0 | -85.7 | -52.0 | 136.6 | -85.8 | -41.0 | |
| Change (QoQ %) | 7.9 | 11.8 | -60.1 | 31.0 | -65.4 | PL | LP | 338.8 | | | 439.5 | |

Source: MOFSL, Company

Highlights from the management commentary

Guidance:

- The company expects robust demand from India with no off-take issues and expects to sell 18.7mt in FY24E (15% YoY growth).
- Apr'23 sales volume stands at around 1.3mt.
- Coal cost which was around INR25,500/t in 4QFY23 is expected to increase to INR28,000/t in 1QFY24.
- Benefits from reduction in coking coal cost will accrue from Jun'23 onwards.
- NSR in 1QFY24 has declined INR2,000/t for flats as well as longs and is near its 3QFY23 levels.
- Price correction in long steel is a concern
- The share of VAP stands at 52.7%, which is expected to increase as the contribution from semis reduce going forward.
- The management expects to sell 2mt of sub grade iron ore fines (Jharkhand)

Capex:

- Capex of INR65b is earmarked for FY24 and INR50-55b for FY25.
- SAIL has set a target to achieve 35mt of crude steel production by FY31-32. To support this growth ambition, the company has allocated a capex of INR1tr. This investment will be utilized for both debottlenecking and growth capex over the next seven to eight years.
- Major capex will accrue between in FY27 and FY29.
- SAIL will undertake the debottlenecking exercise and ramp up the capacity by 3mt in the next three to four years.
- After the debottlenecking is completed, SAIL is expected to undertake a mega expansion at its IISCO facility and increase its capacity by another 4.5mt.
- SAIL also has 3mt expansion plan at its Bokaro unit.
- SAIL has received in-principle approval from the 'Board' and will submit the DPR in the next six months, post which, the company will acquire stage I clearances and will invite tenders.
- SAIL is gearing up for order placement by the end of FY24E.
- A major portion of the current capex are utilized toward maintenance and growth capex will start within the next three years.

Tax:

- All the previous year tax benefits are exhausted.
- Will incur tax at 25% going forward.

Debt built up:

- The current net debt is around INR302b, which almost doubled YoY.
- SAIL currently has D/E of 0.6:1 and is considering a mammoth capex of INR1tr., which will be utilized over the next few years. SAIL will leverage a maximum of up to 1:1 D/E.

Coal:

- SAIL has procured coking coal mines in Mozambique via JV and has forayed into buying Russian coal.
- Benefits from reduction in coking coal cost will accrue from Jun'23 onwards.

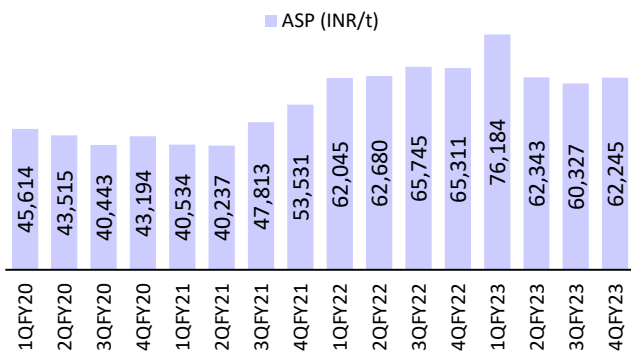
- The prices should normalize going forward.
- SAIL is developing Tasra Coking coal mine, which will supply around 1.5mt of coal to SAIL, thus reducing its dependence on import.
- 80-85% of the coal requirement is met via imports from Mozambique, Australia, and the US.
- SAIL usually has 75-80 days of coal cycle (import from the US takes up to 45days and Australia up to 25days)

Railways:

- Typically, pricing decisions are made at the conclusion of the fiscal year
- Rail pricing for FY22 has not been received yet and SAIL has billed at an average rate of INR67,500/t
- Pricing for FY23 is near similar levels and it will be finalized in coming months.
- Once the payment from the government is released, it will help increase the profitability of the company.

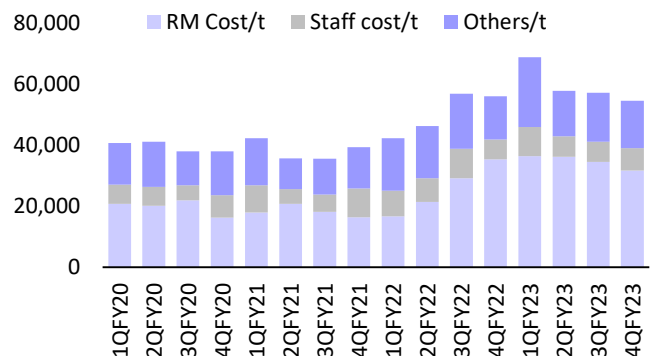
Story in charts

Exhibit 1: ASP improved in 4QFY23, but is expected to soften in 1QFY24



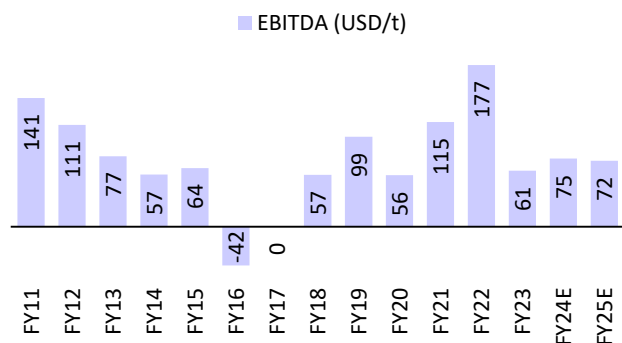
Source: MOFSL, Company

Exhibit 2: Reduction in costs (INR/t) resulted in improved EBITDA margin in 4QFY23



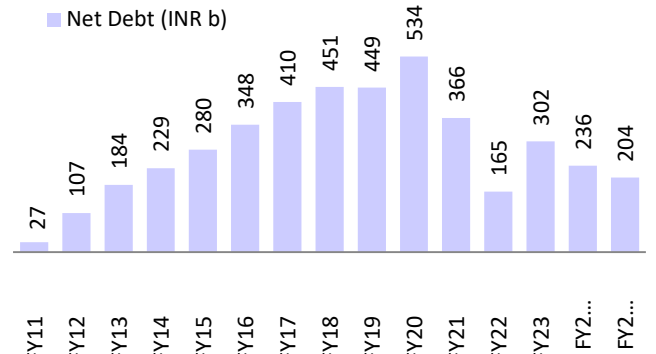
Source: MOFSL, Company

Exhibit 3: EBITDA/t to improve in FY24 after bottoming out in FY23



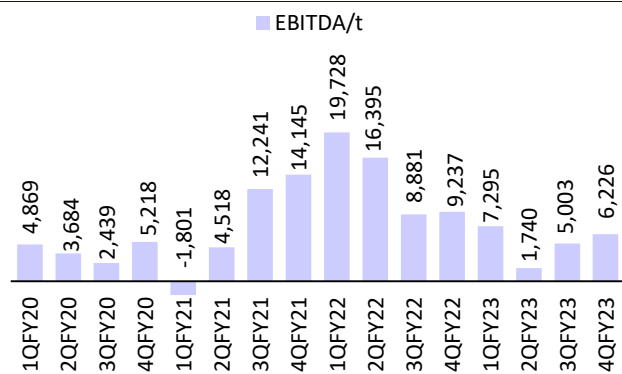
Source: MOFSL, Company

Exhibit 4: Debt has increased in FY23 after massive deleveraging in the last two years; expected to reduce in FY24



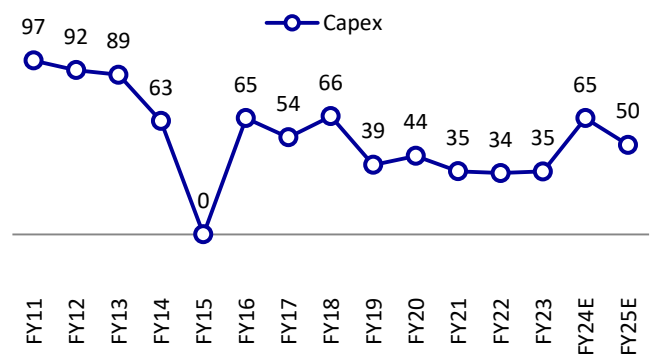
Source: MOFSL, Company

Exhibit 5: EBITDA/t (INR) improved after bottoming out in 2QFY23



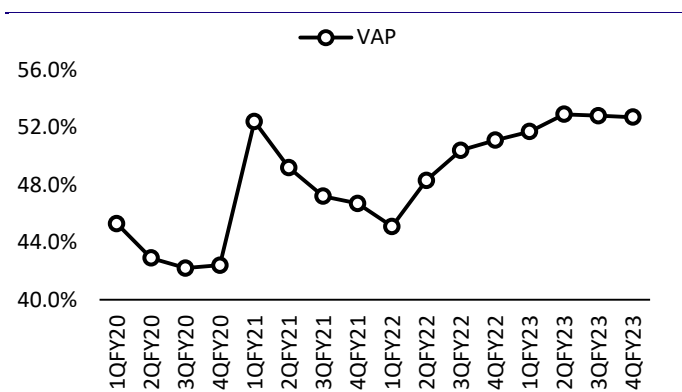
Source: MOFSL, Company

Exhibit 6: Capex (INR b) to increase in FY24...; a total of INR1tr. capex earmarked over the next decade



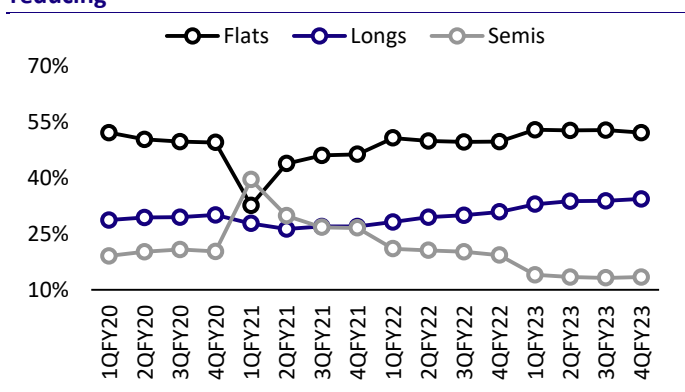
Source: MOFSL, Company

Exhibit 7: Share of VAP (%) increased to 52.7%



Source: MOFSL, Company

Exhibit 8: Break up of longs-semis-flats; share of semis is reducing



Source: MOFSL, Company

Exhibit 9: Key financials and revisions to our estimates

| | UoM | FY23 | | | FY24E | | | FY25E | | |
|---------------|-------|--------|--------|------------|--------|--------|------------|--------|--------|------------|
| | | New | Old | Change (%) | New | Old | Change (%) | New | Old | Change (%) |
| Sales | mt | 16.2 | 16.0 | 1.1 | 17.9 | 16.4 | 9.4 | 19 | 17 | 9.4 |
| Realization/t | INR | 64,494 | 65,267 | -1.2 | 58,939 | 58,794 | 0.2 | 56,602 | 56,602 | 0.0 |
| EBITDA/t | " | 4,955 | 5,243 | -5.5 | 6,309 | 6,794 | -7.1 | 6,022 | 6,697 | -10.1 |
| Revenue | INR b | 1,044 | 1,045 | -0.1 | 1,055 | 961 | 9.7 | 1,063 | 972 | 9.4 |
| EBITDA | " | 80 | 84 | -4.2 | 113 | 111 | 1.6 | 113 | 115 | -1.6 |
| PAT | " | 20 | 20 | 2.2 | 39 | 42 | -6.2 | 42 | 48 | -12.2 |

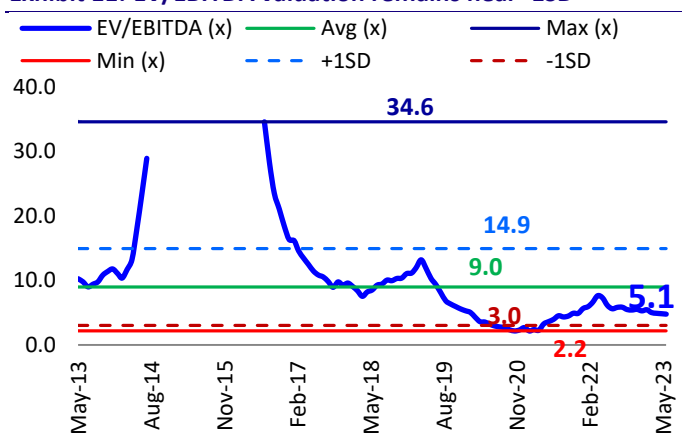
Source: MOFSL

Exhibit 10: Valuation

| YEAR | UoM | 2024E |
|------------------------|-------|-------|
| Volumes | mt | 17.9 |
| EBITDA | INR/t | 6,309 |
| EBITDA | INR b | 112.9 |
| Target EV/EBITDA | x | 5 |
| Target EV | INR b | 564.5 |
| less: Net Debt | INR b | 236.0 |
| Equity value | INR b | 328 |
| No. of shares o/s | bn | 4.1 |
| Target price (INR/sh.) | INR | 80 |

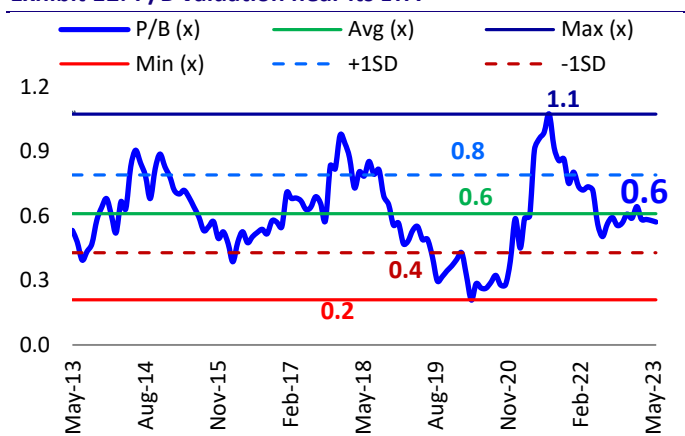
Source: MOFSL

Exhibit 11: EV/EBITDA valuation remains near -1SD



Source: Company, MOSL

Exhibit 12: P/B valuation near its LTA



Source: Company, MOSL

Exhibit 13: Global comparable valuations

| Company | M-Cap USD mn | P/E (x) | | | EV/EBITDA (x) | | | P/B (x) | | | RoE (%) | | |
|----------------|-----------------|---------------|---------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|---------------|---------------|----------------|
| | | CY21/ FY22 | CY22/ FY23 | CY23/ FY24E | CY21/ FY22 | CY22/ FY23 | CY23/ FY24E | CY21/ FY22 | CY22/ FY23 | CY23/ FY24E | CY21/ FY22 | CY22/ FY23 | CY23/ FY24E |
| India | | | | | | | | | | | | | |
| Tata* | 15,992 | 3.2 | 15.0 | 9.5 | 2.8 | 6.1 | 5.5 | 1.2 | 1.3 | 1.2 | 44.6 | 8.3 | 13.4 |
| JSW* | 20,691 | 7.9 | 47.7 | 9.6 | 5.7 | 12.3 | 6.0 | 2.5 | 2.6 | 2.1 | 37.5 | 5.3 | 23.9 |
| JSP* | 7,121 | 6.0 | 14.3 | 8.2 | 4.0 | 5.9 | 4.5 | 1.5 | 1.4 | 1.2 | 25.9 | 9.9 | 15.2 |
| SAIL* | 4,235 | 2.7 | 16.9 | 8.6 | 2.4 | 8.0 | 5.1 | 0.6 | 0.6 | 0.6 | 25.1 | 3.7 | 7.0 |
| Japan | | | | | | | | | | | | | |
| JFE | 8,053 | 3.8 | 6.9 | 6.8 | 5.0 | 6.4 | 6.4 | 0.5 | 0.5 | 0.5 | 15.5 | 7.4 | 7.1 |
| Nippon Steel | 19,948 | 5.1 | 4.1 | 6.5 | 5.4 | 4.8 | 5.5 | 0.8 | 0.7 | 0.6 | 18.1 | 17.3 | 10.1 |
| Kobe Steel | 3,329 | 8.0 | 7.2 | 7.4 | 6.3 | 6.7 | 5.8 | 0.6 | 0.5 | 0.5 | 7.2 | 7.5 | 6.9 |
| Korea | | | | | | | | | | | | | |
| POSCO | 23,257 | 7.2 | 9.6 | 7.8 | 4.4 | 5.2 | 4.5 | 0.6 | 0.5 | 0.5 | 8.3 | 5.9 | 6.8 |
| Hyundai Steel | 3,490 | 3.4 | 5.3 | 4.5 | 3.9 | 4.6 | 4.0 | 0.2 | 0.2 | 0.2 | 7.6 | 4.6 | 5.3 |
| US | | | | | | | | | | | | | |
| Nucor | 34,940 | 4.9 | 8.6 | 12.0 | 3.3 | 5.1 | 6.7 | 1.9 | 1.7 | 1.5 | 43.5 | 20.5 | 12.0 |
| US Steel | 4,785 | 2.2 | 5.1 | 12.8 | 1.4 | 2.9 | 4.0 | 0.5 | 0.5 | 0.4 | 26.2 | 9.1 | 4.6 |
| Steel Dynamics | 16,430 | 4.4 | 6.2 | 10.9 | 3.1 | 4.2 | 6.5 | 2.2 | 1.7 | 1.4 | 51.9 | 29.0 | 14.0 |
| Europe | | | | | | | | | | | | | |
| AM | 22,659 | 2.5 | 5.7 | 5.3 | 2.0 | 3.6 | 3.5 | 0.4 | 0.4 | 0.4 | 18.8 | 7.7 | 7.4 |
| SSAB | 6,732 | 3.2 | 6.1 | 10.0 | 1.8 | 3.0 | 4.4 | 0.7 | 1.0 | 1.0 | 26.0 | 16.7 | 9.9 |
| TKA | 4,270 | 4.1 | 13.5 | 7.2 | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 8.4 | 2.4 | 4.1 |
| VOE | 5,966 | 5.1 | 5.4 | 8.6 | 3.7 | 3.0 | 3.9 | 0.8 | 0.7 | 0.7 | 16.7 | 13.9 | 8.0 |
| China | | | | | | | | | | | | | |
| Baosteel | 20,521 | 9.4 | 8.8 | 7.8 | 5.4 | 4.7 | 4.1 | 0.7 | 0.7 | 0.7 | 7.0 | 7.2 | 8.0 |

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

Financials and valuation

| Income Statement (Consolidated) | | | | | | | | | (INR b) |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21E | FY22 | FY23 | FY24E | FY25E |
| Net Sales | 445.0 | 575.6 | 669.7 | 616.6 | 691.1 | 1,034.8 | 1,044.5 | 1,054.7 | 1,063.5 |
| EBITDA | 0.7 | 52.2 | 97.6 | 57.1 | 127.4 | 213.4 | 80.4 | 112.9 | 113.2 |
| EBITDA per tonne (INR) | 51 | 3,705 | 6,916 | 4,012 | 8,526 | 13,209 | 4,964 | 6,309 | 6,022 |
| Depreciation | 26.8 | 30.7 | 33.9 | 37.6 | 41.0 | 42.8 | 49.6 | 52.4 | 52.2 |
| EBIT | -26.1 | 21.5 | 63.8 | 19.5 | 86.4 | 170.7 | 30.8 | 60.5 | 60.9 |
| Interest | 25.3 | 28.2 | 31.5 | 34.9 | 28.2 | 17.0 | 20.4 | 21.1 | 18.5 |
| Other income | 4.5 | 4.2 | 4.9 | 9.1 | 8.6 | 8.6 | 9.5 | 14.2 | 14.2 |
| PBT before EO | -46.9 | -2.6 | 37.2 | -6.3 | 66.8 | 162.3 | 19.9 | 53.7 | 56.7 |
| Extraordinary Item | -2.2 | -5.6 | -3.9 | 37.3 | 0.6 | -3.5 | 2.6 | 0.0 | 0.0 |
| PBT | -49.1 | -8.1 | 33.3 | 31.1 | 67.4 | 158.7 | 22.5 | 53.7 | 56.7 |
| Total Tax | -19.6 | -2.5 | 12.0 | 11.8 | 30.6 | 40.5 | 7.2 | 14.3 | 14.2 |
| Reported PAT | -29.5 | -5.7 | 21.3 | 19.3 | 36.8 | 118.3 | 15.3 | 39.4 | 42.5 |
| Share of Associates/JV | 1.9 | 2.8 | 2.2 | 1.9 | 4.7 | 4.2 | 6.5 | 0.0 | 0.0 |
| Adjusted PAT | -26.3 | 1.1 | 26.0 | -1.9 | 54.1 | 125.1 | 20.0 | 39.4 | 42.5 |
| Change (%) | -37.1 | -104.0 | 2344.1 | -107.5 | -2880.6 | 131.4 | -84.0 | 96.7 | 8.0 |

| Cash Flow Statement (Consolidated) | | | | | | | | | (INR b) |
|------------------------------------|------------|------------|------------|------------|-------------|-------------|------------|------------|------------|
| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21E | FY22 | FY23 | FY24E | FY25E |
| EBITDA | 1 | 52 | 98 | 57 | 127 | 213 | 80 | 113 | 113 |
| (Inc.)/Dec. in WC | 17 | 11 | -27 | -107 | 101 | 95 | -137 | 46 | -6 |
| Direct Taxes Paid | 0 | -1 | 0 | -1 | 0 | -1 | -4 | -14 | -14 |
| Other Items | 3 | 0 | 1 | 44 | 7 | 3 | 8 | 0 | 0 |
| CF from Oper. Activity | 22 | 62 | 72 | -6 | 234 | 310 | -53 | 144 | 93 |
| (Inc.)/Dec. in FA & CWIP | -54 | -66 | -39 | -44 | -35 | -34 | -35 | -65 | -50 |
| Free Cash Flows to Firm | -33 | -4 | 33 | -50 | 199 | 276 | -88 | 79 | 43 |
| Interest and Dividend | 0 | 0 | 1 | 1 | 1 | 2 | 2 | 14 | 14 |
| (Pur.)/Sale of Invest. | 0 | 1 | 0 | 0 | 0 | -4 | -1 | 0 | 0 |
| CF from Inv. Activity | -54 | -65 | -37 | -42 | -34 | -36 | -34 | -51 | -36 |
| Issue of Shares | | | | | | | | | |
| Inc./(Dec.) in Debt | 58 | 31 | -2 | 89 | -163 | -224 | 120 | -60 | -30 |
| Interest Paid | -25 | -29 | -33 | -37 | -29 | -19 | -21 | -21 | -19 |
| Dividends Paid | 0 | 0 | 0 | -3 | -4 | -31 | -13 | -6 | -6 |
| CF from Finan. Activity | 33 | 3 | -35 | 50 | -197 | -274 | 84 | -87 | -55 |
| Inc./(Dec.) in Cash | 0 | 0 | -1 | 2 | 4 | 0 | -2 | 6 | 2 |
| Add: Opening Balance | 3 | 4 | 3 | 3 | 4 | 8 | 8 | 6 | 12 |
| Closing Balance | 4 | 3 | 3 | 4 | 8 | 8 | 6 | 12 | 14 |

Financials and valuation

Ratios

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21E | FY22 | FY23 | FY24E | FY25E |
|---------------------------------|-------------|------------|------------|-------------|-------------|-------------|------------|------------|-------------|
| Basic (INR) | | | | | | | | | |
| EPS | -6.4 | 0.3 | 6.3 | -0.5 | 13.1 | 30.3 | 4.8 | 9.5 | 10.3 |
| Cash EPS | -0.6 | 6.1 | 13.3 | 13.8 | 18.8 | 40.0 | 17.3 | 22.2 | 22.9 |
| Book Value per Share | 89.7 | 89.4 | 96.0 | 100.5 | 109.9 | 131.2 | 132.5 | 140.6 | 149.4 |
| Dividend Per Share | | | 0.5 | 0.0 | 2.8 | 8.8 | 1.5 | 1.5 | 1.5 |
| Valuation (x) | | | | | | | | | |
| P/E | -12.9 | 318.8 | 13.0 | -174.3 | 6.3 | 2.7 | 16.9 | 8.6 | 8.0 |
| Cash PE | -126.2 | 13.6 | 6.1 | 6.0 | 4.4 | 2.1 | 4.7 | 3.7 | 3.6 |
| EV/EBITDA | 1116.4 | 15.1 | 8.1 | 15.3 | 5.5 | 2.4 | 8.0 | 5.1 | 4.8 |
| EV/Sales | 1.7 | 1.4 | 1.2 | 1.4 | 1.0 | 0.5 | 0.6 | 0.5 | 0.5 |
| Price-to-Book Value | 0.9 | 0.9 | 0.9 | 0.8 | 0.7 | 0.6 | 0.6 | 0.6 | 0.5 |
| Profitability Ratios (%) | | | | | | | | | |
| EBITDA Margin | 0.2 | 9.1 | 14.6 | 9.3 | 18.4 | 20.6 | 7.7 | 10.7 | 10.6 |
| RoE | -7.1 | 0.3 | 6.8 | -0.5 | 12.4 | 25.1 | 3.7 | 7.0 | 7.1 |
| RoCE (pre-tax) | -2.9 | 3.4 | 8.6 | 3.3 | 10.7 | 22.3 | 4.8 | 8.3 | 8.4 |
| RoIC (pre-tax) | -5.3 | 4.1 | 10.7 | 2.7 | 11.4 | 24.5 | 4.1 | 7.6 | 7.8 |
| Turnover Ratios | | | | | | | | | |
| Debtors (Days) | 24.1 | 24.5 | 24.5 | 52.4 | 37.8 | 16.8 | 18.8 | 18.8 | 18.8 |
| Inventory (Days) | 129.1 | 108.0 | 106.3 | 141.1 | 103.4 | 85.2 | 97.0 | 83.0 | 83.0 |
| Creditors (Days) | 42.9 | 52.5 | 46.1 | 41.3 | 45.4 | 75.2 | 54.3 | 54.3 | 54.3 |
| Asset Turnover (x) | 0.6 | 0.7 | 0.8 | 0.7 | 0.8 | 1.3 | 1.1 | 1.2 | 1.2 |
| Leverage Ratio | | | | | | | | | |
| Debt/Equity (x) | 1.1 | 1.2 | 1.1 | 1.3 | 0.8 | 0.3 | 0.6 | 0.4 | 0.3 |

Balance Sheet (Consolidated)

(INR b)

| Y/E March | FY17 | FY18 | FY19 | FY20 | FY21E | FY22 | FY23 | FY24E | FY25E |
|-----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Sources of Funds | | | | | | | | | |
| Share Capital | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 |
| Reserves and Surplus | 329 | 328 | 355 | 374 | 413 | 501 | 506 | 539 | 576 |
| Shareholders' funds | 370 | 369 | 396 | 415 | 454 | 542 | 547 | 581 | 617 |
| Loans | 414 | 454 | 452 | 538 | 374 | 173 | 308 | 248 | 218 |
| Deferred Tax Liability | -38 | -42 | -29 | -20 | 13 | 54 | 58 | 58 | 58 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Employed | 746 | 782 | 819 | 933 | 842 | 769 | 913 | 887 | 893 |
| Application of Funds | | | | | | | | | |
| Gross Fixed Assets | 842 | 956 | 1,017 | 1,131 | 1,158 | 1,262 | 1,310 | 1,375 | 1,425 |
| Less: Depreciation | 339 | 370 | 403 | 441 | 482 | 525 | 574 | 627 | 679 |
| Net Fixed Assets | 503 | 586 | 614 | 690 | 676 | 737 | 735 | 748 | 746 |
| Capital WIP | 233 | 184 | 160 | 88 | 89 | 40 | 49 | 49 | 49 |
| Investments | 25 | 26 | 30 | 32 | 34 | 38 | 42 | 42 | 42 |
| Curr. Assets | | | | | | | | | |
| Inventory | 157 | 170 | 195 | 238 | 196 | 242 | 278 | 240 | 242 |
| Sundry Debtors | 29 | 39 | 45 | 88 | 72 | 48 | 54 | 54 | 55 |
| Cash and Bank Balances | 4 | 3 | 3 | 4 | 8 | 8 | 6 | 12 | 14 |
| Other assets | 81 | 99 | 98 | 100 | 110 | 83 | 135 | 140 | 145 |
| Loans and Advances | 5 | 5 | 6 | 7 | 8 | 6 | 7 | 7 | 7 |
| Current Liabilities | | | | | | | | | |
| Sundry Creditors | 52 | 75 | 72 | 63 | 70 | 169 | 143 | 157 | 158 |
| Other Current Liabilities | 174 | 193 | 193 | 188 | 215 | 198 | 178 | 178 | 178 |
| Provisions | 65 | 63 | 66 | 65 | 66 | 65 | 70 | 70 | 70 |
| Net Current Assets | -15 | -15 | 16 | 123 | 42 | -46 | 87 | 48 | 56 |
| Application of Funds | 746 | 782 | 819 | 933 | 842 | 769 | 913 | 887 | 893 |

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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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