



## Delhi Visit Note

We recently met a few metal companies located in Delhi to get a detailed understanding of their current businesses, the status of their ongoing capacity additions and areas of future growth that the companies are targeting.

Mentioned below are the lists of companies:

- Steel Authority of India Ltd (SAIL)
- Bhushan Steel Ltd (BSL)
- Monnet Ispat & Energy Ltd (MIEL)
- Prakash Industries Ltd (PIL)

### Executive Summary

Global economy continues to be bogged down by worries of euro-zone sovereign debt crisis. China which continues to account for majority of world steel demand-supply is also expected to see a slowdown in demand. Slow growth across the globe has triggered reducing manufacturing PMIs and slowdown in manufacturing sector activity across the globe. Weak global demand along with dismal index of industrial production IIP data has lead to a weak steel price environment. Indian macro concerns on inflationary pressures and increasing interest rates remains a big concern.

Domestic Steel industry has been facing pressure over global concerns of a slowdown, sluggish demand from end user especially construction, automobile in domestic and international market causing delays in companies' capex plans. In addition to this, higher raw material cost (especially Iron ore and Coking coal) due to stringent regulatory norms have lead to uneven supply of raw material and tightening interest rate cycles have also put pressure on companies' margins.

We expect the companies with a strong backward integration, positive cash flow and low interest cost burden to be a conviction bet in this uncertain economic scenario.

We believe at this stage SAIL can outperform amongst these four companies based on 100% Iron ore integration, strong CAPEX plan going ahead (new and modernization of existing facilities), reduction in no. of employees, strong fundamentals and attractive valuations.

Description	LTP	Market Cap (INR Mn)	P/E (x)		EV/EBITDA (x)	
	(INR)		FY12E	FY13E	FY12E	FY13E
SAIL	99	408,083	6.7	5.3	6.4	5.3
BSL	331	70,437	7.4	6.1	8.5	7.1
MEIL	493	31,733	8.7	6.8	9.5	8.5
PIL	49	6,563	3.5	2.6	4.3	3.9

Source: Khandwala Research, Bloomberg

The companies we have met are in capacity addition stage and have been incurring capex for the last 3-4 years; this capacity addition will benefit every company either by a way of enhanced product mix which helps to increase their topline or by reduced manufacturing costs from integration benefits which will improve EBIDTA margins. The immediate risks for the above companies would be delay in growth plan schedules, higher raw material costs (risk especially for non integrated players), and higher cost of debt.

We expect that surging input costs and subdued steel prices will continue to be a dampener for the domestic steel companies Domestic steel consumption is likely to grow at 8% annually for FY12E and FY13E each to 75MT and 81MT respectively.

**The stocks are currently under review and detailed reports would follow shortly.**

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# Steel Authority of India Limited

Ratings			
LTP	99	Recomm.	Under Review
Target	-	Risk	HIGH

Bloomberg Consensus			
(BUY/HOLD/SELL)			16 / 15 / 20

Sensex	Nifty	BSE METALS
15,792	4,751	10,353

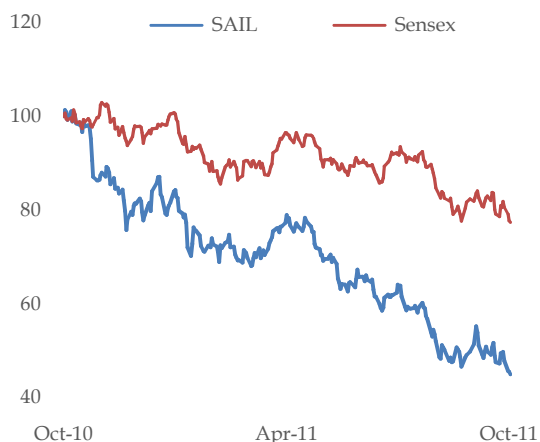
Codes			
BSE	NSE	Bloomberg	Reuters
500113	SAIL	SAIL IB	SAIL.BO

	Sensex	SAIL
52 Wk: Hi/Lo	21,109/15,745	234/98
Life High	21,207-Jan 08	293-Dec 07
P/E	17.39	8.94
P/BV	3.18	1.10
Dividend Yield (%)	1.60	2.43
Mkt Cap (INR Mn)	57,539,607	408,083
Equity (INR Mn)	-	41,304

Share Holding Pattern %	Mar-11	Jun-11
Foreign	4.33	4.14
Institutions	7.55	7.52
Corporate	0.44	0.51
Promoters	85.82	85.82
Public & Others	1.86	2.01

Returns %	Abs Perf	Relative to	
		Sensex	BSE MET
1 Month	-12.57	-7.06	4.29
3 Months	-29.78	-14.04	1.94
1 Year	-55.00	-32.39	-13.94

## Relative Price Performance



SAIL is India's largest steel producing company, with saleable steel installed capacity of 13MT which is expected to increase to 20.2MT by FY13E. SAIL has five integrated steel plants, three special plants, and one subsidiary in different parts of the country.

## Key Takeaways

- **Capacity expansion on card but IISCO capacity delayed by another quarter:** SAIL has been carrying out its CAPEX program for the last 4 years and expanding its crude steel capacity from 13.8 MMT to 21.4MMT by March 2013 (earlier expected date Dec 2012) at a CAPEX of INR 720bn (INR 620bn in metal and INR 100bn in Mining), The total CAPEX spent till Aug 2011 was INR 332bn.

The schedule of CAPEX plan is as follows.

Plants	Crude Steel Capacity (MT)	Completion Date
Bokaro Steel Plant	3.3	Feb-12
IISCO Steel Plant	2.0	Jun-12
Durgapur Steel Plant	0.9	Dec-12
Rourkela Steel Plant	2.0	Dec-12
Bhilai Steel Plant	2.9	Mar-13

Source: Khandwala Research, Company

- **Setting up of New Facility and Technology up gradation will help change product mix and increase EBIDTA/ton.** The total CAPEX of INR 720bn which includes modernization of existing facility will help the company to increase its efficiency from current level.
  - Coking consumption to decrease from 510Kg/ Mt to 425-450/MT.
  - The shift in product mix of Long: Flat: Semi from 56:34:10 to Long: Flat 56:44.

We believe capacity addition and up gradation of existing facilities will help the company increase its EBIDTA/ton by \$25-30 per ton.

- **Increase in economic scale of employee after decrease in no. of employee.** The total employee strength is expected to be 1 lakh for the increased capacity of 20.2mn MT, as compared to the present employee strength of 1.11 lakh for 12.9mn MT production. We expect this decrease in no of employees will help to increase company's EBIDTA by ~\$15-20 per ton after adjusting 7<sup>th</sup> pay revision in company pay.



## Other Highlights

- For FY12E company revised its CAPEX plan from INR 143bn to INR 126bn due to slowdown in metal sector.
- To fund the remaining CAPEX of INR 388bn company may go for fund raising to the tune of INR 100-150bn in the next 2 years.
- Company expects to generate approximately INR 50bn per year from FY12E onwards.
- Company expects coking coal prices to come down by 10-15% because the difference between hard and soft coking coal has increased from \$20 per ton to \$50-60 per ton
- The production for FY12E is expected to increase to 12.3MT, up by 5% YoY and in FY13E to 13.3MT; management expects full benefit of capacity addition will start from FY14E.

## Outlook and Valuation

We believe the stock has taken a beating due to higher raw material concern (coking coal), higher employee cost, increase in cost of debt and delay in CAPEX plan which has been affecting its RoE, but going ahead company's RoE is expected to improve after completion of all the facilities. At a LTP of INR 99, the stock trades at 6.7x and 5.3x of FY12E and FY13E earnings respectively. While on EV/EBITDA basis SAIL is currently trading at 6.4x and 5.3x for FY12E and FY13E respectively (*Bloomberg estimates*).

## Capacity Addition Trend

Plants	Hot Metals (MT)			Crude Steel (MT)			Saleable Steel (MT)		
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
BSL	5.7	5.7	7.5	5.3	5.3	7.0	4.6	4.6	6.6
DSL	2.1	2.1	2.5	2.0	2.0	2.2	1.9	1.9	2.1
RSL	2.3	2.3	4.5	2.2	2.2	4.2	2.0	2.0	4.0
Bo SL	4.1	5.8	5.8	3.6	4.6	4.6	3.4	4.2	4.2
ISL	0.5	2.9	2.9	0.4	2.5	2.5	0.4	2.4	2.4
ASL	-	-	-	0.2	0.2	0.4	0.2	0.2	0.4
SSL	-	-	-	-	0.2	0.2	0.3	0.3	0.3
VSL	0.1	0.1	0.3	0.1	0.1	0.3	0.1	0.1	0.2
<b>Total</b>	<b>14.8</b>	<b>18.9</b>	<b>23.5</b>	<b>13.8</b>	<b>17.0</b>	<b>21.4</b>	<b>12.9</b>	<b>15.7</b>	<b>20.2</b>

Source: Khandwala Research, Company



## Financial Summary

### Income Statement

Description (INR Mn)	FY08	FY09	FY10	FY11
Sales and Oth. Op. Income	456,620	488,244	440,017	470,416
Excise Duty	60,855	56,057	34,247	43,214
Sales and Oth. Op. Income	395,765	432,187	405,770	427,202
Other Operating Revenue	6,626	6,152	8,159	6,986
Prov. no longer required w/b	613	1,301	913	-
<b>Net Sales</b>	<b>403,004</b>	<b>439,640</b>	<b>414,842</b>	<b>434,188</b>
Total Expenditure	283,571	346,823	311,799	357,451
<b>EBITDA</b>	<b>119,433</b>	<b>92,818</b>	<b>103,044</b>	<b>76,737</b>
EBITDA Margin (%)	29.6	21.1	24.8	17.7
Depreciation	12,835	13,342	14,296	14,843
<b>EBIT</b>	<b>106,598</b>	<b>79,476</b>	<b>88,747</b>	<b>61,894</b>
Interest Expenses	2,594	2,637	4,740	4,725
Interest Income	11,907	18,452	18,751	13,806
Other Income	-15	40	232	596
<b>PBT</b>	<b>115,896</b>	<b>95,330</b>	<b>102,991</b>	<b>71,571</b>
Tax	39,937	32,875	34,481	22,906
<b>PAT</b>	<b>75,959</b>	<b>62,455</b>	<b>68,510</b>	<b>48,665</b>
Minority Interest	3	3	3	-
Share of Associate Co.	1	1	0	-
<b>PAT after MI</b>	<b>75,963</b>	<b>62,458</b>	<b>68,513</b>	<b>48,665</b>
PAT Margin (%)	18.8	14.2	16.5	11.2

### Cash Flow Statement

Description (INR Mn)	FY08	FY09	FY10	FY11
<b>PBT</b>	<b>115,896</b>	<b>95,330</b>	<b>102,991</b>	<b>71,571</b>
Add: Depreciation	12,835	13,342	14,296	14,843
Add: Interest	2,594	2,637	4,740	4,725
<b>Cash flow from operat.</b>	<b>131,325</b>	<b>111,309</b>	<b>122,026</b>	<b>91,138</b>
Inventory	-1,975	-33,323	11,244	-23,452
Debtors	-7,167	26	-5,648	-5,477
Other Current Assets	-1,217	-7,427	2,328	2,918
Loans and Advances	-8,046	1,376	-13,266	-11,682
Current Liabilities	9,657	12,386	33,896	3,873
Provisions	13,322	26,960	-31,379	-3,976
<b>Total Changes in WC</b>	<b>4,575</b>	<b>-3</b>	<b>-2,824</b>	<b>-37,795</b>
Tax	-39,937	-32,875	-34,481	-22,906
Share of Associate Co.	1	1	0	-
<b>Net Cash from operations</b>	<b>95,964</b>	<b>78,432</b>	<b>84,721</b>	<b>30,438</b>
Net Block	302	-7,103	-24,579	-15,242
Capital Work in Progress	-16,356	-44,756	-74,065	-72,721
Depreciation	-12,835	-13,342	-14,296	-14,843
<b>Total Capital expenditure</b>	<b>-28,889</b>	<b>-65,201</b>	<b>-112,940</b>	<b>-102,805</b>
Investment	12	-12	-77	-161
<b>Net Cash from investing</b>	<b>-28,877</b>	<b>-65,213</b>	<b>-113,016</b>	<b>-102,966</b>
Debt	-7,515	48,031	89,473	36,223
Dividends	-17,895	-12,577	-15,950	-11,618
Interest	-2,594	-2,637	-4,740	-4,725
Others	2,736	-739	1,472	1,315
<b>Cash from Financing</b>	<b>-25,268</b>	<b>32,079</b>	<b>70,256</b>	<b>21,195</b>
<b>Net Inc/(Dec) in cash</b>	<b>41,819</b>	<b>45,298</b>	<b>41,961</b>	<b>-51,333</b>
Opening Cash Balance	98,108	139,927	185,225	227,185
Closing Cash Balance	139,927	185,225	227,185	175,852

### Balance Sheet

Description (INR Mn)	FY08	FY09	FY10	FY11
Share Capital	41,304	41,304	41,304	41,304
Reserves	191,576	243,146	296,131	333,232
<b>Total Shareholders' Funds</b>	<b>232,880</b>	<b>284,450</b>	<b>337,435</b>	<b>374,536</b>
Minority Interest	4	7	10	12
Secured Loans	17,671	26,251	88,273	128,546
Unsecured Loans	21,203	60,654	88,106	84,056
<b>Total Debt</b>	<b>38,874</b>	<b>86,905</b>	<b>176,378</b>	<b>212,601</b>
Deferred Tax Liability	15,685	13,252	14,301	15,567
<b>Total Liabilities</b>	<b>287,443</b>	<b>384,614</b>	<b>528,124</b>	<b>602,717</b>
Gross Block	316,798	336,352	374,194	404,658
Less : Acc. Depreciation	197,390	209,841	223,104	238,326
<b>Net Block</b>	<b>119,408</b>	<b>126,511</b>	<b>151,090</b>	<b>166,332</b>
Capital Work in Progress	34,271	79,027	153,092	225,812
Investment	358	370	447	608
Inventories	69,539	102,861	91,617	115,069
Sundry Debtors	30,703	30,677	36,325	41,801
Cash	139,927	185,225	227,185	175,852
Other Current Assets	2,765	10,191	7,863	4,945
Loans and Advances	25,470	24,094	37,361	49,043
<b>Total Current Assets</b>	<b>268,403</b>	<b>353,048</b>	<b>400,351</b>	<b>386,709</b>
Current Liabilities	65,976	78,362	112,258	116,131
Provisions	69,021	95,981	64,602	60,626
<b>Total Current Liabilities</b>	<b>134,997</b>	<b>174,342</b>	<b>176,860</b>	<b>176,757</b>
<b>Net Current Assets</b>	<b>133,405</b>	<b>178,706</b>	<b>223,491</b>	<b>209,952</b>
Miscellaneous Expenses	-	-	5	13
<b>Total Assets</b>	<b>287,443</b>	<b>384,614</b>	<b>528,124</b>	<b>602,717</b>

### Financial Ratios

Description	FY08	FY09	FY10	FY11
P/E (x)	5.8	7.0	6.4	9.0
P/BV (x)	1.9	1.5	1.3	1.2
EV/EBIDTA (x)	2.8	3.7	3.8	6.2
Diluted EPS	18.4	15.1	16.6	11.8
Dividend/Share (INR)	3.7	2.6	3.3	2.4
Book Value (INR)	56.4	68.9	81.7	90.7
Dividend (%)	37.0	26.0	33.0	24.0
Net Sales Growth (%)	15.8	9.1	-5.6	4.7
EBIDTA Growth (%)	15.0	-22.3	11.0	-25.5
Net Profit Growth (%)	21.3	-17.8	9.7	-29.0
EBIDTA Margin (%)	29.6	21.1	24.8	17.7
Net Profit Margin (%)	18.8	14.2	16.5	11.2
RoE (%)	37.3	24.1	22.0	13.7
ROCE (%)	17.4	9.2	7.8	4.6
Current Ratio	2.0	2.0	2.3	2.2
Debtors T/o (Days)	28	25	32	35
Creditors T/o (Days)	176	156	220	224
Inventory T/o (Days)	63	85	81	97
Fixed Asset T/o	3.4	3.5	2.7	2.6
Debt Equity Ratio (x)	0.2	0.3	0.5	0.6
Int. Coverage Ratio (x)	46.0	35.2	21.7	16.2



# Bhushan Steel Limited

Ratings			
LTP	331	Recomm.	Under Review
Target	-	Risk	HIGH

Bloomberg Consensus			
(BUY/HOLD/SELL)			06 / 05 / 02

Sensex	Nifty	BSE METALS
15,792	4,751	10,353

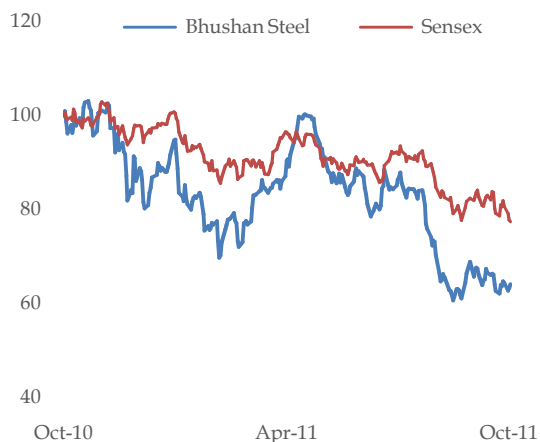
Codes			
BSE	NSE	Bloomberg	Reuters
500055	BHUSANSTL	BHUS IB	BSSL.BO

	Sensex	BSL
52 Wk: Hi/Lo	21,109/15,745	545/308
Life High	21,207-Jan 08	545-Oct 10
P/E	17.39	6.79
P/BV	3.18	1.21
Dividend Yield (%)	1.60	0.15
Mkt Cap (INR Mn)	57,539,607	70,437
Equity (INR Mn)	-	424.7

Share Holding Pattern %	Mar-11	Jun-11
Foreign	2.62	2.91
Institutions	0.80	0.80
Corporate	23.92	23.72
Promoters	69.12	69.12
Public & Others	3.50	3.42

Returns %	Abs Perf	Relative to Sensdex	BSE MET
1 Month	-2.43	3.08	14.43
3 Months	-25.85	-10.10	5.88
1 Year	-35.93	-13.31	5.13

## Relative Price Performance



Bhushan Steel Limited is the flagship company in the flat product and value added product segment, with an installed capacity of 2 MMT of HRC and billets and 1.3 MMT downstream capacities. The company has been carrying out its capex plan from couple of years in a phased manner, the last leg of capex of INR 105bn in phase III is expected to complete in FY13E, which will increase its HRC capacity to 4.4mn tonnes.

## Key Takeaways

### Expansion to drive growth

- Company's has spent close to ~INR 100bn on backward integration, in the last 5 years, the phase I and II, has completed with capacity of 1.9MMT of HRC and 0.3MMT of billet with backward integration from DRI of 0.9MMT in Orissa.
- After completion of phase I and II, BSL intends to increase its HRC capacity from 1.9MMT to 4.4MMT, with 1.2MMT coke oven and 3.81MMT of sinter plant, the total capex for phase III is INR 105bn, company expects this facility to be complete by FY13E. In addition to existing capex BSL is planning to setup 0.5MMT ERW pipe unit at Khopoli, which is likely to come on stream by April 2012. The total capex incurred by BSL on phase III is INR ~65bn till June 2011, remaining INR 40bn is going to be spent in next two years.
- We expect this capex will help the company to increase its sales volume significantly from FY14E onwards. The management expects the HRC production to increase from current 1.4 MMT in FY11 to 3.4MMT in FY14E, where the incremental production will come from phase III only.
- We expect this capacity will not only drive company's topline but it will help to increase its EBIDTA per ton from existing ~275 to ~375.

### Mining Integration to reduce dependence on outside sources

BSL is currently fully dependent on market especially for iron ore and coal, company has applied for few iron ore and coal mines in Orissa, West Bengal and Australia for this company plans to invest ~INR 20bn. It also holds 73% stake in Bowen Energy Limited, Australian Mining Company. (For detail please refer page no. 6)



### High gearing to be a major cause of concern

We believe the company has better execution capabilities compared to its peers, but high debt of INR 165bn which is expected to increase to INR 190bn in next year, is major cause of concern for the company. In an increasing interest rate scenario, higher interest outgo and higher depreciation will put pressure on earnings going ahead.

### Outlook & Valuation

We believe that BSL has been consistently showing its execution capability, and we expect it will continue to deliver in the same manner, in addition to this it has been maintaining its EBIDTA per ton above \$250 despite of 0% integration, the immediate concern for the company is high debt which leads to higher interest outgo will have a pressure on earnings but going ahead company expects to increase its earning by way of increase in EBIDTA per ton. At the LTP of INR 331, the stock trades at 7.4x FY12E and 6.1x FY13E earnings and on EV/EBITDA basis, it trades at 8.5x FY12E and 7.1x FY13E EBITDA (*Bloomberg estimates*).

### Capacity Details

Description	Sahibabad	Khopoli	Orissa	Total
Cold Rolling	725,000	525,000	-	1,250,000
Galvanized Sheets	300,000	240,000	-	540,000
H&T Strips	-	11,000	-	11,000
Color Coated	80,000	800,000	-	880,000
Galume	70,000	7,000,000	-	7,070,000
Drawn/Precision Tubes	55,000	850,000	-	905,000
High Tensile Strapping	-	20,000	-	20,000
Alloy Steel /Wire Rods	63,000	-	-	63,000
Service Centre	300,000	-	-	300,000
Hot Rolled Steel			1,900,000	1,900,000
Billets			300,000	300,000
Sponge Iron			900,000	900,000
Formed Sections			3,000	3,000
Power Plant (BSL)	24MW	24MW	110MW	158MW
Power (BEL)			300MW	300MW

### Mining Details

Description	Thermal Coal		Coking Coal	Iron ore
	Patrapada	Andal East	Bowen Energy	Marsuan-Tiriba
	Orissa	West Bengal	Australia	Orissa
Total Reserve	325MT	270MT	150MT	70MT
Expected Date	2014	2014	2015	2014
BSL Share (%)	50		75	

### CAPEX Schedule

Description	Phase I	Phase II	Phase III	Total Capacity by FY13E
	FY07	FY10	End of FY13E	
Sponge Iron (mtpa)	680,000	220,000	-	900,000
Hot Metal	-	1,269,000	2,900,000	4,169,000
Billets (MTPA)	340,000	-	-	340,000
Oxygen (tpd)	150,000,000	-	-	150,000,000
Lime (tpd)	10,000,000	-	-	10,000,000
Slabs (MTPA)	-	2,000,000	3,000,000	5,000,000
HR Coils (MTPA)	-	1,900,000	2,500,000	4,400,000
Coke Oven (MTPA)	-	850,000	1,200,000	2,050,000
Sinter Plant	-	1,670,000	3,810,000	5,480,000
Power (MW)	110	300	195	605

Source: Khandwala Research, Company



## Financial Summary

### Income Statement

Description (INR Mn)	FY08	FY09	FY10	FY11
<b>Net Sales</b>	<b>41,523</b>	<b>49,470</b>	<b>56,033</b>	<b>69,707</b>
Total Expenditure	33,449	39,270	41,776	49,716
<b>EBITDA</b>	<b>8,074</b>	<b>10,200</b>	<b>14,257</b>	<b>19,991</b>
<i>EBITDA Margin (%)</i>	19.4	20.6	25.4	28.7
Depreciation	2,114	2,344	2,091	2,779
<b>EBIT</b>	<b>5,960</b>	<b>7,856</b>	<b>12,166</b>	<b>17,213</b>
Interest	1,370	2,536	2,128	4,477
Other Income	799	323	1,448	1,022
<b>PBT</b>	<b>5,390</b>	<b>5,642</b>	<b>11,485</b>	<b>13,757</b>
Tax	1,152	1,395	3,056	3,706
<b>PAT</b>	<b>4,238</b>	<b>4,248</b>	<b>8,429</b>	<b>10,051</b>
Minority Interest	-	-	0	0
Share of Associate Co.	-	-	3	23
<b>PAT after MI</b>	<b>4,238</b>	<b>4,248</b>	<b>8,432</b>	<b>10,075</b>
<i>PAT Margin (%)</i>	10.2	8.6	15.0	14.5

### Cash Flow Statement

Description (INR Mn)	FY08	FY09	FY10	FY11
PBT	5,390	5,642	11,485	13,757
Add: Depreciation	2,114	2,344	2,091	2,779
Add: Interest	1,370	2,536	2,128	4,477
<b>Cash flow from operat.</b>	<b>8,874</b>	<b>10,523</b>	<b>15,705</b>	<b>21,013</b>
Inventory	-3,733	-1,007	-7,451	-12,107
Debtors	-785	-103	-1,236	2,612
Loans and Advances	-2,765	-1,369	-1,744	-3,780
Current Liabilities	4,431	5,328	-1,732	4,535
Provisions	15	84	88	120
<b>Total Changes in W/C</b>	<b>-2,837</b>	<b>2,934</b>	<b>-12,076</b>	<b>-8,620</b>
Tax	1,152	1,395	3,056	3,706
Share of Associate Co.	-	-	3	23
Pre acquisition profit of sub.	13	7	10	-
<b>Net Cash from Operat.</b>	<b>10,545</b>	<b>6,188</b>	<b>24,718</b>	<b>25,950</b>
Net Block	-356	-1,270	-1,971	-104,836
Capital Work in Progress	-26,761	-28,340	-37,925	36,547
Depreciation	-2,114	-2,344	-2,091	-2,779
<b>Total Cap Expenditure</b>	<b>-29,231</b>	<b>-31,953</b>	<b>-41,987</b>	<b>-71,067</b>
Investment	-363	-421	-2,050	1,415
<b>Net Cash from Investing</b>	<b>-29,593</b>	<b>-32,374</b>	<b>-44,037</b>	<b>-69,652</b>
Debt	24,762	23,481	33,379	51,885
Dividends	-124	-124	-127	-166
Increase in Share capital	-	-	367	320
Interest	-1,370	-2,536	-2,128	-4,477
Other	738	503	12,004	12,540
<b>Total Cash from Financ'g</b>	<b>24,006</b>	<b>21,323</b>	<b>43,495</b>	<b>60,102</b>
Net Inc./ (Dec) in cash	4,957	-4,863	24,176	16,401
Opening Cash Balance	1,001	286	1,289	1,313
Closing Cash Balance	5,959	-4,578	25,465	17,713

### Balance Sheet

Description (INR Mn)	FY08	FY09	FY10	FY11
Share Capital	425	425	792	1,112
Reserves	15,829	19,952	39,170	57,974
<b>Tot. Shareholders' Funds</b>	<b>16,254</b>	<b>20,377</b>	<b>39,961</b>	<b>59,085</b>
Minority Interest	-	-	250	206
Secured Loans	33,331	51,363	83,270	123,919
Unsecured Loans	23,850	29,299	30,772	42,008
<b>Total Debt</b>	<b>57,181</b>	<b>80,663</b>	<b>114,041</b>	<b>165,926</b>
Deferred tax Liability	1,967	2,463	3,295	6,983
<b>Total Liabilities</b>	<b>75,402</b>	<b>103,503</b>	<b>157,548</b>	<b>232,201</b>
Gross Block	29,271	32,819	36,896	144,248
Less : Acc. Depreciation	11,681	13,959	16,066	18,581
<b>Net Block</b>	<b>17,591</b>	<b>18,860</b>	<b>20,831</b>	<b>125,666</b>
Capital Work in Progress	45,682	74,021	111,946	75,399
Investments	571	992	3,042	1,627
Inventories	11,296	12,304	19,755	31,862
Sundry Debtors	6,174	6,276	7,512	4,900
<b>Cash and Bank</b>	<b>286</b>	<b>1,289</b>	<b>1,313</b>	<b>472</b>
Loans and Advances	6,439	7,807	9,551	13,332
<b>Total Current Assets</b>	<b>24,194</b>	<b>27,676</b>	<b>38,131</b>	<b>50,566</b>
Current Liabilities	12,442	17,770	16,038	20,573
Provisions	193	277	365	484
<b>Total Current Liabilities</b>	<b>12,636</b>	<b>18,047</b>	<b>16,403</b>	<b>21,058</b>
<b>Net Current Assets</b>	<b>11,559</b>	<b>9,629</b>	<b>21,728</b>	<b>29,509</b>
<b>Total Assets</b>	<b>75,402</b>	<b>103,503</b>	<b>157,548</b>	<b>232,201</b>

### Financial Ratios

Description	FY08	FY09	FY10	FY11
P/E (x)	3.2	14.6	12.0	7.4
P/BV (x)	0.8	3.0	2.5	1.3
EV/EBITDA (x)	8.7	13.8	15.0	12.0
Diluted EPS (INR)	19.9	20.0	39.7	47.4
Dividend per share (INR)	2.5	2.5	2.5	0.5
Book Value (INR)	76.5	96.0	188.2	278.2
Dividend (%)	25	25	25	25
Net Sales Growth (%)	9.1	19.1	13.3	24.4
EBITDA Growth (%)	33.4	26.3	39.8	40.2
Net Profit Growth (%)	35.3	0.4	98.6	19.6
EBITDA Margin (%)	19.4	20.6	25.4	28.7
Net Profit Margin (%)	10.2	8.6	15.0	14.5
RoE (%)	29.8	23.2	27.9	20.3
ROCE (%)	5.0	4.7	4.5	4.5
Current Ratio	1.9	1.5	2.3	2.4
Debtors T/o (Days)	54	46	49	26
Creditors T/o (Days)	153	193	165	186
Inventory T/o (Days)	99	91	129	167
Fixed Asset T/o	2.4	2.6	2.7	0.6
Debt Equity Ratio (x)	3.5	4.0	2.9	2.8
Interest coverage Ratio (x)	5.9	4.0	6.7	4.5



# Monnet Ispat & Energy Limited

Ratings			
LTP	493	Recomm.	Under Review
Target	-	Risk	LOW

Bloomberg Consensus			
(BUY/HOLD/SELL)			08 / 01 / 01
Sensex	Nifty	BSE METALS	
15,792	4,751	10,353	

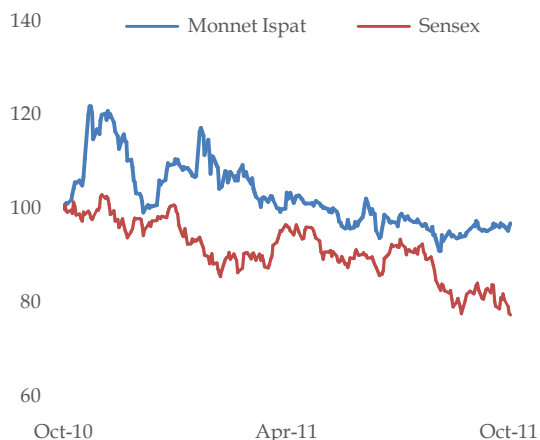
Codes			
BSE	NSE	Bloomberg	Reuters
513446	MONNETISP	MISP IB	MNET.BO

	Sensex	MIEL
52 Wk: Hi/Lo	21,109/15,745	682/449
Life High	21,207-Jan 08	710-Jan 08
P/E	17.39	11.12
P/BV	3.18	1.52
Dividend Yield (%)	1.60	0.90
Mkt Cap (INR Mn)	57,539,607	31,733
Equity (INR Mn)	-	643.4

Share Holding Pattern %	Dec-10	Mar-11
Foreign	32.59	32.20
Institutions	4.45	4.39
Corporate	10.43	10.87
Promoters	49.42	49.42
Public & Others	3.11	3.12

Returns %	Abs Perf	Relative to	
		Sensex	BSE MET
1 Month	0.40	5.91	17.26
3 Months	0.63	16.38	32.36
1 Year	-3.15	19.46	37.91

## Relative Price Performance



Monnet Ispat & Energy Limited is the second largest coal-based Sponge Iron manufacturer with thriving facilities in Raipur and Raigarh in the State of Chattisgarh. At present, Monnet has a combined capacity of 860,000 TPA of Sponge Iron, 300,000 TPA of Steel, 60,000 TPA of Ferro Alloys and Power generation facility of 150MW besides running the largest underground coal mine in the country.

## Key Takeaways

- Steel capacity expansion to drive volume growth:** The Company is expanding its steel capacity in a phased manner. Addition in capacity from this expansion will be 1.5 MTPA. The steel expansion has been designed to be fully integrated to raw materials like coal & iron ore. Total capex for the project is INR 36bn in the debt equity ratio of 3:1. Entire project money has been tied up. The plant is expected to commission by FY13E. *(For details please refer page no. 9)*
- 80MW Captive Power Plant to add further in profitability:** MIEL is expanding its power capacity by 80MW at Raigarh. This would increase the in-house Power capacity to 230 MW which is based on a judicious blend of waste heat recovery and captive coal, making it a low cost, high efficiency operation. 80MW captive power is in trial condition and expected to contribute from Q3FY12E onward.
- Foray in Power Sector with the 1050 MW Greenfield power plant:** MIEL is setting up a 1050MW (525MWx2) power plant at Angul Orissa under the banner of subsidiary - Monnet Power Company Limited. With the captive availability & a low-cost coal resource, it would emerge as one of the lowest-cost power generating companies in India. *(For details please refer page no. 9)*
- Delays in the commencement of projects:** Sinter plant was expected to commission in 3QFY12 but is now expected in Apr 2013; blast furnace was expected in 3QFY12 but is now expected in Feb 2012. Sponge iron expansion has been put on hold. The management is contemplating between increasing the capacity and buying from outside parties
- Mining will take another 1.5 years:** MIEL has applied for few in mines in south east region; company expects that all mines will take minimum 1.5 year to start the operation. *(For details please refer page no. 9)*



### Higher Interest Burden going forward

MIEL has planned to spend a total CAPEX of INR 60bn for next for next 3 years (INR 20.5bn, INR 24bn, and INR16bn for FY12E, FY13E, and FY14E respectively), of which INR20bn will be funded from internal accruals and remaining INR 40bn from Debt. The total CAPEX incurred for last 6 months was INR 13bn. Maximum amount of capex has been funded by equity so far, i.e. by major part of the capex will now come from debt. This put more pressure on company's earnings by a way of higher interest cost going ahead.

### Outlook and Valuation

Although MIEL is a medium size player in steel industry. The 1.5 TPA Steel manufacturing facility will help the company to increase its market share in the industry with increased capacity from backward as well as forward integration. The capacity addition will help company increase its topline and bottom line through more captive integration. Any delay in capex schedule may cause immediate risk to the company. At the LTP of INR 493, the stock trades at 8.7x FY12E and 6.8x FY13E earnings and on EV/EBITDA basis, it trades at 9.5x FY12E and 8.5x FY13E EBITDA (*Bloomberg estimates*).

### Capacity Details

Facility	Existing Capacity
Sponge Iron	0.86
MS Steel	0.30
Structural	0.20
Coal	1.00
Ferro Alloys	0.06
Captive Power	150 MW

### CAPEX Schedule

Facility	Capacity	Expected COD	Location
Pellet Plant	2.00	Mar 2013- Apr 2013	Raigarh
Sinter	0.90	Dec 2011- Feb 2012	Raigarh
Blast Furnace	0.61	Dec 2011- Feb 2012	Raigarh
Coke Oven	0.40	Mar 2013- Apr 2013	Raigarh
Power	80 MW	Jul 2011 - Sep 2011	Raigarh
Re-Bar Mill	0.75	Dec 2011- Feb 2012	Raigarh
Plate/Steckel Mill	0.75	Apr 2012- June 2012	Raigarh

### 1050MW Power Project Details (MPCL)

Funding Pattern			Power Schedule	
Description	Amount (mn)	Amount Invested	Capacity	Date
Debt	38,000	13,000	525 MW Phase I	Jun-13
Equity	6,250	3,500	525 MW Phase II	Oct-13
Blackstone	2,750	1,050		
Mezzanine Debt	3,500	450		
<b>CAPEX</b>	<b>50,500</b>	<b>18,000</b>		

### Power Offtake

Description	Capacity MW	INR/Unit	PPA Term
West Bengal	400	3.20	25 Yrs
Karnataka	190	3.00	25 Yrs
Orissa (16% RoE)	250	2.30	25 Yrs
<b>Total</b>	<b>840</b>		

Source: Khandwala Research, Company



## Status of Captive Mines

Mines	Reserves (MMT)	Capacity (MMT)	FC Clearance	EC Clearance	EoD	End Usage
Milupara	86	3.0	Received	Received	13-Jul	MIEL
Utkal B2 Block	114	3.5	Received	Received	12-Jan	MPCL
Mandakini A Block	97	5.0	Received	Stage I clearance	12-Jul	MPCL
Rajgamar	50	0.7	Awaiting	Awaiting	12-Jul	MIEL
Urban North	17	0.0	Awaiting	Awaiting	12-Oct	MIEL
Kawardha	25	0.8	Awaiting	Awaiting	12-Dec	MIEL

Source: Khandwala Research, Company



## Financial Summary

### Income Statement

Description (INR Mn)	FY08	FY09	FY10	FY11
Net Sales	11,583	15,686	15,322	16,256
Total Expenditure	9,064	12,114	10,851	11,673
<b>EBITDA</b>	<b>2,519</b>	<b>3,571</b>	<b>4,470</b>	<b>4,582</b>
EBITDA Margin (%)	21.7	22.8	29.2	28.2
Depreciation	445	687	773	791
<b>EBIT</b>	<b>2,075</b>	<b>2,885</b>	<b>3,697</b>	<b>3,791</b>
Interest	351	733	782	478
Other Income	484	486	328	274
<b>PBT</b>	<b>2,208</b>	<b>2,637</b>	<b>3,244</b>	<b>3,587</b>
Tax	546	513	631	814
<b>PAT</b>	<b>1,662</b>	<b>2,124</b>	<b>2,613</b>	<b>2,773</b>
Minority Interest	-	2	6	-10
<b>PAT after MI</b>	<b>1,662</b>	<b>2,126</b>	<b>2,619</b>	<b>2,764</b>
PAT Margin (%)	14.3	13.6	17.1	17.0

### Cash Flow Statement

Description (INR Mn)	FY08	FY09	FY10	FY11
PBT	2,208	2,637	3,244	3,587
Add: Depreciation	445	687	773	791
Add: Interest	351	733	782	478
<b>Cash flow from Operat.</b>	<b>3,003</b>	<b>4,057</b>	<b>4,799</b>	<b>4,856</b>
Inventory	-997	214	-401	-1,350
Debtors	-588	-69	-348	-995
Loans and Advances	-1,315	-3,112	1,186	-1,298
Current Liabilities	579	360	233	669
Provisions	356	58	280	205
<b>Total Changes in WC</b>	<b>-1,965</b>	<b>-2,549</b>	<b>951</b>	<b>-2,769</b>
Tax	546	513	631	814
Pre acq. profit of subsi.	41	-131	115	-
<b>Net Cash from Operat.</b>	<b>4,382</b>	<b>6,223</b>	<b>3,102</b>	<b>6,811</b>
Net Block	-3,606	-1,972	-30	-756
Capital Work in Progress	428	-591	-8,344	-11,596
Depreciation	-445	-687	-773	-791
<b>Tot. Capital Expenditure</b>	<b>-3,623</b>	<b>-3,249</b>	<b>-9,146</b>	<b>-13,144</b>
Investment	-624	-47	-790	493
<b>Net Cash from Investing</b>	<b>-4,248</b>	<b>-3,297</b>	<b>-9,935</b>	<b>-12,651</b>
Debt	1,074	2,561	3,408	14,732
Dividends	-284	-281	-335	-399
Increase in Share Capital	137	0	334	-145
Interest	-351	-733	-782	-478
Other	3,825	-409	2,012	3,329
<b>Tot. Cash from Financing</b>	<b>4,401</b>	<b>1,137</b>	<b>4,638</b>	<b>17,040</b>
Net Inc./(Dec) in Cash	4,535	4,064	-2,195	11,201
Opening Cash Balance	2,927	3,531	2,498	2,204
Closing Cash Balance	7,462	7,596	302	13,405

### Balance Sheet

Description (INR Mn)	FY08	FY09	FY10	FY11
Share Capital	480	480	814	669
Reserves	10,198	12,397	15,874	20,763
<b>Tot. Shareholders' Funds</b>	<b>10,678</b>	<b>12,877</b>	<b>16,687</b>	<b>21,432</b>
Minority Interest	100	104	98	510
Secured Loans	9,735	10,737	12,934	24,475
Unsecured Loans	1,524	3,083	4,294	7,486
<b>Total Debt</b>	<b>11,259</b>	<b>13,820</b>	<b>17,228</b>	<b>31,960</b>
Deferred tax Liability	909	1,096	1,161	1,378
<b>Total Liabilities</b>	<b>22,946</b>	<b>27,897</b>	<b>35,174</b>	<b>55,280</b>
Gross Block	12,355	15,033	15,832	17,365
Less: Accum. Depreciation	1,748	2,454	3,224	4,001
<b>Net Block</b>	<b>10,607</b>	<b>12,579</b>	<b>12,608</b>	<b>13,364</b>
Capital Work in Progress	3,393	3,984	12,328	23,924
Investments	1,010	1,057	1,847	1,354
Inventories	2,217	2,003	2,404	3,753
Sundry Debtors	1,051	1,120	1,468	2,463
<b>Cash and Bank</b>	<b>3,531</b>	<b>2,498</b>	<b>2,204</b>	<b>7,866</b>
Loans and Advances	3,152	6,263	5,077	6,375
<b>Total Current Assets</b>	<b>9,951</b>	<b>11,884</b>	<b>11,153</b>	<b>20,457</b>
Current Liabilities	1,474	1,833	2,067	2,735
Provisions	544	602	882	1,087
<b>Total Current Liabilities</b>	<b>2,018</b>	<b>2,435</b>	<b>2,949</b>	<b>3,822</b>
<b>Net Current Assets</b>	<b>7,933</b>	<b>9,449</b>	<b>8,204</b>	<b>16,635</b>
Miscellaneous Expenses	3	828	188	3
<b>Total Assets</b>	<b>22,946</b>	<b>27,897</b>	<b>35,174</b>	<b>55,280</b>

### Financial Ratios

Description	FY08	FY09	FY10	FY11
P/E (x)	4.6	8.0	12.2	11.9
P/CEPS (x)	3.6	6.1	9.3	9.2
P/BV (x)	0.7	1.4	1.8	1.5
EV/EBITDA (x)	6.1	8.2	10.2	12.5
Diluted EPS (INR)	33.8	47.1	46.0	42.9
Dividend Per Share (INR)	5.1	5.0	5.2	5.4
Book Value (INR)	222.4	268.5	306.3	333.0
Dividend (%)	50.0	50.0	50.0	50.0
Net Sales Growth (%)	82.2	35.4	-2.3	6.1
EBIDTA Growth (%)	44.7	41.8	25.2	2.5
Net Profit Growth (%)	23.2	39.2	11.0	10.4
EPS Growth (%)	-11.8	39.4	-2.3	-6.6
EBIDTA Margin (%)	21.7	22.8	29.2	28.2
Net Profit Margin (%)	14.0	14.4	16.3	17.0
RoE (%)	19.8	19.2	16.9	14.5
ROCE (%)	5.1	6.3	6.5	4.2
Current Ratio	4.9	4.9	3.8	5.4
Debtors T/o (Days)	23.8	25.3	30.8	44.1
Creditors T/o (Days)	63.7	64.9	93.4	95.9
Inventory T/o (Days)	54.1	49.1	52.5	69.1
Fixed Asset T/o	1.1	1.2	1.2	1.2
Debt Equity Ratio (x)	1.1	1.1	1.0	1.5
Interest coverage Ratio (x)	7.2	4.9	5.7	9.6



## Prakash Industries Limited

Ratings			
LTP	49	Recomm.	Under Review
Target	-	Risk	HIGH

Bloomberg Consensus			
(BUY/HOLD/SELL)			07 / 00 / 00

Sensex	Nifty	BSE METALS
15,792	4,751	10,353

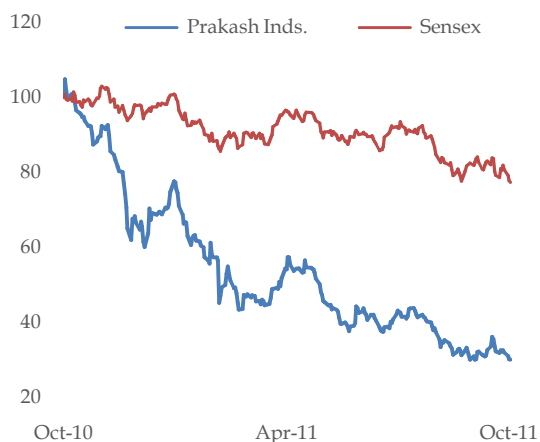
Codes			
BSE	NSE	Bloomberg	Reuters
506022	PRAKASH	PKIIB	PRKI.BO

	Sensex	PIL
52 Wk: Hi/Lo	21,109/15,745	175/48
Life High	21,207-Jan 08	255-Jan 08
P/E	17.39	2.44
P/BV	3.18	0.42
Dividend Yield (%)	1.60	2.05
Mkt Cap (INR Mn)	57,539,607	6,563
Equity (INR Mn)	-	1,344.9

Share Holding Pattern %		
	Mar-11	Jun-11
Foreign	12.77	11.54
Institutions	3.79	3.79
Corporate	21.37	21.20
Promoters	45.91	46.15
Public & Others	16.17	17.33

Returns %	Relative to		
	Abs Perf	Sensex	BSE MET
1 Month	-2.75	2.76	14.11
3 Months	-30.30	-14.55	1.43
1 Year	-69.89	-47.27	-28.83

### Relative Price Performance



Prakash Industries Limited (PIL) manufactures billets, wire rods and structural steel products and has a power capacity. Besides steel, the company also manufactures picture tubes and pipes.

### Key Takeaways

- Power Plant behind schedule:** PIL has been setting up a 625 MW power project; company expects the total capacity will be completed in FY16E, delayed by another 1.5 years, the first of 125MW (25MWx5) which was expected to come on June 2011 got partially delayed by another 6 month. Company's first 50MW (25MWx2) was started in June 2011 and the remaining 75MW (25MWx3) is expected to start by Oct, Nov, Dec 2011 respectively. Company has paid INR 2.5bn as advances to CETHAR, Siemens for BTG, The Phase II and III of 100MW each is waiting for coal mining linkage. Company's internal target is start phase II by Oct 2012 and March 2013.
- 4th 0.2MT DRI Kiln expected to start in Nov 2011:** Company's 4th kiln of 0.2MT is expected to start in Nov 2012 and is expected to start contributing from Q4FY12E.
- 0.3MT steel Plant going slow waiting for the metal market to recover:** Company's 0.3MT of capacity addition in steel segment has been put on hold to due to uncertain market conditions.
- Mining plan getting delayed:** The Company's mining plan has been getting delayed due to inordinate delays in regulatory approvals of the mines. While the Madanpur Chattisgarh mine and Kawardha Chattisgarh mine have received a no go, the remaining two mines i.e Sirkagutta Orissa and Fatehpur Chattisgarh will be operational in March 2012 and March 2014 respectively. (For details please refer page no. 13).
- High debt may put pressure on earning going ahead:** Currently PIL has total debt of INR 7.9bn which includes INR 4.4bn of long term debt and INR 3.5bn of outstanding FCCB, going ahead company will further raise INR 2.6bn through debt to fund its Power capex plan. We believe the increase in debt may put further pressure on company's earning through increased interest outgo.



## Outlook & Valuation

We believe PIL has been very slow on its capex front which may lead to increased project cost going ahead and an increase in interest outgo, At the LTP of INR 49/share, the stock trades at 3.5x FY12E and 2.6x FY13E earnings and on EV/EBITDA basis, it trades at 4.3x FY12E and 3.3x FY13E EBITDA (Bloomberg estimates).

## Current Capacity Details

Product	Capacity (tonne)
Sponge Iron	600,000
Liquid Metal	700,000
Steel (Structural / TMT)	300,000
Steel (Wire Rod)	450,000
Ferro Alloy	48,000
Power	146 MW

## Status of Captive Mines

Name	Grade	Reserve	Current Status
<b>Coal</b>			
Chotia-Chhattisgarh	Coal (B, C & D grade)	50 MMT	Running expect to increase 1.5MT from current level
Madanpur-Chhattisgarh	Coal (D & E grade)	50 MMT	No Go
Fatehpur-Chhattisgarh	Coal (E & F grade)	46 MMT	Oct-14
<b>Iron Ore</b>			
Kawardha-Chhattisgarh	Iron (65-66% Gr.)	75 MMT	No Go
Sirkagutta-Orissa	Iron (65-66% Gr.)	10 MMT	Mar-12

Source: Khandwala Research, Company



## Financial Summary

### Income Statement

Description (INR Mn)	FY08	FY09	FY10	FY11
Net Sales	12,537	15,256	15,677	16,641
Expenditures	9,692	12,219	12,152	13,262
<b>EBIDTA</b>	<b>2,845</b>	<b>3,038</b>	<b>3,525</b>	<b>3,379</b>
<i>EBIDTA Margins (%)</i>	<i>22.7</i>	<i>19.9</i>	<i>22.5</i>	<i>20.3</i>
Depreciation	477	425	568	673
<b>EBIT</b>	<b>2,369</b>	<b>2,613</b>	<b>2,957</b>	<b>2,707</b>
Interest	415	605	255	57
Other Income	38	40	30	87
<b>PBT</b>	<b>1,992</b>	<b>2,048</b>	<b>2,733</b>	<b>2,737</b>
Tax	4	6	71	65
<b>Net Profit after EI</b>	<b>1,987</b>	<b>2,042</b>	<b>2,662</b>	<b>2,672</b>
<i>Net Profit Margins (%)</i>	<i>15.9</i>	<i>13.4</i>	<i>17.0</i>	<i>16.1</i>

### Balance Sheet

Description (INR Mn)	FY08	FY09	FY10	FY11
Share Capital	1,155	1,155	1,217	1,345
Equity Share Warrants	341	214	652	-
Reserves	7,943	9,137	12,439	15,843
<b>Total Net Worth</b>	<b>9,439</b>	<b>10,505</b>	<b>14,308</b>	<b>17,188</b>
Secured Loans	3,561	2,593	1,030	3,291
Unsecured Loans	70	-	1,272	3,476
<b>Total Debt</b>	<b>3,631</b>	<b>2,593</b>	<b>2,301</b>	<b>6,766</b>
Deferred Tax	0	702	772	802
<b>Total Liability</b>	<b>13,070</b>	<b>13,801</b>	<b>17,381</b>	<b>24,756</b>
Net Block	7,769	8,872	10,747	10,462
Capital WIP	1,760	2,413	3,026	8,765
Investments	1	22	22	270
Inventories	986	820	1,019	1,624
Sundry Debtors	1,148	1,085	820	864
Cash & Bank	845	313	1,018	630
Loans and Advances	1,658	1,935	2,370	3,984
<b>Total Current Assets</b>	<b>4,637</b>	<b>4,153</b>	<b>5,226</b>	<b>7,102</b>
Current Liabilities	769	1,135	1,023	1,047
Provisions	535	715	781	1,292
<b>Total Curr. Liabilities</b>	<b>1,304</b>	<b>1,850</b>	<b>1,804</b>	<b>2,339</b>
<b>Net Current Assets</b>	<b>3,334</b>	<b>2,303</b>	<b>3,422</b>	<b>4,763</b>
Miscell. Exp. W.O	207	191	164	495
<b>Total Assets</b>	<b>13,070</b>	<b>13,801</b>	<b>17,381</b>	<b>24,756</b>

### Cash Flow Statement

Description (INR Mn)	FY08	FY09	FY10	FY11
Profit Before Tax	1,992	2,048	2,733	2,737
Add: Depreciation	477	425	568	673
Add: Interest	415	605	255	57
<b>CF from operations</b>	<b>2,883</b>	<b>3,077</b>	<b>3,555</b>	<b>3,467</b>
Change in WC	-349	499	-415	-1,729
Taxes	-4	-6	-71	-65
<b>Cash from Operations</b>	<b>3,236</b>	<b>2,585</b>	<b>4,041</b>	<b>5,261</b>
Capital Expenditures	-1,595	-2,181	-3,056	-6,127
Investments	-1	-21	-	-248
<b>Cash from Investing</b>	<b>-1,596</b>	<b>-2,202</b>	<b>-3,056</b>	<b>-6,375</b>
Inc./Dec in Debt	-1,341	-1,038	-292	4,465
Proceeds from Equity	864	-830	1,286	493
Interest	-415	-605	-255	-57
Others	707	574	-48	-586
<b>Cash from Financing</b>	<b>-184</b>	<b>-1,900</b>	<b>691</b>	<b>4,315</b>
Inc./Dec in Cash	1,457	-1,518	1,676	3,200
Opening Cash Balance	94	845	313	1,018
Closing Cash Balance	1,551	-673	1,989	4,218

### Financial Ratios

Description	FY08	FY09	FY10	FY11
EPS (Diluted) (INR)	17.2	17.7	21.9	19.9
CEPS (INR)	21.3	21.4	26.5	24.9
P/E (x)	2.8	10.0	3.8	4.2
P/CEPS (x)	2.3	8.3	3.1	3.3
Book Value (INR)	81.7	91.0	117.6	127.8
P/BV (x)	0.6	1.9	0.7	0.6
M Cap/Sales (x)	0.4	1.3	0.6	0.7
EV/EBIDTA (x)	2.9	7.5	3.2	5.1
EV/Sales (x)	0.7	1.5	0.7	1.0
EBIDTA Margins (%)	22.7	19.9	22.5	20.3
PAT Margins (%)	15.9	13.4	17.0	16.1
ROE (%)	21.1	19.4	18.6	15.5
ROCE (%)	19.1	20.6	16.3	9.7
Current Ratio (%)	3.6	2.2	2.9	3.0
Interest Coverage (x)	6.9	5.0	13.8	59.3
Debt/ Equity (x)	0.4	0.2	0.2	0.4



### KSL Ratings

**Target Price refers to one year unless specified; LTP: Last Trading Price**      **Company Risk is based on the systematic risk of the stock. (1-year Beta)**

**BUY:** Expected return >15%

**HIGH:** >1.2

**ADD:** Expected return 0-15%

**MEDIUM:** 0.8-1.2

**REDUCE:** Expected decline 0-15%

**LOW:** < 0.8

**SELL:** Expected decline >15%

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