

STEEL AUTHORITY OF INDIA

Numbers in line; future benefits priced in

India Equity Research | Metals and Mining

Steel Authority of India's (SAIL) Q1FY15 EBITDA of INR11.3bn (up 34% YoY) was in line with our expectation. Sales volume at 2.8mt (up ~5% YoY) and EBITDA/t at INR4.1k (up ~27% YoY) were broadly in line. Though realisation was ~5% higher than expected, it was completely offset by higher costs. PAT at INR5.3bn surpassed our INR2.1bn estimate led by lower depreciation, finance cost and tax rate. SAIL, in JV with RINL and NMDC, has acquired Rio Tinto's Mozambique coal mines for only USD50mn. However, operating costs are high at USD160/t compared to current realisation of only USD93/t. We estimate SAIL's FY16 sales volume to surge 25% and EBITDA/t to expand ~70% over FY14. However, we believe these positives are priced-in in the stock. We broadly retain estimates and maintain 'REDUCE' with target price of INR78.

EBITDA in line with expectation; per tonne margin surge

SAIL's Q1FY15 EBITDA at ~INR11.3bn (up 34% YoY, down ~10% QoQ) was broadly in line. Sales volume at 2.8mt (up ~5% YoY) and EBITDA/t at INR4.1k (up ~27% YoY) were also in line. Though realisation at INR41.1k/t was ~5% higher than expected, it was offset by higher costs. PAT at INR5.3bn was significantly higher than the estimated INR2.1bn led by lower depreciation, finance cost and tax rate.

Acquisition of Mozambique mine: Challenges of high cost

The company, in JV with RINL and NMDC, has acquired Rio Tinto's Mozambique coal mines (2mtpa washed coal production) for only USD50mn. However, operating costs are significantly high at USD160/t, partly due to high logistic expenses and wastage, compared to current realisation of only USD93/t. SAIL is hoping to reduce costs by USD30/t in 18 months and ramp up production to 5mtpa in 3 years.

Outlook and valuations: Expensive; maintain 'REDUCE'

All the expansion projects of SAIL, except that at Bhilai, are expected to be completed by FY15 and add 4.6mtpa capacity, leading to volume growth across FY15 and FY16. In FY16, we are assuming steel sales volume of 15.2mt (~25% growth over FY14) and EBITDA/t surge of ~70% over FY14 to INR5.8k/t led by firm domestic prices and soft coking coal prices. However, we believe these positives are priced in. We broadly retain estimates and maintain 'REDUCE/SU' with target price of INR78 based on 6.0x FY16E EV/EBITDA. At CMP, the stock trades at 7.4x FY16E EV/EBITDA.

Financials	(INRMn)							
Year to March	Q1FY15	Q1FY14	% change	Q4FY14	% change	FY14	FY15E	FY16E
Revenues	113,412	102,338	10.8	135,092	(16.0)	467,714	538,717	617,853
EBITDA	11,298	8,453	33.7	12,598	(10.3)	41,869	62,887	88,352
Net profit	5,299	4,509	17.5	4,526	17.1	16,574	24,712	33,848
Diluted EPS (INR)	1.3	1.1	17.5	1.1	17.1	4.0	6.0	8.2
Diluted P/E (x)						20.7	13.9	10.2
EV/EBITDA(x)						14.6	10.0	7.4
ROAE (%)						4.0	5.6	7.3

EDELWEISS 4D RATINGS	
Absolute Rating	REDUCE
Rating Relative to Sector	Underperformer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Equalweight

MARKET DATA (R: SAIL.BO, B: SAIL IN)

CMP	: INR 83
Target Price	: INR 78
52-week range (INR)	: 113 / 39
Share in issue (mn)	: 4,130.1
M cap (INR bn/USD mn)	: 344 / 5,620
Avg. Daily Vol.BSE/NSE('000)	: 6,595.6

SHARE HOLDING PATTERN (%)

	Current	Q4FY14	Q3FY14
Promoters *	80.0	80.0	80.0
MF's, FI's & BK's	10.8	10.9	10.6
FII's	5.9	5.9	6.3
Others	3.3	3.2	3.1
* Promoters pledged shares (% of share in issue)			NIL

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Metals and Mining Index
1 month	(8.2)	3.1	(0.9)
3 months	29.3	15.3	27.0
12 months	109.1	32.8	87.2

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Other key result highlights

Revenue beats estimates on better realisations

SAIL's revenue at ~INR113bn (up ~11% YoY, down ~16% QoQ) surpassed our estimated INR109bn due to higher-than-expected realisation. Sales realisation at INR41.1k/t rose by INR2.7k/t sequentially against our expectation of INR0.6k/t QoQ improvement. Sales volume at 2.8mt was broadly in line with our estimate.

Higher costs wipe off positive realisation impact

EBITDA at INR11.3bn (up 34% YoY, down ~10% QoQ) was broadly in line with our estimate despite better realisations owing to ~4% higher-than-expected total costs. All the cost line items surpassed estimates, barring staff cost. Power and fuel cost was the key negative surprise, which rose 15% YoY. EBITDA/t rose to INR4.1k (up 27% YoY, 14% QoQ) against expected INR4.0k. Depreciation and finance cost surprised positively, which were ~20% and ~35% below estimates, respectively. The positive surprise in depreciation was partly due to ~INR0.3bn reduction due to change in depreciation rates as per the new Companies Act. Tax rate came in 13.5% against our estimate of 25.0% (Q4FY14 actual at 25.3%). As a result, PAT at INR5.3bn (up 18% YoY, 17% QoQ) was significantly higher than estimated INR2.1bn.

Conference call: Key highlights

- **FY15 volume guidance revised up**
 - Management guided for FY15 sales volume of 14mt, implying incremental sales volume of 1.9mt YoY against earlier guidance of 1.3mt. We are assuming FY15 sales volume of 13.7mt.
 - In the past, SAIL has guided for incremental volume growth of ~2mt for both FY16 and FY17 and peak volume of 19mt (total) in FY18.
 - SAIL's finished steel inventory increased by 21kt. This may increase further in Q2FY15, but will decrease subsequently. Inventory at FY15 end is expected to drop YoY.
 - Production volume of ~211kt was lost during the quarter due to accidents and power disruptions. Bhilai steel plant suffered production loss of 159kt due to a major accident with disruption of 19-20 days in Q1FY15; overall, this plant produced ~1.1mt in Q1FY15, down from ~0.9mt in Q1FY14. Production of 39kt was lost due to power plant shutdown at Rourkela steel plant (RSP); similar issues at Durgapur caused a loss of another 12kt. However, overall production at RSP was up 20% YoY despite this setback.
 - The company lost profit of INR3,540mn (PBT level) due to this production loss.
 - Q1FY15 exports jumped to 118kt from 57kt in Q1FY14.
- **Project update: No incremental delays in key projects**
 - All the expansion projects, except that at Bhilai steel plant, are expected to be completed by FY15. This will include the finishing mills and will take finished steel capacity to 17.5mtpa by FY15E end from 12.9mtpa at FY14 end.
 - **RSP expansion update:** Finishing section of 1mtpa plate mill is expected to be completed by December 2014. As of now, only slabs are produced and sold from the ~2mtpa expansion.

- **IISCO expansion update:** New blast furnace of 2.8mtpa capacity targeted to be completed by October 2014 (no further delay).
 - SAIL has also started experiencing some benefits of the modernisation (being done concurrently with expansion). Bokaro steel plant's coke consumption rate has reduced by 100kg/tonne of hot metal (thm). The coal dust injection (CDI) has increased by 14% YoY to 54kg/thm which is expected to touch 80-100kg/thm at Rourkela plant.
 - Capex guidance for FY15 was retained at INR90bn. For FY14, capex was INR98.9bn. Most of the capitalisation will start from October 2014, leading to FY15 interest and depreciation of INR15.3bn and INR25.0bn, respectively (our assumptions are in-line with this).
- **Acquisition of Mozambique mines: Challenges of high cost**
 - The Mozambique coal mines of Rio Tinto (Rio Tinto Coal Mozambique) have been agreed to be acquired by International Coal Ventures (ICVL) for USD50mn on July 28, 2014 (announced on July 30, 2014). Rio Tinto had acquired these mines in 2011 at a valuation of ~USD4bn. An SPV has formed for this acquisition with equity ownership of 48% with SAIL, 26% with RINL and 26% with NMDC. This is expected to meet a part of the coking coal requirements of SAIL. However, this asset has challenges of high cost and severe logistic constraints. The transaction is expected to be completed in the next 2 months.
 - This business includes the Benga (65% ownership), Zambeze (100%) and Tete East (100%) coal mines. The key operational asset is the Benga coal mine. The mines are currently producing 5mtpa of raw coal equivalent to 2mtpa of washed coal. The balance 35% equity in the Benga coal mine is owned by Tata Steel which has 40% offtake rights. SAIL and RINL will together take the balance 60% coal in the ratio of their shareholding.
 - The key challenge is the high operational cost which is USD130/t on production volume basis and USD160/t on sales volume (both cost on CFR basis). The cost on sales volume is higher because the thermal coal mined has to be dumped. ICVL/SAIL is targeting to reduce this cost by USD30/t to USD130/t (CFR, on sales volume) in the next 18 months. One of the reasons for the high cost is the logistic constraint which raises the transportation cost. The railway line can transport only 5mtpa of coal for the entire region which includes Ed mines of Vale and Jindal Steel & Power.
 - SAIL is expecting current hard coking coal prices which are USD111-115/t FOB Australia to move up going forward and the Mozambique mines to breakeven in the next 18 months.
 - Coal will be bought from these mines at arm's-length price. Currently, Tata Steel which owns 40% of the Benga mine is buying at USD93/t, which is the prevailing market price, though it is clearly much below the operating cost. Similar price should be expected for sourcing by SAIL.
 - Availability of coking coal is a concern for the company. Coal India is not able to supply adequate quantity; hence imported coal proportion is going up. This can be

sourced from Mozambique mine once it ramps up. Imported coking coal proportion has increased to 85% from 75% earlier.

- Shipments from this mine are expected to start by December 2014. As NMDC does not require coking coal as of now, full production will be available for SAIL and RINL.
- Going forward, this business will require capex of USD700-800mn. This excludes logistics infrastructure cost which will be taken care of by the Mozambique government. ICVL/SAIL hopes to ramp up the production capacity to 12mtpa of raw coal equal to ~5mtpa of washed coal (SAIL's share: ~2.5mtpa) in the next 3 years.

- **Vision plan to expand to 50mtpa capacity; capex to start from FY17**

- SAIL has vision plan to increase hot metal capacity to 50mtpa by 2025 (post current expansion it would be 23mtpa). This will involve a total capex of INR2tn, including INR0.5tn on mining capex. It will be executed in 2 phases—Phase I to consist of expansion from 23mtpa to 35mtpa and Phase II to consist of expansion to 50mtpa.
- Durgapur steel plant expansion will be the first to be taken up as part of this vision. The capex will commence in FY17; total capex for FY17 expected to be INR80-90bn.

- **Other updates**

- Net debt at Q1FY15 end reduced to INR216.7bn from INR227.8bn at Q4FY14 end. This was partly due to reduction in sundry debtors by INR5.4bn.
- Flats realisation marginally dropped on sequential basis to INR36,070/t in Q1FY15, while longs realisation increased from INR37,360/t in Q4FY14 to INR38,093/t in Q1FY15. Longs realisations are declining from Q1FY15 levels due to increasing imports from China, while flat product prices are sustaining at July levels. SAIL sees the increasing longs imports as one-off and the import pressure to reduce going forward. Steel companies are lobbying with the government to impose import restrictions.
- The Bolani and Kalta iron ore mines in Odisha of SAIL have got express orders for restart from the Odisha government and the renewal conditions can be completed in the next 2 years, including the signing of mining lease. The renewal order for the Barsua mine is awaited.
- Iron ore consumption has dipped due to improvement in Fe content. SAIL also benefitted from reduction in royalty due to lower IBM prices. The company has sufficient iron ore inventory to take care of four weeks' consumption.
- Coking coal cost is expected to decline further in Q2FY15 by USD13/t. Average landed price of coking coal in Q2FY15 is expected to be ~USD150/t against Q1FY15 average of USD163/t (Q1FY14 cost was USD179/t). In addition, current freight cost from Australia to India has fallen and is currently USD10.5/t.
- Staff cost was higher YoY in Q1FY15 as wage revision with workers was finalised and ~50% payment was made in June.

- Power and fuel cost was higher due to increase in tariff of external power and higher freight cost on coal.
- Depreciation of INR0.3bn was written back during the quarter as the company increased life of a few assets.

Table 1: EBITDA/t rises ~27% YoY

	Q1FY15	Q1FY14	% change	Q4FY14	% change
Sales volume (mn tonne)	2.8	2.6	5.3	3.5	(21.5)
Net blended realisation	41,091	39,060	5.2	38,422	6.9
Raw material (INR/t)	15,880	15,482	2.6	17,786	(10.7)
Staff costs (INR/t)	8,908	8,759	1.7	7,169	24.3
Power & fuel (INR/t)	4,791	4,399	8.9	3,590	33.5
Other expenses (INR/t)	7,420	7,193	3.1	6,294	17.9
Total costs (INR/t)	36,998	35,833	3.3	34,839	6.2
EBITDA (INR/t)	4,094	3,226	26.9	3,583	14.2
EBITDA (USD/t)	68	58	18.8	58	18.1

Source: Company, Edelweiss research

Financial snapshot

(INR mn)

Year to March	Q1FY15	Q1FY14	% change	Q4FY14	% change	FY14	FY15E	FY16E
Net revenues	113,412	102,338	10.8	135,092	(16.0)	467,714	538,717	617,853
Dec/(inc) in stock	(439)	(6,110)	NA	14,240	NA	8,947	-	-
Raw material	44,267	46,673	(5.2)	48,296	(8.3)	192,711	220,550	243,611
Power and fuel	13,223	11,526	14.7	12,621	4.8	49,422	61,850	72,150
Staff costs	24,585	22,948	7.1	25,206	(2.5)	95,786	102,135	107,242
Other expenses	20,478	18,846	8.7	22,131	(7.5)	78,971	91,295	106,498
Total expenditure	102,114	93,885	8.8	122,494	(16.6)	425,844	475,830	529,501
EBITDA	11,298	8,453	33.7	12,598	(10.3)	41,870	62,887	88,352
Depreciation	4,080	3,929	3.8	5,163	(21.0)	17,167	25,018	32,127
Other income	1,958	2,603	(24.8)	1,751	11.8	7,629	7,962	7,821
Interest	3,050	1,918	59.0	3,126	(2.4)	9,676	14,550	20,927
Profit before tax	6,127	5,209	17.6	6,060	1.1	22,655	31,281	43,119
Tax	828	700	18.4	1,535	(46.0)	6,081	6,569	9,271
Core profit	5,299	4,509	17.5	4,526	17.1	16,574	24,712	33,848
Net profit	5,299	4,509	17.5	4,526	17.1	26,165	24,712	33,848
Equity capital (FV INR 10)	41,305	41,305		41,305		41,305	41,304	41,304
Diluted shares (mn)	4,130	4,130		4,130		4,130	4,130	4,130
Diluted EPS (INR)	1.3	1.1	17.5	1.1	17.1	4.0	6.0	8.2

As % of net revenues

Raw material	38.6	39.6		46.3		43.1	40.9	39.4
Employee cost	21.7	22.4		18.7		20.5	19.0	17.4
Stores & Spares (% of revenue)								
Power & fuel	11.7	11.3		9.3		10.6	11.5	11.7
Other expenses	18.1	18.4		16.4		16.9	16.9	17.2
EBITDA	10.0	8.3		9.3		9.0	11.7	14.3
Adjusted net profit	4.7	4.4		3.4		3.5	4.6	5.5
Tax rate	13.5	13.4		25.3		18.9	21.0	21.5

Company Description

Steel Authority of India (SAIL) is the second largest steel-maker in India and is one of the Government of India's 'Navratna' companies with saleable steel capacity of 12.9 mtpa. The company has the distinction of being India's largest producer of iron ore and of having the country's second largest mines network.

Ranked amongst the top ten public sector companies in India in terms of turnover, it produces both carbon and special steel for the construction, engineering, power, railway, automotive, and defense industries and benefits from 100% self-sufficiency in iron ore. The company enjoys a near-monopoly position in the lucrative market for rails and heavy plates in India.

Its units are located near iron ore and non-coking coal reserves, primarily in the eastern and central parts of the country.

Investment Theme

We expect SAIL's EBITDA/tonne to improve by FY16 led by lower coal/coke cost, rising volumes and realisations but the upsides on this account are already priced in. SAIL's brownfield expansion of ~7.5mtpa is expected to be completed in phases over FY15 and FY16. Significant benefit of this expansion and associated modernisation is expected in FY16.

Key Risks

- Lower than anticipated increase in staff, raw material and other operating costs
- Lower than anticipated volumes
- Deterioration in product mix

Financial Statements

Key Assumptions

Year to March	FY13	FY14E	FY15E	FY16E
Macro				
GDP(Y-o-Y %)	5.0	4.8	5.4	6.3
Inflation (Avg)	7.4	6.2	5.5	6.0
Repo rate (exit rate)	7.5	8.0	7.8	7.3
USD/INR (Avg)	54.5	60.5	58.0	56.0
Sector				
HRC price - Europe (ex-works,USD/t)	640	595	565	570
HRC price - India (net, INR '000/t)	35	37	37	38
Hard coking coal price (FOB, USD/t)	192	140	121	125
Soft coking coal price (FOB, USD/t)	129	128	102	106
India steel demand growth (%)	3	1	3	6
Company				
EBITDA / t (INR)	3,726	3,851	4,587	5,808
Volumes (mt)	11.1	12.2	13.7	15.2
Blended Realisation (INR/t)	40,139	39,868	39,291	40,619
Iron ore (cost/t)	1,464	1,610	2,080	1,904
Coking coal (cost/t)	11,386	9,637	8,198	8,144
Coke cost (cost/t)	21,027.6	19,412.5	16,515.2	16,406.0
Employee Cost (INR mn)	86,372	95,786	102,135	107,242
Other Assumptions				
Average Interest rate (%)	4.0	3.3	4.2	5.5
Average Depreciation rate (%)	3.5	3.5	4.0	3.8
Tax rate (%)	30.8	26.8	21.0	21.5
Dividend payout ratio (%)	34.4	49.8	33.4	24.4
Net borrowings (INR mn)	177,466	267,897	283,954	312,144
Capex (INR mn)	91,593	100,000	90,000	80,000
Debtor days	38	39	37	35
Inventory days	283	282	254	250
Payable days	62	59	59	79
Cash conversion cycle (days)	259	262	232	206

Income statement

(INR mn)

Year to March	FY13	FY14	FY15E	FY16E
Net revenue	445,983	467,714	538,717	617,853
Materials costs	211,985	192,719	220,550	243,611
Accretion to stock	(20,161)	8,947	-	-
Employee costs	86,372	95,786	102,135	107,242
Total SG&A expenses	73,336	78,971	91,295	106,498
Power and Freight	48,304	49,422	61,850	72,150
Total operating expenses	399,836	425,844	475,830	529,501
EBITDA	46,147	41,870	62,887	88,352
Depreciation and amortisation	14,030	17,167	25,018	32,127
EBIT	32,117	24,703	37,869	56,225
Other income	9,644	7,629	7,962	7,821
Interest expenses	7,477	9,676	14,550	20,927
Profit before tax	34,700	22,655	31,281	43,119
Provision for tax	10,703	6,081	6,569	9,271
Net profit	23,997	16,574	24,712	33,848
Profit After Tax	23,997	16,574	24,712	33,848
Profit after minority interest	21,704	26,165	24,712	33,848
Basic EPS (INR)	5.8	4.0	6.0	8.2
Shares outstanding (mn)	4,130	4,130	4,130	4,130
Diluted EPS (INR)	5.8	4.0	6.0	8.2
Dividend per share (INR)	2.0	2.0	2.0	2.0
Dividend payout (%)	34.4	49.8	33.4	24.4

Common size metrics

Year to March	FY13	FY14	FY15E	FY16E
Operating expenses	89.7	91.0	88.3	85.7
EBITDA margins	10.3	9.0	11.7	14.3
Net profit margins	5.4	3.5	4.6	5.5

Growth ratios (%)

Year to March	FY13	FY14	FY15E	FY16E
Revenues	(3.8)	4.9	15.2	14.7
EBITDA	(23.7)	(9.3)	50.2	40.5
Net profit	(36.9)	(30.9)	49.1	37.0

Balance sheet		(INR mn)			
As on 31st March	FY13	FY14	FY15E	FY16E	
Equity capital	41,305	41,305	41,305	41,305	
Reserves & surplus	368,941	385,358	410,700	435,129	
Shareholders funds	410,246	426,664	452,005	476,434	
Short term debt	80,150	106,345	80,150	80,150	
Long term debt	189,608	189,148	341,156	376,020	
Borrowings	269,759	295,493	421,306	456,170	
Deferred tax liability	17,286	20,405	17,286	17,286	
Sources of funds	697,291	742,561	890,597	949,890	
Tangible assets	152,346	246,136	427,233	635,106	
Intangible assets	15,428	15,428	15,428	15,428	
CWIP (incl. intangible)	358,909	342,649	232,649	72,649	
Total net fixed assets	526,683	604,212	675,309	723,182	
Non current investments	7,184	7,202	7,184	7,184	
Other non current assets	507	1,354	507	507	
Cash and equivalents	38,504	28,560	83,563	90,237	
Inventories	160,082	152,008	155,460	178,254	
Trade receivables	44,242	54,820	54,764	63,729	
Loans and advances	41,559	49,548	41,559	41,559	
Other current assets	23,426	21,915	23,426	23,426	
Total current assets (ex cash)	269,308	278,291	275,208	306,967	
Trade payable	33,220	32,053	39,499	66,512	
Others current liabilities	111,674	145,005	111,674	111,674	
Total current liabilities &	144,894	177,058	151,173	178,186	
Net current assets (ex cash)	124,414	101,233	124,035	128,781	
Uses of funds	697,291	742,561	890,597	949,890	
Book value per share (INR)	99.3	103.3	109.4	115.3	

Free cash flow		(INR mn)			
Year to March	FY13	FY14	FY15E	FY16E	
Net profit	21,704	26,165	24,712	33,848	
Depreciation	14,064	16,356	25,018	32,127	
Others	10,061	18,626	14,550	20,927	
Gross cash flow	45,829	61,147	64,280	86,902	
Less: Changes in WC	21,784	(16,194)	15,815	4,746	
Operating cash flow	24,045	77,341	48,464	82,156	
Less: Capex	91,593	100,000	90,000	80,000	
Free cash flow	(67,548)	(22,659)	(41,536)	2,156	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted PE (X)		EV/EBITDA (X)		ROAE (%)	
		FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Steel Authority of India	5,620	13.9	10.2	10.0	7.4	5.6	7.3
Cia Siderurgica Nacional SA	6,961	23.8	22.2	6.7	7.2	7.7	11.7
Hyundai Steel Co	8,719	11.2	10.5	9.0	8.5	5.9	6.1
JFE Holdings Inc	12,247	11.3	9.6	8.0	7.6	6.9	6.8
POSCO	27,609	15.2	11.3	8.4	7.7	4.3	5.5
ThyssenKrupp AG	15,807	47.8	17.4	6.8	5.6	11.6	18.8
Median	-	14.5	10.9	8.2	7.6	6.4	7.1
AVERAGE	-	20.5	13.5	8.3	7.4	7.0	9.4

Source: Edelweiss research

Cash flow metrics				
Year to March	FY13	FY14	FY15E	FY16E
Operating cash flow	24,045	77,341	48,464	82,156
Investing cash flow	(66,415)	(100,000)	(90,000)	(80,000)
Financing cash flow	34,083	99,637	9,617	4,517
Net cash flow	(8,288)	76,978	(31,918)	6,674
Capex	(91,593)	(100,000)	(90,000)	(80,000)
Dividends paid	(9,913)	(9,419)	(9,419)	(9,419)

Profitability & efficiency ratios

Year to March	FY13	FY14	FY15E	FY16E
ROAE (%)	5.9	4.0	6.0	8.2
ROACE (%)	4.9	3.5	4.7	6.2
Inventory day	283	282	254	250
Debtors days	38	39	37	35
Payable days	62	59	59	79
Cash conversion cycle (days)	259	262	232	206
Current ratio	2.1	1.7	2.4	2.2
Debt/EBITDA	5.8	7.1	6.7	5.2
Debt/Equity	0.7	0.7	0.9	1.0
Adjusted debt/equity	0.7	0.7	0.9	1.0

Operating ratios

Year to March	FY13	FY14	FY15E	FY16E
Total asset turnover	4.0	4.1	4.8	4.9
Fixed asset turnover	2.6	2.2	1.5	1.1
Equity turnover	1.1	1.1	1.2	1.3

Valuation parameters

Year to March	FY13	FY14	FY15E	FY16E
Diluted EPS (INR)	5.8	4.0	6.0	8.2
Y-o-Y growth (%)	(36.9)	(30.9)	49.1	37.0
CEPS (INR)	9.8	5.8	12.0	16.0
Diluted PE (x)	14.3	20.7	13.9	10.2
Price/BV (x)	0.8	0.8	0.8	0.7
EV/Sales (x)	1.2	1.3	1.2	1.1
EV/EBITDA (x)	12.5	14.6	10.0	7.4
Dividend yield (%)	2.4	2.4	2.4	2.4

Additional Data

Directors Data

C S Verma	Chairman	Devinder Kumar	Company Secretary
Deepak Nayyar	Director(PartTime NonOfficial)	A K Goswami	Director(PartTime NonOfficial)
Jagdish Khattar	Director(PartTime NonOfficial)	Subrata Chaudhuri	Director(PartTime NonOfficial)
Shuman Mukherjee	Director (Commercial)	P C Jha	Director(PartTime NonOfficial)
P K Sengupta	Director(PartTime NonOfficial)	Upendra Prasad Singh	Director (Govt.)
Anil Kumar Chaudhary	Director (Finance)	Isher Judge Ahluwalia Isher Judge Ahluwalia	Director(PartTime NonOfficial)
Sujit Banerjee	Director(PartTime NonOfficial)	Arun Kumar Srivastava	Director(PartTime NonOfficial)
S S Mohanty	Director (Technical)	H S Pati	Director (Personnel)
T S Suresh	Director(Proj. & Busi. Plann.)	A K Pandey	Director(Raw Material & Logi.)
E K Bharat Bhushan	Director (Govt.)		

Auditors - O P Totla & Co, S K Mittal & Co, Tej Raj & Pal

**as per last annual report*

Holding - Top 10

	Perc. Holding		Perc. Holding
Life Insurance Corp. of India	7.86	Capital International, Inc.	0.62
The Vanguard Group, Inc.	0.49	HDFC Asset Management Co. Ltd.	0.27
Massachusetts Financial Services Co.	0.27	Norges Bank Investment Management	0.24
ICICI Prudential Asset Management Co. Ltd.	0.22	Dimensional Fund Advisors LP	0.20
APG Asset Management NV	0.17	Mellon Capital Management Corp.	0.15

**as per last available data*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Bhushan Steel	HOLD	SP	M	Coal India	HOLD	SU	M
Hindalco Industries	BUY	SO	M	Hindustan Zinc	BUY	SO	L
Jindal Steel & Power	HOLD	SP	M	JSW Steel	BUY	SO	H
NMDC	BUY	SO	M	Sesa Sterlite	BUY	SO	M
Steel Authority of India	REDUCE	SU	M	Tata Steel	BUY	SO	M
Usha Martin	BUY	SP	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s): Metals and Mining

Bhushan Steel, Coal India, Hindalco Industries, Hindustan Zinc, Jindal Steel & Power, JSW Steel, NMDC, Steel Authority of India, Sesa Sterlite, Tata Steel, Usha Martin

Recent Research

Date	Company	Title	Price (INR)	Recos
07-Aug-14	Hindalco Industries	Novelis - Margins set to rise; <i>Result Update</i>	189	Buy
07-Aug-14	Jindal Steel & Power	Standalone business shines; <i>Result Update</i>	274	Hold
01-Aug-14	JSW Steel	Rising margin; <i>Result Update</i>	1,169	Buy

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	151	44	9	205
* 1 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	144	56	5	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

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