3 April 2021

Update | Sector: Metals

JSW Steel

BSE SENSEX	S&P CNX
50,030	14,867

Bloomberg	JSTL IN
Equity Shares (m)	2,417
M.Cap.(INRb)/(USDb)	1229.4 / 16.8
52-Week Range (INR)	513 / 133
1, 6, 12 Rel. Per (%)	25/51/179
12M Avg Val (INR M)	2683

Financials & Valuations (INR b)

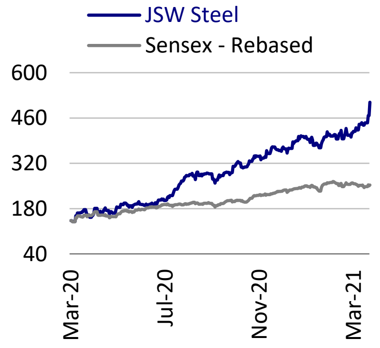
Y/E March	2021E	2022E	2023E
Sales	780.8	1,056.2	1,095.2
EBITDA	194.5	301.0	288.3
Adj. PAT	75.6	149.3	142.5
Adj. EPS (INR)	31.5	62.2	59.4
EPS Gr. (%)	248.7	97.4	-4.5
BV/Sh. (INR)	181.7	238.4	288.7
RoE (%)	18.9	29.6	22.5
RoCE (%)	8.9	14.2	12.4
Payout (%)	7.4	4.0	11.0
Valuations			
P/E (x)	16.1	8.2	8.6
P/BV	2.8	2.1	1.8
EV/EBITDA (x)	9.6	6.0	5.9
Div. Yield (%)	0.4	0.4	1.0

Shareholding pattern (%)

As on	Dec-20	Sep-20	Dec-19
Promoter	44.1	44.1	42.3
DII	6.8	6.4	4.6
FII	13.8	13.9	18.3
Others	35.3	35.7	34.8

FII Includes depository receipts

Stock performance (one-year)



CMP: INR509 TP: INR610 (+20%) Buy

Remains the best volume play in the sector

Raise FY22E/FY23E EBITDA by 21%/23% on better price outlook

We are raising our FY22-23E EPS for JSW Steel (JSTL) by 42-48% to factor in improved Steel price outlook and accretion from the acquired assets of Bhushan Power and Steel (BPSL). We reiterate a Buy on JSTL as the best play on volume growth in the Indian Steel sector. Over FY21-23E, we estimate 16% volume CAGR (excluding BPSL), which should drive 22%/37% EBITDA/EPS CAGR. We also estimate net debt to fall by 26% over FY21-23E to INR483b (1.7x FY23E EBITDA) despite an ongoing capex program to expand its upstream and downstream Steel capacities.

Dolvi expansion to drive strong volume growth

- We expect the 5mtpa Dolvi expansion, which is expected to be completed in 1QFY22, to add 2.1/4mt to JSTL's volumes in FY22E/FY23E, factoring in 50%/80% capacity utilization. This should help JSTL achieve above industry volume growth of 22%/11% in FY22E/FY23E, implying 16% CAGR.
- Given a strong Steel cycle, we expect realization to remain high in the medium term, which, coupled with a 16% volume CAGR, should boost EBITDA by 22% CAGR over FY22-23E. Every INR1,000/t increase in Steel prices improves JSTL's FY22E EBITDA by 5%.
- Completion of downstream capacities at Vijaynagar, Vasind, and Tarapur would improve JSTL's product mix and realization.

BPSL acquisition to be EPS accretive

- BPSL's acquisition has been completed at an opportune time as the Steel cycle is looking strong, which should help earn a post-tax RoCE of ~13% on the investment. Based on the acquisition cost of INR193.5b, we estimate a reasonable 6.4x implied FY22E EV/EBITDA.
- The acquisition has been done through Piombino Steel (PSL), which raised INR86.1b from the JSW group (INR50.9b from JSTL and INR35.2b from JSW Shipping & Logistics Pvt) through a combination of equity and convertible debt. The balance INR100.8b was raised through short-term debt repayable in Mar'22.
- Post implementation of the resolution plan to acquire BPSL, JSWSL converted its debt into equity, thereby raising its stake in PSL to 51%. As a result, JSTL's stake in PSL has been reduced to 49%. JSTL holds optionally convertible debentures in PSL which can later be converted to equity to make PSL (and BPSL) a subsidiary of JSTL. For the time being, BPSL will thus be classified as an associate and its share of profit/(loss) will be added to the consolidated PAT of JSTL.
- We expect the ~3mtpa (operating ~2.7mtpa) BPSL asset to generate an EBITDA of INR30.3b/INR32.1b in FY22E/FY23E, based on an EBITDA/t of ~INR12,100 – ~INR3,000/t lower than JSTL's own operations due to a weaker volume mix.

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- After providing for interest cost, depreciation, and nil tax (due to accumulated tax losses), we expect BPSL to report a FY22E/FY23E PAT of INR14.0b/INR15.8b. Of this, JSTL's share (based on 49% stake) would be INR6.9b/INR7.8b in FY22E/FY23E. We estimate this to result in an increase of ~3% in consolidated EPS of JSTL.
- We expect JSTL to convert the debt given to PSL into equity over the next 2-3 years, thereby raising its stake above 50% and later merge BPSL with itself. Besides increasing its volume market share, merger of BPSL with JSTL would result in tax synergies as BPSL has large accumulated tax losses.

Cash flows to take care of capex and debt reduction

- Expected robust EBITDA in FY22E/FY23E would take care of JSTL's high planned capex and aid deleveraging. Of the INR487b mega capex that JSTL unveiled in FY17, INR166b is expected to be spent over FY22-23E on various remaining projects.
- Despite higher capex, we expect JSTL to generate FCF of INR266b in FY22-23E, which should aid debt reduction by INR173b, or 26%, to INR483b by FY23E.

Valuation is reasonable

- JSTL trades at FY22E EV/EBITDA of 6x, which is a 20% discount to its past five-year average of 7.4x. On a FY22E P/BV basis, it trades at 2.1x, which is a 20% premium to its past five-year average of 1.75x. This we believe is justified given its improving RoE profile – 30% in FY22E as against its last five-year average of 18%.
- We value JSTL at 6.5x FY22E EV/EBITDA and its investment in BPSL at 1x P/B to arrive at our TP of INR610. Reiterate **Buy.**

Play on volume growth

Expansion to drive growth

We see JSTL as a play on volume growth as:

1) Completion of Dolvi expansion would help JSTL achieve 16% volume CAGR over FY22E-23E, best in the industry,
2) Merger of BPSL, when it happens (we expect it by FY24E), would further add volumes of ~3mt (~13% of FY22E capacity).
3) New downstream capacities to be commissioned over the next 12 months would increase market share of value added Steel (color coated, galvanized etc.).

We are positive on the Steel price outlook as global demand is on an upsurge led by a stimulus-led recovery post the COVID-19 pandemic and higher sea-borne iron ore prices. Higher Steel prices and spreads, coupled with strong volumes, should drive 22%/37% CAGR in consolidated EBITDA/PAT over FY22-23E. Over FY21-23E, we expect deleveraging by INR173b, or 26%, despite higher capex spends.

Raise our FY22E/FY3E EBITDA estimate by 21%/23%

We are raising our FY22E/FY23E realization and volume assumption, which is driving an increase in our EBITDA estimate by 21%/23%. Increase in our EPS estimate is even higher (42-48%) due to financial leverage and additional EPS contribution from the acquired BPSL's assets. At the same time, we have raised our TP by 37%.

Exhibit 1: Change in estimates

	Revised		Old		Change (%)	
INR b	**FY22E**	**FY23E**	**FY22E**	**FY23E**	**FY22E**	**FY23E**
Standalone						
Volumes (mt)	18.1	20.0	18.5	20.0	-2.3	0.0
Realization (INR/t)	52,446	48,956	48,513	45,264	8.1	8.2
EBITDA (INR/t)	15,140	13,297	12,465	10,772	21.5	23.4
Consolidated						
Revenue	1,056	1,095	1,005	1,021	5.1	7.2
EBITDA	301	288	248	233	21.3	23.5
Adjusted PAT	149	143	105	96	41.6	47.9
Net debt	**582.6**	**482.9**	**578.3**	**527.0**	**0.7**	**-8.4**
Target price (INR/share)	**610**		**435**		**40.1**	

Source: MOFSL

Spot steel price implying a significant upside

- Every INR1,000/t increase in Steel prices improves JSTL's FY22E EBITDA/EPS by 5%/6%. At the same time, valuations rise by 8%.
- If we assume spot Steel prices will sustain in FY22E, it would imply an upside of 35%/51% to our Base case EBITDA/valuation to INR922 per share.

Exhibit 2: JSTL's sensitivity to steel prices

	Current estimate		+INR1,000/t		At spot prices	
INR b	**FY21E**	**FY22E**	**FY22E**	**Change. %**	**FY22E**	**Change. %**
Realization (INR/t)	46,739	52,446	53,446	2	59,446	13
EBITDA (INR/t)	12,651	15,140	15,990	6	20,940	38
Revenue	781	1,056	1,074	2	1,183	12
EBITDA	194	301	316	5	406	35
PAT	76	149	158	6	219	46
Net debt	656	583	572	-2	514	-12
TP (6.5x FY22E EV/EBITDA)		610	656	8	922	51

Source: MOFSL

Dolvi commissioning in 1QFY22 to…

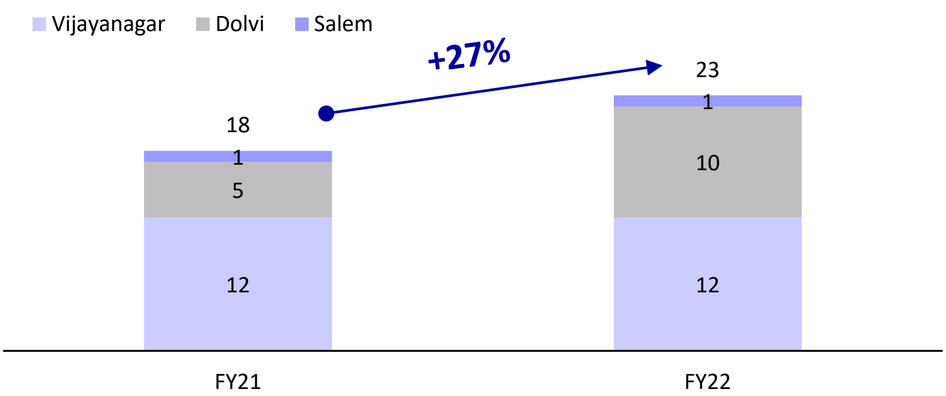
JSTL's 5mtpa upstream expansion at Dolvi is nearing completion and is expected to be integrated and stabilized in 1QFY22. JSTL informed that it has commenced first production from its new Hot Strip Mill facility at Dolvi. Post Dolvi expansion, JSTL's Steel-making capacity would increase to 23mtpa. Below is the table summarizing various projects along with their capacity and timeline for completion:

Exhibit 3: Dolvi expansion facilities

	Capacity (mt)	Timeline
Upstream		
Blast furnace	4.50	1QFY22
Steel melting shop	5.00	1QFY22
Hot strip mill	5.00	1QFY22
Pellet plant	5.00	1QFY22
4x600 TPDs of LCPs		
Auxiliary projects		
Coke oven	1.5	2HFY21
Power plant (WHRS)	175	2HFY21
Captive Power plant	60	2HFY21

Source: Company, MOFSL

Exhibit 4: JSTL's capacity post Dolvi expansion to become 23mt



Source: Company, MOFSL

Exhibit 5: Status of JSTL's downstream projects

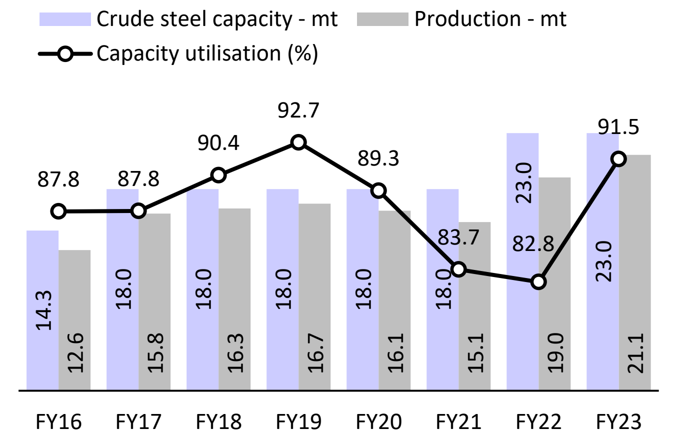
	Capacity (mtpa)	Timeline
Product mix enhancement projects		
Vijaynagar - CRM complex expansion to 1.85mtpa from 0.85mtpa		
Continuous pickling line for auto (HRPO products)	1.20	1QFY20
Construction grade galvanized products	0.90	3QFY21
Color coated products	0.30	2HFY21
Vasind/Tarapur		
GI/GL capacity	0.90	2HFY21
Color coated capacity	0.30	2HFY21
New capacity or modernization-cum-capacity		
Color coating line at Vijaynagar	0.30	not defined
Pre-Painted Galvalume line at Kalmeshwar	0.22	2HFY21
Tinplate capacity at Tarapur	0.25	not defined
Continuous annealing line in Vasind	0.50	not defined
Color coated line at Rajpura	0.25	not defined

Source: Company, MOFSL

...boost volumes at 16% CAGR over FY22-23E

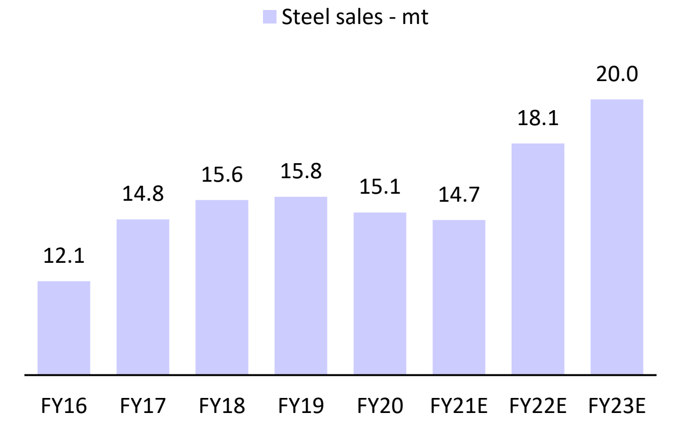
With a normalization in steel demand, we expect JSTL's utilization of existing capacity to improve to ~90% in FY22E. This, coupled with additional volumes from Dolvi, would drive ~22%/11% volume growth in FY22E/FY23E to 18.1mt/20mt, implying ~16% CAGR over FY21-23E.

Exhibit 6: Capacity utilization to improve



Source: Company, MOFSL

Exhibit 7: Volumes to grow ~16% CAGR over FY22-23E



Source: Company, MOFSL

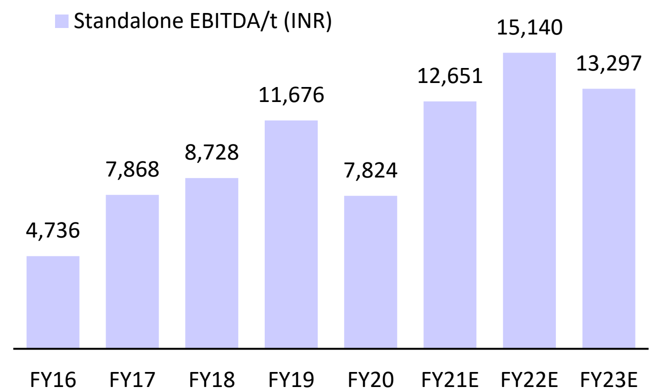
Strong EBITDA generation to drive FCF

Volume growth and pricing strength to drive 22% EBITDA CAGR over FY21-23E

Robust domestic demand and higher regional Steel prices have led to a 20% rise in domestic HRC prices over 3QFY21 to a record high of INR55,500/t. India HRC prices are currently trading at a discount of INR9,000/t to imports from Korea, which further raises the possibility of price hikes of at least INR5,000/t in Apr'21.

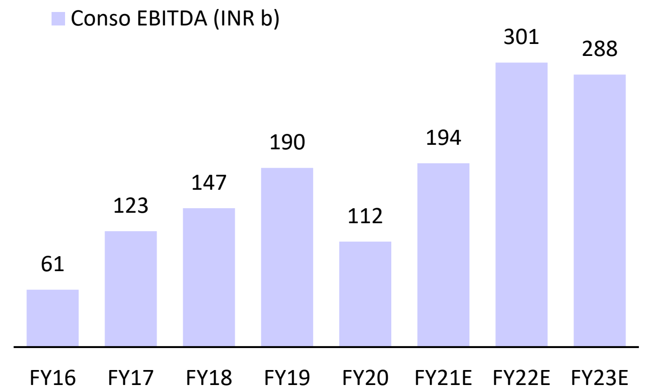
We conservatively factor ~13% discount in FY22E realization to the spot price. We also assume higher coking coal prices (USD150/t CNF India) in FY22E and FY23E. We have factored in a 6% lower realization in FY23E. As a result, we estimate EBITDA/t of INR15,140/INR13,297 in FY22E/FY23E. We also expect JSTL's overseas subsidiaries to improve in FY22E. Even with these conservative assumptions, we estimate consolidated EBITDA to grow at 22% CAGR to INR288b over FY21-23E. A INR1,000/t change in price boosts JSTL's EBITDA by 5%.

Exhibit 8: Even on conservative estimates, EBITDA/t…



Source: Company, MOFSL

Exhibit 9: …and EBITDA to remain strong in FY22-23E



Source: Company, MOFSL

Despite higher capex spend in FY22-23E…

JSTL is currently implementing its announced mega capex plan of INR487b in FY18-22E. Of this, INR239b was already spent till FY20. During FY21, the management guided at a capex spend of INR90b (including INR8b towards mining capex). The balance unspent capex of INR166b would be spent over FY22-23E. We have factored in a capex of INR100b/INR90b in FY22E/FY23E.

Exhibit 10: JSTL's capex spending plan over FY18-22E

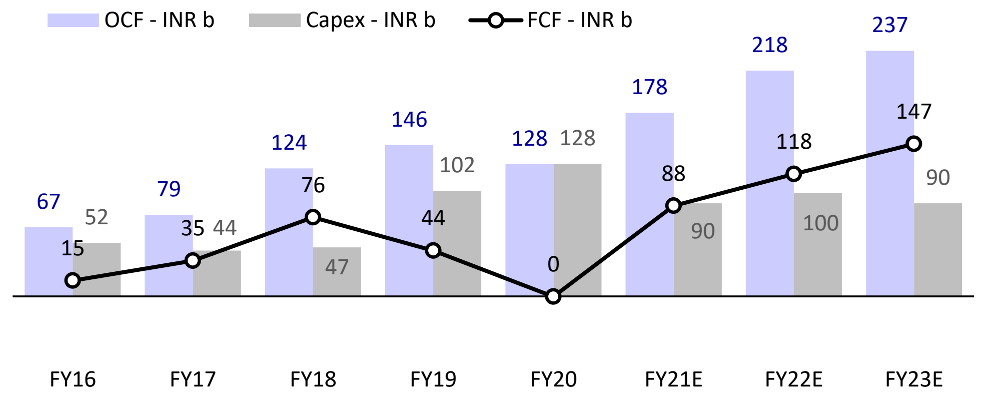
Capex plan	INR b
A. Announced capex plan over FY18-22	487.2
B. Capex spent till FY19	137.3
C. Capex spent in FY20	102.0
D. Capex spent till FY20 (B+C)	239.3
E. Capex plan for FY21 (excluding mining capex)	82.0
F. Capex to be spent over FY22-23 (A-D-E)	165.9

Source: Company, MOFSL

...FCF generation will remain strong, which in turn...

Despite higher capex spends in FY22-23E, FCF generation is likely to remain high on the back of robust EBITDA and higher operating cash flows. We expect operating cash flows of INR218b/INR237b in FY22E/FY23E, which should generate an FCF of INR118b/INR147b in FY22E/FY23E (v/s INR88b in FY20).

Exhibit 11: JSTL's FCF to remain strong over FY22-23E



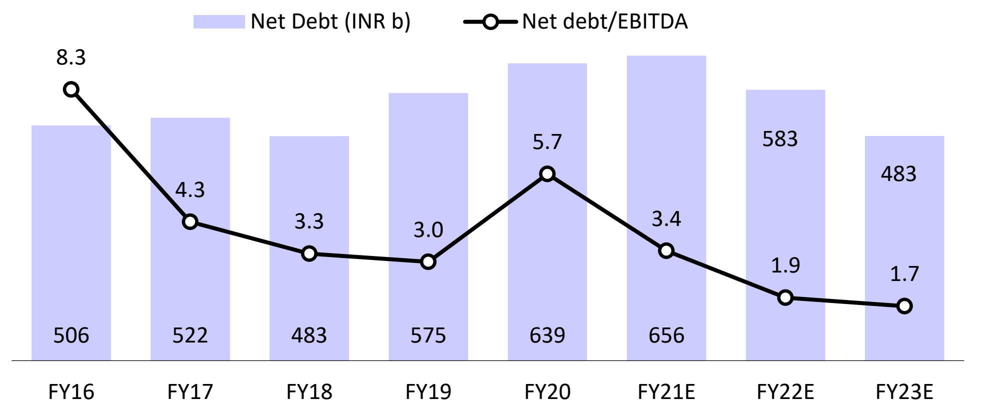
Source: Company, MOFSL

...should aid deleveraging

We estimate JSTL's net debt to have peaked out in FY21E at INR656b. We expect net debt to reduce by INR73b/INR100b (11%/15%) in FY22E/FY23E to INR483b. Net debt/EBITDA would remain comfortable at 1.9x in FY22E.

We have not factored in the merger of BPSL with JSTL as it is currently an associate with 49% stake. BPSL has a short-term debt of INR108b, which needs to be refinanced by Mar'22E. As a result, the merger of BPSL into JSTL, whenever it happens, would increase the latter's consolidated debt.

Exhibit 12: JSTL's net debt to decline by ~26% over FY21-23E



Source: Company, MOFSL

Insights into the BPSL deal

Details of the transaction

- BPSL's assets have been acquired through PSL, a wholly-owned subsidiary of JSTL. PSL raised INR86.1b through: a) INR50.9b in the form of equity and convertible securities from JSTL, b) issuance of convertible securities to JSWSL, and c) debt.
- PSL invested INR85.5b in Makler Pvt (a SPV) through equity and convertible instruments. The SPV availed short-term loans and pursuant to implementation of the resolution plan made a payment of INR193.5b to BPSL and merged with the latter. As a result, PSL holds 100% stake in BPSL.
- JSWSL has exercised an option to convert its debt into equity, resulting in 51% stake in PSL. As a result, JSTL's stake has reduced to 49%.
- An investment of INR50.9b in PSL would be shown as an investment in the books of JSTL and would increase its debt by a similar amount.

Details of BPSL's assets

- BPSL has nameplate capacity of 3mtpa and is currently operating at a capacity of 2.7mt. It has the ability to produce both flat and long Steel products. It also has downstream capacity in Kolkata and Chandigarh.
- It achieved a revenue of INR91.1b/INR86.3b in FY19/FY20.
- It has an undeveloped iron ore mine in Odisha – Netrabandha, which it acquired for a premium of 87.1% in CY17 and having reserves of 82mt. Currently, it is procuring ~0.35mt of iron ore per month, of which 0.2mt is sourced from JSTL's mines in Odisha.
- The plant's facilities include eight DRI kilns of 500tpd, blast furnace, captive power plant, coke oven plant, sinter plant, oxygen plant, and lime and dolomite plant.
- Product profile includes HRC, CRC, galvanized sheets, coated products, etc.

Valuation

- The acquisition cost of INR193.5b works out to ~INR70b/mt, which is at a 10-20% premium to the replacement cost of the asset.
- We expect BPSL to clock Base case EBITDA/t of ~INR12,100 in FY22E, implying an EBITDA of INR30.3b (at 2.5mt) and EV/EBITDA of 6.4x for the deal.

BPSL deal to be EBITDA accretive for JSTL

We expect BPSL to generate a revenue of INR114b/INR119b over FY22-23E, factoring in volumes of 2.5m/2.7mt. Under our Base case assumption, we expect it to generate EBITDA/t of INR12,100/INR11,900 in FY22E/FY23E and EBITDA of INR30.3b/INR32.1b. After providing for interest cost and depreciation, we expect a PAT of INR14.0b/INR15.9b in FY22E/FY23E. Of this, JSTL's share stands at INR6.8b/INR7.8b in FY22E/FY23E. After providing for interest on JSTL's capital infusion into PSL, the former's net profit works out to INR2.8b/INR3.7b in FY22E/FY23E, implying an EPS of INR1.1/INR1.5. The deal is expected to result in an EPS accretion of 2%/3% in FY22E/FY23E.

Supreme Court judgment still awaited

There is a caveat in the BPSL deal which can reverse the transaction in case there is an adverse SC judgment in the Enforcement Directorate's (ED) plea seeking to attach its assets to recover dues under the Prevention of Money Laundering Act.

Exhibit 13: Projected Income Statement for BPSL

INR b	FY22E	FY23E
Volumes (mt)	**2.5**	**2.7**
Revenue	114.4	118.8
Realization (INR/t)	*46*	*44*
EBITDA	30.3	32.1
EBITDA (INR/t)	*12*	*12*
Depreciation	5.85	5.85
EBIT	24	26
Finance cost	10.5	10.5
PBT	14	16
Tax	0	0
PAT	14	16
Share of JSTL	7	8
Calculation of Return on Investment		
Equity infused	85	85
Short-term debt	108	108
Capital employed	193	193
RoCE (%)	13%	14%
RoE (%)	16%	19%

Source: MOFSL

Exhibit 14: Deal valued at a 10-20% premium to the replacement cost of the asset

INR m	FY22E	FY23E
Consideration paid	193.5	193.5
Capacity (mt)	2.75	2.75
EBITDA	30.3	32.1
EV/EBITDA	6.4	6.0
EV/mt	70.4	70.4

Source: MOFSL

Exhibit 15: BPSL deal to result in 2-3% EPS accretion over FY22E-23E

INR m	FY22E	FY23E
Capital infused by JSTL	50.9	50.9
Interest cost to JSTL on above funds at 8% p.a. (A)	4.1	4.1
JSTL's share of PAT in BPSL (B)	6.8	7.8
Net benefit from BPSL post interest (B-A)	2.8	3.7
No. of equity shares in JSTL	2.4	2.4
Incremental EPS from BPSL (INR/share)	1.1	1.5
JSTL's consolidated EPS	62.2	59.4
EPS accretion (%)	1.8	2.6

Source: MOFSL

Valuation and view

- **16% volume CAGR over FY21-23E:** With the expected commissioning of Dolvi in 1QFY22E, we expect JSTL to achieve above industry (16%) volume CAGR to 20mt. With the completion of downstream projects, the company's product mix is likely to improve significantly.
- **EBITDA to grow at 22% CAGR over FY21-23E:** We expect JSTL's EBITDA to grow by 22% CAGR over FY21-23E to INR288b, supported by favorable pricing and 16% volume CAGR. A INR1,000/t change in realization improves EBITDA/TP by 5%/8%.
- **Debt to remain comfortable in FY22-23E:** We expect JSTL's net debt to have peaked out in FY21. Despite higher capex in FY22, we expect net debt to decline by ~26% over FY21-23E to INR483b. Deleveraging should accelerate post FY22 as capex ends and invested projects start generating cash flows. Net debt/EBITDA is expected to remain comfortable at 1.9x in FY22E (v/s 5.7x in FY20).
- **Valuation:** We reiterate **Buy** with a SoTP-based TP of INR610 per share, based on 6.5x FY22E EBITDA and 1x book value for investment in BPSL. At the CMP, the stock trades at a reasonable 6x FY22E EV/EBITDA for the Steel business.

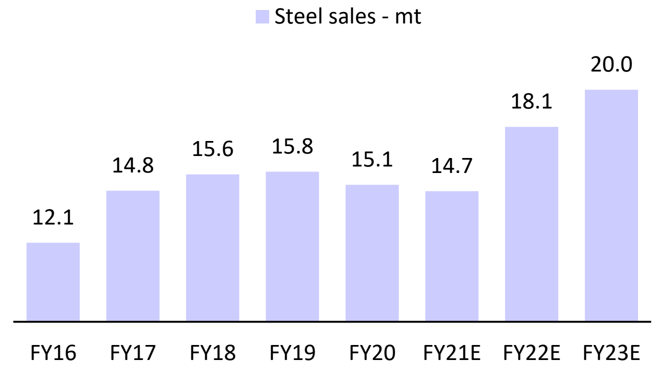
Exhibit 16: Target price calculation

Y/E March	FY20	FY21E	FY22E
A. Standalone volumes	15.1	14.7	18.1
B. EBITDA per tonne	7,824	12,651	15,140
C. Standalone EBITDA (AxB)	118.0	186.6	273.8
D. Subsidiary EBITDA	-6.4	7.9	27.2
E. Consolidated EBITDA (C+D)	112	194	301
F. Target EV/EBITDA (x)			6.5
G. Target EV (FxG)			1,963
Less: Net debt (INR m)	639	656	568
Add: Non-current investments including BPSL (at book value)			68
Equity value			1,463
No. of shares			2.4
Equity value/share			**610**

Source: MOFSL

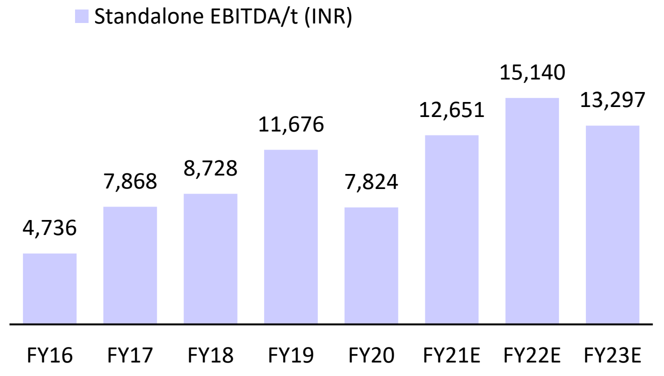
Story in charts

Exhibit 17: Around 16% YoY volume CAGR over FY21-23E…



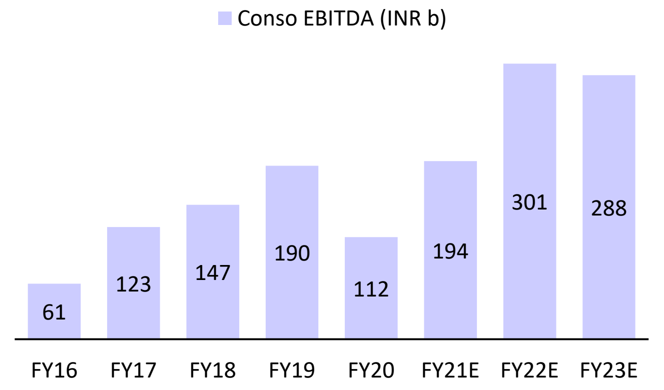
Source: Company, MOFSL

Exhibit 18: …with strong EBITDA margin should drive…



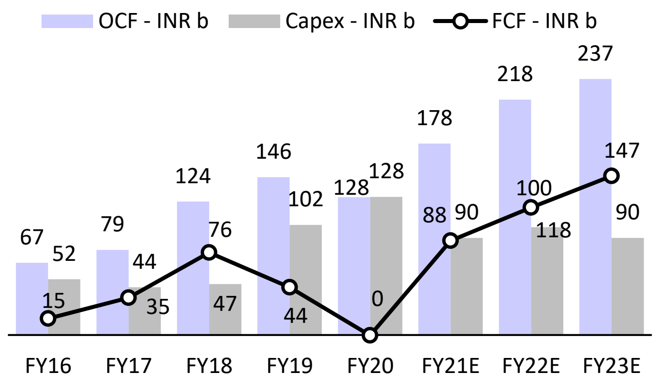
Source: Company, MOFSL

Exhibit 19: …~22% CAGR in consolidated EBITDA to INR288b and…



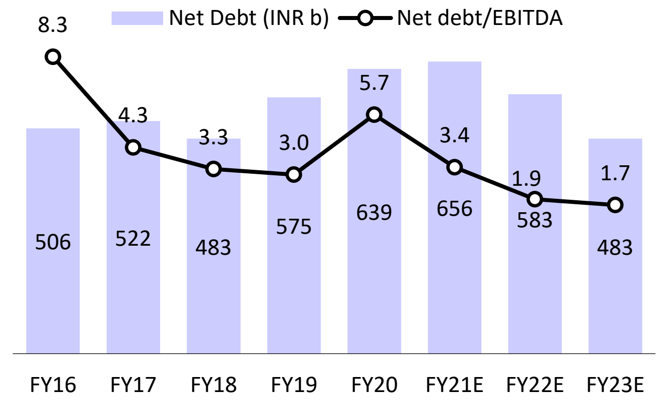
Source: Company, MOFSL

Exhibit 20: …result in higher FCF generation…



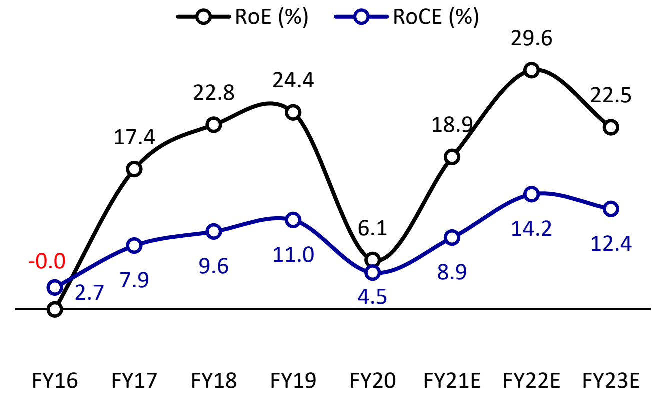
Source: Company, MOFSL

Exhibit 21: …leading to a decline in leverage



Source: Company, MOFSL

Exhibit 22: Return ratios to improve



Source: Company, MOFSL

Financials and valuations

Income Statement (Consolidated)							(INR b)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Net sales	**556.0**	**700.9**	**847.6**	**726.1**	**780.8**	**1,056.2**	**1,095.2**
Change (%)	32.8	26.0	20.9	-14.3	7.5	35.3	3.7
Total Expenses	433.4	554.0	658.1	614.5	586.3	755.2	806.9
EBITDA	**122.6**	**146.9**	**189.5**	**111.6**	**194.5**	**301.0**	**288.3**
% of Net Sales	22.0	21.0	22.4	15.4	24.9	28.5	26.3
Depn. and Amortization	35.2	33.9	40.4	42.5	46.9	53.4	60.9
EBIT	**87.4**	**113.0**	**149.1**	**69.1**	**147.6**	**247.6**	**227.4**
Net Interest	37.7	37.0	39.2	42.7	39.1	46.3	41.3
Other income	1.5	1.7	2.0	5.5	5.9	6.0	6.0
PBT before EO	**51.3**	**77.7**	**112.0**	**31.9**	**114.4**	**207.2**	**192.2**
EO income		5.7		20.6	1.6		
PBT after EO	**51.3**	**83.4**	**112.0**	**52.5**	**116.0**	**207.2**	**192.2**
Tax	16.7	22.7	36.4	12.4	39.6	66.3	58.9
Rate (%)	32.6	27.2	32.5	23.7	34.2	32.0	30.7
Reported PAT	**34.5**	**60.7**	**75.5**	**40.1**	**76.4**	**140.9**	**133.3**
Minority interests	0.1	1.0	1.2	1.1	0.5	0.5	0.5
Share of Associates	1.2	0.4	-0.3	-0.9	-0.2	7.8	8.8
Preference dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. PAT (after MI and Asso.)	**35.8**	**57.9**	**76.4**	**21.7**	**75.6**	**149.3**	**142.5**
Change (%)	NA	61.9	31.8	-71.6	248.7	97.4	-4.5

Balance Sheet							(INR b)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21E**	**FY22E**	**FY23E**
Share Capital	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Reserves	224.1	277.6	345.6	363.6	433.6	569.7	690.5
Net Worth	**226.5**	**280.0**	**348.0**	**366.0**	**436.0**	**572.1**	**692.9**
Minority Interest	-2.5	-4.6	-4.5	-5.8	-5.8	-5.8	-5.8
Total Loans	540.2	496.5	638.0	759.4	709.4	659.4	559.4
Deferred Tax Liability	29.9	25.6	37.8	16.8	33.2	58.1	78.6
Capital Employed	**794.1**	**797.4**	**1,019.2**	**1,136.4**	**1,172.8**	**1,283.8**	**1,325.0**
Gross Block	663.8	688.2	775.0	810.9	890.9	1,140.9	1,240.9
Less: Accum. Deprn.	76.5	109.7	148.5	191.0	237.9	291.3	352.2
Net Fixed Assets	**587.3**	**578.5**	**626.4**	**619.9**	**653.1**	**849.7**	**888.7**
Capital WIP	43.6	59.5	118.9	271.9	281.9	131.9	121.9
Investments	10.7	11.6	18.1	12.6	78.5	78.5	78.5
Curr. Assets	**238.5**	**270.2**	**384.5**	**413.8**	**334.8**	**425.7**	**441.6**
Inventory	114.0	125.9	145.5	138.6	128.3	181.0	195.0
Account Receivables	41.5	47.0	71.6	45.1	42.8	57.9	60.0
Cash and Bank Balance	17.9	13.8	62.7	120.1	53.7	76.8	76.5
Others	65.2	83.4	104.8	110.0	110.0	110.0	110.0
Curr. Liability and Prov.	**85.9**	**122.3**	**128.8**	**181.8**	**175.5**	**201.9**	**205.7**
Account Payables	38.5	69.1	59.3	81.2	74.9	101.3	105.0
Provisions and Others	47.5	53.2	69.5	100.6	100.6	100.6	100.6
Net Current Assets	**152.5**	**147.8**	**255.8**	**231.9**	**159.3**	**223.7**	**235.9**
Appl. of Funds	**794.1**	**797.4**	**1,019.2**	**1,136.4**	**1,172.8**	**1,283.8**	**1,325.0**

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Basic (INR)							
EPS	**14.9**	**24.0**	**31.8**	**9.0**	**31.5**	**62.2**	**59.4**
Cash EPS	29.0	39.2	48.3	34.4	51.4	81.0	80.9
BV/Share	94.4	116.2	145.0	152.5	181.7	238.4	288.7
DPS	0.8	2.3	3.3	4.1	2.0	2.0	5.2
Payout (%)	6.1	11.3	12.2	55.1	6.3	3.2	8.8
Valuation (x)							
P/E		19.5	14.8	52.0	16.1	8.2	8.6
Cash P/E		12.0	9.7	13.7	9.9	6.3	6.3
P/BV		4.0	3.2	3.1	2.8	2.1	1.8
EV/Sales		2.3	2.0	2.4	2.4	1.7	1.6
EV/EBITDA		11.0	9.0	15.8	9.6	6.0	5.9
Dividend Yield (%)		0.5	0.7	0.9	0.4	0.4	1.0
Return Ratios (%)							
EBITDA Margin (%)	22.0	21.0	22.4	15.4	24.9	28.5	26.3
Net Profit Margin (%)	6.4	8.3	9.0	3.0	9.7	14.1	13.0
RoE	17.4	22.8	24.4	6.1	18.9	29.6	22.5
RoCE (pre-tax)	7.9	9.6	11.0	4.5	8.9	14.2	12.4
RoIC (pre-tax)	8.5	10.6	13.0	6.0	13.3	18.9	14.9
Working Capital Ratios							
Fixed Asset Turnover (x)	0.8	1.0	1.1	0.9	0.9	0.9	0.9
Asset Turnover (x)	0.7	0.9	0.8	0.6	0.7	0.8	0.8
Debtor (Days)	27	24	31	23	20	20	20
Inventory (Days)	75	66	63	70	60	60	65
Creditors (Days)	25	36	26	41	35	35	35
Working Capital (Days)	77	54	68	52	45	45	50
Leverage Ratio (x)							
Current Ratio	2.8	2.2	3.0	2.3	1.9	2.1	2.1
Interest Coverage Ratio	2.3	3.1	3.8	1.6	3.8	5.3	5.5
Debt/Equity	2.3	1.7	1.7	1.7	1.5	1.0	0.7

Cash Flow Statement (Consolidated) **(INR m)**

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
EBITDA	122.6	146.9	189.5	111.6	194.5	301.0	288.3
Non cash exp. (income)	-2.7	2.3	-1.1	11.4	0.0	0.0	0.0
(Inc.)/Dec. in Working. Cap.	-38.7	-11.0	-15.8	16.4	6.2	-41.3	-12.5
Tax Paid	-2.4	-14.4	-26.3	-11.6	-23.2	-41.4	-38.4
CF from Op. Activity	**78.9**	**123.8**	**146.3**	**127.9**	**177.5**	**218.3**	**237.4**
(Inc.)/Dec. in FA + CWIP	-44.4	-47.4	-102.1	-128.1	-90.0	-100.0	-90.0
(Pur.)/sale of Invest.	-2.9	0.1	2.5	0.9	0.0	0.0	0.0
Acquisition in subs.	-1.5	-3.6	-14.3	1.0	-65.9	0.0	0.0
Int. and Dividend Income	1.2	1.3	1.6	5.1	5.9	6.0	6.0
Others	0.5	0.6	-2.2	-74.7	0.0	0.0	0.0
CF from Inv. Activity	**-47.1**	**-49.0**	**-114.5**	**-195.9**	**-150.0**	**-94.0**	**-84.0**
Equity raised/(repaid)	0.0	-0.3	-1.5	0.1	0.0	0.0	0.0
Debt raised/(repaid)	10.8	-39.9	66.5	110.8	-50.0	-50.0	-100.0
Dividend (incl. tax)	-2.2	-6.6	-9.3	-12.0	-4.8	-4.8	-12.5
Interest paid	-35.7	-35.1	-38.2	-47.0	-39.1	-46.3	-41.3
Other financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from Fin. Activity	**-27.1**	**-81.9**	**17.5**	**51.9**	**-93.9**	**-101.1**	**-153.7**
(Inc.)/Dec. in Cash	**4.7**	**-7.1**	**49.4**	**-16.1**	**-66.4**	**23.1**	**-0.3**
Add: opening Balance	7.3	17.9	13.8	62.7	120.1	53.7	76.8
Regrouping etc.	5.9	3.0	-0.4	73.5	0.0	0.0	0.0
Closing Balance	**17.9**	**13.8**	**62.7**	**120.1**	**53.7**	**76.8**	**76.5**

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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