

**BSE SENSEX** 60,301  
**S&P CNX** 17,814

**CMP: INR81**

**TP: INR85 (+5%)**

**Neutral**



### Stock Info

Bloomberg	SAIL IN
Equity Shares (m)	4130
M.Cap.(INRb)/(USD b)	335.5 / 4.1
52-Week Range (INR)	99 / 64
1, 6, 12 Rel. Per (%)	-7/1/-21
12M Avg Val (INR M)	1937
Free float (%)	35.0

### Financials Snapshot (INR b)

Y/E MARCH	2023E	2024E	2025E
Sales	1,045	961	972
EBITDA	84	111	115
Adj. PAT	20	42	48
EBITDA Margin (%)	8	12	12
Cons. Adj. EPS (INR)	5	10	12
EPS Gr. (%)	-84	114	15
BV/Sh. (INR)	134	142	152

### Ratios

Net D:E	0.4	0.4	0.2
RoE (%)	4	7	8
RoCE (%)	6	9	9
Payout (%)	42	20	17

### Valuations

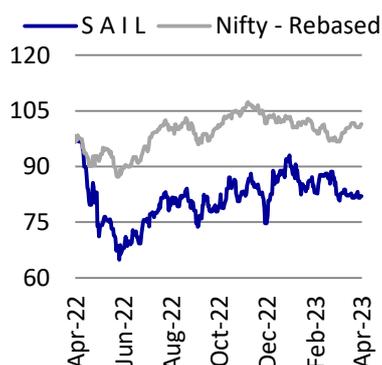
P/E (x)	17.1	8.0	6.9
P/BV (x)	0.6	0.6	0.5
EV/EBITDA(x)	6.8	4.9	4.3
FCF Yield (%)	-15.6	14.1	18.5

### Shareholding pattern (%)

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

FII Includes depository receipts

### Stock Performance (1-year)



## Robust domestic demand to drive growth

- SAIL, one of the largest steel manufacturers in India with an annual capacity of ~21mt is all set to capture the growing steel demand amid expansion in infrastructure and construction.
- SAIL has five integrated steel plants at Bhilai, Durgapur, Rourkela, Bokaro and IISCO (Burnpur) along with three special steel plants at Salem, Durgapur and Bhadravati (Visvesvaraya) and one ferroalloy plant at Chandrapur.
- SAIL offers an entire gamut of steel products across flats, longs and semis with strong focus on value added products (VAP). The share of VAP stands at around 53% of the total volumes.
- SAIL has strong iron ore linkages and the entire iron ore requirement is met by captive mines, which ensure adequate supply of key raw materials.
- SAIL is the largest supplier of rails to Indian Railways. Between Apr '22 and Mar '23, SAIL has already produced ~1.4mt of railway materials (~9% of the total volumes).
- Post rollback of export duty in Nov '22, steel prices have seen an improvement. Due to weaker global offtake and multiple long holidays across key steel consuming economies, the prices have remained range bound over the last few weeks. However, we expect the steel demand to normalize and pick up before the monsoon in May-June '23 as construction and infrastructure sector picks pace.
- SAIL is currently operating at near capacity and though there is no major capex lined up for the next couple of years, SAIL is undertaking various initiatives which will enhance its product mix and help the company achieve full capacity utilization. The next phase of growth will take the current capacity to 33mt by FY31-32 and SAIL plans to commence this mega project by setting up a flat steel capacity at IISCO followed by Bokaro, Rourkela and Bhilai.
- SAIL is expected to post a crude steel production of 17.5-18mt and sales of 16.5-17mt in FY24.
- While SAIL is well placed, the stock trades at 4.9x FY24E EV/EBITDA and appears to be fully priced in. We reiterate our Neutral rating on the stock with a target price of INR85 (5x FY24E EV/EBITDA).
- Key downside risks: Some of the iron ore mines are nearing the end of their lifespan and if SAIL is unable to develop new mines, it will face supply constraints and would have to depend on external sources. Additionally, SAIL imports coking coal and any sudden increase in its prices could adversely impact the company's margins.

## Next leg of capex to drive growth

- SAIL is currently ramping up its capacity to full utilization and plans to undertake various initiatives, which will enhance the production and also enrich the product mix, thereby, driving the realizations in the near term.
- SAIL is setting up casters at Bhilai and Rourkela, which will increase the crude steel capacity by 1.2mt in the near term.
- Durgapur has a higher share of semis and SAIL is gradually shifting its focus to finished steel, thereby, enhancing the realizations and margins from the Durgapur facility.

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

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

### **Robust domestic demand augurs well for SAIL**

- India is one of the few countries whose crude steel production has improved 4.5% YoY to ~125mt in FY23.
- India is all set to increase its crude steel capacity to 300mt by FY31, providing significant headroom for growth in steel consumption in India.
- The government's strong push on infrastructure, housing, and construction, along with improved demand for auto and renewables (RE) is expected to drive the domestic demand for steel.
- SAIL has a strong focus on the domestic market (~97% of the volumes sold in domestic market) and is expected to gain from the rising domestic demand.

### **Preferred steel supplier to Indian Railways**

- India boasts the largest rail network in Asia and the second largest in the world (under one management) and has a total track length of 128,305kms.
- SAIL is the preferred supplier of rails, forged steel wheels, axle and flange beam to Indian Railways.
- SAIL has developed multiple products such as R-260 grade E-1 rails, WAG9 locomotive wheels, WDG-4 locomotive wheels and LHB Axle. These specialized products has helped SAIL cater to the entire demand for steel tracks from Indian Railways and have also helped to substitute imports of forged steel wheels, thereby, further supporting the government's Atmanirbhar initiative.
- With strong presence across value chain, SAIL has become one of the preferred and leading suppliers to Indian Railways.
- The approval process by Indian Railways is quite stringent and time consuming, acting as an entry barrier to other steel manufacturers, thereby, providing a competitive edge to companies such as SAIL.
- SAIL has already submitted a pricing request for 1.1mt (FY22) and the benefit for the same will accrue in FY23-24. FY23 pricing request will be submitted post AGM.

### **Strong iron ore linkages in place to ensure seamless steel production**

- SAIL has strong iron ore linkages, which ensure adequate raw material supply. SAIL has India's second largest mines network with multiple captive iron ore mines across Jharkhand, Odisha and Chhattisgarh.
- 100% of the iron ore requirements are met via captive mines, which ensure adequate and timely supply of key raw materials.
- SAIL is facing a near-term challenge as the Dalli-Rajhara group of iron ore mines (Chhattisgarh) which supply iron ore to the Bhilai steel plant is nearing the end of its lifespan, with only 4-5 years of supply remaining. If SAIL is unable to develop the Rowghat iron ore mine (new project at Chhattisgarh) within the anticipated timelines, SAIL would face a shortage of raw materials at the Bhilai steel plant.
- SAIL has not received any regulatory approval from the Jharkhand state government to clear ~30-32mt of low grade iron fines lying across different captive mines. In order to tackle the issue, SAIL plans to set up a beneficiation facility which will utilize this low grade iron fines in its own manufacturing facilities. This will help the company cater to the dual problem of clearing ideal inventory and improving the quality of fines, thereby, enhancing the overall productivity.

### Setting up of coal linkages

- Around 10% of the total coal requirement is met via captive mines and SAIL relies on the imports for its coal requirements.
- Currently, SAIL imports coal from Australia, USA, and Indonesia and also has been procuring from its own coal mines (under JV) in Mozambique.
- Coking Coal prices have cooled off after touching a high of over USD400/t in 4QFY23 and are currently trading below USD275/t. This provides a cushion to the company's margins. However, since SAIL imports majority of its coal, any sharp price increase as seen in the past or any fluctuations in forex could adversely impact the margins of the company.
- SAIL is developing Tasra Coking coal mine (Jharkhand) with an annual production capacity of 4mt. Once operational, it will help SAIL reduce its dependence on imports.

### Strong focus on value-added production

- SAIL offers an entire gamut of products mix across flats, long, and semis such as HRC, CRC, railway products, structural steel, wheels and axles, electrical steel, pipes, stainless steel, GP, etc.
- Around 53% of the volumes are contributed by flat products, 34% by long products and the rest by semis.
- JSTL is gradually increasing the capacity in downstream capabilities, producing VAP and specialized products which further enhance margins.
- VAP contributes around 53% of the volumes and SAIL is targeting to keep the share of VAP over 50%.
- Over the last few years, SAIL has developed over 100 new products, catering to various sectors such as roads, railways, metros, oil & gas, irrigation, agriculture, refineries, airports, ports, etc.

### Steel prices set to rise as demand improves

- Post reopening of China and the rollback of export duty in Nov '22, steel prices have improved. Though the steel prices have been range bound over the last few weeks due to multiple long holidays in key steel consuming economies, the domestic steel prices are expected to remain fairly stable on the back of strong infrastructure push by the government, driving the steel demand.
- Domestic steel prices have a strong correlation to international prices and if international steel prices increase in May-June '23, we expect domestic steel prices to follow suit.
- We expect the steel demand to normalize and pick up before the monsoon in May-June '23 as construction and infrastructure sector picks pace.
- Coking coal, one of the key raw materials, has corrected over USD125/t in the last one month. The recent price correction in coking coal should provide relief to SAIL, which rely on imported coal. Even if the steel prices and coking coal prices remain range-bound at current levels, it should benefit SAIL by improving its margins.

### Valuations

- We expect the pickup in domestic demand to support volumes and correction in coal prices should see margins improve in the near term.
- SAIL is trading at 4.9x our FY24E EV/EBITDA and we believe the current valuation is fully priced in. We reiterate our Neutral rating on the stock with a target price of INR85 (5x FY24E EV/EBITDA).

- **Key downside risks** - Some of the iron ore mines are nearing the end of their lifespan and if SAIL is unable to develop new mines, it will face supply constraints and would have to depend on external sources. Additionally, SAIL imports coking coal and any sudden increase in its prices could adversely impact the company's margins.

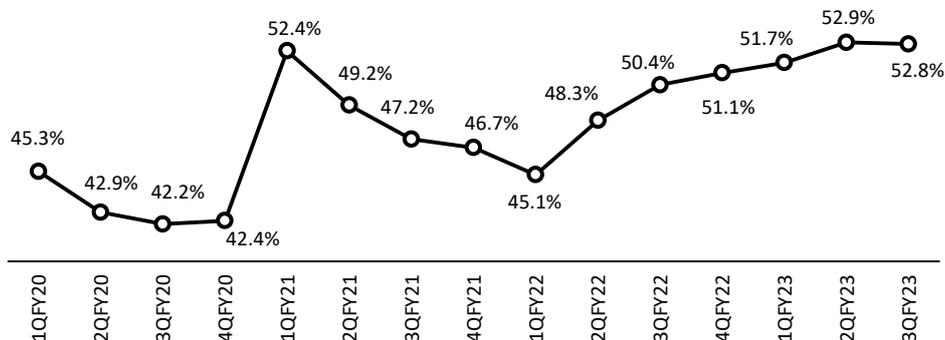
### Exhibit 1: Strong presence across eastern India

Plant Location	Current crude steel capacity(mt)	Products
Bhilai, Chhattisgarh	7.0	Rails, Long Rails, Blooms, Billets, Slabs, Channels, Joists, Angles, TMT Rebars, Wire Rods, Crane Rails, Plates, Pig iron and Coal Chemicals
Durgapur, WB	2.2	Blooms, Billets, Joists, Narrow Slabs, Channels, Angles, TMT Rebars, Wheels & Axles, Pig iron and Coal Chemicals
Rourkela, Odisha	4.2	Plate Mill Plates, HR Plates, HR Coils, Slabs, CR Sheet/ Coil, Galvanised Sheets, ERW Pipes, Spiral Weld pipes, CRNO, Pig iron and Coal Chemicals
Bokaro, Jharkhand	4.7	HRC, Slabs, Plates, CRC, GP Sheets. coils, Galvanealed Steel, HRPO, Pig iron and Coal Chemicals
Burnpur, WB (IISCO)	2.5	Wire rods, Bars & Rebars, Joists, Channels, Angles, Blooms, Billets, Universal & Special section Pig iron and Coal Chemicals
Salem, Tamil Nadu	0.3	CR Stainless Steel, HRC & Stainless Steel Products, Micro-Alloyed Carbon Steel
Durgapur, WB (ASP)	-	Alloy Steel Squares & Rounds, Wear Resistant Plates, Forgings, Carne Wheels, Forged Rolls/ Plates, Special Quality Slabs and Stainless steel slabs
Bhadravati, Karnataka	-	High Quality Rolled & Forged Alloy & Special Steel Products
Chandrapur, Maharashtra	0.1	Ferro-Manganese and Silico-Manganese
<b>Total</b>	<b>21.0</b>	

Source: Company, MOFSL

- SAIL is undertaking various initiatives to increase its capacity utilization and enrich its product mix.
- SAIL is setting up casters at Bhilai and Rourkela, which will increase the crude steel capacity by 1.2mt in the near term.
- SAIL is also shifting its focus from semis to finished steel at the Durgapur facility, which will enhance the realizations and margins.
- SAIL will undertake the next leg of capex starting with IISCO plant, which will take the total capacity to 33mt by FY31-32.

### Exhibit 2: Share of VAP in total sales



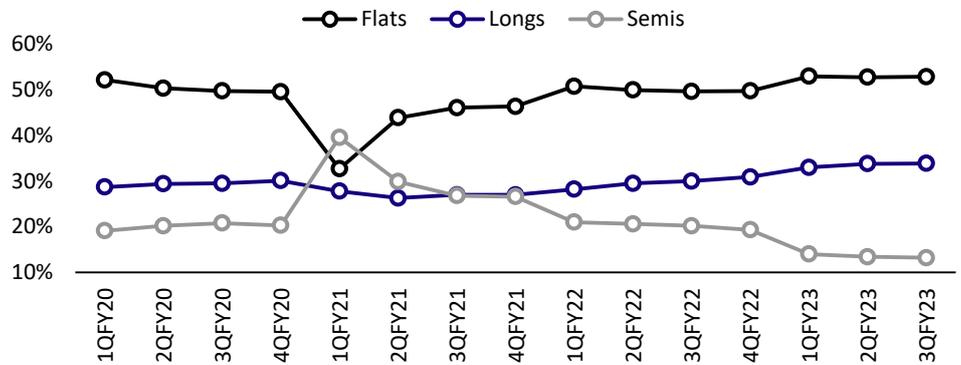
Source: Company, MOFSL

- As the share of semis is gradually decreasing, SAIL has been registering higher sales from VAP in the recent quarters as compared to pre-Covid times.
- Over years, SAIL has increased its exposure toward VAP across EWN (electrode Quality), MIG for continuous welding in auto segment, Cable Armour Quality for electrical segment, different grades of high carbon Wire rod coils for different

applications, such as umbrella ribs, cycle spokes, spring used in machines tools, tyre-beads, etc.

- SAIL is gradually increasing its volumes from downstream capabilities, producing VAP and specialized products which further enhance margins.

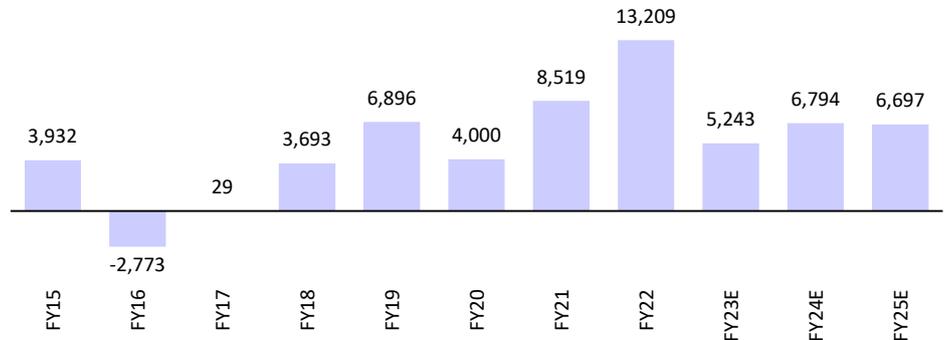
**Exhibit 3: Share of flats, longs, and semis in total production**



Source: Company, MOFSL

- SAIL has continuously increased contribution from flats and longs and the share of semis has been gradually decreasing QoQ.
- As the share of semis goes down, SAIL would be able to increase the volumes of VAP in flats and longs, driving the margins further.

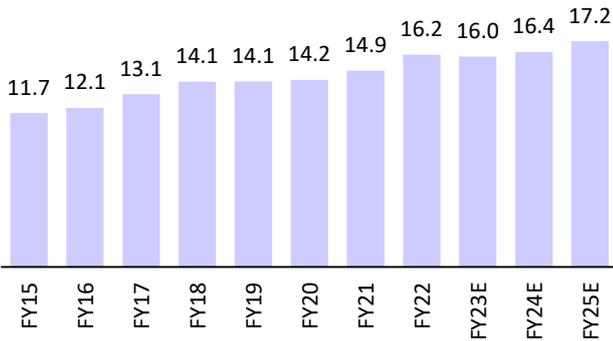
**Exhibit 4: We expect EBITDA/t to bottom out in FY23**



Source: Company, MOFSL

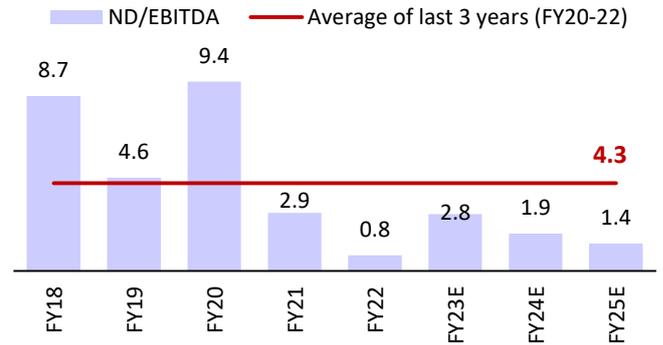
- Going forward, we expect EBITDA/t to bottom out in FY23 and expect the same to stabilize at ~INR6,700-6,800/t, which is higher than average EBITDA/t, which was observed before Covid.
- The next leg of capex, which will increase the capacity and help enriching the product mix will drive the EBITDA/t in the coming years.

**Exhibit 5: Sales volume(mt) is expected to surpass 17mt by FY25E**



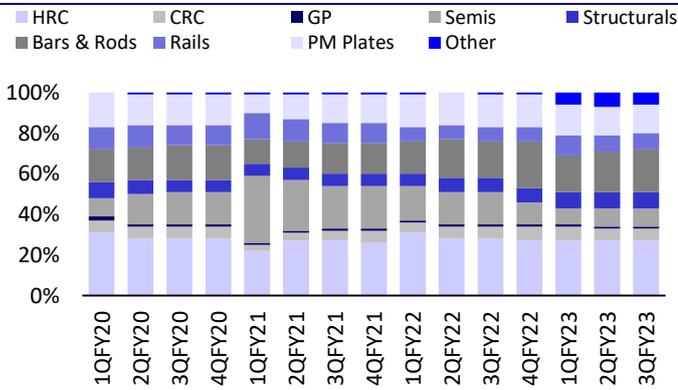
Source: Company, MOFSL

**Exhibit 6: ND/EBITDA is well below three-year average of 4.3x; expected to gradually go down from FY24**



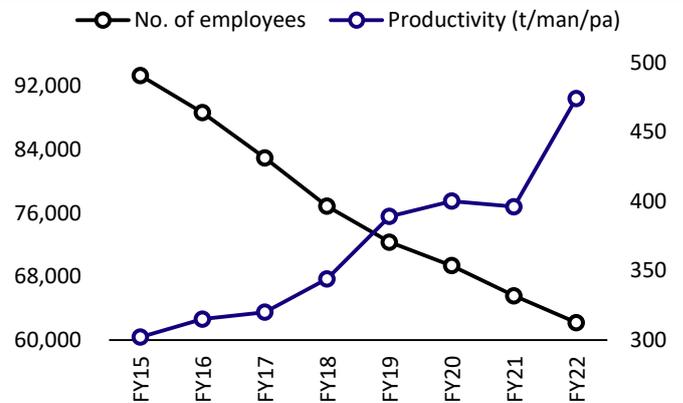
Source: Company, MOFSL

**Exhibit 7: Share of structural and bars has increased while that of semis has been continuously declining**



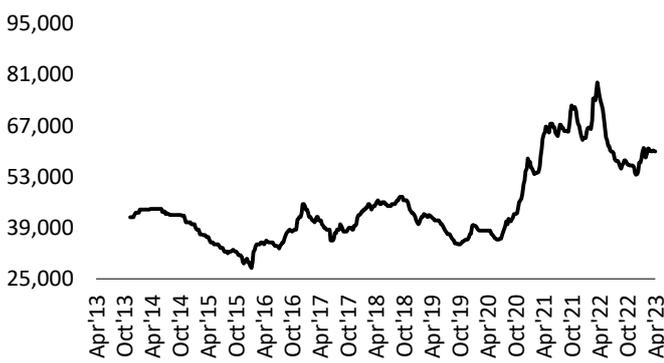
Source: Company, MOFSL

**Exhibit 8: Manpower productivity has been continuously improving**



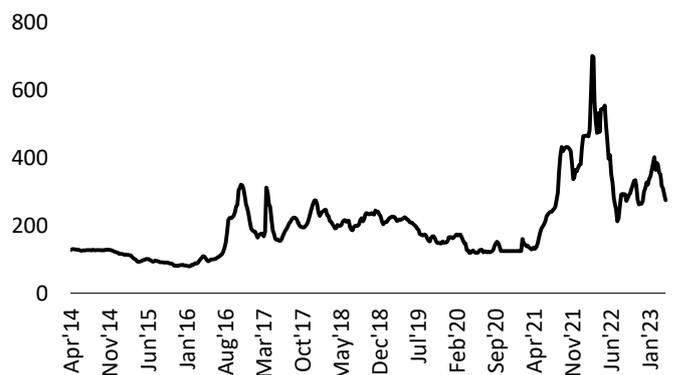
Source: Company, MOFSL

**Exhibit 9: Domestic HRC prices (INR/t) have seen an improvement, post rollback of export duty**



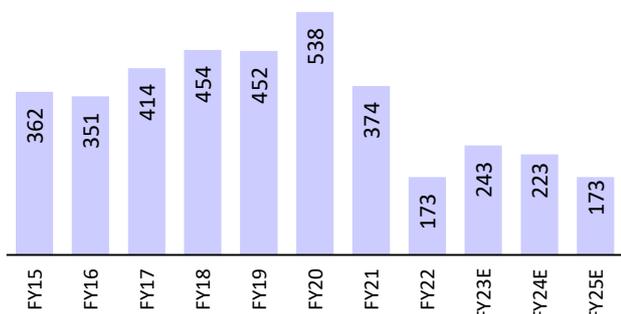
Source: SteelMint, MOFSL

**Exhibit 10: Coking coal price had crossed USD400/t in 4QFY23 and since then have cooled down to USD274/t**



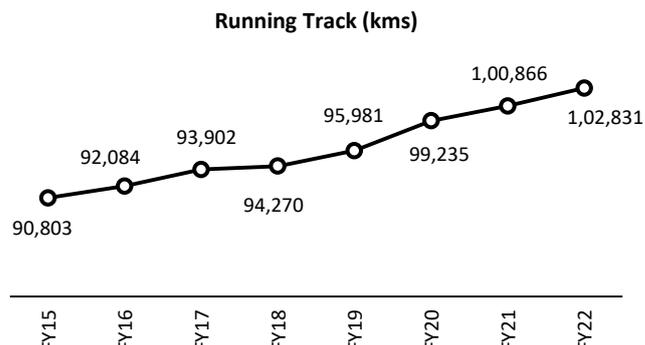
Source: SteelMint, MOFSL

**Exhibit 11: Debt (INR b) is expected to peak in FY23 and touch FY22 levels by FY25E**



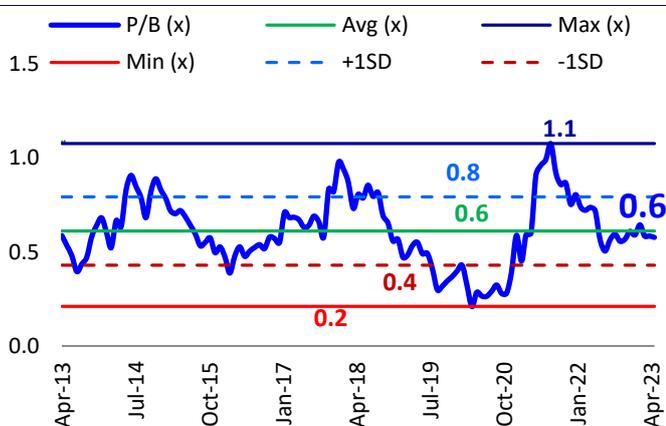
Source: Company, MOFSL

**Exhibit 12: Indian Railways running track (kms) (excluding tracks in sidings, yards and crossings)**



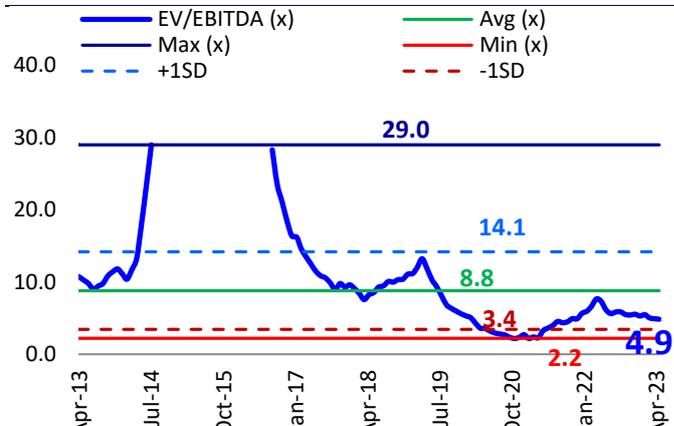
Source: Indian Railways, MOFSL

**Exhibit 13: P/B near LTA**



Source: Company Data, MOFSL

**Exhibit 14: ...EV/EBITDA is near -1SD**



Source: Company Data, MOFSL

**Exhibit 15: FY24E EBITDA sensitivity analysis (INR b) to change in Coal USD/t and ASP (INR/t)**

ASP (INR/t)		Coal USD/t				
		-15	-5	0	5	15
-1,000	-1,000	108	99	95	90	82
	-500	116	107	103	99	90
	0	124	115	111	107	98
	500	132	124	119	115	106
	1,000	141	132	127	123	114

Source: MOFSL

**Exhibit 16: FY24E EBITDA sensitivity (% change)**

ASP (INR/t)		Coal USD/t				
		-15	-5	0	5	15
-1,000	-1,000	-2.9	-10.8	-14.7	-18.6	-26.5
	-500	4.4	-3.4	-7.4	-11.3	-19.1
	0	11.8	3.9	0.0	-3.9	-11.8
	500	19.1	11.3	7.4	3.4	-4.4
	1,000	26.5	18.6	14.7	10.8	2.9

Source: MOFSL

- A reduction of USD15/t in the coking coal price and an ASP increase of INR1,000/t will increase EBITDA by 26.5%. However, a price increase of USD15/t in coking coal, coupled with an ASP decrease of INR500/t, can erode 19.1% of EBITDA.

**Exhibit 17: Target price sensitivity analysis to change in Coal USD/t and ASP (INR/t)**

		Coal USD/t				
		-15	-5	0	5	15
ASP (INR/t)	-1,000	81	69	63	57	44
	-500	92	80	74	68	55
	0	103	91	85	79	66
	500	114	102	96	90	78
	1,000	125	113	107	101	89

Source: MOFSL

**Exhibit 18: Target price sensitivity (% change)**

		Coal USD/t				
		-15	-5	0	5	15
ASP (INR/t)	-1,000	-4.7	-18.8	-25.9	-32.9	-48.2
	-500	8.2	-5.9	-12.9	-20.0	-35.3
	0	21.2	7.1	0.0	-7.1	-22.4
	500	34.1	20.0	12.9	5.9	-8.2
	1,000	47.1	32.9	25.9	18.8	4.7

Source: MOFSL

- A reduction of USD15/t in the coking coal price along with no change in ASP will increase the target price to INR103 from INR85. Similarly, if coking coal cost rises by USD15/t, with no change in ASP, target price will drop by 22.4% to INR66.

**Exhibit 19: TP calculation**

YEAR	UoM	2024E
Volumes	mt	16.4
EBITDA	INR/t	6,794
EBITDA	INR b	111.1
Target EV/EBITDA(x)	x	5.0
Target EV	INR b	555.4
less: Net Debt (INR m)	INR b	205.6
Equity value	INR b	350
No. of shares o/s	b	4.1
Target price (INR/sh.)	INR	85

Source: MOFSL

**Exhibit 20: Global comparative valuations**

Company	M-Cap USD mn	P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
		CY21/ FY22	CY22/ FY23	CY23/ FY24									
<b>India</b>													
Tata*	15,972	3.2	14.1	9.6	2.9	6.2	5.7	1.2	1.2	1.1	44.6	8.3	11.6
JSW*	21,388	8.2	63.2	10.4	5.9	13.0	6.7	2.6	2.7	2.2	37.5	4.2	23.3
JSP*	7,116	6.6	13.1	8.8	4.3	6.0	4.7	1.6	1.4	1.2	25.9	11.6	15.1
SAIL*	4,102	2.8	17.1	8.0	2.3	6.8	4.9	0.6	0.6	0.6	24.3	3.6	7.4
<b>Japan</b>													
JFE	7,237	3.4	6.0	6.3	4.8	6.1	6.4	0.5	0.4	0.4	15.5	7.5	6.6
Nippon Steel	20,306	5.1	4.2	6.4	5.3	4.8	5.5	0.8	0.7	0.6	18.1	17.5	10.1
Kobe Steel	2,970	7.0	6.3	6.5	5.9	6.3	5.5	0.5	0.5	0.4	7.2	7.5	6.9
<b>Korea</b>													
POSCO	23,486	7.2	9.7	7.8	4.5	5.2	4.5	0.6	0.5	0.5	8.3	5.7	7.0
Hyundai Steel	3,556	3.4	6.0	4.5	4.0	4.8	4.1	0.2	0.2	0.2	7.6	4.1	5.2
<b>US</b>													
Nucor	37,273	5.2	9.5	12.9	3.5	5.7	7.3	2.0	1.8	1.6	43.5	20.2	11.8
US Steel	5,494	2.5	5.7	12.9	1.5	3.3	4.1	0.6	0.6	0.6	26.2	8.0	5.4
Steel Dynamics	17,844	4.7	6.7	11.5	3.3	4.6	6.8	2.3	1.8	1.5	51.9	29.7	14.8
<b>Europe</b>													
AM	24,432	2.7	6.5	5.6	2.2	3.9	3.7	0.5	0.4	0.4	18.8	8.3	7.2
SSAB	6,801	3.2	7.4	10.8	1.8	3.6	5.0	0.7	1.1	1.0	26.0	13.8	9.1
TKA	4,421	4.2	11.0	7.1	0.4	0.3	0.4	0.3	0.3	0.3	8.4	3.1	4.1
VOE	6,121	5.2	5.4	8.6	3.7	3.1	3.9	0.9	0.7	0.7	16.7	14.0	8.1
<b>China</b>													
Baosteel	21,124	9.6	8.2	7.3	5.5	4.8	4.2	0.8	0.7	0.7	7.0	7.9	8.5

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

## Financials and Valuations

### Income Statement (Consolidated)

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22	FY23E	FY24E	FY25E
<b>Net Sales</b>	<b>445.0</b>	<b>575.6</b>	<b>669.7</b>	<b>616.6</b>	<b>691.1</b>	<b>1,034.8</b>	<b>1,045.3</b>	<b>961.3</b>	<b>971.7</b>
Change (%)	13.8	29.3	16.4	-7.9	12.1	49.7	1.0	-8.0	1.1
<b>EBITDA</b>	<b>0.7</b>	<b>52.2</b>	<b>97.6</b>	<b>57.1</b>	<b>127.4</b>	<b>213.4</b>	<b>84.0</b>	<b>111.1</b>	<b>115.0</b>
Change (%)	-102.3	7,677.0	87.1	-41.5	123.1	67.5	-60.7	32.3	3.5
EBITDA per tonne (INR)	51	3,705	6,916	4,012	8,526	13,209	5,243	6,794	6,697
Depreciation	26.8	30.7	33.9	37.6	41.0	42.8	47.1	46.6	46.9
<b>EBIT</b>	<b>-26.1</b>	<b>21.5</b>	<b>63.8</b>	<b>19.5</b>	<b>86.4</b>	<b>170.7</b>	<b>36.9</b>	<b>64.5</b>	<b>68.1</b>
Interest	25.3	28.2	31.5	34.9	28.2	17.0	20.6	18.9	14.7
Other income	4.5	4.2	4.9	9.1	8.6	8.6	10.1	10.6	11.1
<b>PBT before EO</b>	<b>-46.9</b>	<b>-2.6</b>	<b>37.2</b>	<b>-6.3</b>	<b>66.8</b>	<b>162.3</b>	<b>26.3</b>	<b>56.1</b>	<b>64.5</b>
Extraordinary Item	-2.2	-5.6	-3.9	37.3	0.6	-3.5	3.0	0.0	0.0
<b>PBT</b>	<b>-49.1</b>	<b>-8.1</b>	<b>33.3</b>	<b>31.1</b>	<b>67.4</b>	<b>158.7</b>	<b>29.3</b>	<b>56.1</b>	<b>64.5</b>
Total Tax	-19.6	-2.5	12.0	11.8	30.6	40.5	7.5	14.1	16.1
Effective Rate (%)	39.9	30.2	36.1	38.0	45.4	25.5	25.6	25.2	25.0
<b>Reported PAT</b>	<b>-29.5</b>	<b>-5.7</b>	<b>21.3</b>	<b>19.3</b>	<b>36.8</b>	<b>118.3</b>	<b>21.8</b>	<b>42.0</b>	<b>48.4</b>
Change (%)	-28.8	-80.8	-475.4	-9.4	91.1	221.3	-81.6	92.6	15.3
Share of Associates/JV	1.9	2.8	2.2	1.9	4.7	4.2	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>-26.3</b>	<b>1.1</b>	<b>26.0</b>	<b>-1.9</b>	<b>54.1</b>	<b>121.2</b>	<b>19.6</b>	<b>42.0</b>	<b>48.4</b>
Change (%)	-37.1	-104.0	2344.1	-107.5	-2880.6	124.1	-83.8	114.5	15.3

### Balance Sheet (Consolidated)

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22	FY23E	FY24E	FY25E
<b>Sources of Funds</b>									
Share Capital	41	41	41	41	41	41	41	41	41
Reserves and Surplus	329	328	355	374	413	501	511	545	585
<b>Shareholders' funds</b>	<b>370</b>	<b>369</b>	<b>396</b>	<b>415</b>	<b>454</b>	<b>542</b>	<b>553</b>	<b>586</b>	<b>627</b>
Loans	414	454	452	538	374	173	243	223	173
Deferred Tax Liability	-38	-42	-29	-20	13	54	54	54	54
Minority Interest	0	0	0	0	0	0	0	0	0
<b>Capital Employed</b>	<b>746</b>	<b>782</b>	<b>819</b>	<b>933</b>	<b>842</b>	<b>769</b>	<b>849</b>	<b>863</b>	<b>853</b>
<b>Application of Funds</b>									
Gross Fixed Assets	842	956	1,017	1,131	1,158	1,262	1,317	1,377	1,404
Less: Depreciation	339	370	403	441	482	525	572	618	665
<b>Net Fixed Assets</b>	<b>503</b>	<b>586</b>	<b>614</b>	<b>690</b>	<b>676</b>	<b>737</b>	<b>745</b>	<b>758</b>	<b>738</b>
Capital WIP	233	184	160	88	89	40	40	40	43
Investments	25	26	30	32	34	38	38	38	38
<b>Curr. Assets</b>									
Inventory	157	170	195	238	196	242	321	295	298
Sundry Debtors	29	39	45	88	72	48	54	50	51
Cash and Bank Balances	4	3	3	4	8	8	7	17	17
Other assets	81	99	98	100	110	83	88	93	98
Loans and Advances	5	5	6	7	8	6	6	6	6
<b>Current Liabilities</b>									
Sundry Creditors	52	75	72	63	70	169	186	171	173
Other Current Liabilities	174	193	193	188	215	198	198	198	198
Provisions	65	63	66	65	66	65	65	65	65
<b>Net Current Assets</b>	<b>-15</b>	<b>-15</b>	<b>16</b>	<b>123</b>	<b>42</b>	<b>-46</b>	<b>27</b>	<b>27</b>	<b>34</b>
<b>Application of Funds</b>	<b>746</b>	<b>782</b>	<b>819</b>	<b>933</b>	<b>842</b>	<b>769</b>	<b>849</b>	<b>863</b>	<b>853</b>

## Financials and Valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22	FY23E	FY24E	FY25E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>-6.4</b>	<b>0.3</b>	<b>6.3</b>	<b>-0.5</b>	<b>13.1</b>	<b>29.3</b>	<b>4.7</b>	<b>10.2</b>	<b>11.7</b>
Cash EPS	-0.6	6.1	13.3	13.8	18.8	39.0	16.7	21.4	23.1
Book Value per Share	89.7	89.4	96.0	100.5	109.9	131.2	133.8	142.0	151.7
Dividend Per Share			0.5	0.0	2.8	8.8	2.0	2.0	2.0
<b>Valuation (x)</b>									
P/E	-12.8	315.7	12.9	-172.6	6.2	2.8	17.1	8.0	6.9
Cash PE	-125.0	13.4	6.1	5.9	4.3	2.1	4.9	3.8	3.5
EV/EBITDA	1111.5	15.1	8.0	15.2	5.5	2.3	6.8	4.9	4.3
EV/Sales	1.7	1.4	1.2	1.4	1.0	0.5	0.5	0.6	0.5
Price-to-Book Value	0.9	0.9	0.8	0.8	0.7	0.6	0.6	0.6	0.5
<b>Profitability Ratios (%)</b>									
EBITDA Margin	0.2	9.1	14.6	9.3	18.4	20.6	8.0	11.6	11.8
RoE	-7.1	0.3	6.8	-0.5	12.4	24.3	3.6	7.4	8.0
RoCE (pre-tax)	-2.9	3.4	8.6	3.3	10.7	22.3	5.8	8.8	9.2
RoIC (pre-tax)	-5.3	4.1	10.7	2.7	11.4	24.5	5.1	8.4	8.9
<b>Turnover Ratios</b>									
Debtors (Days)	24.1	24.5	24.5	52.4	37.8	16.8	19.0	19.0	19.0
Inventory (Days)	129.1	108.0	106.3	141.1	103.4	85.2	112.0	112.0	112.0
Creditors (Days)	42.9	52.5	46.1	41.3	45.4	75.2	65.0	65.0	65.0
Asset Turnover (x)	0.6	0.7	0.8	0.7	0.8	1.3	1.2	1.1	1.1
<b>Leverage Ratio</b>									
Debt/Equity (x)	1.1	1.2	1.1	1.3	0.8	0.3	0.4	0.4	0.2

### Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21E	FY22	FY23E	FY24E	FY25E
<b>EBITDA</b>	<b>1</b>	<b>52</b>	<b>98</b>	<b>57</b>	<b>127</b>	<b>213</b>	<b>84</b>	<b>111</b>	<b>115</b>
(Inc.)/Dec. in WC	17	11	-27	-107	101	95	-74	10	-7
Direct Taxes Paid	0	-1	0	-1	0	-1	-7	-14	-16
Other Items	3	0	1	44	7	3	0	0	0
<b>CF from Oper. Activity</b>	<b>22</b>	<b>62</b>	<b>72</b>	<b>-6</b>	<b>234</b>	<b>310</b>	<b>3</b>	<b>107</b>	<b>92</b>
(Inc.)/Dec. in FA & CWIP	-54	-66	-39	-44	-35	-34	-55	-60	-30
<b>Free Cash Flows to Firm</b>	<b>-33</b>	<b>-4</b>	<b>33</b>	<b>-50</b>	<b>199</b>	<b>276</b>	<b>-52</b>	<b>47</b>	<b>62</b>
Interest and Dividend	0	0	1	1	1	2	10	11	11
(Pur.)/Sale of Invest.	0	1	0	0	0	-4	0	0	0
<b>CF from Inv. Activity</b>	<b>-54</b>	<b>-65</b>	<b>-37</b>	<b>-42</b>	<b>-34</b>	<b>-36</b>	<b>-45</b>	<b>-49</b>	<b>-19</b>
<b>Issue of Shares</b>									
Inc./(Dec.) in Debt	58	31	-2	89	-163	-224	70	-20	-50
Interest Paid	-25	-29	-33	-37	-29	-19	-21	-19	-15
Dividends Paid	0	0	0	-3	-4	-31	-8	-8	-8
<b>CF from Finan. Activity</b>	<b>33</b>	<b>3</b>	<b>-35</b>	<b>50</b>	<b>-197</b>	<b>-274</b>	<b>41</b>	<b>-47</b>	<b>-73</b>
<b>Inc./(Dec.) in Cash</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>-1</b>	<b>11</b>	<b>0</b>
Add: Opening Balance	3	4	3	3	4	8	8	7	17
<b>Closing Balance</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>17</b>	<b>17</b>

Explanation of Investment Rating	
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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