Jindal Steel & Power – BUY

'Poised to Grow'

INDIA PRIVATE CLIENTS

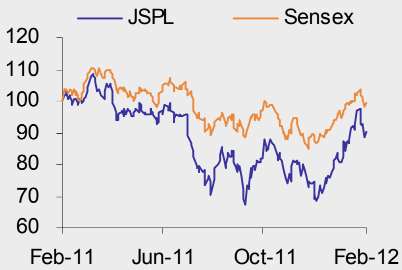
Sector: Metals & Mining	
Sensex:	17,731
CMP (Rs):	595
Target price (Rs):	671
Upside (%):	12.7
52 Week h/l (Rs):	724 / 436
Market cap (Rscr) :	55,613
6m Avg vol ('000Nos):	2,249
No of o/s shares (mn):	935
FV (Re):	1
Bloomberg code:	JSP IB
Reuters code:	JNSP.BO
BSE code:	532286
NSE code:	JINDALSTEL

Prices as on 28 Feb, 2012

Shareholding pattern	
December '11	**(%)**
Promoters	58.6
Institutions	29.1
Non promoter corp hold	3.3
Public & others	9.1

Performance rel. to sensex			
(%)	**1m**	**3m**	**1yr**
JSPL	9.5	7.1	(10.4)
JSW Steel	17.0	20.1	(8.2)
Tata Steel	(3.0)	8.6	(23.7)
SAIL	(7.0)	8.0	(34.2)

Share price trend



Research Analyst

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Volume growth coupled with superior mix to enhance earnings

JSPL has consistently delivered double digit growth in sales volume over the last five years. We expect this to continue, with the company estimated to deliver a volume CAGR of 22.6% over FY11-14. The share of semis and metallics would reduce from 40.8% in FY11 to 8.8% in FY13 and 7.1% in FY14 as it has commissioned a wire rod mill, a medium & light section mill and a wire rod mill. This coupled with the commissioning of the 1.5mtpa plate mill at Angul would reduce. We estimate OPM to increase in FY13 on account its superior product mix, lower coking coal prices and higher consumption of sponge iron. Coking coal contracts for Q4 FY12 are settled at US$235/ton down US$50/ton qoq and US$95/ton from its peak of US$330/ton in Q1 FY12. Steel business operating profit is expected to increase from Rs35bn in FY11 to Rs49bn in FY13 and Rs73bn in FY14.

Captive power plants performance to improve from FY13E

JSPL commissioned 810MW out of its proposed 1,350MW power plant over the last one year. The plants performance has been below-par as the Raigarh plant has been affected with problems related to its refractory linings and that at Angul by the high rate of e-auction coal. The management has guided that the operations are stabilized and PLF for the plants has been gradually rising. At the Angul plant, the company is awaiting the commencement of the captive coal block at Utkal B-1 to commission the rest of the 4 plants. The management expects to commission the power plants at Angul by June '12 as the coal block is estimated to be operational in mid-FY13. In FY13, output from the existing plants is expected to surge to 80% PLF and 50-60% PLF for the rest, before rising to 85% in FY14.

Strong earnings growth over FY11-14E; Maintain Buy

JSPL has been investing heavily in its business in the past two years. The standalone power capacities are expected to be operational by Q1 FY13, followed by the 1.6mtpa steel plant at Angul in H2 FY13. In FY13, earnings growth for the consolidated entity is expected to be 11.3% led by a jump in contribution from JSPL's standalone power plants and superior product mix. The company's earnings would surge 54.8% yoy in FY14E, led by contribution from the 1.6mtpa Angul steel plant, higher PLF's for the standalone power capacities and higher consumption of sponge iron. We use Sum-of-The-Parts (SoTP) valuation method to arrive at our 9-month price target of Rs671 and maintain our BUY rating on the stock.

Financial summary

Y/e 31 Mar (Rs m)	FY11	FY12E	FY13E	FY14E
Revenues	131,116	161,774	184,248	245,989
yoy growth (%)	18.2	23.4	13.9	33.5
Operating profit	63,166	72,329	85,726	124,515
OPM (%)	48.2	44.7	46.5	50.6
Pre-exceptional PAT	37,539	39,051	43,469	67,281
Reported PAT	37,539	39,051	43,469	67,281
yoy growth (%)	5.1	4.0	11.3	54.8
EPS (Rs)	40.2	41.8	46.5	72.0
P/E (x)	14.8	14.2	12.8	8.3
P/BV (x)	3.9	3.1	2.6	2.0
EV/EBITDA (x)	10.9	10.1	8.6	5.9
Debt/Equity (x)	1.0	1.0	0.9	0.7
ROE (%)	30.6	24.6	22.1	27.4
ROCE (%)	21.3	18.3	17.6	22.9

Source: Company, India Infoline Research

Volume growth coupled with superior product mix to boost topline over FY11-14E

Share of semis and metallics of total steel sales declined from 68.5% in FY08 to 40.8% in FY11

JSPL has consistently delivered double digit growth in sales volume over the last five years. The company's topline has jumped ~2.7 times over the period FY07-11 as the company has been investing heavily into its steel operations. In addition to building up steel making capacity, the company over the years has been improving its product mix to tap different markets. The company has transformed itself from a metallics player to a finished steel manufacturer during the same period. Share of semis and metallics of total steel sales declined from 68.5% in FY08 to 40.8% in FY11.

Current standalone core operational capacities

Capacity	(mtpa)
Iron ore mine	3
Coal mine	12
Pellet plant	5
Sponge iron (Coal based)	1.37
Pig iron	1.65
Crude steel capacity	3
- Rails, beams & structural	0.75
- Plates & coil	1
- Medium section mill	0.6
- Wire rods	0.6
- Re-bars	1
- Slabs, rounds, blooms & billets, Wire rods	0.65
Total captive power plant	759MW
Wind power	24MW

Source: Company, India Infoline Research

The plate mill would be commissioned by March '12 and the DRI & SMS by December '12

JSPL is also setting up a 6mtpa pellet plant at Barbil, which would be commissioned in the next two years

We expect JSPL to continue with its strong previous year performances over the next three years. We expect the company to clock a volume growth of ~8% yoy in FY13 and then jump 29.8% in FY14 on the back of commissioning of new capacities at Angul. JSPL is setting up a 1.6mtpa integrated steel plant at Angul, Odisha at an estimated cost of Rs120.5bn. The plant in its initial stage would comprise a plate mill with a capacity of 1.5mtpa, a DRI of 2mtpa, a steel melting shop of 1.6mtpa and power plants with a total capacity of 810MW. The power plants would be commissioned in a phased manner from April '11 to June '12. This would be followed by the commissioning of the plate mill by March '12 and the DRI & SMS by December '12. However, we expect some delay in the commissioning of the plant and estimate the plant's contribution to earnings would be marginal in FY13 before it ramps up production in FY14. We expect the plant to operate at more than 50% of its rated capacity in FY14, leading to a 43.7% yoy jump in steel sales volume. JSPL is also setting up a 6mtpa integrated steel plant at Patratu, Jharkhand and expect this plant to be operational by December '14. After the strong performance of its 5mtpa pellet plant, JSPL is now setting up a 6mtpa pellet plant at Barbil, which would be commissioned in the next two years.

Medium term steel business expansion plan

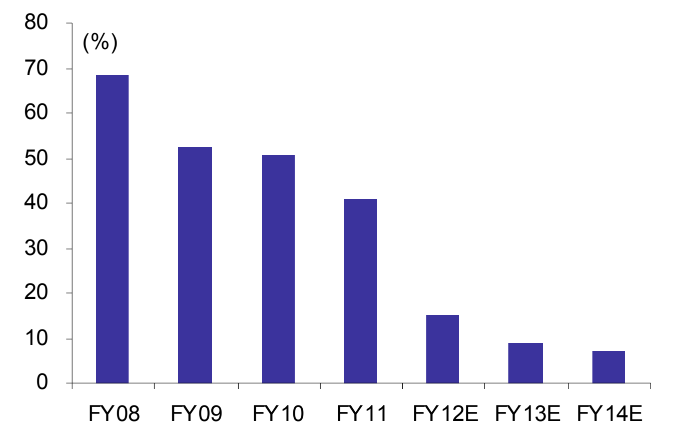
Project	Capacity (mtpa)	Capex (Rs bn)	Expt date of commissioning
1.6mtpa Angul, Orissa			
Plate Mill	1.5	26	Mar-12
DRI	2	31.4	Dec-12
Steel Melting Shop	1.6	28.3	Dec-12
Power	810MW	34.8	Apr 11-Jun 12
Total project cost at Angul		**120.52**	
Pellet plant at Barbil	6		Mar-14
3mtpa Patratu, Jharkhand			
Blast furnace	3		Dec-14
SMS			Dec-14
Coke oven			Dec-14
Sinter plant			Dec-14
Power plant	100MW		Dec-14
Total project cost at Patratu		**130.5**	
Total capex at JSPL		**251.0**	

Source: Company, India Infoline Research

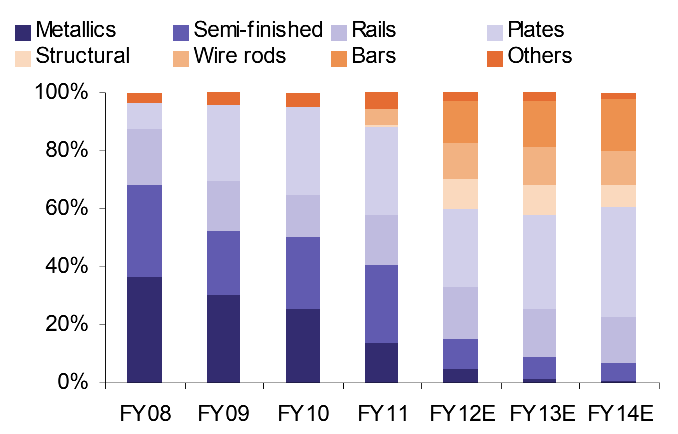
Share of semis and metallics of total sales volume is expected to decline sharply from 40.8% in FY11 to 15.1% in FY12, 8.8% in FY13 and 7.1% in FY14

In addition to the volume growth over the next three years, the company's product mix would also get superior. Over the last one year, JSPL has commissioned value added product capacities to match its crude steel making capacity. It commissioned its 0.6mtpa wire rod mill at Patratu and the 0.6mtpa medium & light section mill at Raigarh in March '10 and the 1mtpa wire rod mill at Patratu in FY11. With the commissioning of the above three plants, JSPL has raised its value added product capacity more than its steel making capacity. By the end of FY12, the management expects to commission the 1.5mtpa plate mill at Angul. This would sharply raise the capacity of finished steel over the next two years. Share of semis and metallics of total sales volume is expected to decline sharply from 40.8% in FY11 to 15.1% in FY12, 8.8% in FY13 and 7.1% in FY14.

Share of semis and metallics of total sales to decline sharply



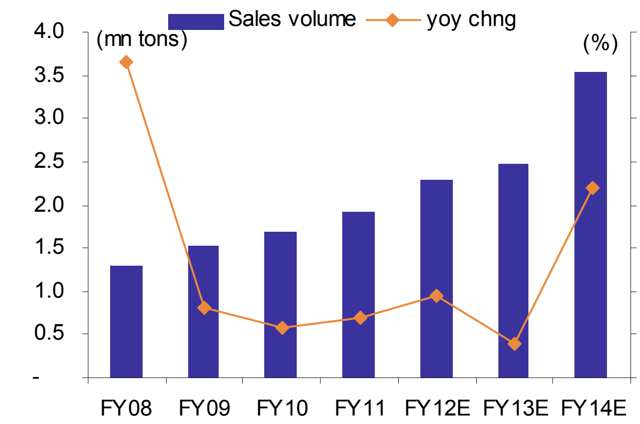
JSPL's product mix



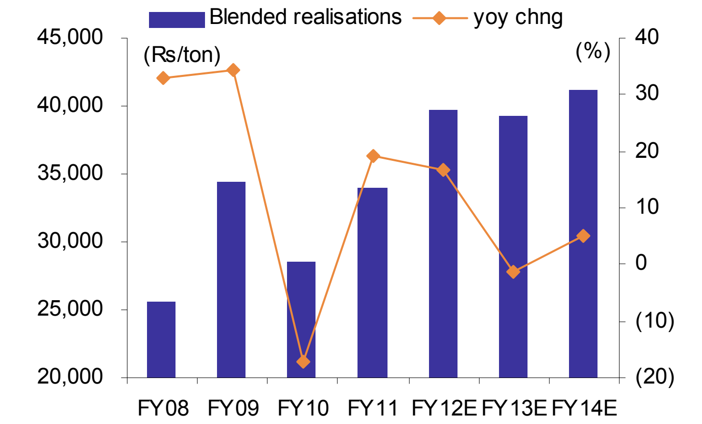
Source: Company, India Infoline Research

The impact of higher volumes and superior product mix on topline would be lowered by lower steel prices. We expect domestic steel prices to decline 5% yoy over the next one year against the 16% decline in global steel prices. The depreciation of the rupee would reduce the impact of lower global steel prices. We expect average Chinese export prices to decline from US$670/ton in FY12 to US$630/ton in FY13 as demand from the developed nations remains subdued. We do not expect China to flood the international markets on our estimate that raw material prices would remain stable and hence the Chinese producers would reduce output rather then flooding the markets.

Volumes to surge in FY14 post the commissioning of the new plant



Steel realizations to decline marginally due to superior product mix

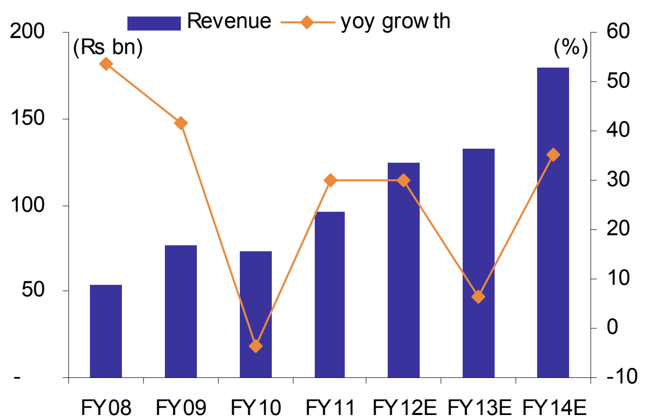


Source: Company, India Infoline Research

In FY13, we estimate steel volume growth to be 8% yoy to 2.5mn tons, followed by a surge of 43.7% yoy in FY14

We estimate steel business revenue to increase 6.5% yoy to 133bn in FY13 and 35.3% yoy to Rs179bn in FY14 led by higher steel volume sales and superior product mix. In Q4 FY12, we expect revenue to increase 38% yoy to Rs38bn on the back of both, higher volume as well as higher realizations and jump in external power sales. Steel sales volume in Q4 FY12 is estimated to increase to 0.66mn tons, higher than 0.59mn tons reported in Q3 FY12 and 0.53mn tons in Q4 FY11. Topline in FY12 would also be boosted on a yoy basis on account of the jump in external pellet sales. The company expects pellet sales to be 2mn tons in FY12 & 3mtpa in FY13. In FY13, we estimate steel volume growth to be 8% yoy to 2.5mn tons, followed by a surge of 43.7% yoy in FY14.

Steel business revenue to jump 87% over FY11-14E



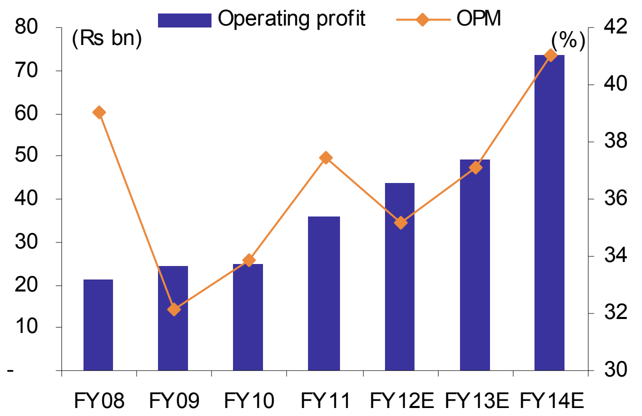
Source: Company, India Infoline Research

Steel business margins to expand aided by superior product mix and declining coking coal prices

The expansion in margins in FY14 would also be aided by higher consumption of sponge iron as the plant would be operational by the end of FY13

JSPL's standalone margins have always been superior to its peers on the back of its high raw material integration and its DRI-EAF route of manufacturing. Margins for the company have been above 30% margins over the last five years. We believe JSPL would manage to repeat its strong performance hence forth even in an environment wherein steel prices are under pressure. We estimate OPM to decline in FY12 due to higher coking coal prices and then increase in FY13 on account its superior product mix and lower coking coal prices. Coking coal contracts for Q4 FY12 are settled at US$235/ton down US$50/ton on a qoq basis and lower by US$95/ton from its peak of US$330/ton in Q1 FY12. We estimate average FY13 coking coal cost to be US$230/ton over FY13-14. The expansion in margins in FY14 would also be aided by higher consumption of sponge iron as the plant would be operational by the end of FY13. The decline in share of semis of total sales will reduce the pressure of lower steel prices on OPM. We expect OPM to expand 230bps yoy in FY13 to 37.8% and by 375bps yoy in FY14 to 41.6%. Steel business operating profit is expected to increase from Rs35bn in FY11 to Rs49bn in FY13 and Rs73bn in FY14.

Operating profit to surge over FY11-14E



Source: Company, India Infoline Research

JSPL has significant reserves for current and upcoming projects

Domestic iron ore	Geological reserve (mn tons)	Purpose
Tensa, Orissa	20	Steel
Jiraldaburu, Kharkhand	80	Steel
Bailadila, Chhattisgarh	100	Steel
Overseas iron ore		
El Mutun, Bolivia	20bn	Steel
Domestic coal		
Gare IV/1 & IV/6, Chhattisgarh	300	Steel & Power
Gare IV/2&3, Chhattisgarh	270	Power
Jitpur & Amarkonda	305	Power
Utkal B1	224	Steel & Power
Urtan North	55	Steel & Power
Ramchandi (CTL)	1,500	Coal to Liquid * Power
Overseas coal		
South Africa	50	
Mozambique	1,200	
Indonesia	250	

Source: Company, India Infoline Research

Standalone power contribution to surge in FY13E

The company has commissioned 6 plants (2 at Angul and 4 at Raigarh) out of the total 10 units over the last one year

JSPL by the end of FY11 had 353MW captive power plant at Raigarh to cater to the power requirement of its steel facility. In addition to this, the company is setting up 1,350MW (10 modules of 135MW each) at Raigarh (135MW*4) and at Angul (135MW*6) to cater to the requirements of the steel plants. Commissioning of both the captive power projects was supposed to precede the steel expansion. However, the company has managed to commission only 6 plants (2 at Angul and 4 at Raigarh over the last one year) which have been running at lower PLF of 50-60%. The Raigarh plant has been affected due to problems with the refractory linings and that at Angul by the high rate of e-auction coal.

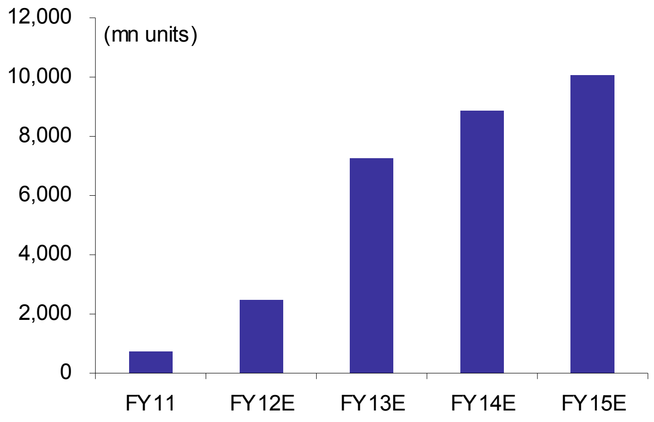
The management expects PLF at Raigarh to increase from 50-60% in Q2 FY12 to 60-70% in Q3 FY12 and 90% in FY13

Over the last one month, the management has guided that the operations are stabilized and PLF for the plants has been gradually rising. The management expects PLF at Raigarh to increase from 50-60% in Q2 FY12 to 60-70% in Q3 FY12 and 90% in FY13. At the Angul plant, the company is awaiting the commencement of the captive coal block at Utkal B-1 to commission the rest of the 4 plants. The management expects to commission the power plants at Angul by June '12 as the coal block is estimated to be operational by mid-FY13. The company has received major clearances for the mine and hence is quite confident on the mine being operational in FY13. We expect two more power plants to be operational before the end of FY12 and expect the rest to start contributing in FY13.

We expect some delay in commissioning and hence the PLF to be lower against the management guidance of 85-90% PLF for FY13

In FY12, we estimate the two power plants to operate at a PLF of 65% on a yearly basis and the two Angul power plants to operate at 80% PLF. We don't expect any contribution from the rest of four units during the year. However in FY13, output from the existing plants is expected to surge to 80% PLF and 50-60% PLF for the rest. We expect some delay in commissioning and hence the PLF to be lower against the management guidance of 85-90% PLF for FY13. We assume an average PLF of 85% from FY14 as the company would have stabilized all its operations and supply of coal would have normalized.

Standalone power volumes to kick-off from FY13E



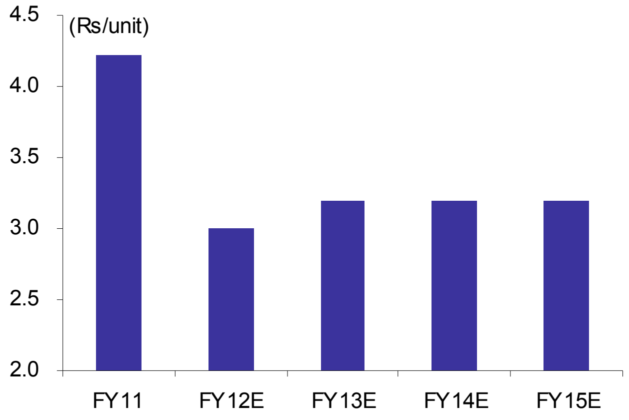
Source: Company, India Infoline Research

The Central Electricity Regulatory Authority (CERC) has said consumers should prepare for a 15-20% increase in power tariffs every year on account of rising coal cost

Power realizations to strengthen

We believe power prices would strengthen from the current levels as any incremental supply from alternative sources to thermal power is low and incremental demand would be met only by thermal power. We are not concerned over the slowdown in the industrial sector as the current power deficit continues to remain in double digits. Most of the additional capacities expected to come online over the next few years are largely based on expensive coal. There are concerns about the lack of domestic coal and imported coal costs remain high. The tariff hikes announced by the various electricity state boards (SEB) would lead to higher purchasing power for the SEBs, leading to higher merchant power prices. Over the last 18 months, 22 states have raised power tariffs to reduce their losses. In addition to the various prices hikes taken by the SEBs, the Central Electricity Regulatory Authority (CERC) has said consumers should prepare for a 15-20% increase in power tariffs every year on account of rising coal costs. Over the last five years State electricity distribution companies have been reeling under heavy losses, as it has been struggling to cope with escalating power supply costs and an inability to raise tariffs due to political pressure. We believe this is a positive step for the industry to sustain in the long term. We believe power prices would rise over the next two years on the back of limited low cost resources and high power deficit. We also expect that the SEBs would increase the tariff on power bought from captive power producers in FY13.

Power tariffs for JSPL's captive power plants to rise from FY12



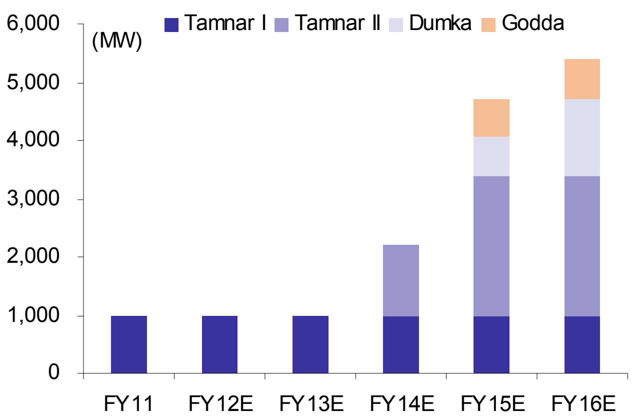
Source: Company, India Infoline Research

Environmental clearance for Tamnar II to boost sentiment
JSPL under its subsidiary, Jindal Power Limited JPL), plans to add a 2,400MW Thermal Power plant to the existing capacity of the 1,000MW thermal power plant at Tamnar at an estimated cost of Rs134.1bn. The company has already placed an order with BHEL for supply, erection and commissioning of 4X600MW Boiler Turbine Generation (BTG) package in FY11. However, construction at the site was impacted last year as the Ministry of Environmental and Forest (MoEF) had withdrawn the clearance for the plant. The Chattisgarh government had issued a showcase to JPL and the MoEF had withdrawn its earlier approval of the Terms of Reference (TOR) issued to permit the expansion of Jindal's coal-based thermal power plant located in Tamnar block of Raigarh district in Chattisgarh.

The company had been diligently trying to obtain clearances for the plant, which it managed to achieve in November '11. The MoEF had granted Environmental Clearance (EC) for two units of 600MW each of the expansion project of 2,400MW (4x600 MW) of JPL at Tamnar, on 18-03-2011 and granted EC for balance two units of 600 MW on 04-11-2011. There was a condition in the EC that the Company should obtain permission from the Ministry of Coal, Government of India before starting construction activities. The Ministry of Coal has since communicated its permission to the Expansion Project to the State Government of Chhattisgarh. The company has started the construction work on the project and expects the project to be operational in FY14. However, Coal ministry has approved coal linkage only for 2 units of 600MW.

The company is also implementing two Greenfield projects of 1,320MW at Dumka and 660MW at Goda, both in Jharkhand. For both the project the land acquisition is under process and equipment orders are yet to be placed. The company expects the projects to be completed by FY15, raising the total thermal power producing capacity to 5,380MW.

JPL's project pipeline over the next five years



Source: Company, India Infoline Research

Jindal Shadeed has installed a 1.5mtpa gas-based Hot Briquetted Iron (HBI) plant with an investment of US$500mn

Jindal Shadeed Iron & Steel
JSPL through its 100% subsidiary Jindal Steel & Power (Mauritius) Ltd, acquired Shadeed Iron & Steel Co. LLC (Shadeed) in Oman. Jindal Shadeed has installed a 1.5mtpa gas-based Hot Briquetted Iron (HBI) plant with an investment of US$500mn. The plant started commercial production five months ahead of schedule in December '10. The company will be setting up a steel plant and rolling steel mills in Oman in the next two years. The company has access to low cost natural gas from the government of Oman under a 20 year supply agreement at a price of US$1/mmbtu against the market price of US$3-3.7/mmbtu. During 9M FY12, the company managed to produce 0.9mn tons of sponge iron and PAT of US$32mn. The company expects sponge iron production of 1.2mtpa in FY12 and a PAT of US$38-40mn.

Overseas mining assets
Apart from the mining assets in India, JSPL also has mining assets in South Africa, Indonesia, Mozambique, Bolivia and Australia. The company has started shipping iron ore from **Bolivia** in July '11 and had expected to sell ~0.5mn tons of iron ore in FY12. However, over the last few months the activities have slowed down due to challenges related to political and local issues. As a result, the company is not expecting much contribution from Bolivia. In the initial plan JSPL was suppose to invest US$2.1bn in setting up a 1.7mtpa steel plant. In the initial period the company would be setting up a pellet plant, followed by a sponge iron plant and then an integrated steel plant. JSPL exported 10,000 tons of iron ore from Bolivia in Q2 FY12.

JSPL acquired the Kiepersol thermal coal mine in South Africa which is producing about 1mtpa of high quality Anthracite

JSPL acquired the Kiepersol thermal coal mine in **South Africa** in FY10. The Kiepersol Colliery is outside the town of Piet Retief in Mpumalanga province. The coal mine is producing about 1mtpa of high quality Anthracite. JSPL plans to ramp up to 2mtpa, after which JSPL will become the largest producer of Anthracite in South Africa. JSPL has also acquired a number of coal and iron ore concessions in which exploration and development work is in progress. The company has invested US$40mn till date and expects FY12 production at 1mn tons. The management has guided for a PAT of US$20-25mn in FY12.

In **Mozambique**, JSPL plans to set up a 10mtpa coal mining operations which will produce semi-hard grade coking coal suitable for steel plants as well as thermal coal suitable for power plants. The development activities are in full flow and the coal production will start by middle of 2012. JSPL has also entered into a framework agreement with the Ministry of Energy to set up a 2,640MW thermal power plant in the Tete region.

The coal mine in Indonesia has an estimated reserve of 250mn tons and the management expects production of 1mtpa in FY13 to increase it to 3mtpa in FY14

The coal mine in **Indonesia** has an estimated reserve of 250mn tons. The company has received the environmental clearance for the projects and expects to start operations in 2012. The management expects production of 1mtpa in FY13 to increase it to 3mtpa in FY14. Output from the mine would largely consist of thermal coal with a calorific value of 4,500kcal. JSPL has invested US$10mn tons and expects the mine to be profitable in its first year of operations.

In **Australia**, JSPL has received four licenses to explore coking coal in the Bowen basim. Additionally, through an open offer for Rockland Richfield Ltd (RCI), JSPL has increased its share holding to 27.29%. RCI has three advanced coal exploration projects with more than 750mn tons of JORC compliant coal resources (inferred/indicated) in Queensland with a potential for coking/soft coal.

In FY13, earnings growth for the consolidated entity is expected to be 11.3% led by a jump in contribution from JSPL's standalone power plants and superior product mix

In FY14 earnings would surge 54.8% yoy led by contribution from the 1.6mtpa Angul steel plant, higher PLF's for the standalone power capacities and higher consumption of sponge iron to make steel

Strong earnings growth over FY11-14E; Maintain Buy

JSPL has been investing heavily in its business in the past two years. The company has spent Rs186bn to increase its capacity in both steel as well as power. We expect that the huge investments done would start yielding higher returns from mid-FY13. The power capacities at Angul and Raigarh are expected to be operational by Q1 FY13, followed by the 1.6mtpa steel integrated plant at Angul in H2 FY13. The first 600MW unit of the 2,400MW Tamnar II power plant project under JPL is estimated to come online by FY14-15. In FY13, earnings growth for the consolidated entity is expected to be 11.3% led by a jump in contribution from JSPL's standalone power plants and superior product mix. The company's earnings would witness a surge 54.8% yoy in FY14E, led by contribution from the 1.6mtpa Angul steel plant, higher PLF's for the standalone power capacities and higher consumption of sponge iron to make steel. We have not included international subsidiaries in our estimates as we wait for more data points for consolidating the various entities.

We use Sum-of-The-Parts (SoTP) valuation method to arrive at our 9-month price target of Rs671. We estimate the value of the steel division at Rs308/share, valuing the business at 6x FY14E EV/EBIDTA. The power business is valued using an NPV method at a Cost of Equity (CoE) of 12.8%. Based on this, we value JPL's operational 1,000MW Tamnar-I at Rs234, JPL's upcoming 2,400MW Tamnar-II project at Rs31/share and JSPL's 1,350MW captive power plants at Rs64/share. We value the international subsidiaries of Oman, South Africa, Mozambique and Bolivia at 32/share.

Financials

Income statement

Y/e 31 Mar (Rs m)	FY11	FY12E	FY13E	FY14E
Revenue	131,116	161,774	184,248	245,989
Operating profit	**63,166**	**72,329**	**85,726**	**124,515**
Depreciation	(11,510)	(13,236)	(18,544)	(23,511)
Interest expense	(2,596)	(5,623)	(8,134)	(10,005)
Other income	820	1,107	1,605	2,408
Profit before tax	**49,880**	**54,577**	**60,653**	**93,407**
Taxes	(11,840)	(14,898)	(16,557)	(25,498)
Minorities and other	(501)	(628)	(628)	(628)
Adj. profit	**37,539**	**39,051**	**43,469**	**67,281**
Net profit	**37,539**	**39,051**	**43,469**	**67,281**

Balance sheet

Y/e 31 Mar (Rs m)	FY11	FY12E	FY13E	FY14E
Equity capital	934	934	934	934
Reserves	139,965	176,119	214,627	273,970
Net worth	**140,899**	**177,054**	**215,561**	**274,904**
Minority interest	2,335	2,962	3,590	4,218
Debt	139,766	175,387	188,795	196,253
Def tax liab (net)	10,055	10,055	10,055	10,055
Total liabilities	**293,054**	**365,458**	**418,000**	**485,430**
Fixed assets	248,844	327,726	379,305	445,463
Intangible assets	1,018	1,018	1,018	1,018
Investments	2,979	2,979	2,979	2,979
Net working capital	**35,412**	**31,966**	**30,451**	**20,604**
Inventories	27,734	34,219	38,973	52,033
Sundry debtors	11,537	14,235	16,212	21,645
Other current assets	63,790	66,979	70,328	73,844
Sundry creditors	(36,587)	(45,141)	(51,412)	(68,640)
Other curr liabs	(31,063)	(38,326)	(43,650)	(58,277)
Cash	4,802	1,769	4,248	15,366
Total assets	**293,054**	**365,458**	**418,000**	**485,430**

Cash flow statement

Y/e 31 Mar (Rs m)	FY11	FY12E	FY13E	FY14E
Profit before tax	49,880	54,577	60,653	93,407
Depreciation	11,510	13,236	18,544	23,511
Tax paid	(11,840)	(14,898)	(16,557)	(25,498)
Working capital Δ	(18,929)	3,446	1,515	9,846
Operating cashflow	30,622	56,361	64,155	101,267
Capital expenditure	(81,921)	(92,118)	(70,123)	(89,669)
Free cash flow	**(51,299)**	**(35,757)**	**(5,968)**	**11,598**
Equity raised	1,209	204	-	-
Investments	206	-	-	-
Debt financing/disposal	53,723	35,621	13,408	7,459
Dividends paid	(1,938)	(3,101)	(4,961)	(7,938)
Other items	1,774	-	-	-
Net Δ in cash	**3,674**	**(3,033)**	**2,479**	**11,118**

Key ratios

Y/e 31 Mar	FY11	FY12E	FY13E	FY14E
Growth matrix (%)				
Revenue growth	18.2	23.4	13.9	33.5
Op profit growth	8.0	14.5	18.5	45.2
EBIT growth	6.9	14.7	14.3	50.3
Net profit growth	5.1	4.0	11.3	54.8
Profitability ratios (%)				
OPM	48.2	44.7	46.5	50.6
EBIT margin	40.0	37.2	37.3	42.0
Net profit margin	28.6	24.1	23.6	27.4
RoCE	21.3	18.3	17.6	22.9
RoNW	30.6	24.6	22.1	27.4
RoA	12.3	9.6	9.0	12.0
Per share ratios				
EPS	40.2	41.8	46.5	72.0
Dividend per share	2.0	3.2	5.1	8.2
Cash EPS	52.5	56.0	66.4	97.2
Book value per share	150.8	189.5	230.7	294.2
Valuation Ratios				
P/E (x)	14.8	14.2	12.8	8.3
Price/CEPS	11.3	10.6	9.0	6.1
Price/Book (x)	3.9	3.1	2.6	2.0
EV/EBITDA (x)	10.9	10.1	8.6	5.9
Payout (%)				
Dividend payout	5.2	7.9	11.4	11.8
Tax payout	23.7	27.3	27.3	27.3
Liquidity ratios				
Debtor days	32	32	32	32
Inventory days	77	77	77	77
Creditor days	102	102	102	102
Leverage ratios				
Interest coverage	20.2	10.7	8.5	10.3
Net debt / equity	1.0	1.0	0.9	0.7
Net debt / op. profit	2.1	2.4	2.2	1.5

Du-Pont Analysis

Y/e 31 Mar (Rs m)	FY11	FY12E	FY13E	FY14E
Tax burden (x)	0.75	0.72	0.72	0.72
Interest burden (x)	0.95	0.91	0.88	0.90
EBIT margin (x)	0.40	0.37	0.37	0.42
Asset turnover (x)	0.43	0.40	0.38	0.44
Financial leverage (x)	2.50	2.55	2.45	2.29
RoE (%)	**30.6**	**24.6**	**22.1**	**27.4**

In the year 2011 itself, we have received two reputed awards for being the Best Broker in India.

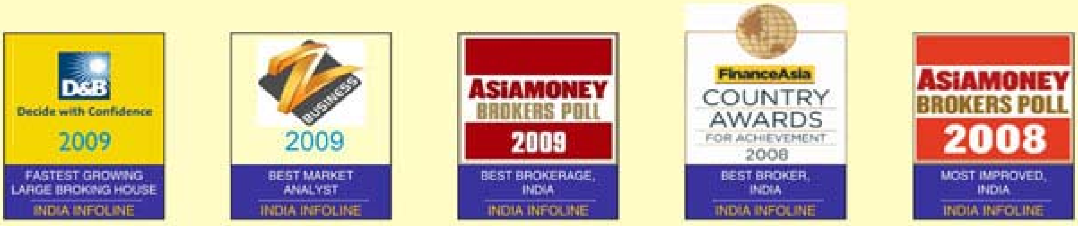
'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards



Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

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