MOTILAL OSWAL

19 October 2011

2QFY12 Results Update | Sector: Metals

# Jindal Steel & Power

| BSE SENSEX | S&P CNX |
|---|---|
| 17,085 | 5,139 |
| Bloomberg | JSP IN |
| Equity Shares (m) | 934.1 |
| 52-Week Range (INR) | 735/442 |
| 1,6,12 Rel. Perf. (%) | -5/-9/-11 |
| M.Cap. (INR b) | 494.1 |
| M.Cap. (USD b) | 10.0 |

**CMP: INR529** **TP: INR751** **Buy**

| YEAR END | NET SALES (INR M) | PAT (INR M) | EPS (INR) | EPS GR. (%) | P/E (X) | P/BV (X) | ROE (%) | ROCE (%) | EV/ SALES | EV/ EBITDA |
|---|---|---|---|---|---|---|---|---|---|---|
| 3/10A | 110,915 | 35,837 | 37.9 | 10.5 | - | - | 40.4 | 27.5 | - | - |
| 3/11A | 131,116 | 37,539 | 40.1 | 6.0 | 13.2 | 3.5 | 30.6 | 21.6 | 4.8 | 9.8 |
| 3/12E | 173,094 | 42,576 | 45.5 | 13.4 | 11.6 | 2.7 | 26.4 | 18.3 | 3.8 | 9.1 |
| 3/13E | 197,395 | 51,388 | 55.0 | 20.7 | 9.6 | 2.2 | 25.0 | 17.1 | 3.6 | 8.1 |

Consolidated

- Jindal Steel and Power's (JSP) 2QFY12 consolidated adjusted PAT increased 19% YoY to INR10.5b, higher than our estimate of INR 9.6b. Reported consolidated PAT was INR8.75b, which included a write-off of INR742m towards losses in its overseas diamond mining operations on its closure and INR1b in forex losses.

- Earnings growth was driven by the steel business' strong performance. 2QFY12 steel product volumes increased 31% QoQ and pellet sales volumes increased 52% QoQ. Steel production increased 4% QoQ and pellets production increased 8% QoQ. 2QFY12 iron ore sales amounted to 150,000 tons.

- JSP's power business' 2QFY12 revenue and PAT were in line with expectations at INR7.4b and INR4.1b respectively. PLF in 2QFY12 was 93% due to a 15-day shut down for plant maintenance. The merchant power rate was INR3.76/ kWh during the quarter. The Tamnar 2 project is expected to get clearances in FY12. Thereafter, it will take 20 months to commission the first 600MW unit.

- Captive power plants (2 x135MW) at Tamnar are still running at 50% capacity utilization and one unit of 135MW, commissioned at Angul, has stabilized and JSP expects it to contribute significantly in 3QFY12

- The steel business is beneficiary of strong pricing in the long product market in India due to depreciation of the rupee against the US dollar and shortage of metallics in India. Although the captive power business is sluggish, it is likely to benefit from shortage of power in India. Despite JSP's project delays, we continue liking the stock due to its strong operating business and rich mineral portfolio. The stock trades at P/E of 11.6x FY12E. Maintain **Buy**.

**Quarterly Performance (Consolidated)** (INR Million)

| Y/E March | FY11 | | | | FY12 | | | | FY11 | FY12E |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| **Net Sales** | **30,010** | **30,821** | **31,740** | **38,545** | **39,441** | **44,232** | **43,688** | **45,733** | **131,116** | **173,094** |
| Change (YoY %) | 9.2 | 26.0 | 18.1 | 20.1 | 31.4 | 43.5 | 37.6 | 18.6 | 18.2 | 32.0 |
| Total Expenditure | 14,362 | 15,804 | 15,753 | 21,271 | 23,184 | 26,194 | 24,504 | 25,742 | 67,190 | 99,624 |
| **EBITDA** | **15,648** | **15,017** | **15,987** | **17,274** | **16,257** | **18,038** | **19,184** | **19,990** | **63,926** | **73,469** |
| Change (YoY %) | -2.0 | 15.0 | 10.2 | 15.7 | 3.9 | 20.1 | 20.0 | 15.7 | 9.3 | 14.9 |
| As % of Net Sales | 52.1 | 48.7 | 50.4 | 44.8 | 41.2 | 40.8 | 43.9 | 43.7 | 48.8 | 42.4 |
| Interest | 861 | 782 | 813 | 900 | 1,073 | 1,255 | 1,447 | 1,582 | 3,356 | 5,357 |
| Depreciation | 2,509 | 2,731 | 2,926 | 3,345 | 3,250 | 3,343 | 3,325 | 3,449 | 11,510 | 13,367 |
| Other Income | 89 | 37 | 87 | 606 | 284 | 253 | 530 | 593 | 820 | 1,660 |
| **PBT (before EO item)** | **12,367** | **11,542** | **12,336** | **13,636** | **12,218** | **13,693** | **14,943** | **15,552** | **49,880** | **56,405** |
| Extra-ordinary Income | 0 | 0 | 0 | 0 | 0 | -1,742 | 0 | 0 | -4 | -1,742 |
| **PBT (after EO item)** | **12,367** | **11,542** | **12,336** | **13,636** | **12,218** | **11,951** | **14,943** | **15,552** | **49,876** | **54,663** |
| Total Tax | 2,797 | 2,600 | 2,825 | 3,619 | 2,888 | 3,033 | 3,460 | 3,915 | 11,840 | 13,296 |
| % Tax | 22.6 | 22.5 | 22.9 | 26.5 | 23.6 | 25.4 | 23.2 | 25.2 | 23.7 | 24.3 |
| **Reported PAT** | **9,570** | **8,942** | **9,511** | **10,017** | **9,330** | **8,918** | **11,483** | **11,637** | **38,036** | **41,368** |
| Minority interest | 189 | 166 | 166 | 139 | 184 | 203 | 162 | 163 | 659 | 712 |
| Associate | 37 | 39 | 9 | 72 | 42 | 38 | 11 | 87 | 158 | 178 |
| **Adjusted PAT** | **9,418** | **8,816** | **9,354** | **9,951** | **9,188** | **10,495** | **11,332** | **11,561** | **37,539** | **42,576** |
| Change (YoY %) | -5.3 | 8.6 | 8.4 | 10.4 | -2.4 | 19.1 | 21.1 | 16.2 | 5.1 | 13.4 |

E: MOSL Estimates

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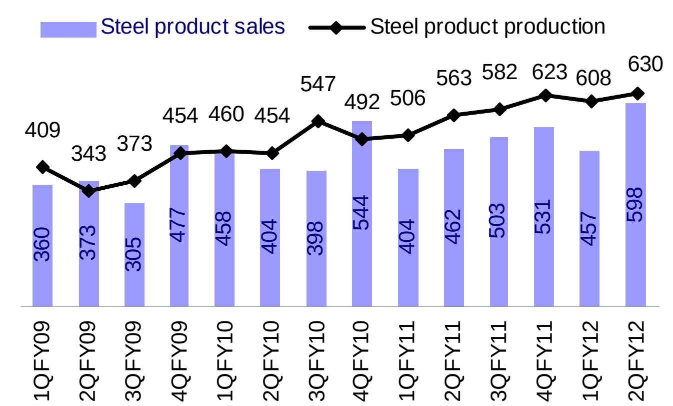
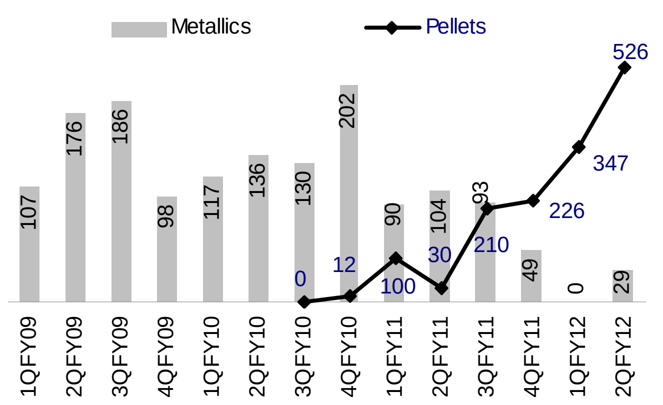
## JSP standalone above estimates; Strong performance by steel business, power sales sluggish

- Jindal Steel and Power's (JSP) net sales increased 32% QoQ to INR33.3b due to higher steel volumes. Sales tonnage of steel products increased 31% QoQ to 598,209 tons and steel production was up 4% QoQ at 629,562 tons. Steel inventories were ~200kt.
- The Indian steel business imported 45kt HBI from Shadeed (Oman). As a result, coal-based domestic sponge iron was sold to a third party. JSP sold 28,798 tons of sponge iron in 2QFY12. JSP's pellet production increased 8% QoQ to 898,065 tons and sales were 526,331 tons (up 52% QoQ).
- Iron-ore fines from inventory for pelletization are being transferred at zero cost because expenditure was already accounted in lump-ore costs.
- Sales from JSP's captive power plant declined 14% QoQ to 222m kWh. EBIT of the power segment declined 20% to INR1.04b.
- JSP's EBITDA increased 13% QoQ (up 27% YoY) to INR11.9b (above our estimate of INR10.4b) due to higher steel products and pellet tonnage.
- Adjusted PAT increased 37% QoQ (up 35% YoY) to INR6.4b. There was a write-off of INR1.47b due to losses in the overseas diamond mining operation on its closure. Besides, there was forex loss of INR1b on ECB, accounted in other expenditure. Total ECB was USD400m.

**Steel sales, production (000 tons)**




**Pellet and metallics sales (000 tons)**

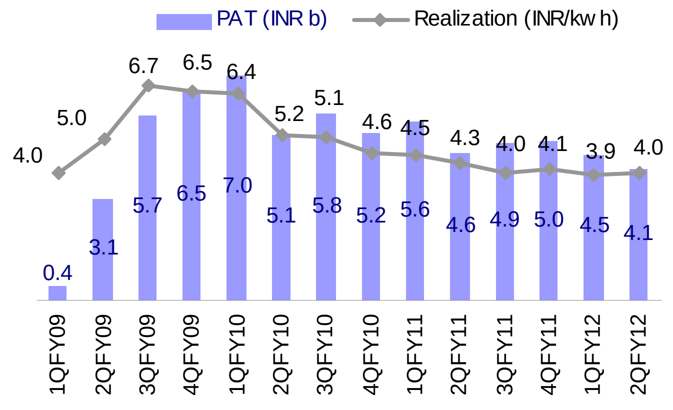



Source: Company/MOSL

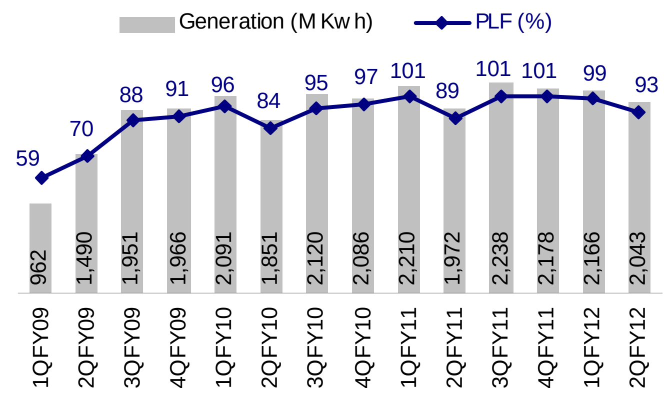
## Jindal Power: Merchant rates were INR3.76/kWh

- Merchant power rates were INR3.76/kWh. Power sales were 1.8b kWh and other income of INR810m boosted the company's turnover.
- Over the next 3-6 months, merchant power rates are expected to be INR4-4.25/kWh.
- The Tamnar 2 project is expected to get clearances in FY12. Thereafter, it will take 20 months to commission the first 600MW unit.

**Jindal Power: PAT, realization**




**Jindal Power: Generation and PLF**




Source: Company/MOSL

## Overseas operations: Diamond mining shut down; Shadeed plant exported HBI to Raigarh; Indonesia coal to start in April 2012

- Revenue from JSP's overseas steel business declined 33% QoQ to INR4.4b and EBIT increased 90% QoQ to INR1.6b, implying surprisingly high margins of 37%.
- **Shadeed:** The company expects FY12 PAT of USD35m. In 2QFY12 revenue was USD130m and PAT was USD10m. HBI production was ~300kt. The Indian steel business imported 45kt HBI from Shadeed.
- **South Africa:** The company expects FY12 PAT of USD20m-25m. So far, USD40m has been invested in the mine and JSP expects FY12 coal production to be about 1mt.
- **Australia:** JSP has received four licenses to explore coking coal.
- **Indonesia:** USD10m has been invested so far and the company expects coal production to start in April 2012. JSP expects the mine to be profitable in FY13.
- **Bolivia:** 10,000 tons of iron ore was exported.
- **Congo:** Diamond mining operations were discontinued.

## Green-field projects: Expect meaningful production in FY14 though plant to start by September 2012

- **Angul:** JSP expects the plate mill to start by March 2012 and the sponge iron and steel melt shop by the end of September 2012. However, meaningful steel production is expected only in FY14 because the stabilization process may take six months.
- **Angul coal mines:** JSP expects to start production in six months' time.

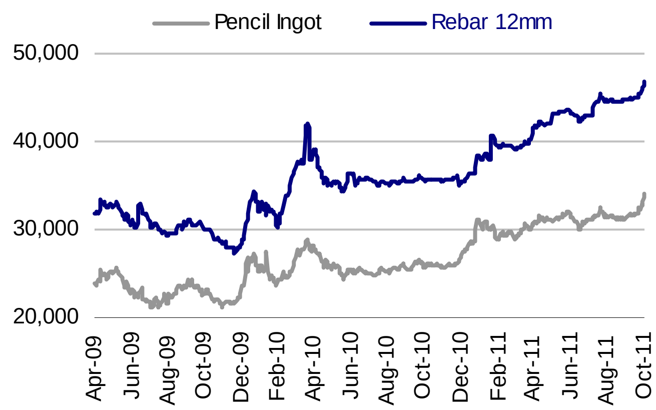
## Captive power plants: Two units at Tamnar struggling; JSP expects to commission seven remaining units by March 2012

- Captive power plants (2 x135MW) at Tamnar are still running at 50% capacity utilization and one unit of 135MW, commissioned at Angul, has stabilized and JSP expects it to contribute significantly in 3QFY12.
- JSP's new captive power plants are still posting losses (~INR400m in 2QFY12). Over the past few months, Angul's 135MW unit has been running at above 100% PLF and JSP sold to grids ~70MW of the power generated.
- JSP aims to commission the remaining seven units of 135MW each by March 2012. In our view, this is to gain tax benefits. JSP's profitability will improve when the Angul captive coal mines start production.

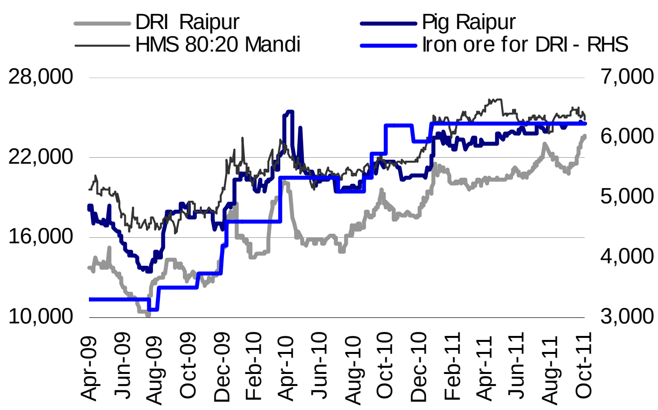
## Valuation and view

The steel business is beneficiary of strong pricing in the long product market in India due to depreciation of the rupee against the US dollar and shortage of metallics in India. Although the captive power business is sluggish, it is likely to benefit from shortage of power in India. Despite JSP's project delays, we continue liking the stock due to its strong operating business and rich mineral portfolio. Maintain **Buy**.

**Indian long product prices (INR/ton)**




**Steel metallics prices (INR/ton)**




Source: Company/MOSL

**Quarterly Performance (Standalone)** (INR Million)

| Y/E March | FY11 | | | | FY12 | | | | FY11 | FY12E |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| **Sales volume** | | | | | | | | | | |
| Steel (000 tons) | 404 | 462 | 503 | 531 | 457 | 598 | 611 | 658 | 1,900 | 2,324 |
| Metalics (000 tons) | 90 | 104 | 93 | 49 | 0 | 29 | 59 | -5 | 336 | 83 |
| Pellets (000 tons) | 100 | 30 | 210 | 226 | 347 | 526 | 589 | 666 | 565 | 2,129 |
| Power (M kwh) | 331 | 180 | 256 | 299 | 259 | 222 | 496 | 709 | 1,066 | 1,686 |
| **Net Sales** | **21,216** | **22,996** | **24,102** | **27,422** | **25,265** | **33,338** | **30,371** | **31,910** | **95,736** | **120,884** |
| Change (YoY %) | 34.6 | 43.9 | 36.2 | 13.1 | 19.1 | 45.0 | 26.0 | 16.4 | 29.9 | 26.3 |
| **EBITDA** | **7,913** | **8,560** | **9,360** | **10,691** | **9,634** | **11,867** | **12,552** | **13,289** | **36,524** | **47,342** |
| Change (YoY %) | 41.6 | 55.3 | 51.2 | 31.4 | 21.7 | 38.6 | 34.1 | 24.3 | 45.8 | 29.6 |
| As % of Net Sales | 37.3 | 37.2 | 38.8 | 39.0 | 38.1 | 35.6 | 41.3 | 41.6 | 38.2 | 39.2 |
| Interest | 742 | 781 | 967 | 1,061 | 1,325 | 1,459 | 1,199 | 1,335 | 3,550 | 5,317 |
| Depreciation | 1,475 | 1,638 | 1,821 | 1,945 | 2,066 | 2,139 | 2,043 | 2,168 | 6,878 | 8,416 |
| Other Income | 62 | 60 | 83 | 1,232 | 167 | 77 | 61 | 1,362 | 1,437 | 1,667 |
| **PBT (before EO item)** | **5,759** | **6,202** | **6,655** | **8,918** | **6,410** | **8,346** | **9,371** | **11,149** | **27,534** | **35,276** |
| Extra-ordinary Income | 0 | 0 | 0 | 0 | 0 | -2,478 | 0 | 0 | 0 | -2,478 |
| **PBT (after EO item)** | **5,759** | **6,202** | **6,655** | **8,918** | **6,410** | **5,869** | **9,371** | **11,149** | **27,534** | **32,799** |
| Total Tax | 1,402 | 1,420 | 1,636 | 2,435 | 1,709 | 1,911 | 2,343 | 2,787 | 6,892 | 8,749 |
| % Tax | 24.3 | 22.9 | 24.6 | 27.3 | 26.7 | 32.6 | 25.0 | 25.0 | 25.0 | 26.7 |
| **Reported PAT** | **4,357** | **4,782** | **5,019** | **6,483** | **4,702** | **3,958** | **7,028** | **8,361** | **20,641** | **24,049** |
| **Adjusted PAT** | **4,357** | **4,782** | **5,019** | **6,483** | **4,702** | **6,435** | **7,028** | **8,361** | **20,641** | **26,527** |
| Change (YoY %) | 45.2 | 56.8 | 54.1 | 18.1 | 7.9 | 34.6 | 40.0 | 29.0 | 38.5 | 28.5 |

E: MOSL Estimates

**Quarterly Performance (Jindal Power)** (INR Million)

| Y/E March | FY11 | | | | FY12 | | | | FY11 | FY12E |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Capacity | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| PLF | 101% | 89% | 101% | 101% | 99% | 93% | 101% | 101% | 98% | 99% |
| Gross generation (MU) | 2,210 | 1,972 | 2,238 | 2,178 | 2,166 | 2,043 | 2,212 | 2,212 | 8,598 | 8,633 |
| Estimated Power sales (MU) | 2,055 | 1,834 | 2,005 | 2,026 | 1,906 | 1,853 | 2,057 | 2,057 | 7,920 | 7,874 |
| Estimated Rate | 4.5 | 4.3 | 4.0 | 4.1 | 3.9 | 4.0 | 3.7 | 3.7 | 4.2 | 3.9 |
| Expenditure (Rs/kwh) | 0.56 | 0.53 | 0.48 | 0.28 | 0.51 | 0.72 | 0.70 | 0.70 | 0.46 | 0.66 |
| **Net Sales** | **9,276** | **7,856** | **7,966** | **8,280** | **7,495** | **7,379** | **7,632** | **7,632** | **33,377** | **30,138** |
| **Reported PAT** | **5,600** | **4,590** | **4,871** | **4,955** | **4,528** | **4,098** | **4,525** | **4,569** | **20,016** | **17,721** |

E: MOSL Estimates; Note: Quarterly data (except for Gross generation; Net Sales and PAT) are assumed (close approximation) for Analysis

# Jindal Steel & Power: an investment profile

## Company description

Jindal Steel and Power (JSP) has 3mtpa of operational steelmaking capacity at Raigarh. JSP has one of the best iron ore and coal resources in India, with assets spread in several mineral-rich countries. JSP offers the best insulation from iron ore and coking coal prices among Indian steel producers. It is the only power producer in India, most of whose projects are secure for coal due to captive mines. JSP has rich iron ore and coal resources overseas, mainly in Bolivia, Mozambique, South Africa and Indonesia.

## Key investment arguments

- JSP plans to increase steel capacity by 4x over the next four years. It is augmenting its existing 3mtpa capacity, by setting up a 1.6mtpa module at Angul, which will use the coal gasification route. It plans to add two more modules of 1.6mtpa each at Angul and Raigarh, using this technology. At Patratu (Jharkhand), JSP selected the blast furnace route to make steel. It will produce 3mtpa of steel in phase one.
- Only a third of the 12mtpa steel capacity will be exposed to coking coal imports. Even the imports may be covered by overseas coal mines, depending on progress.
- Jindal Power, JSP's 96.43% subsidiary, plans to increase capacity by 10x in 10 years by adding 4,380MW of thermal power projects in Chhattisgarh and Jharkhand at capex of USD5.3b and 6,100MW of hydro power projects in Arunachal Pradesh at a capex of USD8.1b.
- Most of the power projects are secure for fuel supply through captive sources. Although Jindal Power's earnings are likely to be flattish with a negative bias for a couple of years due to weakening merchant rates, its strong project pipeline should drive earnings thereafter.

## Key investment risks

- An unexpected fall in steel prices and delay in project execution will adversely impact earnings.

## Recent developments

- Nil.

## Valuation and view

- The stock trades at a P/E of 11.6x FY12E. Maintain **Buy**.

## Sector view

- The steel pricing environment has weakened across regions due to expected demand slowdown, led by continued uncertainty in developed nations, high inflation and resultant softening of prices in developing economies. Chinese steel prices started falling as steel demand growth slowed due to reduction in new projects. As a result, steel and its raw material prices are also expected to fall over the next few months. Apparent world steel use is expected to increase 6.5% to 1,398mt in 2011 as per WSA. Indian steel demand growth is expected to slow to 4.3% in 2011 and 7.9% in 2012.

### Comparative valuations

| | | JSPL | SAIL | Tata Steel |
|---|---|---|---|---|
| P/E (x) | FY12E | 11.6 | 10.6 | 7.2 |
| | FY13E | 9.6 | 11.2 | 5.6 |
| P/BV (x) | FY12E | 2.7 | 1.1 | 1.4 |
| | FY13E | 2.2 | 1.0 | 1.2 |
| EV/Sales (x) | FY12E | 3.8 | 1.1 | 0.6 |
| | FY13E | 3.6 | 1.2 | 0.5 |
| EV/EBITDA (x) | FY12E | 9.1 | 7.2 | 5.4 |
| | FY13E | 8.1 | 7.7 | 4.3 |

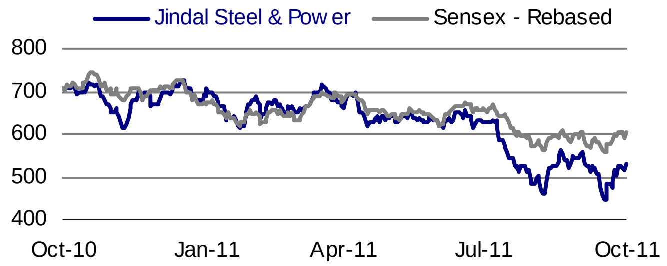
### EPS: MOSL forecast v/s consensus (INR)

| | MOSL Forecast | Consensus Forecast | Variation (%) |
|---|---|---|---|
| FY12 | 45.5 | 46.4 | -1.9 |
| FY13 | 55.0 | 52.5 | 4.8 |

### Target price and recommendation

| Current Price (INR) | Target Price (INR) | Upside (%) | Reco. |
|---|---|---|---|
| 529 | 751 | 42.0 | Buy |

### Stock performance (1 year)




### Shareholding pattern (%)

| | Sep-11 | Jun-11 | Sep-10 |
|---|---|---|---|
| Promoter | 58.6 | 58.4 | 58.4 |
| Domestic Inst | 7.5 | 6.5 | 2.5 |
| Foreign | 22.9 | 24.1 | 24.8 |
| Others | 11.1 | 11.0 | 14.2 |

## Financials and Valuation

**Income Statement (Consoidated)** (INR Million)

| Y/E March | 2010 | 2011 | 2012E | 2013E |
|---|---|---|---|---|
| **Net sales** | **110,915** | **131,116** | **173,094** | **197,395** |
| Change (%) | 2.2 | 18.2 | 32.0 | 14.0 |
| Total Expenses | 52,331 | 67,190 | 99,624 | 110,310 |
| **EBITDA** | **58,584** | **63,926** | **73,469** | **87,085** |
| % of Net Sales | 52.8 | 48.8 | 42.4 | 44.1 |
| Depn. & Amortization | 9,970 | 11,510 | 13,367 | 14,691 |
| **EBIT** | **48,614** | **52,416** | **60,102** | **72,394** |
| Net Interest | 3,576 | 3,356 | 5,357 | 7,797 |
| Other income | 603 | 820 | 1,660 | 2,661 |
| **PBT before EO** | **45,641** | **49,880** | **56,405** | **67,258** |
| EO income | -107 | | -1,742 | 0 |
| **PBT after EO** | **45,535** | **49,880** | **54,663** | **67,258** |
| Tax | 9,189 | 11,840 | 13,296 | 15,434 |
| Rate (%) | 20.2 | 23.7 | 24.3 | 22.9 |
| **Reported PAT** | **36,346** | **38,040** | **41,368** | **51,824** |
| Minority interests | 755 | 659 | 712 | 594 |
| Share of Associates | 139 | 158 | 178 | 158 |
| **Adjusted PAT** | **35,837** | **37,539** | **42,576** | **51,388** |
| Change (%) | 12.3 | 4.7 | 13.4 | 20.7 |

**Balance Sheet (Consolidated)** (INR Million)

| Y/E March | 2010 | 2011 | 2012E | 2013E |
|---|---|---|---|---|
| Share Capital | 931 | 934 | 934 | 934 |
| Reserves | 103,158 | 139,965 | 180,855 | 228,746 |
| **Net Worth** | **104,089** | **140,899** | **181,790** | **229,681** |
| Minority Interest | 1,659 | 2,335 | 2,978 | 3,628 |
| Total Loans | 86,043 | 139,766 | 188,766 | 247,766 |
| Deferred Tax Liability | 8,455 | 10,055 | 11,805 | 13,993 |
| **Capital Employed** | **200,246** | **293,054** | **385,339** | **495,067** |
| Gross Block | 131,625 | 192,756 | 217,388 | 276,408 |
| Less: Accum. Deprn. | 32,651 | 44,321 | 57,863 | 72,554 |
| **Net Fixed Assets** | **98,974** | **148,435** | **159,525** | **203,853** |
| Capital WIP | 79,470 | 100,409 | 167,999 | 214,927 |
| Good will | 1,007 | 1,018 | 1,018 | 1,018 |
| Investments | 3,185 | 2,979 | 2,979 | 2,979 |
| **Curr. Assets** | **68,510** | **107,863** | **124,879** | **147,272** |
| Inventory | 14,308 | 27,734 | 29,724 | 33,665 |
| Account Receivables | 7,533 | 11,537 | 14,868 | 16,791 |
| Cash and Bank Balance | 1,128 | 4,802 | 16,498 | 33,026 |
| loans & advances | 45,541 | 63,790 | 63,790 | 63,790 |
| **Curr. Liability & Prov.** | **50,900** | **67,649** | **71,061** | **74,981** |
| Account Payables | 30,377 | 36,587 | 39,998 | 43,918 |
| Provisions & Others | 20,522 | 31,063 | 31,063 | 31,063 |
| **Net Current Assets** | **17,611** | **40,214** | **53,819** | **72,291** |
| **Appl. of Funds** | **200,246** | **293,054** | **385,339** | **495,067** |

E: MOSL Estimates

**Ratios (Consolidated)**

| Y/E March | 2010 | 2011 | 2012E | 2013E |
|---|---|---|---|---|
| **Basic (Rs)** | | | | |
| **EPS** | **37.9** | **40.1** | **45.5** | **55.0** |
| Cash EPS | 49.7 | 53.0 | 58.6 | 71.2 |
| BV/Share | 111.8 | 150.8 | 194.6 | 245.9 |
| DPS | 1.3 | 1.5 | 1.8 | 2.0 |
| Payout (%) | 3.4 | 3.8 | 3.9 | 3.7 |
| **Valuation (x)** | | | | |
| P/E | | 13.2 | 11.6 | 9.6 |
| Cash P/E | | 10.0 | 9.0 | 7.4 |
| P/BV | | 3.5 | 2.7 | 2.2 |
| EV/Sales | | 4.8 | 3.8 | 3.6 |
| EV/EBITDA | | 9.8 | 9.1 | 8.1 |
| Dividend Yield (%) | | 0.3 | 0.3 | 0.4 |
| **Return Ratios (%)** | | | | |
| EBITDA Margins (%) | 52.8 | 48.8 | 42.4 | 44.1 |
| Net Profit Margins (%) | 32.3 | 28.6 | 24.6 | 26.0 |
| RoE | 40.4 | 30.6 | 26.4 | 25.0 |
| RoCE (pre-tax) | 27.5 | 21.6 | 18.3 | 17.1 |
| RoIC (pre-tax) | 42.3 | 35.0 | 31.6 | 32.9 |
| **Working Capital Ratios** | | | | |
| Fixed Asset Turnover (x) | 0.8 | 0.7 | 0.8 | 0.7 |
| Asset Turnover (x) | 0.6 | 0.4 | 0.4 | 0.4 |
| Debtor (Days) | 24.8 | 32.1 | 31.4 | 31.0 |
| Inventory (Days) | 12.9 | 21.2 | 17.2 | 17.1 |
| Work.Cap.Turnover (Day: | 14.9 | 27.0 | 21.6 | 19.9 |
| Payable (Days) | 100.0 | 101.8 | 84.3 | 81.2 |
| **Leverage Ratio (x)** | | | | |
| Current Ratio | 1.3 | 1.6 | 1.8 | 2.0 |
| Interest Cover Ratio | 13.6 | 15.6 | 11.2 | 9.3 |
| Debt/Equity | 0.8 | 1.0 | 0.9 | 0.9 |

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

| Y/E March | 2010 | 2011 | 2012E | 2013E |
|---|---|---|---|---|
| Pre-tax profit | 45,535 | 49,880 | 54,663 | 67,258 |
| Depreciation | 9,970 | 11,510 | 13,367 | 14,691 |
| (Inc)/Dec in Wkg. Cap. | 3,290 | -18,929 | -1,909 | -1,945 |
| Tax paid | -7,905 | -9,472 | -10,717 | -12,511 |
| Other operating activities | -1,424 | 262 | -500 | -2,100 |
| **CF from Op. Activity** | **49,466** | **33,252** | **54,904** | **65,394** |
| (Inc)/Dec in FA + CWIP | -61,454 | -82,070 | -92,222 | -105,948 |
| (Pur)/Sale of Investments | 1,954 | 206 | 0 | 0 |
| **CF from Inv. Activity** | **-59,500** | **-81,864** | **-92,222** | **-105,948** |
| Equity raised/(repaid) | 777 | 3 | 0 | 0 |
| Debt raised/(repaid) | 4,900 | 53,723 | 49,000 | 59,000 |
| Dividend (incl. tax) | -1,208 | -1,439 | -1,679 | -1,919 |
| Other financing activities | | | 1,663 | |
| **CF from Fin. Activity** | **4,468** | **52,287** | **48,984** | **57,081** |
| **(Inc)/Dec in Cash** | **-5,566** | **3,674** | **11,667** | **16,527** |
| Add: Opening Balance | 6,694 | 1,128 | 4,802 | 16,498 |
| **Closing Balance** | **1,128** | **4,802** | **16,498** | **33,026** |

# N O T E S

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