30 October 2012

2QFY13 Results Update | Sector: Metals

JSW Steel

BSE SENSEX	S&P CNX
18,636	5,666
Bloomberg	JSTL IN
Equity Shares (m)	223.1
52-Week Range (INR)	885/464
1,6,12 Rel. Perf. (%)	-2/-1/6
M.Cap. (INR b)	164.4
M.Cap. (USD b)	3.0

CMP: INR737 **TP: INR459** **Sell**

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
3/11A	241,059	16,783	75.2	17.7	-	-	12.3	9.9	-	-
3/12A	343,681	14,844	66.5	-11.6	11.1	1.0	8.9	9.2	1.2	6.7
3/13E	367,650	9,714	43.5	-34.6	16.9	0.9	5.7	8.2	1.1	6.6
3/14E	354,206	10,447	46.8	7.5	15.7	0.9	5.9	8.6	1.2	6.5

Consolidated

- JSW Steel's (JSTL) consolidated adjusted PAT for 2QFY13 declined 11% QoQ to INR3.5b. While overseas operations disappointed, the drop in performance of the standalone steel business was less severe. PAT was higher than our estimate of INR2.7b due to slightly higher than expected EBITDA/ton (USD127 v/s our estimate of USD123) for standalone operations. Reported consolidated PAT of INR6.9b included forex gain of INR4.2b in standalone operations and INR1.1b of attributable extraordinary gains from JSW Ispat.
- Standalone EBITDA declined 14% QoQ to INR15.3b, higher than our estimate because sales volumes were 3% higher than our estimate at 2.17m tons and realization decline was less severe at 5%.
- Overseas subsidiaries disappointed, with EBITDA of just INR61m (v/s INR1.35b in 1QFY13). Production at both Chile and US coal mines was disappointing at 148k tons and 20k tons, respectively.
- JSW Ispat reported 7% QoQ drop in production and 10% QoQ drop in sales volumes. Realizations declined 2% QoQ while EBITDA per ton declined 70% QoQ to INR1,655 (USD30), due to higher coke cost.
- Though there is a sharp drop in prime hard coking coal prices, JSTL guided only marginal reduction (USD230/ton landed at plants in 2Q to USD220/ton in 3Q and USD210/ton in 4Q) in cost of coking coal.
- We continue to believe that the steel prices will remain under pressure due to global demand slowdown. Demand for iron ore and coking coal is stagnant while investments in mining across the world have been bringing new supplies. Hence, raw material prices are under pressure. JSTL should benefit from (or remain unaffected by) coking coal price correction, but there would be adverse impact on margins, if iron ore prices and therefore, steel prices correct. On merged entity basis, JSTL is trading at an EV of 6.9x FY14E EBTIDA. Valuations appear stretched. Maintain **Sell**.

Quarterly Performance (Standalone) (INR Million)

Y/E March	FY12				FY13				FY12	FY13E	FY13	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Sales ('000 tons)	1,714	1,882	1,908	2,310	2,109	2,170	2,036	2,170	7,814	8,485	2,100	3
Realization (INR per ton)	41,245	40,553	41,281	41,319	42,853	40,880	38,750	37,627	41,109	40,027	39,827	3
Net Sales	70,694	76,321	78,765	95,447	90,376	88,709	78,894	81,664	321,227	339,643	83,636	6
Change (YoY %)	51.0	32.1	35.6	34.3	27.8	16.2	0.2	-14.4	37.5	5.7	9.6	
EBITDA	14,082	13,104	12,534	16,518	17,728	15,252	13,518	15,370	56,238	61,867	14,335	6
As % of Net Sales	19.9	17.2	15.9	17.3	19.6	17.2	17.1	18.8	17.5	18.2	17.1	
EBITDA (USD per ton)	184	152	129	143	154	127	123	131	150	134	123	3
Interest	2,268	2,645	3,274	3,677	4,067	4,208	4,198	3,992	11,864	16,464	4,116	2
Depreciation	3,879	4,039	4,444	4,720	4,678	4,812	4,956	4,990	17,082	19,435	4,859	-1
Other Income	327	527	456	483	723	783	465	493	1,793	2,463	537	46
PBT (before EO Item)	8,263	6,947	5,271	8,604	9,706	7,015	4,828	6,881	29,085	28,431	5,898	19
EO Items	0	-5,130	-3,188	1,992	-5,921	4,224	0	0	-6,326	-1,697	0	
PBT (after EO Item)	8,263	1,817	2,083	10,596	3,786	11,239	4,828	6,881	22,759	26,734	5,898	91
Total Tax	2,480	546	-4,600	3,074	1,096	3,016	1,593	2,271	1,499	7,976	1,946	55
% Tax	30.0	30.0	-220.8	29.0	28.9	26.8	33.0	33.0	6.6	29.8	33.0	
Reported PAT	5,783	1,271	6,684	7,522	2,690	8,223	3,235	4,611	21,260	18,758	3,951	108
Preference Dividend	70	70	70	70	70	70	70	70	279	279	70	0
Adjusted PAT	5,713	5,993	9,592	5,592	6,774	5,189	3,165	4,541	26,890	19,670	3,882	34
Change (YoY %)	66.6	82.6	155.7	-32.3	18.6	-13.4	-67.0	-18.8	36.5	-26.9	-35.2	

E: MOSL Estimates

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Consolidated adjusted PAT down 11% QoQ; overseas operations disappoint

- Consolidated adjusted PAT for 2QFY13 declined 11% QoQ to INR3.5b. While overseas operations disappointed, the drop in performance of the standalone steel business was less severe. PAT was higher than our estimate of INR2.7b due to slightly higher than expected EBITDA/ton (USD127 v/s our estimate of USD123) for standalone operations.
- Reported consolidated PAT of INR6.9b included forex gain of INR4.2b in standalone operations and INR1.1b of attributable extraordinary gains from JSW Ispat.

Quarterly Performance (Consolidated) (INR Million)

Y/E March	FY12				FY13				FY12	FY13E	FY13	vs Est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Net Sales	74,387	81,443	84,241	101,861	99,099	95,137	85,322	88,092	343,681	367,650	92,359	3
Change (YoY %)	53.1	36.4	40.3	39.9	33.2	16.8	1.3	-13.5	42.5	7.0	13.4	
EBITDA	14,348	13,938	13,235	17,125	19,085	15,313	13,579	15,431	61,019	63,408	15,692	-2
As % of Net Sales	19.3	17.1	15.7	16.8	19.3	16.1	15.9	17.5	17.8	17.2	17.0	
Interest	2,620	3,076	3,789	4,550	4,605	4,829	4,820	4,613	14,273	18,867	4,654	4
Depreciation	4,401	4,554	5,017	5,276	5,334	5,468	5,612	5,646	19,332	22,059	5,515	-1
Other Income	170	363	226	243	311	276	-42	-14	769	531	126	120
PBT (before EO Item)	7,497	6,671	4,655	7,542	9,457	5,292	3,105	5,158	28,183	23,012	5,648	-6
EO Items	0	-11,757	-3,774	3,951	-5,948	5,338	0	0	-15,353	-611	0	
PBT (after EO Item)	7,497	-5,086	880	11,492	3,508	10,630	3,105	5,158	12,830	22,402	5,648	88
Total Tax	2,582	629	507	3,097	1,507	3,357	1,934	2,611	5,002	9,409	2,358	42
% Tax	34.4	-12.4	57.6	26.9	43.0	31.6	62.3	50.6	39.0	42.0	41.7	
PAT	4,915	-5,715	373	8,395	2,001	7,273	1,171	2,547	7,828	12,993	3,291	121
Minority interest (Profit)/Lo	-98	-48	72	-115	9	-131	-131	-131	189	-384	9	-1,538
Share of P/(L) of Associates	35	-930	-924	-583	-1,496	-492	-492	-492	-2,262	-2,970	-500	-2
Pref. Dividend	70	70	70	70	70	70	70	70	279	279	70	0
Adjusted PAT (+asso-MI-EO)	4,782	411	1,754	5,217	3,895	3,485	479	1,855	14,844	9,714	2,730	28
Change (YoY %)	61.9	-89.0	-39.9	-34.3	-18.5	748.1	-72.7	-64.4	-14.2	-34.6	564	

E: MOSL Estimates

Standalone performance: Decline in realizations lower than expected due to opportunistic exports; iron ore cost up INR400/ton

- Adjusted PAT declined 23% QoQ to INR5.2b, higher than our estimate of INR3.9b due to less severe drop in operating performance.
- Both production and sales volumes grew 3% QoQ to 2.17m tons, while average realization declined 5% QoQ to INR40,880/ton. Revenue declined 2% QoQ to INR88.7b. The realization drop was lower than expected due to superior product mix within long products and higher realizations on opportunistic HRC exports at a time when the exchange rate was INR56/USD. Inventories increased by INR5.4b during the quarter.
- EBITDA declined 14% QoQ to INR15.3b despite 2% higher volumes. EBITDA per ton shrank by USD27 to USD127/ton due to fall in average prices.
- Cost of production increased marginally due to increase in iron ore cost, while there was no further reduction in coking coal cost. There was marginal reduction in power and fuel costs.
- Cost of iron ore increased by INR400/ton QoQ, while there was hardly any reduction in coking coal blended cost. Iron ore cost increased because JSTL had to purchase nearly 300k tons (~8% of requirement) of iron ore from East India due to shortage in the state.

- Though there is a sharp drop in prime hard coking coal prices, JSTL is guiding for only marginal reduction (USD230/ton landed at plants in 2Q to USD220/ton in 3Q and USD210/ton in 4Q) in the cost of coking coal because it has already been drawing benefits for the last three quarters due to use of lower grade coal, where price correction had occurred earlier.
- JSTL continues to maintain its volume guidance of 8.5m tons for FY13. Iron ore supply remains in critical balance. 1.8m tons of iron ore inventory with JSTL, another 2m tons of pending e-auction from inventories at NMDC mines and restart of 5mtpa of category "A" mines will ensure sufficient availability of ore till March 2013. Three mines in category "A" (1.4mtpa) have restarted production in Karnataka, which will give some relief on iron ore supply constraints. JSTL expects 8 category "A" mines to start production soon, which will add 3.3mtpa production. The next Supreme Court hearing for category B mines is scheduled on 2 November, which will give further clarity on the issue.

Overseas subsidiaries disappoint - sharp margin shrinkage; Chile mine volumes halved; US coking coal mines unviable

- Overseas subsidiaries disappointed, with EBITDA of just INR61m (v/s INR1.35b in 1QFY13).
- Iron ore sales from Chile mines nearly halved QoQ to 148k tons and cost of production jumped by USD5 to USD111/ton, while EBITDA dropped from USD8.5m to a loss of USD0.07m.
- US coal mines continue to be under pressure. The total shipments were just 20k tons during the quarter. Production ramp-up has been delayed due to subdued prices of coking coal.
- US plate and pipe mill witnessed 50% QoQ drop in EBITDA to USD3m. Plate mill capacity utilization dropped 9pp QoQ to 31%, while pipe mill capacity utilization improved 5pp to 21%.

US Pipe & Plate mill (USD m)

Y/E March	FY12				FY13		FY12	FY13
	1Q	2Q	3Q	4Q	1Q	2Q		1H
Operational performance								
Plate mill								
Production (short tons)	56,815	100,811	65,959	108,183	98,013	79,172	331,768	177,185
Sales (short tons)	46,875	68,818	66,309	65,795	68,741	53,875	247,797	122,616
Pipe mill								
Production (short tons)	8,986	16,855	17,785	22,541	22,011	29,479	66,167	51,490
Sales (short tons)	9,716	16,369	17,444	24,482	22,079	24,590	68,011	46,669
Capacity utilization (%)								
Plates	23.2	37.0	27.0	44.3	39.0	31.0	32.9	35.0
Pipes	6.4	12.0	12.7	16.1	16.0	21.0	11.8	19.0
Financials (US operations)								
Revenues	62	101	94	105	104	88	362	191
EBITDA (incl. oth inc)	3	6	4	43	6	3	56	9
PAT	-9	-8	-10	28	-8	-13	1	-22

Source: Company, MOSL

CHILE - operational performance (USD m)

Y/E March	FY12				FY13		FY12	FY13
	1Q	2Q	3Q	4Q	1Q	2Q		1H
Iron ore production (kt)	177	203	200	173	195	171	752	366
Iron ore sales (kt)	194	148	148	101	343	148	591	491
Revenue	34.3	25.7	20	13.6	44.8	16.3	93.6	61.1
USD/ton	176	174	135	134	130	110	158	241
EBITDA	11.5	7.2	2.87	0.9	8.5	-0.1	22.5	8.4
PAT	7.9	4.6	2.09	-0.85	5.3	-1.63	13.7	3.6
CoP (USD/ton)	117	125	116	125	106	111	120	217

Source: Company, MOSL

Associate: JSW Ispat's margins squeezed between price correction and cost increase

- JSW Ispat's production declined 7.2% QoQ to 640k tons and sales declined 9.5% QoQ to 670k tons. Average realization declined 2% QoQ to INR39,410/ton.
- EBITDA per ton declined 70% QoQ to INR1,655 (USD30) due to corresponding decline in realizations.
- Average cost of production increased by 6.4% QoQ due to high cost of purchased coke.

Quarterly performance (JSW Ispat) (INR Million)

Y/E MARCH	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales (000 tons)	677	724	686	710	740	670	689	717	2,126	2,818
Change (QoQ %)	-4.9	7.0	-5.3	3.5	4.2	-9.5	2.8	4.1		
Realization (INR per ton)	38,683	37,768	40,347	39,194	40,176	39,410	37,910	36,410	39,080	38,458
Change (QoQ %)	1.2	-2.4	6.8	-2.9	2.5	-1.9	-3.8	-4.0		
Net Sales	26,188	27,357	27,678	27,828	29,731	26,405	26,113	26,110	82,863	108,359
Change (YoY %)	11.4	26.9	188.0	2.2	13.5	-3.5	-5.7	-6.2	0.7	30.8
EBITDA	4,060	1,686	2,481	1,952	3,417	1,060	2,066	1,971	6,118	8,514
As % of Net Sales	15.5	6.2	9.0	7.0	11.5	4.0	7.9	7.6	7.4	7.9
EBITDA per ton	6,767	2,755	4,191	3,308	4,952	1,655	3,000	2,749	2,878	3,022
Interest	2,240	2,791	2,862	2,680	2,557	1,804	2,557	2,557	8,334	9,476
Depreciation	1,473	1,486	1,594	1,571	1,618	1,617	1,618	1,618	4,650	6,471
Other Income	108	91	0	1,016	1,136	1,002	250	250	1,106	2,639
PBT (after EO Inc.)	-11,351	-3,453	-3,086	-1,413	-3,009	995	-1,859	-1,954	-7,951	-5,828
Total Tax					-7,792	-229	-613	-645		-9,279
% Tax					258.9	-23.1	33.0	33.0		159.2
Reported PAT	-11,351	-3,453	-3,086	-1,413	4,782	1,224	-1,245	-1,309	-7,951	3,452
Adjusted PAT	455	-2,501	-1,976	-1,284	-601	-1,672	-1,245	-1,309	-5,760	2,839

E: MOSt Estimates

Margins to be under pressure on fall in steel prices; maintain Sell

- Despite challenges in sourcing iron ore, JSTL is one of the best managed companies in the world. Its sales grew 15% YoY in 1HFY13, while domestic demand growth was just 2.6% and global demand even worse. Though sourcing iron ore was challenging due to mining ban in Karnataka, the pressure on costs was not felt because e-auction is restricted to steel users dependent on Karnataka. With the depletion of inventories, costs have started inching up, as JSTL has started purchasing expensive ore from East India.

- We believe JSTL's ore requirement on merged entity basis will be 25-28m tons, if it operates at full capacity. The total annual availability of ore from Karnataka mines is capped at 30m tons. Under the new supply and demand equation, the cost of iron ore will keep inching up relative to steel prices, unless JSTL is able to pick captive mines at reasonable price as and when the cancelled leases of category "C" mines are auctioned.
- We continue to believe that steel prices will remain under pressure due to global demand slowdown. Global hot metal (pig iron) production has remained flat for 20-21 months, implying that the demand for iron ore and coking coal is stagnant. On the other hand, investments in mining across the world have been bringing new supplies. Hence, raw material prices are under pressure. JSTL will benefit from (or remain unaffected by) correction in coking coal prices. However, there will be an adverse impact on margins, if iron ore prices, and therefore, steel prices correct.
- On merged entity basis, JSTL is trading at an EV of 6.9x FY14E EBTIDA. Valuations appear stretched. Maintain **Sell**.

JSW Steel Merged:: Valuation Summary

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
3/11A	241,059	16,783	75.2	17.7	-	-	12.3	9.9	-	-
3/12A	343,681	14,844	66.5	-11.6	11.1	1.0	8.9	9.2	1.2	6.7
3/13E	476,009	10,122	41.9	-37.1	17.6	1.1	6.2	8.7	1.1	7.1
3/14E	457,760	12,161	50.3	20.1	14.7	1.1	7.3	9.0	1.1	6.9

Note: FY11 & 12 figures are pre-merger

Concall highlights

- **Globally, performance of steel companies has been disappointing:** China's GDP growth slowed down to 7.4% YoY in 2QFY13. Of 80 companies surveyed in China, 44 are incurring losses. Korean and Japanese steel companies also reported lower than guided numbers. In US too, Nucor and AK Steel reported lower than expected numbers.
- **Iron ore prices currently at USD110-170/ton:** Raw material prices have corrected with a lag as compared to steel prices. HCC quarterly contract prices settled at USD165-170/ton for 3QFY12 and are currently at USD148/ton on spot basis. Iron ore prices are range-bound at USD110-120/ton after touching USD85-90/ton in August-September 2012.
- **Increasing steel imports from FTA countries concerning for domestic companies:** Domestic apparent finished steel consumption grew 5.4% YoY while finished steel production grew 2.6% YoY in 1HFY13. Steel imports jumped 36.5% YoY to 3.94m tons whereas steel exports grew just 4.8% YoY to 2.37m tons. Increase in imports is mainly on account of FTA countries like South Korea and Japan, which is a cause of concern for Indian steel companies.
- **JSTL achieves highest ever quarterly crude steel production:** JSTL achieved its highest ever crude steel production at 2.17m tons in 2QFY13. Capacity utilization was 80% due to lower availability of iron ore.

- **Has adequate iron ore to continue normal operations till March 2013**
  - A total of 33.3m tons of iron ore was sold through e-auction till 19 October 2012 in Karnataka. JSTL purchased 19.8m tons in e-auctions and received ~92% till 19 October.
  - Three mines in category 'A' (1.4mtpa) have restarted production on approval of Reclamation & Rehabilitation (R&R) plans by CEC. The production is expected to start hitting the market this month. The remaining 8 mines (capacity of 3.3mtpa) are in various stages of approval and should commence production during the October-December quarter.
  - The R&R plans for three mines in category 'B' are approved. R&R plans are under preparation for the remaining mines in this category. However, the Supreme Court has stipulated certain conditions for category 'B' mines to consider re-commencement of mining. The next hearing is scheduled on 2 November 2012.
  - The CEC has recommended canceling category 'C' mines and auctioning them to end users.
  - JSW believes that it has adequate iron ore to continue normal operations till March 2013, taking into account its current inventory, NMDC production and stock at various mines in Karnataka that is yet to be auctioned.
- **Chile and US mines disappoint**
  - In Chile, JSTL incurred EBITDA loss during the quarter. It maintains its 1m ton volume guidance for its Chile mine and expects it to just break even in FY13.
  - JSTL is not increasing production at its US coking coal mines due to lower prevailing prices. Cost of production is USD100/ton.
- **Expects JSW Ispat to break even at PBT level in FY14:** The management expects JSW Ispat to break even at PBT level in FY14 due to captive availability of coke and pellet. It sources ~60% of its iron ore through imports. JSTL bought 0.23m tons of crude steel from JSW Ispat for rolling in Vasind and Tarapur.
- **Other highlights**
  - Iron ore prices are higher by INR400/ton QoQ for JSTL.
  - Forest Development Tax (FDT) is provided under contingent liability.
  - JSTL purchased 0.3m tons of iron ore from outside Karnataka.
  - Blended cost of coal on consumption basis is lower QoQ at USD230/ton; expected to decline to ~USD200/ton next quarter.
  - Acceptances on account of raw material at USD1,289m.
  - Of the total projected capex of INR60b in FY13, INR19b is already spent in 1HFY13.

JSW Steel: an investment profile

Company description

JSW Steel (JSTL) has demonstrated excellent project execution skills over the past decade, growing its capacity 6x to 10mtpa through brownfield expansions at Vijaynagar. With the acquisition of Ispat Industries and Salem Steel, it controls 14mtpa capacity. Its main production facilities are located in proximity to rich iron ore reserves in Karnataka. It has investments in iron ore mining in Karnataka and Chile. Its other overseas investments include plate and pipe mill operations and coal mines in the US.

Key investment arguments

- JSTL has the lowest conversion cost due to operational efficiencies. Its strategic location near iron ore rich Bellary-Hospet belt helps it to keep iron ore purchase costs low. However, the ban on iron ore mining at Bellary and subsequent unavailability of adequate quantity at lower cost had derailed volume growth.
- Earnings have high sensitivity to steel and raw material prices due to high financial and operating leverage.

Key investment risks

- High dependence on external sources for raw material in a rising resource price scenario can put significant pressure on margins and earnings growth.

Recent developments

- Three mines in category 'A' (1.4mtpa) have restarted production on approval of Reclamation & Rehabilitation (R&R) plans by CEC. Production is expected to start hitting the market this month.

Valuation and view

- On merged entity basis, JSTL trades at an EV of 6.9x FY14E EBITDA. Valuations appear stretched; **Sell**.

Sector view

- Global steel prices continued their downtrend, with major correction in China. Average steel prices declined 8%, 4%, 14% and 4% QoQ respectively in Russia, Europe, China and North America. Domestic steel prices also mirrored global steel prices, with long and flat steel prices declining 9% and 10% QoQ, respectively. Chinese price correction is also affecting prices in other regions, as Chinese mills are flooding steel products elsewhere to compensate for domestic slowdown. In India, imports have already jumped by 39% YoY in 1HFY13 to 3.3m tons. We expect further reduction in steel prices due to pressure on raw material prices and lower demand, as steel demand from China moderates further.

Comparative valuations

		JSW Steel	SAIL	Tata Steel
P/E (x)	FY13E	16.9	11.9	12.5
	FY14E	15.7	9.3	7.1
P/BV (x)	FY13E	0.9	0.8	1.4
	FY14E	0.9	0.8	1.2
EV/Sales (x)	FY13E	1.1	1.1	0.7
	FY14E	1.2	1.1	0.7
EV/EBITDA (x)	FY13E	6.6	7.5	6.8
	FY14E	6.5	6.2	6.1

Shareholding pattern (%)

	Sep-12	Jun-12	Sep-11
Promoter	38.6	38.6	38.3
Domestic Inst	4.7	4.7	4.6
Foreign	41.8	41.3	42.8
Others	14.9	15.3	14.4

EPS: MOSL forecast v/s consensus (INR)

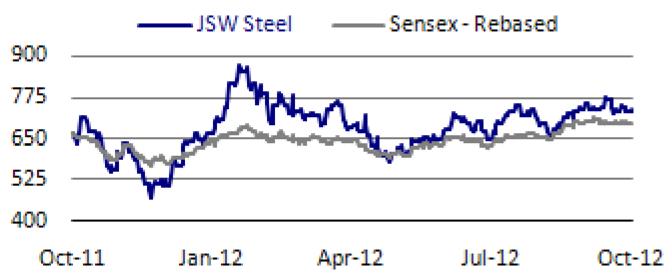
	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	43.5	75.0	-42.0
FY14	46.8	91.6	-48.9

Target price and recommendation

Current Price (INR)	Target * Price (INR)	Upside (%)	Reco.
737	459	-37.8	Sell

Based on EV/EBITDA of 5xFY14

Stock performance (1 year)



Financials and Valuation

Income Statement (Consolidated)				(INR Million)
Y/E March	2011	2012	2013E	2014E
Net sales	**241,059**	**343,681**	**367,650**	**354,206**
Change (%)	27.2	42.6	7.0	-3.7
Total Expenses	192,380	282,662	304,243	287,432
EBITDA	**48,679**	**61,019**	**63,408**	**66,774**
% of Net Sales	20.2	17.8	17.2	18.9
Depn. & Amortization	15,597	19,332	22,059	22,587
EBIT	**33,082**	**41,687**	**41,349**	**44,187**
Net Interest	10,603	14,273	18,867	20,893
Other income	1,900	769	531	485
PBT before EO	**24,379**	**28,183**	**23,012**	**23,779**
EO income		-15,353	-611	
PBT after EO	**24,379**	**12,830**	**22,402**	**23,779**
Tax	7,785	5,002	9,409	10,564
Rate (%)	31.9	39.0	42.0	44.4
Reported PAT	**16,594**	**7,828**	**12,993**	**13,215**
Minority interests	-239	189	-384	-524
Share of Associates	707	-2,262	-2,970	-1,966
Preference dividend	279	279	279	279
Adj. PAT (after MI & Asso)	**16,783**	**14,844**	**9,714**	**10,447**
Change (%)	40.4	-11.6	-34.6	7.5

Balance Sheet				(INR Million)
Y/E March	2011	2012	2013E	2014E
Share Capital	2,231	2,231	2,231	2,231
Reserves	163,062	165,265	172,131	180,341
Net Worth	**165,293**	**167,496**	**174,362**	**182,572**
Minority Interest	2,219	2,177	1,793	1,270
Total Loans	211,203	274,301	274,911	294,911
Deferred Tax Liability	20,494	27,250	33,451	40,334
Capital Employed	**399,209**	**471,223**	**484,518**	**519,087**
Gross Block	337,771	426,895	456,895	486,895
Less: Accum. Deprn.	68,732	88,775	110,833	133,421
Net Fixed Assets	**269,039**	**338,121**	**346,062**	**353,475**
Capital WIP	65,078	35,703	55,703	75,703
Investments	26,437	18,856	18,856	18,856
Curr. Assets	**98,329**	**146,453**	**136,094**	**141,593**
Inventory	44,097	57,893	60,436	58,226
Account Receivables	9,334	15,394	15,109	14,556
Cash and Bank Balance	23,170	32,653	20,036	28,298
Others	21,729	40,514	40,514	40,514
Curr. Liability & Prov.	**59,674**	**67,910**	**72,198**	**70,540**
Account Payables	29,622	41,039	45,327	43,669
Provisions & Others	30,052	26,871	26,871	26,871
Net Current Assets	**38,655**	**78,543**	**63,897**	**71,053**
Appl. of Funds	**399,209**	**471,223**	**484,518**	**519,087**

E: MOSL Estimates

Ratios				
Y/E March	2011	2012	2013E	2014E
Basic (INR)				
EPS	**75.2**	**66.5**	**43.5**	**46.8**
Cash EPS	144.3	121.7	157.1	160.5
BV/Share	740.8	750.7	781.5	818.3
DPS	12.3	7.5	7.5	7.5
Payout (%)	20.9	15.4	23.5	21.9
Valuation (x)				
P/E		11.1	16.9	15.7
Cash P/E		6.1	4.7	4.6
P/BV		1.0	0.9	0.9
EV/Sales		1.2	1.1	1.2
EV/EBITDA		6.7	6.6	6.5
Dividend Yield (%)		1.0	1.0	1.0
EV/ton		1,084	907	865
Return Ratios (%)				
RoE	12.3	8.9	5.7	5.9
RoCE (pre-tax)	9.9	9.2	8.2	8.6
RoIC (pre-tax)	12.5	12.5	10.7	11.2
Working Capital Ratios				
Debtor (Days)	14	16	15	15
Inventory (Days)	67	61	60	60
Creditors(Days)	45	44	45	45
Leverage Ratio (x)				
Current Ratio	1.6	2.2	1.9	2.0
Interest Cover Ratio	3.1	2.9	2.2	2.1
Debt/Equity	1.1	1.4	1.5	1.5

Cash Flow Statement (Consolidated)				(INR Million)
Y/E March	2011	2012	2013E	2014E
EBITDA	48,679	61,019	63,408	66,774
Non cash exp. (income)				
(Inc)/Dec in Wkg. Cap.	-13,137	-30,404	2,029	1,105
Tax Paid	-4,269	-4,113	-3,208	-3,681
CF from Op. Activity	**31,273**	**26,502**	**62,229**	**64,198**
(Inc)/Dec in FA + CWIP	-52,994	-59,750	-50,000	-50,000
(Pur)/Sale of Investments	-266	7,581		
Acquisition in subsidiari	-23,598			
Int. & Dividend Income	526	769	531	485
CF from Inv. Activity	**-76,331**	**-51,400**	**-49,469**	**-49,515**
Equity raised/(repaid)	59,356			
Debt raised/(repaid)	4,008	63,098	611	20,000
Dividend (incl. tax)	-2,397	-2,284	-2,237	-2,237
Interest paid	-10,007	-14,273	-18,867	-20,893
Other financing	-281	-12,159	-4,883	-3,292
CF from Fin. Activity	**50,679**	**34,382**	**-25,377**	**-6,422**
(Inc)/Dec in Cash	**5,621**	**9,484**	**-12,617**	**8,262**
Add: opening Balance	3,030	23,170	32,653	20,036
Margin Money & debentu	14,518			
Closing Balance	**23,170**	**32,653**	**20,037**	**28,298**

N O T E S

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