

Tata Steel

BUY

Upgrade from HOLD

Rs558

Favourable bargain

Reason for report: Earnings revision and recommendation change

We upgrade Tata Steel (TSL) to BUY from HOLD with a revised target price of Rs645/share. We believe the stock at the current price offers significant favourable risk-reward. And the recent Riversdale deal with Rs45bn of cash inflow improves the stock's appeal still further. We feel at the current levels the stock prices in the gamut of possibilities right from i) moderation in domestic growth to ii) moderation in domestic profitability and the subsequent drop in multiples to iii) sharp drop in European margins. Currently the stock is trading at 19% discount to its replacement cost – higher than that at the bottom of the slowdown in 2009. We trim our earnings by 16-17% to discount stress test volumes and margins in domestic and European operations, taking our earnings 23-26% below consensus. Despite this, we are looking at a one year target price of Rs645/share based on FY13 EV/E of 6x, implying an upside of 16%.

- ▶ **Near term domestic growth and margin moderation priced in.** We have pushed the entire domestic volume growth to FY13. Even in FY13 we have assumed utilisation of 70% on the new capacity. We are now building in flat YoY volumes in FY12 at 6.4mnte. We have also significantly revised down our margins and are currently discounting a YoY drop of 4.2%.
- ▶ **Structural domestic profitability moderation discounted.** We have looked into the standalone profitability of the future capex (in Jamshedpur) at ~20% integration levels for domestic coking coal. We find hard to achieve >10-11% RoCE and RoIC levels for the undertaken capex. So, instead of applying common generic multiple we tried to separately value the existing operations (based on FY12 EV/E of 6x) and add the FCFE of the 3mtpa expansion project (which is six months due). Even with this conservative approach, we arrive at a target price of Rs633/share. This clearly points to the margin of safety that the stock enjoys at current levels.
- ▶ **European operations – stress tested and rebuttressed.** We have moderated both our volumes and utilisation for Tata Steel Europe. We take heed of the fact that any kind of incremental operational lever on account of increasing volumes is virtually non-existent. Hence to create additional margin of safety, we have exerted a gross margin stress that exceeds the stress witnessed during the slowdown of 2009.
- ▶ **Riversdale deal adds additional comfort.** The timing of the Riversdale deal couldn't have been better. It effectively takes out the entire risk of earnings volatility in European operations for FY12 and its impact on the consolidated valuations.
- ▶ **Valuations.** We take the opportunity of the Riversdale deal (which was followed by sales of Teesside, Tata Refractories and Tata Power stake to name a few) to build in all kinds of stress (mentioned above) and yet get an 16% upside in one year. To sweeten the bargain, Rs32/share of investment value waits to be unlocked.

Market Cap	Rs535bn/US\$11.9bn	Year to March	FY10	FY11E	FY12E	FY13E
Reuters/Bloomberg	TATA.BO/TATA IN	Revenue (Rs mn)	1,023,058	1,187,531	1,171,000	1,191,575
Shares Outstanding (mn)	959	Net Income (Rs mn)	(20,092)	89,828	86,150	64,709
52-week Range (Rs)	737/449	EPS (Rs)	(17.0)	54.6	55.0	64.7
Free Float (%)	69.4	% Chg YoY	NA	NA	0.7	17.6
FII (%)	17.4	P/E (x)	NA	10.2	10.1	8.6
Daily Volume (US\$/'000)	77,130	CEPS (Rs)	26.8	97.5	99.1	112.3
Absolute Return 3m (%)	(7.6)	EV/E (x)	12.5	6.5	6.2	5.5
Absolute Return 12m (%)	13.0	Dividend Yield (%)	1.4	2.1	1.6	1.8
Sensex Return 3m (%)	(2.4)	RoCE (%)	4.5	12.5	10.8	11.7
Sensex Return 12m (%)	(1.1)	RoE (%)	(8.0)	16.9	12.1	11.9

Metals

Target price Rs645

Earnings revision

(%)	FY12E	FY13E
Sales	↓ 1.2	↓ 1.3
EBITDA	↓ 11.0	↓ 12.1
EPS	↓ 16.7	↓ 16.6

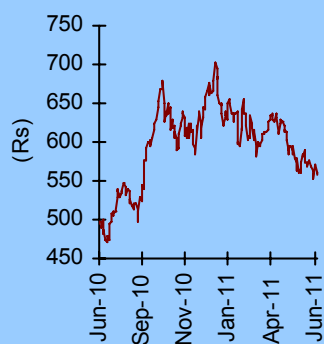
Target price revision

Rs645 from Rs670

Shareholding pattern

	Sep '10	Dec '10	Mar '11
Promoters	32.5	32.5	30.6
Institutional investors	42.6	42.4	43.6
MFs and UTI	3.7	3.4	3.7
Insurance Cos.	22.3	22.4	22.4
FII	15.8	16.0	17.4
Others	24.9	23.9	23.3

Price chart



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Domestic growth moderation priced in

We have pushed the entire growth in volumes through 3mtpa expansion to FY13. Even in FY13 we have assumed utilisation of 70% on the new capacity. We are now building in flat YoY volumes in FY12 (vis-à-vis FY11) at 6.4mnte (revised from earlier 6.78mnte).

We have also significantly revised downward our margins and are currently discounting a YoY drop of 4.2% (per te). A combination of these two scenarios was not visible even for the downfall year FY10. *Also, we have modeled for the extreme, when FY12 is the first year in the last decade where TSL will witness a decline in realisations even when its costs have gone up YoY (despite TSL being 100% integrated in iron ore and 50% integrated in coking coal).*

Table 1: Domestic margin levers

(Rs/te)	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12E	FY13E
Average Realisation	30,152	30,168	32,907	37,612	41,209	35,628	41,931	40,108	39,059
Delta in Realisations	5,609	16	2,739	4,706	3,597	(5,581)	6,303	(1,823)	(1,049)
Raw material Cost/te	7,857	7,566	9,292	9,609	14,060	11,310	12,688	13,004	12,646
<i>Delta in RM Costs/te</i>	<i>923</i>	<i>(291)</i>	<i>1,726</i>	<i>317</i>	<i>4,451</i>	<i>(2,750)</i>	<i>1,379</i>	<i>316</i>	<i>(358)</i>
Power & Fuel /te	1,536	1,647	1,844	1,915	2,097	2,049	2,192	2,309	2,293
<i>Delta in Power Costs/te</i>	<i>(163)</i>	<i>111</i>	<i>196</i>	<i>72</i>	<i>182</i>	<i>(48)</i>	<i>142</i>	<i>117</i>	<i>(15)</i>
Repairs/te	1,452	1,367	1,258	1,618	1,647	1,630	1,729	1,821	1,628
<i>Delta in Repairs/te</i>	<i>(17)</i>	<i>(85)</i>	<i>(109)</i>	<i>360</i>	<i>28</i>	<i>(17)</i>	<i>99</i>	<i>92</i>	<i>(193)</i>
Employee Costs/te	3,042	2,718	2,910	3,729	4,430	3,816	4,087	4,218	3,632
<i>Delta in Employee/te</i>	<i>(324)</i>	<i>192</i>	<i>819</i>	<i>701</i>	<i>(614)</i>	<i>271</i>	<i>131</i>	<i>(585)</i>	<i>(982)</i>
Total Costs/te	18,495	18,518	20,974	23,899	29,234	25,836	28,067	29,065	27,765
Delta in Total Costs/te	(440)	23	2,457	2,925	5,335	(3,398)	2,231	998	(1,300)

Source: Company data, I-Sec Research

Hence we believe, even in the extreme case of growth / margin moderation and overcapacity, our numbers would not spring any negative surprise.

Even with these kinds of drastic assumptions one can look at a target price of Rs645/share based on FY13 average EV/E of 6x.

Structural domestic profitability moderation discounted

Increasing HRC capacity in the domestic space and incrementally lower raw material integration (especially coking coal) will have a bearing on the profitability of the future capex undertaken by the company. We have looked into the standalone profitability of the future capex (in Jamshedpur) at ~20% integration levels for domestic coking coal.

We find hard to get >10-11% RoCE and RoIC levels for the undertaken capex. This is after reckoning in the possible operational levers in the form of employee costs and technological levers via higher PCI coal usage. This compares with the historical RoCEs in the 15-20% range.

Thereby, same multiples cannot be applied to the new upcoming operations and the exiting operations. Hence we tried to separately value the existing operations based on FY12 multiple of 6x (consolidated) and calculate the FCFE of the 3mtpa expansion project, which is 6 months due.

Even with this conservative approach, we arrive at a target price of Rs633/share. This clearly points to the margin of safety that the stock enjoys at the current levels.

3mtpa expansion – adding FCFE of Rs48/share even on structurally lowered profitability**Table 2: Capacity utilisation**

(%)

	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
BF	70	80	80	80	80	80	80	80	80	80	80	80	80
SMS	70	95	95	95	95	95	95	95	95	95	95	95	95
SMS yield loss	3	2	2	2	2	2	2	2	2	2	2	2	2
Thin slab caster (cont casting)	70	95	95	95	95	95	95	95	95	95	95	95	95
Thin slab caster (cont casting) yield loss	3	2	2	2	2	2	2	2	2	2	2	2	2
CRCA	70	95	95	95	95	95	95	95	95	95	95	95	95

Source: Company data, I-Sec Research

Table 3: Sales details

	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
HR volumes (mn te)	1.0	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Realisation (Rs/te)	33,750	33,919	34,088	34,259	34,430	34,602	34,775	34,949	35,124	35,299	35,476	35,653	35,832
CRCA volumes (mn te)	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Realisation (Rs/te)	38,750	38,919	39,088	39,259	39,430	39,602	39,775	39,949	40,124	40,299	40,476	40,653	40,832

Source: Company data, I-Sec Research

Table 4: Profit and Loss

(Rs mn)

	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
Revenue	49,537	77,094	78,709	79,089	79,470	79,853	80,238	80,625	81,014	81,405	81,798	82,193	82,590
Total expenses	36,805	55,669	56,775	56,957	57,143	57,335	57,531	57,733	57,929	58,131	58,337	58,550	58,767
EBITDA	12,732	21,424	21,935	22,132	22,327	22,518	22,707	22,893	23,085	23,275	23,461	23,644	23,823
<i>Margins (%)</i>	<i>25.7</i>	<i>27.8</i>	<i>27.9</i>	<i>28.0</i>	<i>28.1</i>	<i>28.2</i>	<i>28.3</i>	<i>28.4</i>	<i>28.5</i>	<i>28.6</i>	<i>28.7</i>	<i>28.8</i>	<i>28.8</i>
<i>EBITDA/te</i>	<i>201</i>	<i>217</i>	<i>219</i>	<i>221</i>	<i>223</i>	<i>225</i>	<i>227</i>	<i>229</i>	<i>230</i>	<i>232</i>	<i>234</i>	<i>236</i>	<i>238</i>
<i>Cost/te</i>	<i>582</i>	<i>565</i>	<i>567</i>	<i>569</i>	<i>570</i>	<i>572</i>	<i>574</i>	<i>576</i>	<i>578</i>	<i>580</i>	<i>582</i>	<i>584</i>	<i>587</i>
Other income	69	49	20	16	34	16	82	55	58	34	42	85	164
Interest @ 10%	13,087	13,087	12,887	12,687	12,487	12,187	11,987	11,587	11,187	10,687	10,187	9,687	9,187
Depreciation	6,549	6,822	7,095	7,367	7,640	7,913	8,186	8,459	8,732	9,005	9,277	9,550	9,823
PBT	(6,835)	1,565	1,973	2,093	2,233	2,434	2,615	2,902	3,225	3,616	4,038	4,491	4,977
Tax (%)	(2,256)	516	651	691	737	803	863	958	1,064	1,193	1,333	1,482	1,642
PAT	(4,579)	1,048	1,322	1,402	1,496	1,630	1,752	1,944	2,160	2,423	2,706	3,009	3,334

Source: Company data, I-Sec Research

Table 5: Balance sheet

(Rs mn)

	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
Gross block	163,720	170,542	177,363	184,185	191,007	197,828	204,650	211,472	218,293	225,115	231,937	238,758	245,580
Depreciation	6,549	13,370	20,465	27,832	35,473	43,386	51,572	60,031	68,762	77,767	87,044	96,595	106,418
Net block	157,171	157,171	156,898	156,353	155,534	154,443	153,078	151,441	149,531	147,348	144,892	142,164	139,162
Net working capital (ex cash)	2,477	3,855	3,935	3,954	3,973	3,993	4,012	4,031	4,051	4,070	4,090	4,110	4,130
Cash	1,151	822	336	265	560	263	1,360	922	974	560	702	1,420	2,736
Total	160,800	161,848	161,170	160,572	160,068	158,698	158,451	156,395	154,555	151,978	149,684	147,693	146,027
Sources of funds													
Equity	34,505	34,505	34,505	34,505	34,505	34,505	34,505	34,505	34,505	34,505	34,505	34,505	34,505
Reserves and Surplus	(4,579)	(3,531)	(2,209)	(807)	689	2,319	4,072	6,016	8,176	10,599	13,305	16,314	19,648
Debt	130,874	130,874	128,874	126,874	124,874	121,874	119,874	115,874	111,874	106,874	101,874	96,874	91,874
Total	160,800	161,848	161,170	160,572	160,068	158,698	158,451	156,395	154,555	151,978	149,684	147,693	146,027

Source: Company data, I-Sec Research

Table 6: Cashflow*(Rs mn)*

Cashflow	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
Applications													
Capex	5,700												
Interest capitalised	-												
Sustenance Capex		6,822	6,822	6,822	6,822	6,822	6,822	6,822	6,822	6,822	6,822	6,822	6,822
Working capital	2,477	1,378	81	19	19	19	19	19	19	20	20	20	20
Total	8,177	8,199	6,902	6,841	6,841	6,841	6,841	6,841	6,841	6,841	6,841	6,841	6,842
Sources													
Equity	2,750												
Reserves and Surplus	1,969	7,870	8,416	8,770	9,136	9,544	9,938	10,403	10,892	11,428	11,983	12,559	13,158
Debt	2,950												
Debt schedule	1,659	-	(2,000)	(2,000)	(2,000)	(3,000)	(2,000)	(4,000)	(4,000)	(5,000)	(5,000)	(5,000)	(5,000)
Total	9,328	7,870	6,416	6,770	7,136	6,544	7,938	6,403	6,892	6,428	6,983	7,559	8,158
Change in Cash	1,151	(329)	(486)	(71)	295	(297)	1,097	(438)	51	(414)	142	718	1,316
Total cash	1,151	822	336	265	560	263	1,360	922	974	560	702	1,420	2,736

Source: Company data, I-Sec Research

Table 7: FCFE valuations of 3mtpa expansion*(Rs mn)*

	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
FCFE	(1,668)	6,443	6,315	6,735	7,083	6,509	7,837	6,328	6,814	6,374	6,921	7,454	7,974
PV	44,464												
PV discounted to FY12	39,349												
Terminal value													
Discounted to FY12	8,337												
Per share	48												
FY12 consolidated value	585												
Total	633												

Source: Company data, I-Sec Research

Table 8: Profitability of new expansion – only a shadow of the past*(Rs mn)*

	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E	FY24E	FY25E
RoIC	3.9	9.1	9.2	9.2	9.2	9.2	9.2	9.3	9.3	9.4	9.5	9.6	9.7
RoCE	5.3	8.9	9.1	9.2	9.3	9.5	9.6	9.8	10.0	10.3	10.5	10.7	10.9

Source: Company data, I-Sec Research

Tata Steel Europe – stress tested and rebuttressed

We have moderated both our volumes and utilisation for Tata Steel Europe. We take heed of the fact that any kind of incremental operational lever on account of increasing volumes is virtually non-existent. The only possible benefit that one may built in is the existing cost savings drive.

Hence to create additional margin of safety in the Europe numbers, we have created a gross margin stress that exceeds the stress witnessed during the slowdown in 2009 (Table 9).

Table 9: Indicative margin stress in European operations

(GBP/te)

	FY08	FY09	FY10	FY11	FY12E	FY13E
Price	541	709	614	710	756	732
YoY delta in price		168	(95)	97	46	(25)
Raw material cost per te	258	372	295	284	359	334
YoY delta in cost		115	(78)	(11)	75	(25)
Normalised EBITDA/te			(12)	29	24	30

Source:

The raw material and price induced margin stress amounted to £17/te in FY10, whereas that assumed for FY12 by us is £29/te. We have penalised European operations in the margin stress to compensate for the lack of operating leverage with increasing volumes in FY12.

Riversdale deal adds additional comfort

Further to our liking, the timing of the Riversdale deal could not have been better. The deal effectively takes out the entire risk of the European operations as far as the valuation of TSL consolidated is concerned, without loosing out on asset security.

With the Riversdale deal, TSL is to receive ~Rs44.5bn (post tax). If we attribute the entire benefit to the European operations, we can either repay an equivalent amount of debt or we can keep it as a safety net for hedging the drop in EBITDA in Europe in case of sharp fluctuations in margin.

If we apportion the benefit of Rs44.5bn to 13.8mnte of production assumed for FY12 in Europe, it turns in a net benefit of US\$72/te. If we apply a nominal 5.5x EV/E multiple, this can provide cushion to an EBITDA drop of up to US\$13/te in the European operations. Our European division EBITDA for FY12 is US\$38/te. Hence the Riversdale deal has achieved in protecting the value of TSL consolidated entity even if Tata Steel Europe's EBITDA falls down to 34% from our assumption (which is already assumed at 17% discount to reported FY11 numbers).

Post the Riversdale deal, we are looking at FY12E consolidated D/E of 1x (with all kind of stress testing scenario built in).

Other workouts that sweeten the bargain

With the sale of Riversdale, the company has divested its largest associate investment. However, TSL holds Rs32/share (post holding company discount) of investments, which is getting no value under the current environment of saliency.

Further, currently the stock is trading at 19% discount to its replacement cost – higher than that at the bottom of the slowdown in CY09 and even in CY03 (Chart 2).

With saliency at its peak, these workouts add as additional margin of safety behind our BUY call.

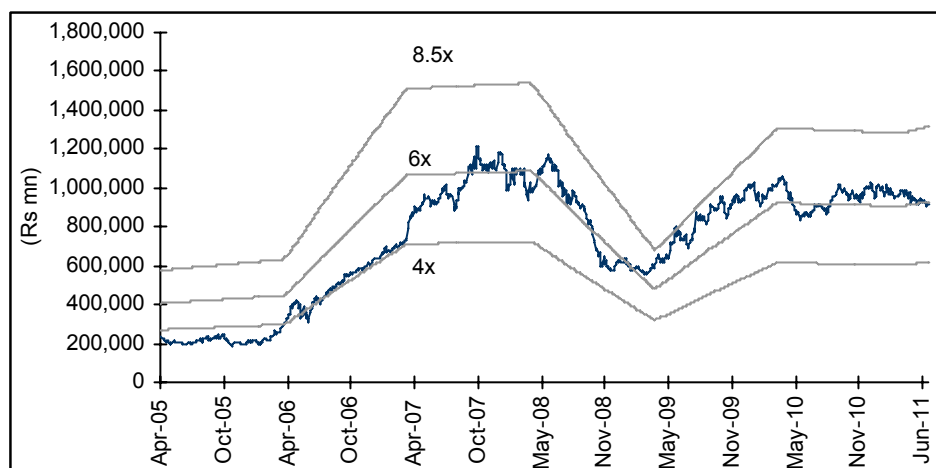
Table 10: Value of investments of TSL

(Rs mn)

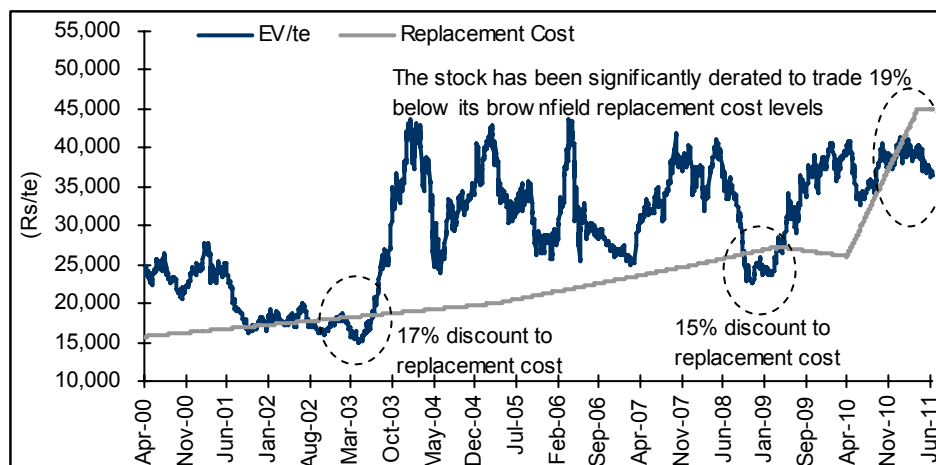
	Current Market Cap	TSL Stake (%)	Holding Value	Holding Value (post 20% discount)
Tata Metaliks	2,479	46.66	1,157	926
Tata Motors	554,989	5.49	30,469	24,375
Tata Power	286,964	0.73	2,095	1,676
Tata Sponge	5,181	39.74	2,059	1,647
Tinplate	6,045	59.45	3,593	2,875
Tayo Rolls	872	54.45	475	380
Total				31,878
Per Share (Rs)				31.9

Source: I-Sec Research

Chart 1: EV/EBITDA bands



Source: I-Sec Research

Chart 2: EV/te vis-à-vis replacement cost

Source: I-Sec Research

Earnings and target price revision

We have revised downwards FY12 and FY13 earnings by 16.7% and 16.6% respectively. FY12 earnings have been revised down mainly on the back of i) reduction in volumes in the domestic operations, ii) delay in the entire expansion in Jamshedpur to FY13 and reducing utilisation in FY13 to ~70% and iii) reduction in European EBITDA/te as well as volume to 13.8mnte for both FY12 and FY13.

As compared to an earnings drop of ~17%, our target price drops by only 4% mainly on account of the Riversdale deal which brings in ~Rs44.5bn of cash in FY12.

Table 11: Earnings revision

(Rs mn)

	FY12E			FY13E		
	Old	New	% Chg	Old	New	% Chg
Sales	1,184,721	1,171,000	(1.2)	1,206,965	1,191,575	(1.3)
EBITDA	169,624	150,972	(11.0)	192,382	169,057	(12.1)
PAT	66,010	55,014	(16.7)	77,614	64,709	(16.6)
EPS (Rs)	66.0	55.0	(16.7)	77.6	64.7	(16.6)

Source: I-Sec Research

Valuation methodology and key risks

We maintain our forward EV/E of 6x and move forward to FY13E. We believe that the current price offers significantly improved risk-reward. There is limited downside risks to our earnings and hence target price. However, leverage in European operations (against our projected EBITDA) is a risk. Also additional headroom to divest and decrease debt is absent. While we would like the management to gradually leverage the domestic balance sheet to deleverage European operations, the domestic capex will delay that cycle.

Summary financials

Table 12: Profit & Loss statement

(Rs mn, year ending March 31)

	FY10	FY11	FY12E	FY13E
Operating Income	1,023,058	1,187,531	1,171,000	1,191,575
Operating Expenses	942,632	1,033,558	982,745	1,009,329
EBITDA	80,427	153,973	150,972	169,057
% margins	8	13	13	14
Depreciation & Amortisation	44,917	44,148	44,108	47,706
Gross Interest	34,943	27,700	29,180	29,878
Other Income	2,835	3,696	4,196	4,052
Recurring PBT	3,402	85,820	81,880	95,525
Add: Extraordinaries	(3,092)	35,199	31,136	-
Less: Taxes	21,518	32,459	26,813	30,859
Less: Minority Interest	152	(603)	603	603
Net Income (Reported)	(20,092)	89,828	86,150	64,709
Recurring Net Income	(17,001)	54,628	55,014	64,709

Source: Company data, I-Sec Research

Table 13: Balance sheet

(Rs mn, year ending March 31)

	FY10	FY11	FY12E	FY13E
Assets				
Total Current Assets	438,678	597,386	536,086	549,377
of which cash & cash eqv.	67,878	108,926	94,220	93,838
Total Current Liabilities & Provisions	299,827	337,610	341,334	334,216
Net Current Assets	138,851	259,777	194,752	215,161
Investments				
of which	54,178	78,473	55,904	60,594
Strategic/Group	34,866	56,929	34,360	39,049
Other Marketable	19,312	21,544	21,544	21,544
Net Fixed Assets	457,958	523,934	634,450	679,999
of which				
intangibles	145,418	152,982	152,982	152,982
Capital Work-in-Progress	93,194	124,448	97,958	143,792
Goodwill	145,418	152,982	152,982	152,982
Total Assets	796,405	1,015,166	1,038,088	1,108,735
Liabilities				
Borrowings	531,004	576,103	495,383	493,719
Deferred Tax Liability	16,541	20,126	20,126	20,126
Minority Interest	8,841	8,889	9,492	10,095
Equity Share Capital	8,867	9,714	9,714	10,003
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	279,241	449,326	524,798	598,465
Less: Misc. Exp. n.w.o.	(59,970)	(59,970)	(30,402)	(30,650)
Net Worth	230,383	401,315	506,354	580,062
Total Liabilities	796,405	1,015,166	1,038,088	1,108,735

Source: Company data, I-Sec Research

Table 14: Cashflow statement

(Rs mn, year ending March 31)

	FY10	FY11E	FY12E	FY13E
Operating Cash flow	25,556	93,814	94,979	108,320
Working Capital chgs	46,465	(79,878)	81,592	(21,678)
Capital Commitments	(73,010)	(110,124)	(154,624)	(93,255)
Free Cash Flow	(989)	(96,188)	21,947	(6,613)
Cash flow from Investing Activities	26,072	(20,600)	26,765	(637)
Issue of Share Capital	27,605	74,862	-	289
Buyback of shares	-	-	-	-
Inc (Dec) in Borrowings	100,384	45,099	(80,720)	(1,664)
Dividend paid	(9,094)	(13,441)	(10,679)	(11,922)
Extraordinary Items	-	-	-	-
Chg. in Cash balance	6,394	41,048	(14,705)	(403)

Source: Company data, I-Sec Research

Table 15: Key ratios

(Rs mn, year ending March 31)

	FY10	FY11E	FY12E	FY13E
Per Share Data (Rs)				
EPS(Basic Recurring)	(19.2)	56.2	56.6	64.7
Diluted Recurring EPS	(17.0)	54.6	55.0	64.7
Recurring Cash EPS	26.8	97.5	99.1	112.3
Dividend per share (DPS)	7.5	11.5	9.1	10.2
Adj. Book Value per share (BV)	142.8	306.1	381.6	455.5
Growth Ratios (%)				
Operating Income	(30.6)	16.1	(1.4)	1.8
EBITDA	(55.6)	91.4	(1.9)	12.0
Recurring Net Income	(121.0)	(394.5)	3.2	17.4
Diluted Recurring EPS	(116.0)	(393.3)	0.7	14.2
Diluted Recurring CEPS	(79.2)	263.8	1.7	13.3
Valuation Ratios (x)				
P/E	NA	10.2	10.1	8.6
P/CEPS	20.8	5.7	5.6	5.0
P/BV	2.4	1.4	1.1	1.0
EV / EBITDA	12.5	6.5	6.2	5.5
EV / Operating Income	1.0	0.8	0.8	0.8
EV / Operating FCF	NA	72.0	5.3	10.8
Operating Ratio (%)				
Raw Material/Sales	51.4	38.4	45.1	43.4
SG&A/Sales	12.9	12.8	27.7	15.6
Other Income / PBT	83.4	4.3	5.1	4.2
Effective Tax Rate	NA	26.8	23.7	32.3
NWC / Total Assets	8.9	14.9	9.7	10.9
Inventory Turnover (days)	86.6	123.1	78.2	79.3
Receivables (days)	41.3	45.3	35.7	34.3
Payables (days)	116.1	119.2	126.8	120.9
D/E Ratio (x)	2.4	1.5	1.0	0.9
Return/Profitability Ratio (%)				
Recurring Net Income Margins	(1.8)	4.5	4.7	5.4
RoCE	4.5	12.5	10.8	11.7
RoNW	(8.0)	16.9	12.1	11.9
Dividend Payout Ratio	NA	20.4	16.1	15.7
Dividend Yield	1.4	2.1	1.6	1.8
EBITDA Margins	7.9	13.0	12.9	14.2

Source: Company data, I-Sec Research

I-Sec investment ratings (all ratings relative to Sensex over next 12 months)

BUY: +10% outperformance; **HOLD:** -10% to +10% relative performance; **SELL:** +10% underperformance

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