

# FIRST GLOBAL

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## India Research



## Sector: Steel

### What Happened Last Quarter

#### **Steel Authority of India Ltd. (SAIL.IN) (SAIL.BO)**

##### **Market Perform**

(CMP: Rs. 206.5, Mkt Cap: Rs. 852.9 bn, Mkt. Cap: \$ 18.4 bn (May 31, '10)

Relevant Index: CNX Nifty: 5,086.3 (May 31, '10)

**Growing demand for steel products to help deliver similar performance in FY11...**

**Higher saleable volume in FY12 on back of aggressive expansion to positively impact topline & bottomline...**

Last report's recommendation: Market Perform: (MP: Rs 214.5, (Jan. 29, '10)

Relevant Index: CNX Nifty: 4,882.1, (Jan. 29, '10)

Relative Performance since Last Rating Change (June 01, '09): Nifty: Up 12.3%, SAIL: Up 17.9%

**June 01, 2010**

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**Research Contact:** Associate Director, Research: Hitesh Kuvelkar Mob. +91 9833 732633

Email: [hitesh.kuvelkar@fglobal.com](mailto:hitesh.kuvelkar@fglobal.com)

**Sales Offices:** India Sales: Tel. No: +91-22-400 12 440

Email: [indiasales@fglobal.com](mailto:indiasales@fglobal.com)

[fgasiasales@bloomberg.net](mailto:fgasiasales@bloomberg.net)

US Sales: Tel. No: +1-212-227 6611

Email: [us@fglobal.com](mailto:us@fglobal.com)

Asia & Europe Sales: Tel.: + 44-203-189 0057

Email: [uk@fglobal.com](mailto:uk@fglobal.com)

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# Price and Rating History Chart

## Ratings Key

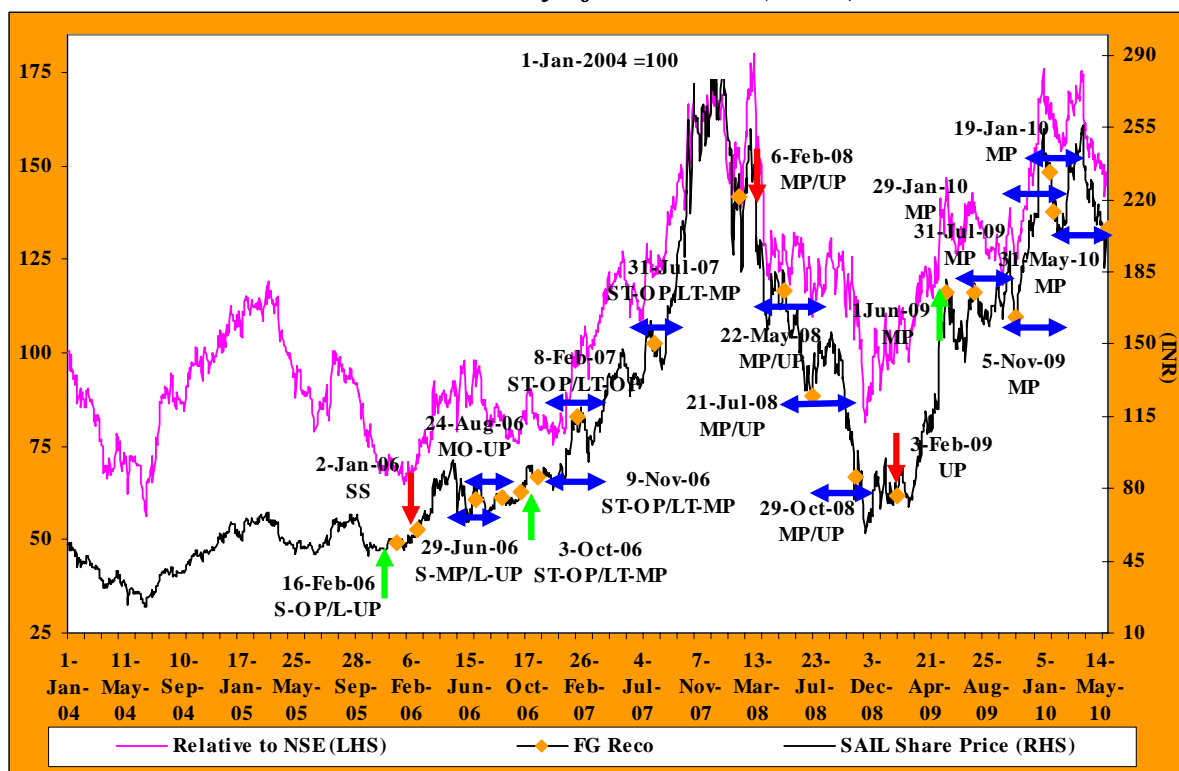
Positive Ratings	B = Buy	BD = Buy at Declines	OP = Outperform
	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP= Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Rating	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate Underperform	S-UP =Sector Underperform

ST: Short Term

MT: Medium Term

LT: Long Term

## Steel Authority of India Ltd. (SAIL)



*Represents an Upgrade*



*Represents a Downgrade*



*Represents Reiteration of Existing Rating*

Details of First Global's Rating System given at the end of the report



# Financial Snapshot

Key Financials							
(YE March 31st) (Rs. mn)	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11E	FY 12E
Net Sales	280,814	340,880	397,682	437,367	405,514	455,792	515,872
Net Sales Growth (Y-o-Y)		21.39%	16.66%	9.98%	-7.28%	12.40%	13.18%
EBIDTA	63,406	95,606	111,335	87,352	118,713	125,681	153,205
EBIDTA Growth (Y-o-Y)		50.78%	16.45%	-21.54%	35.90%	5.87%	21.90%
Net Profit (Reported)	40,130	62,023	75,368	62,531	67,544	69,520	85,722
Net Profit Growth (Y-o-Y)		54.56%	21.52%	-17.03%	8.02%	2.93%	23.31%
Shareholders Equity	126,014	173,132	230,636	279,841	321,288	363,947	416,548
Number of Diluted shares(mn)	4,130	4,130	4,130	4,130	4,130	4,130	4,130
Key Operating Ratios							
(YE March 31st)	FY 06	FY 07	FY 08	FY 09	FY 10E	FY 11E	FY 12E
EPS (Rs) (Diluted)	9.7	15.0	18.2	15.1	16.4	16.8	20.8
EPS Growth (Y-o-Y)		54.6%	21.5%	-17.0%	8.0%	2.9%	23.3%
CEPS (Rs.)	12.6	18.0	21.2	18.4	19.6	20.3	24.8
EBIDTA (%)	22.6%	28.0%	28.0%	20.0%	29.3%	27.6%	29.7%
NPM (%)	14.3%	18.2%	19.0%	14.3%	16.7%	15.3%	16.6%
Tax / PBT (%)	29.7%	34.2%	34.3%	34.5%	33.3%	34.0%	34.0%
RoE (%)	34.4%	40.0%	35.9%	23.9%	21.5%	19.5%	21.1%
RoCE (%)	23.6%	30.3%	29.5%	19.5%	15.6%	13.0%	13.8%
Book Value per share (Rs.)	30.0	41.6	55.7	67.8	77.8	88.1	100.8
Debt/Equity (x)	0.3	0.2	0.1	0.3	0.51	0.59	0.54
Dividend Payout Ratio (%)	20.6%	20.6%	20.3%	17.2%	33.0%	33.0%	33.0%
Free Cash Flow Analysis							
(YE March 31st) (Rs. mn)	FY 06	FY 07	FY 08	FY 09	FY 10E	FY 11E	FY 12E
Operating Cash flow	35,350	55,284	66,735	32,450	49,580	106,361	99,629
Capex	12,758	11,252	23,626	61,838	100,000	105,000	105,000
Investments - Strategic	(3,147)	2,218	244	1,145	979	1,501	934
Total Free Cash Flow	28,559	42,377	60,158	(1,298)	(20,574)	15,663	24,916
Valuation Ratios							
(YE March 31st)	FY 06	FY 07	FY 08	FY 09	FY 10E	FY 11E	FY 12E
P/E (x)					12.6	12.3	9.9
P/BV (x)					2.7	2.3	2.0
P/CEPS (x)					10.5	10.2	8.3
EV/Sales (x)					2.0	1.8	1.6
EV/EBIDTA (x)					6.7	6.4	5.4
Net Cash/EV (%)					8.1%	6.3%	5.1%
Net Cash/Market Cap. (%)					7.5%	6.0%	4.9%
Market Cap./ Sales (x)					2.1	1.9	1.7
Dividend Yield (%)					2.6%	2.7%	3.3%



**Market Data as on May 31, 2010**

Current Market price (Rs.)	207	
No. of Basic shares outstanding (mn)	4,130	
	<b>Rs.bn</b>	<b>US\$ bn</b>
<b>Market Cap (Rs. mn)</b>	<b>853</b>	<b>18.4</b>
Total Debt (Rs. mn)	75	1.6
Cash & Cash Equivalents (Rs. mn)	182	3.9
<b>Enterprise Value (Rs. mn)</b>	<b>746</b>	<b>16.1</b>

*\* Debt & Cash & Cash Equivalents as on FY 09; Ex. Rate: INR 46.45*

**DuPont Model**

(YE March 31st)	FY 06	FY 07	FY 08	FY 09	FY 10E	FY 11E	FY 12E
EBIDTA/Sales (%)	22.6%	28.0%	28.0%	20.0%	29.3%	27.6%	29.7%
Sales/Operating Assets (x)	2.01	2.26	2.48	2.29	1.49	1.26	1.19
<b>EBIDTA/Operating Assets (%)</b>	<b>45.3%</b>	<b>63.5%</b>	<b>69.4%</b>	<b>45.7%</b>	<b>43.6%</b>	<b>34.7%</b>	<b>35.2%</b>
Operating Assets/ Net Assets (x)	0.8	0.7	0.6	0.6	0.6	0.7	0.7
Net Earnings/ EBIDTA (%)	63.3%	64.9%	67.7%	71.6%	56.9%	55.3%	56.0%
Net Assets/ Equity (x)	1.6	1.4	1.3	1.3	1.5	1.6	1.6
<b>Return on Equity (%)</b>	<b>35.8%</b>	<b>42.0%</b>	<b>37.5%</b>	<b>24.5%</b>	<b>22.5%</b>	<b>20.3%</b>	<b>22.0%</b>

**Common Sized Profit & Loss Account**

(YE March 31st)	FY 06	FY 07	FY 08	FY 09	FY 10E	FY 11E	FY 12E
<b>Total Revenues*</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Net Raw Material	40.1%	38.1%	34.0%	41.7%	42.4%	43.5%	42.1%
Personnel	14.8%	14.9%	19.9%	19.7%	13.4%	15.4%	15.0%
Consumption of stores & spares	11.6%	10.7%	10.8%	11.2%	6.9%	6.1%	6.1%
Power & Fuel	9.0%	7.7%	7.2%	7.1%	8.3%	7.6%	7.2%
Operation & other exp.	11.6%	10.7%	10.8%	11.2%	6.9%	6.1%	6.1%
<b>EBITDA</b>	<b>22.6%</b>	<b>28.0%</b>	<b>28.0%</b>	<b>20.0%</b>	<b>29.3%</b>	<b>27.6%</b>	<b>29.7%</b>
Depreciation and Amortization	4.3%	3.6%	3.1%	3.0%	3.3%	3.1%	3.3%
Interest	1.7%	1.0%	0.6%	0.6%	1.0%	1.4%	1.3%
<b>PBT</b>	<b>20.3%</b>	<b>27.6%</b>	<b>28.8%</b>	<b>21.8%</b>	<b>25.0%</b>	<b>23.1%</b>	<b>25.2%</b>
<b>PAT</b>	<b>14.3%</b>	<b>18.2%</b>	<b>19.0%</b>	<b>14.3%</b>	<b>16.7%</b>	<b>15.3%</b>	<b>16.6%</b>
<b>Proforma PAT</b>	<b>14.1%</b>	<b>18.0%</b>	<b>18.5%</b>	<b>14.2%</b>	<b>16.7%</b>	<b>15.3%</b>	<b>16.6%</b>

*Source: First Global estimates, Company Reports*



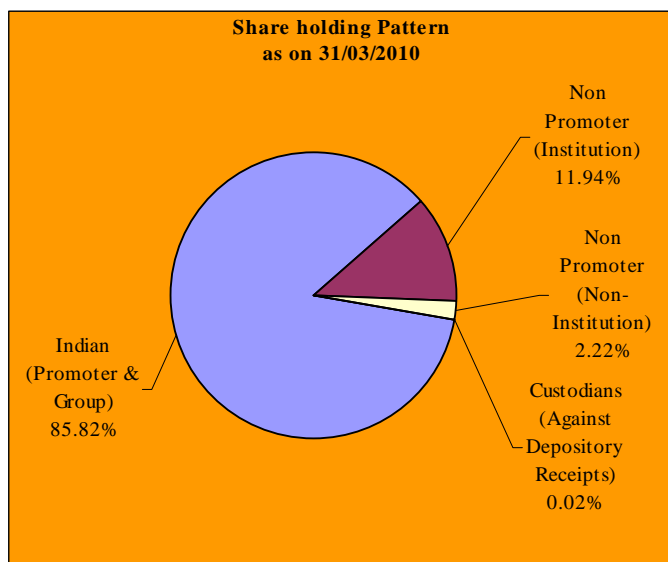
### Top Management Team

Designation	Name
Chairman	S K Roongta
Director (Finance)	Soiles Bhattacharya
Director (Commercial)	Shoeb S Ahmed
Director (Technical)	V K Gulhati
Managing Director	V K Srivastava
Managing Director	S P Rao
Nominee (Govt)	G Elias
Company Secretary	Devinder Kumar
Managing Director	S N Singh
Managing Director	P K Bajaj
Director(PartTime NonOfficial)	Deepak Nayyar
Director(PartTime NonOfficial)	A K Goswami
Director (Personnel)	B B Singh
Director	S Machendranathan

### Capital Issue History

Date	Share Capital (Rs. In Mn)	Mode of Capital Raising
31-Mar-85	35,833.1	Private Placement
31-Mar-86	38,716.4	Private Placement
31-Mar-87	39,239.5	Private Placement
31-Mar-88	39,634.7	Private Placement
31-Mar-89	39,724.7	Private Placement
31-Mar-91	39,815.1	Private Placement
31-Mar-93	39,858.9	Private Placement
31-Mar-96	41,304	Equity Underlying GDR

### Key Statistics



Industry:	Metal Sector
52 Week High / Low:	Rs. 267 / 139.1

**CMP:** Rs. 206.5

**Avg Daily Vol (20 days):** 3.83 mn

**Avg Daily Val (20 days):** Rs. 786.49 mn

#### Performance over 52 weeks:

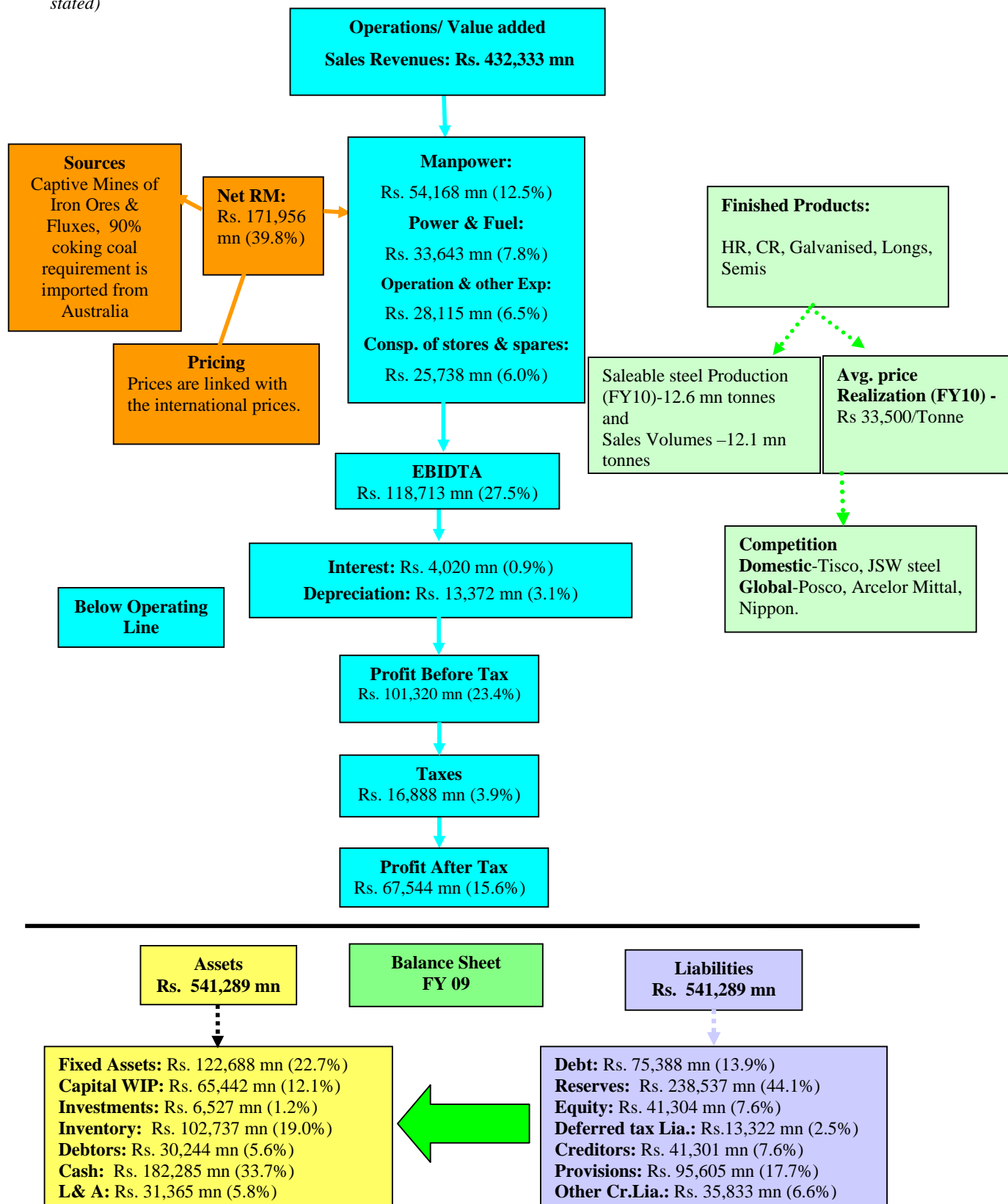
**SAIL:** UP 19.6 %

**Nifty:** UP 14.3 %



## SAIL's Business in Pictures... (FY10)

(All figures are in Rs. Mn except where stated otherwise) All percentages are percent of revenues, unless otherwise stated)





## What Happened Last Quarter...

Steel Authority of India Ltd. (SAIL.IN) (SAIL.BO) delivered a decent set of numbers for Q4 FY10, as strong demand in the domestic market helped the company record a sequential increase of 17% in sales volume to 3.4 mn tonne. However, the company's net sales increased merely 2% Y-o-Y to Rs.120 bn and the PAT was up 40% Y-o-Y to Rs.20.8 bn, while the EBITDA margin expanded by 720bps Y-o-Y, on account of lower raw material prices and better realisation on steel products for the quarter. The company's higher profitability for Q4 FY10 was also due to a market-oriented product-mix, a rise of 37% in production of value-added steels, and various measures to improve cost efficiency.

*Going forward, we believe that the government's focus on infrastructure will continue to provide a boost to the steel demand in India, which will benefit SAIL, as the company sells a majority of its steel production in the domestic market...*

*...SAIL is expected to record a saleable volume of around 14 mn tonne in FY12, which will positively impact its topline and bottom line. Considering the growing demand for steel products over the last few months, we expect SAIL to deliver a strong performance in FY11*

Going forward, we believe that the government's focus on infrastructure will continue to provide a boost to the steel demand in India, which will benefit SAIL, as the company sells a majority of its steel production in the domestic market. Moreover, the company is in an aggressive expansion mode, with its crude steel production expected to increase to 21.4 mn tonnes by the end of FY13. SAIL is expected to record a saleable volume of around 14 mn tonne in FY12, which will positively impact its topline and bottom line. Considering the growing demand for steel products over the last few months, we expect SAIL to deliver a strong performance in FY11. At an EV/EBITDA of 6.4x and a P/E of 12.3x FY11 earnings estimates, the stock appears decently

valued. As per SAIL's new contracts, the company will have to purchase coking coal at a higher price of \$200/tonne, marking an increase of 50% Y-o-Y, which will adversely impact the company's margins, going forward. However, ***in view of the strong domestic demand, stable steel prices and the company's aggressive expansion, we reiterate our rating of Market Perform on SAIL.***

### Comparative Valuations

Company	EPS (Rs.)		P/E (x)		P/S (x)		P/BV (x)		EV/EBITDA (x)		EV/SALES (x)		EBITDA %	RoE %	RoCE (%)	Annual EPS Growth	Annual Sales Growth
	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY11E	FY10E	FY10E	FY10E	10E/11E	10E/11E
SAIL	16.4	16.8	12.6	12.3	2.1	1.9	2.7	2.3	6.7	6.4	2.0	1.8	29.3%	21.5%	15.6%	2.9%	12.4%
TATA STEEL*	-24.9	73.8	NM	6.8	0.4	0.4	2.0	1.6	11.4	5.7	0.9	0.8	7.9%	NM	NM	NM	8.9%

Source: Company reports, FG estimates

\* Consolidated Nos.

NM- Not Meaningful



## Quarterly Result Analysis

(YE March 31) (Rs. mn)	Q4 FY10	Q4 FY09	% Change Y-o-Y	Q3 FY10	% Change Sequential	FY10 12M	FY09 12M	% Change Y-o-Y
<b>Total Revenues</b>	<b>126,727</b>	<b>125,193</b>	<b>1%</b>	<b>102,855</b>	<b>23%</b>	<b>432,333</b>	<b>456,234</b>	<b>-5%</b>
<b>Less: Total Expenditure</b>								
Net Raw Material Consumed	51,574	63,942	-19%	36,111	43%	171,956	169,224	2%
Personnel	16,381	13,519	21%	15,712	4%	54,168	84,615	-36%
Consumption of stores & spares	6,220	6,547	-5%	6,364	-2%	25,738	28,237	-9%
Power & Fuel, Energy	9,494	8,170	16%	7,180	32%	33,643	31,832	6%
Operation & other exp.	7,658	6,589	16%	7,635	0%	28,115	33,026	-15%
<b>Total Expenditure</b>	<b>91,327</b>	<b>98,767</b>	<b>-8%</b>	<b>73,002</b>	<b>25%</b>	<b>313,620</b>	<b>346,934</b>	<b>-10%</b>
<b>EBIDTA</b>	<b>35,400</b>	<b>26,426</b>	<b>34%</b>	<b>29,852</b>	<b>19%</b>	<b>118,713</b>	<b>109,300</b>	<b>9%</b>
Less: Depreciation	3,384	3,305	2%	3,390	0%	13,372	12,878	4%
<b>EBIT</b>	<b>32,016</b>	<b>23,121</b>	<b>38%</b>	<b>26,462</b>	<b>21%</b>	<b>105,340</b>	<b>96,423</b>	<b>9%</b>
Less: Net Interest	1,347	427	215%	1,101	22%	4,020	2,594	55%
Extra Ordinary Income	0	160	NA	0	NA	0	160	NA
<b>Profit Before Tax</b>	<b>30,668</b>	<b>22,854</b>	<b>34%</b>	<b>25,361</b>	<b>21%</b>	<b>101,320</b>	<b>93,989</b>	<b>8%</b>
Less: Total Tax	9,819	8,002	23%	8,605	14%	33,777	32,285	5%
<b>Profit After Tax</b>	<b>20,849</b>	<b>14,852</b>	<b>40%</b>	<b>16,756</b>	<b>24%</b>	<b>67,544</b>	<b>61,704</b>	<b>9%</b>
<b>Proforma Net Profit</b>	<b>20,849</b>	<b>14,748</b>	<b>41%</b>	<b>16,756</b>	<b>24%</b>	<b>67,544</b>	<b>61,599</b>	<b>10%</b>
<b>Reported EPS (In Rs.)</b>	<b>5.05</b>	<b>3.60</b>	<b>40.4%</b>	<b>4.06</b>	<b>24.4%</b>	<b>16.35</b>	<b>14.94</b>	<b>9.5%</b>
<b>Proforma EPS (In Rs.)</b>	<b>5.05</b>	<b>3.57</b>	<b>41.4%</b>	<b>4.06</b>	<b>24.4%</b>	<b>16.35</b>	<b>14.91</b>	<b>9.7%</b>
Shares Outstanding (mn)	<b>4,130</b>	<b>4,130</b>		<b>4,130</b>		<b>4,130</b>	<b>4,130</b>	
Net RM/Net Sales (%)	43.1%	54.3%		37.2%		42.4%	39.2%	
Personnel/Net Sales (%)	13.7%	11.5%		16.2%		13.4%	19.6%	
Stores & Spares/Sales (%)	5.2%	5.6%		6.6%		6.3%	6.5%	
Power & Fuel, Energy/Net Sales (%)	7.5%	6.5%		7.0%		7.8%	7.0%	
Oper. & other exp./Net Sales (%)	6.0%	5.3%		7.4%		6.5%	7.2%	
EBIDTA Margin (%)	29.6%	22.4%		30.8%		29.3%	25.3%	
NPM (%)	17.4%	12.6%		17.3%		16.7%	14.3%	
Effective Tax Rate (%)	32.0%	35.0%		33.9%		33.3%	34.3%	

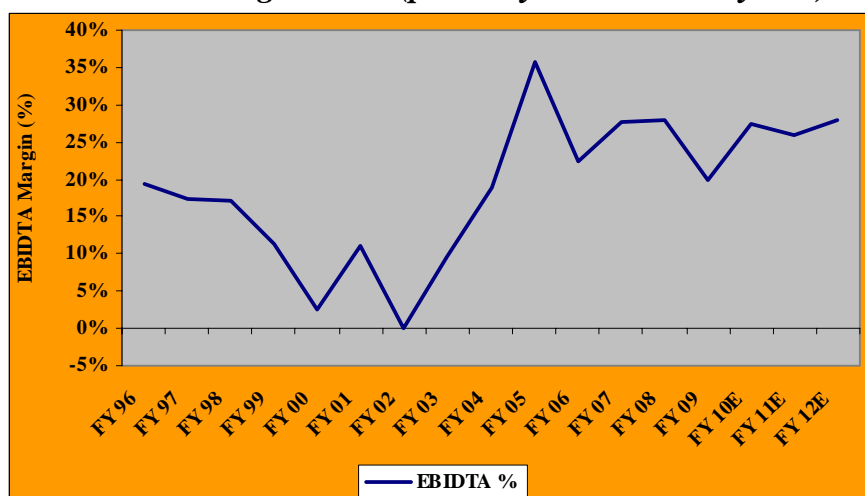
Source: Company reports

- SAIL delivered a decent performance on the margins and profitability front in Q4 FY10. The company's net sales increased 2% Y-o-Y to Rs.120 bn, while the PAT was up 40% Y-o-Y to Rs.20.8 bn
- The EBIDTA margin expanded by 720 bps Y-o-Y due to lower raw material costs and better price realisation on its steel products. The company maintained its strong focus on value added products, with its production increasing 24% Y-o-Y in FY10 to 4.62 mn. Overall, the company recorded a saleable steel production of 12.6 mn tonnes in FY10, which was almost flat over the FY09 level.
- In Q4 FY10, SAIL recorded a sequential increase in raw material costs, due to the utilization of high cost imported coking coal lying as inventory with the company for a few days in the quarter.





**EBIDTA margin trend (past 14 years & next 2 years)**



Steel prices have picked up in the last few months and are expected to remain stable for the better part of the year. However, SAIL's new coking coal contracts at around \$200/tonne will negatively impact its margins.

*Steel prices have picked up in the last few months and are expected to remain stable for the better part of the year. However, SAIL's new coking coal contracts at around \$200/tonne will negatively impact its margins*

We expect the company's EBIDTA, as a percentage of sales, to remain flat at 27-29% in FY11E, as a rise in raw material prices will be neutralised by better realisation on steel products and the company's focus on converting more semis to semi-finished products or finished products. The company's capex program of Rs.598 bn for doubling its capacity to 26 MT has been pushed slightly forward, primarily due to the global economic conditions. However, the company expects to add about 7.9 MT in Phase 1 of the capex by the end of FY13.



## Earnings Model - SAIL

(YE Mar 31) Rs. bn	Q1 FY10	Q2 FY10	Q3 FY10	Q4 FY10	FY10	Q1 FY11E	Q2 FY11E	Q3 FY11E	Q4 FY11E	FY11E	FY12E
<b>Net Sales</b>	<b>89.5</b>	<b>99.4</b>	<b>97.0</b>	<b>119.6</b>	<b>405.5</b>	<b>105.5</b>	<b>113.7</b>	<b>111.9</b>	<b>124.7</b>	<b>455.8</b>	<b>515.9</b>
Other Income	7.4	6.3	5.9	7.2	26.8	6.3	6.8	6.7	7.5	27.4	31.0
<b>Total Revenue</b>	<b>96.9</b>	<b>105.8</b>	<b>102.9</b>	<b>126.7</b>	<b>432.3</b>	<b>111.9</b>	<b>120.5</b>	<b>118.6</b>	<b>132.2</b>	<b>483.1</b>	<b>546.8</b>
<b>Expenditure:</b>											
Net Raw Material Consumed	41.2	42.8	36.1	51.6	172.0	46.0	49.9	48.5	53.9	198.3	217.3
Personnel	10.7	11.3	15.7	16.4	54.2	17.0	17.6	17.6	17.8	70.0	77.4
Consumption of stores & spares	6.5	7.1	6.4	6.2	25.7	6.2	6.7	6.6	7.4	26.9	30.4
Power and Fuel	8.1	8.8	7.2	9.5	33.6	8.3	8.6	8.6	8.9	34.4	37.0
Operation & other exp.	6.2	6.6	7.6	7.7	28.1	6.4	6.9	6.8	7.6	27.8	31.5
<b>Total Cost</b>	<b>72.8</b>	<b>76.5</b>	<b>73.0</b>	<b>91.3</b>	<b>313.6</b>	<b>84.0</b>	<b>89.7</b>	<b>88.2</b>	<b>95.6</b>	<b>357.5</b>	<b>393.6</b>
<b>EBIDTA</b>	<b>24.2</b>	<b>29.2</b>	<b>29.9</b>	<b>35.4</b>	<b>118.7</b>	<b>27.8</b>	<b>30.9</b>	<b>30.4</b>	<b>36.6</b>	<b>125.7</b>	<b>153.2</b>
Less: Depreciation	3.3	3.3	3.4	3.4	13.4	3.5	3.5	3.6	3.6	14.1	16.8
<b>EBIT</b>	<b>20.9</b>	<b>25.9</b>	<b>26.5</b>	<b>32.0</b>	<b>105.3</b>	<b>24.4</b>	<b>27.3</b>	<b>26.8</b>	<b>33.0</b>	<b>111.5</b>	<b>136.4</b>
Less: Net Interest	0.8	0.7	1.1	1.3	4.0	1.5	1.5	1.6	1.6	6.2	6.5
<b>PBT</b>	<b>20.1</b>	<b>25.2</b>	<b>25.4</b>	<b>30.7</b>	<b>101.3</b>	<b>22.9</b>	<b>25.8</b>	<b>25.2</b>	<b>31.4</b>	<b>105.3</b>	<b>129.9</b>
Less: Total Tax	6.8	8.6	8.6	9.8	33.8	7.8	8.8	8.6	10.7	35.8	44.2
<b>Profit After Tax</b>	<b>13.3</b>	<b>16.6</b>	<b>16.8</b>	<b>20.8</b>	<b>67.5</b>	<b>15.1</b>	<b>17.0</b>	<b>16.7</b>	<b>20.7</b>	<b>69.5</b>	<b>85.7</b>
<b>Proforma Net Profit</b>	<b>13.3</b>	<b>16.6</b>	<b>16.8</b>	<b>20.8</b>	<b>67.5</b>	<b>15.1</b>	<b>17.0</b>	<b>16.7</b>	<b>20.7</b>	<b>69.5</b>	<b>85.7</b>
<b>Proforma EPS (In Rs.)</b>	<b>3.2</b>	<b>4.0</b>	<b>4.1</b>	<b>5.0</b>	<b>16.4</b>	<b>3.7</b>	<b>4.1</b>	<b>4.0</b>	<b>5.0</b>	<b>16.8</b>	<b>20.8</b>
Weighted average Shares Outstanding (bn)	4.130	4.130	4.130	4.130	4.130	4.130	4.130	4.130	4.130	4.130	4.130
EBIDTA Margin (%)	27.0%	29.4%	30.8%	29.6%	29.3%	26.4%	27.1%	27.2%	29.3%	27.6%	29.7%
EBIT (%)	23.3%	26.1%	27.3%	26.8%	26.0%	23.1%	24.0%	24.0%	26.5%	24.5%	26.4%
PBT Margin (%)	22.4%	25.3%	26.2%	25.7%	25.0%	21.7%	22.7%	22.6%	25.2%	23.1%	25.2%
NPM (%)	14.8%	16.7%	17.3%	17.4%	16.7%	14.3%	15.0%	14.9%	16.6%	15.3%	16.6%
Effective Tax Rate (%)	33.9%	34.0%	33.9%	32.0%	33.3%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%

Source: First Global estimates, Company Reports

Note: Quarterly numbers may not exactly match with the annual numbers due to differences in classification of income and expenses in the company's quarterly and annual reporting



## **IMPORTANT DISCLOSURES**

### ***Price Target***

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and non financial data of the concerned company using a combination of P/E, P/Sales, earnings growth, Discounted Cash Flow (DCF) and its stock price history

***The risk factors that may impede achievement of the price target/investment thesis are -***

- Change in macro economic factors and the prices of steel products start declining again.
- Project-specific risks



## ***First Global's Rating System***

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

**Rating in this report is relative to: CNX Nifty Index**

### **Positive Ratings**

*(i) **Buy (B)** – This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.*

*(ii) **Buy at Declines (BD)** – This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.*

*(iii) **Outperform (OP)** – This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.*

### **Neutral Ratings**

*(i) **Hold (H)** – This rating means that we expect no substantial move in the stock price over the specified time period.*

*(ii) **Marketperform (MP)** – This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.*

### **Negative Ratings**

*(i) **Sell (S)** – This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.*

*(ii) **Sell into Strength (SS)** – This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.*

*(iii) **Underperform (UP)** – This is a relative rating, which means that we expect the stock price to Underperform the specified market/sector index over the specified time period.*

*(iv) **Avoid (A)** – This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.*



***FG Markets, Inc.***

90 John Street, Suite 703,  
New York, NY 10038

**Dealing Desk (US):**

Tel. No.: +1-212-227 6611

Email: [us@fglobal.com](mailto:us@fglobal.com)

***FIRST GLOBAL***

Nirmal, 6th Floor, Nariman Point,  
Mumbai - 400 021, India.

**Dealing Desk (India):**

Tel. No.: +91-22-400 12 400

Email: [fgasiasales@bloomberg.net](mailto:fgasiasales@bloomberg.net)

***FIRST GLOBAL (UK) Ltd.***

13, Regent Street, London SW1Y 4LR,  
United Kingdom

**Dealing Desk (UK & Europe):**

Tel. No.: +44-203-189 0057

Email: [uk@fglobal.com](mailto:uk@fglobal.com)

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