

BUZZING

STOCK

Mukand Ltd.

CMP – Rs.89

Analyst

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Key Stock Data

Sensex	13787
Nifty	3966
Sector	Steel Large
Bloomberg	MUK@IN
Reuters	MUKA.BO
No. of shares (m)	73
Market Cap (Rs m)	6,291
Market Cap (US\$ m)	142
52-week H/L	Rs.135/66

Shareholding Pattern (%)

Promoters	46.85
Mutual Funds	17.15
FII's	4.12
Corporate Bodies	6.82
Pubic & Others	25.06

Company Background: Earlier known as Mukand Iron & Steel Works, Mukand was incorporated on 29 Nov.1937. The Company then operated re-rolling mills and foundry in Lahore and at Reay Road, Bombay. In 1965, Mukand became India's first steelmaker to install a continuous casting machine. Today, it is a multi-product, multi-division company and its entire steel production is through the continuous casting route. Its manufacturing facilities of Steel making are located at Kalwe and Hospet, Steel finishing and Industrial Machinery manufacturing at Kalwe. The company has 11 warehouses at strategic locations across the country.

Business Profile: The entire business of the company is structured around two SBUs. Steel Manufacturing division (SMD) and Industrial Machinery Manufacturing (IMM). Brief discussion of each SBU is given as under:

- **Steel Manufacturing Division:** The main products of this division are Long products, which are further categorized into "Stainless Steel (SS)" and "Alloy Steel (AS)". Stainless Steel and Alloy Steel has contributed around 34% and 66% of steel revenues at Rs.4,430m and at Rs.8,650m for FY06 respectively. The company is a preferred Alloy Steel supplier to leading global and domestic auto companies and auto component players. More than 80% of the Alloy Steel is consumed by critical automotive components. Alloy steel is supplied in more than 400 grades, 80 sizes and in different shapes. The range varies from 500 Kilograms to 40 MT per grade.

The company has its own captive Iron ore mines and Captive Power Plants that makes Mukand low cost Alloy Steel and Stainless Steel producer.

The Company has planned a capex of Rs.2,520m for the steel Division. Expansion details are given as under:

Steel Division	Capacity Addition
Hot Metal Capacity	600000 TPA
Rolling Mill Capacity	300000 TPA
Power Plant	9MW
Wire Rod Mill Capacity	300000 TPA
Expansion of heat Treatment facility	
Upgradation of Steel Melt Shop	
Other Downstream Facilities	
Expected to be completed by March '08	

Post expansion capacities are as follows:

	FY 06 (Actual Capacity)	FY09	% increase
Billets and Blooms	284,282	500,000	76
Rolling Mills	267,353	520,000	94

- **Industrial Machinery Manufacturing Division (IMMD):** IMMD is the major player in port equipments and heavy capacity EOT cranes. At present the company has an order book position of Rs.2bn in hand to be executed by Jun '07. The company has planned capex of Rs.190m which includes construction of new Manufacturing bays for fabrication and assembly. The project is expected to be completed by March '08.

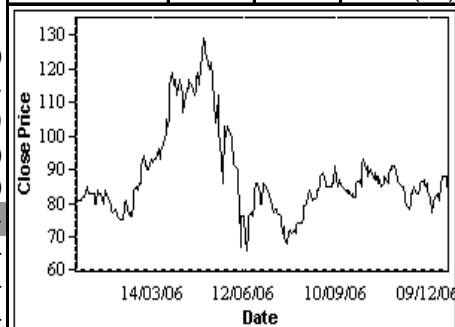
Growth Drivers: The major growth drivers for both the division are Government, programmes on infrastructure spending, Expansion in public and Private Sector Steel companies, Defence Sector Business, growth in Aluminum and Copper Sector, Potential for export in EOT cranes, capacity enhancement planned in Govt. and Private Ports.

Valuation:

The company has posted good numbers for Q2FY07. Total revenues at Rs.4,572m is up by 24% YoY. EBIDTA grew by 18% YoY at Rs.689m. PAT at Rs.252m is up by 61% YoY. The stock is trading at 6.4x its Q2FY07 annualised EPS of Rs. 13.8. Growth is primarily driven by the strong numbers put by the Steel division coupled with increase in the production of Value Added products.

Financial Snapshot

Mukand Ltd.							Rs.m				Ratios (%)		
Financial Year End: March	Q2 FY07	Q2 FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)			
Net Sales	4572	3686	24	15651	15115	4	Debt -Equity	2.7	5.5	(51)			
Other Income	60	76	(21)	644	2095	(69)	PBIDTM	16	23	(29)			
Total Income	4632	3762	23	16295	17210	(5)	PBDTM	8	16	(50)			
Total Expenditure	3943	3178	24	13479	13963	(4)	RoCE	15	22	(30)			
PBIDT	689	584	18	2816	3247	(13)	RoNW	18	62	(71)			
Interest	249	271	(8)	1017	830	23							
PBDT	440	313	41	1799	2417	(26)							
Depreciation	155	140	11	579	559	4							
Tax	32	14	122	102	0	0							
Reported Profit After Tax	252	157	61	1107	1857	(40)							
Extra -ordinary Items	0	13	(100)	329	1724	(81)							
Adj. Profit After Extra-ordinary item	252	144	75	778	133	484							
No. of shares (m)	73	73	-	73	73	-							
EPS (annualised.) (Rs.)	13.8	8.6	-	15.1	25.4	-							
P/E	6.4	10.3	-	5.8	3.5	-							



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