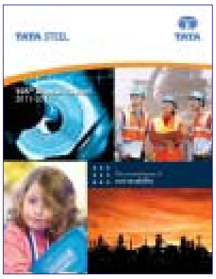
Tata Steel

BSE SENSEX	S&P CNX
16,877	5,118



Bloomberg	TATA IN
Equity Shares (m)	971.4
52-Week Range (INR)	596/332
1,6,12 Rel. Perf. (%)	-4/-7/-22
M.Cap. (INR b)	388.6
M.Cap. (USD b)	6.9

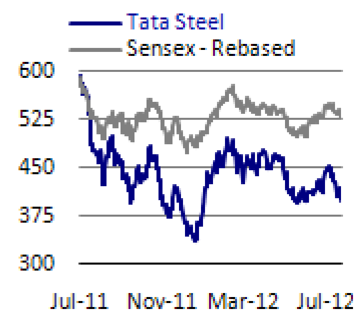
Valuation summary (INR b)

Y/E March	2012	2013E	2014E
Net Sales	1,329	1,358	1,430
EBITDA	124	142	159
PAT	18	29	49
EPS	**18.6**	**30.0**	**50.8**
EPS Gr. (%)	-70.1	61.4	69.5
BV/Sh. (INR)	264.4	279.7	316.0
P/E (x)	**21.5**	**13.3**	**7.9**
P/BV (x)	1.5	1.4	1.3
EV/Sales (x)	0.7	0.7	0.7
EV/EBITDA (x)	7.4	6.9	6.4
RoE (%)	7.8	11.0	17.1
RoCE (%)	9.1	8.7	10.0
RoIC (%)	12.2	12.2	13.1

Shareholding pattern %

As on	Jun-12	Mar-12	Jun-11
Promoter	31.4	31.4	30.6
Dom. Inst	28.7	28.3	26.3
Foreign	15.8	16.2	19.7
Others	24.1	24.1	23.4

Stock performance (1 year)



Investors are advised to refer through disclosures made at the end of the Research Report.

CMP: INR400 | TP: INR224 | Sell

Net debt at INR524b; translation gains, asset sales drove net worth

Takeaways from FY12 Annual Report

- **Despite free cash flows of INR22b, net debt increased 5% to INR524b.**
- **Net worth increased by INR77b largely due to asset sales and asset translation gains.**
- **EPS adjusted for payout on hybrid perpetual securities 11% lower than reported EPS.**
- **Outlook not very encouraging; maintain Sell.**

Despite free cash flows of INR22b, net debt increased 5% to INR524b

Operating cash flows were up significantly due to working capital release in FY12 against large increase in FY11. Also, half of the INR120b capex was funded by asset sales. Despite free cash flows of INR22b, net debt increased 5% to INR524b.

Net worth driven by asset sales and translation gains, not by business profit

The net worth of the Tata Steel group increased by INR77b to INR433b largely due to equity infusion, asset sales, goodwill and asset translation gains. Core profit from India business after paying dividend contributed INR47b, but this was offset by INR42b of after tax loss in overseas operations. Actuarial loss of INR24b in overseas business had an erosive impact on net worth.

Adjusted EPS 11% lower than reported EPS

EPS adjusted for the distribution expense of INR2.25b towards hybrid perpetual securities (HPS) was INR18.6, 11% lower than reported EPS. From the common shareholder's perspective, HPS is debt and the interest in the form of distribution expense should be adjusted against EPS.

Other highlights

- The management highlighted that Tata Steel Europe (TSE) is under enormous stress due to prolonged recession in Europe. Stricter environmental norms ahead will increase costs. The covenants on acquisition debt are also concerning.
- Full commissioning of the Jamshedpur Brownfield expansion is delayed by further three months. Poor 1QFY13 volumes and project delays have put the guidance of 1m tonnes of incremental volumes in FY13 at risk, in our view.
- Coking coal shipments have started from Mozambique in June 2012. Iron ore shipments from Canada are likely to start in 4QFY13.

Outlook not very encouraging

- Significant cost increases on account of power, freight, iron ore, etc for India operations are sticky in nature. For TSI (Tata Steel India), the increase in revenue in FY12, driven by volumes and prices, was offset by increase in costs.
- TSE not only faces the challenge to deal with the steel price and raw material cost squeeze, but also rising specific fixed costs due to production loss.

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- Though TSI's volume growth outlook for 2-3 years is strong due to expansions at Jamshedpur and Odisha, margins will come under pressure, as we expect steel prices to soften, driven by slowdown in global demand. Further, TSE remains under enormous stress. The Tata Steel group is highly sensitive to steel prices – its PAT margins are wafer thin at 2-5%.

Stock expensive at current valuations; maintain Sell

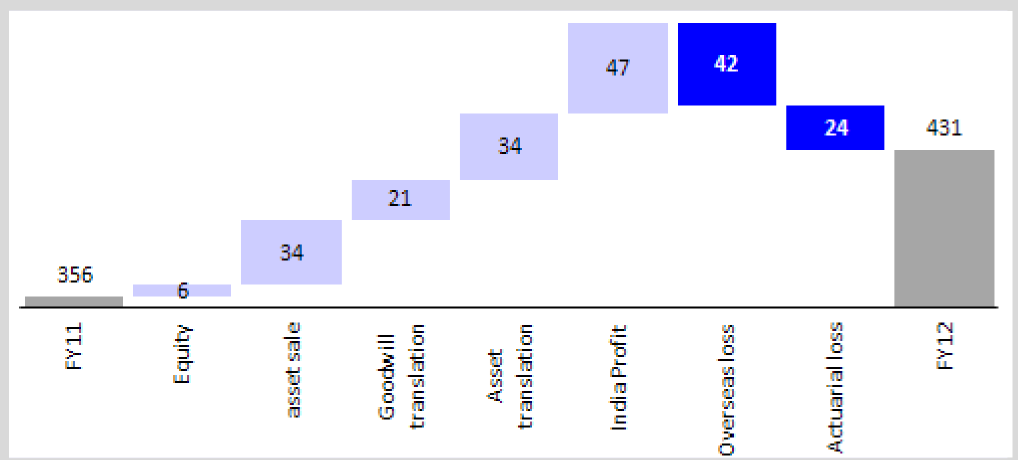
- We have changed our INR/USD assumptions from 52.5/50 to 53.5/52 for FY13/ FY14. As a result, our EPS estimates have increased by 1%/13.7% to INR30/50.8 for FY13/FY14 after HPS adjustment.
- We believe the stock is expensive at an EV/EBITDA of 6.4x. Though the stock price is below the reported book value of INR443/share, we rely less on book value for Tata Steel because factors like currency and actuarial fluctuations are equally, if not more, important.
- We have adjusted goodwill of INR173b from net worth to arrive at book value of INR264/share because the earnings power of TSE has structurally fallen much below the carrying amount of investment. The stock trades at P/BV of 1.4x FY13E. Maintain **Sell**.

Net debt

	2,011	2,012	2013E	2014E
Hybrid Perpetual Securities	15,000	22,750	22,750	22,750
Pref. Shares		224	224	224
Borrowings	530,451	499,373		
Creditors for capital supplies/services	3,906	2,290		
Acceptances	13,413	22,086		
Current part of LT debt	75,319	98,596		
Finance lease	1,017	999		
Gross Debt	**639,107**	**646,318**	**646,318**	**646,318**
Less: cash	108,591	108,016	47,190	5,023
Less: current investment	31,593	13,984	13,984	13,984
Net Debt	**498,924**	**524,318**	**585,144**	**627,311**
Mkt Cap	389,329	394,198	394,198	394,198
Enterprise Value	888,252	918,516	979,342	1,021,510
EBITDA	159,956	124,168	141,875	158,793
EV/EBITDA	5.6	7.4	6.9	6.4

Source: Annual Report

Net worth bridge (INR b)



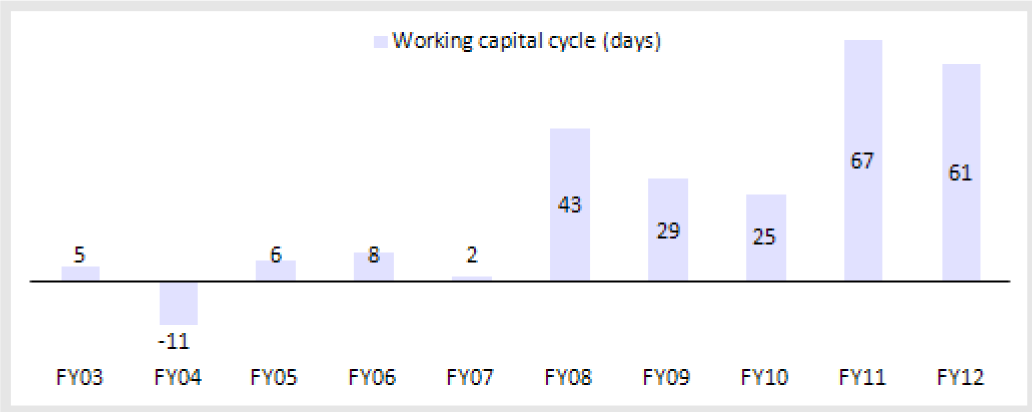
Source: Company/MOSL

Payables have declined in FY11 and FY12

Despite free cash flows of INR22b, net debt increased 5% to INR524b

- **Working capital release helped buoy operating cash flows:** Despite consolidated EBITDA shrinking 20% to INR124b, operating cash flows increased 74% YoY to INR113b in FY12, up 7.6% from FY10 levels. Working capital release of INR12b (against INR72b of working capital increase in FY11) drove the increase in cash flows. TSE tried to reduce inventory to lessen the impact of input price volatility.

Working capital cycle cut, but still very high



Source: Company/MOSL

- **Asset sales funded half of capex:** Tata Steel has stepped up capex in the last two years to USD2b-2.5b. Nearly half of this has been funded by sale of assets. According to cash flow statements, capex was INR70.5b in India and INR49b in international business. INR61b was generated through sale of stake in Riversdale for USD1.1b and Tata Refractories for INR5.76b. Similarly INR39b was generated through sale of Teesside Cast Products (TCP) for ~USD450m and sale of shares in group companies, Tata Motors, Tata Power, TRF, etc for INR6.48b. Further, INR10b was generated from dividend, interest income and sale of liquid investments.

Cash flow statement (Consolidated, INR m)

	2010	2011	2012	2013E	2014E
EBITDA	80,427	159,956	124,168	141,875	158,793
Non cash exp. (income)	2,404	8,773	13,603	-1,251	-989
(Inc)/Dec in Wkg. Cap.	46,465	-71,749	11,590	-10,018	-12,242
Tax Paid	-24,586	-32,351	-36,524	-22,833	-18,264
CF from Op. Activity	**104,710**	**64,629**	**112,838**	**107,772**	**127,298**
(Inc)/Dec in FA + CWIP	-69,498	-101,636	-119,586	-120,000	-120,000
(Pur)/Sale of Investments	23,018	22,294	4,164		
Acquisition in subsidiaries	-3,538	-647			
Int. & Divident Income	3,054	3,518	6,194	8,287	8,419
Other investing activities	-274	39,218	61,251		
CF from Inv. Activity	**-47,238**	**-37,254**	**-47,978**	**-111,713**	**-111,581**
Equity raised/(repaid)	24,465	45,568	6,045		
Debt raised/(repaid)	-29,944	37,874	-39,803		
Dividend (incl. tax)	-13,209	-7,146	-11,639	-13,639	-13,639
Interest & equiv. paid	-32,662	-31,366	-37,646	-43,247	-44,246
CF from Fin. Activity	**-51,350**	**44,930**	**-83,043**	**-56,886**	**-57,885**
(Inc)/Dec in Cash	**6,396**	**72,305**	**-18,184**	**-60,826**	**-42,167**
Add: opening Balance	61,482	67,878	140,183	122,000	61,173
Closing Balance	**67,878**	**140,183**	**122,000**	**61,173**	**19,006**

Source: Company/MOSL

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EBITDA	159,956	124,168	141,875	158,793
EV/EBITDA	5.6	7.4	6.9	6.4

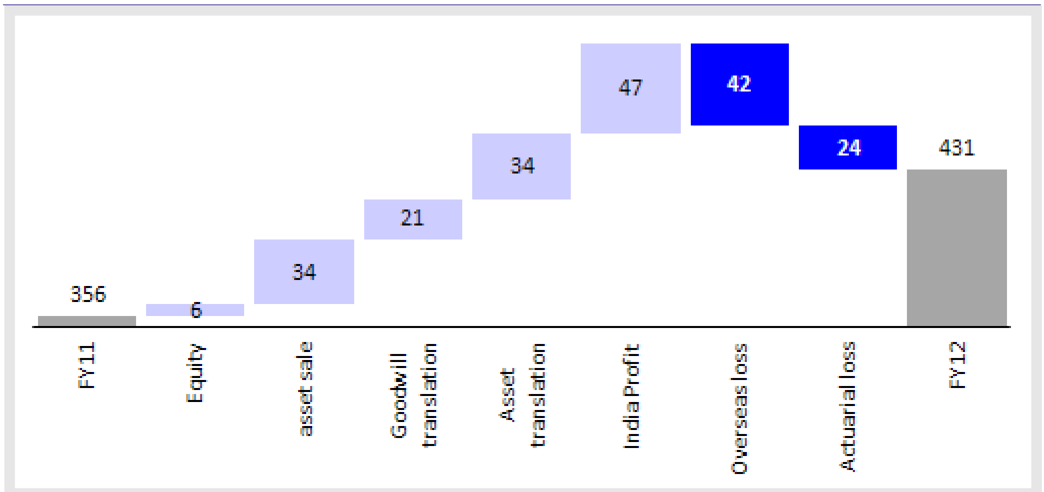
Source: Annual Report

- **INR40b debt repaid, while promoters converted INR6b into equity:** Total outlay from financing activities was INR83b. A dividend of INR11.6b and interest of INR37.6b on debt and perpetual securities was paid during the year. Promoters converted 12m warrants into equity, leading to increase in book value by INR6b and increase in number of shares to 971m. There was a decrease of INR18b in cash and equivalents. On net basis, net debt should have declined by INR22b. However, net debt increased 5% to INR524b due to translation loss.

Net worth driven by asset sales and translation gains, not by business profit

The net worth of the Tata Steel group increased by INR77b to INR433b largely due to equity infusion, asset sales, goodwill and asset translation gains. Core profit from India business after paying dividend contributed INR47b, but this was offset by INR42b of after tax loss in overseas operations. Actuarial loss of INR24b in overseas business had an erosive impact on net worth.

Net worth bridge (INR b)



Source: Company/MOSL

- INR6b of equity was raised, as promoters subscribed to 12m warrants at INR594/ unit on 20 January 2012, bringing in INR5.2b towards the remaining 75% contribution.

- Tata Steel gained INR4.4b on sale of stake in Tata Refractories to Krosaki and further INR29.2b on sale of stake in Riversdale to Rio Tinto. Thus, INR34b was gained through asset sales.
- Translation of goodwill on consolidation increased by INR21b due to INR depreciation.
- Further INR34b was gained due to translation of foreign assets.
- Core profit from India business after paying dividend contributed INR47b, but this was offset by INR42b of after tax loss in overseas operations.
- Actuarial loss of INR24b had an erosive impact on net worth.

Net worth increased by INR77b (INR79/share) to INR431b (INR443/share). If one were to adjust goodwill of INR173b, the adjusted net worth would be INR258b, translating into a book value of INR264/share. The goodwill has arisen on account of acquisition of Corus (now TSE). The carrying amount on Tata Steel Holding in the books is INR455.9b or ~USD9b, largely comprising of TSE acquisition cost. According to AS-36, if the carrying amount is higher than the recoverable amount or value in use, the asset needs to be impaired accordingly. Our estimates of recoverable amount and value in use are as below:

- **Recoverable amount:** This should be the market value of assets. Even if we assume margin expansion to USD100/tonne in two years, TSE would at best deliver USD1.5b of EBITDA and the market value would at best be 5x EBITDA. This implies a best case recoverable amount of USD7.5b two years later.
- **Value in use:** Assuming that TSE's EBITDA per tonne gradually rises to USD100 by FY17 and stays there in perpetuity, the DCF value of future cash flows is only USD7.4b.

According to the Annual Report, TSE has debt of GBP3.6b or USD5.6b. This implies equity value of only USD1.9b against carrying amount of USD7b-8b. Though TSE's earning power has significantly shrunk since its acquisition due to prolonged recession in Europe, sell-off of TCP, more stringent environmental norms, and rising capex requirements, Tata Steel has not undertaken any goodwill impairment. Substantially higher earnings power of raw material investments and perhaps even Indian operations are compensating for the decline in TSE's earning power, though goodwill was generated purely on account of Corus acquisition.

India operations – revenue increase offset by cost escalations

- Revenue from India operations grew 15% YoY in FY12 to INR339b due to 3.6% increase in volumes and 11.4% increase in average realization. However, EBITDA increased just 1% to INR115b, as most of the revenue growth was eroded by 25% increase in expenditure.
- Average realization increased 11.4% YoY in FY12, but contribution margin increased just 2.5% to INR27,523/tonne of saleable steel due to 30% increase in iron ore cost to INR1,815/tss, 36% increase in coking coal cost to INR9,979/tss, 23% increase in power & fuel cost to INR3,001/tss. Fixed costs increased 22.4% to INR97b due to various cost increases. EBITDA per tonne declined 2.6% to INR17,398/tss or 7.2% to USD363/tss.
- Specific consumption of iron and coking coal remained stable at 1.84x and 1x, respectively.

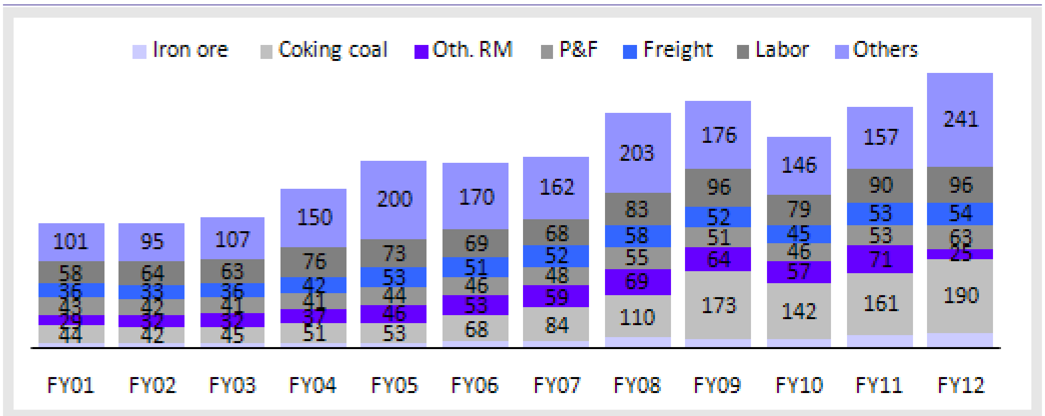
Profit and loss account analysis

	FY09	FY10	FY11	FY12	FY12/ FY11 (%)
Revenues (INR m)	**243,158**	**250,220**	**293,964**	**339,335**	15.4
Sales (m tons)	5.2	6.3	6.4	6.6	3.6
A. Realization (INR/ton)	46,701	39,805	45,929	51,174	11.4
Expenditure (INR m)	**151,823**	**160,699**	**179,635**	**223,967**	24.7
Variable Costs (INR m)	85,424	88,974	100,742	127,382	
B. Variable costs (INR/tss) (i+ii+iii)	18,408	16,496	19,068	23,651	24.0
(i) Raw material cost (INR/tss)	11,902	10,505	11,976	15,233	27.2
Iron ore (INR/tss) (a x b)	969	1,053	1,401	1,815	29.6
(a) Cost (INR/ton)	529	592	764	988	
(b) Spec. cons.(tons/tss)	1.83	1.78	1.83	1.84	
Coking coal (INR/tss) (c x d)	7,971	6,726	7,325	9,979	36.2
(c) Cost (INR/ton)	7,548	7,018	7,357	10,177	
(d) Spec. cons.(tons/tss)	1.06	0.96	1.00	0.98	
Others (Rs/tss)	2,962	2,725	3,250	3,439	
(ii) Power & Fuel (INR/tss)	2,348	2,201	2,435	3,001	23.3
(iii) Other exp. (INR/tss)	4,158	3,791	4,657	5,416	16.3
Contribution Margin (INR/tss) (A - B)	**28,294**	**23,309**	**26,861**	**27,523**	2.5
Fixed Costs (INR m) (i+ii+iii)	**66,400**	**71,725**	**78,893**	**96,585**	**22.4**
(i) Staff costs (INR m)	23,058	23,615	26,183	30,473	
(ii) Stores & spare (INR m)	6,244	6,677	7,154	8,467	
(iii) Others (INR m)	37,098	41,433	45,555	57,645	
EBITDA (INR m)	**91,334**	**89,521**	**114,329**	**115,368**	0.9
EBITDA per ton (INR)	17,542	14,241	17,863	17,398	-2.6
EBITDA per ton (usd)	381	300	392	363	-7.2

Source: Company/MOSL

Power, iron ore, freight cost increases are sticky

India operations: Cost of production (USD/tonne)



Source: Company/MOSL

Tata Steel Europe under enormous stress

"While Tata Steel's operations in India are expected to remain strong, its operations in Europe will continue to be under enormous stress for the next year or two until the Western European economy recovers."

– Mr Ratan Tata, Chairman, Tata Steel

FY13 volume guidance for India operations at risk

- **Brownfield expansion of 3mtpa at Jamshedpur delayed by a further three months:** Though the 3mtpa blast furnace (BF), new LD (Linz-Donawitz) shop, 2.54mtpa HRC (hot-rolled coil) mill first stream have become operational, the balance facilities will be commissioned in FY13 – a delay of a further three months from the last communication. Chances of slippage on the guidance of 1mtpa of incremental volumes in FY13 are increasing, in our view.

- **Considerable progress on Greenfield project (3mtpa in phase-1) in Odisha:** Contracts for technological packages for blast furnace, sinter plant, steel melt shop and HRC mills have been finalized. Orders for civil and construction work have been placed. 130,000 cubic meters of concreting work has been done. Structural erection for sinter, blast furnace and steel melting shop (SMS) has commenced. Ordering for import content of coke and HRC mills are in progress. The project is expected to become commercial in 2014, subject to getting captive mining approvals.
- **Tata Steel Europe (TSE) – rebuilding of BF4 at Port Talbot to raise capacity to 2.5mtpa:** BF4 at Port Talbot is being rebuilt, as it reaches the end of 20 years campaign life, at a capex of GBP185m. This will increase capacity by 500ktpa to 2.5mtpa.

Mozambique coking coal shipments started; Canada iron ore mining to start in December

- Benga Coal Project, Mozambique commenced production in March 2012 and first shipment was expected in June. Indeed, the first shipment of 34,000 tonnes was delivered to an Indian customer.
- Canada direct shipping iron ore (DSO) has obtained required permits for camp, site leveling and construction. The camp was inaugurated in January 2012. Production is expected to start in 3QFY13.

Risks highlighted: Size of TSE's pension fund, debt covenants, rising costs of environmental mitigation

- **Pension fund size far exceeds TSE balance sheet**
  - In an independent review of performance against the largest 50 UK pension schemes in FY11, the BSPS (British Steel Pension Scheme) was the top performing fund over the past 5 and 10 years, and the best performing in terms of risk-adjusted returns over the last 5 years.
  - The market value of its net pension assets substantially exceeds the net assets of Tata Steel Europe (TSE). Any adverse change can have a material impact on its financial statements as well as on the level of company pension contributions.
  - Actual benefits paid are INR62.8b against annual contribution of INR20b by the employee and employer together. The difference is paid out from the returns generated on assets.
- **TSE debt covenants of GBP4.09b a source of concern**
  - Debt for the Corus acquisition in 2007 that resides in TSE's balance sheet is a specific risk to the Group in light of the set of covenants to be met.
  - In September 2010, GBP3,670m of senior secured facilities arranged for this purpose were refinanced with new senior secured facilities comprising GBP3,400m of term loans and a GBP690m revolving credit facility, to provide future working capital for TSE.
  - These facilities have final maturity of 5-7 years, and minimize repayment obligations over the next five years.

- **Carbon credit surplus until 2012, but stricter norms ahead**
  - As a result of lower production since 2008, TSE now expects to be in surplus for phase-2 of the European Union Emissions Trading System (EUETS, 2007-2012.)
  - In phase-3 (2013-2020) of the EU scheme under development, there is likely to be a negative impact on European steel makers' production.
  - In its 2011 budget, the UK government had announced introduction of 'carbon floor price' from 2013-2014. This will increase the cost of electricity for UK operations. However, the UK government is working on compensation for energy intensive industries.

Outlook not very encouraging

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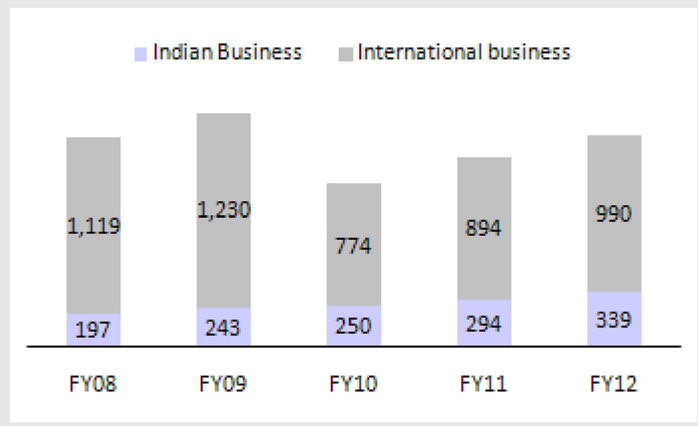
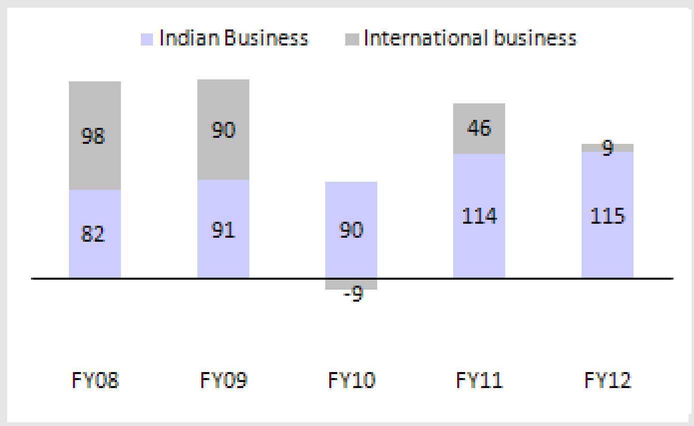
- TSE not only faces the challenge to deal with the steel price and raw material cost squeeze, but also rising specific fixed costs due to production loss.
- Though TSI's volume growth outlook for 2-3 years is strong due to expansions at Jamshedpur and Odisha, margins will come under pressure, as we expect steel prices to soften, driven by slowdown in global demand. Further, TSE remains under enormous stress. The Tata Steel group is highly sensitive to steel prices – its PAT margins are wafer thin at 2-5%.

India revenue is rising steadily (INR b) ...



...but international business EBITDA is volatile (INR b)

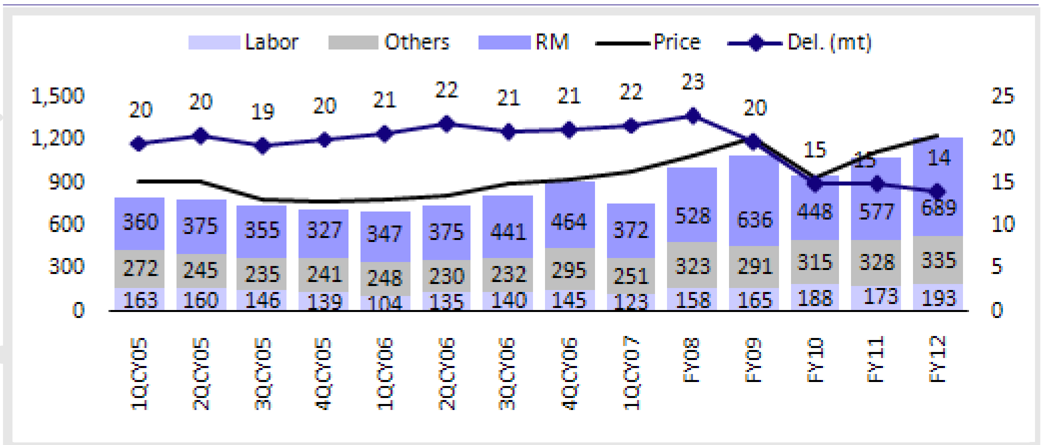


Source: Company/MOSL

Margins are wafer thin

Not just RM costs, but even specific fixed costs are rising - this is concerning

TSE: Cost of production (USD/tonne)



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Stock expensive at current valuations; maintain Sell

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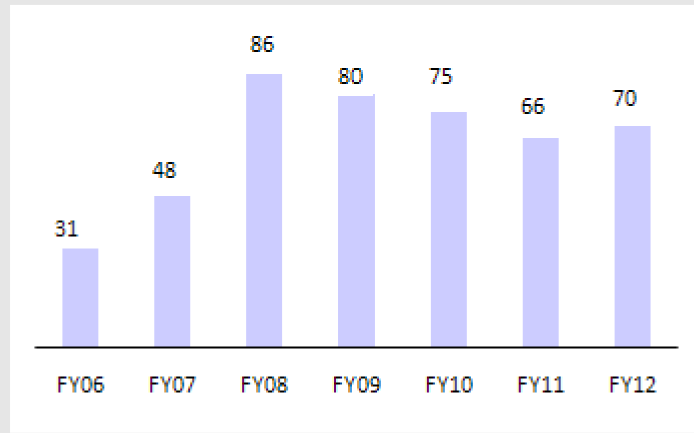
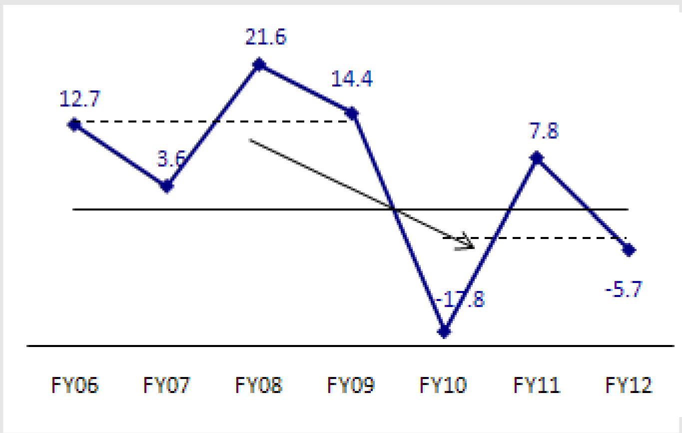
Most of the capital employed is overseas (%)



RoCE has turned negative decisively (%)



Source: Company/MOSL

SOTP Valuation

	2011	2012	2013E	2014E
India				
EBITDA per ton (USD)	374	347	285	255
Sales (m tons)	6.4	6.6	7.5	8.6
EBITDA-India	114,329	113,937	121,377	121,171
Target EBITDA multiple	6.5	7.4	5.5	5.0
EV (India) - (a)	743,136	837,666	667,571	605,855
INR/share	765	862	687	624
TSE and other subs.				
EBITDA per ton (USD)	51	11	23	40
Sales (m tons)	17.1	17.6	16.4	17.9
EBITDA	45,628	9,063	20,499	38,707
Target EBITDA multiple	5.0	5.0	5.0	5.0
EV (TSE) - (b)	228,138	45,317	102,494	193,536
INR/share	235	47	106	199
Target EV (c=a+b)	**971,274**	**882,983**	**770,065**	**799,391**
Net Debt (d)	498,924	524,318	585,144	627,311
INR/share	514	540	602	646
D/E x (adj for goodwill)	2.5	2.0	2.2	2.0
Investments (e)	91,572	91,572	91,572	91,572
INR/share	94	94	94	94
Equity value (f=c-d+e*50%)	**518,136**	**404,451**	**230,707**	**217,866**
INR /share			237	224
Target Price (INR/share)			**237**	**224**

Financials and Valuation (Consolidated)

Income statement						(INR Million)
Y/E March	**2009**	**2010**	**2011**	**2012**	**2013E**	**2014E**
Net Sales	**1,473,293**	**1,023,931**	**1,187,531**	**1,328,997**	**1,358,098**	**1,430,165**
Change (%)	12.0	-30.5	16.0	11.9	2.2	5.3
EBITDA	**181,277**	**80,427**	**159,956**	**124,168**	**141,875**	**158,793**
% of Net Sales	12.3	7.9	13.5	9.3	10.4	11.1
Depn. & Amortization	42,654	44,917	44,148	45,167	54,713	54,979
EBIT	**138,623**	**35,509**	**115,808**	**79,001**	**87,162**	**103,814**
Finace cost	32,902	30,221	27,700	42,501	43,247	44,246
Other income	2,657	6,859	2,809	15,730	8,287	8,419
PBT before EO	**108,378**	**12,147**	**90,917**	**52,231**	**52,202**	**67,987**
EO income	-40,945	-11,837	30,103	33,619		
PBT after EO	**67,432**	**310**	**121,020**	**85,850**	**52,202**	**67,987**
Tax	18,940	21,518	32,459	36,365	22,833	18,264
Rate (%)	28.1	6,941	26.8	42.4	43.7	26.9
Reported PAT	**48,492**	**-21,208**	**88,561**	**49,485**	**29,369**	**49,723**
Minority interest P/L	-409	152	-603	-1,731	-351	-171
Share of asso. PAT	607	1,269	664	2,681	2,030	2,113
PAT (After MI & asso.)	**49,509**	**-20,092**	**89,827**	**53,898**	**31,750**	**52,006**
Div. on Pref. /Hybrid Sec.				2,225	2,616	2,616
Adjusted PAT	**90,454**	**-8,255**	**59,724**	**18,054**	**29,133**	**49,390**
Change (%)	45.3	-109.1	-n/a-	-69.8	61.4	69.5

Balance Sheet (Consolidated)					(INR Million)	
Y/E March	**2009**	**2010**	**2011**	**2012**	**2013E**	**2014E**
Share Capital	7,301	8,867	9,587	9,714	9,714	9,714
Reserves	264,245	221,516	346,226	420,672	435,501	470,767
Net Worth	**271,546**	**230,383**	**355,814**	**430,386**	**445,215**	**480,481**
Minority Interest	8,949	8,841	8,889	10,912	10,561	10,390
Total Loans	599,005	531,004	639,107	646,318	646,318	646,318
Deferred Tax Liability	27,518	16,541	20,126	24,424	24,424	24,424
Capital Employed	**907,018**	**786,768**	**1,023,936**	**1,112,039**	**1,126,518**	**1,161,613**
Gross Block	995,007	976,290	981,023	1,133,047	1,253,047	1,373,047
Less: Accum. Deprn.	630,832	608,126	615,338	712,043	766,757	821,736
Net Fixed Assets	**364,175**	**368,164**	**365,685**	**421,003**	**486,290**	**551,310**
Capital WIP	88,880	89,795	135,508	200,397	200,397	200,397
Investments	64,111	54,178	46,881	26,229	26,229	26,229
Goodwill on consolidation	153,649	145,418	152,982	173,546	173,546	173,546
Other assets			87,181	84,833	84,833	84,833
Curr. Assets	**538,712**	**438,678**	**564,890**	**565,779**	**516,920**	**496,866**
Inventory	216,687	186,866	240,552	255,980	260,457	274,278
Account Receivables	130,316	116,240	148,119	148,785	156,274	164,567
Cash & Bank Balance	61,484	67,878	140,183	122,000	61,173	19,006
Others	130,225	67,694	36,035	39,015	39,015	39,015
Curr. Liability & Prov.	**302,510**	**309,464**	**329,191**	**359,748**	**361,696**	**371,568**
Account Payables	230,933	233,886	171,162	184,093	186,041	195,913
Provisions & Others	71,577	75,578	158,029	175,655	175,655	175,655
Net Current Assets	**236,202**	**129,214**	**235,699**	**206,031**	**155,223**	**125,298**
Appl. of Funds	**907,018**	**786,768**	**1,023,936**	**1,112,039**	**1,126,518**	**1,161,613**

E: MOSL Estimates; Consolidated Financials

Financials and Valuation (Consolidated)

Ratios

Y/E March	2009	2010	2011	2012	2013E	2014E
Basic (INR)						
EPS	101.9	(9.3)	62.3	18.6	30.0	50.8
Cash EPS	124.7	26.7	138.3	97.4	86.6	107.8
BV/Share	132.9	95.7	211.4	264.4	279.7	316.0
DPS	16.0	8.0	12.0	12.0	12.0	12.0
Payout (%)	16.5	(106.4)	21.9	74.6	46.8	27.6
Valuation (x)						
P/E				21.5	13.3	7.9
Cash P/E				4.1	4.6	3.7
P/BV				1.5	1.4	1.3
EV/Sales				0.7	0.7	0.7
EV/EBITDA				7.4	6.9	6.4
Dividend Yield (%)				3.0	3.0	3.0
Return Ratios (%)						
RoE	65.1	(8.1)	40.5	7.8	11.0	17.1
RoCE (pre-tax)	15.5	5.2	13.2	9.1	8.7	10.0
RoIC (pre-tax)	19.2	5.6	19.5	12.2	12.2	13.1
Working Capital Ratios						
Debtor (Days)	32.3	41.4	45.5	40.9	42.0	42.0
Inventory (Days)	54	67	73.9	70.3	70.0	70.0
Payables (Days)	57.2	83.4	52.6	50.6	50.0	50.0
Leverage Ratio (x)						
Current Ratio	1.8	1.4	1.7	1.6	1.4	1.3
Interest Cover Ratio	4.2	1.2	4.2	1.9	2.0	2.3
Debt/Equity	4.6	5.5	2.5	2.0	2.2	2.0

Cash Flow Statement (Consolidated) (INR Million)

Y/E March	2009	2010	2011	2012	2013E	2014E
EBITDA	181,277	80,427	159,956	124,168	141,875	158,793
Non cash exp. (income)	6,647	2,404	8,773	13,603	-1,251	-989
(Inc)/Dec in Wkg. Cap.	2,848	46,465	-71,749	11,590	-10,018	-12,242
Tax Paid	-33,813	-24,586	-32,351	-36,524	-22,833	-18,264
CF from Op. Activity	**156,959**	**104,710**	**64,629**	**112,838**	**107,772**	**127,298**
(Inc)/Dec in FA + CWIP	-83,611	-69,498	-101,636	-119,586	-120,000	-120,000
(Pur)/Sale of Investments	-27,534	23,018	22,294	4,164		
Acquisition in subsidiaries	-1,828	-3,538	-647			
Int. & Divident Income	4,754	3,054	3,518	6,194	8,287	8,419
Other investing activities		-274	39,218	61,251		
CF from Inv. Activity	**-108,219**	**-47,238**	**-37,254**	**-47,978**	**-111,713**	**-111,581**
Debt raised/(repaid)	20,047	-29,944	37,874	-39,803		
Dividend (incl. tax)	-12,266	-13,209	-7,146	-11,639	-13,639	-13,639
Interest & equiv. paid	-35,473	-32,662	-31,366	-37,646	-43,247	-44,246
CF from Fin. Activity	**-27,548**	**-51,350**	**44,930**	**-83,043**	**-56,886**	**-57,885**
(Inc)/Dec in Cash	21,192	6,396	72,305	-18,184	-60,826	-42,167
Add: opening Balance	40,291	61,482	67,878	140,183	122,000	61,173
Closing Balance	**61,484**	**67,878**	**140,183**	**122,000**	**61,173**	**19,006**

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