

Maithan Alloys Ltd

Steady earnings with slightly lower margin

Fundamental Grade 3/5 (Good fundamentals)
Valuation Grade 5/5 (CMP has strong upside)

Industry Metals and Mining

Maithan Alloys Ltd's (Maithan's) Q3FY12 revenues were above CRISIL Research's expectations while earnings were slightly below due to lower margin. Revenues were higher due to trading of raw materials despite a delay in the commissioning of its 120,000 MTPA capacity at Vizag (commissioned in January 2012 though expected in Q3FY12). Margin adjusted for trading sales was slightly lower due to higher cost. However, drop in PAT was lower as the company received capital subsidy which lowered its depreciation expense. We lower our earnings estimates for FY12 and FY13 after factoring in lower margin due to weak demand. We maintain the fundamental grade of **3/5**.

Q3FY12 result analysis (standalone)

- Net sales increased 29% y-o-y (up 31% q-o-q) to Rs 1,904 mn on account of strong growth in trading sales (up by 230% y-o-y and 148% q-o-q to Rs 547mn). Ferro manganese and silico manganese sales grew y-o-y by 15% and 2%, respectively, primarily driven by volume growth. However, ferro silicon sales declined 11% y-o-y on account of marginal volume dip coupled with realisation de-growth.
- EBITDA margin contracted by 489 bps y-o-y (down 252 bps q-o-q) to 10.2% on account of trading sales of raw materials. The contribution of trading sales increased to 29% from 11% in Q3FY11 and 15% in Q2FY12. Adjusted for trading, manufacturing sales margin was 11.8%.
- The company has expensed Rs 24.7 mn as a part of the amortising arrear power bill of Rs 98 mn raised by DVC. The remaining Rs 25 mn will be expensed in Q4FY12.
- PAT declined by 35% y-o-y and 7% q-o-q to Rs 129 mn, largely in line with operating margins.
- The company has reported EPS of Rs 8.9 as compared to Rs 9.5 in Q2FY12 and Rs 13.7 in Q3FY11.

Valuations: Current market price has strong upside

We continue to use the EV/EBITDA method to value Maithan. We lower our fair price to Rs 167 on account of revision in earnings.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	6,522	4,815	6,074	6,409	8,529
EBITDA	436	595	1,083	758	1,139
Adj PAT	1	302	726	437	442
Adj EPS-Rs	0.1	20.7	49.9	30.0	30.4
EPS growth (%)	NM	NM	140.9	(39.9)	1.2
Dividend yield (%)	1.6	0.9	1.8	1.8	1.8
RoCE (%)	17.3	19.5	35.2	17.7	18.9
RoE (%)	0.1	26.7	40.6	18.6	16.1
P/E (x)	1,479.1	5.4	2.2	3.7	3.7
P/BV (x)	1.8	1.2	0.7	0.6	0.5
EV/EBITDA (x)	6.9	4.0	1.8	4.2	2.6

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

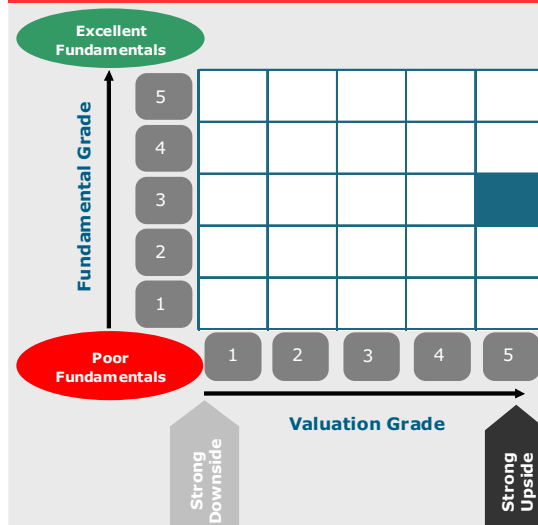


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Fair Value Rs 167

CMP Rs 111

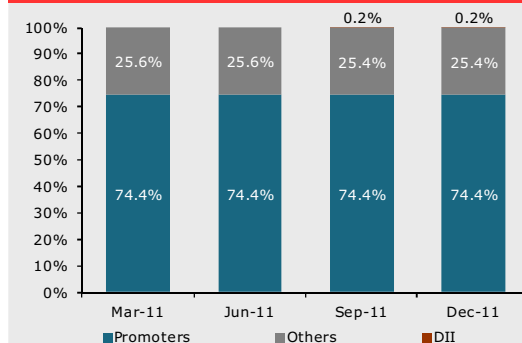
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5564/18289
NSE / BSE ticker	MAITHANALL/ MAITHANAL
Face value (Rs per share)	10
Shares outstanding (mn)	14.6
Market cap (Rs mn)/(US\$ mn)	1,617/33
Enterprise value (Rs mn)/(US\$ mn)	2,105/43
52-week range (Rs) (H/L)	154/78
Beta	1.3
Free float (%)	25.6%
Avg daily volumes (30-days)	2,514
Avg daily value (30-days) (Rs mn)	0.24

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Maithan	16%	22%	4%	-19%
NIFTY	12%	13%	10%	0%

ANALYTICAL CONTACT

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