

Monnet Ispat & Energy Ltd

Q3FY12 First cut –Results in line with expectations

Fundamental Grade 4/5 (Superior fundamentals)
Valuation Grade 4/5 (CMP has upside)

Industry Metals & Mining

Monnet Ispat & Energy Ltd's (Monnet Ispat's) Q3FY12 revenues were in line with CRISIL Research's expectations. Better realisation and higher volumes of steel products drove revenue growth. EBITDA margins were adversely impacted by high raw material prices. Higher interest cost impacted PAT. We may revise our estimates post our interaction with the management. We maintain our fundamental grade of **4/5**.

Q3FY12 result analysis (standalone)

- Revenues increased 38.6% y-o-y and 4.9% q-o-q to Rs 4,810 mn driven by better realisation and higher volumes of steel products. The steel division's revenue (~86% of total) grew ~50% y-o-y and 8% q-o-q to Rs 4,143 mn on account of better realisation. The power division's revenue declined ~20% y-o-y but increased ~9% q-o-q to Rs 569 mn.
- EBITDA margins dropped by 592 bps y-o-y (2 bps q-o-q) to 26% on account of increase in raw material prices and higher contribution from the relatively low-margin steel division (increased from 80% in Q3FY11 to 86% in Q3FY12).
- Interest cost has increased significantly by ~250% y-o-y and ~62% q-o-q to Rs 188 mn. Other income increased ~66% y-o-y and ~62% q-o-q to Rs 108 mn. We are yet to receive clarity on these from the management.
- PAT increased 4.1% y-o-y but declined 5.1% q-o-q to Rs 731 mn because of increase in interest cost. PAT margins declined by 503 bps y-o-y and 159 bps q-o-q to 15.2%.
- Company reported EPS of Rs 11.4 in Q3FY12.

Valuations: Current market price has upside

We continue to use the sum-of-the-parts (SoTP) method to value Monnet Ispat and have maintained our fair value of Rs 572 per share. At the current market price, valuation grade is 4/5.

KEY FORECAST (STANDALONE)

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	15,545	14,825	15,705	18,435	32,258
EBITDA	3,818	4,487	4,522	4,904	7,676
Adj PAT	2,157	2,709	2,819	2,905	3,118
Adj EPS-Rs	45.0	51.8	43.8	45.1	48.4
EPS growth (%)	29.3	15.2	(15.5)	3.0	7.3
Dividend yield (%)	3.2	1.2	1.1	1.0	1.0
RoCE (%)	10.9	9.5	11.2	10.9	10.1
RoE (%)	2.0	1.6	1.5	1.3	1.2
PE (x)	13.4	13.3	9.6	7.8	8.5
P/BV (x)	18.8	19.0	15.1	13.1	12.6
EV/EBITDA (x)	8.9	8.5	11.4	12.4	9.1

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimate

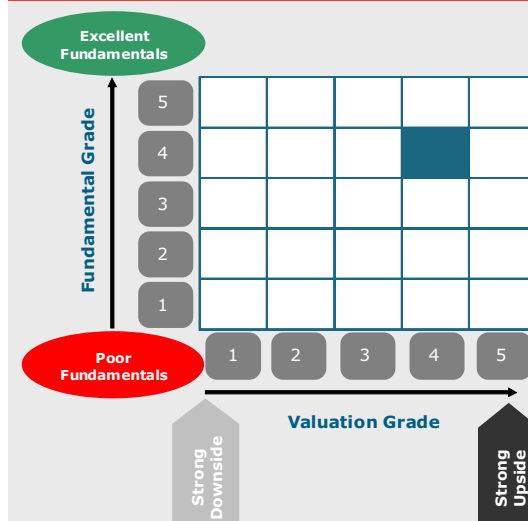


February 17, 2012

Fair Value Rs 572

CMP Rs 491

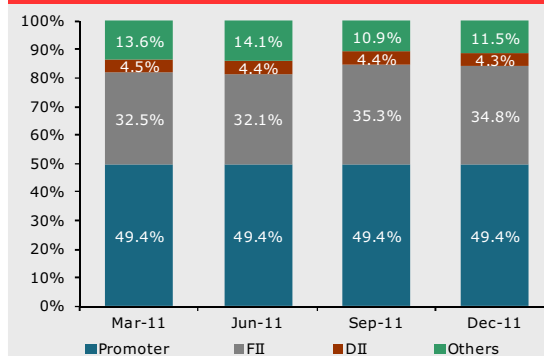
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5522/18595
NSE / BSE ticker	MONNETISPA
Face value (Rs per share)	10
Shares outstanding (mn)	64.3
Market cap (Rs mn)/(US\$ mn)	31,591/641
Enterprise value (Rs mn)/(US\$ mn)	51,428/1043
52-week range (Rs) (H/L)	576/319
Beta	0.36
Free float (%)	50.6%
Avg daily volumes (30-days)	43,136.5
Avg daily value (30-days) (Rs mn)	20.2

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
MIEL	24%	24%	0%	-10%
NIFTY	13%	10%	10%	1%

ANALYTICAL CONTACT

Chetan Majithia (Head) chetanmajithia@crsil.com
Pravesh Rawat prawat@crsil.com
Vishal Rampuria vrampuria@crsil.com

Client servicing desk

+91 22 3342 3561 clientservicing@crsil.com