

## Bhushan Steel

### Performance Highlights

Particulars (₹ cr)	4QFY11	4QFY10	% chg (yoy)	3QFY11	% chg (qoq)
Net sales	1,966	1,609	22.2	1,943	1.2
EBITDA	602	419	43.7	537	12.1
% margin	30.6	26.1	458bp	27.7	297bp
Net profit	288	241	19.5	280	2.7

Source: Company, Angel Research

**Strong top-line growth:** For 4QFY2011, BSL reported net sales growth of 22.2% yoy and 1.2% qoq to ₹1,966cr on account of a) higher sales volumes, which grew by 8.3% yoy but declined by 9.0% qoq to 425kt and b) an increase in blended realisations by 10.3% yoy and 7.1% qoq to ₹48,284/tonne. Flat product sales volume increased by 14.5% yoy but declined by 8.8% qoq to 335kt, while long product sales volume fell by 10.8% yoy and 9.8% qoq to 90kt. In 4QFY2011, the 1.9mn-tonne hot strip mill produced 56kt of hot rolled (HR) coils.

**Strong profitability growth:** During 4QFY2011, BSL's EBITDA increased by 43.7% yoy and 12.1% qoq to ₹602cr. This was mainly due to captive consumption of HR coils, which led to raw-material cost (as a percentage of net sales) declining to 49.8% from 60.8% in 4QFY2010. Hence, EBITDA/tonne increased to US\$315 in 4QFY2011, compared to US\$237 in 4QFY2010 and US\$256 in 3QFY2011. Interest expenses increased by 140.8% yoy and 30.3% qoq to ₹133cr. Thus, net profit grew by 19.5% yoy and 2.7% qoq to ₹288cr.

**Outlook and valuation:** At the CMP, the stock is trading at 9.4x FY2012E and 8.2x FY2013E EV/EBITDA, a significant premium over its peers. Although we expect sales volume growth of 24.8% over FY2011–15E, we believe it is too early to play the volume growth story of BSL as strong volume growth is expected only post FY2013. Further, although BSL uses a combination of BF-EAF technology to produce steel, rising prices of iron ore and coal will affect its margins. Moreover, BSL's debt-equity ratio remains high. **Hence, we downgrade the stock to Neutral from Accumulate.**

### Key financials

Y/E March (₹ cr)	FY2010	FY2011E	FY2012E	FY2013E
Net sales	5,611	7,000	7,923	8,359
% chg	13.5	24.8	13.2	5.5
Net profit	846	1,033	1,057	1,165
% chg	100.8	22.1	2.3	10.2
EPS (₹)	39.8	48.6	49.8	54.9
OPM (%)	25.9	29.1	33.2	34.7
P/E (x)	11.5	9.4	9.2	8.3
P/BV (x)	2.5	2.0	1.6	1.4
RoE (%)	26.5	23.1	19.2	17.7
RoCE (%)	9.4	9.8	9.4	9.2
EV/Sales (x)	3.7	2.9	3.1	2.9
EV/EBITDA (x)	14.3	10.1	9.4	8.2

Source: Company, Angel Research

## NEUTRAL

CMP	₹457
Target Price	-

Investment Period	-
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Stock Info	
Sector	Steel
Market Cap (₹ cr)	9,696
Beta	1.3
52 Week High / Low	545/252
Avg. Daily Volume	195733
Face Value (₹)	2
BSE Sensex	17,776
Nifty	5,551
Reuters Code	BSSL.BO
Bloomberg Code	BHUS@IN

Shareholding Pattern (%)	
Promoters	69.2
MF / Banks / Indian Fls	0.8
FII / NRIs / OCBs	2.5
Indian Public / Others	27.5

Abs. (%)	3m	1yr	3yr
Sensex	5.3	6.9	10.7
BSL	26.2	38.5	200.7

### Bhavesh Chauhan

Tel: 022- 3935 7800 Ext: 6821  
bhaveshu.chauhan@angelbroking.com

### Pooja Jain

Tel: 022- 3935 7800 Ext: 6839  
pooja.j@angelbroking.com

**Exhibit 1: 4QFY2011 performance**

Y/E March (₹ cr)	4QFY11	4QFY10	yoy %	FY2011	FY2010	yoy %
<b>Net sales</b>	<b>1,966</b>	<b>1,609</b>	<b>22.2</b>	<b>7,000</b>	<b>5,641</b>	<b>24.1</b>
Raw material	979	979	0.0	3,760	3,538	6.3
% of net sales	49.8	60.8		53.7	62.7	
Staff cost	34	24	39.7	124	84	48.4
% of net sales	1.7	1.5		1.8	1.5	
Other expenditure	351	186	88.0	1,079	570	89.4
% of net sales	17.8	11.6		15.4	10.1	
Total expenditure	1,364	1,190	14.6	4,963	4,192	18.4
% of net sales	69.4	73.9		70.9	74.3	
<b>Operating profit</b>	<b>602</b>	<b>419</b>	<b>43.7</b>	<b>2,037</b>	<b>1,449</b>	<b>40.6</b>
OPM (%)	30.6	26.1		29.1	25.7	
Other operating income	-	-	-	-	-	-
<b>EBITDA</b>	<b>602</b>	<b>419</b>	<b>43.7</b>	<b>2,037</b>	<b>1,449</b>	<b>40.6</b>
EBITDA margin (%)	30.6	26.1		29.1	25.7	
Interest	133	55	140.8	414	217	91.2
Depreciation	69	52	31.6	233	220	5.8
Other income	38	51	(25.4)	65	116	(43.7)
Exceptional items	0	0		0	0	
<b>PBT</b>	<b>439</b>	<b>362</b>	<b>21.0</b>	<b>1,456</b>	<b>1,128</b>	<b>29.0</b>
% of net sales	22.3	22.5		20.8	20.0	
Tax	151	121	24.0	423	299	41.4
% of PBT	34.3	33.5		29.0	26.5	
<b>PAT</b>	<b>288</b>	<b>241</b>	<b>19.5</b>	<b>1,033</b>	<b>829</b>	<b>24.6</b>

Source: Company, Angel Research

**Exhibit 2: Quarterly production trend (Gross)**

(tonnes)	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	yoy %	qoq %
<b>Flat products</b>	<b>411,325</b>	<b>455,901</b>	<b>503,085</b>	<b>461,859</b>	<b>703,100</b>	<b>718,405</b>	<b>718,405</b>	<b>42.8</b>	<b>0.0</b>
Cold rolled steel	264,388	298,835	318,725	257,213	317,164	295,770	321,567	0.9	8.7
Galvanized steel	119,753	127,060	154,214	114,033	134,102	142,471	154,589	0.2	8.5
H&T	2,440	2,581	2,641	2,609	3,233	3,175	3,395	28.5	6.9
HTSS	1,417	2,466	2,346	2,275	2,329	2,532	2,729	16.3	7.8
Colour coating	23,327	24,959	25,159	22,940	25,508	33,276	36,966	46.9	11.1
Hot rolled steel	0	0	0	62,789	220,764	241,181	281,959	-	16.9
<b>Long products</b>	<b>172,689</b>	<b>227,613</b>	<b>220,533</b>	<b>211,426</b>	<b>145,164</b>	<b>206,783</b>	<b>221,493</b>	<b>0.4</b>	<b>7.1</b>
Billets	60,007	86,788	72,335	67,131	45,154	69,581	60,169	(16.8)	(13.5)
Sponge iron	78,258	105,009	114,094	114,484	61,952	101,953	128,398	12.5	25.9
Wire rods	9,643	7,353	4,152	4,954	3,669	-	-	-	-
Tube & shutters	24,554	28,254	29,711	24,588	34,169	35,084	32,800	10.4	(6.5)
Formed sections	227	209	241	269	220	165	126	(47.7)	(23.6)
<b>Total production</b>	<b>584,014</b>	<b>683,514</b>	<b>723,618</b>	<b>673,285</b>	<b>848,264</b>	<b>925,188</b>	<b>1,022,698</b>	<b>41.3</b>	<b>10.5</b>

Source: Company, Angel Research

**Exhibit 3: Quarterly sales volume trend**

(tonnes)	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	yoy %	qoq %
<b>Flat products</b>	<b>246,042</b>	<b>256,931</b>	<b>292,549</b>	<b>215,808</b>	<b>329,452</b>	<b>367,434</b>	<b>335,057</b>	<b>14.5</b>	<b>(8.8)</b>
Cold rolled steel	116,095	129,917	135,683	104,019	142,288	127,740	125,430	(7.6)	(1.8)
Galvanized steel	103,475	99,145	127,129	86,923	107,117	111,728	112,961	(11.1)	1.1
H&T	2,422	2,531	2,767	2,430	2,887	3,227	3,368	21.7	4.4
HTSS	1,261	2,246	2,139	1,373	2,899	1,927	1,814	(15.2)	(5.9)
Colour coating	22,789	23,092	24,832	21,037	24,865	29,173	34,725	39.8	19.0
Hot rolled steel	0	0	0	26	49,396	93,639	56,759	-	(39.4)
<b>Long products</b>	<b>93,488</b>	<b>102,443</b>	<b>100,230</b>	<b>93,525</b>	<b>83,491</b>	<b>100,024</b>	<b>90,178</b>	<b>(10.0)</b>	<b>(9.8)</b>
Billets	57,968	68,333	66,821	65,624	45,717	65,509	59,007	(11.7)	(9.9)
Sponge iron	1,467	8	-	-	-	-	-	-	-
Wire rods	9,688	7,367	3,449	4,963	3,891	39	-	-	-
Tube and shutters	24,132	26,515	29,708	22,670	33,660	34,312	31,069	4.6	(9.5)
Formed sections	233	220	251	268	223	164	102	(59.4)	(37.8)
<b>Total sales volume</b>	<b>339,530</b>	<b>359,374</b>	<b>392,779</b>	<b>309,333</b>	<b>412,943</b>	<b>467,458</b>	<b>425,235</b>	<b>8.3</b>	<b>(9.0)</b>

Source: Company, Angel Research

**Exhibit 4: Quarterly realisation trend (Gross)**

(₹/tonne)	2QFY10	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	yoy %	qoq %
<b>Flat products</b>	<b>43,074</b>	<b>44,280</b>	<b>45,124</b>	<b>50,916</b>	<b>45,491</b>	<b>45,121</b>	<b>50,388</b>	<b>11.7</b>	<b>11.7</b>
Cold Rolled Steel	40,777	42,258	41,647	47,386	46,202	47,409	49,414	18.6	4.2
Galvanized Steel	43,469	43,956	46,324	51,632	45,632	46,676	51,637	11.5	10.6
H&T	78,035	81,391	80,737	88,889	90,059	88,937	89,371	10.7	0.5
HTSS	43,616	53,428	52,875	57,538	56,916	56,565	61,191	15.7	8.2
Colour Coating	49,234	52,096	53,348	60,608	56,787	58,410	61,685	15.6	5.6
Hot rolled steel	-	-	-	38,462	34,173	34,259	40,487	-	18.2
<b>Long products</b>	<b>30,464</b>	<b>31,334</b>	<b>33,984</b>	<b>36,300</b>	<b>37,669</b>	<b>36,901</b>	<b>40,464</b>	<b>19.1</b>	<b>9.7</b>
Billets	26,170	26,664	28,654	30,781	29,617	29,858	32,844	14.6	10.0
Sponge Iron	11,588	-	-	-	-	-	-	-	-
Wire Rods	26,528	26,198	31,542	31,030	29,041	25,641	-	-	-
Tube & Shutters	43,386	44,692	46,139	53,242	49,525	50,303	54,878	18.9	9.1
Formed Sections	42,918	45,455	47,809	52,239	49,327	48,780	58,824	23.0	20.6
<b>Avg. gross realisation</b>	<b>40,453</b>	<b>42,162</b>	<b>43,786</b>	<b>47,879</b>	<b>45,015</b>	<b>45,073</b>	<b>48,284</b>	<b>10.3</b>	<b>7.1</b>

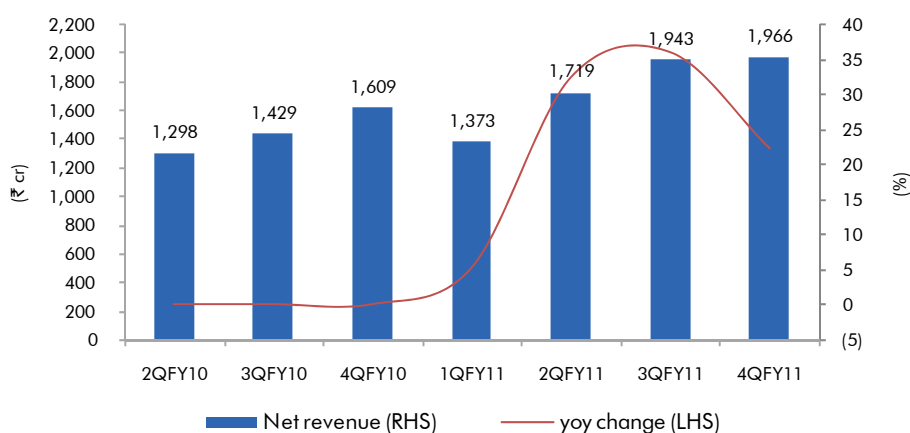
Source: Company, Angel Research

## Result highlights

### Strong top-line performance

During 4QFY2011, BSL reported net sales growth of 22.2% yoy and 1.2% qoq to ₹1,966cr on account of a) higher sales volumes, which grew by 8.3% yoy but declined by 9.0% qoq to 425kt and b) an increase in blended realisations by 10.3% yoy and 7.1% qoq to ₹48,284/tonne. Flat product sales volume increased by 14.5% yoy but declined by 8.8% qoq to 335kt, while long product sales volume declined by 10.8% yoy and 9.8% qoq to 90kt. In 4QFY2011, the 1.9mn-tonne hot strip mill produced 56kt of HR coils.

#### Exhibit 5: Net sales grew by 22.2% yoy

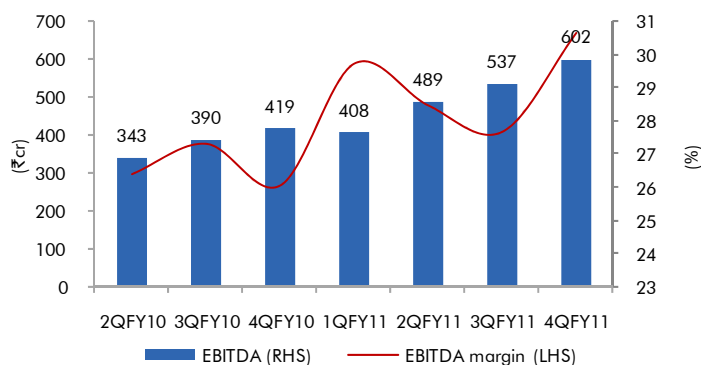


Source: Company, Angel Research

### Strong operating performance

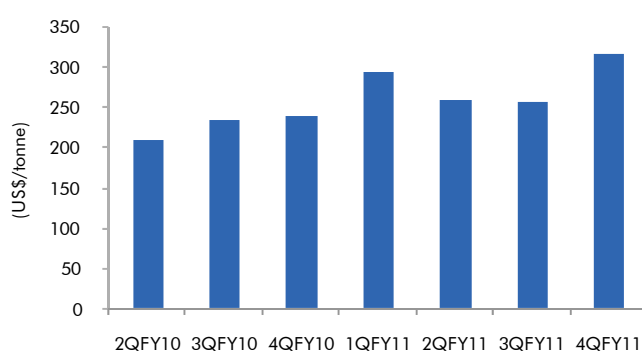
During 4QFY2011, BSL's EBITDA increased by 43.7% yoy and 12.1% qoq to ₹602cr. This was mainly due to captive consumption of HR coils, which led to raw-material cost (as a percentage of net sales) declining to 49.8% from 60.8% in 4QFY2010. Hence, EBITDA/tonne increased to US\$315 in 4QFY2011, compared to US\$237 in 4QFY2010 and US\$256 in 3QFY2011.

#### Exhibit 6: EBITDA margin improves by 458bp yoy



Source: Company, Angel Research

#### Exhibit 7: EBITDA/tonne at US\$315 in 4QFY2011

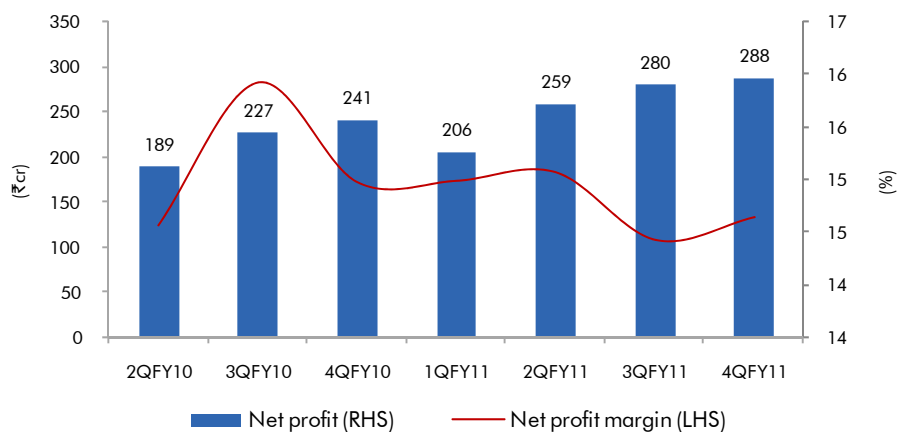


Source: Company, Angel Research

**Net profit grew by 19.5% yoy**

Interest expenses increased by 140.8% yoy and 30.3% qoq to ₹133cr, while depreciation expenses increased by 31.6% yoy and 21.0% qoq to ₹69cr during the quarter. Hence, net profit grew by only 19.5% yoy and 2.7% qoq to ₹288cr.

**Exhibit 8: Net profit registers 19.5% yoy growth**



Source: Company, Angel Research

## Investment rationale

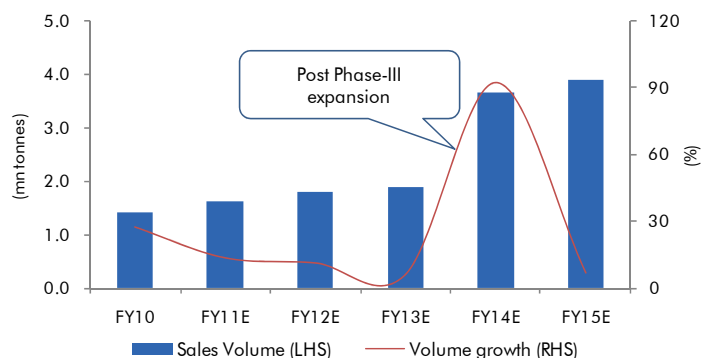
### Entering a new orbit

BSL has undertaken an expansion plan in Orissa to increase its foothold in the industry. The project is being executed in three phases, with Phase-I already commissioned in FY2007 and Phase-II being commissioned. Post the completion of Phase-II, the company's primary steel-making capacity will increase to 2.2mn tonnes. Moreover, with the current ramping up of its new HR plant, BSL is moving from being a steel converter to a leading primary producer of steel, extending its presence in the steel value chain. Phase-III is currently under execution and is expected to come on stream by FY2013. On completion of Phase-III, BSL's primary steel capacity will increase to 4.7mn tonnes, making it one of the leading steel producers in India.

### Volume growth sweetened by increasing EBITDA/tonne

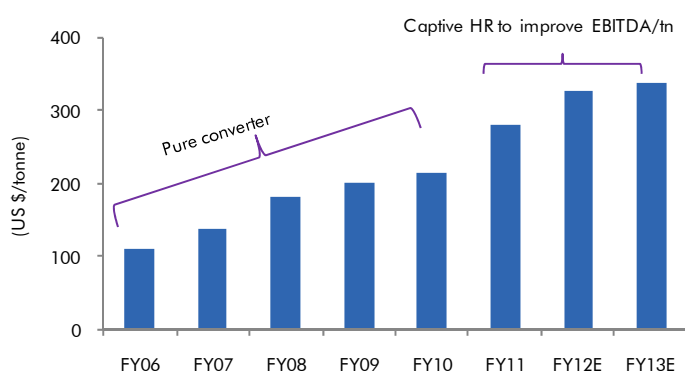
With the commissioning of BSL's Phase-III expansion plan, we expect sales volume to grow at a 24.8% CAGR over FY2011–15E, much higher than its peers. Despite BSL not being integrated, cost of production is expected to be low due to a) combination of BF-EAF technology to produce steel and b) lower conversion costs. The usage of BF-EAF technology will result in lower coal costs.

**Exhibit 9: Volumes to grow at 24.8% CAGR (FY11-15E)**



Source: Company, Angel Research

**Exhibit 10: EBITDA/tonne to improve**



Source: Company, Angel Research

## Outlook and valuation

At the CMP, the stock is trading at 9.4x FY2012E and 8.2x FY2013E EV/EBITDA, a significant premium over its peers. Although we expect sales volume growth of 24.8% over FY2011–15E, we believe it is too early to play the volume growth story of BSL as strong volume growth is expected only post FY2013. Further, although BSL uses a combination of BF-EAF technology to produce steel, rising prices of iron ore and coal will affect its margins. Moreover, BSL's debt-equity ratio remains high. Further, we believe the increase in the stock price during the past three months fairly discounts the growth prospects of BSL. **Hence, we downgrade the stock to Neutral.**

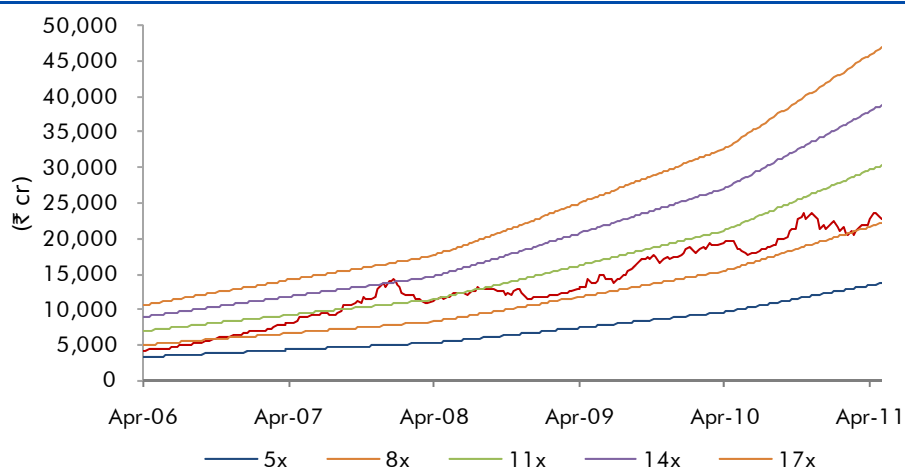
We have increased our net sales estimates for FY2013 as we have slightly increased our sales volume estimates. However, we have lowered our profitability estimates for FY2012 and FY2013 on factor in higher prices of iron ore and coal (key inputs). Hence, our profitability estimates for FY2012 and FY2013 stand lowered.

### Exhibit 11: Revision of estimates

(₹ cr)	Earlier estimates		Revised estimates		Upgrade/(downgrade) (%)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Net sales	7,616	7,691	7,923	8,359	4.0	8.7
EBITDA	2,674	2,781	2,631	2,904	(1.6)	4.4
EBITDA margin (%)	35.1	36.2	33.2	34.7	-190bp	-142bp
PBT	1,704	1,801	1,448	1,596	(15.0)	(11.4)
Net income	1,244	1,314	1,057	1,165	(15.0)	(11.3)
Net margin (%)	16.3	16.8	13.3	13.9	-300bp	-286bp

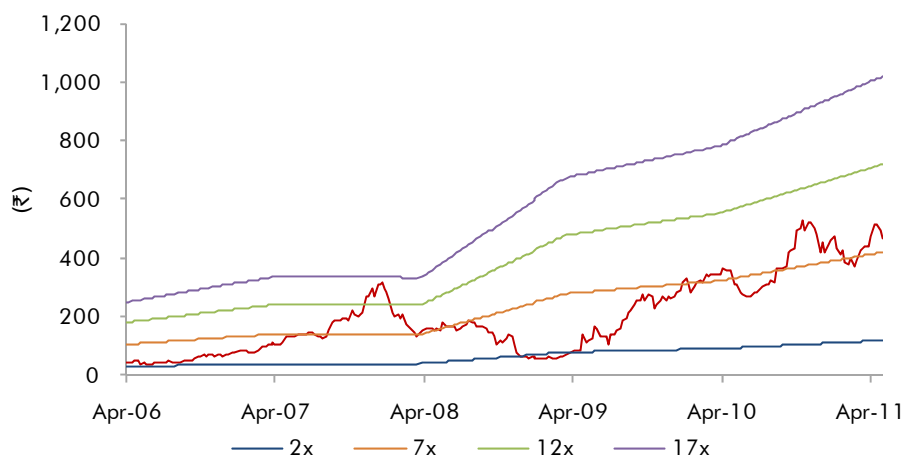
Source: Bloomberg, Angel Research

### Exhibit 12: EV/EBITDA band



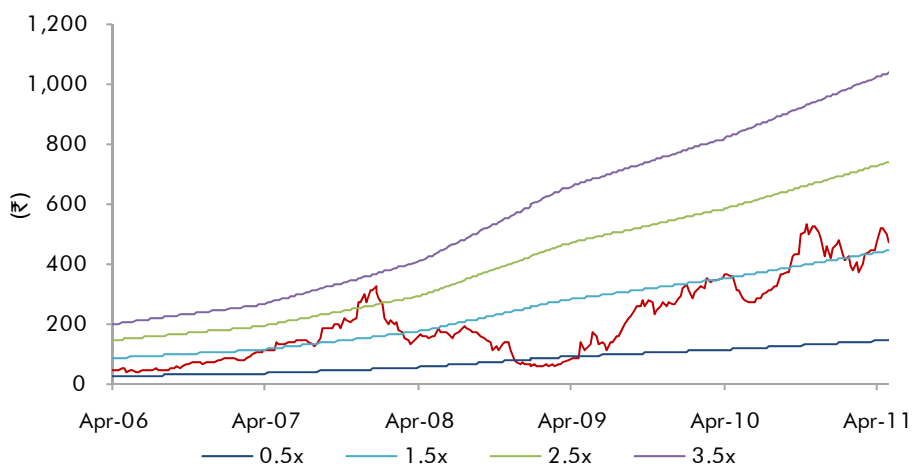
Source: Bloomberg, Angel Research

**Exhibit 13: P/E band**



Source: Bloomberg, Angel Research

**Exhibit 14: P/BV band**



Source: Bloomberg, Angel Research

**Exhibit 15: Recommendation summary**

Companies	CMP (₹)	Target Price (₹)	Reco.	Mcap (₹ cr)	Upside (%)	P/E (x)		P/BV (x)		EV/EBITDA (x)		RoE (%)		RoCE (%)	
						FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
SAIL	154	191	Buy	63,608	24.0	14.4	11.5	1.6	1.4	9.9	8.1	11.3	12.8	9.7	11.6
Tata Steel	594	814	Buy	56,949	35.0	8.3	6.7	1.5	1.2	5.3	4.0	19.2	20.2	13.5	15.8
JSW Steel	897	1,125	Buy	22,974	25.4	10.5	7.8	1.1	1.0	5.5	3.7	11.0	13.3	11.8	15.2
<b>Bhushan Steel</b>	<b>457</b>	<b>-</b>	<b>Neutral</b>	<b>9,696</b>	<b>-</b>	<b>9.2</b>	<b>8.3</b>	<b>1.6</b>	<b>1.4</b>	<b>9.4</b>	<b>8.2</b>	<b>19.2</b>	<b>17.7</b>	<b>9.4</b>	<b>9.2</b>

Source: Company, Angel Research



**Profit & loss statement**

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011	FY2012E	FY2013E
<b>Gross sales</b>	<b>4,645</b>	<b>5,395</b>	<b>5,974</b>	<b>7,576</b>	<b>8,566</b>	<b>9,037</b>
Less: Excise duty	(467)	(452)	(363)	(576)	(642)	(678)
<b>Net sales</b>	<b>4,177</b>	<b>4,943</b>	<b>5,611</b>	<b>7,000</b>	<b>7,923</b>	<b>8,359</b>
Other operating income	28	14	29	0	50	50
<b>Total operating income</b>	<b>4,205</b>	<b>4,957</b>	<b>5,640</b>	<b>7,000</b>	<b>7,973</b>	<b>8,409</b>
% chg	9.6	17.9	13.8	24.1	13.9	5.5
<b>Total expenditure</b>	<b>3,370</b>	<b>3,928</b>	<b>4,188</b>	<b>4,963</b>	<b>5,342</b>	<b>5,505</b>
Net raw materials	2,973	3,352	3,569	3,760	3,932	4,017
Other mfg costs	323	475	478	1,079	1,244	1,312
Personnel	74	101	141	124	166	176
Other	-	-	-	-	-	-
<b>EBITDA</b>	<b>835</b>	<b>1,029</b>	<b>1,453</b>	<b>2,037</b>	<b>2,631</b>	<b>2,904</b>
% chg	33.0	23.2	41.1	40.2	29.2	10.4
(% of Net sales)	20.0	20.8	25.9	29.1	33.2	34.7
Depreciation	211	234	209	233	460	543
<b>EBIT</b>	<b>624</b>	<b>795</b>	<b>1,244</b>	<b>1,805</b>	<b>2,172</b>	<b>2,360</b>
% chg	48.8	27.4	56.5	45.1	20.3	8.7
(% of Net sales)	14.9	16.1	22.2	25.8	27.4	28.2
Interest charges	137	252	210	414	792	836
Other income	52	18	118	65	68	72
(% of PBT)	9.6	3.2	10.2	4.5	4.7	4.5
Share in profit of asso.	-	-	-	-	-	-
<b>Recurring PBT</b>	<b>539</b>	<b>561</b>	<b>1,151</b>	<b>1,456</b>	<b>1,448</b>	<b>1,596</b>
% chg	44.7	4.1	105.3	26.4	(0.6)	10.3
Extra. Inc/(Expense)	-	-	-	-	-	-
<b>PBT (reported)</b>	<b>539</b>	<b>561</b>	<b>1,151</b>	<b>1,456</b>	<b>1,448</b>	<b>1,596</b>
Tax	115	139	306	423	390	431
(% of PBT)	21.4	24.9	26.5	29.0	27.0	27.0
<b>PAT (reported)</b>	<b>424</b>	<b>421</b>	<b>846</b>	<b>1,033</b>	<b>1,057</b>	<b>1,165</b>
Add: Earnings of asso.	-	-	-	-	-	-
Less: Minority interest	-	-	-	-	-	-
Extra. Expense/(Inc.)	-	-	-	-	-	-
<b>PAT after MI (reported)</b>	<b>424</b>	<b>421</b>	<b>846</b>	<b>1,033</b>	<b>1,057</b>	<b>1,165</b>
<b>ADJ. PAT</b>	<b>424</b>	<b>421</b>	<b>846</b>	<b>1,033</b>	<b>1,057</b>	<b>1,165</b>
% chg	35.3	(0.6)	100.8	22.1	2.3	10.2
(% of Net sales)	10.1	8.5	15.1	14.8	13.3	13.9
<b>Basic EPS (₹)</b>	<b>20.0</b>	<b>19.8</b>	<b>39.8</b>	<b>48.6</b>	<b>49.8</b>	<b>54.9</b>
<b>Fully Diluted EPS (₹)</b>	<b>20.0</b>	<b>19.8</b>	<b>39.8</b>	<b>48.6</b>	<b>49.8</b>	<b>54.9</b>
% chg	34.0	(0.6)	100.8	22.1	2.3	10.2

**Balance sheet**

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011E	FY2012E	FY2013E
<b>SOURCES OF FUNDS</b>						
Equity share capital	42	42	42	42	42	42
Reserves & surplus	1,583	1,992	3,949	4,970	6,015	7,167
<b>Shareholders' funds</b>	<b>1,625</b>	<b>2,034</b>	<b>3,992</b>	<b>5,012</b>	<b>6,057</b>	<b>7,210</b>
Share warrants	-	400	0	0	0	0
Minority interest	-	-	-	-	-	-
<b>Total loans</b>	<b>5,718</b>	<b>8,066</b>	<b>11,404</b>	<b>15,800</b>	<b>18,800</b>	<b>18,800</b>
Deferred tax liability	197	246	330	330	330	330
<b>Total liabilities</b>	<b>7,540</b>	<b>10,747</b>	<b>15,725</b>	<b>21,142</b>	<b>25,187</b>	<b>26,339</b>
<b>APPLICATION OF FUNDS</b>						
Gross block	2,927	3,282	3,686	8,686	13,186	20,686
Less: Acc. depreciation	1,168	1,396	1,607	1,839	2,299	2,842
<b>Net Block</b>	<b>1,759</b>	<b>1,886</b>	<b>2,079</b>	<b>6,847</b>	<b>10,887</b>	<b>17,844</b>
Capital work-in-progress	4,568	7,400	11,109	7,522	9,009	2,509
Goodwill	-	-	-	-	-	-
<b>Investments</b>	<b>58</b>	<b>114</b>	<b>370</b>	<b>370</b>	<b>370</b>	<b>370</b>
Current assets	2,418	2,744	3,770	8,848	7,905	8,621
Cash	28	124	120	4,714	3,551	4,436
Loans & advances	644	769	953	953	953	953
Other	1,747	1,850	2,697	3,181	3,400	3,232
Current liabilities	1,264	1,396	1,604	2,445	2,985	3,005
<b>Net current assets</b>	<b>1,155</b>	<b>1,347</b>	<b>2,167</b>	<b>6,404</b>	<b>4,920</b>	<b>5,616</b>
Mis. exp. not w/off	-	-	-	-	-	-
<b>Total assets</b>	<b>7,540</b>	<b>10,747</b>	<b>15,725</b>	<b>21,142</b>	<b>25,187</b>	<b>26,339</b>

**Cash flow statement**

Y/E March (₹ cr)	FY2008	FY2009	FY2010	FY2011E	FY2012E	FY2013E
Profit before tax	539	561	1,151	1,456	1,448	1,596
Depreciation	211	234	209	233	460	543
Change in working capital	(372)	(468)	(953)	357	320	189
Less: Other income	124	256	176	-	-	-
Direct taxes paid	63	46	186	423	390	431
<b>Cash flow from operations</b>	<b>439</b>	<b>537</b>	<b>397</b>	<b>1,623</b>	<b>1,837</b>	<b>1,897</b>
(Inc.)/ Dec. in fixed assets	(2,415)	(1,770)	(2,901)	(1,412)	(5,988)	(1,000)
(Inc.)/ Dec. in investments	(36)	(49)	(259)	0	0	0
(Inc.)/ Dec. in loans and adv.	-	-	-	-	-	-
Other income	17	13	24	-	-	-
<b>Cash flow from investing</b>	<b>(2,434)</b>	<b>(1,806)</b>	<b>(3,136)</b>	<b>(1,412)</b>	<b>(5,988)</b>	<b>(1,000)</b>
Issue of equity	-	400	700	-	-	-
Inc./ (Dec.) in loans	2,430	1,956	3,062	4,396	3,000	0
Dividend paid	11	8	11	13	12	12
Others	495	982	1,017	-	-	-
<b>Cash flow from financing</b>	<b>1,923</b>	<b>1,366</b>	<b>2,735</b>	<b>4,383</b>	<b>2,988</b>	<b>(12)</b>
Inc./ (Dec.) in cash	(73)	97	(4)	4,594	(1,163)	885
<b>Opening cash bal.</b>	<b>100</b>	<b>28</b>	<b>124</b>	<b>120</b>	<b>4,714</b>	<b>3,551</b>
<b>Closing cash bal.</b>	<b>28</b>	<b>124</b>	<b>120</b>	<b>4,714</b>	<b>3,551</b>	<b>4,436</b>

**Key ratios**

Y/E March	FY2008	FY2009	FY2010	FY2011E	FY2012E	FY2013E
<b>Valuation ratio (x)</b>						
P/E (on FDEPS)	22.9	23.0	11.5	9.4	9.2	8.3
P/CEPS	15.3	14.8	9.2	7.7	6.4	5.7
P/BV	6.0	4.0	2.5	2.0	1.6	1.4
Dividend yield (%)	0.1	0.1	0.1	0.1	0.1	0.1
EV/Sales	3.7	3.6	3.7	2.9	3.1	2.9
EV/EBITDA	18.4	17.1	14.3	10.1	9.4	8.2
EV/Total assets	2.0	1.6	1.3	1.0	1.0	0.9
<b>Per share data (₹)</b>						
EPS (Basic)	20.0	19.8	39.8	48.6	49.8	54.9
EPS (fully diluted)	20.0	19.8	39.8	48.6	49.8	54.9
Cash EPS	29.9	30.9	49.7	59.6	71.4	80.5
DPS	0.5	0.5	0.5	0.5	0.5	0.5
Book value	76.5	114.6	186.2	234.3	283.5	337.8
<b>DuPont analysis</b>						
EBIT margin	14.9	16.1	22.2	25.8	27.4	28.2
Tax retention ratio (%)	78.6	75.1	73.5	71.0	73.0	73.0
Asset turnover (x)	0.7	0.5	0.4	0.4	0.4	0.4
RoIC (Post-tax)	8.2	6.6	7.0	8.1	8.5	8.0
Cost of debt (post tax)	2.4	2.7	1.6	2.2	3.3	3.2
Leverage (x)	3.5	3.3	2.8	2.2	2.5	2.0
Operating RoE	28.7	19.2	22.4	21.1	21.3	17.5
<b>Returns (%)</b>						
RoCE (Pre-tax)	10.3	8.7	9.4	9.8	9.4	9.2
Angel RoIC (pre-tax)	22.6	25.8	32.9	27.5	20.5	14.9
RoE	29.8	20.8	26.5	23.1	19.2	17.7
<b>Turnover ratios (x)</b>						
Asset turnover (gross block)	1.5	1.6	1.6	1.1	0.7	0.5
Inventory (days)	139	134	201	225	225	200
Receivables (days)	54	46	48	45	45	45
Payables (days)	114	80	85	85	85	85
WC cycle (days)	57	62	88	105	110	104
<b>Solvency ratios (x)</b>						
Net debt to equity	3.5	3.3	2.8	2.2	2.5	2.0
Net debt to EBITDA	6.8	7.7	7.7	5.4	5.7	4.9
Interest coverage	4.6	3.2	5.9	4.4	2.7	2.8

Research Team Tel: 022 - 39357800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

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1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

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<b>Ratings (Returns):</b>	Buy (> 15%) Reduce (-5% to 15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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