Stock Note | 12 July 2017

Mukand Limited

Industry	CMP	Recommendation	Add on dips to	Sequential Targets	Time Horizon
Iron & Steel Products	Rs.72	Buy at CMP and add on declines	Rs. 61 - 66	Rs.106.5 & Rs.120.7	2 - 3 quarters

HDFC Scrip Code	MUKLTDEQNR
BSE Code	500460
NSE Code	MUKANDLTD
Bloomberg	MUK IN
CMP June 28 2017	Rs.72
Equity Capital (Rs crs)	141.4
Face Value (Rs)	10.0
Equity Share o/s (crs)	14.14
Market Cap (Rs crs)	1018.0
Book Value (Rs)	12.68
Avg. 52 Wk Volumes	75726
52 Week High	87.95
52 Week Low	40.0

Shareholding Pattern % (Mar31, 2017)	
Promoters	71.7
Institutions	5.3
Non Institutions	23.0
Total	100.0

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Company Description:

Mukand Ltd is engaged in the business of stainless/alloy steel and machine building. Its alloy steel and stainless steel is widely in demand domestically majorly from the auto and auto ancillary industry. Its stainless steel is exported to various developed and developing countries. It has its steel manufacturing capacities at Hospet (in JV with Kalyani steels) and Thane and its steel rolling mills at Thane. It also has a captive power generation plant with a capacity of 15MW. Mukand is also engaged in the business of rolling of cold drawn bright bars of steel through its JV with Japanese company Sumitomo Corporation. Apart from the core assets, Mukand is enriched large land bank in the industrial area of Thane.

Investment Rationale:

- New joint venture with Sumitomo Corporation to help company escalate growth in its alloy steel business.
- Strategic plans towards cleaner and leaner balance sheet to bring down finance cost burden of the company.
- Cost reduction capex carried out by company to yield benefits by way of expanded margins.
- Infrastructural requirements and reviving capex in the economy to auger well for company's steel and engineering division.
- Land bank at Thane could be encashed soon resulting in value unlocking for its shareholders.

Concerns:

- Fluctuating raw material prices may bring pressure on the profitability.
- Delay in execution of chalked out plans.
- Stretched working capital position may lead to higher debt requirements for the company.
- Commodity type of business could result in higher operational risk.
- Large equity base makes it difficult for the company to increase its per share numbers without significant increase in its scale of operations.

View and Valuation:

Mukand has entered into a joint venture agreement with Sumitomo Corporation which shall help the company to market its alloy steel well in the local/global market and also bring down its debt levels using the capital infused by Sumitomo Corporation in the JV. Further, Mukand is looking out for a strategic partner to enter into another joint venture for its current industrial machinery division. This shall help company to further bring down its financial leverage. Mukand has a good amount of industrial land assets at Thane which it partially wishes to liquidate and use the said funds to bring down debt levels. All these efforts on a whole could bring down the otherwise exorbitant finance cost which at current is roughly 10.2-10.4% of the revenue from operations. Improving demand for company's goods and services, cost reduction procedures carried out by company, lower debt levels, increase in sales due to Sumitomo Corporation's marketing channels in the alloy steel business shall all help company report better performance going forward. An efficiently levered company after reduction of debt and improving prospects for its businesses could attract a better valuation going forward.

The stock currently trades at ~7.7x FY19E EPS. For a 70 year old company from a reputed family/group, this is low especially considering the fact that it has embarked on a number of initiatives to correct the financial and operating structure.

We feel investors could buy the stock at the CMP and add on dips to Rs.61 – 66 (4.5x FY19E EPS, 7.8x FY19 EV/EBITDA) for sequential targets of Rs.106.5 (9x FY19E EPS, 8.9x FY19 EV/EBITDA) & Rs.120.7 (10.5x FY19E EPS, 9.5x FY19 EV/EBITDA) over the next 2-3 quarters. Any development on finalization of JV partner for the industrial machinery division could lead to further rerating of the stock.

Financial Summary:

Particulars (Rs cr)	Standalone					Consolidated				
	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	FY15	FY16	FY17	FY18E	FY19E
Net Sales	688.42	679.17	1.4%	652.03	5.6%	3006.0	2952.4	2873.1	2418.2	2699.3
EBITDA	50.02	89.52	-44.1%	83.48	-40.1%	361.9	359.1	366.2	295.1	341.3
PAT	-21.41	6.02	-455.6%	2.15	-1095.8%	11.1	-7.5	26.1	110.8	133.0
EPS (Rs)	-1.51	0.43	-455.6%	0.15	-1095.8%	0.8	-0.5	1.8	7.8	9.4
P/E (x)						92.7	-137.4	39.6	9.3	7.8
RONW						5.2%	-3.5%	13.4%	47.3%	37.4%

(Source: Company, HDFC sec)

Company Profile:

Mukand Ltd is part of the Bajaj Group of companies with Viren Shah Family being co-promoter. In the year 1937, Mukand Ltd. (Mukand Iron & Steel Works Limited) was established which was later acquired by the present promoter families, Shri Jamanlal Bajaj and Shri Jeevan Lal Shah, in the year 1939. The Company then operated re-rolling mills and a foundry in Lahore and at Reay Road, Bombay respectively. The Company was rechristened Mukand Ltd.in the year 1989 and had grown to become a multi division, multi product conglomerate. With manufacturing facilities in Thane, Maharashtra and Hospet, Karnataka, Mukand produces over 400 grades of specially engineered steel to suit stringent customer requirements in sizes ranging from 5 mm to 160mm in the form of bars, bright bars, wire rods and wires.

Business Segments:

- **Alloy and Stainless steel business:**

Mukand is an integrated alloy and stainless steel producer from India. Mukand has a steel making and rolling capacity of 500,000 metric tons per year. Mukand produces over 400 grades of specially engineered steel to stringent requirements for customers across the globe. Mukand's leadership in steel technology is built on a long history of pioneering, kept alive by adaptive absorption of advanced technology, sustained in-house research and development.

Mukand's alloy steel is widely used in the automobile and auto component industry for products such as fasteners, bearing transmissions, crankshaft, steering components, suspension springs, fuel injection equipment, including common rail diesel injection systems, braking systems, drive axle mainly velocity joints, seamless tubes etc.. The Company also exports its stainless steel products to developed and developing countries such as : The United States of America, Germany, Italy, the Netherlands, Switzerland, United Arab Emirates, Japan, Korea, Hong Kong, Taiwan, Vietnam, to mention a few.

Mukand has a strategic partnership at Hospet with Kalyani Steels having three steel producing plants with a total capacity of 700000 MTPA. Company operates 2 of the said three plants to produce close to 600000 MTPA of steel per annum. Company has a share of 58.62% in this production which brings its capacities at ~351000 MTPA of steel. Steel rolling facilities of company are located at both Kalwe and Hospet. At Hospet, company rolls close to ~216000 MTPA of stainless and alloy steel. Of the total steel produced at Hospet plant, the excess production over the steel that is rolled at Hospet is transferred to Mukand's steel rolling plants at Kalwe. Also company, has a steel producing plant at Kalwe as well where it produces stainless steel from scrap. The JV which the company is to enter into with SC shall later on (say 2-3 years) put a plant at Hospet for steel rolling with initial capacity of 375000 MTPA. In the interim, company is to lend its steel rolling plants at Kalwe to SC for rolling alloy steel as per the JV.

- **Machine Building business:**

Mukand is also in the business of design, manufacture, assembly and commissioning of industrial machinery, heavy duty cranes and bulk material handling equipment. The company under takes execution, supervision and commissioning of industrial and infrastructure projects, manufacture of heavy machinery for process plants in ferrous and non-ferrous industries and turnkey projects.

Through its machine building segment, it takes care of the design, manufacture, assembly and commissioning of major material handling equipment like, EOT cranes, Gantry cranes, Port Cranes and bulk material handling equipment. Further, apart from cranes, company also caters to the needs of various ferrous and non-ferrous industry's needs of designing, manufacturing, assembling and installation of heavy machinery for their process plants. It also bids for and carries out various turnkey projects. It has over 4 decades of experiences in this industry making it a preferred choice over other recent players entering this segment. It has a large 38000 sq mtr workshop dedicated to this segment of business with an inhouse design facility and a location favorable for export import due to proximity to port. It has various facilities at its site including the following:

- Structural fabrication shop;	- Shot blasting facilities;	- Handling facilities;
- Heavy machine shop;	- Hydraulic Presses;	- Assembly & Testing;
- Heat treatment facilities;	- Testing facilities;	- Various quality assurance facilities.

Joint Ventures:

- **Hospet Steels Ltd:**

Hospet Steels Ltd is a JV between Kalyani Steels and Mukand wherein the melting facilities are owned by Kalyani Steels and the steel making facilities owned by Mukand. There also exists a steel rolling facility at the same location in Hospet. The capex and rolled steel production is shared by the companies in the ratio of 58.6% (Mukand) & 41.4% (Kalyani).

- **Mukand Sumi Metals Processing Ltd.:**

Mukand has entered into a JV with Sumitomo Corporation to manufacture and market cold finished bars & wires. Company is performing well for the last 3 fiscals and is expected to continue in same fashion for the coming years. Company's total capacity is at 81000 MTPA of cold finished bright bars and wires of which at present company utilizes the capacities to the tune of 4000 MT per month. The company reported sale of Rs.473.6 cr and PAT of Rs.8.8 cr in FY17 compared to Rs.541.5 cr and Rs.4.2 cr respectively in FY16.

Various steel products produced and marketed by Mukand include the following:

SPECIAL AND ALLOY STEEL				STAINLESS STEEL
Carbon Alloy Steel	Special Steel Wire Rods and Black Bars	Special steel Cold Heading Quality Wire Rods	Electrode Quality Wire Rods	Blooms and Billets
Blooms and Billets	Carbon Steel	Low Carbon		Bars
Wire Rods	Alloy Steel	Low Carbon Boron		Wire Rods
Bars	Spring Steel	Medium Carbon		Bright Bars
	Bearing Quality	Alloy Steel		
	Free Cutting			
	Micro Alloyed			

Various machine building works carried out by Mukand include following:

EOT AND GNATRY CRANES	PORT & SHIPYARD CRANES	BULK MATERIAL HANDLING	FERROUS INDUSTRY	ROLLING MILLS	NON FERROUS INDUSTRY	POWER, NUCLEAR AND DEFENCE
Two and Four Girder EOT Cranes	Electrical Operated Level Luffing Cranes	Ship/Barge Unloaders	Converter	Mill Stand	Rotary Holding Furnace	High Capacity Power House Cranes
Gantry Cranes	Diesel Operated Level Luffing Cranes	Ship / Barge Loaders	Converter relining machine	Roller Table	Slag Granulation Plant	E- Mills
2 / 4 Girder Crane	Level Luffing Travelling Tower Cranes	Continuous Barge Unloaders	Hot Metal Mixers	Cooling Bed	Anode Mould Boxes	7FA turbine base for Gas Turbine
Plate Mill Crane	Special Purpose Cranes	Stackers / Reclaimers	Electric Arc Furnaces	Chain Transfer	Ball Mills	Front standard for steam turbine
Rotating Trolley Cranes	Hammer Head Cranes	Wagon Tipplers / Loaders	Moving & Hot Saw	Pinch Roll Assembly	Rotary Kilns/ Dryers	
Scrap Handling Cranes			Transfer Cars	Hydraulic Scale Breakers	Copper Converters	
Special Purpose			Hydraulic Scale Breaker	Charging Equipment	Anode Refining	
Refinery Cranes			Straightener Units	Pay Off Reel	Lance handling Systems	
Power House cranes			Ladles, Slag Pots, Scrap		Pre-heaters	
Charging Cranes,			Bloom & Billet Casters		Pre-Calcinators	
Billet handling Cranes			Sintering Machine		Grate / Planetary Coolers	
			Door Extractor		Vertical Roller Mills	
			Cooler for Sponge Iron		Cyclones	
			Blast Furnace Shell			
			Bell & Hopper			
			Pig Casting Machine			

Corporate Restructuring plans & debt reduction program:

Even after having good operational capacities, dedicated workforce, good turnover and reasonable operating margins, company has been pushed into the red in terms of its net margins. This is mainly on account of the humongous debt outstanding in company's book. To turnaround this and to gain benefits from cross-national relations, company has chalked out various plans to bring down the debt levels and expand its margins.

- **Joint Venture with Sumitomo Corporation:**

Mukand's alloy steel business, is the largest contributing segment to company's business. Company has decided to transfer this business to one of its wholly owned subsidiary, Mukand Alloy Steel Pvt. Ltd. (MASPL). Mukand has entered into a joint venture with leading Japanese company Sumitomo Corporation (SC). Transfer of business to happen wef Apr 01, 2017. SC is to buy 49% stake in MASPL at an enterprise value of Rs.2820 Cr i.e. roughly Rs.1400 Crs will be paid to Mukand for being the only other shareholder in MASPL. This cash flow is vital for Mukand as it plans to bring down the debt using the said funds. Further, Mukand is optimistic about the synergies the JV will witness on account of this JV given SC's reach in the world market.

- **Transfer of Industrial Machinery business:**

Industrial machinery division forms part of company's EPC and engineering business segment. Company has chalked out a plan to hive off this business from its standalone operations and operate it using a wholly owned subsidiary. Company is looking out for another strategic partner for this business to bring down further debt levels and give further direction and push to this business. Talks in respect of this are at an advanced stage with some parties.

- **Sale of unused land:**

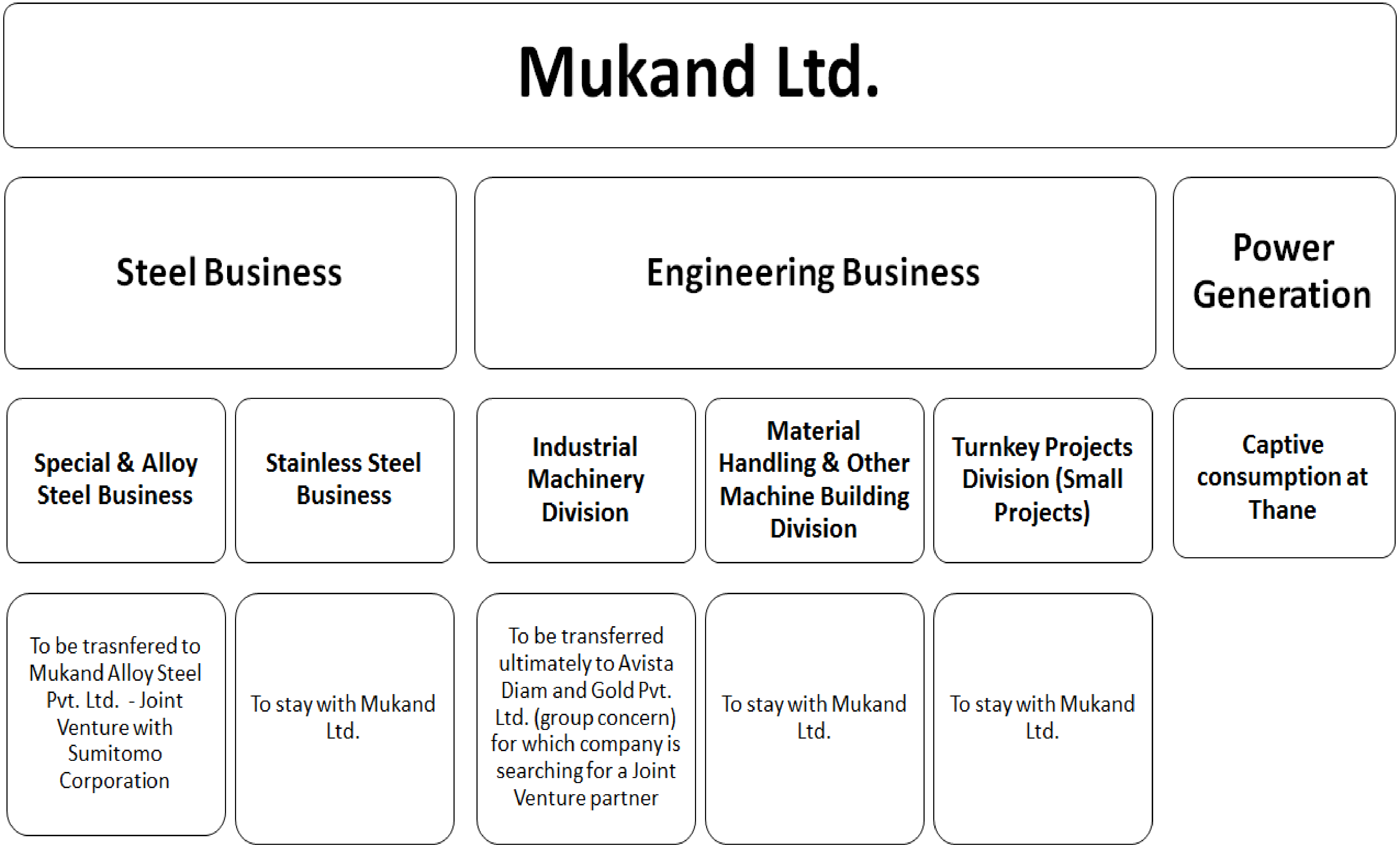
Mukand has a large holding of industrial land of approx. 200 acres at its Thane site of which more than 50% is vacant. The land acquired has appreciated in value and company intends to monetize this investment in property to bring down the debt levels in its core business. Mukand can easily sell ~100 acres which can generate net revenues of Rs.400 cr (after deduction of all outgoings). However, in absence of any concrete grounds to assume the sale to happen immediately we would discount the value of this realizable land value for 2 years and add it on a per share basis for deriving the total value for the company.

- **Cost efficiency oriented capex:**

Company has carried out a lot of capex over modernization of its machinery and rationalization of its operations to bring down the costs in the previous fiscal. This company expects can improve company's operating margin going forward.

All of the above plans have either been implemented or action have been taken to complete their implementation to change the structure of the company and bring it back to the earlier profitability levels.

A chart showing all major business segments of the company and their future is as follows:



Investment Rationale:

JV with Sumitomo Corporation – A boost to Alloy steel business:

Alloy steel business of the company comprises roughly 57-59% of its gross turnover and commands approx. 41-43% of the net-worth. Thus, alloy steel is the largest contributing business segment at present for the company. As stated earlier company is to enter into a JV with SC to carry forward the alloy steel business.

Sumitomo Corporation (SC) is a leading Fortune 500 global trading and business investment Japanese company. SC has a vast reach across the globe with its presence at 108 locations in 66 countries (22 being in Japan).The SC group in total comprises of 800 companies and a workforce of approx. 70000 personnel.

SC conducts:

- commodity transactions in all industries utilizing worldwide networks,
- provides related customers with various financing,
- serves as an organizer and a coordinator for various projects,
- invests in companies to promote greater growth potential.

SC's core business areas include metal products, transportation and construction systems, environment and infrastructure, media, network, lifestyle related products, mineral resources, energy and chemical & electronics.

SC is a big name across the globe. Mere fact that it is showing confidence in Mukand's alloy steel business raises the value attributable to this business in terms of better growth prospects. The business along with the networking that SC brings in could grow at an event faster pace than at what it has been growing historically. This will however result in fall in consolidated revenues for Mukand.

Debt reduction to make balance sheet leaner and cleaner:

As on FY17, a total of Rs.2880 Cr of debt is outstanding on company's balance sheet. This debt weighs down company's profitability. The average cost of debt is ~14% p.a.. As a percentage of sales, the finance cost in the standalone books is 10.4% in FY17. Even though company has been posting consistently EBITDA margins of more than 12% and EBIT margins of more than 9% in the previous 3 fiscals, company ends up gaining nominally or losing in PAT terms. This goes to show that a turn down in the interest cost number can lead to a considerable surge in the PAT number for the company. Identifying this, management has adopted various plans to bring down its current debt levels considerably such that there can be meaningful addition to its profitability margins.

As mentioned earlier, SC will be acquiring 49% stake in MASPL from Mukand by paying approx. Rs.1400 Crs. This entire amount company intends to use for repayment of debts. Further, company intends to monetize a large part (~50%) of its land holdings out of 200 acres it holds at Thane which can fetch roughly estimated conservative figure of Rs.400 crs which can also be used to pay off the debts. The Company in previous years executed road construction projects in the state of Uttar Pradesh with National Highway Authority of India (NHAI) along with Centrodorstroy (CDS), Russia. The outcome of the Road Construction activity cannot be estimated with certainty at present. Pending claims excluding interest as at 31.03.2017 aggregate Rs.288.42 crore. Bulk of these claims are now being processed at the level of Tribunal as against the level of consulting engineers in the previous year. These claims are also expected to be received by the company progressively over next 1-2 years which again will reduce the financial burden of the company. Thus conscious efforts on the part of the company to reduce the financial leverage would benefit the company in realizing the actual operational efficacies of its business which currently gets used up in meeting the financial burden it faces to cover its debt payments.

Cost reduction and operational efficiency capex:

Mukand has overall expended Rs.400 crs in the previous fiscal/s to improve the operational efficacies of the business and in turn reduce the costs. With these capex, company had started realizing cost benefits which were visible in the operational margins which expanded by about 180-250 bps as compared to the previous fiscal. However, due to external factors like demonetization taking place in the third quarter, the turnover of the company suffered and so did the operating margins due to application of negative operating leverage. However, with the effects of demonetization wearing off, company is expected to realize full benefits of said capex and the same would help company increase its profitability over the medium term. In the alloy steel business, this along with SC's business marketing and networking expertise, company is expected to realize margins better that those in other segments of the company.

GST to be advantageous for Mukand:

GST is the next positive trigger for the company which is expected to bring down company's overall costs by 50 to 100 bps (% of sales) as per management. With the advent of GST it shall be easier for the company to claim credits for various state and central taxes (including import duty) paid by it against each other. This shall help company bring down the overall cost of the company's business as a whole. This will help it place its stainless and alloy steel's prices more competitively and bid more competitively for new EPC and machine building projects.

Infrastructure growth and revival of capex to auger well for company's entire business:

Steel has diverse uses in building the nation. With the positive outlook for the infrastructure sector for Indian economy a growth in demand for steel is inevitable. With increasing demand and volumes, company can achieve better margins and increased profitability. Recent measures take by the GoI in terms of imposing minimum import price, raising import duties etc will enable local steel players to witness better times. Also the engineering sector tends to gain with a growth in infrastructure. A revival of capex in the manufacturing sector would lead to increase demand for steel and also a number of machine building contracts for the company to bid for. This is a macro economic boost which would particularly help a company like Mukand who is in this line of business for more than 4 decades.

Concerns:

Fluctuating RM prices may pressurize margins:

Iron ore and coking coal are the major raw materials for production and manufacturing of steel. With major fluctuations raw material prices, a business that is majorly dependent on a particular raw material may face adverse effects for same. Any major fluctuation which cannot be countered by the company would lead to losses for the company.

Delay in execution of restructuring and debt reduction:

With the current debt structure, to continue without restructuring the business and reducing the debts would lead to persistent losses/ nominal profits for the company not allowing it to benefit entirely from its operational efficiencies. Thus it is of utmost importance that the chalked plans be executed and implemented at the earliest.

Engineering business may stretch the working capital cycle further:

With increasing engineering business, the amount of receivables and capital locked up in inventories also goes up. This would lead to higher requirements for short term funding and further worsen the existing debt position of the company. It shall be imperative for the company to maintain reasonable share of its steel business to not affect its working capital cycle drastically.

Non-Performing subsidiaries:

Company's non-performing subsidiaries which include Bombay Forgings Ltd and Vidyavihar Containers Ltd have been incurring losses consistently in the previous fiscals. This entails a risk of write off / sale of said investments at a price lower than the cost which may lead to a one-time debit to the profit and loss account.

Steel business having higher operational risk:

Due to the undiversified nature of business of the company and commodity dependent business structure, level of business risk company faces goes up. However, with a positive outlook for demand for steel it seems improbable that company would have to face the downside of this risk.

Economic Slowdown:

Economic slowdown, though not very likely, may bring down the level of activity in the overall industry. In this case, since company majorly derives its income from a demand in these segments, the company's sales may be negatively impacted.

View and Valuation:

Mukand has entered into a joint venture agreement with Sumitomo Corporation which shall help the company to market its alloy steel well in the local/global market and also bring down its debt levels using the capital infused by Sumitomo Corporation in the JV. Further, Mukand is looking out for a strategic partner to enter into another joint venture for its current industrial machinery division. This shall help company to further bring down its financial leverage. Mukand has a good amount of industrial land assets at Thane which it partially wishes to liquidate and use the said funds to bring down debt levels. All these efforts on a whole could bring down the otherwise exorbitant finance cost which at current is roughly 10.2-10.4% of the revenue from operations. Improving demand for company's goods and services, cost reduction procedures carried out by company, lower debt levels, increase in sales due to Sumitomo Corporation's marketing channels in the alloy steel business shall all help company report better performance going forward. An efficiently levered company after reduction of debt and improving prospects for its businesses could attract a better price going forward.

We have valued the company based on P/E ratio on its FY19E earnings and added discounted value of land realization (expected after 2 years and discounted at 12% p.a.)

Particulars			Amount
A. Core Business	**FY19E EPS**	**P/E**	
Target 1	9.4	9	84.6
Target 2	9.4	10.5	98.7
B. Land Value	**Exp. Value**	**DF (@12%)**	
Exp. Value for both targets	400	0.774	21.9
Total Value per share (A + B)			
Target 1			***106.5***
Target 2			***120.7***

The stock currently trades at ~7.7x FY19E EPS. For a 70 year old company from a reputed family/group, this is low especially considering the fact that it has embarked on a number of initiatives to correct the financial and operating structure.

We feel investors could buy the stock at the CMP and add on dips to Rs.61 – 66 (4.5x FY19E EPS, 7.8x FY19 EV/EBITDA) for sequential targets of Rs.106.5 (9x FY19E EPS, 8.9x FY19 EV/EBITDA) & Rs.120.7 (10.5x FY19E EPS, 9.5x FY19 EV/EBITDA) over the next 2-3 quarters. Any development on finalization of JV partner for the industrial machinery division could lead to further rerating of the stock.

Quarterly Financials-

Particulars (Rs cr)	Standalone					Standalone		
	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	FY17	FY16	YoY (%)
Net Sales	688.4	671.8	2.5%	648.3	6.2%	2677.0	2703.5	1.0%
Other Operating Income	0.0	7.4	100.0%	3.7	100.0%	20.4	27.5	25.7%
Total Income from Operation	688.4	679.2	1.4%	652.0	5.6%	2697.4	2731.0	1.2%
Raw Material Consumed	292.4	250.7	16.6%	311.2	6.0%	1153.5	1203.9	4.2%
Stock Adjustment	27.1	-12.5	100.0%	-75.0	136.1%	-78.0	-71.1	9.7%
Purchase of Finished Goods	0.0	0.2	0.0%	0.0	0.0%	0.0	0.9	100.0%
Employee Expenses	44.2	46.2	4.4%	43.0	2.7%	171.4	171.3	0.1%
Other Expenses	274.8	305.1	9.9%	289.4	5.0%	1121.2	1093.4	2.5%
Total Expenditure	638.4	589.7	8.3%	568.6	12.3%	2368.1	2398.4	1.3%
EBITDA	50.0	89.5	44.1%	83.5	40.1%	329.3	332.6	1.0%
Depreciation	18.2	18.6	2.0%	17.9	2.0%	71.0	74.0	4.1%
EBIT	31.8	70.9	55.2%	65.6	51.5%	258.3	258.6	0.1%
Interest	70.2	68.8	2.0%	71.4	1.7%	280.0	278.9	0.4%
Other Income	7.3	6.2	17.7%	14.3	48.7%	28.1	21.6	30.1%
Profit before Tax	-31.1	8.3	472.9%	8.5	465.4%	6.4	1.2	420.6%
Tax Expenses	-9.7	2.3	517.7%	6.4	252.0%	-1.0	0.5	286.5%
Reported Profit After Tax	-21.4	6.0	455.6%	2.2	1095.8%	7.4	0.7	935.0%
EPS	-1.51	0.43	455.6%	0.15	1095.8%	0.52	0.05	935.0%

Financials (Consolidated) -

Profit & Loss Account

Particulars, Rs in Cr	FY15	FY16	FY17	FY18E	FY19E
Revenue from Ops	**3006.0**	**2952.4**	**2873.1**	**2418.2**	**2699.3**
RM Cost	1542.0	1369.8	1281.3	1370.7	1481.7
Stock Adjustment	-147.0	-65.0	-79.1	-118.2	-124.0
Purchase of goods	5.8	4.9	-10.4	5.0	5.5
Employee Expense	160.5	172.9	173.4	125.0	130.6
Other Expenses	1082.9	1110.8	1141.7	740.6	864.3
Total Expenses	2644.1	2593.3	2506.9	2123.1	2358.0
EBITDA	**361.9**	**359.1**	**366.2**	**295.2**	**341.3**
Depreciation	76.5	77.0	73.8	56.5	63.6
EBIT	285.4	282.1	292.4	238.7	277.7
Interest	275.7	290.6	295.5	141.7	154.1
Other Income	18.8	23.3	29.2	33.5	39.0
Exceptional Items	-15.1	-12.9	0.0	0.0	0.0
Profit before Tax	13.4	1.9	26.1	130.5	162.6
Tax Expenses	1.6	5.3	2.7	20.1	30.2
PAT	11.8	-3.4	23.4	110.4	132.4
Adj. for consol	0.6	4.1	-2.7	-0.4	-0.6
APAT	11.1	-7.5	26.1	110.8	133.0
EPS	**0.8**	**-0.5**	**1.8**	**7.8**	**9.4**

Cash Flow Statement

Particulars, Rs in Cr	FY15	FY16	FY17	FY18E	FY19E
EBT	**28.5**	**14.8**	**26.3**	**130.5**	**162.6**
Depreciation and Amortization	76.5	77.0	73.8	56.5	63.6
Interest /Dividend paid	257.0	269.3	268.0	141.7	154.1
Other Adjustment	-6.0	-0.7	15.9	-2.3	-3.2
(Inc)/Dec in working Capital	-353.9	-213.1	-233.7	-97.0	-179.1
Tax Paid	16.4	-12.4	-7.7	-20.1	-30.2
CF from Operating Activities	**18.5**	**134.8**	**142.6**	**209.3**	**167.8**
Capital expenditure	-34.9	-41.6	-33.2	-45.0	-110.0
sale of fixed assets	10.8	3.5	0.9	4.2	3.9
(Purchase)/Sale of Investment	0.0	0.0	0.0	0.0	0.0
Others	12.7	3.1	0.1	11.0	13.7
Slump sale	0.0	0.0	0.0	1414.0	0.0
CF from Investing Activities	**-11.3**	**-35.0**	**-32.2**	**1384.2**	**-92.4**
Inc/(Dec) in Share capital	0.0	0.0	0.0	0.0	0.0
Inc/(Dec) in Debt	304.1	184.4	151.1	-1455.2	84.3
Dividend and Interest Paid	-314.5	-278.7	-270.8	-141.7	-154.1
CF from Financing Activities	**-10.4**	**-94.4**	**-119.7**	**-1596.9**	**-69.8**
Net Cash Flow	**-3.2**	**5.5**	**-9.3**	**-3.4**	**5.6**
Opening Balance	**43.4**	**40.2**	**45.7**	**36.4**	**33.0**
Closing Balance	**40.2**	**45.7**	**36.4**	**33.0**	**38.6**

Balance Sheet

Particulars, Rs in Cr	FY15	FY16	FY17	FY18E	FY19E
LIABLITIES					
Share Capital	147.1	147.1	147.1	147.1	147.1
Reserves and Surplus	1725.1	1714.3	32.2	142.6	275.0
Shareholders'	**1872.2**	**1861.3**	**179.3**	**289.7**	**422.1**
Minority Interest	**110.0**	**111.7**	**115.2**	**118.4**	**122.9**
Long Term Debt	1546.3	1636.5	1708.2	872.9	969.2
Other Long Term	4.0	4.0	6.3	6.7	7.1
Long Term	39.7	43.9	40.1	49.0	40.3
Non-Current Liab:	**1590.0**	**1684.5**	**1754.6**	**928.6**	**1016.6**
Short Term Debt	841.5	939.9	1007.4	622.8	610.8
Trade Payables	881.4	854.1	838.8	722.2	813.5
Other Current Liab	560.4	635.7	690.2	731.0	743.0
Short Term Prov	7.1	6.0	8.3	8.7	9.2
Current Liabilities:	**2290.5**	**2435.6**	**2544.6**	**2084.7**	**2176.5**

Financial Ratios

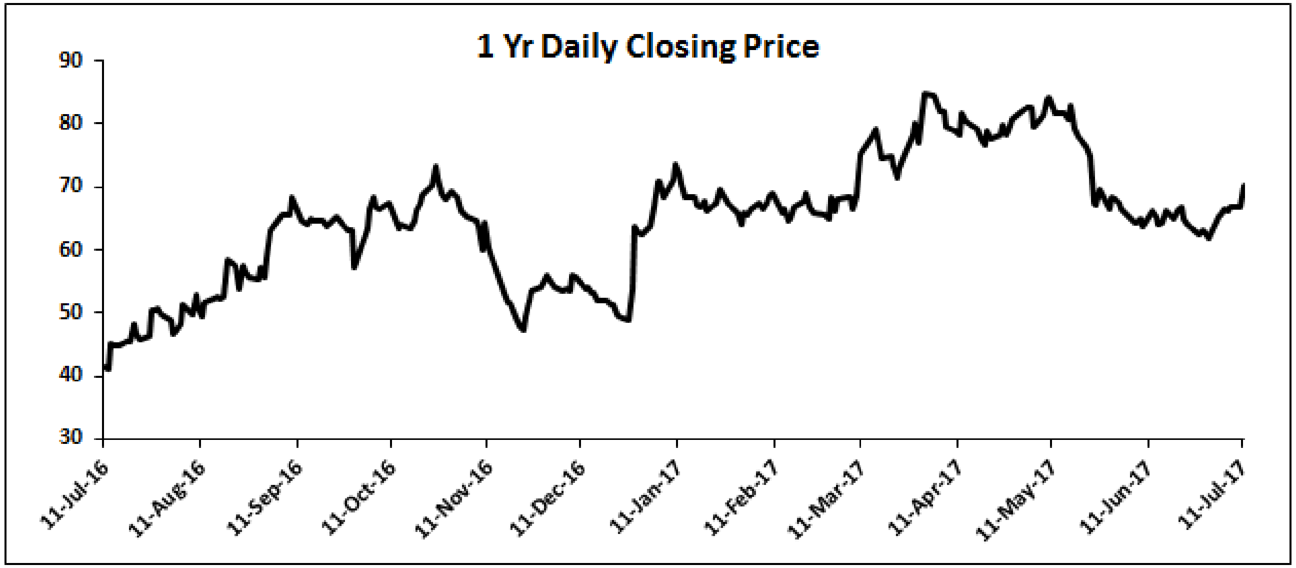
Particulars	FY15	FY16	FY17	FY18E	FY19E
No of Equity Shares-cr	14.1	14.1	14.1	14.1	14.1
Enterprise Value-cr	3543.1	3768.7	3923.5	2470.9	2549.2
EPS	0.8	-0.5	1.8	7.8	9.4
Cash EPS (PAT + Depreciation)	6.2	4.9	7.1	11.8	13.9
Book Value Per Share(Rs.)	15.3	14.8	12.7	20.5	29.8
Debt per share	184.9	201.3	212.1	105.8	111.7
PE(x)	91.4	NA	NA	9.2	7.7
P/BV (x)	4.7	4.9	5.7	3.5	2.4
Mcap/Sales(x)	0.3	0.3	0.4	0.4	0.4
EV/EBITDA	9.8	10.5	10.7	8.4	7.5
EBITDAM (%)	12.0%	12.2%	12.7%	12.2%	12.6%

Total	***5862.7***	***6093.1***	***4593.7***	***3421.4***	***3738.1***
ASSETS:					
Fixed Assets:	**2498.5**	**2459.7**	**768.1**	**631.1**	**713.2**
Non Current Invet	38.3	35.9	33.5	35.0	39.0
Deffered Tax Assets	43.6	40.8	4.5	-8.2	-9.1
Long Term Loans	131.4	132.5	135.2	75.3	111.3
Other Non Curr	49.8	50.6	37.6	21.3	37.8
Non-Current Assets:	**2761.6**	**2719.5**	**979.0**	**754.5**	**892.2**
Inventories	1458.8	1496.6	1658.7	1258.8	1382.9
Trade Receivables	1009.8	1163.7	1097.2	887.8	961.4
Cash and Bank	90.0	95.6	93.6	43.0	49.0
Short Term Loans	351.8	391.9	405.9	255.3	249.6
Other Current Assets	190.8	225.8	359.3	222.0	203.0
Current Assets:	**3101.2**	**3373.6**	**3614.7**	**2666.9**	**2845.9**
Total	***5862.7***	***6093.1***	***4593.7***	***3421.4***	***3738.1***

EBITM (%)	2.5%	2.6%	2.6%	2.3%	2.4%
PATM (%)	0.4%	-0.3%	0.9%	4.6%	4.9%
ROCE (%)	11.2%	10.4%	10.3%	11.0%	16.7%
RONW (%)	5.2%	-3.5%	13.4%	47.3%	37.4%
Current Ratio	1.35	1.39	1.42	1.28	1.31
Quick Ratio	0.72	0.77	0.77	0.68	0.67
Debt-Equity	12.09	13.56	16.73	5.16	3.74
Interest Coverage Ratio	1.10	1.05	1.09	1.92	2.06

(Source: Company, HDFC sec)

One Year Price Chart



(Source: Company, HDFC sec)

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