MOTILAL OSWAL

28 July 2021

Annual Report Update | Sector: Metals

JSW Steel

BSE SENSEX	S&P CNX
52,444	15,709

Stock Info

Bloomberg	JSTL IN
Equity Shares (m)	2,400
M.Cap.(INRb)/(USDb)	1744.1 / 23.5
52-Week Range (INR)	773 / 203
1, 6, 12 Rel. Per (%)	4/80/199
12M Avg Val (INR M)	5213
Free float (%)	55.9

Financials Snapshot (INR b)

Y/E Mar	2021	2022E	2023E
Sales	796.1	1,341.1	1,322.1
EBITDA	199.8	406.2	384.0
NP	78.9	225.9	209.8
AdjEPS (INR)	32.8	93.8	87.0
EPS Gr. (%)	262.5	186.2	-7.2
BV/Sh. (INR)	194.1	275.7	342.7
RoE (%)	18.9	39.9	28.2
RoCE (%)	8.7	17.9	14.6
Payout (%)	22.9	19.8	19.9
Valuation			
P/E (x)	22.0	7.7	8.3
P/BV (x)	3.7	2.6	2.1
EV/EBITDA (x)	11.9	5.8	5.9
Div. Yield (%)	0.9	2.1	1.9

CMP: INR722 TP: INR840 (+16%) Buy

Growth remains the key focus

High debt levels not a concern as growth capex improves outlook

JSW Steel (JSTL)'s FY21 Annual Report highlights the company's objective to continue to pursue growth in both volumes and value. Furthermore, the announcement of the 7.5mtpa capacity expansion at Vijayanagar – coupled with the acquisition of Bhushan Power and Steel Ltd (BPSL) and the completion of the 5mtpa Dolvi expansion – indicates the management's focus to grow its market share and the comfort to manage its cash flows and leverage. While debt would stay elevated in FY22 despite the strong steel prices and margins, we don't see that as a worry given the expected strong growth in volumes and cash flows led by expansions. We reiterate Buy, with TP of INR840.

Pursuing growth aggressively; deleveraging to take a backseat

- JSTL, in line with its aggressive growth policy, plans to add another 7.5mtpa capacity by FY24 through (a) brownfield expansion (5mtpa) and (b) the augmentation of existing capacities by 2.5mtpa through de-bottlenecking. Coupled with the ongoing 5mtpa Dolvi expansion, this would take JSTL's standalone capacity to ~30mtpa (~60% growth) by end-FY24. JSTL aims to raise its consolidated capacity to 37.5mtpa/45mtpa by FY25/FY30.
- Contrary to peers which saw deleveraging of 25-30% during FY21, JSTL saw only a marginal deleveraging of INR6.3b to INR653b. This was attributable to its high capex spend and the BPSL and ACCIL acquisitions for an aggregate consideration of INR66.6b. Even in FY22, we exect the debt to stay high as capex would be elevated at INR182b. Debt should decline from FY23, as the ramp-up at the new Dolvi plant would improve cash flows.

Other highlights

- JSTL's 5mtpa brownfield expansion at Vijaynagar would come through its wholly-owned subsidiary, JSW Neometallics Steel Ltd. This would help JSTL to benefit from the low income tax rate of 15% under Section 115BAB of the Income Tax Act, 1961, allowed to new manufacturing companies.
- JSTL plans to lower its carbon emissions by 20% over FY21–30 to <2.0 tCO_2/tCS. It has also set targets to achieve a 7% reduction in specific energy consumption and 42% reduction in dust emissions by FY30. In this regard, it plans to procure 1GW renewable power for its steel plant operations.
- JSTL's raw material security would increase further in FY22 with a full year of operations at its Odisha mines. It met 35% of its iron ore requirement through captive iron ore in FY21. It produced 18.5mt of iron ore and sold 4.7mt of iron ore during the year.
- JSTL's FY22 long-term debt repayment obligation stands at INR87.2b, which we believe would be refinanced during the year.
- In addition to the completion of the much-awaited BPSL acquisition, to boost its downstream product portfolio, JSTL acquired Asian Color Coated Ispat

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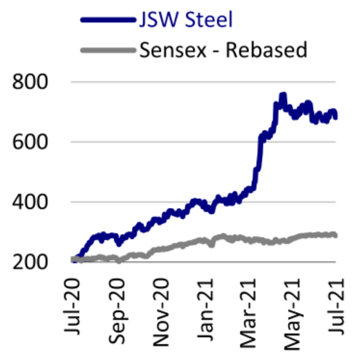
Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	44.1	44.1	43.1
DII	20.6	7.6	5.4
FII	0.4	13.2	16.0
Others	34.9	35.2	35.5

FII Includes depository receipts

Stock Performance (1-year)



Limited having a capacity of 1.0mtpa for INR15.5b at an attractive valuation of <3.0x EV/EBITDA – the asset generated INR2.5b of EBITDA in the first five months of operation. Furthermore, JSTL acquired the Plate and Coil Mill Division (PCMD) of Welspun, with the capacity to produce 1.2mtpa of steel plates and coils, for INR8.1b in FY22.

- Welspun, with the capacity to produce 1.2mtpa of steel plates and coils, for INR8.1b in FY22.
- The shift to the new tax regime is likely in FY23. In its standalone operations, JSTL has a minimum alternate tax (MAT) credit entitlement of INR25.3b. This, we believe, should be largely exhausted in FY22, post which the company could shift to the new tax regime of 25%.

Valuation and view

- We like JSTL given its strong project pipeline and cost reduction initiatives, which should support margins. Over FY21–23E, we expect an above-industry volume CAGR of 17%, driven by the Dolvi expansion.
- The announced 5mtpa expansion by FY24, at a competitive cost of ~USD400/t, should be RoCE-attractive and improve the growth outlook beyond FY24.
- Despite the high capex, we expect net debt to decline ~17% over FY21–23E to INR542b.
- We value JSTL at 6x FY23E EV/EBITDA to arrive at TP of INR840. Maintain **Buy.**

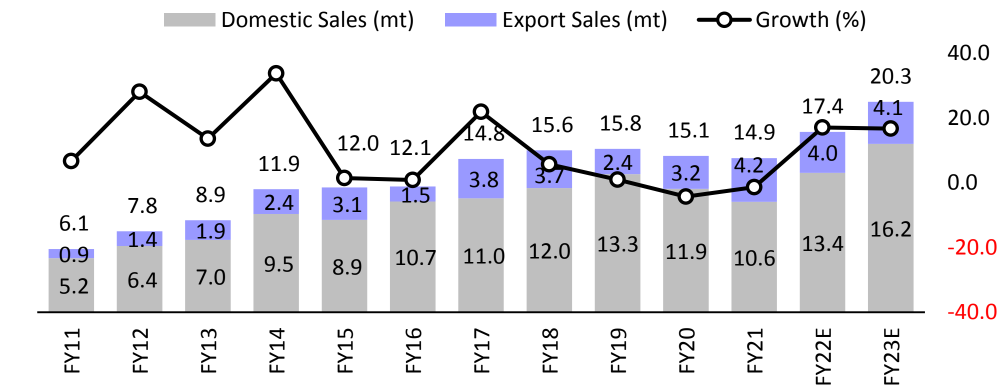
Volumes to grow above industry over FY22–23E

Export mix rises in FY21; domestic demand to drive volume growth in FY22

In FY21, JSTL's standalone sales volumes came in flat (-1% YoY) at 14.9mt. Domestic sales fell 10.6% YoY to 10.6mt, primarily due to COVID-led lockdowns in 1HFY21. As a result, JSTL's share of domestic volumes edged down to 11.4% (from 11.9% in FY20). Weakness in domestic demand in 1HFY21 was, however, offset by higher exports, resulting in the share of exports rising to 28% (from 21% in FY20). This showcases JSTL's flexibility to export in times of weak domestic demand, backed by the strategic location of its Dolvi plant.

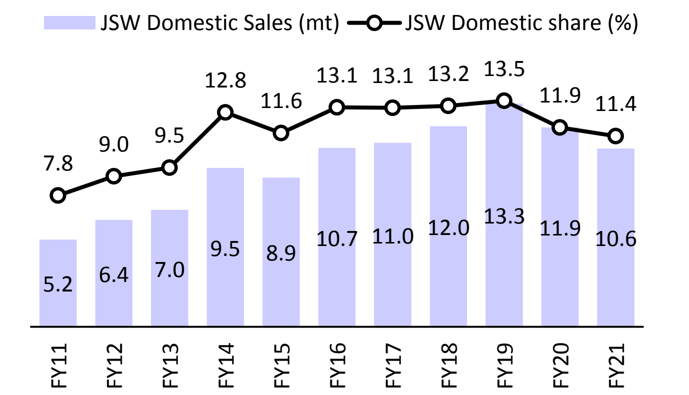
With expected recovery in domestic demand, coupled with the ramp-up driven by the Dolvi expansion, we expect JSTL to post an above-industry 17% volume CAGR to 20.3mt over FY21–23E.

Exhibit 1: Domestic volumes decline in FY21 due to COVID-led lockdowns



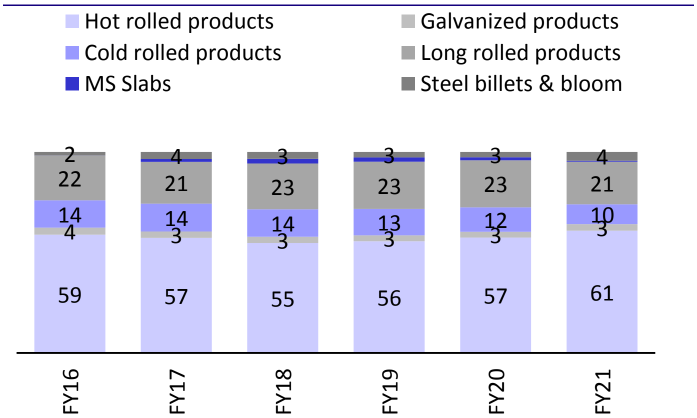
Source: Company, MOFSL

Exhibit 2: JSTL's share in domestic steel consumption declines to 11.4% in FY21



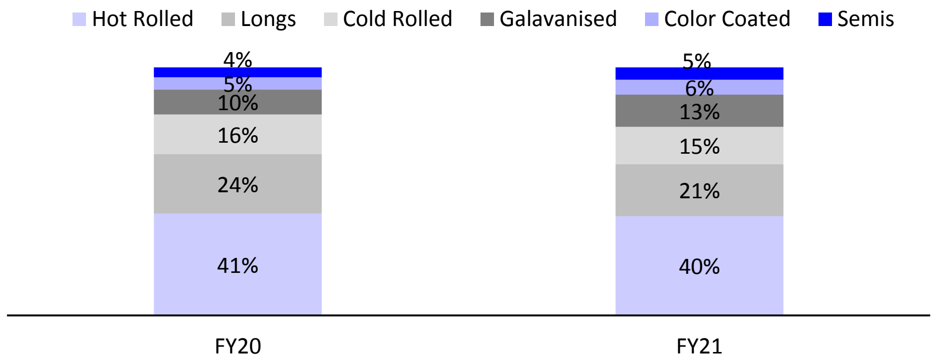
Source: Company, MOFSL

Exhibit 3: JSTL's standalone product mix (%) – HRC sales rise in FY21



Source: Company, MOFSL

Exhibit 4: Galvanised and color-coated steel sales rise in FY21 (JSTL sales incl. JSW Coated)

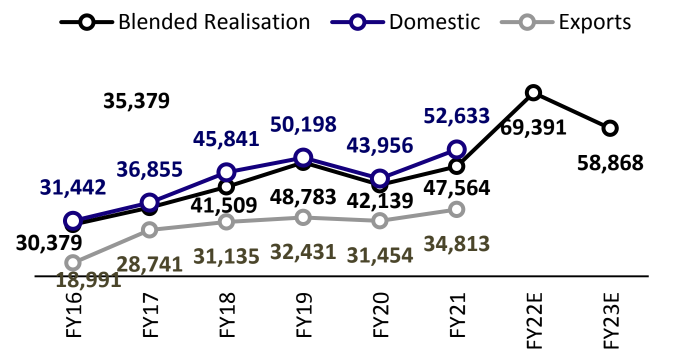


Source: Company, MOFSL

Higher realization results in 66% increase in EBITDA/t in FY21

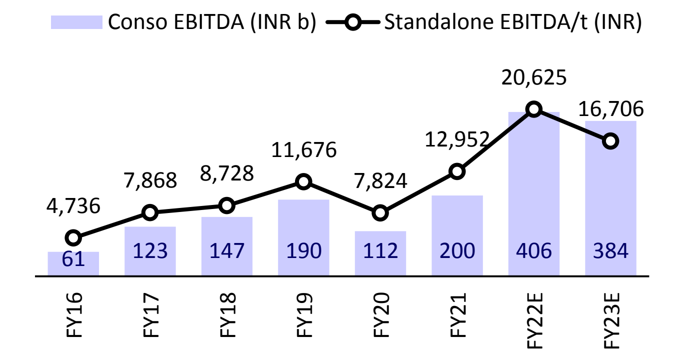
JSTL's EBITDA improved sharply in FY21 on the back of strong realization and lower coking coal costs (down 26% YoY to USD130/t). Realization improved 9% YoY to INR46,092/t (adj for iron ore sales of INR1,471/t of steel) on strong price recovery in 2HFY21. As a result, EBITDA/t was up 66% YoY to INR12,952/t. With steel prices at unprecedented highs (HRC prices at INR65,000/t in India), we expect a 11% YoY increase in blended realization in FY22, which should drive EBITDA/t 14% higher to INR20,625/t.

Exhibit 5: Export realization at sharp discount to domestic



Source: Company, MOFSL

Exhibit 6: Standalone EBITDA/t improves 66% in FY21



Source: Company, MOFSL

Employee costs (ex-managerial remuneration) decline 2% YoY

JSTL's initiatives for targeted cost savings – supported by technology and digitalization, to reduce the cost base across areas of operation – have led to (a) flat manpower costs (despite the new capacity at Dolvi) and (b) an increase of 57% in managerial remuneration (including profit-linked commissions of INR604m v/s INR269m in FY20). The employee count remained flat at 13,128 (v/s 13,159 in FY20) while staff costs (ex-managerial remuneration) declined 2% YoY.

Exhibit 7: Managerial remuneration down 36% YoY, staff costs to be controlled in FY21

INR m	FY18	FY19	FY20	FY21	FY18	FY19	FY20
No. of permanent employees at end	11619	12599	13159	13128	11619	12599	13159
Staff cost	12,600	14,160	14,960	15,010	12,600	14,160	14,960
Managerial remuneration	926	870	570	893	926	870	570
Staff cost excl. managerial remumeration	11,674	13,290	14,390	14,118	11,674	13,290	14,390
Staff cost per employee	1.00	1.05	1.09	1.08	1.00	1.05	1.09

Source: Company, MOFSL

Captive sourcing of iron ore increases in FY21

JSTL's captive iron ore mines contributed 35% to its iron ore requirement in FY21 (v/s 15%/4% in FY20/FY19) as it ramped up the production from its mines in Odisha. During the year, JSTL's captive iron ore production stood at 18.2mt (v/s 4.1mt in FY20). Of this, JSTL sold 4.7mt of iron in FY21, generating revenue of INR21.9b, implying realization of INR4,680/t.

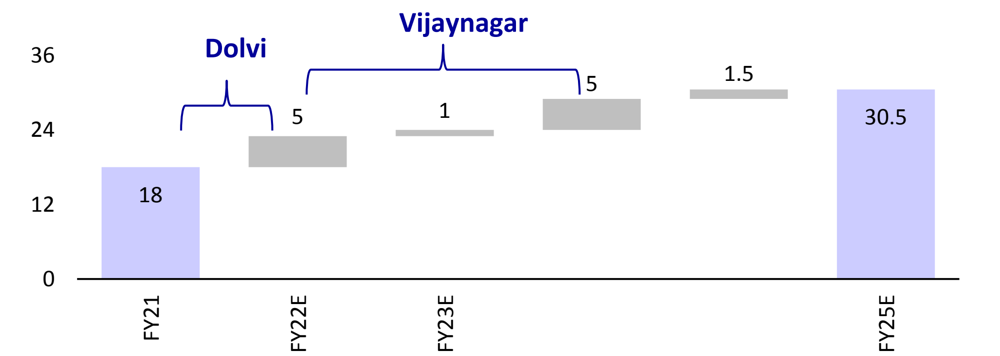
With a full year of operations in FY22, iron ore production would increase further at the Odisha mines in FY22, thereby increasing raw material security. Additionally, JSTL's Karnataka mines are also expected to produce 7.7mtpa, constituting one-third of the Vijayanagar plant's requirement.

Strong project pipeline to keep capex spending high

JSTL aims to expand capacity to 37.5mtpa by FY25 and 45mtpa by FY30

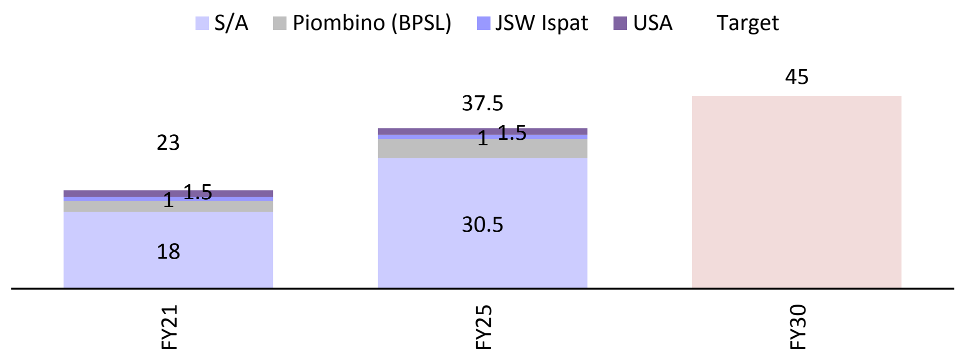
JSW Steel aims to expand its steel-making capacity (incl JVs) to 37.5mtpa by FY25 and 45mtpa by FY30. Post the commissioning of Dolvi in 2QFY22, JSTL's standalone steel-making capacity would reach 23.0mtpa. JSTL has already announced a 5.0mtpa expansion at its Vijayanagar capacity through brownfield expansion and a 1.0mtpa expansion through the augmentation of existing capacities. Furthermore, JSTL could achieve a 1.5mtpa capacity increase at Vijayanagar through de-bottlenecking at BF#3. Together with its associates/JVs (Piombino Steel – 2.5mtpa; JSW ispat – 1.0mtpa), it expects capacity of 37.5mtpa in FY25. Thereafter, JSTL aims to expand its capacity by 7.5mtpa to 45mtpa through a combination of organic and inorganic growth.

Exhibit 8: JSTL aims to increase standalone (incl subsidiary) capacity to 30.5mtpa by FY25



Source: Company, MOFSL

Exhibit 9: JSTL's consolidated capacity (incl JVs) to increase to 45mtpa by FY30



Source: Company, MOFSL

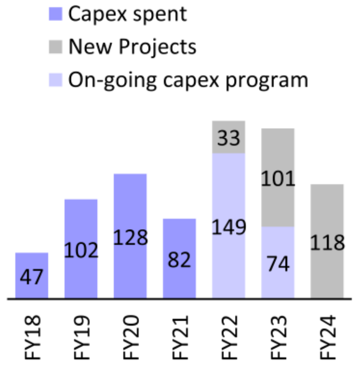
New capacity expansion at Vijaynagar to come through wholly-owned subsidiary

JSTL's 5mtpa brownfield expansion would come through its wholly-owned subsidiary, JSW Vijaynagar Metallics Ltd. The rationale behind this move, in our view, is to capitalize on the lower income tax rate of 15% under Section 115BAB of the Income Tax Act, 1961, to new manufacturing companies. The lower income tax rate would lead to higher RoE/RoCE on the project and would be return accretive.

Strong project pipeline to keep capex elevated

With the cash flow generation outlook remaining strong, JSTL announced another capacity expansion project at Vijayanagar – a 5mtpa brownfield expansion (through wholly-owned subsidiary, JSW Vijaynagar Metallics Ltd) and 1.0mtpa through the augmentation of existing capacities. The brownfield expansion would cost INR150b (USD400/t) and would be supported by a 1.5mtpa coke oven capacity (which would be commissioned at capex of INR8.0b) and an 8mtpa pellet capacity (already commissioned). In addition to the strong project pipeline announced in FY18 and the Vijayanagar expansion, JSTL plans to (a) develop its own mining infrastructure (by replacing MDO), (b) set up a beneficiation plant, and (c) digitalize mining operations to improve efficiency and reduce mining cost. This would entail capex of INR34.5b over the next 2–3 years.

JSTL to cumulatively spend INR475b over next 3 years



JTSL's upstream and downstream projects, of its original capex plan of INR487b, would be completed in FY22. At FY21-end, JSTL had unspent balance of INR211.6 out of its original announced capex plan of INR487b, partly on account of creditors and capital acceptances. Additionally, JSTL has announced a further capex spend plan of INR263b for the next three years, including sustenance capex of INR65.6b. Thus, JSTL is likely to spend capex of INR474.6b over the next three years, with capex remaining high at INR182b/INR175b for FY22E/FY23E.

JSW Coated Steel's capacity increased to 3.0mtpa (from 1.8mtpa) with the commissioning of a 0.9mtpa GI/GL capacity and 0.3mtpa color-coated capacity at FY21-end. Coated Steel's color-coated capacity has since increased to 1.0mtpa. With the further completion of a 0.22mtpa pre-painted galvalume line at Kalmeshwar in 1QFY22 and a 0.25mtpa tinplate capacity in 1QFY23, capacity is likely to increase to 3.6mtpa by Jun'22.

Exhibit 10: Major ongoing upstream and downstream projects completed in FY22

Particulars	Capacity (mtpa)	Time-line	Capex plan (INR b)
On-going projects			
A. Up-Stream Projects			
Vijaynagar capacity expansion			23.0
BF Upgradation from 3 to 4.5mtpa	1.50	Under implementation	
Billet Caster	1.40	Commissioned in 4QFY21	
Wire-rod Mill	1.20	Commissioned in 3QFY21	
Dolvi - Capacity expansion from 5mtpa to 10mtpa		Sep'21	150.0
Blast furnace	4.50	Sep'21	
Steel Melting Shop	5.00	Sep'21	
Hot Strip Mill	5.00	Commissioned	
Pellet Plant	8.00	Commissioned	
4 x 600 TPDs of LCPs		2QFY22	
B. Product mix enhancement projects			
Vijaynagar - CRM complex expansion from 0.85 to 1.85mtpa			20.0
Continuous pickling line for auto (HRPO products)	1.20	Commissioned	
Construction grade galvanized products	0.90	0.45mt done, 0.45mt in Sep'21	
Color-coated products	0.30	2QFY22	
Vasind/Tarapur			17.3
GI/GL capacity	0.90	Commissioned in FY21	
Color-coated capacity	0.30	Commissioned in FY21	
New Capacity or modernisation-cum-capacity			
Pre-Painted Galvalume line at Kalmeshwar	0.22	1QFY22	9.4
Tinplate capacity at Tarapur	0.25	1QFY23	
Continuous annealing line in Vasind	0.50	4QFY22	7.0
Color-coated line at Rajpura	0.25	Mar-21	2.0
C. Cost reduction and integration projects			
Vijaynagar			
Pellet plant	8.0	Commissioned in 4QFY21	52.0
Coke oven	1.5	FY22 end	
Dolvi			
coke oven	1.5	2QFY22	20.5
Power plant (WHRS)	175	2QFY22	9.8
Captive Power plant	60	2QFY22	
New projects			
Brownfield expansion at Vijaynagar- 5mtpa	5.00	FY24	150.0
Augmentation of existing capacities	1.00	FY22	3.8
Coke oven at Vijaynagar	1.5	FY22 end	8.1
Color Coated line in J&K	0.1	NA	1.0
Mining	na	2-3 years	34.5

Source: Company, MOFSL

JSTL acquires three assets in FY21

JSTL continued to grow inorganically with three acquisitions in FY21 – two downstream and one upstream. JSTL completed the much-awaited acquisition of Bhushan Power and Steel Limited (BPSL) during the year. Additionally, it completed the acquisition of Asian Color Coated Ispat Limited (ACCIL) and the PCMD of Welspun Corp Limited. The acquisition of downstream facilities would increase JSTL's downstream capacities and lead to a higher proportion of value-added products in the product mix. JSTL incurred ~INR75b on these acquisitions, with an INR66.6b payment in FY21 and INR8.5b in FY22.

Bhushan Power and Steel Limited

- JSTL completed the much-awaited acquisition of BPSL on 26th March through an SPV named Piombino Steel Ltd, which raised INR86.1b from JSW Group – INR50.9b was raised from JSTL and INR35.2b from JSWSLPL through a combination of equity and convertible debt; the balance INR100.8b was raised through short-term debt repayable in Mar'22.
- JSTL's investment of INR50.9b is in the form of equity (INR9.8b), optionally fully convertible debentures (OFCD; INR41.0b), and share warrants (INR0.07b). OFCD gives JSTL the option to convert debt into equity, making PSL (and BPSL) a subsidiary of JSTL. For now, BPSL would therefore be classified as an associate and its share of profit/(loss) added to the consolidated PAT of JSTL.
- BPSL has a liquid steel-making capacity of 2.5mpta+ in Jharsuguda, Odisha, and primarily produces flat steel. It also has downstream capacities in Kolkata and Chandigarh.
- The acquisition provides JSTL a much needed presence in the eastern region of India and utilizes JSTL's iron ore resources in Odisha.
- We expect JSTL to convert the debt given to PSL into equity over the next 2–3 years, thereby raising its stake above 50%, and later merge BPSL with itself. Besides increasing its volume market share, the merger of BPSL with JSTL would result in tax synergies as BPSL has large accumulated tax losses.

Asian Color Coated Ispat Limited (ACCIL)

- JSTL acquired ACCIL in Oct'20 for consideration of INR15.5b through the IBC process.
- ACCIL is a pre-play downstream company with capacity of 1mtpa, with production facilities in Khopoli, Maharashtra and Bawal, Haryana. It has cold-rolled and color-coated capacity of 0.3mtpa.
- Its product mix includes: galvanized and color-coated coils and sheets, mainly for white goods, industrial sheds, pipes, drums, and barrels, among others.
- The company reported EBITDA of INR2.5b during Nov'20–Mar'21, implying extrapolated EBITDA of INR6.0b.
- Thus, the acquisition is attractive for JSTL at 2.5x EV/EBITDA.
- The fair value of assets acquired stood at INR19.1b, against consideration of INR15.5b, resulting in capital profits of INR3.6b on the acquisition.

Plate and Coil Mill Division of Welspun Corp Ltd

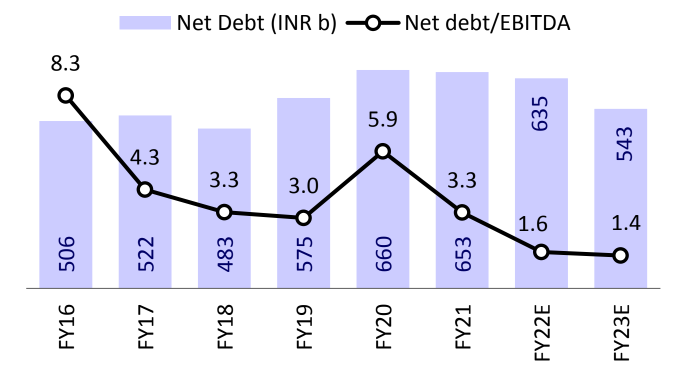
- JSTL acquired the PCMD of Welspun Corp Ltd for INR8.5b on 1st April, 2021.
- The PCMD facility has a capacity of 1.2mtpa in Anjar, Gujarat and produces high-grade plates and coils.
- The acquisition enables JTSL's entry into the production of different grades of steel plates.

Leverage to remain elevated in the near term

Net debt down marginally to INR653b in FY21; net debt/EBITDA falls to 3.3x

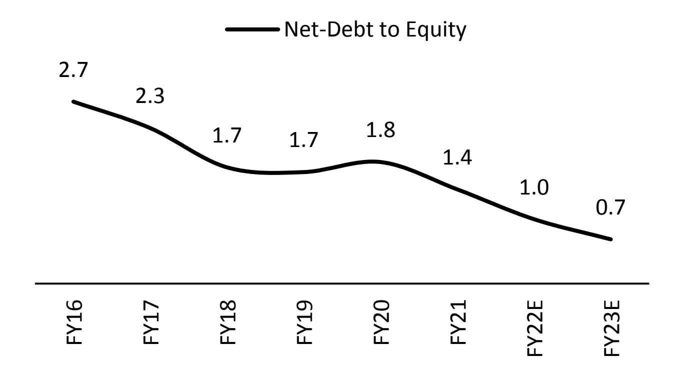
- Net debt (including acceptances) declined by INR9.3b YoY to INR653b (USD8.9b) in FY21, despite the company reporting strong FCF of INR95.3b, as JSTL spent INR66.6b on the acquisitions of BPSL, ACCIL, and the PCMD of Welspun Corp Ltd.
- Gross debt stood flat YoY at INR782b (USD10.7b). However, JSTL's debt mix changed in FY21, with short-term loans (excl. current maturities of long-term loans) declining by INR61.0b to INR147.3b. On the other hand, long-term loans increased by INR42.4b to INR547.1b in FY21.
- JSTL's reported gross debt, however, stood at INR654b at FY21-end. We have considered interest-bearing revenue and capital acceptances and the advance from Duferco as debt.
- The outstanding balance of the advance received from Duferco stood at INR30.0b at FY21-end. This advance, along with interest charged on the same, would be settled through the sale of steel over the next three years.
- However, despite higher EBITDA in FY22, net debt is expected to decline marginally (3% YoY) to INR 634b due to a higher capex plan of INR182b and enhanced working capital requirements due to the commissioning of Dolvi in Sep'21. However, with higher volumes in FY23E, we expect net debt to decline by INR92.1b to INR542b.
- Net debt/EBITDA declined to 3.3x in FY21 (from 5.7x in FY20) and should decline to 1.6x in FY22 – led by higher EBITDA growth on the back of higher volumes and better realization in FY22. JSTL aims to maintain a net debt/EBITDA ratio below 2.75x.
- JSTL is exposed to currency risks on its debt, with 55% of debt being USD-denominated, 42% INR-denominated, and the balance 3% in other currencies.

Exhibit 11: Net debt/EBITDA to decline in FY22



Source: Company, MOFSL

Exhibit 12: Net debt to equity declines further



Source: Company, MOFSL

Exhibit 13: FY21 consolidated net debt down by INR6.0b

INR m	FY17	FY18	FY19	FY20	FY21
Bonds	32,420	65,040	69,180	1,05,540	159210
Debentures	63,510	47,040	41,410	53,000	101800
Term Loan (Unsecured)	88,010	80,450	1,26,950	1,71,370	154450
Term Loan (Secured)	1,74,980	1,57,200	1,52,340	1,63,230	147400
Deferred government loans (unsecured)	1,030	990	1,210	1,670	3830
Preference Shares (unsecured)	7,350	5,910	2,510	240	260
Acceptances for Capital Projects	1,690	5,040	0	19,060	17350
Finance lease obligations	19,810	17,810	19,570	20,500	23440
Unamortised fees on upfront borrowings	-2,580	-2,270	-2,540	-3,630	-3810
Advances from Duferco (incl. current year portion)			48,420	40,540	30,430
Less: Current Maturities	-60,370	-54,930	-1,14,070	-66,810	-87,230
A. Long-term borrowings (incl current maturities)	**3,25,850**	**3,22,280**	**3,44,980**	**5,04,710**	**5,47,130**
Short-term borrowings	48,810	21,770	63,330	83,250	19990
Capital acceptances	10,150	7,160	13,320	27,100	43,760
Trade payables Acceptances	95,020	90,330	1,02,280	97,980	83,560
B. Short-term borrowings	**1,53,980**	**1,19,260**	**1,78,930**	**2,08,330**	**1,47,310**
C. Current Maturities	**60,370**	**54,930**	**1,14,070**	**66,810**	**87,230**
D. Gross Debt (A+B+C)	**5,40,200**	**4,96,470**	**6,37,980**	**7,79,850**	**7,81,670**
E. Cash and Cash Equivalents	**17,850**	**13,750**	**62,690**	**1,20,050**	**1,28,210**
F. Net-Debt (D-E)	**5,22,350**	**4,82,720**	**5,75,290**	**6,59,800**	**6,53,460**
Change	16,652	-39,630	92,570	84,510	-6,340

Exhibit 14: Consolidated currency exposure: currency breakup of debt of INR517b – INR 42%, USD 55%, Euro 2%, JPY 1%

INR m	INR	USD	Euro	JPY	Other	Total
Financial assets						
Investments	55,490	-	230	-	400	56,120
Loans	16,430	-	10	-	-	16,440
Trade receivables	26,600	10,060	8,170	-	30	44,860
Cash and cash equivalents	118,520	360	540	-	10	119,430
Bank balances other than cash and Cash Equivalent	6,720	1,970	-	-	10	8,700
Derivative assets	100	2,020	-	-	-	2,120
Other financial assets	35,790	350	60	-	10	36,210
Total financial assets	**259,650**	**14,760**	**9,010**	**-**	**460**	**283,880**
Financial liabilities						-
Borrowings	216,100	284,300	12,790	4,100	10	517,300
Trade payables	53,550	87,190	11,530	130	30	152,430
Derivative liabilities	140	1,480	30	20		1,670
Lease liabilities	22,660	310	470	-	-	23,440
Other financial liabilities	132,230	55,940	28,740	2,140	300	219,350
Total financial liabilities	**424,680**	**429,220**	**53,560**	**6,390**	**340**	**914,190**

Source: Company

Repayment schedule manageable; 63% of debt due post FY22

- Of the total long-term debt, INR87.2b in debt is due for repayment in FY22. Additionally, the INR10b advance from Duferco would be settled through the sale of steel. Furthermore, JSTL needs to repay acceptances of INR43.8b taken for capital projects. The debt repayments are well-covered with cash balance of INR128b reported at FY21-end. However, owing to planned capex of INR182b in FY22, we expect JSTL to refinance its debt obligation.
- The debt maturity profile (excl. working capital borrowings) is forecast as follows: FY22 – 21% (INR141b), FY23 – 19% (INR132b), FY24 – 12% (INR84b), and post-FY24 – 47% (INR321b).

Exhibit 15: Debt repayment schedule – 35% of long-term debt repayments due over FY22–23

Debt maturity profile	FY22	FY23	FY24	FY25 and onwards
Long-term Debt maturities	87,230	1,21,633	73,588	3,21,479
Advance from Duferco (tentative)	10,100	10,100	10,100	
Acceptances for capital projects	43,760			
Total	**1,41,090**	**1,31,733**	**83,688**	**3,21,479**

Source: Company

Exhibit 16: JSTL's liquidity exposure

INR m	<1 year	1-5 year	> 5 years	Total
Financial liabilities				
Long-term borrowings	-	355,730	141,580	497,310
Short-term borrowings	19,990	-	-	19,990
Trade payables	152,430	-	-	152,430
Derivative liabilities	1,100	570	-	1,670
Lease liabilities	4,050	10,780	8,610	23,440
Other financial liabilities	213,470	5,800	80	219,350
Total	**391,040**	**372,880**	**150,270**	**914,190**

Source: Company

Contingent liabilities increase by INR6.3b in FY21

JSTL's consolidated contingent liabilities increased by INR6.3b to INR62.3b in FY21. Guarantees stood at INR108.5b (v/s INR0.8b in FY20) as the company issued a corporate guarantee of INR108b for Makler Pvt. Ltd. (SPV for acquiring BPSL). Contingent liabilities related to tax payments to the exchequer stood at INR35b (56% of the total). Contingent liabilities as a percentage of networth stood at 13.3% in FY21 (v/s 15.5% in FY20). JSTL sees the remote possibility of the Karnataka government's claims related to the Forest Development Tax (amounting to INR30.4b) materializing. However, it has paid INR9.2b under protest in previous years.

Exhibit 17: Contingent liabilities (consolidated) – INR m

Particulars	FY20	FY21
Disputed claims/levies (excluding interest, if any), in respect of:		
Excise duty	4,910	4,720
Custom-duty	7,740	7,600
Income tax	320	610
Sales tax / Special entry tax	15,090	15,570
Service tax	7,020	6,450
Miscellaneous	-	-
Levies by local authorities	540	730
Levies relating to Energy / Power Obligations	2,770	4,080
Claim by suppliers and other parties	980	1430
Claims related to Forest Development Tax / Fee (net of INR9.2b paid under protest)	16,660	21,150
Total	**56,850**	**62,340**
As % of Networth	15.5%	13.3%
Guarantees	820	108,500

Source: Company, MOFSL

Free cash flow generation remains robust

EBITDA to OCF at 1.0x, led by higher profitability

JSTL clocked FCF of INR95.3b (v/s negative INR0.25b in FY20) – driven by higher OCF on account of higher EBITDA – and was further aided by working capital release of INR12.6b. The company lowered its capex to INR92.5b in FY21 (including an INR80b advance payment towards iron ore mines). However, the acquisitions of BPSL and ACCIL led to FCF post interest and acquisitions remaining negative at INR8.4b (v/s negative INR41.1b in FY20). The EBITDA to OCF conversion ratio declined to 1.0x (v/s 1.2x in FY20).

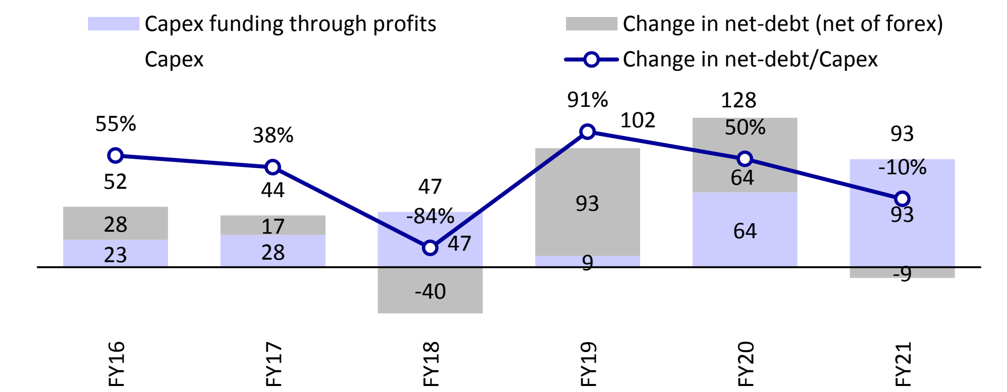
Over FY18–21 (FY18 included), JSTL reported cumulative EBITDA of INR648b and OCF of INR585b. However, the change in working capital includes the receipt of an advance of ~INR30b (adjusted for settlement) from Duferco in FY19. Adj. for this, OCF in FY18–21 would stand at INR557b. Over FY18–21, cumulative net interest payments stood at INR149b, leaving INR388b at the company's disposal for capital expenditure, acquisitions, and dividend payments. During FY18–21, the company incurred INR370b toward capex and INR84b toward acquisitions, resulting in negative FCF of INR66b. The company distributed INR33b in dividends during this period, leading to cash outflow of INR99b, funded through an increase in debt over FY18–21. As a result, JSTL's net debt rose by INR108b during this period.

Exhibit 18: JSTL's FCF at INR95b in FY21; capex and interest funded by OCF over FY18–21

INR m	FY18	FY19	FY20	FY21	Cumulative (FY18–21)
EBITDA	146,860	189,520	111,570	199,800	647,750
Change in WC	(11,010)	(15,810)	16,390	12,640	2,210
Tax paid	(14,400)	(26,300)	(11,550)	(19,300)	(71,550)
Other Adj.	2,340	(1,080)	11,440	(5,250)	7,450
OCF	123,790	146,330	127,850	187,890	585,860
Capex	(47,360)	(102,060)	(128,100)	(92,580)	(370,100)
Free Cashflow	76,430	44,270	(250)	95,310	215,760
Acquisitions/investment in subsidiaries/JVs	(3,610)	(14,270)	1,000	(66,620)	(83,500)
Interest cost net of dividend and interest income	(33,850)	(36,570)	(41,840)	(37,100)	(149,360)
Free Cashflow post interest	38,970	(6,570)	(41,090)	(8,410)	(17,100)

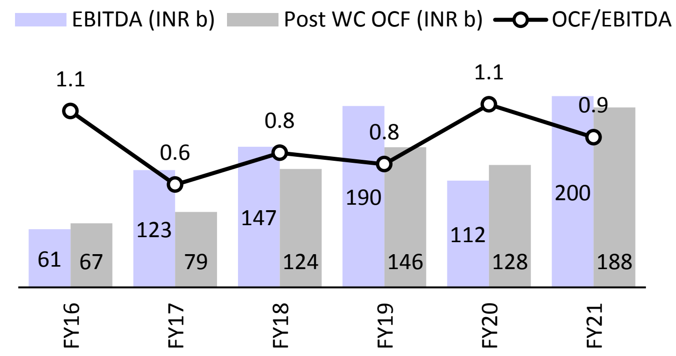
Source: Company

Exhibit 19: FY21 Capex funded entirely through internal



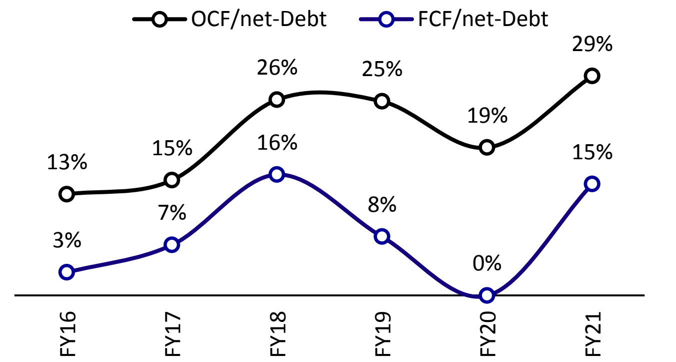
Source: Company, MOFSL

Exhibit 20: Cash conversion ratio down to 0.9x



Source: Company, MOFSL

Exhibit 21: OCF/net debt improves to 29%



Source: Company, MOFSL

Working capital increases by INR16b in FY21 on decline in payables

JSTL's working capital increased by INR16b to INR118b in FY21. This was due to an increase in inventory and decrease in trade payables (excl. acceptances). An improved mix of cash-based sales, as well as decline in the share of domestic sales in FY20 led to a reduction in receivables – which fell by 2 days to 21 days of sales. Meanwhile, payables declined by 9 days to 32 days of sales on the replacement of part market purchases of iron ore with owned mining operations. At FY21-end, JSTL has payables of INR29.4b towards bid premium and royalty classified under 'other financial liabilities (current)'. Adjusted for this, trade payable days stand at 45 days of sales. Inventory days decreased by 5 days to 65 days of sales. As a result, net working capital days increased by 2 days to 54 days of sales.

Exhibit 22: Core working capital increases in FY21, led by decline in payables

INR m	FY18	FY19	FY20	FY21
Inventories	125,940	145,480	138,640	142,490
Trade receivables	47,040	71,600	45,050	44,860
Trade payables (excl. acceptances)	69,110	59,310	81,200	68,870
Net Working Capital (NWC)	103,870	157,770	102,490	118,480
Trade payables acceptances (suppliers/buyers' credit)	90,330	102,280	97,980	83,560
NWC net of acceptances	13,540	55,490	4,510	34,920

Source: Company

Exhibit 23: Working capital days increase to 54 days v/s 52 days in FY20

Working Capital Days	FY18	FY19	FY20	FY21
Inventories	66	63	70	65
Trade receivables	24	31	23	21
Trade payables (excl. acceptances)	36	26	41	32
Net Working Capital	54	68	52	54
Trade payables acceptances (suppliers/buyers' credit)	47	44	49	38
NWC net of acceptances	7	24	2	16

Source: Company, MOFSL

Losses in overseas subsidiaries shrink

Indian subsidiaries continue to perform strongly

JSTL's key Indian subsidiaries performed well even in FY21, led by a strong performance from JSW Coated – EBITDA for which rose 138% YoY to INR12.3b and PAT was up 148% YoY to INR7.3b. Amba River Coke also reported a 20% YoY increase in EBITDA to INR4.7b. On the other hand, PAT declined 13% YoY to INR1.7b on higher depreciation and one-off tax credit due to the reversal of deferred tax liability in FY20 (on account of the adoption of the new tax regime).

Overseas subsidiaries remain a drag; turnaround expected in FY22

JSTL's overseas subsidiaries remained a drag on consolidated earnings, but their losses shrank in FY21 as the US subsidiaries remained shut for most of the year due to facilities being upgraded. JSW (USA) Inc's EBITDA loss stood at INR0.7b (v/s loss of INR2.1b in FY20). JSW (USA) Ohio Inc reported EBITDA loss of INR5.1b (v/s loss of INR8.6b last year). JSW Italy Piombino (earlier referred to as Aferpi) reported EBITDA loss of INR1.9b (v/s loss of INR2.4b last year). JSTL's US subsidiaries remained shut for most of the year due to the pandemic and facilities being upgraded. With facility upgrades being completed and a better pricing environment, the US subsidiaries are expected to be EBITDA-positive in FY22.

The combined post-tax loss of the three overseas subsidiaries shrank to INR18.6b in FY21 (v/s INR22.0b in FY20), eroding 22% of standalone PAT. The comparable loss in FY20 stood at INR22.0b and eroded 44% of standalone PAT.

Exhibit 24: Subsidiaries and JVs' performances (INR m) – overseas subsidiaries' losses shrink in FY21

	JSW Coated Products	Amba River Coke	JSW (USA) Inc	JSW (USA) Ohio Inc	JSW Italy Plombino S.p.A	JSW Ispat Special Products
Nature of business	Sale of coated products	Sale of coke and pellets	Manufacturing plates, pipes and double jointing	Manufacturing of slabs and hot rolled coils	Produces & distributes special long steel products	Producer of Steel (Joint Venture)
Share Capital	8,001	9,319	59,024	2,406	1,814	1,085
Reserves and Surplus	34,318	11,282	(71,328)	(25,658)	(3,142)	2,134
Net Worth	42,319	20,601	(12,304)	(23,252)	(1,327)	3,218
FY21						
EBITDA/(loss)	12,310	4,670	-2,939	-5,055	-1,179	3,840
PAT/(loss)	7,330	1,680	-5,871	-8,590	-1,607	2,100
FY20						
EBITDA/(loss)	5,500	3,880	-2,140	-7,900	-2,360	-450
PAT/(loss)	2,960	1,940	-8,619	-10,100	-3,640	-4,920

Source: Company, MOFSL

Loans and advances to overseas subsidiaries down by INR21.3b

JSTL received back loans (net) of ~INR43.4b from Periama Holdings, LLC in FY21, reducing the total receivables from the entity to INR18.0b. The loans were repaid through the issuance of USD750m (INR56.3b) worth of 5.95% bonds issued by Periama Holdings LLC, against which JSTL has provided a guarantee. Periama Holdings LLC is the parent company of JSW (USA) Inc. and the West Virginia coal mines. JSTL extended loans of INR7.5b to Acero Junction Holdings (JSW USA Ohio) in FY21 and ~INR7.1b to JSW Steel (Netherlands) B.V. Overall, the balance of loans and advances to subsidiaries stood at INR67.2b in FY21 (v/s INR89.8b in FY20). JSTL had interest receivables of INR9.2b from overseas subsidiaries at FY21-end.

Against the loans and advances granted to overseas subsidiaries and interest accumulated thereon, JSTL has thus far provided for INR22.5b as doubtful in its books of accounts (of which INR16.0b was provided up to FY20).

Exhibit 25: Loans and advances to subsidiaries by JSTL

INR m	FY20	FY21
Periama Holdings, LLC (holding co. of JSW (USA) and West Virginia)	61,340	17,960
JSW (Netherlands) B.V.	2,670	10,730
Acero Junction Holdings, Inc.	15,110	22,560
Others	12,930	19,540
Total	**92,050**	**70,790**

Source: Company, MOFSL

Exhibit 26: Interest receivables from subsidiaries

INR m	FY20	FY21
Inversiones Eurosh Limitada (Holding Co. of Santa Fe Mining in Chile)	2,090	2,090
Periama Holdings, LLC	4,310	4,310
Acero Junction Holdings, Inc.	1160	2,300
Others	360	490
Total	**7,920**	**9,190**

Source: Company, MOFSL

Exhibit 27: Provisions for unrecoverable loans and advances as well as interest receivables

INR m	FY20	FY21
JSTL (Netherlands) B.V.	2,070	5,460
Periama Holdings, LLC	3770	6,860
Inversiones Eurosh Limitada	10,110	10,170
Others	40	40
Total	**15,990**	**22,530**

Source: Company, MOFSL

Sustainability initiatives

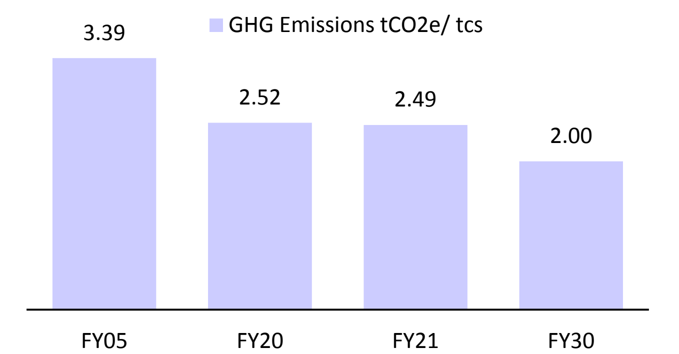
JSW Steel aims to cut emissions by 20% by FY30

JSW Steel targets the reduction of specific GHG emissions from its three integrated steel plants to less than 2.0 tCO_2/tCS by 2030. It further aims to achieve carbon neutrality at JSW Steel Coated Products within the stipulated period.

In its 2017 policy, the Ministry of Steel (GoI) has included GHG emissions in the Iron and Steel sector to 2.2–2.4tCO_2 per ton of crude steel produced (tCO_2/tCS) in the BF-BOF route and 2.6–2.7tCO_2/tCS in the DRI-EAF route by 2030E. However, JSTL's FY21 carbon emissions are very close to achieving these targets and are 10–20% above JSTL's targeted emission level of 2.0 tCO_2/tCS by FY30.

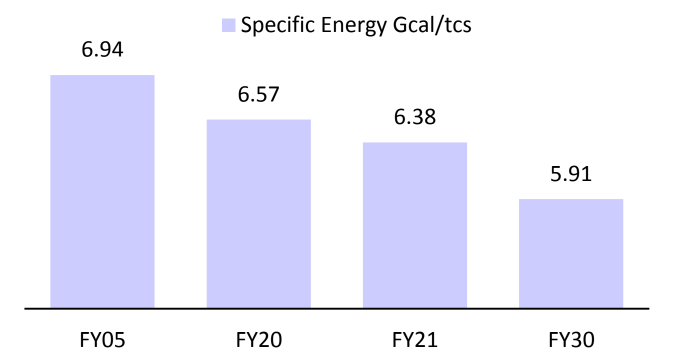
The following exhibits show the specific targets set by JSTL to improve the environmental sustainability of its operations:

Exhibit 28: Aim to reduce carbon emissions by 20% by FY30



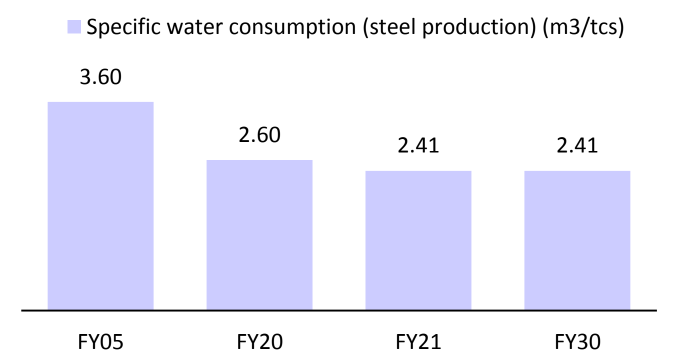
Source: Company, MOFSL

Exhibit 29: Aim to reduce specific energy consumption by 7% by FY30



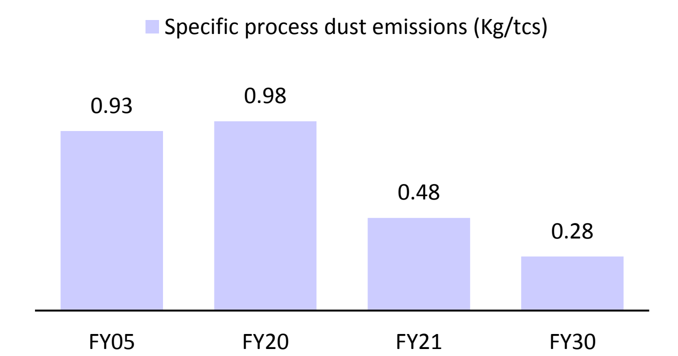
Source: Company, MOFSL

Exhibit 30: Target to maintain water consumption at current levels



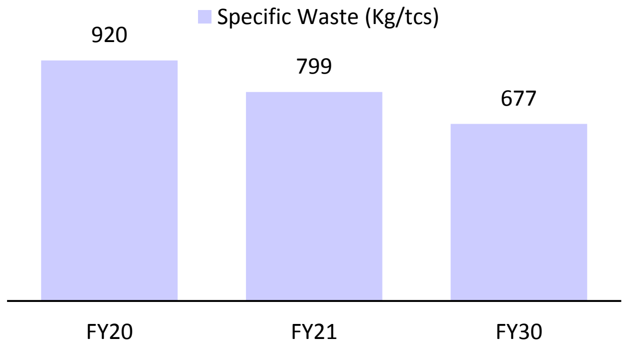
Source: Company, MOFSL

Exhibit 31: Target to cut dust emissions by 42% by FY30



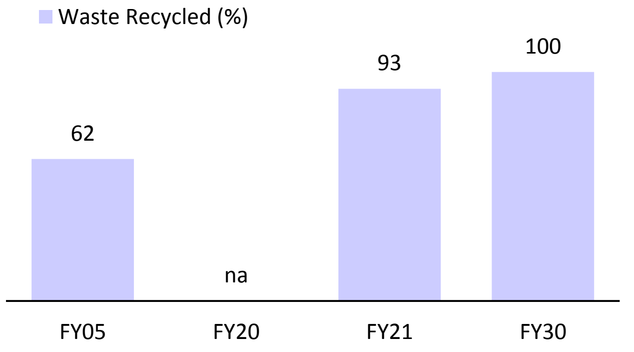
Source: Company, MOFSL

Exhibit 32: Aim to reduce waste generation by 15% by FY30



Source: Company, MOFSL

Exhibit 33: Waste recycling to reach 100% in FY30E



Source: Company, MOFSL

Initiatives to cut emissions

JSTL has undertaken two major projects to cut emissions: a) a carbon capture project and b) conveyor belts in Karnataka to transport iron ore.

a) **Carbon capture project:** The company has an operating Carbon Capture Utilization (CCU) plant at the Salav facility. It captures carbon from the exhaust gases generated during the sponge iron operations and treats and converts it to approximately 100 TPD CO2 (99.5% purity). It then sells this carbon to the Food & Beverage industry for use.

b) **Transportation of iron ore through conveyor belt:** In addition, JSTL commissioned the second phase of the 20mtpa conveyor belt in Karnataka for transporting iron ore – this would lower emissions by eliminating the need to transport the ore using vehicles.

In order to further reduce emissions, JSTL has identified two major initiatives which would help reduce carbon emission and cut costs.

a) **Usage of Renewable energy:** Firstly, it has JSTL has outlined plans to procure 1 GW of renewable energy to meet the power requirements for its operations at the Vijayanagar, Dolvi, and Salem facilities. In line with this, JSTL JSW Steel would invest INR4.45b for a 26% stake in the SPV setup by JSW Energy Ltd – for establishing a 958MW capacity of renewable power (solar and wind). The SPV would generate 300MW of power and meet ~15% of JSTL's power requirement based on an 18mtpa capacity. This would not only lower carbon emission but also lower power costs by enabling power purchase at lower price and meet renewable power obligation of JSW Steel.

b) **Slurry pipe-line to transpot ore from Odisha mines:** Further, it has plans to set up slurry pipelines in Odisha to transport ore from mines. This would not only reduce its transport costs but also help reduce emissions indirectly as it would eliminate use of vehicles for transportation of ore.

Valuation and view

- **17% volume CAGR over FY21–23E:** With the expected commissioning of Dolvi in 1QFY22E, we expect JSTL to achieve an above-industry (17%) volume CAGR to 20.3mt. Furthermore, with the completion of downstream projects, the company's product mix is likely to improve significantly. The 5mtpa Vijayanagar brownfield expansion, expected to complete by FY24, provides volume growth visibility beyond FY24.
- **Expect 39% EBITDA CAGR over FY21–23E:** We expect JSTL's to post a 39% EBITDA CAGR to INR384b over FY21–23E, supported by favorable pricing, a turnaround in overseas operations, and a 17% volume CAGR.
- **Debt to remain comfortable over FY22–23E despite high capex:** We expect JSTL's net debt to have peaked out in FY21E. Net debt is expected to decline 3% YoY in FY22 despite higher working capital needs and higher capex. We expect net debt to decline ~17% to INR543b over FY22E–23E. Deleveraging should accelerate post FY23 as capex moderates and invested projects start generating cash flows. Net debt/EBITDA is expected to remain comfortable at 1.6x in FY22E (v/s 3.3x in FY21).
- **Valuation:** We reiterate **Buy,** with SoTP-based TP of INR840 per share on 6.0x FY22E EBITDA and a 1x book value for its investment in BPSL and growth CWIP. At CMP, the stock trades at a reasonable 5.9x FY23E EV/EBITDA.

Exhibit 34: Target price calculations INR b

Y/E March	FY21	FY22E	FY23E
A. Standalone volumes	14.9	17.4	20.3
B. EBITDA per tonne	12,952	20,625	16,706
C. Standalone EBITDA (AxB)	192.6	358.9	339.1
D. Subsidiary EBITDA	7.2	47.3	44.9
E. Consolidated EBITDA (C+D)	200	406	384
F. Target EV/EBITDA (x)			6.0
G. Target EV (FxG)			2,304
Less: Net debt (INR m)	653	620	543
Add: CWIP	326	208	183
Add: Non-current investments (at book value)			86
Equity value			2,030
No. of shares			2.4
Equity value/share			**840**

Source: MOFSL

Exhibit 35: JSTL's sensitivity to steel prices

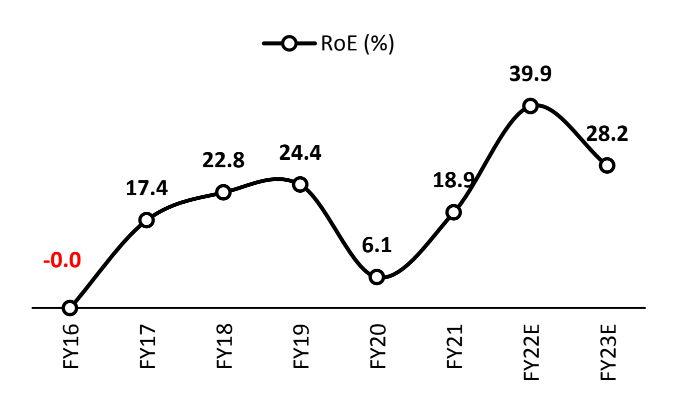
	Current estimate			+INR1,000/t
INR b	FY22E	FY23E	FY23E	Change (%)
Realisation - INR/t	69,391	58,868	59,868	2
EBITDA - INR/t	20,625	16,706	17,706	6
Revenue	1,341	1,322	1,342	2
EBITDA	406	384	404	5
PAT	226	210	224	7
Net-debt	635	543	529	-2
TP (6.0x FY22E EV/EBITDA)		840	896	7

Source: MOSL

Return ratios improve in FY21 and expected to rise further in FY22

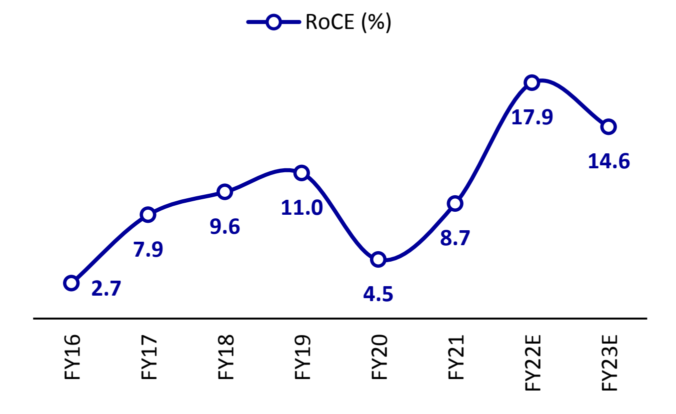
FY21 EBITDA / adj PAT increased 79%/264% YoY to INR200b/INR79b. As a result, returns ratios improved sharply, with RoE expanding to 18.9% (up 12.8pp) and RoCE to 8.9% (up 4.4pp). We expect return ratios to improve further even in FY22, on strong expected profitability. Moreover, with an improved demand outlook and higher volumes in FY23E (on the back of the Dolvi expansion), we expect return ratios to remain high in FY23, but lower than FY22, due to the softening of realizations.

Exhibit 36: RoE improves 12.8pp to 18.9% in FY21



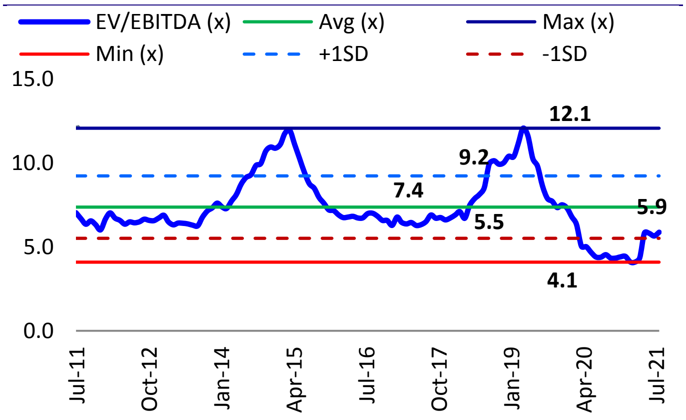
Source: Company, MOFSL

Exhibit 37: RoCE improves 4.4pp to 8.9% in FY21



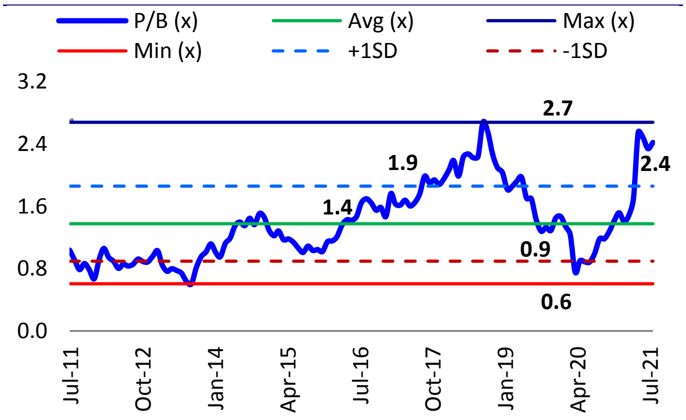
Source: Company, MOFSL

Exhibit 38: JSTL trades at 5.9x one-yr fwd EV/EBITDA



Source: MOFSL, Bloomberg

Exhibit 39: JSTL trades at 2.4x one-yr fwd P/B



Source: MOFSL, Bloomberg

Financials and valuations

Income Statement (consolidated)							(INR b)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**
Net sales	**556.0**	**700.9**	**847.6**	**726.1**	**796.1**	**1,341.1**	**1,322.1**
Change (%)	32.8	26.0	20.9	-14.3	9.6	68.5	-1.4
Total Expenses	433.4	554.0	658.1	614.5	596.3	934.9	938.1
EBITDA	**122.6**	**146.9**	**189.5**	**111.6**	**199.8**	**406.2**	**384.0**
% of Net Sales	22.0	21.0	22.4	15.4	25.1	30.3	29.0
Depn. and Amortization	35.2	33.9	40.4	42.5	46.8	55.4	64.4
EBIT	**87.4**	**113.0**	**149.1**	**69.1**	**153.0**	**350.7**	**319.6**
Net Interest	37.7	37.0	39.2	42.7	39.6	44.8	42.1
Other income	1.5	1.7	2.0	5.5	5.9	6.4	6.4
PBT before EO	**51.3**	**77.7**	**112.0**	**31.9**	**119.4**	**312.4**	**283.9**
EO income		5.7		20.6	1.6		
PBT after EO	**51.3**	**83.4**	**112.0**	**52.5**	**121.0**	**312.4**	**283.9**
Tax	16.7	22.7	36.4	12.4	41.4	100.1	86.2
Rate (%)	32.6	27.2	32.5	23.7	34.2	32.0	30.4
Reported PAT	**34.5**	**60.7**	**75.5**	**40.1**	**79.6**	**212.3**	**197.7**
Minority interests	0.1	1.0	1.2	1.1	0.4	0.4	0.4
Share of Associates	1.2	0.4	-0.3	-0.9	0.0	13.2	11.7
Preference dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. PAT (after MI and Asso.)	**35.8**	**57.9**	**76.4**	**21.7**	**78.9**	**225.9**	**209.8**
Change (%)	NA	61.9	31.8	-71.6	264.0	186.2	-7.2

Balance sheet							(INR b)
Y/E March	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FY22E**	**FY23E**
Share Capital	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Reserves	224.1	277.6	345.6	363.6	465.2	661.9	823.4
Net Worth	**226.5**	**280.0**	**348.0**	**366.0**	**467.6**	**664.3**	**825.8**
Minority Interest	-2.5	-4.6	-4.5	-5.8	-6.2	-6.2	-6.2
Total Loans	540.2	496.5	638.0	759.4	781.7	761.7	691.7
Deferred Tax Liability	29.9	25.6	37.8	16.8	35.1	72.7	102.2
Capital Employed	**794.1**	**797.4**	**1,019.2**	**1,136.4**	**1,278.2**	**1,492.5**	**1,613.4**
Gross Block	663.8	688.2	775.0	810.9	887.0	1,187.0	1,387.0
Less: Accum. Deprn.	76.5	109.7	148.5	191.0	237.8	293.2	357.6
Net Fixed Assets	**587.3**	**578.5**	**626.4**	**619.9**	**649.2**	**893.8**	**1,029.3**
Capital WIP	43.6	59.5	118.9	271.9	325.7	208.1	182.7
Investments	10.7	11.6	18.1	12.6	85.7	85.7	85.7
Curr. Assets	**238.5**	**270.2**	**384.5**	**413.8**	**422.6**	**557.0**	**566.1**
Inventory	114.0	125.9	145.5	138.6	142.5	247.4	235.4
Account Receivables	41.5	47.0	71.6	45.1	44.9	75.6	74.5
Cash and Bank Balance	17.9	13.8	62.7	120.1	128.2	127.0	149.1
Others	65.2	83.4	104.8	110.0	107.1	107.1	107.1
Curr. Liability and Prov.	**85.9**	**122.3**	**128.8**	**181.8**	**205.0**	**252.1**	**250.5**
Account Payables	38.5	69.1	59.3	81.2	68.9	116.0	114.4
Provisions and Others	47.5	53.2	69.5	100.6	136.1	136.1	136.1
Net Current Assets	**152.5**	**147.8**	**255.8**	**231.9**	**217.7**	**304.9**	**315.7**
Appl. of Funds	**794.1**	**797.4**	**1,019.2**	**1,136.4**	**1,278.2**	**1,492.5**	**1,613.4**

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)							
EPS	**14.9**	**24**	**31.8**	**9.0**	**32.8**	**93.8**	**87.0**
Cash EPS	29	39.2	48.3	34.4	52.4	111.1	108.8
BV/Share	94.4	116.2	145	152.5	194.1	275.7	342.7
DPS	0.8	2.3	3.3	4.1	6.5	15.0	14.0
Payout (%)	6.1	11.3	12.2	55.1	19.8	16.0	16.1
Valuation (x)							
P/E				79.6	22.0	7.7	8.3
Cash P/E				20.9	13.7	6.5	6.6
P/BV				4.7	3.7	2.6	2.1
EV/Sales				3.3	3.0	1.8	1.7
EV/EBITDA				21.4	11.9	5.8	5.9
Dividend Yield (%)				0.6	0.9	2.1	1.9
Return Ratios (%)							
EBITDA Margin (%)	22.0	21.0	22.4	15.4	25.1	30.3	29.0
Net Profit Margin (%)	6.4	8.3	9.0	3.0	9.9	16.8	15.9
RoE	17.4	22.8	24.4	6.1	18.9	39.9	28.2
RoCE (pre-tax)	7.9	9.6	11.0	4.5	8.7	17.9	14.6
RoIC (pre-tax)	8.5	10.6	13.0	5.9	13.8	26.0	18.9
Working Capital Ratios							
Fixed Asset Turnover (x)	0.8	1	1.1	0.9	0.9	1.1	1.0
Asset Turnover (x)	0.7	0.9	0.8	0.6	0.6	0.9	0.8
Debtor (Days)	27	24	31	23	21	21	21
Inventory (Days)	75	66	63	70	65	65	65
Creditor (Days)	25	36	26	41	32	32	32
Working Capital (Days)	77	54	68	52	54	54	54
Leverage Ratio (x)							
Current Ratio	2.8	2.2	3	2.6	2.1	2.2	2.3
Interest Cover Ratio	2.3	3.1	3.8	1.6	3.9	7.8	7.6
Debt/Equity	2.3	1.7	1.7	1.8	1.4	1.0	0.7

Cash flow statement (consolidated) **(INR b)**

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
EBITDA	122.6	146.9	189.5	111.6	199.8	406.2	384.0
Non cash exp. (income)	-2.7	2.3	-1.1	11.4	-5.3	0.0	0.0
(Inc.)/Dec. in Wkg. Cap.	-38.7	-11.0	-15.8	16.4	12.6	-88.4	11.4
Tax Paid	-2.4	-14.4	-26.3	-11.6	-19.3	-62.5	-56.8
CF from Op. Activity	**78.9**	**123.8**	**146.3**	**127.9**	**187.9**	**255.2**	**338.6**
(Inc.)/Dec. in FA + CWIP	-44.4	-47.4	-102.1	-128.1	-92.6	-182.4	-174.7
(Pur.)/sale of Invest.	-2.9	0.1	2.5	0.9	-2.9	0.0	0.0
Acquisition in subs.	-1.5	-3.6	-14.3	1.0	-66.6	0.0	0.0
Int. and Dividend Income	1.2	1.3	1.6	5.1	6.3	6.4	6.4
Others	0.5	0.6	-2.2	-74.7	74.6	0.0	0.0
CF from Inv. Activity	**-47.1**	**-49.0**	**-114.5**	**-195.9**	**-81.2**	**-176.0**	**-168.2**
Equity raised/(repaid)	0.0	-0.3	-1.5	0.1	0.0	0.0	0.0
Debt raised/(repaid)	10.8	-39.9	66.5	110.8	17.1	-20.0	-70.0
Dividend (incl. tax)	-2.2	-6.6	-9.3	-12.0	-4.8	-15.7	-36.1
Interest paid	-35.7	-35.1	-38.2	-47.0	-43.4	-44.8	-42.1
Other financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CF from Fin. Activity	**-27.1**	**-81.9**	**17.5**	**51.9**	**-31.1**	**-80.4**	**-148.2**
(Inc.)/Dec. in Cash	**4.7**	**-7.1**	**49.4**	**-16.1**	**75.6**	**-1.2**	**22.1**
Add: Opening Balance	7.3	17.9	13.8	62.7	120.1	128.2	127.0
Regrouping etc.	5.9	3.0	-0.4	73.5	-67.4	0.0	0.0
Closing Balance	**17.9**	**13.8**	**62.7**	**120.1**	**128.2**	**127.0**	**149.1**

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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