

# India Equity Analytics

Results Preview Q4FY19- Metals and Minerals



**Analyst**

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APAT IN

**CMP** 1500  
**Target** 1510  
**Upside** 1%  
**Rating** NEUTRAL

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	20%	19%	11%	13%
<b>Roce%</b>	33%	35%	23%	24%
<b>P/E</b>	18.9	29.4	33.0	21.7
<b>P/B</b>	3.8	5.6	3.6	2.8
<b>EV/Ebdita</b>	8.8	12.9	11.2	8.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Sales (ex-scrap) (KT)	932	1130	1339	1540	301	315	418
<i>Segmental Volume</i>							
Hollow Section(KT)	475	614	766	881	164	184	238
Black Pipe (KT)	151	164	198	228	47	45	64
GI Pipe (KT)	117	111	92	106	27	19	30
GP Pipe (KT)	189	241	283	325	63	67	86
<i>Financials</i>							
Sales	4,545	5,335	7,118	7,096	1519	1691	2060
<i>Sales Gr</i>	8%	17%	33%	0%	15%	29%	36%
Ebdita	324	371	335	416	103	59	81
<i>Ebdita Gr</i>	15%	14%	-10%	24%	38%	-33%	-21%
Net Profits	146	160	110	169	45	13	23
<i>Profit Gr%</i>	45%	10%	-32%	54%	8%	-64%	-48%
Ebdita Margin%	7.1%	7.0%	4.7%	5.9%	6.8%	3.5%	3.9%
Net Profit Margin %	3.2%	3.0%	1.5%	2.4%	2.9%	0.8%	1.1%
D/E	0.79	0.80	0.85	0.53			

### \*FY19 Actual Volume

Conso/Fig in Rs Cr

❑ Revenue is expected at Rs.2060cr (up 36% and 22% QoQ), robust growth is primarily driven by strong volume growth in the quarter. FY19 revenue is expected at Rs.7118cr (up 33%).

❑ Company in 4QFY19 registered robust volume growth of 39% at 418 KT on the back of strong demand recovery in the product segments of hollow section pipes, Direct Forming Technology (DFT) pipes and Galvanized Tubes (GI). FY19 volume grew by 18.5% to 1339 KT.

❑ Realisation in the quarter is expected to fall by close to 8% across the entire product category on the back of 8% fall in domestic HRC prices in 4QFY19.

❑ Margin is still expected to remain under pressure as company had 150 KT of HRC inventory priced at Rs.43000-44000/t (4QFY19 average HRC price at Rs.41600/t). EBITDA for the quarter is expected at Rs.81cr (down 21% YoY, up 37% QoQ) and EBITDA margin is expected at 4% (vs.7% in 4QFY18 and 3.5% in 3QFY19).

❑ Company at the end of 3QFY19 had 51% stake in Apollo Tricoat and is trying to take it to 65%. It has recently set up a 50000 TPA facility in Bengaluru. Apl Apollo would spend Rs.247cr on the deal. Rs.172cr would be infused by promoters through preferential and warrant issue.

### Key Trackable this Quarter

- ❑ Impact on gross margin on account of inventory loss due to fall in HRC prices in 4QFY19.
- ❑ Movement in realisation in the quarter as Raw material prices (HRC) prices has fallen by 8%.

**We value the stock at 9x FY20e EV/EBITDA. NEUTRAL**

ASTRA IN

**CMP** 1199  
**Target** 1270  
**Upside** 6%  
**Rating** HOLD

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	17%	18%	17%	18%
<b>Roce%</b>	22%	23%	22%	24%
<b>P/E</b>	45.5	56.1	71.6	54.8
<b>P/B</b>	7.7	9.9	11.9	9.8
<b>EV/Ebdita</b>	25.3	32.0	38.2	30.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Capacity(MT)	137708	152100	175708	250000	152101	175708	175708
Sales(MT)	89449	103991	109858	129633	31618	27882	32250
<i>Segmental Revenues</i>							
Pipes	1474	1592	1860	2179	504	492	543
Adhesives	455	530	624	737	156	152	173
Adjst.	40	15	28	-	10	10	0
Total	1889	2106	2456	2916	651	634	716
<i>Financials</i>							
Sales	1,889	2,106	2456	2916	651	634	716
Sales Gr	13%	10%	17%	19%	12%	24%	10%
Ebdita	264	317	379	477	118	94	113
Ebdita Gr	27%	17%	20%	26%	33%	27%	-4%
Net Profits	145	176	201	262	65	53	64
Profit Gr%	42%	18%	14%	31%	18%	15%	-2%
Ebdita Margin%	14.0%	15.0%	15.4%	16.3%	18.2%	14.8%	15.8%
Net Profit Margin %	7.7%	8.3%	8.2%	9.0%	10.0%	8.4%	8.9%
D/E	0.19	0.12	0.12	0.10			

Conso/Fig in Rs Cr

❑ Revenue is expected at Rs.716cr (up 10%YoY and 13%QoQ), 10%YoY growth rate is the lowest in last six quarters. Moderate volume growth (2%YoY) expected in piping business is the primary reason for slowdown. Pipe revenue is expected at Rs.543cr (incl. Rex) (up 8%YoY) and adhesive revenue expected at Rs.173cr (up 11%YoY).Rex is expected to contribute Rs.45cr to pipe revenue.

❑ Pipe volume (ex-Rex) is expected to be around 32250 MT (up 2%YoY and 16%QoQ), we expect moderate volume growth in pipe volume considering liquidity problems in the market which had also impacted 3QFY19 volume. In adhesive business we expect high base effect would start coming in from 4QFY19 leading to lower sales growth number.

❑ Realization in piping business is expected to be around Rs.154361/t (down 3% YoY and QoQ) considering the fall in PVC prices in 3QFY19 would come in 4QFY19 numbers.

❑ EBITDA is expected at Rs.113cr (down 4%YoY, up 21%QoQ), margin is expected at 15.8% (vs.18.2% in 4QFY19 and 14.8% in 3QFY19). YoY fall in margin is due to higher input cost.

❑ Capacity is expected to increase by 75000MT by FY20 led by Hosur and Eastern region expansion, however if eastern expansion gets delayed than it would be higher by 50000MT-55000MT. Rex's current capacity is close to 25000MT.

## Key Trackable this Quarter

❑ Receivables may increase as liquidity crunch impacted operations in 3QFY19, as a corrective measure, management had done some systematic correction to improve receivable cycle.

❑ Growth in overall revenue of Adhesive operation (Resinova + SEAL IT).

**We value the stock at 32x FY20e EV/EBITDA. HOLD**

## COAL IN

**CMP**        **237**  
**Target**    **274**  
**Upside**    **15%**  
**Rating**    **BUY**

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	37%	35%	80%	76%
<b>Roce%</b>	37%	31%	92%	87%
<b>P/E</b>	19.6	25.1	8.9	9.2
<b>P/B</b>	7.3	8.7	7.1	7.0
<b>EV/Ebdita</b>	12.3	15.1	5.3	5.0

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Production (mt)	554.14	567.37	598.5	635.0	152.1	119.6	162.1
Offtake (mt)	543.32	580.29	607.4	643.6	151.7	137.5	158.8
<i>Operating Matrix</i>							
FSA Vol. (mt)	429.8	460.0	521.3	551.7	126.4	135.8	138.2
FSA Realiz. (Rs/t)	1301	1257	1335	1334	1403	1334	1380
E-Auc Vol. (mt)	94.2	106.2	72.6	79.8	29.3	14.7	20.8
E-Auc Realiz. (Rs/t)	1536	1839	2623	2487	2112	2847	2700
Washed Coal Vol. (mt)	14.0	11.5	10.8	9.8	3.1	2.9	2.9
Washed Coal Realiz. (Rs,	3049	3022	2668	2543	2923	2866	2734
Othr. Prod. Vol. (mt)	3.4	2.9	2.8	2.4	0.8	0.7	0.7
Othr. Prod. Realiz.(Rs/t)	2915	3249	3346	3344	3373	3425	3488
<i>Financials</i>							
Sales	78,221	85,862	98,490	100,702	26,909	25,046	27,299
<i>Sales Gr</i>	0%	10%	15%	2%	16%	15%	1%
Other Income	5,516	4,658	6,278	5,591	2,000	1,163	1,244
<i>Employee Cost</i>	33,514	42,634	37,647	38,400	16,654	9,518	9,578
Ebdita	12,240	9,565	23,389	23,260	196	6,788	7,604
<i>Ebdita Gr</i>	-35%	-22%	145%	-1%	-94%	55%	3775%
Net Profits	9,266	7,019	16,504	15,945	1,296	4,567	5,067
<i>Profit Gr%</i>	-35%	-24%	135%	-3%	-52%	50%	291%
Ebdita Margin%	15.6%	11.1%	23.7%	23.1%	0.7%	27.1%	27.9%
Net Profit Margin %	11.8%	8.2%	16.8%	15.8%	4.8%	18.2%	18.6%

Conso/Fin in Rs Cr

□ Revenue is expected to be up 1.4%YoY, up 9% QoQ. Lower volume growth (2%YoY) expectation with decrease in share of e-auction volume is the main reason for muted YoY growth. However, higher volume QoQ and strong realization is expected to drive QoQ growth.

□ Volume in 4QFY19 is expected to at 162.72mt (up 2% YoY, up 6% QoQ). YoY slowdown is on account of lower than expected volumes from the large mines such as SECL and MCL due to law and order issue in Odisha leading to repeated work stoppage at MCL and overburden removal issue at SECL also impacting the overall volume.

□ FSA realisation is expected to be around Rs.1380/t and E-Auction is expected to be around Rs.2700/t. Price hike taken in Jan-18 has increased the base of FSA realisation keeping it on higher side. Shortage of coal in the market is helping to sustain the strong E-auction realisation.

□ EBITDA is expected at Rs.7604cr (vs.Rs.196cr in 4QFY18 and Rs.6788cr in 3QFY19). Higher volume and realisation is expected to improve EBITDA margin to 28% from 27% in 3QFY19.

□ COAL recently completed buyback of 4.46cr shares at Rs.235/share with total cash outlay of Rs.1050cr.

### Key Trackable this Quarter

□ E-Auction allocation, as higher E-Auction volume can improve margins.

□ E-auction realization trend as international non-coking coal prices have moderated QoQ.

**We value the stock at 6x FY20e EV/EBITDA. BUY**

FNXP IN

**CMP**        **500**  
**Target**    **487**  
**Upside**    **-3%**  
**Rating**    **NEUTRAL**

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	15%	11%	11%	11%
<b>Roce%</b>	22%	15%	16%	15%
<b>P/E</b>	20.2	27.6	18.9	18.6
<b>P/B</b>	3.1	3.0	2.1	2.0
<b>EV/Ebdita</b>	12.7	17.0	11.1	11.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Pipes & Fittings (MT)	209339	252036	254556	282558	71758	59178	72469
PVC Resin (MT)	235104	258767	241127	268280	72123	66838	62043
Power (MWH)	202890	208747	207492	245802	57912	51480	63042
<i>Segmental Revenues</i>							
PVC	1754	1778	1755	1752	516	484	440
PVC Pipes & Fittings	2211	2329	2492	2665	683	591	709
Power	145	142	154	184	40	42	47
Less: Int Seg. Rev.	1131	1418	1464	1448	430	360	385
Total	2979	2831	2938	3153	809	757	811
<i>Financials</i>							
Sales	2,988	2,738	2938	3153	809	757	811
Sales Gr	5%	-8%	7%	7%	-20%	5%	0%
Other Income	24	25	61	48	3	17	17
Ebdita	563	484	557	541	188	125	113
Ebdita Gr	39%	-14%	15%	-3%	-13%	152%	-40%
Net Profits	355	299	328	334	121	79	69
Adj PAT	352	299	355	334	121	79	69
Profit Gr%	53%	-15%	19%	-6%	-2%	13%	-43%
Ebdita Margin%	18.8%	17.7%	18.9%	17.1%	23.2%	16.5%	13.9%
Net Profit Margin %	11.8%	10.9%	12.1%	10.6%	14.9%	10.4%	8.5%
D/E	0.04	0.04	0.05	0.05			

Std/Fig in Rs Cr

□ Revenue in 4QFY19 is expected to be Rs.811cr(flat YoY,up7%QoQ),YoY growth is expected to be muted due to 15% fall in PVC resin revenue compensated by 4% growth in pipe revenue.

□ Pipe & fittings volume is expected at 72469MT (up 1%YoY and 22%QoQ).Total PVC resin volume is expected at 62043MT (down 14%YoY and 7%QoQ) and external sales is expected at 11314MT (down 34%YoY and 49%QoQ), fall in external sale is due to higher captive consumption.

□ Realisation is expected at Rs.97808/t (up 3%YoY, down 2%QoQ) in pipe & fittings .PVC resin realisation is expected at Rs.70967/t (down 1%YoY and 2%QoQ). Realisation is expected to fall QoQ on account of fall in PVC prices in 3QFY19 which would come in 4QFY19.

□ EBITDA is expected to be at Rs.113cr (down 40%YoY and 10%QoQ).Margin is expected to fall to 13.9% (vs.23% in 4QFY18 and 16.5% in 3QFY18) due to shrinking PVC and EDC spread.

□Delay in payments to sugarcane farmers in Maharashtra and Karnataka has impacted volume in FY19. However, management expects 10-15% volume growth in FY20 and EBIT margin in pipe is expected to be around 8%.

## Key Trackable this Quarter

□ Volume growth in 4QFY19, as delay in payment to sugarcane farmers in Maharashtra and Karnataka has impacted company's volume growth recently.

□ Realisation in pipe division as management stated it may take price cut due to sluggish demand.

**We value the stock at 11x FY20e EV/EBITDA. NEUTRAL**

HNDL IN

**CMP**        **217**  
**Target**    **244**  
**Upside**    **13%**  
**Rating**    **ACCUMULATE**

	FY17	FY18	FY19E	FY 20E
<b>Roe%</b>	4%	8%	9%	9%
<b>Roce%</b>	2%	6%	5%	5%
<b>P/E</b>	23.2	11.2	8.9	7.9
<b>P/B</b>	1.0	0.9	0.8	0.7
<b>EV/Ebdita</b>	7.0	6.3	6.3	6.1

*Ratios on consolidated basis*

<i>Volume (kt)</i>	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Alumina	2887	2880	2900	3000	710	749	783
Aluminium	1265	1290	1273	1305	321	323	325
Copper	376	411	365	411	108	99	105
Novelis Shipments	3067	3189	3215	3295	806	800	811
<i>Segmental Revenues</i>							
Aluminium	19,986	21,062	23,334	23,227	5513	6018	5589
Copper	19,408	22,371	21,521	23,329	6170	5925	5881
Less: Excise/Adj.	2,457	635	21	-	2	5	-
Sales	36,937	42,798	44,834	46,556	11681	11938	11470
<i>Financials (Standalone)</i>							
Sales	36,937	42,798	44,834	46,556	11681	11938	11470
<i>Sales Gr</i>	8%	16%	5%	4%	11%	5%	-2%
Other Income	1,005	948	852	1,091	205	273	273
Ebdita	4,814	5,124	4,295	5,337	1258	928	951
<i>Ebdita Gr</i>	44%	6%	-16%	24%	11%	-22%	-24%
Net Profits	1,557	1,438	1,230	2,043	377	247	261
Adj PAT	1,472	1,113	1,230	2,043	377	247	261
<i>Profit Gr%</i>	167%	-24%	11%	66%	18%	-21%	-31%
<i>Novelis Ebitda(USDmn)</i>	1001	1181	1238	1271	314	284	276
<i>Utkal EBITDA</i>	673	1084	2551	2013	345	771	640
Ebdita Margin%	13.0%	12.0%	9.6%	11.5%	10.8%	7.8%	8.3%
Net Profit Margin %	4.2%	3.4%	2.7%	4.4%	3.2%	2.1%	2.3%

Std/Fig in Rs Cr

□ Standalone (ex-Utkal) revenue is expected at Rs.11470cr (down 1.8%YoY and 4%QoQ). The expected YoY fall is due to fall in LME aluminium, fall in LME copper and lower copper volume.

□ Aluminium volume is expected to come in at 325kt as operations run at full capacity.

□ Copper volume is expected to come in at 105kt (down 3% YoY, up 6% QoQ).

□ Standalone (ex-Utkal) EBITDA is expected at Rs.951cr (down 24%YoY, up 2%QoQ), YoY fall is due to higher other expenses (due to higher volume from captive coal mine leading to higher stripping cost) and higher power and fuel cost.

□ FY19 capex is expected at Rs.1300cr, FY20 capex is expected to be higher than FY19 as major portion of Utkal expansion would come in FY20.

□ Novelis is expected to deliver 811kt (flat YoY and up 1%QoQ), EBITDA is expected at USD 276mn (down 12%YoY and 3%QoQ) due to lower LME aluminium.

□ Regulatory approvals for Aleris acquisition is in progress and is expected to close in 2QFY20.

### **Key Trackable this Quarter**

□ Pick up in margin at standalone level, as it was at lowest levels in 3QFY19 in last 12 quarters.

□ Volume at Novelis, as slowdown in UK and China is a key concern.

**We value the stock at 6.5x FY20e EV/EBITDA. ACCUMULATE**

HZ IN

**CMP**        **283**  
**Target**    **286**  
**Upside**    **1%**  
**Rating**     **NEUTRAL**

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	27%	26%	24%	25%
<b>Roce%</b>	26%	30%	27%	29%
<b>P/E</b>	14.6	13.8	14.6	12.5
<b>P/B</b>	4.0	3.5	3.5	3.1
<b>EV/Ebdita</b>	9.2	8.6	9.1	7.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Zinc & Lead(KT)	907	947	966	1149	255	247	280
<i>Refined Metal</i>							
Zinc (KT)	672	792	740	913	206	188	214
Lead (KT)	144	169	202	218	50	54	56
Total	816	961	941	1131	256	242	271
Sliver (MT)	480	557	670	775	170	178	184
<i>Revenue break-up</i>							
Zinc	13703	16679	15252	18337	4564	3841	4466
Lead	2304	2888	3254	3494	867	826	905
Silv.er	1860	2148	2494	2902	637	677	671
Others	501	498	674	430	106	196	58
<i>Financials</i>							
Sales	17273	22084	21728	25163	6277	5540	6101
Sales Gr	22%	28%	-2%	16%	-7%	-6%	-3%
Other Income	2474	1751	1555	1607	486	550	312
Ebdita	9739	12272	10985	13080	3620	2838	3100
Ebdita Gr	46%	26%	-10%	19%	-3%	-13%	-14%
Net Profits	8316	9276	8165	9530	2505	2211	2221
Adj PAT	8316	9036	8165	9530	2556	2211	2221
Profit Gr%	1%	9%	-10%	17%	-4%	-29%	-13%
Ebdita Margin%	56.4%	55.6%	50.6%	52.0%	57.7%	51.2%	50.8%
Net Profit Margin %	48.1%	40.9%	37.6%	37.9%	40.7%	39.9%	36.4%

\*FY17 gross revenue break-up

□ Revenue is expected at Rs.6101cr (down 3%YoY, up 10%QoQ), YoY decline is expected due to lower LME zinc and lower LME lead and QoQ improvement is expected due to higher realisation in both zinc and lead and higher volume in both zinc and lead driven by higher underground ore production. Silver volume is expected at 184kt (up 8% YoY and 3%QoQ).

□ On the cost front, higher volume is expected to generate operational efficiency and furthermore the full benefit of lower diesel prices in 3QFY19 is expected to come in 4QFY19.

□ EBITDA is expected to come in at Rs.3100cr (down 14% YoY, up 9% QoQ) and margin is expected to be at 51% (vs.57.7% in 4QFY18 and 51.2% in 3QFY19). YoY fall in EBITDA is due to lower LME in both zinc and lead.

□ Management at the end of 3QFY19 stated that the full shaft commissioning at RA mine has been delayed to 2QFY20 due to some financial issue with shaft sinker. It also led to lowering of capex guidance to USD350mn (earlier USD400-450mn) for FY19.

### Key Trackable this Quarter

□ Improvement in EBITDA margin on account of higher volume and lower diesel cost.

□ Contribution of other income.

**We value the stock at 7.5x FY20e EV/EBITDA. NEUTRAL**

JSP IN

**CMP** 184  
**Target** 194  
**Upside** 5%  
**Rating** NEUTRAL

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	-8%	-5%	1%	2%
<b>Roce%</b>	1%	4%	7%	8%
<b>P/E</b>	-4.4	-13.1	40.5	28.8
<b>P/B</b>	0.4	0.7	0.6	0.6
<b>EV/Ebdita</b>	9.3	8.3	5.7	4.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Stdln. Steel Sales (mt)	3.35	3.76	5.10	6.07	1.18	1.2	1.43
Oman Steel Sales (mt)	1.31	1.67	1.79	1.91	0.48	0.45	0.45
Power (mill unit)	9176	10905	10360	11914	2310	2609	3004
<i>Financials (Consol.)</i>							
Sales	21,051	27,383	39,159	40,108	8,599	9,566	9,946
Sales Gr	15%	30%	43%	2%	37%	37%	16%
Ebdita	4,658	6,469	8,653	9,317	2,137	2,077	2,092
Ebdita Gr	36%	39%	34%	8%	38%	29%	-2%
Finance Cost	3,390	3,866	4,116	3,878	1,071	1042	1015
Net Profits	(2,286)	(1,409)	439	619	(308)	(23)	(62)
Adj PAT	(1,914)	(822)	184	619	130	(23)	(62)
Profit Gr%	-	-	-	237%	-	-	-
Ebdita Margin%	22.1%	23.6%	22.1%	23.2%	24.8%	21.7%	21.0%
Net Profit Margin %	-9.1%	-3.0%	0.5%	1.5%	1.5%	-0.2%	-0.6%
D/E	1.33	1.29	1.27	1.15	-	-	-
Intrst. Covrge. Ratio	0.21	0.67	1.08	1.24	1.10	1.00	0.98

Conso/Fig in Rs Cr

❑ Revenue is expected at Rs.9946cr (up 16%YoY and 5%QoQ), YoY growth is led by 21% volume growth and 7% realisation growth in Indian steel business, however 9% fall in Oman business revenue due to lower volume and lower realization is expected to partly offset the gain in revenue by Indian business.

❑ Steel volume from Indian business is expected to increase to 1.43mt (up 21%YoY and 19%QoQ) on account of angul plant ramp up (Jan'19 exit run rate of 6mt annually) and Oman business volume is expected at 0.45mt (down 7%YoY and 1%QoQ).

❑ Power division revenue is expected at Rs.1064cr (up 12% YoY and 6% QoQ), power generation is expected at 3004mn units (up 30% YoY, 15% QoQ). Company recently got short term PPA of 200MW from 15th Jan'19 to 13th Apr'19 from Telangana.

❑ Margin at consolidated level is expected to be around Rs.2092cr (down 2% YoY, up 1% QoQ) . YoY fall is expected on account of higher iron ore and coking coal prices and increase in power and fuel cost due to higher non coking coal prices.

❑ IPO of Oman business is at very advance stage and management expects to raise USD300mn out of it. To be used for deleveraging and restructuring of Australian business debt.

❑ Company recently restarted 1.8mt DRI plant at Angul, company targets to produce 1mt of crude steel from it in FY20.

## Key Trackable this Quarter

❑ Extend of fall in realisation, as in 3QFY19 higher VAP share helped in increasing the realisation even in falling steel prices scenario.

❑ Cautious about exceptional items (no provision for couple of contingent liabilities).

**We value the stock at 5x FY20e EV/EBITDA. NEUTRAL**

JSTL IN

**CMP** 290  
**Target** 315  
**Upside** 9%  
**Rating** HOLD

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	15%	22%	21%	15%
<b>Roce%</b>	16%	19%	21%	16%
<b>P/E</b>	13.1	11.4	9.7	12.5
<b>P/B</b>	2.0	2.5	2.0	1.8
<b>EV/Ebdita</b>	6.3	6.8	5.5	6.6

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Steel Sales stdln.(mt)	14.77	15.62	15.58	16.57	4.22	3.68	4.11
Avg.HRC (Rs./t)	39075	40340	44292	42000	44167	45000	40500
<i>Financials (Consol.)</i>							
Sales	55,605	70,225	83,533	80,585	20,817	20,318	21,144
Sales Gr	34%	26%	19%	-4%	25%	25%	2%
Ebdita	12,174	14,794	18,423	16,012	5,290	4,501	3,911
Ebdita Gr	90%	22%	25%	-13%	67%	17%	-26%
Finance Cost	3,768	3,701	3,876	4,069	883	1,021	1,005
PBT	5,128	7,873	10,720	8,072	3,587	2,439	1,885
PBT Gr	-	54%	36%	-25%	157%	15%	-47%
Net Profits	3,454	6,071	7,327	5,610	2,872	1,619	1,301
Adj PAT	3,454	6,335	7,327	5,610	2,872	1,619	1,301
Profit Gr%	-	83%	16%	-23%	195%	-7%	-55%
Ebdita Margin%	21.9%	21.1%	22.1%	19.9%	25.4%	22.2%	18.5%
Net Profit Margin %	6.2%	8.6%	8.8%	7.0%	13.8%	8.0%	6.2%
D/E	1.65	1.21	1.05	1.06	-	-	-

Conso/Fig in Rs Cr

□ 4QFY19 revenue is expected at Rs.21144cr (up 2% YoY, 4% QoQ) , moderate YoY growth is primarily on account of flat realisation in standalone business and 2.7% fall in volume and QoQ improvement is led by 11.5% growth in volume over 3QFY19.

□ Coated business revenue is expected to be at Rs.3008cr (down 1%YoY, up 2%QoQ), flat YoY growth is due to 7% fall in volume (increase in imports continue to impact the coated product volume) compensated by 7% increase in realisation due to higher priced raw material (HRC).

□ US plate and pipe mill revenue is expected at Rs.809cr (up 110%YoY and 9%QoQ), YoY growth is due to higher volume from plate and pipe mill at 92864MT (up 76%YoY, 33% QoQ) and 17672MT (up 45%YoY and 6%QoQ) respectively led by improvement in domestic environment led by import barriers being put by US govt. Realisation is also expected to grow by 23%YoY, however recent correction in steel prices is expected to lead to fall in realisation on QoQ basis.

□ EBITDA is expected at Rs.3911cr (down 26%YoY and 13%QoQ) and margin is expected at 18.5% (vs.25% in 4QFY18 and 22% in 3QFY19) higher coking coal and non coking coal cost are expected to impact EBITDA.

□ 9MFY19 capex was Rs.6570cr, coke oven battery A have started and trial run for battery B at Dolvi have also started, tin plate is ramping up and iron ore conveyor belt trial run are on.

□ Company signed USD700mn deal with Duferco to supply steel for 5 years. The deal provides long term funding to complete its growth capex in return of supply steel products to DITH.

## Key Trackable this Quarter

□ Movement in margins considering steel prices has fallen but coking coal price is at same level and non coking coal prices have increased, however iron ore prices have declined.

**We value the stock at 7x FY20e EV/EBITDA. HOLD**

NACL IN

**CMP** 56  
**Target** 63  
**Upside** 13%  
**Rating** ACCUMULATE

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	7%	13%	15%	9%
<b>Roce%</b>	6%	9%	22%	10%
<b>P/E</b>	22.1	9.6	6.5	11.8
<b>P/B</b>	1.4	1.2	1.0	1.0
<b>EV/Ebdita</b>	11.6	7.3	2.9	5.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
<i>Segmental Revenues</i>							
Alumina	4046	5162	5559	4428	1741	1307	1259
Aluminium	5537	6409	7117	7557	1695	1690	1928
Others	109	127	192	163	21	25	41
Total	9692	11698	12868	12147	3458	3021	3228
Less: Intr. Segmt. Rvn.	1642	2079	1377	1697	595	302	470
Net Sales	8050	9618	11491	10451	2863	2719	2758
<i>Financials</i>							
Sales	8,050	9,618	11,491	10,451	2863	2719	2758
Sales Gr	11%	28%	19%	-9%	18%	14%	-4%
Other Income	408	300	300	400	57	76	71
Ebdita	1,080	1,397	2,768	1,538	490	513	393
Ebdita Gr	13%	29%	98%	-44%	15%	49%	-20%
Net Profits	668	1,342	1,712	897	257	302	213
Adj. PAT	709	874	1,621	897	251	302	213
Profit Gr%	-3%	23%	85%	-45%	-8%	9%	-15%
Ebdita Margin%	13.4%	14.5%	24.1%	14.7%	17.1%	18.9%	14.2%
Net Profit Margin %	8.8%	9.1%	14.1%	8.6%	8.8%	11.1%	7.7%

Std/Fig in Rs Cr

□ Revenue for the quarter is expected to at Rs.2758cr (down 4% YoY, up 1% QoQ), YoY fall is primarily on account of 17% YoY fall in alumina volume to 365000 MT and 27% YoY fall in alumina realisation . Aluminium volume is expected to grow by 8% YoY to 121515 MT and aluminium realisation is expected to fall by 4%.

□ EBITDA for the quarter is expected to be at Rs.393cr (down 20% YoY and 23% QoQ) and margin is expected at 14.2% (vs.17% in 4QFY18 and 19% in 3QFY18). Lower margins are primarily on account of lower alumina prices and higher power and fuel cost due to high non-coking coal prices.

□ Furthermore, lower alumina volume with lower alumina prices and higher aluminium volume with falling aluminium prices would only put pressure on margins as in aluminium business if the LME aluminium gets below USD 2000/t level the margins starts contracting as absorption of power cost (major portion in aluminium production) becomes a concern.

### Key Trackable this Quarter

□ Aluminium and alumina volume in the quarter, as higher aluminium volume coupled with low realisation would negatively impact the margins.

□ Impact of power and fuel cost on EBITDA margins.

**We value the stock at 1.2x FY20e Book Value. ACCUMULATE**

**CMP**        **105**  
**Target**    **93**  
**Upside**     **-11%**  
**Rating**     **NEUTRAL**

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	11%	16%	16%	12%
<b>Roce%</b>	15%	23%	24%	16%
<b>P/E</b>	16.3	9.9	8.0	10.8
<b>P/B</b>	1.9	1.5	1.3	1.3
<b>EV/Ebdita</b>	10.2	5.5	4.6	6.4

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Chhatisgarh(mn ton)	23.01	23.17	23.30	25.00	7.15	6.28	7.34
Karnataka	12.62	12.91	8.35	7.00	3.38	2.42	2.13
Total	35.62	36.08	31.65	32.00	10.54	8.70	9.46
Realization/Cost(Rs/t)							
Realization	2478	3220	3625	2922	3653	4157	3100
Cost	1467	1609	1613	1499	1881	1718	1514
EBITDA/ton	1011	1610	2013	1423	1804	2475	1619
<i>Financials</i>							
Sales	8,828	11,615	11,474	9,351	3883	3649	2965
Sales Gr	37%	32%	-1%	-19%	35%	48%	-24%
Other Income	909	520	456	390	170	136	64
Ebdita	3,602	5,809	6,370	4,554	1901	2154	1532
Ebdita Gr	31%	61%	10%	-29%	104%	78%	-19%
Net Profits	2,589	3,806	4,170	3,077	1106	1577	982
Adj PAT	2,589	3,662	4,170	3,077	1107	1577	982
Profit Gr%	-11%	41%	14%	-26%	256%	113%	-11%
Ebdita Margin%	40.8%	50.0%	55.5%	48.7%	49.0%	59.0%	51.7%
Net Profit Margin %	29.3%	31.5%	36.3%	32.9%	28.5%	43.2%	33.1%

Std/Fig in Rs Cr

□ Revenue is expected at Rs.2965cr (down 24% YoY and 19% QoQ), YoY fall is primarily on account of 10% fall in volume and 15% fall in realisation and QoQ fall is expected on account of 25% fall in realisation which is compensated by 8.7% QoQ growth in volume.

□ Total volume in the quarter is expected to be at 9.46mt (down 10%YoY, up 8.7%QoQ), Chhattisgarh volume is expected at 7.34mt (up 3%YoY and 17%QoQ) in seasonally strong quarter and Karnataka volume is expected to fall to 2.13mt (down 37%YoY and 12%QoQ). Volume from Karnataka's Kumaraswamy mine has increased in recent quarters, however the production loss from non-operational Donimalai mine continue to hurt the Karnataka volume significantly.

□ Donimalai mine has not been in operation since beginning of Nov'18 and is still non-operational.

□ EBITDA is expected at Rs.1532cr (down 19% YoY and 29% QoQ) , YoY fall is due to lower realisaion and lower volume and QoQ fall is primarily on account of fall in realisation.

□ NMDC's iron ore prices have remain volatile over last few months, falling from Rs.3850/t at end - Oct'18 to Rs.2600/t at the beginning-Feb'19 and again increasing to Rs.3000/t towards end Feb'19.

□ NMDC recently completed buyback of 10.20cr shares at Rs.98/share, leading to total cash outlay of around Rs.1000cr. It further announced a dividend of Rs.5.52/share for FY19.

### Key Trackable this Quarter

□ Volume growth rate at Chhattisgarh.

□ Change in realisation, as iron ore prices have been very volatile.

**We value the stock at 5.5x FY20e EV/EBITDA. NEUTRAL**

RMT IN

**CMP** 890  
**Target** 1050  
**Upside** 18%  
**Rating** BUY

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	12%	12%	16%	15%
<b>Roce%</b>	17%	16%	21%	20%
<b>P/E</b>	24.9	26.3	16.9	16.0
<b>P/B</b>	3.0	3.1	2.7	2.4
<b>EV/Ebdita</b>	13.8	15.0	10.4	9.3

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
SS Volume (MT)	18228	21054	20040	23046	5334	5405	5000
Realization (Rs/t)	311554	299791	362719	332965	317210	359721	365117
CS Volume (MT)	179655	201027	285458	319856	74804	73680	63996
Realization(Rs/t)	44302	51299	68288	63012	52888	70013	70714
<b>Segmental Revenues</b>							
SS Sales	568	631	727	767	169	194	183
CS Sales	796	1031	1949	2015	396	516	453
Other	48	107	27	0	54	18	0
Total	1412	1769	2703	2783	619	728	635
<b>Financials</b>							
Sales	1,412	1,767	2703	2783	619	728	635
Sales Gr	-18%	25%	53%	3%	59%	36%	3%
Other Income	14	32	50	45	13	11	11
Ebdita	257	266	406	452	93	101	98
Ebdita Gr	-10%	3%	53%	11%	36%	20%	6%
Net Profits	144	152	245	260	56	63	56
Profit Gr%	-13%	7%	62%	6%	47%	38%	-1%
Ebdita Margin%	18.2%	15.1%	15.0%	16.3%	15.0%	13.9%	15.5%
Net Profit Margin %	10.2%	8.6%	9.1%	9.3%	9.1%	8.6%	8.8%
D/E	0.00	0.06	0.10	0.12			

□ Revenue is expected at Rs.635cr (up 3%YoY and down 13% QoQ), Stainless steel (SS) revenue is expected at Rs.183cr (up 8%YoY, down 6%QoQ) and Carbon steel (CS) revenue is expected at Rs.453cr (up 14%YoY, down 12%QoQ).Realisations in both SS and CS are expected to remain healthy due to delivery of orders booked at higher steel prices.

□ Order book stood at Rs.1322cr at the beginning of CY19 (vs. Rs.1383cr –Nov'18), CS still dominate the order book however share of SS have increased to 31% of total order book and have moved up to level of Rs.400-450cr from earlier level of Rs.300-350cr.

□ Volume in SS division is expected at 5000MT (down 6%YoY) , SS remain impacted by low capex in refinery and power sector. CS volume is expected to fall to 63996MT (down 14%YoY) considering some delay expected on order lifting front from the govt. due to general election.

□ EBITDA is expected at Rs.98cr (up 6% YoY, down 2%QoQ) and margin at 15.5% (vs.15% in 4QFY18 and 14% in 3QFY19).

□ Capex including SS and CS division is expected at Rs.600cr (Rs.150cr in FY19 and Rs.450cr in FY20). 50% will be funded by internal accrual and rest by debt. SS capex of 20 KT is expected to be online by Oct-Dec'19 and CS capex of 120 KT is expected to be online by Nov-Dec'19.

## Key Trackable this Quarter

□ Sustainability of 2QFY19 realization in both CS and SS into 3QFY19.

□ Volume in CS division, considering substantially better volumes in 1HFY19.

**We value the stock at 11x FY20e EV/EBITDA. BUY**

TML IN

**CMP** 658  
**Target** 670  
**Upside** 2%  
**Rating** NEUTRAL

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	56%	44%	23%	18%
<b>Roce%</b>	52%	41%	31%	26%
<b>P/E</b>	12.8	11.7	10.6	9.6
<b>P/B</b>	7.2	5.2	2.4	1.8
<b>EV/Ebdita</b>	7.3	7.4	5.2	4.9

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Pig Iron (MT)	379434	502964	513023	513023	135857	128039	133386
Realization(Rs/t)	25357	27686	31755	30866	28487	31554	30607
DI Pipes (MT)	183947	211793	220265	225637	64628	66536	55066
Realization(Rs/t)	46218	47201	47930	46840	46415	47989	47029
<b>Segmental Revenues</b>							
Pig Iron	962	1393	1629	1584	387	404	408
Ductile Pipe	850	1000	1056	1057	300	319	259
Inter Segment/Others	-494	-519	-601	-599	-141	-177	-144
Total Sales	1318	1873	2084	2041	546	546	523
<b>Financials</b>							
Sales	1,318	1,873	2,084	2,041	546	546	523
Sales Gr	0%	42%	11%	-2%	36%	12%	-4%
Ebdita	225	277	304	329	88	75	78
Ebdita Gr	4%	23%	10%	8%	17%	3%	-12%
Net Profits	116	159	157	173	55	40	40
Profit Gr%	3%	37%	-1%	10%	35%	-2%	-27%
Ebdita Margin%	17.1%	14.8%	14.6%	16.1%	16.1%	13.7%	14.9%
Net Profit Margin %	8.8%	8.5%	7.5%	8.5%	10.0%	7.3%	7.6%
D/E	1.60	1.16	0.52	0.32			

□ Revenue is expected at Rs.523cr (down 4%YoY and QoQ), expected YoY fall is primarily account of lower DI pipe volume as company till 3QFY19 had already done 82% of designed capacity so even after assuming 105% of capacity utilization volume is expected to be lower.

□ DI pipe volume is expected to be at 55066MT (down 15% YoY and 17% QoQ). Pig iron volume is expected at 133386MT (down 2% YoY, up 4% QoQ), after weak 3QFY19 due to blast furnace shutdown and festive season pig iron volume are expected to pick up.

□ Realisation in DI pipe division is expected to be at Rs.47029/t (up 1%YoY, down 2%QoQ) and in pig iron realisation is expected to be at Rs.30607/t (up 7%YoY, down 3%QoQ) , QoQ fall is expected due to 4% fall in pig iron prices.

□ EBITDA is expected at Rs.78cr (down 11.5% YoY, up 4% QoQ) .QoQ improvement is expected in margins due to stable realisation in DI pipe business and lower raw material prices.

□ In March 2019, company approved allotment of 27.97 lakh shares to raise Rs.179.56cr and 34.92 lakh equity warrants @624/- aggregating Rs.224cr to Tata Steel. Fund raised would be used to expand DI pipe capacity from 2LTPA to 4LTPA, increasing mini blast furnace capacity and installation of 15MW power plant, the whole capacity is expected to be added by FY2022 and total capex required is Rs.555cr.

## Key Trackable this Quarter

- Scale of expansion in margins due to lower priced iron ore inventory coming in 4QFY19.
- Growth in DI pipe volume as the segment was operating at 82% utilization level in 3QFY19.

**We value the stock at 5x FY20e EV/EBITDA. NEUTRAL**

VEDL IN

**CMP** 189  
**Target** 178  
**Upside** -6%  
**Rating** NEUTRAL

	FY17	FY18	FY19E	FY20E
<b>Roe%</b>	12%	13%	10%	13%
<b>Roce%</b>	14%	18%	15%	17%
<b>P/E</b>	11.2	13.0	11.9	8.7
<b>P/B</b>	1.3	1.6	1.1	1.2
<b>EV/Ebdita</b>	4.6	5.0	4.3	3.7

	FY17	FY18	FY19E	FY20E	Q4FY18	Q3FY19	Q4FY19E
Zinc (kt)	672	791	740	913	206	188	214
Zinc Intl. (kt)	140	171	136	280	37	33	50
Lead (kt)	138	169	202	218	50	54	56
Refined Silver (tons)	453	558	670	775	170	178	184
Aluminium (mt)	1209	1672	1975	2000	487	494	527
Oil & Gas (kboepd)	189926	185587	200000	225000	190171	187191	194000
<b>Financials (Consol.)</b>							
Sales	72,225	91,866	90,048	90,144	27,630	23,669	21,468
Sales Gr	12%	27%	-2%	0%	23%	-2.84%	-22%
Other Income	4,581	3,574	3,008	2,400	993	1,398	600
Ebdita	21,332	25,164	23,254	28,823	7,837	5,645	6,117
Ebdita Gr	41%	18%	-8%	24%	7%	-17%	-22%
PBT	13,766	16,672	13,322	17,445	5,723	3,478	4,186
Net Profits	9,873	13,692	9,281	11,671	5,675	2,332	2,801
Adj PAT*	7,271	7,983	5,893	8,036	1,933	1,574	1,763
PAT Gr	0%	42%	-26%	36%	27%	-29%	-9%
Ebdita Margin%	30%	27%	26%	32%	28%	24%	28%
Net Profit Margin %	10%	9%	7%	9%	7%	7%	8%
D/E	1.03	0.77	0.79	0.79			

\*Excluding non controlling interest and before exceptional item

Conso/Fig in Rs Cr

□ Revenue (ex-copper) is expected to grow by 7% YoY and 3% QoQ to Rs.21468cr. YoY growth is primarily led by 22% YoY growth in zinc international revenue and Rs.1400cr revenue from other segment (steel) vs. Rs.196cr in 4QFY18. Aluminium revenue is expected to grow by 5% Yoy to Rs.7484cr led by 8% YoY growth in volume to 527kt. Oil and Gas revenue is expected at Rs.2836cr (up 3% YoY, down 15% QoQ), led by 2% growth in gross production at 194000 boepd.

□ EBITDA for the quarter is expected at Rs.6117cr (down 22% YoY, up 8% QoQ), led by significantly lower YoY aluminium EBTIDA at Rs.329cr (down 75% YoY, up 25% QoQ) due to lower LME aluminium, higher alumina and power cost. Further more negative EBITDA of Rs.60cr in copper vs. Rs.409cr in 4QFY19 is also expected to impact overall EBITDA.

□ Company's Goa iron ore operation continues to be impacted by suspension of mining in Goa. Copper India operation at Tuticorin too continues to remain shut.

□ During 3QFY19 company had paid USD200mn (Rs.1431cr) to purchase stake in Anglo American PLC through its subsidiary (CIHL), and Rs.2000cr of incremental investment is also to be made over a period of 20 months for this investment. The investment is linked to underlying share price of Anglo American PLC.

## Key Trackable this Quarter

- Volume ramp up at zinc international.
- Cost of production and Power cost in Aluminium business.

**We value the stock at 3.5x FY20e EV/EBITDA. NEUTRAL**

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