

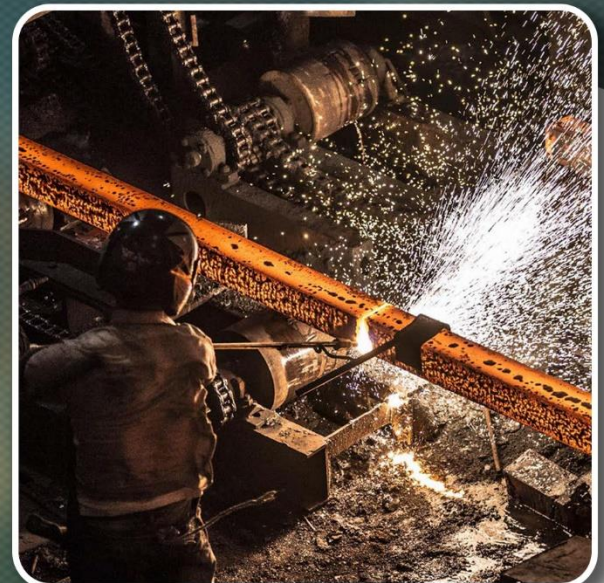
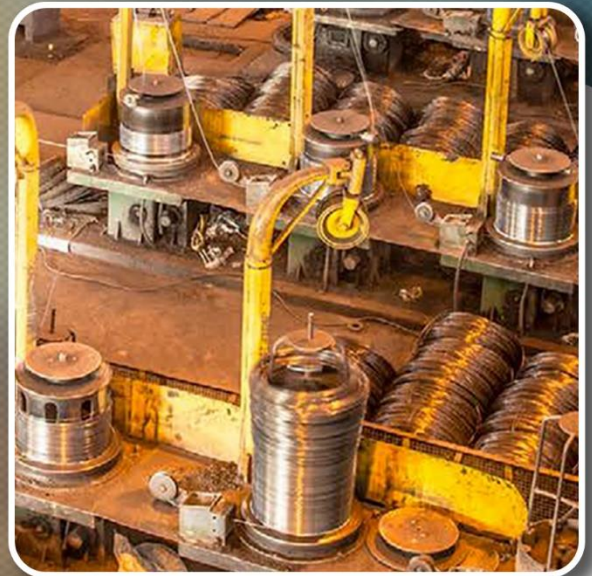
INITIATING COVERAGE

GODAWARI **POWER & ISPAT**

AUGUST 2024



MONARCH
NETWORK CAPITAL



ANALYSTS

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Godawari Power & Ispat Ltd. | BUY | TP: Rs1240 | Upside: 27%

Advanced Pellet Power

We initiate coverage on Godawari Power & Ispat Ltd. (GPIL) with a Buy and TP of Rs.1240 (~27% upside). In its continual quest for value addition, GPIL is expanding its pellet capacity to utilize its high-grade iron ore which is expected to drive robust growth in revenues and profitability over FY24-FY27E. This is also a result of strong margin expansion due to the high premium earned for its pellets, no premium on royalty paid by GPIL for its captive ore and captive solar power plant limiting its costs. In the longer term, GPIL has plans to commission a 2mnt steel plant all through its internal accruals, driving the next phase of EBITDA growth. Over and above this, what enhances our conviction is that *even after accounting for weakness in commodity prices, GPIL is very attractively placed at 5x Jun'26 EV/EBITDA*.

- Despite weakness in prices, iron ore market remains largely balanced** – Commodity prices have seen sharp correction in the last month due to seasonally weak domestic demand and severe weakness in global steel demand, leading to dumping of low-cost Chinese steel in India. Therefore, we have accounted for correction in our commodity price assumption for FY25. While the global scenario will take time to improve, domestic factors like expected rebound in prices post monsoon and strong growth trajectory for steel production @ 7% CAGR for 3years bodes well for iron ore demand in India. Further, market dynamics like rising preference for captive mines, auctions happening at a high premium of ~100%, rising offtake of low grade & beneficiated ores and high operational cost for mining will all ensure a balanced market for iron ore in India and provide support to domestic prices.
- Pellets to do all the heavy lifting** – In its continual quest for value addition, GPIL is expanding its pellet capacity by 2mnt which should majorly drive the 14%/30%/31% CAGR growth in Rev/EBITDA/PAT over FY24-FY27E. GPIL manufactures high grade pellets (63%-67% Fe) that are in high demand at the DRI kilns in Chhattisgarh and fetch a Rs1500/t premium vs. other producers. Availability of fully captive iron ore, which is not liable for any premium on royalty, maximizes margins for all forward integrated products. Further, the rising revenue from pellets (57% in FY27E vs. 38% in FY24), captive solar power plant and backward integration for galvanized products are other factors for the margin expansion in our estimates.
- Longer view - Net cash Steel plant with captive ore and green power:** In 3 years, GPIL will pursue capex to be an ideal steel manufacturing company with finished steel capacity of 2.5mnt producing wire rods, HRC & CRC which will be fully backward integrated on iron ore and driven by green captive power. We expect this steel plant to not only double GPIL's blended EBITDA/t but also increase EBITDA by 2.5-3x. All this capex will be entirely pursued using internal accruals ensuring a net cash balance sheet, which also highlights the cash flow generating power of this business. This steel plant setup will be much more immune from commodity price volatility with >20% ROE/ROCE and solid cash flow generation, to fuel further growth plans.
- Valuation & Risks** – Even after accounting for a correction in our commodity price estimates, we find that GPIL is attractively trading at 5x Jun'26 EV/EBITDA which drives our high conviction BUY rating. **We value GPIL at 6x Jun'26 EV/EBITDA to arrive at a TP of Rs1240/share and initiate with BUY.** The 6x multiple is a decade average valuation, showing our cautious stance to account for commodity price corrections. Risks – severe commodity down-cycle, delay in expansion projects.

Target Price	1240	Key Data	
		Bloomberg Code	GODPI:IN
CMP*	980	Curr Shares O/S (mn)	133.8
		Diluted Shares O/S(mn)	133.8
Upside	27%	Mkt Cap (Rsbn/USDbn)	131.2/1.6
Price Performance (%)		52 Wk H / L (Rs)	1224/20
		3M Average Vol.	153775
		1M	6M
GODPI IN equity	-5.8	27.1	65.9
Nifty	0.0	12.2	28.8

Source: Bloomberg, ACE Equity, MNCL Research

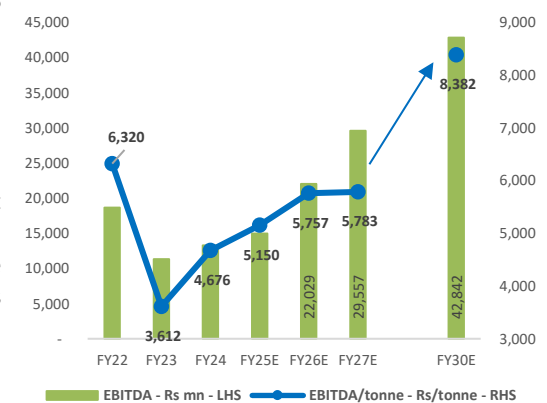
Shareholding pattern (%)	Jun-24	Mar-24	Dec-23	Sept-23
Promoter	63.3	63.3	63.3	67.7
DII's	2.1	2.1	1.5	1.1
FII's	5.5	5.4	4.7	3.6
Others	29.1	29.2	30.6	27.6

Source: BSE

Why should you read this report?

- Pure play on high margin pellet business evolving into a 2.5mnt steel plant retaining the net cash balance sheet along with green captive power and full backward integration on iron ore.
- EBITDA/tonne calc on pellet vs same for merchant pellet producers and EBITDA estimates for the steel plant.

Structural expansion of blended EBITDA/t on rising contribution from pellets and forward integration to finished steel



Source: Company, MNCL Research estimates

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY22	53,992	36.4	18,631	34.5	13,825	122	105.0	40.2	35.4	2.9	2.1
FY23	57,530	6.6	11,325	19.7	8,081	-42	62.3	20.5	19.8	5.3	3.2
FY24	54,554	(5.2)	13,281	24.3	9,178	14	73.6	20.2	20.8	8.1	5.0
FY25E	52,951	(2.9)	14,976	28.3	10,344	13	84.4	19.8	19.5	11.6	7.5
FY26E	64,998	22.8	22,029	33.9	15,223	47	124.2	22.9	22.6	7.9	5.0
FY27E	80,927	24.5	29,557	36.5	20,721	36	169.1	24.2	23.9	5.8	3.8

Source: Company, MNCL Research estimates

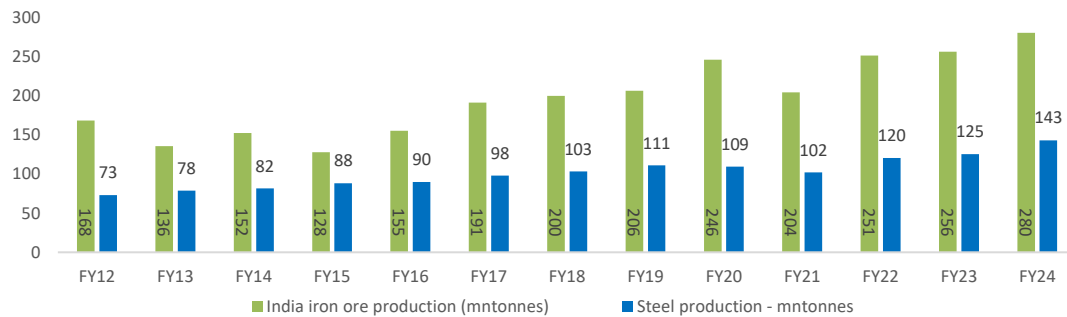
MNCL Research is also available on Bloomberg. In the interest of timeliness, this document is not edited

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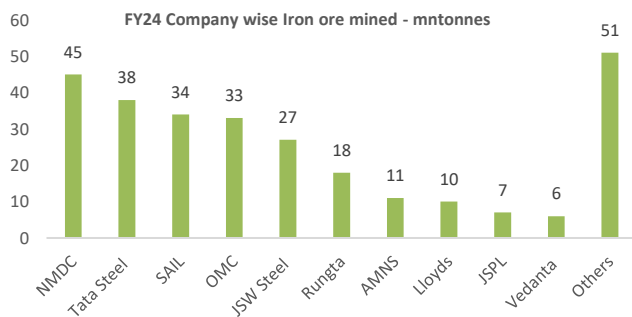
Investment Thesis in Charts

Exhibit 1: Iron prod/ steel prod. ratio remains at ~1.9x (same as in FY14) implies no major reduction in primary route of steelmaking using iron ore in India unlike western countries



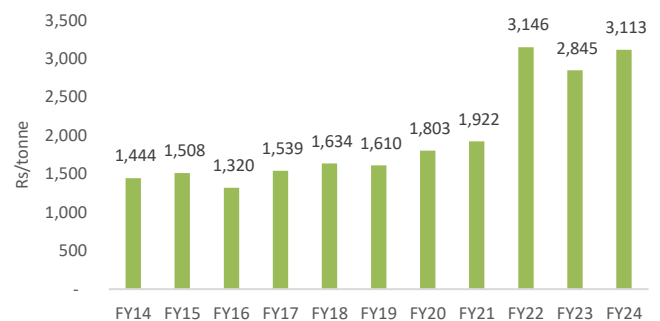
Source: Bloomberg, Steelmint, MNCL Research

Exhibit 2: Several private players have entered mining in the last decade



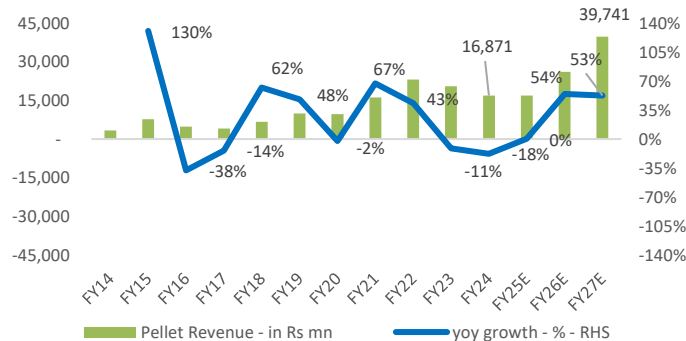
Source: Steelmint, MNCL Research

Exhibit 3: NMDC's operational cost/tonne for mining has increase at 8% CAGR in the last decade



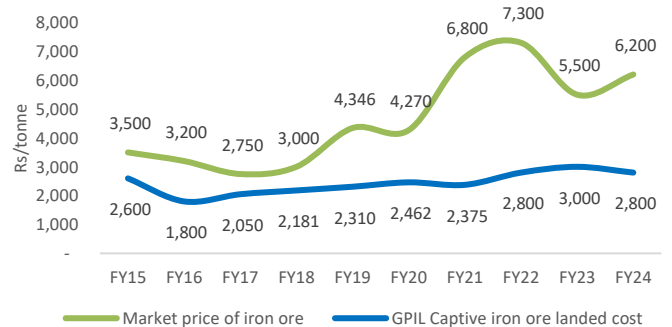
Source: Company, MNCL Research

Exhibit 4: Pellet revenues to surge on commissioning of the new plant in 1QFY26



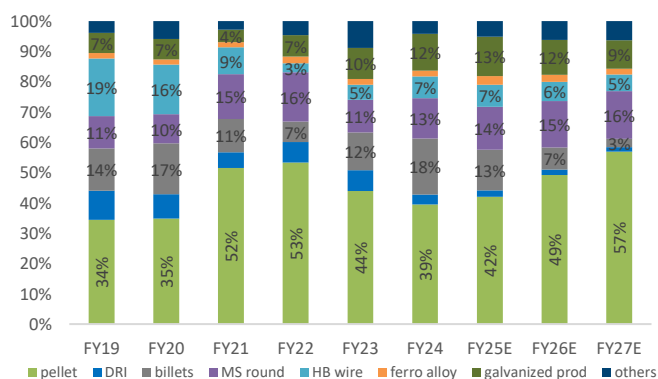
Source: Company, MNCL Research estimates

Exhibit 5: Savings from captive iron ore increased with increase in iron ore market price



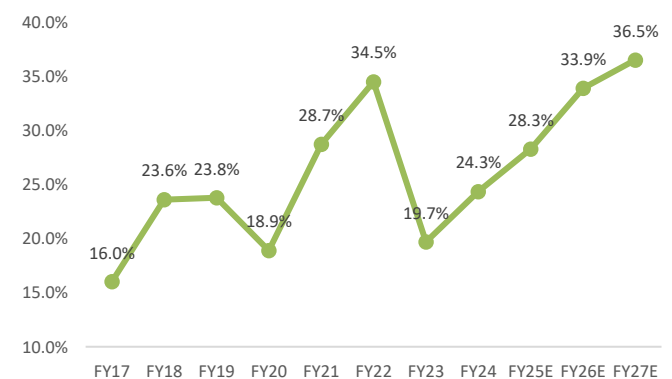
Source: Company, MNCL Research

Exhibit 6: Rising proportion of pellet in the product mix to uplift the blended margins



Source: Company, MNCL Research estimates

Exhibit 7: Margins to surge with rising proportion of pellet, captive power and utilization efficiencies



Source: Company, MNCL Research estimates

Iron ore & pellets – Short term weakness but well placed for long term growth

How the iron ore industry changed over the last decade and its impact on pricing

We discuss some basics about the domestic iron ore industry in the current section as these factors are going to define the supply demand scenario for iron ore pricing in India, which in turn will impact the pellet prices and spreads for GPIL (pellet will contribute 50-60% of GPIL's revenue for the next 3years).

While there have been several developments on the auctioning of new mines, royalty structure, global trade dynamics for seaborne iron ore and rules for merchant mining in the last decade, what has not changed much is the fact that steelmaking route still has the same dependence on iron ore as 10years back despite increased use of scrap. According to Ministry of Steel in India, the dependence on BOF, IF and EAF has remained the same even after 10years due to easy availability and massive reserves of iron ore in India, resistance in adoption of new fuels for steelmaking, etc.

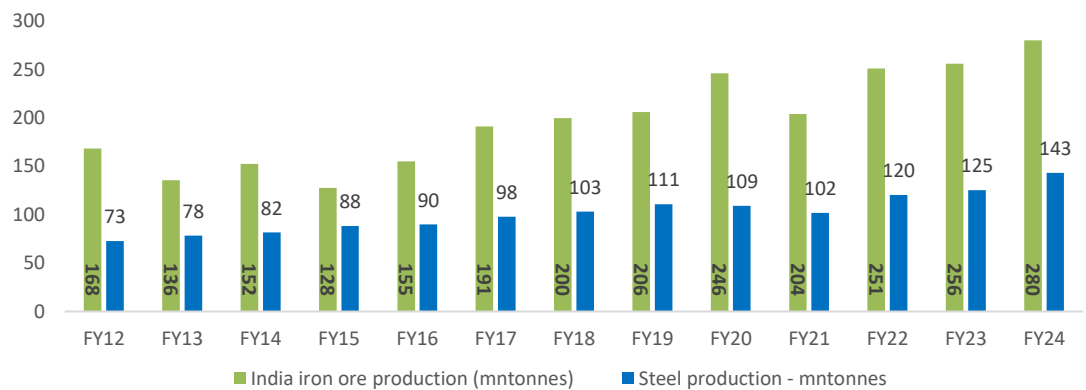
Steelmaking route (Ministry of Steel)

FY14: BOF – 43%, EAF – 23%, IF – 34%

FY24; BOF – 43%, EAF – 22%, IF – 35%

In FY24, 280mnt of iron ore was converted into 87mnt of hot metal and 47mnt of DRI which got further converted into 143mnt of crude steel. Going ahead, there are large capacities of blast furnace route scheduled to be commissioned, which provides further convection on the rising demand for iron ore in India where the demand for steel remains very strong, unlike many other countries.

Exhibit 8: Iron prod/ steel prod. ratio remains at ~1.9x (same as in FY14) implies no major reduction in primary route of steelmaking using iron ore in India unlike western countries



Source: Bloomberg, Steelmint, MNCL Research estimates

As seen in the exhibit above, dependence on iron ore for steel making has not reduced substantially in India. This is also reiterated in the exhibit below showcasing the high correlation in iron ore and steel production growth over the last decade.

The last 3years has seen enormous momentum in steel and iron ore consumption due to strong demand from automobiles, infrastructure projects and construction, leading to the central elections. Post elections now, it has seen a slowdown but the budgetary spending on infrastructure remains robust, which should lead to continuity of the 6-7% growth in steel demand.

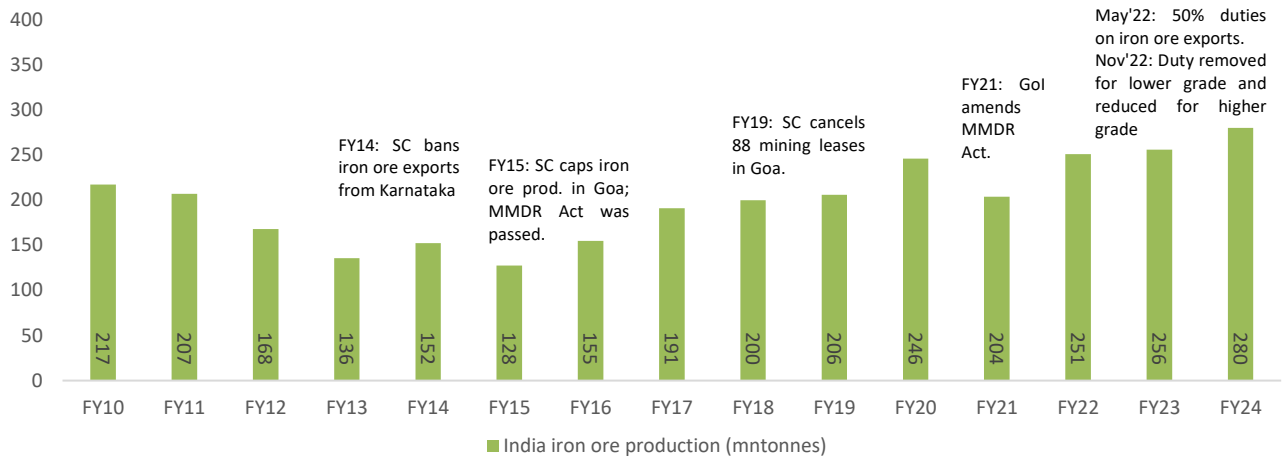
Exhibit 9: Iron ore and steel production has sustained ~6% growth across two business cycles

Steel vs Iron ore	3yr CAGR	5yr CAGR	10yr CAGR
Iron ore production growth - %	11.0%	6.3%	6.3%
Steel production growth - %	11.8%	5.2%	5.8%

Source: Bloomberg, Steelmint, MNCL Research

There were several events in the last decade which has shaped the supply demand dynamics for iron ore in India. The major ones are highlighted in the exhibit below:

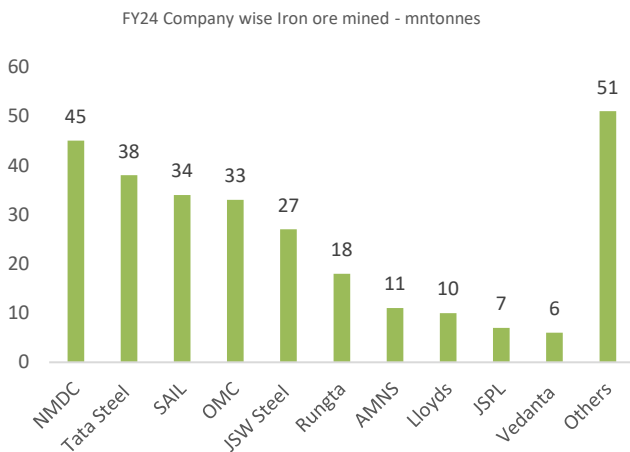
Exhibit 10: Major events in iron ore mining which drastically impacted pricing and supply



Source: MNCL Research

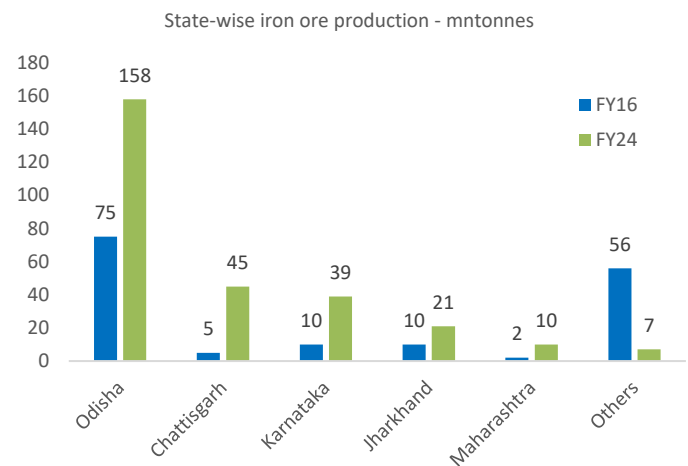
Several SC rulings or duty recommendation by the DGTR had material impact on the supply dynamics, in turn leading to adverse movement in iron ore pricing. The introduction of an additional 22.5% premium on iron ore sold in external markets had a major impact on the profitability of the miners. Renewal of mining leases through the MMDR Act and auctions thereafter has led to exponential increase in premiums paid by iron ore miners.

Exhibit 11: Several private steel producers have entered mining in the last decade



Source: Steelmint, MNCL Research

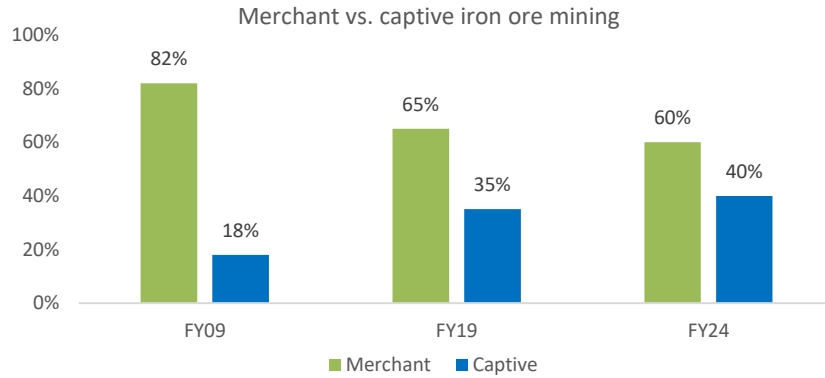
Exhibit 12: Odisha contributed to 57% of iron ore mined in India in FY24 vs 50% in FY16



Source: Steelmint, MNCL Research

While several private players and steel manufacturers have increased/ entered mining operations in the last decade, half of the iron ore mined is still controlled by the top four miners, i.e. Tata Steel, NMDC, SAIL and OMC as shown in the exhibit above. Odisha remains the top state for iron ore mining in India – contribution increased from 50% in FY16 to 57% in FY24. This is largely because of huge reserves of iron ore present in Odisha. Severe disruption in mining at Odisha has historically led to surge in domestic prices of iron ore – recently it happened in 2021 when the mining lease was expiring for 16 merchant mines (~66mnt of iron ore mining EC) in Odisha. This was one of the reasons for low iron ore production in FY21. Several new states like Maharashtra have started meaningfully contributing to iron ore mining as shown in the exhibit above.

Exhibit 13: Captive iron ore mining increased in the last decade, to slacken the volatility in spreads



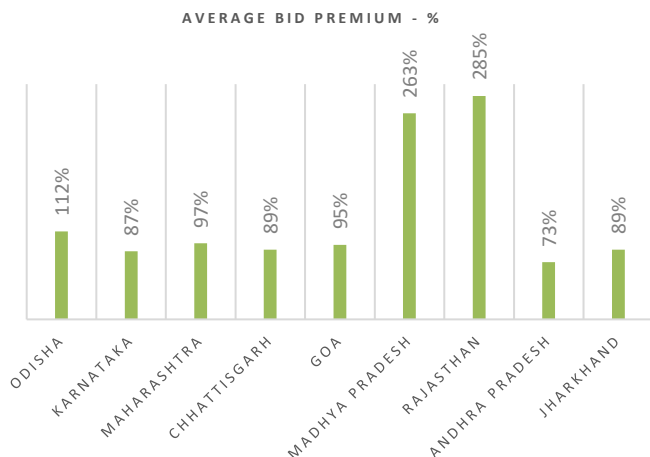
Source: Steemint, Company Annual Reports and Presentations, MNCL Research estimates

As shown in the exhibit above, **there has been a very prominent shift in iron ore mining from heavily merchant mining to captive mining in the last decade.** Post the MMDR Act in 2015, mines were allocated through auctions, and this is when private steel producers, especially integrated steel plants, started to participate in these auctions. The major reason to secure captive iron ore was to reduce the volatility in spread in times of extreme iron ore cost movement and structurally improve operational profits. Also, the amendment to the MMDR Act in 2021 has allowed captive mines to sell iron ore but with an extra premium.

Another prominent trend observed in auction is that the premiums have risen exponentially i.e. 100-140% now vs. 30-60% in the 2015-2019 era as shown in the exhibit below. This is mainly due to very high demand to secure captive iron ore close to the steel plants. While several mines were auctioned post the MMDR Act in 2015, more than half of those mines remain non-operational due to several issues like plethora of regulatory approvals required for starting mines and the high premiums. **In India, a miner requires more than 20 approvals out of which 9 are from different central ministries and rest from states, which take 2-3 years.**

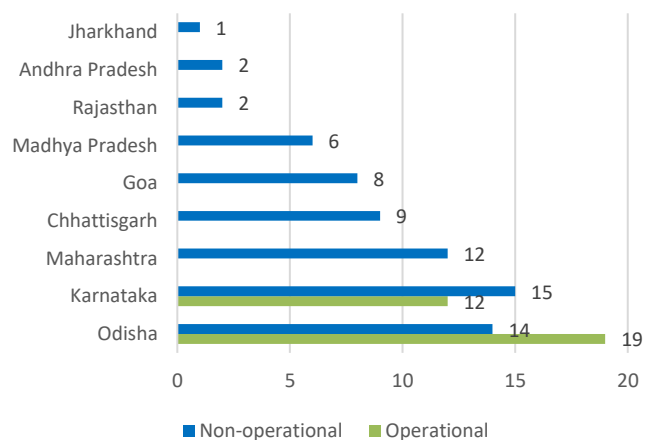
Implications: The domestic iron ore market remains finely balanced and not at all over-supplied. Also, GPIL is very well-placed vs. the newly auctioned mines as it doesn't have to pay any premium.

Exhibit 14: Average bid premium across the country risen to ~100% compressing operating profits for several steel manufacturers



Source: Steemint, MNCL Research

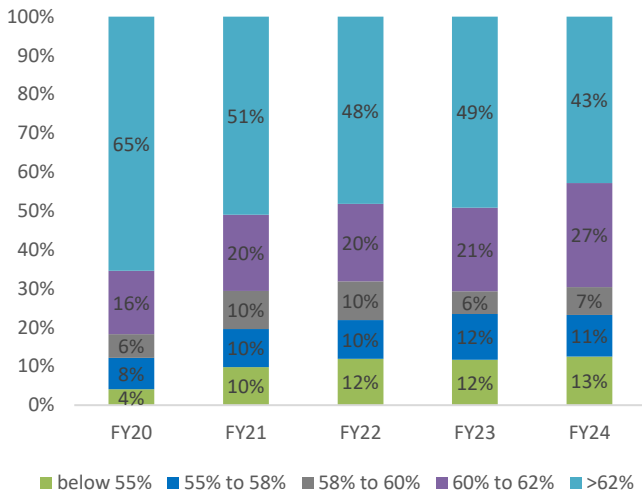
Exhibit 15: While several mines were auctioned post the MMDR Act 2015, more than half remained non-operational (data from 2021)



Source: Steemint, MNCL Research

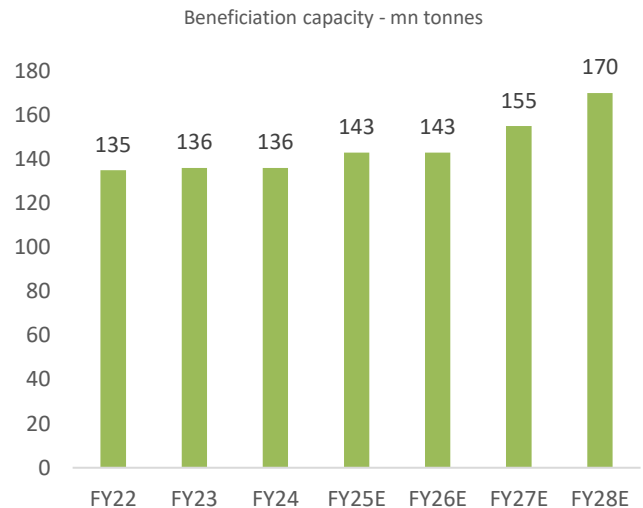
Another trend that has been observed over the last 5 years is the declining proportion of very high-grade iron ore mined i.e. >62% Fe as shown in the exhibit below. The proportion of less than 60% Fe grade iron ore has now increased to 30% in FY24 as compared to 18% in FY20. Therefore, the capacity of beneficiation plants in India is rising, to improve the iron content in the mined ore. According to Steelmint, India's beneficiation capacity is expected to increase at a 5.7% CAGR over FY24-FY28E. This will surely reduce the exports of low-grade iron ore, especially to China. GPII has also undertaken capex to install a 6mnt beneficiation plant to convert its low-grade ore at Boria Tibu mine.

Exhibit 16: The proportion of less than 60% Fe grade iron ore now increased to 30% in FY24 as compared to 18% in FY20



Source: Steelmint, MNCL Research

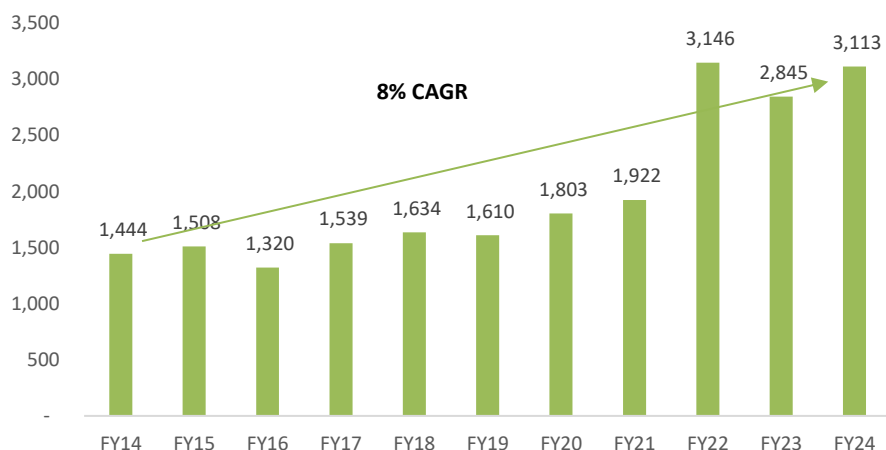
Exhibit 17: India's beneficiation capacity expected to increase by CAGR of 5.7% over FY24-FY28E



Source: Steelmint, MNCL Research

Rising Operational Cost for mining: Our analysis of NMDC's operating cost over the last decade shows an 8% CAGR appreciation, as shown in the exhibit below. A major jump in this cost was seen in FY22 due to multiple reasons. **The first reason being that after the amendment to the MMDR Act, merchant miners whose lease had been extended were asked to switch to 150% of the royalty payable, which meant 22.5% royalty instead of 15% before. The overall base IBM price of iron ore on which the royalty is applicable also increased substantially due to overall commodity inflation that followed as an after effect of the pandemic.** Due to changed global dynamics on how iron ore and coking coal are traded and consumed, we do not expect the RM cost to cool down to levels present before the pandemic. **Therefore, we believe that operational costs will not fall meaningfully limiting the correction in iron ore prices.**

Exhibit 18: NMDC's operating cost/tonne for mining has risen at a CAGR of 8% in last decade



Source: Company, MNCL Research

Seaborne iron ore price not a major influence on domestic prices

Although there is a meaningful correlation between seaborne and domestic iron ore prices, largely due to the overall commodity inflation and major economic disruptions like the pandemic, the seaborne iron ore prices don't have a major influence over domestic prices. The seaborne prices only matter when either it is too low for import of iron ore to be viable or it's too high for domestic ore to be lucrative for exports. Substantial increase in imports or exports happen rarely, and mostly it is the latter as cost of mining is cheaper in India than overseas.

Exhibit 19: 85% correlation between seaborne prices and domestic iron ore



Source: Bloomberg, MNCL Research

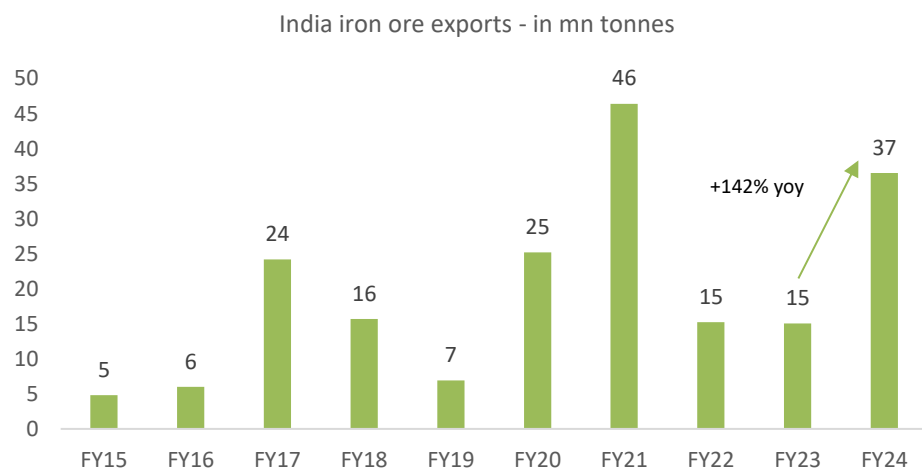
Historically, excessive exports of iron ore have been regulated by the DGTR by imposing export duties to maintain a balance in the domestic markets. History of the same as follows:

Exhibit 20: Government interventions to ensure the domestic market is never under-supplied

Timeline	Duties on Iron ore exports from India
Jun'2008	Imposition of 15% duties on lumps and fines
Nov'2008	Reduction to 8% duties on fines, lumps unchanged
Mar'2011	Duty increased to 20% on both fines and lumps
Dec'2011	Duty further increased to 30%
2016	Duty on low grade ore removed
May'2022	Duty raised to 50% on all grades
Nov'2022	Duty on low grade ore removed, high grade ore reduced to 30%

Source: MNCL Research

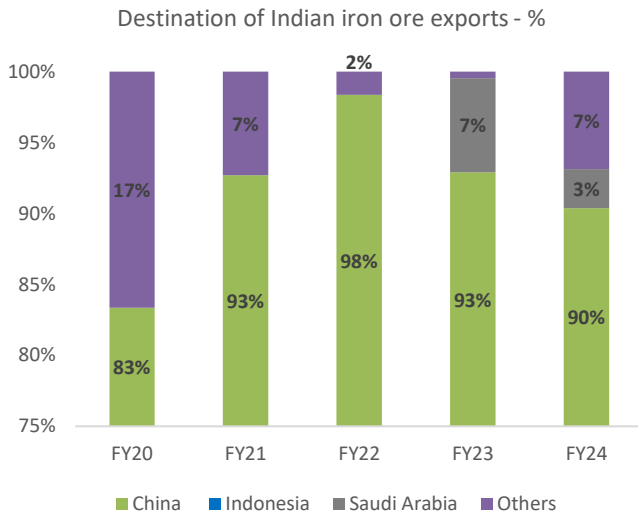
Exhibit 21: Sharp uptick in exports from Nov'22 after the removal of duties on low grade exports



Source: Bloomberg, MNCL Research

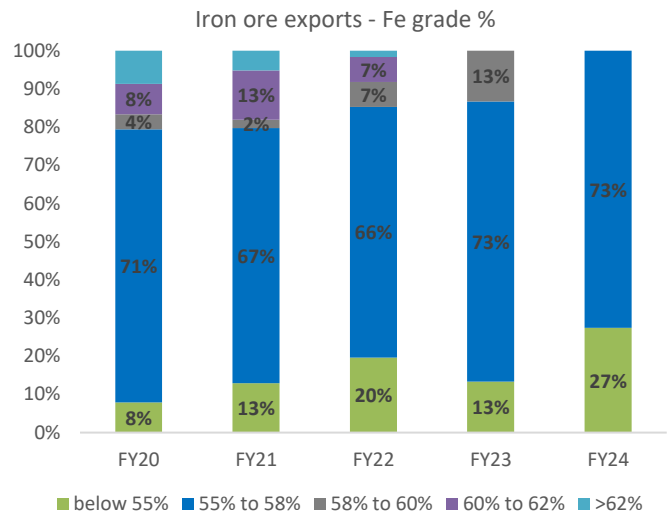
Destination and grade of exports: Although there are exports of iron ore prevalent from India, it is mainly to China and is the low-grade ore being exported as seen in the exhibits below. China has huge capacities of beneficiation plants which convert this to high grade.

Exhibit 22: China the major consumer of low-grade ore exported from India



Source: Steelmint, MNCL Research

Exhibit 23: India only exports iron ore of <60% Fe grade



Source: Steelmint, MNCL Research

Exhibit 24: High grade 62% Fe iron ore unfavorable for exports

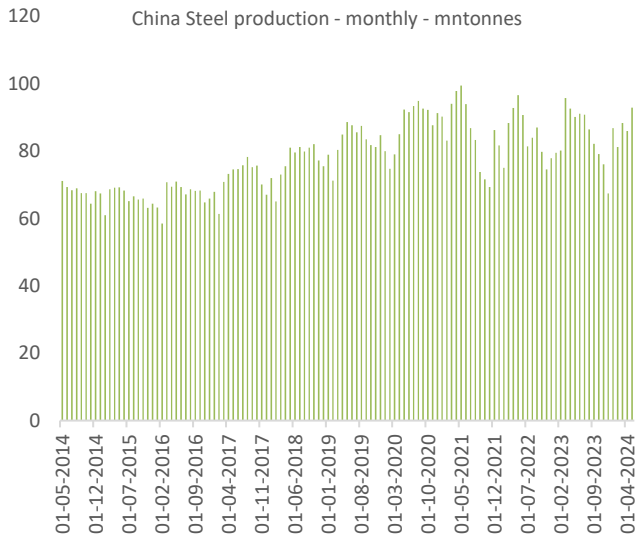
When are exports favorable for iron ore?	per tonne
Low grade - 57% Fe	
Iron ore fines, Odisha - 57% Fe - Rs/tonne	2800
Additional premium - Rs/tonne	630
Export duties @ 0%	0
Transfer to port - Rs/tonne	500
Sea freight charges - Rs/tonne	2508
Total cost of low-grade iron ore exports - Rs/tonne	6,438
Total cost of low-grade iron ore exports - US\$/tonne	77.0
Seaborne iron ore - 62% Fe - fines, CNF Rhizao - US\$/tonne	109.0
High grade - 62% Fe	
Iron ore fines 62% Fe - Rs/tonne	5110
Additional premium - Rs/tonne	1150
Export duties @ 30%	1533
Transfer to port - Rs/tonne	500
Sea freight charges - Rs/tonne	2508
Total cost of high-grade iron ore exports - Rs/tonne	10,800
Total cost of high-grade iron ore exports - US\$/tonne	129.2
Seaborne iron ore - 62% Fe - fines, CNF Rhizao - US\$/tonne	109.0

Source: Company, MNCL Research

The low grade imported ore from India is beneficiated into high grade at a cost of US\$5-15/tonne and then sold at prices of 62% Fe, which still has good margins.

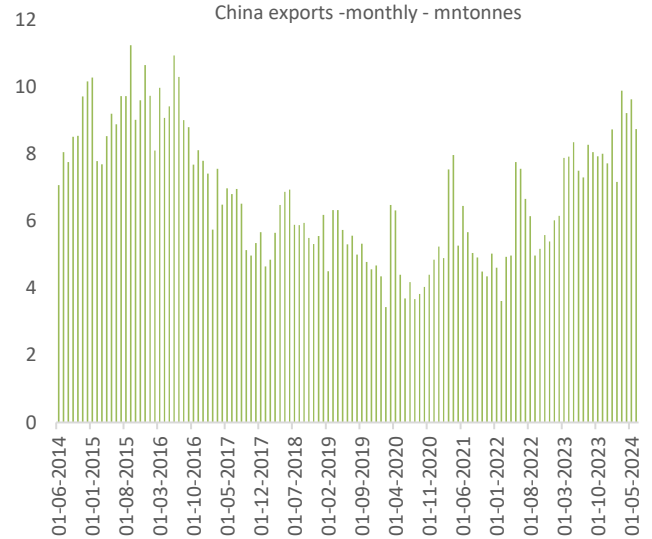
However, we believe that China’s economy is looking weak when it comes to steel consumption. The below exhibits show that China’s steel production has increased, but there is also a large spike in exports, signaling weak domestic demand.

Exhibit 25: China monthly Steel production seen some excitement, but not consumed in the country



Source: Bloomberg, MNCL Research

Exhibit 26: Rather all the incremental steel production in being dumped in other countries overseas



Source: Bloomberg, MNCL Research

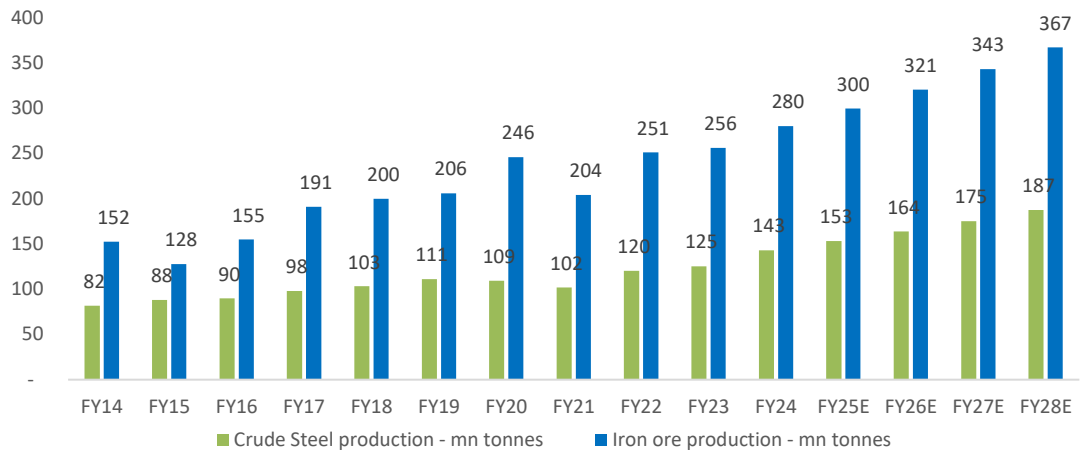
Verdict on the iron ore prices and its impact on pellet prices

As of March 2023, India's total installed steel-making capacity was 154 million tonnes (MT). This is made up of 66 MT from blast furnace-basic oxygen furnace (BF-BoF), 34 MT from electric arc furnace (EAF), and 54 MT from induction furnace (IF). Going ahead, a large part of the new steelmaking capacities planned by Integrated steel plants are expected to go through the iron ore BOF route, as shown in the exhibit below. This should keep the demand for iron ore vs steel at that 1.9x ratio i.e. very much intact.

Exhibit 27: Upcoming capacities largely going to drive more demand for iron ore than scrap

Company	Capacity Addition (mtpa)	BOF	EAF
Tata Steel	5.9	5.0	0.9
SAIL	1.4	1.4	-
JSW	7.3	7.3	-
JSPL	6.3	6.3	-
RINL	-	-	-
AM/NS	6.0	6.0	-

Source: Company, MNCL Research

Exhibit 28: We expect ~7% CAGR growth in iron ore and steel production over FY24-FY28E


Source: MNCL Research estimates

While the Indian government has ambitious goals of reaching steel production of 300mnt by 2030, we believe that if there is a more realistic picture build for a ~7% CAGR for steel production growth, even then the domestic prices should largely sustain with some seasonal correction.

Reasons for the bearishness in prices: There is major slowdown in China wrt construction, automotive and infrastructure projects. As seen in the exhibit above, China is importing high quantity of iron ore from India, converting into steel but not able to consume it internally and dumping the same in the global steel market. Demand appears very weak in Europe, CIS countries and the US, which is leading to oversupply in markets globally, in turn resulting in correction in both steel and iron ore prices. Steel imports from China and few other Asian countries has also entered India even after the existing anti-dumping duties were imposed, weakening prices further. This has coincided with seasonally weak demand on account of monsoons. Therefore, we believe there is a case of prices not rebounding to the peak they touched in 1QFY25.

Reasons for prices to stabilize post some correction: We expect the gap between weak global prices and resilient domestic iron ore prices to continue for some time due to disparity in the level of economic activity in India and overseas. Post monsoon, we expect the demand to rebound on account of continuation of infrastructure projects, which should help in some damage recovery of the prices. **For the longer term, as shown in this section, new steel capacities are coming through the BF route, which means stable consumption for iron ore, the overall tight domestic market i.e. long waiting period for new mines to start, very high premiums for the newly auctioned mines, strong growth for steel in India unlike overseas and rising operational cost would provide support to the iron ore prices beyond a certain level of correction.**

Further benefits for GPIL's products: GPIL's pellets sell at Rs1000-Rs1500/tonne premium due to its high-grade ore preferred at several DRI plants in Chhattisgarh and the eastern belt. This will reduce the impact of price correction as compared to what the overall market undergoes. The Chhattisgarh market remains tightly balanced in terms of pellet requirement.

However, we have assumed a 5-6% decline in FY25 prices vs. FY24 across all products sold by GPIL to account for the commodity price correction, with an underlying assumption of some rebound in prices post monsoon. Commodity prices have corrected 15-20% from the peak of 1QFY25, but compared to FY24 levels, the correction is still not very steep.

Pellets to drive the next leg of growth, structurally improving profitability

The next leg of growth at GPIL will be driven by the expansion of pellet capacity along with an increase in environmental clearance (EC) for iron ore mining, which would mean a fully captive supply of iron ore. Iron ore mining EC will expand captive iron ore from 3mnt currently to 6.7mntonnes which is awaiting EC. The pellet capacity will be expanded from 2.7mnt to 4.7mntonnes by 1QFY26 along with a 70MW solar power plant to support the power requirement of the pellet plant.

Other expansion plans are the addition of a beneficiation and crushing plant to process the low-grade iron ore mined from Boria Tibu mine and convert it into high grade iron ore. This plant is expected to be commissioned in 15months after receiving the EC. Other capex plans include scaling up the steelmaking capacity by 2mnt, venturing into flat steel production (explained in the next section).

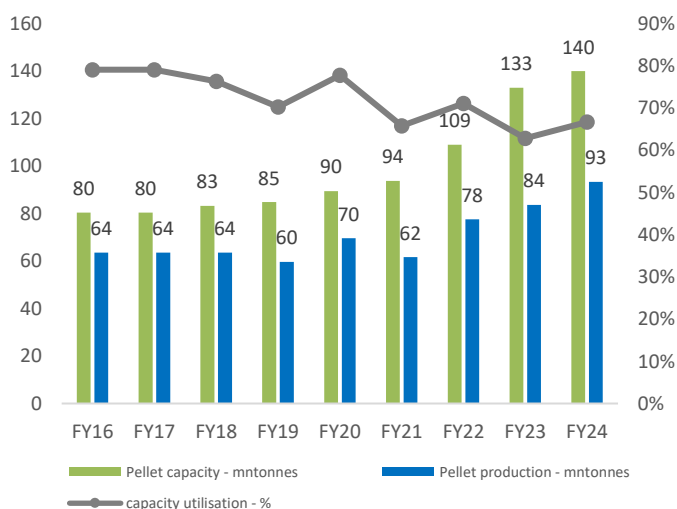
Exhibit 29: Fully backward integrated pellet capacity expansion to drive robust growth over FY24-FY27E

Project	Existing Capacity mn tonnes	Proposed expansion mn tonnes	Total Capacity mn tonnes	Capex – Rs mn			Timeline	Status
				Project Cost	Cost incurred	Balance capex		
Mining	2.35	3.65	6	0	0	0	Awaiting receipt of EC	Revised mining plan filed, and TOR received. Public hearing for EC completed in July'24
Crushing & beneficiation	0	6	6	2,000	240	1,760	15months from EC	Public hearing for EC completed in July'24
Pellet	2.7	2	4.7	6,000	320	5,680	completion in 1qfy26	Orders for major equipment placed
Integrated Steel plant	0.5	2	2.5	60,000	0	60,000	36months from EC	Awaiting EC

Source: Company, MNCL Research

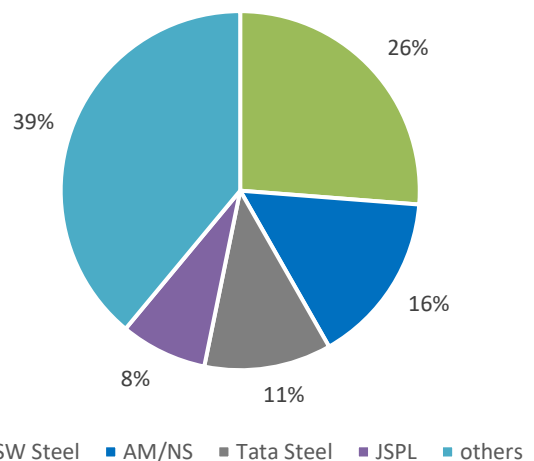
Currently, India has a pellet capacity of 140mntonnes which is operating at 67% as of FY24. The overall pellet production was 93mntonnes in FY24, mainly absorbed by the DRI plants in the eastern belts. Pellet demand is expected to rise by 5-7% CAGR for the next 3years and is highly concentrated in a few pockets. More than half of the pellet production is captively consumed by large integrated steel plants like Tata Steel, JSW Steel, JSPL and AM/NS.

Exhibit 30: India's pellet capacity to remain slightly underutilized with several new capacities announced



Source: Steelmint, MNCL Research

Exhibit 31: 40% of the pellet demand in domestic market remains untouched by integrated steel plants



Source: Steelmint, MNCL Research

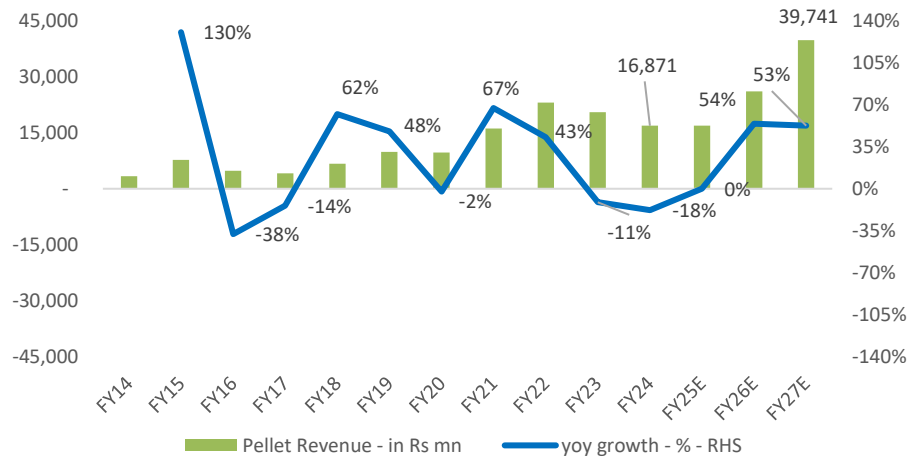
Exhibit 32: At least 22mn tonnes of new pellet capacities expected in next 3 years

Fiscal year	Capacity Addition (mtpa)	Company
FY25	6mntonnes	JSPL - Angul
FY26	2mntonnes	GPIL
	4mntonnes	Lloyds metals
FY27	8mntonnes	JSW Steel – Odisha
	2mntonnes	Lloyds metals

Source: Company, MNCL Research estimates

However, there is demand for 6mntonnes of pellet alone in the Chhattisgarh steel belt due to upcoming new DRI capacity, and they prefer high grade pellet that GPIL manufactures. Therefore, we expect pellet sales to be a major driver in the overall revenue growth of GPIL for the next 3 years.

Exhibit 33: Pellet revenues to surge in next 2years on commissioning of new plant



Source: Company, MNCL Research estimates

Captive iron ore + increasing contribution from pellets => rising profitability

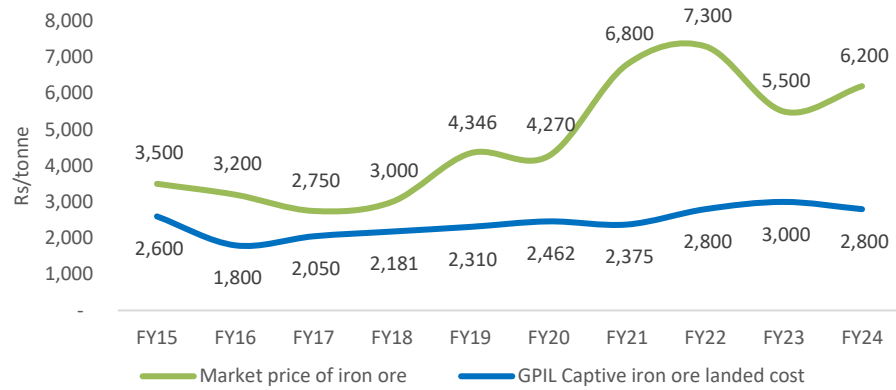
The Ari Dongri and Boria Tibu mines of GPIL have leases extending to 50years and 36years of expected mine life with reserves of 165mn tonnes from both the mines. GPIL is the lowest cost iron ore producer as it does not have to pay any premium on its iron ore. The leases were renewed in 2015 during the amendment to the MMDR Act and no extra premium was imposed on these mines. This is a major benefit as compared to other steel, iron products and intermediate steel product manufacturers as it saves substantially on the operating cost of mining iron ore, as shown in the exhibit below. GPIL's iron ore cost is even lower than NMDC and much lower than the new mines which were auctioned at ~100%. **The benefit flows into every product manufactured by GPIL using iron ore.**

Exhibit 34: GPIL has mines leased till 2050 with no premium over royalty paid, benefiting spreads

For premium of 22.5% (NMDC)		Mines auctioned		GPIL mines	
	Rs/tonne		Rs/tonne		Rs/tonne
IBM Price - 62% Fe fines	4,807	IBM Price - 62% Fe fines	4,807	IBM Price - 62% Fe fines	4,807
Royalty @ 15%	721	Royalty @ 15%	721	Royalty @ 15%	721
DMF, NMET, etc	312	DMF, NMET, etc	312	DMF, NMET, etc	312
Premium @ 22.5%	1,082	Premium @ 110%	5,288	Premium	-
Mining and other opex cost	1,800	Mining and other opex cost	1,800	Mining and other opex cost	1,800
Landed cost of iron ore (NMDC)	3,915	Landed cost of iron ore (other miners)	8,121	Landed cost of iron ore (GPIL)	2,834

Source: Company, MNCL Research estimates

Exhibit 35: Savings with GPIL’s captive iron ore increase at high market prices

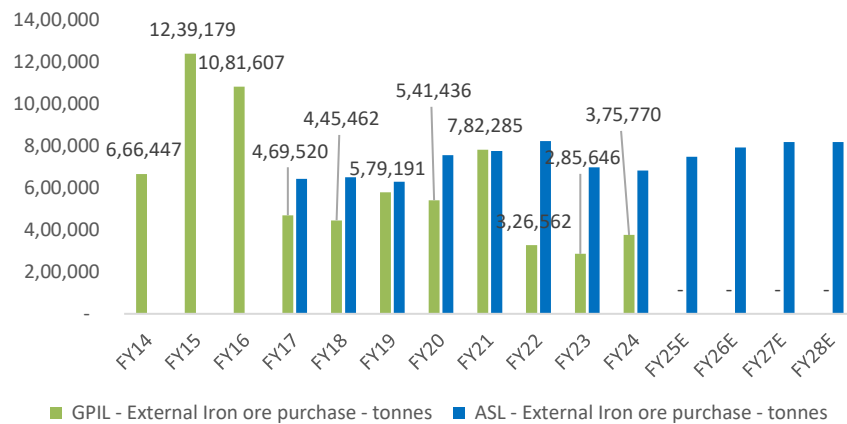


Source: Company, MNCL Research

Reduction of external iron ore purchase

Another reason for improving profitability for GPIL is the end of external purchase of high-cost iron ore for pellet production at its Siltara plant due to increase in EC for iron ore mining. With 3mnt captive mining EC, GPIL will need no external purchase in FY25. With another mining EC for expansion to 6mnt, GPIL will be self-sufficient for its new pellet plant of 2mnt. Ardent Steel Ltd., a subsidiary of GPIL will continue to buy iron ore from external markets, as it is not economically viable to transfer iron ore from Ari Dongri in Chhattisgarh to ASL pellet plant in Odisha.

Exhibit 36: At the current market price of iron ore, GPIL (standalone) saves Rs2.3bn in RM cost due to no external purchase in FY25E vs. FY24. Ardent steel will continue purchase of external iron ore



Source: Company, MNCL Research estimates

In a scenario of very high iron ore cost, several merchant miners are struggling to make profits vs. GPIL which benefits from captive iron ore and high-grade pellet pricing as shown in exhibit below:

- GPIL makes ~Rs5500 EBITDA/tonne for pellet sales due to captive iron ore vs. barely Rs1000 for merchant pellet sellers using external iron ore.
- GPIL pellets are a mix of 1/3rd 63% Fe grade and 2/3rd 66% Fe grade, which leads to Rs1000-1500/tonne premium on sales.
- GPIL is comfortable holding an order book of 30-45 days even in the times of price correction, which means that demand remains strong for their pellets.
- Another 70MW of solar power plant is being commissioned to meet the power requirement of the new pellet plant and will be commissioned in 1QFY26, thereby maintaining the operational cost and EBITDA/tonne.
- We expect ~3.8mnt of pellet sales on complete ramp up of the new capacity by FY28E and the rest will be consumed captively for forward integration.

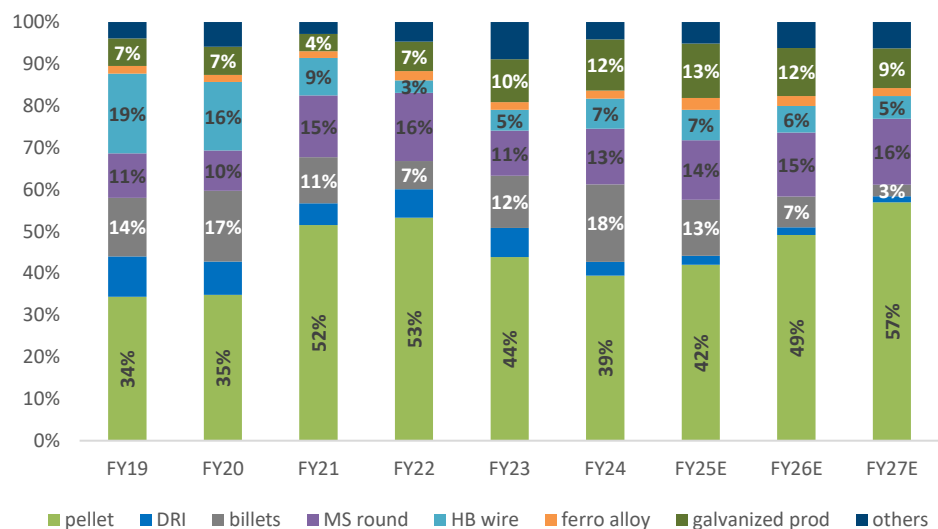
Exhibit 37: GPIL earns best in industry profits on pellets due to its high grade and fully captive iron ore

in Rs/tonne	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Market price of iron ore	3,500	3,200	2,750	3,000	4,346	4,270	6,800	7,300	5,500	6,200
GPIL Captive iron ore landed cost	2,600	1,800	2,050	2,181	2,310	2,462	2,375	2,800	3,000	2,800
Iron ore required/ tonne of pellet	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Total iron ore cost for GPIL	2,860	1,980	2,255	2,399	2,541	2,708	2,613	3,080	3,300	3,080
Total iron ore cost for merchant pellet producers	3,850	3,520	3,025	3,300	4,781	4,697	7,480	8,030	6,050	6,820
Cost of conversion to pellet	1,550	1,597	1,644	1,694	1,745	1,797	1,851	1,906	1,963	2,022
Cost of pellet to GPIL	4,410	3,577	3,899	4,093	4,286	4,505	4,463	4,986	5,263	5,102
Cost of pellet to merchant pellet producer	5,400	5,117	4,669	4,994	6,525	6,494	9,331	9,936	8,013	8,842
Market price of pellet - Steelmint	6,700	4,931	4,517	5,785	6,961	6,431	9,185	13,866	9,340	9,585
GPIL's Pellet Realisation	7,798	5,067	4,360	5,365	6,809	7,091	10,046	13,881	10,355	10,666
GPIL's Premium to market	1,098	136	-157	-420	-152	659	860	15	1,016	1,080
GPIL - EBITDA/tonne	3,388	1,490	460	1,272	2,523	2,586	5,582	8,895	5,092	5,563
Merchant pellet - EBITDA/tonne	1,300	-185	-153	792	436	-63	-145	3,930	1,326	743

Source: Company, MNCL Research estimates

What helps in augmenting GPIL's profitability is the increasing proportion of high margin pellets in the total revenue to 57% in FY27E vs 39% in FY24 as shown in exhibit below:

Exhibit 38: Rising proportion of pellet in the product mix to lift blended margins

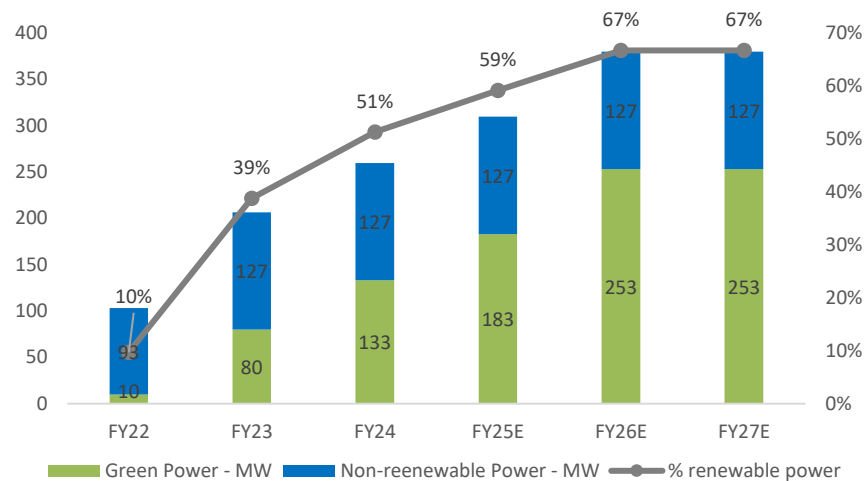


Source: Company, MNCL Research estimates

Other major factors that will support its profitability include:

- Sponge iron sales to reduce as it's forward processed to increase sales of finished steel products MS rounds having better profitability.
- Expect EBITDA/tonne to further improve on commissioning of the 6mnt beneficiation plant. This should help the restart of Boria Tibu mine and increase iron ore mining to full potential of 6.7mntonnes. This is also expected to improve the overall grade of pellets and aid realizations.
- GPL will remain largely sufficient on power requirement despite capacity expansions due to more than 100MW of additional power plants, 51% of which is through renewables in FY24. This will increase to 2/3rd power requirement from renewables by FY27E. Average cost of power will be maintained at Rs3/unit and there will be further power plants, mainly green power plants, commissioned to support power requirement for the new 2mnt steel plant.

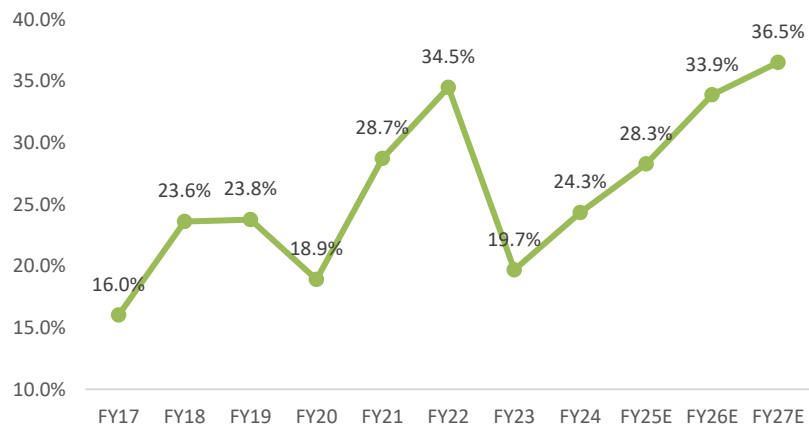
Exhibit 39: 67% of the captive power to become green (from renewable sources) helping in reducing carbon emissions



Source: Company, MNCL Research estimates

All these factors have together led to a surge in our margin estimates in the next 3years.

Exhibit 40: Margins to surge with improving product mix and rising utilization levels



Source: Company, MNCL Research estimates

Rolling mill modification for galvanized products (GP)

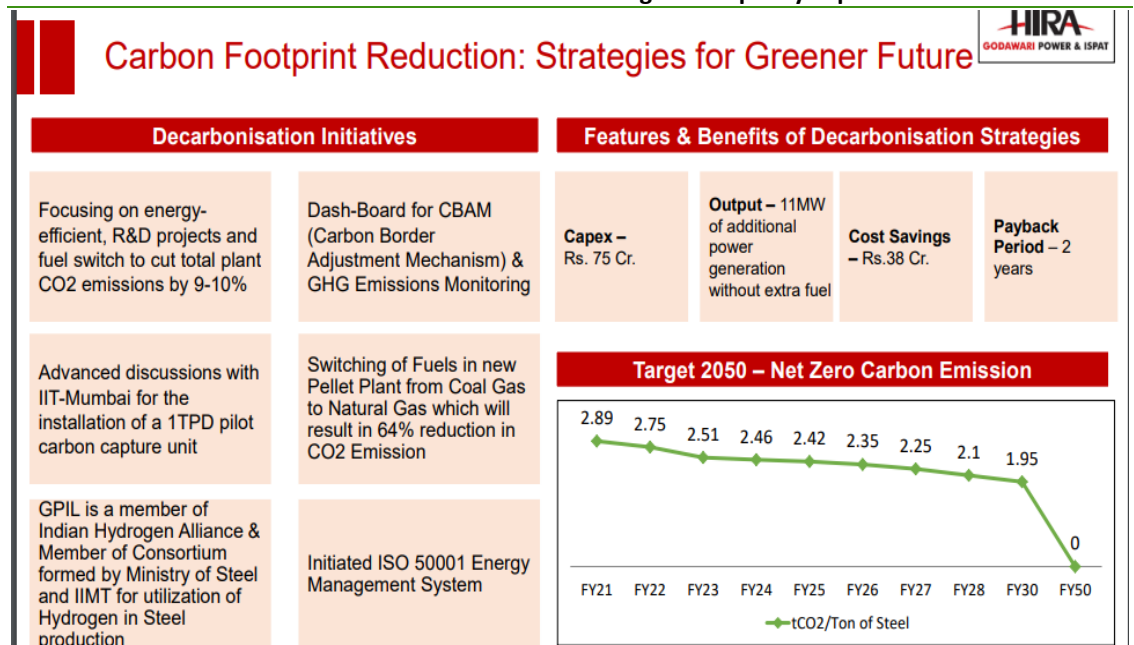
GPIL used to source structural steel from the market and convert it into galvanized products (GP). But now with the completion of modification of the rolling mill, GPIL will use in-house billets, which will be converted into GP. Further with modification of the strip mill, the input for ERW pipes will also be taken care of in-house. This is surely expected to result in cost savings starting 2QFY25. A 20MW solar power plant has been installed at Tulsipur, Chhattisgarh to support the power requirement of this mill.

GPIL has already applied to several agencies in the Railways, Power and Discom industries to get this new backward integrated setup registered for an approved vendor certification, which will help scale up offtake. The approvals are expected in 2-3months.

Energy Efficiency Decarbonization Capex

GPIL has initiated various energy efficiency projects which includes power generation through use of waste gases of pellet plant, replacement of Rotter etc. This will result in additional power generation of 10 to 11MW without additional fuel and overall cost savings of Rs380mn. The project will entail a capex of Rs750mn, a payback period of 2 years and is expected to be completed by September'25.

Exhibit 41: GPIL maintains focus on decarbonization along with capacity expansions



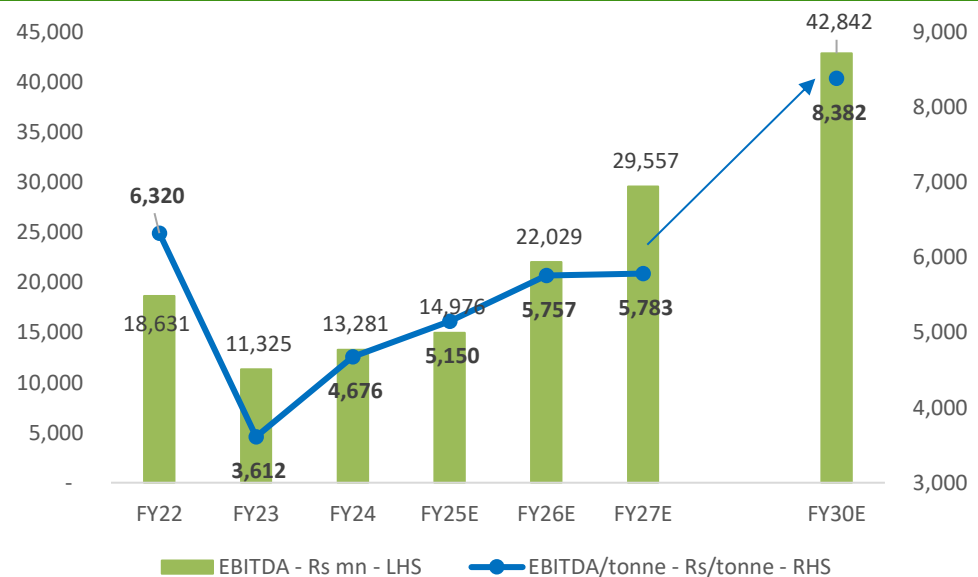
Source: Company, MNCL Research

Long term story: Net cash steel producer with captive iron ore and green power – ideal combination

What differentiates GPIL from several other steel companies is the strategy of forward integration, along with security of captive green power and all capex being pursued using only internal accruals. Further, the availability of iron ore mines provides backward integration and reduces all the volatility with respect to market cost of iron ore.

- GPIL plans to commission a 2mnt steel plant to manufacture flat products, namely HRC with a wide range of thickness starting from 1mm. The rising demand for flat steel especially in automotive and other infrastructure purposes was the major decision driver in choosing flat products and not long steel. Also, long steel has a lot of new capacities scheduled to be commissioned in the next 3 years. GPIL will seek all approvals to set up a cold rolling mill but the capex for this will be incurred in phase 2.
- Steelmaking will be supported with solar and WHRP power plants to remain low on power cost – avg cost of power to remain around Rs3-4/unit.
- Asset turnover for this steel plant will be 1.3-1.5x for a capex of Rs60bn.
- The cost of processing for making steel will remain at \$30/tonne or Rs2500/tonne subject to expenses and consumable cost.
- *We have not accounted for revenue from this steel plant, but capital cost is accounted in the cash flow. We expect commercial production to start in FY28 subject to all timelines being met and executed. Timeline for the steel plant: 36months from receiving EC (expected by Dec'24 – court hearing for the EC has already been completed).*
- Our estimates suggest that GPIL's balance sheet will remain net cash and will not need any borrowings to scale up the plant, including capex for forward integration into CRC.
- **Our assumption on calculating FY30E EBITDA and EBITDA/tonne:** EBITDA/tonne for 2mntonnes finished steel – Rs13,000 in FY30E for a fully backward integrated steel plant. On these assumptions, *we expect FY30E EBITDA to be 2.5-3x the FY25 EBITDA.* A faster ramp up of steel offtake, additional expansion plans and better than expected EBITDA/tonne for finished steel can lead to substantial upside to our FY28-FY30 estimates.

Exhibit 42: Structural increase in blended EBITDA/tonne due to rising contribution from pellet and forward integration to flat steel in later years

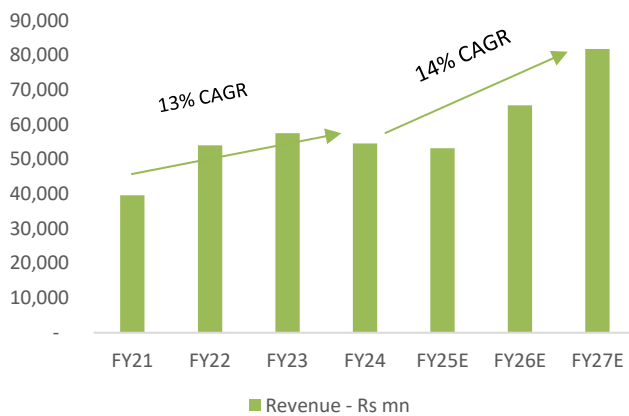


Source: Company, MNCL Research estimates

Financial Analysis – Robust Core Fundamentals

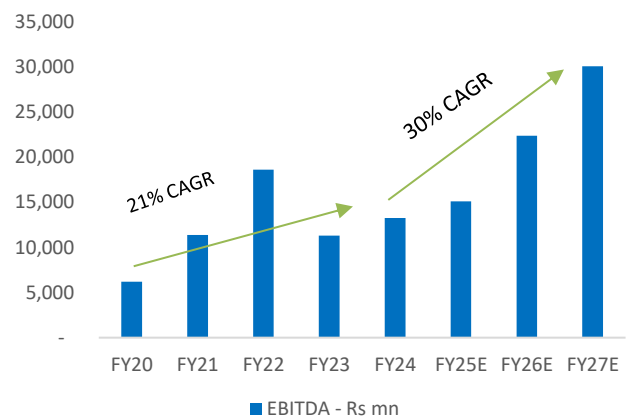
- A. **GPIL to grow much stronger than the last business cycle:** Despite accounting for near-term headwinds in the commodity prices, we expect 14% and 30% CAGR growth in revenue and EBITDA over FY24-FY27E. The main reason for this is robust growth in pellet revenue in turn lifting blended margins.

Exhibit 43: Revenues to grow by ~14% CAGR over FY24-27E



Source: MNCL Research estimates

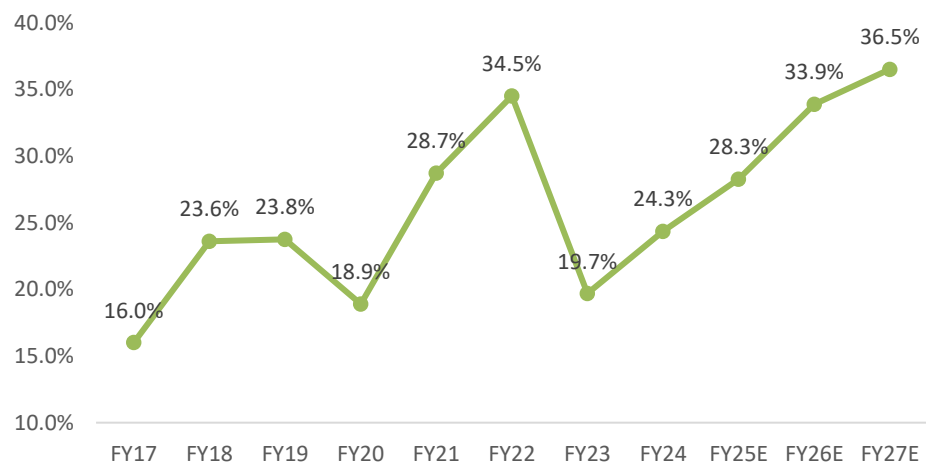
Exhibit 44: EBITDA to grow by ~30% CAGR over FY24-27E



Source: MNCL Research estimates

- B. **Margins to surge on improving product mix:** The rise in proportion of high margin pellets in the revenue over the next 3 years is the major reason for margin expansion. The EC expansion of captive iron ore and increase in captive power along with premium for GPIL's pellets help drive the margins.

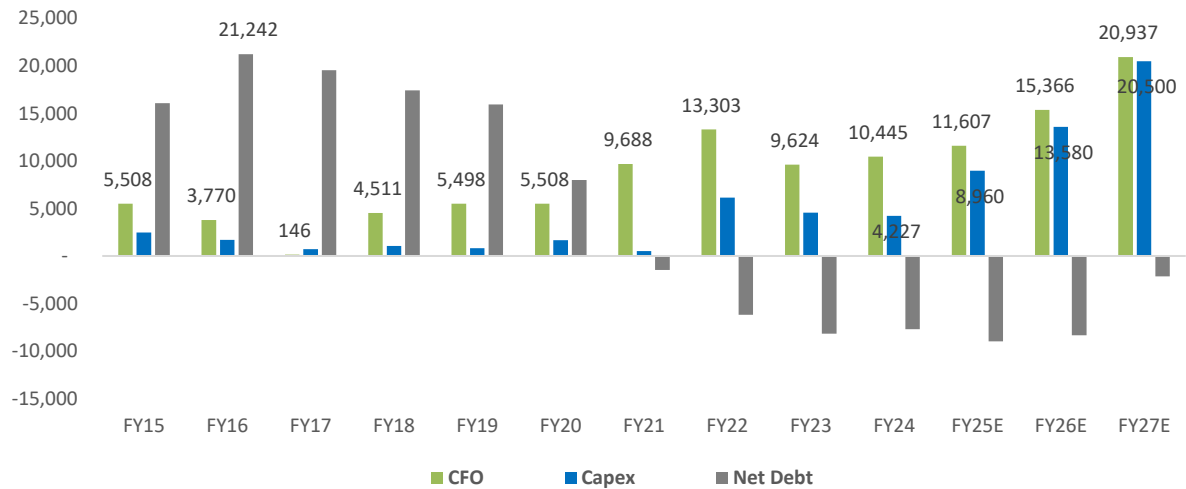
Exhibit 45: Best in industry EBITDA margins due to high proportion of pellets



Source: Company, MNCL Research estimates

C. GPIL to remain net cash: GPIL was once a high debt company in FY16, struggling to manage its cashflows and repayment of debt due to volatile spreads in adverse commodity cycles, high working capital requirement and high capex pursued in prior years. But since then, it has postponed its capex and focused on debt repayment. GPIL turned net cash in FY21 and since then has been accumulating cash for expansion plans. We expect no debt requirement to complete its expansion plans as shown in exhibit below, because of solid cash generation from the pellet business.

Exhibit 46: Capex to be largely funded by internal accruals, GPIL to remain net cash

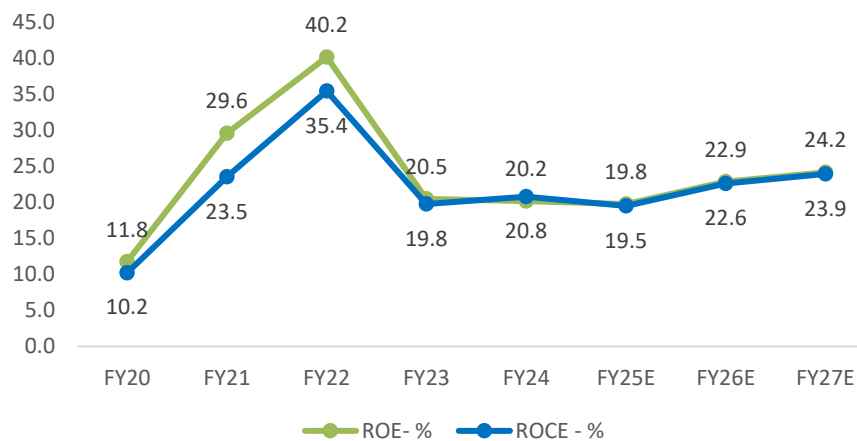


Source: Company, MNCL Research estimates

D. Return Ratios – to be maintained above 20% levels

GPIL’s return ratio declined in FY23 due to an increase in proportion of low margin (% wise) products like billets, galvanized products and MS rounds due to ramp up of these capacities. High cost of thermal coal further impacted the spreads in FY23. We expect the return ratios to further meaningfully improve from FY26E with a rising proportion of pellets and rising utilization of the new capacities installed. It is notable that this increase in return ratios is despite a large Rs70bn capex program pursued by GPIL.

Exhibit 47: Expect return ratios to remain safely above 20% with increase in utilization

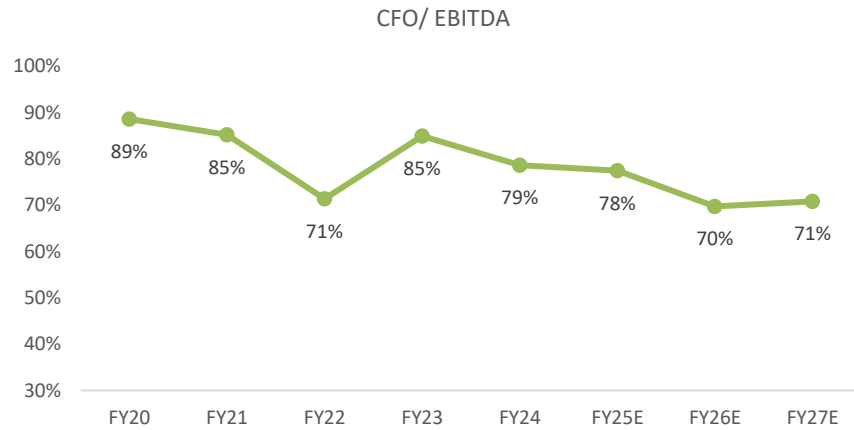


Source: Company, MNCL Research estimates; ROCE is post-tax

E. Cash flow conversion

GPII has maintained a very efficient cash flow conversion ratio in the last 5 years despite the volatility in spreads and working capital requirements. This is due to a short order book of 30-45 days for pellets, an enviably low debtor cycle of 15-25 days and longer creditor cycle due to imports of thermal coal. We expect the ratio to slightly decrease due to rising offtake and working capital requirements but will remain around the 70% level.

Exhibit 48: Cash flow conversion will be maintained at 70% despite the capacity rampup



Source: Company, MNCL Research estimates

Valuation – Undervalued @ 5x Jun’26 EV/EBITDA

GPIL is on track to ramp up its pellet offtake post commissioning of new pellet plant and receiving EC for the captive iron ore mining. **While in the short term, GPIL will be a large pellet manufacturer – one of the most efficient in India, but in the longer term, GPIL will be a 2.5mnt steel plant which will be completely backward-integrated for its iron ore requirement along with 70% captive power from renewable sources; all this will be achieved while maintaining a net cash balance sheet. There are very few steel plants with the above attributes, due to which we believe GPIL surely merits a 6x target EV/EBITDA multiple, which is at par with what steel companies trade on an average across business cycles.**

The recent correction in the share price is the result of global meltdown in iron ore and steel prices, which has also spilled over to domestic markets. However, we believe this time India is well placed to witness a rebound in demand post the monsoon, which should help stabilize prices. Even after accounting for commodity price correction in our estimates, we believe that the sharp decline in share price is unwarranted.

We value GPIL at 6x Jun’26 EV/EBITDA to arrive at a TP of Rs1240/sh and initiate with a BUY rating on the stock. On CMP of Rs980, GPIL trades at 5x Jun’26 EV/EBITDA which is attractive for a commodity company.

Exhibit 49: GPIL is undervalued at 5x Jun’26 EV/EBITDA driving our BUY rating

Company	Mkt Cap (Rs mn)	CAGR (FY24-FY26E)			EBITDA margins - %			ROE - %			PE Ratio			EV/ EBITDA		
		Revenue	EBITDA	PAT	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Tata Steel Ltd	21,08,798	7%	36%	NM	9.8	14.6	16.1	-4.5	12.7	15.9	-46.7	16.2	11.8	12.2	8.3	7.0
JSW Steel Ltd	22,62,045	11%	19%	41%	16.3	18.0	18.8	12.3	15.9	17.6	25.5	16.4	13.0	9.8	8.8	7.5
Steel Authority of India Ltd	6,27,155	4%	8%	32%	10.6	10.8	11.4	5.1	6.6	7.7	22.9	16.4	13.4	8.2	8.3	7.5
Lloyds Metals & Energy Ltd	3,76,641	44%	75%	86%	26.5	39.1	39.3	57.3	48.7	48.2	30.3	15.8	8.8	17.4	NA	NA
NMDC Ltd	7,21,486	12%	18%	18%	34.6	37.0	38.3	23.6	26.2	24.2	12.8	10.0	9.3	6.8	6.9	6.2
Sarda Energy & Minerals Ltd	98,931	41%	59%	59%	20.9	26.0	26.7	14.3	18.1	21.0	18.9	10.9	7.4	9.1	7.0	5.0
Godawari Power & Ispat	1,21,467	14%	30%	31%	24.3	28.3	33.9	20.2	19.8	22.9	8.1	11.6	7.9	5.0	7.5	5.0

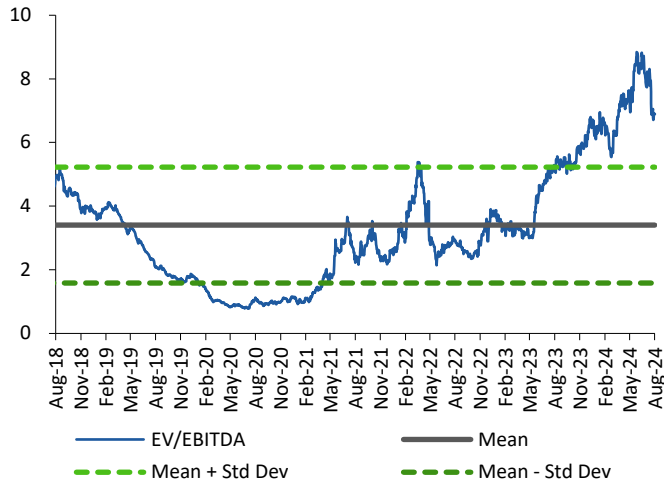
Source: Company, Bloomberg, MNCL Research estimates

Exhibit 50: Comfortable valuations, lucrative upside

EV/EBITDA Valuation	Jun’26E
EBITDA	23,911
EV/EBITDA multiple - x	6.0
EV	1,43,466
Less: Net Debt	-8,815
Equity value	1,52,282
Shares Outstanding - mn	123
Target Price - Rs/sh	1,240
CMP - Rs/sh	980
Upside - %	27%

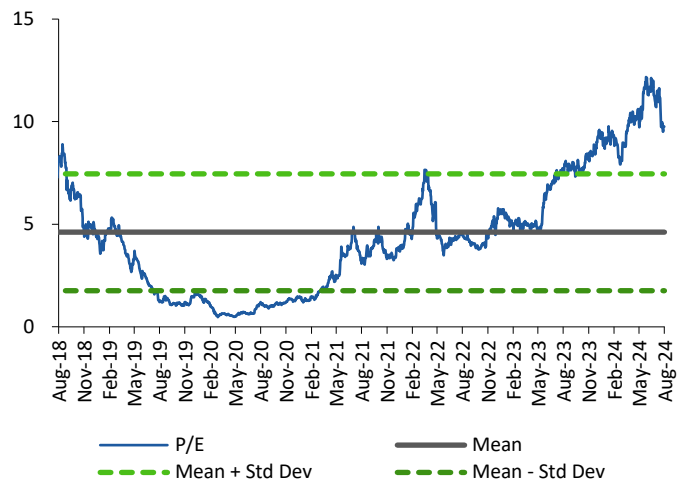
Source: Company, MNCL Research estimates

Exhibit 51: 1-year forward EV/EBITDA



Source: Bloomberg, MNCL Research estimates

Exhibit 52: 1-year forward PE



Source: Bloomberg, MNCL Research estimates

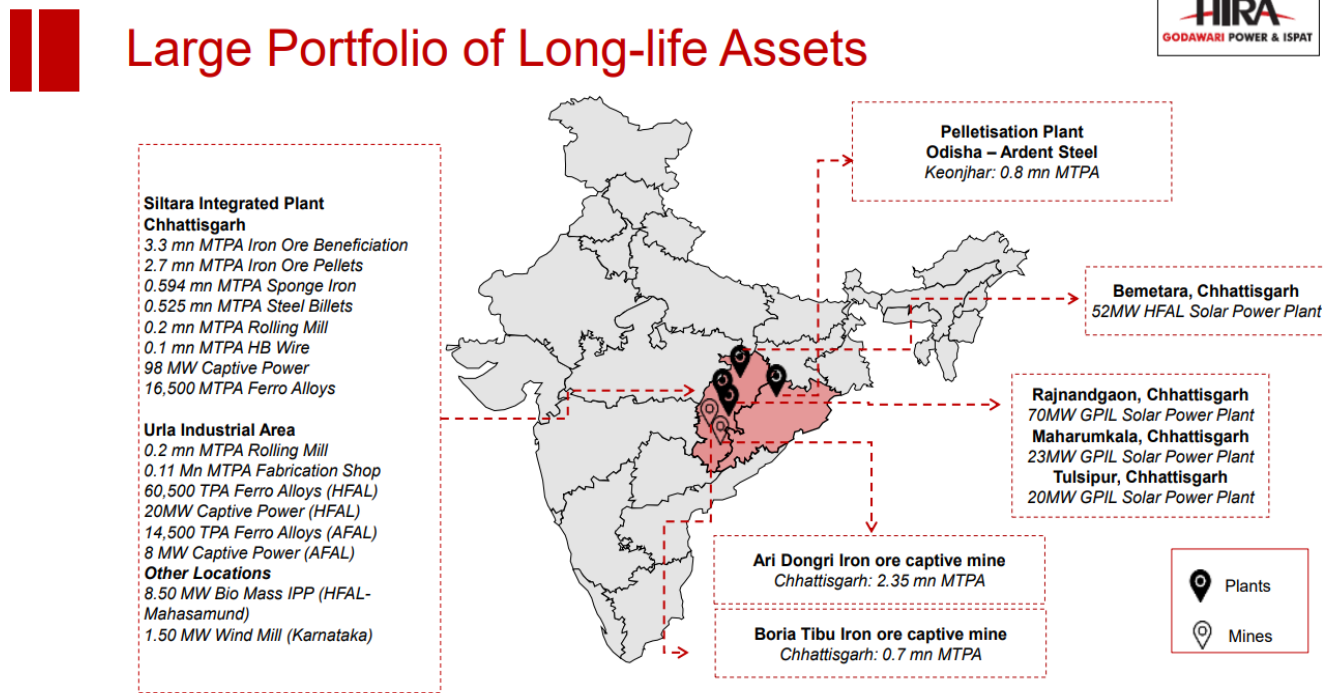
Key risks to our thesis

1. **Commodity price risk:** GPIL is heavily dependent on market forces for its few raw materials and pricing of its end products. Any extreme volatility in any of these commodity prices due to macro events/ domestic market disruption or weak demand can lead to adverse spreads and correction in our estimates. However, GPIL is constantly trying to structurally improve its EBITDA/tonne by increasing captive power, backward integration for the galvanized products, etc. We have also assumed correction in our commodity price assumption to account for the commodity price risk.
2. **Delay in expansion:** Any major delay in expansion projects due to external regulatory factors will lead to a significant change in our earnings.
3. **Low-cost imports making domestic products unfavorable:** Despite imposing anti-dumping duties on Chinese imports of steel, there is evidence of low-cost Chinese steel being dumped, circumvented through other countries. Excessive dumping of such imports can lead to weak demand for the company's products and make the pricing incompetent.
4. **Levy of taxes by State:** In a recent ruling by the Supreme Court, states are now allowed to collect dues on royalty on minerals from April'2005. However, the Chhattisgarh State Government has never levied tax on mining. So, there is no act imposing tax on mining in the state of Chhattisgarh and GPIL is not liable to pay any tax to the state as royalty. Any future introduction of state royalties in Chhattisgarh will impact the profitability for GPIL.

About The Company

Incorporated in 1999, GPII is currently growing under the leadership of Mr. B.L. Agrawal. The promoters hold 63.26% of the company as of Jun'24. GPII is a fully integrated steel company that operates across the entire steel value chain. The company's operations include mining iron ore from its two mines, producing iron ore pellets, and manufacturing high-value steel products. Products manufactured are pellets, sponge iron, iron and steel billets, wire rods, hard black wires and ferro alloys. The pellets manufactured are of high grade and earn a premium of Rs1000 to 1500 per tonne over the market price.

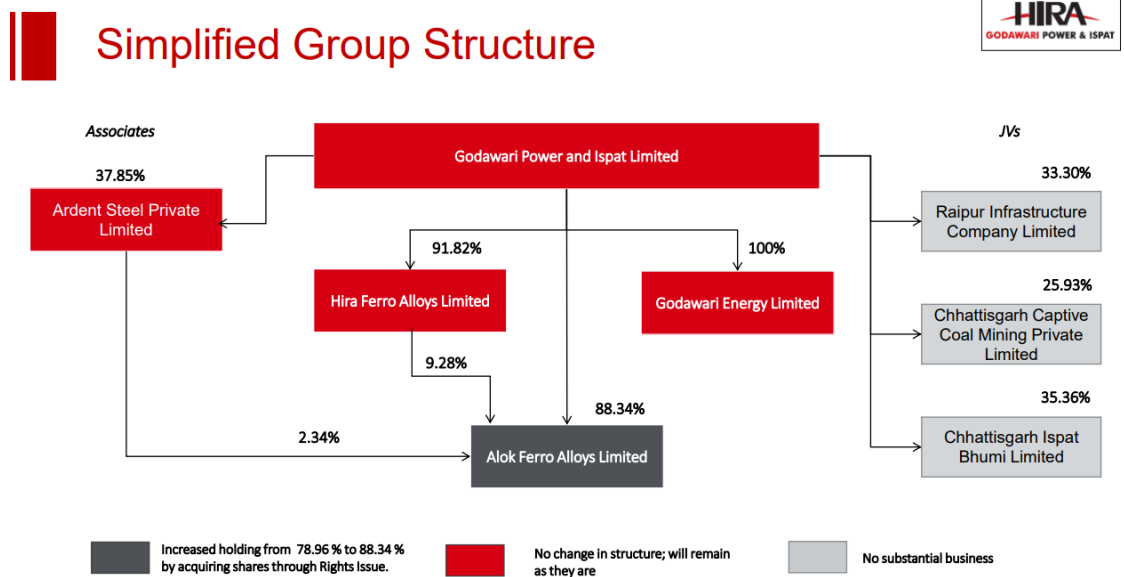
Exhibit 53: GPII's plants & mines strategically located in Chhattisgarh, a large market for its products



Source: Company, MNCL Research

Iron ore mines: GPII has captive iron ore mines in Ari Dongri and Boria Tibu in Chhattisgarh. Estimated reserves are ~80 mn tonnes and 85 mn tonnes respectively. These mines have sufficient reserves to last over 35 years. GPII's proposed expansion of iron ore mines is to reach 6.7 mn tonnes by FY25.

Exhibit 54: Group structure includes subsidiaries manufacturing ferro-alloys and pellets



Source: Company, MNCL Research

Financials

Exhibit 55: Income Statement

P&L - Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	33,216	32,885	39,576	53,992	57,530	54,554	52,951	64,998	80,927
Materials cost	18,350	18,145	18,476	23,917	33,657	29,573	24,233	25,212	28,153
% of revenues	55.2	55.2	46.7	44.3	58.5	54.2	45.8	38.8	34.8
Employee cost	1,176	1,304	1,343	1,506	1,914	2,245	2,784	3,368	4,264
% of revenues	3.5	4.0	3.4	2.8	3.3	4.1	5.3	5.2	5.3
Others	5,798	7,221	8,387	9,938	10,634	9,455	10,958	14,390	18,953
% of revenues	17.5	22.0	21.2	18.4	18.5	17.3	20.7	22.1	23.4
EBITDA	7,894	6,215	11,370	18,631	11,325	13,281	14,976	22,029	29,557
EBITDA margin (%)	23.8	18.9	28.7	34.5	19.7	24.3	28.3	33.9	36.5
Depreciation & Amortization	1,329	1,369	1,090	1,047	1,235	1,413	1,599	2,120	2,144
EBIT	6,565	4,846	10,280	17,584	10,090	11,868	13,376	19,910	27,413
Interest expenses	2,526	2,119	1,150	197	204	596	41	41	41
Other income	58	74	34	304	1,042	979	533	570	490
Share of net profit in Joint Venture	38	28	300	652	45	134	141	182	192
Exceptional Items	-	(103)	-	987	(147)	175	-	-	-
PBT	4,136	2,726	9,465	19,331	10,826	12,560	14,009	20,620	28,053
Taxes	1,529	954	3,071	4,511	2,892	3,204	3,642	5,361	7,294
Effective tax rate (%)	37%	35%	32%	23%	27%	26%	26%	26%	26%
PAT	2,607	1,772	6,394	14,819	7,934	9,356	10,367	15,259	20,760
Profit After Tax from Discontinued Operations	-	-	151	(146)	-	-	-	-	-
Minority Interest	86	105	160	6	(0)	2	22	36	39
Reported PAT	2,521	1,668	6,385	14,667	7,934	9,354	10,344	15,223	20,721
Adjusted PAT	2,521	1,771	6,235	13,825	8,081	9,178	10,344	15,223	20,721

Exhibit 56: Key Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio (%)									
Revenue	31.4	(1.0)	20.3	36.4	6.6	(5.2)	(2.9)	22.8	24.5
EBITDA	32.3	(21.3)	82.9	63.9	(39.2)	17.3	12.8	47.1	34.2
Adjusted PAT	18.3	(29.8)	252.1	121.8	(41.5)	13.6	12.7	47.2	36.1
Margin Ratios (%)									
Gross	44.8	44.8	53.3	55.7	41.5	45.8	54.2	61.2	65.2
EBITDA	23.8	18.9	28.7	34.5	19.7	24.3	28.3	33.9	36.5
Adjusted PAT	7.6	5.4	15.8	25.6	14.0	16.8	19.5	23.4	25.6
Return Ratios (%)									
ROE	18.9	11.8	29.6	40.2	20.5	20.2	19.8	22.9	24.2
ROCE	13.4	10.2	23.5	35.4	19.8	20.8	19.5	22.6	23.9
ROIC	13.4	10.2	23.9	40.9	22.2	23.7	22.2	25.6	26.2
Turnover Ratios (days)									
Gross block turnover ratio (x)	1.3	1.2	1.6	2.7	2.2	1.8	1.7	1.5	1.9
Debtors	16	20	25	24	19	14	20	23	23
Inventory	123	112	100	133	88	111	100	105	105
Creditors	40	36	38	81	57	65	60	65	65
Cash conversion cycle	99	96	87	76	50	60	60	63	63
Solvency Ratio (x)									
Net debt-equity	1.3	1.1	0.4	(0.0)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Debt-equity	1.3	1.1	0.4	0.1	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio	2.6	2.3	8.9	89.3	49.5	19.9	323.9	482.0	663.7
Gross debt/EBITDA	2.3	2.6	0.7	0.2	0.2	0.0	0.0	0.0	0.0
Current Ratio	1.9	2.1	2.5	1.9	2.5	3.2	3.6	3.8	3.7
Per share Ratios (Rs)									
Adjusted EPS	18.5	13.0	45.7	105.0	62.3	73.6	84.4	124.2	169.1
BVPS	97.9	110.1	154.5	261.5	304.2	365.1	426.5	542.5	699.5
CEPS	28.2	23.0	53.7	113.0	71.8	84.9	97.4	141.5	186.5
DPS	-	-	23.5	8.5	4.0	5.0	8.4	12.4	16.9
Dividend payout %	-	-	50	8	7	7	10	10	10
Valuation (x)*									
P/E (adjusted)	10.4	5.5	1.8	2.9	5.3	8.1	11.6	7.9	5.8
P/BV	2.0	0.6	0.5	1.2	1.1	1.6	2.3	1.8	1.4
EV/EBITDA	5.5	4.1	1.7	2.1	3.2	5.0	7.5	5.0	3.8
Dividend yield %	-	-	28.3	2.8	1.2	0.8	0.9	1.3	1.7

Source: Company, MNCL Research Estimates

Exhibit 57: Balance Sheet

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds									
Equity Share Capital	341	341	341	658	649	624	613	613	613
Reserves & surplus	11,352	13,437	20,015	32,465	38,406	44,335	51,057	65,245	84,443
Shareholders' fund	11,693	13,778	20,356	33,123	39,055	44,959	51,669	65,858	85,056
Minority Interest	1,672	1,247	724	1,298	411	581	603	639	678
Total equity	13,364	15,026	21,080	34,422	39,465	45,539	52,272	66,497	85,734
Total Debt (incl. pref shares if applicable)	17,824	16,249	8,524	4,265	1,810	516	516	516	516
Other long-term liabilities	24	469	1,732	1,634	2,213	2,280	2,280	2,280	2,280
Total Liabilities	31,213	31,743	31,336	40,320	43,488	48,336	55,069	69,293	88,530
Gross Block	25,946	27,500	25,448	19,852	26,504	30,195	31,895	42,735	43,235
Less: Acc. Depreciation	(4,614)	(5,854)	(6,250)	(5,724)	(6,849)	(7,462)	(8,993)	(11,044)	(13,119)
Net Block	21,332	21,646	19,198	14,129	19,655	22,733	22,902	31,691	30,115
Capital WIP	1,302	1,375	1,372	6,427	4,430	4,304	11,564	14,304	34,304
Intangible Assets	1,156	1,047	929	825	727	647	579	511	442
Goodwill	-	-	-	341	264	264	264	264	264
Net Fixed Assets	23,790	24,068	21,500	21,723	25,076	27,949	35,309	46,770	65,126
Non-current investments	1,320	1,235	2,775	2,394	1,987	2,220	2,361	2,543	2,735
Other non-current assets	151	181	271	994	1,303	1,217	1,217	1,217	1,217
Inventories	6,164	5,574	5,037	8,736	8,108	9,003	6,639	7,253	8,099
Sundry debtors	1,490	1,768	2,752	3,499	2,957	2,119	2,901	4,096	5,100
Cash & Cash Equivalents	389	290	514	5,747	8,003	8,704	8,210	9,491	8,854
Loans & Advances	1,564	1,501	1,689	5,660	3,675	1,518	1,518	1,518	1,518
Other current assets	243	199	198	147	484	2,722	2,722	2,722	2,722
Total Current Asset	9,850	9,332	10,190	23,789	23,227	24,067	21,991	25,079	26,292
Trade payables	2,030	1,783	1,938	5,296	5,245	5,292	3,984	4,490	5,014
Other current Liab.	1,528	1,145	1,014	2,417	2,364	1,484	1,484	1,484	1,484
Provisions	340	144	447	866	497	341	341	341	341
Net Current Assets	5,951	6,260	6,790	15,210	15,122	16,950	16,183	18,765	19,454
Total Assets	31,213	31,743	31,336	40,320	43,488	48,336	55,069	69,293	88,530

Source: Company, MNCL Research Estimates

Exhibit 58: Cash Flow

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Operating profit bef working capital changes	7,947	6,117	12,401	18,732	11,798	13,354	14,976	22,029	29,557
Changes in WC	(1,537)	98	(1,246)	(1,419)	836	(12)	273	(1,302)	(1,326)
Cash flow from operations	5,498	5,508	9,688	13,303	9,624	10,445	11,607	15,366	20,937
Net Capex	(827)	(1,658)	(515)	(6,132)	(4,557)	(4,227)	(8,960)	(13,580)	(20,500)
Cash flow from investing activities	(664)	(1,501)	(622)	(10,956)	(2,288)	(7,535)	(8,427)	(13,010)	(20,011)
FCF	4,671	3,851	9,172	7,172	5,067	6,218	2,647	1,786	437
Cash flow from financing	(4,907)	(4,008)	(9,001)	(2,329)	(2,463)	(6,787)	(3,675)	(1,076)	(1,564)
Net change in cash	(73)	(1)	64	18	4,874	(3,877)	(495)	1,281	(637)

Source: Company, MNCL Research Estimates

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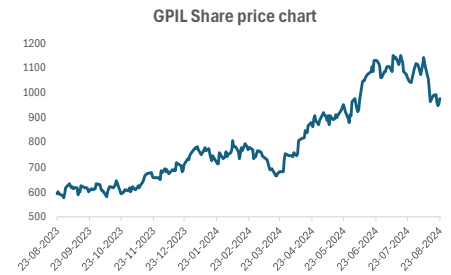
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