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India Infoline Research Team / 14:38 , Aug 16, 2011

We visited the steel manufacturing plants of Godawari Power & Ispat Ltd (GPIL) and MSP Steel & Power Ltd (MSP) in Chattisgarh. Both the companies are in the long product category and employ similar process of DRI-induction furnace route to produce steel. To mitigate the rising iron ore costs and to benefit from the availability of iron ore fines in the region, GPIL and MSP have set up pellet plants with capacity of 0.6mtpa and 0.3mtpa, respectively. Both the companies are increasing their pellet capacity 3x to gain from the strong pellet prices. GPIL's pellet plant utilization has jumped to 100%+ over the last one quarter after it replaced the old Chinese filter press. Our visit to GPIL's plant has reaffirmed our positive view on the company and we maintain our 9-month price target of Rs220 on the stock.

Pellet to drive growth for GPIL in FY12

GPIL has successfully managed to revamp the operations at its pellet plant from Q3 FY11. It replaced the old Chinese filter plates by importing it first from Germany and then two advanced filters from China. Utilisation rates have picked up after that and went above its rated capacity last month. The management has given guidance for 100% utilization rate in FY12E. Two out of 4 sponge iron kilns were under maintenance shutdown. Billet caster was operating at sub-50% utilizations levels and the management expects this to continue for the year. Billets are sent to RR Ispat, recently merged with GPIL, to convert it into wire rods and then brought back to convert them into HB wires at the company's plant at Raipur.

MSP Steel: an emerging medium sized integrated steel player

MSP Steel, a part of the MSP group, is an emerging integrated player to manufacture value added steel products. The company's manufacturing facility is located in Raigarh, Chattisgarh. It is engaged in the manufacturing of pellet, sponge iron, long products (billets, TMT bars & structural steel) and captive power plants. The company commissioned a 115,500tpa sponge iron kiln in January and is in the process of raising its capacity further by 115,500tpa by FY13. Along with this, it is also increasing its pellet capacity from 0.3mtpa to 0.9mtpa. The company has been allotted a coal mine and an iron ore mine, both in Chattisgarh.

Financial summary

Y/e 31 Mar	GPIL			MSP		
(Rs m)	FY11	FY12E	FY13E	FY09	FY10	FY11
Revenues	11,161	13,628	15,229	4,048	3,888	4,775
yoy growth (%)	35.7	22.1	11.8	12.2	(4.0)	22.8
Operating profit	2,323	2,825	3,518	669	641	739
OPM (%)	20.8	20.7	23.1	16.5	16.5	15.5
Pre-exceptional PAT	859	1,066	1,414	399	320	502
Reported PAT	859	1,066	1,414	399	320	502
yoy growth (%)	53.5	24.1	32.6	(14.5)	(19.7)	56.7
EPS (Rs)	27.0	33.6	44.5	6.9	5.5	7.6
P/E (x)	5.9	4.8	3.6	6.6	8.2	5.9
P/BV (x)	0.8	0.7	0.6	1.5	1.3	0.9
EV/EBITDA (x)	5.4	4.5	4.0	7.7	11.0	13.4
Debt/Equity (x)	1.5	1.2	1.1	1.6	2.4	2.2
ROE (%)	15.6	16.3	18.5	26.7	17.3	19.3
ROCE (%)	14.8	14.8	17.5	17.1	10.1	10.3

Source: Company, India Infoline Research

Godawari Power & Ispat – BUY

CMP Rs157, Target Rs220, Upside 40.4%

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MSP Steel & Power – Not Rated

CMP Rs45

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Name	Value	Change	%
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BSE 200	2,061.08	30.8	1.5
BSE 500	6,487.22	95.6	1.5
BSE AUTO	8,396.16	104.2	1.3
BSE BANKEX	10,904.24	239.0	2.2
BSE CD	6,263.36	40.9	0.7
BSE CG	12,046.55	47.0	0.4

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(billets, TMT bars & structural steel) and captive power plants. The company commissioned a 115,500tpa sponge iron kiln in January and is in the process of raising its capacity further by 115,500tpa by FY13. Along with this, it is also increasing its pellet capacity from 0.3mtpa to 0.9mtpa. The company has been allotted a coal mine and an iron ore mine, both in Chattisgarh.



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Posted by [md tarique khan](#), August 28 2011 at 21:37

dear sir , adhunik is growing first , but its working environment is very bad , there is no safety,no cleaning . How this plant is running , may be after 5 years feature is dark

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Posted by [Prasad Sawant](#), August 28 2011 at 12:33

You can make tall promises I believe, if a company is not able to provide after sales service, it is cheating its consumers. Let me get to specifics. On 24th August, I registered a complaint with your sevice centre in Pune for repair of my washing machine. Complaint number is 050193. Even after several followups, no technician has honoured me by his visit. On every call I get tall promises. Now I am disgusted and have decided to get rid of the washing machine. In fact I plan to get rid of all th

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Posted by [priyanka](#), August 27 2011 at 23:48

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[valuable contribution to india.](#)

Posted by [seeta"rajasthan"](#), August 27 2011 at 09:30

we wish this contribution to india will be very very long, and fruitful. you give a robusst dividend to shareholders. best of luck.

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[wheat](#)

Posted by [rajendra jain](#) , August 22 2011 at 18:43

in my opinon i see us , uk market they are wheat is too much high compare indian wheat market at ncdex oct 1070 it should be near 1200 at present level plz buy from this level little investment big profit

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[Re:wheat](#)

Posted by [RAHUL](#), August 27 2011 at 20:31

IF U WANT TO BUY WHEAT THAN U MAY BUY WHEAT IN MONTH OF JULY - SEPTEMBER AND U MAY SALE WHEAT IN ASSURED GOOD PROFIT IN MONTH OF JANUARY - FEBRUARY

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