



MSP Steel & Power Ltd

Key Stock Indicators

NSE Ticker:	MSPL	CMP (as on 31 Mar 2011—Rs/share):	63.2	Shares outstanding (mn):	58.1
Bloomberg Ticker:	MSPS:IN	52-week range up to 31 Mar 2011 (Rs) (H/L):	80.00/33.50	Free Float (%):	28.2
Face value / Share:	10.0	Market Cap as on 31 Mar 2011 (Rs mn):	3,669	Average daily volumes (12 months):	183,158
Div. Yield (%):	0.00	Enterprise Value as on 31 Mar 2011 (Rs mn):	8,119	Beta (2 year):	1.5

Incorporated in 1968, MSP Steel & Power Ltd (MSPSPL) is one of the largest steel manufacturing companies in India. The company has its manufacturing facilities at Jamgaon in Raigarh district in Chhattisgarh. The company manufactures pellet, sponge iron, billets/ ingots, TMT bars, etc. The company has a captive power plant. Its corporate office is located at Kolkata.

KEY HIGHLIGHTS

Expansion and modernisation

In November 2010, the company commissioned a 115,500 tonnes per annum (TPA) sponge iron unit and 18 MW power plant at Jamgaon, taking sponge iron capacity to 307,500 TPA from 192,000 TPA and power generation capacity to 42 MW from 24 MW. The company wants to increase sponge iron capacity to 422,000 TPA and power capacity to 76 MW by end-FY12. The power generated will be used for captive purpose as well as for merchant sale. In April 2010, the company began commercial production at its 128,000 TPA capacity structural rolling mill, which produces both heavy and medium structural steel joists, beams, channels and angles. The company plans to double its coal washery capacity to 690,000 TPA and triple railway siding facility to 6.4 km. This will bring a significant degree of backward integration and lead to cost savings. In September 2010, the company decided to enhance its pellet capacity from 300,000 TPA to 900,000 TPA by setting up a 600,000 TPA pellet plant at Raigarh at a cost of Rs 2.3 bn.

Strong clientele

The company is one of the fastest growing steel manufacturing entities in India. It produces a variety of products and caters to industries like construction, steel, power, etc. Its customers for constructions bars (TMT) and structurals include Parsvnath Developers Ltd, Bhushan Steel & Strip Ltd, Bhushan Power & Steel Ltd, Tata Motors Ltd, Hari Machines Pvt Ltd, Lyods Steel Ltd, Rajgarh Jute & Textiles Ltd, Mahindra & Mahindra, Aryan Ispat and Orissa Police Housing Society Ltd. Its customers for steel products include Triveni Infrastructure Development Co Ltd and Sundew Properties Pvt Ltd, while customers for power include Knowledge Infrastructure Pvt Ltd, NTPC Viduyt Vyapar Nigam Ltd, Shree Cement and Chhattisgarh State Electricity Board.

KEY RISKS

- Financial flexibility to worsen with surmounting debt
- Fluctuations in raw material prices i.e. iron ore, coal, etc
- Margins dependent on sponge iron realisations
- Delay in commission of planned capacity due to technical and other factors

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
MSPL	57	3	-7	64
NIFTY	10	9	-5	11

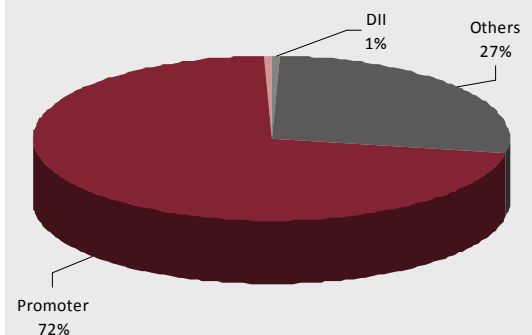
Note:
1) YTD returns are since Apr 01, 2010 to Mar 31, 2011.
2) 1-m, 3-m and 12-m returns are up to Mar 31, 2011

Key Financial Indicators

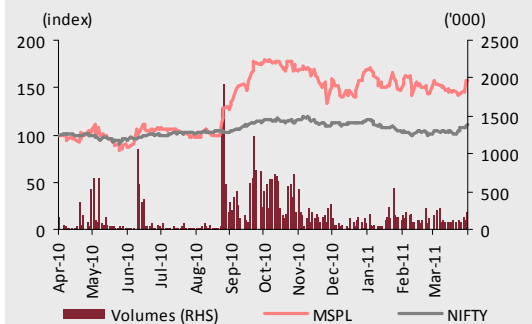
	Mar-08	Mar-09	Mar-10
Revenue (Rs mn)	3,627.7	4,055.5	3,927.3
EBITDA margins (%)	19.0	16.3	17.9
PAT (Rs mn)	466.6	393.7	320.3
PAT margins(%)	12.9	9.7	8.2
Gearing (x)	1.6	1.6	2.4
EPS (Rs/share)	8.0	6.8	5.5
PE (x)	5.4	2.5	11.5
P/BV (x)	1.9	0.6	1.8
RoCE (%)	27.4	17.4	10.1
RoE (%)	44.1	26.4	17.3
EV/EBITDA (x)	6.3	5.3	11.6

n.m. : Not meaningful

Shareholding (As on December 31, 2010)



Indexed price chart



MSP Steel & Power Ltd

BACKGROUND

MSPSPL was promoted by Purnamal Agrawal and Suresh Kumar Agrawal as Adhunik Rollers Pvt Ltd in 1968. In 1993, the name of the company was changed to MSPSPL. The company got listed on BSE in July 2005. MSPSPL is the flagship company of the MSP group. MSPSPL is into production of steel intermediaries, steel products, ferroalloys, power, industrial and medical oxygen and cement. The company produces sponge iron and long products. In the longs segment, it offers a wide range of products like billets, TMT bars, structural, angles, channels, plates and beams. It has a captive power plant to support its power requirements. Its manufacturing facilities are located at Jamgaon in Raigarh district of Chhattisgarh.

The company has an installed capacity of 307,500 TPA of sponge iron, 300,000 TPA of pellet, 42 MW of power (8 MW based on waste heat, rest on coal), 144,109 TPA of M.S. ingot/ billet, 80,000 TPA of TMT bars, 128,000 TPA of structural rolling mill and a coal washery of 345,600 TPA capacity. MSPSPL operates in one segment i.e. iron and steel. Exports contributed ~9% to its revenues in FY10. The company has one subsidiary at Singapore, namely MSP Group International Singapore (Pte) Ltd. The company has received UN registration for carbon credits (Certified Emission Reductions) generated from waste heat recovery plant.

COMPETITIVE POSITION

Peer Comparison

	MSP Steel & Power Ltd	Ahmednagar Forgings Ltd	ISMT Ltd	Jai Balaji Industries Limited	Adhunik Metaliks Ltd
	Mar-10	Jun-10	Mar-10	Mar-10	Mar-10
Revenue (Rs mn)	3,927.3	6,559.1	12,690.9	19,298.0	14,410.8
EBITDA margins (%)	17.9	25.4	14.8	13.2	28.2
PAT (Rs mn)	320.3	640.9	484.9	245.6	961.7
PAT margins (%)	8.2	9.8	3.8	1.3	6.7
Gearing (x)	2.4	1.0	2.3	1.7	3.0
EPS (Rs/share)	5.5	17.4	3.3	3.9	7.8
PE (x)	11.5	8.3	14.7	44.1	12.5
P/BV (x)	1.8	1.0	1.4	1.2	1.9
RoCE (%)	10.1	14.7	7.4	7.3	15.8
RoE (%)	17.3	13.0	9.9	3.5	20.1
EV/EBITDA (x)	11.6	6.1	9.6	10.5	7.3

n.m.: Not meaningful

FINANCIAL PROFILE

Revenue and bottom line drop, but margin improves slightly in FY10

Top line de-grew 3.2% to Rs 3.9 bn in FY10, from Rs 4 bn in FY09, mainly on account of decrease in export revenues over FY09. In FY09, the company had export revenues of Rs 440.6 mn, which dropped in FY10 to Rs 325.3 mn.

EBITDA margin increased ~161 basis points, mainly on account of decrease in material costs and marketing cost as a percentage of sales over FY09.

PAT declined 18.7% to Rs 320.3 mn in FY10 from Rs 393.7 mn in FY09. Drop in top line, coupled with increase in depreciation caused this decrease.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	3,627.7	4,055.5	3,927.3
EBITDA margins	Per cent	19.0	16.3	17.9
PAT	Rs million	466.6	393.7	320.3
PAT margins	Per cent	12.9	9.7	8.2
Revenue growth	Per cent	62.3	11.8	-3.2
EBITDA growth	Per cent	44.5	-4.6	6.4
PAT growth	Per cent	131.2	-15.6	-18.7
Gearing	Times	1.6	1.6	2.4
RoCE	Per cent	27.4	17.4	10.1
RoE	Per cent	44.1	26.4	17.3

INDUSTRY PROFILE

Steel

Finished steel can be classified into two basic types according to their shape: Flat steel and long steel. In India, production of both longs and flats has been more or less equal. After declining by 0.4 per cent in 2008-09, domestic demand for steel products in India recovered swiftly owing to strong growth witnessed in key end user sectors like automobile, construction, infrastructure, and capital goods. Domestic steel demand increased by 7.8 per cent to 52.8 million tonnes in 2009-10. Consumption growth in flat steel products was higher as compare to long steel products on account of robust growth in Indian automobile industry. Automobile sector in India witnessed a strong growth of 26-28 per cent in 2009-10, on account of an increase in the disposable income of people, easy availability of finance at relatively low level of interest, among others. Consumption of flat steel products increased by 9 per cent (y-o-y) in 2009-10, while consumption of long steel products increased by 6.7 per cent during the same period.

Steel Longs

Long products are primarily used in the construction and infrastructure sectors. The long products segment constitutes bars and rods, and structurals like angles, beams and channels. The long products industry is largely dominated by secondary producers. Since the capital cost for rolling long products is low, several small players operate in the industry. Most of these players are non-integrated and rely on external purchases of steel intermediates such as sponge iron, pig iron and scrap. Depending on the price and availability, these players use sponge iron along with scrap. After a low growth of 2 per cent Y-o-Y in 2008-09, the demand for long products grew by 6.7 per cent Y-o-Y in 2009-10. The Government stimulus led to a pickup in demand for housing and industrial construction segments.

MSP Steel & Power Ltd

ANNUAL RESULTS

Income Statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	3,607.2	3,917.1	3,818.6
Operating Income	3,627.7	4,055.5	3,927.3
EBITDA	691.0	659.4	701.8
EBITDA Margin	19.0	16.3	17.9
Depreciation	73.4	78.9	127.4
Interest	141.3	215.1	204.9
Other Income	4.1	6.7	17.1
PBT	604.6	480.4	381.8
PAT	466.6	393.7	320.3
PAT Margin	12.9	9.7	8.2
No. of shares (Mn No.)	58.1	58.1	58.1
Earnings per share (EPS)	8.0	6.8	5.5

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax profit	480.5	372.1	386.6
Total tax paid	-73.5	-20.9	-21.2
Depreciation	73.4	78.9	127.4
Change in working capital	-528.2	131.2	-211.4
Cash flow from operating activities	-47.8	561.3	281.4
Capital Expenditure	-830.7	-1,363.6	-1,828.3
Investments and others	-6.9	-6.3	-365.1
Cash flow from investing activities	-837.6	-1,369.9	-2,193.4
Equity raised/(repaid)	0.0	-5.2	0.0
Debt raised/(repaid)	897.9	673.8	2,106.0
Dividend (incl. tax)	0.0	0.0	0.0
Others (incl extraordinary)	126.4	118.8	-4.8
Cash flow from financing activities	1,024.3	787.4	2,101.2
Change in cash position	138.9	-21.2	189.2
Opening cash	76.2	215.1	194.0
Closing cash	215.1	194.0	383.2

n.m : Not meaningful;

Balance sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	581.0	581.0	581.0
Reserves and surplus	712.3	1,111.3	1,431.6
Tangible net worth	1,293.3	1,692.3	2,012.6
Deferred tax liability:[asset]	92.5	158.3	198.6
Long-term debt	1,067.2	1,602.4	3,264.5
Short-term-debt	985.9	1,124.5	1,568.4
Total debt	2,053.1	2,726.9	4,832.9
Current liabilities	577.6	215.7	642.4
Total provisions	50.5	4.7	6.6
Total liabilities	4,067.0	4,797.9	7,693.1
Gross block	1,503.9	2,508.9	2,926.1
Net fixed assets	2,040.1	3,324.8	5,025.7
Investments	61.0	67.3	432.4
Current assets	1,965.8	1,405.9	2,235.0
Receivables	675.3	418.0	668.4
Inventories	463.3	393.4	683.4
Cash	215.1	194.0	383.2
Total assets	4,066.9	4,798.0	7,693.1

Ratio

	Mar-08	Mar-09	Mar-10
Revenue growth (%)	62.3	11.8	-3.2
EBITDA growth(%)	44.5	-4.6	6.4
PAT growth(%)	131.2	-15.6	-18.7
EBITDA margins(%)	19.0	16.3	17.9
Tax rate (%)	12.2	4.4	5.6
PAT margins (%)	12.9	9.7	8.2
Dividend payout (%)	0.0	0.0	0.0
Dividend per share (Rs)	0.0	0.0	0.0
BV (Rs)	22.3	29.1	34.6
Return on Equity (%)	44.1	26.4	17.3
Return on capital employed (%)	27.4	17.4	10.1
Gearing (x)	1.6	1.6	2.4
Interest coverage (x)	4.9	3.1	3.4
Debt/EBITDA (x)	3.0	4.1	6.9
Asset turnover (x)	2.6	2.0	1.4
Current ratio (x)	1.2	1.1	1.2
Gross current assets (days)	198	125	203

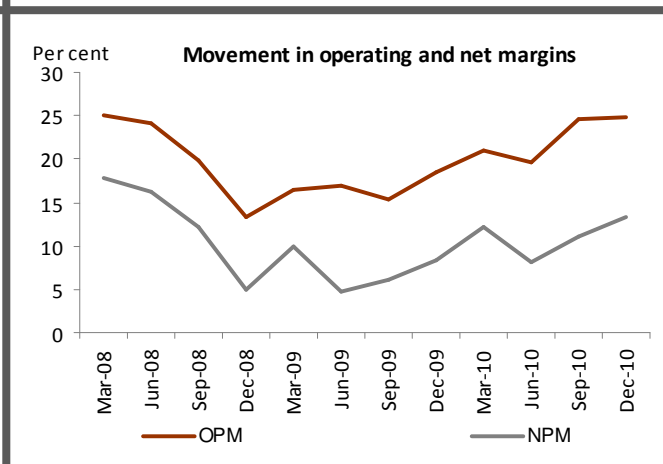
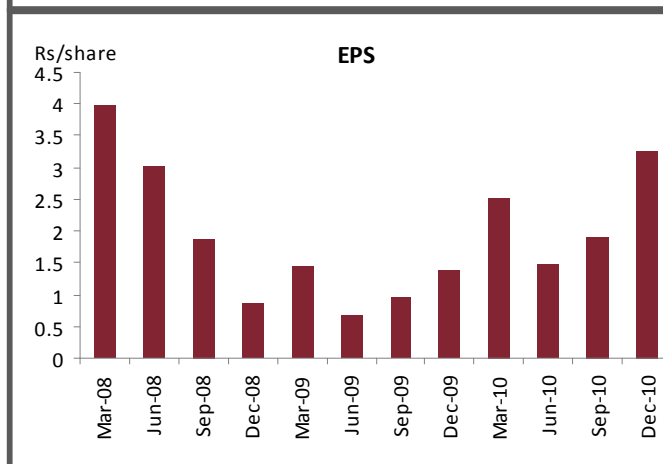
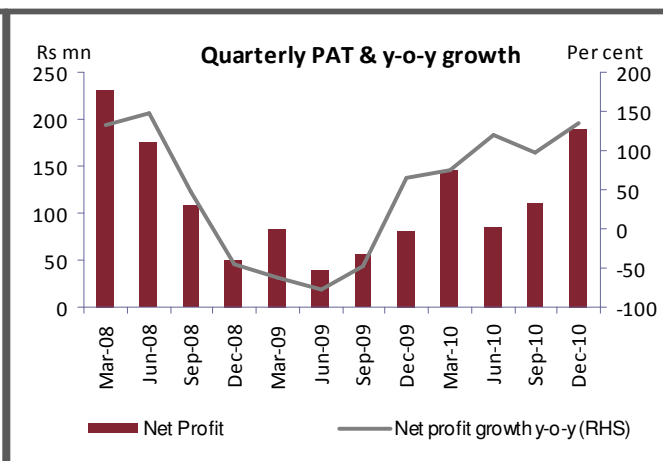
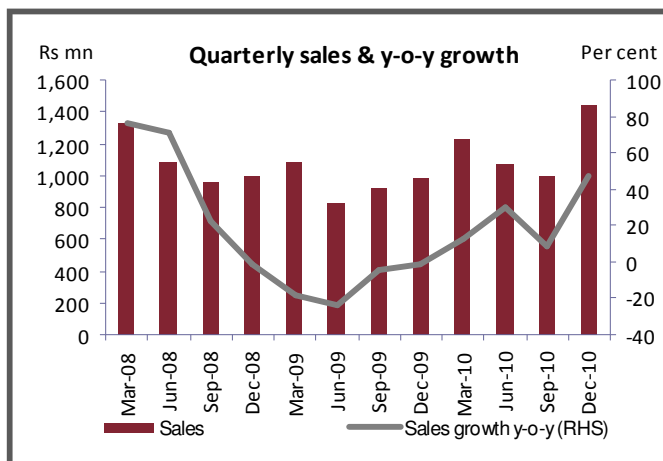
QUARTERLY RESULTS

Profit and loss account

(Rs million)	Dec-10	% of	Dec-09	% of	Sep-10	% of	Dec-10	% of	Dec-09	% of
No of Months	3		3		3		9		9	
Revenue	1,443.9	100.0	980.0	100.0	997.0	100.0	3,511.6	100.0	2,727.2	100.0
EBITDA	358.2	24.8	179.5	18.3	242.6	24.3	809.9	23.1	456.2	16.7
Interest	63.2	4.4	53.0	5.4	58.1	5.8	177.3	5.1	153.8	5.6
Depreciation	41.4	2.9	30.6	3.1	42.7	4.3	126.4	3.6	93.0	3.4
PBT	253.6	17.6	95.9	9.8	141.7	14.2	506.1	14.4	209.4	7.7
PAT	190.1	13.2	81.0	8.3	110.3	11.1	386.6	11.0	173.9	6.4

MSP Steel & Power Ltd

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Promoter	71.8	71.8	71.8	71.8
FII	0.0	0.0	0.3	0.3
DII	0.0	0.0	0.3	0.8
Others	28.2	28.2	27.6	27.1

Board of Directors

Director Name	Designation
Puran Mal Agrawal (Mr.)	Executive Chairman, Wholetime Director
Suresh Kumar Agrawal (Mr.)	Managing Director
Manish Agrawal (Mr.)	Non-Executive Director
Saket Agrawal (Mr.)	Non-Executive Director
Niranjan Dash (Mr.)	Non-Executive Director
Navneet Jagatramka (Mr.)	Non-Executive Director
Amit Mehta (Mr.)	Non-Executive Director
Arvind Kumar Saraf (Mr.)	Non-Executive Director
P.K. Gupta (Mr.)	Non-Executive Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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