Last 3 years of history and self evaluation

	Investment Rationale	Current State	Learning	Performance	Status
Repro	Turnaround bet on books on demand business	Story playing out though sustainable profitability yet to be identified but balance sheet has improved	Be more conservative in futuristic bets	Presentation: Apr 2017 Price: ~ Rs410 Current Price: Rs 684	Holding. Traded in between
Apollo Hospitals	Operating leverage bet on front loaded capex and hidden pharmacy business	Story has played out as anticipated	Pledge and debt need close monitoring. Good part – risk awareness	Presentation: July 2018 Price: ~ 930 Current Price: 1374	Booked profit and exited
Oberoi Realty	Annuity based valuation potential not yet fully perceived by market	Residential business risk lingering and hence does not provide confidence	Don't confuse with investment objective Price may surprise	Presentation: Nov 2018 Price: Rs 425 Current Price: Rs 523	Exited with partial profit
SIS	Man power service sector play with huge market size opportunity and a promoter with fire in belly	So far story seem to be playing out	Nothing as of now	Presentation: May 2018 Price: Rs 882 Current Price: Rs 903	Holding and adding
Tata Elxi	Typical checklist quality business available at reasonable valuation	Risk items got triggered	Margin of safety and better assessment of risk triggers	Presentation: June 2019 Price: Rs 885 Current Price: Rs 839	Holding

**Based on 8th Dec 2019*

What kind of Investment theme we are discussing today

27% 7 year average return on equity

23% 7 year average return on asset

17% 7 year sales CAGR

28% 7 year PAT CAGR

0.0 Debt/Equity

71% Reserves/Total Asset

>1 10 year PAT to CFO

76% 10 year CFO to FCF

- 0% promoter pledge
- ~75% promoter holding
- Rs 675 Crore cash on books
- Company has grown 3x of sales compared to industry in last 7 years

Are we discussing a quality stock or cyclic stock?

Company trades at 4.6 EV/EBIT

Despite of this, company has given 32% investment CAGR for last 10 years

Is market missing something?

OR

Are we missing something?

One of biggest dilemma, curiosity and learning while studying this stock for me has been the small nuisances between market perception to quality, value, commodity, outliers, cycles and valuation. Will have my view at end of discussion

Maithan Alloys

Stock Discussion

Kumar Saurabh
Bangalore Investment Group (BIG), 15TH Dec 2019

Big thanks to Atul, Ayush, Satish P, Yogesh and various VP forum members whose effort has been leveraged for this presentation

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Company Introduction

- Ferro alloys enhance steel strength, durability, anti-corrosion and anti-stain properties and acts as de-oxidant for Steel Manufacturing
- **Ferro Manganese - An alloy of iron and manganese**
  - Used in steel products wherein silicon content needs to be controlled at low levels
  - Used in flat steel, manganese-rich steel and stainless steel manufacturing
- **Silicon Manganese- An alloy of silicon and manganese**
  - Cost-effective blend of silicon and manganese
  - Consumed in all steel products. Used in higher quantities in 200 series stainless steel, alloy steel and manganese steel
- **Ferro Silicon - An alloy of iron and silicon**
  - Silicon acts as a steel oxidant
  - Used primarily in special steels and in small quantities in mild steel

- Revenue is evenly spread between domestic and export with major export to Asia pacific except China

Ferro Alloys

One of major producers of ferro alloys with 10% domestic market share and 2% international market share

Manganese Alloy

Chrome Alloy

Ferro Manganese
An alloy of iron and manganese

Silico Manganese
An alloy of silicon and manganese

Ferro Silicon
An alloy of iron and silicon

New capacity to be built

Vishakhapatnam (E)
72 MVA (1.2L Tonn)
50% Revenue

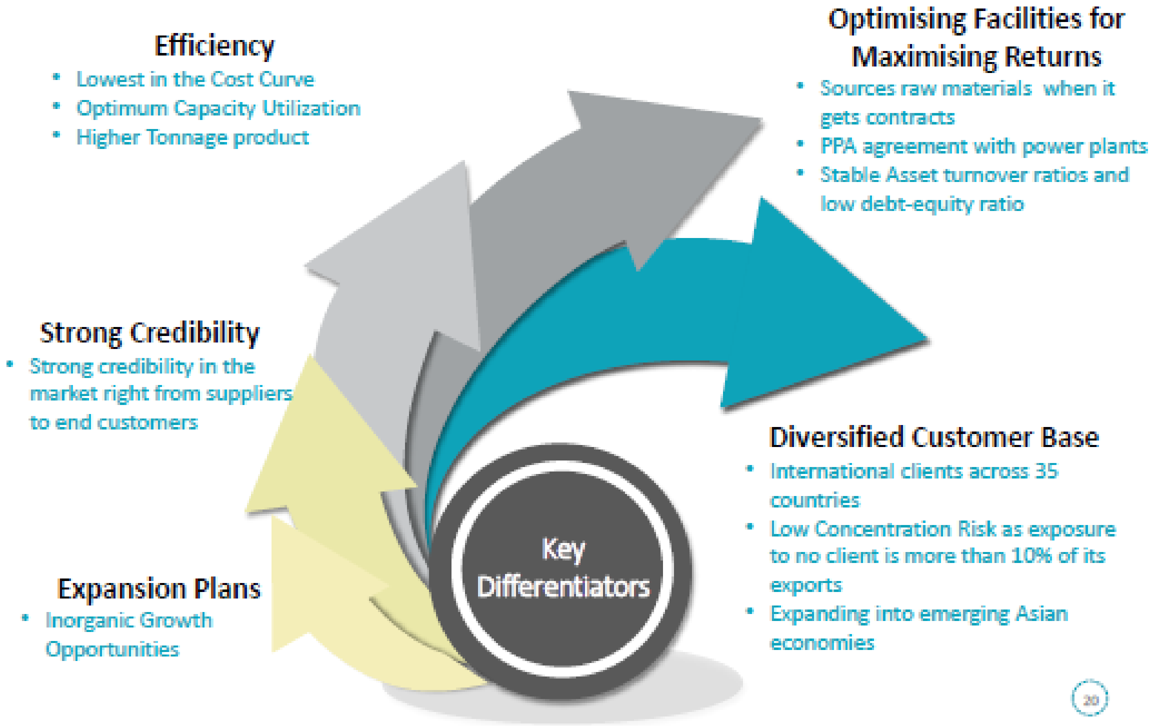
Briyhat
16 MVA (26K Ton)
10% Revenue

Kalyaneshwari (D)
49 MVA (81K Tonn)
40% Revenue

Business Dynamics

- Specialize in Ferro Alloys and attained a certain mastery over manganese alloys. This basket comprises of both products Ferro Manganese and Silico Manganese. In addition to the same, also produces small quantities of Ferro Silicon. Currently not doing Ferro chrome. Planned to do Ferrochrome in the future

- Break up by product type: It is almost of equal quantities but detailed exact break-up we would not be able to give. Out of the 2,25,000 ton, roughly about 13,000 ton and balance would be Manganese Alloys either 40: 60 to 60: 40 between Ferro manganese and Silico manganese.



- For Ferro Manganese and Silico manganese put together, our belief is in an average cost scenario which let us say it somewhere close to today's market scenario, Out of the total variable cost about 50% would be Manganese ore cost, 30% of the cost would be power cost, 15% of the cost would be Coke and Coal cost and 5% would be others. So, this is the breakup of the material cost for our product apart from other fixed costs

- A broad range of power cost is Rs.4.5-5.0 per unit.

- The most important raw material is Manganese ore. Import Manganese ore from Africa and Australia apart from minor local procurement

History, Board and Management

- Management is mix of old and young but experienced management
- Good education background
- Though management salary is on higher side, it is variable and linked to performance. Further, management has not shied away from taking lesser pay

Mr. Subodh Agarwalla
Whole Time Director and CEO
- A B. Tech from IIT Varanasi and M.B.A from IIM Bangalore
- At age of 39 years is the Whole Time Director and CEO and strengthens the operational activities of the Company

Mr. S. C. Agarwalla
Chairman and Managing Director
- Over 25 years of rich experience in Ferro Alloys industry
- Has a strong understanding of business processes and excellent communication and people management skills
- Focuses on project setup, corporate planning and business development, human resource development, planning & budgeting and related functions

Mr. Sudhanshu Agarwalla
President and CFO
- A M.B.A from XLRI Jamshedpur.
- Over 13 Years of experience in Finance, Marketing and Procurement in the Ferro Alloys Industry

Mr. Nand Kishore Agarwal
Independent Director
Experienced in the field of Accounts, Finance and Tax Laws

Mr. Biswajit Choudhuri
Independent Director
Experienced in the field of Engineering, Banking, Finance and Management

Mr. Vikash Kumar Jewrajka
Independent Director
Experienced in the field of Monolithic Ceramics, Promotions of Residential Property & Fly Ash Bricks Machine Manufacturer

Mr. Ashok Bhandari
Independent Director
Experienced in the field of Finance and Negotiation with Banks, Governments and Technology & Equipment suppliers

Mr. Palghat Krishnan Venkatramani
Independent Director
Experienced in the field of Banking with specialty in Industrial Finance and staff training and Foreign Exchange and Management Accountancy

Ms. Kalpana Biswas Kundu
Independent Director
Experienced in the field of Banking, Accounts and Finance

201903:Name	201903:Designation	201903:Reported Designation	201903:Annual Remuneration
S C Agarwalla	Managing Director	Chairman and Managing Director	9.46
Subodh Agarwalla	Whole Time Director	Whole Time Director and CEO	7.57
PK Venkatramani	Independent Non-Executive Director	Independent Non-Executive Director	0.01
Kalpana Biswas Kundu	Independent Non-Executive Director	Independent Non-Executive Director	0.01
Nand Kishore Agarwal	Independent Non-Executive Director	Independent Non-Executive Director	0.01
Ashok Bhandari	Independent Non-Executive Director	Independent Non-Executive Director	0.01
Vivek Kaul	Additional Director	Additional Director	
Parasanta Chattopadyay	Non Executive Director	Non Executive Director	0.00
Rajesh K Shah	Company Secretary	Company Secretary	

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Financial Performance

- Respectable growth rates
- Clean and consistent receivables and inventory performance
- Lower tax rates (one of plant in SEZ zone)
- Volatile raw material and power cost. What is normalized raw material and power cost?

	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	TTM	3 Year Average/Sum/CAGR	5 Year Average/Sum	Overall Average/Sum
PRICE:	51.5	60.7	48.8	39.0	32.2	100.9	115.0	420.7	786.5	505.1	459.00			
Adjusted Equity Shares in Cr	1.0	1.5	1.5	1.5	1.5	1.5	2.9	2.9	2.9	2.9	2.91			
Revenue	477	605	673	948	957	1103	1146	1337	1873	1979	1981	5189	7439	10622
Other Income	15.3	7.5	6.9	5.2	3.0	1.0	4.0	8.5	13.6	26.2	25.2	48	53	76
PAT	30.2	72.7	45.4	44.4	11.4	52.6	78.9	179.7	291.8	255.2	218.7	727	858	1032
CFO	47.5	85.6	47.8	41.8	-3.7	57.6	136.0	125.8	284.3	314.7		725	919	1090
CAPEX		57.5	112.7	25.9	23.6	9.6	9.5	0.1	11.1	7.1		18	37	257
Dividend	1.0	2.9	2.9	2.9	2.9	2.9	5.8	7.3	8.7	17.5		33	42	54
FCF including Dividend		28.1	-64.9	15.9	-27.3	48.0	126.6	125.7	273.2	307.6		707	881	833
Revenue Growth		27%	11%	41%	1%	15%	4%	17%	40%	6%		31%	20%	19%
PAT Growth		141%	-38%	-2%	-74%	362%	50%	128%	62%	-13%		80%	118%	31%
Receivables as a % of Sales	13%	7%	13%	13%	15%	19%	17%	17%	13%	13%		14%	17%	15%
Inventory as a % of Sales	12%	15%	24%	19%	22%	16%	13%	14%	13%	13%		13%	16%	17%
PAT Margin	6.3%	12.0%	6.7%	4.7%	1.2%	4.8%	6.9%	13.4%	15.6%	12.9%	11.0%	14%	7%	7%

	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	TTM	3 Year Average/Sum/CAGR	5 Year Average/Sum	Overall Average/Sum
Profitability Ratios														
COGS/Sales	48%	60%	62%	59%	58%	53%	51%	48%	52%	57%		53%	52%	54%
Change in Inventory as a % of Sales	-6%	1%	2%	1%	1%	0%	-1%	1%	0%	0%		0%	0%	0%
Power and Fuel as a % of Sales	27%	17%	23%	26%	29%	28%	27%	21%	19%	19%		20%	26%	25%
Other Mfr. Exp as a % of Sales	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%		2%	2%	2%
Employee Cost as a % of Sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%		1%	1%	1%
Selling and admin as a % of Sales	3%	4%	4%	4%	4%	4%	5%	7%	5%	4%		5%	5%	5%
Other Expenses as a % of Sales	1%	-1%	1%	1%	1%	1%	1%	1%	0%	0%		0%	1%	1%
Other Income as a % of Sales	3%	1%	1%	1%	0%	0%	0%	1%	1%	1%		1%	0%	1%
Depreciation as a % of Sales	2.5%	1.7%	1.4%	2.0%	2.4%	2.4%	2.0%	1.9%	0.8%	0.8%		1%	2%	2%
Gross Margin	52%	40%	38%	41%	42%	47%	49%	52%	48%	43%		47%	48%	46%
EBIT Margin	12%	17%	9%	8%	3%	8%	10%	19%	20%	17%		19%	11%	11%
PAT Margin	6.3%	12.0%	6.7%	4.7%	1.2%	4.8%	6.9%	13.4%	15.6%	12.9%		14%	7%	7%
Tax Rate	31%	25%	25%	19%	9%	21%	18%	26%	22%	22%		23%	23%	24%

Financial Performance

- Asset light balance sheet (do not own mines) with net fixed asset being 30% of overall balance sheet and rest in the form of primarily cash or liquid investment
- Improvement in debtor days. Reasonable and consistent inventory days
- Respectable cash return on assets
- Depreciation rate looks satisfactory

	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	TTM	3 Year Average/Sum/CAGR	5 Year Average/Sum	Overall Average/Sum
Balance Sheet Ratios														
Capex/Gross Fixed Asset		47%	50%	9%	8%	3%	3%	0%	5%	3%		3%	3%	14%
Net Fixed Asset/Asset	33%	28%	33%	40%	36%	35%	33%	27%	20%	15%		20%	26%	30%
Investment/Shareholder Equity	0%	3%	2%	5%	5%	4%	4%	8%	28%	41%		26%	17%	10%
Other Asset/Shareholder Equity	64%	54%	56%	55%	58%	61%	62%	65%	52%	44%		54%	57%	57%
Capital Work in progress/Net Fixed Asset	9%	54%	29%	0%	2%	0%	0%	0%	0%	0%		0%	0%	9%
Liquidity Ratios														
Debt to Equity	1.0	0.5	0.9	0.8	0.9	0.7	0.4	0.1	0.1	0.0		0.1	0.2	0.5
Current Ratio	1.5	1.4	1.5	1.5	1.7	1.8	1.8	2.5	2.1	1.7		2.1	2.0	1.8
Interest Coverage Ratio	3.9	14.9	15.2	3.9	1.6	4.1	6.8	20.7	49.1	40.8		36.9	24.3	16.1
Quick Ratio	1.2	0.9	0.9	0.9	1.0	1.2	1.3	1.7	1.3	1.0		1.3	1.3	1.1
Depreciation/Gross Asset	9%	8%	4%	6%	7%	9%	8%	9%	6%	6%		7%	8%	7%
Investments to Market Cap	0%	14%	21%	67%	82%	24%	11%	6%	15%	43%				
Operating Ratios														
Working Capital/Sales (including cash)	19%	12%	19%	15%	21%	20%	20%	27%	18%	13%		19%	19%	18%
Debtor Days	47	27	47	48	54	68	63	62	47	47		52.1	57.4	51.0
Debtor Turnover	7.8	13.4	7.8	7.6	6.8	5.4	5.8	5.9	7.7	7.7		7.1	6.5	7.6
Inventory Days	44	53	87	69	79	58	48	51	48	48		49.1	50.7	58.5
Inventory Turnover	8.2	6.9	4.2	5.3	4.6	6.3	7.6	7.2	7.5	7.6		7.4	7.2	6.5
Cash Return on Assets	12.1%	19.7%	6.9%	5.6%	-0.5%	7.2%	16.9%	13.9%	23.4%	20.7%		19%	16%	13%

Financial Performance

	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	TTM	3 Year Average/Sum/CAGR	5 Year Average/Sum	Overall Average/Sum
Return on Total Average Net Asset (EBIT)		25%	11%	10%	4%	11%	14%	30%	36%	24%				
Return on Total Average Productive Net Asset (EBIT)		63%	27%	25%	11%	30%	41%	101%	160%	144%				
Return on Assets	7.7%	16.7%	6.6%	5.9%	1.4%	6.5%	9.8%	19.9%	24.0%	16.8%		20%	15%	12%
Asset Turnover	1.2	1.4	1.0	1.3	1.2	1.4	1.4	1.5	1.5	1.3		1.4	1.4	1.3
Fixed Asset Turnover	3.7	5.0	3.0	3.2	3.3	3.9	4.3	5.5	7.9	8.6		7.3	6.1	4.8
CFO/PAT	1.6	1.2	1.1	0.9	-0.3	1.1	1.7	0.7	1.0	1.2		1.0	1.1	1.0
CFO/Sales	10%	14%	7%	4%	0%	5%	12%	9%	15%	16%		13%	12%	9%
CAPEX/PAT	0.0	0.8	2.5	0.6	2.1	0.2	0.1	0.0	0.0	0.0		0.0	0.1	0.6
Dividend/PAT	3%	4%	6%	7%	26%	6%	7%	4%	3%	7%		5%	5%	7%
FCF/PAT	0.0	0.4	-1.4	0.4	-2.4	0.9	1.6	0.7	0.9	1.2		0.9	1.1	0.2
FCF/CFO	0.0	0.3	-1.4	0.4	7.4	0.8	0.9	1.0	1.0	1.0		1.0	0.9	1.1
FCF/Sales	0%	5%	-10%	2%	-3%	4%	11%	9%	15%	16%		13%	11%	5%
Profit Margin	6%	12%	7%	5%	1%	5%	7%	13%	16%	13%		14%	11%	8%
Asset turnover	1.22	1.39	0.97	1.26	1.18	1.37	1.42	1.48	1.54	1.30		1.4	1.4	1.3
Financial Leverage	3.4	2.3	3.0	2.8	2.9	2.5	2.1	1.5	1.4	1.4		1.4	1.8	2.3
Return on Equity	26%	39%	20%	17%	4%	16%	20%	31%	34%	23%		29%	25%	23%
Return on Capital	25.7%	38.0%	14.7%	15.2%	6.2%	16.4%	21.1%	38.5%	42.1%	29.9%		37%	30%	25%
CFO/Invested Capital	21%	32%	11%	9%	-1%	11%	26%	19%	31%	28%		26%	23%	19%
FCF/Invested Capital	0%	10%	-15%	3%	-5%	9%	24%	19%	30%	27%		25%	22%	10%
Dividend Yield	1.9%	3.3%	4.1%	5.1%	6.2%	2.0%	1.7%	0.6%	0.4%	1.2%		1%	1%	3%
Dividend Payout	3%	4%	6%	7%	26%	6%	7%	4%	3%	7%		5%	5%	7%

- Excellent free cash flow to sales ratio over 10 year history covering both up and down cycle
- Respectable return on capital ratios over 10 year history covering both up and down cycle
- Still, dividend payout is low. This is despite having Rs 670 cr cash with Rs 1300 cr market cap

- Credit rating improvement over years
- Respectable credit rating history

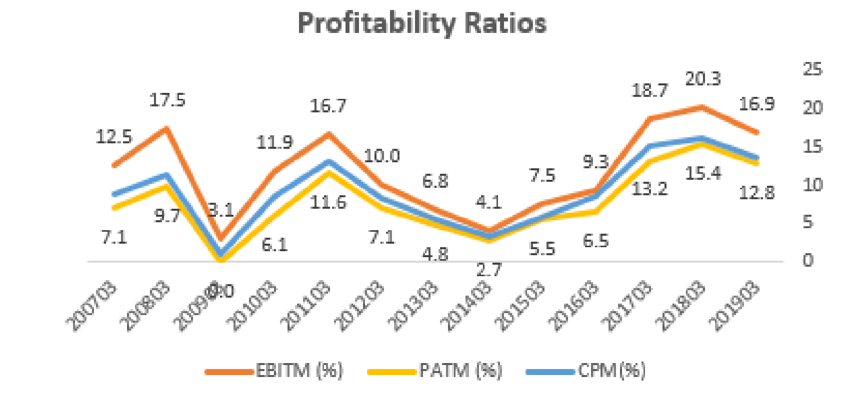
Date	Instrument Type	Rating Agency	Rating	Amount	Rating Status
16/Aug/2019	Short Term Bank Facilities	CARE	CARE A1+	INR 450.00 crore	Reaffirmed
16/Aug/2019	Long Term Bank Facilities	CARE	CARE AA	INR 90.00 crore	Reaffirmed
29/Jun/2019	Bank Guarantee	CRISIL	CRISIL A1+	INR 35.00 crore	Reaffirmed
29/Jun/2019	Letter of Credit	CRISIL	CRISIL A1+	INR 404.00 crore	Reaffirmed
29/Jun/2019	Cash Credit	CRISIL	CRISIL AA	INR 90.00 crore	Upgraded
29/Jun/2019	Cash Credit & Working Capital Demand Loan	CRISIL	CRISIL AA	INR 32.00 crore	Upgraded
29/Jun/2019	Proposed Long Term Bank Loan Facility	CRISIL	CRISIL AA	INR 39.00 crore	Upgraded
31/Dec/2018	Bank Guarantee	CRISIL	CRISIL A1+	INR 35.00 crore	Reaffirmed
31/Dec/2018	Cash Credit	CRISIL	CRISIL AA-	INR 90.00 crore	Reaffirmed
31/Dec/2018	Cash Credit & Working Capital Demand Loan	CRISIL	CRISIL AA-	INR 32.00 crore	Reaffirmed
31/Dec/2018	Letter of Credit	CRISIL	CRISIL A1+	INR 404.00 crore	Reaffirmed
31/Dec/2018	Proposed Long Term Bank Loan Facility	CRISIL	CRISIL AA-	INR 39.00 crore	Reaffirmed
28/Sep/2018	Long Term Bank Facilities	CARE	CARE AA	INR 99.02 crore	Revised
28/Sep/2018	Short Term Bank Facilities	CARE	CARE A1+	INR 430.00 crore	Reaffirmed
16/Feb/2018	Long Term Bank Facilities	CARE	CARE AA-	INR 130.99 crore	Revised
16/Feb/2018	Short Term Bank Facilities	CARE	CARE A1+	INR 430.00 crore	Reaffirmed

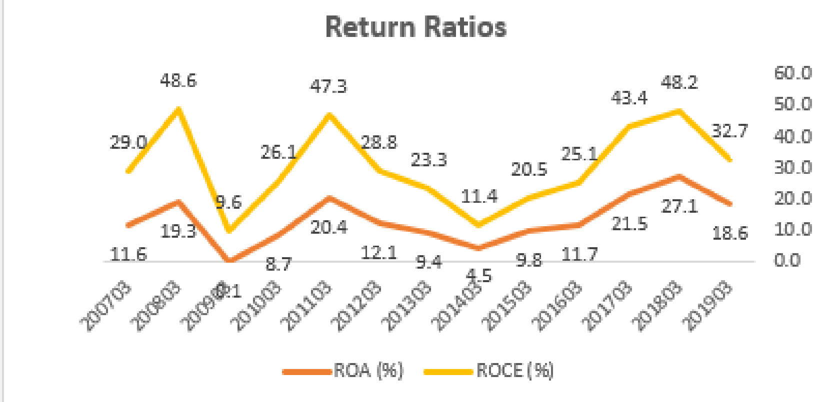
Financial Performance

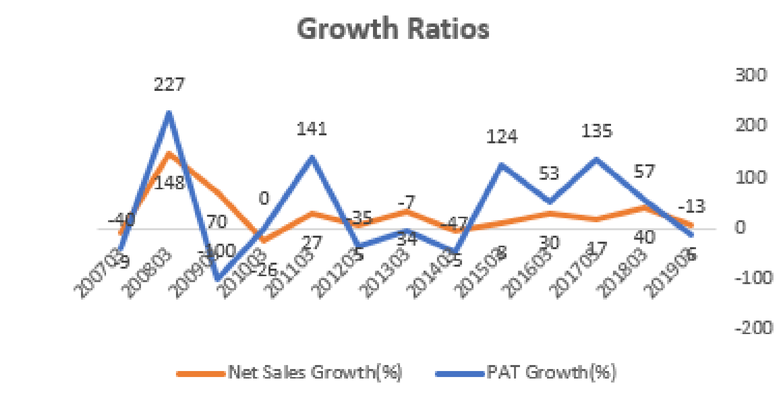
- Not uniform and shows volatility and cyclic behavior, however, still from a cyclic commodity business perspective, company could generate reasonable ROCE in worst of time. Question is what is sustainable ROCE and operating margins? Why margins were so low in 2014?

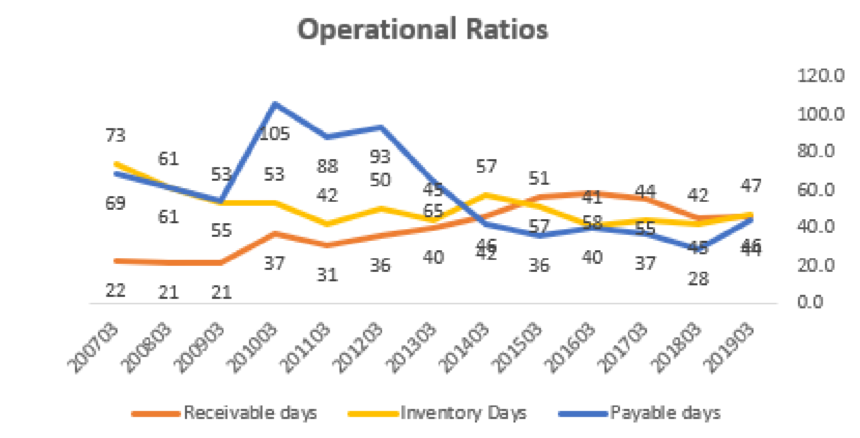
- Company has been able to reduce leverage and is debt free now. Will it need debt for future expansion?

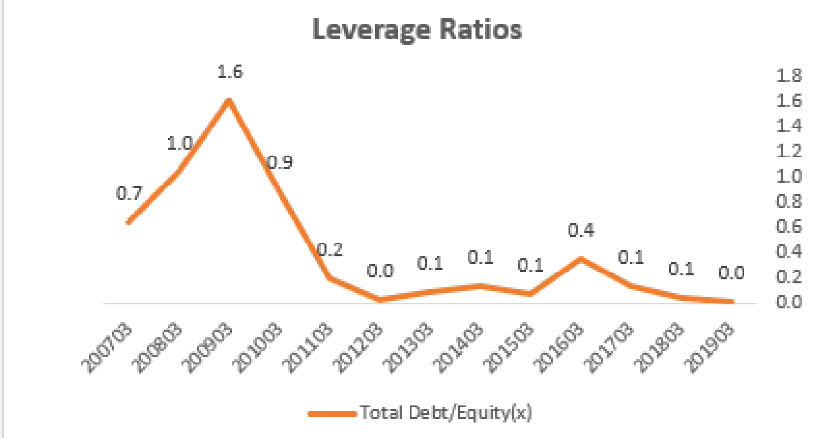
- Operationally efficient and good asset utilization ratio though not yet at peak asset turns despite 90% capacity utilization

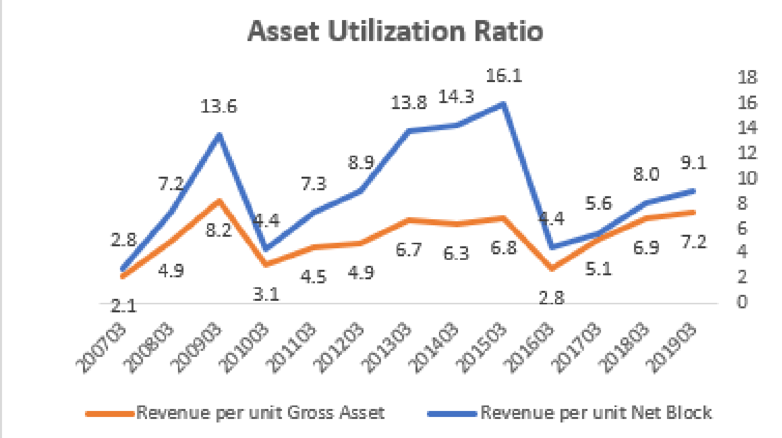












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Key Questions and Management Response

Open Questions:

- High cash and low dividend yield
- Power tariff in the country is high compared to other ferro alloy producing countries
- Industry is bracing to tackle competition from Malaysia and Indonesia
- Another challenge facing producers in India is the non-availability of low phosphate coke.
- Family transactions in 2017 to shift business from one hand to other hand
- Volatility in margins and expected sustainable margin
- Significantly low margin in 2014, is company purely cyclic and will it also make losses sometime
- How company manages raw material price volatility
- How new capex will play out

We will address some of questions here in terms of what is management's response. Also, we will do our own analysis in next set of sections on some of those questions

Key Questions and Management Response

Responses to some of them:

On High cash and low dividend yield: We are earning about 7% post tax return on our surplus cash. The company is supposed to use cash judiciously for its own growth. Now we have seen three years of good growth in margins
and cash flows which is why we have that kind of money. So, we became net cash 2.5 years. ago and in these 2.5 years we have been able to build a war chest of around Rs. 650 crores or so. Now we have been constantly looking at growth and looking for only the last 2.5 years because prior to that the entire industry was in doldrums and we could not think of growth. So 2.5 years ago is when we started looking at growth and we have a very long-term view on the business and therefore follow very conservative and prudent financial policy as our sector has seen ups and downs throughout.

In the past let us say to support our history of 20 years we have always been taking loans for one expansion project. We have been repaying that and in many cases prepaying the loan and only after the old loan is on the verge of getting totally prepaid is when the next project is planned, and the next term loan is taken. With this strategy we were able to grow from 10 MVA in 1997 to 137 MVA by the end of 2012 - that is in 15 years we were able to grow by 14 times. So, this has proved to be successful recipe and in spite of it being a low risk thing growth has been high. So, we would tend to continue with the success recipe, and we are constantly evaluating inorganic growth opportunities along with the announcement of a Greenfield CAPEX of about Rs. 275

Key Questions and Management Response

crores. We need to conserve cash for the short-term because we are uncertain how much money we will be spending on the inorganic growth front. We totally appreciate that keeping this cash has a negative carry and we have been debt averse, but we would still want to carry this money for another 12 months because we would hate to lose out on opportunities which come our way. And because we have been able to do a good job of expanding and operating, so we have a request to our various stakeholders to just be patient and give us another 9 to 12 months and we are hoping to put that cash to use.

If we are unable to put the cash to good use, then we would consider to return the money to the shareholders. But growth is our priority and if we can achieve better returns with the money, we would prefer that only.

Export vs Domestic: India is the largest exporter of Silico manganese and hence export earnings and domestic earnings are typically almost at par. For us, we have Vizag plant where it is in SEZ, so we have to export. Most of the plants which are not in the SEZ they have the flexibility. So, if any plant is able to generate a higher EBITDA by exporting, they would export and if they are generating higher EBITDA for domestic sales, they will do that. So it is a self-alignment which automatically happens and say maybe half a percent difference sometimes but on an average it evens out.

Key Questions and Management Response

Malaysia being a bigger threat in terms of the import scenario: I would say during second part of calendar year ‘16 and the calendar year ‘17, Malaysia ramped up their capacity significantly. Because of that there was pressure on prices and the prices remained in check otherwise they would have gone up much faster. It means for the last 15 months Malaysia has been producing to capacity so whatever disturbance they were to create that they have already created. There is no additional threat left They don’t intend to add more capacities there because the cost of CAPEX in Malaysia has been proved to be about 2.5 times that of India. Nobody is interested in putting up more capacities there; they will continue to produce what they are producing, and they will not be part of any growth or degrowth

On power cost being contributor in our being a low-cost manufacturer: I don’t think so anybody who sets up the unit at any place where the power cost is higher, they would be forced to shut down. So, I would say it is a necessary evil or a necessary hygiene but that does not give you a competitive advantage but if not attended correctly it would result in competitive disadvantage

On commodity business, cycles, sustainable margin and competitive advantage:

Sarvesh Gupta: One more question is sir could you let us know what can be the bottom or the bear case for EBITDA margins, although 15% to 17% is the long-term guidance. What can be the bear case in any 12-month period that we can hit in terms of EBITDA?

Subodh Agarwalla: I had done some figures. We have a 4% headroom over competition on the EBITDA front, so when the industry or our competition is making 8% EBITDA beyond that figure, they enter into a cash loss type of scenario. So, I would assume that the industry can go to that EBITDA margin which means at that particular juncture our margins would be 12%.

Key Questions and Management Response

On poor financial performance in 2014:
On the EBITDA metrics in the 13 quarters from September 2012 EBITDA margin was around 5% on an average. So now what has changed now is that our EBITDA margin would be in the 15% to 17% range as opposed to the 5% in those three years?

Subodh Agarwalla: Basically, are you referring to the standalone figures or are you referring to the consolidated figures?

Sarvesh Gupta: Standalone.

Subodh Agarwalla: So basically, what was happening in FY12 or by the end of FY12 is that we had commissioned the Visakhapatnam plant which at that time was in our 100% subsidiary. That subsidiary got merged into the parent company from the start of FY16. So, till the end of FY15 it was a subsidiary.
Now that plant in the first three years that is in FY13, 14 and 15 was not operating well. We were wanting to operate it in a hands-off approach thinking that things would automatically happen but that was not to be. When the plant did not perform even in the third year let us say about July 2015, I was given the mandate of taking over control of the plant and do whatever is required to ensure that that plant would perform at a level at which Kalyaneshwari plant was operating.

Now if you want to separate the performance and really understand what I'm saying you can take the standalone performance of the company and to get a sense of the Vizag plant working, you deduct the standalone from the consol. So consol minus standalone is the subsidiary. So, from that perspective you can see what was the EBITDA which was coming from the subsidiary and what was the EBITDA which was coming from the parent which was the Kalyaneshwari and Meghalaya plant.
The performance of the subsidiary was not so good in spite of the fact that it was not having to spend any money for its working capital needs. So, the parent company was buying raw material and selling it at cost and buying the finished product from the

Key Questions and Management Response

subsidiary and selling it outside at cost as well. This was essential because the raw material and finished goods tie-up was there with the parent company because overseas suppliers were comfortable with Maithan Alloys and not with this new subsidiary which had come up. Because of the poor performance of the subsidiary, it really dragged the performance of the parent company. So, if you're referring to EBITDA, the EBITDA which reflects on the standalone is the right figure. However, in the revenues you have a lot of trading revenues also figuring in which is the purchase and sales to and from the subsidiary which resulted in a zero margin. In the cost metrics you have a figure called purchases for sales. So, if you deduct the purchases for sales from the revenue of the standalone portion you would get an idea of the real manufacturing revenue of the standalone portion which is the Kalyaneshwari and Meghalaya units and you would have an EBITDA figure against that.

So, this is a little bit complicated but if you want to have a better understanding you can go deep into it and you will understand that the Vizag unit was not doing well, the other units were still doing reasonably well.

When we made a shift from private sector into the public sector in domestic market in that one year also, we had a hit on EBITDA because we had to grab market share and push people out. This was something which we had done consciously because we could see that steel was entering into a bad phase and we wanted to ensure that we would have no bad debts and we would not be losing money.

Key Questions and Management Response

How company manages raw material price volatility

What kind of contracts do you enter into with clients? Are the contracts monthly? When do we negotiate prices, in what frequency?

We are negotiating prices all the time. We would always want to maintain typically an order book of about 3 months' time. So, we can't wait till the end of the 3 months. If all the orders expired let us say in the month of March, then sitting on the 1st of April we will be having a zero-order book; that is something we would hate.

We have 3 different types of the contracts. One is a Spot contract. That is something that we are not very keen on and which would be let us say one-time contract for maybe 500 tonnes or 300 tonnes. Anything that is less than 200 tonnes is something that does not interest us.

Second is the contract for 3-4 months which is at a fixed price and it gives a certain amount of visibility to us. For any contract which is 6 to 12 months, these contracts are fewer in numbers, but these contracts are not fixed price in nature. They are linked to the index. There are publications which are publishing prices of Manganese ore and Manganese alloy every week. The published price of Manganese alloy at time of making the shipment would be applicable plus or minus any discount or a premium, decided at the time of the contract. It means if the prices of alloy move up by $ 10 (from contract date to shipment date), then we also charge $ 10 higher (compared to price prevailing on contract date) However this is applicable only for monthly contracts which are of the periods of 6 months or more. For contracts which are up to 3-4 months we have fixed price contracts.

You mean to say up to 3 to 4 months contract the prices are totally fixed in those contracts?

Yes. If the contracts are 6 months or more, only then we have a price linked contract.

New Capex

In our new plant that would be coming up, you would be essentially doing Ferro manganese and also Ferro chrome?

Yes we would be doing Manganese Alloys and/or Chrome Alloys; we don't know right now. It depends on the market scenario prevailing once the plant is ready.

So, it's fungible, we can do whatever we want with the plant.

Yes, we can.

Shareholding Pattern and Dividend History

- Company has been paying continuous dividends
- Bonus issued in 2010 and 2015
- 74.99% held by promoter with some share change happening in 2018
- 3% by FII and AIFs
- 14% by individual with nominal share capital up to 1 Lakh
- No mutual fund holding

Year End	Dividend per Share(Rs)	Face Value(Rs)	Un.Adj.Close Price (Rs.)
31/Mar/2019	6.00	10.00	505.25
31/Mar/2018	3.00	10.00	783.80
31/Mar/2017	2.50	10.00	420.80
31/Mar/2016	2.00	10.00	116.50
31/Mar/2015	4.00	10.00	201.90
31/Mar/2014	2.00	10.00	64.45
31/Mar/2013	2.00	10.00	77.90
31/Mar/2012	2.00	10.00	94.90
31/Mar/2011	2.00	10.00	121.35
31/Mar/2010	1.00	10.00	154.45

Description	PERSHARES_201903	PERSHARES_201812	PERSHARES_201809	PERSHARES_201806	PERSHARES_201803
Total of Promoter and Promoter Group	74.99	74.99	74.99	74.99	70.57
Financial Institutions / Banks	0.06	0.05	0.13	0.17	0.23
Alternate Investment Funds	0.24				
Foreign Portfolio investors	2.72	2.96	2.96	2.75	2.12
Bodies Corporate	3.1	2.97	3.1	3.86	6.94
Individual shareholders holding nominal share capital up to Rs. 1 lakh	13.81	13.5	13.3	12.84	13.36
Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	3.36	3.34	3.28	3.01	3.04
Clearing Members	0.63	1.02	1.15	1.06	2.26
Non Resident Indians	1.1	1.16	1.05	1.04	1.18
Total of Promoter and Public Shareholding	100	100	100	100	100

Equity as on	No of Shares Subs	Equity Capital (Subs)	No of Shares added	No of Shares Subs(before)	Equity Capital-Subs (before)	Face Value	Price	Premium	Inc/Dec in Reserves	Reason
15/Jul/2015	29111550.00	29.11	14555775.00	14555775.00	14.56	10.00			0.00	Bonus
17/Jun/2010	14555775.00	14.56	4851925.00	9703850.00	9.70	10.00			0.00	Bonus

Related Party Transactions and Remuneration

Related party transactions and subsidiary structure looks ok

Year End	Transactions	Party	Direct Subsidiaries	Key Management Personnel	Enterprises Under Managements	Total
201903	Services Received	Sudhanshu Agarwalla				5.89
201903	Remuneration Paid	SC Agarwalla		9.46		9.46
201903	Remuneration Paid	Subodh Agarwalla		7.57		7.57
201903	Sitting Fees	Parasanta Chattopadyay		0.00		0.00
201903	CSR Expenses	BMA Foundation			3.95	3.95
201903	Loans / Advances Refund	BMA Foundation			0.71	0.71
201903	Loans / Advances Given	AXL Exploration Pvt Ltd.	0.05			0.05
201903	Reimbursement of Expenses	Anjaney Minerals Ltd.	0.05			0.05
201903	Reimbursement of Expenses	Salanpur Sinters Pvt Ltd.	0.26			0.26
201903	Closing Balance - Remuneration Payable	SC Agarwalla		1.42		1.42
201903	Closing Balance - Remuneration Payable	Subodh Agarwalla		1.15		1.15
201903	Closing Balance - Other Payables	Sudhanshu Agarwalla				0.69
201903	Closing Balance - Loans & Advances - Current	AXL Exploration Pvt Ltd.	0.99			0.99
201803	Services Received	Sudhanshu Agarwalla				5.71
201803	Remuneration Paid	SC Agarwalla		10.78		10.78
201803	Remuneration Paid	Subodh Agarwalla		8.62		8.62
201803	Sitting Fees	Parasanta Chattopadyay		0.00		0.00
201803	Purchase of Shares	Salanpur Sinters Pvt Ltd.	6.00			6.00
201803	Purchase of Shares	Subodh Agarwalla		0.01		0.01
201803	Purchase of Shares	Sudhanshu Agarwalla				0.01
201803	CSR Expenses	BMA Foundation			0.06	0.06
201803	Loans / Advances Given	Subodh Agarwalla		0.12		0.12
201803	Loans / Advances Given	BMA Foundation			0.71	0.71
201803	Loans / Advances Given	AXL Exploration Pvt Ltd.	0.03			0.03
201803	Reimbursement of Expenses	Anjaney Minerals Ltd.	0.00			0.00
201803	Reimbursement of Expenses	Salanpur Sinters Pvt Ltd.	0.00			0.00
201803	Closing Balance - Remuneration Payable	SC Agarwalla		1.90		1.90
201803	Closing Balance - Remuneration Payable	Subodh Agarwalla		1.51		1.51
201803	Closing Balance - Other Payable	Sudhanshu Agarwalla				0.69
201803	Closing Balance - Loans & Advances - Current	AXL Exploration Pvt Ltd.	0.94			0.94
201803	Closing Balance - Other Receivables	BMA Foundation			0.71	0.71

Company Name	No of Shares(A)	Face Value(A)	% of holdings	Cost of Invetmnets	Share Capital	Reserves & Surplus	Debts	Total Liabilities	Total Assets	Turnover	Profit after Taxation
Salanpur Sinters Pvt Ltd.	6040000.00	10.00	100.00	6.03	6.04	-0.07		5.97	5.97		-0.06
Anjaney Minerals Ltd.	11000000.00	10.00	100.00	10.62	11.00	-3.78		7.29	7.29	2.24	0.17
AXL Exploration Pvt Ltd.	242625.00	100.00	75.00	5.49	3.24	-1.02		3.17	3.17		-0.05

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Competitive Analysis

Company	State	Location	Type	Capacity Ton
Facor	AP	Garividi	FM-SM	72500
Anjaneya Alloys	AP	Vishakhapatnam	Ferro Alloys	120000
Sarda Energy	MP	Raipur	FM-SM	66000
Sal Steel	GJ	Gandhidham		61890
Anjaneya Alloys	JH	Jamtada	Ferro Alloys	41850
Chandrapur Ferro Alloys	MH	Chandrapur	FM	50000
Chandrapur Ferro Alloys	MH	Chandrapur	SM	32765
Maithan Alloys	MEG	Rio bhoi	FM	28000
Tata steel	ORI	Joda	FM	50000
Nava Bharat Ventures	TEL	Khammam	FM-SM	125000
Maithan Alloys	WB	WB	FM	94600
Shyam Ferro Alloys	WB	WB	SM	104957
Indian Metals & Ferro Alloys Ltd	ORI	Rayagada	Ferro Chrome	275000

- 19% production share for ferro manganese
- 33% production share for silico manganese
- 14% share for ferro silicon
- Yet to start on ferro chrome
- 5x capacity expansion in last 13 years and working at 90% capacity utilization
- Lowest cost produce due to higher efficiencies in employee productivity, SGA efficiency, other cost control, strong balance sheet and asset light model

BENCHMARKING

	MAITHAN ALLOYS	SARDA ENERGY&...	INDIAN METAL & FERRO	NAVA BHARAT VENTURES
Financial Metrics -				
5yr Net Profit (CAGR)	49.37 %	19.07 %	-19.01 %	-2.47 %
P/E	5.24	2.53	0.00	3.68
5yr Average Debt to Equity	0.12	0.33	0.97	0.11
5yr Average Debt to Operating Profit +	0.25	1.55	2.98	1.68
5yr Average Other Income vs Net Profit +	0.06	0.58	0.30	0.40
5yr Average Return on Assets	17.72 %	6.69 %	3.36 %	4.35 %
5yr Average ROE +	28.23 %	10.01 %	8.14 %	5.02 %
5yr Average ROCE	33.98 %	13.64 %	11.03 %	6.95 %
Sales vs Receivables +	16.13	8.98	5.15	4.94
5yr Average Net Profit Margin	10.98 %	9.24 %	4.68 %	11.28 %
Contingent Liabilities vs Profit +	1.23	1.96	1.83	1.77
5yr Average Operating Profit Margin	15.38 %	18.38 %	19.80 %	15.54 %
Cash Conversion Cycle +	60.11	56.29	57.14	110.41

Item	Last 3 Years		Last 5 Years		Last 7 Years	
	IMFA	Maithan	IMFA	Maithan	IMFA	Maithan
Raw Material Cost	45.1%	51.7%	48.9%	54.7%	49.3%	58.0%
Power Cost	2.6%	19.7%	2.5%	21.0%	2.2%	20.9%
Employee Cost	10.3%	1.4%	10.3%	1.3%	9.8%	1.2%
SGA Cost	9.5%	5.6%	9.1%	5.2%	8.7%	4.7%
Other Manufacturing Cost	6.7%	1.8%	7.1%	1.8%	7.3%	1.7%
Other Cost	2.3%	0.6%	2.5%	0.6%	2.6%	0.7%
Interest to Sales	4.7%	0.6%	5.7%	0.8%	6.0%	0.8%
Depreciation to Sales	6.1%	1.2%	7.3%	1.2%	7.8%	1.1%

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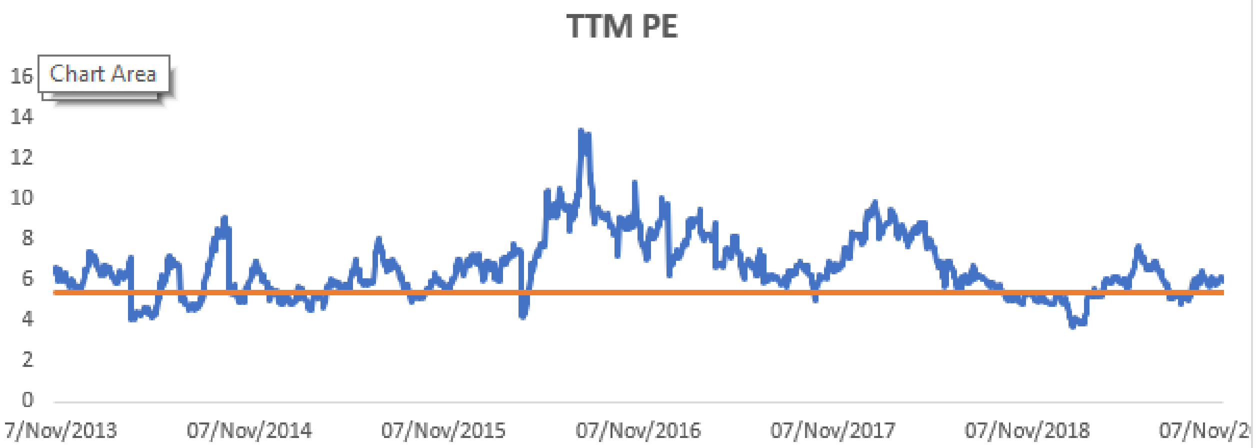
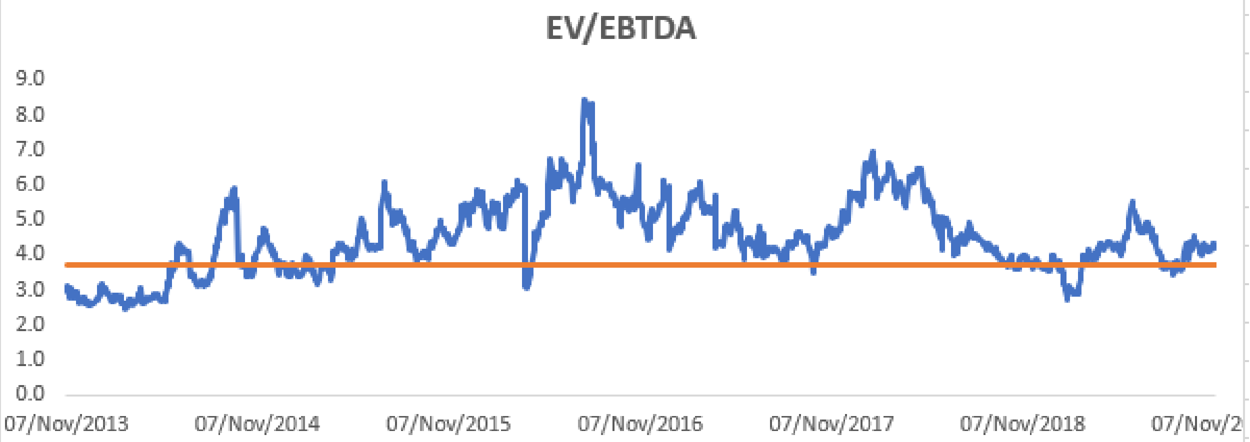
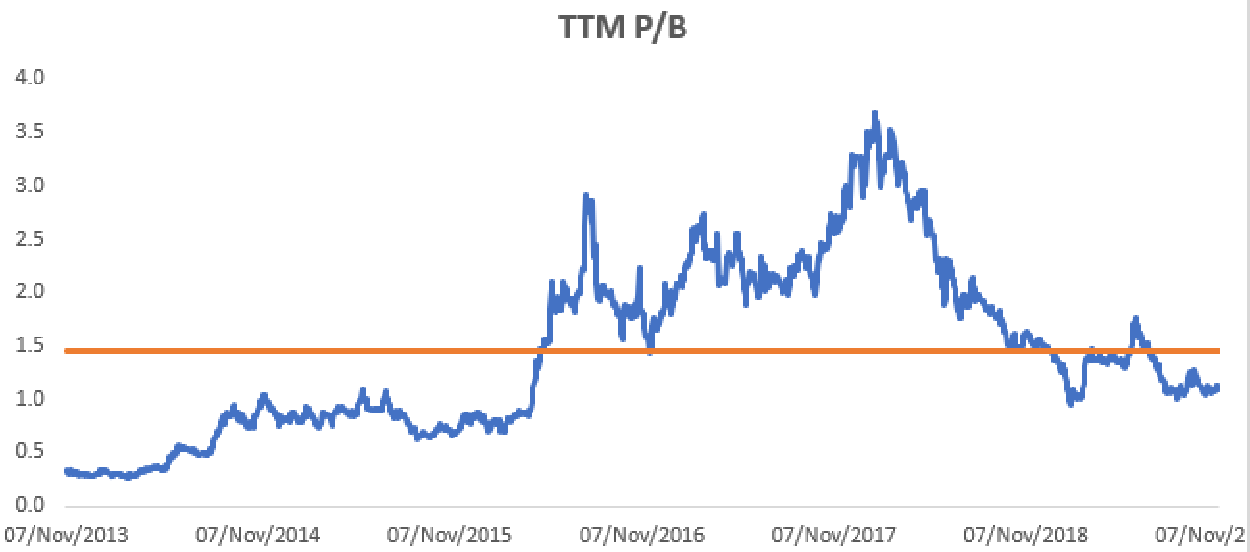
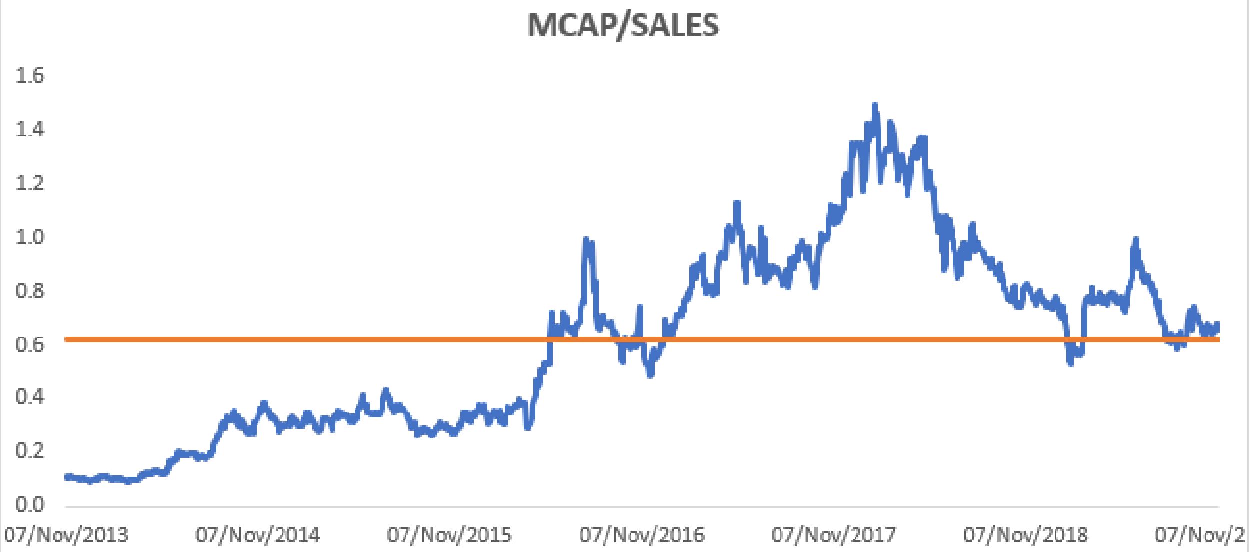
Valuation based on history

Not the best of valuation yet but still on the attractive side based on self historic comparison. However, it should be noted that company has stronger balance sheet, cash flow and evident track record of management execution









Valuation and Sustainable Performance Analysis

What drives valuations

- Growth
- Market size opportunity
- Return on capital
- Management Premium for execution and integrity
- Earnings visibility and consistency
- Count of risk levers and stress factor
- Perception, Regulation, Fund flow etc. etc.
- Float as derivative of above factors

Valuation and Sustainable Performance Analysis

Growth: How did it happen and how can it happen

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	1Y CAGR	3Y CAGR	5Y CAGR	10Y CAGR
Capacity (MVA)	49		65			105	137										
Production (MT)	42000	66000	70000	76000	82000	89000	149000	141000	158000	206000	213000	220000	225000				15.0%
Capacity (MT)	80850		107250	107250	107250	173250	226050	226050	226050	226050	226050	226050	240000				9.5%
														1Y CAGR	3Y CAGR	5Y CAGR	10Y CAGR
Revenue	152.66	378.43	644.58	477.99	607.52	639.19	858.41	816.25	884.76	1150.8	1342.1	1878.97	1987.93	5.8%	20.0%	19.5%	23.8%
														1Y CAGR	3Y CAGR	5Y CAGR	10Y CAGR
Revenue/MT in Rs	36348	57338	92083	62893	74088	71819	57611	57890	55997	55864	63009	85408	88352	3.4%	16.5%	8.8%	7.7%
Total Expense	130	308.42	626.79	422.08	499.21	571.33	794.48	776.96	814.04	1019.26	1062.69	1496.72	1663.32	1Y CAGR	3Y CAGR	5Y CAGR	10Y CAGR
Expense/MT	30952	46730	89541	55537	60879	64194	53321	55104	51522	49479	49892	68033	73925	8.7%	14.3%	6.1%	7.5%
Non Raw Material Expense	64	122	131	137	116	169	225	235	236	407	434	530	537	1Y CAGR	3Y CAGR	5Y CAGR	10Y CAGR
Non Raw Material Expense/MT	15162	18491	18769	17970	14095	18985	15130	16658	14912	19741	20358	24102	23870	-1.0%	6.5%	7.5%	3.9%

Overall 24% CAGR topline growth for 12 years out of which 15% came from expansion in production capacity and 7.7% came from pricing. Expense growth rate was same as revenue rate and hence operating profit also grew at similar growth rate. Though raw material cost growth rate was higher, it was compensated by controlled other expense items. So, 1x growth is by pricing and 2x growth is by expansion compared to industry growth rate of x

Opportunity Size

Item	India	APJ except China	Maithan Share
Ferro Manganese + Silico Manganese	2.5 million ton		10%
Ferro Chrome	1 million ton		0%
Total	3.5 million tonn		

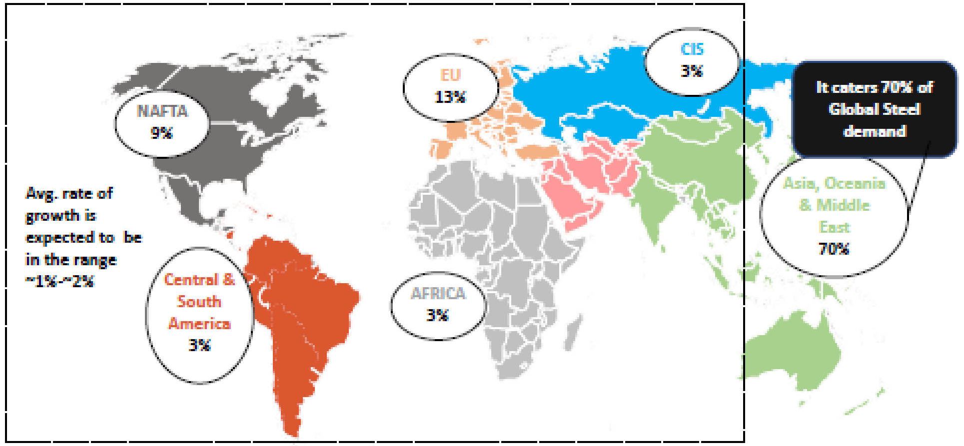
Concall*
Industry utilizable capacity for Ferro manganese and Silico manganese: ~ 2.5 million ton
Maithan Share : 10% (For the year FY19 our production was 2.25 lakh ton, nearly at full capacity and similar as last year)

- Expected market growth rate: 6%
- Maithan is lowest cost player

Valuation and Sustainable Performance Analysis

Growth: How did it happen and how can it happen

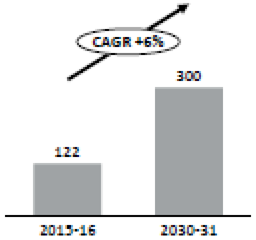
Global Steel Demand 2018 : 1,548.5 Mn T



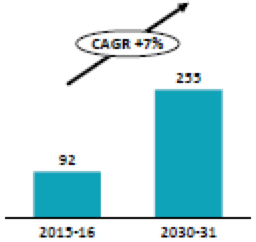
Asia Ex-China Growth is expected to be ~5%
Maithan already has a strong foothold in the growing Asian economies with no exposure to China

Alloy Producers to benefit from NSP 2017

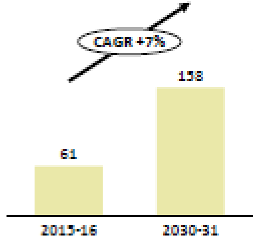
Capacity (Mn MT)



Production (Mn MT)



Per Capita Consumption (kg)

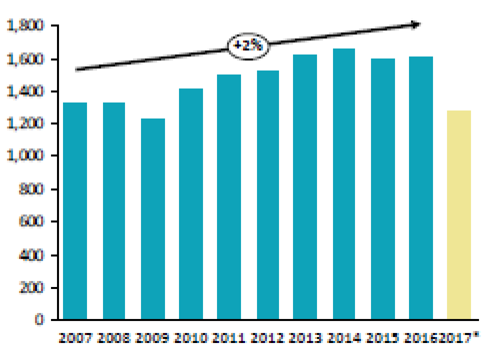


National Steel Policy (NSP) 2017 Highlights

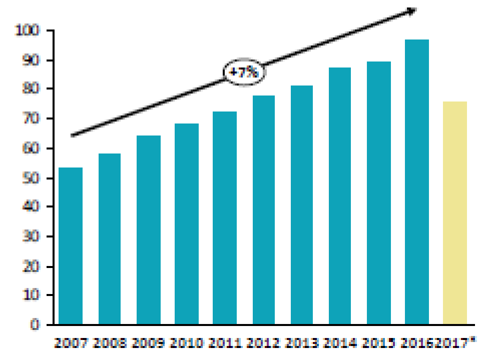
- Reduce dependence on Steel imports and become self sufficient in Steel production
- Increase domestic availability of washed coking coal so as to reduce import dependence on coking coal to 50%
- Policy to increase consumption of Steel in Infrastructure, Automobiles & Housing sector
- Provide policy support & guidance to private manufacturers, MSME Steel producers, CPSEs
- Steel Ministry will facilitate R&D through the establishment of Steel Research and Technology Mission of India (SRTMI)

~1.5% of Manganese Alloy is required to produce each tonne of Steel

World Crude Steel Demand (Mn MT)



India Crude Steel Demand (Mn MT)



Operating Efficiency + Better Product Mix + Strong Customer Relationships = Gaining Market Share Globally and Domestically

Maithan Alloys production has grown at CAGR of 18 % since 2007

*Data till Sept'17
Source: World Steel Association

Domestic Steel	2015-16	2030-31	CAGR
Capacity (Mn MT)	122	300	6%
Production (Mn MT)	92	255	7%
Per Capita Consumption (Kg)	61	158	7%

Valuation and Sustainable Performance Analysis

Normalized Raw Material and Power Cost

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	1Y CAGR	3Y CAGR	5Y CAGR	10Y CAGR
Raw Material	66.32	186.38	495.41	285.51	383.63	402.36	569.04	542.08	578.43	612.6	629.06	966.48	1126.25	16.5%	22.5%	15.7%	26.6%
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		AVG	MAX	MIN
COGS	43.4%	49.3%	76.9%	59.7%	63.1%	62.9%	66.3%	66.4%	65.4%	53.2%	46.9%	51.4%	56.7%		58.6%	76.9%	43.4%
3 Y AVG			56.5%	61.9%	66.6%	61.9%	64.1%	65.2%	66.0%	61.7%	55.2%	50.5%	51.7%		60.1%	66.6%	50.5%
5 Y AVG					58.5%	62.4%	65.8%	63.7%	64.8%	62.9%	59.6%	56.7%	54.7%		61.0%	65.8%	54.7%
10 Y AVG										60.7%	61.0%	61.2%	59.2%		60.5%	61.2%	59.2%
															AVG	MAX	MIN
Power Cost	30.6%	21.8%	12.5%	20.3%	12.2%	18.6%	19.6%	21.8%	20.1%	25.9%	20.9%	19.5%	18.8%		20.2%	30.6%	12.2%
3 Y AVG			21.6%	18.2%	15.0%	17.1%	16.8%	20.0%	20.5%	22.6%	22.3%	22.1%	19.7%		19.6%	22.6%	15.0%
5 Y AVG					19.5%	17.1%	16.7%	18.5%	18.5%	21.2%	21.7%	21.6%	21.0%		19.5%	21.7%	16.7%
10 Y AVG										20.3%	19.4%	19.1%	19.8%		19.7%	20.3%	19.1%

Sustainable EBIT Margin

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019				
EBITM (%)	12.5	18.47	9.77	11.87	16.73	10.03	6.81	4.12	7.51	9.29	18.68	20.29	12.84		AVG	MAX	MIN
3 Y AVG			13.58	13.37	12.79	12.88	11.19	6.99	6.15	6.97	11.83	16.09	17.27		11.74	17.27	6.15
5 Y AVG					13.87	13.37	11.04	9.91	9.04	7.55	9.28	11.98	13.72		11.09	13.87	7.55
10 Y AVG										10.71	11.33	11.51	11.82		11.34	11.82	10.71

Sustainable Return on Investment (pre tax)

New Greenfield capacity: 120000 Ton per annum (50% of current capacity to be funded through internal accrual)
Project Cost: Rs 275 Crore
Current Rates for product : Rs 60K -61K per ton post correction in last 2 years (post 15-20% correction from peak) with 5-10 year price CAGR around 7-8% and hence looks sustainable
Revenue possibility: Rs 720 Cr
EBIT at normalized margins of 11%: Rs 80 Crore
Return on Investment: 29%

Valuation and Sustainable Performance Analysis

What drives valuations

Growth	*Double digit possibility on a 5-10 year long term CAGR basis with short term hiccups*
Market size opportunity	*Favorable for players who can gain market share*
Return on capital	*Looks efficient based on current expansion plan and historical track record in worst case scenario*
Management Premium (Execution and integrity)	*Strong execution track record post 2008 learning, not serious hanky panky so far*
Earnings visibility and consistency	*Mitigated through normalized valuation*
Count of risk levers and stress factor	*Mitigated through normalized valuation*
Perception, Regulation, Fund flow etc. etc.	*Behavioral + Buy/Sell strategy Management*
Float as derivative of above factors	*Currently may not be in favor*

Valuation is an ever changing perception. One who can patiently play b/w fear of pessimists and greed of optimists with reasonable timing and risk reward scenario makes successful investment

STILL, IF YOU WANT TO DO A NORMALIZED DCF

Valuation and Sustainable Performance Analysis

What drives valuations

MAITHAN ALLOYS LTD : 3-Stage DCF

Figures in Rs Crore | Enter values only in red cells

Average FCF	235.5	Current PAT Margin	12.9%	Current CFO/PAT	123%
Historical FCF Growth Rate	58%	Average PAT Margin	8.5%	Average CFO/PAT	107%
Margin of Safety	20%	Current Dividend/PAT	7%	Net Fixed Asset	229.21
Historical CAPEX/NFA	1%	Average Dividend/PAT	5.36%	Maintenance Capex	24%
		Current FCF	308	Depreciation	8%
		Current Revenue Growth	5.6%	Average Revenue Grc	15.6%

Years	1	2	3	4	5	6	7	8	9	10
Revenue Growth Rate	12%	12%	12%	12%	8%	8%	8%	6%	6%	6%
Revenue	2217	2483	2780	3114	3363	3632	3923	4158	4408	4672
PAT Margin	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
PAT	177.3	198.6	222.4	249.1	269.1	290.6	313.8	332.7	352.6	373.8
CFO	189.8	212.6	238.1	266.7	288.0	311.0	335.9	356.1	377.4	400.1
Net Fixed Asset	209.9	269.1	327.8	384.3	439.9	483.4	526.8	569.3	599.5	625.9
Total CAPEX as a % of NFA	40%	33%	28%	25%	20%	19%	18%	15%	14%	13%
CAPEX	84.0	88.8	91.8	96.1	88.0	91.8	94.8	85.4	83.9	81.4
Dividend Growth	0%	0%	0%	10%	0%	0%	0%	10%	0%	0%
Dividend	12.1	13.6	15.2	18.8	18.4	19.9	21.5	25.0	24.1	25.6
FCF Normal	105.8	123.8	146.3	170.6	200.0	219.2	241.1	270.7	293.5	318.7
FCF Conservative	84.7	99.0	117.0	136.5	160.0	175.3	192.9	216.5	234.8	255.0
FCF Growth Rate Normal	-66%	17%	18%	17%	17%	10%	10%	12%	8%	9%
FCF Growth Rate Conservative	-72%	17%	18%	17%	17%	10%	10%	12%	8%	9%
Discount Rate Normal	12%									
Discount Rate Conservative	14%									
Terminal Growth Rate Normal	2%				720					
Terminal Growth Rate Conservati	0%				275					
Shares Outstanding (Crore)	2.91				2.618182					
Net Debt Level	-620.89									

NORMAL	
Terminal Year	351
PV of Year 1-10 Cash Flows	1,159
Terminal Value	1,131
Total PV of Cash Flows	2,289
Number of Shares	2.91
DCF Value / Share (Rs)	**1,000**
PV Contribution	51%
TV Contribution	49%
Current Share Price	459
Discount Moderate	**54%**
TTM PE Historical	5.26
PE Aggresion Multiple	1.2
PE Normal Multiple	1
PE Conservative Multiple	0.7

CONSERVATIVE	
Terminal Year	281
PV of Year 1-10 Cash Flows	860
Terminal Value	541
Total PV of Cash Flows	1,401
Number of Shares	2.91
DCF Value / Share (Rs)	**694**
PV Contribution	61%
TV Contribution	39%
Current Share Price	459
Discount Conservative	**34%**
Current P/B	1.20
Histrorical P/B	1.25
Share Capital Annual Gro	28%
Forward P/B	0.937
P/B Discount TTM	**4.3%**
P/B Discount NTM	**25.3%**

- 25% to 54% undervalued based on pure free cashflows or book value
- Not taken typical cyclic invest at PE and exit at low PE logic as company does not have those financials even though company operates in similar industry. Competitors are already showing such behavior on TTM basis as they are in PAT losses and in next 2 quarters, this should be more visible
- However, till FY21, we may not have any real triggers

Technical Analysis

What is demand supply data, moving averages, charts and patterns telling

- Stock is around 5 year exponential moving average
- Also, RSI shows increasing trend
- Volumes are missing from the market
- A triangular break-out or break down possibility depending on future triggers

Table of Contents

Investment Thesis, Opportunity and Risk

Overall investment thesis and opportunity:

- One of most efficient low cost producer in a commodity industry with strong balance sheet and cashflow statement generating decent cash profit in one of worst times
- Resulted in company gaining market share and can keep getting market share
- Continues to have asset light model with business policies addressing volatility of price movement across supply chain
- Attractive valuation at a time when competition has started making losses and company still in profit with strong balance sheet

Potential Risks:

- Not a buy and forget type of investment. Valuation is key and execution uniqueness could create outliers. Tough choices in life
- Commodity based cyclic risks – product price, raw material price, oversupply etc.
- Dependence on steel cycle
- Inefficient use of cash
- Have we timed it enough
- Competition – Domestic and International
- Future actions of promoters
- Could have higher revenue concentration across few customer
- Some of current investments are in NBFC sector companies

Market Linked Debentures	Amount Invested (Rs. Crs.)	Maturity	Remarks
CITICORP	169.99	October, 2019	Since realised
IIFL	150.44	January, 2020	Considered Good
Piramal Enterprises	150.00	January, 2020	Considered Good

Thank You. Questions?

Again, a big thanks to Atul, Ayush, Satish P, Yogesh and various VP forum members whose effort has been leveraged for this presentation