

**KALYANI STEELS LTD.**

23<sup>rd</sup> Aug, 2016

**CMP:** Rs. 367  
**Ratings:** Not Rated

**Stock Info**

<b>BSE Group</b>	B
<b>BSE Code</b>	500235
<b>NSE Symbol</b>	KSL
<b>Bloomberg</b>	KS IN
<b>Reuters</b>	KLSL .BO
<b>BSE Sensex</b>	27,990
<b>NSE Nifty</b>	8,632

**Market Info**

<b>Market Capital</b>	1603 Cr
<b>Equity Capital</b>	21.9Cr
<b>Avg. Trading Vol.</b>	2,99,440Cr
<b>52 Wk High/ Low</b>	413/117
<b>Face Value</b>	Rs5

**Shareholding Pattern (%) (June 2016)**

<b>Promoters</b>	60.6
<b>Domestic Institutions</b>	1.44
<b>Foreign Institutions</b>	0.54
<b>Public &amp; Others</b>	37.4

**Chart:**



**Background:**

Kalyani Steels (KSL), incorporated in 1973 is a part of the over \$2.1 billion Kalyani Group. KSL's corporate headquarters are located in Pune.

It is leading manufacturer of forging and engineering quality carbon and alloy steels using the Blast Furnace route. KSL is a supplier for engineering, automotive, seamless tube and primary aluminium industry.

Over the years, Kalyani Steels has been continuously upgrading its technology and infrastructure. The facilities at KSL are at par with any sophisticated steel manufacturers in the world. In 1997, the Kalyani Group set up a new plant to manufacture steel using the less power intensive mini-blast furnace route. The new facility is at Ginigera in the Hospet-Bellary region of Karnataka state, where iron ore is abundantly available. This integrated steel complex has capacity of 400,000 tpa of carbon and alloy steels, which is being expanded to 650,000 tpa.

Although the forging industry in India is the primary market for the company's products, markets of various components for commercial vehicles, two wheelers, diesel engines, bearings, tractors, turbines and rail also form a substantial part of the company's clientele.

The company has national and international clients like Alcan Iceland, Caterpillar Inc, Ford, Volvo, Ashok Leyland, Jindal Saw, Automobile Axles, Indian Railway and Tata Motors, among others.

**Meeting Update:**

Business model:

In KSL plant, 58% stake is held by Mukand limited and 42% stake is held by KSL. Mainly, SMS unit is held by Mukand Limited and Iron making and downstream is held by KSL. Company has manufacturing facilities at Hospet, Karnataka and Current capacity of Crude steel is 0.5 MTPA and it has been utilizing full capacity.

KSL has earned the status of preferred steel supplier for engineering, automotive, seamless tube and primary aluminum industry.

**Steels-** KSL manufactures wide range of steel of different grades. It manufactures carbon alloy and special steel for automobile, oil engine manufacturing and forging sectors, seamless tubes and low electrical resistively steel for primary aluminium industry.

**Pig iron-** It manufactures pig iron catering to industries like steel making, casting and aluminium.

**Competitors:**

The company's competitors are Sunflag Iron & Steel Company, Bhushan Steel, ISMT manufacturing similar products .



- Company has 2 sinter plants with having 0.4 MTPA capacity of each plant and Coke is imported by the company.
- Company has acquired stake in Lord Ganesha Minerals which has 3MTPA worth of reserves.
- Company has no fixed Price contract with clients.
- For last 3 years, Margins have been increasing under leadership of Mr R k Goyal. He has been taking steps towards cost optimization and increasing operational efficiency which resulted in high profits on y-o-y basis.
- There is no major change in sales mix, 65% sales are outside the group and 35% from group companies. Exports exposure is less than 5% of total revenues. Major clients are Maruti Suzuki, Hyundai, M&M etc.
- Rolled Products have highest margin and has marginal benefits to their key competitors like Bhushan Steel, Sunflag iron & steel company, ISMT etc.
- Slag disposal used to cost them about Rs50 to Rs100 per tonne but now they have recovered benefit of Rs1000 per tonne from slag.
- Company does not get any benefit from job work division. It's cost to cost business as both the parties have agreed to make no margin on the conversion charges paid to each other
- Company has invested in DGB debenture which is convertible into equity.
- Here, forging partner owned 26% in this 0.2 mt ERW BASED ON steel facility. Now, Kalyani promoters' entity owns 100% stake.

#### Financial Snapshot:

Inc/Exp Statement(Standalone)					(Rs in Crore)
Description	201603	201503	201403	201303	201203
Net Sales	1180.47	1227.01	1115.99	809.07	976.85
Total Income	1183.12	1229.33	1127.78	816.22	998.65
Total Expenditure	945.18	1059.53	987.36	732.44	934.26
PBIDT	237.95	169.81	140.42	83.78	64.39
PAT	113.58	83.31	58.59	23.87	22.04
Dividend %			60.00	30.00	20.00
Adj. EPS(Rs)	26.02	19.09	13.42	5.47	5.05

Assets and Liabilities (Standalone) as on 201603				(Rs in Crore)
Share Capital	21.86	Net Block		487.75
Reserve	567.66	Long term Investments		213.52
Share Holder's Funds	589.52	Short term investments		35.60
Long Term Debt - Calc	109.61	Total Investments		249.12
Short Term Debt - Calc	151.83	Cash and Bank Bal		6.99
Total Debt - Calc	327.17	Net Current Assets		141.60

Quarter On Quarter (Standalone)			(Rs in Crore)
Particulars	201606	201603	Y on Y
Net Sales	344.43	301.49	14.3
Total Expenditure	257.88	239.78	5.57
PBIDT (Excl OI)	87.09	62.05	51.2
PAT	46.8	29.1	61.98
PBIDTM% (Excl OI)	20.84	16.81	35.5
PBIDTM%	21.06	17.35	36.75
PATM%	11.2	7.88	45.08
Adj. EPS(Rs)	10.72	6.67	61.93

Financial Ratios			
DESCRIPTION		Mar-16	Mar-15
PBIDTM (%)		16.35	11.07
EBITM (%)		12.79	9.05
PATM (%)		7.80	5.43
ROA (%)		9.71	7.86
ROE (%)		21.32	19.07
Total Debt/Equity(x)		0.55	0.46

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**Stock Rating Scale**

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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