

# Uttam Galva Steels Ltd

## Key Stock Indicators

NSE Ticker:	UTTAMSTL	CMP (as on 08 Apr 2011—Rs/share):	121.0	Shares outstanding (mn):	122.3
Bloomberg Ticker:	UTTM:IN	52-week range up to 08 Apr 2011 (Rs) (H/L):	172.60/98.40	Free Float (%):	29.2
Face value / Share:	10.0	Market Cap as on 08 Apr 2011 (Rs mn):	14,793	Average daily volumes (12 months):	250,261
Div. Yield (%):	0.00	Enterprise Value as on 08 Apr 2011 (Rs mn):	35,218	Beta (2 year):	1.1

Uttam Galva Steels Limited (UGSL) is India's largest manufacturer and exporter of value-added steel products. The company procures hot rolled steel and processes it into cold rolled steel, galvanised products and colour coated coils. The company exports to 143 countries. The company's manufacturing facility is located at Khopoli (Maharashtra). Its corporate office is located at Mumbai and branch offices are located at Ahmedabad, Chennai, Secunderabad, Indore, Pune, New Delhi and Bangalore.

## KEY HIGHLIGHTS

### Takes over power division of Shree Uttam Steel & Power

In August 2009, UGSL announced a scheme of arrangement with Shree Uttam Steel & Power Ltd for demerger of the latter's power division and its amalgamation into USGL from April 2008. The company has filed necessary documents with the Registrar of Companies and the scheme became effective from August 21, 2009. As part of the arrangement, UGSL issued 5.8 mn equity shares of Rs 10 each to shareholders of Shree Uttam Steel & Power Ltd.

### Strategic alliance with ArcelorMittal

The promoters of UGSL and ArcelorMittal entered into agreement in September 2009, by which ArcelorMittal acquired 6.8 mn fully paid-up equity shares of Rs 10 each (5.60%) in UGSL. ArcelorMittal subsequently made an open offer to shareholders of UGSL, in which it acquired 35.2 mn fully paid-up equity shares of Rs 10 each (25.76%). The post offer shareholding of the ArcelorMittal stands at 42 mn shares, or 34.42%.

### Expansion and modernisation

In FY10, the company expanded and modernised operations at its Khopoli unit. It increased cold rolling capacity to 1 mn tonnes per annum (TPA) and galvanised products capacity to 750,000 TPA. In FY10 the company also added a new colour coated line (Uttam Spectrum) with a capacity of 90,000 TPA.

## KEY RISKS

- Volatility in prices of raw materials — hot rolled coils, zinc, metals and paints
- Cheap imports pose a major challenge
- Intense competition from unorganised players and peer groups
- Foreign exchange fluctuation, as exports contributed ~31% to the total revenue

## Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
UTTAMSTL	5	11	-5	8
NIFTY	10	6	1	10

### Note:

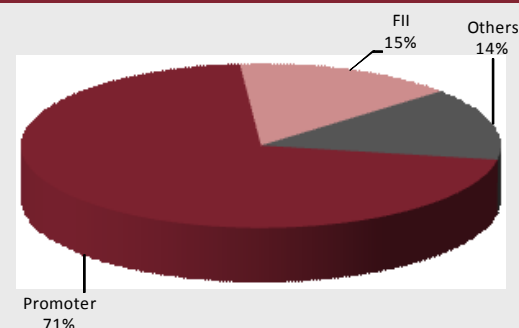
- 1) YTD returns are since Apr 01, 2010 to Apr 08, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Apr 08, 2011

## Key Financial Indicators

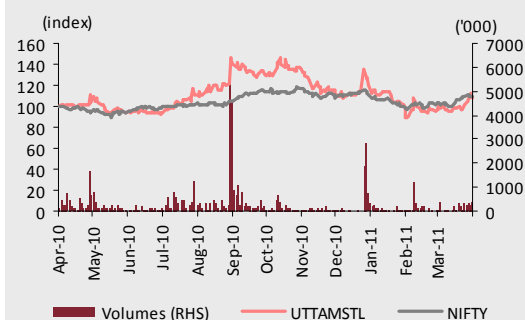
	Mar-08	Mar-09	Mar-10
Revenue (Rs mn)	31,254.3	44,153.6	45,412.6
EBITDA margins (%)	9.7	8.1	10.0
PAT (Rs mn)	1,238.7	901.6	572.9
PAT margins (%)	4.0	2.0	1.3
Gearing (x)	1.4	1.7	2.5
EPS (Rs/share)	10.9	7.9	4.7
PE (x)	3.4	3.6	25.8
P/BV (x)	0.6	0.4	1.6
RoCE (%)	14.2	13.8	12.7
RoE (%)	19.7	11.7	6.6
EV/EBITDA (x)	4.6	4.3	7.8

n.m. : Not meaningful

## Shareholding (As on September 30, 2010)



## Indexed price chart



# Uttam Galva Steels Ltd

## BACKGROUND

UGSL was incorporated in March 1985 as Uttam Galva Steels. In 1993, its name was changed to Uttam Steel. The company reverted to its original name in June 2002. The company commenced operations in April 1985 and got listed on the BSE in 2000. It manufactures cold rolled steel, galvanised steel and colour coated coils. In galvanised coils, UGSL is a specialist in making ultra-thin sheets. The company has one manufacturing facility, situated at Khopoli (Maharashtra). UGSL is an established player for the supply of cold rolled close annealed (CRCA) sheets to most manufacturers of automobiles, white goods, general engineering, and drums & barrels. It is also a large supplier of galvanised coils and sheets to the construction industries.

In the domestic markets, UGSL supplies IF steel, high strength steel, extra deep drawn grades and other value-added products to auto majors such as Mahindra & Mahindra, Bajaj Auto, Force Motors, Piaggio, Tata Motors, etc. In the white goods space, the company supplies skin panels of white goods such as refrigerators and washing machines to Godrej, Daewoo, Anchor etc. UGSL's major customers in the engineering & electrical segment include Bharat Heavy Electricals (BHEL), Larsen & Toubro, Crompton Greaves, Kirloskar Copeland, etc. The company also supplies metal drums and barrels to India Oil, Asian Paints, Berger Paints, etc.

UGSL exports to 143 countries across the globe, including Australia, France, Germany, Greece, the UK and the USA. In FY10, the company serviced ~330 export customers, of which 78 were new recipients. Export sales contributed 31% to total FY10 revenues. In FY10, the company produced 605,814 tonnes of galvanised coils/ sheets/ slit coils, 70,497 tonnes of colour coated coils/ sheets/ slit coils and 741,588 tonnes of cold rolled coils/ sheets/ slit coils. Its subsidiaries include Uttam Galva Holdings Ltd, Ferro Zinc International FZE and Atlantis International Services Co Ltd.

## COMPETITIVE POSITION

### Peer Comparison

	Uttam Galva Steels Ltd Mar-10	Usha Martin Ltd Mar-10	J S W Steel Ltd. Mar-10	Steel Authority Of India Ltd. Mar-10
Revenue (Rs mn)	45,412.6	25,108.8	189,460.2	410,676.2
EBITDA margins (%)	10.0	17.3	21.6	25.1
PAT (Rs mn)	572.9	1,610.3	15,532.9	68,464.6
PAT margins(%)	1.3	6.4	8.2	16.7
Gearing (x)	2.5	0.6	2.1	0.5
EPS (Rs/share)	4.7	5.3	90.8	13.1
PE (x)	25.8	12.1	10.6	12.1
P/BV (x)	1.6	1.2	1.4	1.8
RoCE (%)	12.7	11.3	11.8	21.6
RoE (%)	6.6	12.0	19.9	21.2
EV/EBITDA (x)	7.8	6.6	9.2	5.8

n.m.: Not meaningful

## FINANCIAL PROFILE

### Volume boost helps top line grow, but PAT drops 36%

UGSL registered top line growth of ~21% CAGR between FY08 and FY10, with the top line growing from Rs 31.2 bn in FY08 to Rs 45.4 bn in FY10. Top line for FY10 showed ~2.9% growth over FY09. Growth in FY10 was on the back of domestic sales volumes, which rose 111% over FY09 and a 110% volume growth in the OEM segment. However, export sales dropped ~40% to Rs 143.8 mn vis-à-vis Rs 234.5 mn in FY09.

EBITDA margin grew 190 basis points in FY10 to 10%, compared with 8.1% in FY09. Growth was on account of overall decrease in operating costs as a percentage of sales.

The company reported net profit of Rs 572.9 mn in FY10, against a PAT of Rs 901.6 mn in FY09. The de-growth of 36.5% was on account of higher depreciation and higher provision for taxes, as well as derivative loss of around Rs 46 mn, against a derivative gain of ~Rs 133.1 mn in FY09.

### Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	31,254.3	44,153.6	45,412.6
EBITDA margins	Per cent	9.7	8.1	10.0
PAT	Rs million	1,238.7	901.6	572.9
PAT margins	Per cent	4.0	2.0	1.3
Revenue growth	Per cent	20.2	41.3	2.9
EBITDA growth	Per cent	0.7	18.6	26.3
PAT growth	Per cent	2.8	-27.2	-36.5
Gearing	Times	1.4	1.7	2.5
RoCE	Per cent	14.2	13.8	12.7
RoE	Per cent	19.7	11.7	6.6

## INDUSTRY PROFILE

### Steel CR, GP/GC

Cold-rolled (CR) and galvanised plain (GP)/ galvanised corrugated (GC) products are downstream value-added flat steel products. CR products are consumed on a large scale in the automobile and coating sectors, which contribute around 60-65 per cent of total demand for CR products. Galvanised products, on the other hand, are exported on a large scale. House roofing consumers account for around 40 per cent of the total domestic GP and GC production. The domestic flat steel industry grew by 9 per cent in 2009-10 over the same period last year on account of government focus on investments in infrastructure segment and robust demand from the automobiles sector.

### Steel HR

The flat steel industry is highly capital intensive, which acts as an entry barrier to new players. Raw materials account for 55-60 per cent of the total costs. Thus, players who are backward integrated have far better profitability as compared to players without backward linkages. Also, HR players with forward integration into value added products such as CR and GP/GC have an edge over competitors due to the diversification and higher realizations. In 2009-10, domestic steel demand grew by 7.8 per cent over the corresponding period last year. However growth in flat steel demand was higher at 9 per cent as compared with a 6.7 per cent growth in long steel demand. High growth in domestic flat demand is mainly on account of robust demand from automobile and consumer durables sectors and continued strong demand from oil and gas segment.

# Uttam Galva Steels Ltd

## ANNUAL RESULTS

### Income Statement

(Rs million )	Mar-08	Mar-09	Mar-10
Net Sales	31,233.2	44,149.3	45,405.2
<b>Operating Income</b>	<b>31,254.3</b>	<b>44,153.6</b>	<b>45,412.6</b>
<b>EBITDA</b>	<b>3,030.5</b>	<b>3,595.0</b>	<b>4,541.5</b>
<b>EBITDA Margin</b>	<b>9.7</b>	<b>8.1</b>	<b>10.0</b>
Depreciation	647.6	923.7	1,127.0
Interest	1,175.8	1,791.7	1,945.0
Other Income	36.2	33.9	58.3
PBT	1,243.3	913.5	1,470.2
<b>PAT</b>	<b>1,238.7</b>	<b>901.6</b>	<b>572.9</b>
<b>PAT Margin</b>	<b>4.0</b>	<b>2.0</b>	<b>1.3</b>
No. of shares (Mn No.)	114.0	114.0	122.3
Earnings per share (EPS)	10.9	7.9	4.7

### Cash flow

(Rs million )	Mar-08	Mar-09	Mar-10
Pre-tax profit	1,243.3	913.5	1,527.8
Total tax paid	-4.6	-11.9	-179.8
Depreciation	647.6	923.7	1,127.0
Change in working capital	2,048.6	1,759.5	-6,393.2
<b>Cash flow from operating activities</b>	<b>3,934.9</b>	<b>3,584.8</b>	<b>-3,918.2</b>
Capital Expenditure	-4,233.9	-6,918.7	-4,291.0
Investments and others	-480.5	431.2	44.3
<b>Cash flow from investing activities</b>	<b>-4,714.4</b>	<b>-6,487.5</b>	<b>-4,246.7</b>
Equity raised/(repaid)	391.8	142.0	167.6
Debt raised/(repaid)	-1,516.2	3,813.2	8,200.4
Dividend (incl. tax)	0.0	0.0	0.0
Others (incl extraordinary)	0.9	159.0	-114.1
<b>Cash flow from financing activities</b>	<b>-1,123.5</b>	<b>4,114.2</b>	<b>8,253.9</b>
Change in cash position	-1,903.0	1,211.5	89.0
Opening cash	2,221.6	318.8	1,530.1
Closing cash	318.8	1,530.1	1,619.1

n.m : Not meaningful;

### Balance sheet

(Rs million )	Mar-08	Mar-09	Mar-10
Equity share capital	1,139.7	1,198.4	1,222.6
Reserves and surplus	5,955.7	7,099.6	7,759.4
<b>Tangible net worth</b>	<b>7,095.4</b>	<b>8,298.0</b>	<b>8,982.0</b>
Deferred tax liability: [asset]	0.0	0.0	717.5
Long-term debt	9,508.0	11,564.4	16,136.1
Short-term-debt	522.1	2,278.9	5,907.6
<b>Total debt</b>	<b>10,030.1</b>	<b>13,843.3</b>	<b>22,043.7</b>
Current liabilities	14,816.3	15,678.0	10,031.5
Total provisions	0.0	0.0	0.0
<b>Total liabilities</b>	<b>31,941.8</b>	<b>37,819.3</b>	<b>41,774.7</b>
Gross block	17,103.8	22,673.5	24,662.4
Net fixed assets	15,983.2	21,978.2	25,142.2
<b>Investments</b>	<b>511.3</b>	<b>80.1</b>	<b>35.8</b>
<b>Current assets</b>	<b>15,447.5</b>	<b>15,761.0</b>	<b>16,596.7</b>
Receivables	2,416.5	3,657.3	4,147.9
Inventories	8,479.8	4,939.9	6,461.4
Cash	318.8	1,530.1	1,619.1
<b>Total assets</b>	<b>31,942.0</b>	<b>37,819.3</b>	<b>41,774.7</b>

### Ratio

	Mar-08	Mar-09	Mar-10
Revenue growth (%)	20.2	41.3	2.9
EBITDA growth(%)	0.7	18.6	26.3
PAT growth(%)	2.8	-27.2	-36.5
EBITDA margins(%)	9.7	8.1	10.0
Tax rate (%)	0.4	1.3	12.2
PAT margins (%)	4.0	2.0	1.3
Dividend payout (%)	0.0	0.0	0.0
Dividend per share (Rs)	0.0	0.0	0.0
BV (Rs)	62.3	72.8	73.5
Return on Equity (%)	19.7	11.7	6.6
Return on capital employed (%)	14.2	13.8	12.7
Gearing (x)	1.4	1.7	2.5
Interest coverage (x)	2.6	2.0	2.3
Debt/EBITDA (x)	3.3	3.9	4.9
Asset turnover (x)	2.2	2.2	1.9
Current ratio (x)	1.0	0.9	1.0
Gross current assets (days)	176	126	130

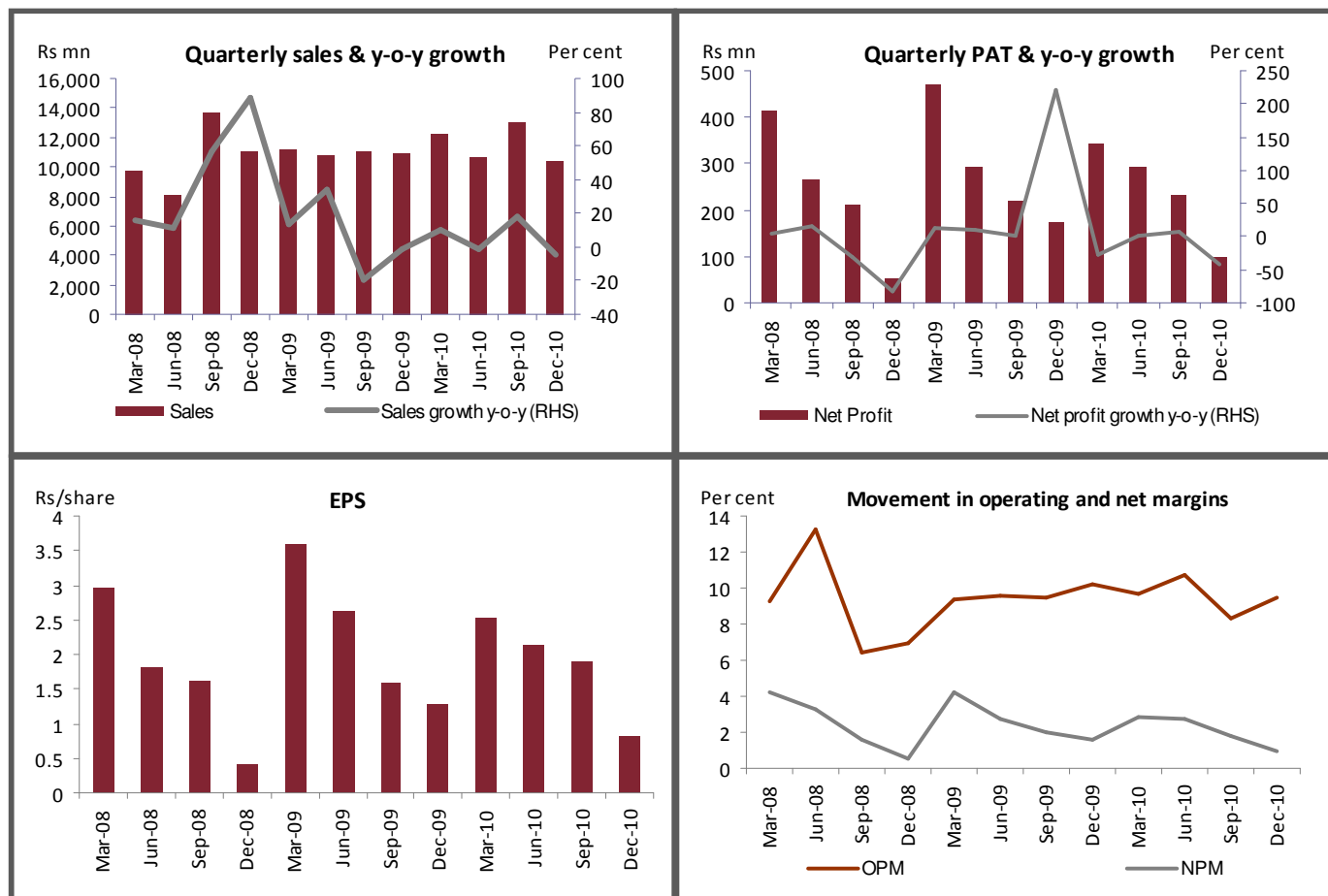
## QUARTERLY RESULTS

### 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	
<b>Revenue</b>	<b>104.0</b>	<b>100.0</b>	<b>109.2</b>	<b>100.0</b>	<b>13,040.3</b>	<b>100.0</b>	<b>340.8</b>	<b>100.0</b>	<b>326.8</b>	<b>100.0</b>
<b>EBITDA</b>	<b>9.8</b>	<b>9.4</b>	<b>11.1</b>	<b>10.2</b>	<b>1,086.8</b>	<b>8.3</b>	<b>32.1</b>	<b>9.4</b>	<b>33.1</b>	<b>10.1</b>
Interest	5.3	5.1	5.3	4.9	440.2	3.4	13.9	4.1	13.8	4.2
Depreciation	3.0	2.9	2.9	2.6	300.1	2.3	9.0	2.6	8.4	2.6
PBT	1.5	1.5	2.9	2.7	346.5	2.7	9.2	2.7	10.9	3.3
<b>PAT</b>	<b>1.0</b>	<b>1.0</b>	<b>1.7</b>	<b>1.6</b>	<b>231.4</b>	<b>1.8</b>	<b>6.3</b>	<b>1.8</b>	<b>6.8</b>	<b>2.1</b>

# Uttam Galva Steels Ltd

## FOCUS CHARTS & TABLES



### Shareholding Pattern (Per cent)

	Dec 2009	Mar 2010	Jun 2010	Sep 2010
Promoter	44.2	70.8	70.8	70.8
FII	18.3	10.9	12.4	14.9
DII	0.7	0.0	0.0	0.0
Others	36.8	18.3	16.8	14.3

### Board of Directors

Director Name	Designation
Rajinder Uttamchand Miglani (Mr.)	Executive Chairman, Promoter-Director
Anuj Rajinder Miglani (Mr.)	Managing Director, Promoter-Director
Ankit Rajinder Miglani (Mr.)	Dy.Managing Director, Promoter-Director
Narayan Sitaram Datar (Dr.)	Non-Executive Director
Pandurang Ghanasham Kakodkar (Mr.)	Non-Executive Director
Ashokkumar Roshanlal Mahendru (Mr.)	Director
Praveen Uttamchand Miglani (Mr.)	Promoter-Director
Shirish Trilokchandra Parikh (Mr.)	Non-Executive Director
Shaila S. Sarpotdar (Ms.)	Nominee Director
Satya Pal Talwar (Mr.)	Non-Executive Director
Sharad Gangadhar Tudekar (Mr.)	Director
Lalita Sharma (Ms.)	Nominee Director-Idbi Bank Ltd.
Swarna Prabha Sukumar (Ms.)	Nominee Director

### Additional Disclosure

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

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