



Visa Steel Limited

Key Stock Indicators

NSE Ticker:	VISASTEEL	CMP (as on 11 Apr 2011—Rs/share):	48.7	Shares outstanding (mn):	110.0
Bloomberg Ticker:	VISA: IN	52-week range up to 11 Apr 2011 (Rs) (H/L):	50.8/32.85	Free Float (%):	26.0
Face value / Share:	10.0	Market Cap as on 11 Apr 2011 (Rs mn):	5,357	Average daily volumes (12 months):	209,525
Div. Yield (%):	2.05	Enterprise Value as on 11 Apr 2011 (Rs mn):	15,420	Beta (2 year):	1.0

Established in 1994, Visa Steel Limited (VSL) is a part of the VISA group of companies. The company has interests in steel, power, mining, international trading, shipping and logistics. Its registered office is located at Bhubaneswar and corporate office is at Kolkata. Its plants are located at Jajpur, Kalinganagar and Golagaon (Orissa) and Raigarh (Chhattisgarh). The company enjoys a strong presence in China, Australia, Indonesia, South Africa and Singapore.

KEY HIGHLIGHTS

Signed MoU with the Madhya Pradesh trade corporation

In October 2010, VSL signed a Memorandum of Understanding (MoU) with the Madhya Pradesh Trade & Investment Facilitation Corp Ltd (TRIFAC), for setting up a 1.25 mn tonnes per annum (MTPA) integrated steel plant and a 300 MW captive power plant at a total investment of Rs 40.25 bn. In FY10, a subsidiary company — VISA BAO Ltd — commenced setting up of a 100,000 tonnes per annum ferrochrome plant at the Kalinganagar Industrial Complex. VISA BAO is a joint venture with China's Baosteel.

Expansion and modernisation

In FY10, the company started preparatory work for expanding its Kalinganagar steel plant to 1 MTPA from 0.5 MTPA and captive power plant to 375 MW from 75 MW. It plans to raise capacity at the plant to 2 MTPA and power generation to 675 MW over the next few years. The company has invested Rs 35 bn for this expansion. The facilities include a pig iron plant, coke oven plant, ferrochrome plant, sponge iron plant, power plant, steel melt shop, rolling mill etc. VSL is also setting up a fully integrated 2.5 MTPA steel plant with 500 MW captive power plant at Raigarh in Chhattisgarh at a total investment of Rs 80 bn.

Backward integration mooted

The company sources raw materials such as iron ore and chrome ore from the Orissa Mining Corp, whereas coking coal is imported from Australia under a long-term contract with BHP Billiton. It has also signed a fuel supply agreement with Mahanadi Coalfields Ltd for supply of steam coal. The company plans acquisition of mining licences for backward integration into mining of iron ore, chrome ore and coal in order to reduce raw material costs. It is exploring opportunities to buy coking coal mines in Australia and Indonesia.

KEY RISKS

- Intense competition can jeopardise competitiveness and sustainability
- Cheaper substitutes have cornered a significant share of steel products
- Volatile raw material prices — coal, iron ore, chrome ore, etc
- Foreign exchange fluctuation, as exports contributed ~17% to revenue

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
VISASTEEL	12	8	22	13
NIFTY	9	6	1	8

Note:

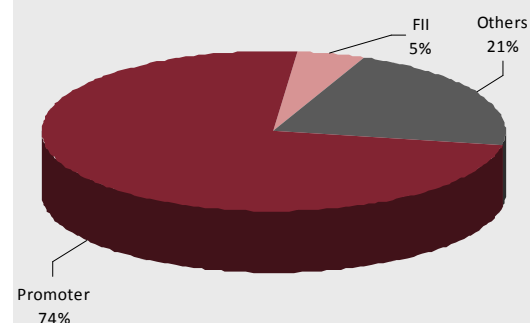
- 1) YTD returns are since Apr 01, 2010 to Apr 11, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Apr 11, 2011

Key Financial Indicators

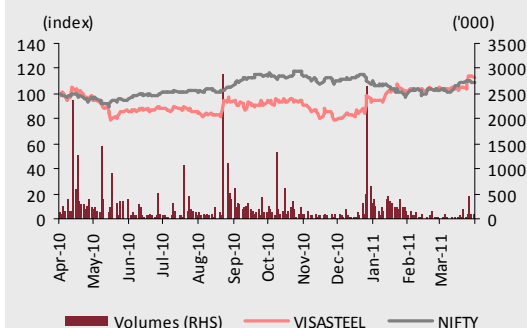
	Mar-08	Mar-09	Mar-10
Revenue (Rs mn)	6,760.2	10,469.9	11,678.0
EBITDA margins (%)	14.6	9.0	17.7
PAT (Rs mn)	432.1	-660.0	498.6
PAT margins (%)	6.4	-6.3	4.3
Gearing (x)	2.1	2.9	3.3
EPS (Rs/share)	3.9	-6.0	4.5
PE (x)	11.3	n.m	10.7
P/BV (x)	1.4	0.7	1.5
RoCE (%)	11.4	6.7	12.9
RoE (%)	13.4	n.m	15.2
EV/EBITDA (x)	11.1	10.2	7.5

n.m. : Not meaningful

Shareholding (As on December 31, 2010)



Indexed price chart



Visa Steel Limited

BACKGROUND

VSL was incorporated in 1994 as Visa Industries Ltd. The company got its current name in May 2005 and was listed on the BSE in March 2006. The company is engaged in manufacturing of coke, coking coal, steam coal, fines ferrochrome, sponge iron, power, pig iron, lam coke, by-product blast furnace, chrome concentrate, granulated slag, power, steel melt shop, rolling mill, ferrochrome and sponge iron. In FY10, it produced 135,540 tonnes of pig iron, 2,412 tonnes of chrome concentrate, 327,154 tonnes of lam coke, 45,771 tonnes of ferrochrome, 139,299 tonnes of sponge iron and 223 mn kilowatt-hours of power for captive consumption. The company has a presence in China, Australia, Indonesia, Switzerland, the UK and Hong Kong. Its plants are located at Jajpur, Kalinganagar and Golagaon in Orissa and Raigarh in Chhattisgarh. The company's subsidiaries are VISA BAO Ltd and Ghotaringa Minerals Ltd.

COMPETITIVE POSITION

Peer Comparison

	Visa Steel Limited	Sarda Energy and Minerals Ltd	Adhunik Metaliks Ltd	Jai Balaji Industries Limited
	Mar-10	Mar-10	Mar-10	Mar-10
Revenue (Rs mn)	11,678.0	5,314.1	14,410.8	19,298.0
EBITDA margins (%)	17.7	16.8	28.2	13.2
PAT (Rs mn)	498.6	1,443.3	961.7	245.6
PAT margins (%)	4.3	27.2	6.7	1.3
Gearing (x)	3.3	0.9	3.0	1.7
EPS (Rs/share)	4.5	42.4	7.8	3.9
PE (x)	10.7	4.5	12.5	44.1
P/BV (x)	1.5	1.0	1.9	1.2
RoCE (%)	12.9	8.9	15.8	7.3
RoE (%)	15.2	24.1	20.1	3.5
EV/EBITDA (x)	7.5	13.5	7.3	10.5

n.m.: Not meaningful

FINANCIAL PROFILE

Top line and margin show growth, company reports net profit

Despite lower realisations, top line for FY10 showed 11.5% growth over FY09's top line of Rs 10.46 bn. Growth in FY10 was on account of increase in sales volumes of pig iron (135,540 tonnes in FY10 versus 76,940 tonnes in FY09), sponge iron (139,299 tonnes versus 28,370 tonnes) and ferrochrome (45,771 tonnes versus 22,671 tonnes). Export sales, however, declined ~20% in FY10 over FY09. In FY10 export sales were Rs 1.9 bn vis-à-vis 2.4 bn in FY09.

EBITDA margin grew 870 basis points during the year to 17.7%, compared with 9% in FY09. Growth was on account of decrease in material cost and power and fuel cost as a percentage of sales over FY09.

The company reported PAT of Rs 498.6 mn in FY10, against a loss of Rs 660 mn in FY09. Growth was mainly on account of higher operating profit. However, PAT was adversely impacted by Rs 286.62 mn in FY10, due to provision for deferred tax. In FY09, foreign exchange losses of Rs 1.1 bn had eroded the bottom line.

INDUSTRY PROFILE

Sponge iron

In India, mini-steel plants that produce long products are the primary consumers of merchant sponge iron. The sponge iron industry is highly fragmented with numerous unorganised small players and only a few large organised players. The low cost involved in setting up a sponge iron unit makes it easier to put up smaller units, leading to fierce competition. India is the largest sponge iron player in the world, producing 22.99 million tonnes in 2009-10. India uses more sponge iron, mainly on account of ample availability of iron ore and non-coking coal and also due to less availability of scrap. In developed countries, scrap is more popular than sponge iron for steel production considering it consumes less power and the yield is also higher. Between April-December 2009, sponge iron demand in India grew by 6 per cent (y-o-y) to 17 million tonnes (20 million tonnes in 2008-09) following improvement in demand for long products (which grew by 8-9 per cent).

Pig iron

Pig iron is a steel intermediate, available in two grades - commercial/steel grade and foundry grade. Steel grade pig iron has lower silicon content and is primarily used to produce finished steel. Foundry grade pig iron (containing 1.5-2.0 per cent silicon) is required for the production of good quality castings, which are mainly used in automobile, engineering and allied sectors. The pig iron industry players can be classified as integrated steel producers (ISPs)/primary producers and secondary producers, based on the grade of pig iron produced. ISPs produce steel grade pig iron with a major portion of the output consumed in-house for producing finished steel. Secondary players produce foundry grade pig iron primarily used in foundries. During April- December 2009, demand for pig iron grew by around 10-11 per cent as compared to the same period last year driven by growth in castings. Key end-use segments, especially automobile (which constitutes around 20-25 per cent of pig iron demand from castings), drove demand for pig iron.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	6,760.2	10,469.9	11,678.0
EBITDA margins	Per cent	14.6	9.0	17.7
PAT	Rs million	432.1	-660.0	498.6
PAT margins	Per cent	6.4	-6.3	4.3
Revenue growth	Per cent	25.4	54.9	11.5
EBITDA growth	Per cent	94.8	-4.9	119.5
PAT growth	Per cent	110.4	n.m	n.m
Gearing	Times	2.1	2.9	3.3
RoCE	Per cent	11.4	6.7	12.9
RoE	Per cent	13.4	n.m	15.2

Visa Steel Limited

ANNUAL RESULTS

Income Statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	6,739.8	10,415.3	11,571.0
Operating Income	6,760.2	10,469.9	11,678.0
EBITDA	989.0	940.9	2,065.4
EBITDA Margin	14.6	9.0	17.7
Depreciation	189.0	307.9	468.3
Interest	407.8	1,746.6	869.0
Other Income	226.4	131.8	165.8
PBT	672.0	-981.7	893.9
PAT	432.1	-660.0	498.6
PAT Margin	6.4	-6.3	4.3
No. of shares (Mn No.)	110.0	110.0	110.0
Earnings per share (EPS)	3.9	-6.0	4.5

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax profit	618.7	-981.7	893.9
Total tax paid	-88.6	-12.9	-108.6
Depreciation	189.0	307.9	468.3
Change in working capital	386.1	2,422.8	-507.8
Cash flow from operating activities	1,105.2	1,736.1	745.8
Capital Expenditure	-3,931.2	-3,540.5	-3,137.6
Investments and others	0.0	0.0	0.0
Cash flow from investing activities	-3,931.2	-3,540.5	-3,137.6
Equity raised/(repaid)	0.0	0.0	0.0
Debt raised/(repaid)	2,001.9	1,940.9	2,498.8
Dividend (incl. tax)	-128.7	0.0	-128.7
Others (incl extraordinary)	80.1	345.2	44.0
Cash flow from financing activities	1,953.3	2,286.1	2,414.1
Change in cash position	-872.7	481.7	22.3
Opening cash	1,733.7	861.0	1,342.5
Closing cash	861.0	1,342.5	1,364.7

n.m : Not meaningful;

Balance sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	1,100.0	1,100.0	1,100.0
Reserves and surplus	2,285.4	1,975.1	2,391.0
Tangible net worth	3,385.4	3,075.1	3,491.0
Deferred tax liability: asset	349.2	14.5	301.1
Long-term debt	6,879.5	8,404.8	10,672.5
Short-term-debt	108.2	523.9	754.9
Total debt	6,987.7	8,928.6	11,427.4
Current liabilities	4,709.2	8,165.3	7,389.1
Total provisions	133.9	7.3	139.5
Total liabilities	15,565.4	20,190.8	22,748.1
Gross block	4,258.2	8,434.0	9,253.0
Net fixed assets	9,957.5	13,194.5	15,865.8
Investments	0.0	0.0	0.0
Current assets	5,608.1	6,996.3	6,882.3
Receivables	963.4	823.7	648.8
Inventories	2,788.4	3,565.1	3,417.1
Cash	861.0	1,342.5	1,364.7
Total assets	15,565.6	20,190.8	22,748.1

Ratio

	Mar-08	Mar-09	Mar-10
Revenue growth (%)	25.4	54.9	11.5
EBITDA growth(%)	94.8	-4.9	119.5
PAT growth(%)	110.4	n.m	n.m
EBITDA margins(%)	14.6	9.0	17.7
Tax rate (%)	13.2	-1.3	12.2
PAT margins (%)	6.4	-6.3	4.3
Dividend payout (%)	25.5	0.0	22.1
Dividend per share (Rs)	1.0	0.0	1.0
BV (Rs)	30.8	28.0	31.7
Return on Equity (%)	13.4	n.m	15.2
Return on capital employed (%)	11.4	6.7	12.9
Gearing (x)	2.1	2.9	3.3
Interest coverage (x)	2.4	0.5	2.4
Debt/EBITDA (x)	7.1	9.5	5.5
Asset turnover (x)	2.0	1.6	1.3
Current ratio (x)	1.1	0.8	0.9
Gross current assets (days)	301	239	210

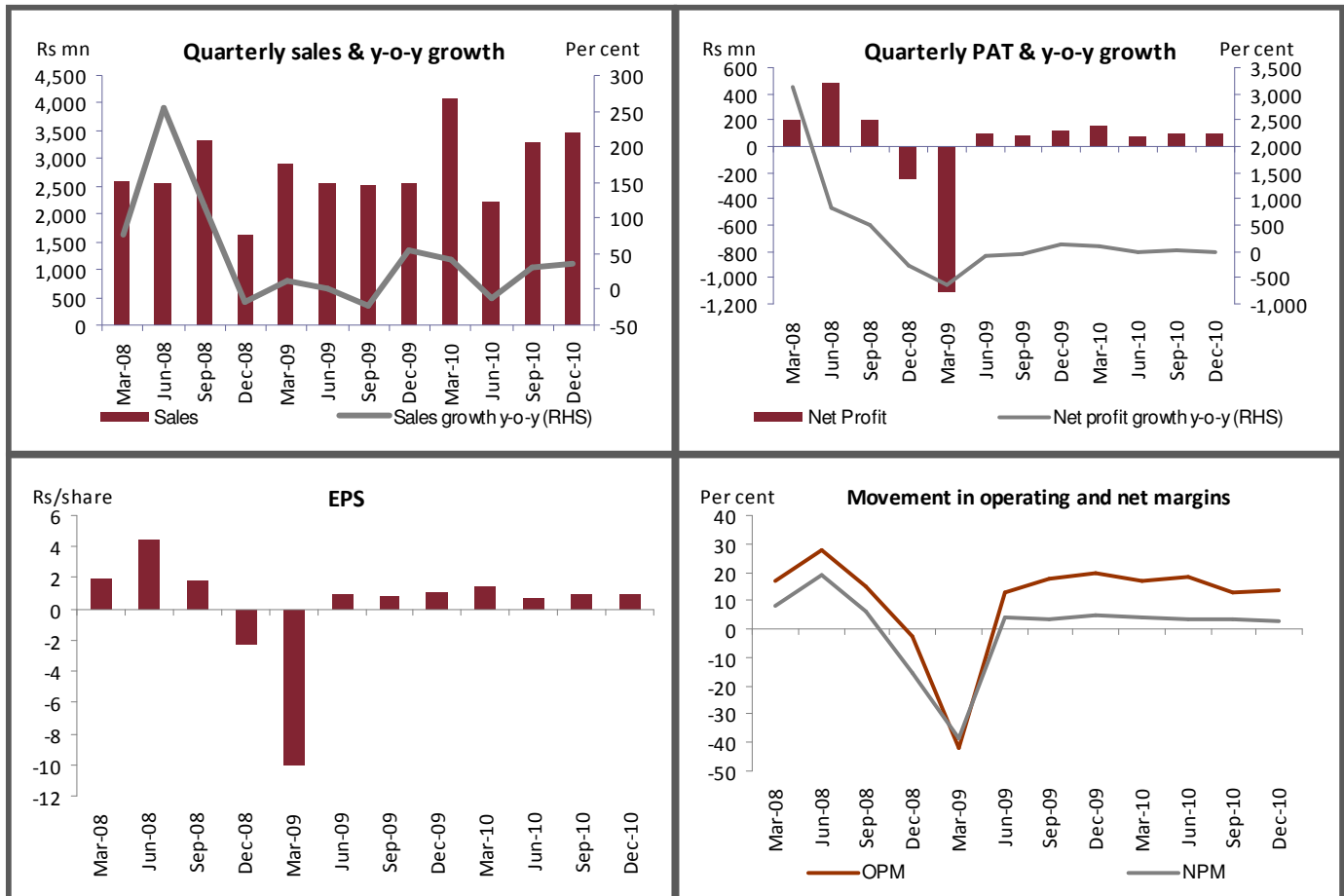
QUARTERLY RESULTS

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	3,469.4	100.0	2,545.2	100.0	3,299.7	100.0	9,031.6	100.0	7,641.9	100.0
EBITDA	467.1	13.5	507.1	19.9	433.0	13.1	1,305.5	14.5	1,285.5	16.8
Interest	192.4	5.5	143.9	5.7	161.2	4.9	522.8	5.8	384.1	5.0
Depreciation	121.3	3.5	118.8	4.7	120.8	3.7	362.3	4.0	350.4	4.6
PBT	153.4	4.4	244.4	9.6	151.0	4.6	420.5	4.7	551.0	7.2
PAT	103.2	3.0	121.4	4.8	103.1	3.1	282.5	3.1	309.1	4.0

Visa Steel Limited

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Mar 2010	Jun 2010	Sep 2010	Dec 2010
Promoter	72.7	73.0	74.0	74.0
FII	5.5	4.8	4.5	4.6
DII	0.3	0.0	0.1	0.0
Others	21.5	22.2	21.4	21.4

Board of Directors

Director Name	Designation
Vishambhar Saran (Mr.)	Executive Chairman, Wholetime Director
Vishal Agarwal (Mr.)	Managing Director
Basudeo Prasad Modi (Mr.)	Dy. Managing Director
Saroj Agarwal (Ms.)	Director
Vikas Agarwal (Mr.)	Non-Executive Director
Debi Prasad Bagchi (Mr.)	Non-Executive Director
Shiv Dayal Kapoor (Mr.)	Non-Executive Director
Pradip Kumar Khaitan (Mr.)	Non-Executive Director
Shanti Narain (Mr.)	Non-Executive Director
Maya Shanker Verma (Mr.)	Non-Executive Director

Additional Disclosure

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

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