RELIANCE Money
Anil Dhirubhai Ambani Group
A Reliance Capital Company

Investment Idea

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Price:	**Rs.882**
12M Target Price:	**Rs.1348**
% Upside / (Downside)	**53%**

Stock details

Bloomberg Code	BHUS IN
Reuters Code	BSSL.BO
NSE Code	BHUSANSTL
BSE Code	500055
Market Cap (Rs. Bn)	34.5
Free Float	31%
52 wk Hi/lo	930/260
Avg daily vol (BSE)	89328
Avg daily vol (NSE)	283419
Shares O/s (mn) FV Rs 10	42.5

Source:Reliance Money Research

EBIDTA margins

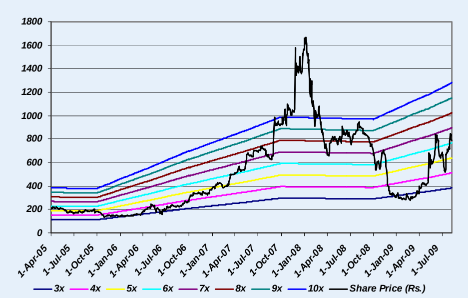
Source : Reliance Money Research

Quarterly Performance

(YE March 31)	Q110	Q109	%Y-o-Y	Q409	%Q-o-Q
Net Sales	13,047	13,198	-1.1%	11,200	16.5%
Other Inc.	328	16	2002%	88	272.6%
Total Sales	13,375	13,214	1.2%	11,288	18.5%
Less: Total Expenditure					
Net Raw Material	8,597	8,655	-0.7%	7,054	21.9%
Personnel	179	170	0.0%	168	0.0%
Other Exp	1,302	1,578	-17.5%	1,346	-3.3%
Total Expenditure	10,078	10,402	-3.1%	8,568	17.6%
EBIDTA	2,969	2,796	6.2%	2,632	12.8%
Depreciation	543	530	2.4%	540	0.6%
Interest	491	556	-11.7%	573	-14.3%
PBT	2,264	1,725	31.2%	1,607	40.8%
Total Tax	545	399	36.7%	443	23.0%
Profit After Tax	1,719	1,327	29.5%	1,164	47.7%
Shares Outstanding (mn)	42	42		42	
Reported EPS (Rs.)	40.47	31.24	29.5%	27.41	47.7%

Source: Company

Rolling PE Band for FY10E



Source: Capitaline

Bhushan Steel Ltd

BUY

A tempting buy…

Weaning away from external suppliers for HR coils:

Bhushan Steel – one of the last players to ride the band wagon of back ward integration - is on the verge of commissioning its 2.2 mmT pa that will be fully ready and running by the second half of FY10 at an expense of Rs 60 bn. The green field facility will help the company service its requirement of the HR coils in-house, although it will be dependent on its requirement of raw material for Steel making on the spot market. Out of the 2.2 mmT steel made per year, 1.9 mmT will be fed to make Hot rolled coils (HR coils) while the rest for long products. The surplus HR coils would be offloaded to the market. Higher production will help drive the topline of the company.

Back ward integration to drive the EBIDTA:

Bhushan Steel had been sourcing its raw material i.e. HR coils from different steel makers like SAIL and Tata Steel in addition to imports. With new steel making facility in force by Oct. '09, its dependence on external suppliers will not only reduce but it will offload the surplus to the market. The company will gain from the increased spreads obtained due to the backward integration. Moreover, the gains from the sale of surplus Steel will shore up the topline and the bottom line of the company.

Steel Demand to be robust:

India along with China is expected to be the only countries in the world to show positive growth in Steel making and consumption. Driven the stable government at the centre, Indian economy is expected to grow at a rate 5% plus rate discounting the failed monsoon. Steel and other metals would see a rise in consumption from the user industries. Automobiles and white goods industries are expected to put forth better growth numbers driven by the rising demand. Steel demand and hence prices are expected to be robust in the near to far future.

Further expansion:

Bhushan Steel has further plans of expansion by 3.2 mmT of Steel making by Oct.'12 at an expense of Rs. 6500 Cr. This will take the total capacity of the company to 5 mmT by FY13. With the increase in Steel making capacity the company is also planning to add the relevant downstream operations in future. Similarly, the company has been allotted iron ore and coal mines that will ensure its minerals security but it will take about 2-3 years to fructify.

Valuation:

At CMP, the stock quotes at a PE multiple of 3.3x for FY11E earnings. We are of the opinion that the company will benefit from its endeavour of back ward integration and going forward it will reflect in the quarterly performance starting Q310 wherein it would have started partial production from Steel making units. We would like to attribute a PE multiple of 5x on FY11E earnings for the stock. At the aforesaid PE multiple we arrive at a price target of Rs.1348 which is at premium of 53% on the CMP.

Financials Summary

Rs. Mn

Y/E March	FY08	FY09	FY10E	FY11E
Revenues	41,523	49,576	55,107	69,872
Rev. Growth (%)	9.1%	19.4%	11.2%	26.8%
EBIDTA	8,074	10,334	14,195	25,745
EBIDTA margins (%)	19%	21%	26%	37%
Net Profit	4,237	4,113	5,697	11,388
EPS (Rs.)	98.7	96.8	134.1	268.0
CEPS (Rs.)	148.4	152.6	190.4	380.1
EV/EBIDTA (x)	11.7	9.2	7.2	3.6
EV/Sales (x)	2.27	1.92	1.85	1.33
RoE (%)	29.4%	22.5%	24.7%	36.1%
RoCE (%) (Pre-tax)	8%	7%	10%	15%
P/E (x) @ Rs 882	8.9	9.1	6.6	3.3
P/CEPS (x) @ Rs.882	5.9	5.8	4.6	2.3

Source: Company / Reliance Money Research

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Profit & loss statement (Rs mn)

Y/E March	FY08	FY09	FY10E	FY11E
Net Sales	41,523	49,576	55,107	69,872
% Growth	9.1%	19.4%	11.2%	26.8%
EBIDTA	8,074	10,334	14,195	25,745
% Growth	33%	28%	37%	81%
Interest	1,078	2,530	4,656	5,710
Depreciation	2,114	2,367	2,389	4,768
PBT	5,389	5,603	7,568	15,389
% Growth	45%	4%	35%	103%
Tax	1,152	1,490	1,871	4,001
PAT	4,237	4,113	5,697	11,388
% Growth	35%	-3%	39%	100%
Dividend (%)	25%	25%	25%	25%
EPS (Rs)	98.7	96.8	134.1	268.0
BVPS (Rs.)	382.7	476.7	608.1	872.8
CEPS (Rs.)	148.4	152.6	190.4	380.1

Balance sheet (Rs mn)

Y/E March	FY08	FY09	FY10E	FY11E
Equity Cap	425	425	425	425
Reserves	15829	19822	25400	36668
Networth	16253	20247	25825	37093
Total Loans	57181	62181	67181	72181
Deferred Tax Liability	1967	3947	4768	5833
Total Liability	75402	86375	97774	115108
Net Block	17590	42338	51682	62125
Investments	585	585	585	585
Inventory	11296	13439	12330	10880
Debtors	6174	5160	5044	5078
Cash Balance	276	4586	2446	16790
Total Current Liabilities	12636	14362	14808	15953
NCA	11548	15260	11448	23233
Total Assets	75402	86375	97774	115108

Ratio Analysis

Y/E March	FY08	FY09	FY10E	FY11E
OPM (%)	19.3%	20.8%	25.6%	36.8%
NPM (%)	10.2%	8.3%	10.3%	16.3%
RoE (%)	29.4%	22.5%	24.7%	36.1%
RoCE (Pre-tax) (%)	8.3%	7.4%	10.0%	14.7%
Int. Coverage (x)	7.49	4.09	3.05	4.51
D/E (x)	3.52	3.07	2.60	1.95
Asset Turnover (x)	0.69	0.62	0.61	0.66
Debtors' days	49	48	45	42
Creditors' days	134	130	130	130
Inventory Days	123	125	110	90
Valuation Ratios				
P/ CEPS (x)	5.9	5.8	4.6	2.3
EV/ EBIDTA (x)	11.7	9.2	7.2	3.6
Mkt Cap/ Sales (x)	0.9	0.8	0.7	0.5
P/ BV (x)	2.3	1.9	1.5	1.0

Cash Flow Statement (Rs mn)

Y/E March	FY08	FY09	FY10E	FY11E
PBT	5389	5603	7568	15389
Depreciation	2114	2367	2389	4768
Tax Paid	(1152)	(1490)	(1871)	(4001)
Change in WC	(2835)	597	1672	2560
Operating CF	3517	7077	9758	18717
Investments	(376)	0	0	0
Capex	(29092)	(9627)	(17600)	(10318)
Misc. Exp	(136)	0	(0)	0
Investing CF	(29604)	(9627)	(17600)	(10318)
Equity	(5)	0	0	0
Deferred tax liability (Net)	730	1980	821	1065
Dividends	(124)	(119)	(119)	(120)
Debt	24762	5000	5000	5000
Financing CF	25363	6860	5702	5946
Net Change	(725)	4310	(2140)	14345
Opening Cash	1001	276	4586	2446
Closing Cash	276	4586	2446	16790

Source: Reliance Money Research

Reliance Money Stock Rating

Rating	Stock Performance
BUY	Appreciate more than 15% in next 12 months
HOLD	Appreciate upto 15% in next 12 months
REDUCE	Depreciate upto 10% in next 12 months
SELL	Depreciate More than 10% in next 12 months

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Equities: Trading through Reliance Securities Limited | NSE SEBI Registration Number Capital Market :- INB 231234833 | BSE SEBI Registration Number Capital Market :- INB 011234839 | NSE SEBI Registration Number Derivatives :- INF 231234833
Commodities : Trading through Reliance Commodities Limited | MCX member code: 29030 | NCDEX member code: NCDEX-CO-05-00647| NMCE member code: CL0120 Mutual Funds : Reliance Securities Limited | AMFI ARN No.29889