

CBI has filed FIRs against JSPL, promoter owned companies (Gagan Sponge & Jindal Realty), Mr Naveen Jindal and Ex MOS Coal – Mr Dasari Narayan Rao in the coal block allocation case. The FIR has accused the company and Mr. Jindal for misrepresentation of net worth and concealing previous allotment. They have also charged with cheating and forgery. The agency is also carrying out raids at 15 places in Delhi and Haryana in connection with the coal scam.

The FIR lodged is with respect to the Amarkonda Murgadangal block allocated to the company in Jan 2008 having total reserves of 410mn tonnes. The coal from the said block was to fire its 2x660MW Dumka power plant. The Company was allotted total 5 coal blocks during 2004 – 2009 with total reserves of 2.1bn tonnes of thermal coal and 69.82mn tonnes of coking coal (coking coal block allotted along Monnet Ispat & Energy Ltd).

Coal Block allocations during 2004 - 2009

Coal Block	Date of Allotment	Reserves (mn tonnes)	Type of Coal
Gare Palma IV / 6	Jan 13, 2006	158	Thermal
Jitpur	Feb 20, 2007	81	Thermal
Amarkonda Murgadangal	Jan 17, 2008	410	Thermal
Ramchandi	Feb 27, 2009	1500	Thermal
		2149	
Urtan North	Oct 12, 2009	70	Coking

Source: CAG, PhillipCapital India Research

None of the above mentioned blocks are expected to have any impact on the current earnings. However the recent developments could further delay the signing of Mining Lease for the Utkal B1 block in Orissa which is a key the Angul steel plant and the captive power plants.

Valuations and Rating:

We put our rating and target price Under Review (Buy earlier with a target of Rs 409) and wait until further clarity emerges. While we do not change our current earnings forecast for the base business, we arrive at a **worst case valuation of Rs215** assuming the below mentioned factors:

1. No production coming from Angul steel plant in FY14
2. No benefits from Utkal B1 coal block in FY14 and FY15 assuming delay in signing ML
3. Power realisations of Rs 3 per unit for 1000MW JPL power plant
4. 1st 2 units of 2400MW JPL II power plant commissioning only in FY15 and operating at 50% PLF
5. No future power projects
6. Ev/Ebidta multiple for steel business reduced from 6x to 5x factoring in the current issues

Under Review

JSP IN | CMP RS 226

TARGET UR

Company Data

O/S SHARES (MN) :	935
MARKET CAP (RSBN) :	212
MARKET CAP (USDBN) :	3.6
52 - WK HI/LO (RS) :	480 / 202
LIQUIDITY 3M (USDMN) :	13.3
FACE VALUE (RS) :	1

Share Holding Pattern, %

PROMOTERS :	59.0
FII / NRI :	23.8
FI / MF :	6.0
NON PROMOTER CORP. HOLDINGS :	3.5
PUBLIC & OTHERS :	7.8

Price Performance, %

	1mth	3mth	1yr
ABS	-27.2	-37.6	-47.6
REL TO BSE	-22.6	-35.0	-62.4

Price Vs. Sensex (Rebased values)



Source: PhillipCapital India Research

Other Key Ratios

Rs mn	FY13	FY14E	FY15E
Net Sales	198,068	216,186	277,388
Ebidta	66,687	80,332	99,000
Net Profit	34,842	37,391	36,222
EPS, Rs	37.3	40.0	38.7
PER, X	6.1	5.7	5.8
EV/EBIDTA, x	6.7	5.7	5.2
EV/Net Sales, x	2.3	2.1	1.9
ROE, %	16.4	15.3	13.0
Debt/Equity (%)	111.3	112.9	127.6

Source: PhillipCapital India Research Est.

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Financials

Income Statement

Y/E Mar, Rs mn	FY12	FY13	FY14E	FY15E
Net sales	182,086	198,068	216,186	277,388
Growth, %	39	9	9	28
Total income	182,086	198,068	216,186	277,388
Other Operating expenses	-114,154	-131,381	-135,854	-178,388
EBITDA (Core)	67,932	66,687	80,332	99,000
Growth, %	7.6	(1.8)	20.5	23.2
Margin, %	37.3	33.7	37.2	35.7
Depreciation	-13,865	-15,392	-18,719	-29,963
EBIT	54,067	51,294	61,613	69,037
Growth, %	4.7	(5.1)	20.1	12.0
Margin, %	29.7	25.9	28.5	24.9
Interest paid	-3,600	-8,583	-14,368	-22,649
Other Non-Operating Income	1,419	1,364	2,177	1,607
Non-recurring Items	0	-5,741	0	0
Pre-tax profit	52,086	38,737	49,622	48,195
Tax provided	-11,863	-9,218	-11,710	-11,490
Profit after tax	40,223	29,518	37,912	36,705
Others (Minorities, Associates)	-574	-417	-521	-483
Net Profit	39,649	29,101	37,391	36,222
Growth, %	5.6	(12.1)	7.3	(3.1)
Net Profit (adjusted)	39,649	34,842	37,391	36,222
Unadj. shares (m)	935	935	935	935
Wtd avg shares (m)	935	935	935	935

Balance Sheet

Y/E Mar, Rs mn	FY12	FY13	FY14E	FY15E
Cash & bank	1,492	2,001	29,156	52,715
Debtors	13,068	19,541	13,515	18,197
Inventory	35,795	45,242	40,633	47,361
Loans & advances	91,082	105,002	97,100	99,468
Other current assets	2,486	4,259	4,685	5,154
Total current assets	143,922	176,046	185,090	222,895
Investments	3,776	8,370	4,363	5,081
Gross fixed assets	226,017	290,063	416,339	479,839
Less: Depreciation	-58,360	-73,753	-88,969	-117,200
Add: Capital WIP	134,721	170,000	123,894	174,464
Net fixed assets	302,377	386,311	451,264	537,103
Total assets	450,075	570,726	640,717	765,080
Current liabilities	41,617	53,612	54,101	61,428
Provisions	41,449	49,165	48,820	50,066
Total current liabilities	83,066	102,778	102,921	111,494
Non-current liabilities	182,828	249,854	290,739	372,241
Total liabilities	265,893	352,631	393,660	483,735
Paid-up capital	935	935	935	935
Reserves & surplus	180,176	211,588	243,004	277,313
Shareholders' equity	184,182	218,095	247,058	281,346
Total equity & liabilities	450,075	570,726	640,717	765,080

Source: Company, PhillipCapital India Research Estimates

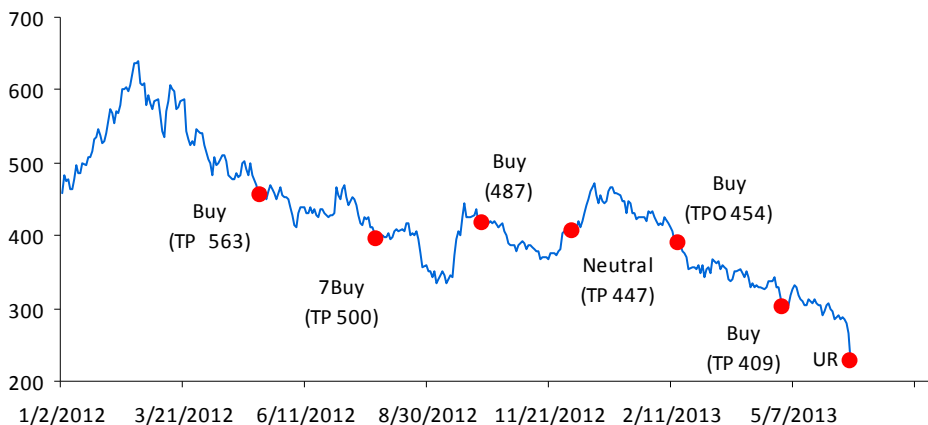
Cash Flow

Y/E Mar, Rs mn	FY12	FY13	FY14E	FY15E
Pre-tax profit	52,086	38,737	49,622	48,195
Depreciation	13,865	15,392	18,719	29,963
Chg in working capital	-17,024	-11,903	18,254	-5,674
Total tax paid	-9,999	-7,772	-9,657	-9,824
Other operating activities	1,952	19,026	-19,628	-200
Cash flow from operating activities	40,880	53,479	57,311	62,461
Capital expenditure	-72,980	-99,326	-83,673	-115,802
Chg in investments	-797	-4,594	4,006	-718
Cash flow from investing activities	-73,577	-103,517	-79,466	-116,320
Free cash flow	-32,697	-50,038	-22,156	-53,859
Debt raised/(repaid)	31,180	65,580	38,832	79,836
Dividend (incl. tax)	-1,793	-1,750	-1,914	-1,914
Cash flow from financing activities	29,549	50,547	49,311	77,418
Net chg in cash	-3,148	509	27,155	23,559

Valuation Ratios & Per Share Data

	FY12	FY13	FY14E	FY15E
Per Share data				
EPS (INR)	42.4	37.3	40.0	38.7
Growth, %	5.6	(12.1)	7.3	(3.1)
Book NAV/share (INR)	193.7	227.3	261.0	297.7
FDEPS (INR)	42.4	37.3	40.0	38.7
CEPS (INR)	57.2	59.9	60.0	70.8
CFPS (INR)	39.9	35.0	79.8	65.1
DPS (INR)	1.7	1.6	1.8	1.8
Return ratios				
Return on assets (%)	10.5	6.9	7.8	7.3
Return on equity (%)	21.9	16.4	15.3	13.0
Return on capital employed (%)	11.6	7.6	8.5	7.9
Turnover ratios				
Asset turnover (x)	0.5	0.4	0.4	0.5
Sales/Total assets (x)	0.4	0.4	0.4	0.4
Sales/Net FA (x)	0.7	0.6	0.5	0.6
Working capital/Sales (x)	0.6	0.6	0.5	0.4
Fixed capital/Sales (x)	1.2	1.5	1.9	1.7
Working capital days	202.1	221.9	171.9	143.1
Liquidity ratios				
Current ratio (x)	3.5	3.3	3.4	3.6
Quick ratio (x)	2.6	2.4	2.7	2.9
Interest cover (x)	15.0	6.0	4.3	3.0
Dividend cover (x)	25.7	23.3	22.9	22.1
Total debt/Equity (%)	94.4	111.3	112.9	127.6
Net debt/Equity (%)	93.5	110.3	100.9	108.7
Valuation				
PER (x)	5.3	6.1	5.7	5.8
Price/Book (x)	1.2	1.0	0.9	0.8
Yield (%)	0.7	0.7	0.8	0.8
EV/Net sales (x)	2.1	2.3	2.1	1.9
EV/EBITDA (x)	5.6	6.7	5.7	5.2
EV/EBIT (x)	7.0	8.7	7.4	7.4

Recommendation Chart



Source: PhillipCapital India Research

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