CRISIL RESEARCH

April 2014

CRISIL QUIP

Q4: Sectoral results forecasts

About CRISIL Limited

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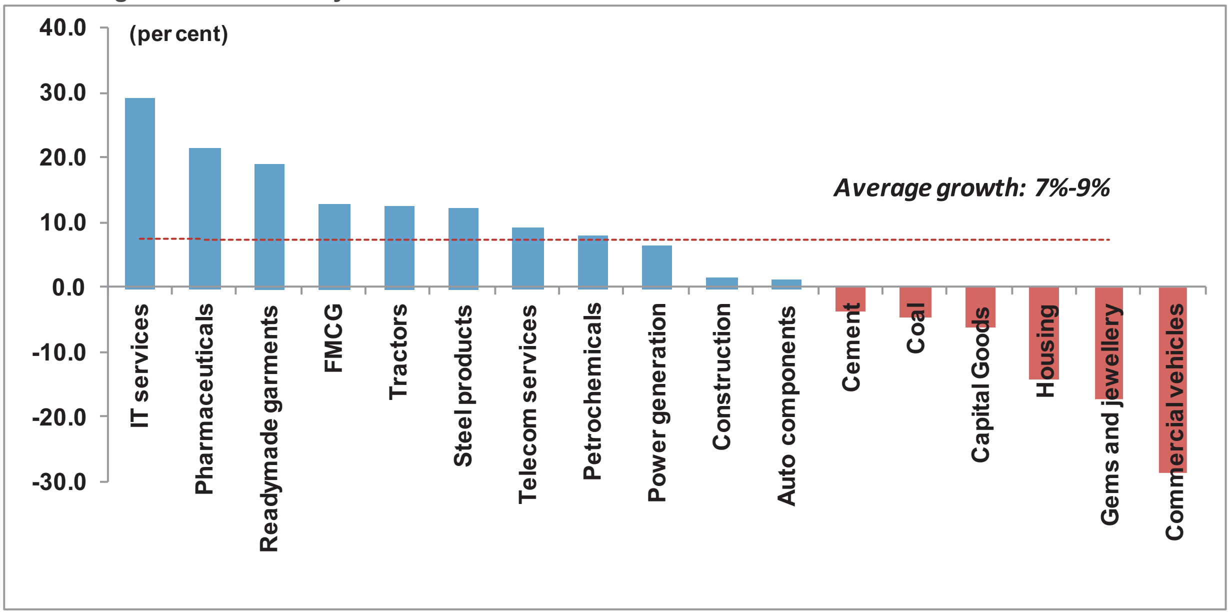
CRISIL Research is India's largest independent and integrated research house. We provide insights, opinions, and analysis on the Indian economy, industries, capital markets and companies. We are India's most credible provider of economy and industry research. Our industry research covers 70 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 4,500 primary sources, including industry experts, industry associations, and trade channels. We play a key role in India's fixed income markets. We are India's largest provider of valuations of fixed income securities, serving the mutual fund, insurance, and banking industries. We are the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today India's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgements and forecasts with complete objectivity. We leverage our deep understanding of the macro economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. We deliver our research through an innovative web-based research platform. Our talent pool comprises economists, sector experts, company analysts, and information management specialists.

Industry: Summary

Results Outlook (January – March 2014)

Revenue growth across key sectors in Q4 FY14



Source: CRISIL Research

Revenue growth to dip to 7-9 per cent in Q4 FY14; to recover gradually in 2014-15

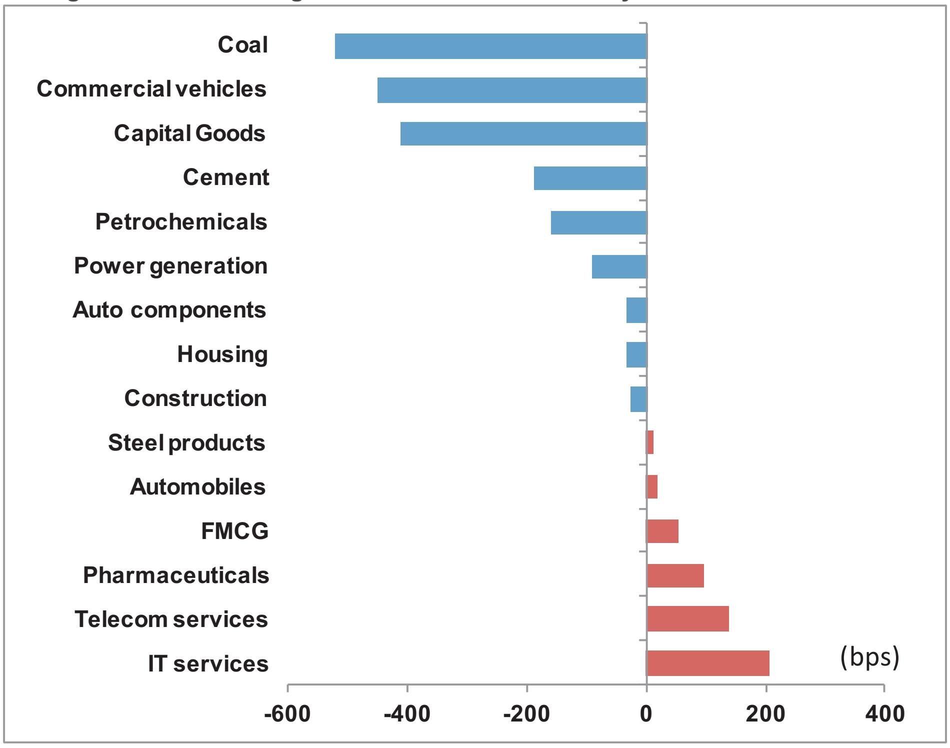
- Export oriented sectors such as **IT, pharmaceuticals, readymade garments (RMG)** and **cotton yarn** are expected to record robust growth led by rupee depreciation of ~14%. However, for players focused on the domestic market in these sectors are expected to witness considerably slower growth.
- **FMCG** and **telecom** sectors will witness moderate revenue growth led by higher realisations. However, lower international gold prices are expected to result in steep decline in realisations for Gems & Jewellery players.
- **Automobile** sector revenues are estimated to increase by 9% (y-o-y) aided by international business (new product launches by Jaguar Landrover), excluding which growth is expected to decline by 11.5%.
    - On the domestic front, growth is expected to remain weak in the **commercial vehicles** (CVs) and **passenger cars** segments due to decline in volumes led by weak consumer sentiment and subdued industrial activity. However, revenues of **two-wheelers** segment is expected to rise driven by price hikes and higher export realisations.
- Growth in **investment linked sectors** to remain sluggish
    - Construction sector revenue growth is estimated to be 1.5% (y-o-y), while that of the capital goods sector is expected to decline by 6% due to lower order backlog and slow project execution. However, order inflows have seen some improvement in the last 2 quarters.
    - Continuing demand weakness from infrastructure and real estate will lead to cement sector revenues declining by 3%. Steel sector revenue growth is expected to be healthy led by import substitution and rise in exports.
- Despite healthy capacity additions, revenue growth for **Power generation** companies is expected to be only 6% as

continued weak economic activity will result in slow power demand growth. **Coal** sector revenues are estimated to decline by 4% due to decline in average realisations.

- Revenue growth is expected to improve to 11-12 per cent in 2014-15 with implementation of stalled projects, recovery in industrial output with increasing domestic and export demand as well as improving consumer sentiment

Results Outlook (January – March 2014)

Change in EBITDA margins in Q4 FY14 across key sectors



Source: CRISIL Research

EBITDA margins in Q4 FY14 to be stable (y-o-y) at 17.2 per cent

- **IT services, pharma and RMG** is expected to continue to benefit from a weak rupee. However, this benefit is expected to be partially offset by lower billing rates in IT services and adverse action by US FDA in pharma.
- T**elecom services** sector margins are estimated to rise by about 160 bps as subscriber acquisition and marketing costs are expected to remain under control. However, this will be partly offset by higher network operating costs.
- Despite anticipated increase in raw material costs, **FMCG** margins are expected to improve marginally with judicious pricing and cost control (with respect to employee benefits and overheads).
- **Automobile** sector margins are expected to increase marginally by 15-20 bps y-o-y, supported by rise in margins of **two wheelers** manufacturers and continued strong performance of overseas business. On the other hand, higher discounts and low utilization rates will dent margins of **passenger cars** and **CVs**.
- Margins of **capital goods** and **construction** are estimated to decline by about 400 bps and 30 bps respectively due to sluggish pace of execution with delays from clients
- Margins of **Coal** sector are expected to decline by over 500 bps due to drop in e-auction coal prices (in line with dip in international prices and weak demand) and lower incentives y-o-y (due to subdued growth in coal despatches).
- **Paper**, **cement and airlines** are expected to witness margin contraction on account of rise in input costs in a weak demand environment

Automobiles

Overall Automobiles

Result outlook (January- March 2014)

Key financial indicators

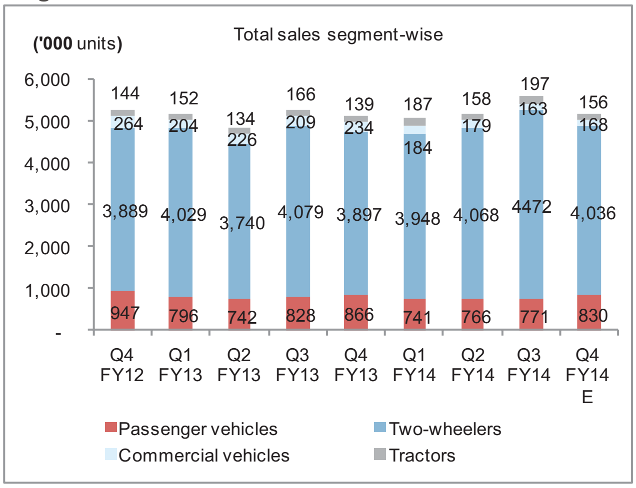
	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs bn)	1064	974	1035	9%	2.8%
EBITDA (Rs bn)	156	141	147	11%	5.6%
EBITDA margin	14.6	14.5	14.2	16	38

EBITDA margin, shaded in grey, reflects change in basis points (bps)

Source: CRISIL Research

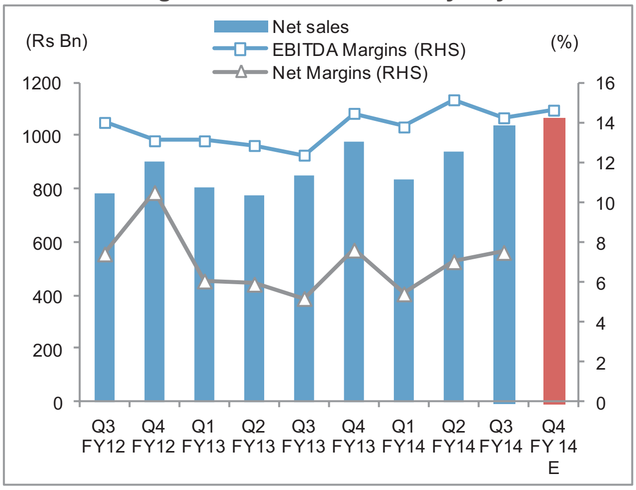
- Revenues are expected to increase by 9 per cent y-o-y, despite weak domestic demand. Growth will continue to be aided by a rise in revenues of Tata Motors' JLR business and higher export realisations.
- Overall EBITDA margins are expected to increase marginally by 15-20 bps y-o-y, supported by rise in margins of two wheelers manufacturers and continued strong performance of Tata Motors' JLR business.

Segmentwise automobile sales volumes



Source: Company reports

EBDITA margins to remain flattish y-o-y



Source: Company reports

Result outlook (January-March 2014)

Public sector banks

Key financial indicators

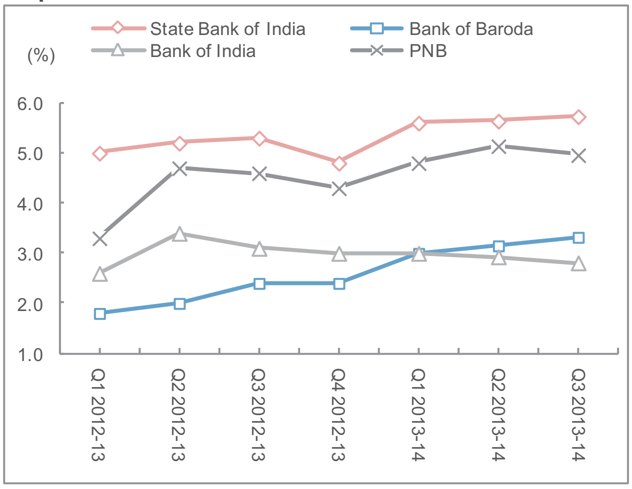
	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Total income (Rs. bn)	1,469	1,342	1,435	10%	2%
Net interest income (Rs. bn)	386	359	395	8%	-2%

Note: Aggregates include results of 16 public sector banks, w hich account for 73 per cent of advances. Change in NIM and GNPA are in basis points (bps)

Source: CRISIL Research

- Overall income is expected to slow down to 9-10 per cent y-o-y, vis-à-vis an 11 per cent increase seen during the same quarter last year owing to weak credit growth, rising proportion of non-earning assets in their portfolio of banks in addition to pressures on interest rate pricing. The weak growth in advances will cause the slower growth in interest income.
- Growth in net interest income (NII) is also likely to remain subdued at 7-8 per cent while Net Interest Margins (NIMs) are expected to decline by 10-15 bps y-o-y.
- CRISIL Research expects gross non-performing assets (GNPAs) of banks to remain elevated in the coming quarters following slippages on loans restructured in 2011-12, continuing stress in the infrastructure (especially power) and construction sectors, and lower asset sales to asset reconstruction companies owing to pricing issues.

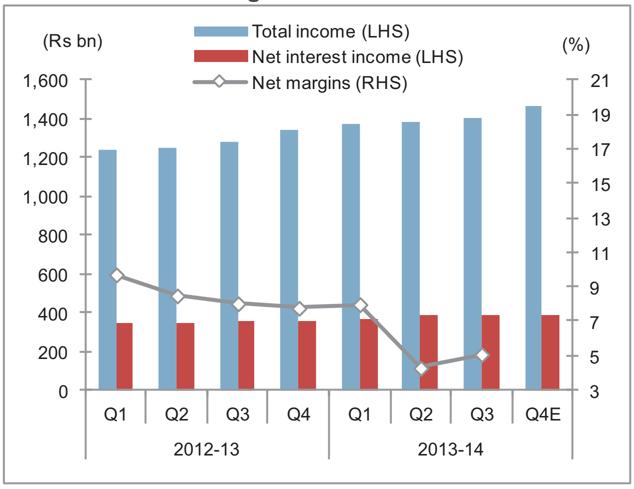
Rapid rise in GNPAs is a concern



GNPA: Gross non-performing asset

Source: Company reports, CRISIL Research

Deceleration in NII growth to continue



E: Estimated; NII: Net interest income

Source: Company reports, CRISIL Research

Outlook on key industry parameters

Parameter	Q1FY14	Q2FY14	Q3FY14	9M FY14	Q4 FY14	2013-14E	2014-15F
Credit grow th	13%	18%	15%	15%	14.5%	14.5%	16.0%
Deposit grow th	14%	15%	15%	15%	14.5%	14.5%	15.0%
Net Interest Margin	3.0%	3.1%	3.1%	3.1%	2.9%	2.9%	2.8%
Gross NPA	4.3%	4.5%	4.6%	4.6%	4.6%	4.6%	4.7%

E: Estimated; F: Forecast

Source: CRISIL Research

Result outlook (January-March 2014)

Private sector banks

Key financial indicators

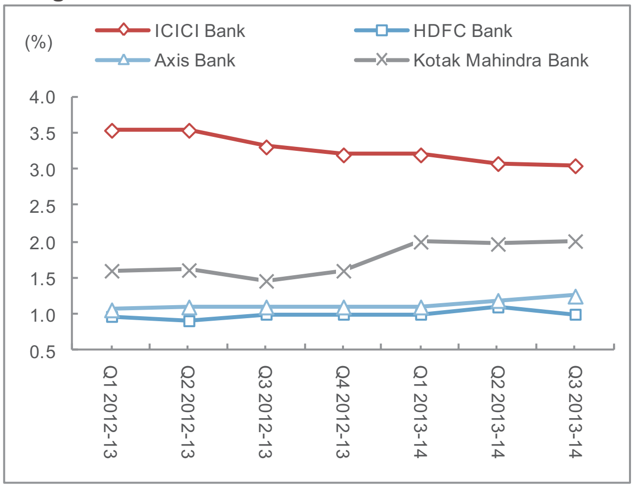
	Q4 FY14E	Q4 FY13	Q3 FY14	-o-Y change	o-Q change
Total income (Rs. bn)	594	497	544	19.5%	9.3%
Net interest income (Rs. bn)	184	156	170	18.5%	8.5%

Note: Aggregates include results of 12 private sector banks, w hich account for 21 per cent of advances.

Source: CRISIL Research

- The pace of growth in total income is expected to moderate to 19-20 per cent y-o-y, from 22.8 per cent in the January- March 2013 quarter, owing to slower credit growth.
- Net interest income (NII) is expected to increase only by 18-19 per cent following a marginal contraction in NIM, by 5-10 bps y-o-y.
  - Over the last 3-4 months, many private banks have not been able to raise their base rate in spite of an increase in the cost of deposits. Owing to the increase in deposit rates, the overall cost of funds will rise in the fourth quarter, as deposit re-pricing takes place with a lag. The lag effect will have a negative impact on NIMs in the short term.
- Private sector banks have very strong credit appraisal mechanism and hence the GNPAs are under check.

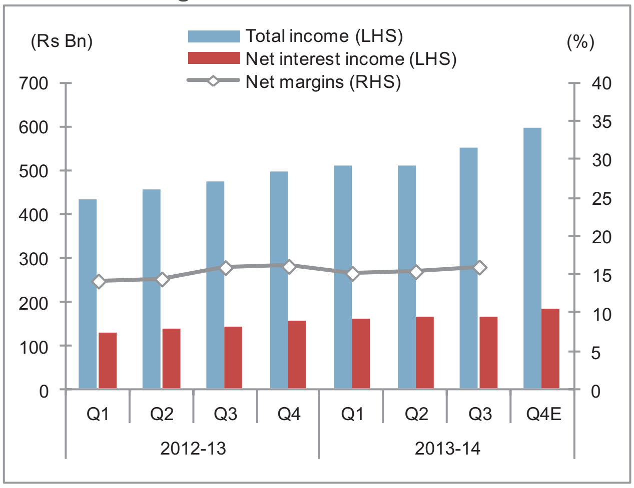
Marginal increase in GNPAs



GNPA: Gross non-performing asset

Source: Company reports, CRISIL Research

Total income growth to moderate



E: Estimated

Source: Company reports, CRISIL Research

Outlook on key industry parameters

Parameter	Q1FY14	Q2FY14	Q3FY14	9M FY14	Q4 FY14	2013-14E	2014-15F
Credit grow th	17%	16%	19%	19%	19%	19%	19%
Deposit grow th	14%	12%	13%	13%	13%	13%	15%
Net Interest Margin	4.0%	4.0%	3.9%	4.0%	3.9%	4.0%	4.0%
Gross NPA	1.8%	1.9%	1.8%	1.8%	1.8%	1.8%	1.8%

E: Estimated; F: Forecast

Source: CRISIL Research

Capital goods

Result outlook (January-March 2014)

Key financial indicators

	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs. bn)	290-295	311	193	(5)-(7)%	50-53%
EBITDA (Rs. bn)	37-39	53	17	(28)-(30)%	120-125%
EBITDA margin	13-13.2	17.1	8.9	(400)-(420)	400-420

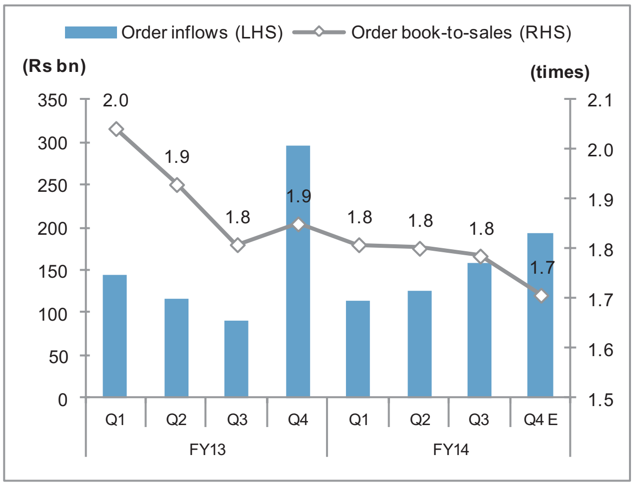
Notes: (i) Aggregates include results of seven companies.

(ii) EBITDA margin, shaded in grey, reflects change in bps.

Source: CRISIL Research

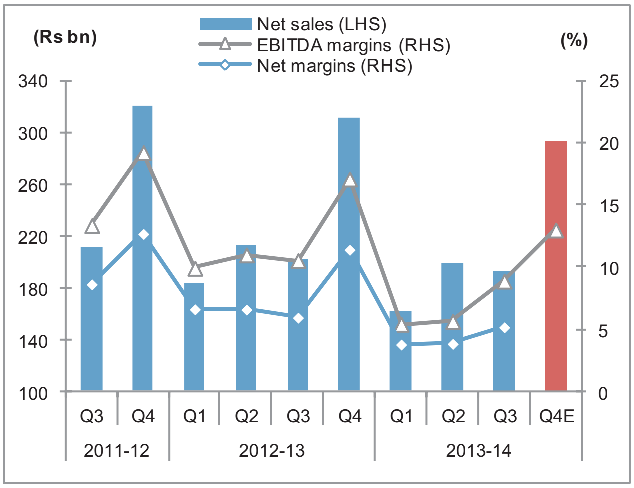
- Revenues are expected to decline by 5-7% y-o-y on account of a low order book position and a slower pace in project execution.
- EBITDA margins are projected to contract by 400-420 bps to 13% due to execution of low-margin orders and low capacity utilisation.

Declining revenue visibility amid weak order inflows



E: Estimated
Source: Company reports

EBITDA margins to decline y-o-y



E: Estimated
Source: Company results, CRISIL Research

Outlook on key industry parameters

	Q1 FY14	Q2FY14	Q3FY14	9M FY14	Q4FY14E
Order book (Rs. bn)	1,609	1,578	1,547	1,447	1,447
Revenues (y-o-y)	-11.5%	-6.3%	-4.9%	-7.4%	(5)-(7)%
Order inflow s (Rs. bn)	113	125	158	397	190-195
EBITDA margins	5.4	5.7	8.9	6.7	13-13.2

E: Estimated

Source: CRISIL Research

Cement

Result outlook (January – March 2014)

Key financial indicators

	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs bn)	191	198	177	-3%	8%
EBITDA (Rs bn)	33	38	23	-13%	41%
EBITDA margin	17.2%	19.1%	13.2%	-188	400

E: Estimated

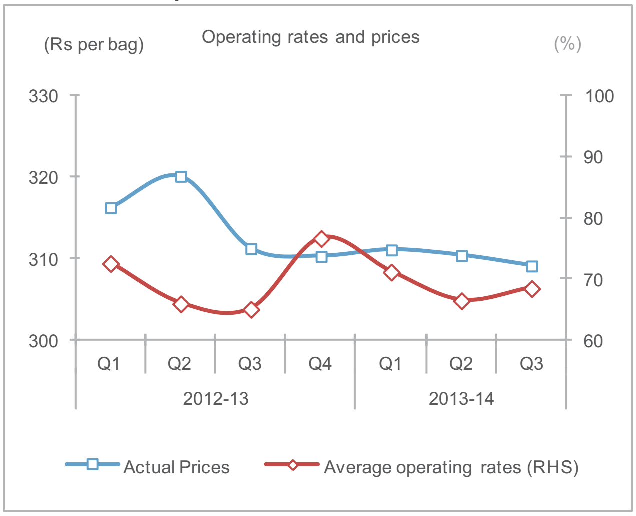
Note: (i) Aggregates include results of 19 companies, w hich account for 60% of cement sector revenues

(ii) EBITDA margin, shaded in grey, reflects change in basis points (bps)

Source: CRISIL Research

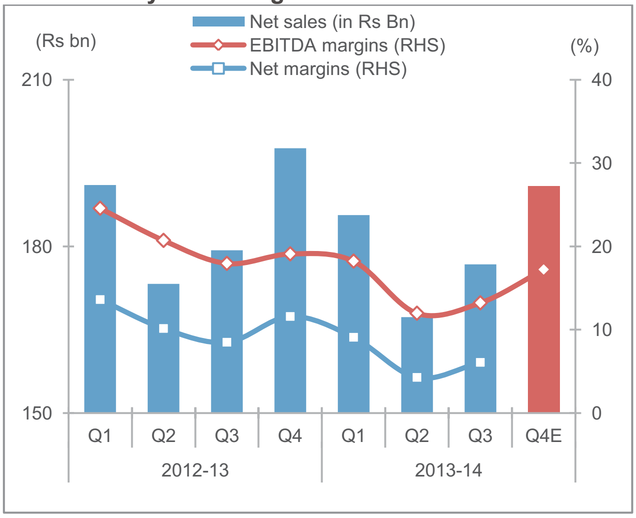
- On a q-o-q basis, demand for cement is expected to improve by around 8%, primarily on account of a seasonal pick-up in demand. Realisations are expected to increase marginally on a q-o-q basis. As a result, net sales for cement companies could rise by around 8 per cent on a q-o-q basis, as per our projections.
- On a y-o-y basis, CRISIL Research expects revenues to fall by 3%, owing to the continuing slowdown in demand. Demand is forecast to remain weak with a muted growth of around 0.8%, on a y-o-y basis.
- EBITDA margins are forecast to fall by around 200 bps y-o-y due to continued cost escalation and drop in revenues. Input costs are expected to increase, primarily on account of rise in freight and raw material costs.

Prices under pressure



Source: CRISIL Research

Profitability declining with weak demand



E: Estimated

Source: CRISIL Research

Outlook on key industry parameters

Parameter	Q1FY14	Q2FY14	Q3FY14	9M FY14	Q4 FY14E	2013-14E	2014-15F
Volume grow th (Y-o-Y)	-1.0%	2.3%	1.1%	1.3%	0.8%	1.3%	3.7%
Realisation grow th (Y-o-Y)	-1.6%	-3.0%	-1%	-1.8%	0.3%	-1.3%	3.9%
EBITDA margins	18.2%	12.0%	13.2%	14.6%	17.2%	15.3%	14.6%

E: Estimated; F: Forecast

Source: CRISIL Research

Construction

Result outlook (January-March 2014)

Key financial indicators

	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs bn)	427	421	298	1%-2%	42%-44%
EBITDA (Rs bn)	44	44	27	0%	58%-60%
EBITDA margin	10.2	10.5	9.2	(20-30)	100-110

E: Estimated

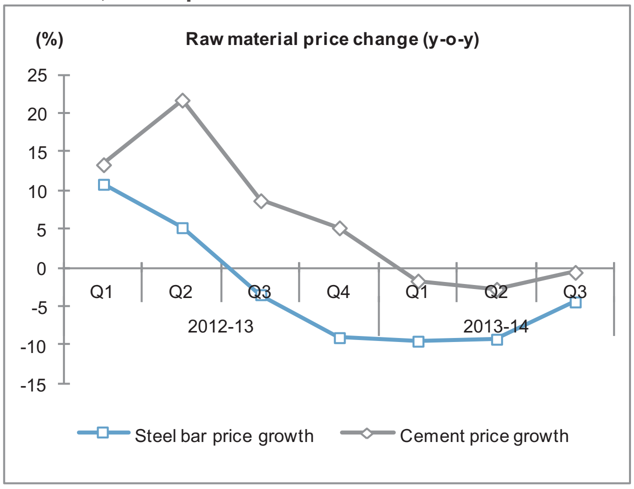
Note: (i) Aggregates include results of 39 companies

EBITDA margin, shaded in grey, reflects change in basis points (bps)

Source: CRISIL Research

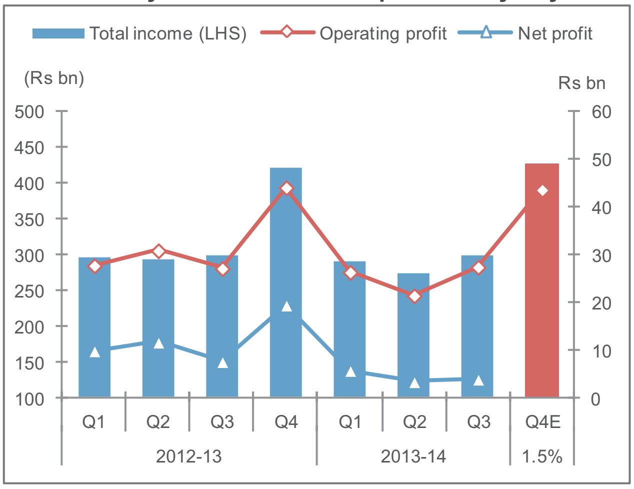
- Revenues are expected to grow by a tepid 1-2 per cent y-o-y owing to slow execution. Land acquisition issues, delays in clearances and stretched working capital position of players are likely to slow down project execution further.
- Sluggish pace of execution and continued high fixed costs are likely to pull down EBITDA margins y-o-y by 20-30 bps during the March 2014 quarter

Cement, steel prices decline



Source: CRISIL Research

Profitability to remain under pressure y-o-y



E: Estimated

Source: CRISIL Research

Outlook on key industry parameters

Parameter	Q1FY14	Q2FY14	Q3FY14	9M FY14	Q4 FY14E	2013-14E	2014-15E
Revenue growth (Y-o-Y)	-1.7%	-6.4%	0%	-3%	1%-2%	0%	6-8%
EBITDA margin change (Y-o-Y)	(31.2)	(273)	12.8	(94.4)	(20-30)	(50-100)	0.0

E: Estimated

Source: CRISIL Research

IT services

Result outlook (January-March 2014)

Tier-I companies

	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs. bn)	554	429	538	29.0%	2.9%
EBITDA (Rs. bn)	147	105	146	40.1%	0.7%
EBITDA margin	26.5	24.4	27.1	210	-56

E: Estimated

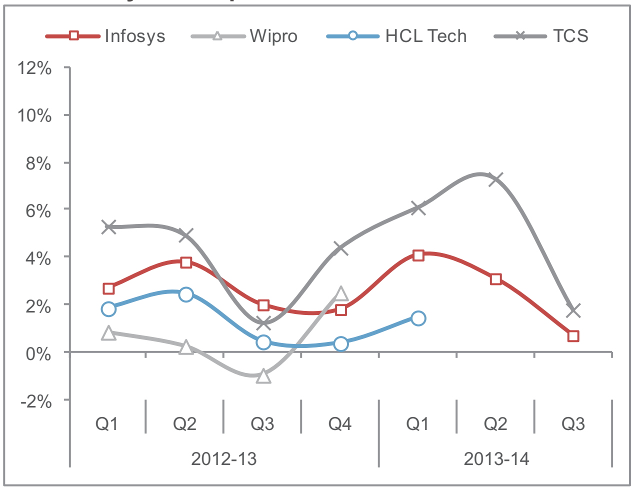
Notes: (i) Aggregates include results of 4 companies, which account for 70% of IT services revenues.

(ii) EBITDA margin, shaded in grey, reflects change in bps.

Source: CRISIL Research

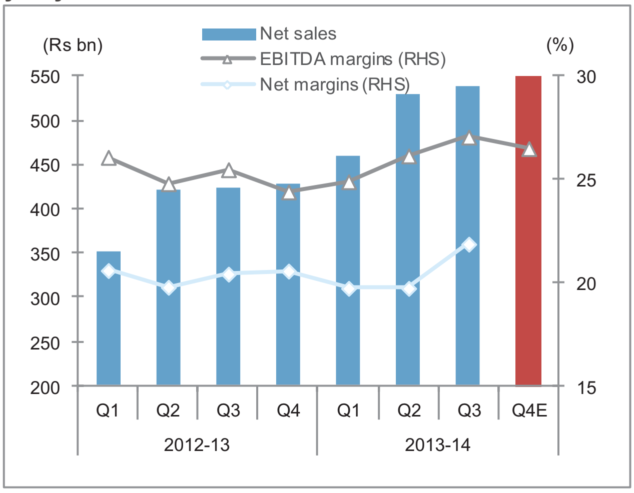
- Rupee revenues are expected to increase by 28-30% y-o-y due to marginal improvement in volume growth and continuing benefits arising from a further weakening in the rupee. We expect the rupee to depreciate by 14-15% during the quarter.
  - Q-o-Q volume growth in FY14 slowed down quarter after quarter and expected to remain subdued in this quarter as well.
- EBITDA margins are projected to improve by about 200 bps, primarily due to depreciation in the rupee and a lower base in the corresponding quarter last year. In Q4FY13, operating margins were affected because of a significant decline in the billing rates of Infosys.

Volume growth (q-o-q) remained healthy in a seasonally weak quarter



Source: CRISIL Research

Rupee depreciation to boost operating margins y-o-y



E: Estimated

Source: CRISIL Research

Outlook on key industry parameters

Parameter	Q1FY14	Q2FY14	Q3FY14	9M FY14	Q4 FY14	2013-14E	2014-15P
Volume growth (y-o-y)	14%	15%	15%	15%	15%	15%	15.5-16.5%
Billing rates change (y-o-y)	(1)-(2)%	(1)-(2)%	(1)-(2)%	(1)-(2)%	(1)-(2)%	(1)-(2)%	(1)-(2)%

E: Estimated P: Projected

Source: CRISIL Research

Result outlook (January-March 2014)

Mid-tier companies

Key financial indicators

	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs. bn)	62	48	62	30%	0%
EBITDA (Rs. bn)	11	8	11	42%	0%
EBITDA margin	18	16.4	18.0	157	2

E: Estimated

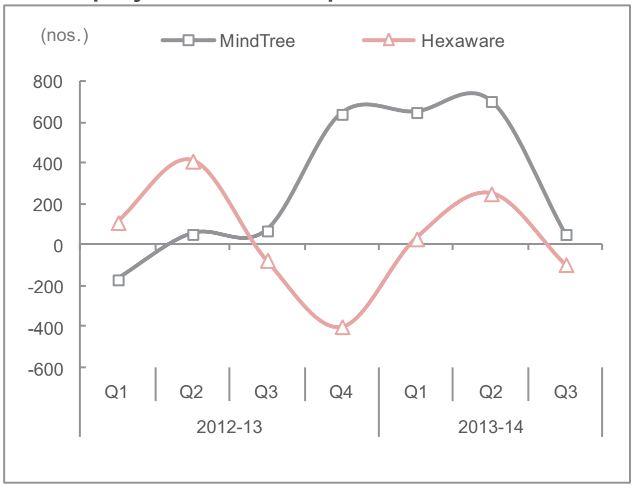
Note (i): EBITDA margin, shaded in grey, reflects change in bps.

Note: (ii) Aggregates include results of 21 companies, w hich account for 10% of IT services revenues.

Source: CRISIL Research

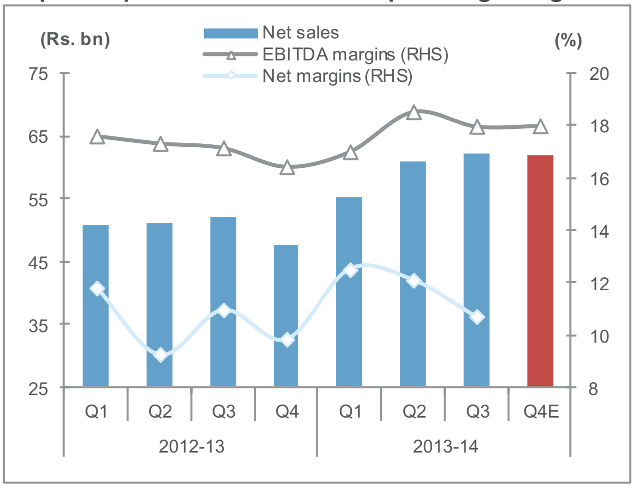
- Rupee revenues are expected to expand by around 30% y-o-y due to improvement in volume growth, a lower base in the corresponding quarter of last year, and significant benefits arising from a weak rupee.
- EBITDA margins are expected to rise by about 150 bps, primarily due to rupee depreciation and operating margins in the corresponding quarter last year being lower than the historical trend. Also, the rupee depreciation will offset the negative effect of a decline in billing rates.

Net employee addition improved



Source: CRISIL Research

Rupee depreciation to boost operating margins



E: Estimated

Source: CRISIL Research

Outlook on key industry parameters

Parameter	Q1FY14	Q2FY14	Q3FY14	9M FY14	Q4 FY14	2013-14E	2014-15F
Volume grow th (y-o-y)	6%	7%	8%	7%	9%	8%	8-9%
Billing rates change (y-o-y)	(1)-(2)%	(1)-(2)%	(1)-(2)%	(1)-(2)%	(1)-(2)%	(1)-(2)%	(1)-(2)%

E: Estimated; F: Forecast

Source: CRISIL Research

Pharmaceuticals

Result outlook (January-March 2014)

Large-sized formulations players

	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs bn)	235-240	195	229	21-23%	3-5%
EBITDA (Rs bn)	54-56	44	58	26-28%	(4%)-(5%)
EBITDA margin	22-24	22.5	25.2	40-140	(130)-(230)

E: Estimated

Note: (i) Aggregates include results of 9 companies

EBITDA margin, shaded in grey, reflects change in basis points (bps)

Source: CRISIL Research

- Revenues are expected to grow by 21-23 per cent y-o-y, aided by a steady growth in exports and a weak rupee. Domestic sales are likely to continue growing at a sluggish pace owing to the impact of the drug price control order, released in 2013.
  - A better product mix will drive up exports for players such as Lupin, Sun Pharma and Dr Reddy's during the quarter. On the other hand, an import ban imposed by the US FDA on Wockhardt's and Ranbaxy's Chikalthana and Toansa facilities respectively, will pull down their exports to the US.
- EBITDA margins are expected to improve by 40-140 bps y-o-y only, as a rise in exports realizations are likely to be offset by higher fixed costs due to import alerts by the US FDA.
  - The US FDA's import alert is expected to drive up operating expenses for Wockhardt and Ranbaxy as more outsourcing for API and trading takes place to resume some supplies to export markets. Moreover, expenses incurred on remedial measures to become FDA-compliant are expected to push up overall operating expenses.

Mid- and small-sized formulations players

	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs bn)	54-56	45	52	20-22%	8-10%
EBITDA (Rs bn)	10-11	8	10	29-31%	8-10%
EBITDA margin	18-20	17.9	18.8	100-150	50-100

E: Estimated

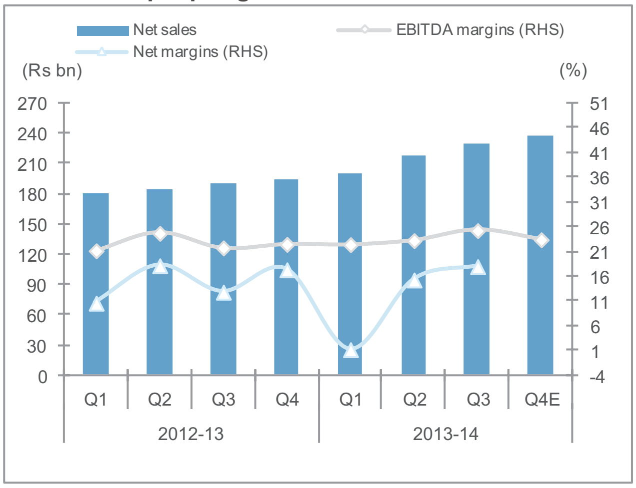
Note: (i) Aggregates include results of 20 companies

EBITDA margin, shaded in grey, reflects change in basis points (bps)

Source: CRISIL Research

- Revenues are expected to grow by 20-22 per cent y-o-y on account of stronger export growth and a weak rupee. Robust exports by Torrent and Alembic will drive up revenues for the aggregate set.
- EBITDA margins are expected to improve by 100-150 bps y-o-y for the aggregate set, aided by the rise in exports and the benefit of the weaker rupee. Moreover operating cost efficiencies are expected to help formulators such as Alembic, Torrent and IPCA improve profitability.

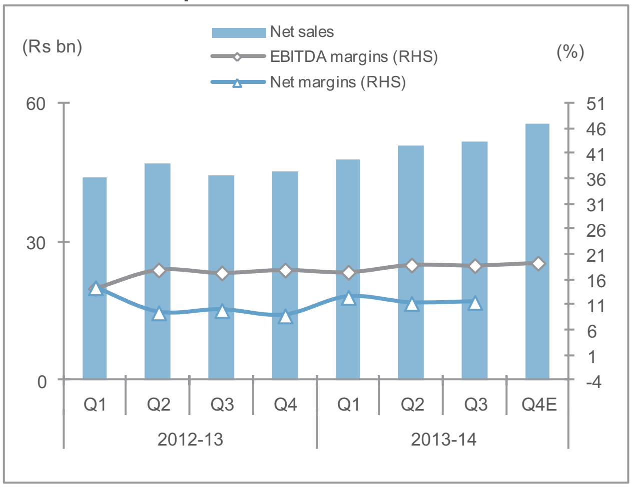
Large-sized players: Exports to regulated markets to propel growth



E: Estimated

Source: CRISIL Research

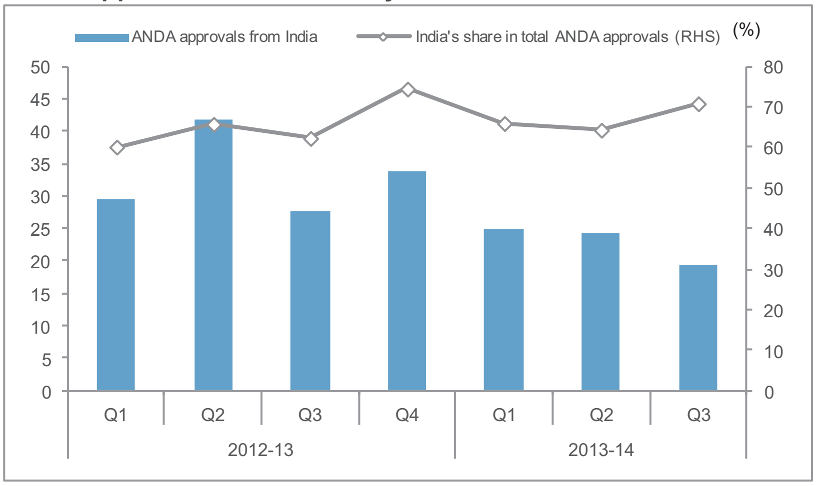
Mid- and small-sized players: Robust growth in revenues and profits



E: Estimated

Source: CRISIL Research

ANDA approvals ensure steady revenues



Source: CRISIL Research

Bulk drugs players

	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs bn)	50-52	44	48	16-18%	5-7%
EBITDA (Rs bn)	10	8	10	22-24%	0-1%
EBITDA margin	18-20	18.7	21.0	50-100	(80)-(180)

E: Estimated

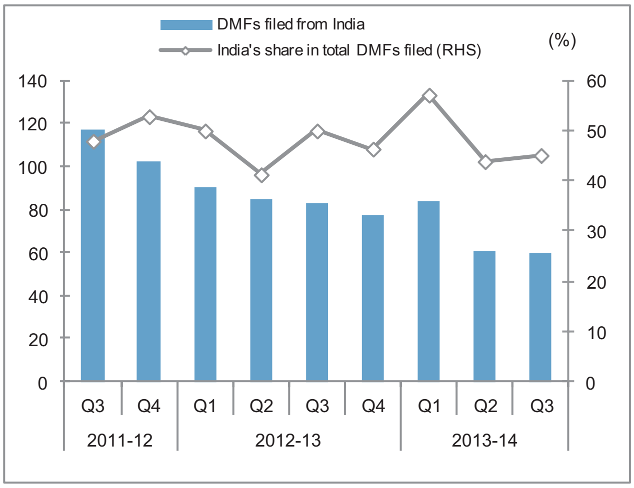
Note: (i) Aggregates include results of 14 companies

EBITDA margin, shaded in grey, reflects change in basis points (bps)

Source: CRISIL Research

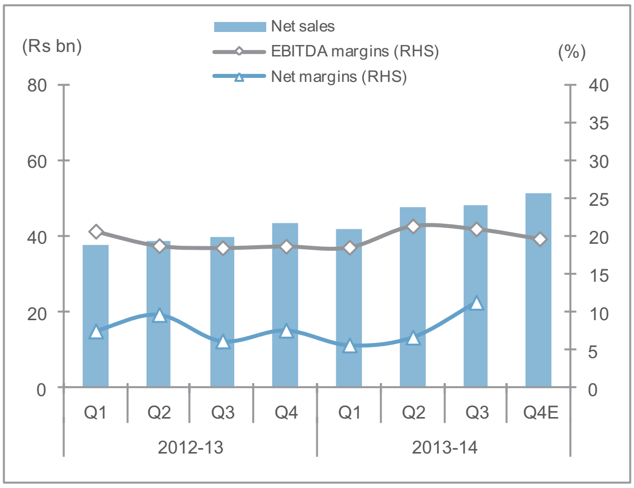
- Revenues are expected to grow by 16-18 per cent y-o-y led by higher exports realizations (aided by favorable exchange rates).
- EBITDA margins for the aggregate set are expected to remain range bound y-o-y as the rise in revenues is likely to be offset by higher fixed costs due to adverse US FDA action.
  - The FDA issued warning letters to Jubilant Life sciences in December, 2013 for its two units at Spokane and Montreal. On account of this the company is estimated to incur higher expenses on remedial measures, which is expected to impact the profitability for the company during the quarter.

Consistent high share in DMFs



Source: CRISIL Research

Revenue growth to remain rangebound



E: Estimated

Source: CRISIL Research

Power generation

Result outlook (January-March 2014)

Key financial indicators

	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs bn)	410 - 430	391	426	5% - 7%	0 - (1)%
EBITDA (Rs bn)	110 - 120	103	110	2% - 4%	3% - 5%
EBITDA margin	26 - 28	26.4	25.8	(80) - (100)	110 - 130

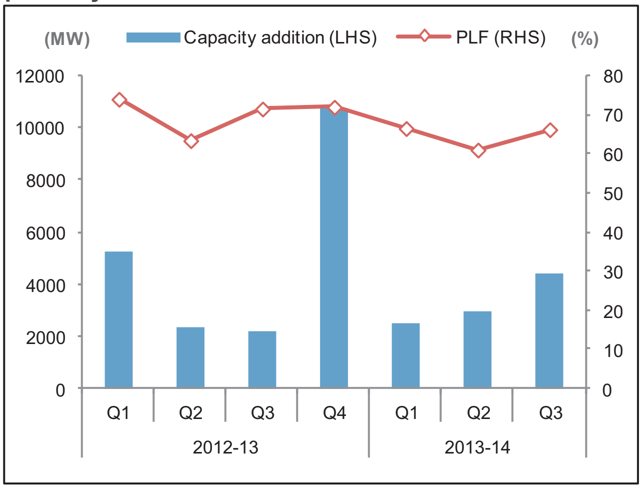
E: Estimated

Note: (i) Aggregates include results of 13 companies, w hich account for around 65% of pow er sector revenues.

Source: CRISIL Research

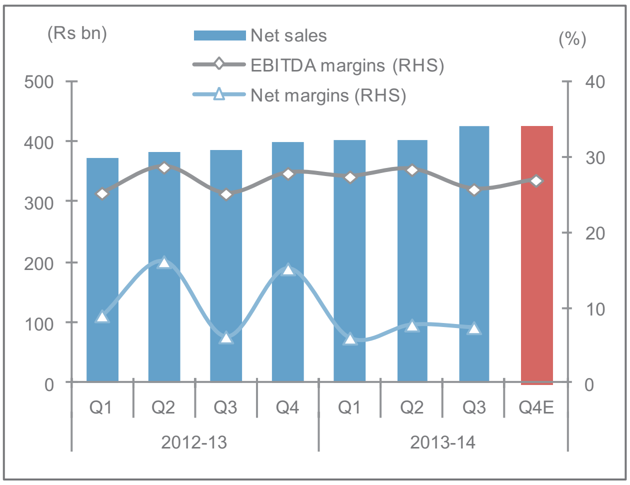
- Despite healthy capacity additions by players such as Adani Power and NTPC, revenues for power generation companies are forecast to grow at a muted pace of 5-7% y-o-y due to slower demand growth on account of weak economic activity. However, realisations are expected to improve with commissioning of plants with higher tariffs.
- EBITDA margins are expected to decline by 80-100 bps y-o-y to 26-28%.
  - NTPC's margins are expected to fall as the write-back of previous outstanding dues from Delhi Electricity Supply Undertaking (DESU) supported high EBITDA margins for NTPC in Q4FY13. However, adjusting for this one-time write-back, we expect EBITDA margins for power generation companies to improve by 60-80 bps.
  - We foresee an expansion in the margins of players dependent on imported coal such as Tata Power, Adani Power and JSW Energy on account of lower fuel costs, led by weak international coal prices.

Strong additions to generation capacities in the past 1 year



Source: CRISIL Research

Revenues to increase by 5-7% in Q4FY14



Source: CRISIL Research

Outlook on key industry parameters

Parameter	Q1FY14	Q2FY14	Q3FY14	9M FY14	Q4 FY14E	2013-14E	2014-15E
Generation grow th (Y-o-Y)	7.0%	6.6%	2.8%	5.5%	7.5%	6.0%	5% - 6%
Demand grow th (Y-o-Y)	4.7%	0.8%	-2.9%	0.9%	2.0%	1.2%	2% - 4%
Coal based PLFs (%)	67.9%	60.4%	65.7%	64.7%	70.0%	66.0%	66% - 68%

E: Estimated

Source: CRISIL Research

Steel products

Result outlook (January-March 2014)

Key financial indicators

Parameter	Q4 FY14E	Q4 FY13	Q3 FY14	Y-o-Y change	Q-o-Q change
Net sales (Rs bn)	891.6	793.7	839.0	12%	6%
EBITDA (Rs bn)	126.0	107.1	109.7	18%	15%
EBITDA margin	14.1	13.5	13.1	64	106

E: Estimated

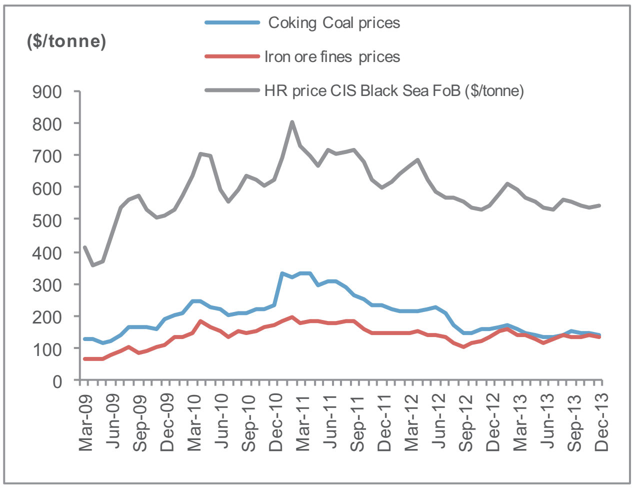
Note: (i) Aggregates include results of 38 companies, w hich account for 70-75 per cent of steel sector revenues

EBITDA margin, in the shaded region, reflects change in basis points (bps)

Source: CRISIL Research

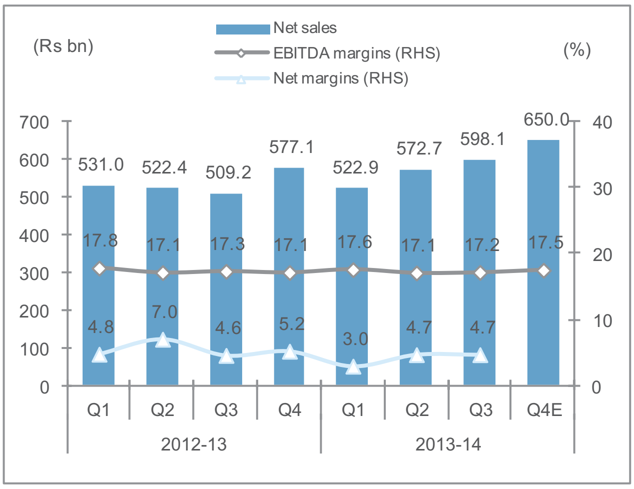
- Growth in volumes and better realisations will enable the Indian steel industry to register a 12 per cent y-o-y growth in industry revenues during Q4 2013-14.
  - In India, players will continue to see their volumes grow by 10-11 per cent y-o-y owing to import substitution arising out of an increase in the cost of imported steel and higher steel exports. Also, domestic realisations are expected (flats and longs) to increase by 2-3 per cent y-o-y during Q4 2012-13 because of the weak rupee.
  - On the other hand, the foreign subsidiaries of Indian steel players (Tata Steel) are expected to report a 11 per cent y-o-y growth in revenues with an improvement in demand from Europe coupled with
  - refurbishment of a blast furnace of Tata Steel, which had hindered production so far.
- Higher realisations coupled with improved operational efficiencies of Tata Steel Europe will lead to a 64 bps improvement in EBITDA margins.

Global raw material and steel prices moderate



Source: CRISIL Research

EBITDA margins to improve slightly (y-o-y)



E: Estimated

Source: CRISIL Research

Outlook on key industry parameters

Parameter	Q1FY14	Q2FY14	Q3FY14	9M FY14	Q4 FY14	2013-14E	2014-15P
Domestic volume growth (Y-o-Y)	2.0%	2.5%	2.0%	2.2%	2.5-3.5%	2-4%	4-6%
Domestic steel prices growth (Y-o-Y)	-6.0%	-4.0%	-1.0%	-4.0%	1-2%	-3%	1%

E: Estimated; P: Projected

Source: JPC, CRISIL Research

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