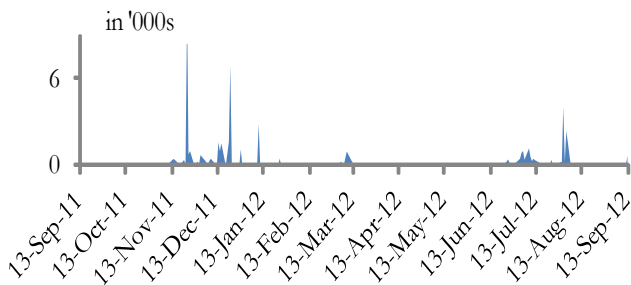


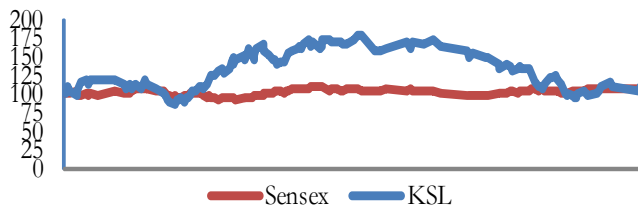
Equity Statistics

Current Market Price	Rs.	11.4
52 Week High / Low	Rs.	20.15/10
Market Capitalisation	Rs. crores	25.6
Free Float	Rs. crores	5.7
Dividend Yield	%	-
One Year Regression Beta	Times	0.5

BSE Volumes Trend - Average = 0.34 Thousand

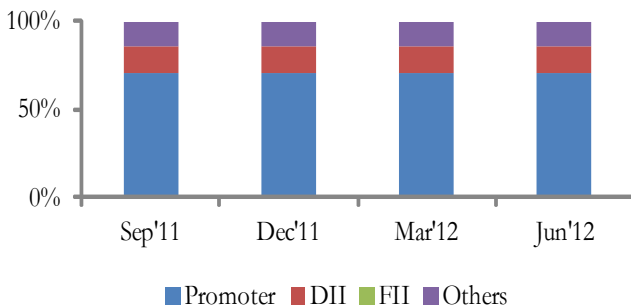


Relative Returns



Returns (%)	1M	3M	6M	1Yr
Absolute	-1%	31%	68%	-3%
Relative to Sensex	0%	42%	69%	-10%

Shareholding Pattern



Business Summary

Kanishk Steel Industries Ltd (KSL), an ISO 9001:2001 company, promoted by Gupta Brothers was incorporated in 1989 as a private limited company. It later on converted into a public ltd company in April 1992. KAL is engaged in manufacturing of steel products i.e. tors, rounds, squares, and profiles along with structural products i.e. channels, joints, I-beams, etc as well as sponge iron. The company has embarked into eco-friendly process of power generation through wind mills by installing 7.16 MW wind power plants in Tamilnadu. The manufacturing facility of the company is located at Gummidipoondi, Thiruvallur, Tamilnadu. KSL has been supplying its products to public sector companies as well as private sector companies. The major customers include BHEL Trichy, BHEL Ranipet, Neyveli Lignite Corporation, DRDA, Jindal South West, Madras Cement, etc.

KSL has a sponge iron unit having annual capacity of 60,000 tpa. KSL has decided to spin off its power business into Gita Renewable Energy (GRE) and sponge iron business into Chennai Ferrous Industries Ltd (CFIL) through a scheme of demerger. The above restructuring shall result in creation of three separate legal entities engaged in their separate specialized line of activity. KSL has filed the petition for the same and the matter is pending for due approval from Hon'ble High court of Madras. For FY12, KSL achieved sales of Rs.602.20 crore and PAT of Rs.2.6 crore.

KSL is currently trading at 12.4 times the FY12 EPS and 0.47 times adjusted book value.

Board of Directors

Person	Role	Qualification
Ravi Gupta	Chairman	B.Com,
K.S. Venkatagiri	NED, Independent	M.Sc, L.L.B
Pravin Kumar	NED, Independent	M.B.B.S
Vishal Keyal	Executive Director	B.Sc
M.K. Madhawan	Company Secretary	C.S
Kanishk Gupta	Director	M.B.A
K. Selva Kumar	Director	B.Sc (Hons), M.Tech

Source: AR and CARE Research

Note: MD: Managing Director, NED: Non Executive Director, JMD: Joint Managing Director, ED: Executive Director, NI: Non Independent;

Source: BSE, Capitaline and CARE Research

Background

KSL, an ISO9001:2000 certified company was incorporated as a private limited company in 1989 and later on converted into a public limited company in 1992. It was initially established by Mr. O. P. Gupta. KSL is part of the OPG group which has interests in iron and steel, logistics, infrastructure etc. The steel products manufactured at KSL are sold under the brand name 'Kanishk'. KSL manufactures constructional steel products and structural steel products conforming to the standards set by BIS 1786 and IS 2062. The rolling mill and furnace is located at Gummidipoondi, Thiruvallur, Tamilnadu with an installed capacity of 60,000 tpa. KSL has captive power generation through its wind power generation units located at Coimbatore, Pazhavor Tirunelveli. The company also has a sponge iron unit located at Obulapuram, Village Chennai with a capacity of 60,000 mtpa. The wind power generation unit has total capacity of 7.16 MW. KSL currently owns and operates 25 wind mills located at different places in Tamilnadu.

Business overview

KSL generates majority of its revenue from the sales of structural and constructional steel products. Main clients of the company include BHEL Trichy, BHEL Ranipet, Neyveli Lignite Corporation, DRDA, Jindal South West, Madras Cement, etc among others. KSL produced 546.17mt of tor and steel profiles during FY12 as against 429.11mt during FY11, an increase of 27.27% in production volume, and operated at 91.02% of the installed capacity. KSL also derives substantial portion of net sales (47.46%) from trading, thereby leading to low margins. Revenue from wind power stood at Rs.5.41crore which was less than 1% of the net sales FY12. The major raw materials required for production are scrap and billets which constituted nearly 91.82% of the total raw material consumed during FY12. Out of total raw material consumed during FY12, nearly 17.66% had been imported as against the 18.33% during FY11.

Strengths and growth drivers

- Promoters experience and long track record in the steel industry
- Established brand name and reputed client base
- Comfortable capital structure
- Revival in demand and improved sales realization would be the key growth drivers for the company.

Risk and concerns

- Proposed business restructuring can impact the margin and increase dependence on outside sources for power as well as sponge iron
- Intense competition in the secondary steel market
- Geographically concentrated sales profile, with majority of sales in Tamil Nadu.
- Cyclicity of the steel industry
- Substantial revenue coming from trading which will keep the margins low
- Foreign exchange fluctuation risk due to import of scrap for manufacturing steel products.

Future strategy and expansion plans

- KSL is proposing a business restructuring plan to demerge its renewable energy business and sponge iron business into separate business units, to unlock value from these businesses.
- KSL is planning to upgrade its rolling mill which would increase its annual capacity going forward.

Industry outlook

India is the fourth-largest producer of crude steel in the World in 2011. Considering the massive capacity expansions planned, the country may become the second-largest prouder of crude steel by 2015. During the Twelfth Plan period, infrastructure investment will go up to Rs.50 lakh crore. For the year 2011-12, tax-free bonds for Rs. 30,000 crore were announced for financing infrastructure projects. Budget has proposed to double this to Rs 60,000 crore in 2012-13. However, the demand for steel is expected to zoom only with the easing of interest rates by the Government. As per Joint Plant Committee (JPC) the salable finished steel production in India grew by 4% to 18.7 million tonnes while the apparent consumption of finished steel grew by 8% to 18 million tonnes in the three months ended June 2012. The imports of finished steel grew by robust 42% to 2 million tonnes while the exports declined by 16% to 994 thousand tones. The domestic steel prices continued to ease since June 2012 on subdued demand while the raw material prices are rising on back of scarcity. Thus, the steel margins are expected to be under pressure in Q2FY2013 being a lean quarter as well on rise in input costs. Players hope for revival in demand a couple of months later, on festive demand for auto, consumer durables, and to some extent real estate too. While the second quarter will witness pressure on margins, they can sequentially improve with better demand in the second half of the current fiscal, provided global economic scenario does not worsen any further. European steel mills have started cutting production to avoid build up of inventories in the wake of sluggish demand. Global iron ore and coking coal prices are also easing, which will force players to pass on the benefit through lower steel prices, amidst sluggish demand. So, plummeting global steel prices will restrict the growth in domestic steel prices.

Peer comparison		Year ended March 31, 2012		
Income statement (Rs. crore)	Kanishk	Usha	Maha	
Total income	617.0	3,115.2	539.8	
Net sales	602.2	2,836.9	539.8	
EBITDA	15.0	362.7	23.5	
Ordinary PAT	2.6	(32.8)	6.5	
Adjusted PAT	2.6	(31.7)	6.5	
Per share data (Rs.)				
Adjusted BVPS	24.2	1,489.3	87.7	
Diluted EPS	0.9	-	5.6	
Growth (Y-o-Y) (%)				
Growth in total income	48.9	15.0	(6.8)	
Growth in net sales	42.7	12.4	(6.9)	
Growth in EBITDA	38.8	(19.8)	(17.9)	
Growth in adjusted PAT	(21.7)	(131.8)	(41.5)	
Growth in EPS*	(18.6)	(100.0)	(31.8)	
Profitability ratio (%)				
EBITDA margin	2.5	12.8	4.3	
Adjusted PAT margin	0.4	(1.0)	1.2	
Valuation ratios (Times)				
Price/EPS (P/E)	12.4	NM	4.4	
Price/Book value (P/BV)	0.5	0.0	0.3	
Enterprise value (EV)/EBITDA	5.8	4.8	3.2	

Source: BSE, Capitaline and CARE Research

Note: Kanishk: Kanishk Steel Industries, Usha: Usha Martin., Maha: Mahamaya Steel Industries Ltd

NM: Non Meaningful

Peer comparison		Quarter ended June 30, 2012				
Income statement (Rs. crore)	Q1FY13	Q4FY12	Q3FY12	Q2FY12	Q1FY12	
Total income	117.4	145.2	152.7	159.5	147.7	
Net sales	117.4	144.3	151.1	159.5	147.5	
EBITDA	4.0	2.5	3.8	4.2	4.5	
Ordinary PAT	0.7	(1.0)	1.3	1.3	1.0	
Adjusted PAT	0.7	(1.0)	1.3	1.3	1.0	
Growth (Q-o-Q) (%)						
Growth in net sales	(18.7)	(4.5)	(5.3)	8.1		
Profitability ratio (%)						
EBITDA margin	3.4	1.8	2.5	2.6	3.0	
Adjusted PAT margin	0.6	NM	0.8	0.8	0.7	

Source: BSE, Capitaline and CARE Research

Financial analysis

- In FY12, KSL reported net sales of Rs.602.20 crore, an increase of 48.9% y-o-y. However, EBITDA margin marginally declined to 2.5% on account of increase in raw material cost. PAT margin declined to 0.4% during FY12 from 0.8% during FY11 on account of rise in interest outgo.
- KSL has a comfortable capital structure with gearing of 0.70 times as on March 31, 2012
- On account of slowdown in the economy and decline in demand, KSL has not proposed dividend for the FY12, deciding to plough back the profit into the business.

Annual financial statistics	FY08	FY09	FY10	FY11	FY12
Income statement (Rs. crore)					
Total income	420.4	381.2	440.2	414.4	617.0
Net sales	412.0	373.5	436.5	422.0	602.2
EBITDA	19.8	16.2	7.3	10.8	15.0
Depreciation and amortization	3.3	4.8	5.4	5.7	6.7
EBIT	16.5	11.3	1.9	5.1	8.3
Interest	4.5	4.6	2.6	4.5	7.5
PBT	15.4	11.4	2.5	3.4	3.6
Ordinary PAT	10.9	5.3	2.1	3.2	2.6
Adjusted PAT	10.9	5.3	2.1	3.4	2.6
Balance sheet (Rs. crore)					
Adjusted net worth	67.2	70.9	72.2	75.4	78.5
Total debt	28.2	46.6	57.6	51.0	57.7
Cash and bank	5.8	0.6	3.6	5.4	7.9
Investments	1.8	2.1	2.2	4.4	2.4
Net fixed assets (incl. CWIP)	83.8	90.3	87.5	85.8	80.9
Net current assets (excl. cash, cash equivalents)	16.4	43.1	55.9	62.0	62.8
Per share data (Rs.)					
Adjusted BVPS	20.7	21.8	22.2	23.2	24.2
Diluted EPS*	3.7	1.9	0.7	1.1	0.9
DPS	6.0	-	-	-	-
Growth (Y-o-Y) (%)					
Growth in total income		(9.3)	15.5	(5.8)	48.9
Growth in net sales		(9.3)	16.9	(3.3)	42.7
Growth in EBITDA		(18.5)	(54.5)	46.9	38.8
Growth in adjusted PAT		(51.3)	(60.9)	61.5	(21.7)
Growth in EPS*		(49.9)	(61.5)	56.9	(18.6)
Key financial ratio					
EBITDA margin (%)	4.8	4.3	1.7	2.6	2.5
Adjusted PAT margin (%)	2.6	1.4	0.5	0.8	0.4
RoCE (%)		4.3	1.0	3.2	4.5
RoE (%)		7.7	2.9	4.4	3.4
Gross debt - equity (times)	0.4	0.7	0.8	0.7	0.7
Net debt - equity (times)	0.3	0.6	0.7	0.6	0.6
Interest coverage (times)	3.7	2.5	0.7	1.1	1.1
Current ratio (times)	1.3	1.9	1.8	1.7	1.5
Inventory days		49.0	41.6	50.0	45.4
Receivable days		21.0	19.5	31.7	37.1

Source: BSE, Capitaline and CARE Research

Note: Financial Year (FY) refers to period from April 1 to March 31; NM: Not Meaningful

FY12 financials are based on abridged results

DISCLOSURES

- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
- This report has been sponsored by the BSE Investors' Protection Fund.

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