

January 07, 2013

STERLITE INDUSTRIES LTD.

BSE Code: 500900 NSE Code: STER Reuters Code: STRL.NS Bloomberg Code: STLT:IN

Incorporated in 1975, Sterlite Industries India Limited (STER) is the principal subsidiary of Vedanta Resources plc, and one of the fastest growing private sector companies of mining & metal work, with principal operations located in India and Australia. Apart from mining & metal work it also operates in the production of various chemical products, such as sulphuric acids, phosphoric acids, phospho gypsum, hydro fluo silicic acids, and granulated slag. Going ahead, the firm is focusing on improving profitability and growing value added product from 240 KMT to 600 KMT per annum.

Investor's Rationale

Forex gain and lower losses at Vedanta Aluminium Ltd helped to post a profit growth of 74.5% YoY

STER witnessed a meaningful performance in its consolidated net profit, up by 74.5% to ₹17.4 billion YoY boosted by foreign exchange gain of ₹2.2 billion and Vedanta Aluminium Ltd's lower losses. Further, forex gain was due to appreciation of home currency to ₹52.7 per US dollar as on 30 Sep'12 from ₹56.3 per US dollar as on 30 Jun'12. The profit rise in power segment was up by 260.9% to ₹1.9 billion that has again augmented the bottom line. Simultaneously, the interest cost fell by 25.1% YoY to ₹1.8 billion due to rupee appreciation. Besides, depreciation cost swelled by 17.1% to ₹5.2 billion driven by capitalization of new plants at Zinc India and Sterlite Energy Limited (SEL). Finally, NPM expanded by 550bps to 14.6% as against 9.1%.

Robust growth in revenues across the segment has pushed the top line by 8.9% YoY

STER posted a modest growth in its top line, up by 8.9% to ₹111.0 billion due to increase in sales volume of refined copper at copper India, zinc Lead & silver at zinc India, commercial power at SEL. Further, the revenue from copper segment rose to 1.8% to ₹52.2 billion, zinc lead & silver's revenue, up by 8.4% to ₹38.7 billion, power segment marked a hike of 46.0% to ₹9.1 billion. Also, the revenue from aluminum and other segment surged by 25.3% and 2.4% to ₹8.6 billion and ₹2.3 billion respectively.

EBITDA margin strengthened to 157bps YoY

The EBITDA of the company rose to 16.9% YoY to ₹25.3 billion, consequently, OPM strengthened by 157bps to 22.8% as against 21.2%, reflecting improved operational efficiencies, lower metal prices, higher metal premiums and significant depreciation of the Indian Rupee.

Successful synchronization of 160 MW thermal power plant

The firm's first 80 MW unit of its 160 MW thermal power plant at Tuticorin has been successfully synchronised. Further, utility generated from the unit will be mainly used for captive consumption at copper smelter operations.

Market Data

CMP (₹)	119.9
Target Price	138
Stop Loss	108
Duration	Short-term
52-week High-Low (₹)	138.4/88.6
Rise from 52WL (%)	35.3
Correction from 52WH (%)	13.4
Beta	1.7
1 year Average Volume (mn)	7.4
Stock Return (%)	3M- 19.4 6M- 12.1 9M- 7.0
Market Cap (₹bn)	403.1
Book value per share	137.0

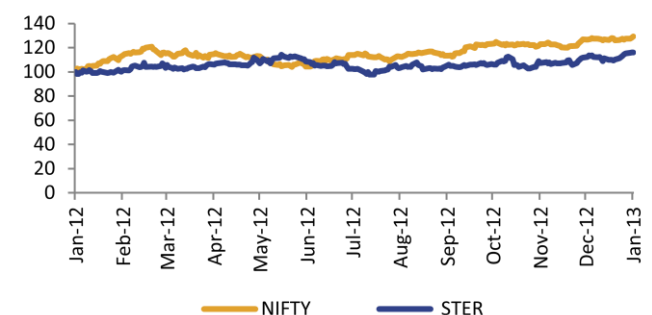
Shareholding Pattern

	Sep'12	Jun'12	Chg
Promoters (%)	53.3	53.3	-
FII (%)	13.3	13.0	0.3
DII (%)	9.2	9.6	(0.4)
Public & Others (%)	24.2	24.1	0.1

Quarterly Performance(Consolidated)

(₹bn)	Q2 FY'13	Q2 FY'12	Q1 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	111.0	102.0	106.5	8.9	4.6
Op. exp	85.8	80.4	83.4	6.7	2.8
EBITDA	25.3	21.6	23.1	16.9	9.5
OPM (%)	22.8	21.2	21.7	157bps	108bps
Net profit	17.4	10.0	12.0	74.5	45.0
NPM (%)	14.6	9.1	10.4	550bps	422bps
EPS (₹)	4.8	3.0	3.6	61.6	34.5

One Year Price Chart





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