RESULT REVIEW

HOLD

TP: Rs 840 | ▲ 5%

JSW STEEL | Metals & Mining | 25 July 2023

Limited upside despite exciting growth ahead

- **Q1 ahead of consensus with Indian operations limiting the decline in margin and overseas business seeing improvement**
- **Realisation uptick and higher value-added product share a positive, whereas cut in captive Odisha ore production for FY23 a negative**
- **TP revised to Rs 840 (vs. Rs 835); maintain HOLD on unfavourable risk-reward**

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Q1 result ahead of consensus: JSTL's Q1FY24 EBITDA at Rs 70bn was 39%/ 33% ahead of consensus/our forecasts as all cylinders fired during the quarter. Indian operations managed to limit the sequential decline in EBITDA margin to Rs 1.1k/t despite a pullback in realisation and higher coking coal cost. Overseas subsidiaries benefitted from rail orders in Italy and higher plate margins in the US.

Key positives: (a) The Q1 realisation uptick was partly driven by a higher share of value-added and special products (VASP) at above 60% of the sales volume mix for two successive quarters (though benefits of higher export realisation may not continue). (b) Italy operations have booked rail orders for a year, raising growth visibility. (c) Plates and pipes could see sustained demand from the US renewables sector.

Key negatives: (a) EBITDA margin is likely to remain below the mid-cycle level in H1FY24. (b) JSTL has scaled down iron ore production from Odisha to 17.7mt in FY23 from 22mt in FY22, likely reflecting lower competitiveness of captive mines under higher premium commitments. (c) Net debt has risen to Rs 668bn with a net debt-to-TTM EBITDA ratio of 3.1x, a potential risk should the steel cycle turn negative. Note, we do expect leverage to improve to 1.1x by FY26 even in a mid-cycle margin environment assuming JSTL delivers on volume ramp-up.

Exciting growth…: We largely retain our forecasts which build in a 32% EBITDA CAGR over FY23-FY26. We factor in volume ramp-up of 5.8mt over the next three years to 29.4mt by FY26, based on planned capacity addition of ~9mt. We also expect the steel margin environment to stabilise at mid-cycle levels in H2FY24 and assume that EBITDA margin improves from an estimated Rs 12.2k/t in FY24 to Rs 13.8k/t in FY26 as JSTL progresses on expansion at Vijaynagar and BPSL.

…but we retain HOLD: Despite optimistic estimates and a target 1Y fwd EV/EBITDA multiple above with the historical trading range at 6.5x, our TP of Rs 840 (revised from Rs 835) yields just 5% upside. Given the spike in net debt after the downturn in steel cycle in H1FY23, JSTL is more vulnerable than peers to any change in cyclical outlook. We find risk-reward unfavourable at this juncture and thus maintain HOLD.

Key changes

Target	Rating
▲	◄ ►

Ticker/Price	JSTL IN/Rs 801
Market cap	US$ 23.6bn
Free float	40%
3M ADV	US$ 28.8mn
52wk high/low	Rs 823/Rs 582
Promoter/FPI/DII	45%/11%/10%

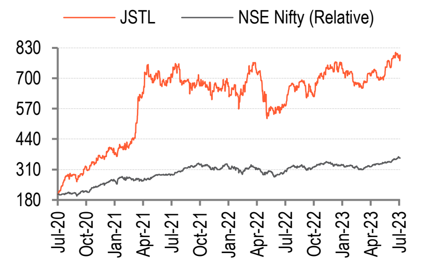
Source: NSE | Price as of 25 Jul 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	1,660	1,582	1,632
EBITDA (Rs mn)	185	317	369
Adj. net profit (Rs mn)	41	120	153
Adj. EPS (Rs)	17.1	49.8	63.4
Consensus EPS (Rs)	17.1	50.7	65.6
Adj. ROAE (%)	6.2	16.9	18.4
Adj. P/E (x)	46.7	16.1	12.6
EV/EBITDA (x)	7.3	4.3	3.6
Adj. EPS growth (%)	(79.0)	190.4	27.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Q1 EBITDA a beat but still below mid-cycle levels

- **Results surprise positively:** JSTL's Q1FY24 revenue/adj. EBITDA/adj. net income of Rs 422bn/Rs 70bn/Rs 24bn was 10%/39%/101% ahead of consensus and also 8%/33%/138% ahead of our estimates.

- **All cylinders fired this quarter:** Q1 EBITDA was 16% ahead of our estimates for standalone operations, 15% ahead for BPSL and 29% ahead for the Colour Coated business. Other subsidiaries, including overseas operations, collectively reported operating profit of Rs 11bn, which was much stronger than our forecast of Rs 2bn.

- **Standalone business outperformed on realisations and margins:** The standalone EBITDA beat was the result of a 13% higher EBITDA/t and 3% higher sales than our forecasts. JSTL successfully limited the sequential EBITDA margin decline in India operations to Rs 1.1k/t QoQ with a Rs 1.3k/t QoQ increase in realisation vs. the Rs 0.5k/t decline in the hot rolled coil (HRC) benchmark indicator (Asia Metals).

- **Higher realisations than benchmark positive if sustained:** JSTL attributed the higher Q1 realisations to a better product and geographic mix. A larger share of VASP helped, at 61% of sales volume (above 60% for the second quarter in a row). Further, the execution of high-value export orders booked in February-March supported stronger realisations though management does not expect a repeat of the same.

- **Italy uptick sustainable, US uptick could retract:** International operations recorded sharp improvement in EBITDA to Rs 5.8bn (from Rs 2.3bn a quarter ago), driven by the Baytown plate and pipe mill in the US (US$ 45mn of EBITDA) and rail mill in Italy (EUR 18.6mn). Ohio HRC/slab operations in the US also contributed positive EBITDA of US$ 2.6mn.

  Italian operations have booked rail orders for a year and have visibility to sustain the current EBITDA run-rate in FY24. US operations have benefitted from a higher plate-to-HRC delta for the past couple of quarters, but plate prices have finally started easing following the decline in HRC prices. Volumes for the plate and pipe mill could sustain with demand from the renewables sector.

- **Q1 EBITDA still below mid-cycle level:** Q1 EBITDA has come off to Rs 9.9k/t and remains below our mid-cycle assumption of Rs 12-13k/t, impacted by higher coking coal prices (US$ 281/t consumption cost indicated by management) and relatively higher iron ore prices, which have not corrected in line with the decline in HRC prices over the last year.

Higher net debt increases cyclical risk

- **Net debt at Rs 668bn…:** Net debt increased by Rs 74bn QoQ to Rs 668bn at end-Q1, keeping net debt-to-EBITDA high at 3.1x. JSTL indicated that it is focusing on growth to capitalise on the India story and not following a deleveraging policy. At this stage, management believes ratios remain within its framework of keeping net debt-to-equity under 1.75x and net debt-to-EBITDA under 3.75x for FY24.
- **…and could rise further near term:** In the short term, net debt may increase as revenue acceptances scale down with the pullback in coking coal prices. JSTL's revenue acceptances were at US$ 2.6bn and capex acceptances at US$ 0.2bn as at the end of the quarter, adding ~Rs 230bn to accepted commitments.

Scale-back of captive iron ore mining in FY23 a negative

- **Captive iron ore production down in FY23:** JSTL has scaled back iron ore production at its Odisha mine to 17.7mt in FY23 from 22mt in FY22. This is in contrast to its previous communication of raising production to 24mt. We believe the reduction reflects lower competitiveness of captive iron ore against available options for purchase. In our view, JSTL will continue to run Odisha mines at minimum commitment levels.
- **New iron ore and coking coal mines:** Out of six mines acquired so far in FY24, the company plans to commence production from four iron ore mines won in Karnataka and Goa within a year. The other two in Maharashtra may take 2-3 years. Two coking coal mines won during FY24 have the potential to meet 5-6% of JSTL's requirements. The company is looking to improve iron ore security from 45% in FY23 to 75% over the medium term.

Q2 EBITDA to be modest; FY24 volume guidance reiterated

- **Margins to remain range-bound in Q2:** Management has guided for a range-bound EBITDA margin in Q2 as benefits of a US$ 45-50/t reduction in coking coal and fall in iron ore prices are likely to be offset by lower steel prices.
- **Volumes guided to rise QoQ:** The company expects volumes to rise in Q2 despite modest consumption during the monsoons given expected capacity ramp-up at BPSL and liquidation of inventories built during Q1.
- **Q2 EBITDA likely to move up sequentially** as volumes improve.
- **FY24 volume guidance intact:** Management is confident of delivering its FY24 production/sales guidance of 26.34mt/25mt. Exports share is expected to be maintained at ~15%.
- **Capacity addition on track:** JSTL has added 0.25mtpa of colour coating capacity at Rajpura (Punjab) and 0.35mt of downstream capacity with the acquisition of National Steel and Agro Industries in Q2.
- **Market outlook in line with our thesis:** Management highlighted that curtailment of steel production in China during H2FY24 could be one of the key triggers for the steel industry, which can help stabilise regional steel margins.

Growth projects paving way for earnings growth in FY25-FY26

- **FY24 commissioning schedule on course:** JSTL reiterated FY24 commissioning targets for the 5mtpa Vijaynagar expansion, 1.5mtpa BPSL expansion, 3mtpa phase-wise coke oven expansion at Vijaynagar, and 0.12mmtpa colour coating line in Jammu & Kashmir.
- **On track to meet capex target:** The company is on track to meet its capex target of Rs 188bn in FY24 having spent Rs 40.9bn in Q1FY24.

2030 growth ambitions

- **50mt of capacity within India by FY31:** JSTL is adding ~9mt to reach 37mt of capacity in India over FY24-FY25. The company aims to reach 50mt within India by FY31 by prioritising brownfield potential of ~5mt at each of its existing bases in Vijaynagar, Dolvi and BPSL to lower capital investment cost.
- **13mt greenfield site in Odisha:** Separately, the company aims to gradually prepare a greenfield site in Odisha in a modular manner for potential development of another 13mt of capacity. It plans to start with a slurry pipeline connecting its mines to the plant site, then to develop a pellet plant at site and to gradually add a first module of 5mtpa.
- **Coal asset acquisition:** Management is continuously evaluating international options for improving coal security and is particularly interested in coal assets in Australia and Canada, if available at the right valuations. JSTL confirmed that it is in the initial stage of evaluating a stake in the coal assets of Teck Resources.

India not at risk of excess capacity

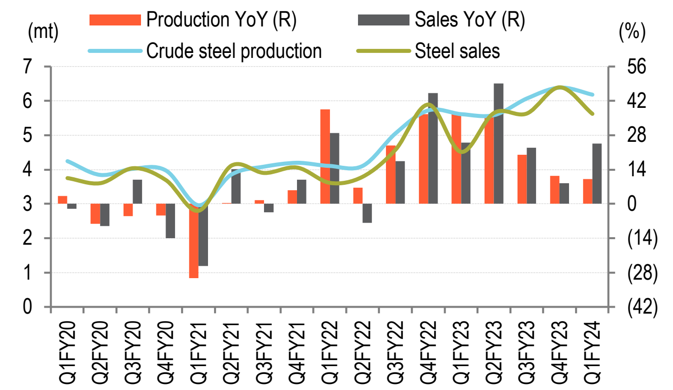
- **Market to easily absorb supply growth in FY24:** Management believes that India will absorb crude steel supply growth in FY24 with likely demand growth of 8-9%, requiring 10-11mt of incremental supply. JSTL expects Indian steel demand for the fiscal year to touch 130mt.
- **Flat products will not turn into surplus:** Management also believes that India will absorb 13mt of flat product supply growth within a couple of years.

Fig 1 – Quarterly performance

(Rs bn)	Q1FY24	Q4FY23	QoQ (%)	Q1FY23	YoY (%)
Consolidated P&L					
Revenue from operations	422	470	(10.1)	381	10.8
EBITDA	**70**	**79**	**(11.2)**	**43**	**63.5**
Adj EBITDA	**70**	**79**	**(11.2)**	**62**	**14.0**
EBIT	51	59	(13.2)	25	103.3
PBT before exceptionals	35	42	(18.1)	13	171.7
PAT adjusted	24	37	(35.1)	8	189.4
Net income to owners	**23**	**37**	**(36.2)**	**8**	**179.0**
EPS (Rs)	10	15	(36.2)	3	178.5
Tax rate (%)	30.2	12.0		34.5	
Adj EBITDA break-up					
Standalone	49	62	(22.2)	49	(0.2)
BPSL	7	9	(25.9)	7	0.7
JSW Steel Colour Coated	4	4	(10.2)	-2	351.3
Overseas subsidiaries and others	11	3	251.0	8	43.7
Consolidated	**70**	**79**	**(11.2)**	**62**	**14.0**
Standalone operational parameters					
Production (mt)	5.4	5.6	(2.9)	5.0	8.8
Sales (mt)	4.9	5.7	(13.2)	4.0	22.3
Apparent realisation (Rs'000/t)	66.0	64.7	1.9	76.1	(13.3)
Adj EBITDA (Rs'000/t)	9.9	11.0	(10.3)	12.1	(18.5)
BPSL operational parameters					
Production (mt)	0.7	0.8	(5.1)	0.6	21.3
Sales (mt)	0.7	0.7	(2.8)	0.5	43.8
Apparent realisation (Rs'000/t)	79.3	78.5	1.1	98.0	(19.0)
EBITDA (Rs'000/t)	10.2	13.4	(23.8)	14.5	(29.9)
Standalone+BPSL operational parameters					
Production (mt)	6.2	6.4	(3.1)	5.6	10.2
Sales (mt)	5.6	6.4	(12.1)	4.5	24.6
Apparent realisation (Rs'000/t)	67.6	66.2	2.1	78.4	(13.8)
EBITDA (Rs'000/t)	9.9	11.3	(12.1)	12.4	(19.9)

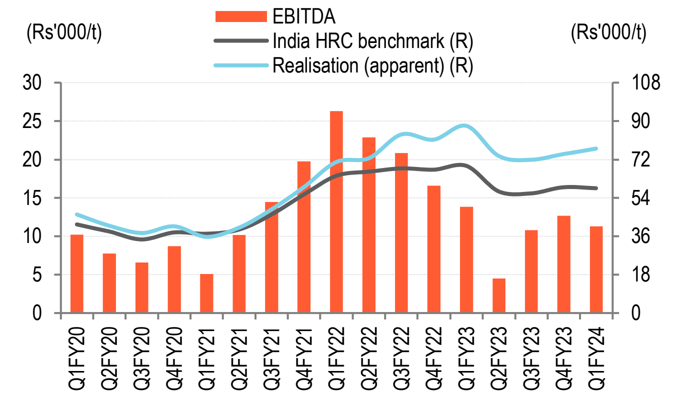
Source: Company, BOBCAPS Research | nm: Not Meaningful

Fig 2 – JSTL's India (Standalone + BPSL) sales seasonally lower QoQ



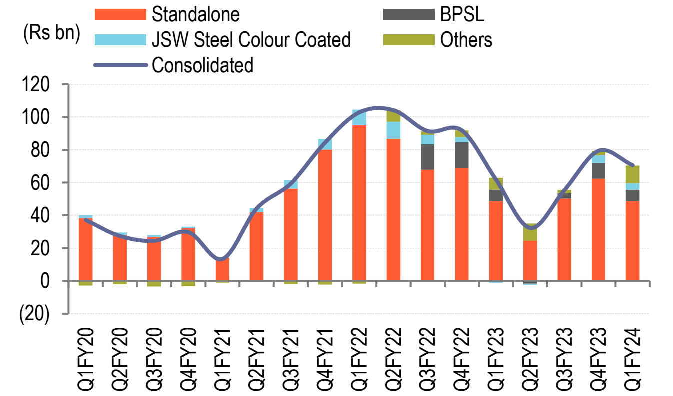
Source: Company, BOBCAPS Research

Fig 3 – JSTL successful in keeping India EBITDA/t around Rs 10k/t



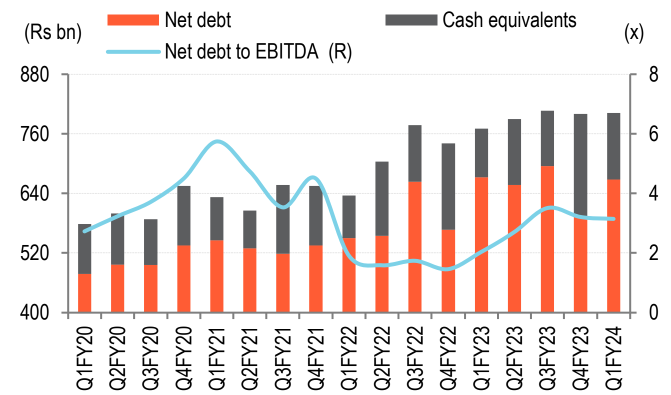
Source: Company, BOBCAPS Research

Fig 4 – Consolidated EBITDA supported by sharp improvement at international subsidiaries



Source: Company, BOBCAPS Research

Fig 5 – Net debt increased due to higher working capital



Source: Company, BOBCAPS Research

Valuation methodology

Forecast changes

We tweak our estimates to factor in the Q1FY24 results. While JSTL outperformed our expectations, we now bake in a flat QoQ margin (from a modest uptick) in India operations for Q2 based on management commentary. We also incorporate the following assumptions into our model:

Margins at mid-cycle level

We expect Indian steel margins to stabilise in H2FY24 aided by supportive government policies in China aimed at sustainably rebooting the economy along with improved discipline of its steel industry. EBITDA margin for JSTL's Indian operations is projected to improve from Rs 7.8k/t in FY22 to Rs 12.2k/t in FY24 and further to Rs 13.8k/t in FY26 as the company stabilises new expansion projects.

We assume that China will continue to recover slowly but steadily as demand from the real estate sector settles at a lower base. Incremental growth from real estate is forecast to remain muted over the medium term and steel demand in China to decline at a modest 1-2% annual rate.

We expect China to keep production flat in CY23 as well, which could translate to a 10% HoH decline in steel production in H2CY23, better balancing the market and helping to arrest exports out of China.

Expansion ramp-up built into forecasts

We pencil in a 32% CAGR growth in EBITDA over FY23-FY26 with volume growth of 5.8mt to to 29.4mt by FY26, based on capacity addition of ~9mt by FY25. JSTL is targeting completion of its 5mtpa Vijayanagar and 1.5mtpa BPSL expansion drive by end-FY24, and another 2mt at Vijaynagar by FY25. We also account for replacement of the 3mt blast furnace with a new 4.5mtpa furnace following a six-month shutdown in FY25. We assume production at 50% of the expanded capacity in Year-1 and 80% in Year-2 post commissioning, allowing for gradual ramp-up.

Fig 6 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,582	1,632	1,799	1,600	1,670	1,843	(1.1)	(2.3)	(2.4)
EBITDA	317	369	424	315	367	423	0.7	0.5	0.4
EBITDA growth (%)	71.0	16.3	14.9	69.7	16.6	15.1	-	-	-
Net income	120	153	192	121	154	192	(0.7)	(0.5)	(0.1)

Source: BOBCAPS Research

Fig 7 – Key assumptions

Parameter	FY23P	FY24E	FY25E	FY26E
Crude steel production (mt)	23.6	24.9	26.7	29.4
India HRC (US$/t)	751	642	599	599
Realisation standalone (US$/t)	850	718	682	675
EBITDA/t standalone (US$/t)	97	148	160	165
Realisation standalone (Rs'000/t)	68.3	58.9	55.9	56.4
EBITDA/t standalone (Rs'000/t)	7.8	12.2	13.1	13.8

Source: BOBCAPS Research

Fig 8 – Estimates vs. Consensus: Our FY24/FY25 EBITDA and net profit estimates are within -3% to +1% of consensus

(Rs bn)	Forecasts			Consensus			Delta to Consensus (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,582	1,632	1,799	1,705	1,875	2,079	(7.2)	(12.9)	(13.4)
EBITDA	317	369	424	313	369	398	1.4	0.0	6.6
Net income	120	153	192	122	158	142	(1.3)	(3.1)	34.7

Source: Bloomberg, BOBCAPS Research

Maintain HOLD with a revised TP of Rs 840

We revise our TP to Rs 840 (from Rs 835) factoring in the adjustments to our forecasts while maintaining an unchanged target EV/EBITDA multiple of 6.5x. We use FY26 as a valuation base to give JSTL credit for the expansion drive underway, and then discount back to Jul’24 to arrive at a one-year forward target price. We maintain our HOLD rating given the low 5% upside to the current stock price.

Our target one-year forward EV/EBITDA multiple reflects our expectation of steel margin stabilisation in FY24. To credit JSTL for delivering on aggressive growth, we ascribe the company the highest target multiple of 6.5x within the steel sector (vs. our current range of 4.5x-6.5x). Our multiple is also above the stock’s historical trading average of 6.0-6.2x over the past 5-year/10-year period.

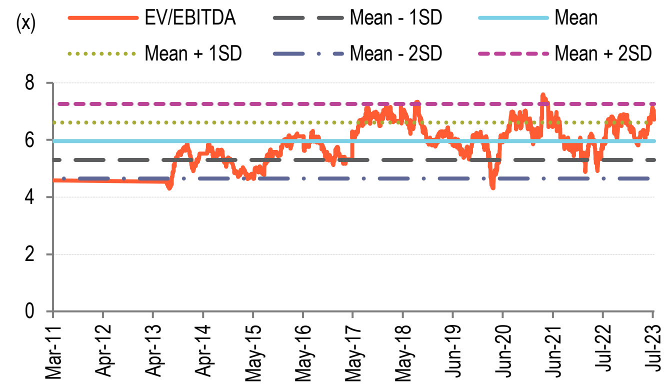
On one-year forward P/B valuation, the stock is currently trading at 2.3x, above its 5-year/10-year historical average of 1.9x/1.7x. The recent upcycle has helped all steel companies restore their balance sheets and embark upon the next phase of brownfield capital investments with significantly lower capital intensity. Given that we expect JSTL to deliver returns in excess of cost of capital through the cycle, we consider current valuations close to the mid-cycle levels.

Fig 9 – Valuation summary

(Rs bn)	Value
FY26E EBITDA	424
Target EV/EBITDA multiple (x)	6.5
EV	**2,756**
FY25E Net debt	594
Equity investments	5
Equity Value Mar’25E	**2,168**
Fair value per share Mar’25E (Rs)	897
Fair value per share Jul’24E (Rs)	842
Target price Jul'24E (Rs) (rounded to nearest Rs 5)	840

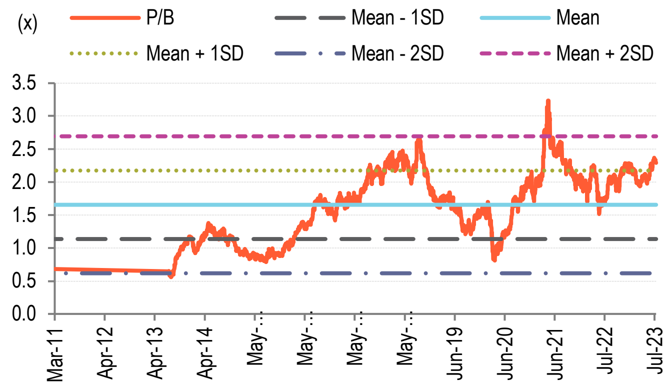
Source: BOBCAPS Research

Fig 10 – EV/EBITDA 2Y fwd



Source: Bloomberg, BOBCAPS Research

Fig 11 – P/B 1Y fwd



Source: Bloomberg, BOBCAPS Research

Fig 12 – Peer comparison

Ticker	CMP (Rs)	Rating	Target price (Rs)	Upside (%)	EV/Sales (x)		EV/EBITDA (x)		Net income (Rs bn)		P/B (x)		P/E (x)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
TATA IN	119	BUY	145	21.6	1.0	0.9	6.6	5.2	88	111	1.4	1.2	13.1	8.5
JSTL IN	801	HOLD	840	4.9	1.6	1.5	8.1	6.9	41	121	2.9	2.1	16.1	12.6
SAIL IN	92	HOLD	90	-2.4	0.6	0.6	5.3	4.9	22	44	0.7	0.6	8.6	8.1

Source: BOBCAPS Research

Key risks

- Steel producer valuations are highly sensitive to product and raw material prices. Key upside/ downside risks to our estimates are favourable/ unfavourable changes in global demand-supply balance for steel and its raw materials, leading to higher/ lower prices than assumed.
- JSTL is exposed to risk of delays in ramping up its aggressive capital investment plan, which could impact earnings growth. The company aims to complete 5mtpa of expansion at Vijayanagar and 1.5mtpa at BPSL by FY24, and another 2mtpa expansion at Vijayanagar by FY25 to expand its total capacity to 37mtpa by FY25. Conversely, ramp-up of these expansion projects faster than our assumptions represent upside risks.
- Considering its aggressive growth policy, large capital investment plan over FY24-FY25 and significantly higher net debt/EBITDA ratio of 3.1x at Jun'23, the company is relatively more vulnerable than peers in the event of a protracted downturn in the steel cycle. Conversely, it could derive higher benefits than peers from its accelerated expansion in the event of an upward turn in the steel cycle.

Sector recommendation snapshot

Company	Ticker	Market Cap (US$ bn)	Price (Rs)	Target (Rs)	Rating
JSW Steel	JSTL IN	23.6	801	840	HOLD
SAIL	SAIL IN	4.6	92	90	HOLD
Tata Steel	TATA IN	17.6	119	145	BUY

Source: BOBCAPS Research, NSE | Price as of 25 Jul 2023

Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	**1,464**	**1,660**	**1,582**	**1,632**	**1,799**
EBITDA	390	185	317	369	424
Depreciation	(60)	(75)	(80)	(87)	(95)
EBIT	330	111	237	282	329
Net interest inc./(exp.)	(50)	(69)	(73)	(71)	(63)
Other inc./(exp.)	15	10	10	10	10
Exceptional items	(7)	6	0	0	0
EBT	297	57	173	220	275
Income taxes	(88)	(15)	(52)	(66)	(83)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	9	(1)	(2)	(2)	(2)
Reported net profit	**207**	**41**	**120**	**153**	**192**
Adjustments	(9)	0	0	0	0
Adjusted net profit	**197**	**41**	**120**	**153**	**192**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	309	382	310	307	338
Other current liabilities	137	142	136	140	153
Provisions	3	3	3	3	3
Debt funds	722	809	809	759	634
Other liabilities	109	105	118	136	160
Equity capital	3	3	3	3	3
Reserves & surplus	670	654	762	900	1,073
Shareholders' fund	685	670	778	915	1,087
Total liab. and equities	**1,965**	**2,111**	**2,154**	**2,260**	**2,374**
Cash and cash eq.	174	207	188	165	151
Accounts receivables	75	71	86	88	97
Inventories	338	331	265	285	314
Other current assets	67	72	72	72	72
Investments	0	0	0	0	0
Net fixed assets	931	978	1,000	1,090	1,172
CWIP	168	219	309	324	329
Intangible assets	21	21	23	25	27
Deferred tax assets, net	0	5	5	5	5
Other assets	192	206	206	206	206
Total assets	**1,965**	**2,111**	**2,154**	**2,260**	**2,374**

Cash Flows

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	**331**	**256**	**251**	**298**	**370**
Capital expenditures	(246)	(173)	(194)	(194)	(184)
Change in investments	0	0	0	0	0
Other investing cash flows	1	(4)	10	10	10
Cash flow from investing	**(245)**	**(177)**	**(184)**	**(184)**	**(174)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(9)	86	0	(50)	(125)
Interest expenses	(50)	(69)	(73)	(71)	(63)
Dividends paid	(42)	(8)	(12)	(15)	(19)
Other financing cash flows	60	(54)	(1)	(2)	(2)
Cash flow from financing	**(41)**	**(45)**	**(86)**	**(137)**	**(209)**
Chg in cash & cash eq.	**46**	**33**	**(19)**	**(23)**	**(14)**
Closing cash & cash eq.	**174**	**207**	**188**	**165**	**151**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	85.5	17.1	49.8	63.4	79.3
Adjusted EPS	81.7	17.1	49.8	63.4	79.3
Dividend per share	17.4	3.4	5.0	6.3	7.9
Book value per share	278.4	271.8	316.6	373.6	445.0

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	0.9	0.8	0.9	0.8	0.7
EV/EBITDA	3.5	7.3	4.3	3.6	3.1
Adjusted P/E	9.8	46.7	16.1	12.6	10.1
P/BV	2.9	2.9	2.5	2.1	1.8

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	64.8	81.8	69.7	69.7	69.7
Interest burden (PBT/EBIT)	92.4	45.7	72.9	78.0	83.6
EBIT margin (EBIT/Revenue)	22.5	6.7	15.0	17.3	18.3
Asset turnover (Rev./Avg TA)	85.2	81.4	74.2	74.0	77.7
Leverage (Avg TA/Avg Equity)	3.0	3.1	3.0	2.6	2.3
Adjusted ROAE	35.0	6.2	16.9	18.4	19.4

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	83.3	13.4	(4.7)	3.2	10.2
EBITDA	93.7	(52.5)	71.0	16.3	14.9
Adjusted EPS	149.6	(79.0)	190.4	27.3	25.1
Profitability & Return ratios (%)					
EBITDA margin	26.6	11.2	20.0	22.6	23.6
EBIT margin	22.5	6.7	15.0	17.3	18.3
Adjusted profit margin	13.5	2.5	7.6	9.4	10.6
Adjusted ROAE	35.0	6.2	16.9	18.4	19.4
ROCE	24.9	7.8	15.0	16.6	18.4
Working capital days (days)					
Receivables	19	16	20	20	20
Inventory	84	73	61	64	64
Payables	105	95	89	89	90
Ratios (x)					
Gross asset turnover	0.9	0.8	0.7	0.7	0.8
Current ratio	1.1	1.0	1.0	1.0	1.0
Net interest coverage ratio	6.6	1.6	3.3	4.0	5.3
Adjusted debt/equity	0.8	0.9	0.8	0.6	0.4

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%
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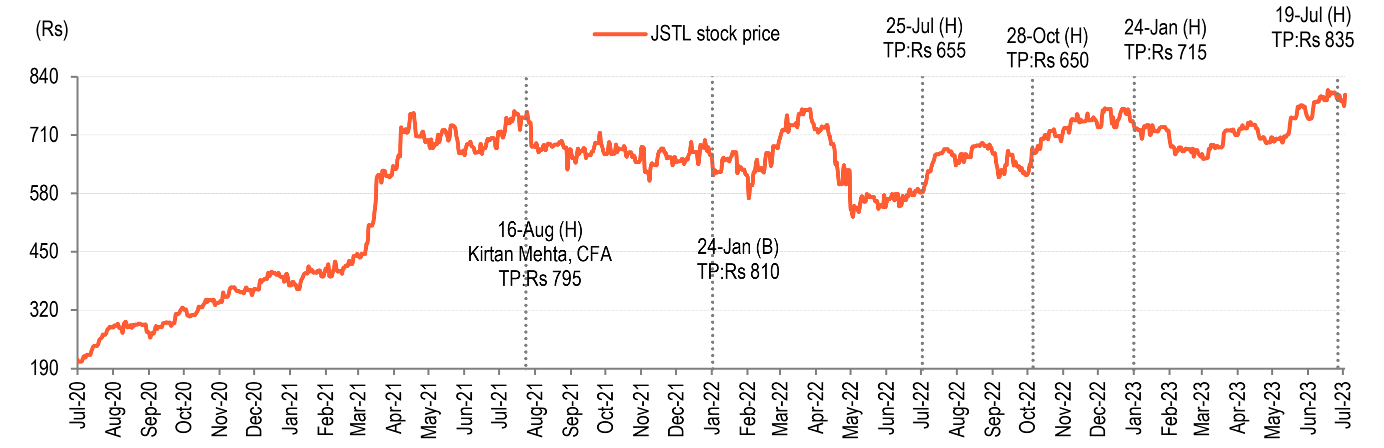

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