RESULT REVIEW

HOLD

TP: Rs 830 | 1%

JSW STEEL | Metals & Mining | 05 February 2024

Progressing on expansion but valuations fair

- **Q3 below consensus and also weaker than peers amid higher competitive pressure from imports and lower exports**
- **Progressing on expansion with both completion of BPSL project and start of phased commissioning at Vijayanagar guided for Q4FY24**
- **Near-full valuation makes for unfavourable risk-reward; maintain HOLD with minor change in TP to Rs 830 (from Rs 840)**

Kirtan Mehta, CFA | Yash Thakur
research@bobcaps.in

Q3 below consensus and weaker than peers: JSTL's Q3FY24 adj. EBITDA at Rs 72bn was 6% below Bloomberg consensus. The result was also weaker than peers with a 9% sequential decline in EBITDA driven by a 4% QoQ dip in sales and a Rs 1.7k/t QoQ fall in EBITDA margin to Rs 11.1k/t. The quarter was impacted by relatively higher competitive headwinds and increased costs.

Range-bound Q4: At this stage, we expect only modest sequential EBITDA growth in Q4FY24 as seasonal volume growth is likely to be offset by a somewhat weaker EBITDA margin. Management's guidance suggests an increase in coking coal cost by US$ 20-25/t and higher iron ore cost in Q4. The company expects this to be only partially mitigated by higher export volumes with better realisations and a marginal uptick in domestic realisations over February-March.

Progressing on expansion drive: JSTL is on track to complete the 1.5mtpa BPSL expansion in FY24, though we believe it is slightly behind on the 5mtpa Vijayanagar capacity build as it starts to progressively become operational from Q4FY24. We continue to factor in a buffer timeline beyond management guidance and currently assume 50% utilisation of expansion in Year 1 and 80% in Year 2.

Exciting growth prospects: We lower our FY24/FY25/FY26 EBITDA forecasts by 6%/2%/2% to account for a weaker H2FY24 outlook. We still bake in a ~30% EBITDA CAGR over FY23-FY26 and continue to model for volume ramp-up of 5.8mt over three years to 29.4mt by FY26, based on the planned capacity addition of ~9mt. We also retain assumptions of improvement in EBITDA margin from an estimated Rs 11.5k/t in FY24 to Rs 13.3k/t in FY26 as expanded capacities stabilise.

Retain HOLD: Despite optimistic estimates and a target 1Y fwd EV/EBITDA multiple of 6.5x that's above the stock's historical trading range, our TP of Rs 830 (Rs 840 previously) yields just 1% upside. Considering its aggressive growth approach, JSTL aims to maintain net debt to EBITDA below a higher threshold of 3.75x. This makes the company more vulnerable than peers to any change in cyclical outlook. We continue to find risk-reward unfavourable at this juncture and thus maintain HOLD.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	JSTL IN/Rs 824
Market cap	US$ 24.5bn
Free float	40%
3M ADV	US$ 20.1mn
52wk high/low	Rs 896/Rs 649
Promoter/FPI/DII	45%/11%/9%

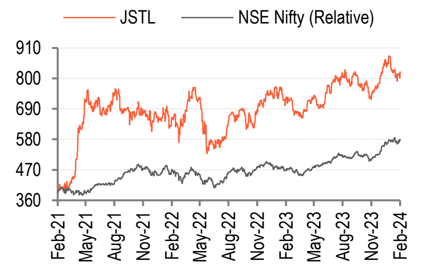
Source: NSE | Price as of 2 Feb 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs bn)	1,660	1,833	1,870
EBITDA (Rs bn)	185	301	362
Adj. net profit (Rs bn)	41	106	153
Adj. EPS (Rs)	17.1	43.4	62.7
Consensus EPS (Rs)	17.1	45.0	62.4
Adj. ROAE (%)	6.2	15.1	18.8
Adj. P/E (x)	48.0	19.0	13.1
EV/EBITDA (x)	7.8	4.8	3.8
Adj. EPS growth (%)	(79.0)	153.3	44.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Q3FY24 highlights

Results below consensus

JSTL's Q3FY24 revenue at Rs 419bn was 2% ahead of consensus, but adj. EBITDA at Rs 72bn was 6% below and adj. net income at Rs 24bn came in 10% short of consensus.

- **Consolidated EBITDA fell 9% sequentially.** Consolidated EBITDA at Rs 72bn was down by Rs 7.1bn or 9% QoQ, impacted by lower volumes (Rs 4.5bn) and higher costs (Rs 5.8bn), partially offset by higher realisations (Rs 2.2bn).
- **Standalone operations were weaker.** Standalone EBITDA at Rs 58bn contracted 16% QoQ, impacted by a 4% decline in sales volume and a Rs 1.7k/t reduction in EBITDA/t to Rs 11.1k/t. Sale volumes were impacted by a double whammy of lower exports (9%) and a 22% drop in domestic retail sales (~35% of domestic mix) due to competition from higher imports and an adverse festive season impact. EBITDA margin declined owing to an increase in coking coking coal cost by US$ 21/t and higher iron ore costs, only partly offset by a Rs 1.7k/t QoQ rise in realisation.
- **JSW Steel Coated operations were also weak.** The subsidiary's EBITDA plunged to Rs 2.3bn from Rs 4.1bn a quarter ago.
- **Overseas operations recovered.** Overseas operations further improved in Q3 led by a healthy performance in Italy and recovery in US operations. EBITDA of Italian operations swelled 89% QoQ, aided by improved realisations as well as higher sale volumes due to rail orders from both the Italian government and exports. US operations benefitted from lower EBITDA loss at the Ohio plant and a modest recovery in volumes together with steady operations at the Texas plate & pipe mill.
- **Performance lags peers this quarter.** Whereas JSTL reported a Rs 1.2k/t decline in EBITDA margin for its India operations (i.e. standalone and BPSL combined), its peers reported a sequential increase. TATA delivered a Rs 3.3k/t improvement in its margin for India operations and JSP saw a Rs 3.8k/t increase for standalone operations. We believe this is attributable to higher competitive pressure faced by JSTL than its peers amid the global downturn.

  On the volume front, JSTL saw lower exports and domestic retail volumes, though it was partially able to offset this impact by growth in institutional sales (8% QoQ) and in the OEM and industrial sectors (8% QoQ). On EBITDA margins, JSTL faced a US$ 21/t sequential cost increase in coking coal whereas TATA managed to limit this increase to US$ 4/t as it sourced of 20% of its coal requirement from India, which comes at a relatively lower cost.
- **India operations benefitting from delivered growth.** Consolidated steel sales grew 7% YoY in Q3 despite higher competitive pressure on the back of better utilisation at Dolvi and BPSL operations. JSTL is also improving its premium product basket within India and posted a 17% YoY rise in value-added sale volumes in Q3. Simultaneously, it is also scaling up sales for specialised applications across key sectors of automotive (+16% YoY), renewable energy (+31% YoY), and appliances (+57% YoY).
- **Net debt increased on higher working capital.** Net debt increased by Rs 100bn to Rs 792bn largely driven by a Rs 80bn spike in working capital due to higher

inventories of both finished goods and raw materials, as well as a reduction in acceptances. Despite the increase, leverage ratios have remained range-bound with net debt to equity at 1x and net debt to LTM EBITDA at 2.6x.

FY24 guidance

- **Q4FY24 guidance implies a sequential decline in margin.** JSTL has guided for a US$ 20-25/t increase in coking coal consumption costs and higher costs of iron ore in Q4. Further, management suggests that the increase in costs will only be partially absorbed by improved realisations from higher exports and better domestic prices as the latter have returned to parity with landed international prices, thereby heading off imports.

- **Q4 volumes to improve on higher exports in a seasonally strong quarter.** Management is guiding for sequentially higher exports (bookings have already improved) and a seasonal pickup in domestic volumes along with partial liquidation of inventory from the 0.6mt of stock built up during 9MFY24.

- **Overseas performance likely to maintain momentum.** Both the US and Italy subsidiaries can benefit from a modest recovery in global prices.

- **FY24 volume guidance maintained.** With 9MFY24 production/sales at 16.6mt/ 15.3mt, JSTL is well on track to deliver its annual guidance of 26.3mt/25mt.

- **FY24 capex guidance lowered.** The company revised down FY24 capex guidance to Rs 180bn (from Rs 200bn), highlighting a spillover of project-related payments to Q1FY25.

Progress on expansion projects largely on track

JSTL plans to provide volume guidance for both its expansion projects along with production guidance for FY25 at the Q4FY24 results.

- **5mpta brownfield expansion at Vijayanagar:** JSTL guides for the start of progressive commissioning of units at Vijayanagar from Q4FY24.

- **1.5mtpa brownfield expansion at BPSL:** The company aims to complete BPSL expansion in Q4FY24, having already commissioned a zero-power furnace, caster, direct reduction iron (DRI) conveyor and supporting facilities. It plans to complete the remaining units over Feb-Mar’24.

- **Slurry pipeline:** JSTL has completed the laying of 90km and welding of 125km out of the 300km-long slurry pipeline. With recent land clearances from Odisha, it intends to also start work on that end of the pipeline. Commissioning is targeted for FY26.

Raw material security

- **50% captive iron ore by FY25:** JSTL continues to emphasise on improving raw material security for both iron ore and coking coal. It is looking to improve iron ore security to 40mt by FY25 (15-16mt from Karnataka and 20-25mt from Odisha), broadly reaching its target of securing 50% of its requirements.

- **Karnataka mine capacity to be doubled:** The company aims to increase iron ore capacity in Karnataka from 7mt to 15.5mt by raising output at the existing nine mines by 4mt via higher environmental clearance (EC) limits and adding another 4.5mt from three new mines.

- **Odisha clearances received:** In the eastern region, JSTL has received environmental clearances for enhanced capacity at Odisha mines and is looking to raise their iron ore production to 20-25mt through FY25.

Other result highlights

- **Domestic market unlikely to turn into material surplus:** Management believes that although the Indian steel industry is gearing up for 15mt of new capacity over the next two years, this can be absorbed without causing a material surplus in the industry. Considering progressive commissioning, these capacities are likely to add production of 6-6.5mt each in FY25 and FY26 at a typical 90% utilisation level.

  A vast majority of this increase is likely to be taken up by growth in flat steel consumption, estimated at 5-5.5mt by JSTL based on the 50mt current consumption level and a modest 10% growth rate (demand grew 12-14% this year). The company believes the market could be left with a modest surplus of 1-1.5mt, which can be managed by exports.

- **Delivery on short-term emission reduction targets:** JSTL plans to deliver an intermediate target of 1.95tonnes of CO_2 per tonne of crude steel produced from the current level of 2.4-2.45t, using the four levers of (i) energy transition to renewables from the use of fossil fuels, (ii) energy efficiency and energy recovery (waste heat recovery), (iii) process efficiency, including the use of better quality raw materials to reduce fuel consumption, and (iv) circularity or the use of scrap in the system.

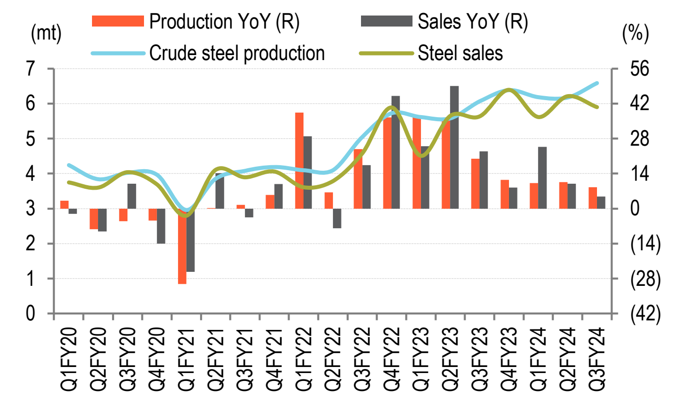
Fig 1 – Quarterly performance

(Rs bn)	Q3FY24	Q2FY24	QoQ (%)	Q3FY23	YoY (%)	9MFY24	9MFY23	YoY (%)
Consolidated P&L								
Revenue from operations	419	446	(5.9)	391	7.2	1,287	1,190	8.2
EBITDA	**72**	**79**	**(9.0)**	**45**	**57.9**	**221**	**106**	**108.4**
Adj EBITDA	**72**	**79**	**(9.0)**	**55**	**29.9**	**221**	**149**	**48.0**
EBIT	51	59	(12.7)	27	92.2	161	51	213.7
PBT before exceptionals	33	40	(17.3)	10	237.7	108	8	1,222.6
PAT before minorities (adjusted)	25	34	(27.1)	5	416.9	82	10	733.2
Net income to owners	**24**	**28**	**(12.5)**	**5**	**392.9**	**75**	**5**	**1,465.2**
EPS (Rs)	10	11	(12.8)	2	386.3	31.0	2.0	1,451.0
Tax rate (%)	25.8	39.5		51.5		32.7	71.7	
Adj EBITDA break-up								
Standalone	58	69	(16.2)	50	15.3	175	123	42.2
BPSL	8	7	4.7	3	128.7	22	9	160.3
JSW Steel Colour Coated	2	4	(43.6)	0	2009.1	10	(2)	692.0
Overseas subsidiaries	3	1	389.5	0	1164.9	6	2	235.4
Others	1	(2)	162.7	1	(3.9)	13	19	(31.7)
Consolidated	72	79	(9.0)	55	29.9	221	149	48.0

(Rs bn)	Q3FY24	Q2FY24	QoQ (%)	Q3FY23	YoY (%)	9MFY24	9MFY23	YoY (%)
Standalone operational parameters								
Production (mt)	5.7	5.4	5.9	5.3	7.5	16.6	15.3	8.4
Sales (mt)	5.2	5.4	(3.9)	5.0	5.1	15.5	14.0	11.1
Apparent realisation (Rs'000/t)	63.3	61.5	2.8	61.7	2.5	63.5	66.7	(4.8)
Adj EBITDA (Rs'000/t)	11.1	12.8	(12.8)	10.1	9.7	11.3	8.8	28.0
BPSL operational parameters								
Production (mt)	0.9	0.8	11.7	0.7	16.2	2.4	2.0	19.7
Sales (mt)	0.7	0.8	(12.5)	0.7	2.9	2.2	1.8	21.7
Apparent realisation (Rs'000/t)	71.9	72.7	(1.2)	73.5	(2.2)	74.5	80.6	(7.5)
EBITDA (Rs'000/t)	11.1	9.3	19.7	5.0	122.2	10.2	4.8	113.9
Standalone+BPSL operational parameters								
Production (mt)	6.6	6.2	6.6	6.1	8.6	18.9	17.3	9.7
Sales (mt)	5.9	6.2	(5.0)	5.6	4.8	17.7	15.8	12.3
Apparent realisation (Rs'000/t)	64.3	63.0	2.1	63.2	1.8	64.9	68.3	(5.0)
EBITDA (Rs'000/t)	11.1	12.3	(9.7)	9.5	16.9	11.1	8.4	33.5

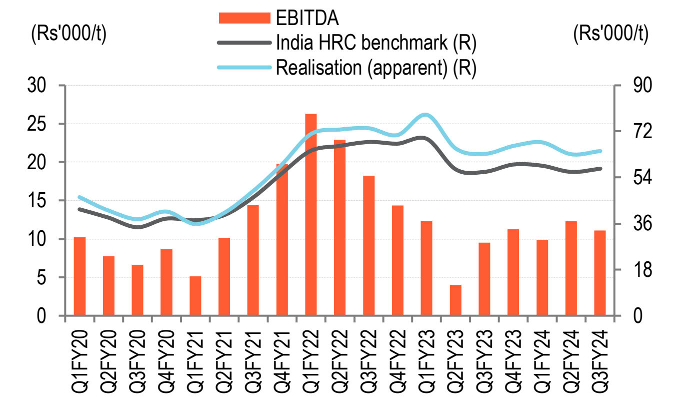
Source: Company, BOBCAPS Research

Fig 2 – JSTL's India sales declined due to impact of lower exports and higher import competition in retail segment



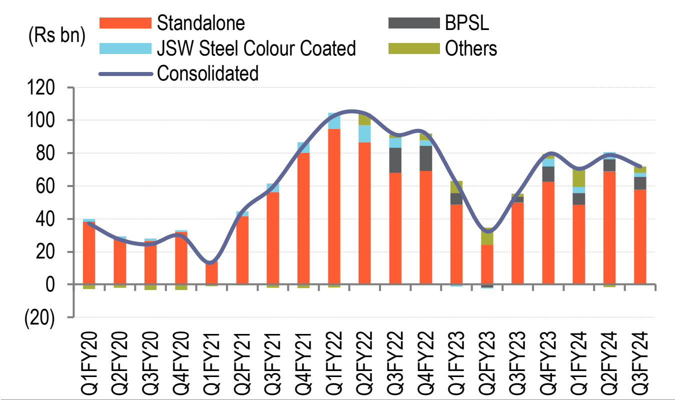
Source: Company, BOBCAPS Research

Fig 3 – EBITDA margin contracted due to impact of increase in coking coal and iron ore costs



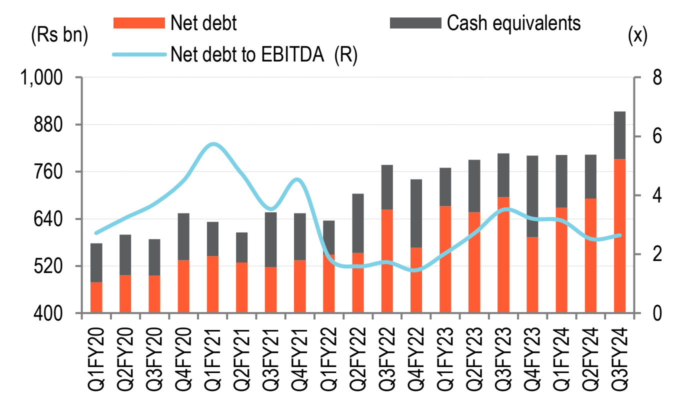
Source: Company, BOBCAPS Research

Fig 4 – Consolidated EBITDA declined due to weak standalone operations; international profits recover



Source: Company, BOBCAPS Research

Fig 5 – Net debt increased due to increase in working capital



Source: Company, BOBCAPS Research

Valuation methodology

Forecast changes

We lower our FY24 EBITDA estimates by 5.7% to incorporate the weak Q3 results and likely range-bound performance in Q4. We also marginally pare FY25 and FY26 EBITDA expectations by 2% each, factoring in a normalising of operating profit at BPSL at the standalone level as the proportion of higher secondary capacity normalises with the rise in production. Our forecasts are based on the assumptions outlined below.

Margins to hold at mid-cycle levels over FY25-FY26

We expect steel margins to remain at mid-cycle levels during FY25-FY26 considering the excess capacity in China. To lower pressure on regional margins, China needs to deliver on planned consolidation, wherein steel majors take over some of the fragmented capacities and help align utilisation with demand.

EBITDA margin for JSTL's India operations is projected to improve from Rs 7.8k/t in FY23 to Rs 11.5k/t in FY24 and further to Rs 13.3k/t in FY26 as the company stabilises new expansion projects.

Expansion ramp-up built into forecasts

We pencil in a ~30% CAGR in EBITDA over FY23-FY26 with volume growth of 5.8mt to reach 29.4mt by FY26, based on the planned capacity addition of ~9mt by FY25. JSTL is targeting completion of the 1.5mtpa BPSL expansion by end-FY24 along with the start of staggered commissioning of its 5mtpa Vijayanagar plant, besides operationalising another 2mt of capacity at Vijayanagar over 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	1,833	1,870	2,034	1,789	1,863	1,988	2.4	0.4	2.3
EBITDA	**301**	**362**	**414**	**319**	**371**	**424**	**(5.7)**	**(2.4)**	**(2.4)**
EBITDA growth (%)	62.4	20.3	14.3	72.2	16.2	14.4	-	-	-
Net income	106	153	186	119	163	197	(11.1)	(5.8)	(5.3)

Source: BOBCAPS Research

Fig 7 – Key assumptions

Parameter	FY23	FY24E	FY25E	FY26E
Crude steel production (mt)	23.6	24.9	26.7	29.4
India HRC (US$/t)	751	696	614	595
Realisation standalone (US$/t)	850	762	701	690
EBITDA/t standalone (US$/t)	97	138	154	158
Realisation standalone (Rs'000/t)	68.3	63.1	57.4	57.7
EBITDA/t standalone (Rs'000/t)	7.8	11.5	12.6	13.3

Source: BOBCAPS Research

Fig 8 – Estimates vs. Consensus: Our FY24/FY25 EBITDA and net profit estimates are within -4% to +1% of consensus

(Rs bn)	Forecasts			Consensus			Delta to Consensus (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,833	1,870	2,034	1,756	1,952	2,146	4.4	(4.2)	(5.2)
EBITDA	301	362	414	300	360	404	0.4	0.6	2.5
Net income	106	153	186	110	153	180	(3.8)	0.4	3.6

Source: Bloomberg, BOBCAPS Research

Maintain HOLD, TP Rs 830

We tweak our TP for JSTL to Rs 830 from Rs 840 upon factoring in the changes to our estimates, higher net debt than earlier forecasted and 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 Jan'25 (from Sep'24) to arrive at a one-year forward target price. Our rating remains at HOLD given the 1% upside to the current stock price.

Our target one-year forward EV/EBITDA multiple reflects our optimism on recovery in economic sentiment in FY25, which should support commodity stocks. To credit JSTL for delivering on aggressive growth, we ascribe the company the highest target multiple of 6.5x within the steel sector (as against our current range of 4.5x-6.5x). Our multiple is also above the stock's historical trading average of 6.2x/6.0x over the past five-year/ten-year period. On one-year forward P/B valuation, the stock is currently trading at 2.3x, above its five-year/ten-year historical average of 1.9x/1.7x.

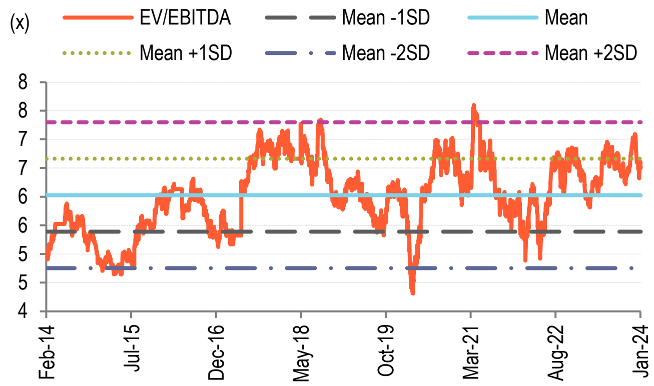
The recent upcycle has helped all steel companies restore their balance sheets and embark upon the next phase of brownfield capital investments with significantly lower capital intensity. Since we expect JSTL to deliver returns beyond its cost of capital through the cycle, we consider current valuations to be close to mid-cycle levels.

Fig 9 – Valuation summary

(Rs bn)	Value
FY26E EBITDA	414
Target EV/EBITDA multiple (x)	6.5
EV FY25E	**2,692**
FY25E Net debt	636
Equity Value Mar'25E	**2,056**
Fair value per share Mar'25E (Rs)	841
Fair value per share Jan'25E (Rs)	828
Target price Jan'25E (Rs) (rounded to nearest Rs 5)	**830**

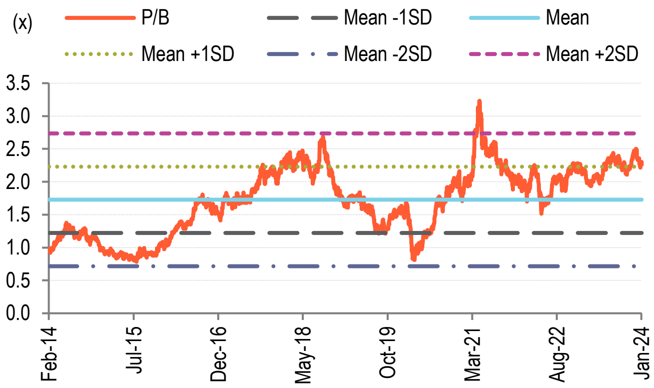
Source: BOBCAPS Research

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	139	BUY	155	11.8	1.1	1.1	10.9	7.1	88	44	1.6	1.5	38.5	12.6
JSTL IN	824	HOLD	830	0.8	1.5	1.4	8.9	7.3	41	119	3.0	2.3	19.0	13.1
JSP IN	776	HOLD	805	3.7	1.8	1.7	8.4	7.2	32	50	2.0	1.6	14.8	12.2

Source: BOBCAPS Research

Key risks

- Steel producer valuations are highly sensitive to product and raw material prices. Key downside risks to our estimates are unfavourable changes in global demand-supply balance for steel and its raw materials, leading to lower prices and margins than assumed. Conversely, key upside risks to our estimates are favourable changes in global dynamics, leading to higher prices and margins than assumed.
- The company is exposed to the risk of delays in ramping up its aggressive capital investment plan, which could hurt earnings growth. It aims to complete 1.5mtpa at BPSL by FY24 and 5mtpa of expansion plus a separate 2mtpa expansion at Vijayanagar by FY25, to expand its total capacity to 37mtpa. Conversely, ramp-up of these expansion projects faster than our assumptions represents an upside risk.
- Considering its aggressive growth policy, large capital investment plan over FY24-FY25 and significantly higher trailing net debt to LTM EBITDA ratio of 2.6x as at Dec'23, JSTL 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 upturn in the steel cycle.

Sector recommendation snapshot

Company	Ticker	Market Cap (US$ bn)	Price (Rs)	Target (Rs)	Rating
JSW Steel	JSTL IN	24.5	824	830	HOLD
Tata Steel	TATA IN	20.6	139	155	BUY

Source: BOBCAPS Research, NSE | Price as of 2 Feb 2024

Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	**1,464**	**1,660**	**1,833**	**1,870**	**2,034**
EBITDA	390	185	301	362	414
Depreciation	(60)	(75)	(82)	(90)	(99)
EBIT	330	111	219	272	315
Net interest inc./(exp.)	(50)	(69)	(76)	(76)	(75)
Other inc./(exp.)	15	10	10	10	10
Exceptional items	(7)	6	0	0	0
EBT	297	57	152	205	248
Income taxes	(88)	(15)	(46)	(51)	(62)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	9	(1)	(2)	(2)	(2)
Reported net profit	**207**	**41**	**106**	**153**	**186**
Adjustments	(9)	0	0	0	0
Adjusted net profit	**197**	**41**	**106**	**153**	**186**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	309	382	321	305	334
Other current liabilities	137	142	156	159	171
Provisions	3	3	3	3	3
Debt funds	722	809	825	775	725
Other liabilities	109	105	119	125	134
Equity capital	3	3	3	3	3
Reserves & surplus	670	654	745	877	1,039
Shareholders' fund	685	670	761	893	1,055
Total liab. and equities	**1,965**	**2,111**	**2,185**	**2,260**	**2,422**
Cash and cash eq.	174	207	166	139	180
Accounts receivables	75	71	79	81	88
Inventories	338	331	321	305	334
Other current assets	67	72	79	79	79
Investments	0	0	0	0	0
Net fixed assets	931	978	1,023	1,110	1,188
CWIP	168	219	274	299	304
Intangible assets	21	21	23	25	27
Deferred tax assets, net	0	5	4	5	5
Other assets	192	206	216	216	216
Total assets	**1,965**	**2,111**	**2,185**	**2,260**	**2,422**

Cash Flows

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	**331**	**256**	**217**	**315**	**365**
Capital expenditures	(246)	(173)	(184)	(204)	(184)
Change in investments	0	0	0	0	0
Other investing cash flows	1	(4)	0	10	10
Cash flow from investing	**(245)**	**(177)**	**(184)**	**(194)**	**(174)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(9)	86	16	(50)	(50)
Interest expenses	(50)	(69)	(76)	(76)	(75)
Dividends paid	(42)	(8)	(15)	(21)	(24)
Other financing cash flows	60	(54)	(1)	0	0
Cash flow from financing	**(41)**	**(45)**	**(74)**	**(148)**	**(150)**
Chg in cash & cash eq.	**46**	**33**	**(41)**	**(26)**	**41**
Closing cash & cash eq.	**174**	**207**	**166**	**139**	**180**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	85.5	17.1	43.4	62.7	76.1
Adjusted EPS	81.7	17.1	43.4	62.7	76.1
Dividend per share	17.4	3.4	6.1	8.8	9.9
Book value per share	278.4	271.8	306.0	359.9	426.1

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	1.0	0.9	0.8	0.7	0.7
EV/EBITDA	3.7	7.8	4.8	3.8	3.3
Adjusted P/E	10.1	48.0	19.0	13.1	10.8
P/BV	3.0	3.0	2.7	2.3	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	64.8	81.8	69.8	74.9	74.9
Interest burden (PBT/EBIT)	92.4	45.7	69.4	75.2	78.9
EBIT margin (EBIT/Revenue)	22.5	6.7	12.0	14.6	15.5
Asset turnover (Rev./Avg TA)	85.2	81.4	85.3	84.1	86.9
Leverage (Avg TA/Avg Equity)	3.0	3.1	3.1	2.7	2.4
Adjusted ROAE	35.0	6.2	15.1	18.8	19.4

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	83.3	13.4	10.4	2.0	8.8
EBITDA	93.7	(52.5)	62.4	20.3	14.3
Adjusted EPS	149.6	(79.0)	153.3	44.5	21.3
Profitability & Return ratios (%)					
EBITDA margin	26.6	11.2	16.4	19.4	20.4
EBIT margin	22.5	6.7	12.0	14.6	15.5
Adjusted profit margin	13.5	2.5	5.8	8.2	9.1
Adjusted ROAE	35.0	6.2	15.1	18.8	19.4
ROCE	24.9	7.8	13.9	16.1	17.5
Working capital days (days)					
Receivables	19	16	16	16	16
Inventory	84	73	64	60	60
Payables	105	95	76	74	75
Ratios (x)					
Gross asset turnover	0.9	0.8	0.9	0.8	0.9
Current ratio	1.1	1.0	0.9	0.9	0.9
Net interest coverage ratio	6.6	1.6	2.9	3.6	4.2
Adjusted debt/equity	0.8	0.9	0.9	0.7	0.5

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

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
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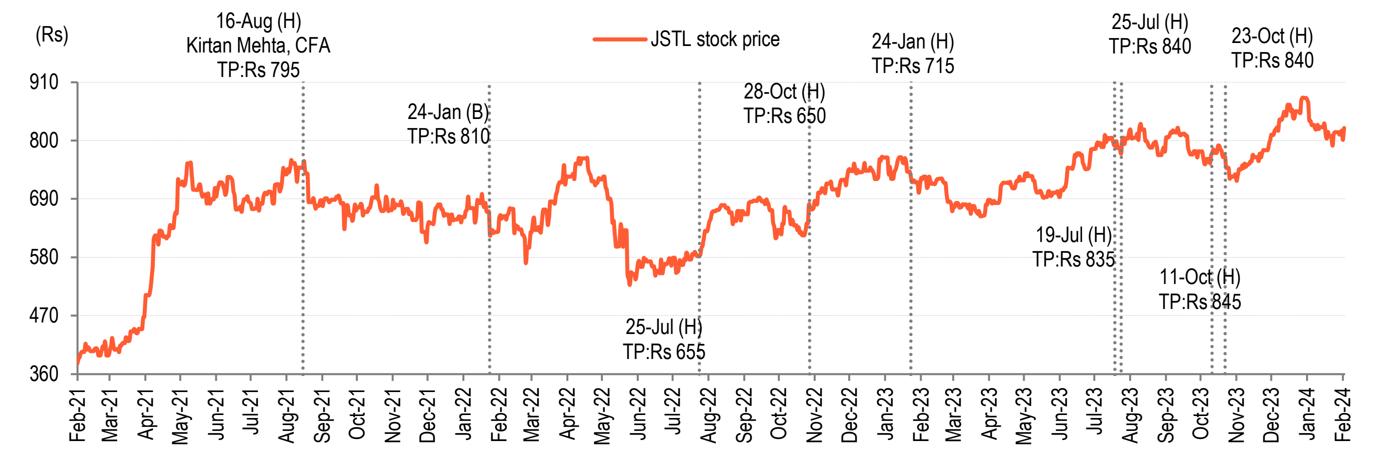

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