

**BUY**

TP: Rs 670 | ▲ 15%

**JINDAL STEEL & POWER** | Metals & Mining

03 February 2023

## Streamlining management processes a positive; BUY

- Q3 recovered in line with street estimates and revival set to continue in Q4 on policy support in China and India
- Management's focus on improving internal processes could mitigate legacy issues and support a rerating
- TP raised to Rs 670 (vs. Rs 460) on increase in target EV/EBITDA to 5.25x (vs. 4.5x) and roll-forward to FY25; maintain BUY

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**Q3 recovery in line with expectations:** JSP's Q3FY23 EBITDA recovered 51% QoQ from a bottom in Q2. We expect this revival to continue into Q4 aided by a modest pick-up in realisations on the back of improving sentiment in China and stronger physical demand in India.

**Management focus on improving processes a positive:** With the new CEO and CFO taking over the reins, we see several indications of streamlining management processes. These include (a) write-off of Rs 77bn invested in overseas mining subsidiaries, (b) acknowledgement of the need to improve internal practices to achieve consistent 90% utilisation, (c) withdrawal of the export volume target, and (d) recognition of the need for washeries for Australian coal operations. Acknowledgement of issues should enable management to focus on resolution.

**Project delays not unusual:** Management guidance suggests a six-month delay in startup of the first phase of efficiency projects (6mtpa pellet plant and 3mtpa hot strip mill). JSP also flagged challenges in securing permissions to start work at coal mines and in the tougher terrain encountered for laying a slurry pipeline. These delays are not uncommon for large projects and we have factored them in our conservative estimates. While we account for a gradual pickup in steel margin to Rs 14.7k/Rs 17.6k over two years, we pencil in only modest improvement to 8.2mt of steel production in FY25. We await clear guidance on coal mine ramp-up to 15mt capacity.

**Monnet Power assets to improve flexibility at Angul:** Though the addition of power assets after the JPL divestment appears counterintuitive, management highlighted that proximity to the Angul plant allows for expansion of the production base in future.

**Maintain BUY:** We increase our TP to Rs 670 (from Rs 460) as we roll forward our valuation base to FY25 and raise our target 1Y forward EV/EBITDA multiple to 5.25x (from 4.5x). Our target multiple is above the stock's 5Y average of 4.5x reflecting resumption of growth but below the 10Y average of 5.6x (and our sector target multiple of 6x). This is because JSP may have successfully navigated out of bankruptcy but needs to demonstrate the same discipline over the next investment phase.

### Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	JSP IN/Rs 583
Market cap	US\$ 7.3bn
Free float	39%
3M ADV	US\$ 24.0mn
52wk high/low	Rs 623/Rs 304
Promoter/FPI/DII	61%/13%/15%

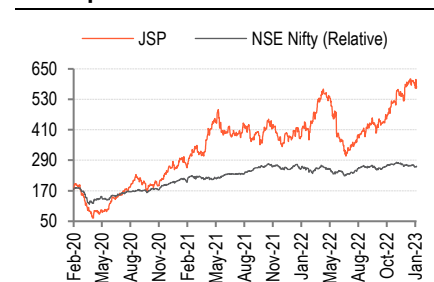
Source: NSE | Price as of 3 Feb 2023

### Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
Total revenue (Rs mn)	510,856	503,207	508,224
EBITDA (Rs mn)	155,134	102,151	116,282
Adj. net profit (Rs mn)	82,550	38,009	56,399
Adj. EPS (Rs)	80.9	37.3	55.3
Consensus EPS (Rs)	80.9	48.3	60.0
Adj. ROAE (%)	24.5	10.2	13.5
Adj. P/E (x)	7.2	15.6	10.5
EV/EBITDA (x)	5.6	7.5	5.9
Adj. EPS growth (%)	34.2	(54.0)	48.4

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



## Q3 broadly in line with consensus

### Margin recovery confirms bottoming out in Q2

JSP's revenue/adj. EBITDA/adj. PAT of Rs 124.5bn/Rs 23bn/Rs 9bn for Q3FY23 were +5%/+3%/-11% relative to consensus.

- **Recovery from bottom in Q2.** Consolidated EBITDA grew 51% QoQ driven by a 52% rise in standalone EBITDA. Contribution from overseas coal subsidiaries was limited to Rs 0.2bn after adjusting for forex translation and consolidation.
- **Net debt has remained range-bound** over two quarters, ending Q3 at Rs 71bn.
- **Improvement driven by absorption of high-cost inventory.** Standalone EBITDA recovered by Rs 4.3k/t QoQ to Rs 11.4k/t, led by a 9% decline in cost of production and only marginally offset by a 1% dip in realisation. Cost reduction was the result of an 18% fall in coking coal cost and 7% decline in thermal coal, reflecting the end of pressure from high-cost inventory.
- **Domestic sales logistics managed in Q3 but challenges remain.** Sales were in line with production with no material inventory at the end of the quarter (just 32kt per management). While JSP was able to manage logistics in Q3 by partly using road transport, management highlighted that prioritisation of coal is posing a challenge to logistics. The QoQ decline in sales was largely due to a higher base as inventory was liquidated in Q2. Exports further dropped from 11% of sales in Q2 to 5% (vs. ~30% in FY21 and FY22) due to the impact of export duty.

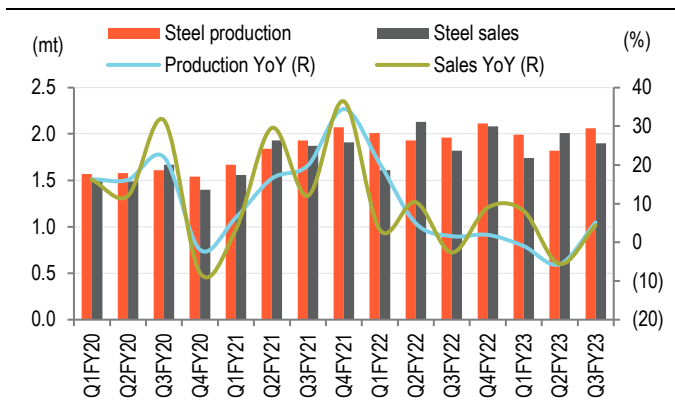
**Fig 1 – Quarterly performance**

(Rs bn)	Q3FY23	Q2FY23	QoQ (%)	Q3FY22	YoY (%)	9MFY23	9MFY22	YoY (%)
<b>Consolidated P&amp;L</b>								
Revenue from operations	124.5	135.2	(7.9)	125.2	(0.6)	390.2	367.5	6.2
EBITDA reported	23.8	19.3	23.1	33.1	(28.2)	77.5	124.4	(37.7)
<b>EBITDA adjusted</b>	<b>23.0</b>	<b>15.2</b>	<b>51.2</b>	<b>33.1</b>	<b>(30.5)</b>	<b>67.7</b>	<b>123.2</b>	<b>(45.1)</b>
EBIT	17.7	13.2	34.4	27.0	(34.4)	59.3	106.2	(44.2)
PBT before exceptionals	10.6	0.5	1856.9	22.4	(52.5)	36.8	91.5	(59.8)
PAT reported	5.2	2.2	136.4	16.2	(68.0)	27.3	67.2	(59.4)
<b>PAT adjusted</b>	<b>9.0</b>	<b>11.2</b>	<b>(19.8)</b>	<b>16.2</b>	<b>(44.7)</b>	<b>39.4</b>	<b>67.2</b>	<b>(41.3)</b>
EPS (Rs)	5.2	2.0	159.3	15.9	(67.4)	26.7	66.1	(59.7)
Tax rate (%)	51.2	NM	-	27.5	-	25.9	26.6	-
<b>EBITDA break-up</b>								
Standalone	21.6	14.3	51.7	31.62	(31.6)	64.1	120.9	(46.9)
Overseas subsidiaries	0.2	2.9	(91.4)	2.6	(90.4)	7.5	4.2	-
Consolidation adjustments (implied)	1.1	(1.9)	155.7	(1.1)	194.9	(4.0)	(1.9)	(108.1)
<b>Subtotal</b>	<b>23.0</b>	<b>15.2</b>	<b>51.2</b>	<b>33.1</b>	<b>(30.5)</b>	<b>67.7</b>	<b>123.2</b>	<b>(45.1)</b>
<b>Standalone</b>								
Production- steel (mt)	2.06	1.82	13.2	1.96	5.1	5.87	5.90	(0.5)
Sales- steel (mt)	1.90	2.01	(5.5)	1.82	4.4	5.65	5.56	1.6
Production- pellets (mt)	1.96	1.79	9.5	1.82	7.7	5.67	5.78	(1.9)
Sales- pellets (mt)	0.05	0.11	(54.5)	0.01	400.0	0.19	0.61	(68.9)
Realisation (Rs/tcs)	62,275	65,209	(4.5)	65,686	(5.2)	66,881	64,030	4.5
EBITDA (Rs/tcs)	11,384	7,095	60.5	17,374	(34.5)	11,350	21,736	(47.8)

Source: Company, BOBCAPS Research

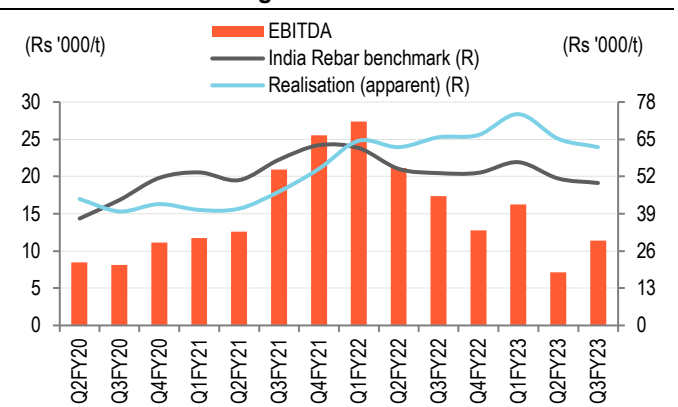
- **Margin improvement to continue.** For Q4FY23, management commentary hints at production and sales broadly in line with Q3 and improving flexibility with the opening up of exports opportunities. We expect Q4 margins to continue to improve aided by a modest uptick in realisation on the back of stronger sentiment in China and higher physical demand in India.

**Fig 2 – Standalone sales in line with production**



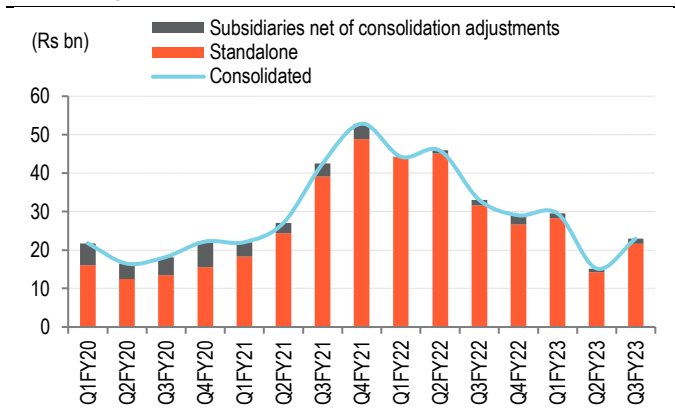
Source: Company, BOBCAPS Research

**Fig 3 – EBITDA improved by Rs 4.3k/t QoQ as coal cost reduction came through**



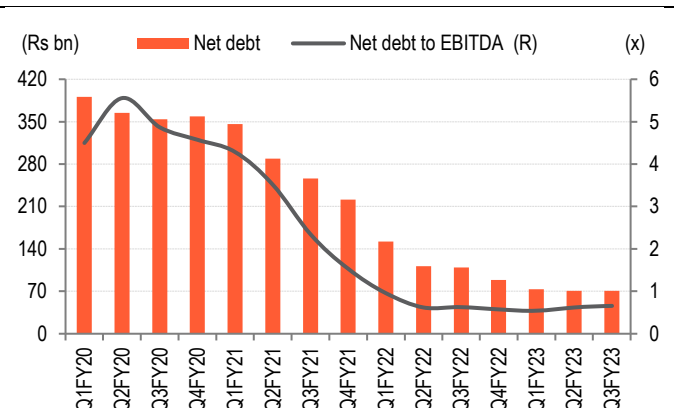
Source: Company, BOBCAPS Research

**Fig 4 – Consolidated EBITDA improvement primarily driven by India operations**



Source: Company, BOBCAPS Research

**Fig 5 – Consolidated net debt range-bound over the past three quarters**



Source: Company, BOBCAPS Research

**Focus on improving internal processes a positive**

After new CEO Bimlendra Jha and CFO Ramkumar Ramaswamy took over the reins this year, we are seeing several indications of internal management processes being streamlined.

- **Write-off of investment in overseas subsidiaries.** The Indian parent has written off Rs 77bn out of its investment of Rs 5.8bn and loan of Rs 121bn in its wholly owned subsidiary in Mauritius, JSPML, which in turn owns all overseas mining operations and assets of the JSP group.

JSP initiated the assessment of recoverability in Q2FY23. The company had also written off outstanding interest of Rs 7.7bn from JSPML in Q2 and did not provide for exchange fluctuation gains of Rs 9bn on the loan. In FY22, the entire external

debt at the subsidiary was paid off with additional loan support from the Indian parent. After this, the parent has ~Rs 5bn of outstanding loans from JSPML, which is considered recoverable from current operations.

- **Acknowledgement of gap to 90% domestic utilisation.** On the Q3 call, management acknowledged that JSP needs to improve internal practices to deliver a consistent and average utilisation level of 90% in Indian operations (peak of 88% achieved only in one quarter so far). Acknowledgement of the issue should enable management to focus on resolution.
- **Withdrawal of targets on export volumes.** With the pullback in exports after the levy of duty, management has decided to drop targets on exports to focus on maximising value.
- **Recognition of need for washeries at Australian coking coal assets.** JSP has been consuming Australian coal in its Indian operations with no available external market for sale due to the high ash content. In Q3, while optimising coking coal costs, the company had to sell this coal in the external market as thermal coal, realising only US\$ 69/t. Management indicated that it is working to find a solution to address the high-ash content.

### Monnet Power assets to improve flexibility at Angul

JSP has acquired Monnet Power's under-construction assets (2 x 525MW) at Angul, Odisha, for Rs 4.1bn under the IBC (Insolvency and Bankruptcy Code) liquidation process. The company aims to operationalise the new power plant over the next two years with a capital spend of Rs 15bn.

While JSP was already self-sufficient with its own 764MW captive power plant (CPP) located at Angul, it now aims to substitute this with the new plant which will improve fuel efficiency by 25%. The plan is to repurpose existing CPP boilers to meet additional steam requirements at the Angul complex after expansion and to decommission existing generators.

While acquisition of the new power plant after the JPL divestment appears to be counterintuitive, management has clarified that the rationale behind the deal was the proximity of the Monnet Power plant to its existing unit at Angul and the flexibility it offers for future expansion. The plant is also close to Utkal-B and Utkal-C. Further, its valuation was reasonable at Rs 18mn/MW as compared to capital intensity of Rs 50mn/MW for a brownfield power plant. By repurposing existing boilers, JSP will also avoid additional capex on incremental steam needs for expansion.

## Projects encountering delays but not unusual

Capital expenditure at Rs 20bn shows an uptick in Q3FY23 with the 9M spend at Rs 47bn against the FY23 target of Rs 65bn. JSP has spent Rs 27bn at the Odisha subsidiary implementing Angul expansion, Rs 16bn in the parent entity on existing plants, and Rs 4bn on the acquisition of Monnet Power's assets.

Projects are experiencing delays as is common in most large undertakings. Management has guided for delays in commissioning of the pellet plant phase-1 (6mtpa) to Q4FY23 from Q2FY23 and of the hot strip mill (HSM) phase-1 to Q2FY24 from Q4FY23.

Though the company has maintained its guidance of the commercial operation date (COD) of other project packages at this stage, it highlighted some execution challenges. For instance, though half of the slurry pipeline has been laid, it is now encountering difficult terrain for implementation of the balance. JSP is also working on getting clearances for startup of the blast furnace and basic oxygen furnace (BOF).

For coal mines specifically, management highlighted delays in obtaining clearances and claims to be ready for startup within four weeks of being cleared. While management is not comfortable in guiding a ramp-up schedule, it still remains confident of achieving full ramp-up within two years at its four mines carrying total of capacity of 15mt.

**Fig 6 – Revised guidance on expected COD**

Project packages	As in Feb'23	As in May'22
Angul Pellet Plant Phase-1: 6mtpa	Q4FY23	Q2FY23
HSM Phase-1: 3mtpa	Q2FY24	Q4FY23
Angul Pellet Plant Phase-2: 6mtpa	Q2FY24	Q2FY24
Slurry Pipeline	Q2FY24	Q2FY24
Oxygen plant, Coke oven, RMHS	Q2FY24	Q2FY24
HSM Phase-2 Expand to 5.5mtpa	Q2FY24	Q2FY24
Blast Furnace Phase-2: 4.25mtpa	Q3FY24	Q3FY24
Angul BOF Phase-2: 3.3mtpa	Q3FY24	Q3FY24
CPP: 1050MW	Q2FY25	NA
Angul EAF Phase-2: 3mtpa	Q4FY25	Q4FY25
TSCR: 3mtpa	Q4FY25	Q4FY25
DRI Phase-2: 2.7mtpa	Q4FY25	Q4FY25

Source: Company, BOBCAPS Research

## Other earnings call takeaways

- JSP will evaluate NMDC Steel and Rashtriya Ispat Nigam (RINL) as acquisition opportunities.
- Management confirmed that JPL is working on an early-stage power plant in Botswana that has the potential to benefit the subsidiary's mine in that country, should it crystallise.

## Valuation methodology

### FY25E EBITDA raised factoring in expansion benefits

We lower our FY23 EBITDA estimate by 4.5% accounting for 9MFY23 actuals, while raising our FY24/FY25 forecast by 1.3%/10.3% to incorporate benefits from expansion projects targeted over this period (putting us broadly in line with consensus). Considering the implementation of efficiency projects such as the slurry pipeline and pellet plants, along with gradual ramp-up of coal mines, we expect EBITDA to improve to Rs 14.7k/t in FY24 and Rs 17.6k/t in FY25. We remain conservative on implementation of capacity expansion projects and assume steel sales at 8.2mt in FY25, baking in delays typically associated with expansion projects.

**Fig 7 – Revised estimates**

(Rs bn)	New			Old			Change (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	503	508	514	502	491	549	0.3	3.4	(6.4)
EBITDA	102	116	144	107	115	130	(4.5)	1.3	10.3
Net income	38	56	77	53	59	71	(27.7)	(4.7)	9.5

Source: BOBCAPS Research

**Fig 8 – Key assumptions**

Parameter	FY22	FY23E	FY24E	FY25E
Sales (mt)	7.6	7.6	7.9	8.2
India HRC (US\$/t)	891	748	670	642
Realisation (Rs'000/t)	62.8	62.9	61.4	60.0
EBITDA/ton (Rs'000/t)	19.7	13.2	14.7	17.6

Source: Company, BOBCAPS Research

**Fig 9 – Comparison with consensus**

(Rs bn)	Forecasts			Consensus			Delta to consensus (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	503	508	514	527	534	611	(4.6)	(4.8)	(15.9)
EBITDA	102	116	144	102	117	142	0.4	(0.6)	1.4
Net income	38	56	77	49	61	78	(21.7)	(6.9)	(0.9)

Source: Bloomberg, BOBCAPS Research

### Target price revised to Rs 670, maintain BUY

We roll forward our valuation to FY25 and raise our target one-year forward EV/EBITDA multiple to 5.25x (from 4.5x), as we expect stabilisation of steel margins in FY24 aided by supportive government policies in China aimed at rebooting the economy. This yields a revised TP of Rs 670 (vs. Rs 460 earlier). Maintain BUY.

Our target multiple is above the stock's historical trading average of 4.5x over five years but below the 10-year average of 5.6x. Our valuation multiple is also below our target 6x for the Indian steel sector and reflects legacy concerns over JSP's ability to maintain a disciplined capital investment approach through the cycle. Although the company has demonstrated a judicious approach for over five years, navigating from the brink of

bankruptcy, we await the same discipline over the next investment phase along with a strong balance sheet. Potential rerating of the stock to average level of the Indian steel sector is another catalyst for the stock.

**Fig 10 – Valuation summary**

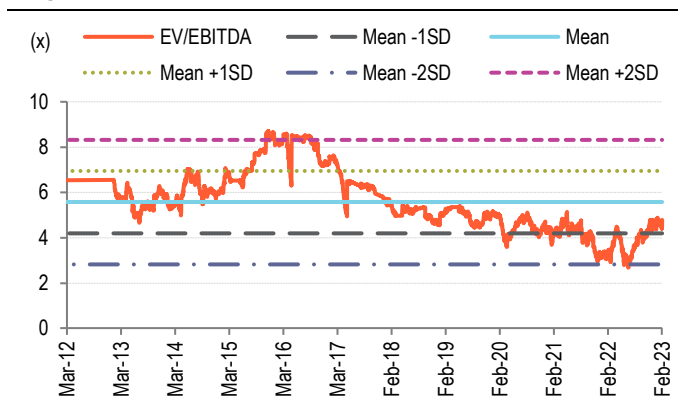
(Rs bn)	Value
FY25E EBITDA	144
Target EV/EBITDA multiple	5.25
<b>EV</b>	<b>754</b>
FY24E Net debt	69
<b>Equity Value</b>	<b>686</b>
Fair value per share (Rs)	672
<b>Target price Mar'24 (rounded to nearest Rs 5)</b>	<b>670</b>

Source: BOBCAPS Research

After the run-up in stock price since Jul'22, JSP's valuation has recovered to a two-year forward EV/EBITDA multiple of 4.6x. However, it still remains closer to 1SD below its 10-year historical trading average.

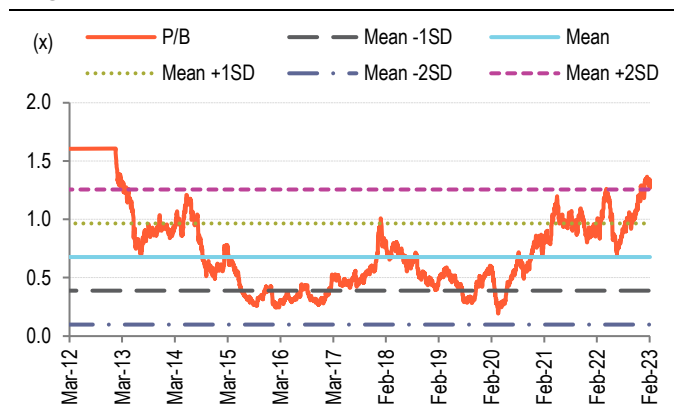
On one-year forward P/B valuation, JSP is currently trading at 1.3x, above its 10-year historical average of 0.7x. This reflects improvement in the balance sheet post divestment of its Oman and power assets. The recent upcycle has helped all steel companies to restore their balance sheets and embark upon the next phase of brownfield capital investments with significantly lower capital intensity. We expect JSP to deliver returns in excess of cost of capital through the cycle and hence see scope for a further rerating.

**Fig 11 – EV/EBITDA 2Y forward**



Source: Bloomberg, BOBCAPS Research

**Fig 12 – P/B 1Y forward**



Source: Bloomberg, BOBCAPS Research

**Fig 13 – 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	120	BUY	125	3.9	1.0	0.9	5.1	4.5	173	166	1.1	0.9	8.8	8.0
JSTL IN	732	HOLD	715	(2.3)	1.5	1.4	7.4	6.0	39	135	2.5	1.8	13.1	9.5
JSP IN	583	BUY	670	15.0	1.3	1.2	5.7	4.3	53	59	1.5	1.1	10.5	7.7
SAIL IN	86	HOLD	90	4.7	0.5	0.5	3.5	3.0	49	67	0.6	0.5	5.3	4.8

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 our assumptions.
- JSP is exposed to risk of delays in implementation of its capital investment plan, including expansion, which could impact earnings growth. The company is targeting completion of margin enhancement projects, such as the 12mtpa pellet plant in two phases by Q4FY23 and Q2FY24, 5.5mtpa hot strip mill in two phases both in Q2FY24, and slurry pipeline by Q2FY24. It is also expanding Angul capacity by 6.3mtpa in two phases by FY25 to raise total India capacity to 15.9mt. This apart, JSP plans to ramp-up four coal mines to 15.3mtpa over the next couple of years to become self-sufficient in thermal coal.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Jindal Steel & Power	JSP IN	7.3	583	670	BUY
JSW Steel	JSTL IN	21.6	732	715	HOLD
SAIL	SAIL IN	4.3	86	90	HOLD
Tata Steel	TATA IN	17.8	120	125	BUY

Source: BOBCAPS Research, NSE | Price as of 3 Feb 2023



## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Total revenue</b>	<b>345,405</b>	<b>510,856</b>	<b>503,207</b>	<b>508,224</b>	<b>514,011</b>
EBITDA	130,913	155,134	102,151	116,282	143,685
Depreciation	(24,141)	(20,968)	(26,805)	(27,690)	(28,947)
EBIT	106,771	134,167	75,347	88,593	114,738
Net interest inc./(exp.)	(28,308)	(20,065)	(13,502)	(14,302)	(11,802)
Other inc./(exp.)	6,094	1,689	1,800	2,105	2,019
Exceptional items	(2,039)	(4,062)	(12,160)	0	0
EBT	82,519	111,728	51,485	76,396	104,955
Income taxes	(18,108)	(29,245)	(13,476)	(19,997)	(27,472)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
<b>Reported net profit</b>	<b>61,518</b>	<b>82,550</b>	<b>38,009</b>	<b>56,399</b>	<b>77,483</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>61,518</b>	<b>82,550</b>	<b>38,009</b>	<b>56,399</b>	<b>77,483</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Accounts payables	40,383	52,519	49,445	48,322	45,657
Other current liabilities	60,714	128,914	57,422	50,822	51,401
Provisions	822	888	875	884	894
Debt funds	299,098	135,016	143,016	118,016	118,016
Other liabilities	68,018	78,145	67,957	68,058	68,175
Equity capital	1,020	1,011	1,011	1,011	1,011
Reserves & surplus	317,127	355,236	391,344	444,923	518,532
Shareholders' fund	309,370	370,952	407,060	460,639	534,248
<b>Total liab. and equities</b>	<b>778,404</b>	<b>766,435</b>	<b>725,775</b>	<b>746,741</b>	<b>818,391</b>
Cash and cash eq.	61,522	36,685	55,694	49,497	97,484
Accounts receivables	27,944	12,641	12,408	12,532	12,674
Inventories	59,426	72,814	74,717	73,019	68,992
Other current assets	54,299	143,949	31,330	31,643	32,003
Investments	0	0	0	0	0
Net fixed assets	518,747	422,440	430,635	452,945	473,998
CWIP	8,903	17,362	62,362	68,362	74,362
Intangible assets	27,957	35,980	35,980	35,980	35,980
Deferred tax assets, net	0	0	0	0	0
Other assets	19,607	24,565	22,649	22,764	22,897
<b>Total assets</b>	<b>778,404</b>	<b>766,435</b>	<b>725,775</b>	<b>746,741</b>	<b>818,391</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Cash flow from operations</b>	<b>28,975</b>	<b>126,350</b>	<b>98,573</b>	<b>90,634</b>	<b>118,477</b>
Capital expenditures	139,221	58,857	(80,000)	(56,000)	(56,000)
Change in investments	0	0	0	0	0
Other investing cash flows	(291)	(3,771)	2,964	1,229	1,117
<b>Cash flow from investing</b>	<b>138,930</b>	<b>55,086</b>	<b>(77,036)</b>	<b>(54,771)</b>	<b>(54,883)</b>
Equities issued/Others	0	(9)	0	0	0
Debt raised/repaid	(7,656)	(164,081)	8,000	(25,000)	0
Interest expenses	(28,308)	(20,065)	(13,502)	(14,302)	(11,802)
Dividends paid	0	0	(1,900)	(2,820)	(3,874)
Other financing cash flows	(79,481)	(22,119)	4,875	60	69
<b>Cash flow from financing</b>	<b>(115,445)</b>	<b>(206,274)</b>	<b>(2,527)</b>	<b>(42,061)</b>	<b>(15,606)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>52,460</b>	<b>(24,837)</b>	<b>19,009</b>	<b>(6,198)</b>	<b>47,988</b>
<b>Closing cash &amp; cash eq.</b>	<b>9,062</b>	<b>61,522</b>	<b>36,685</b>	<b>55,694</b>	<b>49,497</b>

### Per Share

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Reported EPS	60.3	80.9	37.3	55.3	76.0
Adjusted EPS	60.3	80.9	37.3	55.3	76.0
Dividend per share	0.0	0.0	1.9	2.8	3.8
Book value per share	311.9	349.2	384.6	437.2	509.3

### Valuations Ratios

Y/E 31 Mar (x)	FY21A	FY22A	FY23E	FY24E	FY25E
EV/Sales	2.6	1.7	1.5	1.4	1.3
EV/EBITDA	7.0	5.6	7.5	5.9	4.7
Adjusted P/E	9.7	7.2	15.6	10.5	7.7
P/BV	1.9	1.7	1.5	1.3	1.1

### DuPont Analysis

Y/E 31 Mar (%)	FY21A	FY22A	FY23E	FY24E	FY25E
Tax burden (Net profit/PBT)	72.8	71.3	59.7	73.8	73.8
Interest burden (PBT/EBIT)	79.2	86.3	84.5	86.2	91.5
EBIT margin (EBIT/Revenue)	30.9	26.3	15.0	17.4	22.3
Asset turnover (Rev./Avg TA)	41.2	66.1	67.4	69.0	65.7
Leverage (Avg TA/Avg Equity)	2.6	2.3	2.0	1.8	1.6
<b>Adjusted ROAE</b>	<b>19.2</b>	<b>24.5</b>	<b>10.2</b>	<b>13.5</b>	<b>16.1</b>

### Ratio Analysis

Y/E 31 Mar	FY21A	FY22A	FY23E	FY24E	FY25E
<b>YoY growth (%)</b>					
Revenue	(6.4)	47.9	(1.5)	1.0	1.1
EBITDA	66.7	18.5	(34.2)	13.8	23.6
Adjusted EPS	(5706.0)	34.2	(54.0)	48.4	37.4
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	37.9	30.4	20.3	22.9	28.0
EBIT margin	30.9	26.3	15.0	17.4	22.3
Adjusted profit margin	17.8	16.2	7.6	11.1	15.1
Adjusted ROAE	19.2	24.5	10.2	13.5	16.1
ROCE	16.5	21.6	12.8	14.3	17.1
<b>Working capital days (days)</b>					
Receivables	30	9	9	9	9
Inventory	63	52	54	52	49
Payables	(69)	(54)	(45)	(45)	(45)
<b>Ratios (x)</b>					
Gross asset turnover	0.4	0.7	0.7	0.7	0.7
Current ratio	1.1	1.2	1.1	1.1	1.4
Net interest coverage ratio	3.8	6.7	5.6	6.2	9.7
<b>Adjusted debt/equity</b>	<b>0.8</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>

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

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**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

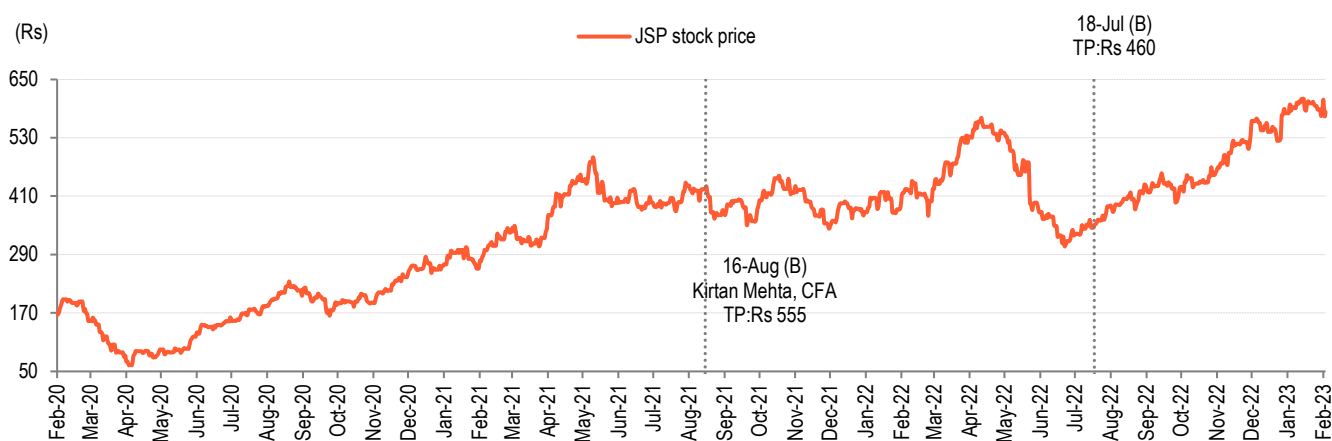
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): JINDAL STEEL & POWER (JSP IN)



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