BOBCAPS
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METALS & MINING | Q1FY24 Preview | 19 July 2023

Bumpy road to recovery

- **Q1FY24 likely to be a bump in the road to recovery with a 30% QoQ pullback in aggregate EBITDA forecast for our coverage**
- **FY24-FY25 estimates pared to account for slower recovery and margin stabilisation only in H2FY24**
- **We remain constructive on the sector given earnings growth through brownfield expansion; prefer TATA and JSP**

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

Setback to recovery: We expect Q1FY24 to be a setback to recovery for Indian steel players as consolidated EBITDA for the four majors under our coverage is projected to retract 30% QoQ with a pullback in margin and sale volumes.

Margin stabilisation more likely in H2 than H1: With the monsoons underway in India and hot, rainy weather in China during July-August, we now believe margin stabilisation is more likely in H2FY24 than H1.

China production discipline key: China recovery has slowed in April-June due to the drag from exports and real estate. While the government is working on a stimulus, the market now expects a more measured response. Back in April, China had announced plans to maintain CY23 steel production flat YoY. Implementation of this cap in H2 could lower steel production by 10% HoH, helping to restore market balance.

FY24-FY25 forecasts pared: Factoring in weaker Q1FY24 expectations and our revised steel and raw material pricing assumptions, we lower our FY24/FY25 aggregate EBITDA estimate by ~5% for the four majors under our coverage.

Capex-led growth in FY26 baked in: We roll forward valuations to FY26 to allow for earnings growth from ongoing capex and discount back to Jul'24 to arrive at our target prices. While we maintain our target 1Y fwd EV/EBITDA multiple at 5.8x (blended) for TATA and at 4.5x for SAIL, we raise this to 6.5x (from 6x) for JSTL to reflect aggressive growth delivery and to 5.5x (from 5.25x) for JSP amid streamlining of operations. Post revisions, our target prices stand revised as follows: TATA Rs 145 (vs. Rs 140), JSTL Rs 835 (Rs 715), JSP Rs 740 (Rs 625) and SAIL Rs 90 (no change).

Prefer TATA and JSP: We are constructive on the steel sector with players positioned to benefit from India's growth trajectory through expansion projects. Lower capital intensity of brownfield expansion and margin enhancements/efficiency improvement projects are likely to improve return profiles. We prefer TATA and JSP given the possibility of a rerating for these stocks on resolution of uncertainty in UK operations and demonstration of capital discipline respectively.

Recommendation snapshot

Ticker	Price	Target	Rating
JSP IN	640	740	BUY
JSTL IN	792	835	HOLD
SAIL IN	91	90	HOLD
TATA IN	117	145	BUY

Price & Target in Rupees | Price as of 19 Jul 2023

Expect a bumpy Q1

We expect Q1FY24 to be a bump in the road to recovery for Indian steel players as consolidated EBITDA for the four majors under our coverage is projected to retract 30% QoQ with a pullback in margin and sale volumes.

- We forecast a 29% QoQ drop in aggregate EBITDA for Indian operations driven by a Rs 2.1k/t reduction in EBITDA margin and 13% QoQ lower sales seasonally.
- Long-product focused players are likely to have faced a higher reduction in sales than flat producers with a drop in demand from the construction segment.
- EBITDA margin reduction is expected to stem from a minor pullback in sales realisation (Rs 0.9k/t) and higher coking coal consumption costs. The benefit of lower coking coal prices is likely to be available from Q2FY24 with a typical 60-day inventory level.

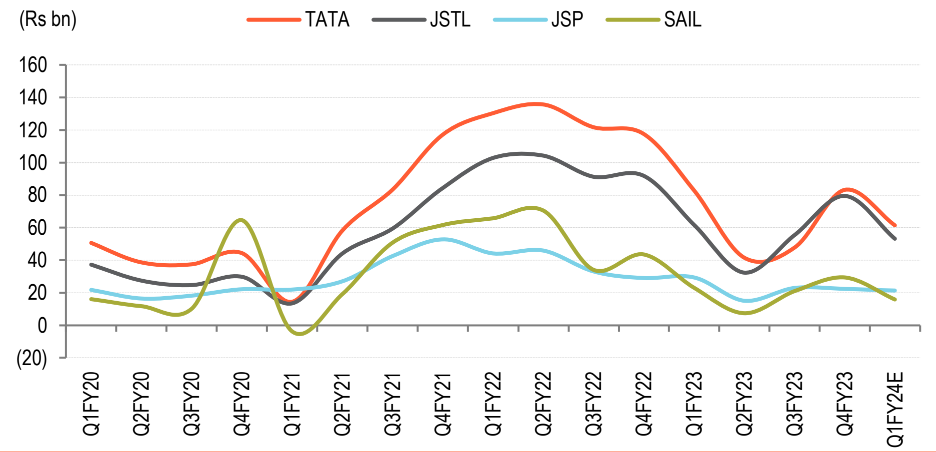
Looking forward to Q2, the margin for steel majors will depend upon the quantum of benefits that steel mills can retain from softening coking coal prices. With a seasonal slowdown in demand during the monsoon, steel mills may not aggressively pass on the benefit of lower steel production costs.

Fig 1 – BOBCAPS Ferrous Universe: Q1FY24 estimates

Q1FY24E	Unit	TATA India	JSTL India	JSP India	SAIL	4 majors – India	TATA Europe
Operations							
Production	mt	5.0	6.2	2.0	4.667	17.8	1.8
QoQ	%	(2.7)	(3.0)	(1.9)	(5.8)	(3.5)	(20.3)
Sales	**mt**	**4.8**	**5.4**	**1.9**	**3.9**	**16.0**	**2.0**
QoQ	%	(6.8)	(15.5)	(8.9)	(16.7)	(12.6)	(8.8)
Per tonne							
Revenue/t	Rs'000/t	71.5	65.2	64.5	61.2	66.0	98.9
QoQ	Rs'000/t	(1.0)	(1.0)	(1.5)	(1.0)	(0.9)	(3.1)
EBITDA/t	**Rs'000/t**	**13.0**	**8.9**	**11.1**	**4.1**	**9.2**	**(7.6)**
QoQ	Rs'000/t	(3.2)	(2.4)	0.4	(2.2)	(2.1)	0.0
Financials – Indian operations							
Revenue	Rs bn	343.0	352.3	119.3	238.8	1,053.3	194.8
QoQ	%	(8.0)	(16.8)	(10.9)	(18.0)	(13.8)	(11.6)
EBITDA	**Rs bn**	**62.2**	**48.1**	**20.6**	**15.8**	**146.7**	**(15.1)**
QoQ	%	(25.2)	(33.2)	(5.4)	(45.8)	(28.8)	(8.2)
Financials – Consolidated operations							
Revenue	Rs bn	572.1	392.3	121.9	238.8	1325.1	
QoQ	%	(9.1)	(16.5)	(10.9)	(18.0)	(13.2)	
EBITDA	**Rs bn**	**51.7**	**53.1**	**21.3**	**15.8**	**141.9**	
QoQ	%	(28.5)	(33.2)	(4.9)	(45.8)	(30.2)	
Net profit	Rs bn	(12.2)	9.8	8.7	1.5	7.8	
QoQ	%	(177.8)	(73.2)	41.0	(87.9)	(89.0)	

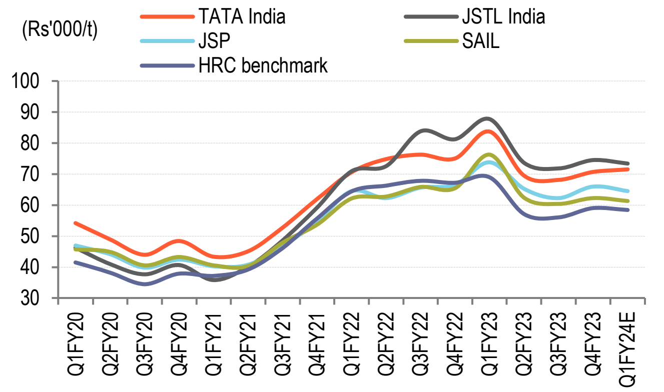
Source: Company, BOBCAPS Research

Fig 2 – Q1FY24E consolidated EBITDA likely to contract 30% QoQ



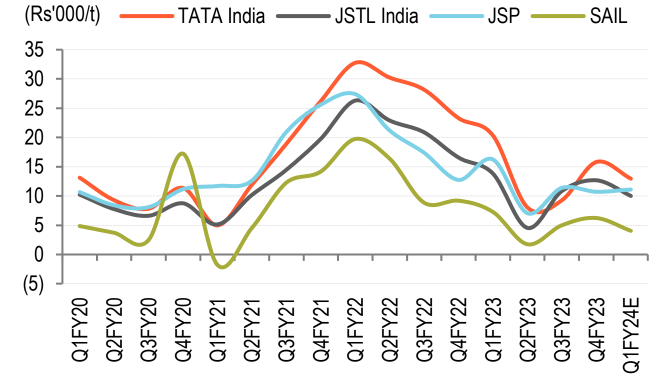
Source: Company, BOBCAPS Research

Fig 3 – Realisations likely to decline marginally in Q1FY24



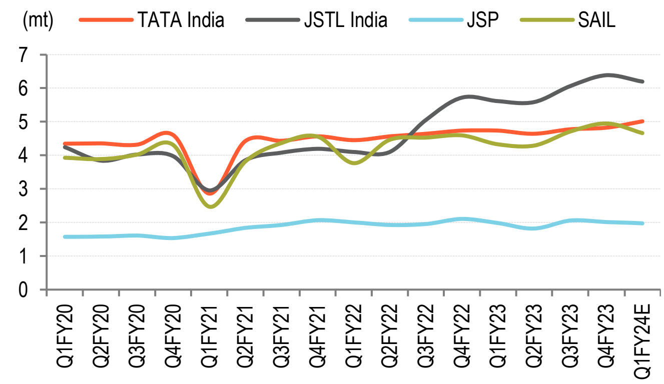
Source: Company, BOBCAPS Research

Fig 4 – EBITDA/t expected to retract with a marginal decline in realisation and higher coking coal costs



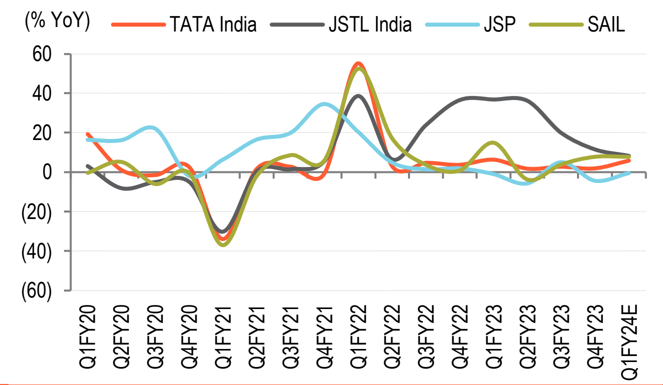
Source: Company, BOBCAPS Research

Fig 5 – Production was lower QoQ amid maintenance shutdowns and seasonal pullback in demand…



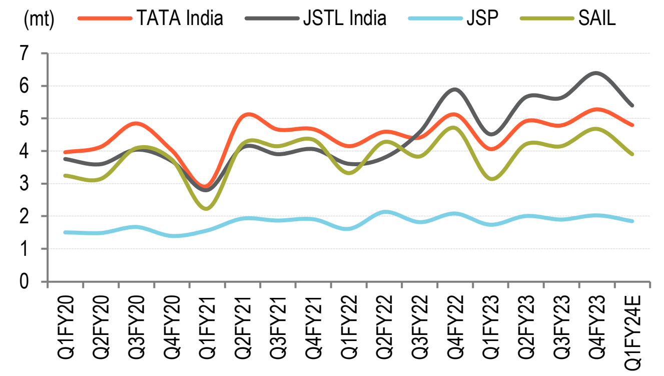
Source: Company, BOBCAPS Research

Fig 6 – …but the YoY growth trend was broadly intact



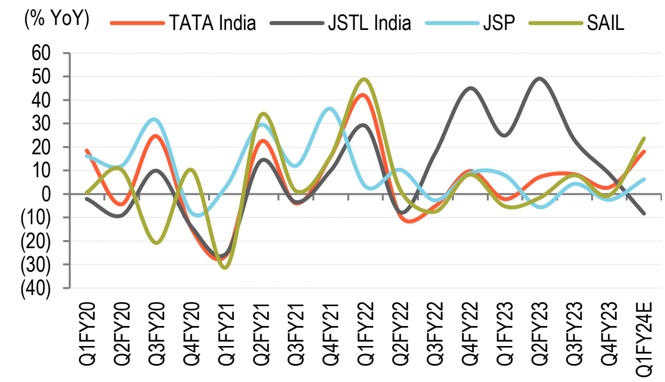
Source: Company, BOBCAPS Research

Fig 7 – Sales forecast to decline seasonally in Q1



Source: Company, BOBCAPS Research

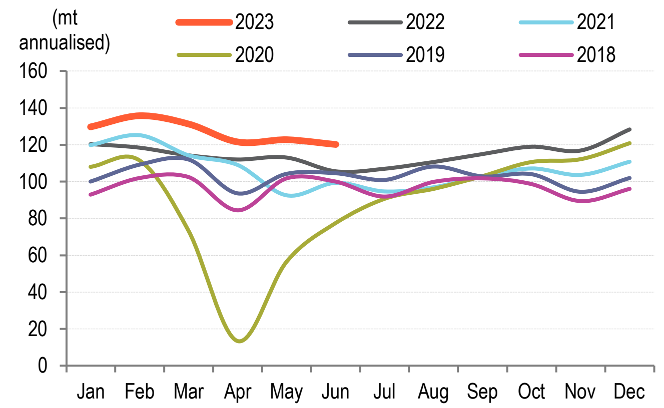
Fig 8 – Sales growth pickup likely slower than expected



Source: Company, BOBCAPS Research

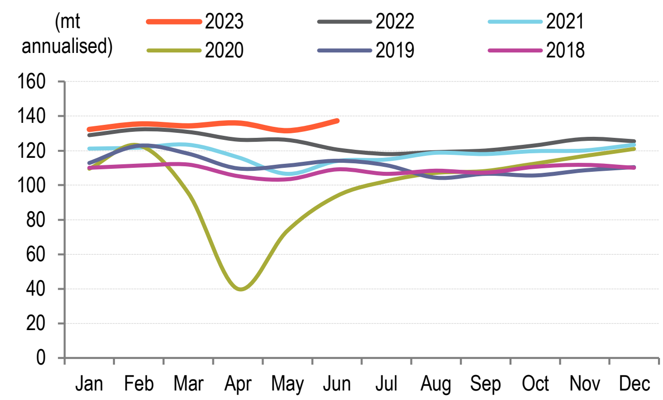
India steel demand-supply and prices

Fig 9 – India steel consumption was seasonally slow in Q1



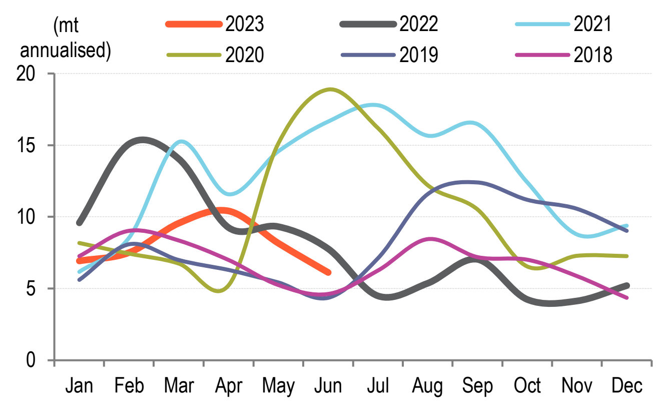
Source: CMIE, BOBCAPS Research

Fig 10 – India steel production showed signs of recovery from Jun'23



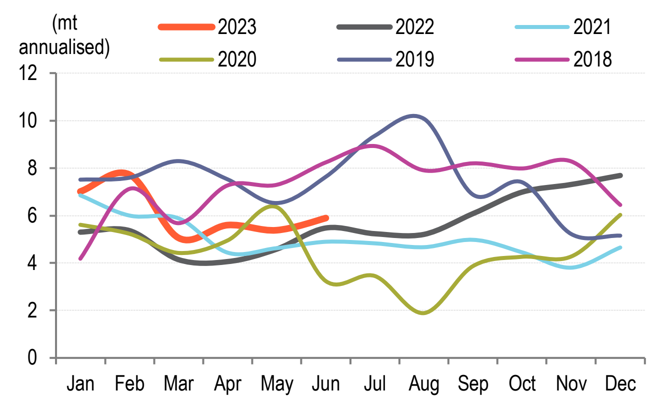
Source: CMIE, BOBCAPS Research

Fig 11 – India steel exports have retracted from April with a weaker external demand environment



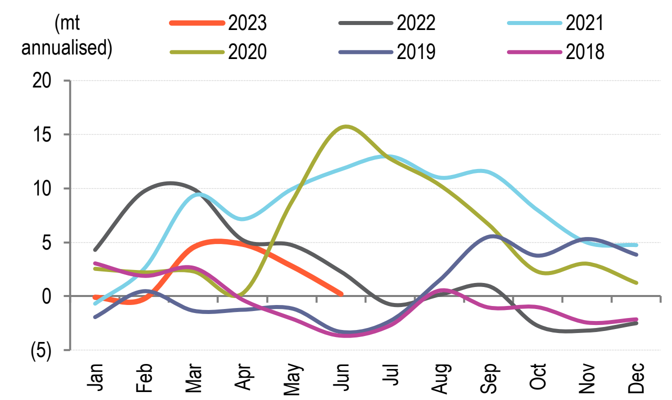
Source: CMIE, BOBCAPS Research

Fig 12 – India steel imports have inched up after Mar'23



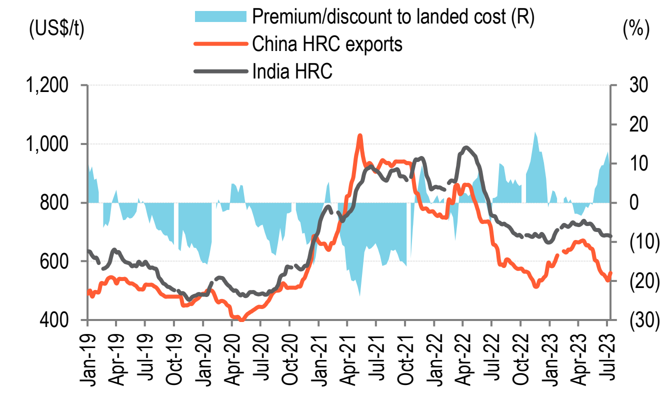
Source: CMIE, BOBCAPS Research

Fig 13 – India's lower net steel exports puts pressure on the domestic market



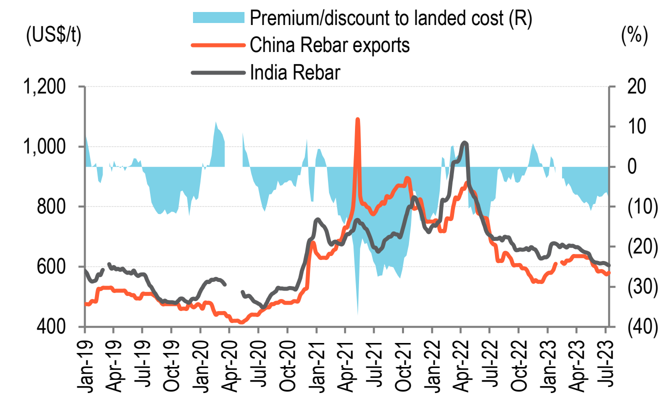
Source: CMIE, BOBCAPS Research

Fig 14 – Indian HRC prices has remained at a premium to landed prices during Q1



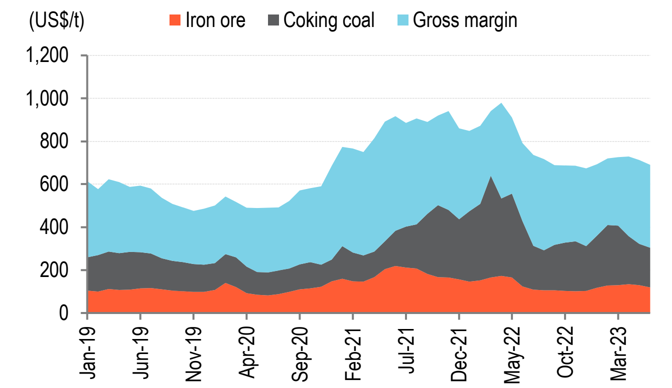
Source: CMIE, BOBCAPS Research

Fig 15 – Indian rebar prices were at a discount to landed prices in Q1



Source: CMIE, BOBCAPS Research

Fig 16 – India HRC gross margin proxy (spot) has expanded; steel mills to see benefit in Q2



Source: CMIE, BOBCAPS Research

Forecast changes

We continue to expect steel margins to stabilise in FY24 aided by supportive government policies in China aimed at sustainably rebooting the economy along with improved discipline of its steel industry.

China likely to stabilise at a slower rate than expected

We reckon that the recovery in China has been running slower than our assumptions and that market expectations on the scale of stimulus are also coming down. We maintain our view that China will continue to recover slowly but steadily as demand from the real estate sector settles at a lower base. We expect incremental growth from real estate to remain muted over the medium term and steel demand in China to decline at a modest 1-2% annual rate.

Improving discipline in China's steel industry

In our view, production discipline will be stricter than that seen in the past. China has delivered a modest decline in steel production over three years, adhering to its goal of lowering emissions from the sector. We still expect the country 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.

We lower FY24-FY25 forecasts

Factoring in weaker Q1FY24 expectations and our revised steel and raw material pricing assumptions, we lower our FY24/FY25 EBITDA estimates by ~5% for the four majors under our coverage on an aggregate basis. With higher financial gearing of the sector, this translates to a 11-12% reduction in aggregate net income for FY24/FY25. We roll our forecasts forward to FY26 for JSTL in this note and have already done so for others in recent reports.

Fig 17 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue									
JSP	493	576	680	506	579	683	(2.5)	(0.5)	(0.5)
JSTL	1,600	1,670	1,843	1,589	1,702	NA	0.7	(1.9)	NA
SAIL	1,038	988	1,011	1,054	993	1,016	(1.5)	(0.5)	(0.5)
TATA	2,137	2,190	2,369	2,181	2,203	2,382	(2.0)	(0.6)	(0.5)
Aggregate	**4,775**	**4,848**	**5,223**	**4,825**	**4,898**	**NA**	**(1.0)**	**(1.0)**	**NA**
EBITDA									
JSP	108	137	160	114	139	161	(5.1)	(1.1)	(1.1)
JSTL	315	367	423	325	392	NA	(3.2)	(6.5)	NA
SAIL	117	122	135	132	134	139	(11.5)	(8.7)	(2.9)
TATA	321	390	428	338	397	434	(4.8)	(1.7)	(1.3)
Aggregate	**753**	**879**	**985**	**795**	**923**	**NA**	**(5.2)**	**(4.8)**	**NA**

(Rs bn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net income (adjusted)									
JSP	53	73	89	54	70	85	(3.0)	5.0	4.3
JSTL	121	154	192	135	185	NA	(10.4)	(17.0)	NA
SAIL	44	47	55	56	57	59	(20.6)	(17.0)	(6.6)
TATA	111	171	198	123	176	202	(10.1)	(2.7)	(1.9)
Aggregate	**277**	**372**	**445**	**315**	**418**	**NA**	**(12.1)**	**(11.0)**	**NA**

Source: Company, BOBCAPS Research

Our EBITDA forecasts for FY24/FY25 collectively for our coverage are broadly in line with the sector. Comparison of our FY26 EBITDA forecast is not meaningful owing to thin consensus data.

Fig 18 – BOBCAPS vs. Consensus estimates

(Rs bn)	Actuals	BOBCAPS			Consensus			Delta to Consensus (%)		
	FY23P	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue										
JSP	527	493	576	680	533	616	713	(7.4)	(6.5)	(4.6)
JSTL	1,660	1,600	1,670	1,843	1,696	1,826	2,099	(5.7)	(8.5)	(12.2)
SAIL	1,044	1,038	988	1,011	1,035	1,050	1,091	0.3	(5.9)	(7.4)
TATA	2,416	2,137	2,190	2,369	2,213	2,274	2,551	(3.4)	(3.7)	(7.1)
Aggregate	**5,120**	**4,775**	**4,848**	**5,223**	**4,944**	**5,150**	**5,741**	**(3.4)**	**(5.9)**	**(9.0)**
YoY growth (%)	**-**	**(6.7)**	**1.5**	**7.7**	**0.1**	**4.2**	**11.5**	**-**	**-**	**-**
EBITDA										
JSP	99	108	137	160	108	137	154	(0.2)	0.4	3.3
JSTL	185	315	367	423	313	370	388	0.7	(0.8)	9.0
SAIL	80	117	122	135	114	121	137	3.0	0.5	(1.5)
TATA	323	321	390	428	320	380	399	0.4	2.7	7.4
Aggregate	**589**	**753**	**879**	**985**	**746**	**871**	**923**	**0.9**	**0.9**	**6.7**
YoY growth (%)	**-**	**27.9**	**16.7**	**12.1**	**(39.7)**	**16.7**	**6.0**	**-**	**-**	**-**
Net income adjusted										
JSP	32	53	73	89	54	71	76	(2.1)	3.5	16.5
JSTL	41	121	154	192	126	158	139	(3.8)	(2.7)	37.7
SAIL	22	44	47	55	41	47	55	8.8	1.0	0.0
TATA	88	111	171	198	121	161	188	(8.3)	6.0	5.1
Aggregate	**151**	**277**	**372**	**445**	**288**	**366**	**383**	**(3.9)**	**1.6**	**16.2**
YoY growth (%)	**-**	**83.5**	**34.5**	**19.5**	**(60.9)**	**27.2**	**4.5**	**-**	**-**	**-**

Source: Bloomberg, BOBCAPS Research

Key assumptions

Fig 19 – Sector: Key assumptions

Parameter	FY23P	FY24E	FY25E	FY26E
USDINR exchange rate	80.4	82.1	82.0	83.7
Steel prices				
China HRC Export (US$/t)	644	572	552	552
India HRC (US$/t equ)	751	642	599	599
YoY Change (%)	(15.7)	(14.6)	(6.7)	0.0
India HRC (Rs'000/t)	60.3	52.7	49.1	50.1
YoY Change (%)	(9.2)	(12.6)	(6.7)	2.0
India Rebar (Rs'000/t)	56.3	50.0	46.7	47.6
YoY Change (%)	0.0	(11.1)	(6.6)	2.0
Raw material prices				
Iron ore CFR China (US$/t)	110	104	95	95
Iron ore India indicator (Rs'000/t)	4.6	4.9	4.1	4.2
Coking Coal Australia FOB (US$/t)	330	238	225	225

Source: Bloomberg, BOBCAPS Research

Fig 20 – TATA: Key assumptions

Parameter	FY23P	FY24E	FY25E	FY26E
Sales India business (mt)	19.7	20.4	22.1	24.1
Sales Europe (mt)	8.2	8.9	8.5	8.5
EBITDA/t Standalone (Rs'000/t)	14.7	15.1	15.6	15.5
EBITDA/t India business (Rs'000/t)	13.7	14.3	15.0	15.2
EBITDA/t Europe (US$/t)	71	33	75	81

Source: Company, BOBCAPS Research

Fig 21 – JSTL: Key assumptions

Parameter	FY23P	FY24E	FY25E	FY26E
Crude steel production (mt)	20.9	21.5	23.6	26.0
Realisation standalone (US$/t)	771	667	631	626
EBITDA/t standalone (US$/t)	97	142	148	153
Realisation standalone (Rs'000/t)	62.0	54.7	51.7	52.4
EBITDA/t standalone (Rs'000/t)	7.8	11.7	12.2	12.8

Source: Company, BOBCAPS Research

Fig 22 – JSP: Key assumptions

Parameter	FY23P	FY24E	FY25E	FY26E
Sales (mt)	7.7	8.0	9.3	11.3
Realisation (Rs'000/t)	64.7	58.8	59.5	58.1
EBITDA/t (Rs'000/t)	12.4	12.3	13.8	13.4

Source: Company, BOBCAPS Research

Fig 23 – SAIL: Key assumptions

Parameter	FY23P	FY24E	FY25E	FY26E
Sales (mt)	16.2	18.1	18.2	18.3
Realisation (Rs'000/t)	64.5	57.3	54.3	55.3
EBITDA/t (Rs'000/t)	5.0	6.5	6.7	7.4

Source: Company, BOBCAPS Research

Valuation

India's broader stock market has recently hit an all-time high, which reflects market optimism on the country's growth trajectory. We are constructive on the domestic steel sector as most steel majors have positioned themselves well to benefit from India's growth potential. Within our coverage, we have a BUY on TATA and JSP and HOLD on JSTL and SAIL.

- We expect most steel stocks under our coverage to register a 19% earnings CAGR over FY23-FY26 as they deliver on capacity and efficiency improvement projects.
- We also highlight that returns from this round of brownfield expansion projects are likely to be higher due to a significantly lower capital intensity than typical greenfield projects, owing to the use of available infrastructure and surplus capacity in intermediate or input processes at existing mills.
- We also believe that implementation of margin enhancements (such as value-added products) and efficiency drivers (pellet plant, coke oven plant, slurry pipeline) will reduce earnings volatility through the cycle.

Fig 24 – 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	117	BUY	145	24.3	1.0	0.9	6.5	5.1	88	123	1.4	1.2	12.8	8.3
JSTL IN	792	HOLD	835	5.4	1.6	1.5	8.1	6.8	39	135	2.9	2.1	15.8	12.4
JSP IN	640	BUY	740	15.6	1.5	1.3	6.9	5.3	32	54	1.7	1.3	12.4	8.9
SAIL IN	91	HOLD	90	(0.9)	0.6	0.6	5.2	4.9	22	56	0.7	0.6	8.4	8.0

Source: Bloomberg, BOBCAPS Research

Valuation basis

For steel stocks under our coverage, we roll our valuation base forward to FY26 as we factor in market optimism on India's growth trajectory. We discount our SOTP value back to Jul'24 to arrive at a one-year forward target price.

We continue to value the steel sector at a one-year forward EV/EBITDA multiple of 6x (unchanged) and value steel stocks at graded multiples that reflect their relative growth and margin prospects over the medium term.

Fig 25 – Valuation basis for our target 1Y fwd EV/EBITDA multiple

Company	New Target Multiple	Change	Valuation basis
Sector	6x	Unchanged	-
TATA India	6x	Unchanged	Sector multiple
TATA Europe	4.5x	Unchanged	Discount to sector multiple reflects relatively weaker margins and growth prospects
JSTL	6.5x	Increased from 6.0x	Premium to sector multiple reflects aggressive growth delivery
JSP	5.5x	Increased from 5.25x	Still at a discount which reflects the need for demonstration of a disciplined approach
SAIL	4.5x	Unchanged	Discount reflects relative weaker margins and growth prospects

Source: BOBCAPS Research

Tata Steel (BUY, TP Rs 145)

We raise our TP for TATA to Rs 145 (from Rs 140), rolling forward our valuation base to FY26 with an unchanged blended one-year forward EV/EBITDA multiple of 5.8x. We expect TATA to deliver a 10% earnings CAGR over FY23-FY26 under conservative ramp-up assumptions for upcoming projects, including 70% utilisation for the 5mtpa TSK expansion and mid-cycle margins. We reckon that project visibility has been improving, as reflected in more granular project updates and milestone targets from management.

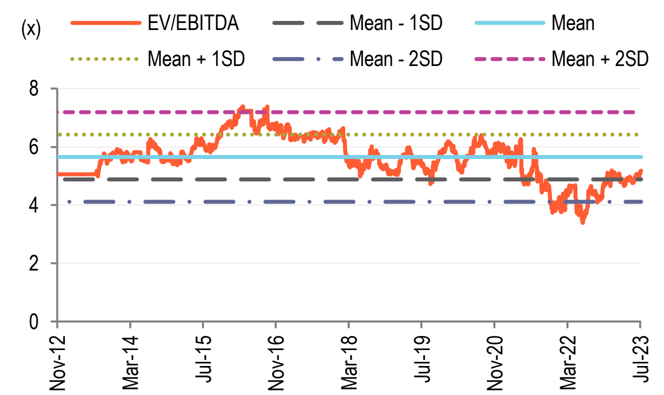
While a hard decision on UK operations is due over the next 12-18 months, we believe this could dispel the overhang and result in a viable replacement option for the plant. Even in the worst case, a restructuring would mean the continuation of only downstream operations, where management believes the impact is likely to be under GBP 1bn. Maintain BUY.

Fig 26 – TATA: Valuation summary

(Rs bn)	Tata Steel India	Tata Steel Europe	Tata Steel
FY26E EBITDA	370	58	428
Target EV/EBITDA multiple (x)	6.0	4.5	5.8
EV Mar'25E	**2,223**	**259**	**2,482**
FY25E Net debt	-	-	583
Equity value Mar'25E	**-**	**-**	**1,899**
Fair value Mar'25E (Rs)	-	-	155
Fair value Jul'24E (Rs)	-	-	146
Target price Jul'24E (Rs) (rounded to nearest Rs 5)	**-**	**-**	**145**

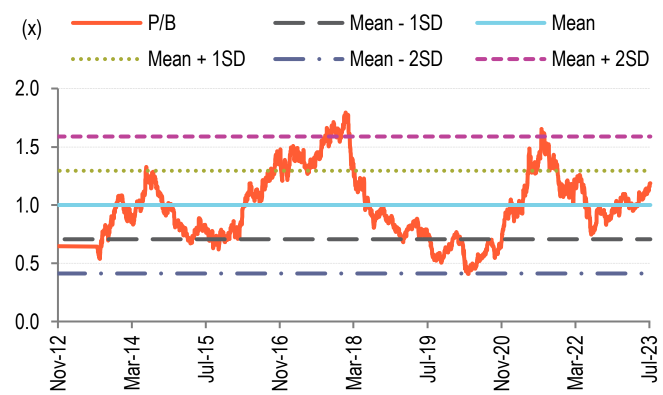
Source: Company, BOBCAPS Research

Fig 27 – TATA EV/EBITDA 2Y fwd



Source: Bloomberg, Company

Fig 28 – TATA P/B 1Y fwd



Source: Bloomberg, Company

JSTL (HOLD, TP Rs 835)

We raise our TP for JSTL to Rs 835 from Rs 715 upon rolling our valuation base over to FY26 and increasing our target one-year forward EV/EBITDA to 6.5x (from 6.0x). While we expect the company to deliver the highest earnings growth among our coverage at a 32% CAGR over FY23-FY26, we believe this is already factored in the stock price. Despite optimistic estimates and a valuation multiple higher than the historical trading range, our target price yields only a 5% upside. Given the sharp rise in net debt after a downturn in the steel cycle in H1FY23, JSTL is more vulnerable to any change in steel cycle outlook than peers. We find risk-reward unfavourable at this juncture and thus maintain HOLD.

We believe our FY26 estimates are generous on volumes and margins. We account for 80% utilisation at the 5mtpa Vijaynagar expansion (targeted for commissioning in FY24), 50% utilisation at the 3.5mtpa Vijayanagar expansion (targeted for FY25) and 92% utilisation at the 1.5mtpa BPSL expansion (targeted for FY24). We also factor in EBITDA margin at Rs 12.8k/t which is close to the mid-cycle level for JSTL and can be considered generous at this point in the cycle.

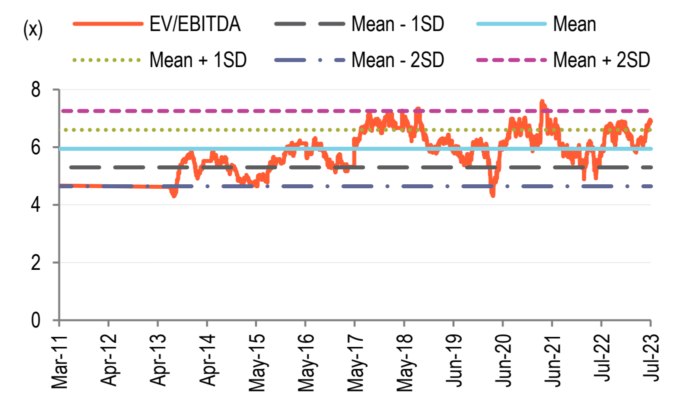
Our target multiple of 6.5x is higher than the historical trading range of 6.0-6.2x over the past 5-10 years, reflecting aggressive growth ahead.

Fig 29 – JSTL: Valuation summary

(Rs bn)	Value
FY26E EBITDA	423
Target EV/EBITDA multiple	6.5
EV	**2,747**
FY25E Net debt	599
Equity investments	5
Equity Value Mar'25E	**2,153**
Fair value per share Mar'25E (Rs)	891
Fair value per share Jul'24E (Rs)	836
Target price Jul'24E (Rs) (rounded to nearest Rs 5)	**835**

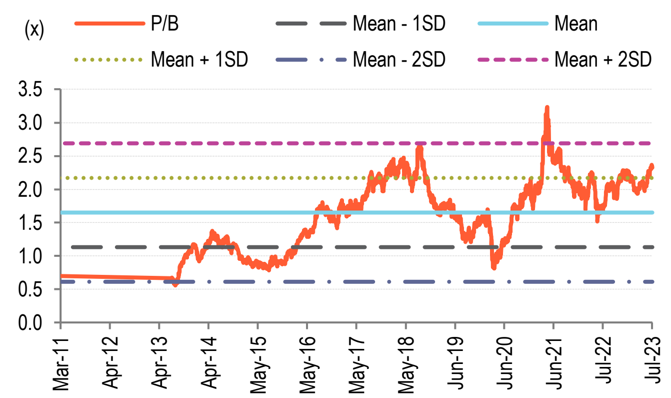
Source: Company, BOBCAPS Research

Fig 30 – JSTL EV/EBITDA 2Y fwd



Source: Bloomberg, BOBCAPS Research

Fig 31 – JSTL P/B 1Y fwd



Source: Bloomberg, BOBCAPS Research

JSP (BUY, TP Rs 740)

We increase our TP for JSP to Rs 740 (from Rs 625) as we move our valuation base to FY26 and raise our target one-year forward EV/EBITDA multiple to 5.5x (from 5.25x). Our target multiple is above the stock's five-year average of 4.5x to reflect resumption of growth but is below our sector multiple of 6x as we await a demonstration of capital discipline by JSP over the next investment phase.

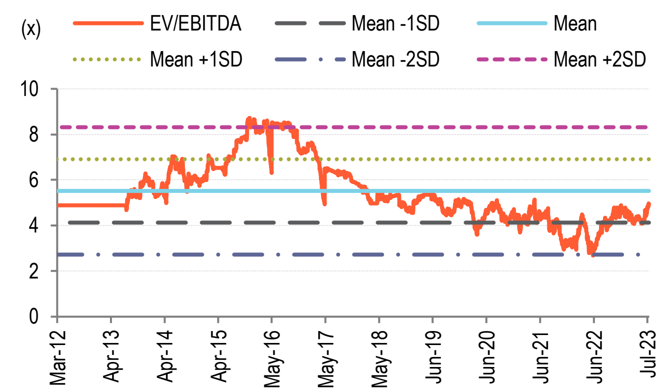
We believe the company is primed to deliver an 17% EBITDA CAGR over FY23-FY26 upon delivery on projects. Factoring in usual delays for projects of such a large scale, we have conservative assumptions on efficiency improvement (4mt/8mt/12mt of captive coal in FY24/FY25/FY26, ~90% utilisation of slurry pipeline in FY26), ramp-up of steel sales (8mt/9.3mt/11.3mt over FY24/FY5/FY26) and margin improvement (Rs 12.4k/ Rs 13.8k/Rs 13.4k). Maintain BUY.

Fig 32 – JSP: Valuation summary

(Rs bn)	Value
FY26E EBITDA	160
Target EV/EBITDA multiple	5.5
EV	**877**
FY25E Net debt	72
Equity Value Mar'25E	**805**
Fair value per share Mar'25E (Rs)	789
Fair value per share Jul'24E (Rs)	741
Target price Jul'24 (Rs) (rounded to nearest Rs 5)	**740**

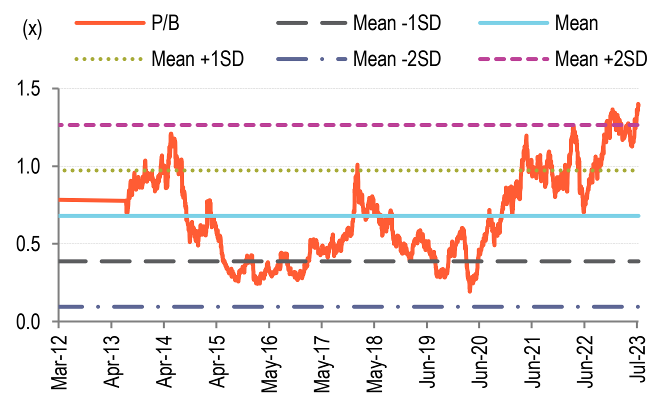
Source: Company, BOBCAPS Research

Fig 33 – JSP EV/EBITDA 2Y fwd



Source: Bloomberg, BOBCAPS Research

Fig 34 – JSP P/B 1Y fwd



Source: Bloomberg, BOBCAPS Research

SAIL (HOLD, TP Rs 90)

We maintain our TP at Rs 90 for SAIL while rolling forward our valuation base to FY26 with an unchanged one-year forward target EV/EBITDA multiple of 4.5x. Our multiple for SAIL remains below our target 6x mid-cycle valuation for the Indian steel sector to reflect weaker profitability of the company's operations and a pause in its capex programme over the past three years to stabilise operations after its previous modernisation drive.

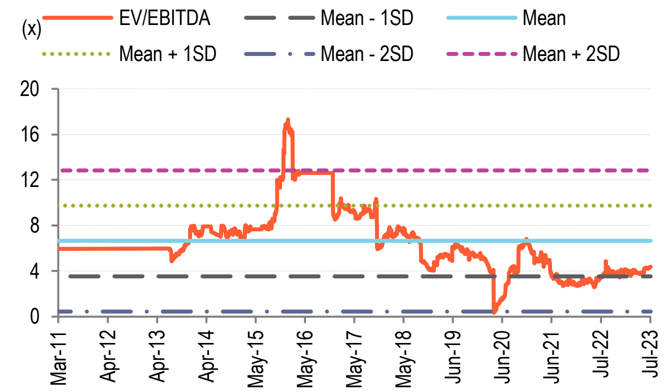
We maintain our HOLD rating as we expect SAIL to lag behind peers in the next growth phase and to face higher balance sheet risk due to its limited scope for operational improvement in the existing setup. Also, with planned capex set to peak over FY27-FY28, there is a heightened risk of a stretched balance sheet during the next expansion wave.

Fig 35 – SAIL: Valuation summary

(Rs bn)	Value
FY26E EBITDA	135
Target EV/EBITDA multiple	4.5
EV	**607**
FY25E Net debt	220
Equity Value Mar'25E	**387**
Fair value per share Mar'25E (Rs)	94
Fair value per share Jul'24E (Rs)	88
Target price Jul'24E (Rs) (rounded to nearest Rs 5)	**90**

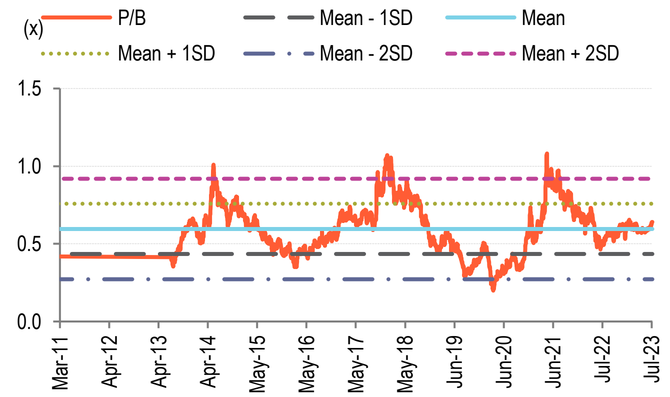
Source: Company, BOBCAPS Research

Fig 36 – SAIL EV/EBITDA 2Y fwd



Source: Bloomberg, BOBCAPS Research

Fig 37 – SAIL P/B 1Y fwd



Source: Bloomberg, BOBCAPS Research

Key risks

Key downside risks to our BUY and HOLD calls:

- 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
- TATA, JSTL and JSP are exposed to the risk of delayed implementation of their capital investment plans, including expansion, which could impact earnings growth.
- TATA is exposed to the risk of closure of its upstream operations in the UK in the absence of a viable replacement option. Restructuring in order to continue only with downstream operations could involve additional costs.
- JSTL is relatively more vulnerable than peers in the event of a protracted downturn in the steel cycle considering its aggressive growth policy.
- JSP is undertaking a review of its expansion plan to maximise margins from the same. This could enlarge the capex budget beyond the current guidance of Rs 240bn over FY22-FY27. While we bake this in by assuming a rise in net debt during FY24-FY25, any increase beyond our estimate poses an additional downside risk.
- For SAIL, slower ramp-up of crude steel and value-added production as well as weaker implementation of efficiency measures than our expectations represent downside risks to our earnings forecasts.

Key upside risks to our HOLD calls:

- Steel producer valuations are highly sensitive to product and raw material prices. Key upside risks to our estimates are favourable changes in global demand-supply balance for steel and its raw materials, leading to higher prices and margins than our assumptions.
- JSTL could derive higher benefits than peers from its accelerated expansion drive in the event of an upward turn in the steel cycle.
- For SAIL, faster ramp-up of crude steel and value-added production as well as better implementation of efficiency measures than our expectations represent upside risks to our earnings forecasts.

Stock performance

Fig 38 – TATA

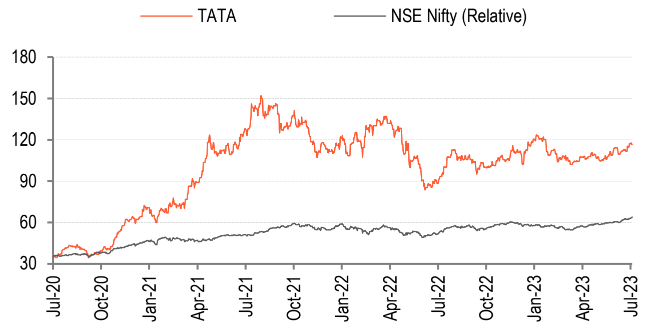


Fig 39 – SAIL

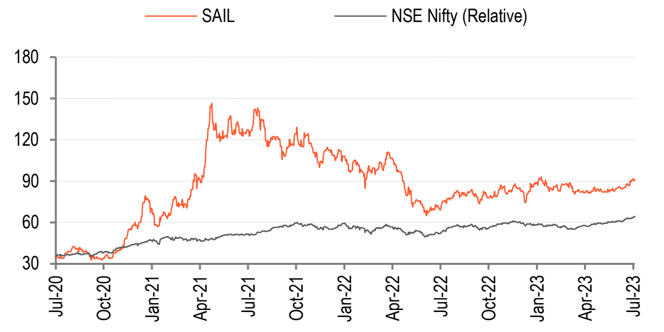


Fig 40 – JSTL

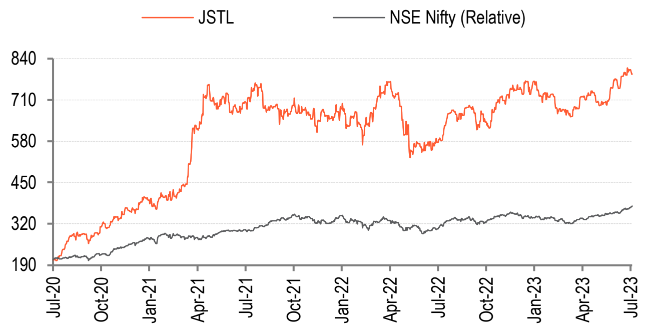
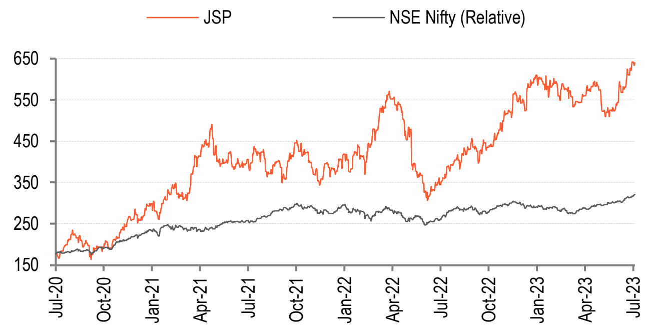


Fig 41 – JSP



Source: NSE

Financials – TATA

Income Statement

Y/E 31 Mar (Rs bn)	FY22A	FY23P	FY24E	FY25E	FY26E
Total revenue	**2,423**	**2,416**	**2,137**	**2,190**	**2,369**
EBITDA	635	323	321	390	428
Depreciation	(91)	(93)	(99)	(105)	(112)
EBIT	544	230	222	285	316
Net interest inc./(exp.)	(55)	(63)	(62)	(55)	(49)
Other inc./(exp.)	8	10	9	9	11
Exceptional items	(1)	1	0	0	0
EBT	502	182	173	243	282
Income taxes	(85)	(102)	(65)	(73)	(85)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	6	4	4	4	4
Reported net profit	**402**	**88**	**111**	**171**	**198**
Adjustments	0	0	0	0	0
Adjusted net profit	**402**	**88**	**111**	**171**	**198**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY22A	FY23P	FY24E	FY25E	FY26E
Accounts payables	368	378	348	345	372
Other current liabilities	260	279	245	251	272
Provisions	28	39	39	39	39
Debt funds	756	849	769	689	609
Other liabilities	273	283	277	267	285
Equity capital	12	12	12	12	12
Reserves & surplus	1,132	1,019	1,083	1,212	1,361
Shareholders' fund	1,171	1,052	1,114	1,242	1,390
Total liab. and equities	**2,854**	**2,880**	**2,793**	**2,833**	**2,967**
Cash and cash eq.	244	170	98	106	148
Accounts receivables	122	83	105	108	117
Inventories	488	544	473	444	479
Other current assets	71	70	43	44	44
Investments	58	48	48	48	48
Net fixed assets	1,162	1,187	1,204	1,262	1,348
CWIP	220	312	369	369	334
Intangible assets	171	279	266	264	262
Deferred tax assets, net	0	0	0	0	0
Other assets	376	235	235	235	235
Total assets	**2,854**	**2,880**	**2,793**	**2,833**	**2,967**

Cash Flows

Y/E 31 Mar (Rs bn)	FY22A	FY23P	FY24E	FY25E	FY26E
Cash flow from operations	**455**	**252**	**272**	**349**	**351**
Capital expenditures	(97)	(318)	(160)	(161)	(161)
Change in investments	(24)	10	0	0	0
Other investing cash flows	(39)	140	9	9	11
Cash flow from investing	**(159)**	**(168)**	**(151)**	**(152)**	**(150)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(129)	93	(80)	(80)	(80)
Interest expenses	(55)	(63)	(62)	(55)	(49)
Dividends paid	(62)	(44)	(42)	(48)	(60)
Other financing cash flows	64	(145)	(9)	(5)	29
Cash flow from financing	**(181)**	**(159)**	**(193)**	**(189)**	**(160)**
Chg in cash & cash eq.	**114**	**(74)**	**(72)**	**9**	**42**
Closing cash & cash eq.	**244**	**170**	**98**	**106**	**148**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23P	FY24E	FY25E	FY26E
Reported EPS	33.2	7.2	9.1	14.0	16.2
Adjusted EPS	33.2	7.2	9.1	14.0	16.2
Dividend per share	5.1	3.6	3.5	4.0	4.9
Book value per share	94.7	84.3	89.6	100.1	112.3

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23P	FY24E	FY25E	FY26E
EV/Sales	1.0	0.8	0.9	1.0	0.9
EV/EBITDA	3.6	6.3	6.3	5.4	4.8
Adjusted P/E	3.5	16.3	12.8	8.3	7.2
P/BV	1.2	1.4	1.3	1.2	1.0

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23P	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	79.7	48.3	64.0	70.3	70.1
Interest burden (PBT/EBIT)	92.6	78.9	78.1	85.3	89.3
EBIT margin (EBIT/Revenue)	22.4	9.5	10.4	13.0	13.3
Asset turnover (Rev./Avg TA)	91.3	84.3	75.3	77.8	81.7
Leverage (Avg TA/Avg Equity)	2.8	2.6	2.7	2.4	2.2
Adjusted ROAE	42.6	8.1	10.4	14.8	15.3

Ratio Analysis

Y/E 31 Mar	FY22A	FY23P	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	56.6	(0.3)	(11.6)	2.5	8.2
EBITDA	108.1	(49.1)	(0.5)	21.4	9.7
Adjusted EPS	408.5	(78.4)	26.8	54.2	15.7
Profitability & Return ratios (%)					
EBITDA margin	26.2	13.4	15.0	17.8	18.1
EBIT margin	22.4	9.5	10.4	13.0	13.3
Adjusted profit margin	16.6	3.6	5.2	7.8	8.4
Adjusted ROAE	42.6	8.1	10.4	14.8	15.3
ROCE	26.9	11.0	10.6	13.5	14.6
Working capital days (days)					
Receivables	18	12	18	18	18
Inventory	74	82	81	74	74
Payables	74	65	70	70	70
Ratios (x)					
Gross asset turnover	0.9	0.8	0.8	0.8	0.8
Current ratio	1.0	0.9	0.8	0.8	0.8
Net interest coverage ratio	10.0	3.6	3.6	5.2	6.5
Adjusted debt/equity	0.4	0.6	0.6	0.5	0.3

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

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Financials – SAIL

Income Statement

Y/E 31 Mar (Rs bn)	FY22A	FY23P	FY24E	FY25E	FY26E
Total revenue	**1,035**	**1,044**	**1,038**	**988**	**1,011**
EBITDA	213	80	117	122	135
Depreciation	(43)	(50)	(52)	(54)	(56)
EBIT	171	31	65	68	79
Net interest inc./(exp.)	(17)	(20)	(19)	(18)	(19)
Other inc./(exp.)	9	10	9	8	9
Exceptional items	(4)	3	0	0	0
EBT	163	29	59	63	74
Income taxes	(40)	(7)	(15)	(16)	(19)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	4	6	5	5	5
Reported net profit	**122**	**22**	**44**	**47**	**55**
Adjustments	0	0	0	0	0
Adjusted net profit	**122**	**22**	**44**	**47**	**55**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY22A	FY23P	FY24E	FY25E	FY26E
Accounts payables	169	143	135	125	127
Other current liabilities	157	137	137	137	137
Provisions	12	14	16	15	15
Debt funds	173	308	243	228	233
Other liabilities	148	156	157	156	159
Equity capital	41	41	41	41	41
Reserves & surplus	501	506	537	570	609
Shareholders' fund	542	547	579	612	650
Total liab. and equities	**1,201**	**1,305**	**1,266**	**1,271**	**1,320**
Cash and cash eq.	8	6	6	8	6
Accounts receivables	48	54	51	49	50
Inventories	196	278	227	214	216
Other current assets	37	43	43	41	42
Investments	0	0	0	0	0
Net fixed assets	684	671	669	666	660
CWIP	40	49	64	94	144
Intangible assets	15	15	15	16	16
Deferred tax assets, net	0	0	0	0	0
Other assets	174	190	190	185	187
Total assets	**1,201**	**1,305**	**1,266**	**1,271**	**1,320**

Cash Flows

Y/E 31 Mar (Rs bn)	FY22A	FY23P	FY24E	FY25E	FY26E
Cash flow from operations	**316**	**(38)**	**164**	**125**	**131**
Capital expenditures	(37)	(46)	(66)	(81)	(101)
Change in investments	0	0	0	0	0
Other investing cash flows	(47)	(16)	0	5	(2)
Cash flow from investing	**(84)**	**(62)**	**(66)**	**(76)**	**(103)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(204)	135	(65)	(15)	5
Interest expenses	(17)	(20)	(19)	(18)	(19)
Dividends paid	(36)	(13)	(13)	(14)	(17)
Other financing cash flows	25	(3)	0	0	0
Cash flow from financing	**(232)**	**98**	**(98)**	**(47)**	**(30)**
Chg in cash & cash eq.	**0**	**(2)**	**0**	**2**	**(2)**
Closing cash & cash eq.	**8**	**6**	**6**	**8**	**6**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23P	FY24E	FY25E	FY26E
Reported EPS	29.6	5.3	10.8	11.4	13.3
Adjusted EPS	29.6	5.3	10.8	11.4	13.3
Dividend per share	8.7	3.2	3.2	3.4	4.0
Book value per share	131.2	132.5	140.1	148.1	157.4

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23P	FY24E	FY25E	FY26E
EV/Sales	0.8	0.6	0.6	0.7	0.6
EV/EBITDA	3.8	8.0	5.2	5.3	4.5
Adjusted P/E	3.1	17.2	8.4	8.0	6.8
P/BV	0.7	0.7	0.6	0.6	0.6

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23P	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	73.6	82.6	74.8	74.8	74.8
Interest burden (PBT/EBIT)	97.5	85.6	91.4	92.9	93.6
EBIT margin (EBIT/Revenue)	16.5	2.9	6.3	6.9	7.8
Asset turnover (Rev./Avg TA)	87.0	83.4	80.8	77.9	78.0
Leverage (Avg TA/Avg Equity)	2.4	2.3	2.3	2.1	2.1
Adjusted ROAE	24.6	4.0	7.9	7.9	8.7

Ratio Analysis

Y/E 31 Mar	FY22A	FY23P	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	49.7	0.9	(0.6)	(4.8)	2.3
EBITDA	67.5	(62.3)	45.6	4.2	10.6
Adjusted EPS	195.2	(82.2)	104.1	6.1	16.9
Profitability & Return ratios (%)					
EBITDA margin	20.6	7.7	11.3	12.3	13.3
EBIT margin	16.5	2.9	6.3	6.9	7.8
Adjusted profit margin	11.8	2.1	4.3	4.8	5.4
Adjusted ROAE	24.6	4.0	7.9	7.9	8.7
ROCE	20.3	4.3	7.4	7.7	8.6
Working capital days (days)					
Receivables	17	19	18	18	18
Inventory	69	97	80	79	78
Payables	75	54	54	53	53
Ratios (x)					
Gross asset turnover	0.9	0.8	0.8	0.8	0.8
Current ratio	0.7	0.8	0.8	0.8	0.8
Net interest coverage ratio	10.1	1.5	3.3	3.7	4.2
Adjusted debt/equity	0.3	0.6	0.4	0.4	0.3

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

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Financials – JSTL

Income Statement

Y/E 31 Mar (Rs bn)	FY22A	FY23P	FY24E	FY25E	FY26E
Total revenue	**1,464**	**1,660**	**1,600**	**1,670**	**1,843**
EBITDA	390	185	315	367	423
Depreciation	(60)	(75)	(80)	(87)	(95)
EBIT	330	111	234	280	327
Net interest inc./(exp.)	(50)	(69)	(69)	(67)	(59)
Other inc./(exp.)	15	10	10	10	10
Exceptional items	(7)	6	0	0	0
EBT	297	57	176	223	278
Income taxes	(88)	(15)	(53)	(67)	(83)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	9	(1)	0	0	0
Reported net profit	**207**	**41**	**121**	**154**	**192**
Adjustments	(9)	0	0	0	0
Adjusted net profit	**197**	**41**	**121**	**154**	**192**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY22A	FY23P	FY24E	FY25E	FY26E
Accounts payables	309	382	319	325	358
Other current liabilities	137	142	138	143	156
Provisions	3	3	3	3	3
Debt funds	722	809	809	759	634
Other liabilities	109	105	119	137	161
Equity capital	3	3	3	3	3
Reserves & surplus	670	654	758	891	1,056
Shareholders' fund	685	670	773	903	1,065
Total liab. and equities	**1,965**	**2,111**	**2,159**	**2,270**	**2,377**
Cash and cash eq.	174	207	185	160	142
Accounts receivables	75	71	87	90	100
Inventories	338	331	273	302	333
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	319	319
Intangible assets	21	21	23	25	28
Deferred tax assets, net	0	5	5	5	5
Other assets	192	206	206	206	206
Total assets	**1,965**	**2,111**	**2,159**	**2,270**	**2,377**

Cash Flows

Y/E 31 Mar (Rs bn)	FY22A	FY23P	FY24E	FY25E	FY26E
Cash flow from operations	**331**	**256**	**251**	**298**	**369**
Capital expenditures	(246)	(173)	(194)	(190)	(180)
Change in investments	0	0	0	0	0
Other investing cash flows	1	(4)	10	10	10
Cash flow from investing	**(245)**	**(177)**	**(184)**	**(180)**	**(170)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(9)	86	0	(50)	(125)
Interest expenses	(50)	(69)	(69)	(67)	(59)
Dividends paid	(42)	(8)	(17)	(22)	(27)
Other financing cash flows	60	(54)	(4)	(5)	(6)
Cash flow from financing	**(41)**	**(45)**	**(89)**	**(143)**	**(217)**
Chg in cash & cash eq.	**46**	**33**	**(23)**	**(25)**	**(18)**
Closing cash & cash eq.	**174**	**207**	**185**	**160**	**142**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23P	FY24E	FY25E	FY26E
Reported EPS	85.5	17.1	50.1	63.7	79.4
Adjusted EPS	81.7	17.1	50.1	63.7	79.4
Dividend per share	17.4	3.4	7.0	8.9	11.1
Book value per share	278.4	271.8	314.9	369.7	437.9

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23P	FY24E	FY25E	FY26E
EV/Sales	0.9	0.8	0.8	0.8	0.7
EV/EBITDA	3.4	7.2	4.3	3.5	3.1
Adjusted P/E	9.7	46.2	15.8	12.4	10.0
P/BV	2.8	2.9	2.5	2.1	1.8

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23P	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	64.8	81.8	69.0	69.0	69.0
Interest burden (PBT/EBIT)	92.4	45.7	75.0	79.8	85.0
EBIT margin (EBIT/Revenue)	22.5	6.7	14.7	16.8	17.8
Asset turnover (Rev./Avg TA)	85.2	81.4	74.9	75.4	79.3
Leverage (Avg TA/Avg Equity)	3.0	3.1	3.0	2.7	2.4
Adjusted ROAE	35.0	6.2	17.1	18.6	19.7

Ratio Analysis

Y/E 31 Mar	FY22A	FY23P	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	83.3	13.4	(3.6)	4.4	10.4
EBITDA	93.7	(52.5)	69.7	16.6	15.1
Adjusted EPS	149.6	(79.0)	192.5	27.0	24.7
Profitability & Return ratios (%)					
EBITDA margin	26.6	11.2	19.7	22.0	22.9
EBIT margin	22.5	6.7	14.7	16.8	17.8
Adjusted profit margin	13.5	2.5	7.6	9.2	10.4
Adjusted ROAE	35.0	6.2	17.1	18.6	19.7
ROCE	24.9	7.8	14.9	16.6	18.4
Working capital days (days)					
Receivables	19	16	20	20	20
Inventory	84	73	62	66	66
Payables	105	95	91	91	92
Ratios (x)					
Gross asset turnover	0.9	0.8	0.7	0.8	0.8
Current ratio	1.1	1.0	1.0	1.0	0.9
Net interest coverage ratio	6.6	1.6	3.4	4.2	5.5
Adjusted debt/equity	0.8	0.9	0.8	0.7	0.5

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

Financials – JSP

Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23P	FY24E	FY25E	FY26E
Total revenue	**5,10,856**	**5,27,159**	**4,93,182**	**5,75,979**	**6,80,135**
EBITDA	1,55,134	99,349	1,08,044	1,37,224	1,59,543
Depreciation	(20,968)	(26,910)	(25,447)	(27,664)	(30,017)
EBIT	1,34,167	72,439	82,597	1,09,560	1,29,526
Net interest inc./(exp.)	(20,065)	(15,646)	(13,046)	(13,046)	(12,046)
Other inc./(exp.)	1,689	1,757	2,165	2,116	2,438
Exceptional items	(4,062)	(13,695)	0	0	0
EBT	1,11,728	44,855	71,716	98,630	1,19,918
Income taxes	(29,245)	(12,923)	(18,646)	(24,657)	(29,979)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**82,550**	**31,511**	**52,539**	**73,232**	**88,589**
Adjustments	0	0	0	0	0
Adjusted net profit	**82,550**	**31,511**	**52,539**	**73,232**	**88,589**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23P	FY24E	FY25E	FY26E
Accounts payables	52,519	47,004	47,483	54,093	64,183
Other current liabilities	1,28,914	54,380	52,770	61,630	72,774
Provisions	888	971	908	1,061	1,252
Debt funds	1,35,016	1,30,463	1,30,463	1,20,463	1,00,463
Other liabilities	78,145	71,263	68,520	68,691	72,018
Equity capital	1,011	1,005	1,005	1,005	1,005
Reserves & surplus	3,55,236	3,86,061	4,35,973	5,04,812	5,86,757
Shareholders' fund	3,70,952	3,90,191	4,40,634	5,10,212	5,93,507
Total liab. and equities	**7,66,435**	**6,94,272**	**7,40,779**	**8,16,150**	**9,04,198**
Cash and cash eq.	36,685	47,168	42,972	48,220	67,379
Accounts receivables	12,641	9,745	10,374	14,202	16,770
Inventories	72,814	58,868	68,586	84,145	99,840
Other current assets	1,43,949	38,976	36,475	42,570	50,236
Investments	0	0	0	0	0
Net fixed assets	4,22,440	4,08,035	4,42,176	4,88,687	5,27,708
CWIP	17,362	71,059	81,059	76,059	76,059
Intangible assets	35,980	34,469	34,469	34,469	34,469
Deferred tax assets, net	0	0	0	0	0
Other assets	24,565	25,952	24,668	27,798	31,736
Total assets	**7,66,435**	**6,94,272**	**7,40,779**	**8,16,150**	**9,04,197**

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23P	FY24E	FY25E	FY26E
Cash flow from operations	**1,26,349**	**1,01,030**	**80,624**	**1,03,831**	**1,26,429**
Capital expenditures	58,857	(64,691)	(69,588)	(69,175)	(69,038)
Change in investments	0	0	0	0	0
Other investing cash flows	(3,771)	(199)	2,958	(1,589)	(2,178)
Cash flow from investing	**55,086**	**(64,891)**	**(66,629)**	**(70,764)**	**(71,216)**
Equities issued/Others	(9)	(6)	0	0	0
Debt raised/repaid	(1,64,081)	(4,553)	0	(10,000)	(20,000)
Interest expenses	(20,065)	(15,646)	(13,046)	(13,046)	(12,046)
Dividends paid	3,060	(2,040)	(2,627)	(4,394)	(6,644)
Other financing cash flows	(25,179)	(3,411)	(2,517)	(379)	2,636
Cash flow from financing	**(2,06,273)**	**(25,656)**	**(18,191)**	**(27,819)**	**(36,054)**
Chg in cash & cash eq.	**(24,837)**	**10,483**	**(4,196)**	**5,248**	**19,159**
Closing cash & cash eq.	**61,522**	**36,685**	**47,168**	**42,972**	**48,220**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23P	FY24E	FY25E	FY26E
Reported EPS	80.9	30.9	51.5	71.8	86.8
Adjusted EPS	80.9	30.9	51.5	71.8	86.8
Dividend per share	(3.0)	2.0	2.6	4.3	6.5
Book value per share	349.3	379.4	428.4	495.9	576.2

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23P	FY24E	FY25E	FY26E
EV/Sales	1.8	1.6	1.5	1.3	1.1
EV/EBITDA	5.9	8.3	6.9	5.4	4.6
Adjusted P/E	7.9	20.7	12.4	8.9	7.4
P/BV	1.8	1.7	1.5	1.3	1.1

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23P	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	71.3	53.8	73.3	74.3	73.9
Interest burden (PBT/EBIT)	86.3	80.8	86.8	90.0	92.6
EBIT margin (EBIT/Revenue)	26.3	13.7	16.7	19.0	19.0
Asset turnover (Rev./Avg TA)	66.1	72.2	68.7	74.0	79.1
Leverage (Avg TA/Avg Equity)	2.3	2.0	1.7	1.7	1.6
Adjusted ROAE	24.5	8.5	12.8	15.5	16.2

Ratio Analysis

Y/E 31 Mar	FY22A	FY23P	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	47.9	3.2	(6.4)	16.8	18.1
EBITDA	18.5	(36.0)	8.8	27.0	16.3
Adjusted EPS	34.2	(61.8)	66.7	39.4	21.0
Profitability & Return ratios (%)					
EBITDA margin	30.4	18.8	21.9	23.8	23.5
EBIT margin	26.3	13.7	16.7	19.0	19.0
Adjusted profit margin	16.2	6.0	10.7	12.7	13.0
Adjusted ROAE	24.5	8.5	12.8	15.5	16.2
ROCE	21.6	12.6	13.8	16.7	18.0
Working capital days (days)					
Receivables	9	7	8	9	9
Inventory	52	41	51	53	54
Payables	(54)	(40)	(45)	(45)	(45)
Ratios (x)					
Gross asset turnover	0.7	0.7	0.7	0.7	0.8
Current ratio	1.2	1.0	1.0	1.1	1.2
Net interest coverage ratio	6.7	4.6	6.3	8.4	10.8
Adjusted debt/equity	0.3	0.2	0.2	0.1	0.1

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**
SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
Brand Name: **BOBCAPS**
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