COMPANY UPDATE

BUY
TP: Rs 150 | ⮝ 21%

TATA STEEL | Metals & Mining | 15 November 2023

India growth to take centre stage; maintain BUY

- **Profit has likely bottomed in Q2 as operations in Netherlands return to breakeven and India's H2 demand outlook looks up**
- **With in-line cash restructuring costs, retain value of UK transition at Rs 6/sh; expect lower restructuring costs for Netherlands transition**
- **Our TP moves to Rs 150 (from Rs 155) factoring in Q2 results and UK transition; maintain BUY**

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Profit has likely bottomed out in Q2: While TATA's Q2FY24 performance was weak, it was only marginally below our forecasts. Management's guidance suggests sequential improvement across all three hubs – India, the UK and the Netherlands – in Q3. Whereas India can benefit from the relatively modest increase in coking coal costs, the Netherlands will benefit from BF restart after relining and the UK from the absence of inventory write-downs.

TSUK cash restructuring cost in line: TATA's assessment of cash transition cost for redundancies and asset closure at GBP 235mn is **broadly in line with our prior estimate** of GBP 250mn for decarbonisation of its UK operations. The company's estimate of GBP 326mn of impairment charge related to mothballing of assets has no impact on future value. In our view, disclosures on the carrying value of TSUK factoring in the transition will be more useful to clarify the company's cost assessment.

Transition benefit assumption unchanged at Rs 6/sh: We retain our valuation of transition benefits at Rs 6/sh assuming (a) breakeven during the transition period, (b) incremental TSUK EBITDA of ~GBP 0.4bn post transition, (c) an exit EBITDA multiple of 5.5x, (d) capex of GBP 0.75bn net of grant, (e) restructuring cost of GBP 0.25bn, and (f) discounting of the fair value by 4.5 years.

TSN cash transition cost to be similar or lower: TSN is planning to transition its 3mt BAF in phase 1 at similar capex to TSUK, but the outgo could be lower if the government's grant goes above 40% (typical ask at 40-60%). Though the cash restructuring cost could possibly be lower given continuation of the entire business, the quantum of non-cash impairment will depend upon the timing of legacy asset retiral. However, the latter does not impact future value.

Reiterate BUY: We lower our FY24/FY25/FY26 EBITDA estimates by 15%/4%/1%, factoring in the weaker Q2 results. Our SOTP-based TP reduces to Rs 150 (from Rs 155) with unchanged FY26E EV/EBITDA multiples for Indian (6x) and European (5.5x) operations and Rs 6/sh added in for the TSUK transition. We remain confident of TATA's ability to deliver earnings-accretive growth and maintain BUY.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	TATA IN/Rs 124
Market cap	US$ 18.5bn
Free float	66%
3M ADV	US$ 50.0mn
52wk high/low	Rs 135/Rs 102
Promoter/FPI/DII	34%/21%/22%

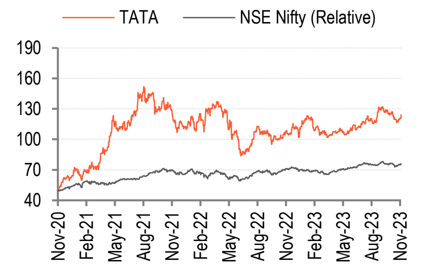
Source: NSE | Price as of 15 Nov 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs bn)	2,416	2,153	2,253
EBITDA (Rs bn)	323	243	358
Adj. net profit (Rs bn)	88	58	150
Adj. EPS (Rs)	7.2	4.7	12.3
Consensus EPS (Rs)	7.2	5.1	12.3
Adj. ROAE (%)	8.1	5.6	13.7
Adj. P/E (x)	17.3	26.2	10.1
EV/EBITDA (x)	6.7	8.7	6.2
Adj. EPS growth (%)	(78.4)	(34.0)	159.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Q2 below our forecasts

- **EBITDA miss.** TATA's Q2FY24 adj. consolidated EBITDA was 6.5% below our estimate due to 5.5% lower EBITDA in India operations which was partly offset by 12% lower losses in Tata Steel Europe (TSE).

- **Standalone operations, including legacy long products, marginally lower QoQ.** Standalone EBITDA dipped by Rs 0.5k/t QoQ in Q2 as the benefits of lower coking coal consumption cost (~US$ 60/t) and lower conversion cost (Rs 2.6k/t) were offset by reduced realisation (Rs 2.4k/t) and higher other costs. Note that TATA's standalone operations now include Tata Steel Long Products (excluding NINL: Neelachal Ispat Nigam) and Tata Steel Mining, with approval for merger of the two received during the quarter.

- **TSE losses increased in Q2.** Combined losses spiked to US$ 155/t from US$ 96/t in Q1 driven by a sharp increase at UK operations to US$ 227/t (from US$ 85/t) while high losses continued in the Netherlands at US$ 112/t (from US$ 104/t). Note, TSE includes operations in the UK (TSUK) and Netherlands (TSN).

  TSUK losses have increased due to sequentially lower realisation, markdown of inventories to net realisable value and increase in emission-related costs, partly offset by a decline in bulk gas and power costs. TSN's losses have remained higher due to increased purchase of slabs to run downstream operations, as its blast furnace (BF) shutdown has extended beyond the original plan of 100 days. For Q2, lower realisation of EUR 60/t and a 0.1mt decline in sales QoQ were offset by a marginal US$ 7/t reduction in coking coal costs, softer bulk gas-related costs and lower repair & maintenance costs.

- **Net debt increased in H1 but likely to be range-bound in H2**. Net debt has increased by Rs 92bn to Rs 770bn in H1 with high losses in European operations. For H2, management guides for range-bound net debt based on sequential improvement in both India and Europe operations and UK restructuring cash outgo over H1FY25.

- **H1 capex running in line with annual guidance.** Against the FY24 guidance of Rs 160bn, H1 capex was Rs 86.42bn.

TSUK – Progressing on green transition

- **Cash restructuring charges limited to GBP 235mn**. TATA estimates a future cash charge of Rs 24.2bn (GBP 235mn) toward decarbonisation of UK operations, primarily related to future redundancies and asset closure costs, and confirms that all related restructuring expenses have largely been provided for. The estimated charges are close to our prior assumption of GBP 250mn (see our note, **UK transition to dispel overhang**).

- **Other impairment charges not relevant to future value.** TATA estimates a restructuring charge of Rs 33.6bn (GBP 326mn) related to mothballing of assets planned in CY24.

- **Future disclosures on carrying value of UK business will be useful.** At this stage, TATA has not disclosed the carrying value of the UK business after transition, which will be more relevant from a future value perspective.

- **Internal loans converted to equity.** TATA has converted outstanding loans of Rs 342bn from its subsidiary, T Steel Holdings (which is a holding company for TATA's operations in Europe), to equity. It has also written off Rs 125.8bn from the carrying value of investments in T Steel Holdings. However, as part of consolidated accounts, this entry has been reversed. TATA has committed to inject US$ 0.75bn into TSUK, which is likely to be funded initially through equity from India and thereafter partially by debt, quantum of which will be linked to TSUK cash flows.

- **Targeting H2FY25 for start of implementation**. TSUK is currently holding informal discussions with the workers' unions to discuss the decarbonisation roadmap and plans to soon begin formal talks with a defined 45-day timeline. TATA expects to get the unions on board for implementation during this quarter, and guides for cash restructuring spend in H1FY25 and capex from H2FY25. While restructuring costs will typically be incurred over 2-3 quarters on a sliding scale, the actual cash outgo profile will be governed by the agreement reached with the unions. Cash outgo could also hit earlier than H1FY25 if TATA is able to get a buy-in from the unions earlier.

- **Looking to breakeven during transition phase.** TATA is looking for downstream sales of 2.5-2.6mt during the transition phase after switching to imports of hot rolled coils (HRC). TSUK aims to achieve cash breakeven by taking out enough costs to match typical low slab-to-rolling spreads.

TSN – To commence formal discussions on transition

- **Submission of decarbonisation proposal soon.** TSN aims to submit its decarbonisation proposal soon to the Netherlands government to initiate discussions for regulatory and financial support. It is looking to transition only one 3mt BF in phase 1. The other 3mt BF which is currently being relined is likely to remain operational till FY31.

- **Aims to improve or maintain regional competitiveness even post transition**. European steel producers have typically been asking for government support amounting to 40-60% of their planned capital expenditure. The grant of opex support varies across countries and is governed by the relative cost of operations in each country, including energy costs, keeping in view differences in regional ecosystems.

- **Capital cost could be similar or lower to TSUK.** Given TSN's plan to decarbonise the 3mt BF which is similar in size to the UK transition, capital costs could also be similar with adjustments for site-specific aspects. The actual cash outgo could be lower if the capital grant is more than 40%.

- **Cash restructuring costs likely to be lower.** With TSN aiming to continue with a similar scale of upstream and downstream business even after transition, we believe redundancies will be significantly lower than those in the UK operations, which should cut down cash restructuring charges.

- **Non-cash restructuring charges will depend upon the approach.** Unlike TSUK, TSN aims to continue with its entire business operations in the Netherlands (both upstream and downstream). TATA has previously indicated that it is looking to transition the second 3mt BF by 2030 but will take a final decision only in 2025-26 when this furnace needs relining.

If TSN decides to close the upstream BF only upon completion of the new electric arc furnace (EAF), then business continuity may not be impacted and the carrying value may not necessarily have to be reduced before the new solution kicks in. However, if TSN decides to close BF-1 upfront before the start of EAF construction, the write-off of legacy operations could match that of TSUK.

Europe – Gradual reduction in losses

- **TSN to achieve EBITDA breakeven in Q4FY24**. TSN aims to restart the relined BF by early December which, together with the US$ 60/t reduction in coking coal costs, will help reduce losses in Q3. Per management guidance, TSN will break even at EBITDA level only in Q4FY24 in the current environment. TATA highlights that steel plant closures have started in Europe which could help restore market balance.
- **TSUK losses to remain elevated but reduce from Q2 levels**. Till costs related to blast furnace and associated assets are taken out, TSUK is likely to remain lossmaking at the EBITDA level. However, the level of losses could moderate in Q3 with a pullback in coking coal costs (US$ 20/t guidance) and the absence of inventory mark-down.
- **Volumes to improve in H2FY24.** TATA's guidance of 8.5mt of shipments for FY24 implies ~15% HoH improvement in H2FY24. With the return of the TSN BF to full operations and TSUK at a 2.5-2.6mt run-rate post transition, TATA guides for 9-10mt of sales volume in FY25.

India – Focusing on growth

- **TSK-2 steel ramp-up over FY25.** Of the Tata Steel Kalinganagar phase-2 (TSK-2) expansion, pellets and FHCR (full hard cold rolled) coils are operational and startup of the 5mt BF is still targeted within six months. This would be followed by startup of the SMS (steel melt shop) and HSP (hot strip mill) during FY25. As BF ramp-up is generally faster than SMS/HSP, the Kalinganagar site may become surplus of slabs intermittently in FY25. Commissioning of galvanising and annealing lines at the CRM (cold rolling mill) complex is also targeted in FY25.
- **Finalisation of new expansion plan over next six months**. TATA continues to target finalisation of NINL expansion (by 4mtpa to a total of 5mtpa) this financial year. Management attributes the delay in announcing the expansion plan to a change in approach that entails completing a large portion of the engineering work before approving the project and starting cash spending.
- **TSK-3 expansion planning to start in parallel.** TATA plans to work in parallel on TSK-3 expansion and aims to launch the same just after completion of TSK-2. The company looks to raise capacity of the Kalinganagar base by another 5mtpa to 13mtpa. TSK-3 and Bhushan phase-1 expansion (raising capacity by 1.5mtpa to 6mtpa) are likely to run in tandem.

Fig 1 – Quarterly performance

(Rs bn)	Q2FY24	Q1FY23	QoQ (%)	Q2FY23	YoY (%)	H1FY24	H1FY23	YoY (%)
Consolidated P&L								
Revenue from operations	557	595	(6.4)	599	(7.0)	1,152	1,233	(6.6)
Adj. EBITDA	**41**	**53**	**(22.3)**	**58**	**(28.7)**	**95**	**202**	**(53.0)**
EBIT	18	28	(35.3)	37	(51.8)	45	164	(72.3)
PBT before exceptionals	2	18	(91.3)	26	(93.9)	20	146	(86.3)
PAT	(65)	5	NM	13	NM	(60)	90	NM
Net income to owners	**(62)**	**6**	**NM**	**15**	**NM**	**(56)**	**93**	**NM**
EPS (Rs)	(5.1)	0.5	NM	1.2	NM	(4.6)	7.6	NM
Effective tax rate (%)	(142.8)	72.2	-	49.8	-	55.1	37.8	-
Adj. EBITDA break-up								
Standalone (incl BSL)	65	67	(3.0)	40	62.3	131	NA	NA
India	64	67	(4.4)	38	67.8	130	NA	NA
Europe	(25)	(16)	(60.1)	18	(240.5)	(41)	78	(152.2)
Others	3	2	20.1	2	23.2	5	NA	NA
Consolidated	**41**	**53**	**(22.3)**	**58**	**(28.7)**	**95**	**202**	**(53.0)**
India business operational parameters								
Production (mt)	5.0	5.0	0.0	4.8	4.6	10.0	-	-
Sales (mt)	4.8	4.8	0.6	4.9	(1.8)	9.6	-	-
Apparent realisation (Rs'000/t)	70.4	73.8	(4.6)	70.6	(0.3)	72.1	NA	NA
Adj. EBITDA (Rs'000/t)	**13.2**	**13.9**	**(5.0)**	**7.7**	**71.0**	**13.6**	**NA**	**NA**
TSN business operational parameters								
Production (mt)	1.2	0.9	26.6	1.7	(27.9)	2.1	NA	NA
Sales (mt)	1.2	1.4	(10.2)	1.3	(3.1)	2.6	NA	NA
Apparent realisation (Rs'000/t)	105.4	109.7	(3.9)	117.3	(10.1)	107.6	NA	NA
Adj. EBITDA (Rs'000/t)	(9.3)	(8.6)	NM	14.1	NM	(8.9)	NA	NA
Adj. EBITDA (Rs'000/t)	**(113)**	**(104)**	**NM**	**176**	**NM**	**(108)**	**NA**	**NA**
TSUK business operational parameters								
Production (mt)	0.8	0.9	(10.6)	0.8	1.3	1.6	NA	NA
Sales (mt)	0.7	0.8	(2.7)	0.8	(2.7)	1.5	NA	NA
Apparent realisation (Rs'000/t)	99.8	103.2	(3.2)	107.4	(7.0)	101.5	NA	NA
Adj. EBITDA (Rs'000/t)	(18.7)	(5.3)	NM	(0.1)	NM	(11.9)	NA	NA
Adj. EBITDA (Rs'000/t)	**(227)**	**(65)**	**NM**	**(1)**	**NM**	**(145)**	**NA**	**NA**
Consolidated operational parameters								
Production (mt)	7.3	7.1	2.5	7.6	(3.3)	14.4	15.3	(5.6)
Sales (mt)	7.1	7.2	(1.8)	7.2	(2.2)	14.3	13.9	3.0
Apparent realisation (Rs'000/t)	78.8	82.6	(4.7)	82.8	(4.9)	80.7	89.0	(9.3)
Adj. EBITDA (Rs'000/t)	**5.9**	**7.4**	**(20.8)**	**8.0**	**(27.1)**	**6.6**	**14.6**	**(54.4)**

Source: Company, BOBCAPS Research | NM: Not meaningful

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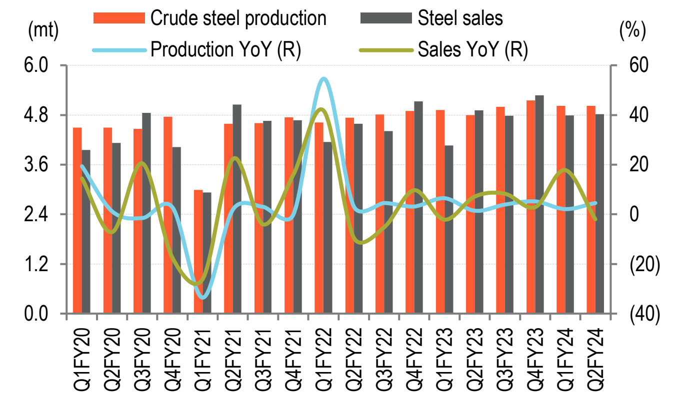
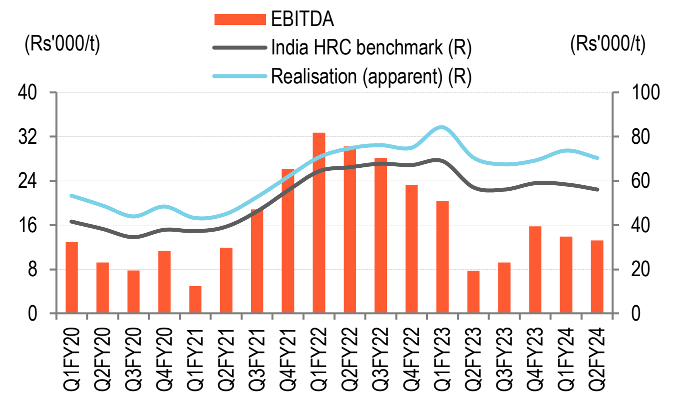
Fig 2 – India production and sales stable in Q2FY24



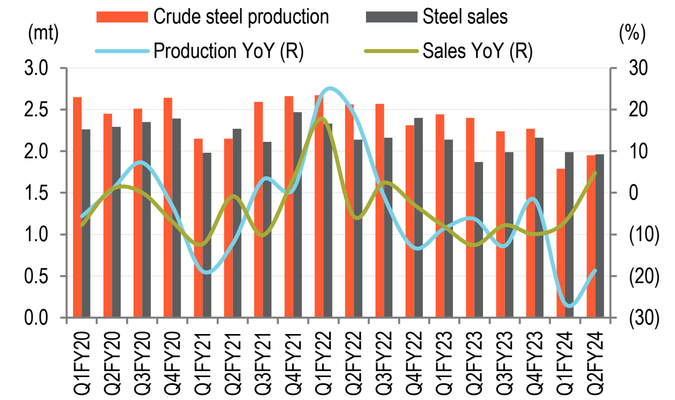
Source: Company, BOBCAPS Research

Fig 3 – EBITDA margin marginally lower QoQ



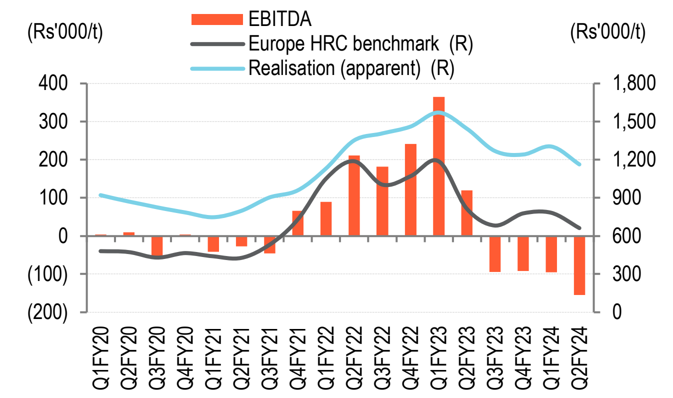
Source: Company, BOBCAPS Research

Fig 4 – European sales recovered only modestly



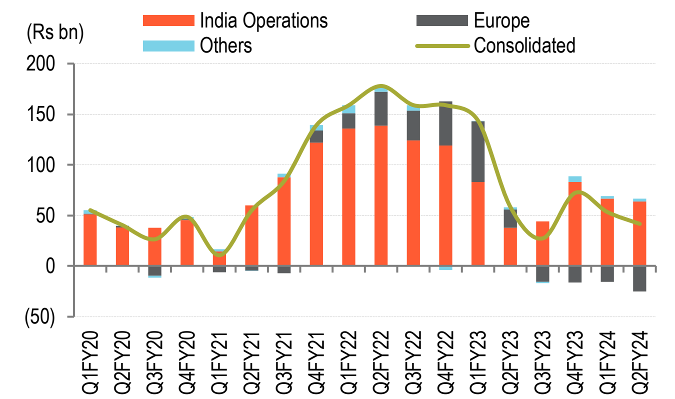
Source: Company, BOBCAPS Research

Fig 5 – Europe business continues to post high losses



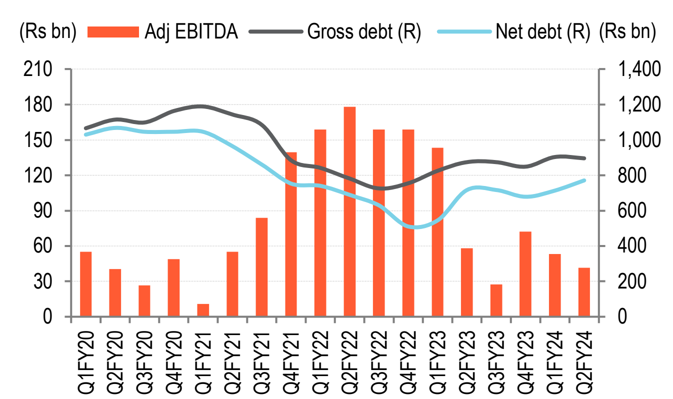
Source: Company, BOBCAPS Research

Fig 6 – Consolidated EBITDA declined on weaker European operations



Source: Company, BOBCAPS Research

Fig 7 – Net debt likely to be range-bound in the near term



Source: Company, BOBCAPS Research

Valuation methodology

Forecasts changes

Accounting for the Q2FY24 results, we lower our FY24/FY25/FY26 EBITDA estimates by 15%/4%/1%. On a lower base of FY23, we build in a conservative 9% EBITDA CAGR for TATA over FY23-FY26 assuming only partial operations at the TSK expansion by FY26 and mid-cycle EBITDA margins of Rs 14.7k-15.6k/t over FY24-FY26. We also model for the following conservative assumptions as the company's capex plan fructifies over the next three years:

- **Europe operations:** TSN assumed to break even in Q4FY25 and then remain at modest profitability through FY26; TSUK operations forecast to gradually near breakeven by the end of H1FY25
- **6mtpa pellet plant:** Rs 400-500/t annualised improvement in steel margin through to FY26 upon full ramp-up of the pellet plant (TATA has stopped buying pellets from Q2)
- **2.2mtpa CRM complex:** US$ 100-150/t improvement over HRC realisation on 1-2mt of cold rolled and related flat products gradually over FY24-FY26 as the entire CRM complex is commissioned
- **1mt NINL plant:** EBITDA margins to improve to Rs 5k-10k/t gradually through to FY26 as TATA fully integrates the NINL plant with its long operations
- **5mtpa TSK expansion:** Utilisation of 30% in FY25 and 80% in FY26 based on company guidance of startup of the BF over Apr-May'24. While TATA explained that BF ramp-up is relatively quick, the integrated plant will take time to ramp up
- **0.75mtpa EAF in Ludhiana:** No benefits from the EAF factored in at this stage as it will take time to develop a scrap-based chain in the region

Fig 8 – Revised estimates

(Rs bn)	Actual	New			Old			Change (%)		
	FY23P	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	2,416	2,153	2,253	2,411	2,184	2,236	2,362	(1.4)	0.7	2.1
EBITDA	323	243	358	413	285	372	418	(14.8)	(3.8)	(1.1)
EBITDA growth (%)	(49)	(25)	48	15	(12)	31	12	-	-	-
Net income	88	58	150	190	97	162	195	(40.3)	(7.7)	(2.7)

Source: Company, BOBCAPS Research

Fig 9 – Estimates vs consensus

(Rs bn)	Provisional	Forecasts			Consensus			Delta to Consensus (%)		
	FY23A	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	2,416	2,153	2,253	2,411	2,287	2,445	2,614	(5.9)	(7.9)	(7.8)
EBITDA	323	243	358	413	248	361	403	(2.3)	(0.8)	2.5
Net income	88	58	150	190	61	147	179	(4.9)	2.0	5.7

Source: Bloomberg, BOBCAPS Research

Fig 10 – Key assumptions

Parameter	FY23A	FY24E	FY25E	FY26E
Sales India business (mt)	19.7	20.4	22.1	24.1
Sales Europe (mt)	8.2	7.7	8.3	8.3
India HRC benchmark price (US$/t)	751	672	614	595
EBITDA/t India business (Rs '000/t)	13.7	14.3	14.8	14.9
EBITDA/t Europe (US$/t)	70	-97	29	62

Source: Company, BOBCAPS Research

Target price tweaked to Rs 150; maintain BUY

We slightly lower our SOTP-based TP for TATA to Rs 150 from Rs 155 factoring in changes to our estimates. We have maintained our target FY26E EV/EBITDA multiple for the European business at 5.5x and continue to bake in an incremental fair value of Rs 6/sh for the proposed UK restructuring. Please refer to our note of 25 Sep 2023, **UK transition to dispel overhang**, for details. We continue to rate India operations at an unchanged target multiple of 6x. Upon discounting our fair value back to Nov'24 (from Sep'24 earlier), we arrive at our one-year forward target price.

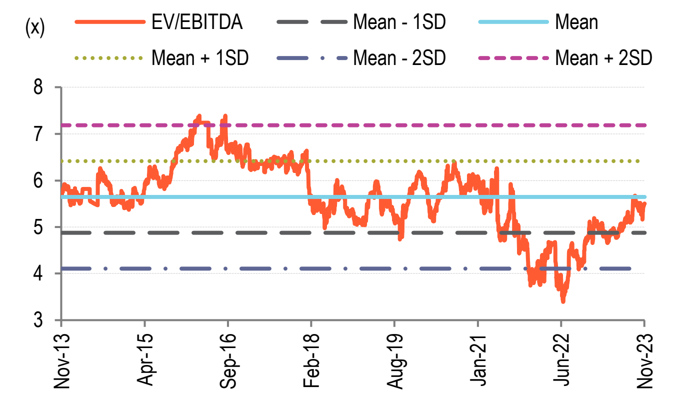
With a blueprint in place for moving the UK plant to more sustainable operations, we believe the overhang on the stock will be dispelled. We remain confident of TATA's ability to deliver earnings-accretive growth and hence maintain BUY.

Fig 11 – TATA: Valuation summary

(Rs bn)	Tata Steel India	Tata Steel Europe	Tata Steel
FY26E EBITDA	370	43	413
Target EV/EBITDA multiple (x)	6.0	5.5	6.1
EV Mar'25E	**2,219**	**237**	**2,456**
Incremental EV from UK transition	0	71	71
EV Mar'25E	**2,219**	**308**	**2,527**
FY25E Net debt	-	-	648
Equity value Mar'25E	**-**	**-**	**1,879**
Fair value Mar'25E (Rs)	-	-	154
Fair value Nov'24E (Rs)	-	-	148
Target price Nov'24E (Rs) (rounded to nearest Rs 5)	**-**	**-**	**150**

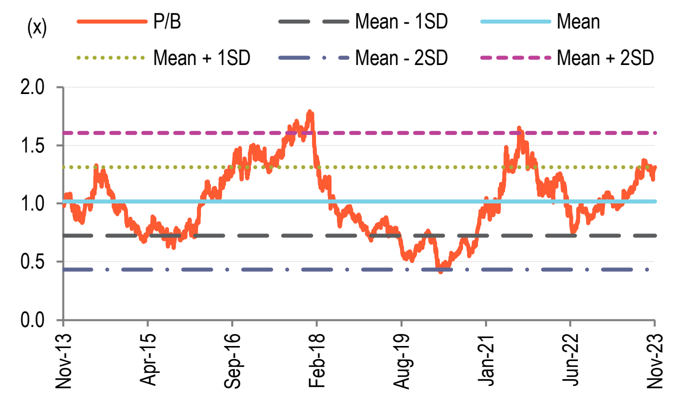
Source: Company, BOBCAPS Research

Fig 12 – TATA EV/EBITDA 2Y fwd



Source: Bloomberg, Company

Fig 13 – TATA P/B 1Y fwd



Source: Bloomberg, Company

Fig 14 – 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	124	BUY	150	20.9	1.0	1.0	9.3	6.0	88	97	1.5	1.3	26.2	10.1
JSTL IN	773	HOLD	840	8.7	1.4	1.3	7.9	6.7	41	119	2.8	2.1	15.8	11.6
JSP IN	648	BUY	735	13.4	1.5	1.4	7.4	5.7	32	50	1.7	1.3	13.1	9.4
SAIL IN	88	HOLD	90	1.8	0.6	0.6	5.4	5.0	22	42	0.7	0.6	8.7	8.2

Source: BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- 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 is exposed to the risk of delays in the 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 cold rolled mill at Kalinganagar plant and annealing and galvanising lines over FY24-FY25. It is also expanding Kalinganagar capacity by 5mtpa to raise total India capacity to 25mt by FY25.
- TATA is also exposed to the risk of delays in finalisation of the UK decarbonisation plan, higher restructuring costs for transition and higher operational costs during the transition period.

Sector recommendation snapshot

Company	Ticker	Market Cap (US$ bn)	Price (Rs)	Target (Rs)	Rating
Jindal Steel & Power	JSP IN	8.0	648	735	BUY
JSW Steel	JSTL IN	23.0	773	840	HOLD
SAIL	SAIL IN	4.4	88	90	HOLD
Tata Steel	TATA IN	18.5	124	150	BUY

Source: BOBCAPS Research, NSE | Price as of 15 Nov 2023

Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	**2,423**	**2,416**	**2,153**	**2,253**	**2,411**
EBITDA	635	323	243	358	413
Depreciation	(91)	(93)	(100)	(105)	(113)
EBIT	544	230	143	253	300
Net interest inc./(exp.)	(55)	(63)	(69)	(62)	(55)
Other inc./(exp.)	8	10	19	19	22
Exceptional items	(1)	1	0	(21)	0
EBT	502	182	97	193	271
Income taxes	(85)	(102)	(39)	(58)	(81)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	6	4	4	4	4
Reported net profit	**402**	**88**	**58**	**135**	**190**
Adjustments	0	0	0	14	0
Adjusted net profit	**402**	**88**	**58**	**150**	**190**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	368	378	366	363	383
Other current liabilities	260	279	247	259	277
Provisions	28	39	39	39	39
Debt funds	756	849	809	729	649
Other liabilities	273	283	279	273	289
Equity capital	12	12	12	12	12
Reserves & surplus	1,132	1,019	1,032	1,133	1,279
Shareholders' fund	1,171	1,052	1,066	1,166	1,312
Total liab. and equities	**2,854**	**2,880**	**2,806**	**2,829**	**2,948**
Cash and cash eq.	244	170	75	81	134
Accounts receivables	122	83	106	111	119
Inventories	488	544	497	467	493
Other current assets	71	70	44	46	46
Investments	58	48	48	48	48
Net fixed assets	1,162	1,187	1,199	1,251	1,331
CWIP	220	312	367	352	302
Intangible assets	171	279	283	286	289
Deferred tax assets, net	0	0	0	0	0
Other assets	376	235	235	235	235
Total assets	**2,854**	**2,880**	**2,806**	**2,829**	**2,948**

Cash Flows

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	**455**	**252**	**213**	**315**	**341**
Capital expenditures	(97)	(318)	(170)	(146)	(146)
Change in investments	(24)	10	0	0	0
Other investing cash flows	(39)	140	19	19	22
Cash flow from investing	**(159)**	**(168)**	**(151)**	**(126)**	**(124)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(129)	93	(40)	(80)	(80)
Interest expenses	(55)	(63)	(69)	(62)	(55)
Dividends paid	(62)	(44)	(35)	(44)	(50)
Other financing cash flows	64	(146)	(13)	3	22
Cash flow from financing	**(181)**	**(159)**	**(156)**	**(183)**	**(163)**
Chg in cash & cash eq.	**114**	**(74)**	**(95)**	**6**	**53**
Closing cash & cash eq.	**244**	**170**	**75**	**81**	**134**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	33.2	7.2	4.7	11.1	15.5
Adjusted EPS	33.2	7.2	4.7	12.3	15.5
Dividend per share	5.1	3.6	2.8	3.6	4.1
Book value per share	94.7	84.4	85.6	93.8	105.7

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	1.0	0.9	1.0	1.0	0.9
EV/EBITDA	3.8	6.7	8.7	6.2	5.3
Adjusted P/E	3.7	17.3	26.2	10.1	8.0
P/BV	1.3	1.5	1.4	1.3	1.2

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	79.7	48.3	59.4	70.0	70.0
Interest burden (PBT/EBIT)	92.6	78.9	68.1	84.7	90.2
EBIT margin (EBIT/Revenue)	22.4	9.5	6.6	11.2	12.5
Asset turnover (Rev./Avg TA)	91.3	84.3	75.7	80.0	83.5
Leverage (Avg TA/Avg Equity)	2.8	2.6	2.7	2.6	2.4
Adjusted ROAE	42.6	8.1	5.6	13.7	15.6

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	56.6	(0.3)	(10.9)	4.6	7.0
EBITDA	108.1	(49.1)	(24.9)	47.5	15.4
Adjusted EPS	408.5	(78.4)	(34.0)	159.3	26.5
Profitability & Return ratios (%)					
EBITDA margin	26.2	13.4	11.3	15.9	17.1
EBIT margin	22.4	9.5	6.6	11.2	12.5
Adjusted profit margin	16.6	3.6	2.7	6.7	7.9
Adjusted ROAE	42.6	8.1	5.6	13.7	15.6
ROCE	26.9	11.0	7.5	12.6	14.6
Working capital days (days)					
Receivables	18	12	18	18	18
Inventory	74	82	84	76	75
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	2.1	4.1	5.4
Adjusted debt/equity	0.4	0.6	0.7	0.6	0.4

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

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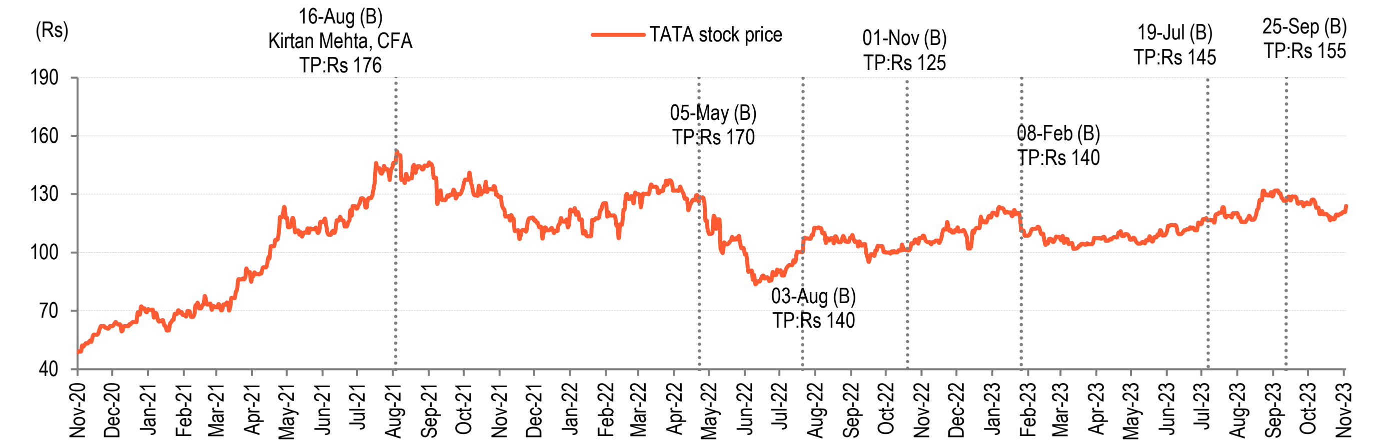

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