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HOLD
TP: Rs 840 | ⮝ 9%

JSW STEEL | Metals & Mining | 23 October 2023

Volume momentum from expansion but near-full valuation

- **Q2 result beat estimates on higher cost savings in standalone operations beyond coking coal reduction**
- **Dolvi expansion spurred growth and momentum likely to continue with further 9mt addition planned by FY25**
- **We maintain HOLD with minor tweak to TP to Rs 845 (from Rs 840) as near-full valuation makes for unfavourable risk-reward**

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Q2 beat: JSTL's consolidated EBITDA was 11% ahead of consensus and 9% ahead of our estimates, driven by a beat from standalone operations which posted 2% higher sales volume and Rs 2.1k/t higher EBITDA margin at Rs 12.8k/t than we expected.

Volume momentum from expansion drive: With completion of the Vijayanagar expansion, JSTL's production/sales volumes grew 27%/37% YoY in H1FY24.

Margin improvement likely include lower loss on sale of iron ore to BPSL: Despite a Rs 4.5k/t QoQ reduction in realisation, JSTL has clocked a sequential EBITDA/t improvement of Rs 2.9k/t (standalone) as it achieved cost savings of Rs 7.4k/t. Although the company clocked a US$ 54/t reduction in coking coal cost due to a better blend this quarter, this explains only Rs 3-3.5k/t of the savings. Additional savings could have accrued from lower iron ore cost, lower conversion cost and possibly lower loss on sale of iron ore to BPSL due to reduced ore production.

Q3 margin likely to be range-bound: While JSTL expects to face higher coking coal cost of US$ 30/t in Q3FY24, most of this is likely to be offset by price increases taken by the company over August-October. We remain watchful of any reversal in cost savings (iron ore sales to BPSL usually normalise in the post-monsoon quarter).

Exciting growth: We broadly retain our FY24-FY26 forecasts and bake in a 32% EBITDA CAGR over FY23-FY26. We factor in volume ramp-up of 5.8mt over three years to 29.4mt by FY26, based on planned capacity addition of ~9mt. We also assume improvement in EBITDA margin from an estimated Rs 12.2k/t in FY24 to Rs 13.6k/t in FY26 as expanded capacities stabilise.

Retain HOLD: Despite optimistic estimates and a target 1Y fwd EV/EBITDA multiple above the historical trading range at 6.5x, our TP of Rs 840 (Rs 845 previously) yields just 9% upside. With aggressive growth approach, JSTL aims to maintain net debt to EBITDA below 3.75x. However, this makes JSTL more vulnerable than peers to any change in cyclical outlook. We continue to find risk-reward unfavourable at this juncture and thus maintain HOLD.

Key changes

Target	Rating
▼	◄►

Ticker/Price	JSTL IN/Rs 769
Market cap	US$ 22.9bn
Free float	40%
3M ADV	US$ 22.2mn
52wk high/low	Rs 840/Rs 617
Promoter/FPI/DII	45%/11%/10%

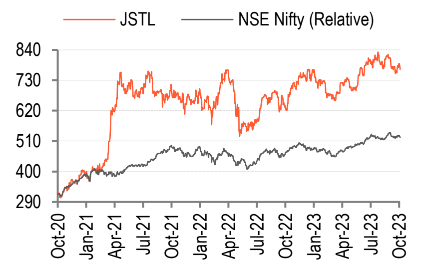
Source: NSE | Price as of 20 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs bn)	1,660	1,789	1,863
EBITDA (Rs bn)	185	319	371
Adj. net profit (Rs bn)	41	119	163
Adj. EPS (Rs)	17.1	48.9	66.6
Consensus EPS (Rs)	17.1	49.2	62.7
Adj. ROAE (%)	6.2	16.9	19.6
Adj. P/E (x)	44.9	15.7	11.6
EV/EBITDA (x)	7.0	4.1	3.4
Adj. EPS growth (%)	(79.0)	185.0	36.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Q2FY24 beats estimates

JSTL's Q2FY24 revenue/adj. EBITDA/adj. net income of Rs 446bn/Rs 79bn/Rs 28bn beat consensus by 5%/11%/14% and outdid our estimates by 2%/9%/13%.

- **Standalone operations drive EBITDA beat.** Standalone EBITDA at Rs 69bn was 23% ahead of our estimate with 2% higher sales volume and 20% higher EBITDA/t than expected at Rs 12.8k/t. Sequentially, standalone EBITDA increased 42% QoQ backed by 10% higher volumes and a Rs 2.9k/t rise in EBITDA/t.

- **Standalone cost reduction significantly higher than our expectations.** EBITDA improvement of Rs 2.9k/t QoQ despite Rs 4.5k/t QoQ lower realisation suggests that standalone operations were able to clock savings of Rs 7.4k/t QoQ. The cost reduction of US$ 54/t, higher than the company's prior guidance of US$ 45/t from a better coking coal blend, explains only ~Rs 3-3.5k/t of cost savings, implying that Rs 4k/t of savings came from other avenues. This could potentially include lower iron ore cost, lower conversion costs on higher volumes and lower loss on sale of iron ore to Bhushan Power & Steel (BPSL) due to reduced ore production during the quarter.

- **India sales volume increased despite monsoons.** Volumes grew 11% QoQ and 10% YoY on the back of stronger domestic demand in a monsoon quarter and liquidation of 0.3mt of inventory despite lower utilisation of 89% during the quarter. Value-added and special products' volume share increased from 54% a year ago to 62%.

- **Overseas operations weakened.** A pullback in international margins led to a slowdown overseas, with the combined EBITDA contribution of US and Italy operations plummeting to Rs 0.5bn from Rs 5.6bn a quarter ago.

- **Exceptionals lower reported net income.** JSTL booked a one-time gain of Rs 5.9bn in Q2, factoring in Rs 7.8bn of fair value gains on the JSW Ispat Special Products (JISPL) merger and Rs 2bn on the sale of property in West Virginia, partially offset by a provision of Rs 3.9bn for green cess in Goa due to recent regulatory changes. Separately, reported net profit also included a prior-period tax charge of Rs 9bn following a shift to the new tax regime.

- **Net debt increased marginally.** The company reported an increase of Rs 1.5bn in net debt to Rs 69.2bn, with Rs 22bn added from the JISPL merger, a reduction in payables owing to lower coking coal prices and lower acceptances, and repayment of some buyers' credit. Despite the marginal increase in net debt, effective leverage in terms of net debt-to-EBITDA reduced to 2.5x from 3.1x owing to better profitability.

FY24 guidance maintained

- **Q3FY24 guidance implies flat-to-lower margin QoQ for India operations.** JSTL has guided for a US$ 30/t increase in coking coal consumption cost for Q3 from US$ 231/t CFR (cost and freight) in Q2. Management expects this increase to be largely offset by the price hikes taken over August-October. As standalone operations seem to have achieved Rs 4k/t of extra savings beyond the coking coal reduction in Q2, there is a risk that some of these cost savings may revert to mean.
- **Margin to hold near term**. JSTL expects industry gross margin to remain stable as a combination of softer coking coal prices and rising steel prices likely offset the increase in raw material costs. The company believes current coking coal prices are unsustainable and should moderate in the near term.
- **Overseas subsidiaries likely to post muted profits.** Management has guided for stable profit at the Baytown facility, weak profit at Ohio operations and range-bound operations in Italy going into H2FY24.
- **FY24 volume guidance maintained.** With H1 production/sales at 13.0mt/12.3mt, JSTL is well on track to deliver on its annual guidance of 26.34mt/25.0mt. BPSL can contribute additional volumes in the fourth quarter once the 1.5mt expansion is commissioned in Q3. Though JSTL has liquidated the inventory built up during Q1, it is looking to sell off more stock during H2.
- **Capex guidance unchanged.** The capex outlook for FY24 remains at Rs 188bn for India and Rs 200bn for consolidated operations, after spends of Rs 78bn and Rs 80bn respectively in H1.

Progress on expansion projects

- JSTL continues to target 37mtpa of capacity by FY25 with the addition of 8.5mmtpa. Of this, the company is looking to add (i) 6.5mtpa of crude steel capacity by end-FY24 by way of a 5mmtpa expansion at Vijayanagar and 1.5mmtpa expansion at BPSL, and (ii) 2mmtpa of crude steel capacity at Vijayanagar in FY25 along with an upgrade of the 3mt blast furnace.
- The company is also targeting the addition of a 0.12mmtpa colour coating line at Jammu & Kashmir by Q4FY24 and a 1.5mmtpa coke oven at Vijayanagar by Q1FY25.

Raw material security

JSTL continues to emphasise on improving raw material security for both iron ore and coking coal. It is looking to improve iron ore security from 45% in FY23 to 75% over the medium term.

- **Karnataka iron ore operations can scale up from 7mt to 16mt.** The company can scale up 4mt of supply at existing mines in Karnataka after environmental clearance and another 5mt from three new mines. Of the six mines acquired so far in FY24, it plans to commence production from the four won in Karnataka and Goa within a year. The other two in Maharashtra may take 2-3 years.

- **Vijayanagar can meet iron ore requirements from Karnataka.** Even with a cap of 50mt on iron ore production in Karnataka, JSTL believes that it can comfortably source its entire requirement of 33-34mt within the state after the steel plant expansion at Vijayanagar to 19.5mtpa capacity. For its additional requirement of 17-18mt beyond captive mines, management indicated that it can procure two-third from NMDC and Sandur (combined production of 21mt) and the balance from other operations (production run-rate of 28mt).

- **Odisha iron ore operations scaled back.** We believe lower competitiveness of mines versus alternative purchase options is reflected in scaling down of Odisha iron ore operations to 17.7mt in FY23 from 22mt in FY22. Out of five mines, the company plans to surrender the one at Jajang which has a smaller scale of operations.

- **Coking coal mines in India could cover 5-6% of requirements.** The company's coking coal mines have the potential to ramp up to 1mt. For improving coking coal supply security, JSTL is looking at strategic options overseas. The recent political upheaval between India and Canada reduces the attractiveness of a strategic opportunity from the coal assets of Teck Resources. This means that JSTL may have to explore opportunities from the largest hub, Australia.

Market outlook

- **Resilient global steel demand.** During the earnings call, JSTL's management highlighted the resilience of steel demand – a view we shared in our note of 18 Oct 2023, **Steel demand resilience lowers downside risk to margins**.

- **Bullish on medium-term growth prospects.** JSTL highlighted that India is entering a nation building phase and will experience strong steel demand growth along the lines of that seen in Japan during the 1960s and in China over 2010-15. The company expects India's steel demand to grow at 8-10% or 10-12mt annually, underpinned by infrastructure development, manufacturing (automotive and general engineering), and higher rural consumption from inclusive growth. Improving water, communications and roads will lift the per capita income in rural India, further boosting steel demand.

Others

- **Transitioning to renewable energy.** JSTL plans to add 1GW of renewable capacity by FY24 and will need to add another 6GW if it is to phase out thermal energy by 2030, factoring in expansion to 50mt. The addition of 6GW would require capex of Rs 300bn, though JSTL aims to source the power from an RE supplier and may contribute its share in equity if it ties up its requirement under a group captive scheme.

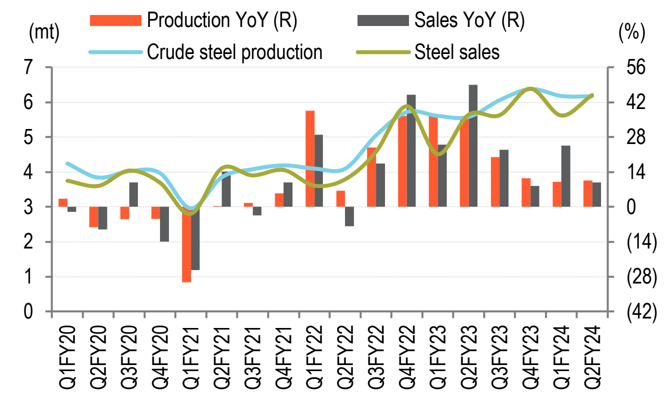
- **JSW One MSME platform gaining traction.** JSW One, a multi-product digital marketplace for micro, small & medium enterprises (MSME), now has more than 30,000 registered customers across India and annualised gross merchandise value in excess of Rs 53bn based on the September exit run-rate. The platform has successfully raised US$ 25mn from Mitsui of Japan in Apr'23, and JSTL continues to holds a 69.01% stake.

Fig 1 – Quarterly performance

(Rs bn)	Q2FY24	Q1FY23	QoQ (%)	Q2FY23	YoY (%)	H1FY24	H1FY23	YoY (%)
Consolidated P&L								
Revenue from operations	446	422	5.6	418	6.7	868	799	8.7
EBITDA	79	70	11.9	18	350.1	149	61	146.4
Adj EBITDA	**79**	**70**	**11.9**	**32**	**144.0**	**149**	**94**	**58.7**
EBIT	59	51	14.0	(1)	(nm)	110	25	344.4
PBT before exceptionals	40	35	14.8	(14)	(nm)	75	(2)	(nm)
PAT before minorities (adjusted)	34	24	38.5	(3)	(nm)	58	5	(nm)
Net income to owners	**28**	**23**	**18.0**	**(8)**	**(nm)**	**51**	**0**	**(nm)**
EPS (Rs)	11	10	17.1	(4)	(nm)	21.1	0.0	52(nm)
Tax rate (%)	39.5	30.2		(7.3)		35.5	117.8	
Adj EBITDA break-up								
Standalone	69	49	41.9	24	182.1	118	73	60.7
BPSL	7	7	6.0	(2)	(nm)	14	5	181.2
JSW Steel Colour Coated	4	4	6.2	(1)	(nm)	8	(2)	531.4
Overseas subsidiaries	1	6	(nm)	(1)	(nm)	6	2	235.4
Others	(2)	5	(nm)	11	(nm)	9	18	(47.4)
Consolidated	79	70	11.9	32	144.0	149	94	58.7
Standalone operational parameters								
Production (mt)	5.4	5.4	(0.7)	5.0	9.1	10.8	10.0	8.9
Sales (mt)	5.4	4.9	9.7	5.0	8.0	10.3	9.0	14.4
Apparent realisation (Rs'000/t)	61.5	66.0	(6.7)	64.0	(3.9)	63.6	69.4	(8.3)
Adj EBITDA (Rs'000/t)	12.8	9.9	29.3	4.9	161.3	11.4	8.1	40.5
BPSL operational parameters								
Production (mt)	0.8	0.7	4.1	0.6	22.2	1.5	1.2	21.8
Sales (mt)	0.8	0.7	15.9	0.6	25.0	1.5	1.1	33.0
Apparent realisation (Rs'000/t)	72.7	79.3	(8.3)	75.1	(3.2)	75.8	84.9	(10.7)
EBITDA (Rs'000/t)	9.3	10.2	(8.6)	(2.9)	425.7	9.7	4.6	111.3
Standalone+BPSL operational parameters								
Production (mt)	6.2	6.2	(0.2)	5.6	10.6	12.4	11.2	10.4
Sales (mt)	6.2	5.6	10.5	5.7	9.9	11.8	10.2	16.4
Apparent realisation (Rs'000/t)	63.0	67.6	(6.9)	65.3	(3.5)	65.2	71.1	(8.3)
EBITDA (Rs'000/t)	12.3	9.9	24.3	4.0	207.4	11.2	7.7	44.8

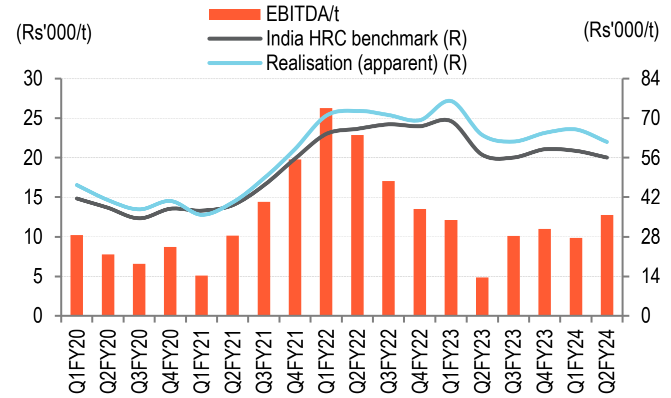
Source: Company, BOBCAPS Research

Fig 2 – JSTL's India (Standalone + BPSL) sales resilient despite seasonality



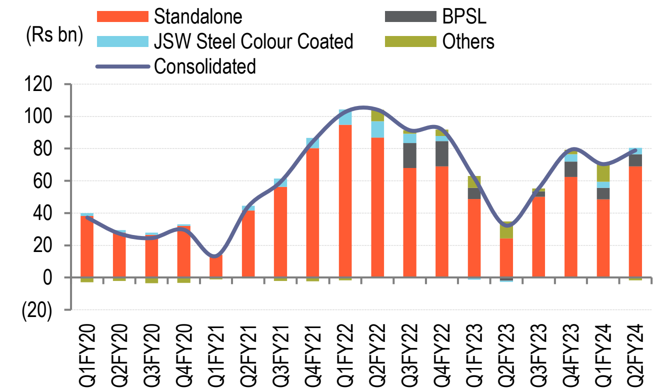
Source: Company, BOBCAPS Research

Fig 3 – Cost savings led to higher EBITDA/t for India operations



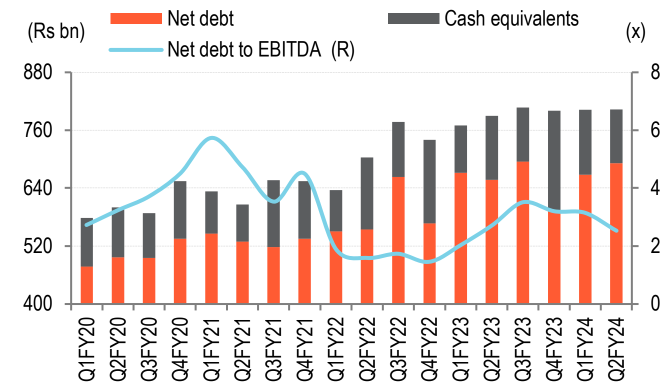
Source: Company, BOBCAPS Research

Fig 4 – Consolidated EBITDA supported by strong standalone operations; international profits weak



Source: Company, BOBCAPS Research

Fig 5 – Net debt increased due to JISPL merger



Source: Company, BOBCAPS Research

Valuation methodology

Forecast changes

We marginally tweak our FY24-26 EBITDA earnings estimates factoring in Q2FY24 results, merger of JISPL and increase FY25/ FY26 net income by 6.7%/ 3.5% factoring in move to the new tax regime. Our forecasts are based on the assumptions outlined below.

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

We continue to expect steel margins to stabilise at mid-cycle levels during H2FY24, albeit toward the tail end of this period, as the demand-supply balance in China gradually improves with potential production cuts in the December quarter. Stronger demand trends in India could also help steady margins.

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

The EBITDA margin for JSTL's India operations is projected to improve from Rs 7.8k/t in FY23 to Rs 12.2k/t in FY24 and further to Rs 13.6k/t in FY26 as the company stabilises new expansion projects.

Expansion ramp-up built into forecasts

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

Fig 6 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,789	1,863	1,988	1,642	1,665	1,790	9.0	11.9	11.1
EBITDA	319	371	424	319	368	422	0.1	0.8	0.7
EBITDA growth (%)	72.2	16.2	14.4	72.1	15.3	14.5	-	-	-
Net income	119	163	197	122	153	190	(1.9)	6.7	3.5

Source: BOBCAPS Research

Fig 7 – Key assumptions

Parameter	FY23	FY24E	FY25E	FY26E
Crude steel production (mt)	23.6	24.9	26.7	29.4
India HRC (US$/t)	751	672	614	595
Realisation standalone (US$/t)	850	746	697	671
EBITDA/t standalone (US$/t)	97	149	158	163
Realisation standalone (Rs'000/t)	68.3	61.3	57.2	56.1
EBITDA/t standalone (Rs'000/t)	7.8	12.2	13.0	13.6

Source: BOBCAPS Research

Fig 8 – Estimates vs. Consensus: Our FY24/FY25 EBITDA and net profit estimates are within 2% to 7% of consensus

(Rs bn)	Forecasts			Consensus			Delta to Consensus (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,789	1,863	1,988	1,703	1,864	2,046	5.1	(0.1)	(2.8)
EBITDA	319	371	424	306	363	399	4.4	2.1	6.4
Net income	119	163	197	116	153	144	2.6	6.7	36.0

Source: Bloomberg, BOBCAPS Research

Maintain HOLD, TP Rs 840

We marginally tweak our TP for JSTL to Rs 840 from Rs 845 with only minor tweaks to our estimates and an unchanged target EV/EBITDA multiple at 6.5x and accounting for merger of JIPSL. We use FY26 as a valuation base to give JSTL credit for the expansion drive underway, and then discount back to Sep'24 to arrive at a one-year forward target price. Our rating remains at HOLD given the 9% upside to the current stock price.

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

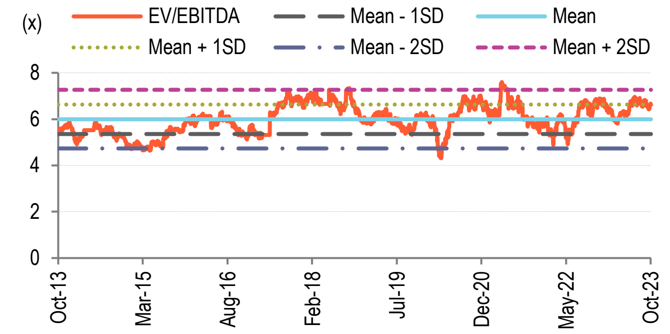
On one-year forward P/B valuation, the stock is currently trading at 2.3x, above its five-year/ten-year historical average of 1.9x/1.7x. The recent upcycle has helped all steel companies restore their balance sheets and embark upon the next phase of brownfield capital investments with significantly lower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

Fig 9 – Valuation summary

(Rs bn)	Value
FY26E EBITDA	424
Target EV/EBITDA multiple (x)	6.5
EV	**2,759**
FY25E Net debt	606
Equity Value Mar'25E	**2,153**
Fair value per share Mar'25E (Rs)	880
Fair value per share Sep'24E (Rs)	840
Target price Sep'24E (Rs) (rounded to nearest Rs 5)	**840**

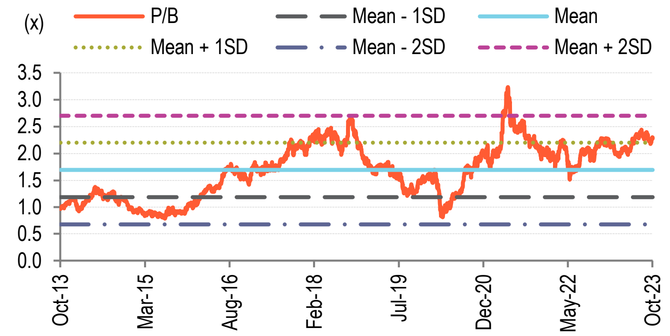
Source: BOBCAPS Research

Fig 10 – EV/EBITDA 2Y fwd



Source: Bloomberg, BOBCAPS Research

Fig 11 – P/B 1Y fwd



Source: Bloomberg, BOBCAPS Research

Fig 12 – Peer comparison

Ticker	CMP (Rs)	Rating	Target price (Rs)	Upside (%)	EV/Sales (x)		EV/EBITDA (x)		Net income (Rs bn)		P/B (x)		P/E (x)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
TATA IN	123	BUY	155	25.9	1.0	0.9	7.7	5.6	88	97	1.5	1.3	15.5	9.3
JSTL IN	769	HOLD	840	9.2	1.4	1.3	7.8	6.7	41	122	2.8	2.1	15.7	11.6
JSP IN	662	BUY	810	22.3	1.6	1.3	7.4	5.8	32	50	1.7	1.4	13.6	9.9
SAIL IN	87	HOLD	90	3.6	0.6	0.6	5.3	4.9	22	42	0.7	0.6	8.5	8.0

Source: BOBCAPS Research

Key risks

- Steel producer valuations are highly sensitive to product and raw material prices. Key downside risks to our estimates are unfavourable changes in global demand-supply balance for steel and its raw materials, leading to lower prices and margins than assumed. Conversely, key upside risks to our estimates are favourable changes in global demand-supply balance for steel and its raw materials, leading to higher prices and margins than our assumptions.
- The company is exposed to the risk of delays in ramping up its aggressive capital investment plan, which could impact earnings growth. It aims to complete 5mtpa of expansion at Vijayanagar and 1.5mtpa at BPSL by FY24, and another 2mtpa expansion at Vijayanagar by FY25, to expand its total capacity to 37mtpa by FY25. Conversely, ramp-up of these expansion projects faster than our assumptions represents an upside risk.
- Considering its aggressive growth policy, large capital investment plan over FY24-FY25 and significantly higher trailing net debt/EBITDA ratio of 2.5x as at Sep'23, JSTL is relatively more vulnerable than peers in the event of a protracted downturn in the steel cycle. Conversely, it could derive higher benefits than peers from its accelerated expansion in the event of an upward turn in the steel cycle.

Sector recommendation snapshot

Company	Ticker	Market Cap (US$ bn)	Price (Rs)	Target (Rs)	Rating
Jindal Steel & Power	JSP IN	8.2	662	810	BUY
JSW Steel	JSTL IN	22.9	769	840	HOLD
SAIL	SAIL IN	4.4	87	90	HOLD
Tata Steel	TATA IN	18.3	123	155	BUY

Source: BOBCAPS Research, NSE | Price as of 20 Oct 2023

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Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	**1,464**	**1,660**	**1,789**	**1,863**	**1,988**
EBITDA	390	185	319	371	424
Depreciation	(60)	(75)	(82)	(88)	(97)
EBIT	330	111	237	283	327
Net interest inc./(exp.)	(50)	(69)	(75)	(74)	(73)
Other inc./(exp.)	15	10	10	10	10
Exceptional items	(7)	6	0	0	0
EBT	297	57	171	217	262
Income taxes	(88)	(15)	(51)	(54)	(66)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	9	(1)	(2)	(2)	(2)
Reported net profit	**207**	**41**	**119**	**163**	**197**
Adjustments	(9)	0	0	0	0
Adjusted net profit	**197**	**41**	**119**	**163**	**197**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	309	382	331	322	338
Other current liabilities	137	142	152	158	168
Provisions	3	3	3	3	3
Debt funds	722	809	809	759	709
Other liabilities	109	105	120	127	136
Equity capital	3	3	3	3	3
Reserves & surplus	670	654	757	897	1,068
Shareholders' fund	685	670	773	913	1,083
Total liab. and equities	**1,965**	**2,111**	**2,188**	**2,281**	**2,437**
Cash and cash eq.	174	207	184	152	199
Accounts receivables	75	71	97	101	108
Inventories	338	331	284	299	314
Other current assets	67	72	72	72	72
Investments	0	0	0	0	0
Net fixed assets	931	978	998	1,087	1,167
CWIP	168	219	319	334	339
Intangible assets	21	21	23	25	27
Deferred tax assets, net	0	5	5	5	5
Other assets	192	206	206	206	206
Total assets	**1,965**	**2,111**	**2,188**	**2,281**	**2,437**

Cash Flows

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	**331**	**256**	**263**	**300**	**370**
Capital expenditures	(246)	(173)	(204)	(194)	(184)
Change in investments	0	0	0	0	0
Other investing cash flows	1	(4)	10	10	10
Cash flow from investing	**(245)**	**(177)**	**(194)**	**(184)**	**(174)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(9)	86	0	(50)	(50)
Interest expenses	(50)	(69)	(75)	(74)	(73)
Dividends paid	(42)	(8)	(17)	(23)	(26)
Other financing cash flows	60	(54)	(1)	0	0
Cash flow from financing	**(41)**	**(45)**	**(92)**	**(148)**	**(149)**
Chg in cash & cash eq.	**46**	**33**	**(23)**	**(32)**	**47**
Closing cash & cash eq.	**174**	**207**	**184**	**152**	**199**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	85.5	17.1	48.9	66.6	80.4
Adjusted EPS	81.7	17.1	48.9	66.6	80.4
Dividend per share	17.4	3.4	6.8	9.3	10.4
Book value per share	278.4	271.8	310.7	367.9	437.8

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	0.9	0.8	0.7	0.7	0.6
EV/EBITDA	3.4	7.0	4.1	3.4	3.0
Adjusted P/E	9.4	44.9	15.7	11.6	9.6
P/BV	2.8	2.8	2.5	2.1	1.8

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24E	FY25E	FY26E
Tax burden (Net profit/PBT)	64.8	81.8	69.8	74.9	74.9
Interest burden (PBT/EBIT)	92.4	45.7	72.1	76.7	80.2
EBIT margin (EBIT/Revenue)	22.5	6.7	13.3	15.2	16.5
Asset turnover (Rev./Avg TA)	85.2	81.4	83.3	83.4	84.3
Leverage (Avg TA/Avg Equity)	3.0	3.1	3.0	2.7	2.4
Adjusted ROAE	35.0	6.2	16.9	19.6	19.9

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	83.3	13.4	7.8	4.1	6.7
EBITDA	93.7	(52.5)	72.2	16.2	14.4
Adjusted EPS	149.6	(79.0)	185.0	36.3	20.7
Profitability & Return ratios (%)					
EBITDA margin	26.6	11.2	17.9	19.9	21.4
EBIT margin	22.5	6.7	13.3	15.2	16.5
Adjusted profit margin	13.5	2.5	6.7	8.7	9.9
Adjusted ROAE	35.0	6.2	16.9	19.6	19.9
ROCE	24.9	7.8	15.1	16.8	18.1
Working capital days (days)					
Receivables	19	16	20	20	20
Inventory	84	73	58	59	58
Payables	105	95	82	79	79
Ratios (x)					
Gross asset turnover	0.9	0.8	0.8	0.8	0.8
Current ratio	1.1	1.0	1.0	1.0	1.0
Net interest coverage ratio	6.6	1.6	3.2	3.8	4.5
Adjusted debt/equity	0.8	0.9	0.8	0.7	0.5

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

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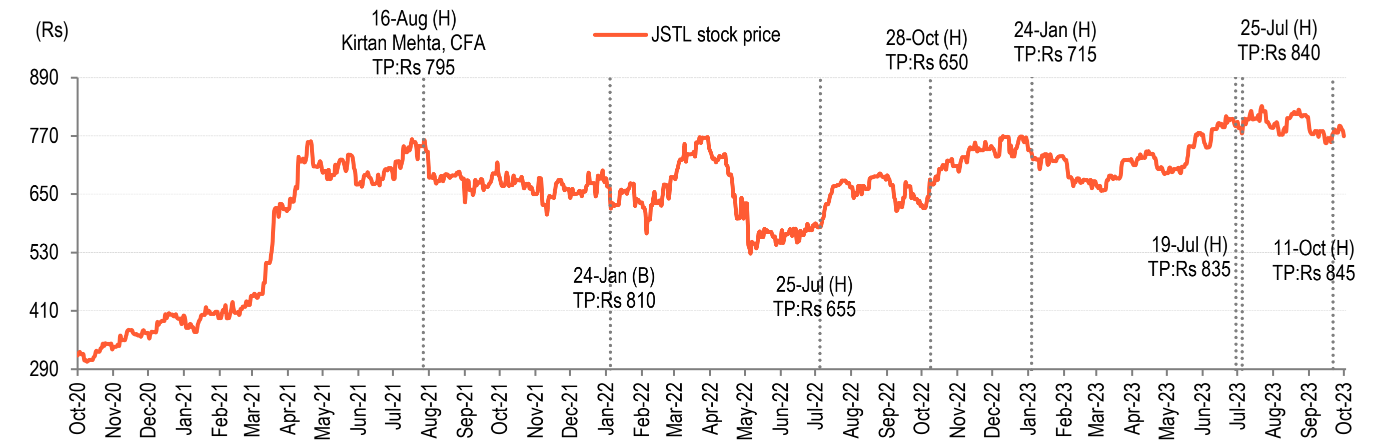

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