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HOLD
TP: Rs 90 | ⮝ 1%

SAIL | Metals & Mining | 17 November 2023

Profit outlook restrained; maintain HOLD

- **Q2 results flattered by prior-period rail revenue recovery; underlying EBITDA margin flattish sequentially while volume recovered**
- **Plant profitability well below FY22 levels amid industry-wide downturn; legacy issues to further weigh on margins**
- **SAIL likely to lag peers in next wave of growth and risks a stretched balance sheet; retain HOLD with TP of Rs 90 (unchanged)**

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Q2 flattered by prior-period recovery: SAIL's underlying Q2FY24 EBITDA works out to Rs 21.5bn after excluding Rs 17.5bn of prior-period rail revenue recovery. This translates into EBITDA/t of Rs 4.4k/t, more or less flat sequentially. However, absolute underlying EBITDA did improve 29% sequentially, helped by a 24% QoQ recovery in sales volume from a weak base in Q1 as domestic demand bucked monsoon trends.

Plant profitability remains muted: Amid an industry-wide pullback in margins, SAIL's major plants (Bhilai, Rourkela and Bokaro) operated at sub-Rs 5k/t profitability in Q2. Structure mills have ramped up to 0.6mt utilisation at Durgapur and IISCO, but we see no concomitant improvement in profitability. Semis reduced to 8% of the sales volume mix from prior levels of 15%, but this failed to meaningfully enhance profits as well.

Legacy issues to further constrain margins: We believe profitability will remain constrained by the presence of legacy blast furnaces that account for nearly half of production and earn US$ 80-90/t lower EBITDA margins than new furnaces. We also expect improvement in employee cost per tonne to remain sluggish as SAIL's annual manpower reduction by 3,000-4,000 staff is being partly negated by cost inflation. Our EBITDA/t forecasts for FY25/FY26 stand at Rs 6.5k/Rs 7.3k.

Growth to lag peers: In our view, SAIL will trail behind peers during the current wave of expansion over FY24-FY27. Although the company plans to add 3.5-4.0mt by debottlenecking existing plants over the next 3-4 years, its current plan includes the addition of only 1mt in FY26 and another 1mt in FY28. Management also expects to incur capex for the first greenfield plant (4.5mt at IISCO) only from FY26, implying that most of the growth from the expansion drive is likely to be back ended over FY24-FY31, by when the company aims to add 13mt for a total of 35mt.

Maintain HOLD: While we raise our FY24 EBITDA forecast by 6% on higher sales volume assumptions to factor in sustained momentum, we broadly maintain our FY25/FY26 forecasts. Our TP remains at Rs 90, based on an unchanged 1Y fwd EV/EBITDA multiple of 4.5x. We retain HOLD as we expect SAIL to lag peers in the next growth phase and to face higher balance sheet risk.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	SAIL IN/Rs 89
Market cap	US$ 4.5bn
Free float	35%
3M ADV	US$ 17.8mn
52wk high/low	Rs 104/Rs 74
Promoter/FPI/DII	65%/4%/15%

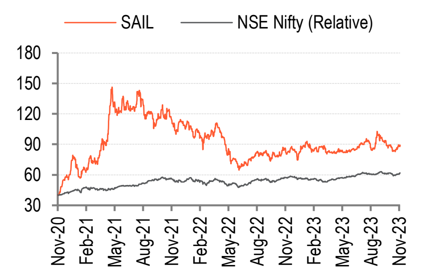
Source: NSE | Price as of 17 Nov 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs bn)	1,044	1,096	1,020
EBITDA (Rs bn)	80	120	120
Adj. net profit (Rs bn)	22	44	43
Adj. EPS (Rs)	5.3	10.6	10.4
Consensus EPS (Rs)	5.3	7.7	10.1
Adj. ROAE (%)	4.0	7.8	7.2
Adj. P/E (x)	16.9	8.4	8.6
EV/EBITDA (x)	7.9	5.0	5.4
Adj. EPS growth (%)	(82.2)	101.9	(2.2)

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Q2 flattered by prior-period recovery

SAIL's Q2FY24 revenue/EBITDA/net income at Rs 297bn/Rs 38.8bn/Rs 16.3bn were 14%/52%/126% ahead of consensus and 2%/28%/67% above our forecasts. The beat primarily stemmed from a Rs 17.5bn prior-period recovery from the railways due to the grant of an upward price revision on FY22 sales.

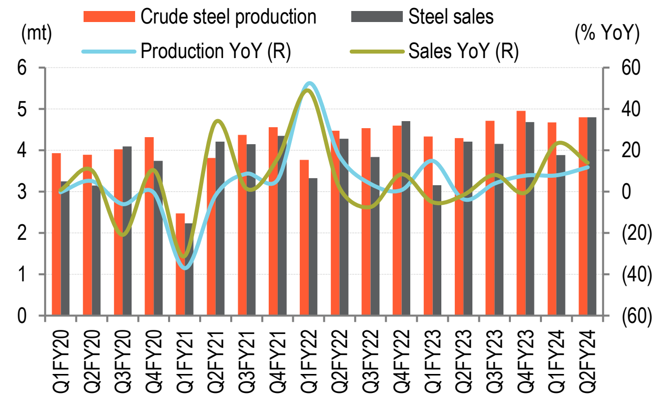
- **Underlying EBITDA muted…:** Underlying EBITDA works out to Rs 21.5bn excluding Rs 17.5bn of prior-period recovery, and was 17% below consensus.
- **…but shows sequential recovery as volumes rebounded:** EBITDA excluding prior recovery grew 29% QoQ primarily due to a 24% jump in sales volume to 4.8mt even in a monsoon quarter from a weaker base in Q1, lifted by stronger domestic demand. SAIL was able to liquidate 0.3mt of inventory in Q2 and also maintain production momentum, staying just 3% shy of its previous peak in Q2 and 10% higher YoY in H1.
- **Underlying EBITDA margin flat QoQ:** Underlying EBITDA/t excluding prior-period recovery of Rs 3.7k/t works out to Rs 4.4k/t, a slight increase sequentially. While the underlying gross margin declined by Rs 3.2k/t, the decline was more than offset by a Rs 3.4k/t reduction in fixed cost, as SAIL benefitted from the recovery in sales volume and higher operating leverage.
- **Rail price revised upward for FY22:** SAIL has booked Rs 17.5bn of revenue from a rail price revision granted by the Indian Railways on 0.92mt of rail sales made in FY22. Against the provisional price of Rs 67.5k/t, the finance ministry has granted a final price realisation of Rs 85.3k/t, factoring in actual costs for FY22. This is yet to be approved by the Railways board, but SAIL does not anticipate significant revision.

Fig 1 – Quarterly performance

(Rs bn)	Q2FY24	Q1FY24	QoQ (%)	Q2FY23	YoY (%)	H1FY24	H1FY23	YoY (%)
Consolidated P&L								
Revenue	297.1	243.6	22.0	262.5	13.2	540.7	502.7	7.6
EBITDA	**38.8**	**16.5**	135.0	**7.4**	427.1	**55.2**	**30.4**	81.9
EBIT	25.5	3.7	582.1	(4.5)	668.6	29.2	6.6	343.4
PBT before JV and exceptionals	20.9	2.2	829.7	(5.6)	474.0	23.1	3.5	569.9
PBT before exceptionals	21.8	2.9	658.1	(4.4)	593.6	24.7	6.0	309.0
PAT adjusted before JV	**16.3**	**1.5**	990.3	**(4.5)**	464.9	**17.7**	**2.2**	721.7
PAT adjusted	17.2	2.1	709.7	(3.3)	622.4	19.3	4.8	306.8
PAT reported	13.1	2.1	514.5	(3.3)	496.4	15.2	4.8	219.5
EPS (Rs)	3.2	0.5	519.6	(0.8)	495.0	3.7	1.2	219.1
Tax rate (%)	21.2	26.3	-	25.6	-	21.8	21.4	-
Standalone								
Crude steel production (mt)	4.8	4.7	2.8	4.3	11.7	9.5	8.6	9.7
Steel sales (mt)	4.8	3.9	23.6	4.2	14.0	8.7	7.4	17.9
Realisation (Rs'000/t)	61.9	62.7	(1.3)	62.3	(0.7)	62.3	68.3	(8.8)
Gross margin (Rs'000/t)	**29.5**	**29.1**	1.5	**23.3**	26.7	**29.3**	**30.3**	(3.3)
Employee costs (Rs'000/t)	6.5	7.3	(11.1)	6.7	(3.2)	6.9	8.0	(13.4)
Other conversion costs (Rs'000/t)	14.9	17.5	(14.8)	14.8	0.7	16.1	18.2	(11.9)
EBITDA (Rs'000/t)	**8.1**	**4.2**	90.2	**1.7**	362.4	**6.4**	**4.1**	54.3

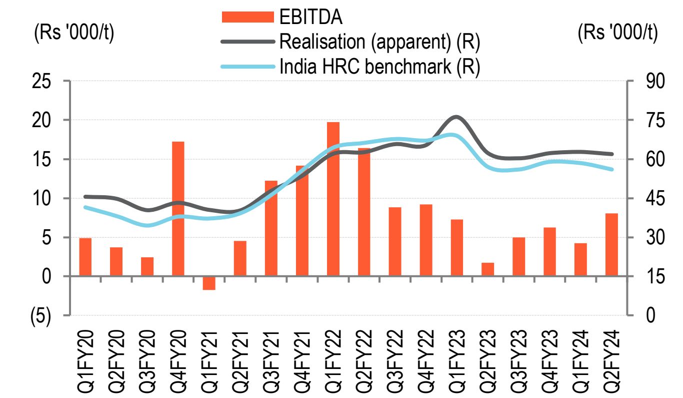
Source: Company, BOBCAPS Research

Fig 2 – Sharp sales recovery despite monsoon quarter



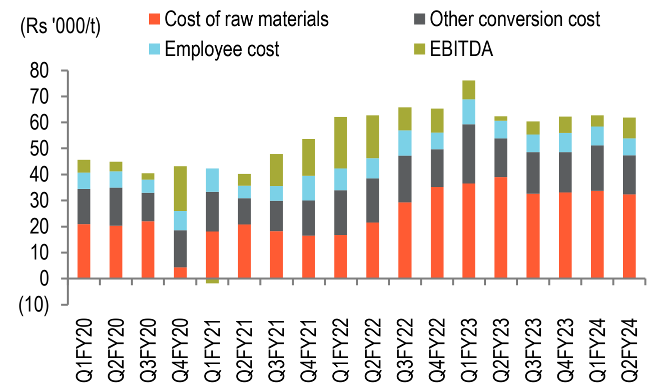
Source: Company, BOBCAPS Research

Fig 3 – EBITDA margin increase reflects Rs 3.7k/t benefit from prior-period rail revenue recovery



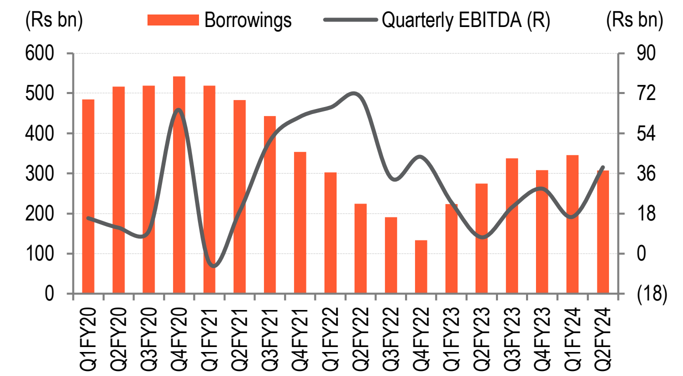
Source: Company, BOBCAPS Research

Fig 4 – EBITDA margin was supported by recovery in sales volume with higher operating leverage



Source: Company, BOBCAPS Research

Fig 5 – Net debt flat in FY24 YTD



Source: Company, BOBCAPS Research

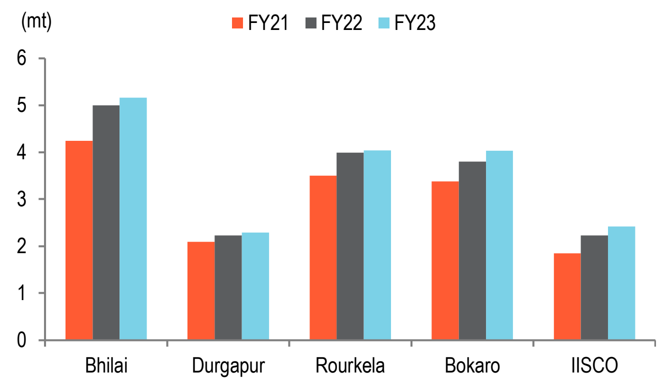
Plant profitability remains muted

While we acknowledge that each of SAIL's five plants has delivered positive operating profit for the fourth quarter in a row, its plant profitability remains well short of FY22 levels.

- **Bhilai underlying profit weak even with rail price revision**. Excluding prior-period recovery, the Bhilai plant saw a sequential decline in operating profit to Rs 1.4bn. Adding back prior-period recovery to Bhilai's operating profitability for FY22 (increases from Rs 28.5bn to Rs 46bn), operating profit per tonne stays relatively weak at Rs 9.2k/t in the context of a strong market environment that year.
- **Durgapur and IISCO plants are yet to reflect benefits from higher utilisation of structure mills.** While SAIL has ramped up utilisation of the medium structure and universal structure mills to ~0.6mt each, this has not yet translated to improved profitability at these plants. Using the FY23 production level as a proxy, we estimate operating profit per tonne at a weak Rs 1.7k/t at Durgapur and Rs 3.6k/t at IISCO in H1FY24.

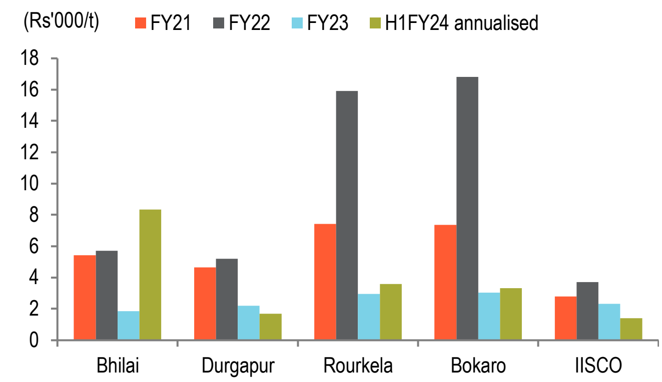
- **Performance of major plants is muted.** EBIT of major plants at Rourkela and Bokaro doubled QoQ to Rs 9.3bn but remains below Rs 5k/t. This demonstrates a high dependence on the external margin environment.
- **Reduction of semis has not improved profitability materially either.** SAIL has successfully reduced semis to 8% of its sales mix by deploying external conversion services, particularly for long products. However, we await visible improvement in profitability from this shift.
- **Legacy issues continue to weigh on margins.** While management has ramped-up crude steel production to current potential of 19mt, we believe improvement in profitability will remain constrained by legacy issues. Reduction in employee cost per tonne remains sluggish as SAIL's annual manpower reduction by 3,000-4,000 staff is being partly negated by cost inflation. Older legacy blast furnaces dampen the average margins for SAIL's plants as they still account for half of production and earn US$ 80-90/t lower EBITDA margins than new blast furnaces.

Fig 6 – Production steadily improving across plants …



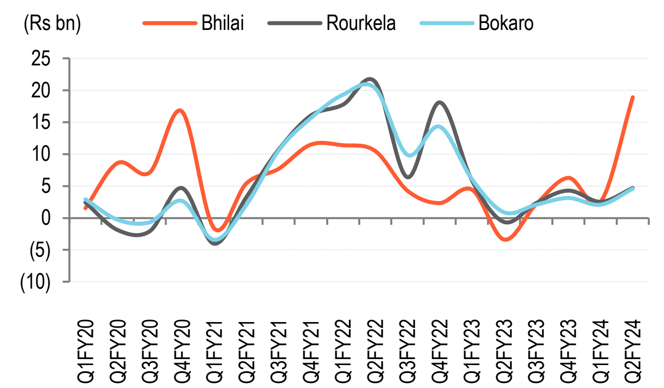
Source: Company, BOBCAPS Research

Fig 7 – …but operating profit remains muted



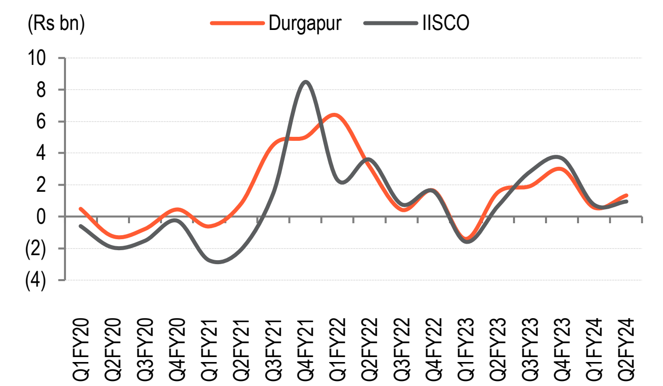
Source: Company, BOBCAPS Research

Fig 8 – Profitability at Bhilai jumped in Q2FY24 on prior-period rail revenue recovery



Source: Company, BOBCAPS Research

Fig 9 – Operating profit trend at smaller plants has weakened despite improved utilisation of structure mills



Source: Company, BOBCAPS Research

FY24 guidance

- **Production and sales guidance retained.** SAIL reiterated its FY24 production guidance at 19mt and sales guidance at similar level, having maintained momentum in H1 with production/sales accounting for 50%/47% of its target. The company holds inventory of 1mt even after liquidation of 0.3mt in Q2 and hence is confident of delivering higher sales this year.
- **Capex guidance lowered.** Management has scaled down its FY24 capex guidance to Rs 55bn from Rs 68bn, after spending Rs 21bn in H1FY24.
- **Gradual debt reduction targeted.** SAIL has managed to bring net debt (excluding lease liabilities) back to FY23 levels of Rs 255bn after an increase in Q1 and now aims to end FY24 at Rs 220bn.
- **Employee cost guidance retained.** While Q2 employee costs were higher than the trend line on account of additional provisions for incentives and pension, SAIL retains its guidance at Rs 120bn for FY24.

Q3 margin likely to reduce QoQ

SAIL's near-term guidance suggests that an increase in realisation could possibly offset higher coking coal costs in Q3, which we interpret it as flat or marginally lower underlying margin. However, adjusting for the absence prior-period rail revenue recovery, we believe apparent EBITDA is likely to fall sequentially.

- **Q3 realisation to improve sequentially**. SAIL's realisation has improved in October by Rs 2.6k/t from the average levels in Q2 to Rs 56k/t. This was driven by an increase of Rs 1.8k/t in flats and Rs 2.7k/t in long products to Rs 55.2k/t and Rs 51.3k/t respectively. SAIL is attempting to hold onto October price levels in November against increased competition from imports and sees the possibility of further price increases in December as demand improves post festive season.
- **Coking coal consumption cost to increase in Q3.** SAIL guides for a Rs 4k/t increase in imported coking coal consumption cost to Rs 27k/t in Q3. The price of domestic coking coal, which accounts for ~15% of the coal basket, is likely to remain flat at Rs 12.5k/t as it has already hit a ceiling under the contractual formula.

Growth to lag peers

SAIL has previously guided for an increase in capacity by 13mt to a total of 35mt by FY31 via debottlenecking and expansion at its four plants. It is slowly finalising the plan.

- **Capital intensity to sweat assets is high.** SAIL continues to target the addition of 3.5-4.0mt through debottlenecking at existing plants. The guided capex of Rs 150bn-200bn implies capital intensity of US$ 450-700/t, which looks high for debottlenecking of assets.
- **Slower growth from debottlenecking.** The company aims to commission the casters at its Bhilai plant in FY25 and Rourkela plant in FY27. This could add capacity of 1mt in FY26 and another 1mt in FY28 upon full ramp-up. Management is yet to disclose plans for addition of the balance 1.5-2.0mt through debottlenecking.

- **Targets in-principle approval for IISCO greenfield expansion in FY24**. SAIL continues to target in-principle approval for its 4.5mt greenfield expansion at IISCO Burnpur in H2FY24 after finalising the detailed project feasibility report. It will start the tendering process post approval and guides for capex to begin only in FY26, starting with initial payments for detailed design and engineering.
- **Brownfield expansion at Durgapur and Bokaro to be next in the pipeline.** Based on its staggered investment plan, SAIL intends to start the 3mt brownfield expansion at Durgapur after IISCO. The company has previously indicated that it is already working on a detailed feasibility report for Durgapur expansion.

Valuation methodology

Forecast changes

We raise our FY24 EBITDA estimate by 6% to factor in (a) higher sales volume expectations by way of sustained momentum, and (b) realisation of prior-period rail revenue recovery, but broadly maintain our FY25 and FY26 forecasts. Our net income forecasts increase by 5% for FY24 but decline by 4% each for FY25 and FY26 as we pencil in the impact of higher interest cost, as reflected in the H1FY24 results.

Fig 10 – Revised estimates

(Rs bn)	Actual	New			Old			Change (%)		
	FY23	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,044	1,096	1,020	1,037	1,074	1,009	1,005	2.0	1.1	3.2
EBITDA	**80**	**120**	**120**	**138**	**114**	**119**	**137**	**6.0**	**1.4**	**0.7**
EBITDA growth (%)	(62.3)	49.6	(0.1)	14.9	41.2	4.4	16	-	-	-
Net income	22	44	43	55	42	45	57	4.6	(3.8)	(3.5)

Source: Company, BOBCAPS Research

- **Conservative sales forecasts:** We raise our sales forecast for FY24 to 18.6mt (from 18.1mt) to factor in sustained momentum during H1 and for FY26 to 18.9mt (from 18.3mt) baking in guidance of 1mt of capacity addition at Bhilai through the addition of a caster.
- **Gradual improvement in profitability:** We assume an improvement in EBITDA/t from Rs 5k in FY23 to Rs 6.5k/Rs 6.5k/Rs 7.3k over FY24/FY25/FY26. The uptick is likely to be driven by lower fixed costs per tonne as a result of improved sales volume, particularly in FY24. After FY24, we expect the pickup in sales volume to be constrained by the need for debottlenecking at existing plants.
- **Legacy blast furnace to weigh on profits:** Our forecasts assume a negative impact of legacy blast furnaces on SAIL’s average margins. These furnaces still account for half of production and earn US$ 80-90/t lower EBITDA margins than new furnaces.
- **Employee cost per tonne to soften only gradually:** We expect a creeping improvement in employee cost per tonne as SAIL’s annual manpower reduction by 3,000-4,000 staff is being partly negated by cost inflation.

Fig 11 – Key assumptions

Parameter	FY23	FY24E	FY25E	FY26E
Sales (mt)	16.2	18.6	18.4	18.9
India HRC (US$/t)	751	672	614	595
Realisation (Rs'000/t)	64.5	58.8	55.4	54.8
EBITDA/t (Rs'000/t)	5.0	6.5	6.5	7.3

Source: Company, BOBCAPS Research

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We are ahead of pre-result consensus forecasts. We believe our higher estimates for FY24 reflect a likely sustained momnmentum in sales and higher margin from prior period rail revenue recovery in Q2FY24. Similarly, for FY25, we expect sales volume to improve beyond 19mt with the addition of a caster and build in marginal expansion in EBITDA margin with plant debottlenecking underway.

Fig 12 – Estimates vs. Consensus

(Rs bn)	Actual	Forecasts			Consensus			Delta to Consensus (%)		
	FY23	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	1,044	1,096	1,020	1,037	1,066	1,082	1,105	2.8	(5.7)	(6.1)
EBITDA	80	120	120	138	104	116	127	15.6	3.5	8.4
Net income	22	44	43	55	31	40	45	43.9	8.6	22.1

Source: Bloomberg, BOBCAPS Research

Maintain HOLD, TP retained at Rs 90

We maintain our TP at Rs 90 for SAIL, ascribing an unchanged one-year forward EV/EBITDA multiple of 4.5x to the stock – below our target 6x mid-cycle valuation for the Indian steel sector to reflect the company's weak profitability and the pause in its capex programme over the past three years to stabilise operations after its previous modernisation drive. We use FY26 as a valuation base in line with our approach for other ferrous players, and then discount back to Nov'24 to arrive at a one-year forward target price.

We retain our HOLD rating as we expect SAIL to lag peers in the next growth phase and to face higher balance sheet risk. We reckon that the company will begin its expansion drive at a net debt-to-EBITDA ratio of 1.6x if it does succeed in starting during FY26. Given limited scope for operational improvement in the existing setup and heavy capex of Rs 250bn annually planned over FY27-FY28, the company once again risks a stretched balance sheet, in our view.

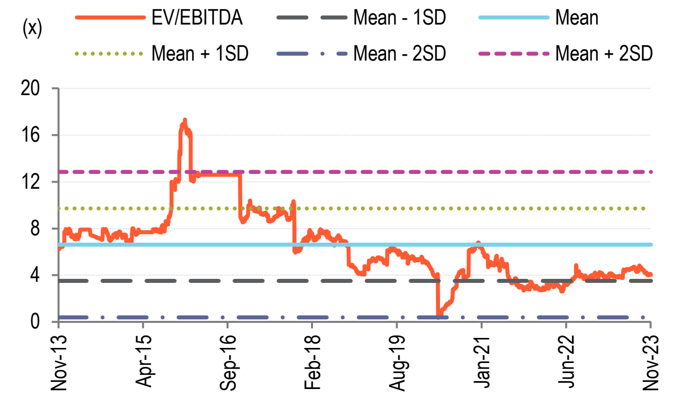
Fig 13 – Valuation summary

(Rs bn)	Value (Rs bn)
FY26E EBITDA	138
Target EV/EBITDA multiple	4.5
EV	**622**
FY25E Net debt	227
Equity Value Mar'25E	**395**
Fair value per share Mar'25E (Rs)	96
Fair value per share Nov'24E (Rs)	92
Target price Nov'24E (Rs) (rounded to nearest Rs 5)	**90**

Source: Company, BOBCAPS Research

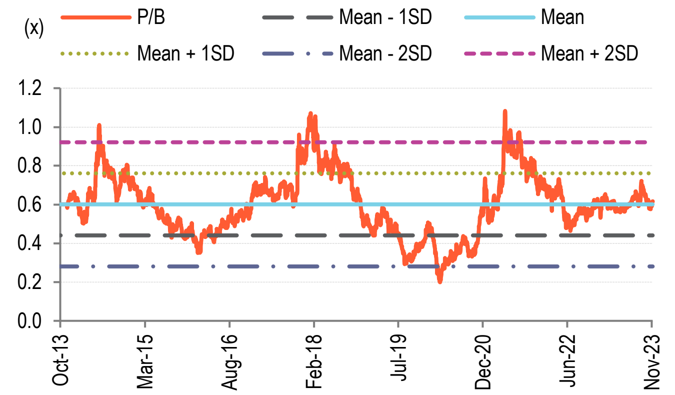
Our target multiple is marginally higher than the stock's historical trading average of 4.2x over the past five years but lower than the 6.6x seen over the past ten-year period.

Fig 14 – EV/EBITDA 2Y forward



Source: Bloomberg, BOBCAPS Research

Fig 15 – P/B 1Y forward



Source: Bloomberg, BOBCAPS Research

Fig 16 – 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)	
					FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
TATA IN	125	BUY	150	19.8	1.1	1.0	9.3	6.1	88	58	1.5	1.3	26.4	10.2
JSTL IN	769	HOLD	840	9.3	1.4	1.3	7.8	6.7	41	119	2.8	2.1	15.7	11.5
JSP IN	647	BUY	735	13.6	1.5	1.4	7.4	5.7	32	50	1.7	1.3	13.1	9.3
SAIL IN	89	HOLD	90	0.8	0.6	0.6	5.2	5.0	22	42	0.7	0.6	8.4	8.6

Source: BOBCAPS Research

Key risks

- Steel producer valuations are highly sensitive to product and raw material prices. Key upside/downside risks to our estimates are changes in global demand-supply balance for steel and its raw materials, leading to higher/lower prices and margins than our assumptions.
- Faster/slower ramp-up of crude steel and value-added production and implementation of efficiency measures than our expectations represent upside/ downside risks to our earnings forecasts.

Sector recommendation snapshot

Company	Ticker	Market Cap (US$ bn)	Price (Rs)	Target (Rs)	Rating
Jindal Steel & Power	JSP IN	8.0	647	735	BUY
JSW Steel	JSTL IN	22.9	769	840	HOLD
SAIL	SAIL IN	4.5	89	90	HOLD
Tata Steel	TATA IN	18.6	125	150	BUY

Source: BOBCAPS Research, NSE | Price as of 17 Nov 2023

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Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Total revenue	**1,035**	**1,044**	**1,096**	**1,020**	**1,037**
EBITDA	213	80	120	120	138
Depreciation	(43)	(50)	(52)	(54)	(56)
EBIT	171	31	68	66	82
Net interest inc./(exp.)	(17)	(20)	(24)	(23)	(23)
Other inc./(exp.)	9	10	9	9	9
Exceptional items	(4)	3	0	0	0
EBT	163	29	59	57	73
Income taxes	(40)	(7)	(15)	(14)	(18)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	4	6	5	5	5
Reported net profit	**122**	**22**	**44**	**43**	**55**
Adjustments	0	0	0	0	0
Adjusted net profit	**122**	**22**	**44**	**43**	**55**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Accounts payables	167	143	119	107	107
Other current liabilities	160	137	145	145	145
Provisions	12	14	16	15	16
Debt funds	173	308	267	252	257
Other liabilities	148	156	160	157	160
Equity capital	41	41	41	41	41
Reserves & surplus	501	506	537	567	605
Shareholders' fund	542	547	578	608	647
Total liab. and equities	**1,201**	**1,305**	**1,285**	**1,284**	**1,330**
Cash and cash eq.	8	6	11	25	38
Accounts receivables	48	54	54	50	51
Inventories	196	278	241	222	222
Other current assets	37	43	46	42	43
Investments	0	0	0	0	0
Net fixed assets	684	671	665	656	646
CWIP	47	49	59	84	124
Intangible assets	15	15	16	16	17
Deferred tax assets, net	0	0	0	0	0
Other assets	167	190	195	188	190
Total assets	**1,201**	**1,305**	**1,285**	**1,284**	**1,330**

Cash Flows

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash flow from operations	**316**	**(39)**	**145**	**129**	**135**
Capital expenditures	(44)	(39)	(56)	(71)	(86)
Change in investments	0	0	0	0	0
Other investing cash flows	(41)	(22)	(6)	7	(2)
Cash flow from investing	**(85)**	**(62)**	**(62)**	**(64)**	**(88)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(204)	135	(41)	(15)	5
Interest expenses	(17)	(20)	(24)	(23)	(23)
Dividends paid	(36)	(13)	(13)	(13)	(16)
Other financing cash flows	25	(3)	0	0	0
Cash flow from financing	**(232)**	**98**	**(78)**	**(51)**	**(35)**
Chg in cash & cash eq.	**0**	**(2)**	**5**	**14**	**13**
Closing cash & cash eq.	**8**	**6**	**11**	**25**	**38**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24E	FY25E	FY26E
Reported EPS	29.6	5.3	10.6	10.4	13.3
Adjusted EPS	29.6	5.3	10.6	10.4	13.3
Dividend per share	8.7	3.2	3.2	3.1	4.0
Book value per share	131.2	132.5	140.0	147.3	156.5

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24E	FY25E	FY26E
EV/Sales	0.8	0.6	0.5	0.6	0.6
EV/EBITDA	3.8	7.9	5.0	5.4	4.4
Adjusted P/E	3.0	16.9	8.4	8.6	6.7
P/BV	0.7	0.7	0.6	0.6	0.6

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	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	85.8	86.5	88.7
EBIT margin (EBIT/Revenue)	16.5	2.9	6.2	6.5	8.0
Asset turnover (Rev./Avg TA)	87.0	83.4	84.6	79.4	79.3
Leverage (Avg TA/Avg Equity)	2.4	2.3	2.3	2.2	2.1
Adjusted ROAE	24.6	4.0	7.8	7.2	8.7

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
YoY growth (%)					
Revenue	49.7	0.9	4.9	(6.9)	1.7
EBITDA	67.5	(62.3)	49.6	(0.1)	14.9
Adjusted EPS	195.2	(82.2)	101.9	(2.2)	27.4
Profitability & Return ratios (%)					
EBITDA margin	20.6	7.7	11.0	11.8	13.3
EBIT margin	16.5	2.9	6.2	6.5	8.0
Adjusted profit margin	11.8	2.1	4.0	4.2	5.3
Adjusted ROAE	24.6	4.0	7.8	7.2	8.7
ROCE	20.3	4.3	7.7	7.4	8.8
Working capital days (days)					
Receivables	17	19	18	18	18
Inventory	69	97	80	79	78
Payables	74	54	45	43	43
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	2.9	2.9	3.6
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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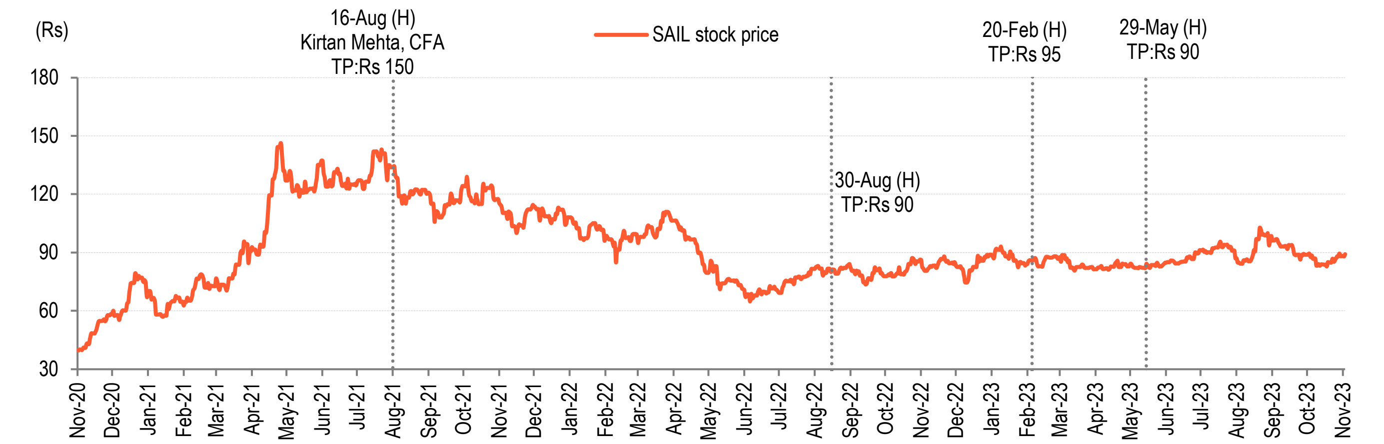

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