

RESEARCH

JINDAL STEEL & POWER | TARGET: Rs 625 | +17% | BUY

Streamlining painful but useful, maintain BUY

AMBER ENTERPRISES | TARGET: Rs 2,260 | +4% | HOLD

Strong performance on new client and capacity addition

SUMMARY

JINDAL STEEL & POWER

- Streamlining of operations by the new management led to Rs 94bn of impairments over H2 but is helping wipe the slate clean
- Delivery on Angul expansion to be a key growth trigger; our earnings forecasts factor in conservative ramp-up assumptions
- TP lowered to Rs 625 (from Rs 670) assuming higher net debt in FY24; maintain BUY

[Click here for the full report.](#)

AMBER ENTERPRISES

- Q4 a beat as all segments posted strong growth, led by electronics (+69% YoY) and RAC & components (+55%)
- Strategic shift toward component manufacturing from RAC panning out well; new wearables vertical carries strong prospects
- We raise FY24/FY25 EPS by ~2% each; maintain HOLD with a revised TP of Rs 2,260 (vs. Rs 2,100)

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Daily macro indicators

Ticker	15-May	16-May	Chg (%)
US 10Y yield (%)	3.50	3.53	3bps
India 10Y yield (%)	7.01	6.96	(4bps)
USD/INR	82.30	82.22	0.1
Brent Crude (US\$/bbl)	75.2	74.9	(0.4)
Dow	33,349	33,012	(1.0)
Hang Seng	19,971	19,978	0.0
Sensex	62,346	61,932	(0.7)
India FII (US\$ mn)	12-May	15-May	Chg (\$ mn)
FII-D	(140.2)	(43.2)	97.1
FII-E	193.2	228.5	35.3

Source: Bank of Baroda Economics Research



BUY

TP: Rs 625 | ▲ 17%

JINDAL STEEL & POWER | Metals & Mining

| 17 May 2023

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Q4 missed consensus: JSP's Q4FY23 EBITDA at Rs 22.4bn was 11% below consensus on booking of additional impairments.

Streamlining useful in wiping the slate clean: Streamlining of operations by the new management has resulted in impairments/provisions of Rs 94bn in H2FY23, including Rs 5.2bn booked in Q4 and a provision of Rs 77bn related to the Mauritius subsidiary booked in Q3. Management is now embarking on a review of the scope of Angul expansion and plans to revisit its capex guidance of Rs 240bn. While this streamlining is painful, we believe it is useful to wipe the slate clean.

Delivery on Angul expansion is the key: FY24 is a key year when JSP needs to deliver on important project milestones. We believe the company is aiming for commissioning of the pellet plant and start-up of the Utkal-C coal mine in Q1FY24, the hot strip mill along with caster in Q3, and the Gare Palma coal mine, blast furnace, coke oven and second pellet plant sometime later in the year.

Conservative forecasts: Factoring in usual delays for projects of such a large scale, we have conservative assumptions on efficiency improvement (4mt/8mt of captive coal in FY24/FY25, ~50% utilisation of slurry pipeline in FY25), ramp-up of steel sales (8mt/9.3mt/11.3mt over FY24/FY5/FY26) and improvement in margins (Rs 12.4k/Rs 13.1k/Rs 14.0k). While we have only tweaked our EBITDA forecasts, we now account for higher net debt in FY24 factoring in capex ramp-up to Rs 75bn and the need for working capital build-up ahead of project ramp-up.

Maintain BUY: We lower our TP to Rs 625 (from Rs 670) as we account for higher net debt, while retaining our target 1Y forward EV/EBITDA multiple at 5.25x. Our target multiple is above the stock's 5Y average of 4.5x to reflect resumption of growth but is below our sector target multiple of 6x as we await a demonstration of capital discipline by JSP over the next investment phase. As our TP implies 17% upside using conservative earnings growth estimates and as our valuation multiple is below the sector average, we maintain BUY.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	JSP IN/Rs 532
Market cap	US\$ 6.6bn
Free float	39%
3M ADV	US\$ 15.1mn
52wk high/low	Rs 623/Rs 304
Promoter/FPI/DII	61%/13%/15%

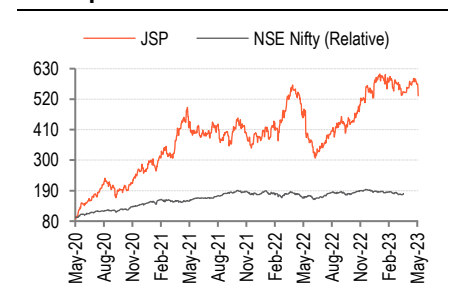
Source: NSE | Price as of 17 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	5,27,159	5,05,926	5,78,622
EBITDA (Rs mn)	99,349	1,13,828	1,38,718
Adj. net profit (Rs mn)	31,511	54,163	69,714
Adj. EPS (Rs)	30.9	53.1	68.3
Consensus EPS (Rs)	30.9	55.4	72.8
Adj. ROAE (%)	8.5	13.1	14.8
Adj. P/E (x)	17.2	10.0	7.8
EV/EBITDA (x)	7.2	5.6	4.5
Adj. EPS growth (%)	(61.8)	71.9	28.7

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



HOLD
 TP: Rs 2,260 | ▲ 4%

AMBER ENTERPRISES

Consumer Durables

17 May 2023

Strong performance on new client and capacity addition

- Q4 a beat as all segments posted strong growth, led by electronics (+69% YoY) and RAC & components (+55%)
- Strategic shift toward component manufacturing from RAC panning out well; new wearables vertical carries strong prospects
- We raise FY24/FY25 EPS by ~2% each; maintain HOLD with a revised TP of Rs 2,260 (vs. Rs 2,100)

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All-round performance: Amber posted a robust Q4FY23 with a topline of Rs 30bn (+55% YoY), ahead of our/consensus estimates by 49%/40% primarily due to new client additions in the electronics and room air conditioner (RAC) divisions. EBITDA stood at Rs 2bn (+62% YoY) with a 6.8% margin (7% est.). Net profit grew 82% YoY to Rs 1bn. Capex was at Rs 7bn in FY23 which management believes enabled Amber to better cater to customer needs, thus improving profitability and RAC market share.

Strong growth across verticals: While all segments performed well, the electronics/RAC divisions led the way with 69%/55% YoY growth. The mobility division has an outstanding order book in excess of Rs 7bn which management believes can double in 2-4 years. The newer wearables vertical is also witnessing strong growth and guided to remain firm in FY24.

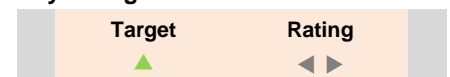
Expanding market share: Amber’s value market share in its core RAC & component business rose to 20.6% in FY23 from 18% in FY22. From a manufacturing footprint point, it has improved 280bps to 29.4% vs 26.6% in FY22.

Upbeat guidance: Management aims to deliver higher growth in the core RAC business vis-à-vis the 10-15% run-rate it anticipates for the industry in FY24, along with solid growth in newer verticals. The electronics, motors and mobility divisions are guided to expand by 35-40%, 20-25% and 15-20% respectively for the year, despite a likely muted performance in Q1 amidst unseasonal rains in North India.

TP raised to Rs 2,260...: The structural shift in RAC manufacturing (outsourcing reduced to 30% vs. 41% in FY21 on PLI announcements) appears to have been offset by a prudent shift towards component manufacturing. We raise FY24/FY25 EPS estimates by ~2% each and roll valuations over to Mar’25E, valuing the stock at an unchanged 27x P/E multiple. Our TP thus rises to Rs 2,260 from Rs 2,100.

...retain HOLD: Despite a good quarter, challenges remain in the AC business due to high competition and unseasonal rains. Further, the recent run-up in stock price limits upside potential. We thus retain HOLD.

Key changes



Ticker/Price	AMBER IN/Rs 2,172
Market cap	US\$ 890.6mn
Free float	60%
3M ADV	US\$ 2.8mn
52wk high/low	Rs 2,794/Rs 1,763
Promoter/FPI/DII	40%/24%/14%

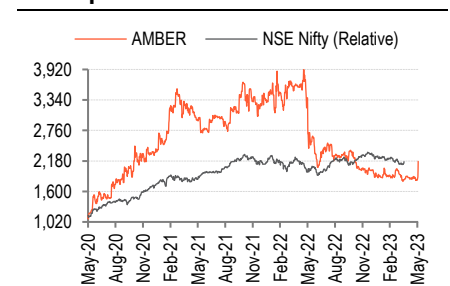
Source: NSE | Price as of 17 May 2023

Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
Total revenue (Rs mn)	69,271	85,232	101,221
EBITDA (Rs mn)	4,179	5,173	6,343
Adj. net profit (Rs mn)	1,572	2,034	2,822
Adj. EPS (Rs)	46.7	60.4	83.8
Consensus EPS (Rs)	46.7	65.5	91.7
Adj. ROAE (%)	8.6	10.1	12.6
Adj. P/E (x)	46.5	36.0	25.9
EV/EBITDA (x)	17.5	14.1	11.5
Adj. EPS growth (%)	44.0	29.4	38.8

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



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BUY – Expected return >+15%

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

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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