

**HOLD**  
 TP: Rs 925 | ▲ 4%

**JSW STEEL**

| Metals & Mining

| 22 July 2024

**Higher volume growth is priced in**

- Q1 EBITDA was below consensus and down sequentially on lower volumes and flat margins despite lower coking coal costs
- Benefit of proposed transfer of slurry pipeline not clear. Despite annuity charge at 39% of capex, JSTL aims to keep savings within the company
- Near-full valuation makes for unfavourable risk-reward; maintain HOLD with minor change in TP to Rs 925 (from Rs 940)

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**Q1 results below consensus:** JSTL's Q1 adj. EBITDA at Rs 55bn was 8% below Bloomberg consensus and was also down 10% sequentially on lower volumes due to planned shutdowns. Due to this, India margin stayed flat at Rs 9.2k/t QoQ. Trailing net debt to EBITDA ratio increased to 3x with spend on capex, build-up of working capital and US\$ 300mn payout of acceptances.

**FY25 guidance intact:** The company aims to deliver on FY25 production/sales guidance of 28.4mt/27mt and ramp-up schedule of both expansions despite small delays due to labour availability during the election quarter. JSTL now aims to ramp-up capacity by 5mt at Vijayanagar and by 1mt at Bhushan Power & Steel (BPSL) by Q3FY25. The only change is deferring 0.5mt of the 1.5mt BPSL expansion to FY27.

**Benefit of slurry pipeline transfer not clear:** JSTL has proposed to transfer 30mt of slurry pipeline to a group company JSW Infrastructure at a fair value of cost of ~Rs17bn. JSTL indicates an annual charge of Rs 13.2bn for 30mt usage, take-or-pay quantum of 18mt for 20 years. The annual charge works out to 39% of planned capex of Rs 34bn and appears higher relative to other infrastructure projects with annuity structures. The transaction is a material 30% of FY24 revenue for JSW Infrastructure. While shipping charges of Rs 440/t at 30mt will result in savings, the effective charge would be higher at agreed take-or-pay levels due to sliding scale of charges. JSTL maintains it would save Rs 900-1,000/t of iron ore.

**Tweak estimates:** We lower our FY26 forecasts by 3% to factor in a shift in production guidance. We still bake in a ~14% EBITDA CAGR over FY24-FY27E, modelling in a volume ramp-up of ~7mt over three years to 32.5mt by FY27. We build in margin improvement from Rs 10.2k/t in FY24 to Rs 12.7k/t by FY27.

**Retain HOLD:** Despite optimistic estimates and target 1Y fwd EV/EBITDA multiple of 7.0x to allow for multiple expansion during the early recovery phase, our TP of Rs 925 (Rs 940 previously) yields just 4% upside. With higher target net debt to EBITDA threshold of 3.75x, JSTL is more vulnerable than its peers to any change in cyclical outlook. We continue to find risk-reward unfavourable and maintain HOLD.

**Key changes**

Target	Rating
▼	◀ ▶

Ticker/Price	JSTL IN/Rs 889
Market cap	US\$ 26.5bn
Free float	40%
3M ADV	US\$ 27.6mn
52wk high/low	Rs 959/Rs 723
Promoter/FPI/DII	45%/11%/11%

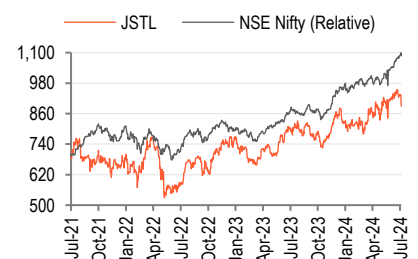
Source: NSE | Price as of 19 Jul 2024

**Key financials**

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs bn)	1,750	1,910	2,059
EBITDA (Rs bn)	282	339	392
Adj. net profit (Rs bn)	88	129	161
Adj. EPS (Rs)	36.0	52.9	65.9
Consensus EPS (Rs)	36.0	55.3	71.3
Adj. ROAE (%)	12.3	15.6	16.9
Adj. P/E (x)	24.7	16.8	13.5
EV/EBITDA (x)	5.7	4.4	3.6
Adj. EPS growth (%)	110.2	46.8	24.6

Source: Company, LSEG Workspace, BOBCAPS Research | P – Provisional

**Stock performance**



Source: NSE



## Q1 results below consensus

JSTL's Q1 adj. EBITDA at Rs 55bn was 8% below Bloomberg consensus but 9% above our estimate. Similarly, Q1 net income at Rs 8.5bn was lower than consensus of Rs 14.3bn but higher than our estimate of Rs 6.5bn. While we believe the miss to consensus was due to lower operating profitability, beat to our estimate was due to better realisation than our estimates due to improvement in sales mix.

- **Consolidated EBITDA fell 10% sequentially.** Consolidated EBITDA of Rs 55bn was down by Rs 6.1bn or 10% QoQ, impacted by lower volumes (Rs 5.3bn), higher costs (Rs 2.6bn), weaker profits in US subsidiaries (Rs 1.9bn) partially offset by higher realisations (Rs 3.2bn).
- **India EBITDA did not recover** despite reductions in coking coal remaining steady at Rs 9.2k/t (from Rs 9.1k/t in Q1) due to the impact of inventory valuation. Standalone operations clocked a modest sequential upside of Rs 0.6k/t to Rs 8.4k/t as the benefit of higher realisations was offset by lower volumes, and lower export realisations. BPSL recorded a higher upside of Rs 2k/t to Rs 8.9k/t with better utilisation of available downstream capabilities. Coated operations were flat QoQ at Rs 3.2k/t.
- **Overseas operations retracted again.** With the pullback in US steel prices, US operations dipped into loss again. Italian operations were stable on the back of continuing rail orders.
- **India operations ramping up value addition.** JSTL is improving its premium product basket within India and posted a 14% YoY rise in value-added sale volumes in Q1. It clocked its highest-ever quarterly sales in various segments like Coated (+20%), Bearings (+19%), Tinplate (+34%) and Electrical (+14%) as well as to Renewables Energy customers (130%).
- **Net debt increased** by Rs 63bn QoQ to Rs 802bn lifting leverage ratio to 3x net debt to EBITDA, close to the upper target band from 2.6x at the end of FY24. The company attributed the increase to the spend on capex and working capital and US\$ 300mn payout of revenue acceptances. While leverage ratio could remain high for a couple of quarters, JSTL aims to bring it back to under 2.5x.

## FY25 guidance

- **Sequential EBITDA increase in Q2.** JSTL guides for sequential improvement in EBITDA on return of volume after maintenance shutdowns at Dolvi and BPSL as well as sequential improvement in margin with lower costs. JSTL expects reduction in coking coal (US\$ 23-28/t lower QoQ) and iron ore costs amid range-bound prices at current lower level.
- **FY25 volume guidance maintained.** Despite 1-1.5 months delay to project ramp-up, JSTL maintained its annual production/sales guidance of 28.4mt/27mt. JSTL plans to take a shutdown at BF3 of Vijayanagar after stabilising the expansion.
- **FY25 capex guidance maintained.** The company spent Rs 44.7bn on capex in Q1 and maintained FY25 guidance at Rs 200bn.

## Transfer of slurry pipeline to group company

**Proposed transaction:** JSTL proposes to transfer 30mtpa of its slurry pipeline under construction at fair value of cost of Rs 17bn with adjustments for capex incurred till the date of actual transfer. JSTL will enter into a 20-year agreement with JSW Infrastructure for the usage of slurry pipeline with a take-or-pay commitment of 18mt annually.

**Rationale:** JSTL's stated rationale is to redeploy capital into steel projects which can earn better IRR than the slurry pipeline.

**Usage charge:** Shipping cost at full utilisation works out to Rs 440/t. However, JSTL indicates that interim unit shipping charge will work out higher at its take-or-pay level of 18mt due to sliding scale of charges. The utilisation of slurry pipeline for Dolvi usage is likely to be around this take-or-pay level. The utilisation could improve after commissioning its second pellet plant at the Angul site.

**Annuity level appears higher:** For a Rs 34bn of capex of slurry pipeline, usage charge at Rs 13.2bn works out to 39% of capex charge. Compared to other infrastructure projects, annuity percentage works out to a higher range.

**Savings from slurry pipeline still preserved:** JSTL maintains that savings envisaged from the slurry pipeline will still accrue to JSTL and has guided for savings of Rs 900-1,000/t of iron ore.

**Transaction material for JSW Infrastructure:** Proposed transaction value of Rs 13.2bn is a material ~30% proportion of FY24 turnover of JSW Infrastructure.

## Progress on expansion projects largely on track

- **5mtpa brownfield expansion at Vijayanagar:** With the plan to commission a sinter plant and blast furnace (BF) by the end of July and Steel Melt Shop by the end of August, JSTL still aims to deliver a ramp-up by Q3FY25. JSTL now guides for the shutdown of BF3 after stabilising the expansion for around 140-150 days. This will have an impact on FY2 volume growth.
- **1.5mtpa brownfield expansion at BPSL:** JSTL has deferred the commissioning of 0.5mt out of 1.5mt capacity to FY27. After commissioning an oxygen plant in July, JSTL is now guiding for a ramp up to 4.5mtpa capacity by the end of Q3FY25. The project's completion has shifted from the original guidance of FY24.

## Raw material security

JSTL is targeting captive iron ore utilisation of 40% in FY25.

- **Karnataka operation to ramp-up to 15.5mt:** The company aims to increase iron ore capacity in Karnataka from 11mt to 15.5mt by commissioning three new mines in FY25. JSTL has already raised capacity at the existing nine mines by 4mt to 11mt by securing necessary environment clearances.

- **Odisha operation to remain at 20mt level:** In the eastern region, while JSTL has received environmental clearances for enhanced capacity at Odisha mines, it is looking to operate its iron ore production at around 20mt in FY25.

### Other takeaways

- **Steel prices are likely to be range-bound.** Considering steel prices have given up gains seen in Apr-May during the correction in Jun-Jul with increase in flat steel imports, restart of secondary long capacities and seasonal pullback in demand in monsoon, JSTL looks for range-bound pricing in the near term as it believes that current exports out of China are incurring cash losses, limiting further downside to steel prices.
- **Domestic market unlikely to turn into material surplus:** Management believes that although the Indian steel industry is gearing up for 15mt of new flat capacity over the next two years, this can be absorbed without causing a material surplus in the industry. Considering delay in commissioning of projects across industry as well as progressive commissioning, these capacities are likely to ramp-up over two years and will not be much in excess of domestic demand growth.

Much of this increase is likely to be taken up by growth in flat steel consumption, estimated at 5-5.5mt by JSTL based on the 50mt current consumption level and a modest 10% growth rate (demand grew 12-14% in FY24).

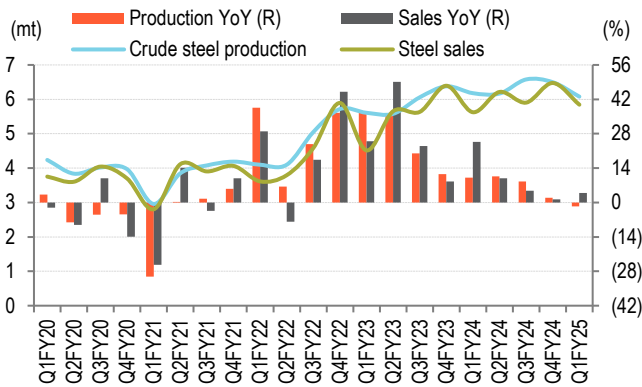
**Fig 1 – Quarterly performance**

(Rs bn)	Q1FY25	Q4FY24	QoQ (%)	Q1FY24	YoY (%)
<b>Consolidated P&amp;L</b>					
Revenue from operations	429	463	(7.2)	422	1.7
<b>EBITDA</b>	55	61	(10.0)	70	(21.8)
<b>Adj EBITDA</b>	<b>55</b>	<b>61</b>	<b>(10.0)</b>	<b>70</b>	<b>(21.8)</b>
EBIT	33	39	(16.0)	51	(35.9)
PBT before exceptionals	14	20	(31.4)	35	(60.3)
PAT before minorities (adjusted)	9	13	(34.4)	24	(64.3)
<b>Net income to owners</b>	<b>8</b>	<b>13</b>	<b>(34.9)</b>	<b>23</b>	<b>(63.9)</b>
EPS (Rs)	3	5	(34.9)	10	(64.3)
Tax rate (%)	37.2	34.3	-	30.2	-
<b>Adj EBITDA breakdown</b>					
Standalone	43	44	(3.8)	49	(12.1)
BPSL	7	5	25.0	7	(4.7)
JSW Steel Colour Coated	4	5	(25.5)	4	(4.7)
Overseas subsidiaries	0	2	(78.7)	6	(91.6)
Others	1	4	(65.3)	5	(72.3)
Consolidated	55	61	(10.0)	70	(21.8)
<b>Standalone operational parameters</b>					
Production (mt)	5.3	5.7	(6.9)	5.4	(2.6)
Sales (mt)	5.1	5.7	(10.5)	4.9	3.2
Apparent realisation (Rs'000/t)	63.3	61.4	3.2	66.0	(4.0)
<b>Adj EBITDA (Rs'000/t)</b>	<b>8.4</b>	<b>7.8</b>	<b>7.6</b>	<b>9.9</b>	<b>(14.8)</b>

(Rs bn)	Q1FY25	Q4FY24	QoQ (%)	Q1FY24	YoY (%)
<b>BPSL operational parameters</b>					
Production (mt)	0.8	0.8	(3.7)	0.7	5.4
Sales (mt)	0.8	0.8	(3.8)	0.7	8.7
Apparent realisation (Rs'000/t)	74.2	71.4	3.9	79.3	(6.5)
<b>EBITDA (Rs'000/t)</b>	<b>8.9</b>	<b>6.9</b>	<b>30.0</b>	<b>10.2</b>	<b>(12.3)</b>
<b>Standalone+BPSL operational parameters</b>					
Production (mt)	6.1	6.5	(6.5)	6.2	(1.6)
Sales (mt)	5.8	6.5	(9.7)	5.6	3.9
Apparent realisation (Rs'000/t)	64.7	62.6	3.4	67.6	(4.3)
<b>EBITDA (Rs'000/t)</b>	<b>8.5</b>	<b>7.7</b>	<b>10.1</b>	<b>9.9</b>	<b>(14.5)</b>

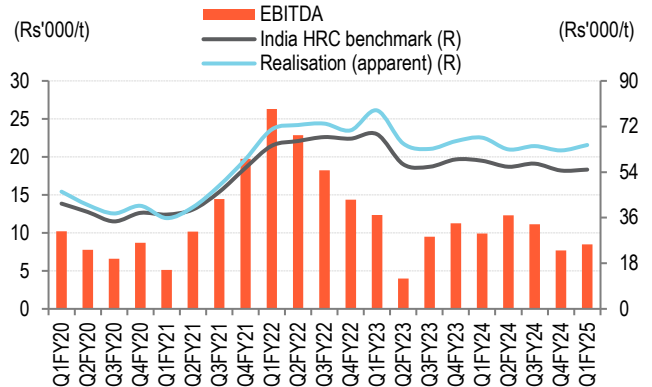
Source: Company, BOBCAPS Research

**Fig 2 – JSTL’s India sales sequential decline was sharper due to softer domestic demand and weaker export pull**



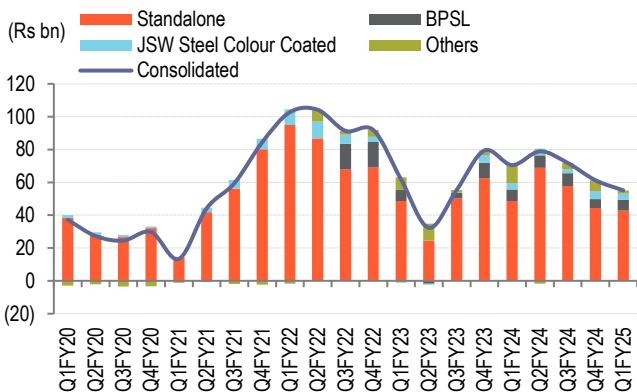
Source: Company, BOBCAPS Research

**Fig 3 – EBITDA margin recovery was muted on lower volumes and inventory valuation adjustment**



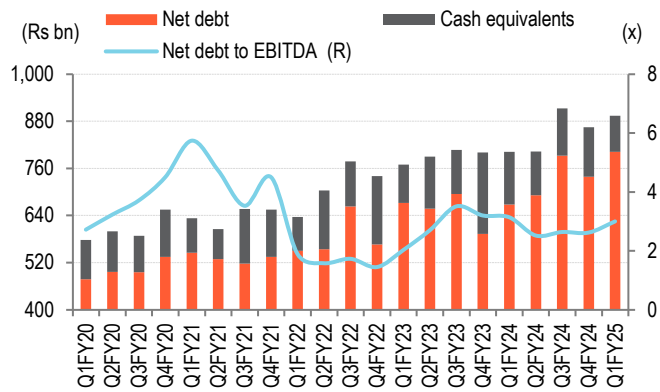
Source: Company, BOBCAPS Research

**Fig 4 – Consolidated EBITDA: Sequential decline due to weaker sales, YoY decline due to weaker margins**



Source: Company, BOBCAPS Research

**Fig 5 – Management attributed net debt increase to capex and working capital**



Source: Company, BOBCAPS Research

## Valuation methodology

### Forecast changes

We lower our FY25E/FY26E EBITDA by 3%/3.4% factoring in marginally lower sales in FY25/FY26 due to the shift in implementation of shutdown at BF3 in Vijayanagar and deferral of 0.5mt of capacity at BPSL. We introduce FY27 forecasts. We believe the company can deliver 14% EBITDA CAGR over FY24-27E upon delivery of expansion under our conservative assumptions on project delivery.

**Volume assumptions:** We pencil in volume growth of 7mt to reach 32.5mt of crude steel production in India operations by FY27. For FY25, we now assume marginally lower production of 26.8mt in India below the company guidance.

**Margin assumptions:** We continue to assume the EBITDA margin of JSTL's India operations will improve from Rs 10.2k/t in FY24 to Rs 12.7k/t by FY27 as the company stabilises new expansion projects.

**Fig 6 – Revised estimates**

(Rs bn)	Provisional	New			Old		Change (%)	
	FY24P	FY25E	FY26E	FY27E	FY25E	FY26E	FY25E	FY26E
Revenue	1,750	1,910	2,059	2,137	1,927	2,076	(0.9)	(0.8)
EBITDA	282	339	392	420	350	406	(3.0)	(3.4)
EBITDA growth (%)	52.2	20.1	15.6	7.1	23.8	16.1	-	-
Net income	88	129	161	179	137	171	(5.7)	(6.0)

Source: Company, BOBCAPS Research

**Fig 7 – Key assumptions**

Parameter	FY24P	FY25E	FY26E	FY27E
Crude steel production – SL+BPSL (mt)	25.4	26.8	29.4	32.5
India HRC (US\$/t)	684	632	614	595
Realisation SL+BPSL (US\$/t)	777	761	752	735
EBITDA/t SL+BPSL (US\$/t)	124	141	151	152
Realisation SL+BPSL(Rs'000/t)	64.3	63.5	62.8	61.4
EBITDA/t SL+BPSL (Rs'000/t)	10.2	11.8	12.6	12.7

Source: BOBCAPS Research, Note: SL – Standalone

### JSTL – HOLD with a revised TP of Rs 925

We lower our TP for JSTL to Rs 925, from Rs 940, factoring in changes to our estimates. Our rating remains at HOLD given the 4% upside to the current stock price.

- We maintain our target EV/EBITDA to 7x for factoring in multiple expansion during the early economic recovery phase. To credit JSTL for delivering aggressive growth, we ascribe the company the highest target multiple of 7.0x within the steel sector (vs. our sector target multiple of 6.5x). Our multiple is also above the stock's historical trading average of 6.1-6.3x over the past five-year/10-year period.

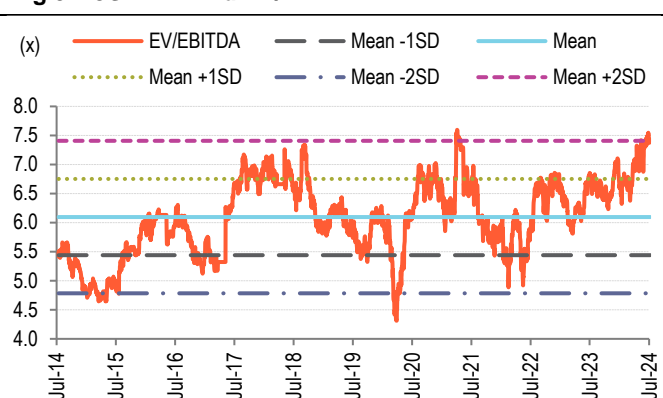
- While we use FY26 as a valuation base to give JSTL credit for its current expansion drive, we also account for incremental value from the ramp-up of full expansion by valuing incremental EBITDA at the same target multiple and then discounting back to Jun'25.

**Fig 8 – JSTL: Valuation summary**

(Rs bn)	Value
FY26E EBITDA	392
Target EV/EBITDA (x)	7
<b>EV Mar'25</b>	<b>2,744</b>
Incremental EV from full ramp-up	230
EV including benefit of full ramp-up Mar'25	2,975
FY25E net debt	765
<b>Equity Value Mar'25E</b>	<b>2,210</b>
Fair value per share Mar'25E (Rs)	904
Fair value per share Jun'25E (Rs)	925
<b>Target price Jun'25E (Rs) (rounded to nearest Rs 5)</b>	<b>925</b>

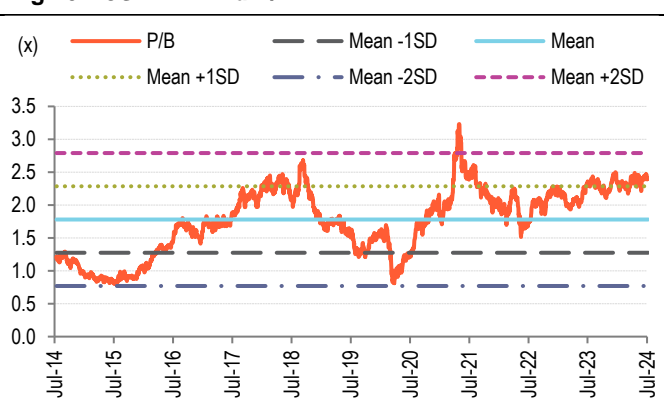
Source: BOBCAPS Research

**Fig 9 – JSTL 2Y fwd EV/EBITDA**



Source: Bloomberg, BOBCAPS Research

**Fig 10 – JSTL 1Y fwd P/B**



Source: Bloomberg, BOBCAPS Research

**Fig 11 – 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)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
TATA IN	158	HOLD	175	10.9	1.2	1.0	8.0	6.2	116	183	2.1	1.8	15.4	10.4
JSTL IN	889	HOLD	925	4.0	1.5	1.4	8.7	7.4	137	171	2.8	2.1	16.8	13.5
JSP IN	946	HOLD	1,055	11.5	2.0	1.4	8.4	6.2	66	97	2.2	1.6	14.7	10.0
SAIL IN	142	SELL	110	(22.4)	0.8	0.8	7.0	6.3	45	53	1.0	0.9	13.1	11.1

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 dynamics, leading to higher prices and margins than assumed.

- The company is exposed to the risk of delays in ramping up its aggressive capital investment plan, which could hurt earnings growth. It aims to complete 1mtpa expansion at BPSL and 5mtpa of expansion in FY25, to expand its India capacity to 36.2mtpa and then further to 42mtpa by Sep'27. 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 to LTM EBITDA ratio of 3.0x as at Jun'24, JSTL is relatively more vulnerable than its peers in the event of a protracted downturn in the steel cycle. Conversely, it could derive higher benefits than its peers from its accelerated expansion in the event of an upturn in the steel cycle.

### Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
Jindal Steel & Power	JSP IN	11.7	946	1,055	HOLD
JSW Steel	JSTL IN	26.5	889	925	HOLD
SAIL	SAIL IN	7.1	142	110	SELL
Tata Steel	TATA IN	24.0	158	175	HOLD

Source: BOBCAPS Research, NSE | Price as of 19 Jul 2024



## Financials

### Income Statement

Y/E 31 Mar (Rs bn)	FY23A	FY24P	FY25E	FY26E	FY27E
<b>Total revenue</b>	<b>1,660</b>	<b>1,750</b>	<b>1,910</b>	<b>2,059</b>	<b>2,137</b>
EBITDA	185	282	339	392	420
Depreciation	(75)	(82)	(93)	(102)	(109)
EBIT	111	201	246	290	311
Net interest inc./(exp.)	(69)	(81)	(82)	(83)	(80)
Other inc./(exp.)	10	10	10	10	10
Exceptional items	6	6	0	0	0
EBT	57	134	173	215	239
Income taxes	(15)	(44)	(43)	(54)	(60)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(1)	(2)	(2)	(2)	(2)
<b>Reported net profit</b>	<b>41</b>	<b>88</b>	<b>129</b>	<b>161</b>	<b>179</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>41</b>	<b>88</b>	<b>129</b>	<b>161</b>	<b>179</b>

### Balance Sheet

Y/E 31 Mar (Rs bn)	FY23A	FY24P	FY25E	FY26E	FY27E
Accounts payables	382	334	322	332	344
Other current liabilities	142	137	163	175	181
Provisions	3	4	4	4	4
Debt funds	809	880	850	820	790
Other liabilities	105	129	137	145	153
Equity capital	3	3	3	3	3
Reserves & surplus	654	774	884	1,021	1,173
Shareholders' fund	670	798	908	1,044	1,196
<b>Total liab. and equities</b>	<b>2,111</b>	<b>2,282</b>	<b>2,385</b>	<b>2,521</b>	<b>2,668</b>
Cash and cash eq.	207	123	85	81	85
Accounts receivables	71	75	91	97	101
Inventories	331	378	393	393	406
Other current assets	72	68	68	68	68
Investments	0	0	0	0	0
Net fixed assets	978	1,053	1,137	1,213	1,282
CWIP	219	292	317	372	427
Intangible assets	21	25	28	30	33
Deferred tax assets, net	5	3	3	3	3
Other assets	206	263	263	263	263
<b>Total assets</b>	<b>2,111</b>	<b>2,282</b>	<b>2,385</b>	<b>2,521</b>	<b>2,668</b>

### Cash Flows

Y/E 31 Mar (Rs bn)	FY23A	FY24P	FY25E	FY26E	FY27E
<b>Cash flow from operations</b>	<b>256</b>	<b>163</b>	<b>288</b>	<b>359</b>	<b>367</b>
Capital expenditures	(173)	(234)	(205)	(235)	(235)
Change in investments	0	0	0	0	0
Other investing cash flows	(4)	(42)	10	10	10
<b>Cash flow from investing</b>	<b>(177)</b>	<b>(276)</b>	<b>(195)</b>	<b>(225)</b>	<b>(225)</b>
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	86	71	(30)	(30)	(30)
Interest expenses	(69)	(81)	(82)	(83)	(80)
Dividends paid	(8)	(18)	(19)	(24)	(27)
Other financing cash flows	(54)	57	0	0	0
<b>Cash flow from financing</b>	<b>(45)</b>	<b>29</b>	<b>(132)</b>	<b>(138)</b>	<b>(138)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>33</b>	<b>(84)</b>	<b>(38)</b>	<b>(4)</b>	<b>4</b>
<b>Closing cash &amp; cash eq.</b>	<b>207</b>	<b>123</b>	<b>85</b>	<b>81</b>	<b>85</b>

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24P	FY25E	FY26E	FY27E
Reported EPS	17.1	36.0	52.9	65.9	73.2
Adjusted EPS	17.1	36.0	52.9	65.9	73.2
Dividend per share	3.4	7.4	7.9	9.9	11.0
Book value per share	271.8	317.6	362.6	418.6	480.8

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24P	FY25E	FY26E	FY27E
EV/Sales	1.0	0.9	0.8	0.7	0.7
EV/EBITDA	8.6	5.7	4.4	3.6	3.4
Adjusted P/E	51.9	24.7	16.8	13.5	12.1
P/BV	3.3	2.8	2.5	2.1	1.8

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24P	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	81.8	68.9	74.9	74.9	74.9
Interest burden (PBT/EBIT)	45.7	63.8	70.1	74.1	76.9
EBIT margin (EBIT/Revenue)	6.7	11.5	12.9	14.1	14.6
Asset turnover (Rev./Avg TA)	81.4	79.7	81.9	83.9	82.4
Leverage (Avg TA/Avg Equity)	3.1	3.1	2.8	2.6	2.4
Adjusted ROAE	6.2	12.3	15.6	16.9	16.3

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24P	FY25E	FY26E	FY27E
<b>YoY growth (%)</b>					
Revenue	13.4	5.5	9.2	7.8	3.8
EBITDA	(52.5)	52.2	20.1	15.6	7.1
Adjusted EPS	(79.0)	110.2	46.8	24.6	11.1
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	11.2	16.1	17.7	19.0	19.6
EBIT margin	6.7	11.5	12.9	14.1	14.6
Adjusted profit margin	2.5	5.0	6.8	7.8	8.4
Adjusted ROAE	6.2	12.3	15.6	16.9	16.3
ROCE	7.8	12.4	13.8	15.4	15.5
<b>Working capital days (days)</b>					
Receivables	16	16	17	17	17
Inventory	73	79	75	70	69
Payables	95	83	75	73	73
<b>Ratios (x)</b>					
Gross asset turnover	0.8	0.8	0.8	0.8	0.8
Current ratio	1.0	1.0	0.9	0.9	0.9
Net interest coverage ratio	1.6	2.5	3.0	3.5	3.9
Adjusted debt/equity	0.9	0.9	0.8	0.7	0.6

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

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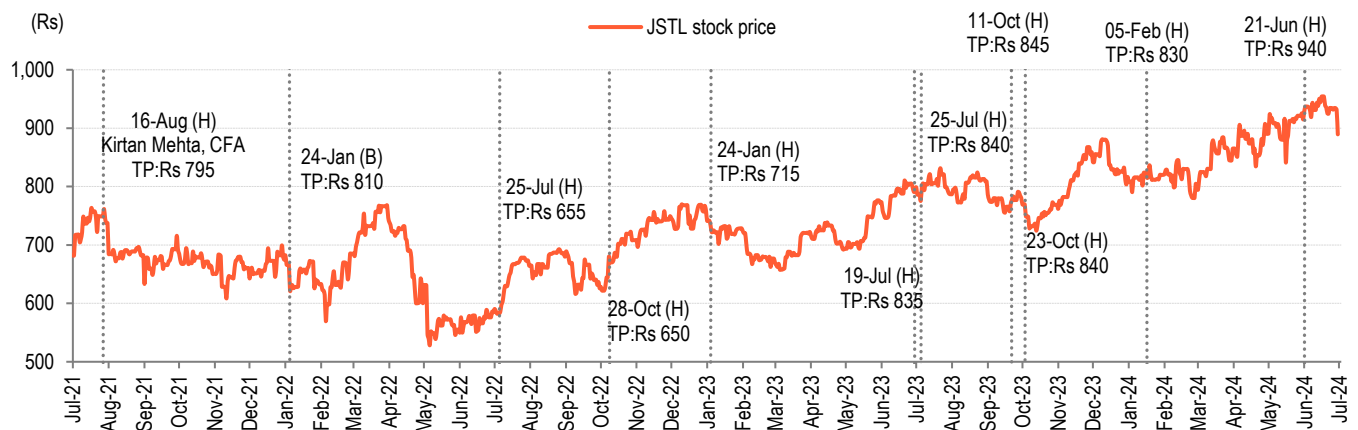
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- BUY** – Expected return >+15%
- HOLD** – Expected return from -6% to +15%
- SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): JSW STEEL (JSTL IN)



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