SELL
TP: Rs 110 | ⩔ 15%

SAIL | Metals & Mining | 10 August 2024

Discount to peers is not unjustified

- **While SAIL clocked sequential improvement in 1Q, the performance fell short of consensus and our expectations**
- **Higher capital intensity for the new IISCO steel plant comes as a negative surprise and raises questions on its competitiveness**
- **Reiterate SELL with an unchanged TP of Rs 110. Likely to lag its peers in next wave of growth and faces the risk of a stretched balance sheet**

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Q1 missed consensus: SAIL's Q1FY25 EBITDA of Rs 22.2bn was 8% below consensus and 19% below our estimates. The miss to our estimate was due to EBITDAM being lower by Rs 1.2k/t. Net debt rose by Rs 51bn QoQ to Rs 414bn on the build-up of coking coal stocks ahead of mine shutdowns planned by vendor.

Q2 to face margin pullback: With a decline of Rs 2k-2.5k/t in blended realisation and flat coking coal costs (due to stocking up in Q1), SAIL's EBITDA margin is likely to decline in Q2. This would be partially offset by higher volumes with return of Bokaro Hot Strip Mill (HSP) from maintenance. The company is looking to increase sales from 17mt in FY24 to 19.26mt with liquidation of excess out of 1.8mt inventory.

High capital intensity for IISCO expansion: SAIL's guidance of Rs 370bn in project cost for a new 4mt steel plant at IISCO implies a capital intensity of Rs 92.5bn. This is significantly higher than the industry convention of Rs 70bn (US$ 850/t) for a greenfield plant and ~US$ 650/t for brownfield expansions by some of its peers. While SAIL has estimated IRR of 18% in the detailed feasibility report, higher capital intensity raises questions about the plant's competitiveness.

Increase in leverage: We reckon the company will begin its expansion drive at a net debt-to-EBITDA ratio of 2.6x if it succeeds in starting over in FY25. Given the limited scope for operational improvement in the existing set-up and heavy capex plan over FY27-FY28, we see increased risk of a stretched balance sheet.

To lag peers in next wave of growth: While SAIL is targeting >10mt of capacity increase over FY25-31, capex pick-up on the first 4mtpa IISCO plant is likely only from FY27. Even debottlenecking plan for 3-4mt addition is progressing slow.

Reiterate SELL: Factoring in Q1 miss, we lower FY25E EBITDA by 6% and now build in 9% CAGR over FY24-27E on the back of 5% ramp-up in sales. We maintain our TP of Rs 110 with an unchanged 1Y fwd EV/EBITDA target multiple of 5.5x. The multiple is at a discount to peers and reflects SAIL's weak profitability and pause in capex programme over the past three years. Given 15% downside, reiterate SELL.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	SAIL IN/Rs 129
Market cap	US$ 6.4bn
Free float	35%
3M ADV	US$ 60.0mn
52wk high/low	Rs 175/Rs 82
Promoter/FPI/DII	65%/3%/16%

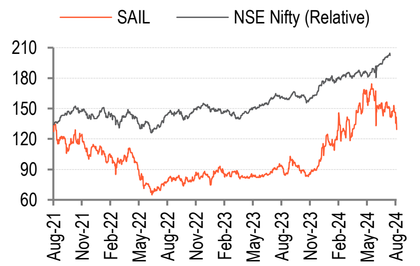
Source: NSE | Price as of 9 Aug 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs bn)	1,054	1,105	1,115
EBITDA (Rs bn)	111	116	138
Adj. net profit (Rs bn)	31	35	54
Adj. EPS (Rs)	7.4	8.4	13.2
Consensus EPS (Rs)	7.4	9.3	11.1
Adj. ROAE (%)	5.5	6.0	8.8
Adj. P/E (x)	17.4	15.3	9.8
EV/EBITDA (x)	6.9	7.4	6.3
Adj. EPS growth (%)	40.9	13.8	55.7

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

Stock performance



Source: NSE

Q1 sequential improvement fell short of consensus

Missed consensus: SAIL's Q1FY25 EBITDA at Rs 22.2bn was 8% below Bloomberg consensus and 19% below our estimates. The miss to our estimate was mainly due to Rs 1.2k/t lower EBITDA margin than our estimate as a result of lower capture of upside in long products realisation. With high operating as well as financial leverage that the company has, adjusted net income at Rs 3.2bn was significantly below consensus of Rs 7.3bn and our estimate of Rs 6.9bn.

Fig 1 – SAIL Q1 vs consensus and our forecasts

(Rs bn)	Q1FY25	Consensus	Delta	BOBCAPS	Delta
Revenue from operations	240.0	247.0	(2.9)	251.6	(4.6)
Adj. EBITDA	22.2	24.0	(7.6)	27.6	(19.5)
Adj. Net income	3.2	7.3	(56.0)	6.9	(53.3)
Operational parameters					
Sales (mt)	4.0	-	-	4.1	(3.0)
EBITDA margin (Rs/t)	5.5	-	-	6.7	(17.0)

Source: Company, Bloomberg, BOBCAPS Research

Underlying EBITDA improved: Underlying EBITDA was up 19% QoQ adjusting for the prior period's rail revenue benefit of Rs 16.2bn booked in the last quarter. The sequential improvement was driven by a 35% pick-up in underlying EBITDA margin to Rs 5.5k/t and partially offset by lower sales volumes of 12% QoQ.

- **Margin improvement:** Excluding the prior period's rail revenue, underlying EBITDA margin improved by Rs 1.1k/t to Rs 5.5k/t. We attribute margin improvement to a sharp reduction in raw material costs (-Rs 5.8k) partly driven by coking coal costs which was partially offset by decline in apparent realisation (-Rs 1.5k/t) and increase in unit employee and conversion costs (Rs 2.6k/t) with pullback in volumes.

- **EBITDA improvement in line with peers:** SAIL clocked a sequential EBITDA improvement of Rs 1.3k/t QoQ which compares with Rs 0.5k/t clocked by JSP standalone operations and Rs 1.2k/t by JSTL India operations. TATA was the only one this quarter clocking a sequential decline of Rs 1k/t.

- **Lowest margin among peers:** SAIL's EBITDA margin per tonne of Rs 5.5k is significantly weaker than its peers – JSP standalone (Rs 12.9k), TATA India (Rs 14.2k) and JSTL (Rs 8.5k/t).

- **Realisation down marginally:** Q1 blended NSR (net sales realisation) was at Rs 53.7k/t, with long products at Rs 54k/t and flat products at Rs 53.5k/t. Realisation declined by Rs 0.8k/t QoQ, driven by Rs 1.4k/t decrease for long products and Rs 0.2k/t decline for flat products.

Increase in leverage: Gross debt (IndAS) increased to Rs 414bn from Rs 363bn in Q4 on account of increase in coking coal stocks to cover planned mine shutdown by its suppliers. SAIL expects excess working capital to ease by Dec'24-Jan'25. This lifted the debt:equity leverage ratio to 0.77x for Jun'24 from 0.67x at end-FY24.

Softer volume due to Bokaro maintenance: SAIL clocked crude steel production of 4.7mt, flat YoY but down 6.8% QoQ. Steel sales of 4mt was up 3.2% YoY but down

12.1% QoQ. SAIL attributed the softer volume to the shutdown of the hot strip mill (HSP) at Bokaro, which led to 0.5mt increase in inventory of semis.

Operational improvements:

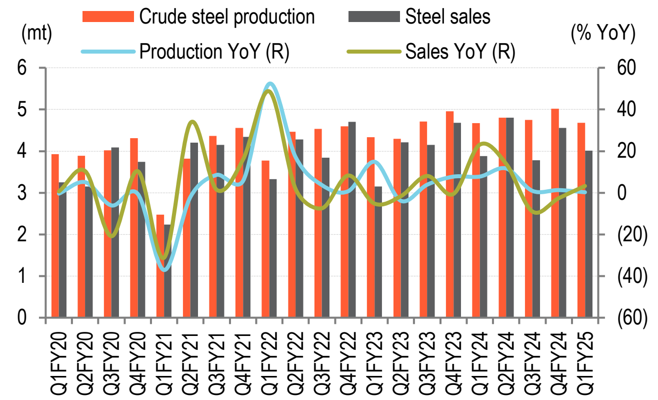
- **Higher long products proportion:** SAIL was able to increase long products proportion in its sales mix to 37.4% in Q1 from 34.6% in FY24. The increase was driven by Bokaro (65.4% from 60.7%), Durgapur (53.4% from 49.5%) and ISP (76.6% from 71.9%). Bars and rods increased to 25% of sales mix from 22% a quarter ago.
- **Higher VAP products:** Value-added steel increased to 55.2% in Q1 from 52.6% in Q4. As there are no major changes to product mix, higher proportion is likely a result of lower base, ie, lower sales volume this quarter.
- **Lower coke usage:** Coke usage reduced from 440kg/thm (per tonne of hot metal) to 428kg/thm in Q1. SAIL aims to further reduce coke usage by 6kg-8kg/thm as it targets to increase CDI (Coal Dust Injection) usage by 10kg-12kg/thm above 106kg/thm in FY24.

Fig 2 – Quarterly performance

(Rs bn)	Q1FY25	Q4FY24	QoQ (%)	Q1FY24	YoY (%)
Consolidated P&L					
Revenue	240.0	279.6	(14.2)	243.6	(1.5)
EBITDA	**22.2**	**34.8**	**(36.3)**	**16.5**	**34.6**
EBIT	8.2	21.3	(61.6)	3.7	118.8
PBT before JV and exceptionals	3.0	18.0	(83.1)	2.2	34.9
PBT before exceptionals	4.1	19.4	(78.9)	2.9	42.2
PAT adjusted before JV	**2.9**	**14.8**	**(80.6)**	**1.5**	**92.4**
PAT adjusted	3.9	16.3	(75.8)	2.1	85.2
PAT reported	0.8	11.3	(92.7)	2.1	(61.5)
EPS (Rs)	0.2	2.7	(92.7)	0.5	(60.8)
Tax rate (%)	4.0	16.2		26.3	
Standalone					
Crude steel production (mt)	4.7	5.0	(6.7)	4.7	0.3
Steel sales (mt)	4.0	4.6	(12.0)	3.9	3.3
Realisation (Rs'000/t)	59.8	61.3	(2.4)	62.7	(4.6)
Gross margin (Rs'000/t)	**29.7**	**29.5**	**0.7**	**29.1**	**2.2**
Employee costs (Rs'000/t)	6.9	6.2	11.2	7.3	(5.4)
Other conversion costs (Rs'000/t)	17.2	15.6	10.4	17.5	(1.4)
EBITDA (Rs'000/t)	**5.5**	**7.6**	**(27.5)**	**4.2**	**30.3**
Adjustment for prior period rail recovery					
Prior period rail revenue	0.0	16.2	(100.0)	0.0	NA
Excluding prior period rail revenue					
- Revenue	240.0	263.4	(8.9)	243.6	(1.5)
- Gross margin	119.2	118.2	0.8	112.9	5.6
- EBITDA	**22.2**	**18.6**	**19.3**	**16.5**	**34.6**
- Realisation (Rs'000/t)	59.8	57.8	3.6	62.7	(4.6)
- Gross margin (Rs'000/t)	29.7	25.9	14.6	29.1	2.2
- EBITDA (Rs'000/t)	**5.5**	**4.1**	**35.5**	**4.2**	**30.3**

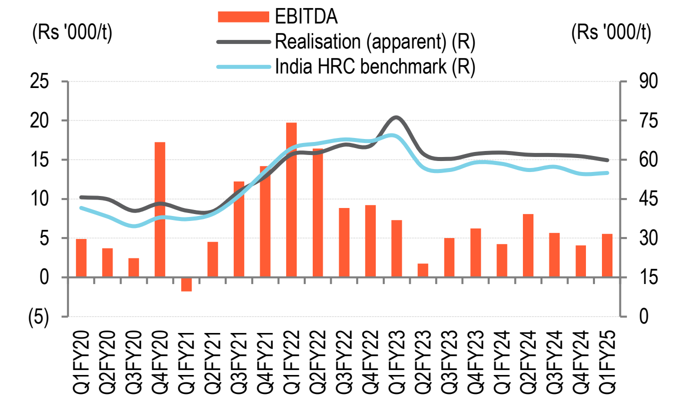
Source: Company, BOBCAPS Research

Fig 3 – Q1 steel sales was softer due to maintenance of HSP at Bokaro



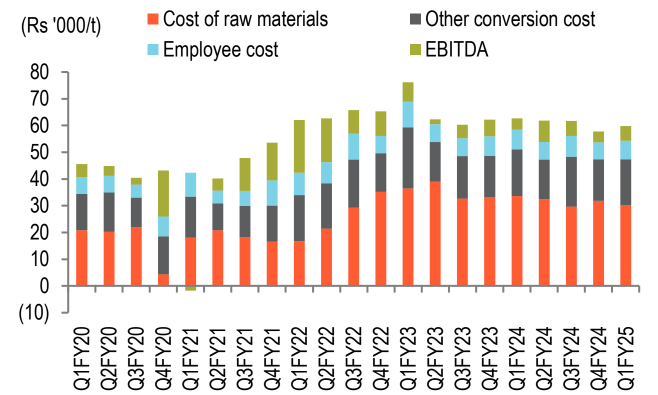
Source: Company, BOBCAPS Research

Fig 4 – EBIDTA improved sequentially on lower raw material costs



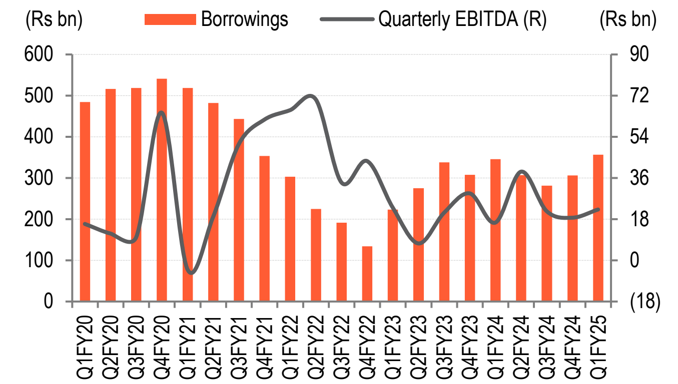
Source: Company, BOBCAPS Research

Fig 5 – Higher conversion and employee cost weighed on margins



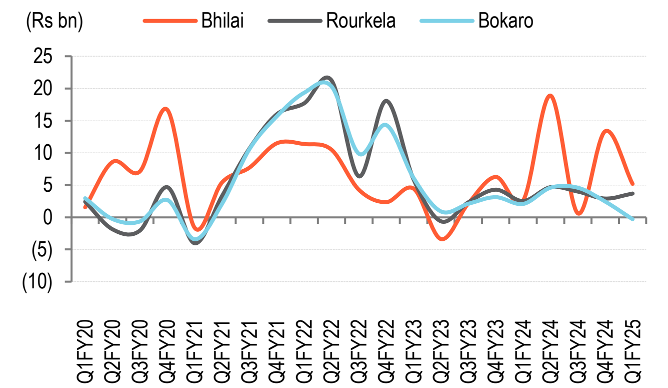
Source: Company, BOBCAPS Research

Fig 6 – Debt increased sharply on increase in coking coal and steel inventory



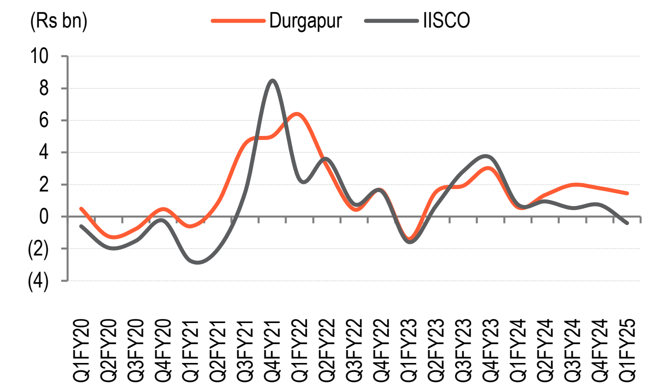
Source: Company, BOBCAPS Research

Fig 7 – Sharper decline in Bhilai EBITDA is due to accounting of prior period revenue in Q2 and Q4 last year



Source: Company, BOBCAPS Research

Fig 8 – EBITDA muted across all of SAIL's plants



Source: Company, BOBCAPS Research

Management guidance

Q2FY25 guidance

- **Increase in volumes:** SAIL expects volumes to improve in Q2 with the return of Bokaro HSM (hot strip mill).
- **Realisation to decline further:** Blended realisations declined by Rs 2k-2.5k/t over Jul-Aug with a Rs 2.3k-2.5k/t fall in long products and Rs 3k/t fall in flat products. While management expected realisation for long products to improve with a pick-up in infrastructure investments, management noted imports pressure on flat products pricing.
- **Coking coal costs flat QoQ:** With a build-up of coking coal stocks in Q1, imported coking coal costs are likely to remain flat at Rs 24.5k/t in Q2. Also, management expects domestic coking coal to remain flat at Rs 13.5k/t.

FY25 guidance

- **Increase in volumes:** Management has guided for crude steel production of 20.9mt and sales of 19.3mt in FY25. Pick up in sales from 17mt in FY24 will be supported by potential liquidation of excess inventory out of 1.8mt of finished goods inventory.
- **Capex pick-up only from FY27:** The company guided for modest capex of Rs 63bn in FY25 and Rs 70bn in FY26 before picking up in FY27 when it ramps up execution of the 4mt IISCO plant.
- **Cost increases due to additional state taxes:** SAIL highlights the Jharkhand bill proposing a tax of Rs 100/t on coal and iron ore. This has a potential to increase cost of production by Rs 2bn. SAIL is currently paying state taxes to Chhattisgarh and Madhya Pradesh (MP). There is a possibility that Odisha may levy additional state taxes on mine production after the ruling by the nine-judge bench of the Supreme Court confirming that royalty is not a tax under the MMDRA Act.

SAIL to lag peers in the next wave of growth

IISCO steel plant – high capital intensity: SAIL guided for capex of Rs 370bn for a new 4mt steel plant at IISCO. The guidance implies a capital intensity of Rs 92.5bn, which is significantly higher than the industry convention of Rs 70bn for a greenfield plant. SAIL attributed the higher cost to the requirement of developing a completely new plant (and not brownfield expansion) and inclusion of soft costs and interest during construction (IDC). During the feasibility study report, SAIL estimated IRR of 18% based on average steel price over the prior three-year period. SAIL is currently working on tendering and aims to finalise project cost over the next six to eight months for submission to the board for stage 2 approval.

Brownfield expansions: The company is currently working with project consultants to improve the project costs of brownfield expansions at Bokaro (2.4mt expansion plan to 7mt) and Durgapur (0.9mt addition to raise capacity to 3.2mt).

Debottlenecking projects are progressing slowly: SAIL aims to add 3mt-4mt of capacity at existing plants over the next three to four years via debottlenecking, However the progress is slow.

Other projects

- **Addition of TMT unit at Durgapur:** SAIL is planning to add a TMT rebar unit at Durgapur to lower the proportion of semis in its production mix. SAIL is currently looking at implementation over the next three years.
- **Pellet plant:** For utilisation of substandard fines, SAIL is working to set up pellet plants. SAIL is considering a one pellet plant involving an external operator and another 4mt pellet plant by itself. This could be developed over the next two to four years.
- **Tasra coal mine:** Tasra coal mines has a potential of 2mt of coal for blending with imported coal. SAIL targets the start-up over FY25 and has previously indicated that all the approvals are in place (with respect to environmental clearance, etc).

Valuation methodology

Forecast changes

Factoring in the Q1 miss, we lower our FY25E by 6% factoring in a weaker H1 than our prior assumption but raise our FY26E forecasts to account for the ramp-up of the Bhilai caster. Our FY25E net income reduces to Rs 35mn from Rs 43mn as we factor in higher depreciation run rate and interest expenses on the increase in net debt.

We introduce our FY27 forecasts and build in EBITDA CAGR of 9% over FY24-27E on the back of 5% improved sales factoring in the benefit of debottlenecking investments and improvement in EBITDA margin. We expect margin to improve from Rs 5k/t in FY24 (Rs 6.5k/t in FY24 includes benefit of prior-period rail revenue) to Rs 7.1-7.2k/t over FY26-27E.

Fig 9 – Revised estimates

(Rs bn)	Actual	New			Old		Change (%)	
	FY24	FY25E	FY26E	FY27E	FY25E	FY26E	FY25E	FY26E
Revenue	1,054	1,105	1,115	1,112	1,100	1,069	0.4	4.3
EBITDA	**111.49**	**116**	**138**	**145**	**123**	**133**	**(6.1)**	**3.5**
EBITDA growth (%)	38.7	4.0	18.9	5.4	10.7	8	-	-
Net income	31	35	54	58	45	53	(21.7)	3.2

Source: Company, BOBCAPS Research

- **Conservative sales forecasts:** We raise our sales forecast for FY25 to 19mt (from 18.4mt) slightly below the guidance of 19.3mt, and introduce the FY27 sales estimate at 19.7mt factoring in the benefit 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/t in FY24 (excluding prior period rail revenue benefit of Rs 1.5k/t) to Rs 6.1k/ Rs 7.2k/ Rs 7.4k over FY25/FY26/FY27. The uptick is likely to be driven by lower fixed costs per tonne as a result of improved sales volume.
- **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 10 – Key assumptions

Parameter	FY24P	FY25E	FY26E	FY27E
Sales (mt)	17.0	19.0	19.3	19.7
India HRC (US$/t)	684	632	614	595
Realisation (Rs'000/t)	61.9	58.1	57.9	56.4
EBITDA/t (Rs'000/t)	6.5	6.1	7.2	7.4

Source: Company, BOBCAPS Research

Maintain SELL with a TP of Rs 110

We maintain our TP for SAIL at Rs 110, maintaining the 1-year fwd EV/EBITDA at 5.5x to account for the early economic recovery phase ahead. We use FY26 earnings as a valuation base to arrive at Mar'25 fair value and then roll forward our valuation to Jun'25 to arrive at one-year forward TP. The benefit of increase in FY26E EBITDA is offset by a significant increase in net debt to Rs 305bn from our prior forecast of Rs 283bn.

Our target valuation for SAIL of 5.5x is below our target 6.5x mid-cycle valuation for the Indian steel sector, reflecting 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. Our target multiple is higher than the stock's historical trading average of 4.3x over the past five years but lower than the 6.5x seen over the past ten years.

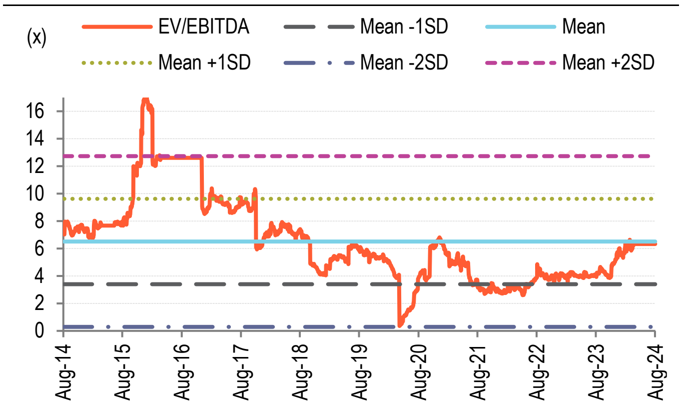
Given 15% downside to our TP, we maintain our SELL rating on SAIL. We expect SAIL to lag its peers under our coverage in the next growth phase and to face higher balance sheet risk. We reckon the company will begin its expansion drive at a net debt-to-EBITDA ratio of 2.6x if it succeeds in starting over in FY25. Given limited scope for operational improvement in the existing set-up and heavy capex planned over FY27-FY28, we see increased risk of a stretched balance sheet.

Fig 11 – SAIL: Valuation summary

(Rs bn)	Value (Rs bn)
FY26E EBITDA	138
Target EV/EBITDA (x)	5.5
EV Mar'25	**759**
FY25E Net debt	305
Equity Value Mar'25E	**453**
Fair value per share Mar'25E (Rs)	110
Fair value per share Jun'25E (Rs)	112
Target price Jun'25E (Rs) (rounded to nearest Rs 5)	**110**

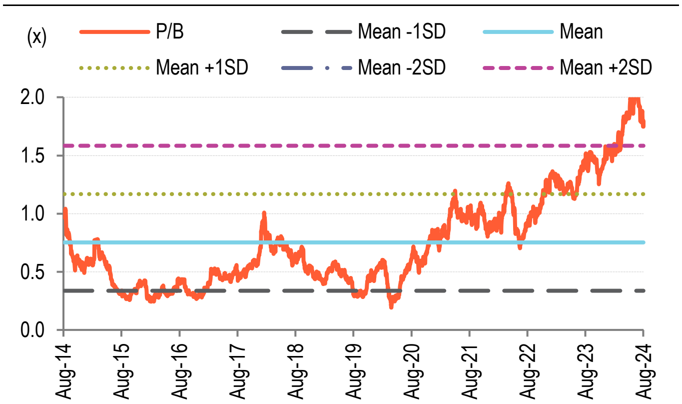
Source: Company, BOBCAPS Research

Fig 12 – SAIL 2Y fwd EV/EBITDA



Source: Bloomberg, BOBCAPS Research

Fig 13 – SAIL 1Y fwd P/B



Source: Bloomberg, BOBCAPS Research

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)	
					FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY24E	FY25E	FY25E	FY26E
TATA IN	152	HOLD	175	15.3	1.1	1.0	7.8	5.9	110	182	2.0	1.9	15.3	9.9
JSTL IN	905	HOLD	925	2.2	1.6	1.4	8.8	7.5	129	161	2.8	2.5	17.1	13.7
JSP IN	916	HOLD	975	6.4	2.1	1.6	9.3	7.8	55	70	2.1	1.9	17.1	13.3
SAIL IN	129	SELL	110	(15.0)	0.8	0.7	7.2	5.7	45	53	0.9	0.9	15.3	9.8

Source: BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- Steel producer valuations are highly sensitive to product and raw material prices. Key upside risks to our estimates are favourable changes in global dynamics, leading to higher prices and margins than assumed.
- We assume only a modest improvement in operations in our estimates. Any material improvement beyond our current assumptions would be an upside risk to our earnings forecasts.
- Similarly, capital investment plans (including expansion) implemented faster than our conservative assumptions could lead to upside risks to our earnings.

Sector recommendation snapshot

Company	Ticker	Market Cap (US$ bn)	Price (Rs)	Target (Rs)	Rating
Jindal Steel & Power	JSP IN	11.1	916	975	HOLD
JSW Steel	JSTL IN	26.4	905	925	HOLD
SAIL	SAIL IN	6.4	129	110	SELL
Tata Steel	TATA IN	22.2	152	175	HOLD

Source: BOBCAPS Research, NSE | Price as of 9 Aug 2024

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY23A	FY24P	FY25E	FY26E	FY27E
Total revenue	**1,044**	**1,054**	**1,105**	**1,115**	**1,112**
EBITDA	80	111	116	138	145
Depreciation	(50)	(53)	(55)	(56)	(59)
EBIT	31	59	61	82	87
Net interest inc./(exp.)	(20)	(25)	(27)	(24)	(24)
Other inc./(exp.)	10	11	10	10	10
Exceptional items	3	(8)	(3)	0	0
EBT	29	41	47	73	77
Income taxes	(7)	(10)	(12)	(18)	(19)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	6	4	5	5	5
Reported net profit	**22**	**31**	**35**	**54**	**58**
Adjustments	0	0	0	0	0
Adjusted net profit	**22**	**31**	**35**	**54**	**58**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY23A	FY24P	FY25E	FY26E	FY27E
Accounts payables	143	153	143	141	139
Other current liabilities	137	153	153	153	153
Provisions	14	13	17	17	17
Debt funds	308	363	313	288	288
Other liabilities	156	153	160	166	171
Equity capital	41	41	41	41	41
Reserves & surplus	506	530	554	592	633
Shareholders' fund	547	571	595	633	674
Total liab. and equities	**1,305**	**1,407**	**1,381**	**1,398**	**1,442**
Cash and cash eq.	6	7	8	34	11
Accounts receivables	54	84	67	61	61
Inventories	278	327	298	268	265
Other current assets	43	64	67	68	68
Investments	0	0	0	0	0
Net fixed assets	671	654	640	635	627
CWIP	49	61	86	116	196
Intangible assets	15	15	15	14	14
Deferred tax assets, net	0	0	0	0	0
Other assets	190	195	200	201	201
Total assets	**1,305**	**1,407**	**1,381**	**1,398**	**1,442**

Cash Flows

Y/E 31 Mar (Rs bn)	FY23A	FY24P	FY25E	FY26E	FY27E
Cash flow from operations	**(39)**	**39**	**158**	**174**	**148**
Capital expenditures	(39)	(48)	(65)	(80)	(130)
Change in investments	0	0	0	0	0
Other investing cash flows	(22)	(6)	(5)	(1)	0
Cash flow from investing	**(62)**	**(54)**	**(70)**	**(81)**	**(130)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	135	55	(50)	(25)	0
Interest expenses	(20)	(25)	(27)	(24)	(24)
Dividends paid	(6)	(8)	(10)	(16)	(17)
Other financing cash flows	(10)	(7)	0	0	0
Cash flow from financing	**98**	**16**	**(87)**	**(66)**	**(42)**
Chg in cash & cash eq.	**(2)**	**1**	**1**	**27**	**(24)**
Closing cash & cash eq.	**6**	**7**	**8**	**34**	**11**

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24P	FY25E	FY26E	FY27E
Reported EPS	5.3	7.4	8.4	13.2	14.0
Adjusted EPS	5.3	7.4	8.4	13.2	14.0
Dividend per share	1.5	2.0	2.5	3.9	4.2
Book value per share	132.5	138.2	144.2	153.4	163.2

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24P	FY25E	FY26E	FY27E
EV/Sales	0.8	0.7	0.8	0.8	0.7
EV/EBITDA	10.0	6.9	7.4	6.3	5.6
Adjusted P/E	24.5	17.4	15.3	9.8	9.2
P/BV	1.0	0.9	0.9	0.8	0.8

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24P	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	82.6	62.6	70.1	74.8	74.8
Interest burden (PBT/EBIT)	85.6	83.5	81.0	88.5	89.1
EBIT margin (EBIT/Revenue)	2.9	5.6	5.6	7.4	7.8
Asset turnover (Rev./Avg TA)	83.4	77.7	79.2	80.3	78.3
Leverage (Avg TA/Avg Equity)	2.3	2.4	2.4	2.3	2.2
Adjusted ROAE	4.0	5.5	6.0	8.8	8.8

Ratio Analysis

Y/E 31 Mar	FY23A	FY24P	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	0.9	0.9	4.8	1.0	(0.3)
EBITDA	(62.3)	38.7	4.0	18.9	5.4
Adjusted EPS	(82.2)	40.9	13.8	55.7	6.4
Profitability & Return ratios (%)					
EBITDA margin	7.7	10.6	10.5	12.4	13.1
EBIT margin	2.9	5.6	5.6	7.4	7.8
Adjusted profit margin	2.1	2.9	3.2	4.9	5.2
Adjusted ROAE	4.0	5.5	6.0	8.8	8.8
ROCE	4.3	6.6	6.6	8.6	8.7
Working capital days (days)					
Receivables	19	29	22	20	20
Inventory	97	113	98	88	87
Payables	54	59	53	53	52
Ratios (x)					
Gross asset turnover	0.8	0.8	0.8	0.8	0.8
Current ratio	0.8	0.9	0.9	0.9	0.9
Net interest coverage ratio	1.5	2.4	2.3	3.4	3.5
Adjusted debt/equity	0.6	0.6	0.5	0.4	0.4

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

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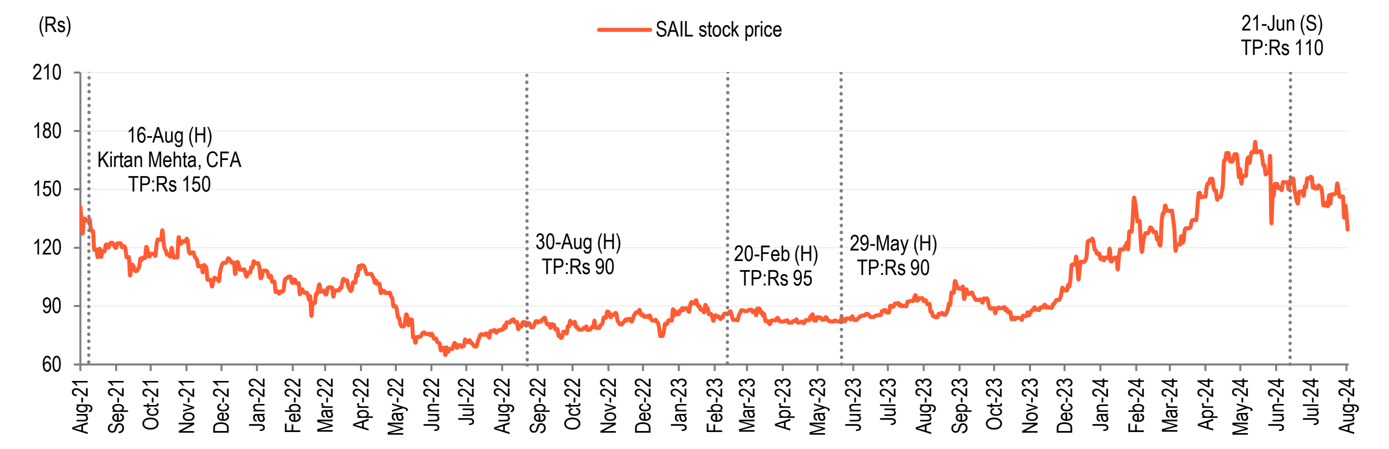

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