RESULT REVIEW

HOLD

TP: Rs 170 | ⮝ 2%

TATA STEEL | Metals & Mining | 01 June 2024

Stock price largely captures transition; downgrade to HOLD

- **Q4 results ahead of consensus on beat in India operations and lower losses in Europe partly due to carbon credits in the UK**
- **Positive to see ~70% utilisation guidance for TSK-2 in H2FY25, and return to breakeven in UK operations in H2FY25**
- **Raise TP to Rs 170 and India multiple above mid-cycle multiple; downgrade rating to HOLD given TATA's 42% price run-up since Nov'23**

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Q4 beat: Q4 adj EBITDA of Rs 70bn was 15% ahead of consensus estimate and 11% ahead of ours with a beat in India operations and sharp reduction of losses in Europe. However, the latter benefitted from GBP 51bn of carbon credits in TSUK.

FY25 to be year of transition: While TATA's guidance of start-up of blast furnace by Sep'25 at TSK-2 (Kalinganagar) indicates a minor delay, guidance of 1.7mt production implies a faster ramp-up with near 70% utilisation in H2FY25. In the UK, closure is progressing well with the coke oven unit already shut down in Q4 and both blast furnaces targeted by Sep. TATA aims to return UK to breakeven levels in H2.

Equity funding for overseas entities is neutral on net debt: While the new approach shifts debt to the Indian entity from overseas entity, overall consolidated net debt and risk profile for the Indian entity stays unchanged. TATA maintains its contribution in the overseas entity for transition of UK operations at GBP 1bn-1.1bn.

Forecasts tweaked: We believe earnings bottomed out in FY24. On a weaker base of FY24, we build in a 38% EBITDA CAGR for TATA over FY24-FY26. We look for more than 50% recovery in FY25 as TATA arrests losses in Europe and another ~25% growth in FY24 on the back of the ramp-up of TSK-2.

Raise TP to Rs 170: Raising 1Y fwd EV/EBITDA target multiple of India operations to 6.5x, above the mid-cycle multiple of 6x, on the back of likely entry into global recovery phase in CY24, we raise our TP to Rs 170 (from Rs 155). We retain the multiple for Europe at 5.5x as we separately account for the benefit of the proposed UK restructuring at Rs6/sh. (Refer UK transition to dispel overhang, 25 Sep'24).

Downgrade to HOLD: The stock price has run up 42% from the lows in Nov'23 with progress on plan for the UK plant transition to more sustainable operations. The stock has been trading at more than 1 standard deviation above historical mean/median valuation over the past 10 years. While we remain confident of TATA's ability to deliver earnings-accretive growth, we consider risk-reward unfavourable at the current valuation. Downgrade our rating to HOLD from BUY.

Key changes

Target	Rating
▲	▼

Ticker/Price	TATA IN/Rs 167
Market cap	US$ 25.4bn
Free float	67%
3M ADV	US$ 112.7mn
52wk high/low	Rs 178/Rs 106
Promoter/FPI/DII	33%/20%/24%

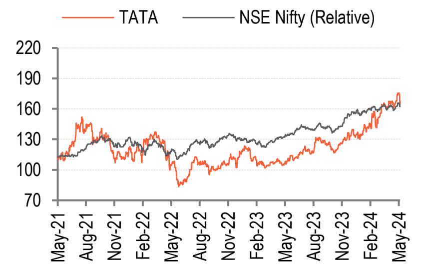
Source: NSE | Price as of 31 May 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
Total revenue (Rs bn)	2,273	2,323	2,507
EBITDA (Rs bn)	223	341	422
Adj. net profit (Rs bn)	(44)	128	189
Adj. EPS (Rs)	(3.6)	10.2	15.1
Consensus EPS (Rs)	(3.6)	10.7	14.7
Adj. ROAE (%)	(4.5)	13.4	17.8
Adj. P/E (x)	(47.0)	16.4	11.1
EV/EBITDA (x)	12.0	8.3	6.7
Adj. EPS growth (%)	(149.5)	(387.7)	47.7

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

Stock performance



Source: NSE

Q4 results ahead of consensus

Q4 beat: While consolidated revenue at Rs 587bn was in line with our estimate, adj. EBITDA of Rs 69.7bn was 15% ahead of Bloomberg consensus's estimate and 11% ahead of ours with a beat in India operations and lower losses in Europe. Reported net profit of Rs 5.6bn showed a significant variation against both consensus and our numbers due to exceptional charge of Rs 5.9bn largely on account of the surrender of the Sukinda Chromite block.

Europe losses bottom out: Europe losses fell 77% QoQ and were half of our estimates due to the accounting of GBP 51mn from non-recurring carbon credits. Netherlands EBITDA loss decreased to (-)Rs 3bn or (-)US$ 25/t. UK EBITDA loss reduced to (-)Rs 3.9bn or (-)US$ 68/t.

India operations performed better than our expectations: EBITDA at Rs 82bn was flattish QoQ as 11% of recovery volumes offset the impact of -11% reduction in margin. EBITDA/t was down Rs 1.8k/t to Rs 15.2k/t.

Merger synergy: The merger of seven subsidiaries with TATA during FY24 resulted in overall savings of Rs 4bn, including Rs 2.8bn savings on additional royalties.

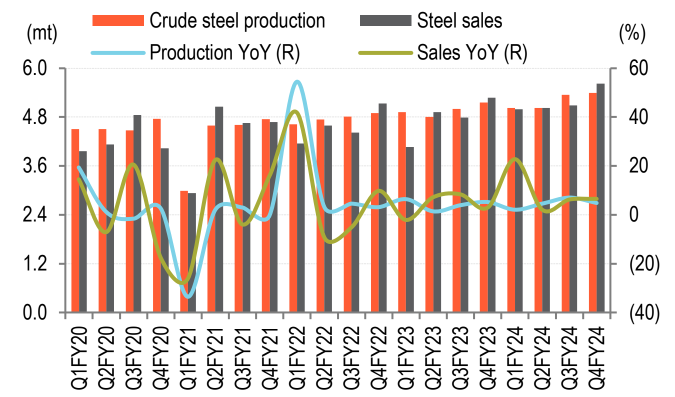
Fig 1 – Quarterly performance

(Rs bn)	Q4FY24	Q3FY24	QoQ (%)	Q4FY23	YoY (%)	FY24	FY23	YoY (%)
Consolidated P&L								
Revenue from operations	587	553	6.1	630	(6.8)	2,292	2,434	(5.8)
Adj. EBITDA	**70**	**57**	**21.4**	**72**	**(3.5)**	**222**	**301**	**(26.3)**
EBIT	40	38	5.0	48	(16.6)	124	230	(45.9)
PBT before exceptionals	24	23	6.2	33	(27.4)	67	181	(63.2)
PAT	6	5	6.2	16	(64.6)	(49)	81	(160.8)
Net income to owners	**6**	**5**	**19.1**	**17**	**(64.1)**	**(44)**	**88**	**(150.7)**
EPS (Rs)	0.5	0.4	16.7	1.4	(65.0)	(3.6)	7.2	(150.7)
Effective tax rate (%)	52.2	62.1	-	53.0	-	56.4	56.1	-
Adj. EBITDA break-up								
Standalone	82	82	(0.9)	89	(7.8)	296	NA	NA
India	**82**	**83**	**(0.6)**	**87**	**(5.4)**	**297**	255	16.3
Europe	**(7)**	**(29)**	**77.0**	**(16)**	**59.8**	**(76)**	**46**	**(264.3)**
Others	(6)	3	NM	2	NA	1	NA	NA
Consolidated	**70**	**57**	**21.4**	**72**	**(3.5)**	**222**	**301**	**(26.3)**
India business operational parameters								
Production (mt)	5.4	5.4	0.9	5.2	4.9	20.8	19.9	4.6
Sales (mt)	5.4	4.9	11.1	5.2	5.2	19.9	18.9	5.6
Apparent realisation (Rs'000/t)	68.0	71.7	(5.2)	74.9	(9.2)	71.8	75.5	(4.9)
Adj. EBITDA (Rs'000/t)	**15.2**	**17.0**	**(10.5)**	**16.9**	**(10.1)**	**15.4**	**13.5**	**13.7**
TSN business operational parameters								
Production (mt)	1.5	1.2	24.4	1.5	(3.3)	4.8	NA	NA
Sales (mt)	1.4	1.3	10.0	1.5	(3.4)	5.3	NA	NA
Apparent realisation (Rs'000/t)	97.3	99.4	(2.2)	104.4	(6.8)	102.8	NA	NA
Adj. EBITDA (Rs'000/t)	(2.1)	(9.3)	77.9	(3.3)	37.4	(7.2)	NA	NA
Adj. EBITDA (US$/t)	**(25)**	**(112)**	**77.8**	**(40)**	**37.9**	**(87)**	**NA**	**NA**

(Rs bn)	Q4FY24	Q3FY24	QoQ (%)	Q4FY23	YoY (%)	FY24	FY23	YoY (%)
TSUK business operational parameters								
Production (mt)	0.7	0.7	(8.3)	0.7	(10.8)	3.0	NA	NA
Sales (mt)	0.7	0.6	7.8	0.8	(9.2)	2.8	NA	NA
Apparent realisation (Rs'000/t)	98.6	98.3	0.2	98.1	0.4	100.1	NA	NA
Adj. EBITDA (Rs'000/t)	(5.6)	(25.9)	78.3	(15.1)	62.7	(13.6)	NA	NA
Adj. EBITDA (US$/t)	**(68)**	**(311)**	**78.2**	**(183)**	**63.1**	**(164)**	**NA**	**NA**
Consolidated operational parameters								
Production (mt)	7.9	7.6	4.5	7.8	1.5	29.9	30.7	(2.3)
Sales (mt)	8.0	7.2	11.6	7.8	2.6	29.4	28.8	2.2
Apparent realisation (Rs'000/t)	73.5	77.4	(4.9)	80.9	(9.1)	77.9	84.6	(7.8)
Adj. EBITDA (Rs'000/t)	**8.7**	**8.0**	**8.7**	**9.3**	**(6.0)**	**7.5**	**10.5**	**(27.9)**

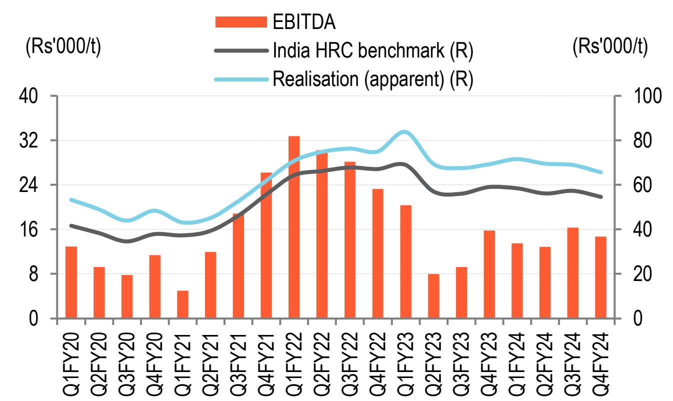
Source: Company, BOBCAPS Research | NM: Not meaningful

Fig 2 – India sales recovered in Q4



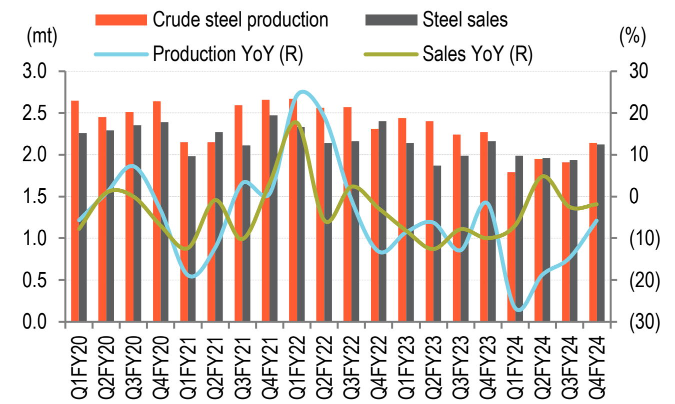
Source: Company, BOBCAPS Research

Fig 3 – India operations' EBITDA eases on inventory use



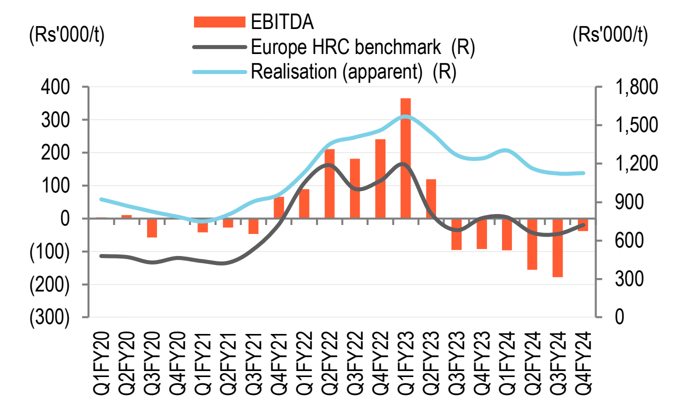
Source: Company, BOBCAPS Research

Fig 4 – European sales recovered with restart of BF in TSN



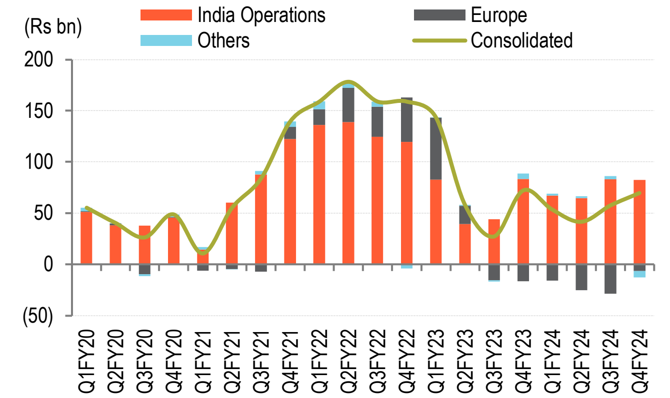
Source: Company, BOBCAPS Research

Fig 5 – Europe business losses arrested



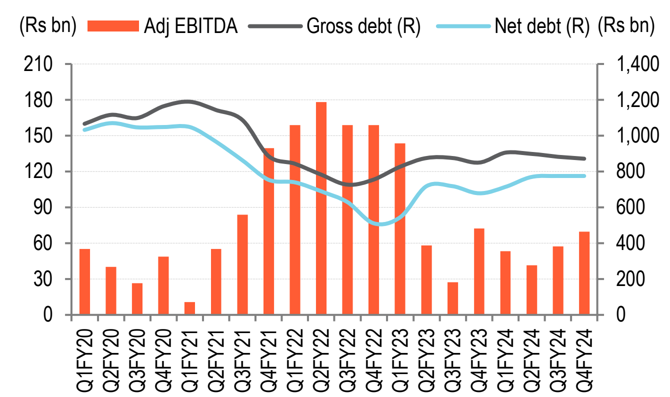
Source: Company, BOBCAPS Research

Fig 6 – Consolidated EBITDA recovered on improvement in European operations



Source: Company, BOBCAPS Research

Fig 7 – Net debt likely to be rangebound in near term



Source: Company, BOBCAPS Research

Overseas equity infusion does not impact level of net debt

TATA has approved the infusion of US$ 2.1bn or Rs 174bn into T-Steel Holdings and conversion of existing US$ 0.6bn of debt into equity during FY25. This is in addition to the conversion of US$ 4.1bn into equity in Q2FY24.

TATA has changed its approach to funding overseas business by reducing debt to the level that can be serviced by the entity, in our view. This effectively shifts debt to the entity which has the ability to service the same and enjoys a lower effective tax, claiming tax deduction on the same. With debt shifting from overseas to the Indian entity, the overall level of net debt remains unchanged. The quantum of infusion of equity into the UK business for supporting new capex (GBP 750mn) and restructuring costs (GBP 250mn-280mn) remains broadly unchanged.

Key guidance

FY25 production guidance: TATA guides for 1.4mt increase in India sales in FY25 with a contribution of 1.7mt from the start-up of the TSK-2 blast furnace by Sep'25, 0.2mt increase in production at Neelachal Ispat Nigam Ltd (NINL) which will be partially offset by 0.5mt of lower production from Jamshedpur as it shuts down one blast furnace for relining.

The guidance for increase in consolidated sales is also 1.4mt with no net change expected outside India. A decrease in production at TSUK is likely to be offset by an increase at Tata Steel Netherlands (TSN). Further, TATA plans to supply 1.7mt of slabs to UK in H2FY25 from TSN and India for the continuation of downstream operations in the UK.

FY25 capex guidance: TATA targets Rs 160bn of capex in FY25 with 75% earmarked for India. While TATA plans to focus on completion of TSK-2 expansion and relining of one blast furnace, TATA plans to place equipment orders by Sep'25 for the UK transition after the completion of detailed engineering.

FY25 debt reduction less likely: TATA guides for stable net debt in FY25, flagging the year as one of transition with TATA closing existing heavy end operations in UK and ramping up TSK-2 in India. However, TATA expects the leverage ratio of net debt to

EBITDA to fall below 2.5x by the end of the year as it succeeds in arresting losses in Europe.

Profit guidance

- **India – marginal improvement in Q1:** TATA indicated a marginal Rs 300-350/t improvement in realisation and US$ 10/t reduction in coking coal consumption costs.
- **TSN to return to profit from Q1:** After starting up a blast furnace (BF) in the Netherlands, TSN's operations ramped up to 7mt at the annualised production level. TATA expects TSN to be EBITDA positive starting from Q1. Besides the increase in production, TSN will benefit from the increase in realisation (GBP 90/t) in Q1, which will be only partially offset by the increase in consumption costs of coking coal (US$ 24/t) and iron ore (US$ 10/t).
- **TSUK to break even in H2:** At the UK operations, while losses will continue into H1 while TATA closes two blast furnaces, operations will return to breakeven at the EBITDA level in H2FY25. For Q1, TATA guides for a sequentially flat realisation, US$ 10/t reduction in iron ore, and additional purchase costs for coke after closing the coke oven unit in Q4.

Update on TSUK transition

- **Closures of heavy end operations:** While Tata Steel UK (TSUK) closed a coke oven unit in Q4, it is aiming to close BF-1 by Jun'24 and BF-2 by Sep'24, and gradually wind down heavy end assets thereafter with the shutdown of the Continuous Annealing Processing Line (CAPL) by Mar'25.
- **Requirement of slabs:** After the shutdown of the blast furnaces, TSUK will require 1.7mt of slabs in H2FY25 and 3mt in FY26 to continue running downstream operations. In FY25, TATA will supply 0.6mt of slabs from TSN and 1.1mt from India. For FY26, TATA may look at external suppliers to bridge the gap.
- **Restructuring cost:** TATA has increased its restructuring cost guidance to GBP 250mn-280mn (prior guidance GBP 225mn). While contract termination and closure costs will be front ended, redundancy costs will be spread over 18 months.
- **Progress on new EAF:** For the new electric arc furnace (EAF) plant, TSUK is proceeding with detailed engineering with the aim of placing equipment orders by Sep'24. Securing permissions, TSUK aims to start construction at site by Aug'25. TSUK has already signed an agreement to commission a transmission line ahead of the EAF's start-up in CY27.
- **Agreement for funding still under discussion:** Discussions with the government on grant funding are at an advanced stage and likely to close in the next few weeks.

Update on TSN transition

- TSN is planning to replace one BF with DRI-EAF (Direct Reduced Iron-Electric Arc Furnace) by CY30 and the second BF by CY32 with a suitable technology to lower emissions in line with the mandate adopted by the Netherlands.
- For the first BF, TSN submitted a proposal in FY24 and has obtained in-principal approval from the government. The government started negotiations for quantum and terms of support with the company in May. The process could take around six months to complete.

Valuation methodology

Forecast changes

Accounting for the Q4FY24 results and guidance for FY25, we tweak our FY25 EBITDA estimates by 1.2% and FY26 by -0.6%. On a weaker base of FY24, we build in a 38% EBITDA CAGR for TATA over FY24-FY26. Earnings bottomed out in FY24 and we expect EBITDA to recover by 53% in FY25, surpassing FY23 levels as TATA stems losses in Europe and gradually ramps up capacity at TSK-2. We expect TATA to clock another 26% in growth in FY26 as TSK-2 expansion contributes for a full year. We are modelling in the following assumptions:

- **Europe operations:** We now assume a modest EBITDA profit of Rs 12bn in FY25 (vs. Rs 76bn in FY24), factoring in a positive EBITDA in TSN from Q1 and in TSUK in H2. We expect Europe EBITDA to further improve to a modest profit of Rs 34bn (US$ 46/t) in FY26, with UK operations breaking even for the full year and recovery in Europe supporting improvement in profitability.
- **2.2mtpa CRM complex:** With the CRM complex scaling up gradually through FY24, we continue with our assumption of a US$ 100-150/t improvement over HRC realisation on 1-2mt of cold rolled and related flat products gradually over FY25-FY26 as the entire CRM complex is commissioned.
- **1mt NINL plant:** EBITDA margins for the plant are projected to improve to Rs 5k-10k/t gradually through to FY26 as TATA fully integrates the NINL plant with its long products operations.
- **5mtpa TSK-2 expansion:** We are raising utilisation assumptions for TSK-2 to ~35% (from 20%) in FY25 and to 85% (from 70%) in FY26 based on the company's guidance of operation of a new BF at a utilisation level of 70% in H2FY25 despite the delay in startup by Sep'25 (from the previous guidance of Q1FY25).
- **0.75mtpa EAF in Ludhiana:** No benefits from the EAF are factored in at this stage as it will take time to develop a scrap-based chain in the region.

Fig 8 – Revised estimates

(Rs bn)	Actual	New		Old		Change (%)	
	FY24P	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	2,273	2,323	2,507	2,243	2,411	3.6	4.0
EBITDA	223	341	422	337	425	1.2	(0.6)
EBITDA growth (%)	(31)	53	24	50	26	-	-
Net income	(44)	128	189	135	198	(5.1)	(4.8)

Source: Company, BOBCAPS Research

Fig 9 – Key assumptions

	FY24P	FY25E	FY26E
Sales India business (mt)	20.5	21.9	24.9
Sales Europe (mt)	8.0	8.0	9.0
India HRC benchmark price (US$/t)	684	627	595
EBITDA/t India business (Rs'000/t)	14.6	14.8	15.4
EBITDA/t Europe (US$/t)	(115)	19	46

Source: Company, BOBCAPS Research

While our EBITDA forecasts is 3% below consensus for FY25, it is 2% above for FY26.

Fig 10 – Estimates vs consensus

(Rs bn)	Forecasts		Consensus		Delta to consensus	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	2,323	2,507	2,368	2,571	(1.9)	(2.5)
EBITDA	341	422	352	414	(3.1)	2.1
Net income	128	189	132	181	(3.1)	4.2

Source: Bloomberg, BOBCAPS Research

Target price raised to Rs 170; downgrade to HOLD from BUY

We raise our SOTP-based TP for TATA to Rs 170, from Rs 155, as we raise our target multiple for India operations above the mid-cycle multiple during the early recovery phase as we expect the western world to move into a phase of recovery at some stage in CY24. However, this is partially offset by higher net debt of Rs 741bn than our prior assumptions. Also, we roll forward our valuation to May'25 (from Jan'25) to arrive at one-year forward TP.

We value India operations at an increased target FY26E EV/EBITDA of 6.5x (from 6x) and the European business at an unchanged multiple of 5.5x, while continuing to bake in an incremental fair value of Rs 6.1/sh for the proposed UK restructuring. Please refer to our note of 25 Sep'23, **UK transition to dispel overhang**, for details.

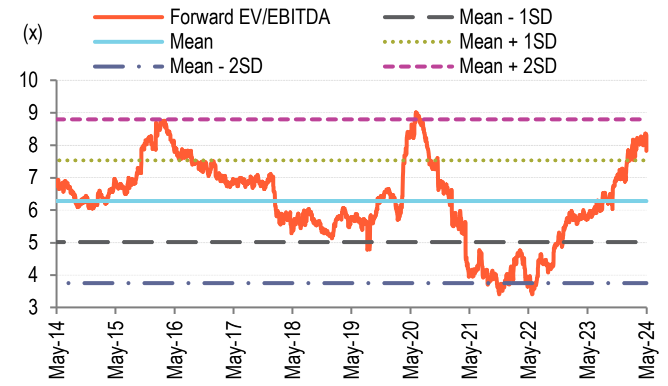
We downgrade our rating on TATA to HOLD from BUY with only 2% upside to our revised TP. The stock price has run up 42% from the recent lows in Nov'23 as the overhang on the stock has been dispelled as the plan for moving the UK plant to more sustainable operations has moved forward. While we remain confident of TATA's ability to deliver earnings-accretive growth, we consider the risk-reward unfavourable at the current valuation. The stock is now trading at more than 1 standard deviation above its historical mean/median valuation over the past 10 years.

Fig 11 – TATA: Valuation summary

(Rs bn)	Tata Steel India	Tata Steel Europe	Tata Steel
FY26E EBITDA	388	34	422
Target EV/EBITDA (x)	6.5	5.5	6.6
Incremental EV from UK transition	0	70	70
EV Mar'25	**2,522**	**260**	**2,782**
FY25E net debt	-	-	741
Equity value Mar'25E	**-**	**-**	**2,041**
Fair value Mar'25E (Rs)	-	-	167
Fair value May'25E (Rs)	-	-	170
Target price May'25E (Rs) (rounded to nearest Rs 5)	**-**	**-**	**170**

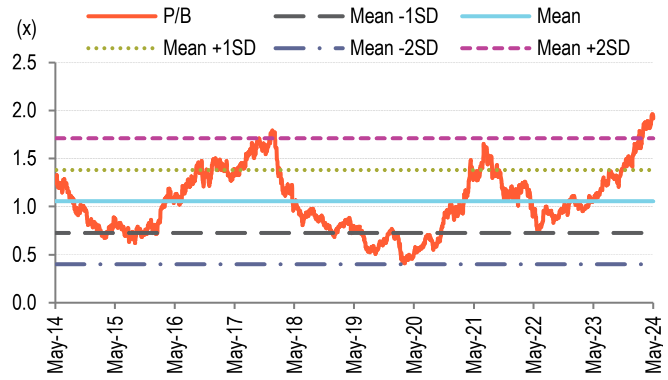
Source: Company, BOBCAPS Research

Fig 12 – TATA EV/EBITDA 2Y fwd



Source: Bloomberg, Company

Fig 13 – TATA P/B 1Y fwd



Source: Bloomberg, Company

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	FY24P	FY25E	FY25E	FY26E
TATA IN	167	HOLD	170	1.7	1.2	1.1	8.3	6.5	120	198	2.3	1.9	16.4	11.1
JSTL IN	881	HOLD	830	(5.7)	1.5	1.3	7.7	6.5	153	186	2.9	2.1	14.0	11.6
JSP IN	1,028	HOLD	805	(21.7)	2.3	1.6	9.3	7.0	65	91	2.4	1.8	16.2	11.6

Source: BOBCAPS Research

Key risks

Key upside/downside 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 the global demand-supply balance for steel and its raw materials, leading to higher prices and margins than our assumptions. Conversely, downside risks would reflect lower prices and margins than our assumptions.
- TATA is exposed to the risk of delays in the implementation of its capital investment plan, including expansion, which could impact earnings growth. The company is targeting completion of margin enhancement projects, such as the cold rolled mill at Kalinganagar plant and annealing and galvanising lines, over FY24-FY25. It is expanding Kalinganagar capacity by 5mtpa to raise total India capacity to 25mt by FY25. Conversely, upside risks would arise from faster stablisation of these expansions.
- TATA is exposed to the risk of delays in implementation of the UK decarbonisation plan, higher restructuring costs for transition and higher operational costs during the transition period.

Sector recommendation snapshot

Company	Ticker	Market Cap (US$ bn)	Price (Rs)	Target (Rs)	Rating
Jindal Steel & Power	JSP IN	12.8	1,028	805	HOLD
JSW Steel	JSTL IN	26.2	881	830	HOLD
Tata Steel	TATA IN	25.4	167	170	HOLD

Source: BOBCAPS Research, NSE | Price as of 31 May 2024

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Financials

Income Statement

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24P	FY25E	FY26E
Total revenue	**2,423**	**2,416**	**2,273**	**2,323**	**2,507**
EBITDA	635	323	223	341	422
Depreciation	(91)	(93)	(99)	(105)	(112)
EBIT	544	230	124	236	311
Net interest inc./(exp.)	(55)	(63)	(75)	(74)	(67)
Other inc./(exp.)	8	10	18	18	21
Exceptional items	(1)	1	(78)	(17)	(8)
EBT	502	182	(11)	162	256
Income taxes	(85)	(102)	(38)	(49)	(77)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	6	4	(1)	(1)	(1)
Reported net profit	**402**	**88**	**(44)**	**116**	**183**
Adjustments	0	0	0	12	6
Adjusted net profit	**402**	**88**	**(44)**	**128**	**189**

Balance Sheet

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24P	FY25E	FY26E
Accounts payables	368	378	354	353	371
Other current liabilities	260	279	282	286	309
Provisions	28	39	38	38	38
Debt funds	756	849	871	871	791
Other liabilities	273	283	265	287	305
Equity capital	12	12	12	12	12
Reserves & surplus	1,132	1,019	908	977	1,111
Shareholders' fund	1,171	1,052	924	991	1,122
Total liab. and equities	**2,854**	**2,880**	**2,734**	**2,825**	**2,935**
Cash and cash eq.	244	170	94	130	152
Accounts receivables	122	83	63	64	69
Inventories	488	544	492	489	514
Other current assets	71	70	57	59	59
Investments	58	48	55	55	55
Net fixed assets	1,162	1,187	1,235	1,287	1,367
CWIP	220	312	344	349	328
Intangible assets	171	279	253	251	250
Deferred tax assets, net	0	0	0	0	0
Other assets	376	235	197	197	197
Total assets	**2,854**	**2,880**	**2,734**	**2,825**	**2,935**

Cash Flows

Y/E 31 Mar (Rs bn)	FY22A	FY23A	FY24P	FY25E	FY26E
Cash flow from operations	**455**	**252**	**176**	**278**	**347**
Capital expenditures	(97)	(318)	(152)	(160)	(170)
Change in investments	(24)	10	(7)	0	0
Other investing cash flows	(39)	140	64	18	21
Cash flow from investing	**(159)**	**(168)**	**(96)**	**(142)**	**(149)**
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(129)	93	22	0	(80)
Interest expenses	(55)	(63)	(75)	(74)	(67)
Dividends paid	(62)	(44)	(45)	(45)	(56)
Other financing cash flows	64	(146)	(58)	19	26
Cash flow from financing	**(181)**	**(159)**	**(156)**	**(99)**	**(177)**
Chg in cash & cash eq.	**114**	**(74)**	**(76)**	**36**	**22**
Closing cash & cash eq.	**244**	**170**	**94**	**130**	**152**

Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24P	FY25E	FY26E
Reported EPS	33.2	7.2	(3.6)	9.3	14.6
Adjusted EPS	33.2	7.2	(3.6)	10.2	15.1
Dividend per share	5.1	3.6	3.6	3.6	4.5
Book value per share	94.7	84.4	73.7	79.2	90.0

Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24P	FY25E	FY26E
EV/Sales	1.2	1.1	1.2	1.2	1.1
EV/EBITDA	4.7	8.4	12.0	8.3	6.7
Adjusted P/E	5.0	23.3	(47.0)	16.4	11.1
P/BV	1.8	2.0	2.3	2.1	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24P	FY25E	FY26E
Tax burden (Net profit/PBT)	79.7	48.3	(66.6)	71.3	71.4
Interest burden (PBT/EBIT)	92.6	78.9	53.7	75.9	85.0
EBIT margin (EBIT/Revenue)	22.4	9.5	5.5	10.2	12.4
Asset turnover (Rev./Avg TA)	91.3	84.3	81.0	83.6	87.1
Leverage (Avg TA/Avg Equity)	2.8	2.6	2.9	2.9	2.7
Adjusted ROAE	42.6	8.1	(4.5)	13.4	17.8

Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24P	FY25E	FY26E
YoY growth (%)					
Revenue	56.6	(0.3)	(5.9)	2.2	7.9
EBITDA	108.1	(49.1)	(30.9)	52.7	24.0
Adjusted EPS	408.5	(78.4)	(149.5)	(387.7)	47.7
Profitability & Return ratios (%)					
EBITDA margin	26.2	13.4	9.8	14.7	16.8
EBIT margin	22.4	9.5	5.5	10.2	12.4
Adjusted profit margin	16.6	3.6	(2.0)	5.5	7.5
Adjusted ROAE	42.6	8.1	(4.5)	13.4	17.8
ROCE	26.9	11.0	6.7	12.1	15.2
Working capital days (days)					
Receivables	18	12	10	10	10
Inventory	74	82	79	77	75
Payables	74	65	63	65	65
Ratios (x)					
Gross asset turnover	0.9	0.8	0.8	0.8	0.9
Current ratio	1.0	0.9	0.7	0.8	0.8
Net interest coverage ratio	10.0	3.6	1.7	3.2	4.6
Adjusted debt/equity	0.4	0.6	0.8	0.7	0.6

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

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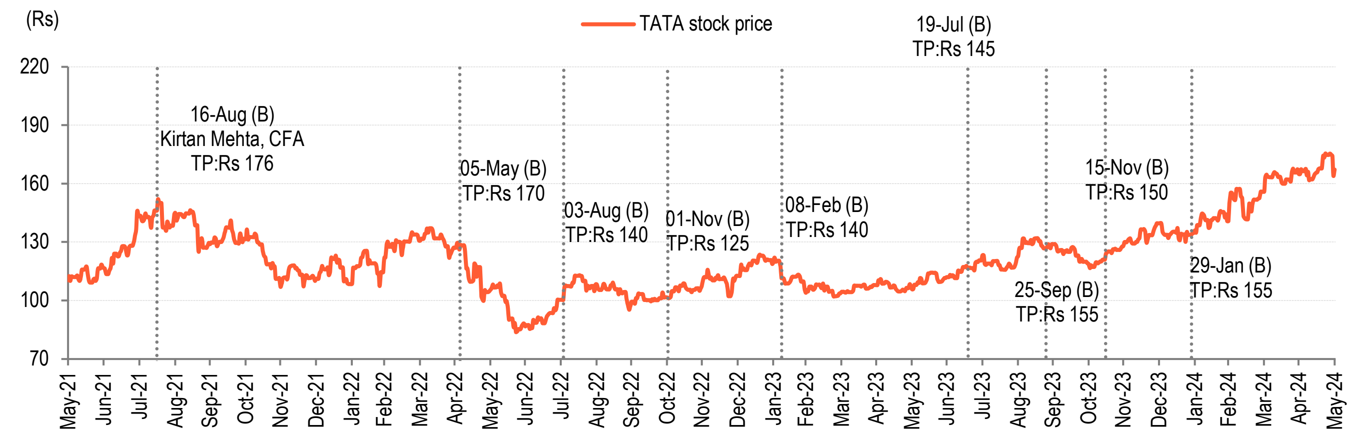

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