

# Jindal Steel & Power

Estimate change

TP change

Rating change



Bloomberg	JSP IN
Equity Shares (m)	1005
M.Cap.(INRb)/(USD\$)	646.5 / 7.8
52-Week Range (INR)	723 / 446
1, 6, 12 Rel. Per (%)	-7/3/32
12M Avg Val (INR M)	1638
Free float (%)	38.8

## Financials & Valuations (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	527	517	610
EBITDA	99	96	145
APAT	37	51	74
Adj. EPS (INR)	36	51	74
EPS Gr. (%)	-57.7	39.8	44.9
BV/Sh. (INR)	385	430	494

## Ratios

Net D:E	0.2	0.2	0.1
RoE (%)	9.9	12.5	16.0
RoCE (%)	12.6	12.3	17.8
Payout (%)	5.5	9.8	12.2

## Valuations

P/E (x)	17.4	12.5	8.6
P/BV (x)	1.6	1.5	1.3
EV/EBITDA(x)	7.1	7.4	4.8
Div. Yield (%)	0.3	0.8	1.4
FCF Yield (%)	1.3	2.2	5.6

## Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	61.2	61.2	61.2
DII	15.2	14.8	14.9
FII	13.7	14.2	12.5
Others	9.9	9.9	11.4

FII Includes depository receipts

**CMP: INRR634**

**TP: INR730 (+15%)**

**Buy**

## Operationally in-line performance; capex timeline extended with higher outlay

- Revenue was down 9% YoY at INR123b, in line with our estimate of INR122b. ASP was down INR582/t to INR60,946/t as against our estimate of INR61,528/t. Sales volumes were flat YoY to 2.01mt (in line with our estimate of 1.98mt) and exports stood at 13% of total sales.
- EBITDA grew 18% YoY to INR23b (in line with our estimate). The increase was led by lower input costs, partially offset by lower ASP. EBITDA/t stood at INR11,372/t vs. estimate of INR11,496/t.
- APAT more than doubled YoY to INR14b (our estimate INR9b), aided by lower finance costs and depreciation and negligible tax outgo.
- Net debt stood at INR73b (up ~INR5b QoQ) and the net debt-to-EBITDA ratio stood at 0.77x.

## Capex timeline extended; outgo now pegged at INR310b

- JSP's ongoing capex at Angul has been delayed by a few quarters and a majority of the capex is now expected to be completed by the end of FY25.
- The capex outlay has also been increased by INR70b to INR310b. This increase is attributed to scope changes and configuration adjustments.
- Major capex schedules for BOF-II, BF-II, ACPP-II, etc., has been extended by two quarters to 4QFY25.
- Capex for FY24E is expected to be in the range of INR75-100b.

## Highlights from the management commentary

- Coal cost is expected to increase by USD50-60/t in 3QFY24. It is expected to be partially offset by a 2-3% increase in ASP.
- The 5.5mt HSM is expected to come on stream in 3QFY24.
- JSP has already started coal excavation at Gare Palma IV/6 and is expected to reach a run rate of over 3.5mt by Mar'24 (PRC 4mt). Utkal C is expected to commence coal excavation by Nov-Dec'23.
- Once the slurry pipeline is fully operational, it would save ~INR700/t in iron ore cost.

## Valuation and view

- Though ongoing capex is going to shift JSP's product portfolio to higher VAP, extension in capex timeline along with an increase in cash outflow will continue to put pressure on the cash flow. The timely completion of capex is crucial for volume growth ahead.
- Considering the substantial increase in coal cost in the last few months and delayed capex, we have revised our FY24E and FY25E EBITDA estimates down by 13%/6%. We reiterate our BUY rating on JSP with a revised TP of INR730, based on 5.5x FY25E EV/EBITDA. We believe JSP's focused approach on deleveraging, presence across VAP, and robust domestic demand augur well for the company. The stock is currently trading at 4.8x FY25E EV/EBITDA and 1.3x FY25E P/B.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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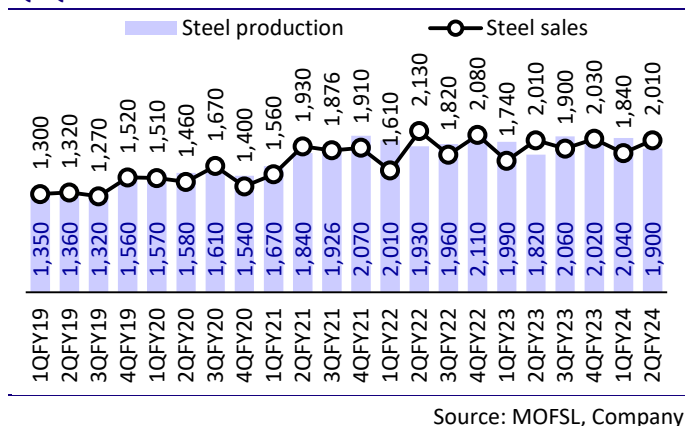
**Consolidated quarterly performance (INR b)**

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	
<b>Sales (kt)</b>	1,740	2,010	1,900	2,030	1,840	2,010	2,150	2,208	7,680	8,208	2,000	0.5
Change (YoY %)	8.1	-5.6	4.4	-2.4	5.7	0.0	13.2	8.8	0.5	6.9		
ASP	74,974	67,271	65,539	67,448	68,415	60,946	61,521	61,914	68,634	63,031	61,528	-0.9
<b>Net Sales</b>	<b>130</b>	<b>135</b>	<b>125</b>	<b>137</b>	<b>126</b>	<b>123</b>	<b>132</b>	<b>137</b>	<b>527</b>	<b>517</b>	<b>122</b>	0.4
Change (YoY %)	23.0	-0.7	-0.6	-4.5	-3.5	-9.4	6.2	-0.2	3.2	-1.8		
Change (QoQ %)	-9.0	3.6	-7.9	10.0	-8.1	-2.7	8.0	3.4				
Total Expenditure	96	116	101	115	100	100	112	110	428	421		
<b>EBITDA</b>	<b>34</b>	<b>19</b>	<b>24</b>	<b>22</b>	<b>26</b>	<b>23</b>	<b>20</b>	<b>27</b>	<b>99</b>	<b>96</b>	<b>23</b>	-0.6
Change (YoY %)	-24.2	-58.0	-28.2	-28.8	-23.6	18.3	-15.0	23.1	-36.0	-3.1		
Change (QoQ %)	12.0	-43.8	23.1	-8.0	20.2	-13.0	-11.6	33.2				
<b>EBITDA/t</b>	<b>19,763</b>	<b>9,609</b>	<b>12,513</b>	<b>10,775</b>	<b>14,283</b>	<b>11,372</b>	<b>9,401</b>	<b>12,197</b>	<b>12,936</b>	<b>11,730</b>	<b>11,496</b>	-1.1
Interest	4	4	3	4	3	3	4	4	14	14		
Depreciation	6	6	6	9	6	6	6	7	27	25		
Other Income	0	0	0	0	1	0	0	0	1	1		
<b>PBT (before EO item)</b>	<b>25</b>	<b>10</b>	<b>14</b>	<b>10</b>	<b>18</b>	<b>14</b>	<b>11</b>	<b>16</b>	<b>59</b>	<b>59</b>		
Extra-ordinary Income	8	-9	-4	-2	0	0	0	0	-6	0		
<b>PBT (after EO item)</b>	<b>33</b>	<b>1</b>	<b>11</b>	<b>8</b>	<b>18</b>	<b>14</b>	<b>11</b>	<b>16</b>	<b>53</b>	<b>59</b>		
Total Tax	6	-2	5	3	1	-0	3	4	13	8		
% Tax	17.1	-303.9	51.2	42.2	4.2	-0.4	25.2	25.3	24.5	12.9		
<b>Reported PAT</b>	<b>28</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>17</b>	<b>14</b>	<b>8</b>	<b>12</b>	<b>40</b>	<b>51</b>		
MI - Loss/(Profit)	0	0	-0	0	0	0	0	0	0	0		
Associate	-0	0	0	0	-0	-0	0	0	-0	-0		
<b>Adjusted PAT</b>	<b>15</b>	<b>7</b>	<b>9</b>	<b>6</b>	<b>17</b>	<b>14</b>	<b>8</b>	<b>12</b>	<b>37</b>	<b>51</b>	<b>9</b>	50.9
Change (YoY %)	-42.5	-73	-44.8	-68.4	15.3	102	-9.4	100.1	-57.9	39.8		
Change (QoQ %)	-24.9	-53	30.7	-31.3	173.8	-18	-41.4	51.6				

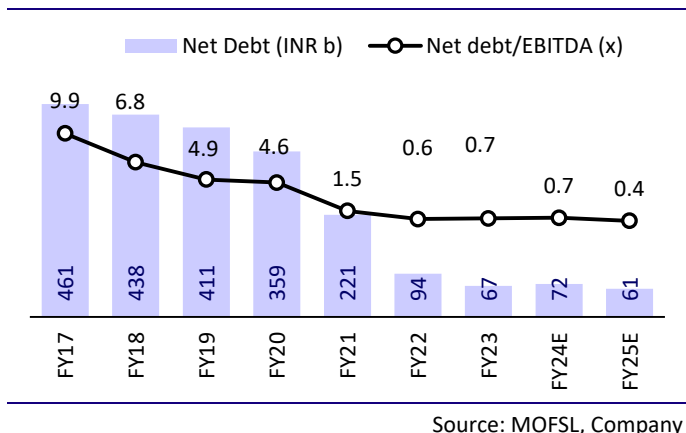
E: MOFSL Estimates

## Story in charts

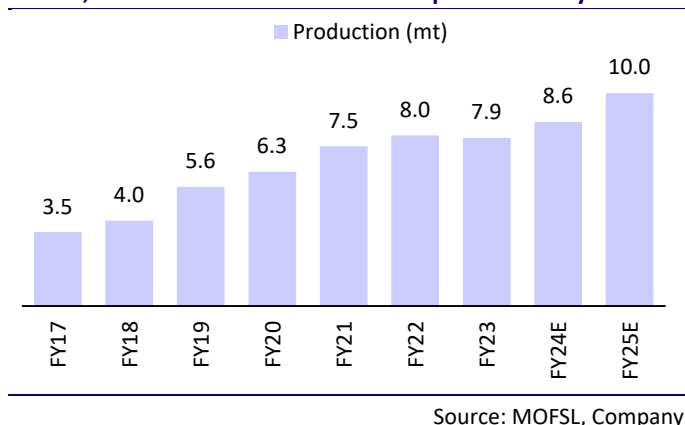
**Exhibit 1: Steel production/sales (in kt) down 7%/up 9% QoQ**



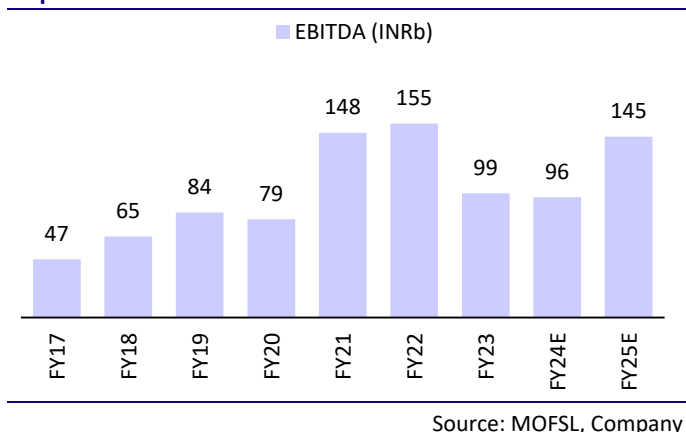
**Exhibit 2: Net debt/EBITDA to remain below the company threshold of 1.5x**



**Exhibit 3: Annual steel production (mt), consistent growth visible; JSP on track to achieve ~10mt production by FY25E**



**Exhibit 4: EBITDA to remain bound in FY24E and improve in FY25E**



## Key highlights from the management commentary

### Operational update

- Coking Coal cost decreased USD70/t in 2QFY24.
- Exports formed 13% of the total volumes in 2QFY24.
- ASP is expected to improve in 3QFY24, driven by improved demand in domestic market.
- Coking Coal cost is expected to increase USD50-60/t in 3QFY24.

### Coal mines

- Gare Palma IV/6 has already started coal excavation and has mined ~150kt of coal.
- Gare Palma IV/t with PRC of 4mt is expected to exit FY24 with a run rate of ~3.5mt.
- JSP is in the final stages of entering Utkal C mine and is expected to commence excavation from Nov-Dec '23.
- Once fully operational, it will reduce JSP's dependence on the import of coal and merchant miners.

**Net debt and cash**

- JSP has increased its net debt by ~INR5b QoQ to over 73b.
- The net debt-to-EBITDA ratio stood at a comfortable level of 0.77x and JSP has guided that the company would not cross its threshold limit of 1.5x net debt-to-EBITDA ratio.

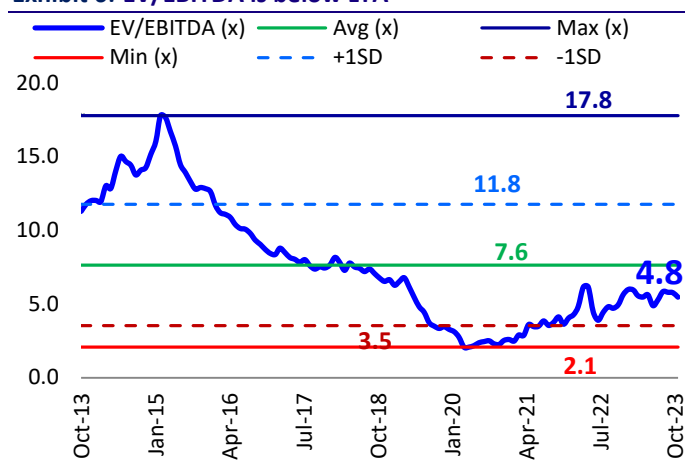
**Capex and timelines**

- JSP has elongated its capex timelines by a few quarters and the major capex is now expected to be concluded by the end of FY25.
- JSP has also revised its capex outlay guidance upward by INR70b to INR310b, which will be spent across capacity expansion (65%), margin expansion (23%), ACPP-II (6%), and ramping up of coal mines (6%). The increased outlay is due to scope changes and configuration adjustments.
- JSP has initiated orders for the 3mt BOF-III. Considering that facility construction is underway concurrently with the erection of the 3.3mt BOF-II, JSP anticipates installing and commissioning BOF-III by 4QFY25.
- Once the 18mt slurry pipeline is commissioned, it would save ~INR700/t of iron ore cost for JSP.
- The total capex for FY24E has been pegged at INR75-100b.

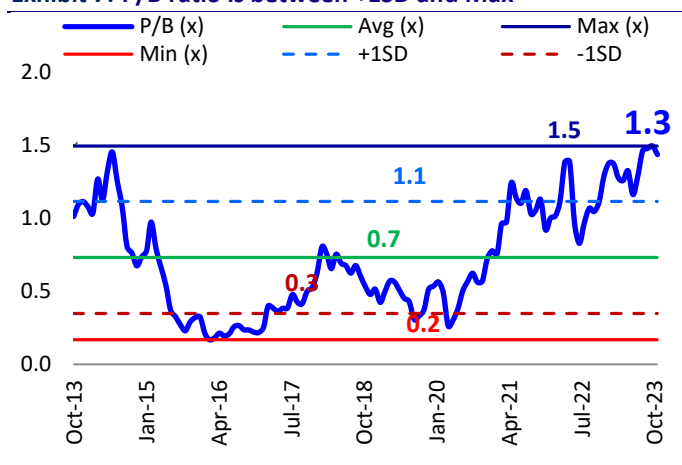
**Exhibit 5: Valuation and target price**

Y/E March	UoM	FY25E
Volume	mt	9.2
Blended EBITDA/t	INR	15,779
Consol EBITDA	INR b	145
Target EV/EBITDA(x)	x	5.5
Target EV	INR b	795
Net Debt	INR b	61
Equity Value	INR b	734
No of shares o/s	b	1.0
<b>Target price (INR/share)</b>	<b>INR/sh</b>	<b>730</b>

Source: MOFSL

**Exhibit 6: EV/EBITDA is below LTA**

Source: MOFSL, Company Data

**Exhibit 7: P/B ratio is between +1SD and Max**

**Exhibit 8: Global steel valuation comparable**

	M-Cap	P/E (x)		EV/EBITDA (x)		P/B (x)		RoE (%)	
Company	USD mn	CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24	CY22/FY23	CY23/FY24
India									
Tata*	17,430	16.8	13.0	6.6	7.3	1.5	1.4	8.3	11.1
JSW*	21,626	50.1	15.7	12.8	7.9	2.7	2.4	5.3	16.2
JSP*	7,765	17.4	12.5	7.1	7.4	1.6	1.5	9.9	12.5
SAIL*	4,159	17.3	8.8	8.1	5.5	0.6	0.6	3.7	7.0
Japan									
JFE	8,810	8.0	6.4	6.9	5.9	0.6	0.5	7.4	8.7
Nippon Steel	20,300	4.7	7.5	5.1	6.0	0.7	0.7	17.3	9.5
Kobe Steel	4,616	11.1	5.8	8.0	5.1	0.8	0.7	7.5	11.9
Korea									
POSCO	25,720	12.1	10.1	5.6	5.0	0.6	0.6	5.2	5.9
Hyundai Steel	3,230	5.2	5.0	5.1	4.1	0.2	0.2	4.4	4.4
US									
Nucor	36,866	8.2	12.5	5.2	7.2	1.7	1.6	21.8	12.8
US Steel	7,601	8.3	15.4	4.6	6.0	0.7	0.7	9.3	5.1
Steel Dynamics	17,500	7.3	11.6	5.1	7.7	2.0	1.8	27.6	15.8
Europe									
AM	18,878	4.5	5.1	3.3	3.4	0.3	0.3	8.0	6.8
SSAB	6,021	5.4	8.7	2.4	3.6	1.0	0.9	18.3	10.8
TKA	4,314	32.3	8.5	0.4	0.4	0.3	0.3	0.8	3.4
VOE	4,441	4.2	7.8	2.6	3.5	0.5	0.5	13.8	6.9
China									
Baosteel	19,046	12.4	10.3	5.3	4.5	0.7	0.7	5.6	6.5

Source: MOFSL, Company, Bloomberg(\*) denotes MOFSL estimates

**Exhibit 9: Key assumptions and changes to our estimates**

	UoM	FY24E			FY25E		
		New	Old	Change (%)	New	Old	Change (%)
Volumes	mt	8	8	0.8	9	9	0.0
Realisation/t	INR/t	63,031	64,359	-2.1	66,639	66,399	0.4
EBITDA/t	INR/t	11,730	13,545	-13.4	15,779	16,736	-5.7
Revenue	INR b	517	524	-1.3	610	609	0.4
EBITDA	"	96	110	-12.7	145	153	-5.8
PAT	"	51	55	-6.9	74	80	-7.7

Source: Company, MOFSL

## Financials and valuation

### Consolidated Income Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net sales</b>	<b>210</b>	<b>276</b>	<b>394</b>	<b>370</b>	<b>389</b>	<b>511</b>	<b>527</b>	<b>517</b>	<b>610</b>
Change (%)	14	31	43	-6	5	31	3	-2	18
Total Expenses	164	212	310	291	241	356	428	421	466
<b>EBITDA</b>	<b>47</b>	<b>65</b>	<b>84</b>	<b>79</b>	<b>148</b>	<b>155</b>	<b>99</b>	<b>96</b>	<b>145</b>
As a percentage of Net Sales	22	23	21	21	38	30	19	19	24
Depn. and Amortization	39	39	42	42	35	21	27	25	31
<b>EBIT</b>	<b>7</b>	<b>26</b>	<b>42</b>	<b>37</b>	<b>113</b>	<b>134</b>	<b>72</b>	<b>72</b>	<b>114</b>
Net Interest	34	39	43	41	31	19	14	14	16
Other income	0	0	0	0	4	1	1	1	1
<b>PBT before EO</b>	<b>-27</b>	<b>-13</b>	<b>0</b>	<b>-4</b>	<b>86</b>	<b>116</b>	<b>59</b>	<b>59</b>	<b>99</b>
EO income	-4	-6	-28	2	-13	-19	-6	0	0
<b>PBT after EO</b>	<b>-30</b>	<b>-19</b>	<b>-28</b>	<b>-2</b>	<b>73</b>	<b>97</b>	<b>53</b>	<b>59</b>	<b>99</b>
Tax	-5	-2	-4	2	18	29	13	8	25
Rate (%)	17	13	14	-63	24	30	25	13	25
<b>Reported PAT</b>	<b>-25</b>	<b>-16</b>	<b>-24</b>	<b>-4</b>	<b>55</b>	<b>68</b>	<b>40</b>	<b>51</b>	<b>74</b>
Minority interests	-3	-2	-8	0	3	0	0	0	0
Off book and other adj.	0	0	0	0	0	0	-9	0	0
Share of Associates	0	0	0	0	0	0	0	0	0
<b>Adjusted PAT</b>	<b>-19</b>	<b>-8</b>	<b>11</b>	<b>-3</b>	<b>66</b>	<b>87</b>	<b>37</b>	<b>51</b>	<b>74</b>
Change (%)	NA	NA	LP	PL	LP	32	-58	40	45

### Consolidated Balance Sheet

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	1	1	1	1	1	1	1	1	1
Reserves	300	303	323	320	317	355	386	431	495
<b>Net Worth</b>	<b>301</b>	<b>304</b>	<b>324</b>	<b>321</b>	<b>318</b>	<b>356</b>	<b>387</b>	<b>432</b>	<b>496</b>
Minority Interest	6	4	-3	-8	-9	15	3	3	3
Total Loans	467	443	415	368	293	139	124	119	119
Deferred Tax Liability	54	50	54	56	62	73	59	59	59
<b>Capital Employed</b>	<b>827</b>	<b>802</b>	<b>790</b>	<b>738</b>	<b>665</b>	<b>582</b>	<b>574</b>	<b>614</b>	<b>678</b>
Gross Block	783	847	900	951	833	681	690	750	810
Less: Accum. Deprn.	129	168	210	252	286	223	247	272	302
<b>Net Fixed Assets</b>	<b>654</b>	<b>679</b>	<b>690</b>	<b>699</b>	<b>547</b>	<b>458</b>	<b>443</b>	<b>478</b>	<b>507</b>
Capital WIP	97	50	40	20	9	17	71	86	106
Goodwill and Revaluation	6	6	6	6	5	4	1	1	1
Investments	4	1	1	1	1	1	1	1	1
<b>Curr. Assets</b>	<b>146</b>	<b>157</b>	<b>158</b>	<b>171</b>	<b>216</b>	<b>285</b>	<b>179</b>	<b>168</b>	<b>190</b>
Inventory	36	50	65	64	59	73	59	58	68
Account Receivables	17	18	30	35	28	13	10	10	11
Cash and Bank Balance	5	5	4	10	72	45	57	48	58
Loans and advances and others	88	84	58	62	57	155	53	53	53
<b>Curr. Liability and Prov.</b>	<b>79</b>	<b>91</b>	<b>106</b>	<b>159</b>	<b>113</b>	<b>184</b>	<b>120</b>	<b>119</b>	<b>128</b>
Account Payables	22	28	32	56	41	53	47	46	54
Provisions and Others	57	62	74	104	73	132	73	73	73
<b>Net Current Assets</b>	<b>67</b>	<b>66</b>	<b>52</b>	<b>12</b>	<b>103</b>	<b>101</b>	<b>58</b>	<b>48</b>	<b>63</b>
<b>Appl. of Funds</b>	<b>827</b>	<b>802</b>	<b>790</b>	<b>738</b>	<b>665</b>	<b>582</b>	<b>574</b>	<b>614</b>	<b>678</b>

## Financials and valuation

### Consolidated ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>									
<b>EPS</b>	<b>-20.9</b>	<b>-8.5</b>	<b>11.5</b>	<b>-2.9</b>	<b>64.7</b>	<b>86.0</b>	<b>36.4</b>	<b>50.9</b>	<b>73.8</b>
Cash EPS	15.4	23.3	18.4	36.9	88.0	87.7	66.3	75.6	104.3
BV/Share	328.4	313.9	335.0	315.1	311.9	352.5	385.1	430.2	493.5
DPS	0.0	0.0	0.0	0.0	0.0	3.0	2.0	5.0	9.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	3.5	5.5	9.8	12.2
<b>Valuation (x)</b>									
P/E	-30.4	-74.8	55.0	-221.0	9.8	7.4	17.4	12.5	8.6
Cash P/E	41.2	27.2	34.4	17.2	7.2	7.2	9.6	8.4	6.1
P/BV	1.9	2.0	1.9	2.0	2.0	1.8	1.6	1.5	1.3
EV/Sales	5.0	3.8	2.6	2.7	2.2	1.4	1.3	1.4	1.1
EV/EBITDA	22.3	16.3	12.2	12.8	5.9	4.7	7.1	7.4	4.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.5	0.3	0.8	1.4
<b>Return Ratios (%)</b>									
EBITDA Margin (%)	22.2	23.4	21.3	21.2	38.0	30.4	18.8	18.6	23.7
Net Profit Margin (%)	-9.1	-3.0	2.8	-0.8	17.0	17.0	6.9	9.9	12.2
RoE	-7.9	-2.6	3.6	-0.9	20.6	25.9	9.9	12.5	16.0
RoCE (pre-tax)	1.0	3.2	5.3	4.9	16.7	21.6	12.6	12.3	17.8
RoIC (pre-tax)	1.1	3.6	5.7	5.1	17.7	24.6	15.1	15.5	23.0
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	0.3	0.4	0.5	0.5	0.7	1.1	1.0	0.9	1.0
Asset Turnover (x)	0.3	0.3	0.5	0.5	0.6	0.9	0.9	0.4	0.4
Inventory (Days)	63	66	60	63	56	52	41	41	41
Debtor (Days)	30	24	28	35	26	9	7	7	7
Payable (Days)	39	38	30	55	38	38	33	33	33
<b>Growth (%)</b>									
Sales	14.4	31.4	42.5	-6.0	5.0	31.5	3.2	-1.8	18.0
EBITDA	35.5	38.8	29.9	-6.6	87.9	5.1	-36.0	-3.1	50.1
PAT	NA	NA	LP	PL	LP	31.8	-57.9	39.8	44.9
<b>Leverage Ratio (x)</b>									
Current Ratio	1.8	1.7	1.5	1.1	1.9	1.5	1.5	1.4	1.5
Interest Coverage Ratio	0.2	0.7	1.0	0.9	3.7	7.1	5.0	5.1	7.3
Debt/Equity ratio	1.5	1.4	1.3	1.1	0.7	0.3	0.2	0.2	0.1

### Consolidated Cash Flow Statement

(INR b)

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
EBITDA	47	65	84	79	148	155	99	96	145
Non-cash exp./ (income)	-1	3	1	2	-2	25	-5	0	0
(Inc.) / Dec. in Wkg. Cap.	7	-9	-24	19	-12	-8	11	0	-4
Tax Paid	0	-1	0	0	1	-20	-27	-8	-25
others	16	14	22	16	-14	9	-6	0	0
<b>CF from Op. Activity</b>	<b>69</b>	<b>72</b>	<b>84</b>	<b>115</b>	<b>120</b>	<b>160</b>	<b>73</b>	<b>89</b>	<b>116</b>
(Inc.) / Dec. in FA + CWIP	-25	-26	-14	-17	-9	-29	-64	-75	-80
(Pur.) / Sale of Investments	5	12	2	0	0	1	0	0	0
Loans and advances	-1	-2	3	0	-11	4	23	0	0
Int. and Dividend Income	1	2	1	1	1	2	1	1	1
Other investing activities	2	-1	-1	0	8	-13	5	0	0
<b>CF from Inv. Activity</b>	<b>-18</b>	<b>-15</b>	<b>-9</b>	<b>-16</b>	<b>-11</b>	<b>-36</b>	<b>-35</b>	<b>-74</b>	<b>-79</b>
Equity raised / (repaid)	0	14	0	5	0	-5	-2	0	0
Debt raised / (repaid)	-10	-24	-30	-61	-23	-119	-6	-5	0
Dividend (incl. tax)	0	0	0	0	0	-1	-2	-6	-11
Interest paid	-41	-47	-46	-40	-23	-26	-15	-14	-16
<b>CF from Fin. Activity</b>	<b>-52</b>	<b>-57</b>	<b>-75</b>	<b>-94</b>	<b>-46</b>	<b>-151</b>	<b>-25</b>	<b>-25</b>	<b>-26</b>
<b>(Inc.) / Dec. in Cash</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>5</b>	<b>62</b>	<b>-27</b>	<b>13</b>	<b>-10</b>	<b>10</b>
Add: Opening Balance	6	5	5	4	10	72	45	57	48
<b>Closing Balance</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>72</b>	<b>45</b>	<b>57</b>	<b>48</b>	<b>58</b>

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NOTES



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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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