

BSE SENSEX 75,967 S&P CNX 22,945

CMP: INR440

TP: INR705 (+60%)

Buy



Stock Info

Bloomberg	JSW IN
Equity Shares (m)	1748
M.Cap.(INRb)/(USD\$b)	769.7 / 8.9
52-Week Range (INR)	805 / 419
1, 6, 12 Rel. Per (%)	-21/-27/-12
12M Avg Val (INR M)	2481
Free float (%)	30.7

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	134.6	163.4	194.6
EBITDA	57.9	83.0	108.3
Adj. PAT	23.9	30.1	31.8
EPS (INR)	13.7	17.2	18.2
EPS Gr. (%)	30.3	26.0	5.7
BV/Sh.(INR)	130.4	144.7	159.9

Ratios

Net D:E	1.5	1.7	1.6
RoE (%)	11.0	12.5	12.0
RoCE (%)	7.9	9.2	10.1
Payout (%)	19.7	17.4	16.5

Valuations

P/E (x)	32.0	25.4	24.0
P/BV (x)	3.4	3.0	2.7
EV/EBITDA (x)	19.3	14.3	11.2
Div. Yield (%)	0.6	0.7	0.7
FCF Yield (%)	-8.3	-6.3	-2.1

KSK Mahanadi – A deep-dive analysis!

- We conducted a deep-dive analysis of KSK Mahanadi Power Company (KMPCL), a thermal (operational: 1.8GW + 1.8GW expansion) plant that JSW Energy (JSWE) is considering for acquisition. Our key conclusions: 1) we estimate an NPV/sh of INR27 for JSWE's share of 74% (with a brownfield expansion option); 2) without a brownfield expansion, we estimate the NPV at INR16/sh; 3) for every INR0.2/unit change in EBITDA/unit (~8%), NPV is impacted by 33% (this is key as over time JSWE may look to capture synergies and raise EBITDA/unit); 4) for every 5% change in PLF, NPV is impacted by 31% (base case PLF: 70%); and 5) while investors are concerned about leverage, we believe the ND/EBITDA ratio for FY26 will rise only marginally to 5.6x (current estimate: 5.1x) and could decline slightly in FY27.
- Key risks to our estimate: 1) we assume an additional 1.8GW capacity to commence operations by FY29 with an estimated capex of INR189b; potential cost overruns/delays will impact NPV, 2) Power Purchase Agreement (PPA) with TANGEDCO is set to expire in FY29; we assume renewal at INR5.4/kwh with another off-taker, and 3) the plant has some contingent liabilities amounting to INR4.02b; we need clarity from the management on whether JSWE would be liable in the event of an adverse outcome on these.
- We reiterate our BUY rating with an SoTP-based TP of INR705; KMPCL's NPV is currently not a part of our SoTP valuation. The cut in our TP is driven by lower valuation multiples for the thermal and hydro businesses.

KMPCL would be acquired by JSWE at ~INR160b

- On 13th Jan'25, JSWE announced that the resolution plan submitted by it has been approved by the Committee of Creditors, and it has received the Letter of Intent (LoI) from the Resolution Professional (RP) for KMPCL. Company has now received National Company Law Tribunal (NCLT) approval while the Competition Commission of India (CCI) approval is awaited. The acquisition is expected to receive final approval by 1QFY26.
- KMPCL, a 3.6 GW coal-fired power plant in Chhattisgarh, which includes 1.8 GW of operational capacity and an additional 1.8 GW in brownfield expansion potential, is to be acquired by JSW Energy for INR159.9b. JSW has also committed to providing lenders with a 26% equity stake in the company.
- The project, which had been facing significant financial distress, carries a debt of INR293.3b and was admitted into the Insolvency and Bankruptcy Code (IBC) process in 2019.
- The RP has acknowledged claims of INR293.3b from financial creditors. Lenders are expected to recover ~INR264.85b, representing about 90% of the total claims. This includes JSW's offer of INR159.9b, as well as INR105b in cash and undisputed fund receivables. However, factoring in the 26% equity stake provided to lenders, the total recovery is expected to exceed 100%, as noted by a lender involved in the process [\(Link\)](#).

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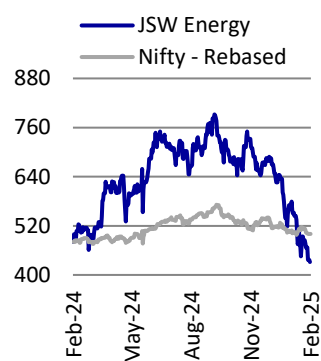
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	69.3	69.3	73.4
DII	10.0	9.8	9.6
FII	14.7	15.1	8.7
Others	5.9	5.8	8.3

FII Includes depository receipts

Stock performance (one-year)**Key points about the asset**

- KMPCL operates a 3,600MW thermal power plant in Chhattisgarh, with three 600 MW units currently operational, totaling 1,800 MW. The company has PPAs with UPPCL (1,000 MW net), TANGEDCO (500 MW net), and CSPTCL (5% of net power export). The remaining 90 MW capacity is sold through short-term arrangements to IEX as well as other DISCOMs. The coal required for this untied capacity used to be procured through e-auctions and open market purchases but now we understand that the company has arranged for a long-term supply of coal.
- In addition to the existing capacity, KMPCL has an under-construction expansion of 1,800 MW (comprising three 600 MW units), with one unit 40% complete and the balance of plants in place for the remaining 1,200 MW. The plant has firm arrangements for water and coal transportation for the full 3,600 MW capacity.

Estimated NPV of INR27/share with brownfield expansion

- We estimate the NPV for JSW Energy's 74% stake in KMPCL to be ~INR27/share, factoring in the brownfield expansion.
- The RoE for KMPCL is projected at 6%/1% in FY27/FY28, while the RoCE is estimated at 2%/0.5%. The decline in these metrics in FY28 is attributed to the 1.8 GW brownfield expansion, which is leading to an increase in debt. However, both RoE and RoCE are expected to improve to 15% and 8%, respectively, by FY32 as revenue generation from the additional 1.8 GW capacity commences from FY29 onwards.
- Our key assumptions include:
 - Tariff rates for UPPCL and TANGEDCO at INR5.4/kWh and INR4.2/kWh, respectively.
 - Upon the expiry of the TANGEDCO PPA in FY29, we assume the new agreement with the buyer to be at INR5.4/kWh.
 - With the Fuel Supply Agreement (FSA) now in place, we assume an EBITDA of INR 2.5/unit. This is in line with what the company reported in FY24.
 - Brownfield Capital Work in Progress (CWIP) is at ~INR45b according to the FY23 financials, and this is key to bringing down the overall cost of the 1.8GW expansion for JSWE.
 - Capex of INR60m/MW is assumed for the 600 MW unit, which is already 40% complete, while INR90m/MW is assumed for the remaining two 600 MW units, with expenditure to occur between FY27-28 and capitalized from FY29.
 - The brownfield expansion is expected to be completed by FY29, with a debt-to-equity ratio of 75:25 for the expansion.
 - Interest cost is assumed to be 8.8%.
 - The cost of equity is assumed to be 12%.
 - PLF for the existing 1,800 MW capacity is assumed to be 70% until FY28, with a gradual ramp-up in PLF post-expansion: FY29 at 50%, FY30 at 60%, and 70% from FY31 onwards.

Exhibit 1: NPV under different scenarios

Scenarios	NPV (INR/share)
1) 1.8GW operational + 1.8GW expansion	27
2) 0.2/unit increase in EBITDA	36
3) 5% decrease in PLF	19
4) No expansion	16

Source: Company, MOFSL

Estimated NPV of INR16/share without brownfield expansion

- The 3.6 GW coal-fired power plant in Chhattisgarh comprises 1.8 GW of currently operational capacity and an additional 1.8 GW of brownfield expansion potential.
- If we assume that 1.8 GW of operational capacity remains functional until FY50 and the additional 1.8 GW in brownfield expansion potential remains untapped, the estimated NPV for JSW Energy's 74% stake in KMPCL will be ~INR16/share.

NPV Sensitivity to change in profitability; transitory rise in leverage

- For every INR 0.2/unit change in EBITDA/unit, the NPV impact is INR9/share, reflecting an impact of 33% (this is key as over time, JSWE may look to capture synergies and raise EBITDA/unit).
- For every 5% change in PLF, the NPV impact is INR8/unit, reflecting an impact of 31%.
- JSWE's ND/EBITDA ratio stood at 4.5x at the end of 3QFY25. Our current ND/EBITDA estimates for FY26/FY27 are 5.1x/4.1x. However, factoring in 1) the acquisition of KSK Mahanadi's 1.8 GW operational capacity and the planned 1.8 GW brownfield expansion, 2) O2 Power acquisition, and 3) LOA from WBSEDCL for 1.6GW greenfield thermal power plant, we expect the ND/EBITDA ratio to rise 12% to 5.6x in FY26 (current estimate: 5.1x) before decreasing 2% to 4.06x in FY27 from the current estimate of 4.1x.

Exhibit 2: Change in leverage of JSWE

Particulars	Unit	FY26	FY27
JSWE's existing Net debt estimate	INRm	4,21,867	4,48,899
KMPCL debt for existing capacity (1.8GW)	INRm	1,20,000	
KMPCL new capacity (1.8GW) debt	INRm	21,600	54,000
O2 Power's debt for acquisition	INRm	93,510	
O2 Power's new capacity (2.4GW) debt	INRm	42,000	70,000
WBSEDCL (1.6GW greenfield thermal)	INRm		28,800
Total net debt including new debt	INRm	6,98,977	6,01,699
Existing EBITDA est. (JSWE)	INRm	83,010	1,08,254
KSK EBITDA est.	INRm	24,835	24,835
O2 Power EBITDA est.	INRm	15,000	15,000
Revised EBITDA est. including expansion	INRm	1,22,845	1,48,088
Current ND/EBITDA est.	(x)	5.08	4.15
ND/EBITDA including expansion	(x)	5.69	4.06
Change		12%	-2%

Source: Company, MOFSL

Cost-effective acquisition on per MW basis

- This acquisition price implies INR89m per MW, which we believe is significantly lower than the recent ordering price of INR120m per MW by NTPC. This highlights the relative cost-effectiveness of the acquisition.

Exhibit 3: Details of the recent thermal asset bids

Top Bidder	Name	Location	Asset Type	Capacity (MW)	Final Bid Amount (INRb)	INRm/MW	Other bidders
JSWE	KMPCL	Chhattisgarh	Thermal	1,800	159.9	89	❖ Adani Power, Jindal Power, NTPC, Vedanta
Adani Power	Lanco Amarkantak Power Ltd (LAPL)	Chhattisgarh	Thermal	600	41.0	68	❖ Jindal Power, PFC-REC, Reliance Industries
Mahagenco and NTPC	Sinnar Thermal Power Plant	Maharashtra	Thermal	1,350	38.0	28	❖ Adani Power, Vedanta Group, Jindal Power, Orissa Metaliks, Singapore-based VFSI Holdings
Punjab State Power Corporation Limited	Goindwal Sahib Thermal Power Plant (TPP)	Punjab	Thermal	540	10.8	20	
Damodar Valley Corporation (DVC)	Hiranmaye Energy Limited	West Bengal	Thermal	300	15.0	50	❖ Jindal Power, CESC, Hindustan Power, Shyam Sel and Power, Orissa Metaliks, Rungta Mines

Source: Company, MOFSL

Other key points

- A contingent liability of INR4.02b exists, due to electricity duty on auxiliary consumption payable to the Chhattisgarh state government.
- The brownfield Capital Work in Progress (CWIP) stood at ~INR45b according to the FY23 financials and will be key in keeping brownfield expansion costs under check.
- Fuel costs for 1.8GW operational capacity were elevated at INR31.8b in the FY23 financials; however, a significant reduction is anticipated following the implementation of the Fuel Supply Agreement (FSA) in FY24.
- Other income was recorded at INR6.5b in FY23, though it is expected to decline sharply, given that, a cash payment of INR105b will be made to the financial creditors of KMPCL as per media reports ([Link](#)).

Exhibit 4: KMPCL's Financial statements

Consolidated Income Statement			(INRm)
Y/E March	FY21	FY22	FY23
Revenue	42,757	41,926	51,162
Fuel cost	21,085	20,126	31,820
Employee benefit expenses	763	797	812
Other expenses	13,584	6,897	10,640
Total expenses	35,432	27,819	43,272
EBITDA	7,325	14,106	7,890
<i>EBITDA Margin</i>	17%	34%	15%
Depreciation	6,794	6,724	6,655
EBIT	531	7,383	1,235
Finance cost	363	389	1,565
Other income	2,362	798	6,510
PBT (pre-exceptional)	2,529	7,791	6,180
Exceptional loss/(gain)	-	-	-
PBT	2,529	7,791	6,180
Tax	1,670	4,477	0
<i>Tax Rate (%)</i>	66%	57%	0%
PAT	860	3,314	6,180

Consolidated Balance Sheet			(INRm)
Y/E March	FY21	FY22	FY23
Share capital	36,095	36,095	36,095
Reserves and Surplus	(29,093)	(25,756)	(19,561)
Shareholders' funds	7,002	10,340	16,534
Minority Interest	-	-	-
Non-current liabilities	403	386	398
Financial liabilities			
Long term borrowings	-	-	-
Other financial liabilities	274	274	274
Long term provisions	129	112	124
Deferred tax liability	-	-	-
Other non-current liabilities	-	-	-
Current liabilities	2,43,950	2,46,534	2,52,132
Financial liabilities			
Short term borrowings	2,00,761	2,01,109	2,06,092
Trade payables	11,155	12,406	11,367
Other financial liabilities	28,985	29,466	30,576
Other current liabilities	3,049	3,554	4,097
Short term provisions	-	-	-
Total liabilities	2,51,355	2,57,259	2,69,064
Non-current assets	1,80,867	1,69,741	1,63,121
Net assets	1,26,234	1,19,652	1,13,357
CWIP	45,739	45,597	45,541
Right to use asset	1,528	1,511	1,494
Financial assets			
Non-current investments	-	-	-
Loans	-	-	-
Other financial assets	2,359	2,380	1,884
Deferred tax assets net	4,484		
Long term loans and advances	-	-	-
Other non-current assets	523	602	846
Current assets	70,488	87,518	1,05,942
Inventories	1,259	1,492	2,191
Financial assets			
Current investments	-	-	-
Trade receivables	27,788	43,198	46,744
Cash and bank balances	28,724	29,506	17,236
Other bank balances	125	353	25,612
Loans	-	-	-
Other financial assets	5,283	5,301	5,917
Other current assets	7,310	7,668	8,242
Total assets	2,51,355	2,57,259	2,69,064

Consolidated Cash Flow Statement			(INRm)
Particulars	FY21	FY22	FY23
PBT	2,529	7,791	6,180
Depreciation / amortisation	6,794	6,724	6,655
Provision for impairment	-	-	-
Interest income	(2,039)	(787)	(6,499)
Finance costs	363	389	1,565
Others	7,641	518	4,751
Operating cash before WC change	15,288	14,635	12,652
WC change	11,256	(14,896)	(591)
Receivables	7,549	(16,119)	951
Inventories	406	(91)	(699)
Current and Non-current assets	(985)	(380)	(368)
Trade payables and others	4,285	1,695	(475)
Cash from operations	26,544	(261)	12,061
Direct tax paid (net)	(67)	118	242
Net cash from operating activity	26,612	(378)	11,819
Capex (incl. M&A)	(9)	(6)	(5)
Interest income	1,378	1,492	1,403
Others	(4)	(252)	(25,280)
Net cash from investing activity	1,365	1,234	(23,882)
Share capital	-	-	-
Borrowings	-	-	-
Finance cost	(72)	(74)	(208)
Dividend	-	-	-
Others	-	-	-
Net cash from financial activity	(72)	(74)	(208)
Net increase/(decrease) in cash	27,906	782	(12,270)
Opening balance	818	28,724	29,506
Closing balance	28,724	29,506	17,236

Valuation and view

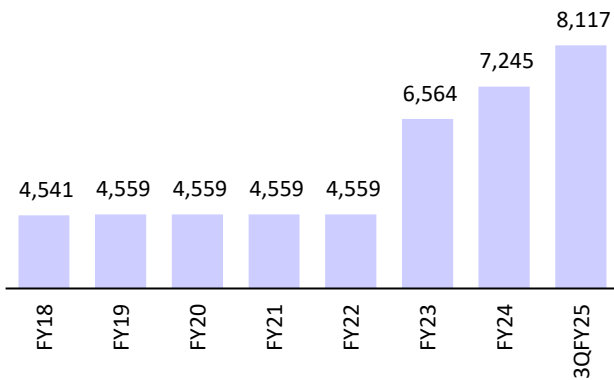
- The valuation of JSWE is based on SoTP:
 - Thermal is valued at 9x FY27E EBITDA and renewable energy at 15x FY27E EBITDA (FY28E EBITDA discounted by one year).
 - Hydro at 1.5x FY27E book value and green hydrogen equity at a 2x multiple.
- Additionally, the company's stake in JSW Steel is valued at a 25% discount to the current market price, acknowledging the strategic significance of this holding while incorporating a conservative valuation approach.
- By aggregating the values from these different components, the total equity value of JSWE was determined, leading to a TP of INR705/share.
- NPV attributable to the KMPCL acquisition is currently not a part of our SoTP valuation for JSWE.

Exhibit 5: JSWE's SoTP-based valuation

Particulars	Units	EBITDA - FY27	Valuation multiple	Amount
Thermal	INR m	29,676	9	2,67,083
Hydro BV - FY27	INR m	54,172	2	81,258
RE EBITDA - FY27 (FY28 EBITDA discounted by one year)	INR m	83,554	15	12,49,128
Green Hydrogen Equity	INR m	1,438	2	3,019
EV	INR m			16,00,488
Less: Net Debt	INR m			4,21,867
Market cap	INR m			11,78,621
JSW Steel's stake*	INR m			51,247
Total Equity value	INR m			12,29,868
Target price	INR/Share			705
CMP	INR/share			439
Upside/(Downside)				61%

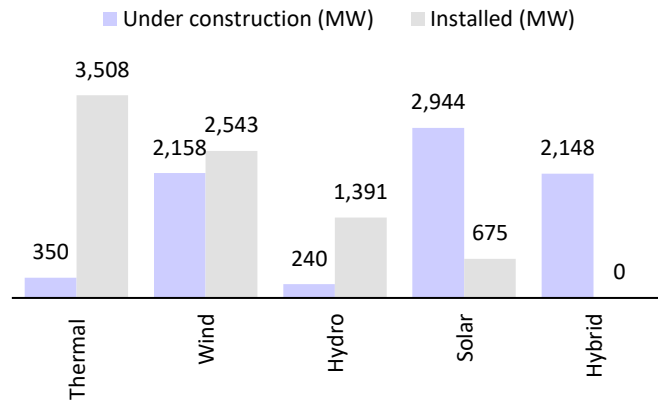
* At 25% discount

Exhibit 6: Installed capacity growth (MW)



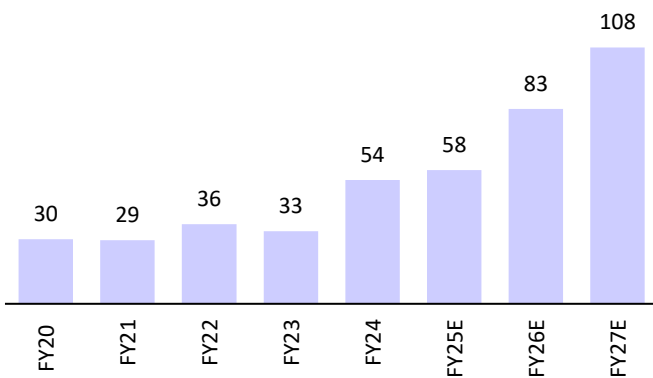
Source: Company, MOFSL

Exhibit 7: Capacity breakdown by end-3QFY25



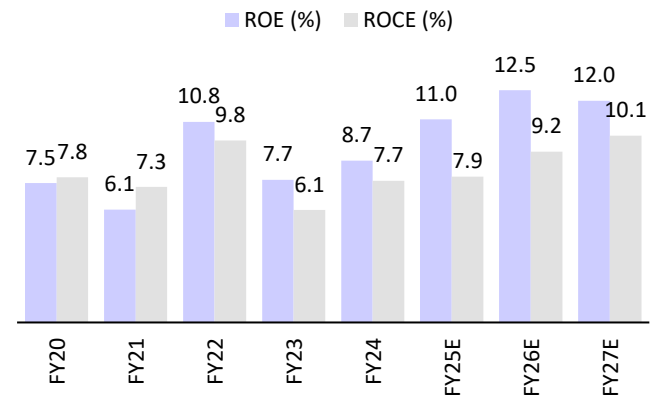
Source: Company, MOFSL

Exhibit 8: Consol. EBITDA (INRb)



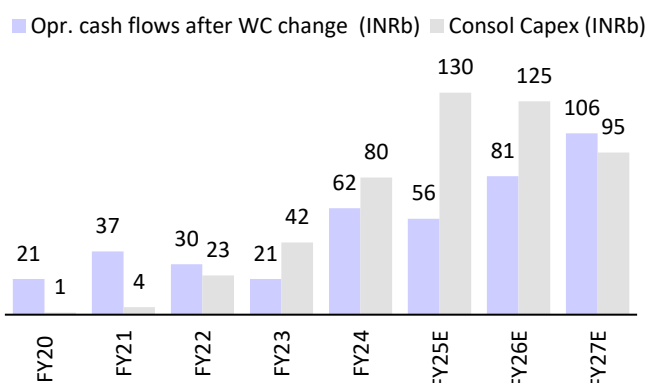
Source: Company, MOFSL

Exhibit 9: Consol. RoE and ROCE



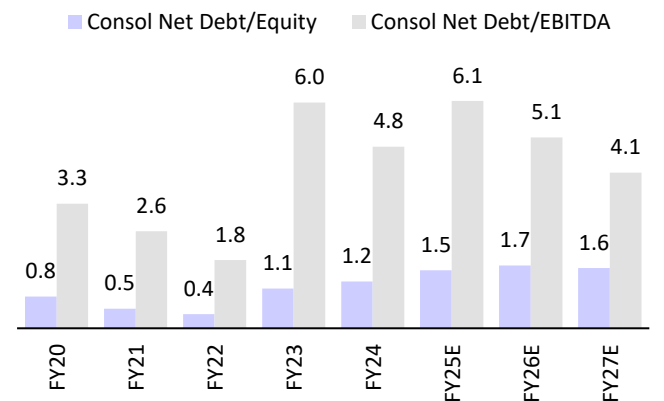
Source: Company, MOFSL

Exhibit 10: Capex ramp-up driven by 20GW capacity target



Source: Company, MOFSL

Exhibit 11: Leverage trending up amid capacity expansion



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

	(INR m)				
Y/E March	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	1,03,318	1,14,859	1,34,616	1,63,370	1,94,626
Change (%)	26.5	11.2	17.2	21.4	19.1
Total Expenses	70,500	61,041	76,680	80,360	86,372
Gross Profit	43,945	67,789	74,702	1,03,128	1,32,396
EBITDA	32,818	53,818	57,937	83,010	1,08,254
% of Net Sales	31.8	46.9	43.0	50.8	55.6
Depreciation	11,692	16,334	16,000	22,071	32,990
EBIT	21,126	37,484	41,936	60,939	75,264
Net Interest	8,443	20,534	21,127	30,057	42,386
Other income	5,352	4,554	8,590	8,090	9,090
PBT before EO	18,036	21,504	29,399	38,971	41,968
EO expense	-1,200	0	0	0	0
PBT after EO	19,236	21,504	29,399	38,971	41,968
Tax	4,627	4,423	5,292	8,379	9,653
Rate (%)	24.1	20.6	18.0	21.5	23.0
JV	193	165	255	255	255
Minority	24	19	475	750	750
Reported PAT	14,778	17,227	23,887	30,097	31,820
Adjusted PAT	13,866	17,227	23,887	30,097	31,820
Change (%)	-19.8	24.2	38.7	26.0	5.7

Consolidated Balance Sheet

	(INR m)				
	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	16,405	16,412	16,412	16,412	16,412
Reserves	1,69,883	1,91,905	2,11,109	2,36,032	2,62,677
Net Worth	1,86,288	2,08,317	2,27,521	2,52,444	2,79,089
Minority Interest	1,054	1,825	2,300	3,050	3,800
Total Loans	2,48,172	3,13,266	3,68,266	4,33,266	4,78,266
Deferred Tax Liability	10,784	13,390	13,390	14,754	16,852
Capital Employed	4,46,298	5,36,798	6,11,477	7,03,514	7,78,007
Gross Block	3,29,615	3,85,207	4,14,810	5,44,813	6,54,816
Less: Accum. Deprn.	85,809	1,02,143	1,18,143	1,40,214	1,73,204
Net Fixed Assets	2,43,807	2,83,064	2,96,666	4,04,598	4,81,611
Capital WIP	47,795	1,02,851	2,03,248	1,98,245	1,83,242
Goodwill	6,485	6,398	6,398	6,398	6,398
Investments	49,616	59,458	59,458	59,458	59,458
Curr. Assets	1,39,714	1,30,920	94,760	89,650	1,09,081
Inventories	9,871	8,307	8,851	9,847	9,598
Account Receivables	16,314	10,205	9,220	8,952	10,664
Cash and Bank Balance	50,850	52,957	17,236	11,399	29,367
Others	62,679	59,452	59,452	59,452	59,452
Curr. Liability & Prov.	41,119	45,893	49,053	54,836	61,784
Account Payables	12,741	13,437	16,597	22,379	29,327
Provisions & Others	28,378	32,456	32,456	32,456	32,456
Net Curr. Assets	98,595	85,028	45,707	34,815	47,298
Appl. of Funds	4,46,298	5,36,798	6,11,477	7,03,514	7,78,007

Financials and valuations

Ratios

	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)					
EPS	8.5	10.5	13.7	17.2	18.2
Cash EPS	15.6	20.5	22.9	29.9	37.1
BV/Share	113.6	127.0	130.4	144.7	159.9
DPS	2.0	2.0	2.7	3.0	3.0
Payout (%)	23.7	19.0	19.7	17.4	16.5
Dividend yield (%)	0.5	0.5	0.6	0.7	0.7
Valuation (x)					
P/E	51.9	41.7	32.0	25.4	24.0
Cash P/E	28.1	21.4	19.2	14.7	11.8
P/BV	3.9	3.5	3.4	3.0	2.7
EV/EBITDA	27.9	18.2	19.3	14.3	11.2
Dividend Yield (%)	0.5	0.5	0.6	0.7	0.7
FCF (pre-interest) to EV (%)	-2.3	-1.8	-6.6	-3.7	0.9
Return Ratios (%)					
RoE	7.7	8.7	11.0	12.5	12.0
RoCE (post-tax)	6.1	7.7	7.9	9.2	10.1
RoIC (post-tax)	7.0	9.8	10.7	12.7	12.5
Working Capital Ratios					
Fixed Asset Turnover (x)	0.4	0.4	0.5	0.4	0.4
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.3
Debtor (Days)	58	32	25	20	20
Inventory (Days)	35	26	24	22	18
Working Capital Turnover (Days)					
Leverage Ratio (x)					
Net Debt/EBITDA	6.0	4.8	6.1	5.1	4.1
Debt/Equity	1.1	1.2	1.5	1.7	1.6

Consolidated Cash Flow Statement

	FY23	FY24	FY25E	FY26E	FY27E
(INR m)					
EBITDA	32,818	53,818	57,937	83,010	1,08,254
FX gain/loss	0	0	0	0	0
WC	-11,336	10,085	3,600	5,056	5,484
Others	2,833	2,290	0	0	0
Direct taxes (net)	-3,473	-3,857	-5,292	-7,015	-7,554
CF from Op. Activity	20,843	62,336	56,244	81,051	1,06,184
Capex	-42,363	-80,328	-1,30,000	-1,25,000	-95,000
FCFF	-21,520	-17,991	-73,756	-43,949	11,184
Interest income	2,342	1,894	0	0	0
Others	-30,074	-4,743	8,590	8,090	9,090
CF from Inv. Activity	-70,095	-83,177	-1,21,410	-1,16,910	-85,910
Share capital	24	0	0	0	0
Borrowings	87,278	-1,77,098	55,000	65,000	45,000
Finance cost	-10,758	-23,082	-21,127	-30,057	-42,386
Dividend	-3,288	-3,468	-4,428	-4,920	-4,920
Others	1,581	2,26,596	0	0	0
CF from Fin. Activity	74,838	22,947	29,445	30,023	-2,306
(Inc)/Dec in Cash	25,586	2,106	-35,721	-5,836	17,967
Opening balance	25,265	50,850	52,957	17,236	11,399
Closing balance (as per B/S)	50,850	52,957	17,236	11,399	29,367

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NOTES

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BUY	>=15%
SELL	< - 10%
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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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