

BSE SENSEX	S&P CNX
39,059	11,604
Bloomberg	JSTL IN
Equity Shares (m)	2,417
M.Cap.(INRb)/(USD\$)	538.2 / 7.6
52-Week Range (INR)	360 / 202
1, 6, 12 Rel. Per (%)	-9/-24/-51
12M Avg Val (INR M)	1878
Free float (%)	57.6

#### Financials & Valuations (INR b)

Y/E Mar	2019	2020E	2021E
Net Sales	847.6	761.3	850.8
EBITDA	189.5	136.9	177.3
PAT	76.4	59.8	65.0
EPS (INR)	31.8	24.9	27.1
Gr. (%)	32.4	-21.7	8.8
BV/Sh (INR)	145.0	164.4	186.8
RoE (%)	24.4	16.1	15.4
RoCE (%)	11.3	6.5	8.1
P/E (x)	7.0	9.0	8.2
P/BV (x)	1.5	1.4	1.2

#### Estimate change

TP change

Rating change



**CMP: INR223 TP: INR270(+21%) Buy**

### Weak margin impacts EBITDA; tax write-back drives PAT beat

#### Strong project pipeline to drive growth; Maintain Buy

Consol. EBITDA was down 44% YoY (-27% QoQ) to INR27.3b (v/s est. of INR28.8b); PBT was down 77% YoY (-61% QoQ) to INR7b on lower margin. Consol. PAT was, however, up 20% YoY to INR25.6b (v/s est. INR6.0b) due to deferred tax write-back of INR22.1b.

- Standalone (S/A) volumes declined 9% YoY (-4% QoQ) to 3.6mt due to weak demand. Crude steel production also declined 8% YoY (-9% QoQ) to 3.84mt.
- Realization declined 13% YoY (-9% QoQ) to INR43,111/t (v/s est. INR43,800/t).
- EBITDA/t declined sharply to INR7,767/t (-36% YoY, -24% QoQ), due to lower spreads and negative operating leverage as volumes were lower. Adjusting for incentives booked in the earlier period, EBITDA/t was even lower at INR6,345/t (-48% YoY, -38% QoQ).
- EBITDA of subsidiaries was a loss of ~INR650m (v/s positive INR1.14b in 2QFY19) due to higher losses in overseas subsidiaries.

**1HFY20 performance:** 1HFY20 consol. sales/EBITDA/PAT declined 11%/36%/20% YoY. For 2HFY20, we expect sales/EBITDA/PAT to decline 9%/19%/24%. For 1HFY20, operating cash flow post taxes increased 46% YoY to INR55b, capex stood at INR54b while FCF was at INR700m.

**Management commentary:** (1) Due to weak demand, FY20 sales volume guidance of 16mt has been cut by 3%, (2) FY20 capex guidance has also been lowered to INR110b (v/s INR157b earlier); of this, INR50b has already been spent in 1HFY20, (3) Domestic HRC prices have now bottomed out as it has fallen below the anti-dumping duty level of USD489/t, (4) Margins in 2HFY20 should be supported by lower costs driven by the company's initiatives (like higher captive iron ore production) as well as reduction in iron ore and coking coal prices.

- Valuation and View:** While the near-term outlook is weak, we like JSTL given its strong pipeline of projects and cost reduction initiatives. On the domestic front, (a) improving product mix, and (2) higher captive iron ore production should put a check on costs and aid margins. Besides, JSTL's ongoing 5mtpa Dolvi expansion remains on track and provides growth visibility. Any turnaround in the loss-making overseas operations could provide further upside. We have, however, cut FY20/FY21 EBITDA estimates by 9%/10% to factor in lower demand and margin outlook. FY20E EPS though has being raised by 21% to factor in the deferred tax write-back. We value JSTL at 6.5x FY21E EV/EBITDA at INR270/share. Maintain **Buy**.

## Quarterly Performance (Consolidated) – INR m

Y/E March	FY19				FY20				FY19	FY20E	vs Est 2QE (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
<b>Net Sales</b>	<b>2,05,190</b>	<b>2,15,520</b>	<b>2,03,180</b>	<b>2,23,680</b>	<b>1,98,120</b>	<b>1,75,720</b>	<b>1,77,365</b>	<b>2,10,092</b>	<b>8,47,570</b>	<b>7,61,297</b>	<b>1,93,794</b>	-9%
Change (YoY %)	38.4	27.2	13.8	9.4	-3.4	-18.5	-12.7	-6.1	20.9	-10.2	-10.1	
<b>EBITDA</b>	<b>51,050</b>	<b>49,060</b>	<b>45,010</b>	<b>44,400</b>	<b>37,160</b>	<b>27,310</b>	<b>31,394</b>	<b>41,036</b>	<b>1,89,520</b>	<b>1,36,900</b>	<b>28,822</b>	-5%
Change (YoY %)	85.9	55.0	16.9	-9.8	-27.2	-44.3	-30.3	-7.6	29.0	-27.8	-41.3	
EBITDA (INR per ton)	13,329	12,389	12,231	10,350	9,909	7,586	8,705	9,565	12,025	8,979	7,427	2%
<b>EBITDA (USD per ton)</b>	<b>199</b>	<b>177</b>	<b>170</b>	<b>147</b>	<b>142</b>	<b>108</b>	<b>124</b>	<b>136</b>	<b>172</b>	<b>128</b>	<b>106</b>	
Interest	8,870	9,630	10,210	10,460	10,420	11,270	10,920	11,095	39,170	43,705	10,385	9%
Depreciation	9,050	9,740	10,780	10,840	10,260	10,570	10,330	10,450	40,410	41,610	10,555	0%
Other Income	580	560	370	530	1,410	1,560	1,115	1,003	2,040	5,088	795	96%
<b>PBT (after EO Item)</b>	<b>33,710</b>	<b>30,250</b>	<b>24,390</b>	<b>23,630</b>	<b>17,890</b>	<b>7,030</b>	<b>11,259</b>	<b>20,494</b>	<b>1,11,980</b>	<b>56,673</b>	<b>8,676</b>	-19%
Total Tax	10,530	9,360	8,200	8,350	7,620	-18,480	3,011	4,877	36,440	-2,972	2,774	
% Tax	31.2	30.9	33.6	35.3	42.6	-262.9	26.7	23.8	32.5	-5.2	32.0	
<b>Reported PAT</b>	<b>23,180</b>	<b>20,890</b>	<b>16,190</b>	<b>15,280</b>	<b>10,270</b>	<b>25,510</b>	<b>8,248</b>	<b>15,617</b>	<b>75,540</b>	<b>59,646</b>	<b>5,903</b>	332%
MI (Profit)/Loss	270	390	210	280	200	240	233	238	1,150	911	270	
Share of P/(L) of Ass.	210	-20	-160	-330	-190	-150	-208	-219	-300	-767	-175	
<b>Adjusted PAT</b>	<b>23,660</b>	<b>21,260</b>	<b>16,240</b>	<b>15,230</b>	<b>10,280</b>	<b>25,600</b>	<b>8,273</b>	<b>15,636</b>	<b>76,390</b>	<b>59,789</b>	<b>5,998</b>	327%
Change (YoY %)	229.4	127.8	-16.5	-30.7	-56.6	20.4	-49.1	2.7	31.8	-21.7	-71.8	

**Standalone: Demand impacted by monsoon and liquidity issues**

- Standalone steel production decreased 8% YoY / 9% QoQ to 3.84mt.
- Standalone sales declined 9%YoY and 4% QoQ to 3.6mt due to weak demand.
- Realization decreased by INR 4084/t QoQ to INR43,111/t against an expectation of INR43,800/t.
- EBITDA per ton was down ~INR2452 QoQ to INR7,767 (est. 7,276/t). Margins were adversely affected by lagged pricing impact of certain key raw materials like coking coal (procurement cycle). The benefit of subsequent correction in raw material prices will flow through in the subsequent quarter.
- The company's Dolvi Works in Maharashtra has received an in-principal approval for eligibility from the government of Maharashtra for incentive on its investment for expansion from 3.3mt to 5mt. Accordingly, the company has recognized grant income (investment linked incentive) of INR5.12bn during the quarter, including an amount of INR 4.66bn in relation to earlier years.
- The Company has decided to continue with the existing tax structure until utilization of accumulated minimum alternative tax (MAT) credit. However, it has written back INR22.1b of deferred tax liability in P&L assuming that it would migrate to the new tax regime at a future date.
- Consol PAT was thus up 20% YoY/ 103% QoQ to INR29.2b.
- Net Debt to Equity stood at 1.19x (as against 1.2x in 1QFY20) as of September'2019 and Net Debt to EBITDA stood at 2.9x (as against 2.49x in 1QFY20)

**Conference call takeaways**

- Due to weak demand, FY20 guidance of 16.95mt production and 16mt sales volume has been cut by 3%. According to management, demand has been impacted by severe monsoons, tight liquidity condition, slowdown in automotive sector and weak activity levels due to muted government spends.

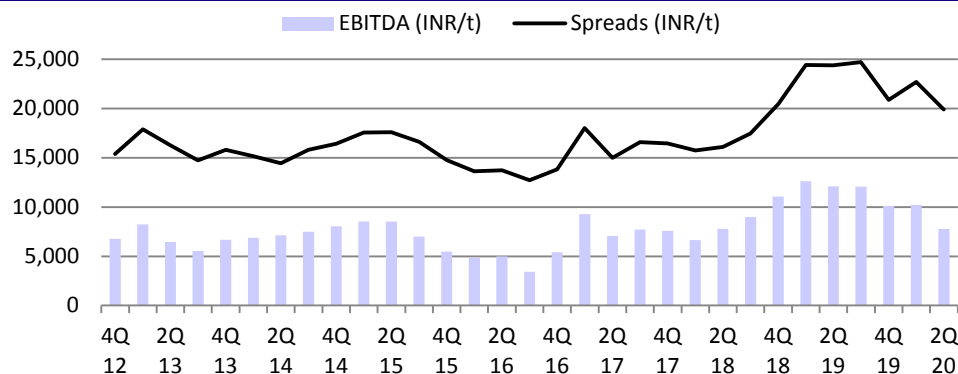
- FY20 capex guidance has also been lowered to INR110b (v/s INR157b guided earlier) of which INR50b has already been spent in 1HFY20. Moreover, out of the planned total capex of INR480b, INR70b has been put on the backburner currently, thereby reducing the planned capex spend till FY22.
- Rising imports from FTA countries (which constituted 65% of total imports) is also impacting sales of Indian steel producers
- Management believes that domestic HRC prices have now bottomed as it has fallen below the anti-dumping duty level of USD489/t.
- Margins in 2HFY20 should be supported by lower costs driven by the company's initiatives (like higher captive iron ore production) as well as reduction in iron ore and coking coal prices.
- Dolvi sales tax incentive for the older capacity expired on 5<sup>th</sup> Aug'19; incentive booking run-rate is currently at INR200m per month (v/s INR700m per month earlier).
- JSTL is looking to secure more iron ore through auctions. It has won three mines in auctions in Karnataka, which will be available from Apr'20. Odisha has also put up 20 mines for auction, of which 5 mines are for captive usage.

**Exhibit 1: Quarterly Performance (Standalone)**

INR million

Y/E March (Standalone)	FY19				FY20				FY19	FY20E	vs Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Sales ('000 tons)	3,830	3,960	3,680	4,290	3,750	3,600	3,606	4,290	15,760	15,246	3,881	-7%
Change (YoY %)	9.1	1.0	-7.3	1.7	-2.1	-9.1	-2.0		0.9	-3.3	-2.0	
Realization (INR/T)	49,820	49,765	49,981	45,923	47,195	43,111	43,000	43,500	48,783	44,199	43,800	-2%
Change (QoQ, INR)	4,009	-55	216	-4,058	1,272	-4,084	-111	500	7,274	-4,584	-2,864	
Change (YoY %)	25.2	29.3	20.6	0.2	-5.3	-13.4	-14.0	-5.3	17.5	-9.4	-11.8	13%
<b>Net Sales</b>	<b>1,90,810</b>	<b>1,97,070</b>	<b>1,83,930</b>	<b>1,97,010</b>	<b>1,76,980</b>	<b>1,55,200</b>	<b>1,55,075</b>	<b>1,86,615</b>	<b>7,68,820</b>	<b>6,73,870</b>	<b>1,69,979</b>	-9%
<b>EBITDA</b>	<b>48,300</b>	<b>47,920</b>	<b>44,380</b>	<b>43,410</b>	<b>38,320</b>	<b>27,960</b>	<b>30,275</b>	<b>38,729</b>	<b>1,84,010</b>	<b>1,35,283</b>	<b>28,237</b>	-1%
Margin (%)	25.3	24.3	24.1	22.0	21.7	18.0	19.5	20.8	23.9	20.1	16.6	
Spreads	24,439	24,379	24,715	20,872	22,715	19,914	19,831	20,331	23,517	20,700	18,793	6%
Conv. cost	11,828	12,278	12,655	10,753	12,496	12,147	11,436	11,303	11,841	11,827	11,517	5%
EBITDA (INR/T)	12,611	12,101	12,060	10,119	10,219	7,767	8,395	9,028	11,676	8,873	7,276	7%
<b>EBITDA (USD/T)</b>	<b>188</b>	<b>173</b>	<b>167</b>	<b>144</b>	<b>147</b>	<b>110</b>	<b>119</b>	<b>128</b>	<b>167</b>	<b>126</b>	<b>103</b>	7%
Interest	8,690	9,360	9,570	9,560	10,050	10,750	10,400	10,575	37,180	41,775	9,595	12%
Depreciation	8,180	8,560	8,550	8,650	8,260	8,740	8,500	8,620	33,940	34,120	8,355	5%
Other Income	620	1,980	670	830	1,590	1,880	1,390	1,272	4,100	6,132	1,362	38%
<b>PBT (before EO Item)</b>	<b>32,050</b>	<b>31,980</b>	<b>26,930</b>	<b>26,030</b>	<b>21,600</b>	<b>10,350</b>	<b>12,765</b>	<b>20,806</b>	<b>1,16,990</b>	<b>65,520</b>	<b>11,649</b>	-11%
EO Items												
<b>PBT (after EO Item)</b>	<b>32,050</b>	<b>31,980</b>	<b>26,930</b>	<b>26,030</b>	<b>21,600</b>	<b>10,350</b>	<b>12,765</b>	<b>20,806</b>	<b>1,16,990</b>	<b>65,520</b>	<b>11,649</b>	-11%
Total Tax	9,850	9,470	8,010	8,580	7,210	-18,820	2,936	4,785	35,910	-3,889	2,679	
% Tax	30.7	29.6	29.7	33.0	33.4	-181.8	23.0	23.0	30.7	-5.9	23.0	
<b>Reported PAT</b>	<b>22,200</b>	<b>22,510</b>	<b>18,920</b>	<b>17,450</b>	<b>14,390</b>	<b>29,170</b>	<b>9,829</b>	<b>16,021</b>	<b>81,080</b>	<b>69,409</b>	<b>8,970</b>	225%
Pref. Dividend												
<b>Adjusted PAT</b>	<b>22,200</b>	<b>22,510</b>	<b>18,920</b>	<b>17,450</b>	<b>14,390</b>	<b>29,170</b>	<b>9,829</b>	<b>16,021</b>	<b>81,080</b>	<b>69,409</b>	<b>8,970</b>	225%
Change (YoY %)	340.8	142.1	47.9	-12.5	-35.2	29.6	-48.1	-8.2	72.2	-14.4	-60.7	

Source: Company, MOFSL

**Exhibit 2: JSW Steel EBITDA and Spreads**

Source: MOFSL, Company

**Exhibit 3: Cash flow statement**

Cash flow statement (INR mn)	1HFY19	1HFY20
Operating cash flows before working capital and taxes	102180	65930
change in working capital	-50100	-7340
Taxes paid	-14460	-3500
Operating cash flows post working capital and taxes	37620	55090
Capex	-47549	-54390
Payment for Acquisition of a subsidiary/acquisition of NCI	-8980	
Investment in Joint Venture	-3750	
FCFF	-22659	700
Inc/(Dec) in Debt	51380	69720
Interest Paid	-17510	-20740
Dividend Paid	-9330	-11950

Source: MOFSL, Company

**Subsidiaries: Acero's losses increase**

- EBITDA of subsidiaries turned from a profit of INR1140m in 2QFY19 to loss of INR650m in 2QFY20.
- EBITDA of coated business decreased to INR1,530m from INR1,720m in 1QFY20. EBITDA loss in US's Acero decreased from INR2.5b to INR2.2b QoQ on inventory write-down of INR929mn. Loss in Italy's Aferpi also increased from INR326m to INR544m QoQ.

**Exhibit 4: Quarterly Performance (Subsidiaries)**

Y/E March	FY19								FY20				INR million	
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY19	FY20E	2QE	vs Est (%)		
Net Sales	14,380	18,450	19,250	26,670	21,140	20,520	22,290	23,477	78,750	87,427	23,815	-14%		
<b>EBITDA</b>	<b>2,750</b>	<b>1,140</b>	<b>630</b>	<b>990</b>	<b>-1,160</b>	<b>-650</b>	<b>1,120</b>	<b>2,307</b>	<b>5,510</b>	<b>1,617</b>	<b>585</b>	<b>-211%</b>		
JSW coated	1,220	880	970	860	1,720	1,530	1,075	1,075	3,930		1,125	36%		
US Mills	715	385	293	411	139	-788	15	-61	1,804	1,804	338			
Acero			-760	-1,959	-2,512	-2,224	-880	176	-2,719		-1,507			
Aferpi			-600	-238	-326	-544	-50	100	-837		-196			
others	815	-125	727	1,916	-181	1,376	959	1,017	3,333	-187	824			
<b>PAT</b>	<b>1,460</b>	<b>-1,250</b>	<b>-2,680</b>	<b>-2,220</b>	<b>-4,110</b>	<b>-3,570</b>	<b>-1,555</b>	<b>-385</b>	<b>-4,690</b>	<b>-9,620</b>	<b>-2,972</b>	<b>20%</b>		

Source: MOFSL

**Exhibit 5: Change in estimates**

(INR B)	FY20E			FY21E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	761	818	-7.0	851	966	-12
EBITDA	137	150	-8.6	177	197	-10
Net Profit	60	49	20.9	65	81	-20
EPS (INR)	25	21	20.9	27	34	-20

Source: MOFSL, Company

**Exhibit 6: Target price calculations - INR m**

Y/E March	2016	2017	2018	2019	2020E	2021E
A. S/A volumes	12.1	14.8	15.6	15.8	15.2	17.1
B. EBITDA per ton	4,736	7,868	8,728	11,676	8,873	9,584
C. S/A EBITDA (AxB)	57,225	1,16,288	1,36,330	1,84,010	1,35,283	1,63,981
D. Sub. EBITDA	3,505	6,310	10,530	5,510	1,617	13,312
E. Cons. EBITDA (C+D)	60,730	1,22,598	1,46,860	1,89,520	1,36,900	1,77,293
F. Target EV/EBITDA (x)	7.0					6.5
G. Target EV (FxG)	4,25,109					11,52,406
less: Net Debt (Rs m)	5,05,698	5,22,350	4,82,720	5,26,870	5,89,120	6,62,861
add: CWIP	69,040	43,630	59,500	1,18,890	2,38,890	1,58,890
Equity value						6,48,435
No. of shares			2,410	2,400	2,400	2,400
<b>Equity value /sh.</b>						<b>270</b>

Source: MOFSL

## Financials and Valuations

Income Statement (Consolidated)							(INR M)	
Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
<b>Net sales</b>	<b>5,12,197</b>	<b>5,29,715</b>	<b>4,18,789</b>	<b>5,56,046</b>	<b>7,00,870</b>	<b>8,47,570</b>	<b>7,61,297</b>	<b>8,50,795</b>
Change (%)	34.0	3.4	-20.9	32.8	26.0	20.9	-10.2	11.8
Total Expenses	4,20,542	4,35,692	3,58,059	4,33,448	5,54,010	6,58,050	6,24,397	6,73,502
<b>EBITDA</b>	<b>91,655</b>	<b>94,023</b>	<b>60,730</b>	<b>1,22,598</b>	<b>1,46,860</b>	<b>1,89,520</b>	<b>1,36,900</b>	<b>1,77,293</b>
% of Net Sales	17.9	17.7	14.5	22.0	21.0	22.4	18.0	20.8
Depn. & Amortization	31,826	34,345	31,879	35,154	33,870	40,410	41,610	45,550
<b>EBIT</b>	<b>59,829</b>	<b>59,678</b>	<b>28,851</b>	<b>87,444</b>	<b>1,12,990</b>	<b>1,49,110</b>	<b>95,290</b>	<b>1,31,743</b>
Net Interest	30,479	34,930	33,027	37,681	37,010	39,170	43,705	50,380
Other income	858	1,114	1,682	1,521	1,670	2,040	5,088	4,710
<b>PBT before EO</b>	<b>30,209</b>	<b>25,862</b>	<b>-2,494</b>	<b>51,284</b>	<b>77,650</b>	<b>1,11,980</b>	<b>56,673</b>	<b>86,074</b>
EO income	-17,128	-471	-21,254		5,730			
<b>PBT after EO</b>	<b>13,081</b>	<b>25,391</b>	<b>-23,748</b>	<b>51,284</b>	<b>83,380</b>	<b>1,11,980</b>	<b>56,673</b>	<b>86,074</b>
Current tax	2,616	5,078	-4,750	10,257	16,676	22,396	11,335	17,215
Deferred tax	6,585	3,116	-10,491	6,486	5,994	14,044	-14,307	3,951
Tax	9,201	8,194	-15,241	16,743	22,670	36,440	-2,972	21,166
Rate (%)	70.3	32.3	64.2	32.6	27.2	32.5	-5.2	24.6
<b>Reported PAT</b>	<b>3,880</b>	<b>17,197</b>	<b>-8,508</b>	<b>34,541</b>	<b>60,710</b>	<b>75,540</b>	<b>59,646</b>	<b>64,908</b>
Minority interests	504	748	950	64	990	1,150	911	929
Share of Associates	135	21	138	1,193	420	-300	-767	-788
Preference dividend	279	279	279					
<b>Adj. PAT (after MI &amp; Asso)</b>	<b>9,322</b>	<b>18,006</b>	<b>-84</b>	<b>35,798</b>	<b>57,948</b>	<b>76,390</b>	<b>59,789</b>	<b>65,049</b>
Change (%)	-16.0	93.2	-100.5	-42,485	61.9	31.8	-21.7	8.8

Balance Sheet							(INR M)	
Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
Share Capital	2,417	2,417	2,417	2,400	2,410	2,400	2,400	2,400
Reserves	2,09,322	2,20,479	1,85,032	2,24,070	2,77,570	3,45,550	3,92,143	4,45,821
<b>Net Worth</b>	<b>2,11,739</b>	<b>2,22,896</b>	<b>1,87,449</b>	<b>2,26,470</b>	<b>2,79,980</b>	<b>3,47,950</b>	<b>3,94,543</b>	<b>4,48,220</b>
Minority Interest	1,670	976	68	-2,460	-4,640	-4,500	-4,500	-4,500
Total Loans	4,36,858	4,96,419	5,13,038	5,40,200	4,96,470	5,89,560	6,43,488	6,93,488
Deferred Tax Liability	21,234	28,894	39,123	29,900	25,560	37,770	23,463	27,414
<b>Capital Employed</b>	<b>6,71,502</b>	<b>7,49,186</b>	<b>7,39,678</b>	<b>7,94,110</b>	<b>7,97,370</b>	<b>9,70,780</b>	<b>10,56,994</b>	<b>11,64,622</b>
Gross Block	6,12,979	7,01,889	7,89,575	6,63,830	6,88,170	7,75,920	8,05,920	10,45,920
Less: Accum. Deprn.	1,42,520	1,80,126	2,26,239	76,530	1,09,690	1,49,480	1,91,090	2,36,640
<b>Net Fixed Assets</b>	<b>4,70,459</b>	<b>5,21,763</b>	<b>5,63,336</b>	<b>5,87,300</b>	<b>5,78,480</b>	<b>6,26,440</b>	<b>6,14,830</b>	<b>8,09,280</b>
Capital WIP	93,998	82,653	69,040	43,630	59,500	1,18,890	2,38,890	1,58,890
Investments	5,947	5,990	6,184	10,660	11,570	18,120	18,120	18,120
<b>Curr. Assets</b>	<b>2,05,995</b>	<b>2,46,134</b>	<b>2,07,727</b>	<b>2,38,460</b>	<b>2,70,150</b>	<b>3,84,520</b>	<b>3,57,263</b>	<b>3,56,817</b>
Inventory	81,551	1,10,090	84,034	1,13,950	1,25,940	1,45,480	1,31,402	1,46,850
Account Receivables	22,924	24,998	28,016	41,490	47,040	71,600	66,744	74,590
Cash and Bank Balance	7,310	19,136	7,340	17,850	13,750	62,690	54,367	30,627
Others	94,209	91,910	88,337	65,170	83,420	1,04,750	1,04,750	1,04,750
<b>Curr. Liability &amp; Prov.</b>	<b>1,04,897</b>	<b>1,07,353</b>	<b>1,06,610</b>	<b>85,940</b>	<b>1,22,330</b>	<b>1,77,190</b>	<b>1,72,109</b>	<b>1,78,485</b>
Account Payables	35,400	33,651	37,125	38,460	69,110	59,310	54,229	60,605
Provisions & Others	69,497	73,703	69,485	47,480	53,220	1,17,880	1,17,880	1,17,880
<b>Net Current Assets</b>	<b>1,01,097</b>	<b>1,38,781</b>	<b>1,01,117</b>	<b>1,52,520</b>	<b>1,47,820</b>	<b>2,07,330</b>	<b>1,85,154</b>	<b>1,78,332</b>
<b>Appl. of Funds</b>	<b>6,71,502</b>	<b>7,49,186</b>	<b>7,39,678</b>	<b>7,94,110</b>	<b>7,97,370</b>	<b>9,70,780</b>	<b>10,56,994</b>	<b>11,64,622</b>

E: MOFSL Estimates

## Financials and Valuations

### Ratios

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
<b>Basic (INR)</b>								
EPS	3.9	7.4	(0.0)	14.9	24.0	31.8	24.9	27.1
Cash EPS	14.8	21.3	9.7	29.0	39.2	48.3	42.2	46.0
BV/Share	87.6	92.2	77.5	94.4	116.2	145.0	164.4	186.8
DPS	1.1	1.1	1.1	0.8	2.3	3.3	4.0	3.2
Payout (%)	33.8	19.1	(4,186.6)	6.1	11.3	12.2	15.3	17.3
<b>Valuation (x)</b>								
P/E						7.0	9.0	8.2
Cash P/E						4.6	5.3	4.8
P/BV						1.5	1.4	1.2
EV/Sales						1.3	1.5	1.4
EV/EBITDA						5.6	8.2	6.8
Dividend Yield (%)						1.5	1.8	1.4
EV/ton						964	1,055	1,002
<b>Return Ratios (%)</b>								
EBITDA Margins (%)	17.9	17.7	14.5	22.0	21.0	22.4	18.0	20.8
Net Profit Margins (%)	1.8	3.4	(0.0)	6.4	8.3	9.0	7.9	7.6
RoE	4.7	8.3	(0.0)	17.4	22.8	24.4	16.1	15.4
RoCE (pre-tax)	6.9	5.7	2.7	7.9	9.6	11.3	6.5	8.1
RoIC (pre-tax)	8.3	6.6	3.0	8.5	10.6	13.5	8.4	10.4
<b>Working Capital Ratios</b>								
Asset Turnover (x)	0.8	0.7	0.6	0.7	0.9	0.9	0.7	0.7
Debtor (Days)	16	17	24	27	24	31	32	32
Inventory (Days)	58	76	73	75	66	63	63	63
Creditors(Days)	25	23	32	25	36	26	26	26
Working Capital (Days)	49	70	65	77	54	68	69	69
<b>Leverage Ratio (x)</b>								
Current Ratio	2.0	2.3	1.9	2.8	2.2	2.2	2.1	2.0
Interest Cover Ratio	2.0	1.7	0.9	2.3	3.1	3.8	2.2	2.6
Debt/Equity	2.0	2.1	2.7	2.3	1.7	1.5	1.5	1.5

### Cash Flow Statement (Consolidated)

Y/E March	2014	2015	2016	2017	2018	2019	2020E	2021E
<b>(INR M)</b>								
EBITDA	91,655	94,023	60,730	1,22,598	1,46,860	1,89,520	1,36,900	1,77,293
Non cash exp. (income)	-26,487	-5,522	2,172	-2,658	2,340	-1,080		
(Inc)/Dec in Wkg. Cap.	-35,195	-11,748	6,189	-38,690	-11,010	-15,810	13,854	-16,919
Tax Paid	-4,038	-7,728	-2,055	-2,370	-14,400	-26,300	-11,335	-17,215
<b>CF from Op. Activity</b>	<b>25,935</b>	<b>69,025</b>	<b>67,035</b>	<b>78,880</b>	<b>1,23,790</b>	<b>1,46,330</b>	<b>1,39,419</b>	<b>1,43,160</b>
(Inc)/Dec in FA + CWIP	-57,629	-67,206	-51,787	-44,350	-47,360	-1,02,060	-1,50,000	-1,60,000
(Pur)/sale of Invest.	176	702	-1	-2,940	90	2,510		
Acquisition in subs.	-8	-2		-1,470	-3,610	-14,270		
Int. & Dividend Income	563	466	631	1,180	1,260	1,580	5,088	4,710
Others	185	2072	39	450	600	-2240		
<b>CF from Inv. Activity</b>	<b>-56,713</b>	<b>-63,969</b>	<b>-51,118</b>	<b>-47,130</b>	<b>-49,020</b>	<b>-1,14,480</b>	<b>-1,44,912</b>	<b>-1,55,290</b>
Equity raised/(repaid)				20	-270	-1,530		
Debt raised/(repaid)	60,290	27,373	3,781	10,750	-39,920	66,540	50,000	50,000
Dividend (incl. tax)	-3,155	-3,437	-3,536	-2,180	-6,550	-9,330	-9,125	-11,231
Interest paid	-24,131	-25,626	-27,997	-35,690	-35,110	-38,150	-43,705	-50,380
<b>CF from Fin. Activity</b>	<b>33,005</b>	<b>-1,691</b>	<b>-27,752</b>	<b>-27,100</b>	<b>-81,850</b>	<b>17,530</b>	<b>-2,830</b>	<b>-11,611</b>
<b>(Inc)/Dec in Cash</b>	<b>2,227</b>	<b>3,365</b>	<b>-11,835</b>	<b>4,650</b>	<b>-7,080</b>	<b>49,380</b>	<b>-8,323</b>	<b>-23,741</b>
Add: opening Balance	17,969	7,310	19,136	7,340	17,850	13,750	62,690	54,367
Regrouping etc	-12,886	8,460	39	5,860	2,980	-440		
<b>Closing Balance</b>	<b>7,310</b>	<b>19,136</b>	<b>7,340</b>	<b>17,850</b>	<b>13,750</b>	<b>62,690</b>	<b>54,367</b>	<b>30,627</b>

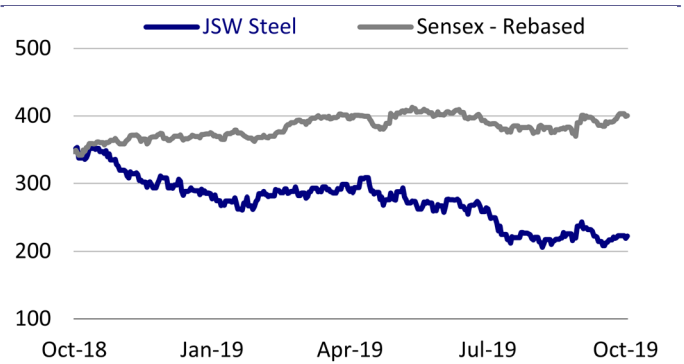
E: MOFSL Estimates

## Corporate profile

### Company description

JSW Steel has 18mtpa steel capacity in India and a small plate and pipe mill the US. It recently acquired 3mt hot strip mill in US and 1.3mt rolling mill in Italy. JSW Steel is also expanding capacity in India by 6.7mtpa to 25mtpa by end of FY20. JSW Steel is most efficient steel producer in India and has strong project execution skills.

Exhibit 1: Sensex rebased



Source: MOFSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Sep-19	Jun-19	Sep-18
Promoter	42.4	42.3	42.3
DII	4.3	3.8	17.4
FII	18.4	19.6	20.4
Others	34.9	34.4	19.9

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
JFE STEEL INTERNATIONAL EUROPE B.V.	15.0
GAGANDEEP CREDIT CAPITAL PVT LTD	2.1
APMS INVESTMENT FUND LTD	1.3
LOTUS GLOBAL INVESTMENTS LTD	1.3
THELEME MASTER FUND LIMITED	1.2

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Sajjan Jindal	Chairman & Managing Director
Savitri Devi Jindal	Chairman Emeritus
Vinod Nowal	Deputy Managing Director
Seshagiri Rao MVS.	Jt. Managing Dir. & Group CFO
Jayant Acharya	Director (Commercial & Market)

Source: Capitaline

Exhibit 5: Directors

Name	Name
H Khaitan	Seturaman Mahalingam
Malay Mukherjee	Harsh Mariwala
Punita Kumar Sinha	Nirupama Rao

\*Independent

Exhibit 6: Auditors

Name	Type
S R B C & Co LLP	Statutory
S Srinivasan & Co	Secretarial Audit
Shome & Banerjee	Cost Auditor

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY20	24.9	19.5	27.5
FY21	27.1	25.1	8.1

Source: Bloomberg



Explanation of Investment Rating	
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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