

## Higher input cost impacted margins; growth capex on track

JSW Steel reported 3Q consol. EBITDA of INR72bn, higher than JMfe of INR68bn. The beat was primarily driven by improved performance from foreign subsidiaries. Standalone EBITDA came in at INR58bn, implying an EBITDA/t of INR11.1k– down INR1.6k/t QoQ on account of higher iron ore and coking coal cost. BPSL reported an EBITDA of INR7.8bn vs INR7.5bn in 3Q while JSW coated reported an EBITDA of INR2.3bn vs INR4.1bn in 2Q. Net debt stood at INR792bn up ~INR100bn QoQ primarily on account of increased working capital requirements. Key takeaways from the call are a) coking coal cost is expected to increase by USD20-25/t in 4QFY24 b) consol. capex for FY24 to be ~INR180bn vs earlier guidance of INR200bn c) Realisations during 4Q to improve slightly tracking revival in exports, volumes to improve on back of seasonally strong quarter. JSW continues to aggressively add capacity across facilities – a) Vijaynagar expansion to be completed by FY24 end b) BPSL Phase-II expansion (from 3.5mtpa to 5mtpa) is expected to be completed by FY24. Strong growth pipeline and increased focus on cost efficiency augurs well for the company. Maintain BUY.

- Higher coking coal and iron ore cost impacted standalone margins:** Sales for the quarter stood at 5.2mn tons, down 4% QoQ given higher imports coming into India. Realisations increased by ~1.7k/ton QoQ. EBITDA/ton came in at INR11.1k, in line with JMfe of INR11k. The EBITDA was lower sequentially due to lower volumes and higher coking coal and iron ore price, partially offset by higher realisation. Net profit stood at INR24bn vs INR27bn in 2Q.
- Foreign subsidiaries reported improved performance, Indian subsidiaries displayed muted show:** JSW Coated reported an EBITDA of INR2.3bn in 3Q vs EBITDA of INR4.1bn in 2Q primarily driven by lower realisations. Ohio operations reported an EBITDA loss of USD6mn vs EBITDA loss of US\$29mn in 2Q. US plate and pipe mill registered EBITDA of USD19mn vs USD26mn in 2Q. BPSL revenues came in at INR50bn (down 14% QoQ) with EBITDA at INR7.8bn vs EBITDA of INR7.5bn in 2Q. Volumes came in at 0.7mt vs 0.8mt in 2Q.
- Net Debt increases due to higher working capital requirement:** Company reported a net debt of INR792bn up INR100bn QoQ on account of higher working capital requirement. The company incurred a capex of INR52bn during the quarter. The 5mtpa brownfield expansion at Vijaynagar is progressing well, with construction activities for all packages underway. The company expects Vijaynagar expansion to be completed by end FY24 with ramp up expected in FY25E. BPSL Phase-II expansion (from 3.5mtpa to 5mtpa) is expected to be completed by end FY24, rampup expected in FY25E. The company is expected to commission 0.12mtpa coated steel line in J&K by Q1FY25. Capex guidance for FY24 stands at INR180bn. Post FY25 – JSW plans to increase capacity to 50 mn tons through brownfield growth at Vijayanagar, Dolvi and BPSL.

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	830
Upside/(Downside)	1.8%
Previous Price Target	830
Change	0.0%

### Key Data – JSTL IN

Current Market Price	INR816
Market cap (bn)	INR1,994.8/US\$24.0
Free Float	34%
Shares in issue (mn)	2,417.2
Diluted share (mn)	2,417.2
3-mon avg daily val (mn)	INR1,672.2/US\$20.1
52-week range	896/649
Sensex/Nifty	70,701/21,353
INR/US\$	83.1

### Price Performance

%	1M	6M	12M
Absolute	-4.6	1.9	12.6
Relative*	-4.1	-4.4	-4.1

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

### Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	1,463,710	1,659,600	1,607,805	1,748,518	1,827,398
Sales Growth (%)	83.3	13.4	-3.1	8.8	4.5
EBITDA	390,070	185,470	278,467	324,581	348,355
EBITDA Margin (%)	26.6	11.2	17.3	18.6	19.1
Adjusted Net Profit	214,060	35,530	98,296	119,940	122,905
Diluted EPS (INR)	88.6	14.7	40.7	49.6	50.8
Diluted EPS Growth (%)	167.8	-83.4	176.7	22.0	2.5
ROIC (%)	21.3	6.3	10.2	11.1	10.7
ROE (%)	37.6	5.3	14.0	14.9	13.4
P/E (x)	9.2	55.5	20.1	16.4	16.0
P/B (x)	2.9	3.0	2.6	2.3	2.0
EV/EBITDA (x)	6.5	14.0	9.6	8.2	7.4
Dividend Yield (%)	2.1	0.4	0.3	0.5	0.7

Source: Company data, JM Financial. Note: Valuations as of 25/Jan/2024

## Exhibit 1. Quarterly performance - consolidated

(INR mn)

	3QFY24	3QFY24E	%Var	3QFY23	YoY %	2QFY24	QoQ %
<b>Net Sales</b>	<b>419,400</b>	<b>444,800</b>	<b>-5.7</b>	<b>391,340</b>	<b>7.2</b>	<b>445,840</b>	<b>-5.9</b>
EBITDA	71,800	68,021	5.6	45,470	57.9	78,860	-9.0
EBITDA (%)	17.1	15.3		11.6		17.7	
PAT- Adjusted	24,150	21,542	12.1	4,900	392.9	21,710	11.2
Diluted EPS (Rs)	10.0	8.9		2.0		9.0	
<b>Key monitorables (INR bn)</b>							
Net Debt (INR bn)	792	0		695		692	
Capex (INR bn)	53	0		41		38	

Source: Company, JM Financial

## Exhibit 2. Quarterly performance - standalone

(INR mn)

(Rs mn)	3QFY24	3QFY24E	% Var	3QFY23	YoY %	2QFY24	QoQ %
<b>Net Sales</b>	<b>333,100</b>	<b>337,380</b>	<b>-1.3</b>	<b>309,350</b>	<b>7.7</b>	<b>337,380</b>	<b>-1.3</b>
Volumes (mt)	5.20	5.41	-3.9	4.95	5.1	5.41	-3.9
Realization (INR/ton)	64,058	62,362	2.7	62,495	2.5	62,362	2.7
Expenditure	275,310	275,644	-0.1	269,050	2.3	268,400	2.6
<b>EBITDA</b>	<b>57,790</b>	<b>61,736</b>	<b>-6.4</b>	<b>40,300</b>	<b>43.4</b>	<b>68,980</b>	<b>-16.2</b>
EBITDA (%)	17.3	18.3		13.0		20.4	
EBITDA/ton (INR)	11,113	11,411	-2.6	8,141	36.5	12,750	-12.8
Other income	3,860	4,730		3,150		4,290	
Depreciation	13,510	13,097	3.2	12,630	7.0	13,590	-0.6
<b>EBIT</b>	<b>48,140</b>	<b>53,369</b>	<b>-9.8</b>	<b>30,820</b>	<b>56.2</b>	<b>59,680</b>	<b>-19.3</b>
Interest	15,510	15,147		13,440		15,310	
<b>PBT</b>	<b>32,630</b>	<b>38,222</b>	<b>-14.6</b>	<b>17,380</b>	<b>87.7</b>	<b>44,370</b>	<b>-26.5</b>
Tax	8,470	12,613		5,040		17,250	
Eff. Tax rate (%)	26.0	33.0		29.0		38.9	
XO items	0	0		0		2,010	
PAT- Reported	24,160	25,609		12,340		29,130	
<b>PAT- Adjusted</b>	<b>24,160</b>	<b>25,609</b>	<b>(5.7)</b>	<b>12,340</b>	<b>95.8</b>	<b>27,120</b>	<b>-10.9</b>
<b>Diluted EPS (Rs)</b>	<b>10.0</b>	<b>10.6</b>		<b>5.1</b>		<b>11.2</b>	

Source: Company, JM Financial

## Exhibit 3. Quarterly performance - JSW Coated Products

(INR mn)

	3QFY24	3QFY24E	% Var	3QFY23	YoY %	2QFY24	QoQ %
<b>Net Sales</b>	<b>77,670</b>	<b>79,910</b>	<b>-3%</b>	<b>66,790</b>	<b>16%</b>	<b>89,650</b>	<b>-13%</b>
Volumes (mtons)	0.9	0.9	0%	0.8	12%	1.1	-14%
Realization (Rs/ton)	82,628	85,011		79,512	4%	82,248	0%
<b>EBITDA</b>	<b>2,320</b>	<b>4,200</b>	<b>-45%</b>	<b>-110</b>	<b>NA</b>	<b>4,110</b>	<b>-44%</b>
EBITDA (%)	3%	5%	-43%	0%		5%	
EBITDA/ton	2,468	4,000	-38%	-131	NA	3,771	-35%

Source: Company, JM Financial

**Exhibit 4. Quarterly performance - US Plate and Pipe Mill**

	3QFY24	3QFY23	YoY %	2QFY24	QoQ %
Plate mill					
Production (tons)	97,829	80,753	21.1%	88,090	11%
Sales (tons)	86,985	74,030	17.5%	92,423	-6%
Pipe mill					
Production (tons)	7,219	8,489	-15.0%	5,052	43%
Sales (tons)	5,531	6,738	-17.9%	6,335	-13%
<b>EBITDA (incl. other income) (USD mn)</b>	<b>19</b>	<b>17</b>	<b>8.5%</b>	<b>26</b>	<b>-28%</b>

Source: Company, JM Financial

**Exhibit 5. Quarterly performance - JSW Steel USA Ohio (Acero)**

	3QFY24	3QFY23	YoY %	2QFY24	QoQ %
Sales (tons)	56,355	43,936	28%	59,136	-5%
<b>EBITDA (incl. other income) (USD mn)</b>	<b>-6</b>	<b>-23</b>		<b>-29</b>	

Source: Company, JM Financial

**Exhibit 6. Quarterly performance – BPSL**

(INR mn)

(Rs mn)	3QFY24	3QFY23	YoY %	2QFY24	QoQ %
<b>Revenue from Operations</b>	<b>50,300</b>	<b>49,980</b>	<b>0.6%</b>	<b>58,170</b>	<b>-14%</b>
Volumes (mt)	0.70	0.68	2.9%	0.80	-13%
Realization (Rs/ton)	71,857	73,500		72,713	
<b>EBITDA</b>	<b>7,800</b>	<b>3,410</b>	<b>128.7%</b>	<b>7,450</b>	<b>5%</b>
EBITDA (%)	16%	7%		13%	
EBITDA/ton (Rs)	11,143	5,015		9,313	
<b>PAT</b>	<b>2,600</b>	<b>-1,500</b>	<b>-273.3%</b>	<b>2,100</b>	<b>24%</b>

Source: Company, JM Financial

**Exhibit 7. JSW Steel (Consol.) volume mix**

Segment-wise deliveries (mn tons)	3QFY24	3QFY23	YoY %	2QFY24	QoQ %
OE	2.8	2.5	10	2.2	28
as a % of sales	53%	49%		47%	
Retail	1.7	2.0	-11	1.9	-7
as a % of sales	33%	38%		40%	
Auto	0.7	0.6	19	0.6	22
as a % of sales	14%	12%		13%	
<b>Total deliveries</b>	<b>5.3</b>	<b>5.2</b>	<b>2</b>	<b>4.7</b>	<b>13</b>
<b>Domestic</b>	<b>91%</b>	<b>93%</b>		<b>89%</b>	
<b>Export</b>	<b>9%</b>	<b>7%</b>		<b>11%</b>	

Source: Company, JM Financial

**Exhibit 8. JSW steel – Key assumptions and estimates (Standalone)**

	FY24E	FY25E	FY26E
Net sales (INR bn)	1231	1304	1353
Volume (mn tons)	21.2	23.3	25.6
EBITDA (INR bn)	238	267	285
EBITDA/t (INR)	11,259	11,471	11,152
PAT (INR bn)	88	93	91
INR/USD	81	81	81

Source: JM Financial

**JSW Steel: Target Price**

<b>FY26E EBITDA (INR bn)</b>	<b>348</b>
Multiple (x)	7
<b>Target EV (INR bn)</b>	<b>2351</b>
Net debt (INR bn)	584
<b>Residual Mcap (INR bn)</b>	<b>1767</b>
CWIP (INR bn)	232
No. of shares (mn)	2417
TP (INR/share) ex. Inv	823
JSW Energy	7
<b>TP (INR/share)</b>	<b>830</b>

Source: JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	1,463,710	1,659,600	1,607,805	1,748,518	1,827,398	
Sales Growth	83.3%	13.4%	-3.1%	8.8%	4.5%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>1,463,710</b>	<b>1,659,600</b>	<b>1,607,805</b>	<b>1,748,518</b>	<b>1,827,398</b>	
Cost of Goods Sold/Op. Exp	664,720	986,060	924,189	989,956	1,028,268	
Personnel Cost	34,930	39,150	44,199	47,344	49,176	
Other Expenses	373,990	448,920	360,951	386,637	401,600	
<b>EBITDA</b>	<b>390,070</b>	<b>185,470</b>	<b>278,467</b>	<b>324,581</b>	<b>348,355</b>	
EBITDA Margin	26.6%	11.2%	17.3%	18.6%	19.1%	
EBITDA Growth	93.7%	-52.5%	50.1%	16.6%	7.3%	
Depn. & Amort.	60,010	74,740	82,376	100,338	116,637	
EBIT	330,060	110,730	196,090	224,243	231,717	
Other Income	15,310	10,300	10,355	11,831	12,419	
Finance Cost	49,680	69,020	64,913	70,377	70,377	
PBT before Excep. & Forex	295,690	52,010	141,533	165,697	173,759	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	295,690	52,010	141,533	165,697	173,759	
Taxes	88,070	15,160	43,287	45,807	50,904	
Extraordinary Inc./Loss(-)	-7,410	5,910	0	0	0	
Assoc. Profit/Min. Int.(-)	11,900	-1,420	-50	-50	-50	
Reported Net Profit	206,650	41,440	98,296	119,940	122,905	
<b>Adjusted Net Profit</b>	<b>214,060</b>	<b>35,530</b>	<b>98,296</b>	<b>119,940</b>	<b>122,905</b>	
Net Margin	14.6%	2.1%	6.1%	6.9%	6.7%	
Diluted Share Cap. (mn)	2,417.2	2,417.2	2,417.2	2,417.2	2,417.2	
<b>Diluted EPS (INR)</b>	<b>88.6</b>	<b>14.7</b>	<b>40.7</b>	<b>49.6</b>	<b>50.8</b>	
Diluted EPS Growth	167.8%	-83.4%	176.7%	22.0%	2.5%	
Total Dividend + Tax	41,938	8,218	5,811	9,443	13,075	
Dividend Per Share (INR)	17.4	3.4	2.4	3.9	5.4	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	672,970	656,950	749,435	859,932	969,762	
Share Capital	3,010	3,010	3,010	3,010	3,010	
Reserves & Surplus	669,960	653,940	746,425	856,922	966,752	
Preference Share Capital	0	0	0	0	0	
Minority Interest	12,380	13,440	13,390	13,340	13,290	
Total Loans	761,990	841,430	842,067	842,067	842,067	
Def. Tax Liab. / Assets (-)	76,210	79,360	79,360	79,360	79,360	
<b>Total - Equity &amp; Liab.</b>	<b>1,523,550</b>	<b>1,591,180</b>	<b>1,684,252</b>	<b>1,794,699</b>	<b>1,904,479</b>	
Net Fixed Assets	1,167,850	1,266,180	1,375,622	1,446,418	1,510,916	
Gross Fixed Assets	1,283,850	1,390,050	1,461,893	1,743,027	1,924,162	
Intangible Assets	1,190	1,280	1,280	1,280	1,280	
Less: Depn. & Amort.	286,240	346,810	429,186	529,525	646,162	
Capital WIP	169,050	221,660	341,636	231,636	231,636	
Investments	49,320	48,060	45,693	45,693	45,693	
Current Assets	747,680	796,540	758,598	833,606	886,728	
Inventories	337,870	331,350	291,074	305,833	295,764	
Sundry Debtors	74,570	71,340	95,494	107,027	97,098	
Cash & Bank Balances	173,830	207,140	137,714	155,425	230,601	
Loans & Advances	0	0	0	0	0	
Other Current Assets	161,410	186,710	234,316	265,321	263,266	
Current Liab. & Prov.	441,300	519,600	495,661	531,017	538,858	
Current Liabilities	423,930	502,850	422,797	451,845	452,950	
Provisions & Others	17,370	16,750	72,864	79,172	85,908	
Net Current Assets	306,380	276,940	262,936	302,588	347,870	
<b>Total - Assets</b>	<b>1,523,550</b>	<b>1,591,180</b>	<b>1,684,252</b>	<b>1,794,699</b>	<b>1,904,479</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	304,860	50,640	141,533	165,697	173,759	
Depn. & Amort.	60,010	74,740	82,376	100,338	116,637	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCap.	-22,890	57,950	-55,423	-21,941	29,895	
Others	-10,140	5,960	50	50	50	
Taxes Paid	-88,070	-15,160	-43,287	-45,807	-50,904	
<b>Operating Cash Flow</b>	<b>243,770</b>	<b>174,130</b>	<b>125,250</b>	<b>198,338</b>	<b>269,437</b>	
Capex	-130,000	-158,810	-191,819	-171,134	-181,135	
Free Cash Flow	113,770	15,320	-66,569	27,204	88,302	
Inc (-) / Dec in Investments	36,490	1,260	2,367	0	0	
Others	-122,884	-59,292	-50	-50	-50	
<b>Investing Cash Flow</b>	<b>-216,394</b>	<b>-216,842</b>	<b>-189,502</b>	<b>-171,184</b>	<b>-181,185</b>	
Inc / Dec (-) in Capital	593	0	0	0	0	
Dividend + Tax thereon	-41,938	-8,218	-5,811	-9,443	-13,076	
Inc / Dec (-) in Loans	59,670	84,240	637	0	0	
Others	0	0	0	0	0	
<b>Financing Cash Flow</b>	<b>18,324</b>	<b>76,022</b>	<b>-5,174</b>	<b>-9,443</b>	<b>-13,076</b>	
<b>Inc / Dec (-) in Cash</b>	<b>45,700</b>	<b>33,310</b>	<b>-69,426</b>	<b>17,711</b>	<b>75,176</b>	
Opening Cash Balance	128,130	173,830	207,140	137,714	155,425	
Closing Cash Balance	173,830	207,140	137,714	155,425	230,601	

Source: Company, JM Financial; Note: Other investing cash flows include translation gains/losses and acquisitions.

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin		14.6%	2.1%	6.1%	6.9%	6.7%
Asset Turnover (x)		1.1	1.1	1.0	1.0	1.0
Leverage Factor (x)		2.4	2.3	2.3	2.2	2.0
RoE		37.6%	5.3%	14.0%	14.9%	13.4%

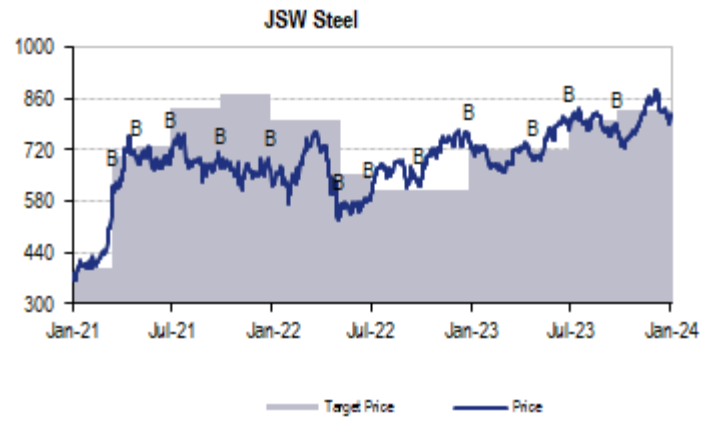
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)		278.4	271.8	310.0	355.8	401.2
ROIC		21.3%	6.3%	10.2%	11.1%	10.7%
ROE		37.6%	5.3%	14.0%	14.9%	13.4%
Net Debt/Equity (x)		0.8	0.9	0.9	0.8	0.6
P/E (x)		9.2	55.5	20.1	16.4	16.0
P/B (x)		2.9	3.0	2.6	2.3	2.0
EV/EBITDA (x)		6.5	14.0	9.6	8.2	7.4
EV/Sales (x)		1.7	1.6	1.7	1.5	1.4
Debtor days		19	16	22	22	19
Inventory days		84	73	66	64	59
Creditor days		144	125	116	116	112

Source: Company, JM Financial

History of Earnings Estimate and Target Price

Date	Recommendation	Target Price	% Chg.
24-Jan-20	Buy	290	
15-Apr-20	Buy	205	-29.3
23-May-20	Hold	170	-17.1
24-Jul-20	Hold	176	3.5
23-Oct-20	Hold	300	70.5
22-Jan-21	Hold	400	33.3
8-Apr-21	Buy	700	75.0
22-May-21	Buy	730	4.3
23-Jul-21	Buy	835	14.4
21-Oct-21	Buy	870	4.2
21-Jan-22	Buy	800	-8.0
28-May-22	Buy	655	-18.1
22-Jul-22	Buy	610	-6.9
21-Oct-22	Buy	610	0.0
22-Jan-23	Buy	720	18.0
19-May-23	Buy	720	0.0
21-Jul-23	Buy	800	11.1
20-Oct-23	Buy	830	3.8

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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