

Strong quarter

CMP: Rs.1,182
Target Price: Rs.1,480
Recommendation: BUY

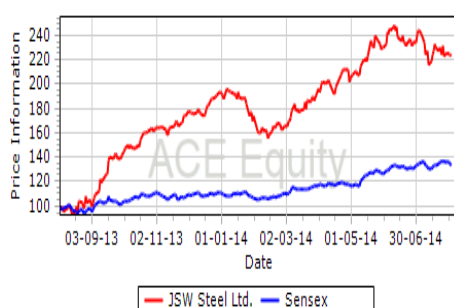
Stock Info

BSE Group	A/BSE100
BSE Code	500228
NSE Symbol	JSWSTEEL
Bloomberg	JSTLIN
Reuters	JSTL.BO
BSE Sensex	25,481
NSE Nifty	7,603

Market Info

Market Capital	Rs 28,582cr
Equity Capital	Rs 242cr
Avg. Trading Vol. (NSE Qtly)	9,30,170
52 Wk High/ Low	1,324/451
Face Value	10

Shareholding Pattern (%)	(June 2014)
Promoters	38.5
Domestic Institutions	3.2
Foreign Institutions	21.4
Public & others	36.9



Aug 5, 2014

JSW Steel's Q1FY15 numbers were above expectations on account of strong volume growth, higher realizations and higher exports. Export volumes has increased by 121% on YoY basis to 0.77mn tonnes, however domestic volumes decreased marginally by 2.3% on YoY basis to 2.09mn tonnes. Thus overall volumes increased by 15.3% on YoY basis to 2.86mn tonnes.

On a standalone basis raw material cost increased by Rs 1,856 per tonne on YoY basis due to increase in iron ore cost. However, power and fuel cost decreased by Rs 431 per tonne on YoY basis. EBITDA margins improved to 21.3% from 18.7% on YoY basis. EBITDA per tonne was at Rs. 8,545 per tonne v/s. Rs.8,118, on YoY basis. On consolidated basis EBITDA margins increased to 19.7% from 18.3% on YoY basis. Increase in EBITDA margins are partly attributed to increased share of value added products which increased to 29% from 25% on YoY basis.

Company reported standalone PAT of Rs 801cr and consolidated PAT of Rs 644cr.

Other units:

JSW Steel Coated products Ltd

Volumes increased by 21% on YoY basis to 0.4mn tonnes. Sales increased by 22.6% on YoY basis to Rs. 2,505cr implying blended realisation of Rs 62,625 per tonne. EBITDA for the quarter increased by 20.2% on YoY basis to Rs 95cr. PAT more than doubled to Rs. 7cr from Rs. 3cr on YoY basis.

US Plate and Pipe mill

Total sales volumes increased by 21% yoy to 1,04,736 tonnes, which includes 95,506 tonne of plates and 9,230 tonnes of pipes. EBITDA for the quarter came in at \$ 4mn.

Chilean iron ore mines

Operating performance was stable during the quarter with 5.3% increase in iron ore production on YoY basis to 0.22mn tonnes. However, sales increased by whopping 111% on YoY basis to 0.33mn tonnes. Realisation was lower by 14.5% on YoY basis at \$ 98.5 per tonne as international iron ore prices remain soft during the year. EBITDA for the quarter stood at negative \$0.3mn.

Valuations: JSW Steel continues to post strong performance in challenging operating environment. At CMP of Rs 1,182 per share, the stock is trading at FY16E P/E(x) and EV/EBITDA(x) of 9.0x and 4.9x respectively. We have valued the company at 6.0x FY16E EV/EBITDA and have arrived at the price target of Rs 1,480. We recommend **BUY** rating on the stock.



Financial snapshot

Y/E March, (Rs in Cr)	FY13	FY14	FY15E	FY16E
Net Revenue	38112	51220	53250	58923
EBITDA	6406	9165	11592	12555
EBITDA%	16.8	17.9	21.8	21.3
Reported PAT	963	452	2963	3171
Reported EPS	54	66	123	131
EPS Growth (%)	-32.7	21.6	85.9	7.0
RONW (%)	6	2	12	12
P/E (x)	21.8	17.9	9.6	9.0
EV/EBITDA (x)	8.8	7.8	5.2	4.9

Source: - Company data, Aриhant Research

1QFY15 Results (Consolidated)

Rs in Crore Consolidated	1QFY15	1QFY14	YOY (%)	4QFY14	QoQ (%)
Net Sales	13254	10271	29.0	14342	-7.6
Expenditure	10642	8391	26.8	11814	-9.9
EBITDA	2612	1879	39.0	2529	3.3
EBITD Margins (%)	19.7	18.3		17.6	
Other Income	54	19	180.4	1	4692.0
Interest	844	718	17.5	784	7.6
Depreciation	795	750	6.0	824	-3.5
Exceptional Items (Loss)	0	862		0	
PBT after exceptional item	1026	-431	-337.9	922	11.4
Tax	383	-32	-1290.9	459	-16.7
Tax rate (%)	37%	7%		50%	
Minority Int	-9	-14	-32.0	-17	-46.2
Share of Associate	3.6	3.9	-7.0	3.6	0.0
Reported PAT	656	-382	NA	483	36.0
Adj PAT	656	193	240.7	483	36.0
Adj NPM (%)	5.0	1.9		3.4	
Adj EPS (Rs)	29	9	240.7	22	36.0

Source: - Company data, Aриhant Research



Profit & Loss Statement (Consolidated)

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY16E
Net Sales	38112	51220	53250	58923
% Chg	12	34	4	11
Total Expenditure	31706	42054	41658	46368
% chg	12	33	-1	11
EBDITA	6406	9165	11592	12555
EBDITA Margin %	16.8	17.9	21.8	21.3
Other Income	167	86	213	236
Depreciation	2237	3183	3322	3526
EBIT	4336	6069	8483	9265
Interest	1967	3048	3707	4062
PBT bfr excep Items	2369	3021	4776	5203
Exceptional Items	369.37	1712.75	0	0
PBT after EI	1999	1308	4776	5203
Tax Provisions	845	920	1820	2042
PAT before MI	1154	388	2957	3161
MI & Profot from Associate	-260	-37	-6	-10
Reported PAT	963	452	2963	3171
PAT %	2.5	0.9	5.6	5.4

Source: - Company data, Arihant Research

Balance sheet (Consolidated)

Y/E March (Rs Cr)	FY13	FY14	FY15E	FY16E
Equity Capital	563	1067	1068	1068
Reserve & Surplus	16781	20871	23584	26490
Minority Interest	197	167	161	151
Non current liabilities	21522	29795	35482	35931
Current liabilities	18665	25739	19713	19793
Total Liabilities	57728	77640	80008	83433
Net fixed Assets	40615	56446	51457	52681
Non current Assets	1822	595	623	623
Loans and advances	3342	5132	4349	4550
Other non current Assets	16	18	16	16
Current Assets	11934	15450	23564	25563
Total Asset	57728	77640	80008	83433

Source: - Company data, Arihant Research



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Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
NEUTRAL	0-5
REDUCE	<0

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