

Price: 1,041

Recommendation: Buy

Industry: Iron & Steel

Sector: Commodities

Report Date: 03-Apr-2025

JSW Steel is advancing its market position through strategic initiatives, including expanding mining operations in Karnataka, Goa, and Odisha, targeting 15 million tonnes by FY'26. The company focuses on value-added products, achieving record domestic sales and robust operational performance. Future growth is supported by sustainability efforts and the acquisition of Thyssen Electrical Steel India, despite challenges in U.S. and Italian operations.

Sales		Profit & Loss		Profitability Matrix	
Current Year	130572 Cr	Operating Profit(Year)	17755 Cr	Operating Profit Margin	13.6 %
Previous Year	131687 Cr	Operating Profit(Quarter)	4397 Cr	EBITDA Margin	18.20 %
Current Quarter	31799 Cr	PAT (Year)	8131 Cr	Net Profit Margin	6.01 %
Previous Quarter	30778 Cr	PAT (Quarter)	1367 Cr	EPS	19.6
Revenue (QYoY)	33310 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	48.1	Sales Growth	-4.69 %	Sales Growth	3.32 %
PEG Ratio	1602	PAT Growth	63.27 %	Sales Growth QYoY	-4.54 %
EV/EBITDA	16.2	EPS Growth	-40.43 %	PAT Growth	-12.71 %
P/B	3.25	Dividend Yield	0.70	PAT Growth QYoY	-43.42 %
Capital Allocation		Holdings		Leverage	
RoE	11.7 %	Promoter	44.8 %	Debt/Equity	0.87
RoA	4.54 %	FII	25.6 %	Debt	68266 Cr
RoCE	14.2 %	DII	10.6 %	Market Cap	254403 Cr
RoIC	14.3 %	Public	18.2 %	Enterprise value	315674 Cr
		No of Shares	245 Cr	Cash Equivalents	6995 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, JSW Steel outlined several new initiatives and strategies aimed at enhancing its operational efficiency and market position. The company is focusing on expanding its mining operations, with plans to commission three new mines in Karnataka and Goa, targeting a production of 15 million tonnes by FY'26. Additionally, the Netrabandha mine in Odisha is expected to commence operations in Q1 of FY'26. The company is also enhancing the EC limits of its Nuagaon and Narayanposhi mines, which have about 900 million tonnes of high-quality iron ore. In coking coal, JSW Steel has signed a mining lease for the Moitra mine, with production expected to start in Q4 of FY'26. These initiatives are part of JSW Steel's strategy to secure raw material supply and reduce dependency on external sources.

JSW Steel's business strategies include a strong focus on value-added and special products, which comprised 60% of total sales in the last quarter. The company achieved its highest ever quarterly domestic sales, with significant growth in the auto, renewable, and appliance segments. The operational performance was robust, with a record crude steel production of 7.03 million tonnes in Q3, up 2% YoY and 4% QoQ. The company also reported a reduction in inventories by 92,000 tonnes, indicating efficient inventory management. The JSW One platform, a digital marketplace for MSMEs, continues to scale up, with a GMV annual run rate crossing Rs. 14,000 crores, up 2.7x from FY'24.

Looking ahead, JSW Steel is optimistic about future growth and scaling opportunities. The company expects to stabilize volumes with the ramp-up of the 5 million tonne JVML facility in Vijayanagar. The anticipated reduction in imports and lower coking coal and iron ore prices are expected to support margins. The company is also focusing on sustainability, with initiatives like converting 50% of employee commute to electric vehicles and deploying LNG-powered trucks for transportation. The acquisition of Thyssen Electrical Steel India is expected to close soon, further strengthening JSW Steel's position in the electrical steel market.

While the company has shown strong operational performance, there are areas for improvement. The U.S. operations reported an EBITDA loss due to lower market realizations, and the Italian operations saw a decline in EBITDA. The company is addressing these challenges by optimizing its product mix and improving cost structures. Additionally, the company is closely monitoring global market conditions, including potential trade measures and Chinese steel imports, which could impact pricing and demand. Overall, JSW Steel's strategic initiatives and focus on operational efficiency position it well for future growth, but continued vigilance on market dynamics and cost management will be crucial.

JSWSTEEL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Jindal Steel	92328.34	22.62	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	52284.00	63.79	26.48%	-2.28%	14.66%	-6.38%	8.52%
Jindal Stain.	49031.07	20.33	19.88%	1.33%	8.54%	7.36%	-5.35%
SAIL	48926.08	16.75	6.44%	-0.75%	4.89%	-85.58%	-64.61%
APL Apollo Tubes	43452.07	68.49	22.05%	13.80%	30.04%	303.22%	31.09%

Aspect	Commentary
Revenue	The company's revenue shows a slight decline from the previous year, indicating potential challenges in maintaining sales momentum. However, the current quarter's revenue reflects a positive trend compared to the previous quarter, suggesting a recovery or seasonal improvement in sales performance.
Profit & Loss	Operating profit remains strong, with a significant year-over-year increase in PAT, highlighting effective cost management and operational efficiency. However, the quarterly PAT decline suggests potential short-term challenges or increased expenses impacting profitability.
Profitability Matrix	The company maintains healthy profitability margins, with a robust EBITDA margin indicating strong operational performance. The net profit margin reflects effective cost control, while the EPS suggests stable earnings per share, supporting investor confidence.
Valuation Matrix	The valuation metrics indicate a high P/E ratio, suggesting market optimism or overvaluation. The PEG ratio is notably high, indicating potential growth concerns. The EV/EBITDA and P/B ratios reflect a balanced valuation relative to industry standards.
Growth (YoY)	Year-over-year growth metrics show a decline in sales and EPS, indicating challenges in revenue generation and earnings growth. However, the significant PAT growth suggests improved profitability, possibly due to cost-cutting measures or operational efficiencies.
Growth (QoQ)	Quarter-over-quarter growth shows a positive trend in sales, indicating recovery or seasonal factors. However, the decline in PAT suggests potential short-term challenges or increased costs impacting quarterly profitability, requiring strategic adjustments.
Capital Allocation	The company demonstrates efficient capital allocation with strong returns on equity, assets, and capital employed. These metrics indicate effective use of resources and investment strategies, supporting long-term growth and shareholder value creation.
Holdings	The ownership structure shows a balanced distribution among promoters, FIIs, DIIs, and the public, indicating diversified investor interest. The significant promoter holding suggests confidence in the company's future prospects and strategic direction.
Leverage	The company's leverage position is moderate, with a manageable debt-to-equity ratio. The substantial market cap and enterprise value reflect strong market positioning, while cash equivalents provide liquidity to support operational and strategic initiatives.

Analyst viewpoint: JSW Steel is well-positioned for growth with a focus on enhancing its operational efficiency and expanding its market presence. The company is taking significant strides in mining operations, with plans to commission new mines and increase production targets, which is likely to bolster growth over the short to mid-term. Their robust performance is further supported by impressive quarterly metrics, showing a 3.32% sales growth, which indicates a resilient recovery trend. The firm's valuation metrics align with industry standards, with its market cap reinforcing its strong position within the steel sector. The strategic acquisition of Thyssen Electrical Steel India is set to augment its product portfolio, potentially increasing its market dominance. Despite some challenges in specific international operations, JSW Steel's initiatives in sustainability and efficiency reflect a commitment to future-proofing its business model.

While JSW Steel portrays a compelling investment case with robust capital allocation, evident from healthy returns on equity and assets, investors should monitor market dynamics closely. The company's debt-to-equity ratio remains manageable, ensuring financial stability, and the strong promoter holding further highlights confidence in its strategic direction. However, it is prudent to acknowledge the challenges in U.S. and Italian operations, where market conditions impacted profitability. Staying vigilant about these market conditions, including potential trade measures, remains essential in mitigating risks associated with strategic growth objectives. Overall, JSW Steel's comprehensive approach towards growth, innovation, and sustainability provides a solid foundation for continued performance improvements.

Please read detailed disclosure on next page.

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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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