

Price: 1,005

Recommendation: Buy

Industry: Iron & Steel

Sector: Commodities

Report Date: 13-Mar-2025

JSW Steel is advancing its production capacity and efficiency with strategic initiatives, including commissioning new mines in Karnataka, Goa, and Odisha. The company is focusing on value-added products, achieving record sales in auto and renewable segments. Despite challenges, JSW Steel is optimistic about growth, aiming for 98% of its FY'24 volume guidance. Sustainability efforts and operational efficiency are key, though logistical challenges remain.

Sales		Profit & Loss		Profitability Matrix	
Current Year	170274 Cr	Operating Profit(Year)	22478 Cr	Operating Profit Margin	13.2 %
Previous Year	165960 Cr	Operating Profit(Quarter)	5579 Cr	EBITDA Margin	17.13 %
Current Quarter	41378 Cr	PAT (Year)	8448 Cr	Net Profit Margin	4.92 %
Previous Quarter	39684 Cr	PAT (Quarter)	780 Cr	EPS	13.5
Revenue (QYoY)	41940 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	70.2	Sales Growth	-3.09 %	Sales Growth	4.27 %
PEG Ratio	29.8	PAT Growth	125.28 %	Sales Growth QYoY	-1.34 %
EV/EBITDA	14.3	EPS Growth	-62.5 %	PAT Growth	35.65 %
P/B	3.16	Dividend Yield	0.72	PAT Growth QYoY	-67.7 %
Capital Allocation		Holdings		Leverage	
RoE	11.8 %	Promoter	44.8 %	Debt/Equity	1.20
RoA	3.92 %	FII	25.6 %	Debt	95258 Cr
RoCE	13.3 %	DII	10.6 %	Market Cap	245695 Cr
RoIC	10.9 %	Public	18.2 %	Enterprise value	331664 Cr
		No of Shares	245 Cr	Cash Equivalents	9289 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

JSW Steel's recent concall highlighted several strategic initiatives and business strategies aimed at enhancing production capacity and operational efficiency. The company is on track to commission three new mines, with one expected in Q4 and two in Q1 of the next financial year, targeting about 15 million tonnes of production from Karnataka mines by FY'26. In Goa, mining operations are set to begin at Cudnem in Q1 of the next financial year, with the Surla mine by Q4 of FY'26. The Codli mine is anticipated to commence operations by Q4 of FY'27, with the three Goa mines cumulatively producing 3.5 million tonnes. In Odisha, the Netrabandha mine of BPSL is expected to start operations in Q1 of FY'26, and efforts are underway to enhance the EC limits of the Nuagaon and Narayanposhi mines, which have about 900 million tonnes of high-quality iron ore.

The company is also focusing on value-added and special products, with the highest ever sales to the auto and renewable segments. Long product sales surged by 26% YoY, while sales to the appliance segment grew 37% YoY. Tinplate sales saw a strong 51% YoY growth. The operational performance was robust, with the highest ever consolidated crude steel production in Q3 at 7.03 million tonnes, up 2% YoY and 4% QoQ. Capacity utilization during the quarter at current Indian operations was 91%, despite a temporary maintenance shutdown of one of the blast furnaces in Dolvi. Steel sales in the quarter were 6.71 million tonnes, up 12% YoY and 10% QoQ, with value-added and special product sales comprising 60% of total sales.

Looking ahead, JSW Steel is optimistic about future growth and scaling perspectives. The company expects to see stabilization in volumes during Q4, with the ramp-up at the 5 million tonne JVML facility in Vijayanagar underway. The company anticipates achieving around 98% of its volume guidance for FY'24, despite a delay in the startup of the JVML facility. The outlook for the next quarter includes continued improvements in cost structure, aided by lower coking coal and iron ore prices, and improved performance of overseas business. The company is hopeful of positive government action to provide a level playing field for the domestic steel industry, which remains critical for scalability.

On the positive side, JSW Steel's strategic focus on enhancing raw material security and operational efficiency is commendable. The company's efforts in sustainability, such as converting 50% of employee commute to electric vehicles and deploying LNG-powered trucks, are noteworthy. However, there are areas for improvement, such as addressing logistical challenges and ensuring timely execution of projects to avoid delays. The company should also continue to monitor global market volatility and potential trade tensions that could impact growth. Overall, JSW Steel's strategic initiatives and focus on value-added products position it well for future growth, but careful attention to execution and market dynamics 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	91649.79	22.46	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	56853.36	69.38	26.48%	-2.28%	14.66%	-6.38%	8.52%
Jindal Stain.	51675.06	21.43	19.88%	1.33%	8.54%	7.36%	-5.35%
SAIL	44857.48	15.35	6.44%	-0.75%	4.89%	-85.58%	-64.61%
APL Apollo Tubes	38381.63	60.51	22.05%	13.80%	30.04%	303.22%	31.09%

Aspect	Commentary
Revenue	The company shows a slight increase in quarterly revenue, indicating stable demand. However, the year-over-year revenue growth is negative, suggesting challenges in maintaining consistent annual growth. This could be due to market conditions or competitive pressures, requiring strategic adjustments to sustain long-term revenue growth.
Profit & Loss	Operating profit remains strong, reflecting efficient cost management. However, the significant drop in quarterly PAT suggests potential issues in non-operating expenses or tax impacts. The company needs to address these areas to ensure profitability aligns with operational performance, maintaining investor confidence.
Profitability Matrix	The operating profit margin is healthy, indicating effective cost control. However, the net profit margin is relatively low, suggesting that non-operating factors are impacting overall profitability. Improving these areas could enhance net margins, providing a more robust financial position.
Valuation Matrix	The high P/E ratio suggests the market expects significant future growth, but the PEG ratio indicates potential overvaluation. The EV/EBITDA ratio is moderate, reflecting reasonable enterprise value relative to earnings. Investors should consider these metrics when evaluating investment potential.
Growth (YoY)	Year-over-year sales growth is negative, highlighting challenges in expanding market share or product demand. However, the substantial PAT growth indicates improved profitability, possibly from cost efficiencies or favorable market conditions. The company should focus on sustaining this profitability trend.
Growth (QoQ)	Quarterly sales growth is positive, showing short-term demand resilience. However, the significant drop in quarterly PAT growth suggests volatility in earnings, possibly due to seasonal factors or operational disruptions. Addressing these issues could stabilize earnings and enhance investor confidence.
Capital Allocation	Return on equity and capital employed are satisfactory, indicating effective use of shareholder funds. However, the return on assets is lower, suggesting room for improvement in asset utilization. Enhancing asset efficiency could improve overall returns, benefiting stakeholders.
Holdings	Promoter and institutional holdings are strong, reflecting confidence in the company's prospects. Public holding is moderate, providing a balanced ownership structure. Maintaining this balance is crucial for stability and attracting diverse investor interest, supporting long-term growth.
Leverage	The debt-to-equity ratio is relatively high, indicating significant leverage. While this can enhance returns, it also increases financial risk. The company should focus on managing debt levels to ensure financial stability, especially in volatile market conditions, to safeguard against potential downturns.

Analyst viewpoint: JSW Steel presents a compelling opportunity for investors looking for growth in the short to mid-term. The recent quarter showed a robust increase in Sales Growth, with a positive 4.27% QoQ and an impressive 35.65% in PAT Growth, signifying a strong recovery trajectory for profitability. The company has maintained a prudent approach to capital allocation with a Return on Capital Employed of 13.3%, ensuring efficient use of resources. These metrics, combined with an optimistic outlook from the recent concall, highlight JSW Steel's strategic focus on enhancing its production capabilities and operational efficiency through the commissioning of new mines and increasing its value-added product sales. These efforts have led to record production levels and market-leading positions in the automotive and renewable sectors, reflecting its competitive edge within the industry.

Despite these positives, it's essential to acknowledge the challenges JSW Steel faces. The company carries a relatively high debt-to-equity ratio, indicating significant leverage that could introduce financial risk if market conditions turn unfavorable. Maintaining careful management of its debt levels and successful navigation of logistical challenges will be crucial. Nonetheless, these factors do not overshadow the company's strategic initiatives aimed at strengthening its core operations, positioning it to capture scaling opportunities and deliver compelling returns to investors.

Please read detailed disclosure on next page.

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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