

March 25, 2013

JSW STEEL LTD.

BSE Code: 500228 NSE Code: JSWSTEEL Reuters Code: JSTL:NS Bloomberg Code: JSTL:IN

JSW Steel Limited (JSWSTEEL) is engaged in the business of manufacture and sale of iron and steel products. The Company operates in steel and power (used mainly for captive consumption) segment. The Company's products include hot rolled, cold rolled, galvanized, galvalume, pre-painted galvanized, pre-painted galvalume, thermo mechanically treated (TMT) rebars, wire rods and special steel bars, rounds and blooms. JSW Steel has manufacturing facilities are located at Toranagallu in Karnataka, Vasind and Tarapur in Maharashtra and Salem in Tamil Nadu.

Investor's Rationale

Revenue declined by 6.3% QoQ on lower than estimated decline in realization

JSWSTEEL registered a decline in net revenue by 6.3% QoQ (up by 5.3% YoY) on standalone basis at ₹82.7 bn in Q3FY'13 primarily driven by lower than estimated decline in realization. Steel sales volumes were flat on QoQ basis at 2.17MT, while average blended realization declined 7% QoQ to ₹38,214/tonne. Despite of continuous hike in international prices, domestic prices are not moving up as demand is not good.

Net Profit declined massively by 83.4% QoQ on forex loss and higher interest cost

Bottom-line of the company contracted significantly by 83.4% QoQ (down by 18.7% YoY) at ₹1.4 bn in Q3FY'13 mainly affected by extraordinary items (EO) contained Forex loss of ₹2.7 bn due to rupee depreciation and ₹6.0bn of provision towards diminution in value of ₹30.8 bn investment in US operations. Further, PAT was also affected by higher interest cost 8.0% QoQ (38.8% YoY) at ₹4.5 bn mainly due to start of commercial operations of HRC Mill expansion by 1.5mtpa. Thus, NPM contracted by 755bps QoQ (down by 49bps YoY) at 1.6%.

EBITDA margin declined 135bps QoQ

The company's EBITDA declined 13.9% QoQ to ₹13.1 bn mainly affected by lower realization. Further, EBITDA per ton declined 12% QoQ to USD112. Increase in power cost, employee and other expenses also reduced the operating profit. Thus, OPM declined by 135bps QoQ at 15.8% against 17.2%.

Capex Plan

JSWSTEEL is on track for a guided capex of ₹130 bn, wherein ₹32 bn has been spent in 9MFY'13. While, nearly ₹10 bn is expected to be spent in Q4FY'13 and the rest over FY'14E and FY'15E. The company plans to fund the capex through internal accruals (₹80 bn) and debt (₹50bn).

Market Data

CMP (₹)		618.6
Target Price		687
Stop Loss		588
Duration		Short-term
52-week High-Low (₹)		893.8/566.0
Rise from 52WL (%)		9.3
Correction from 52WH (%)		30.8
Beta		1.7
1 year Average Volume (mn)		1.4
	3M-	(23.5)
Stock Return (%)	6M-	17.2
	1Y-	(15.8)
Market Cap (₹bn)		138.0
Book Value (₹)		813.8

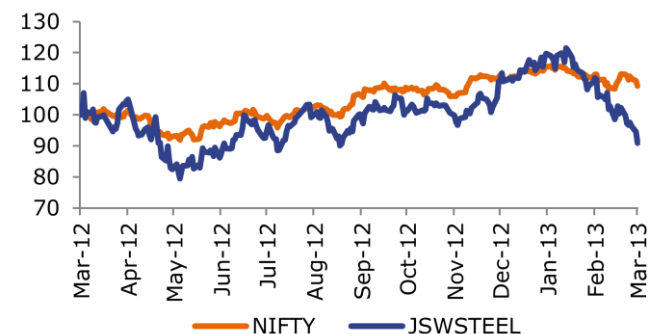
Shareholding Pattern

	Dec'12	Sep'12	Chg
Promoters (%)	38.05	38.05	0
FII (%)	19.28	20.62	(1.34)
DII (%)	5.82	5.29	0.53
Public & Others (%)	36.85	36.04	0.81

Quarterly Performance (Standalone)

(₹bn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	82.7	78.6	88.3	5.3	(6.3)
Op. exp	69.8	66.2	73.5	5.4	(5.0)
EBITDA	13.1	12.5	15.3	4.8	(13.9)
OPM (%)	15.8	15.9	17.2	(7bps)	(135bps)
Net profit	1.4	1.7	8.2	(18.7)	(83.4)
NPM (%)	1.6	2.1	9.2	(49bps)	(755bps)
EPS (₹)	5.8	7.2	36.5	(19.8)	(84.2)

One Year Price Chart





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