INVasset Corporate Insights

JSW Steel

19th March, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

JSW Steel Product Excellence

Diverse Steel Portfolio Strengthens Market Position: JSW Steel boasts an array of steel products, serving a wide market that include hot and cold rolled sheets, coated products, and various steel categories catering to specialized needs.

Strategic Revenue Streams: The company's revenue sources are well-distributed, with the retail sector contributing 33%, followed by a significant 37% from construction and infrastructure. Automotive and industrial clients add another 30% collectively.

Dominant Domestic Presence: JSW Steel demonstrates a commanding domestic presence, with 93% of its geography-specific revenue stemming from the home market, complementing this with a strategic 7% from exports.

Value-Driven Growth: A significant shift in the revenue share from Value Added Steel Products (VASP) from 35% in FY16 to 60% in Q3FY24 highlights JSW Steel's strategic move towards higher value offerings. The company's target to maintain this share above 50% indicates a commitment to delivering high-quality, specialized steel products.

Expansive Distribution Network: With a vast distribution network encompassing over 17,500 retail outlets across more than 530 districts, JSW Steel's market reach is formidable. A mix of 450 distributors and branded stores, along with a significant partner base in the JSW Privilege Club, exemplifies the company's robust channel strategy.

Capacity Building for the Future: JSW Steel is on a vigorous expansion drive, targeting a capacity increase to 37mt by FY25-26, and further to 50mt by FY30. This plan includes both brownfield and greenfield projects, highlighting the company's vision to lead the industry's growth trajectory.

Innovation and Approvals: The third quarter saw the company secure approvals for 12 products, ranging from solar modules to seamless tubes, signaling its commitment to innovation and quality.

Digital Commerce Advancements: The launch of JSW One TMT and the company's substantial shareholding indicates a strategic move towards integrating digital commerce platforms, specifically catering to MSMEs. The platform's user base and repeat customer rate emphasize its success and potential growth.

Financial Instruments for Expansion: The issuance of Non-Convertible Debentures worth ₹2,000 crores marks a pivotal step in securing the financial groundwork necessary for the company's ambitious expansion and growth plans.

Steeling for Growth: The company's focus on scaling up its capacity to 50mt by FY30 reveals a grand vision for growth, cementing its position as a powerhouse in the steel industry, driven by innovation and strategic expansion.

Stock Data	
CMP (19-03-2024)	801.05
52 Week High/Low	895.75 / 655.75
Face Value	1.00
Market Cap (In Crs)	1,96,345
Enterprise Value (In Crs)	2,68,150
NSE	JSWSTEEL
BSE	500228
Bloomberg	JSTL:IN
Sector	Steel

Shareholding Pattern (in %)		
	DEC 23	SEPT 23
Promoter	44.81%	44.79%
FII	26.33%	26.13%
DII	9.48%	9.50%
Public	18.47%	18.64%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-0.92	8.46	27.70
JSW STEEL	-2.13	-0.79	18.64

Key Ratios	
P/E	18.1
P/S	1.12
P/B	2.57
Debt To Equity	1.11
ROE	5.64%
ROCE	8.33%
Dividend Yield	0.43%

Q3 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q3 FY24	Q2 FY24	Q3 FY23	QOQ	YOY
Sales	41,940	44,584	39,134	-5.93%	7.17%
EBITDA	7,358	8,688	4,679	-15.31%	57.26%
EBIT	5,299	6,669	2,797	-20.54%	89.45%
Net Profit	2,450	2,773	474	-11.65%	416.88%
EPS	9.88	11.29	2.03	-12.49%	386.70%

Result Highlights

Financial Performance Snapshot: "Striding Ahead: Q3 FY24 Financial Highlights: In Q3 FY24, the company showcased a robust performance, marking significant year-over-year growth and demonstrating strong resilience against quarter-over-quarter challenges. This performance is a testament to the company's sustained growth trajectory and its ability to adapt and thrive amidst dynamic market conditions. Key financial metrics indicate that despite the usual ebbs and flows of business cycles, the company has not only maintained its momentum but also accelerated its progress in key areas. Year-over-year growth is particularly indicative of strategic initiatives that have come to fruition, yielding tangible financial improvements.

Robust Yearly Gains Amid Quarterly Fluctuations: Navigating the intricate weave of the financial market, the company's performance in Q3 FY24 presents a dual narrative. While the quarter saw a slight retreat in sales by 5.93%, dipping to ₹41,940 crores, this transient setback is set against a broader backdrop of growth. The company's annual figures tell a story of triumph, with sales climbing by a notable 7.17%. This juxtaposition is not merely a matter of numbers; it symbolizes the company's strategic agility in extending its market reach and its success in drawing new customers. In essence, the modest quarterly fluctuation belies a steadfast trajectory of expansion and the successful capturing of market opportunities that underscore the company's overall upward momentum.

Operational Excellence Fuels Profit Surge: The company's Q3 FY24 results reveal a nuanced financial narrative. EBITDA, a crucial measure of profitability, contracted by 15.31% quarterly, settling at ₹7,358 Crores. However, the broader perspective is brighter; this figure marks a 57.26% surge on an annual scale, suggesting strong underlying operational efficiency. This significant year-on-year EBITDA growth highlights the firm's capability in implementing effective cost controls and optimizing processes to bolster profitability. The juxtaposition of a quarterly dip against a substantial yearly increase underscores the company's strategic finesse in navigating market volatilities while maintaining a trajectory of growth and operational improvement.

Cost Efficiencies Propel Earnings Momentum: The company's earnings before interest and taxes (EBIT) deliver a clear message of sound financial governance and astute management. In Q3 FY24, even though EBIT experienced a quarter-on-quarter decrease of 20.54%, falling to ₹5,299 Crores, it still impressively climbed by 89.45% on a year-over-year basis. This remarkable upsurge is indicative of the company's successful implementation of cost control measures and the leveraging of operational efficiencies. It underscores a strategic approach that has capitalized on long-term growth opportunities, ultimately enhancing the value delivered to stakeholders.

Profitability Peaks: A Testament to Strategic Vision: Despite facing a moderate quarter-over-quarter decrease of 11.65% in net profit, the company's year-over-year performance reveals a remarkable 416.88% surge, achieving ₹2,450 Crores in net earnings. This significant growth is not merely a reflection of financial recovery but is indicative of the company's strong execution of strategic plans and fundamental growth. It is evident that the company has not only navigated through the typical fluctuations inherent in business cycles but has also implemented successful initiatives that have propelled its net profit to impressive new heights.

Earnings Amplification Reflects Investor Value: The Earnings Per Share (EPS), an important marker for investor returns, decreased by 12.49% quarterly to ₹9.88. However, this figure also illuminated a staggering annual growth of 386.70%, indicating the company's amplified earnings capacity and heightened shareholder value.

Concall Highlights

Steeling for the Future: JSW Steel's Capacity Growth Trajectory: JSW Steel is set on an ambitious growth journey, with a manufacturing capacity of 28.2 million tones per annum, the company has charted a clear path for scaling up operations. The near-term goal is to elevate the JSW Steel India capacity to 37 MnTPA, with specific upgrades at its Vijayanagar works from 23.5 to 28.5 MnTPA, and at BPSL from 3.5 to 5 MnTPA by the end of FY25E. Further enhancements include a moderate increment at JISPL from 1.2 to 1.5 MnTPA.

Quarterly Performance Analysis of JSW Steel: Production and Sales Dynamics: JSW Steel's performance in Q3 FY24 focuses on production and sales volumes. Crude steel production at JSW Steel witnessed a YOY increase of 12%, rising from 6.14 million tones in Q3 FY23 to 6.87 million tones in Q3 FY24. Additionally, there was an 8% growth from the previous quarter (QQQ), up from 6.34 million tones in Q2 FY24. Indian operations largely fueled this growth, contributing 6.63 million tones, of which 4.92 million tones were flat products and 1.34 million tones were long products. The USA - Ohio operations also saw an increment, producing 0.24 million tones. Steel sales, however, presented a mixed picture. There was a 7% YoY growth, but sales decreased by 5% QQQ, from 6.34 million tones in Q2 FY24 to 6.00 million tones in Q3 FY24. The Indian market remained the predominant consumer, accounting for 91% of the company's domestic operations in Q3 FY24, compared to 93% in Q3 FY23 and 89% in Q2 FY24. Exports constituted 9% of the sales, a slight decrease from 11% in the previous quarter. The USA - Ohio operations reported sales of 0.18 million tones.

Assessing JSW Steel's Q3 FY24 Sales: Segment-Wise Breakdown and Value Addition: The Q3 FY24 sales figures of JSW Steel's Indian operations focuses on customer segments and the proliferation of value-added and special products (VASP). JSW Steel's domestic sales in Q3 FY24 reflected a 2% YOY increase with 5.27 million tones sold. A sectoral breakdown reveals that the construction and infrastructure segment constituted the largest share at 37%, followed by the auto industry at 16%, and industrial applications at 14%. Compared to Q3 FY23, the auto segment experienced the highest growth in sales, rising by 16% YoY. Value-Added and Special Products formed a significant part of total sales, peaking at 62% in Q2 FY24 and maintaining high levels with 60% in Q3 FY24. This category's sales volume surged to 3.49 million tones in Q3 FY24, indicating a commitment to higher-margin products. Key highlights include a 17% YoY volume growth in VASP, with OEM and Industrial sales up by 20% while retail sales saw a slight decline of 2%. The quarter also set records for JSW Steel with the highest-ever quarterly sales to the auto sector and a 31% YoY leap in the renewable energy segment.

Focusing on Indian Market Dynamics and Comprehensive Production & Sales Analysis: JSW Steel's Q3 FY24 performance analysis highlights steady growth in the Indian market, with a 2% increase in domestic sales. The automotive sector, experienced a 16% boost in sales, the highest in any quarter to date. The company also recorded a 17% rise in its value-added and special products segment, indicating a market shift towards high-quality steel. Overall, JSW Steel's production surged by 11.9% to 6.87 million metric tones, while sales grew by 6.7%. The U.S. operations, though smaller, remarkably increased production by 191.1%. Over a 9-month period, production and sales rose by 11.7% and 13.9% respectively, reflecting robust demand and the company's strong market positioning.

Financial Health of JSW Steel in Q3 Fy24: JSW Steel's financial results for Q3 FY24 show considerable growth with revenues increasing to ₹41,940 crore and Operating EBITDA rising to ₹7,180 crore, indicating strong operational efficiency. Despite a rise in finance costs to ₹1,996 crore and depreciation to ₹2,059 crore, the company improved its share of joint venture losses and reported no exceptional items, leading to a significant increase in profit before tax at ₹3,303 crore. Tax expenses grew to ₹853 crore, yet the company achieved a robust profit after tax of ₹2,450 crore. Diluted EPS stood at ₹9.88, evidencing solid earnings per share and signaling a favorable return for shareholders. Overall, the report suggests that JSW Steel's Q3 FY24 financials reflect strong performance and profitability.

Q3FY24- Drivers of Perfromance: In Q3 FY24, JSW Steel saw improved capacity utilization in Indian operations to 94%, aiding volume despite a 5% QoQ drop in sales, which still rose 7% YoY. This sales dip was linked to lower retail sales, higher imports, destocking, and reduced exports, leading to a 0.63 million tonne inventory increase. NSR in India modestly climbed by 1% QoQ and 2% YoY, while operating costs escalated due to pricier raw materials and production hikes. Finance costs decreased 4% QoQ, offset by a 10% YoY rise due to growing debt and interest rates. A new tax regime fixed the rate at 25.83%. Internationally, the U.S. saw volume growth but EBITDA losses in Ohio, with stable Texas operations, and Italy performed well. Overall, JSW faced a nuanced quarter with volume gains offset by operational and finance cost challenges, alongside a mixed international performance.

Consolidated EBITDA Movement : The EBITDA movement from Q2 FY24 to Q3 FY24 for JSW Steel reflects a series of financial impacts that have led to a slight decrease in overall EBITDA by ₹706 crore. Starting from an EBITDA of ₹7,886 crore in Q2 FY24, there was a negative impact of ₹453 crore due to volume changes and a further decrease of ₹580 crore due to increased costs. However, these were partially offset by a positive contribution of ₹221 crore from Net Sales Realisations (NSR) and an increase of ₹192 crore from overseas subsidiaries. After considering consolidated adjustments, which had a negative impact of ₹86 crore, the EBITDA for Q3 FY24 stood at ₹7,180 crore. This summary indicates that despite positive contributions from NSR and overseas subsidiaries, the overall EBITDA was affected by volume declines and rising costs.

Sustained Performance Elevates JSW Steel's Indian Fortunes: JSW Steel's Indian operations manifested significant growth in Q3 FY24 compared to the same quarter the previous year, with an upsurge in crude steel production from 6.06 to 6.63 million tonnes and a boost in steel sales from 5.55 to 5.82 million tonnes. The operational revenue swelled to ₹39,715 crore from ₹37,032 crore in Q3 FY23, while the operating EBITDA leaped to ₹6,923 crore from ₹4,448 crore, marking a considerable hike in efficiency and earnings. Profits after tax saw an outstanding rise to ₹2,553 crore from a modest ₹678 crore year-over-year, signifying a robust augmentation in net profitability.Despite a slight quarter-to-quarter softening from Q2 FY24, with reductions in revenue and EBITDA, the annual comparison highlights JSW Steel's sustained growth and prosperity in the Indian market.

Navigating Financial Leverage: JSW Steel's Net Debt Dynamics: From September to December 2023, JSW Steel's net debt surged from ₹69,195 crore to ₹79,221 crore, a substantial increase influenced predominantly by the acquisition of new loans amounting to ₹13,113 crore. While the company made strides in repaying ₹2,433 crore, the overall debt was marginally affected by a forex impact of ₹306 crore. A positive cash movement of ₹960 crore offered some counterbalance to the debt increment. As the year closed, cash and cash equivalents dipped slightly to ₹12,061 crore, reflecting in a slight uptick in the net debt to equity ratio from 0.92x to 1.02x, and a moderate rise in net debt to EBITDA ratio from 2.52x to 2.64x. The escalation in JSW Steel's debt profile points to potential strategic investments, highlighting the importance of vigilant management of its financial leverage for enduring fiscal health.

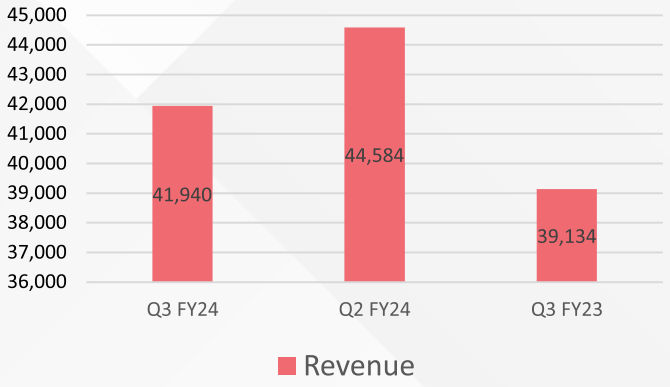
Strategic Financial Management Solidifies JSW Steel's Market Position
JSW Steel showcases a stable and strategic financial profile with its net gearing and leverage ratios maintained well within its set caps of 1.75x and 3.75x, recorded at 1.02x and 2.64x respectively in Q3 FY24. With ₹12,061 crore in cash reserves and solid credit ratings from international (Moody's: Ba1, Fitch: BB) and domestic agencies, the company demonstrates strong liquidity and creditworthiness. Its balanced mix of INR and foreign currency debt mitigates currency fluctuation risks. The firm's adept financial maneuvers are highlighted by its success in raising $3.84 billion from the global bond market since 2014, including a pioneering USD Sustainability Linked Bond, underscoring its commitment to sustainable growth and prudent financial practices.

Expanding Horizons: Progress at JSW Steel's Vijayanagar Works: JSW Steel is enhancing its Vijayanagar plant with a 5 mtpa Brownfield project and a Coke Oven Plant expansion, both showing significant progress. The Brownfield project's construction is advancing, with the Blast Furnace edging towards completion and the Steel Melting Shop's first Converter and Caster equipment already installed. Trial runs are imminent at the Hot Strip Mill, where all Mill Stands are erected, anticipating a Q4 FY24 commissioning start. The Coke Oven capacity has also been bolstered by the fully operational 1.5 mtpa addition with Battery B, and a further 1.5 mtpa increase is set to support steel production from Q1 FY25. This strategic expansion underscores JSW Steel's drive to amplify production and enhance operational efficiency.

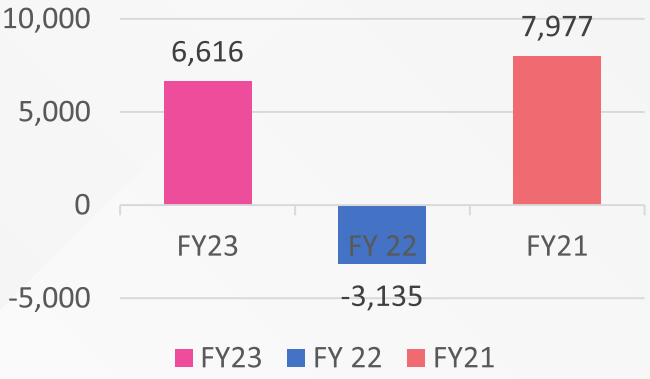
Digital Advancements Shaping JSW Steel's Evolution: JSW Steel is channeling digitalization to spearhead its strategic growth, focusing on core operational sectors including Mining, Supply Chain, Finance, Manufacturing, HR, and Sales and Marketing, aiming to boost efficiency and market prowess. The digital transformation roadmap is set to yield, reduced emissions, and a safer work environment, aligning with the vision of establishing JSW Steel as a 'Great Place To Work' and driving sustainable, efficient growth in a dynamic industry landscape.

JSW Steel Q3 FY24: Strong Revenue and Profit Growth: JSW Steel's financials in Q3 FY24 demonstrated substantial growth with revenues rising to ₹33,310 crore from ₹30,935 crore in Q3 FY23, and operating EBITDA up to ₹5,779 crore from ₹4,030 crore, reflecting enhanced operational efficiency. Other income slightly increased to ₹386 crore, and finance costs grew to ₹1,551 crore. Despite marginally higher depreciation costs at ₹1,351 crore and no exceptional items, profit before tax more than doubled to ₹3,263 crore, with net profit after tax also significantly increasing to ₹2,416 crore. The diluted EPS was ₹9.88, nearly twice that of the previous year's Q3, though less than Q2 FY24's ₹11.96. This performance underscores JSW Steel's fiscal fortitude and strategic cost control amidst economic headwinds.

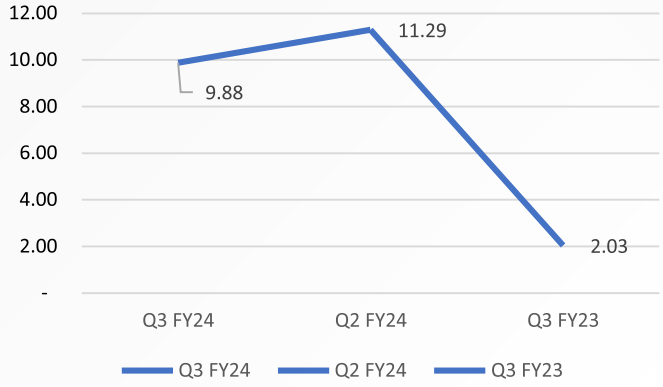
Revenue (In Cr)



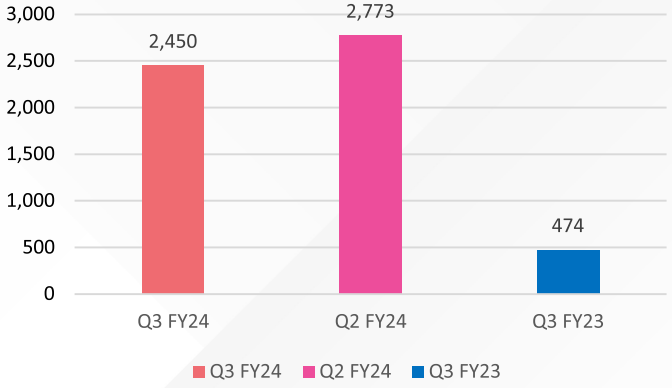
Cashflow(In Cr)



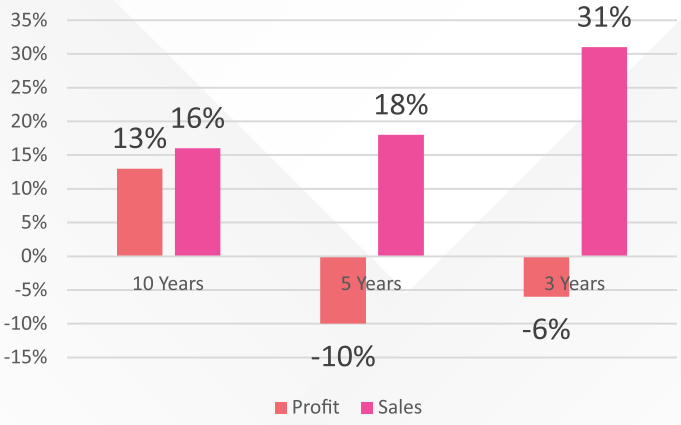
EPS



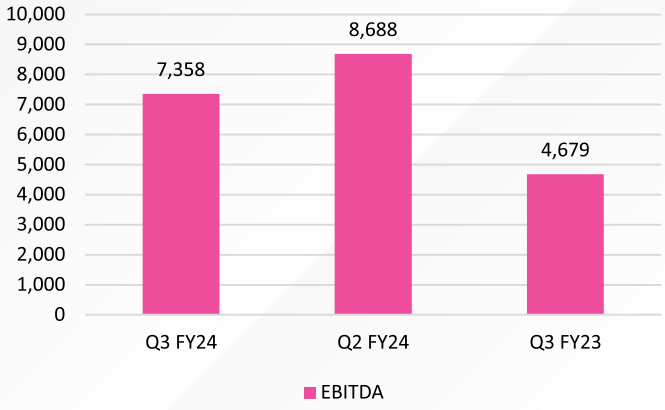
PAT (In Cr)



Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The chart depicts JSW Steel Ltd's stock performance on a weekly timeframe. The stock experienced resistance at a certain level several times, as indicated by red arrows, before making a multi-year breakout. The blue ascending trend line illustrates higher lows over time. After the breakout, the price retested the trend line and the previous resistance, which now acts as support. The most recent candle shows a decline with increased volume, suggesting a potential shift in sentiment or momentum.

JSW Steel's moving averages indicate a consistent uptrend with the Simple Moving Averages (SMA) and Exponential Moving Averages (EMA) closely aligned across all periods, particularly in the 20 to 50-day range.

The Relative Strength Index (RSI) shows neutrality on a daily scale at 48.07, leaning towards neither oversold nor overbought, while the weekly RSI at 55.13 suggests slightly more bullish momentum without being overextended.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	796.3	798.9
10	809.8	805.5
20	815.2	811.3
50	816.1	815.3
100	809.7	810.0
200	796.8	790.9

Pivot Levels : FIBONACCI		
R1 815.77	Pivot 797.13	S1 785.77
R2 827.13		S2 767.13
R3 845.77		S3 755.77

	Daily	Weekly
Relative Strength Index (RSI)	48.07	55.13

Disclaimer: This report has been prepared by the research department of Invasset, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal. Invasset have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This Document is subject to changes without prior notice.

The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice. Recipients of this material should rely on their own investigations and take their own professional advice. Invasset or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Invasset. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

Invasset and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavour to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to Invasset or any of its affiliates to any registration or licensing requirement within such jurisdiction. Invasset may or may not hold any securities discussed in the article in its portfolios. Invasset may or may not take decisions based on the information contained in the article while curating portfolios for its clients. Without limiting any of the foregoing, in no event shall Invasset, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

This research has been done by the Core Fundamental Research Team of InvAsset PMS Desk.

Anirudh Garg
anirudhgarg@invasset.com

Harshal Dasani
harshaldasani@invasset.com

Bhavik Joshi
bhavikjoshi@invasset.com

INVASSET

India's Best Performing and Most Customer Centric PMS

MUMBAI
911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM
4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA
1401, Aspen 2, Centara Greens,
Pakhowal Road, Opp. Riviera Resort,
Ludhiana 141001

1800-309-2172
98158-10172

info@invasset.com

www.invasset.com