

January 23, 2023



Current Price: ₹ 740.95

STOCK DATA

| | |
|------------|----------|
| BSE Code | 500228 |
| NSE Symbol | JSWSTEEL |
| Reuters | JSTL.BO |
| Bloomberg | JSTL IN |

VALUE PARAMETERS

| | |
|--------------------------------------|---------------|
| 52 W H/L(Rs) | 789.95/520.10 |
| Mkt. Cap.(Rs Cr) | 179103.95 |
| Latest Equity(Subscribed) | 241.72 |
| Latest Reserve (cons.) | 61706 |
| Latest EPS (cons.) -Unit Curr. | 31.11 |
| Latest P/E Ratio -cons | 23.82 |
| Latest Bookvalue (cons.) -Unit Curr. | 256.28 |
| Latest P/BV - cons | 2.89 |
| Dividend Yield -% | 2.92 |
| Face Value | 1.00 |

SHARE HOLDING PATTERN (%)

| Description as on | % of Holding 31/12/2022 |
|--------------------------|----------------------------|
| Foreign | 27.22 |
| Institutions | 9.34 |
| Govt Holding | 0.51 |
| Non Promoter Corp. Hold. | 8.27 |
| Promoters | 45.19 |
| Public & Others | 9.46 |

Consolidated Financial Result

| | Qtr Ending Dec. 22 | Qtr Ending Dec. 21 | In Cr. VAR % |
|--|-----------------------|-----------------------|-----------------|
| Net Sales | 39134.00 | 38071.00 | 3 |
| OPM (%) | 11.60 | 24.00 | |
| OP | 4547.00 | 9132.00 | -50 |
| Other Inc. | 188.00 | 154.00 | 22 |
| PBIDT | 4735.00 | 9286.00 | -49 |
| Interest | 1819.00 | 1283.00 | 42 |
| PBDT | 2916.00 | 8003.00 | -64 |
| Depreciation | 1882.00 | 1764.00 | 7 |
| PBT | 1034.00 | 6239.00 | -83 |
| Share of Profit/(Loss) from Associates | -56.00 | 22.00 | PL |
| PBT | 978.00 | 6261.00 | -84 |
| Taxation | 504.00 | 1745.00 | -71 |
| PAT | 474.00 | 4516.00 | -90 |
| Minority Interest (MI) | -16.00 | 159.00 | LP |
| Net profit | 490.00 | 4357.00 | -89 |
| EPS (Rs) | 1.63 | 18.15 | |

JSW Steel Q3FY23 Results: Operating Profit down 50%, below estimates

Consolidated net sales of JSW Steel have increased 2.79% to Rs 39134 crore in Q3FY23 compared to Q3FY22. Operating profit margin has declined from 23.99% to 11.62%, leading to 50.21% decline in operating profit to Rs 4,547.00 crore. Raw material cost as a % of total sales (net of stock adjustments) increased from 44.90% to 54.22%. Purchase of finished goods cost rose from 0.40% to 0.61%. Employee cost increased from 2.44% to 2.61%. Other expenses rose from 29.22% to 30.93%. Power and Oil fuel cost rose from 8.35% to 11.06%. Other direct service cost fell from 7.69% to 4.50%.

Saleable Steel sales for the quarter stood at 5.63 million tonne, higher by 21% YoY driven by higher domestic sales, but lower by 2% QoQ. Other income rose 22.08% to Rs 188 crore. PBIDT fell 49.01% to Rs 4735 crore. Provision for interest rose 41.78% to Rs 1819 crore. PBDT fell 63.56% to Rs 2916 crore. Provision for depreciation rose 6.69% to Rs 1882 crore. Profit before tax down 83.43% to Rs 1,034.00 crore. Provision for tax was expense of Rs 504 crore, compared to Rs 1745 crore. Effective tax rate was 51.53% compared to 27.87%. Net profit attributable to owners of the company decreased 88.75% to Rs 490.00 crore.

Subsidiaries performance:

JSW Steel Coated Products (Consolidated): During the quarter, JSW Steel Coated Products, including its subsidiaries, registered a production volume (GI/GL + Tin) of 0.73 million tonne and sales volume of 0.84 million tonne. Revenue from Operations for the quarter stood at Rs 6,679 crores, and an operating EBITDA loss of Rs 11 crore. Margins were impacted by lower realizations and inventory losses. The subsidiary reported a Loss after Tax of Rs 162 crore for the quarter.

Bhushan Power & Steel Ltd (BPSL): During the quarter, BPSL registered Crude Steel Production of 0.74 million tonne and sales volume of 0.68 million tonnes. Revenue from Operations and operating EBITDA for the quarter stood at Rs 4,998 crores and Rs 341 crore, respectively. BPSL reported a loss after tax of Rs 150 crore for the quarter.

JSW Steel USA Ohio Inc.: The EAF-based steel manufacturing facility in Ohio, USA, produced 47,499 net tonne of HRC and 91,962 net tonne of Slabs during the quarter. Sales volumes for the quarter stood at 43,936 net tonne of HRC and 44,784 net tonne of slabs. It reported an Operating EBITDA loss of US \$22.8 million for the quarter, part of which is attributable to one-off NRV (net realizable value) losses.

US Plate and Pipe Mill: The Plate & Pipe Mill based in Texas, USA produced 80,753 net tonne of plate and 8,489 net tonne of pipes, reporting a capacity utilization of 32% and 6%, respectively, during the quarter. Sales volumes for the quarter stood at 74,030 net tonne of plates and 6,738 net tonne of pipes. It reported an Operating EBITDA of US\$ 17.2 million.

Update on Projects:

The 5mtpa brownfield expansion at Vijayanagar is progressing well, with civil works underway at the site. Long lead-time items have been ordered, and Letters of Credit established. Equipment erection has commenced for all packages. The project is expected to be completed by the end of FY24.

The Phase-II expansion at BPSL from 3.5mtpa to 5mtpa remains on track for completion by FY24.

The Company's capex spend was Rs 4,114 crore during Q3FY23, and Rs 10,707 crore for 9MFY23, against the revised planned capex spend of Rs 15,000 crores for FY23.

Outlook by the company

The global economic outlook has softened, with the World Bank expecting 2023 global GDP growth to decelerate to 1.7% (compared to 3% in their June 2022 forecast). This is driven by policy tightening by Central Banks and ongoing disruptions from the Russia-Ukraine conflict. That said, inflation appears to have peaked out and is moderating across most major economies. This, along with re-opening in China post the reversal of Zero Covid Strategy, is expected to provide some tailwinds in H22023. The World Bank expects global GDP growth to increase to 2.7% (+100bps YoY) in 2024.

In the United States, the policy tightening by the Federal Reserve, as well as weak global conditions are slowing down both consumption and investments. Industrial activity is slowing down and the manufacturing PMI has contracted to below 50 in December. While labour markets remain tight, the continuing decline in inflation could improve sentiment later in 2023. While adequate gas storage and a warmer winter season have averted severe economic downturn in Europe, outlook remains weak due to ECB tightening and ongoing conflict in Ukraine. Inflation has been cooling down but industrial activity remains subdued. Consumer confidence remains low but has seen some improvement recently given no outright energy rationing. Expectation of a mild recession during mid 2023 is the base case.

Japan is seeing its exports impacted by slowing global growth. It remains the only major developed economy where inflation is rising. Wage growth remains below inflation and could weigh on consumer spending. However, easing of supply chain pressures should drive industrial recovery while rebound in tourism will help services.

China has recently relaxed its Zero Covid Strategy, which is causing a spike in Covid cases. It is expected that this Covid wave will be disruptive during the current quarter, and the economy should gradually normalize from Q2CY23. Low inflation and interest rates, pent-up demand and

policy support is expected to drive a recovery in investments, and will aid economic recovery. Relaxation of travel restrictions and opening up of borders is a significant positive for services.

India's fundamental growth drivers remain robust despite the environment of global weakness. Manufacturing and Services PMI's and high frequency indicators are strong. The upcoming Union Budget is expected to continue the government's focus on infrastructure and the rural sector. Strong tax collections should support healthy spending ahead of general elections in 2024. Productive investments like NIP, PLI Schemes across various sectors, and indigenisation of defence equipment should continue to drive capex growth. The rural economy is expected to recover on the back of a better winter crop, elevated reservoir levels and falling inflation. The outlook for residential real estate, autos and renewables remains strong. However, the global slowdown and geopolitical risks remain key headwinds.

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