

July 30, 2019



Current Price: ₹ 241.55

STOCK DATA

BSE Code	532286
NSE Symbol	JINDALSTEL
Reuters	JNSP.BO
Bloomberg	JSP.IN

VALUE PARAMETERS

52 W H/L(Rs)	427.30/237.00
Mkt. Cap.(Rs Cr)	58387.96
Latest Equity(Subscribed)	241.72
Latest Reserve (cons.)	34494.00
Latest EPS (cons.) -Unit Curr.	25.82
Latest P/E Ratio -cons	9.36
Latest Bookvalue (cons.) -Unit Curr.	143.70
Latest P/BV - cons	1.68
Dividend Yield -%	2.11
Face Value	1.00

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 30/06/2019
Foreign	35.27
Institutions	3.25
Govt Holding	0.51
Non Promoter Corp. Hold.	8.07
Promoters	42.27
Public & Others	10.64

Financial Results

	Qtr Ending Jun. 19	Qtr Ending Jun. 18	In Cr. VAR %
Net Sales	19812.00	20519.00	-3
OPM(%)	18.80	24.90	
OP	3716.00	5105.00	-27
OI	141.00	58.00	143
PBIDT	3857.00	5163.00	-25
Interest	1042.00	887.00	17
PBDT	2815.00	4276.00	-34
Depreciation	1026.00	905.00	13
PBT	1789.00	3371.00	-47
Tax	762.00	1053.00	-28
PAT	1027.00	2318.00	-56
Minority Interest	-20.00	-27.00	
Share of Profit/Loss of Associates excluding EO	-19.00	21.00	
Net profit	1028.00	2366.00	-57
EPS(Rs)	4.28	9.82	

JSW Steel Ltd.'s first-quarter profit more than halved as its operating margin dropped, Misses Estimates.

The consolidated net sales decreased by 3% to Rs 19812 crore for the quarter ended June 2019 compared to corresponding previous year period. The OPM decreased 610 bps to 18.8%. Thus the operating profit fell by 27% to Rs 3716 crore.

Cost of material consumed as a percentage of adjusted net sales rose by 390 bps to 54.6%. Employee benefit expenses rose 110 bps to 3.6%. Power and fuel expenses rose 50 bps to 8.2%. Other expenses were up 100 bps at 15.7%.

Other income rose 143% to Rs 141 crore in Q1FY'20 compared to Rs 58crore in Q1FY'19 while interest cost was up 17% to Rs 1042 crore. Depreciation increased 13% to Rs 1026 crore. PBT was fell 47% to Rs 1789 crore.

Net tax provisions stood at Rs 762 crore compared tax expense of Rs 1053 crore in the corresponding previous year period.PAT reported was down 56% to 1027 crore. Considering minority shares and profit of associates and JVs Net profit was down 57% to Rs 1028 crore.

The Company's consolidated Net gearing (Net Debt to Equity) stood at 1.35x at the end of the quarter (as against 1.34x at the end of Q4 FY2019) and Net Debt to EBITDA stood at 2.72x (as against 2.43x at the end of Q4 Fy2019).

Subsidiaries performance:

JSW Steel Coated Products: During the quarter, JSW Steel Coated Products registered a production volume (Galvanised/Galvalume products) of 0.43 million tonne and sales volume of 0.45 million tonne. Revenue from operations and Operating EBITDA for the quarter stood at Rs 2,990 crore and Rs 172 crore respectively. It reported a Net Profit after Tax of Rs 70 crore for the quarter.

US Plate and Pipe Mill: The US based Plate and Pipe Mill facility produced 91183 net tonne of Plates and 16367 net tonne of Pipes, reporting a capacity utilization of 38% and 12%, respectively, during the quarter. Sales volumes for the quarter stood at 69634 net tonne of Plates and 16737 net tonne of Pipes. It reported an EBITDA of US \$4.06 million for the quarter.

JSW Steel USA Ohio Inc (Acero): The US based Plate and Pipe Mill facility produced 83,516 net tonne of Plates and 23,093 net tonne of Pipes, reporting a capacity utilization of 36% and 17%, respectively, during the quarter. Sales volumes for the quarter stood at 57,032 net tonne of Plates and 23,195 net tonne of Pipes. It reported an EBITDA of \$2.00 million for the quarter.

JSW Steel (Italy) S.r.l. (Aferpi): The Italy based Rolled long products manufacturing facility produced 154,486 tonnes and Sold 154,764 tonne during the quarter. It reported an EBITDA loss of 4.16 million Euros for the quarter.

Projects and Capex update:

All key projects, viz. expansion of crude steel capacity at Dolvi works from 5 MTPA to 10 MTPA, capacity expansion of CRM-1 complex at Vijayanagar works, modernization-cum-capacity enhancement at downstream facilities of JSW Steel Coated Products and strategic cost savings projects are progressing satisfactorily for commissioning as per schedule.

The company is implementing a cumulative capex spend of 48,715 crore over FY2018 - FY2021. The actual cash outflow for Q1 FY2020 is Rs 2,819 crore, which is in line with the cash outflow plan of Rs 15,708 crore, for FY 2020.

Outlook as per company

The IMF revised its CY 2019 world GDP growth forecast to 3.2% (from 3.3% earlier) on the back of sluggish economic indicators over the last 3 months. After a strong growth in CY2018 and despite tight labor markets, the US growth outlook has softened as reflected by key economic indicators. The Fed's recent commentary and dovish stance signals possible interest rate cuts in the near future, which bodes well for the outlook for the US economy. Euro area growth continues to remain weak given contraction in industrial growth, subdued private consumption and trade / political uncertainties. Japan is facing headwinds from external trade weakness and softening domestic consumption. Chinese growth remained stable during the quarter. Calibrated fiscal and monetary policy measures are likely to support growth. Overall, ongoing trade tensions and heightened geopolitical tensions contribute to elevated risks. On the other hand, a possible resolution of the on-going trade tensions and accommodative central bank policy measures should lead to global growth recovery.

Global steel spreads further softened during the quarter, mainly driven by a moderation in demand and steel pricing, and elevated raw material costs, especially the sea-borne iron ore markets due to supply disruptions. A disciplined supply response from steel mills along with an increase in iron ore supply should be supportive for steel spreads in the second half of Cy2019.

India continues to remain a bright spot in the global steel context, with the highest growth rate in steel consumption among major steel consuming markets. This, admittedly, has also made India a magnet to attract higher imports from steel surplus economies, especially from the FTA countries given nil duty at the time of imports. Currently, 66% of steel imports into India originates from the FTA countries, which is causing an injury to the domestic industry necessitating effective remedial measures.

Indian economic activities during the quarter were underpinned by a general lack of credit availability, resulting in a muted business sentiment across various consuming sectors. Gross Fixed Capital (GFC) formation has slowed down, but structurally it is likely to expand and gain momentum given the government's thrust on building infrastructure through higher public

spending. Weaker automotive sales volumes and consumer durables sales in recent months is a matter of concern. The government announced outlays in the Union Budget is supportive for the underlying consumer and rural demand. Focused measures to ensure timely availability of credit will be key to regain momentum in the business sentiment and fuel economic growth.

E-mail: smc.care@smcindiaonline.com



Moneywise. Be wise.

Corporate Office:

11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:

Lotus Corporate Park, A Wing 401 / 402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:

18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

SMC Global Securities Ltd. (hereinafter referred to as "SMC") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. SMC is a registered member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited, MSEI (Metropolitan Stock Exchange of India Ltd) and M/s SMC Comtrade Ltd is a registered member of National Commodity and Derivative Exchange Limited and Multi Commodity Exchanges of India and other commodity exchanges in India. SMC is also registered as a Depository Participant with CDSL and NSDL. SMC's other associates are registered as Merchant Bankers, Portfolio Managers, NBFC with SEBI and Reserve Bank of India. It also has registration with AMFI as a Mutual Fund Distributor.

SMC is a SEBI registered Research Analyst having registration number INH100001849. SMC or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities market. SMC or its associates or its Research Analyst or his relatives do not hold any financial interest in the subject company interest at the time of publication of this Report. SMC or its associates or its Research Analyst or his relatives do not hold any actual/beneficial ownership of more than 1% (one percent) in the subject company, at the end of the month immediately preceding the date of publication of this Report. SMC or its associates its Research Analyst or his relatives does not have any material conflict of interest at the time of publication of this Report.

SMC or its associates/analyst has not received any compensation from the subject company covered by the Research Analyst during the past twelve months. The subject company has not been a client of SMC during the past twelve months. SMC or its associates has not received any compensation or other benefits from the subject company covered by analyst or third party in connection with the present Research Report. The Research Analyst has not served as an officer, director or employee of the subject company covered by him/her and SMC has not been engaged in the market making activity for the subject company covered by the Research Analyst in this report.

The views expressed by the Research Analyst in this Report are based solely on information available publicly available/internal data/ other reliable sources believed to be true. SMC does not represent/ provide any warranty expressly or impliedly to the accuracy, contents or views expressed herein and investors are advised to independently evaluate the market conditions/risks involved before making any investment decision. The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the subject company.

Disclaimer: This Research Report is for the personal information of the authorized recipient and doesn't construe to be any investment, legal or taxation advice to the investor. It is only for private circulation and use. The Research Report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. No action is solicited on the basis of the contents of this Research Report. The Research Report should not be reproduced or redistributed to any other person(s) in any form without prior written permission of the SMC. The contents of this material are general and are neither comprehensive nor inclusive. Neither SMC nor any of its affiliates, associates, representatives, directors or employees shall be responsible for any loss or damage that may arise to any person due to any action taken on the basis of this Research Report. It does not constitute personal recommendations or take into account the particular investment objectives, financial situations or needs of an individual client or a corporate/s or any entity/s. All investments involve risk and past performance doesn't guarantee future results. The value of, and income from investments may vary because of the changes in the macro and micro factors given at a certain period of time. The person should use his/her own judgment while taking investment decisions. Please note that SMC its affiliates, Research Analyst, officers, directors, and employees, including persons involved in the preparation or issuance of this Research Report: (a) from time to time, may have long or short positions in, and buy or sell the securities thereof, of the subject company(ies) mentioned here in; or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company(ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender/borrower to such subject company(ies); or (c) may have any other potential conflict of interest with respect to any recommendation and related information and opinions.

All disputes shall be subject to the exclusive jurisdiction of Delhi High court.