

October 21, 2021

Q2FY22 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	810		810	
Sales (Rs. m)	15,72,661	15,62,886	15,72,661	15,62,886
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,69,154	3,76,073	3,69,154	3,76,073
% Chng.	-	-	-	-
EPS (Rs.)	80.0	79.4	80.0	79.4
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar (Rs bn)	FY21	FY22E	FY23E	FY24E
Sales (Rs. bn)	798	1,444	1,573	1,563
EBITDA (Rs. bn)	201	470	369	376
Margin (%)	25.2	32.5	23.5	24.1
PAT (Rs. bn)	80	270	193	192
EPS (Rs.)	33.0	111.7	80.0	79.4
Gr. (%)	92.2	238.9	(28.4)	(0.7)
DPS (Rs.)	2.0	4.0	4.0	4.0
Yield (%)	0.3	0.6	0.6	0.6
RoE (%)	19.1	45.0	23.4	19.1
RoCE (%)	14.4	34.3	22.6	21.1
EV/Sales (x)	2.7	1.5	1.3	1.2
EV/EBITDA (x)	10.7	4.5	5.5	5.0
PE (x)	20.5	6.0	8.4	8.5
P/BV (x)	3.5	2.2	1.8	1.5

Key Data

JSTL.BO | JSTL IN

52-W High / Low	Rs.777 / Rs.300
Sensex / Nifty	60,924 / 18,178
Market Cap	Rs.1,629bn/ \$ 21,766m
Shares Outstanding	2,417m
3M Avg. Daily Value	Rs.9424.95m

Shareholding Pattern (%)

Promoter's	44.09
Foreign	12.17
Domestic Institution	8.06
Public & Others	35.68
Promoter Pledge (Rs bn)	101.79

Stock Performance (%)

	1M	6M	12M
Absolute	0.8	8.6	108.7
Relative	(2.4)	(14.9)	39.5

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Earnings in line as overseas ops shines; Maintain Accumulate

Quick Pointers:

- Commissioned 5mnt expansion at Dolvi; will contribute 1.4mnt of volume in H2
- Bhushan power and steel (BPSL) become subsidiary (83% stake) in October with conversion of OFCDs. It posted EBITDA/t of Rs23,000 in the quarter.

Steel (JSTL) reported Q2FY22 EBITDA in-line with our and consensus estimates. Domestic steel margins impacted due to lower realisations and higher costs. Lower earnings in standalone were offset by better performance in subsidiaries.

Sentiments on Chinese demand turned negative across the major steel consuming sectors. While, the impact of lower demand has been equally negated by stringent curbs on production. Given the restricted supplies of Chinese steel in its domestic and exports markets, global steel prices are expected to remain elevated further supported by all-time high coking coal prices. As expected, margins were expected to soften due to unsustainable coking coal prices. Nevertheless, margins are significantly above historical averages by ~30% in spite of astronomical input prices. Led by favorable business dynamics and strong outlook on volume growth, we maintain Accumulate rating with TP of Rs810 based on EV/EBITDA of 6.5x FY23e.

- Miss on realisations and cost at standalone ops:** Sales volume grew 5% QoQ at 3.8mnt (PLe:3.9mnt). Realisations increased by 2.5% QoQ/Rs1,745/t at Rs72,600/t below our estimates of Rs73,360/t. Cost missed our estimates with 12% increase QoQ to Rs51,000/t (PLe:Rs49,915) due to higher other expenses. Owing to miss on realisations and costs, EBITDA/t came below our estimates at Rs22,885 (PLe:Rs24,445), down 13% QoQ.
- Better performance in subsidiaries offsets shortfall in domestic ops:** US Pipe and Plate mill/Acero/Italy based Aferpi ops reported EBITDA at US\$13mn/US\$48mn/US\$7mn (PLe: US\$29mn/US\$51mn/Loss of US\$3mn). Overseas subsidiaries posted EBTDA growth of 4.3% QoQ at Rs11.9bn on back of strong profitability in US and Italy operations. EBITDA of domestic subsidiaries increased 72% QoQ to Rs4.85bn on account of 17% growth in earnings of JSW coated products. Adjusted for consolidation related adjustments, combined EBITDA of overseas and domestic subsidiaries grew 2.2x QoQ to Rs17.4bn (PLe:Rs12.5bn). Consolidated EBITDA grew 1.4% QoQ to Rs104.2bn (PLe:Rs107bn). Aided by 87% increase in share of profit in JVs at Rs6bn (PLe:Rs3.3bn), Adj PAT grew 13% QoQ to Rs66.8bn (PLe:62.8bn).
- Key highlights of Con-call: 1)** Took price hike of Rs1,250-1500/Rs3500 for Flat/Long products in October **2)** Expects saving of Rs1,800/t of iron ore QoQ **3)** Coking coal cost will increase by US\$95-100/t QoQ **4)** BPSL reported EBITDA of Rs20.2bn on volumes of 760kt **5)** BPSL's aggregate debt including SPV reduced by 25%/Rs33bn since take-over to Rs100bn in Oct'21 **6)** Will spend Rs35bn over next 2.5 years to double BPSL's capacity to 5mnt and cost saving projects **7)** Cost of production of 5mnt expansion in Dolvi will be lower by 15-20% over the existing capacity because of Blast furnace.

Exhibit 1: Q2FY22 Result Overview (Rs mn)

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	H1FY22	H1FY21	YoY gr. (%)
Net Sales	3,25,030	1,90,360	70.7	2,89,020	6,14,050	3,08,180	99.3
Raw Material	1,18,940	93,930	26.6	65,570	1,84,510	1,57,160	17.4
<i>% of Net Sales</i>	<i>36.6</i>	<i>49.3</i>		<i>22.7</i>	<i>30.0</i>	<i>51.0</i>	
Purchase of traded goods	740	330	124.2	550	1,290	340	
<i>% of Net Sales</i>	<i>0.2</i>	<i>0.2</i>		<i>0.2</i>	<i>0.2</i>	<i>0.1</i>	
Staff Costs	7,860	6,020	30.6	7,700	15,560	12,270	26.8
<i>% of Net Sales</i>	<i>2.4</i>	<i>3.2</i>		<i>2.7</i>	<i>2.5</i>	<i>4.0</i>	
Power & Fuel	23,610	14,050	68.0	20,100	43,710	26,590	64.4
<i>% of Net Sales</i>	<i>7.3</i>	<i>7.4</i>		<i>7.0</i>	<i>7.1</i>	<i>8.6</i>	
Mining premium and royalties	24,920	6,730	270.3	53,490	78,410	8,110	866.8
<i>% of Net Sales</i>	<i>7.7</i>	<i>3.5</i>		<i>18.5</i>	<i>12.8</i>	<i>2.6</i>	
Other Expenses	44,790	27,440	63.2	38,870	83,660	48,440	72.7
<i>% of Net Sales</i>	<i>13.8</i>	<i>14.4</i>		<i>13.4</i>	<i>13.6</i>	<i>15.7</i>	
Total Expenditure	2,20,860	1,48,500	48.7	1,86,280	4,07,140	2,52,910	61.0
EBITDA	1,04,170	41,860	148.9	1,02,740	2,06,910	55,270	274.4
<i>Margin (%)</i>	<i>32.0</i>	<i>22.0</i>		<i>35.5</i>	<i>33.7</i>	<i>17.9</i>	
Depreciation	12,390	11,490	7.8	11,830	24,220	21,960	10.3
Other income	2,440	1,520	60.5	1,980	4,420	2,840	55.6
EBIT	94,220	31,890	195.5	92,890	1,87,110	36,150	417.6
Interest	9,360	9,590	(2.4)	9,930	19,290	19,750	(2.3)
PBT	84,860	22,300	280.5	82,960	1,67,820	16,400	923.3
Extraordinary income/(expense)	7,020	2,280	207.9	-	7,020	2,280	207.9
PBT (After EO)	91,880	24,580	273.8	82,960	1,74,840	18,680	836.0
Tax	26,120	9,100	187.0	27,190	53,310	8,490	527.9
<i>% PBT</i>	<i>28.4</i>	<i>37.0</i>		<i>32.8</i>	<i>30.5</i>	<i>45.4</i>	
Reported PAT	65,760	15,480	324.8	55,770	1,21,530	10,190	1,092.6
Minority interest	90	20	-	(40)	50	(190)	-
Share of profit/(losses) in Associates	6,030	470	-	3,230	9,260	(60)	-
Net Profit attributable to shareholders	71,700	15,930	350.1	59,040	1,30,740	10,320	1,166.9
Adjusted PAT	66,786	14,334	365.9	59,040	1,25,826	8,724	1,342.3

Source: Company, PL

Exhibit 2: Key Operating Metrics

Y/e March	Q2FY22	Q2FY21	YoY gr. (%)	Q1FY22	H1FY22	H1FY21	YoY gr. (%)
Crude steel production (000 tonnes)	4,100	3,850	6.5	4,100	8,200	6,810	20.4
Sales (000 Tonnes)	3,790	4,120	(8.0)	3,610	7,400	6,920	6.9
Realisation per tonne	72,604	40,017	81.4	70,861	71,754	38,302	87.3
EBITDA per tonne	22,884	10,136	125.8	26,291	24,546	8,100	203.0
Total cost per tonne	50,995	30,633	66.5	45,618	48,372	31,048	55.8

Source: Company, PL

Chapter Heading

Sub heading 1

Sub Heading 2

Sub Heading 3

Body Text

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	7,98,390	14,43,587	15,72,661	15,62,886
YoY gr. (%)	10.0	80.8	8.9	(0.6)
Cost of Goods Sold	3,25,080	6,77,826	8,57,713	8,27,373
Gross Profit	4,73,310	7,65,762	7,14,948	7,35,513
Margin (%)	59.3	53.0	45.5	47.1
Employee Cost	25,060	23,751	26,348	28,646
Other Expenses	1,86,990	1,65,203	1,89,220	1,95,544
EBITDA	2,01,410	4,69,616	3,69,154	3,76,073
YoY gr. (%)	80.5	133.2	(21.4)	1.9
Margin (%)	25.2	32.5	23.5	24.1
Depreciation and Amortization	46,790	48,511	54,874	60,621
EBIT	1,54,620	4,21,105	3,14,280	3,15,452
Margin (%)	19.4	29.2	20.0	20.2
Net Interest	39,570	39,474	46,018	50,838
Other Income	5,920	7,389	8,453	9,560
Profit Before Tax	1,20,140	3,89,019	2,76,715	2,74,174
Margin (%)	15.0	26.9	17.6	17.5
Total Tax	41,420	1,29,467	91,858	90,650
Effective tax rate (%)	34.5	33.3	33.2	33.1
Profit after tax	78,720	2,59,553	1,84,857	1,83,524
Minority interest	(380)	(400)	(500)	(500)
Share Profit from Associate	10	10,000	8,000	8,000
Adjusted PAT	79,653	2,69,953	1,93,357	1,92,024
YoY gr. (%)	92.2	238.9	(28.4)	(0.7)
Margin (%)	10.0	18.7	12.3	12.3
Extra Ord. Income / (Exp)	(543)	-	-	-
Reported PAT	79,110	2,69,953	1,93,357	1,92,024
YoY gr. (%)	96.3	241.2	(28.4)	(0.7)
Margin (%)	9.9	18.7	12.3	12.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	79,110	2,69,953	1,93,357	1,92,024
Equity Shares O/s (m)	2,417	2,417	2,417	2,417
EPS (Rs)	33.0	111.7	80.0	79.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	8,71,980	9,55,530	10,89,730	11,69,730
Tangibles	8,71,980	9,55,530	10,89,730	11,69,730
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,26,170	2,74,681	3,29,554	3,90,175
Tangibles	2,26,170	2,74,681	3,29,554	3,90,175
Intangibles	-	-	-	-
Net fixed assets	6,45,810	6,80,849	7,60,176	7,79,555
Tangibles	6,45,810	6,80,849	7,60,176	7,79,555
Intangibles	-	-	-	-
Capital Work In Progress	3,32,390	4,30,190	4,72,450	5,13,850
Goodwill	3,360	3,360	3,360	3,360
Non-Current Investments	1,17,490	1,27,680	1,35,880	1,44,080
Net Deferred tax assets	(31,240)	(94,712)	(1,39,557)	(1,83,818)
Other Non-Current Assets	21,750	44,876	45,176	45,476
Current Assets				
Investments	80	80	80	80
Inventories	1,42,490	2,51,791	2,75,813	2,74,593
Trade receivables	44,860	1,09,370	1,18,933	1,18,162
Cash & Bank Balance	1,28,130	1,35,176	1,30,727	1,96,796
Other Current Assets	21,990	64,143	69,631	69,469
Total Assets	14,83,170	18,81,271	20,57,123	22,01,599
Equity				
Equity Share Capital	3,020	3,020	3,020	3,020
Other Equity	4,64,620	7,29,738	9,13,426	10,95,781
Total Networkth	4,67,640	7,32,758	9,16,446	10,98,801
Non-Current Liabilities				
Long Term borrowings	6,54,350	6,04,250	5,24,150	4,44,050
Provisions	8,520	8,520	8,520	8,520
Other non current liabilities	1,640	1,640	1,640	1,640
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,52,430	2,98,928	3,25,450	3,23,441
Other current liabilities	1,63,810	1,37,324	1,38,720	1,39,189
Total Equity & Liabilities	14,83,170	18,81,271	20,57,123	22,01,599

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	1,20,150	3,89,019	2,76,715	2,74,174
Add. Depreciation	46,790	48,511	54,874	60,621
Add. Interest	37,450	39,474	46,018	50,838
Less Financial Other Income	5,920	7,389	8,453	9,560
Add. Other	(9,840)	(6,369)	(7,312)	(8,397)
Op. profit before WC changes	1,94,550	4,70,636	3,70,295	3,77,236
Net Changes-WC	12,640	(1,28,204)	(22,797)	(11,168)
Direct tax	(19,300)	(65,995)	(47,013)	(46,389)
Net cash from Op. activities	1,87,890	2,76,436	3,00,486	3,19,679
Capital expenditures	(1,58,690)	(1,81,350)	(1,76,460)	(1,21,400)
Interest / Dividend Income	6,300	6,369	7,312	8,397
Others	71,200	-	-	-
Net Cash from Inv. activities	(81,190)	(1,74,982)	(1,69,148)	(1,13,003)
Issue of share cap. / premium	390	-	-	-
Debt changes	16,740	(50,100)	(80,100)	(80,100)
Dividend paid	(4,830)	(4,834)	(9,669)	(9,669)
Interest paid	(43,400)	(39,474)	(46,018)	(50,838)
Others	-	-	-	-
Net cash from Fin. activities	(31,100)	(94,409)	(1,35,787)	(1,40,607)
Net change in cash	75,600	7,046	(4,449)	66,069
Free Cash Flow	95,820	95,086	1,24,026	1,98,279

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Net Revenue	2,18,400	2,69,340	2,89,020	3,25,030
YoY gr. (%)	22.7	50.6	145.3	70.7
Raw Material Expenses	77,870	89,710	66,120	1,19,680
Gross Profit	1,40,530	1,79,630	2,22,900	2,05,350
Margin (%)	64.3	66.7	77.1	63.2
EBITDA	59,270	84,400	1,02,740	1,04,170
YoY gr. (%)	169.3	183.7	666.1	148.9
Margin (%)	27.1	31.3	35.5	32.0
Depreciation / Depletion	12,300	12,530	11,830	12,390
EBIT	46,970	71,870	90,910	91,780
Margin (%)	21.5	26.7	31.5	28.2
Net Interest	9,770	10,050	9,930	9,360
Other Income	1,470	1,610	1,980	2,440
Profit before Tax	38,860	62,600	82,960	91,880
Margin (%)	17.8	23.2	28.7	28.3
Total Tax	12,120	20,810	27,190	26,120
Effective tax rate (%)	31.2	33.2	32.8	28.4
Profit after Tax	26,740	41,790	55,770	65,760
Minority interest	(120)	(70)	(40)	90
Share Profit from Associates	(50)	120	3,230	6,030
Adjusted PAT	26,677	42,561	59,040	66,786
YoY gr. (%)	7,310.3	435.7	(1,152.4)	365.9
Margin (%)	12.2	15.8	20.4	20.5
Extra Ord. Income / (Exp)	133	(581)	-	4,914
Reported PAT	26,810	41,980	59,040	71,700
YoY gr. (%)	1,170.6	1,717.3	(1,152.4)	350.1
Margin (%)	12.3	15.6	20.4	22.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	26,810	41,980	59,040	71,700
Avg. Shares O/s (m)	2,417	2,417	2,417	2,417
EPS (Rs)	11.0	17.6	24.4	27.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	33.0	111.7	80.0	79.4
CEPS	52.3	131.7	102.7	104.5
BVPS	193.5	303.1	379.1	454.6
FCF	39.6	39.3	51.3	82.0
DPS	2.0	4.0	4.0	4.0
Return Ratio(%)				
RoCE	14.4	34.3	22.6	21.1
ROIC	10.7	25.7	16.7	16.3
RoE	19.1	45.0	23.4	19.1
Balance Sheet				
Net Debt : Equity (x)	1.1	0.6	0.4	0.2
Net Working Capital (Days)	16	16	16	16
Valuation(x)				
PER	20.5	6.0	8.4	8.5
P/B	3.5	2.2	1.8	1.5
P/CEPS	52.3	131.7	102.7	104.5
EV/EBITDA	10.7	4.5	5.5	5.0
EV/Sales	2.7	1.5	1.3	1.2
Dividend Yield (%)	0.3	0.6	0.6	0.6

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Crude Steel Prod.	15	19	23	23
Rolled Products Prod.	14	18	22	22
Sales Vol. (mt)	15	18	22	23
Realisation / tonne (Rs)	46,688	69,028	60,363	58,366
EBITDA / tonne (Rs)	12,945	23,942	15,000	15,078
Cost / tonne of iron ore (Rs)	3,850	6,000	5,000	4,500
Cost / tonne of coking coal (Rs)	10,247	12,476	15,792	15,049

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-21	Accumulate	810	667
2	26-Jul-21	Accumulate	810	718
3	08-Jul-21	Reduce	652	668
4	24-Jan-21	Reduce	335	375
5	13-Jan-21	Reduce	380	400
6	26-Oct-20	Reduce	223	321

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	2,460	2,243
2	Ambuja Cement	BUY	460	404
3	Coal India	Accumulate	164	191
4	Dalmia Bharat	Accumulate	2,370	2,074
5	Heidelberg Cement India	Reduce	225	256
6	Hindalco Industries	BUY	570	478
7	Hindustan Zinc	Reduce	288	313
8	Jindal Steel & Power	BUY	535	408
9	JK Lakshmi Cement	Hold	690	653
10	JSW Steel	Accumulate	810	667
11	NMDC	Accumulate	175	144
12	Shree Cement	Hold	27,967	28,750
13	Steel Authority of India	Accumulate	170	116
14	Tata Steel	BUY	1,850	1,289
15	The Ramco Cements	Reduce	980	1,011
16	Ultratech Cement	BUY	8,600	7,399

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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