

JSW Steel

Refer to important disclosures at the end of this report

The best-ever quarter will become better; upgrade to Buy

- Despite paying Rs30bn for royalty and premium for the captive mines, JSW reported its highest EBITDA and EBITDA/t in 11 quarters. Net sales/EBITDA beat our estimates by 7%/14%. Q4 will be better with the full impact of price hikes coming through.
 - The impact of price hikes taken in Dec'20 will be reflected in Q4, while the impact of higher coking coal prices (built into our estimates already) will be visible only partly in Q4. JSW will report meaningful volume growth in FY22 after five years and this will mark a new wave of volume growth annually for next several years.
 - It will also commission several downstream projects in the next six months, along with 5mt Dolvi expansion, which should result in a structural uplift of EBITDA/t across cycles. The disadvantage of high-cost captive mines will take time to rationalize as logistics improve.
 - We raise FY21/22E EBITDA by 31%/31%, driven largely by 9%/20% ASP upgrade. With an upswing in the steel sector, volume growth comes at the right time. Upgrade to Buy with a TP of Rs 432 (from Rs 256). Key risk: slide in steel price and/or hike in coal prices.
- BPSL acquisition:** We believe that at current steel prices, the BPSL acquisition is EPS-accretive. If EBITDA that accrued when BPSL was in IBC (Rs30bn as per media reports) remains with the company and is not distributed to the lenders, the effective acquisition cost will come down to Rs167bn from Rs197bn.
 - Captive mines will hinder profitability:** We note that the iron ore mines won in E-auction by JSW will eat into its profitability for few years till the company sorts out the logistics completely with a mix of slurry/coastal movement using captive ships/barges seamlessly. This is one of the big challenges that the company will have to address in the near term.
 - Volume growth to continue:** With iron ore secured and value addition projects nearing completion, we believe that JSW will resume organic growth post 5mt Dolvi expansion by pursuing its long planned 4mt in Vijayanagar. It has recently announced additional 4mt at Dolvi and 12mt greenfield plant in Odisha in addition to BPSL acquisition and buyout of JV partner's stake in erstwhile Monnet Ispat. We expect JSW to operate at least at 30mt capacity by 2030. We believe that it has achieved a core size where it can continue to invest in expansion through the brownfield mode at existing locations over the next 8 years.
 - Outlook and valuation:** The stock trades at 5.9x our revised FY22E EV/EBITDA. We value the stock at 6.5x FY22E EV/EBITDA. With the steel cycle on an upswing, volume growth at Dolvi and downstream projects commissioning in the next six months, we believe that there is an upside risk to our estimates. Our ASP assumption for FY22E is 11% lower than the spot price with coal at spot prices. Upgrade to Buy with OW in EAP.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Metals & Mining \(Page 12\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	847,570	733,260	777,087	1,052,049	1,167,522
EBITDA	189,520	118,730	188,790	237,214	222,862
EBITDA Margin (%)	22.4	16.2	24.3	22.5	19.1
APAT	75,240	47,240	65,956	95,650	79,709
EPS (Rs)	31.1	19.5	27.3	39.6	33.0
EPS (% chg)	18.8	(37.2)	39.6	45.0	(16.7)
ROE (%)	24.0	13.2	16.6	20.2	14.3
P/E (x)	12.1	19.2	13.8	9.5	11.4
EV/EBITDA (x)	6.9	12.0	7.5	5.9	6.4
P/BV (x)	2.6	2.5	2.1	1.7	1.5

Source: Company, Emkay Research

CMP	Target Price
Rs 375 as of (January 25, 2021)	Rs 432 (▲) 12 months
Rating	Upside
BUY (▲)	15.1 %

Change in Estimates

EPS Chg FY21E/FY22E (%)	125/88
Target Price change (%)	68.8
Target Period (Months)	12
Previous Reco	SELL

Emkay vs Consensus

EPS Estimates		
	FY21E	FY22E
Emkay	27.3	39.6
Consensus	21.9	31.5
Mean Consensus TP (12M)	Rs 374	

Stock Details

Bloomberg Code	JSTL IN
Face Value (Rs)	1
Shares outstanding (mn)	2,417
52 Week H/L	413 / 133
M Cap (Rs bn/USD bn)	907 / 12.43
Daily Avg Volume (nos.)	7,446,155
Daily Avg Turnover (US\$ mn)	36.4

Shareholding Pattern Dec '20

Promoters	44.1%
FIIIs	13.3%
DIIIs	6.3%
Public and Others	36.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	4	15	81	41
Rel. to Nifty	(3)	(5)	40	19

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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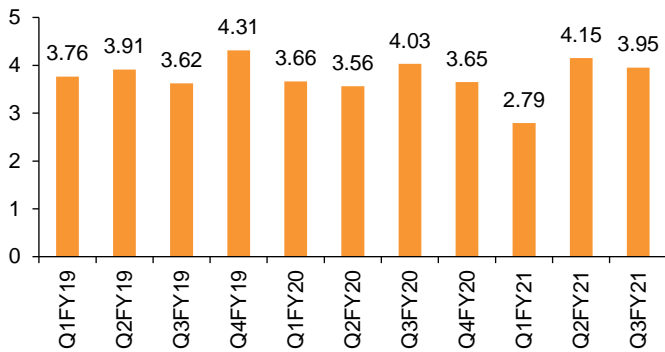
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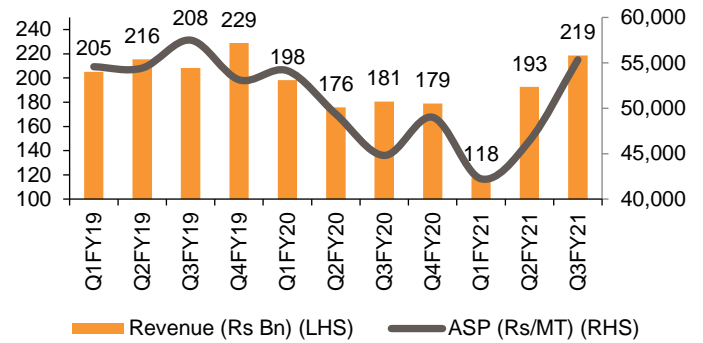
Story in Charts

Exhibit 1: Consolidated sales volume (mt) down slightly in Q3FY21 as Q2 had inventory liquidation



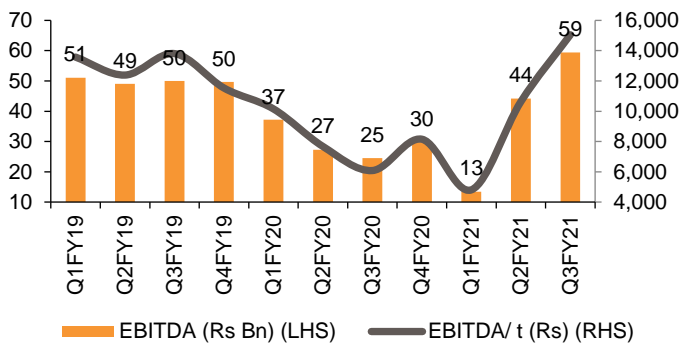
Source: Company, Emkay Research

Exhibit 2: Revenue (Rs bn) and ASP highest in last 11 quarters aided by strong ASP growth



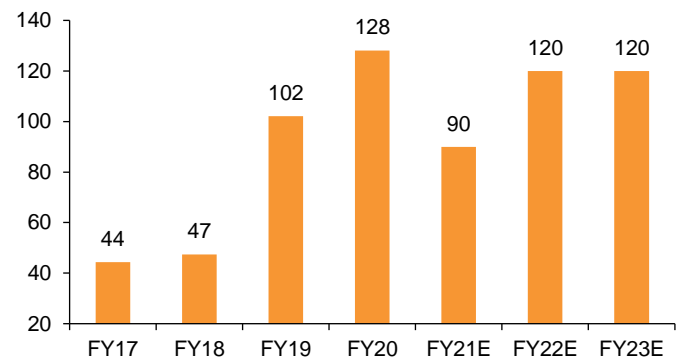
Source: Company, Emkay Research

Exhibit 3: Highest-ever EBITDA (Rs bn)



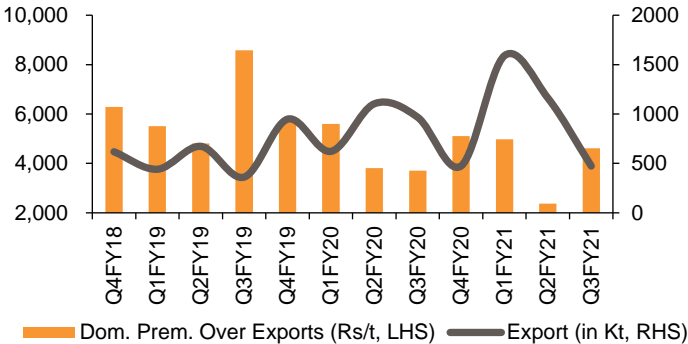
Source: Company, Emkay Research

Exhibit 4: Capex (Rs bn) likely to move up again after strong FCF



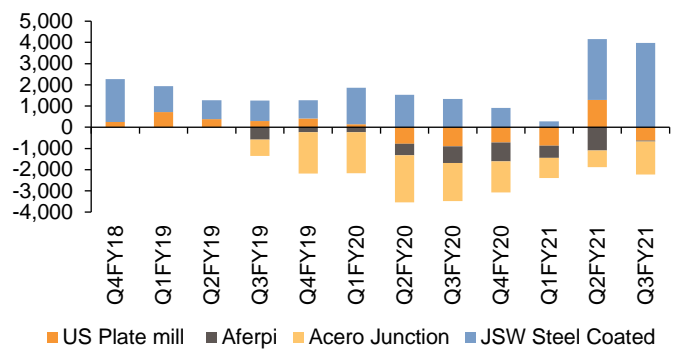
Source: Company, Emkay Research

Exhibit 5: As Domestic premium over export prices goes down, export volumes also come down



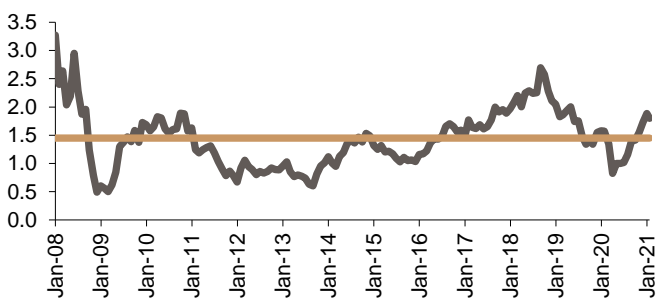
Source: Company, Emkay Research

Exhibit 6: Positive EBITDA (Rs bn) posted by Indian subsidiary



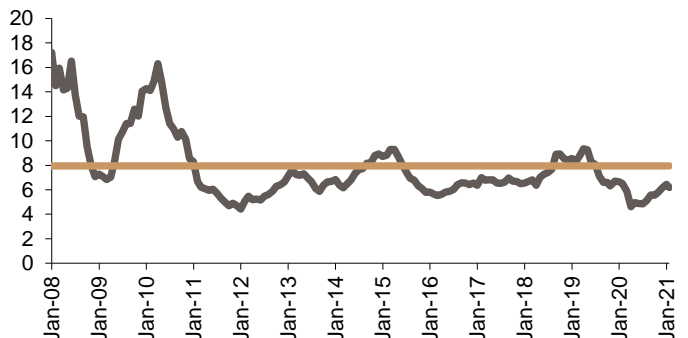
Source: Company, Emkay Research

Exhibit 7: JSW Steel 1-year fwd P/B ratio



Source: Bloomberg, Emkay Research

Exhibit 8: JSW Steel 1-year fwd EV/EBITDA ratio



Source: Bloomberg, Emkay Research

Exhibit 9: Actual vs. Estimates (Q3FY21)

	Actual	Estimates		Variation		Comment
		Emkay	Consensus	Emkay	Consensus	
Total Revenue (Rs bn)	218.59	203.41	205.86	7%	6%	Beat due to higher-than-estimated ASP
EBITDA (Rs bn)	59.46	52.27	53.71	14%	11%	Revenue beat translates to EBITDA beat
EBITDA Margin (%)	27%	26%	26%	150 bps	111 bps	
Net profit (Rs bn)	26.69	21.99	25.07	21%	6%	Beat due to higher est. Other Income

Source: Company, Bloomberg, Emkay Research

Exhibit 10: Quarterly Financials (Standalone)

(Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (abs)	YoY (%)	QoQ (abs)	QoQ (%)	9MFY21	9MFY20	YoY (abs)	YoY (%)
Sales (Mt)	4.03	3.70	2.80	4.12	3.90	-0.13	-3%	-0.22	-5%	10.8	11.4	-0.56	-5%
Net sales	151,990	150,200	100,180	164,870	189,600	37,610	25%	24,730	15%	454,650	472,950	-18,300	-4%
Other Op. Income	5,680	2,570	2,750	3,100	2,790	-2,890	-51%	-310	-10%	8,640	16,900	-8,260	-49%
Total Revenue	157,670	152,770	102,930	167,970	192,390	34,720	22%	24,420	15%	463,290	489,850	-26,560	-5%
RM Consumed	76,260	73,580	57,150	70,750	75,550	-710	(0)	4,800	7%	203,450	257,150	-53,700	-21%
Traded Goods	910	700	60	450	300	-610	(1)	-150	-33%	810	3,500	-2,690	-77%
Inventory	9,430	-1,530	-2,270	9,760	-12,130	-21,560	NA	-21,890	NA	-4,640	1,260	-5,900	NA
Total RM Cost	86,600	72,750	54,940	80,960	63,720	-22,880	(0)	-17,240	-21%	199,620	261,910	-62,290	-24%
Staff Costs	3,740	3,940	3,540	3,630	3,930	190	0	300	8%	11,100	11,020	80	1%
Power	13,070	13,370	11,010	12,310	12,900	-170	(0)	590	5%	36,220	41,960	-5,740	-14%
Other Exp.	27,590	30,510	19,150	29,310	55,510	27,920	1	26,200	89%	103,970	82,010	21,960	27%
Total Exp.	131,000	120,570	88,640	126,210	136,060	5,060	0	9,850	8%	350,910	396,900	-45,990	-12%
EBITDA	26,670	32,200	14,290	41,760	56,330	29,660	1	14,570	35%	112,380	92,950	19,430	21%
EBITDA/t	6,618	8,703	5,104	10,136	14,444	7,826	1	4,308	42%	10,386	8,168	2,218	27%
Depreciation	8,930	9,290	8,670	9,240	9,790	860	0	550	6%	27,700	25,930	1,770	7%
EBIT	17,740	22,910	5,620	32,520	46,540	28,800	2	14,020	43%	84,680	67,020	17,660	26%
Other Income	1,350	1,460	1,540	1,510	1,690	340	0	180	12%	4,740	4,820	-80	-2%
Interest	9,880	9,540	9,330	8,850	8,790	-1,090	(0)	-60	-1%	26,970	30,680	-3,710	-12%
Ex. items		13,090				0	NA	0	NA	0	0	0	NA
PBT	9,210	1,740	-2,170	25,180	39,440	30,230	3	14,260	57%	62,450	41,160	21,290	52%
Tax	2,300	-680	-710	8,260	11,150	8,850	4	2,890	35%	18,700	-9,310	28,010	NA
PAT	6,910	2,420	-1,460	16,920	28,290	21,380	3	11,370	67%	43,750	50,470	-6,720	-13%

Source: Company, Emkay Research

Exhibit 11: Margin Movement (Standalone)

Margins (%)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (bps)	QoQ (bps)	9MFY21	9MFY20	(bps)
EBIDTA	17%	21%	14%	25%	29%	1,236 bps	442 bps	24%	19%	528 bps
EBIT	11%	15%	5%	19%	24%	1,294 bps	483 bps	18%	14%	460 bps
EBT	6%	1%	-2%	15%	21%	1,466 bps	551 bps	13%	8%	508 bps
PAT	4%	2%	-1%	10%	15%	1,032 bps	463 bps	9%	10%	-86 bps
Effective Tax rate	25%	-39%	33%	33%	28%	330 bps	-453 bps	30%	-23%	NA

Source: Company, Emkay Research

Exhibit 12: Quarterly Financials (Consolidated)

Rs mn	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (abs)	YoY (%)	QoQ (abs)	QoQ (%)	9MFY21	9MFY20	YoY (abs)	YoY (%)
Production (mt)	4.02	3.97	2.96	3.85	4.08	0.1	1%	0.2	6%	10.89	12.10	-1.21	-10%
Sales (mt)	4.03	3.65	2.79	4.15	3.95	-0.1	-2%	-0.2	-5%	10.89	11.25	-0.36	-3%
Net Sales	174,160	175,560	114,540	186,620	214,870	40,710	23%	28,250	15%	516,030	535,600	-19,570	-4%
Other Op. Income	6,390	3,310	3,280	6,020	3,720	-2,670	-42%	-2,300	-38%	13,020	18,790	-5,770	-31%
Revenue	180,550	178,870	117,820	192,640	218,590	38,040	21%	25,950	13%	529,050	554,390	-25,340	-5%
RM purchases	91,770	88,100	64,710	83,200	86,520	-5,250	-6%	3,320	4%	234,430	300,550	-66,120	-22%
Stock-in-trade	160	890	10	330	210	50	31%	-120	-36%	550	460	90	20%
Chg. in stock	8,600	60	-1,480	10,730	-8,860	-17,460	NA	-19,590	NA	390	-2,760	3,150	NA
Total RM cost	100,530	89,050	63,240	94,260	77,870	-22,660	-23%	-16,390	-17%	235,370	298,250	-62,880	-21%
Staff Expense	7,090	7,180	6,250	6,020	6,260	-830	-12%	240	4%	18,530	21,210	-2,680	-13%
Power	14,930	15,280	12,540	14,050	14,810	-120	-1%	760	5%	41,400	47,440	-6,040	-13%
Other Exp.	33,490	37,610	22,380	34,170	60,190	26,700	80%	26,020	76%	116,740	98,510	18,230	19%
Total Exp.	156,040	149,120	104,410	148,500	159,130	3,090	2%	10,630	7%	412,040	465,410	-53,370	-11%
EBITDA	24,510	29,750	13,410	44,140	59,460	34,950	143%	15,320	35%	117,010	88,980	28,030	32%
EBITDA/t	6,082	8,151	4,806	10,636	15,053	8,971	148%	4,417	42%	10,745	7,909	2,835	36%
One Offs	-2,500					2,500	NA	0	NA	0	-7,160	7,160	
Adjusted EBITDA	22,010	29,750	13,410	44,140	59,460	37,450	170%	15,320	35%	117,010	54,813	62,197	113%
Dep.	10,550	11,080	10,470	11,490	12,300	1,750	17%	810	7%	34,260	31,380	2,880	9%
EBIT	13,960	18,670	2,940	32,650	47,160	33,200	238%	14,510	44%	82,750	57,600	25,150	44%
Other Income	1,270	1,220	1,320	1,520	1,470	200	16%	-50	-3%	4,310	4,240	70	2%
Interest	10,600	10,360	10,160	9,590	9,770	-830	-8%	180	2%	29,520	32,290	-2,770	-9%
(Profit)/loss from JV's	-270	-290	-530	470	-50	220	NA	-520	NA	-110	-610	500	NA
Extra. items	0	8,050	0	0	0	0	NA	0	NA	0	0	0	
PBT	4,360	1,190	-6,430	25,050	38,810	34,450	790%	13,760	55%	57,430	28,940	28,490	98%
Total Tax	2,490	-690	-610	9,100	12,120	9,630	387%	3,020	33%	20,610	-8,370	28,980	-346%
PAT	1,870	1,880	-5,820	15,950	26,690	24,820	1327%	10,740	67%	36,820	37,310	-490	-1%

Source: Company, Emkay Research

Exhibit 13: Margin Movement (Consolidated)

	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (bps)	QoQ (bps)	9MFY21	9MFY20	YoY (bps)
EBIDTA	14%	17%	11%	23%	27%	1,363 bps	429 bps	22%	16%	607 bps
EBIT	8%	10%	2%	17%	22%	1,384 bps	463 bps	16%	10%	525 bps
EBT	2%	1%	-5%	13%	18%	1,534 bps	475 bps	11%	5%	564 bps
PAT	1%	1%	-5%	8%	12%	1,117 bps	393 bps	7%	7%	23 bps
Effective Tax rate %	57%	-58%	9%	36%	31%	-2,588 bps	-510 bps	36%	-29%	NA

Source: Company, Emkay Research

Con-call highlights

Global economy: After the Covid-19-led disruption, the company now expects a rebound in economic activity and demand in steel coming from investment in the infrastructure and construction sector for the global economy. Overall steel demand is expected to rise 10-12% in 2021 vs. a weak 2020.

- **Demand in India:** The RBI's measures and the government's PLI scheme are expected to accelerate recovery in the Indian economy. Steel demand for Apr'20 was 1mt, which increased to 10.28mt in Dec'20. Demand was seen coming from the rural area and white goods. Demand in Dec'20 was up 19% yoy.
- **Capacity:** With better iron ore supplies, JSW's average capacity utilization improved from 86% in Q2FY21 to 91% in Q3FY21. The average capacity utilization for Dec'20 was 94%.
- **Expansion:** At Vijaynagar plant, CRM-1 complex capacity, one of the two Continuous Galvanizing lines (CGL), has been commissioned and the second will be commissioned in Q1FY22, while 8 MTPA pellet plant is under commissioning. At Vasind and Tarapur, all expansions will be fully commissioned by Mar'21; expect 0.45 MTPA CGL to be commissioned in Q1FY22. Dolvi project has been affected by travel and visa restrictions for Chinese technicians; the company is trying to overcome it. The full integration and stabilization of Dolvi plant will take place in Q1FY22.
- **Raw Materials:** Production from captive mines in Odisha are now at an average of 1.8-2mt per month. The management is confident that the same will be maintained. The company imports other raw materials like coking coal which is expected to increase as China continues to buy coal at a premium from Canada and other countries and avoids imports from Australia.
- **Auto contracts:** The contracts with auto companies are for a six-month period, last done in Oct'20. After an increase in prices, the company has requested to split the increase with part to be implemented from 1st Jan 2021 and the rest from 1st April 2021.
- **Debt:** Net debt as of 31st Dec'20 was Rs518bn, down Rs11bn from 31st Sep'20. Management expects reduction in net debt level only if the acquisition of BPSL does not go through, which we believe is unlikely. Revenue acceptance for the quarter was USD747mn, while capital acceptance was at USD491mn.
- **Guidance:** The company will be able to achieve 95% of the FY21 production guidance of 16mt but is confident of achieving 15mt sales guidance for FY21.
- **Subsidiaries:** Operating losses at foreign subsidiaries in Italy and the US were Rs2.08bn. Excluding one-off items, the losses would decline to Rs940mn. Management expects operating losses to continue in Q4.

Exhibit 14: Key per-ton figures on consolidated basis

Rs/t	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)
Saleable Steel (mt)	4.03	3.65	2.79	4.15	3.95	-2%	-5%
Blended Realization	43,216	48,099	41,054	44,969	54,397	26%	21%
EBITDA/t	6,082	8,151	4,806	10,636	15,053	148%	42%
RMC/t	24,945	24,397	22,667	22,713	19,714	-21%	-13%

Source: Company, Emkay Research

Exhibit 15: Plate & Pipe Mill Performance

Particulars	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	9MFY21	9MFY20	YoY (%)
Production (nt)										
Plate Mill	70,479	63,528	57,035	54,137	2,578	-96%	-95%	113,750	212,101	-46%
Pipe Mill	14,669	15,193	4,175	0	0	NA	NA	4,175	53,508	-92%
Sales (nt)										
Plate Mill	52,749	55,274	53,210	51,719	18,183	-66%	-65%	123,112	163,114	-25%
Pipe Mill	11,328	27,534	4,611	447	150	-99%	-66%	5,208	41,543	-87%
Financials (US\$ mn)										
Turnover	64	89.6	46.4	35.9	10	-84%	-71%	92.6	221.7	-58%
EBITDA	-12.6	-9.9	-11.4	17.24	-8	-33%	-149%	-2.6	-21.8	-88%

Source: Company, Emkay Research

Exhibit 16: JSW Coated Products

Particulars	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	9MFY21	9MFY20	YoY (%)
Production volume (mt)	0.47	0.44	0.30	0.51	0.47	0%	-8%	1.28	1.33	-4%
Sales Volume (mt)	0.52	0.47	0.33	0.61	0.61	17%	0%	1.55	1.40	11%
Net Sales (Rs mn)	29,820	29,150	20,490	37,820	41,820	40%	11%	100,130	87,600	14%
EBITDA (Rs mn)	1,340	910	280	2,880	3,970	196%	38%	7,130	4,590	55%
Realization (Rs/tonne)	57,346	62,021	62,091	62,000	68,557	20%	11%	192,648	188,628	2%
EBITDA/tonne (Rs)	2,577	1,936	848	4,721	6,508	153%	38%	12,078	9,957	21%

Source: Company, Emkay Research

Exhibit 17: Sales Breakdown

	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)	9MFY21	9MFY20	YoY (%)
Sales volume (Mt)	4.03	3.65	2.79	4.15	3.95	-2%	-5%	10.9	11.3	-3%
Total exports Vol (kt)	967	475	1,590	1,162	474	-51%	-59%	3,226	2,693	20%
Share of Exports	24%	13%	57%	28%	12%			42%	31%	
Total Domestic Vol (kt)	3,063	3,176	1,200	2,988	3,476	13%	16%	7,664	8,557	-10%
Share of domestic	76%	87%	43%	72%	88%			58%	69%	
Total Automotive Vol (kt)	443	402	195	540	593	34%	10%	1,327	1,383	-4%
Share of Automotive	11%	11%	7%	13%	15%			12%	12%	
Total OEMs Vol (kt)	2,257	2,227	1,869	2,407	2,015	-11%	-16%	6,291	6,299	0%
Share of OEM	56%	61%	67%	58%	51%			58%	56%	
Total Retail Vol (kt)	1,330	1,022	725	1,204	1,343	1%	12%	3,272	3,568	-8%
Share of Retail	33%	28%	26%	29%	34%			30%	32%	

Source: Company, Emkay Research

Exhibit 18: EBITDA breakdown (Rs mn except otherwise mentioned)

	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	YoY (%)	QoQ (%)
Reported Consolidated EBITDA	24,510	29,750	13,410	44,140	59,460	143%	35%
Adjusted EBITDA	22,010	29,750	13,410	41,860	59,460	170%	42%
Reported EBITDA/t	6,082	8,151	4,806	10,636	15,053	148%	42%
Adjusted EBITDA/t	5,462	8,151	4,806	10,087	15,053	176%	49%
Less; US Plate mill - \$ mn	-12.6	-9.9	-11.4	17.2	-8.5	-33%	-149%
Less; Aferpi - € mn	-10.0	-10.9	-7.0	-12.6	-0.5	-95%	-96%
Less: Acero Junction - \$ mn	-25.2	-20.2	-12.5	-10.5	-21.3	-16%	102%
JSW Steel Coated	1,340	910	280	2,880	3,970	196%	38%
Consolidated India EBITDA	26,646	31,909	15,532	41,855	57,727	117%	38%
Consolidated India EBITDA/t	6,612	8,742	5,567	10,085	14,614	121%	45%
Adjusted India EBITDA	25,486	32,819	15,812	42,455	61,697	142%	45%
Adjusted India EBITDA/t	6,324	8,992	5,667	10,230	15,619	147%	53%
Subsidiaries EBITDA	-2,136	-2,159	-2,122	2,285	1,733	-181%	-24%

Source: Company, Emkay Research

Exhibit 19: Changes in Estimates

	FY21E			FY22E			FY23E		
	OLD	New	%Change	OLD	New	%Change	OLD	New	%Change
Sales Volume (mt)	15.0	15.0	0%	19.4	18.2	-6%	19.9	20.1	1%
ASP (Rs/t)	46,604	50,965	9%	47,296	56,873	20%	50,019	57,118	14%
Revenue (Rs bn)	715	777	9%	935	1,052	13%	1,013	1,168	15%
EBITDA (Rs bn)	140	189	34%	180	237	31%	196	223	14%
EBITDA/tonne (Rs)	9,354	12,626	35%	9,293	13,034	40%	9,839	11,083	13%
Net profit (Rs bn)	29	66	125%	51	96	88%	51	80	55%
Emkay EPS	12.1	27.3	125%	21.1	39.6	88%	21.3	33.0	55%

Source: Emkay Research

Exhibit 20: Valuation

Valuation	UoM	FY22E
EBITDA	Rs bn	237
EV/EBITDA Multiple	x	6.50
Enterprise Value	s	1,542
Cash	Rs bn	123
Less: Net Debt	Rs bn	620
Net Debt	Rs bn	497
Implied Market Cap	Rs bn	1,045
No. of Shares	mn	2,417
Fair Value	Rs/share	432

Source: Emkay Research

Exhibit 21: Peer Comparison

Consensus	M Cap	PE (x)			EV/EBITDA (x)			PB (x)			ROE (x)		
		USD bn	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22	CY22/ FY23	CY20/ FY21	CY21/ FY22
India													
Tata Steel*	10.22	14.3	15.1	13.3	7.4	6.8	6.3	1.1	1.0	1.0	7.9	7.1	7.6
JSW Steel*	12.43	13.8	9.5	11.4	7.5	5.9	6.4	2.1	1.7	1.5	16.6	20.2	14.3
SAIL*	3.29	28.2	8.6	6.5	8.7	6.4	6.0	0.6	0.5	0.5	2.0	6.4	7.8
JSPL	3.94	8.5	10.0	9.2	4.8	4.6	4.2	0.8	0.8	0.7	19.6	14.0	14.8
Japan													
JFE Holdings	5.90	NA	NA	9.0	9.3	16.3	8.1	0.3	0.4	0.4	-10.9	-5.4	3.9
Nippon Steel	11.97	NA	NA	10.6	19.0	16.0	7.8	0.4	0.5	0.5	-14.6	-5.4	4.6
Kobe Steel	1.89	NA	NA	19.1	9.6	12.1	8.0	0.3	0.3	0.3	-2.4	-2.9	2.2
Korea													
POSCO	20.58	15.9	9.8	8.6	5.9	4.6	4.2	0.5	0.5	0.5	3.1	5.0	5.4
Hyundai Steel	5.40	NA	23.1	16.1	10.4	8.1	7.3	0.4	0.3	0.3	-0.8	1.5	2.1
US													
Nucor	16.43	18.6	14.9	17.4	8.5	7.7	8.2	1.6	1.5	1.4	8.2	10.5	8.1
US Steel	4.24	NA	33.7	NA	NA	7.3	9.9	1.1	1.2	1.2	-32.0	3.8	-2.4
Steel Dynamics	8.15	14.8	11.5	13.6	8.7	7.4	7.4	1.9	1.7	1.5	12.6	16.1	11.0
Europe													
Arcelor Mittal	24.88	NA	8.6	8.8	8.8	4.7	4.4	0.7	0.6	0.6	-2.9	7.4	6.8
Thyssenkrupp	7.24	NA	NA	39.0	NA	3.3	1.8	0.5	0.6	0.6	64.8	-6.1	0.8
Voestalpine	6.92	NA	NA	17.6	8.5	10.3	6.6	1.0	1.1	1.0	-4.1	-3.3	5.6
CIS													
Evrax	10.12	11.9	7.6	8.2	6.6	5.1	5.3	7.2	5.0	4.3	58.3	75.0	59.3
MMK	8.04	14.3	6.2	2.4	5.5	3.7	4.3	1.6	1.5	1.6	11.5	19.6	19.7
NLMK	17.45	14.6	7.1	9.1	7.8	6.0	7.5	3.4	3.3	3.3	21.3	38.3	31.1
China													
Baosteel	22.86	12.6	10.1	9.1	5.0	4.2	3.7	0.8	0.8	0.7	6.5	7.6	8.0

Source: Bloomberg, Emkay Research Note :(*) denotes Emkay Research

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	847,570	733,260	777,087	1,052,049	1,167,522
Expenditure	658,050	614,530	588,297	814,835	944,661
EBITDA	189,520	118,730	188,790	237,214	222,862
Depreciation	40,410	42,460	46,000	60,000	66,000
EBIT	149,110	76,270	142,790	177,214	156,862
Other Income	2,040	5,460	5,460	5,460	5,460
Interest expenses	39,170	42,650	38,323	37,749	41,550
PBT	111,980	39,080	109,927	144,925	120,772
Tax	36,440	(9,060)	43,971	49,274	41,062
Extraordinary Items	0	(8,050)	0	0	0
Minority Int./Income from Assoc.	(300)	(900)	0	0	0
Reported Net Income	75,240	39,190	65,956	95,650	79,709
Adjusted PAT	75,240	47,240	65,956	95,650	79,709

Balance Sheet

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Equity share capital	3,010	3,010	3,010	3,010	3,010
Reserves & surplus	344,940	362,980	425,314	517,341	593,428
Net worth	347,950	365,990	428,324	520,351	596,438
Minority Interest	(4,500)	(5,750)	(5,750)	(5,750)	(5,750)
Loan Funds	463,439	638,165	588,165	619,802	709,802
Net deferred tax liability	37,770	16,770	16,770	16,770	16,770
Total Liabilities	844,659	1,015,175	1,027,509	1,151,173	1,317,260
Net block	626,440	619,940	623,940	718,940	752,940
Investment	70,580	64,000	64,000	64,000	64,000
Current Assets	335,550	365,690	326,836	420,993	550,276
Cash & bank balance	61,870	120,030	77,908	123,085	195,768
Other Current Assets	50,990	54,550	64,550	74,550	84,550
Current liabilities & Provision	303,311	303,025	295,837	326,329	343,527
Net current assets	32,239	62,665	30,999	94,663	206,750
Misc. exp	0	0	0	0	0
Total Assets	844,659	1,015,175	1,027,509	1,151,173	1,317,260

Cash Flow

Y/E Mar (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
PBT (Ex-Other income) (NI+Dep)	111,680	30,130	109,927	144,925	120,772
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(15,810)	16,390	(10,456)	(18,488)	(39,403)
Operating Cashflow	146,330	127,850	139,823	174,912	147,856
Capital expenditure	(102,060)	(128,100)	(90,000)	(120,000)	(120,000)
Free Cash Flow	44,270	(250)	49,823	54,912	27,856
Investments	(14,000)	(72,890)	5,000	50,000	0
Other Investing Cash Flow	0	0	0	0	0
Investing Cashflow	(114,480)	(195,860)	(85,000)	(70,000)	(120,000)
Equity Capital Raised	(1,530)	60	0	0	0
Loans Taken / (Repaid)	68,810	110,750	(50,000)	31,637	90,000
Dividend paid (incl tax)	(9,330)	(11,950)	(3,623)	(3,623)	(3,623)
Other Financing Cash Flow	(1,660)	(1,800)	0	0	0
Financing Cashflow	18,140	51,860	(91,946)	(9,735)	44,827
Net chg in cash	49,990	(16,150)	(37,122)	95,177	72,683
Opening cash position	5,820	55,810	39,660	2,538	97,715
Closing cash position	55,810	39,660	2,538	97,715	170,398

Source: Company, Emkay Research

Key Ratios

Profitability (%)	FY19	FY20	FY21E	FY22E	FY23E
EBITDA Margin	22.4	16.2	24.3	22.5	19.1
EBIT Margin	17.6	10.4	18.4	16.8	13.4
Effective Tax Rate	32.5	(23.2)	40.0	34.0	34.0
Net Margin	8.9	6.6	8.5	9.1	6.8
ROCE	18.1	8.8	14.5	16.8	13.2
ROE	24.0	13.2	16.6	20.2	14.3
RoIC	22.9	13.2	25.1	28.0	21.6

Per Share Data (Rs)	FY19	FY20	FY21E	FY22E	FY23E
EPS	31.1	19.5	27.3	39.6	33.0
CEPS	47.8	37.1	46.3	64.4	60.3
BVPS	143.9	151.4	177.2	215.3	246.7
DPS	3.9	4.9	1.2	1.2	1.2

Valuations (x)	FY19	FY20	FY21E	FY22E	FY23E
PER	12.1	19.2	13.8	9.5	11.4
P/CEPS	7.8	10.1	8.1	5.8	6.2
P/BV	2.6	2.5	2.1	1.7	1.5
EV / Sales	1.6	2.0	1.9	1.4	1.2
EV / EBITDA	6.9	12.0	7.5	5.9	6.4
Dividend Yield (%)	1.0	1.3	0.3	0.3	0.3

Gearing Ratio (x)	FY19	FY20	FY21E	FY22E	FY23E
Net Debt/ Equity	1.2	1.4	1.2	1.0	0.9
Net Debt/EBIDTA	2.1	4.4	2.7	2.1	2.3
Working Cap Cycle (days)	(12.8)	(28.6)	(22.0)	(9.9)	3.4

Growth (%)	FY19	FY20	FY21E	FY22E	FY23E
Revenue	17.8	(13.5)	6.0	35.4	11.0
EBITDA	28.1	(37.4)	59.0	25.6	(6.1)
EBIT	30.7	(48.8)	87.2	24.1	(11.5)
PAT	23.1	(47.9)	68.3	45.0	(16.7)

Quarterly (Rs mn)	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Revenue	180,550	178,870	117,820	192,640	218,590
EBITDA	24,510	29,750	13,410	44,140	59,460
EBITDA Margin (%)	13.6	16.6	11.4	22.9	27.2
PAT	1,870	1,880	(5,820)	15,950	26,690
EPS (Rs)	0.8	0.8	(2.4)	6.6	11.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoters	42.3	42.7	43.1	44.1	44.1
FIs	17.6	17.1	15.4	13.3	13.3
DIs	4.1	4.4	4.9	5.8	6.3
Public and Others	35.9	35.8	36.7	36.8	36.3

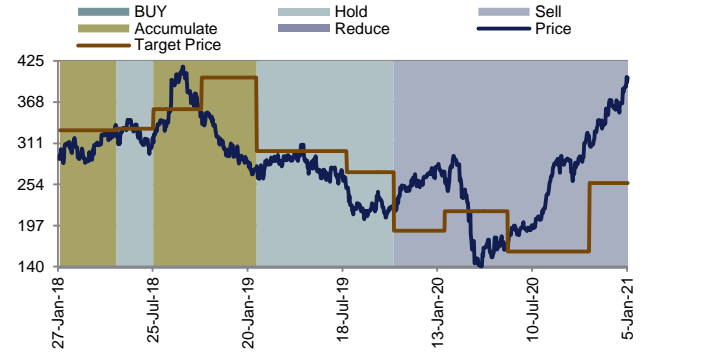
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
26-Oct-20	308	256	12m	Sell	Vishal Chandak
10-Oct-20	292	161	12m	Sell	Vishal Chandak
26-Jul-20	205	161	12m	Sell	Vishal Chandak
11-Jun-20	185	161	12m	Sell	Vishal Chandak
25-May-20	166	161	12m	Sell	Vishal Chandak
27-Jan-20	263	217	12m	Sell	Vishal Chandak
23-Oct-19	223	190	12m	Sell	Vishal Chandak
26-Jul-19	250	271	12m	Hold	Vishal Chandak
25-May-19	288	300	12m	Hold	Vishal Chandak
6-Feb-19	279	300	12m	Hold	Vishal Chandak
25-Oct-18	353	402	12m	Accumulate	Kamal Sahoo
26-Jul-18	312	358	12m	Accumulate	Goutam Chakraborty
17-May-18	332	331	12m	Hold	Goutam Chakraborty
8-May-18	324	329	12m	Accumulate	Goutam Chakraborty
1-Mar-18	306	329	12m	Accumulate	Goutam Chakraborty
31-Jan-18	290	329	12m	Accumulate	Goutam Chakraborty

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – Metals & Mining



Analyst: Vishal Chandak

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Sector

Metals and Mining

Analyst bio

Vishal Chandak is a CA and MBA (Finance). He brings in over 16 years of experience, including seven years in the corporate side, with balance being on both the buy side and sell side. Currently, his team tracks 12 stocks in the Metals and Mining space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
Metals & Mining	2.54	2.54	0%	0	100.00
Coal India	0.35	0.36	2%	1	14.08
Hindalco	0.44	0.42	-5%	-2	16.32
Hindustan Zinc	0.09	0.04	-50%	-4	1.72
Jindal Stainless	0.00	0.01	NA	1	0.55
Jindal Stainless Hisar	0.00	0.01	NA	1	0.51
JSW Steel	0.47	0.48	2%	1	18.77
MOIL	0.00	0.00	NA	0	0.00
National Aluminium Co	0.00	0.00	NA	0	0.00
NMDC	0.13	0.13	1%	0	5.11
SAIL	0.11	0.11	2%	0	4.22
Tata Steel	0.59	0.61	2%	1	23.89
Vedanta	0.38	0.38	0%	0	14.83
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	24-Jan-20	24-Jul-20	23-Oct-20	23-Dec-20	22-Jan-21
EAP - Metals & Mining	100.0	87.3	64.7	73.7	95.1	98.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	87.5	63.3	72.1	93.0	96.1

*Performance measurement base date 1st April 2019

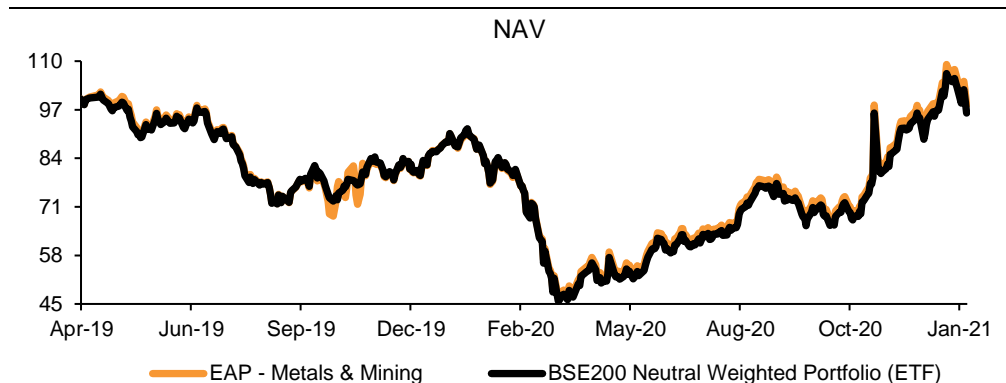
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Metals & Mining	3.4%	33.3%	51.9%	12.5%
BSE200 Neutral Weighted Portfolio (ETF)	3.4%	33.3%	51.8%	9.8%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 25 Jan 2021 20:04:41 (SGT)

Dissemination Date: 25 Jan 2021 20:05:41 (SGT)

Sources for all charts and tables are Emkay Research unless otherwise specified.

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