

JSW STEEL

RESEARCH REPORT AS
OF 25TH JUNE, 2024

MARKET CAP- 2.24L CR
CMP- 920.35

BY -
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ABOUT THE COMPANY

JSW Steel Ltd., a flagship company of the JSW Group headquartered in Mumbai, India, stands as one of the leading integrated steel manufacturers in the country. Established in 1982, JSW Steel has rapidly expanded its production capacity and product range over the years. As of recent updates, the company boasts an annual production capacity of 18 million tonnes, encompassing a diverse portfolio of products including hot-rolled coils, cold-rolled coils, galvanized products, and specialty steel.

JSW Steel is renowned for its commitment to technological innovation and sustainability in steel production. The company has invested in state-of-the-art technologies to enhance efficiency and minimize environmental impact across its operations.

In addition to its strong presence in India, JSW Steel has strategically expanded its global footprint through acquisitions and partnerships. It operates steel plants and subsidiaries in the United States, Italy, and other international markets, further solidifying its position as a key player in the global steel industry.

HISTORY

JSW Steel's history can be traced back to 1982, when the Jindal Group acquired Piramal Steel Limited, which operated a mini steel mill at Tarapur in Maharashtra and renamed it as Jindal Iron and Steel Company (JISCO). Soon after the acquisition the group set up its first steel plant in 1982 at Vasind, near Mumbai.

Later, in 1994, Jindal Vijayanagar Steel Limited (JVSL) was set up with its plant located at Toranagallu in the Bellary-Hospet area in the State of Karnataka, the heart of the iron ore belt and spread over 10,000 acres (40 km²) of land. It is well connected to both the Mormugao Port and Chennai Port and is 340 kilometres from Bangalore. It is said to be the sixth largest steel plant in the world. In the year 2005, JISCO and JVSL merged to form JSW Steel Limited.[8] It also set up a plant at Salem with an annual capacity of 1 million tonnes.

In 1995, JSW Steel made its debut on the Bombay Stock Exchange (BSE), followed by its listing on the National Stock Exchange (NSE) in 2005 (listing price- Rs.10) This move provided greater financial visibility and access to capital for future expansions.

Throughout its history, JSW Steel has focused on strategic growth initiatives, including mergers and acquisitions. Notably, in 2010, it acquired Ispat Industries Ltd., a major steel producer in India, which bolstered its market position and production capacity.

BOARD OF DIRECTORS



Mrs. Savitri Devi Jindal
Chairperson Emeritus

Mrs. Savitri Devi Jindal had been on the Board of the Company since May 2005 upto October 2011. She is a Member of the Legislative Assembly and a great visionary, renowned industrialist and a patriarch of the O.P.Jindal Group. They appointed her as Chairperson Emeritus of the Company w.e.f 21.10.2011 upon her cessation as Director & Chairperson of the Company.



Mr. Sajjan Jindal
Chairman & M.D.

Mr. Jindal holds a bachelor's degree in mechanical engineering from the Bangalore University. Mr. Jindal also serves as council member of the Indian Institute of Metals and is also a member of the Executive Committee and Chairman of the Sustainability Committee of World Steel Association, as well as the former President of Institute of Steel Development and Growth..



Mr. Jayant Acharya
Jt. M.D. & CEO

Mr. Jayant Acharya, Jt. Managing Director & CEO, started his career with SAIL (Steel authority of India) in the year 1986 and then worked with renowned Indian Business Groups in various Capacities until he joined JSW Steel in 1999. Mr. Jayant Acharya holds a Bachelor's degree in Chemical Engineering, a Master's degree in Physics from BITS (Birla Institute of Technology, Pilani, India), and an MBA degree.



Mr. Gajraj Singh Rathore
Chief Operating Officer

Mr. Gajraj Singh Rathore is the Chief Operating Officer for JSW Steel. He brings with him over 35 years of steel industry experience with expertise on large scale transformation & digitalization. He has been associated with JSW Steel for about 27 years and has championed multiple strategic priorities such as leading the Steel making and Mills at the Vijayanagar plant as Executive Vice President.

MAJOR SUBSIDIARIES

JSW Steel Ltd. has several subsidiaries that contribute to its operations and expansion strategies. Some of the major subsidiaries of JSW Steel include:

1. JSW Steel Coated Products Ltd.: Engaged in the manufacture and sale of coated steel products, including galvanized and color-coated products.
2. JSW Steel (Salav) Ltd.: Operates a steel manufacturing facility in Maharashtra, India, producing various steel products.
3. JSW Steel (USA) Inc.: A subsidiary based in the United States, involved in steel manufacturing and related activities. JSW Steel has acquired facilities in the USA to enhance its global presence and serve North American markets.
4. JSW Steel Italy S.r.l.: Operates steel manufacturing facilities in Italy, acquired as part of JSW Steel's international expansion strategy.
5. JSW Steel Coated Products (USA) Inc.: Another subsidiary based in the United States, focusing on the production and sale of coated steel products.

INDUSTRY OVERVIEW

India is the world's second-largest producer of crude steel, with an output of 125.32 MT of crude steel and finished steel production of 121.29 MT in FY23.

In FY24 (until January 2024), the production of crude steel and finished steel stood at 118 MT and 114 MT, respectively.

Government has taken various steps to boost the sector including the introduction of National Steel Policy 2017 and allowing 100% Foreign Direct Investment (FDI) in the steel sector under the automatic route. According to the data released by the Department for Promotion of Industry and Internal Trade (DPIIT), between April 2000-December 2023, Indian metallurgical industries attracted FDI inflows of US\$ 17.46 billion.

For the first time ever, India surpassed China as the top developer of coal-based steel capacity in July 2023, according to the latest report from Global Energy Monitor (GEM).

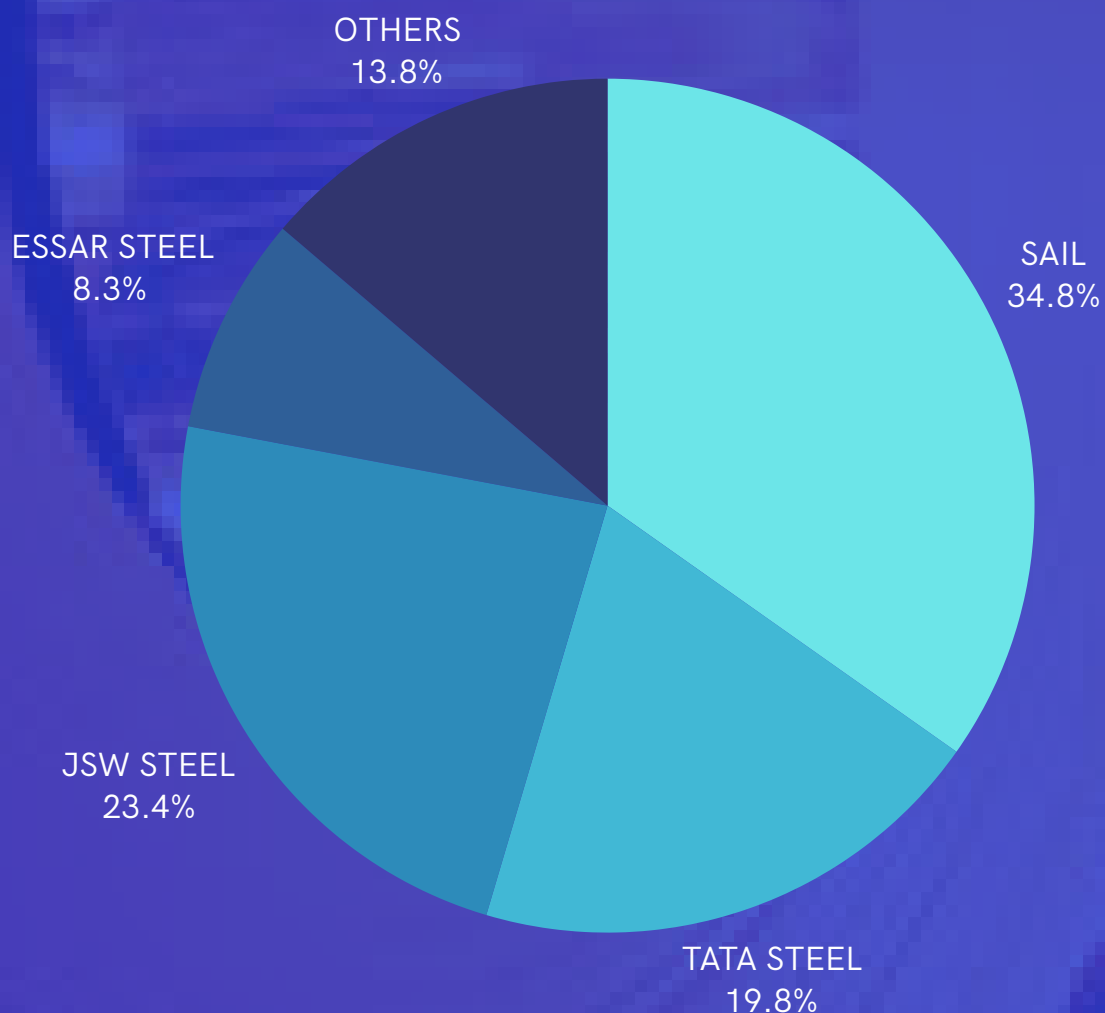
The industry is also benefitting from the developments happening across various industries. The new Vehicle Scrappage policy will help in reducing the steel prices since the policy enables recycling the materials used in old vehicles. In the healthcare front, major steel producers are now exceeding their production capacities to produce oxygen cylinders for COVID patients. In 2021, Indian Railways is planning to procure over 11 lakh tons of steel from Steel Authority of India Limited (SAIL) for the track renewal and laying new lines across the country.

The flagship company of JSW Group, JSW Steel is one of India's leading integrated steel manufacturers with a capacity of 18 MTPA. It is one of the fastest growing companies in India with a footprint in over 100 countries.

Steel industry contributes to 2% of the total Indian GDP.

JSW steel contributes to 23% of the total steel industry of India.

JSW Steel Ltd. is a holding company, which engages in the production, distribution, and trade of iron and steel products. It offers hot rolled and cold rolled coils and sheets; galvanized coils and corrugated sheets; galvalume products; steel doors; and light steel building solutions. It operates and markets through the following brands: Vishwas, Vishwas+, Colouren, Colouren+, Pragati, Neosteel, Galvos, Galveco, Trusteel, and Avante. The company was founded by Om Prakash Jindal in 1982 and is headquartered in Mumbai, India.



OPERATIONS

As of April 2023, nearly 98% of JSW Steel's revenue comes from steel and related products — long rolled products (18%), galvanised coils/sheets (15%), CR coils/sheets (9%), plates/pipes (5%), other miscellaneous steel products (5%), and iron ore (2%), in that order. Overall, 70% of revenue is derived from India, and 30% is from overseas. The company historical emphasis has primarily been on flat products, stemming from its origins in a cold rolling mill. As part of its corporate strategy, the company typically directs half of its flat products to downstream facilities for additional value-enhancing processes like galvanizing, coating, or tinning.

PLANTS:-

1. JSW Vijaynagar Works (also known as Integrated Steel Plant, Vijaynagar): It is a flagship plant of the company, which also stands as the largest single-location steel manufacturing unit across India.
2. JSW Dolvi Works (also known as Integrated Steel Plant, Dolvi) It was first Indian steel plant to adopt a combination of ConArc technology for both steel-making and compact strip production.
3. JSW Sambalpur Works (also known as Integrated Steel Plant, Rengali): This plant was acquired by the company in 2019 after the liquidation of Bhushan Power & Steel by National Company Law Tribunal. It added 3.5 MTPA to overall steel production capacity of the company.

4 JSW Salav Works: This plant was previously owned by Welspun Group and it was purchased by the JSW Steel in 2014 for ₹1,000 crore (US\$120 million). It is located in near vicinity (within 40 km) of the JSW Dolvi Works.

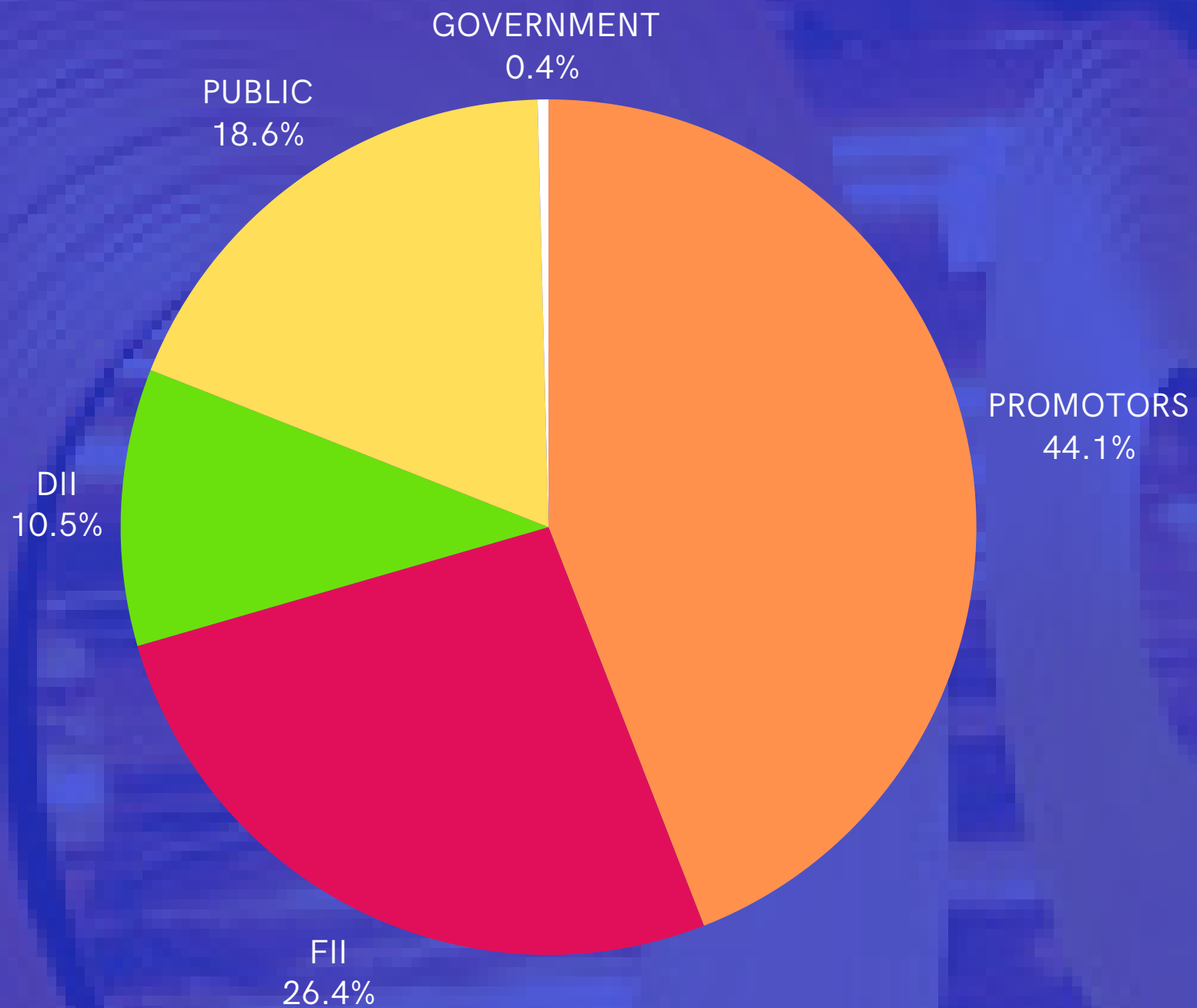
5.JSW Kalmeshwar Works: It is India's first coated steel manufacturing facility, producing galvanized, Galvalume, and pre-painted galvanized/galvalume steel. The plant was acquired by the company from Ispat Steel, is situated 30 kilometers from Nagpur in Central India.

6.JSW Tarapur Works: It is country's largest single location coated steel plant which manufactures of ultra thin coated products such as pre-painted galvanised/galvalume, galvanised and bare galvalume steel. It is located about 100 kilometers from Mumbai.

7.JSW Vasind Works: The facility, situated 70 kilometers from Mumbai, is a complex equipped with cold rolling, galvanizing, and color coating capabilities.

8.JSW Salem Works: The plant is located 350 kilometers from Chennai, is known for producing special alloy steel.

EQUITY SPLIT



Promoters have 44.1% shareholding in the company, FII HAVE 26.4%, DII have 10.5%, public have 18.6% and government has 0.4% shareholding in the company.

MAJOR CLIENTS

1. **Automotive Industry:** Manufacturers of automobiles and automotive components are significant customers of JSW Steel, as they require high-quality steel for vehicle production. Like- Toyota, Hyundai, Nissan, Hero Honda and Mahindra.
2. **Construction and Infrastructure:** Companies involved in construction, real estate development, and infrastructure projects rely on JSW Steel for structural steel, TMT bars, and other construction materials.
3. **Appliances and Consumer Goods:** Manufacturers of household appliances, consumer electronics, and other durable goods use JSW Steel's products for their manufacturing processes. Like- Samsung.
4. **Engineering and Fabrication:** Companies in the engineering, fabrication, and machinery sectors source steel from JSW Steel for various applications, including equipment manufacturing and industrial machinery. Like- BHEL.

5.Oil and Gas: Companies operating in the oil and gas sector utilize JSW Steel's products for pipelines, storage tanks, and other infrastructure requirements.

6.Shipbuilding: JSW Steel supplies steel to shipbuilding companies for constructing ships, vessels, and offshore structures.

7.White Goods: Manufacturers of white goods such as refrigerators, washing machines, and air conditioners are also significant clients of JSW Steel. Like- Haier and LG.



Haier



TOYOTA



LG



HYUNDAI



SWOT ANALYSIS

Strengths of JSW Steel

Strengths are the factors that help JSW Steel to maintain its position in the market. Below are the strengths of JSW Steel:

Backward and Forward Integration – JSW Steel Operates in both the upstream sector and downstream sector. This gives it an additional advantage to avert potential interruptions in raw material sourcing and end-products distribution. This strategy is very beneficial in driving margin expansion if the integrated resources are managed efficiently. It also has a strong distribution channel with its chain of retail outlets For eg: JSW Shoppe and JSW Explore, its stockyards, service centers, and others.

Diversified and Value Added Product Portfolio – JSW Steel is a globally recognized high-end, value-added steel manufacturer. It has a large variety of flat and long products to meet different needs throughout the world. The steel products manufactured by JSW steel are used by many companies in different sectors like automobile, electrical transmission, oil and petrochemical, heavy engineering, construction, etc.

Strong financial position – JSW Steel has High growth prospects with a consistently increasing revenue and strong financial position in the market. With continuously increasing profits JSW has made a name for itself in front of its stakeholders. Also, the debt of the company has reduced to an extent, plus it also has a large amount of cash to set off that debt.

Economics of scale – Demand for steel has a huge correlation with economic development. JSW Steel is the second-largest steel manufacturing company in India and hence it enjoys economies of scale. JSW steel contributes to approx 23% of the total steel produced in India. Being one of the biggest private steel company JSW enjoys large economies of scale.

Weaknesses of JSW Steel

Following are the weaknesses of the JSW steel that they need to work on in order to maintain their position in the industry:

Limited portfolio diversification – The portfolio of JSW Steel is not as diversified as compared to other industry leaders like Tata steel, reliance s& a, BHEL, etc.

Nonavailability of raw materials – Having fewer mines under its control affects the availability of primal materials. Hence at times, there is the unavailability of the raw material which is required.

Capital utilization – Capital is not utilized to a certain percent. If the capital is invested in a proper way, completely then the company can get to see better results. Sometimes funds are not used in a proper manner or spent on some other things which lead to a lack of funds at the time when there is an urgent need of capital for this reason the capital should be used in a careful manner and used up to its highest dignity. A certain percentage of the money from the total can be invested in other things so that there is an interest, later on.

Opportunities for JSW Steel

Following are some of the opportunities for JSW Steel:

Expected Rise in Domestic Steel consumption – With a stable central government and a strong approach to programs like the “Make in India” movement, the domestic demand for steel is expected to rise at a fast pace across all sectors. JSW steel is favorably poised to take benefits in India’s next growth cycle with a wide variety of outputs, advanced technology, and flexibility.

Growing Global Automotive Manufacturing Industry – The automotive industry which had gone into a downfall has been up again. JSW tries to cater to various products for these industries in terms of both quality and quantity. This will also lead to an increase in revenues shortly.

Strategic Acquisitions – JSW has acquired companies like Ispat and Welspun. Such acquisitions will help the company to achieve further economies of scale and enhance its product portfolio. The acquisition of companies like bpsl has made JSW steel the second largest steel manufacturing company in India.

Threats for JSW Steel

Following are some of the potential threats for JSW Steel:

Competition – Competition from existing and foreign players is a huge threat to JSW steel. Some of the competitors are TATA Steel, Hindalco, sail, etc. TATA steel is its biggest competitor who is the market leader. due to this ongoing competition, there are price cuts which lead to a decrease in profit margin.

Government and environmental regulations – The government has slightly different and more strict laws for the steel industry because it is our natural core and to maintain their control over the consumption of natural resources. While on the other hand organizations concerned about the environment also have their eyes on the steel industry due to its threat to natural resources and the environment.

Changes in the prices of raw materials & end products – For steelmaking, it requires iron ore, metallurgical coal, limestone, etc. All these resources are scarce and procuring them is a difficult task. Sometimes it's very difficult to mine in certain areas hence the prices of these materials keep on increasing and even the end products prices tend to change, this is a backdrop for JSW steel.

BALANCE SHEET

	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Equity Capital	284	303	303	301	301	302	301	301	302	301	301	305
Reserves	16,781	20,871	21,987	18,665	22,346	27,696	34,494	36,298	46,462	66,996	65,394	77,364
Preference Capital	279	764	764	0	0	208	20	24	26	29	33	
Borrowings +	21,346	34,762	37,990	42,204	43,334	39,185	47,376	61,399	62,366	72,208	80,820	87,984
Other Liabilities +	19,102	21,704	25,374	20,737	22,024	24,787	32,626	33,822	39,187	56,980	64,024	62,545
Total Liabilities	57,513	77,640	85,654	81,907	88,005	91,970	114,797	131,820	148,317	196,485	210,539	228,198
Fixed Assets +	34,717	47,046	52,176	56,140	58,730	57,848	62,644	62,085	64,917	99,880	104,452	112,921
CWIP	5,898	9,400	8,265	7,271	4,363	5,950	11,889	27,191	32,566	16,905	22,166	29,216
Investments	1,750	663	599	1,195	1,366	1,469	1,894	1,259	8,581	4,940	4,806	7,246
Other Assets +	15,148	20,531	24,613	17,302	23,546	26,703	38,370	41,285	42,253	74,760	79,115	78,815
Total Assets	57,513	77,640	85,654	81,907	88,005	91,970	114,797	131,820	148,317	196,485	210,539	228,198

PROFIT AND LOSS

Consolidated Figures in Rs. Crores / View Standards

	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	Mar 2023	Mar 2024
Sales +	38,210	51,220	52,972	41,546	55,604	71,933	84,757	73,326	79,839	146,371	165,960	175,006
Expenses +	31,698	42,051	43,608	35,124	43,296	57,017	65,827	61,513	59,661	107,257	147,490	146,942
Operating Profit	6,512	9,169	9,364	6,422	12,308	14,916	18,930	11,813	20,178	39,114	18,470	28,064
OPM %	17%	18%	18%	15%	22%	21%	22%	16%	25%	27%	11%	16%
Other Income +	-307	-1,630	103	-1,966	18	-177	196	-289	473	1,600	1,561	1,593
Interest	1,967	3,048	3,493	3,601	3,768	3,701	3,917	4,265	3,957	4,968	6,902	8,105
Depreciation	2,237	3,183	3,434	3,323	3,430	3,387	4,041	4,246	4,679	6,001	7,474	8,172
Profit before tax	1,999	1,308	2,539	-2,468	5,128	7,651	11,168	3,013	12,015	29,745	5,655	13,380
Tax %	42%	70%	32%	80%	33%	20%	33%	-30%	34%	30%	27%	33%
Net Profit +	929	402	1,722	-481	3,467	6,113	7,524	3,919	7,873	20,938	4,139	8,973
EPS in Rs	4.32	1.87	7.43	-1.39	14.57	25.71	31.60	16.67	32.73	85.49	17.14	36.03
Dividend Payout %	30%	74%	19%	-67%	19%	16%	16%	15%	25%	25%	25%	0%

Compounded Sales Growth

10 Years: 13%

5 Years: 16%

3 Years: 30%

TTM: 5%

Compounded Profit Growth

10 Years: 37%

5 Years: 2%

3 Years: 2%

TTM: 125%

Stock Price CAGR

10 Years: 22%

5 Years: 28%

3 Years: 11%

1 Year: 20%

Return on Equity

10 Years: 17%

5 Years: 17%

3 Years: 17%

Last Year: 12%

KEY RATIOS

Market Cap	₹ 2,28,846 Cr.	Current Price	₹ 936	High / Low	₹ 950 / 723
Stock P/E	27.2	Book Value	₹ 318	Dividend Yield	0.77 %
ROCE	13.2 %	ROE	11.8 %	Face Value	₹ 1.00

PEER COMPARISON

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	JSW Steel	935.80	27.17	228845.54	0.77	1322.00	-64.55	46269.00	-1.48	13.24
2.	Tata Steel	175.30	34.24	218836.18	2.05	554.56	-54.88	58687.31	-6.79	7.02
3.	Tube Investments	4210.05	98.46	81429.05	0.08	271.31	-13.56	4490.11	18.86	26.05
4.	Jindal Stain.	814.10	25.64	67035.79	0.19	500.65	-29.94	9454.02	-3.19	22.27
5.	S A I L	148.15	16.52	61193.72	1.01	1125.68	27.78	27958.52	-4.02	8.24
6.	APL Apollo Tubes	1528.45	57.98	42418.23	0.31	170.44	-15.55	4765.74	7.55	25.29
7.	Shyam Metalics	672.35	18.28	18767.37	0.27	219.94	-14.72	3606.20	5.20	10.94
Median: 14 Co.		645.83	20.73	18112.15	0.56	272.14	-14.14	4475.64	1.55	21.2

FINANCIALS

- The net profit of JSW steel in 2024 is 8,973cr. which has increased since last year by 50%.
- Return of equity is at 11.8%, which is not good.
- while Return on capital employed is at 13%, which depicts that the company is not good in management.
- Dividend yield of the company is also, which is 0.77%
- Sales of the company have increased since last year from 1,65,960Cr to 1,75,006Cr.
- Earnings per share has increased significantly from Rs.17 to Rs.36.
- Investments of the company have almost doubled.
- In Peer comparison, JSW steel, tops the chart. It surpasses Tata steel, which is its biggest competitor.
- Though tata steel has higher sales than JSW Steel, it is a loss making company. Tata steel has sales of 2,27,296.20Cr.and has a net profit of -4,910 Cr.

CONCLUSION

In my opinion, one should definitely BUY JWS Steel's share because of its profitability and stable management. This share is increasing. JSW steel was listed on NSE in 2005 at a listing price of Rs.10 and in almost 20 years the price has increased by 90X.

This share will yield good profits because currently JSW Steel is one of the biggest steel company of India.

