

April 28, 2021

## Strength in steel prices augurs well...

Domestic steel prices have witnessed strong traction over the last eight to nine months, registering a sharp increase in the aforementioned period. Currently, domestic hot rolled coil (HRC) prices (ex-Mumbai) are at ₹ 62500/tonne, up 71% from the July 2020 low of ₹ 36500/tonne. Healthy traction was witnessed in international steel prices also. Over the last three months, Chinese steel HRC export price has increased by 35% to US\$890/tonne in April 2021 from US\$660/tonne in January 2021. Healthy demand both on the global as well as domestic front has aided this uptick in steel prices auguring well for steel players.

## Upward revise EBITDA/tonne estimates...

On the back of continued strength in both global and domestic steel prices, we upward revise our EBITDA/tonne estimate for Tata Steel, JSW Steel and SAIL. For Tata Steel standalone operations, we now model EBITDA/tonne of ₹ 17135 for FY21E (upward revise from ₹ 16500/tonne earlier), ₹ 18000 for FY22E (upward revise from ₹ 15000/tonne earlier) and ₹ 17250 for FY23E (upward revise from ₹ 15000/tonne earlier). For JSW Steel standalone operations, we now model EBITDA/tonne of ₹ 12715 for FY21E (upward revise from ₹ 11750 /tonne earlier), ₹ 15000 for FY22E (upward revise from ₹ 11500/tonne earlier) and ₹ 14250 for FY23E (upward revise from ₹ 11500/tonne earlier). For SAIL, we now model EBITDA/tonne of ₹ 8725 for FY21E (upward revise from ₹ 8250 /tonne earlier), ₹ 8500 for FY22E (upward revise from ₹ 6750/tonne earlier) and ₹ 7750 for FY23E (upward revise from ₹ 7000/tonne earlier)

## Debt reduction drive augurs well

Over the last few quarters, steel companies have reduced debt notably. During FY21, SAIL reduced its gross debts by ~₹ 16150 crore to ₹ 35330 crore (provisional) as on March 31, 2021 compared to ₹ 51481 crore as on March 31, 2020. During 9MFY21, Tata Steel reduced its consolidated net debt by ₹ 18609 crore to ₹ 86170 crore as on December 31, 2020.

## Valuation & Outlook

Domestic steel players are currently in a sweet spot on the back of a) continued strength in steel prices both on the global and domestic front, b) operating at healthy capacity utilisation levels on the back firm demand, c) balance sheet improvement on the back of debt repayment exercise undertaken by domestic players. We value Tata Steel on an SoTP basis and arrive at a target price of ₹ 1150 (earlier target price of ₹ 750), upgrading Tata Steel from HOLD to **BUY**. We value SAIL at 5.5x FY23E EV/EBITDA and arrive at a target price of ₹ 130 (earlier target price ₹ 90), maintaining our **BUY** recommendation. We value JSW Steel at 6.5x FY23E EV/EBITDA and arrive at a target price of ₹ 675 (earlier target price ₹ 400), maintaining **HOLD** recommendation on JSW Steel.

### Recommendation

Company	CMP	Target	Upside %	Rating
Tata Steel	977	1150	18%	BUY
JSW Steel	666	675	1%	HOLD
SAIL	100	130	30%	BUY

\*Time frame 12-15 months

### Particulars : Tata Steel (TATSTE)

Particular	Amount
Market Capitalization (₹ Crore)	1,16,925
Total Debt (Q3FY21) (₹ Crore)	1,08,680
Cash & Cash Eq. (Q3FY21) (₹ Crore)	22,509
EV (₹ Crore)	2,03,096
52 week H/L (₹)	983 / 262
Equity capital	₹ 1145 Cr.
Face value	₹ 10

### Particulars : JSW Steel (JSWSTE)

Particular	Amount
Market Capitalisation (₹ Crore)	1,61,176
Debt-Cons. (Q3FY21) (₹ Crore)	65,697
Cash Cons. (Q3FY21) (₹ Crore)	13,904
EV (₹ Crore)	2,12,969
52 week H/L	₹ 670 / 155
Equity capital	₹ 241 crore
Face value	₹ 1

### Particulars : SAIL (SAIL)

Particulars	Amount
Market Capitalization	41305
Total Debt (FY20)	51481
Cash & Inv (FY20)	363
EV (₹ crore)	92423
52 week H/L (₹)	₹102/25
Equity Capital (₹ crore)	₹4131
Face Value (₹)	10

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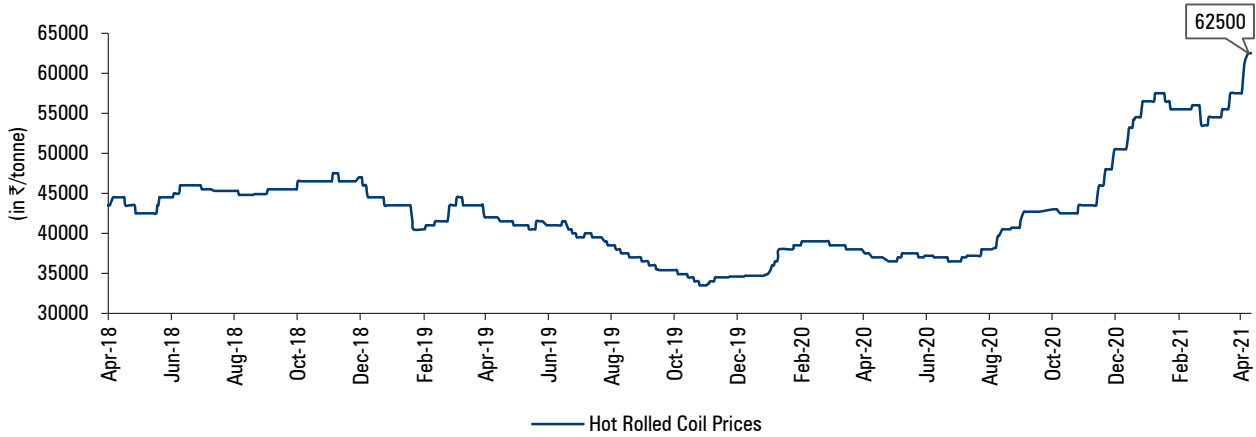
### Valuation Summary

Company	CMP	Target	Upside %	Rating	P/E				EV/EBITDA			
					FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
Tata Steel	977	1150	18%	BUY	23.6	13.3	7.4	7.5	12.6	6.6	5.4	5.4
JSW Steel	666	675	1%	HOLD	34.1	20.3	11.2	10.6	18.3	10.8	7.2	6.4
SAIL	100	130	30%	BUY	14.8	10.7	6.6	6.0	9.1	5.9	5.2	4.6

Source: Company, ICICI Direct Research

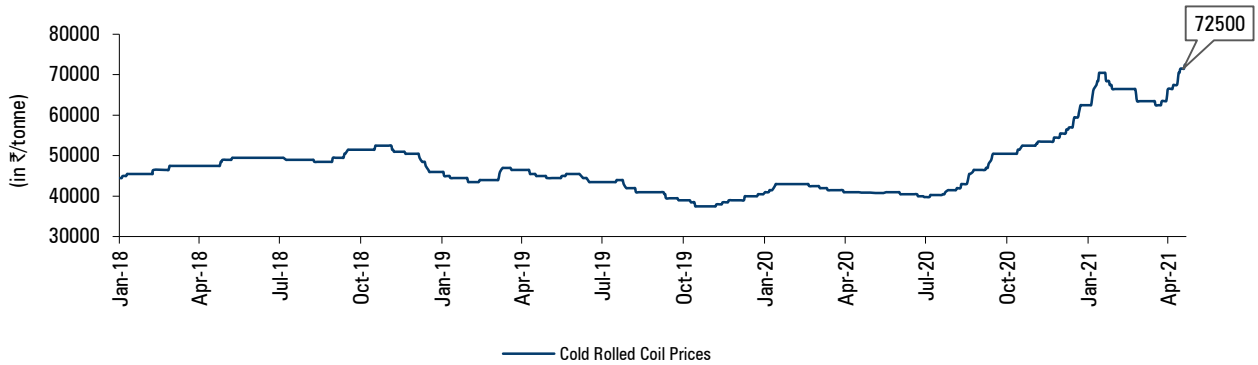
## Trend in steel prices: Global & Domestic

Exhibit 1: Trend in hot rolled coil (HRC) prices (in ₹/tonne)



Source: Bloomberg, ICICI Direct Research

Exhibit 2: Trend in cold rolled coil (CRC) prices (in ₹/tonne)



Source: Bloomberg, ICICI Direct Research

Exhibit 3: Trend in Chinese steel HRC export price \* (in US\$/tonne)



Source: Bloomberg, ICICI Direct Research, \* - FOB price

## Steel Authority of India (SAIL)

### Volume Update

SAIL is one of the leading steel producers in India, with five large integrated steel plants (Bhilai steel plant, Rourkela steel plant, Durgapur steel plant, Bokaro steel plant and IISCO) spread across four states in eastern India (Chhattisgarh, Odisha, West Bengal and Jharkhand). In addition, SAIL also has three special steel plants (Salem Steel plant, Alloy Steel plant and Visvesvaraya iron and steel plant) and a ferro alloy plant at Chandrapur. The company recorded its best ever quarterly performance both in production and sales volume during Q4FY21. Crude steel production volume for the quarter was at 4.55 million tonnes (MT), up 6% YoY, 4% QoQ while sales volume for Q4FY21 was at 4.27 MT, up 14% YoY, 3% QoQ. Aided by a healthy Q4FY21 performance, SAIL reported its best ever annual sales volume during FY21. SAIL's FY21 sales volume was at 14.87 MT compared to 14.23 MT in FY20, growth of 4.4% YoY.

### Debt repayment

SAIL has adopted a focused approach on improving its volume, improving its operational efficiencies, operating the facilities at optimum levels, deleveraging its balance-sheet, reducing its inventory levels, etc, in line with its focus on reducing the borrowings. SAIL has reduced its gross debts by ~₹ 16150 crore to ₹ 35330 crore (provisional) as on March 31, 2021 compared to ₹ 51481 crore as on March 31, 2020.

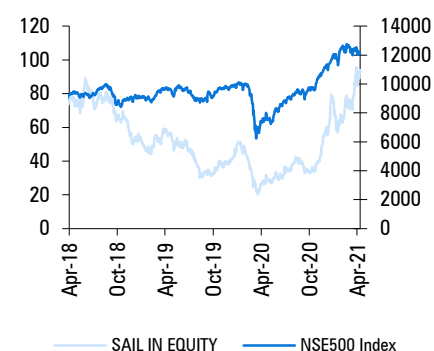
### EBITDA/tonne estimates....

The uptick in steel prices augurs well for SAIL. We expect SAIL to report EBITDA/tonne of ₹ 8725/tonne in FY21E, ₹ 8500/tonne in FY22E and ₹ 7750/tonne in FY23E (SAIL reported adjusted EBITDA/tonne of ₹ 4271/tonne in FY20).

### Key Risks

- Steep decline in steel prices
- Higher than expected increase in operating costs

### Price performance



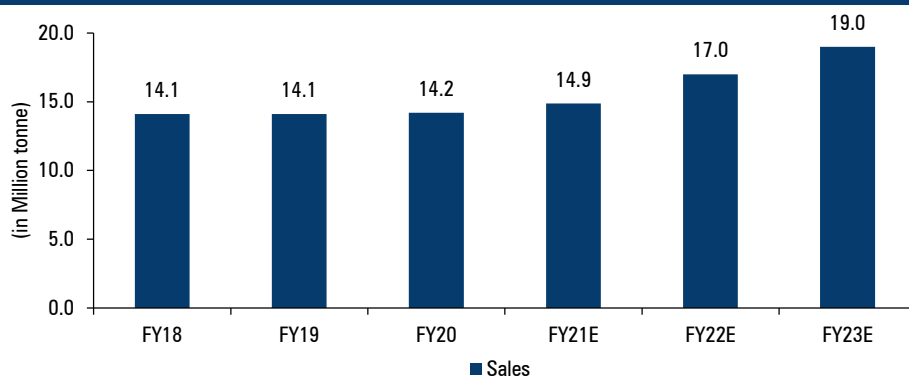
### Exhibit 4: Financial summary

(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-FY23E)
Net Sales	66,967	61,661	68,405	90,103	1,00,561	18%
EBITDA	9,734	10,199	12,974	14,451	14,725	13%
EBITDA Margin (%)	14.5	16.5	19.0	16.0	14.6	
Net Profit	2,568	2,793	3,843	6,263	6,892	35%
EPS (₹)	6.2	6.8	9.3	15.2	16.7	
P/E (x)	16.1	14.8	10.7	6.6	6.0	
EV/EBITDA (x)	8.8	9.1	6.0	6.0	4.9	
RoCE (%)	7.6	7.1	11.2	12.2	12.3	
RoE (%)	5.7	5.1	9.3	12.7	12.5	

Source: Company, ICICI Direct Research

## Story in Charts: SAIL

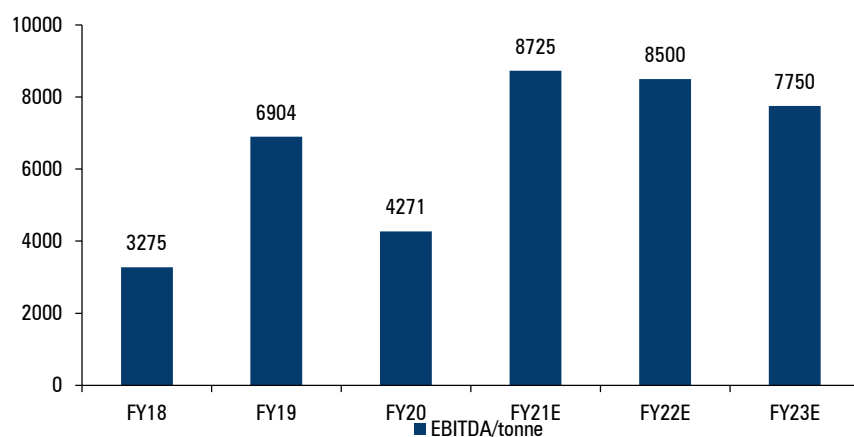
Exhibit 5: Trend in Sales



For SAIL, we model sales volume of ~17 MT in FY22E & ~19 MT in FY23E

Source: Company, ICICI Direct Research

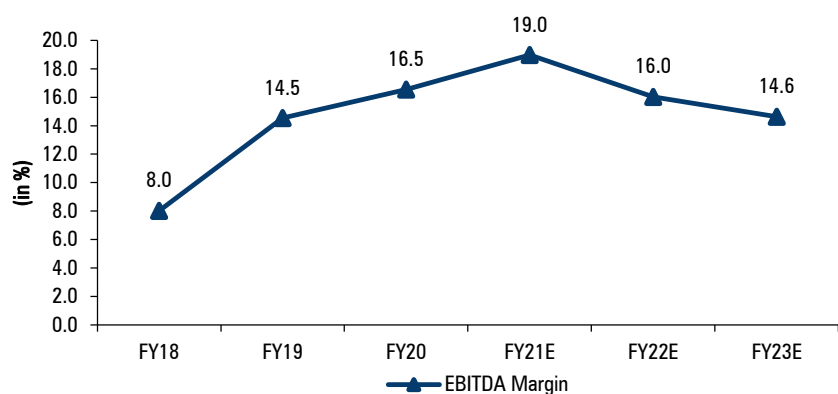
Exhibit 6: Trend in EBITDA/tonne



For SAIL we model EBITDA/tonne at ₹ 8725 for FY21E, ₹ 8500/tonne for FY22E and ₹ 7750/tonne for FY23E

Source: Company, ICICI Direct Research

Exhibit 7: Trend in EBITDA margin....



Over the next couple of years, we expect consolidated EBITDA margin at ~19.0% for FY21E, ~16.0 % for FY22E and ~14.6% for FY23E

Source: Company, ICICI Direct Research

## Tata Steel (TATSTE)

## Volume Update

For Q4FY21, Tata Steel India achieved highest ever quarterly crude steel production of 4.75 million tonnes (MT), up 3% QoQ, flattish YoY. Tata Steel India's delivery volumes for Q4FY21 were at 4.67 MT, up 16% YoY, flattish QoQ. For Q4FY21, Tata Steel India's domestic deliveries increased 22% YoY to 4.17 MT on the back of company's robust marketing network and improved market conditions. During Q4FY21, exports volume was at 0.5 MT and were ~11% of overall deliveries. In terms of key segments, automotive & special products segment deliveries grew 13% QoQ, 57% YoY to 0.78 MT in Q4FY21. Furthermore, branded products & retail segment deliveries grew 3% QoQ, 23% YoY to 1.45 MT in Q4FY21 while industrial products & projects' segment deliveries grew 11% YoY to 1.59 MT in Q4FY21. For FY21 Tata Steel India's crude steel production was at 16.93 MT, down 7% YoY. Despite the Covid-19 pandemic induced disruption in H1FY21, in FY21 Tata Steel India achieved highest ever annual delivery volume of 17.30 MT, up 2% YoY.

For Q4FY21, Tata Steel Europe reported production volume was at 2.65 MT, up 2% QoQ, flattish YoY. Tata Steel Europe's sales volume for Q4FY21 was at 2.49 MT, up 18% QoQ, 4% YoY. For FY21, Tata Steel European operations production volume was at 9.55 MT, down 7% YoY. Tata Steel European operations delivery volume was at 8.85 MT, down 5% YoY. Tata Steel European operations production and sales volume for FY21 were lower on YoY basis due to the impact of the pandemic.

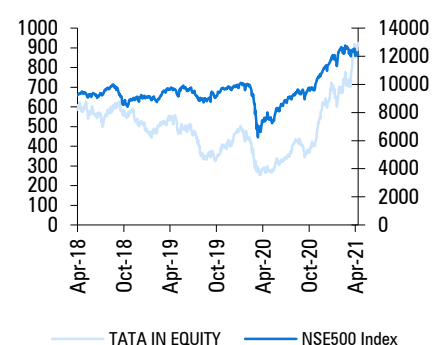
## EBITDA/tonne estimates...

The uptick in steel prices augurs well for both Tata Steel Indian operations as well as Tata Steel European operations. We expect Tata Steel standalone operations to report EBITDA/tonne of ₹ 17135/tonne in FY21E, ₹ 18000/tonne in FY22E and ₹ 17250/tonne in FY23E (Tata Steel Indian operations reported EBITDA/tonne of ₹ 11000/tonne in FY20).

## Key Risks

- Steep decline in steel prices
- Higher than expected increase in operating cost

## Price performance



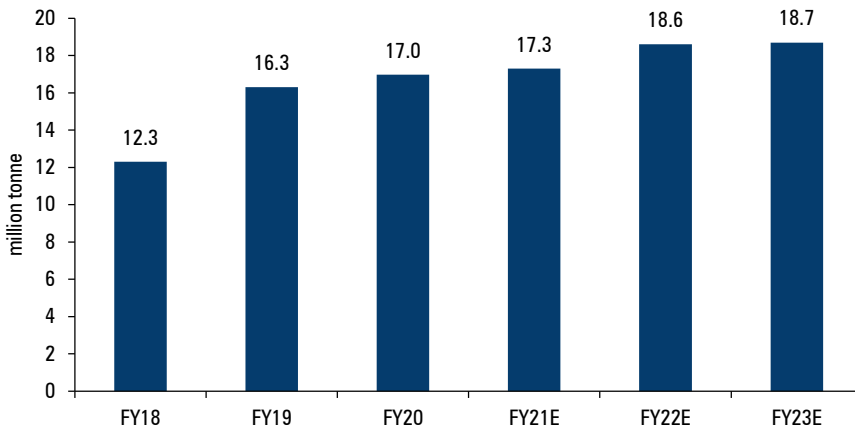
## Exhibit 8: Financial summary

(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	1,57,669	1,39,817	1,48,682	1,81,098	1,85,824	10%
EBITDA	29,383	17,463	30,133	36,250	35,235	26%
Adj PAT	8,995	4,737	8,831	15,973	15,639	49%
EPS (₹)	78.6	41.4	73.3	132.6	129.9	
EV/EBITDA (x)	6.9	12.6	6.6	5.4	5.4	
RoCE (%)	13.8	4.8	11.6	13.6	12.1	
RoE (%)	13.0	6.4	10.6	15.7	12.7	

Source: Company, ICICI Direct Research

## Story in Charts: Tata Steel

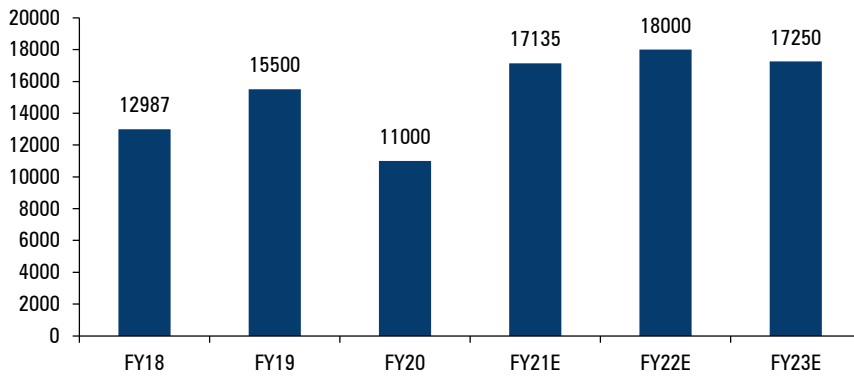
Exhibit 9: Tata Steel domestic operations volume trend, going forward



For Tata Steel domestic operations, we model sales volume of 18.6 MT for FY22E and 18.7 MT for FY23E

Source: Company, ICICI Direct Research, Domestic business includes Tata Steel Standalone, Tata Steel BSL and Tata Steel long products

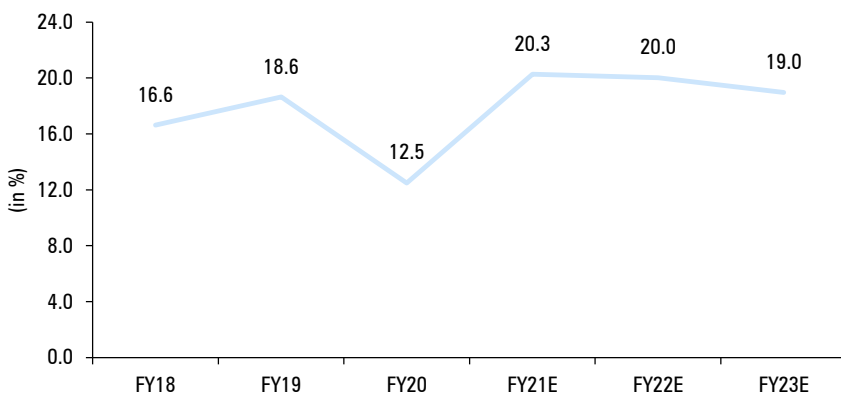
Exhibit 10: Tata Steel standalone operation EBITDA... (in ₹/tonne)



For Tata Steel Standalone operations, we model EBITDA/tonne of ₹ 18000/tonne for FY22E and ₹ 17250/tonne for FY23E

Source: Company, ICICI Direct Research,

Exhibit 11: Consolidated EBITDA margins trend....(in %)



Over the next couple of years, we expect consolidated EBITDA margin at ~20.0% for FY22E and ~19.0% for FY23E

Source: Company, ICICI Direct Research

## JSW Steel (JSWSTE)

### Volume Update

For Q4FY21, JSW Steel reported crude steel production of 4.19 million tonnes (MT), up 6% YoY, 2% QoQ. During Q4FY21, production of rolled products: flat was at 2.99 MT, up 4% YoY, flattish QoQ, while production of rolled products: long stood at 1.05 MT, up 11% YoY, 13% QoQ. JSW Steel's average capacity utilisation improved from 91% of Q3FY21 to 93% for Q4FY21. JSW Steel's capacity utilisation during March 2021 was 96%. For FY21, JSW Steel reported crude steel production 15.08 MT, down 6% YoY. During FY21, production of rolled products: flat was at 10.87 MT, down 4% YoY while production of rolled products: long was at 3.21 MT, down 14% YoY. Even though average capacity utilisation improved from 66% in Q1FY21 to 93% in Q4FY21, crude steel production for FY21 was down 6% mainly due to disruption in production caused by the outbreak of Covid-19 in Q1FY21.

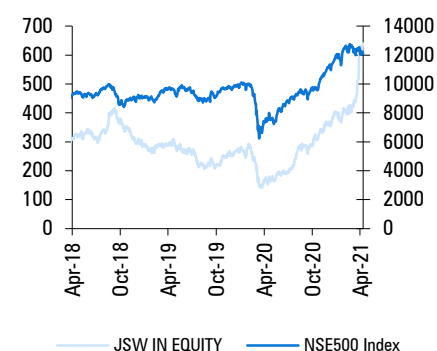
### EBITDA/tonne estimates ....

The uptick in steel prices augurs well for JSW Steel. We expect JSW Steel standalone operations to report EBITDA/tonne of ₹ 12715/tonne in FY21E, ₹ 15000/tonne in FY22E and ₹ 14250/tonne in FY23E (JSW Steel Indian operations FY20 EBITDA/tonne was at ₹ 8300/tonne).

### Key Risks

- Steel prices remaining elevated for a longer period of time
- Steep rise in operating costs (especially coking coal prices) coupled with any downward trend in steel prices

### Price performance



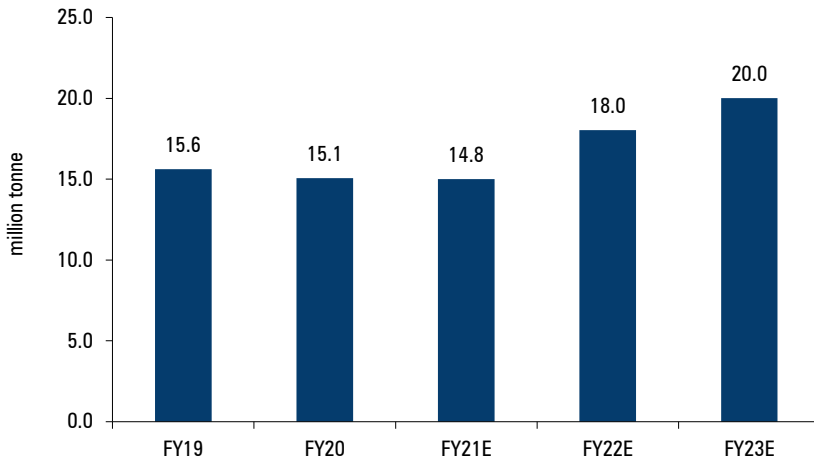
### Exhibit 12: Financial summary

(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	84,757	73,326	78,270	1,00,353	1,13,063	16%
EBITDA	18,952	11,873	19,739	28,035	29,522	54%
EBITDA Margin (%)	22.4	16.2	25.2	27.9	26.0	
Adj PAT	7,554	4,724	7,942	14,315	15,145	74%
EPS (₹)	31.3	19.5	32.9	59.2	62.7	
EV/EBITDA (x)	10.9	18.3	10.8	7.2	6.4	
RoCE (%)	17.6	7.2	13.4	20.1	20.4	
RoE (%)	21.7	12.9	17.9	24.5	20.7	

Source: Company, ICICI Direct Research

## Story in Charts: JSW Steel

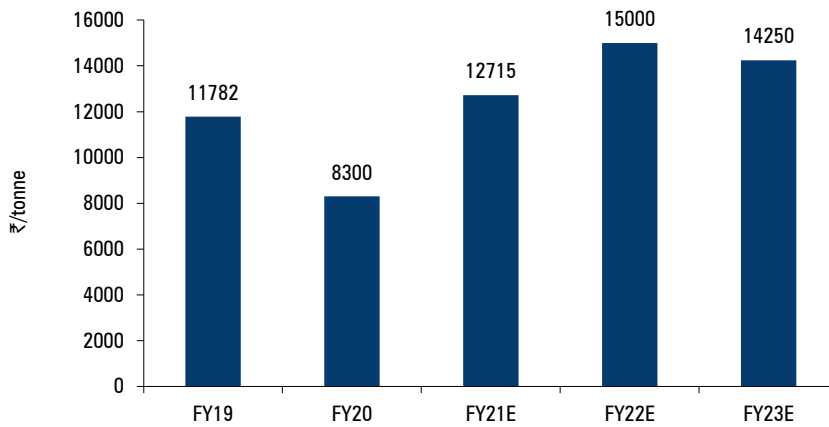
Exhibit 13: Trend in sales volumes (Standalone operations)



For JSW Steel standalone operations, we model sales volume of 18.0 MT for FY22E and 20.0 MT for FY23E

Source: Company, ICICI Direct Research

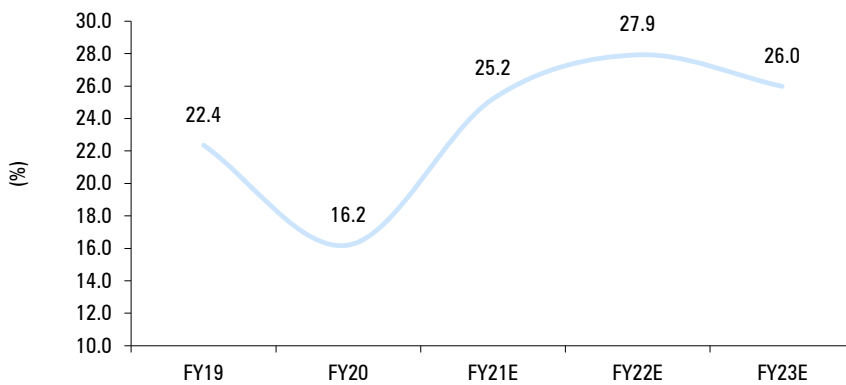
Exhibit 14: Trend in EBITDA/tonne (Standalone operations)



For JSW Steel standalone operations, we model EBITDA/tonne of ₹ 15000/tonne for FY22E and ₹ 14250/tonne for FY23E

Source: Company, ICICI Direct Research

Exhibit 15: Trend in consolidated EBITDA margin (in %)



Over the next couple of years, we expect consolidated EBITDA margin at ~27.9% for FY22E and ~26% for FY23E

Source: Company, ICICI Direct Research



## Financial summary: SAIL

Exhibit 16: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Total Operating Income</b>	<b>61661</b>	<b>68405</b>	<b>90103</b>	<b>100561</b>
Growth (%)	-8%	11%	32%	12%
Total Operating Expenditure	51462	55431	75653	85836
<b>EBITDA</b>	<b>10199</b>	<b>12974</b>	<b>14451</b>	<b>14725</b>
Growth (%)	5%	27%	11%	2%
Interest & Finance Cost	3487	2915	2768	2204
Depreciation	3755	4123	4335	4497
Other Income	985	998	1022	1186
<b>PBT before Exceptional Items</b>	<b>3942</b>	<b>6934</b>	<b>8370</b>	<b>9210</b>
Add/less: Exceptional Items	-772	225	0	0
Share of profit from Associates	0	0	0	0
<b>PBT</b>	<b>3171</b>	<b>7158</b>	<b>8370</b>	<b>9210</b>
Total Tax	1149	3091	2107	2318
<b>PAT</b>	<b>2022</b>	<b>4068</b>	<b>6263</b>	<b>6892</b>
Growth (%)	-7%	101%	54%	10%
<b>Adjusted PAT</b>	<b>2793</b>	<b>3843</b>	<b>6263</b>	<b>6892</b>
Growth (%)	9%	38%	63%	10%
<b>EPS</b>	<b>7</b>	<b>9</b>	<b>15</b>	<b>17</b>

Source: Company, ICICI Direct Research

Exhibit 18: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	4131	4131	4131	4131
Reserve and Surplus	35647	39715	45152	51217
<b>Total Shareholders funds</b>	<b>39777</b>	<b>43845</b>	<b>49282</b>	<b>55348</b>
Total Debt	51481	35330	33555	27555
Other Non-Current Liabilities	1693	1915.3	2522.9	2815.7
Deferred Tax Liability (net)	0	0	0	0
<b>Source of Funds</b>	<b>92952</b>	<b>81091</b>	<b>85360</b>	<b>85719</b>
<b>Net Block</b>	<b>69019</b>	<b>73446</b>	<b>75361</b>	<b>75614</b>
Capital WIP	8752	4502	1752	1002
<b>Net Fixed Assets</b>	<b>77771</b>	<b>77948</b>	<b>77112</b>	<b>76615</b>
Investments	1585	1610	1635	1660
Inventory	23747	18741	25920	28102
Cash	363	346	285	442
Debtors	8812	5622	7899	8265
Loans & Advances & Other CA	10892	9185	9642	10093
<b>Total Current Assets</b>	<b>43815</b>	<b>33895</b>	<b>43746</b>	<b>46902</b>
Creditors	6327	7496	9874	11020
Provisions & Other CL	25819	26793	29187	30366
Total Current Liabilities	32146	34290	39061	41386
Net Current Assets	11668	-395	4685	5516
Other Non-current assets	1928	1928	1928	1928
<b>Application of Funds</b>	<b>92952</b>	<b>81091</b>	<b>85360</b>	<b>85719</b>

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	2022	4068	6263	6892
Add: Dep. & Amortization	3755	4123	4335	4497
Net (Inc) / dec.in Current Asset	-7806	9903	-9912	-2999
Net Inc / (dec) in Current Liab.	485	2143	4771	2326
<b>CF from Operating Actv.</b>	<b>-1544</b>	<b>20237</b>	<b>5457</b>	<b>10715</b>
(Inc)/dec in Investments	0	-25	-25	-25
(Inc)/dec in Fixed Assets	-4153	-4300	-3500	-4000
Others	0	0	0	0
<b>CF from Investing Actv.</b>	<b>-4153</b>	<b>-4325</b>	<b>-3525</b>	<b>-4025</b>
Inc / (Dec) in Equity Capital	0	0	0	0
Inc / (Dec) in Loans	6440	-16151	-1775	-6000
Dividend & Dividend Tax	-248	-413	-826	-826
Others	-351	635	608	293
<b>CF from Financing Actv.</b>	<b>5841</b>	<b>-15929</b>	<b>-1994</b>	<b>-6533</b>
Net Cash flow	144	-17	-61	157
Opening Cash	219	363	346	285
<b>Closing Cash</b>	<b>363</b>	<b>346</b>	<b>285</b>	<b>442</b>

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS	6.8	9.3	15.2	16.7
BV	96	106	119	134
DPS	0.5	1.0	2.0	2.0
<b>Operating Ratios (%)</b>				
EBITDA margins	16.5	19.0	16.0	14.6
PBT margins	5.1	10.5	9.3	9.2
Net Profit margins	3.3	5.9	7.0	6.9
Inventory days	141	100	105	102
Debtor days	52	30	32	30
Creditor days	37	40	40	40
<b>Return Ratios (%)</b>				
RoE	5.1	9.3	12.7	12.5
RoCE	7.1	11.2	12.2	12.3
RoIC	7.1	11.2	12.3	12.4
<b>Valuation Ratios (x)</b>				
P/E	14.8	10.7	6.6	6.0
EV / EBITDA	9.1	5.9	5.2	4.6
EV / Revenues	1.5	1.1	0.8	0.7
Market Cap / Revenues	0.7	0.6	0.5	0.4
Price to Book Value	1.0	0.9	0.8	0.7
<b>Solvency Ratios</b>				
Debt / Equity	1.3	0.8	0.7	0.5
Debt/EBITDA	5.0	2.7	2.3	1.9
Current Ratio	1.4	1.0	1.1	1.1
Quick Ratio	0.6	0.4	0.5	0.5

Source: Company, ICICI Direct Research

## Financial summary: Tata Steel

Exhibit 20: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Total Operating Inc.</b>	<b>139817</b>	<b>148682</b>	<b>181098</b>	<b>185824</b>
Growth (%)	-11	6	22	3
Total Operating Expend.	122354	118549	144848	150589
<b>EBITDA</b>	<b>17463</b>	<b>30133</b>	<b>36250</b>	<b>35235</b>
Growth (%)	-41	73	20	-3
Depreciation	8441	8849	9846	10202
Interest	7533	7221	6056	5555
Other Income	1843	996	1177	1352
<b>PBT</b>	<b>3332</b>	<b>15059</b>	<b>21525</b>	<b>20830</b>
Exceptional Item	-3564	0	0	0
Total Tax	-2568	6270	5591	5225
<b>PAT</b>	<b>2337</b>	<b>8789</b>	<b>15934</b>	<b>15605</b>
Growth (%)	-75	276	81	-2
Minorities, Associates, etc	-1164	43	38	35
Rep PAT after Assoc. MI	1172	8831	15973	15639
<b>Adj PAT after Assoc. MI</b>	<b>4737</b>	<b>8831</b>	<b>15973</b>	<b>15639</b>
Growth (%)	-47.3	86.5	80.9	-2.1
<b>EPS (₹)</b>	<b>41.4</b>	<b>73.3</b>	<b>132.6</b>	<b>129.9</b>

Source: Company, ICICI Direct Research

Exhibit 21: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	1172	8831	15973	15639
Add: Depreciation	8441	8849	9846	10202
(Inc)/dec in Current Assets	-141	24703	-30903	1255
Inc/(dec) in CL and Prov.	-7756	-23735	19908	-12680
Others	-2425	3000	3000	3000
<b>CF from operating activities</b>	<b>-708</b>	<b>21649</b>	<b>17823</b>	<b>17416</b>
(Inc)/dec in Investments	-547	5000	200	0
(Inc)/dec in Fixed Assets	-10347	-7917	-12000	-15000
Others	-867	43	38	35
<b>CF from investing activities</b>	<b>-11761</b>	<b>-2874</b>	<b>-11762</b>	<b>-14966</b>
Issue/(Buy back) of Equity	0	59	0	0
Inc/(dec) in loan funds	22145	-12500	-8500	-8200
Dividend paid & dividend tax	-1340	-1204	-1204	-1204
Inc/(dec) in Share Cap	0	0	0	0
Others	-3612	2034	4000	6706
<b>CF from financing activities</b>	<b>17193</b>	<b>-11611</b>	<b>-5704</b>	<b>-2699</b>
Net Cash flow	4724	7163	357	-248
Opening Cash	3331	8055	15218	15575
<b>Closing Cash</b>	<b>8055</b>	<b>15218</b>	<b>15575</b>	<b>15326</b>

Source: Company, ICICI Direct Research

Exhibit 22: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Liabilities</b>				
Equity Share Capital	1145	1204	1204	1204
Hybrid Perpetual securities	2275	2275	2275	2275
Reserve and Surplus	70156	79759	98527	119668
<b>Total Shareholders funds</b>	<b>73576</b>	<b>83238</b>	<b>102007</b>	<b>123147</b>
<b>Total Debt</b>	<b>113289</b>	<b>100789</b>	<b>92289</b>	<b>84089</b>
<b>Deferred Tax Liability</b>	<b>9261</b>	<b>9261</b>	<b>9261</b>	<b>9261</b>
Minority Interest & Others	11816	14859	17897	20931
<b>Total Liabilities</b>	<b>207943</b>	<b>208148</b>	<b>221454</b>	<b>237429</b>
<b>Assets</b>				
Net Block	131131	131699	131853	130652
CWIP	18862	17362	19362	25362
Net Fixed Assets (Incl. CWIP)	149993	149061	151215	156014
Investments	6285	1285	1085	1085
Inventory	31069	14308	31210	18204
Debtors	7885	7220	8249	8529
Loans and Advances	35663	29385	40807	50729
Other Current Assets	6144	5144	6694	8244
Cash	8055	15218	15575	15326
<b>Total Current Assets</b>	<b>88816</b>	<b>71276</b>	<b>102536</b>	<b>101033</b>
Current Liabilities	40813	16078	37586	25006
Provisions	1664	2664	1064	964
<b>Current Liabilities &amp; Prov</b>	<b>42476</b>	<b>18741</b>	<b>38649</b>	<b>25970</b>
Net Current Assets	46340	52535	63887	75064
others	5325	5267	5267	5267
<b>Application of Funds</b>	<b>207943</b>	<b>208148</b>	<b>221454</b>	<b>237429</b>

Source: Company, ICICI Direct Research

Exhibit 23: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
Adj EPS	41.4	73.3	132.6	129.9
Cash EPS	115.1	146.8	214.4	214.6
BV	642.6	691.2	847.1	1022.6
Adj BV (adj for Goodwill)	607.2	658.0	813.9	1022.6
DPS	10.0	10.0	10.0	10.0
<b>Operating Ratios (%)</b>				
EBITDA Margin	12.5	20.3	20.0	19.0
PBT / Total Operating income	2.4	10.1	11.9	11.2
Adj PAT Margin	3.4	5.9	8.8	8.4
Inventory days	110	128	117	119
Debtor days	26	25	25	25
Creditor days	29	18	18	18
<b>Return Ratios (%)</b>				
Adj RoE	6.4	10.6	15.7	12.7
Adj RoCE	4.8	11.6	13.6	12.1
Adj RoIC	5.0	12.6	14.8	13.0
<b>Valuation Ratios (x)</b>				
P/E	23.6	13.3	7.4	7.5
EV / EBITDA	12.6	6.6	5.4	5.4
EV / Net Sales	1.6	1.5	1.3	1.2
Market Cap / Sales	0.8	0.8	0.7	0.7
Price to Book Value	1.5	1.4	1.2	1.0
Price to Adj Book Value	1.6	1.5	1.2	1.0
<b>Solvency Ratios</b>				
Debt/EBITDA	6.0	2.8	2.1	2.0
Debt / Equity	1.4	1.0	0.8	0.6
Current Ratio	2.1	3.8	2.7	3.9
Quick Ratio	1.4	3.0	1.8	3.2

Source: Company, ICICI Direct Research

## Financial summary: JSW Steel

Exhibit 24: Profit and loss statement					₹ crore
(Year-end March)	FY20	FY21E	FY22E	FY23E	
<b>Total operating Income</b>	<b>73,326</b>	<b>78,270</b>	<b>1,00,353</b>	<b>1,13,603</b>	
Growth (%)	-13	7	28	13	
Total Operating Expenditure	61453	58531	72317	84081	
<b>EBITDA</b>	<b>11,873</b>	<b>19,739</b>	<b>28,035</b>	<b>29,522</b>	
EBITDA Margin (%)	16.2	25.2	27.9	26.0	
Depreciation	4,246	4,889	5,290	5,555	
Interest	4,265	4,078	4,248	4,418	
Other Income	546	550	600	650	
<b>PBT</b>	<b>3,908</b>	<b>11,322</b>	<b>19,097</b>	<b>20,200</b>	
Exceptional Item	-805	0	0	0	
Total Tax	-906	3,397	4,807	5,084	
Reported PAT Before MI	4,009	7,925	14,290	15,115	
Profit/(loss)-JV/MI/Associat	-90	17	25	30	
<b>Reported PAT After MI</b>	<b>3,919</b>	<b>7,942</b>	<b>14,315</b>	<b>15,145</b>	
Growth (%)	-48	103	80	6	
<b>Adj PAT after MI</b>	<b>4,724</b>	<b>7,942</b>	<b>14,315</b>	<b>15,145</b>	
Adj 'EPS (₹)	19.5	32.9	59.2	62.7	

Source: Company, ICICI Direct Research

Exhibit 25: Cash flow statement					₹ crore
(Year-end March)	FY20	FY21E	FY22E	FY23E	
<b>Profit after Tax</b>	<b>3,919</b>	<b>7,942</b>	<b>14,315</b>	<b>15,145</b>	
Add: Depreciation	4,246	4,889	5,290	5,555	
(Inc)/dec in Current Asset	2,810	-2,248	-5,450	-3,243	
Inc/(dec) in CL&Provisions	1,794	1,457	6,352	5,368	
Others	-2,100	0	0	0	
<b>CF from operating activities</b>	<b>10,669</b>	<b>12,041</b>	<b>20,508</b>	<b>22,825</b>	
(Inc)/dec in Investments	-2,836	0	0	0	
(Inc)/dec in Fixed Assets	-10,200	-9,000	-9,000	-9,000	
Others	-6,479	50	50	50	
<b>CF from investing activities</b>	<b>-19,515</b>	<b>-8,950</b>	<b>-8,950</b>	<b>-8,950</b>	
Issue/(Buy back) of Equity	0	-1	0	0	
Inc/(dec) in loan funds	16,777	-2,100	-11,600	-10,800	
Dividend paid & dividend tax	-732	-732	-732	-732	
Inc/(dec) in Sec. premium	0	0	0	0	
Others	-1,383	490	490	490	
<b>CF from financing activities</b>	<b>14,662</b>	<b>-2,343</b>	<b>-11,842</b>	<b>-11,042</b>	
Net Cash flow	5,816	748	-284	2,833	
Opening Cash	6,187	12,003	12,751	12,467	
<b>Closing Cash</b>	<b>12,003</b>	<b>12,751</b>	<b>12,467</b>	<b>15,300</b>	

Source: Company, ICICI Direct Research

Exhibit 26: Balance sheet					₹ crore
(Year-end March)	FY20	FY21E	FY22E	FY23E	
<b>Liabilities</b>					
Share Capital	242	241	241	241	
Reserve and Surplus	36,357	44,058	58,131	73,034	
Total Shareholders funds	36,599	44,298	58,372	73,275	
Total Debt	69,015	66,915	55,315	44,515	
Deferred Tax Liability	1,677	1,677	1,677	1,677	
Minority Interest / Others	3,309	3,359	3,409	3,459	
<b>Total Liabilities</b>	<b>1,10,600</b>	<b>1,16,249</b>	<b>1,18,773</b>	<b>1,22,926</b>	
<b>Assets</b>					
Gross Block	1,01,808	1,25,608	1,38,908	1,39,958	
Less: Acc Depreciation	42,951	47,840	53,131	58,685	
Net Block	58,857	77,768	85,777	81,272	
Capital WIP	26,857	12,057	7,757	15,707	
Net Fixed Assets (Inc CWIP)	85,714	89,825	93,534	96,979	
Investments	4,730	4,730	4,730	4,730	
Inventory	13,864	15,256	19,194	21,340	
Debtors	4,505	5,361	6,873	7,470	
Loans and Advances	4,809	4,609	4,409	4,709	
Other Current Assets	6,195	6,395	6,595	6,795	
Cash	12,003	12,751	12,467	15,300	
<b>Total Current Assets</b>	<b>41,376</b>	<b>44,372</b>	<b>49,538</b>	<b>55,614</b>	
Current Liabilities	21,059	22,516	28,869	34,237	
Provisions	161	161	161	161	
<b>Total Current Liabilities</b>	<b>21,220</b>	<b>22,677</b>	<b>29,030</b>	<b>34,398</b>	
Net Current Assets	20,156	21,695	20,508	21,217	
Deferred tax Assets (net)	0	0	0	0	
<b>Application of Funds</b>	<b>1,10,600</b>	<b>1,16,249</b>	<b>1,18,773</b>	<b>1,22,926</b>	

Source: Company, ICICI Direct Research

Exhibit 27: Key ratios					₹ crore
(Year-end March)	FY20	FY21E	FY22E	FY23E	
<b>Per share data (₹)</b>					
Adj EPS	19.5	32.9	59.2	62.7	
Cash EPS	33.8	53.1	81.1	85.6	
BV	151.4	183.3	241.5	303.1	
DPS	2.0	2.0	2.0	2.0	
<b>Operating Ratios (%)</b>					
EBITDA Margin	16.2	25.2	27.9	26.0	
PBT / Total Operating income	5.3	14.5	19.0	17.8	
Adj PAT Margin	6.4	10.1	14.3	13.3	
Inventory days	131	130	130	124	
Debtor days	22	25	25	24	
Creditor days	105	105	105	110	
<b>Return Ratios (%)</b>					
Adj RoE	12.9	17.9	24.5	20.7	
Adj RoCE	7.2	13.4	20.1	20.4	
RoIC	8.1	15.1	22.5	23.4	
<b>Valuation Ratios (x)</b>					
P/E	34.1	20.3	11.2	10.6	
EV / EBITDA	18.3	10.8	7.2	6.4	
EV / Net Sales	3.0	2.7	2.0	1.7	
Market Cap / Sales	2.2	2.0	1.6	1.4	
Price to Book Value	4.4	3.6	2.8	2.2	
<b>Solvency Ratios</b>					
Net Debt/EBITDA	4.8	2.7	1.5	1.0	
Net Debt / Equity	1.6	1.2	0.7	0.4	
Current Ratio	2.0	2.0	1.7	1.6	
Quick Ratio	1.3	1.3	1.1	1.0	

Source: Company, ICICI Direct Research

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