

Jindal steel & Power

Strong Capex Ready to Deliver...

"Buy"
11th May' 14

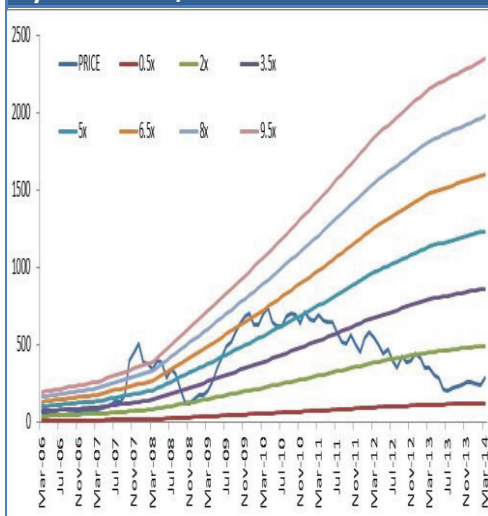
Result Update	Buy
CMP	336
Target Price	378
Previous Target Price	310
Upside	13%
Change from Previous	22%

Market Data	
BSE Code	532286
NSE Symbol	JINDALSTEL
52wk Range H/L	350/182
Mkt Capital (Rs Crores)	31467
Average Daily Volume (Nos.)	12586
Nifty	7656

Stock Performance-%	1M	1yr	YTD
Absolute	38.7	26.1	18.2
Rel. to Nifty	30.6	-2.9	-9.9

Share Holding Pattern-%	Current	3QFY14	2QFY14
Promoters	60.4	59.7	59.1
FII	22.3	21.9	21.3
DII	4.1	4.7	6.2
Others	13.1	13.7	13.3

1 yr Forward P/B



Jindal Steel and Power Limited (JSPL) is one of India's major steel producers with a significant presence in sectors like Steel, Mining, Power Generation and Infrastructure. In the recent past, JSPL has expanded its steel, power and mining businesses all over the globe. JSPL has made significant investments to drive long term earnings growth. Currently the JSPL'S share trading at 1.2x in its one-year forward price to book graph and has a market PE of 14x. Company had announced Rs.1.6 per share as a dividend to the investors. Earlier we recommended buy with a target of 310, which was achieved by the stock in previous week. Looking at the positive scenario we believe there still exist some upside level for the stock, We valued the stock for FY15 and arrived at a Target price of Rs.378. which is 13% upside level from CMP. Hence We recommend Buy on the stock at correction dips.

Q4 Performance dissatisfied the street

Jindal Steel and Power reported a sharp 47% year-on-year drop in consolidated net profit at Rs 403 Cr for the quarter ended March 31, 2014 (Q4FY14). The fall has been due to additional load of Rs 260 Cr from combined impact of depreciation and interest. The company had posted a profit of Rs 760 Cr in the year-ago quarter. Total turnover during the quarter declined 13% to Rs 5,103 Cr from Rs 5,648 Cr in Q4FY13. The EBITDA margin has contracted by 239 basis points to 25.74% in Q4FY14 compared with the corresponding quarter of the previous fiscal.

	Q1FY13	Q1FY14	Q2FY13	Q2FY14	Q3FY13	Q3FY14	Q4FY13	Q4FY14
Production	7.7	7.1	6.9	7.4	7.8	7.5	7.9	6.9
Sales	6.3	6.6	6.8	7.4	7.9	7.6	9.1	7.7

Planned Shut-Down of Raigarh plant went heavy

During the quarter Raigarh plant remained closed in parts from mid-January due to some modernization of the plant. That's why it affected revenue by 600 Cr. Steel production remained lesser than expected mainly because of the shutdown that reduced production volume by 1.48 lakh tons.

PLF drops to 80% from 95%

Plant load factor (PLF) dropped from 90-95 per cent to 80 per cent at Tamnar, Chhattisgarh due to lack of transmission network. The group also took a hit due to absorption of accumulated losses Gujarat NRE Coke. Lower international coking coal prices and acquisition of Wollongong Limited (formerly Gujarat NRE Coke) also dragged down profitability.

Financials :	Q4FY14	Y-o-Y %	Q-o-Q %	Q4FY13	Q3FY14
Revenue	5103	-9.7	-5.1	5648	5377
EBIDTA	1314	-17.3	-22.8	1589	1701
Net Profit	403	-47.1	-28.4	760	562
EBIDTA%	26	-8.5	-18.6	28	32
NPM%	8	-41.4	-24.5	13	10

(In Crs)

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Management Guidance on mining issue in Odisha

Operation will not be hit due to mining issues in Odisha. Company has arrangement with Sarda Mines and the lease is valid till 2021. The experts committee of environment ministry has already cleared the environmental lease. The state government approves these on a case to case basis. Company do not anticipate any problem.

Sustainable growth from new units: A big Q....?

Going forward, we believe as the new units come into production, revenues from them will compensate for the additional load of interest and depreciation. Now JSPL doubled its Steel and pellet plant capacities and increased its power production by 2.5 times. We believe the issues regarding with the 4th quarter is a onetime problem we see a significant revenue growth after H1FY15. Despite challenges of slowing domestic steel demand, JSPL is trying to manage its steel business by raising retail and export sales. Recently commissioned Angul is likely to add to steel production, while growth in sales of CPP power is contingent on merchant market.

We believe JSPL has made significant investments to drive long term earnings growth. There are some near term challenges in both power and steel segments. Company's net sales realization has gone up 8 per cent in the fourth quarter of FTY14, with retail steel sales surging and exports showing a 160 per cent increase. For JSPL on a standalone basis EBITDA increased by 2 per cent. With the increase in capacity Company also expanding its export market reach (15% of total revenue

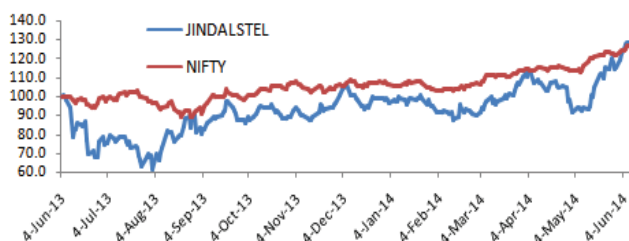
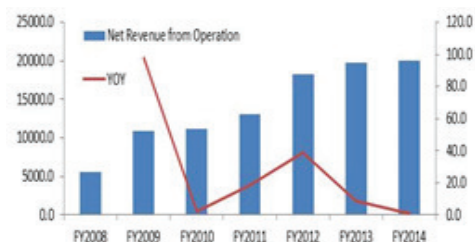
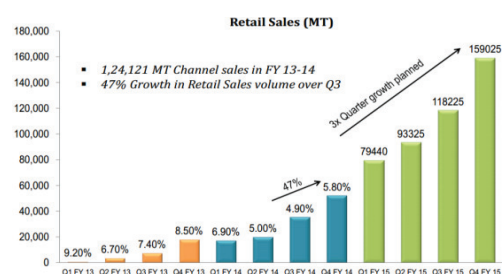
for FY15) because that is one of the marketing strategies for meeting sales targets from new capacities. Things seem to be moving in the right direction.

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Valuation & Recommendation

Currently the JSPL'S share trading at 1.2x in its one-year forward price to book graph and has a market PE of 14x. Currently company had announced Rs.1.6 per share as a dividend to the investors. Earlier we recommended buy with a target of 310, which was achieved by the stock in previous week, the stock was accumulated to a 30% upside level in previous month. Looking at the positive senario we believe there still exist some upside level for the stock, We valued the stock for FY15 and arrived at a Target price of Rs.378. which is 13% upside level from CMP. Hence We recommend Buy on the stock at correction dips.

	2013	2014
STEEL - India	3 MTPA	5.5 MTPA
POWER - JPL	1000 MW	3400 MW
OMAN - Steel	0 MTPA	2 MTPA
PELLET	4.5 MTPA	9 MTPA



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P/L PERFORMANCE	FY11	FY12	FY13	FY14
Net Revenue from Operation	13112	18209	19807	20004
Other Income	82	142	136	66
Total Income	13194	18351	19943	19906
Cost Of Projects & Contractual	5078	5311	6151	6278
Employee benefit Expende	415	591	641	795
Other Expenses	1303	5513	7020	7155
Expenditure	6795	11415	13812	14228
EBITDA	6317	6793	5994	5776
Depreciation	1151	1386	1539	1829
Interest Cost	260	360	758	1501
PBT	4988	5189	3833	2512
Net tax expense / (benefit)	1184	1186	922	618
PAT	3754	3965	2910	1910
ROE%	27	22	14	8
P/B	4.6	2.8	1.5	1.2
B/S PERFORMANCE	FY11	FY12	FY13	FY14
Share capital	93	93	93	91
Reserve & Surplus	14017	18018	21159	22519
Total equity	14110	18111	21252	22611
Long-term borrowings	5549	11180	15402	25900
Short-term borrowings	8428	4569	8247	8330
Long-term provisions	25	34	33	49
Trade payables	2573	1251	1398	2752
Short-term provisions	3081	4111	4884	5558
Total liabilities	36091	45008	57073	74072
Intangibles	20	31	20	52207
Tangible assets	14824	16463	19255	0
Capital work-in-progress	10041	92	19230	0
Long-term loans and advances	1527	2181	2421	2920
Inventories	2773	3580	4524	4881
Trade receivables	1154	1307	1954	1772
Cash and bank balances	480	149	200	1015
Short-term loans and advances	4852	6927	8079	9667
Total Assets	36091	45008	57073	74072
RATIOS	FY11	FY12	FY13	FY13
P/B	4.6	2.8	1.5	1.2
NPM %	28.5	21.6	14.6	9.6
EBITDA %	47.9	37.0	30.1	29.0
ROCE%	12.8	11.2	6.1	3.2
Weighted Average Cost of Debt %	1.9	2.3	3.2	4.4