

JSW Steel (JSTL) - BUY

Result Update

Current Market Price (CMP) Rs.1253	Fair Value (FV) Rs.1450
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Rationale:

- JSTL’s Q1FY27 consolidated adjusted EBITDA came in ahead of estimates on higher realizations.
- India steel margins expanded to Rs15,110/ton (+23.3% qoq) in Q1FY27.
- We expect margins to soften due to adverse seasonality in Q2FY27 for long product prices and elevated coal costs, partly offset by stronger volumes.
- Completed the BPSL JV transaction & remains on track for ~49 mtpa capacity by FY30.
- A robust expansion pipeline and margin-accretive projects should keep earnings and margins on an uptrend.
- Recent correction makes risk-reward attractive. Upgrade to BUY.

👍 Positives:

- JSTL standalone EBITDA beat our estimates on improved realizations.
- Growth visibility remains robust.
- STL has robust growth pipeline until FY30.
- JSTL's EBITDA/ton increased sequentially on higher prices.
- JSTL's net debt decreased qoq on BPSL deconsolidation.
- JSTL's net debt/EBITDA is expected to remain comfortably below stated levels of 3X.

👎 Negatives:

- Seasonal softness to impact margins in Q2FY27E.
- JSTL's volumes declined in Q1FY27.

(CAGR - Compound Annual Growth Rate, EBITDA - Earnings Before Interest, Taxes, Depreciation, and Amortization, EPS- Earning Per Share,)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months