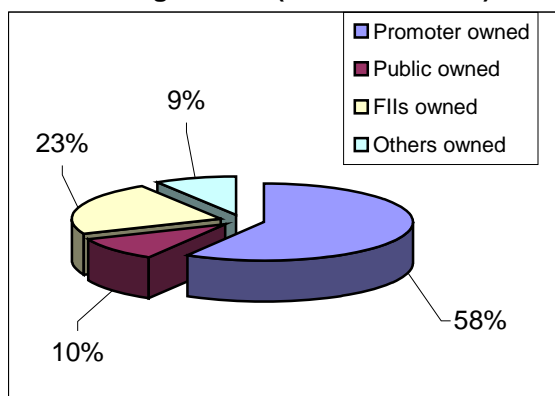


Stock statistics	29 July 2008
Market Cap (Rs Mn) :	295077.32
52-Week high/low (Rs) :	3356.00/708.00
Face value :	1.00
BSE Code :	532286
NSE Code :	Jindalstel
Industry :	Steel
Shares outstanding :	15,46,52,683
Avg. daily vol. (30 days) :	305.90

Jindal Steel & Power Limited (JSPL) is a part of the US\$ 4billion Jindal Organisation. The company is primarily engages in steel manufacturing and power generation in India. Its steel products include rails, coils and plates in various steel grades, medium and large size hot rolled parallel flange beams, and carbon steel and alloy steel grades, including slabs, blooms, rounds, and billets. It also produces sponge iron and ferro chrome. JSPL offers heavy machinery, including gear boxes up to single piece weight 17 MT; equipment for sponge iron plant, such as shell, support roller assembly, base frames, tyres, girth gears, and rotary feeders; and material preparation and handling equipment comprising coal crusher, roller crusher, jaw crusher, briquetting machine, E.O.T. cranes, and scrap charging bucket. Further, JSPL engages in the generation and trading of power. Jindal Power Ltd. (JPL) a subsidiary of Jindal Steel & Power Ltd, is setting up a 1000 MW OP Jindal Super Thermal Power Plant at Raigarh, Chhattisgarh, with an investment of over Rs. 4,500 crores. Additionally, it involves in mining, processing, and marketing diamond, precious stones, semi precious stones, and other minerals and metals.

Shareholding Pattern (as on 31 Mar'08)



Investment Rationale

Key Statistics (as on 29 July 2008)

CMP	:	1908
BV	:	263.39
PE	:	21.15
PB	:	7.24
Beta	:	1.32
Turnover (Rs Mn)	:	117.83
Net worth (Rs Mn)	:	24934.90

- Jindal Steel & Power is planning to invest Rs 32 billion in coal-to-liquid plan for extracting 80,000 bpd of oil by synthesizing coal.
- Jindal Power (JPL), a subsidiary of Jindal Steel & Power, commenced power generation at third unit of 250 MW from Jun. 15, 2008. With the commissioning of this unit, JPL now has power generation capacity of 750 MW.
- Jindal Power (JPL), a subsidiary company of Jindal Steel, entered into a Memorandum of Understanding (MOU) with the state government of Jharkhand for setting up of 2,640 MW (4X660 MW) power project in the state of Jharkhand at an estimated cost of Rs 118.80 billion. In terms of this MOU, the state government would provide all necessary assistance, including providing state-level clearances, selecting coal blocks within the state and recommending Centre for allocation of coal blocks, among others.
- The company is planning to build a Rs 50-billion thermal power plant in Orissa, The company plans to build a 1,080-mw, coal-fired captive power plant to fuel its 6-million ton (mt) proposed Orissa steel plant.
- JSPL has been granted the mining rights for 20 Bn tonnes of iron ore reserves from El Mutun, Bolivia, which is one of the largest iron ore reserves in the world. JSPL plans to invest USD 2.1 bn over the next 8 years.

FINANCIAL STATEMENT ANALYSIS

Rs. in million

Particulars	Q1FY08	Q2FY08	Q3FY08	Q4FY08	Q1FY09
Total Income	12231.30	12690.40	13956.10	15229.70	18953.10
Growth (%)	-----	3.75	9.97	9.13	24.45
Total Expenditure	7439.50	7283.70	8632.50	9437.20	11897.60
Operating Profit	4791.80	5406.70	5323.60	5792.50	7055.50
Growth (%)	-----	12.83	(1.54)	8.81	21.80
OPM	39.18	42.60	38.15	38.03	37.23
Other Income	96.00	29.00	118.00	248.20	74.30
EBIDTA	4887.80	5435.70	5441.60	6040.70	7129.80
EBITDA margin	39.96	42.83	38.99	39.66	37.62
Depreciation	1114.70	1178.20	1187.90	1035.00	1057.00
PBT	3773.10	4257.50	4253.70	5005.70	6072.80
Interest	370.80	791.00	499.70	603.40	474.80
Tax	901.20	691.80	563.50	499.00	1574.90
Adjusted PAT	2501.10	2774.70	3190.50	3903.30	4023.10
Growth (%)	-----	10.94	14.99	22.34	3.07
Adjusted NPM	20.45	21.86	22.86	25.63	21.23
Reported PAT	2501.10	2774.70	3190.50	3903.30	4023.10
EPS	16.24	18.02	20.72	25.35	26.12
Cash EPS	23.48	25.67	28.43	32.07	32.99
Equity Capital	154.00	154.00	154.00	154.00	154.00

The company posted excellent financial figures for the quarter ended June 2008. The net sales for the company gone up by 54.96% to Rs 18953.10 million for the Q1FY09 as against the net sales of Rs 12231.30 million for the Q1FY08. The operating profit for the company stood at Rs 7055.50 million for the Q1FY09 in comparison to the operating profit of Rs 4791.80 million for Q1FY08 with the growth rate of 47.24%. The company posted the EBITDA of Rs 7129.80 million for the Q1FY09 as against the EBITDA of Rs 4887.80 million for the Q1FY08 with the growth rate of 45.87%. The net profit for the company rose to Rs 4023.10 million for the Q1FY09 in comparison to net profit of Rs 2501.10 million for the Q1FY08 with the growth rate of 60.85%. The net profit margin rose 21.23% for Q1FY09 in comparison to 20.45% for Q1FY08, clearly showing the strength of the company. The EPS for the company stood at Rs 26.12 for the quarter ended in June 08 versus the EPS of Rs16.24 for the quarter ended June 07. The cash EPS of the company stood at Rs.32.99 for the quarter ended in June 08 versus the cash EPS of Rs.23.48 for the quarter ended in June 07. The EPS on TTM (Trailing twelve months) stood at Rs 90.21 for the company. The company is expected to post strong results for the quarter ended September 2008 and for the full financial year ended FY09.

Valuation

Firm steel prices, higher volumes and greater contribution from the power business are likely to drive earnings growth for Jindal Steel & power Ltd. The company has shown growth in all its major products: metallics, steel products & power. JSP unlike its peers JSW Steel and Tata Steel would be relatively unaffected by increase in raw material costs—the company has captive source for meeting its iron ore and coal requirements thereby insulating it from increase in iron ore and coal prices. Low-cost sponge iron operations along with backward integration (it has captive power plant) have helped the company improve its profitability over the past few years. In the long run, the company is likely to benefit from its power business, thereby mitigating the risk associated with the cyclical business.

The stock at the current market price of Rs 1908 is trading 21.15 times to its earnings of 90.21 Rs (TTM) and 7.24 times to its book value of Rs 263.39.

We initiate a 'BUY' signal on the stock at the current levels with a target of Rs 2600 in the medium to long-term investment horizon with an appreciation of 36.27%.

E-Mail : research@hemonline.com

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