

11 May 2007

Not RatedPrice
Rs301

Sensex - 13,796

Price Performance

(%)	1M	3M	6M	12M
Absolute	25	37	68	36
Rel. to Sensex	19	45	60	25

Source: Capitaline

Stock Details

Sector	Financial Services
Reuters	JNSW.BO
Bloomberg	SWH@IN
Equity Capital (Rs mn)	111
Mkt. Cap (Rs bn)	3.3
Face Value (Rs)	10
52 Week H/L	Rs 981/724
Daily Avg Volume (No of shares)	7806
Daily Avg Turnover (US\$ mn)	0.1

Shareholding Pattern (%)

Promoters	55.9
FII's /NRI's	20.1
Institutions	8.0
Private Corp	3.0
Public	13.0

Source: BSE,31.12.2006

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Jindal South West Holding Co.Short
Note**Waiting for value unlocking**

Jindal South West Holding Company (JSWHC) is one of the promoter companies of JSW group. The total equity of the company is Rs11Cr. At CMP of Rs301, the market capitalization of the company is Rs334 Cr. JSWHC holds 10.7% of the total equity of JSW Steel Limited (Bloomberg code JSTL, market cap Rs 9,783Cr) directly and 0.8% indirectly through another investment company of the JSW group Sun Investments Limited. JSWHC holds 41% in the total equity of Sun Investments. Sun Investments holds 9.42 of the total equity of Jindal Steel and Power Limited (JSPL, Bloomberg code JSP@IN, M.Cap- Rs9,23Cr). The current market value of the stake in JSPL is Rs849Cr. Based on the partial list of investments, market value of JSWHC is over Rs.1535Cr and its market capitalization is currently at Rs334cr. The company does not have any debt on its books.

JSWHC is an illiquid scrip with 2 week average volume of 1715 shares. However over the last few days, the volumes have started rising. We are presently having a coverage on JSW Steel Limited. The JSW group and the Jindal group is currently undergoing restructuring, where various inter-group holdings will be likely separated. We believe such investment companies will provide huge value unlocking once the re-structuring of the Jindal group is initiated. The total market value of the investment of JSWHC is nearly 4.5x the market capitalization of the company itself. Further growth in the market value of the investments is highly likely as the steel sector is currently undergoing a strong steel cycle.

Valuation

We value the stock at a comparable valuation to Tata Investment Corporation Ltd that is also an investment arm of Tata group

Company	Total Balance Sheet Size	Total investment		Market Cap (Rs Cr.) as at 10/05/2007	M.Cap at discount to MV of inv
		At cost (Rs Cr)	Market Value (Rs Cr.) as at 10/05/2007		
Tata Inv. Corp	606	624	1875	1351	28%
JSWHC	538	442	1535	334	78%

We believe JSWHC is currently valued at a substantial discount to its NAV. We note that holding companies are valued at a discount of 20%-40% to their NAV. E.g., Tata Investment Corporation is trading at a discount of 28% to its NAV. However, JSWHC is currently trading at a discount of 78% to its estimated NAV. We believe the discount will narrow over time. We estimate the discount of 78% to come down to at least 50% which translates into a market cap of Rs767Cr implying an upside of 130% from the current levels. Even at 50% discount to its NAV, the stock can appreciate upto Rs681/share.

Partial List of Investments of JSWHC

Quoted Equity Shares	Face Value	No. of shares	TotalCost(Rs Cr)	CMP as at 10/05/07	Current Market value (Rs Cr.)
JSW Steel Ltd.	10	17,834,923	361	596	1,063
Nalwa Sons Investments Ltd.	10	25,014	0	351	1
Jindal Stainless Ltd.	2	460,720	1	149	7
Jindal Steel &Power Ltd.	5	122,860	2	2,930	36
Amal Rasayan Ltd.	10	143			
Total Market Value of the Investments			364		1107

Unquoted Shares	Face Value	No. of shares	TotalCost(Rs Cr)	CMP as at 10/05/07	Current Market value (Rs Cr.)
Sun Investments Pvt. Ltd.	10	29,119,300	66	23	
BPM Industries Ltd.	0 1	1,000	0	27	
Jindal Coated Steel Pvt. Ltd.	10	11,000,000	9	8	
Jindal Overseas Pte. Ltd.	S\$1	153,000	0	2	
Midland Steel Processors Ltd.	10	200,000	-		
JSW Energy Ltd.	10	100	0	17	
Total Book value of Unquoted Investment apart from Sun investments			9		-

JSWHC hold s 42% in Sun Investments Ltd. Key Investments of Sun Investments Ltd are as:

Quoted Equity Shares	Face Value	No. of shares	Total Market Value(Rs Cr)
Jindal Steel and Power Limited	10	2,899,298	849
JSW Steel Limited	10	3,015,500	180
Value of quoted investments in Sun Investments Ltd.			1029
Holding of JSWHC in Sun investments			41%
Attributable Market value of investments in Sun Investments Ltd.			419

Source: Emkay Research

Total value of direct/Indirect Investments held by JSWHC

Total Value of Investment held by JSWHC directly	Rs 1107 Cr
Total Value of Investments held by JSWHC indirectly Through Sun Investments	Rs 419Cr
Total Book Value of unquoted investments apart from Sun Investments Ltd.	Rs 9Cr
Total Investment value (based on partial list of Investments available)	Rs 1535

Source: Emkay Research

Income Statement of JSWHC

All fig in Rupees

	FY06	FY05
Dividend	82,675,725	50,471,588
Interest Received	18,308,513	3,652,932
Profit on sale of Investments	20,192,578	1,941,570
Total Income	121,176,816	56,066,090
Total Expense		
Personnel Cost	3,630,196	1,534,004
Other expenses	4,054,723	1,070,114
Preliminary Expenses W/off	224,222	163,665
Depreciation	193,395	21,790
NPA Provisioning	42,553,000	0
Reversal of Income on NPA	5,505,644	0
	56,161,180	2,789,573
PBIT	65,015,636	53,276,517
Provision for Tax		
Current Tax	3,915,000	465,000
FBT	53,261	0
Deferred Tax	123,693	-137,101
PAT	60,923,682	52,948,618
Basic and Diluted EPS	5.49	4.77

Source: Company Annual Report

Balance Sheet of JSWHC

All fig in Rupees

	31/3/2006	31/3/2005
Sources of Funds		
Shareholders Funds		
a) Share Capital	110,996,250	110,996,250
b) Reserves and Surplus	5,273,029,439	5,212,105,757
Deferred Tax Liability -Net	20,000	0
TOTAL	5,384,045,689	5,323,102,007
Application of Funds		
Fixed Assets		
Gross Block	752,346	656,866
Less :Depreciation	215,185	21,790
Net Block	537,161	635,076
Investments	4,428,451,800	4,308,819,662
Deferred Tax Asset -Net	-	103,693
Current Assets	1,003,285,066	1,013,598,797
Less :Current Liabilities	-49,983,422	-1,428,964
Net Current Assets	953,301,644	1,012,169,833
Misc Exp not w/off	1,755,084	1,373,743
TOTAL	5,384,045,689	5,323,102,007

Source: Company Annual Report

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