

Sharp fall in realization; Capex timeline stretched

JSPL reported lower-than-expected consol Adj EBITDA of Rs22.1bn (CentrumE: Rs27.1bn), down 18% QoQ primarily due to sharp fall in realisation by ~10% QoQ. Besides, inventory loss recorded on liquidating high cost inventory which partially offset benefit from fall in coking coal cost by USD70/t. As a result, adjusted standalone EBITDA/t stood at Rs11,164 (CentrumE: Rs13,584/t), down Rs3,320/t QoQ and Consol Adj EBITDA/t stood at Rs11,010, down Rs3,686/t QoQ. The realisation has increased by 2-3% QoQ but coking coal cost has also moved up by USD50-60/t for Q3FY24. The capex project cost is now estimated at Rs310bn and Rs75-100bn/year capex cost. It is likely to complete by FY26-end. We expect ramp up to gradually start from FY26 onwards. Hence, we cut our estimate for volumes by 6%/15% and EBITDA by 30%/24% for FY24/25 respectively. We rollover to mid-FY26E and value at 5.5x EV/EBITDA, arriving at target price of Rs662 (Earlier: Rs764). We downgrade to ADD (Earlier: BUY)

EBITDA down 12% due to lower realisation

Consolidated revenue decreased by 3% QoQ to Rs122.5bn on account of sharp decline in steel prices. Sales volume stood higher at 2.01mt up 9% QoQ. While realisation/t decline by Rs 6797 (10%). Besides, inventory loss recorded on liquidating high cost inventory which partially offset benefit from fall in coking coal cost by USD70/t. As a result, consolidated adj EBITDA decreased by 18% QoQ to Rs22.1bn. Exports stood at 13% of total sales (vs 10% in Q1FY24). JSPL has commissioned 6mtpa pellet plant and start production from December 2023 and also gradually ramp up coal production from Gare Palma IV/6.

Net debt/EBITDA at 0.77x

During H1FY24, it spent Rs36.5mn and guided growth capex of Rs75-100bn. JSPL to commission additional 6mtpa pellet capacity by FY26. The 5.5mtpa HSM capacity is delayed by a quarter and is expected to commission by Q3FY24 end. While BF-BoF, slurry pipeline and another 6mtpa pellet capacity to commission by FY25 end.

Downgrade to ADD rating with target price of Rs662

The delay in capex project completion has derailed volume ramp up expectation. As a result, sales volume growth is likely to pick up from FY26 onwards. Further benefit from various levers like, slurry pipeline, and increased pellet volume of 12mtpa along with better product mix to augur well in earnings gradually from FY26 onwards. Increase in capex project cost to Rs310bn will increase net debt position to certain extent but cap of 1.5x Net Debt/EBITDA is likely to sustain. We value stock at 5.5x average FY25E/FY26E EV/EBITDA and arrive at target price of Rs662. Downgrade to ADD rating.

Financial and valuation summary

YE Mar (Rs mn)	2QFY24A	2QFY23A	YoY (%)	1QFY24A	QoQ (%)	FY24E	FY25E	FY26E
Revenues	1,22,502	1,35,214	(9.4)	1,25,883	(2.7)	4,50,434	4,75,068	6,11,531
EBITDA	22,857	19,314	18.3	26,280	(13.0)	83,709	1,13,554	1,59,795
EBITDA margin (%)	18.7	14.3	30.6	20.9	(10.6)	18.6	23.9	26.1
Adj. Net profit	13,878	11,178	24.2	16,869	(17.7)	37,372	56,866	89,310
Adj. EPS (Rs)	13.6	11.0	24.2	16.5	(17.7)	36.6	55.7	87.6
EPS growth (%)							52.2	57.1
PE (x)						17.3	11.4	7.2
EV/EBITDA (x)						8.8	6.4	4.4
PBV (x)						1.5	1.4	1.1
RoE (%)						9.2	12.7	17.2
RoCE (%)						7.9	10.8	14.5

Source: Company, Centrum Broking

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Result Update

India I Metals & Mining

01 November, 2023

ADD

Price: Rs634

Target Price: Rs662

Forecast return: 4%

Institutional Research

Market Data

Bloomberg:	JSP IN
52 week H/L:	723/446
Market cap:	Rs646.5bn
Shares Outstanding:	1020.1mn
Free float:	38.8%
Avg. daily vol. 3mth:	20,29,600

Source: Bloomberg

Changes in the report

Rating:	ADD; downgrade from BUY
Target price:	Rs662; down 13%
Adj EPS:	FY24E: Rs36.6, down 42%
	FY25E: Rs55.7, down 3%

Source: Centrum Broking

Shareholding pattern

	Sep-23	Jun-23	Mar-23	Dec-22
Promoter	61.2	61.2	61.2	61.2
FIIIs	12.2	12.7	13.4	13.1
DIIIs	14.6	14.4	13.5	13.8
Public/other	12.0	11.7	11.9	11.9

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q2FY24	Actual Q2FY24	Variance (%)
Revenue	1,28,090	1,22,502	-4.4
EBITDA	27,094	22,857	-15.6
EBITDA margin	21.2	18.7	
Adj. PAT	13,515	13,878	2.7

Source: Bloomberg, Centrum Broking

Metals & Mining



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Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	4,50,434	4,78,747	-5.9	4,75,068	5,60,036	-15.2
EBITDA	83,709	1,18,912	-29.6	1,13,554	1,49,395	-24.0
EBITDA margin %	18.6	24.8		23.9	26.7	
Adj. PAT	37,372	64,510	-42.1	56,866	85,609	-33.6
Diluted EPS (Rs)	36.6	63.2	-42.1	55.7	83.9	-33.6

Source: Centrum Broking

JSPL versus NIFTY 50

	1m	6m	1 year
JSP IN	(9.6)	8.7	37.8
NIFTY 50	(2.8)	5.6	5.9

Source: Bloomberg, NSE

Key assumptions

Particulars	FY23	FY24E	FY25E	FY26E
Steel sales (mt)	7.7	7.8	8.4	10.9
Blended steel realisation-derived (Rs/t)	66,641	55,312	54,206	54,206
EBITDA/t - Steel (Rs)	12,936	10,745	13,512	14,632

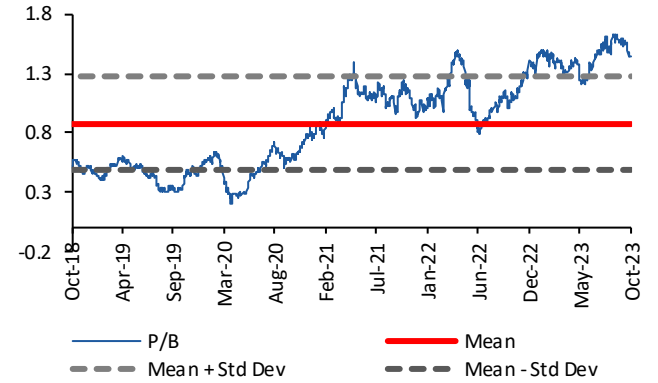
Source: Centrum Broking

Valuations

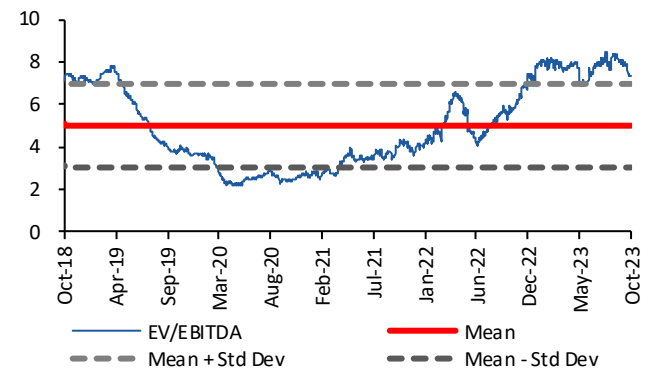
We value JSPL at 5.5x average FY25E/FY26E EV/EBITDA and arrive at TP of Rs662. We recommend ADD.

Valuations	Rs/share	
Particulars (Rs mn)	FY25E	FY25E
EBITDA	1,13,554	1,59,795
Multiple (x)	5.5	5.5
EV	6,24,549	8,78,872
Average Net debt	85,569	67,381
Derived Market-Cap	5,38,980	8,11,492
No. of shares (m)	1,020	1,020
per share	528	796
Average TP (FY25/FY26)	662	

P/B mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

Peer comparison

Company	Mkt Cap (Rs mn)	CAGR (FY23-25E)			P/E (x)			EV/EBITDA (x)			FY25E		
		Sales	EBITDA	EPS	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	RoE (%)	ROCE (%)	Div. Yield
Tata Steel	14,50,223	25.0	2.9	-0.3	16.7	3.6	16.8	5.7	3.2	6.6	42.9	24.6	4.3
JSW Steel	17,66,520	44.8	-4.0	-33.2	22.2	8.3	49.7	8.1	5.9	12.8	37.5	19.6	2.4
JSPL	6,45,723	23.5	-12.9	26.5	16.8	7.9	10.5	4.4	4.7	7.2	24.3	18.3	0.5
SAIL	3,46,386	23.5	-20.7	-34.3	9.1	2.8	21.1	5.5	2.4	8.1	25.9	18.1	10.4

Source: Company, Centrum Broking

Key Concall Highlights

- Crude steel production in Inaia witnessed a remarkable 20% YoY growth in Q2FY24, demonstrating a substantial increase in output during that period. The finished steel consumption also showed robust growth. In Q2FY24, it recorded a remarkable 19% YoY increase due to increase in domestic demand.
- The volume was up by 9% QoQ at 2.01mt. Exports share stood at 13% of total sales mix. Company expects domestic demand to be remain robust in H2FY24.
- Realisation was down ~Rs6800/t QoQ on back of steel price not in favour during the quarter.
- The coking coal price declined by USD70/t QoQ during the quarter. With sharp rise in international prices, in Q3FY24 average cost is expected to increase by USD50-60/t QoQ
- The 6mtpa pellet plant is under which was previously to be commissioned by Q1FY25, now delayed to FY26 . The entire production will captively used at Angul plant. The 5.5mtpa HSM is expected to commission by Q3FY24 delayed by a quarter. The 4.6mtpa blast furnance is on course to commission by Q4FY25.
- With commissioning of pellet plant and HSM, JSPL can double up its existing capacity at Angul.
- The slurry pipeline is progressing slow and expected to completed by Q4FY25.
- JSP's Net debt stood at Rs 73bn as at Sep-23 end (vs. Rs 6,8bn as at Jun-23 end). Net debt to EBITDA stood at 0.77x. Balance sheet continues to strengthen while supporting the on-going capex. The total capex for the quarter was Rs1,8bn driven by the expansion projects in India.
- JSPL has set bar to cap Net Debt/EBITDA to 1.5x in across steel cycles. This implies, it won't go for any large acquisitions.
- The total Capex expected to be incurred amounts to a substantial Rs310bn by the end of FY 26 out of which 200bn is for capacity expansion and rest for Margin, ACCP-II and Coal Mines.
- All the investment made by Jindal steel and power will likely to gain return by 18-20%

Exhibit 1: Quarterly financials

Rs mn	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY(%)
Consolidated							
Net Sales	1,35,214	1,24,524	1,36,919	1,25,883	1,22,502	-2.7	-9.4
EBITDA	19,314	23,775	21,873	26,280	22,857	-13.0	18.3
Margin (%)	14.3	19.1	16.0	20.9	18.7	-10.6	30.6
Interest	-3,648	-3,461	-3,712	-3,291	-3,294	0.1	-9.7
Depreciation	-6,143	-6,077	-8,729	-5,875	-6,037	2.8	-1.7
PBT	9,528	14,408	9,590	17,667	13,845	-21.6	45.3
Adj PAT	11,178	8,971	6,161	16,869	13,878	-17.7	24.2
Standalone							
Steel sales volume (mt)	2.01	1.90	2.03	1.84	2.01	-9.4	5.7
Net Sales	1,31,071	1,18,323	1,33,923	1,23,106	1,20,818	-8.1	-4.2
Realisation (Rs/t)	65,209	62,275	65,972	66,905	60,108	1.4	-9.4
EBITDA	18,377	22,445	21,402	26,533	23,121	24.0	-19.9
Margin (%)	14.0	19.0	16.0	21.6	19.1	34.9	-16.4
Conversion cost/t	56,066	50,462	55,429	52,485	48,605	-5.3	-4.2
YoY% change	2.3	(10.0)	9.8	(5.3)	(7.4)	-154.0	-247.2
EBITDA/t (Rs)	9,143	11,813	10,543	14,420	11,503	36.8	-24.2
Interest	-3,198	-3,435	-3,646	-2,579	-2,579	-29.3	0.0
Depreciation	-5,445	-5,443	-5,376	-5,399	-5,545	0.4	0.1
PBT	9,816	13,664	12,483	18,696	15,256	49.8	-26.2
PAT	-4,732	-45,123	7,892	13,995	11,086	77.3	-78.9

Source: Centrum Broking, Company Data

Exhibit 2: Per tonne analysis (Standalone)

on per tonne basis (Rs)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY(%)
Realisation	65,209	62,275	65,972	66,905	60,108	-10.2	-7.8
RM cost	31,970	26,722	30,634	27,046	27,861	3.0	-12.9
Staff	1,109	1,174	1,112	1,144	1,130	-1.3	1.9
Other Expenses	21,402	21,976	20,892	21,178	18,059	-14.7	-15.6
Conversion cost	54,480	49,872	52,639	49,368	47,050	-4.7	-13.6
EBITDA	9,143	11,813	10,543	14,420	11,503	-20.2	25.8

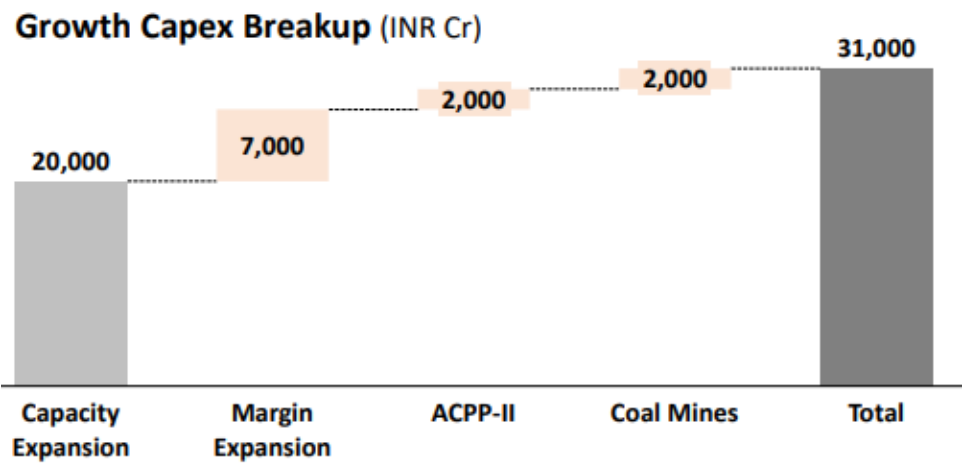
Source: Centrum Broking, Company Data

Exhibit 3: Doubling capacity to 15.9mtpa; project timeline

Projects	Capacity	FY24	FY25	FY26	Indicative Timeline
Pellet Plant – I	6 MTPA	Commissioned			
HSM	5.5 MTPA	→			Q3FY24
Slurry Pipeline	18 MTPA	→			Q1FY25
Pellet plant – II	6 MTPA	→			Q4FY25
BOF – II	3.3 MTPA	→			Q4FY25
ASU, Coke oven, RMHS	-	→			Q4FY25
BF – II	4.6 MTPA	→			Q4FY25
ACPP – II	1050 MW	→			Q4FY25
BOF – III	3 MTPA	→			Q4FY25
DRI – II	1.8 MTPA	→			Q4FY25
CRM Complex	1.2 MTPA	→			Q4FY25
Plate Mill	0.5 MTPA	→			Q3FY26

Source: Centrum Broking, Company Data

Exhibit 4: Capex breakup



Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	5,10,856	5,27,112	4,50,434	4,75,068	6,11,531
Operating Expense	2,93,623	4,16,420	3,18,063	3,10,749	3,98,627
Employee cost	8,707	11,343	10,815	11,470	12,170
Others	53,392	0	37,847	39,295	40,939
EBITDA	1,55,134	99,349	83,709	1,13,554	1,59,795
Depreciation & Amortisation	20,968	26,910	27,112	30,312	33,512
EBIT	1,34,167	72,439	56,597	83,242	1,26,283
Interest expenses	18,877	14,459	6,264	6,846	5,390
Other income	504	570	0	0	(1,407)
PBT	1,15,793	58,551	50,333	76,397	1,19,485
Taxes	29,245	12,923	12,961	19,531	30,175
Effective tax rate (%)	25.3	22.1	25.8	25.6	25.3
PAT	86,548	45,628	37,372	56,866	89,310
Minority/Associates	(4,701)	15,809	0	0	0
Recurring PAT	81,846	61,437	37,372	56,866	89,310
Extraordinary items	(4,062)	(13,695)	0	0	0
Reported PAT	77,784	47,742	37,372	56,866	89,310

Ratios					
YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	47.9	3.2	(14.5)	5.5	28.7
EBITDA	18.5	(36.0)	(15.7)	35.7	40.7
Adj. EPS	113.3	(24.9)	(39.2)	52.2	57.1
Margins (%)					
Gross	42.5	21.0	29.4	34.6	34.8
EBITDA	30.4	18.8	18.6	23.9	26.1
EBIT	26.3	13.7	12.6	17.5	20.7
Adjusted PAT	15.2	9.1	8.3	12.0	14.6
Returns (%)					
ROE	24.3	16.5	9.2	12.7	17.2
ROCE	18.3	11.2	7.9	10.8	14.5
ROIC	20.3	12.3	8.7	11.6	16.1
Turnover (days)					
Gross block turnover ratio (x)	0.9	0.9	0.7	0.6	0.7
Debtors	14	8	7	7	6
Inventory	47	46	49	49	44
Creditors	33	34	39	39	36
Net working capital	60	36	29	30	44
Solvency (x)					
Net debt-equity	0.2	0.2	0.2	0.2	0.1
Interest coverage ratio	8.2	6.9	13.4	16.6	29.6
Net debt/EBITDA	0.6	0.7	1.0	0.7	0.3
Per share (Rs)					
Adjusted EPS	80.2	60.2	36.6	55.7	87.6
BVPS	349.2	379.5	413.1	465.9	550.5
CEPS	100.8	86.6	63.2	85.5	120.4
DPS	3.0	2.0	3.0	3.0	3.0
Dividend payout (%)	3.9	4.2	8.1	5.3	3.4
Valuation (x)					
P/E	-	10.5	17.3	11.4	7.2
P/BV	1.8	1.7	1.5	1.4	1.1
EV/EBITDA	4.7	7.2	8.8	6.4	4.4
Dividend yield (%)	0.5	0.3	0.5	0.5	0.5

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	1,020	1,020	1,020	1,020	1,020
Reserves & surplus	3,55,227	3,86,061	4,20,400	4,74,234	5,60,512
Shareholders fund	3,56,247	3,87,081	4,21,420	4,75,254	5,61,532
Minority Interest	14,705	3,110	3,110	3,110	3,110
Total debt	1,28,620	1,24,353	1,24,353	1,24,353	1,24,353
Non Current Liabilities	11,356	17,652	17,652	17,652	17,652
Def tax liab. (net)	72,762	59,366	59,366	59,366	59,366
Total liabilities	5,83,690	5,91,562	6,25,902	6,79,735	7,66,013
Gross block	5,90,464	5,97,809	6,77,809	7,57,809	8,37,809
Less: acc. Depreciation	(1,68,024)	(1,89,774)	(2,16,886)	(2,47,198)	(2,80,711)
Net block	4,22,440	4,08,035	4,60,923	5,10,610	5,57,098
Capital WIP	17,362	71,059	71,059	71,059	71,059
Net fixed assets	4,80,262	5,14,117	5,67,005	6,16,693	6,63,180
Non Current Assets	18,707	23,973	21,074	22,005	27,165
Investments	1,378	1,425	1,425	1,425	1,425
Inventories	72,814	58,868	61,703	65,078	83,771
Sundry debtors	12,641	9,745	8,327	8,783	11,305
Cash & Cash Equivalents	40,006	54,817	37,288	40,278	73,666
Loans & advances	1,253	957	818	863	1,110
Other current assets	1,39,375	30,370	25,980	27,391	35,204
Trade payables	52,519	47,004	49,363	52,062	67,017
Other current liab.	1,29,338	54,735	47,386	49,747	62,826
Provisions	888	971	971	971	971
Net current assets	83,343	52,047	36,397	39,612	74,243
Total assets	5,83,690	5,91,562	6,25,902	6,79,735	7,66,013

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	1,21,575	44,855	50,333	76,397	1,19,485
Depreciation & Amortisation	30,075	26,910	27,112	30,312	33,512
Net Interest	23,747	0	0	0	0
Net Change – WC	100	5,078	1,020	(1,156)	(6,403)
Direct taxes	(19,604)	(27,047)	(12,961)	(19,531)	(30,175)
Net cash from operations	1,60,478	58,296	65,504	86,022	1,16,420
Capital expenditure	(29,445)	(64,485)	(80,000)	(80,000)	(80,000)
Acquisitions, net	0	0	0	0	0
Investments	3,778	26,028	0	0	0
Others	2,353	(1,728)	0	0	0
Net cash from investing	(23,313)	(40,185)	(80,000)	(80,000)	(80,000)
FCF	1,31,033	(6,189)	(14,496)	6,022	36,420
Issue of share capital	18	0	0	0	0
Increase/(decrease) in debt	(1,18,284)	(4,008)	0	0	0
Dividend paid	(984)	(2,046)	0	0	0
Interest paid	(26,064)	(15,391)	(6,264)	(6,846)	(5,390)
Others	0	0	0	0	0
Net cash from financing	(1,45,314)	(21,445)	(6,264)	(6,846)	(5,390)
Net change in Cash	(8,150)	(3,334)	(20,760)	(823)	31,029

Source: Company, Centrum Broking

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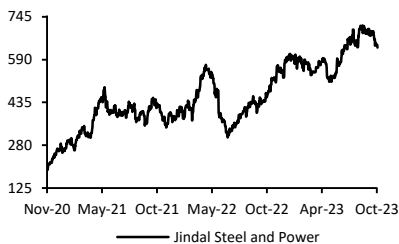
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Jindal Steel and Power



Source: Bloomberg

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