

Jindal Steel & Power

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR840

TP: INR960 (+14%)

Buy

Bloomberg	JSP IN
Equity Shares (m)	1020
M.Cap.(INRb)/(USDb)	856.9 / 9.9
52-Week Range (INR)	1097 / 709
1, 6, 12 Rel. Per (%)	-7/-8/5
12M Avg Val (INR M)	2085
Free float (%)	38.8

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	497	660	783
EBITDA	101	150	183
APAT	45	78	99
Adj. EPS (INR)	44	76	98
EPS Gr. (%)	-23.9	71.8	27.7
BV/Sh. (INR)	482	551	638

Ratios

Net D:E	0.2	0.2	0.1
RoE (%)	9.6	14.8	16.4
RoCE (%)	10.9	16.4	18.6
Payout (%)	10.0	10.0	10.0

Valuations

P/E (x)	18.7	10.9	8.5
P/BV (x)	1.7	1.5	1.3
EV/EBITDA(x)	9.5	6.3	5.0
Div. Yield (%)	0.5	0.9	1.2
FCF Yield (%)	1.3	4.4	7.8

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	61.2	61.2	61.2
DII	17.3	16.1	15.3
FII	11.8	13.0	13.5
Others	9.8	9.8	10.0

FII includes depository receipts

3Q result hit by weak volumes; new capex plans announced

- 3QFY25 revenue stood at INR118b (flat YoY/+5% QoQ), below our estimate of INR134b, due to lower-than-expected sales volumes. Sales volume came in at 1.9mt (+5% YoY/+3% QoQ) vs. our est. of 2.18mt. Production volume was at 1.99mt (+3% YoY/+1% QoQ). Owing to better long steel prices, ASP came in line at INR61,846/t (-4% YoY and +2% QoQ) during the quarter.
- EBITDA stood at INR22b (-23% YoY/flat QoQ) vs. our est. of INR27b, resulting in EBITDA/t of INR11,494/t (-27% YoY/-3% QoQ) vs. our est. of INR12,254/t. The QoQ per-ton decline was caused by cost escalation due to lower iron ore production from Tensa mine, which was partly offset by lower coking coal cost by USD39/t in 3Q.
- 3Q APAT stood at INR10b (-51% YoY/+10% QoQ) vs. our est. of INR11b.
- For 9MFY25, revenue was flat YoY at INR366b, whereas EBITDA declined by 7% YoY to INR72b and APAT fell 37% YoY to INR31b.
- Net debt increased to INR136b as on 3QFY25 vs. INR124b as of 2QFY25, leading to a net debt-to-EBITDA ratio of 1.4x (vs. 1.21x in 2QFY25), which management targets to keep below 1.5x.
- The company announced a new capex outlay of INR160b over the next three years aimed at efficiency improvement and cost reduction.

Highlights from the management commentary

- Coking coal costs declined by USD39/t in 3QFY25 and Management expects a further moderation of USD10/t in 4QFY25. Earnings are expected to be better in 4QFY25, driven by healthy volumes and lower costs.
- Management indicated that NSR will remain flat QoQ in 4QFY25. In 3Q, the sales split between Flat and Long was at 41% and 59%, respectively.
- In 3Q, the company's iron ore cost increased by INR96/t and the company expects it to moderate by INR100-200/t in 4Q.
- Management guided that BFS-BOF is in the last leg of commissioning and will reach its optimum utilization level by FY26 end.
- The new capex is not for any major capacity enhancement but for cost-saving initiatives.

Valuation and view

- JSPL's 3Q performance was below our estimates due to weak volumes and subdued realizations. Earnings should improve ahead, aided by volume ramp-up and cost reductions.
 - With the completion of its ongoing Angul expansion, JSPL's crude steel capacity will increase by 65% to 15.9mtpa and finish steel capacity by 90% to 13.8mtpa, providing significant headroom for earning growth.
 - The company has reduced its debt significantly, with a net debt-to-EBITDA ratio of 1.2x as of 3Q end. JSPL aims to keep the debt level in check ahead.
 - We cut our EBITDA estimates by 6%/17%/10% for FY25/FY26/FY27 to factor in a weaker-than-expected volume growth outlook. We also await further clarity on the new capex plans to assess its specific implications on earnings.
- We maintain our BUY rating with a revised TP of INR960, based on 5.5x FY27E EV/EBITDA. The stock is currently trading at 5x on EV/EBITDA and 1.2x on P/B FY27 estimates.**

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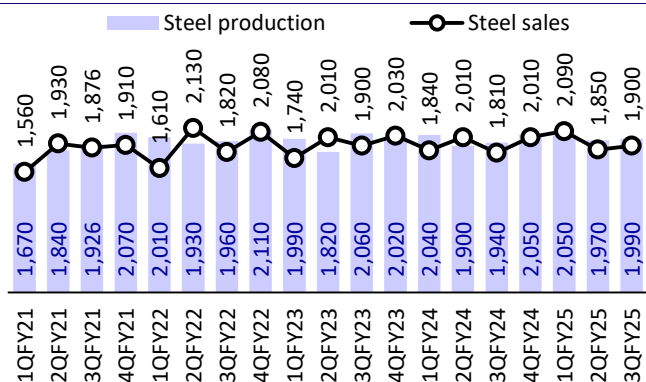
Consolidated quarterly performance

(INR b)

Y/E March	FY24				FY25				FY24	FY25E	FY25 3QE	Vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Sales (kt)	1,840	2,010	1,810	2,010	2,090	1,850	1,900	2,075	7,670	7,915	2,180	(12.8)
Change (YoY %)	5.7	-	(4.7)	(1.0)	13.6	(8.0)	5.0	3.2	(0.1)	3.2		
ASP	68,415	60,946	64,648	67,099	65,157	60,612	61,846	63,372	65,224	62,832	61,612	0.4
Net Sales	125.9	122.5	117.0	134.9	136.2	112.1	117.5	131.5	500.3	497.3	134.3	(12.5)
Change (YoY %)	(3.5)	(9.4)	(6.0)	(1.5)	8.2	(8.5)	0.4	(2.5)	(5.1)	(0.6)		
Change (QoQ %)	(8.1)	(2.7)	(4.5)	15.3	1.0	(17.7)	4.8	11.9				
Total Expenditure	99.6	99.6	88.6	110.4	107.8	90.1	95.7	102.8	398.2	396.4	107.6	
EBITDA	26.3	22.9	28.4	24.4	28.4	22.0	21.8	28.7	102.1	100.9	26.7	(18.2)
Change (YoY %)	(23.6)	18.3	19.6	11.8	8.0	(3.7)	(23.2)	17.4	2.7	(1.1)		
Change (QoQ %)	20.2	(13.0)	24.4	(14.0)	16.2	(22.5)	(0.7)	31.4				
EBITDA/t	14,283	11,372	15,705	12,162	13,585	11,893	11,494	13,829	13,306	12,752	12,254	(6.2)
Interest	3.3	3.3	3.2	3.2	3.3	3.3	3.1	4.0	12.9	13.7		
Depreciation	5.9	6.0	6.4	9.9	6.8	7.0	7.0	7.1	28.2	27.8		
Other Income	0.6	0.3	0.4	0.3	0.3	0.3	0.3	0.4	1.6	1.3		
PBT (before EO item)	17.7	13.8	19.3	11.6	18.6	12.1	12.0	18.0	62.5	60.7		
Extra-ordinary Income	-	-	-	-	-	-	-	-	-	-	-	
PBT (after EO item)	17.7	13.8	19.3	11.6	18.6	12.1	12.0	18.0	62.5	60.7	14.8	(19.2)
Total Tax	0.7	(0.1)	(0.0)	2.3	5.2	3.5	2.5	4.3	3.0	15.5		
% Tax	4.2	(0.4)	(0.1)	19.8	28.0	29.1	20.7	23.7	4.8	25.5		
PAT (before MI/Sh. Asso.)	16.9	13.9	19.3	9.3	13.4	8.6	9.5	13.7	59.5	45.2		
MI - Loss/(Profit)	0.0	0.0	(0.0)	(0.0)	-	(0.0)	-	-	0.0	-		
Associate	(0.0)	(0.0)	0.0	0.0	-	-	-	-	(0.0)	-		
PAT (after MI and Sh. of Asso.)	16.9	13.9	19.3	9.4	13.4	8.6	9.5	13.7	59.4	45.2		
Adjusted PAT	16.9	13.9	19.3	9.4	13.4	8.6	9.5	13.7	59.4	45.2	11.1	(14.4)
Change (YoY %)	15.3	102.2	114.9	51.8	(20.7)	(38.0)	(50.7)	46.9	62.3	(23.9)		
Change (QoQ %)	173.8	(17.7)	38.9	(51.5)	43.0	(35.7)	10.4	44.5				

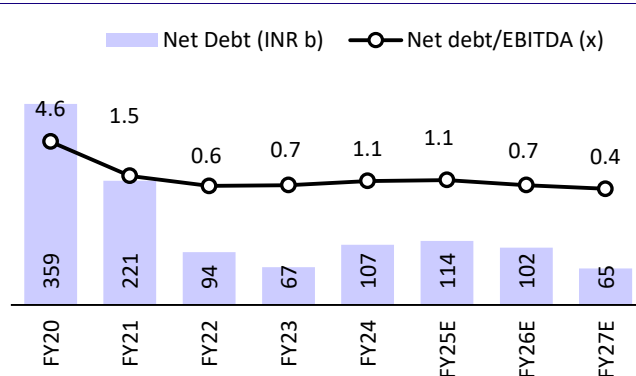
Story in charts

Exhibit 1: Production volume declined QoQ in 3QFY25



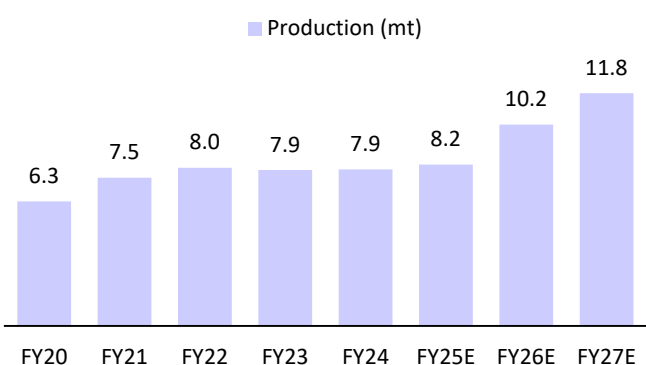
Source: MOFSL, Company

Exhibit 2: Net debt/EBITDA likely to reduce



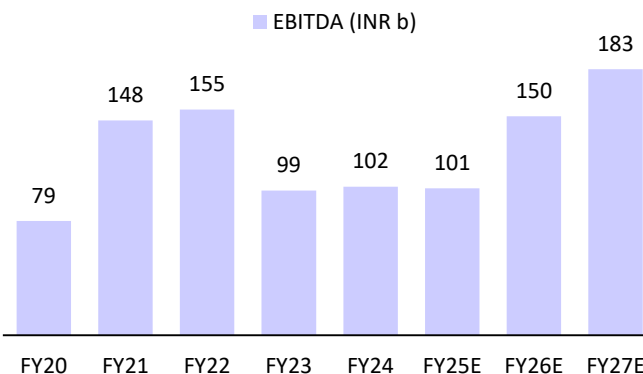
Source: MOFSL, Company

Exhibit 3: Volume to hit 12mt led by the Angul expansion



Source: MOFSL, Company

Exhibit 4: EBITDA to improve from FY25 on better volumes



Source: MOFSL, Company



Key highlights from the management commentary

Guidance for 4Q/FY25

- Coking coal costs declined by USD39/t in 3QFY25 and Management expects a further moderation of USD10/t in 4QFY25. Earnings are expected to be better in 4QFY25, driven by healthy volumes and lower costs.
- Management indicated that NSR will remain flat QoQ in 4QFY25. In 3Q, the sales split between Flat and Long was at 41% and 59%, respectively.
- In 3Q, the company's iron ore cost increased by INR96/t and the company expects it to moderate by INR100-200/t in 4Q.

Capex and timelines

- In 3QFY25, the company spent ~INR28.6b on Angul capex. Out of the total ~INR310b capex announced for Angul, JSPL has spent ~INR236b so far and the remaining INR74b will be spent in FY26.
- Management guided that BFS-BOF is in the last leg of commissioning and will reach its optimum utilization level by FY26 end.
- Management has proposed an additional capex of INR160b for the next three years (FY26-28). The proposed expansion will be directed toward the following areas: 1) INR57b for enhancement/VAP projects (galvanizing 600kt and color coated 500kt in both Raigarh /Angul), 2) INR45b for integrated supply chain projects (ports, higher rake, transmission project and logistic); 3) INR57b for

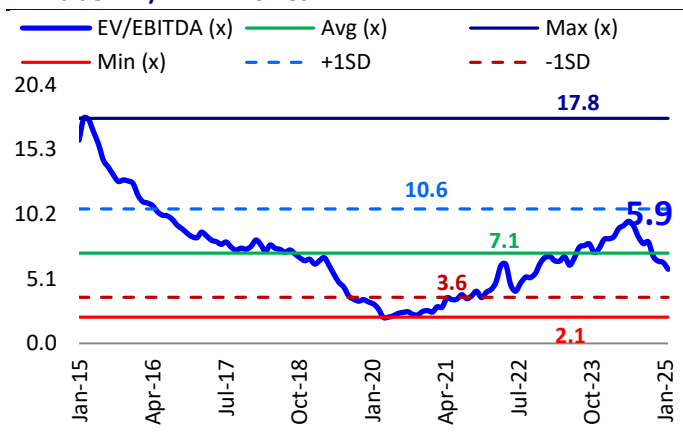
sustenance and contingency capex. Altogether, management expects this capex will lead to better realization and margin accretion.

- The slurry pipeline is on track to be commissioned by FY25 end.
- JSPL has received all approvals for Utkal B1 mines. It is in the advanced stage of opening the mines, which may start operations by 4QFY25.
- Utkal B2 is on track and will be open by FY25 end. Management plans to raise the EC limit of both Utkal B1 & B2 to 5MT each from the current 3.37mt.
- The company is planning to increase the EC limit of Gare Palma IV/6 coal mine to 5MTPA by FY25-end from 4MTPA.

Other highlights

- Global steel prices came down below USD500/t. Meanwhile, long prices in the domestic market remain resilient, aided by better consumption by the construction sector.
- Management expects to keep the net debt-to-EBITDA ratio below 1.5x.
- Angul pellet plant utilization reached +90% from 40% earlier.

Exhibit 5: EV/EBITDA is near LTA



Source: MOFSL, Company Data

Exhibit 6: P/B ratio slipped from the peak

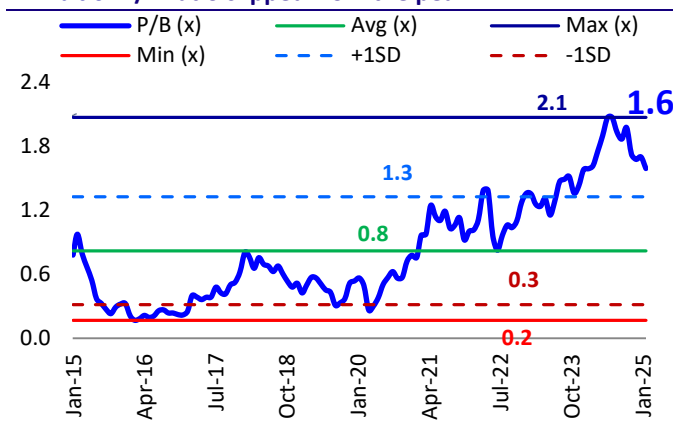


Exhibit 7: Key assumptions and changes in our estimates

	UoM	FY25E			FY26E			FY27E		
		New	Old	Change	New	Old	Change	New	Old	Change
Revenue	INR b	497	527	-6%	660	755	-13%	783	849	-8%
EBITDA	"	101	108	-6%	150	181	-17%	183	204	-10%
PAT	"	45	48	-5%	78	97	-20%	99	112	-11%

Source: Company, MOFSL

Financials and valuation

Consolidated Income Statement

(INR b)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	370	389	511	527	500	497	660	783
Change (%)	-6	5	31	3	-5	-1	33	19
Total Expenses	291	241	356	428	398	396	509	600
EBITDA	79	148	155	99	102	101	150	183
As a percentage of Net Sales	21	38	30	19	20	20	23	23
Depn. and Amortization	42	35	21	27	28	28	32	35
EBIT	37	113	134	72	74	73	119	148
Net Interest	41	31	19	14	13	14	17	18
Other income	0	4	1	1	2	1	2	2
PBT before EO	-4	86	116	59	62	61	104	132
EO income	2	-13	-4	-14	0	0	0	0
PBT after EO	-2	73	112	45	62	61	104	132
Tax	2	18	29	13	3	15	26	33
Rate (%)	-63	24	26	29	5	26	25	25
PAT (before MI and Sh. of Asso.)	-4	55	82	32	59	45	78	99
Minority interests	0	3	0	0	0	0	0	0
Other adj.	0	0	0	-9	0	0	0	0
Share of Associates	0	0	0	0	0	0	0	0
PAT (after MI and Sh. of Asso.)	-4	53	83	32	59	45	78	99
Adjusted PAT	-5	66	87	37	59	45	78	99
Change (%)	PL	LP	32	-58	62	-24	72	28

Consolidated Balance Sheet

(INR b)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	1	1	1	1	1	1	1	1
Reserves	320	317	355	386	442	482	551	639
Net Worth	321	318	356	387	443	483	552	640
Minority Interest	-8	-9	15	3	4	4	4	4
Total Loans	368	293	139	124	159	156	152	148
Deferred Tax Liability	56	62	73	59	59	59	59	59
Capital Employed	738	665	582	574	665	702	767	851
Gross Block	951	833	681	690	766	826	901	976
Less: Accum. Deprn.	252	286	223	247	275	303	335	369
Net Fixed Assets	699	547	458	443	491	523	566	607
Capital WIP	20	9	17	71	89	104	104	104
Goodwill and Revaluation	6	5	4	1	1	1	1	1
Investments	1	1	1	1	1	1	1	1
Curr. Assets	171	216	285	179	205	195	231	286
Inventory	64	59	73	59	71	70	93	111
Account Receivables	35	28	13	10	17	17	22	26
Cash and Bank Balance	10	72	45	57	52	42	50	83
Loans and advances and others	62	57	155	53	66	66	66	66
Curr. Liability and Prov.	159	113	184	120	121	121	136	148
Account Payables	56	41	53	47	47	47	62	73
Provisions and Others	104	73	132	73	75	75	75	75
Net Current Assets	12	103	101	58	84	74	95	138
Appl. of Funds	738	665	582	574	665	702	767	851

Financials and valuation

Consolidated ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	-5.3	64.7	86.0	36.4	58.4	44.5	76.4	97.6
Cash EPS	36.9	88.0	102.4	58.6	87.5	72.9	109.0	133.5
BV/Share	315.1	311.9	352.5	385.1	442.1	482.0	550.6	638.2
DPS	0.0	0.0	3.0	2.0	2.0	4.4	7.6	9.8
Payout (%)	0.0	0.0	3.5	5.5	3.4	10.0	10.0	10.0
Valuation (x)								
P/E	-155.9	12.9	9.7	22.9	14.3	18.7	10.9	8.5
Cash P/E	22.6	9.5	8.1	14.2	9.5	11.4	7.6	6.2
P/BV	2.6	2.7	2.4	2.2	1.9	1.7	1.5	1.3
EV/Sales	3.3	2.8	1.8	1.7	1.9	1.9	1.4	1.2
EV/EBITDA	15.4	7.3	6.0	9.1	9.4	9.5	6.3	5.0
Dividend Yield (%)	0.0	0.0	0.4	0.2	0.2	0.5	0.9	1.2
Return Ratios (%)								
EBITDA Margin (%)	21.2	38.0	30.4	18.8	20.4	20.3	22.8	23.4
Net Profit Margin (%)	-1.5	17.0	17.0	6.9	11.9	9.1	11.8	12.7
RoE	-1.6	20.6	25.9	9.9	14.1	9.6	14.8	16.4
RoCE (pre-tax)	4.9	16.7	21.6	12.6	12.2	10.9	16.4	18.6
RoIC (pre-tax)	5.1	17.7	24.6	15.1	15.3	13.6	20.4	23.3
Working Capital Ratios								
Fixed Asset Turnover (x)	0.5	0.7	1.1	1.0	0.9	0.8	1.0	1.1
Asset Turnover (x)	0.5	0.6	0.9	0.9	0.8	0.4	0.4	0.4
Inventory (Days)	63	56	52	41	52	52	52	52
Debtor (Days)	35	26	9	7	12	12	12	12
Payable (Days)	55	38	38	33	34	34	34	34
Work. Cap. Turnover (Days)	43	44	24	15	30	30	30	30
Leverage Ratio (x)								
Current Ratio	1.1	1.9	1.5	1.5	1.7	1.6	1.7	1.9
Interest Coverage Ratio	0.9	3.7	7.1	5.0	5.7	5.3	7.0	8.2
Debt/Equity ratio	1.1	0.7	0.3	0.2	0.2	0.2	0.2	0.1

Consolidated Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR b)								
EBITDA	79	148	155	99	102	101	150	183
Non-cash exp./ (income)	2	-2	25	-5	1	0	0	0
(Inc.) / Dec. in Wkg. Cap.	19	-12	-8	11	-19	0	-13	-10
Tax Paid	0	1	-20	-27	-7	-15	-26	-33
others	-11	-14	9	-6	-17	0	0	0
CF from Op. Activity	88	120	160	73	60	86	111	140
(Inc.) / Dec. in FA + CWIP	-17	-9	-29	-64	-85	-75	-75	-75
(Pur.) / Sale of Investments	0	0	1	0	1	0	0	0
Loans and advances	1	-11	4	23	-2	0	0	0
Int. and Dividend Income	1	1	2	1	2	1	2	2
Other investing activities	-16	-8	-29	-64	-84	0	0	0
CF from Inv. Activity	-15	-19	-23	-40	-83	-74	-73	-73
Equity raised / (repaid)	5	0	-5	-2	-2	0	0	0
Debt raised / (repaid)	-61	-23	-119	-6	34	-3	-4	-4
Dividend (incl. tax)	0	0	-1	-2	-2	-5	-9	-11
Interest paid	-40	-23	-26	-15	-16	-14	-17	-18
CF from Fin. Activity	-70	-46	-151	-25	14	-22	-30	-33
(Inc.) / Dec. in Cash	3	55	-14	8	-10	-10	8	33
Add: opening cash balance	2	5	60	35	43	33	23	31
Discontinued operations (/adj.)	0	0	-11	0	0	0	0	0
Closing cash balance	5	60	35	43	33	23	31	65
Bank balance	5	12	10	15	18	18	18	18
Closing Balance	10	72	45	57	52	42	50	83

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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