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ALPHA TRADE - DIWALI PICK

Jayaswal Neco Industries Ltd
(JAYNECOIND)

6 October 2025

Jayaswal Neco Industries Ltd (JAYNECOIND)

About the Company

Jayaswal Neco Industries Ltd. (JNIL), founded in 1972 and originally incorporated as a private foundry in Nagpur, has grown into one of India's leading integrated alloy steel and castings manufacturers. Over the past decade, JNIL has navigated a challenging financial phase, including near referral to IBC, but has since stabilized its operations and balance sheet through asset monetization, refinancing, and capacity ramp-ups. The company will be operating as a cost-efficient steel producer with captive mines, pelletisation, power generation, and downstream steel capacity, positioning itself strongly for sustainable growth.

Iron Ore Mining Operations – Strong Captive Resource Advantage

JNIL has approvals and operational presence across two captive iron ore mines in Chhattisgarh – Metabodeli (1 MTPA, valid till 2052) and Chotedongar (2.95 MTPA, valid till 2055). Combined, the company currently operates 3 MTPA of iron ore mining against an approved capacity of 4 MTPA. Further, it has applied for expansion by an additional 3 MTPA, for which environmental clearance is expected in next few months. Post approvals, JNIL's total mining approval will rise to 7 MTPA, ensuring long-term raw material security till 2055.

Pelletisation and Beneficiation – EBITDA Accretive Expansion

JNIL currently operates a 1.5 MTPA pellet plant. The company has announced plans to expand this capacity with a capex of ~ Rs 6400-6500 mn, contingent on funding and cash flows over the next two years. Given the pellet margins of ₹1,000-1,500 per ton for low-cost miners, this expansion is likely to generate substantial incremental EBITDA. Alongside, the company operates a 1.5 MTPA washery, with an additional 1.5 MTPA capacity expected to be commissioned by October 2025, which will further contribute cost savings of Rs 800-900 mn annually.

Strengthening the Balance Sheet through Debt refinancing

Currently, the company's debt stands at ~₹24,100 mn. In August 2025, JNIL refinanced ₹23 billion of high-cost NCDs with Tata Capital at a reduced interest rate of 12.5% per annum and 72-month repayment, featuring a debt service reserve and early repayment/redemption options. Presently, the debt carries a steep 17.5% cost of borrowing, which will be reduced to 12.5% by December 2025. With obligations of ₹4.79bn and ₹3.83bn in FY26 and FY27 respectively, internal accruals are expected to comfortably cover repayments. The debt refinancing will help JNIL in reducing financing costs and extending the debt tenor. Furthermore, 100% of the promoter's shareholding (55.2% as on 30 June 2024) will be pledged with new lenders, with 50% to be released post 50% of the repayment, enhancing financial flexibility.

View – Jayaswal Neco Industries has transitioned from a stressed asset to a structurally stronger, integrated steel and mining player. With secure mining leases till 2055, expansion in pelletisation and beneficiation capacities, cost-efficient integrated steel operations, and an ongoing debt optimization exercise, the company is well-positioned to deliver sustainable earnings growth and margin improvement. The successful refinancing of its high-cost debt will further release cash flows for capex and growth, enabling JNIL to emerge as a competitive mid-cap steel player with strong captive resource advantages. The company's financial flexibility remains constrained due to high promoter pledge, lack of established banking credit relationships, and potential delays in environmental clearance (EC) for mining expansion.

We have valued the company using the EV/EBITDA valuation method, applying a 7x multiple on FY27E earnings, arriving at a target price of Rs 91.

RATING : BUY

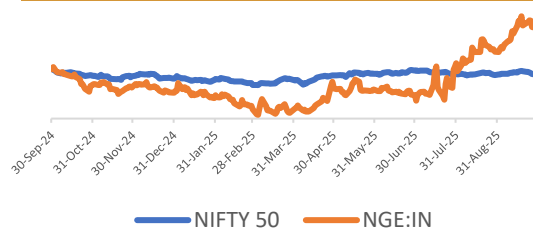
CMP	72
Upside	27%
Target Price	91
Time Horizon	1 Year
Bloomberg Code	NGE :IN
High/Low	75.6 / 26.1
Market Cap (in Rs)	69.69bn

Shareholding %

Particulars	Q1FY26	Q4FY25	Q3FY25
Promoter	55.15%	55.15%	54.46%
FII	0.04%	0.02%	0.02%
DII	0.00%	0.00%	0.00%
Others	44.81%	44.83%	45.52%

99.87% Promoter Pledge

Relative Price Movement (last 1 year)



Key Matrix

Particulars	FY25	FY26E	FY27E
Revenue	59,997.3	67,650.0	86,100.0
EBITDA	9,396.9	11,838.8	15,928.5
PAT	1,126.8	4,048.9	7,375.0
EPS	1.2	4.2	7.6
Growth (%)			
Revenue	1.1	12.8	27.3
EBITDA	-8.5	26.0	34.5
PAT	-46.3	259.3	82.1
Margins (%)			
EBITDA Margin	15.7	17.5	18.5
PAT Margin	1.9	6.0	8.6
Valuation			
P/E	62.0	17.3	9.5
EV/EBITDA	10.3	8.1	5.8
ROE	4.7	14.6	21.0
ROCE	13.9	17.5	22.2

Jayaswal Neco Industries Ltd (JAYNECOIND)

Income Statement			(Rs in mn)
Particulars	FY25	FY26E	FY27E
Revenue from Operation	59,997.3	67,650.0	86,100.0
COGS	26,089.4	29,417.1	37,440.0
% Sales	43.5	43.5	43.5
Gross Profit	33,907.9	38,232.9	48,660.0
Gross margin	56.52	56.52	56.52
Employee Benefit Exp	3,278.3	3,696.4	4,704.6
Other expenses	21,232.7	23,940.9	30,470.3
EBITDA	9,396.9	11,838.8	15,928.5
EBITDA Margins	15.7	17.5	18.5
Other Income	126.3	126.3	126.3
Depreciation	2,867.4	2,847.4	2,880.0
EBIT	6,655.8	9,117.6	13,174.8
EBIT Margins	11.1	13.5	15.3
Finance Cost	5,623.8	3,646.1	3,208.6
Profit before tax	1,032.0	5,471.5	9,966.2
Total Tax expenses	-94.8	1,422.6	2,591.2
Tax rate	-9.2	26.0	26.0
Profit after tax	1,126.8	4,048.9	7,375.0
PAT Margins	1.9	6.0	8.6
Basic EPS	1.16	4.17	7.60

Balance Sheet			(Rs in mn)
Particulars	FY25	FY26E	FY27E
ASSETS			
Fixed Assets	33,377.8	33,930.9	35,454.3
CWIP	1,099.5	1,010.7	929.0
Intangible Assets	763.4	701.7	645.1
Trade Receivable	4,006.4	4,517.4	5,749.4
Inventories	12,140.7	13,689.3	17,422.7
Financial Assets	30.1	30.1	30.1
Cash and cash equivalent	1,557.9	3,447.8	6,217.6
Other Assets	4,438.8	2,482.4	2,194.4
Total Assets	57,414.6	59,810.2	68,642.6
EQUITY			
Equity Share Capital	9,709.9	9,709.9	9,709.9
Other Equity	14,045.8	18,094.7	25,469.7
Total Equity	23,755.7	27,804.6	35,179.6
Long Term Borrowings	24,197.4	24,197.4	24,197.4
Short Term Borrowings	4,971.6	4,971.6	4,971.6
Trade Payables	2,374.8	2,677.7	3,408.0
Other Liabilities	2,115.1	158.4	885.4
Total Liabilities	33,658.9	32,005.1	33,462.4
Total Equity and Liabilities	57,414.6	59,809.7	68,642.0

Cash Flow Statement			(Rs in mn)
Particulars	FY25	FY26E	FY27E
Cash Flow from operating activities			
PBT	1,032.0	5,471.5	9,966.2
Depreciation	2,867.4	2,847.4	2,880.0
Operating Profit before WC change	9,461.1	11,965.1	16,054.8
Changes in Assets and liability	4,500.5	-1,756.7	-4,235.2
Cash used in Operations	13,961.6	10,208.4	11,819.6
Tax	-76.1	-1,422.6	-2,591.2
Net Cash from Operating	13,885.5	8,785.8	9,228.4
Cash Flow from investing activities			
Capex	-2,441.1	-3,250.0	-3,250.0
Net Cash from Investing	-2,361.8	-3,250.0	-3,250.0
Cash Flow from financing activities			
Proceeds from Borrowings	-4,899.1	0.0	0.0
Dividend payout	0.0	0.0	0.0
Finance Cost	-6,122.8	-3,646.1	-3,208.6
Proceeds other than borrowing	0.0	0.0	0.0
Net Cash from Financing	-10,859.8	-3,646.1	-3,208.6
Net increase/(decrease) in Cash	663.9	1,889.7	2,769.8
Cash at the beginning of the year	894.2	1,558.1	3,447.8
Cash at the end of the year	1,558.1	3,447.8	6,217.6

Ratio Analysis			
Particulars	FY25	FY26E	FY27E
Growth (%)			
Revenue	1.1	12.8	27.3
COGS	7.9	12.8	27.3
EBITDA	-8.5	26.0	34.5
EBIT	-14.6	37.0	44.5
PAT	-46.3	259.3	82.1
% Of Revenue			
Gross Profit	56.5	56.5	56.5
EBITDA	15.7	17.5	18.5
EBIT	11.1	13.5	15.3
PAT	1.9	6.0	8.6
Return Ratios (%)			
ROCE	13.9	17.5	22.2
ROE	4.7	14.6	21.0
Valuation (x)			
P/E	62.0	17.3	9.5
P/B	2.9	2.5	2.0
EV/EBITDA	10.3	8.1	5.8
EV/ Sales	1.6	1.4	1.1
DEBT/EQUITY	1.2	1.0	0.8

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Compliance Officer: Ms. Priyanka Gokhale (For Broking/DP/Research) email @ compliance_sec@bajajbroking.in | Contact No.: 020-4857 4486 |

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Research Analysts :	Anand Shengde (DVP Derivative Analyst)	Pabitra Mukherjee (AVP Technical Analyst)	Nisarg Shah (Fundamental Analyst)	Vikas Vyas (Derivative Analyst)
	Shashwat Singh (Fundamental Analyst)	Harsh Parekh (Technical Analyst)	Raunaq Murarka (Derivatives Analyst)	