

January 26, 2025

RESULT REPORT Q3 FY25 | Sector: Metals and Mining

JSW Steel Ltd

Improving volumes and operational efficiencies help against margin contraction; Capacity expansions to fuel growth; maintain ADD!

Results Synopsis

JSW Steel's Q3FY25 performance was marginally above the consensus expectations, primarily driven by strong volumes and effective cost management, which offset the declines in realizations (NSR). Net revenue from operations were up by 4.3% QoQ and marginally fell by 1.3% YoY, with EBITDA up 2.6% QoQ. This was on account of better volumes both on a consolidated and standalone level. A decline in coking coal costs of \$34/t provided margin support, with an anticipated further \$10-15/t reduction for Q4FY25 to bring in better cost efficiencies. The company is advancing its backward integration initiatives, expanding iron ore mining capacities in Karnataka, Odisha and Goa, while value-added products continue to hold a substantial 60% share of its product mix.

1.0 mtpa BPSL expansion complete. Focus shifts towards Vijayanagar, debottlenecking activities and Dolvi

JSW Steel's current Indian capacity stands at 34.2 mtpa, with the ongoing 5.0 mtpa expansion expected to be fully ramped up by the end of FY25E. FY26E will see the BF-III at Vijayanagar go for relining and capacity enhancement (~1.5 mtpa). Furthermore, debottlenecking activities at Vijayanagar are anticipated to contribute an additional 0.5 mtpa, collectively driving meaningful volume gains over the course of the next year and a half.

We project production to grow from c.28 mt in FY25 to about c.33.2 mt by FY27E, at a CAGR of 8.5%. Sales are projected to grow alongside, moving from 26.5 mt to c.33.2 mt by FY27E. Altogether, it's a significant capacity build-out that will continue to strengthen JSW Steel's foothold in the Indian steel space.

Valuation and View

We project Revenue/EBITDA growth for JSW Steel at a CAGR of 15%/33%, over FY25-27E. We believe that the company's aggressive capacity expansion, combined with an anticipated recovery in steel prices from its bottom, positions JSW Steel in a 'sweet spot' to capitalize on growth opportunities within the Indian steel sector.

We value JSW Steel at 7.5x FY27E EV/EBITDA to arrive at our revised target price of Rs 1,048/sh.

Exhibit 1: Actuals vs Estimates

Rs mn	Actuals	Estimates		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Revenue	413,780	396,428	416,996	(4.2%)	0.8%	
EBITDA	55,790	51,543	53,966	(7.6%)	(3.3%)	Falling realizations
EBITDA Margins (%)	13.48%	13.00%	12.94%	(48 bps)	(54 bps)	dent margins
PAT	7,170	4,206	7,400	(41.3%)	3.2%	

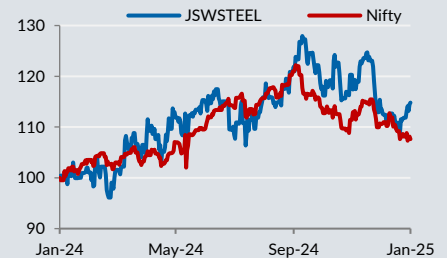
Source: YES Sec

Reco	: ADD
CMP	: Rs 932
Target Price	: Rs 1,048
Potential Upside	: +12.4%

Stock data (as on Jan 24, 2025)

Nifty	23,092
52 Week h/l (Rs)	1063 / 762
Market cap (Rs/USD mn)	2268903 / 26321
Outstanding Shares (mn)	2,440
6m Avg t/o (Rs mn):	2,123
Div yield (%):	1.0
Bloomberg code:	JSTL IN
NSE code:	JSWSTEEL

Stock performance



	1M	3M	1Y
Absolute return	1.1%	-1.2%	14.3%

Shareholding pattern (As of Dec'24 end)

Promoter	44.8%
FII+DII	36.7%
Others	18.2%

Δ in estimates

FY26E	New	Old
Sales (mt)	31.38	31.55
EBITDA/t	10,143/t	11,431/t
FY27E	New	Old
Sales (mt)	33.17	33.24
EBITDA/t	12,636/t	12,747/t

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	1,048	1,045

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	1,723,312	1,982,837	2,261,826
YoY (%)	(1.5)	15.1	14.1
EBIDTA	238,784	318,264	419,132
EBITDA (%)	13.9	16.1	18.5
PAT	34,742	75,062	127,405
ROE	4.2	8.4	12.6
ROCE	8.4	12.3	16.5

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RESULT HIGHLIGHTS

Consolidated performance

- Consolidated revenue from operations for the quarter stood at Rs 413,780 mn (vs our estimate of Rs 396,428 mn) up 4.3% QoQ and down 1.3% YoY.
- Absolute EBITDA for the quarter stood at Rs 55,790 mn (vs our estimate of Rs 51,543 mn). EBITDA margins stood at 13.5% for the quarter vs 13.7% in Q2FY25 and 17.1% in Q3FY24.
- Net profit for the quarter stood at Rs 7,170 mn (vs our estimate of Rs 4,206 mn) down up c.63% QoQ and down c.70% YoY.
- Crude steel production for the quarter stood at 7.03 million tonnes; Saleable steel sales stood at 6.71 million tonnes. Share of VAP remains at 60% for the quarter.
- BPSL expansion fully ramped up in Q3FY25; JVML ramping up well, SMS commenced operations in Q3FY25
- New Iron Ore mine secured - Codli block in Goa via auctions
- Consolidated EBITDA/t came in at Rs 8,314/t vs Rs 8,869/t in Q2FY25.
- Net Debt to EBITDA - 3.57x

Standalone performance

- Standalone revenue from operations stood at Rs 317,990 mn, up 3.3% QoQ and down 4.5% YoY.
- Absolute EBITDA stood at Rs 43,970 mn, down 5.3% QoQ and c.24% YoY. EBITDA margins stood at 13.8% vs 15.1% in Q2FY25 and 17.3% in Q3FY24.
- PAT for the quarter stood at Rs 12,860 mn, down 1% QoQ and c.47% YoY.
- Standalone crude steel production for the quarter stood at 5.70 million tonnes; Saleable steel sales stood at 5.59 million tonnes.
- Capacity utilization at the Indian operations stood at 91%.
- Standalone EBITDA/t came in at Rs 7,866/t vs Rs 8,757/t in Q2FY25.

Exhibit 2: Consolidated Operational Performance

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Crude steel production (mt)	6.43	6.34	6.87	6.79	6.35	6.77	7.03	3.8%	2.3%
Saleable steel sales (mt)	5.71	6.34	6.00	6.73	6.12	6.13	6.71	9.5%	11.8%
Realization/t	73,928	70,322	69,900	68,750	70,168	64,737	61,666	(4.7%)	(11.8%)
EBITDA/t	12,340	12,438	11,967	9,100	9,003	8,869	8,314	(6.3%)	(30.5%)

Source: Company, YES Sec

Exhibit 3: Standalone Operational Performance

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Crude steel production (mt)	5.44	5.40	5.72	5.69	5.30	5.77	5.70	(1.2%)	(0.3%)
Saleable steel sales (mt)	4.93	5.41	5.20	5.69	5.09	5.30	5.59	5.5%	7.5%
Realization/t	66,513	62,362	64,058	62,111	64,153	58,072	56,886	(2.0%)	(11.2%)
EBITDA/t	9,860	12,750	11,113	7,807	8,399	8,757	7,866	(10.2%)	(29.2%)

Source: Company, YES Sec

Exhibit 4: Consolidated Quarterly Snapshot

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Net revenue	422,130	445,840	419,400	462,690	429,430	396,840	413,780	4.3%	(1.3%)
Cost of goods sold	280,730	300,050	269,300	317,970	297,360	267,940	285,980	6.7%	6.2%
Employee costs	11,610	10,970	11,820	11,510	12,480	12,200	11,490	(5.8%)	(2.8%)
Other expenses	59,330	55,960	66,480	71,970	64,490	62,330	60,520	(2.9%)	(9.0%)
EBITDA	70,460	78,860	71,800	61,240	55,100	54,370	55,790	2.6%	(22.3%)
EBITDA %	16.7%	17.7%	17.1%	13.2%	12.8%	13.7%	13.5%	(1.6%)	(21.2%)
Depreciation	19,000	20,190	20,590	21,940	22,090	22,670	23,360	3.0%	13.5%
Other income	3,310	2,370	1,940	2,420	1,640	1,530	1,470	(3.9%)	(24.2%)
Finance costs	19,630	20,840	19,960	20,620	20,730	21,300	21,150	(0.7%)	6.0%
Exceptional items	-	(5,890)	-	-	-	3,420	1,030	(69.9%)	NA
Profit before tax	34,800	45,850	33,030	20,120	13,800	7,890	11,780	49.3%	(64.3%)
Taxes	10,520	18,120	8,530	6,900	5,130	3,850	4,590	19.2%	(46.2%)
Profit after tax	24,280	27,730	24,500	13,220	8,670	4,040	7,190	78.0%	(70.7%)
Minority interest	-	130	350	230	220	(350)	20	(105.7%)	(94.3%)
Profit attributable to owners	24,280	27,600	24,150	12,990	8,450	4,390	7,170	63.3%	(70.3%)

Source: Company, YES Sec

Exhibit 5: Standalone Quarterly Snapshot

Rs mn	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	% qoq	% yoy
Net revenue	327,910	337,380	333,100	353,410	326,540	307,780	317,990	3.3%	(4.5%)
Cost of goods sold	229,900	223,270	221,330	251,000	230,750	212,470	224,250	5.5%	1.3%
Employee costs	5,900	5,760	6,060	5,850	6,600	6,270	5,890	(6.1%)	(2.8%)
Other expenses	43,500	39,370	47,920	52,140	46,440	42,630	43,880	2.9%	(8.4%)
EBITDA	48,610	68,980	57,790	44,420	42,750	46,410	43,970	(5.3%)	(23.9%)
EBITDA %	14.8%	20.4%	17.3%	12.6%	13.1%	15.1%	13.8%	(8.3%)	(20.3%)
Depreciation	12,650	13,590	13,510	14,600	14,600	14,880	14,750	(0.9%)	9.2%
Other income	4,380	4,290	3,860	4,510	3,960	4,390	4,520	3.0%	17.1%
Finance costs	14,570	15,310	15,510	15,690	15,900	16,680	16,330	(2.1%)	5.3%
Exceptional items	-	(2,010)	-	2,400	-	3,420	1,030	(69.9%)	NA
Profit before tax	25,770	46,380	32,630	16,240	16,210	15,820	16,380	3.5%	(49.8%)
Taxes	8,720	17,250	8,470	6,170	4,160	2,830	3,520	24.4%	(58.4%)
Profit after tax	17,050	29,130	24,160	10,070	12,050	12,990	12,860	(1.0%)	(46.8%)

Source: Company, YES Sec

KEY CONFERENCE CALL HIGHLIGHTS

Macro-economic environment

- China's steel production shows no signs of slowing down and the steel exports continue to be on the rise which has remained a concern for the Indian steel industry.
- The property sector in China continues to be a drag on the steel industry however it was offset by strong growth in manufacturing and investments. In India, growth remains strong across sectors.
- Q4FY24 to see Indian government capex to pick up, Chinese exports to fall, thereby aiding a better pricing environment.
- Iron ore prices should go down in the long-term. In the near term the elevated pricing can be attributed to the country's strong demand and slow supply side expansions.

General business updates

- **Targeting 15 mt of production in FY26E from Karnataka** – Expect to reach EC capacity 11 mtpa for its current 9 mines. On track to commission 3 new mines – One in Q4FY25 and the other two in Q1FY26.
- **In Goa** – mining operations at Cudnem are expected to be commissioned by Q1FY26E; Surla mines will be commissioned by Q4FY26E. Codli mine is likely to start operations by Q4FY27E. The 3 Goa mines will have a cumulative production target of 3.5 million tonnes of iron ore.
- **In Odisha** – BPSL mines are expected to start operations in Q1FY26E. Also, in process to enhance EC at Nuagoan and Narayanposhi mines which cumulatively have 900 million tonnes of iron ore. JSW Steel plans to enhance ECs in Orissa and reach a 30 million tonnes production of iron ore.
- For FY26E, JSW mines in Karnataka is expected to produce 15 million tonnes; mines in Goa will produce 1.3 to 1.4 million tonnes and Odisha will produce ~12 million tonnes.
- Captive use of iron ore stood at 39% for the Q3FY26.
- Ohio operations restarted post maintenance shutdowns in September reaching utilization levels of c.64%.
- India NSR fell Rs 1,800/t QoQ, however was offset by better cost optimization and product mix.
- Rs 3,087 crores of capex spent during Q3FY25.
- 1 mtpa BPSL expansion ramped up – and expected to see volumes to stabilize from Q4FY25E onwards.
- Utilization at Indian operations stood at 91% despite a temporary maintenance shutdown at one of the blast furnaces at Dolvi.
- Reduced inventories this quarter by 92,000 tonnes.
- The Karnataka state mining tax is expected to see some intervention from the central government as the proposed taxation will end up hurting the volumes and have a waterfall effect on the jobs in the state. Currently there is no tax proposed on the auctioned mines, however Rs 100/t of land taxes will be put in place thereby elevating the cost profile.
- Iron ore produced in Q3FY25E- 6.2 million tonnes; Sourcing of Iron ore from Maharashtra is being considered however, the first challenge is to sort out logistics for the company.
- Working capital release during 9MFY25 was ~Rs 2,000 crores.
- Revenue acceptances were Rs 1.954 billion, and capital acceptances were Rs 46 million.

Guidance

- Expect consolidated capex in FY25 to be ~Rs 16,000 crores in FY25. Have done Rs 11,000 crores of capex till 9MFY25.
- Coking coal prices saw a decrease of \$34/t on a QoQ basis. Coking coal prices expected to go down by ~\$10-15/t for Q4FY25.
- Iron ore prices will also see a falling trend in Q4FY25 as NMDC announced the price cuts (Rs 350/t). Most of it will be absorbed during Feb-Mar months.
- **Volume guidance for FY25E:** Consolidated crude steel production- 28.4 mn tonnes; Consolidated saleable steel sales- 27.0 mn tonnes. Expect to achieve ~98% of the volume guidance since there was a delay in starting the JVNL Blast Furnace.

VALUATION SUMMARY

Exhibit 6: Valuation Table

Particulars (Rs mn)	FY27E
EBITDA	419,132
EV multiple (x)	7.50
Enterprise value	3,143,487
(-) Net debt (9MFY25)	809,210
(+) Add: CWIP @ 25% discount (H1FY25)	221,663
Equity value	2,555,940
Shares outstanding (mn)	2,439
Rs/share	1,048
CMP (Rs)	932
Upside (%)	12.4%

Source: YES Sec

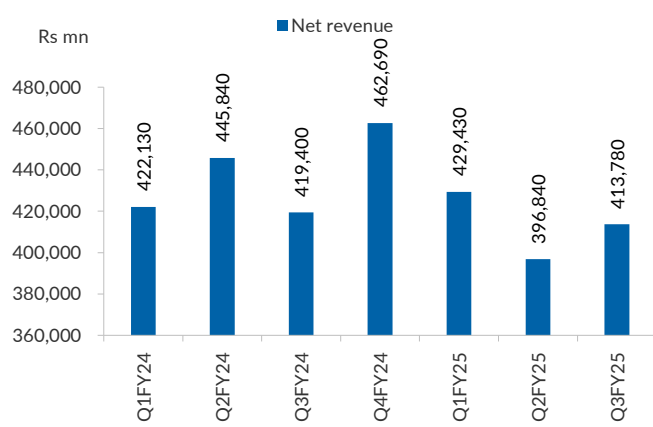
Exhibit 7: Change in estimates

Particulars (Rs mn)	New Estimates			Old Estimates			% Change in estimates		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales (mt)	26.50	31.38	33.17	26.81	31.55	33.24	(1.1%)	(0.5%)	(0.2%)
EBITDA	238,784	318,264	419,132	262,621	360,644	423,721	(9.1%)	(11.8%)	(1.1%)

Source: YES Sec

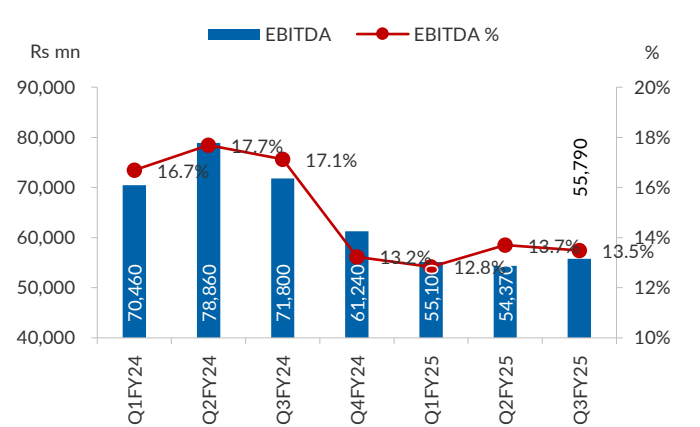
QUARTERLY PERFORMANCE IN CHARTS

Exhibit 8: Revenue up 3.3% on account of better volumes



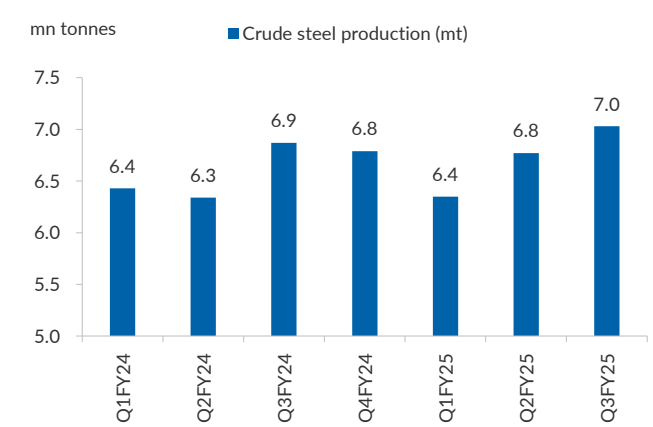
Source: Company, YES Sec

Exhibit 9: EBITDA sustains despite a dip in realizations



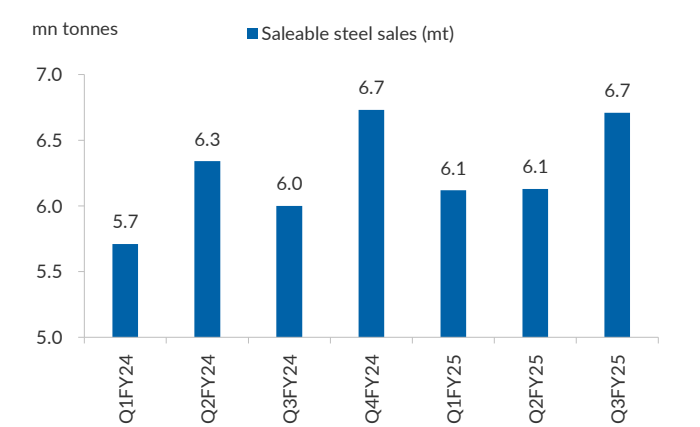
Source: Company, YES Sec

Exhibit 10: Consolidated crude steel production



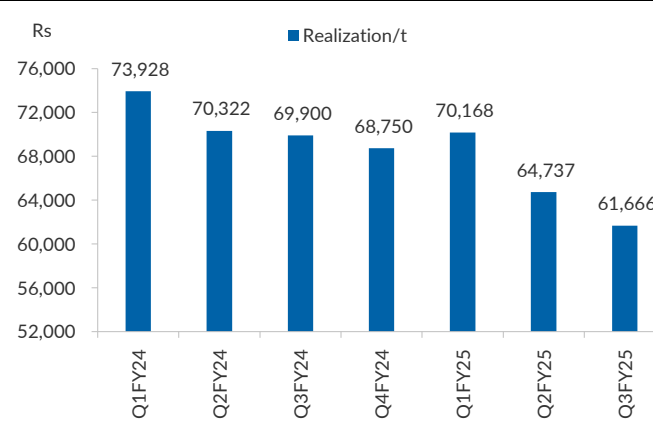
Source: Company, YES Sec

Exhibit 11: Consolidated saleable steel sales



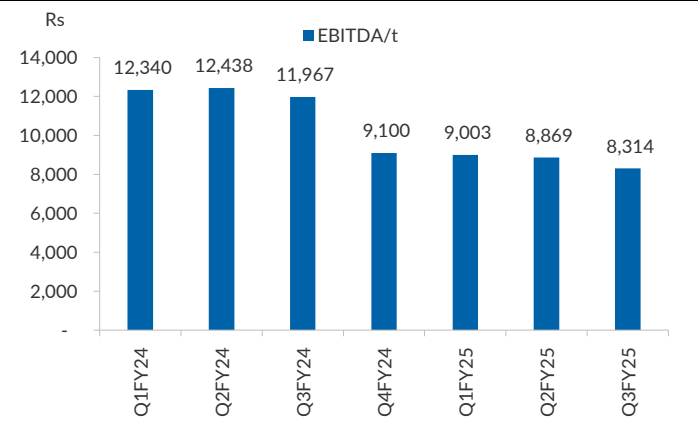
Source: Company, YES Sec

Exhibit 12: Realizations/t trends



Source: Company, YES Sec

Exhibit 13: EBITDA/t trends



Source: Company, YES Sec

FINANCIALS OVERVIEW

Exhibit 14: Income Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	798,390	1,463,710	1,659,600	1,750,060	1,723,312	1,982,837	2,261,826
Cost of goods sold	394,800	844,530	1,007,910	1,016,780	1,171,131	1,295,765	1,421,995
Employee cost	25,060	34,930	39,150	45,910	51,634	63,451	72,378
Other expenses	177,120	194,180	427,070	405,010	261,762	305,357	348,321
EBITDA	201,410	390,070	185,470	282,360	238,784	318,264	419,132
% margin	25.2%	26.6%	11.2%	16.1%	13.9%	16.1%	18.5%
Depreciation	46,790	60,010	74,740	81,720	94,782	103,108	117,615
Other income	5,920	15,310	10,300	10,040	6,147	6,413	7,079
Finance costs	39,570	49,680	69,020	81,050	89,775	92,153	95,730
Exceptional items	830	7,410	(5,910)	(5,890)	4,450	-	-
Profit before tax	120,150	297,450	56,550	133,800	55,244	129,417	212,866
Taxes	41,420	88,070	15,160	44,070	20,612	54,355	85,460
Profit after tax	79,110	206,650	41,440	88,120	34,742	75,062	127,405

Source: Company, YES Sec

Exhibit 15: Balance Sheet

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Assets							
Net Block	588,570	929,520	976,990	1,051,230	1,092,448	1,105,340	1,107,725
CWIP	324,330	167,560	219,210	292,160	326,160	355,160	385,160
Non-current Assets	1,113,110	1,311,110	1,429,280	1,636,640	1,704,347	1,755,052	1,796,911
Inventory	142,490	337,870	331,350	378,150	288,772	319,504	350,629
Receivables	44,860	74,570	71,340	75,480	75,542	86,919	99,149
Cash & Bank	128,130	173,830	207,140	123,480	256,600	191,845	202,062
Current Assets	358,440	653,660	681,460	645,330	687,802	672,311	733,576
Total Assets	1,471,630	1,964,850	2,110,780	2,281,980	2,392,159	2,427,374	2,530,497
Equity and Liabilities							
Share Capital	3,020	3,010	3,010	3,050	3,050	3,050	3,050
Reserves	453,080	669,960	653,940	773,640	804,907	872,463	987,128
Non-current Liabilities	588,730	703,990	740,760	823,570	877,614	848,297	819,031
Current Liabilities	432,990	575,510	699,630	660,650	685,497	682,473	700,198
Total Equity and Liabilities	1,471,630	1,964,850	2,110,780	2,281,980	2,392,139	2,427,354	2,530,477

Source: Company, YES Sec

Exhibit 16: Cash Flow Statement

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	120,150	297,450	56,550	133,800	55,244	129,417	212,866
Profit before working capital changes	194,550	389,130	208,560	284,720	239,801	324,677	426,211
Working capital changes	13,060	(72,640)	31,050	(136,150)	123,495	(22,288)	(23,323)
Cash flow from operations	207,610	316,490	239,610	148,570	363,296	302,389	402,888
Taxes paid	(19,300)	(53,790)	(6,380)	(27,790)	(20,612)	(54,355)	(85,460)
Net cash flow from operating activities	188,310	262,700	233,230	120,780	342,684	248,034	317,428
Capex	(109,660)	(100,910)	(147,840)	(158,010)	(136,000)	(116,000)	(120,000)
Other investments	11,390	(58,960)	40,730	11,630	(26,489)	(37,813)	(39,474)
Net cash flow from investing activities	(98,270)	(159,870)	(107,110)	(146,380)	(162,489)	(153,813)	(159,474)
Proceeds/(repayment) from borrowings	3,675	(7,048)	5,584	4,530	4,200	(6,000)	(4,000)
Other financial activities	(18,115)	(139,522)	(65,354)	(54,580)	(51,405)	(152,976)	(143,736)
Net cash flow from financing activities	(14,440)	(146,570)	(59,770)	(50,050)	(47,205)	(158,976)	(147,736)
Opening cash balance	39,660	119,430	88,080	154,240	80,300	106,710	31,466
Net change in cash	75,600	(43,740)	66,350	(75,650)	132,990	(64,755)	10,217
FX changes	4,170	12,390	(190)	(70)	130	-	-
Ending cash balance	119,430	88,080	154,240	80,300	106,710	31,466	31,263

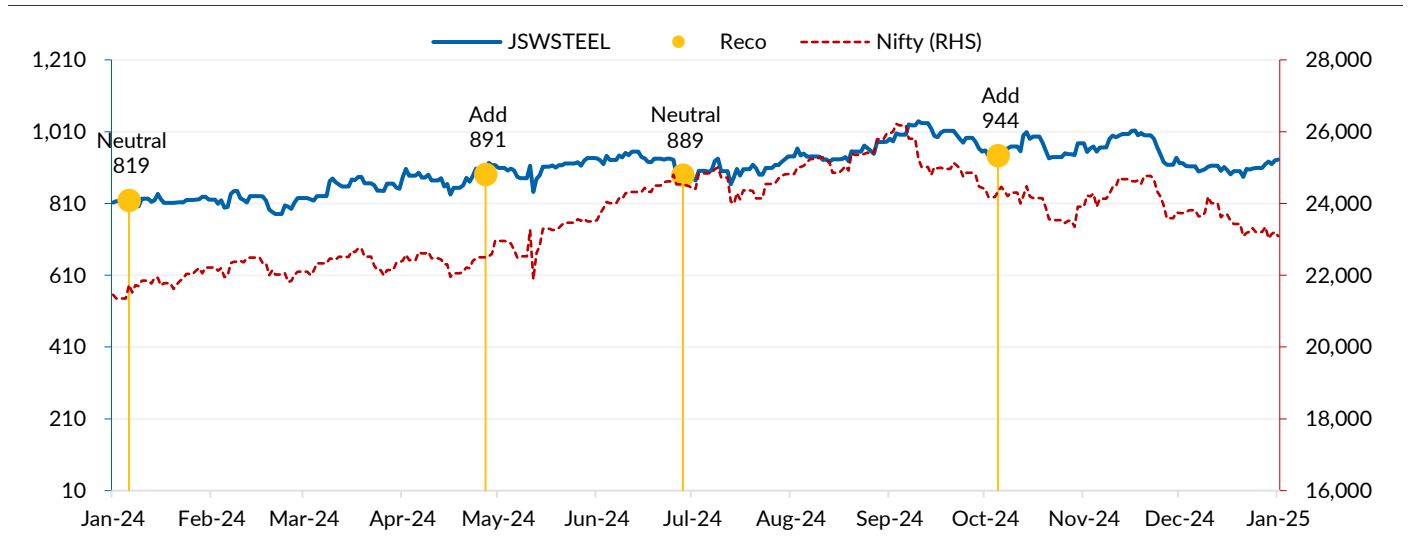
Source: Company, YES Sec

Exhibit 17: Key Ratios

Y/e 31 Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profitability %							
EBITDA	25.2	26.6	11.2	16.1	13.9	16.1	18.5
EBIT	19.4	22.5	6.7	11.5	8.4	10.9	13.3
PAT	9.9	14.1	2.5	5.0	2.0	3.8	5.6
Growth %							
Revenue	8.9	83.3	13.4	5.5	(1.5)	15.1	14.1
EBITDA	69.6	93.7	(52.5)	52.2	(15.4)	33.3	31.7
EBIT	102.7	113.5	(66.5)	81.2	(28.2)	49.4	40.1
PAT	100.9	165.9	(80.2)	116.8	(61.4)	116.7	69.7
Return Ratios %							
ROE	17.6	30.2	6.2	11.0	4.2	8.4	12.6
ROCE	14.9	23.8	7.8	12.4	8.4	12.3	16.5

Source: Company, YES Sec

Recommendation Tracker



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