

October 31, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	751		812	
Sales (Rs.bn)	548	586	557	664
% Chng.	(1.7)	(11.8)		
EBITDA (Rs.bn)	99	123	109	133
% Chng.	(9.3)	(7.4)		
EPS (Rs.)	49.6	62.9	54.4	72.7
% Chng.	(8.9)	(13.5)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	527	548	586	650
EBITDA (Rs. bn)	99	99	123	143
Margin (%)	18.8	18.0	21.0	22.0
PAT (Rs. bn)	45	50	63	77
EPS (Rs.)	45.0	49.6	62.9	76.8
Gr. (%)	(47.5)	10.3	26.8	22.1
DPS (Rs.)	2.0	3.0	4.0	5.0
Yield (%)	0.3	0.5	0.6	0.8
RoE (%)	12.2	12.1	13.6	14.6
RoCE (%)	14.7	14.0	16.5	17.9
EV/Sales (x)	1.3	1.3	1.3	1.1
EV/EBITDA (x)	7.1	7.4	6.0	5.0
PE (x)	14.1	12.8	10.1	8.2
P/BV (x)	1.6	1.5	1.3	1.1

Key Data

JNSP.BO | JSP IN

52-W High / Low	Rs.723 / Rs.446
Sensex / Nifty	63,875 / 19,080
Market Cap	Rs.647bn/ \$ 7,766m
Shares Outstanding	1,020m
3M Avg. Daily Value	Rs.1375.72m

Shareholding Pattern (%)

Promoter's	62.68
Foreign	12.23
Domestic Institution	15.22
Public & Others	9.88
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(9.6)	8.7	37.8
Relative	(6.9)	4.0	31.1

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Delays in execution to hamper volume growth

Quick Pointers:

- Commissioning of 5.5mtpa Hot Strip Mill (HSM) is on track to be completed in 3QFY24 but expect delay in commissioning of 3mtpa BOF-III. BOF-II timeline further pushed by two quarters to 4QFY25.
- Production from Utkal C coal mine to start by Dec-23. JSPL has tweaked its capex plan over last few months which has led to an increase in capex requirement to Rs310bn from earlier Rs240bn.

We cut FY24/25E EBITDA estimates by 9%/7% on higher coking coal price assumption and delays in capacity addition respectively. Jindal steel & Power (JSP) reported strong operating performance in 2Q, driven by 9% QoQ volume growth in standalone business. EBITDA was in line with our estimates as lower than expected realization was compensated by better volumes. Average coking coal cost for 2Q was lower by ~USD70/t QoQ which is expected to increase by ~USD55/t in 3Q.

JSP is well poised to take dual benefit of volume growth and improvement in product mix over FY23-26E post commissioning of HSM; however, there has been delays of few quarters in blast furnace commissioning which would impact FY25 volumes. We have cut our FY25 volume assumption accordingly and introduce FY26 estimates. Incremental volumes from pellet plant and cost savings from captive coal mines would contribute to FY25 EBITDA margins. We expect Revenue/EBITDA/PAT CAGR of 7%/13%/23% over FY23-26E. At CMP, stock is trading at 6x/5x EV of FY25E/FY26E EBITDA. Retain 'BUY' rating with revised TP of Rs751 (earlier Rs812) valuing at 6x EV of Sept 2025E EBITDA, as we roll forward.

- Revenue declined 8% YoY:** Standalone revenue stood at Rs 120.8bn (-8% YoY/-2% QoQ) led by decline in realizations (PLe 124.9bn) Realizations for the quarter declined 8% YoY to Rs60.1k (PLe Rs63.4k). Sales volume increased 9% QoQ to 2.01mt (PLe 1.98mt) led by strong domestic demand. Consolidated revenue stood at Rs122.5bn (-9% YoY/-3% QoQ)
- In-line EBITDA:** Standalone EBITDA increased 26% YoY (-12% QoQ) to Rs 23.1bn (PLe 23.2bn) on account of decline in RM and other expenses. EBITDA/t stood at Rs11,632 (+27% YoY; PLe 11,838/t. Consolidated EBITDA stood at Rs 22.8bn (+18% YoY/-13% QoQ; PLe 22.9bn)
- Concall highlights:** (1) Gare Palma IV/6 coal mine produced 0.15mt in the first month of production which will be ramped up in coming months (2) Production at Utkal C mine will begin in Dec-23 (3) Steel realizations have improved up to 2-3% from Q2 exit (4) Overseas subsidiaries reported EBITDA loss of Rs310mn (5) Of the total capex, JSP has spent Rs105bn till date (6) HSM is expected to be commissioned in Q3FY24 (7) JSP has headroom for 1.5x net debt/EBITDA (8) Commissioning of slurry pipeline to lead to cost saving of Rs700/t for iron ore transportation.

Exhibit 1: Q2FY24 Result Overview

Y/e March (Rs bn)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Net Sales	122.5	135.2	(9.4)	125.9	(2.7)	248.4	265.7	(6.5)
Raw Material	54.0	60.5	(10.7)	46.6	15.8	100.7	109.4	(8.0)
<i>% of Net Sales</i>	<i>44.1</i>	<i>44.7</i>		<i>37.0</i>		<i>40.5</i>	<i>41.2</i>	
Purchase of traded goods	4.0	6.8	(40.8)	7.1	(43.1)	11.1	11.3	(1.7)
<i>% of Net Sales</i>	<i>3.3</i>	<i>5.0</i>		<i>5.6</i>		<i>4.5</i>	<i>4.3</i>	
Staff Costs	3.1	2.8	9.1	2.9	6.1	6.0	5.5	10.3
<i>% of Net Sales</i>	<i>2.5</i>	<i>2.1</i>		<i>2.3</i>		<i>2.4</i>	<i>2.1</i>	
Other Expenses	38.5	45.8	(15.9)	42.9	(10.4)	81.4	85.7	(5.0)
<i>% of Net Sales</i>	<i>31.4</i>	<i>33.8</i>		<i>34.1</i>		<i>32.8</i>	<i>32.3</i>	
Total Expenditure	99.6	115.9	(14.0)	99.6	0.0	199.2	212.0	(6.0)
EBITDA	22.9	19.3	18.3	26.3	(13.0)	49.1	53.7	(8.5)
<i>Margin (%)</i>	<i>18.7</i>	<i>14.3</i>		<i>20.9</i>		<i>19.8</i>	<i>20.2</i>	
Depreciation	6.0	6.1	(1.7)	5.9	2.8	11.9	12.1	(1.6)
Other income	0.3	0.0	6,542	0.6	(42.3)	0.9	0.2	259.6
EBIT	17.1	13.2	30.1	21.0	(18.2)	38.1	41.8	(8.9)
Interest	3.3	3.6	(9.7)	3.3	0.1	6.6	7.3	(9.6)
PBT	13.8	9.5	45.3	17.7	(21.6)	31.5	34.6	(8.8)
Extraordinary income/(expense)	-	9.0		-		-	8.4	(100.0)
PBT (After EO)	13.8	18.5	(25.2)	17.7	(21.6)	31.5	26.2	20.4
Tax	(0.1)	(1.7)	(96.5)	0.7	(107.8)	0.7	4.1	(83.1)
<i>% PBT</i>	<i>-0.4</i>	<i>-8.9</i>		<i>4.2</i>		<i>2.2</i>	<i>15.6</i>	
Reported PAT	13.9	20.2	(31.0)	16.9	(17.8)	30.8	22.1	40
Minority interest	0.0	0.2		0.0	(53.1)	0.07	0.39	
Share of profit/(losses) in Associates	(0.0)	(0.0)	1,150.0	(0.0)	47.1	(0.00)	(0.00)	
Net Profit attributable to shareholders	13.9	20.0	(30.5)	16.9	(17.7)	30.7	21.7	41.7
Adjusted PAT	13.9	11.0	26.4	16.9	(17.7)	30.7	30.1	-

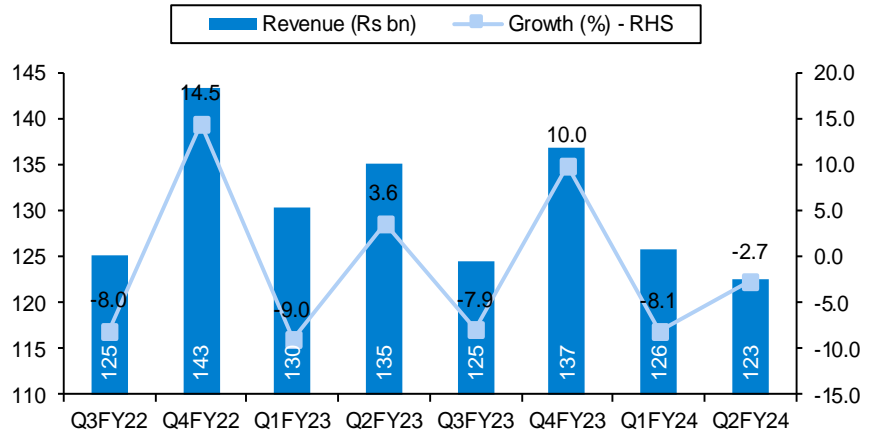
Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Volume (mt)	2.01	2.01	-	1.84	9.2	3.85	3.75	2.7
Realization/t	60108	65,209	(7.8)	66,905	(10.2)	63357	69,215	(8.5)
EBITDA/t	11,632	9,183	26.7	14,496	(19.8)	12897	13729	(6.1)

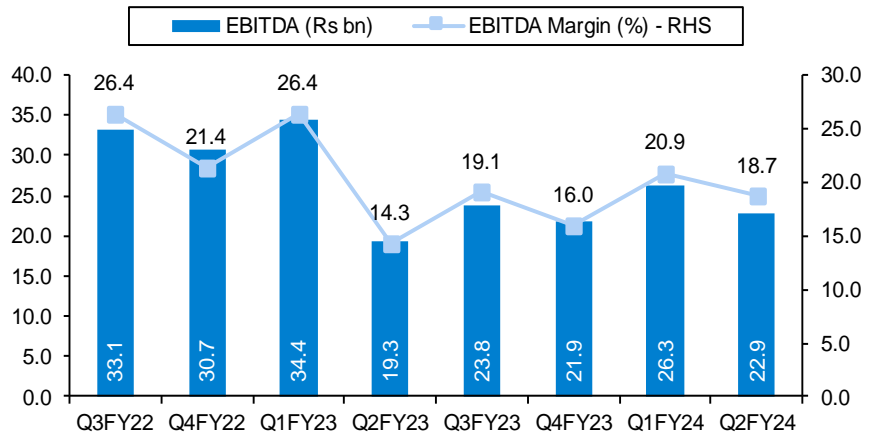
Source: Company, PL

Exhibit 3: Revenue impacted by weak realisation



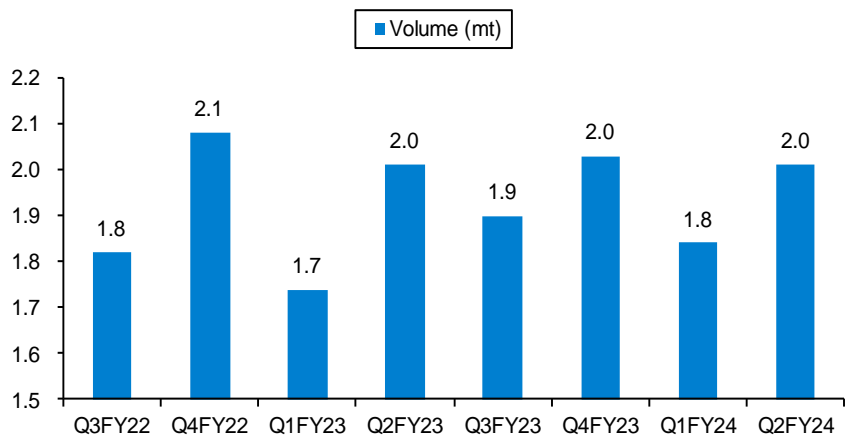
Source: Company, PL

Exhibit 4: YoY EBITDA margin improvement due to lower RM costs



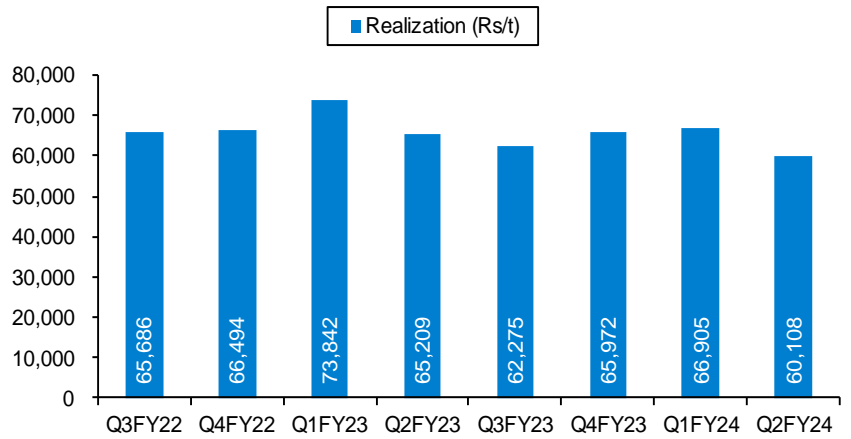
Source: Company, PL

Exhibit 5: Volume remain flattish YoY at 2mt



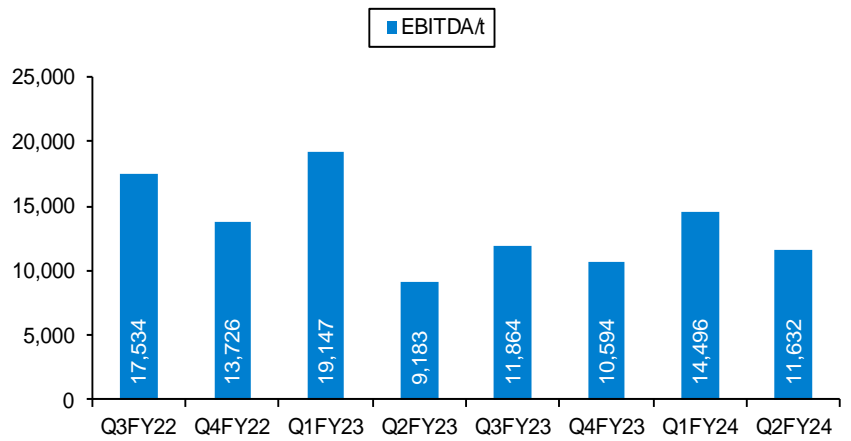
Source: Company, PL

Exhibit 6: Realization impacted by lower long product prices



Source: Company, PL

Exhibit 7: EBITDA/t benefitted due to lower coking coal prices



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	527	548	586	650
YoY gr. (%)	3.2	3.9	6.9	11.0
Cost of Goods Sold	247	257	267	297
Gross Profit	280	291	318	353
Margin (%)	53.1	53.1	54.4	54.3
Employee Cost	11	10	11	12
Other Expenses	169	183	184	199
EBITDA	99	99	123	143
YoY gr. (%)	(36.0)	(0.8)	25.1	15.9
Margin (%)	18.8	18.0	21.0	22.0
Depreciation and Amortization	27	25	27	29
EBIT	72	74	96	114
Margin (%)	13.7	13.5	16.5	17.5
Net Interest	14	14	12	10
Other Income	1	1	1	1
Profit Before Tax	45	61	86	105
Margin (%)	8.5	11.2	14.6	16.1
Total Tax	13	11	22	27
Effective tax rate (%)	28.8	18.4	25.9	26.0
Profit after tax	32	50	63	77
Minority interest	0	0	0	0
Share Profit from Associate	-	-	-	-
Adjusted PAT	45	50	63	77
YoY gr. (%)	(47.8)	10.3	26.8	22.1
Margin (%)	8.6	9.1	10.8	11.9
Extra Ord. Income / (Exp)	(14)	-	-	-
Reported PAT	32	50	63	77
YoY gr. (%)	(61.8)	58.2	26.8	22.1
Margin (%)	6.0	9.1	10.8	11.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	32	50	63	77
Equity Shares O/s (m)	1	1	1	1
EPS (Rs)	45.0	49.6	62.9	76.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	682	727	787	817
Tangibles	598	643	703	733
Intangibles	84	84	84	84
Acc: Dep / Amortization	247	272	299	328
Tangibles	190	214	241	270
Intangibles	57	57	57	57
Net fixed assets	435	455	488	490
Tangibles	408	428	461	463
Intangibles	27	27	27	27
Capital Work In Progress	79	119	159	209
Goodwill	1	1	1	1
Non-Current Investments	5	5	5	5
Net Deferred tax assets	(59)	(59)	(59)	(59)
Other Non-Current Assets	20	20	20	20
Current Assets				
Investments	8	8	8	8
Inventories	59	60	64	71
Trade receivables	10	15	16	18
Cash & Bank Balance	47	28	16	20
Other Current Assets	25	25	25	25
Total Assets	694	742	808	872
Equity				
Equity Share Capital	1	1	1	1
Other Equity	386	433	492	564
Total Networkth	387	434	493	565
Non-Current Liabilities				
Long Term borrowings	72	72	72	52
Provisions	3	3	3	3
Other non current liabilities	14	14	14	14
Current Liabilities				
ST Debt / Current of LT Debt	52	52	52	52
Trade payables	47	48	51	57
Other current liabilities	55	56	59	65
Total Equity & Liabilities	694	742	808	872

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	45	61	86	105
Add. Depreciation	27	25	27	29
Add. Interest	14	14	12	10
Less Financial Other Income	1	1	1	1
Add. Other	8	-	-	-
Op. profit before WC changes	95	100	124	144
Net Changes-WC	5	(5)	2	3
Direct tax	(27)	(11)	(22)	(27)
Net cash from Op. activities	73	83	104	120
Capital expenditures	(34)	(85)	(100)	(80)
Interest / Dividend Income	1	-	-	-
Others	(7)	-	-	-
Net Cash from Inv. activities	(40)	(85)	(100)	(80)
Issue of share cap. / premium	-	-	-	-
Debt changes	(5)	-	-	(20)
Dividend paid	(2)	(3)	(4)	(5)
Interest paid	(15)	(14)	(12)	(10)
Others	(3)	-	-	-
Net cash from Fin. activities	(25)	(17)	(16)	(35)
Net change in cash	8	(19)	(12)	4
Free Cash Flow	8	(2)	4	40

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	125	137	126	123
YoY gr. (%)	(0.6)	(4.5)	(3.5)	(9.4)
Raw Material Expenses	58	68	54	58
Gross Profit	66	69	72	64
Margin (%)	53.4	50.2	57.3	52.6
EBITDA	24	22	26	23
YoY gr. (%)	(28.2)	(28.8)	(23.6)	18.3
Margin (%)	19.1	16.0	20.9	18.7
Depreciation / Depletion	6	9	6	6
EBIT	18	13	20	17
Margin (%)	14.2	9.6	16.2	13.7
Net Interest	3	4	3	3
Other Income	-	-	1	-
Profit before Tax	11	8	18	14
Margin (%)	8.5	5.9	14.0	11.3
Total Tax	5	3	1	-
Effective tax rate (%)	51.2	42.2	4.2	(0.4)
Profit after Tax	5	5	17	14
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5	5	17	14
YoY gr. (%)	(67.9)	(69.5)	(14.4)	594.9
Margin (%)	4.2	3.4	13.4	11.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5	5	17	14
YoY gr. (%)	(67.9)	(69.5)	(14.4)	594.9
Margin (%)	4.2	3.4	13.4	11.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5	5	17	14
Avg. Shares O/s (m)	1	1	1	1
EPS (Rs)	5.2	4.6	16.8	13.8

Source: Company Data, PL Research

Key Financial Metrics

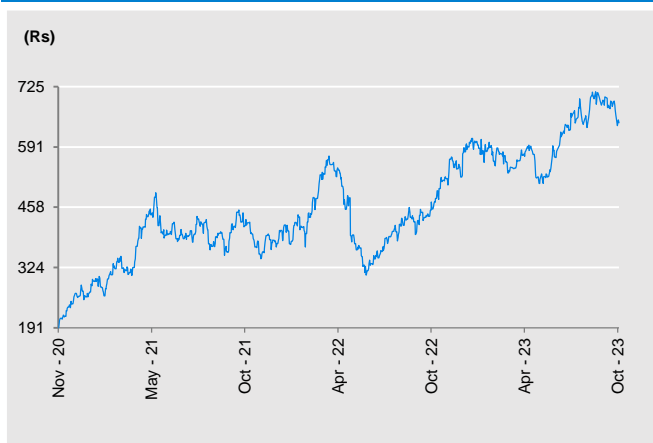
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	45.0	49.6	62.9	76.8
CEPS	71.8	74.2	89.6	105.5
BVPS	385.1	431.7	490.6	562.5
FCF	8.2	(2.2)	3.6	39.4
DPS	2.0	3.0	4.0	5.0
Return Ratio(%)				
RoCE	14.7	14.0	16.5	17.9
ROIC	11.6	12.1	12.7	13.7
RoE	12.2	12.1	13.6	14.6
Balance Sheet				
Net Debt : Equity (x)	0.2	0.2	0.2	0.1
Net Working Capital (Days)	15	18	18	18
Valuation(x)				
PER	14.1	12.8	10.1	8.2
P/B	1.6	1.5	1.3	1.1
P/CEPS	8.8	8.5	7.1	6.0
EV/EBITDA	7.1	7.4	6.0	5.0
EV/Sales	1.3	1.3	1.3	1.1
Dividend Yield (%)	0.3	0.5	0.6	0.8

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Steel sales volumes (mt)	8	8	9	10
EBITDA/t (Rs)	12,477	12,040	13,812	14,460
Realsiation/t (Rs)	66,641	62,122	65,405	65,560

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	BUY	812	683
2	28-Aug-23	BUY	812	634

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Hindalco Industries	BUY	557	469
2	Jindal Stainless	BUY	543	469
3	Jindal Steel & Power	BUY	812	683
4	JSW Steel	BUY	903	769
5	National Aluminium Co.	Accumulate	97	95
6	NMDC	Accumulate	147	146
7	Steel Authority of India	Accumulate	95	89
8	Tata Steel	BUY	144	126

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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