

January 31, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|---------------------|---------|-------|----------|-------|
| | FY25E | FY26E | FY25E | FY26E |
| Rating | BUY | | BUY | |
| Target Price | 842 | | 826 | |
| Sales (Rs. bn) | 571 | 671 | 586 | 650 |
| % Chng. | (2.4) | 3.1 | | |
| EBITDA (Rs. bn) | 122 | 143 | 123 | 143 |
| % Chng. | (0.7) | - | | |
| EPS (Rs.) | 65.0 | 74.3 | 63.0 | 77.0 |
| % Chng. | 3.2 | (3.5) | | |

Key Financials - Consolidated

| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|-----------------|--------|-------|-------|-------|
| Sales (Rs. bn) | 527 | 538 | 571 | 671 |
| EBITDA (Rs. bn) | 99 | 104 | 122 | 143 |
| Margin (%) | 18.8 | 19.3 | 21.4 | 21.3 |
| PAT (Rs. bn) | 45 | 61 | 65 | 75 |
| EPS (Rs.) | 45.0 | 61.0 | 65.0 | 74.3 |
| Gr. (%) | (47.5) | 35.5 | 6.6 | 14.3 |
| DPS (Rs.) | 2.0 | 3.0 | 4.0 | 5.0 |
| Yield (%) | 0.3 | 0.4 | 0.5 | 0.7 |
| RoE (%) | 12.2 | 14.7 | 13.7 | 13.8 |
| RoCE (%) | 14.7 | 14.7 | 15.8 | 17.3 |
| EV/Sales (x) | 1.6 | 1.6 | 1.5 | 1.2 |
| EV/EBITDA (x) | 8.3 | 8.1 | 6.9 | 5.7 |
| PE (x) | 16.8 | 12.4 | 11.6 | 10.2 |
| P/BV (x) | 2.0 | 1.7 | 1.5 | 1.3 |

Key Data

JNSP.BO | JSP IN

| | |
|---------------------|---------------------|
| 52-W High / Low | Rs.768 / Rs.503 |
| Sensex / Nifty | 71,752 / 21,726 |
| Market Cap | Rs.771bn/ \$ 9,279m |
| Shares Outstanding | 1,020m |
| 3M Avg. Daily Value | Rs.1621.35m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 62.93 |
| Foreign | 11.75 |
| Domestic Institution | 15.33 |
| Public & Others | 10.00 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-----|------|------|
| Absolute | 1.0 | 12.9 | 29.4 |
| Relative | 1.7 | 4.7 | 7.4 |

Tushar Chaudhari

tusharchaudhari@plindia.com | 91-22-663222391

Strong operating performance

Quick Pointers:

- Commissioned 5.5mtpa Hot Strip Mill (HSM) in January and expect ramping up going ahead. BOF-II is on track to get commissioned by 2QFY25.
- Utkal C coal mine is ramping up well; awaiting few final clearances on rest two coal mines.

Jindal steel & Power (JSP) reported strong operating performance in 3Q, despite weak volume growth (-5% YoY) in standalone business. EBITDA was better than our estimates, given strong realization and operating performance from overseas mining subsidiaries which aided margins. Average 3Q coking coal cost increased by ~USD32/t QoQ to USD281/t which is expected to rise further by ~USD15/t in 4Q. We believe with improving product mix and expected volume growth, JSP is better placed amongst peers. JSP is well poised to take dual benefit of volume growth and improvement in product mix over FY23-26E. Incremental volumes from pellet plant, conversion of semis at HSM and cost savings from captive coal mines would contribute to EBITDA margins. We expect Revenue/EBITDA/PAT CAGR of 8%/13%/26% over FY23-26E. At CMP, the stock is trading at 6.9x/5.7x EV of FY25E/FY26E EBITDA. Maintain 'BUY' rating with revised TP of Rs842 (earlier Rs826) valuing at 6x EV of Mar'26E EBITDA.

- Revenue affected by weak volumes:** Standalone revenue declined 3% YoY to Rs 115bn (-5% QoQ) led by decline in volumes (PLe 121bn). Realizations for the quarter improved 2% YoY to Rs63,351 (PLe Rs62.4k) led by increase in long product prices in first half of the quarter. Sales volume declined 5% YoY to 1.81mt (PLe 1.93mt) led by weak demand and lower production. Production grew 2% QoQ to 1.94mt as there was a breakdown of SMS which affected volumes. Consolidated revenue stood at Rs117bn (-6% YoY/-4% QoQ).
- Strong EBITDA margins aided by pricing and mining subsidiaries:** Standalone EBITDA increased 21% YoY to Rs 27.1bn (better than PLe Rs24.3bn). EBITDA/t stood at Rs 15,184 (+28% YoY/ +31 % QoQ; PLe: Rs12,600) on account of better steel pricing and RM inventory management. Consolidated EBITDA stood at Rs 28.4bn (+20% YoY/ + 24% QoQ) (PLe 24.4bn)
- Concall highlights:** (1) Gare Palma IV/6 (crossed 1mt) and Utkal C coal mines are being ramped up well (2) Major clearances for Utkal B1/B2 mines received (3) Steel realizations have declined 2-3% from Q3 exit levels (4) Overseas subsidiaries reported EBITDA of Rs600mn due to better coking coal prices (5) Of the total capex, JSP has spent Rs129bn till date (6) RINL MoU beneficial for both as JSP would receive liquid steel for its HSM (7) Net debt increased to Rs91 bn due to coking coal inventory (8) Work on slurry pipeline is going on in full swing; expect to get operationalized post upcoming elections.

Exhibit 1: Q3FY24 Result Overview

| Y/e March (Rs bn) | Q3FY24 | Q3FY23 | YoY gr. (%) | Q2FY24 | QoQ gr. (%) | 9MFY24 | 9MFY23 | YoY gr. (%) |
|---|--------------|--------------|----------------|--------------|----------------|--------------|--------------|----------------|
| Net Sales | 117.0 | 124.5 | (6.0) | 122.5 | (4.5) | 365.4 | 390.2 | (6.4) |
| Raw Material | 41.8 | 50.9 | (17.8) | 54.0 | (22.6) | 142.5 | 160.3 | (11.1) |
| <i>% of Net Sales</i> | <i>35.7</i> | <i>40.9</i> | | <i>44.1</i> | | <i>39.0</i> | <i>41.1</i> | |
| Purchase of traded goods | 4.0 | 7.2 | (44.5) | 4.0 | (1.3) | 15.1 | 18.5 | (18.4) |
| <i>% of Net Sales</i> | <i>3.4</i> | <i>5.8</i> | | <i>3.3</i> | | <i>4.1</i> | <i>4.7</i> | |
| Staff Costs | 3.3 | 3.0 | 9.6 | 3.1 | 5.1 | 9.3 | 8.4 | 10.1 |
| <i>% of Net Sales</i> | <i>2.8</i> | <i>2.4</i> | | <i>2.5</i> | | <i>2.5</i> | <i>2.2</i> | |
| Other Expenses | 39.5 | 39.7 | (0.5) | 38.5 | 2.7 | 121.0 | 125.5 | (3.6) |
| <i>% of Net Sales</i> | <i>33.8</i> | <i>31.9</i> | | <i>31.4</i> | | <i>33.1</i> | <i>32.2</i> | |
| Total Expenditure | 88.6 | 100.7 | (12.1) | 99.6 | (11.1) | 287.8 | 312.7 | (8.0) |
| EBITDA | 28.4 | 23.8 | 19.6 | 22.9 | 24.4 | 77.6 | 77.5 | 0.1 |
| <i>Margin (%)</i> | <i>24.3</i> | <i>19.1</i> | | <i>18.7</i> | | <i>21.2</i> | <i>19.9</i> | |
| Depreciation | 6.4 | 6.1 | 4.6 | 6.0 | 5.3 | 18.3 | 18.2 | 0.5 |
| Other income | 0.4 | 0.2 | 106 | 0.3 | 10.0 | 1.2 | 0.4 | 196.0 |
| EBIT | 22.4 | 17.9 | 25.5 | 17.1 | 30.8 | 60.5 | 59.7 | 1.4 |
| Interest | 3.2 | 3.5 | (9.0) | 3.3 | (4.3) | 9.7 | 10.7 | (9.4) |
| PBT | 19.3 | 14.4 | 33.7 | 13.8 | 39.2 | 50.8 | 49.0 | 3.7 |
| Extraordinary income/(expense) | - | 3.8 | | - | | - | 12.2 | (100.0) |
| PBT (After EO) | 19.3 | 18.2 | 5.9 | 13.8 | 39.2 | 50.8 | 36.8 | 38.0 |
| Tax | (0.0) | 5.4 | (100.2) | (0.1) | (82.2) | 0.7 | 9.5 | (92.9) |
| <i>% PBT</i> | <i>-0.1</i> | <i>29.9</i> | | <i>-0.4</i> | | <i>1.3</i> | <i>25.9</i> | |
| Reported PAT | 19.3 | 12.8 | 51.2 | 13.9 | 38.7 | 50.1 | 27.3 | 84 |
| Minority interest | (0.0) | (0.0) | | 0.0 | - | 0.07 | 0.39 | (82.6) |
| Share of profit/(losses) in Associates | 0.0 | (0.0) | - | (0.0) | - | (0.00) | (0.00) | - |
| Net Profit attributable to shareholders | 19.3 | 12.8 | 51.2 | 13.9 | 38.9 | 50.0 | 26.9 | 86.1 |
| Adjusted PAT | 19.3 | 9.0 | 115.0 | 13.9 | 38.9 | 50.0 | 39.0 | 28.1 |

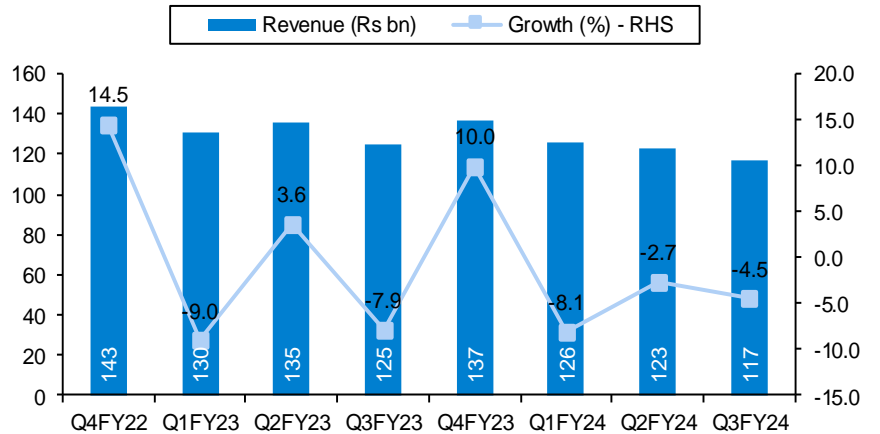
Source: Company, PL

Exhibit 2: Operating Metrics

| Y/e March | Q3FY24 | Q3FY23 | YoY gr. (%) | Q2FY24 | QoQ gr. (%) | 9MFY24 | 9MFY23 | YoY gr. (%) |
|--------------------|--------|--------|----------------|--------|----------------|--------|--------|----------------|
| Volume (mt) | 1.81 | 1.9 | (4.7) | 2.01 | (10.0) | 5.66 | 5.65 | 0.2 |
| Realization/t (Rs) | 63,624 | 62,275 | 2.2 | 60,108 | 5.8 | 63,442 | 66,881 | (5.1) |
| EBITDA/t (Rs) | 15,184 | 11,864 | 28.0 | 11,632 | 30.5 | 13,577 | 13,085 | 3.8 |

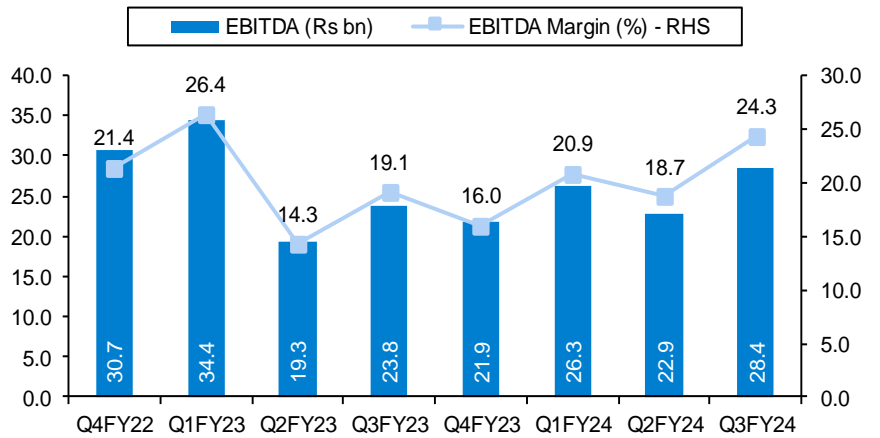
Source: Company, PL

Exhibit 3: Cons. revenue impacted by weak steel volumes



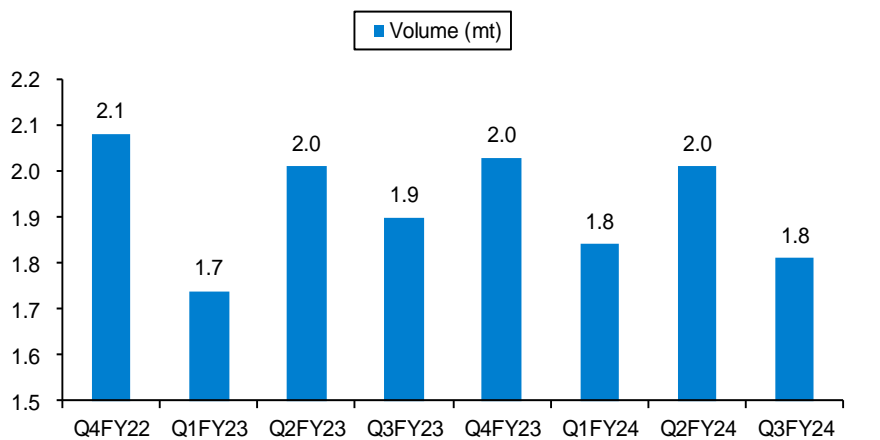
Source: Company, PL

Exhibit 4: Strong beat on cons. EBITDA due to better pricing & overseas subs



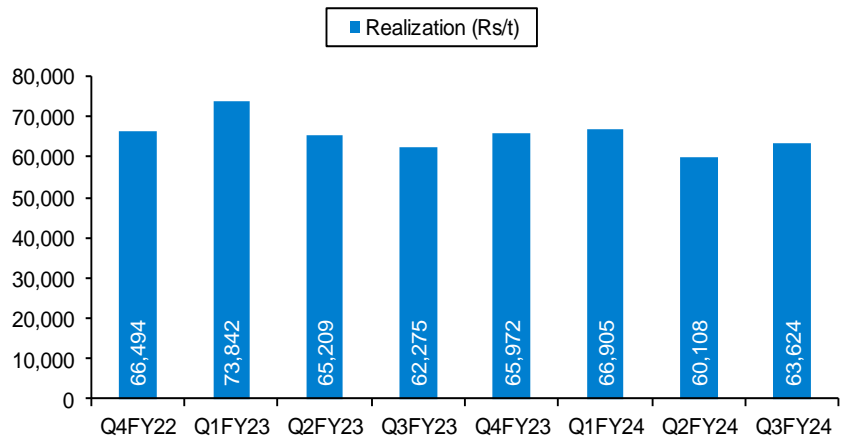
Source: Company, PL

Exhibit 5: Volume declined 5% YoY at 1.81mt



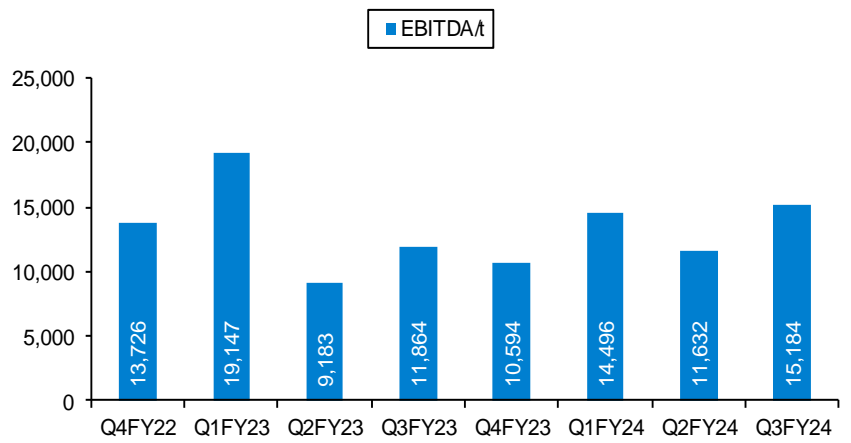
Source: Company, PL

Exhibit 6: Realization grew 2% YoY due to higher long product prices



Source: Company, PL

Exhibit 7: Strong EBITDA/t on better pricing and operating leverage (Rs)



Source: Company, PL

Financials

Income Statement (Rs bn)

| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|-------------------------------|-------------|-------------|-------------|-------------|
| Net Revenues | 527 | 538 | 571 | 671 |
| YoY gr. (%) | 3.2 | 2.1 | 6.2 | 17.4 |
| Cost of Goods Sold | 247 | 251 | 258 | 303 |
| Gross Profit | 280 | 287 | 313 | 368 |
| Margin (%) | 53.1 | 53.4 | 54.8 | 54.8 |
| Employee Cost | 11 | 10 | 11 | 12 |
| Other Expenses | 169 | 174 | 180 | 213 |
| EBITDA | 99 | 104 | 122 | 143 |
| YoY gr. (%) | (36.0) | 4.4 | 17.9 | 16.7 |
| Margin (%) | 18.8 | 19.3 | 21.4 | 21.3 |
| Depreciation and Amortization | 27 | 25 | 28 | 30 |
| EBIT | 72 | 79 | 94 | 113 |
| Margin (%) | 13.7 | 14.6 | 16.5 | 16.8 |
| Net Interest | 14 | 14 | 14 | 13 |
| Other Income | 1 | 1 | 1 | 1 |
| Profit Before Tax | 45 | 65 | 81 | 101 |
| Margin (%) | 8.5 | 12.1 | 14.2 | 15.0 |
| Total Tax | 13 | 4 | 16 | 26 |
| Effective tax rate (%) | 28.8 | 5.6 | 19.5 | 25.6 |
| Profit after tax | 32 | 61 | 66 | 75 |
| Minority interest | 0 | 0 | 0 | 0 |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 45 | 61 | 65 | 75 |
| YoY gr. (%) | (47.8) | 35.5 | 6.6 | 14.3 |
| Margin (%) | 8.6 | 11.4 | 11.4 | 11.1 |
| Extra Ord. Income / (Exp) | (14) | - | - | - |
| Reported PAT | 32 | 61 | 65 | 75 |
| YoY gr. (%) | (61.8) | 94.4 | 6.6 | 14.3 |
| Margin (%) | 6.0 | 11.4 | 11.4 | 11.1 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 32 | 61 | 65 | 75 |
| Equity Shares O/s (bn) | 1 | 1 | 1 | 1 |
| EPS (Rs) | 45.0 | 61.0 | 65.0 | 74.3 |

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 | 300 | 331 |
| Tangibles | 190 | 215 | 243 | 273 |
| Intangibles | 57 | 57 | 57 | 57 |
| Net fixed assets | 435 | 455 | 487 | 487 |
| Tangibles | 408 | 428 | 460 | 460 |
| 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 | 59 | 63 | 73 |
| Trade receivables | 10 | 15 | 16 | 18 |
| Cash & Bank Balance | 47 | 40 | 31 | 35 |
| Other Current Assets | 25 | 25 | 25 | 25 |
| Total Assets | 694 | 752 | 819 | 887 |
| Equity | | | | |
| Equity Share Capital | 1 | 1 | 1 | 1 |
| Other Equity | 386 | 444 | 506 | 575 |
| Total Networkth | 387 | 445 | 507 | 576 |
| 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 | 47 | 50 | 59 |
| Other current liabilities | 55 | 55 | 58 | 67 |
| Total Equity & Liabilities | 694 | 752 | 819 | 887 |

Source: Company Data, PL Research

Cash Flow (Rs bn)

| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|--------------------------------------|-------------|-------------|--------------|-------------|
| PBT | 45 | 65 | 81 | 101 |
| Add. Depreciation | 27 | 25 | 28 | 30 |
| Add. Interest | 14 | 14 | 14 | 13 |
| Less Financial Other Income | 1 | 1 | 1 | 1 |
| Add. Other | 8 | - | - | - |
| Op. profit before WC changes | 95 | 105 | 123 | 144 |
| Net Changes-WC | 5 | (6) | 2 | 5 |
| Direct tax | (27) | (4) | (16) | (26) |
| Net cash from Op. activities | 73 | 95 | 109 | 123 |
| 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) | (14) | (13) |
| Others | (3) | - | - | - |
| Net cash from Fin. activities | (25) | (17) | (18) | (38) |
| Net change in cash | 8 | (7) | (9) | 5 |
| Free Cash Flow | 8 | 10 | 9 | 43 |

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

| Y/e Mar | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 |
|-----------------------------------|------------|-------------|-------------|-------------|
| Net Revenue | 137 | 126 | 123 | 117 |
| YoY gr. (%) | (4.5) | (3.5) | (9.4) | (6.0) |
| Raw Material Expenses | 68 | 54 | 58 | 46 |
| Gross Profit | 69 | 72 | 64 | 71 |
| Margin (%) | 50.2 | 57.3 | 52.6 | 60.9 |
| EBITDA | 22 | 26 | 23 | 28 |
| YoY gr. (%) | (28.8) | (23.6) | 18.3 | 19.6 |
| Margin (%) | 16.0 | 20.9 | 18.7 | 24.3 |
| Depreciation / Depletion | 9 | 6 | 6 | 6 |
| EBIT | 13 | 20 | 17 | 22 |
| Margin (%) | 9.6 | 16.2 | 13.7 | 18.9 |
| Net Interest | 4 | 3 | 3 | 3 |
| Other Income | - | 1 | - | - |
| Profit before Tax | 8 | 18 | 14 | 19 |
| Margin (%) | 5.9 | 14.0 | 11.3 | 16.5 |
| Total Tax | 3 | 1 | - | - |
| Effective tax rate (%) | 42.2 | 4.2 | (0.4) | (0.1) |
| Profit after Tax | 5 | 17 | 14 | 19 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 5 | 17 | 14 | 19 |
| YoY gr. (%) | (69.5) | (14.4) | 594.9 | 271.8 |
| Margin (%) | 3.4 | 13.4 | 11.3 | 16.5 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 5 | 17 | 14 | 19 |
| YoY gr. (%) | (69.5) | (14.4) | 594.9 | 271.8 |
| Margin (%) | 3.4 | 13.4 | 11.3 | 16.5 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 5 | 17 | 14 | 19 |
| Avg. Shares O/s (bn) | 1 | 1 | 1 | 1 |
| EPS (Rs) | 4.6 | 16.8 | 13.8 | 19.2 |

Source: Company Data, PL Research

Key Financial Metrics

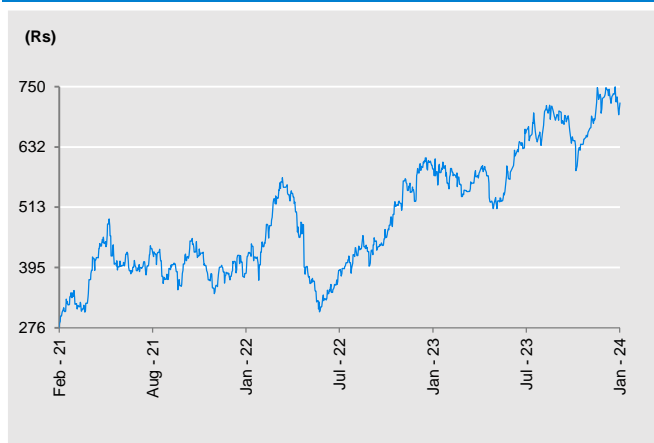
| Y/e Mar | FY23 | FY24E | FY25E | FY26E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 45.0 | 61.0 | 65.0 | 74.3 |
| CEPS | 71.8 | 86.0 | 92.9 | 104.3 |
| BVPS | 385.1 | 443.1 | 504.1 | 573.4 |
| FCF | 8.2 | 10.2 | 8.8 | 42.4 |
| DPS | 2.0 | 3.0 | 4.0 | 5.0 |
| Return Ratio(%) | | | | |
| RoCE | 14.7 | 14.7 | 15.8 | 17.3 |
| ROIC | 11.6 | 15.0 | 13.5 | 13.7 |
| RoE | 12.2 | 14.7 | 13.7 | 13.8 |
| 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 | 16.8 | 12.4 | 11.6 | 10.2 |
| P/B | 2.0 | 1.7 | 1.5 | 1.3 |
| P/CEPS | 10.5 | 8.8 | 8.1 | 7.2 |
| EV/EBITDA | 8.3 | 8.1 | 6.9 | 5.7 |
| EV/Sales | 1.6 | 1.6 | 1.5 | 1.2 |
| Dividend Yield (%) | 0.3 | 0.4 | 0.5 | 0.7 |

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 | 12,747 | 13,571 | 13,171 |
| Realsiation/t (Rs) | 66,641 | 63,211 | 63,872 | 63,680 |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 05-Jan-24 | BUY | 826 | 745 |
| 2 | 31-Oct-23 | BUY | 751 | 634 |
| 3 | 07-Oct-23 | BUY | 812 | 683 |
| 4 | 28-Aug-23 | BUY | 812 | 634 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|--------------------------|------------|---------|------------------|
| 1 | Hindalco Industries | BUY | 673 | 591 |
| 2 | Jindal Stainless | Accumulate | 660 | 581 |
| 3 | Jindal Steel & Power | BUY | 826 | 745 |
| 4 | JSW Steel | BUY | 958 | 816 |
| 5 | National Aluminium Co. | Accumulate | 101 | 131 |
| 6 | NMDC | BUY | 261 | 224 |
| 7 | Steel Authority of India | Accumulate | 95 | 119 |
| 8 | Tata Steel | Accumulate | 137 | 134 |

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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