

# Jindal Steel & Power

BSE SENSEX  
73,057

S&P CNX  
22,197

**CMP: INR759**

**TP: INR900 (+18%)**

**Buy**



## Stock Info

Bloomberg	JSP IN
Equity Shares (m)	1005
M.Cap.(INRb)/(USDb)	775.3 / 9.3
52-Week Range (INR)	805 / 503
1, 6, 12 Rel. Per (%)	1/4/3
12M Avg Val (INR M)	1569
Free float (%)	38.8

## Financials Snapshot (INR b)

Y/E MARCH	2024E	2025E	2026E
Sales	485	587	750
EBITDA	102	122	160
Adj. PAT	61	58	84
Cons. Adj. EPS (INR)	60	57	82
EPS Gr. (%)	64.3	-4.3	43.3
BV/Sh. (INR)	439	490	564

## Ratios

Net D:E	0.2	0.2	0.1
RoE (%)	14.5	12.3	15.6
RoCE (%)	13.1	14.1	17.7
Payout (%)	10.0	10.0	10.0

## Valuations

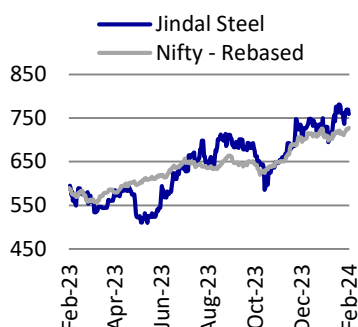
P/E (x)	12.7	13.3	9.2
P/BV (x)	1.7	1.5	1.3
EV/EBITDA(x)	8.4	7.0	5.2
Div. Yield (%)	0.8	0.8	1.1
FCF Yield (%)	-0.1	3.1	6.5

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	61.2	61.2	61.2
DII	15.3	15.2	14.2
FII	13.5	13.7	14.6
Others	10.0	9.9	10.0

FII Includes depository receipts

## Stock Performance (1-year)



## Capacity expansion to propel growth

- The ongoing capacity expansion at Angul (Odisha) will significantly enhance Jindal Steel and Power's (JSP) crude steel capacity by over 65% to 15.9mt. The planned expansion, which is expected to be completed by 3QFY26, will catapult JSP to the fourth largest steel manufacturer in India.
- Along with the capacity expansion, JSP plans to strengthen its raw material integration, increase the share of CPP, increase the share of flat steel, and undertake product enrichment. The planned capex will result in volume growth and a reduction in structural costs.
- JSP recently commissioned and dispatched its first rake from 6mt HSM at Angul in a record period of 30 months. This achievement enables the company to cater to key sectors such as automobile, construction, oil, GP, color coating, etc.
- In Oct'23, JSP started production at Gare Palma IV/6 mines, which supply coal to its Raigarh facility. At the current mine, JSP has already mined ~1mt of coal in 3QFY24 and as production ramps up, the mine can see increased raw material integration, which helps JSP to accelerate its capacity expansion.
- In addition, JSP has also commenced production at its Utkal C coal block within a record time of 12 months and the entire incremental benefits from this mine are expected to accrue in FY25E, which should further strengthen RM integration.
- JSP has followed a prudent deleveraging policy to strengthen its balance sheet. With net debt of ~INR91b in 9MFY24 and a net debt-to-EBITDA ratio at a comfortable level of 0.9x, JSP has one of the strongest balance sheets among the domestic ferrous manufacturers. The stock trades at 5.2x FY26E EV/EBITDA and 1.3x FY26E P/B. We reiterate BUY on the stock with a TP of INR900 (6x FY26E EV/EBITDA).
- **Key downside risk:** A delay in the commissioning of the remaining coal mines may delay cost synergies and margin improvement.

## Scale-up through capacity expansion

- JSP has guided for a capex outlay of INR75-100b p.a. over the next three years. The increase in capex guidance during 1HFY24 by INR70b to INR310b was attributed mainly to scope changes and the construction of a 1.2mt CRM complex and a 0.5mt plate mill facility at Angul.
- The INR310b capex will be utilized for the expansion at Angul (75%), ACPP-II (10%), coal mines (5%) and new projects (10%). After the capex, the share of flat steel products is expected to increase to ~55-58% from ~30-35% currently.
- Historically, flats command a premium over long steel products, and JSP's structural shift from being a long steel manufacturer to a VAP flat steel manufacturer bodes well for the company's long-term growth outlook.
- JSP recently commissioned the 6mt HSM facility, and all the other expansions are progressing as per timelines, which are expected to come on stream in phases by 3QFY26 (with majority coming on stream by end of FY25).
- As a part of the ongoing capex, JSP is enhancing its pellet capacity to 21mt (current 15mt), along with the installation of a ~200km 18mt slurry pipeline from Barbil to Angul, which will help in margin expansion and cost synergies.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- The total capex for FY24E is expected to be around INR75-100b and JSP has already spent INR60b till Dec'23.
- Once the doubling of the capacity at Angul is completed, JSP aims to increase its Raigarh capacity to 9.6mt from 3.6mt, thereby augmenting the installed crude steel capacity to ~22mt.

#### **Strong RM linkages and cost competitiveness**

- The company has two iron ore mines at Kasia (7.5mt) and Tensa (3.11mt), which fulfill around 64% of its iron ore requirements. These mines are in proximity to the Barbil pellet facility, which helps JSP reduce its reliance on third-party merchant miners.
- Total requirement of JSP in FY23 stood at ~14mt, of which Tensa mine supplied ~3mt and Kasia mine supplied ~6mt, with the rest procured from OMC and NMDC.
- JSP had acquired thermal coal blocks at Utkal C (PRC 3.37mt), Utkal B1 & B2 (PRC 8mt) and Gare Palma IV/6 (PRC 4mt) with a cumulative R&R of over 700mt. In Oct'23, JSP started production at Gare Palma IV/6 mine, and its proximity to the Raigarh facility (~49kms) provides RM linkages to JSP.
- Gare Palms IV/6 achieved a production of ~1mt during 3QFY24 and is expected to reach a run rate of over 3.5mt by Mar'24. JSP recently commenced production from Utkal C coal block and the entire incremental benefits from the Utkal C coal block is expected to accrue in FY25E. JSP also has coking coal, thermal/coking coal and anthracite coal assets in Australia, Mozambique and South Africa, with EC of 1.2mt, 5mt and 1.2mt, respectively.

#### **ACPP-II**

- In FY23, JSP acquired 2x525mw power plant assets belonging to Monnet Power at Angul under the IBC proceedings for INR4.1b. The 1050mw plant, which was under construction at the time of acquisition, is expected to utilize ~25% less coal and is expected to come on stream by 2QFY25 (part of the ongoing capex).
- Once fully commissioned, this power plant will provide power/energy to the Angul facility. The plant's proximity to Utkal C, B1, and B2 mines and JSP's Angul facility gives an additional advantage to JSP.
- As a part of the ongoing capex, JSP has earmarked INR30b for the construction of this plant.

#### **Valuations and view**

- The ongoing capacity expansion is expected to increase the share of flat steel products to over 55%, with the focus on VAP flat steel products. JSP's strong focus on high-margin VAP (current share ~65%) has helped the company strengthen its product offerings across the value chain, thereby enhancing its realizations. As the additional capacity comes on stream, JSP would be able to develop more VAPs, and thus driving up margins.
- JSP's focus on RM integration not only provides benefits from cost synergies but also helps the company to sail through extreme steel and raw material cycles.
- Steel demand in India is expected to remain robust, driven by improvements in construction activity, a strong push on infrastructure projects, and higher demand for automobiles, RE and consumer goods.
- Steel demand is relatively stronger in 4Q, which should help JSP garner better margins. The stock trades at 5.2x FY26E EV/EBITDA and we reiterate BUY on the stock with a TP of INR900 (6x FY26E EV/EBITDA).

**Exhibit 1: Strong focus on domestic operations (finished steel capacities)**

Capacities	Current capacity (mt)	Expanded capacity (mt)
<b>Raigarh, Chhattisgarh</b>		
Plate Mill	1	1
Rail Mill	1	1
Special Purpose Mill	0.75	0.75
<b>Patratu, Jharkhand</b>		
Bar Rod Mill	1	1
Wire Rod Mill	0.6	0.6
<b>Angul, Odisha</b>		
Bar Rod Mill	1.4	1.4
Plate Mill	1.5	2
HSM (incl. DS)	0	6
<b>Total</b>	<b>7.25</b>	<b>13.75</b>

Source: MOFSL, Company

- JSP has a total crude steel capacity of 9.6mt, which will be increased to 15.9mt. It is increasing its finished steel capacity from 7.25mt to 13.75mt (increased from original capex plan of 13.25mt).
- As a part of the Angul expansion, JSP is also setting up 1.2mt of downstream CRM complex, which is expected to come on stream by 4QFY25, along with 1050mw ACPPII and 6mt pellet-II facility.
- After the completion of the ongoing capex, JSP is expected to begin the expansion of its Raigarh facility, which is expected to increase its crude steel capacity by ~6mt to ~9.6mt.

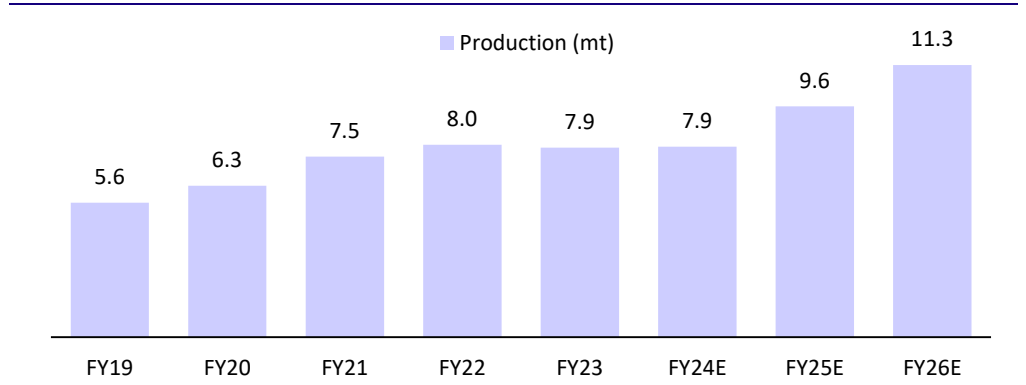
**Exhibit 2: Angul capacity expansion timeline**

Project	Capacity	Timeline
Slurry pipeline	18mt	1QFY25
BoF – II	3.3mt	2QFY25
ASU, coke oven, RMHS	-	2QFY25
BF – II	4.6mt	2QFY25
ACPP-II	1050mw	2QFY25
Pellet plant II	6mt	4QFY25
BoF – III	3mt	4QFY25
DRI-II	1.8mt	4QFY25
CRM Complex	1.2mt	4QFY25
Plate mill	0.5mt	3QFY26

Source: MOFSL, Company

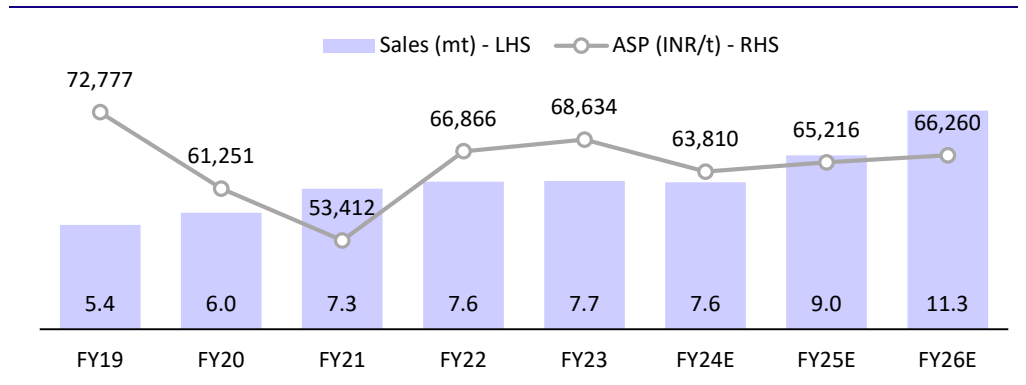
- With a capex of INR310b, JSP will increase its total finished steel capacity to 13.25mt by FY25E and 13.75mt by FY26E.
- JSP has already commissioned 6mt Pellet Plant-I at Angul, taking its total pellet capacity to 15mt, and has recently also commissioned the 6mt HSM.
- After the completion of all the capacity, DRI will constitute ~29% of the total iron making capacity.
- Moreover, as production starts gradually at coal mines Utkal B1 and B2 gradually start, it will further drive cost synergies.
- JSP, which has been predominantly a long-steel manufacturer, will increase the share of flat steel to over 55%.

**Exhibit 3: Consistent growth in annual steel production (mt); JSP on track to achieve ~11mt production by FY26E**



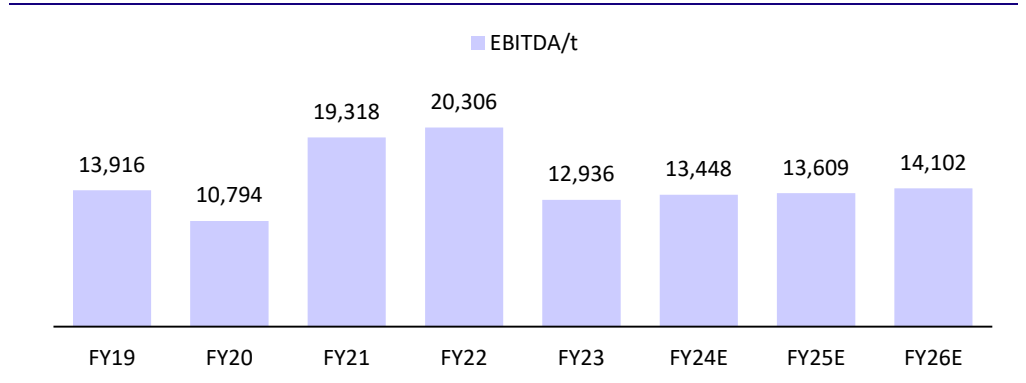
Source: MOFSL, Company

**Exhibit 4: Sales (mt) and ASP (INR/t); sales volumes and ASP to improve in tandem with each other**



Source: MOFSL, Company

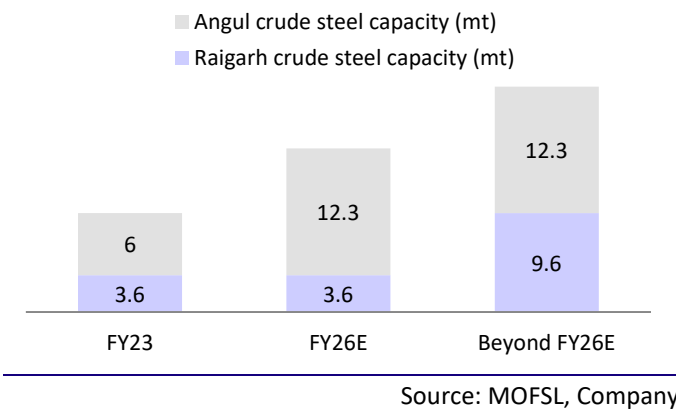
**Exhibit 5: We expect consolidated EBITDA/t to pick up in FY24E**



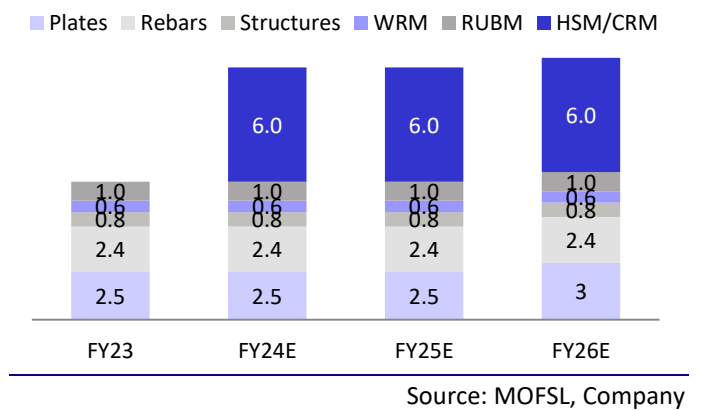
Source: MOFSL, Company

- Going forward, we expect growth in EBITDA/t to pick up in FY24, driven by higher volumes and cost synergies.
- By FY26E, EBITDA/t is expected to surpass FY19 levels.

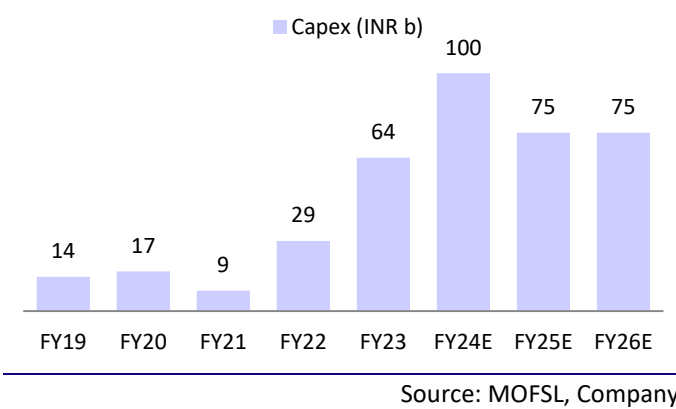
**Exhibit 6: Crude steel capacity (mt)**



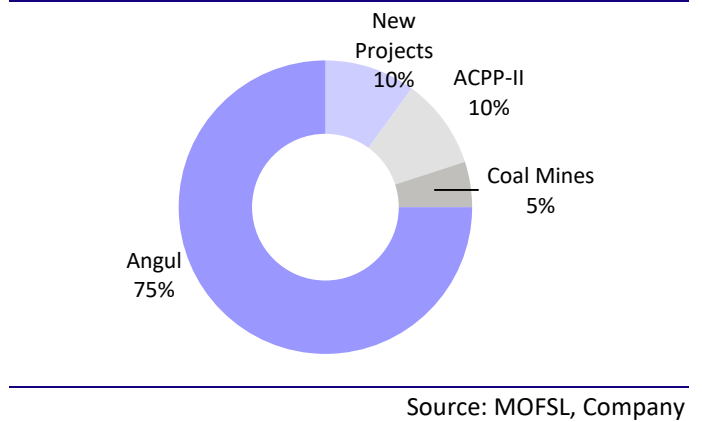
**Exhibit 7: Finished Steel capacity (mt)**



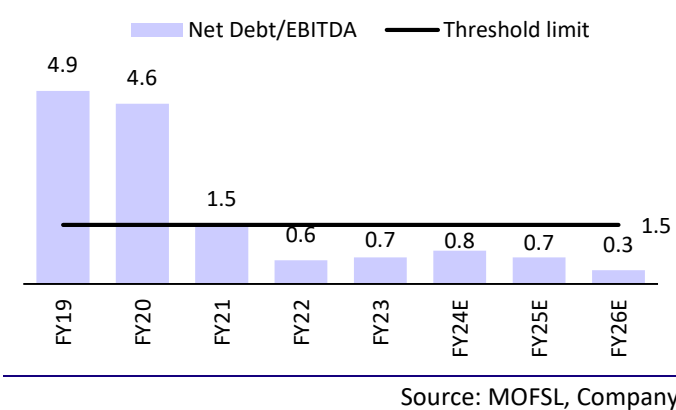
**Exhibit 8: Capex (INR b) to decline going forward**



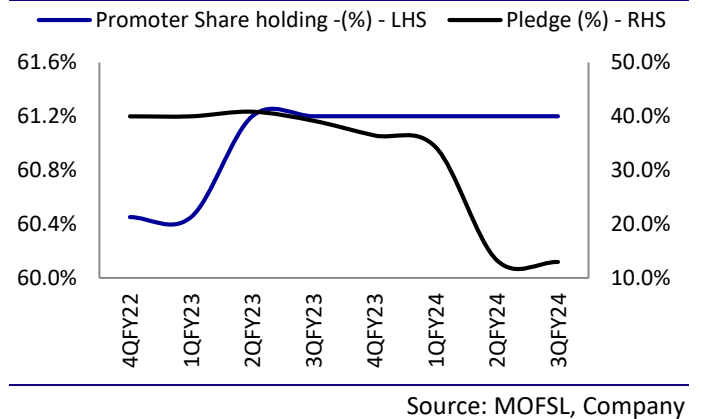
**Exhibit 9: Break-up for INR310b capex**



**Exhibit 10: ND/EBITDA remains within threshold**

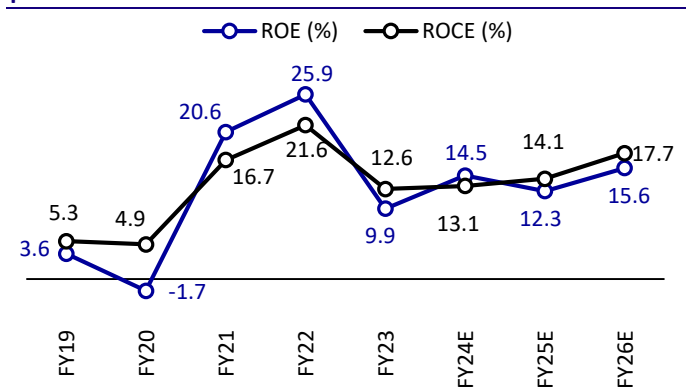


**Exhibit 11: Promoter’s pledge has been continuously declining and is now at 12.92%**



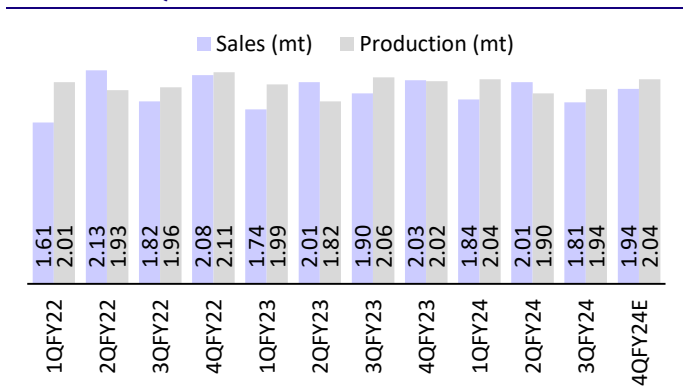
- JSP has deleveraged ~INR340b since FY19 and net debt as on 3QFY24 stood at ~INR91b.
- JSP has followed a prudent deleveraging policy, which has helped the company strengthen its balance sheet.
- JSP has one of the strongest balance sheets among the domestic ferrous manufacturers, with the ND/EBITDA ratio as on 9MFY24 stands at a comfortable level of 0.9x (below the threshold limit of 1.5x).

**Exhibit 12: ROE (%) and ROCE (%) to improve in-line with the performance**



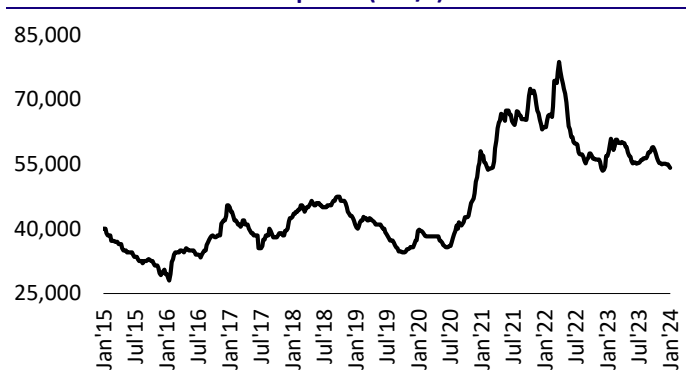
Source: MOFSL, Company

**Exhibit 13: Quarterly production and sales expected to increase in 4QFY24E**



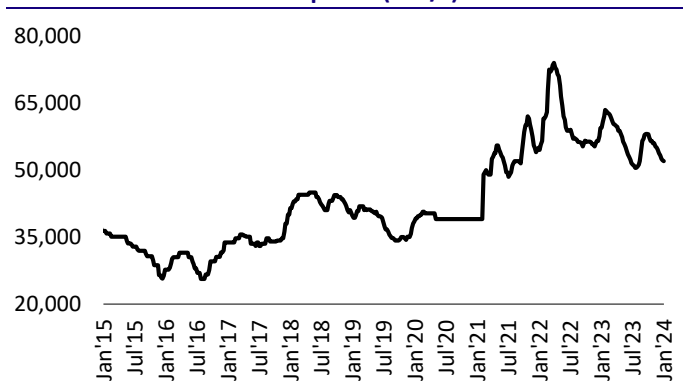
Source: MOFSL, Company

**Exhibit 14: Domestic HRC prices (INR/t)**



Source: MOFSL, SteelMint

**Exhibit 15: Domestic rebar prices (INR/t)**



Source: MOFSL, SteelMint

**Exhibit 16: Valuation and TP**

Y/E March	UoM	FY26E
Volume	mt	11.3
Blended EBITDA/t	INR	14,102
Consol EBITDA	INR b	160
Target EV/EBITDA(x)	x	6.0
Target EV	INR b	958
Net Debt	INR b	55
Equity Value	INR b	903
No of shares o/s	b	1.0
<b>Target price (INR/share)</b>	<b>INR/sh</b>	<b>900</b>

Source: MOFSL, Company

## Financials and Valuations

Consolidated Income Statement								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net sales</b>	<b>394</b>	<b>370</b>	<b>389</b>	<b>511</b>	<b>527</b>	<b>485</b>	<b>587</b>	<b>750</b>
Change (%)	43	-6	5	31	3	-8	21	28
Total Expenses	310	291	241	356	428	383	464	591
<b>EBITDA</b>	<b>84</b>	<b>79</b>	<b>148</b>	<b>155</b>	<b>99</b>	<b>102</b>	<b>122</b>	<b>160</b>
As a percentage of Net Sales	21	21	38	30	19	21	21	21
Depn. and Amortization	42	42	35	21	27	25	31	35
<b>EBIT</b>	<b>42</b>	<b>37</b>	<b>113</b>	<b>134</b>	<b>72</b>	<b>77</b>	<b>91</b>	<b>125</b>
Net Interest	43	41	31	19	14	13	14	14
Other income	0	0	4	1	1	1	1	1
<b>PBT before EO</b>	<b>0</b>	<b>-4</b>	<b>86</b>	<b>116</b>	<b>59</b>	<b>65</b>	<b>78</b>	<b>112</b>
EO income	-28	2	-13	-4	-14	0	0	0
<b>PBT after EO</b>	<b>-28</b>	<b>-2</b>	<b>73</b>	<b>112</b>	<b>45</b>	<b>65</b>	<b>78</b>	<b>112</b>
Tax	-4	2	18	29	13	4	20	28
Rate (%)	14	-63	24	26	29	7	25	25
<b>PAT (before MI and Sh. of Asso.)</b>	<b>-24</b>	<b>-4</b>	<b>55</b>	<b>82</b>	<b>32</b>	<b>61</b>	<b>58</b>	<b>84</b>
Minority interests	-8	0	3	0	0	0	0	0
Other adj.	0	0	0	0	-9	0	0	0
Share of Associates	0	0	0	0	0	0	0	0
<b>PAT (after MI and Sh. of Asso.)</b>	<b>-16</b>	<b>-4</b>	<b>53</b>	<b>83</b>	<b>32</b>	<b>61</b>	<b>58</b>	<b>84</b>
<b>Adjusted PAT</b>	<b>11</b>	<b>-5</b>	<b>66</b>	<b>87</b>	<b>37</b>	<b>61</b>	<b>58</b>	<b>84</b>
Change (%)	LP	PL	LP	32	-58	67	-4	43

Consolidated Balance Sheet								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	1	1	1	1	1	1	1	1
Reserves	323	320	317	355	386	440	492	566
<b>Net Worth</b>	<b>324</b>	<b>321</b>	<b>318</b>	<b>356</b>	<b>387</b>	<b>441</b>	<b>493</b>	<b>567</b>
Minority Interest	-3	-8	-9	15	3	3	3	3
Total Loans	415	368	293	139	124	128	125	121
Deferred Tax Liability	54	56	62	73	59	59	59	59
<b>Capital Employed</b>	<b>790</b>	<b>738</b>	<b>665</b>	<b>582</b>	<b>574</b>	<b>632</b>	<b>681</b>	<b>751</b>
Gross Block	900	951	833	681	690	770	830	905
Less: Accum. Deprn.	210	252	286	223	247	272	304	338
<b>Net Fixed Assets</b>	<b>690</b>	<b>699</b>	<b>547</b>	<b>458</b>	<b>443</b>	<b>498</b>	<b>526</b>	<b>566</b>
Capital WIP	40	20	9	17	71	91	106	106
Goodwill and Revaluation	6	6	5	4	1	1	1	1
Investments	1	1	1	1	1	1	1	1
<b>Curr. Assets</b>	<b>158</b>	<b>171</b>	<b>216</b>	<b>285</b>	<b>179</b>	<b>158</b>	<b>172</b>	<b>216</b>
Inventory	65	64	59	73	59	54	66	84
Account Receivables	30	35	28	13	10	9	11	14
Cash and Bank Balance	4	10	72	45	57	42	43	66
Loans and advances and others	58	62	57	155	53	53	53	53
<b>Curr. Liability and Prov.</b>	<b>106</b>	<b>159</b>	<b>113</b>	<b>184</b>	<b>120</b>	<b>117</b>	<b>126</b>	<b>140</b>
Account Payables	32	56	41	53	47	43	52	67
Provisions and Others	74	104	73	132	73	73	73	73
<b>Net Current Assets</b>	<b>52</b>	<b>12</b>	<b>103</b>	<b>101</b>	<b>58</b>	<b>41</b>	<b>46</b>	<b>76</b>
<b>Appl. of Funds</b>	<b>790</b>	<b>738</b>	<b>665</b>	<b>582</b>	<b>574</b>	<b>632</b>	<b>681</b>	<b>751</b>

## Financials and Valuations

### Consolidated ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>11.5</b>	<b>-5.4</b>	<b>64.7</b>	<b>86.0</b>	<b>36.4</b>	<b>59.8</b>	<b>57.3</b>	<b>82.1</b>
Cash EPS	18.4	36.9	88.0	102.4	58.6	85.7	89.4	117.8
BV/Share	335.0	315.1	311.9	352.5	385.1	438.8	490.3	564.0
DPS	0.0	0.0	0.0	3.0	2.0	6.0	5.7	8.2
Payout (%)	0.0	0.0	0.0	3.5	5.5	10.0	10.0	10.0
<b>Valuation (x)</b>								
P/E	65.8	-141.5	11.7	8.8	20.8	12.7	13.3	9.2
Cash P/E	41.2	20.6	8.6	7.4	13.0	8.9	8.5	6.4
P/BV	2.3	2.4	2.4	2.2	2.0	1.7	1.5	1.3
EV/Sales	2.9	3.1	2.6	1.7	1.6	1.8	1.5	1.1
EV/EBITDA	13.6	14.4	6.8	5.6	8.4	8.4	7.0	5.2
Dividend Yield (%)	0.0	0.0	0.0	0.4	0.3	0.8	0.8	1.1
<b>Return Ratios (%)</b>								
EBITDA Margin (%)	21.3	21.2	38.0	30.4	18.8	21.1	20.9	21.3
Net Profit Margin (%)	2.8	-1.5	17.0	17.0	6.9	12.6	10.0	11.2
RoE	3.6	-1.7	20.6	25.9	9.9	14.5	12.3	15.6
RoCE (pre-tax)	5.3	4.9	16.7	21.6	12.6	13.1	14.1	17.7
RoIC (pre-tax)	5.7	5.1	17.7	24.6	15.1	16.4	17.7	22.6
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	0.5	0.5	0.7	1.1	1.0	0.8	0.9	1.1
Asset Turnover (x)	0.5	0.5	0.6	0.9	0.9	0.4	0.4	0.4
Inventory (Days)	60	63	56	52	41	41	41	41
Debtor (Days)	28	35	26	9	7	7	7	7
Payable (Days)	30	55	38	38	33	33	33	33
Work. Cap. Turnover (Days)	59	43	44	24	15	15	15	15
<b>Leverage Ratio (x)</b>								
Current Ratio	1.5	1.1	1.9	1.5	1.5	1.4	1.4	1.5
Interest Coverage Ratio	1.0	0.9	3.7	7.1	5.0	5.8	6.4	8.6
Debt/Equity ratio	1.3	1.1	0.7	0.3	0.2	0.2	0.2	0.1

### Consolidated Cash Flow Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
EBITDA	84	79	148	155	99	102	122	160
Non-cash exp./ (income)	1	2	-2	25	-5	0	0	0
(Inc.) / Dec. in Wkg. Cap.	-24	19	-12	-8	11	2	-4	-7
Tax Paid	0	0	1	-20	-27	-4	-20	-28
others	29	-11	-14	9	-6	0	0	0
<b>CF from Op. Activity</b>	<b>90</b>	<b>88</b>	<b>120</b>	<b>160</b>	<b>73</b>	<b>100</b>	<b>99</b>	<b>125</b>
(Inc.) / Dec. in FA + CWIP	-14	-17	-9	-29	-64	-100	-75	-75
(Pur.) / Sale of Investments	2	0	0	1	0	0	0	0
Loans and advances	3	1	-11	4	23	0	0	0
Int. and Dividend Income	1	1	1	2	1	1	1	1
Other investing activities	-12	-16	-8	-29	-64	0	0	0
<b>CF from Inv. Activity</b>	<b>-8</b>	<b>-15</b>	<b>-19</b>	<b>-23</b>	<b>-40</b>	<b>-99</b>	<b>-74</b>	<b>-74</b>
Equity raised / (repaid)	0	5	0	-5	-2	0	0	0
Debt raised / (repaid)	-30	-61	-23	-119	-6	4	-3	-4
Dividend (incl. tax)	0	0	0	-1	-2	-7	-7	-10
Interest paid	-46	-40	-23	-26	-15	-13	-14	-14
<b>CF from Fin. Activity</b>	<b>-83</b>	<b>-70</b>	<b>-46</b>	<b>-151</b>	<b>-25</b>	<b>-16</b>	<b>-24</b>	<b>-28</b>
<b>(Inc.) / Dec. in Cash</b>	<b>-1</b>	<b>3</b>	<b>55</b>	<b>-14</b>	<b>8</b>	<b>-15</b>	<b>1</b>	<b>23</b>
Add: opening cash balance	3	2	5	60	35	43	27	28
Discontinued operations (/adj.)	0	0	0	-11	0	0	0	0
Closing cash balance	2	5	60	35	43	27	28	51
Bank balance	3	5	12	10	15	15	15	15
<b>Closing Balance</b>	<b>4</b>	<b>10</b>	<b>72</b>	<b>45</b>	<b>57</b>	<b>42</b>	<b>43</b>	<b>66</b>

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Explanation of Investment Rating	
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

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