

Jindal Steel & Power

Estimate change

TP change

Rating change



Bloomberg	JSP IN
Equity Shares (m)	1020
M.Cap.(INRb)/(USDb)	958.2 / 11.5
52-Week Range (INR)	960 / 503
1, 6, 12 Rel. Per (%)	6/34/43
12M Avg Val (INR M)	1766
Free float (%)	38.8

Financials & Valuations (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	500	593	752
EBITDA	102	132	179
APAT	59	64	96
Adj. EPS (INR)	58	62	94
EPS Gr. (%)	60.4	6.9	51.4
BV/Sh. (INR)	442	498	583

Ratios

Net D:E	0.2	0.2	0.1
RoE (%)	14.1	13.3	17.5
RoCE (%)	12.2	14.8	19.3
Payout (%)	3.4	10.0	10.0

Valuations

P/E (x)	16.1	15.0	9.9
P/BV (x)	2.1	1.9	1.6
EV/EBITDA(x)	10.4	8.0	5.7
Div. Yield (%)	0.2	0.7	1.0
FCF Yield (%)	-2.7	3.0	6.3

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	61.2	61.2	61.2
DII	14.7	15.3	13.9
FII	13.7	13.5	14.9
Others	10.4	10.0	10.0

FII Includes depository receipts

CMP: INR939

TP: INR1090 (+16%)

Buy

Marginal miss in EBITDA in 4Q; outlook remains bright

- JSP reported revenue of INR135b (-1.5% YoY/ +15% QoQ) in 4QFY24, which was above our est. of INR122b. ASP stood at INR67,099/t (flat YoY/ +4% QoQ) vs. our est. of INR62,821/t.
- EBITDA stood at INR24b (+12% YoY/-14% QoQ), below our est. of INR26b, due to higher cost. EBITDA/t came in at INR12,162/t (+12% YoY/-14% QoQ) vs. our est. of INR13,286/t. Coal costs rose USD10-20 per ton QoQ. APAT stood at INR9b (+52% YoY/-51% QoQ) vs. our est. of INR12.5b in 4QFY24.
- Production volume grew 2% YoY and 6% QoQ to 2.05mt (our est. 2.04mt). Sales volume was slightly above our est. at 2.01mt (-1% YoY/+11% QoQ). Exports share remained flat YoY at 11% of total revenue in 4QFY24.
- In FY24, revenue declined 5% YoY to INR500b, led by flat volume and weak realization. EBITDA/APAT increased by +3%/+62% YoY to INR102b/INR59b, because of RM cost moderation and an improved product mix in FY24. Sales volume was flat YoY at 7.7mt vs. our est. of 7.6mt in FY24.
- Net debt as of Mar'24 stood at INR112b vs. INR91b in 3QFY24, implying a net debt-to-EBITDA ratio of 1.1x as of Mar'24 vs. 0.92x in 3QFY24.

Expansion status and coal mine update

- During the quarter, JSP produced ~1mt from Gare Palma IV/6 coal mine and targets to reach a 3.5mt run rate in the near term.
- From Utkal C coal block, JSP produced ~0.9mt and plans to gradually ramp up the production. The Utkal B1 and B2 mines are under an advanced stage of clearance and expected to open in FY25E.
- JSP will increase its total finished steel capacity from 7.25mt to 13.75mt by FY26 at a total capex of INR310b.
- The management indicated that all the announced expansion are progressing as per schedule. JSP expects to incur the remaining ~INR150b capex (excluding maintenance capex) in the next three years.

Highlights from the management commentary

- Coal cost increased by ~USD10-20/t in 4QFY24 vs. USD281/t in 3QFY24 and USD249/t in 2QFY24.
- Coal cost is expected to moderate by USD30-40/t in 1QFY25 on consumption basis. The management expects to deliver better volumes in FY25 vs. FY24.
- JSP increased prices by INR1000/t in Apr'24.
- With a higher conversion of semis into VAP, JSP expects realization and profitability to improve ahead.
- The increase in inventory was largely due to higher raw material (coal) and finished goods inventory during the quarter.

Valuation and view

- While 4Q EBITDA was marginally lower than our estimate, the outlook remains bright. JSP increased prices in Apr'24 and coal costs are expected to be lower in 1QFY25. Capex would transition toward more value-added products, which would yield better profitability.
- We marginally increase our EBITDA estimates by 4%/3% for FY25/FY26. **We maintain our BUY rating on JSP with a revised TP of INR1090, based on 6.5x FY26E EV/EBITDA. The stock is currently trading at 5.7x FY26E EV/EBITDA and 1.6x FY26E P/B.**

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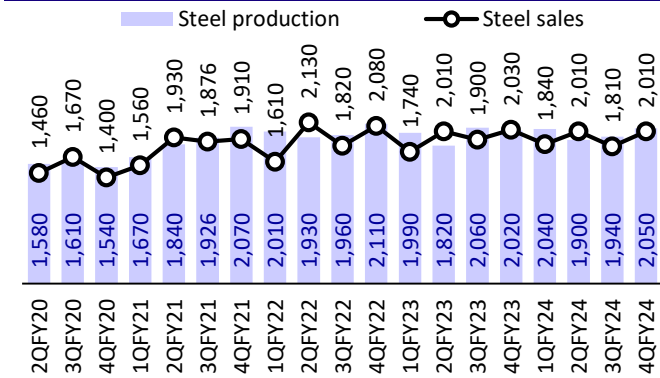
Consolidated quarterly performance

(INR b)

Y/E March	FY23				FY24				FY23	FY24	FY24	Vs Est (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	
Sales (kt)	1,740	2,010	1,900	2,030	1,840	2,010	1,810	2,010	7,680	7,670	1,943	3.4
Change (YoY %)	8.1	-5.6	4.4	-2.4	5.7	0.0	-4.7	-1.0	0.5	-0.1		
ASP	74,974	67,271	65,539	67,448	68,415	60,946	64,648	67,099	68,634	65,224	62,821	6.8
Net Sales	130	135	125	137	126	123	117	135	527	500	122	10.5
Change (YoY %)	23.0	-0.7	-0.6	-4.5	-3.5	-9.4	-6.0	-1.5	3.2	-5.1		
Change (QoQ %)	-9.0	3.6	-7.9	10.0	-8.1	-2.7	-4.5	15.3				
Total Expenditure	96	116	101	115	100	100	89	110	428	398		
EBITDA	34	19	24	22	26	23	28	24	99	102	26	-5.3
Change (YoY %)	-24.2	-58.0	-28.2	-28.8	-23.6	18.3	19.6	11.8	-36.0	2.7		
Change (QoQ %)	12.0	-43.8	23.1	-8.0	20.2	-13.0	24.4	-14.0				
EBITDA/t	19,763	9,609	12,513	10,775	14,283	11,372	15,705	12,162	12,936	13,306	13,286	-8.5
Interest	4	4	3	4	3	3	3	3	14	13	4	
Depreciation	6	6	6	9	6	6	6	10	27	28	7	
Other Income	0	0	0	0	1	0	0	0	1	2	0	
PBT (before EO item)	25	10	14	10	18	14	19	12	59	62	16	
Extra-ordinary Income	1	-9.0	-4	-1.5	0	0	0	0.0	-13.7	0		
PBT (after EO item)	26	1	11	8	18	14	19	12	45	62	16	
Total Tax	6	-2	5	3	1	-0	-0	2	13	3		
% Tax	22.4	-303.9	51.2	42.2	4.2	-0.4	-0.1	19.8	28.8	4.8		
PAT (before MI and Sh. of Asso.)	20	2	5	5	17	14	19	9	32	59	12	
MI - Loss/(Profit)	0	0	-0	0	0	0	-0	-0	0	0		
Associate	-0	0	0	0	-0	-0	0	0	-0	-0		
PAT (after MI and Sh. of Asso.)	20	2	5	5	17	14	19	9	32	59		
Adjusted PAT	15	7	9	6	17	14	19	9	37	59	12	-25.0
Change (YoY %)	-42.5	-73.4	-44.8	-68	15.3	102.2	114.9	52	-57.9	62.3		
Change (QoQ %)	-24.9	-53.1	30.7	-31	173.8	-17.7	38.9	-51				

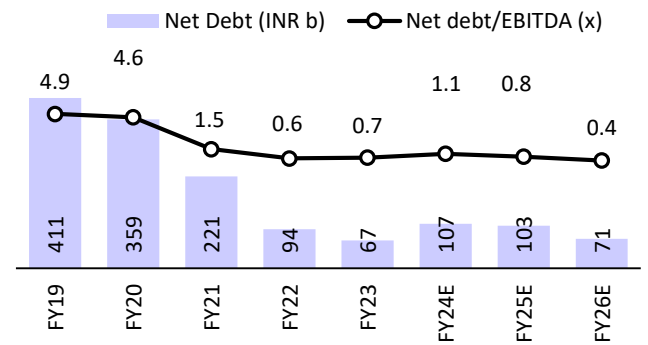
Story in charts

Exhibit 1: Production volume grew 2% YoY and 6% QoQ to 2.01mt in 4QFY24



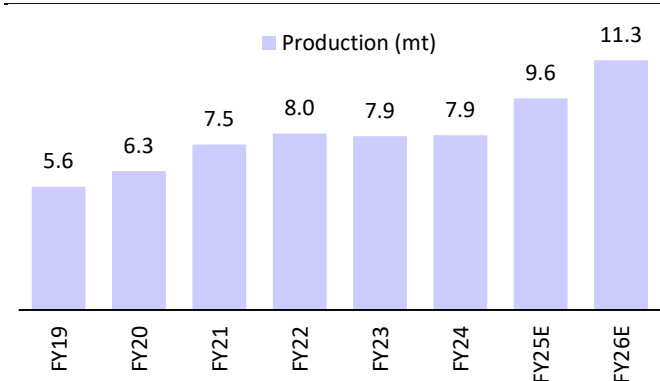
Source: MOFSL, Company

Exhibit 2: Net debt/EBITDA is expected to further reduce going forward



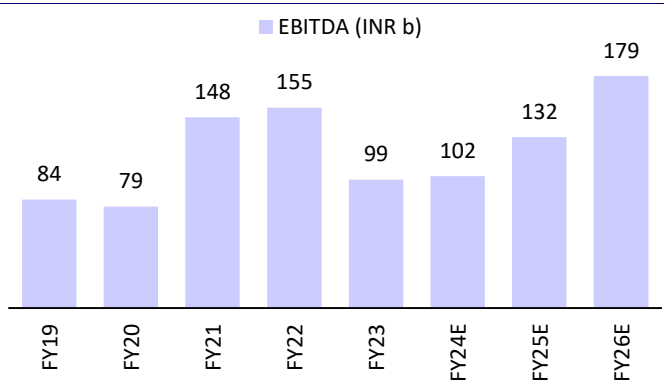
Source: MOFSL, Company

Exhibit 3: Annual steel production (mt) is expected to grow from FY25E as all the facilities commence production



Source: MOFSL, Company

Exhibit 4: EBITDA to improve from FY24 onwards



Source: MOFSL, Company



Key highlights from the management commentary

Coal costs and captive coal mines

- Coal cost increased by ~USD10-20/t in 4QFY24 vs. USD281/t in 3QFY24 and USD249/t in 2QFY24.
- Coal cost is expected to moderate by USD30-40/t in 1QFY25 on consumption basis.
- During the quarter, JSP produced ~1mt from Gare Palma IV/6 coal mine and target to a 3.5mt run rate in the near term.
- From Utkal C coal block, JSP produced ~0.9mt and plans to gradually ramp up the production.
- The Utkal B1 and B2 mines are under an advanced stage of clearance and expected to open in FY25. The entire incremental benefits from the Utkal C coal block is expected to accrue in FY25.

Capex and timelines

- The management indicated that all the announced expansions are progressing as per schedule.
- As of FY24, JSP spent ~INR150b out of the INR310b of announced capex.

- JSP expects to incur the remaining ~INR150b capex in the next three years, excluding maintenance capex.
- JSP will increase its total finished steel capacity from 7.25mt to 13.75mt by FY26 at a total capex of INR310b.
- BOF-II plant construction is on track and is expected to complete by 2QFY25 and BOF-III, which will be in the same vicinity, should commence the production by 4QFY25.
- JSP has already planned to ramp up the HSM plant and is expected to end the year with a 50% capacity run rate.

Other highlights

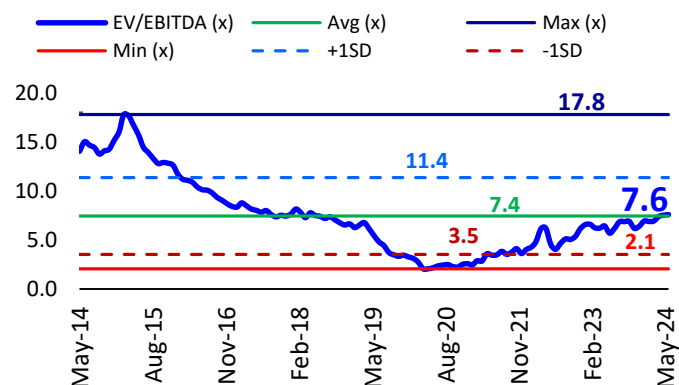
- As compared to FY24, the management aims to deliver better volumes in FY25.
- JSP has taken a price hike of INR1000/t in Apr'24. Going ahead, with higher conversion of semis into finished products, realization and profitability would improve.
- Increase in inventory was largely due higher raw material (coal) and finished goods inventory during the quarter.
- JSP has not sold pellet in the external market in 4QFY24 and has used for captive consumption.
- The 1050mw ACPP-II power plant is expected to come on stream by 2QFY25.
- The increase in net debt (INR112b in 4QFY24 vs. INR91b in 3QFY24) was mainly due to the completion of certain projects in line with the capex program.
- Tensa mine supplies ~3mt of iron ore and Kasia mine supplies ~6mt of iron ore, with the rest procured from OMC and NMDC.
- The partnership with RINL is strategic in nature as it bridges the gap between internal availability of steel and external metallic resources.
- Share of exports remained stable at 11% in 4QFY24 vs. 11% during the 4QFY23.
- Sales grew due to increased supplies to RINL, which led to higher realizations per ton. Adjusting for the same, steel realizations declined 5% QoQ.

Exhibit 5: Valuation and target price

Y/E March	UoM	FY26E
Volume	mt	11.3
Blended EBITDA/t	INR	15,847
Consol EBITDA	INR b	179
Target EV/EBITDA(x)	x	6.5
Target EV	INR b	1,167
Net Debt	INR b	71
Equity Value	INR b	1,096
No of shares o/s	b	1.0
Target price (INR/share)	INR/sh	1,090

Source: MOFSL

Exhibit 6: EV/EBITDA is near LTA



Source: MOFSL, Company Data

Exhibit 7: P/B ratio

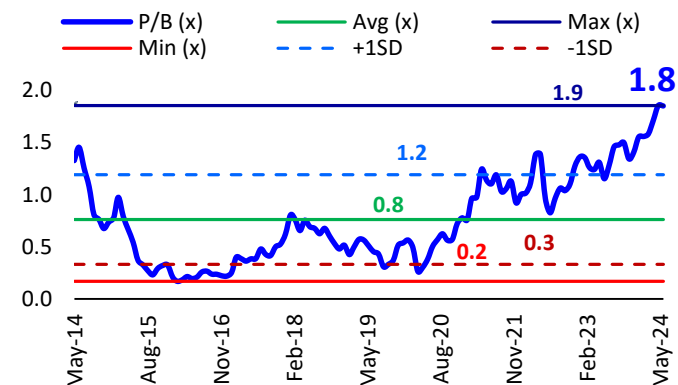


Exhibit 8: Key assumptions and changes to our estimates

	UoM	FY25E			FY26E		
		New	Old	Change (%)	New	Old	Change
Volumes	mt	9	9	0.0	11	11	0.0
Realization/t	INR/t	65,882	65,882	0.0	66,440	66,440	0.0
EBITDA/t	INR/t	14,694	14,178	3.6	15,847	15,348	3.3
Revenue	INR b	593	593	0.0	752	752	0.0
EBITDA	"	132	128	3.6	179	174	3.3
PAT	"	64	62	1.7	96	94	1.8

Source: Company, MOFSL

Financials and valuation

Consolidated Income Statement

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net sales	394	370	389	511	527	500	593	752
Change (%)	43	-6	5	31	3	-5	19	27
Total Expenses	310	291	241	356	428	398	461	573
EBITDA	84	79	148	155	99	102	132	179
As a percentage of Net Sales	21	21	38	30	19	20	22	24
Depn. and Amortization	42	42	35	21	27	28	31	35
EBIT	42	37	113	134	72	74	101	145
Net Interest	43	41	31	19	14	13	18	18
Other income	0	0	4	1	1	2	1	2
PBT before EO	0	-4	86	116	59	62	85	129
EO income	-28	2	-13	-4	-14	0	0	0
PBT after EO	-28	-2	73	112	45	62	85	129
Tax	-4	2	18	29	13	3	21	32
Rate (%)	14	-63	24	26	29	5	25	25
PAT (before MI and Sh. of Asso.)	-24	-4	55	82	32	59	64	96
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
PAT (after MI and Sh. of Asso.)	-16	-4	53	83	32	59	64	96
Adjusted PAT	11	-5	66	87	37	59	64	96
Change (%)	LP	PL	LP	32	-58	62	7	51

Consolidated Balance Sheet

(INR b)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	1	1	1	1	1	1	1	1
Reserves	323	320	317	355	386	442	498	583
Net Worth	324	321	318	356	387	443	499	584
Minority Interest	-3	-8	-9	15	3	4	4	4
Total Loans	415	368	293	139	124	159	156	152
Deferred Tax Liability	54	56	62	73	59	59	59	59
Capital Employed	790	738	665	582	574	665	718	800
Gross Block	900	951	833	681	690	766	826	901
Less: Accum. Depn.	210	252	286	223	247	275	306	341
Net Fixed Assets	690	699	547	458	443	491	520	560
Capital WIP	40	20	9	17	71	89	104	104
Goodwill and Revaluation	6	6	5	4	1	1	1	1
Investments	1	1	1	1	1	1	1	1
Curr. Assets	158	171	216	285	179	205	223	279
Inventory	65	64	59	73	59	71	84	106
Account Receivables	30	35	28	13	10	17	20	25
Cash and Bank Balance	4	10	72	45	57	52	53	81
Loans and advances and others	58	62	57	155	53	66	66	66
Curr. Liability and Prov.	106	159	113	184	120	121	130	145
Account Payables	32	56	41	53	47	47	56	70
Provisions and Others	74	104	73	132	73	75	75	75
Net Current Assets	52	12	103	101	58	84	93	134
Appl. of Funds	790	738	665	582	574	665	718	800

Financials and valuation

Consolidated ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	11.5	-5.3	64.7	86.0	36.4	58.4	62.4	94.5
Cash EPS	18.4	36.9	88.0	102.4	58.6	87.5	94.3	130.4
BV/Share	335.0	315.1	311.9	352.5	385.1	442.1	498.1	583.0
DPS	0.0	0.0	0.0	3.0	2.0	2.0	6.2	9.4
Payout (%)	0.0	0.0	0.0	3.5	5.5	3.4	10.0	10.0
Valuation (x)								
P/E	81.4	-175.6	14.5	10.9	25.8	16.1	15.0	9.9
Cash P/E	51.0	25.5	10.7	9.2	16.0	10.7	10.0	7.2
P/BV	2.8	3.0	3.0	2.7	2.4	2.1	1.9	1.6
EV/Sales	3.4	3.6	3.0	2.0	1.9	2.1	1.8	1.4
EV/EBITDA	15.7	16.8	8.0	6.7	10.2	10.4	8.0	5.7
Dividend Yield (%)	0.0	0.0	0.0	0.3	0.2	0.2	0.7	1.0
Return Ratios (%)								
EBITDA Margin (%)	21.3	21.2	38.0	30.4	18.8	20.4	22.3	23.9
Net Profit Margin (%)	2.8	-1.5	17.0	17.0	6.9	11.9	10.7	12.8
RoE	3.6	-1.6	20.6	25.9	9.9	14.1	13.3	17.5
RoCE (pre-tax)	5.3	4.9	16.7	21.6	12.6	12.2	14.8	19.3
RoIC (pre-tax)	5.7	5.1	17.7	24.6	15.1	15.3	18.7	24.7
Working Capital Ratios								
Fixed Asset Turnover (x)	0.5	0.5	0.7	1.1	1.0	0.9	1.0	1.1
Asset Turnover (x)	0.5	0.5	0.6	0.9	0.9	0.8	0.4	0.4
Inventory (Days)	60	63	56	52	41	52	52	52
Debtor (Days)	28	35	26	9	7	12	12	12
Payable (Days)	30	55	38	38	33	34	34	34
Work. Cap. Turnover (Days)	59	43	44	24	15	30	30	30
Leverage Ratio (x)								
Current Ratio	1.5	1.1	1.9	1.5	1.5	1.7	1.7	1.9
Interest Coverage Ratio	1.0	0.9	3.7	7.1	5.0	5.7	5.7	8.0
Debt/Equity ratio	1.3	1.1	0.7	0.3	0.2	0.2	0.2	0.1

Consolidated Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
(INR b)								
EBITDA	84	79	148	155	99	102	132	179
Non-cash exp./ (income)	1	2	-2	25	-5	1	0	0
(Inc.) / Dec. in Wkg. Cap.	-24	19	-12	-8	11	-19	-8	-13
Tax Paid	0	0	1	-20	-27	-7	-21	-32
others	29	-11	-14	9	-6	-17	0	0
CF from Op. Activity	90	88	120	160	73	60	103	134
(Inc.) / Dec. in FA + CWIP	-14	-17	-9	-29	-64	-85	-75	-75
(Pur.) / Sale of Investments	2	0	0	1	0	1	0	0
Loans and advances	3	1	-11	4	23	-2	0	0
Int. and Dividend Income	1	1	1	2	1	2	1	2
Other investing activities	-12	-16	-8	-29	-64	-84	0	0
CF from Inv. Activity	-8	-15	-19	-23	-40	-83	-74	-73
Equity raised / (repaid)	0	5	0	-5	-2	-2	0	0
Debt raised / (repaid)	-30	-61	-23	-119	-6	34	-3	-4
Dividend (incl. tax)	0	0	0	-1	-2	-2	-7	-11
Interest paid	-46	-40	-23	-26	-15	-16	-18	-18
CF from Fin. Activity	-83	-70	-46	-151	-25	14	-28	-33
(Inc.) / Dec. in Cash	-1	3	55	-14	8	-10	2	28
Add: opening cash balance	3	2	5	60	35	43	33	35
Discontinued operations (/adj.)	0	0	0	-11	0	0	0	0
Closing cash balance	2	5	60	35	43	33	35	62
Bank balance	3	5	12	10	15	18	18	18
Closing Balance	4	10	72	45	57	52	53	81

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NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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