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India | Equity Research | Q4FY24 results review

Jindal Steel & Power

Metals

Surpasses Q4 estimates; awaits commissioning of key capacities

Jindal Steel & Power's (JSPL) Q4FY24 EBITDA was slightly ahead of street estimates. Key points: 1) Sales volume was up 11% QoQ aided by higher exports; 2) standalone EBITDA/t was down 17% QoQ mainly due to negative price-cost effect; 3) impairment of INR 3.6bn in Australian operations as mines remain care and maintenance; and 4) net debt rose to INR 112bn owing to capex spend. Going ahead, we believe spreads are likely to improve as the management has taken a price hike of INR 1,000/te on average and coking coal cost is likely to be lower by USD 30-40/te. Besides, ensuing cost efficiencies from commissioning of slurry pipeline and ramp-up of captive coal mines may shore up profitability. We maintain **BUY** on JSPL with an unchanged TP of INR 1,240 on 7.5x FY26E EBITDA.

Q4 performance surpasses estimates

JSPL's Q4FY24 performance surpassed street estimates for fourth quarter in a row. Key points: 1) Sales volume was up 11% QoQ (down 1% YoY) at 2.03mt, primarily due to higher export sales; 2) EBITDA/t (adj) was down INR 2,550/t owing to negative price-cost effect; 3) realisation was down 5% QoQ, but coking coal cost was up USD 21/t QoQ; 4) SMS cost, however, stayed flat QoQ owing to better productivity and lower iron ore cost; 5) net debt rose by INR 21bn QoQ to INR 112bn owing to accelerated capex spend; 6) FY24 capex stood at INR 85.7bn, within the management's guidance of INR 85-100bn p.a. Going ahead, we believe spreads are likely to improve owing to lower coking coal cost- may come down by USD 30-40/t QoQ and the recent hike of INR 1,000/t on average taken by the company.

Cost efficiencies and higher volumes to aid EBITDA

We expect JSPL's EBITDA/te to reach ~INR 17,000/te by FY26E aided by: 1) Commissioning of slurry pipeline in Q1FY25; 2) ramp-up of captive coal mines- Utkal C and Gare Palma IV/6 to 5mtpa capacity each; 3) pellet plant achieving production of 9,000-10,000 tpd by end-May'24; and 4) reduction in the proportion of semis in product mix as HSM capacity has been ramped up to 6mtpa. During the concall, management mentioned that the ongoing 6mtpa capacity expansion is on track, hence, we expect volume ramp-up in FY26E. We peg volume at 8.5mt/10.5mt for FY25/26E, respectively.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	5,27,112	5,00,268	5,72,074	6,99,775
EBITDA	99,349	1,02,008	1,17,407	1,79,185
EBITDA Margin (%)	18.8	20.4	20.5	25.6
Net Profit	31,511	59,384	58,013	1,03,374
EPS (INR)	30.9	58.2	56.9	101.3
EPS % Chg YoY	(47.3)	30.3	(2.1)	77.9
P/E (x)	21.0	16.1	16.5	9.3
EV/EBITDA (x)	10.3	10.5	9.0	5.7
RoCE (%)	11.0	13.0	11.2	16.5
RoE (%)	8.8	14.7	13.0	19.9

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Market Data

Market Cap (INR)	958bn
Market Cap (USD)	11,474mn
Bloomberg Code	JSP IN
Reuters Code	JNSP.BO
52-week Range (INR)	960 /503
Free Float (%)	36.0
ADTV-3M (mn) (USD)	24.9

Price Performance (%)	3m	6m	12m
Absolute	27.5	47.5	63.6
Relative to Sensex	25.8	35.4	46.3

Previous Reports

10-02-2024: [Q3FY24 results review](#)

22-01-2024: [Company update](#)

Outlook: Cost efficiencies in focus; maintain BUY

We maintain positive view on JSPL as upcoming cost efficiencies are likely to dovetail into the benefits of volume growth. While debt had increased slightly in Q4FY24 as the ongoing capex reached its peak phase, net debt/EBITDA is still very comfortable at 1.1x. We believe spreads have bottomed out as coking coal prices have cooled off and domestic players have taken price hike of nearly INR 1,000/te in May'24. We retain **BUY** rating on JSPL with an unchanged TP of INR 1,240 on 7.5x FY26E EBITDA.

Key risks

1) Further compression in spreads; 2) sustained loss at overseas subsidiaries; 3) delay in commissioning of new capacity at Angul.

Q4FY24 concall: Takeaways

- Volume growth in Q4FY24 was led by higher proportion of exports at 11%.
- For FY25, management expressed confidence that volume growth is likely particularly after the commissioning of HSM.
- **Realisation:** It was down 5% QoQ, tracking the overall weakness in longs prices. However, management mentioned it has taken a hike of INR 1,000/t in Q1FY25, thus far.
- **Coking coal:** It was up USD 21/t in Q4FY24. It may be lower by USD 30-40/t in Q1FY25.
- **Iron ore:** NMDC has raised prices by INR 300/t. It will eventually reflect in P&L.
- **SMS cost** in Q4FY24: Remained flat QoQ.
- **Debt:** Rose to INR 112bn compared to INR 91bn in Q3 as capex is being accelerated.
- **Capex:** Retained guidance of INR 75-100bn p.a. contingent on internal cash generation.
- Various packages of the ongoing capex are on track. INR 150bn has been spent and another INR 160bn is likely to be spent over the next two years. Maintenance capex is likely to be INR 25bn p.a.
- **Captive coal mines:** In Q4FY24, production from Utkal C and Gare Palma IV/6 stood at 0.9mt and 1mt, respectively. Management expects production to increase to 5mtpa each from both the mines in FY25.
- **Pellet plant:** Production is progressively ramping up. In Q4FY24, it was 4,500tpd, rising to 8,300tpd in Apr'24 and may rise to 9,000-10,000tpd by May'24-end.
- **HSM:** FY24 exit rate at 2.5-3mtpa. Likely to ramp up to rated capacity of 6mtpa by FY25-end.
- **Australian mines:** Impairment of INR 3.6bn was taken in Q4FY24. The mines are currently under care and maintenance.
- **Tax rate:** Likely to be 25% for standalone operations. For Jindal Steel Odisha, tax rate is likely to be lower.

Exhibit 1: JSPL Q4FY24 standalone performance review

Standalone (INR mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	% Chg QoQ	% Chg YoY
Net sales	1,33,923	1,23,106	1,20,818	1,15,159	1,37,734	19.6	2.8
Raw Material Consumed	67,629	61,371	51,243	56,021	67,789	21.0	0.2
Stock Adjustment	335	(5,176)	8,837	(6,357)	4,119		
Gross Margin	65,959	66,911	60,738	65,495	65,827	0.5	(0.2)
Gross Margin (%)	49.3%	54.4%	50.3%	56.9%	47.8%		
Employee cost	2,258	2,106	2,271	2,218	2,644	19.2	17.1
Other expenditure	42,300	38,272	35,347	36,088	37,991	5.3	(10.2)
EBITDA	21,402	26,533	23,121	27,189	25,192	(7.3)	17.7
EBITDA (adj.)	22,222	26,913	23,241	26,499	25,152	(5.1)	13.2
Margin (%)	16.0%	21.6%	19.1%	23.6%	18.3%		
Other Income	103	140	259	295	150	(49.1)	45.4
Depreciation	5,376	5,399	5,545	5,595	5,626	0.6	4.6
EBIT	16,129	21,274	17,835	21,889	19,717	(9.9)	22.2
Interest	3,646	2,579	2,579	1,952	2,099	7.5	(42.4)
PBT	12,483	18,696	15,256	19,937	17,618	(11.6)	41.1
Tax expense:	3,126	4,701	4,170	5,101	4,803	(5.8)	53.6
PAT	9,356	13,995	11,086	14,837	12,815	(13.6)	37.0
Adj.PAT	7,892	13,995	11,086	14,837	12,815	(13.6)	62.4

Source: I-Sec research, Company data

Exhibit 2: JSPL Q4FY24 consolidated performance review

Consolidated (INR mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	% Chg QoQ	% Chg YoY
Net sales	1,36,919	1,25,883	1,22,502	1,17,013	1,34,870	15.3	(1.5)
Raw Material Consumed	67,694	59,237	48,673	52,051	60,700	16.6	(10.3)
Stock Adjustment	451	(5,503)	9,390	(6,256)	1,906	(130.5)	322.7
Gross Margin	68,775	72,149	64,438	71,218	72,263	1.5	5.1
Gross Margin (%)	50.2%	57.3%	52.6%	60.9%	53.6%		
Employee cost	2,923	2,919	3,096	3,254	3,612	11.0	23.6
Other expenditure	43,979	42,950	38,485	39,539	44,207	11.8	0.5
EBITDA	21,873	26,280	22,857	28,426	24,445	(14.0)	11.8
EBITDA (adj.)	25,983	30,400	23,677	28,806	24,565	(14.7)	(5.5)
Margin (%)	16.0%	20.9%	18.7%	24.3%	18.1%		
Other Income	158	553	319	351	344	(2.1)	118.0
Depreciation	8,729	5,875	6,037	6,357	9,949	56.5	14.0
EBIT	13,302	20,958	17,139	22,420	14,839	(33.8)	11.6
Interest	3,712	3,291	3,294	3,151	3,206	1.7	(13.6)
PBT	9,590	17,667	13,845	19,268	11,633	(39.6)	21.3
Tax expense:	3,398	748	(58)	(10)	2,301	(22,221.2)	(32.3)
PAT	6,192	16,920	13,904	19,279	9,333	(51.6)	50.7
Extraordinary items	(1,535)	-	-	-	-	#DIV/0!	(100.0)
Minority Interest	31	49	23	(3)	(19)	478.8	(161.6)
Share of Associates	(0)	(2)	(3)	1	2	66.7	(766.7)
Adj. PAT	4,688	16,967	13,924	19,277	9,315	(51.7)	98.7

Source: I-Sec research, Company data

Exhibit 3: JSPL Q4FY24 operational performance review

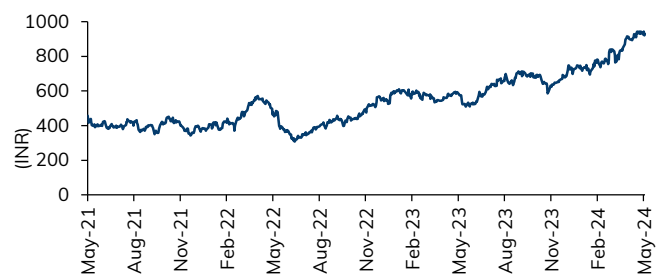
	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	% Chg QoQ	% Chg YoY
Sales (te)							
Steel products	20,30,000	18,40,000	20,10,000	18,10,000	20,10,000	11.0	(1.0)
Pellets	40,000	10,000	80,000	-	-		
EBITDA/te	10,730	14,485	11,160	14,999	12,449	(17.0)	16.0

Source: I-Sec research, Company data

Exhibit 4: Shareholding pattern

%	Jun'23	Dec'23	Mar'24
Promoters	61.2	61.2	61.2
Institutional investors	27.4	28.8	26.6
MFs and others	11.5	12.1	11.4
FIs/Banks	2.8	2.9	2.5
FIIIs	13.1	13.8	12.7
Others	11.4	10.0	12.2

Source: Bloomberg

Exhibit 5: Price chart

Source: Bloomberg

Financial Summary

Exhibit 6: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	5,27,112	5,00,268	5,72,074	6,99,775
Operating Expenses	4,27,763	3,98,260	4,54,667	5,20,590
EBITDA	99,349	1,02,008	1,17,407	1,79,185
EBITDA Margin (%)	18.8	20.4	20.5	25.6
Depreciation & Amortization	26,910	28,218	29,753	32,405
EBIT	72,439	73,790	87,654	1,46,780
Interest expenditure	14,459	12,942	12,728	12,251
Other Non-operating Income	571	1,566	1,644	1,727
Recurring PBT	58,551	62,414	76,570	1,36,255
Profit / (Loss) from Associates	(2)	(1)	-	-
Less: Taxes	12,923	2,980	18,377	32,701
PAT	45,628	59,434	58,193	1,03,554
Less: Minority Interest	421	49	180	180
Extraordinaries (Net)	(13,695)	-	-	-
Net Income (Reported)	31,932	59,433	58,193	1,03,554
Net Income (Adjusted)	31,511	59,384	58,013	1,03,374

Source Company data, I-Sec research

Exhibit 7: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	1,54,757	1,77,874	1,82,230	2,32,514
of which cash & cash eqv.	54,817	46,938	53,360	86,112
Total Current Liabilities & Provisions	1,02,373	1,01,593	1,05,222	1,16,767
Net Current Assets	52,384	76,281	77,007	1,15,746
Investments	1,425	1,491	1,491	1,491
Net Fixed Assets	4,08,035	4,57,897	5,13,144	5,75,739
ROU Assets	-	-	-	-
Capital Work-in-Progress	71,059	88,720	88,720	88,720
Total Intangible Assets	35,023	33,337	33,337	33,337
Other assets	22,303	25,938	25,938	25,938
Deferred Tax Assets	-	-	-	-
Total Assets	5,91,899	6,85,559	7,41,532	8,42,866
Liabilities				
Borrowings	1,24,709	1,59,106	1,59,106	1,59,106
Deferred Tax Liability	59,366	59,232	59,232	59,232
provisions	3,497	4,290	4,290	4,290
other Liabilities	14,137	15,424	15,424	15,424
Equity Share Capital	1,005	1,002	1,002	1,002
Reserves & Surplus	3,86,061	4,42,158	4,98,131	5,99,465
Total Net Worth	3,87,066	4,43,160	4,99,133	6,00,467
Minority Interest	3,125	4,346	4,346	4,346
Total Liabilities	5,91,899	6,85,559	7,41,532	8,42,866

Source Company data, I-Sec research

Exhibit 8: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	1,25,883	1,22,502	1,17,013	1,34,870
% growth (YOY)	(3.5)	(9.4)	(6.0)	(1.5)
EBITDA	26,280	22,857	28,426	24,445
Margin %	20.9	18.7	24.3	18.1
Other Income	553	319	351	344
Extraordinaries	-	-	-	-
Adjusted Net Profit	16,967	13,924	19,277	9,315

Source Company data, I-Sec research

Exhibit 9: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	72,755	60,084	1,06,190	1,42,044
Working Capital Changes	(25,919)	(58,764)	5,696	(5,986)
Capital Commitments	(64,485)	(85,171)	(85,000)	(95,000)
Free Cashflow	8,270	(25,087)	21,190	47,044
Other investing cashflow	24,300	1,730	-	-
Cashflow from Investing Activities	(40,185)	(83,441)	(85,000)	(95,000)
Issue of Share Capital	-	-	-	-
Interest Cost	(15,391)	(16,212)	(12,728)	(12,251)
Inc (Dec) in Borrowings	(5,552)	78,535	-	-
Dividend paid	(2,046)	(2,005)	(2,040)	(2,040)
Others	(2,015)	(74,129)	-	-
Cash flow from Financing Activities	(25,005)	(13,811)	(14,768)	(14,291)
Chg. in Cash & Bank balance	7,566	(37,168)	6,422	32,753
Closing cash & balance	47,572	17,649	53,360	86,112

Source Company data, I-Sec research

Exhibit 10: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	44.7	58.3	57.1	101.5
Adjusted EPS (Diluted)	30.9	58.2	56.9	101.3
Cash EPS	57.3	85.9	86.0	133.1
Dividend per share (DPS)	2.0	2.0	2.0	2.0
Book Value per share (BV)	379.5	434.5	489.3	588.7
Dividend Payout (%)	4.5	3.4	3.5	2.0
Growth (%)				
Net Sales	3.2	(5.1)	14.4	22.3
EBITDA	(36.0)	2.7	15.1	52.6
EPS (INR)	(47.3)	30.3	(2.1)	77.9
Valuation Ratios (x)				
P/E	21.0	16.1	16.5	9.3
P/CEPS	16.4	10.9	10.9	7.1
P/BV	2.5	2.2	1.9	1.6
EV / EBITDA	10.3	10.5	9.0	5.7
Dividend Yield (%)	0.2	0.2	0.2	0.2
Operating Ratios				
Gross Profit Margins (%)	53.1	56.0	52.5	52.3
EBITDA Margins (%)	18.8	20.4	20.5	25.6
Effective Tax Rate (%)	22.1	4.8	24.0	24.0
Net Profit Margins (%)	8.7	11.9	10.2	14.8
Net Debt / Equity (x)	0.2	0.2	0.2	0.1
Net Debt / EBITDA (x)	0.7	1.1	0.9	0.4
Fixed Asset Turnover (x)	-	-	-	-
Inventory Turnover Days	45	50	49	54
Receivables Days	7	12	10	9
Payables Days	36	33	35	38
Profitability Ratios				
RoCE (%)	11.0	13.0	11.2	16.5
RoE (%)	8.8	14.7	13.0	19.9
RoIC (%)	12.4	14.3	12.3	18.2

Source Company data, I-Sec research

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