

July 25, 2024

Q1FY25 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		ACCUMULATE	
Target Price	978		1,006	
Sales (Rs. bn)	566	696	562	680
% Chng.	0.8	2.3		
EBITDA (Rs. bn)	130	174	133	176
% Chng.	(2.3)	(1.3)		
EPS (Rs.)	69.1	94.6	74.7	99.4
% Chng.	(7.5)	(4.9)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	527	500	566	696
EBITDA (Rs. bn)	99	102	130	174
Margin (%)	18.8	20.4	23.0	25.0
PAT (Rs. bn)	45	59	69	95
EPS (Rs.)	45.0	59.2	69.1	94.6
Gr. (%)	(47.5)	31.7	16.7	36.8
DPS (Rs.)	2.0	2.0	2.0	3.0
Yield (%)	0.2	0.2	0.2	0.3
RoE (%)	12.2	14.3	14.5	17.0
RoCE (%)	14.7	13.5	16.4	21.0
EV/Sales (x)	2.0	2.2	1.9	1.5
EV/EBITDA (x)	10.5	10.7	8.1	5.9
PE (x)	21.6	16.4	14.1	10.3
P/BV (x)	2.5	2.2	1.9	1.6

Key Data

JNSP.BO | JSP IN

52-W High / Low	Rs.1,097 / Rs.582
Sensex / Nifty	80,149 / 24,414
Market Cap	Rs.992bn/ \$ 11,849m
Shares Outstanding	1,020m
3M Avg. Daily Value	Rs.2246.1m

Shareholding Pattern (%)

Promoter's	62.00
Foreign	12.63
Domestic Institution	15.34
Public & Others	10.03
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(9.2)	37.7	54.5
Relative	(12.4)	22.1	28.0

Tushar Chaudhari

tusharchaudhari@plindia.com | 91-22-663222391

Jindal Steel & Power (JSP IN)

Rating: HOLD | CMP: Rs972 | TP: Rs978

Better 1Q but execution delays persist...

Quick Pointers:

- Commissioning of 4.6mtpa blast furnace is getting delayed to Mar'25 due to hurdles related to Elections, labour unavailability and adverse weather.
- Expect 2QFY25 coking coal and iron ore cost to decline by USD30-35/t and Rs500-1000/t QoQ respectively negated by weak steel pricing.

Jindal Steel & Power (JSP) reported largely in-line standalone operating performance in 1QFY25 driven by 1.7% QoQ increase in NSR and 4% QoQ increase in volumes. Subsidiaries performance improved QoQ which has aided better than expected cons. EBITDA delivery. Going forward, as commissioning of BF-BOF is getting delayed by 2 quarters, our FY26E volumes of 10.3mt can be at risk; although Mgmt. reiterated its confidence of timely delivery of 4.6 mtpa blast furnace by Mar'25. Average 2QFY25 coking coal cost is expected to decline by ~USD30-35/t QoQ while domestic steel pricing is also coming off over last few weeks. Near term FY25E volume growth will depend upon RINL productivity which is struggling with multiple issues. JSP is well poised to take dual benefit of volume growth and improving product mix however if commissioning of ongoing capex gets delayed further, volume growth will struggle. Ramping up of pellet plant, conversion of semis at HSM and cost savings from captive coal mines would contribute to EBITDA margins by FY26E. We cut FY25/26E EBITDA by 2%/1% respectively to incorporate lower steel and RM prices and expect Revenue/EBITDA/PAT CAGR of 18%/31%/26% over FY24-26E. At CMP, the stock is trading at 8.1x/5.9x EV of FY25E/FY26E EBITDA which appear full. We downgrade the stock to 'Hold' from Accumulate' earlier with revised TP of Rs978 (earlier Rs1,006) valuing at 6x EV of Mar'26E EBITDA and await better entry point.

- Better volume growth aided by HSM:** Standalone revenue declined 7% QoQ to Rs 128bn (+4% YoY). Volume growth was better than PLe at 2.09mt (+14% YoY/ 4%QoQ) while average realization improved 1.7% QoQ to Rs61,449 (in-line) as benefit of higher long product prices negated by weak HRC pricing. Production remained flat at 2.05mt despite better HSM contribution which used semis. Consolidated revenue stood at Rs136bn (+8% YoY/ +1% QoQ).
- Weak NSR affected Margins:** Standalone EBITDA increased 7% QoQ to Rs 27bn (+2% YoY; better than PLe Rs26.4bn). EBITDA/t increased 3% QoQ to Rs 12,915 (-10% YoY; lower than PLe Rs13,875) on account of weak NSR. Avg coking coal costs declined by USD23/t in 1Q. Consolidated EBITDA stood at Rs 28.4bn (+8% YoY/ +16% QoQ; PLe 26.3bn).

Conference Call Highlights

- Export volume contribution stood at 0.15mtpa (~7%) for 1QFY25
- HSM volume for 1QFY25 has almost doubled QoQ to 450 KT.
- Realization for steel in 1QFY25 increased by ~1%, whereas overall NSR is down by 1% this month.
- Coking coal cost dropped by \$23/t in 1QFY25 and is expected to decline further by \$30-35/t in 2QFY25.
- Iron ore prices are expected to contract further by Rs500-1000/t in the current quarter.
- Out of the Rs310bn capex guidance, Rs175bn was spent on ongoing projects.
- Current net debt/EBITDA stands at 1x, and management targets not to exceed 1.5x post completion of capex.
- Value-added products accounted for ~60% of the total sales in 1QFY25.
- For the quarter, the product mix was 57% and 43% for long and flat products, respectively. Flats contribution improved from 32% in FY24.
- The present run rate for the pellet plant stands at 4mtpa for FY25E.
- Blast furnace commissioning is delayed due to Odisha heat waves, general elections, and demobilization of the workforce, and is now expected to be commissioned by 4QFY25.
- Due to a workforce strike at Gangavaram Port, the blast furnaces of RINL have been put off and are in the process of being revived.
- JSP is planning to enhance the EC at Gare Palma to 5mtpa and Utkal C to 4.7mtpa.

Exhibit 1: Q1FY25 Result Overview

Y/e March (Rs bn)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	136.2	125.9	8.2	134.9	1.0	500.3	527.1	(5.1)
Raw Material	63.7	46.6	36.6	54.6	16.8	197.0	222.4	(11.4)
<i>% of Net Sales</i>	<i>46.8</i>	<i>37.0</i>		<i>40.4</i>		<i>39.4</i>	<i>42.2</i>	
Purchase of traded goods	4.8	7.1	(32.1)	8.1	(40.2)	23.2	24.5	(5.5)
<i>% of Net Sales</i>	<i>3.5</i>	<i>5.6</i>		<i>6.0</i>		<i>4.6</i>	<i>4.7</i>	
Staff Costs	3.0	2.9	3.5	3.6	(16.3)	12.9	11.3	13.6
<i>% of Net Sales</i>	<i>2.2</i>	<i>2.3</i>		<i>2.7</i>		<i>2.6</i>	<i>2.2</i>	
Other Expenses	36.2	42.9	(15.6)	44.2	(18.0)	165.2	169.4	(2.5)
<i>% of Net Sales</i>	<i>26.6</i>	<i>34.1</i>		<i>32.8</i>		<i>33.0</i>	<i>32.1</i>	
Total Expenditure	107.8	99.6	8.2	110.4	(2.4)	398.3	427.8	(6.9)
EBITDA	28.4	26.3	8.0	24.4	16.2	102.0	99.3	2.7
<i>Margin (%)</i>	<i>20.9</i>	<i>20.9</i>		<i>18.1</i>		<i>20.4</i>	<i>18.8</i>	
Depreciation	6.8	5.9	16.2	9.9	(31.4)	28.2	26.9	4.9
Other income	0.3	0.6	(38)	0.3	0.4	1.6	0.6	174.4
EBIT	21.9	21.0	4.5	14.8	47.6	75.4	73.0	3.2
Interest	3.3	3.3	0.8	3.2	3.5	12.9	14.5	(10.5)
PBT	18.6	17.7	5.2	11.6	59.8	62.4	58.6	6.6
Extraordinary income/(expense)	-	-		-		-	13.7	(100.0)
PBT (After EO)	18.6	17.7	5.2	11.6	59.8	62.4	44.9	39.1
Tax	5.2	0.7	597.2	2.3	NA	3.0	12.9	(76.9)
<i>% PBT</i>	<i>28.0</i>	<i>4.2</i>		<i>19.8</i>		<i>4.8</i>	<i>28.8</i>	
Reported PAT	13.4	16.9	(20.9)	9.3	43.4	59.4	31.9	86
Minority interest	(0.0)	0.0	NA	(0.0)	NA	0.05	0.42	(88.4)
Share of profit/(losses) in Associates	-	(0.0)	NA	0.0	NA	(0.00)	(0.00)	NA
Net Profit attributable to shareholders	13.4	16.9	(20.6)	9.4	43.3	59.4	31.5	88.5
Adjusted PAT	13.4	16.9	(20.6)	9.4	43.3	59.4	45.2	31.4

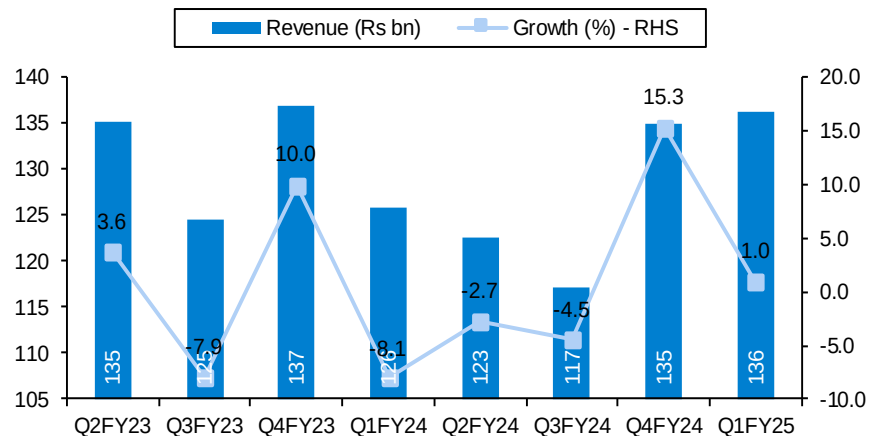
Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	1QFY25	1QFY24	YoY gr. (%)	4QFY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Volume (mt)	2.09	1.84	13.6	2.01	4.0	7.67	7.68	(0.1)
Realization/t (Rs)	61,449	66,905	(8.2)	60,443	1.7	64,774	66,641	(2.8)
EBITDA/t (Rs)	12,915	14,420	(10.4)	12,533	3.0	13,303	12,413	7.2

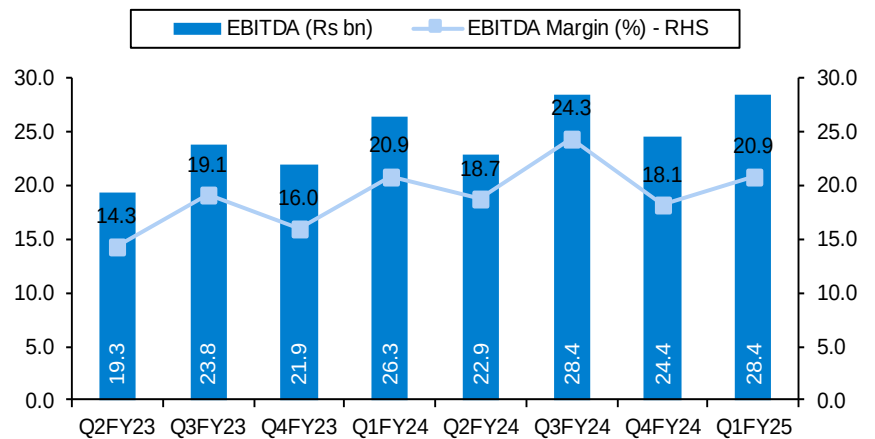
Source: Company, PL

Exhibit 3: Cons. revenue remained flat QoQ on weak volume growth



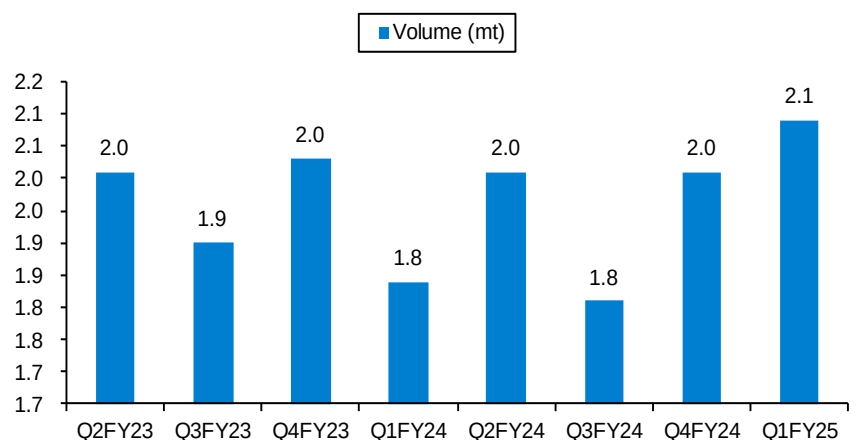
Source: Company, PL

Exhibit 4: Cons. margins improved on improved product mix



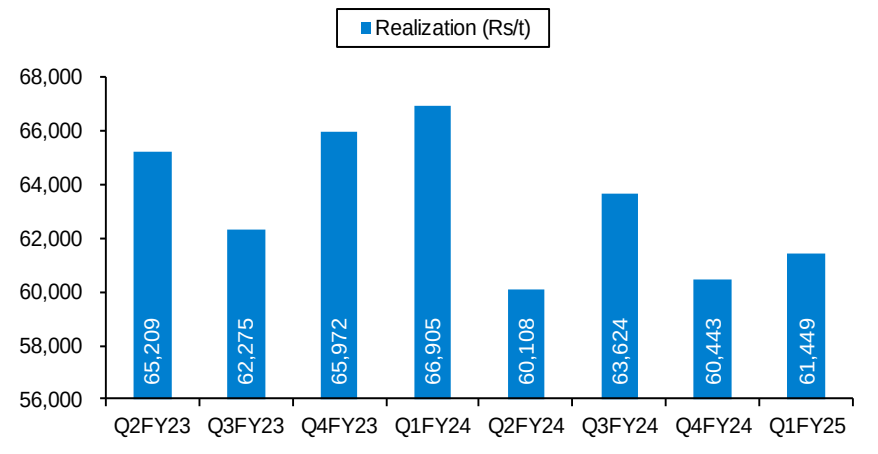
Source: Company, PL

Exhibit 5: Better than expected volume growth aided by HSM



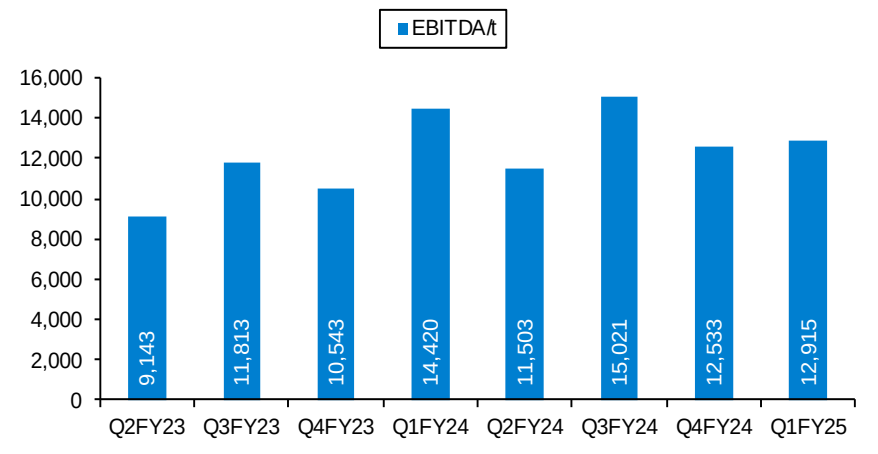
Source: Company, PL

Exhibit 6: Realization improved 1.7% QoQ negated by weak HRC pricing



Source: Company, PL

Exhibit 7: EBITDA/t improved on lower input costs & better product mix (Rs)



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	527	500	566	696
YoY gr. (%)	3.2	(5.1)	13.1	22.9
Cost of Goods Sold	247	220	259	318
Gross Profit	280	280	307	378
Margin (%)	53.1	56.0	54.3	54.3
Employee Cost	11	13	13	15
Other Expenses	169	165	164	189
EBITDA	99	102	130	174
YoY gr. (%)	(36.0)	2.7	27.8	33.4
Margin (%)	18.8	20.4	23.0	25.0
Depreciation and Amortization	27	28	28	31
EBIT	72	74	102	143
Margin (%)	13.7	14.8	18.0	20.6
Net Interest	14	13	17	16
Other Income	1	2	1	1
Profit Before Tax	45	62	86	128
Margin (%)	8.5	12.5	15.2	18.4
Total Tax	13	3	17	33
Effective tax rate (%)	28.8	4.8	19.5	26.0
Profit after tax	32	59	69	95
Minority interest	0	0	0	0
Share Profit from Associate	-	-	-	-
Adjusted PAT	45	59	69	95
YoY gr. (%)	(47.8)	31.4	16.7	36.8
Margin (%)	8.6	11.9	12.2	13.6
Extra Ord. Income / (Exp)	(14)	-	-	-
Reported PAT	32	59	69	95
YoY gr. (%)	(61.8)	88.5	16.7	36.8
Margin (%)	6.0	11.9	12.2	13.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	32	59	69	95
Equity Shares O/s (bn)	1	1	1	1
EPS (Rs)	45.0	59.2	69.1	94.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	682	759	819	909
Tangibles	598	676	736	826
Intangibles	84	83	83	83
Acc: Dep / Amortization	247	275	304	335
Tangibles	190	218	246	277
Intangibles	57	57	57	57
Net fixed assets	435	483	515	574
Tangibles	408	458	489	549
Intangibles	27	25	25	25
Capital Work In Progress	79	96	116	126
Goodwill	1	1	1	1
Non-Current Investments	5	8	8	8
Net Deferred tax assets	(59)	(59)	(59)	(59)
Other Non-Current Assets	20	22	22	22
Current Assets				
Investments	8	7	7	7
Inventories	59	71	70	76
Trade receivables	10	17	19	23
Cash & Bank Balance	47	40	48	66
Other Current Assets	25	41	41	41
Total Assets	694	787	848	946
Equity				
Equity Share Capital	1	1	1	1
Other Equity	386	442	509	601
Total Network	387	443	510	602
Non-Current Liabilities				
Long Term borrowings	72	101	81	61
Provisions	3	4	4	4
Other non current liabilities	14	15	15	15
Current Liabilities				
ST Debt / Current of LT Debt	52	58	58	58
Trade payables	47	47	53	65
Other current liabilities	55	55	62	76
Total Equity & Liabilities	694	787	848	946

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	45	62	86	128
Add. Depreciation	27	28	28	31
Add. Interest	14	13	17	16
Less Financial Other Income	1	2	1	1
Add. Other	8	0	-	-
Op. profit before WC changes	95	103	131	175
Net Changes-WC	6	(37)	12	15
Direct tax	(27)	(7)	(17)	(33)
Net cash from Op. activities	73	60	127	157
Capital expenditures	(34)	(83)	(80)	(100)
Interest / Dividend Income	1	2	-	-
Others	(8)	(3)	-	-
Net Cash from Invt. activities	(41)	(83)	(80)	(100)
Issue of share cap. / premium	-	-	-	-
Debt changes	(5)	35	(20)	(20)
Dividend paid	(2)	(2)	(2)	(3)
Interest paid	(15)	(16)	(17)	(16)
Others	(3)	(3)	-	-
Net cash from Fin. activities	(25)	14	(39)	(39)
Net change in cash	8	(10)	8	18
Free Cash Flow	9	(25)	47	57

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	45.0	59.2	69.1	94.6
CEPS	71.8	87.4	97.5	125.3
BVPS	385.1	442.1	509.2	600.8
FCF	8.9	(25.0)	46.5	57.0
DPS	2.0	2.0	2.0	3.0
Return Ratio(%)				
RoCE	14.7	13.5	16.4	21.0
ROIC	11.6	13.8	14.4	17.3
RoE	12.2	14.3	14.5	17.0
Balance Sheet				
Net Debt : Equity (x)	0.2	0.3	0.2	0.1
Net Working Capital (Days)	15	30	23	18
Valuation(x)				
PER	21.6	16.4	14.1	10.3
P/B	2.5	2.2	1.9	1.6
P/CEPS	13.6	11.1	10.0	7.8
EV/EBITDA	10.5	10.7	8.1	5.9
EV/Sales	2.0	2.2	1.9	1.5
Dividend Yield (%)	0.2	0.2	0.2	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

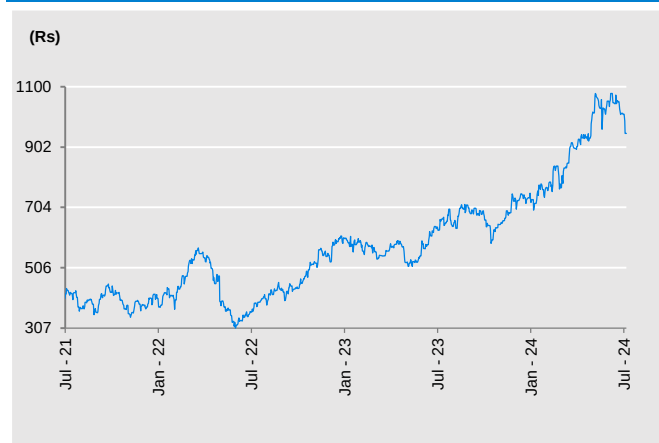
Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	123	117	135	136
YoY gr. (%)	(9.4)	(6.0)	(1.5)	8.2
Raw Material Expenses	58	46	63	69
Gross Profit	64	71	72	68
Margin (%)	52.6	60.9	53.6	49.7
EBITDA	23	28	24	28
YoY gr. (%)	18.3	19.6	11.8	8.0
Margin (%)	18.7	24.3	18.1	20.9
Depreciation / Depletion	6	6	10	7
EBIT	17	22	14	22
Margin (%)	13.7	18.9	10.7	15.8
Net Interest	3	3	3	3
Other Income	-	-	-	-
Profit before Tax	14	19	12	19
Margin (%)	11.3	16.5	8.6	13.7
Total Tax	-	-	2	5
Effective tax rate (%)	(0.4)	(0.1)	19.8	28.0
Profit after Tax	14	19	9	13
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	14	19	9	13
YoY gr. (%)	594.9	271.8	102.2	(20.6)
Margin (%)	11.3	16.5	6.9	9.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	14	19	9	13
YoY gr. (%)	594.9	271.8	102.2	(20.6)
Margin (%)	11.3	16.5	6.9	9.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	14	19	9	13
Avg. Shares O/s (bn)	1	1	1	1
EPS (Rs)	13.8	19.2	9.3	13.4

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Steel sales volumes (mt)	8	8	8	10
EBITDA/t (Rs)	12,477	13,413	13,141	16,222
Reasalisation/t (Rs)	66,641	64,774	59,669	63,593

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-24	Accumulate	1,006	1,051
2	14-May-24	Accumulate	987	939
3	12-Apr-24	BUY	980	898
4	01-Feb-24	BUY	842	755
5	05-Jan-24	BUY	826	745
6	31-Oct-23	BUY	751	634
7	07-Oct-23	BUY	812	683
8	28-Aug-23	BUY	812	634

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,707	2,670
2	Ambuja Cement	Accumulate	701	686
3	Dalmia Bharat	Accumulate	2,067	1,817
4	Hindalco Industries	BUY	796	698
5	Jindal Stainless	Reduce	712	827
6	Jindal Steel & Power	Accumulate	1,006	1,051
7	JSW Steel	Accumulate	1,022	890
8	National Aluminium Co.	Sell	142	199
9	NMDC	Accumulate	276	252
10	Nuvoco Vistas Corporation	Accumulate	388	373
11	Shree Cement	Accumulate	29,225	27,417
12	Steel Authority of India	Sell	134	156
13	Tata Steel	Accumulate	186	175
14	Ultratech Cement	Accumulate	11,848	11,275

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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