

November 7, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,017		1,090	
Sales (Rs. bn)	626	759	685	836
% Chng.	(8.6)	(9.3)		
EBITDA (Rs. bn)	159	200	163	211
% Chng.	(2.9)	(5.6)		
EPS (Rs.)	85.0	114.8	89.9	124.5
% Chng.	(5.5)	(7.8)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	500	487	626	759
EBITDA (Rs. bn)	102	112	159	200
Margin (%)	20.4	23.1	25.3	26.3
PAT (Rs. bn)	59	52	85	115
EPS (Rs.)	59.2	51.7	85.0	114.8
Gr. (%)	31.7	(12.7)	64.3	35.0
DPS (Rs.)	2.0	2.0	3.0	5.0
Yield (%)	0.2	0.2	0.3	0.5
RoE (%)	14.3	11.1	15.9	18.2
RoCE (%)	13.5	13.7	19.4	22.7
EV/Sales (x)	2.1	2.2	1.6	1.3
EV/EBITDA (x)	10.4	9.4	6.5	4.8
PE (x)	16.0	18.3	11.2	8.3
P/BV (x)	2.1	1.9	1.7	1.4

Key Data

JNSP.BO | JSP IN

52-W High / Low	Rs.1,097 / Rs.620
Sensex / Nifty	79,542 / 24,199
Market Cap	Rs.967bn/ \$ 11,456m
Shares Outstanding	1,020m
3M Avg. Daily Value	Rs.2335.87m

Shareholding Pattern (%)

Promoter's	61.19
Foreign	12.19
Domestic Institution	16.05
Public & Others	10.57
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(5.3)	2.5	50.3
Relative	(3.5)	(5.2)	22.7

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In-line quarter; awaiting Angul expansion

Quick Pointers:

- Coking coal cost declined by \$35/t in Q2FY25 and is expected to further decline by \$20-25/t in Q3FY25.
- JSP has taken a price hike of Rs1,000-2,000/t across products in Q3FY25 so far.

Jindal Steel & Power's (JSP) consolidated operating performance in Q2FY25 was a tad better amidst weak steel prices and muted volumes. Volumes declined 8% YoY due to a tepid demand environment amidst monsoon. Average NSR declined 8% QoQ on sharp decline in long product prices. Average coking coal cost declined by ~USD35/t QoQ, which is expected to decline further by USD20-25/t in Q3FY25. Subsidiaries' performance improved QoQ due to ramp-up of Angul facilities, which has aided cons EBITDA delivery. Post China stimulus announcements, long product prices in India have recovered from the lows of Sep'24. We expect domestic demand to improve in H2FY25 aided by uptick in infrastructure activities supported by Govt, which would support long product pricing.

The management reiterated its commitment towards timely execution of ongoing expansion at Angul, slurry pipelines and railway logistics projects, which in addition to the opening of captive coal (Utkal B1) mines, shall reduce input costs from FY26. However, volume growth would depend upon timely delivery of the blast furnace, supporting the metallic requirement of HSM. We cut FY26/27E EBITDA by 3%/6% to incorporate lower steel prices and expect revenue/EBITDA/PAT CAGR of 15%/25%/25% over FY24-27E. At CMP, the stock is trading at 6.5x/4.8x EV of FY26E/FY27E EBITDA. Maintain 'Accumulate' with revised TP of Rs1,017 (earlier Rs1,090) valuing at 6x EV of Sep'26E EBITDA.

- **In-line quarter affected by weak demand and pricing:** Volumes declined 8% YoY to 1.85mt (PL 1.87mt), while average NSR declined 8% QoQ to Rs60,202/t. Subsidiaries' performance improved QoQ, which led to better-than-expected cons EBITDA delivery. Standalone revenue declined 5% YoY to Rs115bn (-10% QoQ). Production increased 4% YoY to 1.97mt. Standalone EBITDA declined 16% YoY to Rs19.4bn (-28% QoQ; PL Rs19.4bn). Cons EBITDA declined 7% YoY to Rs21.2bn (-25% QoQ; PL Rs20.8bn) adjusting for one-off FX gain of Rs760mn. Cons EBITDA/t declined 15% YoY to Rs11,482. As steel pricing has improved and JSP has taken a price hike of Rs1,000-2,000 across the portfolio, we expect H2FY25 performance to improve substantially aided by lower coking coal prices and better demand.
- **Enough levers to improve margins:** JSPL has enough levers to drive margin expansion over FY24-27E with two more captive coal mines, upcoming slurry pipeline and HSM ramp-up (which is dependent on upcoming blast furnace). On timely completion of ongoing expansion, we expect margins to improve to ~Rs15k/t. As domestic demand improves, we can expect strong double-digit volume growth over FY24-27E.

Q2FY25 Conference Call Highlights

- Export volume contribution stood at 9% for Q2FY25 vs 7% in Q1FY25.
- Coking coal cost dropped by \$35/t and is expected to decline further by \$20-25/t in Q3FY25. Further, iron ore prices fell by Rs500/t.
- JSP has taken a price hike of Rs1,000-2,000 across products in Q3FY25 so far.
- JSP's consolidated debt stood at Rs124bn as of Q2FY25. Current net debt-to-EBITDA ratio is 1.21x, which is below the company's guidance of 1.5x.
- Capex for the quarter was Rs26bn, bringing the total spending under the current expansion program to ~Rs206bn. Maintenance capex was ~Rs6bn.
- Production and sales stood at 1.97mt and 1.85mt, respectively, reflecting a decline of 4% and 8% YoY due to a shutdown at the Raigarh.
- JSP mined 1.3mt coal from its captive mines. The Utkal B1 mine has received all regulatory approvals and operations are expected to start by Q4FY25.
- Environmental Clearance for expansion of Gare Palma and Utkal C mines is in progress, and work for securing approvals is on.
- Value-added products accounted for ~50% of total sales.
- Capacity utilization of the coal gasification plant is currently at 50% and is expected to increase to ~70% by the end of FY25.
- HSM is running at 40% utilization, and it is expected to ramp up further once additional metallics from Angul expansion become available.
- JSP is hopeful of starting ACPP2 in Q4FY25, post which it will revamp ACPP1 turbines.
- The logistics project to connect rail lines to Angul station is on track and is expected to be completed by Q4FY25.

Exhibit 1: Q2FY25 Result Overview

Y/e March (Rs bn)	2QFY25	2QFY24	YoY gr. (%)	2QFY25E	% Var.	1QFY25	QoQ gr. (%)	1HFY25	1HFY24	YoY gr. (%)
Net Sales	111.4	121.8	(8.5)	116.8	(4.6)	136.1	(18.2)	247.5	247.7	(0.1)
Raw Material	48.8	54.0	(9.7)	59.4	(17.9)	63.7	(23.4)	112.5	100.7	11.7
% of Net Sales	43.8	44.4		50.9	(13.9)	46.8		45.5	40.6	
Purchase of traded goods	2.7	4.0	(33.5)	4.0	(32.7)	4.8	(44.2)	7.5	11.1	(32.6)
% of Net Sales	2.4	3.3		3.4	(29.4)	3.5		3.0	4.5	
Staff Costs	2.8	3.1	(11.2)	2.5	9.9	3.0	(9.0)	5.8	6.0	(4.0)
% of Net Sales	2.5	2.5		2.1	15.2	2.2		2.3	2.4	
Other Expenses	35.9	38.5	(6.7)	30.0	19.6	36.2	(0.9)	72.2	81.4	(11.4)
% of Net Sales	32.2	31.6		25.7	25.4	26.6		29.2	32.9	
Total Expenditure	90.1	99.6	(9.5)	96.0	(6.1)	107.8	(16.4)	197.9	199.2	(0.7)
EBITDA	21.2	22.1	(4.0)	20.8	2.0	28.3	(24.9)	49.5	48.4	2.4
Margin (%)	19.1	18.2		17.8	7.0	20.8		20.0	19.5	
Depreciaton	7.0	6.0	15.3	6.9	0.9	6.8	1.9	13.8	11.9	15.8
Other income	0.3	0.3	9	0.3	3	0.3	1.0	0.7	0.9	(20.5)
EBIT	14.6	16.4	(10.8)	14.3	2.5	21.8	(32.9)	36.5	37.4	(2.5)
Interest	3.3	3.3	(1.1)	2.9	10.6	3.3	(1.8)	6.6	6.6	(0.1)
PBT	11.4	13.1	(13.3)	11.3	0.5	18.5	(38.5)	29.9	30.8	(3.0)
Extraordinary income/(expense)	0.8	0.7		-	-	0		0.85	(0.7)	(216.4)
PBT (After EO)	12.1	13.8	(12.4)	11.3	7.2	18.6	(34.7)	30.7	31.5	(2.5)
Tax	3.5	(0.1)	(6,151.5)	3.1	12.6	5.2	NA	8.7	0.7	1,168.0
% PBT	29.1	-0.4		27.7	5.0	28.0		28.4	2.2	
Reported PAT	8.6	13.9	(38.1)	8.2	5.1	13.4	(35.7)	22.0	30.8	(29)
Minority interest	(0.0)	0.0	NA	-		(0.0)	NA	(0.03)	0.07	(137.3)
Share of profit/(losses) in Associates	-	(0.0)	NA	-		-	NA	-	(0.00)	NA
Net Profit attributable to shareholders	8.6	13.9	(38.0)	8.2	5.2	13.4	(35.8)	22.0	30.7	(28.4)
Adjusted PAT	7.8	13.1	(40.3)	8.2	(4.2)	13.3	(41.0)	21.2	30.0	(29.5)

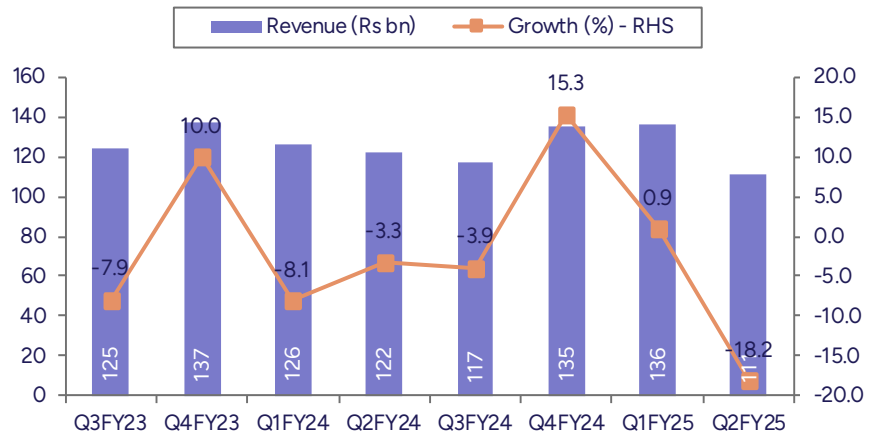
Source: Company, PL

Exhibit 2: Operating Metrics

Y/e March	2QFY25	2QFY24	YoY gr. (%)	2QFY25E	% Var.	1QFY25	QoQ gr. (%)	1HFY25	1HFY24	YoY gr. (%)
Volume (mt)	1.85	2.01	(8.0)	1.87	(1.0)	2.09	(11.5)	3.94	3.85	2.3
Realization/t	60,202	60,583	(0.6)	62,484	(3.7)	65,114	(7.5)	62,807	64,326	(2.4)
EBITDA/t	11,482	11,008	4.3	11,142	3.1	13,542	(15.2)	12,575	12,573	0.0

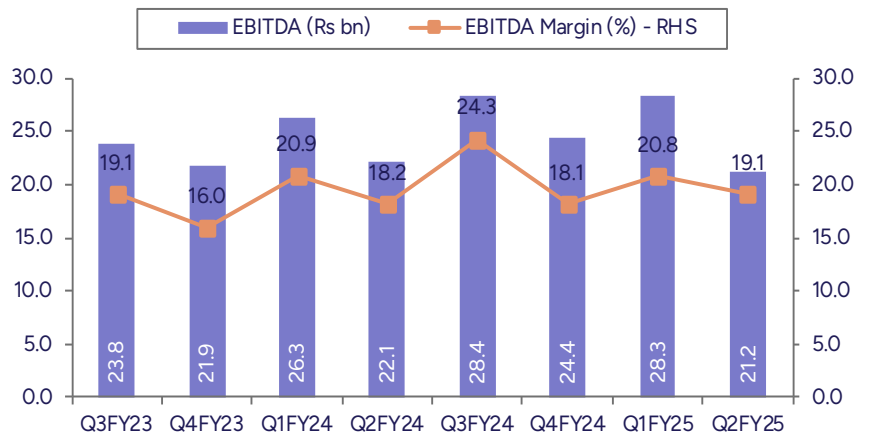
Source: Company, PL

Exhibit 3: Cons revenue declined 9% YoY on weak volume growth



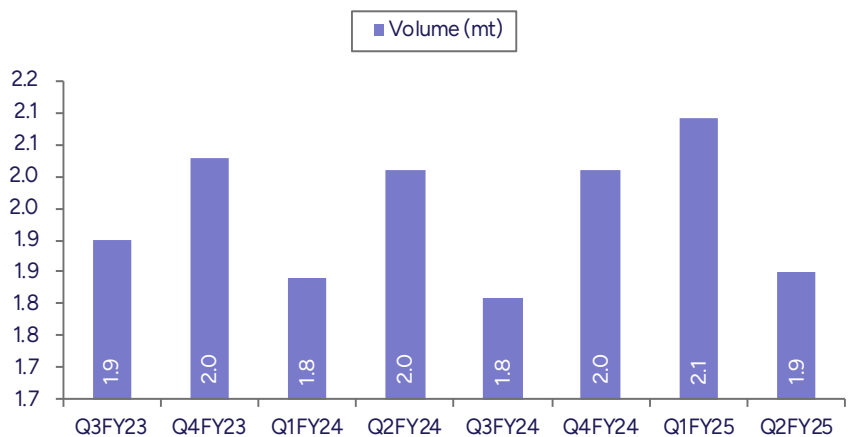
Source: Company, PL

Exhibit 4: Cons EBITDA aided by ramp-up of coal mines and Angul



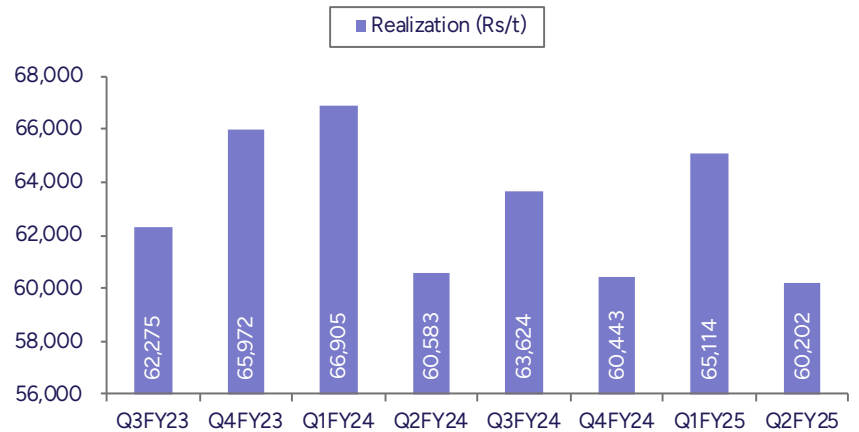
Source: Company, PL

Exhibit 5: Volumes declined by 8% YoY in a tepid quarter



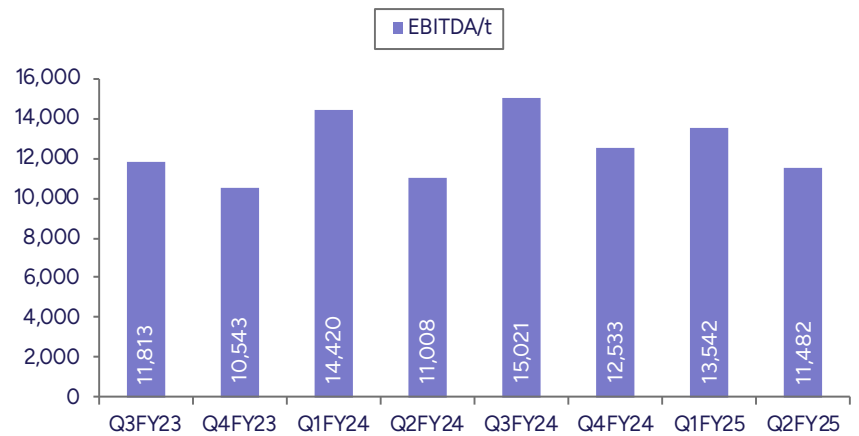
Source: Company, PL

Exhibit 6: Realization declined 8% QoQ due to weak steel pricing



Source: Company, PL

Exhibit 7: EBITDA/t improved 4% YoY on lower RM costs (Rs)



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	500	487	626	759
YoY gr. (%)	(5.1)	(2.6)	28.5	21.1
Cost of Goods Sold	220	219	281	340
Gross Profit	280	269	346	419
Margin (%)	56.0	55.1	55.2	55.2
Employee Cost	13	9	9	10
Other Expenses	165	147	178	209
EBITDA	102	112	159	200
YoY gr. (%)	2.7	10.2	41.2	25.7
Margin (%)	20.4	23.1	25.3	26.3
Depreciation and Amortization	28	29	32	34
EBIT	74	83	127	165
Margin (%)	14.8	17.1	20.2	21.8
Net Interest	13	14	13	11
Other Income	2	1	2	2
Profit Before Tax	62	71	116	156
Margin (%)	12.5	14.6	18.4	20.6
Total Tax	3	18	30	41
Effective tax rate (%)	4.8	25.8	26.2	26.4
Profit after tax	59	53	85	115
Minority interest	0	0	0	0
Share Profit from Associate	-	-	-	-
Adjusted PAT	59	52	85	115
YoY gr. (%)	31.4	(12.7)	64.3	35.0
Margin (%)	11.9	10.6	13.6	15.2
Extra Ord. Income / (Exp)	-	1	-	-
Reported PAT	59	53	85	115
YoY gr. (%)	88.5	(11.3)	61.7	35.0
Margin (%)	11.9	10.8	13.6	15.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	59	53	85	115
Equity Shares O/s (bn)	1	1	1	1
EPS (Rs)	59.2	51.7	85.0	114.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	756	846	896	946
Tangibles	670	760	810	860
Intangibles	86	86	86	86
Acc: Dep / Amortization	273	302	334	368
Tangibles	212	241	273	307
Intangibles	61	61	61	61
Net fixed assets	483	544	562	578
Tangibles	458	519	537	553
Intangibles	25	25	25	25
Capital Work In Progress	96	86	136	166
Goodwill	1	1	1	1
Non-Current Investments	8	8	8	8
Net Deferred tax assets	(59)	(59)	(59)	(59)
Other Non-Current Assets	22	22	22	22
Current Assets				
Investments	7	7	7	7
Inventories	71	60	69	83
Trade receivables	17	16	21	25
Cash & Bank Balance	40	28	37	89
Other Current Assets	41	41	41	41
Total Assets	787	815	905	1,022
Equity				
Equity Share Capital	1	1	1	1
Other Equity	442	492	574	684
Total Networth	443	493	575	685
Non-Current Liabilities				
Long Term borrowings	101	81	61	41
Provisions	4	4	4	4
Other non current liabilities	15	15	15	15
Current Liabilities				
ST Debt / Current of LT Debt	58	58	58	58
Trade payables	47	46	59	71
Other current liabilities	55	53	68	83
Total Equity & Liabilities	787	815	905	1,022

Source: Company Data, PL Research



Cash Flow (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	62	71	116	156
Add. Depreciation	28	29	32	34
Add. Interest	13	14	13	11
Less Financial Other Income	2	1	2	2
Add. Other	0	-	-	-
Op. profit before WC changes	103	115	160	202
Net Changes-WC	(37)	9	15	8
Direct tax	(7)	(18)	(30)	(41)
Net cash from Op. activities	60	105	145	168
Capital expenditures	(83)	(80)	(100)	(80)
Interest / Dividend Income	2	-	-	-
Others	(3)	-	-	-
Net Cash from Invt. activities	(83)	(80)	(100)	(80)
Issue of share cap. / premium	-	-	-	-
Debt changes	35	(20)	(20)	(20)
Dividend paid	(2)	(2)	(3)	(5)
Interest paid	(16)	(14)	(13)	(11)
Others	(3)	-	-	-
Net cash from Fin. activities	14	(36)	(36)	(36)
Net change in cash	(10)	(12)	9	52
Free Cash Flow	(25)	25	45	88

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	59.2	51.7	85.0	114.8
CEPS	87.4	80.7	116.9	148.8
BVPS	442.1	492.0	574.0	683.8
FCF	(25.0)	24.7	44.9	88.1
DPS	2.0	2.0	3.0	5.0
Return Ratio(%)				
RoCE	13.5	13.7	19.4	22.7
ROIC	13.8	10.6	15.1	18.9
RoE	14.3	11.1	15.9	18.2
Balance Sheet				
Net Debt : Equity (x)	0.3	0.2	0.1	-
Net Working Capital (Days)	30	23	18	18
Valuation(x)				
PER	16.0	18.3	11.2	8.3
P/B	2.1	1.9	1.7	1.4
P/CEPS	10.8	11.7	8.1	6.4
EV/EBITDA	10.4	9.4	6.5	4.8
EV/Sales	2.1	2.2	1.6	1.3
Dividend Yield (%)	0.2	0.2	0.3	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	117	135	136	111
YoY gr. (%)	(6.0)	(1.5)	8.1	(8.5)
Raw Material Expenses	46	63	69	51
Gross Profit	71	72	68	60
Margin (%)	60.9	53.6	49.7	53.8
EBITDA	28	24	28	21
YoY gr. (%)	19.6	11.8	7.7	(4.0)
Margin (%)	24.3	18.1	20.8	19.1
Depreciation / Depletion	6	10	7	7
EBIT	22	14	21	14
Margin (%)	18.9	10.7	15.8	12.8
Net Interest	3	3	3	3
Other Income	-	-	-	-
Profit before Tax	19	12	19	12
Margin (%)	16.5	8.6	13.7	10.9
Total Tax	-	2	5	4
Effective tax rate (%)	(0.1)	19.8	28.0	29.1
Profit after Tax	19	9	13	9
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	19	9	13	9
YoY gr. (%)	271.8	102.2	(20.6)	(38.0)
Margin (%)	16.5	6.9	9.8	7.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	19	9	13	9
YoY gr. (%)	271.8	102.2	(20.6)	(38.0)
Margin (%)	16.5	6.9	9.8	7.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19	9	13	9
Avg. Shares O/s (bn)	1	1	1	1
EPS (Rs)	19.2	9.3	13.4	8.6

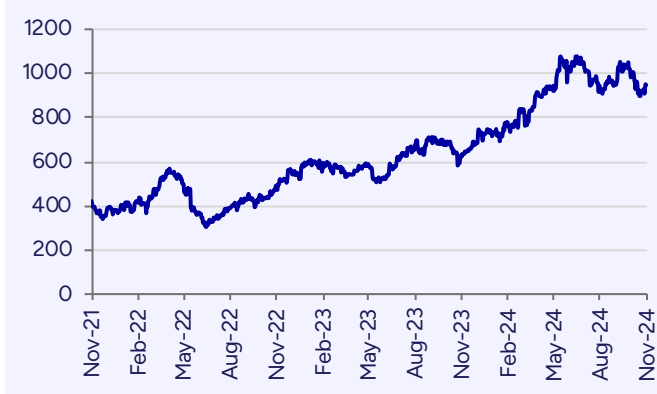
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Steel sales volumes (mt)	8	8	10	13
EBITDA/t (Rs)	13,303	13,110	15,156	15,388
Reasalisation/t (Rs)	65,224	60,325	60,811	59,449

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	1,090	1,021
2	25-Jul-24	Hold	978	972
3	07-Jul-24	Accumulate	1,006	1,051
4	14-May-24	Accumulate	987	939
5	12-Apr-24	BUY	980	898
6	01-Feb-24	BUY	842	755
7	05-Jan-24	BUY	826	745

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,262	2,238
2	Ambuja Cement	BUY	708	569
3	Dalmia Bharat	Accumulate	2,073	1,831
4	Hindalco Industries	BUY	847	748
5	Jindal Stainless	Accumulate	814	740
6	Jindal Steel & Power	Accumulate	1,090	1,021
7	JSW Steel	Accumulate	1,014	944
8	National Aluminium Co.	Sell	186	220
9	NMDC	Accumulate	266	237
10	Nuvoco Vistas Corporation	Accumulate	372	342
11	Shree Cement	Accumulate	27,481	26,034
12	Steel Authority of India	Reduce	131	139
13	Tata Steel	Accumulate	181	167
14	Ultratech Cement	Accumulate	12,401	10,869

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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