India I Equities

Metals
Company update

Change in Estimates ☑ Target ☑ Reco ☐

16 August 2025

Jindal Steel (erstwhile Jindal Steel & Power)

Utkal B1 and BF-2 expected to commence operations in Q2; Buy

Rating: **Buy**
Target price (12-mth): Rs.1,100
Share price: Rs.975

Jindal Steel is increasing crude steel capacity from 9.6m tonnes to 15.6m and finished steel capacity from 7.25m to 13.75m by FY27-28, making it the fourth largest steel manufacturer in India. BF-2 gas stove heating is complete, and the first hot metal tapping is expected in Q2 FY26. BoF-2 furnace is in pre-commissioning testing and expected to come online along with BF-2. FY26 guidance is unchanged (9m-10m tonnes produced, 8.5m-9m sold) as Angul picks up momentum. Predominantly a long-steel manufacturer the company is moving to being a flat-steel manufacturer. At 72% percent of sales volumes, it has one of the highest shares of VAPs among tier-I peers. This reflects in its industry-leading EBITDA/tonne of Rs15,819. It recently secured a 50yr mining lease for the Roida-I iron ore and manganese block at Keonjhar (Odisha) and is expected to mine ~1.6m tonnes in FY26 and eventually use the 3m-tonne p.a. EC. This block would eventually replace the Tensa mine, whose quality/capacity is depleting. The Utkal B1 coal block is expected to commence in Q2, the third to be operational after Gare Palma IV/6 and Utkal C. As the company increases capacity long-term growth prospects are positive, with capex on schedule, FY26 volume guidance unchanged, industry-best EBITDA, net debt-to-EBITDA capped at 1.5x, the highest share of VAP, etc. We roll our estimates to FY28 and retain a Buy rating with a revised TP of Rs1,100 (Rs1,030 earlier).

Q1 performance higher than ARe. Sales were down 9.1% y/y to 1.9m tonnes (in line with ARe). Revenue was down 9.7% y/y to Rs123bn and ASP, ~1% y/y to Rs64,708 per tonne (in line with ARe). Blended ASP rose 4.5% q/q due to higher steel prices and a greater, 2%, share of flats in the sales mix. EBITDA rose 5.9% y/y to Rs30bn (higher than ARe) and EBITDA/tonne was Rs15,819, the highest of listed tier-I mills. The beat was due to lower RM cost (from lower coking coal prices), conversion cost and other expenses.

Q1 FY26 KTA. BF-2 hot metal tapping is expected in Q2 and BoF-2 is expected to commence in tandem with BF-2. The Raigarh plant operates at 95% capacity, Angul at 83-84%. Q2 coal (consumption) cost is expected to be $5/ tonne lower and ASP, 5-7% lower (compared to Q1 average). Roida mine is already operational and expected to yield 1.6m tonnes in FY26.

Capex to drive growth. The first module of 525MW is ready, commissioning of the second is underway. 75% structural work for the coal pipe conveyor is complete. BoF-3 is on schedule.

Outlook, Valuation. We are positive driven by robust domestic demand, capex on schedule, Roida mine volumes, Utkal B1 expected to commence operations in FY26 and industry-best EBITDA profile. We retain s Buy with a revised TP of Rs1,100.

Key financials (YE Mar)	FY24	FY25	FY26e	FY27e	FY28e
Sales (Rs bn)	500	498	573	674	706
EBITDA (Rs bn)	102	95	123	162	175
APAT (Rs bn)	59	40	58	82	92

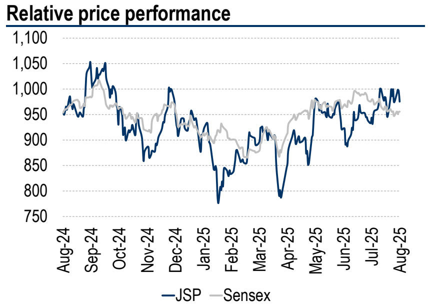
Source: Company, Anand Rathi Research

Key data	JSP IN / JNSP BO
52-week high / low	Rs.1,074 / 723
Sensex / Nifty	80,598 / 24,631
Market cap	Rs.1,014bn
Shares outstanding	1,017m

Shareholding pattern (%)	Jun'25	Mar'25	Dec'24
Promoters	62.4	62.2	61.2
- *of which, Pledged*	11.2	11.4	12.8
Free Float	37.6	37.8	38.8
- Foreign institutions	9.8	9.6	11.0
- Domestic institutions	18.1	17.7	17.3
- Public	9.8	10.5	10.6

Estimates revision (%)	FY26e	FY27e	FY28e
Sales	(1.2)	(4.1)	-
EBITDA	3.7	(5.8)	-
APAT	1.9	(13.3)	-

Relative price performance



Source: Bloomberg

Parthiv Jhonsa
Research Analyst

Prakhar Khajanchi
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs bn)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Sales (m tonnes)	7.7	8.0	9.0	10.3	10.7
Revenue	***500***	***498***	***573***	***674***	***706***
Growth (%)	-5.1	-0.5	15.0	17.7	4.8
Expenses	398	403	449	512	531
EBITDA	***102***	***95***	***123***	***162***	***175***
EBITDA/tonne (Rs)	13,300	11,912	13,776	15,662	16,370
EBITDA margins (%)	20.4	19.1	21.6	24.0	24.8
Depreciation	28	28	32	39	42
Other income	2	2	1	2	2
Interest Exp	13	13	15	15	12
PBT before EO	62	56	78	110	123
PBT after EO	62	44	78	110	123
Effective tax	3	15	20	28	31
PAT before Assoc./MI	59	29	58	82	92
+ Associates/(Minorities)	0	0	0	0	0
Reported PAT	59	28	58	82	92
APAT	***59***	***40***	***58***	***82***	***92***
APAT growth (%)	31.4	-31.9	43.5	41.9	11.4

Fig 2 – Balance sheet (Rs bn)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
Share capital	1	1	1	1	1
Net worth	443	472	527	606	693
Debt	165	184	196	176	126
Minority interest	4	2	2	2	2
Deferred tax Liability/(Asset)	59	59	59	59	59
Others	14	15	15	15	15
Capital employed	***686***	***732***	***799***	***857***	***895***
Net tangible assets	458	474	617	694	741
Net Intangible assets	33	27	26	24	22
Goodwill	1	1	1	1	1
CWIP	89	155	77	45	39
Investments	1	5	5	5	5
Other non-current assets	28	21	21	21	21
Current assets	177	175	187	215	217
Cash	33	26	21	25	19
Bank bal. (incl. curr. Invst)	14	33	33	33	33
Current Liabilities	102	127	135	147	151
Capital deployed	***686***	***732***	***799***	***857***	***895***

Fig 3 – Cash-flow statement (Rs bn)

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
EBITDA	102	95	123	162	175
+ other Adj.	1	(3)	-	-	-
Operating profit before WC	103	92	123	162	175
- Incr./(decr.) in WC	(37)	31	(9)	(12)	(4)
Others including taxes	(7)	(15)	(20)	(28)	(31)
CF from Op. Activity	**60**	**108**	**95**	**122**	**140**
- Capex (tangible + Intangible)	(84)	(105)	(96)	(81)	(81)
Free cash-flow	(24)	3	(1)	41	59
Others	1	(18)	1	2	2
CF from Inv. Activity	**(83)**	**(123)**	**(94)**	**(79)**	**(79)**
- Dividend	(2)	(2)	(3)	(4)	(4)
+ Debt raised	18	33	12	(20)	(50)
Others	(2)	(23)	(15)	(15)	(12)
CF from Fin. Activity	**14**	**8**	**(6)**	**(38)**	**(66)**
Closing cash balance	33	26	21	25	19

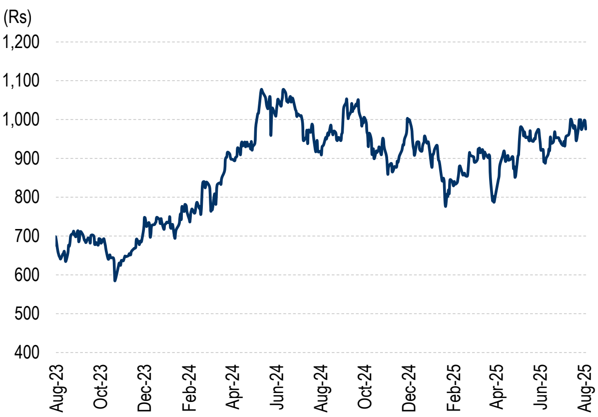
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY24	FY25	FY26e	FY27e	FY28e
P/E (x)	16.5	24.4	17.0	12.0	10.8
EV/EBITDA (x)	10.7	11.7	9.1	6.8	6.1
EV/sales (x)	2.2	2.2	2.0	1.6	1.5
P/B (x)	2.2	2.1	1.9	1.6	1.4
RoE (%)	14.3	6.1	11.6	14.5	14.1
RoCE (%)	11.8	9.7	12.1	15.1	15.4
DPS (Rs)	2.0	2.0	3.0	3.5	4.0
Dividend payout (%)	3.4	5.0	5.2	4.3	4.4
Debt/Equity (x)	0.4	0.4	0.4	0.3	0.2
WC Days	30	9	9	9	9
Volumes (m tonnes)	7.7	8.0	9.0	10.3	10.7
ASP (Rs/tonne)	65,224	62,440	63,890	65,285	66,041
EBITDA/tonne (Rs)	13,300	11,912	13,776	15,662	16,370
EBITDA Margins (%)	20.4	19.1	21.6	24.0	24.8
APAT Margins (%)	11.9	8.1	10.1	12.2	13.0

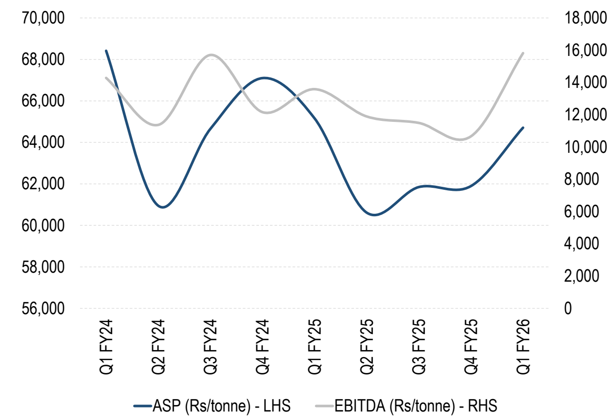
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Quarterly ASP and EBITDA/tonne movement



Source: Company, Anand Rathi Research

Q1 FY26 Result Highlights

Fig 7 – Quarterly consolidated performance

(Rs m)	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q1 FY26e	% estimate	% Y/Y	% Q/Q
Revenue	1,25,883	1,22,502	1,17,013	1,34,870	1,36,178	1,12,133	1,17,507	1,31,831	1,22,945	1,18,643	*3.6*	*-9.7*	*-6.7*
EBITDA	26,280	22,857	28,426	24,445	28,393	22,003	21,839	22,708	30,056	24,446	*22.9*	*5.9*	*32.4*
EBITDA margins (%)	*21*	*19*	*24*	*18*	*21*	*20*	*19*	*17*	*24*	*21*			
EBITDA per tonne (Rs)	14,283	11,372	15,705	12,162	13,585	11,893	11,494	10,661	15,819	13,214	*19.7*	*16.4*	*48.4*
Interest	3,291	3,294	3,151	3,206	3,318	3,259	3,128	3,416	2,966	3,681			
Depreciation	5,875	6,037	6,357	9,949	6,829	6,960	6,981	6,906	7,215	7,420			
Other income	553	319	351	344	345	348	264	718	304	400			
PBT before Exceptional items	17,667	13,845	19,268	11,633	18,591	12,133	11,993	13,104	20,179	13,745			
Exceptional items	0	0	0	0	0	0	0	-12295	0	0			
PBT after Exceptional items	17,667	13,845	19,268	11,633	18,591	12,133	11,993	810	20,179	13,745			
Tax	748	-58	-10	2,301	5,211	3,528	2,485	3,754	5,219	3,464			
PAT before MI/Asso.	16,920	13,903	19,279	9,333	13,379	8,605	9,508	-2944	14,960	10,281	*45.5*	*11.8*	*LP*
+Assoc/(Minorities)	47	20	-2	-17	-22	-4	5	267	20	25			
Reported PAT	16,869	13,878	19,283	9,354	13,402	8,609	9,505	-3394	14,940	10,256			
Adj. PAT	16,869	13,878	19,283	9,354	13,402	8,609	9,505	8,900	14,940	10,256	*45.7*	*11.5*	*67.9*
Particulars	**Q1 FY24**	**Q2 FY24**	**Q3 FY24**	**Q4 FY24**	**Q1 FY25**	**Q2 FY25**	**Q3 FY25**	**Q4 FY25**	**Q1 FY26**	**Q1 FY26e**	**% estimate**	**% Y/Y**	**% Q/Q**
Production (m tonnes)	2.04	1.90	1.94	2.05	2.05	1.97	1.99	2.11	2.09	1.95	7.2	*2.0*	*-0.9*
Sales (m tonnes)	1.84	2.01	1.81	2.01	2.09	1.85	1.90	2.13	1.90	1.85	2.7	*-9.1*	*-10.8*
Realisations (Rs/t)	68,415	60,946	64,648	67,099	65,157	60,612	61,846	61,893	64,708	64,131	0.9	*-0.7*	*4.5*
EBITDA (Rs/t)	14,283	11,372	15,705	12,162	13,585	11,893	11,494	10,661	15,819	13,214	19.7	*16.4*	*48.4*
Costs (%)													
Raw material	42.7	47.4	39.1	46.4	50.3	45.9	43.8	48.6	41.6				
Staff	2.3	2.5	2.8	2.7	2.2	2.5	2.6	2.3	2.5				
Depreciation	4.7	4.9	5.4	7.4	5.0	6.2	5.9	5.2	5.9				
Interest	2.6	2.7	2.7	2.4	2.4	2.9	2.7	2.6	2.4				
Other expenditure	34.1	31.4	33.8	32.8	26.6	32.0	35.0	31.9	31.4				
Costs (per tonne of production)													
Raw material	26,340	30,560	23,606	30,540	33,424	26,126	25,875	30,388	24,499				
Staff	1,431	1,630	1,677	1,762	1,474	1,396	1,551	1,414	1,458				
Depreciation	2,880	3,177	3,277	4,853	3,331	3,533	3,508	3,273	3,452				
Interest	1,613	1,733	1,624	1,564	1,619	1,654	1,572	1,619	1,419				
Other expenditure	21,054	20,255	20,381	21,564	17,680	18,229	20,648	19,915	18,487				

Source: Company, Anand Rathi Research

Q1 production rose 2% y/y to 2.09m tonnes, 7.2% higher than ARe (but stable q/q); sales were down 9.1% y/y, 10.8% q/q, to 1.9m tonnes (in line with ARe). The impact in offtake stemmed from stock replenishment after excessive drawdowns in Q4 FY25, the best quarter for the metals in India.

ASP was relatively flat y/y, up ~Rs2,815 q/q, to 64,708/tonne (in line with ASP). The ~4.5% q/q improvement was on the rise in steel prices and greater proportion of flat steel in the product mix. The share of VAP rose from 58% in Q1 and 64% in Q4 FY25 to 72% in Q1 FY26 due to more dispatches to infrastructure and strategic sectors such as power (thermal, wind, hydro) and shipbuilding.

EBITDA/tonne rose 16.4% y/y, 48.4% q/q, to Rs15,819 (above ARe), due to lower RM costs on reduced coking coal costs and less-than-estimated employee cost and other expenses.

Our analysis: After the potential safeguard duty on steel during Q1, flat steel prices rose ~Rs3,358/tonne and long steel by ~Rs3,056 (Q1 average). Further, as the company is moving away from being a long steel manufacturer to a flat steel one, the high share of flat steel helped it to better realisations. The blended premium the company enjoys over and above steel prices is usually Rs9,500–10,500, with Q1 being at the upper end of the band.

Further, as the share of flat steel increases further, the VAP percentage is expected to rise which would lead to better margins. The company already has 5,081 dealers who helps it dispatch volumes across India (thus, better retail margins). It has developed products such as Thick Web Asymmetrical (TWA) rails, SA213 T12 round-section steel, Structural Weather-Resistant Steel (IS 11587), Seismic Resistance Grade Steel (IS 15962), Fire-Resistant Steel (IS 15103), high-strength shipbuilding steel (DH36 grade), etc. with niche applications, ensuring better realisations and margins.

The company has the best EBITDA/tonne among listed peers and, we believe the greater share of VAP to an extent helped contribute to industry-leading profit per tonne.

Fig 8 – Q1 FY26 performance

	JSP	JSTL	TATA	TATA (Standalone)	SAIL
ASP (Rs/tonne)	64,708	64,495	74,688	65,293	56,971
EBITDA (Rs/tonne)	15,819	11,324	10,432	14,988	6,085
VAP (%)	72	64	-	-	54.5

Source: Company, Anand Rathi Research

Change in estimates

Fig 9 – Change in estimate

Rs bn	Revised			Previous			% change		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Consolidated financials									
Revenue	573	674	706	579	703	-	*-1.2*	*-4.1*	-
EBITDA	123	162	175	119	172	-	*3.7*	*-5.8*	-
APAT	58	82	92	57	95	-	*1.9*	*-13.3*	-

Source: Anand Rathi Research

Conference call KTA

Coal (consumption) cost was down $11/tonne in Q1 FY26, expected to reduce a further $5/ tonne in Q2 FY26. The ASP which improved in Q1 FY26 is currently ~5-7% below the Q1 average.

Our analysis: The reduction in coal cost will not cover the reduction in steel realization. 5-7% reduction in steel prices is ~Rs2,700-2,715 a tonne and a $5 per tonne saving (in consumption) would offset ~Rs200-275/ tonne. Further, Q2 is seasonally lean and hence the net impact on EBITDA will be a function of lower ASP and volume impact. Similar guidance has been provided by other tier-I listed mills at recent conference calls.

Fig 10 – Q2 FY26 guidance

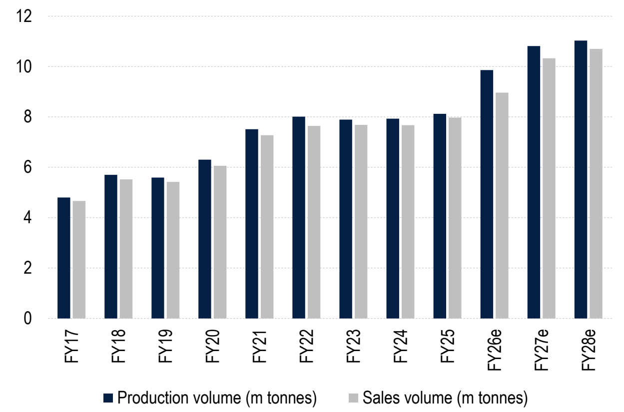
	JSP	JSTL	TATA	TATA (Standalone)	SAIL
ASP	5-7% reduction	Lower	Stable	Rs2,000 lower	Lower
Coal cost	$5/tonne reduction	$5/tonne reduction	$10/tonne reduction	$10/tonne reduction	Flat cost
Iron ore cost	Stable	Slight reduction	$7-8/tonne lower (Netherlands)	-	-

Source: Company, Anand Rathi Research

The company is now at 90-92% utilization (Raigarh 95%, Angul 83-84%).

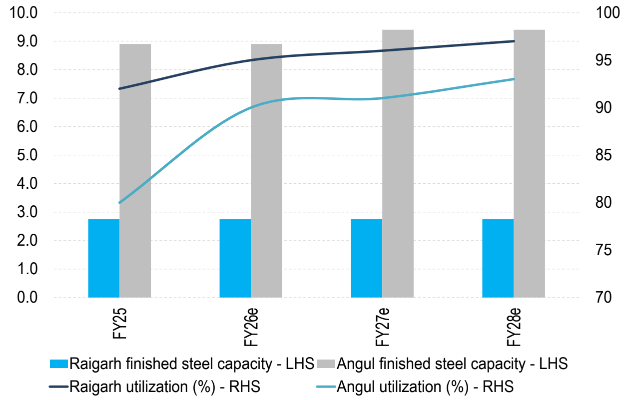
Our analysis: In Mar'24, Raigarh operated at 92%, Angul at 80%, with blended utilisation at 85%. As BF-2 and BoF-2 come on stream in the year and as the CRM mill ramps up, utilisation at Angul would rise further. Once BoF-3 and all other facilities in the present capex round are complete, ideal volumes at 95% crude steel capacity would equal annualized 14.5m-14.8m tonnes. We believe the company will increase volumes in the next few years to be the fourth largest steel manufacturer in India.

Fig 11 – FY26 volume guidance unchanged



Source: Company, Anand Rathi Research

Fig 12 – Capacity utilization to finished steel capacity (m tonnes)



Source: Company, Anand Rathi Research

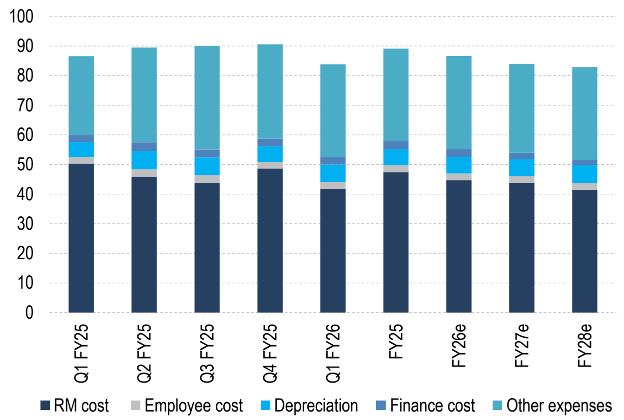
The Tensa mine is at the end of its life (0.13m tonnes of iron ore were mined in Q1). The company recently secured a 50yr mining lease for the the Roida-I iron ore and manganese block at Keonjhar (Odisha) and expects to mine ~1.6m tonnes in FY26 and eventually use the 3m-tonne p.a. EC. Offtake from the Roida-I block will offset reduction at the Tensa mine. Further, Utkal B1 is expected to commence operations in FY26 and, with Utkal B2 expected in 1-2 years, would suffice for coal required. In FY25 (Mar'25), the company acquired the Saradhapur Jalatap East coal block through government auction. This is a partially explored block with R&R of 3.257b tonnes. This block is governed by a 10% revenue-sharing agreement.

Our analysis: Gare Palma IV/6 and Utkal C are already operational, producing 7.37m tonnes of coal in FY25. Gare Palma IV/6 has R&R of ~166m tonnes, Utkal C ~196m tonnes. However, the real delta in RM costing would be when the 8m-tonne Utkal B1 and B2 commence operations because these mines have R&R of ~347m tonnes with a 15.25% revenue share (lowest amongst the existing domestic coal mines). As the company increases backward integration and the share of VAP, its EBITDA is expected to rise. Per our JSP model, we believe the cost of coal (thermal + coking) as percent of RM cost would shrink from ~51-54% to 47-48% in three years, raising EBITDA/tonne to ~Rs16,370 by FY28.

Fig 13 – Mine profile

Source: Company

Fig 14 – RM cost (% of revenue) expected to reduce



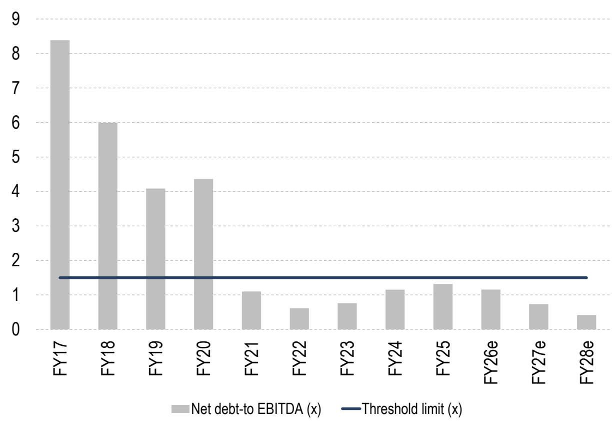
Source: Company, Anand Rathi Research

Net debt rose from Rs119.5bn in Mar'25 to Rs144bn in Q1 FY26 with net debt-to-EBITDA at 1.49x, the highest after FY21. However, management guided to net debt-to-EBITDA not crossing 1.5x; for the first 40-45 days of Q2 FY26, it has held below that threshold.

Of the Rs470bn capex earmarked for the present round of expansion, Rs259bn has been incurred, the rest would be spent in 2-3 years.

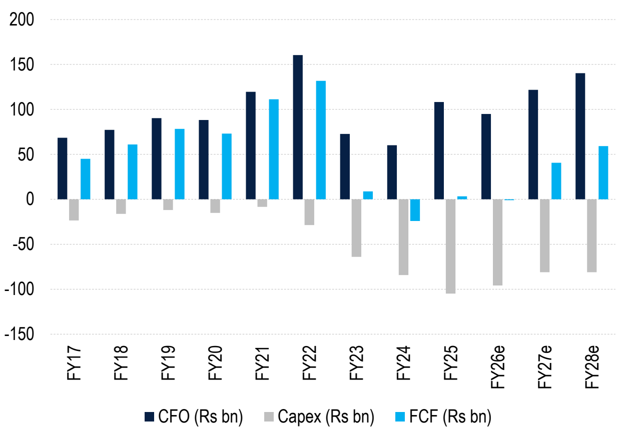
Our analysis: In our model for FY26, we factor in the recent rise in debt. However, considering a few payment schedules lined up over FY26-28, we assume the closing gross debt for FY26 to be ~Rs142bn, then reduce. Further, as BF-2, BoF-2 and CRM mill increase volumes, the company will fund the next few years of capex via internal accruals. We believe it will generate cash to fund capex over FY26-28.

Fig 15 – Net debt-to-EBITDA not expected to surpass 1.5x



Source: Company, Anand Rathi Research

Fig 16 – Capex to be funded via cash flows



Source: Company, Anand Rathi Research

Valuation

Capex is on schedule with BF-2 hot metal tapping and BoF-2 expected to commence operations in Q2 FY26. Further, the 3m-tonne Roida mine is expected to ensure iron ore RM security as the Tensa mine is nearing its end. The operational Utkal B1 and B2 mines will ensure coal security.

In Q1 FY26 operations commenced at the 0.50m-tonne HR Skin Pass Mill (to supply HR Pickled & Skin Passed), CTL line (1mm to 13mm thick, 2,000mm width), HR Slitter (capacity from 1mm to 13mm thick coils), 1mm thin HRC (the first of its kind globally from a conventional HSM), the world's largest HR Slitter (capacity to slit 25mm thick coils of 3,000mm width), etc. which helped the company raise its share of VAP, reflecting its commitment to cater to strategic sectors, which yield better margins.

Further, as the Angul plant ramps up, the company, conventionally a long steel manufacturer, is moving toward flat steel. As opportunities to add value are higher in flat steel, this shift is expected to further solidify its position in the market as a VAP steel producer.

On its firm commitment of debt not above its 1.5x threshold and management's unchanged FY26 production and sales volumes guidance, we are positive on the company and retain our Buy rating. We roll forward our estimates to FY28 and revise our TP to Rs1,100.

Fig 17 – TP calculation

Y/E Mar	UoM	FY27e	FY28e
Volumes	m tonnes	10.3	10.7
Blended EBITDA/t	Rs/tonne	15,662	16,370
Consol EBITDA	Rs bn	162	175
EV/EBITDA multiple	x	7	
Target EV	Rs bn	1,132	1,226
Net Debt	Rs bn	119	74
C-Wip @ 75%	Rs bn	33	29
Equity Value	Rs bn	1,047	1,181
No of shares o/s	bn	1	
Target price	Rs/share	1,034	1,167
Weighted average price	**Rs/share**	**1,100**	

Source: Anand Rathi Research *Note: Rounded to nearest 10's*

Appendix

Analyst Certification

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

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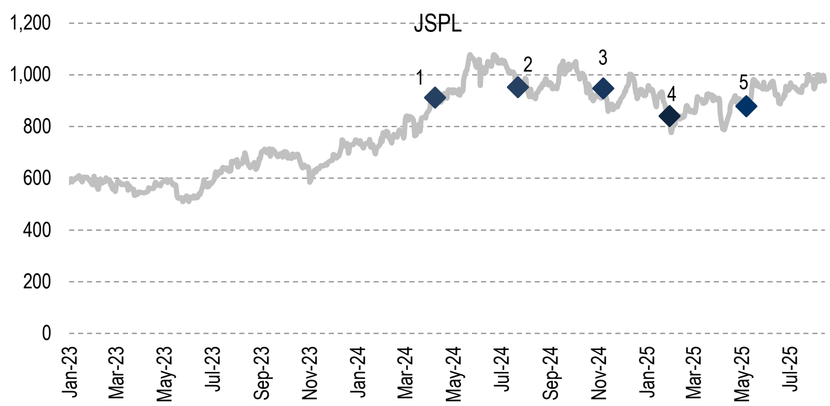
Rating and Target Price History (as of 16 August 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	04-Apr-24	Buy	1,070	902
2	25-Jul-24	Buy	1,115	972
3	07-Nov-24	Buy	1,160	952
4	30-Jan-25	Buy	990	835
5	03-May-25	Buy	1,030	885

Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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