

Jindal Steel & Power

BSE SENSEX

84,300

S&P CNX

25,811

CMP: INR1,040

TP: INR1,200 (+15%)

BUY



Stock Info

Bloomberg	JSP IN
Equity Shares (m)	1020
M.Cap.(INRb)/(USDb)	1060.5 / 12.7
52-Week Range (INR)	1097 / 582
1, 6, 12 Rel. Per (%)	5/7/17
12M Avg Val (INR M)	1962
Free Float (%)	38.8

Financials Snapshot (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	500	600	755
EBITDA	102	134	181
Adj. PAT	59	65	97
Cons. Adj. EPS (INR)	58	64	96
EPS Gr. (%)	60.4	8.9	50.4
BV/Sh. (INR)	442	499	585

Ratios

Net D:E	0.2	0.2	0.1
RoE (%)	14.1	13.5	17.6
RoCE (%)	12.2	15.1	19.5
Payout (%)	3.4	10.0	10.0

Valuations

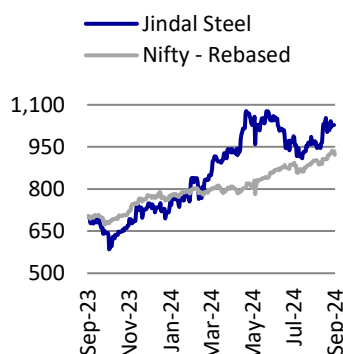
P/E (x)	17.7	16.3	10.8
P/BV (x)	2.3	2.1	1.8
EV/EBITDA(x)	11.4	8.6	6.2
Div. Yield (%)	0.2	0.6	0.9
FCF Yield (%)	-2.4	2.8	5.9

Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	61.2	61.2	61.2
DII	15.3	14.7	14.8
FII	13.4	13.7	14.2
Others	10.0	10.4	9.9

FII includes depository receipts

Stock Performance (1-year)



Expansion strategy to propel growth in the long run

- Jindal Steel & Power's (JSP) ongoing capacity expansion at Angul (Odisha) will boost the crude steel capacity by 65% to 15.9mtpa and finished steel capacity by 83% to 13.75mtpa. The expansion is expected to complete by Q1FY27 and position JSP as the fourth-largest steel producer in India.
- JSP is also undertaking cost-effective measures to expand the operating margin through: 1) the strengthening of raw material integration, 2) increase in the captive power plant share, 3) higher flat steel mix to ~55%, and 4) focus on VAP (current share ~67%). JSP has started production at the Gare Palma IV/6 coal mine (EC ~4mt; R&R ~160mt) and supplies coal to the Raigarh unit. Further, as the Utkal C, B1, and B2 come on stream, the RM integration and cost-effectiveness will increase, leading to margin accretion.
- The steel demand in India is expected to remain robust, driven by improvements in construction activity; a strong push on infrastructure projects; and a higher demand for automobiles, RE, and consumer goods. Given the robust demand coupled with incremental new capacities, we expect JSP to clock 9mt (+18% YoY) and 11mt (+25% YoY) volumes for FY25/26, respectively.
- Recently, the metal prices corrected significantly, with both long and flat prices experiencing a 5% and 10% decline QoQ in 2QFY25, respectively. Global steel prices also trended downward on account of the muted global demand and Chinese oversupply. Margins in the near term could be under pressure due to weak realizations. However, the prices have bottomed out and recent measures by China to boost its economy would positively impact the domestic steel prices going forward.
- The company deleveraged its B/S from the net debt of INR391b in FY19 to ~INR104b as of 1QFY25, translating into 1x the net debt/EBITDA. The company targets to maintain it below 1.5x, considering the ongoing capex. The robust steel demand and increased capacity place JSP in a strong position. At CMP, the stock trades at 6.2x EV/EBITDA and 1.8x P/B on FY26 estimate. We reiterate our BUY rating on JSP with a TP of INR1,200, based on 7x FY26E EV/EBITDA.

Scaling up the capacity

- JSP has outlined a capex guidance of INR310b, which will raise its total liquid steel capacity to 15.9mtpa and finished steel capacity to 13.75mtpa. The capex will be allocated toward the Angul expansion (75%), ACPP-II (10%), coal mines (5%), and new projects such as Q&T, Rakes, and Micro Palletization (10%).
- As of FY24, JSP has spent ~INR150b out of the announced INR310b capex. It expects to incur the remaining ~INR150b capex in the next three years, excluding the maintenance capex. Post the expansion, the share of flat steel products is expected to increase to ~55% as compared to ~30-35% currently.
- JSP has commissioned 6mt Pellet Plant-I and 6mt Hot Strip Mill (HSM) at the Angul facility. All other expansions are progressing with slight delays and are expected to come on stream in phases by 1QFY27 vs. 3QFY26 earlier (majority to get commissioned during FY25-FY26).

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Strong RM linkages and cost competitiveness

- JSP owns two iron ore mines at Kasia (7.5mt) and Tensa (3.11mt) in Odisha, which fulfill ~60% of its requirements. These mines are situated in proximity to the Barbil pellet facility, reducing dependency on third-party merchant miners.
- Further, JSP plans to increase the pellet capacity to 21mt (current 15mt), along with the installation of a ~200kms slurry pipeline of 18mt from Barbil to Angul as part of its ongoing capex, leading to margin accretion and cost synergies.
- JSP acquired thermal coal blocks at Utkal C (PRC 3.37mt), Utkal B1 & B2 (PRC 8mt), and Gare Palma IV/6 (4mt) with a cumulative R&R of over 700mt.
- In Oct'23, JSP started production at the Gare Palma IV/6 mine and currently operates at ~1mt; the management targets to operate at 3.5mt run rate in the near term.
- From the Utkal C coal block, JSP produces ~0.9mt and plans to gradually ramp up the production. The Utkal B1 and B2 mines are in an advanced stage of clearance and are expected to begin operations in FY25.
- JSP has also acquired coking coal, thermal/coking coal, and anthracite coal assets in Australia, Mozambique, and South Africa with EC of 1.2mt, 5mt, and 1.2mt, respectively.
- In FY23, JSP acquired 2 x 525mw power plant assets at INR4.1b (Monnet Power Company Ltd) at Angul. The 1050mw plant was under construction at the time of acquisition and is a part of the ongoing capex, likely to be commissioned by 3QFY25. Once fully commissioned, the power plant will supply power/energy to the Angul facility. The plant's proximity to Utkal C, B1, and B2 mines and JSP's Angul facility provide an added advantage to JSP.

Valuations

- JSP has followed a prudent deleveraging policy, which has helped the company strengthen its balance sheet. The company deleveraged B/S from INR391b of net debt in FY19 to ~INR104b as of 1QFY25, translating into 1x net debt/EBITDA. The company targets to maintain it below 1.5x, considering the ongoing capex.
- At CMP, the stock trades at 6.2x EV/EBITDA and 1.8x P/B on FY26 estimate. We reiterate our BUY rating on JSP with a TP of INR1,200, based on 7x FY26E EV/EBITDA.

Exhibit 1: JSP's strong focus on domestic operations (finished steel capacities)

Capacities	Current capacity (mt)	Expanded capacity (mt)
Raigarh, Chhattisgarh		
Plate Mill	1.00	1.00
Rail Mill	1.00	1.00
Special Profiling Mill	0.75	0.75
Patratu, Jharkhand		
Bar Rod Mill	1.00	1.00
Wire Rod Mill	0.60	0.60
Angul, Odisha		
Bar Rod Mill	1.40	1.40
Plate Mill	1.50	2.00
Hot Strip Mill	0.00	6.00
Total	7.25	13.75

Source: MOFSL, Company

- JSP has a total crude steel capacity of 9.6mt, which is expected to increase to 15.9mt. Moreover, the finished steel capacity is expected to increase to 13.25mt from 7.25mt currently.
- Apart from the abovementioned expansions, JSP is also setting up 1.2mt of downstream CRM complex, which is expected to come on stream by 1QFY26, along with the 1050mw ACPP-II and 6mt pellet facilities.
- Following the completion of the ongoing capex, JSP is expected to carry out expansion at its Raigarh facility, which is expected to increase the crude steel capacity by ~6mt to ~9.6mt.

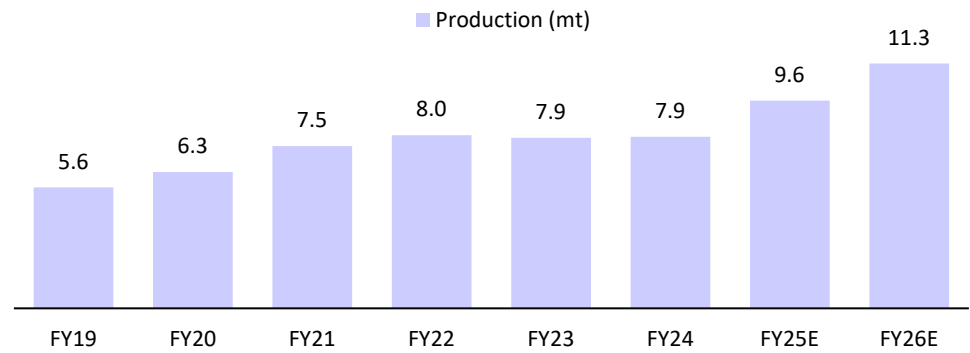
Exhibit 2: Angul's capacity expansion timeline

Project	Capacity	Earlier Timeline	Revised Timeline
Pellet Plant-I	6.0mt		Commissioned
HSM	6.0mt		Commissioned
ACPP-II	1050mw	2QFY25	3QFY25
Slurry Pipeline	18.0mt	1QFY25	4QFY25
BoF – II	3.3mt	2QFY25	4QFY25
BF – II	4.6mt	2QFY25	4QFY25
ASU, Coke Oven, RMHS	-	2QFY25	1QFY26
CRM Complex	1.2mt	4QFY25	1QFY26
BoF – III	3.0mt	4QFY25	3QFY26
DRI-II	1.8mt	4QFY25	3QFY26
Pellet Plant-II	6.0mt	4QFY25	3QFY26
Plate Mill	0.5mt	3QFY26	1QFY27

Source: MOFSL, Company

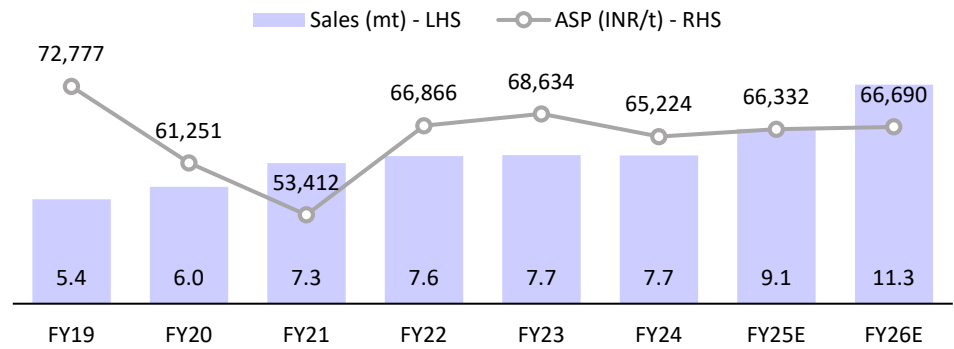
- The company's INR310b capex will take the total finished steel capacity to 13.75mt by 1QFY26E and increase the share of flat steel to ~55% (earlier predominantly long steel manufacturer).
- JSP has already commissioned the 6mt Pellet Plant-I at Angul, taking the total pellet capacity to 15mt, as well as the 6mt Hot Strip Mill (HSM).
- Following the expansion, the DRI will constitute ~29% of the total iron making capacity.
- Apart from the abovementioned expansions, JSP plans to develop and ramp up its acquired coal mines, namely Gare Palma IV/6 (4mtpa), Utkal C (3.37mt), and B1 & B2 (8mtpa). As their production starts gradually, it will further drive cost synergies.

Exhibit 3: Consistent growth in the annual steel production (mt); JSP on track to achieve ~11mt production by FY26E



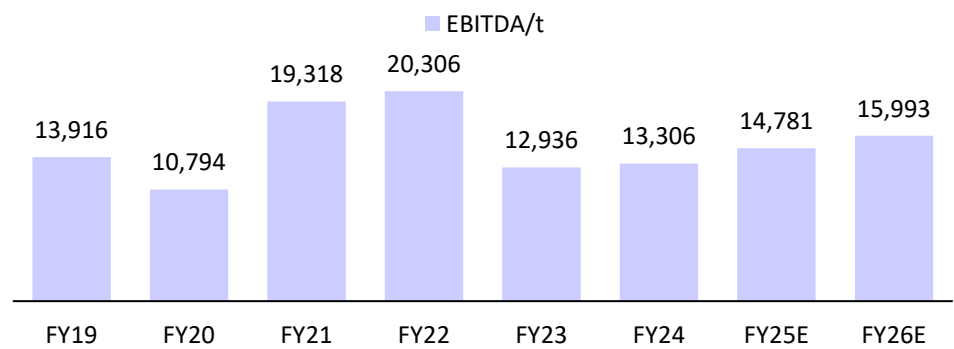
Source: MOFSL, Company

Exhibit 4: Sales (mt) and ASP (INR/t) to improve



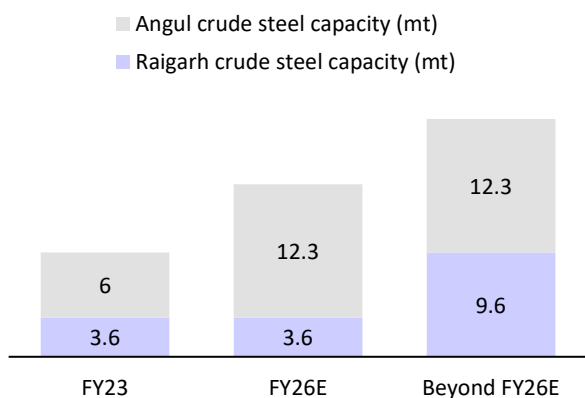
Source: MOFSL, Company

Exhibit 5: We expect consolidated EBITDA/t to pick up in FY25E



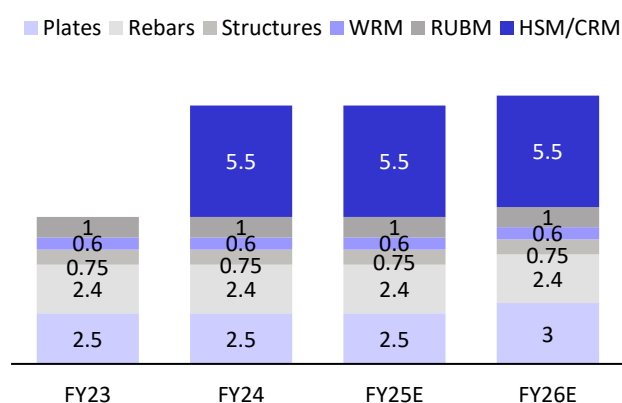
Source: MOFSL, Company

Exhibit 6: Crude steel capacity (mt)



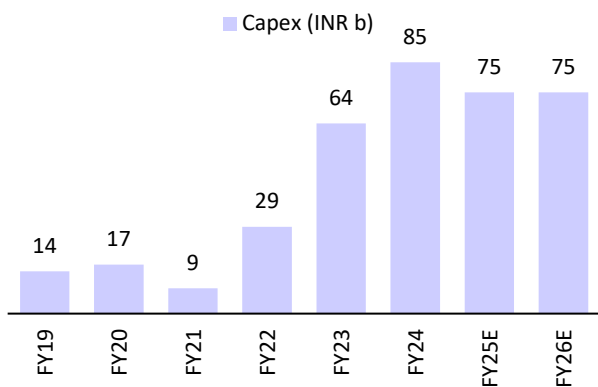
Source: MOFSL, Company

Exhibit 7: Finished steel capacity (mt)



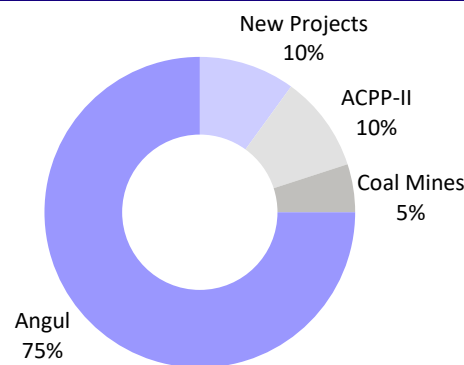
Source: MOFSL, Company

Exhibit 8: Capex (INR b)



Source: MOFSL, Company

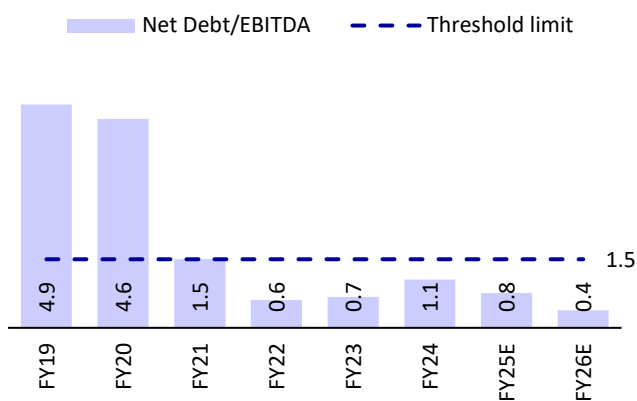
Exhibit 9: Break-up for INR310b capex



Source: MOFSL, Company

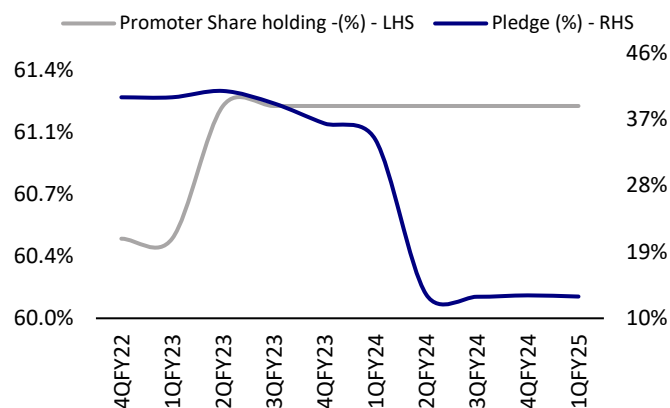
*New projects include Q&T, Rakes, Micro Palletization, etc.

Exhibit 10: ND/EBITDA remain under the threshold limit



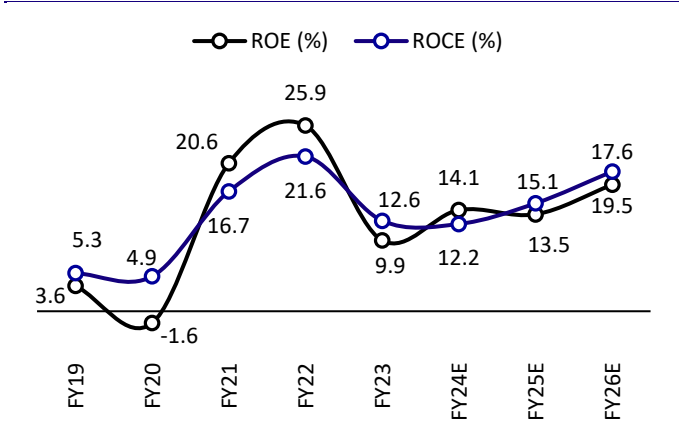
Source: MOFSL, Company

Exhibit 11: Promoter's pledge has continuously been hovering at 12-13%



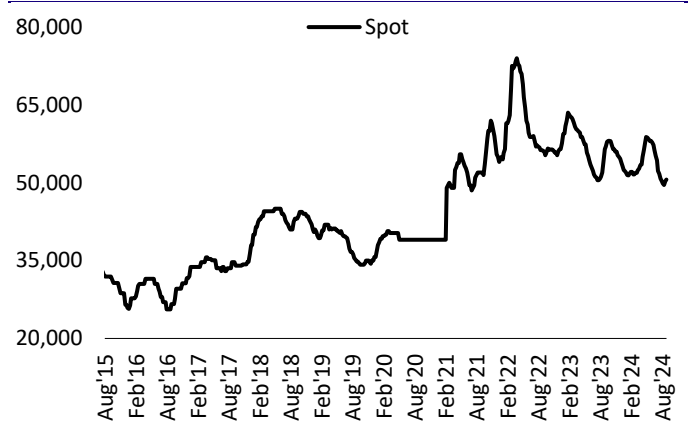
Source: MOFSL, Company

Exhibit 12: ROE (%) and ROCE (%) to improve in line with the performance



Source: MOFSL, Company

Exhibit 13: Domestic rebar prices (INR/t); weakening prices could limit the earning visibility



Source: MOFSL, Company

Exhibit 14: Valuation and TP

Y/E March	UoM	FY26E
Volume	mt	11.3
Blended EBITDA/t	INR	15,993
Consol. EBITDA	INR b	181
Target EV/EBITDA(x)	x	7.0
Target EV	INR b	1,268
Net Debt	INR b	69
Equity Value	INR b	1,199
No of Shares o/s	b	1.0
Target Price (INR/share)	INR/sh	1,200

Source: MOFSL, Company

Financials and Valuations

Consolidated Income Statement								(INR b)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	394	370	389	511	527	500	600	755
Change (%)	43	-6	5	31	3	-5	20	26
Total Expenses	310	291	241	356	428	398	467	574
EBITDA	84	79	148	155	99	102	134	181
As a Percentage of Net Sales	21	21	38	30	19	20	22	24
Deprn. and Amortization	42	42	35	21	27	28	31	35
EBIT	42	37	113	134	72	74	103	147
Net Interest	43	41	31	19	14	13	18	18
Other Income	0	0	4	1	1	2	2	2
PBT Before EO	0	-4	86	116	59	62	87	130
EO Income	-28	2	-13	-4	-14	0	0	0
PBT After EO	-28	-2	73	112	45	62	87	130
Tax	-4	2	18	29	13	3	22	33
Rate (%)	14	-63	24	26	29	5	25	25
PAT (Before MI and Sh. of Asso.)	-24	-4	55	82	32	59	65	97
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	65	97
Adjusted PAT	11	-5	66	87	37	59	65	97
Change (%)	LP	PL	LP	32	-58	62	9	50

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	499	586
Net Worth	324	321	318	356	387	443	500	587
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	720	802
Gross Block	900	951	833	681	690	766	826	901
Less: Accum. Deprn.	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	225	281
Inventory	65	64	59	73	59	71	85	107
Account Receivables	30	35	28	13	10	17	20	25
Cash and Bank Balance	4	10	72	45	57	52	54	83
Loans and Advances and Others	58	62	57	155	53	66	66	66
Curr. Liability and Prov.	106	159	113	184	120	121	131	145
Account Payables	32	56	41	53	47	47	56	71
Provisions and Others	74	104	73	132	73	75	75	75
Net Current Assets	52	12	103	101	58	84	94	136
Appl. of Funds	790	738	665	582	574	665	720	802

Financials and Valuations

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	63.6	95.7
Cash EPS	18.4	36.9	88.0	102.4	58.6	87.5	95.5	131.6
BV/Share	335.0	315.1	311.9	352.5	385.1	442.1	499.2	585.1
DPS	0.0	0.0	0.0	3.0	2.0	2.0	6.4	9.6
Payout (%)	0.0	0.0	0.0	3.5	5.5	3.4	10.0	10.0
Valuation (x)								
P/E	88.8	-191.7	15.8	11.9	28.1	17.5	16.1	10.7
Cash P/E	55.6	27.8	11.6	10.0	17.5	11.7	10.7	7.8
P/BV	3.1	3.3	3.3	2.9	2.7	2.3	2.1	1.8
EV/Sales	3.6	3.8	3.3	2.2	2.1	2.3	1.9	1.5
EV/EBITDA	16.7	17.9	8.6	7.3	11.1	11.3	8.6	6.1
Dividend Yield (%)	0.0	0.0	0.0	0.3	0.2	0.2	0.6	0.9
Return Ratios (%)								
EBITDA Margin (%)	21.3	21.2	38.0	30.4	18.8	20.4	22.3	24.0
Net Profit Margin (%)	2.8	-1.5	17.0	17.0	6.9	11.9	10.8	12.9
RoE	3.6	-1.6	20.6	25.9	9.9	14.1	13.5	17.6
RoCE (Pre-tax)	5.3	4.9	16.7	21.6	12.6	12.2	15.1	19.5
RoIC (Pre-tax)	5.7	5.1	17.7	24.6	15.1	15.3	19.0	25.0
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	5.8	8.1
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	134	181
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	-22	-33
Others	29	-11	-14	9	-6	-17	0	0
CF from Op. Activity	90	88	120	160	73	60	104	136
(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	2	2
Other Investing Activities	-12	-16	-8	-29	-64	-84	0	0
CF from Inv. Activity	-8	-15	-19	-23	-40	-83	-73	-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	29
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	64
Bank Balance	3	5	12	10	15	18	18	18
Closing Balance	4	10	72	45	57	52	54	83

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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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