

CMP	: INR 634
Reco	: BUY ↔
Target Price	: INR 697 ↓
Target Price Change	: -13%
Target 1HFY26 EV/EBITDA (x)	: 6
EBITDA Change FY24/ 25	: -10%/-11%

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Market data	
Sensex	: 63,875
Sector	: Metals
Market Cap (INR bn)	: 646.5
Market Cap (USD bn)	: 7.766
O/S Shares (mn)	: 1,020.1
52-wk HI/LO (INR)	: 723/446
Avg. Daily Vol ('000)	: 1,796
Bloomberg	: JSP IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	36.7	51.3	59.4
P/E (x)	17.3	12.4	10.7
P/BV (x)	1.5	1.3	1.1
EV/EBITDA (x)	7.6	6.1	5.3
Dividend Yield (%)	0.4	0.4	0.4

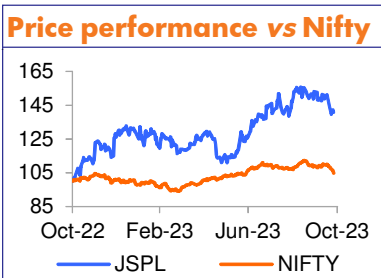
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(10)	(5)	9	38
Relative	(7)	(1)	4	32

Source: Bloomberg

Shareholding pattern	
Promoters	: 61%
Public	: 38%
Others	: 1%

Source: Bloomberg



Source: Bloomberg Indexed to 100

2QFY24 RESULT REVIEW

Jindal Steel & Power

Execution delays could subdue growth

Jindal Steel and Power's (JSPL) 2QFY24 consolidated revenue at ~INR 122.5 bn was in line with our but 2.7% below consensus estimates, contracted 9.4% YoY and 2.7% QoQ. Standalone revenue at INR 120.8 bn fell 7.8% YoY and 1.9% QoQ with lower realizations offsetting steel sales volume. Net blended steel realization (5.2% below estimate) fell 7.8% YoY and 10.2% QoQ. Standalone EBITDA at ~INR 23.1 bn, grew 25.8% YoY but declined 12.9% QoQ. EBITDA per ton rose 25.8% YoY but fell 20.2% QoQ to INR 11,503 with sequentially higher volume and USD 70 per ton reduction in coking coal costs offset by lower realizations. Consolidated EBITDA at ~INR 22.8 bn rose 18.3% YoY but fell 13% sequentially with foreign subsidiaries cumulatively reporting an EBITDA loss of INR 310 mn for the quarter. Consolidated net debt rose 7.4% QoQ to INR 73.1 bn at the end of 2QFY24 (INR 68.1 bn at the end of 1QFY24), while net debt to EBITDA stood at 0.77x level (well below the company's target of 1.5x). While external pellet sales from the newly commissioned 6 mtpa pellet plant at Angul (till blast furnace comes up) could aid top-line growth, steel volumes growth prospect stands affected with any capacity expansion project delays. Lower coal costs (captive coal mining commenced at Gare Palma IV/6; Utkal C to start in 3QFY24), slurry pipeline, improved product mix (5.5 mtpa hot strip mill expected to be commissioned in 3QFY24) will aid FY24 and FY25 margins. We maintain BUY, roll over our earnings estimate to FY26 and arrive at a revised TP of INR 697 (earlier INR 804) based on 6x 1HFY26 EV/EBITDA target multiple factoring in the higher capex guidance and plausible delayed execution of expansion projects.

Standalone EBITDA higher YoY but lower QoQ; impacted by lower realizations

Standalone steel sales volume at ~2 MT was flat YoY but rose 9.2% QoQ, resonating with the strong domestic steel demand. Export proportion in the sales mix marginally improved sequentially (13% in 2QFY24 vs. 12% in 1QFY24). Net blended steel realization fell 7.8% YoY and 10.2% QoQ. Standalone EBITDA at ~INR 23.1 bn grew 25.8% YoY but declined 12.9% QoQ, with sequentially higher volume and USD 70 per ton reduction in coking coal costs offset by lower realizations. EBITDA per ton rose 25.8% YoY but fell 20.2% QoQ to INR 11,503. Management guided that realization improvement in 3QFY24 would be partially offset by a USD 50–60 per ton rise in coking coal costs.

Volume outlook strong; capex initiative benefits to accrue FY25 onwards

Higher domestic sales (second half typically strong for steelmakers), backed by strong demand in an upcoming election year and external pellet sales from the new pellet plant at Angul aided top-line growth. Commissioning of 5.5 mtpa hot strip mill at Angul in 3QFY24 would increase finished steel capacity and improve product mix, aiding profitability. Lower coal costs (captive coal mining commenced at Gare Palma IV/6; Utkal C to start in 3QFY24), slurry pipeline (expected to reduce cost by INR 1,500 per ton of steel) will further aid FY24 and FY25 margins.

Debt level higher QoQ but leverage level comfortable

Consolidated net debt rose 7.4% QoQ to INR 73.1 bn at the end of 2QFY24 (INR 68.1 bn at the end of 1QFY24), while net debt to EBITDA stood at 0.77x level (well below the company's target of 1.5x). JSPL's sound capital allocation framework would enable it to undertake the next phase of growth without considerable debt concerns (despite a rise in the capex outlay to INR 310 bn from the earlier INR 240 bn).

Investment Summary

While external pellet sales from the newly commissioned 6 mtpa pellet plant at Angul (till blast furnace comes up) could aid top-line growth, steel volumes growth prospect stands affected with any capacity expansion project delays. We maintain BUY, roll over our earnings estimate to FY26 and arrive at a revised TP of INR 697 (earlier INR 804) based on 6x 1HFY26 EV/EBITDA target multiple factoring in the higher capex guidance and plausible delayed execution of expansion projects.

JSPL, Quarterly performance (INR mn)

Consolidated performance	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY24TD	FY23TD	YoY (%)
Sales	1,22,502	1,35,214	(9.4)	1,25,883	(2.7)	2,48,385	2,65,668	-6.5
Stock adjustment	9,390	14,552	(35.5)	(5,503)	(270.6)	3,888	(3,213)	(221.0)
Cost of Material Consumed	47,721	51,783	(7.8)	58,543	(18.5)	1,06,264	1,21,342	(12.4)
% of sales	39.0	38.3	66 bps	46.5	-755 bps	42.8	45.7	-289 bps
Employee cost	3,096	2,837	9.1	2,919	6.1	6,015	5,452	10.3
% of sales	2.5	2.1	43 bps	2.3	21 bps	2.4	2.1	37 bps
Other expenses	39,437	46,729	(15.6)	43,645	(9.6)	83,082	88,386	(6.0)
% of sales	32.2	34.6	-237 bps	34.7	-248 bps	33.4	33.3	18 bps
Total Exp	99,645	1,15,900	(14.0)	99,603	0.0	1,99,248	2,11,967	(6.0)
EBITDA	22,857	19,314	18.3	26,280	(13.0)	49,137	53,701	(8.5)
Margin %	18.7	14.3	437 bps	20.9	-222 bps	19.8	20.2	-43 bps
Other income	319	5	6,541.7	553	(42.3)	872	242	259.6
Depreciation	6,037	6,143	(1.7)	5,875	2.8	11,912	12,104	(1.6)
Interest expenses	3,294	3,648	(9.7)	3,291	0.1	6,585	7,286	(9.6)
Profit Before Tax	13,845	9,528	45.3	17,667	(21.6)	31,512	34,553	(8.8)
Exceptional item	-	(8,985)	n.a.	-	-	-	(8,376)	(100.0)
PBT after exceptional	13,845	543	2,450.2	17,667	(21.6)	31,512	26,177	20.4
Tax	(58)	(1,650)	n.a.	748	(107.8)	689	4,084	(83.1)
Tax Rate %	-0.4	-303.9	n.a.	4.2	-465 bps	2.2	15.6	-1341 bps
Share of Profit from associates	(2.5)	(0.2)	n.a.	(1.7)	47.1	(4.2)	(0.6)	600.0
Minority Interest	23	196	(88.3)	49	(53.1)	71	394	(81.9)
Reported Net Profit	13,878	1,997	594.9	16,869	(17.7)	30,748	21,698	41.7
Adjusted Net Profit	13,878	11,178	24.2	16,869	(17.7)	30,748	30,879	(0.4)
EPS (INR)	13.8	11.1	24.2	16.8	(17.7)	30.6	30.4	0.5

Source: Company, Antique

Standalone performance

	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY24TD	FY23TD	YoY (%)
Sales	1,20,818	1,31,071	(7.8)	1,23,106	(1.9)	2,43,924	2,59,556	-6.0
Stock adjustment	8,837	15,171	-41.8	(5,176)	-270.7	3,661	(2,231)	(264.1)
Cost of Material Consumed	50,291	52,276	-3.8	60,676	-17.1	1,10,967	1,21,291	(8.5)
% of sales	41.6	39.9	174 bps	49.3	-766 bps	45.5	46.7	-124 bps
Employee cost	2,271	2,228	1.9	2,106	7.8	4,376	4,254	2.9
% of sales	1.9	1.7	18 bps	1.7	17 bps	1.8	1.6	16 bps
Other expenses	36,299	43,018	(15.6)	38,967	(6.8)	75,265	84,757	(11.2)
% of sales	30.0	32.8	-278 bps	31.7	-161 bps	30.9	32.7	-180 bps
Total Exp	97,697	1,12,694	(13.3)	96,572	1.2	1,94,269	2,08,071	(6.6)
EBITDA	23,121	18,377	25.8	26,533	(12.9)	49,654	51,485	(3.6)
Margin %	19.1	14.0	512 bps	21.6	-242 bps	20.4	19.8	52 bps
Other income	259	81	220.8	140	85.1	399	289	38.1
Depreciation	5,545	5,445	1.9	5,399	2.7	10,944	10,840	1.0
Interest expenses	2,579	3,198	(19.4)	2,579	0.0	5,158	5,777	(10.7)
Profit Before Tax	15,256	9,816	55.4	18,696	(18.4)	33,952	35,158	(3.4)
Exceptional item	-	(16,639)	n.a.	-	0.0	-	41,408	(100.0)
PBT after exceptional	15,256	(6,824) loss to profit		18,696	(18.4)	33,952	76,565	(55.7)
Tax	4,170	(2,092)	n.a.	4,701	(11.3)	8,871	15,066	(41.1)
Tax Rate %	27.3	30.7	-332 bps	25.1	219 bps	26.1	19.7	645 bps
Reported Net Profit	11,086	(4,732) loss to profit		13,995	(20.8)	25,081	61,499	(59.2)
Adjusted Net Profit	11,086	9,348	18.6	13,995	(20.8)	25,081	30,066	(16.6)

Source: Company, Antique

Key Operating metrics - Standalone

	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	FY24TD	FY23TD	YoY (%)
Production volume (tons)	19,00,000	18,20,000	4.4	20,40,000	(6.9)	39,40,000	38,10,000	3.4
Sales volume (tons)	20,10,000	20,10,000	-	18,40,000	9.2	38,50,000	37,50,000	2.7
Average steel realization (INR per ton)	60,108	65,209	(7.8)	66,905	(10.2)	63,357	69,215	(8.5)
Average steel EBITDA (INR per ton)	11,503	9,143	25.8	14,420	(20.2)	12,897	13,729	(6.1)

Source: Company, Antique

Consolidated Balance Sheet

(INR mn)	1HFY24	FY23
Share Capital	1,005	1,005
Reserves & Surplus	4,14,009	3,86,061
Networth	4,15,014	3,87,066
Debt	1,34,674	1,30,463
Minority Interest	3,222	3,125
Net deferred Tax liabilities	59,537	59,366
Capital Employed	6,12,446	5,80,020
Gross Fixed Assets	4,29,395	4,35,040
Accumulated Depreciation	0	0
Capital work in progress	1,12,497	78,696
Net Fixed Assets	5,41,892	5,13,736
Goodwill	554	554
Investments	19,244	9,074
Non Current Investments	1,421	1,425
Current Investments	17,823	7,649
Current Assets, Loans & Advances	1,60,431	1,70,908
Inventory	53,104	58,868
Debtors	7,093	9,745
Cash & Bank balance	37,736	47,168
Loans & advances and others	62,498	55,127
Current Liabilities & Provisions	1,09,675	1,14,252
Liabilities	1,04,293	1,09,784
Provisions	5,381	4,468
Net Current Assets	50,756	56,656
Application of Funds	6,12,446	5,80,020

Source: Company, Antique

Revision in estimates

JSPL (standalone)	Previous estimates		Current estimates		FY26e
	FY24e	FY25e	FY24e	FY25e	
Steel Volume (tons)	85,95,900	94,35,920	80,40,550	89,28,353	97,42,480
Blended realization/t (INR)	64,701	62,241	65,493	62,950	59,755
Revenue (INR mn)	5,56,163	5,87,301	5,26,602	5,62,044	5,82,158
EBITDA (INR mn)	1,11,363	1,36,888	99,916	1,21,556	1,35,241
EBITDA/t (INR)	12,955	14,507	12,427	13,615	13,882

Source: Company, Antique

SoTP valuation

	1HFY26e (INR mn)	Multiple	Valuation (INR mn)
Steel EBITDA	1,25,377	6.0	7,56,025
Less: Consolidated net debt			67,368
Add: Standalone CWIP@0.4x			16,000
Target market capitalization			7,04,657
No of equity shares (mn)			1,011
Target price (INR per share)			697

Source: Antique

Financials

Profit and loss account (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Net revenues	5,10,856	5,27,112	5,36,029	5,74,213	5,97,426
Total Expense	3,55,721	4,27,763	4,39,984	4,55,984	4,64,901
EBITDA	1,55,134	99,349	96,045	1,18,229	1,32,525
Depreciation & amortization	20,968	26,910	29,393	32,625	36,275
EBIT	1,34,167	72,439	66,652	85,605	96,250
Other income	504	571	927	927	1,037
Financial expense	18,877	14,459	13,871	12,947	12,644
Exceptional items loss(gain)	4,062	13,695	-	-	-
PBT	1,11,731	44,856	53,709	73,585	84,644
Provision for Tax	29,245	12,923	16,326	21,296	24,037
PAT	82,485	31,934	37,383	52,289	60,607
Share in profit from JV	(2)	(2)	-	-	-
Minority Interest	67	(421)	-	-	-
Attributable PAT	82,416	32,353	37,383	52,289	60,607
Adj. PAT after min. and asso.	86,478	46,048	37,383	52,289	60,607
Basic EPS (INR)	85.6	45.8	37.2	52.0	60.3
Diluted EPS (INR)	84.8	45.1	36.7	51.3	59.4

Balance sheet (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Equity share capital	1,011	1,005	1,005	1,005	1,005
Reserves & surplus	3,55,236	3,86,061	4,32,337	4,93,036	5,61,870
Shareholder's funds	3,56,247	3,87,066	4,33,342	4,94,041	5,62,875
Minority interest	14,705	3,125	3,125	3,125	3,125
Debt	1,38,103	1,30,463	1,24,766	1,15,811	1,12,877
Deferred tax liability/(asset)	72,762	59,366	59,366	59,366	59,366
Capital employed	5,81,817	5,80,020	6,20,599	6,72,343	7,38,244
Gross fixed assets	6,73,403	6,82,067	7,38,254	8,13,254	8,98,254
less: Accumulated depreciation	2,23,006	2,47,199	2,70,988	2,97,618	3,27,470
Net fixed assets	4,50,397	4,34,867	4,67,266	5,15,635	5,70,784
Capital work in progress	25,384	78,696	97,509	97,509	97,509
Goodwill on Consolidation	4,480	554	554	554	554
Investments	1,378	1,425	1,425	1,425	1,425
Inventory	72,814	58,868	58,904	59,309	58,856
Debtors	12,641	9,745	11,424	12,298	12,794
Cash & cash equivalent	40,006	54,817	41,976	41,976	51,976
Loans & advances and others	1,908	2,627	5,368	10,792	13,051
Other current assets	1,57,427	52,673	52,673	52,673	52,673
Current assets, loans & adv.	2,84,796	1,78,730	1,70,346	1,77,049	1,89,351
Creditors	1,79,511	1,09,784	1,14,548	1,17,876	1,19,426
Other liabilities & provisions	5,107	4,468	2,281	2,281	2,281
Current liabilities & prov.	1,84,618	1,14,252	1,16,830	1,20,158	1,21,708
Net current assets	1,00,178	64,478	53,845	57,220	67,972
Application of funds	5,81,817	5,80,020	6,20,599	6,72,343	7,38,244

Per share data

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Outstanding shares (mn)	1,011	1,005	1,005	1,005	1,005
BVPS (INR)	352	385	431	492	560
CEPS (INR)	21	27	29	32	36
DPS (INR)	3.0	2.0	2.5	2.5	2.5

Source: Company, Antique

Cash flow statement (INR mn)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
PBT	1,11,731	44,856	53,709	73,585	84,644
(Inc)/Dec in working capital	(20,252)	50,511	(2,208)	(3,375)	(752)
Tax paid	(29,245)	(12,923)	(16,326)	(21,296)	(24,037)
CF from operating activities	1,02,078	1,23,813	78,439	94,486	1,08,773
Capital expenditure	1,38,598	(61,975)	(75,000)	(75,000)	(85,000)
Net Investments	(65)	-	-	-	-
Income from investments	504	571	927	927	1,037
CF from investing activities	1,39,037	(61,405)	(74,073)	(74,073)	(83,963)
Inc/(Dec) in equity share capital	(9)	(6)	-	0	-
Inc/(Dec) in debt	(1,63,742)	(7,640)	(5,697)	(8,954)	(2,934)
Others	(87,083)	(22,083)	2,365	(683)	(1,101)
Dividends & Interest paid	(21,909)	(17,868)	(13,875)	(10,776)	(10,776)
CF from financing activities	(2,72,744)	(47,597)	(17,208)	(20,413)	(14,811)
Net cash flow	(31,629)	14,811	(12,841)	-	10,000
Opening balance	71,635	40,006	54,817	41,976	41,976
Closing balance	40,006	54,817	41,976	41,976	51,976

Growth indicators (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Revenue	31.0	3.2	1.7	7.1	4.0
EBITDA	7.4	(36.0)	(3.3)	23.1	12.1
PAT	34.8	(46.8)	(18.8)	39.9	15.9
EPS	34.8	(46.8)	(18.8)	39.9	15.9

Valuation (x)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	7.5	14.0	17.3	12.4	10.7
P/BV (x)	1.8	1.6	1.5	1.3	1.1
EV/EBITDA (x)	4.8	7.3	7.6	6.1	5.3
EV/Sales (x)	1.5	1.4	1.4	1.3	1.2
Dividend Yield (%)	0.5	0.3	0.4	0.4	0.4

Financial ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	24.3	11.9	8.6	10.6	10.8
RoCE (%)	23.1	12.5	10.7	12.7	13.0
Net Debt/Equity (x)	0.3	0.2	0.2	0.1	0.1
EBIT/Interest (x)	7.1	5.0	4.8	6.6	7.6

Margins (%)

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Gross margin	32.1	21.0	100.0	100.0	100.0
EBITDA	30.4	18.8	17.9	20.6	22.2
EBIT	26.3	13.7	12.4	14.9	16.1
PAT	16.9	8.7	7.0	9.1	10.1

Turnover ratios

Year-ended 31 Mar	FY22	FY23	FY24e	FY25e	FY26e
Asset turnover (x)	1.1	1.2	1.1	1.1	1.0
Debtors (days)	9	7	8	8	8
Inventory (days)	75	50	49	47	46
Creditor (days)	184	94	95	94	94

Source: Company Antique

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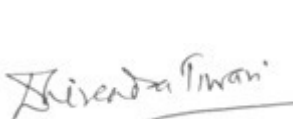
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