03 May 2025

Jindal Steel and Power

Angul expansion on track; retaining a Buy

Rating: **Buy**
Target Price (12-mth): Rs.1,030
Share Price: Rs.885

Jindal Steel and Power resumed guidance with production volume of 9m-10m tonnes and sales of 8.5m-9m tonnes. Incremental production would be supported by existing (~0.2m-0.3m tonnes) and newer capacities (0.7m-1.6m tonnes). Angul expansion is on track, with gas stoves lighted in Q4 and hot metal tapping expected in Q1 FY26. 82% of the 200km, 18m-tonne slurry pipeline project is completed; BoF-II to be commissioned by Q2 FY26. The company achieved its highest ever VAP sales (~66%) in FY25. Domestic steel prices have improved ~4-5% q/q and coal cost (on consumption basis) is likely to reduce by $10-15 per tonne in Q1 FY26. Though management has been conservative in its FY26 sales volume guidance of 8.5m-9m tonnes, it is slightly lagging our original estimate; thus, in line with guidance, we trim our FY26e revenue/EBITDA by 5%/7%. However, as capex is on stream, it gives us comfort for FY27e. We raise our FY27e revenue/EBITDA by 1.2%/1.9%. The company's long-term growth prospects remain positive, with capex progressing per timeline, net debt reducing, the working capital cycle improving, etc. We retain our Buy rating, with a revised TP of Rs1,030 (Rs990/share earlier), 6x FY27e EV/EBITDA.

In-line operating performance. Sales volume rose 12% q/q to 2.1m tonnes and revenue, 12% q/q to Rs132bn (11% above ARe). ASP of Rs61,893/tonne was flat q/q. EBITDA at Rs23bn grew 4% q/q, in line with ARe, and APAT came at Rs8.9bn, down 6% q/q, an 11% miss with respect to our estimated Rs10bn.

Capex to drive growth. Capex is progressing per timeline, incl. the coal pipe conveyor, BoF-III, captive coal blocks, etc. The first hot metal tapping is expected in Q1 FY26; BoF-II to be commissioned by Q2. For one quarter, the surplus from the blast furnace – 2 will be feed for the existing facility. We expect ~10.9m tonnes of sales volume in FY27 (at ~17% volume CAGR over FY25-27).

Outlook, Valuation. The company surpassed 2m tonnes of quarterly sales volume after three quarters; we expect the quarterly volume momentum of over 2m tonnes to continue ahead. During Q4, the company also received mine opening permission for Utkal B1 and won the Saradhapur Jalatap East coal block. Utkal B1 has R&R of 148m tonnes, with annual EC of 5.5m tonnes and one of the lowest bid premiums of 15.25%. On robust domestic demand, reduction in net debt-to-EBITDA, capex progressing per timeline and a better working capital cycle, we retain our Buy rating with a revised TP of Rs1,030, 6x FY27e EV/EBITDA.

Key financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Revenue (Rs bn)	527	500	498	579	703
EBITDA (Rs bn)	99	102	95	119	172
EBITDA/t (Rs/tonne)	12,936	13,300	11,912	13,223	15,755
Net profit (Rs bn)	45	59	40	57	95
PE (x)	19.7	14.9	22.2	15.7	9.4
EV/EBITDA (x)	9.7	9.9	10.8	8.8	5.9
Debt/equity (x)	0.3	0.4	0.4	0.4	0.3

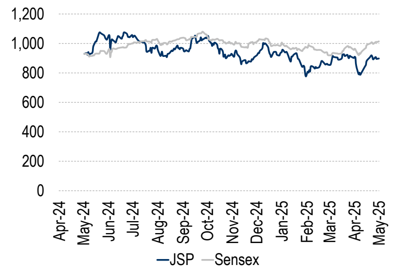
Source: Company, Anand Rathi Research

Key data	JSP IN / JNSP BO
52-week high / low	Rs1097 / 723
Sensex / Nifty	80502 / 24347
3-m average volume	$27.4m
Market cap	Rs.916bn / $10831.9m
Shares outstanding	1020m

Shareholding pattern (%)	Mar'25	Dec'24	Sep'24
Promoters	62.2	61.2	61.2
- of which, Pledged	11.4	12.8	13.1
Free float	37.8	38.8	38.8
- Foreign institutions	9.6	10.9	12.2
- Domestic institutions	17.7	17.3	16.0
- Public	10.5	10.6	10.6

Estimates revision (%)	FY26e	FY27e
Sales	-5.0	1.2
EBITDA	-7.0	1.9
APAT	-11.1	4.3

Relative price performance



Source: Bloomberg

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Research Analyst

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Research Analyst

Quick Glance – Financials and Valuations (consol.)

Fig 1 – Income statement (Rs bn)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Sales Volume (m tonnes)	7.7	7.7	8.0	9.0	10.9
Net revenues	527	500	498	579	703
Growth (%)	3.2	-5.1	-0.5	16.4	21.3
Total Expenses	428	398	403	460	531
EBITDA	**99**	**102**	**95**	**119**	**172**
EBITDA/t (Rs/t)	**12,936**	**13,300**	**11,912**	**13,223**	**15,755**
EBITDA margins (%)	18.8	20.4	19.1	20.5	24.4
Depreciation	27	28	28	30	32
Other income	1	2	2	2	2
Interest Exp	14	13	13	15	14
PBT before exceptional item	59	62	56	76	127
PBT after exceptional item	45	62	44	76	127
Effective tax	13	3	15	19	32
PAT (before Asso. /(Min.))	32	59	29	57	95
+ Associates/(Minorities)	0	0	0	0	0
Reported PAT	32	59	28	57	95
APAT	45	59	40	57	95
APAT growth (%)	-47.8	31.4	-31.9	40.8	66.7

Fig 2 – Balance sheet (Rs bn)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	1	1	1	1	1
Net worth	387	443	472	525	614
Total debt	130	165	184	184	164
Minority interest	3	4	2	2	2
DTL / (Assets)	59	59	59	59	59
Others	12	14	15	15	15
Capital employed	**592**	**686**	**732**	**785**	**854**
Net tangible assets	408	458	474	525	564
Net Intangible assets	34	33	27	26	24
Goodwill	1	1	1	1	1
CWIP (tang + intang)	71	89	155	171	183
Investments	1	1	5	5	5
Other non current assets	24	28	21	21	21
Current Assets	155	177	175	172	207
Cash	43	33	26	3	10
Bank Balance	12	14	33	33	33
Current Liabilities	102	102	127	136	150
Capital deployed	**592**	**686**	**732**	**785**	**854**

Fig 3 – Cash-flow statement (Rs bn)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
EBITDA	99	102	95	119	172
+ other Adj.	(5)	1	(3)	-	-
OPER.	95	103	92	119	172
- Incr./(decr.) in WC	5	(37)	31	(10)	(15)
Others incuding taxes	(27)	(7)	(15)	(19)	(32)
CF from Op. Activity	**73**	**60**	**108**	**90**	**125**
- Capex (tang + Intang)	(64)	(84)	(105)	(96)	(81)
Free cash-flow	9	(24)	3	(6)	44
Others	24	1	(18)	2	2
CF from Inv. Activity	**(40)**	**(83)**	**(123)**	**(94)**	**(80)**
- Div. (incl. buyback & taxes)	(2)	(2)	(2)	(4)	(5)
+ Debt raised	(5)	18	33	-	(20)
Others	(18)	(2)	(23)	(15)	(14)
CF from Fin. Activity	**(25)**	**14**	**8**	**(19)**	**(39)**
Closing cash balance	43	33	26	3	10

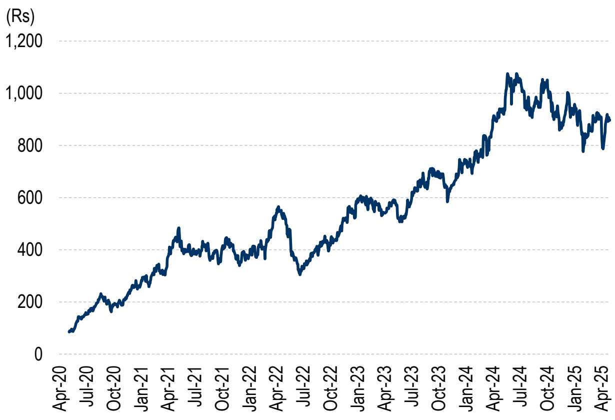
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	19.7	14.9	22.2	15.7	9.4
EV/EBITDA (x)	9.7	9.9	10.8	8.8	5.9
EV/sales (x)	1.8	2.0	2.1	1.8	1.4
P/B (x)	2.3	2.0	1.9	1.7	1.5
RoE (%)	8.5	14.3	6.1	11.4	16.7
RoCE (%)	11.7	11.8	9.7	12.0	17.2
DPS (Rs)	2.0	2.0	2.0	4.0	5.0
Dividend payout	4.4	3.4	5.0	7.1	5.3
Debt/Equity (x)	0.3	0.4	0.4	0.4	0.3
WC Days	15	30	9	9	9
Volumes (m tons)	7.7	7.7	8.0	9.0	10.9
NSR/ton (Rs/tonne)	68,634	65,224	62,440	64,375	64,500
EBITDA/ton (Rs/tonne)	12,936	13,300	11,912	13,223	15,755
EBITDA Margins (%)	18.8	20.4	19.1	20.5	24.4
Net Profit Margins (%)	8.6	11.9	8.1	9.8	13.5

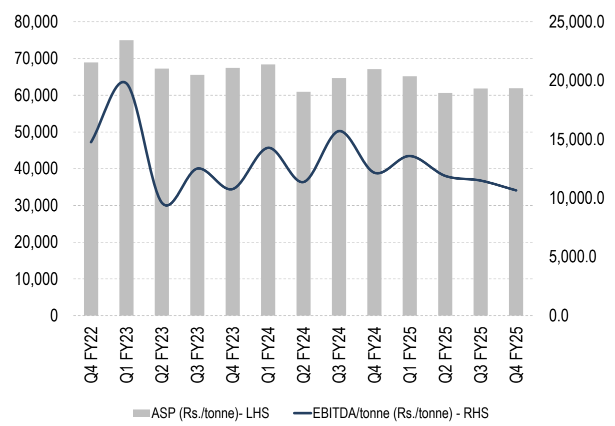
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Quarterly per-tonne ASP and EBITDA trends



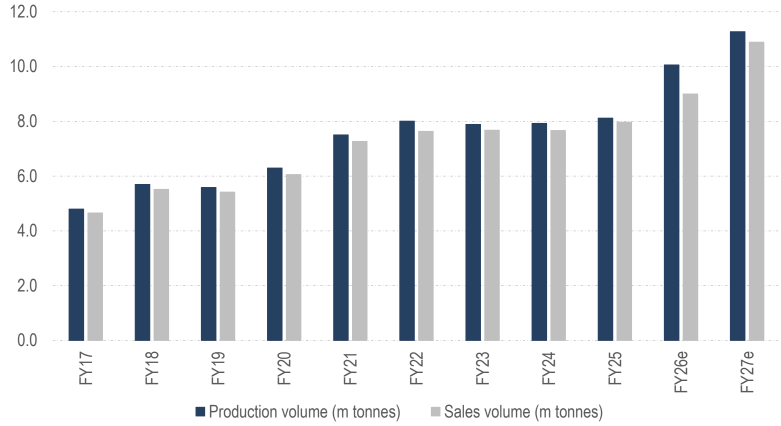
Source: Company, Anand Rathi Research

Other key highlights

Production volume to exceed 11m tonnes by FY27

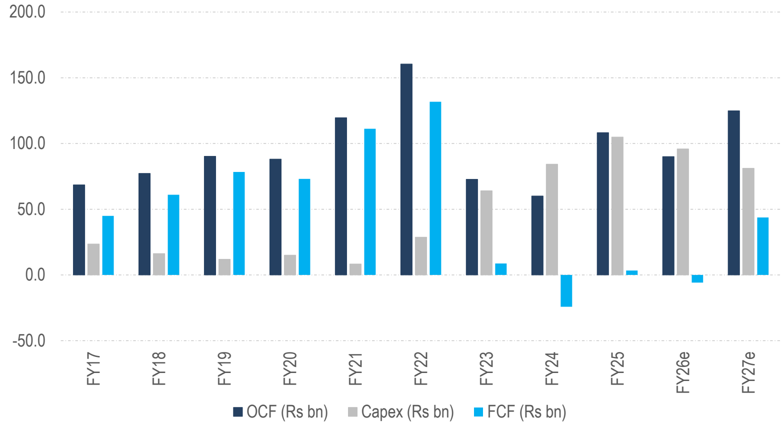
After a gap of around three years (last guidance given in Q4 FY22), the company resumed its yearly guidance: 9m-10m tonnes of production volume and 8.5m-9m tonnes of sales volume. The incremental production volume would be supported by 0.2m-0.3m tonnes from existing operations and 0.7m-1.6m tonnes from new expansion at Angul. Though management's volume guidance is conservative, it is lower than our original estimate; hence, we revised our FY26e from 9.7m tonnes to 9m tonnes of sales volume. However, we believe after extending the timelines and capex program in Q3 FY25, the company is now on track to commission various facilities per its revised timelines. With the first tapping of hot metal expected in Q1 FY26 and BoF-II commissioning likely in Q2 FY26, we retain our FY27e production/sales volumes at 11.3m/10.9m tonnes, respectively.

Fig 7 – Production and sales volume (m tonnes)



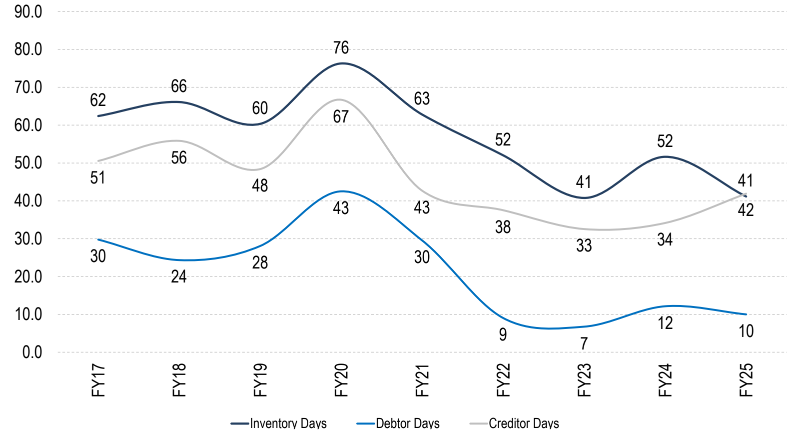
Source: Company, Anand Rathi Research

Fig 8 – OCF improved ~80% y/y in FY25 to Rs108.2bn; FY26/27 expected capex at ~Rs96bn/81bn



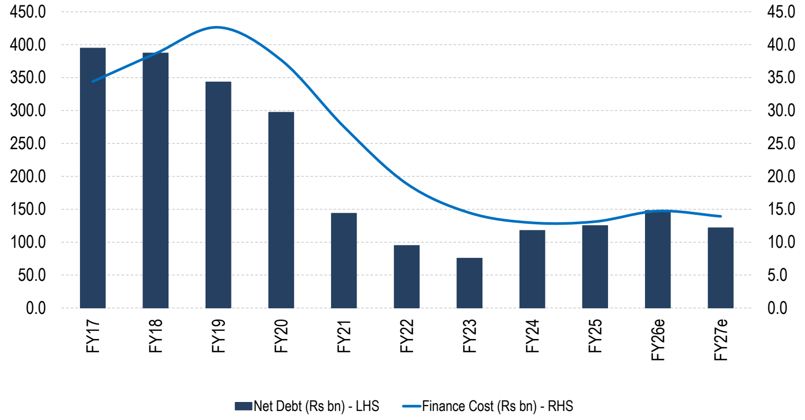
Source: Company, Anand Rathi Research

Fig 9 – Net working capital release of Rs32bn in FY25



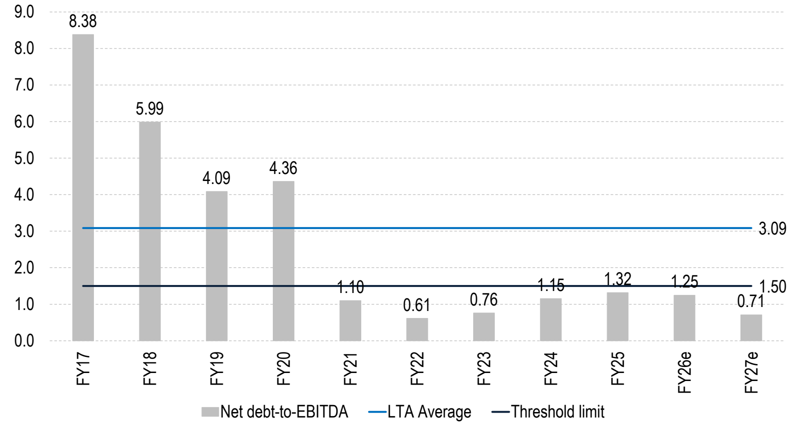
Source: Company, Anand Rathi Research

Fig 10 – Finance cost increased ~Rs178m despite net debt increasing ~Rs7.4bn



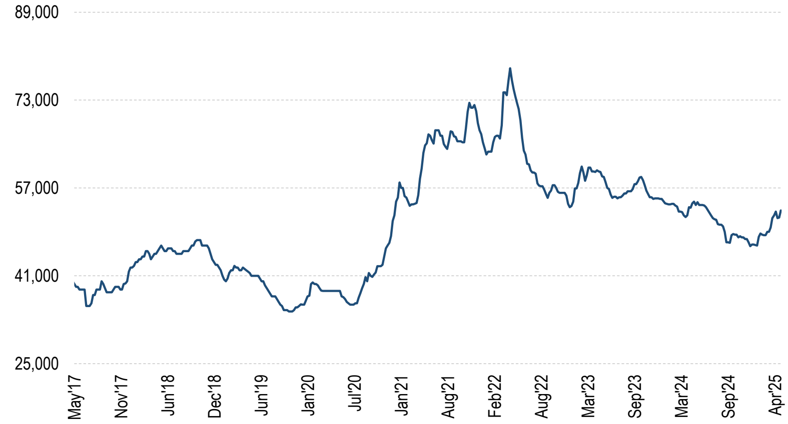
Source: Company, Anand Rathi Research

Fig 11 – ND/EBITDA to remain below the threshold limit of 1.5x



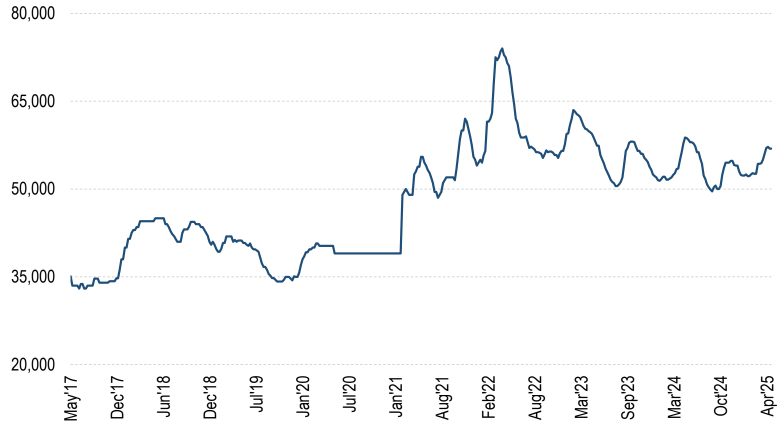
Source: Company, Anand Rathi Research

Fig 12 – Domestic HRC prices improved >8% over Q4 FY25 average



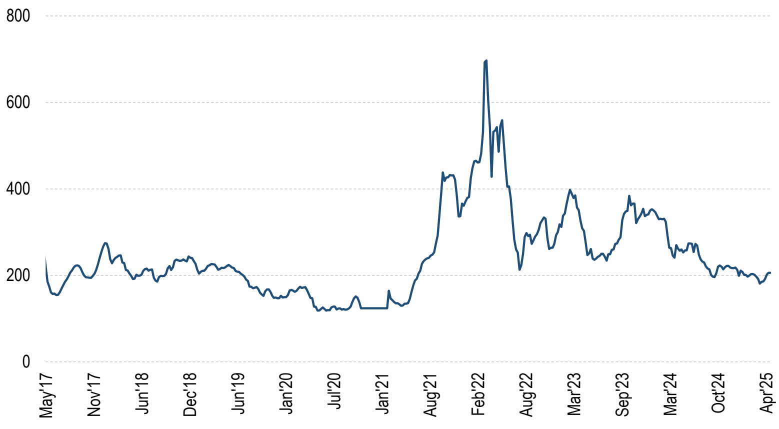
Source: BigMint, Anand Rathi Research

Fig 13 – Domestic rebar price at Rs56,900/tonne is still at a premium of Rs4,000/tonne to HRC prices



Source: BigMint, Anand Rathi Research

Fig 14 – Coking coal continues to remain at $195-205/tonne



Source: BigMint, Anand Rathi Research

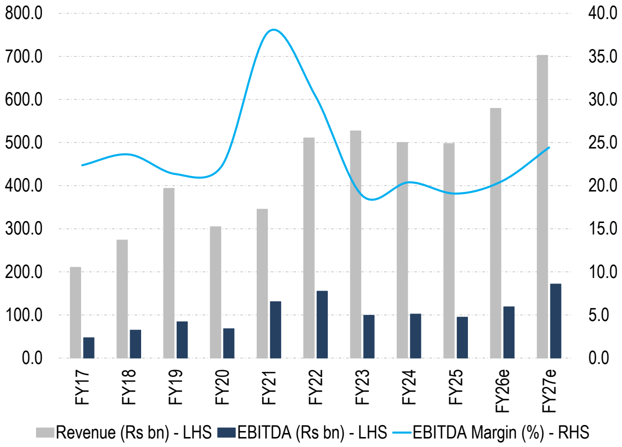
We estimate 18.8%/34.4% revenue/EBITDA CAGRs over FY25-27

Over last few years, the company has acquired key coal assets in India: Utkal B1 and B2, Gare Palma IV/6 and Utkal C, having a total combined EC of 15.37m tonnes. It has already started production at Gare Palma IV/6 and Utkal C and mined ~7.5m tonnes of coal in FY25, thereby almost fully utilizing the existing EC. The company has also received mine permission for Utkal B1 and the mine is expected to be operational by mid-FY26. Utkal

B1, which was acquired at a bid premium of 15.25%, has total R&R of 148m tonnes with EC of 5.5m tonnes. The company has also recently won the Saradhapur Jalatap East coal block in the 11th round of e-auction, with revenue sharing of 10%. This block is ~11km from Angul facility and is a partially explored block.

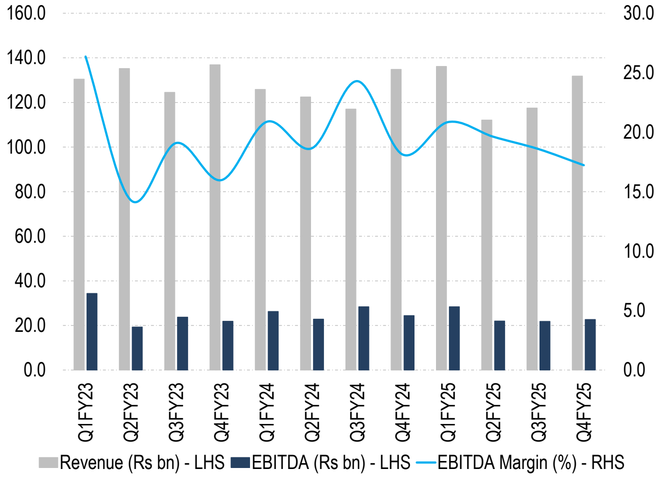
Further, the company has indicated that current steel prices are 4-5% better than Q4 average and guided for $10-15 per tonne reduction in coal cost. The improvement in ferrous prices and reduction in cost are expected to positively impact Q1 FY26 earnings.

Fig 15 – Revenue and EBITDA (Rs bn); revenue expected to cross Rs700bn by FY27



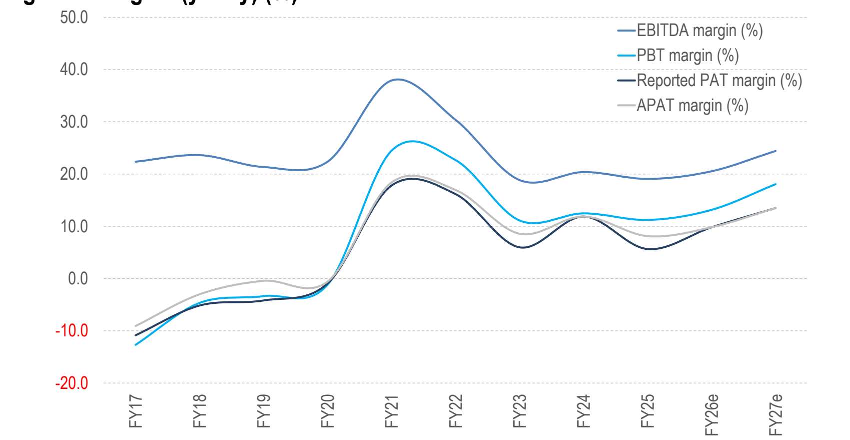
Source: Company, Anand Rathi Research

Fig 16 – Quarterly revenue and EBITDA (Rs bn)



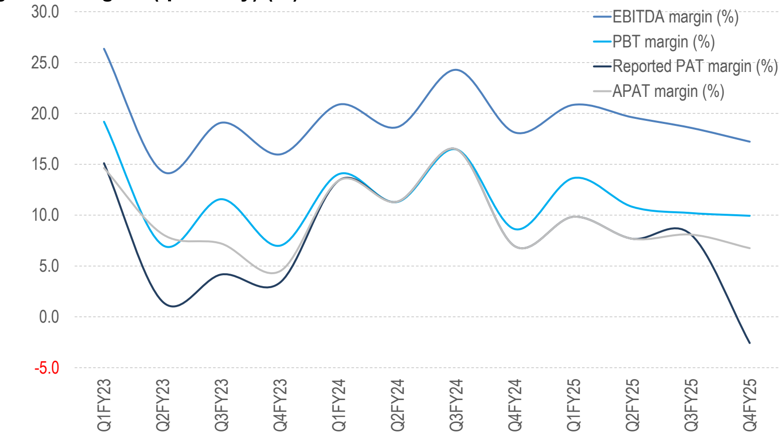
Source: Company, Anand Rathi Research

Fig 17 – Margins (yearly) (%)



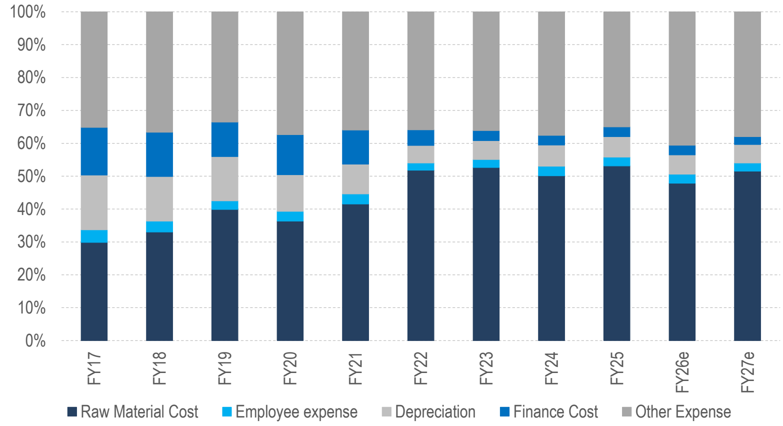
Source: Company, Anand Rathi Research

Fig 18 – Margins (quarterly) (%)



Source: Company, Anand Rathi Research

Fig 19 – Yearly cost break-up (%)



Source: Company, Anand Rathi Research

Result Highlights

Fig 20 – Quarterly trend-consolidated

(Rs m)	Q1 FY24	Q2 FY23	Q3 FY24	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q4 FY25e	% Est	% 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	1,18,491	11.3	-2.3	12.2
EBITDA	26,280	22,857	28,426	24,445	28,393	22,003	21,839	22,708	23,121	-1.8	-7.1	4.0
EBITDA margins (%)	20.9	18.7	24.3	18.1	20.9	19.6	18.6	17.2	19.5			
Interest	3,291	3,294	3,151	3,206	3,318	3,259	3,128	3,416	3,235			
Depreciation	5,875	6,037	6,357	9,949	6,829	6,960	6,981	6,906	6,952			
Other income	553	319	351	344	345	348	264	718	450			
PBT before Exceptional item	17,667	13,845	19,268	11,633	18,591	12,133	11,993	13,104	13,384			
Exceptional items	0	0	0	0	0	0	0	-12,295	0			
PBT after Exceptional item	17,667	13,845	19,268	11,633	18,591	12,133	11,993	810	13,384			
Tax	748	-58	-10	2,301	5,211	3,528	2,485	3,754	3,305			
PAT before MI/Asso.	16,920	13,903	19,279	9,333	13,379	8,605	9,508	-2,944	10,079			
+Assoc/(Minorities)	47	20	-2	-17	-22	-4	5	267	33			
Reported PAT	16,869	13,878	19,283	9,354	13,402	8,609	9,505	-3,394	10,046			
Adj. PAT	16,869	13,878	19,283	9,354	13,402	8,609	9,505	8,900	10,046	-11.4	-4.8	-6.4
Production (m tonnes)	2.04	1.90	1.94	2.05	2.05	1.97	1.99	2.11	2.01	4.9	2.9	6.0
Sales (m tonnes)	1.84	2.01	1.81	2.01	2.09	1.85	1.90	2.13	1.91	11.3	6.0	12.1
Realisations (Rs/tonne)	68,415	60,946	64,648	67,099	65,157	60,612	61,846	61,893	61,937	-0.1	-7.8	0.1
EBITDA per tonne (Rs)	14,283	11,372	15,705	12,162	13,585	11,893	11,494	10,661	12,086	-11.8	-12.3	-7.2

Source: Company, Anand Rathi Research

Concall Highlights

- **Q1 FY26 guidance.** Volumes are expected to improve; domestically, steel prices improved ~4-5% than Q4 FY25 average and consumption cost for coking coal in Q1 FY26 is expected to be $10-15/tonne lower.
- **FY26 guidance.** The company has guided for production volume of 9m-10m tonnes and sales of 8.5m-9m tonnes. The incremental production volume will be supported by 0.2m-0.3m tonnes of existing capacities and the rest from new expansion at Angul.
- **Allied Strips.** In Apr'25, the company acquired Allied Strips in an all-cash deal for ~Rs2.2bn. It has 0.54m tonnes of HRPO capacity, along with 0.3m tonnes of CRFH and CRCA. This acquisition will ensure captive consumption of HR coil from Angul and further improve the VAP portfolio.
- **Impairment.** During the quarter, the company reviewed its overseas assets, writing off Rs12.3bn (impairment recognised against Australian mining assets Rs10.9bn, Madagascar mining asset Rs0.3bn and expected credit loss allowance for certain loans and advances pertaining to Mauritius subsidiary Rs1.1bn). However, based on an independent valuation study by Big Four, as the carried value is lower than realizable value, the company does not expect any further impairment.
- **Rs2.3bn one-off expenses in Q4.** There were one-off expenses pertaining to old GST input credits, which have not been realized, provision for dated operational advances, previous years' inventory clean-ups, previous period carbon credit purchased for Australia operations, balance related to deallocated mines and insurance receivable from the past but not yet realized. Adjusted for one-off expenses and forex, adjusted EBITDA/tonne stood at Rs11,651.
- **Capacity utilization** improved to 85% in FY25 (83% in FY24); it was ~88% in Q4 FY25.
- **Domestic mining assets.** The company has already started production at Gare Palma IV/6 and Utkal C and mined ~7.5m tonnes of coal in FY25, thereby almost fully utilizing the existing EC. It has also received mine permission for Utkal B1 and the mine is expected to be operational by mid-FY26. Utkal B1, which was acquired at a bid premium of 15.25%, has total R&R of 148m tonnes with EC of 5.5m tonnes. The company also recently won the Saradhapur Jalatap East coal block in the 11th round of e-auction, with revenue sharing of 10%. This block is a partially explored block.
- **Capex.** Angul expansion is progressing per timeline. The blast furnace – 2 gas stove was lighted in Q4, and first tapping is expected in Q1 FY26. BoF-2 is expected to be commissioned by Q2 and the material between the tapping and till BoF-2 is commissioned will be fed to the existing facility. The first module of 525MW SBPP is ready, and CTO is awaited. 82% of the work for the slurry pipeline is also completed. The company spent Rs259bn capex till FY25 and is expected to spend Rs95.8bn/Rs81.1bn in FY26/FY27, respectively. It is on track to deliver 6m-tonne capacity in the next 6-12 months.
- **Jindal Steel & Power Employee Benefit Scheme – 2022.** SEBI has granted extension till 31 May'25 to comply with disposal of unappropriated inventory of 57,08,679 equity shares not backed by ESOP grant(s) acquired by Trust in FY22-23. At the CMP, the value

works out to ~Rs5.1bn. We believe this might have a slight overhang on the stock over the next one month.

- **Net debt.** Net debt to EBITDA decreased to 1.3x vs. 1.4x in Q3 FY25. Consolidated net debt decreased from Rs135bn to Rs119.6bn during the same period.
- **Other.** Additional tariffs imposed by the US would provide a level-playing field, especially against countries such as South Korea, Vietnam, etc. During its Q3 FY25 concall, the company had guided for $10 per tonne coal cost-savings; however, savings for Q4 FY25 were slightly better at $11 per tonne. Iron ore cost in Q4 remained flat. The company does not expect further price correction in China.

Valuations

After the delay in capex timelines in Q3 FY25, capex is now progressing per revised timelines. The company is on track to increase its capacity by 6m tonnes within the next 12 months and has also resumed its yearly volume guidance after a gap of a few years.

Though management has been conservative in its FY26 sales volume guidance of 8.5m-9m tonnes, it is slightly lower than our original estimate; thus, in line with management's guidance, we trim our FY26 revenue/EBITDA by 5%/7%, respectively. However, as capex is on stream, it gives us comfort towards FY27e; we raise our FY27e revenue/EBITDA by 1.2%/1.9%. The company's long-term growth prospects remain positive, with capex progressing per timeline, reduction in net debt, improvement in the working capital cycle, etc. We retain a Buy rating with a revised TP of Rs1,030, 6x FY27e EV/EBITDA (previously Rs990/share). At the CMP, the stock quotes at 5.9x FY27e EV/EBITDA.

Fig 21 – Change in estimates (Rs bn)

	Current		Old		Change	
	FY26e	FY27e	FY26e	FY27e	FY26e	FY27e
Revenue	579	703	610	694	-5.0	1.2
EBITDA	119	172	128	168	-7.0	1.9
APAT	57	95	64	91	-11.1	4.3

Source: Anand Rathi Research

Fig 22 – TP calculation

Y/E March	UoM	FY27e
Volume	m tonnes	10.9
Blended EBITDA/t	Rs/tonne	15,755
Consol EBITDA	Rs bn	172
Target EV/EBITDA(x)	x	6.0
Target EV	Rs bn	1,030
Net Debt	Rs bn	122
+C-WiP @ 75%	Rs bn	137
Equity Value	Rs bn	1,045
No of shares o/s	Nos. bn	1
Target price	**Rs/share**	**1,030**

Source: Anand Rathi Research

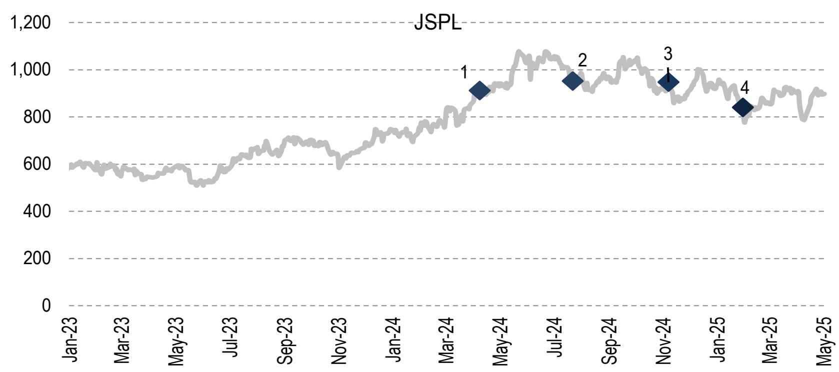
Appendix

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.

Important Disclosures on subject companies

Rating and Target Price History (as of 3 May 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	4-Apr-24	**Buy**	1,070	902
2	25-Jul-24	**Buy**	1,115	972
3	7-Nov-24	**Buy**	1,160	952
4	30-Jan-25	**Buy**	990	835

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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