



# 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

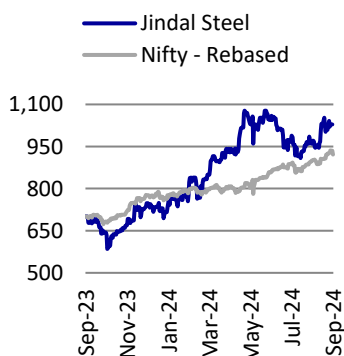
P/E (x)	17.7	16.3	10.8
P/BV (x)	2.3	2.1	1.8
EV/EBITDA(x)	11.4	8.6	6.2
Div. Yield (%)	0.2	0.6	0.9
FCF Yield (%)	-2.4	2.8	5.9

### 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).