

Shubh Nivesh



Expansion driven high growth phase set to begin...

About stock: Jindal Steel & Power (JSPL) is one of India's leading steel producers. With crude steel capacity of 9.6 million tons per annum (MTPA) it has major plants located in Angul (Odisha, 6 MTPA capacity) & Raigarh (Chhattisgarh, 3.6 MTPA).

- Its operations also include iron ore mining with capacity of ~10.6 MTPA, ~15 MTPA of pellet plant and ~13.25 MTPA of finished steel capacity.
- Construction & Infrastructure segment forming ~55% of sales volume with key product offerings includes TMT rebars, Plates, Structural, Rails, etc.

Investment Rationale

- **Significant growth potential fuelled by increasing domestic steel demand:** India, the world's second largest consumer of finished steel, has per capita steel consumption of only ~93 kg, which is lower as compared to the global average of ~219 kg. Notably, the government's has ambitious target of reaching 300 MT of crude steel capacity, with an aim of supporting infrastructure needs, resulting in increasing per capita steel consumption to 160 kg by FY31. Thus, JSPL is well-positioned for growth given it is currently undergoing brownfield expansion aimed at doubling its capacity at Angul plant (from 6 to 12 MTPA), aligning with this anticipated demand surge.
- **Potential relief expected from higher import duty:** Domestic steel imports surged to 8 years high of 6.5 MT, turning India into a net importer of ~3.4 MT steel in Apr-Nov'24 period. Consequently, domestic steel prices have declined to 4 years low. However, steel prices are expected to recover as the government is considering protective measures to address the impact of lower realisation on industry's profitability & feasibility of ongoing capex projects. If higher import duties implemented, it could substantially boost JSPL's profitability, serving as potential trigger for stock re-rating.
- **Aggressive capacity expansion to underpin long-term growth:** JSPL is executing an ambitious ~₹31,000 crore capex plan, with ~75% allocated to the Angul Phase II expansion. This project aims to double crude steel capacity from 6 MT to 12 MT, raising total capacity by 65% to 15.9 MT by FY26E. Additionally, it's also de-risking product profile, with the commissioning of a ~6 MT Hot Strip Mill, thereby expanding its portfolio to industrial and auto space. As a result, the contribution of flat steel products is expected to rise, strengthening its range of high value-added products, which will drive the realisation and margins going forward. Thus, the ambitious expansion strategy, we expect steel sales volume at JSPL to grow at ~15% CAGR over FY24-27E, reaching 11.5 MT by FY27E.

Rating and Target Price

- We maintain a **positive** stance on JSPL supported by capacity expansion led volume growth, healthy backward integration in place, favourable steel demand domestically, focus on value added products & controlled leverage on B/S (Debt: Equity at ~0.4x). We assign **BUY rating** on the stock with target price at **₹1,220** i.e. **9x EV/EBITDA on FY26E-27E average**.

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	5 year CAGR (FY19-24)	FY25E	FY26E	FY27E	3 year CAGR (FY24-27E)
Net Sales	34,541	51,086	52,711	50,027	4.9%	48,315	63,208	75,509	14.7%
EBITDA	13,091	15,513	9,935	10,201	3.9%	9,619	13,402	16,428	17.2%
EBITDA Margins (%)	37.9	30.4	18.8	20.4		19.9	21.2	21.8	
Net Profit	3,634	5,753	3,174	5,938	NA	3,928	6,465	8,781	13.9%
EPS (₹)	35.6	56.9	31.6	59.2		39.2	64.5	87.6	
P/E	25.8	16.2	29.1	15.5		23.5	14.3	10.5	
RoNW (%)	11.9	17.0	10.7	13.4		8.2	11.9	14.0	
RoCE (%)	16.1	23.4	12.6	11.1		9.1	12.9	15.8	

Source: Company, ICICI Direct Research



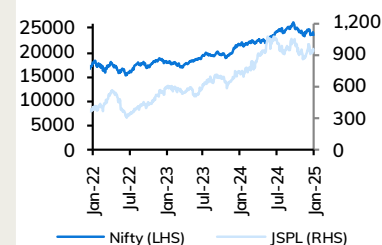
Particulars

Particulars	₹ crore
Market capitalisation	93,840
Total Debt (FY24)	15,896
Cash & Investment (FY24)	4,694
EV (₹ crore)	1,05,042
52 week H/L (₹)	1097 / 688
Equity capital (₹ crore)	100.2
Face value (₹)	1.0

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	61.2	61.2	61.2	61.2
FII	11.8	11.9	12.6	12.2
DII	15.3	14.7	15.3	16.1
Other	11.7	12.1	10.8	10.6

Price Chart



Recent Event & Key risks

- We expect sales, PAT at JSPL to grow at CAGR of 15%, 14% respectively, over FY24-27E.
- **Key Risk:** i) potential changes in state wise royalty rate/levies on minerals particularly on iron ore (ii) delay in capex execution impacting medium term volume targets.

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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