

JSW Steel

Volume growth firms up on capacity ramp-up

We maintain BUY rating on JSW Steel (JSWS) with an unchanged target price of INR 1,080/share. We interacted with the management on business outlook. The ramp-up of recently commissioned 6mn MT steel capacities across Vijayanagar and BPSL plants has accelerated production in Q4FY25 and sales should also remain strong (we estimate 15% YoY consolidated volume growth in Q4FY25). Demand remains strong and prices of flats have improved by ~INR 300/MT QoQ. Management expects steel prices to benefit from expected implementation of safeguard duty on imports from China and other FTA countries. We estimate JSWS will deliver 9/13% volume/EBITDA CAGRs during FY24-27E, riding on production ramp-up, expected pricing recovery and various efficiency improvement projects.

- **Volume growth to rebound H2FY25 onwards:** With the ramp-up of its recently-commissioned Vijayanagar blast furnace, JSWS' consolidated steel production has grown by 9% YoY in the two months of Q4FY25. The Indian operations are currently operating at >90%. Hence, we estimate Q4 sales volumes to remain firm at ~15% YoY (vs 12/2% YoY volume growth in Q3/H1FY25). For FY26, the company is confident of operating its Indian capacities at 90%. This implies JSWS should easily deliver 10% YoY volume growth in FY26E. We currently estimate the company will deliver 9.5% volume CAGR during FY25-27E. In Q4FY25, while prices of flats improved by ~INR 300/MT QoQ, prices of longs were down marginally. We estimate with higher share of flats sales (~75%), JSWS margin will benefit QoQ. Management and the industry are hopeful that the Indian government will also implement safeguard duties on imports from China and other FTA countries to protect against the rising imports and falling steel prices in India.
- **Expansions on track:** JSWS recently expanded its Vijaynagar's integrated steel facility by 5mn MT and the plant is expected to be fully stabilized by the end of Mar-25. The BF-3 capacity augmentation by 2mn MT is also on track to be completed in FY26E. Phase-3 expansion at Dolvi (5mn MT, INR 190bn Capex) will become operational by Sep-27E. Management reiterated its strong project execution skill both in terms of shorter-than-industry commissioning timeframe as well as leaner Capex run rate (~30% lower vs industry average). This enhances the payback period for JSWS vs peers. Even the expansion of subsidiaries is on track: BPSL's 0.5mn MT debottlenecking and JISPL's 0.3mn MT DRI plant (with 0.25mn MT SMS) by FY27E. These will expand JSWS' consolidated capacity by 46% over FY24-28E to 43.5mn MT, thereby boosting volume growth outlook. From FY28 to FY31E, JSW is confident of adding 8mn MT, expanding its consolidated capacity of 51.5mn MT in FY31E.
- **Beefing up captive iron-ore and energy supply; investments in logistics infrastructure:** Over FY24-26E, JSWS's iron ore mines capacity is expected to more than double to 15.5mn MT. It will be commencing iron-ore production in Goa (3.5mnMT by FY27E end) to fund Dolvi's requirements. Its Odisha mining capacity will gradually increase to 30mn MT from 13mn MT currently. These will increase the share of captive iron ore usage from 40% currently, thereby lowering cost volatility. JSWS's coking-coal mines (three) in Jharkhand will become operational in FY27E. The Illawarra coal mines (Australia) will start coking coal supply from the start of FY26 (annual 1.2mn MT supply). It has a 2.7mnMT arrangement in India for captive coking coal supply.

BUY
CMP (as on 17 Mar 2025) INR 1,006

Target Price INR 1,080

NIFTY 22,509

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,080	INR 1,080
EBITDA revision %	FY25E 0.0	FY26E 0.0

KEY STOCK DATA

Bloomberg code	JSTL IN
No. of Shares (mn)	2,445
MCap (INR bn) / (\$ mn)	2,459/28,334
6m avg traded value (INR mn)	2,118
52 Week high / low	INR 1,063/779

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.0	4.3	28.8
Relative (%)	12.1	15.0	26.7

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	44.84	44.85
FIs & Local MFs	10.54	10.59
FPIs	25.66	25.59
Public & Others	18.96	18.97
Pledged Shares	6.43	6.31

Source : BSE

Pledged shares as % of total shares

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JSW also secured 15-year coking supply arrangements with Coal India during recent auctions (1mn MT clean coking coal supply). Thus, it is trying to reduce the volatility of the key materials. It plans to add ~2.5GW of renewable power over the next few years, sufficient to meet ~25% of total electricity requirements in India. On logistics front – there is an upcoming 30MTPA slurry pipeline in Odisha from mine to Jatadhar port and a pellet plant near the port which will then be shipped to Dolvi and Vijayanagar plants. This will further reduce its logistics costs. JSWS will also benefit from operating leverage and economies of scale owing to larger size of its expansions.

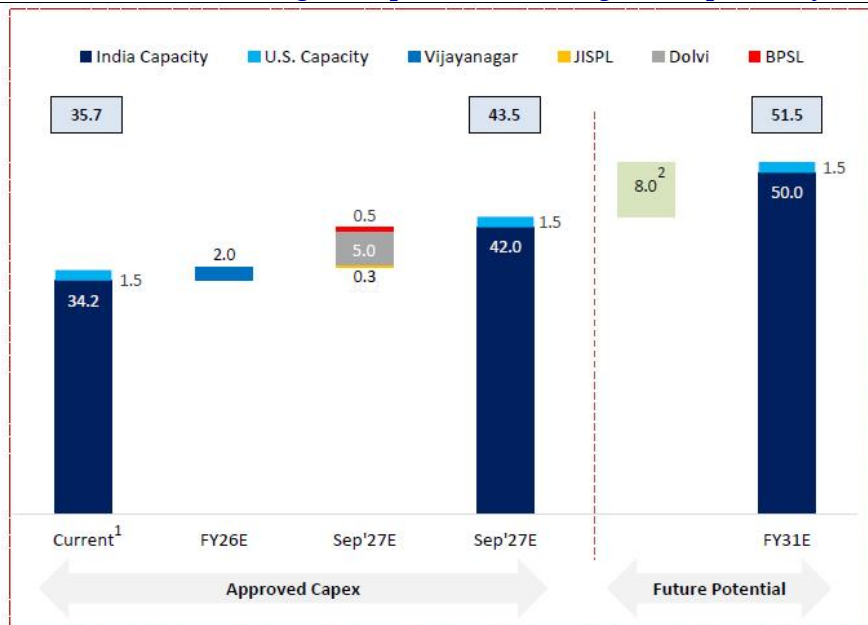
- Maintain BUY:** We estimate JSWS to deliver 9/13% consolidated volume/EBITDA CAGRs over FY24-27E. We have built in annual Capex outgo of INR 175bn pa during FY25-27E towards ongoing expansions. We expect the net debt to EBITDA ratio to remain elevated at 3.4x in FY25E but moderate to 2x by Mar'27E as profitability improves. RoCE should recover to 15% in FY27E from recent lows of 8% in FY25E. We maintain a BUY rating and a target price of INR 1,080/share, valuing it at 8x FY27E consolidated EBITDA. JSW Steel has traded at a similar mean multiple in the past five years. We have also ascribed 50% value to the FY27E CWIP and long-term investments to arrive at our fair value.

Key operational assumptions (Consolidated)

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sales Volume (mn MT)	15.6	14.9	15.0	18.2	22.4	24.8	26.8	29.4	32.1
YoY change (%)	0.3	(4.5)	0.3	21.5	23.2	10.7	8.0	10.0	9.0
(INR/ MT trend)									
NSR	54,331	49,212	53,404	80,556	74,155	70,624	64,268	65,553	67,192
YoY change (%)	17.5	(9.4)	8.5	50.8	(7.9)	(4.8)	(9.0)	2.0	2.5
Total Opex	42,183	41,244	39,932	59,089	65,868	59,229	55,631	53,756	54,611
YoY change (%)	14.9	(2.2)	(3.2)	48.0	11.5	(10.1)	(6.1)	(3.4)	1.6
Unit EBITDA	12,149	7,968	13,472	21,468	8,287	11,395	8,637	11,797	12,580

Source: Company, HSIE Research

JSW Steel – medium-term growth plans and future growth optionality




Growth Options in the Portfolio

Organic

- Brownfield growth potential of ~5mt at each of Vijayanagar and BPSL
- 4mt brownfield Green Steel in 2 phases
- Greenfield growth in Odisha (13mt in phases)
- Greenfield EAF

Inorganic

- Selectively explore value-accretive acquisitions

Value Added and Special Products

- Maintain >50% share of VASP in total sales

Underpinned by Raw Material Security

Source: Company, HSIE Research

Financials

Consolidated Income Statement

YE Mar (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	16,59,600	17,50,060	17,19,959	19,29,794	21,56,062
Growth %	13.4	5.5	(1.7)	12.2	11.7
Raw Material	9,33,340	9,16,670	9,10,803	9,71,827	10,80,477
Power & Fuel	1,74,520	1,51,270	1,47,034	1,45,564	1,55,492
Freight Expense	79,160	87,850	96,776	1,07,518	1,23,054
Employee cost	39,150	45,910	49,583	53,054	58,359
Other Expenses	2,47,960	2,66,000	2,84,620	3,04,543	3,34,998
EBITDA	1,85,470	2,82,360	2,31,143	3,47,288	4,03,683
EBITDA Margin (%)	11.2	16.1	13.4	18.0	18.7
EBITDA Growth %	(52.5)	52.2	(18.1)	50.2	16.2
Depreciation	74,740	81,720	91,841	1,00,391	1,08,941
EBIT	1,10,730	2,00,640	1,39,302	2,46,897	2,94,742
Other Income (Including EO Items)	10,300	10,040	7,499	6,908	6,754
Interest	69,020	81,050	84,465	80,536	83,236
PBT	52,010	1,29,630	62,337	1,73,270	2,18,261
Tax	15,160	44,070	21,195	58,912	74,209
Minority Int	1,320	3,330	2,100	2,100	2,100
RPAT	41,440	88,120	35,622	1,12,258	1,41,952
EO (Loss) / Profit (Net Of Tax)	5,910	5,890	(3,420)	-	-
APAT	35,530	82,230	39,042	1,12,258	1,41,952
APAT Growth (%)	(83.4)	131.4	(52.5)	187.5	26.5
AEPS	14.8	33.7	16.0	46.1	58.3
AEPS Growth %	(83.4)	128.4	(52.5)	187.5	26.5

Source: Company, HSIE Research

Consolidated Balance Sheet

YE Mar (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS					
Share Capital	2,404	2,437	2,437	2,437	2,437
Reserves And Surplus	6,54,546	7,74,254	8,02,067	8,91,874	10,05,436
Total Equity	6,56,950	7,76,690	8,04,504	8,94,311	10,07,872
Minority Int	13,440	21,070	23,170	25,270	27,370
Long-term Debt	6,35,600	6,94,140	6,94,140	7,24,140	7,54,140
Short-term Debt	1,72,930	1,85,700	1,85,700	1,85,700	1,85,700
Total Debt	8,08,530	8,79,840	8,79,840	9,09,840	9,39,840
Deferred Tax Liability	73,970	93,590	93,590	93,590	93,590
Long-term Liab+ Provisions	25,800	32,840	34,673	35,681	36,740
TOTAL SOURCES OF FUNDS	15,78,690	18,04,030	18,35,777	19,58,692	21,05,412
APPLICATION OF FUNDS					
Net Block	10,43,240	11,18,220	11,76,379	12,25,989	12,67,048
Capital WIP	2,21,660	2,96,760	3,21,760	3,46,760	3,71,760
Goodwill	1,280	6,390	6,390	6,390	6,390
Other Non-current Assets	1,09,700	1,39,840	1,39,840	1,53,824	1,69,206
Total Non-current Investments	48,010	72,430	72,430	72,430	72,430
Total Non-current Assets	14,23,890	16,33,640	17,16,799	18,05,393	18,86,834
Inventories	3,31,350	3,78,150	3,43,992	3,85,959	4,31,212
Debtors	71,340	75,480	73,958	82,981	92,711
Cash and Cash Equivalents	2,07,190	1,23,510	1,05,464	1,00,861	1,24,018
Other Current Assets (& Loans/adv)	71,620	68,200	68,200	75,020	82,522
Total Current Assets	6,81,500	6,45,340	5,91,614	6,44,821	7,30,463
Creditors	1,24,640	1,57,110	1,54,796	1,73,681	1,94,046
Other Current Liabilities & Provns	4,02,060	3,17,840	3,17,840	3,17,840	3,17,840
Total Current Liabilities	5,26,700	4,74,950	4,72,636	4,91,521	5,11,886
Net Current Assets	1,54,800	1,70,390	1,18,978	1,53,299	2,18,578
TOTAL APPLICATION OF FUNDS	15,78,690	18,04,030	18,35,777	19,58,692	21,05,412

Source: Company, HSIE Research

Consolidated Cash Flow

YE Mar (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	56,550	1,33,800	58,917	1,73,270	2,18,261
Non-operating & EO Items	10,720	(11,310)	(7,499)	(6,908)	(6,754)
Interest Expenses	66,550	80,510	84,465	80,536	83,236
Depreciation	74,740	81,720	91,841	1,00,391	1,08,941
Working Capital Change	31,050	(1,36,150)	35,199	(51,901)	(56,445)
Tax Paid	(6,380)	(27,790)	(21,195)	(58,912)	(74,209)
OPERATING CASH FLOW (a)	2,33,230	1,20,780	2,41,728	2,36,476	2,73,029
Capex	(1,46,370)	(1,61,770)	(1,75,000)	(1,75,000)	(1,75,000)
Free Cash Flow (FCF)	86,860	(40,990)	66,728	61,476	98,029
Investments	33,050	6,190	-	-	-
Non-operating Income	6,210	9,200	7,499	6,908	6,754
Others					
INVESTING CASH FLOW (b)	(1,07,110)	(1,46,380)	(1,67,501)	(1,68,092)	(1,68,246)
Debt Issuance/(Repaid)	50,600	38,980	-	30,000	30,000
Interest Expenses	(69,020)	(80,870)	(84,465)	(80,536)	(83,236)
FCFE	68,440	(82,880)	(17,737)	10,940	44,794
Share Capital Issuance	590	60	-	-	-
Dividend	(41,940)	(8,220)	(7,808)	(22,452)	(28,390)
FINANCING CASH FLOW (c)	(59,770)	(50,050)	(92,273)	(72,987)	(81,626)
NET CASH FLOW (a+b+c)	66,350	(75,650)	(18,046)	(4,603)	23,157

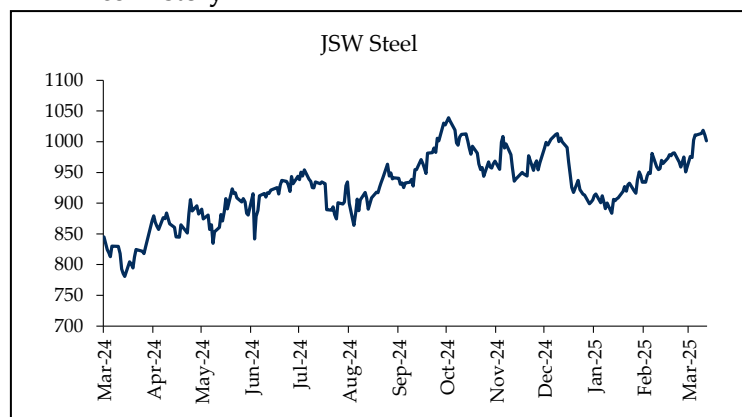
Source: Company, HSIE Research

Key Ratios

	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY %					
EBITDA Margin	11.2	16.1	12.6	16.8	17.5
EBIT Margin	6.7	11.5	7.5	11.9	12.9
APAT Margin	2.1	4.7	2.2	5.4	6.2
RoE	5.2	11.2	4.7	12.6	14.4
RoIC (pre-tax)	9.5	15.8	9.5	16.5	18.5
RoCE (pre-tax)	7.8	12.5	7.7	13.2	14.7
EFFICIENCY					
Tax Rate %	29.1	34.0	34.0	34.0	34.0
Fixed Asset Turnover (x)	1.2	1.2	1.1	1.2	1.2
Inventory (days)	73	79	73	73	73
Debtors (days)	16	16	16	16	16
Other Current Assets (days)	40	43	43	41	40
Payables (days)	27	33	33	33	33
Other Current Liab & Provns (days)	94	73	73	63	57
Cash Conversion Cycle (days)	7	32	26	34	39
Net Debt/EBITDA (x)	3.2	2.7	3.5	2.4	2.1
Net D/E	0.9	0.9	0.9	0.9	0.8
Interest Coverage	1.6	2.5	1.7	3.0	3.5
PER SHARE DATA (Rs)					
EPS	14.8	33.7	16.0	46.1	58.3
CEPS	45.9	67.3	53.7	87.3	103.0
Dividend	3.4	7.3	3.2	9.2	11.7
Book Value	279	327	340	377	425
VALUATION					
P/E (x)	69.0	29.8	62.8	21.8	17.3
P/Cash EPS (x)	21.1	14.4	19.2	11.5	9.8
P/BV (x)	3.7	3.2	3.0	2.7	2.4
EV/EBITDA (x)	15.9	10.9	13.4	9.0	7.7
Dividend Yield (%)	0.3	0.7	0.3	0.9	1.2
OCF/EV (%)	7.9	3.9	7.8	7.6	8.8
FCFF/EV (%)	2.9	(1.3)	2.2	2.0	3.2
FCFE/M Cap (%)	3.5	(1.7)	2.7	2.5	4.0

Source: Company, HSIE Research

1 Yr Price History



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Disclosure:

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