

January 27, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	HOLD		HOLD	
Target Price	919		872	
Sales (Rs. bn)	2,035	2,270	2,198	2,480
% Chng.	(7.4)	(8.5)		
EBITDA (Rs. bn)	372	448	366	439
% Chng.	1.7	2.2		
EPS (Rs.)	56.6	72.7	55.0	73.1
% Chng.	2.9	(0.6)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	1,750	1,710	2,035	2,270
EBITDA (Rs. bn)	282	239	372	448
Margin (%)	16.1	13.9	18.3	19.8
PAT (Rs. bn)	82	45	138	178
EPS (Rs.)	34.0	18.3	56.6	72.7
Gr. (%)	131.4	(46.3)	209.8	28.5
DPS (Rs.)	7.3	8.0	9.0	10.0
Yield (%)	0.8	0.9	1.0	1.1
RoE (%)	11.5	5.7	16.1	17.8
RoCE (%)	13.0	9.1	16.6	19.7
EV/Sales (x)	1.7	1.8	1.5	1.2
EV/EBITDA (x)	10.5	12.7	8.0	6.2
PE (x)	27.4	51.1	16.5	12.8
P/BV (x)	2.9	2.9	2.5	2.1

Key Data

	JSTL.BO JSTL IN
52-W High / Low	Rs.1,063 / Rs.762
Sensex / Nifty	76,190 / 23,092
Market Cap	Rs.2,280bn / \$ 26,452m
Shares Outstanding	2,445m
3M Avg. Daily Value	Rs.2045.94m

Shareholding Pattern (%)

Promoter's	44.85
Foreign	25.59
Domestic Institution	10.59
Public & Others	18.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.1	5.8	14.8
Relative	4.2	11.3	7.1

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Better quarter, but HRC situation yet to improve

Quick Pointers:

- JSTL took some price hike in Jan'25 which has been partially absorbed by the market. Soft Coking coal (USD10-15/t) and iron ore prices to aid Q4 margins.
- JSTL is expected to achieve 98% of FY25 volume guidance of 28.4mt in production and 27mt in sales.

JSW Steel (JSTL) reported better cons. operating performance in 3QFY25 despite continued fall in HRC prices and weak overseas subsidiaries. Average NSR declined by just 2% QoQ aided by better product mix and higher longs prices. Std. volume grew 7.5% YoY led by improving domestic demand. Decline in coking coal cost by USD34/t aided EBITDA/t to reach to Rs7,866 (PLe Rs7,321). India sales grew 12% YoY aided by ramping up of 1mtpa BPSL brownfield expansion. 5mtpa Vijayanagar expansion is being ramped up which would aid Q4 volumes. Mgmt. remained positive on domestic demand as Gol spending is improving post Dec'24, although the export market is expected to witness volatility. With commissioning of iron ore mines in Karnataka, Goa and Odisha, proportion of captive iron ore would increase over the next few quarters. Although Mozambique mine deal await clarity post regime change, mgmt. would continue its efforts to increase its raw material self-sufficiency.

We tweak our estimates by incorporating lower steel and RM prices which lead to ~2% increase in FY26/27E EBITDA. Although JSTL remains the fastest growing domestic steel producer with superior execution skills, weak global pricing is hampering the earning growth. Weaker Europe, uncertain scenarios caused by possible higher tariffs by US and higher supplies from China would affect steel pricing. We expect revenue/EBITDA/PAT growth of 9%/17%/29% over FY24-27E. At CMP, the stock is trading at 8x/6.2x EV of FY26E/FY27E EBITDA. We maintain 'Hold' rating with revised TP of Rs919 (earlier Rs872), valuing at 7x EV of Sep'26E EBITDA.

Weak NSR negated strong volume growth: JSTL's Standalone revenue declined 5% YoY to Rs318bn (up 3% QoQ; PLe Rs 314bn) on fall in NSR while volumes grew decently 8% YoY. Average Realization declined just 2% QoQ to Rs56,886/t (down 11% YoY; PLe Rs56,320/t) on improved product mix. Steel prices remained muted after a sharp fall in the previous quarter, with average HRC prices down 5%, longs up 5% QoQ. Standalone sales volume increased 7.5% YoY to 5.59mt (up 5% QoQ; PLe 5.56mt). BPSL volumes grew sharp 26% YoY to 0.88mt on ramping up of recently increased capacity (+19% QoQ). Consolidated domestic sales grew 12% YoY to 6.54mt. Exports stood at 8% of sales from Indian ops (Vs 7% in 2Q).

EBITDA/t aided by decline in RM: Std. EBITDA declined 24% YoY to Rs 43.9bn (-5% QoQ; PLe Rs40.7bn) on weak pricing and increased RM costs. EBITDA per ton declined 29% YoY to Rs 7,866/t (-10% QoQ, PLe Rs 7,321/t). RM cost per ton declined 3% YoY to Rs30,614 mostly on higher iron ore costs; P&F cost per ton increased 1% YoY to Rs5,623. Mining premium declined 31% YoY to Rs3,300/t. Captive iron ore production improved 21% QoQ to 6.3mt. Cons. EBITDA declined 22% YoY to Rs55.8bn better than PLe of Rs51.3bn.

Weak subsidiary performance: Bhushan (BPSL) EBITDA declined 31% YoY to Rs5.4bn; while EBITDA/t inched up 6% QoQ to Rs6,148 despite weak NSR (-8% QoQ). Coated products EBITDA/t improved 25% QoQ to Rs4,313/t. US subsidiary (Ohio) EBITDA loss continued QoQ at USD16 (-USD81/t) as volumes and NSR declined 5%/8% YoY. Italy ops EBITDA declined sharp 89% YoY to Euro 2m as both NSR and volumes declined 19%/22% YoY respectively.

Q3FY25 Conference Call Highlights:

- Average Indian ops capacity utilization stood at 91% in Q3FY25 despite temporary maintenance shutdown of one of the blast furnaces at Dolvi.
- JSTL took a price hike in January which has been partially absorbed by the market.
- Coking coal cost was lower by USD34/t and is expected to decrease further by USD10-15/t in Q4FY25. Iron Ore price for Q4FY25 has been cut by NMDC by Rs350/t in January and mgmt. expect another cut in February.
- JSTL is expected to achieve 98% of FY25 volume guidance of 28.4mt in production and 27mt in sales.
- One of the two Casters and Converters at SMS unit have started operations during Q3FY25. The second Caster also started in Jan'25; which shall aid ramp-up of volumes from Q4FY25.
- 1mtpa BPSL expansion has been fully ramped up and incremental volumes have kicked in in Q3FY25.
- Recent acquisition of Thyssen Electrical Steel India, Nashik has received the CCI approval and mgmt. expects to close the transaction in next few weeks.
- PLI incentive of Rs0.48bn in Coated products relates to prior year and rest Rs0.25bn belongs to 9MFY25 period.
- FY25 Capex is expected to be ~Rs160bn, of which Rs110bn has been spent in 9MFY25, (Rs30.87bn spent in Q3FY25). Mgmt. would continue capex for relevant volume growth and cost efficiency projects over the next two years.
- Revenue acceptances and Capital acceptances were USD1.95bn and USD46mn respectively.
- Iron ore production from own mines in Q3FY25 was 6.3mt and the rest came from OMC and NMDC due to long term allocations.
- On a track to commission 3 new mines, one in Q4FY25, and the other two (Surla mine in Goa and Nethra Manda mine in Odisha) by Q1FY26. From Karnataka mines mgmt. is targeting ~15mt of production in FY26.

- Currently in process of enhancing the EC limits of Nuagaon and Narayanposhi mines in Odisha having total reserves of 900mt.
- JSTL plans to commence mining operations in Goa, with the Cudnem mine starting by Q1FY26 and the Surla mine by Q4FY26. The recently acquired Codli mine is expected to begin operations by FY27. By Q4FY27, cumulative production from the Goa mines is projected to reach 3.5mtpa.
- Post EC enhancing for mines in Odisha total capacity is expected to be about 30mt (15mt in Karnataka, 12mt in Odisha and 3.5mt in Goa) by FY27.
- JSTL has ceased mining operation in Jajang mine from 30th November due to lower grade iron ore and commencement of final mine closure has been initiated.
- Signed mining lease for Moitra coking coal mine in this month. Parbatpur and Moitra mines in Jharkhand are expected to commence production from Q4FY26.

Exhibit 1: Q3FY25 Consolidated Result Overview

Y/e March (Rs bn)	3QFY25	3QFY24	YoY gr. (%)	3QFY25E	% Var.	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Net Sales	413.8	419.4	(1.3)	408.4	1.3	396.8	4.3	1,240.1	1,287.4	(3.7)
Raw Material	223.8	201.5	11.1	210.3	6.4	209.9	6.7	658.3	654.3	0.6
<i>% of Net Sales</i>	<i>54.1</i>	<i>48.0</i>		<i>51.5</i>		<i>52.9</i>		<i>53.1</i>	<i>50.8</i>	
Purchase of traded goods	1.1	2.3	(53.0)	2.3	(53.3)	1.2	(6.0)	3.0	6.9	(56.9)
<i>% of Net Sales</i>	<i>0.3</i>	<i>0.6</i>		<i>0.6</i>		<i>0.3</i>		<i>0.2</i>	<i>0.5</i>	
Staff Costs	11.5	11.8	(2.8)	11.9	(3.3)	12.2	(5.8)	36.2	34.4	5.1
<i>% of Net Sales</i>	<i>2.8</i>	<i>2.8</i>		<i>2.9</i>		<i>3.1</i>		<i>2.9</i>	<i>2.7</i>	
Power & Fuel	40.9	38.3	6.7	38.5	6.1	38.9	5.1	118.8	114.4	3.9
<i>% of Net Sales</i>	<i>9.9</i>	<i>9.1</i>		<i>9.4</i>		<i>9.8</i>		<i>9.6</i>	<i>8.9</i>	
Mining premium and royalties	20.2	27.2	(25.7)	27.3	(26.1)	18.0	12.0	71.2	74.6	(4.5)
<i>% of Net Sales</i>	<i>4.9</i>	<i>6.5</i>		<i>6.7</i>		<i>4.5</i>		<i>5.7</i>	<i>5.8</i>	
Other Expenses	60.5	66.5	(9.0)	66.8	(9.4)	62.3	(2.9)	187.3	181.8	3.1
<i>% of Net Sales</i>	<i>14.6</i>	<i>15.9</i>		<i>16.4</i>		<i>15.7</i>		<i>15.1</i>	<i>14.1</i>	
Total Expenditure	358	348	3.0	357	0.2	342	4.5	1,075	1,066	0.8
EBITDA	55.8	71.8	(22.3)	51.3	8.8	54.4	2.6	165.3	221.1	(25.3)
<i>Margin (%)</i>	<i>13.5</i>	<i>17.1</i>		<i>12.6</i>		<i>13.7</i>		<i>13.3</i>	<i>17.2</i>	
Depreciation	23.4	20.6	13.5	19.5	19.8	22.7	3.0	68.1	59.8	14.0
Other income	1.5	1.9	(24.2)	3.0	(51.0)	1.5	(3.9)	4.6	7.6	(39.1)
EBIT	34	53	(36.2)	35	(2.5)	33	2.0	102	169	(39.8)
Interest	21.2	20.0	6.0	20.5	3.2	21.3	(0.7)	63.2	60.4	4.6
PBT	12.8	33.2	(61.6)	14.3	(10.6)	11.9	6.9	38.6	108.5	(64.4)
Extraordinary income/(expense)	(1.0)	-	-	-	-	(3.4)	-	(4.5)	5.9	-
PBT (After EO)	12	33	(64.7)	14	(17.8)	9	37.7	34	114.4	(70.2)
Tax	4.6	8.5	(46.2)	5.3	(12.8)	3.9	19.2	13.6	37.2	(63.5)
<i>% PBT</i>	<i>39.2</i>	<i>25.7</i>		<i>36.9</i>		<i>45.2</i>		<i>39.7</i>	<i>32.5</i>	
Reported PAT	7.1	24.7	(71.1)	9.0	(20.7)	4.7	53.0	20.6	77.2	(73)
Minority interest	0.0	0.4	NA	0.5	NA	(0.4)	NA	(0.1)	1.4	NA
Share of profit/(losses) in Associates	0.1	(0.2)	NA	(0.1)	NA	(0.6)	NA	(0.7)	(0.7)	NA
Net Profit attributable to shareholders	7.2	24.2	(70.3)	8.4	(14.6)	4.4	63.3	20.0	75.1	(73)
Adjusted PAT	8.0	24.2	(67.0)	8.4	(5.0)	7.2	10.8	23.5	71.2	(67)

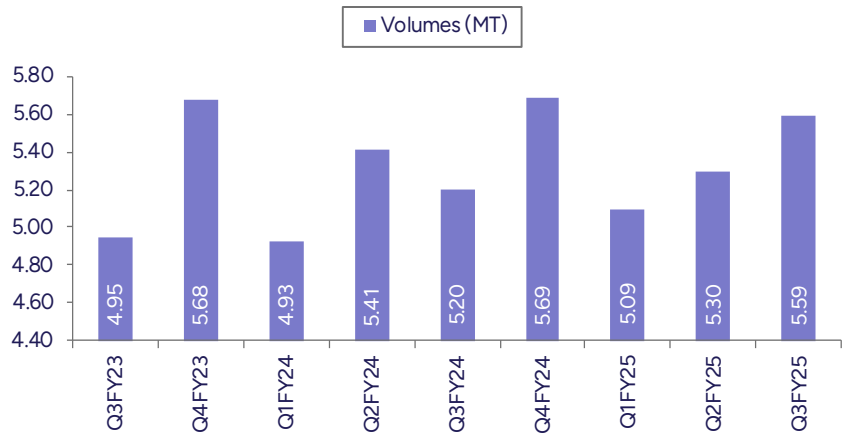
Source: Company, PL

Exhibit 2: Operating parameters (Standalone)

Y/e March (Rs)	3QFY25	3QFY24	YoY gr. (%)	3QFY25E	% Var.	2QFY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Crude steel production (000 tons)	5,700	5,720	(0.3)	6,120	NA	5,770	(1.2)	16,770	16,560	1.3
Sales (000 tons)	5,590	5,200	7.5	5,564	0.5	5,300	5.5	15,980	15,540	2.8
Realization per ton	56,886	64,058	(11.2)	56,320	1.0	58,072	(2.0)	59,594	64,246	(7.2)
EBITDA per ton	7,866	11,113	(29.2)	7,321	7.4	8,757	(10.2)	8,331	11,286	(26.2)
Cost per ton	49,020	52,944	(7.4)	48,999	0.0	49,315	(0.6)	51,263	52,961	(3.2)

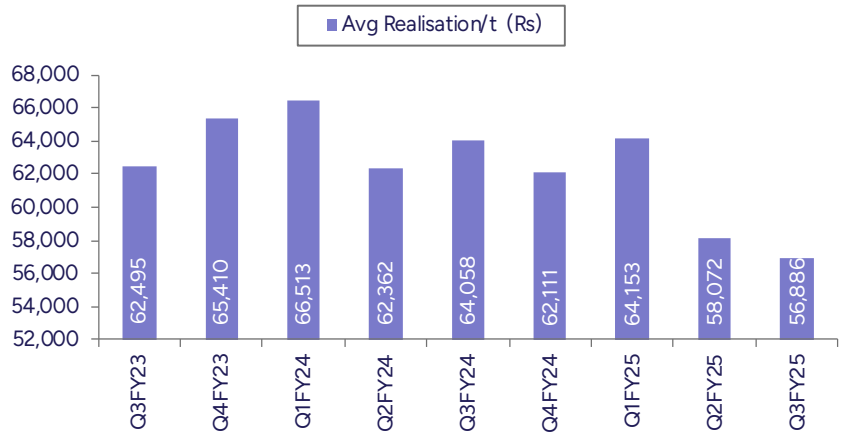
Source: Company, PL

Exhibit 3: Std volume grew 7.5% YoY led by improving domestic demand



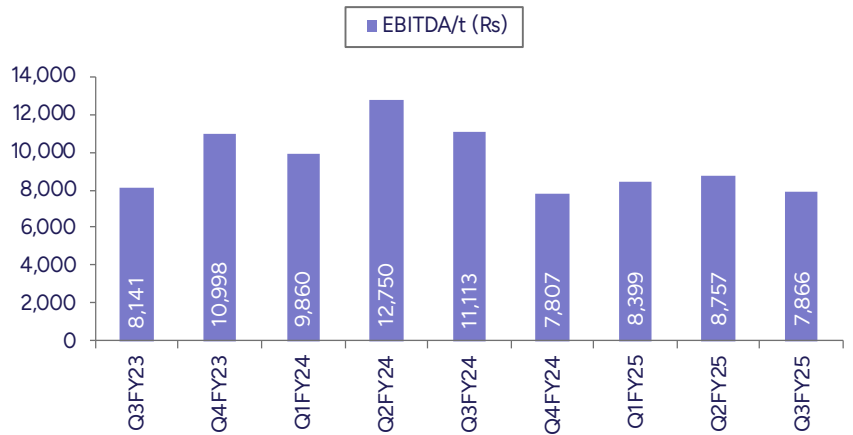
Source: Company, PL

Exhibit 4: Avg realization declined 11% YoY on weak steel pricing



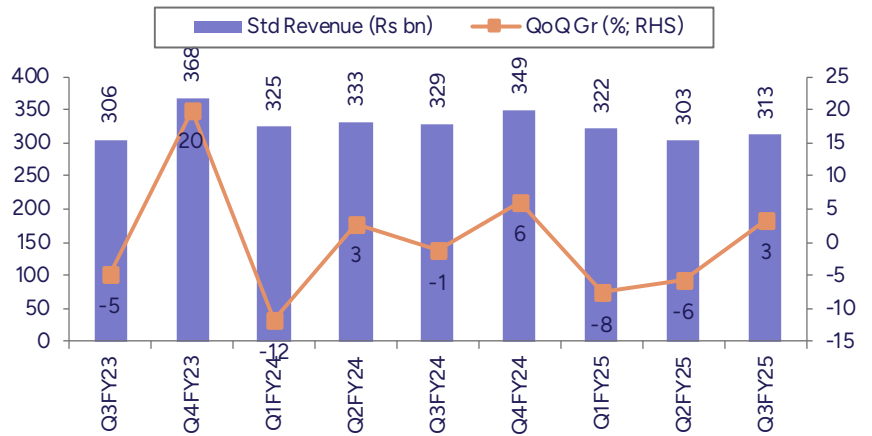
Source: Company, PL

Exhibit 5: EBITDA/t declines 29% YoY due to weak NSR



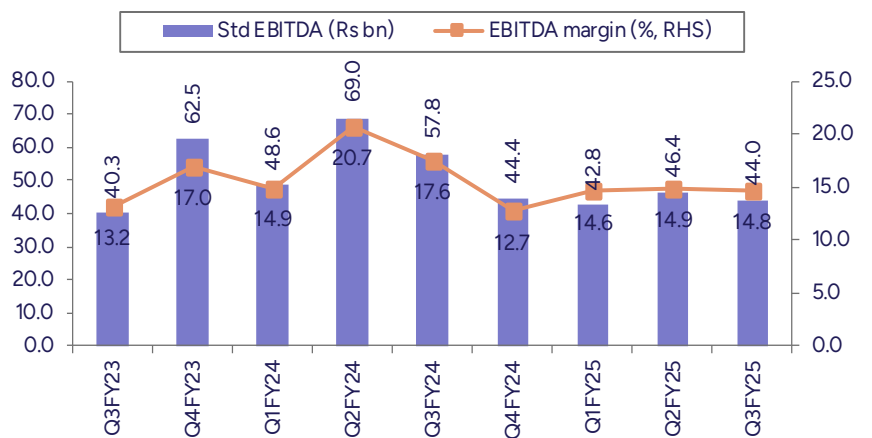
Source: Company, PL

Exhibit 6: Strong volume growth negated by weak NSR (Rs bn)



Source: Company, PL

Exhibit 7: Coking coal benefits negated by weak NSR and higher iron ore prices



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,750	1,710	2,035	2,270
YoY gr. (%)	5.5	(2.3)	19.0	11.5
Cost of Goods Sold	917	988	1,109	1,213
Gross Profit	833	722	926	1,057
Margin (%)	47.6	42.2	45.5	46.6
Employee Cost	46	46	53	56
Other Expenses	505	437	501	553
EBITDA	282	239	372	448
YoY gr. (%)	52.2	(15.5)	56.2	20.4
Margin (%)	16.1	13.9	18.3	19.8
Depreciation and Amortization	82	89	99	105
EBIT	201	149	274	343
Margin (%)	11.5	8.7	13.4	15.1
Net Interest	81	84	79	101
Other Income	10	8	7	10
Profit Before Tax	136	68	202	252
Margin (%)	7.7	4.0	9.9	11.1
Total Tax	44	27	62	73
Effective tax rate (%)	32.5	39.5	30.8	29.1
Profit after tax	91	41	140	179
Minority interest	2	0	1	1
Share Profit from Associate	(2)	(1)	(1)	(1)
Adjusted PAT	82	45	138	178
YoY gr. (%)	131.4	(45.7)	209.8	28.5
Margin (%)	4.7	2.6	6.8	7.8
Extra Ord. Income / (Exp)	6	(4)	-	-
Reported PAT	88	40	138	178
YoY gr. (%)	112.6	(54.4)	244.1	28.5
Margin (%)	5.0	2.4	6.8	7.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	88	40	138	178
Equity Shares O/s (bn)	2	2	2	2
EPS (Rs)	34.0	18.3	56.6	72.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	1,545	1,705	1,885	1,946
Tangibles	1,545	1,705	1,885	1,946
Intangibles	-	-	-	-
Acc: Dep / Amortization	427	516	615	721
Tangibles	427	516	615	721
Intangibles	-	-	-	-
Net fixed assets	1,118	1,189	1,270	1,225
Tangibles	1,118	1,189	1,270	1,225
Intangibles	-	-	-	-
Capital Work In Progress	304	304	304	304
Goodwill	6	6	6	6
Non-Current Investments	133	132	131	131
Net Deferred tax assets	(83)	(92)	(111)	(135)
Other Non-Current Assets	68	68	68	68
Current Assets				
Investments	0	0	0	0
Inventories	378	384	428	444
Trade receivables	75	74	88	106
Cash & Bank Balance	126	82	37	242
Other Current Assets	51	59	68	103
Total Assets	2,290	2,329	2,432	2,659
Equity				
Equity Share Capital	3	3	3	3
Other Equity	774	796	915	1,071
Total Networkth	777	799	918	1,074
Non-Current Liabilities				
Long Term borrowings	842	842	742	742
Provisions	15	15	15	15
Other non current liabilities	46	46	46	46
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	334	339	401	446
Other current liabilities	141	143	145	147
Total Equity & Liabilities	2,290	2,329	2,432	2,659

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	134	68	202	252
Add. Depreciation	82	89	99	105
Add. Interest	81	84	79	101
Less Financial Other Income	10	8	7	10
Add. Other	(11)	(8)	(7)	(10)
Op. profit before WC changes	285	234	372	448
Net Changes-WC	(136)	(6)	(2)	(22)
Direct tax	(28)	(18)	(43)	(49)
Net cash from Op. activities	121	210	327	378
Capital expenditures	(166)	(160)	(180)	(60)
Interest / Dividend Income	9	8	7	10
Others	10	-	-	-
Net Cash from Inv. activities	(146)	(152)	(173)	(51)
Issue of share cap. / premium	0	-	-	-
Debt changes	39	-	(100)	-
Dividend paid	(8)	(18)	(20)	(22)
Interest paid	(81)	(84)	(79)	(101)
Others	-	-	-	-
Net cash from Fin. activities	(50)	(102)	(199)	(123)
Net change in cash	(76)	(44)	(45)	205
Free Cash Flow	(37)	50	147	317

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	463	429	397	414
YoY gr. (%)	(1.5)	1.7	(11.0)	(1.3)
Raw Material Expenses	256	225	211	225
Gross Profit	207	204	186	189
Margin (%)	44.8	47.5	46.8	45.6
EBITDA	61	55	54	56
YoY gr. (%)	(22.9)	(21.8)	(31.1)	(22.3)
Margin (%)	13.2	12.8	13.7	13.5
Depreciation / Depletion	22	22	23	23
EBIT	39	33	32	32
Margin (%)	8.5	7.7	8.0	7.8
Net Interest	21	21	21	21
Other Income	2	2	2	1
Profit before Tax	21	14	9	12
Margin (%)	4.6	3.2	2.1	2.8
Total Tax	7	5	4	5
Effective tax rate (%)	32.7	36.9	45.2	39.2
Profit after Tax	14	9	5	7
Minority interest	-	-	-	-
Share Profit from Associates	(1)	-	(1)	-
Adjusted PAT	13	8	7	8
YoY gr. (%)	(64.5)	(63.9)	(69.9)	(67.0)
Margin (%)	2.8	2.0	1.8	1.9
Extra Ord. Income / (Exp)	-	-	(3)	(1)
Reported PAT	13	8	4	7
YoY gr. (%)	(64.5)	(63.9)	(84.1)	(70.3)
Margin (%)	2.8	2.0	1.1	1.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13	8	4	7
Avg. Shares O/s (bn)	2	2	2	2
EPS (Rs)	5.3	3.5	2.9	3.3

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	34.0	18.3	56.6	72.7
CEPS	67.8	54.8	97.0	115.8
BVPS	321.3	326.8	375.4	439.1
FCF	(15.4)	20.4	60.0	129.8
DPS	7.3	8.0	9.0	10.0
Return Ratio(%)				
RoCE	13.0	9.1	16.6	19.7
ROIC	9.6	5.8	11.7	16.3
RoE	11.5	5.7	16.1	17.8
Balance Sheet				
Net Debt : Equity (x)	0.9	1.0	0.8	0.5
Net Working Capital (Days)	25	25	21	17
Valuation(x)				
PER	27.4	51.1	16.5	12.8
P/B	2.9	2.9	2.5	2.1
P/CEPS	13.7	17.0	9.6	8.1
EV/EBITDA	10.5	12.7	8.0	6.2
EV/Sales	1.7	1.8	1.5	1.2
Dividend Yield (%)	0.8	0.9	1.0	1.1

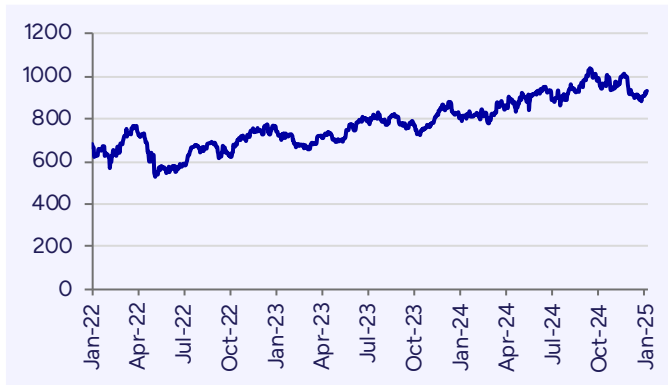
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Crude Steel Production (mt)	25.0	27.2	30.2	33.3
India Sales Volume incl BPSL (mt)	23.8	26.3	29.3	32.3
Realisation / tonne (Rs)	65,215	54,501	57,821	60,597
EBITDA / tonne (Rs)	11,466	7,900	10,601	10,811

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Hold	872	891
2	26-Oct-24	Accumulate	1,014	944
3	07-Oct-24	Accumulate	1,106	1,034
4	21-Jul-24	Accumulate	1,022	890
5	07-Jul-24	Accumulate	1,026	951
6	18-May-24	Accumulate	980	902
7	12-Apr-24	BUY	1,017	884

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,251	2,008
2	Ambuja Cement	BUY	707	538
3	Dalmia Bharat	Accumulate	1,988	1,799
4	Hindalco Industries	BUY	682	589
5	Jindal Stainless	Accumulate	739	636
6	Jindal Steel & Power	Accumulate	997	932
7	JSW Steel	Hold	872	891
8	National Aluminium Co.	Reduce	211	199
9	NMDC	Accumulate	80	65
10	Nuvoco Vistas Corporation	Hold	339	353
11	Shree Cement	Hold	24,838	26,027
12	Steel Authority of India	Reduce	110	108
13	Tata Steel	Accumulate	141	130
14	Ultratech Cement	Accumulate	12,350	11,421

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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