Jindal Steel (JINSP)

CMP: ₹1,060 | Target ₹ 1,220 (15%) | Target Period: 12 months | **BUY**

July 27, 2026

Profitability to improve as capacity ramps up...

About the stock: Jindal Steel (JSL) is one of India's leading steel producers, having crude steel capacity of 15.6 million tons per annum (MTPA).

- Operations also include iron ore making capacity of ~15 MTPA and ~13.75 MTPA of finished steel capacity.

Q1FY27 performance: JSL reported stable performance in Q1'27. Consolidated topline stood at ₹15,482 crore (up 26% YoY) with steel sales volume of 2.2 MT (up 17% YoY). Reported EBITDA for the quarter stood at ₹2,660 crore with margins at ~17% (down 94 bps QoQ). EBITDA/tonne for Q1'27stood at ₹11,930 vs ₹11,695 in Q4FY26. PAT for the quarter was at ₹844 crore (down 19% QoQ).

Investment Rationale:

- **Capacity expansion to drive the next phase of volume growth**: As the world's second-largest steel consumer, India's per capita steel consumption remains relatively low at ~103 kg, compared with the global average of ~215 kg. Supported by the government's target of achieving 300 MTPA crude steel capacity and 160 kg per capita steel consumption by FY31, JSL is executing a ~₹47,000 crore capex plan through FY28. More than 50% of the investment has been allocated to the Angul Phase II project, where the recent commissioning of a 3 MTPA Basic Oxygen Furnace (BOF-2) has expanded crude steel capacity to 15.6 MTPA. In addition, the company has commissioned a 1.2 MTPA Cold Rolling Mill, which is expected to increase the share of flat steel products to ~70% from ~50% currently. As these projects ramp up, we expect steel sales volumes to grow at a CAGR of ~15% over FY26–28E.
- **Higher volumes and cost saving initiatives to support profitability despite near-term headwinds:** JSL's EBITDA/tonne improved marginally to ~₹11.9k in Q1FY27 from ~₹11.7k in Q4FY26, despite a sharp improvement in net steel realisations of ~₹7,500/tonne during the quarter. The gains were largely offset by higher coking coal costs (up ~US$23/tonne QoQ), negative operating leverage of ~₹2,000/tonne, and additional freight costs of ~US$12-13/tonne due to the West Asia conflict. Going forward, elevated coking coal costs (up ~US$12-15/tonne QoQ) and softer domestic steel prices may weigh on margins in Q2FY27. However, the ramp-up of the 6 MTPA Angul expansion is expected to improve operating leverage, while the commissioning of the 18 MTPA slurry pipeline is likely to deliver incremental cost savings of ~₹700/tonne, partially offsetting these headwinds. Consequently, EBITDA/ton for JSL is projected at ~ ₹11.7k/13.3k in FY27E/FY28E, respectively.

Rating and Target Price:

- Jindal Steel is well positioned to deliver healthy earnings growth, supported by capacity-led volume expansion, a richer value-added product mix, ongoing cost optimisation initiatives, and a favourable domestic demand environment. Accordingly, we maintain our **BUY** rating on the stock with a target price of **₹1,220**, based on 9x FY28E EV/EBITDA.

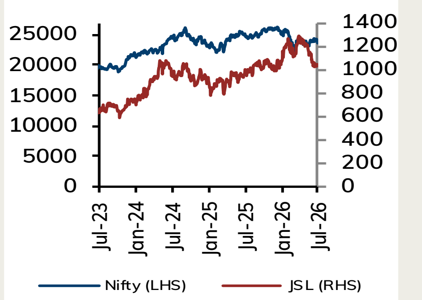
Particulars

Particulars	₹ crore
Market capitalisation	1,07,251
Total Debt (FY26P)	22,038
Cash & Investment (FY26P)	6,249
EV (₹ crore)	1,23,040
52 week H/L (₹)	1306 / 942
Equity capital (₹ crore)	101.2
Face value (₹)	1.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	June-2
Promoters	62.4	62.7	62.7	62.7
FII	9.4	9.0	9.2	8.8
DIIs	18.7	19.1	19.1	19.5
Others	9.5	9.2	9.0	8.9

Price Chart



Key risks

- Reported stable Q1FY27 results. Sales/PAT is expected to grow at ~22%/47% CAGR over FY26-28E.
- **Key Risk:** i) sharp decline in domestic steel prices impacting the performance. (ii) delay in ramping up of new capacity will impact medium term volume target.

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY22	FY23	FY24	FY25	FY26P	5-year CAGR (FY21-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	51,086	52,711	50,027	49,765	53,225	9.0%	71,729	79,210	22.0%
EBITDA	15,513	9,935	10,201	9,494	9,660	-5.9%	12,327	15,355	26.1%
EBITDA Margins (%)	30.4	18.8	20.4	19.1	18.1		17.2	19.4	
Net Profit	5,753	3,174	5,938	2,812	3,367	-1.5%	5,000	7,304	47.3%
EPS (₹)	56.9	31.6	59.2	27.8	33.3		49.4	72.2	
P/E	18.4	33.1	17.6	37.6	31.4		21.2	14.5	
RoNW (%)	17.0	10.7	13.4	3.3	5.3		9.0	11.7	

Source: Company, ICICI Direct Research

Key Takeaways of Recent Quarter

Q1FY27 Results: Reported a Muted Performance

- Total operating income on consolidated basis for Q1FY27 came in at ₹15,482 crore (up 26% YoY) with steel sales volume of 2.2 MT (up 17% YoY). Moreover, the average blended realization increases by ~₹7,526/ton to ~₹69,427/ton owing to safeguard duty led higher steel spot prices. It was also supported by increasing contribution from value-added products which for the quarter stood at 66% vs 61% in Q4FY26. Additionally, flat and long steel portfolio contribution for Q1'27 was at 53:47 (vs 52:48 in Q4FY26).
- Consolidated EBITDA for Q1FY27 stood at ₹2,660 crore with corresponding EBITDA margins at 17.2% (down 94 bps QoQ). EBITDA/tonne stood at ₹11,930 vs ₹11,695 in Q4FY26. This includes a negative operating leverage cost of ₹2,000/tonne and West Asia war conflict impact of $12-13/tonne in Q1FY27.
- PAT for the quarter stood at ₹844 crore (down 19% QoQ). Net Debt came in at ₹15,927 crore with a Net Debt to EBITDA ratio at 1.7x in Q1FY27 (vs 1.66x in Q4FY27).

Q1FY27 Earnings Conference Call Highlights

- **Domestic Steel Prices:** HRC prices witnessed a sequential increase of ₹7,000/ton in Q1FY27, while TMT rebar price rose by ~₹4,500/ton during the same period. With this, JSL has reported its Net Sales Realisation increase of ~₹7,500/ton in Q1FY27. Management indicated that HRC prices have softened by only ~₹800/tonne from Q1FY27 average levels, whereas TMT prices have corrected by nearly ₹8,000/tonne, largely due to seasonal monsoon weakness.
- **Raw Material Cost:** JSL reported a $23/ton increase in coking coal prices in Q1FY27. While Iron ore costs increased by ~₹500/tonne in the quarter. Looking ahead, the company expects coking coal prices to increase by $12 to $15/ton in Q2FY27. Furthermore, slurry pipeline and port linkage are expected to be commissioned in Q2FY27, enabling ₹700/ton cost savings. JSL has maintains ~50% captive coal mix, with further benefits expected as the Utkal B1 mine ramps up and Utkal B2 commences production. Additionally, operations at JSL's dedicated port facilities have commenced, which should provide further logistics and cost benefits.
- **Capex:** Annual growth capex is expected to remain in the range of ₹8,000-10,000 crore, focused primarily on specialty products and downstream integration. JSL confirmed that it has signed an MoU with the Government of Jharkhand for a potential integrated steel expansion. The proposal involves adding ~2.5-3 MTPA of upstream steelmaking capacity to support the company's existing rolling mills.
- **Guidance:** JSL reiterates its production volume guidance of 11 to 11.5 MTPA in FY27. Additionally, the sales volume guidance for the year is 10.5 to 11 MTPA for the year. JSL plans to leverage its wide product portfolio, including plates, head-hardened rails, heavy sections, sheet piles, specialty rounds, defence-grade plates, and quenched & tempered steel, where competition remains limited. The recently commissioned 5.5 MTPA hot strip mill will increasingly focus on manufacturing high-grade value-added steel instead of commodity HRC.

Exhibit 1: Key Assumptions

Standalone	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Sales Volume (million tonne, MT)	7.3	7.6	7.7	7.7	8.0	8.7	10.5	11.5
Blended Realisations (₹/tonne)	47,446	66,866	68,456	65,224	62,440	61,390	68,203	68,690
EBITDA/tonne (₹/tonne)	17,983	20,306	12,902	13,300	11,912	11,689	11,721	13,316

Source: ICICI Direct Research

Key Tables and Charts

Exhibit 2: Quarterly Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Total Operating Income	15,482	12,294	25.9	16,218	-4.5
Raw Material Expenses	7,633	5,120	49.1	8,336	-8.4
Employee Expenses	367	305	20.6	322	14.2
Other expenses	4,821	3,864	24.8	4,621	4.3
EBITDA	2,660	3,006	-11.5	2,939	-9.5
EBITDA Margin (%)	17.2	24.4	-726 bps	18.1	-94 bps
Other Income	19	30	-36.9	266	-92.8
Depreciation	926	722	28.4	862	7.5
Interest	548	297	84.8	442	23.9
Exceptional Item	0	0	NA	-827	NA
Tax	361	522	-30.9	33	NA
PAT	844	1,496	-43.6	1,041	-18.9
Key Metrics					
Sales Volume (million tonne)	2.23	1.90	17.4	2.62	-14.9
Blended Realisations (₹/tonne)	69,427	64,708	7.3	61,900	12.2
Adjusted EBITDA/tonne	11,930	15,819	-24.6	11,695	2.0

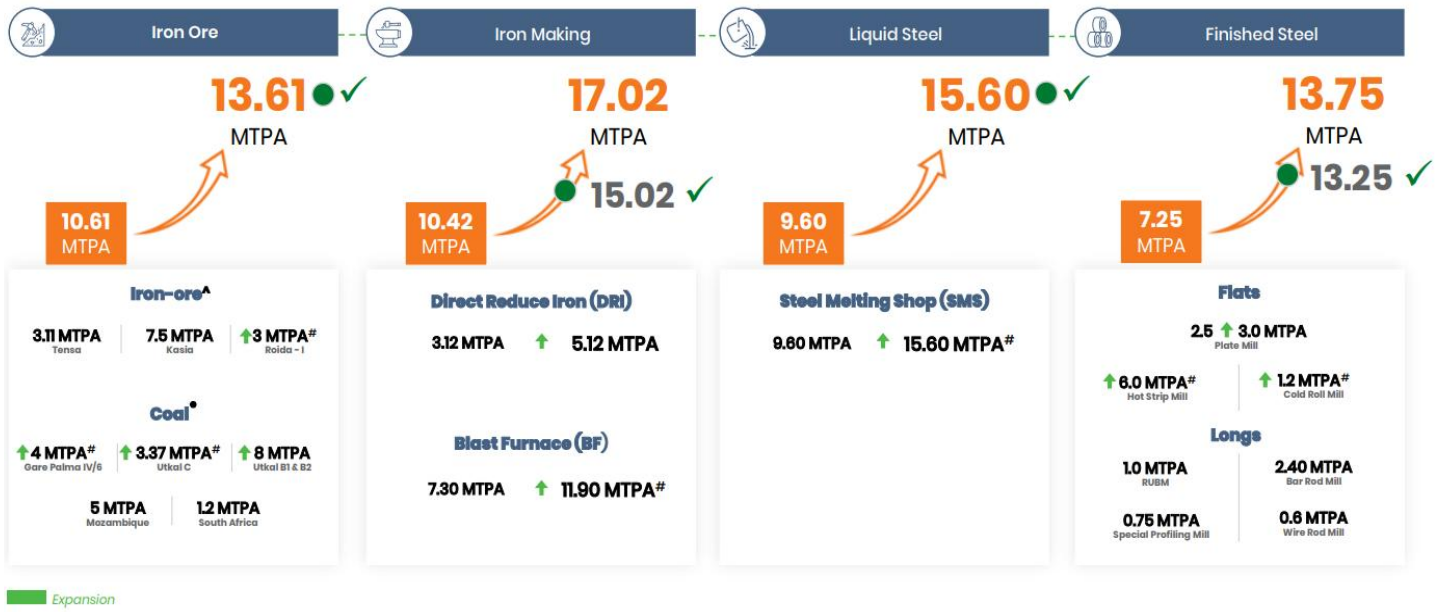
Source: Company, ICICI Direct Research

Exhibit 3: Change in Estimates

Change in estimates	FY27E			FY28E		
	Old	New	% Change	Old	New	% Change
Total Operating Income	68,541	71,729	4.7	76,654	79,210	3.3
EBITDA	14,555	12,327	-15.3	17,050	15,355	-9.9
Margins (%)	21.2	17.2	-405 bps	22.2	19.4	-286 bps
PAT	7,240	5,000	-30.9	9,162	7,304	-20.3
EPS	71.6	49.4	-31.0	90.6	72.2	-20.3

Source: ICICI Direct Research

Exhibit 4: Jindal Steel- Capacity Expansion



Commissioned
^Excludes Thakurani-A1 iron ore block awarded to Jindal Steel in Mar'26; resources of ~50 mn tonnes
*Excludes Saradhapur Jalatap East coal block (partially explored) awarded to Jindal Steel in Mar'25; geological resources of 3.25 bn tonnes

Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Net Sales	49,765	53,225	71,729	79,210
Other Operating Income	0	0	0	0
Total Operating Income	49,765	53,225	71,729	79,210
Growth (%)	-0.5	7.0	34.8	10.4
Raw Material Expenses	23,560	25,495	37,205	40,907
Employee Expenses	1,184	1,251	1,499	1,614
Other Operating Expense	15,527	16,820	20,698	21,333
Total Expenditure	40,271	43,565	59,402	63,855
EBITDA	9,494	9,660	12,327	15,355
Growth (%)	-6.9	1.7	27.6	24.6
Depreciation	2,768	3,171	3,849	4,011
Interest	1,312	1,517	1,974	1,771
Other Income	168	328	314	301
PBT	5,582	5,300	6,817	9,874
Exceptional Item	-1,239	-887	0	0
Total Tax	1,498	1,052	1,820	2,567
PAT	2,812	3,367	5,000	7,304
Growth (%)	-52.6	19.7	48.5	46.1
EPS (₹)	27.8	33.3	49.4	72.2

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Profit after Tax	2,812	3,367	5,000	7,304
Add: Depreciation	2,768	3,171	3,849	4,011
(Inc)/dec in Current Assets	1,508	-4,848	-4,681	-2,221
Inc/(dec) in CL and Provisions	2,557	3,129	3,841	2,099
Others	1,312	1,517	1,974	1,771
CF from operating activities	10,956	6,337	9,984	12,964
(Inc)/dec in Investments	-1,382	-967	595	-405
(Inc)/dec in Fixed Assets	-10,486	-9,932	-8,500	-8,000
Others	378	1,498	7	13
CF from investing activities	-11,490	-9,401	-7,898	-8,392
Issue/(Buy back) of Equity	1	0	0	0
Inc/(dec) in loan funds	1,946	4,196	-200	-2,000
Dividend & interest outgo	-1,514	-1,719	-2,379	-2,328
Inc/(dec) in Share Cap	0	0	0	0
Others	258	549	0	0
CF from financing activities	690	3,025	-2,579	-4,328
Net Cash flow	156	-39	-493	245
Opening Cash	4,024	4,180	4,142	3,648
Closing Cash	4,180	4,142	3,648	3,893

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet ₹ crore

(Year-end March)	FY25	FY26P	FY27E	FY28E
Liabilities				
Equity Capital	101	101	101	101
Reserve and Surplus	47,084	50,797	55,393	62,140
Total Shareholders' funds	47,185	50,898	55,494	62,241
Total Debt	17,842	22,038	21,838	19,838
Deferred Tax Liability	5,855	6,261	6,261	6,261
Minority Interest / Others	1,800	2,278	2,285	2,298
Total Liabilities	72,682	81,475	85,877	90,638
Assets				
Gross Block	79,814	98,100	1,09,971	1,17,971
Less: Acc Depreciation	30,881	34,053	37,902	41,913
Net Block	48,933	64,047	72,070	76,059
Capital WIP	16,725	8,372	5,000	5,000
Total Fixed Assets	65,658	72,419	77,070	81,059
Investments	2,256	3,223	2,628	3,033
Inventory	5,610	8,023	9,826	10,851
Debtors	1,363	1,729	2,948	3,255
Loans and Advances	109	111	150	166
Other Current Assets	4,642	6,710	8,326	9,194
Cash	4,180	4,142	3,648	3,893
Total Current Assets	15,904	20,715	24,898	27,359
Current Liabilities	5,713	8,778	10,808	11,936
Provisions	574	709	873	964
Current Liabilities & Prov	13,158	16,286	20,128	22,227
Net Current Assets	2,747	4,429	4,770	5,132
Other Assets	2,020	1,405	1,410	1,415
Application of Funds	72,682	81,475	85,877	90,638

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY25	FY26P	FY27E	FY28E
Per share data (₹)				
EPS	27.8	33.3	49.4	72.2
Cash EPS	55.1	64.6	87.5	111.8
BV	466.3	503.0	548.5	615.2
DPS	2.0	2.0	4.0	5.5
Cash Per Share	41.3	40.9	36.1	38.5
Operating Ratios (%)				
EBITDA Margin	19.1	18.1	17.2	19.4
PAT Margin	5.7	6.3	7.0	9.2
Inventory days	41.1	55.0	50.0	50.0
Debtor days	10.0	11.9	15.0	15.0
Creditor days	41.9	60.2	55.0	55.0
Return Ratios (%)				
RoE	3.3	5.3	9.0	11.7
RoCE	9.5	8.1	10.0	12.7
RoIC	13.9	9.9	11.4	14.5
Valuation Ratios (x)				
P/E	38.1	31.8	21.4	14.7
EV / EBITDA	12.6	12.7	10.1	7.9
EV / Net Sales	2.4	2.3	1.7	1.5
Market Cap / Sales	2.2	2.0	1.5	1.4
Price to Book Value	2.3	2.1	1.9	1.7
Solvency Ratios				
Debt/EBITDA	1.9	2.3	1.8	1.3
Debt / Equity	0.4	0.4	0.4	0.3
Current Ratio	1.9	1.7	1.8	1.8
Quick Ratio	1.0	0.9	1.0	1.0

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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