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Niche offerings strengthen growth prospects...

About the stock: JSW Steel (JSW), the flagship company of JSW group, is one of the largest and most diversified steel producers' companies in India.

- Current Steel Capacity: India- 34.2 million Ton (MT) & US- 1.5 MT

Investment Rationale

- Aggressive capacity ramp-up amidst rising domestic steel demand and value-added focus:** Despite being the world's second-largest steel consumer, India's per capita steel consumption remains low at ~103 kg (vs global average of ~215 kg). To support infrastructure growth, the government targets 300 MT of crude steel capacity and aims to raise per capita consumption to 160 kg by FY31. Leveraging its deep industry experience, JSW Steel has embarked on aggressive expansion with recently completing a 5 MTPA addition at Vijayanagar and plans to further scale up its domestic steel production capacity to 42 MTPA by Sept'27 through a brownfield expansion at Dolvi (from 10 to 15 MTPA). Furthermore, it targets 50 MTPA capacity by FY31. Notably, JSW is also strengthening its downstream portfolio, including a ₹5,845 crore investment to expand Cold rolled grain oriented electrical steel (CRGO) steel capacity to 350 KTPA by FY28. This high-margin, import-substitute product, which is utilized in highly demanded energy-efficient transformers and generators, positions JSW as the prominent steel maker in India with an integrated CRGO value chain. Moreover, this product boasts higher realization & is margin accretive in nature, thereby supporting realisation & margins going forward. With robust growth pipeline, we expect consolidated sales volume to grow at a 10% CAGR to 32.2 MT by FY27E.
- Higher volumes and lower input cost to support profitability:** In Q1FY26, JSW Steel's standalone EBITDA/tonne rose to ₹10,618 (vs ₹8,783 in Q4FY25), driven by stronger domestic steel prices (aided by the 12% safeguard duty) and lower coking coal costs, though partially offset by ~₹200 crore in maintenance shutdown costs and a one-time forex loss of ~₹343 crore. While domestic prices have softened (₹1,500/tonne decline in June'25), declining iron ore and coal prices, along with higher volumes, are expected to sustain margins. Consequently, EBITDA/tonne is now projected at ~₹11k/12.5k for FY26E/27E (vs earlier ₹13k/13.5k). Moreover, to strengthen cost control and reduce supply risk, JSW plans to increase domestic coking coal sourcing to 3.5 MTPA and double captive iron ore capacity from current ~24 MT to ~50 MT, enhancing raw material security and insulating margins from commodity price volatility.

Rating and Target Price

- With strategic capacity expansion, favourable demand tailwinds and focus on niche value added products, JSW Steel is well-positioned for record performance ahead. The Supreme court's decision to review its earlier ruling on rejecting the company's NCLT approved acquisition of BPSL, provides renewed hope of asset retention. Thus, we upgrade the stock from HOLD to **BUY** and value it at **₹1,215** (9x EV/EBITDA on FY27E).



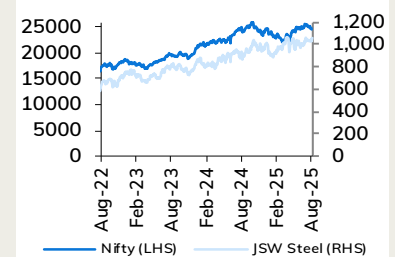
Particulars

Particulars	₹ crore
Market capitalisation	2,57,990
Total Debt (FY25)	95,957
Cash & Investment (FY25)	19,104
EV (₹ crore)	3,34,843
52 week H/L (₹)	1075 / 854
Equity capital (₹ crore)	305
Face value (₹)	1.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	44.8	44.9	44.8	45.3
FII	25.7	25.6	25.8	25.4
DII	10.5	10.6	10.5	10.9
Other	19.0	19.0	18.9	18.3

Price Chart



Recent event & key risk

- Expanding CRGO capacity to 3.5 lakh tons by FY28 with a capex cost of ~₹5,845 crore.
- Key Risk:** (i) delay in executing capex plans thereby impacting medium term volume target (ii) lower than built in improvement in profitability and consequent adverse leverage matrix

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Manisha Kesari
manisha.kesari@icicisecurities.com

Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Total Operating Income	79,839	1,46,371	1,65,960	1,75,006	1,68,824	18.2%	1,81,815	2,07,393	10.8%
EBITDA	20,141	39,007	18,547	28,236	22,904	14.0%	33,563	41,119	34.0%
EBITDA Margins (%)	25.2	26.6	11.2	16.1	13.6		18.5	19.8	
Net Profit	7,911	20,665	4,144	8,812	3,504	-2.8%	11,159	16,549	117.3%
EPS (₹)	32.4	84.5	16.9	36.0	14.3		45.6	67.7	
P/E	32.6	12.5	62.3	29.3	73.6		23.1	15.6	
RoNW (%)	17.5	30.5	5.8	11.0	5.1		12.6	15.8	
RoCE (%)	13.0	21.9	7.0	11.1	7.0		11.6	14.1	

Source: Company, ICICI Direct Research

Financial Summary (Consolidated)

Exhibit 1: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Net Sales	1,72,588	1,66,575	1,79,452	2,04,697
Other Operating Income	2418	2249	2364	2696
Total Operating Income	1,75,006	1,68,824	1,81,815	2,07,393
Growth (%)	5.5	-3.5	7.7	14.1
Raw Material Expenses	1,01,678	99,142	99,611	1,13,813
Employee Expenses	4,591	4,798	5,307	6,013
Other Operating Expense	40,501	41,980	43,335	46,448
Total Operating Expenditure	1,46,770	1,45,920	1,48,252	1,66,274
EBITDA	28,236	22,904	33,563	41,119
Growth (%)	52.2	-18.9	46.5	22.5
Depreciation	8,172	9,309	10,145	10,996
Interest	8,105	8,412	8,546	7,816
Other Income	1,004	694	722	687
PBT	12,963	5,877	15,594	22,994
Exceptional Item	-417	800	100	0
Total Tax	4,407	1,586	4,341	6,438
PAT	8,812	3,504	11,159	16,549
Growth (%)	112.6	-60.2	218.5	48.3
EPS (₹)	36.0	14.3	45.6	67.7

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	8,812	3,504	11,159	16,549
Add: Depreciation	8,172	9,309	10,145	10,996
(Inc)/dec in Current Assets	-4,752	551	-3,590	-7,769
Inc/(dec) in CL and Provisions	-5,243	-1,192	3,400	7,041
Others	8,105	8,412	8,546	7,816
CF from operating activities	15,094	20,584	29,660	34,634
(Inc)/dec in Investments	-2,440	-7,971	2,400	-200
(Inc)/dec in Fixed Assets	-23,180	-12,641	-20,000	-21,000
Others	370	672	100	100
CF from investing activities	-25,250	-19,940	-17,500	-21,100
Issue/(Buy back) of Equity	4	0	0	0
Inc/(dec) in loan funds	6,733	10,382	-2,000	-4,000
Dividend & interest outgo	-8,927	-10,197	-9,769	-9,284
Inc/(dec) in Share Cap	0	0	0	0
Others	3,980	108	0	0
CF from financing activities	1,790	293	-11,769	-13,284
Net Cash flow	-8,366	937	392	251
Opening Cash	20,714	12,348	13,285	13,677
Closing Cash	12,348	13,285	13,677	13,927

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	305	305	305	305
Reserve and Surplus	77,364	79,191	89,128	1,04,209
Total Shareholders funds	77,669	79,496	89,433	1,04,514
Total Debt	85,575	95,957	93,957	89,957
Deferred Tax Liability	9,659	9,510	9,510	9,510
Minority Interest / Others	7,451	9,127	9,327	9,527
Total Liabilities	1,80,354	1,94,090	2,02,227	2,13,508
Assets				
Gross Block	1,56,608	1,77,918	1,98,925	2,19,925
Less: Acc Depreciation	44,786	54,095	64,240	75,236
Net Block	1,11,822	1,23,823	1,34,685	1,44,689
Capital WIP	29,676	21,007	20,000	20,000
Total Fixed Assets	1,41,498	1,44,830	1,54,685	1,64,689
Investments	7,885	15,860	13,460	13,660
Inventory	37,815	34,956	37,359	42,615
Debtors	7,548	8,415	8,966	10,228
Loans and Advances	4	2	2	2
Other Current Assets	6,816	8,259	8,895	10,146
Cash	12,348	13,285	13,677	13,927
Total Current Assets	64,531	64,917	68,899	76,918
Current Liabilities	33,365	32,552	34,869	39,774
Provisions	439	285	305	348
Current Liabilities & Prov	47,844	46,652	50,052	57,093
Net Current Assets	16,687	18,265	18,847	19,825
Others Assets	14,284	15,135	15,235	15,335
Application of Funds	1,80,354	1,94,090	2,02,227	2,13,508

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	36.0	14.3	45.6	67.7
Cash EPS	69.5	52.4	87.1	112.6
BV	317.6	325.1	365.7	427.4
DPS	7.3	2.8	5.0	6.0
Cash Per Share	40.5	43.6	44.8	45.7
Operating Ratios (%)				
EBITDA Margin	16.1	13.6	18.5	19.8
PAT Margin	5.0	2.1	6.1	8.0
Inventory days	78.9	75.6	75.0	75.0
Debtor days	15.7	18.2	18.0	18.0
Creditor days	69.6	70.4	70.0	70.0
Return Ratios (%)				
RoE	11.0	5.1	12.6	15.8
RoCE	11.1	7.0	11.6	14.1
RoIC	14.5	8.8	14.2	17.1
Valuation Ratios (x)				
P/E	29.3	73.6	23.1	15.6
EV / EBITDA	11.7	14.6	10.0	8.0
EV / Net Sales	1.9	2.0	1.8	1.6
Market Cap / Sales	1.5	1.5	1.4	1.2
Price to Book Value	3.3	3.2	2.9	2.5
Solvency Ratios				
Debt/EBITDA	3.0	4.2	2.8	2.2
Debt / Equity	1.1	1.2	1.1	0.9
Current Ratio	1.5	1.6	1.6	1.6
Quick Ratio	0.4	0.5	0.5	0.5

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservation@icicidirect.com Contact Number: 18601231122

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