



Pick of the week

Jindal Steel and Power (JSP)

Recommendation: **BUY**

Current Price: ₹393

Potential Upside: **39.9%**

Time Period: **12 Month**

Target Price: ₹540

Why invest?

- 📌 JSP's brownfield, low capital intensity expansion provides strong growth visibility.
- 📌 JSP's steel EBITDA/ton increased 10% qoq in 1QFY22 on higher prices.
- 📌 Management expects net sales realisation (NSR) to increase by Rs2,000-3,000/ton from average prices of 1QFY22.
- 📌 We estimate deleveraging to continue despite growth capex. (pg1, para1, 4th line) JSP's net debt/EBITDA is likely to decline to 0.9X in FY23.
- 📌 JPL's divestment as a step in the right direction as it (1) significantly reduces leverage – net debt/EBITDA to reduce below 1X in FY2022 versus 1.5X earlier, (2) allows JSP to invest in high IRR growth projects, (3) increases return ratios as JPL has low single-digit RoCEs and (4) reduces JSP's carbon footprint by ~50%.
- 📌 Divestment of non-core power business, improvement in balance sheet and attractive growth plans makes a strong re-rating case.