18 July 2026

JSW Steel

Volume expected to improve in Q2FY27e; maintain BUY

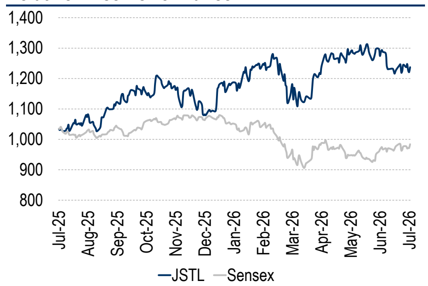
Rating: **BUY**
Target Price (12-mth): Rs.1,480
Share Price: Rs.1,237

Key Data	JSTL IN / JSTL.BO
52-week high / low	Rs1328 / 1017
Sensex / Nifty	78151 / 24334
Market cap	Rs3038bn
Shares outstanding	2445m

Shareholding Pattern (%)	Mar'26	Dec'25	Sep'25
Promoters	45.3	45.3	45.3
- of which, Pledged	11.8	*11.7*	*12.5*
Free float	54.7	54.7	54.7
- Foreign institutions	25.4	25.4	25.6
- Domestic institutions	11.2	11.1	10.9
- Public	18.2	18.3	18.3

Estimates Revision (%)	FY27e	FY28e
Revenue	5.0	4.6
EBITDA	6.0	2.5
APAT	16.3	10.0

Relative Price Performance



Source: Bloomberg

JSW Steel's consolidated production volume (adj. to BPSL), which improved 3.3% y/y and 1.7% q/q to 6.59m tonne in Q1FY27, is expected to improve further in Q2 FY27, driven by volume ramp-up from BF-3 expansion at Vijayanagar and improvement in operations at Ohio, especially in API grades. The management has retained its FY27 production and sales volume guidance of 29.75 and 28.6m tonne. The company has chartered a growth roadmap from current 37.9m tonne installed capacity to 79.5m tonne (including JVs) by FY32e, which is likely to aid it to become one of the Top 3 steel manufacturers globally. JFE transferred the final tranche of Rs78.75bn in Jun-26, which led to significant deleveraging of balance sheet, thus reducing the finance cost, as the company expects interest rates to reduce with improvement in ratings. The 302km 30m tonne slurry pipeline between Odisha mines to Jagatsinghpur is expected to yield logistics cost benefit of ~Rs1,000/tonne, with the company aiming to transport ~20m tonne, as it commences in FY27. We have adjusted the reduction in finance cost, which has led to 16.3/10% upward revision in FY27/28e APAT estimates. The company expects further increase in coking coal cost by $12-15/tonne in Q2FY27, while realisation (ex-auto) is expected to remain under check which would be partially offset by lower iron ore prices. Considering 94% capacity utilisation, strong BS deleveraging, improved leverage, increase in captive iron ore and coking coal volume and strong domestic steel demand, we maintain BUY rating on JSTL with a TP of Rs1,480, valuing the stock at 9.5x FY28e EV/EBITDA (below 5-year average EV/EBITDA multiple of 10.2x).

Consolidated performance beats estimate: Consolidated sales volume stood at 6.3m tonne vs. ARe of 6.2m tonne. Revenue stood at Rs473bn (up 9.8% y/y), while ASP at Rs75,782/tonne (10.4% above ARe). EBITDA and EBITDA/tonne grew by 23.9% and 27.4% y/y to Rs94bn and Rs15,013, respectively (above ARe). On restated basis, adjusting for BPSL demerger, ASP rose by 5.9% y/y and EBITDA/tonne grew by 19.5% y/y.

Share of captive mines to improve: The company plans to operationalise three coking coal mines in India by FY28, which are expected to supply ~2.5m tonne along with its assets in Australia, which would contribute ~1.9m tonne of PLV coking coal, while Minas de Revuboè is expected to contribute another 5m tonne by FY29e. Along with 2m tonne Dugda washery, the company is expected to suffice ~22-25% coking coal in FY28e and ~50% by FY31e. Similarly, captive iron ore is also expected to increase from current 30% to 50% by FY31e, thus improving the operating profitability, going forward.

Outlook and Valuation: Despite near-term headwinds due to rise in coking coal prices and softening of steel prices, we continue to remain positive, as sales momentum picks-up, product-mix enhances and RM integration improves. We maintain BUY rating on the stock with a TP of Rs1,480, valuing it at 9.5x FY28e EV/EBITDA. **Key Risks:** (a) Delay in capex execution; (b) delay in enhancement of RM integration; and (c) volatility in commodity prices.

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Quick Glance – Financials and Valuations (Consolidated)

Fig 1 – Income Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Sales volume (m tonne)	24.8	26.5	29.6	28.6	31.4
Net revenue	***1,750,060***	***1,688,240***	***1,854,700***	***2,083,317***	***2,246,369***
Growth (%)	*5.5*	*-3.5*	*9.9*	*12.3*	*7.8*
Total Expenses	1,467,700	1,459,200	1,556,490	1,727,260	1,837,749
EBITDA	***282,360***	***229,040***	***298,210***	***356,057***	***408,620***
EBITDA/tonne (Rs./tonne)	*11,395*	*8,659*	*10,064*	*12,467*	*13,024*
EBITDA margins (%)	*16.1*	*13.6*	*16.1*	*17.1*	*18.2*
Depreciation	81,720	93,090	96,010	93,041	96,896
Other income	10,040	6,940	12,480	17,068	13,480
Interest expenses	81,050	84,120	91,020	83,062	73,699
PBT before excep. items	129,630	58,770	123,660	197,023	251,506
PBT after exceptional items	135,520	53,880	297,250	197,023	251,506
Effective tax	44,070	15,860	37,420	49,650	63,380
PAT (before Ass. / (Mino.)	91,450	38,020	259,830	147,373	188,126
Sh. of associate/minority	(110)	(3,240)	27,170	2,898	3,425
Reported PAT	88,120	35,040	223,160	149,371	191,552
Adj. PAT	***82,230***	***39,930***	***86,980***	***149,371***	***191,552***
Growth (%)	*131.4*	*-51.4*	*117.8*	*71.7*	*28.2*

Fig 2 – Balance Sheet (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
Share capital	3,050	3,050	3,050	3,098	3,098
Net worth	776,690	794,960	1,000,530	1,127,093	1,289,912
Total Debt	879,840	987,520	993,100	814,350	789,350
Minority interest	21,070	21,700	54,220	54,670	54,670
DTL / (Assets)	93,590	92,130	92,750	92,750	92,750
Others	32,840	45,580	66,170	63,722	60,297
Capital employed	**1,804,030**	**1,941,890**	**2,206,770**	**2,152,585**	**2,286,979**
Net tangible assets	1,051,230	1,168,140	1,095,320	1,098,137	1,186,199
Net intangible assets	31,810	31,810	30,320	21,016	4,059
CWIP	292,160	204,780	218,920	293,616	405,616
Other non-current assets	258,440	292,360	317,670	317,670	317,670
Current assets (excl. cash)	453,630	433,710	440,250	482,943	502,021
Cash	80,300	116,550	392,560	229,270	171,568
Bank balance	43,210	74,490	22,510	22,510	22,510
Other current assets	68,200	82,610	179,030	201,098	216,837
Current liabilities	474,950	462,560	489,810	513,675	539,501
Capital deployed	**1,804,030**	**1,941,890**	**2,206,770**	**2,152,585**	**2,286,979**

Fig 3 – Cash-flow Statement (Rs m)

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
EBITDA	2,82,360	2,29,040	2,98,210	3,56,057	4,08,620
+ other adj.	2,360	6,490	22,640	-450	0
- Incr. / (decr.) in WC	-1,36,150	-6,810	-37,080	-40,896	-8,991
Others incl. taxes	-27,790	-19,730	-32,250	-49,650	-63,380
CF from op. activity	**1,20,780**	**2,08,990**	**2,51,520**	**2,65,062**	**3,36,249**
- Capex (tang. + intang.)	-1,55,470	-1,26,350	-1,44,370	-2,40,000	-2,80,000
Free cash-flow	-34,690	82,640	1,07,150	25,062	56,249
Others	9,090	-43,620	3,31,270	95,818	13,480
CF from inv. activity	**-1,46,380**	**-1,69,970**	**1,86,900**	**-1,44,182**	**-2,66,520**
- Div. (incl. buyback & taxes)	-8,220	-17,850	-6,850	-22,406	-28,733
+ Debt raised	38,980	91,160	-61,100	-1,78,750	-25,000
Others	-80,810	-75,930	-93,160	-83,014	-73,699
CF from fin. activity	**-50,050**	**-2,620**	**-1,61,110**	**-2,84,170**	**-1,27,431**
Closing cash balance	80,300	1,16,550	3,92,560	2,29,270	1,71,568

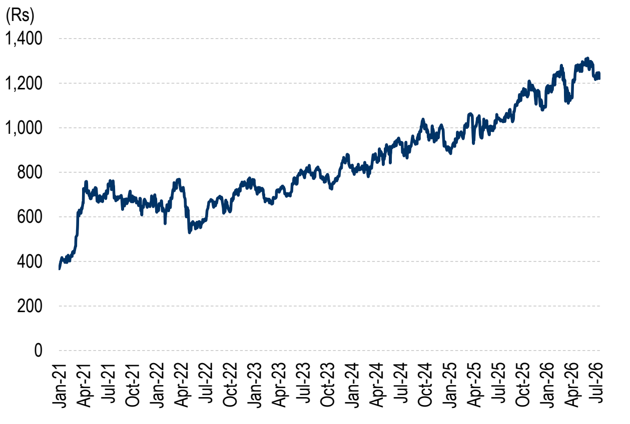
Source: Company, Anand Rathi Research

Fig 4 – Ratio Analysis

Y/E Mar	FY24	FY25	FY26	FY27e	FY28e
EPS (Rs)	33.6	16.3	35.6	59.9	76.9
P/E (x)	36.8	75.7	34.8	20.6	16.1
P/BV (x)	3.9	3.8	3.0	2.7	2.4
EV / EBITDA (x)	13.4	16.7	12.1	10.2	9.0
RoE (%)	12.3	4.5	24.9	14.0	15.9
RoCE (%)	12.5	7.6	10.3	12.8	14.7
DPS (Rs)	7.3	2.8	7.1	9.0	11.5
Dividend payout (%)	22	17	20	15	15
Net debt / EBITDA (x)	2.7	3.5	1.9	1.6	1.5
Inventory (days)	78	75	64	63	61
Debtors (days)	16	18	22	21	20
Payable (days)	32	26	28	29	31
EBITDA margins (%)	16.1	13.6	16.1	17.1	18.2
Net profit margins (%)	4.7	2.4	4.7	7.2	8.5

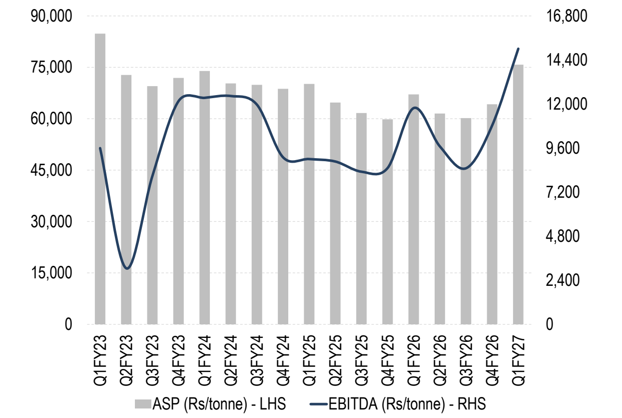
Source: Company, Anand Rathi Research

Fig 5 – Price Movement



Source: Bloomberg

Fig 6 – Q1 consolidated EBITDA/tonne tops Rs15k levels



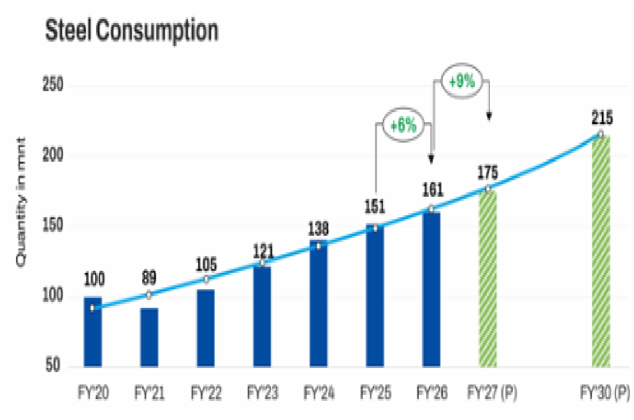
Note: We have not adjusted the volumes for previous quarters as the consolidated financials were not restated by the company for Q1 FY26 and Q4 FY26
Source: Company, Anand Rathi Research

Earnings Concall – Key Highlights

- With the upgradation of BF-3 at Vijayanagar to 4.5m tonne and higher production expected at Ohio following shutdown for caster upgradation, the management expects sequential volume improvement in Q2FY27.

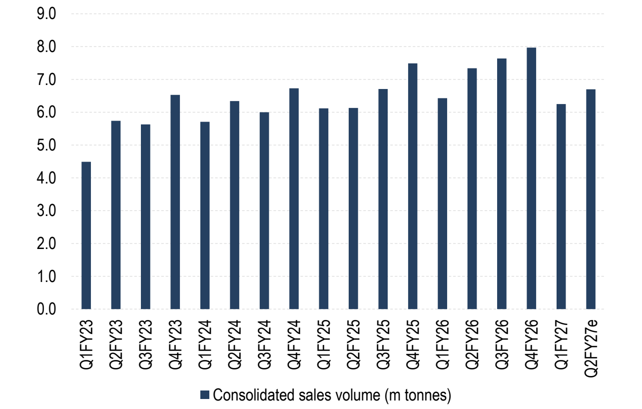
Our Analysis. Considering domestic consumption rising by ~8.3% y/y to 41.6m tonne in Q1FY27 with an expectation to reach 175m tonne in FY27e, we expect a similar sales volume growth momentum for JSTL. Considering, the company contributing ~15% to domestic demand, it is on track to report consolidated volume of 28.6/31.4m tonne in FY27/28e. We expect it to report volume of >6.7m tonne in Q2FY27e.

Fig 7 – Domestic steel consumption to inch towards 175m tonne



Source: BigMint

Fig 8 – Volume expected to improve sequentially in Q2FY27



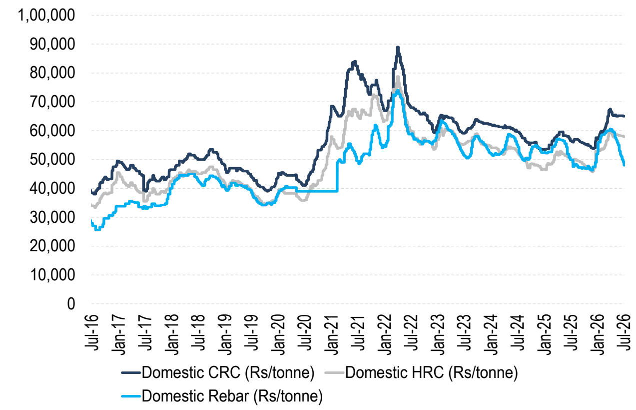
Note: We have not adjusted the volumes for previous quarters as the consolidated financials were not restated by the company for Q1 FY26 and Q4 FY26

Source: Company, Anand Rathi Research

- The prices for flat steel are expected to remain with-in the current band. However, long steel prices which has corrected sharply ~Rs 7,000–8,000/tonne is expected to hover around strong support levels. The impact in wire-rod is expected ~Rs750–1,000/tonne

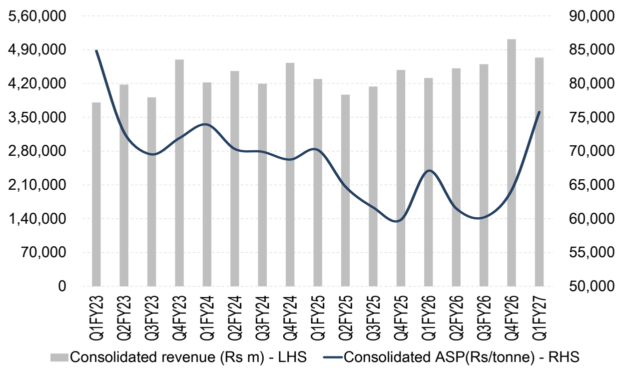
Our Analysis: The long/flat steel prices, which were hovering >Rs60k/59k during the beginning of the quarter, has seen a reduction with impact being much intense for long steel prices, which has corrected from Rs60,500/tonne in Apr-26 to Rs48,000/tonne as on date. The price reduction for flat steel has been ~Rs1,500-1,600 during the same period. We believe, as 77% of the volume is from flat steel with 61% being contributed by VAP, the same is expected to provide cushion to realisation in Q2FY27. As most of its sales is via VAP segment, we have retained our FY27/28e ASP at Rs72,947/71,599 per tonne.

Fig 9 – Flats prices remain relatively immune vs. long steel



Source: BigMint, Anand Rathi Research

Fig 10 – Realisation has surpassed Rs75k/tonne level



Note: We have not adjusted the volumes for previous quarters as the consolidated financials were not restated by the company for Q1 FY26 and Q4 FY26

Source: Company, Anand Rathi Research

- Coking coal cost, which increased \$17/tonne in Q1FY27 (vs. the management's expectation of \$12-15/tonne), is expected to increase \$12-15/tonne in Q2FY27.
- The company would benefit in subsequent quarters due to recent reduction in coal prices. The increase in RM cost is expected to be partially offset by reduction in iron ore prices.

Our Analysis. As steel mills typically carry RM inventory of 45-60days, complete benefit from lower RM prices accrues in subsequent months/quarters.

Fig 11 – Coal prices has cooled off ~\$13/tonne to \$250/tonne in recent days

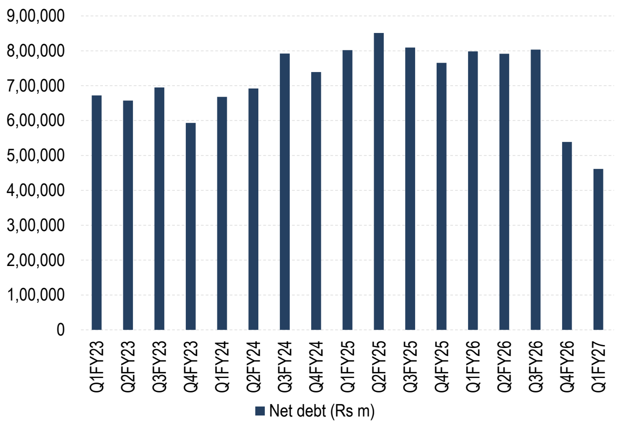
Source: BigMint, Anand Rathi Research

Fig 12 – Global iron ore prices has cooled off below \$95/tonne levels

Source: Bloomberg, Anand Rathi Research

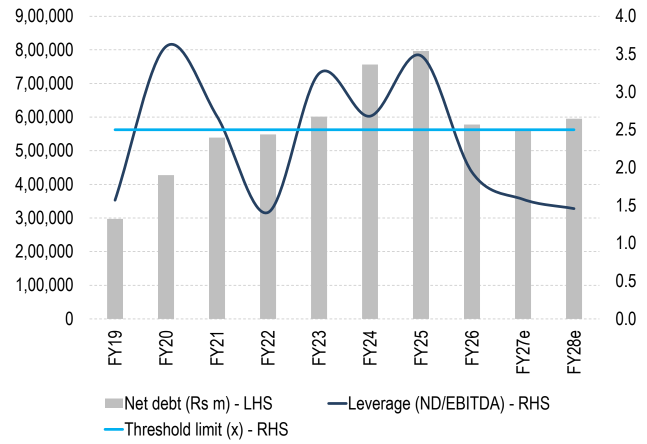
- It received second tranche of Rs78.75bn from JFE in Jun-26, resulting in further strengthening of BS. Net debt fell to Rs461.57bn in Q1FY27, significantly improving the leverage to 1.46x in Q1FY27 from 3.2x in Q1FY26. The company has revised its cap leverage to 2.5x, going forward.

Fig 13 – JSTL has achieved one of the lowest net debts in recent years



Source: Company, Anand Rathi Research

Fig 14 – Leverage to remain at current levels going forward

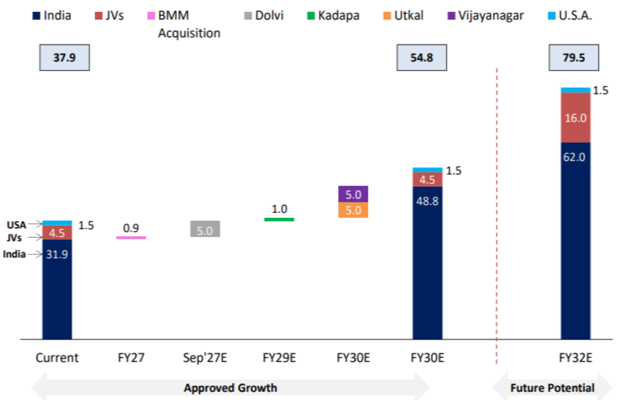


Source: Bloomberg, Anand Rathi Research

- The company has laid down the roadmap to more than double its domestic installed steel capacity from 37.9m tonne to 54.8m tonne in FY30e and 79.5m tonne by FY32e (including 16m tonne of JVs installed capacity). The expansion would be driven by 5m tonne Phase-III expansion at Dolvi, 1m tonne EAF expansion at Kadapa along with expansion at Vijayanagar and Utkal.

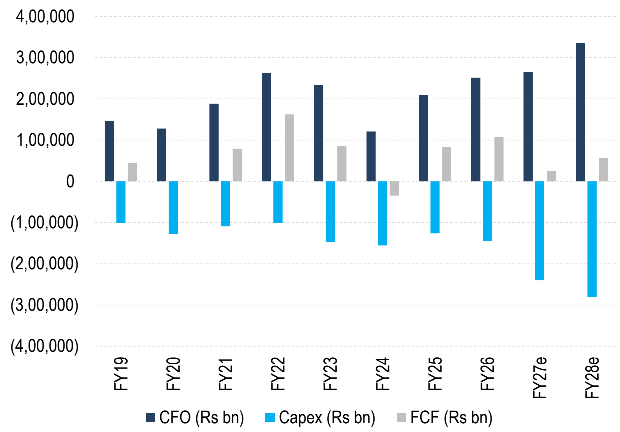
- The civil work and equipment erection at Dolvi is underway and the project is expected to be commissioned by Sep-27. The 5m tonne Blast Furnace along with 6m tonne SMS and 6m tonne HSM-2 at Utkal is expected to be commissioned by FY30. Further, the company has already undertaken equipment ordering for its upcoming 1m tonne EAF and structural mill at Kadapa.
- The company has also placed equipment order for its 0.55m tonne CRNO facility at Vijayanagar, which is expected to be commissioned by Mar-28 and for 0.5m tonne CGL, which is expected to be commissioned by Q2FY29. Similarly, equipment ordering for 0.6m tonne CRM and 0.96m tonne CGL at Khopoli has also been undertaken with facility expected to be commissioned by Q1FY28/Q1FY29.
- The company has also enhanced its CGL capex at Rajpura from 0.36m tonne to 0.6m tonne and the facility is expected to commence operations in FY28 along with 1m tonne structural mill at Raigarh, which is expected to be commissioned by FY30.
- The company has earmarked Rs220-240bn capex for FY27.

Fig 15 – JSTL on its way to 79.5m tonne crude steel capacity by FY32e



Source: Company

Fig 16 – FCFF to remain positive despite heavy capex



Source: Company, Anand Rathi Research

- The company is expanding production at its captive iron ore mines, which currently supply ~30% of its operational requirements. This increased internal capacity optimises sourcing geography, thereby reducing logistics cost and lead time. Further, the company is developing three domestic captive mines to strengthen its coking coal security.

Our Analysis. The company has a portfolio of 25 captive iron ore mines with a total EC of 19.2m tonne. Out of 25 mines, only 13 are operational and the company is under the process to enhance the EC across mines to 31.2m tonne, which would suffice ~50% of its iron ore requirement at enhanced capacity. Similarly, the company has a portfolio of coking coal mines at Jharkhand. The coking coal mines at Moitra (1m tonne), Parbatpur Central (1.2m tonne), Sitanala (0.3m tonne) along with 2m tonne Dugda Coking Coal Washery along with 3.1m tonne of NRS coking coal linkage would further strengthen the captive coal requirement by FY28. Further, the 1.9m tonne of premium low-volatile coking coal from Illawarra coking coal block, Australia would also support JSTL journey towards achieving 50% captive coal linkages by FY31e. Further, Minas de Revuboè, Mozambique has coal R&R of 850m tonne including 250m tonne of usable hard coking coal reserves. As the operations are expected to commence from mid CY28, the mine is expected to suffice ~5m tonne of coal requirement eventually increasing to ~7m tonne.

Result Highlights

Fig 17 – Quarterly Trend (Consolidated)

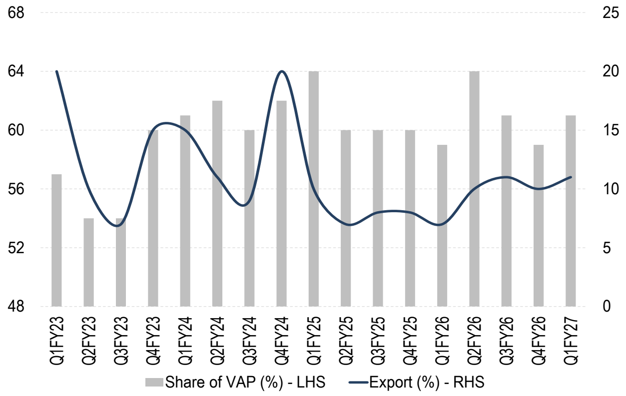
Consolidated (Rs. m)	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Q1FY27e	Est chg (%)	y/y (%)	q/q (%)
Sales Volume (m tonne)	6.4	7.3	7.6	8.0	6.3	6.2	0.4	-2.8	-21.6
Revenue	4,31,470	4,51,520	4,59,910	5,11,800	4,73,640	4,27,312	10.8	9.8	-7.5
ASP (Rs/tonne)	67,103	61,515	60,198	64,216	75,782	68,641	10.4	12.9	18.0
EBITDA	75,760	71,150	64,960	86,340	93,830	75,261	24.7	23.9	8.7
EBITDA/tonne (Rs/tonne)	11,782	9,693	8,503	10,833	15,013	12,090	24.2	27.4	38.6
EBITDA Margin (%)	17.6	15.8	14.1	16.9	19.8	17.6			
Other income	3,500	2,840	2,730	3,410	7,240	3,276	121.0	106.9	112.3
Depreciation	25,370	25,540	23,620	21,480	17,120	23,240	-26.3	-32.5	-20.3
Finance cost	22,170	24,130	23,040	21,680	21,370	22,245	-3.9	-3.6	-1.4
PBT before EO	31,720	24,320	21,030	46,590	62,580	33,053	89.3	97.3	34.3
EO	0	0	-5,290	1,78,880	0	0			
PBT after EO	31,720	24,320	15,740	2,25,470	62,580	33,053	89.3	97.3	-72.2
Tax	8,630	6,980	-9,530	31,340	14,640	8,329	75.8	69.6	-53.3
PAT before MI/Sh. Of Assoc.	23,090	17,340	25,270	1,94,130	47,940	24,724	93.9	107.6	-75.3
Reported PAT	21,840	16,230	21,390	1,63,700	46,510	26,751	73.9	113.0	-71.6
APAT	21,840	16,230	26,680	34,750	46,510	26,751	73.9	113.0	33.8
APAT margin (%)	5.1	3.6	5.8	6.8	9.8	6.3			
Standalone (Rs m)									
Revenue	3,18,200	3,28,590	3,21,270	3,62,450	3,55,390	3,51,202	1.2	11.7	-1.9
EBITDA	56,490	49,070	41,210	56,730	66,070	54,926	20.3	17.0	16.5
EBITDA Margin (%)	17.8	14.9	12.8	15.7	18.6	15.6			

Note: We have not adjusted the volumes for previous quarters as the consolidated financials were not restated by the company for Q1 FY26 and Q4 FY26

Source: Company, Anand Rathi Research

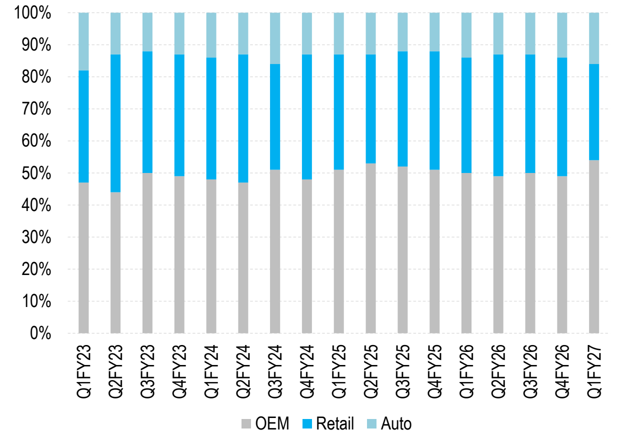
Quarterly Financial Performance and Metal Prices

Fig 18 – Share of exports to hover around current levels with 90% of the volume focuses towards domestic market



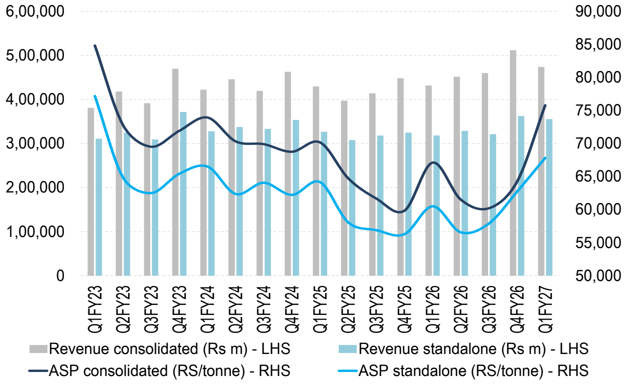
Source: Company, Anand Rathi Research

Fig 19 – Share of sales to auto sector at record levels



Source: Company, Anand Rathi Research

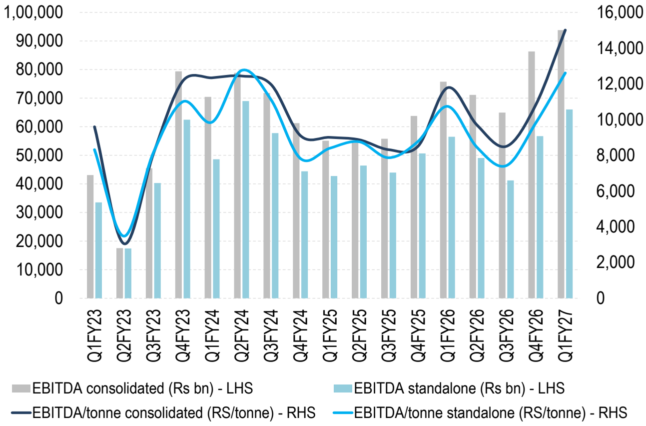
Fig 20 – Consolidated ASP has surpassed Rs75k/tonne levels



Note: We have not adjusted the volumes for previous quarters as the consolidated financials were not restated by the company for Q1 FY26 and Q4 FY26

Source: Company, Anand Rathi Research

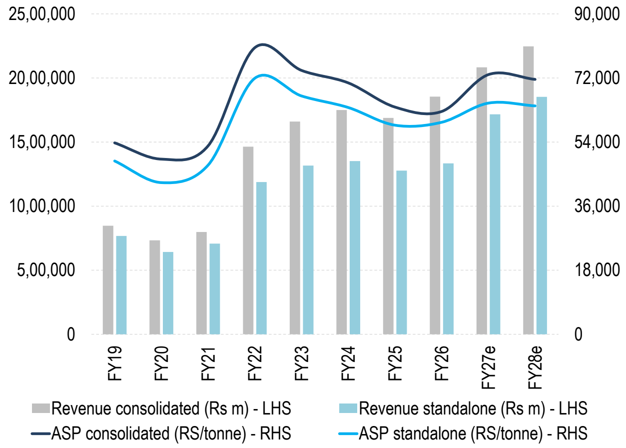
Fig 21 – ...and EBITDA/tonne surpasses Rs15k mark



Note: We have not adjusted the volumes for previous quarters as the consolidated financials were not restated by the company for Q1 FY26 and Q4 FY26

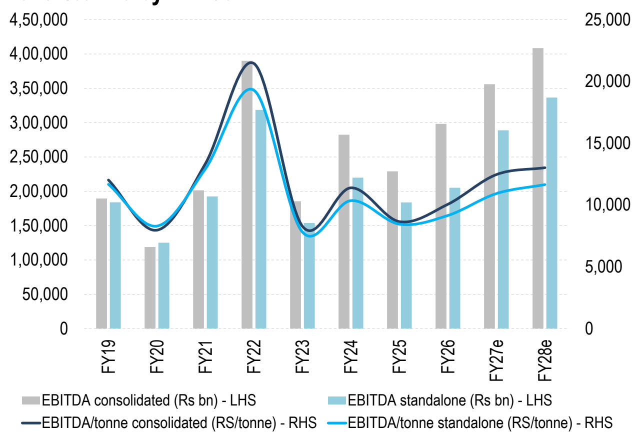
Source: Company, Anand Rathi Research

Fig 22 – Consolidated ASP to remain over Rs70k/tonne



Source: Company, Anand Rathi Research

Fig 23 – Consolidated EBITDA/tonne is expected to surpass Rs13k/tonne by FY28e



Source: Company, Anand Rathi Research

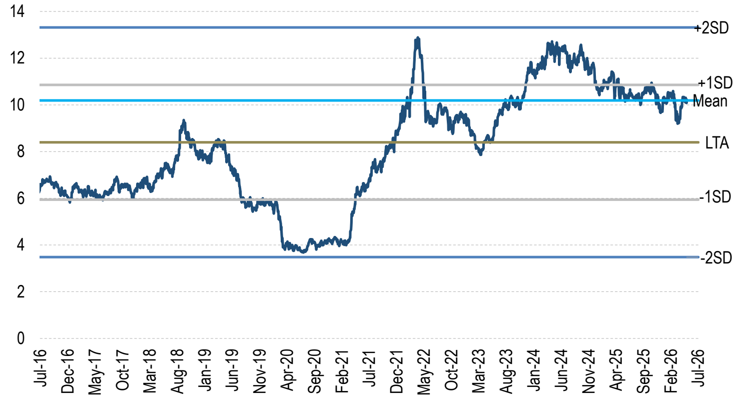
Outlook and Valuation

The company has chartered a new trajectory, which is likely to aid it to become one of the Top 3 steel manufacturers globally by FY32e. As the demand for steel from sectors i.e., as automobiles, engineering, machinery and infrastructure increases, the company is well-placed to capture the growing domestic steel demand.

With the prices expected to have been bottomed out, it is expected to provide support to realisation. Further, as the company has completed BPSL slump-sale transaction, it has substantially improved its BS position. The company has achieved the lowest leverage since FY22, which would not only help improve its credit ratings but also reduce its interest burden, going forward.

Considering the robust capacity expansion expected over next few years, we have increased the multiple to truly reflect the growth prospects. We continue to remain positive on the growth prospects and considering expected improvement in profitability over next few years, as the company enhances its VAP downstream volume. Hence, we maintain BUY rating on JSTL with a TP of Rs1,480, valuing the stock at 9.5x FY28e EV/EBITDA (lower than its 5-year average EV/EBITDA multiple)

Fig 24 – EV/EBITDA lower than 5 year average and +1SD



Source: Anand Rathi Research

Fig 25 – Change in Estimates (Consolidated)

(Rs bn)	New Estimates		Old Estimates		Change (%)	
	FY27e	FY28e	FY27e	FY28e	FY27e	FY28e
Revenue	2,083,317	2,246,369	1,984,559	2,146,811	5.0	4.6
EBITDA	356,057	408,620	336,044	398,758	6.0	2.5
APAT	149,371	191,552	128,479	174,122	16.3	10.0

Source: Anand Rathi Research

Fig 26 – TP Calculation

Y/E Mar	UoM	FY28e
Volume	m tonne	31.4
Blended EBITDA / tonne	Rs	13,024
Consolidated EBITDA	Rs m	408,620
Target EV / EBITDA	X	9.5
EV	Rs m	3,881,890
Net Debt	Rs m	595,272
C-WIP @ 80%	Rs m	324,493
Equity value	Rs m	3,611,111
No of shares	Nos. m	2,445
TP	**Rs/share**	**1,480**

Source: Anand Rathi Research *Rounded off to nearest 10's*

Key Risks

- Delay in capex execution.
- Delay in enhancement of RM integration.
- Volatility in commodity prices.

Appendix

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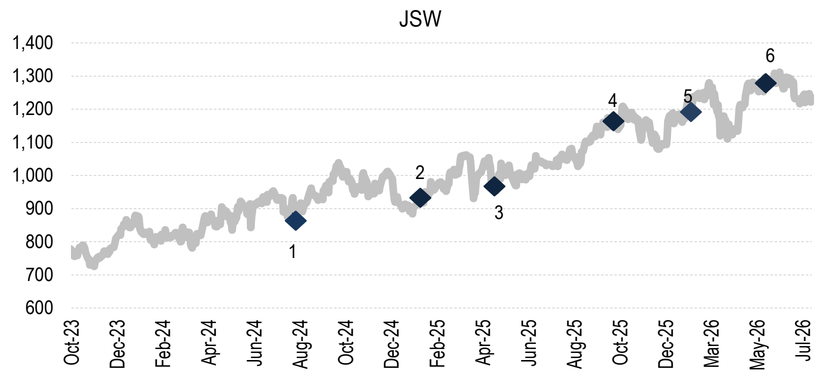
Rating and Target Price History (as of 18 July 2026)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	05-Aug-24	Buy	1,080	870
2	25-Jan-25	Buy	1,100	933
3	06-May-25	UR	1,000	963
4	19-Oct-25	Buy	1,340	1,162
5	30-Jan-26	Buy	1,420	1,240
6	15-May-26	Buy	1,480	1,297

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Ratings Guide (12 months)

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Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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