

April 22, 2025

Safeguard duty imposed on flat steel, on expected lines

Government has imposed a provisional safeguard duty of 12% on steel imports (flat steel) for a period of 200 days, effective 21st April'25. This duty will be applicable on imports of hot rolled coils, plate mill plates, cold rolled coils and sheets, metallic coated aluminium magnesium, and colour coated coils and sheets. This is subject to landed costs of imported steel being less than US\$ 675/ton, vs. domestic steel prices which are currently quoting at ~US\$ 600/ton, comfortably placed. However, developing countries (except China & Vietnam) will be exempt from this safeguard duty. This is a blanked duty on almost all imports of flat steel in the country.

Key takeaway of safeguard duty study – made strong case for protection

- Imports of flat steel as a whole increased from 2.3 million tonne in FY22 to 6.6 million tonnes for the period under investigation (1st Oct 2023 to 30th Sep 2024). The cumulative increase was 4.3 MT or 188%.
- The domestic industry claimed that the volume of imports increased as a result of certain unforeseen developments, namely, (a) multiple trade protection measures against steel products by various WTO Member countries like USA, (b) excess capacity and slowing demand in China, Japan, Korea and ASEAN countries, and (c) changes in ASEAN steel sector (Chinese sponsored mills outside China)
- The steel consumption in Japan is significantly less compared to its steel capacity and the Japanese steel industry is highly export oriented. Japan has crude steel capacity of 118 MT as of 2023 while its domestic consumption is 59 MT, thereby implying excess capacity of nearly 59 MT i.e. 100% of domestic steel consumption. Similarly, excess steel capacity in South Korea is pegged at 49% of domestic steel consumption at ~27 MT
- Furthermore, there is a gap between global capacity and crude steel production indicating significant excess capacity globally. The excess capacity surged to 628 MT in 2022 from 513 MT in 2021.
- Also, Vietnam, a net steel export destination for Indian steel industry in the past, is now a net steel exporter to India. New capacities being added in ASEAN countries such as Vietnam, Cambodia, Singapore, Indonesia, Thailand, Malaysia, Philippines are mainland Chinese investments
- On account of slowdown in Chinese construction sector, their domestic mills realigned their capacities with share of longs declining from 50% in 2013 to 41% in 2023 and share of flats increasing from 50% to 59% in the same time period, implying significant flat steel production and consequent dumping of the same in India.
- Domestic steel Imports from China has increased from 0.2 MT in FY22 to 1.2 MT in FY24; Japan from 0.3 MT to 1.4 MT and Korea from 1.6 MT to 2.5 MT in the same time period.

Our View:

This is a positive development for domestic steel players, as the imposition of safeguard duty will help curb cheap steel imports, which has increased to 9 years high of 9.5 million tons (MT) in FY25, with ~70% of these imports coming from China, South Korea, and Japan. This surge has led to a decline in domestic steel prices, which fell to 4 years low of ~₹47,000/ton. However, following the DGTR recommendation to impose safeguard duties, domestic steel prices have already increased by ₹5,000/ton and are currently quoting at ~₹52,000/ton. With metal price implication of safeguard duty already in place, any further price increase is likely to be limited in nature. We remain positive on domestic steel sector, with preference on JSW Steel and Jindal Steel and Power, owing to their strategic capacity expansion, strong domestic demand outlook, and improving profitability prospects. We have a BUY rating on JSW Steel and Jindal Steel & Power, with a target price of ₹1,250 (at 8.5x EV/EBITDA on FY27E) and ₹1,150 (at 8.25x EV/EBITDA on FY27E), respectively. We shared similar thoughts in our report last month ([Link](#))

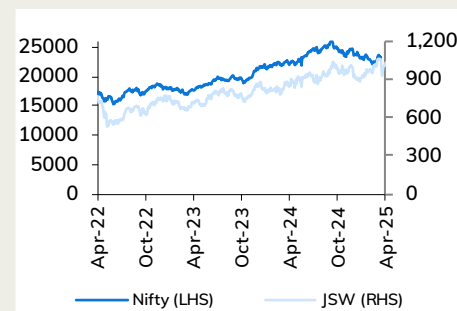
Sector View

Positive

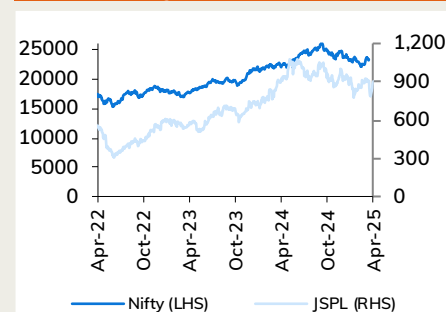
Rating Matrix

| Company | CMP (₹/share) | Target Price (₹/share) | Upside (%) | Rating |
|------------------------|---------------|------------------------|------------|--------|
| JSW Steel | 1034 | 1250 | 21% | BUY |
| Jindal Steel and Power | 906 | 1150 | 27% | BUY |

Price Chart- JSW Steel



Price Chart – Jindal Steel and Power



Key Risks & Concern

- Delays in executing capex plans thereby impacting medium term volume targets.
- Potential changes in state wise royalty rate/levies on minerals.

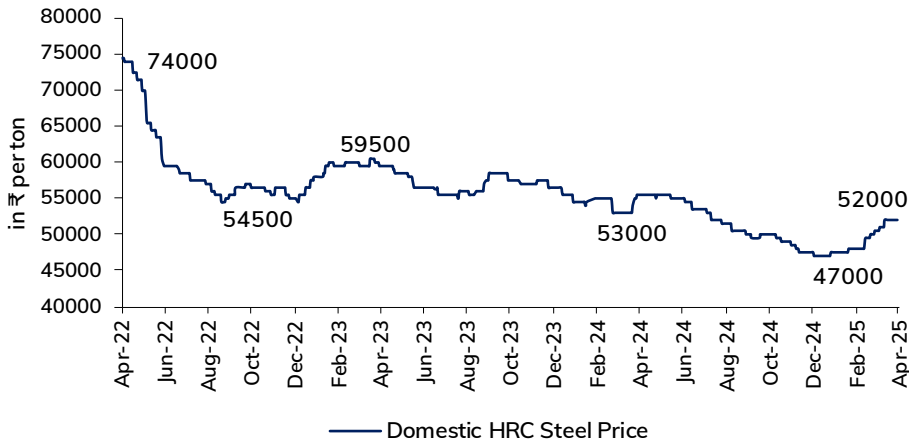
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Key Trends in Metal Prices

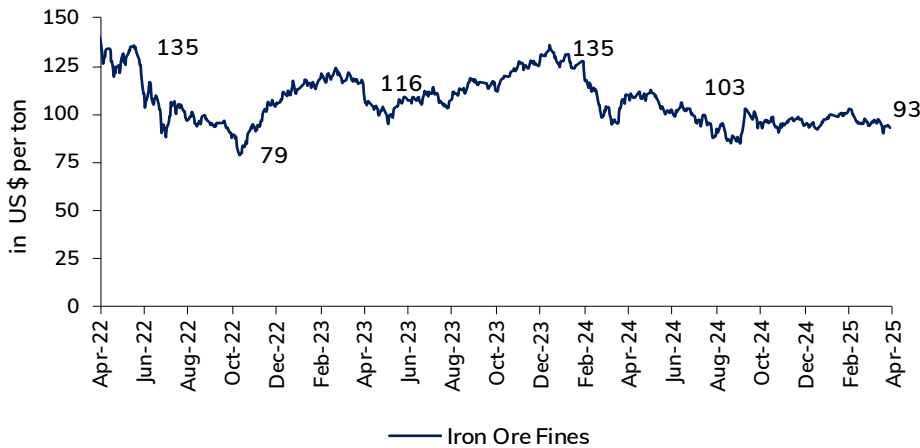
Exhibit 1: Domestic HRC Steel Price Trend



Domestic HRC steel prices have been on a downward trend for the past year, reaching a four-year low of ~₹47,000/ton. However, the ongoing safeguard duties investigation has already led to a 30% YoY decline in steel imports in Feb'25, which, in turn, has driven domestic steel prices up by ~₹5,000/ton to ~₹52,000/ton in April 2025.

Source: Bloomberg, ICICI Direct Research

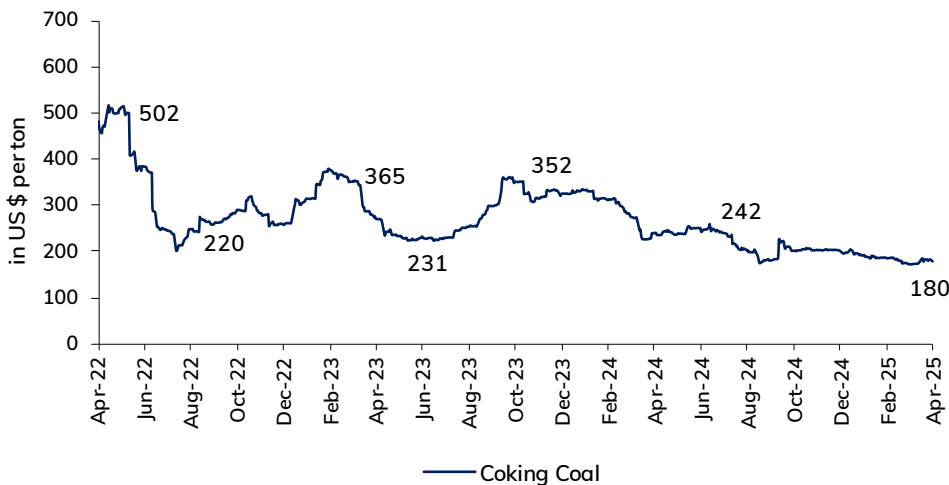
Exhibit 2: Iron Ore Fines Price Trends



Meanwhile, weak global demand has caused iron ore fines prices to drop below ~\$100/ton.

Source: Bloomberg, ICICI Direct Research

Exhibit 3: Coking Coal Price Trends



Similarly, with global steel demand remaining sluggish, coking coal prices have plunged to a low of ~\$180/ton.

Source: Bloomberg, ICICI Direct Research

Financial Summary (Consolidated)- JSW Steel

| Exhibit 4: Profit and loss statement | | | | |
|--------------------------------------|----------|----------|----------|----------|
| | ₹ crore | | | |
| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
| Net Sales | 1,72,588 | 1,69,464 | 2,01,572 | 2,24,066 |
| Other Operating Income | 2418 | 2406 | 3070 | 3412 |
| Total Operating Income | 1,75,006 | 1,71,870 | 2,04,641 | 2,27,478 |
| Growth (%) | 5.5 | -1.8 | 19.1 | 11.2 |
| Raw Material Expenses | 1,01,678 | 1,00,866 | 1,15,585 | 1,28,118 |
| Employee Expenses | 4,591 | 4,888 | 5,362 | 5,676 |
| Other Operating Expense | 40,501 | 41,881 | 46,507 | 49,776 |
| Total Operating Expenditure | 1,46,770 | 1,47,635 | 1,67,453 | 1,83,570 |
| EBITDA | 28,236 | 24,235 | 37,188 | 43,908 |
| Growth (%) | 52.2 | -14.2 | 53.4 | 18.1 |
| Depreciation | 8,172 | 9,176 | 9,936 | 10,916 |
| Interest | 8,105 | 8,582 | 8,462 | 8,177 |
| Other Income | 1,004 | 610 | 655 | 682 |
| PBT | 12,963 | 7,087 | 19,444 | 25,497 |
| Exceptional Item | -417 | 513 | 0 | 0 |
| Total Tax | 4,407 | 2,325 | 5,444 | 7,139 |
| PAT | 8,812 | 4,229 | 13,960 | 18,278 |
| Growth (%) | 112.6 | -52.0 | 230.1 | 30.9 |
| EPS (₹) | 36.0 | 17.3 | 57.1 | 74.7 |

Source: Company, ICICI Direct Research

| Exhibit 5: Cash flow statement | | | | |
|--------------------------------|---------|---------|---------|---------|
| | ₹ crore | | | |
| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
| Profit after Tax | 8,812 | 4,229 | 13,960 | 18,278 |
| Add: Depreciation | 8,172 | 9,176 | 9,936 | 10,916 |
| (Inc)/dec in Current Assets | -4,752 | 1,223 | -9,717 | -6,771 |
| Inc/(dec) in CL and Provisions | -5,243 | -661 | 8,997 | 6,269 |
| Others | 8,105 | 8,582 | 8,462 | 8,177 |
| CF from operating activities | 15,094 | 22,549 | 31,638 | 36,870 |
| (Inc)/dec in Investments | -2,440 | -5 | -5 | -5 |
| (Inc)/dec in Fixed Assets | -23,180 | -16,500 | -20,000 | -20,000 |
| Others | 370 | 10 | 10 | 10 |
| CF from investing activities | -25,250 | -16,495 | -19,995 | -19,995 |
| Issue/(Buy back) of Equity | 4 | 0 | 0 | 0 |
| Inc/(dec) in loan funds | 6,733 | 4,000 | -1,000 | -5,000 |
| Dividend & interest outgo | -8,927 | -9,561 | -10,418 | -10,623 |
| Inc/(dec) in Share Cap | 0 | 0 | 0 | 0 |
| Others | 3,980 | 0 | 0 | 0 |
| CF from financing activities | 1,790 | -5,561 | -11,418 | -15,623 |
| Net Cash flow | -8,366 | 494 | 225 | 1,252 |
| Opening Cash | 20,714 | 12,348 | 12,842 | 13,067 |
| Closing Cash | 12,348 | 12,842 | 13,067 | 14,319 |

Source: Company, ICICI Direct Research

| Exhibit 6: Balance Sheet | | | | |
|----------------------------|----------|----------|----------|----------|
| | ₹ crore | | | |
| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
| Liabilities | | | | |
| Equity Capital | 305 | 305 | 305 | 305 |
| Reserve and Surplus | 77,364 | 80,615 | 92,618 | 1,08,451 |
| Total Shareholders funds | 77,669 | 80,920 | 92,923 | 1,08,756 |
| Total Debt | 85,575 | 89,575 | 88,575 | 83,575 |
| Deferred Tax Liability | 9,659 | 9,659 | 9,659 | 9,659 |
| Minority Interest / Others | 7,451 | 7,461 | 7,471 | 7,481 |
| Total Liabilities | 1,80,354 | 1,87,615 | 1,98,628 | 2,09,471 |
| Assets | | | | |
| Gross Block | 1,56,608 | 1,82,784 | 2,02,784 | 2,22,784 |
| Less: Acc Depreciation | 44,786 | 53,962 | 63,898 | 74,815 |
| Net Block | 1,11,822 | 1,28,822 | 1,38,886 | 1,47,969 |
| Capital WIP | 29,676 | 20,000 | 20,000 | 20,000 |
| Total Fixed Assets | 1,41,498 | 1,48,822 | 1,58,886 | 1,67,969 |
| Investments | 7,885 | 7,890 | 7,895 | 7,900 |
| Inventory | 37,815 | 36,728 | 43,732 | 48,612 |
| Debtors | 7,548 | 7,534 | 8,971 | 9,972 |
| Loans and Advances | 4 | 4 | 5 | 5 |
| Other Current Assets | 6,816 | 6,694 | 7,970 | 8,860 |
| Cash | 12,348 | 12,842 | 13,067 | 14,319 |
| Total Current Assets | 64,531 | 63,802 | 73,744 | 81,767 |
| Current Liabilities | 33,365 | 32,961 | 39,246 | 43,626 |
| Provisions | 439 | 434 | 516 | 574 |
| Current Liabilities & Prov | 47,844 | 47,183 | 56,180 | 62,450 |
| Net Current Assets | 16,687 | 16,619 | 17,564 | 19,318 |
| Others Assets | 14,284 | 14,284 | 14,284 | 14,284 |
| Application of Funds | 1,80,354 | 1,87,615 | 1,98,628 | 2,09,471 |

Source: Company, ICICI Direct Research

| Exhibit 7: Key ratios | | | | |
|-----------------------|-------|-------|-------|-------|
| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
| Per share data (₹) | | | | |
| EPS | 36.0 | 17.3 | 57.1 | 74.7 |
| Cash EPS | 69.5 | 54.8 | 97.7 | 119.4 |
| BV | 317.6 | 330.9 | 380.0 | 444.7 |
| DPS | 7.3 | 4.0 | 8.0 | 10.0 |
| Cash Per Share | 40.5 | 42.1 | 42.8 | 46.9 |
| Operating Ratios (%) | | | | |
| EBITDA Margin | 16.1 | 14.1 | 18.2 | 19.3 |
| PAT Margin | 5.0 | 2.5 | 6.8 | 8.0 |
| Inventory days | 78.9 | 78.0 | 78.0 | 78.0 |
| Debtor days | 15.7 | 16.0 | 16.0 | 16.0 |
| Creditor days | 69.6 | 70.0 | 70.0 | 70.0 |
| Return Ratios (%) | | | | |
| RoE | 11.0 | 5.6 | 15.0 | 16.8 |
| RoCE | 11.1 | 8.0 | 13.7 | 15.8 |
| RoC | 14.5 | 9.7 | 16.5 | 18.8 |
| Valuation Ratios (x) | | | | |
| P/E | 28.7 | 59.8 | 18.1 | 13.8 |
| EV / EBITDA | 11.5 | 13.6 | 8.8 | 7.3 |
| EV / Net Sales | 1.9 | 1.9 | | 1.4 |
| Market Cap / Sales | 1.4 | 1.5 | 1.2 | 1.1 |
| Price to Book Value | 3.3 | 3.1 | 2.7 | 2.3 |
| Solvency Ratios | | | | |
| Debt/EBITDA | 3.0 | 3.7 | 2.4 | 1.9 |
| Debt / Equity | 1.1 | 1.1 | 1.0 | 0.8 |
| Current Ratio | 1.5 | 1.5 | 1.5 | 1.5 |
| Quick Ratio | 0.4 | 0.4 | 0.4 | 0.4 |

Source: Company, ICICI Direct Research

Financial Summary (Consolidated)- Jindal Steel & Power

| Exhibit 8: Profit and loss statement | | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | ₹ crore | | | |
| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
| Net Sales | 50,027 | 48,629 | 62,741 | 73,776 |
| Other Operating Income | 0 | 0 | 0 | 0 |
| Total Operating Income | 50,027 | 48,629 | 62,741 | 73,776 |
| Growth (%) | -5.1 | -2.8 | 29.0 | 17.6 |
| Raw Material Expenses | 22,020 | 22,476 | 27,640 | 33,180 |
| Employee Expenses | 1,288 | 1,196 | 1,504 | 1,729 |
| Other Operating Expense | 16,518 | 15,229 | 20,058 | 22,729 |
| Total Operating Expenditure | 39,826 | 38,902 | 49,202 | 57,638 |
| EBITDA | 10,201 | 9,727 | 13,539 | 16,139 |
| Growth (%) | 2.7 | -4.6 | 39.2 | 19.2 |
| Depreciation | 2,822 | 2,819 | 3,102 | 3,214 |
| Interest | 1,294 | 1,334 | 1,732 | 1,687 |
| Other Income | 157 | 127 | 136 | 149 |
| PBT | 6,241 | 5,701 | 8,841 | 11,386 |
| Exceptional Item | 0 | 0 | 0 | 0 |
| Total Tax | 298 | 1,494 | 2,299 | 2,960 |
| PAT | 5,938 | 4,206 | 6,542 | 8,424 |
| Growth (%) | 86.0 | -29.2 | 55.5 | 28.8 |
| EPS (₹) | 59.2 | 42.0 | 65.3 | 84.0 |

Source: Company, ICICI Direct Research

| Exhibit 9: Cash flow statement | | | | |
|-------------------------------------|---------------|----------------|----------------|----------------|
| | ₹ crore | | | |
| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
| Profit after Tax | 5,938 | 4,206 | 6,542 | 8,424 |
| Add: Depreciation | 2,822 | 2,819 | 3,102 | 3,214 |
| (Inc)/dec in Current Assets | -3,083 | 336 | -3,745 | -2,930 |
| Inc/(dec) in CL and Provisior | -20 | -319 | 2,984 | 2,333 |
| Others | 1,294 | 1,334 | 1,732 | 1,687 |
| CF from operating activities | 6,951 | 8,375 | 10,614 | 12,729 |
| (Inc)/dec in Investments | 89 | 35 | -15 | -105 |
| (Inc)/dec in Fixed Assets | -9,405 | -11,480 | -10,200 | -10,200 |
| Others | -165 | 0 | 1 | 2 |
| CF from investing activities | -9,482 | -11,445 | -10,214 | -10,303 |
| Issue/(Buy back) of Equity | 0 | 0 | 0 | 0 |
| Inc/(dec) in loan funds | 3,461 | 5,000 | 1,500 | 200 |
| Dividend & interest outgo | -1,495 | -1,534 | -1,982 | -1,988 |
| Inc/(dec) in Share Cap | 0 | 0 | 0 | 0 |
| Others | -128 | 0 | 0 | 0 |
| CF from financing activities | 1,838 | 3,466 | -482 | -1,788 |
| Net Cash flow | -693 | 396 | -83 | 638 |
| Opening Cash | 4,717 | 4,024 | 4,420 | 4,338 |
| Closing Cash | 4,024 | 4,420 | 4,338 | 4,975 |

Source: Company, ICICI Direct Research

| Exhibit 10: Balance Sheet | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | ₹ crore | | | |
| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
| Liabilities | | | | |
| Equity Capital | 100 | 100 | 100 | 100 |
| Reserve and Surplus | 44,216 | 48,221 | 54,512 | 62,635 |
| Total Shareholders funds | 44,316 | 48,322 | 54,613 | 62,736 |
| Total Debt | 15,896 | 20,896 | 22,396 | 22,596 |
| Deferred Tax Liability | 5,923 | 5,923 | 5,923 | 5,923 |
| Minority Interest / Others | 1,979 | 1,989 | 2,000 | 2,012 |
| Total Liabilities | 68,114 | 77,131 | 84,932 | 93,267 |
| Assets | | | | |
| Gross Block | 75,646 | 86,738 | 96,938 | 1,07,138 |
| Less: Acc Depreciation | 27,318 | 30,137 | 33,239 | 36,453 |
| Net Block | 48,329 | 56,601 | 63,699 | 70,685 |
| Capital WIP | 9,611 | 10,000 | 10,000 | 10,000 |
| Total Fixed Assets | 57,940 | 66,601 | 73,699 | 80,685 |
| Investments | 874 | 839 | 854 | 959 |
| Inventory | 7,077 | 6,928 | 8,939 | 10,511 |
| Debtors | 1,665 | 1,599 | 2,063 | 2,426 |
| Loans and Advances | 254 | 247 | 318 | 374 |
| Other Current Assets | 4,233 | 4,115 | 5,309 | 6,243 |
| Cash | 4,024 | 4,420 | 4,338 | 4,975 |
| Total Current Assets | 17,253 | 17,309 | 20,966 | 24,529 |
| Current Liabilities | 4,682 | 4,530 | 5,844 | 6,872 |
| Provisions | 502 | 486 | 627 | 737 |
| Current Liabilities & Prov | 10,601 | 10,281 | 13,265 | 15,598 |
| Net Current Assets | 6,652 | 7,027 | 7,701 | 8,930 |
| Others Assets | 2,648 | 2,663 | 2,678 | 2,693 |
| Application of Funds | 68,114 | 77,131 | 84,932 | 93,267 |

Source: Company, ICICI Direct Research

| Exhibit 11: Key ratios | | | | |
|-----------------------------|------------|------------|------------|------------|
| (Year-end March) | FY24 | FY25E | FY26E | FY27E |
| Per share data (₹) | | | | |
| EPS | 59.2 | 42.0 | 65.3 | 84.0 |
| Cash EPS | 87.4 | 70.1 | 96.2 | 116.1 |
| BV | 442.1 | 482.1 | 544.8 | 625.9 |
| DPS | 2.0 | 2.0 | 2.5 | 3.0 |
| Cash Per Share | 40.1 | 44.1 | 43.3 | 49.6 |
| Operating Ratios (%) | | | | |
| EBITDA Margin | 20.4 | 20.0 | 21.6 | 21.9 |
| PAT Margin | 11.9 | 8.6 | 10.4 | 11.4 |
| Inventory days | 51.6 | 52.0 | 52.0 | 52.0 |
| Debtor days | 12.1 | 12.0 | 12.0 | 12.0 |
| Creditor days | 34.2 | 34.0 | 34.0 | 34.0 |
| Return Ratios (%) | | | | |
| RoE | 13.4 | 8.7 | 12.0 | 13.4 |
| RoCE | 11.1 | 9.1 | 12.5 | 14.1 |
| RoIC | 14.1 | 11.4 | 15.3 | 17.0 |
| Valuation Ratios (x) | | | | |
| P/E | 15.3 | 21.6 | 13.9 | 10.8 |
| EV / EBITDA | 10.2 | 11.1 | 8.1 | 6.8 |
| EV / Net Sales | 2.1 | 2.2 | 1.8 | 1.5 |
| Market Cap / Sales | 1.8 | 1.9 | 1.5 | 1.3 |
| Price to Book Value | 2.0 | 1.9 | 1.7 | 1.4 |
| Solvency Ratios | | | | |
| Debt/EBITDA | 1.6 | 2.1 | 1.7 | 1.4 |
| Debt / Equity | 0.4 | 0.4 | 0.4 | 0.4 |
| Current Ratio | 2.6 | 2.6 | 2.6 | 2.6 |
| Quick Ratio | 1.2 | 1.2 | 1.2 | 1.2 |

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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