

**RESEARCH****JINDAL STEEL & POWER | TARGET: Rs 1,010 | +6% | HOLD**

Delivery on expansion and further growth visibility key triggers

**ECLERX SERVICES | NOT RATED**

Strong 2Q. Reiterates top quartile revenue growth in FY25

**SUMMARY****JINDAL STEEL & POWER**

- Q2 results beat our weak expectations; EBITDA margin resilience reflect benefit of captive coal and HSM ramp-up
- We maintain 22% EBITDA CAGR over FY24-27E, factoring in 60% capacity expansion underway at Angul
- Retain HOLD with revised TP of Rs 1,010 (from Rs 975); delivery on expansion and further growth visibility are key triggers

[Click here](#) for the full report.

**ECLERX SERVICES**

- 5.7% CC QoQ revenue growth and 480bps EBIT margin expansion was ahead of estimate driven by financial markets vertical and top clients
- It reiterated its guidance for FY25 at top quartile revenue growth and 24-28% EBITDA margin
- Should deliver low to mid-teens revenue growth in FY25 in USD terms. Will be initiating coverage soon

[Click here](#) for the full report.



**HOLD**  
 TP: Rs 1,010 | ▲ 6%

**JINDAL STEEL & POWER** | Metals & Mining

07 November 2024

**Delivery on expansion and further growth visibility key triggers**

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**Q2 beat:** Amid weak expectations, Q2 EBITDA was 2% ahead of Bloomberg consensus and 17% ahead of our forecast. The beat was driven by 6% higher EBITDA in standalone operations and higher contribution of Rs 2.1bn from subsidiaries likely driven by ramp-up of HSM at the JSOL subsidiary.

**Q2 weakness:** Q2 EBITDA was down 25% QoQ driven by 11% decline in volumes and 20% decline in EBITDA margin. Despite weak prices, EBITDA was relatively resilient for both the standalone operations at Rs 10.4k/t and consolidated at Rs 11.5k/t. While the ramp-up of coal mines has eliminated the use of higher cost e-auction coal, the ramp-up of HSM has largely eliminated sales of semis.

**Q3 margin dependent on iron ore:** The benefit of higher realisation (Rs 1k-2k/t till date) and lower coking coal costs (US\$ 20-25/t in Q3) has been offset significantly by increases in iron ore costs (Rs 1k/t till date). Iron ore outpaced the increase in steel prices on the back of improved optimism on potential stimulus in China.

**Angul delivery is the key trigger:** JSP needs to deliver on its revised timeline for the expansion project. The slurry pipeline's physical progress improved to 80%, the B1 coal mine is gearing up for Q4 start-up and the B2 coal mine start-up has been shifted to FY26. Ramp-up of HSM beyond 40% now depends on the start-up of BF.

**Tweak estimates:** Factoring in weakness in Q2 and slower margin recovery in Q3, we lower FY25E EBITDA by 4%. However, with JSP demonstrating a resilient EBITDA margin in Q2 relative to peers on the back of captive coal usage and HSM ramp-up, we raise FY26E EBITDA by 7%. We largely maintain our FY27 forecasts, where we assume a significant ramp-up of the Angul project. We believe the company is primed to deliver 22% EBITDA CAGR over FY24-FY27E.

**Maintain HOLD:** We raise our TP to Rs 1,010 from Rs 975, while maintaining the target 1Y forward EV/EBITDA at 6x, below our sector target of 6.5x, as we wait for JSP to demonstrate disciplined growth. Retain HOLD given 6% upside. Successful delivery on expansion and further growth visibility are key triggers.

**Key changes**

Target	Rating
▲	◀ ▶

Ticker/Price	JSP IN/Rs 952
Market cap	US\$ 11.5bn
Free float	39%
3M ADV	US\$ 25.0mn
52wk high/low	Rs 1,097/Rs 620
Promoter/FPI/DII	61%/12%/16%

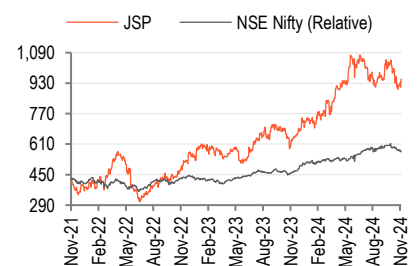
Source: NSE | Price as of 6 Nov 2024

**Key financials**

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	5,00,268	5,27,378	7,18,016
EBITDA (Rs mn)	1,02,008	1,08,344	1,45,677
Adj. net profit (Rs mn)	59,384	52,311	79,797
Adj. EPS (Rs)	58.2	51.3	78.2
Consensus EPS (Rs)	58.2	57.8	85.9
Adj. ROAE (%)	14.3	11.2	15.0
Adj. P/E (x)	16.4	18.6	12.2
EV/EBITDA (x)	10.4	9.9	7.5
Adj. EPS growth (%)	88.5	(11.9)	52.5

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



NOT RATED

ECLERX SERVICES

| IT Services

| 07 November 2024

## Strong 2Q. Reiterates top quartile revenue growth in FY25

- 5.7% CC QoQ revenue growth and 480bps EBIT margin expansion was ahead of estimate driven by financial markets vertical and top clients
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Girish Pai

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**Revenue growth very strong:** It was up 5.7% QoQ in CC terms (our estimate 2.6%) driven by growth in segments like financial markets, customer operations, North America and top 10 clients.

**Better than expected margins too:** EBIT margin at 22% (our estimate 20.1%) improved QoQ by 480bps due stronger revenue growth (leading to operating leverage), improved utilization (excess bench from 1Q became billable in 2Q), and some one-offs (One-offs from the previous quarter, such as sign-on bonuses, higher 401k contributions, and a change in leave provision calculations, contributing ~85 bps to margin expansion).

**Upsell and cross sell efforts drives top 10 clients' growth:** The company is focusing on new buying centers within its top clients and has seen some early success. It's been six months since the strategy was formulated. There is a focus on cross-selling productized services in areas like customer operations and finance & accounting. This will remain a key focus moving into 2H and the next year.

### Business Segments:

- **Financial Markets:** Exceptional performance in 2Q with growth in offshore and onshore client lifecycle businesses.
- **Digital:** Showed mixed results, with growth in data operations offset by a slowdown in the creative business.

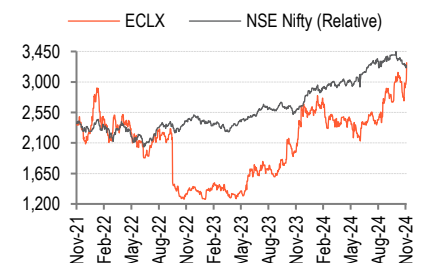
### Growth Outlook:

- **Financial Markets:** Demand is driven by compliance and regulatory work, as well as increased activity in various asset classes supported by the company on the market side. The company does not anticipate a slowdown in this segment. The momentum in this business continues to be strong and demand is seen in both change and BAU areas of this business.
- **Digital Business:** Decline in fashion and luxury, with global fashion houses experiencing lower client demand, especially from China. This trend is expected to persist for the next couple of quarters. However, there is expectation of budget outlook improvement in high-tech, retail, manufacturing, and distribution. It is seeing a little bit longer timelines in terms of decision-making.
- **Customer Operations:** Growth is driven by existing clients and cross-sell opportunities across different verticals.

Ticker/Price	ECLX IN/Rs 3,285
Market cap	US\$ 1.8bn
Free float	45%
3M ADV	US\$ 6.2mn
52wk high/low	Rs 3,345/Rs 2,002
Promoter/FPI/DII	54%/10%/24%

Source: NSE | Price as of 6 Nov 2024

### Stock performance



Source: NSE



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**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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