

The consolidated EBITDA stood at Rs12.3bn (CentrumE: Rs13.3bn) up 3.2% QoQ and consolidated EBITDA/t of Rs22,637 (CentrumE: Rs24,213/t). The export demand was muted otherwise margins could had ended higher than reported. CoP dropped by 4% QoQ primarily due to fall in nickel price by 8.5% QoQ. Standalone EBITDA/t was down 3.4% QoQ to Rs19,679/t (CentrumE: Rs19,997/t). At JUSL, it completed expansion of hot strip mill from 1.6mtpa to 3.2mtpa during the quarter. Consolidated net debt decline by Rs7.6bn to Rs45.5bn aided by cash release from lower working capital requirement. We estimate JDSL profitability to improve with EBITDA and PAT growing at 26%/35% CAGR over FY23-26E with RoE of 21% and net cash position by FY26 if further capex is not announced. Besides, at optimum CU in FY26, we estimate volume of 2.8mt (CAGR of 17% over FY23-26E). Factoring strong earning visibility along with net cash position in FY26, we raise EV/EBITDA multiple to 6.5x (earlier 5.5x) and rollover to mid-FY26E and arrive at target price of Rs519/sh (Earlier: Rs404/sh). Maintain ADD rating.

EBITDA/t shrinks by 3% QoQ due to lower realisation

During Q2, JDSL sold 544kt of stainless steel (SS), down 0.9% QoQ. JDSL exports stood at 13% (17% in Q1FY24) of volume due to muted demand in Europe and USA. Due to fall in nickel prices by 8.5% QoQ, average NSR was down 2.2% QoQ. Hence gross margin increased marginally from 29% to 29.7% QoQ in Q2FY24. But higher conversion cost partially offset rise in gross margins and resulted in margin decline by Rs696/t (3.4%) QoQ to Rs19,679/t. Management guided 2.2mt of sales volume in FY24 with upside risk if Europe economy bounce back in H2FY24. Further, guided EBITDA/t should be in range of Rs19,000-21,000/t.

Net Debt down Rs7.5bn QoQ

During the quarter, raw material prices fell sharply which indirectly reduced working capital requirement and cash released aided net debt reduction of Rs7.5bn QoQ. The consolidated (incl. JUSL) net debt as on Sept-end 2023 stood at Rs45.5bn. The Net Debt/EBITDA is also in comfortable range of 1x. Despite recent acquisitions of Rathi super steels for Rs2bn, 49% stake in Indonesia entity (PT Cosan) for ~Rs13bn and JUSL for Rs9.6bn and ongoing expansion capex, we estimate higher OCF will drive deleveraging and bring down Net Debt to Net cash position in FY26 if no further capex is announced. JUSL completed hot strip mill expansion from 1.6mtpa to 3.2mtpa during the quarter. During H1FY24, JDSL spent on capex stood at ~Rs20bn. Further, capex required is Rs1bn to operationalise Rathi super steels and cumulatively planned capex in Indonesia and in India cumulatively will spend Rs13bn in H2FY24.

Maintain ADD rating with TP of Rs519

Jindal stainless profitability is expected to remain solid amid strong domestic demand and improvement in exports as well. It intends to sell PTJSI (Indonesian unit) due to unsustainable business. We expect JDSL to clock consolidated EBITDA/t of Rs23,000-24,000/t in FY24-26E and factor in 17% CAGR volume growth over FY23-26E. We believe, higher OCF of Rs50bn in FY26 (vs Rs31bn in FY23) and no major capex, will turn from net debt to cash surplus position. We recommend ADD with target price of Rs519

Financial and valuation summary

YE Mar (Rs mn)	2QFY24A	2QFY23A	YoY (%)	1QFY24A	QoQ (%)	FY24E	FY25E	FY26E
Revenues	97,970	56,045	74.8	1,01,840	(3.8)	4,62,245	5,25,531	5,62,207
EBITDA	12,306	3,583	243.5	11,924	3.2	51,126	61,122	63,053
EBITDA margin (%)	0.0	6.4		0.0		11.1	11.6	11.2
Adj. Net profit	6,558	1,518	331.9	7,376	(11.1)	32,060	40,031	40,161
Adj. EPS (Rs)	8.0	1.8	331.9	9.0	(11.1)	38.9	48.6	48.8
EPS growth (%)						51.6	24.9	0.3
PE (x)						12.1	9.7	9.6
EV/EBITDA (x)						8.2	6.5	5.8
PBV (x)						2.6	2.1	1.7
RoE (%)						24.0	24.1	19.6
RoCE (%)						19.9	21.3	19.4

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

Market Data

Bloomberg:	JDSL IN
52 week H/L:	541/130
Market cap:	Rs386.2bn
Shares Outstanding:	823.4mn
Free float:	50.1%
Avg. daily vol. 3mth:	8,44,835

Source: Bloomberg

Changes in the report

Rating: ADD; unchanged

Target price: Rs519; up 28%

Source: Centrum Broking

Shareholding pattern

	Sep-23	Jun-23	Mar-23	Dec-22
Promoter	57.9	57.9	57.9	70.1
FIIIs	23.4	22.2	21.9	13.1
DIIIs	3.3	3.0	3.4	6.4
Public/other	15.4	16.9	16.7	10.5

Source: BSE

Centrum estimates vs Actual results

YE Mar (Rs mn)	Actual Q2FY24	Centrum Q2FY24	Variance (%)
Revenue	97,970	1,02,198	-4.1
Adj EBITDA	12,306	13,284	-7.4
EBITDA margin (%)	12.6	13.0	
Adj. PAT	6,558	7,805	16.0

Source: Bloomberg, Centrum Broking



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Thesis Snapshot

Estimate revision

YE Mar (Rs mn)	FY24E New	FY24E Old	% chg	FY25E New	FY25E Old	% chg
Revenue	4,62,245	4,50,440	2.6	5,25,531	5,28,274	-0.5
EBITDA	51,126	52,624	-2.8	61,122	64,302	-4.9
EBITDA margin	11.1	11.7		11.6	12.2	
Adj. PAT	32,060	30,570	4.9	40,031	40,258	-0.6
Diluted EPS (Rs)	38.9	37.1	4.9	48.6	48.9	-0.6

Source: Centrum Broking

Jindal Stainless versus NIFTY Midcap 100

	1m	6m	1 year
JDSL IN	0.2	77.5	256.0
NIFTY Midcap 100	(1.6)	27.7	29.1

Source: Bloomberg, NSE

Key assumptions

Key Assumptions	FY23	FY24E	FY25E	FY26E
Volumes (mt)	2.20	2.60	2.80	2.20
EBITDA/t (Rs)	20,333	20,500	21,158	20,333
Net debt/EBITDA (x)	0.77	0.17	-0.41	0.77

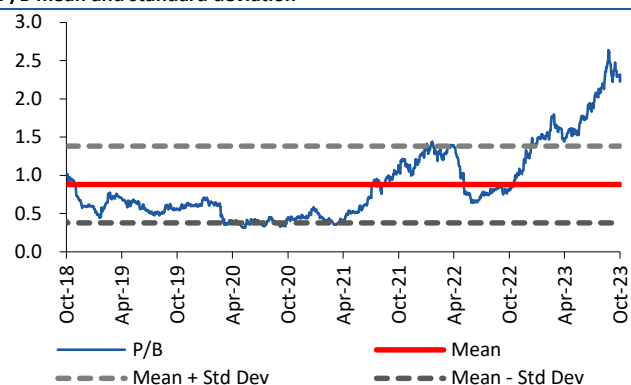
Source: Centrum Broking

Valuations

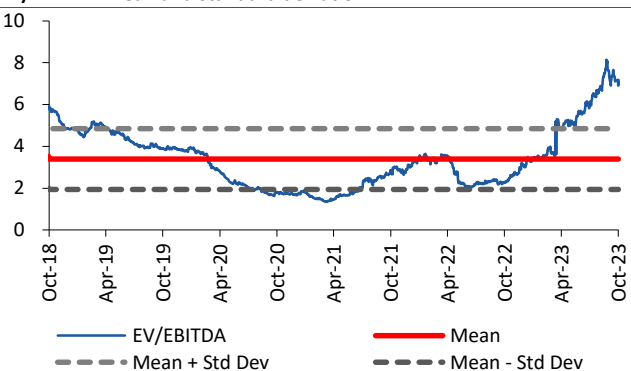
Factoring strong earning visibility along with net cash position in FY26, we raise EV/EBITDA multiple to 6.5x (earlier 5.5x) and rollover to mid-FY26E and arrive at target price of Rs519/sh (Earlier: Rs404/sh). Maintain ADD rating.

Particulars (Rs mn)	FY25E	FY26E
EBITDA	61,122	68,065
Multiple (x)	6.5	6.5
Enterprise Value	3,97,295	4,42,421
Average Net debt	9,315	(24,278)
Implied Market-cap	3,87,981	4,66,699
No. of shares (mn)	823	823
Target price (per share)	471	567
Average of FY24 and FY25		519

P/B mean and standard deviation



EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

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Other financial and Concall Highlights

- The stainless steel demand continue to remain robust in India. But, demand is muted in Europe and US. Despite, in certain geographies continue to maintain sales volume. Greenshoots of demand pickup in Europe has started visible and expect recovery from Q4FY24 onwards.
- Volume stood at 0.54mt, flattish QoQ. Exports contributed 13% (vs 17% in Q1) of total mix at 0.07.mt. Expect exports to rise from Q4FY24 onwards and average 15% of total sales mix in FY24.
- Guidance – maintains 20% YoY volume growth in FY24 and FY25 respectively.
- JUSL Q2FY24 volume stood at 429kt.
- Sales mix of 200/300/400 series stood at 36%/44%/20% respectively.
- EBITDA/t guidance maintained at Rs19k-21k/t. Improvement in margins could come with demand pickup in export markets.
- Pursuant to acquisition of remaining 74% equity stake in Jindal United Steel Limited (JUSL), the holding company (JSL) has recognised an exceptional gain of Rs1bn on remeasurement of its previously held 26% equity stake.
- In wake of anti-dumping duty imposed on Indonesia by Europe and along with Chinese dominance and influence in the region possess operational challenge. Hence, exploring the option for selling/liquidating/divesting equity stake in its subsidiary, PT Jindal Stainless, Indonesia (PTJSI).
- JSL made further investment of Rs0.8bn (USD9.8mn) in Sungai Lestari Investment pte Ltd which in turn owns 49% stake PT Cosan Metal Industry, Indonesia (PTCMI). Earlier, JSL acquired 100% stake in Sungai for Rs5.27bn (USD64.19mn) and pledged total investment of USD157mn for development and operation of Nickel pig iron smelter facility in Indonesia which in-turn secures long-term availability of nickel. Company estimates IRR of 25% and payback of 4 years.
- Capex - Consolidated capex provision for FY24 is Rs33bn. Company spent Rs20bn in H1FY24 largely attributed to JUSL acquisition.
- Debt Consolidated debt (incl. JUSL) stands at Rs45.5bn as on Q2FY24 end. Despite, to fund capex projects, the net debt is likely to be in range of Rs47-50bn by FY24 end.

Exhibit 1: Key statistics

Standalone key monetarables	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	% ch qoq	% ch yoy
Sales volumes ('000t)	454	468	508	549	544	-0.9	19.8
Blended realisation/t (Rs)	1,88,557	1,92,385	1,86,046	1,82,776	1,78,808	-2.2	-5.2
EBITDA/t (Rs)	15,311	20,246	21,610	20,375	19,679	-3.4	28.5
Average Nickel price (USD/t)	22,063	25,292	25,983	22,308	20,401	-8.5	-7.5
Average Ferro Chrome price (Rs/t)	97,073	1,00,558	1,15,115	1,07,473	1,10,071	2.4	13.4

Source: Centrum Broking, Company Data

Exhibit 2: Debt position change

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	QoQ (%)	YoY (%)
Total Long term debt	41,050	28,960	30,120	29,880	29,820	-0.2	-27.4
Short term borrowing	4,850	1,850	4,770	4,890	4,350	-11.0	-10.3
Total gross debt	45,900	30,810	34,890	34,770	34,170	-1.7	-25.6
Cash and investments	6,700	3,170	8,980	5,200	12,680	143.8	89.3
Standalone net debt	39,200	27,640	25,910	29,570	21,490	-27.3	-45.2
JUSL				19,470	19,360	-0.6	
Other subsidiaries debt	4,840	4,130	3,800	4,110	4,660	13.4	-3.7
Total net debt	44,040	31,770	29,710	53,150	45,510	-14.4	3.3
Change in net-debt	9,184	(12,270)	(2,060)	23,440	(7,640)		

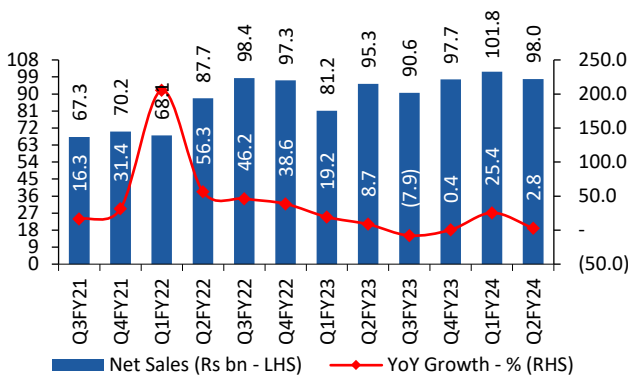
Source: Centrum Broking, Company Data

Exhibit 3: Per tonne analysis

DESCRIPTION	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23
Average realisation/t	2,10,025	1,93,643	1,92,226	1,85,631	1,80,219
Costs					
Change in inventory	28,566	(20,022)	(12,976)	65	15,077.29
Raw material	1,25,796	1,52,189	1,45,819	1,29,969	1,12,215
Gross margin	55,662	61,476	59,383	55,596	52,927
Gross margin %	27%	32%	31%	30%	29%
Operating and manufacturing	9,593	19,595	16,252	14,081	10,808
Stores and Spares	17,686	8,933	8,519	8,028	7,185
Power cost	11,095	11,316	9,433	8,948	9,687
Employee cost	2,281	3,079	2,661	2,805	2,610
EBITDA/t	15,007	18,553	22,518	21,734	22,637

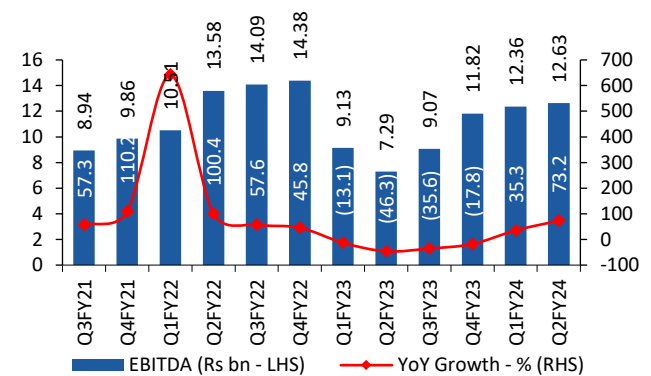
Source: Centrum Broking, Company Data

Exhibit 4: Revenue increased by ~3% YoY



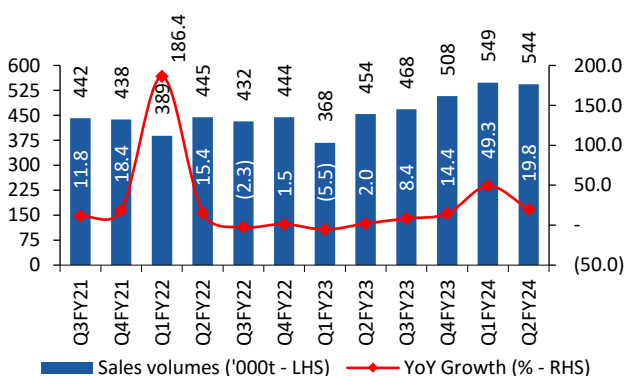
Source: Centrum Broking, Company Data

Exhibit 5: EBITDA rose sharply by 73% YoY post merger of JUSL



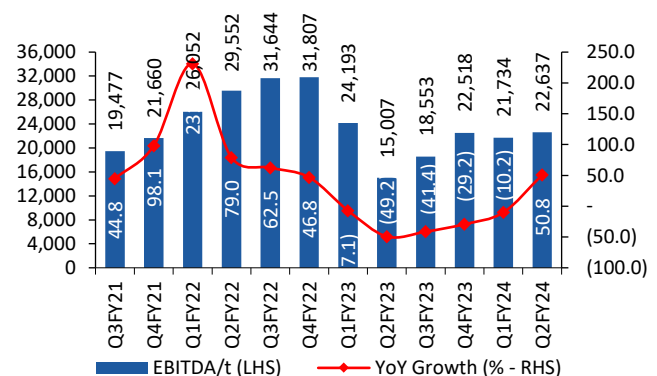
Source: Centrum Broking, Company Data

Exhibit 6: Volumes stood up 20% YOY



Source: Centrum Broking, Company Data

Exhibit 7: EBITDA/t up 51% YoY to Rs22,637/t



Source: Centrum Broking, Company Data

P&L					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	3,27,327	3,56,970	4,62,245	5,25,531	5,62,207
Operating Expense	2,45,851	2,81,704	3,67,143	4,15,361	4,48,721
Employee cost	5,541	5,393	5,663	5,946	6,243
Others	25,030	34,012	38,314	43,102	44,189
EBITDA	50,905	35,861	51,126	61,122	63,053
Depreciation & Amortisation	7,591	7,238	6,503	6,807	7,023
EBIT	43,314	28,623	44,623	54,315	56,030
Interest expenses	3,437	3,246	3,246	2,426	2,426
Other income	707	1,263	1,369	1,486	1,615
PBT	40,584	26,640	42,746	53,375	55,219
Taxes	10,497	6,901	10,687	13,344	15,058
Effective tax rate (%)	25.9	25.9	25.0	25.0	27.3
PAT	30,087	19,739	32,060	40,031	40,161
Minority/Associates	701	1,406	0	0	0
Recurring PAT	30,788	21,145	32,060	40,031	40,161
Extraordinary items	0	0	0	0	0
Reported PAT	30,788	21,145	32,060	40,031	40,161

Ratios					
YE Mar	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (%)					
Revenue	173.1	9.1	29.5	13.7	7.0
EBITDA	257.4	(29.6)	42.6	19.6	3.2
Adj. EPS	801.1	(56.2)	51.6	24.9	0.3
Margins (%)					
Gross	34.8	31.4	30.3	31.2	30.4
EBITDA	15.6	10.0	11.1	11.6	11.2
EBIT	13.2	8.0	9.7	10.3	10.0
Adjusted PAT	9.4	5.9	6.9	7.6	7.1
Returns (%)					
ROE	47.3	19.4	24.0	24.1	19.6
ROCE	32.2	14.9	19.9	21.3	19.4
ROIC	34.1	15.7	22.7	25.5	24.2
Turnover (days)					
Gross block turnover ratio (x)	4.2	4.0	4.8	5.3	5.5
Debtors	27	38	29	28	29
Inventory	53	78	71	71	73
Creditors	47	69	63	61	63
Net working capital	52	54	43	46	57
Solvency (x)					
Net debt-equity	0.4	0.2	0.2	0.1	(0.1)
Interest coverage ratio	14.8	11.0	15.7	25.2	26.0
Net debt/EBITDA	0.7	0.8	0.7	0.2	(0.4)
Per share (Rs)					
Adjusted EPS	58.6	25.7	38.9	48.6	48.8
BVPS	186.9	144.9	179.9	223.7	273.1
CEPS	73.0	34.5	46.8	56.9	57.3
DPS	0.0	2.5	3.9	4.9	5.5
Dividend payout (%)	0.0	9.7	10.0	10.0	11.2
Valuation (x)					
P/E	8.0	18.3	12.1	9.7	9.6
P/BV	2.5	3.2	2.6	2.1	1.7
EV/EBITDA	8.3	11.6	8.2	6.5	5.8
Dividend yield (%)	0.0	0.5	0.8	1.0	1.2

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity share capital	1,051	1,647	1,647	1,647	1,647
Reserves & surplus	97,180	1,17,665	1,46,518	1,82,547	2,23,202
Shareholders fund	98,231	1,19,312	1,48,165	1,84,194	2,24,849
Minority Interest	670	364	364	364	364
Total debt	40,073	39,582	39,582	19,582	2,582
Non Current Liabilities	4,329	4,997	4,997	4,997	4,997
Def tax liab. (net)	8,904	8,606	8,606	8,606	8,606
Total liabilities	1,52,206	1,72,861	2,01,714	2,17,742	2,41,398
Gross block	77,073	90,153	95,650	98,843	1,01,820
Less: acc. Depreciation	0	0	0	0	0
Net block	77,073	90,153	95,650	98,843	1,01,820
Capital WIP	5,179	7,609	7,609	7,609	7,609
Net fixed assets	91,714	1,07,341	1,12,838	1,16,030	1,19,007
Non Current Assets	8,630	6,250	6,250	6,250	6,250
Investments	5,549	6,694	28,694	28,694	28,694
Inventories	67,854	83,939	94,982	1,08,941	1,16,544
Sundry debtors	38,597	36,578	37,993	43,194	46,209
Cash & Cash Equivalents	3,269	12,315	5,322	10,267	26,860
Loans & advances	0	0	0	0	0
Other current assets	10,228	18,285	18,285	18,285	18,285
Trade payables	57,427	78,210	82,318	93,588	1,00,119
Other current liab.	16,140	20,309	20,309	20,309	20,309
Provisions	68	23	23	23	23
Net current assets	46,313	52,576	53,932	66,768	87,446
Total assets	1,52,206	1,72,861	2,01,714	2,17,742	2,41,398

Cashflow					
YE Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Profit Before Tax	41,590	27,740	42,746	53,375	60,230
Depreciation & Amortisation	7,591	7,238	6,503	6,807	7,023
Net Interest	3,437	3,246	3,246	2,426	2,426
Net Change – WC	(32,322)	2,026	(8,350)	(7,891)	(4,086)
Direct taxes	(8,568)	(7,537)	(10,687)	(13,344)	(15,058)
Net cash from operations	10,381	30,956	33,459	41,374	50,536
Capital expenditure	(9,711)	(16,557)	(12,000)	(10,000)	(10,000)
Acquisitions, net	0	0	0	0	0
Investments	0	0	0	0	0
Others	0	0	0	0	0
Net cash from investing	(9,853)	(24,817)	(12,000)	(10,000)	(10,000)
FCF	670	14,399	21,459	31,374	40,536
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	(1,185)	2,691	0	(20,000)	(10,000)
Dividend paid	0	0	(3,206)	(4,003)	(4,517)
Interest paid	(3,253)	(2,959)	0	0	0
Others	967	(124)	0	0	0
Net cash from financing	(3,471)	(392)	(3,206)	(24,003)	(14,517)
Net change in Cash	(2,943)	5,748	18,253	7,371	26,019

Source: Company, Centrum Broking

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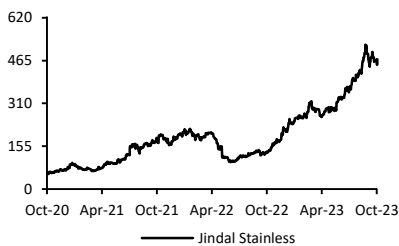
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Jindal Stainless



Source: Bloomberg

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