

# Jindal Stainless (JDSL IN)

Rating: HOLD | CMP: Rs680 | TP: Rs712

May 17, 2024

## Q4FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current FY25E	Previous FY26E	Current FY25E	Previous FY26E
Rating	HOLD	HOLD		
Target Price	712	705		
Sales (Rs. bn)	530	640	460	562
% Chng.	15.2	13.9		
EBITDA (Rs. bn)	64	85	61	77
% Chng.	4.8	10.0		
EPS (Rs.)	45.4	64.0	45.8	60.8
% Chng.	(1.0)	5.2		

### Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. bn)	357	386	530	640
EBITDA (Rs. bn)	36	47	64	85
Margin (%)	10.0	12.2	12.0	13.2
PAT (Rs. bn)	21	26	37	53
EPS (Rs.)	25.7	32.1	45.4	64.0
Gr. (%)	(56.2)	24.8	41.5	41.2
DPS (Rs.)	2.5	3.0	3.0	3.0
Yield (%)	0.4	0.4	0.4	0.4
RoE (%)	19.4	20.1	23.2	25.9
RoCE (%)	20.2	22.1	25.0	29.6
EV/Sales (x)	1.6	1.5	1.2	0.9
EV/EBITDA (x)	16.3	12.7	9.5	6.7
PE (x)	26.5	21.2	15.0	10.6
P/BV (x)	4.7	3.9	3.1	2.4

Key Data	JIST.BO   JDSL IN
52-W High / Low	Rs.748 / Rs.276
Sensex / Nifty	73,664 / 22,404
Market Cap	Rs.560bn/ \$ 6,704m
Shares Outstanding	823m
3M Avg. Daily Value	Rs.1208.25m

### Shareholding Pattern (%)

Promoter's	60.49
Foreign	20.83
Domestic Institution	6.63
Public & Others	12.05
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	0.9	42.4	142.7
Relative	-	27.6	104.0

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### Weak quarter affected by low NSR and high cost

#### Quick Pointers:

- Volumes grew 12.4% YoY to 570kt however export volumes declined 5% YoY to 63kt which has impacted NSR and margins.
- Expect NPI project commissioning to get preponed to 2QFY25 and another 2-3 quarters for full ramp up.

**Jindal Stainless (JDSL) reported weak standalone operating performance in 4Q led by sharp 10% YoY decline in average NSR, 5% decline in export volumes and higher costs. Although volume growth was stronger at 12% YoY, product mix deterioration has affected margins due to higher share of domestic business. Mgmt. indicated negative impact of ~Rs2.5bn in 4Q on nickel inventory loss, higher freight cost and weak exports. We expect near term weakness to continue with slight improvement in 1Q led by higher stainless steel prices. With NPI and newly acquired Chromeni assets getting commissioned in FY25, JDSL is expected to continue delivering strong 20% volume CAGR over FY24-26E. We upgrade FY25E/26E EBITDA by 5%/10% incorporating recently announced capex of Rs54bn. We expect Revenue/EBITDA/PAT CAGR of 29%/34%/41% over FY24-26E respectively. At CMP, the stock is trading at 9.5x/6.7x EV of FY25E/FY26E EBITDA. Maintain 'Hold' rating with revised TP of Rs712 (earlier Rs705) valuing at 7x EV of Mar'26E EBITDA.**

**Weak standalone performance:** JDSL's standalone merged revenue grew just 1% YoY (up 5% QoQ; PLe Rs 93.5bn) to Rs 95.2 bn on weak realizations and volumes. Average realization declined 10.3% YoY to Rs167k/t (-6% QoQ) affected by weak stainless steel prices amidst higher imports and lower share of export volumes. SS Imports from China increased 20% YoY to 140kt during 4Q. Stainless steel volumes grew 12.4% YoY to 570.4kt (up 11.4% QoQ) as volumes were affected due to weak exports demand. Demand from most of the domestic end user industries remained strong which aided volume growth however weak domestic prices deteriorated product mix. Cons. revenue declined 3.2% YoY to Rs94.5bn (+3.6% QoQ).

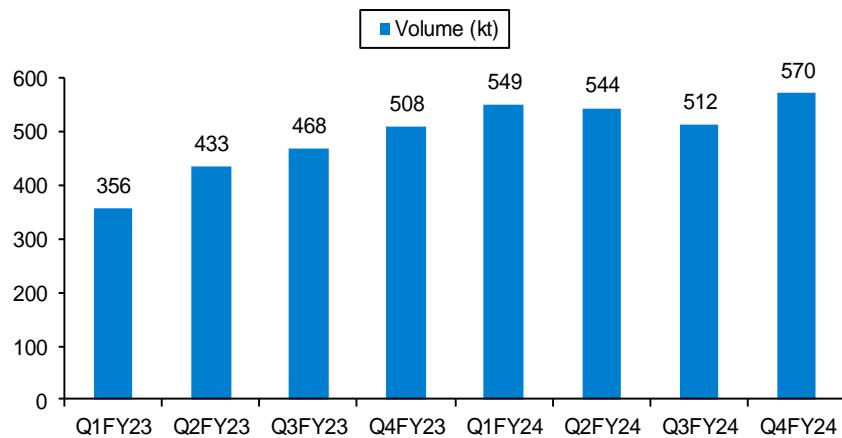
**EBITDA/t much below medium term guidance range:** Standalone EBITDA declined 24.6% YoY to Rs8.3bn (PLe Rs9.1bn). EBITDA per ton at Rs 14,505 was below the mgmt. guidance of Rs19k-21k led by lower revenue growth and higher costs. EBITDA was affected due to product mix deterioration, higher freight cost and inventory loss on nickel inventory due to sharp fall in prices in 4Q. Cons. EBITDA declined 9.5% YoY to Rs10.4bn (-17% QoQ; PLe Rs11.1bn). Cons. PAT declined 35% YoY to Rs 5bn (PLe Rs6.2bn).

## Exhibit 1: Q4FY24 Result Overview

Y/e March (Rs bn)	Q4FY24	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
<b>Net Sales</b>	<b>94.5</b>	<b>97.7</b>	<b>-3.2</b>	91.3	3.6	<b>385.6</b>	<b>357.0</b>	<b>8.0</b>
Raw material	65.1	67.5	-3.5	61.5	5.9	267.1	244.7	9.2
% of Net Sales	<b>68.9</b>	<b>69.1</b>		<b>67.4</b>		<b>69.3</b>	<b>68.6</b>	
Staff Cost	1.9	1.4	38.4	1.6	16.9	6.4	5.4	19.2
% of Net Sales	<b>2.0</b>	<b>1.4</b>		<b>1.8</b>		<b>1.7</b>	<b>1.5</b>	
Stores and spares consumed	5.1	4.3	16.8	4.4	13.7	17.8	16.6	7.3
% of Net Sales	<b>5.3</b>	<b>4.4</b>		<b>4.9</b>		<b>4.6</b>	<b>4.7</b>	
Power & fuel	6.0	4.8	25.4	6.0	-0.2	22.2	20.4	8.9
% of Net Sales	<b>6.4</b>	<b>4.9</b>		<b>6.6</b>		<b>5.8</b>	<b>5.7</b>	
Other expenses	6.1	8.3	-25.7	5.3	16.6	25.0	34.0	-26.5
% of Net Sales	<b>6.5</b>	<b>8.5</b>		<b>5.8</b>		<b>6.5</b>	<b>9.5</b>	
Total expenditure	84.2	86.2	-2.3	78.8	6.8	338.6	321.1	5.4
<b>EBITDA</b>	<b>10.4</b>	<b>11.4</b>	<b>-9.5</b>	<b>12.5</b>	<b>-16.9</b>	<b>47.0</b>	<b>35.9</b>	<b>31.2</b>
<i>Margin (%)</i>	<b>10.9</b>	<b>11.7</b>		<b>13.7</b>		<b>12.2</b>	<b>10.0</b>	
Depreciation	2.3	1.8	28.7	2.4	-0.9	8.8	7.2	21.4
<b>EBIT</b>	<b>8.0</b>	<b>9.6</b>	<b>-16.7</b>	<b>10.1</b>	<b>-20.7</b>	<b>38.3</b>	<b>28.6</b>	<b>33.6</b>
Other income	0.5	0.4	45.0	0.4	41.1	1.7	1.3	33.9
Interest	1.5	0.8	84.9	1.5	5.1	5.5	3.2	70.8
<b>PBT</b>	<b>7.0</b>	<b>9.2</b>	<b>-23.3</b>	<b>9.0</b>	<b>-22.2</b>	<b>34.4</b>	<b>26.6</b>	<b>29.1</b>
Extraordinary income/(expense)	0.0	0		0.0		1.0	0	
<b>PBT (afer EO)</b>	<b>7.0</b>	<b>9.2</b>	<b>-23.5</b>	<b>9.0</b>	<b>-22.3</b>	<b>35.4</b>	<b>26.6</b>	<b>32.9</b>
Tax	2.0	2.4		2.3		9.0	6.9	
<b>Reported PAT</b>	<b>5.0</b>	<b>6.8</b>	<b>-26.0</b>	<b>6.8</b>	<b>-26.2</b>	<b>26.4</b>	<b>19.7</b>	<b>33.8</b>
Minority interest	-0.0	-0.5		0.0		-0.2	-0.3	
Share of profit/(losses) in Associates	0.0	0.4	-99.7	0.1	-99.2	0.5	1.1	-51.7
<b>Net Profit attributable to shareholders</b>	<b>5.0</b>	<b>7.7</b>	<b>-34.6</b>	<b>6.9</b>	<b>-27.7</b>	<b>27.1</b>	<b>21.1</b>	<b>28.3</b>
<b>Adjusted PAT</b>	<b>5.0</b>	<b>7.7</b>	<b>-34.5</b>	<b>6.9</b>	<b>-27.5</b>	<b>25.9</b>	<b>21.1</b>	<b>22.4</b>

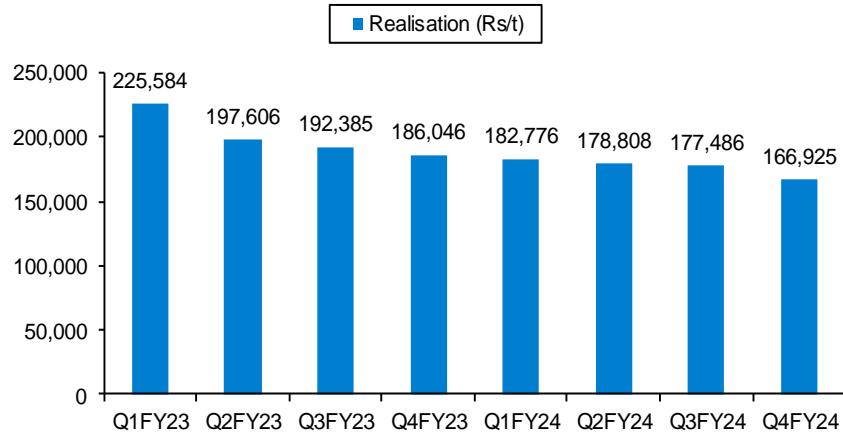
Source: Company, PL

## Exhibit 2: Volume growth aided by strong domestic demand



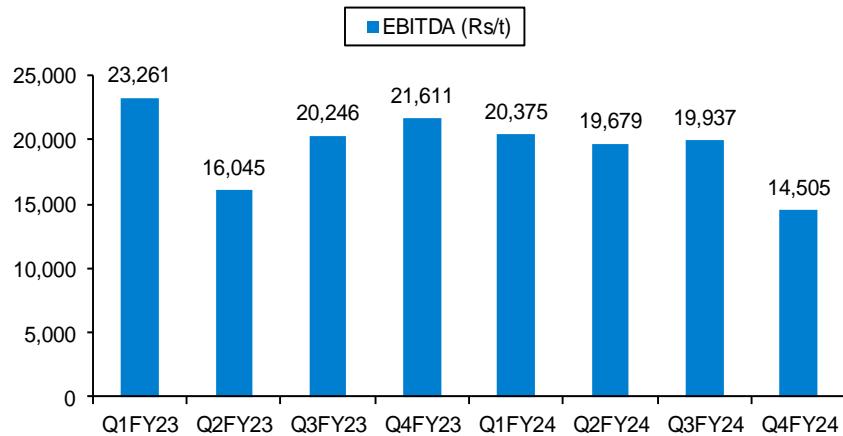
Source: Company, PL

**Exhibit 3: Weak NSR due to pressure on SS prices amidst higher imports**



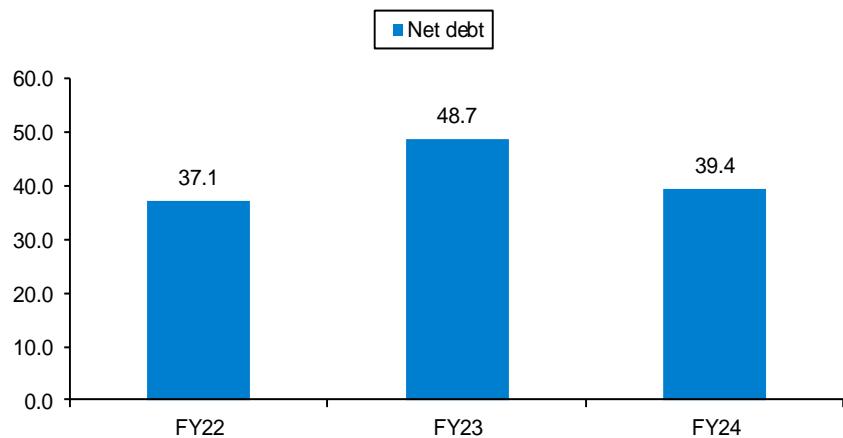
Source: Company, PL

**Exhibit 4: EBTIDA/t much lower than stated guidance range**



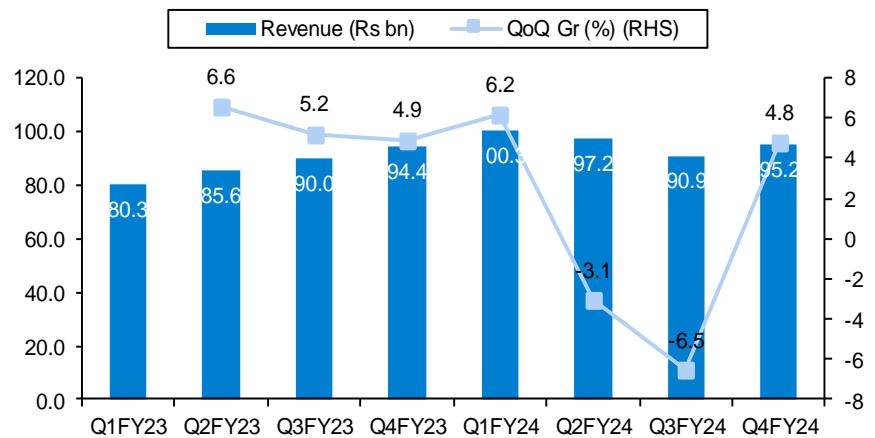
Source: Company, PL

**Exhibit 5: Net debt to increase marginally despite Rs54bn capex**



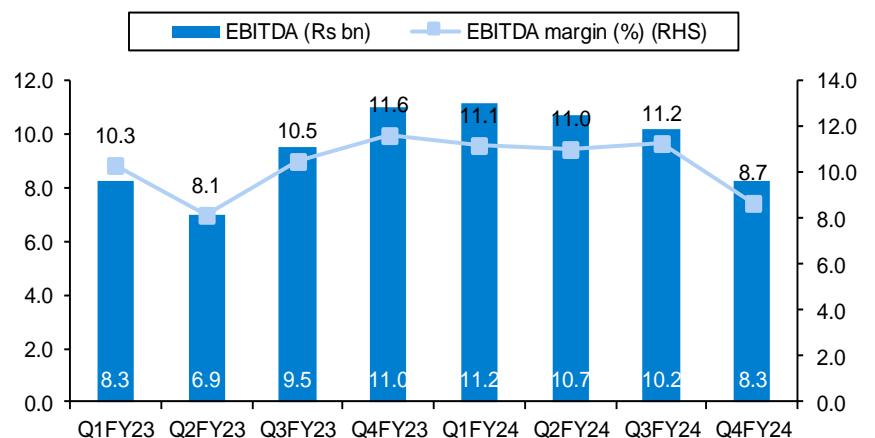
Source: Company, PL

## Exhibit 6: Revenue growth led by strong domestic SS demand



Source: Company, PL

## Exhibit 7: Margins got affected on mix deterioration &amp; higher costs



Source: Company, PL

## Conference Call Highlights:

- EBITDA per ton guidance of Rs 18-20k maintained for FY25 despite macro headwinds in near term. Volume guidance stood at 20%.
- FY25 and FY26 capex is expected to ~Rs48bn and ~Rs13bn respectively.
- Capex is largely expected to be funded through internal accruals.
- NPI project is expected to get commissioned in 2QFY25 vs earlier stated timeline of 4QFY25. In FY26, NPI capacity utilization is expected to be ~90%.
- FY24 product mix stood as follows: series 200~35%, series 300~45% and series 400~20%.
- Net debt levels are expected to be ~Rs51-52bn by FY25.
- Most of the short term debt has been refinanced during this year.
- Chromeni is expected to commence operations in 2QFY25.
- JUSL 4Q and FY24 volumes stood at 0.464mt and 1.7mt respectively and 4Q EBITDA stood at Rs1.78bn.
- Chinese imports increased 20% YoY to 140kt in 4Q.
- There has been uptick in demand in some pockets of export markets.
- JDSL has first right to refusal on entire 1.2mt Indonesia production volumes.
- The product mix at Rathi is shifting from wire rods to rebars which is a high margin product. Utilization at this facility is ~75%.
- 4Q EBITDA had an impact of ~Rs2.5-3bn on account of nickel inventory loss, higher freight costs and lower share of exports (11% in 4QFY24 from 17% in 1QFY24).

## Financials

### Income Statement (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>357</b>	<b>386</b>	<b>530</b>	<b>640</b>
YoY gr. (%)	9.1	8.0	37.4	20.8
Cost of Goods Sold	245	267	351	417
<b>Gross Profit</b>	<b>112</b>	<b>118</b>	<b>179</b>	<b>223</b>
Margin (%)	31.4	30.7	33.7	34.8
Employee Cost	5	6	15	18
Other Expenses	71	65	100	119
<b>EBITDA</b>	<b>36</b>	<b>47</b>	<b>64</b>	<b>85</b>
YoY gr. (%)	(29.6)	31.2	35.7	32.5
Margin (%)	10.0	12.2	12.0	13.2
Depreciation and Amortization	7	9	11	12
<b>EBIT</b>	<b>29</b>	<b>38</b>	<b>53</b>	<b>72</b>
Margin (%)	8.0	9.9	10.1	11.3
Net Interest	3	6	6	4
Other Income	1	2	2	2
<b>Profit Before Tax</b>	<b>27</b>	<b>35</b>	<b>49</b>	<b>70</b>
Margin (%)	7.5	9.2	9.3	10.9
Total Tax	7	9	12	17
Effective tax rate (%)	25.9	25.4	25.0	25.0
<b>Profit after tax</b>	<b>20</b>	<b>26</b>	<b>37</b>	<b>52</b>
Minority interest	0	0	0	0
Share Profit from Associate	1	1	1	1
<b>Adjusted PAT</b>	<b>21</b>	<b>26</b>	<b>37</b>	<b>53</b>
YoY gr. (%)	(31.3)	24.8	41.5	41.2
Margin (%)	5.9	6.8	7.0	8.2
Extra Ord. Income / (Exp)	-	1	-	-
<b>Reported PAT</b>	<b>21</b>	<b>27</b>	<b>37</b>	<b>53</b>
YoY gr. (%)	(31.3)	28.3	37.7	41.2
Margin (%)	5.9	7.0	7.0	8.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	21	27	37	53
<b>Equity Shares O/s (m)</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>EPS (Rs)</b>	<b>25.7</b>	<b>32.1</b>	<b>45.4</b>	<b>64.0</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>141</b>	<b>181</b>	<b>217</b>	<b>237</b>
Tangibles	130	168	205	225
Intangibles	11	12	12	12
<b>Acc: Dep / Amortization</b>	<b>43</b>	<b>52</b>	<b>62</b>	<b>75</b>
Tangibles	40	48	58	71
Intangibles	3	4	4	4
<b>Net fixed assets</b>	<b>98</b>	<b>129</b>	<b>164</b>	<b>171</b>
Tangibles	90	120	155	162
Intangibles	8	9	9	9
Capital Work In Progress	8	11	20	13
Goodwill	2	3	3	3
Non-Current Investments	10	13	13	13
Net Deferred tax assets	(9)	(12)	(12)	(12)
Other Non-Current Assets	2	4	4	4
<b>Current Assets</b>				
Investments	3	3	3	3
Inventories	84	79	109	132
Trade receivables	37	28	39	47
Cash & Bank Balance	9	20	6	25
Other Current Assets	13	14	14	14
<b>Total Assets</b>	<b>271</b>	<b>308</b>	<b>378</b>	<b>428</b>
<b>Equity</b>				
Equity Share Capital	2	2	2	2
Other Equity	118	142	177	227
<b>Total Networth</b>	<b>119</b>	<b>144</b>	<b>178</b>	<b>229</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	28	46	46	21
Provisions	0	1	1	1
Other non current liabilities	4	4	4	4
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	11	14	14	14
Trade payables	78	69	99	119
Other current liabilities	20	17	23	27
<b>Total Equity &amp; Liabilities</b>	<b>271</b>	<b>308</b>	<b>378</b>	<b>428</b>

Source: Company Data, PL Research

## Cash Flow (Rs bn)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	28	36	49	70
Add. Depreciation	7	9	11	12
Add. Interest	3	6	6	4
Less Financial Other Income	1	2	2	2
Add. Other	(2)	(2)	(2)	(2)
Op. profit before WC changes	36	48	64	85
Net Changes-WC	2	8	(5)	(6)
Direct tax	(8)	(7)	(12)	(17)
<b>Net cash from Op. activities</b>	<b>31</b>	<b>48</b>	<b>46</b>	<b>61</b>
Capital expenditures	(16)	(15)	(54)	(13)
Interest / Dividend Income	0	1	2	2
Others	(9)	(20)	-	-
<b>Net Cash from Invt. activities</b>	<b>(25)</b>	<b>(33)</b>	<b>(52)</b>	<b>(11)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(1)	0	-	(25)
Dividend paid	-	-	-	-
Interest paid	(3)	(5)	(6)	(4)
Others	0	0	-	-
<b>Net cash from Fin. activities</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(29)</b>
<b>Net change in cash</b>	<b>2</b>	<b>9</b>	<b>(12)</b>	<b>21</b>
Free Cash Flow	14	33	(8)	48

Source: Company Data, PL Research

## Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	25.7	32.1	45.4	64.0
CEPS	34.5	42.7	58.1	79.2
BVPS	144.9	174.4	216.7	277.8
FCF	17.5	40.6	(9.2)	58.6
DPS	2.5	3.0	3.0	3.0
<b>Return Ratio(%)</b>				
RoCE	20.2	22.1	25.0	29.6
ROIC	15.7	18.2	19.0	24.4
RoE	19.4	20.1	23.2	25.9
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.2	0.3	0.3	0.0
Net Working Capital (Days)	43	36	34	34
<b>Valuation(x)</b>				
PER	26.5	21.2	15.0	10.6
P/B	4.7	3.9	3.1	2.4
P/CEPS	19.7	15.9	11.7	8.6
EV/EBITDA	16.3	12.7	9.5	6.7
EV/Sales	1.6	1.5	1.2	0.9
Dividend Yield (%)	0.4	0.4	0.4	0.4

Source: Company Data, PL Research

## Quarterly Financials (Rs bn)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
<b>Net Revenue</b>	<b>102</b>	<b>98</b>	<b>91</b>	<b>95</b>
YoY gr. (%)	25.4	12.0	0.7	(3.2)
Raw Material Expenses	71	69	61	65
Gross Profit	31	29	30	29
Margin (%)	29.9	29.4	32.6	31.1
<b>EBITDA</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>10</b>
YoY gr. (%)	34.1	79.7	43.5	(9.5)
Margin (%)	11.7	12.6	13.7	10.9
Depreciation / Depletion	2	2	2	2
<b>EBIT</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>8</b>
Margin (%)	9.9	10.3	11.1	8.5
Net Interest	1	2	1	2
Other Income	-	-	-	1
<b>Profit before Tax</b>	<b>9</b>	<b>10</b>	<b>9</b>	<b>7</b>
Margin (%)	9.3	10.1	9.9	7.4
Total Tax	2	2	2	2
Effective tax rate (%)	25.6	23.2	25.0	28.7
<b>Profit after Tax</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>5</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>5</b>
YoY gr. (%)	49.7	119.3	39.2	(34.6)
Margin (%)	7.3	7.9	7.6	5.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>5</b>
YoY gr. (%)	49.7	119.3	39.2	(34.6)
Margin (%)	7.3	7.9	7.6	5.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>5</b>
Avg. Shares O/s (m)	1	1	1	1
<b>EPS (Rs)</b>	<b>9.1</b>	<b>9.4</b>	<b>8.4</b>	<b>6.1</b>

Source: Company Data, PL Research

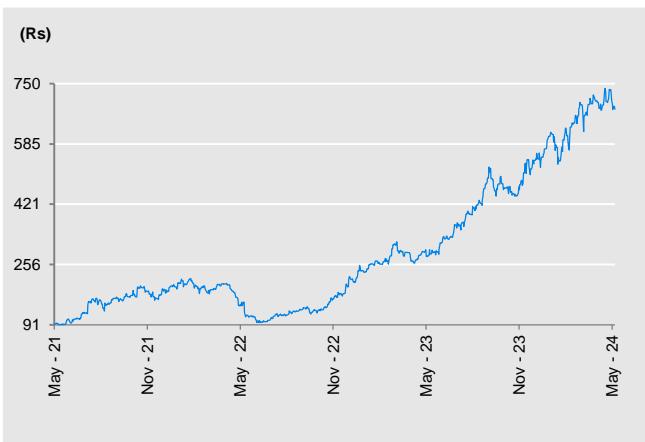
## Key Operating Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales volumes (mt)	1.8	2.2	2.6	3.2
EBITDA/t (Rs)	20,221	18,558	18,232	21,604
Reaslisation/t (Rs)	1,98,585	1,76,381	1,79,381	1,83,381

Source: Company Data, PL Research

## Price Chart

## Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	Hold	705	698
2	19-Jan-24	Accumulate	660	581
3	05-Jan-24	Accumulate	583	601
4	29-Nov-23	Accumulate	532	523
5	20-Oct-23	BUY	543	469
6	07-Oct-23	BUY	484	476
7	28-Aug-23	BUY	484	422

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,509	2,580
2	Ambuja Cement	Accumulate	683	622
3	Dalmia Bharat	Accumulate	2,077	1,806
4	Hindalco Industries	BUY	658	603
5	Jindal Stainless	Hold	705	698
6	Jindal Steel & Power	Accumulate	987	939
7	JSW Steel	BUY	1,017	884
8	National Aluminium Co.	Sell	141	183
9	NMDC	Accumulate	253	241
10	Nuvoco Vistas Corporation	Accumulate	384	335
11	Shree Cement	BUY	29,225	25,820
12	Steel Authority of India	Reduce	138	153
13	Tata Steel	Accumulate	170	165
14	Ultratech Cement	BUY	11,608	9,964

PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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