

Result Update

Stock Details

Market cap (Rs mn)	:	43554
52-wk Hi/Lo (Rs)	:	252 / 118
Face Value (Rs)	:	2
3M Avg. daily volume (mn)	:	910,889
Shares o/s (m)	:	236

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18E	FY19E	FY20E
Revenue	103,571	108,237	113,190
Growth (%)	33.2%	4.5%	4.6%
EBITDA	12,306	13,363	14,245
EBITDA margin (%)	11.9%	12.3%	12.6%
PAT	5,912	5,068	5,786
EPS	25.1	21.5	24.5
EPS Growth (%)	106.1%	-14.3%	14.1%
BV (Rs/share)	62	84	109
Dividend/share (Rs)	-	-	-
ROE (%)	40.1	25.6	22.6
ROCE (%)	27.6	27.0	27.9
P/E (x)	7.5	8.7	7.6
EV/EBITDA (x)	4.7	4.2	3.4
P/BV (x)	3.0	2.2	1.7

Source: Kotak Securities - PCG; Company

Shareholding Pattern (%)

(%)	Mar-18	Dec-17	Sep-17
Promoters	57.7	57.7	57.7
FII	19.1	19.3	19.3
DII	3.3	3.8	5.1
Others	19.6	19.2	18.0

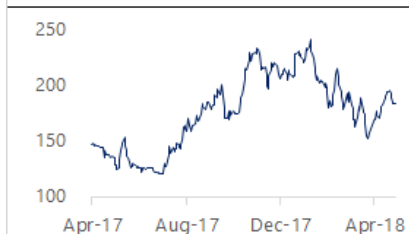
Source: Company

Price Performance (%)

(%)	1M	3M	6M
Jindal Stainless Hisar	9.7	2.9	(21.1)
Nifty	6.2	(2.5)	2.9

Source: Bloomberg

Price chart



Source: Bloomberg

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JINDAL STAINLESS HISAR LTD (JSHL)

PRICE Rs.186

TARGET Rs.318

BUY

JSHL's Q4FY18 standalone numbers were below our estimates, due to lower than expected realisation. The volume during the quarter continues to remain strong. FY18 consolidated PAT doubled to Rs5.91 bn, supported by strong performance in standalone operations and improved performance from Jindal Stainless Steelway (JSSL) and Jindal Lifestyle (JLL).

Key Highlights

- Given the strong steel demand, the stainless steel sales volume during the quarter grew 8.7% YoY to 188,922 tonnes. Realization stood at Rs119,295/tonne, up 1.4% YoY.
- EBITDA/t during the quarter increased by 10.6% YoY to Rs15,151/tonne (down 12% QoQ). The sequential decline in EBITDA/T is due to lower realisation. Subsidiaries performance improved substantially during the quarter, with JLL EBITDA increasing by 266% in FY18 and JSSL EBITDA registering 37% growth in FY18.
- The management focus will be on improving operating efficiency, higher utilisation of cold rolling facility and higher penetration in Specialty products. The revenue growth is likely to remain modest going ahead, in our view.

Valuation & outlook

- On the back of strong volume and better than expected JSL and JLL performance, we have revised our earnings estimate higher for FY19E and FY20E to Rs21.5 (earlier Rs18.3) and Rs24.5 (earlier Rs19.2), respectively. Going ahead, we believe, an increasing share of Cold Rolled (JSHL's focus) in the overall product mix, will help the EBITDA to grow at a CAGR of 9% during the FY18-FY20E period, with EBITDA margin in the range of 12-12.5%. Besides these, the strong performance of subsidiaries will also be a potential growth driver. We continue to maintain our BUY rating, with an unchanged target price of Rs318.

Quarterly performance table

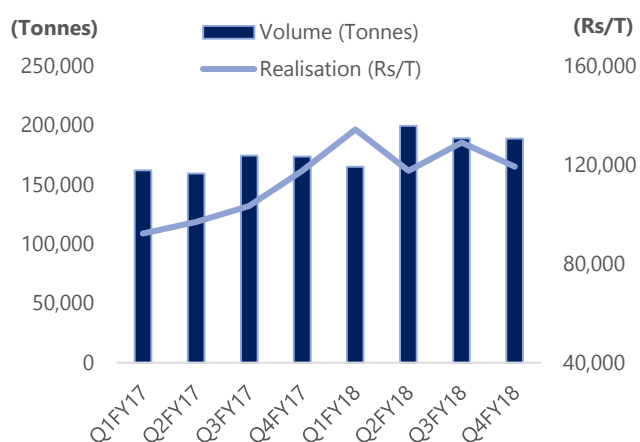
Particulars (Rs Mn)	4QFY18	4QFY17	% YoY	3QFY18	% QoQ
Net Sales	2,254	2,233	0.9	2,439	(7.6)
Expenses					
Raw Materials	1,433	1,283		1,609	
Power & fuel	216	186		211	
Employee	42	40		42	
Other Expenses	276	485		251	
EBITDA	286	238	20.3	325	(12.0)
EBITDA Margin (%)	12.7	10.7		13.3	
Depreciation	67	67		68	
EBIT	219	171		258	
Interest	93	114		97	
Other Income	28	29		28	
Extraordinary	2	0		20	
EBT	152	86		208	
Tax	56	25		75	
PAT	96	60	59.0	134	(28.1)

Source: Company, Kotak Securities – Private Client Research

Firm realisation and improvement in operating efficiency supported operating performance

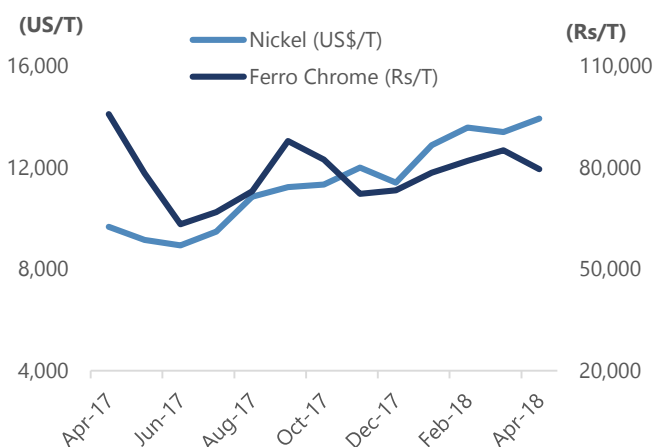
The price of nickel (key raw materials) continued to remain strong in 4QFY18 and the momentum continued in the month of April as well. Despite, increase in raw material costs by 12.5% YoY to Rs82,351/tonne, the EBITDA/t during the quarter increased by 10.6% YoY to Rs15,151/tonne, supported by firm realisation (Rs119,295/tonne, up 1.4% YoY) and an improvement in operating efficiency. Given the increase in raw material prices, we expect realisation to remain firm in the coming quarters as well. Performance of subsidiaries continued to surprise positively, Where JSSL EBITDA rose by 37% in FY18 and JLL FY18 EBITDA increased significantly by 266% over FY17. The management continued to believe that ABC (Architecture, Building, and Construction) and ART (Automotive, Railway and Transport) sectors will be the key demand driver of stainless steel.

Sales volume and realisation trend

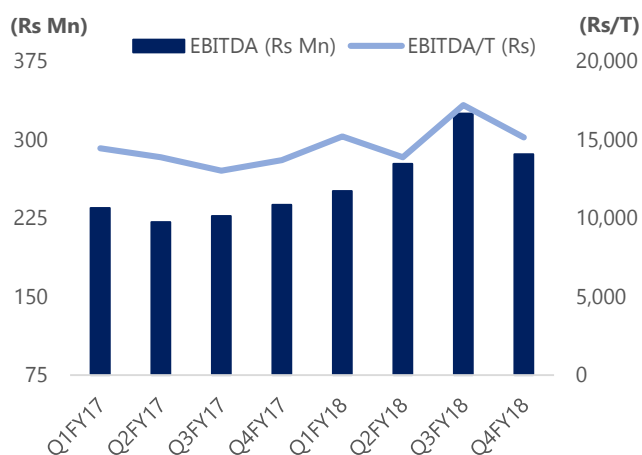


Source: Company, Kotak Securities – Private Client Research

Nickel and Ferro Chrome price trend

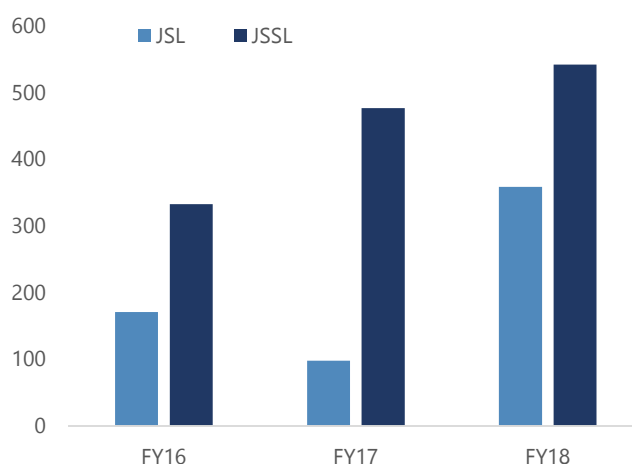


EBITDA and EBITDA/t



Source: Company, Kotak Securities – Private Client Research

Subsidiary Performance: EBITDA (Rs Mn)



Maintain BUY

Given the focus on improving infrastructure in the domestic market, we believe, JSHL is well poised to capture higher market share. Besides this, increase in contribution from VAP to 65% in overall sales mix and the strong performance from JSL and JLL, will help the company to report EBITDA margin in the range of 12-12.5% on consolidated basis. At CMP, the stock trades at 8.7x/7.6x FY19E/FY20E earnings and on EV/EBITDA, it trades at 4.2x/3.4x FY19E/FY20E. We maintain our BUY rating, with an unchanged target price of Rs318.

Company Background

JSHL was formerly a part of JSL. Pursuant to the approval of the composite Scheme of Arrangement by the Hon'ble High Court of Punjab & Haryana at Chandigarh, the plant was transferred from JSL to JSHL. Jindal Stainless (Hisar) Limited has integrated its operations on a strategy of both, backward and forward integration, starting from melting, casting, hot rolling to cold rolling and other value additions. Hisar plant is an integrated Stainless Steel plant with a capacity of 8,00,000 tpa. JSHL is the world's largest SS producer strips for razor blades and India's largest producer of coin blanks, catering to Indian and International mint needs. JSHL was first in popularizing the 200 series throughout the world. JSHL caters to a diversified market and no single customer accounts for over 5% of total sales. Specialty product division caters to the high end precision and specialty stainless steel requirements of reputed Indian and International customers.

Financials - Consolidated

Profit & Loss Statement

Y/E Mar (Rs mn)	FY17	FY18E	FY19E	FY20E
Net Sales	77,745	103,571	108,237	113,190
% Growth	7.5	33.2	4.5	4.6
Raw Materials	50,013	69,846	73,691	76,851
% of Net Sales	64.3	67.4	68.1	67.9
Employee Cost	1,761	2,087	2,271	2,312
% of Net Sales	2.3	2.0	2.1	2.0
Power & Fuel	6,338	8,044	7,950	8,300
% of Net Sales	8.2	7.8	7.3	7.3
Other Expenses	9,824	11,287	10,961	11,483
% of Net Sales	12.6	10.9	10.1	10.1
Total Expenses	67,936	91,265	94,874	98,945
EBITDA	9,809	12,306	13,363	14,245
EBITDA Margin (%)	12.6	11.9	12.3	12.6
Depreciation	2,852	2,843	3,005	3,093
EBIT	6,956	9,464	10,358	11,151
Interest Exps.	4,314	4,082	3,884	3,551
EBT	2,642	5,382	6,474	7,601
Exceptional Items	283	-196	0	0
Other Income	650	1,161	1,102	1,047
PBT	3,575	6,347	7,576	8,648
Tax-Total	1,171	2,335	2,508	2,862
PAT after M.I./Asso. Share	2,869	5,912	5,068	5,786
PAT Margin(%)	3.1	3.9	4.7	5.1

Source: Company, Kotak Securities - Private Client Research

BalanceSheet

Y/E Mar (Rs mn)	FY17	FY18E	FY19E	FY20E
Sources of Funds				
Equity Capital	472	472	472	472
Reserves and Surplus	8,459	14,274	19,342	25,128
Shareholders' Funds	8,931	14,746	19,814	25,600
Minority Interest	218	315	315	315
Total Loan Funds	35,535	28,511	27,794	22,594
Total Liabilities	44,684	43,572	47,923	48,508
Appl. Of Funds				
Gross Block	33,243	34,167	35,243	36,243
Accumulated Depn.	9,808	12,134	15,165	18,282
Net Fixed Assets	23,435	22,033	20,078	17,961
Capital WIP	421	662	662	662
Goodwill	863	863	863	863
Investment	9,530	14,999	14,999	14,999
Inventories	17,161	16,737	17,336	18,485
Sundry Debtors	10,497	8,466	12,450	12,450
Cash and Bank Bal	136	152	855	2,821
Loans and Advances	4,777	3,650	3,650	3,650
Total Current Assets	32,572	29,004	34,296	37,410
Current Liabilities	22,137	23,993	22,980	23,391
Net Current Assets	10,435	5,011	11,316	14,019
Total assets	44,684	43,572	47,923	48,508

Source: Company, Kotak Securities - Private Client Research

Cash Flow Statement

Y/E Mar (Rs mn)	FY17	FY18E	FY19E	FY20E
Net profit before tax	4,078	5,186	6,474	7,601
Depreciation	5,697	2,843	3,005	3,093
Interest	4,297	4,082	3,884	3,551
Others	(2,929)	36	-	-
Opt Profit before WC Changes	11,143	12,147	13,363	14,245
WC Changes	(2,874)	5,807	(6,357)	(737)
Cash Gene from Op.	8,269	17,954	7,006	13,508
Direct Taxes Paid	(1,368)	(2,335)	(2,508)	(2,862)
Cash from Ope act	6,901	15,619	4,498	10,645
Purchases of F.A	(1,392)	(1,681)	(1,056)	(977)
Investment	(16,351)	(3,996)	-	-
Others	-	1,161	1,102	1,047
Cash from Inv Act	(17,744)	(4,517)	47	71
Proc from Issue of Eq Shares	-	294	(0)	0
Net loans	15,108	(7,391)	43	(5,200)
Interest paid	(4,297)	(4,082)	(3,884)	(3,551)
Dividend paid & Others	-	91	-	-
Cash from Fin Act	10,811	(11,088)	(3,841)	(8,751)
Net Increase in Cash	(31)	15	704	1,965
Cash at Beginning	168	137	152	855
Others	-	-	-	-
Cash at End	137	152	855	2,821

Source: Company, Kotak Securities - Private Client Research

Ratios

Y/E Mar	FY17	FY18E	FY19E	FY20E
O/s Shares (mn)	236	236	236	236
Per Share (Rs)				
EPS	12.2	25.1	21.5	24.5
Cash EPS	24.2	37.1	34.2	37.6
Book value	37.9	62.5	84.0	108.5
Valuation (x)				
P/E	15.4	7.5	8.7	7.6
Price/Book value	4.9	3.0	2.2	1.7
EV/EBITDA	7.1	4.7	4.2	3.4
EV/Sales	0.9	0.6	0.5	0.4
Profit ratios (%)				
RoE	32.1	40.1	25.6	22.6
RoCE	22.1	27.6	27.0	27.9
Margin (%)				
EBITDA	12.6	11.9	12.3	12.6
EBIT	8.9	9.1	9.6	9.9
PAT	3.1	3.9	4.7	5.1
Turnover Days				
Inventory	80.6	59.0	58.5	59.6
Debtors	49.3	29.8	42.0	40.1
Creditors	117.7	95.1	87.6	85.5
Debt/Equity	4.0	1.9	1.4	0.9

Source: Company, Kotak Securities - Private Client Research

RATING SCALE

Definitions of ratings

BUY	– We expect the stock to deliver more than 12% returns over the next 12 months
ACCUMULATE	– We expect the stock to deliver 5% - 12% returns over the next 12 months
REDUCE	– We expect the stock to deliver 0% - 5% returns over the next 12 months
SELL	– We expect the stock to deliver negative returns over the next 12 months
NR	– Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
RS	– Rating Suspended. Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a Sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
NA	– Not Available or Not Applicable. The information is not available for display or is not applicable
NM	– Not Meaningful. The information is not meaningful and is therefore excluded.
NOTE	– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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