

October 20, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	543		484	
Sales (Rs.bn)	408	469	425	484
% Chng.	(4.0)	(3.1)		
EBITDA (Rs.bn)	51	61	54	61
% Chng.	(4.8)	0.3		
EPS (Rs.)	36.2	46.1	37.7	45.2
% Chng.	(4.0)	2.2		

Key Financials - Consolidated

Ye Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. bn)	357	408	469	522
EBITDA (Rs. bn)	36	52	61	70
Margin (%)	10.0	12.7	13.1	13.5
PAT (Rs. bn)	21	31	38	45
EPS (Rs.)	25.7	37.1	46.1	55.2
Gr. (%)	(56.2)	44.5	24.3	19.5
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	19.4	22.7	22.5	21.6
RoCE (%)	20.2	24.7	24.8	26.4
EV/Sales (x)	1.2	1.1	0.8	0.7
EV/EBITDA (x)	11.5	8.3	6.3	4.9
PE (x)	18.3	12.6	10.2	8.5
P/BV (x)	3.2	2.6	2.1	1.7

Key Data

JIST.BO | JDSL IN

52-W High / Low	Rs.541 / Rs.130
Sensex / Nifty	65,398 / 19,543
Market Cap	Rs.386bn/ \$ 4,646m
Shares Outstanding	823m
3M Av g. Daily Value	Rs.386.65m

Shareholding Pattern (%)

Promoter's	57.94
Foreign	23.97
Domestic Institution	5.42
Public & Others	12.67
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.2	77.5	256.0
Relative	2.3	61.9	222.3

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Strong volume led performance

Quick Pointers:

- Volumes grew 25.5% YoY to 543.6kt as demand from domestic end user industries remained robust led by Auto and consumer facing segments.
- Commissioning of 1.6 mtpa HSM capacity at JUSL completed at Jajpur.

Jindal Stainless (JDSL) reported robust operating performance in 2Q, driven by 26% volume growth. Revenue was 4% below our estimates led by weak realization. The company is expected to deliver 15% volume CAGR over FY23-26E led by rising stainless steel (SS) demand in India and ramping up of Jajpur facility. Next phase of expansion at Jajpur will be announced in 2HFY24, which will drive volume growth post FY26.

We believe that JDSL will be key beneficiary of rising SS demand over next few years led by govt.'s focus on infrastructure and overall stronger domestic economy. We maintain our FY25E EBITDA and cut FY24E by 5% on higher pricing pressure in the near term. We expect Revenue/EBITDA/PAT growth of 14%/25%/29% over FY23-26E. At CMP, stock is trading at 6.3x/4.9x EV of FY25E/FY26E EBITDA. Retain 'Buy' rating with revised TP of Rs543 (earlier Rs484) valuing at 6.5x EV of Sept 2025E EBITDA, as we roll forward.

Robust 26% volume growth led by domestic end user industries: Standalone merged revenue grew 13.6% YoY to Rs97.2bn, led by 25.5% YoY volume growth and 10% decline in realization. Average realization at Rs179k/t was affected by pricing pressure due to lower export share during 2QFY24 and continued imports in domestic markets. Demand from domestic end user industries remained robust led by auto and consumer facing segments.

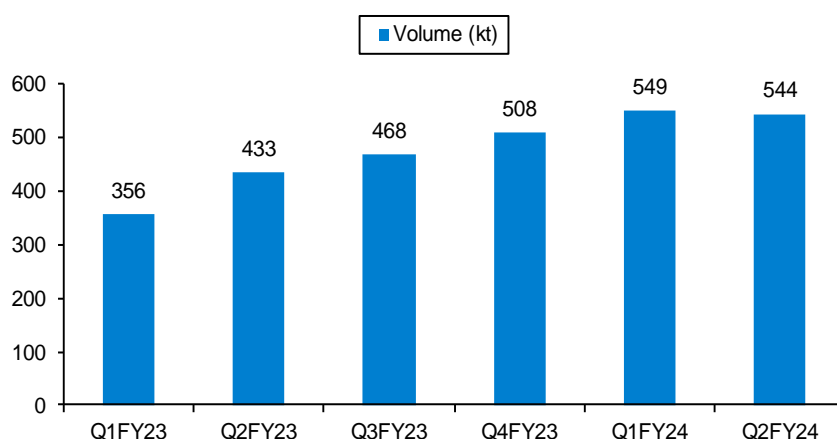
54% YoY EBITDA growth & EBITDA/t of Rs19,679: Standalone EBITDA grew 54% YoY to Rs10.7bn (PLe Rs10.8bn). EBITDA/t increased 22.6% YoY to Rs19,679 which was within the company guidance range of Rs19-21k. Cons. EBITDA grew 80% YoY to Rs12.3bn, in-line with PLe of Rs12.4bn. Cons. PAT grew 115% YoY to Rs 7.6 bn (PLe Rs 7.3 bn) which included exceptional income of Rs 1 bn on account of re-measurement of its previously held 26% equity stake of JUSL.

Concall Highlights: (1) FY24E EBITDA per ton guidance maintained, as raw material led inflation was intact. (2) The product mix between series 200, 300 and 400 stood at 36%, 44% and 20% respectively for 2QFY24. (3) Capex guidance of Rs32bn for FY24, JDSL spent Rs20bn in 1H. (4) JUSL 1H EBITDA at Rs4bn; JDSL received Rs2bn dividend from JUSL (5) Debt levels are expected to be ~Rs47bn by FY24 end (6) Board approved a dividend payout of Re1 aggregating to Rs823.4mn. (7) Nickel Pig iron plant in Indonesia to commission operations by 1QFY25 and Rathi Steel is expected to commence operations from Dec'23. (8) JDSL has invested further Rs1bn in Rathi Steel to stabilize and ramp up the plant (9) Iber jindal S.L performance shall improve once Europe picks up from 4QFY24.

Exhibit 1: Q2FY24 Result Overview

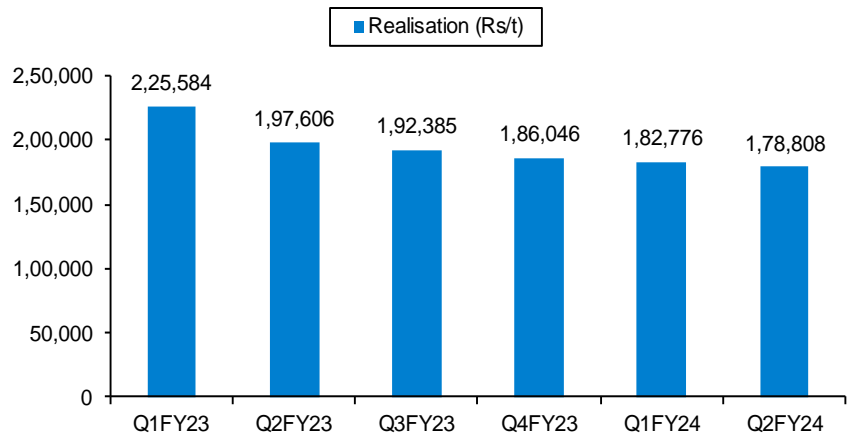
Y/e March (Rs bn)	Q2FY24	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Net Sales	98.0	87.5	12.0	101.8	-3.8	199.8	168.7	18.4
Raw material	69.2	62.7	10.4	71.3	-3.0	140.5	115.4	21.8
<i>% of Net Sales</i>	<i>70.6</i>	<i>71.6</i>		<i>70.1</i>		<i>70.3</i>	<i>68.4</i>	
Staff Cost	1.4	1.2	19.0	1.5	-7.8	3.0	2.6	13.8
<i>% of Net Sales</i>	<i>1.4</i>	<i>1.4</i>		<i>1.5</i>		<i>1.5</i>	<i>1.5</i>	
Stores and spares consumed	3.9	3.8	3.5	4.4	-11.3	8.3	8.1	2.7
<i>% of Net Sales</i>	<i>4.0</i>	<i>4.3</i>		<i>4.3</i>		<i>4.2</i>	<i>4.8</i>	
Power & fuel	5.3	5.0	4.6	4.9	7.3	10.2	10.3	-1.2
<i>% of Net Sales</i>	<i>5.4</i>	<i>5.8</i>		<i>4.8</i>		<i>5.1</i>	<i>6.1</i>	
Other expenses	5.9	8.0	-26.3	7.7	-23.9	13.6	16.6	-18.0
<i>% of Net Sales</i>	<i>6.0</i>	<i>9.1</i>		<i>7.6</i>		<i>6.8</i>	<i>9.8</i>	
Total expenditure	85.7	80.7	6.2	89.9	-4.7	175.6	153.0	14.8
EBITDA	12.3	6.8	79.7	11.9	3.2	24.2	15.7	53.9
<i>Margin (%)</i>	<i>12.6</i>	<i>7.8</i>		<i>11.7</i>		<i>12.1</i>	<i>9.3</i>	
Depreciation	2.2	1.8	21.9	1.9	18.0	4.1	3.6	13.6
EBIT	10.1	5.0	100.6	10.0	0.4	20.1	12.1	66.0
Other income	0.3	0.3	24.0	0.4	-26.2	0.8	0.5	51.5
Interest	1.6	0.9	78.2	1.0	56.3	2.6	1.7	53.6
PBT	8.8	4.4	100.6	9.5	-6.7	18.3	11.0	67.2
Extraordinary income/(expense)	1.0	0		0		1.0	0	
PBT (after EO)	9.9	4.4	123.5	9.5	4.0	19.3	11.0	76.4
Tax	2.3	1.0		2.4		4.7	2.8	
Reported PAT	7.6	3.4	123.8	7.1	7.3	14.6	8.2	78.3
Minority interest	-0.1	-0.1		-0.1		-0.2	0.0	
Share of profit/(losses) in Associates	0.1	0.1		0.3		0.4	0.4	
Net Profit attributable to shareholders	7.7	3.5		7.5		15.2	8.5	
Adjusted PAT	7.0	3.5		7.5		13.9	8.5	

Source: Company, PL

Exhibit 2: Robust volume growth led by domestic market (kt)


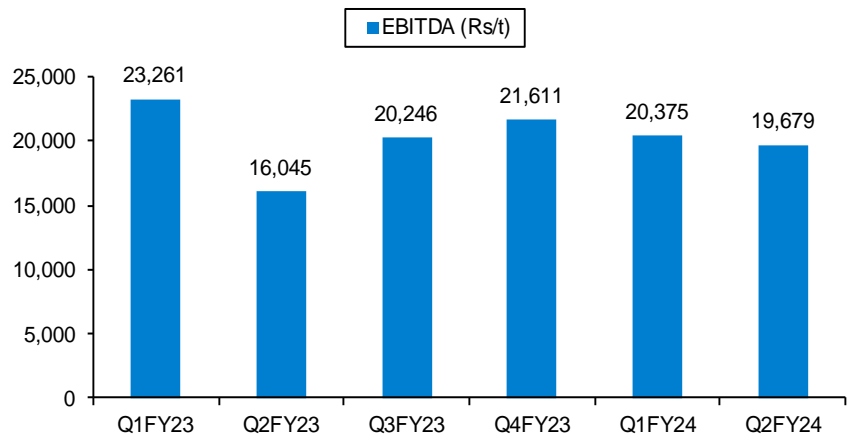
Source: Company, PL

Exhibit 3: Weak realization due to higher imports & lower export share (Rs/t)



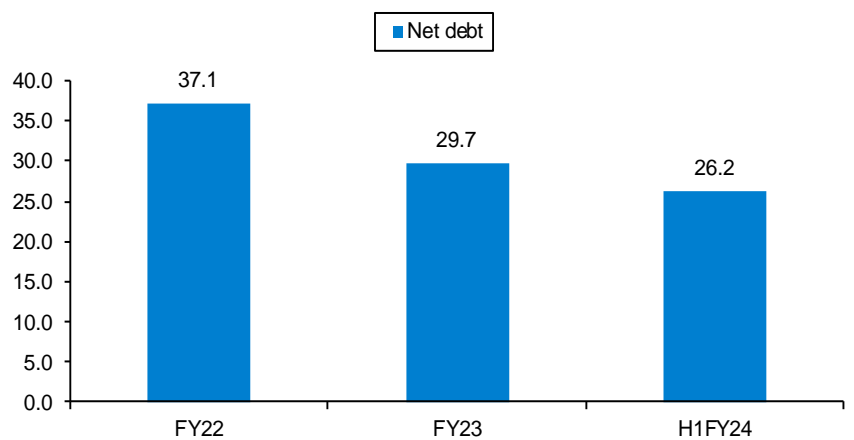
Source: Company, PL

Exhibit 4: EBITDA/t to remain in guidance range (Rs/t)



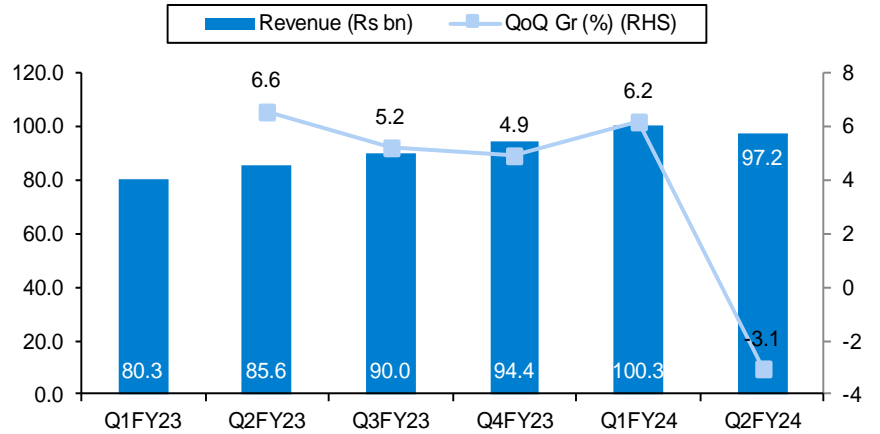
Source: Company, PL

Exhibit 5: Net debt is coming off due to working capital optimization (Rs bn)



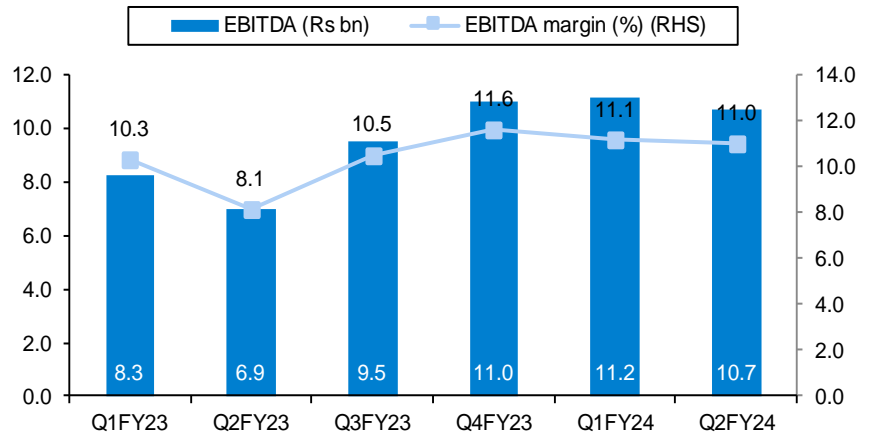
Source: Company, PL

Exhibit 6: 2QFY24 Revenue declined 3% QoQ on weak realization



Source: Company, PL

Exhibit 7: Margin maintained at 11% in 2QFY24



Source: Company, PL

Financials

Income Statement (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	357	408	469	522
YoY gr. (%)	9.1	14.3	14.9	11.4
Cost of Goods Sold	245	281	324	361
Gross Profit	112	127	144	161
Margin (%)	31.4	31.1	30.8	30.9
Employee Cost	5	5	5	6
Other Expenses	71	70	78	85
EBITDA	36	52	61	70
YoY gr. (%)	(29.6)	45.1	17.7	15.1
Margin (%)	10.0	12.7	13.1	13.5
Depreciation and Amortization	7	8	8	8
EBIT	29	44	53	62
Margin (%)	8.0	10.7	11.3	11.9
Net Interest	3	5	5	4
Other Income	1	2	2	2
Profit Before Tax	27	40	50	60
Margin (%)	7.5	9.8	10.6	11.5
Total Tax	7	10	13	16
Effective tax rate (%)	25.9	26.0	26.0	26.0
Profit after tax	20	29	37	44
Minority interest	0	-	-	-
Share Profit from Associate	1	1	1	1
Adjusted PAT	21	31	38	45
YoY gr. (%)	(31.3)	44.5	24.3	19.5
Margin (%)	5.9	7.5	8.1	8.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	21	31	38	45
YoY gr. (%)	(31.3)	44.5	24.3	19.5
Margin (%)	5.9	7.5	8.1	8.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	21	31	38	45
Equity Shares O/s (m)	1	1	1	1
EPS (Rs)	25.7	37.1	46.1	55.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	123	142	161	180
Tangibles	115	134	153	172
Intangibles	9	9	9	9
Acc: Dep / Amortization	34	42	50	59
Tangibles	33	41	50	58
Intangibles	1	1	1	1
Net fixed assets	98	108	118	129
Tangibles	90	100	111	121
Intangibles	8	8	8	8
Capital Work In Progress	8	40	36	27
Goodwill	2	2	2	2
Non-Current Investments	10	10	10	10
Net Deferred tax assets	(9)	(9)	(9)	(9)
Other Non-Current Assets	3	3	3	3
Current Assets				
Investments	3	3	3	3
Inventories	84	95	96	107
Trade receivables	37	39	45	50
Cash & Bank Balance	9	8	39	56
Other Current Assets	13	13	13	13
Total Assets	271	327	372	407
Equity				
Equity Share Capital	2	2	2	2
Other Equity	118	148	186	232
Total Networkth	119	150	188	233
Non-Current Liabilities				
Long Term borrowings	28	47	32	7
Provisions	0	0	0	0
Other non current liabilities	4	4	4	4
Current Liabilities				
ST Debt / Current of LT Debt	11	11	11	11
Trade payables	78	84	103	114
Other current liabilities	20	20	24	27
Total Equity & Liabilities	271	327	372	407

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	28	40	50	60
Add. Depreciation	7	8	8	8
Add. Interest	3	5	5	4
Less Financial Other Income	1	2	2	2
Add. Other	(2)	(2)	(2)	(2)
Op. profit before WC changes	36	52	61	70
Net Changes-WC	2	(8)	(1)	(6)
Direct tax	(8)	(10)	(13)	(16)
Net cash from Op. activities	31	34	47	49
Capital expenditures	(16)	(52)	(15)	(10)
Interest / Dividend Income	0	2	2	2
Others	(9)	-	-	-
Net Cash from Inv. activities	(25)	(50)	(13)	(8)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1)	20	(15)	(25)
Dividend paid	-	-	-	-
Interest paid	(3)	(5)	(5)	(4)
Others	0	-	-	-
Net cash from Fin. activities	(4)	14	(20)	(29)
Net change in cash	2	(2)	14	12
Free Cash Flow	14	(18)	32	39

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	91	98	102	98
YoY gr. (%)	59.8	0.4	25.4	12.0
Raw Material Expenses	62	67	71	69
Gross Profit	29	30	31	29
Margin (%)	31.7	30.9	29.9	29.4
EBITDA	9	11	12	12
YoY gr. (%)	9.0	(19.0)	34.1	79.7
Margin (%)	9.6	11.7	11.7	12.6
Depreciation / Depletion	2	2	2	2
EBIT	7	10	10	10
Margin (%)	7.6	9.9	9.9	10.3
Net Interest	1	1	1	2
Other Income	-	-	-	-
Profit before Tax	7	9	9	10
Margin (%)	7.2	9.4	9.3	10.1
Total Tax	2	2	2	2
Effective tax rate (%)	26.5	26.3	25.6	23.2
Profit after Tax	5	7	7	8
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5	8	7	8
YoY gr. (%)	14.2	(12.8)	49.7	119.3
Margin (%)	5.5	7.8	7.3	7.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	5	8	7	8
YoY gr. (%)	14.2	(12.8)	49.7	119.3
Margin (%)	5.5	7.8	7.3	7.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5	8	7	8
Av g. Shares O/s (m)	1	1	1	1
EPS (Rs)	6.0	9.3	9.1	9.4

Source: Company Data, PL Research

Key Financial Metrics

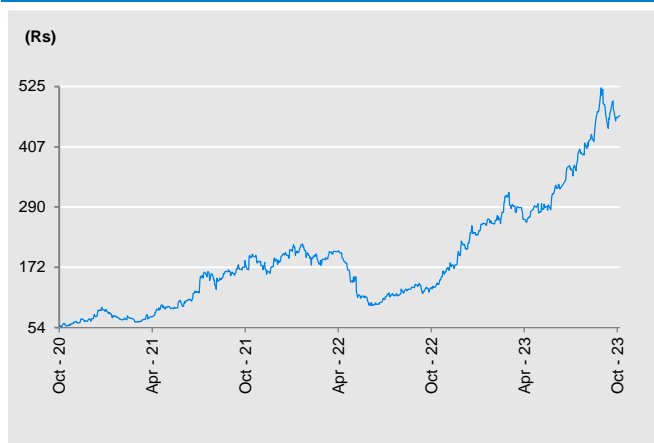
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	25.7	37.1	46.1	55.2
CEPS	34.5	47.2	56.3	65.3
BVPS	144.9	182.0	228.2	283.3
FCF	17.5	(21.7)	39.4	47.5
DPS	-	-	-	-
Return Ratio(%)				
RoCE	20.2	24.7	24.8	26.4
ROIC	15.7	18.8	22.0	25.2
RoE	19.4	22.7	22.5	21.6
Balance Sheet				
Net Debt : Equity (x)	0.2	0.3	0.0	(0.2)
Net Working Capital (Days)	43	45	30	30
Valuation(x)				
PER	18.3	12.6	10.2	8.5
P/B	3.2	2.6	2.1	1.7
P/CEPS	13.6	9.9	8.3	7.2
EV/EBITDA	11.5	8.3	6.3	4.9
EV/Sales	1.2	1.1	0.8	0.7
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales volumes (mt)	1.8	2.1	2.4	2.7
EBITDA/t (Rs)	21,292	20,423	20,837	22,120
Realsiation/t (Rs)	2,00,552	1,83,052	1,84,883	1,86,731

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	BUY	484	476
2	28-Aug-23	BUY	484	422

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Hindalco Industries	BUY	557	469
2	Jindal Stainless	BUY	484	476
3	Jindal Steel & Power	BUY	812	683
4	JSW Steel	BUY	925	765
5	National Aluminium Co.	Accumulate	97	95
6	NMDC	Accumulate	147	146
7	Steel Authority of India	Accumulate	95	89
8	Tata Steel	BUY	144	126

PL's Recommendation Nomenclature (Absolute Performance)

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



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