

October 18, 2024

Q2FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	814		849	
Sales (Rs. bn)	542	603	572	628
% Chng.	(5.3)	(4.0)		
EBITDA (Rs. bn)	70	78	74	81
% Chng.	(5.3)	(2.9)		
EPS (Rs.)	52.9	63.1	53.8	62.1
% Chng.	(1.6)	1.6		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. bn)	386	444	542	603
EBITDA (Rs. bn)	47	56	70	78
Margin (%)	12.2	12.5	12.9	13.0
PAT (Rs. bn)	26	31	44	52
EPS (Rs.)	32.1	38.2	52.9	63.1
Gr. (%)	24.8	19.3	38.5	19.3
DPS (Rs.)	3.0	3.0	3.0	3.0
Yield (%)	0.4	0.4	0.4	0.4
RoE (%)	20.1	19.9	22.6	21.8
RoCE (%)	22.1	21.3	24.7	26.1
EV/Sales (x)	1.7	1.5	1.2	1.0
EV/EBITDA (x)	13.7	12.0	9.1	7.4
PE (x)	23.1	19.4	14.0	11.7
P/BV (x)	4.2	3.5	2.9	2.3

Key Data

JIST.BO | JDSL IN

52-W High / Low	Rs.848 / Rs.427
Sensex / Nifty	81,225 / 24,854
Market Cap	Rs.609bn/ \$ 7,247m
Shares Outstanding	823m
3M Avg. Daily Value	Rs.778.53m

Shareholding Pattern (%)

Promoter's	60.49
Foreign	22.78
Domestic Institution	5.87
Public & Others	10.86
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.3)	9.6	59.7
Relative	0.8	(2.2)	29.5

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Near-term headwinds for volume growth

Quick Pointers:

- The management revised FY25E volume guidance to 10-15% on weaker-than-expected export markets. EBITDA/t expected to be ~Rs18,000 for FY25E
- Chromeni expected to commence production from end of Q3FY25

Jindal Stainless (JDSL) reported weak but in-line standalone operating performance in Q2FY25. EBITDA/t at Rs17,833 was tad lower than PLe on product mix deterioration due to lower exports. Export volumes declined 20% YoY amidst global headwinds and weak demand in Europe & the US. The management has lowered the volume guidance for FY25 to 10-15% from ~20% earlier citing global challenges. However, domestic demand remains strong aided by planned railway infrastructure expansion and Gol's focus on increasing usage of stainless steel (SS) in coastal areas. Things to watch out for: a) uptick in domestic demand post festivities in Q3FY25, b) recovery in export volumes post US elections, and c) SS and nickel pricing spreads.

We expect JDSL to deliver strong 14%+ CAGR over FY24-27E as it has adequate capacity. We cut our FY25/26/27 EBITDA estimates by 7%/5%/3% incorporating lower SS volumes and pricing. We expect revenue/EBITDA/PAT CAGR of 16%/19%/25% over FY24-27E. At CMP, the stock is trading at 9.1x/7.4x EV of FY26E/FY27E EBITDA. Maintain 'Accumulate' rating with revised TP of Rs814 (earlier Rs849) valuing at 9x EV of Sep'26E EBITDA.

Better realization but weaker volumes keep revenue flat YoY: JDSL's standalone merged revenue was flattish YoY at Rs97.5bn (1.7% QoQ; PLe Rs93.4bn) on better realization amid weaker volumes. Average realization improved 4.1% QoQ to Rs173k/t (-3.5% YoY; PLe Rs167k/t) as export volumes continue to decline amidst weak Europe markets. Export volumes declined 2% QoQ to 56kt. Subsidized imports from China and Vietnam remained unabated during the quarter. SS volumes grew 4% YoY to 556kt (-2.3% QoQ; PLe 561kt) on weak domestic auto segment and maintenance shutdown undertaken during Q2.

Poor product mix affects EBITDA/t: Std EBITDA remained flat QoQ at Rs10.07bn (in line with PLe of Rs10.05bn). EBITDA/t improved 3% QoQ to Rs17,833, but tad was lower than PLe of Rs17,919) due to product mix deterioration. Std PAT increased 2% QoQ to Rs5.8bn. Cons EBITDA declined 3.6% YoY to Rs11.9bn, tad lower than PLe of Rs12.2bn. JUSL margins improved 3pp QoQ to 41%. Cons reported PAT declined 21% YoY to Rs6.1bn (PLe Rs6.5bn).

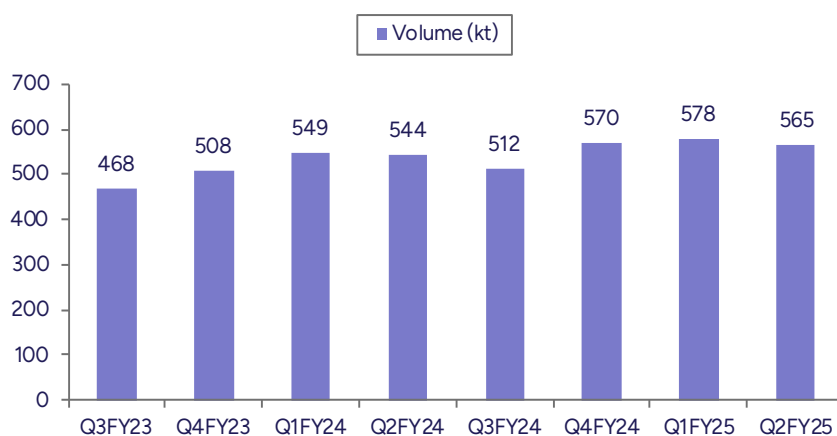
Rising usage of SS: As India progresses towards becoming a US\$10trn economy, SS usage is increasing rapidly. Gol initiatives such as replacement of carbon steel with SS in coastal areas, railway station modernization and rail network improvement, are likely to aid SS volume growth over the next few years. Rail ministry has recently awarded contracts to BEML for design, manufacturing and commissioning of the first two high-speed bullet trains, which augurs well for JDSL. SS demand is also expected to improve from process industries such as ethanol, hydroelectric and thermal nuclear power plants.

Exhibit 1: Q2FY25 Result Overview - Consolidated

Y/e March (Rs bn)	Q2FY25	Q2FY24	YoY gr. (%)	Q1FY25	QoQ Gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Sales	97.8	98.0	-0.2	94.3	3.7	192.1	199.8	-3.9
Raw material	68.2	69.2	-1.5	62.9	8.4	131.1	140.5	-6.7
<i>% of Net Sales</i>	<i>69.7%</i>	<i>70.6%</i>		<i>66.7%</i>		<i>68.2%</i>	<i>70.3%</i>	
Staff Cost	2.1	1.4	45.0	2.0	0.8	4.1	3.0	38.5
<i>% of Net Sales</i>	<i>2.1%</i>	<i>1.4%</i>		<i>2.2%</i>		<i>2.1%</i>	<i>1.5%</i>	
Stores and spares consumed	4.6	3.9	17.7	4.8	-4.9	9.4	8.3	13.5
<i>% of Net Sales</i>	<i>4.7%</i>	<i>4.0%</i>		<i>5.1%</i>		<i>4.9%</i>	<i>4.2%</i>	
Power & fuel	5.4	5.3	2.0	6.1	-12.3	11.5	10.2	13.0
<i>% of Net Sales</i>	<i>5.5%</i>	<i>5.4%</i>		<i>6.5%</i>		<i>6.0%</i>	<i>5.1%</i>	
Other expenses	5.7	5.9	-2.8	6.3	-9.0	12.0	13.6	-11.9
<i>% of Net Sales</i>	<i>5.8%</i>	<i>6.0%</i>		<i>6.7%</i>		<i>6.2%</i>	<i>6.8%</i>	
Total expenditure	85.9	85.7	0.3	82.2	4.5	168.1	175.6	-4.3
EBITDA	11.9	12.3	-3.6	12.1	-2.1	24.0	24.2	-1.0
<i>Margin (%)</i>	<i>12.1%</i>	<i>12.6%</i>		<i>12.8%</i>		<i>12.5%</i>	<i>12.1%</i>	
Depreciation	2.4	2.2	8.5	2.3	3.7	4.7	4.1	15.4
EBIT	9.5	10.1	-6.3	9.8	-3.4	19.2	20.1	-4.4
Other income	0.5	0.3	47.4	0.5	-7.3	1.0	0.8	30.1
Interest	1.6	1.6	1.9	1.4	11.1	3.0	2.6	18.1
PBT	8.3	8.8	-5.7	8.9	-6.0	17.2	18.3	-6.1
Extraordinary income/(expense)	0.0	1.008		0.0		0.0	1.0	
PBT (after EO)	8.3	9.9	-15.4	8.9	-6.0	17.2	19.3	-11.0
Tax	2.2	2.3		2.4		4.6	4.7	
Reported PAT	6.1	7.6	-19.5	6.5	-5.9	12.6	14.6	-14.0
Minority interest	-0.0	-0.1		0.0		0.0	-0.2	
Share of profit/(losses) in Associates	0.0	0.1	-97.0	0.0	-115.4	0.0	0.4	-103.0
Net Profit attributable to shareholders	6.1	7.7	-21.1	6.5	-5.7	12.6	15.2	-17.2
Adjusted PAT	6.1	7.0	-12.3	6.5	-5.7	12.6	14.4	-12.8

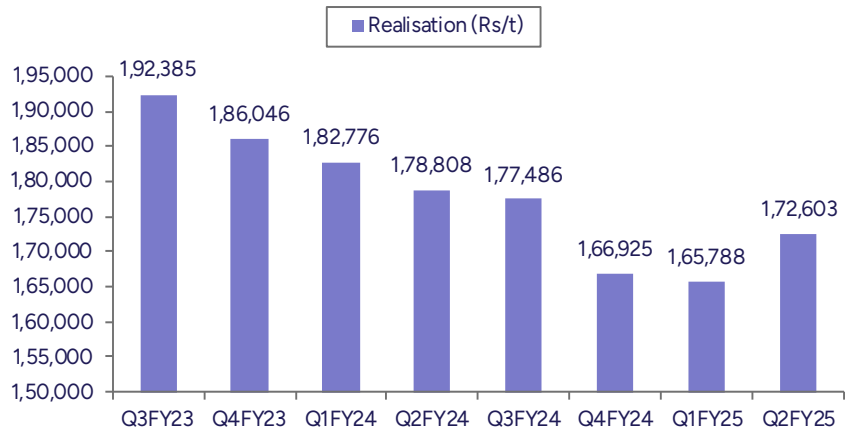
Source: Company, PL

Exhibit 2: Volume de-growth of 2.3% QoQ due to maintenance shutdown



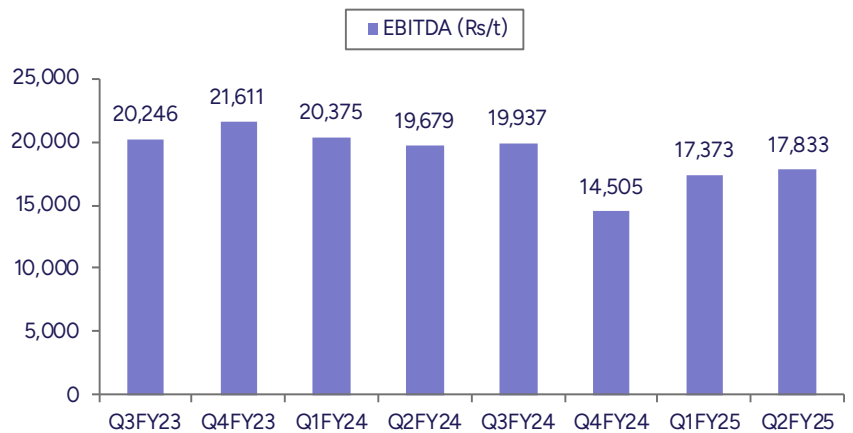
Source: Company, PL

Exhibit 3: Realization/t improved 4.1% QoQ on better SS pricing



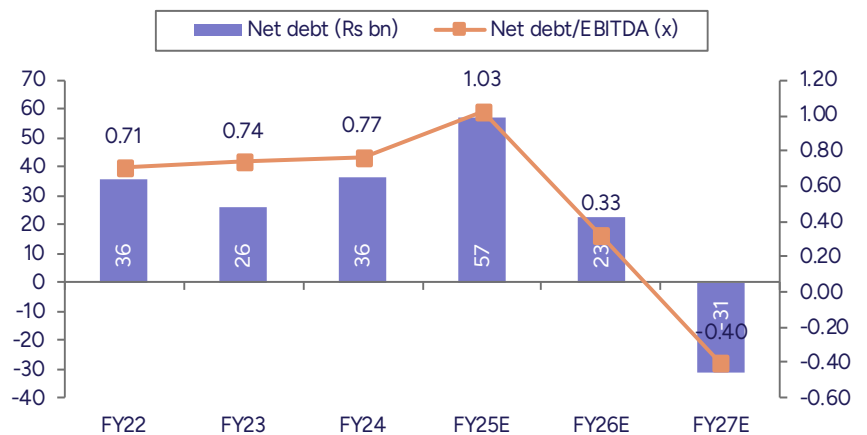
Source: Company, PL

Exhibit 4: EBITDA/t improved 2.7% QoQ on lower operating cost



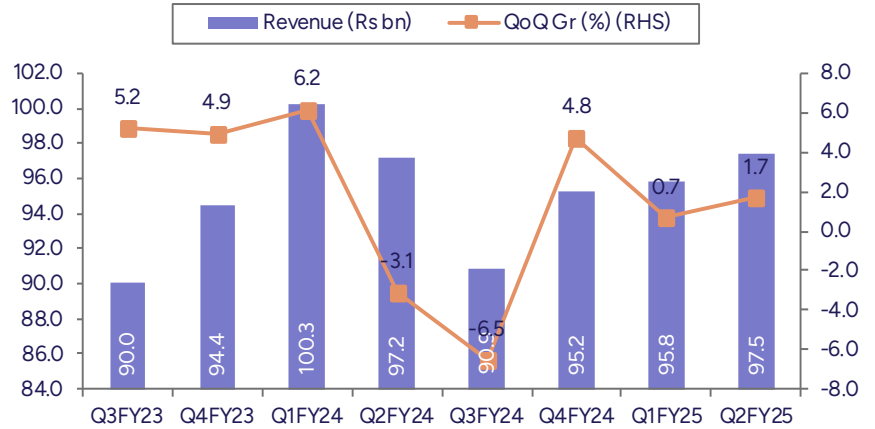
Source: Company, PL

Exhibit 5: JDSL debt metrics to remain at lower end despite ongoing capex



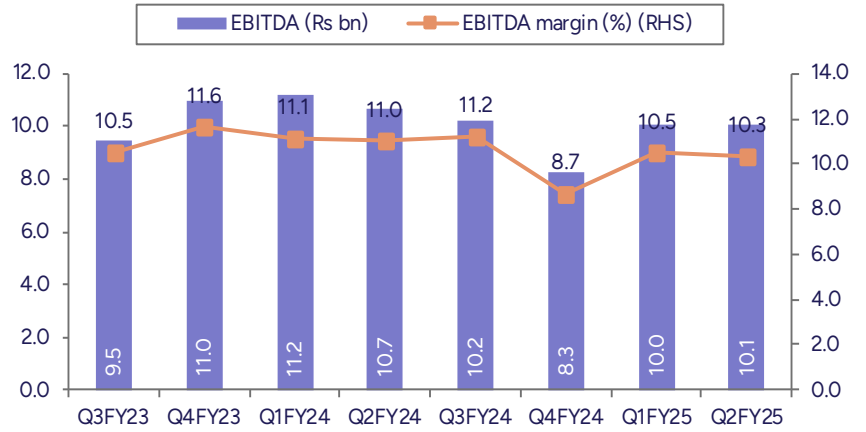
Source: Company, PL

Exhibit 6: Flattish YoY revenue on better realization amid weaker volume



Source: Company, PL

Exhibit 7: Margins declined QoQ due to weak export volumes



Source: Company, PL

Conference Call Highlights:

- JDSL commissioned a nickel pig iron smelter facility in Halmahera Islands, Indonesia, in Aug'24, 8 months ahead of the scheduled timeline.
- JDSL supplied high-strength tempered 301L grade austenitic SS for Vande Bharat sleeper coaches.
- JDSL also supplied austenitic SS and low-alloy steel for satellite launch vehicle applications to the Indian Space Research Organisation and low-alloy steel sheets to Hindustan Aeronautics Ltd for motor casings used in small satellite launch vehicles.
- During Q2FY25, JDSL collaborated with CJ Darcl Logistics Ltd. to develop lightweight and sustainable SS containers.
- JDSL was accredited by BrahMos Aerospace Pvt. Ltd. as a qualified vendor for the manufacturing and supply of steel sheets and plates from its Hisar unit.
- JSL and JUSL's net debt has reduced to Rs43.12bn. Consolidated debt guidance for FY25 remains unchanged at Rs55bn.
- JDSL's debt to equity and net debt to EBITDA stood at 0.2x and 0.7x, respectively.
- Production volume at Rathi stood at 50kt for H1FY25 and capacity utilization for FY25 is expected at 65-70%.
- Volume guidance for FY25 has been revised to 10-15% from 20% given earlier, due to global headwinds. EBITDA/t is expected to be Rs18,000 for FY25.
- Commencement of operations at Chromeni has been delayed by a month to the end of Q3FY25, due to heavy rains in the region in Oct.
- H1FY25 capex stood at ~Rs27bn, out of Rs55bn guided for the full year. Capex guidance for the next 3 years remains intact.
- Volume mix of series 200/300/400 stood at 35%/47%/18% for 2QFY25.

Financials

Income Statement (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	386	444	542	603
YoY gr. (%)	8.0	15.0	22.2	11.2
Cost of Goods Sold	267	295	357	392
Gross Profit	118	149	186	211
Margin (%)	30.7	33.5	34.2	35.0
Employee Cost	6	10	14	17
Other Expenses	65	83	102	115
EBITDA	47	56	70	78
YoY gr. (%)	31.2	18.1	25.4	12.3
Margin (%)	12.2	12.5	12.9	13.0
Depreciation and Amortization	9	11	12	13
EBIT	38	45	57	65
Margin (%)	9.9	10.2	10.6	10.8
Net Interest	6	7	5	2
Other Income	2	2	2	2
Profit Before Tax	35	40	55	65
Margin (%)	9.2	9.1	10.1	10.8
Total Tax	9	10	14	17
Effective tax rate (%)	25.4	25.0	25.0	26.0
Profit after tax	26	30	41	48
Minority interest	0	0	0	0
Share Profit from Associate	1	1	3	4
Adjusted PAT	26	31	44	52
YoY gr. (%)	24.8	19.3	38.5	19.3
Margin (%)	6.8	7.1	8.0	8.6
Extra Ord. Income / (Exp)	1	-	-	-
Reported PAT	27	31	44	52
YoY gr. (%)	28.3	16.0	38.5	19.3
Margin (%)	7.0	7.1	8.0	8.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	27	31	44	52
Equity Shares O/s (bn)	1	1	1	1
EPS (Rs)	32.1	38.2	52.9	63.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	181	217	237	247
Tangibles	168	205	225	235
Intangibles	12	12	12	12
Acc: Dep / Amortization	52	62	75	88
Tangibles	48	58	71	84
Intangibles	4	4	4	4
Net fixed assets	129	164	171	168
Tangibles	120	155	162	159
Intangibles	9	9	9	9
Capital Work In Progress	11	21	14	9
Goodwill	3	3	3	2
Non-Current Investments	13	13	13	13
Net Deferred tax assets	(12)	(12)	(12)	(12)
Other Non-Current Assets	4	4	4	4
Current Assets				
Investments	3	3	3	3
Inventories	79	97	119	132
Trade receivables	28	34	42	46
Cash & Bank Balance	20	4	3	37
Other Current Assets	14	14	14	14
Total Assets	308	360	389	433
Equity				
Equity Share Capital	2	2	2	2
Other Equity	142	171	212	262
Total Networkth	144	173	214	263
Non-Current Liabilities				
Long Term borrowings	46	51	16	(4)
Provisions	1	1	1	1
Other non current liabilities	4	4	4	4
Current Liabilities				
ST Debt / Current of LT Debt	14	14	14	14
Trade payables	69	85	104	116
Other current liabilities	17	20	23	26
Total Equity & Liabilities	308	360	389	433

Source: Company Data, PL Research

Cash Flow (Rs bn)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	36	40	55	65
Add. Depreciation	9	11	12	13
Add. Interest	6	7	5	2
Less Financial Other Income	2	2	2	2
Add. Other	(2)	(2)	(2)	(2)
Op. profit before WC changes	48	56	70	78
Net Changes-WC	8	(5)	(6)	(4)
Direct tax	(7)	(10)	(14)	(17)
Net cash from Op. activities	48	40	50	57
Capital expenditures	(15)	(55)	(13)	(5)
Interest / Dividend Income	1	2	2	2
Others	(20)	-	-	-
Net Cash from Inv. activities	(33)	(53)	(11)	(3)
Issue of share cap. / premium	-	-	-	-
Debt changes	0	5	(35)	(20)
Dividend paid	-	-	-	-
Interest paid	(5)	(7)	(5)	(2)
Others	0	-	-	-
Net cash from Fin. activities	(5)	(2)	(40)	(22)
Net change in cash	9	(15)	(1)	33
Free Cash Flow	33	(15)	37	52

Source: Company Data, PL Research

Quarterly Financials (Rs bn)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	91	95	94	98
YoY gr. (%)	0.7	(3.2)	(7.4)	(0.2)
Raw Material Expenses	61	65	63	68
Gross Profit	30	29	31	30
Margin (%)	32.6	31.1	33.3	30.3
EBITDA	12	10	12	12
YoY gr. (%)	43.5	(9.5)	1.6	(3.6)
Margin (%)	13.7	10.9	12.8	12.1
Depreciation / Depletion	2	2	2	2
EBIT	10	8	10	9
Margin (%)	11.1	8.5	10.4	9.7
Net Interest	1	2	1	2
Other Income	-	1	1	-
Profit before Tax	9	7	9	8
Margin (%)	9.9	7.4	9.4	8.5
Total Tax	2	2	2	2
Effective tax rate (%)	25.0	28.7	27.0	27.0
Profit after Tax	7	5	6	6
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	7	5	6	6
YoY gr. (%)	39.2	(34.6)	(13.1)	(21.0)
Margin (%)	7.6	5.3	6.9	6.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7	5	6	6
YoY gr. (%)	39.2	(34.6)	(13.1)	(21.1)
Margin (%)	7.6	5.3	6.9	6.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7	5	6	6
Avg. Shares O/s (bn)	1	1	1	1
EPS (Rs)	8.4	6.1	7.9	7.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	32.1	38.2	52.9	63.1
CEPS	42.7	51.0	68.1	79.3
BVPS	174.4	209.6	259.5	319.7
FCF	40.6	(18.2)	44.5	63.6
DPS	3.0	3.0	3.0	3.0
Return Ratio(%)				
RoCE	22.1	21.3	24.7	26.1
ROIC	18.2	15.9	18.4	22.1
RoE	20.1	19.9	22.6	21.8
Balance Sheet				
Net Debt : Equity (x)	0.3	0.3	0.1	(0.1)
Net Working Capital (Days)	36	38	38	38
Valuation(x)				
PER	23.1	19.4	14.0	11.7
P/B	4.2	3.5	2.9	2.3
P/CEPS	17.3	14.5	10.9	9.3
EV/EBITDA	13.7	12.0	9.1	7.4
EV/Sales	1.7	1.5	1.2	1.0
Dividend Yield (%)	0.4	0.4	0.4	0.4

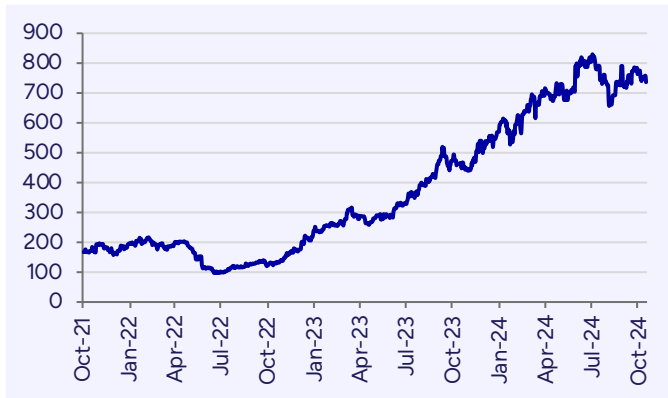
Source: Company Data, PL Research

Key Operating Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales volumes (mt)	2.2	2.4	2.9	3.3
EBITDA/t (Rs)	18,558	17,670	19,512	19,876
Realisation/t (Rs)	1,76,381	1,72,381	1,75,381	1,75,381

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	849	779
2	22-Aug-24	Accumulate	836	741
3	02-Aug-24	Accumulate	836	736
4	07-Jul-24	Reduce	712	827
5	17-May-24	Hold	712	680
6	12-Apr-24	Hold	705	698
7	19-Jan-24	Accumulate	660	581
8	05-Jan-24	Accumulate	583	601
9	29-Nov-23	Accumulate	532	523
10	20-Oct-23	BUY	543	469

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,457	2,439
2	Ambuja Cement	BUY	756	611
3	Dalmia Bharat	Accumulate	2,076	1,929
4	Hindalco Industries	BUY	847	748
5	Jindal Stainless	Accumulate	849	779
6	Jindal Steel & Power	Accumulate	1,090	1,021
7	JSW Steel	Accumulate	1,106	1,034
8	National Aluminium Co.	Sell	186	220
9	NMDC	Accumulate	266	237
10	Nuvoco Vistas Corporation	Accumulate	386	354
11	Shree Cement	Accumulate	27,481	26,034
12	Steel Authority of India	Reduce	131	139
13	Tata Steel	Accumulate	181	167
14	Ultratech Cement	Accumulate	13,084	11,450

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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