

Introduction

JDSL is the largest Indian manufacturer of stainless steel in 200, 300, 400 and duplex stainless-steel series. The product range includes Ferro Alloys, Steel Slabs, Hot Rolled Coils, Cold Rolled Coils, Steel Plates.

Understanding The Company

Jindal Stainless, has ~3 MTPA melt capacity currently (Jajpur and Hisar) and is ramping up its facilities to reach 4.2 million tonnes of annual melt capacity by 2026. It has 16 stainless steel manufacturing and processing facilities in India and abroad, including in Spain and Indonesia, and a worldwide network in 12 countries, as of March 2024. In India, there are ten sales offices and six service centres, as of March 2024. The company's product range includes stainless steel slabs, blooms, coils, plates, sheets, precision strips, wire rods, rebars, blade steel, and coin blanks.

Investment Rationale

Robust Volume Growth

Jindal Stainless (JDSL) is expected to achieve a robust compound annual growth rate (CAGR) of over 18-20% from FY24 to FY26, driven by the Indian government's persistent focus on infrastructure development and rising capital expenditure in the railway sector. Volume has grown from 1.67 MTPA in FY22 to 2.17 in FY24 and reach around full utilization by FY26.

Aggressive Capex Plans

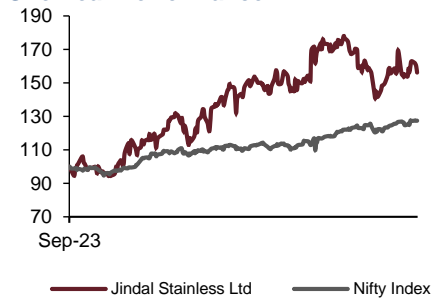
Recently, Jindal Stainless announced major acquisition and expansion plans to the tune of INR ~5,400 crore to augment its melting and downstream facilities to reach a capacity of 4.2 million tonnes per annum (MTPA). This included a 49% partnership in a joint venture for a 1.2 MTPA stainless steel melt shop in Indonesia; expansion in downstream capacity in Jajpur, Odisha; and acquisition of a 54% equity stake in Chromeni Steels in Mundra, Gujarat. The joint venture in Indonesia promises optimal speed and ensures the security of raw materials, while the expansion of the Jajpur lines will provide added value for both domestic and international customers. Additionally, the cold rolling mill at Chromeni will not only extend the company's reach within India and overseas but also strengthen its position in the value-added market segment for the foreseeable future.

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	825	13

Market Data

Current price	Rs	732
Market Cap (Rs.Bn)	(Rs Bn)	603
Market Cap (US\$ Mn)	(US\$ Mn)	7,194
Face Value	Rs	2
52 Weeks High/Low	Rs	848 / 427.15
Average Daily Volume	('000)	475
BSE Code		532508
Bloomberg		JDSL.IN
Source: Bloomberg		

One Year Performance



% Shareholding	Jun-24	Mar-24
Promoters	60.49	60.49
Public	39.51	39.51
Total	100	100

Source: BSE

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Sustainability and ESG

- JSL inaugurated India's first Green Hydrogen Plant in the stainless-steel sector in March 2024. This plant produces 90 Nm³ of green hydrogen per hour, which will reduce 2,700 tCO₂e of carbon emissions annually.
- To achieve Net Zero by 2050, the company successfully reduced 76,000 tonnes of CO₂ in FY24, taking the overall reduction of CO₂ to 2.8 lakh tonnes in the last three fiscals.
- JSL also made its official commitment to the near-term science-based emissions reduction and Net Zero targets outlined by the global climate action body Science-Based Targets initiative (SBTi), in a significant step towards achieving carbon neutrality in April 2024.

The company manufactures stainless steel using scrap in an electric arc furnace, the least greenhouse gas emission route since it enables 100% recyclability with no reduction in quality, thereby achieving a circular economy. The company aims to reduce carbon emission intensity by 50% well before FY35 and achieve Net Zero by 2050.

Government thrust towards stainless steel usage

The Indian government has been actively promoting the use of stainless steel across various sectors to drive sustainable growth and infrastructure development. Here are some key areas where the government is focusing on stainless steel:

Public Infrastructure Spending

The government's focus on building long-lasting and low-maintenance infrastructure such as bridges and highways is expected to drive significant growth in the stainless-steel sector.

Sustainability and Corrosion Prevention

As India shifts towards sustainable and long-lasting infrastructure, stainless steel emerges as a preferred choice due to its ability to withstand the ravages of time and climatic conditions. Jindal Stainless, has signed an MoU with the Confederation of Indian Industry (CII) to promote the use of stainless steel in building sustainable infrastructure and mitigate corrosion.

Railways and Mobility

The government's focus on making mobility faster, lighter and safer has led to increased usage of stainless steel in railways. Policies such as the National Rail Plan, PM Gati Shakti, and targeted multi-modal connectivity projects are expected to significantly boost stainless steel demand.

Atmanirbharta in Defence and Aerospace

As India strives for self-reliance through the 'Make in India' initiative, emerging sectors such as aerospace and defence are becoming significant growth areas for stainless steel.


Process Industries

As the Indian economy matures, industries like food and beverage processing, pharmaceuticals, chemicals, renewable energy, and emerging energy focus areas such as hydrogen and ethanol are expected to drive stainless steel demand due to its inert nature.

The government has also mandated conformity to the **Bureau of Indian Standards (BIS)** for stainless steel and aluminium utensils





Government

Notifications



Strong Regulatory Support for SS Adoption

With a view to strengthening the quality of infrastructure build-out in the country, the Government of India has issued several circulars directing the usage of Stainless Steel in key infrastructure sectors. This is providing a tailwind to the demand in the country

			
<p>The Ministries of Road Transport and Railways now require stainless steel for reinforced bridges in marine government projects to prevent corrosion and maintain bridge strength.</p>	<p>Indian Railway Standard Code of Practice for General Bridge Construction (2018) allows for the use of high-strength deformed stainless steel bars and wires as concrete reinforcement, especially in extreme conditions and coastal areas.</p>	<p>Ministry of Road Transport & Highways Circular: Stainless steel (IS:16651:2017) must be used for reinforced concrete bridges on National Highways in extreme environments.</p>	<p>In March 2023, RDSO issued alteration drawings requiring the use of anti-skid checkered plates (IS 6911 compliant) for gangways, troll refuges, man refuges, side pathways, etc. They also specified the use of recommended stainless steel grade fasteners by the manufacturer.</p>

Q1FY25 Result Update

Robust Revenue growth and uptick in nickel prices

Consolidated revenue for the quarter stood at Rs.9,430 crore (dip of 7% YoY and flat QoQ). EBITDA/tonne improved by 13% QoQ to Rs.20,969. The EBITDA for the quarter stood at Rs.1,212 Cr (17% increase QoQ and 2% decrease YoQ). PAT grew 29% QoQ to Rs. 646 Cr and saw a 12% dip YoY.

Highlights of the call

- The uptick in nickel prices led to EBITDA margin recovery in Q1FY25. EBITDA/tonne guidance of Rs18-20K (standalone) is maintained for FY25, despite macro headwinds in export markets. FY25 volume guidance is maintained at 20%.
- JSL supplied special SS for 100 'Made in India' freight wagons to Mozambique and supplied SS for India's Vande Metro train during Q1FY25.
- JSL has taken enabling resolution for fund raising of Rs50bn for expansion and balance sheet improvements.
- The volume mix of series 200/300/400 stood at 36%/45%/19% for 1QFY25.

Key Risks

- Downturn in Nickel Prices can deflate the margins.
- Aggressive dumping by China may lead to further erosion in share in low grade stainless steel.

Valuation & Outlook

Jindal Stainless is poised to capitalize on the strong domestic opportunities and expects growth of 20-25% in volume and an ebitda margin in the range of 18,000-20,000/tonne. We believe that expected stability in margins, capex spend, delivery on guidance and strong volume growth would support valuations.

The stock is currently trading at a P/E of 17x/13x on FY25/26E earnings. We initiate coverage with a 'BUY ON DIPS' rating at a TP of Rs 825 valuing it at a P/E of 15x FY26E.

Financial Summary

Particulars (In Cr)	FY22	FY23	FY24	FY25e	FY26e
Revenue from Op	32,733	35,697	38,562	46,644	55,761
% Growth		9%	8%	21%	17%
Total Income	32,803	35,823	38,732	46,830	55,984
EBITDA(Excl OI)	5090	3586	4704	6250	7751
EBITDA %	16%	10%	12%	13%	14%
PAT	3,109	2,084	2,693	3,567	4,497
Equity	82	82	82	82	82
EPS	38	25	33	43	55
% Growth		-33%	29%	32%	27%
CMP			730	730	730
PE RATIO			22	17	13
Ebitda Margin %	16%	10%	12%	13%	14%
Pat Margin %	9%	6%	7%	8%	8%

Source: Dalal & Brocha Research

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