

Jindal Stainless

Superior market position reinforced through strategic expansions

Jindal Stainless Limited (JSL) is India's largest stainless steel producer, commanding a majority of the market share and ranking among the top global players. The company caters to a wide range of industries, including automotive, transportation, architecture, consumer durables, and process industries. Its diverse product portfolio includes stainless steel slabs, blooms, coils, wire rods, and specialty products such as precision strips and razor blade steel, making JSL a key player in both domestic and global markets. JSL operates 16 advanced manufacturing facilities across India, Spain, and Indonesia, with flagship plants in Hisar (0.8 MTPA) and Jajpur (2.2 MTPA) making a total capacity of 3.0 MTPA. The company has undertaken a JV in Indonesia to increase its capacity to 4.2 MTPA by end of FY26. JSL operates as a value-added converter rather than a commodity player in the stainless steel industry. JSL has also pursued various strategic acquisitions like Chromeni Steels, RSSL, Rabirun as well as upgrading its Jajpur plant to diversify its product offerings and increase the proportion of downstream products.

JSL recently announced a three-pronged strategy for capacity expansion through a capex of INR55 bn. JSL is one of the least levered compared to its steel counterparts with Net-Debt/EBITDA of less than 1. JSL's Net debt is expected to increase from ~INR36 bn in FY24 to ~INR56 bn in FY25. We anticipate a Revenue/ EBITDA/ PAT CAGR of 16%/ 25%/ 33% over FY24-26E given capacity expansion and better product mix. We bake in capex of INR55 bn and INR30 bn for FY25/26E. Our target price of INR910/sh is based on 10x EV/EBITDA FY26E, implying an upside of 15%. We initiate coverage with a BUY rating.

Market dominance along with a strong demand outlook: Jindal Stainless is the largest stainless steel producer in India with a Steel Melting Shop (SMS) capacity of 3 MTPA with expansion plans in line, taking total eventual SMS capacity to 4.2 MTPA. It ranks among the top ten global producers, reflecting its dominant market position. JSL has acquired Chromeni Steels Private Limited (CSPL), and formed 2 JVs in Indonesia, one for a Nickel Pig Iron facility and other for setting up a 1.2 MTPA SMS plant with one of the largest global stainless steel player. Jindal Stainless announced a capex of INR 55 bn aimed towards expansion of its capacity, as well as enhancing its downstream capabilities in a three pronged strategy a) JV with Tsingshan in Indonesia to set up a 1.2 MTPA SMS capacity (JSL to invest ~INR7 bn) with a "first right of refusal" for JSL b) acquisition of 100% stake of Chromeni Steels Private Limited (CSPL) with an outlay of ~INR16bn to expand cold-rolled capacity c) investments of ~INR19 bn have been allocated towards downstream capacity expansion at the company's Jajpur plant, expanding its CRAP and HRAP capacities.

"Converter" model to be return accretive; least levered Balance Sheet: JSL operates as a value-added converter rather than a commodity player in the stainless steel industry. The company's ability to quickly pass on the price change to customers mitigates the impact of fluctuating input costs, leading to more predictable margins. JSL is one of the least levered amongst steel companies with Net-Debt/EBITDA lower than 1. JSL's converter model generally exhibits lower margin volatility compared to its steel-focused counterparts.

ART, ABC and new age applications to provide long growth runway: Stainless Steel has found acceptability in various new age segments such as ABC (Architecture, Building and Construction) and ART (Automobile Railways and Transport). The traditionally higher demand share of consumer durables has fallen from ~80% in 1980 to ~40% in 2023. Government's commitment towards upgrading the Indian railways, seen by their record capex announcement of INR 2.62 tn would be directly adding to JSL's growth. These applications provide higher returns and the product mix enrichment can help JSL to further expand its market share.

Recommendation and Price Target		Financial Summary					
		(INR mn)					
		Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Current Reco	BUY	Net Sales	3,27,327	3,56,970	3,85,625	4,42,158	5,23,329
Current Price Target (12M)	910	Sales Growth (%)	168.6	9.1	8.0	14.7	18.4
Upside/(Downside)	15.2%	EBITDA	50,905	35,861	47,043	54,819	73,546
Key Data – JDSL IN		EBITDA Margin (%)	15.6	10.0	12.2	12.4	14.1
Current Market Price	INR790	Adjusted Net Profit	31,400	20,532	25,746	32,223	45,594
Market cap (bn)	INR650.6/US\$7.8	Diluted EPS (INR)	59.8	24.9	31.3	39.1	55.4
Free Float	40%	Diluted EPS Growth (%)	817.6	-58.3	25.4	25.2	41.5
Shares in issue (mn)	823.5	ROIC (%)	32.2	14.8	16.9	15.8	18.1
Diluted share (mn)	823.5	ROE (%)	9.9	32.0	17.2	17.9	18.0
3-mon avg daily val (mn)	INR791.0/US\$9.5	P/E (x)	12.9	31.0	24.7	19.7	13.9
52-week range	848/427	P/B (x)	4.1	5.3	4.4	3.6	2.8
Sensex/Nifty	85,170/26,004	EV/EBITDA (x)	13.2	18.6	14.4	12.7	9.3
INR/US\$	83.6	Dividend Yield (%)	0.0	0.0	0.4	0.4	0.4

Source: Company data, JM Financial. Note: Valuations as of 25/Sep/2024

Price Performance			
%	1M	6M	12M
Absolute	8.1	14.0	78.3
Relative*	3.7	-3.0	38.1

*To the BSE Sensex

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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

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