

Healthy operational performance...

About the stock: Jindal Stainless (Hisar) (JSHL) is one of the leading players in the Indian stainless steel market.

- JSHL is the largest specialty stainless steel producer in India with a diversified value-added product portfolio
- JSHL operates an integrated stainless steel plant at Hisar, Haryana. JSHL has a total melting capacity of 0.8 million tonnes per annum (MTPA)

Q3FY23 Results: Jindal Stainless (Hisar) (JSHL) reported a healthy operational performance for Q3FY23 wherein consolidated topline, EBITDA and PAT came in higher than our estimate.

- For the quarter, Jindal Stainless (Hisar) standalone operations reported sales volume of 174188 tonnes, down 5% each both QoQ, YoY, marginally higher than our estimate of 172500 tonnes. Standalone operations EBITDA/tonne came in at ₹ 19445/tonne compared to ₹16085/tonne in Q2FY23 and ₹ 28259/tonne in Q3FY22, higher than our estimate of ₹ 18500/tonne
- Consolidated topline for the quarter was at ₹ 4285 crore, up 3% YoY and 9% QoQ, higher than our estimate of ₹ 3924 crore. For Q3FY23, Jindal Stainless (Hisar) reported consolidated EBITDA of ₹ 367 crore, up 14% QoQ, but down 35% YoY, higher than our estimate of ₹ 349 crore
- Ensuing consolidated PAT for the quarter was at ₹ 344 crore, up 36% QoQ but down 33% YoY, higher than our estimate of ₹ 266 crore

What should investors do? JSHL's share price has given a return of ~24% over the last one year (from ~₹ 377 in January 2022 to ~₹ 466 in January 2023).

- We maintain our **BUY** rating on the stock

Target Price and Valuation: We value JSHL at ₹ 585, based on merger ratio.

Key triggers for future price performance:

- Going forward, for JSL's standalone operations, we assume EBITDA/tonne of ₹ 19000/tonne for FY23E and ₹ 20500/tonne for FY24E. For the combined entity, the company has guided 20% volume growth in FY24E
- Update on JSL-JSHL merger and JUSL acquisition:** The JSL-JSHL merger process is expected to be completed within the current financial year. Acquisition of 74% holding of JUSL by JSL is progressing as planned and will be completed within committed timelines

Alternate Stock Idea: Apart from JSHL, we also like Jindal Stainless (JSL).

- JSL operates an integrated stainless steel plant at Jajpur, Odisha. The complex has a total stainless steel capacity of 1.1 MTPA
- BUY with a target price of ₹ 300



Particulars

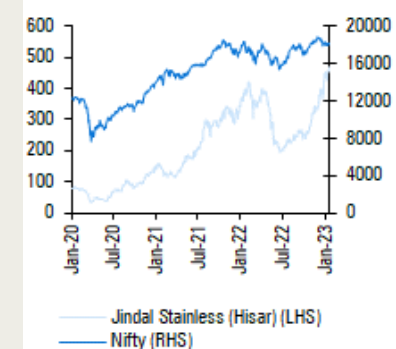
Particulars	₹ Crore
Market Capitalization	10,995
Total Debt (Q3FY23)	1,314
Cash and Invest (Q3FY23)	222
Enterprise Value(EV)	12,087
52 week H/L (₹)	478 / 189
Equity capital	47
Face value (₹)	2

Debt and Cash are on a Standalone basis

Particulars

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	58.9	58.9	58.9	58.9
FIs	20.5	20.7	20.6	21.1
DIs	4.3	4.6	4.6	4.7
Public	16.3	15.8	15.9	15.3
Total	100	100	100	100

Price Performance Graph



Key Risks

- Sharp rise in raw material cost
- Slowdown in demand growth.

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Key Financial Summary- Jindal Stainless Hisar (Pre-merger)

₹ crore	FY19	FY20	FY21	FY22	CAGR in % (FY17-FY22)	FY23E	FY24E	CAGR in % (FY22-FY24E)
Total Operating income	10,289	9,379	9,400	15,011	14	15,710	16,674	5
EBITDA	1,039	935	1,127	2,153	17	1,405	1,577	-14
PAT	396	401	696	1,947	46	1,261	1,439	-14
EPS (₹)	16.8	17.0	29.5	82.5		53.5	61.0	
P/E (x)	27.8	27.4	15.8	5.6		8.7	7.6	
EV/EBITDA (x)	12.8	14.1	11.1	5.9		8.6	7.3	
RoCE (%)	17.6	14.3	18.6	28.1		16.0	16.5	
RoE(%)	20.8	17.5	23.2	39.4		20.8	19.8	

Source: Company, ICICI Direct Research

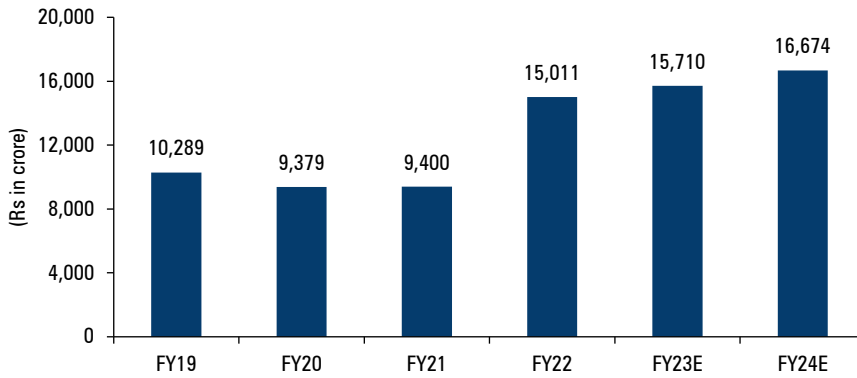
Exhibit 1: Variance Analysis- Jindal Stainless (Hisar) – Consolidated (Sales volume, EBITDA/tonne standalone)

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Total Operating Income	4285	3924	4173	3%	3926	9%	Consolidated topline came in higher than our estimate
Other Income	37	32	30	21%	31	20%	
Total Operating expense	3918	3575	3604	9%	3603	9%	
EBITDA	367	349	569	-35%	323	14%	Consolidated EBITDA came in higher than our estimate
EBITDA Margin (%)	8.6	8.9	13.6	(500) bps	8.2	40 bps	
Depreciation	55	65	63	-13%	57	-3%	
Interest	22	35	36	-38%	31	-29%	
Exceptional item	0	0	0	#DIV/0!	0	#DIV/0!	
Share of Net Profit/Loss	101	75	146	-31%	52	96%	
PBT	428	356	647	-34%	317	35%	
Tax Outgo	85	90	132	-36%	64	31%	
PAT	344	266	515	-33%	253	36%	Consolidated PAT came in higher than our estimate
Key Metrics							
Sales Volume(Standalone)	1,74,188	1,72,500	1,84,084	-5%	1,83,421	-5%	Standalone sales volume came in broadly in line with our estimate
EBITDA/Tonne(Standalone)	19,445	18,500	28,259	-31%	16,085	21%	Standalone EBITDA/tonne came in higher than our estimate

Source: Company, ICICI Direct Research

Financial story in charts- JSHL (Pre-Merger)

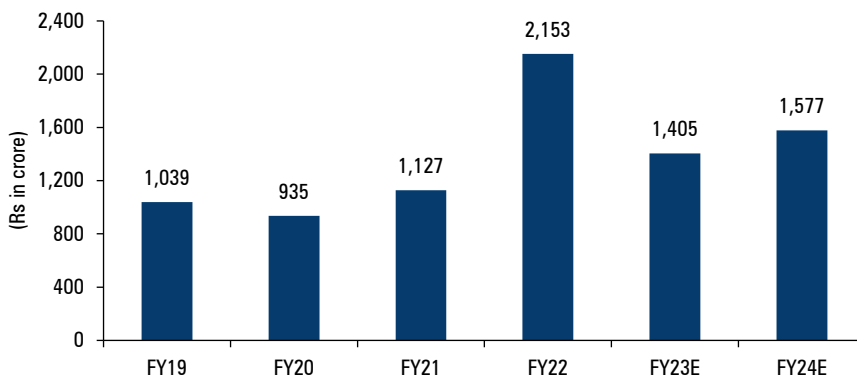
Exhibit 1: Trend in consolidated topline (in ₹ crore)



We expect JSHL to report consolidated topline of ₹ 15710 crore for FY23E and ₹ 16674 crore for FY24E

Source: Company, ICICI Direct Research

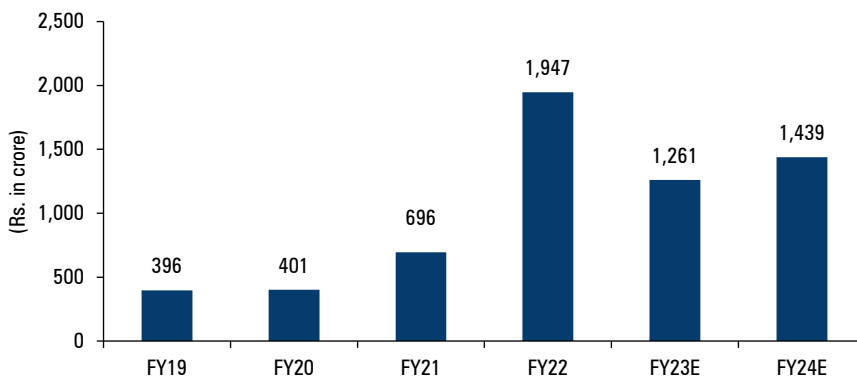
Exhibit 2: Trend in consolidated EBITDA (in ₹ crore)



We expect JSHL to report consolidated EBITDA of ₹ 1405 crore for FY23E and ₹ 1577 crore for FY24E

Source: Company, ICICI Direct Research

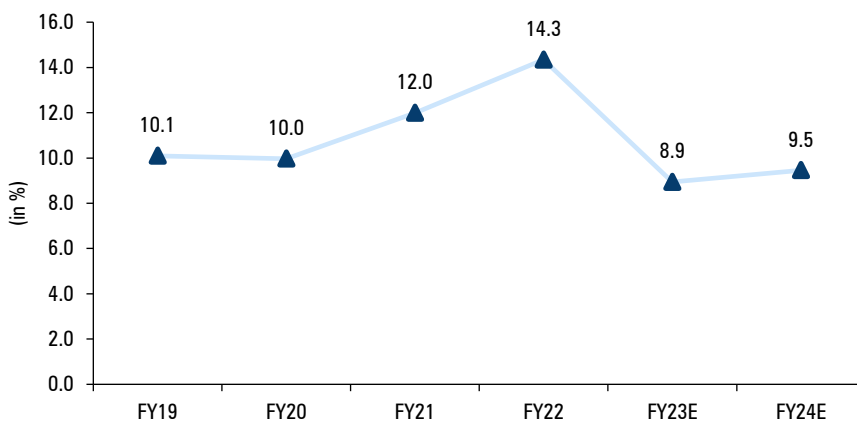
Exhibit 3: Trend in consolidated PAT (in ₹ crore)



We expect JSHL to report consolidated PAT of ₹ 1261 crore for FY23E and ₹ 1439 crore for FY24E

Source: Company, ICICI Direct Research

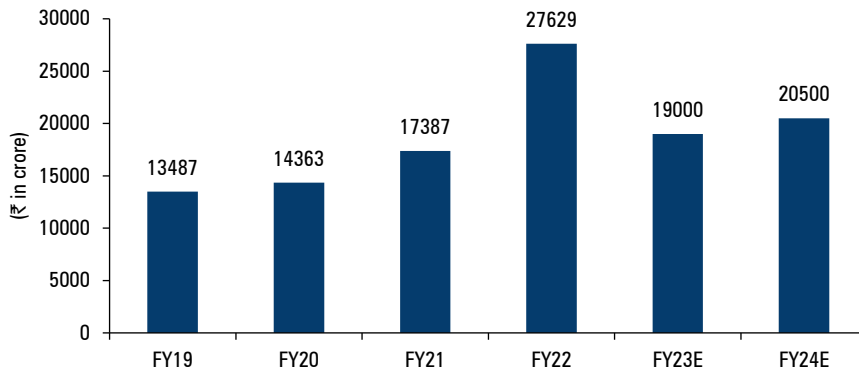
Exhibit 4: Trend in consolidated EBITDA margin (in %)



We expect JSHL to report consolidated EBITDA margin of 8.9% for FY23E and 9.5% for FY24E

Source: Company, ICICI Direct Research

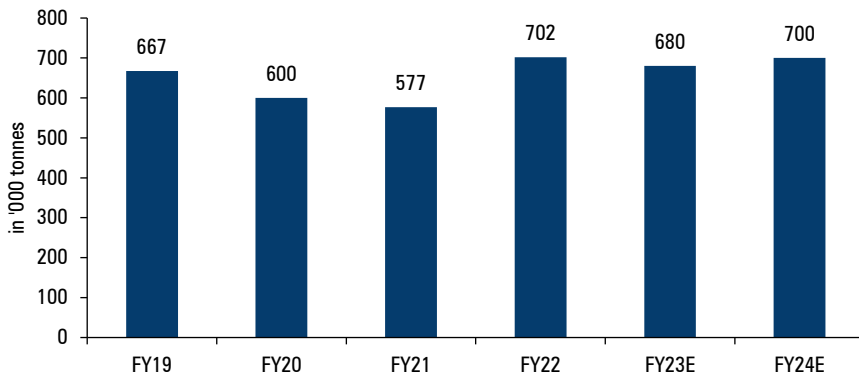
Exhibit 5: Trend in EBITDA/tonne (Standalone)



For the standalone entity JSHL, we model EBITDA/tonne of ₹ 19000/tonne for FY23E and ₹ 20500/tonne for FY24E. For FY24E, we upward revise our EBITDA/tonne estimate from ₹ 20000/tonne earlier to ₹ 20500/tonne now

Source: Company, ICICI Direct Research

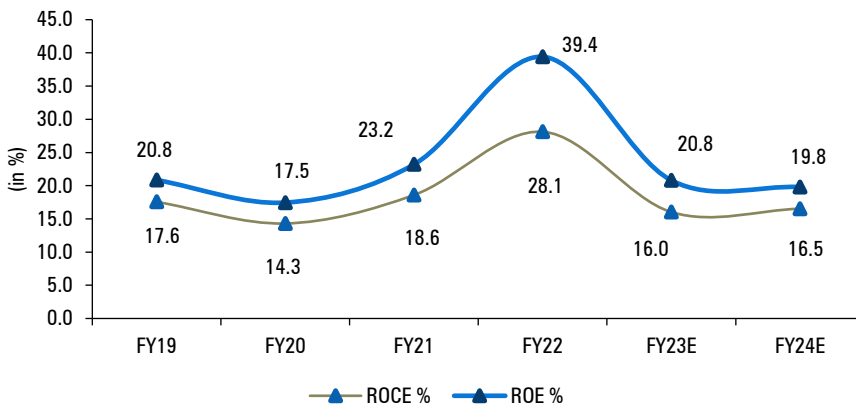
Exhibit 6: Trend in sales volume (Standalone)... (In KT)



For the standalone entity JSHL, we model sales volume 680000 tonnes for FY23E (upward revised from 630000 tonnes earlier) and 700000 tonnes for FY24E (upward revised from 650000 tonnes earlier)

Source: Company, ICICI Direct Research

Exhibit 7: Trend in RoCE & RoE (in %)



Source: Company, ICICI Direct Research

Exhibit 8: Valuation Matrix

Years	Total Op Income	Growth	EPS	Growth	PE	EV/EBITDA	RoCE	RoE
	(₹ cr)	(%)	(Rs)	(%)	(x)	(x)	(%)	(%)
FY19	10,289	-0.7	16.8	NA	27.8	12.8	17.6	20.8
FY20	9,379	-8.8	17.0	1.2	27.4	14.1	14.3	17.5
FY21	9,400	0.2	29.5	73.6	15.8	11.1	18.6	23.2
FY22	15,011	59.7	82.5	179.9	5.6	5.9	28.1	39.4
FY23E	15,710	4.7	53.5	-35.2	8.7	8.6	16.0	20.8
FY24E	16,674	6.1	61.0	14.1	7.6	7.3	16.5	19.8

Source: Company, ICICI Direct Research

Exhibit 9: Valuation (based on merged entity basis)

Particulars	Units	Mar-24E
EBITDA FY24E (Standalone combined entity JSL + JSHL)	₹ crore	4,407
Subsidiaries EBITDA in FY24E	₹ crore	117
Total Consolidated EBITDA of Merged Entity in FY24E	₹ crore	4524
Multiple	x	6
Enterprise Value	₹ crore	27147
Net Debt FY24E (After adjusting inter company loan)	in crore	2484
Mcap	in ₹/share	24663
Number of Shares	in crores	82.3
Target Price of Jindal Stainless	in ₹/share	300
CMP of Jindal Stainless	in ₹/share	257
Upside (%)	in %	17%
Target Price of Jindal Stainless Hisar(derived as per swap ratio)	in ₹/share	585
CMP of Jindal Stainless Hisar	in ₹/share	466
Upside (%)	in %	26%

Source: Company, ICICI Direct Research

Note - Growth capex plan has been announced based on the post merged entity, wherein we believe the merged entity would have sufficient cash flows to meet the capex requirements from internal accruals. Furthermore, we expect the net debt of merged entity (on pro-forma basis) to decline from ₹2824 crore as on December 2022 (after adjusting inter-company loan) to ₹2484 crore as on March 2024E (after adjusting inter-company loan). We have valued the company on merged entity basis (JSL+JSHL) as the merger process is expected to be completed within the current financial year. We have not incorporated the pending acquisition of 74% holding of JUSL by JSL in our assumptions since it is yet to be completed.

Financial Summary – Jindal Stainless Steel Hisar (Pre-merger)

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total Operating Income	9400	15011	15710	16674
Growth (%)	0%	60%	5%	6%
Total Operating Expenditure	8273	12858	14305	15097
EBITDA	1127	2153	1405	1577
Growth (%)	21%	91%	-35%	12%
Interest & Finance Cost	251	131	109	74
Depreciation	290	250	234	255
Other Income	107	119	134	142
PBT before Exceptional Items	693	1891	1196	1390
Add/less: Exceptional Items	41	0	0	0
Share of profit from Associates	146	545	381	409
PBT	880	2436	1577	1799
Total Tax	184	488	315	360
PAT	696	1947	1261	1439
Growth (%)	74%	180%	-35%	14%
EPS	29	83	53	61

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit/(Loss) after taxation	696	1947	1261	1439
Add: Dep. & Amortization	290	250	234	255
Net (Inc) / dec.in Current Asset	-416	-2265	73	-313
Net Inc / (dec) in Current Liab.	457	540	-67	84
CF from Operating Actv.	1027	472	1501	1466
(Inc)/dec in Investments	-151	-541	-290	-290
(Inc)/dec in Fixed Assets	-219	-235	-400	-357
Others	0	0	0	0
CF from Investing Actv.	-371	-776	-690	-647
Inc / (Dec) in Equity Capital	0	0	0	0
Inc / (Dec) in Loans	-679	326	-588	-513
Dividend & Dividend Tax	0	0	-138	-230
Others	10	-10	-3	-3
CF from Financing Actv.	-669	315	-729	-746
Net Cash flow	-13	12	83	73
Opening Cash	34	21	32	115
Closing Cash	21	32	115	188

Source: Company, ICICI Direct Research

Exhibit 12: Balance sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	47	47	47	47
Reserve and Surplus	2951	4894	6017	7226
Total Shareholders funds	2998	4941	6064	7273
Total Debt	1501	1827	1239	726
Other Non-Current Liabilities	21	21	21	21
Deferred Tax Liability (net)	17	18	17	16
Source of Funds	4538	6808	7342	8037
Gross Block - Fixed Assets	3947	4204	4640	4787
Accumulated Depreciation	2062	2312	2546	2546
Net Block	1886	1893	2094	2241
Goodwill	75	75	75	75
Capital WIP	183	161	125	80
Net Fixed Assets	2144	2129	2295	2397
Investments	798	1339	1629	1919
Inventory	1639	2647	2582	2741
Cash	21	32	115	188
Debtors	917	1773	1722	1827
Loans & Advances & Other CA	1483	1884	1927	1976
Total Current Assets	4059	6336	6346	6732
Creditors	1725	2168	2152	2284
Provisions & Other CL	783	881	830	782
Total Current Liabilities	2509	3048	2982	3066
Net Current Assets	1551	3288	3364	3666
Other Non-current assets	45	52	54	56
Application of Funds	4538	6808	7342	8037

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	29.5	82.5	53.5	61.0
BV	127	209	257	308
DPS	0.0	0.0	5.9	9.8
Cash Per Share	0.9	1.4	4.9	8.0
Operating Ratios (%)				
EBITDA margins	12.0	14.3	8.9	9.5
PBT margins	9.4	16.2	10.0	10.8
Net Profit margins	7.4	13.0	8.0	8.6
Inventory days	64	64	60	60
Debtor days	36	43	40	40
Creditor days	67	53	50	50
Return Ratios (%)				
RoE	23.2	39.4	20.8	19.8
RoCE	18.6	28.1	16.0	16.5
RoIC	18.7	28.3	16.3	16.9
Valuation Ratios (x)				
P/E	15.8	5.6	8.7	7.6
EV / EBITDA	11.1	5.9	8.6	7.3
EV / Revenues	1.3	0.9	0.8	0.7
Market Cap / Revenues	1.2	0.7	0.7	0.7
Price to Book Value	3.7	2.2	1.8	1.5
Solvency Ratios				
Debt / Equity	0.5	0.4	0.2	0.1
Debt/EBITDA	1.3	0.8	0.9	0.5
Current Ratio	1.6	2.1	2.1	2.2
Quick Ratio	1.0	1.2	1.3	1.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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