



India's Best Performing and Most Customer Centric PMS

Jindal Stainless Ltd (JSL) is a leading and well-established player in the Indian stainless steel industry, renowned for its diversified product range, strong global presence, and commitment to operational excellence. Jindal Stainless Ltd presents a compelling investment opportunity with its dominant position in the Indian stainless steel industry, strategic expansion plans, merger prospects and a focus on operational efficiency.

Geographical Presence: JSL maintains a robust domestic and international presence. In FY21, 78% of its operations were based in India, while 22% were conducted outside India. The company operates an Indonesian manufacturing facility and has established 14 international sales offices in the United States, the European Union, the United Arab Emirates, Russia and Vietnam. JSL's major export markets encompass Europe, South East Asia and the Middle East.

Manufacturing Capabilities: JSL operates a state-of-the-art stainless-steel plant in Jajpur, Odisha, sprawled across approximately 800 acres. The plant boasts a steel melting capacity of 1.1 million TPA and is equipped with a captive power plant of 264 MW, a ferro-alloy plant with a capacity of 0.25 million TPA, and a CRAP (Cold Rolled and Annealed Pickled) plant capable of processing 0.45 million TPA.

Planned CapEx: To further enhance its capabilities, JSL is in the process of expanding its facilities, increasing the melting capacity at its Jajpur plant from 1.1 million TPA to 2.1 million TPA. This expansion also includes a significant increase in HRAP (Hot Rolled Annealed and Pickled) and CRAP capacity among other improvements.

Integration with Associate Companies: JSL's operations benefit from strategic integration with associate companies. Jindal United Steel Ltd owns a 1.6 MTPA hot strip mill that converts SS slabs produced by JSL into HR coils, while the coke oven plant is owned by another associate entity, Jindal Coke Ltd, which supplies coke and coke oven gas.

Initiatives for Operational Efficiency: JSL has undertaken numerous initiatives to optimize operational efficiency, including the installation of railway sidings within the plant to reduce freight costs and lead times. Additionally, increased use of liquid Ferro Chrome and the partial substitution of expensive propane with coke oven gas have led to substantial operational cost savings. The strategic location of the plant in Odisha provides a competitive advantage due to the presence of 93% of India's chromite ore reserves in the region.

Financial Initiatives: JSL has made several noteworthy financial moves, including the allotment of convertible equity warrants to Virtuous Tradecorp Private Limited (Promoter Group) and Kotak Special Situations Fund, demonstrating confidence in its growth potential. The company has also undertaken early redemption of NCDs and successfully exited from Corporate Debt Restructuring (CDR), reinforcing its financial stability.

Stock Data	
CMP (17-11-2023)	506.85
52 Week High/Low	541/165.55
Face Value	2
Market Cap (In Crs)	41,736
Enterprise Value (In Crs)	46,062
NSE	JSL
BSE	532508
Bloomberg	JDSL:IN
Sector	Iron & Steel

Shareholding Pattern (in %)		
	SEP 23	JUN 23
Promoter	57.94%	57.95%
FII	23.37%	22.20%
DII	5.42%	6.01%
Public	13.26%	13.84%
Others	0.01%	0.00%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-0.17%	8.53%	7.57%
JSL	8.30%	80.76%	195.63%

Key Ratios	
P/E	15.8
P/S	1.08
P/B	3.15
Debt To Equity	0.43
ROE	19.10%
ROCE	20.8%
Dividend Yield	0.30%

Q2 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q2 FY24	Q1 FY24	Q2 FY23	QOQ	YOY
Sales	9797	10184	8751	-3.80%	11.95%
EBITDA	1231	1192	685	3.27%	79.71%
EBIT	1149	1081	537	6.29%	113.97%
Net Profit	764	738	347	3.52%	120.17%
EPS	9.4	9.06	6.72	3.75%	39.88%

Result Highlights

Jindal Stainless reported robust financial performance compared to the previous quarters. Sales for Q2 FY24 stood at Rs 9,797 crores, exhibiting a slight decline of 3.80% compared to the previous quarter (Q1 FY24), but registering an impressive year-on-year (YOY) growth of 11.95% from Q2 FY23. The company's EBITDA for Q2 FY24 was Rs 1,231 crores, marking a 3.27% increase from Q1 FY24 and a remarkable 79.71% surge from Q2 FY23. This substantial growth in EBITDA reflects Jindal Stainless' efficient cost management and improved operational performance. Net profit also demonstrated positive momentum.

The financial performance of Jindal Stainless across the three quarters of FY24 underscores its consistent growth and resilience. While Q2 FY24 experienced a marginal decrease of 3.8% in sales compared to Q1 FY24, it recorded an encouraging 11.95% growth compared to Q2 FY23, demonstrating the company's ability to capture expanding market opportunities. The EBITDA for the same period displayed a positive trajectory, increasing by 3.27% QOQ and a remarkable 79.71% YOY. This consistent financial performance positions Jindal Stainless as a key player in the stainless steel industry, showcasing its strong revenue generation and profitability.

Market Resilience Amid Global Challenges: Jindal Stainless has exhibited market resilience by maintaining sales volumes and exploring new markets despite challenging macroeconomic conditions and weakened global demand. Through continuous innovation and strategic initiatives, the company has sustained its position, underscoring its adaptability and forward-thinking approach.

Strategic Capacity Expansion: The successful commissioning of incremental capacity in its Hot Strip Mill in Jindal United Steel Limited (JUSL) reflects the company's alignment with the "Make in India" initiative. This strategic move not only boosts its production capabilities but also signifies a commitment to national growth and self-reliance.

Sustainability and Responsibility Recognition: The company's noteworthy achievements in energy efficiency and carbon reduction initiatives, along with its membership in "Responsible Steel," demonstrate its commitment to environmental and social responsibility. These initiatives showcase Jindal Stainless as a responsible corporate entity with a focus on sustainable business practices.

Domestic Market Confidence: Jindal Stainless remains confident in the growth of domestic stainless steel demand, driven by economic activities, infrastructure projects, and various segments like ethanol, petrochemical, water treatment, and nuclear. This confidence signals the company's optimism about the country's industrial growth and its readiness to cater to the evolving demands of the domestic market.

Continuous Engagement with Government Ministries: Jindal Stainless' active engagement with various government ministries, including the Steel Ministry, Commerce Ministry, and Finance Ministry, underscores its dedication to addressing challenges related to Chinese imports and advocating for favorable industry-specific policies. While significant policy changes have not yet materialized, the company's persistent dialogue with government bodies shows its commitment to shaping a more conducive regulatory environment for the stainless steel sector.

Concall Highlights

Operational Performance and Capacity Expansion: In Q2 FY24, Jindal Stainless achieved satisfactory volumes, primarily driven by robust domestic demand in sectors like stainless steel, including pre-festive demand in the automobile and consumer-facing segments. Furthermore, the company successfully commissioned incremental capacity in its Hot Strip Mill in Jindal United Steel Limited (JUSL), reaching a total capacity of 3.2 million tons in Odisha. This capacity expansion aligns with the "Make in India" initiative, reflecting Jindal Stainless' commitment to enhancing its production capabilities to meet growing domestic demand.

Export Challenges and Impact of Imports: Jindal Stainless faced challenges due to challenging macroeconomic conditions and weakened global demand, which led to pricing pressure and impacted export volumes. The unchecked inflow of subsidized and substandard foreign imports, particularly from China, disrupted the level playing field for Indian manufacturers, including micro, small, and medium-sized enterprises (MSMEs). This situation highlights the need for measures to address unfair competition and protect the interests of domestic stainless steel producers.

Financial Performance and Credit Rating Upgrade: Jindal Stainless demonstrated consistent improvement in its financial performance. In Q2 FY24, the company achieved a 26% YoY increase in volume and steady QoQ performance, with standalone revenue rising by 14% YoY to Rs. 9,720 crores. Notably, the company's EBITDA and PAT increased by 54% and 74% to Rs. 1,070 crores and Rs. 609 crores, respectively, on a YoY basis. This impressive performance led to a credit rating upgrade from CARE, which raised the company's credit rating from AA- to AA. The upgrade reflects Jindal Stainless' financial strength and stability.

Research and Innovation and Skill Building: Jindal Stainless is actively committed to driving innovation in the stainless steel sector and enhancing its research capabilities. To achieve this, the company has partnered with IIT Bombay to establish a chair professorship, furthering research in industrial processes and product technologies. Simultaneously, the company is focused on skill development through the Stainless Academy initiative, which conducted 25 fabricated training programs across various Indian states in Q2 FY24. These initiatives underscore the company's dedication to continuous improvement and nurturing talent within the organization.

Indonesian Subsidiary and Interim Dividend: The board of directors of Jindal Stainless has taken steps to address unfavorable market conditions by approving options to explore selling, liquidating, or divesting the equity stake in the Indonesian subsidiary, PT JSI. This decision reflects the company's focus on optimizing its portfolio and resources. In terms of shareholder returns, the board approved an interim dividend of 50% of Rs. 1 per equity share for FY24, amounting to approximately Rs. 82.34 crores, underscoring the company's commitment to delivering value to its shareholders.

Balance Sheet, Debt Reduction, and CAPEX Guidance: Jindal Stainless has made remarkable progress in strengthening its financial position. The company achieved a 27% reduction in standalone net debt to Rs. 2,149 crores, indicating a considerable improvement in leverage ratios. Moreover, the company provided guidance on its CAPEX for FY24, estimating it to be around Rs. 3,200 to Rs. 3,300 crores. A substantial portion of this CAPEX has already been spent, showcasing the company's strategic investment in enhancing its production capabilities.

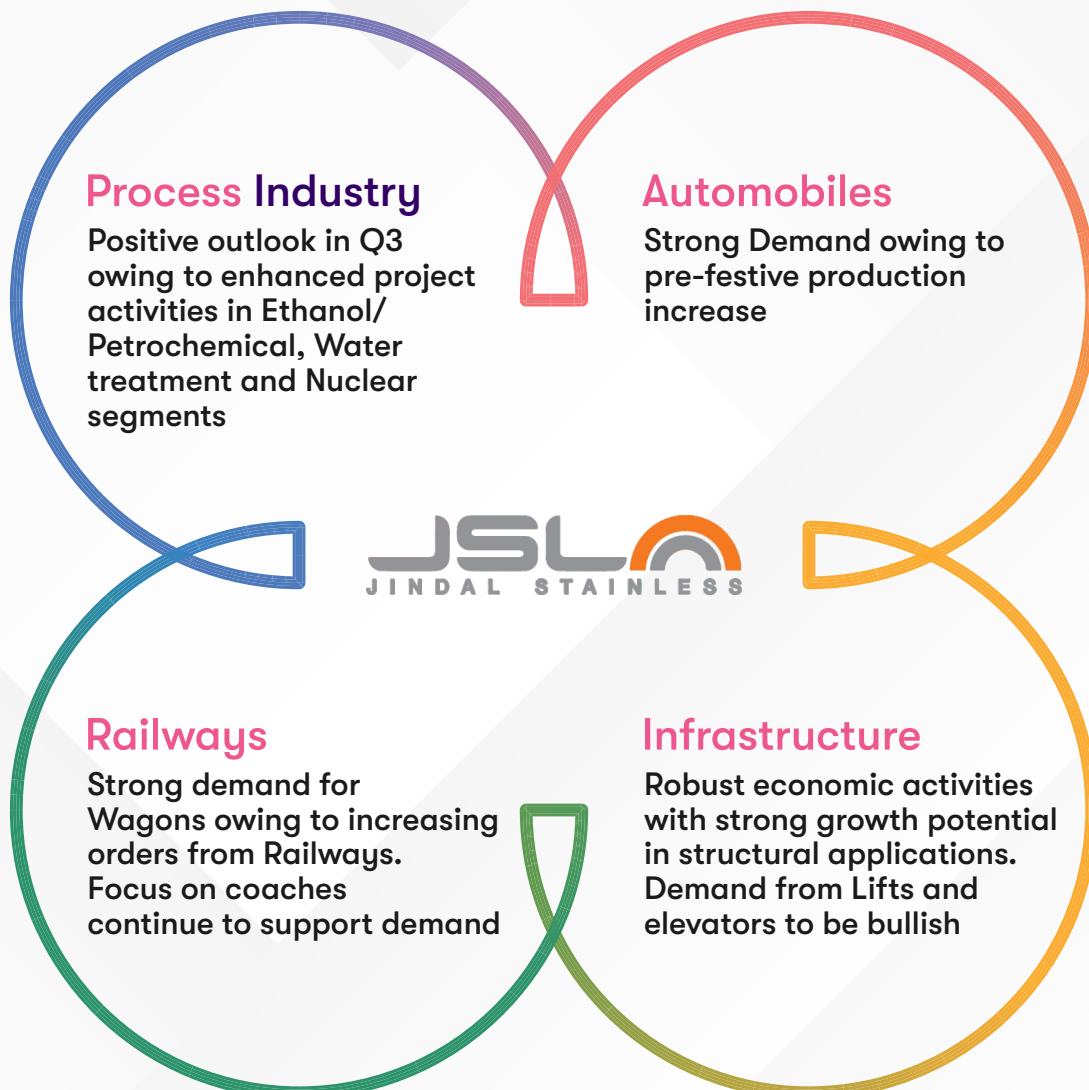
Digitization and Government Approach Regarding Chinese Imports: Jindal Stainless demonstrated its commitment to innovation and technological advancement by executing a groundbreaking live shipment transaction through electronic bills of lading (EBLs) powered by public blockchains. This achievement makes Jindal Stainless the first Indian corporate to use this technology in its operations, highlighting the company's dedication to modernization and efficiency. Regarding government policies, the company has actively engaged in dialogues with various government ministries, including the Steel Ministry, Commerce Ministry, and Finance Ministry.

Domestic Stainless Steel Demand: Jindal Stainless remains confident that domestic stainless steel demand will continue to rise, driven by economic activities, infrastructure projects, and various segments such as ethanol, petrochemical, water treatment, and nuclear. This expectation reflects the company's positive outlook on the Indian market's growth potential and its role in meeting the country's evolving industrial and infrastructure needs.

Future Expansion Plans and Capital Allocation Framework: Jindal Stainless is actively considering future expansion plans beyond FY24, which are expected to materialize in FY25 and FY26. While the details of these plans are yet to be finalized, the company intends to announce them in the next quarter. These expansion plans are separate from the FY24 CAPEX and may encompass various growth initiatives in alignment with the company's strategic objectives. Additionally, the company is evaluating its capital allocation framework to ensure that its resources are optimally allocated, with a focus on research, innovation, and sustainability while optimizing operations for long-term growth.

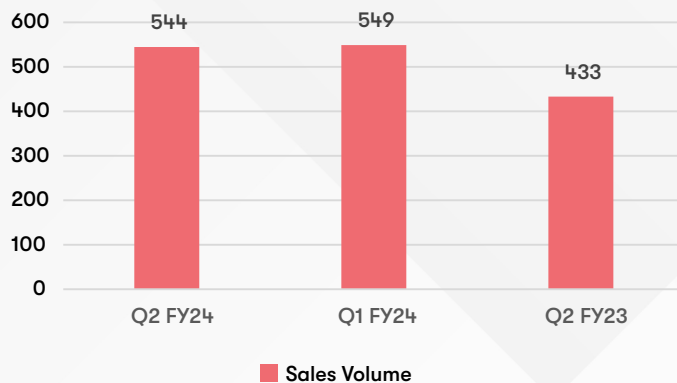
BIS Certification and ESG Initiatives: Jindal Stainless has taken significant steps towards ensuring product quality. The company secured certification for three grades (N5, N6, N7) introduced by the Bureau of Indian Standards exclusively for stainless steel used in utensils and kitchenware applications. This certification ensures consumer safety and hygiene, emphasizing Jindal Stainless' commitment to product quality.

Product Markets

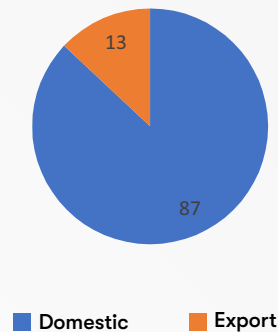


Story Through Charts

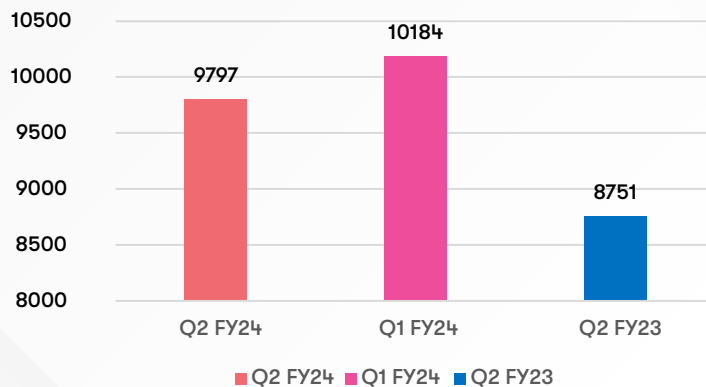
Sales Volume



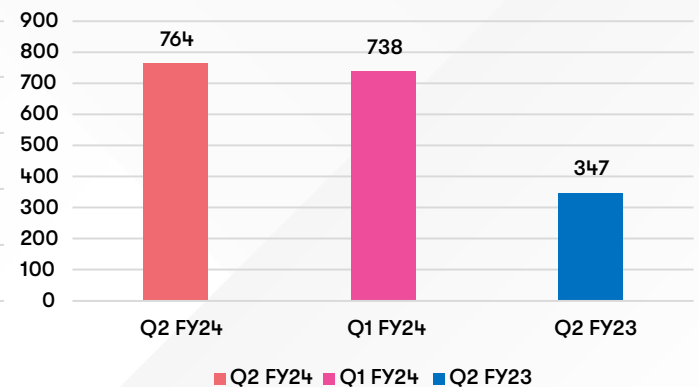
Sales Composition(in %)



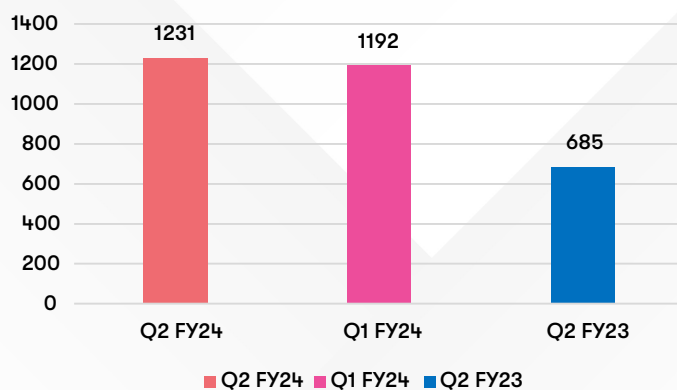
Revenue (In Cr)



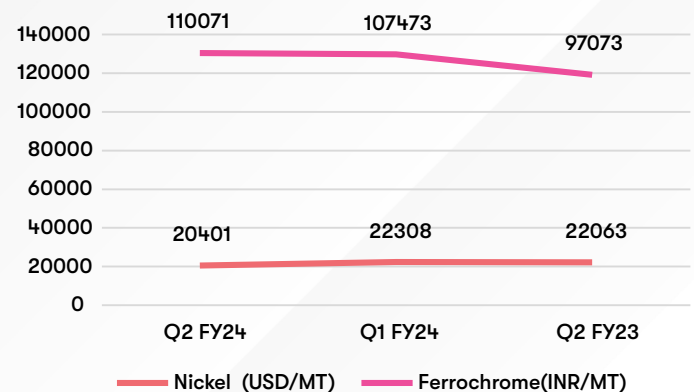
PAT (In Cr)



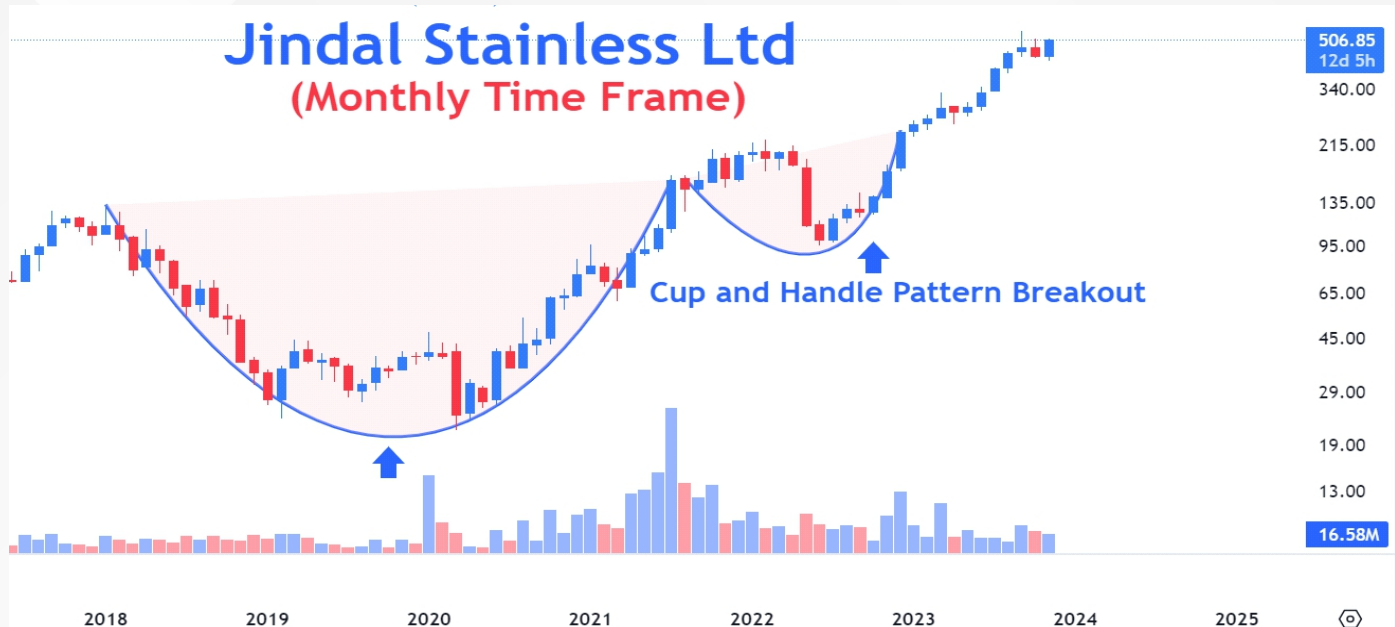
EBITDA (In Cr)



Raw Material Prices



Technical Outlook



Jindal Stainless Ltd has experienced a breakout following the formation of a cup and handle pattern, indicating a potential shift towards a bullish trend in the market.

The 5DMA>10DMA>20DMA>50DMA>100DMA>200DMA shows strong bullish momentum in the stock on both higher and lower time frames.

Also, Daily and Weekly RSI above 60 suggest bullishness in the stock.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	484.83	485.51
10	472.64	476.10
20	461.12	468.69
50	470.67	457.76
100	430.62	427.41
200	358.38	369.93

Pivot Levels : FIBONACCI

R1 486.11	Pivot 470.45	S1 454.79
R2 495.79		S2 445.11
R3 511.45		S3 429.45

Relative Strength Index (RSI)	Daily	Weekly
	66.74	73.62

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