

BUZZING

STOCK

Jindal Stainless Ltd.

CMP – Rs.121

Analyst

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Key Stock Data

| | |
|---------------------|---------------|
| Sensex | 13799 |
| Nifty | 3962 |
| Sector | Steel - Large |
| Bloomberg | JDSL@NA |
| Reuters | JIST.BO |
| No. of shares (m) | 131 |
| Market Cap (Rs m) | 16,143 |
| Market Cap (US\$ m) | 361 |
| 52-week H/L | Rs.138/63 |

Shareholding Pattern (%)

| | |
|------------------|-------|
| Promoters | 40.30 |
| Mutual Funds | 14.82 |
| FII's | 18.30 |
| Corporate Bodies | 7.60 |
| Pubic & Others | 18.98 |

Company Background: Jindal Stainless Ltd. (JSL), the flagship of Jindal organisation. JSL is India's largest intergrated stainless steel manufacturer engaged in manufacturing of Stainless steel and Special steel products. Its manufacturing facilities are located in Hisar (Haryana), Vizag (A.P), Orissa (Greenfield Project) and Indonesia. Brief description of the Manufacturing plants is given as under:

Hisar Plant: Hisar is a fully integrated Stainless Steel Plant with an installed production capacity of 6,00,000 Tonnes per annum. In this unit right from the conversion raw material to blooms and slabs into the hot rolling of strips and plates and cold rolling is done in house. Raw material required for the production of stainless steel is Stainless steel scrap, nickel, and ferro chrome. Some portion of the ferro chrome is supplied by Vizag Plant and remaining is met through the market at the prevailing prices.

Vizag Plant: Vizag plant is a Ferro Alloy plant with an installed capacity of 40, 000 metric Tonnes per annum of high carbon ferro chrome. Besides supplying to the domestic markets, it exports Ferro Chrome to various developed countries.

Orissa (Green Field Project): JSL, is setting up of green field integrated Stainless Steel project, which would involve mining of iron, chrome, manganese for the production of ferro alloy and Stainless Steel. In order to meet its full power requirement the company is setting up a 500 MW captive power plant. This plant will have a capacity of 1.6 million Tonnes per annum.

PT Jindal Stainless Steel Indonesia: In order to serve the south Asian markets, JSL has acquired stainless steel cold rolling plant from Maspion Stainless Steel. This plant produces all grades of stainless steel including 200,300,400 as well as also serves the customized requirement.

Product Mix: Entire Product range can be categorized into Continuous Cast products (includes Slabs, Blooms), Hot rolled Products (HR coils, HRAP coils, HRAP plates), Cold Rolled Products, Blade Steel and customized Products. Besides, it also produces different grades of Stainless Steel like: Martensitic stainless steels, Ferritic stainless steels, Austenitic stainless steels, and Duplex Stainless Steels.

Application:

- Jindal Stainless Steel has found extensive application in infrastructure. Besides JST Steel is also preferred supplier to Indian Railways, Bus Bodies, Showrooms and Building complexes in the country. Jindal Stainless Is also providing its stainless steel for car exhausts systems and auto gas cylinders. Its Ferritic grade stainless steel is being supplied to Indian Mint for coins Innovative ideas.
- **Sugar Industry:** Corrosion of sugar manufacturing equipments is one of the most important concerns in the sugar industry. Stainless Steel has emerged one of the most suitable material for overcoming the problems associated with the sugar industry. Stainless Steel not only offers higher resistance to corrosion but also is better in terms of the metallurgical Properties like abrasion resistance.

Stainless Steel is an alloy of iron and more than 11% of chromium. The passive layer of chromium oxide on the surface is resistant to most types of corrosive media and this layer is self-healing. In case any damage in the layer is self repaired in the presence of oxygen in the atmosphere.

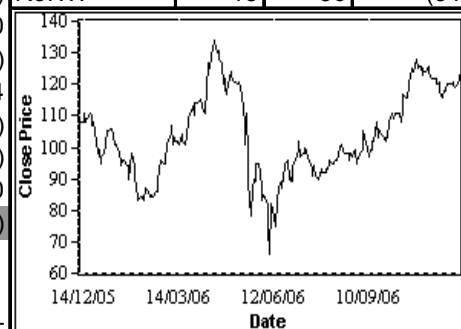
On going expansions:

The company is expanding its capacity of steel making at Hisar Plant in Haryana from 6,00,000TPA to 7,20,000TPA, Cold Rolled capacity from 1,50,000 TPA to 2,75,000 TPA. These projects are likely to be completed by the end of the current financial year.

Valuation: The Company has reported good numbers for Q2 FY07. Total revenues at Rs. 11,446 is up by 41.77% YoY. EBIDTA margins improved by 613 basis points and EBIDTA grew by 102% YoY at Rs.2,358m. PAT at Rs.970.50m is up by 120.47% YoY. Growth is primarily driven by increase in production, sales realisation and enriched product mix. The stock is currently trading at 4.1x its Q2 FY07 annualised EPS of Rs. 29.5.

Financial Snapshot

| Jindal Stainless Ltd. | | | | | | | Rs.m | | Ratios (%) | | |
|---------------------------------------|---------|---------|----------|-------|-------|----------|--------------|------|------------|---------|--|
| Financial Year End: March | Q2 FY07 | Q2 FY06 | Chg. (%) | FY06 | FY05 | Chg. (%) | | FY06 | FY05 | Chg.(%) | |
| Net Sales | 11446 | 8074 | 42 | 31831 | 31950 | 0 | Debt -Equity | 2.0 | 1.6 | 25 | |
| Other Income | 54 | 46 | 18 | 195 | 57 | 243 | PBIDTM | 14 | 16 | (17) | |
| Total Income | 11501 | 8120 | 42 | 32026 | 32007 | 0 | PBDTM | 11 | 15 | (24) | |
| Total Expenditure | 9143 | 6951 | 32 | 27712 | 26857 | 3 | RoCE | 12 | 24 | (49) | |
| PBIDT | 2358 | 1168 | 102 | 4314 | 5150 | (16) | RoNW | 18 | 36 | (51) | |
| Interest | 329 | 103 | 218 | 550 | 262 | 110 | | | | | |
| PBDT | 2029 | 1065 | 91 | 3763 | 4888 | (23) | | | | | |
| Depreciation | 576 | 339 | 70 | 1361 | 1310 | 4 | | | | | |
| Tax | 249 | 77 | 222 | 267 | 880 | (70) | | | | | |
| Reported Profit After Tax | 971 | 440 | 120 | 1597 | 2459 | (35) | | | | | |
| Extra -ordinary Items | 0 | 0 | 0 | (17) | 0 | 0 | | | | | |
| Adj. Profit After Extra-ordinary item | 971 | 440 | 120 | 1614 | 2459 | (34) | | | | | |
| No. of shares (m) | 131 | 113 | - | 131 | 110 | - | | | | | |
| EPS (annualised.) (Rs.) | 29.5 | 15.6 | - | 12.2 | 22.4 | - | | | | | |
| P/E | 4.1 | 7.7 | - | 9.9 | 5.4 | - | | | | | |



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