



IDEA2ACT : Jindal Stainless (Hisar) Ltd

Reco Price	12-months Target Price
BUY @ ₹ 178-190	₹ 228

Jindal Stainless (Hisar) Ltd. (JSHL) is the largest specialty stainless steel producer in India with a diversified value-added product portfolio and operates a stainless steel plant with a melting capacity of 8,00,000 TPA at Hisar, Haryana. JSHL’s subsidiary, JSL Lifestyle Ltd. creates exclusive stainless steel lifestyle products catering to various segments like modular kitchen and kitchenware, home cooking utensils, tableware, dining range, office accessories, etc.

Investment Rationale

Proposed merger to create an integrated entity with enhanced downstream capabilities

The merged entity to have an industry-leading business profile, supported by its large scale of operations coupled with high market share and greater diversification across end-user segments. It will lead to stainless steel conglomerate with capacity of 1.9 mtpa, global footprint, extensive pan India reach, >120 product grades and robust financial positioning.

The merger process of JSHL into JSL is progressing well and is expected to be completed in H2FY22.

Merger Overview: Complementing strengths

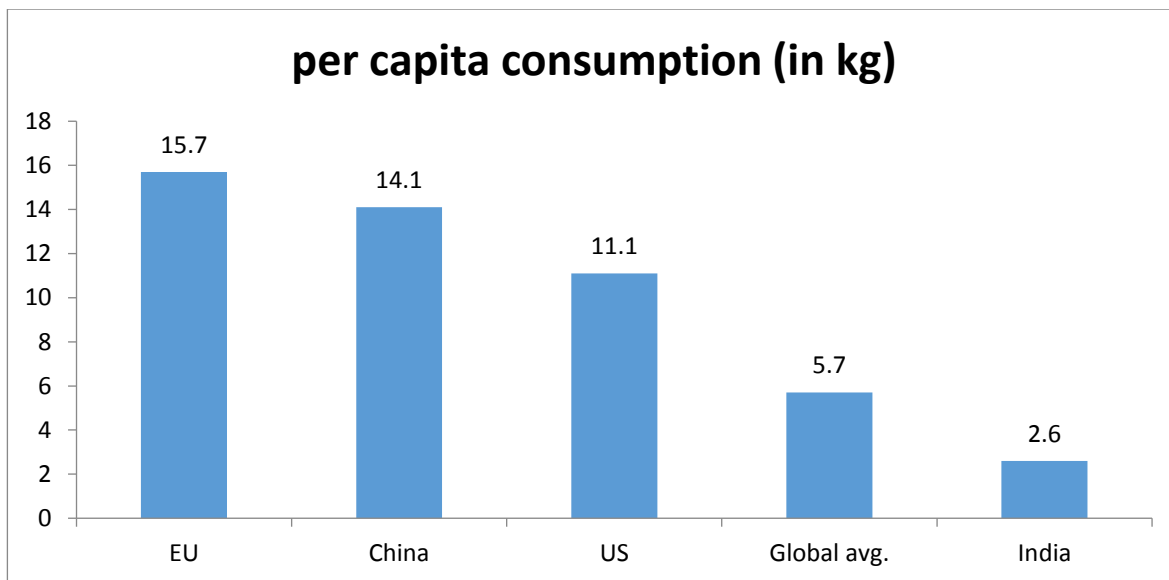
	JSL	JSHL
Key Plant Location	Jajpur, Odisha Raw Material Hub, Port Proximity	Hisar, Haryana Key Consumption Hub Proximity
Stainless Steel (SS) capacities	1.1 MTPA integrated facility along with backward integration (Ferro Chrome and captive power plant)	0.8 MTPA with Specialized Product Division (SPD) including Blade Steel, Precision Strips and Coin Blank
Infrastructure, Technology and R&D	Latest European 'State-of-the-art' technology. India's largest SS manufacturer. Producing globally competitive SS products	Pioneer SS manufacturing in India. World's largest producer of SS strips for razor blades and India's largest producer of coin blanks
Service Center/Finishing Lines	Readily leveragable Infrastructure for cost efficient brownfield expansion (800+ acre land)	
Offerings	International	Domestic
	High volume, wider width offerings. Actively catering to volume oriented sectors like Railways, Auto and Infrastructure	Actively catering to SPD and Niche SS products



Robust growth in domestic stainless steel usage

India continues to be the second largest consumer with consistent growth over the years given its low per capita consumption. There are lot of factors which are driving domestic stainless steel demand.

- Increasing shift towards manufacturing of stainless steel railway wagons and coaches.
- New trends in auto sector like stainless steel fuel tanks, BS-VI compliant exhaust systems, stainless steel bus body, etc.
- Major end user segments like kitchenware and consumer durables are expected to provide strong growth in demand.
- Other ambitious projects and economic relief packages like, 'Atmanirbhar Bharat Abhiyan', 'National Infrastructure Pipeline; 'Bharatmala Pariyojana', etc. to provide impetus to stainless steel growth directly.



Focus on specialization

Over the past two decades, stainless steel consumption in India has diversified to new value-added categories of architecture building construction (ABC), automobile railway transport (ART) and process industries from the most primary usage in Cookware/Durables. JSHL is market leader in domestic stainless steel specialty products with strong focus on process improvements & development of new value added stainless steel grades. The company is world's largest producer of stainless steel strips for razor blades.

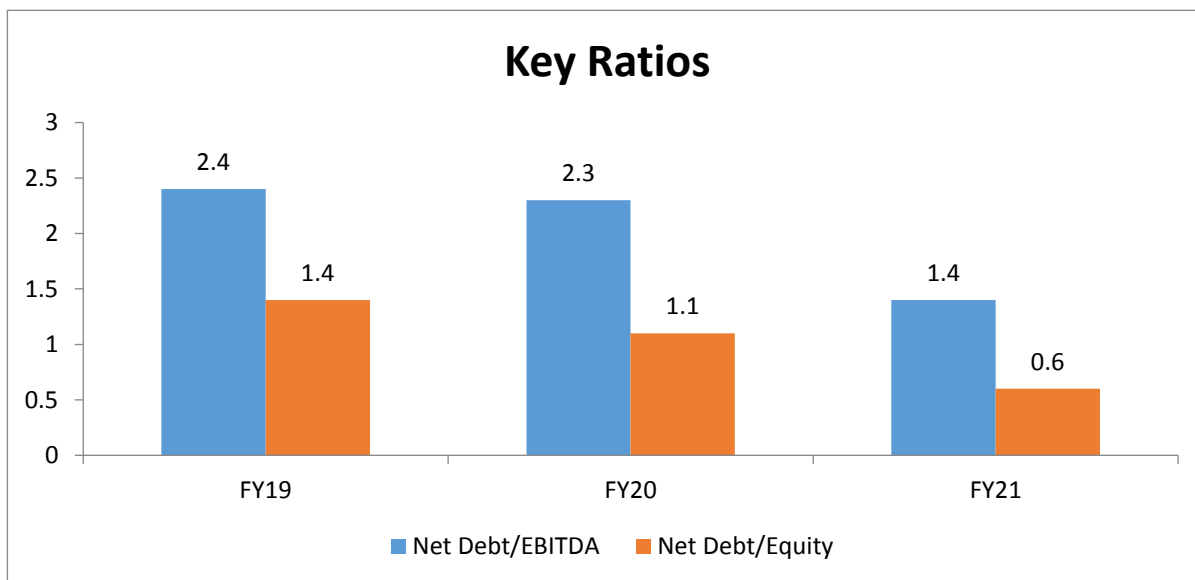




JSHL has strong presence in the Indian defence segment as manufacturer and supplier of specialty steel. The company has license agreement with the Defence Research & Development Organization (DRDO) for manufacturing High Nitrogen Steel (HNS) for armour applications. JSHL is in process of commissioning new facilities to further enhance specialty product division (SPD) production that is expected to further consolidate its position in the high-end special products market.

Accelerated deleveraging

The management has been focusing on debt reduction to strengthen balance sheet. Strong operating performance and robust cash flow generation has led to improve the net debt position from Rs2,162cr in 2019 to Rs1,368cr in 2021. As a result, Finance cost during Q4FY21 and FY21 reduced by 37% and 22%, respectively. Similarly, key ratios like Debt to Equity and Debt to EBITDA has improved significantly.



Outlook & Valuation

Merged entity will be the largest stainless steel (SS) producing company in India and among top 10 SS companies in the world. The merged entity will have better economies of scale as well as better bargaining power and financial flexibility. Further, a key differentiator of JSHL is its SPD, where the company is in process to commission new facility to increase market share in the high end special products market. We recommend to 'BUY' JSHL, as it is more beneficial vis-à-vis buying JSL, considering the swap ratio. **We value JSHL on a SoTP basis and arrive at TP of Rs228.**





Technicals

JSHL is trading in a strong higher top higher bottom chart structure, indicating a positive bias according to the Dow Theory. The stock has given a bullish flag pattern breakout on the weekly chart and is showing positive signs on the MACD Histogram. **If the current impulse move accentuates the way it should, we expect Jindal Stainless (Hisar) to trend higher and test our immediate target price of Rs228 during the next 1-Year.**

Previous Recommendations:

Date	Stock Name	Reco Price	Target Price	P & L %	Status
26-May-20	Emami Limited	205	241	18%	Target Achieved
2-Jul-20	ITC	201	235	17%	Target Achieved (₹225 + Dividend ₹10.15 exdate 6th Jul 2020)
2-Jul-20	NHPC	19.5	24	23%	Target Achieved
15-Jul-20	HCL Tech	610	695	14%	Target Achieved
30-Jul-20	INDIGO	920	1074	17%	Target Achieved
11-Aug-20	JB Chemicals & Pharmaceuticals	750	867	16%	Target Achieved
13-Aug-20	UPL	480	555	16%	Target Achieved
18-Aug-20	Crompton Consumer	256	299	17%	Target Achieved
28-Aug-20	Sudarshan Chemical	474	557	18%	Target Achieved
14-Sep-20	Apollo Tyres	114.5	138	21%	Target Achieved
1-Oct-20	Manappuram Finance Ltd	155.5	186	3%	Open
16-Oct-20	Cyient Ltd	370	440	19%	Target Achieved
28-Oct-20	Amara Raja Batteries	770	898	17%	Target Achieved
2-Nov-20	SIS (I) Ltd	363	423	17%	Target Achieved
3-Dec-20	Bharat Electronics	112	139.0	24%	Target Achieved
16-Dec-20	RBL Bank	233	273	17%	Target Achieved
6-Jan-21	Alembic Pharmaceuticals	1075	1252	-7%	Open
15-Jan-21	Hindustan Petroleum Corporation Ltd	229	274	20%	Target Achieved
5-Feb-21	State Bank of India	351.5	429	22%	Target Achieved
1-Mar-21	Cummins India	772	914	18%	Target Achieved
10-Mar-21	HCL Tech	962	1140	2%	Open
10-Mar-21	Eicher Motors	2635	2940	2%	Open
07-Apr-21	Cyient Ltd	669	789	18%	Target Achieved
03-May-21	Persistent Systems Ltd	1990	2400	21%	Target Achieved
04-May-21	SBI Life Insurance Company Ltd	945	1144	4%	Open
17-May-21	HG Infra	325	394	21%	Target Achieved

Date	Stock Name	Reco Price	Target Price	P & L %	Status
2-June-21	Gujarat Gas Limited	532	674	27%	Target Achieved





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Disclaimer:

Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

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