Jindal Stainless Limited consolidates its position, posts 2x jump in Q1 PAT

Q1 FY 19 key highlights

Standalone (in Rs crore)

Particulars	Q1 FY 18-19	Q1 FY17-18	Growth
PAT	**91**	**41**	**119%**
Net Revenue	**3,147**	**2,015**	**56%**
EBIDTA	**375**	**251**	**50%**

New Delhi, 17th July, 2018: After registering a robust turnaround in FY18, Jindal Stainless Limited (JSL) achieved a strong revenue and sales growth in Q1FY19, despite being a seasonally low first quarter. The growth stemmed from expansion in stainless steel flat product market, mainly driven by infrastructure spending, railway modernization, and auto segment, among others. At Rs 91 crore, Profit after tax for Q1FY19 more than doubled over corresponding period last year (CPLY). A buoyant market for stainless steel led to higher sales volumes growth of 51% over CPLY.

Melt production grew by 45% in Q1FY19, as the company ramped up efforts towards debottlenecking and process balancing to optimise capacity utilization. Net revenue increased to Rs 3,147 crore, a growth of 56% over CPLY. EBIDTA for the quarter surged by 50% over CPLY, reaching Rs 375 crore. In CPLY, finance costs were extraordinarily lower on account of interest refund.

Commenting on the performance of the quarter, Managing Director, JSL, Abhyuday Jindal, said, "Our plant at Jajpur, Odisha, is one of the most modern stainless steel plants in the world with state-of-the-art facilities. The market outlook is conducive to propel volume growth. We have huge operating leverage and target to increase our capacity from 0.8 MTPA to 1.1 MTPA in near future through debottlenecking and process balancing with a minimum cash outlay. The Company has become eligible for exit from Corporate Debt Restructuring Scheme (CDR), basis the superior financial performance for the last two financial years. The consortium of lenders have already recommended for the CDR exit for Company and the matter is pending for voting in CDR forum. .

The Indian stainless steel market, however, continued to deal with a heavy flow of subsidised imports. Even after Indian government imposed countervailing duty (CVD) in September last year on imports of stainless steel from China, the duty is being circumvented as Chinese material is now being routed through other free-trade agreement (FTA) countries. In light of several developed countries across the globe undertaking strong measures to safeguard their domestic manufacturing industries, it is high time that the Indian government also took such bold measures to protect the interests of local manufacturers. This includes complete staunching of CVD circumvention, and revisiting the very purpose of existing FTAs creating huge trade imbalances. The Indian stainless steel industry has also sought government's support in removal of 2.5% import duty on ferro-nickel and stainless steel scrap, both of which are not available domestically. These would be the pre-requisites for the domestic industry to realize its full potential under the Make in India initiative of the government, and get a level playing field with foreign competitors.

On a sequential basis also, JSL registered a marginal dip in sales (-1%) and EBIDTA (-3%), despite the first quarter of the FY witnessing a traditional slack combined with a steep increase in raw material prices and consumables such as nickel and electrodes. Interest cost increased on account of an exceptional interest credit of Rs 17 crores in Q4FY18 and short term increase in working capital utilisation. On a sequential basis, the difference in PAT can be ascribed to a combination of these factors.

Performance of JSL's subsidiaries continued the uptrend. Iber Jindal Spain and PTJSI, Indonesia registered a CPLY growth of 32% and 6% in net revenue respectively, during the quarter. The company is poised to witness stainless steel demand growth from Indian Railways, as the latter is set to enhance stainless steel coach production. Newly introduced BS-VI norms for automobile are also expected to boost stainless steel consumption.