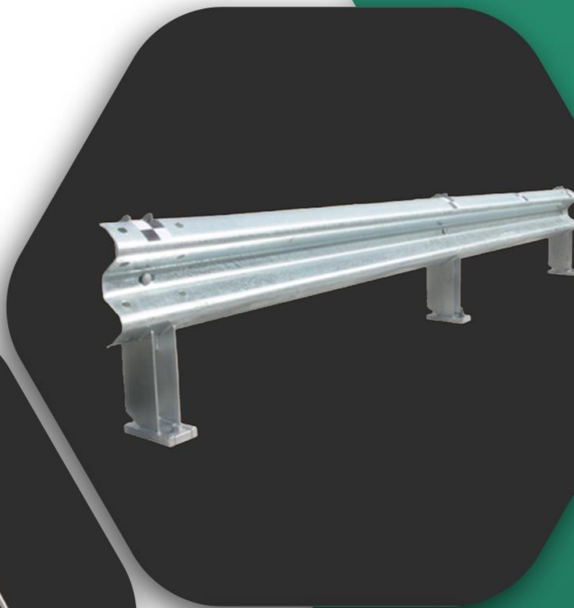
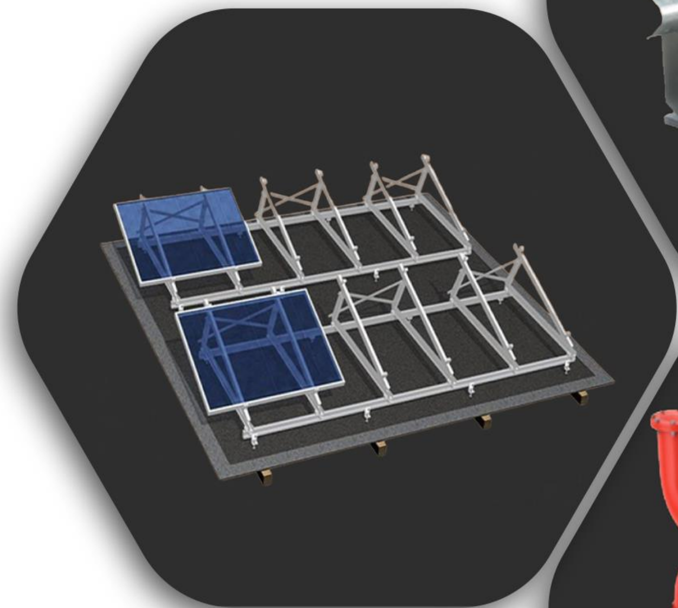
INITIATING COVERAGE REPORT

JTL Industries Ltd.

October 10, 2024





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Initiating Coverage l Capital Goods l 10 October 2024

JTL Industries Ltd

Capex to stimulate growth; value-addition to aid margins…

JTL Industries Ltd (JTL), a prominent player in the structural steel tubes and pipes sector, has ascended as the fastest-growing company propelled by robust sectoral dynamics, augmented production capacities, and a strong offtake facilitated by an extensive network of distributors, dealers, and clients (both within the nation and overseas). Further, its strategic decision to prioritize the value-added product segments and to set up facilities near raw material suppliers (in conjunction with backward integrated plants) has proven to be effective, yielding an industry-leading EBITDA/ton. Ahead, the company is expected to sustain its notable growth trajectory, driven by its objective to expand its capacity to 1.0mn MTPA in FY25, with plans to more than triple the existing capacity over the next three years. The overarching aim is to triple the sales volume on FY24 figure. Moreover, JTL is embracing advanced Direct Forming Technology (DFT), which is anticipated to facilitate the company's expansion of SKUs towards innovative value-added products in a more efficient manner, in-turn, notable rise in EBITDA/ton and profitability with better product mix. Having said that, the most noteworthy aspect is that the funds are largely in-place for the imminent expansion, thanks to the recently concluded QIP, and warrants issued over the past few years. Thus, the balance sheet to remain streamlined. *Given strong outlook, we initiate with BUY.*

Ranks among key players in steel tubes and pipes industry; set to enter league of top three

JTL operates a total of four manufacturing plants situated in the states of Punjab, Chhattisgarh, and Maharashtra, with a combined production capacity of 0.59mn MTPA dedicated to structural steel tubes and pipes. This capacity is categorized into two main product lines: a) MS black pipes and b) value-added products, which largely encompass Galvanised Iron. In the future, this product portfolio is anticipated to broaden with the introduction of new offerings, including colour-coated pipes and roofing sheets, through the implementation of DFT. Also, the ongoing capex are projected to elevate the total production capacity to 1.0mn MTPA in FY25, with further goal of reaching 2.0mn MTPA by FY28-end. Having said that, the primary emphasis of this capacity expansion is anticipated to be at the Maharashtra site, where a) a significant land bank exists, b) there is strong demand within the region, c) the raw materials is easily accessible, and d) the proximity to ports facilitates convenient exports. Thus, with its deliberate expansion efforts and the increase in SKUs, JTL is set to emerge as one of the top three players by capacity by FY28-end.

Sales volume to expand at 30.5% CAGR; margins and profitability to rise at superior pace

JTL has recorded a remarkable 58.0% volume CAGR over FY21-24, primarily attributed to a surge in product demand and an almost two-fold increase in manufacturing capacity. Further, a 6.1% CAGR in price realization has bolstered revenue, resulting in an impressive 67.3% CAGR over FY21-24 (to ~Rs20.4bn in FY24). Moreover, EBITDA has experienced a considerable increase from Rs3,779/ton in FY21 to Rs4,448/ton in FY24, driven mainly by a greater share of value-added products. Ahead, our expectations for FY24-27E includes 30.5% volume CAGR, likely to be driven by persistent strong industry demand, better supply on ongoing capex, and improving utilization rates. Nonetheless, the decline in global steel prices, resulting from a significant slowdown in the Chinese economy, is noteworthy. Thus, we expect a continuity and foresee mere ~1% CAGR improvement in blended realizations. With this, revenue to rise at 31.8% CAGR over FY24-27E. Further, EBITDA is likely to increase to Rs5,337/MT on an enhanced product mix. As a result, we foresee PAT improving at a 37.4% CAGR over FY24-27E (to ~Rs2.9bn; compared to 77.9% CAGR over FY21-24 on lower base).

Capital raised via QIP and issuance of warrants to fund capex; working capital to remain favourable

JTL has reported rise in gross borrowings (climbing from Rs351mn at FY19-end to Rs1,068mn at FY23-end), attributed to the need for capital to support capacity expansion and working capital. However, in an effort to control the escalating debt and enable capacity expansions, it has raised Rs8.5bn thus far through a QIP and the issuance of warrants (over the past two years), with an anticipated additional Rs5.1bn to be secured by Aug'25. Effectively, the gross debt has declined to Rs200mn by FY24-end while the balance sheet is likely to remain lean in the upcoming period (as capital would suffice planned capex). Furthermore, the company utilizes a just-in-time kind-off strategy for both inventory and finished goods management, while a healthy mix of clients aids in maintaining solid receivables. As a result, the working capital days at FY24-end were noted to be ~57 days. We expect this to rise to a range of 70-80 days, largely due to a rise in inventory days.

View: We possess a strong belief in the long-term business potential, supported by strong industry demand, the expansion in capacity, healthy revenue visibility, enhancing EBITDA/ton, a streamlined balance sheet and efficient working capital days. At CMP, the stock is trading at 20.3x Sept'26 EPS. We value the stock at 28x Sept'26 Est. EPS and arrived at TP of Rs294/share. "**Initiating with BUY".**

Rating: BUY	**Return: 37.6%**
Current Price: 214	**Target Price: 294**

|Market data

Bloomberg:	JTLIND: IN
52-week H/L (Rs):	277/167
Mcap (Rs bn/USD bn):	39.8/0.48
Shares outstanding (mn):	196.5*
Free float*	51.1%*
Daily vol. (3M Avg.):	2.1mn
Face Value (Rs):	2.0
Group:	S&P BSE SmallCap

Source: Bloomberg, SMIFS Research; * after QIP

|Shareholding pattern (%)*

	Sep-24	Jun-24	Mar-24	Dec-23
Promoter	48.9	54.2	54.3	56.0
FIIs	9.8	5.8	4.5	1.6
DIIs	1.9	0.3	0.1	0.8
Public/others	39.4	39.7	41.2	41.6

|Pro. Pledging

Pledging	-	-	-	-

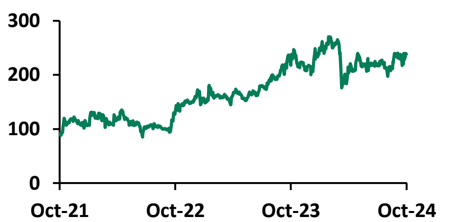
Source: BSE

|Price performance (%) *

	1M	3M	12M	36M
NIFTY 50	-0.2	2.8	27.0	39.7
NIFTY 500	-0.9	2.7	36.4	53.6
JTLIND: IN	-7.3	-1.8	-8.2	159.1

*as on 10th Oct'24; Source: AceEquity, SMIFS Research

|3 Year Price Chart



Source: NSE

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	Adj P/E (x)	EV/EBITDA (x)
FY23	15,499	14.4	1,294	8.3	893	46.3	3.8	29.5	23.8	13.2	9.4
FY24	20,402	31.6	1,522	7.5	1,130	26.5	4.8	19.1	17.9	37.9	27.6
FY25E	24,520	20.2	2,025	8.3	1,502	32.9	6.4	13.7	13.6	33.3	23.0
FY26E	31,264	27.5	2,657	8.5	1,981	31.9	8.5	11.2	11.2	25.2	16.6
FY27E	46,685	48.0	4,062	8.7	2,932	48.0	12.6	12.9	12.9	17.0	11.8

Source: Company, SMIFS Research Estimates

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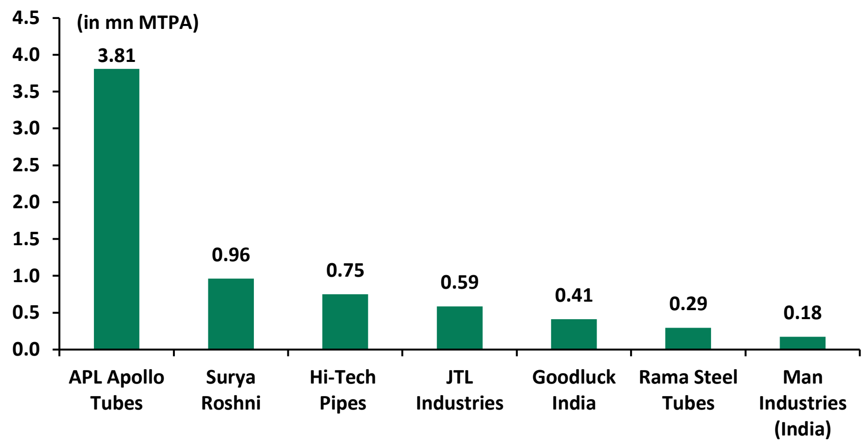
Investment Rationale

Among the leading five players in the steel tubes and pipes segment; the current manufacturing capacity at 0.59mn MTPA

- Established in 1991, JTL Industries (JTL) is recognized as one of India's key manufacturers specializing in structural steel tubes and pipes. While the company initially focused on the production of ERW steel (MS black) pipes, it has broadened its product range to include various value-added items, such as galvanized steel tubes and pipes, metal beam crash barriers, and solar mounting structures.
- With a production capacity of 0.59mn MTPA, the company stands as the fifth largest in India. This capacity is spread across four strategically positioned plants located in Derabassi and Mandi Gobindgarh in Punjab, Raigad in Maharashtra, and Raipur in Chhattisgarh. These facilities are located close to major mineral belts (vital sources of raw materials) which enhance production efficiency and logistics management, thus aiding the company in achieving competitive costs.
- The manufacturing plants in Derabassi and Mandi Gobindgarh (Punjab) are committed to providing services to clients in the northern and western parts of India. Further, the facilities in Raipur (Chhattisgarh) and Raigad (Maharashtra) are dedicated to addressing the needs of customers in the central and western regions, along with select southern areas. Furthermore, the advantageous location of the Raigad plant near JNPT port and Dighi Port enhances its capability to serve the export market effectively.
- As of 30th Jun'24, the company has a total of 978 SKUs in its product range, which are marketed under the JTL brand, including notable products like JTL AQUA, JTL SOLARIUM, and JTL AGNIRODHI. These products find applications in a variety of sectors, such as irrigation and agriculture, construction, energy, heavy vehicles, infrastructure, real estate, railways, and water distribution.

Fig 1: Installed capacity for ERW steel tubes and pipes among major players in India



Source: Company presentation, SMIFS Research

Fig 2: Plant wise capacity of JTL Industries

Plant Units	Location	State	Capacity (in MTPA) FY21	Capacity (in MTPA) FY24
Unit I	Derabassi	Punjab	1,00,000	1,00,000
Unit II	Mandi	Punjab	1,00,000	1,86,000
Unit III	Mangaon, Raigad	Maharashtra	1,00,000	2,00,000
Unit IV	Raipur	Chhattisgarh	-	1,00,000
Total			**3,00,000**	**5,86,000**

Source: Company, SMIFS Research

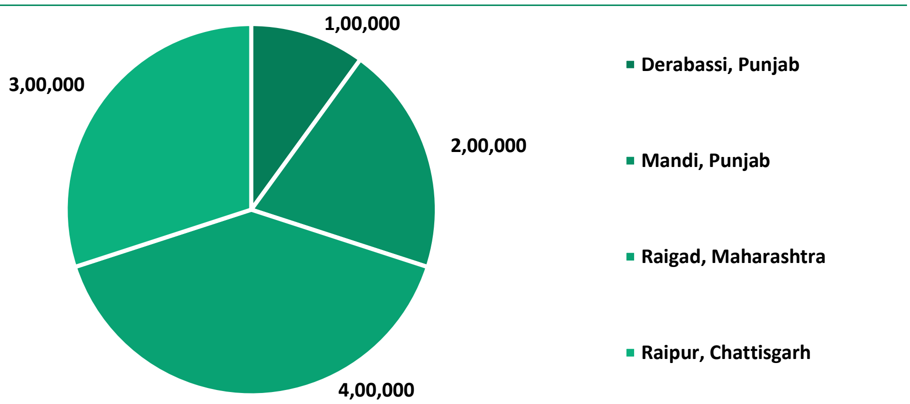
Capacity to reach 1.0mn MTPA in FY25; ambition to triple current capacity by FY28-end

- Having nearly doubled its capacity to 0.59mn MTPA over the last three years, the company is further focused on enhancing and expanding its existing facilities using both traditional methods and advanced Direct Forming Technologies (DFT). The ultimate goal is to reach a capacity of 2.0mn MTPA by FY28-end.
- The current expansions towards 1.0mn MTPA are primarily brownfield in-nature, with capacity enhancements occurring at existing facilities of:
  a) **Raigad (Maharashtra):** The facility's capacity is expected to rise from the current 0.2mn MTPA to 0.4mn MTPA. While its existing capacity has been developed through traditional methods; 0.1mn MTPA of the new capacity will utilize DFT which is likely to facilitate the production of larger diameter hollow section and galvanised pipes without necessitating roll changes, thereby boosting efficiency, capacity, and SKU diversity. Moreover, another 0.1mn MTPA are dedicated for the manufacturing of ERW black pipes.

  b) **Raipur (Chhattisgarh):** On the current capacity of 0.1mn MTPA, this facility is projected to enhance capacity by 0.2mn MTPA, thus, reaching a total of 0.3mn MTPA. This capacity expansion mirrors that of the Raigad plant in Maharashtra, where 1.0mn MTPA will be contributed by DFT (focusing on value-added products), while balance 0.1mn MTPA will be allocated for ERW black pipes.

  c) **Mandi (Punjab):** The commercialized capacity of this plant is at 0.19mn MTPA while 14,000 MTPA of capacity is expected to be commenced in the upcoming quarters. With this, the total capacity for this facility is likely to reach 0.2mn MTPA.
- The management anticipates that the new capacities will become operational in Q3 FY25. This is expected to gradually enhance the topline in H2 FY25 and beyond (with an increase in the number of SKUs projected to ~1,500, compared to the current 978). Furthermore, as these capacities focuses on high-margin value-added products utilizing DFT, it is likely that blended realizations and EBITDA/ton will see an improvement.
- Further, the company has detailed its plans for a systematic increase in capacity, with an objective of achieving 2.0mn MTPA by FY28-end. The company has highlighted that the original timeline for this target was FY31. Nevertheless, considering rising industry demand, the company has revised its schedule, aiming to accomplish this goal three years earlier than initially planned, by FY28-end.
- It has also been mentioned that the expansion from 1.0mn MTPA to 2.0mn MTPA over next four years will be largely oriented towards high-margin, value-added products and is likely to encompass newer product range such as colour-coated pipes, puff panels, galvanised/black pipes with larger diameter and thickness, and galvanised iron strips.
- To facilitate the expansion from 0.59mn MTPA to 2.0mn MTPA, the overall capex (incl. working capital requirements) is estimated at ~Rs10.0bn. The promoter is expected to contribute ~Rs5.4bn through warrant subscriptions, with the balance being obtained from QIP proceeds, internal accruals, and the issuance of warrants to non-promoter entities.

Fig 3: Maharashtra to represent 40% of FY25-end capacity, with Raipur following at 30%*

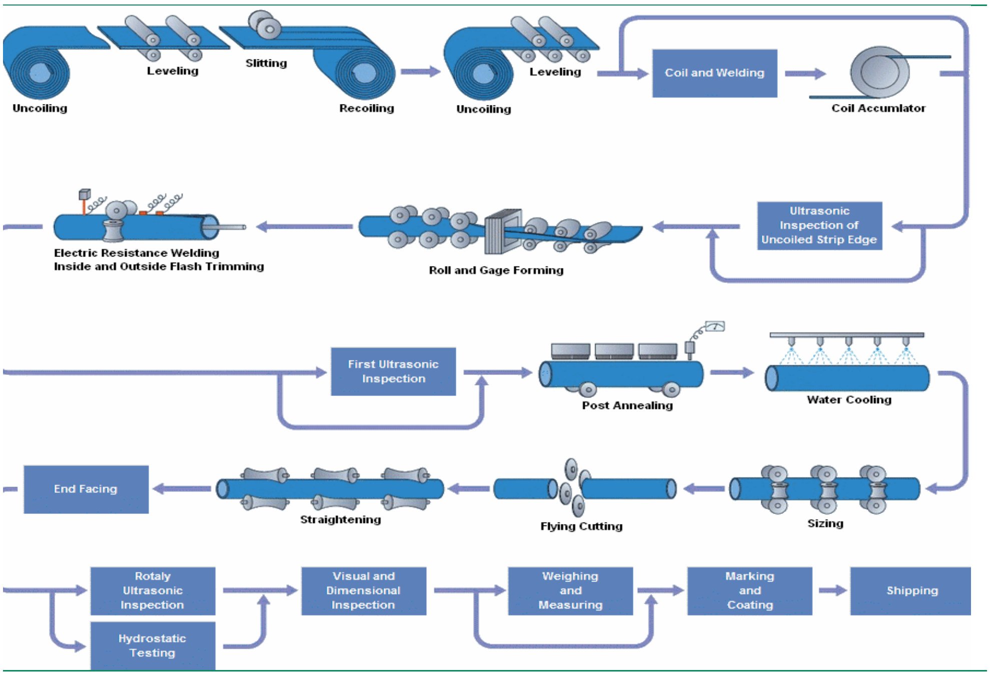


Source: Company, SMIFS Research; *in MTPA

A longstanding relationship and geographical closeness to the prominent steel manufacturer ensure an abundant supply of raw materials; advancing towards self-sufficiency of certain plants

- Hot Rolled Coil (HRC), billets, and zinc are the essential raw materials for the company's offerings, and accounts for ~89% of total expenses in FY24 and ~92.2% in Q1 FY25. Acknowledging the importance, the company has developed the long-term relationships with several leading steel manufacturers, including JSW Steel, Tata Steel, and SAIL which plays a crucial role in ensuring a steady supply of HR Coil and billets. Furthermore, zinc is procured from major suppliers on bulk quantities.
- Further, understanding the critical role that raw material supplies play in the company's product offerings (to stay competitive, control costs, and achieve profitability), JTL has developed its own manufacturing facilities near the production sites of its raw material suppliers. For instance, the Raiga plant is situated merely ~60 km from JSW Steel's Dolvi Facility, while the Bhilai Steel plant is ~30 km from the company's facility in Raipur. This approach not only minimizes logistics expenses but also guarantees prompt delivery.
- Having said that, the company typically refrains from engaging in long-term contracts for raw material supply, opting instead to procure these materials based on near-term needs and prevailing market prices. This strategy facilitates a direct correlation between changes in raw material prices and the pricing of finished goods, effectively reducing inventory and pricing related risks. Additionally, the company primarily manages its inward logistics through rail transport, while also utilizes third-party road transportation services, which alleviates capex burdens.
- Further to strengthen its raw material supplies, the company has successfully acquired a controlling stake of ~67% in M/s Nabha Steels and Metals recently in Apr'24. This entity is primarily engaged in the manufacturing of a diverse range of steel products, such as HRC and long steel products like billets (which serve as essential raw materials for the company's primary product offerings). The facility, boasting a total installed capacity of 210,000 MTPA, is also located in proximity to the company's pipe manufacturing plant in Mandi Gobindgarh (Punjab) and is likely to function as a crucial feeder for the company's raw material needs (with some upgradations). This has taken the company's raw material steel capacity to ~2,50,000 MTPA (including capacity at Raipur; augmented through backward integration attributed to its advantageous location near raw material sources - and uses Billets and Scraps for processing).

Fig 4: A detailed overview of the manufacturing process for ERW steel pipes; HRC plays crucial role



Source: Company, SMIFS Research

Numerous avenues for product sales; distributors and dealers play crucial role in the process

- JTL's current product offerings of 978 SKUs are meticulously crafted to meet the varied needs of a broad customer base spanning multiple sectors, including agriculture, water distribution, solar energy, heavy vehicles, construction, and building materials, among others. To effectively reach this diverse demographic, the company utilizes a) a network of distributors and dealers, which accounts for 50-55% of total sales, b) government contracts that contribute ~15-20%, c) institutional clients such as OEMs and EPC firms, which represent ~15-20%, and d) exports that make up 8-10% of sales.
- Given that ~50-55% of its sales are derived from dealer and distribution channels that regularly submit orders (active dealers are ~150-200 in numbers), the company prioritizes the continuous enhancement of its networks. Effectively, this network has increased to 820 as of 30th Jun'24 (a significant rise from 631 at FY23-end). This current network, despite not being exclusive, realistically establishes a formidable presence for the company across 25 states and 3 union territories in India.
- Further, the company predominantly engages in transactions with distributors/dealers that necessitate immediate payment. However, in certain instances, it provides partial /or no advance payment options to specific large dealers to promote and push product sales. Significantly, the company chooses not to form any long-term contracts with these dealers, thereby permitting them to offer products at the prevailing rates and reduces inventory holding-related risks.
- JTL also caters to the product requirements of various government initiatives, including the Jal Jeevan Mission, as well as the needs of numerous governmental and public sector entities, such as the Government of Jammu, BHEL, CIDCO, and NTPC, among others. Effectively, revenue from government sector clients in FY24 represented 15.3% of the total. Here, it engages in tendering activities and acquires contracts through L1-based bidding processes. Having said that, the government bodies typically exhibit longer payment timelines than their private sector counterparts for services rendered. Consequently, the company is not expected to substantially increase its market share with government clients beyond historical levels. Furthermore, JTL also collaborates with institutional clients on similar terms.
- Lastly, beyond its established customer base in India, the company has effectively cultivated a substantial global clientele, with its products reaching customers in Germany, Belgium, Greece, the West Indies, and the UAE. Having said that, it does not have any offices offshore and maintains export from the India office. Additionally, with the planned capacity expansion, the company aims to explore new markets, including the USA. The company is confident that its proximity to the JNPT and Dighi ports provides a competitive advantage in its export operations due to reduced shipping cost. Further, as major capacity is getting ramped up in Raigad (Maharashtra), it is targeting ~15% of total sales volume to generate from exports in the near to medium term.
- Overall, according to the information provided, the leading 20 customers (incl. Government and EPC/OEMs) contributed 56.9% of the total revenue in FY24 and 49.1% in Q1 FY25. Ahead, the company aims to diversify its customer base to mitigate the risk associated with dependence on specific clients and distributors/dealers.

Fig 5: Greater dependence remains on top selective customers; targeting to reduce concentration

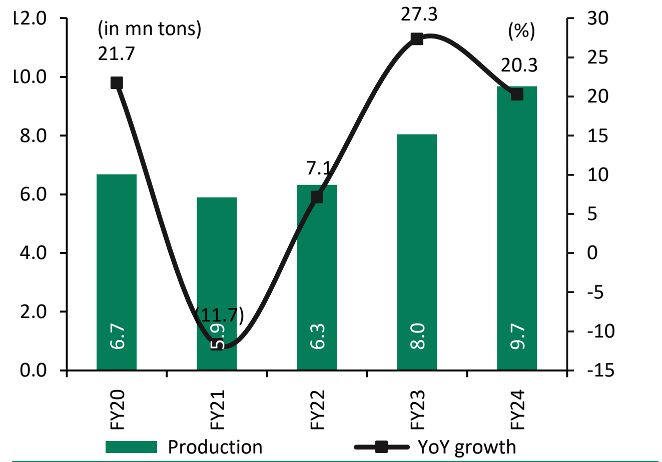
Particular	FY22	FY23	FY24	Q1 FY25
Top 5 Customers	25.6%	26.7%	31.6%	24.3%
Top 10 Customers	33.3%	36.0%	46.4%	35.2%
Top 20 Customers	42.5%	46.0%	56.9%	49.1%

Source: Company, SMIFS Research

Steel tubes and pipes industry are experiencing significant growth; substantial infrastructure development to result in heightened demand

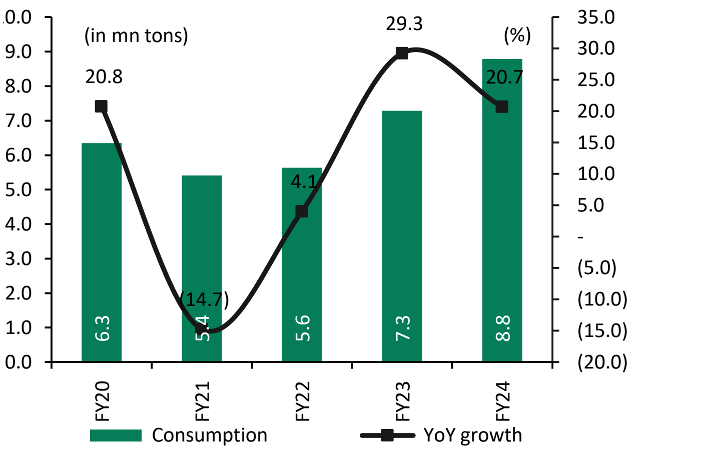
- **Demand for Indian steel pipes to improve at 10%+ CAGR over FY24-28E:** India has established itself as a major manufacturer of steel pipes worldwide, representing a critical sub-industry of the Indian steel sector. The roads, railways, water supply projects, oil and gas pipelines, agricultural equipment, automobile components, solar, and real estate sectors are among the principal users of these steel tubes and pipes.
  - The production of steel tubes and pipes in India has demonstrated healthy 9.7% CAGR over FY20-24 (supply at FY24-end: 9.6mn tons). However, fluctuations in production levels have been observed during this period. For instance, the sector experienced a decline in FY21, with production decreasing by 11.7% YoY, primarily due to disruptions stemming from the Covid-19 pandemic. As conditions improved, demand rebounded and resulted in 7.1% YoY production in FY22, followed by a remarkable 27.3% rise in FY23. In FY24, production of steel tubes and pipes further escalated by 20.3% compared to the prior year.
  - Similarly, the consumption of steel tubes and pipes in India experienced 8.5% CAGR over FY20-24 (to 8.8mn tons in FY24). Following a decline of 14.7% in FY20, there was 4.1% YoY increase in FY22 and a significant rise of 29.3% in FY23. Further, the industry saw robust growth of ~20.7% YoY in FY24, driven by enhancements in construction and real estate sectors, ongoing infrastructure investments, and supportive government policies.
  - Further, the export volume of steel tubes and pipes has experienced 8.3% CAGR over FY20-24 (increasing from 1.1mn tons in FY20 to 1.6mn tons in FY24). The export market has generally shown consistent growth, except for FY21 (when the pandemic adversely impacted outbound shipments). Following the relaxation of lockdown measures, exports surged by 20.5% YoY in FY22. Furthermore, in FY23, there was an 8.6% YoY increase in exports, mainly aided by higher growth stemming from the USA, the UAE, Canada, Indonesia, and Malaysia. In FY24, exports recorded a 22.3% YoY growth.
  - Ahead, the demand for steel pipes in India is projected to experience a CAGR of 10%+ over FY24-28E (on high baseline) backed by rising demand from key end-user industries including oil and gas, infrastructure, real estate, etc. Further, the structural steel pipes sector is anticipated to benefit significantly, driven by the expanding construction industry over the medium to long term, particularly due to infrastructure initiatives including roads, urban development, and railway projects. Further, it is anticipated that the ERW steel tubes and pipes sector to achieve 15-20% CAGR in the medium term, owing to its diverse applications in numerous end-user industries.

Fig 6: Steel tubes production healthy at recent years



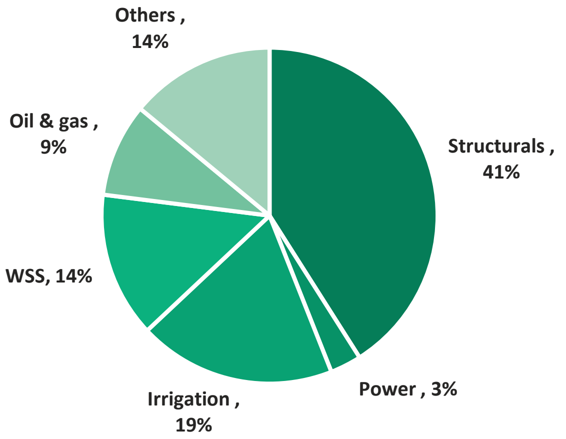
Source: Industry, SMIFS Research

Fig 7: Demand improving largely in tandem with supply



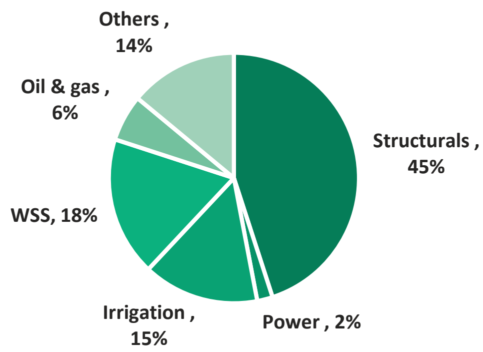
Source: Industry, SMIFS Research

Fig 8: Steel demand by segment (FY19–23)



Source: Industry, SMIFS Research

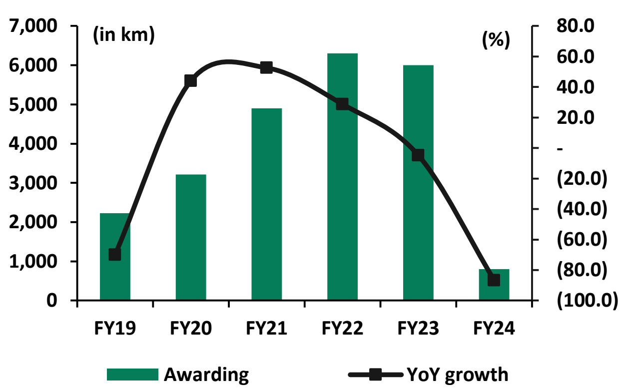
Fig 9: Steel demand by segment (FY24-28E)



Source: Industry, SMIFS Research

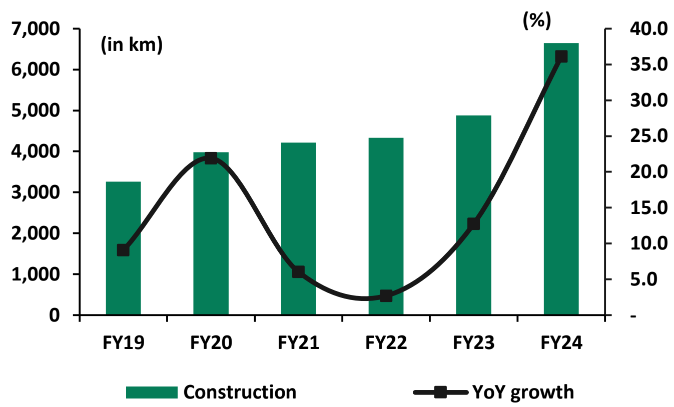
- **Outlook for key end-user industries robust; to drive steel tubes and pipes:**
  - **Roads and Highways sector experienced remarkable growth over the past decade:** Activities in roads and highways sectors, both in terms of awarding and construction, has been robust over the past decade. This positive development can be credited to a) the government's strong focus on road infrastructure creation, b) NHAI's strategic shift towards predominantly utilizing EPC and HAM routes for contract awards, c) the authority ensuring projects are granted an appointed date only when they have secured over 80% of land availability, d) obtaining forest and environmental clearances prior to project awards in most cases, and e) receiving backing from lenders and banks for financial closures. In FY24, the momentum for awarding contracts has experienced a temporary halt due to concerns regarding cost overruns associated with the Bharatmala Pariyojana Programme (Phase-I). Nevertheless, we anticipate that awarding activities to resume in the latter half of FY25, with a probable upward trend to persist in the medium term. Further, the BOT model is expected to regain prominence, while the HAM and EPC modes to continue to be favoured.

Fig 10: Awarding peaked at ~6,300 km in FY22 during FY19-24*



Source: NHAI, Industry, SMIFS Research; * Construction by NHAI

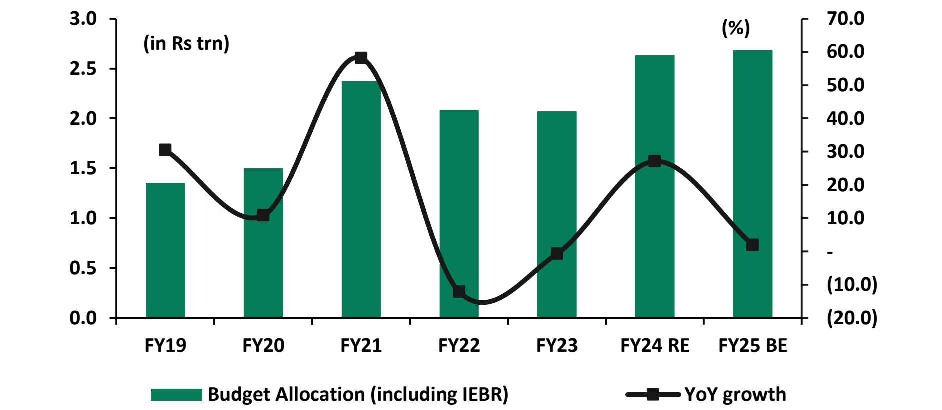
Fig 11: Construction activities continue to improve*



Source: NHAI, Industry, SMIFS Research; * Construction by NHAI

- **Lacklustre investments in railways sector led to sharp decline in market share; necessary steps being taken to revive the sector.** India boasts the fourth largest railway network in the world, ranking after the US, China, and Russia, with ~1.3 lakh km of rail routes. Also, the Indian railways are known for its effectiveness in long-distance travel and transportation of bulk goods, as well as being an economical mode of conveyance. However, investments in the railway sector had been subdued compared to other infrastructure allied sectors (such as roads and power), although it picked up required pace since 2016 due to the government's focus on improving connectivity. Further, the government has recognized the significance of rail transportation, particularly in the movement of goods. As a result, they have introduced a National Rail Plan in 2020 with the primary objective of raising the rail share to ~45% in total freight transportation by 2030. As a steppingstone towards this goal, it has also set a target of loading 3,000mn tons of freight by 2027 (vis-à-vis 1,591mn tons in FY24, 1,512mn tons in FY23, and 1,161mn tons in FY18). This target to be aided by a) infrastructure upgradation in the form of accelerated electrification of tracks, gauge conversion, doubling of tracks and decongestion of the over-utilized rail network, b) development of new terminals and Inland Container Depots, c) single wagon policy covering all wagon types with innovative designs, d) upgradation of speeds, and e) increasing budgetary allocations along with some private sector participations. In terms of budgetary allocation, the Railway ministry's total expenditure for FY25 is projected at ~Rs2.6 trn, marking the highest amount in any given year. This figure represents a twofold increase from the spending in FY19.

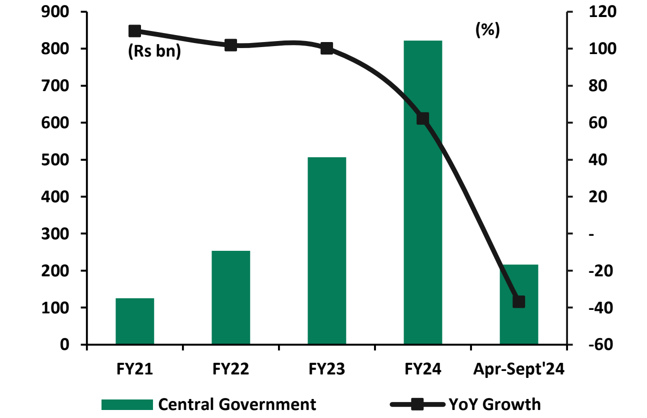
Fig 12: Budgetary allocation is consistently getting better for the railways sector



Source: Budget Documents, SMIFS Research

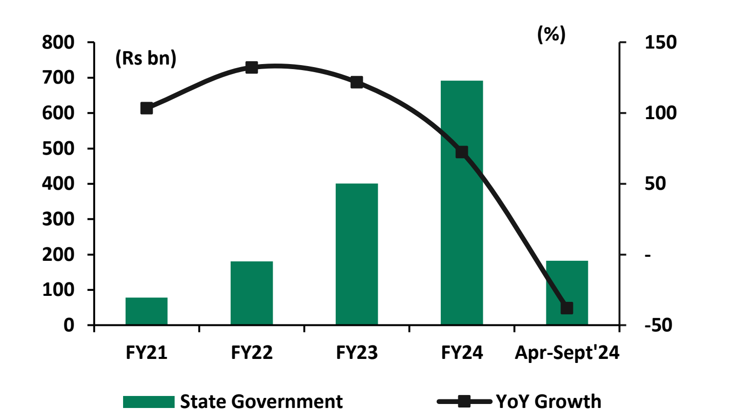
- **The Jal Jeevan Mission continues to make steady progress, offering a substantial opportunity waiting to be seized.** The Har Ghar Jal scheme was introduced by the Ministry of Jal Shakti as part of the Jal Jeevan Mission. Its goal was to guarantee access to tap water for every rural household by 2024, by providing 55 ltrs of water per person on daily basis. Although the scheme was announced during the 2019 budget, the actual implementation began on 15th Aug'19. Since the launch of the programme, tap water connections have been facilitated to an incremental 119mn households. Thus, the total number of households with access to water connections has reached 151mn. However, there are still ~42mn households that have not yet been connected to the tap water supply. As of Sept'24, the total spending has reached ~Rs3.4 trn, with an average of ~Rs29,000 per house. Based on the current average cost, the opportunity for the remaining houses amounts to ~Rs1.2 trn. As on Aug'24, 11 states and UT have achieved ~100% status. These includes Goa, Andaman and Nicobar, Puducherry, Dadra & Nagar Haveli - Daman and Diu, Haryana, Telangana, Gujarat, Punjab, Himachal Pradesh, Arunachal Pradesh, and Mizoram. Further, Bihar, Uttarakhand, Ladakh, and Nagaland has achieved 90%+.

Fig 13: Expenditure by the Central government growing rapidly*



Source: Industry, SMIFS Research; *got impacted during YTDFY25 due to Election

Fig 14: Likewise, state government expenditure has also improved*

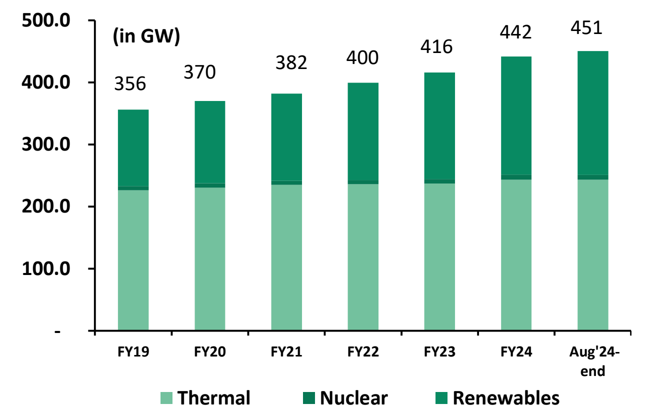


Source: Industry, SMIFS Research; *got impacted during YTDFY25 due to Election

- **Gas pipeline network in the Oil & Gas sector to improve substantially over next 3-4 years:** The anticipated expansion of natural gas pipelines by FY26 is projected to enhance the demand for the steel pipes. The natural gas industry has already witnessed the introduction of the 'One Nation, One Gas Grid' initiative, which is expected to draw new investments into India's natural gas infrastructure. Furthermore, the existing gas pipeline network, which currently exceeds 23,000km, is forecasted to extend to 35,000km within the next 4-5 years. The transition towards a gas-based economy, coupled with the establishment of city gas distribution networks, is likely to increase the demand for pipes in the future. Additionally, the growing number of CNG stations, bio-refineries, and biogas plants will further bolster the infrastructure supporting gas distribution.

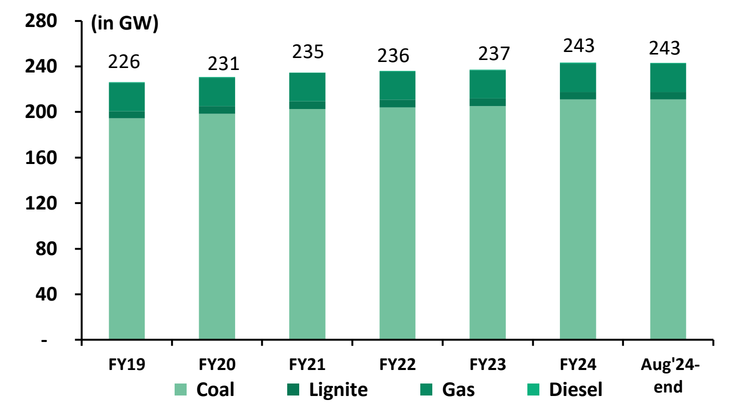
- **The solar power sector presents a lucrative opportunity:** The Indian power sector has successfully been revamped, from a state of power insufficiency to one of power sufficiency by augmenting the generation capacity by 194 GW over the period from FY14 to FY24. As of 31st Jul'24, the total installed capacity for power generation (excluding captive capacity) stood at ~448 GW, with 243 GW coming from thermal sources, 197 GW from renewable sources, and 8 GW from nuclear sources. Furthermore, with the goal of achieving 500 GW of renewable energy capacity by 2030 and meeting 50% of its electricity needs from renewable sources, solar power installations are projected to assist with 280 GW, while wind power is set to contribute 100 GW. Effectively, ~190 GW of solar power capacity is likely to be added over next six years. The total cost of a 1 GW solar installation (EPC) in India is estimated to be ~Rs40.0-50.0bn. This indicates that the solar EPC industry provides opportunity of ~Rs8.0 trn over the next six years provided 200GW of capacity gets added.

Fig 15: All-India power capacity has reached ~451 GW in Jul'24



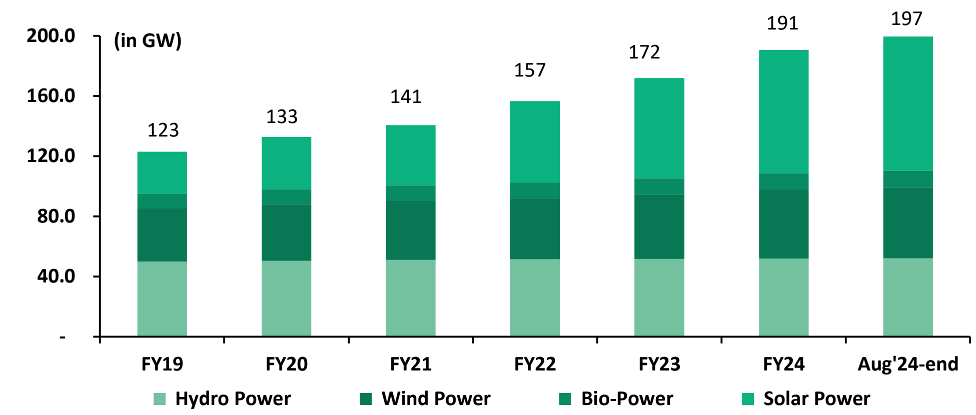
Source: Industry, SMIFS Research

Fig 16: Despite being key contributor, thermal addition slowed down



Source: Industry, SMIFS Research

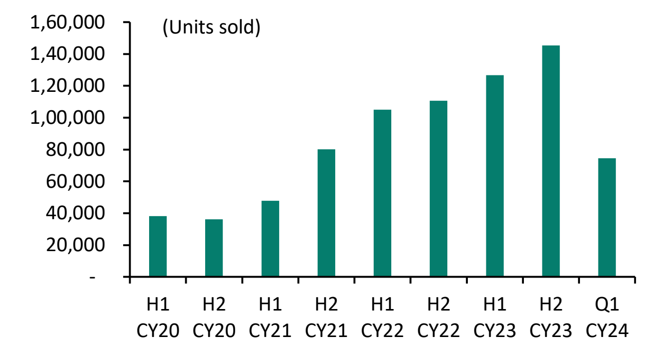
Fig 17: However, Solar capacity addition led to significant rise in overall renewable capacity



Source: Industry, SMIFS Research

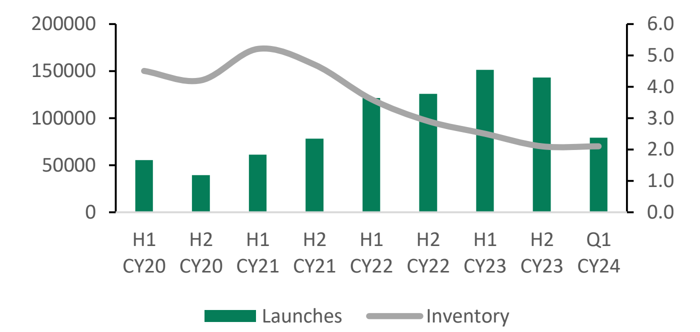
- **Residential sector witnessed a remarkable upswing post Pandemic.** The residential market has embarked on a new chapter of growth propelled by buoyant consumer sentiment, robust property launches, competitive pricing, and a conducive interest rate regime. This growth is further exemplified by the substantial rise in sales volume across the top seven cities, which increased from 36,114 units in H1 CY20 to 145,231 units in H2 CY23. The positive trend persisted in Q1 FY25, with sales increasing to 74,486 units, marking the highest residential sales recorded in comparison to all prior first quarters.
  - Improved affordability due to a decrease in the home loan to income ratio, an increase in the working population, the stabilization of interest rates, the preference of buyers for larger quality homes, an increase in household savings, and the consolidation of the supply-side are anticipated to facilitate continued growth in the residential sector.
  - Driven by robust consumer demand, the number of launches in the top seven cities has surged to near to record high of 143,194 units (at H2 CY23) and 79,110 units in Q1 FYCY24. Nevertheless, the evaluation of inventory level indicates a decline in the projected timeframe to sell. At H2 CY21-end, it was at 5.2 years, but it has since dropped to 2.1 years during Q1 CY24. Consequently, developers are likely to continue launching new projects to keep up sales momentum.

Fig 18: Residential sales scaled to new high during H1 CY23



Source: JLL, SMIFS Research

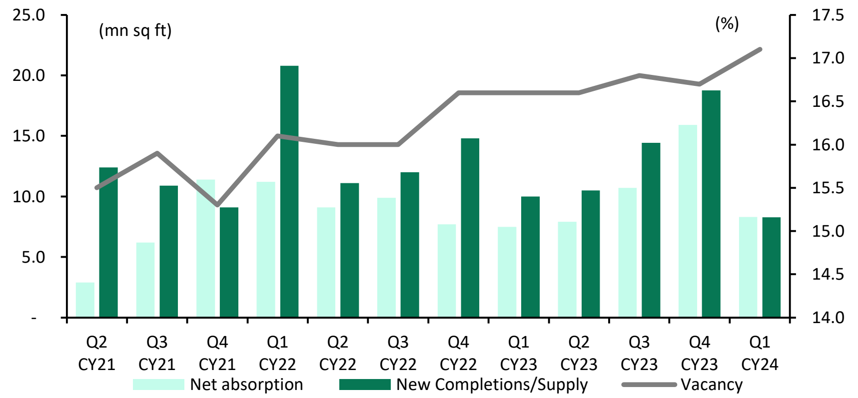
Fig 19: Despite higher launches, inventory is moving southwards



Source: JLL, SMIFS Research

- **Office market displaying resilience.** The office market in India has experienced a significant increase in net absorption, with 25.9mn sq ft in CY21, 37.9mn sq ft in CY22, and 42.0mn sq ft in CY23. This growth is particularly noteworthy considering the challenges posed by the Covid-19 pandemic, the adoption of hybrid workplace strategies by IT/BFSI-related companies, and a volatile global economic climate. In Q1 CY24, the absorption stood at 8.3mn sq ft. However, completions have surpassed absorptions as suppliers are anticipating strong demand from the domestic firms while global companies are expanding their operations. While we expect temporary slowdown in new supplies with higher vacancy rate, medium term growth is intact.

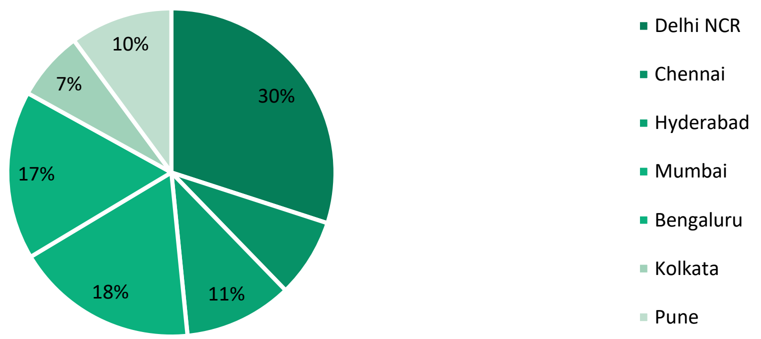
Fig 20: New completions outpaced net absorptions across past many quarters



Source: JLL, SMIFS Research

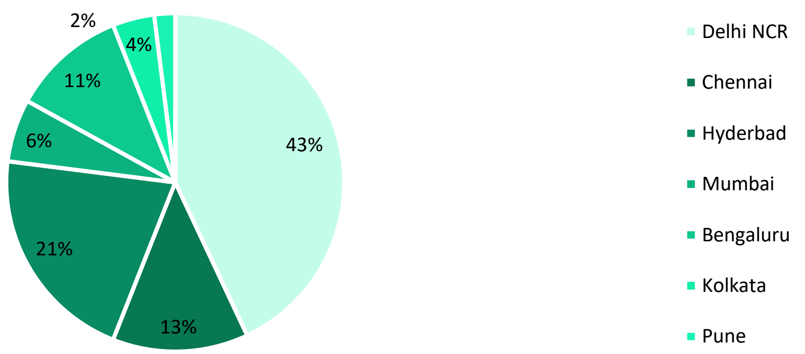
- **Retail sector on an upward growth trajectory**. CY22 witnessed a strong resurgence of India's retail sector, which has carried over into CY23. The sector's growth has been driven by stable economic conditions and restored consumer confidence, resulting in a surge of leasing activity and new store launches by both national and global retailers. The demand for quality retail spaces has increased due to their effective management, robust support infrastructure, and low vacancy rates. Malls are adapting to the changing needs of shoppers by implementing placemaking initiatives that offer distinctive experiences and amenities that cannot be found online.
    - The retail stock in the top seven cities of India reached ~89mn sq ft as of Q1 CY24-end, with ~1.1mn sq ft of mall supply being recorded during Q1 CY24 with vacancy dropping to 12.4% at Q1 FY24-end. Ahead, the sector is expected to see an addition of ~45mn sq ft of shopping mall stock between Q2 CY24 and CY28 among the top seven cities.

Fig 21: Delhi Dominates the current retail stock of 89mn sq ft



Source: JLL, SMIFS Research

Fig 22: Momentum in retail supply to persist, with Delhi and Hyderabad playing eminent roles.



Source: JLL, SMIFS Research; Supply expected to be ~45mn sq ft during Q2 CY24-CY28

Capacity expansion and growing demand set to drive robust growth in the upcoming period; revenue to double over next three years

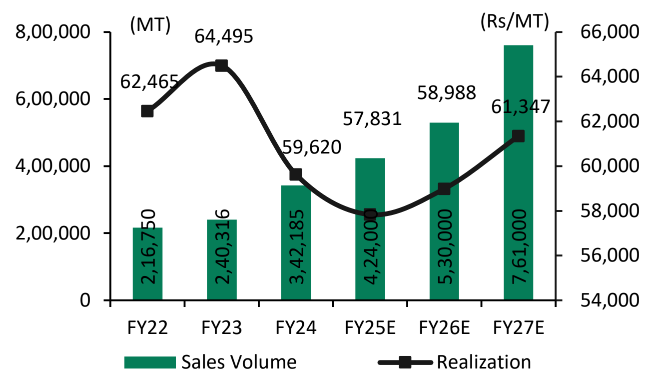
- JTL has experienced a strong 58.0% volume CAGR over FY21-24 (registering 3.4mn tons of sales volume in FY24), albeit on the low base. This growth can be largely attributed to two main factors: a) a surge in product demand fuelled by significant industry advancement, and improved distribution capabilities through a rise in the number of distributors and dealers, along with active participation in government and institutional tenders, and b) nearly twofold increase in production capacity, reaching 0.59mn MTPA over the last three years. Additionally, a notable enhancement in price realization (6.1% CAGR over FY21-24) supported by a greater share of value-added products and increased volumes, has resulted in a revenue CAGR of 67.5% over FY21-24 (revenue reached Rs20.4bn in FY24). Capacity utilization also moving northward, in tandem with sales volume, from 29% in FY21 to 58% in FY24.
- The upward trend persisted during Q1 FY25, with the sales volume from the existing plant improving by 10.8% YoY to 85,674 MT (excl. 10,726 MT of sales witnessed from newly acquired Nabha Steel and Metals' plant). This increase is a testament to the company's strategic initiatives and operational efficiency, supported by strong demand for structural steel pipes in the infrastructure and industrial markets, both domestically and internationally. Remarkably, this achievement is noteworthy given the substantial slowdown associated with the General Elections. However, with 7.8% decline in realization, the revenue has improved by merely 2.1% to Rs5.2bn.
- Moreover, the growth in volume remained steady in Q2 FY25, with the company reporting 10.7% YoY growth (reaching 90,417 MT, excluding Nabha's contribution of 12,776 MT). Looking ahead, management expresses confidence in sustained product demand in the medium term, anticipating the ability to meet this demand with new capacities expected to be operational (0.41mn MTPA in H2 FY25 and an additional 1mn MTPA over FY25-28E). Consequently, it has projected a sales volume of 0.45mn MT for FY25, with a medium-term goal of achieving 1.0mn MT by FY28E.
- We also believe that the sales volume to get bolstered by strong product demand and improved utilization. However, the supply from DFT technologies-driven machinery may not be significant due to initial operational challenges. Therefore, we predict that the company to achieve ~23.9% YoY volume growth in FY25, with a sales volume of 0.42mn MT. Additionally, we foresee a ~25.0% YoY increase for FY26, which is expected to escalate to ~43.6% YoY growth in FY27 as new capacities get activate. As a result, we estimate 30.5% CAGR in volumes over FY24-27E.
- Further, steel prices in India have fallen to their lowest levels in over three years, largely as a result of a marked slowdown in the Chinese economy, which has instigated a correction in global pricing. With this, we project that the company's sales realization to decrease by ~3% in FY25, with nominal improvement of 2% YoY anticipated in FY26, followed by a growth of ~4% in FY27 (despite higher contribution from value added products). Effectively, the revenue to improve at 31.8% CAGR over FY24-27E.

Fig 23: Overall utilization has exceeded 50% in FY24; improvements evident in Q1 FY25

Plant location	FY22	FY23	FY24	Q1 FY25*
Derabassi (Punjab)	49.4	68.1	88.6	16.6
Mangaon, Raigad (Maharashtra)	11.6	22.1	55.1	16.0
Mandi Gobindgarh (Punjab)	75.7	39.6	43.4	10.1
Raipur (Chhattisgarh)	68.5	54.4	62.7	18.3
Overall Utilization	**43.4**	**41.0**	**58.4**	**14.6**

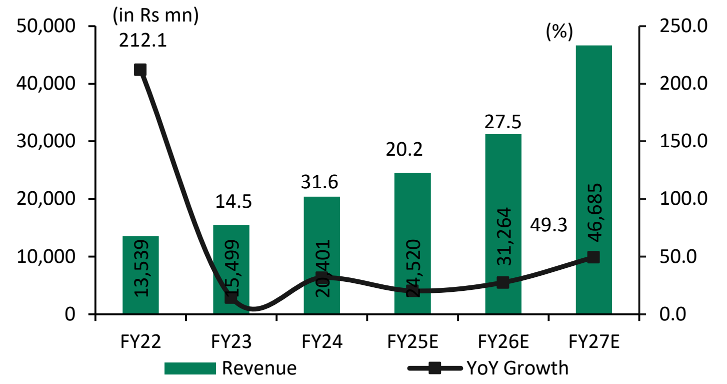
Source: Company, SMIFS Research; *Compared with the annual capacity of 0.59mn MTPA

Fig 24: Volumes to improve; realization to be under pressure



Source: Company, SMIFS Research Estimates

Fig 25: Revenue to improve at 31.8% CAGR* driven by healthy volumes



Source: Company, SMIFS Research Estimates; * over FY24-27E

EBITDA/ton among the highest in the industry; poised for further improvement through the better product mix

- JTL has distinguished itself in a fiercely competitive industry by attaining one of the highest EBITDA/ton metrics. This success is ascribed to its sustained and superior product quality, broad product range, a competent and productive workforce, improving economies of scale, and punctual deliveries.
- Further, the contribution of GI/GP pipes to overall revenues has remained significantly above 30% during the last three years. The sale of these GI/GP pipes is advantageous for the company, as they command a higher realization of ~Rs20,000-25,000/MT than ERW black pipes, and they enhance margins, with an EBITDA estimated at ~Rs7,000/MT, as opposed to Rs2,000-3,000/MT for MS black pipes.
- Ahead, the company intends to enhance its product portfolio by implementing new capacity largely towards the production of value-added primary products and derivatives of GI/GP pipes. Furthermore, the integration of capacity via DFT is expected to broaden its product range by a minimum of 600 value-added SKUs, thus facilitating higher growth and contribution by the higher-margin products.
- Also, the company aims to broaden its offerings beyond B2B to encompass B2C by reaching out to local dealers, fabricators, engineers, architects, and similar stakeholders. By integrating DFT into its operations, the company anticipates the ability to tailor its product offerings to meet the unique needs of individual B2C customers, a capability currently limited by the time required to change rolls. This strategic move will enable the company to access specific end-user segments that offer higher profit margins and to expand its offerings in a manner that adds value to its business. To support this initiative, the company has taken proactive steps to enhance its brand presence and visibility through various marketing strategies and brand engagement activities.
- With this, the company has guided for an EBITDA of ~Rs5,000/MT for FY25 (compared to Rs4,450/MT in FY24 and Rs4,632/MT in Q1 FY25). Additionally, the company anticipates further improvements in the medium term, driven by economies of scale and an increased share of revenue from value-added products.
- We hold the view that the company might have to raise spends in product marketing in the upcoming years ahead to bolster product promotion efforts. In addition, some benefits from economies of scale may require to be shared with dealers and distributors to provide them with greater profit margins. As a result, we have incorporated an EBITDA estimate of Rs4,777/MT for FY25, which is expected to rise steadily to Rs5,014/MT in FY26E and Rs5,337/MT for FY27E. With this, its margin is anticipated to increase steadily from 7.5% in FY24 to 8.7% in FY27E.

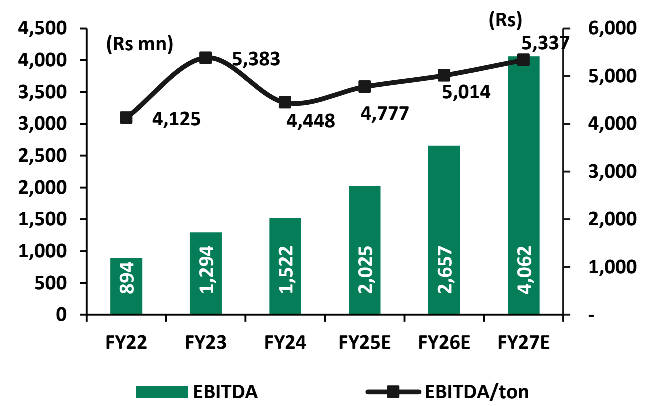
- Further, the company has reported 77.9% PAT CAGR over FY21-24, driven by strong revenue growth, improvement in margins, and lower financial costs. In the future, the expected rise in revenues and EBITDA/ton indicates that EBITDA (on absolute basis) to increase at 38.7% CAGR over FY24-27E. Further, with anticipated reductions in interest expenses, PAT is expected to improve at 37.4% CAGR over FY24-27E (to ~Rs2.9bn in FY27).

Fig 26: Contribution of value-added products to reach ~40% by FY27E

Product	FY22	FY23	FY24	Q1 FY25	FY25E	FY26E	FY27E
GI/GP Pipes	32.5	36.6	34.6	25.7	40.0	47.0	55.0
ERW Steel Pipes	60.2	60.7	62.5	67.5	57.0	50.0	42.0
Solar structures and others	7.3	2.6	2.9	3.3	3.0	3.0	3.0

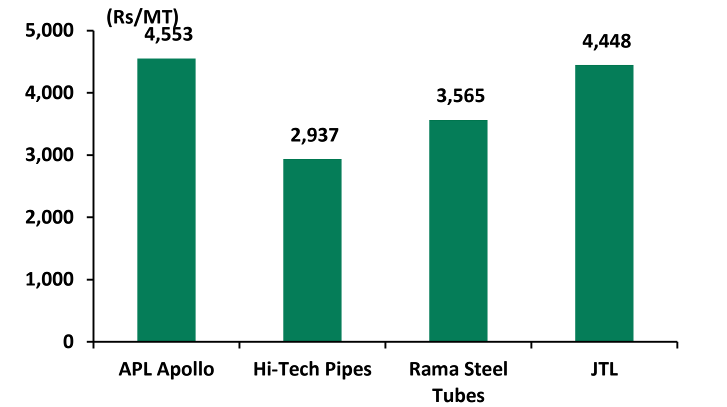
Source: Company, SMIFS Research Estimates

Fig 27: EBITDA to surpass Rs5,000/ton on better mix*



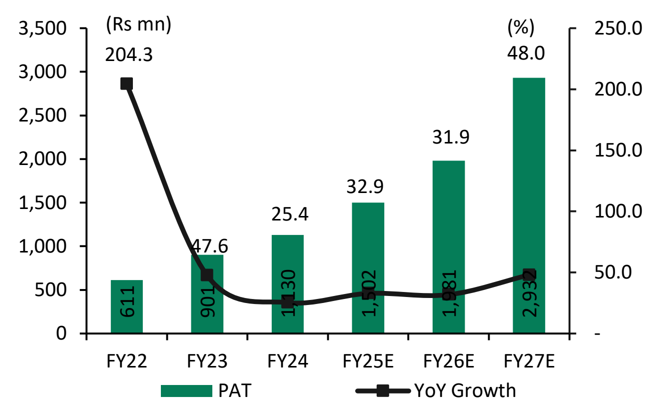
Source: Company, SMIFS Research Estimates; *during FY26E and FY27E

Fig 28: EBITDA/ton for FY24 ranked among the highest in the industry*



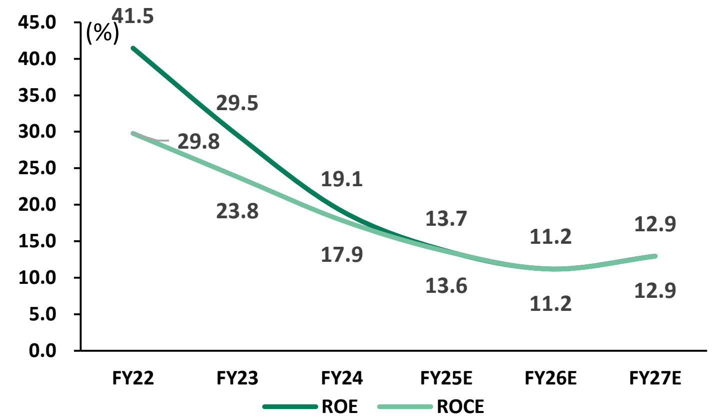
Source: Company, SMIFS Research Estimates; for FY24

Fig 29: PAT to improve at healthy 37.4% CAGR over FY24-27E



Source: Company, SMIFS Research Estimates

Fig 30: Decent Return ratios



Source: Company, SMIFS Research Estimates

Capital raised via the QIP and issuance of warrants to be directed towards managing capex; balance sheet to remain lean

- JTL has recorded a persistent increase in gross borrowings, which have risen from Rs351mn at FY19-end to ~Rs1,068mn at FY23-end. This trend is mainly driven by an uptick in capex and the necessity for working capital. Further, to facilitate its expansion plans and lower its borrowing levels, the company is currently seeking funding from various sources amounting to ~Rs13.6bn (partially secured), which is expected to significantly fulfil its capex and working capital requirements for the medium term. The raised funds have already led to a noticeable decline in gross borrowings, resulting in a total of ~Rs200mn by FY24-end.
- Likewise, the company has issued 12.8mn fully convertible warrants at a price of Rs300/warrant (not been adjusted for bonus) during Mar'23. This issuance, part of a preferential issue, amounted to Rs3.8bn and was allocated to individuals in the non-promoter/public categories (against the receipt of 25% of the issue price). Having said that, the fundraising efforts have been completed recently in Sept'24 with receipt of the outstanding amount.
- Further, the company undertook a preferential allotment of 25.0mn fully convertible warrants at a price of Rs 270/warrant (not adjusted for bonus; total amount: Rs 6.8bn) during Feb'24. The warrants confer upon the holders the right to subscribe to one equity share for each warrant. Additionally, the allocation includes ~Rs5.4bn designated for the promoter group and ~Rs 1.4bn for non-promoter/public entities. Currently, the warrants have been issued to the allottees following the receipt of 25% of the issue price, with the remaining 75% expected to be collected from the allottees within 18 months of the allotment.
- Recently, JTL has carried out a Qualified Institutional Placement (QIP) of 14.2mn equity shares at a price of Rs 211/share, generating total proceeds of ~Rs3.0bn. The net proceeds are proposed to be used for a) partially financing the expansion of its existing manufacturing facility by establishing a new unit in Raigad, which is likely to cost ~Rs 870mn, and b) meeting the company's working capital requirements, which amount to Rs1.8bn.
- As of now, the company has successfully secured total proceeds amounting to Rs8.5bn, with expectations of an additional Rs5.1bn by Aug'25. Management has stated that the company intends to allocate ~Rs1.5bn for capex in FY25, with an overall capex forecast ranging Rs6.0-Rs6.5bn for FY24-27. Additionally, a working capital requirement of Rs3.0-3.5bnis anticipated. In light of the funds raising activities through different avenues, we believe the company is well-equipped to address its working capital demands and proposed capex without resorting to external borrowing.

Fig 31: Recent fundraising initiatives undertaken by the company

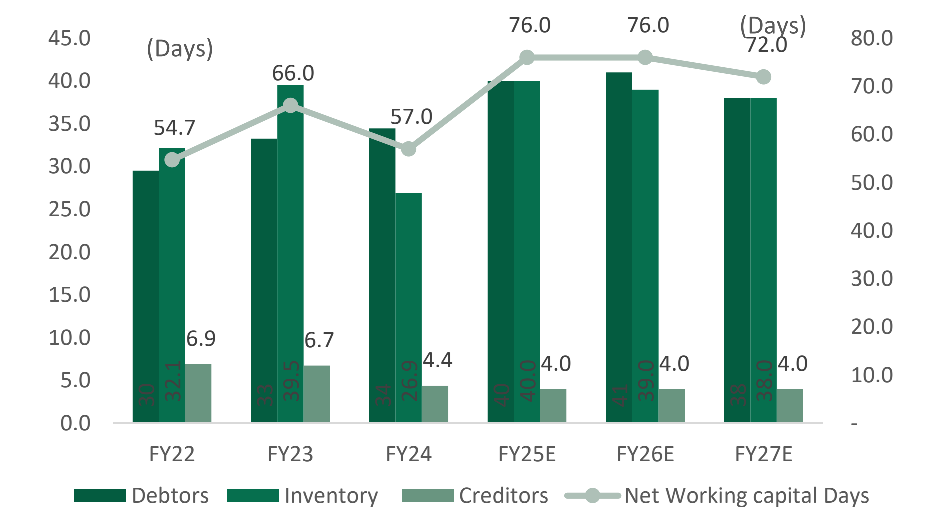
Date	Method	No. of units (in mn)	Amount (in mn)	Issue Price (in Rs)*
03-Mar-23	Warrants	12.8	3,843	300
02-Feb-24	Warrants	25.0	6,750	270
23-Jul-24	QIP	14.2	3,000	211
Total			13,593	

Source: BSE India, Company, SMIFS Research; not adjusted for bonus

Healthy working capital cycle reinforces confidence on the business model

- JLT utilizes a just-in-time kind-off strategy, which prioritizes the maintenance of minimal levels of both raw material and finished goods inventories. This approach is further reinforced by its advantageous location near suppliers of raw materials and consumption centres/ports. Specifically, the company processes orders for international clients who provides timeframe of ~1.0-1.5 months. During this period, the company manufactures the required products and transports them to the denoted destinations, resulting in a very short inventory holding period. A similar strategy is applied to government contracts and orders received from the large clients. However, the company requires to maintain inventory for sales happening through dealers/ distributors to ensure timely supplies (however, targeting to implement made-to-orders strategy). Consequently, its inventory days have remained in the range of 25-40 days over the past three years. Ahead, we foresee that the inventory days to get extended to ~40 days, as the introduction of new capacity may necessitate maintaining a larger inventory of raw materials.
- In recent years, there has been a significant improvement in receivables, decreasing from 80 days at FY21-end to 34 days at FY24-end. This reduction is primarily attributed to a strategic focus on engaging with dealers and distributors who pays on timely basis. Furthermore, it has been noted that government and PSU clients have become more prompt in their payments in the recent years, with receivable days decreasing from ~90-100 days earlier to ~55-60 days now. The company is also targeting government/PSU clients, where funding assistance is predominantly sourced from the central government rather than state governments. Also, it has been mentioned that export-oriented clients have been making timely payments. As a result, the company anticipates maintaining healthy receivable days in the future.
- Further, the company fosters a strong relationship with its suppliers and endeavours to make timely payments for raw materials upon product delivery in order to secure bulk discounts. Consequently, its creditors have remained at minimal level and are expected to continue in this manner.
- Overall, the working capital days for the company have shown improvement, falling from 96 days at FY21-end to 57 days at FY24-end. While management expects this trend to continue, we anticipate an increase to ~70-80 days, primarily as a result of expected higher inventory days.

Fig 32: Working capital days to increase mainly due to higher inventory days

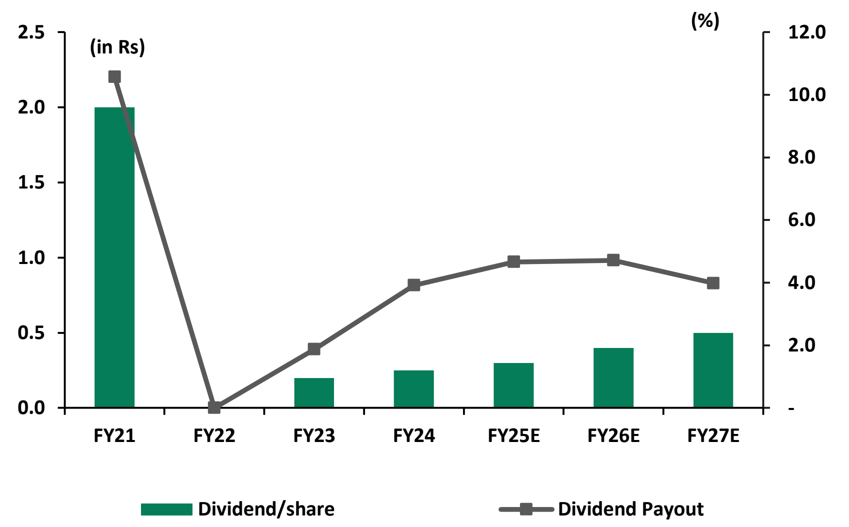


Source: Company, SMIFS Research Estimates

Consistent dividend payments instil a sense of reliability

- Over the past four years, JTL has declared dividends on three occasions. However, in FY22, the board of directors decided against distributing a dividend to conserve resources for the purpose of business expansion and to strategically align the company towards optimal growth.
- Specifically, the company has announced a dividend of Rs2.0/share in FY21 (based on a face value of Rs10.0). Subsequently, it chose to distribute Rs0.2/share and Rs0.25/share in FY23 and FY24, respectively, on a face value of Rs2.0.
- Further, JTL has a defined dividend distribution policy, which states that the company strives for dividend pay-out of 50% of annual PAT. However, in light of the company's ongoing expansion efforts, we expect that dividends to gradually rise (with potential dividends of Rs0.3/share, Rs0.4/share, and Rs0.5/share projected for FY25, FY26, and FY27, respectively) as it would aim to conserve cash for growth purposes. Having said that, the dividend payout for FY24 was ~3.9%. Ahead, it is expected to be above 4%.

Fig 33: Anticipated dividend payout is projected to exceed 4% over next few years



Source: Company, SMIFS Research Estimates; # FY21 on the face value of 10/share, Rest on Rs2/share

Corporate Governance

We firmly believe that implementing effective corporate governance practices is crucial for instilling trust in our esteemed shareholders. Therefore, we are delighted to present a comprehensive plan on corporate governance, covering essential elements such as the board of directors, compensation for key executives, and potential liabilities. This framework aims to offer our valued investors the necessary reassurance when engaging with JTL Industries Ltd.

Promoters' Shareholding

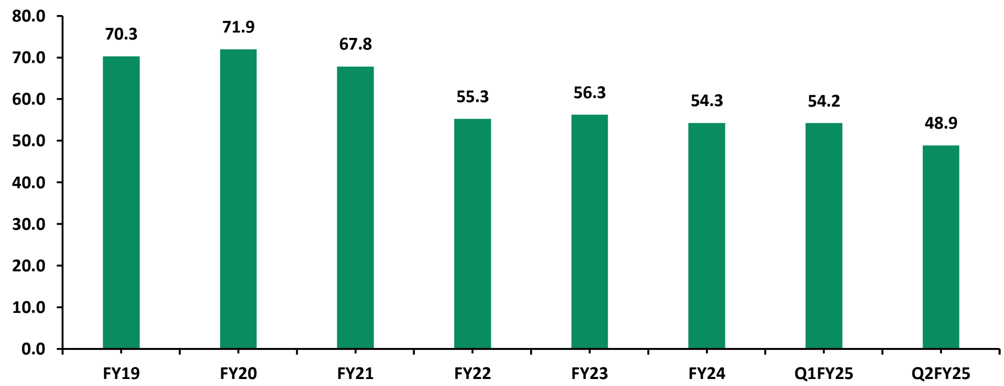
The promoters as of 30th Sept'24 owned the ~48.91% share of total equity capital. Among the promoters, the Nikita Singla of a promoter group had a slightly higher stake of ~13.35%, followed closely by the Madan Mohan combined both holding ~26.63%. Detailed information on the share distribution and its changes can be viewed in the accompanying table and chart.

Fig 34: Promoter Shareholding as on 30th Sept'24

Particulars	% Holding
Mr. Madan Mohan	13.28
Mrs. Nikita Singla (Promoter Group)	13.35
Mr. Rakesh Garg (HUF)	7.78
Mr. Rakesh Garg	6.69
Mr. Dhruv Singla (Promoter Group)	2.31
Mr. Mithan Lal Singla	2.24
Others Promoter Group	3.26
Total	**48.91**

Source: BSE India, SMIFS Research

Fig 35: Promoter's Shareholding (%)



Source: BSE India, SMIFS Research.

The stake held by the promoters has decreased from 71.9% in FY20 to 48.9% by Q2 FY25. In FY21, Jagan Industries Pvt Ltd sold off 4.1% of its stake, followed by a further 5.3% in FY22. Additionally, other promoters reduced their holdings by 7.3% in FY22. The issuance of warrants by the company over the years has led to a gradual dilution of the promoters' shareholding. In Jul'24, the company raised funds through a QIP, during which the promoters sold an additional 4.03%, further diminishing their ownership.

Promoter Remuneration

JTL is promoted by both Madan Mohan and Rakesh Garg. Despite an increase in their remuneration in absolute figures, the percentage of this compensation in relation to PBT has shown a consistent decline, falling from 1.7% in FY19 to 0.4% in FY24. This remuneration consists solely of gross salary and does not account for any performance-related bonuses.

Fig 36: Remuneration of promoters **(*Rs in mn)***

Promoters	FY19	FY20	FY21	FY22	FY23	FY24
Mr. Madan Mohan	1.8	1.8	1.8	2.4	3.0	3.0
Mr. Rakesh Garg	1.8	1.8	1.8	2.4	3.0	3.0
Total Remuneration	**3.60**	**3.60**	**3.60**	**4.80**	**6.00**	**6.00**
As % of PBT	*1.7%*	*2.6%*	*1.3%*	*0.6%*	*0.5%*	*0.4%*

Source: Company Annual Reports, SMIFS Research.

Independent Director's Compensation

In FY24, JTL Industries had a total of Four independent directors. Their combined compensation amounted to ~Rs 0.71mn. Here are the specific details:

Fig 37: Independent directors & their compensation ***(Rs in mn)***

Name	FY24 Compensation (Rs in mn)	As% to PBT (FY24)
Mr. Rakesh Mohan Garg	0.18	0.00
Mrs. Preet Kamal Kaur Bhatia	0.20	0.00
Mr. Sukhdev Raj Sharma	0.20	0.00
Mr. Ashok Goyal	0.13	0.00
Total Remuneration	**0.71**	**0.00**

Source: Company Annual Report FY24, SMIFS Research

Board Composition

The board for FY24 consists of ten members, which includes a) one Managing Director, b) one Non-Executive Director, c) four whole-time directors, and d) four independent directors. Notably, one of the independent directors is a woman. Further details are outlined below.

Fig 38: Board Composition

Particular	FY19	FY20	FY21	FY22	FY23	FY24
Total Strength	***6***	***6***	***8***	***8***	***9***	***10***
Executive Non-Independent Director (Managing Directors)	1	1	1	1	1	1
Non-Executive Non-Independent Director	1	1	1	1	1	1
Executive &Non-Independent Director (Whole time Directors)	2	1	3	3	3	4
Non-Executive Independent Directors	2	3	3	3	4	4
Total Strength	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***
%Executive Non-Independent Director (Managing Directors)	*16.7%*	*16.7%*	*12.5%*	*12.5%*	*11.1%*	*10.0%*
%Non-Executive Non-Independent Director	*16.7%*	*16.7%*	*12.5%*	*12.5%*	*11.1%*	*10.0%*
% Executive Non-Independent Director (Whole Time Directors)	*33.3%*	*16.7%*	*37.5%*	*37.5%*	*33.3%*	*40.0%*
% Non-Executive Independent Directors	*33.3%*	*50.0%*	*37.5%*	*37.5%*	*44.4%*	*40.0%*

Source: Company Annual Reports, SMIFS Research

Contingent Liabilities

JTL has disclosed a contingent liability amounting to ~10.1% of its net worth for FY24. These liabilities are mainly linked to corporate guarantees provided to financial institutions concerning the limits that have been utilized. Nevertheless, when excluding guarantees and loan commitments, the contingent liabilities represent ~ 1% of the net worth.

Fig 39: Contingent Liabilities *(Rs in mn)*

Particular	FY19	FY20	FY21	FY22	FY23	FY24
Contingent Liabilities						
Claims against the Company not acknowledged as debts						
Disputed excise duty, custom duty, GST	-	-	-	3.77	6.9	4.0
Income tax demands against which group has preferred appeals	13.7	16.5	16.5	31.1	31.0	36.9
Civil cases	-	-	-	-	-	6.1
Guarantees						
Letters of credits	0.00	55.8	137.4	-	-	344.5
Unexpired bank guarantees	30.0	13.6	10.6	51.0	210.2	389.5
Total	**44**	**86**	**164**	**86**	**248**	**781**
Net worth	441	612	969	1,977	4,071	7,748
As a % of Net Worth	**9.9%**	**14.0%**	**17.0%**	**4.3%**	**6.1%**	**10.1%**

Source: Company Annual Report, SMIFS Research

Related Party Transactions

As per the analysis, nothing specific has come to our notice. The related party transactions were varying depending on contracts, guarantees and loans given to the related parties.

Fig 40: Related Party Transactions *(Rs in mn)*

Particulars	FY19	FY20	FY21	FY22	FY23	FY24
KMP and their Relatives						
Purchases						
Unsecured loan received/ (paid) from/to directors	-	-	-	-	521.4	(489.3)
Salary and compensation paid	-	-	5.8	11.6	18.5	12.8
Rent to director's relative	-	-	-	-	-	0.3
Salary Payable	-	-	-	-	-	0.3
Unsecured loan from directors	-	-	-	-	-	32.1
Compensation to Key Management Personnel						
Short-term employee benefits	6.5	6.5	-	-	-	-
Mohinder Singh	-	0.0	-	-	-	-
Total	**6.5**	**6.6**	**5.8**	**11.6**	**539.9**	**-443.8**
Enterprises significantly influenced by key managerial personnel						
Sale of goods						
Jagan Industries Private Limited	20.4	387.7	20.8	-	275.3	787.9
Chetan industries Limited	-	-	0.4	-	-	-
Purchases						
Jagan Industries Private Limited	57.6	3.3	20.0	15.5	12.9	519.6
Chetan industries Limited	93.7	18.8	13.7	-	-	
Interest income on unsecured loan given	-	-	-	-	-	10.0
Trade receivables						
Jagan Industries Private Limited	-	-	-	12.2	408.7	-
Advances to Suppliers						
Jagan Industries Private Limited	-	-	-	-	-	215.8
Loan and advacnes						
Mirage Infra Limited	-	-	-	-	-	105.5
JTL Green Energy Limited	-	-	-	-	0.7	-
Trade Paybles						
Jagan Industries Private Limited	-	-	-	37.3	-	-
Rent Paid						
Jagan Industries Private Limited	-	-	0.4	-	-	-
Total	**171.7**	**409.9**	**55.4**	**65.0**	**697.6**	**1,638.7**

Source: Company Annual Reports, SMIFS Research

Key Management Personnel

Fig 41: Details of Promoter and Director

Name	Designation	Profile
Mr. Madan Mohan Singla	Managing Director	Mr. Madan Mohan is a Graduate and belongs to an industrialist family of Chandigarh and he has more than 35+ Years of rich experience in Steel Industry in setting up of Galvanised and ERW Steel Tubes & Pipes, Scaffolding Fittings and Systems, Hollow Sections, channels plants and units, productions, marketing, finance, funds management, cost reduction and he is known for experience in steel & pipe industry, proficiency in business finance and strategy. Under his leadership, the Company continues to grow exponentially towards becoming an organisation of repute. He has been the driving force for propelling the growth engine and yielding profitable results for the Company.
Mr. Mithan Lal Singla	Non-Executive Director	Mr. Mithan Lal Singla, Non-Executive Director of the Company has more than 40 Years of experience in steel business. He has played a key role in setting up current manufacturing facilities and has been associated with various ventures in different capacities & conversant with latest industrial techniques.
Mr. Rakesh Garg	Executive Director	Mr. Rakesh Garg, Executive Director is a Graduate and has 30+ years of rich experience in steel industry, trade and commercial operations, liaising with various agencies and associates and he is having wide experience in industrial projects, engineering and management affairs.
Mr. Dhruv Singla	Executive Director	Mr. Dhruv Singla is a B. Com (Honors Degree in Economics) from Punjab University and Masters Degree in International Management from King’s College, United Kingdom. He has to his credit experience of around 10 years in Financial, accounting, taxation fund management, auditing and allied matters.
Mr. Pranav Singla	Executive Director	Mr. Pranav Singla is a Bachelor in Economics and Accounting Honors from Cass Business School, London and Masters in Management from Kings College, London. He is well versed and having experience of around 4 years in the fields of Accounting, Finance, Production Management, Strategic Planning, Cost Management, Plants set up and expansions and He has inherited excellent entrepreneurship skills from his industrialist family.
Mr. Sanjeev Gupta	Executive Director	Mr. Sanjeev Gupta has completed his Bachelor’s in Technology and is having an experience of more than 25 years in the prominent Steel Companies naming Bhushan Power and Steels Limited. He also got exposure of overseas operations while working with Aarti Strips Private Limited, in Nepal. He is further having the specialisation in Cost and automations.
Mr. Rakesh Mohan Garg	Independent Director	Shri Rakesh Mohan Garg, a 1983 Indian Revenue Service (IRS) officer, retired as Principal Chief Commissioner of Income Tax, Delhi, in 2018. With over 35 years of experience, he worked extensively in corporate taxation, investigations, international taxation, and HR across Delhi, Mumbai, Rajasthan, and Punjab. Prior to the IRS, he gained four years of private sector experience and holds an MBA from Panjab University. He has also attended executive programs at IIMs, Syracuse University, and Harvard Business School and served as an Independent Director on a listed company's board.
Mrs. Preet Kamal Kaur Bhatia	Independent Director	Ms. Preet Kamal Kaur Bhatia is Chartered Accountant and having experience of 18 Years as a practicing Chartered Accountant. She has to her credit vast experience in the fields of taxations, corporate finance, accounts, audit, banking, project planning and allied matters. She is also Independent Director in 3 other listed entities.
Mr. Sukhdev Raj Sharma	Independent Director	Shri Sukhdev Raj Sharma holds a B.Sc., MBA, and CAIIB, with over 40 years of experience in banking. He has served as Managing Director of PNB International Limited, London (a 100% subsidiary of PNB), and as an Advisor to an investment banking company. Additionally, he was the Field General Manager for Delhi & NCR. His board experience includes serving on two State Financial Corporations (PFC & DFC), a regional technical consultancy organization (NITCON), and two public limited companies as a nominee of the bank. His expertise spans banking, finance, corporate credit, and related fields.
Mr. Ashok Goyal	Independent Director	Mr. Ashok Goyal is a practicing advocate with master’s in economics having 28 years of experience in Educational Administration. He had been member of the Board of Finance, Senate and Syndicate of Punjab University, Chandigarh. He is also an Independent Director on the Board of Primo Chemicals Limited.

Source: Company Annual Report FY24, SMIFS Research

CSR Activities

JTL has consistently engaged in corporate social responsibility initiatives aimed at enhancing societal welfare. The company allocated ~Rs10mn in FY22, ~Rs3.2mn in FY23, and ~Rs15.9mn in FY24. Taking into account the elevated spending patterns from previous years, the expenditures are consistent with the prescribed allocations.

Fig 42: CSR Activity Spend ***(Rs in mn)***

Years	Avg. Net Profit (last 3 Yrs.)	Prescribed Expenditure	Total Spends	Spend as % of prescribed limit
FY24	803.0	16.1	15.9	99.3%
FY23	448.3	9.0	3.2	35.7%
FY22	204.2	4.1	10.0	244.9%
FY21	156.4	3.1	5.8	186.7%
FY20	116.8	2.3	2.3	100.2%
FY19	60.2	1.2	1.2	100.0%

Source: Company Annual Report, SMIFS Research

In FY21 and FY22, the company made substantial contributions to initiatives focused on health and social welfare. In FY21, it allocated Rs.5.8mn directly to the Foundation for Pluralistic Research and Empowerment in Delhi. The following year, FY22, the company increased its contributions to Rs10mn, directed towards Maharaja Agrasen Technical Education.

Auditors

The members have designated M/s N. Kumar Chhabra & Co, Chartered Accountants as the Statutory Auditors of the Company for the year 2023, with a mandate to serve for a period of five years, concluding in 2028. Prior to this, M/s Suresh K Aggarwal & Co, Chartered Accountants held the position of Statutory Auditor, which has now transitioned following the completion of their five-year term. Further, the auditor has indicated that there were no qualifications, reservations, adverse comments, or disclaimers included in their report for FY24.

Currently, M/s N. Kumar Chhabra & Co is functioning as the Statutory auditor for several listed companies, including Satia Industries Ltd and Zenlabs Ethica Ltd.

The company has paid ~Rs1.0mn to the statutory auditor, representing ~0.1% of consolidated PBT for FY24.

Fig 43: Auditor fees (FY24)

Auditor Name	Type	Auditor Fees (Rs mn)	As a % of PBT
M/s N. Kumar Chhabra & Co	Statutory Auditors	1.0	0.1%

Source: Company Annual Report FY24, SMIFS Research

Company Background

- Founded in 1991, JTL Industries Ltd (which was formerly called JTL Infra Ltd) has positioned itself as one of the leading forces in the steel tubes and pipes manufacturing industry. Headquartered in Chandigarh, the company is the flagship entity of the Jagan Group of Companies and operates four manufacturing plants across India.
- Having initially focused on producing Electric Resistance Welded (ERW) Black Pipes, JTL has significantly expanded its product portfolio over the years. Today, it is well-known for its high-quality, value-added products, including galvanized steel pipes, solar module mounting structures, and large diameter steel tubes and pipes.
- Equipped with state-of-the-art technology, JTL has a remarkable manufacturing capacity of 0.59mn MTPA. The company's operations are conducted throughout India and reach over 20 countries across five continents, emphasizing JTL's considerable global influence in the industry.
- At present, the company offers a comprehensive range of products, including 986 SKUs, tailored for various industrial applications. Supported by a workforce of 600+ employees and an extensive network of 800+ dealers and distributors, the company is well-equipped to provide its wide products and services.
- The Company operates from four manufacturing sites strategically distributed across India. This network comprises two plants in Punjab (Derabassi and Mandi Gobindgarh), one in Maharashtra (Mangaon, Raigad), and a facility in Chhattisgarh (Raipur), resulting from the merger with its promoter-held Chetan Industries.

Fig 44: Key Milestone of JTL Industries Ltd

Year	Details
1991	Started the journey as Jagan Tubes Pvt Ltd, establishing its roots in the steel pipe manufacturing industry
1992	Installed first manufacturing facility, dedicated to producing ERW black pipes.
1993	Transitioned to a public limited Company, known as Jagan Tubes Limited.
1995	Listed on the OTC Exchange of India (OTCEI), signaling its entry into the public market and broadening its investor base.
2000	Ventured into value-added products by introducing galvanized pipes to its portfolio, demonstrating its adaptability and commitment to meeting diverse market needs.
2008	Rebranded itself strategically as JTL Infra Ltd, to further enhance visibility in the infrastructure domain
2012	Listed on the Bombay Stock Exchange, further increasing its market visibility and investor accessibility.
2018	Commissioned manufacturing facility in Mangaon (Raigad), boasting a capacity of 0.1mn MTPA
2020	Acquired all movable and immovable assets of its promoter group entity, Jagan Industries Ltd, consolidating its resources and streamlining operations.
2022	Board Approved Merger of Chetan Industries Limited (Transferor) with JTL Industries Limited (Transferee).
2023	Expanded overall manufacturing capacity to 0.59mn MTPA by FY23-end. Listed on the National Stock Exchange (NSE), broadening investor access and increasing liquidity. Completed merger with Chetan Industries Limited, integrating operations and expanding market reach.
2024	Acquired a controlling 67% stake in Nabha Steels and Metals.

Source: Company, SMIFS Research

Fig 45: Key Milestone of JTL Industries Ltd

Products	Description	Application
JTL Ultra	High-strength and low-weight hollow section pipes, which are manufactured in various shapes and sizes such as square, rectangle and circle.	Manufacturing machinery equipment, agricultural purposes, aesthetic purposes, building frames and construction, replacement of wood.
JTL Hulk	Large-sized black/ galvanised iron pipes	Construction of factories, malls, houses, buildings, furniture, industrial and agricultural equipment, and bridges
JTL Harvest	Black/galvanised coated pipes	Casing pipes for borewell and rain water harvesting
JTL Aqua	Galvanised iron pipes with smooth inner surface	Water supply and distribution, irrigation and drainage, plumbing and sanitisation
JTL Galv-Coat	A pre-galvanised product	Furniture and fencing, construction, automotive, rooftop sheds, solar mounting, greenhouses scaffolding.
JTL Agnirodhi	Trusted MS/GI pipes used in fire protection system	Firefighting
JTL Solarium	Uses steel structures to mount solar panels, which are connected to a grid-tie inverter. Through this, the power generated can be used for both administrative and manufacturing purposes, reducing the dependence on the common grid.	Solar panel mounting
JTL Guard	The perfect barrier for your safety and peace of mind.	Roadside hazard protection, traffic flow separation, pedestrian and worker safety, crash barrier, hand rails, fencing and gates
JTL Uniq	Unique oval-shaped pipes giving a touch of class and elegance	Gym equipment, parapet
JTL Petrogas	Galvanised coated pipes	PNG pipeline, low-pressure gas.

Source: Company, SMIFS Research

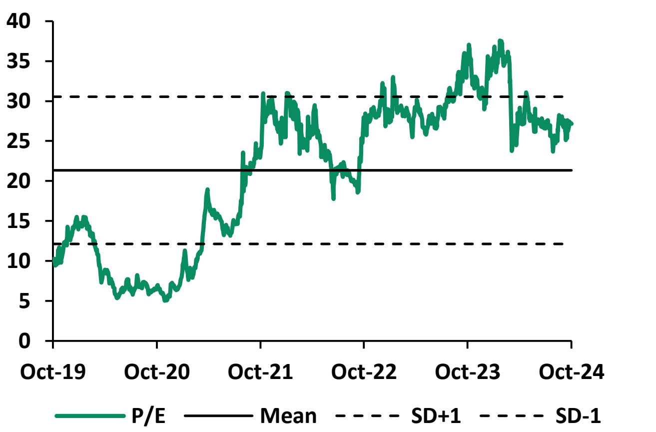
Fig 46: An outline of the clientele associated with JTL.

Source: Company, SMIFS Research

Valuation and Recommendations

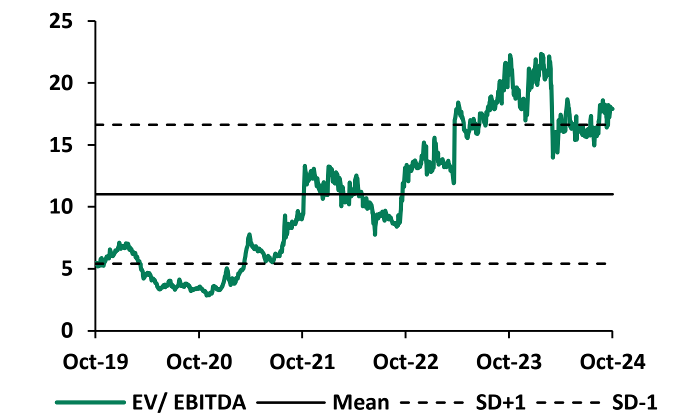
We possess a strong belief in the long-term business potential, supported by strong industry demand, the expansion in capacity, healthy revenue visibility, enhancing EBITDA/ton, a streamlined balance sheet and efficient working capital days. At CMP, the stock is trading at 33.3x FY25E P/E, 25.2x FY26E P/E and 17.0x FY27E P/E. We have valued the stock at 28x Sept'26 Estimated EPS and arrived at Target Price of Rs294/share.

Fig 47: 1-year forward P/E



Source: Ace Equity, SMIFS Research

Fig 48: 1-year forward EV/EBITDA



Source: Ace Equity, SMIFS Research

Peer Comparison

Company	Revenue	Operating Margin	PAT	ROE (%)	Net D/E (x)	P/E (x)*	EV/EBITDA* (x)
	CAGR FY24-27E (%)	FY27E (%)	CAGR FY24-27E	FY27E			
APL Apollo	20.5	7.4	30.8	27.1	-0.2	30.0	19.5
Hi-Tech Pipes	25.2	5.3	56.8	16.7	0.3	20.4	13.3
JTL Industries	**31.8**	**8.7**	**37.4**	**12.9**	**-0.1**	**17.0**	**11.8**

Source: Company, Bloomberg, SMIFS Research Estimates

Key Performance Indicators

Y/E March (Rs bn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Capacity (in MTPA)	5,00,000	5,86,000	5,86,000	10,00,000	10,00,000	15,00,000	20,00,000
YoY growth (%)	66.7	17.2	-	70.6	-	50.0	33.3
Sales Volume (in MTPA)	86,771	2,16,750	2,40,316	3,42,185	4,24,000	5,30,000	7,61,000
YoY growth (%)	82.2	149.8	10.9	42.4	23.9	25.0	43.6
Blended Realization (in Rs)	49,989	62,465	64,495	59,620	57,831	58,988	61,347
YoY growth (%)	3.6	25.0	3.3	(7.6)	(3.0)	2.0	4.0

Source: Company, SMIFS Research Estimates

Key Risk and Concerns

- **JTL's product demand may be negatively impacted by a slowdown in the end-user industry.** Demand for steel tubes and pipes is largely contingent upon the vitality of end-user sectors, including infrastructure, real estate, railways, water, and oil and gas. As a result, any reduction in activity within these industries may hinder the demand for the company's offerings.
- **The potential drop in steel prices may result in lower-than-expected topline growth.** JTL's ability to realize product value is largely determined by the prevailing steel prices, which are influenced by the global dynamics of supply and demand in the steel market. A sharp reduction in these prices may lead to lower product realization, which in turn could result in decreased revenue for the company.
- **The quality or product supply may be compromised by the loss of a supplier or by suppliers failing to meet delivery deadlines.** The company's competitiveness, cost management, and profitability are partially contingent upon its capacity to secure and sustain a stable and adequate supply of raw materials at reasonable prices. To achieve this, the company relies on third-party suppliers for the raw materials utilized in the production of items such as HR Coil, billet, and zinc, either through purchase orders or short-term sales contracts. A disruption in supplies or the departure of any current suppliers may impede the company's production processes or quality of products, which in turn could affect its financial position.
- **The performance may suffer due to a delay in the capacity expansion.** JTL's performance over the medium term is closely linked to its expansion plans. At this time, the company operates with a capacity of 586,000 MTPA, which is anticipated to grow to 10,00,000 MTPA by FY25-end. Furthermore, the company intends to increase its capacity to 20,00,000 MTPA by FY28-end. Significant deviations from this timeline could hinder product supply and, consequently, impact the company's performance.

Quarterly financials, operating metrics, and key performance indicators

Fig 49: Quarterly financials

Y/E March (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Sales	**3,659**	**3,433**	**4,726**	**5,048**	**5,021**	**5,674**	**4,659**	**5,154**
Raw Materials	3,203	2,941	3,993	4,525	4,440	5,062	3,977	4,507
Employee Costs	40	39	70	53	49	47	67	62
Other Expenditure	95	162	136	115	158	139	248	188
EBITDA	**321**	**290**	**528**	**355**	**374**	**425**	**367**	**397**
Other Income	11	11	5	8	30	9	39	42
Depreciation	10	11	12	12	14	15	16	19
EBIT	**322**	**291**	**521**	**351**	**391**	**420**	**391**	**420**
Interest	24	13	17	12	13	16	10	13
Exceptional items	10.82	-	-	-	-	-	-	-
PBT	**308**	**277**	**504**	**339**	**378**	**403**	**382**	**407**
Tax	78	72	137	85	99	102	86	100
Tax rate (%)	25.2	26.1	27.2	25.2	26.2	25.2	22.6	24.6
PAT	**231**	**205**	**367**	**254**	**279**	**302**	**295**	**307**
Share of Associate / JV	0	0	0	0	0	0	0	0
Minority Interest	0	0	0	0	0	0	0	0
Adjusted PAT	**239**	**205**	**367**	**254**	**279**	**302**	**295**	**307**
YoY Growth (%)								
Revenue	39.1	47.7	13.5	37.2	37.2	65.3	-1.4	2.1
EBITDA	65.4	52.1	90.9	131.0	16.4	46.3	-30.4	11.7
Adj PAT	78.0	57.4	93.4	110.1	17.0	47.2	-19.4	21.0
QoQ Growth (%)								
Revenue	-0.6	-6.2	37.7	6.8	-0.5	13.0	-17.9	10.6
EBITDA	109.0	-9.6	81.7	-32.7	5.3	13.6	-13.6	8.0
Adj PAT	97.7	-14.1	78.8	-30.8	10.0	8.1	-2.1	3.9
Margin (%)								
RMC/revenue (%)	87.5	85.7	84.5	89.6	88.4	89.2	85.4	87.4
Gross margin (%)	12.5	14.3	15.5	10.4	11.6	10.8	14.6	12.6
Employee cost/ revenue (%)	1.1	1.1	1.5	1.0	1.0	0.8	1.4	1.2
Other expenses / revenue (%)	2.6	4.7	2.9	2.3	3.1	2.4	5.3	3.7
EBITDA margin (%)	8.8	8.5	11.2	7.0	7.5	7.5	7.9	7.7
PAT margin (%)	**6.5**	**6.0**	**7.8**	**5.0**	**5.6**	**5.3**	**6.3**	**6.0**
Operational Matrix								
Capacity (in MTPA)	5,86,000	5,86,000	5,86,000	5,86,000	5,86,000	5,86,000	5,86,000	5,86,000
Sales Volume (in MT)	52,102	57,317	80,177	77,342	81,686	1,00,905	81,913	85,674
Realization (in Rs)	70,233	59,900	58,948	65,269	61,467	56,230	56,882	60,156

Source: Company, SMIFS Research

Financial Statements

Income Statement					
YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	**15,499**	**20,402**	**24,520**	**31,264**	**46,685**
Raw Materials	13,401	17,983	21,441	27,293	40,803
% of sales	86.5	88.1	87.4	87.3	87.4
Personnel	198	212	245	281	373
% of sales	1.3	1.0	1.0	0.9	0.8
Other Expenses	606	686	809	1,032	1,447
% of sales	3.9	3.4	3.3	3.3	3.1
EBITDA	**1,294**	**1,522**	**2,025**	**2,657**	**4,062**
Depreciation	49	87	99	183	156
Other Income	43	56	106	192	298
EBIT	**1,300**	**1,553**	**2,018**	**2,648**	**3,919**
Finance cost	63	51	10	0	0
Core PBT	**1,188**	**1,415**	**1,909**	**2,465**	**3,764**
Exceptional Items	-11	0	0	0	0
PBT	**1,226**	**1,502**	**2,008**	**2,648**	**3,919**
Tax-Total	325	372	506	667	988
Tax Rate (%) - Total	26.5	24.8	25.2	25.2	25.2
Reported PAT	**901**	**1,130**	**1,502**	**1,981**	**2,932**
Adjusted PAT	**901**	**1,130**	**1,502**	**1,981**	**2,932**

Source: Company, SMIFS Research Estimates

Key Ratios					
YE March	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio (%)					
Revenue	14.4	31.6	20.2	27.5	49.3
EBITDA	44.7	17.6	33.1	31.2	52.8
Adjusted PAT	46.3	26.5	32.9	31.9	48.0
Margin Ratios (%)					
Gross Profit	13.5	11.9	12.6	12.7	12.6
EBITDA	8.3	7.5	8.3	8.5	8.7
EBIT	8.4	7.6	8.2	8.5	8.4
Core PBT	7.7	6.9	7.8	7.9	8.1
Adjusted PAT	5.8	5.5	6.1	6.3	6.3
Return Ratios (%)					
ROE	29.5	19.1	13.7	11.2	12.9
ROCE	23.8	17.9	13.6	11.2	12.9
Turnover Ratios (days)					
Gross block turnover	18.9	17.5	11.3	7.8	7.4
Adj OCF / Adj PAT (%)	-70.1	-71.6	-74.4	-25.2	-51.6
Inventory	40	27	40	39	38
Debtors	33	34	40	41	38
Creditors	7	4	4	4	4
Cash conversion cycle	66	57	76	76	72
Solvency Ratio (x)					
Debt-equity	0.3	0.0	0.0	0.0	0.0
Net debt/equity	0.1	-0.1	-0.2	-0.3	-0.1
Gross debt/EBITDA	0.8	0.1	0.0	0.0	0.0
Current Ratio	10.8	14.7	21.5	23.6	16.5
Interest coverage ratio	19.7	28.8	191.9	-	-
Dividend					
DPS	0.2	0.3	0.3	0.4	0.5
Dividend Yield (%)	0.1	0.1	0.1	0.2	0.2
Dividend Payout (%)	1.9	3.9	4.7	4.7	4.0
Per share Ratios (Rs)					
Basic EPS (reported)	10.7	6.4	6.4	8.5	12.6
Adj EPS	3.8	4.8	6.4	8.5	12.6
CEPS	4.0	5.1	6.9	9.3	13.8
BV	17	33	61	91	103
Valuation (x)					
Adj P/E	13.2	37.9	33.3	25.2	17.0
P/BV	2.9	5.5	3.5	2.4	2.1
EV/EBITDA	9.4	27.6	23.0	16.6	11.8
EV/Sales	0.8	2.1	1.9	1.4	1.0
Adj Mcap / Core PBT	9.3	29.5	24.4	17.9	12.7
Adj Mcap / Adj OCF	-17.7	-51.6	-41.7	-88.2	-31.7

Source: Company, SMIFS Research Estimates

Balance Sheet					
YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Source of funds					
Share Capital	169	354	467	467	467
Reserves & Surplus	3,902	7,394	13,771	20,720	23,652
Shareholders' Funds	**4,071**	**7,748**	**14,238**	**21,187**	**24,119**
Total Loan Funds	**1,068**	**200**	**0**	**0**	**0**
Other Liabilities	59	40	42	45	52
Total Liabilities	**5,198**	**7,987**	**14,280**	**21,232**	**24,171**
Application of funds					
Gross Block	**908**	**1,423**	**2,916**	**5,102**	**7,576**
Net Block	654	1,113	2,500	4,493	6,670
Capital WIP	44	60	60	60	60
Quasi Investments	162	58	58	58	58
Other Investments	0	0	0	0	0
Other Non - CA	**42**	**612**	**736**	**938**	**1,354**
Inventories	1,677	1,504	2,687	3,340	4,860
Sundry Debtors	1,412	1,927	2,687	3,512	4,860
Current Investments	0	0	0	0	0
Cash and Bank Balance	531	1,060	3,337	5,804	1,974
Other current assets	1,112	2,101	2,746	3,720	5,369
Total Current Assets	**4,733**	**6,592**	**11,458**	**16,376**	**17,063**
Sundry Creditors	**286**	**245**	**269**	**343**	**512**
Other current liabilities	150	203	263	351	522
Total Current Liabilities	**436**	**448**	**532**	**693**	**1,034**
Net Current Assets	**4,296**	**6,144**	**10,926**	**15,683**	**16,029**
Total Assets	**5,198**	**7,987**	**14,280**	**21,232**	**24,171**

Source: Company, SMIFS Research Estimates

Cash Flow					
YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Operating profit before WC changes	**1,283**	**1,522**	**2,025**	**2,657**	**4,062**
Net changes in working capital	(1,520)	(1,908)	(2,626)	(2,490)	(4,585)
Tax Paid	(325)	(372)	(506)	(667)	(988)
Cash flow from operating activities	**(563)**	**(758)**	**(1,107)**	**(500)**	**(1,511)**
Adj. OCF	**(626)**	**(809)**	**(1,117)**	**(500)**	**(1,511)**
Capital expenditure	(220)	(531)	(1,493)	(2,185)	(2,474)
Adj FCF	(846)	(1,340)	(2,610)	(2,685)	(3,986)
Cash flow from investing activities	**(208)**	**(341)**	**(1,394)**	**(2,003)**	**(2,319)**
Debt	155	(868)	(200)	-	-
Dividend	-	(17)	(70)	(93)	(117)
Interest and Lease	(63)	(51)	(10)	-	-
Cash flow from financing activities	**1,284**	**1,628**	**4,778**	**4,969**	**(0)**
Net change in cash	**513**	**529**	**2,277**	**2,466**	**(3,830)**

Source: Company, SMIFS Research Estimates

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