

**Resilient Q2 Amidst Macro Headwinds; Growth Projects on Track**
**Est. vs. Actual for Q2FY25:** Revenue – **MISS**; EBITDA/t – **MISS**; PAT – **MISS**
**Change in Estimates post Q2FY25**
**FY25E/FY26E:** Revenue: -11%/-10%; EBITDA: -8%/-14%; PAT: -4%/-14%

**Recommendation Rationale**

- **Resilient Q2FY25 in the backdrop of falling steel prices:** JTL's EBITDA/t at Rs 3,300/t (down 28%/29% YoY/QoQ) missed our estimate by 20%. With Steel prices falling 6% QoQ, it took an inventory loss of ~Rs 900/t, leading to weak EBITDA/t. However, compared to major peer, JTL's margin withstood better. This is because i) the company using both Primary and secondary HR Coils and serves both the market segments. The inventory loss was majorly towards the primary segment, while secondary segment margins were preserved, ii) Jump in Exports (at 14% of total sales volume vs. 5% and 7% in Q2FY24 and Q1FY25) using imported coils led to an increase in margins.
- **EBITDA/t to normalise in upcoming quarters:** Margins are expected to normalize in the upcoming quarters towards ~Rs 4,500/t. Capacity at Raipur is now increased to 2 Lc tonnes from 1 Lc tonnes with 50% equipped with DFT technology. The DFT lines at the Mangan plant have already arrived and will start from the end of Q3FY25 with utilization reaching 25% in Q4FY25. A new GI line (Galvanized Iron) was also commissioned in Q2FY25 at the Mangan plant. All these steps will take the VAP share towards the target of 40% in FY25 and 45% in FY26. VAP products with EBITDA/t of Rs 7,000/t + will lead to an increase in EBITDA/t in future.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** Sales volume guidance of 30-35% for FY25 is unchanged. For FY26, further growth of 30% YoY is expected. Current capacity is now at 6.86 Lc tonnes, up from 5.86 post the 1 Lc tonne expansion at the Raipur facility. The company's capacity will grow to 1MT by the end of FY25. Further expansion from 1MT to 2MT is expected by FY28. Nabha Steel at Mandi Gobindgarh at Punjab Plant will be fully integrated for backward integration by Q4FY25.

**Current Valuation:** 23x P/E on Sep'26E EPS (Roll forward from Mar'26)

**Current TP:** Rs 260/share (Unchanged)

**Recommendation:** We maintain our **BUY** rating on the stock.

**Financial Performance:** JTL Industries posted a resilient set of numbers. EBITDA/t stood at Rs 3,300/t (down 28% YoY/QoQ each) a 20% miss vs. our estimate, mainly due to higher-than-expected impact of steel de-stocking by traders. De-stocking led to an inventory loss of ~Rs 900/t in the quarter. Revenue stood at Rs 479 Cr (down 4%/7% YoY/QoQ), a 2% miss on account of lower realisation. Steel prices were down by ~6% QoQ in Q2FY25. EBITDA stood at Rs 30 Cr (down 20%/25% YoY/QoQ) a 20% miss due to higher other expenses. PAT stood at Rs 26 Cr (down 6%/14% YoY/QoQ) a 6% miss vs. our estimate. PAT was buoyed by higher other income.

**Outlook:** With the phase-wise volume expansion in progress, we model Revenue/EBITDA/PAT CAGR of 33%/38%/33% over FY24-27E. Post Q2FY25 results, we cut our FY25/26 EBITDA estimates as we factor in lower EBITDA/t in line with the prevailing weak steel prices. We also trim our FY25/26 sales volume assumptions slightly. However, we roll forward our valuation to Sep'26 EPS from Mar'26 which results in our unchanged TP of Rs 260/share.

**Valuation & Recommendation:** We maintain our **BUY** rating on the stock and value JTL at 23x (Unchanged) of our Sep'26 EPS (from Mar'26) to arrive at our Sep'25 target price of Rs 260/share, implying an upside potential of 25% from the CMP.

**Key Financials (Consolidated)**

(Rs Cr)	Q2FY25	QoQ	YoY	Axis Est.	Variance
Net Sales	480	-7%	-4%	488	-2%
EBITDA	29.8	-25%	-20%	37.1	-20%
EBITDA/t (Rs/t)	3,300	-29%	-28%	4,100	-20%
Net Profit	26.4	-14%	-6%	28.1	-6%
EPS (Rs)	1.39	-20%	-15%	1.59	-12%

Source: Company, Axis Securities

 CMP as of 30<sup>th</sup> October 2024

CMP (Rs)	208
Upside /Downside (%)	25%
High/Low (Rs)	276/167
Market cap (Cr)	4,081
Avg. daily vol. (6m) Shrs.	16,52,131
No. of shares (Cr)	19.7

**Shareholding (%)**

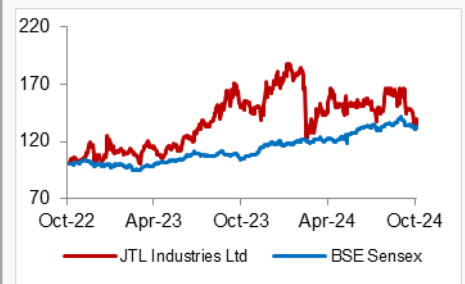
	Mar-24	Jun-24	Sep-24
Promoter	54.30	54.24	48.91
FIIs	4.48	5.82	5.60
MFs / UTI	0.07	0.30	1.64
Banks / FIs	0.00	0.00	0.00
Others	41.15	39.64	43.85

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY25E	FY26E	FY27E
Net Sales	2,492	3,439	4,763
EBITDA	196	287	403
Net Profit	147	205	267
EPS (Rs)	7	10	13
PER (x)	28	21	16
P/BV (x)	3	2	2
EV/EBITDA (x)	16	12	9
ROE (%)	11%	11%	13%

**Change in Estimates (%)**

Y/E Mar	FY25E	FY26E	FY27E
Net Sales	-11%	-10%	NA
EBITDA	-8%	-14%	NA
Net Profit	-4%	-14%	NA

**Relative performance**


Source: Ace Equity, Axis Securities

**Aditya Welekar**  
 Sr. Research Analyst  
 Email: aditya.welekar@axissecurities.in

## Key Concall Highlights

- **Exports volume:** In Q2FY25, exports volume stood at record high at 12.658kt, representing 14% of total sales. This marked a growth of 188% YoY and an increase of 114% QoQ. The company is exporting from its Mangaon plant in Maharashtra which is near Nhava Sheva port. With the increase in SKUs with the installation of the DFT at Mangaon, the company expects certain export markets to open up, leading to organic growth in export volumes. It has a strong export order book and exports are expected to remain strong in H2FY25. It also used imported coils as an RM for its export orders which led to higher margins.
- **Inventory days have increased** in the quarter to ~50 days vs 30 days in H1FY24. This is due to the accumulation of inventories on account of the import of steel coils as the company imported HR coils as a strategic move for taking advantage of the lower steel prices. This will unwind in future quarters as it gets consumed in production.
- **Primary vs secondary mix:** JTL derives 47% of its sales from sourcing primary steel and balance 53% from secondary steel. Traditionally, lighter gauge steel products (upto 2 mm) have relied on secondary coils, whereas newer stock-keeping units (SKUs) are transitioning towards primary steel. As JTL expands, its product mix is expected to incorporate more primary products and its primary/secondary mix will change from 47%/53% to 80%/20%. Nonetheless, secondary steel usage will persist, particularly for low-end product applications.
- **Product mix:** Currently JTL has 1,200 SKUs and it will increase to 2,000 SKUs with an expanded capacity of 6.86 Lc tonnes and as the DFT lines start by the end of FY25.
- **Fundraise:** In Jul'24, the company raised Rs 300 Cr through a Qualified Institutional Placement (QIP) at an issue price of Rs 211/share, of which Rs 207 Cr have been utilized to date. These funds have been primarily allocated towards capacity expansion, working capital requirements, and general corporate purposes. Additionally, in Sep'24, it converted warrants issued in Jan'23, generating an additional Rs 250 Cr. The funds raised have been used for modernization, debt repayment, and working capital needs, with the remainder designated for general corporate purposes.
- **The company will go for a share split** to improve the liquidity of its shares. Each equity share with a face value of Rs 2 will be split into two equity shares with a face value of Rs 1. The split is expected to be completed within two months, following BoD and EGM approvals received on 3<sup>rd</sup> Oct'24 and 26<sup>th</sup> Oct'24, respectively.
- **Other results highlights:** The price differential between HRC and secondary coils is currently at Rs 4.5 per tonne. Capex guidance for H2FY25 is at Rs 150 to 200 Cr, and with the H1FY25 capex of Rs 90 Cr, the full-year FY25 guidance will be at ~Rs 250- 300 Cr.

## Key Risks to Our Estimates and TP

- Volatility in the steel prices will drive destocking at the dealer's end, impacting EBITDA/t.
- Lower-than-estimated demand scenario to hamper the off-take of volumes, impacting our sales volume growth forecasts.

## Change in Estimates

Exhibit 1: Earnings Changes

	New			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	2,492	3,439	4,763	2,808	3,821	NA	-11%	-10%	NA
EBITDA	196	287	403	212	333	NA	-8%	-14%	NA
PAT	147	205	267	154	240	NA	-4%	-14%	NA
Sales volume (T)	4,45,000	5,80,000	7,50,000	4,50,000	6,00,000	NA	-1%	-3%	NA

Source: Company

**Q2FY25 Results Review**

Rs Cr (March)	Q2FY24	Q1FY25	Q2FY25	Q2FY25	YoY	QoQ	Vs Axis
Consolidated	Act	Act	Axis Est.	Act	%	%	%
CG Products (Tonnes)	53,484	64,413	66,665	66,665	25%	3%	0%
VAP Products (Tonnes)	28,202	21,261	23,752	23,752	-16%	12%	0%
<b>Total sales volume (Tonnes)</b>	<b>81,686</b>	<b>85,674</b>	<b>90,417</b>	<b>90,417</b>	<b>11%</b>	<b>6%</b>	<b>0%</b>
VAP share %	34.5%	24.8%	26.3%	26.3%	-826	145	0
Export as % of total sales volume (%)	5.38%	6.91%	14.00%	14.00%	862	709	0
<b>Revenue From Operations</b>	<b>502.10</b>	<b>515.38</b>	<b>488.25</b>	<b>479.55</b>	<b>-4%</b>	<b>-7%</b>	<b>-2%</b>
ASP (Rs/t)	61,467	60,156	54,000	53,037	-14%	-12%	-2%
Cost of materials consumed	460.36	441.23	439.43	371.03	-19%	-16%	-16%
Purchases of stock-in-trade	-	10.33	-	52.31	nm	407%	nm
Changes in inventories of finished goods, stock-in-trade.	-7.73	-0.86	-	-1.21	nm	nm	nm
Employee benefits expense	5.43	6.18	5.37	6.67	23%	8%	24%
Other expenses	6.62	18.82	6.38	20.91	216%	11%	228%
<b>EBITDA</b>	<b>37.42</b>	<b>39.69</b>	<b>37.07</b>	<b>29.84</b>	<b>-20%</b>	<b>-25%</b>	<b>-20%</b>
<b>EBITDA per tonne (Rs/T)</b>	<b>4,580</b>	<b>4,632</b>	<b>4,100</b>	<b>3,300</b>	<b>-28%</b>	<b>-29%</b>	<b>-20%</b>
Depreciation and amortization expense	1.35	1.89	1.94	2.12	57%	13%	10%
<b>EBIT</b>	<b>36.06</b>	<b>37.80</b>	<b>35.13</b>	<b>27.71</b>	<b>-23%</b>	<b>-27%</b>	<b>-21%</b>
Finance costs	1.28	1.26	1.58	0.73	-43%	-42%	-54%
Other Income	3.03	4.18	3.96	7.83	159%	87%	98%
<b>Profit Before Exceptional Items and Tax</b>	<b>37.81</b>	<b>40.72</b>	<b>37.52</b>	<b>34.82</b>	<b>-8%</b>	<b>-14%</b>	<b>-7%</b>
Exceptional Items	-	-	-	-	nm	nm	nm
<b>Profit Before Tax</b>	<b>37.81</b>	<b>40.72</b>	<b>37.52</b>	<b>34.82</b>	<b>-8%</b>	<b>-14%</b>	<b>-7%</b>
Total Tax Expenses	9.89	10.02	9.38	8.47	-14%	-16%	-10%
<b>Profit For the Year/Period</b>	<b>27.91</b>	<b>30.70</b>	<b>28.14</b>	<b>26.36</b>	<b>-6%</b>	<b>-14%</b>	<b>-6%</b>
<b>EPS Basic</b>	<b>1.64</b>	<b>1.73</b>	<b>1.59</b>	<b>1.39</b>	<b>-15%</b>	<b>-20%</b>	<b>-12%</b>
<b>EPS Diluted</b>	<b>1.53</b>	<b>1.65</b>	<b>1.51</b>	<b>1.00</b>	<b>-35%</b>	<b>-39%</b>	<b>-34%</b>
GM%	9.85%	12.55%	10.00%	11.97%	212	-58	197
EBITDA %	7.45%	7.70%	7.59%	6.22%	-123	-148	-137
EBIT %	7.18%	7.33%	7.20%	5.78%	-140	-155	-142
Tax rate %	26.17%	24.61%	25.00%	24.31%	-186	-30	-69
NPM%	5.56%	5.96%	5.76%	5.50%	-6	-46	-27

Source: Company

## Financials (Consolidated)

<b>Profit &amp; Loss</b>					<b>(Rs Cr)</b>
<b>Y/E March</b>	<b>FY24A</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	
Revenue From Operations	2,040	2,492	3,439	4,763	
Other Income	9	15	15	15	
<b>Total Income</b>	<b>2,049</b>	<b>2,507</b>	<b>3,454</b>	<b>4,778</b>	
Cost of materials consumed	1,713	2,097	2,895	4,008	
Purchases of stock-in-trade	99	-	-	-	
Changes in inventories of finished goods, stock-in-trade.	4	-	-	-	
Employee benefits expense	22	27	37	52	
Other expenses	50	172	220	299	
<b>Total Expenditure</b>	<b>1,888</b>	<b>2,296</b>	<b>3,152</b>	<b>4,359</b>	
<b>EBITDA</b>	<b>152</b>	<b>196</b>	<b>287</b>	<b>403</b>	
<b>EBITDA per tonne (Rs/T)</b>	<b>4,452</b>	<b>4,400</b>	<b>4,955</b>	<b>5,375</b>	
Depreciation and amortization expense	6	13	26	60	
<b>EBIT</b>	<b>147</b>	<b>183</b>	<b>261</b>	<b>343</b>	
Finance costs	5	2	2	2	
<b>Profit Before Exceptional Items and Tax</b>	<b>150</b>	<b>196</b>	<b>274</b>	<b>356</b>	
Exceptional Items	-	-	-	-	
<b>Profit Before Tax</b>	<b>150</b>	<b>196</b>	<b>274</b>	<b>356</b>	
Total Tax Expenses	37	49	68	89	
<b>Profit For the Year / Period Attributable to Owners of The Parent</b>	<b>113</b>	<b>147</b>	<b>205</b>	<b>267</b>	
Non-Controlling Interests	-	-	-	-	
Wt Avg No of shares outstanding (Cr) Basic (FV Rs 2/sh)	17.05	17.70	19.82	21.07	
Wt Avg No of shares outstanding (Cr) Diluted	17.70	19.82	21.07	21.07	
<b>Earnings Per Share (Not Annualized)</b>					
Basic (Rs.)	6.63	8.31	10.37	12.67	
<b>Diluted (Rs.)</b>	<b>6.52</b>	<b>7.42</b>	<b>9.75</b>	<b>12.67</b>	
DPS (Rs/sh)	0.25	0.20	0.20	0.20	
Payout Ratio	3.8%	2.7%	2.1%	1.6%	

Source: Company, Axis Securities

<b>Balance Sheet</b>					<b>(Rs Cr)</b>
<b>Y/E March</b>	<b>FY24A</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>	
Net Block	111	349	622	712	
CWIP	6	6	6	6	
Intangible assets					
Investments	6	6	6	6	
Inventories	150	184	254	351	
Trade Receivables	193	171	188	261	
Cash / Bank balance	106	481	547	568	
Misc. Assets	271	271	271	271	
<b>Total assets</b>	<b>843</b>	<b>1,467</b>	<b>1,894</b>	<b>2,175</b>	
Equity capital	35	39	44	44	
Reserves	739	1,349	1,759	2,021	
Borrowings	20	20	20	20	
Def Tax Liabilities	2	2	2	2	
Other Liabilities	20	20	20	20	
Provisions	2	2	2	2	
Trade Payables	24	34	48	66	
<b>Capital employed</b>	<b>843</b>	<b>1,467</b>	<b>1,894</b>	<b>2,175</b>	

Source: Company, Axis Securities

**Cash Flow**
**(Rs Cr)**

Y/E March	FY24A	FY25E	FY26E	FY27E
Profit before tax	150	196	274	356
Depreciation	6	13	26	60
Interest Expenses	5	2	2	2
Non-operating / EO item	(7)	-	-	-
Change in W/C	(134)	(1)	(75)	(152)
Tax paid	(42)	(49)	(68)	(89)
<b>Operating Cash Flow</b>	<b>(22)</b>	<b>160</b>	<b>159</b>	<b>177</b>
Capital Expenditure	(103)	(250)	(300)	(150)
<b>Free cash Flow</b>	<b>(125)</b>	<b>(90)</b>	<b>(141)</b>	<b>27</b>
Other Investments	8	-	-	-
<b>Investing Cash Flow</b>	<b>(96)</b>	<b>(250)</b>	<b>(300)</b>	<b>(150)</b>
Proceeds / (Repayment) of Borrowings	(87)	-	-	-
Equity Share Capital raised	1	4	4	-
Securities premium received	124	-	-	-
Money received against share warrant	138	467	208	-
Finance cost paid	(5)	(2)	(2)	(2)
Dividend paid	(2)	(4)	(4)	(4)
Other financing activities	-	-	-	-
<b>Financing Cash Flow</b>	<b>169</b>	<b>464</b>	<b>207</b>	<b>(6)</b>
<b>Change in Cash</b>	<b>51.1</b>	<b>374.6</b>	<b>66.0</b>	<b>21.2</b>
Opening Cash	50.1	101.2	475.8	541.8
<b>Closing Cash</b>	<b>101.2</b>	<b>475.8</b>	<b>541.8</b>	<b>563.1</b>

Source: Company, Axis Securities

**Ratio Analysis**
**(x) / (%)**

Y/E March	FY24A	FY25E	FY26E	FY27E
<b>Operational Ratios</b>				
Sales growth (% YoY)	31.6%	22.1%	38.0%	38.5%
EBITDA growth (% YoY)	17.6%	28.7%	46.8%	40.3%
Op. profit growth (% YoY)	17.2%	24.9%	42.5%	31.4%
Net Profit growth (% YoY)	25.4%	30.2%	39.7%	29.9%
EBITDA Margin %	7.5%	7.9%	8.4%	8.5%
Net profit Margin %	5.5%	5.9%	6.0%	5.6%
Tax Rate %	24.8%	25.0%	25.0%	25.0%
<b>Efficiency Ratios</b>				
Total Asset Turnover (x)	2.90	2.16	2.05	2.34
Sales/Gross block (x)	15.81	6.57	5.06	5.74
Sales/Net block(x)	18.32	7.15	5.53	6.69
Working capital/Sales (x)	0.16	0.13	0.11	0.11
<b>Valuation Ratios</b>				
PER (x)	31.85	27.98	21.29	16.39
P/BV (x)	4.74	2.97	2.43	2.12
EV/Ebitda (x)	22.69	16.42	12.49	9.49
EV/Sales (x)	1.69	1.29	1.04	0.80
Dividend Yield (%)	0.1%	0.1%	0.1%	0.1%
<b>Return Ratios</b>				
ROE	15%	11%	11%	13%
ROCE	19%	13%	14%	16%
<b>Leverage Ratios</b>				
Debt/equity (x)	0.03	0.01	0.01	0.01
Net debt/ Equity (x)	(0.11)	(0.33)	(0.29)	(0.27)
Net debt/Ebitda (x)	(0.56)	(2.35)	(1.83)	(1.36)

Source: Company, Axis Securities

## JTL Industries Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
26-Jun-23	BUY	235	Initiating Coverage
31-Jul-23	BUY	235	Result Update
01-Aug-23	BUY	235	Top Picks
01-Sep-23	BUY	235	Top Picks
03-Oct-23	BUY	265	Top Picks
13-Oct-23	BUY	265	Result Update
01-Nov-23	BUY	265	Top Picks
01-Dec-23	BUY	265	Top Picks
01-Jan-24	BUY	265	Top Picks
15-Jan-24	BUY	300	Result Update
02-Feb-24	BUY	300	Top Picks
01-Mar-24	BUY	300	Top Picks
01-Apr-24	BUY	275	Top Picks
02-May-24	BUY	275	Top Picks
14-May-24	BUY	260	Result Update
12-Jul-24	BUY	260	Result Update
31-Oct-24	BUY	260	Result Update

Source: Axis Securities

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Compliance Officer Details: Name – Mr. Maneesh Mathew, Tel No. – 022-68555574, Email id – [compliance.officer@axisdirect.in](mailto:compliance.officer@axisdirect.in);

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aarum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
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