

### Largely Inline Q3; Progress on Growth Projects a Key Monitorable

**Est. vs. Actual for Q3FY25: Revenue – MISS; EBITDA/t – BEAT; PAT – MISS**

**Change in Estimates post Q3FY25**

**FY25E/FY26E: Revenue: -21%/-9%; EBITDA: -24%/-9%; PAT: -25%/-9%**

#### Recommendation Rationale

- **Largely inline Q3FY25 performance:** JTL's EBITDA/t at Rs 4,005/t (down 5% YoY, but up 21% QoQ) stood slightly ahead of our estimate by 3%. EBITDA (down 17% YoY but up 18% QoQ on impacted base) stood ahead of our estimate by 3%, mainly due to lower RM costs.
- **Sales volume lags behind the guidance:** In 9MFY25, sales volume grew by only 1.5% YoY (excl. Nabha steel) to 2.63 Lc tonnes. Including Nabha Steel, it has grown by 14.3% YoY to 2.97 Lc tonnes, which still requires a steep jump in Q4FY25 at 1.5 Lc tonnes to achieve the full year FY25 sales volume of 4.5 Lc tonnes. The underperformance was driven by weak Q3FY25 sales volume, which de-grew by 6% QoQ to 97.5 kt, led by weak demand and also due to the delay in the DFT installations. DFT would start now in Q4FY25 (vs. previously guided by Q3FY25), and the sales volume run rate would be higher at 1-1.25 Lc tonnes in Q4FY25.
- **EBITDA/t trajectory likely to improve in FY26:** Capacity at Raipur has now increased to 2 Lc tonnes from 1 Lc tonnes, with 50% equipped with DFT technology. The DFT lines at the Mangaon facility will start from Q4FY25 (delayed by a quarter). This will take VAP share towards the target of 40%-45% in FY26. After the 2 MTPA capacity expansion by the end of FY27, the VAP share will rise to 55-60% as SKUs and size offerings increase. VAP products with EBITDA/t of Rs 7,000/t + will lead to an increase in EBITDA/t in future.

#### Sector Outlook: Cautiously Positive

**Company Outlook & Guidance:** The company's capacity will grow to 1MT by the end of FY25. Further expansion from 1MT to 2MT will be done through the Mangaon plant (1 MT expansion) in phases with the addition of 25 Lc tonnes of capacity in each half year from H1FY26 onwards by FY27. We cut our EBITDA estimates as we factor in lower sales volume than our earlier assumptions and steep HRC price correction.

**Current Valuation: 22x P/E on Mar'27E EPS** (Roll forward from 23x on Sep'26 EPS)

**Current TP: Rs 115/share** (Rs 130/share)

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

**Financial Performance:** JTL Industries posted a largely inline set of numbers. Revenue stood at Rs 451 Cr (down 20%/6% YoY/QoQ), slightly below our estimate by 4% due to a higher than expected drop in ASP. EBITDA, however, stood 3% ahead of our estimate at Rs 35 Cr (down 17% YoY, up 18% QoQ) led by lower RM costs. EBITDA/t declined by 5% YoY but improved by 21% QoQ to Rs 4,005/t as Q2FY25 was impacted by traders destocking. PAT stood at Rs 25 Cr (down 17%/5% YoY/QoQ) and missed our estimate due to lower other income.

**Outlook:** With the phase-wise volume expansion in progress, we model Revenue/EBITDA/PAT CAGR of 25%/33%/27% over FY24-27E. After Q3FY25 results, we cut our FY25/26/27 EBITDA estimates as we factor in lower steel prices. We also trim our FY25/26/27 sales volume assumptions. However, we roll forward our valuation to Mar'27 EPS from Sep'26, which results in our TP of Rs 115/share, implying a 20% upside on CMP. We retain our BUY rating.

**Valuation & Recommendation:** We **maintain our BUY rating on the stock** and value JTL at 22x (from 23x due to subdued steel prices and prevailing weak demand) of our Mar'27 EPS (from Sep'26) to arrive at our Mar'26 target price of Rs 115/share, implying an upside potential of 20% from the CMP.

#### Key Financials (Consolidated)

(Rs Cr)	Q3FY25	QoQ	YoY	Axis Est.	Variance
Net Sales	451.4	-6%	-20%	469.3	-4%
EBITDA	35.1	18%	-17%	34.2	3%
EBITDA/t (Rs/t)	4,005	21%	-5%	3,900	3%
Net Profit	24.9	-5%	-17%	31.6	-21%
EPS (Rs)	0.63	-9%	-29%	0.83	-25%

Source: Company, Axis Securities

CMP as of 28<sup>th</sup> January 2025

CMP (Rs)	95.4
Upside /Downside (%)	20%
High/Low (Rs)	138/84
Market cap (Cr)	3,750
Avg. daily vol. (6m) Shrs.	16,07,983
No. of shares (Cr)	39.3

#### Shareholding (%)

	Jun-24	Sep-24	Dec-24
Promoter	54.24	48.91	48.91
FII's	5.82	5.60	5.00
MFs / UTI	0.30	1.64	2.22
Banks / FIIs	0.00	0.00	0.00
Others	39.64	43.85	43.87

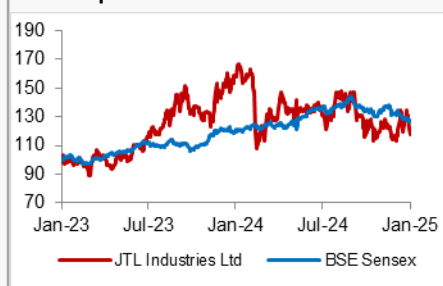
#### Financial & Valuations

Y/E Mar (Rs Cr)	FY 25E	FY 26E	FY 27E
Net Sales	1,958	3,121	4,025
EBITDA	148	262	357
Net Profit	110	187	232
EPS (Rs)	3	4	5
PER (x)	35	23	18
P/BV (x)	3	2	2
EV/EBITDA (x)	23	14	10
ROE (%)	8%	11%	12%

#### Change in Estimates (%)

Y/E Mar	FY25E	FY26E	FY27E
Net Sales	-21%	-9%	-15%
EBITDA	-24%	-9%	-11%
Net Profit	-25%	-9%	-13%

#### Relative performance



Source: Ace Equity, Axis Securities

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## Key Concall Highlights

- **Exports volume:** In Q3FY25, export volumes in 9MFY25 have increased to 26,859 MT, up 100% YoY. The export share to total sales has also doubled to 10% in 9MFY25 from 5% in the same period last year. This was led by compliance with international standards.
- **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 (up to 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.
- **Fundraise:** In Jul'24, the company raised Rs 300 Cr through a Qualified Institutional Placement (QIP) at an issue price of Rs 211/share (pre-split share price). In the past, it raised Rs 675 Cr through promoter-led preferential share warrants, of which the company received Rs 180 Cr, and the balance will be received by Mar'25. These funds have been primarily allocated towards capacity expansion (Rs 1,000 Cr capex for 1 to 2 MTPA), working capital requirements, and general corporate purposes. The company has had zero debt recently and has Rs 121 Cr of cash balance. It has no plans to raise debt in future as the funds are adequate for expansion. Internal cash generation will also aid in meeting WC expenses. The promoter share will increase to 57% after the balance warrant conversion by Mar'25 compared to 49% in Dec'24.
- **Nabha Steel:** The company will merge Nabha Steel as a subsidiary by the end of FY25. Currently, JTL has a 67% share in the Profit/Loss of Nabha Steel, which is reflected in other income of the consolidated P&L of JTL Industries.
- **Other results highlighted:** Discount – The company gave normal cash discounts. Even after discounts, the material was not pushed because of subdued demand. The decline in other expenses in Q3FY25 QoQ – other expenses of the previous quarter included QIP expenses.
- **Share split:** During the Quarter, the company split equity shares, and accordingly, the face value has been reduced from Rs 2 to Rs 1. 19,65,40,815 Equity shares of Rs.2 turned into 39,30,81,630 Equity shares of Rs.1 each.

## 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 will hamper the volumes' off-take, impacting our sales volume growth forecasts.

## Change in Estimates (Earnings Changes)

	New			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Sales	1,958	3,121	4,025	2,492	3,439	4,763	-21%	-9%	-15%
EBITDA	148	262	357	196	287	403	-24%	-9%	-11%
PAT	110	187	232	147	205	267	-25%	-9%	-13%
Sales volume (T)	3,90,000	5,50,000	7,00,000	4,45,000	5,80,000	7,50,000	-12%	-5%	-7%

Source: Company, Axis Securities

**Q3FY25 Results Review**

Rs Cr (YE Mar)	Q3FY24	Q2FY25	Q3FY25	Q3FY25	YoY	QoQ	Vs Axis
Consolidated	Act	Act	Axis Est.	Act	%	%	%
CG Products (Tonnes)	81,116	66,665	69,294	69,294	-15%	4%	0%
VAP Products (Tonnes)	19,789	23,752	18,420	18,420	-7%	-22%	0%
<b>Total sales volume (Tonnes)</b>	<b>1,00,905</b>	<b>90,417</b>	<b>87,714</b>	<b>87,714</b>	<b>-13%</b>	<b>-3%</b>	<b>0%</b>
VAP share %	19.6%	26.3%	21.0%	21.0%	139	-527	0
Export as % of total sales volume (%)	3.61%	14.00%	7.80%	7.80%	419	-620	0
<b>Revenue From Operations</b>	<b>567.39</b>	<b>479.55</b>	<b>469.27</b>	<b>451.43</b>	<b>-20%</b>	<b>-6%</b>	<b>-4%</b>
ASP (Rs/t)	56,230	53,037	53,500	51,466	-8%	-3%	-4%
Cost of materials consumed	474.75	371.03	422.34	371.94	-22%	0%	-12%
Purchases of stock-in-trade	36.14	52.31	-	27.43	-24%	-48%	nm
Changes in inventories of finished goods, stock-in-trade.	-4.66	-1.21	-	-6.65	nm	nm	nm
Employee benefits expense	4.74	6.67	5.16	6.59	39%	-1%	28%
Other expenses	13.89	20.91	7.56	17.00	22%	-19%	125%
<b>EBITDA</b>	<b>42.51</b>	<b>29.84</b>	<b>34.21</b>	<b>35.13</b>	<b>-17%</b>	<b>18%</b>	<b>3%</b>
<b>EBITDA per tonne (Rs/T)</b>	<b>4,213</b>	<b>3,300</b>	<b>3,900</b>	<b>4,005</b>	<b>-5%</b>	<b>21%</b>	<b>3%</b>
Depreciation and amortization expense	1.50	2.12	1.94	2.26	50%	6%	17%
<b>EBIT</b>	<b>41.01</b>	<b>27.71</b>	<b>32.27</b>	<b>32.87</b>	<b>-20%</b>	<b>19%</b>	<b>2%</b>
Finance costs	1.62	0.73	1.58	1.26	-22%	74%	-20%
Other Income	0.94	7.83	11.50	2.08	120%	-73%	-82%
<b>Profit Before Exceptional Items and Tax</b>	<b>40.33</b>	<b>34.82</b>	<b>42.19</b>	<b>33.69</b>	<b>-16%</b>	<b>-3%</b>	<b>-20%</b>
Exceptional Items	-	-	-	-	nm	nm	nm
<b>Profit Before Tax</b>	<b>40.33</b>	<b>34.82</b>	<b>42.19</b>	<b>33.69</b>	<b>-16%</b>	<b>-3%</b>	<b>-20%</b>
Total Tax Expenses	10.15	8.47	10.55	8.74	-14%	3%	-17%
<b>Profit For The Year/Period</b>	<b>30.18</b>	<b>26.36</b>	<b>31.65</b>	<b>24.94</b>	<b>-17%</b>	<b>-5%</b>	<b>-21%</b>
<b>EPS Basic</b>	<b>0.89</b>	<b>0.69</b>	<b>0.83</b>	<b>0.63</b>	<b>-29%</b>	<b>-9%</b>	<b>-25%</b>
<b>EPS Diluted</b>	<b>0.83</b>	<b>0.67</b>	<b>0.60</b>	<b>0.56</b>	<b>-32%</b>	<b>-16%</b>	<b>-7%</b>
GM%	10.78%	11.97%	10.00%	13.01%	223	103	301
EBITDA %	7.49%	6.22%	7.29%	7.78%	29	156	49
EBIT %	7.23%	5.78%	6.88%	7.28%	5	150	40
Tax rate %	25.17%	24.31%	25.00%	25.95%	79	164	95
NPM%	5.32%	5.50%	6.74%	5.53%	21	3	-122

Source: Company, Axis Securities

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY 24A	FY 25E	FY 26E	FY 27E
Revenue From Operations	2,040	1,958	3,121	4,025
Other Income	9	15	15	15
<b>Total Income</b>	<b>2,049</b>	<b>1,973</b>	<b>3,136</b>	<b>4,040</b>
Cost of materials consumed	1,713	1,648	2,627	3,387
Purchases of stock-in-trade	99	-	-	-
Changes in inventories of finished goods, stock-in-trade.	4	-	-	-
Employee benefits expense	22	21	34	44
Other expenses	50	141	198	237
<b>Total Expenditure</b>	<b>1,888</b>	<b>1,810</b>	<b>2,859</b>	<b>3,668</b>
<b>EBITDA</b>	<b>152</b>	<b>148</b>	<b>262</b>	<b>357</b>
<b>EBITDA per tonne (Rs/T)</b>	<b>4,452</b>	<b>3,800</b>	<b>4,773</b>	<b>5,100</b>
Depreciation and amortization expense	6	13	26	60
<b>EBIT</b>	<b>147</b>	<b>135</b>	<b>236</b>	<b>297</b>
Finance costs	5	4	2	2
<b>Profit Before Exceptional Items And Tax</b>	<b>150</b>	<b>146</b>	<b>249</b>	<b>310</b>
Exceptional Items	-	-	-	-
<b>Profit Before Tax</b>	<b>150</b>	<b>146</b>	<b>249</b>	<b>310</b>
Total Tax Expenses	37	37	62	77
<b>Profit For The Year / Period Attributable To Owners Of The Parent</b>	<b>113</b>	<b>110</b>	<b>187</b>	<b>232</b>
Non-Controlling Interests	-	-	-	-
Wt Avg No of shares outstanding (Cr) Basic (FV Rs 2/sh)	34.09	40.30	44.00	44.54
Wt Avg No of shares outstanding (Cr) Diluted	34.67	40.30	44.54	44.54
<b>Earnings Per Share (Not Annualized)</b>				
Basic (Rs.)	3.32	2.73	4.24	5.21
<b>Diluted (Rs.)</b>	<b>3.26</b>	<b>2.73</b>	<b>4.19</b>	<b>5.21</b>
DPS (Rs/sh)	0.25	0.20	0.20	0.20
Payout Ratio	7.7%	7.3%	4.8%	3.8%

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY 24A	FY 25E	FY 26E	FY 27E
Net Block	111	349	622	712
CWIP	6	6	6	6
Intangible assets				
Investments	6	6	6	6
Inventories	150	144	230	297
Trade Receivables	193	134	171	221
Cash / Bank balance	106	509	520	550
Misc. Assets	271	271	271	271
<b>Total assets</b>	<b>843</b>	<b>1,419</b>	<b>1,826</b>	<b>2,062</b>
Equity capital	35	40	45	45
Reserves	739	1,307	1,694	1,918
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	27	43	56
<b>Capital employed</b>	<b>843</b>	<b>1,419</b>	<b>1,826</b>	<b>2,062</b>

Source: Company, Axis Securities

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

Y/E March	FY 24A	FY 25E	FY 26E	FY 27E
Profit before tax	150	146	249	310
Depreciation	6	13	26	60
Interest Expenses	5	4	2	2
Non-operating / EO item	(7)	-	-	-
Change in W/C	(134)	67	(107)	(104)
Tax paid	(42)	(37)	(62)	(77)
<b>Operating Cash Flow</b>	<b>(22)</b>	<b>194</b>	<b>109</b>	<b>191</b>
Capital Expenditure	(103)	(250)	(300)	(150)
<b>Free cash Flow</b>	<b>(125)</b>	<b>(56)</b>	<b>(191)</b>	<b>41</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	5	4	-
Securities premium received	124	-	-	-
Money received against share warrant	138	467	208	-
Finance cost paid	(5)	(4)	(2)	(2)
Dividend paid	(2)	(9)	(8)	(9)
Other financing activities	-	-	-	-
<b>Financing Cash Flow</b>	<b>169</b>	<b>459</b>	<b>202</b>	<b>(11)</b>
<b>Change in Cash</b>	<b>51.1</b>	<b>402.7</b>	<b>11.1</b>	<b>30.0</b>
Opening Cash	50.1	101.2	503.9	515.0
<b>Closing Cash</b>	<b>101.2</b>	<b>503.9</b>	<b>515.0</b>	<b>545.0</b>

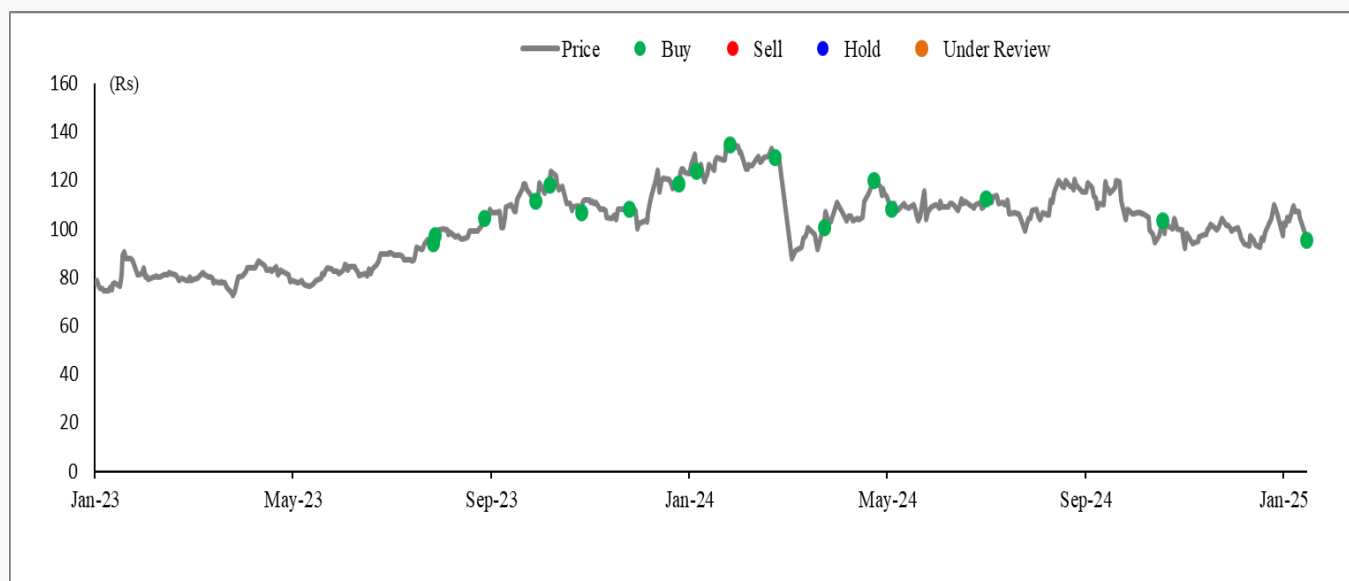
Source: Company, Axis Securities

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

Y/E March	FY 24A	FY 25E	FY 26E	FY 27E
<b>Operational Ratios</b>				
Sales growth (% YoY)	31.6%	-4.0%	59.4%	29.0%
EBITDA growth (% YoY)	17.6%	-2.6%	77.1%	36.0%
Op. profit growth (% YoY)	17.2%	-7.6%	74.2%	25.7%
Net Profit growth (% YoY)	25.4%	-2.8%	70.0%	24.4%
EBITDA Margin %	7.5%	7.6%	8.4%	8.9%
Net profit Margin %	5.5%	5.6%	6.0%	5.8%
Tax Rate %	24.8%	25.0%	25.0%	25.0%
<b>Efficiency Ratios</b>				
Total Asset turnover (x)	2.90	1.73	1.92	2.07
Sales/Gross block (x)	15.81	5.16	4.60	4.85
Sales/Net block(x)	18.32	5.62	5.02	5.65
Working capital/Sales (x)	0.16	0.13	0.11	0.11
<b>Valuation Ratios</b>				
PER (x)	28.11	34.85	22.66	18.22
P/BV (x)	4.10	2.84	2.43	2.16
EV/Ebitda (x)	19.96	22.54	14.02	10.37
EV/Sales (x)	1.49	1.71	1.18	0.92
Dividend Yield (%)	0.3%	0.2%	0.2%	0.2%
<b>Return Ratios</b>				
ROE	15%	8%	11%	12%
ROCE	19%	10%	13%	15%
<b>Leverage Ratios</b>				
Debt / equity (x)	0.03	0.01	0.01	0.01
Net debt/ Equity (x)	(0.11)	(0.36)	(0.29)	(0.27)
Net debt/Ebitda (x)	(0.56)	(3.30)	(1.90)	(1.48)

Source: Company, Axis Securities

## JTL Industries Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
26-Jun-23	BUY	118	Initiating Coverage
31-Jul-23	BUY	118	Result Update
01-Aug-23	BUY	118	Top Picks
01-Sep-23	BUY	118	Top Picks
03-Oct-23	BUY	133	Top Picks
13-Oct-23	BUY	133	Result Update
01-Nov-23	BUY	133	Top Picks
01-Dec-23	BUY	133	Top Picks
01-Jan-24	BUY	133	Top Picks
15-Jan-24	BUY	150	Result Update
02-Feb-24	BUY	150	Top Picks
01-Mar-24	BUY	150	Top Picks
01-Apr-24	BUY	138	Top Picks
02-May-24	BUY	138	Top Picks
14-May-24	BUY	130	Result Update
12-Jul-24	BUY	130	Result Update
31-Oct-24	BUY	130	Result Update
29-Jan-25	BUY	115	Result Update

Source: Axis Securities

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BUY	More than 10%
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
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.