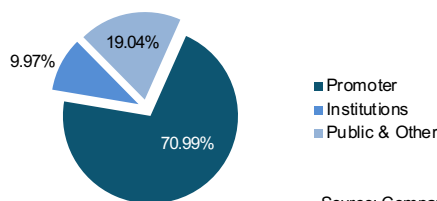


CMP INR 348
Target Price: INR 476 (Upside 37%)
Initiating Coverage - Buy
Key Share Data

Face Value (INR)	10.0
Equity Capital (INR Mn)	391.9
Market Cap (INR Mn)	13,636.7
52 Week High/Low (INR)	484/171
6 months Avg. Daily Volume (NSE)	3,43,637
BSE Code	544138
NSE Code	JGCHEM
Reuters Code	JGCL:NS
Bloomberg Code	JGCL: IN

Shareholding Pattern (as on December 2024)


Source: Company

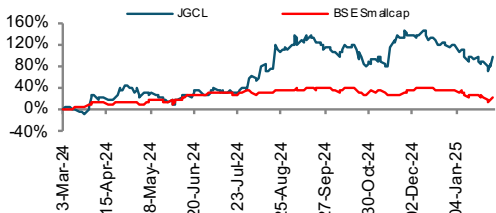
Key Financials (Rs Million)

Particulars	FY24	FY25E	FY26E	FY27E
Net Sales	6,676.9	8,810.6	10,582.9	11,882.9
Growth (%)	-14.9%	32.0%	20.1%	12.3%
EBITDA	453.1	881.1	1,058.3	1,271.5
Adj. PAT	308.7	658.8	789.4	931.8
Growth (%)	-43.8%	113.4%	19.8%	18.0%
Dil. EPS (INR)	9.6	16.8	20.1	23.8
BVPS (INR)	103.5	121.0	141.9	166.7

Key Financials Ratios

Particulars	FY24	FY25E	FY26E	FY27E
P/E (x)	36.3	20.7	17.3	14.6
P/BVPS (x)	3.4	2.9	2.5	2.1
Mcap/Sales (x)	2.0	1.5	1.3	1.1
EV/EBITDA (x)	29.4	15.2	12.7	10.0
ROCE (%)	10.0%	17.3%	17.7%	17.9%
ROE (%)	10.0%	15.0%	15.3%	15.4%
EBITDA Mar (%)	6.8%	10.0%	10.0%	10.7%
PAT Mar (%)	4.6%	7.5%	7.5%	7.8%
Debt - Equity (x)	0.0	0.0	0.0	0.0

Source: Company, SKP Research

Post-IPO price performance JGCL; vis-à-vis BSE Small Cap

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Company Background

Founded by Mr. Suresh Jhunjhunwala, now led by Mr. Anirudh Jhunjhunwala (MD & CEO) and Mr. Anuj Jhunjhunwala (WTD & CFO), JG Chemicals Limited (JG) and its subsidiary BDJ Oxides Private Limited are part of BDJ Group. The group has been producing Zinc Oxide (ZnO) since its inception in 1975. JG is India's largest manufacturer of ZnO with ~30% market share and amongst top ten globally. It sells over 80 grades of zinc oxide from its three manufacturing facilities located in Andhra Pradesh and West Bengal with a total production capacity of 77,040 MTPA (ZnO + Zinc Sulphate + Zinc Ingot). ZnO, primarily produced by recycling zinc scrap, finds use in multiple sectors, tyre being a major one. JGCL is a supplier to all top 10 global tyre manufacturers and top 11 tyre manufacturers in India, and also supplies to leading pharmaceuticals, agriculture, ceramics and paints companies in India. In FY23, JGCL also added 10,080 MTPA of Zinc Sulphate capacity, which primarily finds its use in fertilizer industry.

Investment Rationale
Well positioned for growth due to promising opportunities in ZnO Industry

- ▶ The Indian ZnO market, valued at ~₹32 bn in FY24, is projected to grow by 10%-12% pa, through FY27, with limited competition and range-bound zinc prices projected at USD 2,800/tn by CY26.
- ▶ JG derives ~80% of its revenue from tyre industry. The Indian tyre industry is expected to grow at a 7-9% CAGR through FY29, driven by rising automobile sales, expansion of tyre capacity by major players, and a shift towards radial tyres, increasing demand for ZnO. Currently, no commercial alternatives are available to replace ZnO used in rubber tyres for strengthening it, improving heat and UV resistance and speeding up the Vulcanisation process. During a period of no volume growth in tyre production between 2017-2021, JGC grew its volumes at 13.3% CAGR.
- ▶ The Indian ceramic tiles market, another major user of ZnO, is expected to grow at a CAGR of ~14% through FY29, driven by a robust real estate sector and aspirational consumers' willingness to upgrade to ceramic tiles.
- ▶ JG currently does not face threat from China due to India's minimal reliance on Chinese ZnO imports and supply chains, similar production costs in India and China and both, raw material and final product prices, being linked to Zinc prices on London Metal Exchange for all players globally.

Strong market position in the industry offers multiple advantages

- ▶ JG is a 40-year veteran market leader in India's fragmented Zinc Oxide having a ~30% share with ~60,000 MTPA ZnO capacity, serving 200+ domestic and 50+ global customers, including top tyre and paint manufacturers.
- ▶ JG benefits from significant entry barriers, including a stringent vendor approval process, established global raw material networks, technical expertise in product customisation and high working capital demands, making it challenging for any new player to enter in the past decade.

Competitive edge by innovation, strong customer partnerships, robust supply chain

- ▶ JG specialises in producing 80+ zinc oxide grades tailored to industry-specific needs. As India's largest zinc scrap recycler, it uses 100% recycled zinc scrap for most grades, offering a cost advantage over competitors who blend zinc scrap with virgin zinc. Virgin zinc is mainly used for high-end special grades for chemicals, pharmaceutical and some rubber applications.
- ▶ JG's proprietary in-house zinc recycling technology enables it to use higher proportion of zinc scrap for similar zinc oxide grades compared to peers.
- ▶ JG has built strong, multi-decade direct relationships with over 250 customers; in the last three years, 95% of sales made without intermediaries, resulting in 90% repeat clients and fostering cost efficiency, revenue predictability and product innovation.
- ▶ JG has a global supplier network of 100+ sources for obtaining zinc dross, ensuring reliable availability of raw material that is difficult to access and consistent inventory to meet demand.

Capacity expansion and foray into newer products to drive revenue growth

- ▶ JG is investing in a greenfield plant in Gujarat, expected to be operational by Q4FY26, to expand its market share in the tyre and rubber industry, enter the currently unserved ceramics industry cluster of Morbi, and cater to the various speciality chemical and pharmaceutical industries cos.
- ▶ JG is diversifying its product portfolio to increase margins and will be expanding its zinc chemicals portfolio by adding new derivatives of zinc produced out of recycled zinc ash.
- ▶ Driven by these initiatives we expect JG revenue to grow at a CAGR of 21.1% to ₹11,883 million by FY27E with EBITDA margins of 10% - 11%.

Net debt free company with robust display of financial performance

- ▶ After a one-off blip in FY24 due to drastic fall in zinc prices, during Q2FY25 and H1FY25 the company's revenues grew 38.9% y-o-y and 27.6% y-o-y respectively due to strong volume growth across entire zinc chemicals business, driven by increase in overall demand across all user segments. JGC's business model is essentially a pass-through pricing model where-in the buying and selling is done basis the base index of LME; thereby reducing the impact of general movement in metal prices.
- ▶ EBITDA grew 176.4% y-o-y and 187.9% y-o-y during Q2FY25 and H1FY25 respectively. EBITDA margin is expected to increase by 390bps to 10.7% in FY27 due to better capacity utilization and shift in the product mix towards higher margin products.
- ▶ PAT grew 327.5% y-o-y and 317.7% y-o-y during Q2FY25 and H1FY25 respectively. PAT is expected to grow at a CAGR of 44.5% between FY25-FY27, due to solid capital structure and operational efficiency, with no debt on JG's balance sheet.

Valuation

JG Chemicals is India's largest Zinc Oxide manufacturer with a strong customer base and proven track record with zinc dross suppliers. The company is an approved vendor to most large global tyre companies. High entry barriers and the favourable demand outlook in automotive, rubber, and ceramics, positions JG for sustained growth and market leadership. Its planned Gujarat capex and research into more products provides growth visibility. We project revenue, EBITDA, PAT to grow at a CAGR of 26%, 60%, 67% respectively. We have valued the stock on the basis of P/E – method of relative valuation – of 20x FY27E EPS of ₹23.8 and recommend a "BUY" with a target price of ₹476 (upside of ~ 37%) in 18 months.

Zinc Oxide Industry – Overview

- ▶ Zinc Oxide, with chemical formula ZnO , is an inorganic compound characterised by its white colour and insolubility in water. It occurs naturally in the earth's crust as the mineral Zincite, often containing manganese and other impurities, which leads to its synthetic production for commercial purposes.

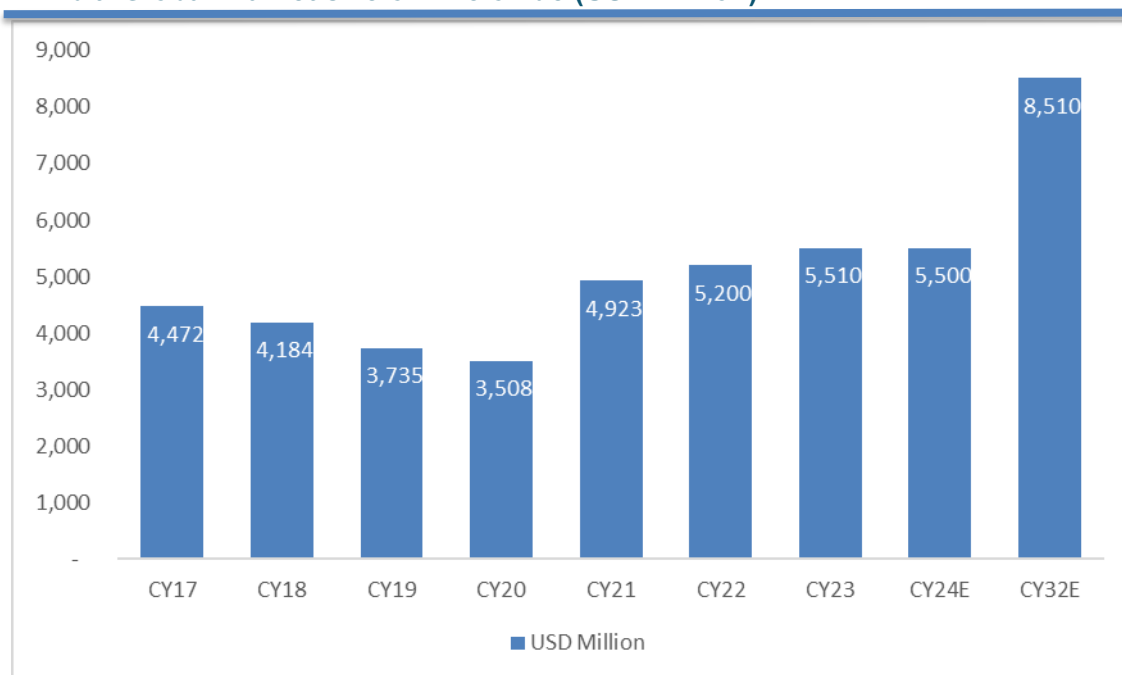
Exhibit : Zinc Oxide



Source: Company, SKP Research

- ▶ The global ZnO market size was valued at USD 5.51 billion in CY23 and is projected to grow from USD 5.50 billion in CY24 to USD 8.51 billion in CY32 at a CAGR of 5.6%. Volume wise, global ZnO market is expected to grow at a CAGR of 4.2% to reach 2750 thousand tonnes in CY32. Since ZnO prices are linked to LME prices, there is no threat from China dumping at a lower rate.

Exhibit: Global market size of zinc oxide (USD million)



Source: Company, SKP Research

- ▶ ZnO possesses numerous properties that make it's a useful chemical across various industries viz. rubber, ceramics, cosmetics, food supplements, plastics, paints, sealants, batteries and animal feed.

Exhibit: Applications of Zinc Oxide

 <p>Rubber</p> <p>In the curing process for natural and synthetic rubber, the chemical reactivity of Zinc Oxide is utilized to activate the organic accelerator. It also has a beneficial effect on tensile strength and hardness. Zinc oxide adds properties to rubber, like, heat resistant and protects against UV degradation.</p>	 <p>Paints</p> <p>Zinc Oxide is used in paints to improve whiteness, tint retention, durability and non-darkening in the presence of sulphur fumes. In plastics, it imparts heat resistance and mechanical strength to the composites.</p>	 <p>Cosmetics</p> <p>The ability to absorb ultraviolet light makes Zinc Oxide an active ingredient of choice in suntan lotions. Zinc Oxide also has micro-nutrient properties and is used in dietary supplements and vitamin tablets.</p>
 <p>Pharmaceutical Industry</p> <p>Zinc is an essential micronutrient for humans, animals and plants. Thus, Zinc Oxide is used in nutritional additives in pharmaceutical industry. It is significantly being used in Zinc soap, ointment, dental inlays, food powders, etc.</p>	 <p>Ceramics</p> <p>Zinc Oxide reduces the coefficient of thermal expansion and imparts high brilliance and lustre and high stability against deformation under stress. In Opal-ware, it increases opacity, whiteness and lustre.</p>	 <p>Speciality Chemicals</p> <p>Zinc Oxide is used as reducing agent in the manufacturing process of various chemicals, like, Zinc stearate, Zinc borate, Zinc diacrylate, etc. Zinc Oxide also used in special lubricants and grease formulations. Zinc Oxide is used in manufacturing of ZDDP (Zinc dialkyldithiophosphate) which is used in engine oils as an anti-corrosive agent and also known for its anti-wear properties.</p>

Source: Company, SKP Research

- **Foray into sunrise sectors:** Apart from the listed end-user industries, JG is currently working to foray into various zinc derivatives made out of zinc scrap, that find uses in other high growth end-user industries including batteries and electric vehicles.

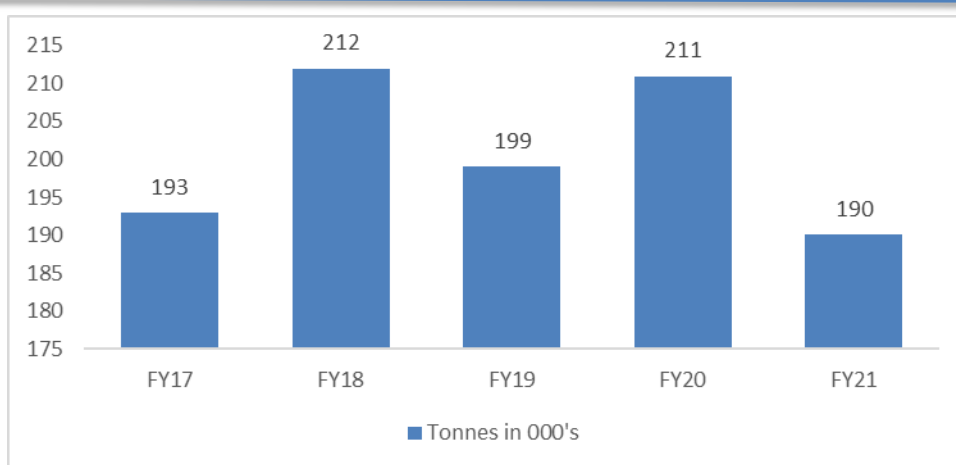
Indian Zinc Oxide Industry – Market Dynamics

- **Market size:** India's ZnO market size is estimated at ~130,000 MTPA as in FY24 valued at ~ ₹ 32,000 million. The ZnO industry, along with its end-user sectors, is projected to grow at a CAGR of 10.0%-12.0% through FY27, indicating strong demand for Zinc Oxide.
- **Market characteristics:** The ZnO market is fragmented with almost 50 producers. However, no significant new player has entered in the last decade. In terms of exports, India primarily shipped ZnO to countries within the SAARC region and Southeast Asia.
- **Players:** The Indian ZnO industry comprise of key organised players like JG Chemicals, Rubamin and Silox India, which account for ~50% of Indian ZnO market; rest being small producers.

Zinc Sulphate Industry – Market Dynamics

- ▶ The global Zinc Sulphate market is projected to grow from US\$ 1.81 billion in CY23 to US\$ 3.5 billion by CY33, at a CAGR of 6.8%. Zinc Sulphate is a key fertilizer additive used to correct zinc deficiencies in crops, with high solubility and cost-effectiveness driving its demand. As per Nutrient Based Subsidy (NBS) policy, the government offers ₹500/ton subsidies on fortified fertilizers such as zinc. It also supports rural economies through budget initiatives, MSP increases, and promotes the use of micronutrients like zinc in agriculture and food fortification. As global agricultural activities grow, particularly in countries like India and China, the need for Zinc Sulphate is expected to rise.
- ▶ Consumption of Zinc Sulphate in India from FY17 to FY21 has been in the range of 190,000 tonnes to 215,000 tonnes. In 2020, Covid-19 contributed to rise in consumption of Zinc Sulphate. Zinc is a strong immunity builder. Zinc Sulphate supplements are taken to increase the amount of zinc in the human body. South India has one of the highest amount of zinc deficiency in the soil and hence the plant is strategically located to cover the states of Tamil Nadu, Telangana, Andhra Pradesh, Kerala etc.

Exhibit: Zinc Sulphate Consumption in India (000's tonnes)



Source: Company, SKP Research

Company Profile

- ▶ J G Chemicals Ltd. (JG) is the largest manufacturer of Zinc Oxide (ZnO) in India, both in terms of production volume and revenue. JG utilizes the French Process, which is the predominant technology for zinc oxide production and is widely adopted by major manufacturers across America, Europe, and Asia. JG's products serve a broad range of industrial applications, including those in rubber (tyres and other rubber products), ceramics, paints and coatings, pharmaceuticals and cosmetics, electronics and batteries, agro-chemicals and fertilizers, specialty chemicals, lubricants, oil and gas, and animal feed. As of March 2024, JG held ~30% market share in India. The company offers over 80 different grades of Zinc Oxide and ranks among top ten global manufacturers. Since its establishment in 1975, originally as a partnership firm, JGCL has significantly expanded its operations and diversified its offerings, establishing a substantial global presence. It has also added Zinc Sulphate in its product portfolio.
- ▶ BDJ Oxides is a material subsidiary of JG, primarily engaged in manufacturing of Zinc Oxide and its allied products. It also produces Zinc Sulphate and other allied chemicals at its Naidupeta facility in Andhra Pradesh.
- ▶ The company has established enduring relationships with diverse clientele over 40 years across various end-user industries. In the past three years, JGCL has successfully marketed and sold its products to over 200 domestic clients and more than 50 international customers across more than 10 countries.

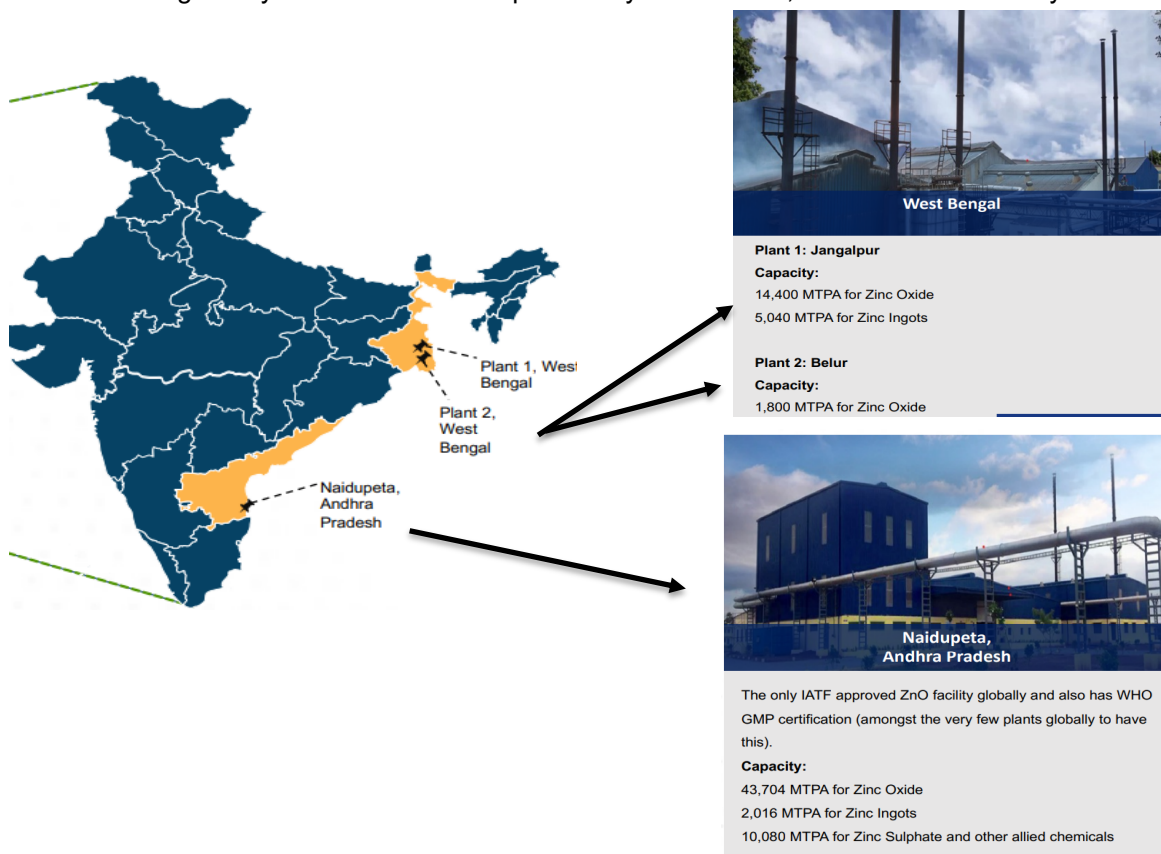
Exhibit : Key Milestones



Source: Company Annual report, SKP Research

Manufacturing Plants and Capacity

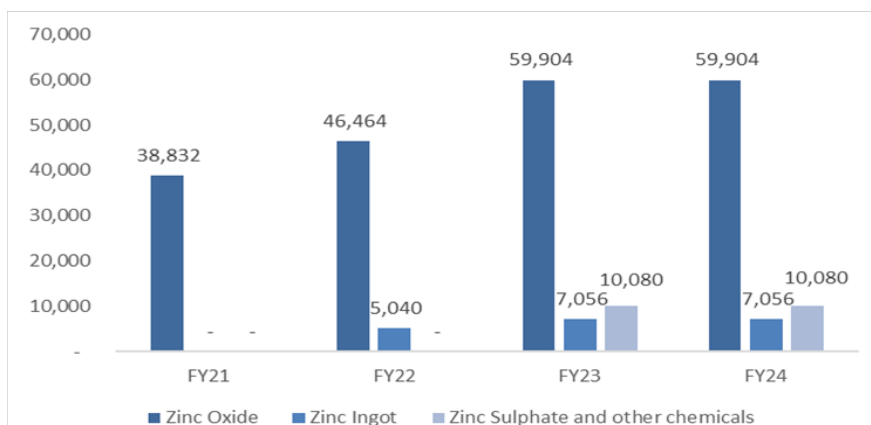
- JG started off with a small plant in Kolkata in 1975 with a capacity of about 600 MTPA, and has today scaled up to become India's largest producer of Zinc Oxide and ranks among the top ten manufacturers globally. As on FY24, its aggregate installed capacity stands at 77,040 MTPA, which is spread across three manufacturing facilities located at (i) Jangalpur (Kolkata, West Bengal); (ii) Belur (Kolkata, West Bengal); and (iii) Naidupeta (Nellore District, Andhra Pradesh), which is their largest manufacturing facility and is owned and operated by BDJ Oxides, its Material Subsidiary



Source: Company Annual report, SKP Research

- The company has an installed capacity of 59904 MTPA for Zinc Oxide, 7056 MTPA for zinc ingots, and 10,080 MTPA for zinc sulphate and other related chemicals as on FY24. The Naidupeta Facility's capacity was enhanced by 13,440 MTPA for Zinc Oxide and 10,080 MTPA for Zinc Sulphate and other allied chemicals. JGCL offers over 80 grades of Zinc Oxide, allowing the company to serve a broad spectrum of customers across various end-use sectors.

Exhibit : Installed Capacity (MTPA)



Source: Company, SKP Research

Raw Materials

- Zinc Oxide is derived from two sources: zinc metal and zinc scrap. Zinc Oxide produced from zinc metal is of superior quality, making it preferred choice for applications requiring purity level of 99.9%, particularly in pharmaceuticals and other specialized fields. Most Zinc Oxide is produced from Zinc Dross (scrap). Availability of these raw materials significantly influences pricing and production of Zinc Oxide.



Zinc Metal: High quality of material for production of ZnO of 99.9% purity level- used in pharma & specialty applications

Source: Company, SKP Research

- Zinc scrap includes two main types: Zinc Dross and Zinc Ash.
 - Zinc Dross is the scrap that remains after steel is galvanized. This scrap is generated by large steel mills like SAIL, JSW Steel, Tata Steel, etc. and by several other galvanizers across the country and globally. The overall availability of Zinc Dross is far less than the total requirement in India. As a result, a significant quantity of Zinc Dross is imported in India.
 - In addition to Zinc dross, another by-product generated during the galvanizing process is Zinc Ash. Zinc ash is used as a raw material to make Zinc Sulphate, Zinc Borate, Zinc Carbonate and various other zinc based chemical derivatives. Similar to Zinc Dross, procurement of Zinc Ash is also a challenge. Hence developing a strong supply chain is a big issue for players in Zinc Oxide and Zinc Sulphate industry.



Zinc Dross/Scrap: Generated by large steel mills and several other galvanizers across the county. Demand for zinc dross > Supply

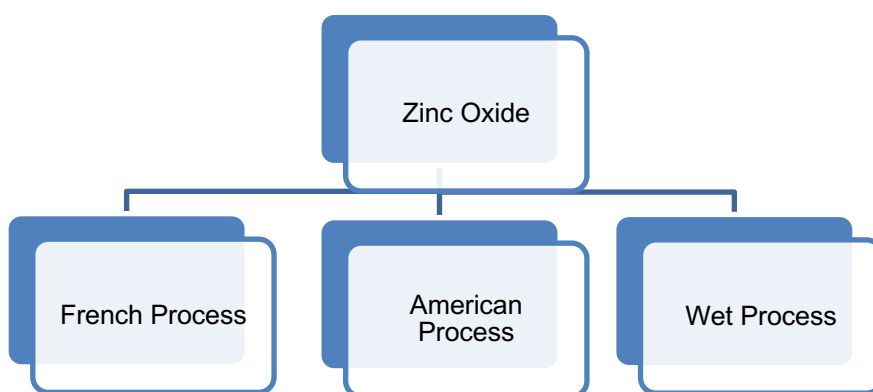


Zinc Ash: Raw material to make Zinc Sulphate, Zinc Borate, Zinc Carbonate and various other zinc based chemical derivatives . By-product of ZnO manufacturing process

Source: Company, SKP Research

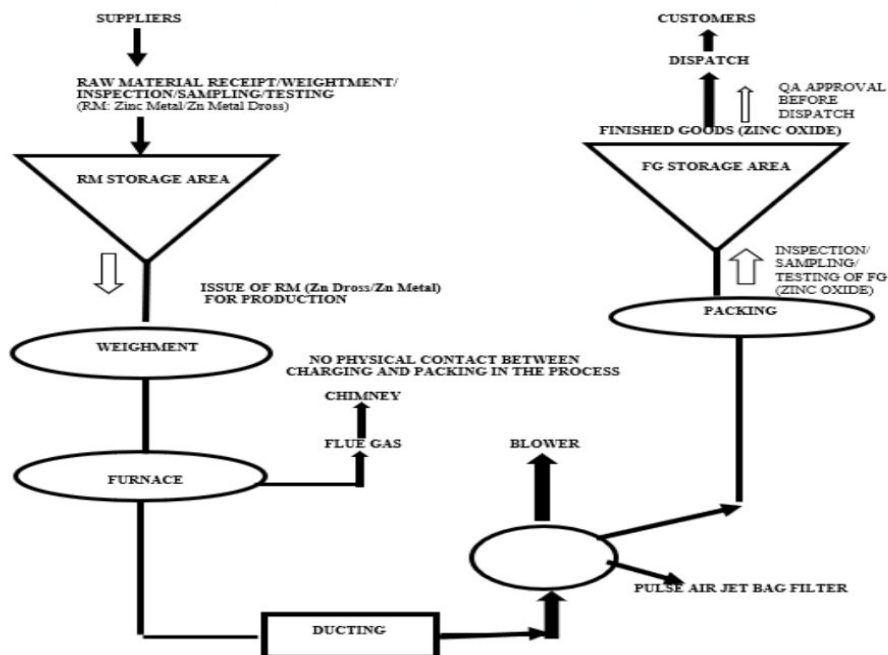
Manufacturing Process

- Zinc Oxide is produced through three primary methods for commercial applications: Indirect Process, Direct Process and Wet Chemical Process.



Source: Company DRHP, SKP Research

- Indirect Process i.e., French Process, involves melting metallic zinc in crucibles made of Silicon Carbide or Graphite. Zinc Vapor, thus created, reacts with atmospheric Oxygen to form Zinc Oxide. Majority of world's ZnO is generated via the French Process. Upon receipt of raw materials at the facilities and completion of weighment, inspection, sampling and testing, raw material is put in the furnace. The metallic zinc is melted in silicon carbide / graphite bonded crucibles which creates a vapor inside the furnace and then it reacts with Oxygen in the air through the blower and pulse air jet bag filter to produce ZnO. Upon production, this ZnO is sent for inspection, testing and sampling before packaging and storage, prior to dispatch to customers.



Source: Company DRHP, SKP Research

- Conversely, Direct Process and Wet Chemical Process begins with various contaminated zinc compounds and precipitated Zinc Oxide respectively. Therefore, ZnO thus produced, is of lower purity than French Process.

Peer Review

- ▶ Zinc Oxide industry in India includes manufacturers serving several key players across various sectors such as rubber, ceramics, pharmaceuticals, and chemicals. Major contributors to this market include JG Chemicals and two private companies - Silox India and Rubamin. Both Silox and Rubamin produce several other products thus making their consolidated results incomparable to that of JG. Given that there are several producers in the smaller capacity bracket and the preference of customers shifting towards larger producers, there will be imminent consolidation in the industry as demand moves from smaller producers to larger producers. This will help JGC significantly as it's the market leader.
- ▶ Given the focus on conversion of Zinc Scrap to Zinc Oxide, we have also compared JG to other recycling companies in India below:

Exhibit: Recycling companies in India

Name of the company	Products	Market Cap (in millions)	TTM Revenue (in millions)	FY24 EBITDA Margin	TTM P/E	ROE	ROCE
						TTM	TTM
JG Chemicals Ltd	Zinc oxide and Zinc sulphate	13,750	7,570	10%	25	13%	18%
Ganesha Ecosphere Ltd.	Polyester Staple Fibre	43,740	14,270	14%	43	9%	11%
Gravita India Ltd.	Lead, Aluminium, Plastic Products	1,43,080	36,950	8%	50	31%	31%
Nile Ltd.	Pure Lead and Lead Alloys	4,680	9,230	6%	13	15%	19%
Pondy Oxides & Chemicals Ltd.	Lead Metal, Aluminium Metal, Copper and its Alloys.	19290	18,680	5%	33	115%	23%

Source: SKP Research

*ROE and ROCE for JG are slightly depressed because of the IPO proceeds inflow of ~ Rs. 1650 mn in TTM period. Pre-IPO Avg. 3-Year ROE for JG was ~27% (FY21-FY23).

SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Market Leadership: Largest zinc oxide manufacturer in India, with a 30% market share and a top 10 global position. • High Entry Barriers: Custom product offerings, technical expertise, and supplier qualification processes create strong barriers for new competitors. • Established Customer Base: Serves all top 10 global tyre manufacturers, with long-term, repeat customers. 	<ul style="list-style-type: none"> • Raw Material Sourcing Challenges: Zinc scrap availability remains a sourcing risk, affecting the supply chain. • Dependence on Tyre Industry: ~80% of revenue comes from the tyre sector, making the company vulnerable to sectoral fluctuations. 	<ul style="list-style-type: none"> • Sector Diversification: Growth opportunities in industries like pharmaceuticals, ceramics, and agriculture. • Supplier Consolidation: The reduction in suppliers in the tyre industry may benefit established players like JG Chemicals. 	<ul style="list-style-type: none"> • Raw Material Price Volatility: Zinc price fluctuations can significantly impact profitability in the short-run. • Geopolitical Risks: Supply chain disruptions due to geopolitical factors can affect raw material procurement. • Economic Downturns: A downturn in the tyre or end-user industries could reduce demand for zinc oxide.

Porter's Five Forces Analysis

Threat of New Entrants- **Low**

- **Long Approval Processes:** The tyre industry's lengthy approval times (up to 8 years) restrict new entrants.
- **Sourcing Challenges:** Building a global sourcing network for zinc scrap requires established relationships, creating a barrier for newcomers.
- **Technological Expertise:** Specialized knowledge for using 100% scrap in production is hard to replicate.
- **Fragmented Market:** While small-scale manufacturers exist, they primarily serve regional markets and cannot compete with established players like JG Chemicals.

Bargaining Power of Suppliers- **Moderate**

- **Zinc Scrap Availability:** Zinc scrap, a key raw material, has limited availability, subject to output from other industries.
- **Supplier Relationships:** JGCL relies on long-standing relationships with family-owned suppliers, giving suppliers leverage. These suppliers are also hungry for companies who can consume large volume and have low credit risk
- **Global Sourcing:** The company's need for a global supply network adds complexity and potential risks.
- **Price Fluctuations:** Raw material prices are influenced by the London Metal Exchange (LME) which can have a short term impact on profitability.

Bargaining Power of Buyers- **Low to Moderate**

- **Tire Industry Concentration:** Large tyre manufacturers account for a significant portion of JGCL's revenue, giving them bargaining power due to volume purchasing.
- **Approval Process:** Buyers require specific grades of zinc oxide, which locks them into long-term relationships with established suppliers like JGCL.
- **Customization:** Customer-specific product requirements increase dependency on suppliers' capabilities.
- **Long-term Relationships:** Strong customer loyalty and repeat business reduce the bargaining power of individual buyers.

Threat of Substitute Products- **Low**

- **Essential Nature of Zinc Oxide:** Zinc oxide is crucial in tyre production and has unique properties that are difficult to replace. No commercial alternatives for zinc oxide's use in rubber currently exist.
- **Recycling Trends:** While there is a push for recycled materials in tyres, JGCL's high usage of recycled zinc scrap positions them well to maintain market share.

Competitive Rivalry- **Low to Moderate**

- **Fragmented Market:** The Indian zinc oxide market has a few dominant players, including JG Chemicals, Rubamin, and Silox, but many smaller regional competitors.
- **Focus on Quality:** As tyre manufacturers prioritize quality and consistency, suppliers must adapt, which favors established larger players with strong processes and better technology like JG Chemicals.

Investment Rationale:

1. Promising Growth of Zinc Oxide Industry

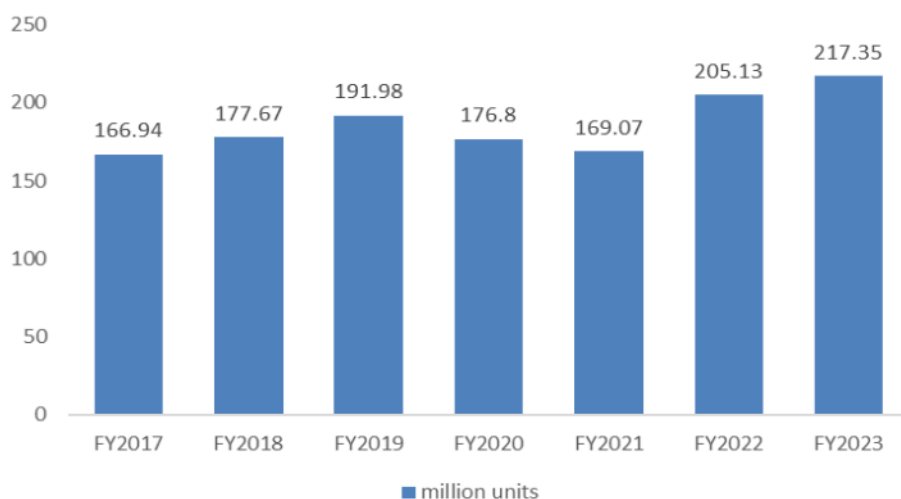
- A. Zinc Oxide Market Dynamics:** Indian ZnO market is estimated to be ~₹32,000 million as of FY24; expected to grow at 10%-12% CAGR till FY27. The Indian ZnO industry is characterised by fragmentation, with few organised players, including JG, dominating the industry due to significant entry barriers for newcomers. After drastic fall in CY23, Zinc price is forecasted to rise modestly over the outlook period, from ~USD 2700/ MT in CY24 to about USD 2800/ MT by CY26.

B. Growth Drivers in Tyre and Ceramic industry to uplift ZnO demand:

Tyre Industry

- ▶ India's ~₹ 900,000 million tyre industry in FY24, contributes 0.3% of India's GDP. The sector reports exports worth ₹ 230,000 million in FY24 making it one of the few sectors to have a high export to turnover ratio which is expected to grow at ~3% CAGR until 2030.
- ▶ Indian automobile sales grew consistently at ~2.6% p.a. over FY20-24, driving demand for tyres from OEMs and is expected to grow at 7-9% CAGR over FY25-FY29, supported by rising incomes and vehicle buyers and rising finance penetration.
- ▶ Although the auto industry is undergoing a temporary slowdown, major tyre manufacturers continue with their capacity expansions indicating long term demand trends remaining healthy. The top six tyre makers, representing 87% of industry's revenue, are expected to invest ₹ 55,000 million in FY25, focusing on essential capacity enhancements and debottlenecking initiatives.
- ▶ Tyre demand is expected to grow at a CAGR of 5-7% during FY 24-29, driven by factors like rising GDP, industrial growth, infrastructure projects, increasing mass affluents and evolving consumer preference. Given that ZnO remains a key component in tyre manufacturing, its demand is expected to grow steadily. JG Chemicals is well-positioned to capture a larger share of the market.
- ▶ The shift towards radial tyres, offering advantages such as reduced fuel consumption, less rolling resistance and longer life, aligns with JG's expanded capacity and strong relationships with top domestic tyre manufacturers. ZnO used in rubber tyres for strengthening it, improving heat and UV resistance and speeding up the Vulcanisation process. With the imposition of an Anti-Dumping Duty of USD 452.33 per tonne, demand for domestic radial tyres is expected to rise, further accelerating demand for ZnO, benefiting JGCL.
- ▶ Tyre technology for EVs is evolving, requiring stronger sidewalls to handle the weight of batteries and other car components. This further contributes to the demand for zinc oxide as a crucial component in tyre manufacturing.

Exhibit : Production volume of tyres in India

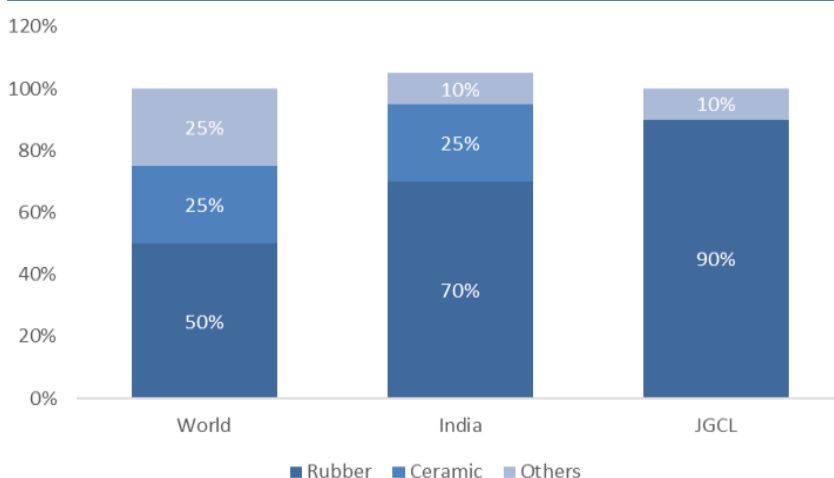


Source: Company, SKP Research

Ceramic Industry

- ▶ The global ceramics market is projected to grow at a CAGR of 7.9% from USD 160.67 billion in CY24 to USD 295.26 billion by CY32. Indian real estate market is experiencing significant growth, driven by government initiatives like Pradhan Mantri Awas Yojana (PMAY) and Real Estate (Regulation and Development) Act, 2016 (RERA) which have boosted ceramic sector, leading to a surging demand for ceramic tiles for flooring and wall application. The Indian ceramic tiles market, valued at USD 9.20 billion in FY24, is projected to grow at a CAGR of 13.54% to USD 17.36 billion by FY29.
- ▶ The demand for housing in India is projected to grow at a CAGR of over 9% per year, which is expected to drive significant demand for tiles and other ceramic products. This sector accounts for approximately one-fifth of India's Zinc Oxide consumption, in contrast to the global ceramics and glass industry, which consumes about one-third of the world's Zinc Oxide.

Exhibit :Revenue segmentation of zinc oxide industry



Source: Company, SKP Research

Fertilizer Industry

- ▶ The following factors are expected to play in a key role in increasing fertilizer demand in India, thereby increasing zinc sulphate demand as a derivative, Overall fertilizer demand is expected to grow at a CAGR of ~6% until FY33 to US\$ 74 billion:
 - Scarcity of soil nutrients in most districts of India
 - Education and empowerment of farmers to promote balanced use of fertilizers
 - Increasing use of micro-irrigation provides opportunities for water soluble fertilizers
 - GOI's focus to sharply increase farmers' income and standard of living through schemes and policies

Exhibit: Industry-wise use of zinc oxide

Industry	Products	How much zinc is used	Current Size	Expected CAGR	% of global zinc production used
Rubber Industry:	Tyres	3-5% of tyre weight	Globally-USD 48.27 billion	5-7% CAGR over FY24-29	50%
			In India- USD 10.84 billion		
Ceramics industry	Tile Glazes	2-5% of weight	Globally-USD 248.89 billion	7.9% CAGR over FY 2024-32	25%
	Tile Frits	10-20% of weight	In India- USD 5.18 billion	13.54% CAGR over FY24-29	
	Tile Body	1-3% of weight			
Pharmaceutical Industry	Topical Products	5-40% of weight	India-USD 65 billion	12.3% CAGR over FY25-30	10%
	Medicated Powders	10-25% of weight	Globally-USD 1,573.2 billion	6.2% CAGR over FY24-34	
	Oral formulations	Info not available			
Cosmetics and Personal Care	Sunscreens	10-25% of weight	USD 374 billion	7.9% CAGR over FY 2024-32	15%
	Topical Ointments and Skin Care	1-10% of weight			
	Makeup Products	1-5% of weight			
	Shampoos and Conditioners	0.5-2% of weight			
	Other Personal Care Products	0.5-5% of weight			

Source: Fortune Business Insights, SKP Research

C. High entry barriers preventing newcomers: The end-use industries served by JG present considerable entry barriers such as:

- **Stringent vendor approval process:** Securing approval with major tyre companies normally takes 4 to 5 years, as they prefer established vendors with large-scale operations and proven quality systems. Tyre companies resist new suppliers to maintain consistent quality. This makes it difficult for new entrants to set up large facilities and wait years for approval. JG has built long-term relationships with key customers across industries such as tyre, ceramics, and specialty chemicals, making it challenging for new entrants to enter. Known for its reliable supply and consistent product quality, JG is trusted in industries with stringent standards, like tyre manufacturing. Its subsidiary, BDJ Oxides, operates India's only IATF-certified Zinc Oxide facility, preferred by tyre manufacturers for OEM supply.
- **Raw material constraints:** JG sources raw materials globally as supply of zinc scrap is limited domestically. Zinc Dross, a by-product of steel galvanizing, requires a widespread supplier network, which takes decades to establish through trusted relationships. This presents a significant challenge for new entrants. JG has built an extensive global supply network with over 100 suppliers, enabling it to procure raw materials effectively
- **Technical expertise:** Zinc Oxide manufactures have to customize products according to customer specifications. Each buyer has distinct specifications, and there are no universally accepted standards across any application which often serves as a considerable entry barrier. JG is presently selling over 80 grades of ZnO, enabling it to cater to a wide variety of customers, across various end-use industries
- **High working capital demands:** Traders involved in the sale of Zinc Dross (primary raw material), typically favour receiving advance payments from ZnO manufacturers. Furthermore, transactions conducted by ZnO manufacturers with their clients are predominantly on credit. This creates a working

capital gap, thereby creating an entry barrier for new competitors. JG acquires its raw materials through advance cash payments, while majority of its customer sales are conducted on credit, indicating its diligent management of cash flow, credit terms and working capital to remain competitive in the market.

It is due to such barriers that there have been no new entrants in this industry over a decade.

D. No visible China Threat so far: JG's "China immunity" comes due to the following reasons:

- ▶ India imports just 4-6% of ZnO, mostly high-quality specialised products. ZnO pricing follows London Metal Exchange (LME), so does its raw materials like zinc scrap. Chinese producers don't have a pricing advantage.
- ▶ ZnO production costs are similar in India and China, driven mainly by raw materials. China's market is closed with strong domestic demand. JG doesn't rely on Chinese supply chains or feedstock.
- ▶ Consequently, producers usually do not face significant price risks as they can transfer these costs to end-user industries, except in instances where they have fixed-price agreements with customers for their inventories. Moreover, larger ZnO manufacturers that supply to major institutional and quality-focused clients, can achieve higher prices due to specific grades of ZnO they produce, to fulfill customer specifications. These specialized ZnO grades, generally command a premium over average grade.

Overall, the ZnO industry is poised for continued growth, driven by increasing applications in diverse sectors and government initiatives promoting key industries.

2. Strong market position in the industry offers multiple advantages

- ▶ JG Chemicals is positioned as the market leader in domestic ZnO industry with ~30% share and has been successfully operating in the business for over four decades with a capacity of almost 60,000 MTPA. The company has over 200 customers domestically and another 50+ global customers across 10 countries. Apart from being suppliers to the top 10 global tyre manufacturers and to all 11 tyre manufacturers in India, JG also supplies to leading paint manufacturers, footwear players and cosmetic players in India. The other fragmented players in India do not have a sizeable manufacturing capacity as JG. Smaller players produce in the range of just 2,000 to 10,000 MTPA range as they face significant headwinds due to customer preferences changing from unorganised to organised vendors, highlighting the immense scope of consolidation in Indian ZnO industry.

Exhibit: Marquee Clients



Source: Company Annual report, SKP Research

- ▶ JGCL's consistent commitment towards product quality, a well-established infrastructure, strategically located manufacturing facilities that are in close proximity to product demand has led to the company being a preferred supplier for prominent tyre manufacturers thereby enabling it to establish its leadership in Indian domestic market. This leadership position provides JG with competitive advantages, including favourable product pricing, economies of scale and the capacity to expand operations, enhance customer loyalty and grow its client base. These factors have collectively contributed to an increase in revenues and profits over the past three fiscal years.

3. Competitive edge over peers due to the following reasons:

A. Product Specialization and Innovation:

JG Chemicals' product specialization strategy is a multi-faceted approach that combines:

- ▶ **Understanding and meeting diverse customer requirements:** ZnO is not a uniform product across industries as each industry and company has specific grade requirements. JG produces 80+ ZnO grades, showcasing its ability to meet diverse needs of various industries and customers.
- ▶ **Expertise in utilizing and sourcing recycled zinc scrap:** JG is the **largest zinc recycling company in India**, producing diverse ZnO grades using secondary zinc (dross, scrap and scrub) as its primary raw material instead of virgin metal. The company has an in house proprietary zinc recycling technology having the capability to manufacture certain grades using 100% scrap, which translates into a significant cost advantage over competitors who rely on a blend of scrap and virgin zinc as zinc scrap is 20-25% cheaper than virgin zinc metal. This expertise is further bolstered by its extensive global sourcing network, enabling it to access various types of zinc scrap with different impurity profiles from over 50 countries.

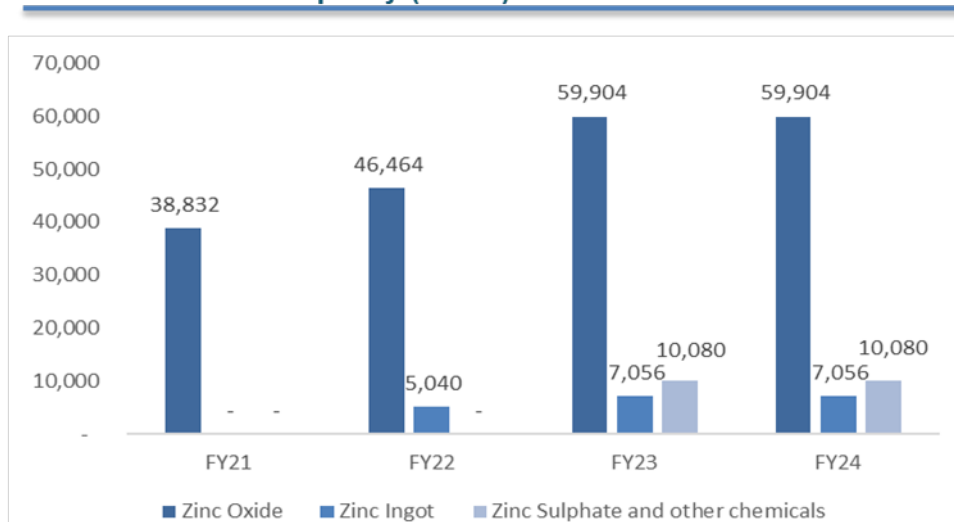
B. Strong Relationship with Raw Material suppliers and customers - robust supply chain:

- ▶ **Direct and Long-Term Customer Relationships:** JG maintains direct relationships with customers, with over 95% of sales in the past three years occurring without intermediaries. This approach has fostered long-term partnerships with 90% of over 250 customers being repeat clients. These strong connections enhance cost efficiency, revenue predictability, and product innovation. JG is confident that its established relationships with a robust customer base in the region, along with its proven expertise in the production of zinc oxide and specialty products, will facilitate the acquisition of new customers.
- ▶ **Strong supplier network and inventory management:** JG has built a diverse global supplier network, sourcing Zinc Dross from over 100 suppliers, ensuring reliable access to raw materials. With consistent inventory levels across all facilities, JG can meet client specifications by blending Zinc Dross to produce the required zinc oxide grades, fostering strong customer relationships and driving business growth.

4. Capacity expansion and foray into newer products to drive revenue growth

- ▶ JG currently operates manufacturing facilities in India's East and South. During FY24, the company has augmented its existing facility at Naidupeta, located in Nellore District of Andhra Pradesh, by an additional 23,520 MTPA. Of this increase, 13,440 MTPA was added to the production of ZnO, while 10,080 MTPA was added for Zinc Sulphate and other related chemicals. Total installed capacity, including that of their subsidiary, stands at 77,040 MTPA.

Exhibit : Installed Capacity (MTPA)



Source: Company Annual report, SKP Research

- ▶ Moreover, JG plans to establish a greenfield manufacturing facility in Gujarat to allow it to capture market share by addressing demands of ceramics, pharmaceuticals and tyre industry in the West.
- ▶ JG is also looking for organic and inorganic growth opportunities in Southeast Asian countries to increase its presence in the international market and diversify its customer base.

A. Expansion and Diversification: JG Chemicals' Greenfield Plant in Gujarat

JG is investing in a greenfield plant in Gujarat, expected to be operational by Q4FY26.

- ▶ **Expanding market share in the tyre and rubber industry:** Gujarat is home to a large number of tyre manufacturers. The plant will increase the company's production capacity and enable it to better serve the regional demand. The company plans to increase capacity utilization to around 80-85% as the Gujarat plant becomes operational by FY26.
- ▶ **Entering the ceramics market:** The company currently has minimal sales in the ceramics sector. The Gujarat plant will help the company directly serve Morbi's ceramics industry, where demand is around 25,000–30,000 tons annually. The company aims for a mid-teen market share and expects margins of 11%–12%, similar to the tyre business.
- ▶ **Serving Specialty Chemicals and Pharmaceutical industries:** The company also plans to serve chemical and pharmaceutical companies present in the region and who use ZnO.

B. Diversification of product pool to aid margins: As on FY24, tyre industry contributes ~80% of JG's revenue. It is gradually diversifying into higher-margin products and expanding into ceramics, pharmaceuticals, agriculture, and electronics. The company's expansion plans are:

- ▶ **Zinc Sulphate:** JG has already entered the Zinc Sulphate market, which is a critical micronutrient widely used in agriculture and pharmaceutical industry. The Zinc Sulphate market in India is over 200,000 MTPA, with 30-35% of total demand from South India itself. JG currently operates the largest Zinc Sulphate plant in Southern India, with a capacity of 10,080 MTPA at its Nadupetta plant. South India experiences a high deficiency of zinc in soil, making the product crucial for agriculture. Smaller, unorganized producers struggle with importing ash, creating an opportunity for JG, which has strong sourcing capabilities. Zinc Sulphate currently contributes less than 3% of revenue. The company sources most of its raw materials from the ZnO manufacturing process and the same suppliers of zinc dross, leveraging its cross-selling initiatives to boost revenue from FY25 onwards.
- ▶ **Pharmaceutical Grade Zinc Oxide:** JG plans to enhance its production of pharmaceutical-grade ZnO, for which it secured a license in 2020. Its subsidiary, BDJ Oxides, has already acquired the necessary licenses from the Government of Andhra Pradesh Drugs Control Administration in the same year to

manufacture ZnO. The company has received certification from WHO GMP in 2023 and obtained licenses for manufacturing high purity ZnO with IPBP/USP/ Ph.Eu Standards. These certifications are expected to allow JG to meet diverse industry requirements and explore new growth opportunities.

- ▶ **Specialized Zinc Derivatives:** This new product will be introduced at Gujarat plant; operations expected to commence in the next 12-15 months. It aims to meet the rising demand for zinc derivatives in new age sectors. With support from government initiatives like Production-Linked Incentive scheme, JG expects increased demand for high-grade ZnO, currently imported.
- ▶ **Zinc based agri-chemicals and nutrients:** The company plans to broaden its portfolio by venturing into various zinc-based chemicals and nutrients, utilized in agriculture, micronutrients, and zinc-based feeds and additives. Company believes its existing Naidupeta facility can accommodate production of these chemicals. Further, essential raw materials required for production of these chemicals, viz. Zinc Oxide and Zinc Sulphate, are either currently produced or will be produced by the company.
- ▶ **Battery-grade Zinc Oxide:** Zinc oxide enhances battery performance by increasing energy density, serving as an electrode material, and supporting emerging technologies like fuel cells and solar energy, with growing efforts to develop battery-grade products. JG is investigating opportunities to develop battery-grade Zinc Oxide and related chemicals. It is already supplying to some battery manufacturers and is actively working on creating customized products for the battery industry. It is registered with the International Battery Users Association and is now listed as one of the top two or three suppliers eligible to serve battery consumers, indicating a significant recognition of its product quality and suitability for the battery market. The growing EV market, government initiatives, and evolving tyre technology are driving increased demand for zinc oxide, particularly for batteries and tyre manufacturing.
- ▶ **Recycled Rubber:** The company is currently in the research and development (R&D) phase for recycled rubber.

Exhibit: FY24 Revenue mix

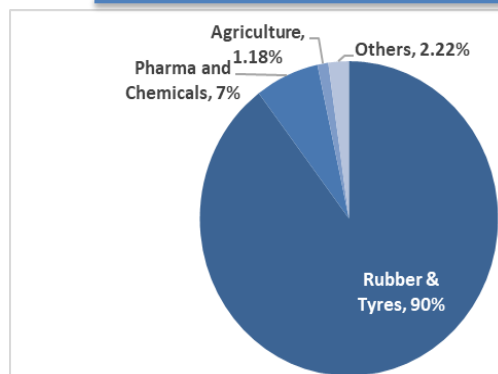
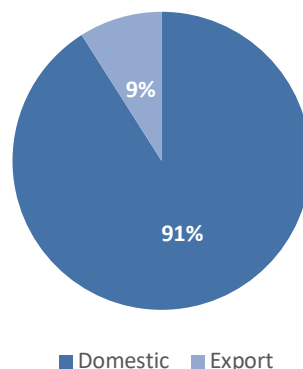


Exhibit: FY24 Revenue mix



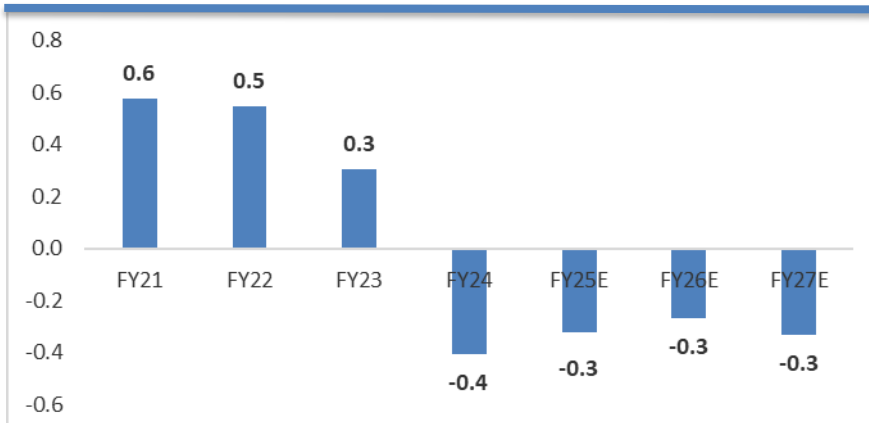
Source: Company, SKP Research

JG is in the process to develop a R&D centre next to its existing facility in Naidupeta, Andhra Pradesh. The R&D centre is being established to drive innovation and develop new products and processes. The total investment for the R&D center is estimated to be around ₹60.0 to ₹70.0 million.

5. Net Debt-free company with robust display of financial performance

- ▶ JG has demonstrated consistent growth across various financial metrics, alongside a steady enhancement of its strong balance sheet to manage its high working capital needs. Its robust financial position, characterized by low debt levels of ~138 million, and a healthy cash balance of ~₹1,467 million as on FY2024, empowers the company to explore further growth opportunities.

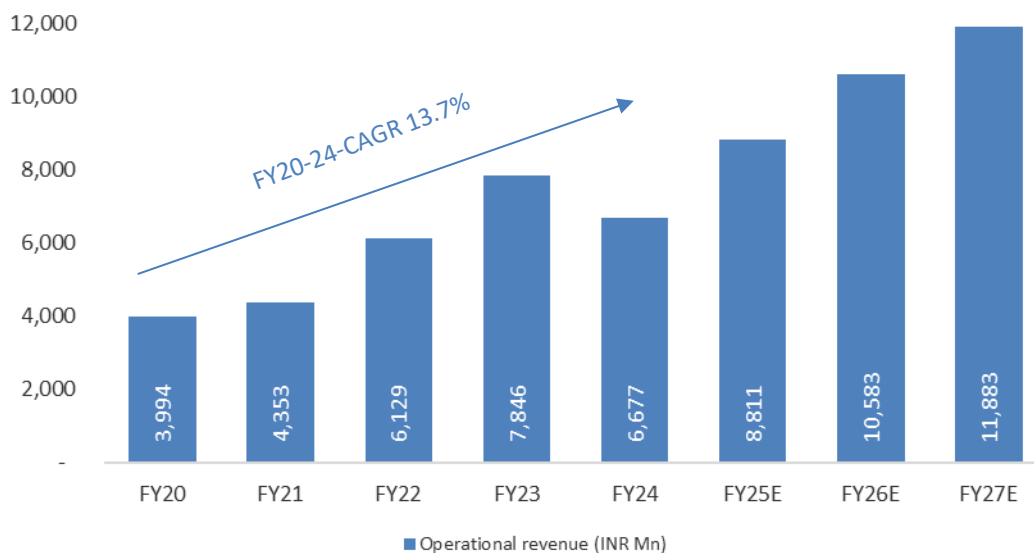
Exhibit: Net Debt to Equity (X times)



Source: Company Annual report, SKP Research

- The company experienced a CAGR of over 13.7% between FY20-24 (~25.2% CAGR between FY20 and FY23). FY24 revenue was down 15% y-o-y due to a sudden sharp fall in zinc prices for a short time during H1FY 2024. Such sharp movements in commodity prices over a short term affected the company's inventory. H2FY24 was better and this helped sustain the overall yearly performance. JG's business model is essentially a pass-through pricing model where-in the buying and selling is done basis the base index of LME; thereby reducing the impact of general movement in metal prices. Looking ahead, we expect JG to achieve a CAGR of ~21.1% from FY25 to FY27, mainly due to better utilization of its current facilities and the company's expansion plans, which include capex initiatives for launching new products viz. Zinc Sulphate, pharmaceutical zinc and active zinc category.

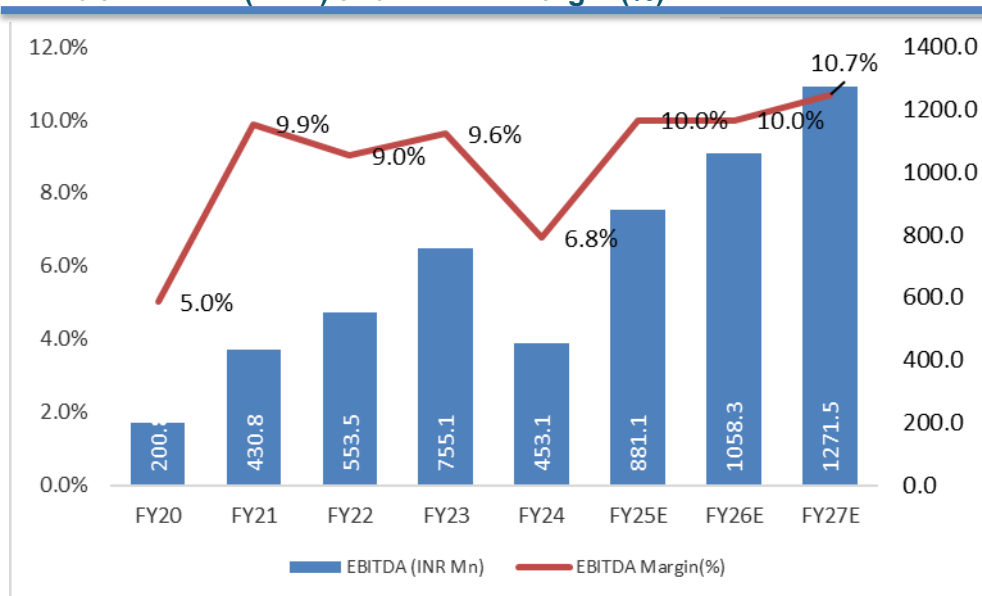
Exhibit: Operational Revenue (₹ Mn)



Source: Company Annual report, SKP Research

- EBITDA grew at a CAGR of 22.6% between FY20 and FY24 (55.8% between FY20 and FY23). EBITDA margins remained consistent except in FY24, where a one-off decline occurred, largely driven by a sharp drop in zinc prices. Looking ahead, the company is projected to achieve a CAGR of 41% from FY25 to FY27. EBITDA margin is expected to increase by 390bps to 10.7% in FY27 due to improvement in zinc oxide prices and shift in the product mix towards higher value products.

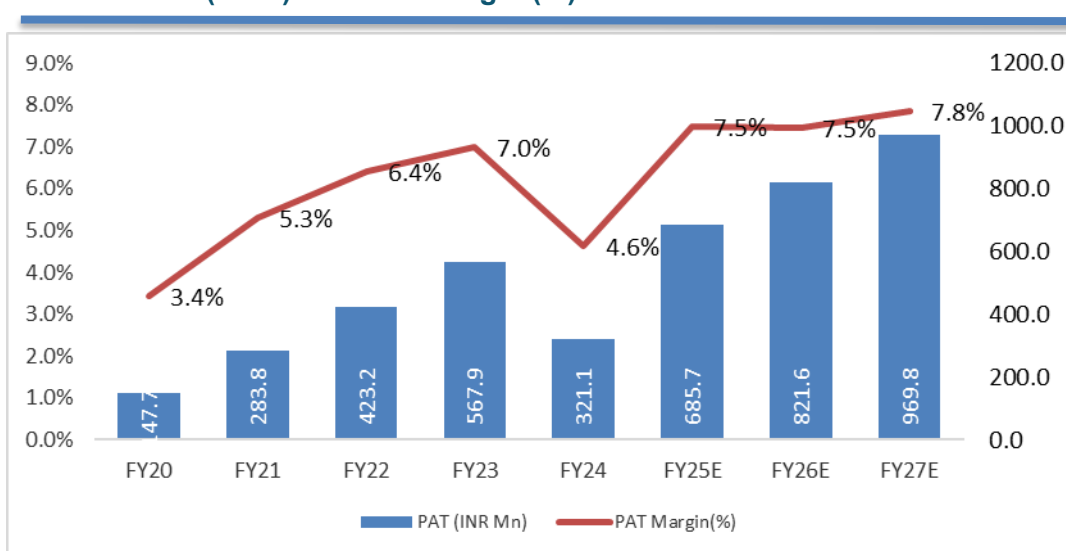
Exhibit: EBITDA (₹ Mn) and EBITDA Margin (%)



Source: Company Annual report, SKP Research

- PAT increased at a CAGR of 21.4% between FY20 and FY24 (56.6% between FY20 to FY23) and is expected to grow at a CAGR of 44.5% between FY25 and FY27. JG's profitability remains strong due to its robust capital structure and operation efficiencies, with JG having no debt on its balance sheet.

Exhibit: PAT (₹ Mn) and PAT Margin (%)



Source: Company Annual report, SKP Research

- JG has consistently maintained strong cash flows, enabling it to fund its capital expenditure plans through internal accruals. Going forward, JGCL is expected to remain cash flow positive, allowing it to finance upcoming capital expenditure using internal resources.

Key Concerns

1. Companies' business is almost **completely dependent on the sale of one principal product i.e. Zinc Oxide** (in various grades) and any reduction in the demand of the same may have an adverse effect on their business and financial performance.
2. Any **drastic shifts in the prices of zinc and zinc dross** could adversely impact JG. If there is a sharp drop in zinc prices similar to what happened in FY24, it would adversely impact the selling price of ZnO to the extent of inventory at-hand, which reduces revenue and margins of the company.
3. The company is getting ready for the next leg of growth. It may face execution risk that can arise from poor management, operational challenges, unforeseen market changes, or financial constraints that hinder the successful implementation of growth plans.
4. Company is significantly dependent on business operations of their material subsidiary i.e. BDJ Oxides Private Limited and any deterioration in its performance of their material subsidiary may adversely affect the business, financial condition and operating results.
5. Company derives a **significant part of its revenue from select customers**. If one or more of such customers choose not to source their requirements from them, their business, financial condition, and results of operations may be adversely affected.
6. JG's logo is not registered as a trademark. If it is unable to protect intellectual property rights, its business, financial condition and results of operations may be adversely affected. Company operates in a competitive industry. Any inability to compete effectively may lead to a lower market share or reduced operating margins.
7. JG's operations are **heavily dependent on the rubber and tyre industry** (~90.0% of total revenues) and there is a lack of diversification in its business across other industries. However, with the company diversifying its product offerings the revenue dependence on tyre industry is expected to fall towards 60% of total revenues, going forward.
8. Company's business is **heavily dependent on procurement of raw materials from overseas suppliers**. They do not have long-term agreements with their suppliers of raw material and any increase in the cost of, or a shortfall in the availability of such raw materials could have an adverse effect on their business and results of operations

Valuation & Outlook

JG Chemicals is India's largest Zinc Oxide manufacturer with a strong customer base and proven track record with zinc dross suppliers. The company is an approved vendor to most large global tyre companies. High entry barriers and the favourable demand outlook in automotive, rubber, and ceramics, positions JG for sustained growth and market leadership. Its planned Gujarat capex and research into more products provides growth visibility. We project revenue, EBITDA, PAT to grow at a CAGR of 26%, 60%, 67% respectively. We have valued the stock on the basis of P/E – method of relative valuation – of 20x FY27E EPS of ₹23.8 and recommend a "BUY" with a target price of ₹476 (upside of ~ 37%) in 18 months

Q2FY25 Consolidated Result

(All data in ₹ Mn unless specified, Y/e March)

Particulars	Q2FY25	Q2FY24	YoY %	Q1FY25	QoQ %	H1FY25	H1FY24	YoY%	FY24
Total Income	2,120.8	1,526.6	38.9%	2,025.3	4.7%	4,146.1	3,250.1	27.6%	6,676.9
Expenditure	1,909.7	1,447.5	31.9%	1,801.1	6.0%	3,710.8	3,116.2	19.1%	6,223.8
Material Consumed	1,772.0	1,301.8	36.1%	1,526.5	16.1%	3,298.5	2,791.7	18.2%	5,491.2
<i>(as a % of Total Income)</i>	83.6%	85.3%	(172)Bps	75.4%	819 Bps	79.56%	85.90%	(634)Bps	82.24%
Employees Cost	47.1	39.9	18.0%	43.6	8.2%	90.7	77.1	17.7%	164.6
<i>(as a % of Total Income)</i>	2.2%	2.6%	(39)Bps	2.2%	7 Bps	2.2%	2.4%	(18)Bps	2.5%
Other Expenses	183.6	132.6	38.5%	167.1	9.9%	350.7	267.5	31.1%	562.8
<i>(as a % of Total Income)</i>	8.7%	8.7%	(3)Bps	8.2%	41 Bps	8.5%	8.2%	23 Bps	8.4%
EBITDA	211.1	79.1	166.8%	224.2	-5.8%	435.3	133.9	225.1%	453.1
<i>EBITDA Margin (%)</i>	10.0%	5.2%	477 Bps	11.1%	(112)Bps	10.5%	4.1%	638 Bps	6.8%
Depreciation	13.1	10.2	28.3%	12.9	1.7%	26.0	20.1	29.2%	45.3
EBIT	198.0	68.9	187.3%	211.4	-6.3%	409.4	113.8	259.7%	407.9
Other Income	34.9	9.2	277.7%	4.6	662.0%	39.5	30.8	28.1%	77.5
Interest Expense	1.4	8.6	-83.4%	3.6	-59.7%	5.0	23.8	-79.1%	36.3
Exceptional Item	-	(18.0)	-	-	0.0%	-	(18.0)	0.0%	(18.0)
Profit Before Tax	231.5	51.5	349.3%	212.4	9.0%	443.9	102.8	331.9%	431.0
Income Tax	60.1	11.4	425.0%	53.4	12.6%	113.4	24.0	371.8%	109.9
Effective Tax Rate (%)	25.9%	22.2%		25.1%		25.5%	23.4%		25.5%
Profit After Tax (PAT)	171.4	40.1	327.7%	159.0	7.8%	330.5	78.7	319.7%	321.1
<i>PAT Margins (%)</i>	8.1%	2.6%	546 Bps	7.9%	23 Bps	8.0%	2.4%	555 Bps	4.8%
Diluted EPS	4.2	1.2	256.8%	3.9	8.5%	8.1	2.4	239.9%	9.6

Source: Company Data, SKP Research

Consolidated Financials

Exhibit: Income Statement

Figures in Rs Million

Particulars	FY24*	FY25E	FY26E	FY27E
Net Sales	6,676.9	8,810.6	10,582.9	11,882.9
<i>Growth (%)</i>	-14.9%	32.0%	20.1%	12.3%
Expenditure	6,223.8	7,929.6	9,524.6	10,611.4
Material Cost	5,496.3	7,092.5	8,519.3	9,506.3
Employee Cost	164.6	158.6	190.5	213.9
Admin & Other Exp.	562.8	678.4	814.9	891.2
EBITDA	453.1	881.1	1,058.3	1,271.5
<i>EBITDA Margin (%)</i>	6.8%	10.0%	10.0%	10.7%
Dep & Amortization	45.3	55.8	69.1	96.7
EBIT	407.9	825.3	989.2	1,174.7
Other Income	77.5	105.7	127.0	142.6
Interest Expense	36.3	16.8	20.7	24.3
Profit Before Tax (PBT)	431.0	914.2	1,095.4	1,293.0
Income Tax	109.9	228.6	273.9	323.3
Adj. Profit After Tax (PAT)	308.7	658.8	789.4	931.8
<i>Growth (%)</i>	-43.8%	113.4%	19.8%	18.0%
Diluted EPS	9.6	16.8	20.1	23.8

Exhibit: Cash Flow Statement

Figures in Rs Million

Particulars	FY24*	FY25E	FY26E	FY27E
Profit Before Tax (PBT)	449.1	914.2	1,095.4	1,293.0
Depreciation	45.3	55.8	69.1	96.7
Finance Costs	36.3	16.8	20.7	24.3
Chg. in Working Capital	367.8	(660.9)	(475.8)	(335.5)
Direct Taxes Paid	(104.7)	(228.6)	(273.9)	(323.3)
Other Charges	(34.1)	2.9	-	-
Operating Cash Flows	759.7	100.2	435.7	755.4
Capital Expenditure	(94.4)	(30.0)	(430.0)	(30.0)
Investments	(306.0)	(64.2)	(35.4)	(26.0)
Others	(998.1)	(22.3)	(3.5)	(2.6)
Investing Cash Flows	(1,398.5)	(116.5)	(469.0)	(58.6)
Changes in Equity	1,521.6	0.0	-	-
Inc / (Dec) in Debt	(31.1)	(5.0)	(5.0)	(5.0)
Dividend Paid (inc tax)	-	-	-	-
Others	(420.3)	(48.5)	42.0	33.7
Financing Cash Flows	1,070.3	(53.5)	37.0	28.7
Net Cash flow	431.5	(69.8)	3.7	725.4
Opening Cash Balance	35.5	466.9	397.1	400.8
Closing Cash incl. Bank #	466.9	397.1	400.8	1,126.2

Source: Company, SKP Research

Exhibit: Balance Sheet

Figures in Rs Million

Particulars	FY24*	FY25E	FY26E	FY27E
Share Capital	391.9	391.9	391.9	391.9
Reserve & Surplus	3,592.1	4,250.9	5,040.3	5,972.2
Non Controlling Interest	71.15	97.98	130.13	168.08
Shareholders Funds	4,055.1	4,740.8	5,562.3	6,532.1
Total Debt	137.8	182.8	222.8	262.8
Deferred Tax	-	2.0	2.0	2.0
Liabilities & Prov	297.0	245.0	287.2	323.1
Total Liabilities	4,489.8	5,170.5	6,074.3	7,120.0
Net Block inc. Capital WIP	416.9	391.2	752.1	685.3
Goodwill & Intangible Asset	0.2	0.2	0.2	0.2
Non Current Investments	112.0	176.2	211.7	237.7
Non-Current Assets	21.8	28.8	30.6	31.9
Inventories	556.6	1,029.9	1,237.0	1,380.4
Sundry Debtors	1,166.9	1,448.3	1,739.7	1,953.4
Cash & Bank Balance	1,467.0	1,397.1	1,400.8	2,126.3
Other Assets	748.5	698.8	702.3	704.9
Total Assets	4,489.8	5,170.5	6,074.3	7,120.0

Exhibit: Ratio Analysis

Particulars	FY24*	FY25E	FY26E	FY27E
Earning Ratios (%)				
EBITDA Margin (%)	6.8%	10.0%	10.0%	10.7%
PAT Margins (%)	4.6%	7.5%	7.5%	7.8%
ROCE (%)	10.0%	17.3%	17.7%	17.9%
ROE (%)	10.0%	15.0%	15.3%	15.4%
Per Share Data (INR)				
Diluted EPS	9.6	16.8	20.1	23.8
Cash EPS (CEPS)	7.0	16.1	19.2	22.3
BVPS	103.5	121.0	141.9	166.7
Valuation Ratios (x)				
P/E	36.3	20.7	17.3	14.6
Price/BVPS	3.4	2.9	2.5	2.1
EV/Sales	2.0	1.5	1.3	1.1
EV/EBITDA	29.4	15.2	12.7	10.0
Market Cap/Sales(x)	2.0	1.5	1.3	1.1
Balance Sheet Ratios				
Debt - Equity	0.0	0.0	0.0	0.0
Current Ratio	10.0	11.7	10.6	11.0
Fixed Asset Turnover Ratio	8.4	10.7	9.1	8.2

Notes:

The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg and Thomson First Call.

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