

# J.G. Chemicals Ltd (JGCHEM IN)

Continuing the strong momentum

## INDIA | SMALLCAP | RESULT UPDATE

### Key takeaways from Q3 & 9MFY25

- The company reported revenue of Rs 2.09bn up 30% YoY for the quarter and Rs. 6.2bn up 27.5% YoY for 9MFY25 led by strong demand across all end users industries.
- The company's operating profit grew by 56% to Rs 0.23bn on YoY basis and EBITDA margins improved by 190bps to ~11.1% due to improved product mix, cost efficiency and stability in the zinc prices.
- During 9MFY25, EBITDA stood at Rs. 0.66bn up 135% YoY and margins stood at ~10.6% as compared to 5.7% in 9MFY24.
- The company reported PAT of Rs 0.18bn up 68% on YoY basis for the quarter. PAT for 9MFY25 stood at Rs. 0.5bn up 168% YoY.

### Key Quarterly highlights:

- The company has seen high double digit volume growth in the zinc chemicals business supported by strong demand across segments like tyre, cosmetics, pharmaceuticals, specialty chemicals, agriculture, etc.
- Zinc sulphate continues to do well and company is contemplating adding newer products in this product vertical.
- During the quarter, the export revenue contribution stood less than 15% and management wants to maintain the current revenue range.
- The company is focused on expanding their product basket and is looking to add new chemicals both zinc based and non-zinc based and increase its recycling portfolio.
- The management sees EBITDA margins sustaining at ~11% for FY25 and expects it to improve in the coming years as the contribution of high margin products like pharma and agriculture increases.
- The plans for the Gujarat plant are underway and the management expects to commission it from CY26.
- The company has maintained a strong cash position on balance sheet and capex for next few years would be around ~Rs 0.5bn including Greenfield as well as brownfield expansion.

### Outlook and view:

JGCL has maintained its growth trajectory and achieve strong volume growth during 9MFY25. Sustained demand from the tire industry and the The management remains focused on transforming the margin profile of the company and is looking to add new chemicals both zinc and non-zinc based to their product basket.

We expect a CAGR growth of 20% /26% / 26% for Revenue / EBITDA / PAT respectively for the period FY25-27e. We value the consolidated business at 18x FY27 earnings of INR 30.3/- with a revised target price of Rs. 545 an upside potential of 57%. Maintain BUY.

### Key Financials:

	Rs. Mn								
Year end	Net Sales	EBITDA	PAT	EPS	P/E	EV/EBITDA	P / BV	ROE	ROCE
FY24	6677	453	339	8.7	19.9	27.2	3.4	8.1%	9.9%
FY25E	9007	974	753	19.2	18.1	12.6	2.9	15.9%	19.0%
FY26E	11131	1246	966	24.6	14.1	9.9	2.4	16.9%	20.4%
FY27E	13021	1545	1187	30.3	11.5	8.0	2.0	17.2%	20.9%

Source: Company, PhillipCapital India Research

7 February 2025

## BUY (Maintain)

CMP Rs 348

TARGET Rs 545 (+57%)

### COMPANY DATA

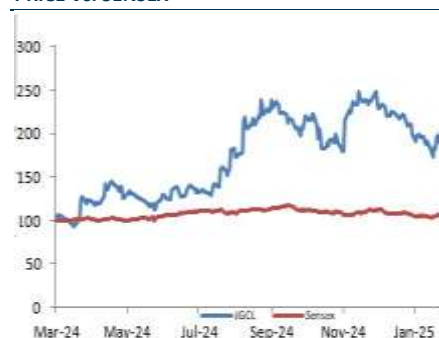
O/S SHARES (MN) :	39.2
MARKET CAP (RS MN) :	13870
MARKET CAP (USD MN) :	159.5
52 - WK HI/LO (RS) :	484/171
TRADING VOL. 3M (000) :	162.0
PAR VALUE (RS) :	10

### SHARE HOLDING PATTERN, %

PROMOTERS :	71.0
FII / FPI :	6.04
FI / MF :	3.94
PUBLIC & OTHERS :	19.02

SHP as on December 2024

### PRICE Vs. SENSEX



Source: PhillipCapital India Research

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## Financials

### Income Statement

Y/E March, Rs. Mn	FY24	FY25E	FY26E	FY27E
Net sales	6,677	9,007	11,131	13,021
Growth %	-14.9%	34.9%	23.6%	17.0%
Raw Material Cost	5,496	7,161	8,793	10,221
Employee cost	165	198	247	284
Other expense	563	675	844	971
Total expense	6,224	8,034	9,884	11,476
EBITDA	453	974	1,246	1,545
EBITDA margin (%)	6.8%	10.8%	11.2%	11.9%
Depreciation	45	48	58	81
EBIT	408	926	1,188	1,464
Interest	36	9	8	7
Other income	78	90	111	130
PBT	449	1,007	1,291	1,587
Less: Taxation	110	254	325	400
Effective tax rate (%)	24.5%	25.2%	25.2%	25.2%
Recurring PAT	339	753	966	1,187
Growth %	-43.5%	134.6%	28.2%	22.9%
PAT margin (%)	5.1%	8.4%	8.7%	9.1%
Wtd. Avg. Shares (Mn)	39.2	39.2	39.2	39.2

### Balance Sheet

Y/E March, Rs. Mn	FY24	FY25E	FY26E	FY27E
Equity capital	392	392	392	392
Reserves	3,592	4,345	5,311	6,498
Net worth	3,984	4,737	5,703	6,890
NCI	71	71	71	71
Non Current Liabilities	40	30	20	5
Current Liabilities	395	434	468	492
<b>Total liabilities</b>	<b>4,490</b>	<b>5,272</b>	<b>6,262</b>	<b>7,459</b>
Net block	417	399	690	760
CWIP	-	200	50	-
Total fixed asset	417	599	740	760
Right of used asset	0	0	0	0
Other non current assets	134	197	127	127
Current assets				
Investment	321	420	420	420
Inventory	557	1,111	1,372	1,605
Debtors	1,167	1,579	1,952	2,283
Cash & bank Balance	1,467	723	1,006	1,620
Other Current assets	428	643	643	643
<b>Total assets</b>	<b>4,490</b>	<b>5,272</b>	<b>6,261</b>	<b>7,459</b>

### Cash Flow

Y/E March, Rs. Mn	FY24	FY25E	FY26E	FY27E
PBT	449	1,007	1,291	1,587
Depreciation	45	48	58	81
Tax paid	110	254	325	400
Change in WC/other adjustment	329	1,243	600	539
<b>Cash Flow from Operating activities</b>	<b>55</b>	<b>(441)</b>	<b>424</b>	<b>729</b>
Capital Expenditure	100	230	200	100
Other intangible asset	0	-	-	-
Others	81	63	(69)	-
<b>Cash Flow from Investing activities</b>	<b>182</b>	<b>293</b>	<b>131</b>	<b>100</b>
Change in Equity	1,568	(0)	-	0
Change in Debt	(566)	(13)	(10)	(15)
Others	8	1	-	-
<b>Cash Flow from Financing activities</b>	<b>1,010</b>	<b>(12)</b>	<b>(10)</b>	<b>(15)</b>

### Valuation Ratios

Y/E March, Rs. Mn	FY24	FY25E	FY26E	FY27E
EPS	8.7	19.2	24.6	30.3
Book NAV / Share	102	121	146	176
DPS	-	-	-	-

### Growth Ratios

Net Sales (%)	-14.9%	34.9%	23.6%	17.0%
EBITDA (%)	-40.0%	114.9%	28.0%	23.9%
PAT (%)	-40.3%	122.1%	28.2%	22.9%

### Return Ratios

ROE (%)	8.1%	15.9%	16.9%	17.2%
ROCE (%)	9.9%	19.0%	20.4%	20.9%

### Turnover Ratios

Asset Turnover (x)	1.5	1.7	1.8	1.7
Fixed asset turnover (x)	16.0	15.0	15.0	17.1
Receivable Days	64	64	64	64
Inventory Days	30	45	45	45
Payable Days	5	5	5	5

### Liquidity Ratios

Current Ratio (x)	10.0	10.3	11.5	13.3
Interest Cover (x)	11.2	105.8	147.6	209.1
Total Debt / Equity (x)	0.6	0.3	0.0	0.0

### Valuation Ratios

PER (x)	19.9	18.1	14.1	11.5
Price / Book (x)	3.4	2.9	2.4	2.0
Price / Sales (x)	1.0	1.5	1.2	1.0
EV / Sales (x)	1.8	1.4	1.1	0.9
EV / EBITDA (x)	27.2	12.6	9.9	8.0

Source: Company, PhillipCapital India Research

## Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

### Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

### Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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