

We recently met Anirudh Jhunjunwala (MD) and Anuj Jhunjunwala (ED & CFO) of JG Chemicals (JGCHEM) to discuss the current outlook for the company as well as the sectoral trends and key developments. JGCHEM is a leading manufacturer of zinc oxide in India with ~30% market share (~60,000mtpa capacity across 3 facilities). It also manufactures a derivative called zinc sulphate with capacity of ~10,000mtpa. The company plans to diversify into pharma, spec chem, agrochemicals, batteries, etc that will allow them to expand their addressable market, improve their margins, and be the first mover to capture larger share in such growth segments. JGCHEM has historically outpaced the growth of its core market, ie the tire industry. Stable outlook for zinc prices and higher capacity utilization bodes well for the company.

Zinc oxide domestic market share is growing; focus on diversification

Zinc oxide is a diverse chemical that has applications ranging from rubber to agriculture to pharma. JGCHEM is predominantly present in the rubber sector, especially in tires. While more than 50% of zinc oxide is used in non-rubber application globally, in India ~70% is used in rubber, giving the sector a huge headroom for growth. JGCHEM is seeing favorable industry tailwinds supported by their position as an industry leader. They now plan to increase their share of business in segments like ceramics, agriculture, pharma, electronics, etc. Accordingly, they are expanding capacities in adjacent products like zinc sulphate and specialty grade zinc oxide, which would entail better margins.

On track with the expansion projects

JGCHEM has been continuously adding capacity to service the demand for zinc oxide. The company started with a capacity of ~600mtpa in 1975 and now has a total capacity of ~70,000mtpa across its 3 facilities today. Their latest plant was set up in Naidupeta in CY16 with an initial capacity of 7,200mtpa, which has now increased to 43,704mtpa. These plants are running at a capacity of ~65-70% with a peak capacity utilization of 85% (the company expects the plants to be fully utilized by FY26). JGCHEM is in the process of setting up a new plant in Gujarat to enter the ceramics industry and service tyre manufacturers present there with a capacity of ~15,000mtpa (by FY26).

Strong balance sheet and prudent hedging mechanism

The company requires low capex for future growth which will allow them to maintain a lean balance sheet. The management has plans to transform the margin profile of the company over time by adding new high margin (~200-300bps) and niche products in the zinc compound market. Zinc oxide prices are linked to that of the Zinc LME index, hence any changes in zinc prices are reflected across the value chain with a lag. JGCHEM's core raw material for zinc oxide is zinc dross or zinc scrap, the prices of which range to ~90% of the Zinc LME prices. This acts as a natural hedge to mitigate the volatility between raw material and finished goods prices aiding sustainable 11-12% margins across cycles.

Target Price – 12M	NA
Change in TP (%)	NA
Current Reco.	NOT RATED
Previous Reco.	NA
Upside/(Downside) (%)	NA

Stock Data	JGCHEM IN
52-week High (Rs)	485
52-week Low (Rs)	171
Shares outstanding (mn)	39.2
Market-cap (Rs bn)	12
Market-cap (USD mn)	140
Net-debt, FY25E (Rs mn)	0.0
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	75.7
ADTV-3M (USD mn)	0.9
Free float (%)	29.0
Nifty-50	22,397.2
INR/USD	87.0

Shareholding, Dec-24

Promoters (%)	71.0
FPIs/MFs (%)	6.0/3.9

Price Performance

(%)	1M	3M	12M
Absolute	(3.6)	(26.1)	68.8
Rel. to Nifty	(0.8)	(18.3)	65.8

1-Year share price trend (Rs)



JG Chemicals: Financial Snapshot (Consolidated)

Y/E (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,994	4,353	6,128	7,846	6,677
EBITDA	193	435	562	755	453
Adj. PAT	130	234	400	549	327
Adj. EPS (Rs)	4.1	7.4	12.6	17.3	10.2
EBITDA margin (%)	4.8	10.0	9.2	9.6	6.8
EBITDA growth (%)	(37.9)	125.8	29.1	34.4	(40.0)
Adj. EPS growth (%)	(30.9)	80.9	70.7	37.3	(41.4)
RoE (%)	30.5	24.2	30.6	30.5	10.8
RoIC (%)	19.2	18.6	20.0	21.4	12.3
P/E (x)	73.7	40.7	23.9	17.4	29.6
EV/EBITDA (x)	52.3	23.5	18.5	13.5	22.4
P/B (x)	11.2	8.8	6.3	4.6	2.4
FCFF yield (%)	1.8	(1.1)	(0.3)	2.1	6.5

Source: Company, Emkay Research

Meet Vora

meet.vora@emkayglobal.com
+91-22-66242474

Meet Gada

meet.gada@emkayglobal.com
+91-22-66121235

Company Overview

JG Chemicals was founded by Suresh Jhunjunwala as a partnership firm in 1975 and then converted to private limited company in Jun-01. The company has been manufacturing zinc oxide since its inception and caters to tires, automobiles, tubes, belting, glassware, ceramics, lubricants, paints, and pharmaceutical industries. It is among the top 5 manufacturers globally and the largest in Asia (ex-China). Suresh has over 50 years of experience in the specialty chemicals industry. This extensive experience helps the company to anticipate price trends and calibrate zinc dross purchasing and stocking decisions. He is responsible for strategic initiatives and identifying new growth opportunities.

Presently, the company is being led by Anirudh Jhunjunwala (MD & CEO) and Anuj Jhunjunwala (WTD & CFO). They are second-generation entrepreneurs with strong process chemistry, managerial, and financial acumen. They both have ~15-25 years of experience in the chemical/recycling industry. They have been instrumental in onboarding new customers and maintaining relationships with existing customers.

JGCHEM currently operates 3 state-of-the-art facilities with a joint capacity of 77,040mtpa located in Belur and Jangalpur, West Bengal and Naidupeta, Andhra Pradesh (IATF approved and WHO GMP certified). Naidupeta houses their latest and the largest plant setup to cater to the demand from tire manufacturers in South India. Like their South expansion, the company is now foraying to set up a plant in Gujarat to cater to the demand from the ceramic industry and tire manufacturers in the west. Also, it will cater to the requirements from the chemicals and pharma sector. Currently, the plants are running at 65-70% utilization.

Exhibit 1: JG Chemicals plant locations

Plant locations	Product portfolio	Capacity (mtpa)
Belur, West Bengal	Zinc Oxide	1,800
Jangalpur, West Bengal	Zinc Oxide	14,400
	Recycled Zinc Ingots	5,040
Naidupeta, Andhra Pradesh	Zinc Oxide	43,704
	Recycled Zinc Ingots	2,016
	Zinc Sulphate and other allied chemicals	10,080
Gujarat	Zinc Oxide	Under Discussion
	Other Zinc based chemicals	

Source: Company, Emkay Research

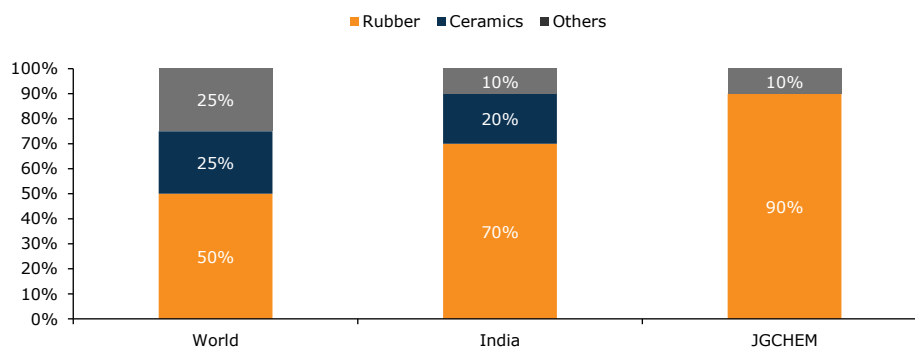
The raw material required to manufacture zinc oxide is zinc dross which is sourced domestically from steel mills (40-45%) as well as largely imported from all over the world. Zinc dross is a type of scrap which is left out during the galvanization process of steel. The steel manufacturers sell zinc dross to scrap dealers/traders, who in turn, sell it in bulk to recyclers. JGCHEM's deep-rooted relationship with the trade houses and its extensive network of 100+ suppliers helps it source the raw material effectively. The prices of zinc dross are linked to London Metal Exchange (LME) prices (85-90% of spot LME zinc price depending on different qualities of zinc scrap). Also, the sales of zinc oxide is linked to the base index of LME leading to a passthrough pricing model for JGCHEM, thereby reducing the impact of movement in zinc prices. The company uses 100% recycled zinc, which is 20-25% cheaper than virgin zinc metal, giving the company a better cost arbitrage.

The company is currently witnessing strong demand across all its end-user industries, increasing the overall company utilization rates. Volume growth was seen across the portfolio despite the weak macro environment. Zinc sulphate is one of the other products, apart from zinc oxide, which is used in agricultural, fertilizers, and pharma industries. The company has observed healthy volumes and is contemplating adding newer grades of this product. In addition, JGCHEM is evaluating various greenfield and brownfield initiatives to expand geographically. It has proposed to set up a plant in Gujarat and is open for potential inorganic growth opportunities outside India. They are also evaluating various recycling businesses/opportunities for further growth and diversification.

Zinc oxide domestic market share is growing; focus on diversification

Zinc oxide is an inorganic compound, white in color, and insoluble in water. Zinc oxide is present in the earth's crust as mineral zincite and usually contains manganese and other impurities. Hence for commercial use it is synthetically made from zinc metal or recycled from zinc scrap. Unlike a one-size-fits-all product, zinc oxide requires multiple grades to meet the specific needs of each user segment. Each customer within these segments demands unique specifications, necessitating tailored solutions to ensure optimal performance and satisfaction. JGCHEM manufactures 80+ grades for various end-user industries.

Exhibit 2: Zinc oxide – industry-wise revenue segmentation



Source: Company, Emkay Research

Zinc oxide largely caters to the demand from tire manufacturers as it is used as an activator for sulfur vulcanization for rubber which improves elasticity, resilience, and weather resistance. Without zinc oxide, rubber products cannot meet safety standards. Globally, 50% of the zinc oxide revenue comes from the rubber industry, while for JGCHEM, 80% of the revenue comes from tire manufacturers as 70% of the Indian rubber is consumed by them. Zinc oxide is also used in ceramics to reduce the melting temperature, while improving the intensity and elasticity of color glazes. Globally, and in India, 20-25% of zinc oxide revenue is generated from the ceramics industry. The balance of 10-25% of revenues comes from multiple end-use industries.

Exhibit 3: Zinc oxide applications and its benefits

Application	Benefits
Tire tubber	Used to produce vulcanized rubber for manufacturing tires, which improves elasticity, resilience, and weather resistance
Pharmaceuticals	Used in ointments and wound healing products as it has antiseptic and skin protecting properties
Alkaline batteries	It is used to have a higher energy density, so it can store more energy in a given volume, resulting in longer-lasting batteries
Oil & Gas	Used to produce zinc bromide used in oil well drilling fluids
Lubricants	Used as an additive
Ceramics	Used to reduce the melting temperature, while improving the intensity and elasticity of color glazes
Agrochemicals & Fertilizers	Used in plant protection products and fertilizers without any toxicity risk, boosting yield and growth of food crops
Pigments	Used in UV and stain blocking corrosion inhibition

Source: Company, Emkay Research

With a higher share of revenues from tire manufacturers, there is a strong visibility on volume and earnings as the customer approval process takes about 4-5 years leading to vendor stickiness. Tire manufacturers face stringent scrutiny from OEMs and are highly resistant to new suppliers due to the necessity of maintaining consistent quality. Typically, the tire manufacturers have 4-5 vendors from whom they source zinc oxide. Consequently, it becomes nearly impossible for new entrants to establish a large-scale facility, implement necessary systems, and secure approval. In terms of wallet share, zinc oxide accounts for 3-4% of the weight of the rubber compound, roughly less than 1% of the total tire cost. There is no direct substitute to zinc oxide for vulcanization.

JGCHEM has a lot of scope to gain market share in non-rubber applications by substituting imports for pharmaceutical industry and catering to the premiumization of the Indian market with newer applications across several end-user industries. The various derivatives of zinc zinc chemicals will help add new application areas and due to a lower base, the absolute growth will be much higher. Further, most of these have margin profile much higher than the existing businesses.

Exhibit 4: List of marquee customers covering major tire manufacturers of India



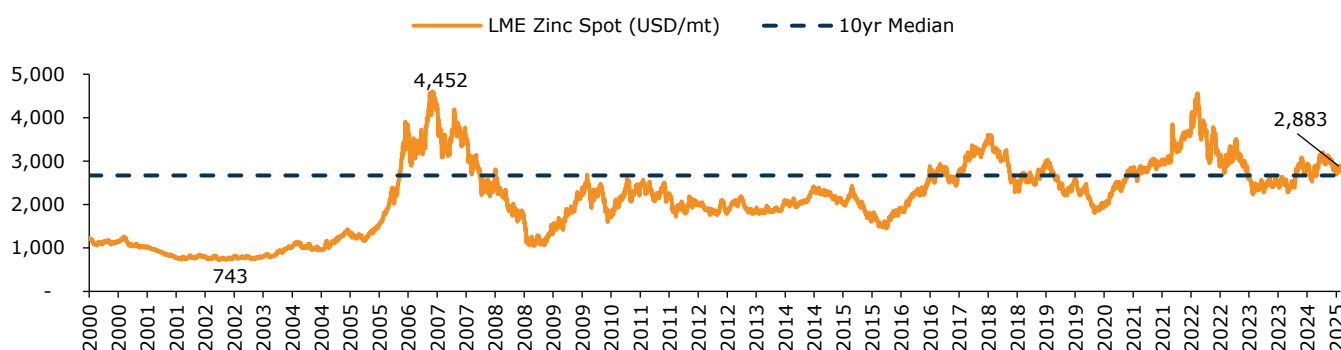
Source: Company

The demand for zinc oxide in India is ~130-135ktpa of which tire and rubber accounts for 90ktpa. The Indian zinc oxide industry is constituted by key organized players like JGCHEM, Rubamin, and Transpek-Silox. Together, they account for ~50% of the Indian zinc oxide market while rest of the market consist of various small zinc oxide producers. As a result, the industry is likely to see consolidation over the medium-to-long term. JGCHEM is likely to see 10-12% volume growth in the rubber segment while the tire demand is growing at 6-7% in India. The balance 30-35ktpa demand is for application in the ceramics industry.

Zinc oxide price follows zinc metal prices

Zinc oxide prices tend to move in line with that of zinc metal prices. Zinc metal trades on LME helping the producers as well as the customers to trade globally. The Russia-Ukraine war caused supply chain disruptions leading zinc prices to a high at the start of FY23 which resulted in high zinc oxide prices during the year at Rs260-280/kg in the domestic market. The purity range of zinc oxide ranges from 98.50% to 99.90% and within this various customers have various other specifications.

Exhibit 5: LME Zinc spot prices are USD2,780/mt (10-yr mean at USD2,670/mt)



Source: Industry, Emkay Research

The producers generally do not have a price risk as the same can be passed to the end-user, except for cases where the producer has back-to-back inventories, and prices are locked in with customers. Further, the large zinc oxide producers who cater to major institutional and quality-conscious buyers can command a better price on account of specific grades.

Creating entry barriers through efficient sourcing and hedging

Zinc oxide can be made from either zinc metal or zinc scrap (dross). Zinc scrap includes two main types: zinc dross and zinc ash. The availability of these raw materials affect the price and production of zinc oxide. Zinc oxide made from zinc metal is of high quality with a purity level of 99.9%. This high-quality zinc oxide is preferred for use in the pharma industry which derives better EBITDA margins.

Procuring zinc scrap for recycling presents significant challenges due to its limited availability from major domestic steel companies. This necessitates sourcing material internationally as no single supplier or country can satisfy the entire demand. Building a global network of suppliers requires a considerable amount of time, taking decades to establish business trust and personal relationships. This makes it difficult for new entrants in the market. Also, because of limited availability of zinc dross, traders prefer selling it to large buyers instead of small ones due to advance payment requirement.

The prices of zinc dross are in line with zinc metal index on LME. Thus, when JGCHEM buys the scrap internationally, and then converts it into zinc oxide, it generally sells at T minus 1 month. This mechanism provides the company a natural hedge to the volatility in prices. Also, the promoters have been in this business for decades now, ensuring their ability to purchase scrap at correct prices and sell at good prices.

Zinc oxide is made through three processes for commercial uses viz indirect process, direct process, and wet chemical process. Globally, French process is the dominant technology and all the major producers in Americas, Europe, and Asia have adopted this process. In the French process, the metallic zinc is melted in silicon carbide / graphite bonded crucibles vapor. It then reacts with oxygen in air to give zinc oxide. The other processes have limited use due to inferior product.

Zinc sulphate is the best-suited diversification product

Zinc sulphate is an inorganic compound which is used as a fertilizer and for medicinal purposes. It is majorly used in agricultural, fertilizers, and the pharmaceuticals industry. As per The Fertiliser Association of India, the zinc sulphate demand in India is ~220ktpa. It helps in improving the quality of crop and productivity of soil. Domestically, the demand for zinc sulphate is anticipated to rise considerably in the southern part of India due to zinc-deficient soil. Additionally, zinc sulphate is used as a supplement in animal feed.

Zinc sulphate capacity was commissioned in FY23 with 10ktpa capacity. Zinc ash is converted into zinc sulphate using ZLD technology. Currently, the zinc sulphate plant is operating at lower utilization levels and some portion of FY26 growth will come from ramp-up of this capacity. There are two products which are manufactured viz zinc sulphate heptahydrate (21% zinc content) and zinc sulphate monohydrate (33% zinc content). Zinc sulphate capacities can be added in their Gujarat plant as well since Gujarat soil is also zinc deficient.

Other applications in specialty chemicals industry

Zinc oxide is used in manufacturing of various other chemicals such as zinc stearate, zinc diacrylate, zinc borate, etc. These chemicals are further used in several applications such as plastics, rubbers, flame retardant materials, etc.

Exhibit 6: Multiple zinc based

Industry	Chemical	Use
Agricultural	Zinc sulphate	Encourages plant growth
	Zinc nitrate	Corrects zinc deficiencies
	Zinc EDTA	Chelating agent
Construction	Zinc borate	Smoke suppressant, flame retardant
	Zinc octoate & neo decanoate	Paint driers, PVC stabilizers
	Zinc phosphate	Corrosion resistance
Rubber	ZMBT, ZDMC, ZDEC, ZDBC	Accelerators
	Zinc stearate	Mold release agent
	Zinc diacrylate	Golf ball centers
Miscellaneous	Zinc bromide	Oil well drilling fluids
	Zinc citrate	Dental care, human nutrition
	Zinc chloride	Batteries, metallurgical fluxes
	Zinc gluconate	Zinc lozenges
	Zinc resinate	Printing inks

Source: Company, Emkay Research

Expansion projects to come in a timely manner

JGCHEM is looking to grow on three fronts viz: i) expanding production capabilities and broadening its manufacturing footprint; ii) diversifying product portfolio and entering new verticals; and iii) enhancing R&D efforts to advance chemical processes, drive product innovation, and improve cost efficiency.

Expanding production capabilities and broadening its manufacturing footprint

- JGCHEM will be setting up a plant in Gujarat to establish its presence in western India catering to the needs of the ceramic (morbi), pharmaceuticals (chemical hubs like Dahej, Jhagadia, Ankleshwar, Vapi), and tire industries (key customers).
- The company is exploring both organic and inorganic growth opportunities in Southeast Asian countries, enabling it to increase its market share in the overseas market. South-east Asia is the most suited for the expansion due to the below reasons:
 - Largest rubber exporter in the world
 - Expansion of capacities by international tire manufacturers
 - Favorable regulatory regime supportive of tire manufacturers

We believe that existing relationships with strong customer base in the region and demonstrated expertise in manufacturing of zinc oxide and specialty products, will facilitate the process and will enable them to acquire new customers.

Diversify product portfolio and enter new verticals

The company manufactures over 80+ grades of zinc oxide and has recently launched a zinc sulphate. Thus, the focus of the company remains to create a zinc sulphate brand. Also, they will gradually increase the production of pharma grade zinc oxide due to GMP certification. The company is evaluating adding zinc compounds, which is extensively used in electronics, petroleum, and environmental protection industries. There are many other zinc-based products used as specialty chemicals as mentioned in Exhibit 6.

The company is also exploring multiple other recycling opportunities to diversify away from their traditional zinc oxide business. Rubber recycling is a complementary business which is being evaluated due to requirements catering to existing customers and has a lot of scope as the end customer would be the tire industry.

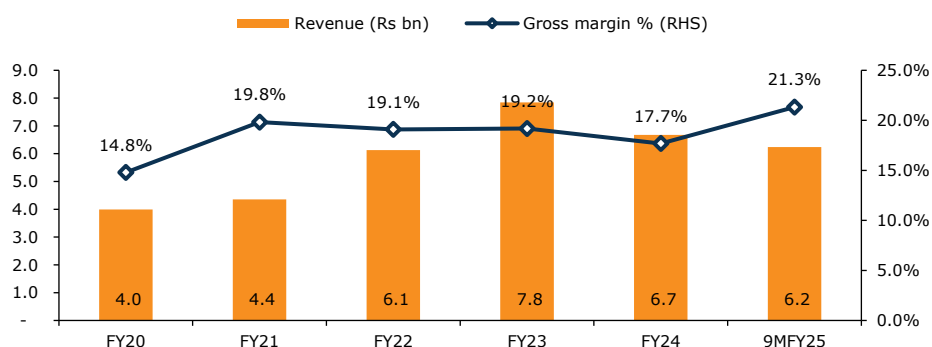
Enhancing R&D efforts

JGCHEM has strong R&D and in-house developed recycling technology for various forms of zinc waste / scrap. The IPO proceeds are being used to establish a separate R&D facility in Naidupeta, Andhra Pradesh to undertake complex innovations in their products for making the same available to pharmaceuticals, agrochemicals, and battery end-use industries, etc.

Financial analysis

The company has experienced sustainable growth with consistent capacity additions delivering revenue growth of 15% over FY21-24. 9MFY25 revenues came in at Rs6.2bn, falling 6% short of FY24 revenues. Sharp correction in zinc prices led to a decline in FY24 revenues, as the prices of zinc metal rebound further, the revenues are likely to remain at quarterly run rate of 9MFY25. Customers in the rubber industry have contributed ~90% to the overall revenues over the last couple of years. The company is looking to diversify its end-user industry base by setting up a plant in Gujarat to cater to ceramic and pharma customers.

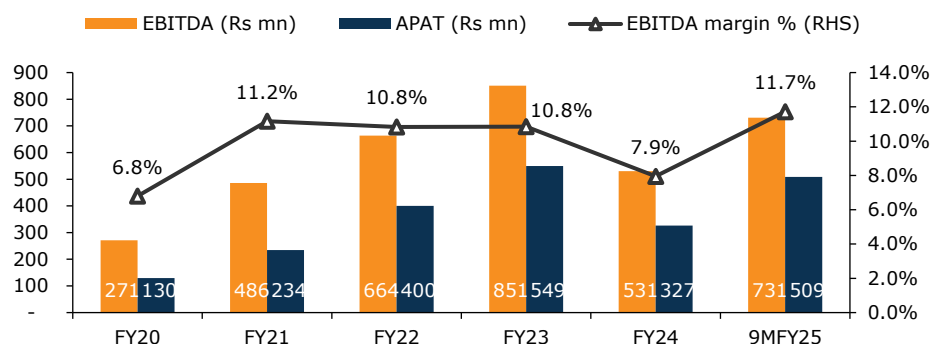
Exhibit 7: Revenue CAGR for FY21-24 came in at 15%



Source: Company, Emkay Research

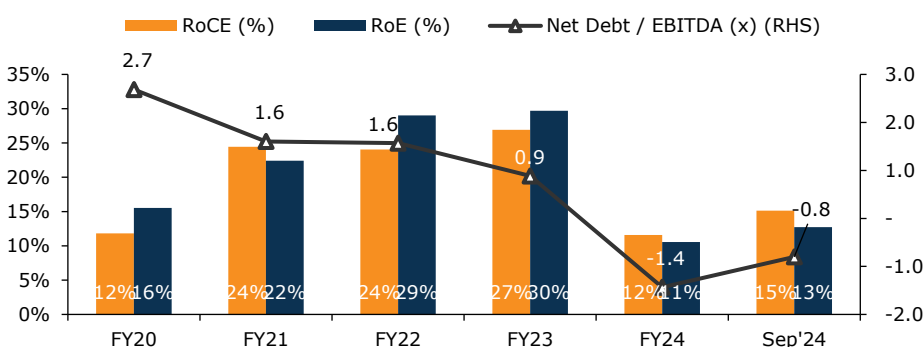
The gross margins have consistently remained in the range of 19-21%. Competitors who use a higher mix of virgin zinc metal and lower recycled zinc tend to have lower gross margins. JGCHEM uses 100% recycled zinc which has led to improvement in gross margins in FY25.

Exhibit 8: EBITDA margins have improved in the last three quarters due to operating leverage



Source: Company, Emkay Research; Note: EBITDA includes other income

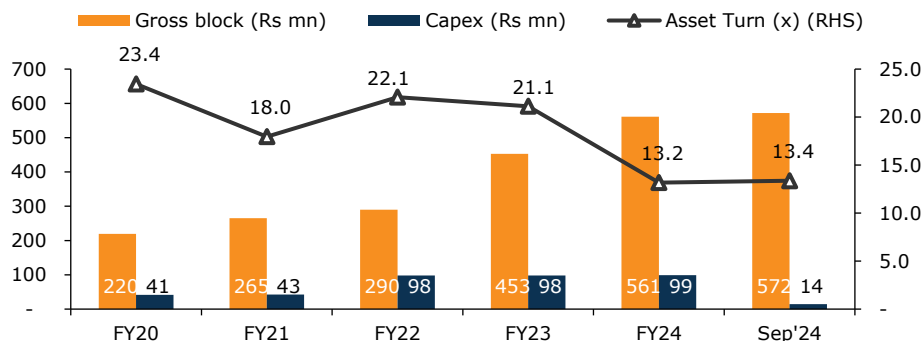
Exhibit 9: Lower margins and higher cash balance dragged RoCEs lower in FY24



Source: Company, Emkay Research

The return ratios corrected sharply in FY24 due to the IPO money received in the last quarter leading to a higher base. As of Sep-24, JGCHEM has Rs1.6bn of cash, bank balances, and investments on its books. The return ratios should improve once the money is invested in revenue-generating assets. The capex will be for purchasing land in Gujarat and investment in plant and machinery. Also, there can be inorganic expansion opportunities as well.

Exhibit 10: Asset turnover above 10x due to old, depreciated assets

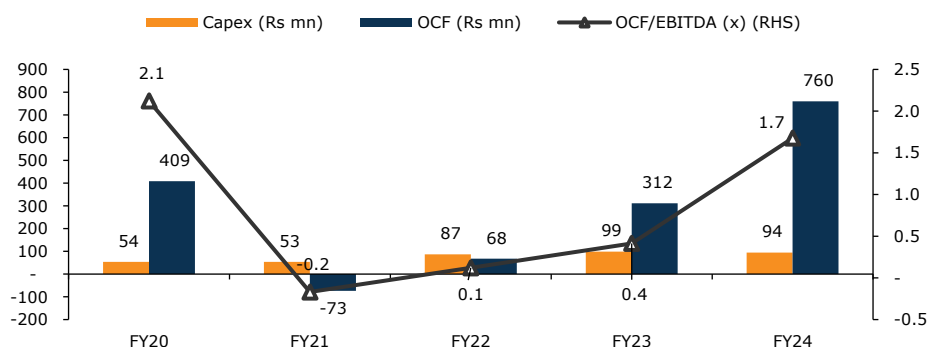


Source: Company, Emkay Research

The company's gross block has doubled over the last couple of years due to capex starting from FY22 across products (largely in their Naidupeta plant). The company's assets are old and have largely been depreciated, yielding better asset turns.

The company is generating adequate OCF to fund its existing capex. Also, it has IPO money which will be used to fund growth opportunities.

Exhibit 11: OCF to be sufficient to fund the capex



Source: Company, Emkay Research

JGCHEM's working capital days hover between 90-110. This is largely led by clearing out payables on a spot basis to buy zinc scrap from traders. On the contrary, the money gets stuck in receivables for 2 months. The company normally maintains 1-1.5 months of inventory due to tight availability of raw materials.

Exhibit 12: Stable working capital requirement

No of days	FY20	FY21	FY22	FY23	FY24	Sep-24
Inventory days	42	41	53	48	30	31
Receivable days	46	75	56	54	64	62
Payable days	3	6	3	4	4	3
Core Working Capital days	84	110	106	98	90	90

Source: Company, Emkay Research

JG Chemicals: Consolidated Financials and Valuations

Profit & Loss

Y/E (Rs mn)	FY20	FY21	FY22	FY23	FY24
Revenue	3,994	4,353	6,128	7,846	6,677
Revenue growth (%)	(5.7)	9.0	40.8	28.0	(14.9)
EBITDA	193	435	562	755	453
EBITDA growth (%)	(37.9)	125.8	29.1	34.4	(40.0)
Depreciation & Amortization	19	23	27	34	45
EBIT	174	412	535	721	408
EBIT growth (%)	(40.7)	136.6	29.9	34.7	(43.4)
Other operating income	-	-	-	-	-
Other income	79	51	102	96	78
Financial expense	62	51	63	50	36
PBT	191	412	574	767	449
Extraordinary items	0	0	0	0	(18)
Taxes	52	124	143	199	110
Minority interest	(10)	(54)	(31)	(18)	(13)
Income from JV/Associates	-	-	-	-	-
Reported PAT	130	234	400	549	309
PAT growth (%)	(30.9)	80.9	70.7	37.3	(43.8)
Adjusted PAT	130	234	400	549	327
Diluted EPS (Rs)	4.1	7.4	12.6	17.3	10.2
Diluted EPS growth (%)	(30.9)	80.9	70.7	37.3	(41.4)
DPS (Rs)	0	0	0	0	0
Dividend payout (%)	0	0	0	0	0
EBITDA margin (%)	4.8	10.0	9.2	9.6	6.8
EBIT margin (%)	4.4	9.5	8.7	9.2	6.1
Effective tax rate (%)	27.0	30.1	24.9	25.9	24.5
NOPLAT (pre-IndAS)	127	288	401	534	308
Shares outstanding (mn)	32	32	32	32	32

Source: Company, Emkay Research

Balance Sheet

Y/E (Rs mn)	FY20	FY21	FY22	FY23	FY24
Share capital	12	12	12	317	392
Reserves & Surplus	837	1,073	1,514	1,759	3,592
Net worth	850	1,085	1,526	2,077	3,984
Minority interests	52	105	40	59	71
Non-current liab. & prov.	(1)	1	-	6	(7)
Total debt	524	745	939	704	138
Total liabilities & equity	1,428	1,940	2,508	2,848	4,190
Net tangible fixed assets	202	224	224	353	417
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	3	-	74	9	0
Goodwill	6	6	0	0	0
Investments [JV/Associates]	58	86	85	30	112
Cash & equivalents	7	52	81	49	1,788
Current assets (ex-cash)	1,181	1,704	2,157	2,515	2,151
Current Liab. & Prov.	66	160	133	130	293
NWC (ex-cash)	1,116	1,544	2,023	2,384	1,858
Total assets	1,428	1,940	2,508	2,848	4,190
Net debt	517	693	859	655	(1,650)
Capital employed	1,428	1,940	2,508	2,848	4,190
Invested capital	1,323	1,774	2,247	2,737	2,275
BVPS (Rs)	26.8	34.2	48.1	65.5	123.9
Net Debt/Equity (x)	0.6	0.6	0.6	0.3	(0.4)
Net Debt/EBITDA (x)	2.7	1.6	1.5	0.9	(3.6)
Interest coverage (x)	4.1	9.1	10.2	16.4	13.4
RoCE (%)	35.5	27.5	28.7	30.6	13.8

Source: Company, Emkay Research

Cash flows

Y/E (Rs mn)	FY20	FY21	FY22	FY23	FY24
PBT (ex-other income)	112	361	472	671	372
Others (non-cash items)	75	25	77	84	79
Taxes paid	(58)	(92)	(157)	(195)	(105)
Change in NWC	(1,117)	(426)	(480)	(355)	514
Operating cash flow	409	(73)	68	312	760
Capital expenditure	(229)	(43)	(94)	(99)	(100)
Acquisition of business	(58)	(29)	1	55	(82)
Interest & dividend income	2	2	5	3	2
Investing cash flow	(113)	(56)	(54)	(49)	(1,399)
Equity raised/(repaid)	50	0	0	267	1,554
Debt raised/(repaid)	524	220	195	(236)	(566)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(62)	(51)	(63)	(50)	(36)
Dividend paid (incl tax)	0	0	0	0	0
Others	(808)	-	(134)	(267)	118
Financing cash flow	(295)	170	(2)	(286)	1,070
Net chg in Cash	-	40	11	(23)	431
OCF	409	(73)	68	312	760
Adj. OCF (w/o NWC chg.)	1,526	353	548	667	246
FCFF	179	(116)	(27)	213	659
FCFE	119	(165)	(84)	166	625
OCF/EBITDA (%)	212.2	(16.9)	12.0	41.3	167.7
FCFE/PAT (%)	92.1	(70.3)	(21.0)	30.2	202.5
FCFF/NOPLAT (%)	141.1	(40.4)	(6.7)	39.9	214.1

Source: Company, Emkay Research

Valuations and key Ratios

Y/E	FY20	FY21	FY22	FY23	FY24
P/E (x)	73.7	40.7	23.9	17.4	29.6
P/CE(x)	64.4	37.0	22.4	16.4	26.0
P/B (x)	11.2	8.8	6.3	4.6	2.4
EV/Sales (x)	2.5	2.4	1.7	1.3	1.5
EV/EBITDA (x)	52.3	23.5	18.5	13.5	22.4
EV/EBIT(x)	57.9	24.9	19.5	14.2	24.9
EV/IC (x)	7.6	5.8	4.6	3.7	4.5
FCFF yield (%)	1.8	(1.1)	(0.3)	2.1	6.5
FCFE yield (%)	1.2	(1.7)	(0.9)	1.7	5.3
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	3.2	5.4	6.5	7.0	4.9
Total asset turnover (x)	5.6	2.6	2.8	2.9	1.9
Assets/Equity (x)	1.7	1.7	1.7	1.5	1.2
RoE (%)	30.5	24.2	30.6	30.5	10.8
DuPont-RoIC					
NOPLAT margin (%)	3.2	6.6	6.6	6.8	4.6
IC turnover (x)	6.0	2.8	3.0	3.1	2.7
RoIC (%)	19.2	18.6	20.0	21.4	12.3
Operating metrics					
Core NWC days	102.0	129.5	120.5	110.9	101.6
Total NWC days	102.0	129.5	120.5	110.9	101.6
Fixed asset turnover	35.4	17.5	21.8	21.1	13.2
Opex-to-revenue (%)	10.0	9.8	9.9	9.6	10.9

Source: Company, Emkay Research

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com.

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

RESTRICTIONS ON DISTRIBUTION

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons¹ may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests² in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

¹ An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

² Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of March 16, 2025
- EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report

Disclosure of previous investment recommendation produced:

- EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
- EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of March 16, 2025
- EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the March 16, 2025
- EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
- EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
- EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

OTHER DISCLAIMERS AND DISCLOSURES:**Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) :-**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.

SESHADRI
KUMAR SEN

Digitally signed by
SESHADRI KUMAR SEN
Date: 2025.03.16
18:16:52 +05'30'

This report is intended for meet.vora@emkayglobal.com use and downloaded at 03/17/2025 01:18

Emkay Research is also available on www.emkayglobal.com and Bloomberg EMKAY<GO>. Please refer to the last page of the report on Restrictions on Distribution. In Singapore, this research report or research analyses may only be distributed to Institutional Investors, Expert Investors or Accredited Investors as defined in the Securities and Futures Act, Chapter 289 of Singapore.