

J.G. Chemicals Ltd (JGCHEM IN)

RM Fluctuations impacted margins, Outlook remains positive

INDIA | SMALLCAP | RESULT UPDATE

Key takeaways from Q4 & FY25

- The company reported revenue of Rs 2242 mn up 24% YoY for the quarter and Rs. 8479 mn up 27% YoY for FY25 led by strong demand across segments.
- The company's operating profit grew by 13% to ~Rs 195 mn on YoY basis and EBITDA margins stood at ~8.7%.
- During FY25 EBITDA stood at Rs. 861 mn up 90% YoY and margins stood at ~10.2% as compared to 6.8% in FY24.
- The company reported PAT of Rs 159 mn up ~18% on YoY basis for the quarter. PAT for FY25 stood at Rs. 668 mn up 108% YoY.

Major Management Meet highlights:

- The company has seen double digit volume growth in the zinc chemicals business supported by strong demand across segments like tyre, cosmetics, pharmaceuticals, specialty chemicals, agriculture, etc.
- There was a fall in zinc prices in Q4 which impacted realizations and gross margins.
- The contribution of non-rubber business increased to ~15% in FY25 (~10% in FY24) supported by strong growth in the agriculture, and pharmaceutical and specialty chemicals businesses which stood at 3.7% (1.2% in FY24) and 8.2% (6.9% in FY24) respectively.
- Rubber business will continue to drive growth however, over the next 3-4 years the non-rubber will grow faster and contribute to ~30% of topline.
- Land acquisition for Gujarat is the finalization stages and the plant should be commissioned by H1FY27. This plant will be primarily used for the zinc chemicals business i.e. Zinc oxide and other zinc derivatives.
- The utilization for zinc oxide was ~70% whereas the utilization for zinc sulphate was ~60%. The zinc oxide facility can go up to 85% utilization.
- The company has sufficient spare capacity to grow in FY26 and will carry out debottlenecking at Naidupeta to improve efficiency.
- The newly acquired Andhra Pradesh land parcel will be used for the rubber recycling business. The management should be able to share more details in H2FY26.
- The company is focused on expanding their product basket and is targeting ROE and ROCE of early twenties for any new product.
- The management is guiding for double digit volume growth in FY26 and operating margins of 11-12% in the medium term.

Outlook and view:

JGCL has delivered strong growth in FY25 supported by increased contribution of high margin products. Sustained demand from the tire industry and signs of a good monsoon augur well for JGCL. The company's focus on adding more value added products and entry into new segments will help diversify the business and transform the company's margin profile. We expect the operating margins to improve by 200-250 bps over the next 4-5 years.

We expect a CAGR growth of 21% / 25% / 26% for Revenue / EBITDA / PAT respectively for the period FY25-27e. We value the consolidated business at 18x FY27E earnings of INR 27.0/- with a revised target price of Rs. 485.6 an upside potential of 42.2%. 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	27.6	3.4	8.1%	9.9%
FY25	8479	861	668	17.0	20.3	14.5	2.9	14.4%	17.4%
FY26E	10390	1093	854	21.8	15.9	11.4	2.5	15.5%	18.5%
FY27E	12452	1348	1057	27.0	12.8	9.3	2.1	16.1%	19.3%

Source: Company, PhillipCapital India Research

21 May 2025

BUY (Maintain)

CMP Rs 341.6

TARGET Rs 485.6 (+42.2%)

COMPANY DATA

O/S SHARES (MN) :	39.2
MARKET CAP (RS MN) :	14263.7
MARKET CAP (USD MN) :	166.6
52 - WK HI/LO (RS) :	484/200
TRADING VOL. 3M (000) :	48.6
PAR VALUE (RS) :	10

SHARE HOLDING PATTERN, %

PROMOTERS :	71.0
FII / FPI :	6.1
FI / MF :	3.7
PUBLIC & OTHERS :	19.2

SHP as on March 2025

PRICE Vs. SENSEX



Source: PhillipCapital India Research

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Financials

Income Statement

Y/E March, Rs. Mn	FY24	FY25	FY26E	FY27E
Net sales	6,677	8,479	10,390	12,452
Growth %	-14.9%	27.0%	22.5%	19.8%
Raw Material Cost	5,496	6,738	8,208	9,775
Employee cost	165	184	226	276
Other expense	563	696	863	1,053
Total expense	6,224	7,618	9,298	11,103
EBITDA	453	861	1,093	1,348
EBITDA margin (%)	6.8%	10.2%	10.5%	10.8%
Depreciation	45	54	76	84
EBIT	408	807	1,017	1,264
Interest	36	8	-	-
Other income	78	100	125	149
PBT	449	899	1,142	1,413
Less: Taxation	110	231	288	356
Effective tax rate (%)	24.5%	25.7%	25.2%	25.2%
Recurring PAT	339	668	854	1,057
Growth %	-43.5%	107.9%	27.9%	23.8%
PAT margin (%)	5.1%	7.9%	8.2%	8.5%
Wtd. Avg. Shares (Mn)	39.2	39.2	39.2	39.2

Balance Sheet

Y/E March, Rs. Mn	FY24	FY25	FY26E	FY27E
Equity capital	392	392	392	392
Reserves	3,592	4,256	5,110	6,167
Net worth	3,984	4,648	5,501	6,559
NCI	71	99	71	71
Non Current Liabilities	40	10	5	5
Current Liabilities	395	224	202	232
Total liabilities	4,490	4,980	5,780	6,866
Net block	417	389	568	634
CWIP	-	11	50	-
Total fixed asset	417	400	618	634
Right of used asset	0	0	0	0
Other non current assets	134	138	136	136
Current assets				
Investment	321	390	390	390
Inventory	557	1,114	1,281	1,535
Debtors	1,167	1,419	1,822	2,183
Cash & bank Balance	1,467	1,055	1,075	1,530
Other Current assets	428	464	457	457
Total assets	4,490	4,980	5,781	6,866

Source: Company, PhillipCapital India Research

Cash Flow

Y/E March, Rs. Mn	FY24	FY25	FY26E	FY27E
PBT	449	899	1,142	1,413
Depreciation	45	54	76	84
Tax paid	110	231	288	356
Change in WC/other adjustment	329	1,086	586	585
Cash Flow from Operating activities	55	(365)	344	556
Capital Expenditure	100	37	294	100
Other intangible asset	0	(0)	0	-
Others	81	4	(2)	-
Cash Flow from Investing activities	182	41	292	100
Change in Equity	1,568	(4)	0	(0)
Change in Debt	(31)	(36)	(0)	-
Others	8	33	(32)	-
Cash Flow from Financing activities	1,545	(7)	(33)	(0)

Valuation Ratios

Y/E March, Rs. Mn	FY24	FY25	FY26E	FY27E
EPS	8.7	17.0	21.8	27.0
Book NAV / Share	102	119	140	167
DPS	-	-	-	-

Growth Ratios

Net Sales (%)	-14.9%	27.0%	22.5%	19.8%
EBITDA (%)	-40.0%	90.1%	26.9%	23.4%
PAT (%)	-40.3%	96.9%	27.9%	23.8%

Return Ratios

ROE (%)	8.1%	14.4%	15.5%	16.1%
ROCE (%)	9.9%	17.4%	18.5%	19.3%

Turnover Ratios

Asset Turnover (x)	1.5	1.7	1.8	1.8
Fixed asset turnover (x)	16.0	21.2	16.8	19.6
Receivable Days	64	61	64	64
Inventory Days	30	48	45	45
Payable Days	5	8	5	5

Liquidity Ratios

Current Ratio (x)	10.0	19.8	24.8	26.3
Interest Cover (x)	11.2	95.3	NA	NA
Total Debt / Equity (x)	0.6	0.3	0.0	0.0

Valuation Ratios

PER (x)	19.9	20.3	15.9	12.8
Price / Book (x)	3.4	2.9	2.5	2.1
Price / Sales (x)	1.0	1.6	1.3	1.1
EV / Sales (x)	1.9	1.5	1.2	1.0
EV / EBITDA (x)	27.6	14.5	11.4	9.3

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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