JTL

nuvama institutional equities

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	77
12 month price target (INR)	110
52 Week High/Low	124/60
Market cap (INR bn/USD bn)	31/0.4
Free float (%)	51.09
Avg. daily value traded (INR mn)	168.3

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	48.91%	48.91%	48.91%
FII	4.44%	4.86%	5.00%
DII	3.36%	3.04%	2.22%
Pledge			

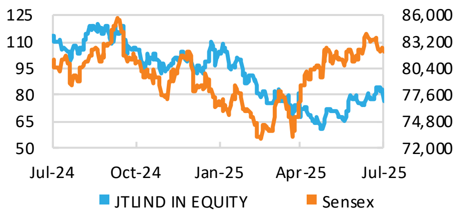
FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	19,163	26,184	36,413	48,355
EBITDA	1,230	1,849	3,151	4,440
Adjusted profit	988	1,278	2,151	3,035
Diluted EPS (INR)	5.7	2.9	4.9	6.9
EPS growth (%)	(12.6)	(48.9)	68.4	41.1
RoAE (%)	9.9	8.4	11.0	13.7
P/E (x)	13.5	26.4	15.7	11.1
EV/EBITDA (x)	11.0	5.5	4.0	3.2
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	26,184	36,413	-4	-17
EBITDA	1,849	3,151	-13	-13
Adjusted profit	1,278	2,151	-14	-14
Diluted EPS (INR)	3.3	5.5	-14	-14

PRICE PERFORMANCE



EBITDA/ton slides; H1 volume miss likely

JTL Industries (JTL) posted weak Q1FY26 results. While volumes surged 26% YoY (up 32% QoQ), EBITDA/ton plunged 48% YoY (down 32% QoQ) to INR2,156 (our estimate: INR3,500). Weakness was due to: i) inventory losses of INR1,000/ton; ii) higher discounting for DFT pipes; and iii) change in product mix. While JTL may miss H1FY26 guidance of 250,000tons, it is eyeing 500,000tons for FY26. Moreover, EBITDA/ton guidance is now down to INR4000 from INR4,200–4,400 earlier.

Given a subdued showing and weak commentary, we are cutting FY26E/27E/28E EPS by 14% each. Considering the constant underperformance, we are cutting target multiple from 22x to 18x. Retain 'BUY' as we roll forward to TP of INR110 (earlier INR123).

Targeting 500,000tons in FY26 and 30%-plus growth in FY27

While JTL's volumes rose 26% YoY to ~108ktons, revenue grew just 5.5% YoY. While the company could miss its H1FY26 initial guidance of 250,000tons, it anticipates to achieve volumes of 500,000tons in FY26 as it covers up the deficit as new capacities ramp up in H2FY26. VAP share fell to 22% falling short of its long-term 50% guidance. JTL however expects this to climb up as value added sales from the new DFT line rise.

EBITDA/ton hurt by inventory losses and discounting

EBITDA/ton plunged 48% YoY during the quarter to INR2,156 on the back of : i)Fall in HRC prices in June 2025 leading to INR1,000 per tonne inventory loss. ii) Price dips in new DFT products to create a mark in the market. iii) Higher sales of small diameter DFT pipes (non-VAP). iv) Increased certification and freight costs. JTL is now guiding for EBITDA/ton of INR4,000 as the share of value-added products from the new DFT line and ERW pipes line along with the new brass and copper products rise. During the quarter, the share of VAP deteriorated to 22% (34% in Q4FY25), which is likely to improve again in the coming quarters.

Capacity expansion underway

The company recently announced a capacity expansion aimed at ERW pipes targeting the ASTM/API grade market with an annual capacity of 300,000tons likely to be commissioned within a year. This expansion should expand JTL's footprints to segments such as water transmission, oil & gas and CGD. Furthermore, the company is also adding 400,000tons of capacity for GI coils and 600,000tons of colour coated product range likely to be commissioned by Q3FY26 and H1FY27. JTL is working towards diversifying across sectors.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	5,439	5,154	5.5	4,695	15.8
EBITDA	234	397	(41.1)	178	31.1
Adjusted Profit	165	307	(46.1)	168	(1.6)
Diluted EPS (INR)	1.0	1.7	(43.9)	1.0	(1.6)

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Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	19,163	26,184	36,413	48,355
Gross profit	2,338	3,142	4,370	5,803
Employee costs	278	292	307	322
Other expenses	831	998	909	1,037
EBITDA	1,230	1,849	3,151	4,440
Depreciation	93	166	247	329
Less: Interest expense	45	91	91	91
Add: Other income	224	112	56	27
Profit before tax	1,316	1,704	2,868	4,046
Prov for tax	328	426	717	1,012
Less: Other adj	0	0	0	0
Reported profit	988	1,278	2,151	3,035
Less: Excp.item (net)	0	0	0	0
Adjusted profit	988	1,278	2,151	3,035
Diluted shares o/s	173	439	439	439
Adjusted diluted EPS	5.7	2.9	4.9	6.9
DPS (INR)	0	0	0	0
Tax rate (%)	24.9	25.0	25.0	25.0

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	393	393	393	393
Reserves	11,793	18,021	20,172	23,207
Shareholders funds	12,186	18,414	20,566	23,600
Minority interest	0	0	0	0
Borrowings	762	762	762	762
Trade payables	226	442	615	816
Other liabs & prov	41	41	41	41
Total liabilities	13,391	19,848	22,188	25,441
Net block	2,184	4,518	6,271	7,941
Intangible assets	0	0	0	0
Capital WIP	665	0	0	0
Total fixed assets	2,849	4,518	6,271	7,941
Non current inv	103	214	237	260
Cash/cash equivalent	841	4,274	1,908	74
Sundry debtors	2,799	3,228	4,489	5,962
Loans & advances	0	0	0	0
Other assets	6,142	7,550	9,220	11,141
Total assets	13,391	19,848	22,188	25,441

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Capex (INR mn)	244.1	350.0	150.0	150.0
Jobwork % of Sales	3.5	3.5	3.5	3.5
Fuel cost % of Sales	2.2	2.2	2.2	2.2
EBITDA margin (%)	6.4	7.1	8.7	9.2
Net profit margin (%)	5.2	4.9	5.9	6.3
Revenue growth (% YoY)	(6.1)	36.6	39.1	32.8
EBITDA growth (% YoY)	(19.2)	50.4	70.4	40.9
Adj. profit growth (%)	(12.6)	29.3	68.4	41.1

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	1,306	1,704	2,868	4,046
Add: Depreciation	93	166	247	329
Interest (net of tax)	(87)	(21)	35	65
Others	(15)	0	0	0
Less: Changes in WC	(3,411)	(1,011)	(2,679)	(3,110)
Operating cash flow	(2,457)	412	(245)	318
Less: Capex	(1,780)	(1,835)	(2,000)	(2,000)
Free cash flow	(4,237)	(1,423)	(2,245)	(1,682)

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	6.2	6.2
Repo rate (%)	6.0	5.0	6.5	6.5
USD/INR (average)	84.0	82.0	81.0	81.0
Manuf expns % Sales	7.6	7.6	7.6	7.6
Employee % of Sales	15.9	14.5	14.2	14.2
Freight out % of Sales	1.5	1.5	1.5	1.5
Travelling % of Sales	1.2	1.2	1.2	1.2
Depre % of gross block	9.0	9.5	8.7	8.7
Interest % of debt	14.5	12.0	12.0	12.0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	9.9	8.4	11.0	13.7
RoCE (%)	13.0	11.2	14.6	18.1
Inventory days	40	42	43	44
Receivable days	45	42	39	39
Payable days	5	5	6	6
Working cap (% sales)	49.7	55.7	41.1	33.8
Gross debt/equity (x)	0.1	0	0	0
Net debt/equity (x)	0	(0.2)	(0.1)	0
Interest coverage (x)	25.1	18.4	31.8	45.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	13.5	26.4	15.7	11.1
Price/BV (x)	1.1	1.8	1.6	1.4
EV/EBITDA (x)	11.0	5.5	4.0	3.2
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(12.6)	(48.9)	68.4	41.1
RoE (%)	9.9	8.4	11.0	13.7
EBITDA growth (%)	(19.2)	50.4	70.4	40.9
Payout ratio (%)	0	0	0	0

Q1FY26 conference call: Key highlights

Opening remarks

- Continuous investment in technology continues to provide the edge to the company in the industry
- VAP counted for 20% of sales mix
- Brass coil production introduced through job work with partner catering to defence, aerospace and allied categories.
- The company's goal is to enter a high-demand market with limited competition.
- Focus is not only on return, but to the make the company's products irreplaceable.

Guidance

- 500,000tons of volumes in FY26 with a 30% volume growth in FY27.
- EBITDA/ton guidance of INR4000 maintained for FY26 with ambition of FY28 EBITDA of INR5,000-plus
- The company is looking at 50–60% growth in DFT
- While the company might miss the 2.5mn tons of volumes in H1Y26, it shall cover the deficit as the company ramps up its new capacities.

EBITDA/ton

- Underperformance since the last quarter has been because of –
  - Duty being implemented in Apr-25 resulting in a jump in HRC prices in April and May followed by a fall in June.
  - DFT had been commissioned in March, materials had been shipped to various dealers and other states. Certain pricing dips were taken for the product to gain popularity.
  - Obtaining BIS and other certifications.
  - The product was sent to Gujarat, MP and Chhattisgarh by incurring higher freight costs coupled with price cuts.
- Inventory loss would be close to INR1,000/ton.
- Most DFT pipes sold were in a smaller pipe category and do not come in the VAP category. This should correct as the capacity ramps up
- INR4,000 EBITDA/ton guidance to be maintained for FY26 as
  - DFT pipes shall provide 6–7k/ton and should therefore propel the EBITDA/ton.
- EBITDA/ton for FY27:
  - Most of the new products are new for the company and therefore the company might have to undersell in order to get its product noticed in the market.

- The company had inventory losses in June as HRC prices started to correct.
- The company is carrying 20–25 days of high cost inventory and therefore most of the inventory losses have been booked in Q1FY26.

Product categories

- The company produces
  - GI pipes
  - Black pipes
  - DFT
- DFT could not be categorised as value added due to most of the recent sales being general grade.
- VAP breakdown:
- ~22,000 tons of VAP is majorly galvanised iron pipes
- 8,000tons of DFT pipes sold in the general category (general range)

Miscellaneous

- Steel prices in Q1 and Q2 usually fluctuate due to monsoons, but by Q3 and Q4 these losses set themselves off.
- The company has to maintain at least 100,000tons of materials to provide it to dealers quickly.
- Realisation for Q1FY26 fell due to higher black pipe sales. However, the major reason was a fall in HRC prices.
- GI line and 300kt ERW API grade plant should aid realisation going ahead, but initially discounts shall be provided to penetrate the market. The facility shall take six months to ramp up.
- Whatever gain that was realised in the first two months of the quarter form the imposition of duty were nullified by the fall in HRC prices in June.
- The company is expanding its SKU range with the API grade capacity
- Pre coated coils an sheets
- DFT was structural tubes
- Capex incurred in the first quarters: INR500mn; this should be the run rate, Total capex for FY26: INR2.4–2.5bn
- Major interest cost has been higher due to the clubbing of JTL Engineering.
- 55% of the produce is sold through distributors
- Acceptance for the DFT products has been phenomenal and the company is seeing strong demand for the products in the second quarter.

Exports

- Exports have been facing pressure due to tariffs from the Trump administration. The company is currently offering products to the European market as there has been no demand from the American market.

Exhibit 1: Financial snapshot

Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change
Revenues	5,439	5,154	5.5	4,695	15.8
Raw material	4,830	4,507	7.2	4,169	15.9
Staff costs	101	62	63.2	84	20.4
Others	274	188	45.3	263	3.9
Total expenditure	5,205	4,757	9.4	4,516	15.2
EBITDA	234	397	(41.1)	178	31.1
Depreciation	44	19	135.4	30	47.9
EBIT	189	378	(49.9)	148	27.7
Less: Interest Expense	28	13	121.3	13	117.4
Add: Other income	57	42	37.5	88	(35.0)
Add: Prior period items					
Add: Exceptional items	0	0		0	
Profit Before Tax	219	407	(46.2)	224	(2.2)
Less: Provision for Tax	53	100	(46.7)	56	(3.9)
Less: Minority Interest	0	0		0	
Add: Share of profit from associates					
Exceptional Items(Net of tax)					
Reported Profit	165	307	(46.1)	168	(1.6)
Adjusted Profit	165	307	(46.1)	168	(1.6)
No. of Diluted shares outstanding (mn)	170	177		170	
Adjusted Diluted EPS	1.0	1.7	(43.9)	1.0	(1.6)
P/E (x)					
EV/EBITDA (x)					
ROE (%)					
As % of net revenues	0	0	0	0	0
Raw material	89	87		89	
Staff expenses	1.9	1.2		1.8	
Other expenses	5	4		6	
EBITDA	4.3	7.7	(3.4)	3.8	
Net profit	3	6		4	

Source: Company, Nuvama Research

Company Description

Incorporated in 1991, JTL Industries Limited (formerly known as JTL Infra) is the flagship company of the Jagan Group of companies. JTL specialises in production of ERW black pipes. The company has expanded its offering by including value-added products such as hot dipped galvanised steel tubes and pipes, solar module mounting structures and large diameter steel tubes and pipes. JTL has a vast product range of 1,000+ SKUs and a network of over 1,000-plus dealers and distributors.

The company operates from four state-of-the-art manufacturing facilities at strategic locations across India, including two plants in Punjab (Dera Bassi and Mandi Gobindgarh), one in Maharashtra (Mangaon), one in Chhattisgarh (Raipur) through amalgamation with promoter-held Chetan Industries with capacity totalling 586KTPA and recently acquired Nabha Steels and Metals (Mandi Gobindgarh), which shall add another 300KTPA through backward integration. Furthermore, the company has a pan-India presence and global reach, serving continents such as Europe, Africa, Asia, Australia and North America.

Investment Theme

JTL merged with Chetan Industries. Besides, the new plant helped JTL integrate backwards, resulting in cost synergies. Furthermore, the plant located in Raipur is in proximity to cheaper raw materials and provides the company access to east India, not to mention the the 150ktpa hot mill improves backward integration and opens up cost synergies. In line with its strategy, JTL bought out a 67% stake in Nabha Steel. This helps increase JTL's total backward integration capacity from 150,000 tonnes of coils (previously concentrated solely at the Raipur plant) to 250,000 tonnes of coils with backward integrated operations now diversified to two locations: Chhattisgarh and Punjab. JTL’s volumes increased at a blistering ~43% CAGR over the past five years. The company has gradually gained market share led by: i) capacity addition; and ii) widespread manufacturing and distribution. Capacity almost trebled from 200,000 tonnes/year in FY20 to 586,000 tonnes/year in FY23. JTL is likely to expand its total capacity to 1mtpa by FY25E and 2mtpa by FY28E. Consequently, JTL can turn in a 29% CAGR in volume over FY24–27E and capture market share incrementally.

Key Risks

- Slowdown in economy or steel sector
- Fluctuations in steel prices
- Shift from galvanised pipes to PVC pipes

Additional Data

Management

MD	Madan Mohan Singla
NED	Mithan Lal Singla
WTD	Pranav Singla
WTD	Dhruv Singla
CFO	Atul Garg

Holdings – Top 10*

	% Holding		% Holding
LIC MF	1.48	Goldman Mauriti	0.29
BNP Paribas	1.41	Neomile	0.25
BOFA Securities	0.81	Saint Capital	0.20
Morgan Stanley	0.56	Zeta Global	0.11
Astorne Capital	0.31	Societe General	0.09

**Latest public data*

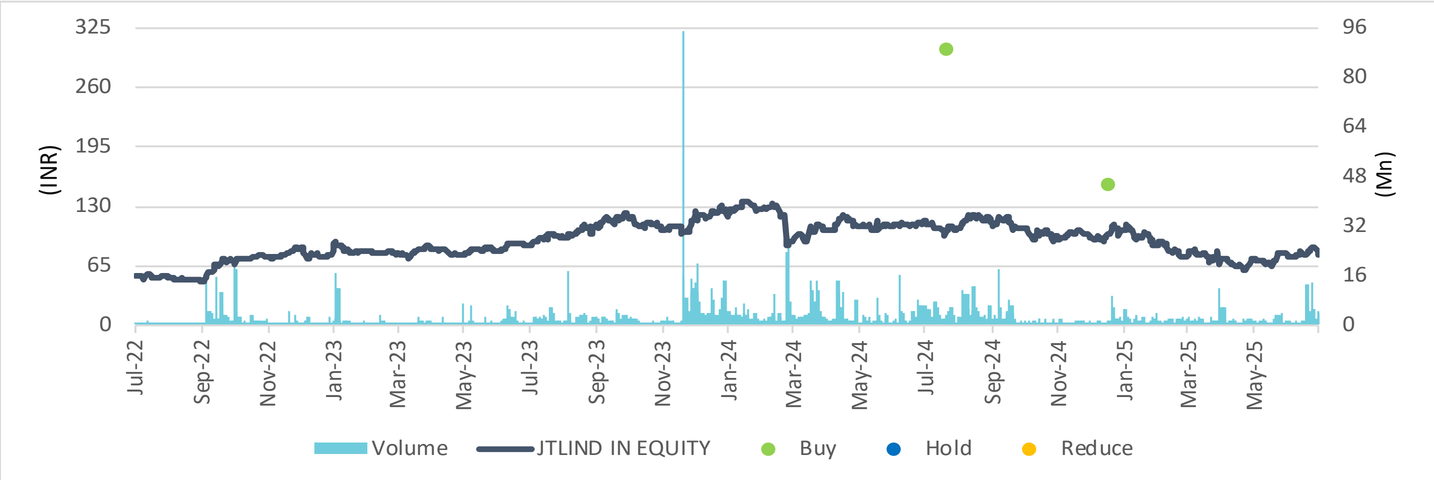
Recent Company Research

Date	Title	Price	Reco
01-Jul-25	Volume strong; profit could face pressur; *Company Update*	79	Buy
27-May-25	Subdued year; hopeful outlook; *Result Update*	72	Buy
01-Apr-25	Weak volumes; DFT now in place; *Company Update*	79	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
04-Jul-25	Home Decor	Demand subdued; margins to take a hit; *Sector Update*
01-Jul-25	Venus Pipes	Booster shot for welded pipes exports; *Company Update*
01-Jul-25	APL Apollo	Demand dries up; volumes lose steam; *Company Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	203
Hold	<15% and >-5%	64
Reduce	<-5%	36

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