JTL Industries BUY

Metal and Mining | Initiating and Q3FY25 Earnings

CMP: Rs.95 | TP: Rs 141 | Upside 48%

On track for the next leg of margin expansion

We are initiating coverage on JTL Industries (JTLIND) with 'Buy' rating and TP of Rs 141 valuing at 22x FY27E earnings (P/E basis). JTLIND is among India's leading producer of structural steel tubes, boasting an installed capacity of 686 KTPA as of end-3QFY25. The company aims to increase its total installed capacity to 1 mtpa by FY25 end and raise it to 2 mtpa by FY27E. Management's FY25/26E sales volume guidance is 380 KT/ 600 KT.

We believe that ramp-up of the new DFT line along with higher capacity utilization will enhance top-line, while improvements in product portfolio via greater proportion of value-added products will support margins. 9MFY25 witnessed the best-ever 9M sales volume (exports doubled from 9MFY24). The company's volume expansion plan, aggressive market share augmentation and product mix improvement initiatives are key positives. We expect Revenue/ EBITDA/PAT CAGR of 37/51/46% over FY25-27E. The stock is currently trading at P/E of 19/15 on FY26/FY7E EPS. Initiate 'Buy' rating.

Shift from conventional building materials to steel pipes/tubes

The faster pace of execution (due to life cycle cost, and end-of-life scrap recovery) makes structural steel a better alternative to conventional building products. For instance, steel tube structures take 8 days per slab as compared to 24 days per slab in RCC structures. JTLIND's demonstrated capability wherein the superstructure gets ready 65% faster, combined with its long-time market presence & brand positioning make it a go-to solution for structural steel tubes.

Steady impetus from housing & infrastructure to drive demand

Government's infrastructure impetus, robust demand for housing, ongoing metro railway projects, airports, railway station redevelopments, and warehousing applications continue to remain robust demand drivers for structural steel pipes/tubes. JTLIND's pan-India presence (implying stronger market penetration across geographies) and wide portfolio (more than 1,000 SKUs) give a significant competitive edge over peers.

Installed capacity to reach 2 mtpa by FY27

JTLIND's current capacity is at 686 KTPA (100 KTPA added in 3QFY25 at Raipur). The addition of 200 KTPA DFT line along with 14 KTPA brownfield expansion would translate to 1 mtpa installed capacity by FY25 end. The company further plans to raise capacity to 2 mtpa by FY27 (at an estimated cost of Rs. 10 bn; well-funded to manage capex, implying leverage levels would remain low).

Higher share of value-added products to improve EBITDA/ton

9MFY25 witnessed EBITDA/ton of Rs 3,979, while management expects it to reach a sustainable level of Rs 5,000-5,500 in the medium term, supported by VAP proportion of ~55-60% by FY27E.

DOLAT CAPITAL
IN-DEPTH-PRECISE-ACTIONABLE

Key Data

Nifty	23,361
Equity / FV	Rs 393mn / Rs 1
Market Cap	Rs 37bn
	USD 429.8mn
52-Week High/Low	Rs 139/ 84
Avg. Volume (no)	1,381,430
Bloom Code	JTLIND IN

Stock Performance (%)

Particulars	1M	3M	12M
Absolute (%)	(4)	(6)	(29)
Rel to NIFTY (%)	(1)	(3)	(36)

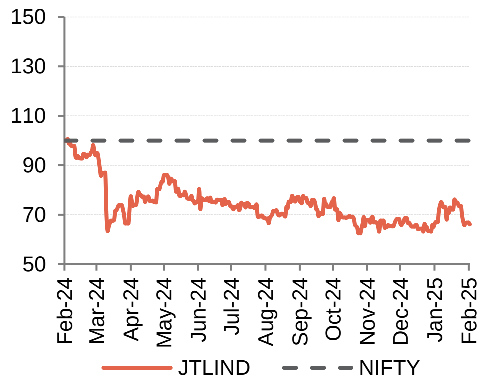
Shareholding Pattern

Particulars	Jun'24	Sep'24	Dec'24
Promoters	50.2	48.9	48.9
MF/Banks/FIs	1.9	1.6	2.2
FIIs	10.1	5.6	5.0
Public / Others	37.8	43.9	43.9

Financials (Rs bn)

Particulars	FY24A	FY25E	FY26E	FY27E
Revenue	20	22	35	42
Growth (%)	31.6	9.1	57.2	19.4
EBITDA	2	2	3	3
OPM (%)	7.5	6.8	7.7	8.3
PAT	1	1	2	3
Growth (%)	23.9	3.5	69.1	27.1
EPS (Rs.)	2.9	3.0	5.0	6.4
Growth (%)	23.9	3.5	69.1	27.1
PER (x)	33.1	32.0	18.9	14.9
ROANW (%)	19.1	11.5	14.6	16.0
ROACE (%)	18.7	11.4	14.5	15.9

Company relative to NIFTY



VP - Research: Suman Kumar
+91 22 40969740
sumank@dolatcapital.com

Associate: Shivani Tanna
+91 22 40969725
shivanit@dolatcapital.com

About the Company

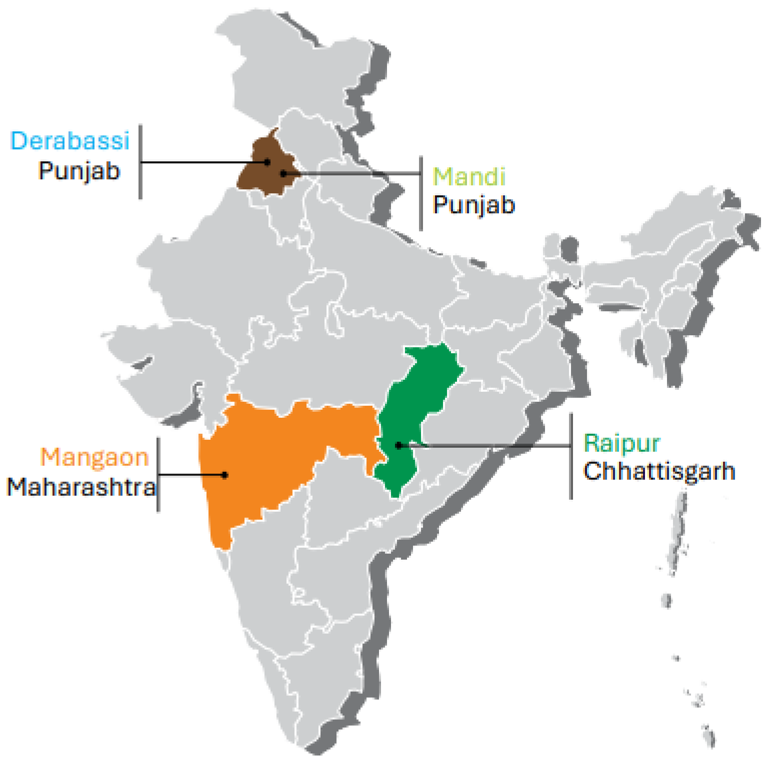
JTL Industries (JTLIND- incorporated in 1991) is one of India's prominent producers of Electric Resistance Welded (ERW) steel pipes. Its product mix consists of 1,000+ SKUs including black, welded pipes, galvanized steel pipes and large-diameter structural steel tubes & pipes. The company has a total **current installed manufacturing capacity of 686 KTPA** (of which ~300 KTPA of secondary steel/Patra-based pipes are backward integrated). Completion of the ongoing capacity expansion would raise it to 1 mtpa by FY25 end, while the company plans to further raise it to 2 mtpa by FY27E (at an estimated cost of Rs 10 bn). The spatial distribution of its 5 facilities not only enables a pan-Indian presence but also facilitates export to over 20 countries across five continents.

Details of Manufacturing Units

JTLIND has 5 facilities – 3 of which are in Punjab- Derabassi, Mandi (one unit of the company and one of recently acquired Nabha Steel), one unit in Raipur, Chhattisgarh and one in Mangaon, Maharashtra. **All the 5 units have galvanization facilities**. Approx. 300 KTPA of backward integration in Chhattisgarh and Mandi plants helps the company have a footprint in both primary (HRC-based) and secondary (scrap/Patra-based) steel pipes. **The company also has a land bank of ~130 acres**, which can support greenfield expansions in the long term.

These facilities enable the company to have a strong presence in Northern, Eastern and Western markets of India (with about 1,000 distributors and retailers) with the Mangaon plant's proximity to JNPT port aiding export opportunities.

Exhibit 1: Footprint of JTLIND



Source: Company, Dolat Capital

Exhibit 2: JTLIND's product offering

Product	Application
MS Black Hollow Section Pipes	Liquid transmission, scaffolding, and structural support
Hot-Dipped Galvanised Steel Tubes and Pipes	Critical infrastructure like oil & gas and solar projects
Pre-Galvanised Steel Tubes and Pipes	
Solar Module Mounting Structures/Panels	Designed to securely attach solar panels to a variety of surfaces such as roofs, building facades, or the ground
Steel Tubular Poles	Designed to meet the rigorous demands of various infrastructure projects
Road Crash Barrier	Engineered for maximum impact resistance and safety, ensuring reliable protection on highways and roads

Source: Company, Dolat Capital

Industry Snapshot

Structural steel, known for its high strength, durability, and ductility, is essential for constructing high-rise buildings, bridges, airports, railway stations, and other infrastructure. Its recyclability and prefabrication capabilities make it a sustainable and efficient choice, enabling faster construction and reduced project timelines. In India, the structural steel market is set to grow due to increasing demand from the manufacturing sector, a shift toward pre-engineered buildings, and Government-led infrastructure projects like metro stations, airports, industrial corridors, power plants, and ports.

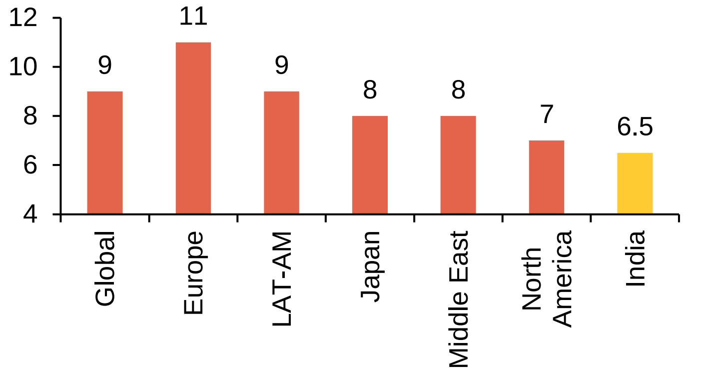
According to the Confederation of Real Estate Developers' Association of India (CREDAI), the real estate sector is projected to reach USD 1.3 trn (13.8% of projected GDP) by FY34 and USD 5.2 trn (17.5% of projected GDP) by FY47. CREDAI has projected an incremental 70 mn additional housing demand by 2030. With organized developers looking at incrementally developing gated communities, high-rises and villas (all of which necessitate greater usage of structural steel pipes/tubes) at a faster pace (typically execution happens faster with structural steel as opposed to conventional concrete/brick and mortar methods) – the real estate sector is poised to remain a major growth driver for structural steel consumption.

According to a CREDAI-CRE Matrix study, **the supply of India's prime workplaces is expected to touch 1 bn sq. ft. in tier-I cities** led by robust industry fundamentals and sustained demand by 2030 from the current level of 700 mn sq. ft. grade A offices.

The Indian data center industry has grown from occupying 2.7 mn sq. ft. in 2017 to 11 mn sq. ft. in 2023. **The industry is further set for expansion, requiring an additional 10 mn sq. ft. of real estate space** and attracting investments totalling USD 5.7 bn, according to a report by real estate consultancy JLL. All such projects would remain robust drivers for structural steel sections/pipes/tubes.

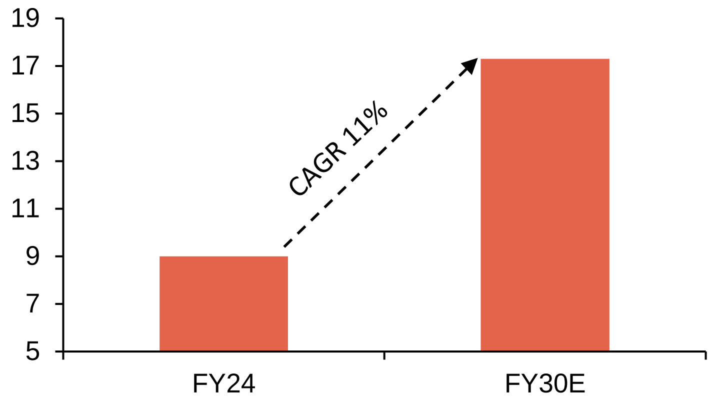
As shown below, **the company expects the structural steel tubes market to rise from 9 mtpa in FY24 to 17.3 mtpa by FY30, implying a CAGR of ~10%**. Structural steel tubes a percentage of the steel market stood at 6.5% in FY24 for India, as against the global average of 9% (indicating further potential for growth; the company expects it to reach 8.3% in FY30).

Exhibit 3: Structural steel tubes as % of steel market



Source: Company, Dolat Capital

Exhibit 4: Structural steel tubes in India (Mn Ton)



Source: Company, Dolat Capital

Exhibit 5: Downstream sectors and outlook

Sectors	Outlook
Capital Goods	The capital goods sector is expected to witness robust growth, projected at a rate of 14-15% by FY25-26. This will be driven by increased investments in machinery and equipment manufacturing, consequently boosting the demand for steel in this segment.
Warehousing	The Indian warehousing market is forecasted to grow significantly, reaching USD 34.99 bn by CY27. This growth, with a CAGR of 15.64%, will drive substantial demand for steel in the construction warehouses and logistics infrastructure.
Water Sanitation	With a substantial budget allocation of Rs. 700 bn, the Jal Jeevan Mission aims to provide piped water to 180mn rural households. This initiative is expected to generate considerable demand for steel pipes and infrastructure in the water sanitation sector.
Renewable Energy	India's ambitious target of achieving 500 GW of renewable energy capacity by 2030 will drive significant demand for steel in the manufacturing of solar panels, wind turbines, and transmission towers. This surge in demand is anticipated to support steel industry's growth.
Automotive	The automotive industry is projected to grow to USD 260-300 bn by CY26, driving demand for steel in vehicle manufacturing. Steel is a crucial material in automotive construction and is expected to contribute significantly to the sector's growth.
Infrastructure	The National Infrastructure Pipeline (NIP) plans to invest Rs. 111 Lac Crores by CY25 in infrastructure projects. This investment will lead to a surge in steel demand for the construction of roads, bridges, ports, and other vital infrastructure assets, thus driving growth in the steel industry.
Railway	In FY 2023-24, railways will receive a significant budget allocation of Rs. 2.40 Lac Crores. This, coupled with the implementation of the Amrit Bharat Station scheme, is anticipated to boost demand for steel in railway infrastructure projects, thus fostering growth in the steel sector.
Metro Network	The planned expansion of the metro network to 2,660 km will necessitate substantial steel usage. This demand, particularly for ERW pipes in station construction and tunnels, presents a significant growth opportunity for the steel industry
Airport Expansion	The Airports Authority of India (AAI) plans to invest Rs. 200 bn in airport development. This initiative will fuel demand for steel in the construction and expansion of airport infrastructure projects, thereby supporting the growth of the steel sector.
Oil & Gas Sector	An anticipated increase in energy consumption is projected to drive demand for steel pipes in oil & gas transportation infrastructure. Additionally, the expansion of the National Gas Grid to 34,500 km will further contribute to growth of the steel industry.
Affordable Housing	The increased budget allocation for PM Awas Yojana (PMAY) is set to drive demand for building materials. Moreover, the extension of the credit-linked subsidy scheme till December 31, 2024, will contribute to demand for steel in housing construction in the upcoming fiscal.

Source: Company, Dolat Capital

Investment Arguments

Higher replacement of conventional building materials with steel pipes/tubes

The growing preference for structural steel pipes and tubes in construction can be attributed to their significant advantages over traditional materials, including a faster pace of construction, greater strength, and superior durability. A key competitors narrative suggests that **about 64% of these products utilized in housing, 19% in commercial buildings, and 13% in infrastructure**; the shift towards steel is reshaping the construction landscape, facilitating quicker project completion and maintaining structural integrity over time.

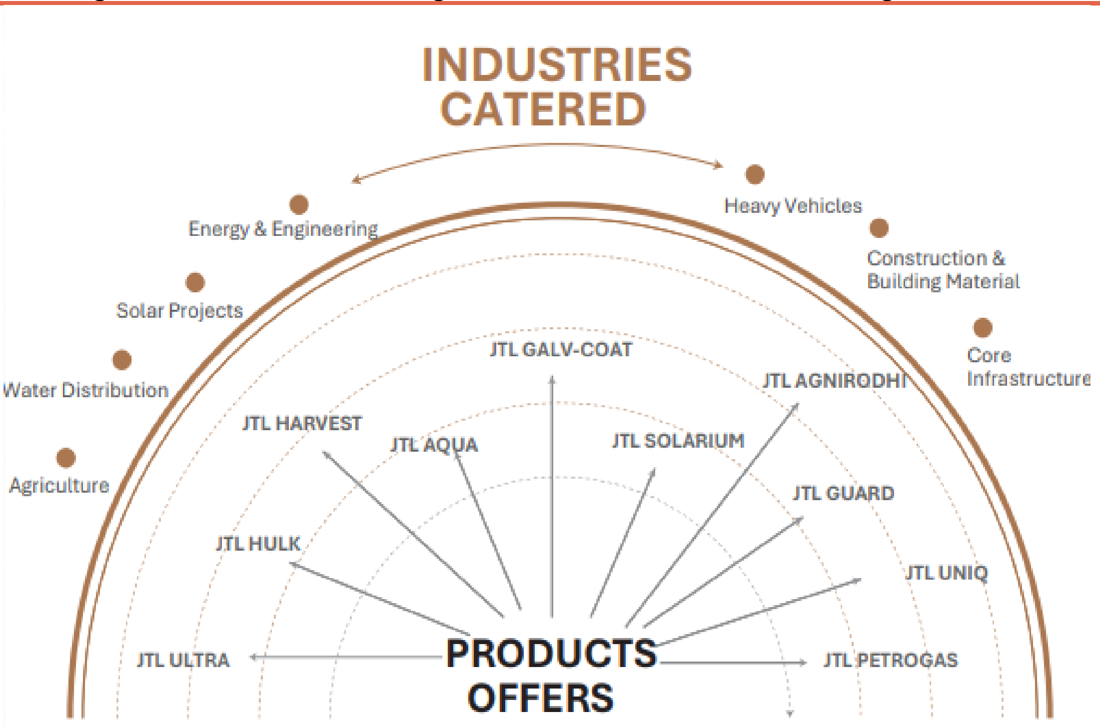
Exhibit 6: Structural steel gradually replacing conventional construction products

Conventional Construction Products	Applications	Why structural steel Tube replace these products?	How to replace the conventional product?
Steel Angle/Channels	Structural support, Towers infrastructure	Uniform Strength & Lower stock consumption	Low Diameter Steel Tubes/Low Load Bearing
Wood	Furniture, Door Frames, Planks	Cost Effective, Termite Proof & Environmentally Friendly	
Aluminum Profiles	Facades & Glazing	Cost Effective & Higher Strength	
Reinforced Cement Concrete	Construction of Buildings	Faster Construction & Environmentally Friendly	High Diameter Steel Tubes/High Load Bearing
Fabricated Metal Sheet	Pre-Engineered Steel Buildings	Lower steel consumption & reduces overall project cost	

Source: Company, Dolat Capital

We believe JTLIND's strategic focus on creating tailored products and brands in this space with specific end-use applications uniquely positions it as a go-to solution for organized real estate developers, contractors, fabricators and the like.

Exhibit 7: Existing JTLIND brands catering to different industries/end-usages



Source: Company, Dolat Capital

Steady impetus from housing and infrastructure to drive demand

The Indian structural steel market is witnessing significant growth driven by the expansion of the commercial building sector, coupled with government initiatives promoting green buildings, smart cities and the Make in India campaign.

Additionally, government projects such as the construction of metro stations, new airport terminals, industry corridors, power plants and ports necessitate substantial steel structures. These initiatives are expected to be primary catalysts for driving growth in the Indian structural steel market. The prefabricated building market is expected to generate around 8.5% CAGR, spurred by initiatives like 'Digital India' and 'Smart Cities'.

India's metro network is expanding at an unprecedented pace and is likely to surpass US in the next couple of years to become the second largest in the world. India's metro network has increased significantly, from 229 km across five cities in 2014 to 860km across 20 cities in April 2023. Moreover, construction is underway on metro rail projects covering 986 km in various cities such as Navi Mumbai, Pune, Madhya Pradesh, Kanpur, Agra, Meerut and Surat.

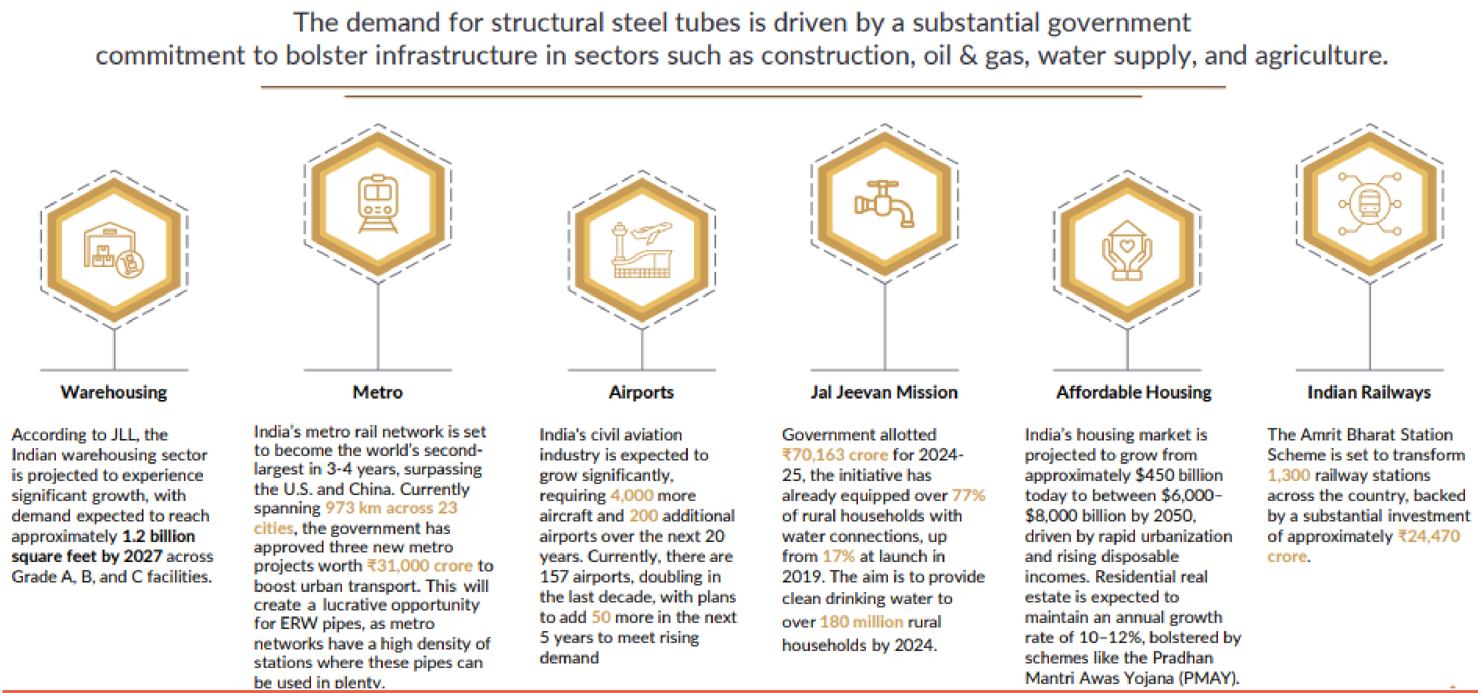
To modernize the expansive network, Indian Railway has initiated the Amrit Bharat Station Scheme to redevelop 1,309 stations nationwide. **Each station is projected to require ~500 to 40,000 tons of steel tubes**, depending on its size, marking a substantial opportunity for the structural steel industry.

India's current per capita warehousing stock at 2.7 sq. ft., is well below that of developed economies like the United States of America (54.2 sq ft), Japan (46.3 sq ft), and China (8 sq ft). This significant disparity highlights a massive potential demand for warehousing space. **Projections suggest that India's warehousing and logistics stock will grow substantially, doubling to exceed 700 mn sq ft by 2030**. This growth is expected to be driven by occupiers expanding across various segments such as e-commerce, third-party logistics, and engineering & manufacturing.

According to the Civil Aviation Ministry, India will have 230-240 airports, including heliports and water aerodromes, by 2030 (from current level of 148). The Ministry is looking at developing six 'Twin City' airports by 2030 to decongest existing airports in major cities and expand the airport infrastructure to address the burgeoning demand for air travel.

We believe JTLIND's extensive pan-India presence and diverse product portfolio of more than 1,000 SKUs yield a competitive advantage. The steady growth impetus in the housing and infrastructure sectors is expected to fuel demand for the company's products, thereby solidifying its unique positioning in the market.

Exhibit 8: Government initiatives translate into demand drivers



Source: Company, Dolat Capital

For instance, the company has secured **Rs 2.6 bn order as L1 bidder, to supply 36 KT of galvanized mild steel tubes** for the Jal Jeevan Mission in Jammu. This is expected to be delivered by 1HFY26.

Top-line growth aided by higher installed capacity

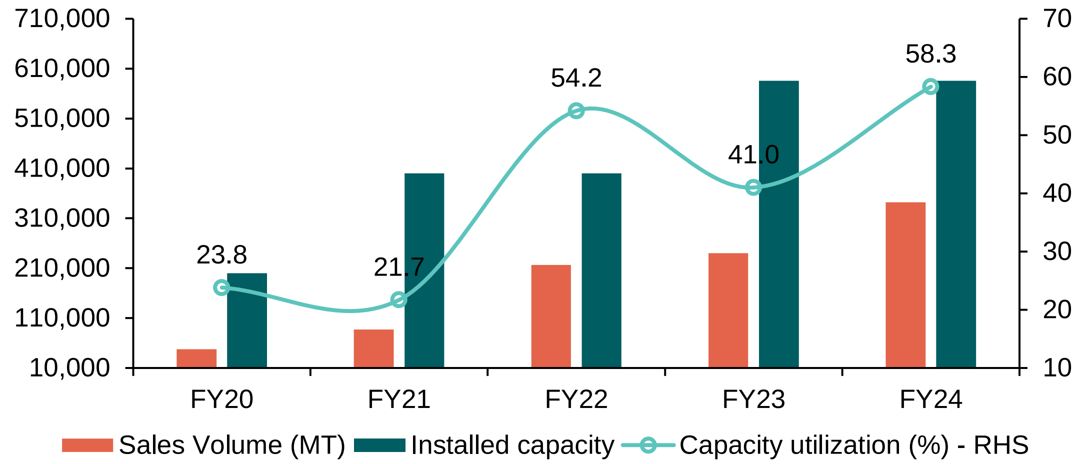
3QFY25 witnessed a 100 KTPA capacity addition in the Raipur facility, which raised its current installed capacity to 686 KTPA. **Commencement of 300 KTPA DFT facility in 4QFY25 along with 14 KTPA de-bottlenecking at Mandi, Gobindgarh would translate to 1 mtpa installed capacity by the end of FY25**. 60-65% capacity utilization (typical of this sector) implies management guidance of 600-650 KT sales in FY26 is achievable. Further, the company has plans to add 1 mtpa capacity at Mangaon (with an estimated cost of Rs 10 bn) by FY27. Additional volumes would support top-line growth prospects.

Exhibit 9: Capacity expansion continues to focus on value-added products

(in KTPA)	Current Capacity	Expansion - Phase I (FY25)	Expansion - Phase II (FY27)	Post expansion
Unit I: Derabassi (Punjab)	100	0	0	100
Unit II: Mangaon (Maharashtra)	200	300	1,000	1,500
Unit III: Mandi Gobindgarh (Punjab)	186	14	0	200
Unit IV: Raipur (Chhattisgarh)	200	0	0	200
Total Capacity (excluding Nabha Steels)	**686**	**314**	**1,000**	**2,000**
Unit V: Nabha Steels and Metals (Mandi)	200			

Source: Company, Dolat Capital, Note: Out of 200 KTPA capacity, 186 KTPA is commercialized and the remaining 14 KTPA is expected to commence in the upcoming quarters.

Exhibit 10: Optimum capacity utilization over the years



Source: Company, Dolat Capital

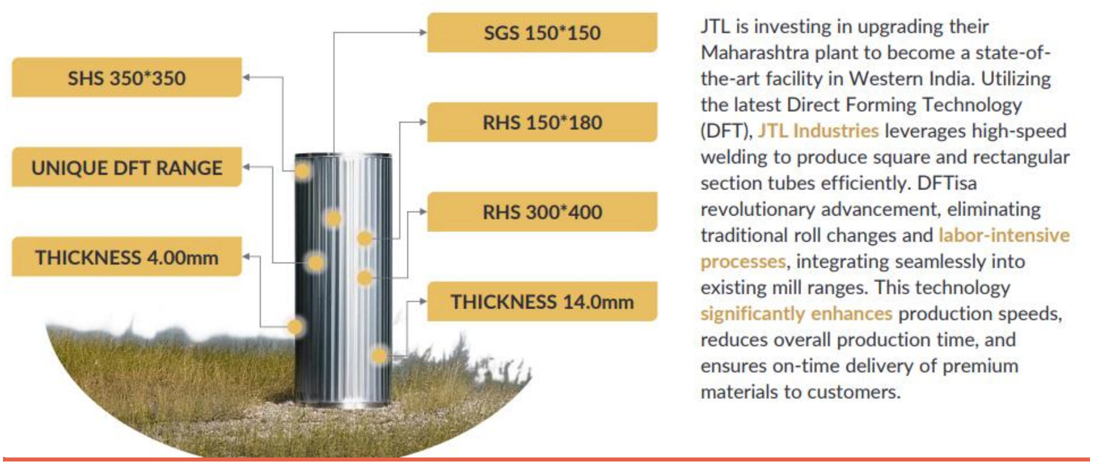
Higher share of value-added products to improve EBITDA per ton

JTLIND has made strategic efforts to de-commoditize its product portfolio by enhancing focus and increasing capacity for value-added products. General products typically yield an average EBITDA per ton of around Rs.2,000 (commoditized ERW black pipes which face intense competition from other organized primary steel-based pipe manufacturers and unorganized, recycled patra-based pipe producers). On the other hand, value-added products offer higher EBITDA per ton, which translates to blended EBITDA per ton.

Installation of 200 KTPA of DFT line at Mangaon

DFT (Direct Forming Technology) procedure has 2 primary advantages: 1) enabling the production of square/rectangular steel pipes/tubes directly from HR strips (as against the conventional process of first making a cylindrical pipe and then later re-working it to square/rectangular cross-section), and 2) enabling the production of various sizes (diameters/thickness) of steel pipes/tubes without roll change (as against the conventional process which requires a shutdown to change the spacing and size of rollers). The **industry parameters suggest that such DFT products can fetch EBITDA per ton of Rs. 6,000 and higher**. **This line is expected to add approx. 400 to 500 SKUs to JTLIND's product portfolio.**

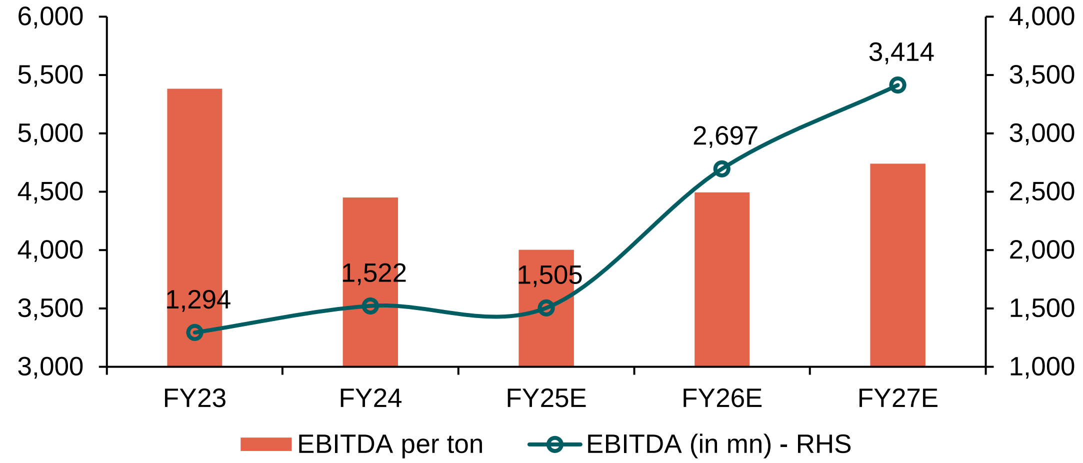
Exhibit 11: DFT products to be launched by JTLIND



Source: Company, Dolat Capital

Going forward, the target is to achieve ~40-45% VAP share on an installed base of 1 mtpa capacity and further raise it to 55-60% by the time the installed capacity touches 2 mtpa level.

Exhibit 12: EBITDA per ton improvement to drive EBITDA growth



Source: Company, Dolat Capital

The company is setting up a new 18 ktpa greenfield plant at Derabassi, Punjab to produce lattice towers (expected to commence operations in 2HFY26). This product is a part of the Indigenous Train Collision Avoidance System (also known as Automatic Train Protection System or Kavach), which contributes to helping the Railways achieve a goal of “Zero Accidents”. This value-added product also finds its application at intersections in sectors like telecommunications and steel building materials.

Exhibit 13: Sample Lattice Structures (another VAP)

Source: Company, Dolat Capital

Peer comparison

Installed capacity: JTLIND is among the largest players engaged in the business of manufacturing steel pipes/tubes. However, the largest player in terms of installed steel capacity is APL Apollo Tubes. Despite this, JTLIND's extensive product portfolio and geographic reach position it well to capitalize on growth opportunities in the sector.

Exhibit 14: JTLIND among the largest steel pipes makers in India

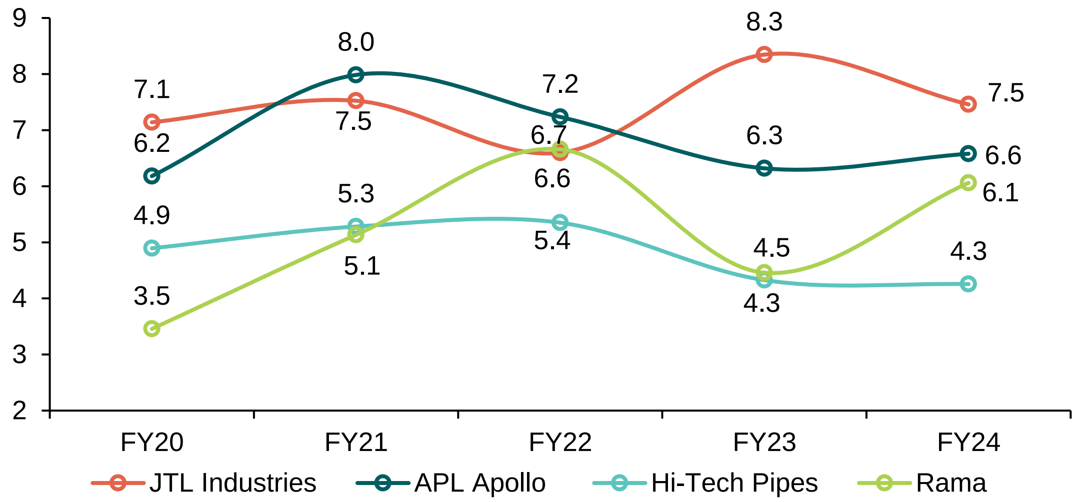
Installed capacity (tons)	FY20	FY21	FY22	FY23	FY24
JTL Industries	**2,00,000**	**4,00,000**	**4,00,000**	**5,86,000**	**5,86,000**
APL Apollo	25,00,000	26,00,000	26,00,000	36,00,000	40,00,000
Hi-Tech Pipes	5,00,000	5,80,000	5,80,000	5,80,000	7,50,000
Rama	1,68,000	2,64,000	2,64,000	2,94,000	2,94,000

Source: Company, Dolat Capital

EBITDA margin: **Historically, JTLIND has shown a better EBITDA margin than the largest player in space (APAT).** It may stem from the fact that the company is partially backward integrated and has a presence in recycled, scrap-based steel pipes (as against exclusively primary, HRC-based steel pipes).

Primary steel (HRC)-based steel pipe makers such as APL Apollo and Hi-Tech Pipes face competition from the secondary, scrap-based steel pipe manufacturers (even unorganized players) and rise in HRC prices often lead to market share erosion as the price conscious customers shift to cheaper, scrap-based pipes. JTLIND's integration in this space and developed brand value partially insulates it from such HRC price volatility.

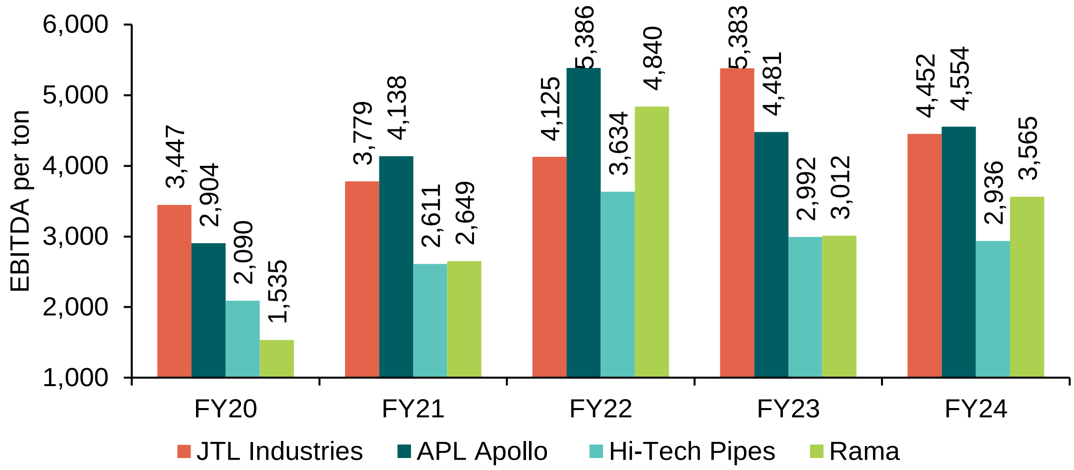
Exhibit 15: JTLIND historically showed better EBITDA margin among peers



Source: Company, Dolat Capital

EBITDA per ton: JTLIND's EBITDA per ton is also largely stable (as compared to the volatile earnings of its peers). Going further, product mix improvement, and backward integration could support incrementally higher EBITDA per ton.

Exhibit 16: JTLIND's EBITDA per ton second-best among peers



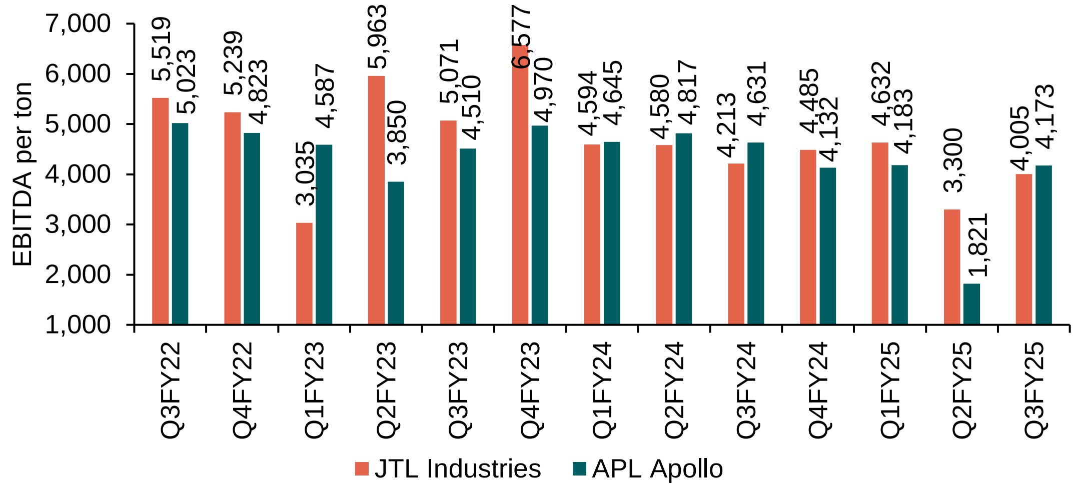
Source: Company, Dolat Capital

On a quarterly basis, comparison between JTLIND and APAT shows that despite JTLIND's lower blended realization per ton (owing to presence in cheaper scrap-based pipe space, lower proportion of value-added products), EBITDA per ton comparison shows that there have been numerous quarters where JTLIND's EBITDA per ton has exceeded APAT's levels (plausibly supported by backward integration). This shows that JTLIND's initiatives of product mix improvement could translate to better performance as against APAT.

Exhibit 17: JTLIND's realization per ton lower than APAT

Source: Company, Dolat Capital

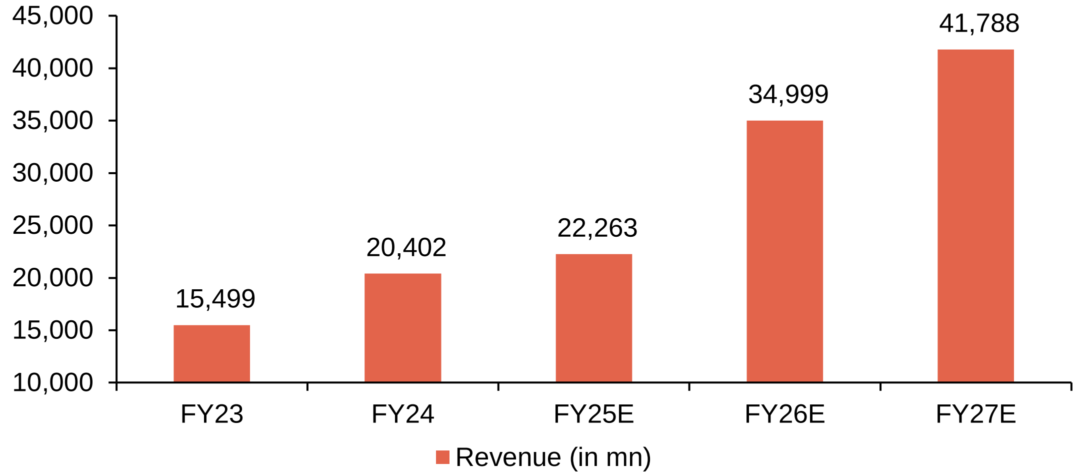
Exhibit 18: JTLIND's EBITDA per ton has at times exceeded that of APAT



Source: Company, Dolat Capital

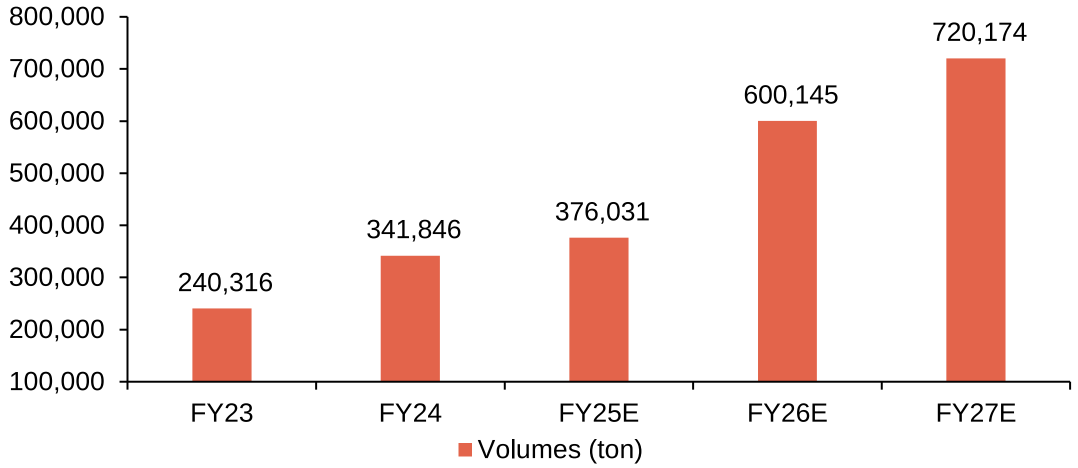
Financial snapshot through charts

Exhibit 19: FY27 Revenue to grow ~2x in 3 years (from FY24 level)



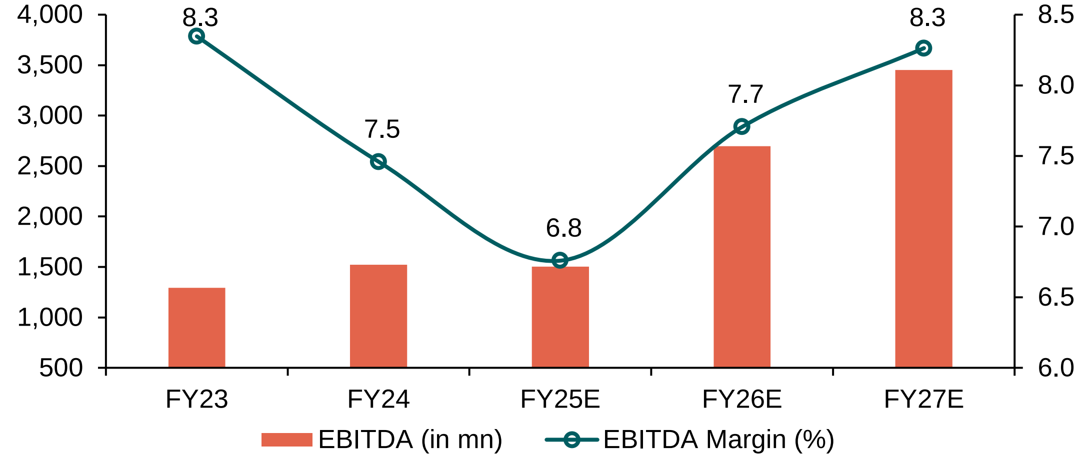
Source: Company, Dolat Capital

Exhibit 20: 720 KT sales by FY27



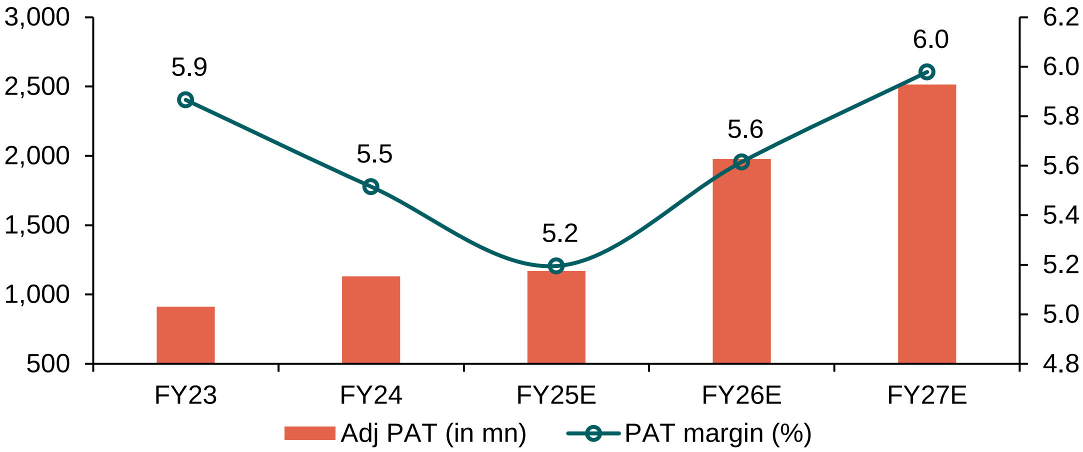
Source: Company, Dolat Capital

Exhibit 21: EBITDA growth supported by EBITDA margin improvement



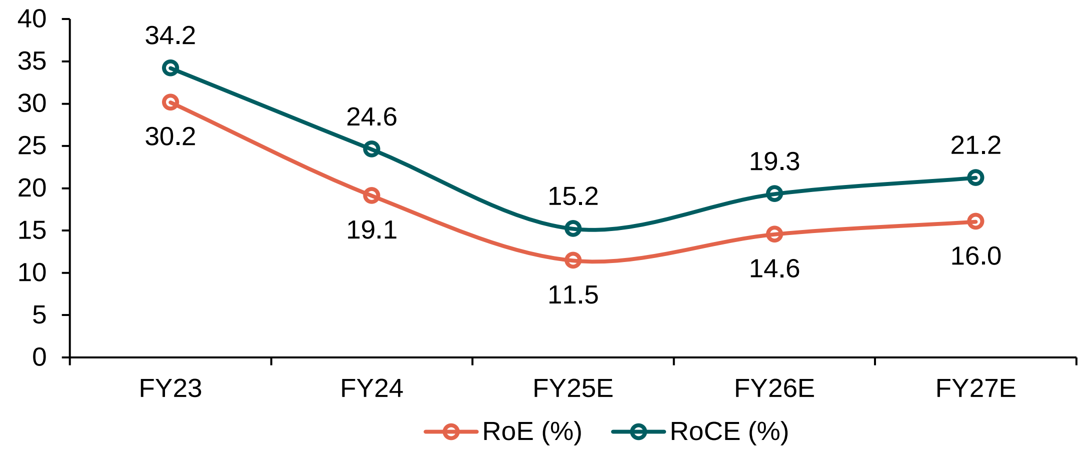
Source: Company, Dolat Capital

Exhibit 22: Top-line growth & EBITDA margin improvement to support PAT



Source: Company, Dolat Capital

Exhibit 23: Return ratios to improve with higher capacity utilization



Source: Company, Dolat Capital

Exhibit 24: Key Assumptions

Particulars	FY23A	FY24A	FY25E	FY26E	FY27E
Sales in ton	240,316	341,846	376,031	600,145	720,174
EBITDA per ton	5,383	4,452	4,002	4,494	4,795

Source: Company, Dolat Capital

Exhibit 25: Growth Indicators (%)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	14.4	31.6	9.1	57.2	19.40
EBITDA	44.7	17.6	(1.1)	79.2	28.02
PAT	49.4	23.9	3.5	69.1	27.10
EPS	49.4	23.9	(53.4)	69.1	27.10

Source: Company, Dolat Capital

Exhibit 26: Valuation

Particulars	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	18.5	14.9	32.0	18.9	14.9
P/BV (x)	4.1	2.2	3.0	2.6	2.2
EV/EBITDA (x)	13.0	10.5	10.2	6.3	4.9
EV/Sales (x)	1.05	0.70	0.65	0.37	0.30
Dividend Yield (%)	0.21	0.26	0.13	0.37	0.53

Source: Company, Dolat Capital

Exhibit 27: Financial Ratios

Particulars	FY23	FY24	FY25E	FY26E	FY27E
RoE	30.2	19.1	11.5	14.6	16.0
RoCE	34.2	24.6	15.2	19.3	21.2
Debt/Equity (x)	0.0	(0.1)	(0.1)	0.0	0.0
EBIT/Interest (x)	20.5	30.5	90.8	135.3	83.0

Source: Company, Dolat Capital

Exhibit 28: Margins %

Particulars	FY23	FY24	FY25E	FY26E	FY27E
EBITDA	8.4	7.5	6.8	7.7	8.26
EBIT	8.1	7.2	6.0	7.0	7.53
PAT	5.9	5.5	5.2	5.6	5.98

Source: Company, Dolat Capital

Key Risks

Increase in competitive intensity: The ongoing expansion of capacity among the major organized players in the primary steel-based pipe manufacturing sector is expected to intensify competition, which may lead to price erosion. This heightened competition could subsequently impact profit margins negatively.

Steel price volatility: Given that steel pipe manufacturing is akin to the conversion business where raw material prices (particularly HRC) constitute a major proportion of the cost, rising prices of steel and zinc could adversely affect profit margins. As steel prices increase, the cost of HRC-based pipes also rises, potentially driving price-sensitive customers to opt for less expensive recycled patra-based pipes, resulting in market share erosion for manufacturers relying on higher-cost HRC products.

Delay in commissioning of new plants: Commissioning of new plants and facilities is expected to support top-line growth. Any impending delay in execution could potentially have a negative impact on earnings.

Macroeconomic downturn: Structural steel pipe demand is largely driven by key sectors such as housing, infrastructure impetus akin to railways, warehousing, malls and airports. Any macroeconomic headwind which could impact these sectors would lead to subdued demand for structural steel pipes/tubes and thus impact earnings.

Valuation

Management's ambitious FY26 sales volume target of 600 KT is bolstered by capacity expansion plans (to reach 1 mtpa by FY25 end) while further raising capacity to 2 mtpa by FY27E could support top-line growth. 9MFY25 export volume is double the exports done in CPLY. Mangaon plant's proximity to the port could facilitate steady export volumes, while a greater proportion of VAPs would support incrementally improved EBITDA per ton. We view the company's proactive volume expansion and product mix enhancement strategies positively and **initiate coverage with a 'Buy' rating and TP of Rs 141** at a target P/E multiple of 22x FY27 earnings.

Q3FY25 Result: lower realization, sales impacted YoY performance

3QFY25 consolidated revenue at Rs. 4.5 bn declined by 20.4% YoY and 5.9% QoQ. Quarterly pipe sales volume at 87.7 KT (excluding Nabha sales) was lower by 13.1% YoY and 3% QoQ. Nabha steel volumes also declined sequentially (from 12,776 tons in 2QFY25) to 9,775 tons in 3QFY25. Consolidated EBITDA at Rs. 351 mn declined 17.4% YoY but grew by 17.7% QoQ (supported by lower other expenses). Blended EBITDA per ton came in at Rs. 4,005, lower by 4.9% YoY but higher by 21.4% QoQ. Consolidated reported PAT post minority interest, at Rs. 249 mn was lower by 17.4% YoY and 5.4% QoQ (sequentially impacted by lower other income, higher depreciation, interest expense and higher effective tax rate).

Best-ever 9M sales witnessed in 9MFY25

The company reported quarterly sales volume of 87.7 KT, lower by 13.1% YoY and 3% QoQ (missed the Q2FY25 guidance of 10% QoQ volume growth, plausibly impacted by the marginal delay in commissioning of the DFT line at Mangaon). With this, the company witnessed the best-ever 9M sales of 264 KT (including Nabha, 9MFY25 sales volume also stood at the highest-ever level of 297 KT). Management is targeting a 4QFY25 sales volume of approx. 100 KT (excluding Nabha), which implies FY25 volume to be about 360-380 KT. DFT line's commissioning and 14 KTPA brownfield addition would lead to 1 mtpa installed capacity by FY25 end (**management targeting 550-600 KT sales in FY26**).

EBITDA per ton fell YoY but grew QoQ; stronger 4QFY25 outlook

Consolidated EBITDA at Rs. 351 mn fell by 17.4%, YoY but grew 17.7% QoQ. Blended realization at Rs 51,466 per ton was lower by 8.5% YoY and 3% QoQ. EBITDA per ton came in at Rs. 4,005 ton, lower by 4.9% YoY but higher by 21.4% QoQ. Management maintained its guidance for a sustainable EBITDA margin of 7-8%. Channel de-stocking amidst declining steel prices plausibly has led the pipe makers to resort to discounting, but stabilization of steel prices would roll back the discounts, thereby supporting a stable EBITDA per ton of Rs. 4,000-4,500. **Management opined that the DFT line's commissioning and ramp-up could incrementally add Rs. 200-250 to EBITDA per ton**.

Further 1 mtpa expansion for Rs. 10 bn over the next 2 years

Management conveyed the intent to further add 1 mtpa capacity in Mangaon (expected completion by FY27) at an estimated cost of Rs. 10 bn. The company had earlier raised Rs. 6.8 bn through preferential warrants (amount to be fully received by September'25) and Rs. 3 bn through QIP. Rs. 4.8 bn has been received through these routes, of which Rs. 3 bn of capex has been incurred. This implies that leverage levels would continue to remain low despite a 3.4x rise in installed capacity in 3 years.

Exhibit 29: Consolidated Summary

Consolidated summary	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	CPLY (9MFY24)	YoY (%)
Sales	**4,514**	**5,674**	**(20.4)**	**4,795**	**(5.9)**	**14,464**	**15,743**	**(8.1)**
Change in inventory	(67)	(47)	42.9	(12)	450.8	(87)	124	(170.4)
Cost of Material Consumed	3,719	4,748	(21.7)	3,710	0.2	11,842	13,613	(13.0)
% of sales	82.4	83.7	-128 bps	77.4	502 bps	81.9	86.5	-460 bps
Employee cost	66	47	38.8	67	-1.2	194	150	29.7
% of sales	1.5	0.8	62 bps	1.4	7 bps	1.3	1.0	39 bps
Other expenses	444	500	(11.2)	732	(39.3)	1,468	702	109.2
% of sales	9.8	8.8	102 bps	15.3	-543 bps	10.1	4.5	569 bps
Total Exp	4,163	5,249	(20.7)	4,497	(7.4)	13,417	14,588	(8.0)
EBITDA	**351**	**425**	**(17.4)**	**298**	**17.7**	**1,047**	**1,155**	**(9.4)**
Margin %	7.8	7.5	29 bps	6.2	156 bps	7.2	7.3	(10 bps)
Other income	21	9	119.9	78	(73.5)	141	47	197.3
Depreciation	23	15	50.4	21	6.3	63	40	56.4
Interest expenses	13	16	(22.0)	7	74.0	32	41	(21.6)
Profit Before Tax	**337**	**403**	**(16.5)**	**348**	**(3.3)**	**1,092**	**1,120**	**(2.5)**
Exceptional item	-	-	0.0	-	0.0	-	-	0.0
PBT after exceptional	337	403	(16.5)	348	(3.3)	1,092	1,120	(2.5)
Tax	87	102	(13.9)	85	3.3	272	286	(4.7)
Tax Rate %	26.0	25.2	79 bps	24.3	164 bps	24.9	25.5	(58 bps)
Reported Net Profit	249	302	(17.4)	264	(5.4)	820	835	(1.8)
Adjusted Net Profit	**249**	**302**	**(17.4)**	**264**	**(5.4)**	**820**	**835**	**(1.8)**
EPS (INR)	1.3	1.8	(28.1)	1.3	(5.4)	4.3	6.4	(32.3)

Source: Company, Dolat Capital

Exhibit 30: Operating Metrics

Operating metrics	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	CPLY (9MFY24)	YoY (%)
Sales volume (tons)	**87,714**	**100,905**	**(13.1)**	**90,417**	**(3.0)**	**263,805**	**259,933**	**1.5**
Blended realization per ton (INR)	51,466	56,230	(8.5)	53,037	(3.0)	54,887	60,989	(10.0)
Blended EBITDA per ton (INR)	4,005	4,213	(4.9)	3,300	21.4	3,979	4,462	(10.8)

Source: Company, Dolat Capital

Exhibit 31: Per Ton Analysis

Per ton analysis	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	CPLY (9MFY24)	YoY (%)
Blended realization	**51,466**	**56,230**	**(8.5)**	**53,037**	**(3.0)**	**54,887**	**60,989**	**(10.0)**
Cost of material consumed per ton	42,404	47,049	(9.9)	41,035	3.3	44,889	52,370	(14.3)
Employee cost per ton	751	470	59.7	737	1.8	737	577	27.8
Other expenses per ton	5,065	4,959	2.1	8,099	(37.5)	5,565	2,700	106.1
Inventory change per ton	(758)	(461)	64.3	(134)	467.8	(331)	476	(169.4)
EBITDA per ton	**4,005**	**4,213**	**(4.9)**	**3,300**	**21.4**	**3,979**	**4,462**	**(10.8)**

Source: Company, Dolat Capital

Exhibit 32: Sales Volume Analysis

Sales volume analysis	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	CPLY (9MFY24)	YoY (%)
General products	69,294	81,116	(14.6)	66,665	3.9	200,372	179,436	11.7
Value added products	18,420	19,789	(6.9)	23,752	(22.4)	63,433	80,497	(21.2)
VAP proportion (%)	**21**	**20**	**7.1**	**26**	**(20.1)**	**24**	**31**	**(22.4)**

Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Revenue	**20,402**	**22,263**	**34,999**	**41,788**
Total Expense	**18,880**	**20,758**	**32,302**	**38,336**
COGS	17,940	19,023	30,625	36,769
Employees Cost	212	243	280	300
Other expenses	728	1,491	1,396	1,266
EBIDTA	**1,522**	**1,505**	**2,697**	**3,453**
Depreciation	56	166	250	305
EBIT	**1,466**	**1,339**	**2,447**	**3,148**
Interest	51	17	20	41
Other Income	87	244	220	258
Exc. / E.O. items	0	0	0	0
EBT	**1,502**	**1,565**	**2,648**	**3,365**
Tax	372	396	670	851
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
RPAT	**1,130**	**1,169**	**1,978**	**2,514**
Adjustments	0	0	0	0
APAT	**1,130**	**1,169**	**1,978**	**2,514**

Balance Sheet

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Sources of Funds				
Equity Capital	354	393	393	393
Minority Interest	0	0	0	0
Reserves & Surplus	7,394	12,271	14,112	16,429
Net Worth	**7,748**	**12,665**	**14,505**	**16,822**
Total Debt	202	158	246	456
Net Deferred Tax Liability	19	19	19	19
Total Capital Employed	**7,968**	**12,842**	**14,770**	**17,296**
Applications of Funds				
Net Block	**1,113**	**4,277**	**4,374**	**5,064**
CWIP	60	200	50	100
Investments	58	641	641	641
Current Assets, Loans & Advances	**7,203**	**8,292**	**10,589**	**12,542**
Current Investments	0	0	0	0
Inventories	1,504	1,975	3,080	3,557
Receivables	1,927	2,074	3,260	3,893
Cash and Bank Balances	1,060	1,682	222	284
Loans and Advances	2,712	2,562	4,027	4,809
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	**467**	**569**	**885**	**1,050**
Payables	445	542	843	1,000
Other Current Liabilities	22	27	42	50
sub total				
Net Current Assets	6,737	7,724	9,704	11,491
Total Assets	**7,968**	**12,842**	**14,770**	**17,296**

E – Estimates

Important Ratios

Particulars	FY24A	FY25E	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	12.1	14.6	12.5	12.0
EBIDTA Margin	7.5	6.8	7.7	8.3
EBIT Margin	7.2	6.0	7.0	7.5
Tax rate	24.8	25.3	25.3	25.3
Net Profit Margin	5.5	5.3	5.7	6.0
(B) As Percentage of Net Sales (%)				
COGS	87.9	85.4	87.5	88.0
Employee	1.0	1.1	0.8	0.7
Other	3.6	6.7	4.0	3.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	28.8	76.8	124.2	76.7
Inventory days	27	32	32	31
Debtors days	34	34	34	34
Average Cost of Debt	13.6	9.7	9.7	11.7
Payable days	8	9	9	9
Working Capital days	121	127	101	100
FA T/O	18.3	5.2	8.0	8.3
(D) Measures of Investment				
AEPS (Rs)	2.9	3.0	5.0	6.4
CEPS (Rs)	3.0	3.4	5.7	7.2
DPS (Rs)	0.1	0.1	0.4	0.5
Dividend Payout (%)	3.9	4.2	7.0	7.8
BVPS (Rs)	19.7	32.2	36.9	42.8
RoANW (%)	19.1	11.5	14.6	16.0
RoACE (%)	18.7	11.4	14.5	15.9
RoAIC (%)	26.6	14.8	19.0	20.0
(E) Valuation Ratios				
CMP (Rs)	95	95	95	95
Mcap (Rs Mn)	37,457	37,457	37,457	37,457
EV	36,599	35,933	37,481	37,629
MCap/ Sales	1.8	1.7	1.1	0.9
EV/Sales	1.8	1.6	1.1	0.9
P/E	33.1	32.0	18.9	14.9
EV/EBITDA	24.0	23.9	13.9	10.9
P/BV	4.8	3.0	2.6	2.2
Dividend Yield (%)	0.1	0.1	0.4	0.5
(F) Growth Rate (%)				
Revenue	31.6	9.1	57.2	19.4
EBITDA	17.6	(1.1)	79.2	28.0
EBIT	17.2	(8.7)	82.8	28.6
PBT	22.5	4.2	69.1	27.1
APAT	23.9	3.5	69.1	27.1
EPS	23.9	3.5	69.1	27.1

E – Estimates

Cash Flow

Particulars	FY24A	FY25E	FY26E	FY27E
Profit before tax	**1,502**	**1,565**	**2,648**	**3,365**
Depreciation & w.o.	56	166	250	305
Net Interest Exp	(36)	(227)	(200)	(217)
Direct taxes paid	(372)	(396)	(670)	(851)
Change in Working Capital	(2,408)	(365)	(3,440)	(1,725)
Non Cash	0	0	0	0
(A) CF from Operating Activities	**(1,258)**	**744**	**(1,413)**	**876**
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(531)	(3,470)	(197)	(1,044)
Free Cash Flow	**(1,789)**	**(2,726)**	**(1,610)**	**(168)**
(Inc)./ Dec. in Investments	104	(583)	0	0
Other	87	244	220	258
(B) CF from Investing Activities	**(341)**	**(3,809)**	**23**	**(786)**
Issue of Equity/ Preference	185	39	0	0
Inc./(Dec.) in Debt	(345)	(44)	88	210
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(176)	(87)	(157)	(238)
Other	2,463	3,778	0	0
(C) CF from Financing	**2,127**	**3,687**	**(69)**	**(28)**
Net Change in Cash	529	622	(1,459)	62
Opening Cash balances	**515**	**1,043**	**1,665**	**206**
Closing Cash balances	**1,043**	**1,665**	**206**	**267**

E – Estimates

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Dolat Team

Purvag Shah	**Managing Director**	**purvag@dolatcapital.com**	**+9122 4096 9747**
Amit Khurana, CFA	**Head of Equities**	**amit@dolatcapital.com**	**+9122 4096 9745**

CONTACT DETAILS

Equity Sales	**Designation**	**E-mail**	**Direct Lines**
Dinesh Bajaj	Director - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	Director - Equity Sales & Corporate Access	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	Director - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	Director - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Rajeev Lala	AVP - Equity Sales	rajeevl@dolatcapital.com	+9122 4096 9767
Equity Trading	**Designation**	**E-mail**	
P. Sridhar	Director and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	Director - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	Director - Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Director - Sales Trading	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	Director Research - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

DOLAT CAPITAL
IN-DEPTH-PRECISE-ACTIONABLE

Dolat Capital Market Private Limited.

Corporate Identity Number: U65990GJ993PTC116741
Member: BSE Limited and National Stock Exchange of India Limited.
SEBI Registration No: BSE - INZ000274132, NSE - INZ000274132, Research: INH000014012
Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.
Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com