

Jyoti Resins & Adhesives Ltd. (JRAL) is a manufacturer of synthetic resin adhesives. It manufactures various types of wood adhesives (white glue) under the brand name of EURO 7000 (launched in 2006). Its plant at Santej, Ahmedabad has a capacity of 2,000 TPM.

## Focus on driving the business growth led by expansion in distribution and capacity

- Currently, JRAL serves its clients across 14 states in India through 38 branches and 60 distributors that caters to ~12,000 active retailers and 3.5 lakh carpenters. In 2023-24, it forayed into New Delhi and UP with 5 new branches. It is focusing on improving its market share in its existing states with increase in branches and distributors. Also, it aims to foray into newer states to drive the growth.
- In addition to current capacity of 2000 TPM (current utilization - 55-60%), it is enhancing its storage capacity of raw material and finished goods by setting up a warehouse. The management is expected to announce capex plan by FY25 end for future expected growth which is expected to commissioned within next 2 years.

## Healthy financials performance

- JRAL has been able to deliver healthy financials over the last 5 years where it has delivered growth of 38% and 113% CAGR in Revenue and PAT, respectively. It has generated healthy return ratios in FY24 i.e. 40%+ of ROE and ROCE at 50-55%+. The management is expected to keep the books debt free and generate healthy cash flows. Management guidance: Volume growth: 20%+ over the next 3 years and expects to maintain ROE at ~30-40% and ROCE at ~40% levels.

Decrease in Vinyl Acetate Monomer (VAM) prices over the last few quarters has resulted in sharp increase in EBITDA margins, as the benefit of price decrease has not been passed on to the customers. We believe the same will be incorporated in the years to come which will normalized the margins to an extent. However, we are bullish on the JRAL's future prospects with robust performance. We estimate revenue growth at ~18% CAGR between FY24-26E and expects EBITDA margin to moderate from 33% in FY24 to 28% over the next few years. **We assign 25x to FY26E EPS to arrive at a target of Rs. 1,786/share with an upside of 19% over the CMP.**

*Figures in Rs Cr*

Year	Revenue	Growth	EBITDA	Margin	PAT	Growth	EPS	PE	EV/EBITDA	ROE
FY23	261	43.6%	61	23.2%	46	134.9%	38.69	40.1x	30.2x	43.8%
FY24	257	-1.5%	84	32.6%	67	44.5%	55.93	23.7x	17.6x	40.4%
FY25E	304	18.0%	91	30.0%	73	8.8%	60.86	24.6x	18.2x	32.0%
FY26E	364	20.0%	103	28.3%	86	17.4%	71.46	21.0x	16.1x	28.5%