

Stock Update

Jash Engineering Ltd.

Feb 13, 2024





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Engineering and Capital Goods	Rs. 1688.45	Buy in Rs. 1671-1705 band and add more on dips in Rs. 1504-1535 band	Rs. 1857	Rs. 1958	2 -3 quarters

HDFC Scrip Code	JASENGEQR
BSE Code	N/A
NSE Code	JASH
Bloomberg	JASH IN
CMP (Feb 12, 2024)	1688.45
Equity Capital (RsCr)	12
Face Value (Rs)	10
Equity Share O/S (Cr)	1.2
Market Cap (RsCr)	2016.01
Book Value (Rs)	198
Avg. 52 Wk Volumes	12,254
52 Week High	1917.9
52 Week Low	804.85

Share holding Pattern % (Dec, 2023)	
Promoters	50.98
Institutions	5.16
Non Institutions	43.86
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

Incorporated in 1973, Jash Engineering Ltd. (JEL), a part of Jash Group, is engaged in the business of manufacturing of varied equipment used in water/wastewater/sea water conveyance, pumping and treatment. JEL's products find application in water intake systems, water and wastewater pumping stations and treatment plants, storm water pumping stations, water transmission lines, and process industries (power, steel, cement, paper & pulp, petrochemicals, chemical, fertilizers). The business is based on brand approval from end users. The company markets its products under Jash, Jash-Schuette, Jash-Rehart, Mahr Maschinenbau, Rodney Hunt, E&M Jash, Shivpad and Sureseal brands. These brands are approved by major municipal corporations, sewerage boards, consultants and large EPC companies in India and abroad.

The acquisition of Rodney Hunt in USA, Mahr Maschinenbau in Austria, E&M in Hongkong and Waterfront in UK has ensured that the company has now access in all the principal markets that it is targeting through these brands. JEL has also entered into technical & financial collaboration with multiple foreign manufacturers to expand its product portfolio, geographical reach and provide end-to-end solutions for water & waste water industry and bulk solid handling segment in India and abroad. Exports accounted for ~52% of company's revenues in FY23. JEL continues to enjoy leadership position in most of the product groups in the domestic market. In the international markets, the company is progressing towards leadership position in products like water control gates, screens and knife gate valves.

Demand for wastewater treatment facilities is anticipated to increase with the implementation of stringent government requirements, such as the zero liquid discharge regulation, for the treatment of sewage prior to release into aquatic bodies. Several government initiatives (such as Namami Gange Program) drive water and waste water treatment markets and help build the foundation of the Industry in the coming future. The framework developed for such projects can be used for projects further along in the future.

We had issued a Stock Note report on Jash Engineering Ltd on July 03, 2023 ([link](#)) and the given targets achieved before expiry of the call.

Valuation & Recommendation:

Water Treatment equipment industry has high entry barriers due to high capital requirement, highly customised products with lengthy approval time, and specialised skillset required for manufacturing such equipments. JEL with its portfolio of well recognised brands, well diversified and reputed clientele is well placed to sustain strong growth rate over near to medium term. The company has a strong order



book of Rs 851 cr as of Q3FY24, which is executable over the next 4-6 quarters. Though the stock has run up lately, given its leadership position and the scope of the industry in which it is present means that the stock may continue to outperform.

We think the base case fair value of the stock is Rs 1857 (21x FY26E EPS) and the bull case fair value is Rs 1958 (22.2x FY26E EPS). Investors can buy the in stock Rs 1671-1705 band (19.1x FY26E EPS) and add more on dips in Rs 1504-1535 band (17.2x FY26E EPS).

Financial Summary

Particulars (in Rs Cr)	Q3FY24	Q3FY23	YoY-%	Q2FY24	QoQ-%	FY22	FY23	FY24E	FY25E	FY26E
Operating Income	139	114	22%	95	46%	368	402	507	618	749
EBITDA	32	20	56%	14	122%	47	64	100	125	156
APAT	23	17	33%	9	164%	32	52	63	83	106
Diluted EPS (Rs)	18.8	14.2	32%	7.1	165%	26.9	43.0	52.3	69.4	88.3
RoE-%						18.8	24.3	21.9	22.4	23.2
P/E (x)						62.7	39.3	32.3	24.3	19.1
EV/EBITDA						44.2	32.3	20.2	15.8	12.4

(Source: Company, HDFC sec)

Q3FY24 Results Update

Consolidated Income in the quarter stood at 139 Cr vs 95 cr in Q2 (+46/+22%, QoQ/YoY), EBITDA stood at 32 Cr rising up from 14 cr (+122/+56%, QoQ/YoY), APAT increased from 9 cr to 23 cr (+164/+33%, QoQ/YoY).

Standalone revenues of Jash Engineering Ltd in this year (YTDFY24) increased to 211.7 cr (+25%), PAT to 27.5 cr (+25%). For Rodney Hunt, the Revenue rose by 28% and PAT rose by 200%. For Shivpad, Revenues and PAT have declined by 54% and 92% respectively.

Q3FY24 Concall Highlights

Revenues and Order Book: For the nine months, Jash Engineering revenue has grown by around, on standalone basis has grown by around 25%. Shivpad, the revenue has gone down by 54%. However, in Jash USA, the revenue has gone up by 28%.

Order Book Position as on 1st Feb stood at Rs 851 cr, out of which Rs 583 cr is outside India and 268 cr is within India. Rs 440 crore order book in Jash Engineering, Rs 380 in USA, and Rs 31 crore in Shivpad. There is a little lag in the execution in Shivpad because of delayed approvals, but company hope to catch up in the last quarter. The consolidated order pipeline is strong and the company already negotiated



orders for INR53 crores and other orders which are under negotiations are INR34 crore. The orders under negotiation are expected to be negotiated within next one or two weeks. So the company is at a very strong order book position at the end of this financial year.

Rodney Hunt development: Rodney Hunt has become profitable in the third quarter. The targeted revenue is of \$26 million and company believes to achieve this easily. Company has met the investors and are issuing new preferential shares worth Rs 42 crores to the them, as well as warrants to promoter and key employees this month. The purpose of raising this fund is, in America, the company sees great traction and bigger orders.

Expansion Plans: Looking at the very strong growth prospects in export market, also looking at what they have found out in UK, the company feels the need to increase their manufacturing capabilities, at Unit 4 Rodney Hunt plant. And so they now have applied for a new plot of 2.75 acres, the cost of Rs 2 crore opposite to Unit 4. And they will acquire this plot, and aim to build up new manufacturing facility at this plot. The construction will be started in middle of this year. And this plant will be commissioned by middle of next year. Shivpad manufacturing facility will commence the construction by Sep-Oct this year.

Waterfront UK Developments: Regarding Waterfront UK, most of the official formalities have been completed and company is expecting final approvals anytime soon. If it gets final approvals in the first quarter or first half of February, then they would be able to wind up this acquisition by February or else in March, to make Waterfront a subsidiary of Jash Engineering Limited.

Product expansion: Company is developing a new disc filter which would be highly efficient and cost effective. This will add atleast Rs 15-20 cr of revenues every year. The Company is confident of achieving Rs 515 cr of revenue this year and believes that international market is quite dynamic on water business.

Capex: Company plans a capex of ~Rs 15-16 cr in FY24-25, and ~Rs 25-30 cr in FY25-26 and some investment of about Rs 10-15 cr. Overall capex of ~Rs 70-75 cr in the next 3 years will help the company to reach from Rs 513cr to Rs 1000 cr revenue.



Key Triggers

JEL has the most comprehensive product portfolio

Types of product offered by JEL and its application

Categories	Offerings	Sales (in Rs cr) – 9MFY24
Water control gates & Equipment	Varied types of gates used to isolate & control flow of water in various applications	182
Screening Equipment	Varied types of screens used to remove floating waste from water in various applications	44.77
Knife gate valves and Bulk solids valves	Varied types of valves used to handle solids and solid-liquid mixes in various applications	50.75
Treatment Process Equipment	Varied types of equipment used in the process of water, waste water and effluent treatment	20.9
Water intake Equipment	Varied types of gates and screens used in river/ sea / reservoir water intake station for Industrial , Irrigation and Desalination plants	
Hydropower Screws	Used for generating renewable energy using low heads (0.8 m to 6 m) of water in various applications	
Archimedes Screw pumps	Used for pumping high volume of water (upto 8 cubic meters per second) for low heads (0.8 m to 6 m) in Terminal sewage pumping station and storm water pumping application	
Water Hammer Control valves	Varied types of valves used in long distance water transmission lines to prevent water hammer	
Disc Filters	Used to reduce the total suspended solids present in treated waste water so as to improve water quality	

(Source: Company, HDFC sec)



Key Products Mix

Water intake Systems	Heavy Fabricated Gates	Coarse Screening Equipment	Fine Screening Equipment	Screening Conveying Equipment	Heavy Fabricated Gates	Knife Gate Valves	Bulk Solid Handling Valve
 Pendlocks / Sluice Gates Open Channel Gates Downward Opening Weir Gates Stop Logs	 Bulk Head Slide Gates Roller Gates Butterfly Gates Crest Gates Radial / Tainter Gates Bonneted Gates	 Trash Rack Jash MMR Screen JMM Multi-rake Screen Jash Back Rake Screen Suspended Trash Rack	 Screenmat Step Screen Rotolash Rotary Drum Screen Rotolash Rotary Screen Mahr Perculator Screen Travelling Band Screen	 Belt Conveyor Screw Conveyor Screw Conveyor with wash compactor Jet Breaker Washer Compactor	 Bulk Head Slide Gates Roller Gates Butterfly Gates Crest Gates Radial / Tainter Gates Bonneted Gates	 Trash Rack MONO Series Knife Gate Valve Special Purpose Valves Zero Velocity Valve Air Vessel Air Cushion Valve Energy Dissipating Valve	 Slide Gate Valve - Version ZFB Swing Gate Valve - Version KU Double Flap Valve - Version DFG Fabricated Slide Gate Valve-VEG Slide Gate Valve-ZFS

Process Equipment
 Detritor Slow speed floating aerator Clarifier Clarifloculator Slow speed fixed aerator

Hydro Power Equipment
 Hydropower Screw Generator

Screw Pumps
 Archimedean Screw Pump

Filtering Equipment
 iFILT® Diamond Disc Filter

(Source: Company, HDFC sec)



Application of products offered by JEL

Human Drinking Water Cycle	
Stages in Human Drinking Water Cycle	Product Offerings
Collection / storage of water in dams and reservoirs Water control	Water control gates
Intake systems to take fresh water from dams / reservoirs or take seawater from sea for desalination	Water control gates Screens
Pumping stations to pump water to distant cities	Water control gates Screens
Water transmission lines to take water to distant cities	Water hammer control valves
Water treatment plant / Desalination plants where water is treated and made fit for human consumption	Water control gates
Long distance water transmission lines to cities and homes	Process equipment
Human waste water and Industrial waste water cycle	
Stage is human waste water and Industrial waste water cycle	Product Offerings
Pumping stations to collect and pump waste water to distant sewerage treatment plant	Water control gates Screens Knife gate valves Archimedes screw pumps
	Water hammer control valves Knife gate valves
Waste water transmission lines to take water to distant plants	Water control gates Screens Knife gate valves Process equipment Disc filters
Sewerage treatment plant where waste water is treated and made fit for disposal or in some cases for human consumption	Water control gates Hydropower Screw Generators
Outfalls of treated water to sea or rivers	
Storm water cycle	
Stages in Storm Water Cycle	Product Offerings
Pumping stations to collect and pump storm water to sea / river / treatment plant	Water control gates Screens Knife gate valves Archimedes Screw pumps
	Water control gates Screens Knife gate valves
Storm water treatment plant where storm water is treated and made fit for disposal to river / sea or for other uses:	

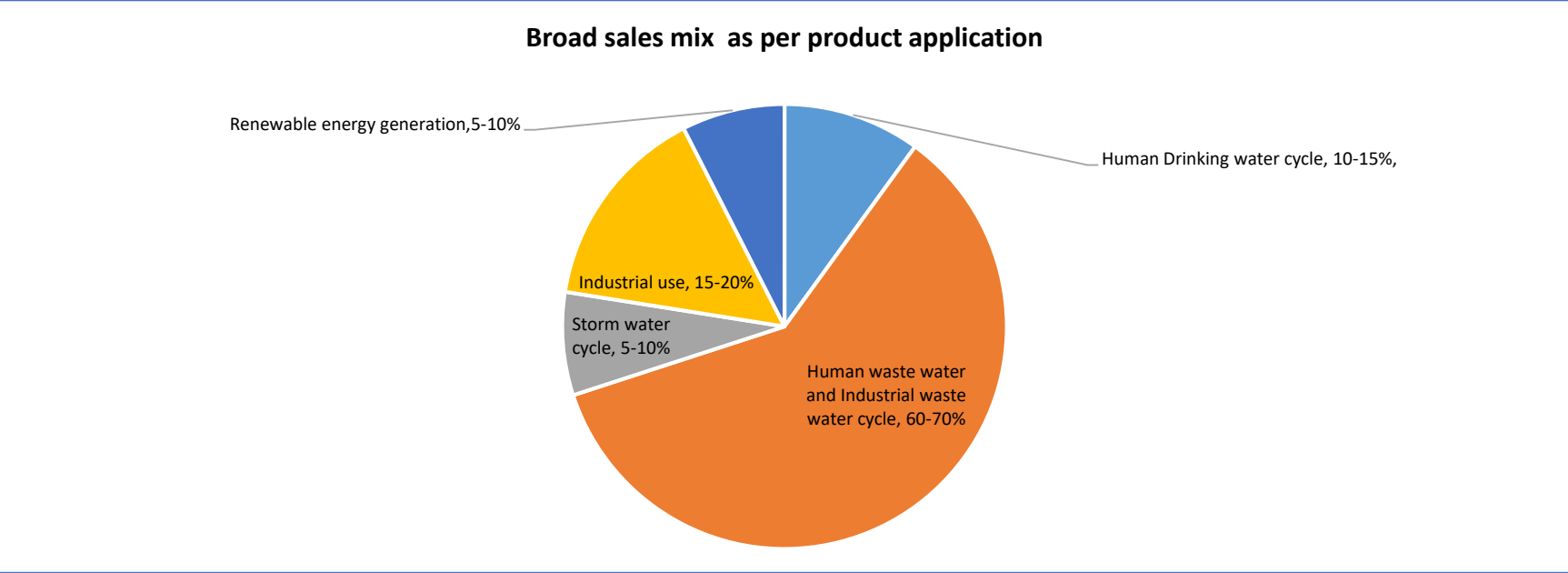


Renewable Energy Generation	
Stages in renewable energy generation	Product Offerings
Canal based power generation Run of river based power generation	Hydropower screw generator Water Control Gates Screens
Outfalls of Sewage treatment plants based power generation Outfalls of Power plants based power generation Replacement of water wheels and other old technologies for power generation	Hydropower screws Water Control Gates

Various applications of Products



(Source: Company, HDFC sec)



Source: Company, HDFC sec)

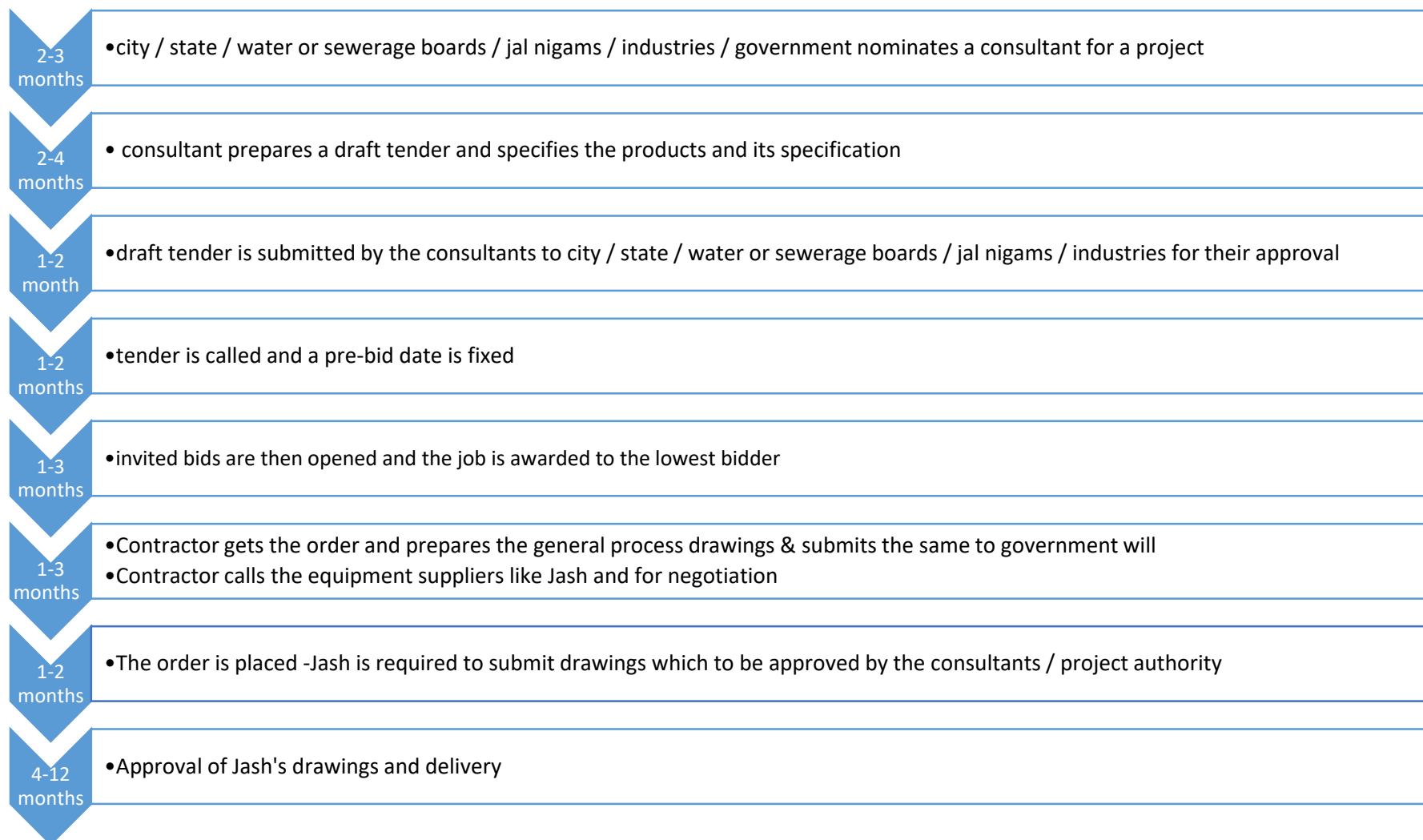
Types of customers

Human Drinking water cycle	Direct buyer if an EPC contractor and end buyer is City/ Municipal corporation / Government Board
Human waste water and Industrial waste water cycle	Direct buyer if an EPC contractor and end buyer is City/ Municipal corporation / Government Board.
Storm water cycle	Direct buyer if an EPC contractor and end buyer is City/ Municipal corporation / Government Board
Industrial use	Direct buyer if an EPC contractor and end buyer can be either Public sector company or a Private company
Renewable energy generation	direct buyer is a Private developer for small projects and EPC contractor in case of large projects doing turnkey job for either Public sector company or a Private company

(Source: Company, HDFC sec)



Typical ordering process



(Source: Company, HDFC sec)

Thus, depending upon size of the project it takes anywhere from 12-24 months from the time the project is conceived to the time we deliver the material.



Typical delivery timeline of project

Size of project	~% of revenues	Timeline
Rs 5 lakhs -1 cr	40%	4-7 months
Rs 1 cr - 5 cr	30%	5-12 months
Rs 5 cr - 10 cr	30%	6-18 months

(Source: Company, HDFC sec)

For medium and large projects, the delivery is done in lots and is spread over multiple lots during the whole period. Generally the first lot is delivered in 5-6 months and each subsequent lot is delivered within 1-2 months thereafter and the last lot is delivered by the end of the agreed delivery period.

Key Triggers:

New products to be introduced by the company

JEL has collaborated with Invent AG for new product addition in a 50-50 JV. Germany are world leaders in Mixing & Aeration technology. The tie up with Invent will enable JEL to produce for Indian market and for possible export to Invent / surrounding countries depending upon approval of product quality by Invent. In FY24, other products from Invent portfolio like Mixers, Agitator, Decanters, Turbo Blowers etc. will be added up under a JV company. All these products are required in secondary treatment process of waste water. Demand for these products will pick up as implementation of new sewage disposal policy mandated by National Green Tribunal (NGT) & Ministry of Environment (MOE) starts becoming effective.

JEL will have first mover advantage and product superiority in these products and will need nominal infrastructural investment for their manufacture. These products will result into stronger package offering from Jash and average order size will grow 2 times. As a result marketing cost will come down, margin improvement will take place and turnover will grow.

What gives JEL an edge over its competitors?

Approved Brands: The business is based on brand approval from end users. The company markets its products under Jash, Jash-Schuetze, Jash-Rehart , Mahr Maschinenbau , Rodney Hunt , E&M Jash, Shivpad and Sureseal brands. These brands are approved by major municipal corporations, sewerage boards, consultants and large EPC companies in India and abroad (US, Europe, Middle East, South East Asia and Africa).

The acquisition of Rodney Hunt in USA, Mahr Maschinenbau in Austria, E&M in Hongkong and Waterfront in UK recently, has ensured that the company has now access in all the principal markets that it is targeting through these brands. Availability of internationally known



brands like Rodney Hunt, Mahr, Schuette and E&M Jash ensures easy acceptance of company products in international market and faster approval in new markets worldwide.

Comprehensive Product Base: No other peers or company in India or in world manufactures more than 3 products. This diversified product base ensures that adverse market condition due to competition in any one product or by any one company will not severely affect company performance. This also allows company to package a project thereby insulating it from price competition in any one or two products.

Products and Competition:

Products	Domestic Competitors	International Competitors
Water control gates & Equipment	Indian Valve Company, Yeshwant , Durga Engineering, Oriental Casting, Bharat Industrial Corporation	Hambaker-UK, Fontaine-Canada, Whipps-USA, Waterman-USA, RW Gates-USA, Hydrogate-USA, Orbinox-Spain, Muhr- Germany
Screening Equipment	Johnson, Huber , Eurotek, Gujarat Apollo, Triveni Engineering	Miand-Italy, Huber-Germany, Headworks-USA
Knife gate valves and Bulk solids valves	Fouress Engineering, Bray valves, Orbinox Flowlink, Galaxy	Bray valves-Canada, Orbinox- Spain, Erhard-Germany, Stafzo-Sweden, ITT Valve -USA, CMO-Spain
Treatment Process Equipment	Emico-KCP, Triveni Engineering, Voltas, Parchure	Sismet-Turkey, Misc small local players
Water intake Equipment	Triveni Engineering, Gujarat Machinery Works, MacMet	Sismet-Turkey, Misc small local players
Renewable Energy & Pumping		WAM group- Italy , Spaans Babcock – Netherland, Landustrie-Germany, Andritz-Austria
Water Hammer Control valves	WAM group- Italy , Spaans Babcock - Netherland	
Disc Filters	Aquaerobic-USA, Nordic-Denmark, Siemens – USA, Premier Tech	Aquaerobic-USA, Nordic-Denmark, Siemens – USA, Veolia- France

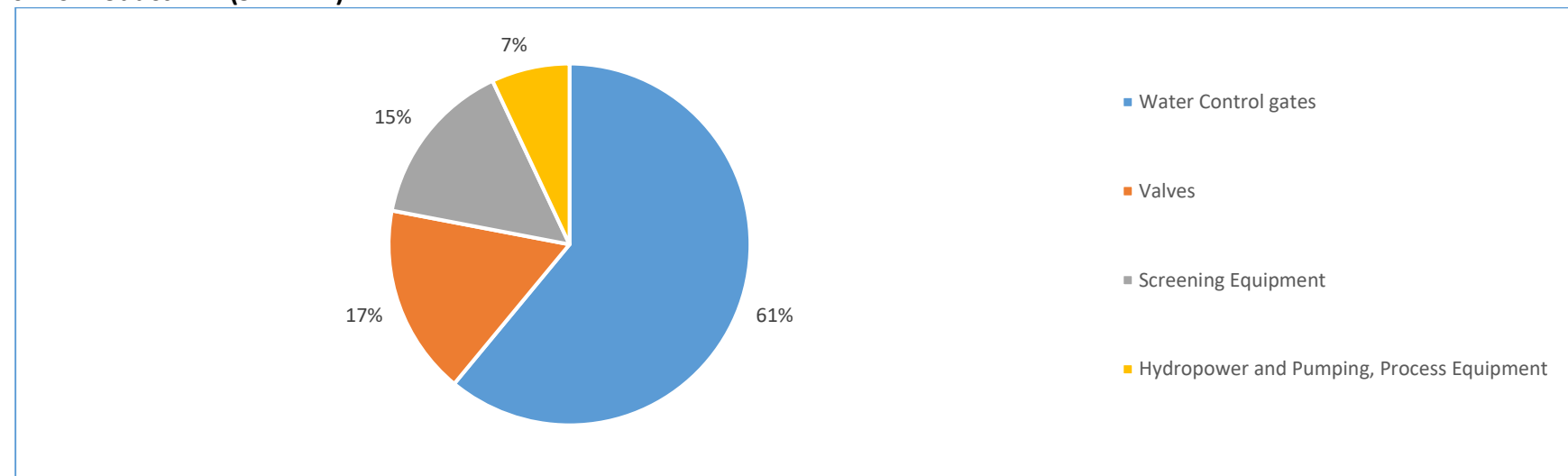
(Source: Company, HDFC sec)

Diversified markets and global reach: Unlike most of its peers the company is not focused only on Indian market. Its markets are diversified with supplies in over 30 countries. To reduce dependency on any one markets the company targets to have between 30-40% business each from its 3 major business markets of India, North & South America & Rest of World.

This focus of spreading the markets is helping exports grow and today company is in vicinity of achieving 50% sales from markets outside India. The company is presently on course with its target of achieving 60-65% sales (~52% in FY23) from export markets in next 3-year time so as to reduce its dependency on Indian market.



JEL's Product Mix (9MFY24)



(Source: Company, HDFC sec)

Infrastructural investment: The company has put in place one of the most comprehensive facilities for manufacturing of these products and has created capacities and capabilities which are biggest amongst its peers. This ensures that when there are big projects or projects needing fast delivery or complex projects the clients prefer to opt for the company instead of its peers.

Evolution through acquisitions

Over the years, JEL has done acquisitions for bringing in new product addition with a view to scale up business or to acquire brands for the purpose of entrance into new markets. The company has carried out following acquisitions:



Company	Country	Year of acquisition	Amount of Acquisition	Rationale for Acquisition
Rodney Hunt Inc.	USA	2016	USD 4 mn	To get access into north American market of water control gates. To get access to top representatives in states so that they can help in selling screens & knife gate valves
Mahr Maschinenbau GmbH	Austria	2014	Euro 2 mn	To add Screening Technology and brand for leveraging it in export market and help push gates and screens as a package
Shivpad Engineers	India	2011	Rs 6 Cr	To add treatment process equipment and increase the package size of products offered in a particular project
Sureseal	India	2009	Rs 1 Cr	To add niche products of water hammer control in the water conveyance cycle
Waterfront Fluid Controls*	UK	2023	~GBP 2 mn (80%)	To increase market share in water control gates in the UK market

*under process

(Source: Company, HDFC sec)

The company is presently in the process of acquiring a company (Waterfront Fluid Controls Ltd.) in UK. All the formalities for acquisition of Waterfront UK has been completed and final approvals are expected from RBI in the month of Feb 2024. We expect to complete the transaction by March 2024 so that from 1st April 2024 Waterfront, UK will become a subsidiary company of Jash Engineering Ltd., India. According to the management, the revenue from Waterfront can grow from Rs 28 cr in FY23 to Rs 100 cr in next 3-4 years. After the acquisition of this company in UK, JEL is not contemplating any further acquisitions in the near future. The reason for this that the company will still take 3 years to realize the full potential of the acquisitions in UK and the acquisition of Rodney Hunt in USA.

Financial Summary:

Pricing of contract: Most of the orders placed on the company are on fixed price basis. In such cases the risk and benefit of price increase or reduction in raw material rests with the company. To mitigate this, JEL always considers somewhat higher prices for raw materials based on market scenario and bids for those orders where delivery time is over 12 months. However, this cannot take care of huge increases in raw material prices and this exposes the company to any sharp increase in RM prices. But on the flip side, since the costing on new projects is done on revised prices of raw materials the company stands to benefit on these orders when the prices come down. So a hit in profitability in a particular year is generally accompanied by higher profits in subsequent year.



Additionally, sharp rally in commodity prices is normally accompanied by devaluation in INR and since over 50% of company revenue is coming from projects outside India, the gains due to devaluation of INR on such export orders helps in partially offsetting the price rise due to raw materials on domestic orders.

Limited risk of debtors turning bad - 80% of JEL's clients have payment terms of either before delivery or post-dated cheque or LC with a credit period of 45-90 days. With such payment terms, the risk of high receivable is very less. Every order above a certain value is delivered in multiple lots. This means that the value of a lot is of significantly smaller in comparison to order value. On an average a lot is valued between Rs 50-100 lacs, and in case a client does not pay within the agreed period, then JEL may stop delivering or manufacturing of subsequent lots thereby limiting its exposure to the client.

Limited scope to improve working capital cycle in near term: Inventory & Account Payables has been same in last three years i.e. inventory around 100-105 days & account payables of 120-130 days. However, during this period accounts receivables days increased from 165 days to 175 days. This was due to Rodney Hunt acquisition and subsequent financial issues and once Rodney Hunt becomes profitable then this too will be reduced, possibly after the end of this year.

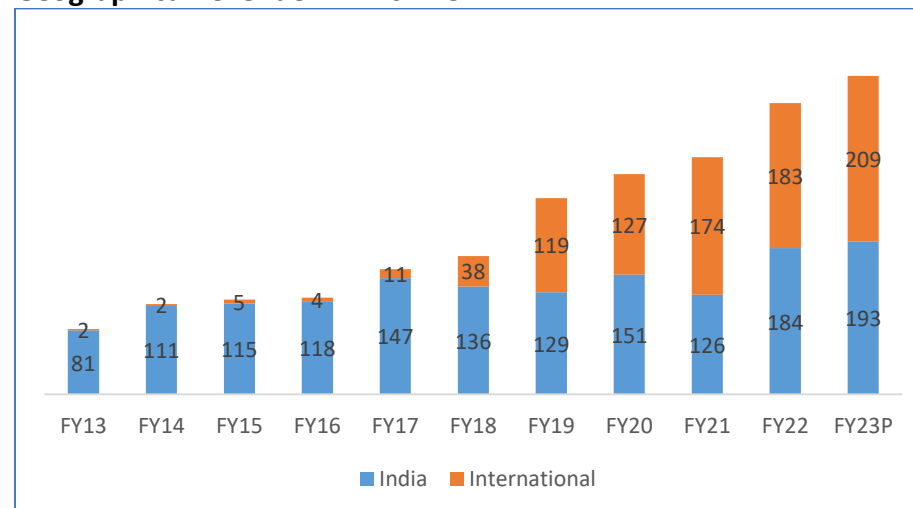
Revenues to grow at 23% CAGR over FY23-26E

In FY23, JEL reported a revenue growth of 9.4% YoY to Rs 402 cr. Management expects the revenue to reach Rs.515 cr this year and further expects the company to report 23% CAGR over FY23-25E, given the strong order book and acquisition from Waterfront. This turnover can be achieved with the current installed infrastructure. However, to increase this turnover substantially in future so as to reach a turnover of Rs. 1000 cr by 2029-30, the company will have to invest approx. Rs.100 crores in new infrastructure in next 3 years.

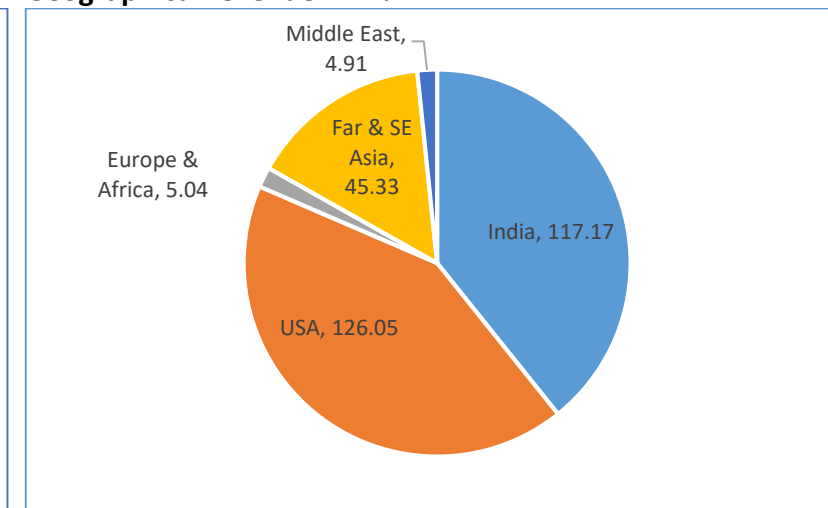
The company aims to invest in a new SS Fabricated products facility at Unit 2 by Sept 2023 and a new production facility for process equipment at Shivpad, Chennai by Sept 2024 and a new manufacturing facility in Houston, USA for Gates and Screens by March 2025. Finally a new facility to manufacture gates for UK/European markets is also planned to be built up in FY26.



JEL's geographical revenue mix
Geographical revenue mix-Rs in Cr



Geographical revenue mix-%



(Source: Company, HDFC sec)

Strong order book: Order book is largely diversified in terms of product mix and geographical locations. As on Feb 1st, 2024, its total order book stood at an all-time high of Rs. 851 cr of which Rs. 583 cr worth of orders are for supply outside India.

What's stopping company from rapidly despite strong visibility?

To reach Rs. 1000 cr turnover, JEL has to develop infrastructure by investing about Rs.100 cr in across its facilities and also size up its team. JEL is a custom engineered products company and not a mass production company and for such businesses, building team takes time. Hence, even if investment of Rs. 100 cr can be done in one go it will not be advisable to do so as pace of building infrastructure and pace of building a team is different, according to the management. JEL plans to invest gradually in both i.e. in infrastructure as well as in team building so as to be ready to cater to a Rs. 1000 crores business without stretching the entire operations. This will lend company enough time to grow the market and product range so as to cater to increased manufacturing capability

PAT is expected to grow by 19% CAGR over FY23-26E aided by robust revenue growth and scale benefits. In addition to this, the company is constantly investing in offering new products having higher value addition and relatively better profit margins, upgrading its manufacturing efficiency and operational efficiency and reducing errors which is common in custom manufactured products company. This



too should lead to reduction in costs and if these reductions are not passed on to the market to gain market share then this too shall help the company in improving its profits

Improvement in PAT due to increasing profitability of Rodney Hunt: Presently Rodney Hunt has no significant contribution to the consolidated PAT of the company. In FY23, Rodney Hunt had revenue of USD 19.6 million and PAT of USD 1 million amounting to standalone PAT of 5%. In FY24, the management expects the revenue to grow above USD 24 million and at this revenue it expects at least USD 1.7 million in profit amounting to standalone PAT of 7%. This should improve JEL's consolidated PAT by 0.5%. As Rodney Hunt continues to improve its performance over the next few years, it can achieve standalone PAT in excess of 10% and thereby contribute to improvement in consolidated PAT margin by 1-2%.

(in Rs cr)	Jash Engineering Ltd. (Standalone)		Shivpad Engineering		Rodney Hunt (USA)	
	Revenue	PAT	Revenue	PAT	Revenue	PAT
FY22	264.5	24.8	23.6	4.1	143.2	5.1
FY23	281	40.8	27.2	4.9	163.9	8.4
9MFY24	211.7	27.5	7.2	0.2	125.7	4.2
9MFY23	168.9	22	15.9	2.8	98.1	-4.2
YoY	25.3%	25%	-54%	-92%	28%	-2%

(Source: Company, HDFC sec)

Key Concerns

Working capital intensive - JEL's operations are working capital intensive in nature due to high level of customization and order specifications with large number of products leading to high inventory holding period. Receivables period was also high primarily on account of skewness of sales in the last quarter of a financial year.

Susceptible to volatility in RM prices and competition: JEL receives fixed price orders from its clientele, while prices of its major raw materials such as steel and castings are volatile in nature. This, along with high competition in the industry and tender-based order system for government contracts limits the bargaining power of players. Thus, JEL's profitability remains exposed to volatile raw material prices and competition.

Dependence on Govt bodies for orders: In most orders received by JEL, the final customer is the Govt or Govt bodies. Any cutback in spending by the Govt or change in ordering norms by them could impact the orderflow and revenue growth of JEL. Around election time, there may be a slowdown in ordering/execution.



Seasonality: Q4 is the best quarter for JEL due to majority of Govt orders that have to be executed by the fiscal year end. Q1 is the leanest quarter for JEL. Hence, there may be large variation in results from quarter to quarter.

Company Overview

Jash Engineering Limited is a leading member of the Jash Group which was founded by Mr. Jashbhai Patel in the year 1948. Over time it has evolved into a specialized manufacturer of varied equipment used in water / waste water / sea water conveyance, pumping and treatment with over 50% of its revenue coming from exports. Headquartered in Indore –India, Jash has five well-integrated state-of-art manufacturing facilities, four in India and one in the USA. The current potential from all these facilities is close to Rs.700 crore. The Company is adding new facilities and that will ensure that over time, it will be able to build up manufacturing capability up to Rs. 1,000 crore.

Key milestones of JEL

Year	Particulars
1973	Formation of Jash Engineering Pvt Ltd
1996	Technical & Financial collaboration with Schuette, Germany for Bulk solids valves
2000	First company to introduce fine screen in India in Technical collaboration with Hollung , Sweden
2005	Expanded Screen manufacturing facility and became largest manufacturer of fine screen in India
2006	New facility to manufacture bulk solids handling valves
2008	Technical collaboration with Weco Armaturen , Germany to offer its range of Valves in Asian market
2009	Acquisition of Sureseal to add Water Hammer control valve range
2010	Established UNIT 3 of 50,000 Sqft . At SEZ Pithampur for Valves & Gates
2011	Technical collaboration with Rehart, Germany for Archimedes screw pumps & hydro power generation
	Acquisition of Shivpad to add Process Equipment range
2012	Established UNIT 2 of 150,000 Sqft . For Fabricated products.
	Technical collaboration with Mahr Maschinenbau , Austria for various Screens
2014	Acquisition of Mahr Maschinenbau, Austria
2016	Acquisition of Rodney Hunt Brand in USA
2017	Company listed on NSE
2018	Established plant of 60,000 sqft at Orange Massachusetts, USA for Fabricated products
2019	Established UNIT 4 of 50,000 Sqft at SEZ for Fabricated products
	Technical Collaboration with Invent, Germany for Disc Filters
2023	Joint Venture with Invent , Germany to manufacture their range of aeration and mixing equipment

(Source: Company, HDFC sec)



JEL's geographical presence and revenue mix (FY23)



(Source: Company, HDFC sec)

Peer comparison (based on 9MFY24 numbers)

Particulars	Jash Engineering	Ion exchange	VA Tech Wabag
Revenue (cr)	303	1566	1922
EBITDA (cr)	50.4	179.8	261.3
PAT (cr)	27.8	122.9	173
EBITDA Margins (%)	17	11.5	13.5
PAT Margins (%)	9.2	7.8	9



Financials

Income Statement

Particulars (in Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	368	402	507	618	749
Growth (%)	22.8	9.4	26.0	22.0	21.2
Operating Expenses	321	338	407	492	593
EBITDA	47	64	100	125	156
Growth (%)	-9.4	36.4	56.3	25.7	24.2
EBITDA Margin (%)	12.7	15.9	19.7	20.3	20.8
Depreciation	10	11	17	18	20
Other Income	6	13	7	9	11
EBIT	43	66	90	117	147
Interest expenses	9	10	11	11	11
PBT	35	56	79	106	136
Tax	2	5	16	22	30
PAT	32	52	63	83	106
Share of Asso./Minority Int.	0	0	0	0	0
Adj. PAT	32	52	63	83	106
Growth (%)	5.4	60.7	21.6	32.8	27.0
EPS	26.9	43.0	52.3	69.4	88.3

Balance Sheet

Particulars (in Rs Cr) - As at March	FY22	FY23	FY24E	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	12	12	12	12	12
Reserves	175	227	323	355	450
Shareholders' Funds	187	239	335	409	504
Minority Interest	0	0	0	0	0
Total Debt	82	82	78	77	76
Net Deferred Taxes	0	0	0	0	0
Total Sources of Funds	269	321	414	486	580
APPLICATION OF FUNDS					
Net Block & Goodwill	112	116	133	135	144
CWIP	1	4	4	4	4
Investments	0	0	0	0	0
Other Non-Curr. Assets	7	13	16	20	24
Total Non Current Assets	119	132	153	158	172
Inventories	76	112	128	152	185
Debtors	135	156	181	223	267
Cash & Equivalents	27	33	81	113	156
Other Current Assets	12	15	20	22	28
Total Current Assets	250	316	410	511	635
Creditors	59	59	77	95	113
Other Current Liab & Provisions	41	69	72	88	113
Total Current Liabilities	101	128	149	183	226
Net Current Assets	149	188	261	328	409
Total Application of Funds	269	321	414	486	580



Cash Flow Statement

Particulars (in Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	35	56	79	106	136
Non-operating & EO items	-4	-10	-3	-3	-4
Interest Expenses	7	10	11	11	11
Depreciation	10	11	17	18	20
Working Capital Change	-26	-26	-19	-36	-37
Tax Paid	-7	-8	-16	-22	-30
OPERATING CASH FLOW (a)	14	34	68	74	95
Capex	-13	-15	-40	-20	-30
Free Cash Flow	2	19	28	54	65
Investments	0	0	0	0	0
Non-operating income	-3	0	0	0	0
INVESTING CASH FLOW (b)	-16	-16	-40	-20	-30
Debt Issuance / (Repaid)	11	0	-3	-1	-1
Interest Expenses	-7	-9	-11	-11	-11
FCFE	2	9	14	41	54
Share Capital Issuance	1	1	42	0	0
Dividend	-4	-4	-8	-10	-11
FINANCING CASH FLOW (c)	2	-13	19	-22	-22
NET CASH FLOW (a+b+c)	0	6	48	32	43

One-year Share Price Chart



Key Ratios

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Profitability Ratios (%)					
EBITDA Margin	12.7	15.9	19.7	20.3	20.8
EBIT Margin	11.8	16.5	17.7	18.9	19.6
APAT Margin	8.8	12.9	12.4	13.5	14.2
RoE	18.8	24.3	21.9	22.4	23.2
RoCE	17.4	22.5	24.4	25.9	27.5
Solvency Ratio (x)					
Net Debt/EBITDA	1.2	0.8	0.0	-0.3	-0.5
Net D/E	0.3	0.2	0.0	-0.1	-0.2
PER SHARE DATA (Rs)					
EPS	26.9	43.0	52.3	69.4	88.3
CEPS	35.1	51.8	66.6	84.5	105.3
BV	156.3	198.4	278.6	340.0	420.1
Dividend	3.6	6.0	7.0	8.0	9.0
Turnover Ratios (days)					
Debtor days	114	132	122	120	119
Inventory days	73	86	86	83	82
Creditors days	52	53	49	51	51
Valuation (X)					
P/E	62.7	39.3	32.3	24.3	19.1
P/BV	10.8	8.5	6.1	5.0	4.1
EV/EBITDA	44.2	32.3	20.2	15.8	12.4
EV / Revenues	5.6	5.1	4.0	3.2	2.6
Dividend Yield (%)	0.2	0.4	0.4	0.5	0.5
Dividend Payout	13.4	14.0	13.4	11.5	10.2

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