# Jain Resource Recycling Ltd. – Investment BUY Call Thesis

**Dear Bajaj Capital Investors,**
**New Stock Recommendations for BUY on 8 Sept 2026**

**CMP -> 281**
**Buying Range -> up to 288**
**Upside Potential-> 18%**
**Investment Horizon -> 6 to 9 Months**
**Target price -> 332**

## 1. Q1 FY27 Performance — Strong Revenue Momentum Despite Temporary Margin Compression

**1. Revenue growth remains exceptionally strong:** Consolidated revenue increased approximately 76% YoY to INR 2,725 crore in Q1 FY27, supported by strong copper volumes and the initial contribution from value-added copper products. This follows FY26 revenue of approximately INR 9,543 crore, which increased 48% YoY, demonstrating that the company's growth is being supported by both volume expansion and higher commodity realisations.

**2. Profitability grew, but margins were temporarily diluted:** Q1 FY27 EBITDA increased approximately 22% YoY to INR 110 crore, while PAT rose around 23% YoY to INR 69 crore. EBITDA margin, however, declined to approximately 4.0% from 5.8% in Q1 FY26, primarily because the company is in the early-stage ramp-up of new downstream copper facilities and has experienced product-mix and stabilisation inefficiencies. Importantly, EBITDA margin improved sequentially from 3.5% in Q4 FY26 to 4.0% in Q1 FY27 or approximately 48 bps QoQ, suggesting that the sharp Q4 pressure has begun to moderate.

**3. Q4 FY26 provides an important base-effect opportunity:** FY26 EBITDA was approximately INR 559 crore, up 53% YoY, with PAT of approximately INR 347 crore, up 56% YoY. Q4 FY26 revenue grew approximately 76% YoY to INR 3,105 crore, but EBITDA margin fell to around 3.5% because of approximately INR 18,000–18,500/tonne pressure from copper sales-realisation formulas and approximately INR 6,000/tonne of additional logistics/port-related costs. Management subsequently indicated that logistics costs and realisation formulas were normalising, creating scope for earnings recovery as FY27 progresses.

## 2. Business Model & Strategic Transition — From Recycling to an Integrated Copper Value Chain

**1. Core recycling platform provides the earnings foundation:** The company operates across copper, lead, aluminium, tin and plastic recycling, sourcing recyclable materials and converting them into processed metals and alloys for industrial customers. FY26 revenue mix was approximately 55% copper & copper alloys, 40% lead & lead alloys and 5% aluminium, while Q1 FY27 saw copper and copper products increase further to approximately 67% of revenue, clearly establishing copper as the principal growth engine.

**2. Forward integration is the most important structural change:** The strategic objective is to move beyond selling recycled metal/ingots toward a copper anode → copper cathode → copper wire rod → copper busbar/profile value chain. The copper anode facility has already been commissioned, with 1,600 MT/month installed capacity after both furnaces became operational. Copper cathode Phase 1 is targeted for Q2 FY27, while wire rod and busbar/profile facilities are expected during Q3 FY27. This should progressively increase value addition, customer stickiness and the proportion of higher-margin products.

**3. End-market exposure is broad and diversified:** The company's products ultimately serve industries including automotive, batteries, power cables, electrical equipment and other industrial applications. Copper growth therefore benefits from structural demand in electrification, electrical infrastructure and power-related applications, while lead recycling remains linked to the battery ecosystem. This diversified end-user base reduces dependence on a single customer or application and creates opportunities for cross-selling as the company adds downstream copper products.

## 3. Copper Value-Added Expansion — The Principal 6–9 Month Earnings Catalyst

**1. Anode has moved from project stage to commercial production:** The copper anode line was commissioned during Q1 FY27, with approximately 600 tonnes produced/sold during the quarter. Management acknowledged that the initial anode volumes contributed to revenue but had not yet contributed significantly to EBITDA/tonne because the facilities were still stabilising. This is important because Q1 should not be viewed as the steady-state economics of the new copper platform.

**2. Cathode, wire rod and busbar/profile create a sequential earnings ramp:** Copper cathode Phase 1 is targeted for Q2 FY27, with an eventual installed capacity of approximately 1,500 MT/month. Copper wire rod is planned at 600 MT/month, while busbar and profiles are planned at 1,500 MT/month, both targeted for Q3 FY27. Management indicated that it already has an in-principle go-ahead from several customers, with the downstream products expected to attract largely new customers. Consequently, the next two to three quarters should progressively demonstrate whether the capacity additions translate into sustainable EBITDA/tonne improvement.

**3. Management's margin commentary creates significant operating upside:** Management expects value-added copper projects, once fully operational, to provide approximately 2% incremental margin on the relevant value-added copper volumes, while earlier commentary indicated a potential incremental EBITDA contribution of approximately INR 22–45/kg across the downstream value chain. Management has also explicitly stated that EBITDA should increase once the company moves beyond the ingot stage. Therefore, the critical trigger for the stock over the next 6–9 months is utilisation and stabilisation of downstream copper capacity rather than simply incremental revenue.

## 4. Growth Catalysts — Ahmedabad JV, Lead Expansion & Specialty Metals

**1. Ahmedabad copper JV can strengthen the scrap-to-product ecosystem:** Trial production has commenced at the Ahmedabad facility with C&Y Group, with designed processing capacity of approx. 72K TPA of copper-bearing scrap and output capacity of around 25,000 TPA of copper products at full ramp-up. Operations are expected to stabilise in Q2 FY27. The JV is strategically important because C&Y is expected to support scrap sourcing through its North American network, thereby strengthening raw-material availability while increasing copper-processing volumes.

**2. Lead expansion can unlock capacity that is already substantially utilised:** Lead capacity operated at approximately 97–100% utilisation during FY26, effectively reaching its current practical limit. The proposed expansion, subject to approvals, is expected to add approximately 15–20% to existing capacity. Management has guided to approximately 10–15% lead volume growth in FY27, making this expansion particularly relevant because it adds capacity to an established business rather than relying solely on a new-market ramp-up.

**3. Antimony, tin and plastic recycling add incremental value pools:** The antimony recovery project is targeted for Q3 FY27, with approximately 1,000 MT/month of lead-antimony bullion input and around 100 MT/month output, supported by approximately INR 20 crore of capex. The company has also increased tin-processing capacity from approximately 125 to 500 tonnes per annum, creating a higher-value niche stream. Separately, the planned 6-acre plastic recycling facility, involving approximately INR 15 crore of capex and targeted for Q3 FY27, should decongest existing facilities and improve utilisation of the company's recycling infrastructure.

## 5. Operating Leverage — Why H2 FY27 Could Be More Important Than Q1

**1. Utilisation is the key earnings variable:** A significant portion of FY27 capex is already directed toward projects that are approaching commissioning rather than distant greenfield projects. As anode, cathode, wire rod and busbar/profile facilities move from commissioning to commercial production, fixed costs should be absorbed over a larger production base. Management expects production to become substantially streamlined by the end of Q2 or beginning of Q3 FY27, making H2 FY27 particularly important for margin recovery.

**2. Product mix should structurally improve:** Q1 FY27 copper and copper-product contribution had already increased to approximately 67% of revenue versus 55% in FY26. The next stage of integration should further shift the mix from lower-value recycled metal/ingot sales toward cathodes, wire rods, busbars and profiles. This creates potential operating leverage through higher value addition, better customer stickiness, cross-selling and improved contribution per tonne, rather than relying solely on higher metal prices.

**3. Core copper economics provide a useful benchmark:** Management has indicated a normalised core copper recycling EBITDA of approximately INR 30,000–32,000/tonne, excluding unusually favourable or adverse quarterly formula effects. The company has also changed its hedging/formula approach following the Q3–Q4 FY26 experience, with the objective of reducing volatility in sale-price formulas. Consequently, if core recycling economics normalise while downstream utilisation rises, EBITDA growth could outpace revenue growth.

## 6. Strategic Expansion, Backward/Vertical Integration & Execution Track Record

**1. The expansion strategy is increasingly vertically integrated:** The company is not merely adding unrelated capacities; it is progressively building an integrated copper ecosystem around its recycling operations. Copper scrap sourcing feeds the recycling operation, which can then move through anode, cathode, wire rod and busbar/profile, allowing the company to capture additional value at multiple stages of the value chain. This is strategically more attractive than pure volume expansion because it provides multiple avenues for margin enhancement.

**2. Kuwait investment addresses raw-material security:** The company's 25% investment in Abraj Al Khaleej is intended to establish a battery-recycling and sourcing presence in Kuwait, with approximately 2,000 tonnes/month of battery-scrap processing envisaged. Machinery is ready, but dispatch has been delayed because of West Asia shipping disruptions. Once operational, the investment could strengthen the company's lead raw-material sourcing ecosystem and provide a regional sourcing corridor.

**3. Execution has progressed despite external disruptions:** The company commissioned the second copper-anode furnace, commenced Ahmedabad JV trials and progressed cathode, wire rod, busbar/profile, antimony and plastic projects despite logistics disruption during FY26 and early FY27. The key execution test now shifts from construction/commissioning to utilisation and commercial ramp-up. This distinction is important: the next 6–9 months should increasingly reveal the earnings benefits of the capital already deployed.

## 7. Balance Sheet, Debt, Cash Flow & Capital Allocation

**1. Capital structure has strengthened materially:** The FY26 capital-raising exercise provided approximately INR 500 crore of fresh IPO proceeds, of which approximately INR 375 crore was used for debt repayment, materially strengthening the balance sheet. Management's stated approach is to fund growth capex predominantly through internal accruals while maintaining disciplined working-capital management. This is particularly important for a metal recycler because the absolute working-capital requirement rises rapidly with commodity prices and volumes.

**2. Working capital remains the principal balance-sheet variable:** The latest management commentary indicates a working-capital cycle of approximately 60 days, comprising roughly 55 inventory days and 19 debtor days, with creditor days partially offsetting the requirement. FY26 operating cash flow was temporarily negative at approximately INR 600 crore, according to the management discussion, largely because higher copper prices and strong volume growth increased working-capital requirements rather than because of a deterioration in underlying profitability. Management expects cash-flow performance to improve as working capital normalises, potentially from Q2 FY27.

**3. FY27 capex appears manageable relative to the earnings base:** Management's latest capex plan is approximately INR 87 crore, focused primarily on copper value-added products, antimony and plastic recycling; earlier FY27 commentary had indicated approximately INR 115–120 crore including Ahmedabad and Kuwait investments. The relatively moderate capex requirement versus FY26 EBITDA of approximately INR 559 crore supports the argument that future growth should increasingly be generated from assets already commissioned or nearing completion, limiting the need for aggressive incremental leverage.

## 8. Short-Term Headwinds & Risks — Margin Volatility Remains the Main Concern

**1. New-project ramp-up can keep Q2 margins below potential:** Q1 FY27 EBITDA margin of approximately 4.0% remained below the FY26 level of 5.9%, with management explicitly attributing pressure to product-mix changes and inefficiencies while new copper downstream facilities stabilise. Therefore, investors should not assume immediate margin normalisation. The investment thesis depends on the company's ability to move from commissioning losses/inefficiencies toward steady-state utilisation during Q2–Q3 FY27.

**2. Copper-price/formula volatility can distort quarterly earnings:** Management highlighted the sensitivity of EBITDA to copper sales formulas, noting that a 1% change in formula can affect EBITDA by approximately INR 13/kg. The company maintains a 100% hedging model and does not speculate on metal prices, but hedging cannot entirely eliminate commercial-timing or formula-spread effects. Quarterly earnings can therefore remain volatile even when the underlying physical recycling economics are sound.

**3. Execution, safety and regulatory risks require close monitoring:** The July 2026 furnace accident at Unit-2 temporarily disrupted operations and highlighted the safety and regulatory risks inherent in metal recycling. Operations subsequently resumed following the required approvals, but environmental clearances, hazardous-waste regulations, scrap-import rules, safety compliance and project execution remain important risks. Competition in the fragmented recycling industry can also pressure procurement economics and margins if scrap availability tightens.

## 9. Geopolitical/Commodity Risk & Investment Conclusion — BUY for a 6 to 9 Months Horizon

**1. West Asia and global geopolitical volatility remain material risks:** The company has faced raw-material and logistics disruption from the West Asia crisis, including approximately INR 20–30 crore of material temporarily stuck at sea/ports. Management stated that the material is insured and fully hedged, while alternative sourcing and ports are being developed. Nevertheless, prolonged war, shipping disruptions, sanctions, tariff changes, restrictions on scrap movement or sudden government/regulatory interventions could temporarily increase freight costs, constrain raw-material availability and compress EBITDA/tonne.

**2. Structural growth drivers are stronger than the short-term volatility:** The company's growth is increasingly supported by copper recycling, forward integration, cathode/wire rod/busbar production, Ahmedabad scrap processing, lead-capacity expansion, antimony recovery, tin processing and regional sourcing initiatives. In addition, management expects mandatory recycled-content requirements from FY28, beginning at at least 5% and potentially increasing toward 10%, to support organised recycling volumes and demand for recycled metals. These trends provide a structural demand pull beyond commodity-price movements.

**3. Investment conclusion — BUY, with H2 FY27 as the key re-rating window:** For a 6 to 9 months horizon, the risk-reward remains favourable because FY27 is effectively a transition year from high-volume commodity recycling toward higher-value, vertically integrated copper processing. Revenue growth is already demonstrated; the next catalyst is margin conversion. If cathode, wire rod and busbar/profile facilities ramp as planned, core copper EBITDA normalises toward management's INR 30,000–32,000/tonne benchmark and value-added products deliver the indicated incremental margin, earnings growth could accelerate disproportionately to revenue. The principal risks are temporary margin dilution, working-capital intensity, geopolitical logistics and project-ramp execution. On balance, the combination of strong volume growth, increasing copper mix, forward integration, multiple near-term commissioning catalysts and manageable planned capex supports a BUY view, with Q2–Q3 FY27 execution and H2 FY27 margin expansion being the most important triggers to validate the thesis.

## Q1FY27 Financial Performance:

| | YoY | QoQ | Jun 2026 | Mar 2026 | Jun 2025 |
|---|---|---|---|---|---|
| Revenue Cr | 75.9% | -12.3% | 2,724 | 3,105 | 1,549 |
| Operating Profit Cr ^ | 21.6% | -0.4% | 110 | 110 | 90 |
| OPM % | | | 4.0 | 3.5 | 5.8 |
| PAT Cr ^ | 22.8% | 5.1% | 69 | 66 | 57 |
| NPM % | | | 2.5 | 2.1 | 3.6 |
| EPS ₹ | 14.1% | 5.8% | 2.0 | 1.9 | 1.8 |

## Recommendation Timeline & Performance Summary:

**1. 9 Feb 2026 – Initial BUY Recommendation**: The BUY call was initiated at a price of 401 with a target price of 473, implying an upside potential of 18% over a 12 months investment horizon.

**2. 1 April 2026 – Target Achieved:** The stock achieved our target price of 473 on 1 April 2026 and delivered a return of 48% (stock price touched to 593 on 8 May 2026) within 3 months of investment duration from our recommendation, significantly ahead of our envisaged 12 months investment horizon.

**3. 8 Sept 2026 – Re-Initiation of BUY Call:** We have re-initiate the BUY call at the CMP of 281 with a target price of 332, indicating an envisaged upside potential of 18% over the next 6 to 9 months.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team