

Jaysynth Dyestuff (I) Ltd. ₹ 63**Jay Ho !****Accumulate**

Sep 12, 2014

Company Background

Jaysynth Dyestuff India Ltd (Jaysynth) was incorporated in 1985 with the main objective to carry on business of manufactures and dealers in dyes, dyes intermediates, organic chemicals, textile auxiliaries, pigments, resins, plasticizers and emulsions. Starting from a modest production of 6 metric tons the company has today become one of the largest dyes and pigments businesses in India. The Company has established its mark in export market as a leading exporter of dyes and chemicals. Jaysynth products are now exported to over 50 countries, including the very countries from which dyes were imported earlier.

Key Highlights

- ➔ Jaysynth operates in the dyestuff and pigment industry since 1985 as one of the leading manufacturers and dealers in dyes, dyes intermediates, organic chemicals, textile auxiliaries, pigments, resins, plasticizers and emulsions. It is today become one of the largest dyes & pigment business in India.
- ➔ The Company has established its mark in export market and has also established itself as a leading exporter of dyes and chemicals with nearly 60% of its revenues from export market.
- ➔ The recent environmental policy changes in China pertaining to the Chemical segment has initiated a comply or perish regime to a stricter set of environmental laws this will ensure that chemical companies in India are expected to dominate the segment hereon.
- ➔ Most of the dye intermediate & dyestuff companies are showing their performances on the field and on bourses, Jaysynth is also in the band wagon and is expected to gain the same way as its peers.
- ➔ The Company has registered a better performance over previous year, despite of challenging macro economic conditions, high inflation and negative business sentiments prevailing across the industry. During FY 2013-14, revenue from operations was ₹1316.7 mn as against ₹12,33.7 mn registered during previous accounting year. Net profit after tax for the FY 2013-2014 was ₹ 86.7 mn as against ₹ 67.2 mn registering a considerable increase in profits. Results are expected to improve further in the scenario.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	919.8	1,233.7	1,316.7
Rev. growth (%)	(3.53)	34.13	6.73
EBITDA (INR mn)	80.5	113.8	141.9
Net profit (INR mn)	31.6	67.2	86.7
Shares outstanding (mn)	8.7	8.7	8.7
EPS (INR)	3.6	7.7	10.0
EPS growth (%)	(29.31)	112.66	29.02
P/E (x)	5.0	3.3	2.7
RONW (%)	8.5	16.2	14.3
ROCE (%)	8.5	16.2	14.3

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Info Codes

Reuters	: JYSD.BO
Bloomberg	: JDI@IN
NSE	: JAYDYSTUF
BSE	: 506910

Market Data

52 Wk Range (₹)	: 20 / 72
Shares in Issue (mn)	: 8.7
Mkt. Cap (₹ bn)	: 0.55
BSE 2 Wk Avg Vol	: 2785

Share Holding Pattern (%)

Promoters	: 66.64
FIIs	: 0.00
DIIIs	: 0.07
Others	: 33.29

Investment Theme

Jaysynth is a company with a speciality productline & a significant growth margin. Over the years of its steady business it has expanded its production capacity as well as its revenues. Over the last year after China decided to phase out small & medium size polluting factories, the prices of speciality chemicals have suddenly shot up to almost 300% of their cost 1 year back. This spells out a lot of opportunity with the price rise and less competition coming in. Further there is opening up of a new market "China" as China is a net importer of Chemicals and now has decided to shut off small scale polluting units. The company appreciated mote than 100% in the last 1 quarter however we feel that there is a lot more scope in the company further since the whole dyestuff market is witnessing a turn around. We therefore initiate an accumulate call on the company.

Dyeing in Brighter Colours!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	949.7	1280.0	34.78	1360.5	6.29
Other Income	2.5	8.4	236.00	24.3	189.29
Change in Stocks	19.9	9.7	(51.26)	54.8	464.95
Raw Material Con.	343.3	576.8	68.02	633.1	9.76
Employee Exp.	32.1	40.0	24.61	50.1	25.25
Indirect Taxes	33.4	58.1	73.95	72.8	25.30
Other Exp.	482.8	509.4	5.51	541.7	6.34
Operating Exp.	871.7	1174.6	34.75	1242.9	5.81
Operating Profit	78.0	105.4	35.13	117.6	11.57
Total Interest	10.8	3.0	(72.22)	3.9	30.00
Gross Profit	69.7	110.8	58.97	138.0	24.55
Net Dep.	7.2	9.0	25.00	9.4	4.44
Total Taxation	30.9	34.6	11.97	41.9	21.10
Net Profit/Loss	31.6	67.2	112.66	86.7	29.02

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	361.2	385.5	452.8	537.5
Equity Share capital	8.7	8.7	8.7	8.7
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	7.0	0.0	0.0	0.0
Reserves & Surplus	345.5	376.8	444.1	528.8
Long Term Loans	0.0	0.0	0.0	0.0
Short Term Loans	0.0	0.0	0.0	0.0
USES OF FUNDS	361.2	385.5	452.8	537.5
Gross Block	100.3	135.8	154.5	163.6
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	12.1	18.3	26.0	33.7
Net Block	88.2	117.5	128.5	129.9
Capital Work in Progress	2.8	1.7	2.5	0.6
Investments	23.5	22.4	77.6	119.9
Current Assets	462.2	497.6	605.7	655.8
Less : Current Liabilities	215.5	253.7	361.5	368.7
Total Net Current Assets	246.7	243.9	244.2	287.1
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	0.0	0.0	0.0	51.6
Mkt Val. Quoted Investments	24.0	23.1	80.3	73.5
Contingent Liabilities	0.0	0.0	0.0	0.0
Dividend (%)	0	0	0	20

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 13	Dec 13	Mar 14	Jun 14
Net Sales	350.9	274.1	375.1	360.7
Cost Of Sales	317.5	247.9	344.0	337.0
Operating Profit	33.4	26.2	31.1	23.7
Recurring Income	10.4	3.0	2.7	2.9
Adjusted PBDIT	43.8	29.2	33.8	26.6
Financial Expenses	1.1	0.1	0.0	0.0
Depreciation	2.2	2.5	2.5	2.5
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	40.5	26.6	31.3	24.1
Tax Charges	8.0	7.9	13.1	6.9
Adjusted PAT	32.5	18.7	18.2	17.2
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	32.5	18.7	18.2	17.2

52 Week Index Relative Percentage Appreciation

Jaysynth vs SENSEX
Risks Associated
➔ Risk of Environmental Laws

Since the company operates in the chemical sector the most important risk is of the Environmental Laws, Any change in the environmental laws of the state or country of the country of export would damage the current business position.

➔ Increase in Raw Material Prices

Major raw materials to the company are always under inflationary pressure this is usually due to supply and demand of the raw materials coupled with the fact that 90% of the competition is locally confined to just 2 states in India Gujarat & Maharashtra.

➔ The Fluctuating Rupee

Considering the fact that some of its raw materials are imported and products exported the risk return of purchase / sale is tied up to the fluctuating Rupee any depreciation in the Currency would bring in pressures on margins.

➔ Competition

Being a global player, the company is also exposed to competition not only from domestic players but also large international players. Cheap imports especially from countries like China could pose problems, which would have to be faced appropriately.

In a Nutshell

Jaysynth has been into business for more than 4 decades, the company has the advantage of having a product range of speciality chemicals, covering a broad spectrum of applications. The demand for its products is driven by a wide range of end use industries from paints and coatings, textile, construction, printing inks, and plastics. The demand for paints, coatings and additives is strongly backed by the very low capita consumption of paints in India and growth of the automotive, housing and construction sector which is expected to have an average annual growth rate of 15 percent. The dye intermediates are essentially derivatives of petroleum products which after further processing gets transformed into finished dyes and pigments. The dyestuff industry is an integral part of a huge number of industries like Textile, Leather. Plastics, Printing ink are another application of the colorants market. Industry outlook for paint, plastics, pigments, inks and special applicants remains good. The focus of the Company in the year 2013-14 has been on improving performance across all aspects of its business operations namely; enhance manufacturing capability and consistency in production, becoming fully compliant with environmental regulations, achieving competitiveness through efficiency in operations and enhance market presence and access leading to accelerated and profitable growth. This would help the company withstand the headwinds of business environment in the near future.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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