

Jaysynth Dyestuff

₹ 85

Dye Hard!**Buy**

Jun 24, 2016

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 chemical and dyestuff and intermediaries in India have been demonstrating good numbers in the last 2 to 3 years.
- ➔ 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.
- ➔ As an aftermath of various chemical disasters in China the Chinese government is keen on stopping of heavy polluting industries. However since China itself is a massive consumer of these chemicals. China has turned over to be a net importer of items. It is seen that the manufacturing base is shifting to India and other Asian Countries.

Key Financials

| Year Ended 31 st | Mar 13 | Mar 14 | Mar 15 |
|-----------------------------|---------|---------|---------|
| Revenue (INR mn) | 1,289.1 | 1,384.7 | 1,280.3 |
| Rev. growth (%) | 35.38 | 7.42 | (7.54) |
| EBITDA (INR mn) | 141.8 | 113.5 | 71.5 |
| Net profit (INR mn) | 90.6 | 70.2 | 45.6 |
| Shares outstanding (mn) | 8.7 | 8.7 | 8.7 |
| EPS (INR) | 8.1 | 10.2 | 5.7 |
| EPS growth (%) | 54.49 | 26.11 | (44.26) |
| P/E (x) | 3.16 | 2.65 | 6.07 |
| RONW (%) | 16.75 | 15.15 | 7.53 |
| ROCE (%) | 25.01 | 22.59 | 14.18 |

Nishant Chopra

nishantc@indiratrade.com

Info Codes

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

Market Data

| | |
|----------------------|-----------|
| 52 Wk Range (₹) | : 33 / 97 |
| Shares in Issue (mn) | : 8.7 |
| Mkt. Cap (₹ bn) | : 0.75 |
| BSE 2 Wk Avg Vol | : 8983 |

Share Holding Pattern (%)

| | |
|-----------|---------|
| Promoters | : 70.09 |
| Public | : 29.91 |

Past Performance

Last Recommended on Sep 12, 2014 and achieved its target in the defined time horizon.

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 few years after China decided to phase out small & medium size polluting factories, the prices of speciality chemicals have suddenly shot up. 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 more than 60% in the last 2 years 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 buy call.

The All-Chemi Show !

Financial Statements

Income Statement

(₹ mn)

| Year end | Mar 13 | Mar 14 | % Chg | Mar 15 | % Chg |
|-------------------|---------|---------|-------|---------|--------|
| Net Sales | 1,224.6 | 1,292.2 | 5.5 | 1,200.3 | (7.1) |
| Other Income | 9.1 | 24.4 | 168.1 | 13.5 | (44.7) |
| Change in Stocks | 9.7 | 54.8 | 464.9 | 16.5 | (69.9) |
| Raw Material Con. | 933.4 | 973.1 | 4.3 | 865.7 | (11.0) |
| Employee Exp. | 40.0 | 50.2 | 25.5 | 61.0 | 21.5 |
| Indirect Taxes | 55.4 | 68.1 | 22.9 | 66.5 | (2.3) |
| Other Exp. | 101.1 | 138.3 | 36.8 | 141.8 | 2.5 |
| Operating Exp. | 1,129.9 | 1,229.7 | 8.8 | 1,135.0 | (7.7) |
| Operating Profit | 113.5 | 141.7 | 24.8 | 95.3 | (32.7) |
| Total Interest | 3.0 | 3.9 | 30.0 | 2.5 | (35.9) |
| Gross Profit | 110.5 | 137.8 | 24.7 | 92.8 | (32.7) |
| Net Dep. | 8.0 | 9.4 | 17.5 | 15.0 | 59.6 |
| Total Taxation | 32.3 | 37.9 | 17.3 | 26.4 | (30.3) |
| Net Profit/Loss | 70.2 | 90.5 | 28.9 | 51.4 | (43.2) |

4 Years Balance Sheet

(₹ mn)

| Balance Sheet as on 31 st | Mar 12 | Mar 13 | Mar 14 | Mar 15 |
|--------------------------------------|--------------|--------------|--------------|--------------|
| SOURCES OF FUNDS | 387.7 | 456.1 | 541.5 | 592.1 |
| Equity Share capital | 8.7 | 8.7 | 8.7 | 8.7 |
| Equity Application Money | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity Share Warrants | 0.0 | 0.0 | 0.0 | 0.0 |
| Reserves & Surplus | 376.9 | 444.1 | 528.8 | 578.2 |
| Secured Loans | 0.0 | 0.0 | 0.0 | 0.0 |
| Unsecured Loans | 2.1 | 3.3 | 4.0 | 5.2 |
| USES OF FUNDS | 387.7 | 456.1 | 541.5 | 592.1 |
| Gross Block | 135.7 | 154.6 | 163.6 | 185.3 |
| Less : Revaluation Reserves | 0.0 | 0.0 | 0.0 | 0.0 |
| Less : Accumulated Depreciation | 18.2 | 26.0 | 33.9 | 48.7 |
| Net Block | 117.5 | 128.6 | 129.7 | 136.6 |
| Capital Work in Progress | 1.7 | 2.5 | 0.6 | 1.3 |
| Investments | 22.4 | 77.6 | 120.0 | 108.5 |
| Current Assets | 434.4 | 550.8 | 614.5 | 655.6 |
| Less : Current Liabilities | 193.9 | 296.4 | 315.1 | 300.6 |
| Total Net Current Assets | 240.5 | 254.4 | 299.4 | 355.0 |
| Misc. Expenses not writtenoff | 5.6 | (7.0) | (8.2) | (9.3) |
| NOTE | | | | |
| Unquoted Investments | 0.0 | 0.0 | 0.0 | 0.0 |
| Quoted Investments | 4.8 | 4.6 | 5.4 | 6.0 |
| Contingent Liabilities | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend (%) | 0.0 | 0.0 | 20.0 | 20.0 |

Quarterly Income Sheets

(₹ mn)

| Quarter Ended | Jun 15 | Sep 15 | Dec 15 | Mar 16 |
|-----------------------|--------|--------|--------|--------|
| Net Sales | 286.3 | 298.1 | 289.9 | 298.6 |
| Cost Of Sales | 269.1 | 275.8 | 280.4 | 282.3 |
| Operating Profit | 17.2 | 22.3 | 9.5 | 16.3 |
| Other Income | 9.8 | 14.3 | 8.9 | 7.0 |
| Adjusted PBDIT | 27.0 | 36.6 | 18.4 | 23.3 |
| Financial Expenses | 0.1 | 0.0 | 0.0 | 0.0 |
| Depreciation | 4.2 | 4.0 | 5.4 | 4.5 |
| Other Write Offs | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted PBT | 22.7 | 32.6 | 13.0 | 18.8 |
| Tax Charges | 7.4 | 7.9 | 4.5 | 5.4 |
| Reported Profit | 15.3 | 24.7 | 8.5 | 13.4 |
| Extra Ordinary Items | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Non Cash Adjust | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted Net Profit | 15.3 | 24.7 | 8.5 | 13.4 |

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 confined to 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.

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 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. Further the environmental laws pressure and the shut down of many Chemical Industries in China and the change in role of China from being a Net Exporter to a Net Importer in Chemicals is going to augur well for Jaysynth.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

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

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.