



Jindal Photo
High EPS, Low P/E

Face Value: Rs 10
CMP: Rs 130
Target Price: Rs 190
BSE Group/Code: B1/532624
52-Week High/Low: Rs 139/72
Market Cap: Rs 140 cr.

Highlights:

- India's largest manufacturer of photographic and allied products
- Technical and marketing tie up with Fuji Photo Films Co. Ltd., Japan
- Strong brand name "FUJIFILM"
- Fuji Digital Imaging (FDI) facilities
- Foremost vendors to the fast-growing healthcare sector
- Its photography training institute offers one year degree course in photography and allied services
- Planned to diversify into power generation

Background:

The flagship company of "B.C. Jindal Group" was incorporated in the year 1986. The Company has its manufacturing plants located at Dadra and Jammu. An ISO 9002 company, the manufacturing facilities of JPL are model establishments with state-of-the-art machinery where highly sophisticated materials are processed in a light sensitive and dust free environment. This ensures that the same world class Fujifilm quality is available to customers in India also.



BC Jindal Group:

BC Jindal Group is a leading business conglomerate of India engaged in diversified business and has been achieving rapid growth over the years. Shri B.C. Jindal for the manufacture of pipes and pipe fittings founded the group in 1952. Since then, the group has diversified into Polyester Film, BOPP Film, Polyester Yarn, Photographic Goods, Cold Rolled Steel Strips, Galvanized Sheets, and Metallised Films etc. Its other group companies are as under:

Jindal Poly Films:

It is a multi-location organisation emerging as India's largest manufacturing company for Polyester Resin, Polyester Film, Polyester Yarn, BOPP Film, and Metallised Film.

Rexor S.A.:

It is a cutting-edge unit for Coating/Converting Polyester Film located in France, which has been recently acquired by Jindal Polyester. Rexor is market leader in Europe specializing in various types of coating for polyester films for special applications.

Jindal India:

A premier company in Steel Industry manufactures Steel Pipes, Cold Rolled Strips, and GP/GC Sheets etc. Jindal India is one of the most trusted names in steel and its products find use in the construction, infrastructure, automobile and consumer durable industries.

Products:

The product range includes Color Roll Films, Analog & Digital cameras, Photographic Color Paper, Medical X-ray Films & equipments, Photo Processing Equipments, Cine Color Positives and Photographic Chemicals etc.

Technology:

JPL has a technical and marketing tie up with Fuji Photo Films Co. Japan - a Fortune 500 and second largest photographic products manufacturer in the world. It also has a technical tie up with Fuji Hunt Photographic Chemicals Pte Ltd., Singapore (a subsidiary of Fuji, Japan) to manufacture photo chemicals.



Marketing Network:

JPL markets the products under the reputed brand name "FUJIFILM". It has a very strong marketing network throughout the country, knitted through branches, distributors and dealers.

Market Share:

JPL has over 36% market share in the Color Paper and Color Roll Films. The other products such as X-ray Films, Cine Color Positive Film, etc. have market share of about 25%.

Promotional Activities:

In terms of sales promotional activities the company has conducted many FUJI carnival workshops, exhibitions; products contests and workshops to promote new products and technologies and increase awareness about photography.

Fuji Image Service Outlets:

The setting up of 'Fuji Image Service' (FIS), a specialized outlet to sell Fuji products, is an endeavor to boost the sale of its products. Presently, there are over 800 such outlets throughout the country.

To integrate the technology change in the photography processing, JPL has also set up over 400 Fuji Digital Imaging (FDI) facilities as an extension of the Fuji Imaging Services (FIS) already available throughout the country. JPL has launched a series of cameras in the digital segment.

It is also laying emphasis on developing the consumer-friendly retail sector in the amateur film market by opening up FDI throughout the nation. These outlets are equipped with world-class digital Minilabs - the Frontier series.

Acquisition of Strategic Stake in Software Publishing:

JPL has acquired a strategic stake in Coheris SA, listed in France, through its group special purpose vehicle (SPV), Jindal France SAS. It has spent Euro 3.5 million together with loan to acquire stake in the software publishing firm. The acquired entity works in the area of CRM as well as business intelligence and, which occupies leadership position in Europe, according to JPL.



Foremost Vendors in Fast Growing Healthcare Sector:

Attaining technological advances in the field of Xray films like Digitalized Radiography (Computed Radiography System) and building the brand 'FUJIFILM' have helped the company in becoming one of the foremost vendors to the fast-growing healthcare sector in India. JPL expects good business in this segment.

Financial Performance:

Rs in crore	Q1FY08	Q1FY07	%	FY07	FY06	%
Sales	98.26	91.46	7.4	360.67	381.25	-5.4
Other Income	0.26	0.88	-70.5	1.58	2.03	-22.2
PBIDT	16.19	11.15	45.2	38.07	28.42	34
Interest	0.38	0.13	192.3	0.61	0.65	-6.2
PBDT	15.81	11.02	43.5	37.46	27.77	34.9
Depreciation	0.57	0.55	3.6	2.28	2.26	0.9
PBT	15.24	10.47	45.6	35.18	25.51	37.9
Tax	2.43	1.78	36.5	7.48	5.5	36
Deferred Tax	0	-0.01	100	0.11	0.54	-79.6
PAT	12.81	8.7	47.2	27.59	19.47	41.7
Equity				10.3	10.3	
Reserves				122.6	95.01	
Book Value (Rs)				129	102	
EPS (Rs)	12.4			26.8	18.9	
OP Margin (%)	16.5	12.2		10.6	7.5	
NP Margin (%)	13	9.5		7.6	5.1	

Operation:

During FY07, sales were down by 5 percent to Rs 361 crore, whereas profit increased by 42 per cent to Rs 27.6 crore. During Q1FY08 while sales advanced by 7 per cent to Rs 98 crore, net profit shot up by 47 per cent to Rs 12.8 crore. Q1FY08 EPS alone is Rs 12.4.

Financial:

Equity capital is Rs 10.3 crore. With reserves of Rs 122.6 crore, the book value of the share works out to Rs 128. The value of its gross block as on FY06 stood at Rs 61.6 crore. JPL is a zero debt company.



Equity Holding:

- Promoters-72 %
- PCBs-4 %
- Public-24 %

Diversification in Power Sector:

JPL has already proposed to set up a 1,000 Mw coal-based power plant in Sidhi district of Madhya Pradesh. The project will come up in stages and the investment will be around Rs 6,000 crore, according to company sources. It planned to invest Rs 295 crore by way of subscription in the equity share capital of the Jindal India Thermal Power.

Prospects:

The sustained improvement in economic scenario and growth in purchasing power of consumers help raise spending.

The photographic industry is perched for significant growth due to constructive and favorable new advances in technological products, the tourism trends and evolving socio-economic conditions in the vast middle class.

The widespread availability of cameras in democratizing the practice of photography benefit amateur photography arena leading to increased consumption of photographic films.

Although analogue products continue to have a good hold over Indian market, yet there is a huge potential for digital cameras and storage devices, which are making a mark in the industry.

The accessibility and affordability of quality cameras and films have been the key demand drivers. The color roll film is ore of the major constituents of the consumer-imaging segment.



Outlook:

Fujifilm takes pride in being seen as, a high end, and technologically superior products that the consumer has come to rely upon. The finest quality is offered at affordable prices, to both amateur and professional photographers.

JPL's future plans include the expansion of the retail and dealer network in the country. It is also planning to open up more FDI outlets in other major centers countrywide.

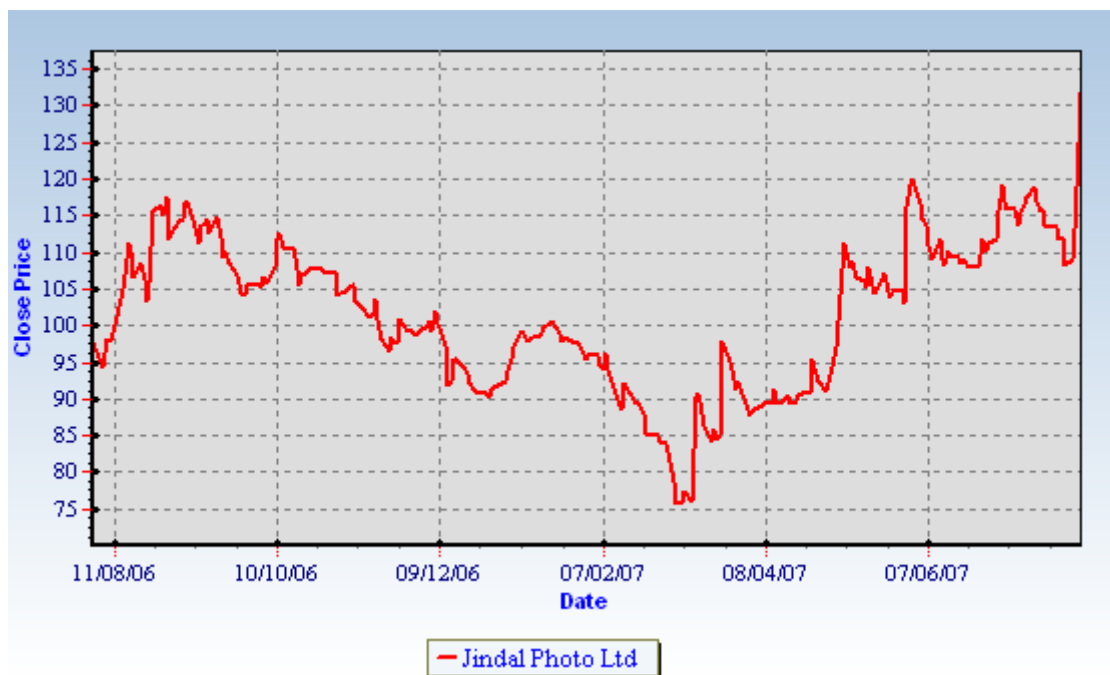
The Appreciation of Rupee to Drive Profitability:

The key materials required for the manufacture of photographic products are Import-based and therefore the appreciation of the Rupee, will drastically improve its margin.

Concern:

Fierce competition continues to have an impact on the sales prices and the margins are under pressure. However, by creating higher brand equity, this threat has been neutralized to some extent.

One-Year Price Chart:





Investment Perspectives:

Keeping in line with the global marketing strategy, JPL (Fujifilm) has established itself as a market leader in the photography and imaging industry in India.

JPL's position as an imaging innovator is unchallenged in terms of technology and innovation. Its range of digital products and materials is revolutionizing the field of image recording and processing.

The low per capita consumption of photographic products in India coupled with growth in population and growing disposable income of the burgeoning middle class offer good revenue potential in the future.

During FY08, JPL is likely to achieve sales of Rs 420 crore and earn a net profit of Rs 38 crore, which would give an EPS of Rs 38.

The shares of JPL traded at Rs 130 at a P/Ex of 3.4 on FY08E are recommended with a price target of Rs 190 (at conservative P/E of 5) in the medium term.



Sunidhi

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