



## Jindal Poly Films Ballooning Bottomline

Face Value: Rs 10  
CMP: Rs 196  
Target Price: Rs 275  
BSE Group/Code: B1/500227  
52-Week High/Low: Rs 209/121  
Market Cap: Rs 550.8 cr.

### Company Description:

Incorporated in 1974, Jindal Poly Films Ltd. (JPFL), flagship of the BC Jindal group, is India's largest manufacturer of flexible packaging films.

JPL operates the world's largest single location facility for flexible packaging films at Nashik in Maharashtra and employs modern technology to produce high quality products at a lower cost.

### Products:

It makes polyester films (BOPET), polypropylene films (BOPP), metallised films and coated films with in house ability to produce polyester chips for captive consumption.

JPFL is among the few manufacturers to offer specialty BOPET and BOPP films such as specialized hot stamping foils, isotropic films, pinhole free yarn grade films, low oligomer milky white films, flame treated five-layer films and high speed tobacco overwrapping films.

The company also has the facility to produce polyester yarn but due to adverse market conditions it has been closed temporarily.

### Capacity:

With its new unit at Silvassa becoming operational recently, the current production capacity stands enhanced to BOPET (1, 11, 000 tpa), BOPP (90, 000 tpa), metalized film (40, 000 tpa), coating (18, 000 tpa), polyester chips (70, 000 tpa) and polyester yarn (54, 000 tpa).

### Application:

BOPET & BOPP films are primarily used in packaging apart from a wide range of applications such as photography/x-ray, LCD and flat screen televisions, printing, electrical insulation, audio/video tapes, cartridges, adhesive tapes, print laminations and other industrial applications.

### Marketing Network:

JPFL has a well-established international marketing network in over 40 countries with several Fortune 500 companies as its end users.



### FPO & Preferential Issue:

To fund its expansion plan and set up a new unit in Silvassa, JPL had come with an FPO (follow on public offer) of approx. 83.33 lakh shares at Rs 360 per share to raise Rs 300 crore in June 2005. It also made a preferential allotment of 13 lakh shares at Rs 360 to DEG, Germany in February 2005.

### Financial Performance:

Rs in crore	Q1FY08	Q1FY07	%	FY07	FY06	%
Sales	289.05	219.57	31.6	1024.63	831.48	23.2
Other Income	1.88	0.79	138	10.08	16.96	-40.6
PBIDT	69.4	32.91	110.9	162.69	128.22	26.9
Interest	4.05	4.7	-13.8	17.77	15.72	13
PBDT	65.35	28.21	131.7	144.92	112.5	28.8
Depreciation	15.58	14.46	7.7	61.26	59.47	3
PBT	49.77	13.75	262	83.66	53.03	57.8
Tax	10.11	1.44	602.1	10.54	3.95	166.8
Deferred Tax	0.92	3.92	-76.5	14.36	2.37	505.9
PAT	38.74	8.39	361.7	58.76	46.71	25.8
Equity				28.1	19.8	
Reserves				753.9	700	
Book Value (Rs)				278.3	363	
EPS (Rs)	13.79	2.98		20.9	23.6	
OP Margin (%)	24	15		15.9	15.4	
NP Margin (%)	13.4	3.8		5.7	5.6	

### Operational Improvement in Q1FY08:

Sales during Q1FY08 grew faster than total expenditure, which rose by only 18 %. The total expenditure during Q1FY08 includes Rs 9.2 crore as increase in stock in trade as against decrease of Rs 13.8 crore in Q1FY06. As a result, with higher margin of 24 %, EBIDTA rose by 110 % to Rs 69.4 crore. PBT rose by 262 % to Rs 49.77 crore. Despite higher provision for tax of Rs 11.03 crore (Rs 5.36 crore), net profit surged by 362 % to Rs 38.74 crore resulting in an EPS of Rs 13.8 in Q1FY08.

### Note:

There is notional gain of Rs 11.2 crore during Q1FY08 due to exchange rate difference in the outstanding Foreign Currency Loans, taken for the acquisition of fixed assets, which has not been recognised in the above results and the same shall be recognised at the end of the accounting year.



## Expansion:

The company has approved the capital expenditure of Rs 343 crore for setting up two new BOPP Lines of aggregate capacity of 90, 000 tpa and two metalizers of capacity of 14, 000 tpa. Both the expansion will be completed by FY08-09.

## Equity Holding:

Promoters-55.2 %,  
Foreign-16.9 %  
Institutions-12.2 %,  
PCBs-5.5 %  
Public-10.2

## Prospects:

The rigid packaging segment comprises of tins, metal boxes, glass packing, wooden boxes corrugated boxes etc. while the flexible packaging includes BOPP films, BOPET, polyester films and laminated tubes.

Due to the growing preference for premium and sophisticated packaging, TQPP (Tubular Quenched Polypropylene Film) is being fast replaced by BOPP and is the preferred choice for packaging of clothing and food products like confectionery, biscuits, snack foods, pasta, bakery, dried foods and meat.

Currently the flexible packaging industry is witnessing strong demand growth, thanks to healthy rise in demand for products of the user industries. The packaging market in India is estimated at Rs 11, 000 crore with domestic specialty packaging material market size of Rs 2500 crore, growing at a CAGR of 15% p.a.

## Outlook:

Importantly, JPL's export of high value BOPET film to European Union does not attract anti-dumping duty although it is imposed on other manufacturers from India. Hence, this gives a distinct advantage over domestic competitors in exporting to European countries, where the realizations on such films are among the highest in the world.

## Valuations & Recommendations:

Since the full impact of expansion has started to kick in, the company is estimated to clock a turnover of about Rs 1400 crore and PAT of Rs 126 crore, which would yield an EPS of Rs 45.

The rise in demand of JPFL's packaging products, its operational improvement with defined plan to profitability and the full impact of expansion give sustained earning potential in the coming quarters despite concern over crude oil prices.

The share traded at Rs 196 at a P/Ex of 4.4 on FY08E is recommended with a price target of Rs 275 in the medium term.



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Jindal Poly Films  
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