

Jayshree Tea (JAYTEA)

MANAGEMENT MEET UPDATE ✓

The company is engaged in the manufacture of tea and chemical & fertiliser. Tea accounts for 66% of the revenue, whereas chemical & fertiliser accounts for 32.8% of the revenue. The company's area under tea is around 8467 hectare, which includes 2064 hectare in Darjeeling. Jayshree Tea's tea production is 21.5 million kg in 2009, which includes 1.28 million kg of Darjeeling tea. The company manufactures superphosphate and sulphuric acid at its two plants at Khardah in North 24-Parganas, West Bengal and one plant at Pataudi in Gurgaon district, Haryana. The annual installed capacity is 2,25,721 MT superphosphate and 95,710 MT of sulphuric acid with production of 64,795 MT of superphosphate and 48324 MT of sulphuric acid during 1999-2000.

Current Price
Rs 279

UNRATED

Sanjay Manyal

Sanjay.manyal@icicisecurities.com

Ritika Shewakramani

ritika.shewakramani@icicisecurities.com

Tea estates in Darjeeling

Jayshree Tea has six estates in Darjeeling city, which is considered to be a high quality tea area and fetched higher realisation of Rs 270 per kg compared to the average realisations of Rs 103 per kg in 2009. The company produces around 10% of total Darjeeling production.

Exhibit 1: Jayshree tea Estates in Darjeeling

	Area(hec)	Yield(tonnes /hec)	Production(in tonnes)
Tukvar	436	0.59	258.1
Risheehat	257	0.69	176.0
Sungma	281	0.61	172.3
north tukvar	187	0.72	135.0
singbulli	303	0.60	181.8
Balasan	600	0.60	360.0

Source: Company, ICICIdirect.com Research

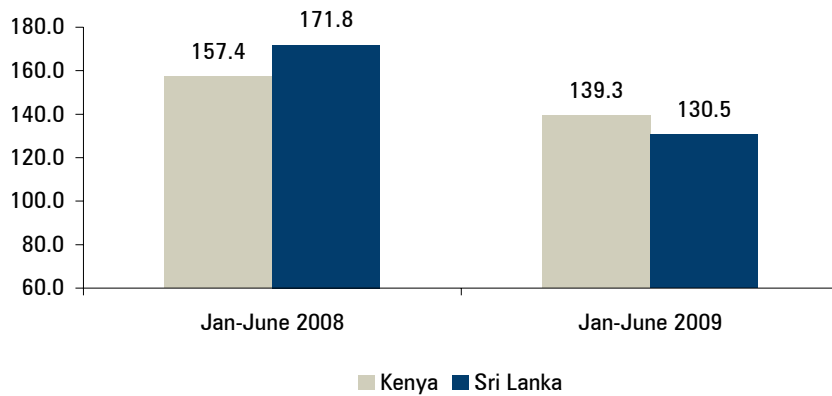
Global export-led growth

The three major tea exporting countries include India (980 million kg) followed by Kenya (350 million kg) and Sri Lanka (325 million kg). These together contribute 40% of the total global black tea exports. A production shortfall in key producing countries like Kenya and Sri Lanka led by prolonged dry spells has led to a drastic decline in tea production by 13% and 31.7%, YoY, respectively. This decline, coupled with an increase in international demand, has led to a rise in global tea prices by around 18-20% in July 2009. Since India accounts for approximately 14% of world exports this is likely to positively impact the margin on Indian tea exports. The company produces 1.28 million kg of Darjeeling tea, which is being exported to Germany, UK and West Asia. Exports contribute almost 15% to the company's revenues. Rising global tea prices would benefit the company specifically. The company is also aspiring to increase its exports to Russia, which is a major consumer of orthodox tea.

Soaring tea prices

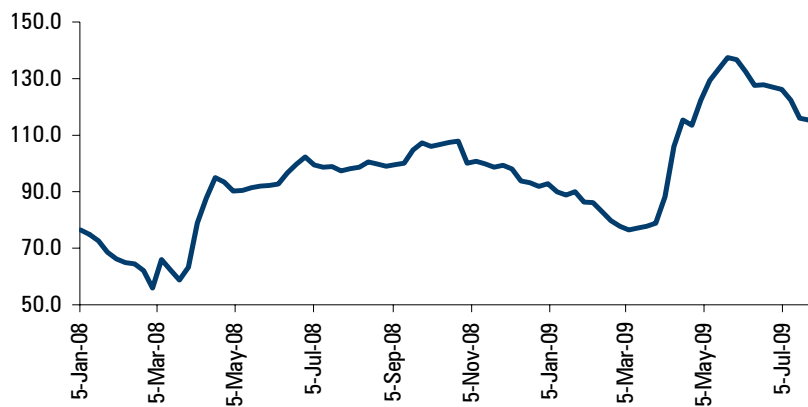
Tea prices have surged above Rs 130 per kg, almost 30% higher than last year. Major production decline in tea exporting countries like Kenya and Sri Lanka has resulted in soaring tea prices in international markets. Simultaneously, lower area under tea and bad monsoon led to lower production in India, aggravating the situation. We believe lower area under tea in the last four or five years would result in almost flat to negative production growth, going forward. This would keep tea prices firm.

Exhibit 2: Kenya and Sri Lanka production (in million kg)



Source: Company, ICICIdirect.com Research

Exhibit 3: Tea auction prices (Rs per kg)



Source: Company, ICICIdirect.com Research

Exhibit 4: Key Financials (Rs crore)

	FY06	FY07	FY08	FY09
Net Sales	218.7	247.5	258.5	354.9
Expenditure	219.1	244.2	256.2	392.6
EBITDA	-0.4	3.3	12.8	23.3
EBITDA Margins (%)	-0.2	1.3	5.0	6.6
PAT	11.7	5.7	10.1	12.8
PAT Margins (%)	5.3	2.3	3.9	0.0
Shares in issue	1.1	1.1	1.1	1.1
EPS (Rs)	11.0	5.4	9.5	12.0

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Outperformer, Performer, Hold and Underperformer. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Outperformer (OP): 20% or more;

Performer (P): Between 10% and 20%;

Hold (H): $\pm 10\%$ return;

Underperformer (U): -10% or more;

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICIdirect.com Research Desk,
ICICI Securities Limited,
7th Floor, Akruti Centre Point,
MIDC Main Road, Marol Naka,
Andheri (E)
Mumbai – 400 093**

research@icicidirect.com

ANALYST CERTIFICATION

We I/, *Sanjay Manyal MBA (Finance)*, *Ritika Shewakramani PGDF* research analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the ICICI Securities Inc.

Disclosures:

ICICI Securities Limited (ICICI Securities) and its affiliates are a full-service, integrated investment banking, investment management and brokerage and financing group. We along with affiliates are leading underwriter of securities and participate in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their dependent family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on reasonable basis, ICICI Securities, its subsidiaries and associated companies, their directors and employees ("ICICI Securities and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities is acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgement by any recipient. The recipient should independently evaluate the investment risks. The value and return of investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities and affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities and its affiliates might have managed or co-managed a public offering for the subject company in the preceding twelve months. ICICI Securities and affiliates might have received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. ICICI Securities and affiliates expect to receive compensation from the companies mentioned in the report within a period of three months following the date of publication of the research report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. It is confirmed that *Sanjay Manyal MBA (Finance)*, *Ritika Shewakramani research* analysts and the authors of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Our research professionals are paid in part based on the profitability of ICICI Securities, which include earnings from Investment Banking and other business.

ICICI Securities or its subsidiaries collectively do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that *Sanjay Manyal MBA (Finance)*, *Ritika Shewakramani research* analysts and the authors of this report or any of their family members does not serve as an officer, director or advisory board member of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. ICICI Securities and affiliates may act upon or make use of information contained in the report prior to the publication thereof.

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 ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.