

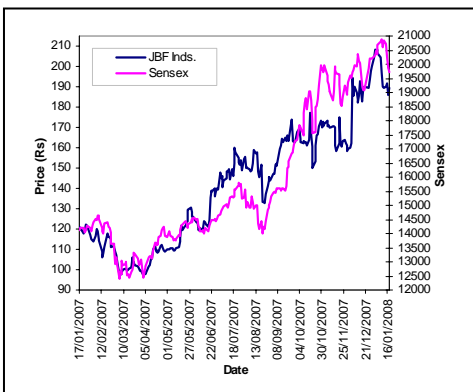
JBF Industries
CMP: Rs189
Buy
**Target Price: Rs250
(12 Months)**
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Sector	Textiles – POY
Market Cap (Rs cr)	1,129
Beta	0.70
52 WK High / Low	215/95
Avg Daily Volume	92,786
Face Value (Rs)	10
BSE Sensex	19,700
Nifty	5,913

BSE Code	514034
NSE Code	JBFIND
Reuters Code	JBFI.BO
Bloomberg Code	JBF IN

Shareholding Pattern (%)

Promoters	35.5
MF/Banks/Indian FIs	15.9
FII/ NRIs/ OCBs	35.2
Indian Public	13.4

Share Price Vs Sensex

3QFY2008 Result Update
Performance Highlights

- Net Sales increases 19.7%:** JBF recorded a Top-line growth of 19.7% to Rs496.3cr (Rs414.7cr) for 3QFY2008. For 9MFY2008, JBF's Top-line grew significantly by 51.7% to Rs1,522.4cr (Rs1,003.8cr). POY and Chip volumes yoy jumped 44% and 90% to 33,000MT and 84,000MT, respectively.
- Operating Profits improve:** Operating Profits increased 36.2% to Rs67.2cr (Rs49.3) thereby improving OPMs by 160bp to 13.5% (11.9%). For 9MFY2008, Operating Profits rose 60.7% to Rs201.1cr (Rs125.1cr). During the quarter, JBF's OPMs improved on the back of better realizations, with prices of Polyester Chips and POY increasing to Rs61/kg and Rs/70kg, respectively.
- Impressive Bottom-line growth of 30%:** JBF's Bottom-line for 3QFY2008 showed healthy growth of 29.8% to Rs30.3cr (Rs23.4cr). Net Profit Margins stood at 6.1% (5.6%). Basic EPS was Rs5.04 (Rs4.60). JBF's Tax outgo for the quarter was higher at 36.5%. However, post the acquisition of Microsynth Fabrics we expect JBF's Tax outgo to decline slightly from 4QFY2008.

Exhibit 1: Key Financials (Consolidated)

Y/E March (Rs cr)	FY2006	FY2007	FY2008E	FY2009E
Net Sales	722	1,477	2,286	3,801
% chg	-	104.5	54.7	66.3
Net Profit	42.9	78.5	139.9	269.8
% chg	46.8	82.9	78.1	92.9
OPM (%)	12.2	11.6	12.6	12.8
EPS (Rs)	8.7	14.2	19.9	35.7
P/E (x)	21.8	13.4	9.5	5.3
P/BV (x)	3.1	2.7	2.0	1.5
RoE (%)	14.4	20.5	21.2	28.4
RoCE (%)	8.0	11.7	15.9	22.6
EV/Sales (x)	2.2	1.1	0.7	0.4
EV/EBITDA (x)	18.3	9.5	5.6	3.3

Source: Company, Angel Research

Key Developments

Acquisition of Microsynth Fabrics

JBF signed an MoU for the acquisition of Microsynth Fabrics (India) Limited. This acquisition will be funded by way of internal accruals. Microsynth Fabrics is a Rs100cr company and has a capacity of over 1,500TPA and its core competency lies in manufacturing 'Specialty Yarn'. The company also has excess land, which it plans to utilize for further expansion. This acquisition is expected to bring in synergies and raise JBF's capacity for manufacturing high value specialty yarns.

Fund raising plans

CVCI, a global private equity major, is investing \$125mn in JBF Global Pte Ltd, a wholly-owned subsidiary of JBF Industries. JBF is looking at expansion and acquisitions in its international operations towards which these funds would be utilised. Out of \$125mn investment, around \$75mn is already invested by CVCI.

Operational Highlights

JBF is expanding capacity of its Polyester Chips and POY segment. For 3QFY2008, JBF's POY capacity stood at 37,500MT and Polyester Chips at 83,720 MT. JBF has also set up a PET bottle grade plant and polyester films manufacturing capacity in RAK, UAE. The company holds 60% stake in this international venture. This unit is expected to have a capacity of 2,16,000TPA of bottle grade chips and 1,08,000TPA of polyester films. The Chips plant commenced operations in July 2007, and the Polyester Films plant is expected to commence operations by 4QFY2008. JBF's UAE facility avails tax benefits and zero customs duty, and incurs lower raw material and fuel costs.

Outlook and Valuation

At current levels of Rs189, the stock is trading at attractive valuations of 9.5x and 5.3x FY2008E and FY2009E Earnings. **We maintain a Buy on the stock, with a Target Price of Rs250, giving an upside of 33%.**

Exhibit 2: 3QFY2008 Performance

Y/E March (Rs cr)	Q3FY2008	Q3FY2007	% chg	9MFY2008	9MFY2007	% chg
Net Income	496.3	414.7	19.7	1,522.4	1,003.8	51.7
Total expenditure	429.1	365.3	17.4	1,321.3	878.7	50.4
EBITDA	67.2	49.3	36.2	201.1	125.1	60.7
<i>EBITDA Margin (%)</i>	13.5	11.9		13.2	12.5	
Other Income	2.5	1.9	33.2	6.4	6.6	(3.2)
Depreciation	11.0	10.0	10.7	32.8	25.9	26.6
Interest	10.9	8.9	23.6	30.6	17.5	74.6
PBT	47.8	32.4	47.3	144.1	88.3	63.2
<i>PBT Margin (%)</i>	9.6	7.8		9.5	8.8	
Total Tax	17.4	9.1	92.4	46.5	26.0	78.6
<i>% of PBT</i>	36.5	27.9		32.2	29.5	
PAT	30.3	23.4	29.8	97.7	62.3	56.8
Exceptional items	0.0	0.0		0.0	0.0	
Adj. PAT	30.3	23.4	29.8	97.7	62.3	56.8
<i>PAT Margin %</i>	6.1	5.6		6.4	6.2	

Source: Company, Angel Research

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