



INDEPENDENT **EQUITY** **RESEARCH**

Jumbo Bag Ltd

Q3FY11 Result Update

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (- 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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Jumbo Bag Ltd

Disappointing streak continues

Fundamental Grade 2/5 (Moderate fundamentals)

Valuation Grade 5/5 (CMP has strong upside)

Industry Containers and packaging

Jumbo Bag Ltd's (Jumbo's) Q3FY11 revenues were broadly in line with CRISIL Equities' expectations. Profitability, however, continued to disappoint; EBITDA margin on manufactured FIBCs (flexible intermediate bulk containers) dipped due to a spike in raw material cost. Sales of low-margin traded polymers (12% of sales) also weighed on the overall EBITDA margin. Based on this, we lower our earnings estimates for FY11 and FY12, and maintain our fundamental grade of '2/5'.

Q3FY11 result analysis

- Jumbo's Q3 revenues grew 59.9% y-o-y to Rs 255 mn. This includes Rs 31 mn in sales from Jumbo's new segment of traded polymers. The company is marketing polymers in the domestic market on its own, in addition to trading of polymers under the contract with Indian Oil Corporation (IOC). The IOC order entails marketing of polymers on its behalf, an agreement which is only marginally augmenting Jumbo's profits.
- Jumbo's EBITDA margin dipped 225 bps y-o-y to 5.8% from 8.0% mainly due to lower margins in manufacturing as the company was unable to fully pass on the rise in price of key raw material polypropylene (~26% y-o-y rise). EBITDA margins also dropped by 212 bps q-o-q and continued to be much lower than the average 9.4% recorded over FY08-10.
- PAT margins continued to be thin at 0.6% in Q3FY11, supported by Rs 1 mn of other income.

Valuations: Current market price has strong upside

We continue to value Jumbo based on the discounted cash flow method. We roll forward our model to FY13 and retain our fair value at Rs 35. At the current market price of Rs 24, this translates into a valuation grade of '5/5'.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Operating income	706	633	894	1,045	1,185
EBITDA	66	52	59	74	86
Adj PAT	14	6	5	9	13
Adj EPS-Rs	2.1	0.7	0.6	1.1	1.6
EPS growth (%)	0.7	(64.8)	(18.1)	83.7	43.6
Dividend yield	5.7	-	-	-	-
RoCE(%)	12.6	8.1	8.5	10.4	11.3
RoE(%)	9.9	3.6	2.7	4.9	6.6
PE (x)	6.9	42.8	39.1	21.3	14.8
P/BV (x)	0.7	1.5	1.1	1.0	0.9
EV/EBITDA (x)	5.1	9.7	8.1	6.9	6.4

NM: Not meaningful; CMP: Current Market Price

Source: Company, CRISIL Equities estimate

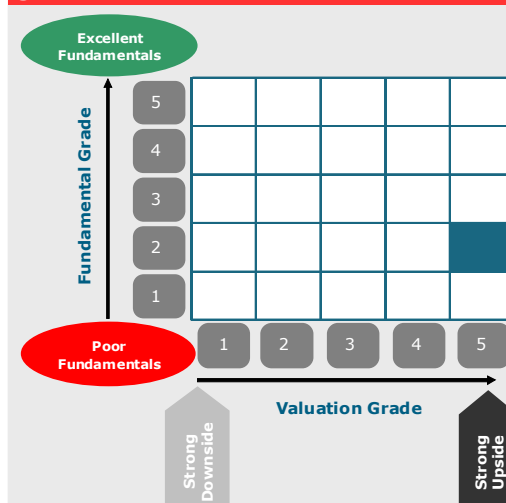


February 28, 2011

Fair Value Rs 35

CMP Rs 24

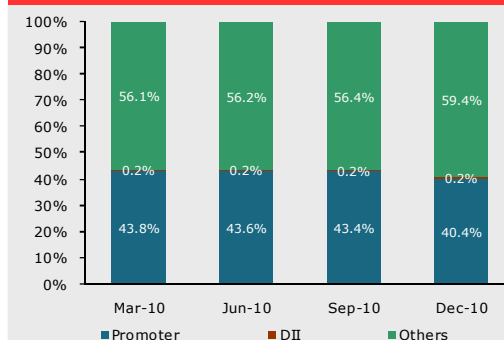
CFV MATRIX



KEY STOCK STATISTICS

NIFTY	5534
NSE ticker	JUMBO
Face value (Rs per share)	10
Shares outstanding (mn)	8.0
Market cap (Rs mn)/(US\$ mn)	189/4
Enterprise value (Rs mn)/(US\$ mn)	439/10
52-week range (Rs) (H/L)	78/22
Beta	0.70
Free float (%)	59.6%
Avg daily volumes (30-days)	4,689
Avg daily value (30-days) (Rs mn)	0.1

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
JUMBO BAG LIMITED	-35%	-58%	-54%	-27%
NIFTY	-7%	-9%	-3%	9%

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Q3FY11 Result Summary

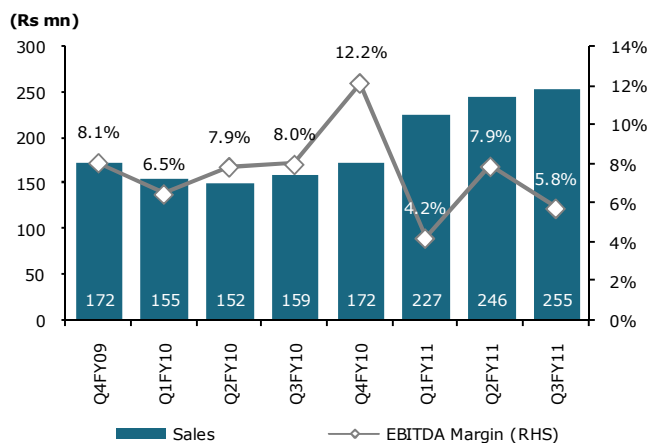
(Rs mn)	Q3FY11	Q2FY11	Q3FY10	q-o-q (%)	y-o-y (%)
Net sales	255	246	159	3.6	59.9
Raw materials cost	174	174	102	0.1	70.4
Raw materials cost (% of net sales)	68.4%	70.8%	64.2%	(237)bps	424bps
Employees cost	21	10	7	105.4	190.0
Other expenses	44	42	37	5.6	20.2
EBITDA	15	19	13	(24.4)	14.9
EBITDA margin	5.8%	7.9%	8.0%	(212)bps	(225)bps
Depreciation	4	5	4	(17.6)	0.5
EBIT	10	14	9	(26.8)	22.0
Interest and finance charges	9	11	7	(18.0)	32.1
Operating PBT	1	3	1	(62.9)	(28.0)
Other income	1	(0)	0	n.m.	n.m.
Extraordinary income/(expense)	-	-	(0)	n.m.	n.m.
PBT	2	2	2	(7.1)	39.9
Tax	1	1	1	(7.5)	(1.5)
PAT	1	2	1	(6.9)	81.1
Adj PAT	1	2	1	(6.9)	56.6
Adj PAT margin	0.6%	0.6%	0.6%	(6)bps	(1)bps
No of equity shares (mn)	8	8	8	-	-
Adj EPS (Rs)	0.2	0.2	0.1	(6.9)	56.6

Sales up by 59.9% y-o-y supported by sales of traded polymers

PAT margin leaves little room for safety at 0.6%

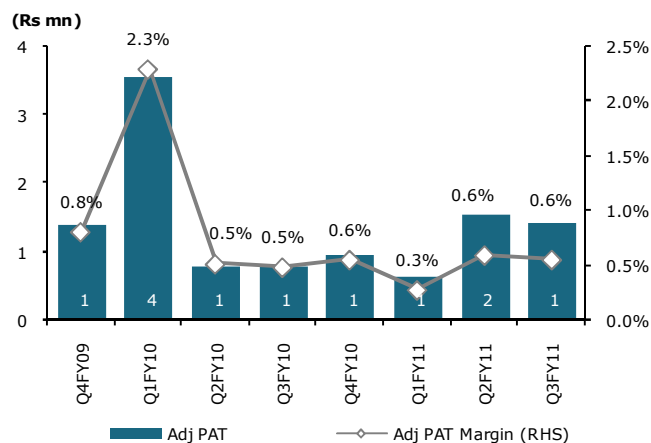
Source: Company, CRISIL Equities

Quarterly sales in line, EBITDA disappoints



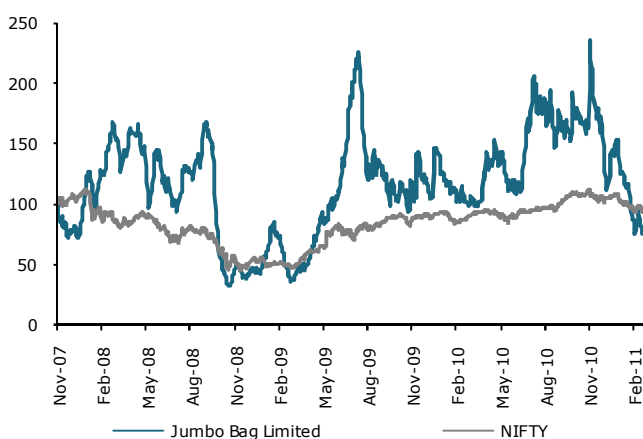
Source: Company, CRISIL Equities

Quarterly PAT and PAT margin also disappoint



Source: Company, CRISIL Equities

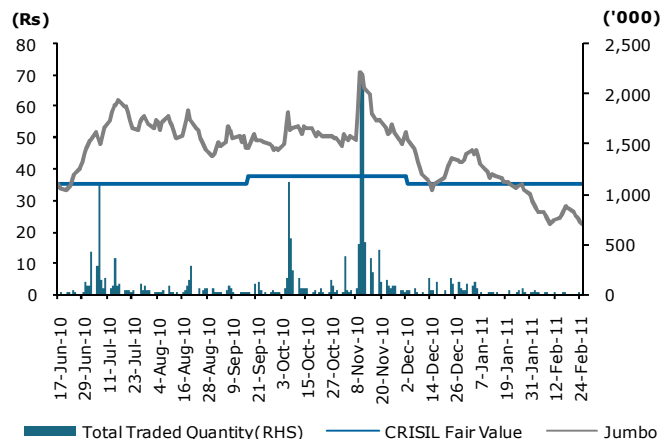
Share price movement



-Indexed to 100

Source: NSE, CRISIL Equities

Fair value movement since initiation



Source: NSE, CRISIL Equities

EARNINGS ESTIMATES REVISED DOWNWARDS

We marginally raise our sales estimates for FY11 due to higher-than-expected sales of traded polymers. However, due to disappointing Q3FY11 profitability and expectations of only a marginal recovery in Q4FY11 and FY12, we lower our profit estimates for FY11-13. The company has indicated that it will trade in polymers based on market prices – hence, sales estimates for FY12 have been retained, till we have better visibility.

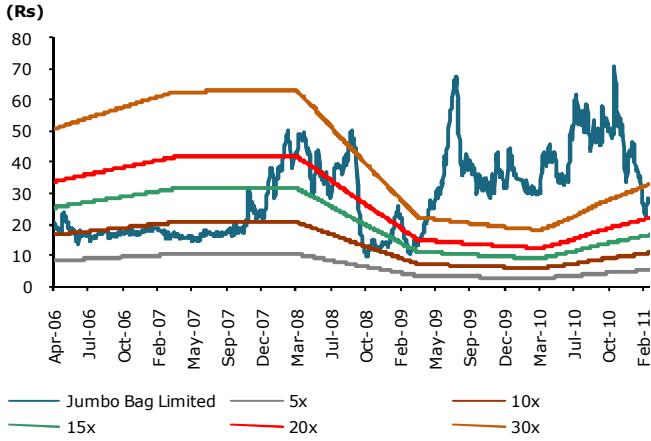
Particulars	Unit	FY11E			FY12E			FY13E
		Old	New	% change	Old	New	% change	
Revenue	(Rs mn)	859	894	4.1%	1,045	1,045	0.0%	1,185
EBITDA	(Rs mn)	63	59	-6.8%	84	74	-11.2%	86
EBITDA margin	%	7.4	6.6	77 bps	8.0	7.1	90 bps	7.2
PAT	(Rs mn)	8	5	-39.9%	16	9	-44.3%	13
PAT margin	%	0.9	0.5	40 bps	1.5	0.9	68 bps	1.1
EPS	Rs	1.0	0.6	-39.9%	2.0	1.1	-44.3%	1.6

Source: CRISIL Equities

VALUATION

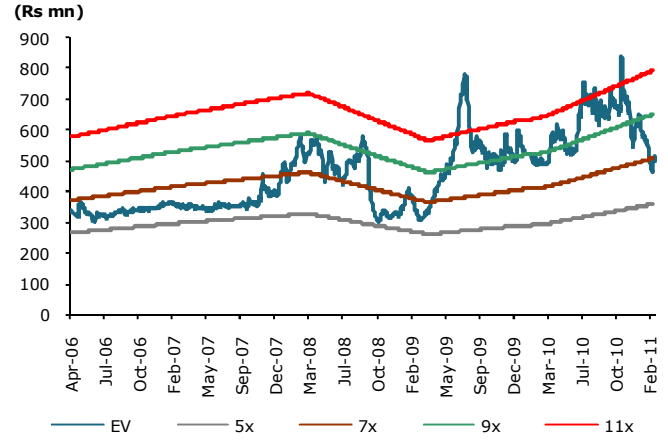
We continue to value Jumbo using the discounted cash flow method. We roll forward our model to FY13 and retain the fair value estimate for Jumbo is at Rs 35. At this value, the implied P/E multiples are 31.4x FY12E and 21.9x FY13E EPS.

One-year forward P/E band



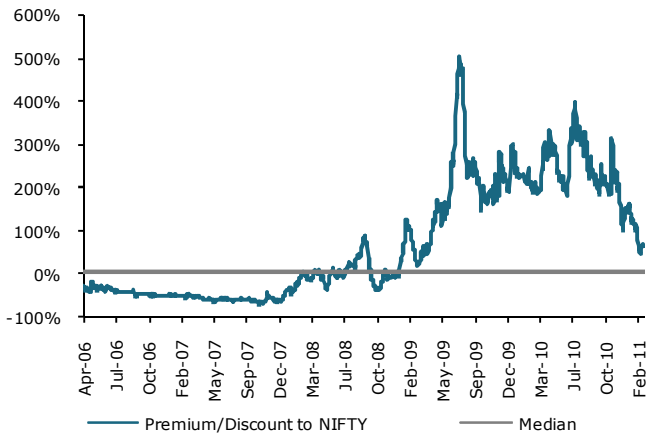
Source: NSE, CRISIL Equities

One-year forward EV/EBITDA band



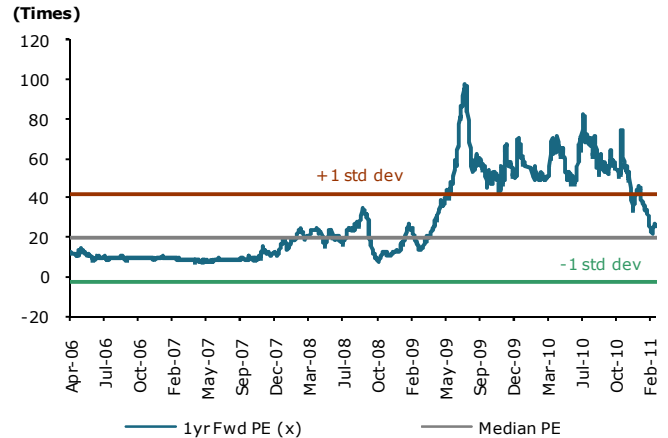
Source: NSE, CRISIL Equities

P/E-premium/discount to NIFTY



Source: NSE, CRISIL Equities

P/E movement



Source: NSE, CRISIL Equities

CRISIL IER reports released on Jumbo Bag Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
17-June-10	Initiating coverage*	2/5	Rs 35	3/5	Rs 36
17-Sept-10	Q1FY11 result update	2/5	Rs 38	2/5	Rs 47
06-Dec-10	Q2FY11 result update	2/5	Rs 35	1/5	Rs 50
28-Feb-11	Q3FY11 result update	2/5	Rs 35	5/5	Rs 24

* For detailed initiating coverage report please visit: www.ier.co.in

CRISIL Independent Equity Research reports are also available on Bloomberg (CRI <go>) and Thomson Reuters.

FINANCIALS

Income statement

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Operating income	706	633	894	1,045	1,185
EBITDA	66	52	59	74	86
EBITDA margin	9.3%	8.2%	6.6%	7.1%	7.2%
Depreciation	17	18	21	22	24
EBIT	49	33	38	52	62
Interest	31	28	35	39	44
Operating PBT	18	5	4	12	18
Other income	4	5	4	1	1
Exceptional inc/(exp)	0	0	0	0	0
PBT	22	11	7	13	19
Tax provision	7	5	2	4	6
Minority interest	0	0	0	0	0
PAT (Reported)	14	6	5	9	13
Less: Exceptionals	0	0	0	0	0
Adjusted PAT	14	6	5	9	13

Ratios

	FY09	FY10	FY11E	FY12E	FY13E
Growth					
Operating income (%)	24.4	(10.4)	41.3	16.8	13.4
EBITDA (%)	9.7	(21.2)	13.8	25.7	15.6
Adj PAT (%)	0.7	(58.8)	(18.1)	83.7	43.6
Adj EPS (%)	0.7	(64.8)	(18.1)	83.7	43.6
Profitability					
EBITDA margin (%)	9.3	8.2	6.6	7.1	7.2
Adj PAT Margin (%)	2.0	0.9	0.5	0.9	1.1
RoE (%)	9.9	3.6	2.7	4.9	6.6
RoCE (%)	12.6	8.1	8.5	10.4	11.3
RoIC (%)	13.0	9.7	9.7	10.1	10.8
Valuations					
Price-earnings (x)	6.9	42.8	39.1	21.3	14.8
Price-book (x)	0.7	1.5	1.1	1.0	0.9
EV/EBITDA (x)	5.1	9.7	8.1	6.9	6.4
EV/Sales (x)	0.5	0.8	0.5	0.5	0.5
Dividend payout ratio (%)	38.6	0	0	0	0
Dividend yield (%)	5.7	0	0	0	0
B/S ratios					
Inventory days	78	97	85	85	84
Creditors days	43	49	52	53	53
Debtor days	40	55	46	45	44
Working capital days	85	110	94	93	92
Gross asset turnover (x)	2.0	1.7	2.3	2.4	2.5
Net asset turnover (x)	2.9	2.6	3.6	4.0	4.3
Sales/operating assets (x)	2.8	2.5	3.5	4.0	4.3
Current ratio (x)	2.9	3.4	2.8	2.8	2.7
Debt-equity (x)	1.6	1.5	1.7	1.8	1.8
Net debt/equity (x)	1.6	1.4	1.6	1.7	1.8
Interest coverage	1.6	1.2	1.1	1.3	1.4

Per share

	FY09	FY10	FY11E	FY12E	FY13E
Adj EPS (Rs)	2.1	0.7	0.6	1.1	1.6
CEPS	4.6	3.1	3.2	3.9	4.6
Book value	22.1	21.8	22.4	23.5	25.1
Dividend (Rs)	0.8	0	0	0	0
Actual o/s shares (mn)	6.8	8.0	8.0	8.0	8.0

Note: All ratios are computed on adj. PAT

Source: Company, CRISIL Equities estimate

Balance Sheet

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Liabilities					
Equity share capital	68	80	80	80	80
Reserves	83	94	99	108	121
Minorities	0	0	0	0	0
Net worth	151	174	179	188	200
Convertible debt	0	0	0	0	0
Other debt	244	258	298	333	363
Total debt	244	258	298	333	363
Deferred tax liability (net)	38	39	39	39	39
Total liabilities	433	471	516	560	603
Assets					
Net fixed assets	238	244	253	268	281
Capital WIP	16	7	7	0	0
Total fixed assets	254	251	260	268	281
Investments					
Current assets					
Inventory	130	147	186	215	240
Sundry debtors	82	101	123	140	156
Loans and advances	52	57	81	94	107
Cash & bank balance	10	8	7	9	7
Marketable securities	0	0	0	0	0
Total current assets	274	313	397	458	510
Total current liabilities	95	93	141	166	188
Net current assets	179	220	256	292	322
Intangibles/Misc. expenditure	0	0	0	0	0
Total assets	433	471	516	560	603

Cash flow

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Pre-tax profit	21	11	7	13	19
Total tax paid	(6)	(4)	(2)	(4)	(6)
Depreciation	17	18	21	22	24
Working capital changes	(11)	(42)	(37)	(34)	(32)
Net cash from operations	21	(17)	(11)	(3)	5
Cash from investments					
Capital expenditure	(20)	(16)	(30)	(30)	(37)
Investments and others	0	(0)	0	0	0
Net cash from investments	(20)	(16)	(30)	(30)	(37)
Cash from financing					
Equity raised/(repaid)	0	23	0	0	0
Debt raised/(repaid)	5	14	40	35	30
Dividend (incl. tax)	(6)	0	0	0	0
Others (incl extraordinary)	3	(6)	0	-	(0)
Net cash from financing	2	31	40	35	30
Change in cash position	4	(1)	(1)	2	(2)
Closing cash	10	8	7	9	7

Quarterly financials

(Rs mn)	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11
Net Sales	159	172	227	246	255
Change (q-o-q)	5%	8%	32%	9%	4%
EBITDA	13	21	10	19	15
Change (q-o-q)	6%	64%	-54%	102%	-24%
EBITDA margin	8.0%	12.2%	4.2%	7.9%	5.8%
PAT	1	1	1	2	1
Adj PAT	1	1	1	2	1
Change (q-o-q)	-21%	40%	-42%	139%	-7%
Adj PAT margin	0.6%	0.6%	0.3%	0.6%	0.6%
Adj EPS	0.1	0.1	0.1	0.2	0.2

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