

Zodiac-jrd-mkj Ltd.

Key Stock Indicators

NSE Ticker :	ZODJRD MKJ	CMP as on 13 Jul 2011-Rs/share :	24.0	Shares outstanding (mn) :	5.2
Bloomberg Ticker :	ZJM:IN	52 week range up to 13 Jul 2011 (Rs)(H/L) :	43.1/18.3	Free Float (%) :	54.0
Face value per share :	10.0	Market Cap as on 13 Jul 2011 (Rs mn) :	124	Average daily volumes (12 months) :	4,520
Div.Yield (%) :	2.1	Enterprise Value as on 13 Jul 2011 (Rs mn) :	121	Beta (2 year) :	1.0

ZODIAC-JRD-MKJ LTD (Zodiac) was incorporated in 1987. The company is part of JRD group. Zodiac is engaged in producing cut/ polished diamonds and manufacturing of gold jewellery. The company supplies its products to clients in the overseas market.

KEY HIGHLIGHTS

Presence in diamond and gold jewellery sector

Zodiac is engaged in producing cut and polished diamonds. The company is also engaged in the manufacturing of gold jewellery. During FY10, the company had a production of 1024.41 carats of cut and polished diamonds and 439.602 carats of gold jewellery.

Exports dominates the revenue break-up

Zodiac mainly deals with reputed clients for sales of diamonds and gold jewellery in overseas market. Income from exports witnessed ~45% CAGR between FY08 and FY10. During FY10, the income from export accounted for ~99% of net revenues.

KEY RISKS

- Volatility in foreign exchange as the company earned ~99% of revenues from exports in FY10
- Volatility in prices of commodities like rough diamonds, raw gold, raw silver, raw pearl, etc
- Stiff competition from established players in field of diamond and gold jewellery sector

Stock Performances vis-à-vis market

	Returns			
	YTD	1-m	3-m	12-m
ZODJRD MKJ	3	12	-3	-16
NIFTY	6	2	-6	3

Note:

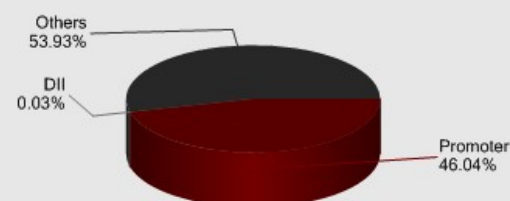
- 1) YTD returns are since Apr 1, 2010 to Jul 13, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Jul 13, 2011

Key Financial Indicators

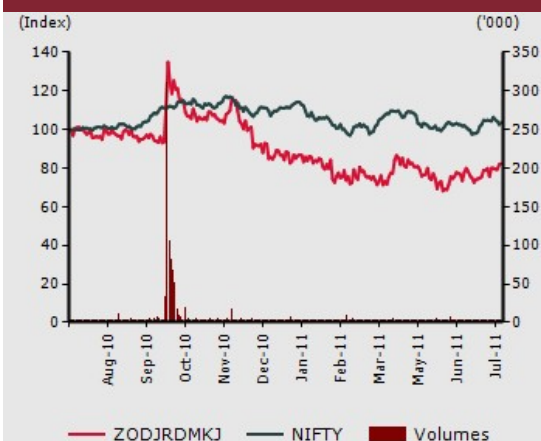
	MAR-08	MAR-09	MAR-10
Revenue (Rs mn)	120.2	165.7	252.3
EBITDA margins (%)	5.3	5.5	7.0
PAT (Rs mn)	10.6	11.6	13.5
PAT margins (%)	8.8	7.0	5.3
Gearing (x)	-	-	-
EPS (Rs/share)	2.6	2.2	2.6
PE (x)	11.5	4.9	9.2
P/BV (x)	0.3	0.1	0.2
RoCE (%)	2.9	3.0	3.6
RoE (%)	2.3	2.3	2.5
EV/EBITDA (x)	20.1	5.7	6.9

n.m. : Not meaningful

Shareholding (As on March 31, 2011)



Indexed price chart



BACKGROUND

Zodiac was incorporated in 1987 as Zodiac Leasing Pvt Ltd. In 1992, the name was changed to ZODIAC-JRD-MKJ Pvt Ltd. During 2000, the company issued shares to the public. The company's registered office is located in Mumbai. It is part of the JRD group. The company is engaged in producing cut/ polished diamonds and manufacturing of gold jewellery. The company has clients in the overseas market, and drew ~99% of its income from exports in FY10.

COMPETITIVE POSITION

Peer Comparison

	Zodiac-jrd-mkj Ltd. Mar-10	Gitanjali Gems Ltd. Mar-10	Goenka Diamond & Jewels Ltd. Mar-10	Su Raj Diamonds and Jewellery Ltd Mar-10
Revenue (Rs mn)	252.3	65,295.6	5,367.6	34,051.3
EBITDA margins (%)	7.0	6.9	9.5	3.5
PAT (Rs mn)	13.5	2,015.5	411.8	851.7
PAT margins (%)	5.3	3.1	7.7	2.5
Gearing (x)	-	1.2	0.6	1.2
EPS (Rs/share)	2.6	23.9	18.4	13.8
PE (x)	9.2	13.0	3.2	3.4
P/BV (x)	0.2	1.2	1.2	0.3
RoCE (%)	3.6	9.3	34.5	9.4
RoE (%)	2.5	9.9	47.1	10.8
EV/EBITDA (x)	6.9	11.1	3.7	5.6

n.m: Not meaningful

FINANCIAL PROFILE

Exports drive top line growth, EBITDA margin expands in FY10

Top line grew at a CAGR of ~45% between FY08 and FY10, mainly due to revival in global economy, which improvised demand in the diamond and gold jewellery segment. In FY10, revenue stood at Rs 252 mn, up ~52% year-on-year (y-o-y), driven mainly by growth in income from exports.

EBITDA margin stood at ~7% in FY10 vis-à-vis ~5% in FY09, led by decrease in raw material cost, manufacturing expenses and employee costs.

The company reported net profit of Rs 13.5 mn in FY10, up ~17% y-o-y, due to growth in operating profit and decrease in interest expense.

INDUSTRY PROFILE

Gems and jewellery

Gems and jewellery exports grew by 16% to \$28.4 billion in 2009-10, from \$21.1 billion in 2008-09. The growth in exports occurred due to a revival in global demand post the global economic crisis and large consignments of recycled diamonds entering the market (re-cutting and re-polishing).

Low labour costs and availability of skilled labour has led India to become the global leader in the diamond cutting and polishing business. China, Russia and South Africa are its main competitors. The industry depends on import of rough diamonds and gold; raw materials account for approximately 90% of net sales. Margins of players are, therefore, sensitive to prices of raw materials. As a result of dependence on exports, the industry is also very sensitive to fluctuations in the exchange rate — an appreciating dollar has a significant negative impact on player margins.

Key Financial Indicators

	Units	Mar-08	Mar-09	Mar-10
Revenue	Rs million	120.2	165.7	252.4
EBITDA margins	Per cent	5.3	5.5	7.0
PAT	Rs million	10.6	11.6	13.5
PAT margins	Per cent	8.8	7.0	5.3
Revenue growth	Per cent	9.5	37.8	52.3
EBITDA growth	Per cent	-1.7	44.0	93.7
PAT growth	Per cent	8.5	8.8	16.5
Gearing	Times	-	-	-
RoCE	Per cent	2.9	3.0	3.6
RoE	Per cent	2.3	2.3	2.5

ANNUAL RESULTS

Income statement

(Rs million)	Mar-08	Mar-09	Mar-10
Net Sales	120.2	165.7	252.3
Operating Income	120.2	165.7	252.3
EBITDA	6.3	9.1	17.6
EBITDA Margin	5.3	5.5	7.0
Depreciation	0.8	1.1	1.1
Interest	0.0	0.4	0.3
Other Income	7.7	7.5	3.3
PBT	13.2	14.9	19.4
PAT	10.6	11.6	13.5
PAT Margin	8.8	7.0	5.3
No.of shares(Mn No.)	4.1	5.2	5.2
Earning per share(EPS)	2.6	2.2	2.6

Cash flow

(Rs million)	Mar-08	Mar-09	Mar-10
Pre-tax Profit	13.2	15.1	19.5
Total tax paid	-2.7	-3.3	-5.9
Depreciation	0.8	1.1	1.1
Change in working capital	-14.0	-23.5	-19.1
Cash flow from operating activities	-2.7	-10.6	-4.4
Capital expenditure	-0.7	-2.8	-0.2
Investments and others	-3.2	-45.3	5.9
Cash flow from investing activities	-3.9	-48.2	5.7
Equity raised/(repaid)	0.0	11.3	0.0
Debt raised/(repaid)	11.9	-11.9	0.0
Dividend (incl. tax)	-2.4	-4.5	-3.0
Others (incl extraordinary)	0.0	61.2	-0.1
Cash flow from financing activities	9.5	56.1	-3.1
Change in cash position	2.9	-2.7	-1.8
Opening cash	4.7	7.8	5.0
Closing cash	7.8	5.0	3.2

n.m.: Not meaningful

QUARTERLY RESULTS

Profit and loss account

(Rs million)	Mar-11	% of Rev	Mar-10	% of Rev	Dec-10	% of Rev
No of Months	3		3		3	
Revenue	77.4	100.0	32.6	100.0	22.4	100.0
EBITDA	5.2	6.6	1.4	4.4	0.8	3.5
Interest	0.0	0	0.0	0	0.0	0
Depreciation	0.5	0.7	0.3	0.8	0.3	1.2
PBT	4.6	6	1.2	3.5	0.5	2.3
PAT	3.0	3.8	0.4	1.1	0.5	2.3

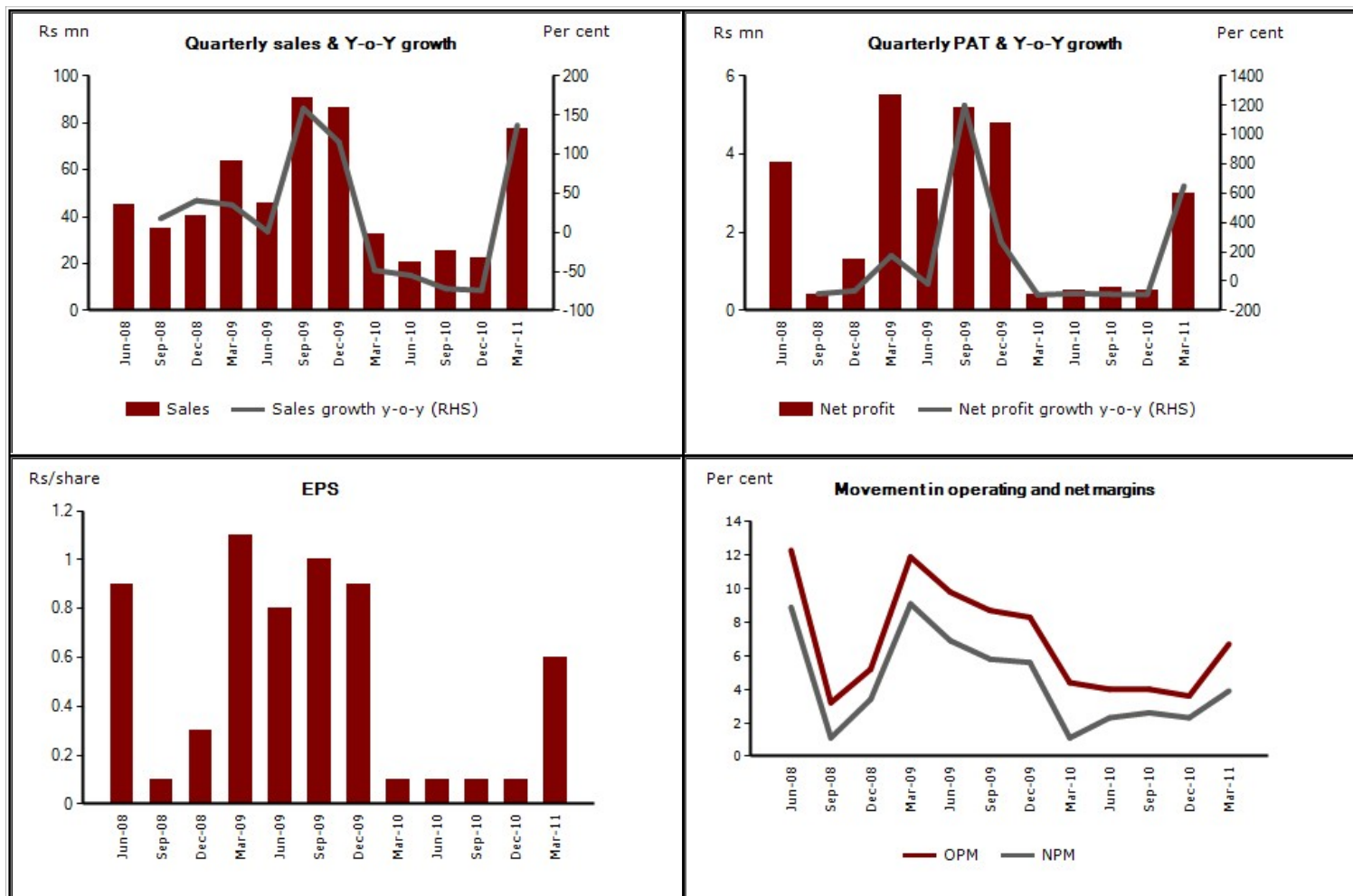
Balance Sheet

(Rs million)	Mar-08	Mar-09	Mar-10
Equity share capital	40.5	51.8	51.8
Reserves and surplus	420.3	488.7	499.2
Tangible net worth	460.8	540.5	551.0
Deferred tax liability: asset	-0.1	-0.1	-0.1
Long-term debt	0.0	0.0	0.0
Short-term-debt	11.9	0.0	0.0
Total debt	11.9	0.0	0.0
Current liabilities	1.5	0.5	1.4
Total provisions	2.4	4.5	3.0
Total liabilities	476.5	545.4	555.3
Gross block	18.9	21.7	21.8
Net fixed assets	26.0	27.7	26.8
Investments	53.4	98.7	92.8
Current assets	397.1	419.0	435.7
Receivables	35.5	26.5	7.6
Inventories	349.7	381.8	422.9
Cash	7.8	5.0	3.2
Total assets	476.5	545.4	555.3

Ratios

	Mar-08	Mar-09	Mar-10
Revenue growth(%)	9.5	37.8	52.3
EBITDA growth(%)	-1.7	44.0	93.7
PAT growth(%)	8.5	8.8	16.5
EBITDA margins(%)	5.3	5.5	7.0
Tax Rate(%)	20.1	22.8	30.8
PAT margins(%)	8.8	7.0	5.3
Dividend payout(%)	19.1	33.6	19.2
Dividend per share(Rs)	0.5	0.7	0.5
BV(Rs)	113.5	100.0	103.3
Return on Equity(%)	2.3	2.3	2.5
Return on Capital employed(%)	2.9	3.0	3.6
Gearing(x)	-	-	-
Interest coverage(x)	-	21.2	51.2
Debt/EBITDA(x)	1.9	-	-
Asset turnover(x)	6.5	8.2	11.6
Current ratio(x)	103.9	92.1	110.3
Gross current assets(days)	1196	914	629

FOCUS CHARTS AND TABLES



Shareholding pattern (Per cent)

	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Promoters	46.0	46.0	46.0	46.0
FII	-	-	-	-
DII	-	-	-	-
Others	53.9	53.9	53.9	53.9

Board of Directors

Directors Name	Designation
Jayantilal Amratlal Jhaveri	Non-Executive Chairman, Promoter-Director
Jayesh Jayantilal Jhaveri	Managing Director, Promoter-Director
Rajnikant Shantilal Chokshi	Nominee Director
Devang Rajnikant Jhaveri	Promoter-Director
Rajnikant Amratlal Jhaveri	Promoter-Director
Jindat Kalidas Mehta	Non-Executive Director
Neeta Jayesh Jhaveri	Director
Hasmukh Bachubhai Thakker	Director

Additional Disclosure

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

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