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**DALAL STREET**  
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DEMOCRATIZING WEALTH CREATION



June 2018

# Jiya Eco-Products

BSE Code: 539225

CMP : ₹128

Face Value : ₹10

Target price: ₹190

HP\* : Two years

## About the company

Our Pearl Pick for the month of June is Jiya Eco-Products. The company is engaged in the manufacturing of bio fuel, such as bio briquettes and bio-pellets, which is an alternative source of energy. The company operates in two segments: Briquettes and Pellets and they contributed around 27 per cent and 73 per cent of the total revenue, respectively, during 9MFY18 period.

## Why to invest

**Monopolistic Player with Unique Business Model** : Jiya Eco Products is the only listed company that manufactures biomass briquettes and pellets from agriculture waste and forest waste such as cotton stalk, groundnut shells, cumin waste, forest leaves, household waste etc. These briquettes and pellets are substitutes of some other commonly used feed such as coal, charcoal, firewood, diesel, petrol and LPG etc. This bio fuel provides 30-50 per cent savings as compared to regular fuel. For sourcing raw material including agriculture waste, the company has signed agreements with 52 gram panchayats in Gujarat in a 15-20 km radius from its plant which in turn saves transit cost.

**Capacity Expansion Plans** : The company has recently improved its plant in Navagam and added two new lines of pellets resulting in 4 lines of Briquettes and 6 lines of pellets with rated capacities of 1,19,680 TPA and 1,79,000 TPA respectively, which can be utilised at 95 per cent of peak level. Also, it has planned a plant for pellets in Gandhidham with rated capacity of 95,000 ton per year, which is likely to be commenced by Q2FY19E. Moreover, it is planning a pellet plant in Ankaleshwar which is likely to commence by Q1FY20E.

**Enhanced Focus on Retail market** : To grab the retail market, the company has acquired 100 per cent stake in Jiya Eco India Limited (JEIL) which provides bio fuel pellet fired burners and stoves used in manufacturing of namkeen, sweets, bakery, etc. For this, JEIL will get into 3 years of contract with the client to source specified quantity of pellets. According to the management, Gujarat has many small and medium scale snack makers and restaurants, where pellets can help them save ~30-40 per cent of their fuel cost. Currently, JEIL has ~65 client and the company aims to achieve 1,000 clients by FY20E.

## Upcoming Opportunities

The Ministry of Power has issued a policy that asks for using 5-10 per cent of biomass pellets along with coal for power generation in thermal power plants across the country. There are 116 power plants in India. If the industry switches to 10 per cent (as proposed by CEA as alternate fuel) of its fuel requirement to agricultural waste from current coal would imply a sourcing market opportunity of US\$ 2.7 billion for biomass briquettes and pellets in the years to come.

Peripheral industry like pharmaceuticals, chemicals, textiles, refractory units which uses 30 per cent of the total coal consumption of India, if convert to biofuel could be opportunity of US\$2.7 billion.

*Continued On PG 2...*

\* HP : Holding Period

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## Industry development

Bio fuel (Briquettes and pellets) has the highest potential for small scale business development and mass employment. Characterized by unique technologies and freely available raw materials, it is still one of the leading sources of primary energy for most countries. With better technology transfer and adaption to local needs, bio fuel is not only environmentally benign, but also an economically sound choice. Bio-based energy can be expected to grow at a faster pace in the years to come.

## Investing in the stock

The company has a share capital of Rs. 10.72 crore, with promoters' holdings at 63.63 per cent. Therefore, the available free float comes to 3.90 crore shares. The two-week average traded quantity comes to around 26,000 shares. We urge our investors to enter the stock in a staggered manner and accumulate as per the table given below.

Price	Accumulation
100-110	30 per cent
90-100	25 per cent
80-90	25 per cent
<80	20 per cent

## Financial performance

During Q4FY18, the standalone revenue came in at Rs. 35.79 crore, registering 149.4 per cent yoy increase. EBITDA for the quarter rose by 90.5 per cent yoy to Rs. 6.02 crore with a corresponding margin contraction of 520 bps. EBITDA margin for the quarter stood at 16.8 per cent. The PAT for the quarter came in at Rs. 4.53 crore, yoy increase of 174.5 per cent. Looking at FY18 numbers, the revenue jumped by 75 per cent to reach Rs. 90.97 crore while EBITDA rose by 76 per cent to 15.26 crore. Company reported net profit of Rs. 8.44 crore, up 85 per cent yoy.

## Valuation and outlook

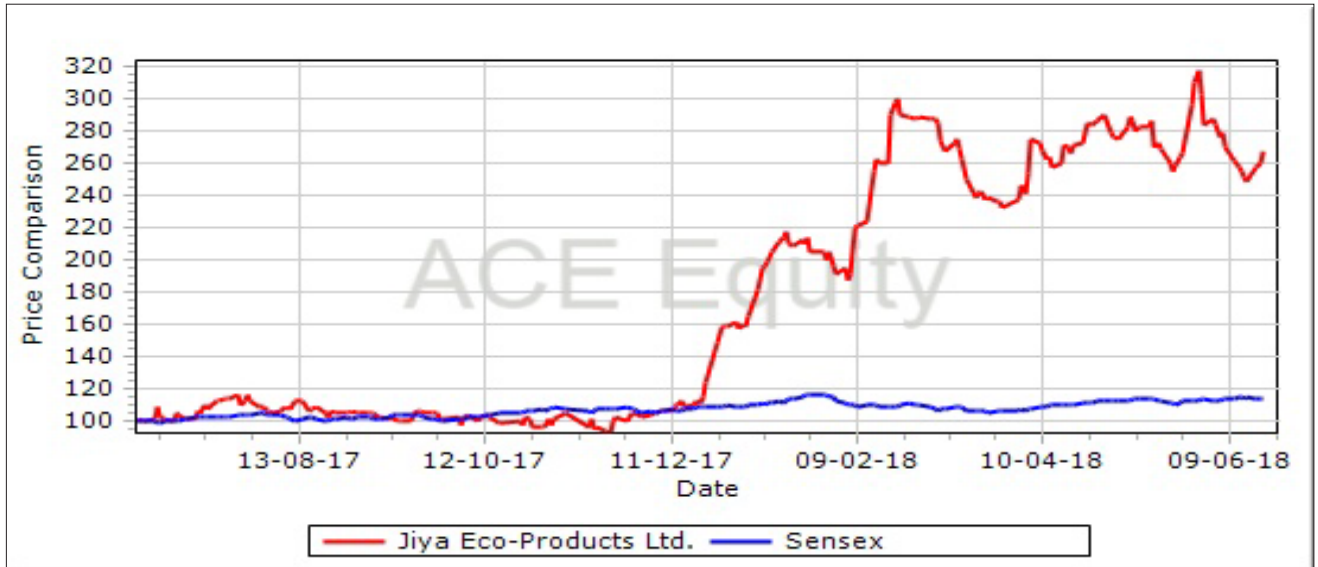
The company is trading at a TTM P/E of 17.65x with TTM EPS of Rs. 7.11. Going ahead, the recent capacity modification and capacity expansion would provide various growth opportunities to the company. Further, company's plan to tap the retail market and various upcoming favourable opportunities would further drive the overall growth. Considering all the aspects, we see an upside of 50 per cent with a target price of Rs. 190 over the next two years.

Inc/Exp Statement(Standalone) (Rs in Crore)					
Description	201803	201703	201603	201503	201403
Net Sales	90.97	51.96	33.79	28.18	14.01
Total Income	91.82	52.02	33.88	28.19	14.02
Total Expenditure	75.71	43.35	27.97	23.70	11.92
PBIDT	16.11	8.68	5.91	4.49	2.10
PAT	8.44	4.55	2.76	2.28	1.08
Dividend %	0.00				
Adj. EPS(Rs)	7.88	4.25	2.57	2.91	1.81

Quarter On Quarter (Standalone) (Rs in Crore)					
Particulars	201803	201712	Q on Q Var%	201703	Y on Y Var%
Net Sales	35.79	27.53	29.98	10.49	241.20
Total Expenditure	29.78	23.24	28.10	9.58	210.80
PBIDT (Excl OI)	6.01	4.29	40.13	0.91	561.50
PAT	4.53	3.19	41.97	-0.11	4072.81
PBIDTM% (Excl OI)	16.80	15.58	7.83	8.67	93.77
PBIDTM%	19.15	15.58	22.91	9.28	106.36
PATM%	12.66	11.59	9.23	-1.09	1261.47
Adj. EPS(Rs)	4.23	2.98	41.95	0.00	0.00

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