Textured Jersey Lanka PLC celebrates profitable year with 50% dividend pay out

In an announcement to the Colombo Stock Exchange on 24th May 2012, Textured Jersey Lanka PLC (TJL) declared a final dividend of Rs. 0.36 per share, subject to shareholder approval. This is in addition to an interim dividend of Rs. 0.12 per share declared by the company in March 2012, thereby totalling the dividend during the year to Rs. 0.48 per share. This gives a dividend pay-out ratio of 50%, as per the published **unaudited** profit of Rs. 628mn for FY 2011/12, and a dividend yield of 6.4% at the current share price of Rs. 7.50. The dividend pay-out of 50% is well in excess of the 1/3rd dividend pay-out policy that the company announced it would follow at its IPO in June 2011, and confirms the company's commitment to enhance shareholder return and management's confidence in the company's outlook.

Strong operating performance

The quarterly results of the company released to the CSE on 24th May 2012, saw it recording 47% growth in profitability during the 4th quarter of FY2011/12 to Rs. 328mn (excluding one off unrealised exchange losses) and a growth of 21% in revenue to Rs. 3.1bn. Consequently, net profit for the year, excluding unrealised exchange losses, grew by 14% to Rs. 780mn for FY 11/12, backed by a strong 31.8% growth in top line to Rs.12.2bn.

Explaining this growth in revenue, the Chairman, Mr. Ashroff Omar stated "the policy of strengthening its customer base has been beneficial for TJL whilst its longstanding relationships with its key customers have also been a valuable asset in uncertain times."

The unrealised one off exchange losses recorded during the year as a result of the unexpected devaluation of the Rupee, amounted to Rs. 152mn, the inclusion of which saw a 8% drop in reported profitability to Rs. 628mn.

Strategic Outlook

As disclosed previously to the CSE on 3rd May 2012, instead of the previous green-field expansion plans, the management is currently actively pursuing inorganic expansion options within the South Asian region via an acquisition of an existing facility. Acquisition of operational facilities, which may now be available at a reasonable price following last year's industry upheavals, should provide a faster return than organic expansion and yield optimal returns on the IPO funds. Management is also evaluating options to set up a coal/bio mass boiler in order to offset the negative impact of the recent furnace oil price increase, while effective inventory management remains a priority with cotton prices having fallen to their lowest levels since February 2010. TJL is also a beneficiary of the exchange rate depreciation, as its price contracts with customers are denominated in US Dollars and the full benefit of this would only be seen during FY2012/13.